



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

21-27 February 2011

INDICATORS

Inflation Rate for the week ending 12 February 2011

| Categories | Weekly | Annual |
|--------------------------------|--------|--------|
| Primary articles | 0.5 | 15.8 |
| Fuel, power, light & lubricant | 0.0 | 12.1 |

- The annual **inflation** in **primary articles** increased to 15.8% for the week ended 12 February 2011, from 14.6% in the previous week.
- The annual **inflation** in **food articles** almost remained flat at 11.5% for the week ended 12 February 2011, from 11.1% in the previous week.
- **Fiscal deficit** for 2010-11 stood at 5.1% compared to the targeted 5.5%
- **Index of Six core industries** for the month of January 2011 stood at 7.1% compared to 9.8% a year ago.
- **Foreign Exchange Reserves** as on 18 February 2011 stood at US \$ 300.6 billion, up by US\$ 2.0 billion over previous week.
- The **call money rates** as on 18 February 2010 traded in the range of 5.5 – 7.2%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.1%.



Dear Reader,

CII welcomes Budget 2011 which has focused on the investment environment, especially in agriculture and infrastructure. The Finance Minister Mr. Pranab Mukherjee has done a fine balancing act to sustain economic growth, curb inflation, promote inclusive growth and maintain fiscal consolidation. With the reduction in the fiscal deficit, the interest rate environment is also likely to remain conducive to growth. CII also welcomed the fact that the Finance Minister has refrained from any increase in the indirect tax rates and taken forward the move towards GST. The move towards direct transfer of subsidies for kerosene, fertilizer, and LPG for BPL families will remove the inefficiencies that plague our delivery of welfare measures to under-privileged sections.

Chandrajit Banerjee

Director General, CII

IN THIS ISSUE

- **Markets**
- **Policy Update**
- **Industry News**
- **Global News**

BUDGET 2011: KEY HIGHLIGHTS

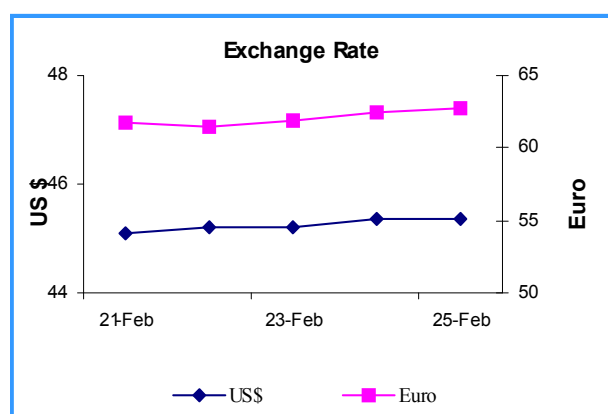
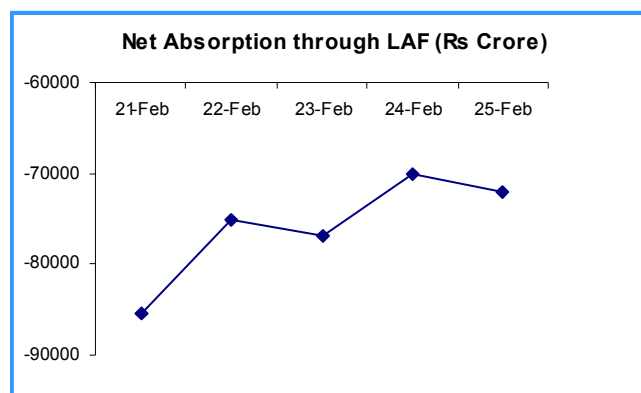
- Move towards direct transfer of subsidies for kerosene, fertilizer, and LPG for BPL families.

Agriculture

- Major steps being taken to address supply side bottlenecks for fruits, vegetable, meat, milk, poultry and fish amongst others.
- Approval being given to set up 15 more Mega Food Parks during 2011-12.
- Capital investment in creation of modern storage capacity will be eligible for viability gap funding of the Finance Ministry.
- The fertilizer industry has been given infrastructure status.

Tax

- Exemption limit raised to Rs. 1,80,000 from the previous figure of Rs. 1,60,000.
- Rate of MAT has been revised upward to 18.5% from the previous 18%.
- Central Excise Duty to be maintained at standard rate of 10%. This along with other Indirect Tax measures ensured the Government is on course for transition to GST.
- DTC to be finalised for enactment during 2011-12. DTC proposed to be effective from April 1, 2012.



BANKING INDICATORS

| Indicators | Outstanding as on 11 February, 2011 | % Variation over | |
|-----------------------------|--|------------------|-------------|
| | | Fortnight | Year |
| Total Bank Credit | 37,84,570 | 1.3 | 23.9 |
| Food Credit | 64,002 | 4.6 | 43.7 |
| Non Food Credit | 37,84,570 | 3.0 | 25.9 |
| Aggregate Deposit | 50,42,155 | 1.2 | 16.9 |
| Broad Money (M3) | 63,07,412 | 1.1 | 16.9 |
| Credit Deposit Ratio | 75.1 | | |

Source: RBI

EQUITY MARKETS

- Global indices remained in red as political unrest in Libya continued and consequently oil prices surged close to US\$ 100 per barrel.
- Indian key benchmark indices also plummeted in the week ending February 25, 2011 due to political unrest in the Middle East and also prior to the Union Budget 2011.
- Total turnover during the week on BSE stood at Rs 16,581 crore and at NSE at Rs 67,648 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 97.9 per barrel on 25 February 2011, up by US \$ 11.7 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,409.4 per ounce as on 25 February 2011, up by US \$ 21.5 per ounce over the week.

