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MONTHLY MACRO INSIGHTS

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THE MONTH THAT WAS

Marginally higher GVA growth at 7.3% was recorded in Q1 of 2016-17 driven by robust service sector growth but investment continues to be a concern as its share in GDP fell successively to 30.9% from 34.9% in Q1 of 2015-16. Though the growth acceleration expected in the second and third quarters will be primarily consumption driven, it might also create room for traction in the investment space. Inflation trajectory will be governed by structural drivers despite expected relief from food inflation outlook forcing RBI for a long pause on policy rates.

SNIPPETS

- GDP in Q1 of 2016-17 posted a growth of 7.1% less than the 7.3% growth in GVA at basic prices as net indirect taxes, the difference between the two measures, grew by a feeble 3.6% compared to 11.9% in Q1 of 2015-16. Growth in Agriculture, Industry and Services were 1.8%, 6% and 9.6% in Q1 of 2016-17 compared to 2.6%, 6.7% and 9.3% respectively in Q1 of 2015-16. Production growth captured through GVA at basic prices showed a small uptick from 7.2% in Q1 of 2015-16 to 7.3% in Q1 of 2016-17.
- Economic activity is expected to gain momentum in the subsequent quarters on account of normal monsoon and a fillip to consumption following the implementation of the 24% hike in salaries and pensions of central Govt employees from Aug 1, 2016. The current data print suggests that falling share of investment in GDP continues to be a concern. Though the growth acceleration expected in the second and third quarters will be primarily consumption driven, it might also create room for traction in the investment space.
- Monsoon is predicted to be normal in 2016-17 after two years of drought. As on Aug 24, 'excess' rainfall was recorded in 20% of India and 67% has received 'normal' rainfall. Only 13% of the areas have received deficient rainfall. Sowing of Kharif crops at 1019 lakh hectares by August last week has registered a 5% increase compared to 973 lakh hectares around time last year.
- Oil prices showed some volatility but ended the month with a downward bias as coordination between OPEC and non-OPEC members to decide on supply seemed less likely.
- US Fed signaled that it may increase policy rates at a quicker pace as economic growth has gained momentum and the labour market situation has improved significantly. Capital flows to emerging economies could be adversely affected.
- India is likely to be immune from capital outflows primarily because of better growth prospects, sound macro configuration and reform push by the government.
- RBI is likely to maintain status quo for quite some time as inflationary pressures continue to be a challenge for India and RBI is committed to 5% inflation target by March 2017.

Table-1
FINANCIAL AND COMMODITIES MARKETS - PRE AND POST BREXIT

	22-June 2016	23-June 2016	31-Aug 2016
Call	6.27	6.37	6.39
G-Sec	7.47	7.48	7.11
Dollar	67.55	67.37	66.84
Pound	99.15	99.47	88.70
Crude	48.36	49.55	45.23
Sensex	26765	27002	28452
Gold	29500	29500	30900

Note
G-Sec refers to yield on 10 year G-Secs.
Cal refers to Weighted average call money rate.
Crude refers to price of Indian basket of crude
Dollar and Pound refers to the respective exchange rates with respect to Indian rupee.
Gold refers to price of 10gms of standard gold in Mumbai markets.

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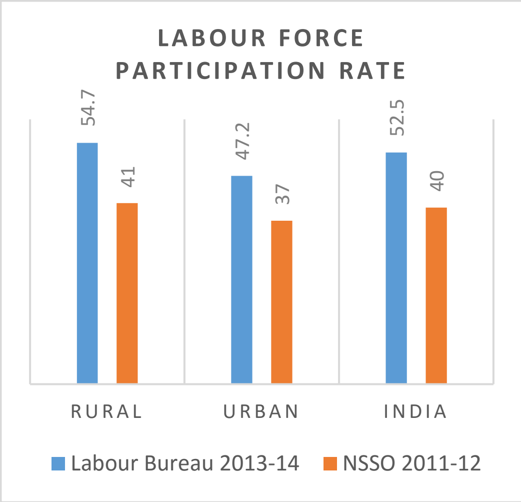
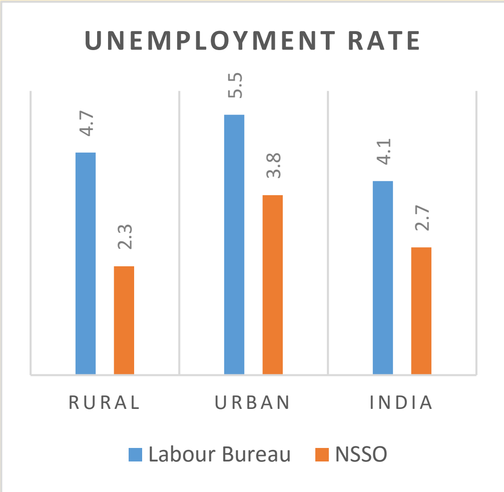
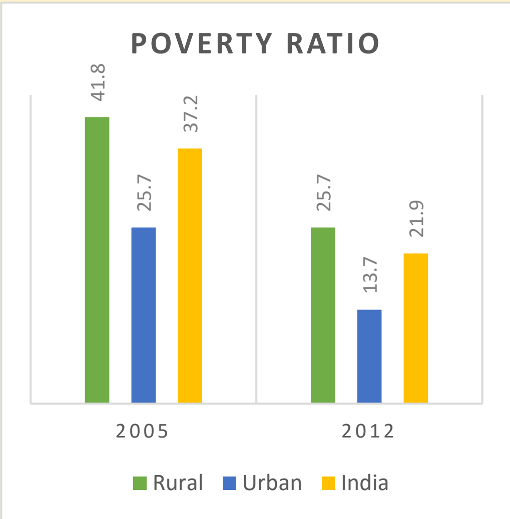
SNIPPETS

- Despite moderation expected in food prices and comfort from fuel prices, the built up in inflation arising from the implementation of the Pay Commission recommendation, the increase in minimum wage for manual labour will also feed into the system putting pressure on prices apart from the inflationary consequences of comfortable liquidity.
- Simulations by RBI show that the pressure on CPI emanating from the pay commission effect will be around 100-150 basis points on the baseline in 2016-17 and 2017-18 mostly through the housing inflation component. Inflation can range between 4.8-6.3% as per RBI simulations.
- The central government on August 30, 2016 announced a hike in minimum wage for unskilled non-farm workers of the central government to Rs 350 a day, from the current Rs 246. The minimum daily wage for non-urban agricultural workers has also been increased from Rs 211 to Rs. 300.
- The 40-60% increase in minimum wage for unskilled workers though is employee friendly and will give a boost to demand, it will have adverse implications not only for Union government entities but also states and sections of the corporate sector and small industries, as their labour costs will rise.
- The wage push inflation will lead to across the broad increase in price pressure and will also make RBI more cautious about lowering rates any time soon or by a large amount.
- On balance, RBI is not expected to ease policy rates for an extended period and may be till the fifth bimonthly policy scheduled on Dec 6, 2016. The possibility of rate easing will become thinner if Fed goes for a rate hike in Sep'16.
- If US rate hike pace quickens and sustained decline in inflation does not materialise, a contractionary monetary stance may not be ruled out.
- Financial markets in India has been stable post Brexit (Table-1).
- Subdued global crude oil prices following Brexit has been a positive for India both in managing trade deficit and fuel inflation.
- Major reforms in the past few months included passage of the Bankruptcy Code, passage of the GST Act, relaxation in FDI norms and the recent measures to strengthen the corporate bond market.
- Goa was the 15th state to ratify the Goods and Services Tax (GST) Constitution Amendment Bill on Aug 31, 2016 paving the way for the legislation to be notified by the President to the GST Council.
- Legislative hurdles have been cleared but now the focus is on rate decided by the GST council which will have implications for its political acceptance as well as government finances.
- Core sector growth for July, which is the first data point from a growth perspective for the July-Sep quarter was released on August 31, 2016. Core sector growth slowed down to 3.1% on y-o-y basis in July 2016 compared to 5.3% in June'16 but was much higher than 1.3% in July 2015. Except Crude and steel, the rest six industry segments reported positive growth in July on a y-o-y basis.

