सत्यमेव जयते
ITP Division
Ministry of External Affairs
Government of India

Weekly Economic Bulletin

Date – February 26 – March 04, 2013 **Issue No. 514**

CONTENTS

Weekly Economic Bulletin

News Feature

Eight Core sector industries grow by 3.9 pc in January

The eight core sector industries grew by 3.9 per cent in January this year, up from 2.2 per cent in the same month in 2012.

However, the cumulative expansion of these industries in April-January period of 2012-13 slowed to 3.2 per cent from 5 per cent in the same period previous year, according to the official data.

The eight industries include crude oil, petroleum refinery products, coal, electricity, cement and finished steel and have a weightage of 37.9 per cent in the overall Index of Industrial Production (IIP).

"The low growth in January was on account of negative growth witnessed in the production of crude oil, natural gas, fertiliser and cement," it said.

Production of natural gas and crude oil contracted by 16.8 per cent and 0.2 per cent, respectively, in the month under review. Fertiliser output too shrunk by 9.1 per cent against 4 per cent growth in January 2012.

Cement output too dipped by 6.6 per cent in January 2013 from 10.9 per cent growth in the same period last year.

Coal output slowed by 2.3 per cent from 7.7 per cent in January 2012.

However, petroleum refinery output and steel production grew by 10.5 per cent and 9.4 per cent against 4.6 per cent and 4.5 per cent, respectively, in January 2012.

Electricity generation too gew by 5.9 per cent in the month under review.

http://economictimes.indiatimes.com/news/economy/indicators/eight-core-sector-industries-grow-by-3-9-pc-in-january/articleshow/18729277.cms

Economic Survey 2013: India economic growth seen at up to 6.7%

India's economy will grow 6.1-6.7 percent in the financial year that starts in April, the government forecast in an Economic Survey 2013 report,a day before Finance Minister P. Chidambaram unveils a budget that is expected to keep a lid on spending.

The annual report on challenges facing the economy was prepared by Raghuram Rajan, the former chief economist to the International Monetary Fund (IMF) who became the top adviser in the finance ministry last year.

http://www.financialexpress.com/news/economic-survey-2013-india-economic-growth-seen-at-up-to-6.7-/1080505

6.5% growth in 2013-14 is reasonable, says Montek Singh Ahluwalia

Pinning hope on government's resolve to get rid of impediments to growth, Planning Commission Deputy Chairman Montek Singh Ahluwalia said the 6.5 per cent economic growth projection for next fiscal is reasonable.

"... if you have taken corrective steps needed to get rid of impediments to growth, projecting 6.5 per cent is not too much ... The 6.5 per cent economic growth, is not that unreasonable", Ahluwalia told.

According to him, registering 6.5 per cent economic growth would be achievable in the backdrop that India's last decade long term average GDP growth is 7.3 or 7.4 per cent.

Commenting on the Union Budget whether this is the right response to the challenge economy is facing at present, he said, "..the biggest challenge right now is huge micro imbalance, very large fiscal deficit which is mirrored in balance of payment by large current account deficit. Now we want to get that in balance, not get the risk of running out of foreign inflows, is important to reduce the fiscal deficit. That big message the budget does have."

On whether Finance Minister went for a big cut of around Rs 92,000 crore in Plan expenditure to reduce the current financial year's fiscal deficit to 5.2 per cent of GDP, he said this happened because of strict enforcement of rules by the Finance Minister.

"There are rules that say that only spend certain proportion of what you are going to spend in year as a whole in the last three months. Using that (rules), basically what has happened is that slow expenditure in the nine months of year has lead to lower expenditure for the year as a whole", he said.

"But the important thing is that in the last year, there was a big increase because we want to give good start to the 12th Plan. The fact is that the ministries took too long to get the act together."

About the doubts that lesser Plan expenditure would hurt growth prospects, he suggested that economic growth will not depend only on government spending and by "the restraint on government expenditure has to be offset by big increase in private investment and public sector investment which is not in the budget. If that happens, the growth will take place."

He said the fiscal deficit target of 4.8 per cent of the GDP next fiscal was "achievable".

