

Weekly Economic Bulletin

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News Feature

'Incredible India' floors global media with dazzling CWG opening

"India has arrived" -- this summed up the international media comments on the dazzling opening ceremony of the Commonwealth Games in New Delhi.

Newspapers in two major Commonwealth countries, Australia and Great Britain, used terms like 'An ancient land opens its heart to the world', 'India opens doors to the world at opening ceremony' and 'India sweeps aside Games shame' to describe the two-hour cultural extravaganza that unfolded at the Jawahar Lal Nehru Stadium last night.

People across Britain watched the ceremony live on BBC and were all praise for it with NRI Industrialist Lord Swraj Paul summing up the public reaction by stating, "India has done itself proud. It was a great show."

'The Guardian' newspaper said it was a moment of national pride for India, which had drawn flak for the troubled build-up to the Games.

"'India has arrived': spectacular ceremony opens Commonwealth Games," read the newspaper's headline.

"Concerns of recent weeks forgotten as dazzling event launches games amid atmosphere of national pride and celebrations," it said.

"At exactly two minutes past seven tonight, a huge inflatable blimp rose slowly and smoothly into the hot air above Delhi's Jawaharlal Nehru Stadium to the sound of hundreds of traditional drums, pipes and conch shells, and the cheers of 65,000 people.

"This was the moment that 1.2 billion people – there are few in India who were still unaware of the event – had been waiting for," it added.

'The Daily Telegraph' marvelled at how smoothly the ceremony was conducted after all the organisational goof-ups that marred its run-up.

<http://www.business-standard.com/india/news//incredible-india/-floors-global-mediadazzling-cwg-opening/110943/on>

India's exports up 22.5 per cent at \$16.64 bln

The country's exports grew by 22.5 per cent to USD 16.64 billion in August compared to the same period last fiscal.

Imports, too, jumped by 32.2 per cent year-on-year to USD 29.67 billion in August, according to the government data released.

Commerce Secretary Rahul Khullar had recently said that export growth is relatively slow and well below the level of 2008-09.

During April-August this fiscal, exports posted a growth rate of 28.6 per cent to USD 85.27 billion on a year-on-year basis.

Imports during the April-August period grew by 33.1 per cent to USD 141.89 billion.

The country's trade deficit widened to USD 13.03 billion in August compared to the year-ago period. For the April- August, 2010, period, the trade deficit amounted to USD 56.62 billion.

<http://economictimes.indiatimes.com/news/economy/indicators/Indias-exports-up-225-per-cent-at-1664-bln/articleshow/6663658.cms>

Core infrastructure industries grow 3.7%

Growth of core infrastructure industries slowed to 3.7 per cent in August, as compared to 6.4 per cent in the same month last year, according to data released by the government.

Expansion of the six core industries-crude oil, petroleum refinery products, coal, electricity, cement and finished steel-aggregated 4.1 per cent during the first five months of this fiscal as against 4.8 per cent in April-August 2009-10, the data of Commerce and Industry Ministry said.

These six segments account for 26.7 per cent of the country's total industrial output.

Growth in the petroleum refinery production contracted by 2.3 per cent against a positive growth of 3 per in August 2009.

As per the data, the crude oil output growth was 15 per cent while it had contracted by 2.5 per cent in August 2009.

Production of both coal and electricity slowed to mere one per cent each, as against robust growth of 13.3 per cent and 10.2 per cent in August 2009, respectively.

Similarly, cement production too slowed to 1.6 per cent from 17.5 per cent in the year ago period.

However, finished steel output grew by 7.7 per cent in August this year. It was 0.3 per cent in the same month last year.

Meanwhile, the growth of the core infrastructure sector has been revised upwards to 4 per cent for July from the earlier provisional estimate of 3.9 per cent.

