



| Inflation Rate for the week ending<br>21 <sup>st</sup> August '10 |        |        |
|---|--------|--------|
| Categories  | Weekly | Annual |
| Primary articles  | 1.43   | 15.19  |
| Fuel, power, light & lubricant                                    | 0.21   | 12.71  |

## Indicators

- **WPI inflation rate for primary articles** for the week ending 21<sup>st</sup> August '10 stood at 15.19% as compared to previous week's level of 14.75%.
- **Food inflation** increased to **10.86%** for the week ended August 21<sup>st</sup> 2010 from 10.05% in the previous week. due to high prices of Vegetables.
- **Indian economy grows at 8.8% in the first quarter of 2010-11 due to robust growth of manufacturing at 12.4%**
- **India's export during July 2010 was valued at US\$ 16.2 billion which was 13.2% higher than the July 2009 level of US\$ 14.3 billion. India's import was valued at US\$ 29.1 billion representing a growth of 34.3% over the July 2009 level of US\$ 21.7 billion.**
- **The Centre's fiscal deficit fell 42% to Rs 90,915 crore in April-July, compared to the same period last year, on high revenue receipts from the auction of 3G spectrum.**
- **All India rainfall during the week 26<sup>th</sup> Aug - 1<sup>st</sup> Sept was 16% above long period average (LPA). Cumulative rainfall so far during this year's monsoon upto 1<sup>st</sup> Sept has been 1% below LPA.**
- **Foreign Exchange Reserves** as on 27<sup>th</sup> Aug'10 stood at US \$282.8 billion, almost flat over previous week.
- The **call money rates** as on 3<sup>rd</sup> Sept '10 traded in the range 3.2-4.35%.
- One year **LIBOR** for US\$ as on 1<sup>st</sup> September '10 stood at 0.86%.
- At the Treasury bills auctions held during the week, the **YTM for 91-day T-Bills** stood at 6.06%.

## Dear Reader

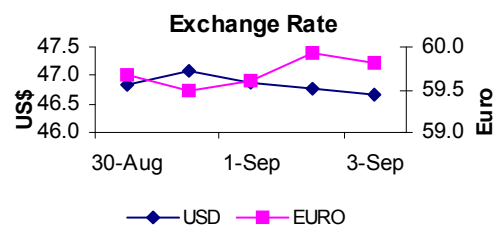
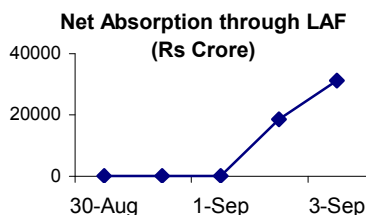
The GDP data for the first quarter of 2010-11 showed strong growth of 8.8%, driven by both consumption and investments. While private consumption grew at an annual rate of 3.8%, fixed capital formation grew at 7.6%. With China growing at 10.3% in the same quarter, India maintained its position as the second fastest growing economy in the world. However, some moderation is likely over the next few quarters as the positive impact of a low base wears out.

Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

1. The Direct Tax Code has proposed a reduction in the corporate tax rate to 30 per cent (inclusive of surcharge and education cess) from the current 33.2%, while MAT rates have been raised marginally from the current 19.9% to 20%

2. The Direct Taxes Code Bill has proposed to substitute all profit-linked incentives with investment-linked incentives for businesses that enjoy tax sops under the existing law. Also, the DTC will allow the government to tax a portion of the interest paid on debt by companies.



| Banking Indicators   |  | (Rs. Crore)      |      |
|----------------------|--|------------------|------|
| Indicators           | Outstanding as on 13 <sup>th</sup> Aug '10 | % Variation over |      |
|                      |  | Fortnight        | Year |
| Total Bank credit    | 33,64,511                                  | 0.2              | 20.1 |
| Food Credit          | 46,928                                     | -8.7             | -4.0 |
| Non Food Credit      | 33,17,583                                  | 0.4              | 20.5 |
| Aggregate Deposit    | 46,31,579                                  | -0.2             | 14.1 |
| Broad Money (M3)     | 57,95,673                                  | 0.1              | 14.8 |
| Credit Deposit Ratio | 72.64                                      |                  |      |

