



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

7-13 March 2011

INDICATORS

Inflation Rate for the week ending 26 February 2011

Categories	Weekly	Annual
Primary articles	-0.6	14.0
Fuel, power, light & lubricant	0.0	9.5

- The annual **inflation** in **primary articles** decreased to 14.0% for the week ended 26 February 2011, from 14.9 % in the previous week.
- The annual **inflation** in **food articles** decreased to 9.5% for the week ended 26 February 2011, from 10.4% in the previous week.
- The **Index of Industrial Production** for January 2011 improved to 3.7% as compared to 2.5% a month ago. This is because of stronger performance of Consumer goods which recorded a growth of 11.3% in January 2011 as compared to 0.4% a year earlier.
- India's **FDI inflows** plunged 48% to US\$ 1.04 billion in January 2011 as compared to a year earlier.
- **Foreign Exchange Reserves** as on 4 March 2011 stood at US \$ 302.6 billion, up by US \$ 1.8 billion over previous week.
- The **call money rates** as on 11 March 2010 traded in the range of 6.0 – 6.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.1%.



Dear Reader,

Industrial data has been weak for the last few months but January data showed some recovery. However, the weak performance of the capital goods sector remains an area of concern. RBI's mid-quarter review of monetary policy coming up this week is expected to raise interest rates by another 25 basis points, given that inflation has not yet moderated to the extent desirable. However, from industry's point of view, this will further increase the cost of funds at a time when raw material and fuel costs are already on the rise.

Chandrajit Banerjee

Director General, CII

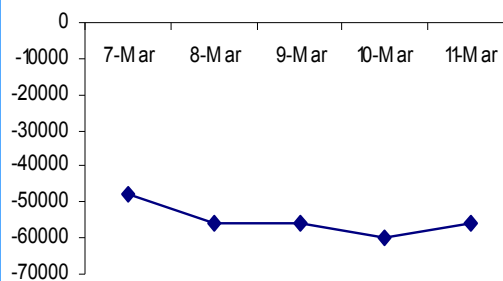
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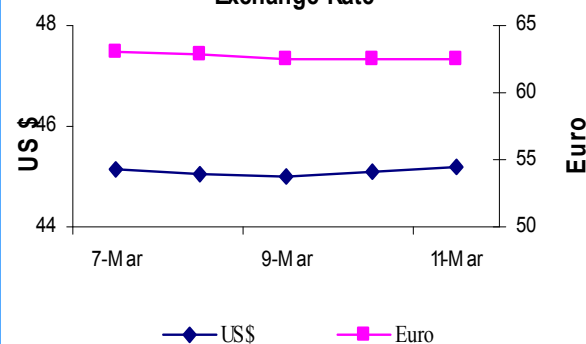
POLICY DEVELOPMENT

- To encourage private capital investments in education and health, the Finance Minister conferred the coveted infrastructure status on these sectors. With this, investors in educational institutions and hospitals can dip into the various infrastructure funds designed to suit long gestation projects and access low cost loans.
- The FM extended existing interest subvention scheme of providing short term loans to farmers at 7% interest with additional interest subvention for timely repayment to fish farmers and fishermen as well.
- The Government announced that women's "SHGs Development Fund" will operate through NABARD and will be exclusively utilized for providing refinance on loans given to women's SHGs on soft terms.
- CII has submitted its post-Budget recommendations to Government indicating some of the tax proposals announced in Budget 2011 that need to be reconsidered.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 25 February, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	38,10,445	0.7	23.2
Food Credit	65,292	2.0	36.3
Non Food Credit	37,45,153	-1.1	23.1
Aggregate Deposit	50,83,852	0.8	16.4
Broad Money (M3)	63,59,197	0.8	16.5
Credit Deposit Ratio	75.0		

Source: RBI

EQUITY MARKETS

- Global sentiments remained weak in the week ending 11 March 2011, due to a number of political, economic and geographical issues, which included higher than expected Chinese inflation data, political unrest in the Middle East and the tragic earthquake in Japan.
- Indian key benchmark indices remained subdued due to weak cues from Asian markets and also concerns over higher oil prices and unrest in Libya. The positive data on lower inflation was not sufficient to boost sentiments as downside risks remained stronger.
- Total turnover during the week on BSE stood at Rs 14,915 crore and at NSE at Rs 52,246 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 101.2 per barrel on 11 March 2011, down by US \$ 3.0 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,421.8 per ounce as on 11 March 2011, almost flat over the week.

