



Confederation of Indian Industry

Economy Update

Weekly Newsletter

13-19 June 2011

INDICATORS

Inflation Rate for the week ending 4 June 2011

Categories	Weekly	Annual
Primary articles	2.0	12.9
Fuel, power, light & lubricant	-0.5	12.1

- The annual **inflation** in **primary articles** increased to 12.9% for the week ended 4 June 2011, from 11.5% in the previous week.
- The annual **inflation** in **food articles** decreased to 8.96% for the week ended 28 May 2011 from 9.01% in the previous week, while Non-Food articles showed an increase to 21.0% from 20.2% in the previous week.
- The **annual inflation** for the month of May 2011 increased to 9.1% from 8.7% in April. The rise was mainly on account of rise in Manufactured Index.
- For the country as a whole, **seasonal rainfall** for the period 1-15 June 2011 stood at 3% above the LPA.
- **Foreign Exchange Reserves** as on 10 June 2011 stood at US\$ 310.5 billion, down by US\$ 2.4 billion from the previous week.
- The **call money rates** as on 17 June 2011 traded in the range of 6.5– 7.7%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.3%.



Dear Reader,

Pessimism on the prospects for the global economy became widespread over the last week, as the global recovery no longer looks certain in the face of rising commodity prices and lack of progress in resolving debt related issues. In India, the RBI went ahead with its expected increase in interest rates with inflation still in the 9%+ territory. As a result, investment sentiment remains depressed and it is likely that GDP growth in the current year will moderate. However, consumption could see a boost due to the expected good performance of the monsoon rains.

Chandrajit Banerjee

Director General, CII

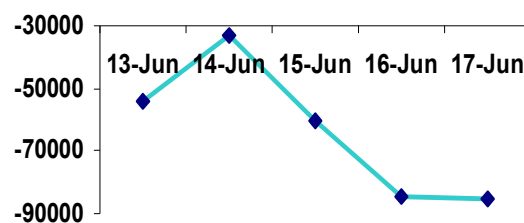
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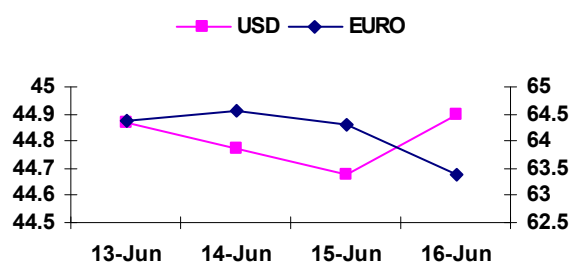
POLICY DEVELOPMENT

- In the Mid Quarter Monetary Policy (June 2011), RBI increased the repo rate under the liquidity adjustment facility (LAF) for the tenth time since March 2010. Currently the repo rate stands at 7.5%, an increase of 25 basis points.
- On account of high inflation, the government is set to defer the services tax levy on transport of goods by rail for the fifth time.
- Union minister for Chemicals and fertilizers M.K Alagiri has opposed freeing urea prices from government control, saying that it would result in an increase in prices, which would be detrimental from farmers interest.

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		

Source: RBI

EQUITY MARKETS

- Most global equity markets continued to under perform in the week ending 17 June 2011, as the global economy persistently shows sluggishness, on account of higher commodity prices, inflation and Euro Area debt problem. Recent downgrade of US growth rate by the IMF also adds to investor pessimism.
- European indices continued to hover in red region on account of growing uncertainties of the Greece bailout.
- India's key benchmark indices plummets 2-2.5 % in the week ending on 17 June 2011, as RBI increases policy rates by 25 bps and growing signs of economic sluggishness. Also, political debates on various scams add to investment pessimism in India.
- Total turnover during the week on BSE stood at Rs 14,583 crore and on NSE at Rs 48,384 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for July delivery stood at US\$ 93.0 per barrel on 17 June 2011, a fall of US\$ 6.3 per barrel.
- New York **spot price for Gold** was US\$ 1,538.3 per ounce as on 17 June 2011, up by US\$ 9.6 per ounce from the previous week.

