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The Case for Investing in Africa's Healthcare

Africa has been drawing increasing global attention with the region being home to some of the fastest growing economies-four of the world's ten fastest growing economies over the last few years are in Africa. The continent also has a young and rapidly growing population of over 1 billion people, more than half of whom are below 25 years and nearly two-thirds have a mobile phone. At the same time, Africa has been urbanising rapidly and about two-fifth of its population now live in cities.

Despite the huge opportunities in Africa, there are various kinds of challenges, both economic and social. One of the fundamental challenges that the continent has to deal with is that of its grossly inadequate healthcare infrastructure system. Health is one of the largest concerns of the continent. Millions die annually from preventable and curable diseases. Lack of health education, limited access to basic health supplies, strained government budgets, and insufficient healthcare professionals have made it hard for the continent to improve the health of its people. On most of the health indicators, Africa lags behind the rest of the world not only in terms of absolute figures but also in terms of the rate of progress on these healthcare metrics. This is further exacerbated by spread of either new strains of existing disease or an outbreak of a completely new disease.

Set against this background, it will not be out of place to assert that Africa's healthcare systems which today is at a nascent stage, provides tremendous opportunity for healthcare investors to create new and innovative business models for different geographies in the continent. The private sector involvement across the healthcare chain in Africa will be extremely crucial for improving the health outcomes in the continent over the next decade.

Healthcare Industry in India

India's healthcare sector is growing by leaps and bounds and is today one of the fastest growing sectors with the growth projected at 22.9% (CAGR) during the period 2015-20, to reach US\$ 280 bn. While the public healthcare network is widespread, majority of the service share lies with the private sector, which today caters to 70% of out-patient and 60% of in-patient services.

The hospital segment is highly fragmented with majority of the hospitals being established and operated by doctors and trusts, while the rest are being managed by corporate hospital chains. The private hospital market in India was estimated at US\$ 54 bn in 2014. Private sector's share in hospitals and hospital beds is estimated to be 74% and 40%, respectively. A major portion of secondary, tertiary and quaternary healthcare institutions come from the private sector with a concentration in Metros, Tier I and Tier II cities. Large investments by the private sector players are likely to contribute significantly to the development of India's hospital industry.

Also, India is a major producer and supplier of pharmaceuticals, especially the generics. The exports of pharmaceutical products (HS 30) have registered a CAGR of 11% during the period 2011 to 2015, as the value of exports increased from US\$ 8.3 bn to US\$ 12.5 bn.

Share of pharmaceuticals (HS 30) in India's total exports has increased from 2.7% in 2011 to 4.7 % in 2015. The major export destinations for India's pharmaceutical sector during 2015 were, the USA (with a share of 37.6%) followed by South Africa (3.9%), the UK (3.6%), Russia (2.8%) and Nigeria (3.1%).

The presence of world-class hospitals and skilled medical professionals has strengthened India's

position as a preferred destination for medical tourism. The Indian medical value travel industry has emerged as one of the fastest growing segments of the tourism industry despite the global economic downturn. The healthcare services in India that attract international attention predominantly include dental and eye care treatment, orthopedics, trauma, cardiac care including surgery, urology, neurosurgery, plastic and cosmetic surgery, laparoscopic surgery, gastroenterology, kidney transplant and knee/hip surgeries.

The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Besides, the presence of well educated, English speaking medical staff, the prevalence of state-of-the-art hospitals and diagnostic centres have strengthened India's position as a preferred destination for medical tourism. Besides, India also offers traditional healthcare solutions, such as Ayurveda, Siddha, Unani, Homeopathy and Yoga.

As per the data from the Ministry of Tourism, Government of India, the foreign tourist arrivals in India have been increasing and were estimated at around 7.7 million during the year 2014. Among the total foreign tourist arrivals, approximately 2.4%, or about 185,000 tourists, visited India during the year 2014 using medical visa. India is estimated to have received 343,000 tourists from Africa for medical purposes.

Among the African countries, Nigeria had the largest share with 34.1% tourists from Africa coming to India under medical visa. The number of foreign tourist arrivals from South Africa during the year 2014 was 56,246, of which 19.2% visited under medical visa. South Africa, thus, accounted for 26.2% of total tourist arrivals from Africa under medical visa.

Kenya accounted for over 6000 tourists visiting under medical visa, which was 14.8% of total tourists under medical visa from Africa.

India's Engagements in the Pharmaceutical Sector in Africa

Africa imported pharmaceutical products worth US\$ 15.1 billion during 2015. Among the African countries, South Africa with a share of 14.3% in total imports was the largest importer followed by Egypt (13.5%), Algeria (11.5%), Nigeria (7.8%), and Ethiopia (4.6%).

An terms of sourcing, India was the second largest source country for pharmaceutical products for Africa with a share of 20%. The other major source countries for Africa include France with a share of 18.0%, Switzerland (6.4%) and the USA (5.5%). Further, India supplies around 85% of all anti-retroviral drugs imported by Africa to treat HIV.

The total imports of pharmaceutical products by Africa increased from US\$ 11.9 bn in 2010 to US\$ 15.1 bn in 2015 recording a CAGR of 6.2%. As against this, India's pharmaceutical exports to Africa increased at a faster pace, from US\$ 2.01 bn to US\$ 3.04 bn at a CAGR of 10.9% during the same period. India's top 10 export markets in Africa accounted for 68.7% of its total exports to the region in 2015, with South Africa and Nigeria together accounting for almost 30% share.

A competitive market analysis of countries which have pharmaceuticals import of more than US\$ 250 mn in 2015 shows that India has been successful in countries like Congo, Mozambique, Egypt, Tanzania, Sudan Ethiopia, and Nigeria as India's CAGR (during 2011 and 2015) of pharmaceuticals exports to these countries is higher than that to Africa as a whole. It may be noted that these countries are also fast growing

pharmaceutical markets in Africa, as the CAGR of imports of pharmaceutical products in these countries exceeds that of Africa as a whole during the same period.

On the other hand, in some of the promising markets, such as Uganda, Kenya, Cameroon and Ghana, India has been lagging behind. India's CAGR of pharmaceuticals exports to these markets is lower than that of exports to the Africa as a whole. CAGR of imports of pharmaceutical products by these countries is also higher than that of Africa as a whole.

Government of India has also been engaging with countries in Africa through various initiatives like Malaria Control Programme in Botswana and supply of FMD (Foot-and-mouth disease) monovalent vaccine in Algeria. Apart from there the Pan Africa e-Network project in Comoros, Rwanda, Madagascar, Senegal and Sao Tome & Principe has also been operating successfully, especially in the telemedicine segment.

Select Successful Indian Engagements in the Healthcare Sector Abroad

It is quite evident that the healthcare sector in Africa has substantial scope for improvement. These improvements need to be through a mix of measures including government participation, public-private partnership, joint ventures and foreign direct investments (FDI). FDI for that matter can play a significant role in filling the healthcare infrastructure gaps in Africa. This is where a country like India can partner Africa in ameliorating healthcare challenges that the huge continent faces. While this partnership could be realized in most segments of the sector, it will be far more significant and effective in creating hospital infrastructure.

