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News Feature

Govt announces foreign trade policy 2009-14

The foreign trade policy for 2009-14 announced by the commerce and industry minister Anand Sharma has brought cheer to exporters from the eastern region which is the largest exporter of tea and jute goods from the country, apart from being one of the important export hubs for engineering goods, gems & jewellery and leather goods.

Inclusion of tea under the Visesh Krishi and Gram Udyog Yojana (VKGUY), jute and several engineering goods under the Focus Product Scheme (FPS), extension of duty drawback for gems and jewellery exports, proposal for setting up a diamond bourse in the country and allowing re-export of unsold imported raw hides & skins and semi-finished leather, although subject to certain conditions, are some of the major export sops which have particularly enthused exporters from the region.

All these sops come as part of the foreign trade policy for 2009-14, which was unveiled by the commerce minister to boost total exports from the country.

"The export incentives and facilitation packages in totality, which have been unveiled by the commerce minister, would help make India's exportable goods more competitive in the global market. But, we are particularly happy that the commerce minister has listened to our request to take appropriate measures to boost exports from the region," said Federation of Indian Export Organisation's (FIEO) eastern region chairman Ramesh K Agarwal.

Pankaj Parekh, chairman of the gem & jewellery export promotion council (eastern region), said extension of duty drawback to gold jewellery exports would enable small-time jewellery manufacturers to venture into exports. This incentive comes as a boon to the eastern region, which is dominated by small-time plain gold jewellery exporters., added Mr Parekh.

Lauding the foreign trade policy, EEPC India's ex-chairman Rakesh Shah said the eastern region is an important production hub of castings, agricultural machinery, parts of trailers, hand tools and garden tools. Inclusion of these engineering goods under the FPS would help to boost exports of these products, added Mr Shah. For products under the FPS, Mr. Sharma has increased the duty credit facility up to 2% of the FOB value of exports.

With inclusion of tea under the VKGUY scheme, tea exporters can now import goods duty free up to 5% of the value of their export. If they do not need to import, they can sell this duty scrip in the open market at a discount to other exporters.

Additionally, sale limit of instant tea by EOUs in the domestic tariff area has been enhanced from 30% to 50% and minimum value addition under advance authorisation scheme for export of tea has been reduced from the existing 100% to 50%.

<http://economictimes.indiatimes.com/News/Economy/Policy/Govt-announces-foreign-trade-policy-2009-14/articleshow/4942479.cms>

India's Q1 GDP up 6.1 pc, meets forecasts

India's economy grew 6.1 per cent in the June quarter from a year earlier, roughly in line with forecasts, as government stimulus measures helped spur demand, although a poor monsoon threatens to crimp growth later in the year even as it drives inflation.

The economy accelerated from its 5.8 per cent rate in the previous quarter, data showed, propelled by a pick-up in activity in the mining, manufacturing, electricity and services sectors from the previous quarter.

Growth was just above analysts' median forecast of 6 per cent annual expansion, and economists said weakness in agriculture could be offset by growth in manufacturing and services later in the year.

Abheek Barua, chief economist at HDFC Bank in New Delhi, expects growth for the full year of 5.8 per cent, with agriculture declining by 3 per cent, although strength in industrial output and services may prompt him to lift his forecast.

He expects the Reserve Bank of India to hold off on any tightening measures until the end of 2009.

"I think by January they would want to send some kind of monetary signal to thwart inflationary expectations," he said.

"By April policy we will see the first rate hike of 25 basis points preceded by a 50 basis point increase in CRR (cash reserve ratio)," he said.

Data showed manufacturing output expanded 3.4 per cent in the June quarter while farm output was up 2.4 per cent.

The services sector grew 7.8 per cent in the June quarter, compared with 10.2 per cent in the same year-ago period.

The benchmark stock index trimmed losses to 1 per cent from 1.1 per cent before the data release.

The benchmark 10-year bond yield was unmoved at 7.45 per cent, its highest in 9-½ months, from before the release of the data. The partially convertible rupee was unchanged at 48.85/87 from earlier.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Indias-Q1-GDP-up-61-pc-meets-forecasts/articleshow/4953690.cms>

Overseas News

Forex reserves climb to \$271 bn

India's foreign exchange reserves climbed by \$932-million for the week ended August 21 to \$271.957 billion compared to \$271.025 billion in the previous week.

The foreign currency assets, during the week, went up to \$260.938 billion, up USD 928 million, compared to \$260.010 billion in the week-ago period, Reserve Bank 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, Yen) held in reserves, RBI said. Gold reserves, during the week, stood unchanged at USD 9.671 billion, RBI said.

