

# Weekly Economic Bulletin

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### News Feature

#### Manufacturing PMI in December jumps to 54.7; highest in six months

The country's manufacturing activity surged to a six-month high in December, boosted by strong factory output and a spike in new orders, both of which hit their highest levels since June, a business survey showed.

The HSBC Markit India Manufacturing PMI, which gauges the business activity of India's factories but not its utilities, jumped to 54.7 in December from 53.7 in November, its biggest monthly rise since January 2012.

The PMI index has now stayed above the 50 mark that separates growth from contraction for almost four years.

"Activity in the manufacturing sector picked up again, led by faster output growth and a further uptick in new orders, which led to a faster increase in backlogs of work as companies struggled to keep up with demand," said Leif Eskesen, economist at HSBC.

Official data released last month showed

industrial output soared 8.2 per cent annually in October, its highest in more than a year, although the rise was attributed by economists to a low base a year earlier.

However, the new orders sub-index in the survey, a reliable gauge of future output, jumped to 58.0 from 55.8 in November, its biggest monthly jump since April, suggesting the factory sector might be in for better days ahead.

New orders from overseas clients also grew at a faster pace than last month, the fourth consecutive expansion after shrinking during July and August.

While there is strong overseas demand for Indian goods, the U.S. economy will remain sluggish in 2013, underscoring a very fragile world economic outlook, according to a Reuters poll.

[http://articles.economictimes.indiatimes.com/2013-01-02/news/36111704\\_1\\_new-orders-industrial-output-output-growth](http://articles.economictimes.indiatimes.com/2013-01-02/news/36111704_1_new-orders-industrial-output-output-growth)



## Overseas Investment

### Delhi NCR, Maharashtra attract over 50 per cent of FDI in India

Maharashtra and National Capital Region have cornered over 50 per cent of the foreign direct investment inflows into the country since April 2000, according to the industry ministry data.

Maharashtra attracted maximum foreign inflows at \$61.13 billion, about 33 per cent of total FDI inflows during April 2000 - October 2012.

Delhi's National Capital Region (NCR) including parts of Uttar Pradesh and Haryana, received \$35.4 billion foreign direct investment during the period.

NCR accounted for 19 per cent of the country's total FDI. During the period, India received \$185.7 billion foreign inflows, according to the data.

According to experts, the main reason for the maximum inflows into Maharashtra and NCR is substantial improvement in the infrastructure and pro-active approach of the respective governments.

"Infrastructure in these areas have improved

considerably and that is making them attractive destination for foreign investment," an official said.

Karnataka attracted the third highest FDI inflows worth \$10.25 billion during the period, followed by Tamil Nadu (\$9.6 billion), Gujarat (\$8.53 billion), Andhra Pradesh (\$7.41 billion) and West Bengal (2.04 billion).

Sectors, which attracted maximum FDI include services, telecommunication, metallurgical industries, power, computer hardware and software, and construction activities.

The highest FDI of \$70.9 billion came from Mauritius followed by Singapore (\$18.4 billion), UK (\$17 billion), Japan (\$13.83 billion) and the US (\$10.8 billion) during April 2000 - October 2012.

The government is making sustained efforts to make the FDI policy regime more attractive and investor friendly, with a view to attract investments from all major investing nations.

The government had liberalised FDI policy in several important sectors like multi-brand retail, aviation, power exchanges and



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broadcasting.

During April-October this fiscal, India has attracted FDI worth \$14.7 billion as against \$25.3 billion in the same period last year.

[http://articles.economictimes.indiatimes.com/2013-01-06/news/36173887\\_1\\_fdi-inflows-infrastructure-and-pro-active-approach-fdi-policy](http://articles.economictimes.indiatimes.com/2013-01-06/news/36173887_1_fdi-inflows-infrastructure-and-pro-active-approach-fdi-policy)

## Sebi further relaxes FII debt allocation method

Capital market regulator Securities and Exchange Board of India (Sebi) said the re-investment facility for foreign institutional investors (FIIs) and sub-accounts will also be applicable for limits acquired even before January 2012. In November, Sebi had allowed reinvestment of 50 per cent of debt holdings at the end of a calendar year during the next calendar year.

Sebi also said for those FIIs, which did not hold any debt investment limits as on January 3, 2012, and the purchased debt investment limits thereafter, shall be allowed a cumulative re-investment facility to the extent of 50 per cent of their maximum debt holding at any point of time during the calendar year 2013.

