



**ASSOCHAM Economic Weekly**  
**26<sup>th</sup> July, 2015**



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## 1. Macroeconomy



### 1.1 Foreign Direct Investment performance in 2015

Year-wise details of the proposals for Foreign Direct Investment (FDI) received during the last three years and the current year are as under:

Year	No. of fresh proposals received*
2012	218
2013	219
2014	150
2015	170

Source: DIPP, Govt. of India

The details of the proposals approved/ rejected during the last year and the current year are as under:

Year	Proposals approved*	Proposals rejected
2012	199	80
2013	198	33
2014	225	40
2015 (till date)	85	31

Source: DIPP, Govt. of India

Top 10 country-wise FDI equity inflows and top 10 sector-wise FDI equity inflows from April 2012 to May 2015 are as below:

#### STATEMENT ON TOP 10 COUNTRY-WISE FDI EQUITY INFLOWS FROM APRIL 2012 TO MAY 2015 (Amount in US\$ million)

S.No	Name of the Country	Amount of Foreign Direct Investment Inflows	%age with Inflows
1	Mauritius	25,072.06	29.46
2	Singapore	17,936.59	21.08

3	Netherlands	8,148.82	9.57
4	Japan	6,333.99	7.44
5	United Kingdom	5,796.28	6.81
6	U.S.A	3,738.66	4.39
7	Germany	3,534.23	4.15
8	France	1,680.22	1.97
9	Cyprus	1,665.74	1.96
10	Switzerland	1,014.62	1.19

Source: DIPP, Govt. of India

**STATEMENT ON TOP 10 SECTOR-WISE FDI EQUITY INFLOWS**  
From APRIL 2012 TO MAY 2015 (Amount in US\$ million)

S.No	Sector	Amount of FDI Inflows	%age of Total Inflows
1	SERVICES SECTOR (Fin., Banking, Insurance, Non Fin/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	10,800.73	12.69
2	AUTOMOBILE INDUSTRY	6,631.92	7.79
3	COMPUTER SOFTWARE & HARDWARE	6,085.56	7.15
4	TRADING	5,485.99	6.45
5	FOOD PROCESSING INDUSTRIES	4,960.22	5.83
6	TELECOMMUNICATIONS	4,869.59	5.72
7	HOTEL & TOURISM	4,701.79	5.52
8	DRUGS & PHARMACEUTICALS	4,084.82	4.80
9	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	3,318.32	3.90
10	METALLURGICAL INDUSTRIES	2,579.69	3.03

Source: DIPP, Govt. of India

## 1.2 Task Force on Financial Redressal Agency

The Government has set up a Task Force on Financial Redress Agency (FRA), as recommended by the Financial Sector Legislative Reforms Commission (FSLRC), on June 5, 2015, with the following Terms of Reference:

Review the international best practices in consumer grievance redress, including ombudsmen and other dispute resolution mechanisms, with a focus on the financial sector.

- Review the present practices of management of financial consumer redress in India.
- Support the Ministry of Finance in procuring the services of competent consultant(s) to operationalise the FRA.
- Guide and monitor the consultant(s) in order to develop the design, business model, funding, financial controls, risk management plan, administrative plan, process manuals, information technology system and accountability and reporting mechanisms, etc.
- The Task Force will complete its task within one year.

### **1.3 Salient Features of Gold Deposit Scheme (GDS)**

The Central Government, with a view to bring privately held stock of gold in circulation, to reduce the country's reliance on import of gold and to provide its owners with some income apart from freeing them from the problems of storage, movement and security of gold in their possession, had notified the Gold Deposit Scheme (GDS) on September 15, 1999. Some of the salient features of the scheme inter-alia include the following:

- All designated banks may operate GDS as per the Guidelines issued by the Reserve Bank of India (RBI).
- Gold (bars, coins, jewellery etc) is accepted in scrap form only.
- Resident Indians may invest in GDS.
- The banks issue a passbook or certificate for deposit of gold to the depositor.
- The Gold Certificate is repaid in gold. Such repayment may also be made in rupee equivalent to the price of gold as on the date of maturity at the option of the subscriber.
- Premature payment, either in the form of gold or in cash equivalent to the price of gold on the date of encashment is allowed after the initial lock-in period.
- Individual banks are free to fix the interest rates.
- The maturity period of gold deposits range from six months to seven years.
- The interest earned is exempt from Income Tax, Wealth Tax and Capital Gains Tax.

