ASSOCHAM Economic Weekly

9th August, 2015

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

Contents

1. Macroeconomy

1.1 Third Bi-monthly Monetary Policy Statement, 2015-16

On the basis of an assessment of the current and evolving macroeconomic situation, RBI has decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.25 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (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 14-day term repos as well as longer 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 will remain unchanged at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 8.25 per cent.

1.2 Highlights of NSSO 68th Survey on Energy Sources of Indian Households for Cooking and Lighting 2011-12

Energy for Cooking: All-India and States

- At all India level, firewood and chips were used by more than two-third (67.3%) of *rural* households, followed by LPG, which was used by 15.0% households. Only 9.6% and 1.1%

of the *rural* households used dung cake and coke & coal, respectively, as primary source. 1.3% *rural* households did not have any arrangement for cooking.

- In the urban areas, most of the households used LPG as primary source of energy for cooking. LPG was used by 68.4% of the urban households at all-India level, followed by firewood and chips, used by 14.0 % households and 5.7% of the households used erosene. 6.9% households did not have any arrangement for cooking.
- In rural areas, the percentage of households depending on firewood and chips for cooking exceeded 56.0% in all major states except Punjab and Haryana.
- Dung cake was one of the major fuels for cooking for 33.4% of rural households in Uttar Pradesh, 30.3% in Punjab, 24.4% in Haryana, 20.8% in Bihar and 10.6% in Madhya Pradesh.
- In rural India, compared to other states, incidence of use of LPG for cooking in households was much higher for Tamil Nadu (37.2%), Kerala (30.8%) and Punjab (30.5%). Use of LPG was least in Chhattisgarh (1.5% households) followed by Jharkhand (2.9%) and Odisha (3.9%).
- Nearly 40% or more of the urban households used LPG as principal fuel for cooking in all the major States. It was highest in Haryana (86.5% households), followed by Andhra Pradesh (77.3%), Punjab (75.4%) and Maharashtra (74.5%). It is lowest in Chattisgarh (39.8%).
- In urban India, dependence on firewood and chips for cooking was highest in Odisha (36.5% households) closely followed by Kerala (36.3%) and Chattisgarh (34.7%).

Energy for Cooking: Change over Time

- In *rural* areas, percentage of households depending on firewood & chips remaining at 67.3% in 2011-12– a drop of 8.2 percentage points since 1999-2000 – even though the percentage using LPG has increased from about 5.4% to 15.0% over the same period.
- The incidence of dependence on firewood & chips for cooking in *urban* areas has fallen from about 22.3% to 14.0% between 1999-2000 and 2011-12 – a drop of 8.3 percentage points – and the incidence of dependence on kerosene has severely dropped from 21.7% to

5.7% during the same period – a 73.7% fall, while the *urban* households using LPG has increased by 54.8% from 44.2% to 68.4%.

Energy for Cooking: Variation with Economic Level

- The percentage of rural households using firewood & chips is more than 70% for the lowest seven percentile classes. This percentage falls as MPCE level increases, falling appreciably below the all-classes rural average of 67.3% in the highest four percentile classes of MPCE placed in ascending order with percentage of households using firewood & chips as 65.7%, 59.4%, 45.5% and 33.7% respectively.
- The percentage of rural households using LPG for cooking rises steadily with the increase in MPCE level, from 0.2% in the lowest MPCE class to 49.2% in the highest.
- For urban India, the percentage of households depending on firewood & chips for cooking falls at a rapid rate from 59.3% in the lowest fractile class and 49.2% in the second to only 1.2% in the eleventh fractile class and 0.7% in the twelfth.
- The percentage of urban households using LPG rises steadily from 17.3% in the lowest fractile class to 30.3% in the second, 44.6% in the third, 56.9% in the fourth, and 65.9% or more from the fifth onwards, reaching 81.5% in the eleventh fractile class with a considerable drop of 11.4 percentage points in the twelfth fractile class from the previous class.