<http://www.financialexpress.com/news/core-infrastructure-industries-grow-3.7/690063/>

Overseas Investment

Forex kitty up nearly \$4 bn to touch \$292 bn

India's foreign exchange reserves rose \$3.86 billion in the week ended September 24 largely largely due to mop-up inflows. The reserves rose \$3.86 billion in the week ended September 24 to touch \$291.6 billion.

Foreign currency assets comprising dollars, British pounds and euro, among others, rose \$3,781 million during the week.

The value of gold in reserves, however, did not change. While special drawing rights and the reserve capital with the IMF rose \$57 million and \$23 million, respectively.

During the week, foreign investors had made huge investments in the Indian stock markets. It is likely that the central bank has purchased a substantial chunk to prevent the rupee from a steep appreciation, said a dealer with forex advisory firm requesting anonymity.

The central bank makes public its forex intervention figures after more than a month's lag.

With the advance tax flows swelling the centre's kitty, it has parked government's unspent revenue worth Rs 15,577 crore with the central bank, Rs 4,181 crore lower than the previous week's levels.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-kitty-up-nearly-4-bn-to-touch-292-bn/articleshow/6668353.cms>

FII's pump in record \$17.9bn so far in '10

The foreigners are invading like never before. Foreign institutional investors (FIIs) have net infused \$17.9 billion so far this year into the , the highest ever yearly inflow since were allowed to invest in India in 1992, data published by Sebi on Monday showed that so far this year.

This year's data beats the past record of \$17.6 billion, witnessed during the frenzied 2007. As a result of this unprecedented inflow of funds from abroad, the Indian rupee is appreciating against major currencies, mainly the US dollar, and the leading indices are rallying to multi-year highs. On Monday, the rupee hit a four-and-half-month high against the greenback and ended at 45.10 to a dollar, compared to its Friday close at 45.25. And on the BSE, the sensx gained 72 points to end at 20,117, a 32-month closing high.

Institutional dealers and top officials at broking houses said a major portion of this large chunk of FII money is coming either through the exchange traded fund (ETF) route or from smaller countries where investors are now waking up to the India story. "ETF money will keep coming as long as we continue to give good return," said Ambareesh Baliga, VP, Karvy Stock Broking.

<http://economictimes.indiatimes.com/markets/stocks/market-news/FIIs-pump-in-record-179bn-so-far-in-10/articleshow/6639845.cms>

Govt tweaks FDI rules, wholesalers gain

In a move seen as benefitting wholesalers such as Bharti Wal-Mart, the government allowed retailers to sell goods sourced from their foreign investment-funded wholesale ventures by removing the stipulation that such sales should be for internal use. However, the 25% limit on such sales remains, implying that bulk of the goods will have to be sourced from outside the group.

The revised guidelines, issued through a circular on foreign direct investment, also allowed the use of internal funds for investment in downstream ventures but made things difficult for the construction sector.

“The change has been made in response to request for simplification of the guidelines received from stakeholders,” the industry ministry said referring to the rules on wholesale while releasing the consolidated policy that is effective from October 1. The earlier policy put out by the industry ministry in April this year had imposed many restrictions on foreign investment funded retail in , including stiff guidelines for sale to group companies.

Such sales to group companies could be only 25% of the total sales of the wholesale venture and they had to be for the internal use of the buyer.

This was done to preclude indirect access to foreign investment to organised retail. Foreign investment is not allowed in multi-brand, but wholesale ventures can have 100% foreign direct investment.

The restrictions had hurt Bharti’s retail plans in India. , an equal equity joint venture between Wal-Mart and the Bharti group, runs a cash and carry, or wholesale, retail operation.

This company sells merchandise to Bharti unit Bharti Retail, which operates under the Easyday banner.

“This is a step forward from the April directive but it still remains very restrictive,” said Akash Gupt, executive director, PwC.

The new policy has also relaxed the rule for fully foreign-owned non-banking finance companies, or NBFCs, that meet the condition of minimum capitalisation of \$50 million. These have been allowed to set up subsidiaries for specific NBFC activities without bringing additional capital.

