

Economy Update

Weekly Review

1st January'10

Inflation Rate for the week ending 19 th Dec'09		
Categories	Weekly	Annual
Primary articles	-0.2	15.49
Fuel, power, light & lubricant	0.0	4.45

Indicators

- Annual **WPI inflation rate for primary articles** for the week ending 19th Dec'09 stood at 15.49% as compared to previous week's level of 14.66%.
- The annual inflation in food articles rose to nearly 11 year high of 19.83% for the week ended 19 Dec'09, from 18.65% for the previous week.
- Foreign Exchange Reserves** as on 25th Dec'09 stood at US \$283.5 billion, down by US\$ 144 million over the previous week.
- The **call money rates** as on 31st Dec'09 traded in the range of 2.10 – 3.35 percent.
- One year **LIBOR** for US\$ as on 30th Dec'09 stood at 0.98%.
- At the **Treasury bills auctions** held during the week, the YTM for 91-day T-Bills stood at 3.68%.
- India's Balance of Payments (BoP) for July-September quarter increased to a surplus of \$9.4 billion. The current account deficit for the July-September quarter is at \$12.6 billion, unchanged from the year ago levels.
- The value of exports in November 2009 jumped to \$13.19 billion compared to \$11.16 billion in November 2008, growing by 18.0%. Imports contracted at 2.6% compared to 15% contraction in the previous month. Trade deficit for April-November 2009 stood at \$66.18 billion, lower than \$100.15 billion in the same period in 2008.

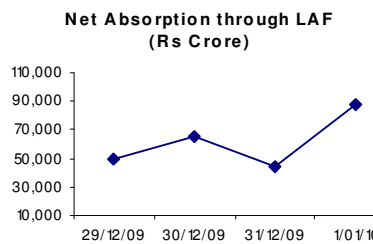
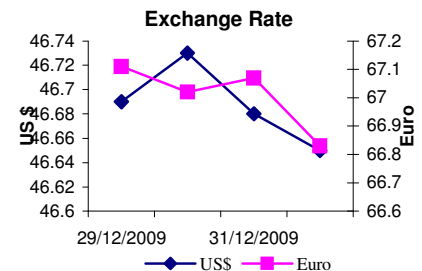
Dear Reader

Bank credit is at last showing signs of picking up: outstanding bank credit increased by Rs. 72,700 crore in the last two months compared to an increase of Rs. 27,700 crore in the same period last year. Year-on-year credit growth has now picked up from a 12-year low of 9.7% at the end of October 2009 to 11.3% as of 18, December. Still, it is unlikely to reach the RBI's target of 18% by the end of the financial year. If indeed credit growth accelerates to that extent, it would put pressure on interest rates to rise, given that government borrowings remain high.

Chandrajit Banerjee
Director General
Confederation of Indian Industry

Policy Developments

- The Government has decided to extend the ban on futures trading in sugar for another nine months till September 2010, aiming to contain rising prices.
- The government is considering a plan to stop providing subsidized kerosene to people living in towns and villages with access to electricity and cooking gas, a move intended to check the widespread adulteration of diesel and save about Rs 15,000 crore.



Banking Indicators	Rs. Crore		
	Outstanding as on 18 th Dec'09	% Variation over	
Indicators		Fortnight	Year
Total Bank credit	2,941,293	0.7	11.3
Food Credit	45,037	1.1	-13.6
Non Food Credit	2,896,256	0.7	11.8
Aggregate Deposit	4,181,771	-0.5	17.8
Broad Money (M3)	5,209,322	-0.2	17.2
Credit Deposit Ratio	70.34		

Source: RBI

Equity Markets

- The US Equity indices hit fresh 2009 highs on improved retail sales during the Christmas season and rising consumer confidence. Globally, the general sentiment for equities was positive. Chinese economy showed consistent signs of recovery. Trading during the week remained subdued amid thin volumes during the year end holidays.
- Market continued to gain for the second consecutive week on sustained buying in select counters following Prime Minister Manmohan Singh's encouraging comments about economic growth. Sustained buying by institutional investors and frenzied short-covering ahead of holidays and the last day of the derivatives contract also supported the market.
- Small cap and mid cap outperformed the broader indices during the truncated week. Among the sectors, power sector was the best performer, increasing by 1.8% over the week. Pharma and FMCG space were losers this week, shedding more than 1.0%. BSE top five gainers include Hindalco Industries, Reliance Infra, NTPC, Tata Motors and M&M.
- Total turnover during the week on BSE stood at Rs 12,924 crore and at NSE Rs 38,321 crore.

Global Stock Indices	Closing Value as on 31 st December '09	Weekly Change (%)
NYSE: DJIA	10,428	-0.9
FTSE 100	5,413	0.2
Nikkei 225	10,546	0.5
Straits Times	2,898	2.1
KOSPI	1,683	0.1

Source: Yahoo Finance

Commodity Spot Indices	Closing Value as on 2 nd Jan'10	Week's % Change
MCX AGRI	2,218	1.0
MCX METAL	3,240	0.2
MCX ENERGY	2,743	3.1
MCX COMDEX	2,716	1.5

Source: MCX, NCDEX

Indian Equity Indices	Closing Value on 31 st Dec'09	Week's % Change
BSE SENSEX	17,465	0.6
BSE 500	6,842	0.6
S&P CNX NIFTY	5,201	0.4
S&P CNX 500	4,329	0.7

Source: NSE, BSE

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	332	-200
Year -to-date FII (US\$ million)	17,458	1,050
Weekly Mutual Funds# (Rs Crore)	201	-1,525

Source: SEBI *as on 29th Dec'09

Commodity Market

- NYMEX light sweet Crude Oil for February delivery closed at US \$ 79.4 per barrel on 31st Dec'09, up by \$1.3 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1096.9 per ounce as on 31st Dec'09, down by US \$ 8.8 per ounce over the week.

Global Development

US

- According to the US Labor Department, new claims for unemployment insurance fell by 22,000 last week to a seasonally adjusted 432,000, the lowest since July 2008. The four-week average fell for the 17th straight week to 460,250, the lowest since September 2008.
- Consumer confidence in the US picked up in December. The Conference Board's index of consumer confidence ticked up from 50.6 last month to 52.9.

Asia

- Japan's industrial output rose by 2.6% for the ninth consecutive month in November, driven by strong exports and domestic subsidies.
- Singapore's economy shrank in the October-to-December period after surging for two straight quarters. GDP fell an annualized, seasonally adjusted 6.8 percent in the fourth quarter. The economy grew 3.5 percent in the fourth quarter from the same period a year ago and contracted 2.1 percent for all of 2009.
- An index of China's manufacturing rose in December, expanding at its fastest rate in 20 months. The monthly purchasing managers' index rose to 56.6 on a 100-point scale, compared with 55.2 in November.
- The People's Bank of China mopped up 16 billion yuan via 28-day repos and another 10 billion yuan through 91-day repos in its open market operations, indicating the government's determination to rein in market liquidity.

Disclaimer

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