

STATS WINDOW

The Pacific Business Review International has taken an initiative to start a section which will provide a snapshot of major Global & Indian economic indicators and industry review alternatively.

A snapshot of the section in upcoming issues is hereunder:

Aug. 2015 Hospitality Sector: Global Scenario

Sept. 2015 Economy at a Glance (Global & Indian)

Oct. 2015 Education industry: Global Scenario

Nov. 2015 Economy at a Glance (Global & Indian)

Dec. 2015 Tourism Industry: Global Scenario

GLOBAL ECONOMY AT A GLANCE

Global economic recovery remained tepid and divergent across economies, with most EMEs experiencing slowdown. While AEs remain susceptible to the risk of deflation, inflationary pressures subsided in key EMEs giving leeway for easing monetary policy. Global commodity prices continue to decline. Financial markets were buoyant but volatile in pricing in policy developments in major economies.

In the United States, growth has been firming up, aided by improving labour and housing market conditions. The sharp appreciation in the US dollar in recent months could, however, dampen prospects for exports. In the Euro area, economic conditions remain weak although some pick-up in Q4 of 2014 and the early months of 2015 is being observed, supported by lower crude prices and the depreciation in the euro as well as increased bank lending. The contraction of activity in Japan moderated in the final

quarter of 2014, with mixed signals from higher frequency data in the beginning of 2015 - consumer confidence and exports show improvement, but retail sales and industrial production have contracted.

Most EMEs continue to decelerate due to subdued external demand, political uncertainties and domestic supply-side constraints. In China, activity has slowed over the second half of 2014 and Q1 of 2015 as investment demand lost pace and the real estate sector weakened on deleveraging and financial repair among households and corporations. The Russian economy slowed sharply due to falling oil prices and Western sanctions. Contraction continues in Brazil as high inflation squeezes domestic demand. Falling oil and commodity prices also weighed on growth prospects of countries in the Middle East, Eastern Europe and Latin America (Table 1).

Table 1: Real GDP Growth (Y-o-Y, Percent)

Period	Q1-2014	Q2-2014	Q3-2014	Q4-2014	2015P
Advanced Economies					
United States	1.9	2.6	2.7	2.4	3.6
Euro area	1.1	0.8	0.8	0.9	1.2
Japan	2.1	-0.4	-1.4	-0.7	0.6
United Kingdom	2.7	2.9	2.8	3.0	2.7
Canada	2.1	2.6	2.7	2.6	2.3
Emerging Market Economies					
China	7.4	7.5	7.3	7.3	6.8
Russia*	0.6	0.7	0.9	0.4	-3.0
Brazil*	2.7	-1.2	-0.6	-0.2	0.3
Mexico	0.9	2.8	2.2	2.6	3.2
South Africa	2.1	1.3	1.5	1.3	2.1
<i>Memo Items:</i>	2014				2015P
World Output	3.3				3.5
World Trade Volume	3.1				3.8

P: Projection,

*not seasonally adjusted

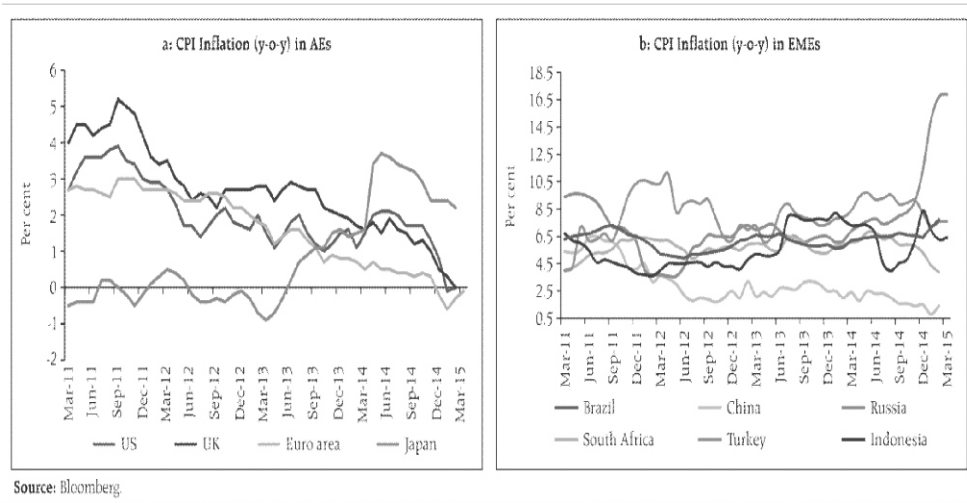
Sources: OECD, IMF and Bloomberg.

