



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

31 January-6 February 2011

INDICATORS

Inflation Rate for the week ending 22 January 2011

Categories	Weekly	Annual
Primary articles	0.5	18.4
Fuel, power, light & lubricant	0.7	11.6

- The annual inflation for **Primary Articles** increased to 18.4% in the week ending 22 January 2011 from 17.3% in the previous week.
- The annual **inflation** in **food articles** increased to 17.1% for the week ended 22 January 2011, from 15.6% in the previous week.
- The Advanced estimates of National Income for 2010-11 show that **GDP growth** is estimated at 8.6% for the current fiscal as compared to 8.0% in 2009-10. **National Income** is expected to grow at 8.2% in 2010-11 as compared to 7.5% in 2009-10
- **CII Business Confidence Index** for the fourth quarter of 2010-11 rises by 0.5 points to 66.7
- India's **exports** during December 2010, were valued at US\$ 22.5 billion, registering a growth of 36.4% since last year. **Imports** were valued at US\$ 25.1 billion, representing a decline of 11.1% over the last year.



Dear Reader,

The advance estimate of 8.6% GDP growth for 2010-11 indicates that economic activity continues to accelerate since the slowdown in

2008-09 when foreign trade and investment had suffered a severe setback. Growth in the agricultural sector has been particularly strong while industry has remained flat. The services sector decelerated a bit due to moderation in the government sector. However, the investment rate still remains below its peak of 38.1% of GDP indicating that fiscal policy needs to provide additional incentives for acceleration in the investment momentum.

Chandrajit Banerjee

Director General, CII

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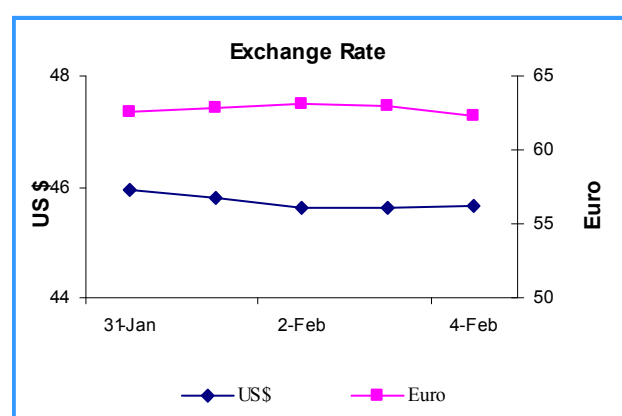
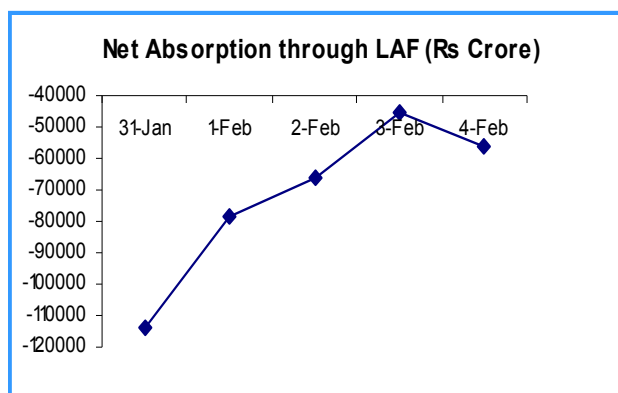
● Policy Update

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INDICATORS

- **Foreign Exchange Reserves** as on 28 January, 2011 stood at US \$ 299.2 billion, down by US\$ 0.2 billion over the previous week.
- **Core sector** grows at 6.6% in December 2010, higher than 3% in November.
- The advance estimate for **Gross capital formation** in 2009-10 stood at 36.5% of GDP while the **Gross domestic savings** stood at 33.7% of GDP.
- April-December **fiscal deficit** down by 44.75% compared to the previous year on 3G proceeds and growing tax receipts.
- The **call money rates** as on 4 February 2010 traded in the range of 5.7– 6.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



BANKING INDICATORS

Indicators	Outstanding as on 14 January 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	37,19,885	-1.2	23.6
Food Credit	63,953	-3.0	50.4
Non Food Credit	36,55,933	-1.2	23.2
Aggregate Deposit	49,45,648	-0.5	16.4
Broad Money (M3)	62,00,420	2.8	16.6
Credit Deposit Ratio	75.2		

Source: RBI

EQUITY MARKETS

- Investors in the US showed positive sentiments due to better employment and personal income data, which indicated signs of revival of the economy.
- All Indian key benchmark indices continued to remain in the red on account of lingering concerns on the inflation front, surge in crude oil prices, outflow of FII from emerging markets, the deteriorating situation in Egypt and also because of concerns on political instability over the 2G scandal. The worst hit was the FMCG sector showing a 6.4% decline over the previous week, followed by IT whereby the CNX IT dropped by 5.5%.
- Total turnover during the week on BSE stood at Rs 18,059 crore and at NSE at Rs 68,164 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 89.0 per barrel on 4 February 2011, down by US \$ 0.3 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,348.2 per ounce as on 4 February 2011, up by US \$ 7.8 per ounce over the week.

