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News Feature

Jan exports up 32.5%; to touch $220 billion in 2010-11

Exports in January provisionally rose an annual 32.5% to $20.6 billion, the Union trade secretary said on Saturday, adding he saw exports for the year to March at more than $220 billion, slightly higher than the government's $200-billion target.

But the trade deficit in January widened to $8 billion, after hitting a three-year low of $2.6 billion in December, and has reached $89 billion for the April-January period.

On the whole, the export performance is pretty good and it is expected to cross $200 billion in February 2011 and it will cross $220 billion during this fiscal, commerce secretary Rahul Khullar said.

"It is a huge jump. Export performance is pretty damn good. My guess is that by next month, we will cross $200 billion and we should end up at $220-225 billion," Khullar added.

Exporters' body Federation of Indian Export Organisations (FIEO) said the country's exports are increasing in new markets of Latin America and Africa along with the US and specially within Asia.

The April-January exports rose an annual 29.4% to $184.6 billion, while imports for the period provisionally grew 17.6% to $273.6 billion. Imports in January were at $28.6 billion.

The sectors that performed well were gems and jewellery (9.3%), engineering (70%) and petroleum and oil lubricants (36%), Khullar said.

Exporters are getting huge demands for engineering products from Latin American countries such as Columbia.

http://www.financialexpress.com/news/jan-exports-up-32.5;-to-touch-220-billion-in-201011/749369/0

GDP seen growing at 8.6% this fiscal

Agriculture rebounds smartly, manufacturing a concern.

The Indian economy is likely to grow by 8.6 per cent in the current fiscal, below the upper limit of the finance ministry's expectations, despite agriculture growth being pegged at over 5 per cent.

Manufacturing is likely to expand at the same rate as last fiscal, 8.8 per cent, but substantially lower than the 13 per cent and 9.8 per cent recorded in the previous two quarters, according to advance data of GDP for 2010-11 released.

Moderating sequential manufacturing growth may prompt industry to put greater pressure on the government to continue with stimulus measures in the upcoming Budget, to be tabled in Parliament on February 28.

In fact, gross fixed capital formation is estimated at 29.3 per cent in 2010-11, against 30.8 per cent in the previous financial year. The slowdown in investment is linked to higher interest rates in the wake of RBI's tight monetary policy.

"The moderation in investment is primarily due to an increase in interest rates, which is expected to prevail going ahead," Crisil Chief Economist D K Joshi told.

Growth in the government's final consumption expenditure is estimated at 11.3 per cent of GDP, against less than 12 per cent last fiscal, which also substantiates the demand for a continuation of stimulus measures.

If the economy actually does achieve 8.6 per cent growth this fiscal, it will be a shade below RBI's projected 8.5 per cent. However, the finance ministry has upped its projection to 8.75 per cent (give or take 0.35 per cent).

India's GDP grew at 8 per cent in 2009-10. The figure, upwardly revised from the earlier estimate of 7.4 per cent, also dragged down this fiscal's likely numbers.

Finance Minister Pranab Mukherjee said, "An 8.6 per cent is quite encouraging, despite the difficulties. Now, the other issues are that of inflation and the trade balance… These are to be addressed."

The finance minister will get more than Rs 9 lakh crore over the estimation of February last year for financial year 2010-11. At that time, GDP in nominal terms was estimated at Rs 69,34,691 crore. The advance estimates show that the size of the Indian economy will be Rs 78,77,947 crore. This will help the finance minister get additional leeway to prune the fiscal deficit below the level of 5.5 per cent of GDP estimated in the last Budget. It will also enable him to peg it at 4.8 per cent of GDP for next year, as was already stated in Parliament.

Chief economic adviser to the finance ministry Kaushik Basu called the estimates "remarkable" and stated that 9 per cent growth in 2011-12 was achievable, even as analysts predict growth to slow.

http://businessstandard.com/india/news/gdp-seen-growing-at-86-this-fiscal/424368/

Overseas Investment

India's forex reserves inch towards $300-billion mark

India's foreign exchange reserves went up by USD 243 million to USD 299.415 billion in the week ended February 4, driven by an increase in its foreign currency assets (FCAs).

