# ASSOCHAM Economic Weekly
# 25th October, 2015

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

## Contents

## 1. Macroeconomy

### 1.1 All-India Consumer Price Index Numbers for Agricultural and Rural Labourers, September 2015

The All-India Consumer Price Index Numbers for Agricultural Labourers and Rural Labourers (Base: 1986-87=100) for September, 2015 increased by 7 points each to stand at 839 (Eight hundred and thirty nine) points and 843 (Eight hundred and forty three) points respectively.

The rise/fall in index varied from State to State. In case of Agricultural Labourers, it recorded an increase between 1 to 19 points in 17 States and a decrease of 10 points in 1 State while it remained stationary in 2 States. Karnataka State with 927 points topped the index table whereas Himachal Pradesh with 689 points stood at the bottom.

In case of Rural Labourers, it recorded an increase between 1 to 18 points in 17 States and a decrease of 9 points in 1 State while it remained stationary in 2 States. Haryana with 924 points topped the index table whereas Himachal Pradesh with 724 points stood at the bottom.

The Consumer Price Index Numbers for Agricultural Labourers and Rual Labourers of Meghalaya State registered the maximum increase of 19 points and 18 points respectively mainly due to increase in the prices of rice, pulses, mustard oil, onion, turmeric, milk, vegetables & fruits, tea leaf, tobacco leaf, supari and firewood. On the contrary, the Consumer Price Index Numbers for Agricultural Labourers and Rural Labourers of Kerala State registered the decrease of 10 points and 9 points respectively due to decrease in the prices of rice, coconut-oil, beef, fish fresh/dry, onion, ginger and supari.

Point to point rate of inflation based on the CPI-AL and CPI-RL increased from 2.97% and 3.21% in August, 2015 to 3.45% and 3.69% in September, 2015. Inflation based on food index of CPI-AL and CPI-RL is 2.52% and 2.76% respectively during September, 2015.

**Table 1**
**All-India Consumer Price Index Number (General & Group-wise)**

| Group | Agricultural Labourers | | Rural Labourers | |
|---|---|---|---|---|
| | August, 2015 | September,2015 | August, 2015 | September,2015 |
| General Index | 832 | 839 | 836 | 843 |
| Food | 805 | 814 | 810 | 819 |
| Pan, Supari, etc. | 1216 | 1222 | 1229 | 1234 |
| Fuel & Light | 934 | 933 | 932 | 930 |
| Clothing, Bedding & Footwear | 826 | 828 | 836 | 839 |
| Miscellaneous | 804 | 807 | 802 | 806 |

Source: Labour Bureau, Ministry of Labour and Employment, Govt. of India

### 1.2 RBI direction on implementation of Gold Monetisation Scheme (GMS) 2015

The Reserve Bank of India issued a Direction to all Scheduled Commercial Banks (excluding Regional Rural Banks) on implementation of the Gold Monetisation Scheme, 2015 notified by the Central Government.

The Scheme

The GMS will replace the existing Gold Deposit Scheme, 1999. However, the deposits outstanding under the Gold Deposit Scheme will be allowed to run till maturity unless the depositors prematurely withdraw them.

Resident Indians (Individuals, HUF, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme.

The minimum deposit at any one time shall be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 30 grams of gold of 995 fineness. There is no maximum limit for deposit under the scheme. The gold will be accepted at the Collection and Purity Testing Centres (CPTC) certified by Bureau of Indian Standards (BIS) and notified by the Central Government under the Scheme. The deposit certificates will be issued by banks in equivalence of 995 fineness of gold.

The principal and interest of the deposit under the scheme will be denominated in gold.

The designated banks will accept gold deposits under the Short Term (1-3 years) Bank Deposit (STBD) as well as Medium (5-7 years) and Long (12-15 years) Term Government Deposit Schemes. While the former will be accepted by banks on their own account, the latter will be on behalf of Government of India. There will be provision for premature withdrawal subject to a minimum lock-in period and penalty to be determined by individual banks.

Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be and whichever is earlier.

During the period from the date of receipt of gold by the CPTC or the designated branch, as the case may be, to the date on which interest starts accruing in the deposit, the gold accepted by the CPTC or the designated branch of the bank shall be treated as an item in safe custody held by the designated bank.

