

Weekly Economic Bulletin

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News Feature

India to double exports by 2014: Anand Sharma

Commerce and Industry Minister Anand Sharma said the government is committed to doubling India's exports by 2014 and its share in the world trade in the coming years.

"We have emerged well out of the financial meltdown and we are growing at an encouraging pace. We aim to maintain the momentum and to double our exports in 2014 as compared to the figure in 2008," he told.

"We have also fixed a target to double our share, in percentage terms, in the world trade by 2020. We have taken many steps in this direction. In our foreign trade policy, which was released last year on Aug 28, we had taken many important decisions pertaining to various schemes and incentives," he said.

Sharma was in this union territory to participate in an interactive session with industrialists of the region.

He also emphasised bringing in innovative ideas and making India's workforce more employable.

"All growth is meaningless until and unless we make our people more employable through proper training. India has to fulfil the global shortage of talent. Fortunes of growth should be equally distributed in all sections," Sharma said.

"We have to make India a hub of new technologies and we have to make more investment in innovations, which is currently very less," he added.

<http://economictimes.indiatimes.com/news/economy/policy/India-to-double-exports-by-2014-Anand-Sharma/articleshow/5903899.cms>

India Inc raises \$4.32 bn via ECBs in March

Reflecting the faster recovery in the economy, the corporate India Inc has raised \$4.32 billion in March 2010 up by 300% over \$ 1.11 billion mobilised in March 2009.

The corporate, which had rushed to overseas markets for cheaper borrowings, had mopped up \$2.19 billion in February which effectively showed that in March the external borrowings had doubled to \$4.32 billion.

According to the Reserve Bank of India (RBI) data. As many as 73 companies had opted for ECBs where Reliance Industries, Reliance Infratel, Nacil, Aircel and PFCL account for more than half the borrowings.

According to the RBI data, while 64 companies raised over \$2.36 billion through the automatic route, nine companies mopped more than \$ 1.96 billion through the approval route.

While RIL raised \$800 million in two tranches through the automatic route for refinancing debt, National Aviation Company (Nacil) which operates Air India, raised over \$855.50 million for "import of capital goods" Telecom players Aircel and Reliance Infratel (R-Comm's tower business) raised \$300 million and \$250 million, respectively during the month. Aircel Cellular raised another \$100 million through the approval route.

Dishnet Wireless and Power Finance Corporation (PFC) raised \$350 million and \$300 million, respectively in the month.

Some of the other companies that raised foreign funds during the month included Sterling Biotech (\$147.40 million), Delhi International Airport (\$150 million), Air India Charters (\$114.30 million), Sistema Shyam Teleservices (\$71.64 million in three tranches) and L&T Turbine Generators (\$ 65.37 million).

<http://www.financialexpress.com/news/india-inc-raises-4.32-bn-via-ecbs-in-march/615057/>

Overseas Investment

Forex reserves swell \$157 mn as gold shines

Foreign exchange reserves rose \$157 million during the week ended April 30, on higher valuation of gold in reserves during the week.

According to the latest data released by the Reserve Bank of India, the value of gold in reserves rose \$551 million to touch \$18,537 million. Foreign currency assets comprising dollars, pounds and euro, among others, on the other hand dipped \$354 m during the week. Special Drawing Rights (SDR) — reserve currency with the International Monetary Fund and the reserve capital with the IMF dipped by \$6m and \$34m, respectively, during the week.

In the banking sector, banks have again started parking funds in mutual funds in the absence of lending opportunities during this time of the year. They parked an additional Rs 766 crore during the fortnight ended April 23 to take their total MF exposure to Rs 1,06,285 crore.

<http://economictimes.indiatimes.com/news/economy/finance/Forex-reserves-swell-157-mn-as-gold-shines/articleshow/5905278.cms>

FDI in food processing sector may rise 27 pct in FY'11

Foreign direct investment in food processing is likely to rise 27 per cent to Rs 1,200 crore this fiscal in light of immense untapped potential in the sector, Union Food Processing Minister said.

