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News Feature

India to grow at 8.2 per cent: PMEAC

Stating that inflation will ease to around 6.5 per cent only by the end of this fiscal, the Prime Minister's Economic Advisory Council projected the country's growth at 8.2 per cent for 2011-12.

Headed by former Reserve Bank governor C. Rangarajan, the council said while agriculture and industry will grow at a lower rate compared with the previous year, services will expand faster in the current fiscal.

"The projected growth rate of 8.2 per cent, though lower than the previous year, must be treated as high and respectable, given the current world situation," the council said.

India's gross domestic product had expanded by 8.5 per cent in 2010-11 and 8 per cent in the year before. For agriculture, industry and services, the council has projected the growth at 3 per cent, 7.1 per cent and 10 per cent for this fiscal respectively.

http://economictimes.indiatimes.com/news/economy/indicators/india-to-grow-at-82-per-cent-pmeac/articleshow/9441204.cms

India's Exports up by 46.4 pc in June

India's exports grew by an impressive 46.45 per cent to $ 29.21 billion in June, 2011, despite uncertainty in the US and European markets.

Merchandise exports aggregated to $ 19.94 billion in June, 2010.

During the April-June quarter, overseas shipments grew by 45.7 per cent to $ 79 billion, according to Commerce Ministry data.

Though most sectors posted robust expansion - be it petroleum products, ready-made garments, engineering or pharmaceuticals - Commerce Secretary Rahul Khullar sounded a cautionary note, saying that news from the largest two markets - the US and Europe - "is far from cheerful... Summer is not over. It is still not going to be easy".

The US and Europe together account for about 35 per cent of the country's exports, which stood at $ 246 billion in 2010-11.

Though imports grew by 42.4 per cent to $ 36.8 billion in June, the trade deficit of $ 7.6 billion was almost half the level of $ 14.9 billion seen in May, lessening concerns over the country's balance of payments situation.

In April-June, 2011-12, inbound shipments rose by 36.2 per cent to $ 110.6 billion, led by the import of $ 30.5 billion worth of petroleum products. The trade gap during the period stood at $ 31.6 billion.

Oil and non-oil imports increased by 30 per cent and 47.8 per cent, respectively, during the month under review to $ 10.18 billion and 26.6 billion.

During the first quarter, oil imports grew by 18.1 per cent to $ 30.52 billion from $ 25.84 billion. Non-oil imports, too, increased by 44.68 per cent to $ 80 billion from $ 55.35 billion in April-June, 2010-11.

http://economictimes.indiatimes.com/news/economy/indicators/indias-exports-up-by-464-pc-in-june/articleshow/9440854.cms

Overseas Investment

Forex reserves rise $2.29 billion

The country's foreign exchange reserves increased by $2.294 billion to $316.801 billion for the week ended July 22, according to the weekly statistical bulletin released by the Reserve Bank of India.

The reserves have gone up in the week after posting a drop of $112 million to $314.507 billion in the previous week ended July 15.

The increase in reserves is mainly on account of currency revaluation. In the week under consideration, foreign currency assets went up by $2.227 billion to $284.526 billion. Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies such as the euro, sterling and yen, held in reserves.

The euro had strengthened against the dollar in the week. It had moved from $1.404 at the beginning of the week to $1.422 on July 22.

In the week under review, the country's reserve position at the International Monetary Fund rose by $26 million to $2.982 billion. SDRs also saw a $41 million increase to $4.625 billion.

http://www.thehindubusinessline.com/todays-paper/tp-money-banking/article2306529.ece

India could be next FDI driver in South Africa, say analysts

Religare Capital Markets Ltd's acquisition of a 74 per cent controlling stake in South African broker Noah Financial Innovation has been hailed by analysts as a sign that India could be the next foreign direct investment driver in South Africa's financial services sector.

Indian investment banking and institutional securities company RCML, which concentrates on emerging markets, said the acquisition would boost its current trade and research capacity in South Africa.

