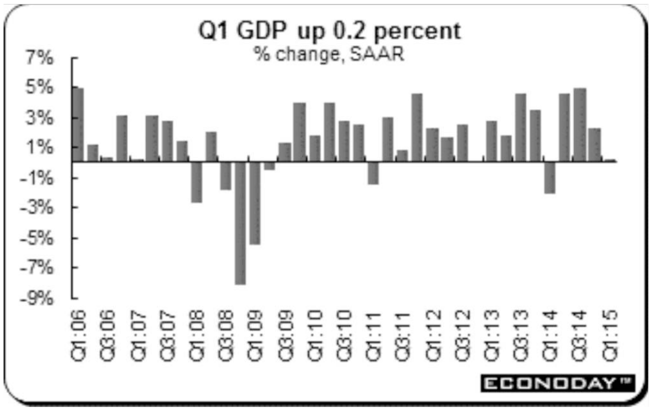
Economic Updates: Global

Us Economy

U.S. economy posts Lackluster Q1-2015 GDP growth Led by transitory factors



Fed cited "transitory" factors as the big reason for very slow first quarter when GDP barely grew at all, up only 0.2 percent. These transitory factors were heavy weather followed by the now resolved port dispute on the West Coast. Other factors could be the drop in oil prices, which has impacted investment in the oil & gas sector, and perhaps the first-quarter surge in the value of the dollar which has affected the nation's exports. These latter factors could prove to have long-term effects on the economy.

Personal consumption was the largest positive contributor to GDP—growing by 1.9%, down from 4.4% in the fourth quarter. Nonresidential fixed investment fell by 3.4%, after an increase of 4.7% in the fourth. Investment in nonresidential structures was the most notable fixed investment loss, decreasing by 23.1% after gaining 5.9% last quarter.

Annualized % Change	Q1 2015 1st Est.	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Real GDP	0.2	2.2	5.0	4.6	-2.1
% Contribution to Real GDP					
Consumption	1.3	3.0	2.2	1.8	0.8
Fixed Investment	-0.4	0.7	1.2	1.5	0.03
Residential	-0.04	0.1	0.1	0.3	-0.2
Non-Residential	-0.4	0.6	1.1	1.2	0.2
Inventories	0.7	-0.1	0.0	1.4	-1.2
Net Exports	-1.3	-1.0	0.8	-0.3	-1.7
Government	-0.2	-0.4	0.8	0.3	-0.2

Goods exports declined by 13.3%, likely due in part to strengthening dollar values. Imports of goods and services increased by 1.8%, down from 10.4% in the fourth quarter.

Government consumption expenditures rose by 0.3%, compared to a 7.3% fall in the fourth quarter. State and local government expenditures declined by 1.5% after increasing 1.6%.

First-quarter GDP in 2014 was severely hurt by what was then the Polar Vortex which helped pull GDP down by minus 2.1 percent. This set up a rebound in the second-quarter for plus 4.6 percent.

US Trade Deficit Widens as Imports Increase More Than Exports

The U.S. international trade deficit increased in March, rising to $51.4 billion, up from $35.9 billion in February. The $1.6 billion increase in exports was not enough to offset the $17.1 billion increase in imports.

$ Billions	Mar	Feb	Jan	Dec	Nov	Oct
Trade Balance	-51.4	-35.9	-42.7	-45.6	-39.5	-41.9
Exports	187.8	186.2	189.2	195.0	196.8	198.7
Imports	239.2	222.1	231.9	240.1	236.3	240.6
Goods	70.6	-55.7	-62.5	-65.0	-59.0	-61.2
Services	19.2	19.8	19.6	19.4	19.2	19.3
Petroleum	-7.7	-8.2	-10.7	-14.6	-11.6	-15.2

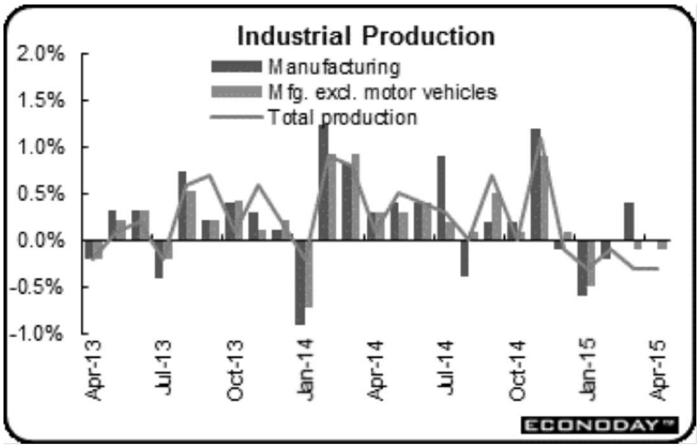
The rise in exports was largely composed of a $700 million dollar increase in civilian aircraft and aircraft engines.

Imports were driven by higher demand for consumer goods, which increased by $9.0 billion and capital goods, which increased by $4.0 billion.

The goods deficit increased $14.9 billion to $70.6 billion, while the services surplus decreased $0.6 billion to $19.2 billion.

Since March 2014, the goods and services deficit has increased 5.2%. Exports decreased $11.7 billion (2.0%) and imports decreased $5.3 billion (0.8%).

US Industrial production decline in fifth consecutive month



Industrial production decreased 0.3% in April, the fifth consecutive monthly decline. From April 2014, the index increased 1.9%.

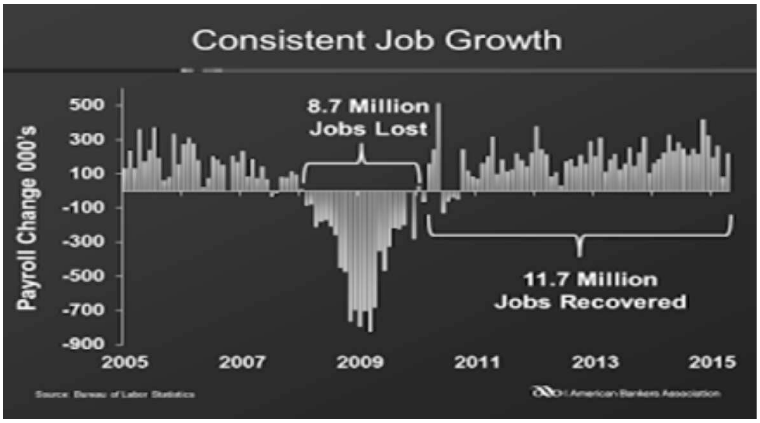
	Apr	Mar	Feb	Jan	Dec	Nov
M/M % Change						
Total Output	-0.3	-0.3	-0.1	-0.3	-0.1	1.1
Manufacturing	0.0	0.3	-0.2	-0.6	0.0	1.2
Mining	-0.8	-0.1	-2.1	-1.2	2.6	-0.5
Utilities	-1.3	-5.4	4.9	3.3	-5.0	3.6
Percent of Capacity						
Capacity Utilization R.	78.2	78.6	78.9	79.2	79.5	79.8

Output of utilities fell by 1.3%. Mining output decreased by 0.8% driven by a sharp fall in oil and gas well drilling. Manufacturing output was flat from March, as a small increase in the production of durables was offset by a small decrease in the output of non-durables

Final products declined 0.5%, driven by declines in both consumer goods and business equipment. Non-industrial supplies increased 0.2% as construction increased 0.1% and business supplies increased 0.3%. The index for materials declined 0.2% as a result of a 0.5% reduction in energy materials.

