



Confederation of Indian Industry

Economy Update

Weekly Newsletter

25-31 July 2011

INDICATORS

Inflation Rate for the week ending 16th July 2011

Categories	Weekly	Annual
Primary articles	0.2	10.5
Fuel, power, light & lubricant	0.0	12.1

- The annual **inflation in primary articles** stood at 10.5% for the week ended 16th July 2011—down from 11.1% in the previous week.
- The annual **inflation in food articles** moderated marginally to 7.3% for the week ended 16th July 2011 from 7.6% in the previous week, while annual inflation in **Non-Food articles** rose from 15.7% to 16.1% during the same time period.
- The **Index of Eight Core** industries registered a growth of 5.2% in June 2011 as compared to 4.4% registered in June 2010.
- **Non-Food Credit** showed a year on year increase of 19.6% in June 2011 as compared with 20.2% in the corresponding year last year.
- **Credit to agriculture** on y-o-y basis increased by 12.8% in June 2011 as compared to 21.7% in June 2010, while credit to **industry** increased by 22.0% in June 2011 as compared to 29.2% in the corresponding period of last year. **Services** sector recorded credit growth of 20.9% in June 2011, up from 16.2% in June 2010.
- **Foreign Exchange Reserves** as on 22 July 2011 stood at US\$ 316.8 billion, up by US\$ 2.2 billion from the previous week.
- The **call money rates** as on 22 July 2011 traded in the range of 6.5– 8.1%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.4%.
- **All India rainfall** during the week 21-27th July was 23% lower than the long period average (LPA). Cumulative rainfall during this year's monsoon has so far up to 27 July been .04% below LPA.



Dear Reader,

The RBI surprised industry and markets by raising the repo rate by 50 basis points at its first quarter review of monetary policy. This came at a time when there are increasing concerns about a slowdown in investment and economic growth. Rising operating costs have adversely affected industry's capacity to invest. CII has therefore called for supply side measures to boost economic growth. It will be important to fall back on domestic sources of growth when optimism about the global economic recovery is moderating. US GDP data released last week showed weakness while European countries continue to face sovereign debt problems.

Chandrajit Banerjee

Director General, CII

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POLICY DEVELOPMENT

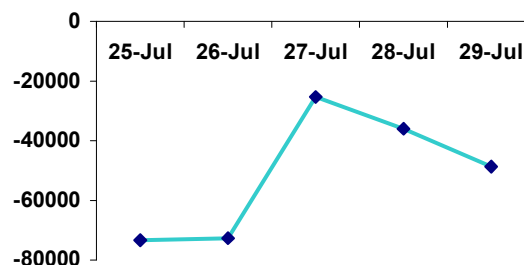
Monetary Policy

- In the first quarter review of the monetary policy, the RBI increased the policy repo rate by 50 basis points to 8.0%. Consequently, the reverse repo rate stands at 7.0% and the Marginal Standing Facility rate stands at 9.0%.

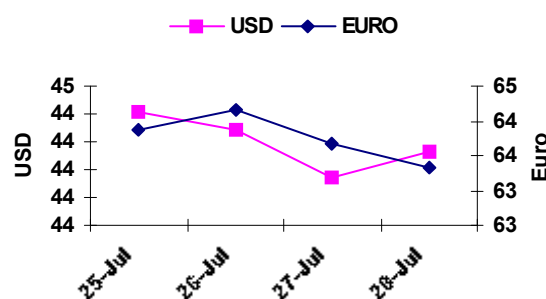
Monetary Targets

- Projected baseline real GDP growth for 2011-12 stands at 8.0% on the assumption of a normal monsoon and crude oil prices averaging US\$ 110 per barrel.
- Baseline projections for WPI inflation for March 2012 has been revised upward to 7.0%.
- Indicative projection of M3 growth for 2011-12 has been revised downwards from 16.0% to 15.5%.
- Non-Food credit growth projections has been revised downwards from 19.0% to 18.0%

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 15 July ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	40,14,556	-1.8	19.3
Food Credit	76,440		
Non Food Credit	39,38,116		
Aggregate Deposit	54,17,244	-1.3	17.9
Broad Money (M3)	67,49,781	-0.9	16.7
Credit Deposit Ratio	74.1		

Source: RBI

EQUITY MARKETS

- Global stocks remained in the red territory in the week ending 29th July 2011, as the saga of the unresolved debt ceiling crisis in the US continued. This was despite an improvement in US GDP estimates for the second quarter of 2011.
- European shares continued to rally downwards, with US in a debt quagmire and Moody's putting Spain on review for a downgrade.
- Indian key benchmark indices continued to under perform in the week ending 29th July 2011 as sentiments were low due to poor cues from the global market as well as increase in policy rates by the RBI.
- Positive global sentiments on announcement of the second bailout package for Greece and slowdown in food inflation rallied Indian stock markets. Both BSE SENSEX and S&P NIFTY showed a growth of 0.9% on 22 July 2011, from the previous week.
- Total turnover during the week on BSE stood at Rs 14,648 crore and on NSE at Rs 62,071 crore.

