

Monthly Economic Analysis
Fortune 2010
May 2010

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Recent Trends in Indian Economy

Industrial Production

- India's GDP growth released for the last quarter of 2009-10 turned out to be robust, it showed a record growth of 8.6 percent as compared to the growth of 5.8 percent in the same quarter of previous year. For the fiscal 2009-10 India's economy grew by 7.4 percent which is an upward revision from earlier estimates of 7.2 percent due to higher-than-anticipated growth in agriculture, mining and manufacturing sectors.
- The IIP numbers in April 2010 continue to rise, it grew by 17.6 percent which was higher than the rate of 13.5 percent increase recorded a month ago. This is mainly led by the notable growth seen across all sectors. The industrial growth was just 1.1 percent a year ago, i.e. in April 2009.
- In the opening month of 2010-11, growth came from the three sectors, mining, manufacturing and electricity. As per the use-based classification, growth numbers were also found to be remarkable; especially, the capital goods sector, this achieved a growth of 72.8 percent indicating a rise in investment sentiments in the economy. The consumer goods sector appeared to have performed well as it posted growth of 14.4 percent in April 2010. This growth is mainly fuelled by high growth in consumer durables, registering an increase of 37 percent in April 2010. Fifteen (15) out of the seventeen (17) industry sectors witnessed positive growth in the first month of the present fiscal (2010-11) as compared to the growth numbers in the same month of previous year.

Core Infrastructure

- Growth in six core infrastructure industries accelerated by 5.1 percent in April 2010 as compared to 3.7 percent in April 2009. This growth is attributed to high performance in the sectors such as finished steel, crude petroleum, and petroleum refinery.

Inflation

- The overall inflation averaged for the month of April 2010 stood at 9.6 percent as compared to the inflation of 1.3 percent seen in the same month of previous

year. This rise in price index is on account of dearer food articles and fuel products.

Monetary Indicators

- The broad money supply increased by 0.8 percent in April 2010 compared to growth of 2.6 percent in the same month of 2009. The growth in bank credit to commercial sector was seen to decelerate by (-) 0.8 percent.
- The aggregate deposits expanded by 1.6 percent in April 2010 , calculated over March 2009 numbers. This expansion in aggregate deposits, was however, marginally higher in the same month of previous year.

Stock Market Trends

- The rising indices show that strong sentiments among the investors. Investment sentiments in the Indian stock market BSE Sensex was maintained above 17K in April 2010, whereas NSE index NIFTY rose to stay above 5K points.

Fiscal Trends

- There has been a decline by 0.3 percent in the fiscal deficit in the opening month of the current financial year 2010-11 as the deficit has stepped down from Rs 54158 crore in April 2009 to Rs 53993 crores in April 2010.
- The growth in gross tax revenue was observed to enter the positive quadrant during the month of April 2010. This is mainly on account of strong revival in the collection of indirect taxes and partly on account of collection in direct taxes.

Foreign Trade

- India's merchandise trade growth numbers show improvement since November 2009. The role of low base in the high growth cannot be denied, but one cannot also ignore the rise in demand in the international market. Latest figure available for April 2010 showed growth in exports by 36.2 percent as against the negative 33.2 percent observed in same month of last year.

Foreign Investment

- The total foreign investments attracted in 2009-10 amounted to USD 66.5 billion compared to USD 21.3 billion during 2008-09. However, the numbers

were almost same when foreign direct investment for both the years were being compared.

Foreign Exchange Reserves

- Foreign exchange reserves stood at USD 279.6 billion in April 2010 from USD 251.7 billion April 2009. This increase is subject to the recent surge in the foreign investments inflows.

Lead Stories of the Month

India's growth showing strength in the face of crisis

The year 2009-10 has seen the Indian economy recovering fast from the impact of the international financial crisis. After having grown at more than 9% per annum for three years, in the second half of 2008-09, the economy slowed to 5.7%. This was the direct consequence of the international financial crisis.

However, it is estimated that the Indian economy would have grown by 7.2% in 2009-10. This is despite a fall in farm production due to drought. The manufacturing sector is doing well. It has grown by 10.9% during the year. The service sector also has done well. The Indian economy will see even better performance in the current year.

Price rise has been a big concern. Inflation as measured by WPI had crossed 10% in February 2010. It was triggered by a shortfall in foodgrains production. But by now the food inflation has spread to other sectors as well. The year-on-year inflation in the manufacturing sector as of April 2010 was 6.7%. Inflation in the non-food manufacturing sector stood at 5.45%.

Controlling inflation should be the policymakers' most important task in the coming months. We have sufficient stocks of foodgrains. As of April 1, 2010, the stock of wheat was 16.13 million tonnes and that of rice 26.7 million tonnes. They are higher than what they were on the corresponding date in the previous year.

We should be able to use the stocks in a manner that leads to the softening of food inflation. Apart from releasing more foodgrains through subsidised public distribution system, the state governments should also identify alternate channels through which stocks can be sold at prices lower than market price, but equal to MSP plus freight.

The recovery is a testimony to the resilience of the Indian economy as well as the response to the policy initiatives taken by the government. An accommodative fiscal policy was adopted. This was done by way of reduction in the excise duty and expansion in public expenditure. Total expenditure under the budget 2009-10 was 36% higher than the budgeted estimates for 2008-09.

This extraordinary increase in government expenditures had resulted in fiscal deficit rising sharply. The revised estimates for 2009-10 show that the fiscal deficit stands at 6.7% of GDP. Obviously, this level of fiscal deficit is not sustainable over a long period.

Wisely, the budget for 2010-11 has brought it down to 5.5% of GDP. A process of fiscal consolidation has thus been put in motion. The budget has struck a proper balance between the need for fiscal consolidation and the need to provide adequate stimulus for growth. After the Greek episode, no one can mock at the critics of high fiscal deficits.

In 2009-10, against the background of the international financial crisis, the Reserve Bank of India adopted a policy of expanding liquidity. Reduction in CRR, repo and reverse repo rates were steps in the right direction. However, it became necessary for the RBI to watch the liquidity situation as the price scenario changed.

The inflationary spurt that was seen the last year was peculiar to the Indian economy. Under these circumstances, the monetary policy must contain the price increase within reasonable limits even as support is provided to facilitate growth. In response to the inflationary situation, the RBI raised the CRR by 75 basis points. More recently, it has raised the repo rate and reverse repo rate as well as CRR by 25 bps. If inflation persists at this level, further tightening may be called for.

