



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

17-23 January 2011

INDICATORS

Inflation Rate for the week ending 8 January 2011

Categories	Weekly	Annual
Primary articles	-0.5	17.0
Fuel, power, light & lubricant	0.0	11.5

- The annual inflation for **Primary Articles** decreased to 17.0% in the week ending 8 January 2011 from 17.6% as food prices decreased by 1.2%.
- The annual **inflation** in **food articles** decreased to 15.5% for the week ended 8 January 2011, from 16.9% for the previous week as vegetables and pulses showed a decline in prices.
- Finance Ministry expects **agricultural sector** to grow at 6.0% this fiscal year up from a meager 0.2% last fiscal.
- **Indirect tax collections** registered a growth of 42.8% during April-December 2010 which is 75.7% of the Budget Estimates for 2010-11.
- **Foreign Exchange Reserves** as on 14 January, 2011 stood at US \$ 297.4 billion, up by US\$ 3.4 billion over previous week.
- The **call money rates** as on 21 January 2010 traded in the range of 5.6– 6.8%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.2%.



Dear Reader,

At its third quarter monetary policy review on Tuesday, January 25, the RBI is widely expected to increase policy rates by at least 25 basis points. This is because inflation is running far ahead of the RBI's March-end projection of 5.5%. In fact, while inflation had earlier shown some signs of moderation, the recent increase in the price of food articles has again put it on a rising trend. CII is concerned about the large deficit in liquidity in the banking system that is putting pressure on interest rates to rise. A reduction in CRR is called for at this point for easing this squeeze on liquidity.

Chandrajit Banerjee

Director General, CII

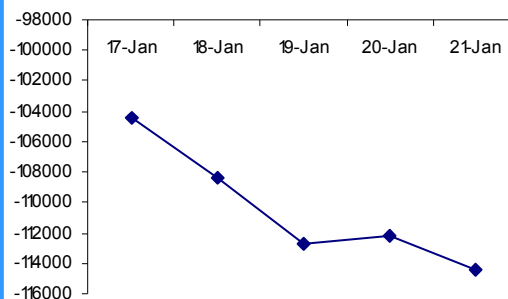
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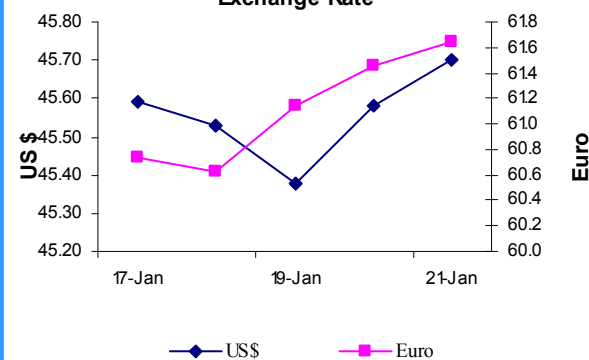
POLICY UPDATE

- The power ministry has proposed a key change in the national tariff policy that would make it mandatory for private players to participate in bidding for the allocation of hydro power projects.
- SEBI introduces the concept of 'beneficial owner' by asking participatory note (PN) issuing FIIs to report their activities, in an effort to strengthen the regulatory oversight on overseas entities and individuals investing in Indian capital market.
- SEBI also removed restrictions on FIIs to issue ODI (Offshore Derivatives instruments) to NRIs.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 31 December 2010	% Variation over	
		Fortnight	Year
Total Bank Credit	37,63,213	3.4	24.4
Food Credit	65,948	5.5	42.3
Non Food Credit	36,97,265	3.4	24.3
Aggregate Deposit	47,71,290	3.6	16.5
Broad Money (M3)	60,33,121	-0.5	15.0
Credit Deposit Ratio	75.8		

Source: RBI

EQUITY MARKETS

- Global indices remained weak as China's Q4 GDP rose a stronger than expected 9.8%, reinforcing fears that Beijing will increase interest rates to curb inflationary pressure.
- India's key benchmark indices remained low in the week ending 21 January 2011, following weak Asian stocks and also fears of further monetary tightening by the RBI and expiry of F&O in January. However, compared to the previous week, there was slight recovery as sentiments were helped after data showed a decline in food prices. Sectoral break up shows that Banking sector was major gainer with over 4.0% growth over last week, while Capital Goods, FMCG, Healthcare, Oil & Gas, Realty and Infrastructure Index, remained in the red.
- Total turnover during the week on BSE stood at Rs 16,296 crore and at NSE Rs 62,795 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 89.1 per barrel on 21 January 2011, down by \$ 2.4 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,341.2 per ounce as on 21 January 2011, down by US \$ 19.3 per ounce over the week.