Indian Economy-Structural Coordinates

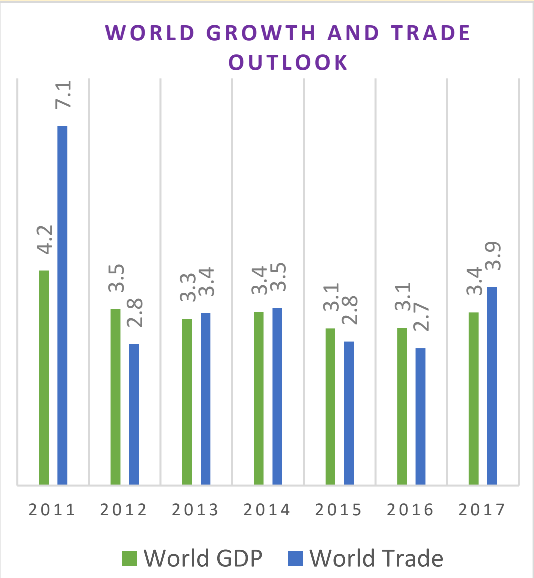


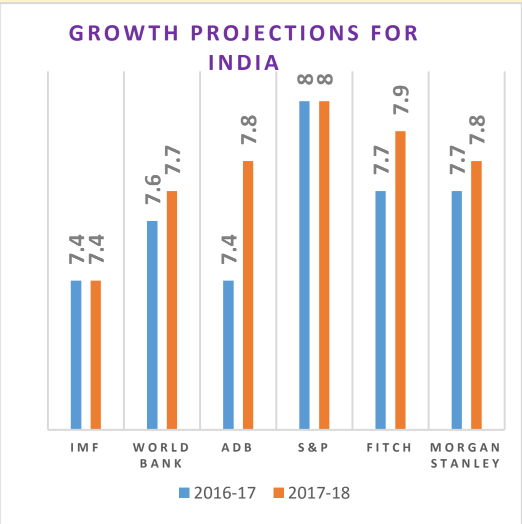


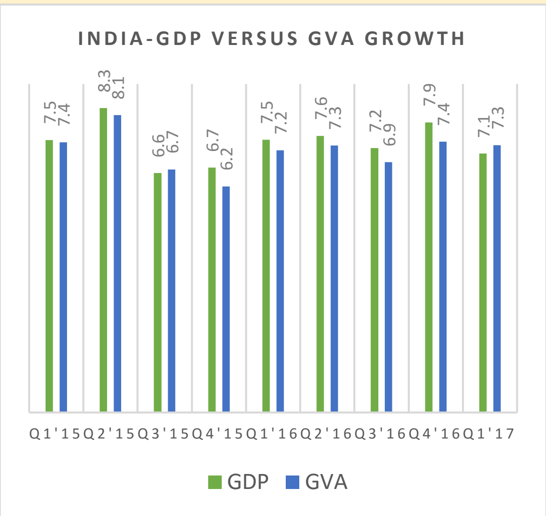


Growth Outlook

Global







- In its World Economic Outlook update published on July 19, 2016 and in its staff Note on Global Prospects and Policy Challenges published on the eve of the G-20 Finance Ministers and Central Bank Governors' Meetings held during July 23–24, 2016 in China, IMF has expressed concern regarding downward risks to global growth from Brexit.
- In the most non disruptive scenario which assumes Britain striking a deal with EU without much trade loss IMF, has pared its growth forecast for 2016 and 2017 by 0.1 % point to 3.1% and 3.4% respectively.
- IMF, however, has cautioned that the global economy would experience a more significant slowdown in a scenario of intensified financial stress, particularly in Europe, a sharper tightening of financial conditions, a bigger blow to confidence emanating from increase in economic, political, institutional uncertainty and trade agreement governed by WTO rather than preferential norms.
- IMF in its Global prospects and Policy Challenges (July 23, 2016) has cautioned that negative outcomes are a distinct possibility unless uncertainties around Brexit is managed swiftly.
- In consonance with the sluggish economic activity and production, Global Trade will also be subdued in 2016 as the two are closely aligned.

India

- GDP growth in Q1 of 2016-17 released on Aug 31, 2016 was 7.1% and GVA growth was 7.3%. GDP growth signified investment continues to be subdued.
- Though with a normal monsoon and consumption pick up following implementation of the 24% hike in salaries and pensions of central Govt employees, economic growth is expected to pick up momentum in the next two quarters.
- On a sectoral basis, manufacturing, electricity, financial services and public administration experienced growth acceleration whereas growth deceleration was observed in agriculture, forestry & fishing, construction and in the trade, hotel and communication segment in Q1 of 2016-17 as compared to Q1 of 2015-16. Mining posted a negative growth
- The various estimates of India's growth puts it in a range of 7.4-8% real GDP growth in 2016-17 and 2017-18.
- The more optimistic projections highlight robust monsoon after two drought years which will sustain stronger rural demand, ongoing structural reforms push including passage of Bankruptcy code, likely passage of GST (goods and services tax) in the monsoon session.

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India's Growth Outlook

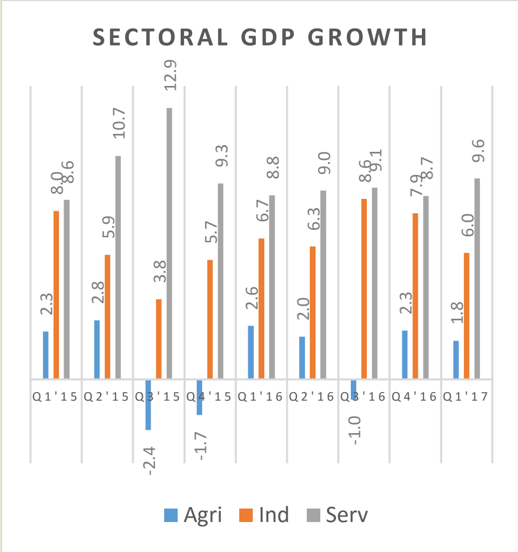
- The other positives are push to public investment in roads, easing of foreign direct investment (FDI) regulations, lower crude oil prices, relatively buoyant consumer and investor confidence.
- The drags on growth is the lower than expected private investment revival, high levels of stressed assets in the banking sector, poor export performance, muted credit offtake and inflationary consequences of the pay hike.

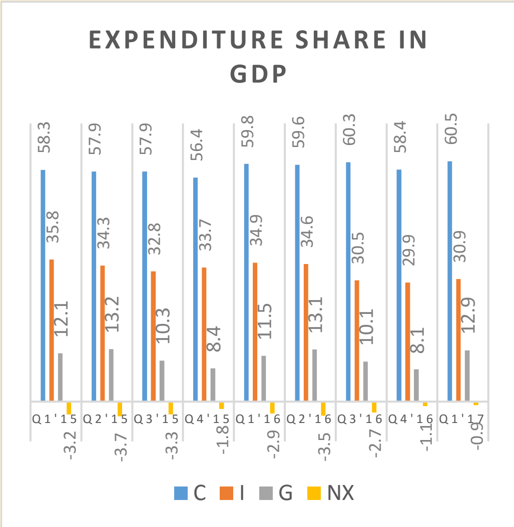
RBI's Assessment - RBI in its Annual Report 2015-16 published on Aug 29, 2016 has delineated the Growth Prospects for 2016-17.

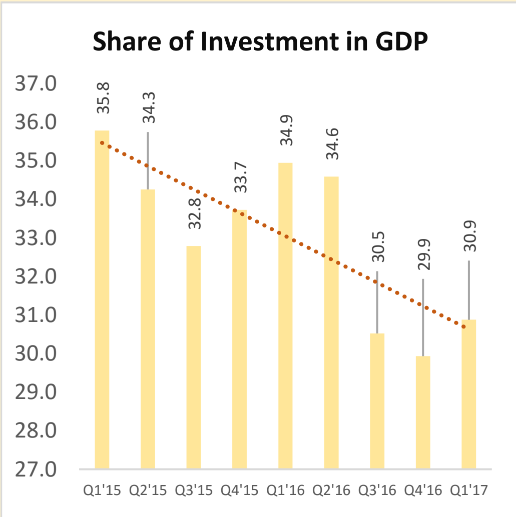
- As per RBI, the near-term domestic growth outlook appears somewhat brighter than that 2015- 16. RBI has projected GVA growth for 2016-17 is at 7.6% as against 7.2% in 2015-16.
- The investment activity continues to be subdued while consumption is expected to be buoyant due to cascading impact of the pay commission and better agriculture sector growth on the back of better monsoon progress.
- IIP has been weak due to subdued manufacturing growth. The exports continue to remain fragile though the contraction in exports has been reversed.
- Growth will get some support from the revised FDI policy and other reforms underway in the economy.

Current Macroeconomic Challenges - RBI has highlighted three major areas which are important for a stable macroeconomic environment. These include:

- Below potential economic growth due to weakness in investment with private corporate investment subdued because of low capacity utilisation, and slow rolling out of public investment in some sectors.
- Inflation projections are still at the upper limits of RBI's inflation objective. The room to cut further policy rates is also constrained due to the need to ensure that returns on savings remains positive while borrowers needing lower rates to spur investment.
- Willingness of banks to cut lending rates is muted; not only does weak corporate investment reduce the volume of new profitable loans, their stressed assets have tightened capital positions, which may prevent them from lending freely. The reluctance to lend to industry and small businesses is more visible among the more stressed public sector banks compared to the private sector banks.







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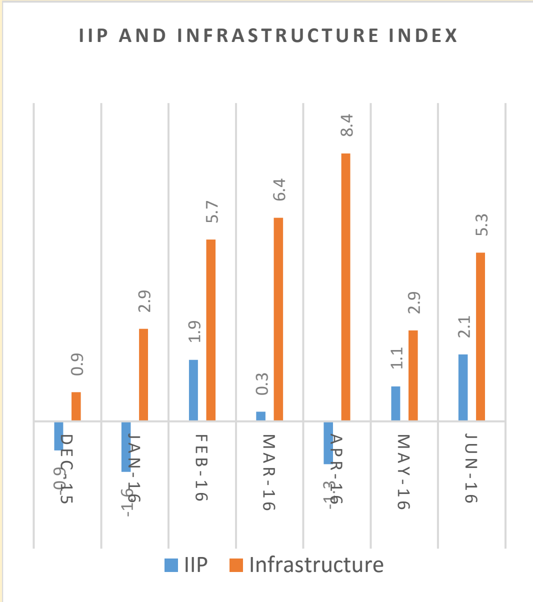
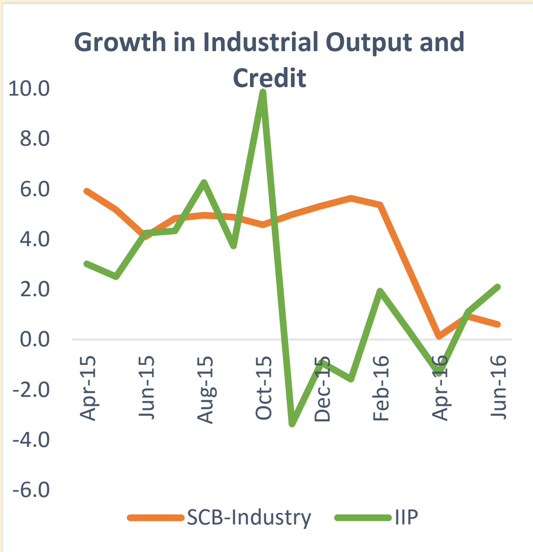
Industrial Production