Energy for Cooking: Occupational Types and Social Groups

- Among the different household types in rural India, the incidence of use of firewood & chips was highest (80.4%) for casual labour in agriculture households, considerably higher than the all-types percentage of 67.3%. For the 'others' category of households, the incidence was as low as 48.9%.
- In urban India, percentage of households using LPG as primary energy source for cooking was highest among regular wage/salary earning (76.6%) followed by the self employed (73.5%), 'others' (56.9%), and then casual labour households (38.9%).
- In rural India, firewood & chips were used by 87.0% of ST households, 69.8% of SC households and 57.0% of households of the 'others' category.

- In *urban* India, Use of LPG for cooking was relatively low among Scheduled Tribes (51.6%) and also among Scheduled Castes (56.8%) compared to the all-groups incidence of 68.4%. This use is highest among the households of ‘others’ social group (76.2%).

Energy for Lighting: All-India and States

- At the all-India level, 72.7% of rural households and 96.1% of urban households used electricity as primary source of energy for lighting. Most of the remaining households used kerosene.
- In urban India, the proportion of households using kerosene as primary energy source for lighting was 3.2% or less in ten out of seventeen major states. The remaining seven states having higher percentages are arranged in descending order as Bihar (17.2%), Uttar Pradesh (10.8%), Assam (7.9%), Gujarat (5.2%), West Bengal (5.0%), Chattisgarh (3.6%) and Odisha (3.5%).
- In rural India, where nearly three-fourth of all households used electricity and slightly more than one-fourth used kerosene, inter-state variation of the use of primary source of energy for lighting was much greater. The percentage of households using kerosene was as high as 73.5% in Bihar, 58.5% in Uttar Pradesh, 43.3% in Assam, 36.8% in Jharkhand, 32.3% in Odisha and 29.3% in West Bengal.

Energy for Lighting: Change Over Time

- In the year 1999-2000, 50.6% households in rural India were using kerosene as primary source of energy for lighting, which had dropped to 26.5% households in 2011-12. In contrast, use of electricity as primary source of energy for lighting has increased from 48.4% to 72.7% households over this period.
- In urban areas, only 10.3% households at all-India level were using kerosene in 1999-2000, the percentage having now declined to 3.2%.

Energy for Lighting: Variation with Economic Level

- The proportion of households using kerosene for lighting is seen to fall monotonically with increase in MPCE from 57.1% for the lowest fractile class (constituting the lowest 5% of the population) to 3.7% for the top fractile class in *rural* India and from 20.7% to none in *urban* India.

Energy for Lighting: Occupational Types and Social Groups

- In *rural* areas, the percentage of households using electricity was highest for the household type 'regular wage/salary earning' (90.9%), followed by the 'self-employed in non-agriculture' (75.0%), the 'others' category (72.2%), and 'self-employed in agriculture' (71.2%).
- In urban areas, the percentage of households using electricity for lighting was highest (97.8%) for the regular wage/salary earning households, followed by the 'others' category (96.8%), the self-employed (95.8%), and the casual labour households (91.3%).
- In rural areas, the percentage of households using electricity was highest for the social group 'Others' (80.1%), followed by the Other Backward Classes (72.1%), the Scheduled Tribes (71.1%) and the Scheduled Castes (66.8%).
- In urban areas, the percentage of households using electricity for lighting was highest (97.8%) for the 'Others' category, followed by the Other Backward Classes (95.4%), the Scheduled Tribes (94.5%) and the Scheduled Castes (93.9%).

2. Corporate Sector

2.1 New Initiatives to Attract Foreign Investment

India has one of the most liberalized FDI policy regimes in the world. Government has put in place an investor-friendly policy on FDI, under which FDI, up to 100%, is permitted, under the automatic route, in most sectors/activities. Significant changes have been made in the FDI policy regime from time to time, to ensure that India remains increasingly attractive and Investor-friendly.

In the light of the importance of foreign direct investments for economic growth and development, the government announced key FDI reforms in the defence and railways sectors. The entire range of rail infrastructure was opened to 100% FDI under the automatic route, and in defence, sectoral cap was raised to 49%. To boost infrastructure creation and to bring pragmatism in the policy, the Government reviewed the FDI policy in the construction development sector also by creating easy exit norms, rationalizing area restrictions and providing due emphasis to affordable housing.

