सत्यमेव जयते
ITP Division
Ministry of External Affairs
Government of India

Weekly Economic Bulletin

Date: April 12– 18, 2011 **Issue No. 416**

CONTENTS

News Feature

India fifth most powerful nation: National Security Index

India is the fifth most powerful country in the world, says the latest national security index (NSI) designed by the country's foremost security and economic experts.

A part of India's National Security Annual Review 2010, which will be officially released by foreign minister S M Krishna on April 19, the NSI 2010 placed India fifth in the hierarchy of top 50 nations identified on the basis of their GDP.

According to Foundation for National Security Research director Satish Kumar, who edited the national security review, the NSI is based on an assessment of defence capability, economic strength, effective population, technological capability and energy security of the top 50 countries . The US is at the top of the list on the basis of these criteria followed by China, Japan and Russia.

South Korea emerged as the sixth most powerful nation followed by Norway, Germany, France and UK.

While India ranked third in the case of population and fourth in terms of defence capabilities , it was at the 34th position in technology and 33rd in energy security. Only US, China and Russia are ranked higher than India in defence capability. In economic strength , India ranked seventh.

Out of the five criteria, maximum weightage was given to defence capabilities at 30%. Economic strength, technology and effective population had weightage of 20% each. Energy security had the remaining 10%. The national security annual review governing body, which comprises a host of experts, is headed by former foreign secretary M K Rasgotra.

http://economictimes.indiatimes.com/news/politics/nation/india-fifth-most-powerful-nation-national-security-index/articleshow/7968205.cms

CMIE projects India's GDP growth at a robust 8.8% in fiscal 2012

India's GDP is projected to continue to grow at a brisk pace of 8.8 per cent in 2011-12 (FY 12), a leading economic think-tank said.

The domestic environment is conducive for growth and private final consumption expenditure is projected to grow by a healthy 7.5 per cent and gross fixed capital formation by 14.6 per cent, the Centre for Monitoring Indian Economy (CMIE) said in its latest monthly review of the country's economy.

In FY 11, the performance of India's economy has been robust, it said, adding real GDP is estimated to have grown by nine per cent during the fiscal.

"This has been powered by a rebound in the agricultural sector following the drought in 2009-10, and a sharp pick-up in private consumption and gross fixed capital formation," CMIE said.

In FY 12, the agricultural and allied sector is projected to grow by 3.1 per cent, on top of the 5.1 per cent growth estimated in 2010-11. This will be the third consecutive year of positive growth, it said.

The industrial sector, including construction, is projected to grow by 9.4 per cent during 2011-12, as compared to 8.5 per cent estimated in 2010-11.

Growth in industrial production will be driven by a rise in consumption demand and investment demand, it said.

"Consumption demand, in turn will be driven by a rise in corporate wages, fresh employment generation and relatively lower inflation," the economic think-tank said.

Investment demand is expected to remain buoyant, as more and more projects move into the implementation stage, it said.

Activities in the construction sector are expected to be pushed-up as projects worth Rs 8-lakh-crore are scheduled to be commissioned in FY 12, CMIE said, as compared to Rs 3.5-lakh-crore in FY 11.

"The sector is projected to grow by 10.5 per cent during the fiscal, as compared to an estimated 9.5 per cent in 2010-11," it said.

Growth in the services sector and its segments is projected to moderate marginally in 2011-12. The services sector is projected to expand by 9.9 per cent during 2011-12, as compared to an estimated 10.2 per cent in 2010-11, it said.

http://economictimes.indiatimes.com/news/economy/indicators/cmie-projects-indias-gdp-growth-at-a-robust-88-in-fiscal-2012/articleshow/8016467.cms

Overseas Investment

PM says economy eager to absorb foreign direct investment

India is eager to absorb foreign direct investment, India's Prime Minister Manmohan Singh said in the Chinese town of Sanya in a statement at the BRICS summit , which included China , Brazil , Russia and South

Africa.

Singh also said the Indian economy was well positioned to achieve annual long-term growth of 9 percent or more.