"This year, foreign direct investment (FDI) is expected to cross Rs 1,000 crore and touch Rs 1,200 crore," Food Processing Minister Subodh Kant Sahai told PTI on the sidelines of the second national conference of the National Meat and Poultry Processing Board (NMPPB).

"The FDI is expected from many Mauritius-based companies, who are looking at tapping the Indian market," a senior ministry official said.

US-based producer and marketer of food Cargill is also expected to invest in the sector this fiscal, he added.

The government has allowed 100 per cent FDI in food processing.

Of the total FDI in food processing last fiscal, PepsiCo--a global player in convenient snacks, foods and beverages--constituted about 40 per cent, the official said.

In 2009-10 fiscal, FDI in food processing industry rose by over 200 per cent to Rs 945 crore, against Rs 400 crore in the previous year, he mentioned.

The official said that FDI from PepsiCo in the sector increased substantially during the last fiscal.

The company has invested in food segment and not beverages, he added.

Sahai further said that the government is soon expecting the detailed project reports (DPR) on four mega food parks in Karnataka, Punjab, Uttar Pradesh and Maharashtra.

He also said that the government will soon send the proposal to the Cabinet for approval of the rest of the 20 mega food parks.

The government has targeted to set up 30 mega food parks in the 11th Five-Year Plan (2007-12), of which 10 have already been approved.

The parks are being set up under the Mega Food Park Scheme of the government that aims to encourage Public-Private Partnership (PPP) for creating rural infrastructure in the food processing sector.

Of the total cost of over Rs 300 crore for each park, Rs 50 crore will be funded by the government.

<http://economictimes.indiatimes.com/news/economy/finance/FDI-in-food-processing-sector-may-rise-27-pct-in-FY11/articleshow/5890098.cms>

Trade News

India, Japan working on nuclear deal to boost 123 Agreement

India and Japan are quietly working on an inter-governmental agreement on civilian nuclear energy so that the 123 Agreement between India and the US, currently in the last lap of political negotiation before the US Congress, can be fully implemented on the ground in India.

According to the broad contours of this agreement, New Delhi will promise not to conduct any more nuclear tests in exchange for Japanese permission to its companies, Hitachi,

Toshiba and Mitsubishi to go ahead and partner with US and French companies seeking to build civilian nuclear plants in India.

The India-Japan agreement, in fact, very much mirrors the 123 Agreement between India and the US. New Delhi's promise not to conduct any nuclear tests in the Indo-US nuclear deal is also accompanied by the vow that it will return all material and equipment to the US in case that happens.

In a little noticed development last week in Delhi, the ongoing energy dialogue between Planning Commission Deputy Chairman Montek Singh Ahluwalia and the powerful Japanese minister for economy, trade and industry, Masayuki Naoshima, resulted in the creation of a sixth working group on civilian nuclear energy, which also had its first meeting the same afternoon.

Over the next few weeks, senior officials from the Ministry of External Affairs will travel to Tokyo to take forward the deliberations of the sixth working group with the director general of the Agency of Natural Resources & Energy, T Ueda.

Both sides are now hoping that the inter-governmental agreement between India and Japan on civilian nuclear energy issues will be signed when the Japanese foreign minister visits India later this year.

But both sides are equally interested in keeping negotiations under wraps because of the extremely shaky nature of the current Democratic Party-led government under Prime Minister Yukis Hatoyama, whose Socialist party coalition partners have a strong anti-nuclear focus and could even walk out of the government.

Considering Japan is the only country in the world to have experienced the horrors of nuclear war first hand, Japanese public opinion was outraged when the erstwhile Taro Aso government in 2008 allowed the Nuclear Suppliers Group to make an exception for India and allow the Indo-US nuclear deal to go through.

Now, New Delhi is taking this energy relationship to the next level and hoping to formalise it through a bilateral pact.