On the issue like burgeoning petroleum subsidy could pose a problem for government in meeting fiscal deficit target, he said, "Not all the diesel subsidy is paid out of Budget because part or that under recovery is borne by the companies themselves so that impact on the budget could not be very substantial."

http://economictimes.indiatimes.com/news/economy/indicators/6-5-growth-in-2013-14-is-reasonable-says-montek-singh-ahluwalia/articleshow/18776086.cms

Overseas Investment

Govt clears 9 FDI proposals worth Rs 1,140 crore

The government said it has cleared nine FDI proposals, including that of Multi Screen Media and Wire and Wireless, totalling over Rs 1,140 crore.

Besides, the Foreign Investment Promotion Board (FIPB) deferred decision on 11 FDI applications including that of Norway-based Telenor Mobile Communications AS and Coca-Cola's bottling arm.

"Based on the recommendations of FIPB in its meeting held on January 21, 2013, government has approved 9 proposals of foreign direct investment (FDI) amounting to Rs 1140.14 crore approximately," Finance Ministry said in a statement.

Multi Screen Media received approval for induction of foreign equity for production of television programmes in Indian languages primarily for export, sale and distribution and downlink certain TV channels. The company proposes to bring in FDI worth Rs 545.

Wire and Wireless (I) Ltd got permission to issue warrants for carrying out Cable Network Business. The plan, if operationalised, will bring in FDI worth Rs 324 crore.

Also, Mahindra Insurance Brokers and Mahindra & Mahindra Financial Services have been permitted to induct foreign equity for Insurance Broking business.

The release further said that Lagardere Services Singapore Pte Ltd too has been permitted to set up an investing holding joint venture company. M and C Rakindo Hospitality and Security and Intelligence Services (India) Pvt Ltd, Bihar, are among the other FDI proposals that have been cleared.

The FIPB deferred decision on request of Telenor Mobile Communications to set up a joint venture company in telecom sector.

Decision on application of Mumbai-based Maharashtra Transmission Communication Infrastructure for post facto approval for issuance of FDI compliant instruments to an Indian company and other foreign investors to undertake telecom services.

Hindustan Coca-Cola Holdings is seeking FIPB's nod to extend the tenor of the investments made downstream by way of redeemable preference shares and approval for FDI inducted in the holding company during 2010-2011.

http://www.financialexpress.com/news/govt-clears-9-fdi-proposals-worth-rs-1140-crore/1080734/0

FIIs invest $4.6 bn in Indian stock market in Feb

Overseas investors pumped in over Rs 24,000 crore (USD 4.6 billion) in Indian stock market during February, the eighth consecutive month of inflows, taking the total investment tally to USD 8.4 billion so far this year.

Foreign Institutional Investors (FIIs) were gross buyers of shares worth Rs 78,888 crore, while they sold equities amounting to Rs 54,449 crore -- a net inflow of Rs 24,439 crore (USD 4.57 billion), according to Sebi data.

This was the eighth straight month of net investment by FIIs starting July, 2012.

"FIIs continued to be bullish on Indian equities and heavily invested in Sensex and Nifty companies. We expect this inflows would continue in the coming months as well as Finance Minister P Chidambaram has hinted that he would take reform initiates in the Parliament session," CNI Research CMD Kishor Ostwal said.

With an aim to attract more foreign investment into the stock market, the Finance Minister proposed to strengthen capital market regulator Sebi and cut the securities transaction tax, which will bring down overall costs for investors.

Wooing overseas investors, he said Sebi will simplify the procedures and prescribe uniform

registration norms for foreign portfolio investors.

Foreign investors also infused Rs 4,001 crore (USD 743 million) in the debt market in February. This takes the overall net investments by FIIs into debt markets to Rs 7,712 crore (USD 1.43 billion) so far this year.

In 2013 so far, FIIs net investment into the Indian equities have reached to Rs 45,223 crore (USD 8.4 billion)

FIIs bought equities worth USD 24.4 billion in 2012, about USD 5 billion below record purchases two years ago.

As on March 1, the number of registered FIIs in the country stood at 1,758 and total number of sub-accounts was 6,333.

http://www.financialexpress.com/news/fiis-invest-4.6-bn-in-indian-stock-market-in-feb/1082458/0

FIIs allowed to trade in exchange-traded currency derivatives

Foreign Institutional Investors (FIIs) will now be allowed to trade in the exchange-traded currency derivative segment. They will be able to participate to the extent of their Rupee exposure in India.

Besides presence in equities, FIIs engagement in India has also been growing in the debt market. FIIs have invested Rs 1.42 lakh crore in Indian debt instruments in the last five years (CY2008-12). In CY2013 so far, they have invested Rs 6,500 crore. So, they need to more avenues to hedge their currency risk.