Global Inflation Developments

Inflation continues to drift downward in AEs and many EMEs albeit in varying degrees. Given weak demand conditions, falling commodity prices has made deflation a major concern for many AEs. The Euro area is struggling to emerge out of a deflationary spiral with CPI inflation of (-) 0.1 per cent in March. In the US and the UK, inflation has been declining since the second half of 2014, with zero

inflation in February in both countries. For the UK, low food and fuel prices have been the prime factors for keeping inflation low. In the US, appreciation of the dollar has also had a disinflationary effect. In Japan too, CPI inflation has shrugged off the effects of the hike in the consumption tax in April 2014 and has steadily fallen to 2.2 per cent, primarily driven down by falling commodity prices (Chart 1).

Chart 1: Global Inflation



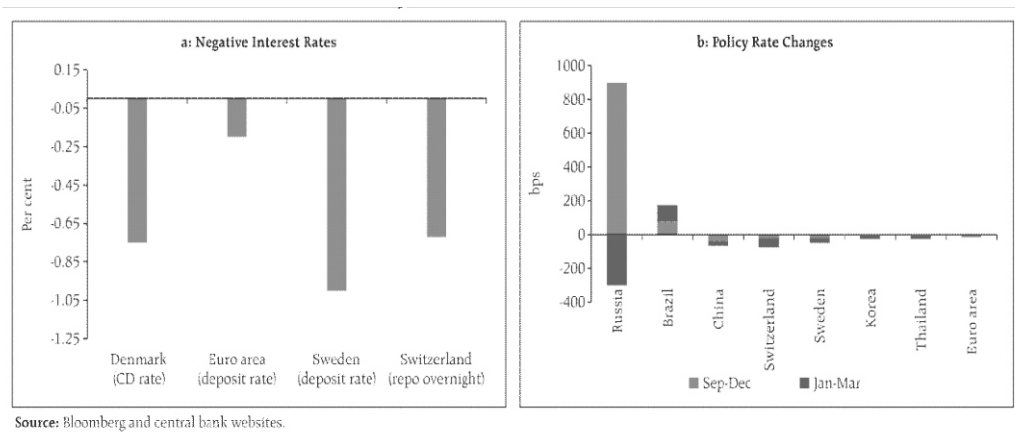
Source: Bloomberg

Monetary Policy Stance

Faced by the combination of deflationary/ disinflationary pressures and weak growth, central banks in both AEs and EMEs have pursued accommodative monetary policies. In the US, monetary policy remains highly accommodative with interest rates close to zero even after the cessation of the Fed's asset purchases in October. Notwithstanding forward guidance in March setting the stage for lifting its policy rate,

markets anticipate a relaxed approach from the Fed in this regard. Facing persistent deflation, the Bank of Japan has continued with its target of monetary base expansion of 80 trillion yen per year. The ECB began its asset purchase programme since March 2015 which, in turn, has produced sizable depreciation of the euro and taken long-term bond yields to new lows. Some countries have resorted to negative interest rate policy to counter high real interest rates arising due to deflationary pressures (Chart 2).