The Government has no proposal to limit deposits under the proposed GDS to 100 grams.

The gold garnered through GDS is mobilized as gold loans to domestic jewellery industry. GDS aims to reduce the country's reliance on import of gold and curb the Current Account Deficit.



## 2. Corporate Sector

### 2.1 Industrial Licences to Defence Sector

Total 60 Industrial Licence applications for defence sector are presently pending with the Government.

Total 287 Industrial Licenses have been issued till date in defence sector. Since June 2014, 70 Industrial Licenses have been issued in the defence sector. Some of the proposals for which licenses have been issued were pending since 2009 as necessary formalities / processes were not complete.

Steps taken to boost private participation for defence manufacturing in India are given below:

- The Defence Products List for the purpose of issuing Industrial Licences (ILs) under IDR Act has been revised and most of the components, parts, sub-systems, testing equipment, production equipment have been removed from the List, so as to reduce the entry barriers for the industry, particularly small & medium segment.
- Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made completely online and this service is now available to entrepreneurs on 24X7 basis at eBiz website without human interface.
- Guidelines have been issued to streamline the processing of applications for grant of extension of validity of Industrial License.
- The initial validity of the Industrial Licence granted under the IDR Act has been increased from 3 years to 7 years with a provision to further extend it by 3 years on a case-to-case basis.

- Partial commencement of production is treated as commencement of production of all the items included in the license.
- The ‘Security Manual for Licensed Defence Industry’ has been issued. With the issue of the Security Manual, the requirement of affidavit from the applicants, has been done away with.
- Restriction of annual capacity in the Industrial License for Defence Sector has been removed.
- Licensee has been allowed to sell the defence items to the Government entities under the control of MHA, PSUs, State Governments and Other Defence Licensee companies without approval of Department of Defence production.
- Application Forms for Industrial License & Industrial Entrepreneur Memorandum have been simplified.
- The advanced version of NIC Code (NIC 2008) has been adopted, which is a highly contemporary industrial classification.
- To establish a level-playing field between Indian private sector and the public sector, the anomalies in excise duty/ custom duty have been removed. As per the revised policy, all Indian industries (public and private) are subjected to the same kind of excise and custom duty levies.
- To promote the participation of private sector, particularly SMEs for defence manufacturing, Outsourcing and Vendor Development Guidelines for DPSUs and OFB have been formulated and circulated to them. The guidelines mandate that each DPSU and OFB to have a short-term and long-term outsourcing and vendor development plan to gradually increase the outsourcing from private sector including SMEs. The guidelines also include vendor development for import substitution.
- The Standard Operating Procedure (SOP) for the issue of No Objection Certificate (NOC) for export of military stores has been revised and put on the website. Under the revised

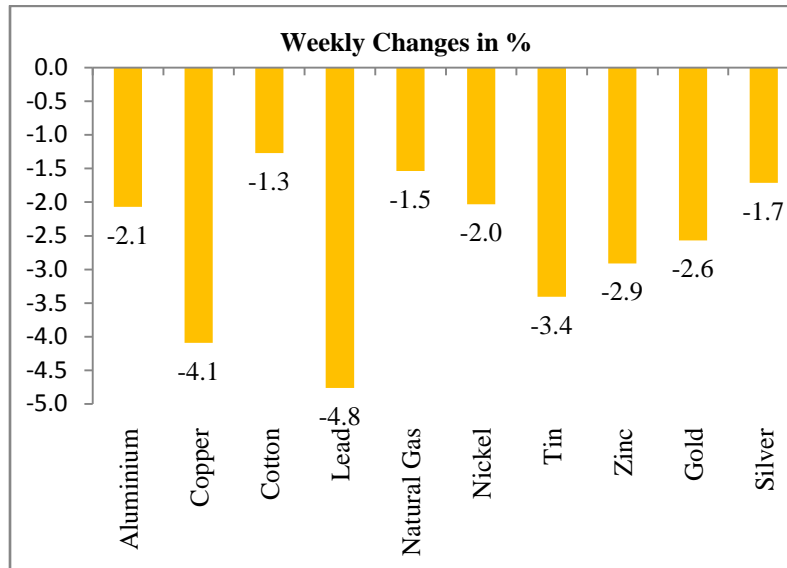


SOP, the requirement of End User Certificate (EUC) to be countersigned/ stamped by the Government authorities has been done away with for the export of parts, components, sub-systems etc.