One way to increase Africa's funding and access is through innovative public-private partnerships (PPP). While an appropriate model for partnerships at the primary, secondary, and tertiary levels still remains a distant dream, participation by the Governments and the private sector in Africa with support from Indian firms can help create a blueprint for the successful implementation of healthcare infrastructure projects in future.

There are a number of Indian healthcare companies such as Apollo Hospitals, Dr. Agarwal's Eye Hospital, Fortis Healthcare, Indus Healthcare, Manipal Health Enterprises, Narayana Health, and Shalby Hospitals, which have already ventured into many parts of the world, including some of them in Africa, by implementing different models of business and commercial partnerships. Some of these successful models can be replicated in various countries in Africa in the years to come.

India-Africa Healthcare Cooperation: Way Forward

One of the most important and primary task is to create human resource for the healthcare sector in Africa. Limited availability of qualified healthcare professionals in several parts of Africa have been a huge cause of concern. India for that matter can be an excellent source for helping countries in Africa to set up educational facilities in the field of medicine. Apart from training individuals as doctors, there exists plenty of scope for Africans to be trained in nursing and other paramedical facilities by Indian entities.

Traditional medicines are crucial knowledge that needs to be preserved so that both the current and future generations continue to benefit from it. In many African countries, traditional health care services are provided through

custom and culture prescribed under a particular philosophy, e.g. ubuntu or unhu. India has recently created and compiled 292,662 traditional medicine entries in five international languages, namely, English, French, German, Spanish and Japanese under the Traditional Knowledge Digital Library (TKDL). India's experience in introducing TKDL can be replicated in Africa while helping the traditional ubuntu or unhu to be tapped better, and protected simultaneously.

When it comes to the influence of technology in the African continent, seemingly small victories can lead to vast improvements, especially when the continent finds itself significantly challenged due to lack of healthcare facilities and scarcity of skilled manpower. India has already made significant progress in attaching Africa to its telemedicine program in the last few years. However, a lot more could be done by India to attend to the acute healthcare problems utilizing ICT framework.

The healthcare sector in India has evolved over the years, courtesy the improving healthcare related policies that have been introduced in the post liberalization period since 1991. Many of these policies have been key to increasing the bandwidth of the healthcare facilities in India. Experiences of India in establishing appropriate policy and institution framework could be leveraged by African countries as well.

Today, in India, most of the new healthcare facilities are largely in private sector, and in areas where Government intervention is paramount, the private sector is roped in as well. India's experience in healthcare, including insurance, wherein both the Government and the private sector, are involved, can be well replicated suitably in various countries in Africa.

India could also possibly consider exploring the opportunity to fund healthcare infrastructure projects in Africa that could deliver both primary and tertiary care. This can be undertaken through PPP models wherein private sector from India (either individually or jointly with local partners) and a sovereign entity in Africa can engage. Support from host government will be required in the form of providing concessions, requisite policy framework, mobilizing resources etc. Besides, the African nations may approach the Government of India seeking funds under the Lines of Credit (LOC) mechanism, to set up hard infrastructure, thereby mitigating the challenge of funding healthcare infrastructure in implementing cross-border PPP. The entity running the hospital would also require funding for import of medical equipment, which could be met through institutional funding mechanism, as these are of commercial nature. In some cases, wherever there is a local partner involved, be it a public hospital or privately owned hospital in the host country, the existing health infrastructure could be refurbished / upgraded using the LOC.

In Sum

With the changing profile of healthcare financing in Africa, the private sector could potentially play a key role in providing healthcare services. African governments and healthcare experts will most likely look at PPP model as the most efficient way of extending high quality healthcare. Some of the Indian healthcare players have already developed capabilities to establish and operate hospitals and clinics abroad, and the same could be suitably replicated in Africa. Indian hospital groups could thus, play a new role, often working in partnership with the African governments to provide affordable and quality healthcare to its vast population.

Domestic Economy

The United Kingdom (UK) economy witnessed a fall in household consumption as well as slowdown in manufacturing and construction sectors, resulting in slowdown of real GDP growth to 2.3% in 2015, from 2.9% recorded in the previous year. In absolute terms, GDP of the UK stood at US\$ 2.8 trillion in 2015, with per capita GDP at US\$ 44,239.

Services sector dominates the economy, accounting for 78.5% of the UK's GDP in 2014 (as per latest data available). It was followed by industry (20.8% of GDP) and agriculture (0.7%).

Trade and External Sector

The UK's exports declined by 9.8% to US\$ 436 billion in 2015, from US\$ 483.4 billion recorded in the preceding year. The UK's imports also declined by 8.6% to US\$ 627.1 billion in 2015 from US\$ 685.8 billion recorded in 2014. The UK's trade deficit narrowed to US\$ 191.2 billion in 2015, as compared to US\$ 202.5 billion recorded a year ago.

Machinery & instruments (14% of the UK's total exports) were the key exports of the UK in 2015, followed by mineral fuels (10.8%), vehicles other than railways, tramways (10.6%), pearls and precious stones (10.5%), and pharmaceuticals (6%).

Machinery & instruments were also the major items imported by the UK in 2015, accounting for 13.4% of the total imports. Other principal items imported by the UK in 2015 included mineral fuels (12%), vehicles other than railway (10.1%), electrical & electronic equipment (8.9%), precious stones and metals (5.6%), pharmaceutical products (4.2%), and plastics and articles (2.9%).

The USA is the leading export destination for the UK, accounting for 12.6% of total exports in 2015. Other major destinations of exports from the UK in the same year included Germany (10.2% of total exports), the Netherlands (7.2%), Switzerland (6.9%), and France (6.4%).

Germany was the major source of the UK's imports, accounting for 14.4% of total imports in 2015. Other important origins

of imports in the same year include China (9.2%), the USA (8.4%), the Netherlands (7.7%), and France (6.3%).

The UK's current account deficit narrowed to US\$ 146.7 billion in 2015 from US\$ 151.9 billion recorded in 2014; stemming from narrowing of trade deficit, coupled with surpluses in the services account.

FDI, Ease of Doing Business & Global Competitiveness

According to UNCTAD's World Investment Report 2015, FDI inflows into the UK stood at US\$ 72.2 billion in 2014, compared to US\$ 47.7 billion recorded in the previous year.

In the Doing Business 2016 survey conducted by World Bank and International Finance Cooperation, 189 economies across the world are ranked on their ease of doing business, from 1 to 189. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. The UK was ranked 6th in ease of doing business.

The World Economic Forum's Global Competitiveness Index Ranking 2015-16 placed the UK at the 10th position among 140 countries, same as its previous ranking in 2015-16. This Index measures the ability of a country to provide high levels of prosperity to its citizens based on the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

Brexit and its Impact^{1,2}

The unexpected Brexit win (by a margin of 51.9% to 48.1%) has cascaded across international financial markets. The British Pound has taken an unprecedented one-day hit, taking it down to levels against the dollar last seen in the mid-1980s. Other risk assets, including the euro, emerging market currencies, global equities (although less for the US), and most commodities (except for gold)

have also fallen sharply amid elevated volatility.

The extent of market stress has been somewhat alleviated by confidence that the major central banks will do what is needed to meet liquidity demand from the markets, including through the currency swap lines among 6 major Central Banks. The Bank of England has indicated that it is prepared to supply an additional £250 billion to the markets. Central bank emergency support measures should help avoid funding crises, but markets are likely to remain highly unsettled for months ahead.

