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News Feature

Confidence returning to Indian markets: Pranab

As Indian equities bounced back in line with the uptick in global stock prices, the Finance Minister, Mr Pranab Mukherjee, said that confidence was returning to the Indian stock markets and hoped that it would stabilise in the next few days.

Global stock markets rose after the US Federal Reserve pledged to keep interest rates near zero for at least two years.

“One thing is certain that confidence has come back in respect of Indian markets and in a couple of days it will stabilise,” Mr Mukherjee told.

He also said that the Finance Ministry and the Reserve Bank of India were working in close cooperation for stabilising the Indian markets and that there would be no dearth of liquidity and foreign exchange.

Indian stock markets took a big hit on Monday and Tuesday after credit rating agency Standard & Poor's downgraded the US sovereign rating from ‘AAA' to ‘AA+'.

While the benchmark Sensex tanked 315.69 points on Monday, this 30-share index further declined by 132.27 points on Tuesday to close at 16,857.91.

Besides the US Federal Reserve pledge to keep interest rates near zero for the next two years, some aggressive buying by domestic institutional investors (DIIs) over the last few days helped support Indian equities.

In the last three trading sessions including Wednesday, DIIs were net buyers to the tune of Rs 3,000 crore.

The foreign institutional investors (FIIs) were net sellers of about Rs 3,500 crore in aggregate on Monday and Tuesday, but were net buyers of Indian equities to the tune of Rs 153 crore.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2344575.ece

FY12 growth forecast unchanged at 8 pc: RBI Deputy Governor Subir Gokarn

The RBI has not changed its 8 percent growth forecast for the economy for the current fiscal year that ends in March 2012, Subir Gokarn, a deputy governor of the Reserve Bank of India, said.

Gokarn said inflation in India is driven by high

commodity prices and domestic demand.

Inflation quickened to 9.44 percent in June despite 11 rate hikes by the central bank since March 2010.

Gokarn also said there is no liquidity stress in the market. Rupee liquidity in recent weeks has been within the central bank's comfort level of plus/minus 1 percent of deposits.

http://economictimes.indiatimes.com/news/economy/indicators/fy12-growth-forecast-unchanged-at-8-pc-rbi-deputy-governor-subir-gokarn/articleshow/9578606.cms

India's exports rise to $29.3 billion in July

India's exports have registered a growth of 81.8 percent year on year during July 2011 at $29.3 billion, owing to good performance by sectors, including petrochemical products, gems and jewellery and electronics, an official said.

"India's exports have registered a growth of 81.8 percent during July 2011, at $29.3 billion," Commerce Secretary Rahul Khullar told.

Khullar also said that during April-July 2011, exports have reached a level of $108.3 billion, a growth of 54 percent while the imports were $151 billion with a growth of 40 percent and a trade deficit of $42.7 billion.

Talking about India's imports, he said in July 2011 imports were $40.4 billion registering the growth of 51.5 percent.

The sectors which did well during April-July period include engineering at $31.6 billion, gems and jewellery at $12.8 billion, petroleum and oil products at $18.6 billion, and electronics at $3.72 billion.

However, Khullar also stated that exports of iron ore, fruits and vegetables and tobacco are not doing well.

In a discussion in the Rajya Sabha, Finance Minister Pranab Mukherjee said that exports could get hit because of the sovereign debt downgrade of the US and a probable US double dip recession and if demand slowed in other key markets like Europe.

http://economictimes.indiatimes.com/news/economy/foreign-trade/indias-exports-rise-to-293-billion-in-july/articleshow/9569537.cms

Overseas Investment

FIIs will find India growth story attractive: Pranab

The Finance Minister, Mr Pranab Mukherjee, does not see any marked negative impact on foreign institutional investor (FII) inflows from the ongoing sovereign debt troubles in the US and the Euro Zone.

There may be some "temporary outflows," but "as India's growth story is intact and its fundamentals are strong," FIIs will continue to view the country as an "attractive investment destination". In fact, "we could rather see faster and greater FII inflows unlike after 2008 in view of the higher returns that global investors could get in India," Mr Mukherjee claimed.

