



Confederation of Indian Industry

Economy Update

Weekly Newsletter

22-28 August 2011

INDICATORS

Inflation Rate for the week ending 13th August 2011

Categories	Weekly	Annual
Primary articles	0.5	12.4
Fuel, power, light & lubricant	0.0	13.1

- The annual **inflation in primary articles** stood at 12.4% for the week ended 13th August 2011— up from 11.6% in the previous week.
- The annual **inflation in food articles** increased to 9.8% for the week ended 13th August 2011 from 9.0% in the previous week, while annual inflation in **Non-Food articles** increased to 17.8% from 16.1% in the previous week.
- **Foreign Exchange Reserves** as on 19 August 2011 stood at US\$ 318.2 billion, up by US\$ 1.6 billion from the previous week.
- The **call money rates** as on 26th August 2011, traded in the range of 6.8– 7.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 8.4%.
- **All India rainfall** during the week 18-24 August was 8% below the long period average (LPA). Cumulative rainfall during this year's monsoon so far up to 24th August has been 1% below LPA.



Dear Reader,

GDP data for the first quarter is expected this week and is likely to show considerable moderation compared to the 9.3% growth seen in the same quarter last year. Company results for the quarter ending June 2011 show that steadily

rising expenses have squeezed profit margins for companies even though sales growth has remained robust. Even as rising raw material costs is a concern for companies across sectors, the iron and steel industry faces acute concerns on the availability of iron ore following the extension of the mining ban to more districts of Karnataka.

Chandrajit Banerjee

Director General, CII

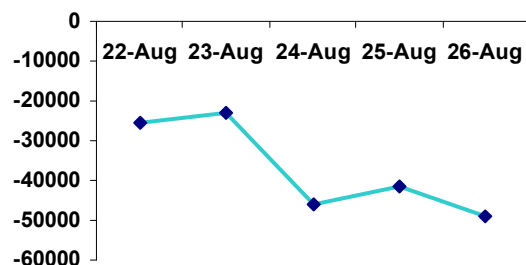
IN THIS ISSUE

- Markets
- Policy Development
- Industry News
- Global News

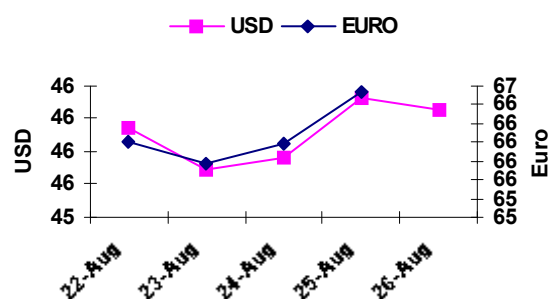
POLICY DEVELOPMENT

- The unique identification (UID) project's authentication service, which will allow government departments, banks, telecom companies and other service providers to check the identity of a service seeker, will be tested from September.
- RBI Panel may propose provisioning and reserve requirement rules for non-banking finance companies that will narrow the gap between these lenders and bankers.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 12 August ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,48,457	1.1	20.2
Food Credit	72,448	2.8	53.2
Non Food Credit	39,76,009	1.0	20.3
Aggregate Deposit	54,91,450	0.2	18.4
Broad Money (M3)	64,99,548	0.4	17.3
Credit Deposit Ratio	73.7		

Source: RBI

EQUITY MARKETS

- Investors globally turned cautious ahead of a crucial speech by US Federal Reserve chief that could give some clarity amid nervousness about the outlook for the world's biggest economy.
- Indian markets continued its downward as global growth slowdown fears punctured investor confidence. Increase in weekly food inflation data also dragged the market lower. However, investors are waiting for Federal Reserve Chairman Ben Bernake's speech, which some investors hope will contain steps to bolster a faltering US Economy .
- Total turnover during the week on BSE stood at Rs 11,668 crore and on NSE at Rs 55,437 crore.

COMMODITY MARKETS

- NYMEX **Crude Oil on August** for September delivery stood at US\$ 85.2 per barrel on 25th August 2011.
- New York **spot price for Gold** was US\$ 1,797.1per ounce as on 26th August 2011, down by US\$ 52.0 per ounce from the previous week.

Global Stock Indices	Closing Value as on 26th August 2011	Weekly Change (%)
NYSE: DJIA	11,284.5	4.3
FTSE 100	5,129.9	1.8
Nikkei 225	8,797.8	0.8
Straits Times	2,748.2	0.5
KOSPI	1,779.0	2.0

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 26th August 2011	Week's % Change
BSE SENSEX	15,848.8	-1.8
BSE 500	6,192.0	-1.9
S&P CNX NIFTY	4,747.8	-2.0
S&P CNX 500	3,851.6	-1.9

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-952.8	441.7
Year -to-date FII (US\$ million)	-40.5	4,027.2
Weekly Mutual Funds# (Rs Crore)	605.1	2,302

Source:SEBI

#as on 25h August, 2011

Commodity Spot Indices	Closing Value as on 20th August 2011	Week's % Change
MCX AGRI	3,046.7	1.1
MCX METAL	4,921.0	-0.6
MCX ENERGY	2,746.0	4.1
MCX COMDEX	3,519.8	1.0

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 26th August 2011	Week's % Change
AUTO INDEX	8,048.9	-1.4
BANKEX	10,245.5	-4.8
BSE CAPITAL GOODS	11,532.4	0.3
BSE CONSUMER DURABLE	6,058.2	-1.6
BSE FMCG	3,892.7	0.1
BSE HEALTHCARE	5,819.6	0.4
BSE INFOTECH	4,720.0	0.6
BSE MID CAP	6,034.9	-1.6
BSE SMALL CAP	6,911.4	-1.4
BSE TECK INDEX	3,025.0	0.2
METAL INDEX	11,145.0	-5.3
OIL & GAS INDEX	8,024.4	-1.8

Source: BSE

Banking

- The finance ministry has agreed to infuse about Rs 3,000 crore into State Bank of India in a compromise solution to meet the bank's capital needs. SBI is now likely to defer its proposed rights issue to later in the year or even next fiscal..

Steel

- Karnataka Steel industry, the producer of 25% of country's total outputs is reeling under raw material shortages and the extension of a mining ban. The multi-billion dollar Karnataka steel industry is in the doldrums due to continuing uncertainty over iron ore supply to their plants.

Telecom

- The Reliance Anil Dhirubhai Group is planning to sell up to 49% stake in its DTH venture Reliance Big TV in a deal which could raise Rs 2,000-2,500 crore.

CNX Segment Indices	Closing Value on 26th August 2011	Week's % Change
CNX NIFTY Junior	9,597.8	-2.7
CNX MIDCAP	7,044.0	-1.2
BANK NIFTY	8,974.6	-4.6
CNX IT	5,088.7	-0.5
CNX Realty	213.1	-4.2
CNX Infrastructure	2,668.8	-0.5

Source: NSE

GLOBAL NEWS

USA

- In the week ending August 20 2011, the advance figure for seasonally adjusted initial claims was 417,000, an increase of 5,000 from the previous week's revised average of 403,500.
- Real GDP increased at an annual rate of 1.0% in the second quarter of 2011, according to the second estimate. In the first quarter, real GDP increased by 0.4%

Europe

- In June 2011 , the euro area industrial new orders index fell by 0.7% compared with May 2011. In May the index rose by 3.6%.

Asia

- South Korea's current account surplus widened to US\$ 4.9 billion, a 9 month high in July even as a stronger won eroded the competitiveness of exports.
- China's reserve requirements are being extended to customer's margin deposits, a move that may drain 900 billion Yuan (US\$ 140 billion) from the banking system over six months.

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**.
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