



Confederation of Indian Industry

Economy Update

Weekly Newsletter

5-11 September 2011

INDICATORS

Inflation Rate for the week ending 27 August 2011

Categories	Weekly	Annual
Primary articles	0.3	13.3
Fuel, power, light & lubricant	0.0	12.6

- The annual **inflation in primary articles** stood at 13.3% for the week ended 27th August 2011— up from 12.9% in the previous week.
- The annual **inflation in food articles** decreased to 9.6% for the week ended 27th August 2011 from 10.1% in the previous week, while annual inflation in **Non-Food articles** increased to 19.9% from 17.2% in the previous week.
- **India's Industrial Output** (IIP) rose 3.3% in July 2011 from a year earlier, slower than June's 8.8%. In July 2010 IIP showed a growth of 9.9%. IIP for April-July 2011 stood at 5.8%, falling from 9.7% growth recorded in the same period last year.
- **Foreign Exchange Reserves** as on 2 September 2011 stood at US\$ 320.8 billion, up by US\$ 1.6 billion from the previous week.
- The **call money rates** as on 9 September 2011 traded in the range of 6.8-8.0%.
- 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 1-7 September was 39% above long period average (LPA). Cumulative rainfall during this year's monsoon so far up to 7 September been 3% above LPA.



Dear Reader,

It is now apparent that industrial growth in the current year will moderate sharply from the previous year, notwithstanding month-to-month fluctuations.

The performance of the capital goods sector is a cause for concern as it reflects weakness in the investment outlook. Consumer durables such as automobiles are also showing a marked slowdown on account of rising interest rates. In view of the slowdown in industrial growth, CII would urge the RBI to refrain from hiking interest rates at its forthcoming mid-quarter policy review.

Chandrajit Banerjee

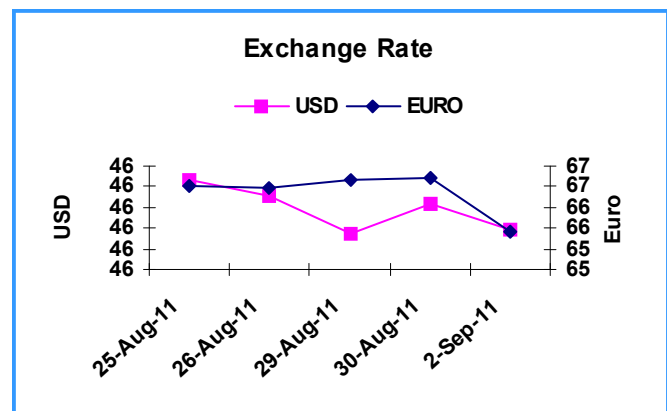
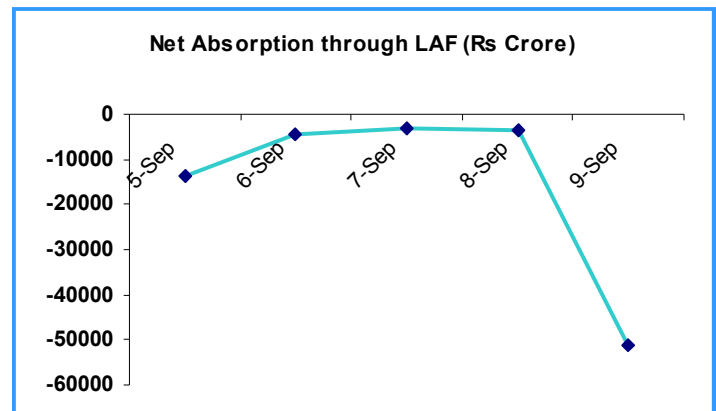
Director General, CII

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POLICY DEVELOPMENT

- Karnataka differs with Centre on the new Land Acquisition and Resettlement & Rehabilitation Bill. The state government is not agreeable to the 80% consent norm proposed in the new Bill. It wants to settle for 90% consent of farmers to acquire any land.
- For the second time this year, the Centre has banned exports of onion to increase domestic supplies, to prevent any steep rise in prices.
- Insurance Regulatory and development Authority (IRDA) has recommended the overall exposure in promoter group companies should be brought down to 5% from 25%. The move is aimed to curb the practice of routing funds through insurance arms in group companies.



BANKING INDICATORS

Indicators	Outstanding as on 26 August, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,44,862	-0.1	20.6
Food Credit	73,581	2.8	41.7
Non Food Credit	39,71,280	1.0	19.3
Aggregate Deposit	55,09,100	0.3	17.9
Broad Money (M3)	68,35,013	0.2	16.7
Credit Deposit Ratio	73.4		

Source: RBI

EQUITY MARKETS

- The Greek debt crisis had a negative impact on sentiments across the globe with major indices plunging on a confluence of negative reports.
- Indian markets snapped three day winning streak and closed on almost flat as profit booking emerged and lack of clarity on new stimulus measures re-ignited concerns over the health of the US economy and drove investors away from equities.
- Total turnover during the week on BSE stood at Rs 13,282 crore and on NSE at Rs 61,247 crore.

