सत्यमेव जयते
ITP Division
Ministry of External Affairs
Government of India

Weekly Economic Bulletin

Date: March 01 - 07, 2011 **Issue No. 410**

CONTENTS

News Feature

Economy grows 8.2% in Q3 on good agri show

Indian economy expanded 8.2% in the third quarter of the current financial year on the back of robust growth in agriculture and services sectors . The growth number was in line with expectations, but lower than 8.9% growth recorded in the previous two quarters, government data showed.

Farm output grew 8.9% over the year-ago period, boosted by strong monsoon rains, while the manufacturing sector experienced a slowdown at 5.6%. The decline in investments, which grew 5.99% in the quarter compared with 17.84% in the previous quarter, remained a concern.

http://economictimes.indiatimes.com/news/economy/indicators/economy-grows-82-in-q3-on-good-agri-show/articleshow/7598916.cms

Core sector output rises 7.1% in Jan

The output of the country's six core infrastructure industries grew 7.1 per cent in January, on the back of healthy production of crude oil, petroleum refinery products and electricity.

The six core sectors — crude oil, petroleum refinery products, coal, electricity, cement and finished steel — had expanded by 9.8 per cent in the same month last year.

In December 2010, the output of these infrastructure industries rose by 6.1 per cent. The six core industries account for 26.68 per cent of the country's total industrial output. Petroleum refinery and crude oil output grew by 8.7 per cent and 10.8 per cent respectively in January, up from 3.8 per cent and 9.8 per cent in the same period last year, a statement released by the Ministry of Commerce and Industry showed.

Electricity generation grew by a healthy 9.3 per cent, compared to 6.4 per cent growth in the corresponding month last year, the data said. However, coal output dropped by 1.2 per cent as against 5.4 per cent expansion during the same month last year.

http://www.business-standard.com/india/news/core-sector-output-rises-71-in-jan/427032/

Capital inflows likely to touch $64 b this fiscal

Capital flows into India are likely to touch $64 billion in the current fiscal, much higher than the $40-billion that the country received in the previous fiscal, Dr C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council, has said.

Given the expected capital inflows, financing of current account deficit (CAD) will not be a problem, Dr Rangarajan said at the spring meeting of the Institute of International Finance (IIF).

The council's Chairman said that the more recent data indicated that CAD may even be closer to 2.5 per cent of gross domestic product (GDP) in the current fiscal. “We think we should move towards a CAD of 2-2.5 per cent of GDP,” he said, pointing out that India's CAD had remained below 2 per cent until 2008-09. India's CAD as a percentage of GDP was 2.8 per cent in 2009-10.

Dr Rangarajan highlighted that the different growth rates at which the Indian economy was moving and the rates at which advanced economies are moving is contributing to higher CAD. “While our import demand is rising because of our higher growth rate, our export demand is not rising to the same extent because of the inadequate growth rate in developed economies,” he said.

http://www.thehindubusinessline.com/industry-and-economy/economy/article1503980.ece

India's services PMI at 7-mth high, outlook robust

India's services sector expanded in February at its fastest pace in seven months, helped by a steady expansion of new business, even as input price pressures intensified, a survey showed.

The HSBC Markit Business Activity Index, based on a survey of around 400 companies, rose to 60.2 in February from 58.1 in January, staying above the 50 mark that separates growth from contraction for the 22nd consecutive month.

The PMI's new business sub-index, at 59.6, recorded its strongest growth since June as market conditions improved, and developed economies recovered.

"The strong growth momentum in the services sector continued into February and accelerated, with both business activity and new business coming in stronger." said Leif Eskesen, chief economist for India & ASEAN at HSBC.

"Optimism about the outlook also improved." The degree of positive sentiment in the business expectations sub-index was the strongest in 16 months.

In tandem with the strong growth momentum, input prices increased in February, driven primarily by higher costs for staff, food and fuel. Still, the rise in input costs slowed marginally from January's 30-month high.

Growth in the input prices sub-index is likely to remain strong in the near term, propelled by world crude oil prices that are near record highs, and inflation that refuses to fall despite the Reserve Bank of India (RBI) raising rates seven times in the past 12 months.

http://economictimes.indiatimes.com/news/economy/indicators/indias-services-pmi-at-7-mth-high-outlook-robust/articleshow/7617352.cms

Overseas Investment

FIIs allowed to invest $20 b more in bonds of infrastructure cos

In keeping with its thrust on infrastructure development and also deepening the corporate debt market, the Centre has hiked the foreign institutional investors (FII) investment limit in corporate bonds to $40 billion.