- The list of military stores has been finalised and has been put in the public domain to make the process transparent and unambiguous. The process of receiving applications for NOC for export of military stores and for issuing NOC has been made online to reduce the delay and to remove human interface in the process.
- The FDI policy for the defence sector has been reviewed and as per the revised policy, the composite foreign investment upto 49% is allowed through Government route (FIPB) and beyond 49% with the approval of the Cabinet Committee on Security (CCS) on case-to-case basis wherever it is likely to result in access to modern and state-of-the art technology in the country. Besides, the restrictions such as single largest Indian shareholder to hold at least 51% equity and complete restriction on Foreign Institutional Investor (FII) existing in the earlier policy have also been removed to facilitate investment in the sector.
- Recognising the need for promotion of defence exports to make the Indian defence industry economically sustainable, Defence Exports Strategy outlining the various steps to be taken, has been formulated and is put up in public domain.
- Preference to 'Buy (Indian)', 'Buy & Make (Indian)' & 'Make' categories of acquisition over 'Buy (Global)' category, thereby giving preference to Indian industry in procurement.

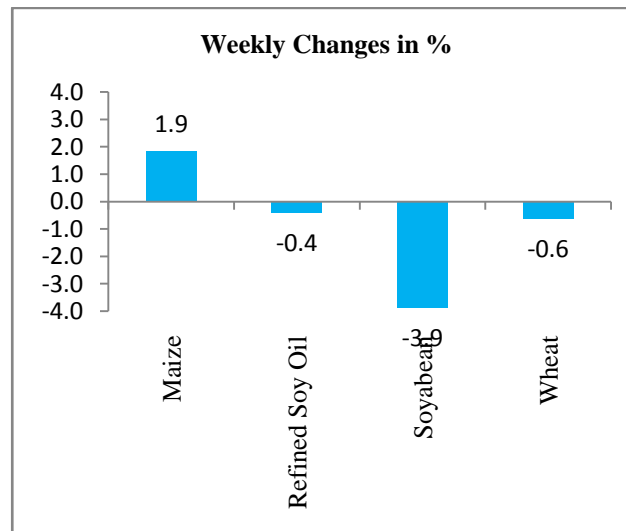
## 2.2 Basic Metals and Agriculture Commodities in Spot Market