The total reserves had stood at USD 299.17 billion in the week before.

FCAs, the biggest component of the total foreign reserves, were up by an impressive USD 793 million to USD 270.08 billion for the week, the Reserve Bank said in its weekly data released last evening.

FCAs, 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.

http://economictimes.indiatimes.com/news/economy/finance/indias-forex-reserves-inch-towards-300-billion-mark/articleshow/7482573.cms

DIPP seeks ministry’s view on 24% airline FDI

The Department of Industrial Policy and Promotion (DIPP), the agency responsible for foreign investment-related policies, has asked the civil aviation ministry to give its views at the earliest on a revised proposal which seeks to allow foreign airlines to invest 24% in domestic carriers. The department had earlier suggested 49% cap for foreign airlines in response to a civil aviation ministry's proposal permitting 25% equity participation in local carriers.

“Their (aviation ministry) view on the issue would enable us process the proposal further,” DIPP sources told.

Any move to relax the foreign direct investment (FDI) norms would help carriers like Kingfisher Airlines to raise fund to expand their fleet and network. The existing policy allows foreign companies to invest upto 49% in the Indian carriers. Foreign airlines are, however, barred to invest directly or indirectly in domestic airline companies.

The civil aviation ministry had in 2008 proposed to allow foreign carriers upto 25% stake in local carriers within the existing limit of 49% by foreign companies.

"Since FDI policy is generally structured along the caps of 24%, 26%, 49%, 74% and 100% depending upon the level of rights proposed to be made available to foreign investors and with a view to ensure adequate clarity about the ability of resident shareholders to pass special resolutions under the Companies Act 1956 this department has proposed that foreign airlines may be allowed entry in scheduled, non-scheduled and chartered airlines with FDI upto 24% instead of 25% under the FIPB (Foreign Investment Promotion Board) route," DIPP has said. Most of the Indian carriers, including Jet Airways, Air India, IndiGo and SpiceJet are on expansion mode with domestic air traffic on the upswing. IndiGo last month placed an order with Airbus Industries to buy 180 aircraft worth $16 billion on the list price.

"The liberalised policy would not only ensure cash for the domestic airlines it would also bring international practices," an analyst said.

http://www.financialexpress.com/news/dipp-seeks-ministrys-view-on-24-airline-fdi/748641/0

Enam Infra gets nod for 3,450 cr FDI

The government approved a proposal of Mauritius-based Enam India Infrastructure Fund to undertake foreign direct investment (FDI) of 3,450 crore in the country.

Enam India Infrastructure Fund, Mauritius would make the investment in its Indian arm, Enam India Infrastructure Fund. It is part of the brokerage group Enam.

"The approval would result in FDI amounting to 3,450 crore in the country," an official statement said. These funds are expected to be invested in equity and equity-linked investments in infrastructure and energy sectors.

"(Approval has been given to) the proposal of Enam India Infrastructure Fund, Mauritius to invest in and subscribe to the class A units to be issued by Enam India Infrastructure Fund," the statement said.

The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Manmohan Singh, approved the proposal after the same was referred to it by the Foreign Investment Promotion Board in December.

http://economictimes.indiatimes.com/news/economy/finance/enam-infra-gets-nod-for-3450-cr-fdi/articleshow/7471656.cms

Govt to wait for RBI stand before deciding on FDI cap

The government will wait for the Reserve Bank of India (RBI) to take the first step before deciding on whether to reduce the foreign investment cap on private sector banks to below 50 per cent from the current 74 per cent.

Currently, the government is not in a mood to cut the cap, a proposal mooted in a discussion paper on entry of new banks, released by the RBI last year.

The finance ministry said it would wait for RBI guidelines, a development which will provide much relief to ICICI Bank and HDFC Bank. Both are already known as Foreign Owned Indians Controlled entities, after foreign investment in them rose much above 50 per cent, following new norms of calculations by the commerce ministry.

