



Confederation of Indian Industry

Economy Update

Weekly Newsletter

27 June-3 July 2011

INDICATORS

Inflation Rate for the week ending 18 June 2011

Categories	Weekly	Annual
Primary articles	-0.4	11.8
Fuel, power, light & lubricant	0.2	13.0

- The annual **inflation** in **primary articles** decreased to 11.8% for the week ended 18 June 2011, from 12.6% in the previous week.
- The annual **inflation** in **food articles** decreased to 7.8% for the week ended 18 June 2011 from 9.1% in the previous week, while annual inflation in **Non-Food articles** decrease to 17.9% from 18.4% in the previous week.
- The Index of **Eight core Industries** having a combined weight of 37.9% in the IIP with base 2004-05 recorded a growth of 5.3% in May 2011 as compared with 7.4% in May 2010.
- India's **Exports** during May 2011 were valued at US\$ 25.9 billion, registering a growth of 56.9% over the same period last year. Whereas, **Imports** were valued at US\$ 40.9 billion, growing at the rate of 54.1% during the same time period.
- **Foreign Exchange Reserves** as on 24 June 2011 stood at US\$ 309.0 billion, down by US\$ 1.5 billion from the previous week.
- The **call money rates** as on 24 June 2011 traded in the range of 5.8– 7.7%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.



Dear Reader,

This week's data release on some of the economic indicators brings cheer to the gloomy business sentiment that has prevailed over the last few months. The data points to a moderation in food inflation, improvement in industrial growth and continuing favorable trade performance. We should, however, wait for sometime to be confident of a sustained recovery. Inflation may once again come under pressure in the wake of recent hike in retail prices of diesel, LPG and kerosene. Fiscal deficit is a still a cause of concern given that nearly one-third of the budgeted fiscal deficit for the entire year was realized in the first two months of the current financial year itself.

Chandrajit Banerjee

Director General, CII

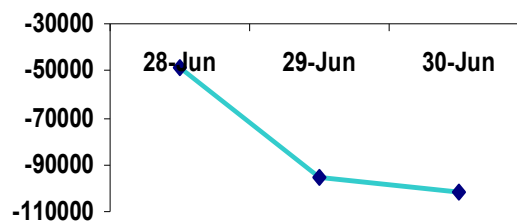
IN THIS ISSUE

- Markets
- Policy Development
- Industry News
- Global News

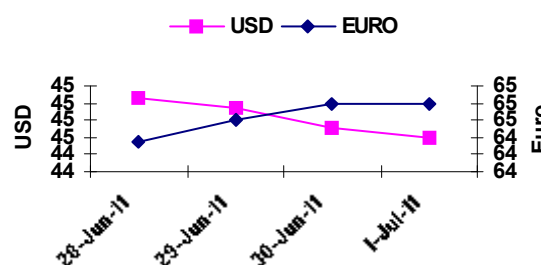
POLICY DEVELOPMENT

- The Government has exempted cotton and yarn waste from the additional cap of 10 Lakh bales imposed on exports of the natural fiber from 2010-11 season.
- The Punjab Government announced a new package promising heavy subsidy on farm equipment, seeds and fertilizers for farmers to motivate them to grow pulses on a large scale.
- A decision on allowing foreign direct investment in multi brand retailing is likely to be taken before the monsoon session of Parliament.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 17 June ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,01,521	0.5	20.7
Food Credit	77,329	4.6	46.0
Non Food Credit	39,24,192	0.5	21.3
Aggregate Deposit	66,86,002	-0.4	17.1
Broad Money (M3)	66,55,037	0.1	16.8
Credit Deposit Ratio	59.8		

Source: RBI

EQUITY MARKETS

- Globally US and Europe stocks surged in the week ending 1 July 2011 as better than expected headline June ISM manufacturing data for US drove market sentiments. European shares rose as the Greek parliament passed the austerity package vote on Wednesday.
- Indian stocks closed in green in the week ending 1 July 2011 as weekly inflation data showed signs of food inflation moderating.
- Total turnover during the week on BSE stood at Rs 13,993 crore and on NSE at Rs 61,554 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for July delivery stood at US\$ 94.9 per barrel on 1 July 2011, an increase of US\$ 3.7 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,483.0 per ounce as on 1 July 2011, down by US\$ 31.8 per ounce from the previous week.