The Prime Minister said the health of the Indian financial and capital markets was sound.

The Indian economy is expected to grow 8.6 percent in the fiscal year that ended in March.

http://economictimes.indiatimes.com/news/economy/finance/pm-says-economy-eager-to-absorb-foreign-direct-investment/articleshow/7978841.cms

FIIs invest over $1.5 bn in Indian equities in 5 sessions

Bullish foreign fund houses have invested over $1.5 billion (about Rs 7,100 crore) in the Indian equity market in the first five trading sessions of this month.

Till April 11, foreign institutional investors (FIIs) were gross buyers of shares worth Rs 23,202.20 crore, while they sold equities amounting to Rs 16,095.80 crore, resulting in a net investment of Rs 7,106.50 crore or $1.6 billion, as per the data available with the capital markets regulator Sebi.

According to analysts, FIIs have been pumping funds into India because of its strong growth potential and feels that in the coming days too, the foreign fund houses are likely to infuse money in the Indian bourses.

"The FII continued to witness inflows in April after having a good supply of money in the last month. One of the reason could be the expectation of good corporate earnings," SMC Capitals Equity Head Jagannathan Thunuguntla said.

Besides, foreign fund houses were negative on debt market and pulled out Rs 1,227.00 crore or $275.94 million. This takes the overall net investments by FIIs into stocks and bonds to a total of Rs 5,879.50 crore or about $1.32 billion.

http://businessstandard.com/india/news/fiis-invest-over-15-bn-in-indian-equities-in-5-sessions/131883/on

India's forex reserves increase by $2.71 bn to $308.2 bn

India's foreign exchange reserves rose by $2.71 billion to $308.2 billion on the back of an increase in foreign currency assets.

The reserves had stood at $305.5-billion the week before.

Foreign currency assets, the biggest component of the foreign reserves, went up by $2.7 billion to $277 billion for the week-ended April 8, the Reserve Bank said in its weekly data.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of the non-US currencies, such as the Euro, Pound and Yen, held in the reserves, the apex bank said.

The country's gold reserves remained unchanged at $22.97 billion at the end of the reporting week, the central bank said.

Both the Special Drawing Rights (SDRs) and reserve position in the International Monetary Fund (IMF) witnessed an increase during the week, the RBI said.

The SDRs were at $4.59 billion, up $34 million from the week before while there was a $21 million increase in India's reserve position in the IMF at $2.96 billion, the RBI data said.

http://businessstandard.com/india/news/indias-forex-reserves-increase-by-271-bn-to-3082-bn/132306/on

Trade News

India, China trade to touch $60 bn this yr: FIEO

Apex exporters body FIEO exuded confidence that the bilateral trade between India and China would touch USD 60 billion this financial year.

To boost trade with China, Federation of Indian Export Organisations (FIEO) has sent a delegation of 100 businessmen from sectors like carpets, stainless steel household products, handicrafts and engineering, to the neighbouring country.

The delegation would meet senior functionaries of China Foreign Trade Center and other government officials of Guangdong province during their stay.

"The (bilateral trade) target for the current year is USD 60 billion....(it) should be possible with such efforts," it said in a statement.

The two-way commerce in 2009-10 stood at USD 42.4 billion.

It said that some of the delegates raised concern about the high rate of import duty in China on specific products which is an irritant in export to that country.

"However, the participants felt that with increasing wages, high cost of credit and Yuan appreciation, China will lose some of its competitiveness giving an edge to Indian products," it said.

FIEO also said that it would participate in the Canton Fair Phrase III edition starting from May 1.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-china-trade-to-touch-60-bn-this-yr-fieo/articleshow/7988857.cms

India's trade & business with Africa booms

India's trade with Africa totalled $45 billion last year in addition to a number of investments across the continent that are

worth more than $45 billion, a senior Indian official said in this Nigerian capital.

A total of $2.3 billion out of the $5.4 billion credit earmarked for Africa this year under a five-year programme has been made available as part of India's efforts to cooperate more with Africa.

