ASSOCHAM
INDIA

ASSOCHAM Economic Weekly
28th June, 2015

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

Contents

1. Macroeconomy

1.1 Consumer Price Index Numbers for Agricultural and Rural Labourers, May 2015

The All-India Consumer Price Index Numbers for Agricultural Labourers and Rural Labourers (Base: 1986-87=100) for May, 2015 increased by 6 points and 7 points to stand at 811 (Eight hundred and eleven) points and 816 (Eight hundred and sixteen) points respectively.

The rise/fall in index varied from State to State. In case of Agricultural Labourers, it recorded an increase between 2 to 20 points in 16 States and a decrease between 1 to 15 points in 4 States. Haryana with 907 points topped the index table whereas Himachal Pradesh with the index level of 660 points stood at the bottom.

In case of Rural Labourers, it recorded an increase between 1 to 19 points in 16 States and a decrease between 1 to 14 points in 3 States while it remained stationary in 1 State. Haryana with 905 points topped the index table whereas Himachal Pradesh with the index level of 695 points stood at the bottom.

The Consumer Price Index Numbers for Agricultural Labourers in respect of Tamil Nadu State registered the maximum increase of 20 points and for Rural Labourers, Tamil Nadu and West Bengal States registered the maximum increase of 19 points mainly due to increase in the prices of rice, wheat atta, pulses, onion, chillies dry, turmeric, vegetables & fruits and firewood. On the contrary, the Consumer Price Index Numbers for Agricultural Labourers and Rural Labourers in respect of Odisha State registered the maximum decrease of 15 and 14 points respectively due to decrease in the prices of rice, fish fresh, fish dry, tobacco leaf and pan leaf.

Point to point rate of inflation based on the CPI-AL and CPI-RL decreased from 4.41% and 4.66% in April, 2015 to 4.38% and 4.62% in May, 2015. Inflation based on food index of CPI-AL and CPI-RL is 3.04% and 3.29% respectively during May, 2015.

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

Group	Agricultural Labourers		Rural Labourers	
	Apr, 2015	May, 2015	Apr, 2015	May, 2015
General Index	**805**	811	809	816
Food	**772**	780	776	785
Pan, Supari, etc.	1202	1204	1214	1217
Fuel & Light	925	932	923	930
Clothing, Bedding & Footwear	812	814	822	824
Miscellaneous	788	791	786	789

Source: Labour Bureau, Ministry of Labour & Employment

1.2 Conversion of Solar Energy Corporation of India

The Union Cabinet gave approval to the Solar Energy Corporation of India (SECI) to apply to the Registrar of Companies for (i) converting it into a Section 3 company under the Companies Act, 2013 (No,18 of 2013); and (ii) renaming it as the Renewable Energy Corporation of India (RECI).

The major impact of the decision will be:-

(1) SECI will become a self-sustaining and self-generating organization.

(2) SECI will engage itself in owning solar power plants generating and selling power and in other segments of solar sector activities, including manufacturing of solar products and materials,

(3) SECI will become RECI after change of its name and then will take up development of all segments of renewable energy namely, geo-thermal, off-shore wind, tidal etc. apart from solar energy.

Section 8 of the Companies Act, 2013 [earlier Section 25 of the Companies, Act 1956] provides for formation of companies with charitable, objects. Under this provision, the commercial aspect of a business entity and its growth is completely prohibited. In comparison for a Section 3 company the object is not limited, and is mainly for commercial activities which will facilitate growth of the company. It therefore, means that a Section 8 company can only engage in activities of promotion of commerce, art, science, sports, education, research, social welfare, religion, charity etc., but not commercial activity leading to trade, buying and selling etc. resulting in profit and distribution of dividend.

The Government has also decided to enlarge the scope of the activities of SECI to cover all renewable energy sources, with a view to provide a comprehensive and optimized solution for generation of renewable energy integrating various renewable energy sources. The generation profile of solar, wind and small hydro have complementarily and generating power from these sources are likely to be more uniform. This will also reduce stress on transmission and distribution networks, resulting in better grid management. Considering this aspect, the Government has allowed the change of name from "Solar Energy Corporation of India (SECI)" to "Renewable Energy Corporation of India (RECI)".

Background

After approval of the Government, the SECI was registered as a Section 25 Company under the Companies Act, 1956 (now under Section 8 of the Companies Act, 2013) on 20.09.2011. SECI has initiated various activities for setting up of solar power plants as also for the promotion and commercialization of solar energy technologies, with long term perspective of assuming the role of a solar power developer.

