



Confederation of Indian Industry  
Since 1895

# Economy Update

Weekly Newsletter

3-9 January 2010

## INDICATORS

### Inflation Rate for the week ending 25 December 2010

Categories	Weekly	Annual
Primary articles	1.95	20.20
Fuel, power, light & lubricant	0.00	11.63

- The annual **inflation in primary articles** increased to 20.2% for the week ended 25 December 2010, from 17.2% due to rising food prices.
- The annual **inflation in food articles** increased to 18.32% for the week ended 25 December 2010, from 14.44% for the previous week due to rising prices of vegetables (58.9%), especially onions recording a y-o-y growth of 82.5%
- **Total FII inflows** for the calendar year 2010 stood at US\$ 39.5 billion as compared to US\$ 18.5 billion in 2009.
- India's **exports** have registered a growth of 36.4% in December 2010, at US\$ 22.5 billion, while **imports** have fallen by 11.1%, standing at US\$ 25.1 billion. The trade deficit for the month of December stood at US\$ 2.6 billion.
- **Foreign Exchange Reserves** as on 31 December, 2010 stood at US \$ 297.3 billion, up by US\$ 2.3 billion over previous week.
- The **call money rates** as on 7 January 2010 traded in the range of 4.6– 6.4%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 7.1%.



Dear Reader,

Rising inflation emerged as a key challenge for the economic outlook as food inflation printed at a 5-month high. The sharp rise in the price of vegetables reversed some of the earlier gains, making it likely that the RBI will again increase interest rates when it meets again for its third quarter review later this month. CII has been pointing out that there is a need to address the distortions in the distribution of food products that have arisen due to the absence of competitive forces in this sector.

**Chandrajit Banerjee**

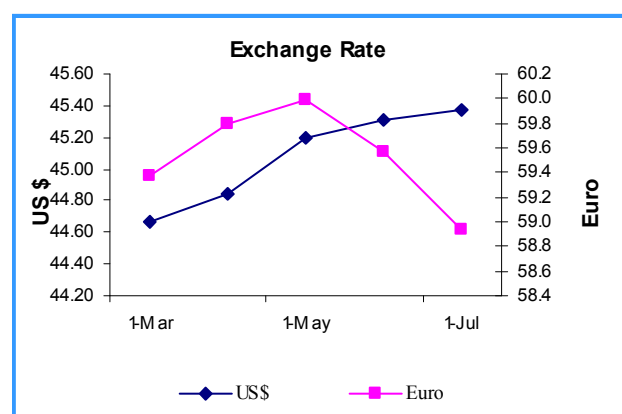
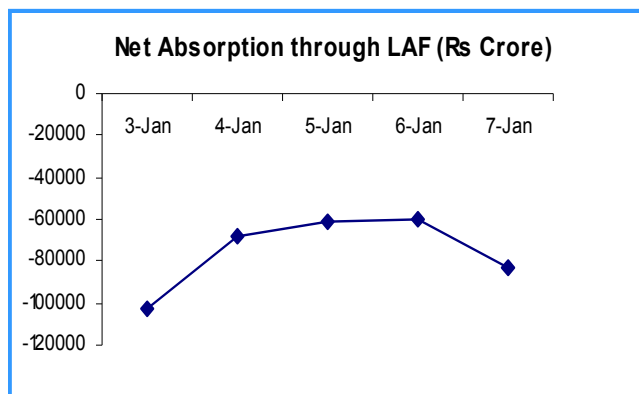
Director General, CII

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## POLICY UPDATE

- The Government has indefinitely deferred a hike in diesel rates despite soaring crude oil prices to prevent a further increase in inflation. GOI hopes to manage the situation by providing direct subsidy and asking upstream firms such as ONGC to offer crude at discounted rates to refiners.
- The government revised the minimum wages paid for its flagship job guarantee scheme (NREGA) by linking them to the Consumer Price Index for agricultural labor (CPI-AL) for each individual state.
- Ministry of Defence (MoD) has overhauled its procurement policy with an accent on indigenization to facilitate the development of domestic capability, particularly shipbuilding. The revised DPP governs the capital procurement procedure for defence equipment and suspends DPP 2008.
- Haryana is set to reserve 10% of industrial plots for NRIs and persons of Indian Origin (PIO).