"The credit is meant to address the challenges of infrastructure, capacity building, and human resources issues," Vishnu Prakash, spokesperson of India's external affairs ministry, told newspersons here during a visit with Indian journalists.

He said the upcoming India-Africa Summit in Addis Ababa next month was part of the effort to increase collaboration with the continent.

Prakash said Africa now had a growing partnership with India, a relationship that started long back, but improved over the past few years.

"With the involvement of Indian business giants such as Tatas , Mahindras , Kirloskars, Ranbaxy , RITES, IRCON, NSIC, TCS , OVL and others, our bilateral ties have improved a lot, making us the second largest trading partner with the continent," he added. Nigeria, which had become India's largest trading partner, had more potential to attract investment, he said.

"For India, energy security is a very important consideration and we import almost 80 percent of our energy from the global market. In Africa, Nigeria and Sudan are two key countries from which we import significant amount of petroleum products," Prakash added.

He said there were several areas that India and Nigeria could work on together to enhance trade. "Pharmaceuticals are one of them because we are global leaders in production drugs which are high quality and of cheap price, and I know that Indian drugs are in high demand in Nigeria."

Prakash said there were other areas such automobile centres, equipment and machinery, textiles as well as the services sector of information and communication technology that Nigeria and India could collaborate on for the benefit of their people.

He said Nigeria figured prominently on the business ladder of Indian companies in terms of investments and trade and was optimistic that there were more opportunities to be explored.

http://economictimes.indiatimes.com/news/economy/foreign-trade/indias-trade-business-with-africa-booms/articleshow/7971614.cms

India, European Union closer to free trade agreement

India and the European Union hope to sort out the remaining issues to a free trade

agreement in their next round of meeting of officials in May in New Delhi.

A successful meeting of officials in Brussels last week has narrowed down the differences and raised the chances of a deal being inked by July this year.

The contentious remaining issues include opening up of the automobiles and wines sector, and visas to Indian professionals.

"Only some last mile issues remain which are very delicate and are to be sorted out right at the end," commerce secretary Rahul Khullar who participated in the Brussels meeting told."We are hoping to get something together by July," he said.

India and the EU are working on an ambitious free trade agreement that involves elimination of import duties on most industrial and agricultural goods, opening up of the services market and more liberal rules on investments.

The 27-member block is India's largest trading partner with bilateral trade touching $75 billion in 2009-10. The pact is expected to increase two-way trade by 30%.

"It is not possible to go public with the content till we make progress on the sensitive issues," Khullar said.

Automobile and auto parts is one area where India moves with caution in all its free trade agreements. It has so far managed to successfully shield the sector from tariff reduction commitments in all bilateral deals, including the recently-concluded FTA with Japan.

According to industry sources, there is a lot of pressure from the European auto industry on India to reduce duties not only on auto parts but also on cars.

The EU is also pushing India to bring down duties on wines and spirits from the present level of 150%, which is the ceiling level committed to at the WTO.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-european-union-closer-to-free-trade-agreement/articleshow/7967758.cms

India, Kazakh sign nuke, oil agreements

Embarking on an ambitious roadmap to consolidate their strategic partnership, India and Kazakhstan signed seven pacts, including a framework agreement in civil nuclear field and a stake-sharing accord in oil sector. Prime Minister Manmohan Singh said there was “vast potential” for cooperation in all areas.

At wide-ranging talks between Singh and Kazakh President Nursultan Nazarbaev, the two sides also decided to work for pushing the bilateral trade, which was currently as low as $300 million, through engagement of governments and business communities and diversifying to non-oil sectors like pharma, agriculture and IT.

The two leaders discussed a host of issues during their talks, which were first restricted and then delegation level, covering bilateral matters and international issues like developments in Libya and other North African countries and Afghanistan.

Singh said in a statement that there was “solid and substantive outcome” that will help build on the strategic partnership forged during the visit of Nazarbaev to India in January 2009.

The two sides signed an inter-governmental agree-ment for Cooperation in Peaceful Uses of Atomic Energy that envisages a legal framework for supply of fuel, construction and operation of atomic power plants, exploration and joint mining of uranium, exchange of scientific and research information, reactor safety mechanisms and use of radiation technologies for healthcare.