Brexit represents a potential dampening factor to business investment, particularly as regards foreign direct investment to the UK.

Beyond the short-term, however, enormous uncertainty has been added on top of a fragile global economy and financial markets. There is a major question about the effect on the City of London as a financial centre³, and the collateral damage to the European banking sector. The uncertainty also permeates the future UK-EU relationship more broadly, concerns about a further rise in anti-EU sentiment and demand for referendums in other member countries (especially in Northern Europe). Globally, there is a higher risk that anti-immigration and anti-free trade sentiment could invigorate anti-establishment populist movements in other countries, including the US, threatening to undermine the post-War global trade, investment and financial order.

¹A referendum of the country's membership to the EU was held on June 23, 2016 following the passing of the European Union Referendum Act 2015. Brexit would put the UK outside the EU's customs union

²Source : IIF Dispatch : Brexit Friday—Counting the Costs (June 24, 2016)

³Several big banks, including HSBC, JP Morgan Chase and Goldman Sachs have begun preparations for a potential shift of some operations to Dublin, Paris and Frankfurt (Britain faces up to waning influence on global stage, The Financial Times, June 27, 2016)

Domestic Economy

Real GDP of Bangladesh grew at 6.6% in 2015, as compared to 6.1% recorded in the previous year, supported by a rapid expansion in private consumption. In absolute terms, GDP of Bangladesh stood at US\$ 195.1 billion in 2015, with per capita GDP at US\$ 1,089.

BASIC FACTS

Land area : 147,570 sq km

Population : 161.0 mn (2015)

Language : Bengali; Urdu and Hindi are minority languages

Currency : Taka (Tk)

GDP : US\$ 195.1 bn (2015)

Exports : US\$ 31.7 bn (2015)

Imports : US\$ 37.6 bn (2015)

Average consumer price inflation moderated to 6.2% in 2015 from 7% recorded in the preceding year, partly reflecting the effects of low global energy prices.

The economy of Bangladesh is mostly dominated by services sector, which accounts for 53.6% of GDP in 2015 (est.), followed by industry (30.4%) and agriculture (16%). Some of the major industries in Bangladesh include jute, cotton, garments, paper, leather, fertilizer, iron and steel, cement, petroleum products, tobacco, pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity and natural gas.

Bangladesh also has limited reserves of coal, limestone, glass, sand and certain heavy minerals, such as trace deposits of uranium and thorium. According to FAO, the total arable land as a percentage of total land area of Bangladesh was 59% in 2012 (as per latest data available).

Trade and External Sector

Exports of Bangladesh increased by 6.1% to US\$ 31.7 billion in 2015 from US\$ 29.9 billion in the preceding year.

Bangladesh's imports also increased marginally to US\$ 37.6 billion in 2015 from US\$ 37.4 billion recorded in 2014. As a result, trade deficit has narrowed to US\$ 5.9 billion in 2015 from US\$ 7.5 billion recorded a year ago.

Articles of apparel, accessories (HS 61, 62 and 63) were the major items exported by Bangladesh in 2015, accounting for 88% of the total exports. Other principal items exported by Bangladesh in 2015 include footwear, gaiters and the like, parts (2.3%), and vegetable textile fibres (1.8%).

The US was the leading export destination for Bangladesh, accounting for 17.5% of total exports in 2015. Other major destinations of exports from Bangladesh in the same year include Germany (14.6% of total exports), the UK (10%), France (6.7%), and Spain (6.5%).

Cotton was the principal import item of Bangladesh, accounting for 13% of the total imports in 2015. Other major items imported by Bangladesh in 2015 included machinery and instruments (11.7% of total imports), electrical and electronic equipment (7.4%), iron and steel (4.9%), and manmade staple fibres (4%).

China was the major source of Bangladesh's imports, accounting for 35.4% of the total imports in 2015. Other important origins of imports in the same year include India (14.1% of total imports), Singapore (5.8%), Hong Kong (3.7%), and Japan (3.5%).

Bangladesh's current account surplus of US\$ 0.8 billion (0.4% of GDP) in 2014, increased to US\$ 2.7 billion in 2015 (1.4% of GDP).

FDI, Ease of Doing Business and Global Competitiveness

According to UNCTAD's World Investment Report 2015, foreign direct investment inflows to Bangladesh fell marginally to

US\$ 1.5 billion in 2014, compared to US\$ 1.6 billion in 2013. According to the same source, foreign direct investment outflows from Bangladesh increased to US\$ 48 million in 2014 from US\$ 34 million in 2013.

In Doing Business 2016 survey conducted by the World Bank and International Finance Corporation, 185 economies across the world are ranked on their ease of doing business, from 1 - 185. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm. In the latest ranking, Bangladesh was ranked at 174th.

According to World Economic Forum's Global Competitiveness Index Ranking 2015-16, Bangladesh was ranked 107 out of 140 countries. This Index measures the ability of a country to provide high levels of prosperity to its citizens based on the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

Macroeconomic Outlook

Real GDP of Bangladesh is expected to be 6.5% in 2016, supported by the rapid expansion in private consumption and investment. One of the main drivers of consumption will be accelerating household income growth resulting from the ongoing rise in agricultural output. Another driver will be moderating consumer price inflation, which will help to bolster household spending power, assuming that there are no prolonged disruptions to local harvests.

Increased spending on infrastructure projects and slow progress on expanding the tax base will result in budget deficits equivalent to 5.1% of GDP on average in fiscal years 2016/17 - 2019/20.

Turmeric is the rhizome or underground stem of a small herbaceous plant *Curcuma longa*. It is used in diversified forms as a condiment, flavouring and colouring agent and also as a principal ingredient in cooking. India is the leading producer of turmeric in the world and accounts for approximately 80% of the world production. Apart from India, other countries producing it are China, Myanmar, Nigeria and Bangladesh.

As per the data by the Ministry of Agriculture, Government of India, the estimated area under turmeric cultivation during the year 2014-15 was nearly 189 thousand ha, with production amounting to 852 thousand metric tonnes. Andhra Pradesh was the leading state in turmeric production and accounted for approximately 40% of the aggregate production in 2014-15, followed by Tamil Nadu. The other major turmeric producing states were Karnataka, Gujarat and West Bengal.

Export

The exports of turmeric (HS Code 091030) from India have registered a negative CAGR of 5.9% during the period 2011-12 to 2015-16. During the year 2012-13, there was a precipitous decline of 43% in exports of turmeric as compared to the previous year. However, turmeric exports picked up in the year 2014-15 by approximately 17% and the value of exports increased further in the consequent years.

Turmeric holds significant export potential as the international market for turmeric exports is showing significant uptrend. It has been observed that turmeric has a steady and stable market globally as compared to other spices. APEDA has sanctioned an Agri Export Zone for turmeric in Odisha to enhance the export of turmeric from the State.

