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India announces interest subsidy, sops to boost exports

The Indian government has announced a host of incentives, including interest rate subsidy and liberalisation of norms for special economic zones, to boost exports.

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India to double renewable energy capacity by 2017: PM

India recognises the importance of evolving a low carbon strategy for inclusive and sustainable growth and will double renewable energy capacity by 2017, Prime Minister Manmohan Singh said.

Speaking at the inauguration of the Fourth Clean Energy Ministerial here, the prime minister said greater use of clean energy contributes to sustainability of the development process. This issue, he added, will become more important in the years that lie ahead.

"We are also taking steps to exploit non-conventional clean energy sources such as solar and wind power, and also energy from the bio mass. It is proposed to double the renewable energy capacity in our country from 25,000 MW in 2012 to 55,000 MW by the year 2017," he said.

The prime minister said the pace at which the country can expand its reliance on these new energy sources is constrained by the fact that they are more expensive than conventional energy but costs are expected to fall.

"The cost of solar energy for example has nearly halved over the last two years, though it remains higher than the cost of fossil fuel based electricity. If the cost imposed by carbon emissions is taken into account, then solar energy is more cost effective, but it is still more expensive," he said.

Counting on the probability of falling costs in this area, Manmohan Singh said: "We have launched a Jawaharlal Nehru National Solar Mission with the objective of developing 22,000 MW of solar capacity by the year 2022 covering both solar photovoltaic and solar thermal."

"The cost differential is being covered by different forms of subsidy and cross subsidy. A solar capacity of about 1,500 MW has already been installed in the country, and an additional 10,000 MW will be implemented by the end of the 12th Five Year Plan, ending in 2017," he said.

The prime minister said his government was keen to ensure induction of the best technology and also encourage domestic production of the equipment needed.

"India is potentially a large market for production of such equipment. It is also a potentially competitive and attractive production base for supplying other countries. We therefore strongly encourage global manufacturers to set up production facilities in this area," he said.



Source: Indo-Asian News Service



IMF sees better horizon for India

India's economic and monetary fundamentals continue to impress the International Monetary Fund despite the current slowdown. New Delhi received key endorsements from the institution, with the head of the Fund not sharing the bleak prognosis of some cassetras, and instead saying better days are ahead for India if it can fix some bottlenecks.

"Our forecast is not for India to slowdown but to pick up a little more. We see some improvement on the horizon," Christine Lagarde, managing director of the IMF told TOI in an interview on Monday. Growth would be in the range of 5.5-6% which, she said, is obviously is not the same as 8-9% of a few years back.



Amid calls from some quarters for devaluation of the rupee to fix its record current account deficit touching 6.7%, Lagarde said it was the IMF's view that the rupee was at the right level of appreciation relative to fundamentals. The issue of current account deficit "is not a currency-issue to be fixed" but had to do with a combination of bottlenecks to India's exports, shortfall in FDI, and Indian corporates borrowing abroad, she said. The IMF MD also welcomed the proposed BRICS Bank, saying the Fund viewed it "very favourably" and "doesn't see anything wrong with it." There are a number of other regional and group institutions like this and the IMF would be happy to contribute its expertise and know how.

"We have been doing this job for 70 years. As good as it is to have regional banks, given our multilateral approach and independence that is rooted in the functioning of the IMF, we are ideally positioned to encourage members to be accountable to each other," she said, casting the Fund in some sort of advisory role, if not a supervisory one.

Source: The Times of India

World Bank terms India's steps to cut fiscal deficit as 'reassuring'

Finance minister P Chidambaram's budget received a pat from the World Bank that termed the steps to cut fiscal deficit as "reassuring" and one that could provide headroom to the Reserve Bank of India (RBI) to cut interest rates.

The developmental institution forecast a rebound in growth to 6.2% in the fiscal 2014 but cautioned against downside risks due to country's enhanced external vulnerabilities in the form of widened current account deficit being financed largely by portfolio investments. "Budget announcements were reassuring. India is moving in the right direction," said Martin Rama, chief economist for the South Asia Region at the World Bank.

