



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

11 - 17 July 2011

## INDICATORS

### Inflation Rate for the week ending 2nd July June 2011

Categories	Weekly	Annual
Primary articles	-0.1	11.6
Fuel, power, light & lubricant	-0.4	11.9

- The annual **inflation in primary articles** stood at 11.6% for the week ended 2nd July 2011—similar to 11.5% in the previous week.
- The annual **inflation in food articles** rose to 8.3% for the week ended 2nd July 2011 from 7.6% in the previous week, while annual inflation in **Non-Food articles** decrease to 15.2% from 17.7% in the previous week.
- **Overall inflation** stood at 9.4% in June 2011, as compared to 9.1% in May 2011.
- **IIP Index** has plunged to 5.6% in May 2011 from 8.5% a year ago due to sluggish growth in mining and manufacturing sectors.
- **Foreign Exchange Reserves** as on 8 July 2011 stood at US\$ 314.6 billion, down by US\$ 1.1 billion from the previous week.
- The **call money rates** as on 15 July 2011 traded in the range of 6.75– 7.25%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.14%.



Dear Reader,

**Chandrajit Banerjee**  
Director General, CII

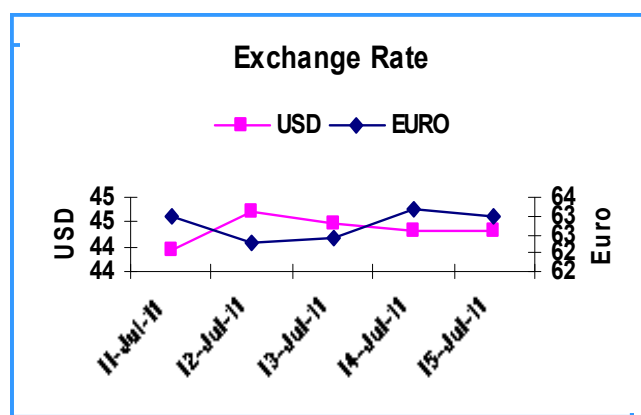
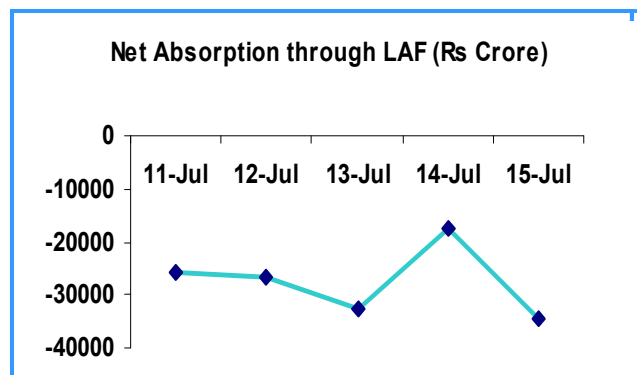
The IIP data released last week was disappointing: May industrial growth came in at a nine-month low while the April data was revised downward. Successive hikes in interest rates have had a dampening impact on industrial growth. CII hopes that the RBI will take note and resist from raising interest rates again at its first quarter review of monetary policy later this month. Meanwhile, June inflation, while high at 9.4% revealed that manufactured product prices remained almost flat in comparison to the previous month. CII believes that a few supply-side measures could go a long way in relieving inflation pressures while also reviving the momentum for investment and growth.

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## POLICY DEVELOPMENT

- Centre plans to table two bills- The Land Titling Bill and The Real Estate Bill 2011 in the ensuing monsoon session. The former would foster transparency and efficiency, in urban land management while the latter would protect consumers interest in real estate across the country.
- The Empowered Group of Ministers cleared the Food Security Bill. The Bill proposes legal entitlement of food grains.
- RBI ordered all public sector banks to have a uniform pension provision stemming from similar salary structure, mortality rate and attrition rate considered in the calculations. This has been done to address the substantial rise in pension liability after wage revision.



## BANKING INDICATORS

Indicators	Outstanding as on 1 July ,2011	% Variation over	
		Fortnight	Year
<b>Total Bank Credit</b>	<b>40,86,326</b>	<b>3.6</b>	<b>19.9</b>
<b>Food Credit</b>	<b>79,607</b>	<b>2.9</b>	<b>46.2</b>
<b>Non Food Credit</b>	<b>40,06,719</b>	<b>2.1</b>	<b>19.4</b>
<b>Aggregate Deposit</b>	<b>54,88,682</b>	<b>2.7</b>	<b>18.4</b>
<b>Broad Money (M3)</b>	<b>68,12,286</b>	<b>1.9</b>	<b>17.1</b>
<b>Credit Deposit Ratio</b>	<b>74.45</b>		

*Source: RBI*

## EQUITY MARKETS

- USA Stocks remained elevated in the week ended 15th July, on the back of positive economic data; markets however remain jittery about ongoing debt ceiling negotiations.
- European stocks displayed a largely downward trend amidst Italy's credit downgrades and US debt ceiling.
- Indian stocks closed in red in the week ending 15 July 2011 as a result of moderation in IIP numbers and negative global developments. The Sectoral Index showed the highest gainers were Consumer Durables, Healthcare and Oil and Gas, while sectors such as Capital Goods, Metal and Auto, Banking ended down.
- Total turnover during the week on BSE stood at Rs 13,674 crore and on NSE at Rs 53,395 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for August delivery stood at US\$ 95.7 per barrel on 14 July 2011, a decrease of US\$ 3.0 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,590.5 per ounce as on 15th July 2011, up by US\$ 48 per ounce from the previous week.