U.S. Added 223,000 Jobs in April

Total non-farm payroll employment rose by 223,000 in April, up from last month's revised estimate of 85,000. The unemployment rate dropped slightly to 5.4%, the lowest since 2008.



Professional and business services gained 62,000 jobs in April. Health care added 45,000 jobs in April and 390,000 jobs over the last year. Construction gained 45,000 jobs in April and 280,000 jobs over the past year.

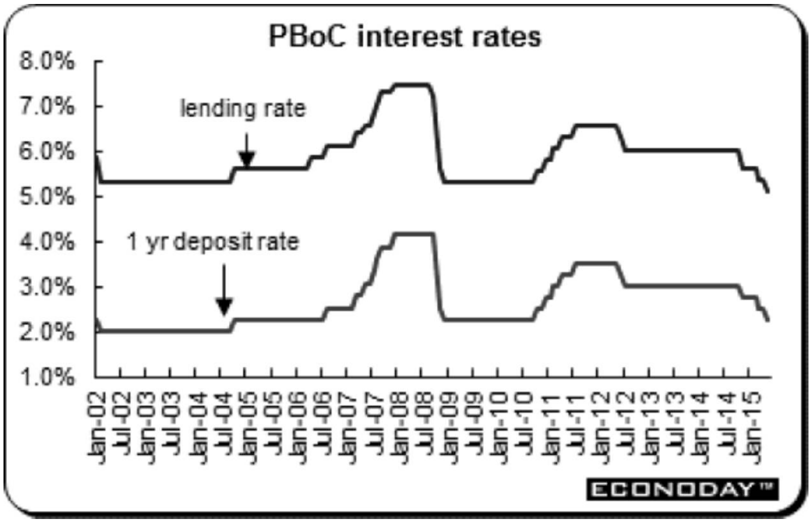
Mining employment saw job losses, losing 15,000 jobs in April. Most of the losses were in support activities for mining and oil and gas extraction. Mining employment has fallen by 49,000 since the beginning of the year.

	Apr	Mar	Feb	Jan	Dec	Nov
Payroll Change (000s)	223	85	266	201	329	423
Goods Producing	31	-21	20	51	64	76
Services	182	115	241	151	255	338
Public Sector	10	-9	5	-1	10	9
Unemployment Rate	5.4	5.5	5.5	5.7	5.6	5.8
Labor Force Particip. R.	62.8	62.7	62.8	62.9	62.7	62.9

CHINA ECONOMY

People's Bank of China cuts Interest rate

The People's Bank of China cut interest rate by 25 basis points to 5.10 percent. The PBoC last cut rates on February 28, also by 25 basis points. The move was in response to the latest round of weak economic data. The Bank also cut the one-year deposit rate by 25 basis points, to 2.25 percent.

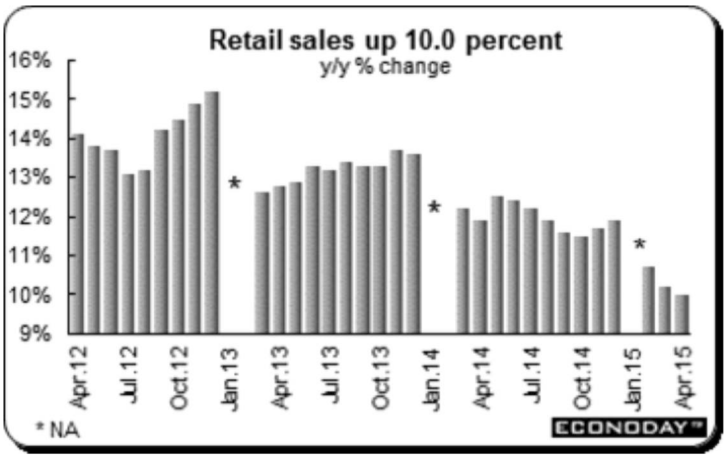


The Bank said in an accompanying statement that it will continue to promote real interest rates back towards reasonable levels. The tone of the comments was more aggressive than those of previous policy moves and suggests that the government's appetite for these kinds of adjustments will grow as long as China's low inflation/deflationary environment persists.

The move came after the government revealed weaker than expected merchandise trade figures, with exports dropping 6.2 percent in April from a year earlier, and amid continuing signs of weakness in other parts of the economy. The government reported tepid consumer inflation —1.5 percent in April compared with the same month last year.

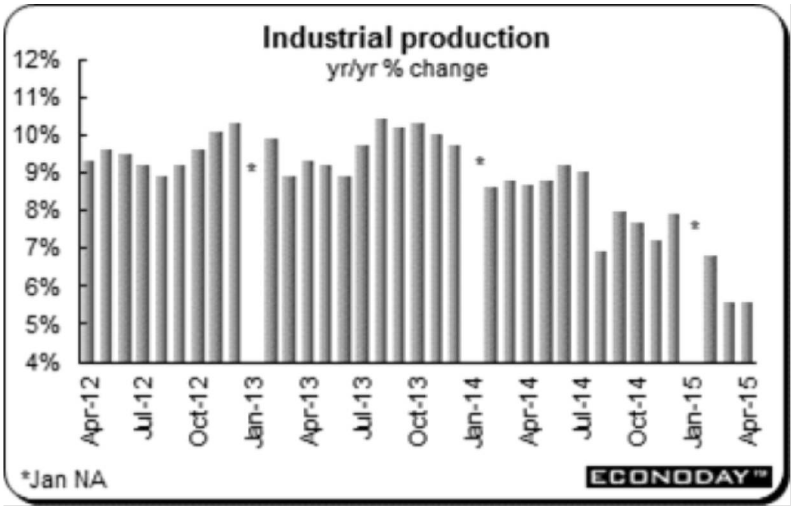
By reducing interest rates, the government hopes to spur lending to businesses and create more momentum in the economy. Although China is still growing faster than any other major economy, the slowdown has accelerated in recent months. China reported that its economy grew just 7 percent on the year in the first quarter of this year, one of the lowest rates in a decade and far below decades of double-digit growth. April data for industrial output and retail sales also disappointed.

China's retail Sales at Nine-year low



China's April retail sales were up 10.0 percent from a year ago, down from 10.2 percent in March. This was the slowest pace since February 2006. On the month, sales improved to 0.74 percent from 0.64 the month before. Year to date, sales eased to an increase of 10.4 percent from 10.6 percent. Urban sales also were lower, increasing 9.8 percent. Rural sales were up 11.4 percent, slipping from March's 11.5 percent increase.

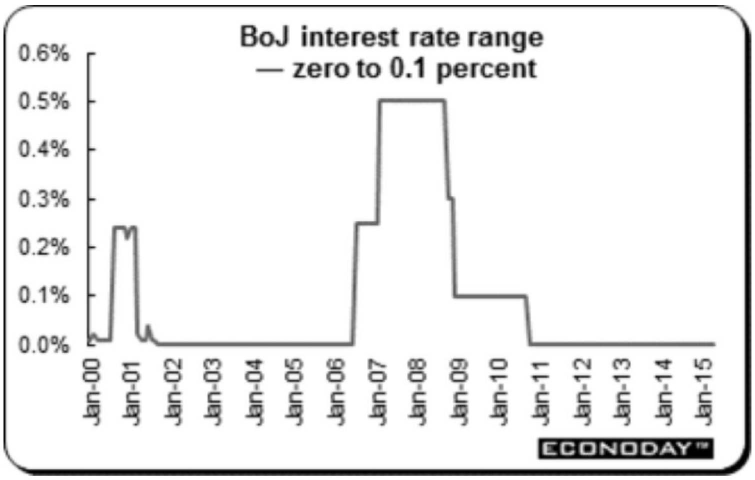
China's Industrial production improves in April



China's April industrial production improved to 5.9 percent from 5.6 percent in March on the year. However, it still missed forecasts for a 6 percent increase. The March figure was the lowest since November 2008. The lackluster data add to second quarter weakness already seen in trade and inflation numbers. On the month, output was up 0.57 percent after rising 0.26 percent in March. For the year to date, production was up 6.2 percent after increasing 6.4 percent. Output improved for textiles, chemical, non-metal minerals and ferrous metals. However, output dropped for transportation equipment, machinery and communications. Motor vehicle production dropped 0.3 percent after increasing 3.5 percent the month before.