<http://www.business-standard.com/india/news/india-japan-workingnuclear-deal-to-boost-123-agreement/394323/>

Services, investment FTA with Asean likely by year-end: Com secy

The commerce ministry is hopeful of signing a free trade pact in services and investments with the 10-nation Asean bloc by the end of the year.

India and some of the key Association of Southeast Asian Nations (Asean) members like Malaysia, Singapore and Thailand have already operationalised the free trade agreement (FTA) in goods from January 1. Both the sides are engaged in intense negotiations to widen the base of the pact by including trade in services and investments.

"Hopefully yes," commerce secretary Rahul Khullar said when asked whether the pact would be signed by the year-end.

The services sector is of key interest to the government as it contributes over 55 per cent of GDP. This sector has also emerged as an important area for export earnings. The government is looking at expanding trade with the Asean in several services, including banking, insurance, health, accountancy, architects, engineers, nurses, doctors and English teachers.

Both the sides are also discussing to recognise each other's educational degrees. However, according to a senior official, the trading bloc is "deadly scared" about Indian professionals entering their markets, as Indians are perceived to have better competitive advantage.

The two sides aim to increase their USD 44-billion trade to USD 50-billion by the end of the year.

The Asean members are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, Singapore and Vietnam.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Services-investment-FTA-with-Asean-likely-by-year-end-Com-secy/articleshow/5899299.cms>

Aus-India FTA could boost Aus GDP by \$32 bn in next 20 yrs

With 47 per cent of Australians favouring Free Trade Agreement with India in a recent poll, the feasibility study by the two sides has revealed the agreement could boost Australia's GDP by AU\$ 45 billion in the next 20 years.

According to 'The Age', Trade Minister Simon Crean, who is currently on a visit to India, has indicated that the negotiations for a deal would start soon while expecting Uranium exports to India, to be an issue that would form a part of discussions.

However, Crean said there was no change in the government's position and Uranium would not stand in the way of a trade deal.

"Uranium is not the stumbling block in terms of an FTA," he said.

"Having an energy chapter in the FTA might facilitate something of a dialogue in that direction. It's another way for them to address the question if they want to do it," Crean added.

The two-year feasibility study said a trade agreement between the two countries would lead to a substantial increase in the trade of goods and create potential for more trade in services and investment.

"The joint study finds that an Australia-India FTA is feasible. It makes a strong economic case that both Australia and India would gain significant economic benefits from a

comprehensive FTA. An FTA would open up trade, investment and job opportunities in both countries," Crean said in a statement.

"An FTA with India will continue the momentum of Australia's economic integration with Asia - the fastest growing region in the world," he added.

Independent modelling conducted for the study by the Centre for International Economics indicates that an Australia-India FTA could result in a net increase in Australia's GDP by up to \$32 billion (AU\$ 45.5 billion) and India's GDP by up to \$34 billion (AU\$ 48.3 billion) over a period of 20 years.

"India is the world's largest democracy and is a market of 1.2 billion people. Its youthful population, diversified economy and growth trajectory present significant opportunity for Australian business, especially in the agriculture, energy, manufacturing, mining and services sectors," Crean said.

"Australia's exports to India have increased by an annual average of over 25 per cent over the past five years, making India our fastest-growing major export market. It is our fourth-biggest export market, up from 13th a decade ago."

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Aus-India-FTA-could-boost-Aus-GDP-by-32-bn-in-next-20-yrs/articleshow/5897140.cms>

India-Singapore biz set to double: Stan Chart

The number of Singapore-based companies setting up operations in India, about 350 at present, will double in the next five years, a senior executive of the Standard Chartered Bank in Singapore said.

Likewise, the India-based business community in Singapore would expand to about 5,500 companies from the present 4,000 within the next two-and-a-half years, said Ravi Manchanda, managing director of the bank for business and corporate developments between Singapore and India.

"We see more than one company from India setting up office in Singapore every day," he said.

