



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

8-14 August 2011

## INDICATORS

### Inflation Rate for the week ending 30th July 2011

Categories	Weekly	Annual
Primary articles	1.2	12.2
Fuel, power, light & lubricant	0.0	12.2

- The annual **inflation in primary articles** stood at 12.2% for the week ended 30th July 2011—up from 11.0% in the previous week.
- The annual **inflation in food articles** increased to 9.9% for the week ended 30th July 2011 from 8.0% in the previous week, while annual inflation in **Non-Food articles** showed slight moderation to 15.1%.
- The **Index of Industrial production** showed a growth of 8.8% in June 2011 as compared to 7.4% last year. The growth in IIP for Apr-June 2011 was 6.8% as compared to 9.6% in the same period of 2010.
- **Foreign Exchange Reserves** as on 5 August 2011 stood at US\$ 317.3 billion, down by US\$ 1.9 billion from the previous week.
- The **call money rates** as on 12th August 2011, traded in the range of 6.8– 7.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 8.3%.
- **All India rainfall** during the week 4-10 August was 14% above than the long period average (LPA). Cumulative rainfall during this year's monsoon has so far up to 10th August been 4% below LPA.



Dear Reader,

The global economic turmoil continued to have its impact on financial markets through the week, with the outlook for the developed world looking highly uncertain. The US Federal Reserve pledged to keep interest rates at current levels till mid-2013, suggesting an extremely weak economic outlook. It is clear that the Indian economy will have to depend on domestic growth drivers for sustaining present growth rates. The June industrial growth numbers released last week were encouraging and suggested a recovery but remains unconvincing in view of data on sectors such as automobiles and other consumer goods that continue to show deceleration.

**Chandrajit Banerjee**

Director General, CII

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## POLICY DEVELOPMENT

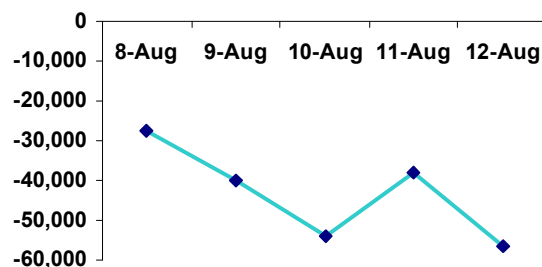
- Dedicated Freight Corridor Corporation of India Ltd (DFCCIL), the special purpose vehicle (SPV) formed to construct rail corridors exclusively for freight movement, has short listed three models of public-private-partnership (PPP) for the 550 km Dankuni-Sonnagar

stretch on the eastern corridor.

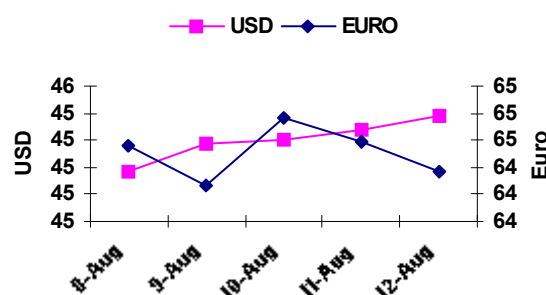
- As the government prepares to procure rice from farmers during the coming crop marketing season, beginning October, the food ministry is working on a proposal to lower the price of grains allocated to states for sale in

the open markets. .

Net Absorption through LAF (Rs Crore)



Exchange Rate



## BANKING INDICATORS

Indicators	Outstanding as on 29 July ,2011	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>40,05,366</b>	<b>-0.2</b>	<b>18.5</b>
<b>Food Credit</b>	<b>70,452</b>	<b>-7.8</b>	<b>50.1</b>
<b>Non Food Credit</b>	<b>39,34,914</b>	<b>-0.1</b>	<b>18.6</b>
<b>Aggregate Deposit</b>	<b>54,81,132</b>	<b>1.2</b>	<b>17.2</b>
<b>Broad Money (M3)</b>	<b>67,98,108</b>	<b>0.7</b>	<b>16.4</b>
<b>Credit Deposit Ratio</b>	<b>73.1</b>		

Source: RBI

## EQUITY MARKETS

- Global stocks continued to under perform, on account of the growing fear of a second recession in the US.
- Some European countries (namely France, Belgium, Italy, Spain and Greece) imposed a short-selling ban in an effort to calm markets. Consequently, European shares ended in green.
- In spite of the better than expected Industrial Output data, the Indian markets ended in red as the concerns of RBI rate hike increased. Three days holiday and global economic concerns also weighed on the markets .
- Total turnover during the week on BSE stood at Rs 14,957 crore and on NSE at Rs 65,657 crore.

## COMMODITY MARKETS

- NYMEX **Crude Oil** for September delivery fell to US\$ 86.9 per barrel on 5th August 2011.
- New York **spot price for Gold** was US\$ 1,757.1 per ounce as on 15th August 2011, up by US\$ 108.0 per ounce from the previous week.