Table 1 : Top 10 Export Destinations for Export of Indian Turmeric

Country	2014-15	2015-16
	US\$ Mn	
Iran	12.0	18.3
The USA	9.9	15.9
Malaysia	9.5	10.1
UAE	8.4	8.1
The UK	5.5	6.7
Sri Lanka	5.7	6.6
Saudi Arabia	5.4	6.4
Japan	5.6	5.3
The Netherlands	3.1	4.9
Germany	3.5	4.8
World	124.5	141.6

Source : DGCI & S

Table 2 : Top Importers of Turmeric in 2015

Importing Country	Value of Imports (US\$ Mn)	Top Exporters to the Country and their shares (%)
The USA	23.7	India (75.6), China (9.5), Fiji (6.8), Jamaica (1.6), Indonesia (1.3)
India	20.4	Indonesia (42.3), Myanmar (34.3), Vietnam (10), Ethiopia (9), Nigeria (3.8)
Iran	15.8	India (88.1), UAE (9.5), China (2.5)
Japan	10.2	India (71.3), China (25.2), Vietnam (2.2), Myanmar (0.8)
Malaysia	10.0	India (90.8), Myanmar (4.3), China (2.0), Indonesia (1.4), Vietnam (0.5)
UAE	5.9	India (92.8), Ethiopia (3.7), Myanmar (1.9), Bahrain (0.5)

Source : Trademap, ITC, Geneva (Data accessed on 15th June 2016)

There is a huge demand for Indian turmeric in the Middle East, especially in Iran, UAE and Saudi Arabia (Table 1). Iran is the third largest importer of turmeric globally and the major suppliers are India, UAE and China (Table 2). Import of turmeric by Iran has been witnessing a persistent rise over the past few years. At

the same time, India's exports of turmeric to Iran have also grown from US\$ 7.28 million in 2011 to US\$ 18.3 million in 2015.

The USA has been the leading importer of turmeric globally, with a predominant share of its import demand being met by India. The other significant suppliers of turmeric to USA are China, Fiji and Jamaica (Table 2). Lately, the USA has witnessed a significant demand of turmeric given its culinary properties in the processed food industries, apart from the increasing realisation of its nutritional and medicinal values. The requirement of turmeric supplements, including turmeric juice, has been observed to be higher in the USA beverage sector. The USA's imports of turmeric from India during the last five years have increased from US\$ 14.2 million in 2011 to US\$ 15.9 million in 2015.

Malaysia is the fifth largest importer of turmeric globally. India was the leading supplier of turmeric to Malaysia with a share of 90.8% in 2015 (Table 2). The other significant suppliers are China, Myanmar and Indonesia with shares of 4.3%, 2.0% and 1.4% respectively. Malaysia was also the third largest export destination for India with the value of turmeric exports being US\$ 10.1 million in 2015.

UAE is the sixth largest importer of turmeric in the world and India has been one of the major suppliers of turmeric to this country (Table 2). India's export to UAE was of the value US\$ 8.1 million during the year 2015. However, it may be observed that India's exports witnessed a decline of 4% in 2015 in comparison to the previous year.

India's export of turmeric to the UK was valued at US\$ 6.7 million in 2015 accounting for 4.8% of India's total turmeric exports. During the year India had a share of nearly 81% in the UK's turmeric imports, followed by France, the Netherlands and Poland with shares of 7.8%, 4.8% and 2.0%, respectively (Table 2). In India's total exports of turmeric globally, UK accounted for 4.8% share.

Reference :

➤ IndustrySources

Exim Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank's LOCs provides a risk-free, non-recourse export financing option to the Indian exporting community, which helps them penetrate new markets and enhance their export volumes in the existing markets overseas. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Exim Bank also extends LOCs at the behest of Government of India. Under the LOCs extended at the behest of Government of India, Exim Bank reimburses 100% of contract value to the Indian exporters, upfront upon the shipment of goods, and at least 75% of goods, and services of total contract value should be sourced from India.

LOCs have enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America and the CIS.

The Bank has now in place 204 LOCs, covering over 63 countries in Africa, Asia,

Latin America, Europe and the CIS, with credit commitments of over US\$ 14.82 billion, available for financing exports from India. LOCs are thus, an effective instrument for promoting and facilitating India's exports of projects, goods and services to developing countries.

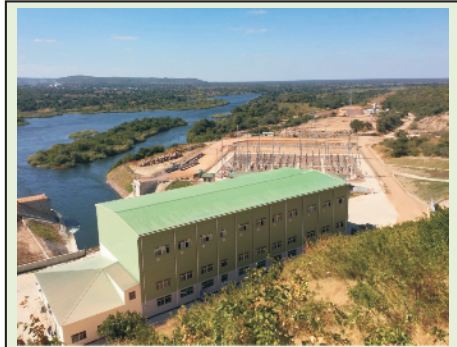
Exim Bank, at the behest of and with the support of Government of India, has signed one LOC as given below during the period April-June 2016:

[I] An LOC of US\$ 1 billion was extended to the Government of Mongolia for development of railways and related infrastructure projects. With the above LOC, Exim Bank, till date, has extended two LOCs to Mongolia, at the behest of the Government of India, taking the total value of LOCs extended to US\$ 1.02 billion. The earlier LOC was extended to Government of Mongolia for India-Mongolia Joint Information Technology Education & Outsourcing Center (IMJIT) Project.

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LOC Success Story : ZAMBIA

LOC Amount : USD 29.03 million

Purpose : Itezhi-Tezhi Hydro power project

120 MW Itezhi-Tezhi Hydro power project of value USD 240 million developed by Itezhi-Tezhi Power Corporation (ITPC) was a first-of-a-kind public private partnership (PPP) in the power sector in Zambia. Currently owned by Tata Power Company, India and ZESCO, a Zambian power utility, on a 50:50 basis funded jointly by African Development Bank [AfDB] and Exim Bank of India along with other lenders.

Critical equipment for the project viz. Turbines, Generators, Main Inlet Valves, Speed Governors and Excitation System have been supplied by Alstom India Limited under the LOC. The project is generating the power at its full capacity. This is first PPP hydro power project in Africa.

Exim Bank and the Islamic Corporation for the Development of the Private Sector (ICD) sign MoU to enhance bilateral trade and investment

A Memorandum of Understanding (MoU) was signed between Export-Import Bank of India and the Islamic Corporation for the Development of the Private Sector, the private sector arm of Islamic Development Bank (IDB) Group. The MoU envisages cooperation, among others, to explore the feasibility of extending a commercial Line of Credit of US\$ 100 million to ICD with the aim of facilitating the export of goods and services from India to ICD's member countries. Typically, the recipients of EXIM Bank's commercial lines of credit, act as intermediaries and on lend to overseas buyers for the import of Indian goods and services. Under the agreement, co-operation will also be achieved through the exchange of information on trade-related matters and the identification of business opportunities for Indian companies to pursue in ICD's member countries.

Exim Bank signs Cooperation Agreement with State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

Exim Bank and Vnesheconombank (Russia), entered into a cooperation agreement on May 27, 2016 at Beijing, China at the sidelines of the D20 conference. The principal objective of this Cooperation Agreement is to formalise institutional cooperation so that both the institutions could identify areas for cooperation and collaboration that are of common interest. The Cooperation Agreement was signed by Mr. David Rasquinha, Deputy Managing Director of Exim Bank and Mr. Nikolay Tsekhomskiy, First Deputy Chairman-Member of the Board, Vnesheconombank. The broad areas of collaboration envisaged in the Cooperation Agreement include, among others, infrastructure projects; export financing / export insurance and guarantees, as well as co-financing of projects; cooperation in credit

enhancement mechanism; and knowledge sharing on economic and financial conditions and other developments in India and Russia.