The Finance Minister's statement in the afternoon calmed the nerves of the market and helped the Sensex recover more than 250 points from the day's low of 16,759.45, before ending at 16,990.18 or 315 points lower than the Friday close. In all, the FIIs were net sellers of equity (in the cash market) to the tune of $360 million (about Rs 1,600 crore) on Monday.

Mr Mukherjee also pointed to the benign effect of the current global downturn on global commodity prices. "Softening of the international commodity prices, especially fuel oil, will help check inflationary pressures in the economy. It will also help in maintaining the fiscal balance for 2011-12,"he added.

http://www.thehindubusinessline.com/todays-paper/article2337795.ece

June FDI inflows at 11-year high

India's foreign direct investment (FDI) continues to gather momentum with the inflow registering a 310 per cent increase in June to $5.65 billion. This is the highest monthly inflow in the past 11 years.

In June 2010, FDI inflows into the country amounted to $1.38 billion.

FDI inflow was growing at 77 per cent in the first two months (April and May).

"FDI equity inflows, for the month of June 2011, have been received from the Reserve Bank of India. The figures indicate that the trend of high FDI equity inflows, since the beginning of the present financial year, is being maintained," the Commerce and Industry Ministry said in a statement.

Equity inflow

FDI equity inflows for the first quarter of the current financial year (April-June 2011) stood at $13.441 billion, an increase of almost 133 per cent, in dollar terms, over the corresponding period of the last financial year.

Similarly, for the first six months (January-June 2011), total FDI stood at $16.832 billion, nearly 57 per cent higher than the $10.740 billion received during the same period last year.

In 2010-11, FDI declined to $19.43 billion from $25.6 billion in 2009-10.

In 2008-09, the FDI stood at $27.3 billion.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2337775.ece

Big deals may push FDI in India to $35 bn in FY12

Foreign direct investment (FDI) in India may cross $35 billion in 2011-12 as against $19.4 billion in the last fiscal, on account of major deals such as RIL-BP and Posco.

"I would expect the FDI to cross $35 billion... Big investment projects like RIL-BP deal and Posco would help in pushing the numbers," a senior official said.

Foreign investors are confident of India's economic growth as even during the peak of the global economic crisis, the country's GDP registered a healthy growth rate, the official said.

In 2008-09 and 2009-10, India's GDP grew by 6.8% and 8%, respectively. During these periods, most of the western economies had registered a dismal growth.

The government on July 22 cleared the BP Plc buying 30% stake in most of Reliance Industries' oil and gas blocks, including the showpiece KG-D6 gas fields, for $7.2 billion, one of the biggest foreign direct investments in India.

In May, the Environment Ministry had given conditional approval to South Korean steel giant Posco's $12 billion steel plant in Orissa, the country's biggest single FDI project. The company is negotiating terms and conditions with the Orissa government.

In May and June, foreign direct investment in the country jumped 111% and 310%, respectively, to $4.66 billion and $5.65 billion, respectively.

"Going by the growth rate of FDI in the last few months, we may touch this ($35 billion) figure," KPMG Executive Director Krishan Malhotra said.

Malhotra said it was the right time for the government to introduce reforms like

allowing FDI in multi-brand retail to capitalise on the downfall of western markets like the US and Europe and make India as an attractive investment destination.

In the April-June period of the current fiscal, FDI went up by a massive 133% to $13.44 billion from $5.77 billion in the corresponding period last year.

However, in 2010-11, FDI into India declined to $19.43 billion from $25.6 billion in 2009-10. In 2008-09, FDI stood at $27.3 billion.

http://www.business-standard.com/india/news/big-deals-may-push-fdi-in-india-to-35-bn-in-fy12/144365/on

Trade News

China eyes 1 billion plus Indian market; steps up investment, trade

Sometime in late 2010-11, China overtook the UAE to become India's biggest trading partner, as Indian companies stepped up imports to fire their plants and factories. There are early signs that this Chinese exports-dominated $60-billion trade relationship may now be progressing to the next stage - getting investment-focused - with China stepping up investments.