"Singapore, which offers a wide range of tax incentives and charges a low corporate tax of 17 per cent, is one of the most attractive places to do business," said Manchanda, who had been working with global commercial and financial sectors in New York, Holland, London and Hong Kong over the last three decades.

"Indian companies also love to do business in and via Singapore with the rest of the East Asia, including China. They enjoy the benefits of Singapore's free trade agreements with the rapidly-expanding economies of China and South-East countries," he pointed out.

"Though Singapore companies tread with caution while investing overseas, they view India as one of the biggest profit-generating markets in the world," he said, adding, "India has a huge business potential and Singapore is a gateway to fast-expanding Asian economies."

The senior executive also backed his contention on the two markets with readings on the strong pick-up in India-Singapore bilateral trade since the beginning of this year. He said that the January-February 2010 bilateral trade had grown by a hefty 29 per cent year-on-year to SGD 4.26 billion from SGD 3.31 billion. It had fallen by 31.5 per cent a year ago, under pressure from the global economic crisis.

India's January-February 2010 exports to Singapore had increased by 42.5 per cent to SGD 1.86 billion while imports had gone up by 20 per cent to SGD 2.4 billion.

This fast-paced growth in trade is a reflection of the historical trade, commerce and cultural links between India and Singapore, he said.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Singapore-biz-set-to-double-Stan-Chart/articleshow/5888838.cms>

Sectoral News

Cement makers post robust growth in April

The 252-million-tonne domestic cement industry is likely to show year-on-year growth of 9-10 per cent in April, on the back of robust despatch figures posted by the major companies.

Continued robust demand and newer capacities going on stream have helped. For instance, the Aditya Birla Group has posted a rise of 6.2 per cent in its despatches at 3.38 mt in April.

Holcim-owned Ambuja Cements sold 16 per cent more, as its despatch stood at 1.9 mt against 1.6 mt last year. North-based Jaiprakash Associates continued to perform far better. Its despatches were 57 per cent more, at 1.25 mt against 0.8 mt in April last year.

The Cement Manufacturers Association will formally release the all the data for the entire industry next week.

<http://www.business-standard.com/india/news/cement-makers-post-robust-growth-in-april/393763/>

India April car sales up 39.5 pct y/y

Car sales in India rose an annual 39.5 percent in April as newer cars widened the choice for customers, an industry body said. Domestic firms sold 143,976 cars in the month, compared with 103,227 units a year ago, data from the Society of Indian Automobile Manufacturers (SIAM) showed. Sales of trucks and buses, a barometer of economic activity, rose 64.5 percent to 49,086 units in the months, SIAM said.

<http://economictimes.indiatimes.com/news/news-by-industry/auto/automobiles/India-April-car-sales-up-395-pct-y/y/articleshow/5911865.cms>

India's tea export jumps by 14 pc in FY'10

Tea exports from India, the world's largest grower, rose by 14 per cent to Rs 2,721 crore in 2009-10 fiscal on high global prices and downfall in shipments from other exporting countries, according to the Tea Board.

In terms of volume, overseas shipments increased to 200 million kg from 190 million kg in the review period, it said.

"The exports jumped to Rs 2,721 crore in FY'10 from Rs 2,381 crore in the previous year, as shortages in tea exporting countries like Kenya and Sri Lanka accounted higher demand for Indian tea," a Tea Board official said.

The export value rose also due to higher unit price. A premium quality Indian tea fetched as much as Rs 160 per kg, against Rs 146 per kg in the review period, he said.

The official also observed that the exports from South India was much better than Northern states, as supply in the former had improved due to good monsoon.

According to official data, the shipments from plains of Tamil Nadu, Karnataka and Kerala surged by almost 17 per cent to 98.42 million kg in FY'10, compared to 84.33 million kg in the year-ago period.

However, the shipments from Assam and West Bengal, which harvest the best quality tea leaves in the world, declined to 101 million kg from 106 million kg in the review period.

India exports CTC (crush-tear-curl) variety of tea mainly to Egypt, Pakistan and the UK and the premium orthodox variety of tea to Iraq, Iran and Russia.

