



ASSOCHAM Economic Weekly
8th March, 2015



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1. Macroeconomy



1.1 RBI Monetary Policy

Softer readings on inflation are expected to come in through the first half of 2015-16 before firming up to below 6 per cent in the second half. The fiscal consolidation programme, while delayed, may compensate in quality, especially if state governments are cooperative. Given low capacity utilisation and still-weak indicators of production and credit off-take, it is appropriate for the Reserve Bank to be pre-emptive in its policy action to utilise available space for monetary accommodation.

Consequently, RBI on 4 Mar 2015 decided to:

- reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.75 per cent to 7.5 per cent with immediate effect;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL);
- continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and
- continue with daily variable rate repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF stands adjusted to 6.5 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 8.5 per cent with immediate effect.

RBI correctly assessed the need of the industry and announced a reduction in the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.75 per cent to 7.5 per cent with immediate effect. The combination of lower inflationary pressures, fiscal consolidation roadmap and rationalisation of expenditure has stimulated the rate cut and would help revive growth and encourage investment. The move is expected to bring cheer for industry, economy as whole and for the common man.

1.2 Index of Eight Core Industries, January 2015

The combined Index of Eight Core Industries stands at 174.8 in January, 2015, which was 1.8 % higher compared to the index of January, 2014. Its cumulative growth during April to January, 2014-15 was 4.1 %.

- Coal production increased by 1.7 % in January, 2015 over January, 2014. Its cumulative index during April to January, 2014-15 increased by 8.1 % over corresponding period of previous year.
- Crude Oil production declined by 2.3 % in January, 2015 over January, 2014. The cumulative index of Crude Oil during April to January, 2014-15 declined by 1.0 % over the corresponding period of previous year.
- The Natural Gas production declined by 6.6 % in January, 2015. Its cumulative index during April to January, 2014-15 declined by 5.2 % over the corresponding period of previous year.
- Petroleum Refinery production increased by 4.7 % in January, 2015. Its cumulative index during April to January, 2014-15 increased by 0.7 % over the corresponding period of previous year.

- Fertilizer production increased by 7.1 % in January, 2015. Its cumulative index during April to January, 2014-15 declined by 0.5 % over the corresponding period of previous year.
- Steel production increased by 1.6 % in January, 2015. Its cumulative index during April to January, 2014-15 increased by 1.6 % over the corresponding period of previous year.
- Cement production increased by 0.5 % in January, 2015. Its cumulative growth during April to January, 2014-15 was 7.1 % over the corresponding period of previous year.
- Electricity generation increased by 2.7 % in January, 2015 and it registered a cumulative growth of 8.9 % during April to January, 2014-15 over the corresponding period of previous year.

Refer Table 1 & 2

Table 1
Index of Eight Core Industries, January 2015

Growth Rates (in %)

Sector	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity	Overall Index
Weight	4.379	5.216	1.708	5.939	1.254	6.684	2.406	10.316	37.903
Sep-14	7.2	-1.1	-6.2	-2.5	-11.6	4.0	3.2	3.8	1.9
Oct-14	16.2	1.0	-4.2	4.2	-7.0	2.3	-1.0	13.2	6.3
Nov-14	14.5	-0.1	-2.9	8.1	-2.8	1.3	11.3	10.2	6.7
Dec-14	7.5	-1.4	-3.5	6.1	-1.6	-2.4	3.8	3.7	2.4
Jan-15	1.7	-2.3	-6.6	4.7	7.1	1.6	0.5	2.7	1.8

Source: Office of the Economic Adviser

Table 2
Index of Eight Core Industries, April-January 2014-15

Sector	Weight	2012-13	2013-14	Apr-Jan 13-14	Apr-Jan 14-15
Coal	4.379	4.6	1.3	1.5	8.1
Crude Oil	5.216	-0.6	-0.2	-0.2	-1.0