JAPAN ECONOMY

Bank of Japan keeps Interest rates unchanged



At its latest monetary policy board meeting The Bank of Japan left its key interest rate range at zero to 0.1 percent. It said it would continue to buy JGBs at an annual pace of ¥80 trillion.

The BoJ pushed back its target date for reaching 2 percent inflation. Now Governor Haruhiko Kuroda says he expects the goal to be reached "around the first half of fiscal 2016," instead of the original plan for "within fiscal 2015."

The BoJ reduced its median inflation projection for fiscal 2015 from 1.0 percent to 0.8 percent, with declining crude oil prices and a slight sluggishness in the recovery of consumer spending. However, the Bank expects the recovery of inflation will speed up in the second half of fiscal 2015 and reach the 2 percent target around the first half of fiscal 2016

The BoJ retained its view that consumer prices are recovering and will continue with the upward trend supported by an upswing in consumer spending on the back of improved corporate performances and wage increases.

A slew of Japanese economic data released once again left something to be desired. Consumer spending, which accounts for about two-thirds of GDP, continued to drop in the aftermath of the April 2014 consumption tax increase from 5 percent to 8 percent. Consumers gorged themselves prior to the increase but now spending is languishing. Japanese industrial output fell for a second straight month in March, casting doubts over the strength of the country's economic recovery.

EUROZONE ECONOMY

The Eurozone economy began to show signs of growth even though Germany slowed. ECB President Mario Draghi continually repeats that the Bank will stay the course on its easing program.

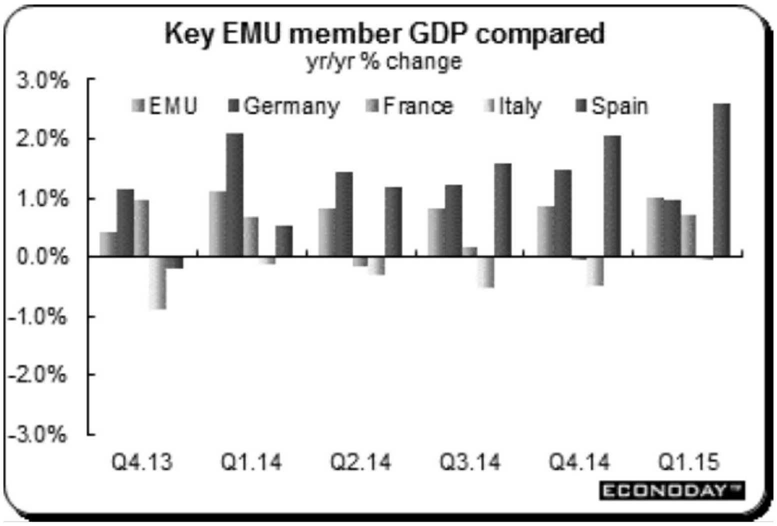
The introduction of quantitative easing by the European Central Bank initially pushed the euro down below $1.05 in March. However, it rose sharply in recent days. A string of weak U.S. economic data releases triggered a broad dollar selloff, but the euro's recovery has been particularly strong.

The European Bank for Reconstruction and Development (EBRD) lifted the outlook for central and southeastern European economies citing quantitative easing by the ECB, the weaker euro and lower oil costs.

On the other hand, Russia's deep recession is having spillover effect on countries with which it has strong economic links. In the latest Regional Economic Prospects, the EBRD projected overall stagnation in 2015 across all 35 countries covered and a meagre expansion of just 1.4 percent in 2016.

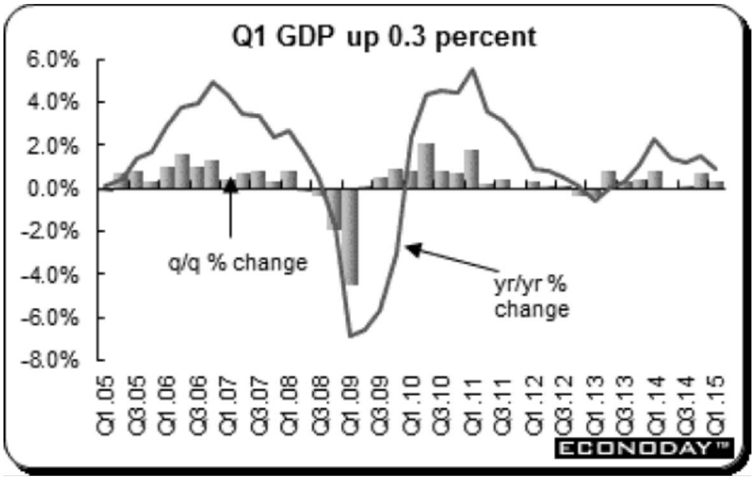
Greece, the EBRD's newest beneficiary country, has been badly hit by fears it may default on its external debt obligations and exit the Eurozone. Greece is expected to stagnate this year before expanding 2 percent next year.

Euro zone GDP growth comes at 1%



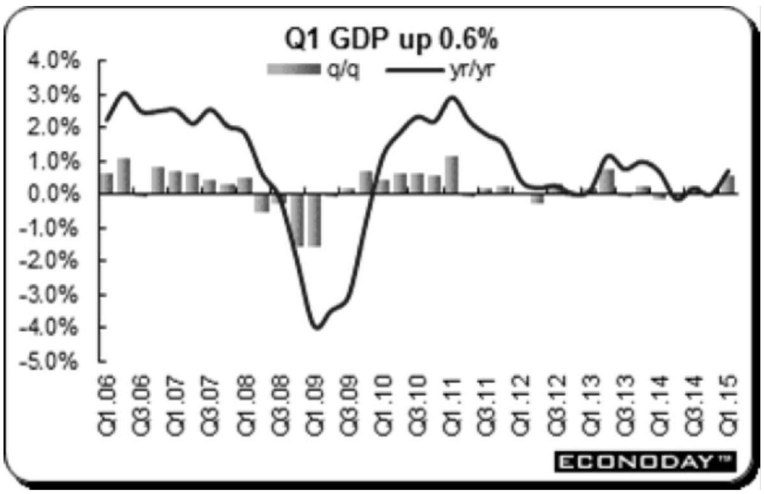
First quarter gross domestic product expanded 0.4 percent on the quarter and was up 1.0 percent from a year ago. Growth was hindered by a sharp slowdown in Germany where total output expanded a quarterly 0.3 percent following a 0.7 percent rise at the end of last year. However, France (0.6 percent after 0.0 percent) was surprisingly robust and Spain (0.9 percent after 0.7 percent) posted its strongest performance in more than seven years. Italy (0.3 percent after 0.0 percent) saw its first positive print since the third quarter of 2013. Among the smaller countries Cyprus (1.6 percent after minus 0.4 percent) finally pulled out of recession but Finland (minus 0.1 percent after minus 0.2 percent) saw a second successive quarter of falling output.