The new FDI guidelines issued last year had said companies that receive downstream investments from foreign companies have to comply with relevant sectoral conditions including minimum capitalisation. This meant that every subsidiary of NBFC had to be capitalised as per the sectoral requirement.

The policy clarified that internal accruals of existing foreign ventures can be used to fund downstream investments, but these would have to comply with the restrictions on downstream investments on foreign companies, owned and/or controlled by non-resident entities.

The construction sector now faces a more restrictive regime. The FDI policy earlier said the original investment cannot be repatriated before a period of three years from completion of minimum capitalisation. This had created policy confusion, leading to the interpretation that only initial investment was locked in. The government has said entire FDI in construction will be subject to the three-year lock-in.

The other policy changes include counting of share premium towards minimum capitalisation and change in definition of 'capital' to allow FDI in partly-paid shares and warrants, through the government route.

Share swaps as means of bringing FDI explicitly allowed through the policy and the ban on FDI in tobacco incorporated in the consolidated document..

<http://economictimes.indiatimes.com/news/economy/policy/Govt-tweaks-FDI-rules-wholesalers-gain/articleshow/6655541.cms>

Trade News

India, Mozambique to raise bilateral trade to \$1 bn

India and Mozambique have decided to renew their strategic political and economic partnership and set a target for bilateral trade at \$ one billion by 2013.

India has agreed to provide a line of credit of \$500 million for infrastructure projects, agriculture and energy. India will support the establishment of training and planning institutions in Mozambique to support capacity building in the coal industry. India will also support capacity building for the defence and police forces of Mozambique.

It is to be noted that in May 2010, India announced a line of credit of \$25 million for rural electrification, and in all, six LOCs amounting to \$ 140 million are operational or have been completed. A grant of US \$ 4.5 million to provide equipment to build capacities of Mozambique's police force was also announced.

Both sides have identified specific areas of common interest that will allow the establishment of an India-Mozambique partnership and agreed that high official delegations should meet to discuss ways to build a sustainable and mutually beneficial partnership.

Mentioning that India's relationship with Mozambique dated back to pre-colonial days, the Indian Prime Minister Dr Manmohan Singh said: "We both belong to the same Indian Ocean community and we share common concerns. It is in our mutual interest to ensure the safety and security of sea lanes of communication in the Indian Ocean. Our relations

are therefore warm, cooperative and marked by deep mutual understanding and friendship.”

The Mozambique President Armando Emilio Guebuza and Dr Singh agreed to build upon the solid foundations of the past, and create a partnership based on the following four pillars -- greater political engagement, deepening economic cooperation, strengthening defence and security cooperation and cooperation in capacity building and human resource development.

“We have agreed to exploit our mutual complementarities in areas of trade and economic cooperation, transportation, railways, mining, coal, agriculture, small and medium enterprises and science and technology,” said Dr Singh

President Guebuza is on a 6-day official visit to India from September 29 and is accompanied by a high powered official and business delegation.

<http://www.financialexpress.com/news/india-mozambique-to-raise-bilateral-trade-to-1-bn/691556/>

India, Germany identify areas for cooperation

India and Germany have identified areas of cooperation in biotechnology, infrastructure development, telecom and healthcare. India needs more investment in power, roads, railways, ports and aviation.

The Delhi-Mumbai Industrial Corridor and the Chennai-Bangalore Industrial Clusters offer new avenues for foreign investors.

The 17th session of the India-German Joint Commission on Industrial and Economic Cooperation (IGJC-IEC) met in New Delhi on September 23, 2010 and drew up further areas of cooperation between the two countries. The Indian side was led by its finance minister, Pranab Mukherjee while the German side was led by its minister of economics and technology, Rainer Bruderle.

Bruderle urged for investment by Indian industries in Germany and German industries in India as both the countries have come out of the recent financial crisis successfully and have greater scope of cooperation in the areas of energy including renewable energy and infrastructure sector among others.