At present the currency risk was partly being hedged by them in non-deliverable market (NDFs) outside India. Now, FIIs will be able to manage this risks in an orderly manner in India.

Thus, experts believe that FIIs' hedging activity will move onshore. Perhaps, this will also lead to an increase in volumes in the market, reduce the volatility and improve price discovery.

The average daily turnover in currency derivatives - forward and options market has been about Rs 41,000 crore in February, up from Rs 25,500 crore in April 2012.

Three exchanges – National Stock Exchange, Multi Commodity Exchange – forex segment and United Stock Exchange offer facility trading in currency derivatives.

http://www.business-standard.com/article/budget/fiis-allowed-to-trade-in-exchange-traded-currency-derivatives-113022800572_1.html

Trade News

South Africa sees India trade rising to $15 billion by next year

South Africa, the latest entrant to BRICS block of emerging nations, has said it expects the bilateral trade with India to reach $ 15 billion by 2014 and it sees impressive opportunities in retail, financial services and infrastructure sectors here.

"In 2011, bilateral trade between South Africa and India stood at 53.7 billion South African rands and is set to rise to 116 billion Rands ($ 15 billion) by 2014," South Africa's Minister of International Relations, Maite Nkoana-Mashabane told.

Ahead of the an BRICS summit in Durban later year, which would be attended by governments heads of all five countries, the South African minister said that BRICS is aimed at forging closer relations between the five countries, not only multilaterally, but also through closer bilateral relations.

Mashabane said that Indian economy was dynamic and vibrant and provides new opportunities for growth and development on a sustained basis.

"South Africa and indeed the broader international community are watching with interest the massive opportunities that are coming about in India, as a result of the need for infrastructure development to drive its growing economy.

"Indeed, it is not only infrastructure that provides opportunities but also in the expanding retail and financial services sector," the Minister said.

Among South African companies, First Rand Bank has already set yup a branch in Mumbai and is the first bank from the African continent to be granted a full scale commercial banking license in India.

The South African investments into India also include SAB Miller in beverage space, Sanlam and Old Mutual in insurance sector and Rand Merchant Bank in financial services.

Mashabane said that the major Indian investors in South Africa included Tatas, UB Group, Mahindras and a number of pharmaceutical companies, including Ranbaxy and Cipla.

The minister said that the Indian economy, even after some sluggish financial indicators, is still one of the cornerstone economies for world growth.

"The government in India is making positive strides to reinvigorate the economy by placing emphasis on infrastructure development as a key driver to growth.

"South Africa is carefully watching the latest trends in India and also with respect to reforms in the retail sector. All these offer opportunities," Mashabane said.

The minister further said that BRICS partners recognise South Africa as a major economic player in a growing Africa and the BRICS-Africa trade is expected to increase threefold from $ 150 billion in 2010 to $ 530 billion in 2015.

http://economictimes.indiatimes.com/news/economy/foreign-trade/south-africa-sees-india-trade-rising-to-15-billion-by-next-year/articleshow/18776095.cms

India, Iran must promote trade, economic links: Prez

India and Iran must work together to further promote trade and economic links, increased people- to-people contacts between them and within the region, President Pranab Mukherjee has said.

Welcoming an Iranian Parliamentary delegation led by Dr Ali Larijani, Speaker of the Islamic Consultative Assembly (Majlis), at Rashtrapati Bhavan, the President said, "Throughout history, both countries have seen an inter-mingling of people and cultures."

Mukherjee said, "India and Iran have a strong bilateral economic relationship and it needs to further deepen for the benefit of peoples of both countries.

"We must work together to promote trade and economic links and increased people-to-people contacts between us and within the region."

The excellent bilateral relations between both countries have been strengthened through high-level exchanges and regular engagement through various dialogue mechanisms, he said, according to a Rashtrapati Bhavan statement.

The President said Iran remains an important source of crude for India. "Presently, our bilateral trade is weighted in favour of Iran. Indian markets are open to Iranian exports. India hopes that Iran would source more goods from India," he said.

India and Iran, Mukherjee said, have a responsibility to address the challenges to region and the world like terrorism, energy security, food security, climate change, environment and natural disasters.

"Peace and stability in Afghanistan is a key to the progress in the region," Mukherjee said.