GermanyQ1 GDP up 0.3%



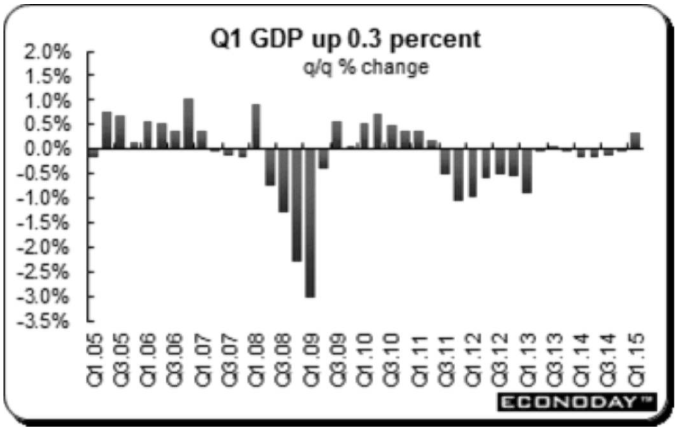
First quarter gross domestic product was up 0.3 percent on the quarter and was up 1.0 percent on the year in Germany. The German statistics office simply pointed out that the quarterly increase in total output came about as a result of stronger domestic demand. Household and general government consumption as well as fixed capital formation in construction and machinery and equipment saw solid gains. However growth was hit by worsening net trade as increase in exports was easily matched by imports.

France Q1 GDP up 0.6%



First quarter gross domestic product indicated that the French economy increased 0.6 percent on the quarter and was up 0.7 percent from the same quarter a year ago. The French economy enjoyed its best period since 2013. The national accounts showed the rise in total output was dominated by household consumption which was up a quarterly 0.8 percent after just a 0.1 percent gain in the previous period. Government consumption rose 0.4 percent but private investment continued to decline, this time by 0.2 percent. Weakness here was again attributable to the housing market, its worst performance since the second quarter of 2014. Inventories added 0.5 percentage points. Growth would have been a lot stronger but for a marked deterioration in net exports which, subtracted 0.5 percentage points at the start of the year. While having boosted growth by 0.2 percentage points in the fourth quarter.

Italy GDP growth up 0.3%



Italy's First quarter gross domestic product expanded for the first time since 2013. GDP increased 0.3 percent on the quarter and followed an unrevised zero rate in the fourth quarter. The gain lifted annual growth from minus 0.5 percent to 0.0 percent, the first non-negative print since the third quarter of 2011. GDP expenditure components indicate that output was up in both industry and agriculture but only flat in services.

UK ECONOMY

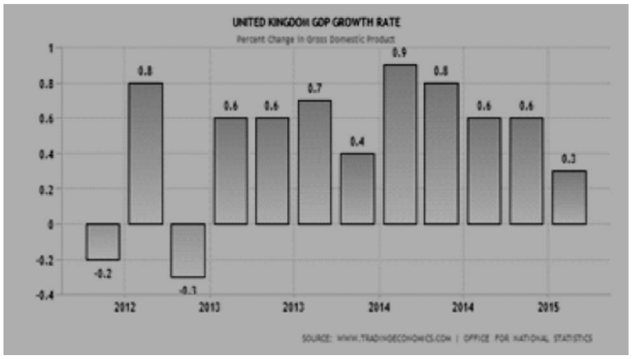
BoE Leaves Rate Steady at 0.5%

The Bank of England left the Bank Rate unchanged at a record low 0.5 percent on May 11th as the Asset Purchase Programme was left unchanged at £375 billion.

The inflation rate remained well below the central bank target of 2 percent while GDP growth slowed in the first three months of 2015.

The previous change in Bank Rate was a reduction of 0.5 percentage points to 0.5% on 5 March 2009. A programme of asset purchases financed by the issuance of central bank reserves was initiated on 5 March 2009. The previous change in the size of that programme was an increase of £50 billion to a total of £375 billion on 5 July 2012.

UK GDP Growth declines to 2-Year Low



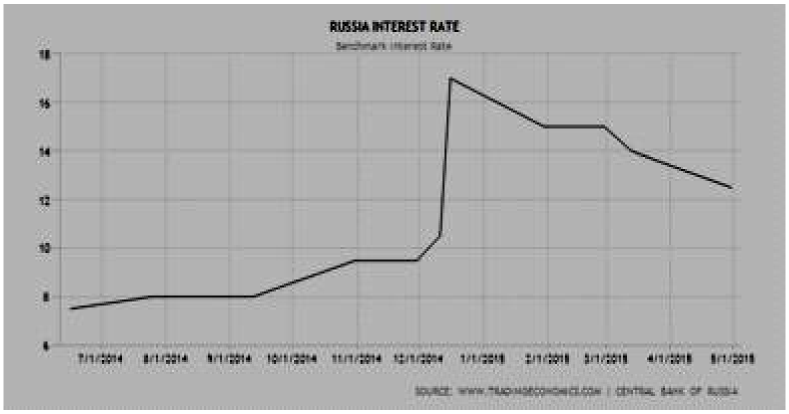
The British economy grew 2.4 percent year-on-year in the first three months of 2015, the lowest in five quarters, dragged down by a fall in mining and construction and a slowdown in services and manufacturing. GDP Growth Rate in the United Kingdom is reported by the Office for National Statistics.

On a quarterly basis The Gross Domestic Product (GDP) in the United Kingdom expanded 0.30 percent in the first quarter of 2015 over the previous quarter.

The United Kingdom is the world's sixth largest economy. Like in the case of many other developed nations, services is the biggest sector of the economy and accounts for more than 75 percent of total GDP**RUSSIA ECONOMY**

Russia Lowers Key Rate to 12.5%

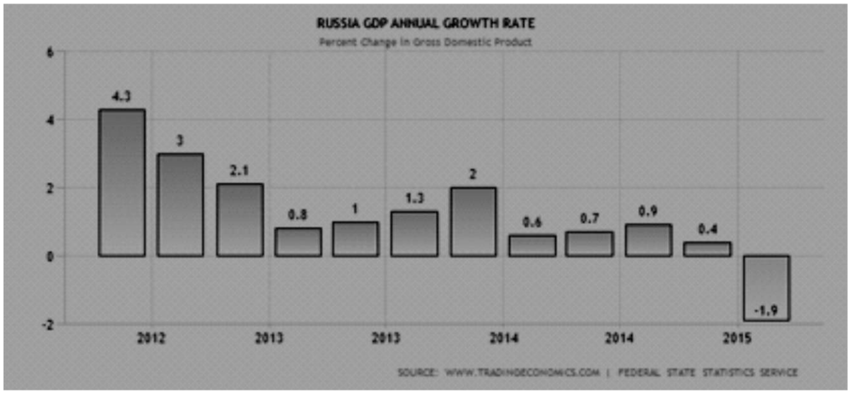
The benchmark interest rate in Russia was reduced to 12.50 percent. It reached an all time high of 17 percent in December of 2014 amid Russian currency crisis after US and Europe imposed economic sanctions.



In Russia, interest rate decisions are taken by the Central Bank of the Russian Federation.

The Bank of Russia cut its benchmark one-week repo rate by a bigger-than-expected 150bps to 12.5 percent in April. It is the third straight cut as inflationary pressures slowed while the economy is cooling.