COMMODITY MARKETS

- NYMEX **Crude Oil** for September delivery stood at US\$ 86.6 per barrel on 2 September 2011, showing an increase of US\$ 1.2 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,859.3 per ounce as on 9 September 2011, down by US\$ 17.7 per ounce from the previous week.

Global Stock Indices	Closing Value as on 9 September 2011	Weekly Change (%)
NYSE: DJIA	11,295.8	-1.7
FTSE 100	5,214.7	-1.5
Nikkei 225	8,737.7	-2.4
Straits Times	2,825.1	-0.6
KOSPI	1,812.9	-2.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 2 September 2011	Week's % Change
BSE SENSEX	16,867.0	0.3
BSE 500	6,582.4	0.7
S&P CNX NIFTY	5,059.5	0.4
S&P CNX 500	4,098.1	0.7

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	513.8	142.6
Year -to-date FII (US\$ million)	705.4	4,556.7
Weekly Mutual Funds# (Rs Crore)	-493.7	8,514.6

Source: SEBI 2011

#as on 8th September

Commodity Spot Indices	Closing Value as on 10 September 2011	Week's % Change
MCX AGRI	3,176.5	2.5
MCX METAL	5034.7	0.0
MCX ENERGY	2862.7	2.4
MCX COMDEX	3633.0	1.1

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 9 September 2011	Week's % Change
AUTO INDEX	8,753.8	2.1
BANKEX	1,109.8	1.4
BSE CAPITAL GOODS	12,435.9	3.4
BSE CONSUMER DURABLE	6,721.2	5.0
BSE FMCG	3,960.4	-0.9
BSE HEALTHCARE	5,983.3	-0.8
BSE INFOTECH	4,950.1	-0.9
BSE MID CAP	6,435.5	1.8
BSE SMALL CAP	7,304.0	2.4
BSE TECK INDEX	3,153.9	-1.1
METAL INDEX	12,306.0	-1.0
OIL & GAS INDEX	8,618.2	1.0

Source: BSE

Manufacturing/Mining/Electricity

- The Index of Industrial Production showed that the manufacturing sector recorded a growth of 2.3% in July 2011 as compared to 8.7% last year.
- The Mining sector recorded a slowdown in growth to 2.8% in July 2011 as compared with 8.7% in July 2010.
- Index of Industrial Production of Electricity recorded a robust growth of 13.1% in July 2011 as compared with 3.7% in July 2010.

Auto Industry

- Production of Automobile slowed down to 12.7% in August 2011 as compared to 31.7% in August 2010.
- Domestic sales of Automobile recorded a growth of 13.6% in August 2011 as compared to 23.3% in August 2010 .

Oil & Energy

- The oil ministry is expected to soon approve Cairin India's proposal to start pumping crude oil from the Bhagyam field that would ramp up the Rajasthan block's output by a third to 165,000 barrel per day.

CNX Segment Indices	Closing Value on 9 September 2011	Week's % Change
CNX NIFTY Junior	10,1099.5	0.9
CNX MIDCAP	7,413.5	1.1
BANK NIFTY	9,678.7	1.0
CNX IT	5,339.2	-0.8
CNX Realty	236.8	-0.1
CNX Infrastructure	2,810.2	0.9

Source: NSE

GLOBAL NEWS

USA

- In the week ending September 3 2011, the advance figure for seasonally adjusted initial claims was 414,000, an increase of 2,000 from the previous week's revised average of 412,000.
- July exports of US\$ 178.0 billion and imports of US\$ 222.8 billion resulted in a goods and services deficit of US\$ 44.8 billion, down from US\$ 51.6 billion in June.

Europe

- GDP increased by 0.2% in both the euro area and EU 27 during the second quarter of 2011, compared with the previous quarter. In the first quarter of 2011, growth rates were 0.8% in the Euro Area and 0.7% in the EU 27.
- Greece put a new tax on real estate to raise about 2 billion euros and to meet the 2011 budget deficit

target.

- Debt laden Greece has cash to operate until next month, the country's deputy finance minister announced, highlighting the country's need to qualify for the next tranche out of its ongoing EU/IMF bailout.
- The EU 27 external current account recorded a deficit of 43.2 billion euro in the second quarter of 2011, compared with a deficit of 33.1 billion in the second quarter of 2010.
- In July 2011, compared with June 2011, the volume of retail trade grew by 0.2% in both euro area and the EU 27. In June retail trade rose by 0.7% and 0.5% respectively.

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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