For the first time, SECI made a profit of about 12 crore during the last financial year and has become a networth positive PSU. It is also expected to make a profit of around 300 crore this year.

1.3 Memorandum of Cooperation for bilateral cooperation between India and Japan

The Union Cabinet gave approval for signing of a Memorandum of Cooperation (MoC) between the Department of Industrial Policy & Promotion (DIPP) and the Japan Patent Office (JPO), Ministry of Economy, Trade and Industry, Japan. The purpose of MoC is to establish a framework for bilateral cooperation in the field of Industrial Property (IP), with emphasis on capacity building, human resource development and awareness generation. The Offices will implement a biennial

Action Plan comprising cooperation projects and activities principally, but not exclusively in the following areas:

- Information sharing on IP Protection Systems and Practices.
- Cooperation in the area of examination, including utilization of the examiner-exchange program.
- Cooperation in the scheme of the Patent Cooperation Treaty.
- Assistance in developing IP infrastructure.
- Capacity building in the use of IT infrastructure.
- Information provision and awareness building for the general public.

2. Corporate Sector

2.1 Approval of Revised Cost Estimate (RCE) of Eastern and Western Dedicated Freight Corridor Project

The Cabinet Committee on Economic Affairs has given approval for the revised cost estimate of Rs. 81,459 crore for the Eastern and Western Dedicated Freight Corridor **(**DFC) Project, including land costs and financing plan.

The revised cost estimate of Rs. 81,459 crore comprises of construction cost of Rs. 73,392 crore of the Eastern and Western DFC (Eastern DFC - Rs. 26,674 crore and Western DFC- Rs. 46,178 crore). The land acquisition cost will be Rs. 8,067 crore. This excludes the cost of the 534 kms Sonnagar- Dankuni section proposed to be implemented through the Public Private Partnership (PPP) route.

Out of the total requirement of Rs. 81,459 crore for the Eastern and Western DFC project, Rs. 76,143 crore funding will be required during project construction, as interest during construction of Rs. 5,316 crore for the Western DFC would need to be paid by the Ministry of Railways to the Ministry of Finance, after the moratorium period of 10 years. Rs. 52,347 crore would flow from debt from JICA and World Bank. Equity requirement from the Ministry of Railways (including land) for the project is Rs. 23,796 crore.

The Eastern and Western DFC passes through the States of Punjab, Haryana, Uttar Pradesh, Bihar, Jharkhand, West Bengal, Maharashtra, Gujarat and Rajasthan.

The Eastern and Western DFC project will add substantial transportation capacity, help in reducing unit cost of transportation and would provide efficient transportation services to benefit power houses, mines, ports, trade and industry and the container sector. It will benefit the environment as traffic from road will move to rail resulting in reduction in 457 million tonnes of CO_2 over a 30 year period. The Eastern DFC is expected to carry 153 million tonne of traffic in 2021-22, which will increase to 251 million tonne in 2036-37. The Western DFC is expected to carry 161 million tonnes of traffic in 2021-22, which will increase to 284 million tonnes in 2036-37.

For the Eastern DFC, the commitment of World Bank loan is for US $ 2.725 billion and the loan agreement for US $ 975 million to cover the first package of 343 km from Khurja to Kanpur was signed in October 2011. For the second package of 402 km from Kanpur to Mughalsarai, the loan of US $ 1100 million was signed in December 2014. For the third package covering the 447 km Dadri-Khurja-Ludhiana section, negotiations were finalised with World Bank for a loan of US$ 650 million.

For the Western DFC, the commitment for the Japan International Cooperation Agency (JICA) loan is for 550 billion Japanese Yen and the first tranche loan agreements of 230 billion Japanese Yen for both Phase-I and Phase-II, have been signed.

Background:

The Eastern DFC is planned to be implemented in parts; EDFC-1 of 343 km, from Khurja-Kanpur; EDFC-2 of 402 km, from Kanpur-Mughalsarai; EDFC-3 of 447 km from Ludhiana-Khurja-Dadri. The 126 km, Mughalsarai-Sonnagar has already been taken up for implementation with Government funds; and the 538 km, Sonnagar-Dankuni section will be implemented through PPP. The Western DFC is planned to be implemented in two phases. Phase-1 of 963 km, from Rewari-Vadodara and Phase-2 of 557 km, from Vadodara-Jawaharlal Nehru Port Trust (JNPT) and Rewari-Dadri. The completion of the Eastern and Western DFC is targeted in phases from 2017 to 2019.