### Performance of Metals Market Spot Prices



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

### Performance Agri Commodities Market Spot Prices

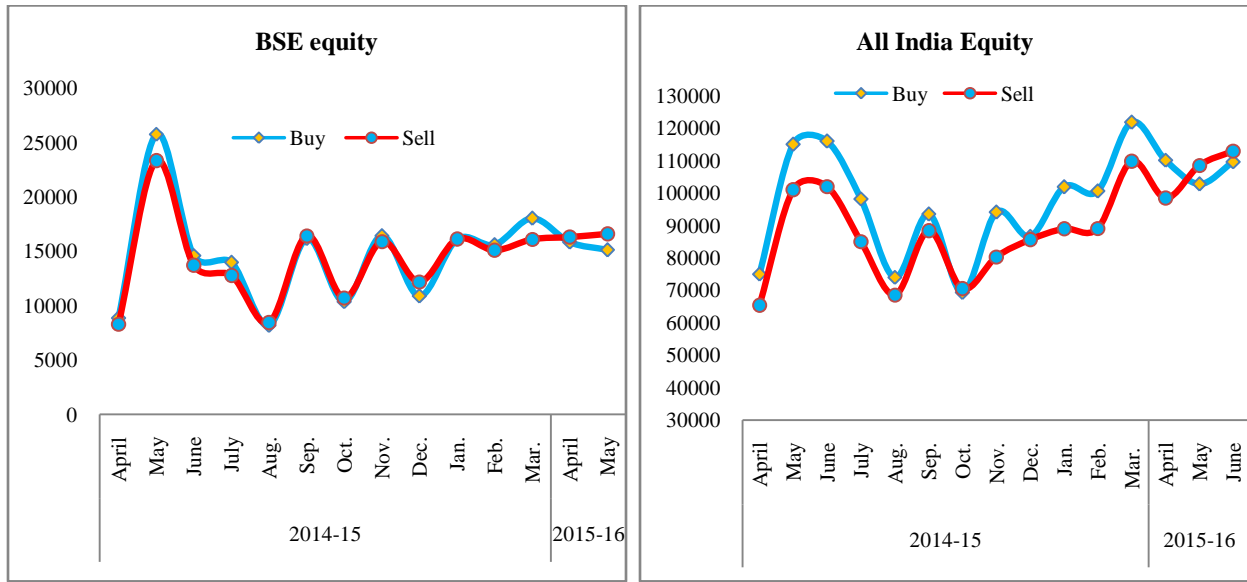


Source: MCX, ASSOCHAM Economic Research Bureau  
 Note: For details please refer appendix

### 3. Market Trends

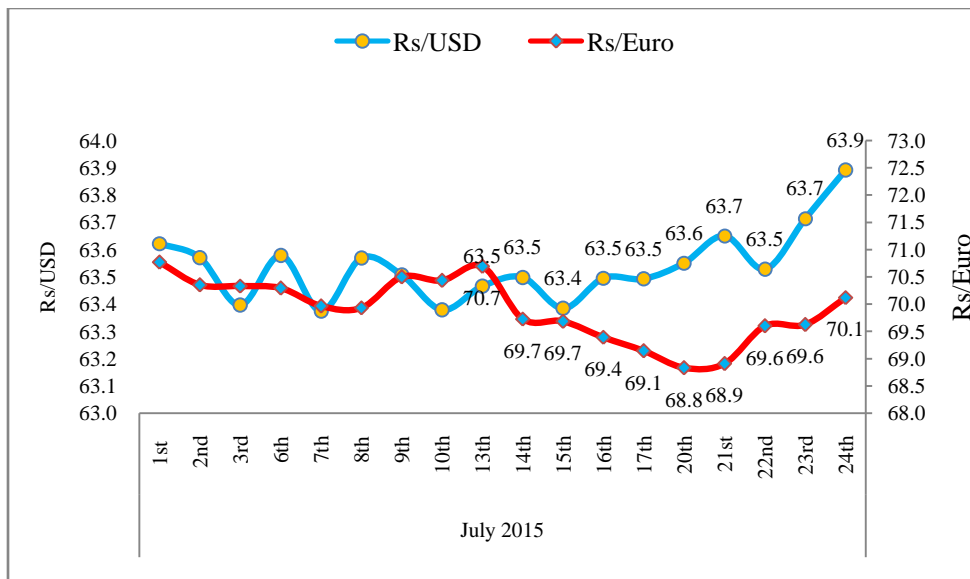


#### FII Equity Flows Equity (Rs. Crore)

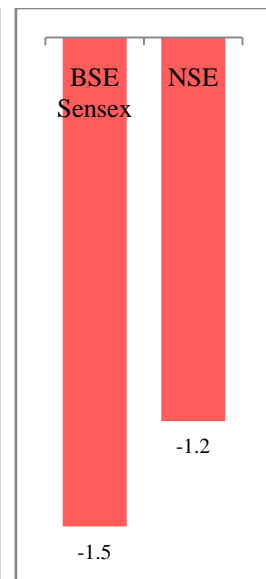


Source: BSE and ASSOCHAM Economic Research Bureau

#### Exchange Rate



#### Market Variation



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



## 4. Global Developments

### 4.1 EU28 Current Account Situation

As per the Eurostat, the EU28 seasonally adjusted external current account recorded a surplus of €13.0 billion in May 2015, compared with a surplus of € 11.9 bn in April 2015 and a surplus of € 4.8 bn in May.