Capital inflows have been moderate in 2009-10. Perhaps the addition to reserves has been less than \$15 billion.

This is a level of accretion that can be easily absorbed. One should expect the capital inflows to rise in the current year. But it is unlikely to be of the order that should cause serious concern to the level of reserves or the exchange rate. The correction of the appreciation of the real effective exchange rate must come through control of inflation.

GDP jumps 8.6 pct in Q4; 7.4 pct in FY10

Driven by a robust performance by the manufacturing sector, the Indian economy grew by 8.4 per cent in the last quarter of 2009-10, pushing up the overall growth to a better-than expected 7.4 per cent.

The manufacturing sector grew by 16.3 per cent in the fourth quarter (January-March 2009-10) and 10.8 per cent in the fiscal.

The Gross Domestic Product (GDP) grew at 7.4 per cent for 2009-10, higher than the February projection of 7.2 per cent.

The Central Statistics Organisation (CSO) also revised upwards the growth rates for Q2 and Q3 of 2009-10 on better-than-expected performance by manufacturing, mining and quarrying industries than first thought.

There was no decline in agriculture growth in 2009-10, despite widespread drought and floods hitting the farm output.

According to the CSO data, the farm sector recorded a growth rate of 0.2 per cent contrary to expectations of negative growth.

Following the global financial crisis, the GDP had moderated to 6.7 per cent in 2008-09 after recording a growth rate of 9 per cent in the three preceding years.

Core growth moderates to 5.1% in April

Core sector industries expanded by 5.1% in April, a drop from the healthy 7.2% growth in March, indicating at a possible moderation in industrial growth.

The six industries - petroleum refinery products, crude production, coal, electricity, cement and finished steel - have a 26.7% weight in the index of industrial production which is used to measure industrial growth.

The government data showed finished steel production had expanded by 4.7% in April against a 1.3% contraction in April 2009.

Because of its over 25% weight in the index of industrial production, the core sector is seen as a good indicator of industrial activity. It is also available almost a fortnight before the wider industrial production data is released.

However, a strong core sector growth does not necessarily mean an equally robust industrial production or vice-versa. In April 2009, for instance, core sector grew a healthy 3.8% but industrial growth came in at only 1.1%.

The strong growth in production of steel and cement, which grew a strong 8.7% in April 2010, indicates a pickup in user industries such as white goods, automobiles and construction.

The cement and steel sector are expected to be the biggest beneficiary of the government's emphasis on infrastructure.

March IIP grows 13.5% on manufacturing

Industrial output grew 13.5% in March-its sixth month of double digit growth-helping the economy to finish the 2009-10 fiscal with a spectacular 10.4% expansion in

industrial production. Factory output dipped to just 2.8% in 2008-09 fiscal as production seized up in the wake of the global financial meltdown.

Reacting to the data, finance minister Pranab Mukherjee told that the industrial growth in March was good enough for the estimated 7.2% GDP growth in the just completed financial year. Planning Commission deputy chairman Montek Singh Ahluwalia said the March IIP data is not going to change the GDP growth estimates for 2009-10. "We are hoping that during 2010-11, we will close the fiscal with double digit factory output," he said.

Crisil principal economist D K Joshi underscored that optimism. "Industrial output growth is likely to stabilise at 9-10% in the current fiscal."

Commenting on the March numbers, Yes Bank chief economist Shubhada Rao said though the output growth in March was off the peak of 17.7% recorded in December, it still, is a healthy double digit expansion. Government data shows industrial output growth was just 1% at the beginning of last fiscal, but gained momentum by June to scale 11%. It then hovered between 7-12% in the next four months and accelerated further in December to the peak of the year. Output growth then started moderating slowly.

Joshi said as there are no surprises in the latest numbers, there is no message in it for the RBI. He anticipated that the central bank may raise key policy rates gradually by 25 basis points in the coming days. The banking regulator had raised key rates twice since March 19 by a total of 50 basis points citing inflationary pressures in an improving economy.

Joshi said that the economy is expected to have grown at the estimated rate of 7.2% last fiscal. Industrial sector accounts for 27% of the gross domestic output, or the total value of the economy's output.

Manufacturing, which accounts for four-fifths of industrial output, grew by a robust 14.3% in March against a 0.3% fall in the same month a year ago. In the whole 2008-09 fiscal, manufacturing output shot up 10.9%, compared to 2.8% in the previous year. Power generation growth too improved to 7.7% in March from 6.3% in the same period a year ago.

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 aims 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.

'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.

Exports rise 36% in April, govt says it's base effect

Exports in April clocked a 36% growth y-o-y on back of higher demand for Indian gems & jewellery, textiles, petroleum, oil & lubricants and engineering, but the shipments were way below what the country managed two years ago indicating a slow pace of recovery in key overseas markets.

“Don't get carried away by the growth. The huge bump up is pure base-effect,” said commerce secretary Rahul Khullar, pointing to fresh challenges ahead. A key concern here is how the European Union countries will shape up in the coming months as the debt crisis in Greece continues to cast a shadow.

Imports went up by 43.3% in April 2010 fuelled by growth in manufacturing and increase in domestic demand. Exports in April 2010 at \$16.9 billion is much higher than exports worth \$12.4 billion in April 2009, but is below the previous April's level of \$18.5 billion.

The base-effect that Mr Khullar pointed to notwithstanding, the latest figures show that crucial sectors that were hit most by the slowdown such as gems & jewellery and textiles were picking up globally.

“Recovery in the US is far from gung-ho and the situation in Europe is still not stable. If the Greece contagion spreads to other countries, what can you do?” Mr Khullar said. Exporters' body Fieo's director general Ajay Sahai said the government should constantly review the progress in Euro zone to take timely action if required. “If the crisis does not extend beyond Greece, then we are well on our way to achieve the \$200 billion export target set for the year. But if it spreads, then the government has to strategise and take action to help exporters,” he said.

Forex reserves marginally up

Reversing the trend, India's foreign exchange reserves inched up marginally to \$273.364 billion during the week ended May 21 compared to USD 273.300 billion, a week earlier.

The forex reserves of the country have gone down by nearly USD 6 billion in the previous two weeks, due to the depreciation of major global currencies and possible dollar sale by the RBI in the market to support rupee.

Foreign currency assets, during the week, went up to USD 248.637 billion as against USD 248.597 billion in the previous week, the RBI said in its weekly report.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies, such as euro, sterling and yen, held in the reserves, the RBI said.

During the week, gold reserves remained static at USD 18.537 billion, while the country's special drawing rights slightly improved to USD 4.877 billion, the RBI said.