| Global Stock Indices | Closing Value as on 25 February 2011 | Weekly Change (%) |
|----------------------|--------------------------------------|-------------------|
| NYSE: DJIA | 12,130.5 | -2.1 |
| FTSE 100 | 6,001.2 | -1.3 |
| Nikkei 225 | 10,526.8 | -2.9 |
| Straits Times | 3,025.2 | -2.0 |
| KOSPI | 1,963.4 | -2.5 |

Source: Yahoo Finance

| Indian Equity Indices | Closing Value on 25 February 2011 | Week's % Change |
|-----------------------|-----------------------------------|-----------------|
| BSE SENSEX | 17,700.9 | -2.8 |
| BSE 500 | 6,811.9 | -3.1 |
| S&P CNX NIFTY | 5,303.6 | -2.8 |
| S&P CNX 500 | 4,226.8 | -3.2 |

Source: NSE, BSE

Net Institutional Activity

| | Equity | Debt |
|----------------------------------|----------|---------|
| Weekly FII (US \$ Million) | -432.8 | -227.3 |
| Year -to-date FII (US\$ million) | -1,943.5 | 2,542.5 |
| Weekly Mutual Funds# (Rs Crore) | 429.1 | 7,197.6 |

Source:SEBI

#as on 17 February 2011

| Commodity Spot Indices | Closing Value as on 26 February 2011 | Week's % Change |
|------------------------|--------------------------------------|-----------------|
| MCX AGRI | 2,861.1 | -1.9 |
| MCX METAL | 4,339.3 | 0.5 |
| MCX ENERGY | 3,022.7 | 9.7 |
| MCX COMDEX | 3,367.5 | 3.5 |

Source: MCX, NCDEX

INDUSTRY NEWS

Auto

- Budget 2011 announced a National Mission on Hybrid and Electrical Vehicles, to promote greener technologies in this sector. Further, an excise duty reduction from 10% to 5% on manufacturing of hybrid vehicle kits

Cement

- The Finance Minister announced in Budget 2011 the replacement of ad valorem duties for this sector and also reduction in customs duty on pet coke and gypsum from 5% to 2.5%.

Aviation

- Service Tax on Domestic and International travel increased by Rs. 50 and Rs. 250 respectively. A 10% tax will be levied on travel by higher classes domestic airlines on par with international counterparts

Infrastructure and Logistic

- Along with a 23.3% increase in total allocation to this sector, issuance of tax free bonds worth Rs. 30,000 crore have been allowed. Amongst other measures, the income tax exemption of up to Rs. 20000 crore has been extended for one more year

| BSE Indices | Closing Value on 25 February 2011 | Week's % Change |
|-----------------------------|-----------------------------------|-----------------|
| AUTO INDEX | 8,251.0 | -5.4 |
| BANKEK | 11,325.5 | -4.7 |
| BSE CAPITAL GOODS | 12,325.5 | -6.1 |
| BSE CONSUMER DURABLE | 5,631.0 | -1.5 |
| BSE FMCG | 3,285.7 | -0.3 |
| BSE HEALTHCARE | 5,720.4 | -3.9 |
| BSE INFOTECH | 6,107.0 | -1.9 |
| BSE MID CAP | 6,353.5 | -4.6 |
| BSE SMALL CAP | 7,789.5 | -4.2 |
| BSE TECK INDEX | 3,571.3 | -2.1 |
| METAL INDEX | 15,343.9 | -3.5 |
| OIL & GAS INDEX | 9,404.7 | 0.8 |

Source: BSE

| CNX Segment Indices | Closing Value on 25 February 2011 | Week's % Change |
|---------------------------|-----------------------------------|-----------------|
| CNX NIFTY Junior | 10,407.4 | -3.7 |
| CNX MIDCAP | 7,354.8 | -4.5 |
| BANK NIFTY | 10,435.9 | -4.7 |
| CNX IT | 6,679.8 | -2.2 |
| CNX Realty | 259.6 | -4.6 |
| CNX Infrastructure | 2,810.2 | -4.6 |

Source: NSE

GLOBAL NEWS

USA

- In the week ending February 19 2011, the advanced figures for seasonally adjusted initial claims was 391,000, a decrease of 22,000 from the previous week's revised figure of 413,000.
- US Real GDP increased at an annual rate of 2.8% in the fourth quarter of 2010. In the third quarter GDP was 2.6%.
- Personal income increased by 1.0% and disposable personal income increased by 0.7% in January 2011.

Europe

- Euro Area's inflation went up to 2.3% in January 2011 from 2.2% a month ago and 0.9% in January 2010.
- In December 2010 compared with November 2010,

the Euro Area industrial new orders index rose by 2.1%.

Asia

- China's Purchasing Manager's Index fell to 52.2 from 52.9 in January, the slowest pace in six months as higher interest rates and lending curbs aimed at containing inflation damped demand.
- Japan's jobless rate remained unchanged in January 2011 from the previous month, standing at 4.9%.
- South Korea's exports rose at the slowest pace in five months, raising concern that the economy is losing momentum. Overseas shipments increased 17.9% last month as compared to a year earlier, while imports stood at 16.3%, leaving a trade surplus of US\$ 2.8 billion.

Disclaimer

The data used here are from various published and electronically available primary and secondary sources. We have taken care to verify and cross-check the accuracy of such data. However, despite due diligence, the source data may contain occasional errors. In such instances, CII is not responsible for such errors.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group**.
Reach us at: ecopolicy@cii.in



Confederation of Indian Industry
Since 1895

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA
Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: ecopolicy@cii.in • Website: www.cii.in