<http://www.business-standard.com/india/news/sebi-further-relaxes-fii-debt-allocation-method/497414/>

## High current account deficit may increase volatility in forex market: Economists

With the current account deficit (CAD) touching a record high of 5.4 per cent of the GDP in the September quarter, economists believe the same could result in higher volatility in forex market.

"Though second quarter CAD number was as per expectations, widening deficit increases the vulnerability of the domestic economy to the capital flows," Chief Economist of the rating agency, Crisil, D K Joshi said, adding that for the current fiscal, "We hope the CAD to be around four per cent".

He said though financing the deficit did not seem to be an issue at this point of time due to higher capital inflows, the domestic currency would be a lot more volatile due to higher dependence on capital flows.

Current account deficit, which is measured by the difference between a country's exports of goods, services and transfers and total imports

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within a time period, touched a record high of 5.4 per cent in the second quarter (July-September) or at USD 22.3 billion amid falling exports, as per the data.

The Chief economist of the State Bank of India (SBI) Brinda Jahagirdar, however, was hopeful about CAD numbers improving in the fourth quarter of current financial year. "Third quarter numbers are also likely to be weak. Things are expected to improve in the Q4," she said.

She also said though financing of CAD is not likely to be an issue due to higher capital inflows in the recent months, the rising trend of using short-term debt for financing the deficit is a matter of concern.

[http://articles.economictimes.indiatimes.com/2013-01-01/news/36094026\\_1\\_current-account-deficit-capital-flows-cad](http://articles.economictimes.indiatimes.com/2013-01-01/news/36094026_1_current-account-deficit-capital-flows-cad)

### **Forex reserves up by \$39.4 mn to \$296.58 bn**

The country's forex reserves increased by \$39.6 million to \$296.578 billion on the back of rise in currency assets during the week ended December 28, the Reserve Bank of India (RBI)

said.

The total reserves had slipped by \$92.8 million to \$296.539 billion in the previous reporting week.

Foreign currency assets, a major component of the forex reserves, were up by \$63.9 million to \$262.01 billion for the week ended December 28, the RBI said in its weekly statistical supplement.

Foreign currency assets expressed in US dollar terms include the effect of appreciation/depreciation of the non-US currencies, such as the euro, pound and yen, held in the reserves, the apex bank said.

The gold reserves remained unchanged at \$27.80 billion during the week, it said.

For the week under review, the special drawing rights (SDRs) were down by \$15.9 million to \$4.436 billion, while the country's reserve position with the IMF slipped by \$8.4 million to \$2.325 billion, the apex bank data showed.

<http://www.thehindubusinessline.com/markets/forex/forex-reserves-up-by-394-mn-to-29658-bn/article4273229.ece>



## Trade News

### India-EU FTA to create jobs, boost trade: IEBF

Implementation of the free-trade agreement between India and EU will help in creating lakhs of jobs besides boosting two-way trade, a London-based non-profit organisation has said.

Indo-European Business Forum (IEBF), a non-government organisation involved in promoting trade between the two sides, said that both the regions are facing problems related with unemployment.

"When the free trade pact will come into force, it will help in creation of lakhs of jobs both in India and in the European Union (EU) nations," IEBF's India Head Sunil Kumar Gupta told.

India and the 27-nation EU are negotiating the free trade agreement, officially dubbed as Bilateral Trade and Investment Agreement (BTIA), since June 2007 and are aiming to conclude negotiations soon.

Gupta said that due to economic recession, the EU is experiencing high levels of unemployment.

According to EU's official statistical agency Eurostat, EU's unemployment rate was 10.7 per cent in October 2012, up from 10.6 per cent in September. It was 9.9 per cent in October 2011.

"The FTA would certainly help in creating more employment opportunities. The increase of business and growth of economies would result in creation of more jobs and uplift the standard of living in the EU and India," Gupta added.

The BTIA seeks to liberalise trade in goods and services. The negotiations for the pact has missed several deadlines. Differences between the two sides on the level of opening of the market came in the way of the conclusion of the pact.

India has been seeking a single visa for its professionals on short-term contractual visits to the European Union. On the other hand, the 27-nation bloc has been asking for significant reduction in customs duty on cars, wines and spirits on their exports to India.