India's reserves position in the International Monetary Fund also went up to USD 1.313 billion from USD 1.308 billion a week ago, the RBI said.

100 per cent FDI in defence 'desirable': Industry ministry

The industry ministry, which proposed 74 per cent FDI in the defence sector, has said even 100 per cent foreign investment would be "desirable" for the country to have latest technology for armed forces.

"In case if we really want to have the state of art technology, we have to permit anything above 50 per cent if not 100 per cent. It may be therefore, desirable to allow either 100 per cent or 74 per cent (FDI) as in the telecom sector," the discussion paper of the Department of Industrial Policy and Promotion (DIPP) on the issue has said.

The DIPP allayed concerns that the national security could be compromised by removing the ceiling on the FDI in the sensitive sector.

In any case, FDI would be subject to licensing provision. At present, 26 per cent FDI is allowed in defence sector. "Since there is licensing provision in the defence sector we can refuse to permit FDI in the sector by refusing the licence where the background of the company is suspected," the paper said.

Besides, the security concern can be met by imposing a condition that "the government has a right to expropriate a manufacturing facility in case there is need to do so due to the exigencies of national security, by payment of suitable compensation".

Experts, however, have cautioned against the proposal. "Allowing 74 per cent FDI looks desirable in the non-strategic sector, the (Industry) Ministry will have to be cautious while allowing it in the strategic sector as foreign players will have control over these companies," Observer Research Foundation (ORF) Senior Research Fellow and Defence Analyst Deba Mohanty said.

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.

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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.

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."

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.

Indo-China trade will touch USD 60-bn by 2010-end

Bilateral trade between India and China is expected to touch the USD 60-billion mark by the end of this year, a senior Chinese diplomat said.

"We expect our bilateral (India and China) trade to touch the USD 60-billion mark by December this year," Chinese consul general Wang Donghua told on the sidelines of a retail products' exhibition.

The Chinese diplomat said that though there was a decline in trade volume because of the global meltdown, it was expected to rise again in the near future.

"Trade had come down because of the downturn in the global economy. In 2008, our bilateral trade stood at USD 51.47 billion. But it declined to USD 43.3-billion in 2009. We expect it to rise to USD 60 billion this year," Donghua said.

India for further expanding trade ties with Nigeria

India has expressed keen interest in further expanding its trade ties with Nigeria, even as the country has become the African nation's second largest trading partner with the total volume of trade of \$10.3 billion.

"The total trade volume between India and Nigeria as at March last year stood at was \$10.3 billion, ranking India as the second largest trading partner to Nigeria after the US," Indian High Commissioner to Nigeria Mahesh Sachdev said at a meeting with Nigerian Minister of Commerce and Industry Jubril Martins Kuye and his deputy Josephine Tapgun.

Nigeria currently enjoys about \$7 billion trade surplus with India, adding that Indian companies in Nigeria are the second largest employer of labour after government, said the high commissioner.

"We are here to seek your advice and guidance as to what we can do together to boost Nigeria's health industry and to increase the bilateral ties substantially," said Sachdev, who became the first envoy to pay a courtesy visit to the ministers who were appointed barely a month ago.

Sachdev was leading a delegation of Indian businessmen. "It is on record that Indian companies occupy top positions while also contributing immensely to the development of Nigeria especially in the areas of pharmaceuticals, steel development and power transmission," the envoy said.

Sachdev used the opportunity to highlight the rise in trade between both the countries.

The current volume of trade between both nations transactions has surged more than 30 per cent from what was available before 2008, he said.

India offers stunning opportunities to US companies

A booming Indian economy, that is spending billions in building infrastructure and meeting energy needs, besides making defence purchases, offers stunning opportunities to US companies, an official has said.

Ron Somers, president of the US India Business Council said with the US economy emerging from a devastating global recession, it was fortunate for the country to have India as a "vigorous trading partner".

"A true partner with the United States in every sense of the word, India is a nation comprised of a free people who look forward to a bright future - imbued with hope and determination, and a vision that will shape the destiny of the 21st century," Somers wrote in an op-ed in The Hill, a congressional newspaper.

"The Indian consumer values state-of-the-art technology and is likely to buy American-made goods and services before all others," he wrote.

Somers, who played a key-role in the US-India civilian nuclear deal, said the new opportunities being made available to the American companies in part can be attributed to the nuclear agreement initiative bearing fruit.

"This agreement, overwhelmingly passed by Congress in 2008, means job creation for both countries: In the United States, as it digs out from a crushing recession, and in India, as it attempts to employ three-quarters of a billion people younger than 35," he said.

"India is meeting this demand by continuing to strengthen its commercial ties with US businesses," he said.

He pointed out that the country recently purchased \$6 billion worth Boeing aircraft from the US, which will create thousands of American jobs at a time when they are so desperately needed.

"Moreover, this procurement attracts an offset obligation in India, which means US suppliers will be enlisting American and Indian vendors and subcontractors to manufacture some of this order on India soil," he said.

'India, Israel close to finalising free trade pact'

A high-level delegation from Israel will visit India later this month to engage in discussions that will eventually pave the way for a Free Trade Agreement (FTA) between the two nations, according to a senior official of the Israel Mission in India.

Mr Eli Belotserkovsky, Deputy Chief Mission, Embassy of Israel, said that there are very few issues that need to be sorted out to finalise a FTA between the two nations .

The FTA is expected to triple trade between the two countries.

"The bilateral trade is evenly matched at about \$2 billion. As per estimates, this trade volume will go up to \$6 billion once the FTA is signed. Apart from engagement between the two Governments in various projects, the trade growth would be expanded through public-private participation projects and business to business ties," he said.

Mr Belotserkovsky said Israel has concluded FTAs with Canada, Mexico and the US and their FTA with the EU dates back to 1975.

"We believe that manufacturers from India could benefit as they will also have access to other markets through Israeli agreements with other nations," he said.

Software services, telecom, medical equipment, agriculture and homeland security are among the key focus areas.

"We are not good at mass production or heavy equipment, where India can play a big role. Textiles is another area which has immense potential between the two nations," he felt.

Through Government-to-Government cooperation, special attention has been given to agriculture.

As a part of this arrangement, centres of excellence for agriculture are being set up in Haryana and Maharashtra, with cooperation from the respective State Governments.

These centres will serve as demonstration farms.

The land owners will have access to latest technologies, cultivation techniques, pesticides and post-harvesting support to improve yields by saving on water consumption and optimising investments.