Reserve requirements

The short term bank deposits will attract applicable cash reserve ratio (CRR) and statutory liquidity ratio (SLR). However, the stock of gold held by the banks will count towards the general SLR requirement.

KYC to apply

The opening of gold deposit accounts will be subject to the same rules with regard to customer identification as are applicable to any other deposit account.

Utilisation of gold mobilised under GMS

The designated banks may sell or lend the gold accepted under STBD to MMTC for minting India Gold Coins (IGC) and to jewellers, or sell it to other designated banks participating in GMS. The gold deposited under MLTGD will be auctioned by MMTC or any other agency authorised by the Central Government and the sale proceeds credited to the Central Government's account with the Reserve Bank. The entities participating in the auction may include the Reserve Bank, MMTC, banks and any other entities notified by the Central Government. Banks may utilise the gold purchased in the auction for purposes indicated above.

Risk Management

Designated banks should put in place a suitable risk management mechanism, including appropriate limits, to manage the risk arising from gold price movements in respect of their net exposure to gold. For this purpose, they have been allowed to access the international exchanges, London Bullion Market Association or make use of over-the-counter contracts to hedge exposures to bullion prices subject to the guidelines issued by the Reserve Bank.

Grievance redress

Complaints against designated banks regarding any discrepancy in issuance of receipts and deposit certificates, redemption of deposits, payment of interest will be handled first by the bank's grievance redress process and then by the Reserve Bank's Banking Ombudsman.

It may be recalled that the Government of India announced the Gold Monetisation Scheme vide its Office Memorandum F.No.20/6/2015-FT dated September 15, 2015. The objective of the Scheme is to mobilise gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country's reliance on the import of gold. The Reserve Bank has issued the Direction to banks in exercise of powers conferred on it under Section 35 A of the Banking Regulation Act, 1949.

The list of CPTCs and Refiners is under finalization and will be notified by Central Government soon. Indian Banks Association is finalizing the necessary documentation including the tripartite agreements to be entered into by the designated banks, CPTCs and the Refiners under the Scheme. Banks are also putting in place the requisite systems and procedures to implement the scheme.

## 2. Corporate Sector

### 2.1 Finances of Non-Government Non-Financial Private Limited Companies: 2013-14

Finances of Non-Government Non-Financial (NGNF) Private Limited Companies for 2013-14. The data have been compiled based on audited annual accounts of 2,55,426 NGNF private limited companies. The data provide a comparative picture over the three-year period 2011-12 to 2013-14.

Main Findings:

- Sales and operating expenses registered a decelerated growth of 11.4 per cent and 10.7 per cent, respectively in 2013-14 as compared with the previous year. Growth in earnings before interest, tax, depreciation and amortization (EBITDA) and depreciation provision also decelerated to 15.8 per cent and 14.4 per cent, respectively in 2013-14 as compared with the growth of 16.0 and 17.0 per cent, respectively in 2012-13.
- Sales of manufacturing and services sectors of NGNF Private limited companies witnessed a lower growth in 2013-14. For the manufacturing sector, the lower growth in sales was mainly contributed by 'Motor vehicle and other transport equipments' and 'Iron and steel' industries.
- Profit margins, as measured by EBITDA to sales, increased both for manufacturing and services sector in 2013-14.
- At the aggregate level, lower growth in total net assets in all sectors led to decelerated growth of total net assets at 10.8 per cent in 2013-14 from 14.5 per cent in the previous year.
- The return on equity witnessed a marginal increase in 2013-14 at the aggregate level.

- The total borrowings of the select NGNF private limited companies registered a significant lower growth of 13.2 per cent in 2013-14 as compared to 22.7 per cent in 2012-13.
- Increase in leverage was observed in ‘construction’ ‘real estate’ & ‘electrical machinery and apparatus’ industries. Debt to equity ratio continued to follow an increasing trend in the study period, i.e. 2011-12 to 2013-14.