Exim Bank Study : Reforms in the Defence Sector Set to Enhance Export Orientation

Exim Bank has prepared a comprehensive Study entitled "Defence Equipment Industry: Achieving Self-Reliance and Promoting Exports", the first copy of which was presented to Gen. (Dr) V. K. Singh (Retd.), Hon'ble Minister of State for External Affairs and Minister of State (Independent Charge) for Statistics and Programme Implementation, Government of India, at New Delhi on May 17, 2016. The Study has noted that the Indian defence sector is at variance from the global one, where more than 80% value addition happens at the integrator stage, with the component suppliers, many of which are SMEs, accounting for only 20%. This concentrated structure restricts the growth of private players in the sector and also affects the scope for R&D. Moreover, efficiency in the Indian defence sector (measured in terms of labour productivity) lags behind sectors such as consumer goods and transport equipment which again is at variance from countries like UK where labour productivity in aerospace and defence was nearly 8% higher than the overall productivity in all the UK companies.

Exim Bank Prescribes Sharing of Indian Developmental Experiences in the Healthcare Sector with Africa

Exim Bank's study on 'India-Africa Healthcare Cooperation: Way Forward,' was released by H.E. Mr. Joseph Kasonde, Hon'ble Health Minister for Zambia in presence of Mr. Dinesh Sharma, Additional Secretary, Department of Economic Affairs, Ministry of Finance, Government of India and Mr. Gaddam Dharmendra, High Commissioner of India to the Republic of Zambia. H.E. Mr. Joseph Kasonde, Hon'ble Health Minister for Zambia complimented the Government of India's support in setting up 650 health posts in Zambia. The Hon'ble Minister was

confident that with the participation of the private sector in the healthcare development along with learning from Indian experiences, African nationals need not travel across the continent to avail healthcare services.

"International Solar Alliance: Nurturing Possibilities": EXIM Bank Study Released at the Pan India Solar Rooftop Workshop

Exim Bank's Study on 'International Solar Alliance: Nurturing Possibilities,' was released by Mr. Piyush Goyal, Hon'ble Minister of State (I/C) for Power, Coal, New & Renewable Energy, in presence of Mr. Sanjay Srivastava, Secretary, Coordination and Public Grievances; Mr. P. K. Sinha, Cabinet Secretary; Dr. P. K. Mishra, Addl. Principal Secretary to PM; Mr. Upendra Tripathy, Secretary MNRE, and Mr. Yaduvendra Mathur, Exim Bank's CMD. Exim Bank is a member of the Advisory Council to the International Solar Alliance.

Exim Bank opens its Representative Office in Abidjan, Côte d'Ivoire

The Government of the Republic of Côte d'Ivoire accorded "Accord de Siège" status to Exim Bank's Representative Office in Abidjan. The "Accord de Siège" to this effect was signed in Abidjan, on June 14, 2016, by Mr. Yaduvendra Mathur, Chairman and Managing Director, on behalf of Exim Bank and H.E. Mr. Abdallah Albert Toikeusse Mabri, Minister of Foreign Affairs, on behalf of the Government of the Republic of Côte d'Ivoire, in the presence of H.E. Mr. Pranab Mukherjee, Hon'ble President of India and H.E. Mr. Alassane Ouattara, Hon'ble President of Côte d'Ivoire. Exim Bank's Representative Office in Abidjan shall look after Exim Bank's interest in countries namely Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Côte d'Ivoire, Equatorial Guinea, Gabon, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Sao Tome Principe, Senegal, Sierra Leone and Togo.

The textile industry has an overwhelming influence on economic development of India and is the second largest employer after agriculture. Through its contribution to the industrial output, employment generation and export earnings, the industry plays an important role in the Indian economy. The industry is estimated to be contributing about 10% of manufacturing production, 2% of national GDP, 13% of the country's export earnings, and provides direct employment to around 45 million people.

Moderate Growth in Production

Most categories of fibre & yarn in India witnessed increase in production during 2015-16, other than man-made filament yarn. While total spun yarn production increased by 3.2% during the year, man-made filament yarn production declined by 6.7% (Exhibit). This decline was driven by a sharp fall in production of polyester filament yarn which was affected due to a sluggish downstream demand.

Cloth production in India grew by a mere 0.4% during 2015-16. Output of cotton fabrics grew at a robust pace during the year on account of a steady demand. However, a decline in output of synthetic woven fabrics took a toll on the total fabric production. Sector-wise data for the year indicates a decline of 6.9% in production from the mill sector. Powerloom sector which accounts for more than 60% of the fabric exports also registered a 2.0% decline in production during 2015-16 (Exhibit).

Trade

The share of textiles and readymade garments in India's total exports has come down in the last 15 years. In 2000-01, the share of textiles and readymade garments (including carpets) in India's total exports was 25.6%, which has come

down to 14% in 2015-16. However, India's share in world exports of textiles has been increasing over the years, from 3.4% in 2000, to 6.3% in 2014, and in case of readymade garments, the share has increased from 3.0% in 2000 to 3.8% in 2014. India was the second largest exporter of textile and apparel in 2014.

Growth in India's readymade garments export witnessed a sharp deceleration in 2015-16. During the year, India's total readymade garments exports rose by a meagre 0.8% to US\$ 17.0 billion. Exports of readymade garments to the USA and the UAE grew at a healthy pace. However, exports to Europe declined on account of subdued demand.

Government Incentives

The government has approved ₹ 60 billion special package for the garment sector to boost exports. The package includes several measures such as enhanced duty drawback coverage, flexibility in labour laws to increase productivity, as well as relaxation in provisions of income tax exemption.

Amongst the measures taken to make labour laws flexible are increasing overtime hours for workers and introduction of fixed term employment looking at the seasonal nature of the garment sector. Increase in subsidy under A-TUFS from 15% to 25% for the garment sector is also part of the

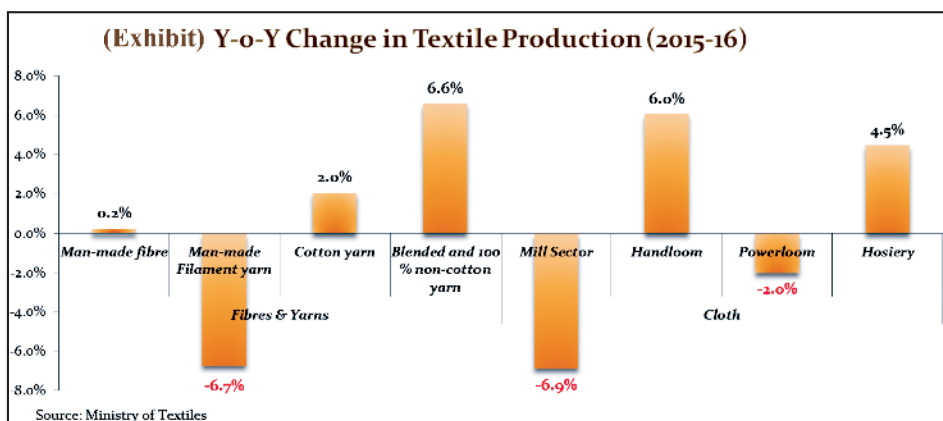
package. These measures will drive investment and employment generation in the sector.