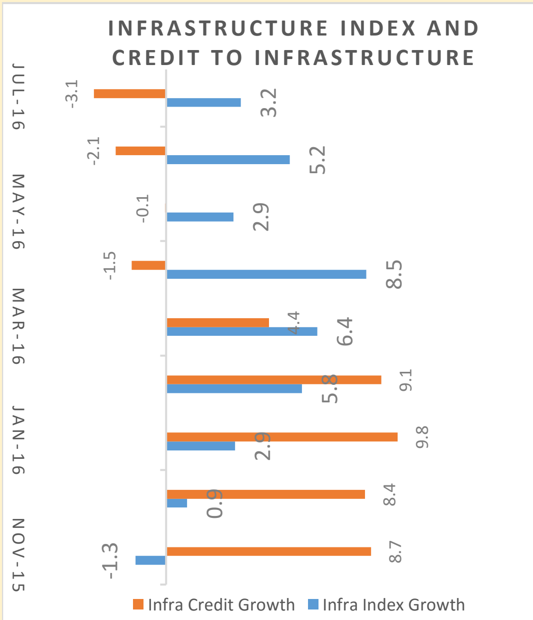
- IIP grew by 2.1% in June following a growth of 1.2% for May’16 on y-o-y basis
- If we look at the m-o-m seasonally adjusted (SA) numbers, IIP grew by 1.8% in June’16 and 1.6% in May’16.
- Core industries (infrastructure) grew by an impressive 8.1% in June on top of a 2.9% in May’16 on y-o-y basis. All segments except crude and natural gas registered positive growth in June ‘16
- Consumer goods production which has also been lackluster especially non-durables, will get a strong push arising from the government’s decision on June 29, 2016 to implement 7th Pay Commission from Jan 1, 2016 and normal monsoon.
- Good chances are that capital goods production will get good support in coming months in the backdrop of continuous capacity addition in infrastructure industries for the last six months and uptick in demand for consumer goods.



Credit Growth

- Credit growth from the banking system has moderated to 7.9% compared to 8.2% average loan growth during Apr-June 2015-16.
- While credit to industry and infrastructure has been lack luster, service sector credit growth has been quite steady at 9.8% during Apr-June, 2016 compared to average growth of 7.4% during 2015-16.
- Within services, professional services and personal loan growth has been robust. Loan to Housing, Consumer durables, Vehicle Loans and Credit Card Outstanding have posted high growth in May 2016 compared to the trend seen during 2015-16.
- Credit growth to industry was lower at 0.6% in June’16 compared to 0.9% in May’16 on a y-o-y basis.
- Growth in Bank credit to industry though gathered pace but looks rather very small compared to more than 5% growth recorded in Apr and May 15.
- Credit to infrastructure sectors used to be in the 8-10 per cent range between Apr’15 and Feb’16 is experiencing anaemic growth since Mar’16.
- Credit growth to infrastructure has been negative in each of the four months and was -1.7% during Apr-July’17 compared 9.1% during Apr-July’ 16.
- Focus on stressed asset management by PSBs which are one of the major financiers of infrastructure projects is partly responsible.





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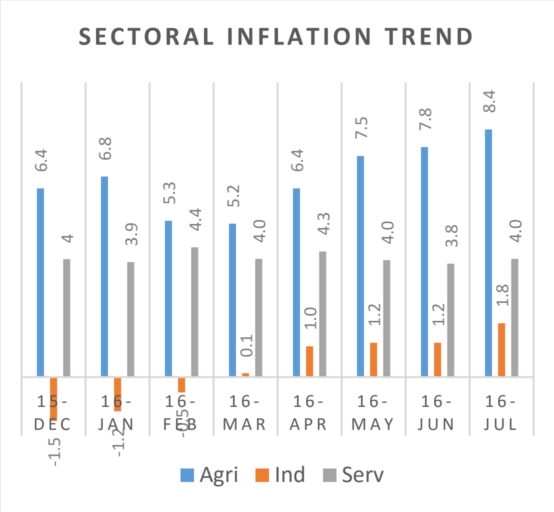
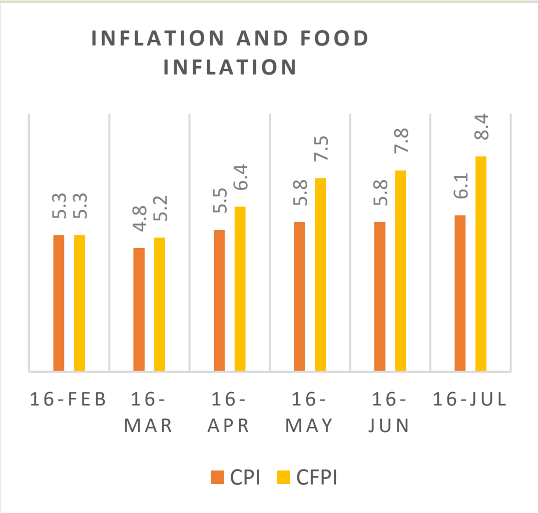
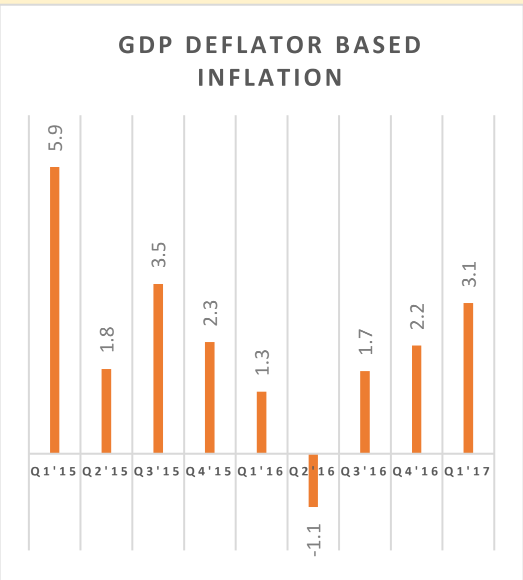






Inflation

- The latest reading for both WPI and CPI indicates, inflation both at the wholesale and retail level has hardened.
- While WPI based inflation paced up to 3.55% in July from 1.62% in June'16, CPI based inflation increased to 6.06% in July'16 compared to 5.77% in June'16 on y-o-y basis
- Both CPI and WPI Inflation, however, softened in July'16 on m-o-m seasonally adjusted (SA) basis.
- Food inflation at 8.4% has been the major driver of high print for CPI.
- Manufactured products inflation is also slowly building up as suggested by WPI inflation.
- Agriculture related product inflation is a matter of concern.
- Services inflation holding steady at 4% for the last 6 months is a matter of comfort.
- Gradual building up of manufactured products inflation needs close monitoring.

Food Inflation

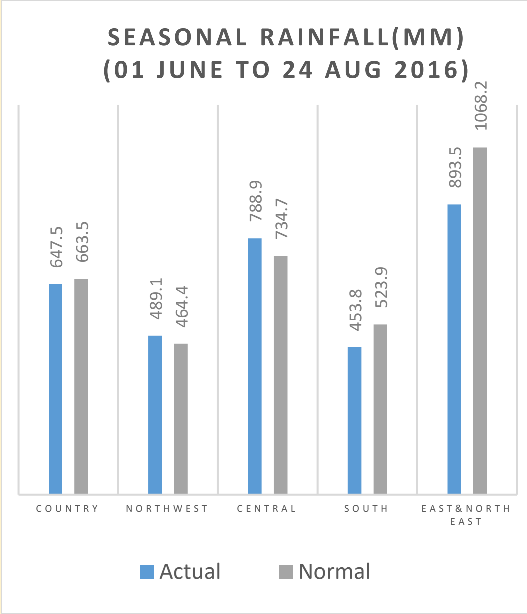
- Food inflation is up both at retail(CPI) and wholesale(WPI) level
- Food component of WPI based inflation is up from 4.1% in Mar'16 to 8.2% in June'16 but its impact on the overall numbers is muted because of low weight of 15%
- Food inflation which has shot up in the last three months is expected to moderate as monsoon has progressed and distributed well.
- Government has taken a number of steps including import of pulse from Mozambique, setting up a panel under chief economic adviser to suggest ways to boost supply and control pulse prices and Competition Commission has formed an internal panel to study anti-competitive forces driving the prices of pulses as the commodity has experienced a significant price rise in the last one year.
- The increased price of pulses has triggered a shift in area under cultivation away from sugarcane and cotton towards pulses. Going forward while pulse prices may come under control, sugar and cotton prices may see a spike.
- From an index perspective, pulses, sugar and fruits have a combined weight of 8% in CPI and 7% in WPI basket. Hence from an overall CPI perspective, their influence will not upset the overall CPI even if there is no great relief for them, post monsoon.

