



Confederation of Indian Industry

Economy Update

Weekly Newsletter

20-26 June 2011

INDICATORS

Inflation Rate for the week ending 11 June 2011

Categories	Weekly	Annual
Primary articles	0.8	12.6
Fuel, power, light & lubricant	0.0	12.8

- The annual **inflation** in **primary articles** decreased to 12.6% for the week ended 11 June 2011, from 12.9% in the previous week.
- The annual **inflation** in **food articles** increased to 9.13% for the week ended 11 June 2011 from 8.96% in the previous week, while annual inflation in **Non-Food articles** decrease to 18.4% from 21.0% in the previous week.
- The IMD scales down **monsoon forecast** to below normal. The country as a whole will be receiving only 95% of its LPA rainfall of 887.5 mm.
- India's **External Commercial Borrowings** (ECBs) dropped by more than half to US\$ 2.1 billion in April from US\$ 5.6 billion recorded in March, despite cheaper rates prevailing in overseas market.
- **Foreign Exchange Reserves** as on 10 June 2011 stood at US\$ 310.6 billion, up by US\$ 0.05 billion from the previous week.
- The **call money rates** as on 24 June 2011 traded in the range of 5.8– 7.7%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.2%.



Dear Reader,

The government took the bold step of raising the prices of diesel, kerosene and LPG so as to compensate for the increase in global oil prices that has taken place over the past year. This will bring

relief to the oil companies that have been bearing the loss so far. The impact on inflation could be significant in the near term given that diesel is widely used for transportation of goods. There will also be a fiscal impact on account of lowering of customs and excise duties. However, the impact would have been far worse if the government had to bear the subsidy burden by not raising the price of fuel.

Chandrajit Banerjee

Director General, CII

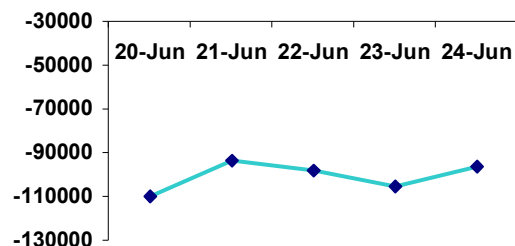
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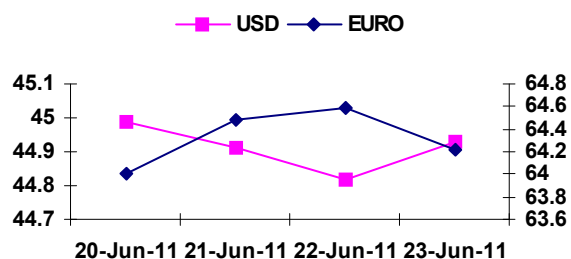
POLICY DEVELOPMENT

- The Government increased the price of diesel by Rs 3 a litre, kerosene by Rs 2 a litre and cooking gas by a steep Rs 50 a cylinder. This followed the increase of over Rs 5 per litre on petrol announced by oil marketing companies in mid May.
- Besides the price hike, the EGoM decided to abolish the 5% customs or import duty on crude oil and slashed the same on diesel and petrol by 2.5% from 7.5%. Also, excise duty on diesel was cut from Rs 4.6 per litre to Rs 2 a litre.
- The reduction in excise duty on diesel would lead to a revenue loss of Rs 23,000 crore this fiscal, while the customs duty cut will result in the Government foregoing Rs 26,000 crore. In total, the Government will forego Rs 49,000 crore this fiscal, while the price hike would help oil companies limit their revenue loss by Rs 21,000 crore but they still will end the fiscal with about Rs. 1,20,000 crore of under recovery.
- IRDA defers the launch of the much awaited health insurance portability scheme which would have allowed the health insurance policy holders to change their existing policy to October 1 from July 1.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 3 June ,2011	% Variation over	
		Fortnight	Year
Total Bank Credit	39,80,377	0.7	20.9
Food Credit	73,938	11.1	41.8
Non Food Credit	39,06,439	0.5	22.8
Aggregate Deposit	53,77,597	1.1	18.2
Broad Money (M3)	66,55,037	0.1	16.8
Credit Deposit Ratio	74.3		

Rs. Crore

Source: RBI

EQUITY MARKETS

- Despite a slight upward revision in US Q1 2011 GDP and positive May durable data, US and European stocks continued to perform poorly on concerns that the European debt crisis is worsening.
- Asian stocks surged on account of the Greek deal with the EU/IMF and the recent announcement by US to release 30M barrels of oil from Strategic Petroleum Reserves, as a result of tightness in the oil market.
- European indices continued to hover in red region on The sudden plunge in global crude prices and strong cues from Asia boosted Indian stocks, with the Sensex of the Bombay Stock Exchange rising 2.1% to 18,240.7 points on Friday 24th June 2011.
- Total turnover during the week on BSE stood at Rs 12,704 crore and on NSE at Rs 49,045 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for July delivery stood at US\$ 91.2 per barrel on 24 June 2011, a fall of US\$ 1.8 per barrel.
- New York **spot price for Gold** was US\$ 1,501.2 per ounce as on 24 June 2011, down by US\$ 37.1 per ounce from the previous week.