"South Africa is one of the markets that RCML

has identified as being of key strategic importance and the Noah acquisition complements the existing team by providing a meaningful local presence," RMCL Chief Executive Martin Newson told.

Jean Pierre Verster, an analyst at 360ne Asset Management, said the acquisition indicated an about-turn in South African and Indian sectoral investments, as it had been predominantly South African companies investing in the Indian financial services sector until now.

"It's only natural that at some point when they've created sufficient wealth and accumulated enough capital from their domestic markets that they would look at investment outside India," Verster told the Business Report daily.

Nick Chambers, head of investor relations and capital markets at Africapractice, said RCML's move was a bold one in the African banking and financial sector that had traditionally been the preserve of European investors.

Chambers told that there was also a significant difference in the approaches of India and China in FDI. "While the Chinese have followed a model that mostly invests in traditional African sectors such as resources, Indian companies have been seen to diversify from this model and invest also in non-traditional African sectors that incorporate services such as information and communications technology, agriculture and business process outsourcing."

The RCML deal came as the World Investment Report 2011 of the UN conference on Trade and Development (Unctad) showed that FDI into South Africa had dropped hugely by 70 per cent to only a sixth of the peak of USD 5 billion recorded barely two years earlier.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-could-be-next-fdi-driver-in-south-africa-say-analysts/articleshow/9393166.cms

CoS approval on FDI spurs retail stocks

With 51 per cent FDI getting approval by the Company of Secretaries in multi brand retail, stocks in this sector witnessed an upward surge.

Stocks of big as well as smaller retail houses soared in hopes of final approval of FDI in multi brand retail. Stocks of Pantaloons Retail closed 1.61 per cent higher, striking a monthly high in intra day trade of Rs 351.35 while Brandhouse Retails closed 6.60 per cent higher than its previous close.

The Company of Secretaries gave an approval on allowing 51 per cent FDI in multi brand retail. Although this has not still been approved by the Commerce Ministry and the Cabinet, the nod by the Company of Secretaries is one step forward in this process.

Mr Kishore Biyani, CEO, Future Group, hailed the move and says that foreign investors are keen to forge alliances with Indian retailers in various categories.

"Pantaloon's key businesses are FDI ready and we expect the company to be a key beneficiary of FDI in retail because of its enviable structure," said a recent research report from Edelweiss.

Although Shoppers Stop closed 0.02 per cent lower, it was successful in striking an all-time high during the intra day at Rs 504. Koutons Retail also closed 4.78 per cent and Store One Retail surged 4.97 per cent.

"The approval for FDI will be very good for the industry and because of this there will be many joint ventures and partnerships in the future," said Mr Sharan Lillaney, research analyst, Angel Broking.

There is an anticipation of further increase in stocks till the final Cabinet approval, said brokers.

http://www.thehindubusinessline.com/todays-paper/tp-markets/article2293927.ece

Trade News

Financial sector ties top Pranab's talks with Osborne

The Finance Minister, Mr Pranab Mukherjee, has pledged to strengthen investment and trade links with Britain as he met with Britain's Chancellor of the Exchequer, Mr George Osborne, during a visit to London this week.

"Today's dialogue confirms billions of pounds of trade and deals," said Mr Osborne at the meeting.

The talks came after the Cabinet Committee on Economic Affairs approved the $7.2-billion deal struck by BP with Reliance Industries.

BP will take a 30 per cent stake in each of 23 oil and gas blocks belonging to RIL, and could be worth up to $20 billion.

"Britain is now making the largest foreign investment in India," said Mr Osborne. "We want to see the level of trade rise significantly," he added.

Britain is now the fourth largest investor in India, while India is the third largest in Britain.

Bilateral trade in 2010 was over £13 billion, up from over £11 billion in 2009, according to UK Treasury figures.

Constructive talks

Mr Mukherjee said that constructive talks were taking place to take bilateral trade and investment to their "full potential".

Among the issues discussed were strengthening financial sector collaboration for mutual benefit.

Last week, Lord Sassoon, the Commercial Secretary to Britain's Treasury Department urged India to open up its financial sector to foreign investment.