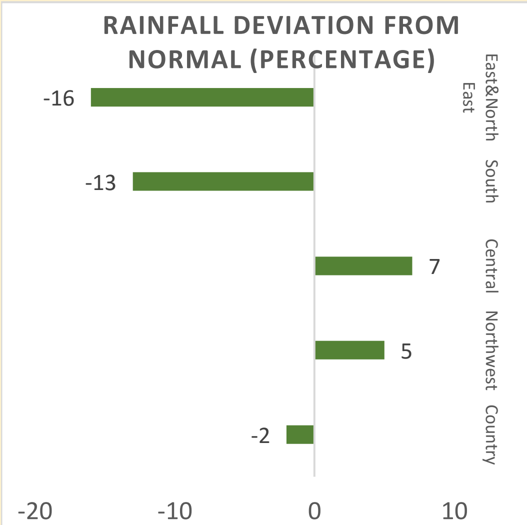
Drivers of Food Inflation

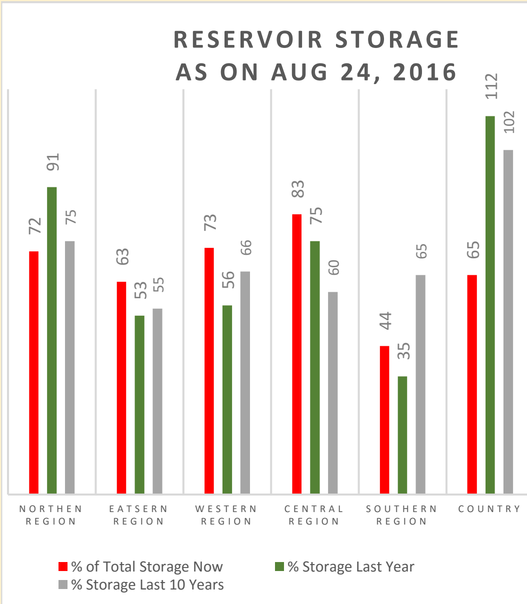
- For the country as a whole, cumulative rainfall during this year's monsoon so far up to 24 August has been **2% below LPA**. 26 out of 36 subdivisions of the country have received normal to excess rainfall so far.
- Till Aug 24, 2016, 20% of the country's area has got 'excess' rainfall while 67% has received 'normal' rainfall.
- Only 13% of the areas have received deficient rainfall.
- Seasonal rainfall over the whole country is likely to be 106% of the LPA.
- Regional spread of monsoon has been satisfactory.
- Moot point is well spread out normal rainfall will help to support 4% agricultural growth.
- Water level at 91 large reservoirs across the country continues to rise for seventh week in a row to 65% of their combined capacity.
- Sowing of Khariff crops at 1019 lakh hectares compared to 973 lakh hectares at this time last year- An increase of 5%
- Sowing of cotton and sugarcane is down by 8% - Concerns about whitefly pest attack in Punjab has led to decline in cotton sowing.
- The agriculture ministry has set the country's grain production target at 270.10 million tonne (mt) for the 2016-17 crop year (July-June), up 6.7% from the actual grain production of 253.23 mt in 2015-16.
- Area under pulses have grown by 34% to 139 lakh hectares compared to 108 lakh hectares. Arhar- 47% (51.2 lakh hectares) Urad-27%(33.67 lakh hectatres)

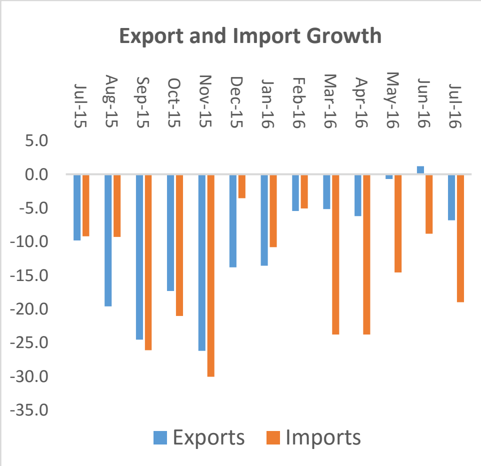
Inflation and Rate Outlook

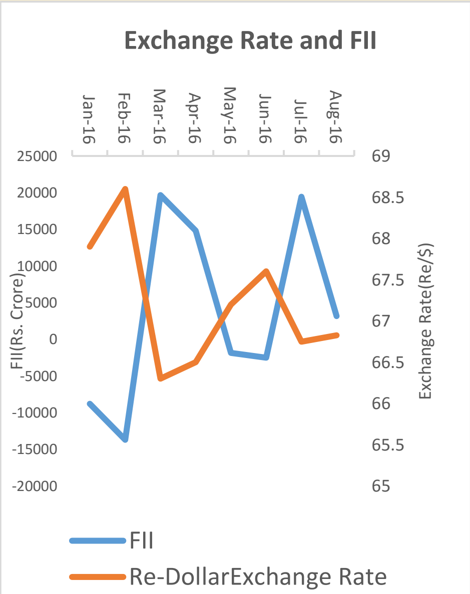
- Government has announced implementation of 7th pay commission recommendation from Jan 1' 2016.
- Simulations by RBI show that the pressure on CPI emanating from the pay commission effect will be around 100-150 basis points on the baseline in 2016-17 and 2017-18 mostly through the housing inflation component. Inflation can range between 4.8-6.3% as per RBI simulations.
- Subdued global crude oil prices following Brexit is a positive for India both in managing trade deficit and fuel inflation.
- Despite moderation expected in food prices and comfort from fuel prices, the built up in inflation arising from the implementation of the Pay Commission recommendation, the increase in minimum wage for manual labour will also feed into the system putting pressure on prices apart from the inflationary consequences of comfortable liquidity.
- On balance, RBI is not expected to ease policy rates for an extended period and may be till the next policy review scheduled on Dec 6, 2016. The possibility of rate easing will become thinner if Fed goes for a rate hike in Sep'16

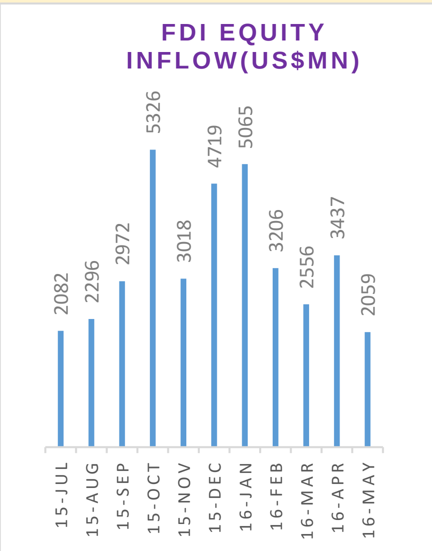












External Sector

- Following a blip in June'16, India's merchandise exports fell 6.84% year-on-year in July'16 to $21.68 billion, a trend observed since December 2014 due to weak global demand and a fall in commodity prices. June 2016 was an exception.
- Imports during June 2016 slid 19.1% to $29.45 billion. Oil imports during April-July, 2016-17 were valued at US$ 25.66 bn which was 25.01% lower than the oil imports of US$ 34.22 bn in the corresponding period last year.
- Non-oil imports during July, 2016 were estimated at US$ 22.63 bn which was 15.83% lower than non-oil imports of US$ 26.88 billion in July, 2015.
- WTO on July 8 launched a new World Trade Outlook Indicator (WTOI) to provide "real time" information on trends in global trade. For the current period, the WTOI came in slightly below trend, with a reading of 99.0, and with a downward tendency in the most recent data, signaling that trade growth will continue to be sluggish in July and August. WTOI at present suggests that trade growth will remain weak into the third quarter of 2016.

Exchange Rate Outlook

- Rupee-Dollar exchange rate to remain range bound with a near term upward bias because
  - No major pressure on rupee from FCNR (B) redemption in September expected as RBI remain committed to address volatility.
  - As RBI will on guard to keep inflation at the targeted level, will leave interest rate unchanged.
  - Global crude prices remaining subdued, will keep dollar demand to pay for import manageable.
  - Better growth outlook for India in the global context with reform momentum (if GST is passed) will ensure India is a preferred destination for FDI and FII.
  - FDI has been steady in 2016 and FII has also turned positive in July 2016
- Indian rupee movement will be governed by FDI and FII inflows
- Higher growth in India makes it an attractive destination for FDI and FII.
- The impact of subdued global growth is felt through sluggish exports and also subdued crude prices.
- RBI is not in favour of rupee depreciation given its inflationary implications.
- Current global situation is beneficial for India as the gains from low crude prices far outweighs loss from export earnings because of subdued global growth scenario.

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Financial and Commodities Markets

- Bond yields have declined after a marginal increase and were 7.11% on Aug 31, 2016 compared to 7.10% a fortnight back.
  - The bond yields hardened marginally when the name of new RBI governor was announced who had the image of an inflation crusader and the architect behind the inflation targeting framework. However markets adjusted their expectations subsequently.
  - Reasonably good growth prospects aided by steady progress of monsoon and softer crude prices are other supporting factors for the fall in yield.

Crude Outlook

- Oil futures on August 25, 2016 suggest that there will be some upward pressure on crude prices.
- Oil Prices below US$50 a matter of comfort
- Oil prices will be in the acceptable range because of
- ➢ Inventory accumulation,
- ➢ Subdued demand on account of sluggish growth and
- ➢ Lack of decision in OPEC to control supply because
  - Iran which had initially agreed to attend the informal OPEC meeting in Algiers on a possible output freeze with non-cartel producer Russia during Sept 25-26, 2016 changed its stance.
  - Iran wants its pre-sanctions share of the crude market, dampening the prospects of agreement on an output freeze in the scheduled OPEC meeting in Sep, 2016.
  - Iran is reported to have doubled its exports of oil and gas to 2.7 million barrels per day (bpd) since signing the nuclear deal in July last year.
  - Iran's total output has risen to 3.85 million bpd, close to the level before international sanctions were imposed in 2012.

Measures to Broaden the Corporate Debt Market - RBI on Aug 25, 2016 announced a set of measures to give a boost to the corporate bond market in India.

- RBI has moved the government to amend the RBI Act so that it can accept corporate bonds as collateral in its repo window.
- RBI has now allowed banks to increase the partial credit enhancement they provide for corporate bonds to 50% from 20% now. Partial credit enhancement means improving the credit rating of a corporate bond by providing an additional source of assurance or guarantee to service the bond. However, RBI has capped the credit enhancement provided by individual banks at 20% of the bond issue size.
- RBI is planning to permit brokers in corporate bond repos (or repurchases), authorize them to act as market makers and also allow foreign investors to directly trade in corporate bonds.
- In an attempt to encourage the overseas Rupee bond market, banks will be permitted to issue Rupee bonds overseas (Masala Bonds) for their capital requirements and for financing infrastructure and affordable housing.
- A market making scheme in Government securities by Primary Dealers has been worked to increase the liquidity of semi-liquid securities.
- Foreign Portfolio Investors will be given direct access to NDS-OM to ease the process of investment in debt securities. It has also been agreed with SEBI to provide FPIs facility to trade directly in corporate bonds.