Though foreign direct investments from China are minuscule compared to total inflows into the country there are cases that suggest that this could change soon.

In late 2009, China's largest automobile conglomerate, the $34-billion SAIC Motor Corp, spent $500 million to buy a 50% stake in GM India. A Ficci executive says at least four Chinese automakers have recently shown interest in investing in India.

Planning Commission Member Arun Maira says he sees serious interest among Chinese power and telecom equipment companies to set up manufacturing facilities in India, to locally make what China currently exports to India. These exports have grown substantially from $11 billion in 2005-06 to $40.8 billion in 2009-10. "Chinese are now willing to recognise the trade imbalance and its nonsustainability. We could see the beginning of the Chinese investment era in India," says Rajiv Kumar, secretary general, Ficci. Jahangir Aziz, chief economist, India, JPMorgan, agrees.

Most business ties between two countries follow a certain growth trajectory, he says. It starts off with trade and as it grows, FDI begins to take off. First, it is spearheaded by the diaspora, and then others latch on. Banks join the rush soon after, following their clients into the two countries. "Our bilateral trade has reached that critical point when it is starting to make sense for Chinese companies to manufacture in India rather than import," says Aziz.

The government numbers look grim. Of the nearly $190 billion FDI that came to India between 2000-2011, just $53.8 million came from China. This is a tiny number, especially because through this period, Chinese investments around the world surged. Between 2006-10, China's outbound overseas direct investment into nonfinancial sectors crossed $216 billion.

http://economictimes.indiatimes.com/news/economy/foreign-trade/china-eyes-1-billion-plus-indian-market-steps-up-investment-trade/articleshow/9606715.cms

India pushes for services and investment agreement with ASEAN

After having 'trade in goods agreement', India has stepped up efforts for a comprehensive deal with the 10-nation Association of South East Asian Nations (ASEAN) that would cover services and investment.

Indian Commerce and Industry Minister Anand Sharma reviewed the progress on the proposed India-ASEAN Services and Investment Agreement negotiations during a meeting with his counterparts from ASEAN countries.

The ministers tasked the negotiators to step up their efforts and exhibit greater flexibility for completion of these negotiations with substance, according to an official statement released after the meeting.

Sharma said the services and investment agreement would complement the Trade in Goods Agreement and would further enhance the economic integration India with ASEAN countries.

India and ASEAN had signed Trade in Goods Agreement in August 2009, after six years of negotiations. All the ASEAN countries have implemented the agreement.

The agreement has significantly reduced trade barriers and boosted two-way trade.

India's trade with ASEAN countries increased 24 percent to $51.3 billion in 2010. India's exports surged 33 percent to $23.1 billion, while imports from ASEAN countries increased 18 percent to $28.2 billion.

Foreign Direct Investments (FDI) inflows to India from ASEAN reached $14.25 billion in May 2011 and accounted for 10.36 percent of India's total FDI.

The two sides are hopeful that a

comprehensive agreement in services and investment would help boost the flow of capital and goods.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-pushes-for-services-and-investment-agreement-with-asean/articleshow/9591858.cms

India, Japan to synergise socio-economic development-linked energies at Tokyo summit

Ushering in a new era of bilateral ties, India and Japan are synergising their energies towards socio-economic development - not within their own territories, but in Asia and across the world.

On August 1, 2011, India and Japan executed a Comprehensive Economic Partnership Agreement (CEPA), aiming to provide greater access to each other's markets and almost double the bilateral trade from 12.6 billion USD to 25 billion USD by 2014.

The agreement came into existence when both countries signed the CEPA on February 16 in Tokyo and exchanged diplomatic notes on June 30.

The Indian business fraternity believes the deal would allow India to use Japanese investments, technology and management practices more effectively and efficiently.

"Japan is extremely important to Indian industry. It is important for technology, it is important for raising funds, it is important for making the business connections, it is important for providing global avenues for our products and for jointly working together to create more markets for Indian companies. I am very much looking forward to the expanding of both the trade and investment between Japan and India," said Rajesh Shah, co-chairman and managing director of Mukund Ltd.