Further, Gupta said that to explore business opportunities in India and the EU, IEBF is launching its Indian chapter in the national capital on January 9.

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"We are organising a India-EU business conference on this occasion, which will be attended by top business and corporate captains from both the regions," he said.

Among those attending the conference include, Hinduja group Chairman S P Hinduja, Managing Director Hinduja Group G P Hinduja, Dabur IndiaBSE -0.04 % Managing Director Mohit Burman, CMD IIFCL S K Goel among others, he said.

"The conference will help in providing a platform for companies of both the sides," he added.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-eu-fta-to-create-jobs-boost-trade-iebf/articleshow/17886010.cms>

### India to strengthen tourism and cultural ties with Vietnam

Minister of State for Tourism K. Chiranjeevi has said that India as a part of its the look east policy is sparing no effort to add more content to its "strategic partnership" with Vietnam, in the fields of defence, economic, scientific-educational and cultural cooperation.

"Our trade reached USD 3.9 billion in 2011, and

is on track to meet the target of USD 7 billion in 2015. Indian investments in Vietnam now exceed US\$ 800 million. Sea, surface and air connectivity with ASEAN in all its dimensions - physical, institutional and people-to-people - is a key priority for India, which is why we decided to have ministerial-level participation from India for both the Car Rally and Sudarshini visits," said Chiranjeevi, while prioritising the Indo-ASEAN trade.

Chiranjeevi, who was addressing a luncheon reception hosted by Indian Business Chamber in Vietnam (INCHAM) in Ho Chi Minh City in Vietnam, also mentioned that sea, surface and air connectivity with ASEAN in all its dimensions - physical, institutional and people-to-people - is a key priority for India, which is the reason to decided to have ministerial-level participation from India for both the Car Rally and Sudarshini visits.

He further said "the India-Myanmar-Thailand highway, once completed in 2016, will directly link India's North Eastern region to these two countries and the larger ASEAN region beyond, including Vietnam and Cambodia".

Regarding tourists' arrival from Vietnam to India, Chiranjeevi said: "The number of travellers between India and Vietnam exceed

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40000 a year, growing by about 15-20 percent annually. The Vietnamese are particularly attracted towards our Buddhist circuit, and more and more Indians are travelling to Vietnam to visit their Cham heritage sites and beautiful beaches."

"I do hope that as numbers increase, direct flights between India and Vietnam would become commercially viable and open soon," he added.

<http://www.financialexpress.com/news/india-to-strengthen-tourism-and-cultural-ties-with-vietnam/1054947/0>

### **Australia India business council to participate in Vibrant Gujarat summit**

A delegation of Australia India Business Council (AIBC) will participate in the six-day 'Vibrant Gujarat 2013' summit that begins tomorrow in Gandhinagar, as part of the country's ongoing efforts to enhance business relations with India.

Over 30 delegates from various industry sectors and organisations have already come to India, the council has said.

AIBC is the partner organisation of the meet and has invited its members with strong interest in establishing business relationships in

India and keenness to explore new opportunities, to participate in the event.

AIBC member Manoj Kumar, who is a part of the delegation, said: "We are going to lead and explore business opportunities by engaging ourselves at professional, social and cultural levels in a diverse Vibrant Gujarat."

He said that in July a 14-member delegation — led by Principal Secretary of Water Supply Department, Government of Gujarat, H.K. Dash — had visited Australia and invited the business community to invest in the State and participate in the 'Vibrant Gujarat 2013' summit.

Kumar said: "Gujarat is a land of opportunity for Australian businesses, specially knowledge and education, clean technology, power and energy sectors."

Kumar, who is also the President of Cleantech business sector at AIBC-Victoria and International Business Manager of Ecotech Australia, said: "Vibrant Gujarat 2013 will be an unrivalled platform for exploring business opportunities, sharing best practices and interacting with the people who matter.

"Furthermore, this year's focus on education, knowledge industries and youth development



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will put Australian education sector and industry at the top to grab opportunity at large.”

<http://www.thehindubusinessline.com/industry-and-economy/australia-india-business-council-to-participate-in-vibrant-gujarat-summit/article4282354.ece>

### Sectoral News

#### Mobile Internet users to touch 130 million mark in a year

With affordable Internet-enabled tablets and smartphones flooding the market, nearly 130 million users are set to access the Internet in the country through such mobile devices by next year.