Country's reserve position in the international monetary fund stood at USD 1.348-billion during the week, the central bank said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Forex-reserves-climb-to-271-bn/articleshow/4946170.cms>

Trade News

Indo-Thai trade estimated to hit Rs 50,000-cr by 2010: Nuntawan

Trade between India and Thailand is estimated to reach Rs 50,000 crore from present Rs 30,000 crore by 2010, Director of Trade Negotiation Nuntawan Sakuntanaga said.

Addressing the members of Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) at a meeting, she said free trade agreement between India and Thailand signed in 2003 resulted in creating significant business and increase in the level of two-way trade between the two countries.

There are several opportunities for collaboration in sectors like gems and jewellery, chemicals and petrochemicals, automotive and auto components and Tourism, she said.

Chairman, International Trade and Relations Committee, FAPCCI, Srinivas Ayyadevara said that the enlargement of Free Trade Agreement by adding 3,000 other items will definitely boost the trade and investment between the two countries.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Indo-Thai-trade-estimated-to-hit-Rs-50000-cr-by-2010-Nuntawan/articleshow/4938315.cms>

Indo-Asean trade in goods agreement is a significant step ahead

After a six-year-long wait, the Trade in Goods Agreement (TIG) under the proposed Comprehensive Economic Cooperation Agreement, between India and the 10 member Association of South East Asian Nations (Asean), was finally signed on August 13, 2009 in Bangkok. The Asean, a collaboration between Indonesia, Malaysia, Singapore, Thailand, Vietnam, Brunei, Philippines, Cambodia, Laos PDR and Myanmar has been established with the objective of accelerating economic growth, social progress and cultural development amongst the member nations.

The TIG would come into force with effect from January 1, 2010 or from such date by which the Centre and the government of at least one Asean state issue notifications in relation to the same.

Salient features of the TIG

The essential benefit of the TIG, is the phased elimination/reduction of customs duty applicable on the import of goods between the signatory countries. With the implementation of the TIG, not only would the cost of procurement of imported goods from the signatory countries become lower, but manufacturers in India as well as the Asean countries will have greater access into the markets of the other signatory countries.

The TIG is applicable on around 90% of the goods that are traded between India and the Asean and with the implementation thereof, the 1.7 billion consumers' market in South East Asia would be open for free flow of trade. Therefore, the TIG is expected to have an unparalleled impact on trade, both in terms of volume and quality between the signatory countries.

<http://www.financialexpress.com/news/indoasean-trade-in-goods-agreement-is-a-significant-step-ahead/506502/>

Trade thru Nathu La resumes

Border trade between Sikkim and Tibet Autonomous Region (TAR) Nathu La after a gap of more than two weeks.

Traders used the Rongli-Nathu La road as the main route of Jawaharlal Nehru Marg, connecting Nathu La and Gangtok, was blocked due to landslides. A stretch of the road was washed away and no trade had happened for more than two weeks as traders were unable to reach the Sherathang trade mart or cross the border.

State Commerce and Industries department officials said 17 Sikkimese traders used the alternative route of Rongli-Nathu La road to reach the trade mart.

The total exports till July via this route is Rs 9.24 lakh, while the figures for August is nil as the road was closed.

<http://www.blonnet.com/2009/08/26/stories/2009082651201700.htm>

Sectoral News

Hotel Industry in India witnesses tremendous boom

A touch of tenderness, a helping hand, a welcoming visage... the Indian hospitality sector is certainly the most apt replication of the belief 'Atithi devo bhava'. Good quality products and services at affordable prices should be the USP of any successful venture - and hotels in the country boast of exactly this!

According to the world travel and tourism council, the growth in the hospitality industry is pegged at 15% every year, and with 2, 00,000 rooms (both luxury and budget) needed in the country, the segment is poised for a stupendous growth.

Travel tales

While the high influx of foreign tourists has ensured huge footfalls for the sector over the years, internal tourism too has, off late, begun offering great potential. With travelers taking new interests in the country, players in the hospitality sector have had to offer the best of services, at affordable prices. Also, with the USD 23 billion software services sector pushing the Indian economy skywards, more and more IT professionals are flocking to Indian metro cities, thus signaling a boomtime for the hotel and hospitality segment. Several other factors such as Commonwealth Games in Delhi are fueling the need further.

The best bet

The Indian hospitality industry is projected to grow at a rate of 8.8% between 2007-16, placing India as the second-fastest growing tourism market in the world. Initiatives like massive investment in hotel infrastructure and open sky policies made by the government are all aimed at propelling growth in the hospitality sector.

"Hotel and hospitality industries are among the biggest employment generators in the country. Towards propelling its growth, while the government should confer infrastructure status to the hotel industries, several taxation issues also need to be rationalised. Further permits and licenses required for the hotel operations need to be rationalised by offering a "single window" mechanism," says Sanjay Gupta, CMD, Neesa Leisure Ltd - the Group which boasts of providing state-of-the-art facilities and services at its hotels.