Rate Decision by Major Central Banks

FED

- US Fed Chairperson at the symposium sponsored by Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming on August 26, 2016 indicated that prospects of rate hike in USA have increased.
- Possibility of rate hike signifies growth prospects in US have improved.
- A rate hike will put upward pressure on oil prices. However, gold prices are likely to remain soft as it loses its relative safe haven status.
- Capital flows to emerging economies could be adversely affected.

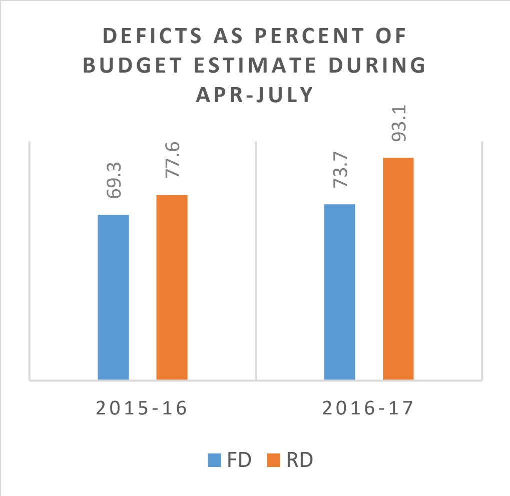
ECB

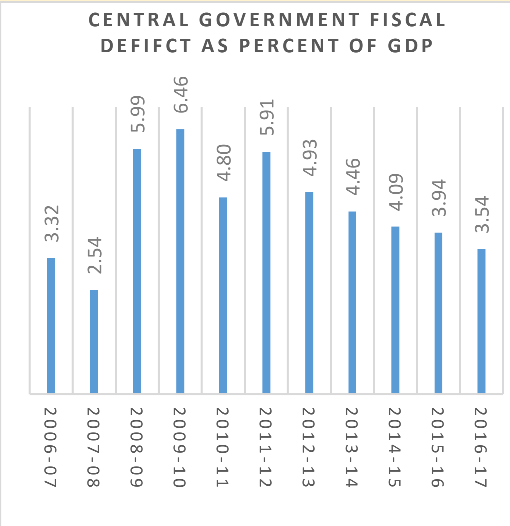
- The European Central Bank kept interest rates unchanged on July 21, 2016 but left the door open to more policy stimulus, highlighting "great" uncertainty and abundant risks to the economic outlook.
- It left its deposit rate unchanged at minus 0.4% and the main refinancing rate at 0.00%. The ECB, however, the bank reaffirmed its guidance to keep rates at current or lower levels for an extended period and beyond the scope of its asset purchase programme.
- It also repeated that its 80 billion euro ($88 billion) per month asset-buying programme would run until March 2017, or beyond if necessary, until it sees an upward adjustment of inflation toward its target.

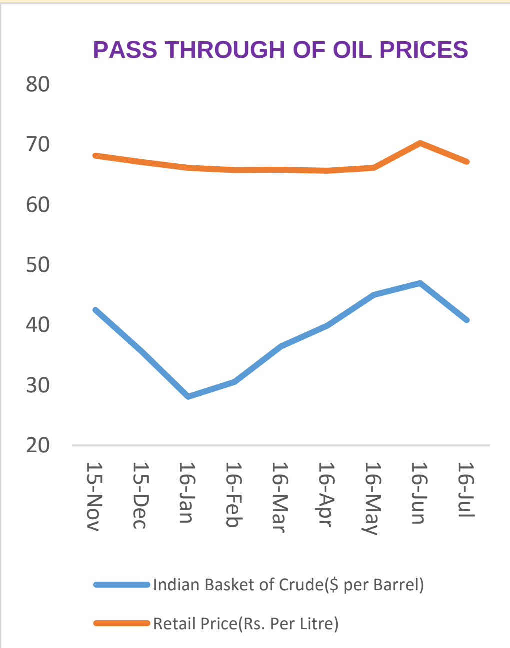
BoE

- BoE in its MPC meeting dated August 3, 2016 took the following decisions
- A 25 basis point cut in Bank Rate to 0.25%;
- A new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate;
- Purchase of up to £10 billion of UK corporate bonds; and
- Expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total stock of these asset purchases to £435 billion.

Please refer page No. 19 for disclaimer.







Fiscal Sector

- Higher revenue expenditure on account of front-loading of subsidy payments has pushed the Centre's fiscal deficit till July 2016.
- Centre's fiscal deficit, rose to ₹3,93,487 crore or 73.7 per cent of the Budget Estimate between April and July of 2016-17. It was much lower at 69.3 per cent of the Budget Estimates a year ago.
- Front-loading of subsidy outgo for food, fertiliser and fuel has resulted in the revenue deficit jumped to ₹3,29,638 crore or 93.1 per cent of the Budget Estimate in just the first four months of the fiscal.
- The pay commission impact has not materialsied till July 2016. With implementation of the Pay commission recommendation and recent hike in wages for manual labour, it is worth pondering if the Centre can stick to its fiscal deficit target of 3.5% for 2016-17

Feasibility of Centre Meeting Fiscal Deficit Target of 3.5%?

- Pay commission related expenditure has been mostly provided for in the budget.
- Disinvestment target of Rs. 56,500 crore in 2016-17 is 19% lower than the Rs. 69,500 crore provided in 2015-16 budget and as such, more realistic.
- Subdued oil prices in the coming months reflected from oil futures is going to be a major support.
- What is doubtful is the realisation of around Rs. 98,900 crores that has been budgeted from spectrum auctions.

Pay Commission Impact

- Impact from implementation of 7th CPC recommendations is Rs.1.02 lakh crores.
- Government has budgeted Rs. 95,256 crores to meet 7th Pay Commission Recommendations.
- Thus, only Rs. 6,844 crore has not been provided for in the Budget for financial year 2016-17.
- As such the fiscal deficit target will not be breached on account of the implementation of the 7th Pay Commission's recommendations.

Wage Hike

- The central government on August 30, 2016 announced a hike in minimum wage for unskilled non-farm workers of the central government to Rs. 350 a day, from the current Rs. 246. The minimum daily wage for non-urban agricultural workers has also been increased from Rs. 211 to Rs. 300. The 40-60% in minimum wage for unskilled workers
- The government has also announced a doubling of the ceiling to Rs.7,000 per month for payment of productivity-linked bonus and ad-hoc bonus for 2014-15 and 2015-16, a move that would cost R3,000 crore and benefit about 40 lakh non-gazetted central government employees.
- The impact of the wage hike will be broad basedd and will have medium term impact for government fiances.

Crude Support to Fiscal Deficit

- Global crude prices anywhere between $44-55 will not be disruptive for India.
- Current Oil prices around US$45 is a sweet spot for India.
- Government has not passed on the decline in oil prices to consumers and as such gets fiscal comfort from the subdued crude prices.

Banking

Competition in the Lending Space

Base rates of select 12 banks (6 from the PSB space and 6 New Private Banks) varied within a range of 130 bps. SBI and HDFC bank had the lowest base rate at 9.3% and IndusInd Bank had the highest base rate at 10.60%. These banks also had the lowest and highest MCLR rates in the 1-year tenure. The variation in MCLR, however, had a smaller range of 80 bps.

As far as deposit rates are concerned, we find greater convergence amongst the select 12 banks. We find the range is 75 bps for term deposits of less than 1 year duration and for less than Rs.1 crore.

Innovation

Unified Payments App-National Payments Corporation of India on August 25, 2016 announced the launching of Unified Payment Interface (UPI) by 21 banks which is expected to bring revolutionary changes to the payments landscape in India through the use of smartphones. UPI enables bank account holders (of banks participating in UPI) to send (push) and receive (pull) money using a Virtual Payment Address (VPA) without entering additional bank account details. UPI also facilitates interoperability of person-to-merchant payments (both push and pull).

Robot to greet customers at HDFC Bank- HDFC Bank has launched 'Project AI' (artificial intelligence) which envisages a robot to serve customers. It is reported that the Bank plans to introduce the robot in one of its branches in Mumbai. The robot will serve as a receptionist in the initial phase of the project. The Bank plans to upgrade it to include voice recognition and facial recognition features.

Axis Bank to set up Innovation Lab - Axis Bank is in the process of setting up an innovation lab viz, 'Thought Factory' in Bengaluru and has tied up with cloud services provider Amazon Web Services (AWS) to help the startups getting incubated at the lab. Under the partnership, AWS would provide the required technology as well as access to mentorship to the startups that will be part of the accelerator programme at the innovation lab. The Bank is planning to have more tie-ups for their incubation center in future to make it a fintech startup hub. Bengaluru is slowly emerging as the Fintech startup hub and banks and financial institutions are increasingly starting incubators and accelerators to encourage innovation in the space.

DBS Plans to Use Artificial Intelligence innovation in Banking-Development Bank of Singapore (DBS) reported that it has developed an Artificial Intelligence (AI) based innovation to allow its customers to access banking services quickly, to begin with, on Facebook Messenger. The service will be extended to other mobile messaging apps such as WhatsApp & WeChat. The innovation will be simultaneously launched in Singapore and India, and then followed in other key markets. The innovation is intended to enable DBS customers to converse with the Bank, manage accounts, track expenses as well as make payments through the messenger service.

Kotak Mahindra Bank Starts Innovation Lab-Kotak Mahindra Bank has started an 'Innovation Lab' in Bengaluru to tap into the best technology that impacts its operations, and is open to investing in start-ups. The innovation Lab is a dedicated space from where they will be partnering with startups in the fintech space to test concepts and launch them into commercial products.

