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News Feature

India's Feb industrial output up 3.6 pct y/y: Govt

India's industrial output in February rose a slower-than-expected 3.6 percent from a year earlier, government data showed.

The median forecast in a Reuters poll was for an annual rise of 5.2 percent.

Manufacturing output, which constitutes about 80 percent of the industrial production, rose an annual 3.5 percent, the federal statistics office said in a statement.

Industrial output grew 10.4 percent in 2009/10 financial year (April-March), faster than 2.8 percent clocked in the previous fiscal year.

http://economictimes.indiatimes.com/news/economy/indicators/indias-feb-industrial-output-up-36-pct-y/y-govt/articleshow/7942246.cms

Indian economy to grow by 8.8% this fiscal: D&B

Buoyed by robust services sector growth, the Indian economy would grow by 8.8 per cent in the current fiscal, a Dun & Bradstreet report said.

"D&B expects the GDP to record an average growth of 8.8 per cent during FY12... the uptick in GDP growth during FY12 is expected to be driven by a robust services sector growth", the D&B report said.

D&B expects the services sector to have grown by around 10.5 per cent during the fourth quarter (Q4) of FY11, taking the services sector growth for FY11 to 9.6 per cent, it added.

"The services sector is expected to maintain this growth momentum and clock a robust growth of 9.9 per cent during FY12," the report said.

Improving business and consumer optimism and rising income levels are likely to provide support to services segment such as financial services, tourism, transport and communication etc.

India's GDP (Gross Domestic Product-market value of all goods and services produced within a country in a given time period) growth, however, is expected to revert to its near 9 per cent growth trajectory during the second half of FY12, it said.

High interest rate scenario and input prices, coupled with muted investment activity and uncertainties surrounding the international economic situation are likely to limit the GDP

growth in the first half of FY 2011-12, pulling down the average growth to 8.8 per cent despite a 9 per cent uptick in the second half of the current fiscal, the report showed.

http://economictimes.indiatimes.com/news/economy/indicators/indian-economy-to-grow-by-88-this-fiscal-db/articleshow/7916109.cms

S&P affirms India's ratings

Global rating agency Standard & Poor's affirmed India's long-term rating as 'BBB-' and short-term rating as 'A-3' on good prospects of economic growth and a strong external position.

The ratings are unsolicited sovereign credit ones and the outlook on the long-term rating is stable.

A positive investment trends also underpins the ratings, with foreign direct investment and portfolio investments covering a large share of the current account deficit, S&P said in a statement.

http://businessstandard.com/india/news/sp-affirms-indias-ratings/431338/

Overseas Investment

Mining FDI to be put on FIPB route

After telecom, ports and refineries, foreign direct investment (FDI) in more sectors could now be put under security scrutiny. The government is planning to slap new entry route restrictions on FDI in the mining and realty sectors from a security standpoint, sources told.

So all FDI proposals in mining would now have to be vetted by the Foreign Investment Promotion Board (FIPB). Similarly, restrictions will also be put for foreign investments in the realty sector as the government is worried about circuitous flow of unaccounted funds into the sector through the FDI route. There are reports that FDI norms related to minimum capitalisation and minimum area are being violated by players in the construction industry.

At present, up to 100% FDI is allowed in realty projects through the automatic route with certain conditions like a three-year lock-in on investments and minimum capitalisation of $5 million. In mining, the government allows 100% FDI through the automatic route. Under the automatioc route, companies are allowed

to bring in FDI into the country just by informing the Reserve Bank of India.

The changes in FDI regulations are being considered in the wake of security concerns raised by the NSC.

The National Security Council secretariat has already issued a note highlighting the need for security scrutiny of these sensitive sectors to all the stakeholders in the government, said a government official privy to the development.

The move comes at a time when government has committed itself to liberalise the FDI regime, allowing a larger spectrum of sectors under the automatic route. In fact, for the mining sector the proposed changes would be a reversal of the investor-friendly regime that the government intends to put in place through the 2008 national mineral policy. Several mining giants including the world's biggest – Rio Tinto, BHP Billiton and Vale – and others are waiting in the wings to increase investments in the country after institution of a liberal policy regime.

