Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

7-13 February 2011

INDICATORS

Inflation Rate for the week ending 29 January 2011		
Categories	**Weekly**	**Annual**
Primary articles	**-1.4**	**16.2**
Fuel, power, light & lubricant	**0.0**	**11.6**

- **Overall inflation** for the month of January 2011 remained almost flat at 8.3% as compared to the previous month .
- The annual **inflation** in **food articles** decreased to 13.1% for the week ended 29 January 2011, from 17.1% in the previous week.
- India's **Industrial growth** as measured by IIP slowed down to 1.6% in December 2010. Sectoral breakup shows that Manufacturing slowed down to 1.0%,Mining recorded a growth 3.8% while Electricity grew at 6.0%
- India's **exports** during January 2011, were valued at US$ 20.6 billion, registering a growth of 32.5% since last year.
- **Foreign Exchange Reserves** as on 4 February 2010 stood at US $ 299.4 billion, up by US$ 0.2 billion over previous week.
- The **call money rates** as on 11 February 2010 traded in the range of 5.6 – 6.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 7.1%.

Dear Reader,

The slowdown in December IIP growth should not come as a big disappointment as it should be seen in the context of the high base of the previous year. Average growth for the year so far remains strong at 8.6% and it will not be difficult to achieve industrial growth in excess of 8% in the financial year 2010-11. Meanwhile, the moderation in food inflation in the last week of January comes as a positive indication that the price of vegetables and onion in particular are moderating. January inflation data also shows moderation in manufactured goods inflation.

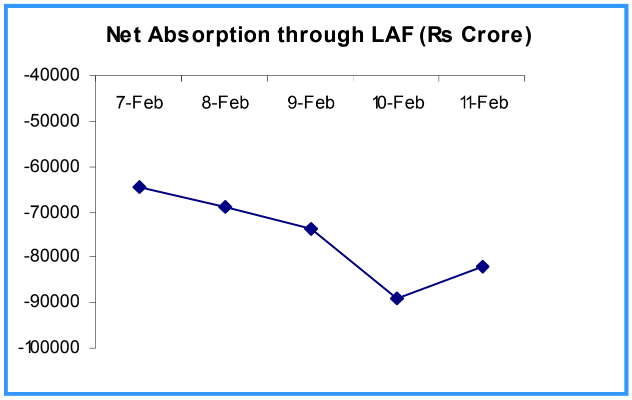
Chandrajit Banerjee

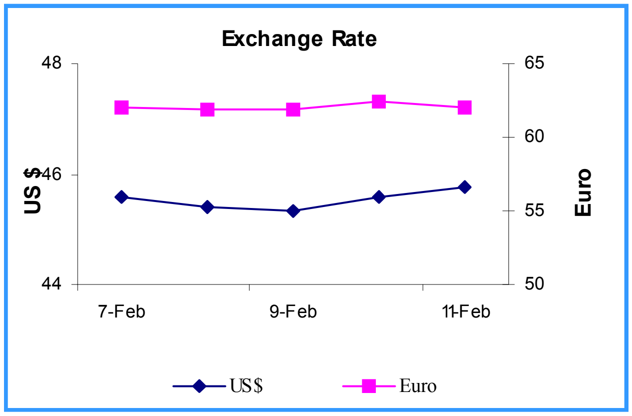
Director General, CII

IN THIS ISSUE

POLICY DEVELOPMENTS

- The Union cabinet approved Rs 1,000 crore more than Rs 12,000 crore demanded by states as compensation for giving up their right to impose an indirect levy on inter-state movement of goods, the Central Sales Tax, in order to break the GST deadlock
- Ministry of Commerce and Industry announces export incentives for more than 600 products w.e.f 1/1/2011 in agriculture, chemicals, carpets, engineering, electronics and plastics to enhance the competitiveness for products which are labor intensive and technology intensive.
- Country's largest power producer NTPC will soon float tender to start direct import of coal to meet fuel shortfalls for its power plant





BANKING INDICATORS

			Rs. Crore
	Outstanding as on	**% Variation over**	
Indicators	**28 January 2011**	**Fortnight**	**Year**
Total Bank Credit	**37,35,233**	**0.4**	**23.2**
Food Credit	**61,182**	**-4.3**	**39.3**
Non Food Credit	**36,74,052**	**0.5**	**23.1**
Aggregate Deposit	**49,83,378**	**0.8**	**15.9**
Broad Money (M3)	**62,00,420**	2.8	**16.6**
Credit Deposit Ratio	**75.0**		
Source: RBI			

EQUITY MARKETS

- In the global market, major indices posted another gain last week, sided by favorable momentum and positive economic data. The positive items helped offset the downside surprises and plunges. Egypt continued to remain in focus though the impact on the stock market was relatively limited..
- All Indian key benchmark indices continued to remain in the red on account of poor IIP data, political instability over 2G spectrum scam, and lingering inflation and fear of further monetary tightening. The worst hit was the Consumer Durable sector showing a 6.3% decline over the previous week, followed by Metal sector whereby the Metal Index dropped by 5.6%.
- Total turnover during the week on BSE stood at Rs 16,975 crore and at NSE at Rs 67,067 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US $ 85.6 per barrel on 11 February 2011, down by US $ 3.4 per barrel over the previous week.
- New York **spot price for Gold** was US $ 1,359.7 per ounce as on 11 February 2011, up by US $ 11.5 per ounce over the week.