"We are not thinking in terms of cutting the cap on foreign investment in private sector banks. The proposal is not under consideration. We will wait for RBI norms on new banks before taking any decision in this regard," a key official with the financial services department of the finance ministry told Business Standard.

The department of economic affairs in the ministry has already objected to the proposal, saying such a move was retrograde.

Officials in the department of industrial policy and promotion (DIPP) in the commerce ministry, which formulates policy in regard to foreign investment, also said they were not contemplating reducing the foreign investment cap to below 50 per cent.

DIPP officials said the issue was about reading the fineprint of Press Notes 2, 3 and 4 issued in 2009. The foreign investment cap in banks remains 74 per cent. However, the rule says it's only automatically okayed till 49 per cent. Once it exceeds that limit, government approval is required, they added.

The press notes changed the way foreign investment was calculated in an entity, by including various types of investment from abroad — FDI, FII, NRI, ADR, GDR and FCCBs — in foreign investment.

http://businessstandard.com/india/news/govt-to-wait-for-rbi-stand-before-decidingfdi-cap/424329/

Foreign investors embrace direct market access

FIIs use this route in a big way to save costs.

Direct market access (DMA) is fast gaining popularity among investors abroad, with more than a quarter of their trades in India coming through this route, say brokers familiar with the matter.

DMA is an electronic facility that allows brokers to offer clients direct access to the exchange trading system through their infrastructure, but without manual intervention. The Securities and Exchange Board of India had allowed DMA in April 2008.

"All big foreign institutional investors (FIIs) are using DMA in India," said Vikas Khemani, head of institutional equities at Mumbai-based Edelweiss Securities. "It's cheap, efficient and ensures confidentiality of trades." The brokerage for DMA in the cash market is about 7-8p per Rs 100 turnover.

At present, the DMA facility is only available to institutional investors in India. Foreign broker-dealers such as UBS, Citigroup, Morgan Stanley, Deutsche, Credit Suisse, Goldman Sachs, Macquarie and Newedge provide DMA to institutional clients in India and the majority of the FII business is routed through them, including their own trading, according to Celent, a Boston-based financial research and consulting firm.

The major buy-side FIIs using DMA in India include Fidelity, Prudential and Aberdeen Asset Management.

"DMA allows quicker and cheaper access for FIIs, which already have the necessary infrastructure and expertise, unlike domestic institutions. It is also useful for algorithmic trading, again commonly used by FIIs," said Anshuman Jaswal, senior analyst at Celent. "Our estimates for FII trades routed through DMA are 25-30 per cent, with the expected share being 40-45 per cent by end-2011," he added.

DMA is popular in developed markets like the US, where around 70 per cent of the trades in the equity cash market are estimated to be coming through this route. In Europe, 30-35 per cent trades in the cash market are estimated to come through DMA.

The demand has been picking up in India, mostly on account of FIIs. By an industry estimate, there are around 70-80 brokerages and 110-120 foreign buy-side companies using this electronic facility to execute trades in India. Besides the foreign players, local proprietary trading firms are also using DMA, broking officials say.

http://businessstandard.com/india/news/foreign-investors-embrace-direct-market-access/424350/

Trade News

India seeks investment from UAE in tourism sector

India today sought investments from the United Arab Emirates, particularly in the tourism sector.

In a bilateral meeting between Commerce and Industry Minister Anand Sharma and UAE Foreign Trade Minister Sheikha Lubna Bint Al Qasimi here, both sides felt that tourism sector especially medical tourism has huge potential for future growth.

"There is a good scope for the UAE to invest in overall tourism sector in India which would help for both the countries to enhance tourist arrivals," Sharma said adding another area with considerable scope for cooperation in tourism is construction and maintenance of hotels.

He said that since the UAE is focusing on knowledge-based industries and with India emerging as world leaders in space, agriculture, pharmaceuticals and bio-technology, there is considerable scope for co-operation in technology transfer, research and development and for joint-venture.