Apart from flow of unaccounted money into the sector, the concern in the real estate sector is also on account of diversion of funds meant for FDI-approved projects into other projects that are not FDI-approved, including investments in agricultural land, which is a complete no-go area for FDI.

http://www.financialexpress.com/news/mining-fdi-to-be-put-on-fipb-route/773358/0

India still second best FDI spot: Nomura

Nomura India has said despite the recent massive slump in FDI inflows, India remains the hottest investment destination in the world after China and inflows will return to the pre-crisis peak levels by early 2012.

Foreign direct investment (FDI) inflows plunged 25% in April-January period to $17 billion year-on-year. The figure was more alarming in January when it nosedived 48% to $1.04 billion.

Attributing the recent decline to primarily global factors, Nomura India vice-president and economist Sonal Varma said following the 2008 crisis, other emerging markets too saw sharp drop in FDI inflows but picked up steam after two years unlike India.

“Of the $12-billion decline in FDI inflows between 2008 and 2010, around 60% was due to weak inflows into service spaces like computer software and hardware, financial services, banking, and construction,” Varma said.

“The sharp drop in inflows into banking and other financial services is unsurprising as the crisis led firms to restructure operations. As a

result, share of infrastructure in total FDI inflows rose to 24.7% in 2010 from 16.3% in 2007 and that of manufacturing rose to 32.1% from 19.6%, despite an fall in the absolute numbers in FY11," she said in her report.

While globally, overcapacity, credit crunch, fragile growth and increased risk aversion led firms to curtail investment, locally, the environment sensitive policies pursued appear to have affected the investor sentiments, she said.

Other factors like tax issues (income tax notice on Vodafone), delay in $9.6-billion Carin-Vedanta deal, many corruption cases are also said to be keeping off investors.

http://www.financialexpress.com/news/india-still-second-best-fdi-spot-nomura/774323/0

Trade News

Canada-India free trade pact by 2013: Industry Minister

Canadian Industry Minister Tony Clement has reiterated his country's commitment to signing a free trade agreement with India by 2013.

Speaking at a roundtable organized by the Canada India Foundation (CIF) before the May 2 parliamentary election, Clement said if his Conservative Party's government is returned it would reintroduce its "India engagement initiatives" presented at the last budget.

Apart from the CIF, representatives from the Indo-Canada Chamber of Commerce , the IIT Alumni Association, TiE, the Ontario Chamber of Commerce, the Asia Pacific Foundation, the University of Waterloo and experts on Canada-India relations also joined the minister at the roundtable.

During his interaction with top Ind-Canadian bodies, the Canadian industry minister made special mention of the proposed India-focused $12 million chair under the Canada Excellence Research Chair (CERC) programme. The chair was mooted in the last Canadian budget.

To be called Canada-India Excellence Research Chair, its objective will be to bring the best minds from India to Canada to conduct groundbreaking research.

The India-specific chair is one of the 20 mooted under the Canada Excellence Research Chair (CERC) programme to "attract international researchers of the highest

calibre who can positively contribute to Canada's global competitiveness and future prosperity.''

The idea of the India chair was mooted during Canadian Prime Minister Stephen Harper's visit to India in November 2009, and it got a further impetus during Prime Minister Manmohan Singh's visit here last June.

Any Canadian university chosen to host the Canada-India Excellence Research Chair will get a $12 million grant over five years.

The Canadian minister lauded the role of the Canada India Foundation in fostering better ties between the two countries. He said his government will work closely with the CIF in giving shape to the India chair.

http://economictimes.indiatimes.com/news/economy/foreign-trade/canada-india-free-trade-pact-by-2013-industry-minister/articleshow/7896964.cms

India-Thai trade to touch $10 b

The bi-lateral trade between India and Thailand is expected to reach $10 billion by the end of next year, said Mr Abhisit Vejjajiva, Prime Minister, Thailand, addressing Indian and Thai businessmen.

“Bi-lateral trade between India and Thailand has grown six fold in the last decade and touched $6 billion last year, growing at over 30 per cent from the previous year,” said Mr Anand Sharma, Union Minister for Commerce and Industry.

The bi-lateral trade between the two countries for 2010 was recorded at $6.7 billion.