Global Stock Indices	Closing Value as on 24 June 2011	Weekly Change (%)
NYSE: DJIA	11,934.6	-0.6
FTSE 100	5,697.7	-0.3
Nikkei 225	9,678.7	3.1
Straits Times	3,066.9	2.0
KOSPI	2,090.8	2.9

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 24 June 2011	Week's % Change
BSE SENSEX	18,240.7	2.1
BSE 500	7,061.3	0.7
S&P CNX NIFTY	5,471.3	2.0
S&P CNX 500	4,392.2	0.8

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-250.7	-97.2
Year -to-date FII (US\$ million)	-390.1	3,225.8
Weekly Mutual Funds# (Rs Crore)	968.5	11,312.8

Source: SEBI

#as on 23 June, 2011

Commodity Spot Indices	Closing Value as on 25 June 2011	Week's % Change
MCX AGRI	2,726.8	1.7
MCX METAL	4,375.6	-0.5
MCX ENERGY	2,878.4	-3.3
MCX COMDEX	3,300.4	-1.1

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 24 June 2011	Week's % Change
AUTO INDEX	8,560.4	1.1
BANKEX	12,393.3	2.5
BSE CAPITAL GOODS	13,358.2	1.9
BSE CONSUMER DURABLE	6,497.7	-2.8
BSE FMCG	3,883.7	0.8
BSE HEALTHCARE	6,244.2	-0.8
BSE INFOTECH	5,991.8	3.0
BSE MID CAP	6,671.7	-2.1
BSE SMALL CAP	7,922.4	-3.1
BSE TECK INDEX	3,630.0	2.1
METAL INDEX	14,573.3	0.9
OIL & GAS INDEX	9,043.4	0.8

Source: BSE

Automobile

- Rising petrol and diesel prices boost demand for CNG Cars. As a result major car makers are installing CNG technology into their popular models such as Hyundai Accent, GM Aveo, Toyota Innova and Corolla, Tata Indica and indigo in order to tap the growing demand for the cleanest and cheapest fuel, which is now available only in Delhi, Mumbai, Agra and Gujarat.

Industrial Goods

- Cement prices are on a downward spiral with the onset of monsoon. Prices in the southern states have started to decline, with Chennai witnessing a drop of Rs 10 per 50 kg bag from June 1 for the trade segment and a drop of Rs 15 per bag for the non-trade. In the eastern part of the country, cement prices have fallen by Rs 5 per 50 Kg bag

Telecom

- BSNL has sought Rs 4,000 crore subsidy from the Department of telecom for the current financial year to support its non-commercially-viable services.

CNX Segment Indices	Closing Value on 24 June 2011	Week's % Change
CNX NIFTY Junior	10,995.2	-0.5
CNX MIDCAP	7,799.1	-1.5
BANK NIFTY	10,854.5	2.4
CNX IT	6,499.1	2.2
CNX Realty	265.8	-5.4
CNX Infrastructure	3,021.2	0.9

Source: NSE

GLOBAL NEWS

USA

- In the week ending June 18 2011, the advance figure for seasonally adjusted initial claims was 429,000, an increase of 9,000 from the previous week's revised average of 420,000.
- Real GDP increased at an annual rate of 1.9% in the first quarter 2011 (i.e. from the fourth quarter to the first quarter), according to the "third estimate". In the fourth quarter, real GDP increased 3.1%.
- Durable goods orders increased 1.9% in may 2011 after dropping 2.7% in April.
- The US bond market raised the odds of renewed deflation risk, with key benchmark Treasury yield falling below the current core rate of inflation. The yield on five-year notes was trading below 1.5%,

while core inflation (excluding food and energy prices) was at 1.5%.

Europe

- Credit rating agency Moody cuts Greece's credit rating by three notches from B1 to Caa1 (just five notches short of default). The new rating means that Greece is 50% likely to default in the next five years.
- In April 2011 compared with March 2011, the Euro Area industrial new orders index rose by 0.7%. In march the Index fell by 1.5%.

Asia

- China's inflation is likely to miss its 4% target for the year, but it can be kept within 5% for the full year, says Wen Jiabao.

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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