Confederation of Indian Industry

Economy Update

Weekly Newsletter

26 September-2 October 2011

INDICATORS

Inflation Rate for the week ending 17 September 2011		
Categories	**Weekly**	**Annual**
Primary articles	**0.4**	**11.4**
Fuel, power, light & lubricant	**0.7**	**14.7**

- The annual **inflation** in **primary articles** decreased to 11.4% for the week ended 17 September 2011, from 12.2% in the previous week.
- The annual **inflation** in **food articles** increased to 9.1% for the week ended 17 September 2011 from 8.8% in the previous week, while annual inflation in **Non-Food articles** declined to 12.9% from 17.4% in the previous week.
- India's **exports** during August 2011 were valued at US$ 24.3 billion which was 44.3% higher than the level in August 2010. India's **imports** for August 2011 stood at US$ 38.3 billion, representing a growth of 41.2% over the level achieved in August 2010.
- India's **Current Account Deficit (CAD)** in Q1 FY12 stood at US$ 14.2 billion compared to US$ 12.1 billion in the corresponding quarter of the previous financial year. The CAD for Q4 FY11 was at US$ 5.4 billion.
- **Foreign Exchange Reserves** as on 23 September 2011 stood at US$ 312.7 billion, down by US$ 4 billion from the previous week.
- The **Index of Eight core** industries recorded a growth rate of 3.5% in August 2011 compared to its growth of 4.4% in August 2010. During April-August 2011-12, the cumulative growth rate was 5.3% as against growth of 6.1% during the corresponding period last year.
- At the **Treasury bills** auctions held during the week, the YTM for 91-day T-bills stood at 8.4%.

Dear Reader,

The announcement that the government will exceed its borrowing target by a large margin came as a surprise to debt markets. The yield on 10-year bonds now exceeds 8.5%, the highest in three years, in a clear signal that the market is likely to face a shortage of funds. In fact, the fear is that the government's borrowing needs will go up even further as it exceeds the fiscal deficit target. A slowdown in direct tax collections, a rise in spending on subsidies and lack of progress in divestment of PSU shares are expected to result in the overshoot. Data till August 2011 show that the fiscal deficit is already 66% of the full year target.

Chandrajit Banerjee

Director General, CII

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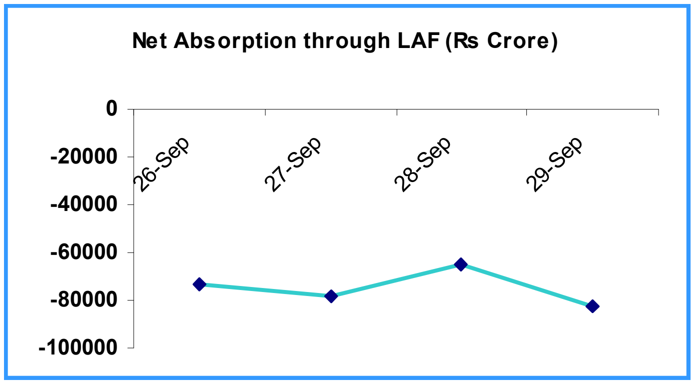
POLICY DEVELOPMENT

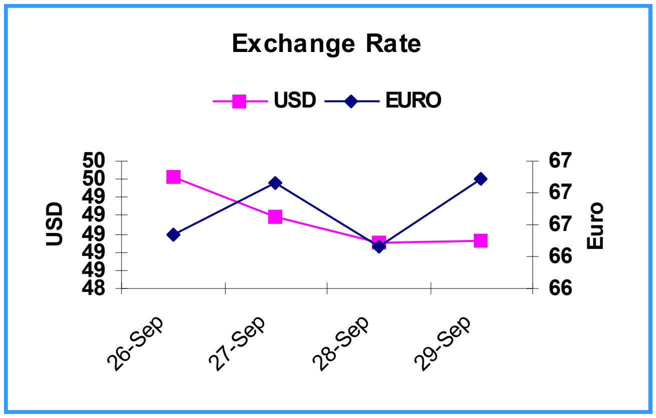
- The Government plans to raise its market borrowing by a hefty Rs 53,000 crore. The Government attributed the additional borrowings primarily to a Rs 35,000 crore shortfall in the National Small Savings Fund.

- The Government amended the Foreign Direct Investment (FDI) rules keeping all instruments with in-built options, such as right to sell back shares, out of FDI ambit. Only equity shares, fully, compulsorily and mandatorily convertible debentures and fully, compulsorily and mandatorily convertible preference shares, with no in-built options of any type would qualify as eligible instruments for FDI.

- The Union Cabinet approved the proposal to introduce the Mines and Minerals (Development and Regulations) Bill, 2011, which aims at creating a better environment for attracting investment and technology into the mining sector.

- The Central Government will come up with a revised disinvestment target and determine the revised number of public sector enterprises whose stake will be divested in the current fiscal in November.





BANKING INDICATORS

			Rs. Crore
	Outstanding as on	**% Variation over**	
Indicators	**9 September,2011**	**Fortnight**	**Year**
Total Bank Credit	**40,74,295**	**0.7**	**20.4**
Food Credit	**73,416**	**-0.2**	**44.0**
Non Food Credit	**40,00,879**	**0.7**	**20.0**
Aggregate Deposit	**55,22,035**	**0.2**	**17.5**
Broad Money (M3)	**68,57,938**	**0.3**	**16.4**
Credit Deposit Ratio	**73.78**		
Source: RBI			

EQUITY MARKETS

- A bunch of good economic indicators in the previous week raised the bar of optimism slightly for the US economy, but news from the euro zone continued to remain worrisome.
- Indian stock markets posted moderate gains over the previous week amid concerns of turmoil in the Euro zone and fears of recession in the US and elsewhere. The gains were largely driven by short covering by traders, selective bargain hunting by funds and developments in the euro zone.
- Total turnover during the week on BSE stood at Rs. 12,742 crore and on NSE at Rs. 55,960 crore.