It represents an increase of $20 billion over the earlier limit of $20 billion under this window.

The additional limit of $20 billion will be available to FIIs only for investments in corporate bonds issued by companies in the infrastructure sector, the Finance Minister, Mr Pranab Mukherjee, said in his Budget speech.

Also, the investments would have to be made in bonds with residual maturity of over five years.

This move would in effect take the overall limit for FII investment in corporate bonds of companies in the infrastructure sector to $25 billion.

Prior to this announcement, the total FII investment limit in corporate bonds was pegged at $20 billion, including a $5-billion sub-limit for bonds with a residual maturity of over five years and issued by companies in the infrastructure sector.

Meanwhile, Mr Mukherjee announced that FIIs would also be permitted to invest in unlisted bonds with a minimum lock-in period of three years. This is being allowed as most of the infrastructure companies are organised in the form of special purpose vehicles, it was pointed out.

However, the FIIs will be allowed to trade among themselves during the lock-in period.

To enable higher FII investment flows into the corporate debt market, the Centre had in January 2009, at the peak of the financial crisis, raised the FII investment cap in corporate bonds to $15 billion from $6 billion.

This limit was further hiked by $5 billion in September 2010 but with a rider that this incremental limit be invested in securities with a residual maturity of over five years issued by companies in the infrastructure sector.

This move was intended to ensure greater participation of FIIs on a longer term basis and also enable the flow of long-term resources to the infrastructure sector.

http://www.thehindubusinessline.com/todays-paper/tp-budget/article1498836.ece

FDI cap in pharma will hurt global investor confidence: OPPI

Imposing restrictions on FDI in the pharmaceutical sector , in the wake of MNCs acquiring domestic firms would hurt overseas investment flows into India and will send a wrong signal to global investors, Organisation of Pharmaceutical Producers of India (OPPI) said.

OPPI, an industry organisation with members mainly from the Indian arms of global pharma firms, also said the fear of increase in prices of drugs due to acquisition of homegrown firms by global counterparts is totally unfounded.

"Any move to put a cap on the FDI in pharma sector on this assumption will send a wrong signal to the global investors in all industries," OPPI President Ranjit Shahani told.

Such a move at a time when the government is concerned about the decrease in the flow of FDI to India will lead to shifting of investments to other countries and will also discourage spending in healthcare sector, he said.

Due to impediments and uncertainties faced by the foreign investors here, they are investing in other countries such as China, where global companies like Eli Lilly, Novartis and Roche are setting up R&D activity, Shahani added.

http://economictimes.indiatimes.com/news/economy/foreign-trade/fdi-cap-in-pharma-will-hurt-global-investor-confidence-oppi/articleshow/7619953.cms

Trade News

India-ASEAN aim to boost trade 40 per cent by 2012

India and the 10-nation ASEAN bloc aim to increase trade 40 per cent by 2012 on the back of a free trade pact and push for deeper economic integration, an New Delhi said.

Asia's third-largest economy has long courted its eastern neighbours under its "Look East" policy, hoping for increased commerce and investment with the ASEAN zone of nearly 600 million people.

India and the Association of Southeast Asian Nations (ASEAN) "are committed to achieving a trade target of $70 billion by 2012," up 40 per cent from $50 billion in 2010, Trade Minister Anand Sharma said in New Delhi.

He was speaking at the first India-ASEAN business fair held since the 2009 signing of the free trade pact that came into effect last year.

Sharma said India and ASEAN were working to move beyond the free trade in goods and reach similar pacts soon on free flow of investment and services.

"This will mean a comprehensive economic partnership between India and ASEAN," he told trade ministers from ASEAN nations who attended the opening of the fair which runs to March 6.

Malaysia Trade Minister Mustapa Mohamed said talks on reaching a services pact could be wrapped up by December.

Sharma said India offered huge opportunity for investment, citing its projected need for $1 trillion over the next five years to upgrade its dilapidated ports, roads and other infrastructure.

Malaysia's trade minister, speaking on behalf of ASEAN, said the free trade pact had "been integrated smoothly and I have every confidence the $70 billion (trade) target can be realised."

http://economictimes.indiatimes.com/news/economy/foreign-trade/india-asean-aim-to-boost-trade-40-per-cent-by-2012/articleshow/7610772.cms

Philippines invites Indian investment in mining, BPO sectors

The Philippines invited the Indian industry to invest in its sectors like mining, BPO, food processing and tourism.