Two such centres are coming up in Haryana at Karnal and Sirsa. One of the centres is for fruits and the other, for vegetables.

“Once these would be operational by October, we will take up three more centres in Maharashtra. The idea is to help these centres serve as model farms for replication in other States and by farmers within these States,” he said.

Thailand, India talk of replacing limited trade pact with FTA

India and Thailand are likely to restart talks on a full-fledged free trade agreement including goods, services and investments. Talks on an FTA were suspended after the two sides implemented a limited agreement involving just 82 items six years back.

“It is important to commence work on an FTA. It would not only include a larger number of goods, but also services and investment,” Thai deputy minister of commerce Alongkorn Ponlabhoo said in an interaction organised by Ficci.

Mr Alongkorn said that he had already discussed the issue with the Indian government and hoped that talks on an FTA would begin soon.

Both countries want to double bilateral trade to \$12 billion by 2012 from the present level of \$5-6 billion.

“We are hoping that the increase in trade would be generated through cooperation under various agreements like the BIMSTEC, the Asean-India FTA and the proposed Thailand-India FTA,” he said.

India and Thailand signed an early harvest programme in 2004 under which the two sides agreed to eliminate duties on 82 items like television tubes, refrigerators, mangoes, apples grapes and some metals.

Potential to sustain, boost trade with UAE

With the United Arab Emirates (UAE) emerging as number one trading partner for India, followed by China, the US, Saudi Arabia and Germany, there is significant potential for further growth in trade numbers based on the current trends, according to representatives from both these countries.

The bilateral trade between India and the UAE for the period April 2008-2009 was at \$48.27 billion, which is a significant growth over \$29.11 billion a year ago. The Indian exports to the UAE grew at over 53 per cent and India's imports were up at 52.89 per

cent. This is time to consolidate, feel both the countries as there has been enhanced interest for partnerships and joint ventures.

Mr Mana S. Sultan Al Suwaidi, Commercial Attache, Embassy of United Arab Emirates, said that Andhra Pradesh and Hyderabad, in particular, and India, in general, continue to engage businesses across both sides. This is evident from the recent interactions between representatives of both the countries.

“Therefore, we are in the process of preparing a report that highlights the potential for trade and co-operation in some of the areas such as energy including solar power generation. The learning from some of the large projects such as the solar-powered satellite city in Abu Dhabi could be shared between the two,” he said.

The recent Dubai debt crisis has had some impact on the trade between the two. Yet, the growth momentum in the UAE continues. In fact, India, which provides significant manpower to support projects in the UAE, is playing a vital role in supporting engineering, infrastructure and services segments. However, there is potential to tap into new areas, including agri-food processing, it is felt.

Indonesian Ambassador hails bilateral ties

Indonesia attaches great importance to relations with India since it sees the latter as an emerging economic superpower. This was stated here by the visiting Indonesian Ambassador, Mr Andi M. Ghalib, while addressing members of the Kerala Chamber of Commerce and Industry.

Annual bilateral trade between the two countries had grown from \$4 billion to \$10.55 billion within a span of four years between 2005 and 2009. The two countries shared a solid foundation of values, commitment to democratic pluralism and rule of law and genuine multilateralism. The free trade agreement between India and Association of Southeast Asian Nations (ASEAN) would help this cause further, the Ambassador added.

India, Turkmenistan ink MoUs to boost trade

India and Turkmenistan inked several bilateral accords to enhance co-operation in trade, education, science and technology, art and culture and visa free travel to holders of diplomatic passport.

During the talks between Prime minister Manmohan Singh and the visiting Turkmenistan President Gurbanguly Berdimuhamedov, oil and gas featured large on the agenda, and a natural gas pipeline through Afghanistan as a boost to bilateral ties, officials said.

External affairs minister SM Krishna and Turkmenistan deputy prime minister Rashid Meredov signed an agreement providing for visa free travel for diplomats of the two countries.

Commerce and industry minister Anand Sharma inked the treaty about co-operation in economic and trade fields with deputy prime minister Hojамuhamet Muhammedov.

Berdimuhamedov, who arrived on a three-day maiden visit to India, also met President Pratibha Devisingh Patil as well as vice-president Hamid Ansari, including several senior leaders.

Trade pact talks with Mercosur next month

Negotiations for the expansion of India-Mercosur Preferential Trade Agreement (PTA) will be in New Delhi early next month to discuss further and widening the list of goods with preferential tariffs covered under this agreement.

The meeting would be attended by members of Brazil, Paraguay, Uruguay and Argentina and senior officials from the external affairs and the commerce and industry ministries.

The PTA has been covered 450 items each of India and Mercosur exports since it became operational in June 2009. The latter has become a successful regional market with GDP of \$2 trillion. It is the third largest integrated market after EU and NAFTA. Its full members are Argentina, Brazil, Uruguay and Paraguay.

Senior officials in the foreign ministry said that, "The talks for expanding the lists has been scheduled for next month."

"Mercosur has already drawn up their list of 1,600 items and the Indian commerce ministry is starting the list collection. Indian exporters, export promotion councils and trade and industry bodies have been presenting their cases to the ministry, mentioning the item with the Harmonised System code and percentage of preference they desire," R Vishwanathan, Indian ambassador to Argentina, Uruguay and Paraguay told.

With the signing of the PTA, it has been expected that the India and Mercosur trade would double to \$10 billion in the next 3 to 5 years.

While, the PTA contemplates lowering of tariffs for a list of specific products which include chemical components, some agricultural items, household appliances and petrochemicals, pharmaceutical products and components, vaccines, industrial machinery (for India into Mercosur).

India-Finland tax treaty from April 2011

The revised double taxation avoidance agreement (DTAA) between India and Finland will come into effect from April 1, 2011.

An order to this effect has now been issued by the Indian side.

This new tax treaty was signed at New Delhi in January this year.

Besides reducing the withholding tax rate on dividends, royalty and fees for technical services (FTS) to 10 per cent, it also explicitly provides for transfer pricing disputes to be taken through the Mutual Agreement Procedure (MAP) route.

Also, the revised tax treaty has withdrawn the facility of tax sparing credits for companies, which could imply a revenue gain for the Finland Government.

No tax sparing credit will be allowed unlike the existing India-Finland DTAA, according to Mr Prashant Khatore, Tax Partner, Ernst & Young.

In the revised DTAA, there are a number of anti-abuse provisions, including limitation of benefits clause. Also, the scope of the article on 'exchange of information' has been widened and another article has been inserted for 'assistance in collection of taxes'.