Experience with the MCLR System

- The Reserve Bank introduced the Marginal Cost of Funds based Lending Rate (MCLR) system for scheduled commercial banks (excluding RRBs), effective April 1, 2016 whereby all new rupee loans sanctioned and credit limits renewed would be priced with reference to the MCLR.
- Under the MCLR system, banks determine their benchmark lending rates linked to marginal cost of funds which is more sensitive to changes in the policy rate.
- MCLR consists of four components: (a) marginal cost of funds (marginal cost of borrowings comprising deposits and other borrowings, and return on net worth), (b) negative carry on account of CRR, (c) operating costs and (d) term premium. The MCLR plus spread is the actual lending rates for borrowers. The spread comprises of only two components, viz., business strategy and credit risk premium.
- Under the MCLR system, transmission to WALR is expected to improve on the assumption that the marginal cost of funds is more sensitive to changes in the policy rate than the average cost of funds.
- As expected, the MCLR for the overnight segment, one year segment and up to three-year segment (as on July 31, 2016) was lower by 70 bps, 25 bps and 36 bps, respectively, than the base rate of 9.65 per cent.
- RBI has observed in its Annual Report that transmission of a reduction in the policy rate to the actual lending rates has been limited toll June 2016. While the cost of funding by banks has declined somewhat leading to a decline in shorter maturity MCLR, there has been an increase in the term premia in respect of term loans of one year and above, thereby attenuating the transmission to actual lending rates charged to customers.
- As per RBI, banks may have been loading (i) a higher credit risk premia on their new customers in order to attain their desired return on net worth in a rising NPA environment; and/or (ii) a higher strategic risk premia on their riskier loans as part of their business strategy to reorient their lending operations towards less risky activities. The consequent rise in the spread is reflected in a near unchanged WALR in respect of both outstanding and fresh rupee loans during 2016-17 till June 2016.

Development

RBI issues guidelines on tap license for Banks - RBI issued guidelines on Aug 1, 2016 for on tap license for Universal Banks, a major departure from its earlier approach of phase wise grant of license. Minimum capital requirement of Rs 500 crore and maximum foreign shareholding has been capped at 74%. Corporate entities are excluded from applying for banking licenses but they can hold 10% stake in a bank. The bank shall open at least 25% of its branches in un-banked, rural centres. Resident individuals having 10 years of experience in banking and finance at a senior level can apply for licence. Some of the other notable features for issuance of license are:

- Banks should be floated under a Non-Operative Financial Holding Company (NOFHC)
- NOFHC not mandatory for individuals or standalone promoters who do not have other group entities
- Not less than 51% of the total paid-up equity capital of the NOFHC shall be owned by the promoter/promoter group
- Existing specialised activities can be carried out under NOFHC, provided the bank does not do so
- The bank shall open at least 25% of its branches in un-banked, rural centres

Crop insurance scheme-RBI has recently mandated the Banks to furnish all the relevant information including land and crop details of all farmers availing Pradhan Mantri Fasal Bima Yojna (PMFBY) crop insurance through their branches. It may be noted that PMFBY launched in June 2016 provides crop insurance for Horticultural, Commercial, Rabi and Kharif Crops at premium of 5%, 5%, 1.5% and 2% respectively and the rest of the premium rates will be shared equally by the central and state governments for providing full coverage on account of losses.

Merger arrangement of SBI with its associates- SBI Board approved the share swap ratios for the merger of five associate banks and Bharatiya Mahila Bank with itself. SBI will issue 28 shares of Rs. 1 each for 10 shares of Rs. 10 each for the State Bank of Bikaner and Jaipur and 22 shares for 10 shares of the State Bank of Mysore. Likewise, shareholders of State Bank of Travancore (SBT) will also get 22 shares in SBI for every 10 shares held by them in SBT. SBI will also issue 44.2 million shares to the government for one billion shares of Bharatiya Mahila Bank, a Delhi-based bank started in 2013 and wholly-owned by the government. As for the unlisted State Bank of Patiala and State Bank of Hyderabad, in which SBI holds 99 per cent each, it would be a line-by-line merger. All shares held by SBI in the five associate banks will stand cancelled after merger. Post consolidation SBI's assets will be worth $550 billion and it will occupy 44th slot in a list of world's top 50 banks according to assets. The associate banks have fixed assets of around Rs 4,000 crore, which will add to the bank's capital. After the merger, SBI's cost-to-income ratio will come down by one percentage point in a year.

SBI and PNB Auction Properties to recover dues - SBI and PNB are auctioning properties to recover dues. SBI is holding a mega e-auction where it would sell a record 1,107 properties online on September 7. The properties carry a reserve price of Rs. 2,500 crore. Among the properties, housing properties are sold most as they are backed by proper documentation, the process is transparent plus it addresses a basic need. The response to auction of industrial units, however, is dependent on uptick in the economy.

Highlights of Enforcement of Security Interest and Recovery of Debts Laws Amendment Bill, 2016

- The Bill was first passed in Lok Sabha on Aug 1 and later in Rajya Sabha on Aug 9. The Bill seeks to strengthen the debt recovery laws, improve financial health of the banks and lead to ease of doing business. Key Features
- The Bill seeks to amend four laws: (i) SARFAESI Act, 2002 (ii) RDDBFI Act, 1993 (iii) Depositories Act, 1996 and (iv) Indian Stamp Act, 1899. Amendments to SARFAESI Act:
- It allows District Magistrate (DM) to take possession over collateral within 30 days for securing the creditors. It empowers DM to assist banks to take over the management of a company, in case the company is unable to repay loans.
- It creates a central database to integrate records of property registered under various registration systems with central registry meant for maintaining records of transactions related to secured assets. Unless collateral is registered with the central registry, secured creditors will not be able to take possession over it.
- Empowers the RBI to carry out audit and inspection of Asset Reconstruction Companies (ARCs) and penalize them if they fail to comply with any directions issued by it.
- Stamp duty will not be charged on transactions undertaken for transfer of financial assets (loans and collaterals) in favour of asset reconstruction companies.
- Amendments to the RDDBFI Act: Increases the retirement age of Presiding Officers.
- As part of the overhaul of DRTs, the bill proposes to speed up the process of recovery and move towards online DRTs. To this effect, it proposes electronic filing of recovery applications, documents and written statements. DRTs will be the backbone of the bankruptcy code and deal with all insolvency proceedings involving individuals. The debtor will have to deposit 50% of the amount of debt due before filing an appeal at a DRT. It also seeks to make the process time-bound. A district magistrate has to clear an application by the creditor to take over possession of the collateral within 60 days.

Measures to support the Construction Sector

In view of the decline in revenue growth and profit before tax (PBT) margins for companies the construction space and their inability to cover interest costs from earnings Government on August 31, 2016 announced a set of measures which will help banks to address their NPA problem arising from the construction sector

1. Department of Financial Services, in consultation with Reserve Bank of India will evolve a suitable one-time scheme for addressing stressed bank loans in the construction sector.
2. Government agencies would pay 75% of the arbitral award amount to an escrow account against margin free bank guarantee, in those cases where the award is challenged. The escrow account can be used to repay bank loans or to meet commitments in ongoing projects.

a) This is a major step which will allow recovery of loans by banks and allow construction companies to speed up execution of ongoing projects.

b) It will also increase the ability of construction companies to bid for new contracts and the resulting competition will be beneficial in containing the costs of public works.

c) This measure will provide a stimulus to the construction industry and to employment.

Some of the other initiatives approved by the CCEA relating to construction sector are:

(i) PSUs/Departments may seek the consent of the contractors/ concessionaires to transfer the arbitration cases initiated under the pre-amended Arbitration Act to the amended Arbitration Act, wherever possible;

(ii) All PSUs/ Departments issuing public contracts may consider setting up Conciliation Committees/ Councils comprising of independent subject experts in order to ensure speedy disposal of pending or new cases;

(iii) Item-rate contracts, may be substituted by EPC (turnkey) contracts, and PSUs/ Departments may adopt the Model EPC contracts for construction works

Banking

Initiatives

Banks step up defence against cyber-attacks-Banks are planning to introduce Honeypot systems to tackle cyber attacks faced by them which ranges from defacing websites to access banks' payment systems. It may be noted that parallel virtual/Honeypot systems are created to let hackers attack those instead of actual systems. Honeypots are mainly decoy systems to detect cyber attackers and study how they attack the server so that necessary safeguards can be incorporated in actual system to prevent similar attacks. Recently, in July 2016 there were attempts to block the e-payments service of Canara Bank and also to hack UBI's offshore accounts.

SBI Plans to Partner with LIC, IIFCL for Credit Enhancement Fund- State Bank of India, plans to partner with Life Insurance Corporation of India (LIC) and India Infrastructure Finance Company Ltd (IIFCL) to set up a credit enhancement fund of around Rs. 500 crores that will guarantees lower-rated bonds issued by infrastructure companies and enhance their ratings. It may be noted that Budget 2015-16 had proposed setting up of a credit enhancement fund to help raise the ratings of bonds floated by infrastructure companies and attract long-term investors.

Bandhan bank to enter wealth management services-Bandhan Bank is planning to offer wealth management services through two dedicated branches in addition to its rural finance activities in its attempt to be recognised as a universal bank. It may be observed that Bandhan Bank began operations on Aug 23'15 has 700 branches with a customer base of 8.9 mn.

HDFC Bank plans to set up BPO - HDFC Bank Ltd plans to set up a 200-seater business process outsourcing (BPO) Centre in Bhubaneswar. The BPO will cater to internal services like processing of account opening applications, credit cards for all India operation.

Bank of India plans to improve capital adequacy by issuing bonds and sale of non-core assets - Bank of India is planning to tap retail investors for issuance of additional tier-I bonds (AT1) to strengthen its capital adequacy ratio and raise Rs 1,000 cr via sale of non-core assets

Yes Bank plans to raise $1 billion through QIP - Yes Bank plans to raise $1 billion (about Rs 6,885 crore) through QIP in the next 7 months for which it has started engagement with investors across geographies. Also, the Bank got the approval to raise the limit without any sub-limits for investment by way of issuance of non-equity shares and/or other permissible instruments to eligible non-resident investors.

Please refer page No. 19 for disclaimer.