**Table 2**

**Growth Rates of Finances of Non-Government Non-Financial Private Limited Companies, 2012-13 and 2013-14**

(Percent)

| Item | 2012-13 | 2013-14 |
|---|---|---|
| 1. Sales$ | 13.3 | 11.4 |
| 2. Value of production | 13.3 | 11.2 |
| 3. Total income | 13.4 | 11.2 |
| 4. Manufacturing expenses | 12.3 | 9.0 |
| 5. Remuneration to employees | 18.8 | 13.7 |
| 6. Operating Expenses | 13.1 | 10.7 |
| 7. EBITDA | 16.0 | 15.8 |
| 8. Depreciation provision | 17.0 | 14.4 |
| 9. Gross profit (EBIT) | 15.2 | 15.1 |
| 10. Interest expenses | 18.0 | 14.7 |
| 11. Profit before tax and non-operating surplus/ deficit | 14.3 | 15.2 |
| 12. Non-operating surplus / deficit | # | # |
| 13. Profit before tax | 14.6 | 14.6 |
| 14. Profit after tax | 16.0 | 14.0 |
| 15. Dividend paid | | 61.8 |
| 16. Profit retained | 5.9 | 8.7 |
| 17. Gross saving | 9.0 | 10.4 |
| 18. (A) Gross value added | 16.3 | 14.4 |
| (B) Net value added | 16.3 | 14.4 |
| 19. Net worth@ | 9.8 | 10.0 |
| 20. Non-current liabilities | 20.6 | 14.9 |
| 21. Total borrowings | 22.7 | 13.2 |
| 22. Borrowings from banks | 25.2 | 15.0 |
| 23. Long term borrowings | 21.6 | 16.7 |
| 24. Current liabilities | 17.4 | 9.4 |
| 25. Non-current assets@ | 14.3 | 11.0 |
| 26. (A) Gross fixed assets@ | 21.0 | 11.7 |
| (B) Net fixed assets@ | 26.4 | 12.0 |
| 27. Current assets | 14.7 | 10.6 |
| 28. Inventories | 16.5 | 10.4 |
| 29. (A) Total gross assets@ | 14.0 | 10.8 |
| (B) Total net assets@ | 14.5 | 10.8 |
| 30. Total earnings in foreign currencies*** | | |
| Of which, exports*** | | |

| | | |
|---|---|---|
| 31. Total expenditure in foreign currencies*** | | |
| Of which, imports*** | | |

Source: RBI

# Denominator is negative, nil or negligible

$ Net of 'rebates and discounts' and 'excise duty and cess'.

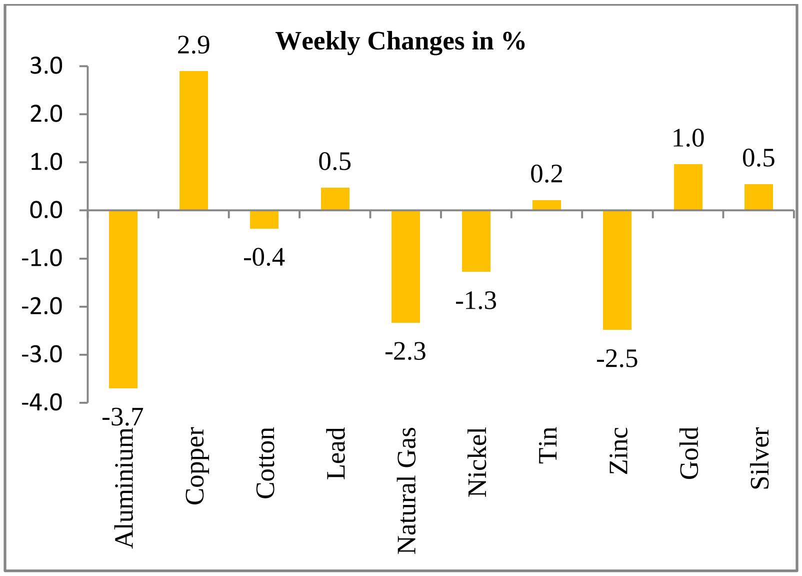
@ Adjusted for revaluation, etc.

Note: Rates of growth of all items are adjusted for changes due to amalgamation of companies.