Other issues discussed included further cooperation in the infrastructure sector, as well as science and technology, food processing and higher education, he said.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2293884.ece

India, Lithuania ink double taxation avoidance pact

India has signed a double taxation avoidance pact with Lithuania.

This agreement provides for effective exchange of information between tax authorities of the two countries, including exchange of banking information.

Lithuania is the first Baltic country with which India has signed a double tax avoidance pact.

The double tax avoidance agreement (DTAA) was signed by Mr Prakash Chandra, Chairman of Central Board of Direct Taxes (CBDT), on behalf of the Indian Government and Mr Petras Simeliunas, Ambassador of Lithuania to India, on behalf of the Lithuanian Government.

The DTAA provides that business profits will be taxable in the source State if the activities of an enterprise constitute a permanent establishment (PE) in the source State. The agreement provides for fixed place PE, building site, construction and installation PE, service PE, offshore exploration/exploitation PE and agency PE.

Items taxed at both ends

Dividends, interest and royalties and fees for technical services will be taxed both in the country of residence and in the country of source. The low level of withholding rates for dividend (5 per cent and 15 per cent), interest (10 per cent) and royalties and fees for technical services (10 per cent) will promote greater investments, flow of technology and technical services between the two countries.

The DTAA also has an article on assistance in collection of taxes. This article also includes provision for taking measures of conservancy. The agreement incorporates anti-abuse (limitation of benefits) provisions to ensure that the benefits of the agreement are availed of by the genuine residents of the two countries.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article2296948.ece

India, Japan implement economic pact; aim to double trade

India and Japan implemented a comprehensive economic partnership agreement (CEPA), aiming to provide greater access to each other's markets and almost double the bilateral trade by 2014.

The two countries had signed the CEPA Feb 16 in Tokyo and diplomatic notes were exchanged June 30.

"We have no doubt in our minds that this will usher in a new era of economic engagement, which will bring development, innovation and prosperity in both societies," Commerce and Industry Minister Anand Sharma said in a statement.

The deal would allow India to use Japanese investments, technology and management practices.

"Japan can take advantage of India's huge and growing market and resources, especially its human resource," the statement said.

Japan has scrapped import duties on 87 percent of goods that it imports from India with immediate effect while India has dropped tariffs on 17.4 percent of goods that it imports from Japan.

"Tariffs will be brought to zero percent in 10 years on 66.32 percent of tariff lines to give sufficient time to industry to adjust to the trade liberalisation," the statement said.

Current bilateral trade between India and Japan is around $12.6 bn. It is expected to touch $25 bn by 2014.

"We expect that CEPA will be instrumental in significantly raising India's current modest share of one percent in Japan's total trade. This will help expand our bilateral trade to $25 bn by 2014," said Rajiv Kumar, secretary general of the Federation of Indian Chambers of Commerce and Industry (FICCI).

With the implementation of the agreement, India is likely to gain greater market access in Japan for various sectors including textiles and garments, pharmaceuticals, marine products, tea, jewellery and organic and inorganic chemicals.

Currently India accounts for just over one percent of Japan's textiles and garments imports worth $33 bn, while pharmaceuticals from India constitute a miniscule 0.09 percent of Japan's $16 bn-plus import market, the FICCI secretary general said adding that "with Japan's tariff set to become zero or substantially reduced for our exports, we can do far better".

Describing the comprehensive economic partnership agreement (CEPA) as a major step in deepening trade ties, Commerce Secretary Rahul Khullar said the agreement was in line with India's larger vision of an East Asia partnership.

This is India's third CEPA after Singapore and South Korea. It covers more than 90 percent of trade, a vast gamut of services, investment, intellectual property rights (IPR), customs and other trade-related issues.

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-japan-implement-economic-pact-aim-to-double-trade/articleshow/9447523.cms

India, Pakistan announce steps to expand trade across LoC

India and Pakistan announced initiatives to expand trade across LoC, even as they confirmed their "firm commitment" to eliminate terrorism from the region in all its forms.

