



Confederation of Indian Industry
Since 1895

Economy Update

Weekly Newsletter

23-29 May 2011

INDICATORS

Inflation Rate for the week ending 14 May 2011

Categories	Weekly	Annual
Primary articles	0.4	11.6
Fuel, power, light & lubricant	0.0	12.1

- The annual **inflation** in **primary articles** increased to 11.6% for the week ended 14 May 2011, from 10.9% in the previous week.
- The annual **inflation** in **food articles** increased to 8.6% for the week ended 14 May 2011, from 7.5% in the previous week.
- **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,

Global markets remained concerned about the risks to the global recovery. The OECD bi-annual report on Economic Outlook released last week highlighted concerns about rising commodity prices and worsening public finances across developed economies. It also focused on the following medium-term challenges that policy-makers must address: high unemployment, stagflation, fiscal excesses and global imbalances. In India, this week's release on GDP numbers for the quarter ending March 2011 should provide some clues on whether growth is maintaining its earlier pace.

Chandrajit Banerjee

Director General, CII

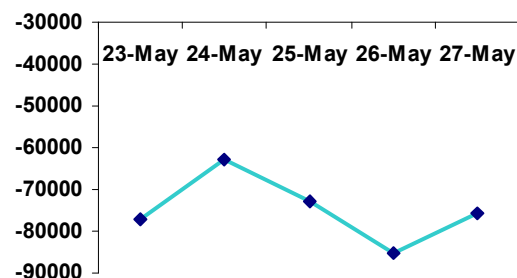
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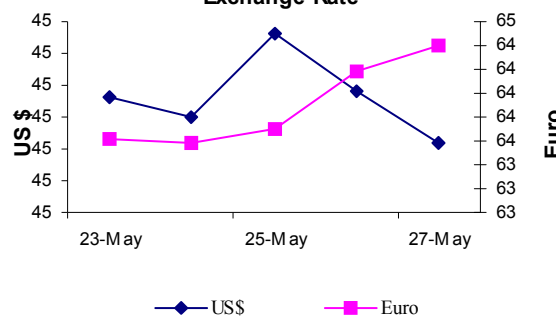
POLICY DEVELOPMENT

- The Government plans to stop subsidizing cooking gas and kerosene next year and give direct cash support to the poor, a move that will at least double the price of domestic fuel, but wipe out revenue losses of US\$ 15 billion for state oil refiners and expose them to intense market competition in all oil products except diesel.
- The Reserve Bank of India has announced that banks cannot extend loans against Indian Depository Receipts (IDRs) issued by overseas companies.
- The Government may dilute disinvestment rules for investment banks. Conflict of interest rule that curbs investment bankers' bids for share sales of public sector units may be revised.

Net Absorption through LAF (Rs Crore)



Exchange Rate



BANKING INDICATORS

Indicators	Outstanding as on 6 May, 2011	% Variation over	
		Fortnight	Year
Total Bank Credit	39,57,384	1.0	22.5
Food Credit	59,026	12.2	13.0
Non Food Credit	38,98,359	0.8	23.1
Aggregate Deposit	53,16,009	-0.1	17.1
Broad Money (M3)	64,91,756	0.1	16.9
Credit Deposit Ratio	74.4		

Source: RBI

EQUITY MARKETS

- US stocks ended in red as consumer spending data showed an unexpected fall in the first quarter, raising concerns about the strength of the recovery in the US. Other data such as GDP and unemployment claims were also discouraging and kept the sentiments low.
- Key Indian benchmark indices remained almost flat in the week ending 27 May 2011 as high interest and inflation concerns keep sentiments low. Sector-wise data also conform with the overall trend except Oil and gas Index which showed a 2.4% gain while Consumer Durables gained by 1%.
- Total turnover during the week on BSE stood at Rs 13,321 crore and on NSE at Rs 53,649 crore.

COMMODITY MARKETS

- NYMEX **light sweet Crude Oil** for June delivery stood at US\$ 97.2 per barrel on 20 May 2011, down by US\$ 2.5 per barrel from the previous week.
- New York **spot price for Gold** was US\$ 1,535.7 per ounce as on 27 May 2011, up by US\$ 26.4 per ounce from the previous week.