Thai companies have invested $1 billion in India while Indian companies have invested $2 billion in the Thai economy till date, said Mr Sharma.

Sectoral collaboration

There is scope for collaboration in sectors such as pharmaceuticals, infrastructure, food processing, automobile, chemical and allied industry.

Stressing the significance of the North-East region as a link between the two countries, Mr Sharma said that India's look-East and Thailand's look-West policy is likely to lead to the development of the region.

He invited Thai companies to invest in infrastructure, agro-processing, cold chains, warehouses and food processing facilities.

In order to attract more investments, Thailand is planning to significantly reduce its corporate income tax rate.

The current corporate income tax rate is at 30 per cent.

"We expect Thailand's economy to grow at 4 to 4.5 per cent this year, led by private consumption, private investments and exports," said Mr Vejjajiva.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1603362.ece

India urges ratification of DTAA with Switzerland

India will have to wait for another nine months to get information from Switzerland on money stashed by Indians in Swiss banks.

The India government asked the Swiss government to expedite the ratification of the Double Taxation Avoidance Agreement (DTAA) signed between the two countries in August 2010, but the Swiss Parliament will take time to ratify the tax treaty.

"The status is DTAA is in Parliamentarian process in Switzerland. We are running through this process in the next couple of months... We will be ready by Swiss side to conclude the agreement before the end of this year," Johann N Schneider-Ammann, Head of Federal Department of Economic Affairs in Switzerland told.

He said the new tax agreement would help in enhancing partnership between the two countries and also resolve the issues concerning black money. "We do want to solve issues around the black money. I can tell you Switzerland is very much interested...We respect all the Organisation for Economic Cooperation and Development (OECD) prime conditions," he added.

http://businessstandard.com/india/news/india-urges-ratificationdtaaswitzerland/431463/

Tanzania invites Indian investments in tourism, uranium mining

Tanzania has invited Indians to invest in diverse sectors in this East African country, including tourism, uranium, gas and gold mining, agriculture and ICT. The invitation to invest was extended by the Tanzanian Prime Minister, Mr Mizengo Kitanza Peter Pinda, in an hour- long free-wheeling chat with a group of visiting Indian newspersons.

"Tourism is just one of the sectors in which India can invest by either building hotels or other businesses. Indians investing in tourism will probably help Tanzania more but investing will be a good opportunity for India," said the Prime Minister. Mr Peter Pinda indicated that interest was already being shown by "some parties" in uranium mining. "It still has to be seen whether they will buy and process (the uranium) for their own use. But uranium mining is an area that is very new," the Prime Minister said.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1609765.ece

Israel moots $250-m fund to explore biz avenues in India

Israel has proposed to create a $250-million fund with India and the private sectors from both the countries. It has sent a proposal to the Ministry of Finance in this regard.

“We are waiting for their response,” said Mr Mouneer Aghbaria, Chief of Economic Affairs at Israeli Embassy in India.

“Once we receive the nod, we will go ahead with the raising of the fund.”

Addressing a conference at the Federation of Andhra Pradesh Chambers of Commerce and Industry here, he said the plan was to attract $200 million from the private sector, while the two Governments would contribute $25 million each to the fund.

The fund would be used to explore business opportunities and forge alliances.

Private sector would control and manage the fund, while the Governments would supervise the activity.

Israel, which has made strides in agriculture and water technologies, is also planning to sell its strengths in these areas. “We are in the process of getting two States, one each in the South and North, to bring in our technologies and processes as part of the GrowIn initiative in India,” he said.

Israel is also in talks with Madhya Pradesh to introduce a holistic approach in agriculture. “We will assist farmers, from acquiring seeds to marketing of the produce,” he said.

The West Asian country would have an exclusive session on India at the water technologies expo to be held in that country.

“We have set up a three-year $27-million fund to help out small companies in our country to explore opportunities in India. We encourage them to form joint ventures by helping them adapt technologies to suit the Indian needs,” he said.