Global Stock Indices	Closing Value as on 11 March 2011	Weekly Change (%)
NYSE: DJIA	12,044.4	-1.0
FTSE 100	5,828.7	-2.7
Nikkei 225	10,254.4	-4.1
Straits Times	3,043.5	-0.6
KOSPI	1,955.5	-2.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 11 March 2011	Week's % Change
BSE SENSEX	18,174.1	-1.7
BSE 500	6,998.0	-1.3
S&P CNX NIFTY	5,445.5	-1.7
S&P CNX 500	4,343.7	-1.4

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	258.9	101.6
Year -to-date FII (US\$ million)	-1,650.6	2,910.1
Weekly Mutual Funds# (Rs Crore)	-60.3	11,414.4

Source: SEBI

#as on 3 March 2011

Commodity Spot Indices	Closing Value as on 12 March 2011	Week's % Change
MCX AGRI	2,792.9	-2.5
MCX METAL	4,327.7	-2.1
MCX ENERGY	3,110.7	-2.4
MCX COMDEX	3,383.7	-2.3

Source: MCX, NCDEX

INDUSTRY NEWS

Auto

- The India Automobile sector recorded a growth of 28.2% in production, 26.9% in domestic sales and 30.6% in exports for the period April-February 2011.

Financial Services

- Nippon Life Insurance plans to buy a 26% stake in Reliance Life for about 60 billion Yen (US\$ 724 million)

Oil and Gas

- Bharat Petroleum Corp. Ltd (BPCL) to invest Rs 1,000 crore for exploration and production across its blocks in India. It will explore 16 new wells in 2011-12 out of the 29 blocks in India and abroad.

Power

- India aims to add about 15,000 MW power generation capacity in the current fiscal year, taking the total capacity to over 175,000 MW by the end of this month. However, this will be about 5,000 MW less than targeted 20,350 MW for 2010-11.

BSE Indices	Closing Value on 11 March 2011	Week's % Change
AUTO INDEX	8,767.5	-1.7
BANKEX	12,192.8	-2.0
BSE CAPITAL GOODS	12,558.9	-3.0
BSE CONSUMER DURABLE	5,715.3	-0.5
BSE FMCG	3,491.8	-0.5
BSE HEALTHCARE	5,813.7	1.2
BSE INFOTECH	6,150.0	-1.3
BSE MID CAP	6,529.3	-1.0
BSE SMALL CAP	7,899.8	-1.2
BSE TECK INDEX	3,597.6	-1.1
METAL INDEX	15,367.8	-2.9
OIL & GAS INDEX	9,719.0	0.7

Source: BSE

CNX Segment Indices	Closing Value on 11 March 2011	Week's % Change
CNX NIFTY Junior	10,693.1	-1.1
CNX MIDCAP	7,605.6	-0.6
BANK NIFTY	10,741.0	-2.0
CNX IT	6,722.3	-1.3
CNX Realty	280.7	1.5
CNX Infrastructure	2,853.5	-2.0

Source: NSE

GLOBAL NEWS

USA

- In the week ending March 5 2011, the advanced figures for seasonally adjusted initial claims was 397,000, an increase of 26,000 from the previous week's revised figure of 371,000.
- In January 2011, US export's stood at US\$ 167.7 billion and imports at US\$ 214.1 billion, therefore overall trade deficit in goods and services stood at US\$ 46.3 billion up from US\$ 40.3 billion in December.

Europe

- The EU27 external current account recorded a deficit of 30.4 billion euro in the fourth quarter of 2010, compared with a deficit of 4.9 billion in the

fourth quarter of 2009 and a deficit of US\$ 19.7 billion in the third quarter of 2010.

Asia

- The Bank of Japan poured a record 15 trillion yen (US \$ 183 billion) into the worlds third largest economy as the strongest earthquake in the nation's history triggered a plunge in stocks and surge in credit risk.
- China's consumer price index in February increased to 4.9%, higher than the expected level of 4.6% to 4.8%. This is mainly because of 11% hike in food inflation, which accounts for 30% of the basket.

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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