In May 2015, compared with April 2015, based on seasonally adjusted data, the surplus of the services account grew (+ €14.3 bn compared with + €8.3 bn), while the deficit of the secondary income account remained stable (- € 7.0 bn). The surplus of the goods account fell (+ €7.4 bn compared with +€11.5 bn) and the deficit of the primary income account increased slightly (- € 1.7 bn compared with -€ 0.9 bn).

The 12 month cumulated current account for the period ending in May 2015 recorded a surplus of €118.8 billion, compared with €104.9 billion for the 12 months to May 2014. The surplus of the goods account grew (+€ 68.1 bn compared with + € 29.6 bn) and the surplus of the services account rose slightly (+ € 154.6 bn compared with + € 153.5 bn). The deficit of the primary income account grew (- € 25.3 bn compared with - € 5.6 bn), as did the deficit of the secondary income account (- € 78.6 bn compared with - € 72.6 bn).

**Table 1**  
**Balance of payments euro-indicators for the EU – monthly data, seasonally adjusted**

(bn €)

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	14	14	14	14	14	14	14	14	15	15	15	15	15

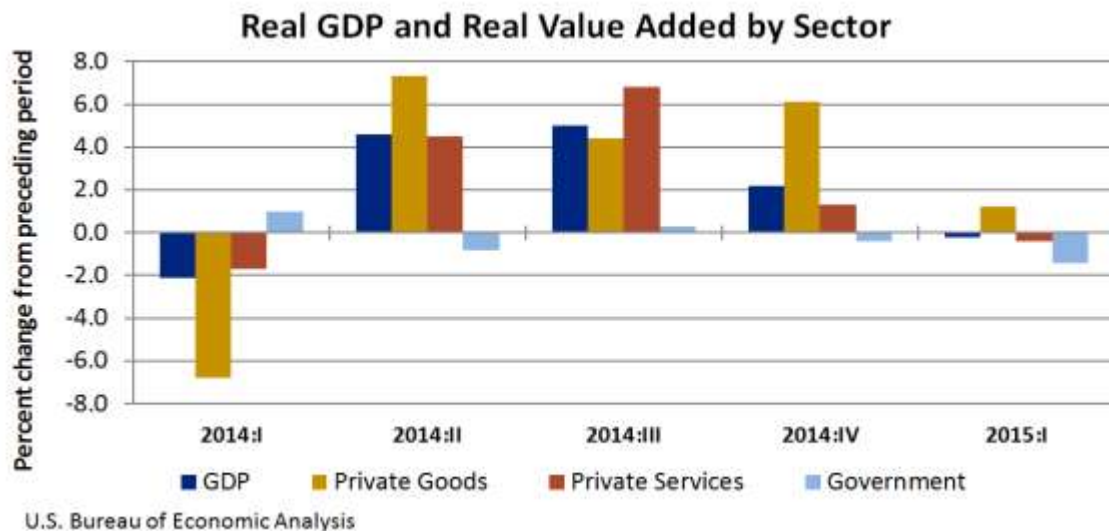
EU28 current account balance	4.8	-1.1	3.4	4.9	11.9	10.6	10.4	9.4	14.7	15.9	13.9	11.9	13.0
Balance of trade in goods	1.1	-1.7	0.2	0.8	6.5	6.6	7.1	6.2	9.1	8.7	5.9	11.5	7.4
Balance of trade in services	12.6	12.6	11.7	12.0	12.8	12.8	12.7	13.2	14.1	15.4	14.8	8.3	14.3
Balance of primary income	-3.1	-1.7	-2.5	-2.1	-1.9	-3.3	-4.0	-4.3	-1.8	-1.5	0.4	-0.9	-1.7
Balance of secondary income	-5.8	-10.3	-5.9	-5.9	-5.5	-5.5	-5.4	-5.7	-6.6	-6.6	-7.2	-7.0	-7.0

Source: Eurostat

## 4.2 US Gross Domestic Product, Q1 2015

According to Bureau of Economic Analysis (BEA) statistics on the breakout of GDP by industry a deceleration in nondurable goods manufacturing and downturns in both professional, scientific, and technical services and wholesale trade were the leading contributors to the downturn in U.S. economic growth in the first quarter of 2015. Overall, 15 of 22 industry groups contributed to the downturn in the first quarter. Figure 1

