

# Weekly Economic Bulletin

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## CONTENTS

- 1 News Feature** Page 1-2
  - April IIP growth at 6.3% versus 13.1% YoY as per new series
  - May exports seen up 56.9%:trade secretary
- 2 Overseas Investment** Page 2-4
  - India's forex reserves rise \$2.69 bn
  - Pranab Mukherjee asks FIIs to remain bullish on Indian economy
  - Govt approves 16 FDI proposals worth Rs 924 cr
- 3 Trade News** Page 4-7
  - India, OECD to discuss tax reforms today
  - US trade body hails India's \$4 billion Boeing order
  - Japan keen to boost ties with India
- 4 Sectoral News** Page 7-11
  - New manufacturing policy seeks to create 100 m jobs by 2025
  - Oilmeals export from India surges by 84% in May
  - Domestic cloud computing estimated to grow at 53 pct: Study
  - Security software mkt grew 12%: Gartner
  - Carpets exports grow by 7 per cent in May
  - IT sector to see 20% rise in hiring this yr: survey
- 5 News Round-up** Page 11-12
  - Government to launch new IIP index tomorrow
  - India to be a success story of our time: Blake
  - Indians most upbeat on economy, personal finances: study



# Weekly Economic Bulletin



## News Feature

### April IIP growth at 6.3% versus 13.1% YoY as per new series

India's industrial output in April rose 6.3 percent from a year earlier, government data showed. Manufacturing output, which constitutes about 80 percent of the industrial production, rose an annual 6.9 percent, the Central Statistics Organisation said in a statement.

The data was the first of a new series with a different base year of 2004/05, new components and weightings.

Under the old series, annual industrial output growth in April was 4.4 percent compared with a median forecast for a 5.5 percent rise in a Reuters poll.

Industrial output grew 7.8 percent in the 2010/11 fiscal year that ended in March, slower than 10.5 percent clocked in the previous fiscal year.

The new Index of Industrial Production is with an updated base of 2004-05 starting from the month of April.

The index was launched by Ministry of statistics and programme implementation (Mospi) with all the data points from 2005 onwards. This step completes the updating process of the three most widely followed

macroeconomic indicators released by the government. The GDP series and WPI series were shifted on to the new base (2004-05) much before.

The new series also has a wider basket of goods with the manufactured items covered in the index going up from 281 to 410. The total number of items under the series has gone up to 695 from 538 earlier.

<http://economictimes.indiatimes.com/news/economy/indicators/april-iip-growth-at-63-versus-131-yoy-as-per-new-series/articleshow/8798798.cms>

### May exports seen up 56.9%: trade secretary

India's exports in May rose an annual 56.9 percent to \$25.9 billion, while imports for the month rose 54.1 percent to \$40.9 billion, Trade Secretary Rahul Khullar said, citing provisional data.

India's trade deficit in May stood at \$15 billion.

India's exports grew a record 37.6 percent in the 2010/11 fiscal year that ended in March, as demand soared for engineering goods, oil products and gems manufactured in Asia's third-largest economy.



## Weekly Economic Bulletin



<http://economictimes.indiatimes.com/news/economy/foreign-trade/may-exports-seen-up-569trade-secretary/articleshow/8800869.cms>

### Overseas Investment

#### India's forex reserves rise \$2.69 bn

India's foreign exchange reserves soared by \$2.69 billion to \$312.90 billion for the week ended June 3 on the back of a sharp rise in the value of gold reserves and foreign currency assets.

This is the third consecutive week that the country's forex reserves kitty has seen a jump. The country's forex reserves have increased by \$5.41 billion in the past three reporting weeks. The reserves had registered a gain of \$1.68 billion and \$1.04 billion, respectively, in the previous two weeks.

The foreign currency assets, the biggest component of the forex reserves kitty, rose by \$2.03 billion to \$280.91 billion during the week under review, according to the weekly statistical supplement of the Reserve Bank of India (RBI).

<http://economictimes.indiatimes.com/news/economy/indicators/indias-forex-reserves-rise-269-bn/articleshow/8820156.cms>

#### Pranab Mukherjee asks FIIs to remain bullish on Indian economy

India growth story is intact and the government is committed to doing all that is necessary to achieving and sustaining a higher economic growth rate. Finance minister Pranab Mukherjee asked foreign institutional investors (FIIs) to remain bullish on Indian economy's long-term growth prospects amid concerns of a policy paralysis and corruption slowing investments into the country and a slowing economy and growing subsidies derailing government's fiscal.

"The government would continue to take investor friendly policies to encourage further growth," Mukherjee told a group of 30 FIIs in an interaction organised by his ministry.