Global Stock Indices	Closing Value as on 17 June 2011	Weekly Change (%)
NYSE: DJIA	12,004.4	0.4
FTSE 100	5,714.9	-0.9
Nikkei 225	9,386.3	-1.3
Straits Times	3,005.3	-2.4
KOSPI	2,031.9	-0.7

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 17 June 2011	Week's % Change
BSE SENSEX	17,870.5	-2.2
BSE 500	7,010.9	-2.0
S&P CNX NIFTY	5,366.4	-2.8
S&P CNX 500	4,357.8	-2.5

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	-329.5	154.5
Year -to-date FII (US\$ million)	-139.0	3,323.0
Weekly Mutual Funds# (Rs Crore)	94.2	6,537.9

Source:SEBI

#as on 16 June, 2011

Commodity Spot Indices	Closing Value as on 18 June 2011	Week's % Change
MCX AGRI	2,682.2	-2.2
MCX METAL	4,396.8	-2.0
MCX ENERGY	2,975.3	-6.1
MCX COMDEX	3,337.1	-3.5

Source: MCX, NCDEX

INDUSTRY NEWS

BSE Indices	Closing Value on 17 June 2011	Week's % Change
AUTO INDEX	8,464.0	-2.0
BANKEX	12,091.6	-1.1
BSE CAPITAL GOODS	13,104.8	-0.6
BSE CONSUMER DURABLE	6,682.3	-1.3
BSE FMCG	3,854.7	-0.2
BSE HEALTHCARE	6,294.8	-0.5
BSE INFOTECH	5,818.7	-4.5
BSE MID CAP	6,814.8	-1.2
BSE SMALL CAP	8,174.5	-1.4
BSE TECK INDEX	3,554.8	-3.1
METAL INDEX	14,448.6	-2.9
OIL & GAS INDEX	8,975.0	-4.8

Source: BSE

Defence

- India has signed its biggest defence deal with the US to procure 10 C-17 heavy lift aircraft for US\$ 4.1 billion under which American defence major Boeing will set up test facilities for hi-tech aeronautics engines for the DRDO.

Hospitality

- London based hospitality major Intercontinental Group is targeting to have 150 hotels in India by 2020.

Infrastructure

- GVK Power and Infrastructure is set to purchase two of Hancock Prospecting Pty Ltds (HPPL) thermal mines in Australia for around US\$ 2.4 billion..

Oil and Gas

- State-owned Oil and Natural Gas Corp. Ltd's (ONGC) Rs 11,500 crore share is likely to be deferred for the third time as the government failed to keep timelines for appointment of independent directors on the company board. The public offer in which government plans to sell 5% (427.8 million shares) was scheduled to open on 5 July and close on 8 July.
- Oil companies hiked aviation turbine fuel (ATF) prices by Rs 1,377 per kilolitre to Rs 57,843 per kl in Delhi

CNX Segment Indices	Closing Value on 17 June 2011	Week's % Change
CNX NIFTY Junior	11,051.3	-2.0
CNX MIDCAP	7,921.2	-0.9
BANK NIFTY	10,598.3	-1.1
CNX IT	6,357.1	-4.5
CNX Realty	281.1	-1.3
CNX Infrastructure	2,995.4	0.3

Source: NSE

GLOBAL NEWS

USA

- In the week ending June 11 2011, the advance figure for seasonally adjusted initial claims was 414,000, a decrease of 16,000 from the previous week's revised average of 430,000.
- IMF cuts forecast for US growth to 2.5% as against earlier estimate of 2.8%, citing higher commodity prices and bad weather in the first quarter and weak housing market.

Europe

- In the fourth quarter of 2010, employment in the Euro Area increased by 0.2% and by 0.1% in the EU 27.

- Euro Area inflation was 2.7% in May 2011, down from 2.8% in April. A year earlier the rate was 1.7%.
- The Euro Area trade balance with the rest of the world in April 2011 gave a 4.1 billion euro deficit compared with -0.7 billion in April 2010.
- European government failed to agree a loan payment to spare Greece from default.

Asia

- China's home prices falls in May from the previous month in 23 of 70 cities measured, on Government stepping up property curbs .

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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