"India has a vast market and UAE investors would find industrial partners in India to set up mutually advantageous industrial complexes in the Gulf as well as in India and third countries to cater to the markets worldwide," he said in a statement.

The two-way commerce between India and the United Arab Emirates stood at USD 43.46 billion in 2009-10.

The top five exportable items from India to the UAE are gems & jewellery, petroleum products, basmati rice, machinery and metals.

While imports include petroleum, gold, pearls, precious & semi-precious stones and Ores.

"The bilateral trade between India and UAE has registered an increase over 300 per cent in the last five years," the statement added.

http://economictimes.indiatimes.com/news/economy/finance/india-seeks-investment-from-uae-in-tourism-sector/articleshow/7470493.cms

India has critical role to play in our strategy in Asia, says US

India has a “critical role” to play in the United States’ strategy in Asia, and must push forward with its policy for greater engagement with the Asia-Pacific region through, among others, an increased participation in the East Asian Summit, said a senior official of the US Department of State.

"We've moved from a trans-Atlantic century to a trans-Pacific century, in which the rise of Asia has already started to define the international agenda. As the fulcrum of geopolitics moves to Asia, India plays a critical role in US strategy," said Geoffrey Pyatt, principal deputy secretary, South and Central Asian Affairs Bureau at the US State Department.

While Pyatt acknowledged that India has not just engaged countries in the Southeast Asian region but also built crucial relationships with other large democracies in the Asia-Pacific, such as Japan, Australia and South Korea, he said New Delhi could do more by adopting a 'Be East' policy that enhances its market and security integration, apart from playing a larger part in regional fora.

"For example, a 'Be East' policy might entail India seeking an increased role in the East Asia Summit, and developing further political relations with East Asia that match India's vibrant trade and investment growth in the region," said Pyatt. He was speaking at an event organised by the Institute of South Asian Studies and Singapore Indian Chamber of Commerce and Industry.

The East Asian Summit is an annual meeting of leaders from the region, comprising the 10-member Association of Southeast Asian Nations (Asean) along with Australia, China, India, Japan, New Zealand and South Korea. Russia and the US are also expected to attend the sixth EAS later this year in Indonesia.

"The United States, I should mention, is interested in working with India and other members of the East Asian Summit to make it a premier forum for Asia-Pacific leaders to discuss pressing security and strategic issues. President Obama has announced that he plans to attend the 2011 East Asian Summit in Indonesia, providing for an occasion for the US and India to deepen our dialogue about security and economic architectures in Asia."

A substantial component for India's 'Look East' policy, the foundation for its engagement with Southeast Asia, was centred around its relationship with the Asean trade bloc, with which it already has a free trade agreement in place and was also working on entering similar agreements with individual Asean members, including Malaysia and Indonesia.

http://businessstandard.com/india/news/india-has-critical-role-to-play-in-our-strategy-in-asia-says-us/424779/

AP-Israel to foster IT SMEs, startup firms

The Andhra Pradesh government is on the verge of entering into a memorandum of understanding (MoU) with Israel to create opportunities for startups and small and medium enterprises (SMEs) in the area of information technology.

This initiative, according to K Ratna Prabha, principal secretary (ICT), is in line with the state government's special focus on SMEs in its information and communication technology policy 2010-15 released in July 2010.

It may be recalled that the state government, in its ICT policy, had laid emphasis on the SME sector including announcing a 30 per cent subsidy to SMEs with a turnover not exceeding Rs 10 crore, in respect of the stall rent payable for participation in international events notified by the ICT department.

"The MoU with Israel is expected to be signed during the Advantage AP 2011, a two-day national SME conference scheduled to be held in Hyderabad from March 1, 2011. The project with Israel will involve the Andhra Pradesh government pumping in Rs 10 crore and the West Asian country contributing an equal amount as seed money," she said.

http://businessstandard.com/india/news/ap-israel-to-foster-it-smes-startup-firms/424734/

80-member Taiwanese business delegation to visit India from Feb 21

With investment and business deals in mind, Taiwan is visiting India with its biggest-ever delegation, comprising leading firms in financial services and information technology (IT), investors and buyers from both public and private sectors.