In the closed-door interactive session, moderated by Chanda Kochhar, MD and CEO of ICICI Bank, Mukherjee asked FIIs to remain optimistic and take a long-term view of the Indian economy and its



## Weekly Economic Bulletin



performance rather than being disturbed by the short-term statistics.

"The next generation financial sector reforms have already been initiated which include among other steps, the widening and deepening of the Indian securities markets, liberalising the policy on foreign capital flows, strengthening the regulatory and other institutional architecture and reducing transaction cost in the securities markets," he said in an hour-long meeting attended by key finance ministry officials and chief economic advisor Kaushik Basu.

Mukherjee assured the gathering that the consultations were underway to build consensus on raising foreign direct investment in insurance and opening up multi-brand retail.

Indian economy would grow at a pace of around 8.5%. Allaying any apprehensions slowdown on government revenues, he said revenue collection are unlikely to witness any decline and hence there was no need to have any undue fear on the issue of fiscal deficit. Reserve Bank of India governor D Subbarao had said in May the country would find it difficult to achieve its fiscal deficit target this year, unless it made adjustments to account for the rise in fuel and fertiliser prices.

<http://economictimes.indiatimes.com/news/economy/finance/pranab-mukherjee-asks-fjis-to-remain-bullish-on-indian-economy/articleshow/8769927.cms>

### **Govt approves 16 FDI proposals worth Rs 924 cr**

The government said it has cleared 16 foreign direct investment (FDI) proposals amounting to Rs 923.55 crore, including those of Star News Broadcasting Ltd and L&T Finance Holdings.

A total of 38 FDI proposals were taken up by the Foreign Investment Promotion Board (FIPB), but the board deferred a decision on 14 applications, rejected seven and recommended one for the CCEA, the Finance Ministry said in a statement.

The board gave its approval to Soma Tollways Pvt Ltd (Andhra Pradesh) for induction of foreign equity in an investing company. The proposal is likely to bring in FDI worth Rs 500 crore.

L&T Finance Holdings Ltd's application for permission for pre-IPO placement of equity shares with eligible non-resident investors was also approved by the FIPB. The firm aims at FDI worth Rs 400 crore.



## Weekly Economic Bulletin



The board also approved the Star News Broadcasting Ltd's (Touch Tele Content (I) Ltd) proposal for induction of foreign capital. It would, however, not include any fresh inflow of funds.

The other major proposals that were cleared by the FIPB include those of Global Gourmet (Gujarat), Park Controls & Communications Ltd ( Bangalore ) and Centum Electronics Ltd (Bangalore).

The ministry further said the board deferred a decision on applications by

Indian Rotorcraft (Mumbai) for induction of foreign equity and Precision Electronics to undertake the additional activity in the defence sector.

Decisions on the proposals of BNP Paribas S.A. (Paris), Sightlife USA, Southern CNG Automobiles and Natixis Global Asset Management (France), among others, were also deferred.

<http://economictimes.indiatimes.com/news/economy/finance/govt-approves-16-fdi-proposals-worth-rs-924-cr/articleshow/8761957.cms>

## Trade News

### India, OECD to discuss tax reforms today

At a time when the government is accelerating efforts to strengthen the country's taxation system , India and rich countries' club OECD will deliberate on challenges to international tax rules. Co-operation in global tax matters have gained prominence , especially after the G-20 crackdown on tax havens, which are being used to park unaccounted money worth billions of dollars. Finance Minister Pranab Mukherjee will address a seminar on 'Adapting Tax Systems and International Tax Rules to the New Global

Environment: A Shared Challenge for India and OECD' .

The grouping's Secretary General Angel Gurría , who will be participating in the seminar, is also likely to meet the top government officials during his India visit this week. Paris-based Organisation for Economic Cooperation and Development (OECD) is a 34-member grouping of mostly developed nations, including the US and Germany. OECD, whose members account for over 60% of the global output, also plays a key role in setting the global tax standards . India and OECD are likely to discuss a range of issues, especially



## Weekly Economic Bulletin



related to reducing tax complexity and boosting overall tax administration.

New Delhi is reviewing Double Taxation Avoidance Agreements (DTAAs) with various countries besides entering into Tax Information Exchange Agreements (TIEAs) with many jurisdictions that are considered to be tax havens. Apart from working on ways to bring back black money stashed abroad, the Government has also embarked on ambitious tax reforms, both on direct and indirect tax fronts. "The introduction of the Direct Taxes Code (DTC) and the proposed Goods and Services Tax (GST) will mark a watershed .

