



Confederation of Indian Industry
Since 1895

Economy Update

■ Weekly Newsletter

■ 6-12 December 2010

INDICATORS

Inflation Rate for the week ending 27 November 2010

Categories	Weekly	Annual
Primary articles	0.44	12.66
Fuel, power, light & lubricant	0.00	9.99

- Annual **WPI inflation rate for primary articles** for the week ending 27 November, 2010 stood at 12.66% as compared to previous week's level of 12.72%.
- The annual **inflation** in food articles increased to 8.69% for the week ended 27 November 2010, from 8.60% for the previous week.
- India's **industrial output** rebounded to 10.76% in October on surge in power and manufacturing.
- **Foreign Exchange Reserves** as on 3 December 2010 stood at US \$ 296.39 billion, up by US\$ 2.41 billion over previous week.
- The **call money rates** as on 19 November 2010 traded in the range of 4.45 – 6.55%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.
- One year **LIBOR** for US\$ as on 8 December 2010 stood at 0.79%.



Dear Reader,

The recent turnaround in economic performance was reinforced by the release of the October industrial production data. The industrial growth rate picked up sharply in October, erasing earlier worries about the slowdown in industrial growth. All sectors performed well in view of the festival season but the turnaround was largely on account of the capital goods and the consumer durables sectors which grew at 22% and 31% respectively. Consumer non-durables remained subdued showing hardly any growth at all. We are optimistic that with rural incomes picking up, there should be a recovery in this sector as well.

Chandrajit Banerjee

Director General, CII

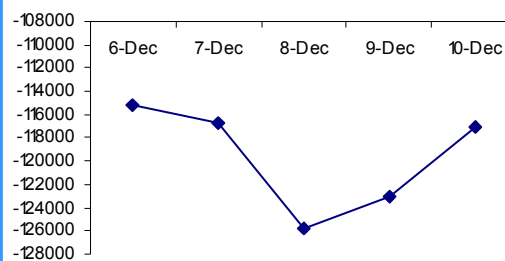
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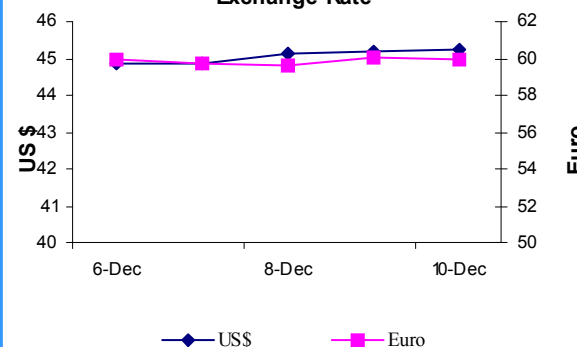
POLICY UPDATE

- RBI will be ready with its draft guidelines on new banking licenses by January 2011.
- An integrated food law ' Food Safety and Standards Act' (FSSA) will come into force in January next year replacing the Prevention of Food Adulteration Act.
- Government to review fund raising plans of MFIs.
- India's apex planning body will set up committee to suggest a mechanism to have a uniform price for all consumers of natural gas after it rejected an independent recommendation to have different rates for power and fertilizer sector.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 19 November 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	35,58,060	0.8	22.7
Food Credit	58,008	7.9	38.6
Non Food Credit	34,00,053	-2.2	19.0
Aggregate Deposit	48,49,605	0.8	15.8
Broad Money (M3)	60,75,813	0.8	16.2
Credit Deposit Ratio	73.4		

Source: RBI

EQUITY MARKETS

- US stocks rose after news that the trade deficit for October was lowest in nine months and US exports at their highest in more than two years. Also, the preliminary December University of Michigan Confidence Survey rose to its highest level since January 2008.
- European stocks fluctuated during the week but failed to secure gains. Investors remain cautious of the Euro zone concerns and China's imminent interest rate hike.
- Indian key benchmark indices closed negative on Friday on fears of a widening regulatory crackdown on companies and deepening probe into telecom corruption scandal. Year end selling by foreign funds and rise in food inflation also dampened market sentiments.
- Total turnover during the week on BSE stood at Rs 19,382 crore and at NSE Rs 73,881 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for January delivery closed at US \$ 87.8 per barrel on 10 December 2010, down by \$ 2.1 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1375.3 per ounce as on 10 December 2010, down by US \$ 28.3 per ounce over the week.