Global Stock Indices	Closing Value as on 21 January 2011	Weekly Change (%)
NYSE: DJIA	11,871.8	0.7
FTSE 100	5,896.3	-1.8
Nikkei 225	10,274.5	-2.1
Straits Times	3,184.6	-1.9
KOSPI	2,069.9	-0.8

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 21 January 2011	Week's % Change
BSE SENSEX	19,007.5	0.8
BSE 500	7,402.9	0.6
S&P CNX NIFTY	5,696.5	0.7
S&P CNX 500	4,592.7	0.6

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-355.3	890.9
Year -to-date FII (US\$ million)	-762.4	2,408.0
Weekly Mutual Funds# (Rs Crore)	296.4	5,424.2

Source:SEBI

#as on 20 January 2011

Commodity Spot Indices	Closing Value as on 22 January 2011	Week's % Change
MCX AGRI	2,930.4	3.7
MCX METAL	4,099.7	-2.3
MCX ENERGY	2,897.3	-0.5
MCX COMDEX	3,240.9	-0.7

Source: MCX, NCDEX

INDUSTRY NEWS

Aviation/Aerospace

- India's airlines are likely to increase their share in overseas traffic to 50% from 40% with the aviation minister granting them fresh flying rights to a number of overseas destinations.
- Nova Integrated System, Tata Aero-structure Ltd and Tata Aerospace systems Ltd, the three new joint venture companies formed by the Tata Group, would be engaged in making radar and electronic equipment for the defence sector, assembling of aircraft equipment and manufacturing of aircrafts parts respectively. They are planning to set up three more units in Hyderabad with an investment of Rs 1,000 crore.

Power

- State run NMDC Ltd plans to set up its second steel plant at an investment of Rs 10,000 crore in Chattisgarh.

Food & Beverages

- World's second largest Food & Beverages maker, PepsiCo, joins Kraft, United Biscuits and Glaxo to enter into the Rs 11,000 crore Biscuits market. Domestic company Marico too is reported to foray into the segment by acquiring Unibic India, a subsidiary of Unibic Australia.

BSE Indices	Closing Value on 21 January 2011	Week's % Change
AUTO INDEX	9,309.4	0.5
BANKEX	12,349.0	4.2
BSE CAPITAL GOODS	13,538.2	-2.0
BSE CONSUMER DURABLE	6,535.0	1.6
BSE FMCG	3,542.9	-1.2
BSE HEALTHCARE	6,535.0	-0.8
BSE INFOTECH	6,630.3	3.0
BSE MID CAP	7,191.9	-0.4
BSE SMALL CAP	8,946.2	-0.5
BSE TECK INDEX	3,890.0	2.0
METAL INDEX	16,734.0	2.2
OIL & GAS INDEX	9,745.5	-2.3

Source: BSE

CNX Segment Indices	Closing Value on 21 January 2010	Week's % Change
CNX NIFTY Junior	11,403.7	1.0
CNX MIDCAP	8,215.9	0.1
BANK NIFTY	10,889.4	4.4
CNX IT	7,249.8	2.6
CNX Realty	329.7	-1.2
CNX Infrastructure	3,124.39	-1.8

Source: NSE

GLOBAL NEWS

USA

- In the week ending January 15 2011, the advanced figures for seasonally adjusted initial claims was 404,000, a decrease of 37,000 from the previous week's revised figure of 415,750.
- US Consumer prices increased by 0.5% in December 2010, up by 1.5% over last 12 months.

Europe

- The external current account of the EU 27 in the third quarter of 2010 recorded a deficit of 19.7 billion Euros as compared with a deficit of 26.1 billion Euros a year ago.
- The IMF offered Poland a new two year credit line worth about \$ 30 billion, citing potential woes in

other parts of Europe.

Asia

- According to a Chinese Government think tank, China is expected to grow around 9.8% this year while inflation is likely to stand at 3.7%.
- The CPI in Singapore rose to 2.8% in December 2010, due to increase in costs of transport, food, as well as "recreation and others".
- China's factory output and fixed asset investment showed stable expansion in 2010. Industrial production grew 15.7% in 2010.
- China's CPI moderated slightly to 4.6% in December as compared to a 28 month high of 5.1% in November 2010.

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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