Global Stock Indices	Closing Value as on 15 July 2011	Weekly Change (%)
NYSE: DJIA	12,479.7	-1.4
FTSE 100	5,843.7	-2.4
Nikkei 225	9974.5	-1.6
Straits Times	3084.2	-2.1
KOSPI	2,145.2	-1.6

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 15 July 2011	Week's % Change
BSE SENSEX	18,561.9	-1.6
BSE 500	7261.5	-0.8
S&P CNX NIFTY	5,581.1	-1.4
S&P CNX 500	4,554.8	0.7

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	1,63.7	140.4
Year -to-date FII (US\$ million)	1,456.3	3,01.5
Weekly Mutual Funds# (Rs Crore)	147.4	7947.4

Source: SEBI

#as on 14 July, 2011

Commodity Spot Indices	Closing Value as on 16 July 2011	Week's % Change
MCX AGRI	2,904.57	2.7
MCX METAL	4,584.6	2.1
MCX ENERGY	3,029.6	0.6
MCX COMDEX	3,472.4	1.7

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 15 July 2011	Week's % Change
<b>AUTO INDEX</b>	<b>8,993.5</b>	<b>-1.2</b>
<b>BANKEX</b>	<b>12,846.9</b>	<b>-0.6</b>
<b>BSE CAPITAL GOODS</b>	<b>13,739.7</b>	<b>-1.4</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,886.5</b>	<b>0.2</b>
<b>BSE FMCG</b>	<b>4,039.3</b>	<b>0.0</b>
<b>BSE HEALTHCARE</b>	<b>6,518.3</b>	<b>1.3</b>
<b>BSE INFOTECH</b>	<b>5,856.6</b>	<b>-5.5</b>
<b>BSE MID CAP</b>	<b>7,006.8</b>	<b>0.1</b>
<b>BSE SMALL CAP</b>	<b>8,363.2</b>	<b>-0.1</b>
<b>BSE TECK INDEX</b>	<b>3,570.9</b>	<b>-4.5</b>
<b>METAL INDEX</b>	<b>14,610.0</b>	<b>-2.4</b>
<b>OIL &amp; GAS INDEX</b>	<b>9,121.1</b>	<b>1.1</b>

Source: BSE

### Energy

- India is among the top five countries in the world in terms of its renewable energy capacity. India has an installed base of 20 Gw which is about 11% of the total power capacity.

### SMEs

- BSE is planning to start a SME Exchange by September with an objective of providing a platform to SMEs for raising money from the equity market. SME's with a paid up capital of upto Rs. 10 crore will eligible to join.

### Pharmaceuticals

- Pharma has become the third largest avenue for Mutual Fund managers with an increase in domestic exposure by 1.27% in the June quarter. Of the total equity assets of Rs. 2,10,177.7 crore, it constituted about 7.51% as on 30th June.

### Rubber

- Natural rubber production increased by 4.0% in June, 2011 to 59,200 tonnes from 56,850 tonnes a year ago. However, tyre producing giants, Apollo and JK tyre are aiming at South East Asian countries to purchase rubber plantations due to rising costs of domestic natural rubber on the back of heavy demand and low supply.

CNX Segment Indices	Closing Value on 15 July 2011	Week's % Change
<b>CNX NIFTY Junior</b>	<b>11407.4</b>	<b>0.4</b>
<b>CNX MIDCAP</b>	<b>8185.6</b>	<b>0.9</b>
<b>BANK NIFTY</b>	<b>11181.1</b>	<b>-0.9</b>
<b>CNX IT</b>	<b>6343.9</b>	<b>-5.7</b>
<b>CNX Realty</b>	<b>288.4</b>	<b>-3.2</b>
<b>CNX Infrastructure</b>	<b>3098.3</b>	<b>-1.7</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending July 2 2011, the advance figure for seasonally adjusted initial claims was 405,000, a decrease of 22,000 from the previous week's revised average of 432,000.
- Retail sales increased by mere 0.1% in June, after declining the previous month. Consumers spent more on cars and in big chain stores and less on furniture and appliances.
- US trade gap surged to US\$ 50.2 billion, the highest since October 2008. It is well above the estimated figure of US\$ 44.0 billion.
- S&P might downgrade credit rating for the US as it will face risk of default if it fails to raise its \$14.3

trillion debt ceiling by August 2, 2011.

### Europe

- Greece deficit increased by 23.2% to €12.78 billion during January - June 2011 higher than targeted amount € 10.37 billion for the period. Fitch lowered its rating from B+ to CCC, lowest rating for any country in the world.

### Asia

- Chinese GDP grew at 9.5% in the second quarter on y-o-y basis, backed by strong domestic demand and investment.
- China's trade surplus touched new heights in last seven months with \$22.3 billion in June as compared to \$ 20.0 billion a year ago, highest in last seven months due to slow down in imports.

#### 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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