India has set a target of 30,000 MW power generation from renewable energy sources, including 20,000 MW through solar power by 2022. German companies are well known for their technology and innovation in these sectors and this could be another possible area for joint collaboration.

The last session of IGJC-IEC was held in Berlin in September 2007 and the 17th session which became due in 2009 could not be held in that period due to polls in India and Germany. Due to the growing importance of cooperation between the two countries talks are underway to schedule the meeting of IGJC-IEC every year instead of once in two years. Apart from IGJC-IEC meetings there are several institutional arrangements like a

strategic dialogue at the level of the National Security Adviser and a joint working group on counter-terrorism to discuss various bilateral and global issues of common interest.

It has been announced celebration of the Year of Germany in India in 2011-12 and the Year of India in Germany in 2012-13.

The joint working groups under IGJC-IEC have increased to seven (tourism, coal, automotive, agriculture, vocational education and training, infrastructure- I, infrastructure-II) from the earlier three which indicates that both the countries have expanded their areas of cooperation. Vocational training and agriculture have emerged as key areas of collaboration. It has been agreed to expand the mandate of the joint working group on agriculture to include issues related to consumer affairs. The joint working groups on infrastructure and tourism would be soon revived.

<http://www.financialexpress.com/news/india-germany-identify-areas-for-cooperation/691869/>

India-Canada trade to triple in five years: Anand Sharma

Ananda Sharma said that India's "strategic partnership" with will triple in the next five years to \$15 bn.

Sharma, who is here with a high-powered delegation of business and industry leaders to further "strategic dialogue" between the two countries, said there was an "enormous potential" for trade between the two complementary economies.

"The trade between our two countries was close to \$5 bn before the global downturn, and it has come down marginally. Both our prime ministers have given the mandate to take it to \$15 bn by 2015. It is achievable," said Sharma who will meet his Canadian counterpart Peter Van Loan in Ottawa.

He will also call on Canadian Prime Minister Stephen Harper and attend a round-table with the Canadian Council of Chief Executives.

Sharma said the proposed comprehensive economic partnership agreement (CEPA) between the countries will take their commercial ties in trade and services to higher level.

A joint study group formed by the two countries to study key areas of interest and the scope of CEPA has already submitted its report to the two governments, he said. "The two sides have exchanged drafts, and completed governmental procedures to launch the agreement."

Sharma said the joint study group was created during the Indian visit of Canadian Prime Minister Stephen Harper in November when the two countries elevated their ties to 'strategic partnership' and agreed on regular CEOs' round-tables,

When formally signed, CEPA will give preferential access to the two markets. It will eliminate tariffs on most goods, create opportunities in services, set rules in investment and cut non-tariff barriers.

After CEPA, Canadian exports - forest products, nickel, aircraft, electrical machinery, fish and seafood products and agricultural products (cereals, lentils) - will get free access to the Indian market.

India's exports of precious stones, diamonds, jewellery and apparel to Canada are also expected to rise substantially after CEPA is signed.

Inviting Canadian investors to India, the commerce minister said, "India is the second-fastest growing in the world and among top favourite investment destinations." Investments in India, he said, fetched the highest returns today.

Sharma is the second Indian cabinet minister to visit Canada after the signing of the path-breaking nuclear deal by the two countries during Manmohan Singh's visit here in June. B.K. Handique, minister for mines, was here in July.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Canada-trade-to-triple-in-five-years-Anand-Sharma/articleshow/6618815.cms>

Sectoral News

Huge opportunity for cloud in Indian healthcare, says Zinnov

Zinnov Management consulting said that the total addressable opportunity for cloud solutions in the Indian healthcare industry (hospitals) is estimated at \$600 million by 2020.

The study, titled 'Cloud Computing: An enabler of IT in Indian Healthcare Sector,' revealed that cloud can potentially address close to 40 per cent of the total annual healthcare IT spending in India.

The current healthcare spending stands at \$54 billion and is expected to reach \$164 billion by 2019-20. Also, the estimated annual IT spending within existing hospitals in India is approximately \$191 million currently and is expected to reach a mark of \$1.5 billion by 2020.