Be it Cambay Sapphire - the elegant 3 star business hotel at Ahmedabad or The Cambay Grand - the upcoming 5 star hotel in Ahmedabad that takes contemporary luxury to new heights with opulent rooms and suites, exotic spa, virtual golf, and multi cuisine fine dining, redefining luxury is the perennial mantra in each of Cambay's hospitality projects. Some of the Group's forthcoming ventures include The Cambay Spa & Resort at Neemrana, Rajasthan - a proposed five star business hotel boasting of one of the largest conference and convention facilities, another venture of Neesa Leisure Ltd in Dahej (SEZ) to have 100 rooms including apartment and conference facilities and Cambay Sapphire, Jodhpur - a business hotel. Exclusive and innovative initiatives like the Cambay projects certainly focus on ensuring a bright future for the Indian hotel industry.

The government's decision to substantially upgrade 28 regional airports in smaller towns and privatization & expansion of Delhi and Mumbai airport has improved the business prospects of hotel industry in India. Also, the upgrading of national highways connecting various parts of India has opened new avenues for the development of budget hotels in India. Couple this with the availability of qualified human resources and the hospitality sector has already got great growth prospects!

The right call

A focus on quality, behaviour-based evaluation, market choice and market response has predominantly shaped the State's hospitality industry. Increased competition and increase in demand has consolidated the hospitality segment, whilst opening up a plethora of opportunities. Fierce competition has led to innovative ideas by hotel majors, thereby delivering impressive hospitality products and services.

This has, in turn, also prompted them to generate new lines of revenue with creative approaches, be it by reducing transaction costs, increasing productivity or promoting traditional Indian values.

A pioneering initiative, herein, is the concept of mixed-use developments, wherein the real estate typically includes an apartment block of a commercial block along with a hotel. Still in its nascent stages in India, the concept offers inspiring potential. Also, the entry of multinationals and Indian hotel chains expanding internationally only reinforces the segment's untapped business potential.

Combining unparalleled growth prospects and unlimited business potential, this industry is certainly on the foyer towards being a key player in the nation's changing face.

<http://economictimes.indiatimes.com/Corporate-Trends/Hotel-Industry-in-India-witnesses-tremendous-boom/articleshow/4934663.cms>

Education sector IT spend to touch \$704 m in 2012

The education sector in India is expected to step up its information technology (IT) investment largely in the areas of networking, basic infrastructure and implementing IT security solutions, according to a study by Springboard Research.

In its report 'Inside the campus: IT in India's education sector', Springboard has forecasted that the education sector will step up IT spending from an estimated \$356 million in 2008 to \$704 million in 2012, reflecting in a CAGR of 19% during 2007-2012 .

According to the report, wireless LAN (WLAN), storage area network (SAN) and ERP are the three most popular IT solutions adopted by education institutes in India. "Educational institutions in India are presently focused on the deployment of IT systems that will enable them to improve the educational process for their students, and to stay ahead of the competition," said Nilotpal Chakravarti, senior research analyst, Vertical Markets, Springboard.

The report said a majority of institutes reported moderate to high IT spending on software (up to 50% of their total IT spending). In contrast, 18% of respondents reported spending more than 75% of their budgets on hardware . Spending on IT services remains low in the Indian education sector with nearly half of respondents spending up to 25% of their budgets on services.

<http://economictimes.indiatimes.com/ITeS/Education-sector-IT-spend-to-touch-704-m-in-2012/articleshow/4935075.cms>

'India share in global trade to go up to 3%'

India will try to step up its share in global trade from the current 1.5 per cent to three per cent by 2015, according to Mr. Subodh Kant Sahai, Union Minister for Food Processing.

During the period, the size of the food processing industry with huge export potential too would rise substantially and 35 per cent of perishables produced would undergo processing as compared with six per cent now. Under GST, there would be no tax on the processing of perishables, he said.

Addressing members of the Merchants' Chamber of Commerce, the Minister said the food processing industry remained by and large unaffected by the recessionary trend as was evident from its 14.6 per cent growth. However, the industry was dominated by small units, mostly in the unorganised sector.

The Ministry would assist in the setting up of more and more food processing units in the coming days so that the industry could create 10 million jobs by 2015, he said. The development of specialised hubs based on local produce in West Bengal was also being considered, he added.

<http://www.thehindubusinessline.com/2009/08/27/stories/2009082751451700.htm>

Textiles export to US to go up by \$1.5 bn: Maran

India's exports to the US can increase by \$1.5-billion if it made an effort to bail out the ailing textiles sector, according to Textiles Minister Dayanidhi Maran, on an official visit to the US.