Global Stock Indices	Closing Value as on 27 May 2011	Weekly Change (%)
NYSE: DJIA	12,441.6	-0.6
FTSE 100	5,938.9	-0.2
Nikkei 225	9,521.9	-0.9
Straits Times	3,135.5	-1.0
KOSPI	2,100.2	-0.5

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 27 May 2011	Week's % Change
BSE SENSEX	18,266.1	-0.3
BSE 500	7,097.9	0.0
S&P CNX NIFTY	5,476.1	-0.2
S&P CNX 500	4,409.8	0.0

Source: NSE, BSE

Net Institutional Activity

	Equity	Debt
Weekly FII (US \$ Million)	138.3	-447.6
Year -to-date FII (US\$ million)	-464.8	3,131.7
Weekly Mutual Funds# (Rs Crore)	-167.5	1,592.4

Source: SEBI

#as on 27 May, 2011

Commodity Spot Indices	Closing Value as on 27 May 2011	Week's % Change
MCX AGRI	2,759.9	0.5
MCX METAL	4,533.3	3.9
MCX ENERGY	3,193.5	3.1
MCX COMDEX	3,487.8	3.1

Source: MCX, NCDEX

INDUSTRY NEWS

Auto

- Honda Motorcycle and Scooter India Pvt Ltd will build a factory with a capacity of 1.2 million motorcycles a year in Bangalore and double capacity at a factory in Rajasthan from 600,000 motorcycles a year to 1.2 million.

Aviation

- Air passenger traffic increased by 11.5% to about 4.7 million in April from a year earlier. This is a slowdown compared to the first three months of 2011, when airline traffic had grown by 15-21%.

Energy

- To compensate for the loss of gas production from Reliance Industries Ltd's (RIL) Krishna-Godavari (KG) D6 field off the eastern coast of India, the petroleum ministry may reduce the allocation of the commodity to fertilizer units that also manufacture chemicals.

Media

- Star and Zee network announces distribution merger to help their broadcast arms get a fair share of subscription revenue. In the Joint Venture, each company is to hold 50% stake.

BSE Indices	Closing Value on 27 May 2011	Week's % Change
AUTO INDEX	8,981.1	-1.4
BANKEX	12,220.4	0.5
BSE CAPITAL GOODS	12,963.6	-1.8
BSE CONSUMER DURABLE	6,335.8	1.0
BSE FMCG	3,777.2	0.4
BSE HEALTHCARE	6,138.5	-0.2
BSE INFOTECH	5,950.9	-1.9
BSE MID CAP	6,730.4	-0.4
BSE SMALL CAP	8,109.9	-0.9
BSE TECK INDEX	3,594.5	-1.3
METAL INDEX	15,172.4	0.3
OIL & GAS INDEX	9,541.9	2.4

Source: BSE

CNX Segment Indices	Closing Value on 27 May 2011	Week's % Change
CNX NIFTY Junior	11,149.1	1.3
CNX MIDCAP	7,875.4	0.0
BANK NIFTY	10,722.7	0.5
CNX IT	6,507.6	-1.6
CNX Realty	275.0	-0.3
CNX Infrastructure	2,928.4	-1.3

Source: NSE

GLOBAL NEWS

USA

- In the week ending May 21 2011, the advance figure for seasonally adjusted initial claims was 424,000, an increase of 10,000 from the previous week's revised average of 440,250.
- US consumer spending cooled in the first quarter more than previously estimated as the jump in food and fuel costs held back the biggest part of the US economy. Household purchases rose at a 2.2% annual pace from January through March, less than the 2.7% calculated earlier.
- According to the second estimate for US GDP, output of goods and services increased by 1.8% in the first quarter of 2011.

Europe

- In March 2011, the Euro Area industrial new orders index fell by 1.8% compared with February 2011.

In February the index grew by 0.5%.

Asia

- Japan's Consumer Prices for April rose for the first time since 2008 after global energy and food costs climbed and retailers suffered shortages in the aftermath of the nation's earthquake and tsunami. Prices excluding fresh food rose 0.6%.
- South Korea's current account surplus widened to US\$ 1.9 billion compared with a revised US\$ 1.3 billion in March.
- China's industrial companies profit growth rose 29.7% in the first four months of 2011 to 1.5 trillion yuan from a year earlier.

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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