In its report on South Asia, 'Regaining Momentum', the Bank said adhering to fiscal consolidation goals was particularly important in the context of upcoming state and general elections.

However, it said the investors were still in the wait and watch mode. "I think there certainly is in the minds of investors an expectation and anxiety on the progress on reforms and on the kind of stance that the new government would have - whether it would be a coalition government or not a coalition," he said.

That Indian finance minister is going to many countries trying to reassure investors and commitment of the government to implement reforms early is probably the right step to take, he said.

Source: The Economic Times



With \$69 bn, India tops in global remittances

India remains the largest recipient of global remittances in the world, receiving \$69 billion in 2012, the World Bank said as it launched a new initiative on migration issues.

Envisioned as a global hub of knowledge and policy expertise on migration issues, the Global Knowledge Partnership on Migration and Development (KNOMAD), was initiated in response to the rapid growth in migration and remittances over the last decade, it said.

In addition to large numbers of unskilled migrants working mainly in the oil-rich Gulf Cooperation Council (GCC) countries, India also has a large skilled diaspora in the US and other high-income countries, the Bank noted.

Flows to Bangladesh, Pakistan and Nepal have also been robust, helped by strong economic growth in the GCC and India, it said.

Officially recorded remittance flows to South Asia are estimated to have increased sharply by 12.8 percent to \$109 billion in 2012. This follows growth averaging 13.8 percent in each of the previous two years.

Remittances to the region are projected to remain buoyant in the coming years, reaching \$140 billion in 2015, the Bank said.

Other top recipients of officially recorded remittances for 2012 are China (\$60 billion), the Philippines (\$24 billion), Mexico (\$23 billion) and Nigeria and Egypt (\$21 billion each). Other large recipients include Pakistan, Bangladesh, Vietnam, and Lebanon.

"Nearly one billion people - that is, one out of every seven persons on the planet - have migrated internally and across international borders in search of better opportunities and living conditions, with profound implications for development," the Bank said.

Remittance flows to developing countries have more than quadrupled since 2000, it said. Global remittances, including those to high-income countries, are estimated to have reached \$514 billion in 2012, compared to \$132 billion in 2000.

"Migration and remittances offer a vital lifeline for millions of people and can play a major role in an economy's take-off," said Kaushik Basu, the World Bank's chief economist and senior vice president for development economics.

"The World Bank has played a critical role in migration and remittance research and KNOMAD will be critical in taking this agenda forward," he said.



Source: Indo-Asian News Service



Overseas capital best protected in India: Chidambaram

Overseas capital is best protected in India and the country has all the ingredients to attract foreign direct investment, Finance Minister P. Chidambaram has said in a bid to woo investors from the US.

Addressing students and faculty of Harvard University, Chidambaram said: "Best guarantor of investment protection is a stable and democratic political structure, a belief in the rule of law, and a transparent and independent legal system. India has all three."

Chidambaram tried to allay apprehension of the global investors on India's tax policy, saying the changes won't be done on the whims of the government.

"Emerging markets have to increase the comfort level of international investors, to improve their sense that their capital is well protected," he said.

"After all, why would they invest over the long term if their capital can be expropriated by a change in laws or by the whims of the government," asked the finance minister.

Chidambaram urged investors in the US to increase investment in India, especially in infrastructure sector.

"India saves a lot - the savings rate at its lowest in recent years was about 30 percent of GDP. But India's savings fall short of its investment needs. Moreover, India needs intelligent risk capital that will ensure that investments are monitored and brought to fruition. And India needs long term patient capital that is willing to collect a return over many years," he said.



Source: Indo-Asian News Service

India is not imposing restrictions on investments:

Finance Minister P Chidambaram has rejected suggestions that India is imposing restrictions on investments and said the country's economy is opening up in a gradual manner.