The President expressed happiness that India and Iran are engaged in regular exchange of information and views on the developments in Afghanistan.

India is actively engaged in the reconstruction and development of Afghanistan.

Dr Larijani said Iran looks forward to a strategic and long-term partnership with India.

"India and Iran come from same roots and their destinies are the same. A large area of cooperation is possible between the two countries," he said.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-iran-must-promote-trade-economic-links-prez/articleshow/18726565.cms

US terms India key biz partner, wants it to speed up economic growth

The US has termed New Delhi as one of its most trusted and valuable partners in the region, but has expressed concern over India's declining growth rate and an apparent slowdown in its reform process.

During a Congressional hearing, Assistant Secretary of State for South and Central Asia Robert Blake noted that "any discussion of South Asia has to start with India", but pointed out that the its problems on the economic front threaten US's opportunities in the country.

"India is one of our most trusted and valuable partners in the region and really the foundation upon which greater regional economic cooperation and expansion will be built," Blake said.

"I think the main threat is the declining growth rate that has occurred in India, because of declining investment. And because there has been a slowdown in the economic reform efforts of, you know, over the past several years," he however added.

"It's no secret that the Indian Parliament has been tied up in knots over debates about corruption and other such things. And so very little has gotten done," he said in response to a question from Indian-American Congressman Ami Bera.

Blake said India has passed quite an important reform to open up India for foreign-direct investment in the multi-brand retail sector, which US thinks is very important, but observed that "much more needs to be done".

"They've taken some steps to try to accelerate the approval process for foreign investment. But much more needs to be done and I think the Indians fully recognize that," the US official said.

He praised India's journey of economic development in the past 20 years during which the volume of its GDP "increased 10 times."

"What was then a closed economy is now the 13th largest trading partner of the United States in goods. And by 2025, India is projected to become the world's third-largest economy," he said.

Despite some of these problems, India remains one of the fastest growing economies in the world and it is projected to be the third largest economy in the world by 2025 , Blake noted

He said the US companies, through the US-India Business Council, have given India some important suggestions on things that could be done to open up in the areas like banking, retail, defense and insurance.

"That would tremendously increase the levels of FDI and help boost the levels of growth in India," Blake said.

"We have a range of economic dialogues that we conduct with our Indian counterparts. So there's a number of different initiatives under way to help, again, remove some of the blockages that do occur," he said.

Observing that 80 per cent of the infrastructure required to sustain and support India in 2025 has yet to be built, Blake saw this as an "enormous opportunity" to deepen bilateral commercial partnership through cooperation in the field of airports, power plants, water and sanitation systems and fiber optic networks.

In his remarks, Bera said the US-Indian relationship is critical and vital to the US both economically and strategically.

Chairing the hearing, Republican Congressman from Ohio Steven Chabot said the Obama Administration's pivot to Asia will not succeed unless the US does more to build stronger relationships in South Asia, and with India in particular.

"While we have seen progress in certain areas of the US-India relationship, many arenas are at a state of frustrating impasse," Chabot said.

http://www.financialexpress.com/news/us-terms-india-key-biz-partner-wants-it-to-speed-up-economic-growth/1080425/0

British firms looking for opportunities in India, says Deloitte

British companies are looking for opportunities in India, especially in the infrastructure space that is expected to see investments worth USD 1 trillion in five years, according to global consultancy Deloitte.

Apart from infrastructure, UK companies are also interested to invest in other high growth potential sectors such as finance, education and health.

A senior Deloitte official said rising demand from emerging middle class population in India offers good growth opportunities, Deloitte's Vice Chairman (International Markets and Lead Partner, Africa and India Services Groups) in the UK Vassi Naidoo said.

"UK has significant capability in technology and innovative skills... these can be used in partnership with India that goes beyond trading. We (UK companies) want to share our knowledge and commercialise it for benefit of both the countries," he said.

India is expected to see an investment of about USD 1 trillion in the current Five Year Plan (2012-17), with significant contribution expected from the private sector.

Last month, British Prime Minister David Cameron visited India along with a large delegation of businessmen.

The United Kingdom, including many companies from that nation, already have substantial investments in India.

Presently, UK accounts only for about two per cent of India's global imports, a Deloitte report has said.

The Indian middle class, according to Naidoo, would witness an unprecedented growth in the near future. This section of the India would then demand world-class services in infrastructure, education, healthcare and financial services, he added.