Chart 2: Interest Rates Across Countries

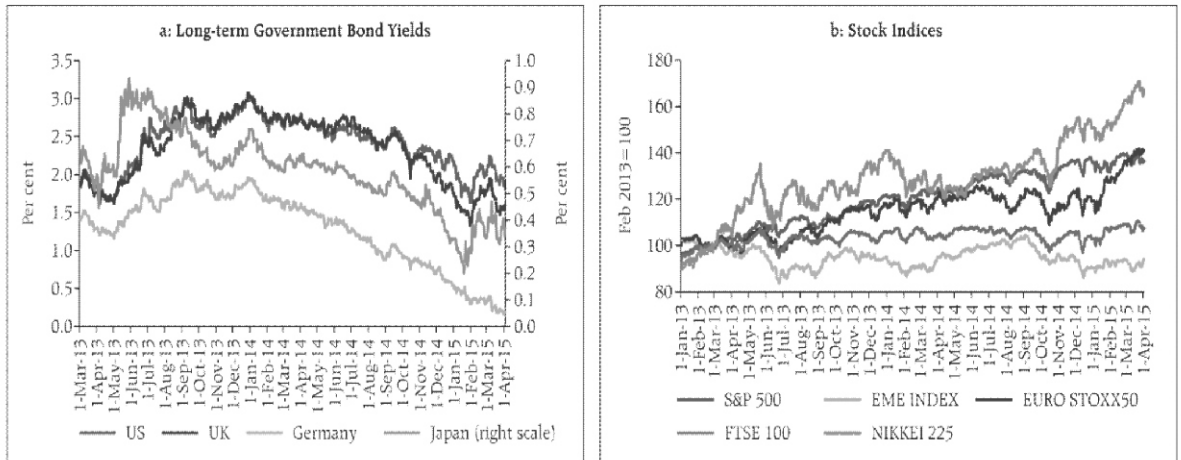


Source: Bloomberg and central bank websites.

Financial markets have been volatile since mid-2014, triggered by data releases in the US and the Fed's statements on the normalisation of monetary policy. Political tensions in Europe relating to Greece, lower oil prices and country-specific events have also impacted investor sentiment.

Unprecedented low interest rates and compressed risk premia have led to a precipitous fall in long-term government bond yields while raising most asset prices to near record highs as the search for yield pushed investors to riskier assets (Chart 3).

Chart 3: Global Financial Markets



Source: Bloomberg.

Indian Economy at a Glance

Growth of Index of Industrial Production (IIP)

- The weightage of Manufacturing, Mining and Electricity production in overall Index of Industrial Production (IIP) is 75.52 %, 14.16 % and 10.32 % respectively.
- The IIP registered a growth of 2.1 % in March, 2015 over

the index of March, 2014. The Mining, Manufacturing and Electricity grew at 0.9 %, 2.2 % and 2.0 % respectively during the month.

- Cumulatively, the IIP registered a growth of 2.8 % during April to March, 2014-15 over corresponding period of previous year. The production of Mining, Manufacturing and Electricity sector increased by 1.4 %, 2.3 % and 8.4 % respectively during April to March, 2014-15 over

Table 1: Growth of Index of Industrial Production (IIP) (in %)

Groups	Weight	Annual		Cumulative	Monthly	
		2012-13	2013-14	April-March, 2014-15	February-2015	March-2015
Mining	141.57	-2.3	-0.6	1.4	1.9	0.9
Manufacturing	755.27	1.3	-0.8	2.3	5.2	2.2
Electricity	103.16	4.0	6.1	8.4	5.9	2.0
General Index	1000.00	1.1	-0.1	2.8	4.9	2.1
Use Based Classification						
Basic goods	456.82	2.5	2.1	6.9	5.0	2.3
Capital goods	88.25	-6.0	-3.6	6.2	8.5	7.6
Intermediate goods	156.86	1.6	3.1	1.6	0.9	1.9
Consumer goods	298.07	2.4	-2.8	-3.5	5.1	-0.7
i) Consumer Durables	84.60	2.0	-12.2	-12.5	-3.4	-4.7
ii) Consumer Non - Durables	213.47	2.8	4.8	2.8	10.5	1.9

Source: CSO

Use-based industry groups

Basic goods, Capital goods, Intermediate goods and Consumer Non-durables have shown positive growth during March, 2015 while Consumer Durables has shown negative growth during March, 2015.

The index of Basic goods, Capital goods, Intermediate goods and Consumer Non- durables registered a growth of

2.3 %, 7.6 %, 1.9 % and 1.9 % respectively while index of Consumer Durables moderated by 4.7 % in March, 2015.

Cumulatively, the index of Basic goods, Capital goods, Intermediate goods and Consumer Non-durables increased by 6.9 %, 6.2 %, 1.6 % and 2.8 % respectively while the index of Consumer Durable moderated by 12.5 % in April to March, 2014-15.

