Inflation Rate for the week ending 27th Mar’10

<table>
<thead>
<tr>
<th>Categories</th>
<th>Weekly</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary articles</td>
<td>0.6</td>
<td>14.50</td>
</tr>
<tr>
<td>Fuel, power, light &amp; lubricant</td>
<td>0.0</td>
<td>12.71</td>
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Dear Reader

With major central banks keeping their policy rates unchanged at exceptionally low levels, capital flows moved towards India and other emerging markets. As a result of strong FII inflows, equity markets outperformed and the rupee appreciated, touching a 19-month high. The RBI began the auction of government bonds during the week even as there are clear signs of a pick-up in credit growth. The financial year 2009-10 ended with a year-on-year credit growth of 16.7% picking up from a low of below 10% in October 2009.

Chandrajit Banerjee
Director General
Confederation of Indian Industry

Policy Developments

1. The RBI has announced the guidelines on the New Base Rate System, which will replace the BPLR system with effect from July 1, 2010. The Base Rate will be the minimum rate for all loans. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs. 2 lakh stands withdrawn. The stipulation for export credit will be separately announced.

2. According to a notification by SEBI, companies making initial public offerings (IPOs) will have to list their shares within 12 days after the subscription closes, starting from May. Currently, companies have 22 days to list the shares after the issue closes.

Net Absorption through LAF (Rs Crore)

Banking Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Rs. Crore</th>
<th>% Variation over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bank credit</td>
<td>3,240,399</td>
<td>3.7  16.7</td>
</tr>
<tr>
<td>Food Credit</td>
<td>48,489</td>
<td>-1.8  4.9</td>
</tr>
<tr>
<td>Non Food Credit</td>
<td>3,191,909</td>
<td>3.8  16.9</td>
</tr>
<tr>
<td>Aggregate Deposit</td>
<td>4,486,574</td>
<td>1.9  17.0</td>
</tr>
<tr>
<td>Broad Money (M3)</td>
<td>5,583,259</td>
<td>1.8  16.7</td>
</tr>
<tr>
<td>Credit Deposit Ratio</td>
<td>72.22</td>
<td></td>
</tr>
</tbody>
</table>

Source: RBI
Equity Markets

- Global markets were on the edge over the week fearing a fresh wave of contagion on a possible Greek default, after Fitch downgraded Greece's debt rating to BBB-. However, concerns eased after the finance ministers of the euro zone nations agreed to offer euro 30 billion in loans to Greece this year if needed. Bank of England, ECB and Bank of Japan kept the policy rates unchanged once again. Meanwhile the US Federal Reserve’s officials again reiterated their commitment to low interest rates for "an extended period", given the fragile nature of the economic recovery.

- The Indian equity indices outperformed the global markets. The benchmark BSE Sensex managed to cross the 18,000 mark during the week; however due to selling pressure at higher level and concerns over Greece, it could not sustain the psychological mark. In addition, higher food inflation and nervousness ahead of corporate results, restricted gains for investors. Meanwhile the auctions for 3G and broadband wireless airwaves that got under way on Friday is expected to fetch Rs 45,000 crore to Indian government.

- Among sectors, Realty space and power space were the top performers, increasing by 5.7% and 3.2% respectively. IT sector was the only loser this week. IT stocks closed in red after the Indian rupee touched a 19-month high during the week. BSE top five gainers include Reliance Infra, DLF, BHEL, Tata steel and Tata Motors.

- Total turnover during the week on BSE stood at Rs 25,798 crore and at NSE Rs 72,064 crore.

Commodity Market

- NYMEX light sweet Crude Oil for May delivery closed at US $ 84.9 per barrel on 9th April’10, marginally up by $0.4 per barrel over the previous week.

- New York spot price for Gold was US $ 1161.9 per ounce as on 9th Apr’10, up by US $ 35.0 per ounce over the week.

Global Development

US

1. New jobless claims in US surged to a seasonally adjusted 460,000 for the week ending April 3, climbing by a surprising 18,000. Initial claims for the previous week were also revised just higher to 442,000 from 439,000.

2. As per the new proposed rules by the Securities and Exchange Commission (SEC), credit rating agencies would not formally evaluate certain bonds backed by consumer loans, like home mortgages. Instead, the companies issuing these bonds would have to vouch for their soundness.

Europe

1. The European Central Bank (ECB) has left its main refinance rate unchanged at 1%. Jean-Claude Trichet, President, European Central Bank, said the euro zone’s recovery remains on track.

2. The Bank of England has kept interest unchanged for the 12th consecutive month at 0.5 per cent. The Bank's Monetary Policy Committee also voted to maintain its policy of quantitative easing at its current level of £200 billion.

Asia

1. The Bank of Japan's policy board voted unanimously to keep its overnight call rate at a record-low of 0.1 percent. The Board members pledged to maintain an "extremely accommodative financial environment."

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