*** Not available in MCA data

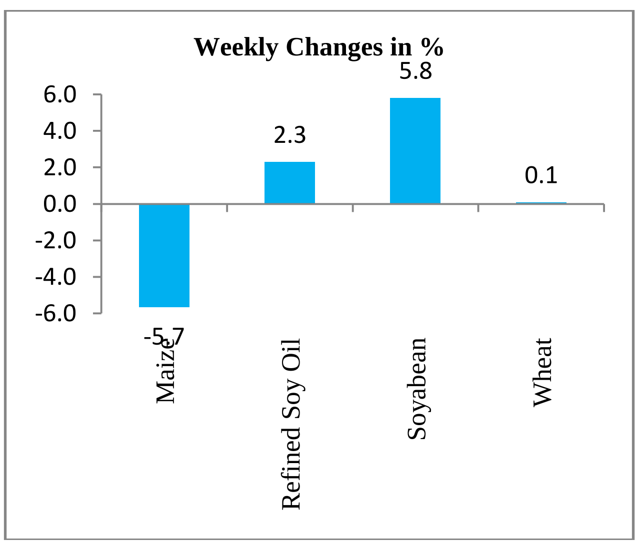
## 2.2 Basic Metals and Agriculture Commodities in Spot Market

**Performance of Metals Market Spot Prices**




Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix and weekly change calculated for four days

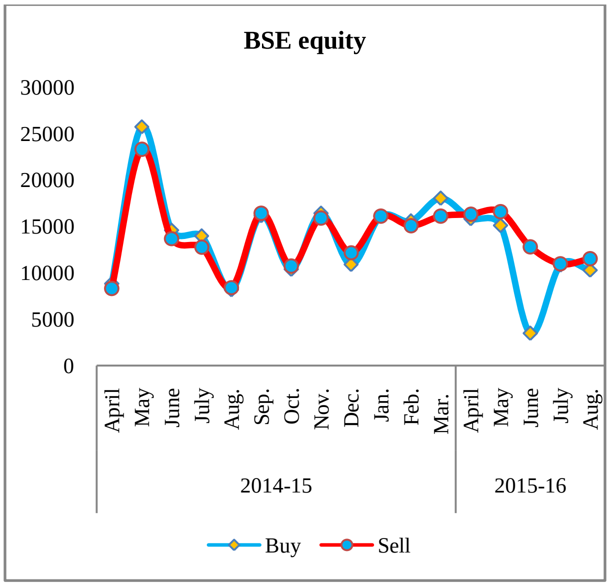
**Performance Agri Commodities Market Spot Prices**

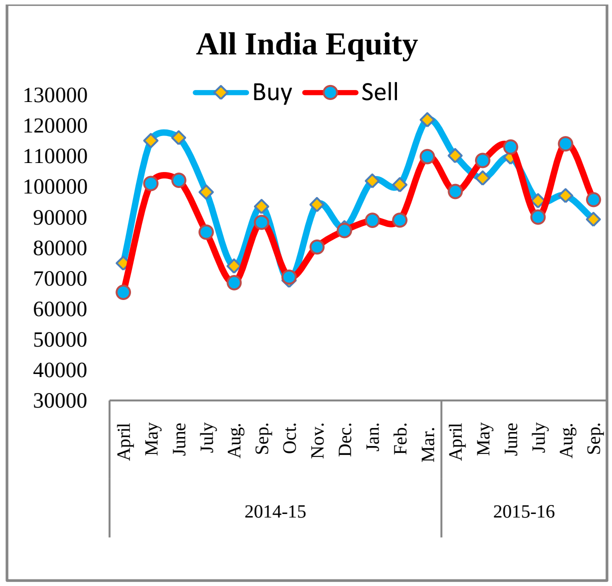



Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix and weekly change calculated for four days

