



| Inflation Rate for the week ending 26 th June'10 | | |
|----------------------------------------------------------------|--------|--------|
| Categories | Weekly | Annual |
| Primary articles | 1.39 | 16.08 |
| Fuel, power, light & lubricant | 4.54 | 18.02 |

Indicators

- **WPI inflation rate for primary articles** for the week ending 26th June'10 stood at 16.08% as compared to previous week's level of 14.75%.
- **Food inflation** decreased to **12.63%** for the week ended June 26th 2010 from **12.92%** in the previous week, mainly due to lower price of vegetables, fruits and pulses.
- **IMF raised India's economic growth forecast to 9.4% in 2010** from 8.7% earlier.
- According to FCI, wheat reserve on 1st July 2010 was at 33.58 million tones exceeding the buffer requirement of 17.1 million tones.
- World Bank lending to India for the financial year ended June 2010 touched USD 9.3 billion- an increase of over 320% over the previous year.
- **Direct Tax collection was up 15%** to Rs. 68,675 crores in the first quarter of FY11. **Indirect tax collection also expanded by 43%** in the same time.
- The South-West monsoon has been 10% below normal for the country as a whole as on July 8th 2010.
- **Foreign Exchange Reserves** as on 2nd July'10 stood at US \$278.27 billion, up by US\$ 1.29 billion over previous week.
- The **call money rates** as on 9th July'10 traded in the range of 3.50 – 5.50 percent.
- One year **LIBOR** for US\$ as on 7th July'10 stood at 1.16%.
- At the Treasury bills auctions held during the week, the **YTM for 91-day T-Bills** stood at 5.3653%.

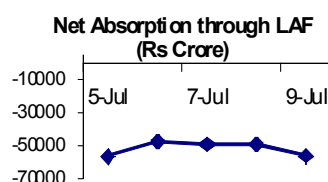
Dear Reader

Recent indicators of economic activity are mostly pointing to strong growth across sectors. Direct and indirect tax collections have been strong while bank credit has picked up to a y-o-y growth rate of 19.6%. As a result, the IMF has projected a strong growth of 9.4% in India's GDP in 2010. However, inflation continues to remain high, especially for primary articles and fuels. Companies are also facing rising cost pressures with raw material costs as well as wages accelerating.

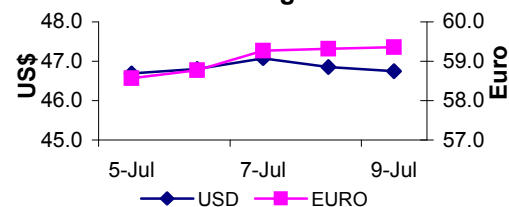
Chandrajit Banerjee
Director General
Confederation of Indian Industry

Policy Developments

1. The government is considering a proposal to reduce the period of audit pendency for PSUs to seven years, before their accounts are taken up for finalization.
2. The government is considering a proposal to allow NRIs to invest in units of domestic venture capital funds.
3. The Finance Ministry has indicated that revised Direct Tax Code (DTC) draft may stick to denying tax sops to special economic zones.
4. The government plans to cap the spread on student education loan at 2% over base rate.



Exchange Rate



| Banking Indicators | | (Rs. Crore) | |
|----------------------|--------------------------------------------|------------------|-------|
| Indicators | Outstanding as on 18 th June'10 | % Variation over | |
| | | Fortnight | Year |
| Total Bank credit | 33,10,417 | 0.7 | 19.6 |
| Food Credit | 52,970 | 1.6 | -12.7 |
| Non Food Credit | 32,57,447 | 0.7 | 20.3 |
| Aggregate Deposit | 45,17,541 | -0.5 | 13.9 |
| Broad Money (M3) | 56,77,076 | -0.2 | 14.5 |
| Credit Deposit Ratio | 73.3 | 4.5 | 1.2 |