After the talks, the Kazakh president announced that his country would supply India with 2,100 tonne of uranium and was ready to do more.

India and Kazakhstan have civil nuclear cooperation since January 2009 when Nuclear Power Corporation of India Limited and Kazakh nuclear company KazAtomProm signed an MoU during Nazarbaev’s Delhi visit. Under the contract, KazAtomProm supplies uranium which is used by Indian reactors.

Another highlight of the talks was a package of three agreements signed by India and Kazakhstan in the hydrocarbon sector.

http://www.financialexpress.com/news/india-kazakh-sign-nuke-oil-agreements/777184/0

India, Turkey in talks for free trade pact

India and Turkey, regional powers in their own respective geopolitical areas, have the potential to expand trade and investment relations exponentially in the coming years.

Towards this end, the Governments of the two countries are engaged in negotiating a free trade agreement, said Mr Dilip Dandekar, President, Indian Merchants' Chamber (IMC).

Immense possibilities

Addressing a business gathering of the two countries hosted by the Istanbul Chamber of Commerce (ICOC), the IMC chief said that bilateral trade between the two countries was already growing at a compounded annual growth rate of 27 per cent and exceeded $3 billion last year.

“There are immense possibilities for economic collaboration, joint projects and investments in our regions that are mutually beneficial,” he asserted.

Bilateral trade

Buoyed by strong growth and business activity, India and Turkey have agreed to take the bilateral trade beyond $5 billion by 2012 and to well over $10 billion in the next ten years.

The IMC delegation to Turkey included senior officials from the Maharashtra government including chief executives of MMRDA and MIDC, as well as top industry executives from Videocon, IL&FS, Reliance Industries and Jet Airways.

Presentations from both sides highlighted trade and investment opportunities that are emerging in the wake of impressive GDP growth rates logged by the two countries.

Strengths

Turkey's strengths are in traditional textiles and clothing, automotive, construction and electronics sectors. An interesting aspect is that in Turkey it is compulsory for private business entities to be a member of a chamber of commerce relevant to the business activity and region, which makes the chambers powerful semi-public entities.

Tenth in the series of IMC's annual event called ‘India Calling', the meeting brought together corporate heads and businessmen from the two countries in a seminar and B2B meetings to explore bilateral trade, investment and joint ventures in fields as diverse as infrastructure, agribusiness, energy, logistics, financial services and education.

As member of European Customs Union, Turkey can provide a gateway for India to service European and CIS markets.

http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/article1702360.ece

Sectoral News

Apeda estimates agri exports at R40,000 cr

Apeda, the export promotion body for farm items, expects that total overseas shipments of agri products monitored by it would rise by about 14% to around R40,000 crore for 2010-11 fiscal.

India's agri-exports under Apeda stood at nearly Rs 35,000 crore in the corresponding period of the previous year.

“It should be about R40,000 crore. It is the total agri exports that Apeda handles,” Agricultural and Processed Food Products Export Development Authority (Apeda) chairman Asit Tripathy said.

India's agri exports that Apeda handles are about R40,000 crore and are growing at about 15-20 % annually. Farm exports comprise

about 13% of the total merchandised exports, he added.

Apeda monitors exports of over 14 farm product categories that include floriculture, fruits and vegetables, meat and meat products, processed foods, cereals, cereal products, herbal and medicinal plants, guar gum, etc.

Commenting on the processed food industry in the country, Tripathy said that there is tremendous potential for the processed food to expand but it requires a good dose of investment.

“I expect the total processed food exports from the country in the 2011-12 fiscal to reach R20,000 crore,” he added.

On India's position in the global farm trade, he said that India exports 1.4% of the total global shipments and imports 1.2% of the total global imports.

The top farm trade players globally are European Union, the US, Brazil, Canada and China, he said.

Tripathy noted that India's total agri exports today are around R74,000 crore of which about R40,000 crore passes through Apeda.