<http://www.thehindubusinessline.com/2010/09/30/stories/2010093052791000.htm>

India can export 75-80 lac bales cotton this year: Pawar

The government has fixed a cap of 55 lakh bales on for the 2010-11 but Agriculture Minister has said that there is a scope for increasing it to 75-80 lakh bales.

"The cotton crop is extremely good this year. We can export upto 75-80 lakh bales, which is not agreeable to my other colleagues," Pawar said yesterday after a meeting of senior ministers, where 55 lakh bales limit was endorsed for 2010-11 marketing season (October-September).

He said a review will be taken by the December-end, adding that the government needs to take a balanced view to protect cotton growers as well as the industry.

"Currently, international prices are good. This is the golden opportunity for farmers and they will get better prices," he said.

One bale contains 170 kgs of cotton. Last week, Pawar had said that "the Textile industry is making noise," as it does not want exports to be allowed during the peak harvesting period -- October-December.

The booking of cotton exports will begin from October 1 and the shipment would take place from November onwards.

According to the estimates of the Agriculture Ministry, cotton production is projected at 335 lakh bales for 2010-11 marketing season, against 239.35 lakh bales last season.

The demand from domestic industry is projected at 220 lakh bales.

Up to 55 lakh bales, the exports will be duty-free and the government is yet to decide whether to allow excess exports with any levy. However, the industry has been demanding imposition of the export duty of Rs 10,000 per tonne fearing that exports would pressure on the domestic prices in the new marketing season.

Cotton prices remained quiet firm in the 2009-10 season touching nearly Rs 40,000 a candy of 336 kg, against Rs 23,000 a candy last year.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-can-export-75-80-lac-bales-cotton-this-year-Pawar/articleshow/6651586.cms>

India silver hits record high

Silver prices continued to race ahead to yet another new record peak at the bullion mark on speculative driven demand influenced by highly inflated international market. Meanwhile, gold eased due to lack of local buying interest at existing levels despite prices ruling at record levels in overseas.

Silver ready (.999 fineness) gained by Rs 30 per kilo to close at Rs 33,935 from yesterday's closing level of Rs 33,905. However, Standard gold (99.5 purity) slipped by Rs 15 per 10 gm to finish at Rs 19,150 from Wednesday's closing level of Rs 19,165. Pure gold (99.9 purity) also moved down by a similar margin of Rs 15 per 10 gm to end at Rs 19,240, as against Rs 19,255 previously.

<http://www.financialexpress.com/news/india-silver-hits-record-high/690744/>

Gold surges to new high again

Gold rose to a record high in Europe and was set for an eighth consecutive quarterly gain, fuelled by investors seeking an alternative to a wilting dollar and protection against potential inflation risks.

The dollar index fell to an eight-month low, under pressure from investors shunning the US currency as expectations mounted for the Federal Reserve to resume its quantitative easing programme to keep rates low and increase money supply.

Spot gold reached \$1,314.85 an ounce and was bid at \$1,313.55 at 1250 GMT, against \$1,308.80 late on Wednesday. US gold futures for December delivery also hit a record \$1,316.20 an ounce and were later up \$4.60 at \$1,315.20.

“In the US, you've got a gradual grind on the economic side, so low GDP growth, the Fed likely to keep rolling over its balance sheet for a while and not increasing interest rates,” said Bank of America-Merrill Lynch analyst Michael Widmer. “In that environment, you have a lot of uncertainty and people are looking to increase their gold holdings.” he added.

Speculation in markets is building for the Fed, the Bank of England and the Bank of Japan to limit rises in interest rates, which would prove a positive for gold, which tends to benefit in an environment of loose monetary policy.

“With quantitative easing, it is probably no longer a question of if, but when,” said Daniel Briesemann, an analyst at Commerzbank.