Addressing the media at the end of his talks with the visiting Pakistani foreign minister Hina Rabbani Khar, foreign minister SM Krishna said, "The outcome has been as per our expectations. We reaffirmed our commitment to resolve all our issues.''

"It is the desire of both countries to make it an uninterrupted and uninterruptable process," said Khar, adding, "A changed mindset will take the process forward."

The two leaders agreed that "increase in trade and economic cooperation between the two countries would be mutually beneficial and have noted with satisfaction the outcome of the commerce secretary-level talks held in Islamabad in April 2011. In this context, we have decided to resume the work of the India-Pakistan Joint Commission".

According to a joint statement issued at the end of the talks, the neighbours decided that a list of 21 permissible items for cross-LoC the de facto border that divides Jammu and Kashmir between the two countries) trade would be respected by both sides. The working group will review the list with a view to further specify permissible items for the intra-Jammu & Kashmir trade.

The neighbours will double the number of days goods can be traded across their border in the region to four per week, besides increasing the frequency of cross-LoC bus services and easing restrictions on travel permits.

The leaders decided that the designated authorities will resolve operational issues concerning cross-LoC trade through regular interaction, while existing telephone communication facilities should be strengthened, said the statement.

''Cross-LoC travel would be expanded on both sides of the LoC,'' said a joint statement issued after the Krishna-Khar meeting. According to the statement, travel across the divided Kashmir will now ''include visits for tourism and religious pilgrimage and in this regard, the modalities will be worked out by both the sides".

http://www.financialexpress.com/news/india-pakistan-announce-steps-to-expand-trade-across-loc/823247/0

Sectoral News

India 2nd fastest growing market for domestic air travel

India's domestic air traffic grew at the second highest rate after Brazil, according to global figures for June compiled by the International Air Transport Association.

The country's domestic traffic grew by 14 per cent during the month as against Brazil's 15.1 per cent. This happened even as demand for air travel and freight softened globally.

"Brazil led domestic growth with a 15.1 per cent demand expansion over the previous year, propelled by strong growth in household incomes. Brazil was followed by India at 14 per cent," the latest traffic figures published by the association stated.

China's growth slowed down as compared to June 2010 and May 2011. Domestic air-passenger traffic in China grew by only 5 per cent as against 14.6 per cent in June 2010 and 10.4 per cent in May 2011.

The association also added that the slow down in international markets reflects a squeeze on consumer spending by tighter economic policies.

Japan continued to reel from the effects of March's tsunami and earthquake and recorded a 24.6 per cent fall in air-passenger traffic for June 2011 as compared to the same month last financial year. The association said this was a slow improvement from May when air-passenger traffic fell 27.8 per cent year-on-year.

Domestic air-passenger traffic grew by 1.3 per cent in the US, which represents over 50 per cent of the global domestic-travel market.

http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/article2309167.ece

India to be second largest steel producer by 2013: Minister

India will emerge as the second largest steel producer by 2013 with an installed capacity of 120 million tonnes, said the Steel Minister, Mr Beni Prasad Verma.

At present, India is the fourth largest steel producer with a capacity of 80 million tonnes, while China tops the list.

"By 2013, India will be the second largest steel producer in the world, riding on the high levels of growth, construction, housing, real estate, automobiles and agriculture," Mr Verma told the 5th India Steel Summit.

The steel demand in the country is growing at an average of 10 per cent, which may exceed even 12 per cent in the near future. In order

to meet the domestic demand, steel production capacity must increase at an average of 10-15 per cent, Mr Verma said.

Various government social schemes such as NREGA and Indira Awas Yojana are expected to bring about development resulting in increased steel consumption, Mr Verma said.