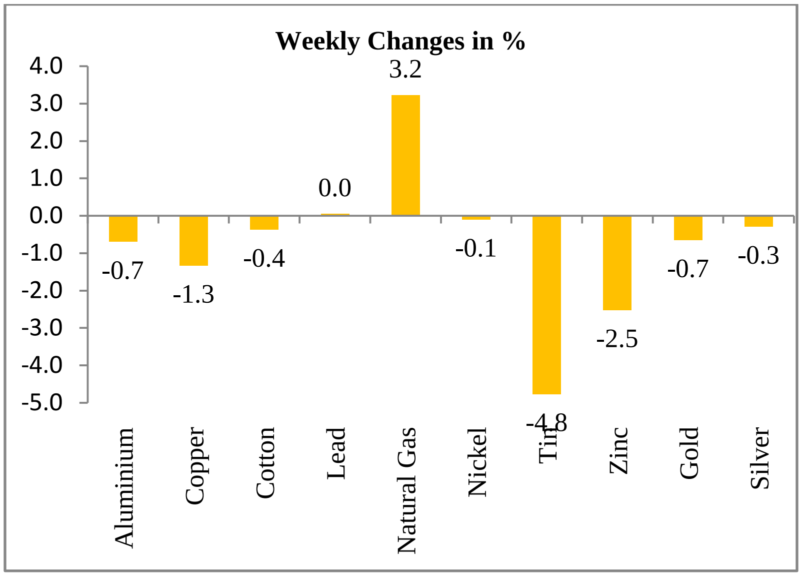
To give impetus to the medical devices sector, a carve out was created in FDI policy on the pharmaceutical sector and now 100% FDI under automatic route is permitted. The Government, in order to expand insurance cover to its large population and to provide required capital to insurance companies, raised the FDI limit in the sector to 49%. Pension sector has also been opened to foreign direct investment up to the same limit. The FDI policy provisions pertaining to NRI investment have also been clarified by providing that for the purposes of FDI policy, investment by NRIs on non-repatriation basis under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations will be deemed to be domestic investment at par with the investment made by residents.

Government has undertaken a number of steps to improve Ease of Doing Business in India. Amongst the other important steps, Ministries and State Governments have been advised to simplify and rationalize the regulatory environment through business process reengineering and use of information technology.

These measures are expected to increase FDI, which complements and supplements domestic investment. Domestic companies are benefited through FDI, by way of enhanced access to supplementary capital and state-of-art-technologies; exposure to global managerial practices and opportunities of integration into global markets resulting into accelerated domestic growth of the country. Further, as FDI is largely a matter of private business decisions, global investors normally take time to assess a new policy and its implications in the context of a particular market before making investment.

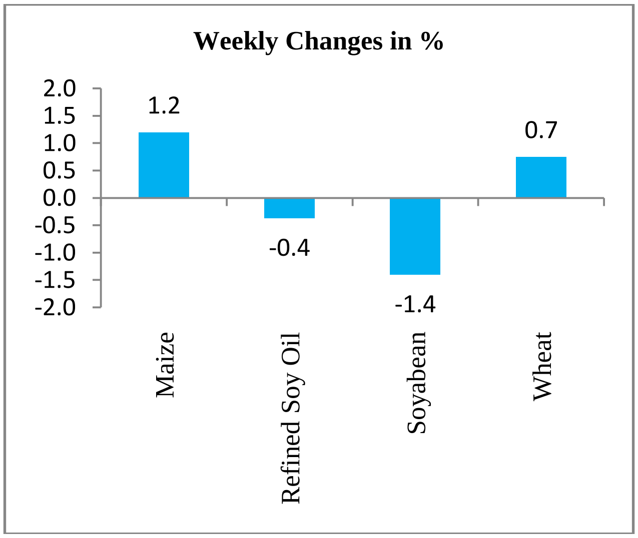
2.2 Basic Metals and Agriculture Commodities in Spot Market

