



Confederation of Indian Industry

# Economy Update

Weekly Newsletter

18 - 24 July 2011

## INDICATORS

### Inflation Rate for the week ending 9th July 2011

Categories	Weekly	Annual
Primary articles	0.05	11.1
Fuel, power, light & lubricant	0	11.8

- The annual **inflation in primary articles** stood at 11.1% for the week ended 9th July 2011—down from 11.6% in the previous week.
- The annual **inflation in food articles** contracted to 7.6% for the week ended 9th July 2011 from 8.3% in the previous week, while annual inflation in **Non-Food articles** rose from 15.2% to 15.7% during the same time period.
- **Foreign Exchange Reserves** as on 15 July 2011 stood at US\$ 314.5 billion, down by US\$ 0.1 billion from the previous week.
- The **call money rates** as on 22 July 2011 traded in the range of 6.10– 7.60%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 8.10%.
- The country recorded **rainfall** of 72.9mm in the week 14-20 July. Rainfall activity for this week over the country as a whole was 7% above LPA.
- The Government has approved 31 **Foreign Direct Investment** proposals amounting to Rs. 3844.70 crore.



Dear Reader,

The RBI's first quarter review of monetary policy is keenly awaited for any indication of a pause in its relentless increase in interest rates. Official as well as industry data has been indicating weakness in the growth rate and the debate is moving to whether India can manage a soft landing where growth moderates to 7.5-8.0% or not. The RBI must now indicate at what level it is willing to put a halt to its tightening measures, if it wants to moderate the risks of a more significant slowdown. We hope tomorrow's policy will bring clarity.

**Chandrajit Banerjee**  
Director General, CII

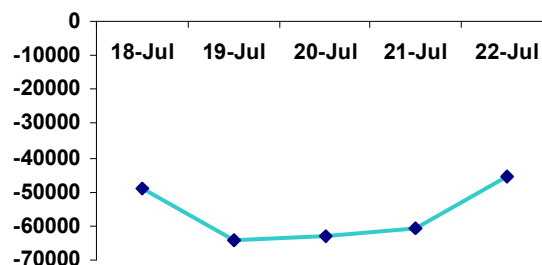
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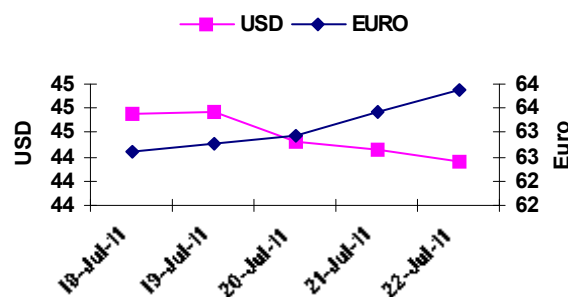
## POLICY DEVELOPMENT

- Under the new Companies Bill, SEBI plans to regulate all registered companies which raise public funds through the issue of shares. This would help in checking companies which raise capital without adhering to disclosure and other investors protection norms.
- Under the Pension Bill, the Pension Fund and Regulatory Authority (PFRDA) will be given statutory powers to form rules regarding pension funds to provide old age income security.
- A social audit of the MNERGA rural employment guarantee scheme will be conducted across all states. Subsequently, all Rural Development Schemes will come under the CAG's ambit to check the leakage of development funds.

Net Absorption through LAF (Rs Crore)



Exchange Rate



## 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

- Global stocks were firm in the week ending 22 July 2011 on account of new aid package for Greece and plan to prevent spread of sovereign debt crisis.
- Although US markets exerted downward pressure at the beginning of the week on concerns of European debt, they recovered mid-week on the back of strong corporate earnings, boost by the financial sector and a new Greek bailout package.
- Positive global sentiments on announcement of the second bailout package for Greece and slowdown in food inflation rallied Indian stock markets. Both BSE SENSEX and S&P NIFTY showed a growth of 0.9% on 22 July 2011, from the previous week.
- Total turnover during the week on BSE stood at Rs 13,489 crore and on NSE at Rs 48,321 crore.

## COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for August delivery stood at US\$ 99.1 per barrel on 22 July 2011, an increase of US\$ 3.4 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,601.9 per ounce as on 22nd July 2011, up by US\$ 11 per ounce from the previous week.

Global Stock Indices	Closing Value as on 22 July 2011	Weekly Change (%)
<b>NYSE: DJIA</b>	<b>12,681.2</b>	<b>1.6</b>
<b>FTSE 100</b>	<b>5,935.0</b>	<b>1.6</b>
<b>Nikkei 225</b>	<b>10132.1</b>	<b>1.6</b>
<b>Straits Times</b>	<b>3182.9</b>	<b>3.2</b>
<b>KOSPI</b>	<b>2,171.2</b>	<b>1.2</b>

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 22 July 2011	Week's % Change
<b>BSE SENSEX</b>	<b>18,722.3</b>	<b>0.9</b>
<b>BSE 500</b>	<b>7305.4</b>	<b>0.6</b>
<b>S&amp;P CNX NIFTY</b>	<b>5,633.9</b>	<b>0.9</b>
<b>S&amp;P CNX 500</b>	<b>4544.3</b>	<b>0.6</b>

