



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

27 December-2 January 2010

INDICATORS

Inflation Rate for the week ending 18 December 2010

Categories	Weekly	Annual
Primary articles	0.96	17.24
Fuel, power, light & lubricant	0.80	11.63

- The annual **inflation** in food articles increased to 14.44% for the week ended 18 December 2010, from 12.13% for the previous week due to rising prices of vegetables, especially onions recording a y-o-y growth of 39.66%
- The **Index of Six Core Industries** recorded a growth of 2.3% in November 2010, as compared to 5.9% growth in November 2009.
- India's **current account deficit** in September quarter widened to a record high of \$15.8 billion as booming consumer demand increased imports and services sector exports suffered from a weak global demand. However, robust capital inflows helped the **overall BOP** to remain positive.
- India's **exports** in November rose an annual 26.5% to \$18.9 billion, while **imports** for the month grew by 11.2% to \$ 27.8 billion.
- Foreign Exchange Reserves** as on 24 December, 2010 stood at US \$ 295.0 billion, up by US\$ 0.4 billion over previous week.
- The **call money rates** as on 31 December 2010 traded in the range of 4.5– 7.0%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



Dear Reader,

Even as the economic recovery remains firmly entrenched, we expect to see some fresh economic trends emerge in the New Year. Inflation is showing signs of increasing again as global commodity prices remain elevated. The current account deficit has increased significantly this year, as the increase in imports outpaces the increase in exports. Even though capital inflows have been more than adequate to fill the gap, it would be prudent to make efforts to limit any further increases in the deficit.

Chandrajit Banerjee

Director General, CII

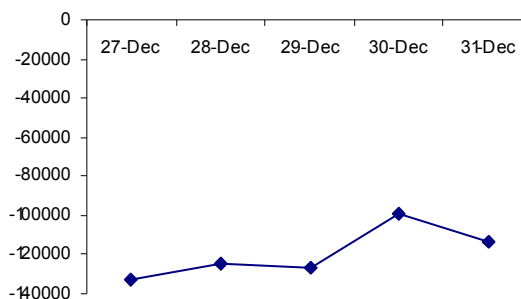
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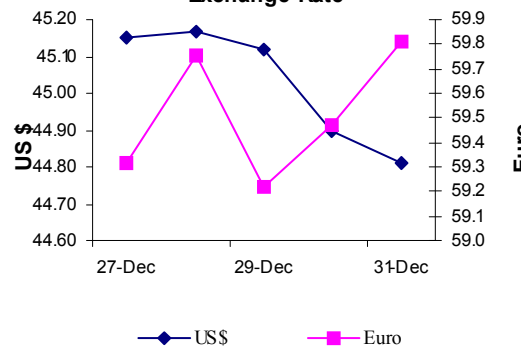
POLICY UPDATE

- The Government plans to import skimmed milk powder and butter oil at concessional duties to cool rising prices of dairy product. In the week ending 18 December, Milk prices rose by 17.75%.
- The Government plans to offer stamp duty exemption to factoring services for sale of accounts receivables. The Factoring and Assignment of Receivables Bill 2010 will be placed before the Union Cabinet to facilitate this change.
- The government will not restrict companies from setting up multiple layer subsidiaries or subsidiaries of subsidiaries, giving in to India Inc's demand for flexibility in corporate structuring.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 17 December 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	36,39,866	1.3	23.7
Food Credit	62,521	1.7	38.8
Non Food Credit	35,77,345	1.3	23.5
Aggregate Deposit	47,99,789	-0.8	14.7
Broad Money (M3)	60,33,121	-0.5	15.0
Credit Deposit Ratio	75.8		

Source: RBI

EQUITY MARKETS

- US trading has been exceptionally thin with many exchanges shut on the New Year's eve, as a result DJIA remained flat over the last week.
- European stock FTSE ended the year in red, showing 1.8% decline over the week.
- India's key benchmark indices posted modest gains on the last day of the year as BSE Bankex and BSE FMCG showed 2.8% weekly change while NSE Realty registered a 3.5% increase.
- Total turnover during the week on BSE stood at Rs 15,233 crore and at NSE Rs 52,845 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for January delivery closed at US \$ 91.4 per barrel on 31 December 2010, up by \$ 0.3 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1421.4 per ounce as on 31 December 2010, up by US \$ 37.0 per ounce over the week.