## BANKING INDICATORS

Indicators	Outstanding as on 17 December 2010	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>36,39,866</b>	<b>1.3</b>	<b>23.7</b>
<b>Food Credit</b>	<b>62,521</b>	<b>1.7</b>	<b>38.8</b>
<b>Non Food Credit</b>	<b>35,77,345</b>	<b>1.3</b>	<b>23.5</b>
<b>Aggregate Deposit</b>	<b>47,99,789</b>	<b>-0.8</b>	<b>14.7</b>
<b>Broad Money (M3)</b>	<b>60,33,121</b>	<b>-0.5</b>	<b>15.0</b>
<b>Credit Deposit Ratio</b>	<b>75.8</b>		

Source: RBI

## EQUITY MARKETS

- US DJIA increased by a mere 0.8% over the past week due to lackluster jobs report and also investors pulling out of bank stocks after a court ruling in a key foreclosure case.
- India's key benchmark indices were all in the red because of large sell-off across sectors and pull out by foreign institutional investors. Inflation worries due to spike in commodity prices in international markets, domestic political issues and a likely hike in key interest rates by the RBI in its forthcoming policy meet triggered the sell off in the markets. All the sectoral indices closed negative with Auto, Bank, Consumer Goods and Realty stocks as major losers.
- Total turnover during the week on BSE stood at Rs 18,836 crore and at NSE Rs 63,207 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for February delivery closed at US \$ 88.03 per barrel on 7 January 2011, down by \$ 3.4 per barrel over the previous week.
- New York **spot price for Gold** was US \$ 1,368.5 per ounce as on 6 January 2011, down by US \$ 37.0 per ounce over the week.

Global Stock Indices	Closing Value as on 7 January 2011	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>11,674.8</b>	<b>0.8</b>
<b>FTSE 100</b>	<b>5,984.3</b>	<b>1.4</b>
<b>Nikkei 225</b>	<b>10,529.8</b>	<b>2.9</b>
<b>Straits Times</b>	<b>3,261.4</b>	<b>2.2</b>
<b>KOSPI</b>	<b>2,086.2</b>	<b>1.7</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 7 January 2011	Week's % Change
<b>BSE SENSEX</b>	<b>19,691.8</b>	<b>-4.0</b>
<b>BSE 500</b>	<b>7,656.5</b>	<b>-3.8</b>
<b>S&amp;P CNX NIFTY</b>	<b>5,904.6</b>	<b>-3.7</b>
<b>S&amp;P CNX 500</b>	<b>4,750.8</b>	<b>-3.9</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>339.5</b>	<b>172.7</b>
<b>Year -to-date FII (US\$ million)</b>	<b>339.5</b>	<b>172.7</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>-943.4</b>	<b>17,403.9</b>

Source:SEBI

#as on 6 January 2010

Commodity Spot Indices	Closing Value as on 8 January 2011	Week's % Change
<b>MCX AGRI</b>	<b>2,781.8</b>	<b>0.2</b>
<b>MCX METAL</b>	<b>4,155.9</b>	<b>-1.6</b>
<b>MCX ENERGY</b>	<b>2,878.9</b>	<b>1.3</b>
<b>MCX COMDEX</b>	<b>3,227.0</b>	<b>-0.3</b>

Source: MCX, NCDEX

## INDUSTRY NEWS

### Aviation

- Following Jet Airways and Kingfisher Airlines, Air India has raised fuel surcharge by Rs 100 for travel up to 750 km and Rs 200 for flights over 750 km.