As of now, there are about 75 Finnish companies operating in India, including mobile handset major, Nokia. The existing DTAA was signed at Helsinki in June 1983, and later modified at New Delhi in April 1997.

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.

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.

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.

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 47.3 per 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.

Air traffic flies high with 22% growth

Against the backdrop of sustained recovery in the aviation sector, domestic carriers have registered a 22.05% growth by carrying 162.82 lakh passengers during the January-April 2010 period as against 133.41 lakh passengers in the same period a year ago.

While private carrier Jet Airways has maintained its number one position in terms of market share at 25.4% in April, Kingfisher is second at 21.4%. Flag carrier Air India has secured the number three slot at 21.4%. According to industry observers, the figures indicate improved yields and capacity utilisation for the aviation industry.

Jet Airways CEO Nikos Kardassis said, "With seven consecutive months of stellar growth, our airline has continued to build on its leadership position. A buoyant global economic environment coupled with the relaxation of governmental and corporate travel restrictions have resulted in an upswing in air travel demand."

Jet has also been proactive in responding to market demand, a testimony to which was the successful launch of 'Konnnect Select', the airline's new premium cabin offering on Jet Konnect flights during the summer peak season, he added.

Meanwhile, in the low-cost space, Delhi-based Indigo has a market share of 15.7%, SpiceJet has 12.6% share and GoAir has 5.9% share of the travel market pie. The DGCA figures showing the percentage change over the month indicate that demand has grown faster than the capacity.

Factors that have contributed to the growth in passenger traffic include lower crude oil cost at around \$75-\$80 a barrel compared to last year's \$90 a barrel during the same

period. Airfares were also moderate, nearly 30% lower to what it was in 2009. Also, March and April are considered peak season due to summer vacations.

In terms of seat factors, Jet had a 72% load factor in April as against 66.5% in March, JetLite had 74.2% in April. Kingfisher has registered load factors of 75.8% in the month under review. Air India stood third at 72% loads as against 66.5%.

Auto sales grow highest in a decade

Several new launches in the compact car category, easier availability of finance and the low base effect of last year helped the Indian automobile industry to continue its growth momentum of 2009 into April 2010 as well, with passenger car sales registering their highest growth in a decade.

According to the Society of Indian Automobile Manufacturers (Siam), total passenger car sales in the country surged 39.5 per cent last month at 1,43,976 units, as against 1,03,227 units during the same month last year. This is the highest growth in car sales in April in the last 11 years. Car sales had grown 50.3 per cent in 1999.

“Low base of last year has resulted in surge in passenger car sales in April and, while this will continue to play a prominent role even in the next two months, there could be a little bit of tempering in the second quarter, when higher sales of last year impact growth rates,” said Vaishali Jajoo, senior auto analyst, Angel Broking.

However, on a month-on-month basis, there has been a decline of 7.4 per cent in domestic passenger car sales in April, signalling the upcoming impact of increasing commodity prices. Siam data showed 1,55,600 units of passenger cars were sold in March; 1,53,845 units in February; and 1,45,905 units in January.

According to Jajoo, while new launches in the compact car category and easier availability of finance were some factors that supported growth so far, demand would get impacted second quarter onwards, as raw material prices continue to shoot up and higher base effect comes into play.

Sales of Maruti Suzuki India went up 22.1 per cent at 68,668 units in April 2010 as compared to 56,228 units the same month last year, while its closest rival Hyundai Motor India posted a jump of 28.1 per cent at 28,501 units last month vis-à-vis 22,241 units, and sales of Tata Motors went up 76.4 per cent at 19,762 units, as compared to 11,202 units during the same month last year.

“On the back of overall improvement in the economy over the last few quarters, there is an improvement in customer sentiment and, therefore, high sales in April, which is traditionally a lean month, as people advance their purchases. However, we have already started seeing moderation in demand and, going forward, it could stabilise at these levels,” said Vishnu Mathur, the newly-appointed director-general of Siam.

With high growth in the commercial vehicle segment and two-wheelers, the overall domestic sales also went up 25.24 per cent at 1,120,081 as compared to 8,94,380 units in April last year.

While the total two-wheeler sales in April grew 22.06 per cent at 8,55,670 units as against 7,00,987 units in April 2009, sales of commercial vehicles went up 64.5 per cent at 49,086 units vis-à-vis 29,842 units in the year-ago period.

“In the commercial vehicle segment, freight rates have increased and this has encouraged owners to invest on new vehicles. Thus, the higher sales,” said Mathur, adding that sales of LCVs went up 42.2 per cent in April at 26,759 units as compared to 18,819 units, M&HCVs registered two-fold jump in sales at 22,327 units as compared to 11,023 units in the same month last year.

'India will be among top-5 civil aviation markets in 5 years'

The Union Minister of State for Civil Aviation, Mr Praful Patel, has said that the country will be in the top-five civil aviation markets in the world in the next five years.

Inaugurating the new integrated terminal building of Mangalore airport, he said that the country's civil aviation sector was not recognised in the world until a few years ago. Today, India is the ninth largest civil aviation market in the world.

“Within the next five years, India will be in the top-five civil aviation markets all across the world. That, I think, is a great achievement in the remarkably short period of time,” he said. Stating that substantial improvements have been made in the civil aviation sector in the country, he said today flying is no more a luxury for the common man.

Mr Patel said that country's infrastructure is undergoing a sea change under the leadership of the Prime Minister, Dr Manmohan Singh.

For the first time there is a Cabinet Committee on Infrastructure headed by the Prime Minister. That is why projects were being monitored and implemented on time, he said.

Grain production estimates up at 218 mn tonnes

The marginal revision is supported by higher-than-expected wheat, rice output.

The agriculture ministry made an upward revision in the country's foodgrain production during 2009-10 in its third advance estimates to 218.19 million tonnes.

The ministry in its second estimates in February had put the figure at 216.85 million tonnes. The marginal revision is supported by the higher-than-expected wheat and rice output. However, it is almost 7 per cent lower than the previous year, because the kharif crop output was affected due to drought. In 2008-09 foodgrain production stood at a record 233.88 million tonnes.

Due to deficient and erratic distribution of rainfall during the last monsoon, production of most kharif crops had been affected adversely. A substantial drop has been projected in the main kharif crops like rice, maize, oilseeds and coarse cereals. This has led to a spike in food prices and caused a surge in food inflation, which almost touched 20 per cent in December last year.

Food inflation, however, softened after the rabi crop harvest at 16.04 per cent for the week ended April 24.