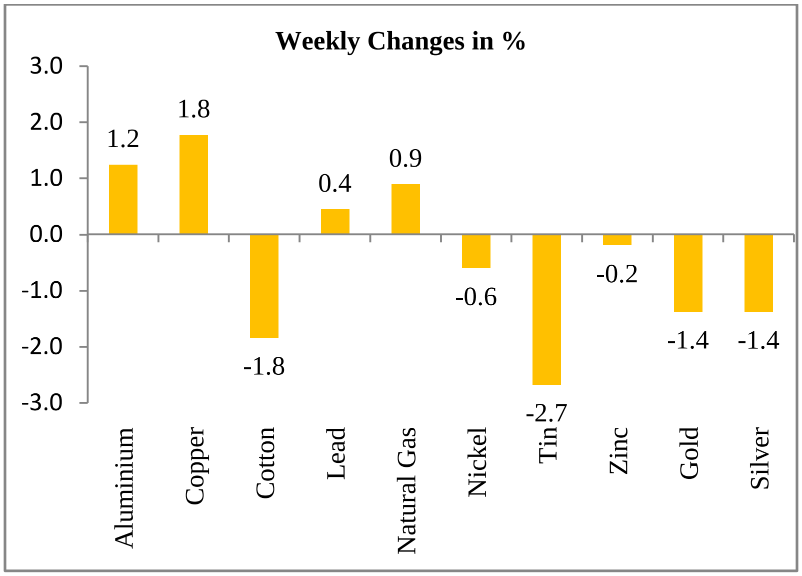
The project has achieved significant progress. Over 84 percent of land has been acquired with land compensation award of over Rs. 6,900 crore declared according to the provisions of the Railway Amendment Act, 2008. Civil construction contracts and other contracts for about 1526 km on the two corridors and 54 bridges on the Western DFC have been awarded at a total value of over Rs.

20,000 crore. Contracts are being awarded on design build lump sum basis. The systems works for signaling and electrification packages and the balance civil works are also at an advanced stage of tendering. To proceed with project implementation and enter into commitments approval of the revised cost estimates would be essential.

Earlier, the CCEA in Feb, 2008, gave approval for implementation of the Eastern and Western DFC projects and so far, expenditure of over Rs. 13,000 crore has been made.

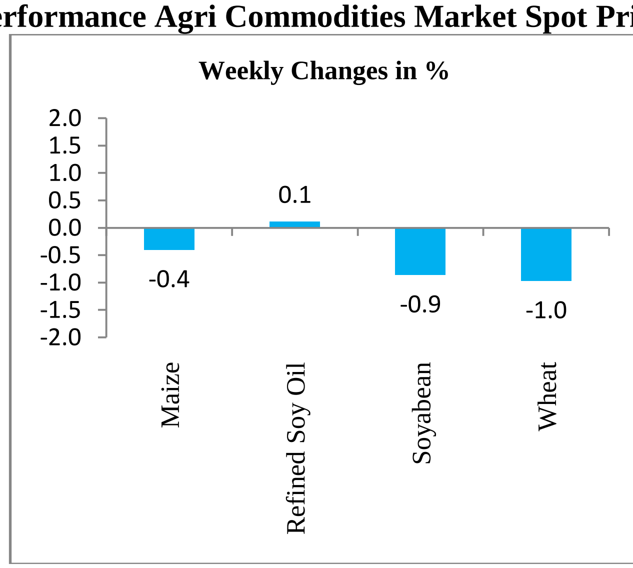
2.2 Basic Metals and Agriculture Commodities in Spot Market

Performance of Metals Market Spot Prices



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

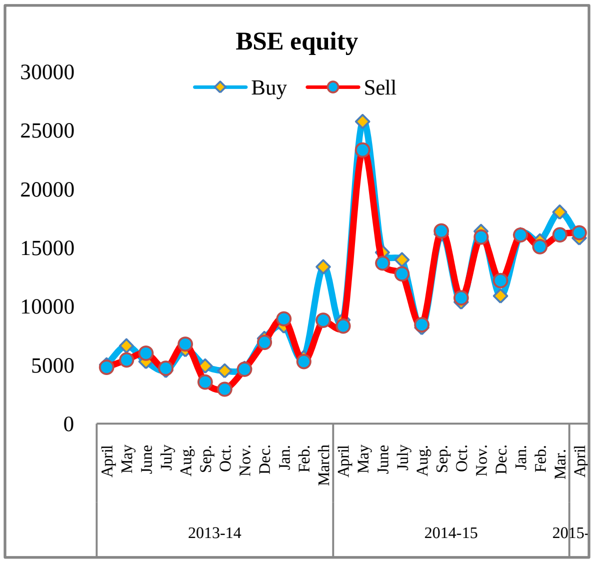
Performance Agri Commodities Market Spot Prices