Global Stock Indices	Closing Value as on 3 October 2011	Weekly Change (%)
NYSE: DJIA	10,913.4	1.3
FTSE 100	5,128.5	1.2
Nikkei 225	8,700.3	1.6
Straits Times	2,675.2	-0.9
KOSPI	1,769.7	4.3
Source: Yahoo Finance		

Indian Equity Indices	Closing Value on 3 October 2011	Week's % Change
BSE SENSEX	16,453.8	1.8
BSE 500	6,385.8	0.5
S&P CNX NIFTY	4,943.3	1.5
S&P CNX 500	3,978.4	0.7
Source: NSE, BSE		

Net Institutional Activity		
	Equity	Debt
Weekly FII (US $ Million)	-372.9	63.5
Year -to-date FII (US$ million)	51.3	4,002.5
Weekly Mutual Funds# (Rs Crore)	178.1	4,779.7
Source:SEBI	*#as on 23 Sep, 2011*	

COMMODITY MARKETS

- NYMEX **West Texas Intermediate Crude Oil** for November delivery stood at US$ 84.5 per barrel on 27 September 2011, up by US$ 4.7 per barrel from the previous week.
- New York **spot price for Gold** was US$ 1,621.8 per ounce as on 30 September 2011, down by US$ 19.5 per ounce from the previous week.

Commodity Spot Indices	Closing Value as on 30 September 2011	Week's % Change
MCX AGRI	3,150.0	-3.4
MCX METAL	4,443.5	-5.1
MCX ENERGY	2,773.2	0.1
MCX COMDEX	3,367.2	-3.2
Source: MCX, NCDEX		

INDUSTRY NEWS

BSE Indices	Closing Value on 30 September 2011	Week's % Change
AUTO INDEX	8,498.4	0.9
BANKEX	10,850.7	0.8
BSE CAPITAL GOODS	10,743.0	-3.8
BSE CONSUMER DURABLE	6,361.4	-4.3
BSE FMCG	3,910.4	2.1
BSE HEALTHCARE	5,867.8	-0.1
BSE INFOTECH	5,275.2	5.8
BSE MID CAP	6,129.6	-1.5
BSE SMALL CAP	6,881.1	-2.3
BSE TECK INDEX	3,251.6	4.1
METAL INDEX	10,995.6	-4.5
OIL & GAS INDEX	8,494.5	2.8
Source: BSE		

Pharma

- Department of Industrial Policy and Promotion (DIPP) has called for a review of the current rules that allow 100% FDI in pharmaceuticals through the direct route.
- The Government is considering amendments to the drug pricing law to authorize the National Pharmaceutical Pricing Authority (NPPA) to seek details of landed cost of medicines.

Telecom

- Telecom regulatory TRAI, revokes 100 sms a day limit for some categories including social networking sites.

Iron

- India's largest iron ore producer National Mineral Development Corporation (NMDC) will step up production by at least 20% this fiscal on the back of fresh iron ore reserves that pushed total reserves up by around 50%

Consumer Products

- Consumer product makers such as Heinz India, Perfetti Van Melle and Glaxo SmithKline Consumer are entering product segments that offer higher profitability to offset pressure on margins due to volatile commodity prices.

Oil and Gas

- State-run Coal India may invest up to Rs 40,000 crore in the 12th Plan Period.

CNX Segment Indices	Closing Value on 30 September 2011	Week's % Change
CNX NIFTY Junior	9,822.2	-0.7
CNX MIDCAP	7,094.0	-1.3
BANK NIFTY	9,468.3	1.0
CNX IT	5,678.9	5.8
CNX Realty	237.6	2.8
CNX Infrastructure	2,589.0	-1.2
Source: NSE		

GLOBAL NEWS

USA

- In the week ending 17 September, the advance figure for seasonally adjusted initial claims fell by 9000 from the previous week's figure of 432,000.
- President Obama has unveiled a new plan to collect US $ 1.5 trillion as part of a larger deficit reduction plan, by increasing taxes on individuals earning more than US $ 1 million a year.
- According to the third estimate, US real GDP increased at an annual rate of 1.3% in the second quarter of 2011. In the first quarter, real GDP increased 0.4%.
- US personal income decreased by 0.1% and disposable income decreased 0.1% in August.

Europe

- Germany's parliament approved new powers for the euro zone's crisis fund. Germany would okay new powers for the European Financial stability Facility (EFSF), which some countries like Finland and Slovenia have ratified but others including Slovakia and Austria are disputing.
- The Euro Area seasonally adjusted unemployment rate was 10.0% in August 2011, unchanged compared with July. It was 10.2% in August 2011.
- Euro Area annual inflation is expected to be 3.0% in September 2011 according to a flash estimate issued by Eurostat, the statistical office of the European Union. It was 2.5% in August.

Asia

- South Korea's exports expanded at the slowest pace in three months in September. Exports climbed 19.6% from a year earlier, compared with a revised 25.9% gain in August.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group.**
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