“In fact India's total merchandise export touched nearly $23.6 billion in February this year and we are confidant that the total export from the country in 2010-11 fiscal would touch $250 billion, nearly $70 billion more from last year,” Tripathy noted.

During April-February period of last fiscal, the country's merchandise shipments grew by 31.4% to $208.2 billion, surpassing the export target of $200 billion for the entire 2010-11 fiscal.

http://www.financialexpress.com/news/apeda-estimates-agri-exports-at-r40-000-cr/777432/0

Leather exports up 10 per cent in December

India's leather exports grew by 10.4 per cent to USD 352 million in December 2010, on a year-on-year basis, thanks to the rising demand from the US and European markets.

In December 2009, leather exports stood at USD 319 million, according to the data provided by the Council for Leather Exports (CLE).

"There is a good demand for our products, especially from the US and European markets ," CLE Executive Director Ali Ahmed Khan said.

The US and Europe together account for about 80 per cent of the country's total leather exports.

To reduce dependence on western markets, the exporters have been exploring new destinations like Turkey, Jordan, Africa, Latin America and the Middle East.

The council is confident about achieving the export target of USD 3.75 billion set for the last fiscal.

In the first nine months of 2010-11, leather exports jumped about 11 per cent to USD 2.75 billion compared to USD 2.48 billion in the corresponding period of the previous fiscal.

During 2009-10, leather exports declined by 5.51 per cent to USD 3.4 billion compared to the previous fiscal due to recession in western markets.

http://economictimes.indiatimes.com/news/economy/foreign-trade/leather-exports-up-10-per-cent-in-december/articleshow/7989580.cms

Organised retail jewellery sector growing by 40%

The country's organised retail jewellery sector is growing by 30-40 per cent annually, thanks to the rising brand consciousness among the masses. However, it still accounts for a measly three per cent of the consolidated jewellery retail space, which is estimated at Rs 70,000 crore.

"Although, the organised pie is quite small, it is growing rapidly. In the next five years, it is likely to account for 10 per cent of the total market," Vijay Jain, CEO and director of leading jewellery retailer Orra, told Business Standard here.

High prices of precious metals, including gold, had not dampened the buying pattern of domestic consumers, he said.

"In fact, due to the high prices, the investment demand has shot up. Fund managers also suggest investors to invest 5-10 per cent of their portfolios in gold assets. Besides, people buy for weddings and other customs," he added.

Primarily a diamond jewellery retailer, Orra entered the gold jewellery space to cater to the rising domestic demand.

Jain was in town to flag off the company's anniversary sale. The company is offering up to 25 per cent discount. It also vends Bureau of Indian Standards (BIS)-hallmarked gold/silver coins and bars.

The company showcased its Million Euro Diamond Bustier, which has been crafted by its international design centre with 500 carats of diamonds.

Headquartered in Antwerp, Belgium Orra is part of the world's largest diamond manufacturing company, with presence across 15 countries.

After entering the Indian market in 2004, it has opened 30 exclusive high street boutiques in 21 cities. It is planning to open another outlet in Lucknow.

http://businessstandard.com/india/news/organised-retail-jewellery-sector-growing-by-40/432018/

New Telecom policy to ease M&A rules

The existing stringent merger and acquisition rules will be eased in the new telecom policy that will be in place by the year-end, communication minister Kapil Sibal.The move is aimed at bringing in much-needed consolidation in the hyper-competitive 14-player telecom market. Sibal did not divulge details regarding the relaxation of M&A rules.

"But, the number of competitors should not be allowed to fall below six in each circle," he said. Sibal said telecom licences should be renewed for 10 years compared with 20 years currently, and said companies must submit applications for new permits at least 30 months prior to the expiry of their licences.

At present, telcos hold separate permits for each of the 22 circles in the country and these are valid for a period of 20 years. The government gave away mobile permits from mid-90s. About 11 mobile phone companies will have to renew their permits between 2014 and 2021. Reiterating his earlier announcement, Sibal said the new policy would also de-link the allocation of telecom licences from mobile spectrum. Currently, mobile permits come bundled with start-up airwaves.