"The (growing) middle class is the catalyst," Naidoo said.

Further, according to Deloitte, India's infrastructure sector provide opportunities for world's manufacturing, energy and telecommunications players to accelerate their presence.

"Indian infrastructure is not world class and needs to be upgraded, we have a lot of experience in the field...we (UK) would like out builders, technicians to work in collaborative

fashion with India and lend support in this sector," he added.

http://www.financialexpress.com/news/british-firms-looking-for-opportunities-in-india-says-deloitte/1082834/0

Sectoral News

TRAI seeks industry view to reduce roaming call and SMS rates

Telecom regulator TRAI has floated a consultation paper to bring down the rates of mobile calls and SMSes that are currently charged from a customer on availing roaming facility.

Among various options to reduce or remove additional cost burden on roaming customers, TRAI has proposed a new norm – Home Price Rule -- wherein a mobile subscriber should be charged the same amount that he pays when he is not roaming.

As per Telecom Regulatory Authority of India, mobile phone customers on roaming are generally charged Re 1 for outgoing local call, Rs 1.5 for outgoing STD call and Re 1 for incoming call on per minute basis. For each outgoing SMS, customers are generally charged Rs 1.5.

On the other hand, when customer is not roaming an outgoing local call costs him/her around 72 paise, outgoing STD call 90 paise, each local SMS Re 1 and STD SMS in range of Rs 1.5 to Rs 3.45, according to TRAI.

"It is deemed necessary to undertake an exercise to review the framework for tariffs for national roaming. An additional consideration for carrying out this review is to address the objective of working towards "One Nation – Free Roaming" stated in the National Telecom Policy 2012," TRAI said in its consultation paper.

TRAI added that the aspiration for "removal of roaming charges is an aspect of the overall policy thrust towards removal of geographic barriers in licensing and telecom operations to promote free mobility for usage of communications facilities in the country."

Besides technical issues that increase service rates for roaming customers, TRAI has sought the opinion of industry on various interconnect usage charges (IUC) that an operators has to pay to other operators for completing both incoming and outgoing call of customers.

To make incoming calls free during roaming, TRAI has sought industry's view on carriage charge (one of various IUC) which service providers are required to pay to the other operator for incoming calls on mobile numbers of the former's network.

The regulator has also sought industry view if carriage charge, which ranges between 15 paise to 50 paise per minute, should be passed on to the person making the call to the roaming customer.

In this case it is proposed that the caller will be informed about the roaming status and the extra charge to be levied before connecting the call.

TRAI has asked industry players to provide their views on 'Review of Tariff for National Roaming' by March 18.

http://www.financialexpress.com/news/trai-seeks-industry-view-to-reduce-roaming-call-and-sms-rates/1080067/0

Global public cloud services mkt to be $131 bn in 2013: Gartner

The public cloud services market is estimated to grow 18.5% in 2013 to $131 billion globally, up from $111 billion in 2012, research firm Gartner said.

Infrastructure as a service (IaaS), including cloud computing, storage and print services, is expected to continue as the fastest-growing segment of the market, to grow 47.3% in 2013 to $9 billion from $6.1 billion in 2012, Gartner said in a statement.

"The continued growth of the cloud services market will result from adoption for production systems and workloads, in addition to development and testing scenarios that have led as the most prominent use case for public cloud services to date," Gartner Research Director Ed Anderson said.

Cloud advertising continued to be the largest segment of the cloud services market, comprising 48% of the total market in 2012, Gartner said in a statement.

From 2013 through 2016, $677 billion will be spent on cloud services worldwide, of which $310 billion will be spent on cloud advertising, Gartner said.

The cloud business process services segment (BPaaS) is the second-largest market segment after cloud advertising, comprising 28% of the total market in 2012.

This is followed by cloud application services (software as a service [SaaS]) at 14.7%, cloud system infrastructure services (IaaS) at 5.5%, cloud management and security services at 2.8%, and cloud application infrastructure services (platform as a service [PaaS]) at 1%.

Emerging markets in Asia/Pacific, Latin America, Eastern Europe, the Middle East and North Africa show the highest growth rates, while representing the smallest overall markets.

China is the exception, being both a large and growing market, Gartner said.

"Local economic factors, regulatory issues, the local political climate, the diverse landscape of global and local providers, including non-cloud providers, and other country-specific factors ensure a unique marketplace in each country and region," Anderson said.