Russian Economic Growth Shrinks for the First Time in 6-Years



The Gross Domestic Product (GDP) in Russia contracted 1.90 percent in the first quarter of 2015 over the same quarter of the previous year reported by the Federal State Statistics Service.

It is the first decline since the last quarter of 2009 prompted by a sharp drop in oil prices and sanctions imposed over the Ukraine crisis .

However, the GDP is expected to return to growth in the end of the year. Since the beginning of the year, the ruble gained more than 16 percent to the USD and prices of crude oil recovered slightly. Meanwhile, the central bank cut rates three times aiming to boost consumption.

Russia is the fifth largest economy in the world and is a leading exporter of oil and natural gas. In Russia, services are the biggest sector of the economy and account for 58 percent of GDP.

ASIA ECONOMY

Thailand Cuts Rate by 25 bps on Low Inflation

Thailand's central bank cut its key policy rate for a second straight time to revive a weakening economy.

The central bank also announced it would relax curbs on capital movements out of Southeast Asia's second-largest economy on a move aimed at reducing the baht's strength. The baht fell to a six-week low after the unexpected rate cut.

Thailand's military government has struggled to combat weak domestic demand due to prolonged political unrest. The economy expanded just 0.7 percent in 2014, the slowest pace since 2011.

Exports remain weak

Thailand's rate cut comes as other central banks in Asia also loosen policy to support growth. But policymakers remain wary about capital outflow risks as the U.S. Federal Reserve is expected to raise interest rates this year.

Bank Indonesia Holds Rate; Aims to Safeguard Rupiah

Bank Indonesia held its key interest rate steady at 7.50 percent. as it is vigilant of external risks that might cause the rupiah to depreciate.

This decision is in line with the ongoing efforts to keep inflation within the target of 4 percent, plus or minus 1 percent for 2015 and 2016

The central bank also left its overnight deposit facility rate, known as the Fasbi, at 5.50 percent, and the lending facility rate at 8.00 percent.

Headline annualized inflation increased slightly in March to 6.38 percent from 6.29 percent in February, as prices were pushed up by higher costs for fuel and rice and continued weakening of the rupiah.

Singapore Keeps Policy Rates Unchanged

The Singapore dollar weakened against all of its 16 major peers after Singapore central bank , which uses the currency as its main policy tool, said it will seek slower appreciation against a basket of currencies in an statement. It also cut the inflation forecast for 2015, predicting prices may fall as much as 0.5 percent.

Singapore's currency declined 0.9 percent to S$1.3509 per dollar and touched S$1.3569, the weakest since August 2010, according to prices compiled by Bloomberg. Realized one-month volatility on the currency jumped to 6.39 percent, the highest since July 2013.

Asia inflation:

Philippine Inflation Eases

The Philippines' annual inflation came in slower than expected in March, giving the central bank more leeway to keep its policy rates steady. Consumer prices rose by an annual 2.4 percent in March. compared with February's 2.5 percent and a 2.6percent rise predicted by analysts in a Reuters poll.

Bangladesh Inflation Picks Up

Bangladesh Inflation Rate was **6.27%** in **March 2015** on a year on year basis as compared to 6.14% in the previous month**. Bangladesh Consumer Price Index** was at **211.31** points in **March 2015** and Previous Year CPI was at 198.84 points in March 2014. CPI increased 12.47 Points in March 2015 on year on year basis.

Thai CPI Inflation eases for fourth month

Consumer price index in April fell for fourth straight month. The Commerce Ministry said that the consumer price index may drop again in May before turning positive, due to base effects, as oil prices started to decline after May 2014.

The main reason for negative inflation is oil prices but there is no deflation yet. While the ministry expects annual headline consumer prices to fall 0.5-0.7 per cent in the second quarter, it sees full-year inflation at 0.6-1.3 per cent.

ASIA: GDP

Singapore Q1 GDP growth comes at 1.1 pct

On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.1 per cent compared to the 4.9 per cent in the preceding quarter, according to advanced estimates from the Ministry of Trade and Industry.

Based on advanced estimates, the Republic's economy grew by 2.1 per cent on a year-on-year basis in the first quarter of 2015.

Malaysia's Economy Grows Fastest In Four Years

Malaysia's economy picked up speed in the fourth quarter on strong construction and manufacturing activity registering full year growth to its fastest in four years.

Gross domestic product for the fourth quarter grew 5.8 per cent.

The stronger-than-expected momentum lifted full-year growth in 2014 to 6.0 per cent, the fastest pace since 2010, and beating economists' forecast of 5.8 per cent.

However, sluggish global demand may impact its exports and weak energy and commodity prices which may further dampen the Malaysia's strong economic growth.

Thailand's GDP Growth at Four-Year Low

Thailand's economy grew less than expected in October-December and had full-year 2014 growth of only 0.7 percent, as exports and consumption remained weak long after a May coup aimed at helping to spur recovery.

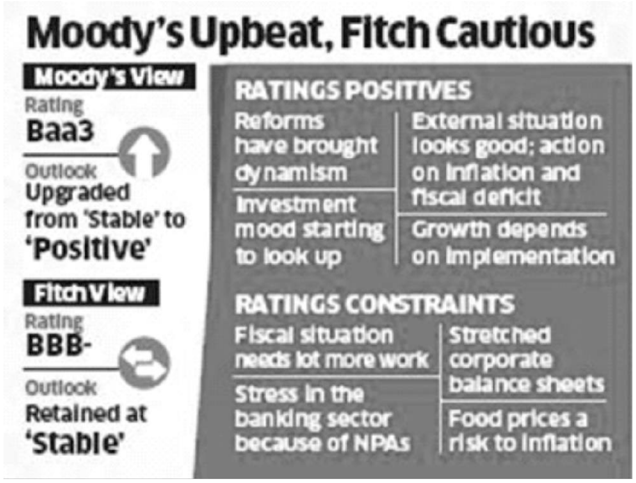
The full-year growth was the weakest since flood-hit 2011. In 2013, there was 2.9 percent expansion.

Thailand is the last major Southeast Asian economy to report 2014 growth, and had by far the weakest. Malaysia last week reported higher-than-expected four-quarter and 2014 growth.

Economic Updates: India

Moody's lifts India's outlook to 'positive'

Global credit rating agency Moody's raised India's credit rating outlook to positive from stable, marking a robust endorsement of policy initiatives by the Narendra Modi government aimed at reviving growth and putting it ahead of other economies. Moody's raised the outlook and affirmed its Baa3 rating.



The current administration took over in May last year and has sought to boost investor confidence through a series of measures including higher limits on overseas investment in insurance companies.

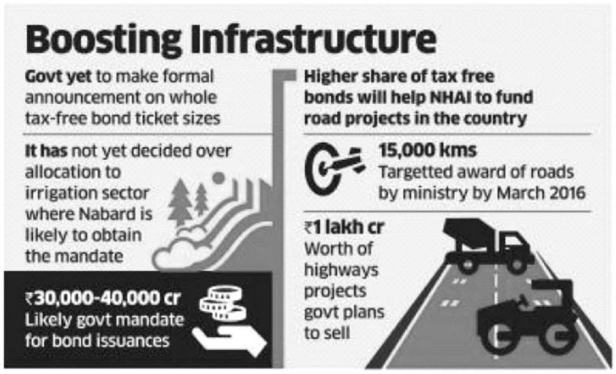
Moody's thinks that the government's broad based structural reform agenda has brought dynamism back to Indian economy, after a couple of years of limited progress on the structural front.