"BPO is a well established area ... Besides, mining, tourism, electronics manufacturing, automobiles and garments are the other potential areas," the Secretary (Cabinet Minister), Department of Trade and Industry , the Philippines, Gregory L Domingo , said.

The Philippines government considers the BPO sector as a preferred business activity in its investment priorities plan.

Foreign mining companies like Anglo American, BHP Billiton and Sumitomo Mining already have their presence in the Philippines. Further, Domingo said that the country is reviewing easing visa procedures for Indian corporates to encourage more investments from India.

In 2009-10, the bilateral trade between India and the Philippines stood at over $ 1 billion. The main exports to the Philippines include electronic integrated circuits and micro assemblies, phosphoric acid, while imports are flat-rolled steel and iron ore products.

http://economictimes.indiatimes.com/news/economy/foreign-trade/philippines-invites-indian-investment-in-mining-bpo-sectors/articleshow/7602303.cms

India, Norway sign pact to avoid double taxation

India and Norway signed a new double taxation avoidance agreement (DTAA) that would, among other things, pave the way for exchange of banking-related information between the two countries for tax administration purposes.

The DTAA was signed by the Finance Minister, Mr Pranab Mukherjee, and the Norwegian Minister of Research and Higher Education, Ms Tora Aasland. The new pact will, upon entering into force, replace the existing double taxation avoidance convention (DTAC) signed between the two countries on December 31, 1986.

Lower tax rate

The new DTAA provides for lesser rate of taxation of dividend and interest in the source country. The new rate would be 10 per cent as against 15 per cent or 25 per cent in the existing DTAC.

It also has an article on exchange of information that specifically provides for exchange of banking information and information without domestic interest.

These are missing in the DTAC.

Speaking on the occasion, Mr Mukherjee said it was a matter of happiness that the two countries have signed, after a span of 25 years, the revised agreement for the avoidance of double taxation and prevention of fiscal evasion.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1150737.ece

India, Turkey aim at $5-b trade by 2012

India and Turkey have set a trade target of $5 billion by 2012 and $10 billion in the next 10 years, an official statement said.

This followed a bilateral meeting in Turkey between the Minister of State for Commerce and Industry, Mr Jyotiraditya Scindia, and his Turkish counterpart Mr Nehat Ergun.

"Turkey presents the most compelling imperative for India to develop a strategic partnership in energy security, infrastructure development, automotives, and engineering industry fields," Mr Scindia said in the statement.

The Minister added that, "there are immense possibilities for economic collaboration, joint projects and joint investments in our regions which are of common interest to both India and Turkey."

Growing Trade

Trade between Turkey and India has grown at a Compounded Annual Growth Rate (CAGR) of around 27 per cent and reached $3.14 billion in 2009-10 from $1.2 billion in 2005-06.

http://www.thehindubusinessline.com/todays-paper/tp-economy/article1156987.ece

Sectoral News

Exports up 32.4 pc in Jan, may touch USD 225 bn in 2010-11

Driven by a pick-up demand in the US and Latin American markets, India's exports rose by 32.4 per cent year-on-year to USD 20.6 billion in January, in line with projections that overall shipments will touch USD 225 billion this fiscal.

During the April-January period of 2010-11, outbound shipments grew by 29.3 per cent to USD 184.63 billion vis-a-vis the year-ago period, Commerce Ministry data released showed.

Apex exporters' body FIEO said the country's exports are increasing in new markets of Latin America and Africa, along with the US and especially within Asia.

"The January number is a huge jump. Strategy of going beyond the traditional markets of the US and Europe is paying rich dividends," the Federation of Indian Export Organisations (FIEO) said.

The government incentivises exporters to explore African and Latin American markets.

However, Finance Minister Pranab Mukherjee today said there are several external factors that pose challenges to the Indian economy.

"Global recovery remains fragile... There is also the danger of sovereign debt crisis in peripheral euro zone countries spilling over to financial markets," Mukherjee said at the Annual General Meeting of Ficci.

As per the data, imports grew by 13.1 per cent during the month to USD 28.58 billion, resulting in a trade deficit of USD 7.98 billion.