Performance of Metals Market Spot Prices



Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix

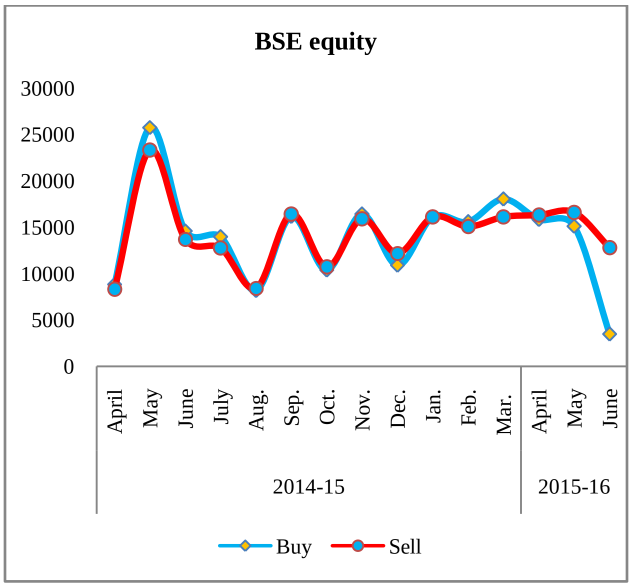
Performance Agri Commodities Market Spot Prices

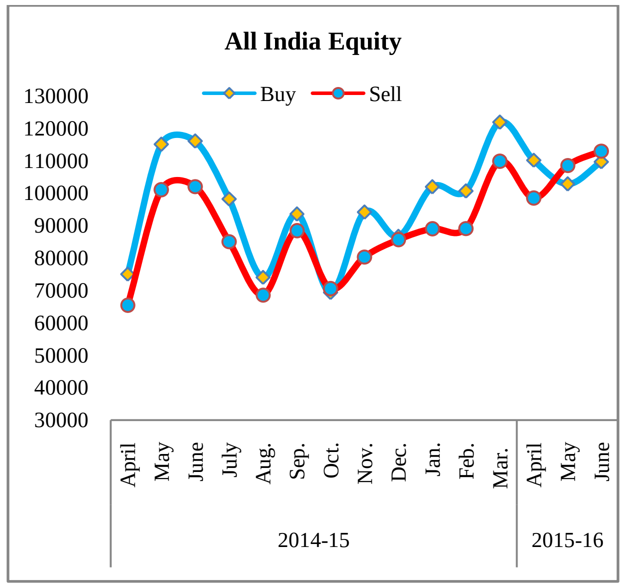


Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix

3. Market Trends

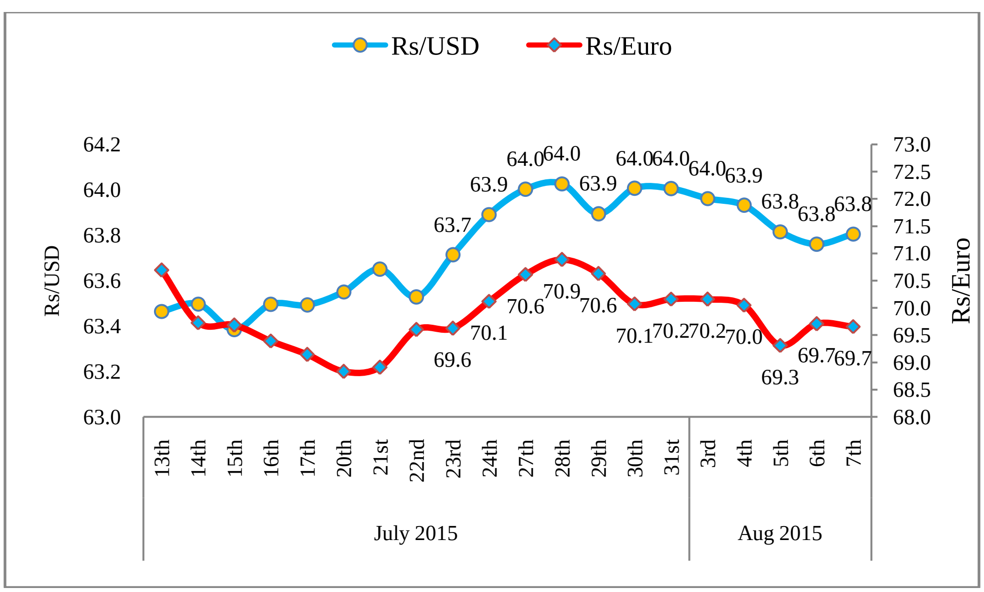
FII Equity Flows Equity (Rs. Crore)