Global Stock Indices	Closing Value as on 11 February 2011	Weekly Change (%)
NYSE: DJIA	12,273.3	1.5
FTSE 100	5,997.4	1.1
Nikkei 225	10,605.7	0.6
Straits Times	3,077.3	-4.2
KOSPI	1,977.2	-4.6

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 11 February 2011	Week's % Change
BSE SENSEX	17,728.6	-1.6
BSE 500	6.830.5	-2.4
S&P CNX NIFTY	5,310.0	-1.6
S&P CNX 500	4,240.5	-2.3

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US $ Million)	-316.1	-151.6
Year -to-date FII (US$ million)	-1,523.6	2,275.5
Weekly Mutual Funds# (Rs Crore)	-162.4	10,682.5

Source:SEBI *#as on 3 February 2011*

Commodity Spot Indices	Closing Value as on 12 February 2011	Week's % Change
MCX AGRI	2,961.6	1.8
MCX METAL	4,261.7	0.7
MCX ENERGY	2,792.9	-5.4
MCX COMDEX	3,269.0	-1.2

Source: MCX, NCDEX

INDUSTRY NEWS

Automobile

- Overall Car sales in January 2011 stood at 1,84,332 units an increase of 26.3% over last year, this was the highest ever monthly sales. Two wheelers sales grew at 17.6% to 9,80,752 units. Commercial vehicle sales during the month jumped 15.5% at 60,753 units.
- After a 10 year hiatus, Europe's second largest carmaker, PSA Peugeot Citreon, has announced plans to re-enter the Indian market with a mid sized sedan.

BSE Indices	Closing Value on 11 February 2011	Week's % Change
AUTO INDEX	8,490.8	-0.9
BANKEX	11,842.9	0.0
BSE CAPITAL GOODS	12,636.3	-3.5
BSE CONSUMER DURABLE	5,531.1	-6.3
BSE FMCG	3,201.3	-0.4
BSE HEALTHCARE	5,916.4	-2.6
BSE INFOTECH	6,139.9	-1.9
BSE MID CAP	6,475.9	-3.8
BSE SMALL CAP	7,808.8	-6.3
BSE TECK INDEX	3,593.1	-2.6
METAL INDEX	15,278.2	-5.6
OIL & GAS INDEX	9,235.1	-2.0
Source: BSE		

Telecom

- The Telecom Regulatory Authority has recommended that 2G spectrum in the 1,800 megahertz band be priced at 53-136% of the rate at which 3G frequencies were auctioned last year.

CNX Segment Indices	Closing Value on 11 February 2011	Week's % Change
CNX NIFTY Junior	10,406.3	-3.0
CNX MIDCAP	7,483.9	-3.4
BANK NIFTY	10,447.8	0.1
CNX IT	6,719.7	-1.9
CNX Realty	278.6	-3.8
CNX Infrastructure	2,867.3	-3.5
Source: NSE		

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GLOBAL NEWS

USA

- In the week ending February 5 2011, the advanced figures for seasonally adjusted initial claims was 383,000, a decrease of 36,000 from the previous week's revised figure of 419,000.
- US trade deficit widened in December by 33%, the highest level in four months as imports from China hit record high.
- US consumer sentiment index rose to its highest level in 8 months to 75.1 in February up from 74.2 in January, boosted by recent tax cuts and optimism about the economy.
- US plans to cut its budget deficit by US$ 1.1 trillion over 10 years.

Europe

- Spain's Economy grew at 0.2% in the fourth quarter of 2010 boosted by exports..

Asia

- China has overtaken Japan as the world's second biggest economy. Japan's economy was worth US$ 5.47 trillion at the end of 2010, while China's economy was worth US$ 5.8 trillion.
- China raised its benchmark interest rates for the third time since October. The benchmark one year lending rate was raised by 25 basis points to 6.1%.
- China reported a smaller than forecast US$ 6.5 billion trade surplus in January as import growth outpaced gains in exports for the fourth straight month.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group.**
Reach us at: **ecopolicy@cii.in**

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Since 1895
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