The good news is that the country's wheat production is estimated to beat the previous year's record of 80.68 million tonnes, reaching 80.98 million tonnes in 2009-10. While wheat output was revised upwards to 80.98 million tonnes from 80.28 million tonnes, rice was raised from 87.56 million tonnes to 89.31 million tonnes.

India becoming major medical tourism destination in Asia

India is surging ahead in the race for medical tourism leaving behind countries like Malaysia, Thailand and Singapore which were earlier considered preferred destinations of foreign patients.

India holds a strong appeal for Americans as the exploding costs of medical treatment in the US are forcing them to venture to exotic places to get heart surgery, cancer therapy, and dentistry.

Many Indian hospitals have been quietly negotiating with US companies to send their employees to India for medical treatment at "rock-bottom rates", as one brochure of a Bangalore-based hospital in circulation in the New York/New Jersey region professes.

India companies are acquiring firms in Singapore and Thailand which enables them to take advantage of a large trans-Asia presence that results in boosting business, besides strengthening infrastructure and treatment possibilities for foreign patients.

Many foreign patients who arrive in India have already acquired some exposure to and confidence in Indian medical experts and nurses who maintain a ubiquitous presence in hospitals in the USA, Canada, UK or even Australia.

Studies have forecasted that India's medical tourism market will be worth some USD 2 billion a year by 2012 compelling the Indian Government to introduce a new category of medical visas for foreigners to facilitate their stay in India.

The visa issued to the patient and an accompanying caretaker, could be extended up to three years.

Indian hospitals in Mumbai and Bangalore - and also in other cities - report of a steady rise in the number of patients from the United States.

"Even with airfare, the cost of going to India for surgery can be markedly cheaper, and the quality of services is often better than that found in the United States and UK.

Indian engg, R&D services mkt to top \$45 bn by 2020

India's Engineering and R & D (ER&D) services market is projected to reach \$40-45 billion by 2020, with export revenues of \$35-40 billion and domestic revenues at \$4-6 billion, and to be the next growth engine for 'desi' IT-BPO industry, according to a study.

Infrastructure, aerospace and energy are expected to contribute more than 80 per cent of the domestic revenue, said the study "Global ER&D: Accelerating Innovation with Indian Engineering", released by National Association of Software and Services Companies (NASSCOM) in association with management consulting firm Booz & Company.

Indian ER&D services market reflected revenue growth of over 40 per cent in the last three years with 2009 revenues amounting to \$8.3 billion and an increase in employee base from 54,000 in 2006 to 150,000 in 2009.

"India is now an epicentre for global ER&D services with a compelling value proposition, based upon the growing depth and breadth of services, flexible business models, large engineering base and global footprint with greater proximity to customers", NASSCOM President Som Mittal told on the sidelines of the "NASSCOM Engineering Services Conclave 2010".

Major growth triggers have been identified as: continued ER&D investment critical for innovation and penetrating new markets; increasing use of electronics, fuel efficiency/alternate fuels and convergence of technologies driving future ER&D spend; greater focus on emerging markets resulting from rise of a new consumer segment with varied requirements.

The study said global ER&D spend surpassed \$one trillion in 2009 and is expected to touch \$1.4 trillion by 2020. Automotive, consumer electronics and telecom are the top spenders on ER&D.

Partner, Booz & Company, Vikas Sehgal, said a \$45-45 billion industry has potential to create more than five million employment opportunities in engineering and related fields.

However, it said collaborative stakeholder action would be imperative to achieve \$40-45 billion industry in 2010.

"Focused investments are required to capture new markets, deepen capabilities within verticals and build services portfolio across the product development value chain", the report added.

Textiles exports may touch \$24 billion in 2010-11

With the revival of demand in Western markets, India's textile exports may grow up to \$24 billion in 2010-11 from an estimated \$20 billion in the previous fiscal, industry and government officials have said.

"In 2009-10, our textiles exports are estimated at \$20 billion due to the global economic crisis. We expect exports to be \$24 billion for the current fiscal," an official in the Textile Ministry said.

The textile exports are set to move in sync with the country's overall exports, which have been growing for six months since November, 2009.

Federation of Indian Export Organisations (FIEO) President A Sakthivel said textile exports can reach \$24 billion if the government extends a helping hand to the industry, which is facing problems.

There has been a steep rise in cotton prices, which shot up by over 20 per cent in the past six months, resulting in higher fabric costs.

"The target can be met provided the government continues some regulations on cotton and cotton yarn exports," he said.

The government has brought cotton exports under the restricted category, with overseas shipments subject to licensing.

US and European markets, which account for 30-35 per cent of textile exports from India, have seen revival of demand across different sectors, exporters said.

The exporters are also exploring new markets like Africa, Latin America and Oceania.

"Orders are improving. Demand for fabric has also gone up," said Confederation of Indian Textile Industry (CITI) Secretary General D K Nair.

Handicrafts exports up by 16 pc to USD 179 mn in April'10

India's handicrafts exports grew by 16 per cent to USD 179 million in April compared to the same period in the previous fiscal, on growing demand from the US market.

The exports stood at USD 154.78 million in April, 2009. "We are getting good number of export orders from the US market. But there is less business from the European markets," Export Promotion Council for Handicrafts Chairman Raj Malhotra said.

The exporters are hopeful that exports would continue to grow in the current fiscal.

"We are expecting a growth of 9 to 10 per cent in 2010-11 compared to the last fiscal," Malhotra added.

Among the items that registered a healthy growth are imitation jewellery, which grew by 21 percent, followed by wood wares 20.66 per cent, shawls (as art wares) 18.39 percent, zari and zari goods 16.67 percent and art metal ware 14.32 percent.

After 11 months of contraction since October 2008, exports from the handicrafts sector turned positive in September 2009, registering a growth of over 160 percent compared to September 2008.

The US and EU together account for 70 per cent of the country's handicrafts exports.

Moradabad, Jaipur, Saharanpur, Jodhpur and Narsapur are the major handicraft hubs catering to world markets and employ one million people.

GSM players add 11 million new customers in Apr

The all-India GSM cellular subscriber base has touched 433 million with the addition of 11.18 million new users in April, according to the Cellular Operators Association of India (COAI). Bharti Airtel, the number one GSM operator, added three million new users, which took its total subscriber base to 130.6 million, data from COAI showed.

Rival Vodafone Essar, UK-based Vodafone's India unit, added 2.9 million subscribers during the month, which pushed up its customer base to 103.8 million, it said.