Global Stock Indices	Closing Value as on 10 December 2010	Weekly Change (%)
NYSE: DJIA	11,410.3	0.2
FTSE 100	5,813.0	1.2
Nikkei 225	10,212.0	0.3
Straits Times	3,185.4	0.4
KOSPI	1,986.1	1.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 10 December 2010	Week's % Change
BSE SENSEX	19,508.9	-2.3
BSE 500	7,605.2	-3.4
S&P CNX NIFTY	5,857.4	-2.3
S&P CNX 500	4,713.3	-3.3

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-508.9	42.5
Year -to-date FII (US\$ million)	28,861.2	9,743.7
Weekly Mutual Funds# (Rs Crore)	-152.1	8,546.2

Source:SEBI

#as on 9 December 2010

Commodity Spot Indices	Closing Value as on 12 December 2010	Week's % Change
MCX AGRI	2,646.4	-1.5
MCX METAL	4,072.6	0.9
MCX ENERGY	2,843.9	1.0
MCX COMDEX	3,155.7	0.6

Source: MCX, NCDEX

INDUSTRY NEWS

Banking

- IDBI Bank will raise base rate by 50 basis points to 9% and benchmark prime lending rate by 25 basis points to 13.75% on higher costs of funds, with effect from January 1, 2011.

Automobile

- Auto sales recorded a year on year growth of 17.8% in November 2010, compared to a 45.9% growth in October.

Telecom

- Six DTH operators (Dish TV, Sun Direct, Tata Sky, Digital TV, Big TV and D2H) plan to charge 25-30% premium over cable from advertisers starting 2011.

Infrastructure/Industrial Goods

- Steel prices likely to get costlier due to surging raw material costs. Coking coal and iron ore prices have gone up from \$220 to \$230 per tonne and \$130 to \$150 per tonne respectively.

Energy

- GAIL India has proposed to set up 5,500 km of gas connectivity over next 2-3 years investing \$4 billion.

BSE Indices	Closing Value on 10 December 2010	Week's % Change
AUTO INDEX	9,921.8	-3.6
BANKEX	13,002.9	-7.6
BSE CAPITAL GOODS	15,053.9	-2.4
BSE CONSUMER DURABLE	5,947.7	-6.9
BSE FMCG	3,560.5	-1.0
BSE HEALTHCARE	6,498.9	-3.1
BSE INFOTECH	6,261.6	0.5
BSE MID CAP	7,406.0	-6.1
BSE SMALL CAP	8,951.3	-9.2
BSE TECK INDEX	3,736.1	-0.9
METAL INDEX	15,991.3	-1.2
OIL & GAS INDEX	10,426.2	1.0

Source: BSE

CNX Segment Indices	Closing Value on 10 December 2010	Week's % Change
CNX NIFTY Junior	11,763.1	-5.9
CNX MIDCAP 200	8,511.6	-5.5
BANK NIFTY	11,447.0	-7.3
CNX IT	6,869.1	0.2
CNX Reality	365.2	-6.5
CNX Infrastructure	3,331.5	-2.7

Source: NSE

GLOBAL NEWS

USA

- In the week ending December 4, the advanced figures for seasonally adjusted initial claims was 4,21,000, an decrease of 17,000 from the previous week's revised figure of 4,38,000.
- Goods and services trade deficit of the US was \$ 38.7 billion in October, down from revised deficit of \$ 44.6 billion in September. While the exports from the US increased by \$ 4.9 billion to \$ 158.7 billion, imports fell by \$ 0.9 billion to \$ 197.4 billion.

Europe

- The EU 27 external current account recorded a deficit of 25.5 billion euro in the third quarter 2010, compared with a deficit of 19.3 billion in the third quarter of 2009.

- In October 2010, compared with September 2010, the volume of retail trade increased by 0.5% in the euro area and by 0.4% in the EU 27.

Asia

- China's exports rose by 35% to a record \$ 153.3 billion in November 2010 as compared to the corresponding period of the previous year. Imports, on the other hand advanced 38% to an unprecedented \$130.4 billion.
- China's consumer price index jumped 5.1% in November from a year before, the most since July 2008.

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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