Moody's said reasons why it did not raise the Baa3 rating was limited improvement in India's fiscal position, which is a longstanding key weakness. India's fiscal position is evident in both general budget deficit of 7.2% of GDP for combined central and state governments, and gross general government debt of 64.7% of GDP, which are much higher than 'BBB' category medians of 2.7% of GDP and 41.4% of GDP, respectively.

Standard & Poor's recently upgraded its India outlook to 'stable' while Fitch Ratings has had a 'stable' outlook for the country's credit rating since 2013. Going forward, we believe that ongoing structural reforms, including the imminent implementation of GST (goods and services tax), could catalyse an upgrade in sovereign ratings over the next 12-18 months."

NHAI, IRFC get nod to raise Rs 30,000 crore

The finance ministry has mandated National Highway Authority of India (NHAI) and Indian Railways Finance Corporation (IRFC) to raise Rs 24,000 crore and Rs 6,000 crore, respectively, by selling tax-free bonds.



Earlier in the Union Budget, finance minister Arun Jaitley had mentioned raising tax-free bonds aimed at funding roads, railways and irrigation projects with retail money. Retail investors are the major subscribers of such securities.

The higher share of tax-free bonds will help NHAI to fund road projects in the country as India needs 15,000 km of roads by March 2016 spread over two fiscal years. The target was at 8,500 km in 2014-15.

The government is also working on hybrid models to raise funds for these projects since many of the companies in this segment are already deep in debt.

The government plans to sell highways projects worth Rs 1 lakh crore to foreign pension and insurance funds to attract overseas investments into the sector.

Global Exhibition on Services gets good response

PM Modi at inauguration of Global Exhibition on Services

Prime Minister Narendra Modi inaugurated the Global Exhibition on Services (GES) being organized at Pragati Maidan at New Delhi to showcase India's strength in the services sector and provide a platform to the service industry to explore business opportunities.

The sectors included in the GES are IT & Telecom, Tourism, Media & Entertainment, Healthcare, Logistics, Professional Services, Education, R&D, Space, and SMEs in Services.

Speaking on the occasion, the PM said that Human Resource is India's biggest asset as 65 percent of its population is below the age of 35. He said that as the world looked for skilled manpower, India had the capability to become a crucial provider of this resource.

In her address, Commerce & Industry Minister Smt. Nirmala Sitharaman informed that Services sector now contributes 57% of the GDP, 1/4th of employment and 1/3rd of the total exports of the country. 63 countries participated in the Exhibition along with 18 States.

'PM inaugurates Indias Healthcare Tourism Portal

Prime Minister Narendra Modi inaugurated India's Healthcare Tourism Portal

www.indiahealthcaretourism.com at the 'SAAARC Trade Mart' in the Global Exhibition on Services (GES).

Key facts about Healthcare Tourism Portal

- It is a comprehensive one-point information site that covers hospital and travel-related information in India.
- Presently, it covers 124 accredited medical facilities. It includes 93 medical centers, 30 Ayurveda and Wellness centers and 1 special category center.
- Among these medical facilities 74 facilities are located in Tier I cites and the rest are in Tier II cities.
- Details such as costs related to treatment in hospitals, visa and travel formalities, tariff options on stay etc are also mentioned on the portal.

RBI buys dollars to reduce rupee volatility

To reduce rupee volatility on account of higher inflows and to increase its forex reserves to enable it to cushion any external shock, the Reserve Bank of India (RBI) bought the highest amount of dollars, after a gap of seven years- $49.2 billion in April-February of the past fiscal.

RBI Revise Priority Sector Lending Norms

The Reserve Bank of India (RBI) has revised the priority sector lending norms that direct banks to lend to certain segments by prescribing the targets as a percentage of their total business. The new norms released by RBI require banks to ensure that 8% of their loans go to small and marginal farmers.

New sectors like renewable energy and social infrastructure will get a boost as these are now classified as priority sectors. Any bank that lends up to Rs 10 lakh to a household for solar power and biomass-based generators can classify the loan as priority sector.

Banks can also lend up to Rs 5 crore per borrower for building social infrastructure such as schools, healthcare facilities, drinking water facilities and sanitation facilities in tier II to tier VI centres. Home loans up to Rs 28 lakh in metros and Rs 20 lakh in other centers will form part of directed lending as long as the cost of the property is not more than Rs 35 lakh and Rs 25 lakh, respectively.

World Bank Predicts India's GDP Growth Rate to Reach 8% by 2017

The World Bank has predicted a GDP **growth rate of 8 per cent for** India by 2017. It said favourable oil prices would accelerate the economic growth in South Asia. The projections reflect to a large extent, India's expected growth acceleration, driven by business-oriented reforms and improved investor sentiment.

In fiscal year 2015/16, India's GDP growth is expected to accelerate to 7.5 per cent. It could reach 8 per cent in FY 2017/18, on the back of significant acceleration of investment growth to 12 per cent during FY 2016-FY 2018, the bank said in its semi-annual report.

FDI in services sector up 47 per cent during April-January 2014-15

With government taking steps to improve ease of doing business and attract foreign investments, FDI inflows into services sector grew by about 47 per cent to $2.64 billion in April-January last fiscal.

The sector, which includes banking, insurance, outsourcing, R&D, courier and technology testing, had received foreign direct investment (FDI) worth $1.80 billion during April-January 2013-14.

The services sector contributes over 60 per cent to India's GDP. In 2012-13, foreign investment in services had fallen to $4.83 billion from $5.21 billion in 2011-12. FDI in the sector accounts for 18 per cent of the country's total foreign investment inflows.

Government has raised the FDI cap in insurance sector to 49 per cent from 26 per cent. The policy was also relaxed in other sectors such as defence, railways and medical devices.

Foreign investments are considered crucial for India, which needs around $1 trillion over five years to 2017 for overhauling its infrastructure sector such as ports, airports and highways to boost growth.

A strong inflow of foreign investments will help improve the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

US FDI in India could double in current liberalised regime

With a liberalised investment regime, foreign direct investment from the US could double.

More US companies could bring their comparative advantages in technology, expertise, and capital to India, to help India grow and create jobs.

Since it came into power, the Modi government has taken several steps to boost growth and increase US-India trade and investment. Recently government announced its first foreign trade policy, which aims to nearly double India's exports of goods and services to USD 900 billion by 2020.

And the new budget released a couple of months ago focuses on infrastructure investment and tax simplification.

These are key areas for business. For one, the budget set a target of April 2016 for the government to introduce a harmonised goods and services tax, which could add as much as 2 per cent to India's GDP.

FDI Jumps 63% to $3.28 Bn in February

Foreign direct investment (FDI) in India soared about 63 per cent to $ 3.28 billion (about Rs 20,820 crore) in February, 2015. In February last year, the country had received FDI of $ 2.01 billion.

During the April-February period of 2014-15, the FDI inflows have grown by 39 per cent, year-on-year, to $ 28.81 billion, according to data released by Department of Industrial Policy and Promotion (DIPP).

The inflows were at $ 20.76 billion during the same period a year ago.

Amongst the top 10 sectors, services received the maximum FDI of $ 2.88 billion in the 11-month period of 2014-15, followed by telecommunication ($ 2.85 billion), automobiles ($ 2.42 billion), computer software and hardware ($ 2.04 billion) and pharmaceuticals ($ 1.30 billion).

During the period, India received the maximum FDI from Mauritius ($ 8.44 billion), followed by Singapore ($ 6.42 billion), the Netherlands ($ 3.29 billion), Japan ($ 1.72 billion) and the US ($ 1.69 billion).