Global Stock Indices	Closing Value as on 31 December 2010	Weekly Change (%)
NYSE: DJIA	11,577.5	0.0
FTSE 100	5,899.9	-1.8
Nikkei 225	10,228.9	-0.5
Straits Times	3,190.0	1.5
KOSPI	2,051.0	3.3

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 31 December 2010	Week's % Change
BSE SENSEX	20,509.1	2.2
BSE 500	7,961.1	2.1
S&P CNX NIFTY	6,134.5	2.0
S&P CNX 500	4,941.0	2.1

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	758.0	97.6
Year -to-date FII (US\$ million)	29,361.8	-2,226.9
Weekly Mutual Funds# (Rs Crore)	-312.1	2,537.8

Source:SEBI

#as on 28 December 2010

Commodity Spot Indices	Closing Value as on 1 January 2011	Week's % Change
MCX AGRI	2,775.6	3.2
MCX METAL	4,223.7	2.5
MCX ENERGY	2,841.7	-0.6
MCX COMDEX	3,237.591	1.6

Source: MCX, NCDEX

INDUSTRY NEWS

Banking

- State Bank of India raised its base rate to 8% from 7.6%, prime lending rate to 12.75% from 12.0% and decided to offer 9% on 1000 days and 555 days deposit against 8.5% earlier.

Industrial Goods

- SAIL plans Greenfield units abroad on official invitation.

Telecom

- TATA Teleservices and Aircel are poised to bag third-generation spectrum in the lucrative Delhi and Mumbai metros as they are the only bidders for MTNL's offer to share its 3G network with two firms that pay the highest price.

Agri Business

- Steel and Power company JSW, will float a new company JSW Green, to sell branded fruits and vegetables.

Drugs & Pharma

- Sales in the domestic drug retail market rose a healthy 18.4% during 2010, making India an attractive destination for foreign players.

Automobile

- Two wheeler maker Suzuki Motorcycle India reported a 77.6% growth in its sales in December at 25,837 units compared to 14,549 units in the same month last year.

BSE Indices	Closing Value on 31 December 2010	Week's % Change
AUTO INDEX	10,235.4	2.2
BANKEX	13,379.7	2.8
BSE CAPITAL GOODS	15,415.1	1.4
BSE CONSUMER DURABLE	6,357.0	4.1
BSE FMCG	3,684.1	2.8
BSE HEALTHCARE	6,734.2	2.3
BSE INFOTECH	6,824.8	1.9
BSE MID CAP	7,802.7	2.3
BSE SMALL CAP	9,670.3	3.4
BSE TECK INDEX	4,046.7	2.1
METAL INDEX	17,595.9	1.9
OIL & GAS INDEX	10,601.4	-0.3

Source: BSE

CNX Segment Indices	Closing Value on 31 December 2010	Week's % Change
CNX NIFTY Junior	12,232.1	2.1
CNX MIDCAP	8,857.2	1.8
BANK NIFTY	11,791.5	2.7
CNX IT	7,491.1	1.9
CNX Realty	380.0	3.5
CNX Infrastructure	3,457.6	1.8

Source: NSE

GLOBAL NEWS

USA

- In the week ending December 25, the advanced figures for seasonally adjusted initial claims was 388,000, a decrease of 34,000 from the previous week's revised figure of 426,500.
- The average price of Us gasoline rose above 3\$ reaching its highest level since October 2008, as rising crude oil prices bolstered fuel cost.
- US Index of Consumer Confidence fell in December to 52.5 from 54.3 in November, as consumers are still concern about high unemployment, housing market stagnation and general meager growth so far.

South America

- Venezuela's economy shrank an estimated 1.9% in 2010, making a second year of recession as the South American nation fails to match the recovery in other countries after the global financial crisis.

Asia

- Singapore's GDP rose an annualized 6.9% in the fourth quarter of 2010, from the previous quarter, when it contracted a revised 18.9%. For the whole of 2010, the economy is estimated to have expanded by 14.7
- China's manufacturing sector showed a slow down in December as recorded by the fall in China's Purchasing Manager's Index to 54.4 in December as compared to 55.3 in November and 54.8 in October.
- China targets a fiscal deficit of 900 billion Yuan (\$ 136 billion), in 2011, down from this year's target of 1.05 trillion yuan.
- On the last trading day of 2010, the Chinese currency, the Yuan, strengthened to a record high of 6.6227, this is the second consecutive new yuan high since July 2005 revaluation
- Japan's industrial output rose by 1 % in November 2010, the first rise in 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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