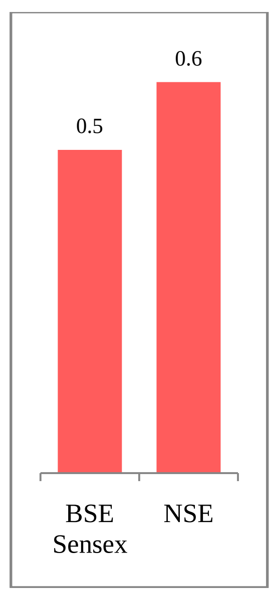


Source: BSE and ASSOCHAM Economic Research Bureau

Exchange Rate



Market Variation



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

4. Global Developments

4.1 Euro Area and EU Industrial Producer Prices

In June 2015, compared with May 2015, industrial producer prices fell by 0.1% in both the euro area (EA19) and the EU28, according to the statistical office of the European Union. In May 2015 prices remained stable in the euro area and rose by 0.1% in the EU28.

In June 2015, compared with June 2014, industrial producer prices decreased by 2.2% in the euro area and by 2.7% in the EU28.

The 2.2% decrease in industrial producer prices in total industry in the euro area in June 2015, compared with June 2014, is due to price falls of 7.0% in the energy sector, of 1.1% for non-durable consumer goods and of 0.6% for intermediate goods, while prices rose by 0.7% for capital goods and by 1.0% for durable consumer goods. Prices in total industry excluding energy fell by 0.4%.

In the EU28, the 2.7% price decrease is due to falls of 9.8% in the energy sector, of 1.1% for non-durable consumer goods and of 0.6% for intermediate goods, while prices rose by 0.8% for capital goods and by 1.0% for durable consumer goods. Prices in total industry excluding energy fell by 0.3%.

Industrial producer prices fell in all Member States except Luxembourg (+0.5%). The largest decreases were observed in Lithuania (-8.5%), Denmark (-7.3%), the United Kingdom (-6.7%), Cyprus (-6.0%) and the Netherlands (-5.8%).

Table 1

Industrial producer prices on the domestic market

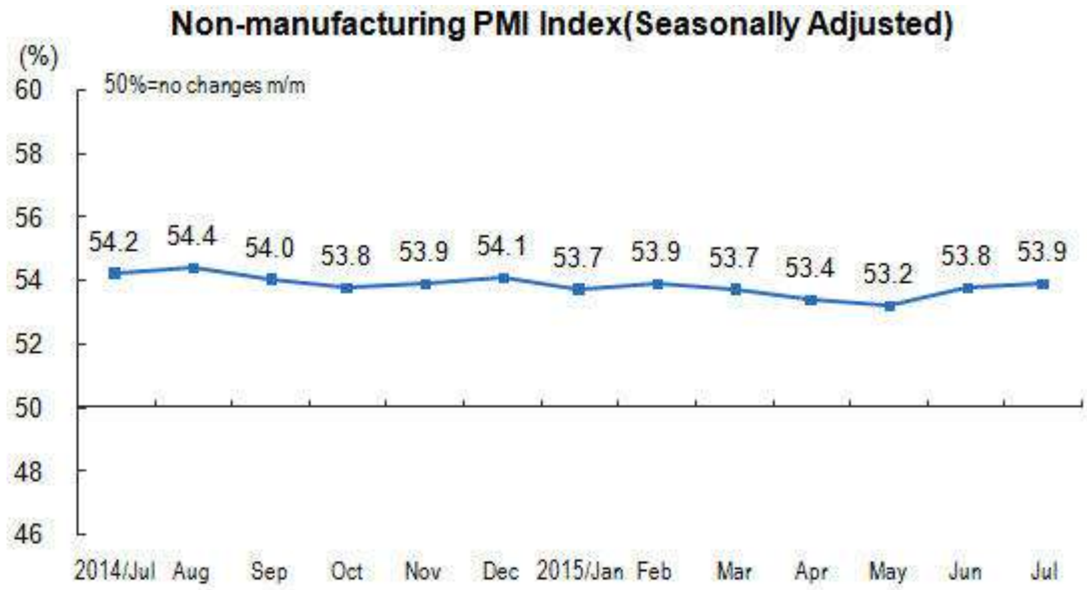
% change compared with same month of previous year