Natural Gas	1.708	-14.5	-13.0	-14.0	-5.2
Refinery Products	5.939	29.0	1.5	1.2	0.7
Fertilizers	1.254	-3.4	1.5	2.5	-0.5
Steel	6.684	4.1	10.3	11.4	1.6
Cement	2.406	7.7	3.0	3.5	7.1
Electricity	10.316	4.0	6.0	5.6	8.9
Overall Index	37.903	6.5	3.9	4.0	4.1

Source: Office of the Economic Adviser

2. Corporate Sector



2.1 Budget proposals 2015-16 for Petroleum & Natural Gas Sector

Various proposals have been made in the Budget 2015-16 which would lead to greater stability, clarity and continuity in the economy and the petroleum and natural gas sector.

Subsidies will continue so that there is no adverse impact on the general public. As stated by the Finance Minister, the Government is committed to the process of rationalizing subsidies and cut leakages, not cut subsidies. Adequate funds have been provided for LPG and kerosene subsidies. Finance Minister appealed to the well off strata, including those concerned for the welfare of the poor, to voluntarily give up subsidy on LPG.

In context of rationalization and targeting of LPG subsidy, it was highlighted that under DBTL Rs.6335 crore have been transferred to over 11.5 crore beneficiaries.

There is revision in specific rates of excise duty on petrol and diesel only to the extent of subsuming the quantum of education cess levied, keeping the total incidence of excise duty unchanged. Further, the effective rates of additional excise duty levied on petrol and diesel is proposed to be increased from Rs.2 per litre to Rs.6 per litre to fund investment in roads and other infrastructure to the extent of Rs.40,000 crore.

In order to ensure energy security in the country, strategic crude oil underground storage reserves of 5.33 MMT are being set up by Indian Strategic Petroleum Reserves Limited (ISPRL) at Visakhapatnam, Padur and Mangalore. An amount of Rs.2,400 crore has been provided under the Plan head in 2014-15 (RE) for filling crude oil in the caverns.

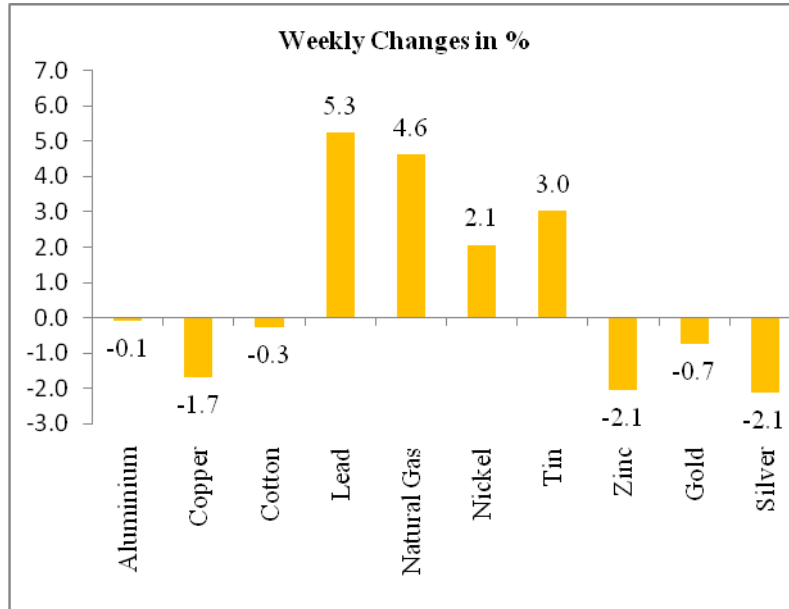
An amount of Rs.72589 crore is proposed to be allocated in 2015-16 as Plan capital expenditure by oil and gas Central public sector enterprises from the internal and extra budgetary resources (IEBR) of the companies for projects for exploration and production, refining & marketing, petrochemicals and engineering.