Christina Liu, Minister of the Council for Economic Planning and Development of Taiwan, will lead the 80-member team during February 21-25. The delegation will include six central government ministries and six local governments, including Taipei City and other major municipalities.

It would seek cooperation from India in technology, pharmaceuticals, banks and tourism.

"This will be the largest-ever business delegation in the last 20 years. Compared with Japan or South Korea, Taiwan has been a latecomer. The government has, therefore, made it a policy to diversify our investments and trade from China and Asean countries to India," Taiwanese ambassador to India Wenchyi Ong told.

The visit would be part of a series of conferences called 'Taiwan Road Show', previously held in Hong Kong and Singapore. The delegation will make New Delhi its first stopover and is expected to meet Finance Minister Pranab Mukherjee, Commerce and Industry Minister Anand Sharma and Planning Commission Deputy Chairman Montek Singh Ahluwalia, among others. It will later visit Mumbai and Ahmedabad.

Wenchyi also said the Taiwanese companies would be exploring greater investment opportunities in the country. Hence, there might not be any big-ticket investment announcement yet. However, he said a leading Taiwanese petrochemicals firm — LYC Chemicals Corp — was planning to invest in Gujarat.

http://businessstandard.com/india/news/80-member-taiwanese-business-delegation-to-visit-indiafeb-21/424799/

Sectoral News

Aviation sector ready for $120-bn investment: PM

Highlighting the "unprecedented" growth being witnessed by the country in air transport, Prime Minister Manmohan Singh said the sector is projected to absorb investment of over $120 billion in the coming years.

The Centre is moving on a mission mode for creating modern and efficient infrastructure to cope with the huge growth projected for the civil aviation sector, Singh said after inaugurating the Rs 289-crore new International Terminal at the Thiruvananthapuram International Airport.

"I am told that projected growth of India's aviation sector has a potential to absorb investment of over $120 billion with the attendant job creation for lakhs of people, directly and indirectly," he said.

The roadmap laid down for modernisation of airports to offer world-class facilities has been implemented on a mission mode, he said.

In this context, Singh noted, the airports at Delhi and Mumbai have been restructured and modernised and two greenfield airports developed at Hyderabad and Bangalore through public-private partnership route.

The air transport in India has witnessed unprecedented growth in the last seven years with domestic air traffic tripling and international traffic more than doubling.

If at one time aviation was seen as relevant only for affluent sections, it has now become a vital component of development of trade, industry and tourism, which, in turn, generate employment for all sections, he said.

Singh said with the growth of low cost air-travel, many passengers who used to travel only by trains now depend on flight services.

The growth of the sector is also important as the Indian economy is getting more and more integrated with the international economy, he said.

http://www.financialexpress.com/news/aviation-sector-ready-for-120bn-investment-pm/749359/0

Gems and jewellery market shines again: Survey

The gems and jewellery sector in India, consisting of a large number of small and medium enterprises (SMEs), has started to shine again, according to a survey conducted by IndiaMART Knowledge Services (previously known as IndiaMART Research Unit).

The survey was conducted to ascertain if the recovery in the global markets is benefiting SMEs in the gems and jewellery sector too.

Around half of the respondents found the market in 2010 better than in 2009. About 27.1 per cent saw the market drop further in 2010, and the remaining 22.9 per cent reported no change in the market scenario.

Consumer sentiment did not reflect greater change: only 16.7 per cent of respondents said that it had risen beyond expectations. Half, however, found only an average increase in consumer sentiment. About 33.3 per cent continued to find it negative in 2010.

Likewise, 47.9 per cent of respondents reported an increase in sales of up to 20 per cent, while 14.6 per cent stated sales had increased by more than 20 per cent in 2010, vis-a-vis 2009. Some 37.5 per cent of SMEs experienced a decline in sales. Export demand picked up, with 56 per cent of SMEs reporting an increase in export demand.