Source: RBI

## Equity Markets

- Global stocks surged after better than expected economic data helped the major indices overcome losses from early in the week. The week ended on a positive note following a better than expected U.S. employment report.
- Indian markets closed range-bound session marginally lower on Friday on caution ahead of US August employment report and rising food inflation evoked worries of a further rate hike by the RBI this month. Though most of the Asian and European markets remained in the positive terrain during the session, the Indian markets failed to hold on to their early gains.
- Metals, oil & gas and capital goods stocks witnessed selling pressure while some buying activities in real estate, auto and pharma stocks capped losses to a major extent.
- Total turnover during the week on BSE stood at Rs 24,847 crore and on NSE at Rs 64,555 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for October delivery closed at US \$ 74.6 per barrel on 3<sup>rd</sup> Sept '10, down by \$0.57 over the previous week's level.
- New York spot price for **Gold** was US \$1,250.5 per ounce as on 3<sup>rd</sup> September'10, up by \$5.5 over the previous week's level.

| Global Stock Indices | Closing Value as on 1 <sup>st</sup> Sept '10 | Weekly Change (%) |
|----------------------|--|-------------------|
| NYSE: DJIA           | 10,447.9                                     | 1.7               |
| FTSE 100             | 5,428.1                                      | 4.4               |
| Nikkei 225           | 9,114.1                                      | 1.4               |
| Straits Times        | 3,002.6                                      | 2.2               |
| KOSPI                | 1,780.0                                      | 3.0               |

Source: Yahoo Finance

| Indian Equity Indices | Closing Value on 1 <sup>st</sup> Sept '10 | Week's % Change |
|-----------------------|---|-----------------|
| BSE SENSEX            | 18,221.4                                  | 1.2             |
| BSE 500               | 7,439.1                                   | 1.8             |
| S&P CNX NIFTY         | 5,479.4                                   | 1.3             |
| S&P CNX 500           | 4,623.7                                   | 1.6             |

Source: NSE, BSE

| Commodity Spot Indices | Closing Value as on 4 <sup>th</sup> Sept '10 | Week's % Change |
|------------------------|--|-----------------|
| MCX AGRI               | 2,317.0                                      | 0.2             |
| MCX METAL              | 3,531.0                                      | 3.2             |
| MCX ENERGY             | 2,494.4                                      | 1.7             |
| MCX COMDEX             | 2,751.4                                      | 2.2             |

Source: MCX, NCDEX

| Net Institutional Activity       |          |         |
|----------------------------------|----------|---------|
|                                  | Equity   | Debt    |
| Weekly FII (US \$ Million)       | 309.6    | 79.7    |
| Year -to-date FII (US\$ million) | 13,203.6 | 8,516.1 |
| Weekly Mutual Funds# (Rs Crore)  | -163.4   | 8927.4  |

Source: SEBI #For weekending 3<sup>rd</sup> Sept '10

## Global Development

### US

- US jobless claim dropped by 6,000 to 472,000 in the week ended August 28th 2010.
- US consumer spending rose 0.4% in July while incomes climbed 0.2%, less than the projected level by the Commerce Department.
- Productivity decreased 1.8% in the nonfarm business sector during the second quarter of 2010 as unit labor costs rose 1.1%. In manufacturing, productivity increased 4.1% while unit labor costs fell 5.9%

### Euro Area

- GDP increased by 1.0% in both the euro area (EA16) and the EU27 during the second quarter of 2010, compared with the previous quarter, according to first estimates released by Eurostat. Also, Euro area annual inflation is expected to be 1.6% in August 2010 according to a flash estimate issued by Eurostat, the statistical office of the European Union. It was 1.7% in July.
- In July 2010 compared with June 2010, the industrial producer price index rose by 0.2% in both the euro area (EA16) and the EU27. In June 2010, prices increased by 0.3% in both zones. Also, the volume of retail trade increased by 0.1% in both the euro area (EA16) and the EU27 in July 2010 as compared to the previous year

### Asia

- The Fiscal Policy Office (FPO) expects the Thai economy to grow by 7%, based on an increase in domestic consumption, despite sluggish exports.

## 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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