To tap opportunities in the South, Israel would open a trade office in Hyderabad by the end of 2011.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1685581.ece

Sectoral News

Wheat, pulses push grain output to record 235.9 million tonnes

The country's foodgrain output is set to touch an all-time record of 235.88 million tonnes

(mt) in 2010-11, the agriculture ministry said. The latest crop estimates better the projection made in the second advanced estimates in February by 3mt. They also beat the existing production record of 234.47mt reached in 2008-09.

A crop year in India runs from July to June. Wheat output is expected to rise by 3mt over the February projections to 84.27mt and pulses by nearly 1mt to 17.29mt, agriculture minister Sharad Pawar said, terming it the "highest recorded production ever."

http://articles.economictimes.indiatimes.com/2011-04-07/news/29392468_1_wheat-output-coarse-cereals-crop-estimates

Oilmeal exports up 57% on South-East Asia demand

Rising global demand leading to better price realisation and increase in crushing have pushed up country's oilmeal exports by 57% to 5.07 million tonne last fiscal, Solvent Extractors Association (SEA), an industry body said in a statement.

The country exported 3.22 million tonne of oilmeal (used mostly as cattle and poultry feed) during 2009-10. During the year, exports were down due to lower crop production coupled with disparity in crushing during the crucial November 2009-February 2010 period, the SEA statement said.

"However, in 2010-11, the oilseed crop increased to 27.8 million tonne from 24.9 million tonne in 2009-10 and also high prices of edible oils, good crushing margin and demand from South-East Asia pushed the exports mainly during November 2010-March, 2011," BV Mehta, SEA executive director, said.

In value terms, the oilmeal exports rose by almost 59% to R8,220 crore as against R5,176 crore in the corresponding period of the previous year.

In March 2011, oilmeal exports rose more than two-fold (158%) to 5.79 lakh tonne from 2.24 lakh tonne in the year-ago period.

Out of 50,71,779 tonne of oilmeals exported from the country during the past fiscal, the share of soyabean meal was maximum at 38,38,375 tonne, followed by rape mustard seed meal at 9,36,238 tonne, castormeal at 2,09,036 tonne. Rice bran extracts comprised another 66,650 tonne and groundnut extracts 21,480 tonne.

Japan, Vietnam, South Korea, China and Indonesia were the major destinations where India exported oilmeals in the past fiscal. The country also exported oilmeals to European Union countries, Thailand, Iran and Taiwan.

Meanwhile, the Soybean Processors Association of India (SOPA) said the country's soyabean meal exports , which constitute the bulk of oilmeal exports, increased by 141.30%

to 4.09 lakh tonne in March 2011 from 1.69 lakh tonne a year earlier. The annual soyabean meal exports in 2010-11 (April-March) rose more than 80% to 3.8 million tonne, from 2.1 million tonne a year ago.

During the first half of current oil year, (October – September), exports during October 2010 to March 2011 was 2.9 million tonne as against 1.5 million tonne last year, which is an increase of close to 100%.

India imports more than half of its requirement of edible oil, palm oils from Indonesia and Malaysia, while soyabean and sunflower oil are sourced from Argentina and Brazil.

http://www.financialexpress.com/news/oilmeal-exports-up-57-on-southeast-asia-demand/773677/0

New 'Look East' policy to boost rice output in Eastern states

The Centre will come up with a 'Look East' policy to boost kharif staple rice production in eastern states. A national-level conference scheduled to be held in New Delhi on April 6-7 will formulate strategies to maximise summer-sown crop output by hiking area and production in eastern states, which have more irrigated, alluvial soil and higher water table than those in the northwest.

"The focus will be on rice and introduction of high-yielding varieties since they respond well to fertilisers in irrigated regions," an agriculture ministry official said. The 'Look East' policy will also try to wean away states such as Punjab from producing rice, a practice that has led to high soil degradation. Interest in strategies is also high because of record fruit and vegetable prices, which have fuelled food inflation besides raising staple crop prices.

http://articles.economictimes.indiatimes.com/2011-04-06/news/29388644_1_rice-output-rice-varieties-eastern-states

Gold touches all-time high, silver at 31-year peak

Gold rallied to a second consecutive record high,powered by a slide in the dollar and by investor demand for safe-haven assets, while silver hit fresh 31-year peaks.

Unrest across the Arab world and unease over the euro zone's debt finances encouraged inflows of cash into gold, which has risen by more than 2% this week.