These reforms will result in moderation of rates, simplification of laws and better compliance," Mukherjee had said while presenting the Budget for 2011-12 . While DTC is scheduled to become effective from April 1, 2012, a constitutional amendment bill on GST was introduced in Parliament earlier this year. On June 14, OECD would release its Economic Survey of India. The report would focus on the need to continue with market-orientated reforms to ensure strong and sustainable economic growth.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-oecd-to-discuss-tax-reforms-today/articleshow/8831573.cms>

### US trade body hails India's \$4 billion Boeing order

The US-India Business Council (USIBC), a business advocacy group representing some 400 top US companies, has hailed India's decision to purchase 10 Boeing C-17 aircraft, valued at more than \$4.1 billion.

"This is testament to India's appreciation of US technology and confidence in the United States as a long-term defence sales partner," said USIBC President Ron Somers noting that the purchase would make the Indian Air Force the owner and operator of the largest fleet of C-17s outside of the US.

"This largest-ever Indian purchase of US defence technology we hope will be just the beginning of much more to come," he said.

"US defense sales to India began only a decade ago, at a value of less than \$200 million for radar equipment. We have come a long way since then," Somers said noting "US-India defense sales today have now crossed the \$9 billion mark and continue to grow."

"US industry wishes to provide India with a host of cutting-edge products and solutions to meet its emerging defence,



## Weekly Economic Bulletin



security, and counterterrorism needs," he said.

"Overall, we see the United States and India, the world's largest free-market democracies, forging a deep and lasting strategic partnership, shaping the destiny of the 21st Century," Somers said.

Boeing C-17 is used for rapid strategic airlift of troops and cargo to main operating bases, and forward-operating bases, throughout the world. It can also perform tactical airlifts, medical evacuation, and airdrop missions. The C-17 can transport large payloads and land on short, rough runways.

According to Boeing each plane supports 650 suppliers across 44 states in the US, and that this order will support Boeing's C-17 production facility in Long Beach, California for an entire year.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/us-trade-body-hails-indias-4-billion-boeing-order/articleshow/8758739.cms>

### Japan keen to boost ties with India

Japan is looking to accelerate bilateral trade with India.

The country, which battled one of the

worst nuclear disasters earlier this year, said it will also cooperate with India on improving the safety of atomic reactors.

"India is projected ahead of China as a long-term economic prospect, particularly in the area of manufacturing, by the Japanese Bank for International Cooperation," Mr Shinichi Nishimiya, Deputy Minister (Economy) in the Japanese Ministry of Foreign Affairs, said at a event.

### CEPA boost

He said the signing of the Comprehensive Economic Partnership Agreement (CEPA) between Japan and India is bound to boost the level of bilateral trade and investment. The country now looks to the world, especially India, to step up the inflow of business and leisure tourists to Japan and resume buying its quality products.

The trade figures, although far below expectations, are looking up.

Two-way trade has grown from \$9.3 billion a year earlier to \$12.9 billion in 2010.

Allaying concerns over safety, the Japanese Minister said it is quite safe for businessmen and tourists to visit his



## Weekly Economic Bulletin



country, as Japan is free from any radiation threats.

### ***Invite for Bollywood***

He also said that Japan will consider incentives to encourage Bollywood film

makers to look at the East Asian country as a destination for shooting as a means of attracting tourist inflows from India.

<http://www.thehindubusinessline.com/todays-paper/tp-economy/article2085664.ece>

## Sectoral News

### **New manufacturing policy seeks to create 100 m jobs by 2025**

The Government, gave an in-principle nod to a draft policy to significantly enhance the share of manufacturing in GDP and generate substantial employment in the country, while reducing the compliance burden on industry.

The policy aims to raise the share of manufacturing in GDP to 25 per cent by 2025 from 15-16 per cent at present. The objective of the policy is also to generate 100 million jobs in manufacturing by 2025.

The creation of National Manufacturing and Investment Zones as mega investment regions, equipped with world-class infrastructure, has been proposed as a major policy instrument.

The draft 'National Manufacturing Policy' was approved at a high-level meeting chaired by the Prime Minister, Dr

Manmohan Singh, and attended by the Ministers of Finance, Commerce and Industry, Environment and Corporate Affairs as well as the Deputy Chairman of the Planning Commission and the Chairman of PM's Economic Advisory Council.

The Prime Minister observed that the proposed measures would reduce the compliance burden on industry, an official statement said. It was also decided that the policy has to be formulated by adequately taking care of environment and labour concerns.

He directed that these issues may be further discussed at the ministerial level.

A Committee of Secretaries has been asked to go into the issues and submit its report in a month, the Commerce and Industry Minister, Mr Anand Sharma, said.