Presently, India is facing competition in exporting CTC from Kenya and other African countries, while for orthodox variety from Sri Lanka and Indonesia.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Indias-tea-export-jumps-by-14-pc-in-FY10/articleshow/5909832.cms>

India likely to export 100mt of iron ore in 2010-11: MMTC

The country is expected to export around 100 million tonnes of iron ore in the current fiscal, a senior government official said.

"India's iron ore exports in 2010-11 are expected to be about 100 million tonnes," MMTC CMD Sanjeev Batra told.

The country exported about 105.67 million tonnes of iron ore in 2008-09, and it is expected in the similar range in the last fiscal, Federations of Indian Mineral Industries Secretary General R K Sharma said.

However, Sharma added that the recent increase in export duty on iron ore lumps to 15 per cent from previous 10 per cent may reduce its outward shipments by 50 per cent. The

country exported around five million tonnes of iron ore during 2008-09. Official iron ore export figures are not declared yet.

The government levies 5 per cent export duty on iron ore fines, which comprise the bulk of iron ore outward shipments.

The country produced about 230 million tonnes of iron ore in the last fiscal. India exports majority of its iron ore fines to China.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-likely-to-export-100mt-of-iron-ore-in-2010-11-MMTC/articleshow/5903856.cms>

Coir exports up

Coir and coir product exports increased 25.82 per cent in terms of value at Rs 804 crore during 2009-10 as against Rs 639 crore in the previous fiscal.

In terms of volume, exports touched 294,508.05 tonnes, up 47.3per cent, from 199,924.94 tonnes last year.

US continued to top among the importing countries with an intake of 35 per cent of the total exports followed by Germany and the UK among the list of over 100 countries to which Indian coir products are being shipped.

While non-traditional products like coir pith, coir fibre, PVC tufted mats and curled coir made positive growth, traditional products including handloom mats and handloom matting showed either negative growth or remained stagnant last fiscal, a Coir Board release said.

<http://www.business-standard.com/india/news/coir-exports-up/394139/>

News Round-Up

'Indian consumers on a high'

Consumer confidence in India rebounded to reach its highest level in the first quarter of 2010, providing the most definitive sign that India is fast recovering from the economic downturn, according to the latest edition of the Nielsen Global Consumer Confidence Index.

"The rising confidence index shows a rebounding faith in economy and hope for a more optimistic future. India is one of the fastest growing markets in the world and the current consumer belief that recession would soon be a thing of the past has filled Indians with confidence," The Nielsen Company's Managing Director - South Asia, Piyush Mathur said in a statement.

What is still bothering Indians job scare and financial concerns are a thing of the recent past for Indians.

It has been replaced by a concern for increasing food prices, which has beaten all other concerns and is the biggest concern (17 per cent) for Indians in the first quarter of 2010. In fact India tops all other countries where increasing food prices are concerned, it said.

42 percent Indians think that the country is under recession at the moment. Of these 68 percent Indian 1 of 4 consumers believe that the country will be out of recession in the next twelve months, making India the most optimistic country globally who believe that recession will be a thing of the past in a year's time.

With 127 index points, India ranked number one in the recent round of the survey, followed by Indonesia (116) and Norway (115), Nielsen said

Nielsen's Global Consumer Confidence Index tracks consumer confidence, major concerns and spending intentions among more than 27,000 Internet users in 55 countries. In the latest round of the survey conducted between March 8 and March 26, 2010, consumer confidence in many markets rebounded to pre-recession levels of late 2007 and early 2008.

India retains its number one spot with 91 percent votes as the most optimistic country where job prospects are concerned. 25 percent Indians think that job prospects in the country will be 'excellent' and 66 percent think that it will be 'good' in the next twelve months. With 76 percent votes, Singapore follows India in its optimism about job prospects.

<http://www.financialexpress.com/news/indian-consumers-on-a-high/616698/>