This has more than offset the potentially damaging impact of China's latest increase in interest rates and a less pessimistic take on the US economy from the Federal Reserve.

The focus this week is on Thursday's three central bank policy meetings, at which the European Central Bank is almost guaranteed

to raise rates, thereby boosting the euro against the dollar, while the Bank of Japan and the Bank of England are expected to hold their fire.

Spot gold was last up 0.6% at $1,459.40 an ounce by 1041 GMT, having hit an all-time high of $1,460.40 earlier. Gold has rallied by more than 5% in the past three weeks.

COMEX June gold futures were last up 0.6% at $1,461.20, having touched a contract high of $1,461.70.

“Six months from here, we think (the strength) is sustainable for both gold and silver, but I wouldn't be surprised if we see a short-term pullback because a lot of this is driven by the euro, which is pretty strong against the dollar,” said Standard Bank analyst Walter de Wet.

The dollar fell to 14-month lows against the euro, which has been buoyed by signals from policymakers that the ECB will raise rates on Thursday for the first time since July 2008 in spite of the debt crisis in the bloc's weaker economies.

The minutes from the US Federal Reserve's most recent meeting, released on Tuesday, did not contain anything to suggest the central bank would end its $600 billion bond buying programme ahead of time.

“With gold close to its highs, there could be some reluctance to buy at these elevated levels, especially given the uncertainty surrounding US monetary policy and the expected ECB rate hike tomorrow,” said UBS strategist Edel Tully.

http://www.financialexpress.com/news/gold-touches-alltime-high-silver-at-31year-peak/772776/0

Domestic car sales zoom 30% to 19.8 lakh in FY11

Domestic car sales grew nearly 30% in 2010-11 to almost 1,982,702 units from 1,528,337 units in the previous financial year. Overall, passenger vehicle sales reached 2,520,421 units during the April-March period with a growth of over 29%. However, owing to rising interest rates and commodity prices, apex auto body Siam projected that the growth could moderate in 2011-12 to 12-15%.

“Growth (in 2011-12) would moderate and settle down around 15%,” Siam president Pawan Goenka said. He said that the highlight of 2010-11 was that second year in a row auto sales registered a growth of 27% plus. The major dampener, however, for the year was the flat export growth of 2% on the back of falling demand in the western and developed markets.

Goenka also voiced concerns on the rising interest rates which could pose a serious challenge to the automotive growth story. Over the last one year, interest rates for passenger vehicles and commercial vehicles have increased 2.5% and 3-3.5% respectively. "Commodity prices are also very high. Last year, prices increased 8-10% and we feel that this year also the price increase would be around that," Goenka said.

Signs of a moderation in auto sales are already visible. Take for instance passenger vehicle sales in Q4 grew 23% to 7.15 lakh units while in the same quarter last year it had grown 30%. Similarly, two-wheeler sales grew 20% during the quarter as compared to 39% in the January-March quarter 2010. Commercial vehicles in Q4 grew only 13% compared to 87% in the same period last year. Goenka said that while there has been a slowdown in sales in Q4 it was on a higher base compared to last year.

As per Siam estimates for 2011-12, passenger vehicle sales would lead the pack growing at 16-18%. This would be followed by commercial vehicle and two wheelers that is expected to grow around 14-16% and 12-14% respectively. Three-wheeler sales are likely to see the least growth at around 9-11%. Overall auto sales would grow between 12% and 15%.

"The lower three-wheeler sales is account of customers moving towards four-wheelers," said Goenka.

http://www.financialexpress.com/news/domestic-car-sales-zoom-30-to-19.8-lakh-in-fy11/773807/0

India joins OECD pact on chemical safety data

The multi-crore domestic chemical industry on Wednesday got a booster dose with India joining the Mutual Acceptance of Data (MAD) in the assessment of chemicals being benchmarked by the rich country club, the Organisation for Economic Cooperation & Development (OECD).

This would help pave the way for the removal a potential non-tariff trade barrier between countries for marketing chemicals. India is the third emerging economy to join this pact after South Africa and Brazil.