In 2013-14, FDI stood at $ 24.29 billion as against $ 22.42 billion a year earlier.

Healthy inflow of foreign funds into the country helped India's balance of payments (BoP) situation.

FDI in services sector up 47 per cent during April-January 2014-15

Government has planned to select a financial institution for creating a special fund to provide risk capital to companies developing new technologies in areas of electronics, nano-electronics and Information Technology.

The Electronics Development Fund (EDF) would fund companies for developing new technologies.

and Information Technology.

The Electronics Development Fund (EDF) would fund companies for developing new technologies. Proposals for electronics manufacturing have been received from global and domestic companies involving investment of nearly Rs 20,825 crore under the Modified Special Incentive Package Scheme (M-SIPS).

These proposals would cover manufacturing in various verticals of electronics including automotive electronics, consumer electronics, mobile devices, telecom, IT hardware, medical electronics, strategic electronics and electronics components.

M-SIPS provides financial incentives to offset disability and attract investments in the electronics hardware manufacturing including chip manufacturing.

About 3,000 Ph.Ds are proposed to be supported by the Electronics System Design and Manufacturing and IT/IT-enabled services sector.

DIPP notifies 49 per cent FDI in pension sector

The government has raised the limit of foreign direct investment in the pension sector to 49 per cent in line with the FDI cap in the insurance sector, a press note issued by the Department of Industrial Policy and Promotion (DIPP) said.

Under the enactment of Insurance Regulatory & Development Authority Act, 2013, government has decided to permit FDI in the pension sector.

The FDI cap in the sector has been hiked to 49 per cent and that includes foreign investment in the forms of FPI, FII, QFI, FVCI, NRI and DR.

As per the press note, no government approval is required till 26 per cent. But FIPB permission is needed for investment beyond 26 per cent and up to the cap of 49 per cent.

CCEA approves highway projects worth Rs 9,500 crore

The government has approved three highway projects worth Rs 9,500 crore in Tamil Nadu and Uttar Pradesh, including those connecting Varanasi -- the Lok Sabha constituency of Prime Minister Narendra Modi.

In total,the CCEA approved the strengthening and widening of 455 kms of National Highways with a total capital cost of about Rs 9,500 crore.

Real Estate Bill to facilitate formation of market regulator

The Union Cabinet has approved the Real Estate Development and Regulation Bill that will make way for setting up of a regulator for the sector. The Bill and a uniform regulatory mechanism across the country are aimed at protecting property buyers' interest.

Through amendments, the Cabinet has extended the applicability of the Bill to commercial real estate too. Ongoing projects need to be registered with the Regulator within 3 months, the Union government said in a release.

According to the Bill, promoters will not be allowed to change plans and structural designs without the consent of 2/3rd of the consumers of a project.

Builders will have to deposit 50% of funds collected from buyers within 15 days to meet construction costs.

The penalty proposed includes payment of 10% of project cost for non-registration and payment of additional 10% of project cost or 3 year imprisonment.

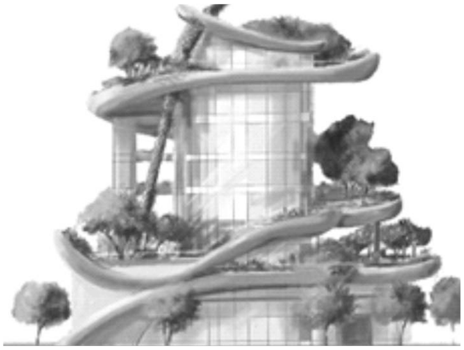
Steel Companies and Ministry of Steel sign agreement for Setting up of SRTMI

Major Indian Steel Companies, signed a Memorandum of Agreement with the Ministry of Steel for setting up of Steel Research & Technology Mission of India (SRTMI) in New Delhi. It makes a new beginning in R&D in steel sector of the country.

Presently, SAIL, Tata Steel, JSW Steel, JSPL, RINL, NMDC & MECON are the participating companies who have signed the agreement with the Ministry of Steel. The initial corpus for setting up of SRTMI is to the tune of Rs. 200 crore wherein Rs. 100 crore will be contributed from the Steel Development Fund of the Ministry, and Rs. 100 crore will be provided by these participating companies. The SRTMI aims at increasing investment on Research & Development in the steel sector from present level of 0.2-0.3 % of turnover progressively towards the international benchmark of 1-2 % of turnover.

SRTMI will carry out R&D in priority areas of national importance like innovations and in-house development of design, engineering & manufacturing facilities of key steel plant equipments.

Online Submission and Monitoring of environmental clearances for projects gets operational



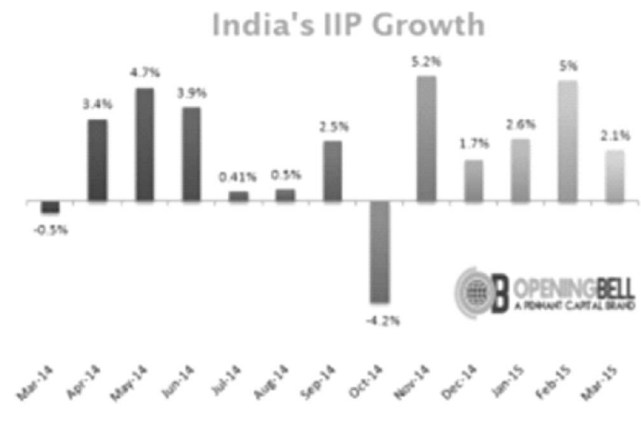
Web-based portal named "Online Submission & Monitoring of Environmental, Forests and Wildlife Clearance" (OSMEFWC) has been made operational. The portal is accessible at URL – http://efclearance.nic.in. The portal is a single window interface for the submission of proposals for Environment, Forest and Wildlife Clearances and facilitates management in effective monitoring. The main objectives of the system include enhancing efficiency, transparency, and accountability, enhancing ease and convenience of the citizens.

Online system for submission and monitoring of Environmental and Forest Clearances under the provisions of Environment (Protection) Act, 1986 and the Forest (Conservation) Act, 1980 had helped in bringing more transparency and accountability.

March IIP at Five-Month Low

The Index of Industrial Production (IIP) data shows that industrial output has touched a five-month low level in the month of March. It clearly fails to show any strong signals of growth revival.

The factory output data, which is measured by the IIP, grew at 2.1% in March compared to 5% in February and compared to -0.5% in the same month last year. The market was expecting the IIP to be around 2.8%.



Source: Ministry of Statistics & Programme Implementation, Govt. of India

The graph above clearly shows that after hitting a 19-month high in the April-June period last year, IIP started weakening in July and August raising concerns on growth revival.

Slowdown in the industrial sector was largely due to slowdown in consumption and sharp fall in growth of electricity sector growth.

During the month of March, thirteen (13) out of the twenty two (22) industry groups (as per 2-digit NIC-2004) in the manufacturing sector have shown positive growth as compared to the corresponding month of the previous year.

Mining sector, which had picked-up in February, has marked a flat growth in March at 0.9% compared to 2.5% in February and 0.5% in the same month last year.

Electricity sector continued to remain in the positive zone, but the growth was flat. The sector grew only 2.0% in March as compared to 5.9% in February and 5.4% in January 2014.

However the **Manufacturing sector**, which had surprised the market by reporting a whopping growth of 5.2% in February, marked growth of 2.2% in March compared to -1.3% in March 2014.