In order to incentivize domestic value addition in the textile sector, the basic customs duty on specified fibres and yarns has also been reduced in the Union Budget 2016. The existing customs duty rate of 5% was reduced to 2.5%. Also, import of certain fabrics of value equivalent to one per cent of FOB value of exports in the preceding financial year will be exempt from basic customs duty.

Other major steps taken by the Government include expansion of market coverage under the Merchandise Exports from India Scheme, a 2% upward revision in duty drawback rates and 3% interest equalisation on pre and post shipment of rupee export credit.

Outlook

Sustained demand from the USA and the UAE, and various government incentives are expected to bode well for the garments sector in medium term. Steady growth in demand for apparels, home textiles and technical textiles will have a positive impact on the yarn and fabric segments as well. On the other hand, auction of reserve cotton initiated by China, which is the largest importer of cotton yarn from India, is likely to affect India's exports of these products.



Overview

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 6-7% of the country's GDP. One of the fastest growing sectors, it is extremely export oriented and labour intensive.

The two major segments of the gems and jewellery sector in India are gold and diamond jewellery. While a predominant portion of gold jewellery manufactured in India is for domestic consumption, a predominant portion of imported rough, uncut diamonds are processed in India and exported.

Indian Scenario

India is one of the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies. Moreover, India exports 95% of the world's diamonds, as per statistics from the Gems and Jewellery Export promotion Council.

India was one of the largest consumers of gold in the world in 2015 with a consumption of 848.9 tonnes, accounting for nearly one-fourth of world gold consumption (3426.5 tonnes) during the year (Table). Majority of the gold imports go into production of jewellery. The demand for gold jewellery

in India has traditionally been linked to social and religious occasions, as gold is valued as an important savings and investment vehicle in India.

The Indian gems & jewellery industry witnessed a decline in sales during the quarter ended March 2016. During the quarter, the industry's sales suffered on account of muted demand. As per a report by the World Gold Council, jewellery demand in India hit a seven year low in the March 2016 quarter. A 3.3% rise in domestic gold prices coupled with a 43 days strike by jewellers mainly thwarted the gold demand.

Exports of gems and jewellery registered a decline of 4.42% during 2015-16, amounting to US\$ 39.4 bn. The sector accounted for nearly 15.05% of India's total exports. UAE, Hong Kong, the USA, Belgium and Israel are some of the top exporting destination for India's exports of gems and jewellery. Imports on the other hand declined at a y-o-y rate of 9.5%, becoming US\$ 56.4 bn in 2015-16. The sector accounted for 14.84% of India's total imports.

Exports of diamonds, whether or not worked, but not mounted or set (HS: 7102) declined by 10.1% to reach US\$ 21.7 bn in 2015-16. Exports to major export destinations of Hong Kong, Belgium, UAE and Israel registered

double digit decline during the year. Exports to the USA, which is the second largest export destination, registered moderate growth of 1.4%.

Foreign Direct Investment (FDI) in the diamond and gold ornaments segment was US\$ 772.05 mn during the April 2000 to March 2016 period, accounting for 0.27% of the total FDI inflows into the country. In the sector, 100% FDI is permitted through the automatic route.

Gold Prices

With better economic performance in the country, the US Federal Reserve hiked interest rates for the first time in 9.5 years. The interest rates were hiked by 25 basis points in December 2015. This in turn made bonds and other fixed investments more lucrative for investing. In the months leading up to the interest rate hike, higher bond yields strengthened the US dollar against major currencies. The US\$ being a significant driver for gold, continued to put pressure on gold prices. Hence, international gold prices declined by 7.8% to US\$ 1,150.6 per troy ounce in 2015-16.

Outlook

With improvement in global economy, the demand of jewellery is expected to improve from the USA and Hong Kong and register better growth. An improvement in demand for coins and bars is expected as consumers seek gold's wealth protection properties in the backdrop of a high economic and political uncertainty globally, turmoil in equity markets and weakening in domestic currency. Cut Polished Diamond exports are likely to remain under pressure as steady growth in diamond jewellery consumption in the USA market will be offset by weaker sales in China and Hong Kong.

Table : India's Gold Consumption (in tonnes)

Period	Jewellery	Net retail Investment	Total	% growth in total
2006	526.2	195.7	721.9	0.04
2007	551.7	217.5	769.2	6.55
2008	501.6	211.0	712.6	1.04
2009	442.4	136.1	578.5	-18.82
2010	657.4	348.9	1006.3	2.04
2011	567.4	366.0	933.4	-7.24
2012	552.0	312.2	864.2	-7.41
2013	612.7	362.1	974.8	12.80
2014	603.9	206.9	810.8	-16.8
2015	654.3	194.6	848.9	4.7

Source : World Gold Council

Exim Bank's Support To Handicraft and Handloom Sector

In April 2016, a trade fair event was organized by Export Promotion Council for Handicraft, at New Delhi it was a mega show consisting of B2B shows covering all the major segments of home category such as; home furniture, furnishings, decorative and household products like kitchenware, tableware, gardenware, bathroom accessories, etc.

Exim Bank assisted a Kerala based fair trade organization to participate at the Home Expo India tradefair in New Delhi. The organization is engaged in producing home furnishing products by adapting the traditional handloom weaving technique of Kerala producing local fabric called as 'Thorthu'.

The objective of supporting the Kerala based organization's booth at the Home Expo India was to provide assistance in finding new market opportunities and draw access to large number of potential domestic and overseas buyers. During the four day event, more than 100 guests and 20 trade visitors from overseas lifestyle stores, specialty stores, retailers, interior designers, on-line retailers, importers and buying agents visited the booth. This resulted in several enquiries from overseas and domestic market as well.

Exim Bank in association with a popular e-commerce website in India and a craft store at International airport at Terminal 2 in Mumbai offered support to craftsmen and grassroots enterprises to showcase various products namely pattachitra painting, banana fiber runners and mats, stainless steel enamelware hand-painted kitchenware, recycle plastic weave products and leather puppetry painting. All the products being showcased at their respective platforms attracted many foreign and local buyers which helped craftsmen and grassroots enterprises find new market opportunities. The sales generated for all the above categories accumulated to ₹5,49,185 approximately, for a total of nearly 400 products.

Exim Bank, through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies. Exim Bank assists in identification of opportunities overseas and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating overseas distributor(s)/ buyer(s)/ partner(s) for their products and services.

For more details please contact: mas@eximbankindia.in

Activities of Eximius Centre for Learning April - June 2016

To create awareness for exporters on various financial products and credit facilities available to them, ECL has been actively organizing seminars across the country in tier 1 and tier 2 cities. These seminars were conducted with speakers from Federation of Indian Export Organisation (FIEO), DGFT, Customs, ECGC and a leading commercial bank from the region. The seminars/workshops brought various stakeholders contributing to India's Trade & Investments on one platform and the issues relevant to the Indian exporters/importers were addressed.