Source: RBI

Equity Markets

- World equity markets managed a bounce back thanks partly to turnaround in the battered Chinese market. Optimism about the upcoming earnings season and employment data propelled the Dow Jones above 10,000 for the first time in last one month. A stronger euro helped push commodity shares, cooling some worries about the European debt crisis.
- The upward revision of Indian GDP forecast by IMF together with significant jump in direct and indirect tax collection boosted investor sentiment. Further the government's talk of de-controlling the sugar sector and a discussion paper on FDI in multi-brand retail raised optimism about key reforms going forward. Finally, the BSE Sensex advanced by 2.1% and the NSE Nifty added 2.2%.
- Rupee depreciation and optimism about quarterly earnings helped IT stocks to gain in last week. Following reports that Credit Suisse has updated outlook on Indian telecom stocks, helped the sector to flourish.
- India Bull finance, Bharti Airtel, Idea Cellular were the top gainers in BSE 'A' group stock, whereas RNRL, MMTC and United Phosphorus were the top losers.
- Total turnover during the week on BSE stood at Rs 18,639 crore and on NSE at Rs 53,529 crore.

Commodity Market

- NYMEX light sweet Crude Oil for August delivery closed at US \$ 76.09 per barrel on 9th July'10, up by \$3.95 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1,211.90 per ounce as on 9th July'10, almost flat at previous week's level.

| Indian Equity Indices | Closing Value on 9 th July'10 | Week's % Change |
|-----------------------|------------------------------------------|-----------------|
| BSE SENSEX | 17, 833.5 | 2.1 |
| BSE 500 | 7, 163.5 | 2.0 |
| S&P CNX NIFTY | 5, 352.5 | 2.2 |
| S&P CNX 500 | 4, 461.5 | 1.8 |

Source: NSE, BSE

| Global Stock Indices | Closing Value as on 9 th July'10 | Weekly Change (%) |
|----------------------|---------------------------------------------|-------------------|
| NYSE: DJIA | 10, 198.0 | 5.3 |
| FTSE 100 | 5, 132.9 | 6.1 |
| Nikkei 225 | 9, 585.3 | 4.1 |
| Straits Times | 2, 917.2 | 2.6 |
| KOSPI | 1, 723.0 | 3.1 |

Source: Yahoo Finance

| Commodity Spot Indices | Closing Value as on 10 th July'10 | Week's % Change |
|------------------------|----------------------------------------------|-----------------|
| MCX AGRI | 2, 182.1 | 1.2 |
| MCX METAL | 3, 278.9 | 1.1 |
| MCX ENERGY | 2, 601.3 | 3.4 |
| MCX COMDEX | 2, 681.2 | 2.0 |

Source: MCX, NCDEX

| Net Institutional Activity | | |
|----------------------------------|--------|----------|
| | Equity | Debt |
| Weekly FII (US \$ Million) | 245.9 | 1, 324.0 |
| Year -to-date FII (US\$ million) | 7239.4 | 7, 323.7 |
| Weekly Mutual Funds# (Rs Crore) | 110.3 | 3, 557.9 |

Source:SEBI

#For weekending 8th July'10

Global Development

US

- IMF raised its U.S. growth forecasts slightly to 3.3 percent for 2010 and 2.9 percent for 2011, but said unemployment would remain above 9 percent for both years.
- According to US Labor Department, Initial claims for jobless benefits fell to a seasonally adjusted 454,000 in the week ending July 2nd 2010, making it the lowest figure since the past seven months.
- Rates on 30-year fixed-rate mortgages, the most widely used loan dropped to a new record low of 4.57% for the week ended July 8th 2010 from 5.20% a year earlier.

Europe

- UKs trade deficit increased to 8.1 billion pounds in May 2010, the largest since January 2010. Import increased by 2.4% against export growth of 0.2%.
- Italian industrial production expanded by 7.3% in May 2010, against tiny 1% growth in April 2010.
- UK producer price unexpectedly drop in June 2010, first time in one and half year, as lower cost of gasoline products eased the inflation pressures on the economy.

Asia

- China revised up 2009 GDP growth to 9.1% from 8.7% on the back of higher output from industry and services.
- China's passenger car sales rose at the slowest pace in fifteen months at 19%, as inflation reduced consumer's purchasing power and economic growth showed sign of cooling.
- Australia's central bank kept the overnight cash rate at 4.5% consecutively for second month, citing concern about global outlook.

Disclaimer

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