North America is the largest region in the cloud services market, accounting for 59% of all new spending on cloud services from 2013 through 2016.

Western Europe, despite the growth challenges in the region, remains the second-largest region and will account for 24% of all new spending during the same time period.

The highest growth rates for cloud services continue to come from the emerging regions of Asia/Pacific (led by Indonesia and India), Greater China and Latin America (led by Argentina, Mexico and Brazil).

http://www.business-standard.com/article/economy-policy/global-public-cloud-services-mkt-to-be-131-bn-in-2013-gartner-113022800421_1.html

Defence Ministry gets 14% hike in Budget

In the midst of a major modernisation drive, Defence Ministry got a 14% hike in its budget as Finance Minister P Chidambaram gave it Rs 2,03,672 crore for 2013-14, with a promise to provide any additional fund required for national security.

Today's allocation is up by Rs 25,169 crore from last year's revisited estimate of Rs 1,78,503 crore. The budget estimate was Rs 1,93,407 crore but Rs 14,904 crore was slashed by the Finance Ministry owing to the strain on the economy.

"I propose to increase the allocation for defence to Rs 2,03,672 crore. This will include Rs 86,741 crore for capital expenditure," Chidambaram said.

"The Defence Minister has been most understanding and I assure him and the House that constraints will not come in way of providing any additional requirement for the security of the nation," he said.

The Defence Ministry is in a major modernisation process with several acquisitions in the pipeline besides upgradation of infrastructure in the northeast along the China border.

Among the major acquisitions in the offing are the 126 multirole combat aircraft, 22 Apache attack choppers and 15 heavy-lift choppers.

The capital expenditure was hiked from Rs 69,579 crore last year to Rs 86,741 crore.

Defence Minister A K Antony was satisfied with the allocation.

"Factoring the current economic scenario, he (Chidambaram) has been fair to the Defence sector also by increasing the budget and giving an assurance that should there be any urgent need in future the same would be provided," Antony told reporters.

http://www.business-standard.com/article/budget/defence-ministry-gets-14-hike-in-budget-113022800363_1.html

Tourism sector needs a makeover: Economic Survey

India's tourism sector needs an urgent image makeover with higher investment in infrastructure, through PPP mode to capitalise on opportunities provided overall growth in world tourist arrivals, the Economic Survey said.

Global tourist arrivals are expected to increase by 43 million every year on an average from 2010 to 2030. The Survey for 2012-13 tabled in Parliament said there is also a need to address issues like high luxury taxes on hotels by states and ensure greater cleanliness and safety for tourists, which can help in giving a big boost to this sector.

"With world tourist arrivals expected to increase by 43 million every year on an average from 2010 to 2030 and FTAs in emerging countries expected to grow faster than in advanced economies, a goldmine of opportunity in tourism is waiting for India, which at present has a paltry share of 0.64% in world tourist arrivals," the survey said.

It, however, said "an image change for Indian tourism is needed with higher investment in tourism infrastructure including through PPP mode."

Calling for more private participation in the sector, the report said: "Even user charges could be levied if monuments or tourist sites are developed by the private sector or through PPP (public private partnership)."

On taxation issues, the survey said refunding VAT as done in countries like Thailand and Singapore can be replicated to help the tourism sector.

Domestic tourism is also an important contributor to the growth of this sector with a 14.34% CAGR of domestic tourist visits from 1991 to 2011. During 2011, there were 851 million domestic tourists, the Survey noted.

The hotels and restaurants sector with a 1.5% share in India's GDP in 2011-12 is an important sub-component of the tourism sector.

As per the 12th Five Year Plan approach paper, India's travel and tourism sector is estimated to create 78 jobs per million rupees of investment compared to 45 jobs per million rupees in the manufacturing sector, the Survey said.

"As per Tourism Satellite Account (TSA) data 2009-10, the contribution of tourism to India's GDP was 6.8% (3.7% direct and 3.1% indirect) and its contribution to total employment generation was 10.2% (direct 4.4% and indirect 5.8%)," it added.

To promote tourism, the government has taken many policy initiatives including a five-year tax holiday for 2, 3, and 4 star hotels located around all UNESCO, World Heritage sites (except Delhi and Mumbai) for hotels which start operating with effect from April 1, 2008 to March 31, 2013.

http://www.business-standard.com/article/budget/tourism-sector-needs-a-makeover-economic-survey-113022700303_1.html

News Round-Up

Economic Survey paints cautious, but optimistic economic outlook: Analysts

Economic Survey released by the government paints a "cautiously optimistic" economic outlook and suggests the government will present a fiscally prudent Budget tomorrow, analysts say.