	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015
EA19	-3.5	-2.8	-2.3	-2.1	-2	-2.2
EU28	-4.2	-3.4	-2.9	-2.7	-2.5	-2.7
Belgium	-8.4	-6.8	-4.6	-3.4	-2.4	-3
Bulgaria	-1.9	-1.2	-0.4	-0.6	-0.4	-0.3
Czech Republic	-3.5	-3.6	-3	-2.6	-2.1	-2.3
Denmark	-7.1	-5.8	-5.7	-5.6	-6.9	-7.3
Germany	-2.2	-1.9	-1.6	-1.5	-1.3	-1.4
Estonia	-3.3	-1.6	-0.4	-0.1	-2.5	-1.2
Ireland	-5.5	-6	-3.5	-3.5	-4	-3.8
Greece	-7.7	-3.1	-3	-4.4	-4.1	-4.8
Spain	-2.8	-1.6	-1.3	-0.9	-1.4	-1.4
France	-3.4	-2.4	-1.9	-1.7	-1.7	-2
Croatia	-5.6	-4.1	-2.7	-3.1	-2.6	-2.8
Italy	-3.8	-3.2	-3	-3	-2.6	-3.1
Cyprus	-2	-2.3	-5.4	-5.8	-6	-6
Latvia	-0.1	0	-0.4	-1.3	-0.3	-0.7
Lithuania	-10.5	-9.1	-9.1	-8.7	-7.9	-8.5
Luxembourg	0.1	1.1	1.1	0.8	0.6	0.5
Hungary	-4.4	-4.6	-3.4	-3.6	-1.2	-1.1
Malta	-2.3	-2	-2	-4.2	-4.2	-4.2
Netherlands	-10.8	-9	-6.4	-5.7	-5.8	-5.8
Austria	-2.6	-1.8	-1.5	-1.6	-1.6	-1.7
Poland	-3.6	-3.1	-2.6	-2.5	-2.1	-1.7
Portugal	-4.2	-3.4	-2.4	-2.4	-1.7	-1.8
Romania	-1	-0.6	0	-2.4	-2.2	-1.8
Slovenia	-0.6	-0.4	0	0	0.1	-0.2
Slovakia	-3.9	-4.5	-3.3	-3.5	-3.5	-4.5
Finland	-3.3	-2.3	-1.2	-1	-1.3	-1.8
Sweden	-1.1	-0.3	0	0.2	-0.1	-0.9
United Kingdom	-9.3	-8.4	-7.7	-7.2	-6.7	-6.7
Norway	-6.3	-4.2	-3.1	-2.2	-2.2	-3.7
Switzerland	-2.6	-3	-2.7	-3.6	-3.5	-3.5

Source: The statistical office of the European Union

4.2 China's Non-manufacturing PMI Increased in July 2015

In July 2015, non-manufacturing purchasing manager index was 53.9 percent, slightly increased 0.1 percentage point over the previous month, having increased for 2 consecutive months, and continued to be higher than the threshold, which indicates that China's non-manufacturing sector has achieved stable growth and was ready to pick up.



In view of different industries, non-manufacturing purchasing manager index of service industry was 52.8 percent, increased 0.5 percentage points over the previous month, indicating that the growth rate of total business of service industry continued to increase. Of which, the indices of transport, post, telecommunications, broadcasting, television and satellite transmission services, Internet, software and information technology services, finance, renting and leasing activities and business services were above the threshold, indicating that the total enterprise business increased rapidly; the indices of retail trade, accommodation and restaurants were below the threshold, and the total enterprise business declined month-on-month. Non-manufacturing purchasing manager index of construction industry achieved 60.1 percent, down by 2.0 percentage points over the previous month, indicating that the total enterprise business of construction industry continued to increase rapidly, while at a slower growth rate.

New orders index was 50.1 percent, down by 1.2 percentage points over the previous month. In view of different industries, the new orders index of service industry was 49.8 percent, decreased 1.0 percentage point over the previous month. The new orders index of construction industry was 51.4 percent, decreased 2.6 percentage points over the previous month, indicating that the growth of market demand has slowed down.