It has been proposed to reduce the rate of corporate income tax from 30% at present to 25% in the next 4 years. It is expected that this would lead to higher investment and growth in the sector.

In order to boost investment in infrastructure, a National Investment and Infrastructure Fund is being established. The PPP mode of infrastructure development would be revitalized. It is expected that this would invite investment for the petroleum and natural gas sector.

2.2 Basic Metals and Agriculture Commodities in Spot Market

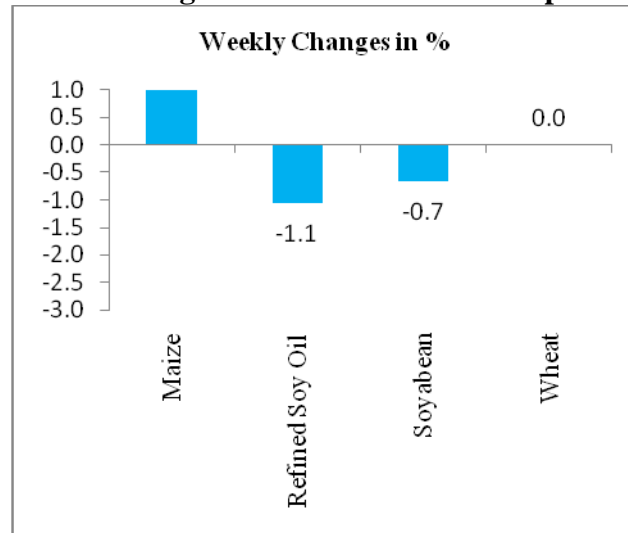
Performance of Metals Market Spot Prices



Source: MCX, ASSOCHAM Economic Research Bureau

Note: For details please refer appendix

Performance Agri Commodities Market Spot Prices



Source: MCX, ASSOCHAM Economic Research Bureau

Note: For details please refer appendix



3. Market Trends

BSE: The BSE Sensex decreased by 0.29 per cent and closed at 29,448.95

NSE: Nifty decreased by 0.18 per cent during the week and closed at 8937.75

Dollar: The value of Rupee depreciated by Rs. 0.37 against the US dollar during the week and closed at Rs 62.20 per dollar.

Euro: The value of Rupee appreciated by Rs. 0.53 against the Euro and closed at Rs. 68.60 per euro.

Forex Reserves: India's Foreign Exchange reserves increased by USD 3.88 billion to USD 338.07 billion during the week-ended February 27, 2015.



4. Global Developments

4.1 U.S., January 2015 Trade Gap \$41.8 Billion

The U.S. monthly international trade deficit decreased in January 2015 according to the U.S. Bureau of Economic Analysis and the U.S. Census Bureau. The deficit decreased from \$45.6 billion in December (revised) to \$41.8 billion in January, as imports decreased more than exports. The goods deficit decreased \$3.4 billion from December to \$61.6 billion in January. The services surplus increased \$0.5 billion from December to \$19.9 billion in January.

Exports of goods and services decreased \$5.6 billion, or 2.9 percent, in January to \$189.4 billion. Exports of goods decreased \$5.5 billion and exports of services decreased \$0.1 billion.

- The decrease in exports of goods mostly reflected decreases in industrial supplies and materials (\$2.2 billion), in other goods (\$1.2 billion), and in foods, feeds, and beverages (\$1.1 billion).
- The decrease in exports of services reflected decreases in transport (\$0.2 billion), which includes freight and port services and passenger fares, and in financial services (\$0.1 billion) that were partly offset by increases in travel (for all purposes including education) (\$0.2 billion) and in other business services (\$0.1 billion).

Imports of goods and services decreased \$9.4 billion, or 3.9 percent, in January to \$231.2 billion. Imports of goods decreased \$8.9 billion and imports of services decreased \$0.5 billion.

- The decrease in imports of goods mostly reflected decreases in industrial supplies and materials (\$6.0 billion) and in consumer goods (\$2.1 billion).
- The decrease in imports of services mainly reflected decreases in transport (\$0.4 billion) and in travel (for all purposes including education) (\$0.2 billion).