Then the policy would be placed before



## Weekly Economic Bulletin



the Cabinet. The draft policy proposes institution of a review mechanism and a high-level committee chaired by Secretary DIPP to regularly monitor policy implementation.

The policy also lays emphasis on creating a Manufacturing Industry Promotion Board, to ensure coordination between Central and State Government. Besides, it encourages access by Indian companies to foreign know-how and develop indigenous technology through fiscal incentives and subsidies.

<http://www.thehindubusinessline.com/industry-and-economy/article2091297.ece?homepage=true>

### **Oilmeals export from India surges by 84% in May**

The export of oilmeals from India during May 2011 has gone up by 84.48% to 320,266 tonnes. In May 2010, India had exported 173,604 tonnes of oilmeals. The export of oilmeals during April-May 2011 has more than doubled and reported 821,763 tonnes compared to 377,950 tonnes during the same period last year, according to a report released by Solvent Extractors' Association of India (SEA).

During current oil year 2010-11

(November 2010 to May 2011) export of oilmeals increased continuously due to a sharp increase in oilseed production to 30.25 million tonnes in current year (2010-11) compared to 24.88 million tonnes in previous year (2009-10). Increased availability of oilseeds lead to higher crushing and production of oil and meals for domestic and export and thirdly, good crushing parity due to high price of oils and export demand for oilmeals following SEA delegation visit to China in April 2011.

[http://articles.economictimes.indiatimes.com/2011-06-07/news/29629713\\_1\\_oilmeals-export-tonnes-rice-bran-extraction](http://articles.economictimes.indiatimes.com/2011-06-07/news/29629713_1_oilmeals-export-tonnes-rice-bran-extraction)

### **Domestic cloud computing estimated to grow at 53 pct: Study**

The domestic cloud computing industry is estimated to grow at a CAGR of 53 per cent to be a Rs 2,434 crore market by 2014, a study conducted by CyberMedia Research India said.

"The public cloud computing market in India is estimated to touch Rs 2,434 crore in 2014 after growing at a CAGR of 53 per cent between 2010-2014," a company statement here said.

"Cloud computing is witnessing



## Weekly Economic Bulletin



widespread interest from the vendor-service provider-channel community on the one hand and business leaders and CIOs on the other," CyberMedia Research India Software and IT Services Research Lead Analyst Kamal Vohra said.

This is fuelled by the strong belief that cloud computing will allow a large number of SMB enterprises to adopt the same enterprise class software and technology solutions, it added.

As per the study, penetration in cloud computing is expected to grow by 6.8 per cent in 2012 from 4 per cent in 2010.

On the Software-as-a-Service (SaaS) industry, the study said the market was expected to grow by 50 per cent to touch Rs 465 crore by this year-end.

The Infrastructure-as-a-service Industry (IaaS) was also expected to pick up pace after 2012. The overall CAGR for the India IaaS market during 2010-2014 was expected to be at 49 per cent, the statement added.

<http://www.financialexpress.com/news/domestic-cloud-computing-estimated-to-grow-at-53-pct-study/800460/0>

**Security software mkt grew 12%: Gartner**

Worldwide security software revenue witnessed a growth of 12 per cent in 2010 to USD 16.5 billion, driven by a rebound in demand for such solutions, according to research firm Gartner.

According to Gartner, global security software revenue grew from USD 14.7 billion in 2009 to USD 16.5 billion in 2010, a growth of about 12 per cent.

"Key vendors continued to expand their product portfolios, buying companies where appropriate and expanding their reach into emerging markets," Gartner Principal Research Analyst Ruggero Contu said in a statement.

While mature areas like endpoint security and web access management showed single-digit growth, security information and event management (SIEM) and secure web gateway products experienced double-digit growth, Gartner said.

"Products within the security market are undergoing rapid evolution, in terms of both new delivery models – with security as a service showing increasing popularity -- and new technologies being introduced, often by start-up companies," Contu said.

Symantec retained its market share lead and accounted for 18.9 per cent of total



## Weekly Economic Bulletin



security software revenue in 2010, while McAfee had a 10.4 per cent share.

Trend Micro, IBM and EMC followed with 6.3 per cent, 4.9 per cent and 3.8 per cent shares of the market, respectively.

<http://www.financialexpress.com/news/security-software-mkt-grew-12-gartner/800389/0>

### **Carpets exports grow by 7 per cent in May**

Carpets exports increased 7 per cent to \$73 million in May year-on-year, on account of rising demand from emerging markets like China and Latin America.