<http://www.financialexpress.com/news/gold-surges-to-new-high-again/690743/>

Auto sales continue forward march in Sep

Auto sales continued their upward trend in September on the back of new car launches as several carmakers set record sales. Maruti Suzuki registered its highest monthly sales during the month at 108,006 units compared to 83,306 units in September last year, growing by 29.65%. This is the fourth consecutive month that the company crossed the 100,000-sales mark. Total domestic sales during the period stood at 95,148 units. “This is the highest-ever total monthly sales by the company. The previous highest was 104,791 units in August, 2010,” Maruti Suzuki said in a statement. Maruti Suzuki's exports grew 10% to 12,858 units from 11,712 units a year back.

Its rivals Hyundai Motor fortified its position as the number two car maker maintaining a healthy lead over Tata Motors. During the month Hyundai's domestic sales grew 14.2% at 31,751 units from 27,803 units in September 2009. This was Hyundai's highest monthly sales numbers. Last month, the company launched a refurbished version of its highest selling hatchback i-10. However, Hyundai's exports declined sharply by 24.3% to 19,690 units against 25,999 units last year.

Tata Motors sales grew 30% in September to 23,877 units. The world's cheapest car Nano sold 5,520 units – a growth of 61% over last year. The company's total vehicle sales including commercial vehicles grew 23% to 64,668 units compared to 52,513 units last year. On Friday, Tata Motors also raised the prices of its passenger and commercial vehicles by up to Rs 40,000 with immediate effect due to rising input costs and implementation of new emission norm.

General Motors grew 13% to 8,617 units in September compared to 7,654 units last year. Close on its heel Ford saw its sales more than double during the month to 8,380 units compared to 3,405 units sold in September 2009. Utility major Mahindra & Mahindra clocked its highest-ever monthly sales at 35,177 units in September compared to 28,434 units with a growth of 24%. Its tractors sold 17,481 units. Luxury carmaker Mercedes-Benz India saw its sales jump 60% to 663 units.

<http://www.financialexpress.com/news/auto-sales-continue-forward-march-in-sep/691312/>

Chilli, ginger boost spice exports in Apr-Aug

Spice exports for the first five months of the current financial year that ends in March is higher than the same period of last fiscal mainly due to increased exports of chilli, ginger and certain seed spices, Spices Board sources said.

In April-August 2010, a total of 2,39,850 tonne of spices and spice products valued at Rs 2,600.51 crore (\$564.85 million) has been exported from the country as against 2,11,950 tonne valued Rs 2,190.50 crore (\$ 450.50 million) in April-August 2009, an increase of 13% in volume and 19% in rupee terms. In dollar terms the increase was 25%.

During April-August 2010, export of chilli, ginger, fennel, garlic, other spices like tamarind and asafoetida have increased both in volume and value as compared to April-August 2009. The export of value-added products like curry powder, spice oils and oleoresin have also shown an increasing trend.

However, in the case of pepper, cardamom (small), turmeric and mint products the increase is in value terms only.

According to Spices Board data, spices like cardamom (large), cumin, celery, nutmeg and mace and other seeds like mustard seed, dill seed and ajwan seed have decreased both in volume and value as compared to last year.

Pepper exports during the period was lower by 5 % in volume and 6 % in value at 7,600 tonne valued at Rs 129 crore. Indian pepper has been out priced in the global market and imports are also higher in the current financial year. Chilli exports were higher during the five months by 35% in value and volume mainly due to a drop in China 's chilli production.

Chinese production loss in garlic has also helped in higher exports to the tune of 327% in volume terms and 688 % in value terms.

In the last fiscal, India exported 5,02,750 tonne of spices and products valued at Rs 5,560.50 crore (\$1173.75 billion), exceeding the target for the fiscal by 16% in volume and 24% in value terms.

<http://www.financialexpress.com/news/chilli-ginger-boost-spice-exports-in-apraug/691916/>

Coffee exports surge 76% in first half

Coffee exports from India increased by 76% in volume terms in the first half of the current financial year that ends in March, compared to the same period in the previous financial year.