COMMODITY MARKETS

- NYMEX **Crude Oil** for August delivery stood at US\$ 99.1 per barrel on 22 July 2011, an increase of US\$ 3.4 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,628.3 per ounce as on 29th July 2011, up by US\$ 26.4 per ounce from the previous week.

Global Stock Indices	Closing Value as on 29 July 2011	Weekly Change (%)
NYSE: DJIA	12,143.2	-4.2
FTSE 100	5,815.2	-2.0
Nikkei 225	9,833.0	-3.0
Straits Times	3,189.3	0.2
KOSPI	2,133.2	-1.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 29 July 2011	Week's % Change
BSE SENSEX	18,197.2	-2.8
BSE 500	7,111.3	-2.7
S&P CNX NIFTY	5,482.0	-2.7
S&P CNX 500	4,424.1	-2.6

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	282.0	319.8
Year -to-date FII (US\$ million)	2,438.7	-1,640.3
Weekly Mutual Funds# (Rs Crore)	-215	-913

Source:SEBI

#as on 28 July, 2011

Commodity Spot Indices	Closing Value as on 30 July 2011	Week's % Change
MCX AGRI	2,995.1	0.9
MCX METAL	4,670.8	0.4
MCX ENERGY	2,949.3	-3.8
MCX COMDEX	3,492.0	-0.9

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 29 July 2011	Week's % Change
AUTO INDEX	8,758.8	-1.1
BANKEX	12,447.8	-3.6
BSE CAPITAL GOODS	12,995.8	-5.2
BSE CONSUMER DURABLE	6,755.7	-0.2
BSE FMCG	4,093.1	-0.4
BSE HEALTHCARE	6,420.7	-0.0
BSE INFOTECH	5,835.4	-1.6
BSE MID CAP	6,915.3	-1.9
BSE SMALL CAP	8,305.6	-1.9
BSE TECK INDEX	3,642.9	0.1
METAL INDEX	14,016.7	-5.0
OIL & GAS INDEX	8,799.5	-4.2

Source: BSE

Consumer Products

- Fish prices across India are on the rise as the domestic market is growing at a rate of 30%. Demand, which was largely metro-centric a year ago is now spreading to tier II and tier III cities.

Oil and Gas

- Saudi Arabia approved sales of 3 million barrels of extra crude to India for August to make up for a loss of shipments from Iran due to payment dispute.

Textiles

- The Government announced the restoration of incentives on export of cotton yarn following a sharp fall in domestic and international prices of the commodities.

Sugar

- India, the world's biggest sugar producer after Brazil, may refrain from exporting more sweetener in the next two months as it preserves supplies to meet demand during festivals.

CNX Segment Indices	Closing Value on 29 July 2011	Week's % Change
CNX NIFTY Junior	10,910.2	-3.3
CNX MIDCAP	8,017.4	-1.7
BANK NIFTY	10,893.7	-3.5
CNX IT	6,335.1	-1.6
CNX Realty	273.1	-7.3
CNX Infrastructure	3,029.3	-2.9

Source: NSE

GLOBAL NEWS

USA

- In the week ending July 23 2011, the advance figure for seasonally adjusted initial claims was 498,000, a decrease of 24,000 from the previous week's revised average of 422,000.
- US real GDP for the second quarter of 2011, increased at an annual rate of 1.3%. In the first quarter, real GDP increased by 0.4%.

Europe

- Euro area annual inflation is expected to be 2.5% in July . It was 2.7% in June.
- In the first quarter of 2011 , both the household

saving rate was 11.6% in the EU 27, compared with 11.2% in the fourth quarter of 2010. In the Euro Area, the household saving rate was 13.3% in the first quarter of 2011, the same as in the previous quarter.

Asia

- South Korea's inflation for July accelerated to a four-month high to 4.7% from a year earlier.
- China's Purchasing Managers' Index for the month of July stood at 50.7 as compared with 50.9 in June .

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.

CII Economy Update is a weekly report prepared by the **CII Economic Research Group**.
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