"I think the right way to look at it is we are not restricting. We are opening up in a gradual manner. Where were we in 1991. What are we today, in 2013? In the space of 22 years we have opened practically 90 per cent of India's economy," Chidambaram told the popular Charlie Rose Show in an interview.

"There are still some areas which are closed or which are restricted. But they will open up. But the areas that are being opened up are so large, all this manufacturing. Steel, power, roads, airports, seaports, all this is open.

Therefore, there's a huge opportunity for investors," he emphasized.

Observing that India has opened up 90 per cent of its economy in the 22 years of liberalisation since 1991, Chidambaram said that the country could become a "giant economy" if it grows at eight per cent continuously for seven-eight years.

"See, our savings rate in the worst year was 30 per cent. In the best year, was 36 per cent of GDP. Pick any number between 30 and 36 for incremental capital output ratio, what economists call ICOR, is about 4. Our potential growth rate is about 8 per cent," Chidambaram said.

"If we continue to grow at eight per cent for, say, seven years or eight years or ten years, like China did at 10 per cent



for over ten years, it compounds, and we become a giant economy," the Finance Minister said.

Chidambaram is currently in Washington to attend the annual Spring meeting of the International Monetary Fund (IMF) and the World Bank.

The Finance Minister held a series of bilateral and group meetings related to the IMF, World Bank and G-24.

Noting that India does not encourage joint ventures with the Government, Chidambaram said in most areas, New Delhi allows 100 per cent foreign direct investment.

"And he can choose his partner, a private partner if he wishes to choose a private partner. In fact, we don't encourage him to have a joint venture with the government," he insisted in response to a question.

"This argument has been made about India, I think it might have been Jim O'Neill of Goldman Sachs, saying that they don't govern enough, that politics has to get better. Does that ring true to you at all? Do you know what he might be saying?" Charlie Rose asked.

"It is true of India. But let me add, it is true of every country. We can have better governance. I don't think you should generalise. There are many states in India where there is good governance. The Central Government generally provides good governance. But there are weaknesses," Chidambaram said.

"We need to identify those weaknesses and rectify them.

But how can anyone say that we have reached the Acme of governance? Obviously governance can improve. We need to learn, for example, from the Japanese or the Chinese how to execute a project on time without a cost overrun," he said.

The Finance Minister said that he does not subscribe to the theory that America will decline as this is a country built on talented immigrants, and people with fire in the belly.

"I have not subscribed ever to the theory that America will decline. America's great strength is its ability to attract talent from all over the world," Chidambaram said.

"It's a country built on talented immigrants, hungry immigrants, people with fire in the belly. That's its greatest strength. The second great strength of America is its Universities. Nowhere in the world do we have such Universities," he said.

Source: Press Trust of India



Gold may stabilise at ₹25,000 per 10 gm

Gold prices, which have crashed almost 20 percent from the record high of Rs.32,500 (\$602) per 10 gram last September, are likely to stabilise in the range of Rs.25,000 to Rs.26,000 in the medium term, analysts say.

"I don't expect any major pullback in the medium term. It should stabilise this year in the range of Rs.25,000 to Rs.26,000," Naveen Mathur, associate director for commodities and currencies at Angel Broking, told IANS.

Mathur, however, said in the long term (2-3 years) gold prices were likely to regain their 2012 high.

"Our long-term outlook on gold is bullish. It should go to that level. However, in the near to medium term, there is not much scope," Mathur said.

Gold prices hit an almost three-year low of Rs.25,680 Wednesday, 21 percent down from the record high of Rs.32,500 in September 2012. The price recovered towards the end of the week on the back of retail buying. Gold traded at around Rs.27,100 on Saturday.

The prices crashed this year after 12 consecutive years of gains.

Fears of Cyprus and some other debt-ridden European countries selling off gold and liquidations in exchange-traded funds are the primary reasons for the crash in prices.

In the international market, gold has tumbled 28 percent from the record \$1,920.30 (Rs.103,565) an ounce (29 grams) in September 2011. It is down about 18 percent so far this year. The yellow metal traded at nearly \$1,400 an ounce on Saturday.