Input price index was 48.9 percent, down by 1.7 percentage points over last month, and dropped below the threshold, indicating that the input price during the process of production and operation of non-manufacturing enterprises decreased compared with that in last month. In view of different industries, the intermediate input price index of service industry was 49.1 percent, a decrease of 2.1 percentage points over the previous month. The input price index of construction industry was 47.7 percent, an increase of 0.1 percentage point over the previous month, and still stayed below the threshold.

The sales price index was 47.4 percent, 1.3 percentage points lower over last month, and was still below the threshold, showing that the non-manufacturing sales price continued to decline. In view of different industries, the sales price index of service industry was 46.8 percent, a decrease of 1.8 percentage points over the previous month. The sales price index of construction industry was 50.6 percent, up by 1.2 percentage points over last month.

Employment index was 49.2 percent, decreased 0.5 percentage points over the previous month, and continued to stay below the threshold, indicating the labor employment of non-manufacturing enterprises decreased. In view of different industries, the employment index of service industry was 48.8 percent, a decrease of 0.4 percentage points over the previous month, still lower than the threshold. The employment index of construction industry was 51.6 percent, down by 0.7 percentage points over last month.

Business activities expectation index was 60.0 percent, went up by 0.3 percentage points over last month, positioned in the high level of the range, indicating that the non-manufacturing enterprises continued to maintain optimistic about the market development expectation in next three months.

5. Data Appendix

Table 2
Latest Available Financial Information

Item	July.24, 2015	July. 31, 2015	Percentage Change
Deposits of Scheduled Commercial Banks with RBI (Rs. Billion)	3,692.73	3,657.25	-0.96
Foreign Currency Assets of RBI (Rs. Billion)	21,253.35	21,303.62	0.24
Advances of RBI to the Central Government (Rs. Billion)			
Advances of RBI to the Scheduled Commercial Banks (Rs. Billion)	463.18	292.86	-36.77
Foreign Exchange Reserves (US$ Billion)	353.6	353.5	-0.05

Source: RBI, Govt. of India

Table 3
BSE Sensex and NSE Nifty Index

Index	Aug. 03, 2015	Aug. 07, 2015	Percentage Change
BSE SENSEX	28,089.1	28,236.4	0.5
S & P CNX NIFTY	8,510.7	8,564.6	0.6

Source: BSE India and NSE India

Table 4
Metals Market Spot Prices Index (Rs.)

Products	Unit	August 2015					Weekly Changes in %
		3rd	4th	5th	6th	7th	
Aluminium	1 KGS	100.0	100.8	100.2	99.0	99.3	-0.7
Copper	1 KGS	333.5	330.8	332.9	330.4	329.1	-1.3
Cotton	1 BALES	16060.0	16080.0	16030.0	16030.0	16000.0	-0.4
Lead	1 KGS	107.5	109.7	109.2	108.8	107.6	0.0
Natural Gas	1 mmBtu	173.8	175.8	179.8	178.6	179.4	3.2
Nickel	1 KGS	689.0	692.5	688.3	689.6	688.3	-0.1
Tin	1 KGS	1022.5	1031.8	976.0	988.3	973.8	-4.8
Zinc	1 KGS	120.9	123.1	120.5	119.7	117.9	-2.5
Gold	10 GRMS	24830.0	24696.0	24590.0	24562.0	24668.0	-0.7
Silver	1 KGS	33794.0	33269.0	33459.0	33326.0	33695.0	-0.3

Source: MCX

Table 5
Agri Commodities Market Spot Prices (Rs.)

Products	Unit	August 2015					Weekly Changes in %
		3rd	4th	5th	6th	7th	
Maize	100 KGS	1380.0	1386.5	1400.0	1400.0	1396.5	1.2
Refined Soy Oil	10 KGS	608.7	606.2	603.1	606.4	606.4	-0.4
Soyabean	100 KGS	3210.0	3190.0	3210.0	3195.0	3165.0	-1.4
Wheat	100 KGS	1565.0	1560.0	1571.0	1570.0	1576.7	0.7

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.

Email: research@assocham.com

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.