Bharti is the market leader, with a 30.16% market share. In March, GSM operators added around 14 million subscribers around the country.

Idea Cellular added 1.5 million users in April, taking its subscriber base to 65.3 million, while Aircel-in which Malaysia's Maxis owns a majority stake-added 1.6 million customers to reach the 38.5 million-mark.

State-run telecom firms BSNL and MTNL registered 1.25 million and 33,217 new users respectively, which took their subscriber base to 64.7 million and 4.8 million respectively.

The COAI data excludes RComm figures. India is one of the most attractive and rapidly growing mobile telephony markets in the world. There are 15 operators operating in this fastest growing wireless market and approximately 14-15 million mobile (GSM and CDMA) new users are added every month.

Seafood exports rise 10% in '09-10

Despite stiff tariff and non-tariff barriers from the US and European Union, India's seafood sector survived to post a record \$2 billion worth exports in 2009-10.

Last year, India's seafood exports faced tariff hurdles in the US market as the fourth review by the United States International Trade Commission (USITC) increased duty

by a whopping 300%, while the EU put hurdles in the form of mandatory catch certificate for all seafood products.

Weathering all the bottlenecks, the country's seafood exports crossed all previous records in volume, rupee value and dollar realisation in 2009-10, the Marine Exports Product Development Authority (MPEDA) officials said.

Exports during FY 2009-10 aggregated to 663,603 tonne valued at Rs 9921.46 crore (\$ 2105.60 million), Leena Nair, chairperson of MPEDA said. "Compared to the previous fiscal, we recorded a growth of 10.08% in volume, 15.26% in rupee earning and 10.32% growth in dollar earnings in spite of the recession in the international market," she added.

Increased exports have due to increased trade in Middle East and South Asian countries, while exports to the traditional US market recorded a decline. Exports to Middle East countries have increased by 27% during the last one year while Southeast Asian countries imported 62% more during the last fiscal, Nair said.

Exports to countries like Libya, Reunion Islands, Australia, Puerto Rico, Dominican Republic, Kenya, Tanzania, Ukraine and Brazil also registered a positive growth.

Plastic exports likely to grow by 10 pc in 2010-11

India's plastics exports are likely to grow by 10 per cent in the current fiscal from an estimated USD 3.2 billion in 2009-10 on account of demand revival in the western markets.

The exports were impacted during the last fiscal due to demand slowdown in the US and the EU, which together account for over 30 per cent of the outward plastic shipments.

"Exports are showing signs of recovery in the western markets. We expect the exports would grow by about 10 per cent in 2010-11," Plastics Export Promotion Council Chairman Manoj Agarwal told.

While the exports in the current year are likely to grow over 2008-09, the expansion would be less than in the Pre-economic crisis years. Earlier, exports were growing between 15-20 per cent, Agarwal said.

The council said if the government provides market linked incentives for the US and the EU to plastics exporters, it would significantly enhance overseas shipments. Plastics exporters get such incentives in several African and Asian countries.

Agarwal further said that when the proposed plants of oil companies like ONGC and GAIL would become functional, the availability of raw material for the plastics sector would increase which in turn would help the industry.

The council also said the financial crisis in some EU countries could have significant impact on their business.

Power sector clocks 25% higher investments

Thanks to a private sector surge, the power sector has seen nearly 25 per cent higher investment flows than envisaged.

In the first two years of the current Plan period, the sector, especially generation projects, saw investments of Rs 2.28 lakh crore against the projected Rs 1.84 lakh crore, according to preliminary estimates compiled by the Planning Commission.

Compared to the power sector, other key infrastructure sectors have seen investments well below the projected levels.

The inflows into the roads sector during the first couple of years were Rs 90,849 crore compared to the projected investment of Rs 1.07 lakh crore. In the ports sector, the investment was Rs 12,090 crore against the projected Rs 27,231 crore, according to the data.

“Investment inflows have been buoyant in the power sector, well beyond projections, mainly on account of private developers coming into the picture. The private sector's contribution to capacity addition has gone up from 8 per cent in 2007-08 to 25 per cent in 2008-09 and now to 45 per cent during 2009-10. A number of these projects has come up as unplanned capacities,” an official involved in tracking project schedules in the Central Electricity Authority said.

According to the Planning Commission data, the power sector, easily one of the laggards among key infrastructure areas, is projected to see the highest levels of investment inflows during the Eleventh Plan. The projected investment in the electricity sector, including renewables, is pegged at Rs 6.66 lakh crore during the Eleventh Plan period, against Rs 3.14 lakh crore in roads, Rs 2.58 lakh crore in telecommunications, Rs 2.62 lakh crore in Railways, Rs 2.53 lakh crore in irrigation, 87,995 crore in the ports sector, Rs 30,968 crore in airports and Rs 16,855 crore in the gas sector. The cumulative investments being targeted during the five-year period is Rs 20.56 crore.

During the Tenth Plan, about 25 per cent of the total investment in infrastructure came from the private sector. This is expected to rise to about 36 per cent, during the current Plan, with the power sector leading the charge.

PC sales up 33% in Jan-Mar

Personal computer sales in India jumped 33% to 22.40 lakh units during the January-March quarter over the year-ago period, indicating a broad based recovery in the market, research firm IDC said. Sequentially, sales rose 14%.

Desktop sales generated two-thirds of overall PC sales at 14.36 lakh units, a growth of 18% over the year-ago quarter. The high traction was attributed to spending on IT infrastructure by large and very large businesses as well as from the government segment. Notebook sales continued its strong momentum, climbing 72% to 8.03 lakh shipments, driven primarily by a revival in demand.

IDC said in the combined notebook and desktops market, HP retained the top spot with a market share of 16.5%, while Dell (13.6%) and Acer (13.0%) took the second and third spots, respectively.

In desktops, HP had a market share of 11.2%, followed by Acer and HCL in second and third spots during the Jan-March quarter. In notebook shipments, HP reclaimed the top spot from Dell with a market share of 25.9%; Dell slipped to the second position, while Acer was ranked at No. three.

India gold demand near record: WGC

Akshaya Tritiya festival may have been a damp squib, but India's gold demand for the quarter to end-March was robust, and could match the levels seen in the first quarter of 2007, when total demand stood at 211 tonnes, a senior official of the World Gold Council (WGC) said.

Demand for gold in Q1 has been robust, growth in value terms are in double digits, close to 40-45 percent..., Ajay Mitra, managing director India and Middle East, WGC, said in an interview, ahead of the release of quarterly demand figures, adding they look close to 2007 numbers.