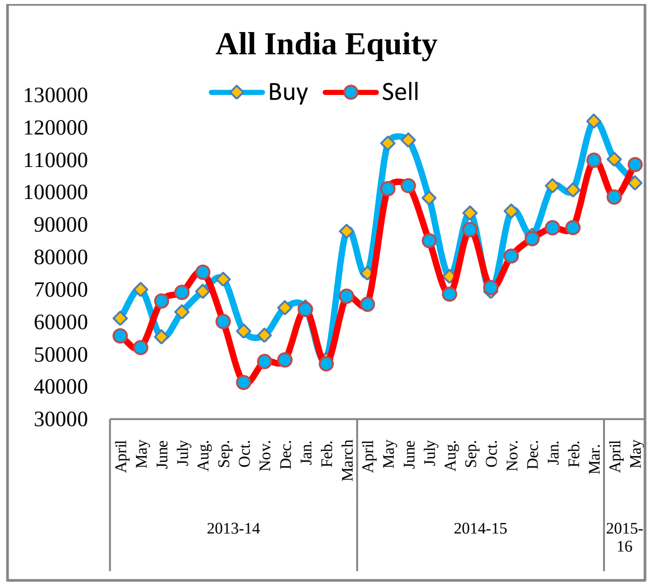


Source: MCX, ASSOCHAM Economic Research Bureau
Note: For details please refer appendix

3. Market Trends

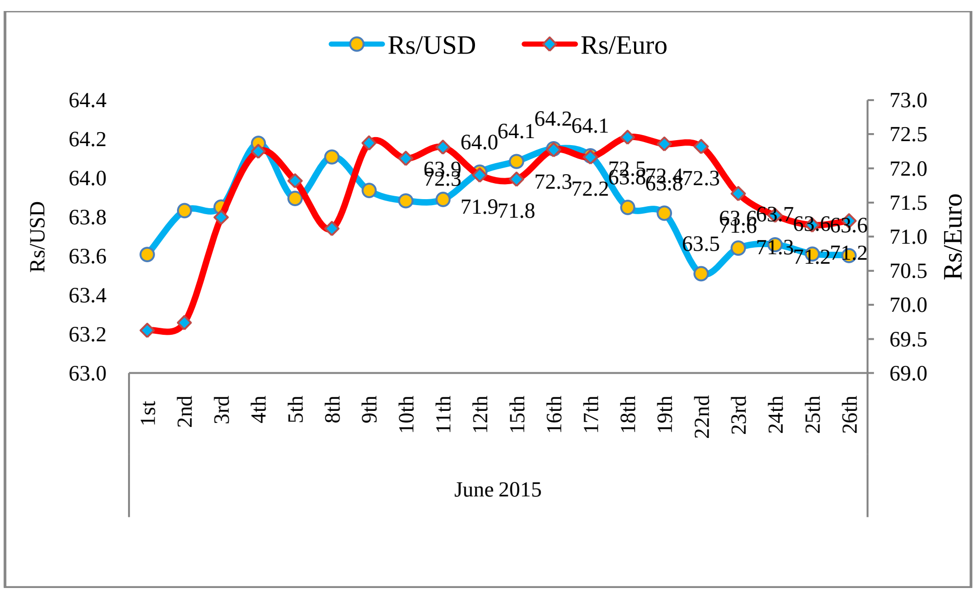
FII Equity Flows Equity (Rs. Crore)



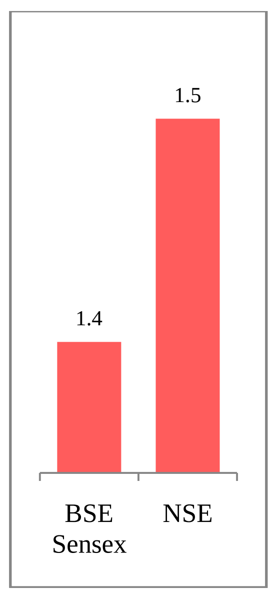


Source: BSE and ASSOCHAM Economic Research Bureau

Exchange Rate



Market Variation



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

4. Global Developments

4.1 EU trade with China for both goods and services

Except for the drop recorded in 2009 following the financial crisis, the value of European Union (EU) imports of goods from China has significantly increased over the last decade, from €129.2 bn in 2004 to a peak of €302.5 bn in 2014. Exports, which did not decline in 2009, have more than tripled over the period 2004-2014 to hit €164.7 bn last year. The EU trade deficit with China, continuous during the whole period, decreased between 2010 and 2013, before growing again in 2014 to -€137.7 bn.