# 3. Market Trends

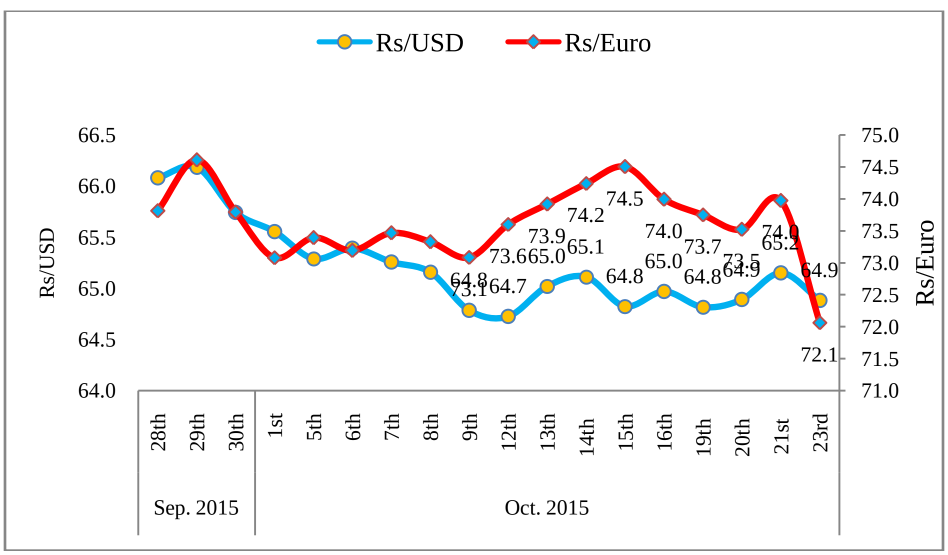
## FII Equity Flows Equity (Rs. Crore)



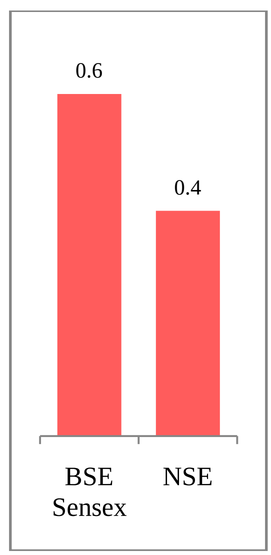




Source: BSE and ASSOCHAM Economic Research Bureau

**Exchange Rate**




**Market Variation**




Source: RBI, BSE, NSE and ASSOCHAM Economic Research Bureau

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# 4. Global Developments

### 4.1 China's overall Economic Development, Q1 2015

In the first three quarters of 2015, as the recovery of the world economy was weaker than expected, China was facing increasing downward pressure of domestic economic development. Under the tough situation, the Central Party Committee and the State Council took full consideration of domestic and global situations, adopted scientific measures to stabilize economic growth, promote reforms, enhance restructuring, benefit people and control risks, implemented effective range-based, targeted and discretionary macro regulation, further deepened the reform and opening up, encouraged mass entrepreneurship and innovation and increased supply of public goods and services. As a result, the overall performance of national economy was stable and moving in a positive direction.

According to the preliminary estimation, the gross domestic product (GDP) of China in the first three quarters of this year was 48,777.4 billion yuan, a year-on-year increase of 6.9 percent at comparable prices. Specifically, the year-on-year growth was 7.0 percent for the first quarter, 7.0 percent for the second quarter and 6.9 percent for the third quarter. The value added of the primary industry was 3,919.5 billion yuan, up by 3.8 percent year-on-year; that of the secondary industry was 19,779.9 billion yuan, up by 6.0 percent; and that of the tertiary industry was 25,077.9 billion yuan, up by 8.4 percent. The gross domestic product of the third quarter of 2015 went up by 1.8 percent on a quarter-on-quarter basis.

Some of the key observations related to Economic Development are as follows:

- **Agricultural Production Showed Good Momentum -** The total output of summer grain was 141.07 million tons, an increase of 4.47 million tons, up by 3.3 percent. The output of early rice was 33.69 million tons, a decrease of 320 thousand tons, down by 0.9 percent. The autumn grain production is expected to get a good harvest again.
- **The Growth of Industrial Production Went Stabilized -** The total value added of the industrial enterprises above designated size in the first three quarters was up by 6.2 percent at comparable prices, or 0.1 percentage point lower than that in the first half of the year. An analysis by types of ownership showed that the value added growth of state holding enterprises went up by 1.3 percent; collective enterprises up by 1.7 percent; share-holding enterprises up by 7.5 percent; and enterprises funded by foreign investors or investors from Hong Kong, Macao and Taiwan provinces up by 3.5 percent. In terms of sectors, the value added growth for mining industry was up by 3.3 percent year-on-year; manufacturing up by 7.0 percent and the production and supply of electricity, heat, gas and water up by 1.7 percent. Out of the 565 kinds of industrial products, 288 kinds registered year-on-year increases in output. In the first eight months of this year, the profits made by industrial enterprises above designated size stood at 3,766.3 billion yuan, down by 1.9 percent year-on-year.
- **The Growth of Investment in Fixed Assets Slowed Down -** In the first three quarters of 2015, the investment in fixed assets (excluding rural households) was 39,453.1 billion yuan, a nominal year-on-year growth of 10.3 percent (a real growth of 12.0 percent after deducting price factors), or 1.1 percentage points lower than that in the first half of the year. Of this total, the investment by state holding enterprises reached 12,520.1 billion yuan, an increase of 11.4 percent; private investment reached 25,561.4 billion yuan, up by 10.4 percent, accounting for 64.8 percent of the total investment. The investment in the primary industry reached 1,100.7 billion yuan, up by 27.4 percent year-on-year; that in the secondary industry was 16,218.9 billion yuan, up by 8.0 percent; and that in the tertiary industry was 22,133.5 billion yuan, up by 11.2 percent. The amount in place for investment in the first three quarters of 2015 was 41,771.7 billion yuan, up by 6.8 percent. In the first three quarters of 2015, the total investment in real estate development was 7,053.5 billion yuan, a nominal year-on-year growth of 2.6 percent (a real growth of 4.2 percent after deducting price factors), or 2.0 percentage points lower than that in the first half of the year.