We expect the momentum to continue in coming months on excess surplus cash and liquidity, said Mitra, adding gold offers better returns than other asset class.

MCX gold struck a record high of 18,424 rupees on May 17, when safe haven buying overseas supported the yellow metal.

India recorded a 13 percent rise in consumption to 180.7 tonnes in the fourth quarter to end December 2009.

Demand had revived in 2010 in the world's largest consumer, after a dismal performance in 2009, when the worst monsoon in 37 years badly hit gold sales.

While gold sales have generally been good so far this year, the major gold buying festival of Akshaya Tritiya earlier this month saw a fall in demand due to record high prices, traders and retailers said. See

India's gold consumption during Akshaya Tritiya last year stood at 45 tonnes.

However, Mitra said sales for Akshaya Tritiya have been good on expectations of higher prices.

They (jewellers) have repeated their good sales in all jewellery category, Mitra said, without giving details on quantity consumed.

Mitra sees further growth in investments into Exchange Traded Funds (ETF).

The 3-4 tonnes of increase in investment in ETFs in recent months is remarkable and could be the next driver for growth, Mitra said.

India's gold collection under exchange-traded funds more than doubled to cross the 10-tonne mark in April, data from the funds showed. See

Investments into diamonds have been witnessing significant growth from the urban upper middle class, Mitra added.

India is the world's fourth biggest diamond consumer accounting for about 7 percent of total consumption, while the U.S. leads with 40 percent.

External Sector: Foreign Trade April- January 2009

Region/Country	Export		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	158741.2	140462.1	-11.5
Africa	9772.5	8478.7	-13.2
Egypt	1137.8	975.2	-14.3
Ghana	366.3	299.3	-18.3
Kenya	780.8	696.4	-10.8
Mauritius	238.5	167.6	-29.7
Nigeria	1261.8	1052.8	-16.6
South Africa	1281.5	1138.8	-11.1
America	23486.5	19515.3	-16.9
Brazil	1425.7	1142.5	-19.9
Canada	1153.4	907.5	-21.3
USA	18159.3	15087.1	-16.9
Asia (excl. Middle East)	37153.3	35817.4	-3.6
Bangladesh	2077.4	1862.4	-10.3
China	7499.9	8353.2	11.4

Hong Kong	5523.3	6087.5	10.2
Indonesia	1710.4	1880.9	10.0
Japan	2441.8	1914.8	-21.6
Korea DPR (North)	296.6	117.4	-60.4
Korea Republic (South)	1493.5	1481.1	-0.8
Malaysia	3035.8	2069.3	-31.8
Nepal	834.2	757.8	-9.2
Pakistan	1122.4	1217.8	8.5
Philippines	620.4	583.6	-5.9
Singapore	4076.4	3848.8	-5.6
Sri Lanka	1445.5	1222.1	-15.5
Taiwan (Taipei)	760.9	541.2	-28.9
Thailand	1662.8	1328.6	-20.1
Viet Nam	1399.3	1418.0	1.3
Middle East	25634.9	23153.6	-9.7
Iran	1168.8	1364.3	16.7
Israel	1212.2	1022.4	-15.7
Kuwait	636.1	617.3	-3.0
Oman	613.2	655.9	7.0
Saudi Arabia	3183.0	2331.8	-26.7
Syria	314.9	274.7	-12.8
UAE	16558.0	15260.1	-7.8
Yemen	345.8	308.1	-10.9
Europe	33529.9	26873.8	-19.9
Belgium	3863.2	2707.8	-29.9
France	2403.2	2140.7	-10.9
Germany	5345.1	4306.0	-19.4
Italy	3270.5	2683.6	-17.9
Netherlands	2844.3	2341.7	-17.7
Russia	926.5	771.9	-16.7
Spain	2076.9	1617.0	-22.1
Turkey	1224.1	1089.4	-11.0
UK	5389.5	4799.2	-11.0
Oceania	1530.4	1346.2	-12.0
Australia	1247.7	1096.7	-12.1

Region/Country	Import		
	US \$ million		% change
	2008-09	2009-2010	2009-2010
World	269508.8	225515.4	-16.3
Africa	9374.9	7554.2	-19.4
Algeria	94.6	25.0	-73.6
Angola	8.3	4.7	-43.6
Egypt	516.8	226.1	-56.2

Libya	0.5	9.7	2018.8
Nigeria	74.7	71.5	-4.3
South Africa	5076.6	4679.4	-7.8
America	21848.5	17408.5	-20.3
Brazil	915.7	1778.3	94.2
Canada	2246.3	1748.2	-22.2
Chile	1297.1	742.7	-42.7
Mexico	736.9	264.3	-64.1
USA	15744.6	12041.0	-23.5
Asia (excl. Middle East)	68512.7	59992.6	-12.4
China	28348.6	24856.6	-12.3
Hong Kong	5299.4	3642.2	-31.3
Indonesia	5518.2	6476.0	17.4
Japan	6585.4	5334.7	-19.0
Korea Republic (South)	7157.9	5842.7	-18.4
Malaysia	3365.6	2756.9	-18.1
Singapore	4782.9	3850.4	-19.5
Taiwan (Taipei)	2117.0	1861.3	-12.1
Thailand	2154.0	2225.9	3.3
Middle East	19407.1	14872.6	-23.4
Iran	969.4	902.1	-6.9
Iraq	44.3	39.2	-11.7
Israel	1894.7	1544.1	-18.5
Kuwait	357.6	235.8	-34.1
Oman	468.8	457.6	-2.4
Qatar	545.1	413.1	-24.2
Saudi Arabia	1424.2	1317.8	-7.5
UAE	11912.4	9063.6	-23.9
Yemen	8.7	9.3	6.2
Europe	54963.1	45057.2	-18.0
Belgium	4957.4	5047.6	1.8
Finland	1038.5	882.4	-15.0
France	3901.1	2341.4	-40.0
Germany	10498.3	8064.3	-23.2
Italy	3748.4	3031.5	-19.1
Netherlands	1662.4	1254.3	-24.5
Norway	962.0	555.6	-42.3
Russia	3738.2	2449.1	-34.5
Spain	887.2	888.7	0.2
Sweden	1725.9	1344.2	-22.1
Switzerland	11137.0	10837.4	-2.7
Turkey	563.3	449.1	-20.3
UK	5294.3	3449.0	-34.9

Oceania	10219.6	9943.2	-2.7
Australia	9575.0	9457.0	-1.2