Source: NSE, BSE

### Net Institutional Activity

	Equity	Debt
<b>Weekly FII (US \$ Million)</b>	<b>68.7</b>	<b>29.3</b>
<b>Year -to-date FII (US\$ million)</b>	<b>2,156.7</b>	<b>3403.6</b>
<b>Weekly Mutual Funds# (Rs Crore)</b>	<b>53.3</b>	<b>-990.5</b>

Source: SEBI

#as on 22 July, 2011

Commodity Spot Indices	Closing Value as on 23 July 2011	Week's % Change
<b>MCX AGRI</b>	<b>2,968.9</b>	<b>2.2</b>
<b>MCX METAL</b>	<b>4,650.2</b>	<b>1.4</b>
<b>MCX ENERGY</b>	<b>3,067.1</b>	<b>1.2</b>
<b>MCX COMDEX</b>	<b>3,524.2</b>	<b>1.5</b>

Source: MCX, NCDEX

## INDUSTRY NEWS

BSE Indices	Closing Value on 22 July 2011	Week's % Change
<b>AUTO INDEX</b>	<b>8,859.5</b>	<b>-1.5</b>
<b>BANKEX</b>	<b>12,908.7</b>	<b>0.5</b>
<b>BSE CAPITAL GOODS</b>	<b>13,711.0</b>	<b>-0.2</b>
<b>BSE CONSUMER DURABLE</b>	<b>6,772.6</b>	<b>-1.7</b>
<b>BSE FMCG</b>	<b>4,109.8</b>	<b>1.7</b>
<b>BSE HEALTHCARE</b>	<b>6,418.2</b>	<b>-1.5</b>
<b>BSE INFOTECH</b>	<b>5,932.7</b>	<b>1.3</b>
<b>BSE MID CAP</b>	<b>7,046.1</b>	<b>0.6</b>
<b>BSE SMALL CAP</b>	<b>8,463.5</b>	<b>1.2</b>
<b>BSE TECK INDEX</b>	<b>3,638.6</b>	<b>1.9</b>
<b>METAL INDEX</b>	<b>14,762.1</b>	<b>1.0</b>
<b>OIL &amp; GAS INDEX</b>	<b>9,189.2</b>	<b>0.7</b>

Source: BSE

### Infrastructure

- NHAI's announcement awarding 7,994 km of highway projects in the current financial year is expected to give a boost of Rs. 42,000 crore to the cement, steel and bitumen sectors.

### Textile

- The Central government has drawn up plans to set up 25 new textile parks across the country, with each unit costing Rs. 40 crore. Following a final view on the new

scheme, a decision on the same is expected in the next fortnight.

### Hand Tool Industry

- The setting up of Common Facility Centres, one each in Ludhiana and Jalandhar are likely to boost the hand tool industry in terms of R&D and the adoption of new technology. Currently, these two regions account for nearly 75-80% of India's total hand tool exports.

### Agriculture

- Food production stood at a record high of 241.56 MT in 2010-11 due to a bumper crop of rice, wheat, pulses and sugarcane. Production levels stood 10.8% higher than last year.

CNX Segment Indices	Closing Value on 22 July 2011	Week's % Change
<b>CNX NIFTY Junior</b>	<b>11278.5</b>	<b>-1.1</b>
<b>CNX MIDCAP</b>	<b>8153.9</b>	<b>-0.4</b>
<b>BANK NIFTY</b>	<b>11292.0</b>	<b>1.0</b>
<b>CNX IT</b>	<b>6438.5</b>	<b>1.5</b>
<b>CNX Realty</b>	<b>294.4</b>	<b>2.1</b>
<b>CNX Infrastructure</b>	<b>3119.6</b>	<b>0.7</b>

Source: NSE

## GLOBAL NEWS

### USA

- In the week ending July 16 2011, the advance figure for seasonally adjusted initial claims was 418,000, an increase of 10,000 from the previous week's revised average of 424,000.
- Housing sales dropped by 0.8% in June from the previous month, the lowest since November 2010 and the third consequent decline witnessed due to high cancellation of contracts.
- Even with the August 2nd deadline a week away, talks for raising the US Debt ceiling level collapsed, making fears of a default increasingly pronounced.

### Europe

- Unemployment in Russia plunged to 6.1% in June

from 6.4% recorded in May. Retail sales rose in May by 5.6% on year on year basis.

### Asia

- Japan's saw a surge in its exports during June backed by a rebound in production which resulted in a trade surplus of 70.7 billion yen (\$896 million).
- China's production shrunk (as reflected in the HSBC Flash PMI Index) to 48.9 in July, the lowest in the last 12 months, primarily due to a tight monetary policy and a decrease in new orders on account of weak global demand. Further, input prices have also risen — a sub-index of factory input prices rebounded to 54.5 in July from 51.9 in June.

#### 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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