- **Imports and Exports Showed Year-on-Year Decrease -** The total value of imports and exports in the first three quarters of 2015 was 17,869.8 billion yuan, a year-on-year decrease of 7.9 percent. The total value of exports was 10,236.5 billion yuan, dropped by 1.8 percent; and that of imports was 7,633.4 billion yuan, down by 15.1 percent. The trade surplus was 2,603.1 billion yuan. In September, the total value of imports and exports was 2,224.1 billion yuan, down by 8.8 percent year-on-year. The total value of exports was 1,300.1 billion yuan, down by 1.1 percent; and that of imports was 924.0 billion yuan, down by 17.7 percent.

### 4.2 First Estimate of EU28 Current account, August 2015

As per the Eurostat, the EU 28 seasonally adjusted external current account recorded a surplus of € 12.5 billion in August 2015, compared with a surplus of € 14.8 bn in July 2015 and a surplus of € 3.9 bn in August 2014.

In August 2015, compared with July 2015, based on seasonally adjusted data, the surplus of the goods account decreased (+ €5.1 bn compared with + €8.8 bn) and the surplus of the primary income account moved into deficit (- €0.5 bn compared with + €0.1 bn). The surplus of the services account grew (+ €14.1 bn compared with + €12.3 bn), while the deficit of the secondary income account fell slightly (- €6.3 bn compared with - €6.5 bn).

The 12 month cumulated current account for the period ending in August 2015 recorded a surplus of €158.1 billion, compared with €58.5 billion for the 12 months to August 2014.

The deficit of the goods account moved into surplus (+ € 77.4 bn compared with - € 24.3 bn) while the surplus of the services account increased (+ € 157.7 bn compared with + € 152.2 bn) and the deficit of the secondary income account fell slightly (- €74.1 bn compared with - €77.1 bn).

The surplus of the primary income account moved into deficit (- € 2.8 bn compared with + € 7.8 bn).

**Table 3**
**Balance of payments euro-indicators for the EU – monthly data, seasonally adjusted**

(bn €)

| | Aug 14 | Sep 14 | Oct 14 | Nov 14 | Dec 14 | Jan 15 | Feb 15 | Mar 15 | Apr 15 | May 15 | Jun 15 | Jul 15 | Aug 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EU28 current account balance | 3.9 | 9.4 | 9.7 | 11.6 | 9.4 | 15.7 | 14.5 | 12.8 | 15.7 | 14.3 | 17.8 | 14.8 | 12.5 |
| Balance of trade in goods | -4.1 | 2.2 | 2.8 | 3.7 | 2.9 | 7.9 | 7.2 | 4.9 | 10.2 | 9.7 | 11.9 | 8.8 | 5.1 |
| Balance of trade in services | 11.8 | 12.5 | 12.7 | 12.7 | 12.5 | 13.1 | 13.9 | 13 | 13 | 13.7 | 14.1 | 12.3 | 14.1 |
| Balance of primary income | 1.9 | 0.3 | 0.2 | 1.4 | 0.2 | 0.8 | -0.7 | 1 | -1.3 | -2.7 | -1.8 | 0.1 | -0.5 |
| Balance of secondary income | -5.7 | -5.7 | -6 | -6.2 | -6.2 | -6.2 | -5.9 | -6.1 | -6.3 | -6.4 | -6.4 | -6.5 | -6.3 |

Source: Eurostat.