Indo-Japan bilateral ties will gain further momentum when industry leaders, policy makers, academicians, researchers and young leaders meet with their global partners at the India-Japan Global Partnership Summit in Tokyo between September 5 and 7.

Organised by the India Center Foundation to mark the 10 years of the announcement of India Japan Global Partnership Agreement, the Summit will allow B2B strategic ventures, alliances and partnerships to create a new socio-economic framework.

The summit will include an India-Japan Expo and five concurrent forums, including business, academic, policy, youth and cultural forums of non-governmental initiatives.

Among those confirming full support at the occasion were Yoshiro Mori, Shinzo Abe and

Yukio Hatoyama, former Prime Ministers of Japan.

Japan's innovations and technological know-how and India's abundant manpower with strong scientific, technical knowledge will form an alliance that could transform challenges into opportunities.

"If our wisdom and our challenges, our execution powers and energies come together, why want to limit to only small platform like India or a small platform like Japan. World is ours. We can go to every country and just see if they like our idea. If they like, they will subscribe - If they subscribe we can always ask them - we can empower you somehow," said Akitaka Saiki, Japan's Ambassador to India.

India, a developing country with a rapidly growing economy, has a lot to gain from key ally Japan, the world's third largest economy.

In agriculture, infrastructure building, auto manufacturing and small and medium enterprises (SMEs) - there are huge opportunities for both India and Japan to work together.

In an annual survey conducted in mid 2010 by the Japan Bank for International Corporation, India, for the first time, topped the list as the most attractive investment destination, overtaking China.

The survey showed that 74.9 per cent of 605 Japanese companies preferred India as their investment destination over the next 10 years.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-japan-to-synergise-socio-economic-development-linked-energies-at-tokyo-summit/articleshow/9565986.cms

Sectoral News

Rs 84,094 crores invested in food processing units across the country

Around Rs 84,094 crores are invested in the 25,367 registered food processing units in the country. Citing figures from the competitiveness report of the National Manufacturing Competitiveness Council here, MoS for food processing Charan Das Mahant told Lok Sabha that from 2007-08, the receipt of applications, their appraisal, calculation of grant eligibility as well as disbursement of funds have been completely decentralized.

Under the new procedure, an entrepreneur/

applicant can file application with the neighborhood Bank branch/ Financial Instituition (FI). The Bank/ FIs would then appraise the application and calculate the eligible grant amount as per the detailed guideline given to them by the ministry.

The Banks/ FIs appraise project and its recommendation for the release of grant is transmitted to the Ministry through e-portal established for this purpose. After the recommendation and requisite documents are received from the Bank/ FIs, the Ministry sanctions the grant and transfers the funds through the e-portal. The task of maintaining and compilation of data through e-portal has been assigned to HDFC Bank.

http://articles.economictimes.indiatimes.com/2011-08-09/news/29867382_1_food-processing-crores-report

Government sees 4 million tonne sugar surplus, eyes export opportunity

Government expects a bigger sugar surplus of 4 million tonnes in 2011/12 and the decline in Brazil's production will offer an export opportunity for the South Asian producer and Thailand, the head of the Indian Sugar Mills Association said.

"What we are seeing today is a very preliminary estimate based on the government forecast of a 5 percent increase in cane area versus the 2010/11 season," Abinash Verma, director general of the association, told Reuters.

"We will close 2010/11 with an output of 24.2 million tonnes. Exports for 2010/11 will be 2.6 million tonnes, including 1.5 million tonnes under OGL," he said, referring to the Open General Licence scheme.

"The surplus we are looking at is 4.0 million tonnes in 2011/12," he said, adding that sugar production for the period is seen at 26 million tonnes.

This compared with the 3.2 million-tonne surplus in 2010/11, he said.

"Brazil is looking at reducing exports by almost 3.0 million tonnes next year, so that might give an opportunity to countries like Thailand and India," Verma said.

"The size of exports for next year depends on the timing that the government allows exports and how good prices would be in the next six months or so."