During the quarter April 2016 -June 2016, ECL conducted seven seminars in association with Federation of Indian Chambers of Commerce & Industry (FICCI) and Federation of Indian Export Organisation (FIEO) viz..

1. A seminar on "Promoting Trade and Investments with BRICS countries" on April 12, 2016 at Cochin in association with FICCI
2. A seminar on "Enhancing Foreign Trade in India" on April 26, 2016 at Vijayawada in association with FIEO
3. A seminar on "International Trade Facilitation" on May 31, 2016 at Surat in association with FIEO
4. A seminar on "Opportunities & Challenges in Foreign Trade" on June 10, 2016 at Agra in association with FIEO
5. A seminar on "Export Credit and Export facilitation" on June 17, 2016 at Sikkim in association with FIEO
6. An "Open house meet with Exporters" on June 21, 2016 at Lucknow in association with FIEO
7. A seminar on "Promoting Trade and Investments with BRICS countries" on June 22, 2016 at Cochin in association with FICCI

Upcoming events :

A seminar on "Emerging Global Trade Scenario-Impact on India's Exim Trade" at Kolkata.

Book Review

Trade Finance and SMEs : Bridging the gaps in provision (WTO - 2016)

This book by World Trade Organization focuses on lack of access to trade finance by Small and medium-sized enterprises (SMEs) and provides recommendations to address the gap. It notes that lack of trade finance is a significant non-tariff barrier to trade, particularly (but not exclusively) in developing countries. It further notes that SMEs face the greatest hurdles in accessing affordable trade financing.

The book highlights the various steps that are already being taken to tackle this issue on three fronts: first, to encourage global financial institutions to remain engaged and to ensure that regulations are not prohibitive; second, to increase the capacity of local financial institutions, and third, to provide support measures to increase the availability of trade finance via multilateral development banks.

The recommendations made in the book for further improving the availability of trade finance are - enhancing existing trade finance facilitation programmes to reduce the financing gap by US\$ 50 billion; reducing the knowledge gap in local banking sectors for handling trade finance instruments by training at least 5,000 professionals over the next five years; maintaining an open dialogue with trade finance regulators to ensure that trade and development considerations are fully reflected in the implementation of regulations; and improving the monitoring of trade finance provision to identify and respond to gaps, particularly relating to any future crises.

Tanzania:

Tanzania has sustained economic growth averaging 6.5% a year over the past decade (2006-2015), on the back of construction activity, services and basic manufacturing. GDP is expected at 7% during 2016, buoyed by public investments in infrastructure. Planned key projects include the construction of a standard gauge railway to connect Tanzania with its landlocked neighbors, a liquefied natural gas (LNG) plant to capitalize on the country's massive untapped gas reserves, a new port in Bagamoyo and an oil pipeline to connect Uganda with Tanzania's Port of Tanga, as well as household electrification in rural areas. On the downside, the IMF warned in July 2016 that the government's ambitious infrastructure plans threaten to undermine its fiscal accounts, suggesting that Tanzania needs to increase its state revenues and prioritize public spending to ensure fiscal sustainability.

Russia:

The Russian economy recorded its biggest contraction in six years, with GDP dropping by 3.5% in 2015, driven by sharp fall in household consumption and investment. Sharply lower corporate profits and excess capacity amid weak demand had led to a cutback in capital expenditure. Economic downturn in Russia has moderated since then, with the economy now likely to contract at a milder rate at 0.8% in 2016, according to IMF. The services sector appears to be benefiting from an improvement in consumer sentiment, which has in turn been bolstered by easing inflation, a recent interest rate cut and moderating real wage deflation. The EU recently extended its economic sanctions against Russia for a further six months to January 31, 2017. Western firms operating

in sectors covered by these sanctions (as well as Russian countermeasures), including agriculture and energy, will thus continue to face lower demand for their products from Russia and should therefore seek to diversify their geographical export base. Moreover, as the indirect impacts of the sanctions on Russia's wider economy exacerbate the economic downturn, domestic demand is expected to be muted.

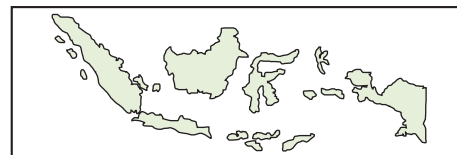
Peru:

Over the past decade, Peru has been one of the region's fastest-growing economies, with an average growth rate of 5.9% in a context of low inflation (averaging 2.9%), supported by a favorable external environment, prudent macroeconomic policies and structural reforms in different areas and low inflation. After a deceleration in 2014, GDP growth recovered in 2015, from 2.4% to 3.3 percent, resulting from increased inventories (mainly copper) and exports. Against the backdrop of lower business confidence, delayed implementation of some mining projects and sluggish activity in the real estate sector, private investment contracted by 7.5%. The inflation rate exceeded the target range (4.4%) given the devaluation of the local currency, which drove up electricity rates and real estate prices. In 2016, economic growth is expected to be similar to 2015 levels and to gradually recover to an average rate of 3.8% in 2017-18. Over the next two or three years, large-scale mining projects are expected to begin production and increased private and public investment in infrastructure projects are expected to support aggregate demand. Additionally, the country is likely to continue implementing structural reforms to ensure confidence of private investors.

Mexico:

The Mexican economy continued to expand at a moderate annual growth rate of 2.5% during 2015. Private consumption became the main driving force of economic activity on the back of stronger job creation, real wage growth, and credit expansion. In contrast, the expansion of investment activity has slowed down, due to public spending adjustments. A challenging external environment including lower oil prices, a gradual tightening of monetary policy in the USA, and a slowdown of growth perspectives in emerging market economies, contributed to a significant depreciation of the Mexican peso.

Economic growth is projected to slow down slightly in 2016 as the monetary and fiscal policy response to adverse external shocks is expected to weigh down on aggregate demand. Sustained macroeconomic, price and financial stability as well as continued investor confidence is likely to contribute to a rebalancing of the sources of growth with increasing (net) exports and private sector investments complementing the steady expansion of private consumption.

Indonesia:

Indonesia's economic planning follows a 20-year development plan, spanning from 2005 to 2025. It is segmented into 5-year medium-term plans, each with different development priorities. The current medium-term development plan runs from 2015 to 2020, focusing among others, on infrastructure development and improving social assistance programs in education and healthcare. Such shifts in public spending have been enabled by a reform of long-standing energy subsidies.

Due to weaker demand for commodities - the fuel for Indonesia's economic boom in the past decade - Indonesia's GDP growth has been slowing since 2012. The pace of growth in fixed investment, exports, and consumption, has slowed. The investment climate, though generally positive, faces continued regulatory uncertainties and high logistics costs. However, a series of reform packages shows that the government wants to convince investors that Indonesia is open for business.

South Korean Won

Korean Won (KRW) had a two-month rally against USD, with USD/KRW rising from 1139.20 in April to 1191.60 in May. Drivers for this were a re-pricing of an earlier Fed hike and local macroeconomic disappointments. BOK (Bank of Korea) under Governor Lee held the benchmark interest rate unchanged for an 11th consecutive month as a newly composed board opted to monitor economic data and the progress of corporate restructuring before changing policy. The rates are expected to remain unchanged in the next meeting on 9th June. Further misses of inflation targets may require a revisit in the policy.