Annex-1
Growth Projections

Organisation	Growth Forecast	Growth Boosters	Potential Drags
S&P July 22, 2016	8% Growth for 2016-17 and 2017-18	Strong consumption growth continues apace, the external accounts look reasonably resilient post-Brexit, and fiscal policy looks prudent. The structural reform drive continues to gain traction. Consumer confidence looks quite high and investor confidence seems buoyant.	Lack of investment pickup
ADB July 18, 2016	ADB expects India to grow 7.4% in 2016-17 and 7.8% in 2017-18.	The improved monsoon encouraged more planting of rice, pulses and sugarcane into July. There are some signs of an uptick in rural demand in anticipation of good monsoon and a rural-oriented government budget.	The potential growth of the country can be raised further if it can successfully implement necessary reforms including unifying the tax regime, improving labour market regulations, and opening further to foreign direct investment and trade.
IMF July 19, 2016 and IMF July 23, 2016	Marginally scaled down India's economic growth projections by 0.1 percentage point to 7.4 per cent each for 2016-17 and 2017-18	India's economy is on a recovery path, helped by lower oil prices, positive policy actions and improved confidence	Slower investment revival than expected earlier, Vulnerabilities in corporate financial positions and public bank asset quality could threaten financial stability if left unaddressed, decelerating pace of reforms, and sluggish exports will weigh on growth
World Bank June 20, 2016	India's economic growth to be at 7.6 percent in 2016-2017, followed by a modest acceleration to 7.7 percent in 2017-2018 and 7.8 percent in 2018-2019.	Economic activity in India has remained robust, supported mainly by domestic demand. Growth will continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes. The World Bank has also observed that an accommodative monetary stance, public investments in infrastructure, and progress on structural reforms, including new bankruptcy laws, should support a pickup in private investment	The most significant near- and medium-term risks stem from the banking sector and its ability to finance private investment which continues to face several impediments in the form of excess global capacity, regulatory and policy challenges, in addition to corporate debt overhang.
Fitch July 18, 2016	GDP growth to accelerate slightly to 7.7% in 2016-17 and 7.9% in 2017-18	Expected pick up in consumption in both urban and rural areas after a civil-servant wage hike of 24% and the strong likelihood of stronger rainfall than in the previous two poor monsoon years.	Weak fiscal balances, India's and NPA of PSBs which are contingent liabilities of the Government.
Morgan Stanley July 18, 2016	Revised its growth estimate from 7.5% to 7.7% for 2016. It also scaled up growth rate to 7.8%, from earlier 7.7% for 2017.	Growth recovery is becoming more broad-based, driven by public capex, foreign direct investment (FDI) and consumption.	This indicated that private investments are yet to pick up.

Annex-2

Base Rate and MCLR of Select Banks

Name	Effective from	1Y-MCLR	Effective from	Base Rate	Effective from	FD Rate for 1-2 years
Bank of Baroda	7-Aug-16	9.40	1-Jul-16	9.60	Dec- 15	7.30
Bank of India	7-Aug-16	9.40	5-Oct-15	9.7	Dec -15	7.30
Canara Bank	1-Aug-16	9.35	7-Oct-15	9.65	July -16	7.28
Punjab National Bank	1-Aug-16	9.35	1-Oct-15	9.6	Aug 16	7.00
Union Bank of India	1-Aug-16	9.45	30-Jun-16	9.6	April-16	7.25
State Bank of India	1-Aug-16	9.10	5-Oct-15	9.3	July-16	7.50
Axis Bank	18-Jul-16	9.30	27-Jul-16	9.35	Aug-16	7.50
HDFC Bank	8-Aug-16	9.10	4-Jan-16	9.3	Aug-16	7.25
ICICI Bank	1-Jun-16	9.15	5-Oct-15	9.35	Aug-16	7.40
Indusind Bank	20-Jul-16	9.90	19-Oct-15	10.6	July 16	7.75
Kotak Mahindra Bank	1-Aug-16	9.60	5-Oct-15	9.5	Aug-16	7.50
YES Bank	1-Aug-16	9.45	5-Oct-15	10.25	Apr 16	7.50

Note- All banks in this sample except Kotak Mahindra Bank, Yes Bank and IndusInd Bank offer 4% interest rate on SB deposits. Kotak Mahindra Bank & Yes Bank offer 6% interest rate on Saving Bank accounts for account balance of over Rs. 1 lakh. IndusInd Bank offers 5% interest rate on Saving Bank accounts for account balance of over Rs. 1 lakh - Rs. 10 lakh and 6% for account balance of over Rs. 10 lakh.

Figures are in per cent.

Annex-3
Monthly Macro Indicators

Indicator	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Production													
IIP	4.3	6.3	3.7	9.9	-3.4	-0.9	-1.6	1.9	0.3	-1.3	1.1	2.1	
Infrastructure	1.1	2.6	3.2	3.2	-1.3	0.9	2.9	5.8	6.4	8.5	2.8	5.3	3.2
Prices													
WPI	-4	-5.1	-4.6	-3.7	-2	-1.1	-1.1	-0.9	-0.5	0.8	1.2	1.6	3.6
CPI	3.7	3.7	4.4	5	5.4	5.6	5.7	5.3	4.8	5.5	5.8	5.8	6.1
Agriculture	2.2	2.2	3.9	5.2	6.1	6.4	6.8	5.3	5.2	6.4	7.5	7.8	8.4
Industry	-1.5	-2.0	-1.7	-1.7	-1.4	-1.5	-1.2	-0.5	0.1	1.0	1.2	1.2	1.8
Services	3.4	3.1	3.3	3.5	3.8	4.0	3.9	4.4	4.0	4.3	4.0	3.8	4.0
Banking													
Reverse Repo (Rs. Mn)	50341	40861	65648	56357	56800	52108	59680	37608	118689	166727	38187	83387	77195
Repo (Rs. Mn)	25941	44925	94674	99900	112374	101353	124577	108937	112190	82260	114558	42734	41562
Aggregate Deposits	12.3	10.5	9.9	10.4	9.7	10.1	10.4	9.6	8.1	9.5	8.9	9.2	8.9
Total Credit	8.2	8.2	8.4	8.1	8.6	9.2	9.5	9.7	9.0	8.4	8.0	7.3	7.7
Non Food Credit	8.4	8.4	8.6	8.3	8.8	9.3	9.8	9.9	9.1	8.4	8.4	7.9	8.3
Industrial Credit	4.8	5.0	4.9	4.6	5.0	5.3	5.6	5.4	2.7	0.1	0.9	0.6	0.6
Infrastructure Credit	8.3	8.2	8.7	8.3	8.7	8.4	9.8	9.1	4.4	-1.5	-0.1	-2.1	-3.1
Service Credit	6.4	5.9	5.9	6.8	6.8	9.2	8.9	8.6	9.1	10.9	9.3	9.2	10.8
SLR-Investment	14.1	13.4	11.6	11.1	11	10.6	7.6	7.1	3.6	4.9	4.6	5.6	5.9
Leading Indicators													
Manufacturing PMI	52.7	52.3	51.2	50.7	50.3	49.1	51.1	51.1	52.4	50.5	50.7	51.7	51.8
Service PMI	50.8	51.8	51.3	53.2	50.1	53.6	54.3	51.4	54.3	53.7	51	50.3	51.9
Composite PMI	52	52.6	51.5	52.6	50.2	51.6	53.3	51.2	54.3	52.8	50.9	51.1	52.4
Services													
Passenger Traffic: All Airports	23.4	16.2	12.3	14.8	20.8	16.8	17.9	19.6	20.4	17.3	17.5	16.8	23
Foreign Tourist Arrivals	10.5	4.1	6.6	2.2	6.6	3.1	6.7	11.3	12	10.6	3.8	7.4	17.1
Goods Traffic Movement by Railways (Mn Tonnes)	91	89	89	93	88	95	98	89	100	86	92	92	89
Automobile Sales: Total	2.3	-0.3	0.1	11.1	-0.4	-1.5	3.1	10.2	10.2	14.5	7.7	7.2	8.9
Automobile Sales: Passenger Vehicle	10.8	5.6	2.9	21.5	7.2	5.1	-0.6	5.4	9.2	10.2	5.2	7.6	13.9
Automobile Sales: Commercial Vehicle	10	10.6	9.8	12.3	7	13.6	19.3	18.8	20.7	14.7	15.1	7.3	2.1
Automobile Sales: Two Wheelers	1.1	-1.4	-0.7	10.1	-1.3	-3.1	3.5	10.4	10.8	17.2	8.7	7.9	9.2
Automobile Sales: Three Wheelers	-5.9	-4.3	1	-3.5	-13.3	-6.2	-3	20.4	-7.2	-21.7	-9.9	-6.6	-8.9
External													
FDI-Equity (US $mn)	2082	2296	2972	5326	3018	4719	5065	3206	2556	3437	2059		
FII-Net Portfolio Investment(US $mn)	-676	-3528	-2444	4478	-3784	-2572	-1471	-2381	4328	1133	-385		
ECB(US $mn)	2144	751	2615	2114	3164	3034	1395	1353	1521	305	1318	1072	1203
Exports	-10.3	-20.7	-24.3	-17.5	-24.4	-14.8	-13.6	-5.7	-5.5	-6.7	-0.8	1.3	-6.8
Imports	-10.3	-10	-25.4	-21.2	-30.3	-3.9	-11	-5	-21.6	-23.1	-13.2	-7.3	-19.1
Trade Balance(US $mn)	-12812	-12478	-10479	-9767	-9782	-11664	-7639	-6542	-5071	-4845	-6273	-8116	-7761
Rupee-Dollar Exchange Rate	64	66.3	65.7	65.2	66.8	66.3	67.9	68.6	66.3	66.5	67.2	67.6	67.03
Rupee-Pound Exchange Rate	100	102.3	99.5	99.9	100.4	98.4	97.8	95.2	95.1	97.4	98.7	90.5	88.3
Rupee-Euro Exchange Rate	70	74.5	73.8	71.7	70.7	72.5	74.1	75.1	75.1	75.7	74.8	75	74.3
REER 36 Country (Trade Based Weight) Base 2004-05=100	112	113	113.2	113.6	113.2	110.2	110.8	110.2	110.9	110.6	110.97	111.6	112.6
Forex Reserves Outstanding(US $bn))	353	352	350	352	352	352	349	347	356	363	361	360.8	362.6

Note: All figures unless specified otherwise refers to y-o-y growth and are in per cent. PMI figures are numbers.