## 5. Data Appendix

**Table 4**
**Latest Available Financial Information**

| **Item** | **Oct. 09, 2015** | **Oct. 16, 2015** | **Percentage Change** |
|---|---|---|---|
| Deposits of Scheduled Commercial Banks with RBI (Rs. Billion) | 3,691.50 | 3,778.70 | 2.36 |
| Foreign Currency Assets of RBI (Rs. Billion) | 21,618.10 | 21,704.68 | 0.40 |
| Advances of RBI to the Central Government (Rs. Billion) | – | – | |
| Advances of RBI to the Scheduled Commercial Banks (Rs. Billion) | 489.08 | 573.84 | 17.33 |
| Foreign Exchange Reserves (US$ Billion) | 353.1 | 353.5 | 0.13 |

Source: RBI, Govt. of India

**Table 5**
**BSE Sensex and NSE Nifty Index**

| **Index** | **Oct. 19, 2015** | **Oct. 23, 2015** | **Percentage Change** |
|---|---|---|---|
| BSE SENSEX | 27,305.6 | 27,470.8 | 0.6 |
| S & P CNX NIFTY | 8,262.6 | 8,295.5 | 0.4 |

Source: BSE India and NSE India

**Table 6**
**Metals Market Spot Prices Index (Rs.)**

| | | October 2015 | | | | | Weekly Changes in % |
|---|---|---|---|---|---|---|---|
| | | 19th | 20th | 21st | 22nd | 23rd | |
| Aluminium | 1 KGS | 99.6 | 97.8 | 97.1 | 96.4 | 96.1 | -3.5 |
| Copper | 1 KGS | 344.3 | 338.3 | 338.4 | 339.1 | 342.4 | -0.6 |
| Cotton | 1 BALES | 15770.0 | 15720.0 | 15720.0 | NA | 15730.0 | -0.3 |
| Lead | 1 KGS | 115.8 | 114.4 | 113.8 | 113.0 | 114.0 | -1.6 |
| Natural Gas | 1 mmBtu | 157.9 | 158.3 | 160.7 | 156.6 | 155.5 | -1.5 |
| Nickel | 1 KGS | 674.9 | 666.9 | 672.2 | 677.7 | 687.4 | 1.9 |
| Tin | 1 KGS | 1036.3 | 1035.8 | 1043.3 | 1040.0 | 1042.3 | 0.6 |
| Zinc | 1 KGS | 113.9 | 113.4 | 112.4 | 111.7 | 113.5 | -0.4 |
| Gold | 10 GRMS | 26711.0 | 26852.0 | 26906.0 | NA | 26764.0 | 0.2 |
| Silver | 1 KGS | 36652.0 | 36753.0 | 36619.0 | NA | 36787.0 | 0.4 |

Source: MCX

**Table 7**

**Agri Commodities Market Spot Prices (Rs.)**

| | | October 2015 | | | | | Weekly Changes in % |
|---|---|---|---|---|---|---|---|
| | | 19th | 20th | 21st | 22nd | 23rd | |
| Maize | 100 KGS | 1375.0 | 1361.5 | 1361.5 | 0.0 | 1390.0 | 1.1 |
| Refined Soy Oil | 10 KGS | 658.4 | 658.7 | 671.0 | 0.0 | 665.2 | 1.0 |
| Soyabean | 100 KGS | 3865.0 | 3860.0 | 3880.0 | 0.0 | 3845.0 | -0.5 |
| Wheat | 100 KGS | 1690.0 | 1695.0 | 1692.5 | 0.0 | 1690.0 | 0.0 |

Source: MCX

## ASSOCHAM Economic Research Bureau

ASSOCHAM Economic Research Bureau (AERB) is the research division of the Associated Chambers of Commerce and Industry of India. The Research Bureau undertakes studies on various economic issues, policy matters, financial markets, international trade, social development, sector wise performance and monitoring global economy dynamics.

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**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.

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**Email:** research@assocham.com

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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.

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