The minister also proposed a series of reforms to address all issues related to airwaves, including the formulation of a National Spectrum Act to govern all allocations of this scarce resource. Retired Supreme Court Judge Shivraj Patil will head the committee to draft this Act, he added.

Spectrum is at the centre of almost all the controversies in India's telecoms industry.

"By separating spectrum from licence, spectrum is no longer the bottleneck for someone to enter in the industry and offer services. In terms of pricing, ideally spectrum should be auctioned. The National Spectrum Act would have to refine the entire spectrum allocation, valuation and pricing process. But they must keep in mind that there are existing players that have invested huge monies. It will be a balancing act." Analysys Mason India director Kunal Bajaj said.

External agencies, such as private auditors, the comptroller auditor general of India, better known as CAG, or even the telecom regulator TRAI, to do regular audits of spectrum usage by the industry, Sibal said, and added that other proposals such as sharing of radio frequencies amongst operators were also likely to be part of the new policy.

The minister also emphasized that the government will ask telcos to pay for spectrum based on a market-driven mechanism, an indication that the telecoms department (DoT) will implement regulator's Trai's latest recommendations and ask GSM telcos to pay for all 'excess' airwaves they hold on a retrospective basis.

In February, Trai had proposed that GSM

operators be charged a one-time pan-India fee of 4,572 crore for every unit of airwaves they hold beyond the contracted limit. Calculations by ET had revealed that the industry would have to shell out 17,513 crore if the government accepts the regulator's recommendations.

On January 1, Sibal had announced that the telecom ministry was in the process of revamping its decade-old policy. The National Telecom Policy 2011 will replace the existing one that has been in place since 1999, he had added.

http://articles.economictimes.indiatimes.com/2011-04-12/news/29409962_1_telecom-licences-new-telecom-policy-entire-spectrum-allocation

Hospitality sector has room for growth

With the hospitality sector bouncing back owing to higher occupancies and revenue, analysts predict a good last quarter results for the industry. Long haunted by the downturn and 26/11, hospitality players now have reason to smile with higher occupancy rates due to the World Cup, a surge in the number of foreign tourists and positive macro economic indicators.

ICICI Securities has predicted that hospitality majors would report a 15-16% growth in revenues and EBITDA margins for the fourth quarter, though analysts project overall growth of the hotel sector for this fiscal to be less than 15%.

The going looks good in every aspect, be it an approximately 15% growth in domestic air traffic or foreign tourists' arrival, which has witnessed a growth of about 11% in the January-March period this year against the corresponding period last year.

The number of foreign tourists during January-March 2011 stood at 17.37 lakh compared to 15.63 lakh last fiscal. "Both business destinations and leisure hotspots have registered good occupancies. The hotel sector has seen a good pick up this year, though average room rates are still soft. Next year. we expect a robust growth, especially with a rebound in the IT sector (IT companies' spend on travel is sizeable)," said Rashesh Shah, an analyst with ICICI Securities.

http://www.financialexpress.com/news/hospitality-sector-has-room-for-growth/774759/0

Seafood exports to touch $2.7 bn

Seafood exports during the last financial year are estimated to be higher by 30% and likely to touch $2.7 billion largely due to impressive exports of shrimp. According to state-run Marine Exports Product Development Authority (MPEDA) data, export realisation for the first eleven months of 2010-11 increased to R1,1303.1 crore ($2.5 billion) compared to 663,603 tonne valued at R9,921.46 crore ($2,105.60 million) in 2009-10.

Export realisations have achieved a major milestone in spite of several negative factors including recession and the weakening of euro due to political unrest in some countries, Marine Exports Product Development Authority (MPEDA) sources said.

Exports during April-February 2010-11 rose by 13% in volume, 23% in value and 28.5 % in dollar realisation compared to the same period last year. Exports for the period surged to 6,97,110 tonne. The mainstay of Indian exports are aquaculture shrimp exports which increased 13 % in volume and 34 % in value to reach 1,36,498 tonne valued at R5,198 crore for the first eleven months. In a reversal of trend, US is back as the prominent consumer of Indian shrimps and has helped in recording growth despite European market showed decline. The anti-dumping duty enforced from 2005 by the US government had significantly reduced shrimp exports to US as exporters found it loss making due to the higher duty and requirement of cash bonds.