India has decided to allow another 500,000 tonnes of unrestricted sugar exports, a government minister said, which would come on top of 1 million tonnes of shipments allowed so far this year.

http://economictimes.indiatimes.com/news/economy/foreign-trade/government-sees-4-million-tonne-sugar-surplus-eyes-export-opportunity/articleshow/9610412.cms

Seafood export rises on global shortage

Global shortage of marine products is helping the Indian seafood sector grow in spite of a slowdown in the developed markets, Marine Products Export Development Authority (MPEDA) officials said.

"Export earnings from seafood may touch $4 billion during 2011-12 on the back of increased exports of Vannamei and higher demand from South East Asia," said Leena Nair, MPEDA chairman . Export realizations 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, she added.

"The problems in the global market have so far not affected the Indian exports due to the question of product availability in most of the markets," she said. "Increased production of Vannamei shrimp, increase in infrastructure for production of value added items and the regaining pace of Japanese market after tsunami would help India achieve the target," she added.

During 2010-2011, for the first time, marine products exports, crossed $ 2.8 billion. Exports aggregated to 8,13,091 tonne valued at $ 2,856.92 million.Compared to the previous year, sea food exports recorded a growth of 19.85% in volume.

Indian exports to Egypt and African countries are seen increasing, while exports to South East Asian countries are helping in faster growth. Aquaculture shrimp exports are also back on track. In a reversal of trend, US is back as the prominent consumer of Indian shrimps and has helped in recording growth even as some markets like European Union are showing a slowdown.

Increased production of Vannamei shrimp, black tiger shrimp and better price realization of major items like cuttle fish, shrimp and squid helped India gain the high export turn over. Frozen shrimp continued to be the major export value item accounting for 44.17 % of the total US dollar earnings. Shrimp exports in the period increased by 16.02 %, 36.72 % and 42.90 % in quantity, rupee value and US dollar value, respectively.

http://www.financialexpress.com/news/seafood-export-rises-on-global-shortage/830258/0

Electrical equipment sector grows 17%

The domestic electrical equipment

manufacturing industry clocked a 16.6 per cent growth during the first quarter of 2011-2012, the same level as in the previous year, according to industry estimates. The Indian Electrical and Electronics Manufacturers' Association (IEEMA), an industry association of manufacturers of electrical, industrial electronics and allied equipment, has based these growth figures on the production and sales data collected from its member organisations. "While the electrical equipment industry was geared with production capacity, procedural delays in releasing tenders and contracts, and runaway cost escalation due to price of commodity inputs were holding back electrification of the country," the industry body said in a statement.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2344568.ece

National Automotive Board likely to be set up by end-2011

A specialised body for promoting sustainable development of the Indian auto sector, dubbed the National Automotive Board (NAB), is expected to be set up by the end of this year.

The Department of Heavy Industry is working on a proposal for establishing the board.

"NAB is likely to be set up in December this year. It will act as a facilitator between the government and the industry, promote research and development activities and have a larger role in developing skills for the growing automobile sector," a Department of Heavy Industry official said.

Besides, it would act as a think-tank for the government, especially for the growth of hybrid and electric vehicles in the country, he added.

The board will have members from the Department of Heavy Industry, Planning Commission and from various ministries, including road transport and highways, science and technology, environment and forests. Besides, there would be scientists and industry representatives on the board.

The board will be the successor of the National Automotive Testing and R&D Infrastructure Project (NATRIP), which is a project implementation body.

"NATRIP was formed to set up new auto testing and R&D centres along with upgrading the existing ones. Now, these centres have been established and some of them have been upgraded. Therefore, its role has been completed," the official said.

NATRIP was set up for upgradation of three existing automotive testing and R&D centres -- the Vehicle Research and Development

Establishment (VRDE) at Ahmednagar, Automotive Research Association of India (ARAI) at Pune and International Centre for Automotive Technology (ICAT) at Manesar.

In addition, NATRIP's mandate was to set up four greenfield centres at Chennai, Indore, Silchar and Rae Bareilly for automotive testing, homologation and R&D.