Global Stock Indices	Closing Value as on 4 February 2011	Weekly Change (%)
NYSE: DJIA	12,092.2	2.3
FTSE 100	5,997.4	2.0
Nikkei 225	10,543.5	1.8
Straits Times	3,211.1	-0.6
KOSPI	2,072.0	-1.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 4 February 2011	Week's % Change
BSE SENSEX	18,008.2	-2.1
BSE 500	6,995.7	-2.0
S&P CNX NIFTY	5,395.8	-2.1
S&P CNX 500	4,339.6	-2.0

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-283.5	54.3
Year -to-date FII (US\$ million)	-1,207.5	2,427.1
Weekly Mutual Funds# (Rs Crore)	-1,403.7	2,636.7

Source:SEBI

#as on 3 February 2011

Commodity Spot Indices	Closing Value as on 5 February 2011	Week's % Change
MCX AGRI	2,908.7	-0.8
MCX METAL	4,231.9	3.9
MCX ENERGY	2,953.0	5.2
MCX COMDEX	3,308.8	3.5

Source: MCX, NCDEX

INDUSTRY NEWS

Aviation

- Aviation sector shows signs of recovery as indicated by the increase in salaries of employees by about 25-30%. Also, airlines flew 520.2 lakh passengers in 2010, up by 18.7% from 2009.

Banking

- PNB, Allahabad Bank and United Bank of India raises base rate by up to 50 bps.

Industrial Goods

- India's domestic coal production will fall short of demand by 142 million tonnes in the year starting 1 April 2011. Coal demand is expected to be 696 MT compared with domestic output of 554 MT.
- US \$ 12 billion Posco Steel project in Orissa after being stalled for the last 5 years, finally got all environmental clearances.
- National Mineral Development Corporation is acquiring two iron ore mines in Australia by taking management control of 51%.
- Orient Papers industries to set up a three million tonnes per annum Greenfield cement manufacturing facility at Karnataka. The project will cost Rs 1,473 crore.

BSE Indices	Closing Value on 4 February 2011	Week's % Change
AUTO INDEX	8,571.5	-3.1
BANKEX	11,841.4	-1.2
BSE CAPITAL GOODS	13,100.0	0.0
BSE CONSUMER DURABLE	5,904.6	-0.3
BSE FMCG	3,214.3	-6.4
BSE HEALTHCARE	6,071.2	-1.9
BSE INFOTECH	6,258.5	-3.2
BSE MID CAP	6,734.5	-2.4
BSE SMALL CAP	8,331.2	-2.5
BSE TECK INDEX	3,690.0	-2.7
METAL INDEX	16,184.7	0.7
OIL & GAS INDEX	9,423.1	0.6

Source: BSE

CNX Segment Indices	Closing Value on 4 February 2011	Week's % Change
CNX NIFTY Junior	10,727.9	-5.9
CNX MIDCAP	7,751.3	-5.7
BANK NIFTY	10,433.9	-4.2
CNX IT	6,850.7	-5.5
CNX Realty	289.6	-3.7
CNX Infrastructure	2,972.4	-1.6

Source: NSE

GLOBAL NEWS

IMF World Economic Outlook

- According to the January 2011 WEO, IMF forecasts that the advanced economies will grow at 2.5% while Emerging and Developing Economies will show a robust growth of 6.5% in 2011.
- China is expected to expand at 9.6% in 2011 while India will grow at 8.4%.

USA

- In the week ending January 29 2011, the advanced figures for seasonally adjusted initial claims was 415,000, a decrease of 42,000 from the previous week's revised figure of 429,500.
- US unemployment rate fell by 0.4% to 9.0% in January 2011. Employment rose in manufacturing and in retail trade but was down in construction and in transportation and warehousing.
- US Personal income increased by 0.4% in December, same as in November. Personal Consumption Expenditure increased by 0.7% in

December as compared to a 0.3% increase in November.

Europe

- Unemployment rate in the Euro Area was 10.0% in December 2010, unchanged compared with November and 9.9% in December 2009.
- In December 2010, compared with November 2010, the volume of retail trade fell by 0.6% in the euro area and by 0.4% in the EU.
- In December 2010 compared with November 2010, Industrial producer prices went up by 0.8% in Euro Area.

Asia

- China's current account surplus jumped 25% in 2010 from a year earlier to US\$ 306.2 billion.
- Indonesia's economy expanded at 6.9% in Fourth quarter 2010, the fastest since 2004.

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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