### Industrial Goods

- JSW Steel Ltd, India's third largest producer, plans to increase coking coal imports from Australia and the US by as much as 40% next fiscal as it raises production.

### Petroleum

- State owned Indian Oil Corp Ltd is losing Rs 151 crore per day in revenue on selling diesel, domestic liquefied petroleum gas (LPG) and kerosene below their imported cost.
- Fuel exports from India's west coast climbed 57% in December as Reliance Industries Ltd boosted shipment from the world's largest refining complex to the US, Africa and the UAE.

### Energy

- The country's largest wind turbine maker, Suzlon Energy Ltd won a Rs 865 crore order from the Vedanta group firm Hindustan Zinc Ltd to set up wind farms in four states which will together generate 150 MW.

BSE Indices	Closing Value on 7 January 2011	Week's % Change
<b>AUTO INDEX</b>	<b>9,486.5</b>	<b>-7.3</b>
<b>BANKEX</b>	<b>12,512.2</b>	<b>-6.5</b>
<b>BSE CAPITAL GOODS</b>	<b>14,681.7</b>	<b>-4.8</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,111.6</b>	<b>-3.9</b>
<b>BSE FMCG</b>	<b>3,642.5</b>	<b>-1.1</b>
<b>BSE HEALTHCARE</b>	<b>6,667.1</b>	<b>-1.0</b>
<b>BSE INFOTECH</b>	<b>6,680.8</b>	<b>-2.1</b>
<b>BSE MID CAP</b>	<b>7,470.7</b>	<b>-4.3</b>
<b>BSE SMALL CAP</b>	<b>9,363.2</b>	<b>-3.2</b>
<b>BSE TECK INDEX</b>	<b>3,936.4</b>	<b>-2.7</b>
<b>METAL INDEX</b>	<b>16,943.5</b>	<b>-3.7</b>
<b>OIL &amp; GAS INDEX</b>	<b>10,518.9</b>	<b>-0.8</b>

Source: BSE

CNX Segment Indices	Closing Value on 7 January 2010	Week's % Change
<b>CNX NIFTY Junior</b>	<b>11,642.0</b>	<b>-4.8</b>
<b>CNX MIDCAP</b>	<b>8,8487.6</b>	<b>-4.2</b>
<b>BANK NIFTY</b>	<b>11,053.4</b>	<b>-6.3</b>
<b>CNX IT</b>	<b>7,333.8</b>	<b>-2.1</b>
<b>CNX Realty</b>	<b>353.5</b>	<b>-7.0</b>
<b>CNX Infrastructure</b>	<b>3,321.4</b>	<b>-3.9</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending January 1 2011, the advanced figures for seasonally adjusted initial claims was 409,000, an increase of 18,000 from the previous week's revised figure of 391,000.
- US unemployment rate fell by 0.4% points to 9.4% in December 2010.
- US fiscal deficit narrowed to US\$ 371 billion in the first three months (October-December) of the fiscal year, which is US\$ 18 billion less than the deficit recorded in the same period a year earlier.

### Europe

- The Euro Area's seasonally adjusted unemployment rate stood at 10.1% in November 2010, unchanged compared with October and has increased from 9.9% in November 2009
- Euro Area's GDP increased by 0.3% and EU 27 GDP by 0.5% during the third quarter 2010, compared with previous quarter, according to second

estimates.

- In November 2010, compared with October 2010, the volume of retail trade fell by 0.8% in the Euro Area and by 0.4% in the EU 27.

### Asia

- China is set to launch a basket of policies to promote the country's imports in the first half of 2011 in a bid to reduce the country's trade surplus. The policies will focus on promoting imports of advanced equipment and technologies.
- China's Trade Surplus for December 2010 stood at US \$ 13.1 billion, which was lower than forecasted.
- South Korea's producer price inflation rate accelerated to 5.3% in December, which is the highest in two years, while consumer price growth quickened to 3.5%.

### 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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