According to Goldman Sachs's, yellow metal prices may temporarily drop below \$1,200. The bank's 12-month forecast for gold prices is \$1,390 an ounce, around the same level towards the end of this week.

The sharp drop in prices is likely to boost the volume of gold jewellery sales, according to India Ratings and Research. Sales volumes had fallen 19 percent between 2010 and 2012, while gold prices had surged around 55 percent during that period.

However, discretionary spending, according to the ratings agency, is likely to be impacted as buyers of gold for invest-

ment purposes would postpone their purchases until the gold prices stabilise.

"Operating margins are also likely to be impacted by the decline in prices as some retail jewellers quote making charges as a percentage of raw material cost," India Ratings and Research said.

The decline in crude, gold and other commodity prices are likely to have a positive impact on the Indian economy, especially on the country's trade and current account deficits. It will also help contain inflation and boost growth.

Source: Indo-Asian News Service



UAE offers to invest \$2 bn in Indian infrastructure

The United Arab Emirates (UAE) has offered to invest \$2 billion on infrastructure development in India, Commerce and Industry Minister Anand Sharma said.

Sharma said the Gulf country made the proposal for investment during the first meeting of the India-UAE joint investment task force held in February this year.

"The issues relating to promotion and facilitation of investments between the two countries and the modalities to address issues associated with existing investments between the two countries were discussed," Sharma said in a written reply in the Lok Sabha.

"UAE offered to allocate \$2 billion for investments in infrastructure projects in India," he said.

Sharma along with Abu Dhabi crown prince Sheikh Hamed bin Zayed Al Nahyan had co-chaired the joint investment task force meeting held Feb 18 in Abu Dhabi.

"It was decided that governments of both countries would provide assistance and support for expediting the resolution of issues associated with existing investments and opportunities for new cross-border investment across a range of sectors," said the minister.

Source: Indo-Asian News Service

South Africa needs more trade with other BRICS members

More trade with other BRICS countries will help South Africa recover from the global economic crisis, the South African Reserve Bank said in a statement.

The statement said the remark was made by its governor Gill Marcus in Johannesburg over the weekend.

In her speech, Marcus said that the work stoppages in the mining sector in South Africa last year negatively impacted on the country's exports performances since mining sector is the main source of exports.

Marcus believed that the weak global growth environment looks set to persist. "The slow recovery of advanced economies is making it difficult for South Africa's trade account of the balance of payments," she said.

"Since the traditional trading partner Britain in manufacturing exports is not performing well, there is a need for South Africa to look to emerging markets," she said, pointing that South Africa should exploit the BRICS membership benefits.

BRICS is an acronym for the powerful grouping of the world's leading emerging market economies, namely Brazil, Russia, India, China and South Africa.

"South Africa is now part of the BRICS grouping, and though a relatively small partner, we are full members and are working to maximize the opportunities that present themselves," Marcus said.

Marcus praised the BRICS for its fast development in economy, saying: "There is little doubt that there has been a tectonic shift in the drivers of global growth. The emergence of countries such as Brazil, Russia, China and India has changed the epicenter of global economic activity."

"The BRICS share of global GDP has increased three-fold in the past 15 years, and this share is currently around 20 percent in market terms, and is expected to rise to 45 percent by 2030," she added.

Marcus said that China managed to survive the hard nock of the global economic crisis, which will assist South Africa, one of the China's biggest trading partners on the African continent.

South Africa is currently trying to increase exports to other countries to balance exports and imports.

Source: Indo-Asian News Service



India's gemstones market to double to \$3.6 bn in 5 years: Gemfields

The coloured gemstones market in India is expected to double to \$3.6 billion in the next five years, Gemfields Plc, the world's leading precious stones miner, said.

"\$1.8 billion is the total size of the coloured gemstone market in India. We are expecting a growth of 20 percent every year for the next 10 years," Rupak Sen, Gemfields India regional marketing director-Asia, said here.