The exports stood at \$68 million in May last fiscal, according to the Carpet Export Promotion Council (CEPC) figures.

"We had a good number of orders not only from traditional markets like Europe and the US, but also from new markets like China, Middle East and Latin America," a CEPC official said.

Of the country's total carpets exports, Europe accounts for 40 per cent, the US 30 per cent, Middle East 20 per cent and Latin America 10 per cent.

During April-May, 2011, the carpets exports grew by 13 per cent to \$129

million compared to the same period last fiscal.

Among the categories, which have registered maximum growth are synthetic carpets, which grew by 25 per cent, followed by handmade woollen tufted carpets 12.4 per cent and handmade silk carpets 11 per cent.

The carpets exports sector employs 2.5 million people. The council expects the carpets exports to grow by 25 per cent in 2011-12 compared to the last fiscal.

These exports jumped 24 per cent to \$653 million in 2010-11 compared to the previous fiscal.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/carpets-exports-grow-by-7-per-cent-in-may/articleshow/8801426.cms>

### **IT sector to see 20% rise in hiring this yr: survey**

The IT sector is likely to witness a 20% increase in overall workforce levels in the coming year as this segment will continue to see double digit growth, says a survey.

According to the IT Employer Survey by HeadHonchos.Com - a job search portal for senior management professionals,



## Weekly Economic Bulletin



76% of respondents expect the increase in headcount to be in the range of 11-15% whereas 36% expect this figure to be as much as 16-20%.

"Hiring is set to increase across all levels, including 9.5% for middle management and 4.5% for senior professionals," HeadHonchos.Com CEO Uday Sodhi said.

Overall as many as 97% of the HR managers polled said the industry will see a substantial increase in overall workforce in the coming year.

<http://businessstandard.com/india/news/it-sector-to-see-20-rise-in-hiring-this-yr-survey/138103/on>

### News Round-Up

#### India to be a success story of our time: Blake

India, fuelled by a young, dynamic and educated population, is all set to be a success story of our time, a top Obama Administration official said.

Noting that the country was on track to have the largest economy by 2050, US Assistant Secretary of State for South and Central Asia Robert Blake said, "India is a rising giant whose influence is being felt not only in the Indian Ocean, but in the Americas, in Africa, the Middle East, and in Central Asia."

"Its rise - fuelled by a young, optimistic, dynamic, educated population - will be one of the great stories of our time," Blake said in his remarks at the Center for Strategic and International Studies, a

Washington-based think tank.

"Our strategic relationship can make the world more secure and democratic, while our commercial partnerships can produce novel products that meet the needs of the 21st century consumer and create millions of new jobs in each of our countries," he said.

"Our people, our businesses, our diverse, intertwined knowledge-based societies will support the next chapter of the US-India partnership," he said in his speech.

Blake said the global strategic partnership between the United States and India is founded on shared values and exceptional people-to-people ties.

"But we must remember that this is a long-term project. Neither country can



## Weekly Economic Bulletin



take the relationship for granted. We need to work together to ensure that the spirit of President (Barack) Obama and Prime Minister (Manmohan) Singh's November 2009 summit is carried forward through concrete steps," he said.

"Such achievements will build the political support in Washington and Delhi, as well as Mumbai and Manhattan, to think more ambitiously about what we can achieve, and where our partnership will go in the rest of the 21st century," he said.

Blake said the ties between the two countries are poised to expand more in coming months.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/india-to-be-a-success-story-of-our-time-blake/articleshow/8801230.cms>

### **Indians most upbeat on economy, personal finances: study**

India has emerged as the most optimistic housing market in the world, as Indian home-buyers are upbeat about the country's economy as well as their personal finances, says a study by a global mortgage insurer.

According to a survey by mortgage insurer Genworth Financial Inc, 64% of surveyed

respondents in India felt positive about the outlook for their national economy over the next 12 months compared to just 30% across all surveyed countries.

Respondents in India, Mexico, Canada and Australia were the most positive about their countries' economies, while the US, Ireland, the UK were least confident, the study said.

Explaining the factors behind the high optimism of Indian and Mexican home-buyers the study said cultural factors have a large affect on home-buyers.

Potential home-buyers in India and Mexico save by living with their parents and extended family.

Over 80% of potential home-buyers in these countries were living with at least one other generation, and over 30% were living with at least two other generations, the study said.

By living at home, potential home-buyers are able to reduce their living expenses, unlike in countries like Canada, the US and UK, where half of all respondents were living away from the family home, paying rent and incurring living costs.

<http://businessstandard.com/india/news/indians-most-upbeat-economy-personal-finances-study/138045/on>

## Weekly Economic Bulletin



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