MPEDA sources told that exports to US and Japan have made impressive gains while volume of exports to EU has declined for the period. Value realisation from exports to the Europe is marginally ahead due to better unit value realisation. Exports to China have also recorded a marginal improvement over last year's performance.

http://www.financialexpress.com/news/seafood-exports-to-touch-2.7-bn/775453/0

BPO market set to grow 23% in '11: Gartner

The domestic business process outsourcing (BPO) market, which was pegged at $1.14 billion in calendar year 2010, is estimated to grow by 23.2% to $1.4 billion in 2011, points out a recent study by Gartner. The boom in the market has been brought about by volumes in existing BPO engagements, clients expanding the scope of existing BPO relationships, and a host of new BPO deals. Slowdown in the US and Europe markets has also led to increased focus in the Indian BPO industry.

The study titled, Market Overview: BPO Service Providers in Country Marketplaces in Asia-Pacific and Japan,2010-2011, states that the BPO industry will grow to $1.69 billion by 2012 and $2.47 billion by 2014.

T J Singh, research director at Gartner said, "Changing demographics, increasing affluence and economic growth in Asia-Pacific will continue to drive shared services and BPO adoption. There is increasing demand for multi-country shared services and BPO services within the Asia-Pacific."

The BPO market in Asia-Pacific and Japan is a blend of multinationals, regional and local BPO service providers, IT services providers and telecom vendors. The number of regional and niche BPO service providers has also grown over the years. Singh said, "Buyers continue to invest in services that deliver scalable, high quality and consistent services across their geographical presence. There was significant consolidation in the global and regional BPO market in 2009 and 2010 with some large merger and acquisition (M&A) deals impacting the regional BPO service provider landscape."

Since 2008, a host of US and European multi-national BPO services providers, who concentrated primarily on the offshore market, have started focusing on the Indian domestic market. Some of the local providers include Omnia, Genpact, Magus, MphasiS, Intelenet Global Services, Tech Mahindra, Aegis, Spanco and HTMT.

Singh added, "This phenomenon has been accentuated by the downturn in the West, in which service providers who were focusing solely on the international market realised that there is merit in the Indian BPO market. The large and midsized players have now stepped up their activities.

http://www.financialexpress.com/news/bpo-market-set-to-grow-23-in-11-gartner/775303/0

News Round-Up

M&A value in Jan-Mar soars to $ 18.3 bn: Study

Merger and acquisition value in India soared to $ 18.3 bn in the January-March period of 2011, with energy , insurance and IT sectors accounting for the most of amount, says a report.

According to a study by Mergermarket, 57 M&A deals totalling $ 18.3 bilion were recorded in the first quarter of the calender year, representing a significant 270.6 per cent increase in value compared to the year-ago period.

"Despite the ongoing wave of corporate scandal and political corruption, India will continue to entice suitors on the back of strong fundamentals such as its growing population," said Mergermarket Deputy Editor (Asia Pacific) Anjali Naik.

The number of deals, however, declined by nine. Of the total 57 deals that took place this quarter, 35 were inbound. The total value of inbound deals was a record $ 16.9 bn.

Inbound M&As drove deals in the said period and India proved itself as an attractive investment destination by luring buyers in the energy, insurance and IT space, Naik said.

Of the five biggest deals, four were inbound and one outbound.

Some of the major deals include the $ 7.2 bn BP-Reliance deal, UK-based Vodafone buying

33 per cent stake of its Indian partner Essar in the joint venture Vodafone Essar for $ 5 bn.

iGate acquiring majority stake in Patni Computer Systems for $ 1.22 bn was another major transaction.

Morgan Stanley was top financial advisor. The value of the deals multinational advised stood at $ 12.9 bn.

http://economictimes.indiatimes.com/news/economy/finance/ma-value-in-jan-mar-soars-to-183-bn-study/articleshow/7990821.cms