According to Sen, India's gem and jewellery market was estimated at \$30 billion and out of which the market share for all categories of coloured gemstone was almost 6 percent.

London-based Gemfields mines mainly emeralds in Zambia, but recently ventured into rubies, processed in Mozambique.

The company auctions rough stones in Singapore. Right now, it is running an emerald auction in Zambia.

Sen said auction of rubies would be held any time between July and December this year but informed that the venue of auction has not been fixed yet.

Asked on the probable venue of ruby auction, he said, "Taking into account the global demands, our global sales team will decide it. But wherever we have it, the place should be convenient for our clients."

The gemstone producer would bring rubies to the Indian market in the second half of this year.

"India is a very important market for us for cutting and polishing of emeralds. Hopefully, when we will bring ruby, then India will also play an important market for us," Sen added.



Source: Indo-Asian News Service

Ford India plans to make India export hub

Auto major Ford India, which is gearing up to roll out its much-awaited compact Sports Utility Vehicle (SUV) Ford Ecosport in a couple of months, plans to make India the export hub. It is targeting 25 percent exports of its total vehicle capacity in the country.

The vehicle capacity at both its existing plant in Chennai and the upcoming plant near Ahmedabad, which scheduled to become operational next year, will be 440,000 per annum. The engine capacity will be 610,000 units.

"We not only want to satisfy Indian demand but we are also making India the export hub. As much as 25 percent of vehicle capacity and as much as 40 percent of engines will be exported," said Joginder Singh, president and managing director of Ford India.

Terming EcoSport as Ford's new game changer, he said it was expected to do even do better than Ford Figo in exports. Figo is being exported to 38 countries.



Singh said the company invested \$140 million in the Chennai factory to expand the capacity to satisfy both Indian and international demands. The current exports are mostly to Asia Pacific but with the EcoSport launch, this is expected to go beyond.

He was talking to reporters here after unveiling Chennai-built EcoSport as part of its product experiential campaign EcoSport Urban Discoveries.

Through this campaign in 12 cities across India, 100 customers will be selected to drive this vehicle and share their experiences of the same. These customers will be selected by a panel of judges.

Terming this as the first of its kind campaign by any manufacturer in India, Singh said they want to empower the customers. "We are so confident of the product. Once this process is completed, we will announce booking and pricing," he said.

Stating that the 'unique' product has high localization, Singh promised that the pricing will be competitive.

He pointed out that 75,000 people have also registered on web for the campaign and claimed that EcoSport has become the most awaited product. Singh believes that despite the slowdown in the automotive industry, the timing for the launch of the second-generation SUV is perfect

"Despite the turmoil, some segments are still growing. This segment (SUV) is not only growing but will take off once we launch this product. We think it is right product in right segment and at right time," he said.

He, however, said the government should come out with a policy to provide the stimulus to the industry by lowering the interest rates so that more customers can buy the vehicles.

EcoSport will come in four variants, eight colours and three engines - petrol, diesel and EcoBoost technology petrol, which is being introduced for first time in India.



Source: Indo-Asian News Service



Hilton aims to have 50 hotels in India by 2016

Mumbai, April 19: Christopher J. Nassetta, president and global CEO, Hilton Worldwide, is a man on the move. The 50-year-old chief of the closely held hospitality chain says he spends three-fourths of a year travelling across the globe as part of his responsibility to oversee around 3,900 hotels spread across 90 countries.

Nassetta must like traveling a great deal. In fact, Hilton accelerated its pace of expansion outside its home market in the US after Nassetta came on board in 2007, soon after private equity giant Blackstone purchased the chain. At that time, around 85% of Hilton's pipeline was within the US. It's changed since. Currently, more than 60% of its pipeline is outside the US. In the last six years, Hilton opened more than 1,100 hotels globally.

Nassetta, who was in Mumbai recently, met us in the lobby lounge of the Hilton Hotel, located close to the international airport. In a meeting that lasted an hour and a half, he made it clear that he is excited about the Indian market and he believes that the country's fundamentals — huge population, rising incomes, improving infrastructure, among others — offer a strong growth opportunity.

