

Inflation Rate for the week ending 5th June'10		
Categories	Weekly	Annual
Primary articles	-0.7	16.8
Fuel, power, light & lubricant	-0.6	13.2

## Indicators

- **WPI inflation rate for primary articles** for the week ending 5th June'10 stood at 16.8% as compared to previous week's level of 17.2%.
- **Food inflation** declined to **16.12%** for the week ended June 5th 2010 from **16.74%** in the previous week, driven by lower prices of fruits, vegetables and tea.
- **WPI inflation** for the month of May 2010 increased to 10.16% as compared to 9.59% in the previous month and 1.38% in the corresponding month of the previous year.
- **Foreign Exchange Reserves** as on 11th June'10 stood at US \$272.7 billion, down by US\$ 1.6 billion over previous week.
- The **call money rates** as on 18th June'10 traded in the range of 3.1 – 5.4 percent.
- One year **LIBOR** for US\$ as on 18th June'10 stood at 1.1831%.
- At the Treasury bills auctions held during the week, the **YTM for 91-day T-Bills** stood at 5.3653%.
- India's **exports** for the month of May'10 jumped 35% to US\$ 16.1 billion on the back of higher demand in developed countries. **Imports** rose by 30.8% to US\$ 27.4 billion in the month.
- According to CMIE, Indian economy is expected to grow by 9.2% during 2010-11 on the back of better performance in industrial, services and manufacturing sector.

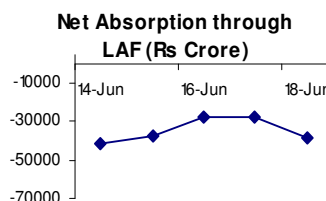
Dear Reader

Recent data releases showing persistently high inflation have led to many calls for an immediate hike in interest rates. CII believes that monetary policy should not be the preferred instrument for dealing with the recent spate of rising inflation. The data clearly shows that inflation continues to be driven by hardening prices of food, food products, fuel and select commodities. In fact, companies are facing rising costs, leading to pressure on their margins and it is hard to conclude that producers are being able to pass on higher costs to consumers.

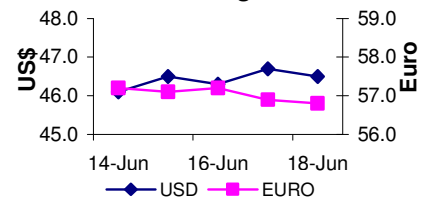
Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

1. The Reserve Bank of India (RBI) has said that the new base rate system will not increase the effective cost of borrowing as corporates have multiple sources of funds and the effective borrowing rate will be determined by market competition.
2. The RBI governor said that deregulation of interest rates, including savings rates, will be an important way forward for financial sector reforms.



## Exchange Rate



## Banking Indicators (Rs. Crore)

Indicators	Outstanding as on 4th June'10	% Variation over	
		Fortnight	Year
Total Bank credit	32, 88, 074	1.8	19.1
Food Credit	52, 149	5.5	-11.8
Non Food Credit	32, 35, 925	1.6	14.2
Aggregate Deposit	45, 41, 302	0.3	14.3
Broad Money (M3)	56, 88, 508	0.3	14.6
Credit Deposit Ratio	72.4		

Source: RBI

## Equity Markets

- World Stock markets continued their upward streak last week as fears about the Euro zone's fiscal woes eased and risk appetite was seen returning. A report from EPFR Global showed investors set aside sovereign debt fears and shifted their money to higher returning assets in mid-June, with emerging market assets and US equities among the recipients of fresh cash.
- India stock market remained range bound during last week in the absence of any unpleasant news from the global markets. Strong IIP numbers, GDP numbers and job market data confirmed the bullish sentiment and the BSE Sensex grew by 2.9% over the week and Nifty rose by 2.8%. Declining shares outnumbered advancing ones in the ratio of 1.7:1.
- The export focused software majors rose on hopes that a global recovery will boost outsourcing. Reliance Industries Limited fell as it fell short of meeting investor's expectations in its annual shareholders meeting.
- Total turnover during the week on BSE stood at Rs 22,633 crore and on NSE at Rs 68,691 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for July delivery closed at US \$ 77.18 per barrel on 18<sup>th</sup> June'10, up by \$3.4 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1,257.5 per ounce as on 18<sup>th</sup> June'10, up by US \$ 29.5 per ounce over the week.

Global Stock Indices	Closing Value as on 18 <sup>th</sup> June'10	Weekly Change (%)
NYSE: DJIA	10,450.6	2.3
FTSE 100	5,250.8	1.7
Nikkei 225	9,995.1	3.0
Straits Times	2,833.4	1.3
KOSPI	1,711.9	2.2

Source: Yahoo Finance

Indian Equity Indices	Closing Value on 18 <sup>th</sup> June'10	Week's % Change
BSE SENSEX	17,570.0	2.9
BSE 500	7,025.5	2.9
S&P CNX NIFTY	5,262.6	2.8
S&P CNX 500	4,376.5	2.8

Source: NSE, BSE

Commodity Spot Indices	Closing Value as on 19 <sup>th</sup> June'10	Week's % Change
MCX AGRI	2,119.7	-1.3
MCX METAL	3,233.3	-0.6
MCX ENERGY	2,590.9	-0.2
MCX COMDEX	2,636.5	-1.0

Source: MCX, NCDEX

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	723.6	-88.4
Year -to-date FII (US\$ million)	5,668.9	6,786.9
Weekly Mutual Funds# (Rs Crore)	-262.5	-3,075.5

Source: SEBI #For weekending 17<sup>th</sup> June'10

## Global Development

### US

- According to US Commerce Department figures, housing starts fell 10% in May'10 to a 593,000 annual rate from a revised 659,000 pace in April that was less than previously estimated.
- The number of Americans seeking jobless benefits last week unexpectedly rose to a one-month high indicating firings are staying elevated even as the US economy grows.

### Europe

- Germany will push for a financial transaction tax in the euro zone and throughout the whole of European Union, according to German Finance Minister Wolfgang Schaeuble.

### Asia

- South Korea has announced long anticipated currency controls, saying it aimed to curb rapid shifts in capital flows that were linked to short-term foreign debt. The new rules will cap domestic banks and non-bank financial institutions currency forwards and derivatives at 50% of their equity capital.
- The People's Bank of China, China's central bank, has decided to proceed further with the reform of the Renminbi exchange rate regime to enhance the RMB exchange rate flexibility. The decision was made in view of the recent economic situation and financial market developments at home and abroad, and the balance of payments (BOP) situation in China, the spokesperson said in a statement.

## Disclaimer

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