Meanwhile, **Capital Goods** sector showed enormous rise in positive activities. The capital goods sector marked growth of 7.6% in March compared to 8.8% in February and (-) 11.5% in March 2014.The sector which represents investment demand clearly shows that the demand among the businesses has continued to remain intact, which is good for the economy.

Meanwhile, **Basic Goods** sector has grown 2.3% in March compared to 5.0% in February and 4.6% in March 2014. The **Intermediate Goods** sector, which had grown by 1.1% in February, rose 1.9% in March compared to 1.3% in March 2014.

Consumer durables segment has continued to remain in the negative territory. The segment posted a growth of (-) 4.7% in March compared to (-) 3.4% in February and compared to (-) 11.8% in March 2014. However, **Consumer non-durables** sector, which had jumped by 10.7% in February 2015, showed flat growth in March at 1.9% compared to 5.0% in March 2014.

Sluggish growth in the consumer non-durables and de-growth in consumer durables segment has dragged the **Consumer Goods** sector once again to negative zone at (-) 0.7% compared to 5.2% in February and compared to (-) 2.2% in March 2014. This clearly implies that consumer demand has again turned sluggish.

April Trade Deficit Narrows to $10.99 Billion; Exports Continue To Fall

The trade deficit of Asia's third largest economy narrowed down from the previous month. According to the government data released, trade deficit has narrowed to $ 10.99 billion in April from $ 11.79 billion in March and from $10.09 billion in the same month last year.

Ease in trade deficit is mainly due to sharp fall in imports. Imports during April, 2015 were valued at US $ 33047.02 (Rs.207380.63 crore) which was 7.48% lower in Dollar terms and 3.81% lower in Rupee terms over the level of imports valued at US $ 35720.03 million (Rs. 215593.93 crore) in April, 2014.

Imports have declined sharply mainly due to significant fall in oil imports because of lower global crude prices.

Oil imports during April, 2015 were valued at US $ 7442.92 million which was 42.65% lower than oil imports valued at US $ 12977.83 million in the corresponding period last year. Meanwhile, non-oil imports during April, 2015 were estimated at US $ 25604.10 million which was 12.58 per cent higher than non-oil imports of US $ 22742.20 million in April, 2014.

Gold imports jumped 78.33% to $3.13 billion in April as against $ 1.75 billion in the month last year. A jump in purchases of gold and silver was triggered by consumer demand which rose during the respective month.

Meanwhile, **non-oil**, non-gold imports expanded 8.7%, compared with 3.4% in the previous month. This is a positive signal as it indicates pick up in industrial activities during a phase where Asia's third largest economy is trying hard to come out of the sluggish growth phase amid slow investment and stagnant consumer demand.

The Commerce Ministry data further said that services exports (receipts) during January, were valued at $ 14.250 billion and imports (payments) totalled $ 7.78 billion, leaving a trade surplus (net exports) of $ 6.46 billion in January.

However, export growth disappointed this time. Exports during April, 2015 were valued at US $ 22054.72 million (Rs. 138400.44 crore) which was 13.96% lower in Dollar terms (10.55% lower in Rupee terms) than the level of US $ 25634.08 million (Rs. 154718.60 crore) during April, 2014.

This is the fifth straight month of contraction in the exports. Lower realizations from petroleum exports, global slowdown and poor performance in sectors such as engineering, pharmaceuticals and gems & jewellery are the main factors behind export slowdown.

Lower exports have been a big cause of concern in March, India's exports were down 21%, and has marked biggest fall in last six years. In the last fiscal year, annual exports stood at $ 310.5 billion, which is way short of the government's full-year target of $340 billion. Weak exports may weigh down on government's goal of achieving over 8% growth in this fiscal year.

India's WPI Inflation at all time low of -2.33%; downtrend continues

–Wholesale Price Index (WPI)-based inflation has provisionally stood at a minus 2.33 % for month of March, according to data released by government. This is compared with the minus 2.06 % WPI for February and 6 % for the same period the previous

The graph clearly shows the steep downtrend in the WPI numbers. After hitting 52-week high of 6.18% in the month of May 2014, WPI has been cooling off.

Inflation in **Primary Articles** group, which constitutes 20.12% weight in the index, has dropped down to 0.08% in March from 1.43% in February and 7.31% in March 2014. Since this group has large weight in the index, significant fall in prices in this group has put considerable impact on the overall index.

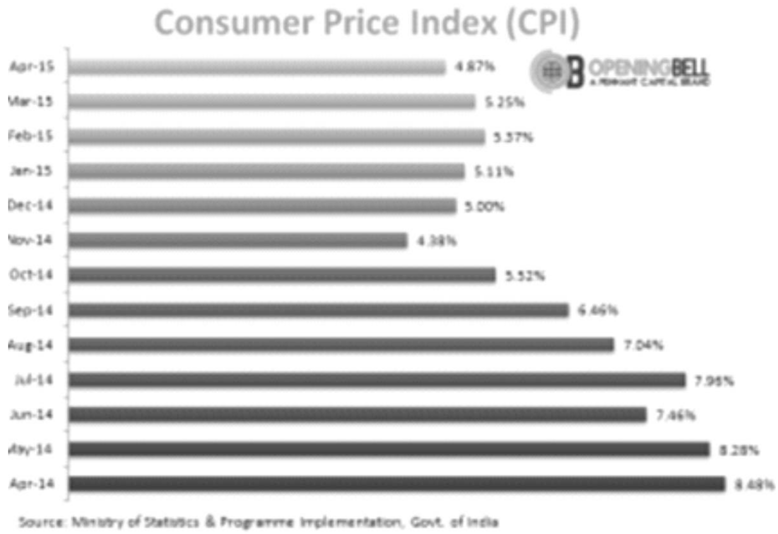
The **Food inflation**, which plays a major role in influencing the headline number, has eased to three month low of 6.31% in March from 7.74% in February and 9.57% in March 2014. Fall in food articles have been pushing the overall index down.

On the other hand, the **Non-Food inflation** has eased by -7.12% in March compared to -5.55% in February and 4.87% in March 2014. Inflation in the **Minerals** group has also eased by -27.03% in March compared to (-) 25.57% in February and (-) 1.79% in March 2014. **Fuel inflation,** on the other hand, has also eased by -12.56% in March from (-) 14.72% in February and from 11.80% in March 2014.

Inflation in **Manufactured products**, which contributes 64.97% weightage in the WPI, has actually been easing. Inflation of manufactured goods has marked deflation at -0.19% in March compared to 0.33% in February and 3.70% in March 2014. .

Rate Cut Hopes rise as CPI eases to 4.87% in April

Retail inflation, measured by Consumer Price Index (CPI) in the month of April stood at 4.87% (provisional) compared to 5.25% (revised) in March.



The above graph clearly indicates the halt in the continuity of uptrend in last three months. Retail inflation, after hitting double-digits in year 2013, has cooled off significantly since August 2014. CPI slipped to all-time low in November.

Any changes in the CPI numbers are always driven by food inflation and particularly, the vegetable prices. Food inflation, which had eased to 6.26% in March, has again dropped to 5.36% in April, mainly due to lower fruits and vegetables prices.

Inflation rate has cooled down to four-month low, and this is good for the economy. But industrial output has been lagging and for this the industry has urged RBI to slash down the policy rates. Now, lower inflation will definitely exert pressure on the RBI which had left the policy rates and CRR untouched in the last bi-monthly monetary policy announcement. However, RBI will keep in mind, the recent developments in El Nino, which is expected to suppress rainfall and thus affect agriculture in Asia this year