"India is the best story for the hospitality industry from the fundamentals point of view," he says, without appearing to be praising a country he's visiting. In fact, Nassetta considers India as his biggest growth market. A quintessential hotelier — fit, dressed in a dark blue suit with an elegant printed tie and neatly gelled hair — he says India's supply of 1,80,000 rooms is much lower than the total room inventory in any US city, say, New York or Orlando. The US, incidentally, has over 3.6 million hotel rooms — the highest in the world.

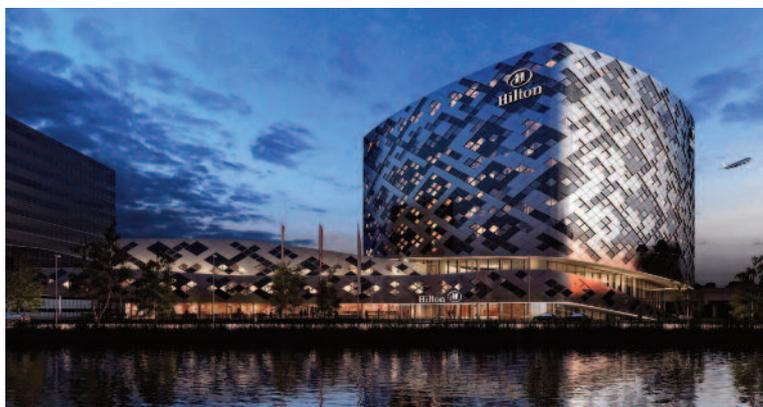
Hilton entered India with a bang, through a brand franchise agreement with Oberoi Hotels in 2004. Four years later, it charted out its own growth path, striking franchise and management contracts with Indian property owners. Nassetta says the chain, which currently operates 12 hotels with 2,000 rooms in India, has lined up another 20 hotels with 3,500 rooms which will open doors to guests in the next eight months. "Our target is to have 50 hotels by 2016," says the Hilton chief, adding that almost all the Hilton brands, except its timeshare brand Hilton Grand Vacations, would dot the Indian skyline. The 94-year-old chain owns 10 brands such as Waldorf Astoria, Embassy Suites and Homewood Suites by Hilton. Of these, only four brands are present in India, operating in the upscale and mid-market space.

The company is getting into the luxury segment with the launch of the 250-room Conrad in Bangalore shortly. India, Nassetta feels, is entering the golden age of travel. Personally, too, he wants more of India and is coming back with his wife and six girls, with whom he loves playing soccer, to India for a holiday this summer.

So did his group adopt a different strategy for India? The Virginia McIntire School of Commerce-educated Nassetta says that the chain makes "meaningful regional differentiation" to its brands while operating in any country. "We retain the DNA of the brand but adapt to particular market conditions. This has been done with two of our mid-market brands, Hilton Garden Inn and Hampton by Hilton."

For instance, there is more meeting space, more food & beverage spread in India compared to other Hilton Garden Inn and Hampton properties in different parts of the world. India, however, is just a small speck in the global map, contributing just 3% to Hilton's Asia-Pacific revenues. But Nassetta believes the pie will grow in the coming years, given the chain's brisk expansion in India.

Source: The Times of India





India announces interest subsidy, sops to boost exports

The Indian government has announced a host of incentives, including interest rate subsidy and liberalisation of norms for special economic zones, to boost exports.

Commerce and Industry Minister Anand Sharma announced the measures as part of the annual supplement (for 2013-14) to the Foreign Trade Policy 2009-14.

The government has decided to extend the period and scope of interest rate subsidy provided under the zero duty Export Promotion Capital Goods (EPCG) scheme.

"We have decided not only to extend the zero duty EPCG scheme beyond March 2013, but also merge it with 3 percent EPCG scheme. Now the zero duty EPCG benefits will be available to all sectors," Sharma said.