China is the second most important EU trading partner behind the United States, accounting for 14% of total extra- EU trade in goods in 2014 (compared with 9% in 2004). Over this 10-year time period, the share of China in extra- EU imports increased from 12.6% in 2004 to 18.0% in 2014, and its share in exports almost doubled (5.1% in 2004 vs. 9.7% in 2014).

Manufactured goods dominate both imports and exports

EU trade in goods with China is clearly dominated by manufactured goods, which accounted in 2014 for 97% of total EU imports from China and 86% of EU exports to China. The €152.0 bn deficit recorded by the EU for its trade in manufactured goods with China is only partially offset by a small EU surplus in primary goods (+€9.5 bn), in particular for raw materials (+€6.3 bn).

Table 2
EU international trade in goods with China and the world
(in € billion)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
China											
Exports	48.4	51.7	63.7	71.8	78.3	82.4	113.5	136.4	144.2	148.2	164.7

Imports	129.2	161	195.8	233.9	249.1	215.3	283.9	295.1	292.1	280.1	302.5
Balance	-80.8	-109.3	-132.1	-162	-170.8	-132.9	-170.5	-158.6	-147.9	-131.9	-137.7
Total Extra-EU											
Exports	945.2	1049.5	1152.4	1234.5	1309.1	1094	1353.2	1554.2	1684.2	1736.6	1702.8
Imports	1027.4	1183.9	1364.6	1450.3	1585.2	1235.6	1529.4	1725.1	1796.6	1685	1680.4
Balance	-82.2	-134.5	-212.2	-215.9	-276.1	-141.7	-176.2	-170.9	-112.3	51.6	22.4
China / Total											
Exports	5.1%	4.9%	5.5%	5.8%	6.0%	7.5%	8.4%	8.8%	8.6%	8.5%	9.7%
Imports	12.6%	13.6%	14.3%	16.1%	15.7%	17.4%	18.6%	17.1%	16.3%	16.6%	18.0%

Source: The statistical office of the European Union

4.2 US Gross Domestic Product: First Quarter 2015

Real gross domestic product decreased at an annual rate of 0.2 percent in the first quarter of 2015, according to the "third" estimate of Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.2 percent.

The decrease in real GDP in the first quarter primarily reflected negative contributions from exports, nonresidential fixed investment, and state and local government spending that were partly offset by positive contributions from PCE, private inventory investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Real GDP decreased 0.2 percent in the first quarter of 2015, in contrast to an increase of 2.2 percent in the fourth quarter of 2014. The downturn in the percent change in real GDP reflected a deceleration in PCE and downturns in exports, in nonresidential fixed investment, and in state and local government spending that were partly offset by upturns in private inventory investment and in federal government spending and a deceleration in imports.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, decreased 1.6 percent in the first quarter, the same decrease as in the second estimate; this index decreased 0.1 percent in the fourth quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 0.1 percent, compared with an increase of 0.7 percent.

Real personal consumption expenditures increased 2.1 percent in the first quarter, compared with an increase of 4.4 percent in the fourth. Durable goods increased 1.3 percent, compared with an increase of 6.2 percent. Nondurable goods increased 0.8 percent, compared with an increase of 4.1 percent. Services increased 2.7 percent, compared with an increase of 4.3 percent.

Real nonresidential fixed investment decreased 2.0 percent in the first quarter, in contrast to an increase of 4.7 percent in the fourth. Investment in nonresidential structures decreased 18.8 percent, in contrast to an increase of 5.9 percent. Investment in equipment increased 2.6 percent, compared with an increase of 0.6 percent. Investment in intellectual property products increased 4.9 percent, compared with an increase of 10.3 percent. Real residential fixed investment increased 6.5 percent, compared with an increase of 3.8 percent.

Real exports of goods and services decreased 5.9 percent in the first quarter, in contrast to an increase of 4.5 percent in the fourth. Real imports of goods and services increased 7.1 percent, compared with an increase of 10.4 percent.