Global Stock Indices	Closing Value as on 12th August 2011	Weekly Change (%)
NYSE: DJIA	11,269.0	-1.5
FTSE 100	5,320.0	1.4
Nikkei 225	9,299.9	-5.4
Straits Times	2,994.8	-6.1
KOSPI	1,943.8	-8.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 12th August 2011	Week's % Change
BSE SENSEX	16,839.6	-2.7
BSE 500	6,629.5	-2.3
S&P CNX NIFTY	5,073.0	-9.6
S&P CNX 500	4,121.4	-9.2

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-964.3	123.5
Year -to-date FII (US\$ million)	1,137.7	3,387.5
Weekly Mutual Funds# (Rs Crore)	1,298.4	-1,822.7

Source:SEBI

#as on 11th August, 2011

Commodity Spot Indices	Closing Value as on 12th August 2011	Week's % Change
MCX AGRI	2,987.0	0.6
MCX METAL	4,720.6	1.3
MCX ENERGY	2,777.2	1.3
MCX COMDEX	3,443.6	1.2

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 12th August 2011	Week's % Change
<b>AUTO INDEX</b>	<b>8,534.4</b>	<b>-5.1</b>
<b>BANKEX</b>	<b>11,636.7</b>	<b>2.7</b>
<b>BSE CAPITAL GOODS</b>	<b>12,166.0</b>	<b>-1.7</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,389.8</b>	<b>-0.1</b>
<b>BSE FMCG</b>	<b>3,908.3</b>	<b>-0.1</b>
<b>BSE HEALTHCARE</b>	<b>6,048.3</b>	<b>-2.7</b>
<b>BSE INFOTECH</b>	<b>5,004.7</b>	<b>-8.3</b>
<b>BSE MID CAP</b>	<b>6,513.7</b>	<b>-1.1</b>
<b>BSE SMALL CAP</b>	<b>7,620.9</b>	<b>-2.5</b>
<b>BSE TECK INDEX</b>	<b>3,170.9</b>	<b>-7.5</b>
<b>METAL INDEX</b>	<b>12,301.0</b>	<b>-5.8</b>
<b>OIL &amp; GAS INDEX</b>	<b>8,417.2</b>	<b>-2.5</b>

Source: BSE

### Auto

- In July 2011, domestic sales of automobiles recorded a growth of 10.6% as compared to 20.8% in July 2010. Production showed a growth of 13.0% in July 2011, moderating substantially from last year.
- Mahindra Systech, the component-making division of the Rs 56,000 crore Mahindra & Mahindra group is pushing forward with a plan to bring all its domestic and international companies under one roof.

### Energy

- Gujarat based Adani Gas, an arm of Adani Enterprise, will pick up 20% equity in Green Gas Ltd, a joint venture between Gail and the Indian Oil Corporation (IOC).

### Steel

- India's top three steelmakers-SAIL,JSW Steel and Tata Steel- have decided to move up the value chain for better margins by graduating to make higher grades of steel. They plan to exit the production of semi-finished steel products.

CNX Segment Indices	Closing Value on 12th August 2011	Week's % Change
<b>CNX NIFTY Junior</b>	<b>10,343.1</b>	<b>-1.9</b>
<b>CNX MIDCAP</b>	<b>7,581.4</b>	<b>-1.4</b>
<b>BANK NIFTY</b>	<b>10,182.7</b>	<b>-1.7</b>
<b>CNX IT</b>	<b>5,416.3</b>	<b>-8.4</b>
<b>CNX Realty</b>	<b>241.3</b>	<b>-4.0</b>
<b>CNX Infrastructure</b>	<b>2,805.6</b>	<b>-2.8</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending August 6 2011, the advance figure for seasonally adjusted initial claims was 395,000, a decrease of 7,000 from the previous week's revised average of 402,000.
- US June exports, stood at US\$ 170.9 billion and imports at US\$ 223.9 billion. The trade deficit stood at US\$ 53.1 billion, up from US\$ 50.8 billion in May.
- Global demand for US stocks , bonds and other financial assets weakened in June from a month earlier. Net buying of long term equities, notes and bonds totaled US\$ 3.7 billion during the month compared with net buying of US\$ 24.2 billion in May.
- To promote the ongoing recovery and to help ensure that inflation is at levels consistent with its mandate, Fed has decided to keep the target range

for the federal funds rate at 0 to 1/4 %. Also, FOMC anticipates that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through 2013.

### Europe

- In June 2011 compared with May 2011, seasonally adjusted industrial production fell by 0.7% in the euro area and by 1.2% in the EU 27. In May production rose by 0.2% in both zones.

### Asia

- China boosted its holdings of US Government debt for a third straight month to US\$ 1.17 trillion in June, while other foreign investors were sellers of Treasuries for the first time since 2009.

#### 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.

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