"My visit will help exporters grab a large chunk of the market, which is expected to rebound by 2010 and 2011," Maran said while inaugurating the India Pavilion at "Sourcing Magic" fair in Las Vegas.

The minister said that after the quota phaseout in 2004, garment exports to the US stood at \$2.68 billion till June this year, compared to \$2.76 billion in the first six months in 2008.

Maran is currently leading a delegation comprising officials from his ministry and trade councils such as the Apparel Export Promotion Council, Cotton Textile Export Promotion Council and Synthetic and Rayon Textiles Export Promotion Council.

Approximately 31 per cent of India's textiles and garments exports are to the US, which constitute about four per cent of America's garment imports.

"Between January-June 2009, the total textiles import by US was \$37.54 billion, of which apparels were \$28.9 billion, and India's total export of textiles and clothing in the same period was \$2.43 billion, of which apparel is \$1.59 billion," Maran said.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Textiles-export-to-US-to-go-up-by-15-bn-Maran/articleshow/4954659.cms>

Iron ore exports up in July

India exported 5.9-million-tonne iron ore in July, a 2% increase over the same period last year after clocking 26 million tonne of exports during the April-June quarter, the same as the year-ago period, according to data collated by Association of Iron Ore Exporters.

The growth comes at a time when the finance ministry is considering a proposal by the steel ministry to levy 10% tax on export of iron ore to ensure availability of ore to domestic steel makers. Iron ore is a key input in steel making.

The steel ministry recently wrote to Finance Minister Pranab Mukherjee suggesting that the proposed export duty has become essential for ensuring availability of iron ore to domestic steel companies, which have been facing lower supply of the raw material for the past 5-6 months.

Such a move would affect top iron ore exporters such as Sesa Goa, MSPL, Roongta Mines, Chowgule, besides government-owned trading house Mineral and Metal Trading Corporation (MMTC).

The iron ore exports rose around 5.4% in July from 5.6 million tonne in June, according to the study conducted jointly by Goa Mineral Ore Exporters Association, Kudremukh Iron Ore Company and MMTC.

"Demand for ore is coming mainly from small steel makers in China, which are dependent on the raw material sold in the spot market," said RK Sharma, secretary general, Federation of Indian Mineral Industries.

Iron ore exports will continue to vary over the next few months till demand revives from large steel producers, he added. The large steel makers in China are still negotiating with global ore suppliers like BHP Billiton and Rio Tinto seeking price cuts of up to 50% on annual long-term iron ore contracts. As a result, supply orders for the large Chinese steel firms are yet to pick up. India produces close to 200 million tonne of iron ore every year, half of which is exported.

Around 80% of the country's ore exports go to China, while the rest to Japan and Korea.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Iron-ore-exports-up-in-July/articleshow/4952375.cms>

Jewellery exports regain shine in July

India's gems and jewellery exports, which lost a lot of glitter due to recession in the developed world, are regaining shine with July dispatches showing a rise over June.

Gems and jewellery exports in July aggregated to \$1.9 billion as compared to \$1.7 billion in June. However, the exports in July this fiscal showed a decline of about 3% year-on-year, according to figures released by the Gems and Jewellery Export Promotion Council (GJEPC).

"There is definitely an arrest in decline of gems and jewellery exports. We are getting orders for the Christmas season," GJEPC chairman Basant Mehta said. The exporters are optimistic about demand picking up again, especially during the festive season.

"We see a turnaround in the coming months... But we need to see whether the arrest (in the exports) continues or not," Mr. Mehta added. Gold jewellery outward shipments recorded a growth of 8.75% and coloured gems stones 24.14%. The US and the EU account for 40% of India's total jewellery sales overseas.

The government has announced a series of measures to help gems and jewellery exports in the foreign trade policy.

The government decided to give duty drawback benefits on gold jewellery exports, under a duty refund scheme. Besides, it also announced the setting up of diamond bourses in the next six months aimed at making the country a global trading hub.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Jewellery-exports-regain-shine-in-July/articleshow/4952377.cms>

News Round – Up

India July consumer price index up 11.89 pc y/y

India's consumer price index rose 11.89 percent in July from a year earlier, rising sharply from June's annual rise of 9.29 percent as prices of food items increased, government data showed.

The consumer price index for industrial workers increased by 7 points to 160 in July from a month ago.

Last week, the wholesale price index fell 0.95 percent in the 12 months to Aug. 15, compared with the previous week's annual decline of 1.53 percent.

The wholesale price index is more closely watched in India because it covers a higher number of products and is released weekly.

<http://economictimes.indiatimes.com/News/Economy/Indicators/India-July-consumer-price-index-up-1189-pc-y/y/articleshow/4955318.cms>