Real federal government consumption expenditures and gross investment was unchanged in the first quarter, in contrast to a decrease of 7.3 percent in the fourth. National defense decreased 1.2 percent, compared with a decrease of 12.2 percent. Nondefense increased 2.0 percent, compared with an increase of 1.5 percent. Real state and local government consumption expenditures and gross investment decreased 1.0 percent, in contrast to an increase of 1.6 percent.

The change in real private inventories added 0.45 percentage point to the first-quarter change in real GDP after subtracting 0.10 percentage point from the fourth-quarter change. Private businesses increased inventories $99.5 billion in the first quarter, following increases of $80.0 billion in the fourth quarter and $82.2 billion in the third.

Real final sales of domestic product - GDP less change in private inventories - decreased 0.6 percent in the first quarter, in contrast to an increase of 2.3 percent in the fourth.

Table 3
Real Gross Domestic Product
(Percent Change From Preceding Period)

	2014	2014Q1	2014Q2	2014Q3	2014Q4	2015Q1[r]
Gross domestic product (GDP)	2.4	-2.1	4.6	5.0	2.2	-0.2
Personal consumption expenditures	2.5	1.2	2.5	3.2	4.4	2.1

Goods	3.4	1.0	5.9	4.7	4.8	1.0
Services	2.1	1.3	0.9	2.5	4.3	2.7
Gross private domestic investment	5.8	-6.9	19.1	7.2	3.7	2.4
Fixed investment	5.3	0.2	9.5	7.7	4.5	-0.3
Net exports of goods and services	....	....	....	....	....	....
Exports	3.2	-9.2	11.1	4.5	4.5	-5.9
Imports	4.0	2.2	11.3	-0.9	10.4	7.1
Government consumption expenditures and gross investment	-0.2	-0.8	1.7	4.4	-1.9	-0.6
Federal	-1.9	-0.1	-0.9	9.9	-7.3	0.0
State and local	1.0	-1.3	3.4	1.1	1.6	-1.0

Source: Bureau of Economic Analysis

5. Data Appendix

Table 4
Latest Available Financial Information

Item	June. 12, 2015	June. 19, 2015	Percentage Change
Deposits of Scheduled Commercial Banks with RBI (Rs. Billion)	3,616.80	3,678.00	1.69
Foreign Currency Assets of RBI (Rs. Billion)	21,318.16	21,326.49	0.04
Advances of RBI to the Central Government (Rs. Billion)			
Advances of RBI to the Scheduled Commercial Banks (Rs. Billion)	702.52	742.72	5.72
Foreign Exchange Reserves (US$ Billion)	354.3	355.5	0.33

Source: RBI, Govt. of India

Table 5
BSE Sensex and NSE Nifty Index

Index	June. 22, 2015	June. 26, 2015	Percentage Change
BSE SENSEX	27,427.19	27,811.84	1.4
S & P CNX NIFTY	8,259.3	8,381.1	1.5

Source: BSE India and NSE India

Table 6
Metals Market Spot Prices Index (Rs.)

		June 2015					Weekly Changes in %
		22nd	23rd	24th	25th	26th	
Aluminium	1 KGS	104.8	107.0	107.6	106.3	106.1	1.2
Copper	1 KGS	361.5	359.4	366.6	368.4	367.9	1.8
Cotton	1 BALES	16320.0	16280.0	16220.0	16070.0	16020.0	-1.8
Lead	1 KGS	112.1	112.5	113.7	113.0	112.6	0.4
Natural Gas	1 mmBtu	179.7	173.6	173.5	175.6	181.3	0.9
Nickel	1 KGS	799.4	805.8	813.4	800.4	794.6	-0.6
Tin	1 KGS	963.0	966.0	967.0	938.0	937.3	-2.7
Zinc	1 KGS	128.8	129.1	130.6	129.2	128.5	-0.2
Gold	10 GRMS	26716.0	26509.0	26448.0	26322.0	26349.0	-1.4
Silver	1 KGS	36502.0	36257.0	36148.0	36000.0	36000.0	-1.4

Source: MCX

Table 7

Agri. Commodities Market Spot Prices (Rs.)

		June 2015					Weekly Changes in %
		22nd	23rd	24th	25th	26th	
Maize	100 KGS	1260.0	1255.0	1275.0	1285.0	1255.0	-0.4
Refined Soy Oil	10 KGS	636.7	636.7	636.9	637.9	637.4	0.1
Soyabean	100 KGS	3500.0	3480.0	3463.5	3473.5	3470.0	-0.9
Wheat	100 KGS	1555.0	1555.0	1560.0	1545.0	1540.0	-1.0

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.

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.