

# Economy Update

■ Weekly Review

□ 29<sup>th</sup> January'10

Inflation Rate for the week ending 16 <sup>th</sup> Jan'10		
Categories	Weekly	Annual
Primary articles	0.3	14.66
Fuel, power, light & lubricant	0.1	5.70

## Indicators

- Annual **WPI inflation rate for primary articles** for the week ending 16<sup>th</sup> Jan'10 stood at 14.66% as compared to previous week's level of 13.93%.
- The annual inflation in food articles rose to 17.40% for the week ended 16<sup>th</sup> Jan'10, from 16.81% for the previous week.
- **Foreign Exchange Reserves** as on 22<sup>nd</sup> Jan'10 stood at US \$282.9 billion, down by US\$ 2.2 billion over the previous week.
- The **call money rates** as on 29<sup>th</sup> Jan'10 traded in the range of 2.10 – 3.35 percent.
- One year **LIBOR** for US\$ as on 27<sup>th</sup> Jan'10 stood at 0.86%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 4.01%.
- The Indian mobile service providers added a record 19.10 million users in December 2009, higher than 17.6 million added in November. This is also the highest monthly growth recorded by any telecom market ever globally. The total number of mobile phone users in the country now stands at 525.15 million compared with 506.04 million in November.
- The central government's fiscal deficit between April and December 2009, stood at Rs 3, 09,980 crore or 77.3% of the budget estimate. The revenue deficit stood at Rs 2, 51,254 crore, 89% of the full year target.



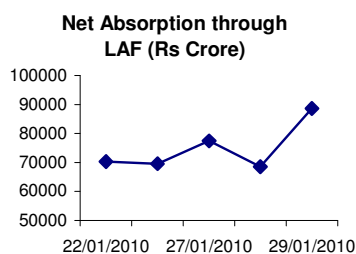
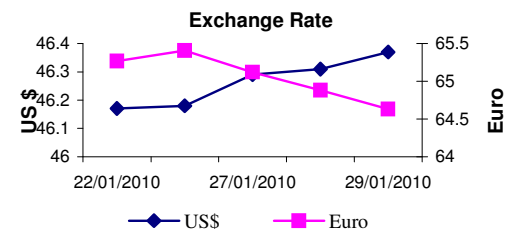
Dear Reader

The RBI's third quarter review of monetary policy began the widely expected withdrawal of monetary stimulus with a 75 bp hike in the CRR. As the policy stance shifted from 'managing the crisis' to 'managing the recovery', the RBI raised its outlook for growth and inflation. However, the document acknowledged that the current spurt in inflation is being driven mainly by supply side factors and therefore, does not mandate an aggressive monetary intervention, particularly since the economic recovery process is still in its early stages.

Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

1. The RBI in its Third Quarter Monetary Policy Review announced a 75-basis-point increase in banks' cash reserve ratio (CRR) from 5.0% to 5.75%. It however kept repo and reverse repo rate unchanged at 4.75% and 3.25% respectively.
2. The RBI raised the GDP growth forecast for 2009-10 to 7.5% and WPI inflation forecast for end March 2010 to 8.5%. It reduced the non-food credit and M3 growth projection for 2009-10 to 16.0% and 16.5% respectively.



Banking Indicators	Rs. Crore	% Variation over	
		Fortnight	Year
	<b>Outstanding as on 15<sup>th</sup> Jan'10</b>		
Total Bank credit	3,008,909	-0.4	13.9
Food Credit	42,534	-8.3	-14.4
Non Food Credit	2,966,375	-0.2	14.4
Aggregate Deposit	4,242,573	-0.5	16.8
Broad Money (M3)	5,279,684	-0.1	16.5
Credit Deposit Ratio	70.92		

Source: RBI

## Equity Markets

- Global stock markets extended last week's losses amid increasing worries of monetary tightening across the globe. In its World Economic Outlook, IMF has projected that the World economy would grow by 3.9% in the current year, up from its earlier projection of 3.1%. It is expected to further gain momentum in 2011 and grow by 4.3%. Meanwhile Ben S. Bernake has been reappointed as the chairman of the US Federal Reserve for the second term.
- The Indian markets witnessed yet another sharp fall this week, taking cues from the global markets. Jitters about the impending hike in CRR also dampened the mood as did the relentless selling by the foreign investors. Meanwhile the government is likely to miss the deadlines for GST rollout and auction of 3G spectrum.
- All the sectoral indices ended in red over the week. Metal stocks suffered heavy losses in line with the weakness in the global commodity markets. Interest rate sensitive stocks came under pressure after RBI raised CRR by more than expected 75 basis points. Top five BSE losers over the week include Tata Steel, Tata Motors, M&M, Hindalco Industries and Wipro.
- Total turnover during the week on BSE stood at Rs 21,337 crore and at NSE Rs 72,352 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for March delivery closed at US \$ 72.9 per barrel on 29<sup>th</sup> Jan'10, down by \$1.6 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1080.7 per ounce as on 29<sup>th</sup> Jan'10, down by US \$ 11.3 per ounce over the week.

Global Stock Indices	Closing Value as on 29 <sup>th</sup> Jan '10	Weekly Change (%)
NYSE: DJIA	10,067	-1.0
FTSE 100	5,189	-2.1
Nikkei 225	10,198	-3.7
Straits Times	2,745	-2.7
KOSPI	1,602	-4.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 29 <sup>th</sup> Jan'10	Week's % Change
BSE SENSEX	16,358	-3.0
BSE 500	6,510	-3.3
S&P CNX NIFTY	4,882	-3.1
S&P CNX 500	4,156	-3.6

Source: NSE, BSE

Commodity Spot Indices	Closing Value as on 30 <sup>th</sup> Jan'10	Week's % Change
MCX AGRI	2,093	-2.2
MCX METAL	3,061	-3.7
MCX ENERGY	2,549	-1.7
MCX COMDEX	2,550	-2.7

Source: MCX, NCDEX

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	-1,523	-56
Year -to-date FII (US\$ million)	-95	1,943
Weekly Mutual Funds# (Rs Crore)	779	1,630

Source:SEBI \*as on 14<sup>th</sup> Jan'10

## Global Development

### US

- The US economy grew at a faster than-expected 5.7% pace in the fourth quarter, the quickest in more than six years. Consumer spending increased at a 2%, contributing 1.44% to GDP. Business investment grew at 2.9% rate, the first increase since the second quarter of 2008.
- The Federal Reserve in its policy meeting left the interest rates unchanged near zero and said that the economy is improving. It also plans to end a program to lower mortgage rates on 31 March 2010.

### UK

- The UK GDP rose 0.1% in the fourth quarter of 2009 from the previous quarter. The economy contracted 3.2% from a year earlier in the fourth quarter and shrank 4.8% in 2009, the biggest annual drop since records began in 1949.

### Asia

- South Korea's exports surged 47.1% to \$31.08 billion in January, posting their biggest gain in more two than decades.
- Japan's exports grew 12.1% from a year earlier to 5.4 trillion yen (\$60 billion) for the first time in 15 months in December.
- South Korea's GDP grew 0.2% in the fourth quarter of 2009 compared with the previous quarter. The economy had expanded 3.2 % in the third quarter.
- Japan's central bank has left its overnight call rate target unchanged at 0.1%.

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