



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

30 May-5 June 2011

INDICATORS

Inflation Rate for the week ending 21 May 2011

Categories	Weekly	Annual
Primary articles	-0.4	10.9
Fuel, power, light & lubricant	0.4	12.5

- The annual **inflation** in **primary articles** decreased to 10.9% for the week ended 21 May 2011, from 11.6% in the previous week.
- The annual **inflation** in **food articles** decreased to 8.1% for the week ended 21 May 2011, from 8.6% in the previous week.
- Based on Q4 results, India's **GDP** growth for 201-11 is revised down to 8.5% as compared to the earlier estimate of 8.6%.
- **Agriculture and allied activities** recorded a growth of 6.6% in 2010-11 as compared to 0.4% in 2009-10.
- Growth in **Industry** moderated to 7.9% in 2010-11 as compared to 8.0% in 2009-10, while in **services** sector growth moderated to 9.4% in 2010-11 as compared to 10.1% a year ago.
- The **Index of six core industries** recorded a growth of 5.2% in April 2011 as compared to a growth of 7.5% in April 2010.
- **Foreign Exchange Reserves** as on 20 May 2011 stood at US\$ 308.5 billion, up by US\$ 1.0 billion from the previous week.
- The **call money rates** as on 27 May 2011 traded in the range of 6.3– 7.5%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.1%.



Dear Reader,

India's economy grew by just 7.8% in Q4 FY11 against 9.4% in the same quarter of the previous fiscal. This is attributed to poor performance of manufacturing and mining and quarrying. Manufacturing grew by 5.5% in Q4 FY11 as compared with 15.2% in the same quarter of the previous fiscal. Deceleration in growth of manufacturing is largely due to a contraction in industrial output which has consistently underperformed in the latter half of last fiscal and improved slightly in March. High input prices and availability of credit have affected the growth in this sector.

Given the continued inflationary pressures and a tight monetary policy regime, CII expects a soft landing in GDP growth in 2011-12.

Chandrajit Banerjee

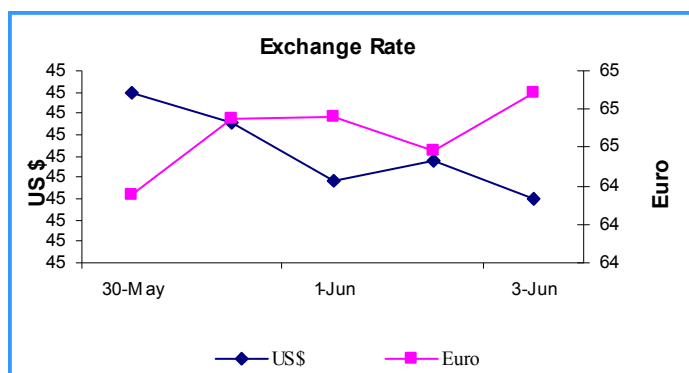
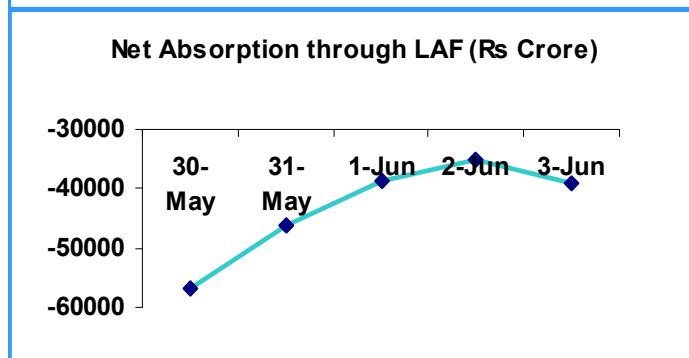
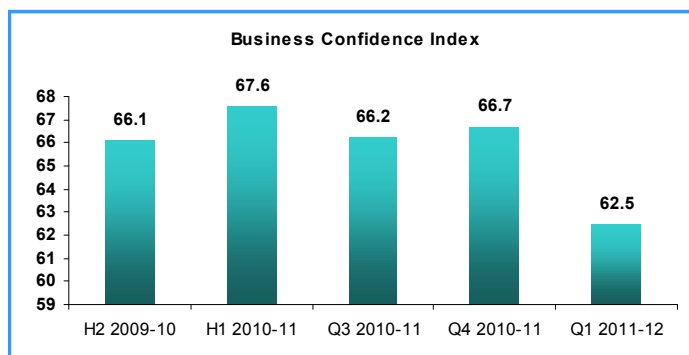
Director General, CII

IN THIS ISSUE

- Markets
- Policy Development
- Industry News
- Global News

CII BUSINESS OUTLOOK SURVEY

- **Business Confidence Index** (CII BCI) for April-June 2011 fell by 4.2 points to 62.5 from 66.7 in the previous survey.
- The **Current Situation Index** increased by 0.1 points while **Expectation Index** fell by 6.3 points.
- 33% of the respondents in the 76th Business Outlook Survey expect **growth** to be in the range of 8.0-8.5% in 2011-12, while 29% expect it to be over 8.5% and 38% expect it to be lower than 8.0%
- Most of the respondents anticipate **average inflation** to be higher than 8.0% in 2011-12.
- The study reveals that 82.5% and 41.7% of the firms in the manufacturing and services sector respectively, experienced rise in **overall raw material cost** in the last quarter of 2010-11.
- Most respondents felt that **road, railway transportation, Port shipping** facilities, **Power/Electricity** and **irrigation** facilities in the country are inadequate while **Telecom, Internet/Broadband** and **Postal/Courier** facilities were categorized as good.
- High raw material costs is the **major concern** of majority of respondents, followed by infra-structural and institutional shortages and high interest rates