About 46.15 per cent found product prices stable, though 28.8 per cent stated that prices increased significantly and 17.9 per cent reported a marginal improvement. Only 7.7 per cent concluded that their product prices decreased in the year. With respect to input costs, most respondents (51.28 per cent) said they increased significantly and only 5.13 per cent said they had decreased.

http://businessstandard.com/india/news/gemsjewellery-market-shines-again-survey/424289/

Handcrafting an export boost

Over 7,000 artisans across 30 clusters will be trained under a capacity and skill development programme

The Union Minister for Textiles has directed the National Centre for Design and Product Development (NCDPD) and the Export Promotion Council for Handicrafts (EPCH) to initiate capacity and skill development programmes for artisans across 30 clusters in the country.

According to Union Textile Minister Dayanidhi Maran, the plan is to train over 7,000 artisans spread across the 30 clusters by the end of the current financial year, under the Human Resource Development Scheme of Artisans and Craftsmen.

He added that handicraft exports have grown by nearly 25 per cent to $1,139 million during April-November 2010, from $912 million (Rs 4,412 crore) in the corresponding period of 2009. Exports in 2009-10 were $1,830 million (Rs 8,719 crore). The government has raised the target for handicrafts exports in 2010-11 to $2.5 billion, from the original $2.2 billion.

According to EPCH data, the uptrend in handicraft exports came after a two-year slump. The handicrafts sector, after touching Rs 17,000 crore in 2006-07, plunged to Rs 8,000 crore in 2008-09, owing to the recession in Europe and the US. From the second half of 2009-10, it started to grow and the current scenario indicates that it may reach Rs 10,000 crore in 2010-11.

Handicraft products, which include fashion accessories like costume jewellery, hand-printed textiles and scarves, embroidered and crocheted garments, bags and stoles are in great demand.

While the end-products are manufactured mainly by small and micro units, they are sold at major retail outlets owned by both government and private retailers.

Empowerment and skill development for artisans will be the key to boosting the exports of handicrafts and sustaining the growth of the sector in the coming years, the minister said.

http://businessstandard.com/india/news/handcrafting-an-export-boost/424288/

News Round-Up

Constitutional Amendment Bill for GST in Budget Session

The finance ministry plans to table a Constitutional Amendment Bill for introducing the Goods and Services Tax (GST) GST in the coming Budget Session of Parliament. The proposed regime to replace many existing indirect taxes levied by the Centre and states, has already missed deadlines twice and may come into effect from April 2012.

"The Centre and the states have now been engaged for almost four years in developing a roadmap for the rollout of GST... We have missed the timelines twice and it is my earnest request that we move expeditiously and introduce the Constitutional Amendment Bill in the forthcoming Budget Session," Finance Minister Pranab Mukherjee said during his meeting with the Empowered Committee of State Finance Ministers.

Finance ministry officials told that the Bill would be tabled in Parliament towards the later part of the Budget session, which starts on February 21. It will then be referred to a standing committee for scrutiny. Once the committee gives its report, the government should be in a position to get it cleared in the Winter Session (in December).

"After that it will have to be ratified by the legislatures of at least half of the states. So, the earliest date for GST introduction will not be before April 2012," said a finance ministry official.

Earlier in the day, the Empowered Committee met to discuss the third Constitutional Amendment draft for introduction of GST. The new draft has tried to address the concern of the Empowered Committee to provide powers to Union Territories without legislatures to levy GST. It also proposed to create a GST Council through an Act of Parliament, instead of a presidential order, as proposed in the previous draft.

Of the 26 states present in today's meeting, 16 supported the revised draft, while the remaining 10 opposed it. Some states felt the second draft was better than the third one because it clearly laid down the functioning and composition of the GST Council. The opposition to the Bill mainly came from BJP-ruled states.

http://businessstandard.com/india/news/constitutional-amendment-bill-for-gst-in-budget-session/424892/