"We have also undertaken a major simplification of the EPCG scheme," he added.

The Foreign Trade Policy has two variants under the EPCG scheme -- zero duty for a few sectors and 3 percent duty for all sectors.

Now the government has decided to harmonise zero duty EPCG and 3 percent EPCG scheme into one scheme which will be a zero duty EPCG scheme covering all sectors.

India's exports dropped by 1.76 percent at \$300.60 billion in the financial year ended March 31, 2013. In the previous financial year the exports had increased by more than 20 percent.

The country's trade deficit widened to \$190.91 billion in 2012-13 as compared to \$183.4 billion recorded in the last fiscal.

Sharma said interest subsidy and other incentives provided by the government would help revive exports growth and curb trade deficit.

"We are conscious of the need to enhance exports so that we can address the real challenge of bringing down the trade account deficit, which directly impacts the current account deficit," the minister said.

President of the Federation of Indian Export Organisation (FIEO) M. Rafeeqe Ahmed said the incentive measures would help boost export and create new employment.

"Pragmatic announcement on SEZ by reducing the land requirement by 50 percent and linking it to built up area will renew the interest in SEZ scheme," Ahmed said.

Chairman of Apparel Export Promotion Council (AEPC) A Sakthivel said the measures would help revive garment exports.

"Measure like expansion of zero duty EPCG scheme, extension of TUFs benefits to EPCG, announcements on promotion of incremental exports and winding the ambit of market and product focus scheme, and extension of interest subvention till March 2014, etc will help in promotion of garment exports from India," he said.

India's garment exporters are facing tough times due to increased competition from Bangladesh and China in the US and European markets.





Monsoon seen normal in South Asia, set to boost India growth

Monsoon rainfall over South Asia, home to a quarter of the world's population, will be normal this year, potentially increasing farm output in the region and boosting economic growth from a decade-low in India.

Farmlands in India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives, Myanmar and Afghanistan are set to get rain from the end of May as El Nino weather conditions in the Pacific Ocean, which can parch Asia and bring cooler weather to the US, are seen neutral, the South Asian Climate Outlook Forum said in a statement in Kathmandu, Nepal. India, excluding the states of Kerala and Tamil Nadu and some of its northwestern regions, may receive normal rains, according to the estimates.

Monsoon rainfall is critical to increasing harvests of sugar to soybeans and rice in South Asia as more than 50% of the farmland is rain-fed. Indian Prime Minister Manmohan Singh is counting on normal precipitation to ease water shortages in some drought-hit areas and curb the second-fastest consumer-price inflation among the Group of 20 major economies. Increased farm output may boost rural incomes, lifting sales of everything from tractors to cars and shampoos.

Given the slowdown India is in right now, all the engines of the economy need to be firing, said Sonal Varma, an economist with Nomura Holdings Inc. in Mumbai. A normal monsoon would ensure that prices do not move up substantially above 10%.

Consumer prices rose 10.39% in March, while wholesale price-based inflation slowed to a 40-month low of 5.96% last month, according to official data. India's economic growth was 5% in the fiscal year ended March 2013, the slowest pace since 2003, partly because of a decline in farm output caused by a below-average monsoon in 2012 and a moderation in investment, the statistics agency estimates.

The South Asia Climate Forum, set up in 2009, issues annual monsoon forecasts for the region as the season accounts for 70-90% of the precipitation. Monsoon rain in India will be 103% of a 50-year average in the four months through September, Skymet Weather Services Pvt., a private forecaster, said 17 April.

This year's monsoon in India will be above the average of 89 centimeters, D.S. Pai, head of the long-range forecasting division at the nation's weather bureau, said in Kathmandu.

Annual rainfall in central and eastern India is estimated to be normal and that in the Himalayan region, which includes Nepal and Bhutan, may exceed long-term averages, according to the South Asia forum. The monsoon may be weaker than normal in the southern and northwestern parts of South Asia, according to the estimates. Bangladesh, Myanmar and Afghanistan may receive normal rains, according to the forum.

