



# Weekly Economic Bulletin

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## News Feature

### Exports grow highest in 33 months in Dec

India's exports showed a "remarkable" annual growth of 36.4 per cent, highest in 33 months with consignments in December 2010 raising prospects of the country exporting USD 215-225 billion worth of merchandise in the current fiscal.

Exports in December aggregated USD 22.5 billion, while imports contracted by 11.1 per cent to USD 25.1 billion, resulting in a narrow trade deficit of USD 2.6 billion, the lowest in three years.

"The US markets have been (doing) pretty good, even EU markets are good," Commerce Secretary Rahul Khullar said while giving the trade figures.

A "remarkable job by exports" was also attributed to diversification of India's export markets. For instance, 112 per cent rise in engineering exports was helped much by orders from Latin American countries like Columbia, he said.

Khullar said thanks to lowering of trade deficit, India's worries on overall current account deficit would be abated. The overall trade gap may not be more than USD 120 billion for this year, against earlier apprehensions of USD 130-135 billion.

The government had set an export target of USD 200 billion for 2010-11.

"It is quite clear that the Indian exports are on a rebound," said Rakesh Mohan Joshi of Indian Institute of Foreign Trade (IIFT).

In December, the exporting sectors registered higher growth, which includes engineering (112 per cent), electronics (88 per cent), manmade fibres (30 per cent), yarns (65 per cent) and drugs (810 per cent).

<http://economictimes.indiatimes.com/news/economy/indicators/exports-grow-highest-in-33-months-in-dec/articleshow/7241768.cms>

### Indian economy to grow at 9-10 per cent from next fiscal: PM

Prime Minister Manmohan Singh said the Indian economy would record 8.5 per cent growth during the current fiscal and is expected to grow at the rate of 9 to 10 per cent from the next financial year despite the "uncertain" global scenario.

Addressing the 9th Pravasi Bharatiya Divas here, he said high growth rate was vital to fund ambitious social development schemes.



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"Despite the uncertain global economic scenario, I am happy that our economic recovery is progressing well," Singh told the congregation of about 1,500 members of the Indian diaspora who have converged here from across the world for the three-day annual event.

"In the last two quarters, our growth rate has been 8.9 per cent and we expect that for the entire year, it will be around 8.5 per cent," he said, adding, "We expect that from the next year onwards we will be able to grow at a rate between 9 and 10 per cent."

The Prime Minister told the NRIs and Persons of Indian Origin (PIOs) from 51 countries, including businessmen, economists and scientists, that the Indian diaspora should have deeper engagement in the country's development process.

He particularly asked them to share their expertise and experience in improving educational infrastructure here.

"We hope to use the wisdom, experience and resources of the global Indian community to develop a world class education system, particularly in higher education," he said.

<http://economictimes.indiatimes.com/news/economy/indicators/indian-economy-to-grow-at-9-10-per-cent-from-next-fiscal-pm/articleshow/7241400.cms>

### **GDP could grow at 8.4%, says Crisil**

India's economy could expand at a spectacular rate of 8.4% over the next five years and if it solves its constraints in infrastructure, skilled workforce and agriculture, it could even grow at 10%, according to an assessment by credit rating agency Crisil.

In its report 'India-Raising the growth bar' released in Mumbai, the agency said that expanding supply potential is key to the economy's double digit growth.

The inherent strength in domestic demand will enable the country's economy to maintain an 8.4% annual growth in the next five years ending 2015-16.

"Domestic demand spurred by a large growing young population and robust consumption and investment rates will support 8.4% economic growth over the next 5 years," the report said quoting Crisil MD and CEO Roopa Kudva.

The growth will be fuelled by a rise in middle class spending that would boost the demand for durables like automobiles and white goods and services like hotels, restaurants and tourism.

<http://www.financialexpress.com/news/gdp-could-grow-at-8.4-says-crisil/733308/0>



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### Overseas Investment

#### Forex kitty up \$2.3 bn, close to touching \$300-bn mark

Foreign exchange reserves rose \$2.3 billion during the week ended December 31, largely on account of revaluation of non-dollar reserves vis-à-vis the dollar.

The latest figures released by the Reserve Bank of India (RBI) on Friday show that the total foreign exchange reserves, including gold and special drawing rights (SDR — reserve currency with the International Monetary Fund) rose \$2,303 million to touch \$297.33 billion during the week ended December 31. While foreign currency assets rose \$1,909 million, the value of gold in reserves rose \$346 million. The value of SDR and the reserve capital reserves with the IMF rose \$35 million and \$13 million, respectively, during the week.