According to a joint study by the Internet and Mobile Association of India (IAMAI) and IMRB, India will have 130.6 million mobile internet users by March 2014.

In December 2012, the number of users accessing Internet through mobile devices was 87.1 million. These mobile devices include laptops with dongles, tablet, dongles that connects to Internet.

According to the report, mobile Internet users who accessed the Net through mobile phones are warming up to spending a considerable amount of money on data services. While

online games are accessed by nearly 50 per cent of the Mobile Internet users, less than 30 per cent of users read online news and watch online videos, it said.

The report finds that an average monthly bill of a user who accesses Internet on mobile devices is Rs 460 of which Rs 198 is spent towards internet expenses.

“This is a very healthy trend as it shows willingness of the users to spend nearly 40 per cent of the bill towards Internet access. The rest of the amount is spent on voice services,” the report said.

Besides, Email, social networking services (SNS) and messengers have high usage among mobile internet users.

The data may cheer up the mobile service providers who for long were pushing high-margin data services to the customers. The voice services is a low margin business as the



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tariff for voice calls are very low in India.

<http://business-standard.com/india/news/mobile-internet-users-to-touch-130-million-mark-in-year/201321/on>

### Handicraft exports up 34.4% in Dec

Handicraft exports jumped 34.4 per cent year-on-year to \$454 million in December on the back of rising demand in western markets like US.

In December 2011, these exports stood at \$338 million, according to the data provided by the Export Promotion Council for Handicrafts (EPCH).

“There is an increase in the number of orders from American and Chinese buyers,” an EPCH official said.

The demand, however, is yet to pick up in the European market, he added.

The US and Europe together account for about 60 per cent of the country’s total handicraft shipments.

Besides, the exporters are making efforts to create niche domains for their products in new

markets such as West Asia, Russia and Latin America.

Among the items that registered maximum growth in overseas shipments in December are wood-wares (83 per cent), imitation jewellery (76 per cent), shawls as art ware (61 per cent) and hand-printed textiles and scarves (26 per cent).

During April-December period, handicraft exports grew 20 per cent year-on-year to \$2.05 billion.

EPCH expects handicraft exports to touch \$3.2 billion in the current fiscal compared with \$2.75 billion in the last fiscal.

Moradabad, Jaipur, Saharanpur, Jodhpur and Narsapur are the major handicraft hubs in the country, employing 1 million people.

<http://www.thehindubusinessline.com/industry-and-economy/handicraft-exports-up-344-in-dec/article4272761.ece>

### Global IT spending to rise 4.2% this year: Gartner

Worldwide IT spending is projected to reach \$3.73 trillion in 2013, a 4.2 per cent increase from \$3.58 trillion in 2012, research firm



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Gartner said.

The 2013 outlook for IT spending growth in US dollars has been revised upward from 3.8 per cent in the Q3 2012 forecast, Gartner said in a statement.

Much of this spending increase is the result from projected gains in the value of foreign currencies versus the dollar, it said adding that in constant currency, spending growth in 2013 is expected to be 3.9 per cent.

“Uncertainties surrounding prospects for an upturn in global economic growth are the major retardants to IT growth.

This uncertainty has caused the pessimistic business and consumer sentiment throughout the world,” Gartner Managing Vice-President Richard Gordon said.

However, much of this uncertainty is nearing resolution, and as it does, Gartner expects accelerated spending growth in 2013 compared to 2012, he added.

Worldwide devices spending, which includes PCs, tablets, mobile phones and printers, is forecast to reach \$666 billion in 2013, up 6.3 per cent from 2012.

However, this is a significant reduction in the outlook for 2013 compared with Gartner’s previous forecast of \$706 billion in worldwide devices and 7.9 per cent growth.

The long-term forecast for global spending on devices has been reduced as well, with growth from 2012 through 2016 now expected to average 4.5 per cent annually (from 6.4 per cent).

These reductions reflect a sharp reduction in the forecast growth in spending on PCs and tablets that is only partially offset by marginal increases in forecast growth in spending on mobile phones and printers, Gartner said.

“The tablet market has seen greater price competition from Android devices as well as smaller, low-priced devices in emerging markets,” Gordon said.