In a communiqué issued in Paris, the inter-governmental think-tank of rich countries said the OECD Mutual Acceptance of Data system is a multilateral pact which saves governments and chemical producers around €150 million every year by allowing the results of a variety of non-clinical safety tests done on chemicals and chemical products such as industrial chemicals and pesticides, to be shared across OECD and other signatory countries.

India's entry into this pact would ensure that the results of non-clinical chemical safety testing done in India would be accepted in all other participating countries. Besides all the OECD members, provisional adherents to the MAD system include Argentina, Brazil, Malaysia and Thailand.

Hailing India's entry into the OECD specific pact on mutual acceptance of chemical safety data, the OECD Secretary-General, Mr Angel Gurria, said, “India's engagement in OECD's work on chemical safety and its membership in our MAD system is indicative of the mutual benefit of ever-closer relationship between OECD and major emerging economies”.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1606389.ece

News Round-Up

BRIC economy to surpass US by 2015: Study

BRIC countries are expected to contribute one-third of the world's GDP increment in 2015, by which time their total economy will surpass America , according to a leading Chinese think tank.

Estimated on the basis of current market exchange rates, the BRIC (Brazil, Russia , Indian, China) grouping would make up about 22 per cent of the world economy by then, said the Annual Report on BRICS' Social-Economic Development (2011), a blue book released by the Social Sciences Academic Press of China.

BRIC formally became BRICS this year with the admission of South Africa into its fold.

This year's BRICS summit is scheduled to be held in China's Sanya resort on April 13-14.

Prime Minister Manmohan Singh, along with the heads of other BRICS countries, is scheduled to attend it.

The report predicted that the BRICS (Brazil, Russia, Indian, China, South Africa) countries would have a stable and fairly rapid growth momentum in the next 15 years due to a favorable external environment brought on by the steady growth in major developed economies.

Lin Yueqin, the book's executive editor, noted in the abstract that the purpose of the study was to reveal the underlying rules of development in emerging economies and the tendencies of global development and governance, Xinhua news agency reported.

http://economictimes.indiatimes.com/news/economy/indicators/bric-economy-to-surpass-us-by-2015-study/articleshow/7912245.cms

India is emerging global power: Doha Bank CEO

The rapid growth of India and China will overshadow the development of their Asian neighbours in coming years, with the purchasing power of their populations increasing to almost match consumers in the US and EU combined, a senior Doha Bank official has said.

India will become one of the most sustainable economies in the future and by 2030, Asia''s economy-mainly encompassing India and China -- will be larger than that of the US and European Union combined, said R Seetharaman, the Chief Executive Officer of Doha Bank in Qatar.

Addressing the Indian American Association here, Seetharaman said the world has seen India and China emerging as the main contributors to the recovery of the global economy from a crisis situation.

He said the International Monetary Fund (IMF) projects the world growth at 4.4 per cent for 2011 with advanced economies projected to experience around 2.5 per cent growth while emerging and developing economies -- including the Middle East region -- projected to grow at around 6.5 per cent.

The G-20 has predicted that India will be one of the 10 largest members in the IMF and its rank in the IMF will improve to eighth position from the current 11th in terms of quota.

India-US trade increased by 30 per cent in 2010 over 2009 to $49 Billion. Deals worth USD 10 billion signed by US companies with India will create over 50,000 jobs in the US.

This made the UN estimate that India would contribute fully a quarter of the additions to the world''s workforce over the next 10 years, he said.

India will persevere with implementing financial sector reforms to support rapid and inclusive growth in the real economy and also to increase systemic stability in the financial sector.

Some of the major sectors in India that have immense potential are infrastructure, agriculture and food processing, information technology and education.

Investment in physical infrastructure is expected go up to USD 1 trillion during the 12th Five-Year plan from 2012 to 2017.

In India, the share of private structure in infrastructure investment has moved up from 2.2 per cent of the GDP in 2007-08 to 2.6 per cent of the GDP in 2009-10 and is expected to touch 3.3 per cent of GDP by 2011-12.

He said discussions are also underway to further liberalize the Foreign Direct Investment (FDI) policy.

http://economictimes.indiatimes.com/news/economy/indicators/india-is-emerging-*global-power-doha-bank-ceo/articleshow/7911519.cms*

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