Commerce Secretary Rahul Khullar recently said India is likely to cross the USD 200 billion export target for the fiscal in February and total shipments during the year are likely to touch USD 225 billion.

The Commerce Ministry has also sought public comments on its strategic paper to double India's exports to USD 450 billion in the next three years.

As per the ministry, the sectors that performed well during the April-January period of the current financial year include gems and jewellery (up 9.3 per cent), engineering (up 70 per cent) and petroleum and oil lubricants (up 36 per cent).

http://economictimes.indiatimes.com/news/economy/indicators/exports-up-324-pc-in-jan-may-touch-usd-225-bn-in-2010-11/articleshow/7600638.cms

Rs 6,626-cr Budget booster for space sector

Budget 2011-12 for the Department of Space brings focus back on ‘bread and butter' satellite and launch projects even as it puts human flight or Mars dreams on the back seat.

The Department of Space is to get a total of Rs 6,626 crore (including a non-Plan Rs 926 crore) in Budget 2011-12. Of this, Rs 2,061 crore is for launch vehicles and related technologies.

Overall, upcoming satellites and launch vehicles have been given Rs 900 crore, including two foreign launches that have been contracted with Arianespace, an official said.

If you went by the annual schedule of the space agency ISRO, the period April 2011-March 2012 could be the busiest year yet with seven targeted launches of PSLVs (4), GSLVs (2) and hopefully the heavy-lifting GSLV MkIII.

These are expected to put a couple of GSat communication satellites and some remote-sensing satellites (IRSs) in orbit. They are needed to sustain ongoing broadcasting, communication and commercial services.

The latest DoS allocation of Rs 6,626 crore is a 36 per cent jump over revised 2010-11 estimates of Rs 4,880 crore.

Compared with last year's first estimate of Rs 5,778 crore, the Budget this year signifies a regular 15 per cent annual increase for space.

http://www.thehindubusinessline.com/industry-and-economy/economy/article1504067.ece

Auto makers post strong sales in February

Indian automobile manufacturers continued to drive a robust growth track in February as customers advanced purchases fearing the Union Budget might hike excise duty on cars.

The Budget for 2011-12 unveiled on Monday, however, left excise duty unchanged at 10-22% (contrary to an expectation of a 2% hike) and has been hailed as positive for the sector by experts and analysts, boosting auto shares and lifting the benchmark share index Sensex.

The country's top carmakers Maruti Suzuki, Tata Motors, and Mahindra & Mahindra saw yet another month of double-digit sales numbers despite rising interest rates and looming fears of increase in fuel prices amid surging global crude oil.

Growth in the auto segment also continues to be driven by rising disposable income with the middle-class and a pick up in new product launches by some manufacturers.

http://articles.economictimes.indiatimes.com/2011-03-02/news/28649279_1_sales-rise-sales-growth-excise-duty

Engineering exports may cross $50 bn by fiscal-end: Com Min

India's engineering exports are likely to cross the USD 50 billion-mark by the end of this fiscal on the back of increasing demand in markets like North America , Africa and Middle East countries .

" India is a major exporter of light and heavy engineering goods and has a well-developed and diversified industrial machinery and capital base," Commerce and Industry Ministry Joint Secretary Sumanta Chaudhuri said in a statement.

Engineering exports grew by 61 per cent to USD 38.80 billion during the April-December period this fiscal from USD 24.08 billion in the same period last year.

"Exports of engineering goods from India are likely to be over USD 50 billion in the current fiscal," Chaudhuri said.

Out of India's total engineering exports, valued at USD 32.5 billion in 2009-10, the US and EU accounted for about 65 per cent of the shipments.

The strategy paper of the Commerce Ministry has projected that the country's engineering exports will touch USD 108 billion by 2013-14.

In the engineering segment, India mainly exports industrial machinery, electric machinery and equipment, auto and auto components and ships, boats and floating structures.

http://economictimes.indiatimes.com/news/economy/indicators/engineering-exports-may-cross-50-bn-by-fiscal-end-com-min/articleshow/7626605.cms

India to become fifth largest consumer market by 2025

India is all set to become the world's fifth largest consumer market by 2025, providing significant opportunities for consumer business companies, says a study 'Consumer 2020: Reading the signs' conducted by Deloitte Touche Tohmatsu Ltd.

The convergence of economic, demographic, and technological forces will bring about unprecedented changes in consumer behaviour globally, the study adds.