The Steel Secretary, Mr P.K. Misra, said capacity addition should be fast tracked to make the country self reliant in meeting future demand.

http://www.thehindubusinessline.com/industry-and-economy/article2296195.ece?homepage=true

Spices export jumps 21 % in Q1

The export of spices has registered 21 % increase in value for the April-June 2011 period. In terms of quantity, there is, however, a 26 % decline. The export touched 1,16,900 tonnes valued at Rs 1885.24 crore. At $ 421.55 million, the rise in earnings in dollar terms is 23 %. In the same period in the previous year, the total spices export touched 1,57,850 tonnes valued at Rs 1560.47 crore.

The export of pepper, cardamom, ginger, turmeric, nutmeg etc has risen in both volumes and value. Chilli, coriander, cumin, curry powder have recorded a decline in export. Mint and spice oils and oleoresins fell in quantity terms but rose in value. Pepper export clocked 5750 tonnes valued at Rs 150.37 crore registering 21 % rise in quantity and 88 % rise in value. Small cardamom export went up by 219 % in quantity and 175 % in value at 590 tonnes valued at Rs 58.19 crore. Chilli, the single largest spice export item, fell by 37 % in quantity and 6 % in value at 40,500 tonnes valued at Rs 365.75 crore. At 3150 tonnes valued around Rs 371.70 crore mint products showed 12 % fall in quantity and 51 % increase in value. Spice oils and oleoresins export was at 1820 tonnes valued at Rs 300.95 crore, down by 2 per cent in quantity and up by 46 % in value.

http://economictimes.indiatimes.com/news/economy/foreign-trade/spices-export-jumps-21-in-q1/articleshow/9397545.cms

Global farm trade may jump 43% as middle-class expands

Global agriculture trade may climb 43% by 2020 as an expanding middle-class in emerging markets boosts demand for commodities, according to the US Department of Agriculture said.

“Trade may easily exceed $1 trillion by 2020, from an estimated $700 billion in 2011,” Michael Dwyer, director of global policy analysis division at the US Department of Agriculture, said in Melbourne today. Middle-class households outside the US may double to about 1 billion, led by growth in China, he said.Rising incomes in emerging markets including China and India have boosted

demand for proteins, helping push global food costs tracked by the United Nations higher in June for the 10th time in the past year, staying near a record reached in February.

"China's middle class will jump to about 325 million households in 2020 from about 100 million in 2009," Dwyer said.

"You have a tailor-made recipe for higher commodity prices," he said. "At the end of the day, supply and demand have to balance and the rationing device to that balance is prices."

Wheat prices have gained 13% this month as the US cut its estimate for domestic inventories next year. Corn prices have surged 81% in the past year and soybeans have climbed 44%. US agriculture exports may reach about $137 billion in 2011 from $115 billion last year, according to Dwyer.

Surging prices are likely to attract investment to agriculture and boost plantings, while countries may look to acquire foreign farmland to secure food supply, according to Dwyer. China may look to buy agricultural assets in Africa to ensure supply, he said. China may seek to boost its annual corn imports from the US to 15 million tons over the next few years as demand for food grows, Dwyer said. "It will definitely have a profound effect on the global corn market," he said.

http://www.financialexpress.com/news/global-farm-trade-may-jump-43-as-middleclass-expands/823465/0

India has 2nd fastest growing domestic air traffic in world

India's domestic aviation traffic continued to grow at 14%, the second highest after Brazil's 15.1%, as global figures for June showed softening in demand for both air travel and freight markets.

"Brazil led domestic growth with a 15.1% demand expansion over the previous year, propelled by strong growth in household incomes. Brazil was followed by India at 14%," the latest traffic figures published by the International Air Transport Association (IATA) showed.

While China's 5% growth was "impressive, it is a step change from the 14.6% recorded in 2010 and 10.4% recorded in May".

Noting that China, the second largest domestic market, still had enormous potential, the IATA analysis said the slowdown in its international markets reflected "a squeeze on consumer spending power by tighter economic policies".