Global Stock Indices	Closing Value as on 1 July 2011	Weekly Change (%)
NYSE: DJIA	12,582.8	5.4
FTSE 100	5,989.8	5.1
Nikkei 225	9,868.1	2.0
Straits Times	3,139.0	2.4
KOSPI	2,125.7	1.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 1 July 2011	Week's % Change
BSE SENSEX	18,762.8	2.9
BSE 500	7,270.1	3.0
S&P CNX NIFTY	5,627.2	2.8
S&P CNX 500	4,522.1	3.0

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	794.7	-206.9
Year -to-date FII (US\$ million)	631.7	3,131.5
Weekly Mutual Funds# (Rs Crore)	245.0	867.4

Source: SEBI

#as on 30 June, 2011

Commodity Spot Indices	Closing Value as on 25 June 2011	Week's % Change
MCX AGRI	2,726.8	1.7
MCX METAL	4,375.6	-0.5
MCX ENERGY	2,878.4	-3.3
MCX COMDEX	3,300.4	-1.1

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 1 July 2011	Week's % Change
AUTO INDEX	8,782.2	2.6
BANKEX	12,853.7	3.7
BSE CAPITAL GOODS	13,882.9	3.9
BSE CONSUMER DURABLE	6,601.2	1.6
BSE FMCG	4,048.4	4.2
BSE HEALTHCARE	6,376.5	2.1
BSE INFOTECH	6,148.0	2.6
BSE MID CAP	6,901.7	3.4
BSE SMALL CAP	8,224.4	3.8
BSE TECK INDEX	3,700.7	1.9
METAL INDEX	15,148.1	3.9
OIL & GAS INDEX	9,038.5	-0.1

Source: BSE

Power

- Leading private power producers such as Reliance Power, Tata Power, Jindal power, Adani and GMR have urged the government to soon activate an institutional set-up in the form of an empowered group of ministers to revisit their contracts under the competitive binding mechanism framework.

IT

- Latest RBI guidelines on bank's technology governance, information security, audit, outsourcing and cyber fraud could open up a US\$ 300 million opportunity for IT vendors and audit firms.

Oil & Gas

- The Cabinet committee on economic affairs approved UK's Cairn Energy Plc's proposed sale of a majority stake in its Indian business to London listed Vedanta Resources, subject to two conditions; 1) Cairn India must agree to cost recovery of the royalty that partner ONGC is paying on their joint ventures' Rajasthan crude oil output. 2) Cairn must drop the arbitration proceedings it has initiated against the government on the alleged liability to pay Oil Industry Development cess of Rs 2,500 tones.

Automobile

- Automobile production increased by 18.4% in May 2011 as compared to the same period last year. Domestic sales showed a growth of 16.3% while exports recorded a growth of 30.5% in may 2011.

CNX Segment Indices	Closing Value on 1 July 2011	Week's % Change
CNX NIFTY Junior	11,291.8	2.7
CNX MIDCAP	8,026.1	2.9
BANK NIFTY	11,255.0	3.7
CNX IT	6,674.8	2.7
CNX Realty	275.2	3.5
CNX Infrastructure	3,109.8	2.9

Source: NSE

GLOBAL NEWS

USA

- In the week ending June 25 2011, the advance figure for seasonally adjusted initial claims was 428,000, a decrease of 1,000 from the previous week's revised average of 429,000.
- Real GDP increased at an annual rate of 1.9% in the first quarter 2011 (i.e. from the fourth quarter to the first quarter), according to the "third estimate". In the fourth quarter, real GDP increased 3.1%.
- US manufacturing unexpectedly accelerated in June as shown by the ISM factory index, which rose to 55.3 from 53.5 in May; the first gain in four months.

Europe

- Credit rating agency Moody cuts Greece's credit rating by three notches from B1 to Caa1 (just five notches short of default). The new rating means that Greece is 50% likely to default in the next five

years.

- The Euro Area seasonally adjusted unemployment rate was 9.9% in May 2011, unchanged compared with April. It was 10.2% in May 2010. The EU 27 unemployment rate was 9.3% in May 2011, unchanged with April.
- Euro Area annual inflation is estimated at 2.7% for June 2011.

Asia

- China's non-manufacturing industries expanded at the slowest pace in four months in June, as depicted by the Purchasing Manager's Index, which dropped to 57 from 61.9 in May.

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

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