Figure 1



- Nondurable goods manufacturing real value added a measure of an industry's contribution to GDP decelerated significantly, increasing 0.2 percent in the first quarter, after a larger increase of 9.7 percent in the fourth quarter of 2014.
- Professional, scientific, and technical services decreased 0.6 percent, after increasing 6.5 percent. This was the first decrease after seven consecutive quarters of growth for the industry.
- Wholesale trade decreased 3.4 percent, after increasing 4.5 percent.
- Transportation and warehousing services decreased 17.3 percent, after decreasing 4.1 percent. This was the largest decrease since the first quarter of 2009.
- Utilities decreased 18.4 percent, after decreasing 0.5 percent in the fourth quarter. This was the largest decrease since the first quarter of 2014.
- Retail trade increased 8.7 percent, after decreasing 0.6 percent. The industry group contributed the largest positive offset to the decrease in real GDP in the first quarter.

Figure 2



## 5. Data Appendix

**Table 2**  
**Latest Available Financial Information**

Item	July.10, 2015	July.17, 2015	Percentage Change
Deposits of Scheduled Commercial Banks with RBI (Rs. Billion)	3,630.44	3,625.79	-0.13
Foreign Currency Assets of RBI (Rs. Billion)	21,139.07	21,110.71	-0.13
Advances of RBI to the Central Government (Rs. Billion)	–	74.16	
Advances of RBI to the Scheduled Commercial Banks (Rs. Billion)	409.90	437.70	6.78
Foreign Exchange Reserves (US\$ Billion)	354.4	353.3	-0.29

Source: RBI, Govt. of India

**Table 3**  
**BSE Sensex and NSE Nifty Index**

Index	July. 20, 2015	July. 24, 2015	Percentage Change
BSE SENSEX	28,544.28	28,112.31	-1.5
S & P CNX NIFTY	8,623.9	8,521.6	-1.2

Source: BSE India and NSE India

**Table 4**  
**Metals Market Spot Prices Index (Rs.)**

Products	Unit	July 2015					Weekly Changes in %
		20 <sup>th</sup>	21 <sup>st</sup>	22 <sup>nd</sup>	23 <sup>rd</sup>	24 <sup>th</sup>	
Aluminium	1 KGS	104.0	103.8	102.3	102.2	101.9	-2.1
Copper	1 KGS	349.4	347.7	347.3	340.1	335.1	-4.1
Cotton	1 BALES	16550.0	16520.0	16430.0	16390.0	16340.0	-1.3
Lead	1 KGS	114.5	114.3	111.2	111.7	109.0	-4.8
Natural Gas	1 mmBtu	182.2	179.4	183.4	184.0	179.4	-1.5
Nickel	1 KGS	728.6	748.7	732.8	715.8	713.8	-2.0
Tin	1 KGS	984.0	983.5	943.3	949.5	950.5	-3.4
Zinc	1 KGS	128.9	130.1	126.9	127.6	125.1	-2.9
Gold	10 GRMS	25248.0	25059.0	24828.0	25010.0	24599.0	-2.6
Silver	1 KGS	33902.0	33971.0	33808.0	34092.0	33322.0	-1.7

Source: MCX

**Table 5**  
**Agri Commodities Market Spot Prices (Rs.)**

Products	Unit	July 2015					Weekly Changes in %
		20 <sup>th</sup>	21 <sup>st</sup>	22 <sup>nd</sup>	23 <sup>rd</sup>	24 <sup>th</sup>	
Maize	100 KGS	1345.0	1355.0	1370.0	1375.0	1370.0	1.9
Refined Soy Oil	10 KGS	623.2	629.0	623.2	624.8	620.6	-0.4
Soyabean	100 KGS	3437.5	3405.0	3411.0	3390.0	3303.5	-3.9
Wheat	100 KGS	1565.0	1555.0	1555.0	1550.0	1555.0	-0.6

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.

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@assochem.com](mailto:research@assochem.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.