Latin American carriers too experienced the highest growth levels with a 14.3% increase over June 2010.

http://www.financialexpress.com/news/india-has-2nd-fastest-growing-domestic-air-traffic-in-world/824892/

News Round-Up

India way ahead of China in service sector growth: Bai Xuezhu, director of research, CELAP

India is way ahead of China in terms of growth in the service sector. Factors accelerating the future of Chinese economic development is a large labour source and vast domestic marjet, market mechanism, political incentives, public services and facilities etc. China's target is an inclusive growth of 7-8% GDP growth for the next five years where India can play a large role.

This was stated by Dr Bai Xuezhu, director of research, China Executive Leadership Academy (CELAP). He was speaking at a seminar fielded by CII in Kolkata to create awareness about the latest developments in China and emerging business and investment opportunities for Indian businesses.

He gave an overview of China's economy and its growth. Discussing extensively about China's next five year plans, he said China is a transitional economy and society, and is experiencing multiple transitions. Average growth has been 9.5% from 1978 to 2010, population growth 1%, with a rise of 8.5% per capita output over the same period. During 1979-2008, GDP growth was at an average annual pace of 9.5%. He identified some common grounds between India and the need for rapid urbanisation and poverty reduction.

Incidentally, China has now become India's largest trading partner with more than US$60 billion worth goods traded last year. Indian and Chinese companies are setting up operations in each others' countries and in some cases, to serve their global markets.

Yu Ping, vice-chairman, China Council for Promotion of International Trade (CCPIT), spoke about the tremendous potential and opportunities both countries harbour. As far as bilateral trade goes, China is India's largest trade partner, while India is China's fourth largest trade partner.

The main aim of the two nations should be to develop a win-win cooperation. In the next five years, China will focus on reconstructing its economy and shift from an export-oriented approach to a more inclusive business strategy. Labour resources and a huge market are the similarities between India and China and both must benefit from each other.

Agriculture, IT, dairy products, tea and pharmaceuticals are some areas in which India scores over China to an extent. There is a huge demand of energy in both the countries. So, in future, chances of bilateral trade is aplenty.

Zhang Lizhong, consul general of China, Consulate General of China in Kolkata, emphasized on increasing communication between China and Kolkata. Economic challenges must be addressed by both nations which have the potential to become world's leading nations in future, Lizhong said.

http://articles.economictimes.indiatimes.com/2011-07-30/news/29833152_1_china-in-service-sector-largest-trade-partner-india-and-china

India Inc's appetite for deals remains strong

Corporate India's M&A overtures have remained at about the same levels as last year, despite the moderating growth and demand, high inflation and interest rates, reveals the half-yearly deal tracker report put out by advisory firm, Grant Thornton India. The total value of deals (M&A, PE and QIP) struck in the first half of 2011 was about \$32.48 billion across 524 deals compared with \$34.4 billion sealed across 536 transactions in the first six months of 2010.

Here are the key highlights:

Inbound rules, outbound loses fizz

Faced with slowing demand and increasing uncertainty in their home grounds, foreign companies lure for the 'India growth story' seems to have fuelled the inbound deals. Inbound deals, over three times the value recorded in the first half of last year, also saw a healthy uptick in volumes. These deals totalled a transaction value of about \$17.44 billion (\$5.4 billion) across 57 deals (44 deals). Oil and gas, telecom and IT and ITES were the sectors that recorded the highest deal value share in this period. Notably, this is in stark contrast to the top three sectors of last year — pharma and healthcare, telecom and banking and financial services. British Petroleum's \$7.2 billion acquisition of the oil and gas assets of Reliance Petroleum, the largest M&A deal so far this year, is an example here. There were five deals valued at over a billion dollars each transacted during the period, four of which were inbound.

Outbound deals on the contrary lost their sheen, with the first half of 2011 seeing 86 deals for a total value of about \$5.89 billion as against 108 deals worth over \$17.9 billion in the same period in 2010. India Inc's deal-making appetite in the home turf, however, took a slight beating, with companies striking fewer domestic deals in first half this year. Domestic deals totalled \$3.41 billion across 174 deals during the six months, as against \$5.59 billion deal value across 233 deals last year.

http://www.thehindubusinessline.com/todays-paper/tp-investmentworld/article2309204.ece

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