Worldwide enterprise software spending is forecast to total \$296 billion in 2013, up 6.4 per cent from 2012. This segment will be driven by key markets such as security, storage management and customer relationship management.

Beginning 2014, markets aligned to big data and other information management initiatives, like



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enterprise content management, data integration tools, and data quality tools will see increased levels of investment, Gartner said.

The global telecom services market continues to be the largest IT spending market. From \$1.66 trillion in 2012, this segment is estimated to grow 2.4 per cent to \$1.7 trillion in 2013.

Gartner said growth is expected to be predominately flat over the next several years as revenue from mobile data services compensates for the declines in total spending for both the fixed and mobile voice services markets.

<http://www.thehindubusinessline.com/industry-and-economy/info-tech/global-it-spending-to-rise-42-this-year-gartner/article4269094.ece>

### India's steel production grows at fastest pace

India outpaced all major steel producing nations, including China in terms growth rate till November last year, but its position in the world order may still remain at number four.

India had produced 70.115 million tonne (MT) steel till November 2012, clocking 4.2% growth over the first 11 months of the last year,

according to the World Steel Association (WSA) data.

The second highest growth was recorded by the US at 3.2%, followed by Russia at 3%. China's steel production grew by 2.9 per cent. In South Korea, it grew by 1.6%.

Steel production growth is unlikely to swing very far in the annual figure to be released by WSA a fortnight from now.

During the January-November period of 2011, India's steel production had grown by 5.6% to 66.056 MT.

Barring Japan, which was hit by a super cyclone, all the major steel producing nations had staged a better show in 2011, growing by up to 17.9 per cent, compared to their January-November, 2012 performance.

The world order of steel production is also set to remain unchanged with China at the top, followed by Japan and the US, placing India at its last year's place - fourth.

Till November 2012, China produced 660.125 MT steel. Japan's production was at 98.658 MT and the US at 81.442 MT.

Russia and South Korea are closely contesting to be the fifth largest steel producer in the world.



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Till November 2012, Russia had produced 64.763 MT steel, and South Korea, 63.497 MT.

<http://www.business-standard.com/india/news/indias-steel-production-grows-at-fastest-pace/201702/on>

## News Round-Up

### 71 pc businesses in India optimistic about economy: Thornton

Majority of businesses in India are optimistic about the domestic economy and hopes for a strong start in 2013, says a survey.

According to the Grant Thornton International Business Report (IBR), 71 per cent of businesses in India indicated optimism for their economy, well ahead of the global average which stood at just 4 per cent.

"Global economic scenario and certain inherent domestic risks notwithstanding, the Indian economy, on the back of positive measures such as policy changes, mega project clearances, regulation implementation and anticipated interest rate reduction is poised to grow at an accelerated growth trajectory," Grant Thornton India Partner Munesh Khanna said.

The survey further said increased revenue is the key indicator for increased optimism (85 per

cent) among Indian businesses followed by employment opportunities (84 per cent) and profitability (71 per cent).

The IBR report further said that global business optimism stands at just 4 per cent heading into the New Year.

"This halts a rally in confidence seen in the first half of 2012, when global business optimism reached 23 per cent, and brings it nearer to the zero per cent level observed this time last year," Grant Thornton said.

Economic uncertainty caused by concerns over the United States 'fiscal cliff' and ongoing fears over the long-term viability of eurozone is dampening growth prospects, the survey which covered 3,200 business leaders in 44 economies said.

United Arab emirates tops the business optimism league table, wherein 88 per cent of businesses indicated optimism for their economy, followed by Peru (86 per cent),

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Gorgia (84 per cent), Chile (82 per cent), Mexico (78 per cent), Brazil (77 per cent), Philippines (72 per cent), India (71 per cent) and Norway (60 per cent).

Meanwhile, business optimism in the emerging markets of Latin America remained relatively stable over the last year, and actually increased to 69 per cent in Q4, up from 61 per cent this time last year.

Business optimism in the BRIC economies increased to 39 per cent from 34 per cent, while Asia Pacific (excluding Japan) has seen a rise from 23 per cent to 28 per cent over the same period.

[http://articles.economictimes.indiatimes.com/2013-01-03/news/36130556\\_1\\_business-optimism-cent-indian-economy](http://articles.economictimes.indiatimes.com/2013-01-03/news/36130556_1_business-optimism-cent-indian-economy)

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