At present, the turnover of the Indian automobile industry is USD 75 billion, while its exports are worth USD 11 billion.

http://articles.economictimes.indiatimes.com/2011-08-14/news/29886594_1_natrip-national-automotive-testing-r-d-infrastructure-project

Telecom sector to provide 10 mn jobs by 2012

Indian telecom sector will provide employment to around 10 million people by 2012, a study by PwC has said.

The telecom industry will provide about 2.8 million direct jobs and around 7 million indirect jobs by 2012, the study commissioned by the Cellular Operators Association of India (COAI) and done by PwC said.

The mobile telephony industry in India witnessed unprecedented growth of more than 700%, from having less than 1 million subscribers in 1998 to over 752 million subscribers in 2010, the study titled 'Indian Mobile Services Sector: Struggling to Maintain Sustainable Growth' said.

The industry has also played a vital role in India's growth story and the industry today contributes nearly 2% to the GDP, the study said.

The study, however, indicated that though the industry has taken significant strides in the past decade, the task of providing access to mobile services at affordable rates across the hinterlands remains incomplete.

The urban tele-density at 154% is far ahead of the rural tele-density of 34%. While this spells opportunity for the industry, significant investments will be required in order to increase reach in the rural areas.

http://www.business-standard.com/india/news/telecom-sector-to-provide-10-mn-jobs-by-2012/144136/on

News Round-Up

Six fold increase in services sector exports in last few years

Exports from the services sector, the largest and fastest growing sector in the economy,

have recorded a more than six fold increase in the last nine years from 20.76 billion USD in 2002-03 to 131.97 billion USD in 2010-11, a top Service Export Promotion Council official said.

"If this growth rate is sustained, services exports can touch the level of merchandise exports in the coming years, even as India's services trade, both export and imports, stood at 216.28 billion in 2010-11," SEPC Director General Rakesh Sharma said.

He was speaking at the three-day India Travel and Living (INTRA) and Hotel Supplies Expo.

Sharma said while the balance of trade in merchandise has been negative, it was constantly positive for services. While merchandise reported a deficit of around 131 billion USD, services reported about 50 billion USD surplus trade in 2010-11.

Sharma said some exporters were unaware of various schemes offered by the commerce and industry like Market Development Assistance, through which members are eligible to participate n overseas 'buyers seller meets,' or in any international conference to showcase their service capability.

http://economictimes.indiatimes.com/news/economy/foreign-trade/six-fold-increase-in-services-sector-exports-in-last-few-years/articleshow/9591887.cms

India likely to see about 1 mn "green jobs" in next two years

The fast-growing green energy sector is expected to create about one million new jobs in the country over the next two years, offering employment opportunities in diverse areas, feel experts.

Increasing environmental awareness, growth of global carbon markets and the rise of green buildings and the like will eventually mean employment opportunities for lawyers, policy writers, carbon finance consultants, business risk analysts, architects and engineers adept in green building norms.

As green jobs exist in all sectors, this means more engineering, more construction and more management jobs.

"These are just a few sectors and jobs out of the hundreds of jobs that will be transformed and created into the future," Kamal Meattle, the Promoter of GreenSpaces and CEO of the Paharpur Business Centre & Software Technology Incubator Park, said.

Echoing a similar sentiment, Udit Mittal, the Managing Director of Unison International, an HR consultancy firm, said the scope is so vast that "around one million green jobs will be generated in India over the next two years."

A 'green job' is employment in any industry that contributes to preserving or restoring environmental quality. A green job can be a white or blue-collar job in any sector: agriculture, manufacturing, research and development, administration and service activities such as IT, finance, teaching and so on.

One of the biggest future recruiters in green jobs is likely to be real estate, with greenbuildings coming up fast. Companies like Wipro, Microsoft, Cognizant, TCS, Infosys and Oracle are either operating -- or planning to -- from green offices.

http://articles.economictimes.indiatimes.com/2011-08-15/news/29889203_1_green-jobs-green-buildings-green-offices

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