Table-2: Performance of Manufacturing sector in terms of Growth Rates of IIP (in %) during March, 2015 (Base: 2004-05=100)

S. No.	Items	Weights	Growth Rates (%)
	Manufacturing Sector	755.27	2.2
Increase in Production			
1	Furniture; manufacturing n.e.c.	29.97	34.0
2	Electrical machinery & apparatus n.e.c.	19.80	18.2

3	Wood and products of wood & cork except furniture; articles of straw & plating materials	10.51	12.5
4	Chemicals and chemical products	100.59	9.1
5	Wearing apparel; dressing and dyeing of fur	27.82	9.0
6	Other transport equipment	18.25	8.9
7	Machinery and equipment n.e.c.	37.63	7.5
8	Motor vehicles, trailers & semi-trailers	40.64	6.9
9	Textiles	61.64	6.8
10	Basic metals	113.35	5.7
11	Luggage, handbags, saddlery, harness & footwear; tanning and dressing of leather products	5.82	5.2
12	Paper and paper products	9.99	2.1
13	Medical, precision & optical instruments, watches and clocks	5.67	0.1
Industries having weightage of 481.69 in IIP showed increase in production.			
Decline in Production			
1	Radio, TV and communication equipment & apparatus	9.89	-62.8
2	Office, accounting & computing machinery	3.05	-39.4
3	Tobacco products	15.70	-12.1
4	Other non-metallic mineral products	43.14	-7.5
5	Food products and beverages	72.76	-3.5
6	Fabricated metal products, except machinery & equipment	30.85	-3.2
7	Publishing, printing & reproduction of recorded media	10.78	-1.6
8	Coke, refined petroleum products & nuclear fuel	67.15	-0.4
9	Rubber and plastics products	20.25	-0.1
Industries having weightage of 273.58 in IIP showed a fall in production.			

Source: CSO.

Out of the 22 industry groups in the manufacturing sector, **thirteen** industry groups registered a **positive** growth in March, 2015. (Table-2 above).

Index of Eight Core Industries (Base: 2004-05=100)

The Eight Core Industries comprise nearly 38 % of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stands at 162.4 in April, 2015, which was 0.4 % lower compared to the index of April, 2014. Its cumulative growth during April to March, 2014-15 was 3.6 %.

Coal

Coal production (weight: 4.38 %) increased by 7.9 % in April, 2015 over April, 2014. Its cumulative index during April to March, 2014-15 increased by 8.4 % over corresponding period of previous year.

Crude Oil

Crude Oil production (weight: 5.22 %) declined by 2.7 % in April, 2015 over April, 2014. Its cumulative index during April to March, 2014-15 declined by 0.9 % over the corresponding period of previous year.

Natural Gas

The Natural Gas production (weight: 1.71 %) declined by 3.6 % in April, 2015. Its cumulative index during April to March, 2014-15 declined by 5.2 % over the corresponding period of previous year.

Refinery Products (0.93% of Crude Throughput)

Petroleum Refinery production (weight: 5.94%) declined by

2.9 % in April, 2015. Its cumulative index during April to March, 2014-15 increased by 0.4 % over the corresponding period of previous year.

Fertilizers

Fertilizer production (weight: 1.25%) declined by 0.04 % in April, 2015. Its cumulative index during April to March, 2014-15 declined by 0.1 % over the corresponding period of previous year.

Steel (Alloy + Non-Alloy)

Steel production (weight: 6.68%) increased by 0.6 % in April, 2015. Its cumulative index during April to March, 2014-15 increased by 0.8 % over the corresponding period

of previous year.

Cement

Cement production (weight: 2.41%) declined by 2.4 % in April, 2015. Its cumulative index during April to March, 2014-15 increased by 5.7 % over the corresponding period of previous year.

Electricity

Electricity generation (weight: 10.32%) declined by 1.1 % in April, 2015. Its cumulative index during April to March, 2014-15 increased by 8.1 % over the corresponding period of previous year.

Table 3
Performance of Eight Core Industries
Yearly Index & Growth Rate Base Year: 2004-05=100
INDEX

Sector	Weight	2009-10	2010-11	2011-12	2012-13	2013-14	Apr-Mar 2014-15
Coal	4.379	140.0	139.7	141.5	148.1	150.0	162.7
Crude Oil	5.216	99.1	111.0	112.1	111.4	111.2	110.3
Natural Gas	1.708	149.5	164.4	149.7	128.1	111.5	105.7
Refinery Products	5.939	125.9	129.7	133.7	172.5	175.0	175.7
Fertilizers	1.254	103.4	103.4	103.8	100.2	101.8	101.7
Steel	6.684	139.3	157.7	174.0	181.1	201.9	203.6
Cement	2.406	157.1	164.2	175.2	188.7	194.5	205.5
Electricity	10.316	130.8	138.1	149.3	155.3	164.6	177.9
Overall Index	37.903	129.9	138.4	145.3	154.7	161.2	167.0

Table 4
GROWTH RATES (in %)