Foreign currency dealers requesting anonymity said that the euro traded weak against the dollar during the week on concerns over European debt. This resulted in revaluation of non-dollar assets in reserves because of which foreign currency assets expressed in rupee terms rose during the week.

The value of gold which is valued at the monthly prices at the London bullion exchange also rose during the week as the gold prices in the international markets are rising.

<http://economictimes.indiatimes.com/news/economy/finance/forex-kitty-up-23-bn-close-to-touching-300-bn-mark/articleshow/7239728.cms>

#### FDI limit in defence may be raised to 49%

The defence production policy that is expected to be announced this week may raise foreign direct investment (FDI) limit to 49% from the current 26%.

The policy will focus on building a robust industrial base for self-reliance in meeting the needs of its armed forces. The ministry of defence has often said that the existing cap could be raised to 49% in selective cases but has been reluctant to do so when proposals are actually made.

Sources told FE there has been tremendous pressure from other ministries about raising the cap, therefore the new policy will raise the FDI cap in an effort to attract more technology in the defence sector.



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However, India seemed split on capping FDI in defence manufacturing with a leading industry body Federation of Indian Chambers of Commerce and Industry (Ficci) last year asserting that this should remain at the present 26 % while another body had said previously that this should be raised to 49 %.

“Any increase in FDI cap in a strategic sector like defence will require careful thinking and analysis,” Ficci secretary general Amit Mitra has said then.

The DIPP in a document released in 2010 has made a strong recommendation for raising the FDI cap to 100 % or 74 % , “in case we really want to have the state of the art technology.”

<http://www.financialexpress.com/news/fdi-limit-in-defence-may-be-raised-to-49/735333/0>

## Trade News

### India overtakes China as most attractive market for Japanese firms

India has overtaken China as the most attractive overseas investment destination for Japanese manufacturers over the next decade amid increased labor costs in China, a survey said.

China, however, remained the most popular investment destination over the next three years in the survey conducted last summer, having retained top spot since fiscal 1992 when the state-backed financial institution began conducting the survey by the Japan Bank for International Cooperation.

The result suggests an increasing number of Japanese companies are aiming to diversify foreign

investment amid caution about rising labor costs and anti-Japanese demonstrations in China.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-overtakes-china-as-most-attractive-market-for-japanese-firms/articleshow/7222379.cms>

### India seeks S Africa's help in coal tech, buying assets

India sought South Africa's cooperation for acquiring coal assets there, besides seeking its help in developing clean coal technologies.



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"Coal India is interested in acquiring coal properties in South Africa and both the countries can go for joint ventures in this area. The South African government was very positive on that," Coal Minister Sriprakash Jaiswal told from Johannesburg, where he met South African Energy Minister Susan Shabangu.

The Coal Minister, along with a high level delegation comprising of Coal Secretary C Balakrishnan and Coal India Chairman Partha Bhattacharya among others, is currently on a 4-day visit to South Africa and Mozambique.

Jaiswal added that the cooperation with the South African government is aimed at bridging the growing domestic demand-supply gap.

"Our requirement is increasing continuously and this year, (the demand-supply) gap will be around 83 million tonnes. So we need to acquire more coal blocks abroad," Jaiswal said.

South African Energy Minister Shabangu assured that her government would support Indian companies that may have interests in the South African Coal sector, an official statement said.

On his talks with the South African government, Jaiswal said that he sought their cooperation on

'coal to oil' technology, which is very much in use in the African nation.

<http://www.business-standard.com/india/news/india-seeks-s-africa/s-help-in-coal-tech-buying-assets/121343/on>

### **India-Oman Oil refinery likely to be inaugurated this month**

India-Oman Oil Refinery at Bina is likely to be inaugurated by Prime Minister Manmohan Singh by this month-end, sources at the refinery said.

Although the production has begun, the formal inauguration is yet to be done, the sources said.

They said the formal opening was slated to be held on November 19 last year, for which the PM, Congress President Sonia Gandhi and Petroleum Minister Murli Deora had given their consent. But the inauguration was put off in view of US President Barack Obama's trip to India.

Presently, preparations are being made for the inauguration latest by this month-end, they said.

<http://www.business-standard.com/india/news/india-oman-oil-refinery-likely-to-be-inaugurated-this-month/121575/on>



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### Sectoral News

#### **Farm, allied sectors need to grow 6% this fiscal: FM**

Finance minister Pranab Mukherjee expressed hope that the agriculture and allied sector would grow by 6% this fiscal.