The survey, tabled by Finance Minister P Chidambaram in Parliament, projected an optimistic growth rate of 6.1-6.7 per cent for the 2013-14 claiming that the downturn is more or less over and economy is looking up.

"The survey paints a cautiously optimistic picture of the economy and holds out hope for the future," Nomura Economists Sonal Varma and Aman Mohunta said in a research report.

Echoing similar sentiments Deloitte India Senior Director Anis Chakravarty said "the Economic Survey 2012-13 provides a candid view of the economy and clearly recognises the need for reforms."

Though problem areas are recognised, the survey seems to provide a sense of optimism within the current macroeconomic framework, analysts believe.

"Though it provides an optimistic target of 6.1 per cent to 6.7 per cent as GDP growth for the next fiscal, one may conclude that this range is quite wide," Chakravarty said adding that "this sends a message that growth will be driven by reforms and global prospects".

The Nomura report further said that "the survey suggests that the government will present a fiscally prudent budget. We expect the government to project a fiscal deficit of 4.6 per cent of GDP in FY14 from 5.3 per cent in FY13."

According to PwC India Executive Director Ranen Banerjee "the economic survey highlights importance of human capital - that is investment in human capital, innovation and knowledge development being the next key drivers of growth."

Banerjee further said there are poor signals on all fronts of the economy and it will be interesting to see how the Union Budget attempts to improve the situation.

Commenting on the Economic Survey, Standard Chartered bank Senior Economist Anubhuti Sahay said: "The survey has rightly stressed on the urgent need to restore the domestic macro-economic balances in place."

"The adverse impact of inflation is well reflected in lower savings rate, wider CAD and still elevated interest rates for investments," Sahay added.

Commenting on the Survey, India Ratings Chief Economist and Head of Public Finance Devendra Kumar Pant said, while the report reiterates

slowdown, it also supplements the Government's commitment of minor slippage in fiscal deficit and that the way out is a credible fiscal consolidation plan which can help lead to macroeconomic and price stability.

According to the Survey, GDP growth will be 5 per cent this fiscal, the lowest in a decade, before improving to 6.1-6.7 per cent in FY14.

One reason for this low decadal growth, Pant said, is driven by the lowest growth in Government consumption since FY07 in the current fiscal at 4.1 per cent, which is evident form the large cash balance of the Government and this will help in tying fiscal deficit to 5.3 per cent of GDP.

Lauding the survey for suggesting curbs on subsidies, especially that of oil, Pant said he expects more measures in the tomorrow's Union Budget on this front.

http://www.financialexpress.com/news/economic-survey-paints-cautious-but-optimistic-economic-outlook-analysts/1080677/0

Indian consumer market likely to be world's largest by 2030: Deloitte's report

India is expected to emerge as the world's largest consumer market with aggregate spending of USD 13 trillion by 2030, surpassing the likes of China and the US, says a report.

Global consultancy Deloitte has said the rise would be spurred by a growing middle class.

"By 2020, India is projected to be the world's third largest middle class consumer market behind China and the US. By 2030, India is likely to surpass both countries with an aggregated consumer spend of nearly USD 13 trillion," said Deloitte's report, 'India matters: Winning in growth markets'.

It noted that the unprecedented growth of the new middle class outside the western economy would be the most powerful economic trend in the coming decades.

"...rising average income levels among the Indian middle class are driving aspirational consumer behaviour, as people seek out higher quality products, better healthcare and more sophisticated services," the report said.

According to Deloitte, this shift would herald a golden period for a number of economies besides markets such as China and India developing their potential as economic powerhouses of the future.

"The explosion of middle class consumer power began to take shape in India during the 1990's, following trade liberalisation post-1991, an increase in foreign direct investment and the proliferation of information technology exports" it said.

http://www.financialexpress.com/news/indian-consumer-market-likely-to-be-world-s-largest-by-2030-deloitte-s-report/1082466

DISCLAIMER

This newsletter is a compilation of news articles from various business e-newspapers and in no way is an endorsement or reflection of Ministry of External Affairs views.

FICCI

Designed, Developed
& Maintained by
FICCI-BISNET