Refer Table 3

Table 3
U.S. International Trade in Goods and Services

In millions of dollars

Period	Balance			Exports			Imports		
	Total	Goods (1)	Services	Total	Goods (1)	Services	Total	Goods (1)	Services
2013									
Jan. - Dec.	476,392	-701,669	225,276	2,280,194	1,592,784	687,410	2,756,586	2,294,453	462,134
2014									
Jan. - Dec. (R)	504,711	-735,787	231,076	2,344,528	1,635,133	709,395	2,849,239	2,370,920	478,319
2015									
January	-41,752	-61,625	19,874	189,410	128,706	60,704	231,162	190,331	40,831
December 2014									
	-46,557	-66,007	19,450	194,880	134,280	60,600	241,437	200,288	41,150

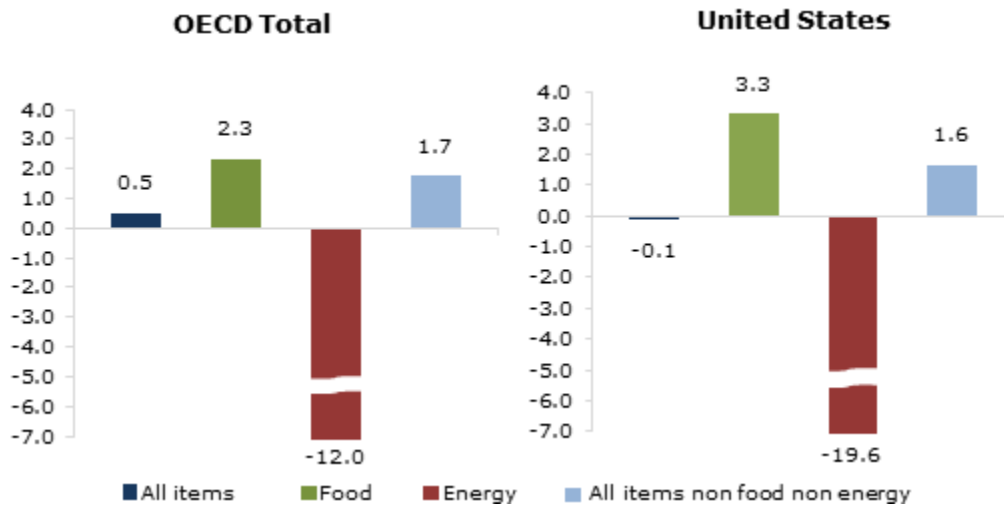
Source: BEA

4.2 Falling energy prices push OECD annual inflation down to 0.5% in January 2015

Annual inflation in the OECD area slowed to 0.5% in the year to January 2015, down from 1.1% in the year to December. This sharp decrease was caused by further falls in energy prices which declined by 12.0% in the year to January, compared with a decline of 6.3% in the year to December. Food price inflation slowed slightly to 2.3% in the year to January, down from 2.5% in the year to December. Excluding food and energy, the OECD annual inflation rate slowed marginally to 1.7% in January, compared with 1.8% in December.

Consumer prices, selected areas

January 2015 percentage change on the same month of the previous year



Source: Consumer price indices, OECD

5. Data Appendix

Table 4
Latest Available Financial Information

Item	February 20, 2015	February 27, 2015	Percentage Change
Deposits of Scheduled Commercial Banks with RBI (Rs. Billion)	3433.09	3596.13	4.7
Foreign Currency Assets of RBI (Rs. Billion)	19389.54	19497.89	0.6
Advances of RBI to the Central Government (Rs. Billion)	-----	-----	-----
Advances of RBI to the Scheduled Commercial Banks (Rs. Billion)	882.81	925.02	4.8

Source: RBI, Govt. of India

Table 5
BSE Sensex and NSE Nifty Index

Index	March 2, 2015	March 5, 2015	Percentage Change
BSE SENSEX	29,533.42	29448.95	-0.29
S & P CNX NIFTY	8953.85	8937.75	-0.18

Source: BSE India and NSE India

Table 6
Metals Market Spot Prices Index (Rs.)