"We are looking at a significant rebound in agriculture and allied sector," Mukherjee said. "The first half estimates for 2010-11 indicate agricultural growth at 3.8% as compared to 1% during the same period last year."

The comments came as Mukherjee began pre-budget consultations with stakeholders in the agriculture sector.

"There has been a rapid growth in agriculture credit, which has helped investments in the sector," he said, adding that the gross capital formation in agriculture and allied sector as a proportion to the gross domestic product has improved from 2.6% in 2004-05 to 3.4% in 2008-09.

However, the finance minister said much needs to be done in the farm sector. "For attaining and sustaining double digit economic growth, Indian agriculture and allied sector have to grow 4% annually," he said.

<http://economictimes.indiatimes.com/news/economy/indicators/farm-allied-sectors-need-to-grow-6-this-fiscal-fm/articleshow/7238768.cms>

#### **Survey on higher education to be completed before 12th Plan**

The Centre is working on a survey to gather statistics about the higher education sector in the country which is to be completed ahead of the 12th five year Plan which begins in 2013. The survey will look at the gross enrollment ratio (GER) and the actual number of enrollments besides one point of contact for differential streams in higher education. The country's current higher education GER is at 12.4% and the Centre intends to increase it to 30% by 2020.

"While there are authentic figures available on school education, there is absolute lack of clarity on numbers as far as higher education is concerned. A survey will establish what the real scenario is and also bring to light the fallacies propagated by various agencies which work with vested interests in mind," said Sunil Kumar, additional secretary, higher education, at a summit organised by the Confederation of Indian Industry (CII) recently.



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In fact, the ministry of human resource development (HRD) has set up a committee for mapping the number of students entering the existing higher education sector. The ministry plans to establish 374 new degree colleges all over the country one each in such district, which has GER below the national average. India's GER in higher education is half of the world's average, two-third of that of developing countries and around a fifth of the developed countries.

<http://www.financialexpress.com/news/survey-on-higher-education-to-be-completed-before-12th-plan/733310/0>

### **India poised for big solar power growth: report**

As No. 1 global solar market Germany ratchets down subsidies for solar power this year, investors looking for the next hot market for the renewable energy source should be eyeing India, according to a report by Lux Research.

The report, released, looked at the growth potential of 15 emerging solar markets and found that India has massive potential because of government subsidies, a need for distributed generation and increasing energy demands.

"India comes away as by far the most attractive market for long term growth out of these that we looked at," said Jason Eckstein, a Lux Research analyst and the report's lead author.

Under its Solar Mission plan, unveiled last year, India is poised to add 20 gigawatts of solar power by 2022. The plan favors domestic manufacturers of crystalline silicon solar modules, including Moser Baer and Tata BP Solar, a joint venture of Tata Power Co Ltd and BP.

In the United States, First Solar Inc is poised to benefit from India's adoption of solar power because its solar panels are made of cadmium telluride and are not subject to the domestic content requirement.

Markets that could grow rapidly this year include Cyprus, Israel and Malaysia because of government subsidies, according to the report. Those markets are unlikely to be "the next Germany," however, because of their small size.

The report said South Africa and the United Kingdom were potentially strong markets because of government support for solar power.

Russia, Brazil and Mexico were identified in the report as potentially large solar markets even though they do not have solar incentives. "They have ... a lot of room to grow, more rural populations and in some cases a real threat to their domestic energy supply," Eckstein said.

<http://www.business-standard.com/india/news/india-poised-for-big-solar-power-growth-report/121265/on>



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### Coffee exports surge 56% in 2010

Coffee export from India has increased by 56% in the calendar year 2010 because of strong domestic production and better pricing of Indian coffee in the international markets. India produced 2.89 lakh tonne of coffee in 2009-10, up by 10.4% from the previous year. Exports climbed to 2.92 lakh tonne in 2010 from 1.87 lakh tonne registered in the previous year.

According to statistics available with the state-owned Coffee Board, foreign exchange fetched through coffee exports in the year 2010 touched Rs 3,022 crore, up from Rs 2,005 crore recorded in 2009. Export of coffee produced in India stood at 2.47 lakh tonne in 2010, up from 1.52 lakh tonne a year ago while export of value added imported coffee stood at 45,430 tonne compared to 35,127 tonne. Arabica variety exports stood at 51,398 tonne while Robusta variety recorded 1.57 lakh tonne in exports in 2010.