"With its large market of middle class consumers and growing purchasing power, India is already having a significant impact on the global consumer market across a wide range of consumer goods. As India's economy gains from strength to strength, so does the growth in two-income households giving rise to increased demand for convenience of modern retailing," says the study quoting Mr Rajan Divekar, Senior Director, DeloitteTouche Tohmatsu India.

The report says countries such as India needs to take measures that stimulate consumer spending. This could include liberalising consumer finance and improving the social safety net, so as to encourage consumer spending and allowing the currency to appreciate in value. Methods of engaging consumers in adopting more sustainable behaviour in purchasing products and services will no longer be just about marketing and communicating. Rather, customer engagement will be about connecting and socialising with a larger and enlightened group of consumers.

http://www.thehindubusinessline.com/todays-paper/tp-marketing/article1157015.ece

India has 548.66 million active mobile subscribers

The number of mobile subscribers in India increased by 2.52% in January this year, taking the total number to 771.18 million.

However, the number of active mobile subscribers according to Visitor Location Register (VLR) data in the first month of 2011 was only in the range of 548.66 million. VLR numbers provide details on active customers at any given point of time, excluding switched-off and out-of-coverage area customers.

In December 2010, total telecom subscribers base was 752.19 million, according to the data released by the Telecom Regulatory Authority of India (TRAI).

The overall tele-density (telephones per 100 people) in India touched 806.13 million in the period under review as compared to 787.28 million in December last year. The growth in the wireless category was led by Bharti Airtel, which added 3.3 million subscribers, taking its user base to 155.5 million. RCom has added 3.2 million subscribers followed by Vodafone (3.1 million). The active subscriber number(VLR) showed,Bharti Airtel had the highest ratio of active subscribers.

http://www.financialexpress.com/news/india-has-548.66-million-active-mobile-subscribers/758063/0

News Round-Up

Will be 'honoured' to welcome India as OECD member: Gurria

Appreciating the country's overall efforts, OECD chief Angel Gurria has said the 34-nation grouping would be "very honoured" to welcome India as a member.

"We want to work closer with Brazil, India, Indonesia , China and South Africa (BIICS). If any of them decides that they want to join the OECD, we would be very honoured to start the process," OECD Secretary General Angel Gurria told.

The Paris-based Organisation for Economic Cooperation and Development (OECD) that leads initiatives in establishing international tax standards also advises countries on various economic and financial issues.

When asked about the prospects of India soon becoming an OECD member, Gurria said that "membership is a decision of the country and we are not pushing (for it)... we are saying this is a decision to be taken whenever you (India) are ready..."

He noted that India is working very actively with the OECD and the idea is to have greater cooperation in areas where the grouping can be more useful.

Striking a cautious note, Gurria said that grouping could become less relevant unless it works closer with countries such as India and China in the future.

Currently, OECD member nations that include US, Japan and Germany , account for over 60 per cent of the global economic output.

http://economictimes.indiatimes.com/news/economy/indicators/will-be-honoured-to-welcome-india-as-oecd-member-gurria/articleshow/7638922.cms

India in top 10 manufacturers list

India was amongst the top 10 manufacturers in 2010 and together with Brazil and China accounted for a third of the world manufacturing output, up from one-fifth 10 years ago, said a United Nations report .

"India is listed as one of the top 10 manufacturers of the world in 2010," the international yearbook of industrial statistics 2011, published by the United Nations Industrial Development Organisation (UNIDO) said.

India along with other leading developing economies such as Brazil and China showed strong performance in economic growth in 2010 and the manufacturing value added of all these countries grew by over 10% last year, the agency said.

The share of these three countries in world manufacturing output reached 32% compared to 20% 10 years ago, the report, released in Vienna, added.

World manufacturing value added, or MVA, rose 5.3% in 2010, as per the agency's estimate.

The MVA of industrialised countries was up 3.4% in 2010.

India topped developing countries (excluding China) in production of textiles, chemical products, basic metals, general machinery and equipment, and electrical machinery.

It overtook Brazil in the production of motor vehicles and now ranks second among developing countries after Mexico.

http://economictimes.indiatimes.com/news/economy/indicators/india-in-top-10-manufacturers-list/articleshow/7624153.cms

DISCLAIMER

The information contained in this Bulletin, is a compilation of information from various sources. While we endeavour to keep the information updated, we make no claim to the accuracy and completeness of the same.

Designed, Developed
& Maintained by
FICCI-BISNET