India's food-grain production, including rice and wheat, will fall 3.5% to 250.1 million tons in the year ending 30 June from a year earlier after the weakest rains in three years parched parts of Maharashtra, Karnataka and Gujarat states. The drought also cut harvests of sugar, cotton and rice. The growth in agriculture sector is estimated at 1.8% in 2012-2013, the least in 3 years, according to the government.

Food inflation may not come down, but it will not go up if we have a good monsoon, Nomura's Varma said. To that extent, it is positive from the interest-rate perspective.

India's central bank has lowered borrowing costs twice in 2013, limiting each rate cut to 25 basis points, to spur in-



vestment. The government estimates growth has slowed to a decade low as foreign direct investment slid 20% to \$30.8 billion in the April-to-January period, set for the biggest 12-month drop since the fiscal year through March 2002. The next policy decision on interest rates is due 3 May.

India's more than 235 million farmers depend on rain for irrigating crops such as rice and cotton. The monsoon, which brings more than 70% of the annual rain, usually makes landfall in the south in June and covers the whole country by 15 July. Sowing of monsoon crops begins in June and harvesting starts in September.

A bumper harvest on the back of normal rainfall may also boost electoral prospects of Singh's coalition in polls due by May 2014, said Satish Misra, an analyst at the Observer Research Foundation in New Delhi. The government has overhauled policies in recent months to stem the economic slowdown ahead of the elections and overcome criticism of a policy paralysis.

A good monsoon means good crops, more money in the pockets of farmers, control in food prices, less government spending to support farmers, and reining in fiscal deficit, Misra said. It will bring cheers to the government and brighten electoral prospects of the ruling party.

Sustained exports of rice, wheat, cotton and other farm commodities will depend on a good monsoon, said Kishore Narne, head of commodity and currency at Motilal Oswal Commodity Broker Pvt. in Mumbai.

We can't really ignore the monsoon as it has huge impact on production and export policy, he said. If monsoon fails, it will have impact on exports. "We are sitting on a huge inventory of wheat, rice and sugar and it's a buffer."

A ban on exports of sugar, rice and wheat was extended in 2009 following the weakest monsoon since 1972. Record harvests of rice, wheat and cotton in 2011-2012, following two normal monsoons, led to the bans being scrapped. State stockpiles of rice and wheat rose to 59.8 million tons at the start of this month from 53.4 million tons a year earlier, according to the Food Corp. of India.

An El Nino is the periodic warming of the Pacific Ocean surface off the western coast of South America that can disrupt weather patterns in various parts of the world.

Source: Mint

Chidambaram woos investors in North America

On a road show in North America to try and boost capital flows into India, Finance Minister P.Chidambaram has assured investors that New Delhi is committed to key economic reforms and fixing some issues in the Indian system.

"Message is that we are committed to key issues like fiscal consolidation, containing inflation, improving the supply side, project implementation, independent regulators for critical sectors. It is always useful to talk to foreign investors," he told reporters.

The minister, who is here to attend the annual International Monetary Fund-World Bank spring meeting has held road shows in Toronto, Boston and New York to attract foreign investors to India.

"I think everybody recognises that India is an attractive market. Everybody recognises that India is a market in which you can do business and make reasonable profit," said Chidambaram. But "there are some drawbacks in our system, which we need to fix". On their part, the CEOs had voiced concerns over "slowness of decision making, obstacles to implementing projects, some ambiguity in tax laws and some ambiguities in policies."

Chidambaram also expressed confidence that India would soon achieve its potential growth rate of eight percent. Noting that India's savings rate has been between 30 and 36 percent, he said this should translate into a growth rate of 8 percent. "If we continue to grow at eight percent for, say, seven years or eight years or ten years, like China did at 10 percent for over ten years, it compounds, and we become a giant economy," he said.

Chidambaram said he believed in the long run, it is in India's interest to negotiate a bilateral Free Trade Agreement (FTA) with the US.

Source: Press Trust of India

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