BANKING INDICATORS

Indicators	Outstanding as on 20 May, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	39,52,114	-0.1	22.3
Food Credit	66,557	12.8	34.7
Non Food Credit	38,85,557	-0.3	22.4
Aggregate Deposit	53,19,256	0.1	17.4
Broad Money (M3)	66,55,037	0.1	16.8
Credit Deposit Ratio	74.3		

Source: RBI

EQUITY MARKETS

- US stocks ended in red as a string of disappointing economic data especially the unemployment data creates doubts amongst investors regarding the durability of the US recovery.
- European indices also continued to hover in red region due to poor unemployment data both in the US and Euro Area.
- Like most global indices, growth in India's key benchmark indices remained low due to fear of the economy slowing down with inflation continuing to be a persistent problem and the growing possibility of a further interest rate hike by the RBI.
- Total turnover during the week on BSE stood at Rs 14,337 crore and on NSE at Rs 56,759 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for July delivery stood at US\$ 100.2 per barrel on 3 June 2011.
- New York **spot price for Gold** was US\$ 1,541.7 per ounce as on 3 June 2011, up by US\$ 6.0 per ounce from the previous week.

Global Stock Indices	Closing Value as on 3 June 2011	Weekly Change (%)
NYSE: DJIA	12,151.3	-2.3
FTSE 100	5,855.0	-1.4
Nikkei 225	9,492.2	-0.3
Straits Times	3,145.7	0.3
KOSPI	2,114.2	0.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 3 June 2011	Week's % Change
BSE SENSEX	18,376.5	0.6
BSE 500	7,180.7	1.2
S&P CNX NIFTY	5,516.8	0.7
S&P CNX 500	4,457.9	1.1

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	549.7	-37.1
Year -to-date FII (US\$ million)	84.9	3,094.6
Weekly Mutual Funds# (Rs Crore)	117.3	-3,070

Source:SEBI

#as on 27 May, 2011

Commodity Spot Indices	Closing Value as on 4 June 2011	Week's % Change
MCX AGRI	2,780.3	0.7
MCX METAL	4,404.8	-2.8
MCX ENERGY	3,131.3	-1.9
MCX COMDEX	3,418.7	-2.0

Source: MCX, NCDEX

INDUSTRY NEWS

Auto

- Country's top car makers-Maruti Suzuki, Hyundai Motors, Tata Motors and General Motors-which accounts for 80% of the car sales in the country reported unit growth of just 4% , putting into question the ambitious 12-14% growth target forecasted by Society of Indian Automobile Manufacturers (SIAM) earlier this year.

Oil and Gas

- State owned fuel marketer Indian Oil Corporation (IOC) is weighing the price elasticity of petrol to decide for another petrol price hike. They are contemplating a petrol hike of Rs 1.35 per liter as the company recorded 30% lower profits.

Retail

- Aditya Birla Retail, the retail arm of the US\$ 29.2 billion diversified Aditya Birla Group, is considering to enter specialty retail segment, even as it plans to add over 160 new stores under its "more" brand this fiscal at an investment of Rs 300 crore.

Consumer Goods

- Electricity equipment maker Havells India will start selling small home and kitchen appliances from July, hoping to profit from a Rs 5,200 crore market currently dominated by Phillips, Panasonic, Morphy Richards and Bajaj.

BSE Indices	Closing Value on 3 June 2011	Week's % Change
AUTO INDEX	8,807.1	-1.9
BANKEX	12,309.3	0.7
BSE CAPITAL GOODS	13,299.0	2.6
BSE CONSUMER DURABLE	6,564.4	3.6
BSE FMCG	3,883.9	2.8
BSE HEALTHCARE	6,307.1	2.7
BSE INFOTECH	6,003.7	0.9
BSE MID CAP	6,896.1	2.5
BSE SMALL CAP	8,238.7	1.6
BSE TECK INDEX	3,633.8	1.1
METAL INDEX	15,082.6	-0.6
OIL & GAS INDEX	9,467.8	-0.8

Source: BSE

CNX Segment Indices	Closing Value on 3 June 2011	Week's % Change
CNX NIFTY Junior	11,308.2	1.4
CNX MIDCAP	7,993.0	1.5
BANK NIFTY	10,782.0	0.6
CNX IT	6,562.1	0.8
CNX Realty	282.3	2.7
CNX Infrastructure	3,010.5	2.8

Source: NSE

GLOBAL NEWS

USA

- In the week ending May 28 2011, the advance figure for seasonally adjusted initial claims was 422,000, a decrease of 6,000 from the previous week's revised average of 428,000.
- US payrolls grew at the slowest pace in eight months in May and the unemployment rate climbed to 9.1% from 9.0% in April.

Europe

- The Euro Area seasonally adjusted unemployment rate was 9.9% in April 2011, unchanged compared with March 2011. It was 10.2% in April 2010. The EU 27 unemployment rate was 9.4% in April,

compared with 9.5% in March.

- Euro Area annual inflation is expected to be 2.7% in May 2011. It was 2.8% in April 2011.
- Germany to shut down all nuclear reactors by 2020.

Asia

- China's non-manufacturing sector posted slower growth in May, with a drop of the Purchasing Managers Index (PMI) for the sector to 61.9 , down by 0.6 percentage points from April.

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**.
Reach us at: ecopolicy@cii.in



Confederation of Indian Industry
Since 1895

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA
Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: ecopolicy@cii.in • Website: www.cii.in