

Inflation Rate for the week ending 2 <sup>nd</sup> Jan'10		
Categories	Weekly	Annual
Primary articles	0.4	13.82
Fuel, power, light & lubricant	1.1	6.25

## Indicators

- Annual **WPI inflation rate for primary articles** for the week ending 2<sup>nd</sup> Jan'10 stood at 13.82% as compared to previous week's level of 14.39%.
- The annual inflation in food articles cooled off to 17.28% for the week ended 2<sup>nd</sup> Jan'10, from 18.22% for the previous week.
- The annual rate of inflation, based on monthly WPI, stood at 7.31% for the month of December'2009 as compared to 4.78 % for the previous month.
- Foreign Exchange Reserves** as on 8<sup>th</sup> Jan'10 stood at US \$284.3 billion, up by US\$ 741 million over the previous week.
- The **call money rates** as on 15<sup>th</sup> Jan'10 traded in the range of 2.10 – 3.35 percent.
- One year **LIBOR** for US\$ as on 13<sup>th</sup> Jan'10 stood at 0.96%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 3.81%.
- Industrial production grew at a two-year high 11.7% in November 2009 as compared to a low of 2.5% in November 2008. The better-than-expected industrial output growth was boosted by a massive 37.3% jump in consumer durables and 12.2% increase in capital goods.
- According to statistics compiled by the Directorate General of Civil Aviation, the number of passengers carried by domestic airlines in 2009 totalled 445.13 lakh, against 412.71 lakh in 2008, registering 7.8% growth.

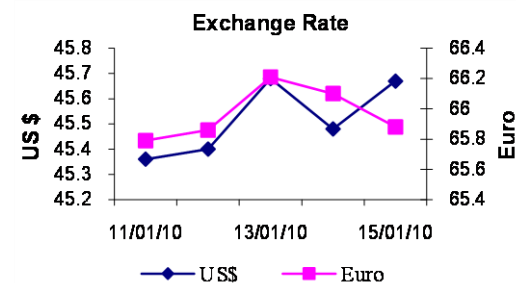
Dear Reader

The week saw the kick start of Q3 corporate earning season with Infosys posting better than expected results. The third quarter results will be an important indicator to show whether the economy is on track to a better recovery. Meanwhile higher IIP growth data and rise in inflation above the RBI's revised target of 6.5%, has raised expectations that the RBI could resort to monetary tightening, following China, in its upcoming monetary policy review on 29 January 2010.

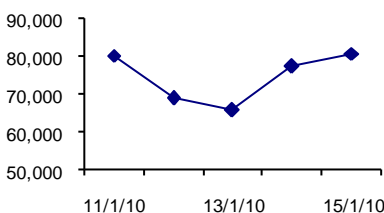
Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

- The Cabinet Committee on Prices has agreed to extend white sugar import to December 31, 2010; allow the raw sugar imported to be processed anywhere in the country; and increase the subsidy, if needed, for schemes to distribute cheaper edible oil and pulses in states.
- The government has announced additional incentives for export sectors. Beginning January 1, exports of 2,000 new products from sectors such as engineering, handicrafts & textiles will be allowed duty free import of inputs under the existing product and market specific incentive schemes.



Net Absorption through LAF (Rs Crore)



Banking Indicators	Rs. Crore	% Variation over	
		Fortnight	Year
	Outstanding as on 1 <sup>st</sup> Jan'10		
Total Bank credit	3,020,808	2.7	13.7
Food Credit	46,359	2.9	-15.1
Non Food Credit	2,974,448	2.7	14.3
Aggregate Deposit	4,264,540	2.0	17.6
Broad Money (M3)	5,285,446	1.5	17.1
Credit Deposit Ratio	70.84		

Source: RBI

## Equity Markets

- China's surprising hike in the CRR, catastrophic earthquake in Haiti and proposal by US President to tax banks to recover bailout money, weighed heavily on the Global stock markets. Meanwhile the IMF's Managing Director Dominique Strauss-Kahn said China and other developing Asian economies are leading a global recovery that is faster and stronger than expected.
- Although markets ended on a positive note for the fourth week, it traded in a narrow range over the week despite strong IIP numbers. Meanwhile the ADB has said that while India's economy is poised for a solid recovery in 2010 as the global financial crisis fades, policymakers need to address inflation and the widening fiscal deficit to buffer it against the impact of future global shocks.
- IT space was the best performer over the week, increasing by a staggering 9.0%, after Infosys and TCS posted better than expected Q3 earnings. Fears of probable hike in policy interest rates dragged the banking sector lower by 2.35 over the week. BSE top five gainers include TCS, Wipro, Infoys, ACC and R Com.
- Total turnover during the week on BSE stood at Rs 31,230 crore and at NSE Rs 89,728 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for February delivery closed at US \$ 78.0 per barrel on 15<sup>th</sup> Jan'10, down by \$4.8 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1130.5 per ounce as on 15<sup>th</sup> Jan'10, down by US \$ 7.5 per ounce over the week.

Global Stock Indices	Closing Value as on 15 <sup>th</sup> Jan '10	Weekly Change (%)
NYSE: DJIA	10,610	-0.1
FTSE 100	5,455	-1.4
Nikkei 225	10,982	1.7
Straits Times	2,908	-0.5
KOSPI	1,702	0.4

Source: Yahoo Finance

Commodity Spot Indices	Closing Value as on 16 <sup>th</sup> Jan'10	Week's % Change
MCX AGRI	2,172	-1.4
MCX METAL	3,261	-0.3
MCX ENERGY	2,659	-4.7
MCX COMDEX	2,684	-2.2

Source: MCX, NCDEX

Indian Equity Indices	Closing Value on 15 <sup>th</sup> Jan'10	Week's % Change
BSE SENSEX	17,554	0.1
BSE 500	7,005	0.7
S&P CNX NIFTY	5,252	0.1
S&P CNX 500	4,468	1.4

Source: NSE, BSE

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	982	482
Year -to-date FII (US\$ million)	1,789	1,441
Weekly Mutual Funds# (Rs Crore)	-409	3,002

Source: SEBI \*as on 14<sup>th</sup> Jan'10

## Global Development

### US

- US industrial production rose 0.6 per cent in December. The sixth consecutive rise in output matched the 0.6 per cent increase in November, which was initially reported at 0.8 per cent.
- US President Barack Obama plans to raise as much as \$120 billion through a fee on financial institutions to help recoup losses from the Troubled Asset Relief Program and reduce the deficit.

### Euro

- The European Central Bank (ECB) has kept the key interest rates on hold at a record low of 1% for the eighth month in a row.

### Asia

- China's Central Bank has raised the reserve requirement ratio by 0.5 percentage points for the first time since December 2008. The increase will take effect on January 18 and will apply to all banks apart from rural credit cooperatives.
- Singapore's exports jumped in December for the second straight month. Exports excluding oil rose 26.1 percent from a year earlier to 13.2 billion Singapore dollars (\$9.5 billion).
- Foreign direct investment in China more than doubled in December from a year earlier. December's FDI was \$12.1 billion and represented the fifth straight month of growth. Total FDI for all of 2009 fell by 2.3 percent from the previous year to \$90 billion.
- Japanese core machinery orders tumbled 11.3 percent in November from a month earlier to 625.3 billion yen (\$6.8 billion).

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