During April-September, the country exported 1.56 lakh tonne of coffee, up from 89,140 tonne exported in the same period a year ago.

In dollar terms, India fetched a foreign exchange of \$334 million through coffee exports in the first half of the current financial year, up from \$191 million recorded in the same period a year ago. In rupee term, export earnings increased to Rs 1,570 crore from Rs 950 crore during the same period, according to latest data released by the state-owned Coffee Board.

“Higher realisation on the back of a weak rupee helped to push up revenue growth in rupee term,” said J Manjunath of Sivadarsh Exporters.

Looking at the current trend, exports during the current financial year is expected to cross 2.8 lakh tonne compared to 2.04 lakh tonne exported in the previous fiscal.

With fresh Arabica crop expected to hit the market in September, analysts forecast that export volumes in the second half would be much higher compared to the same period a year ago. For the current coffee year starting on October 1, the Coffee board has projected a higher output for both Arabica and Robusta. According to post- blossom estimates of the Coffee Board, coffee output will touch 3.08 lakh tonne in the current coffee year compared to 2.89 lakh tonne harvested in the previous crop year. Arabica output is expected to increase to 99,500 tonne from 94,600 tonne during the period while robusta production is likely to touch 2.08 lakh tonne compared to 1.95 lakh tonne a year ago.

Coffee output in Karnataka, which accounts for 70% of the country’s total production, is expected to increase to 2.19 lakh tonne compared 2.05 lakh tonne harvested in the previous crop year.

<http://www.financialexpress.com/news/Coffee-exports-surge-76--in-first-half/691915/>

News Round-Up

ADB raises growth outlook to 8.5%, S&P to 8.1%

The government, in the dock recently for poor quality of its macroeconomic data, got a shot in the arm when two independent agencies backed its upbeat forecast, despite concerns over high inflation and a strong local currency.

Multilateral lender (ADB) raised the country’s growth forecast for the current fiscal to 8.5%, identical to the government figure, from 8.2%, after a series of positive numbers from industrial and agriculture sectors. “But, persistently high inflation and a rising rupee could undermine future strong growth,” ADB said in a new report.

This comes in close on the heels of finance minister Pranab Mukherjee's assessment last week that India's GDP would surpass the earlier projection of 8.5-8.75%. He had, however, expressed concerns over infrastructure bottlenecks weighing on growth prospects.

Rating agency Standard and Poor's also raised its growth estimates for the current year in a note released on Tuesday. "We expect India's economy to grow by 8.1% in 2010, based on a steep gain in industrial output and resurgent private consumption, investment, and exports. Were these scenarios to continue, growth would lift further to 8.3% in 2011," said DK Joshi, chief economist at CRISIL, Mumbai based subsidiary of Standard & Poor's.

The growth prospects started looking brighter as fears that the industrial sector was running at full capacity subsided and expectations of a good harvest were boosted by good monsoon. The industrial sector grew at a robust 13.8% in July and advance crop estimates predicted a bumper rabi crop. Earlier, the chief economic advisor, Kaushik Basu had said that he would stick to planning commission's base case scenario of 8.5% GDP growth.

Asia's third largest economy grew by 7.4% last year, after recording 6.7% growth in year ended March 2009. It had posted 9% plus growth rates in the three preceding years. ADB raised its inflation estimates to 7.5% from the earlier projection of 5.5%. It said food prices continue to remain a near-term concern. The inflation, according to the new wholesale price index with the base year 2004-05, was 8.5% in August while food inflation stood at 15.46% for week ended September 11.

"A well-grounded, robust recovery will depend on the ability of the various policymakers to coordinate effectively among themselves to achieve macroeconomic stability," says Jong-Wha Lee, chief economist at the Asian Development Bank.

<http://economictimes.indiatimes.com/news/economy/indicators/ADB-raises-growth-outlook-to-85-SP-to-81/articleshow/6648119.cms>