<http://www.financialexpress.com/news/coffee-exports-surge-56-in-2010/732907/0>

### Auto sales to grow in '11, but pace will be slower: Fitch

The growth momentum in Indian automotive sales volumes shall continue during 2011 with

commercial and passenger vehicles (CV and PV) witnessing a growth of about 10-12% and 12-15%, respectively.

Large-scale capex plans of original equipment manufacturers (OEMs) coupled with inflationary cost pressures could stretch their credit metrics compared to 2010 levels; but the growth in sales volumes would have a positive impact on operating cash flows, said Fitch Ratings.

The agency expects that CV manufacturers shall benefit from the domestic economic growth (particularly industrial production) and infrastructure development, both of which have shown a high degree of correlation with CV sales volumes in the past. The switchover to stricter emission norms for CVs from October 2010, which resulted in pre-emptive CV purchases in 2010, might only have a marginal adverse impact on CV sales in 2011.

Despite a likely tightening of domestic interest rates in 2011, CV manufacturers should see positive impact on their sales volume growth in 2011 in light of a favourable operating environment for transport operators.

<http://www.financialexpress.com/news/auto-sales-to-grow-in-11-but-pace-will-be-slower-fitch/735358/0>



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### **Ad industry hopes to ride on 3G, number portability & cricket**

After registering a 13% growth in 2010, the advertising industry is expected to grow further this year. To woo consumers, major sectors such as telecom, automobiles and FMCG will be increasing their advertising budgets this year, predict ad agency chief honchos in India. "After a dismal performance in 2009, with just a few percent growth, media spends surged in 2010 by about 13%. I expect this to continue next year too. All sectors are looking at raising spends and I would expect telecom, automotive, financial services, IPOs and real estate to hike media spends this year," said MG Parameswaran, CEO of Draft FCB Ulka.

The total ad spend was projected to touch Rs 23,631.9 crore in 2010, according to estimates by Zenith Optimedia. In 2009, the ad spends stood at Rs 21,602.5 crore.

Sharing similar sentiments, Arvind Sharma, chairman & CEO of Leo Burnett India said the Indian ad industry will grow over 15 % in 2011." The telecom sector will see an increased ad spends with number portability and 3G. Plus, modern retail will be a big spender in 2011," he added.

Srinivasan K Swamy, CMD of RK Swamy BBDO predicts that the ad industry is poised for a healthy growth, 15 to 17%, as the general market sentiment is good this year. "The consumer confidence is pretty high. The growth will come from increased ad spends in automobiles, telecom and real estate sectors," he said.

With cricket properties such as ICC World Cup 2011 and IPL -4 slated to be held in 2011, advertising spends on cricket are expected to go up by 50 % this year, according to industry analysts. "In fact, these cricket events will account for nearly a fifth of overall television advertising in 2011-up from the current 13%," said an industry analyst based in Mumbai.

<http://www.financialexpress.com/news/ad-industry-hopes-to-ride-on-3g-number-portability-&-cricket/733823/0>

### **Gartner raises 2011 IT spend outlook**

Market research firm Gartner has revised its IT spending growth forecast for 2011 upwards. However, the growth would trail last year's better than expected rise of 5.4%. The firm expects the global IT spending to total \$3.6 trillion in 2011, a 5.1% inch-up from 2010. In 2010, IT spending touched \$3.4 trillion.



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Gartner had earlier forecast 2011 global IT spending to increase 3.5%.

In 2010, the IT industry performed better than Gartner's previous forecast of 3.2% growth. Analysts said currency exchange rate fluctuations have continued to affect the dollar-denominated forecast. Of the 2.2% point increase in IT spending growth in 2010, 1.6% is attributed to the recent devaluation of the US dollar against other currencies.

The telecom equipment market is poised for the strongest growth in 2011, with worldwide telecom equipment spending forecast to grow 9.1%. After growing just 2.5% in 2010, IT services is seen growing 4.6% to \$818 billion in 2011. Both enterprise software and computing hardware is forecast to grow at 7.5% over 2010.

"Aided by favorable dollar exchange rates, global IT spending growth is expected to exceed 5% in 2010, but a similar level of growth in 2011 — while forecast — is far from certain, given continued macroeconomic uncertainty," Richard Gordon, research vice president at Gartner, noted. "While the global economic situation is improving, the recovery is slow and is hampered by a sluggish growth outlook in the important mature economies of the US and Western Europe. There

are also growing concerns about the ability of key emerging economies to sustain relatively high growth rates. Nevertheless, as well as a fundamental enabler of cost reduction and cost optimization, investment in IT is seen increasingly as an important element in business growth strategies. As the global economy repairs itself in coming years, we are optimistic about healthy spending on IT," he added.

