



Inflation Rate for the week ending 12 <sup>th</sup> June'10		
Categories	Weekly	Annual
Primary articles	0.6	17.6
Fuel, power, light & lubricant	0.0	13.2

## Indicators

- **WPI inflation rate for primary articles** for the week ending 12<sup>th</sup> June'10 stood at 17.60% as compared to previous week's level of 16.86%.
- **Food inflation** increased to **16.9%** for the week ended June 12<sup>th</sup> 2010 from **16.12%** in the previous week, driven by higher prices of pulses, fruits and milk.
- The South-West monsoon has been 11% below normal for the country as a whole as on June 23rd 2010.
- EGoM approved hike of Rs3.5 per liter in petrol; diesel prices were hiked by Rs2 per liter. Kerosene and LPG prices were increased by Rs3 per liter and Rs35 a cylinder.
- **India's steel consumption rose by 12% in May 2010**, the fastest in last one year, backed by the strong demand from automobile, consumer durable and infrastructure sector.
- **Foreign Direct Investment (FDI) in the service sector dropped by 33.5%** to Rs. 2 trillion (\$4.29 billion) during 2009-10, mainly on account of global credit squeeze.
- **Foreign Exchange Reserves** as on 18th June'10 stood at US \$275.97 billion, up by US\$ 3.19 billion over previous week.
- The **call money rates** as on 25th June'10 traded in the range of 3.4 – 5.5 percent.
- One year **LIBOR** for US\$ as on 23<sup>rd</sup> June'10 stood at 1.18%.
- At the Treasury bills auctions held during the week, the **YTM for 91-day T-Bills** stood at 5.3653%.

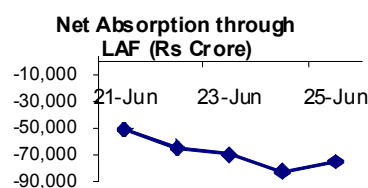
## Dear Reader

The much awaited decision on fuel price deregulation finally came last week. The public sector oil marketing companies stand to gain as this decision will free up resources needed for investment and expansion. Their under-recoveries on petrol and diesel would otherwise have amounted to Rs 22,000 crore during the remaining part of 2010-11. Market determined pricing will also send the right signals to consumers and help prevent any wastage of scarce resources.

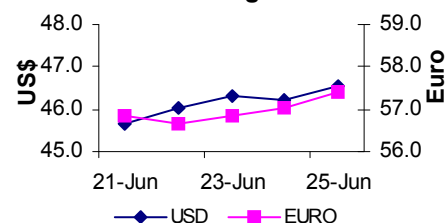
Chandrajit Banerjee  
Director General  
Confederation of Indian Industry

## Policy Developments

1. The Government decided to give a free hand to oil companies to determine petrol prices at the retail level in line with the global price. Diesel prices will also be gradually deregulated.
2. The RBI has said that agricultural loans will be kept outside the base rate ambit, so that bankers can offer agricultural loan at interest rates below the base rate.
3. The finance ministry plans to introduce Controlled Foreign Company (CFC) rules, which will allow tax authority to extend domestic laws for taxing profits of Indian subsidiaries abroad.



## Exchange Rate



Banking Indicators		(Rs. Crore)	
Indicators	Outstanding as on 4 <sup>th</sup> 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

- China signaled an end to the two-year yuan-dollar peg, triggering a rally across global markets. However, that euphoria faded quickly as a downgrade of BNP Paribas by Fitch and loan loss projections for Spanish banks by S&P reminded investors of Europe's debt troubles. Housing data in the US fell short of expectations, and the Federal Reserve scaled down its outlook for the US economy.
- Key indicators managed to eke out slim gains in a highly volatile market. The week started on a firm note after government announced IRDA will continue to oversee ULIPs and China decided to pursue a more flexible currency policy. But fresh bad news from the debt-plagued EURO zone and disappointing US economic data soured the mood. Finally the BSE Sensex and NSE Nifty closed flat over the week.
- Oil marketing companies gained after the EGoM approved the hike in retail petroleum product prices. Banking stocks fell on rate hike worries.
- ONGC, Dr. Reddy's and Rcom were the top three gainers in Sensex last week while Wipro, Tata Motors and TCS were the top losers in the index.
- Total turnover during the week on BSE stood at Rs 22,552 crore and on NSE at Rs 67,964 crore.

## Commodity Market

- NYMEX light sweet Crude Oil for July delivery closed at US \$ 78.86 per barrel on 25<sup>th</sup> June'10, up by \$1.68 per barrel over the previous week.
- New York spot price for **Gold** was US \$ 1,256.20 per ounce as on 25<sup>th</sup> June'10, down marginally by US \$ 1.3 per ounce over the week.

Indian Equity Indices	Closing Value on 25 <sup>th</sup> June'10	Week's % Change
BSE SENSEX	17,574.5	0.0
BSE 500	7,032.5	0.1
S&P CNX NIFTY	5,269.1	0.1
S&P CNX 500	4,365.9	-0.2

Source: NSE, BSE

Global Stock Indices	Closing Value as on 25 <sup>th</sup> June'10	Weekly Change (%)
NYSE: DJIA	10,143.8	-2.9
FTSE 100	5,046.5	-3.9
Nikkei 225	9,737.5	-2.6
Straits Times	2,851.6	0.6
KOSPI	1,729.8	1.0

Source: Yahoo Finance

Commodity Spot Indices	Closing Value as on 26 <sup>th</sup> June'10	Week's % Change
MCX AGRI	2,183.7	3.0
MCX METAL	3,328.6	2.9
MCX ENERGY	2,687.0	3.7
MCX COMDEX	2,733.6	3.7

Source: MCX, NCDEX

Net Institutional Activity		
	Equity	Debt
Weekly FII (US \$ Million)	1,117.8	224.3
Year -to-date FII (US\$ million)	6,786.3	7,011.2
Weekly Mutual Funds# (Rs Crore)	-1,072.5	1,180.1

Source: SEBI

#For week ending 24<sup>th</sup> June'10

## Global Development

### US

- According to US Commerce Department figures, sale of new homes dropped a record 32.7% in May 2010 to 300,000 units, the lowest level since the series started in 1963.
- The US economy grew at an annual rate of 2.7% in the first three months of 2010, slower than previously estimate of 3%.
- Federal Reserve officials retained a pledge to keep the benchmark interest rate at a record low for an "extended period" and signaled that European indebtedness may harm American growth.

### Europe

- Fitch ratings downgraded BNP Paribas ' (BNPP) Long-term (LT) Issuer Default Rating (IDR) to 'AA-' from 'AA'.
- Romania plans to raise value-added tax (VAT) to 24% in an effort to curb the country's deficit from 7.2% of output to 6.8%.

### Asia

- According to Chinese statistical bureau, Chinese industrial companies profit jumped by 82% to \$227 billion in the first five months of 2010.
- Taiwan's central bank raised its benchmark interest rate to 1.375% from a record low of 1.25%, first time since 2008.
- Japan's core consumer price index declined 1.2% in May 2010, down for the 15<sup>th</sup> month indicating that deflation continues to plague the economy.
- Singapore's industrial production growth surged to 58.6% in May 2010 after climbing 47.9% in April 2010, sustaining the economy's recovery from last year's global slump.

## 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.

Published by



Confederation of Indian Industry

249-F, Sector 18, Udyog Vihar, Phase IV, Gurgaon - 122 015, Haryana, INDIA

Tel: +91-124-401 4060-67 • Fax: +91-124-401 4080 • Email: ecopolicy@cii.in • Website: www.cii.in