Annex-4
Quarterly Macro Indicators

	2013-14		2014-15				2015-16				2016-17
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GVA at Basic Prices Growth	6.3	4.9	7.4	8.1	6.7	6.2	7.2	7.3	6.9	7.4	7.3
Components Growth											
Agriculture, Forestry and Fishing	5	4.6	2.3	2.8	-2.4	-1.7	2.6	2	-1	2.3	1.8
Industry	5.2	3.9	8	5.9	3.8	5.7	6.7	6.3	8.6	7.9	6.0
Mining and Quarrying	2.1	8.1	16.5	7	9.1	10.1	8.5	5	7.1	8.6	-0.4
Manufacturing	6.4	4.5	7.9	5.8	1.7	6.6	7.3	9.2	11.5	9.3	9.1
Electricity, Gas, Water Supply and Other Utility Services	3.8	5.8	10.2	8.8	8.8	4.4	4	7.5	5.6	9.3	9.4
Construction	4.4	0.8	5	5.3	4.9	2.6	5.6	0.8	4.6	4.5	1.5
Services	7.8	5.6	8.6	10.7	12.9	9.3	8.8	9	9.1	8.7	9.6
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	10.5	7.8	11.6	8.4	6.2	13.1	10	6.7	9.2	9.9	8.1
Financial, Real Estate and Professional Services	7.1	6.7	8.5	12.7	12.1	9	9.3	11.9	10.5	9.1	9.4
Public Administration, Defence and Other Services	4.7	0.9	4.2	10.3	25.3	4.1	5.9	6.9	7.2	6.4	12.3
Expenditure components as % of GDP											
Net Taxes on Products	7.6	11.9	3.9	6.3	8.1	13.5	5.4	7.6	9.4	14.9	5.9
Final Consumption Expenditure	69.2	65.6	70.4	71.1	68.2	64.8	71.3	72.8	70.4	66.5	73.4
Final Consumption Expenditure: Private	61	56.5	58.3	57.9	57.9	56.4	59.8	59.6	60.3	58.4	60.5
Final Consumption Expenditure: Government	8.2	9.1	12.1	13.2	10.3	8.4	11.5	13.1	10.1	8.1	12.9
Gross Fixed Capital Formation	31.2	31.1	32.2	31.1	29.9	30.1	31.6	31.4	27.6	26.9	28.3
Change in Stocks	1.5	1.6	1.9	1.8	1.6	1.8	1.8	1.8	1.6	1.7	1.8
Valuables	1.3	1.5	1.6	1.4	1.3	1.8	1.5	1.4	1.3	1.3	0.7
Exports of Goods and Services	25.1	25.1	24.2	23.8	23	20.9	21	21	19.2	18.8	20.0
Import of Goods and Services	27.1	26.6	27.4	27.5	26.2	22.7	23.9	24.5	22	19.9	20.9
Discrepancies	-1.2	1.7	-3	-1.7	2.3	3.3	-3.3	-3.8	1.8	4.7	-3.4
BoP Indicators											
Current Account as % of GDP	-0.9	-0.2	-1.5	-2.2	-1.5	-0.1	-1.2	-1.7	-1.3	-0.1	-
Trade Account as % of GDP	-3.2	-2.2	-3.6	-4.1	-3.6	-2.1	-3.3	-3.9	-3	-1.6	-
Capital Account as % of GDP	0	0	0	0	0	0	0	0	0	0	-
Financial Account as % of GDP	1	0.4	1.6	2.1	1.9	0	1.4	1.8	1.3	0	-
Foreign Direct Investment as % of GDP	1.3	0.2	1.6	1.5	1.3	1.7	2	1.3	2	1.6	-
Foreign Portfolio Investment as % of GDP	0.5	1.9	2.6	1.9	1.2	2.3	0	-0.7	0.1	-0.3	-
Errors and Omission as % of GDP	-0.1	-0.2	0	0.1	-0.4	0.1	-0.2	-0.1	0	0	-
Accretion(-)/Depletion (+) of Forex (Us$bn)	-19.1	-7.1	-11.2	-6.9	-13.2	-30.1	-11.4	0.9	-4.1	-3.3	-
FDI(US$bn)	6.1	0.9	7.6	7.5	6.9	9.3	10	6.5	10.7	8.8	-
FII(US$bn)	2.4	9.3	12.4	9.8	6.3	12.5	0	-3.5	0.6	-1.5	-
External Debt: USD: Total (bn)	426.9	446.2	453.1	456.3	458.7	475	482.4	480.9	479.7	485.6	-
External Debt: USD: Long Term (bn)	334.2	354.5	363.1	369.3	373.1	389.5	398.8	396.1	398.1	402.2	-
External Debt: USD: Short Term (bn)	92.7	91.7	90.1	87	85.6	85.5	83.6	84.8	81.6	83.4	-
External Debt: USD: Short Term: Trade Related (bn)	86.2	81.7	82	80.4	79	81.6	79.3	79.2	77.4	80	-
Short Term Debt as % of Total Debt (bn)	21.7	20.5	19.9	19.1	18.7	18	17.3	17.6	17	17.2	-
Note-Figures are in per cent unless specified otherwise.											

Annex-5
Annual Macro Indicators

Indicator	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Real Sector Growth										
GVA at Basic Price*	9.6	9.3	6.7	8.6	8.9	6.7	5.4	6.3	7.1	7.2
I. Agriculture	4.2	5.8	0.1	0.8	8.6	5.0	1.5	4.2	-0.2	1.2
II. Industry	12.2	9.7	4.4	9.2	7.6	7.8	3.6	5.0	5.9	7.4
Mining & quarrying	7.5	3.7	2.1	5.9	6.5	0.1	-0.5	3.0	10.8	7.4
Manufacturing	14.3	10.3	4.3	11.3	8.9	7.4	6.0	5.6	5.5	9.3
Electricity, Gas &Water Supply	9.3	8.3	4.6	6.2	5.3	8.4	2.8	4.7	8.0	6.6
Construction	10.3	10.8	5.3	6.7	5.7	10.8	0.6	4.6	4.4	3.9
III. Services	10.1	10.3	10.0	10.5	9.7	6.6	8.1	7.8	10.3	8.9
Food Grains Production (Mn Tonnes)	217.3	230.8	234.5	218.1	244.5	259.3	257.1	265.0	252.0	252.2
Industrial Production										
IIP	12.9	15.5	2.5	5.3	8.2	2.9	1.1	-0.1	2.8	2.4
Basic Goods	8.9	8.9	1.7	4.7	6	5.5	2.5	2.1	7	3.6
Capital Goods	23.3	48.5	11.3	1	14.8	-4	-6	-3.6	6.4	-2.9
Intermediate Goods	11.5	7.3	0	6	7.4	-0.6	1.6	3.1	1.7	2.5
Consumer	16.1	17.6	0.9	7.7	8.6	4.4	2.4	-2.8	-3.4	3
Consumer Durables	25.3	33.1	11.1	17	14.2	2.6	2	-12.2	-12.6	11.3
Consumer Non-Durables	12.3	10.2	-5	1.4	4.3	5.9	2.8	4.8	2.8	-1.8
Mining	5.2	4.6	2.6	7.9	5.2	-2	-2.3	-0.6	1.5	2.2
Manufacturing	15	18.4	2.5	4.8	9	3	1.3	-0.8	2.3	2
Electricity	7.3	6.3	2.7	6.1	5.5	8.2	4	6.1	8.4	5.7
Banking										
Aggregate Deposits Growth	23.8	22.4	19.9	17.2	15.9	13.5	14.2	14.1	10.7	9.9
Demand Deposit Growth	17.9	22	-0.2	23.4	-0.6	-2.6	5.9	7.8	11.2	13.1
SCBs food credit	-1	14.3	-4.6	4.1	4.9	32.6	26.5	18.6	2.1	-4.1
SCBs non-food credit	38.4	28.5	23	17.8	17.1	21.3	16.8	14	14.2	9.3
Fiscal Sector(Combined)										
Gross fiscal deficit	5.1	4	8.3	9.3	6.9	7.6	6.9	7.1	6.6	
Gross primary deficit	-0.3	-1.2	3.3	4.5	2.4	3.2	2.3	2.3	1.7	
Revenue deficit	1.3	0.2	4.3	5.7	3.2	4.1	3.4	3.2	2.6	
External Sector										
Exports Growth	22.6	29.1	13.6	-3.5	39.8	22.5	-1.8	4.7	-1.3	-15.9
Imports Growth	24.5	35.5	20.7	-5.1	28.2	32.3	0.3	-8.3	-0.5	-15.3
Exports/GDP	13.6	13.4	15.4	13.4	15	16.8	16.7	17	15.4	12.8
Imports/GDP	20.1	20.8	25.2	22	22.4	27.1	27.4	24.9	22.5	18.5
Invisibles/ GDP	5.5	6.1	7.5	5.9	4.6	6.1	5.9	6.1	5.7	7.2
CAD /GDP	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1
Foreign Investment/GDP	3.1	5	2.3	4.8	3.5	2.7	3	1.9	3.7	1.6
Import Cover of Reserves (Months)	12.5	14.4	9.8	11.1	9.5	7.1	7	7.8	8.9	
FII(US$mn)	3225	20328	-15,017	29048	29422	16812	27582	5009	40923	- 3,516
FDI(US$mn)	16481	26864	32066	27146	22250	35855	22884	25274	31911	41043

Note-*For 2006-07 to 2011-12 figures represent rate of growth GDP at factor cost (2004-05 base).
Figures are in per cent unless specified otherwise.

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