Sector	Weight	2009-10	2010-11	2011-12	2012-13	2013-14	Apr-Mar 2014-15
Coal	4.379	8.1	-0.2	1.3	4.6	1.3	8.4
Crude Oil	5.216	0.5	11.9	1.0	-0.6	-0.2	-0.9
Natural Gas	1.708	44.6	10.0	-8.9	-14.5	-13.0	-5.2
Refinery Products [#]	5.939	-0.4	3.0	3.1	29.0	1.5	0.4
Fertilizers	1.254	12.7	0.0	0.4	-3.4	1.5	-0.1
Steel	6.684	6.0	13.2	10.3	4.1	11.5	0.8
Cement	2.406	10.5	4.5	6.7	7.7	3.1	5.7
Electricity	10.316	6.2	5.6	8.1	4.0	6.0	8.1
Overall Index	37.903	6.6	6.6	5.0	6.5	4.2	3.6

[#]Refinery Products' yearly growth rate of 2012-13 is not comparable with other years on account of inclusion of RIL (SEZ) production data since April, 2012.

Table 5
Performance of Eight Core Industries
Monthly Index & Growth Rate Base
Year: 2004-05=100
INDEX

Sector	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity	Overall Index
Weight	4.379	5.216	1.708	5.939	1.254	6.684	2.406	10.316	37.903
Apr-14	144.6	109.6	104.6	166.2	87.4	200.0	218.8	178.0	163.0
May-14	145.2	111.6	111.2	171.6	100.5	214.3	216.4	183.2	168.7
Jun-14	139.2	110.4	109.4	173.3	99.5	196.1	209.7	181.5	163.9
Jul-14	134.9	111.1	103.5	170.8	102.5	200.4	206.9	182.8	163.9
Aug-14	138.6	106.8	103.1	175.1	105.7	209.3	187.7	183.6	165.1
Sep-14	140.1	107.5	102.6	169.7	101.1	197.4	198.0	175.3	160.6
Oct-14	158.2	113.6	107.2	180.5	105.1	189.8	185.9	184.1	165.9
Nov-14	174.0	111.0	106.2	181.3	104.4	195.8	190.8	174.6	166.2
Dec-14	186.0	113.4	109.4	186.2	108.5	207.9	211.2	175.7	172.7
Jan-15	185.0	112.6	108.5	185.7	111.6	218.9	217.2	175.7	174.8
Feb-15	185.9	101.5	95.8	166.0	97.5	195.9	205.7	164.8	161.5
Mar-15	220.4	113.9	107.2	182.5	96.9	217.3	217.4	175.9	177.8
Apr-15	156.0	106.6	100.9	161.3	87.3	201.3	213.6	176.0	162.4

Table 6
GROWTH RATES (in %)

Sector	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity	Overall Index
Weight	4.379	5.216	1.708	5.939	1.254	6.684	2.406	10.316	37.903
Apr-14	6.2	-0.1	-7.7	-1.9	11.1	6.9	7.3	11.9	5.7
May-14	5.5	-0.3	-2.2	-2.3	17.6	-2.0	8.7	6.3	2.3
Jun-14	8.1	0.1	-1.7	1.2	-1.0	4.2	13.6	15.7	7.3
Jul-14	6.2	-1.0	-9.0	-5.5	-4.2	-3.4	16.5	11.2	2.7
Aug-14	13.4	-4.9	-8.3	-4.3	-4.3	9.1	10.3	12.6	5.8
Sep-14	7.2	-1.1	-6.2	-2.5	-11.6	4.0	3.2	3.8	1.9
Oct-14	16.2	1.0	-4.2	4.2	-7.0	2.3	-1.0	13.2	6.3
Nov-14	14.5	-0.1	-2.9	8.1	-2.8	1.3	11.3	10.2	6.7
Dec-14	7.5	-1.4	-3.5	6.1	-1.6	-2.4	3.8	3.7	2.4
Jan-15	1.7	-2.3	-6.6	4.7	7.1	1.6	0.5	2.7	1.8
Feb-15	11.6	-1.9	-8.1	-1.0	-0.4	-4.4	2.7	5.2	1.4
Mar-15	6.0	1.7	-1.5	-1.3	5.2	-4.4	-4.2	1.7	-0.1
Apr-15	7.9	-2.7	-3.6	-2.9	-0.04	0.6	-2.4	-1.1	-0.4