<http://www.financialexpress.com/news/gartner-raises-2011-it-spend-outlook/734284/0>

### **Indian watch mkt to touch Rs 8,500 cr in 5 yrs: report**

The Indian watch market is set to more than double in the next five years to around Rs 8,500 crore growing at 10-15 per cent every year, driven by youth and premium segment of consumers, according to a report.

As per the report - Indian Time Wear Industry 2010 - published by All India Federation of Horological Industries (AIFHI) and consultancy firm Technopak Advisors, the current size of watch market in India is about Rs 4,000-4,200 crore.

In the past few years, the sector has seen a growth of 8 -10 per cent, it said.



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"The watch market in India is expected to grow between 10-15 per cent annually to become around Rs 8,500 crore in the next five years," Technopak Chairman Arvind K Singhal said at the launch of the report.

He said factors like growing economy, increasing consumerism, strong middle class and a large number of high networth individuals, would favour the growth of the market.

Even expansion of modern retail in India will further fuel the growth of the sector as a watch is increasingly transforming into a lifestyle product from being just a time-keeping device, the report said.

<http://www.business-standard.com/india/news/indian-watch-mkt-to-touch-rs-8500-cr-in-5-yrs-report/121386/on>

### News Round-Up

#### India's growth helping global economic recovery: World Bank

Describing India as a global player and rising economic power, World Bank President Robert Zoellick has said the high level of growth in the country is helping the international economy recover from the crippling effects of recent financial turmoil.

"India's return to high levels of growth is helping the global economy recover from the crisis," said Zoellick, who is scheduled to arrive in the country tomorrow on a four-day visit aimed at strengthening cooperation between the

multilateral lender and Asia's second-fastest growing economy.

India, he further said, "is a player on the global stage. The country's status as a rising economic power is closely connected with how it manages this next phase of growth, balancing rapid development with the environment and most importantly, the need to ensure all people have opportunity."

As per a World Bank release, Zoellick will meet Prime Minister Manmohan Singh, Finance Minister Pranab Mukherjee and Planning Commission Deputy Chairman Montek Singh Ahluwalia during the trip. He will also visit Bihar.



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Having witnessed a slowdown in growth in the wake of the global financial crisis, India's growth rate picked up to 7.4 per cent in 2009-10 from 6.7 per cent a year ago. The economy expanded by 8.9 per cent in the first half of the current fiscal, making India one of the fastest growing economies in the world.

According to the International Monetary Fund's (IMF) projections, the Indian economy is expected to record a growth rate of 8.8 per cent in 2010-11.

<http://economictimes.indiatimes.com/news/economy/indicators/indias-growth-helping-global-economic-recovery-world-bank/articleshow/7247070.cms>

### **India to replace US as 2nd largest economy by 2050: PwC**

India is poised to overtake the USA and emerge as the World's second largest economy on purchasing power parity basis by 2050 and has the potential to supersede China to the top spot, says a report published by PwC.

China is expected to overtake the US as the world's largest economy sometimes before 2020, according to the report.

"India, helped by its strong demographic dividend, is poised to overtake the US to emerge as the second largest economy in purchasing power parity terms by 2050," says Jairaj Purandare, PwC India Regional Managing Partner and Leader (Markets and Industries) in the report, 'The World in 2050'.

Economic size in terms of purchasing power parity measures the GDP of a nation based on the purchasing power of a local currency.

The report says India, which was at the fourth position in terms of purchasing power parity in 2009, will move to the second rank by 2050, after China. The US, will slip to the third spot by that period.

It also notes that India's trend growth is expected to overtake China at some point due to the country having a significantly younger and faster growing working age population than China.

India is expected to achieve the most significant increases in share of the world GDP at Market Exchange Rates (MERs) by 2050. In 2009, India's share of world GDP at MERs was just 2 per cent. By 2050, this share could grow to around 13 per cent.



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India has the potential to be the fastest growing large economy in the world over the period to 2050, with a GDP at the end of this period to be close to 83 per cent of that of the US at Market Exchange Rates, or 14 per cent larger than the US in terms of purchasing power parities.

<http://economictimes.indiatimes.com/news/economy/indicators/india-to-replace-us-as-2nd-largest-economy-by-2050-pwc/articleshow/7236265.cms>

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