Confederation of Indian Industry

Economy Update

Weekly Review

2nd April'10

Inflation Rate for the week ending 20th Mar'10		
Categories	**Weekly**	**Annual**
Primary articles	**0.4**	**13.86**
Fuel, power, light & lubricant	**0.0**	**12.75**

Indicators

- Annual **WPI inflation rate for primary articles** for the week ending 20th Mar'10 stood at 13.86% as compared to previous week's level of 13.88%.
- The annual inflation in food articles inched up to 16.35% for the week ended 20th Mar'10, from 16.22% for the previous week.
- **Foreign Exchange Reserves** as on 26th Mar'10 stood at US $277.0 billion, down by US$ 1.2 billion over the previous week.
- The **call money rates** as on 2nd Apr'10 traded in the range of 2.25 – 3.75 percent.
- One year **LIBOR** for US$ as on 31st Mar'10 stood at 0.91%.
- At the **Treasury bills auctions** held during the week, the YTM for 91–day T-Bills stood at 4.38%.
- Indian exports went up in February 2010 for the fourth straight month to $16.1 billion, registering an impressive growth of 34.8%. Imports, too, maintained momentum growing by 66% to $25.1 billion. As a result trade deficit increased from $3.1 billion in Feb'09 to $9.0 billion in Feb'10.
- The current account deficit remained almost flat at $12.0 billion in the December '09 quarter, compared with $11.7 billion a year earlier. Robust Foreign investments, led to a capital account surplus of $14.7 billion and an overall balance of payments surplus of $1.8 billion compared to a deficit of $17.9 billion a year ago.
- CPI-IW fell to 14.86% in February, from 16.22% in the month before.

Dear Reader

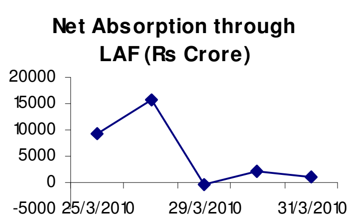
March data has begun to show some moderation in the price of primary food articles. As a result, the rate of inflation in this segment has moderated marginally from a peak of 20.5% in December 2009 to 16.3% currently. Any moderation in the overall inflation rate is unlikely as this will be offset by rising inflation in fuel and manufactured products. Rising inflation has constrained the RBI from intervening in the foreign exchange market where the rupee has been appreciating against major currencies.

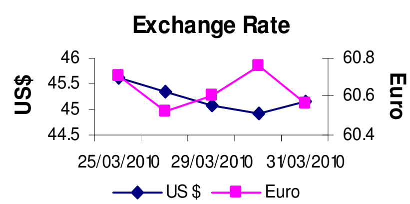
Chandrajit Banerjee
Director General
Confederation of Indian Industry

Policy Developments

1. The RBI has released the advance calendar for government borrowing in the first half of 2010-11, according to which, government will raise Rs 2.87 lakh crore in the first half. This amounts to 63% of its full-year borrowing target.

2. The government has extended the deadline given to banks and non banking finance companies to align their accounting practices with IFRS to April 2013. Regional Rural Banks (RRBs) and urban co-operative banks with a net worth lower than Rs 200 crore have been allowed to follow the current accounting standards.





Banking Indicators		*Rs. Crore*	
		% Variation over	
Indicators	**Outstanding as on 12th Mar'10**	**Fortnight**	**Year**
Total Bank credit	**3,124,850**	**1.2**	**16.0**
Food Credit	**49,402**	**3.2**	**3.1**
Non Food Credit	**3,075,448**	**1.1**	**16.3**
Aggregate Deposit	**4,402,943**	**0.9**	**18.1**
Broad Money (M3)	**5,474,489**	**1.1**	**17.4**
Credit Deposit Ratio	**70.97**		
Source: RBI			

Equity Markets

- Global Equity markets ended the week on a firm footing, supported by robust manufacturing data coming in from across the world. Better job data posted by US too extended support to the market. Meanwhile banks borrowed less from the US Federal Reserve's emergency lending program over the past week, a fresh sign that credit problems are easing. The Federal Reserve's $1.25 trillion program to buy mortgage-backed securities also came to an end during the week.
- The benchmark BSE Sensex and Nifty started off the first quarter of 2010-11 on a positive note during the truncated week. While on the one hand, FIIs continued their buying spree both in equity as well as debt markets, DIIs were the net sellers. Positive economic data on trade helped boost the sentiment among investors. Meanwhile HSBC's purchasing manager's index slipped down to 57.8 in March from seasonally adjusted 20-month high of 58.5 in the month before.
- Among sectors, Realty space was the top performers, increasing by more than 3.0%. Higher metal prices in LME boosted the metal stocks. Technology companies' share however went down as the Indian rupee firmed up further against US dollar. BSE top five gainers include HDFC, Tata Motors, DLF, NTPC and Hindalco Industries.
- Total turnover during the week on BSE stood at Rs 17,825 crore and at NSE Rs 52,175 crore.

Commodity Market

- NYMEX light sweet Crude Oil for May delivery closed at US $ 84.5 per barrel on 2nd April'10, up by $4.9 per barrel over the previous week.
- New York spot price for **Gold** was US $ 1126.9 per ounce as on 2nd Apr'10, up by US $ 19.7 per ounce over the week.

Global Stock Indices	Closing Value as on 2nd Apr'10	Weekly Change (%)
NYSE: DJIA	10,927	0.7
FTSE 100	5,745	0.7
Nikkei 225	11,286	2.6
Straits Times	2,943	1.3
KOSPI	1,724	1.5

Source: Yahoo Finance

Commodity Spot Indices	Closing Value as on 2nd Apr'10	Week's % Change
MCX AGRI	2,122	0.1
MCX METAL	3,250	2.5
MCX ENERGY	2,697	3.2
MCX COMDEX	2,684	2.4

Source: MCX, NCDEX

Indian Equity Indices	Closing Value on 2nd Apr'10	Week's % Change
BSE SENSEX	17,693	0.3
BSE 500	6,980	0.7
S&P CNX NIFTY	5,291	0.2
S&P CNX 500	4,345	0.7

Net Institutional Activity

	Equity	Debt
Weekly FII (US $ Million)	654	580
Year -to-date FII (US$ million)	4,547	4,713
Weekly Mutual Funds# (Rs Crore)	-482	-10,178

Source:SEBI **as on30th Mar'10*

Global Development

US

1. The U.S. economy created 162,000 jobs in March, the largest seasonally adjusted increase in nonfarm payrolls in three years. The unemployment rate however was steady at 9.7%.
2. The U.S. manufacturing sector expanded for an eighth straight month in March. The ISM manufacturing diffusion index rose to 59.6% in March from 56.5% in February. It was the highest reading since July 2004.
3. The number of people applying for unemployment benefits in US fell 6,000 in the week ended March 27 to a seasonally adjusted 439,000.

Europe

1. Manufacturing in the euro zone grew faster than previously thought, with Markit's Purchasing Managers' Index (PMI) for the region jumping to 56.6 in March from 54.2 the month before.

Asia

1. South Korea's exports advanced 35.1 percent from a year earlier to $37.68 billion in March. Imports climbed 48.4 percent to $35.49 billion, leaving a trade surplus of $2.2 billion.
2. China's manufacturing expanded at a faster pace in March. The Purchasing Managers' Index rose to a seasonally adjusted 55.1 from 52 in February.
3. The Bank of Japan's Tankan index of sentiment rose to minus 14 in March from minus 25 in December, the fourth straight gain.

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