Products	Unit	March 2015					Weekly Changes in %
		2 nd	3 rd	4 th	5 th	6 th	
Aluminium	1 KGS	111.1	110.3	110.5	111.2	111.0	-0.1
Copper	1 KGS	370.0	367.7	362.2	362.7	363.8	-1.7
Cotton	1 BALES	14820.0	14810.0	14800.0	14780.0		-0.3
Lead	1 KGS	106.7	107.3	108.1	110.9	112.3	5.3
Natural Gas	1 mmBtu	168.9	166.8	167.7	171.3	176.7	4.6
Nickel	1 KGS	858.1	840.4	855.3	874.1	875.8	2.1
Tin	1 KGS	1090.5	1098.5	1109.0	1111.8	1123.5	3.0

Zinc	1 KGS	126.7	125.2	125.0	125.2	124.1	-2.1
Gold	10 GRMS	26745	26553	26554	26545		-0.7
Silver	1 KGS	37128	36648	36439	36337		-2.1

Source: MCX

Table 7
Agri Commodities Market Spot Prices (Rs.)

Products	Unit	March 2015					Weekly Changes in %
		2 nd	3 rd	4 th	5 th	6 th	
Maize	100 KGS	1240.0	1240.0	1255.0	1255.0		1.2
Refined Soy Oil	10 KGS	636.3	635.3	634.2	629.5		-1.1
Soyabean	100 KGS	3362.5	3372.5	3379.0	3340.0		-0.7
Wheat	100 KGS	1665.0	1670.0	1670.0	1665.0		0.0

Source: MCX

ASSOCHAM Economic Research Bureau

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The main banners of the Bureau are:

ASSOCHAM Eco Pulse (AEP) studies are based on the data provided by various institutions like Reserve Bank of India, World Bank, IMF, WTO, CSO, Finance Ministry, Commerce Ministry, CMIE etc.

ASSOCHAM Business Barometer (ABB) are based on the surveys conducted by the Research Team to take note of the opinion of leading CEOs, MDs, CFOs, economists and experts in various fields.

ASSOCHAM Investment Meter (AIM) keeps the track of the investment announcements by the private sector in different sectors and across the various states and cities.

ASSOCHAM Placement Pattern (APP) is based on the sample data that is tracked on a daily basis for the vacancies posted by companies via job portals and advertisements in the national and regional dailies, journals and newspaper. Data is tracked for 60 cities and 30 sectors that are offering job opportunities in India.

ASSOCHAM Financial Pulse (AFP) as an analytical tool tracks quarterly financial performance of India Inc; forming strong inter-linkages with the real economy and presents sectoral insights and outlook based on financial indicators, demand signals and corporate dividend activity.

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THE KNOWLEDGE CHAMBER

Evolution of Value Creator ASSOCHAM initiated its endeavor of value creation for Indian industry in 1920. It has witnessed upswings as well as upheaval of Indian Economy and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

ASSOCHAM derives its strength from the following Promoter Chambers: Bombay Chamber of Commerce and Industry, Mumbai; Cochin Chamber of Commerce and Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

VISION

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segment

MISSION

As representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic industrial and social development. We believe education, health, agriculture and environment to be the critical success factors.

GOALS

To ensure that the voice and concerns of ASSOCHAM are taken note of by policy makers and legislators. To be proactive on policy initiatives those are in consonance with our mission. To strengthen the network of relationships of national and international levels/forums. To develop learning organization, sensitive to the development needs and concerns of its members. To broad-base membership. Knowledge sets the pace for growth by exceeding the expectation, and blends the wisdom of the old with the needs of the present.