Bankruptcy filing of an STX unit have raised concerns. A government rescue of the sector is expected, so while there may be further liquidations, they are expected to be of a lesser magnitude. Alongside, equity markets have been nervous about greater weight of China in the MSCI EM index. Nevertheless, reallocation of funds is expected to be cautious and gradual.

Local factors are expected to emerge as future currency drivers. Though there have been similar macro disappointments in Taiwan with respect to exports and industrial production, the Korean economy is still fundamentally stronger than that of Taiwan (where headline growth has been negative for three quarters). There seem fewer fundamental and policy reasons to explain the degree of weakening seen recently, with many days seeming more driven by market positioning. So, there is potential for a rapid retracement at some stage.

EURO

During May, the euro weakened against the US dollar in terms of London closing rates from 1.1447 to 1.1131. The Governing Council of the European Central Bank (ECB) did not meet in May with the policy stance left unchanged in April following the easing measures announced in March. President Draghi emphasized in his press conference that the stance of the ECB was to increase the flow of credit into the real economy. The ECB bought EUR

799.4 bn worth of public sector bonds as of 27th May.

The Euro weakened versus the Dollar but was more stable versus other currencies indicating Fed monetary policy factors were at play in influencing the EUR/USD rate. The stability of the euro is being helped by a mix of the euro-zone running a record current account surplus of over 3.0% of GDP, and the monetary easing actions of the ECB that is keeping financial market volatility low.

The ECB's Corporate Sector Purchase Program will commence in June with credit conditions having eased notably ahead of the commencement. The details, announced in April, have led to the conclusion that the potential size of assets available for purchase is larger than originally thought. The 70% threshold per issue was larger than expected while the inclusion of corporations with financing arms, like in the auto sector, also helped raise expectations over the net impact on corporate credit from the program. Concerns over the impact on market functioning persist however, although the ECB tried to reassure market participants by stating it would be "mindful of the potential impact of its purchases on market liquidity". Additionally in June, the ECB will commence with the TLTRO II program where banks that meet certain lending levels will be able to borrow at an interest rate as low as the ECB deposit rate.

The ECB is confident that quantitative easing and the latest measures will have a positive impact on lifting credit flows into the real economy. Loans to the non-financial corporate sector continues to modestly. The annual growth rate of loans to non-financial corporations increased from 0.8% in March to 0.9% in April. Economic data from Germany also revealed real GDP growth was driven by consumer spending which if sustained would be beneficial for other euro-zone countries dependent on German domestic demand. Better economic growth in the euro-zone may help lift investor confidence, thus encouraging greater

portfolio outflows that could contribute to a weakening of the euro.

There is need to remain relatively cautious on the scope for EUR/USD decline through the remainder of this year. A US rate increase will be most influential, especially if accompanied by continued relative stability in the global markets.

AUD

During May the Australian dollar weakened notably against the US dollar in terms of London closing rates from 0.7611 to 0.7241. The Reserve Bank of Australia (RBA) cut the overnight cash rate by 0.25-points to 1.75%, which followed two 0.25-point cuts in 2015.

The Australian dollar weakened notably in May fuelled in large part by the divergence in monetary policy expectations following the decision of the RBA to ease its monetary policy stance. The decision was coupled by increased market expectations that the Fed would raise rates for the second time either in June or July. The 2-year swap spread between Australia and the US plunged by 30 basis points in May. The plunge reflected not only the rate cut but also the expectation that the RBA may have to ease further. The key factor justifying the RBA action was the prediction by the RBA that inflation will not rise to target again until 2018. While inflation was forecast to remain very low, the economy was still expected to perform well with the RBA leaving its real GDP growth forecasts unchanged at 2.5-3.5% for this year and next year. Given the low level of inflation and given the probability that China economic growth is set to remain on a modest downtrend, there is a high chance of one further rate cut by the RBA.

The terms of trade picture has also deteriorated for Australia with the iron ore price gain from earlier this year reversing notably. The price is now some 29% below the peak of USD 70.46 set on 21st April and the May closing level was the lowest since February. While a weakening of Australian dollar was expected in Q2 and Q3, the decline is somewhat greater than expected.

Loan Portfolio of the Bank crosses ₹ 1 Lakh Crore Milestone

Exim Bank's Chairman and Managing Director, Mr. Yaduvendra Mathur announced the Bank's results for the year 2015-16 at a press conference in Mumbai on Friday, May 20, 2016.

- Lines of Credit : As on March 31, 2016, the Bank had in place 203 LOCs, covering 63 countries with credit commitments of over US\$ 14.26 billion. During FY 2016, 9 LOCs amounting to US\$ 2.61 billion were extended to Bangladesh, Cote d'Ivoire, Congo, Guyana, Guinea, Tanzania, Zimbabwe, and Myanmar.

- Project Export Contracts : During FY 2015-16, 95 Project Export contracts were secured in 39 countries by 50 exporters, aggregating ₹ 22,551 crore.

- Buyer's Credit - National Export Insurance Account (BC-NEIA) : The Bank had till March 31, 2016, sanctioned US\$ 2.19 billion for 22 projects valued US\$ 2.49 billion under the Buyer's Credit - National Export Insurance Account (BC-NEIA). The Bank has also given in-principle commitments for supporting several projects and the current active pipeline includes 36 proposals aggregating US\$ 5.11 billion under BC-NEIA.

- Overseas Investment : During the year ended March 31, 2016, the Bank's approvals under the Overseas Investment Finance Programme amounted to ₹ 5,264 crore, comprising ₹ 5,217 crore towards acquisition/setting up of 26 overseas ventures; and ₹ 47 crore towards renewal of existing facilities.

- Profit before tax (PBT) and profit after tax (PAT) of the Bank were at ₹ 453 crore and ₹ 316 crore respectively during the year 2015-16.

Resources/Treasury

- During the year, the Bank raised borrowings of varying maturities comprising rupee resources of ₹ 23,183

crore and foreign currency resources of ₹ 13,781 crore equivalent.

- The Bank is rated investment grade, on par with the country's Sovereign rating. As on March 31, 2016, the Bank was rated Baa3 (Positive) by Moody's, BBB- (Stable) by Standard & Poor's, BBB- (Stable) by Fitch Ratings and BBB+ (Stable) by Japan Credit Rating Agency (JCRA). The Bank's Rupee debt instruments continued to enjoy the highest rating viz. AAA rating from the rating agencies, CRISIL and ICRA.

Benchmarks in the International Capital Markets

- Successfully launched a 5 year Reg S Green Bond issue of US\$ 500 million. The 1st ever USD-denominated Green bond offering out of India - 1st benchmark-sized Green bond out of Asia in 2015 - and the 3rd ever Green bond issuance out of Asia. Attracted subscription of around 3.2 times the issue size, led by strong demand, across 140 accounts, with significant participation from green investors and real money accounts, upsized from \$ 250 million.

- Launched a 5.5 year Reg S Bond issue of US\$ 500 million. Issue attracted a total order book in excess of US\$ 1.25 bn. thereby achieving 2.5x over subscription of the issue size from over 110 investors.

- The Bank raised US\$ 162.26 million equivalent by way of Uridashi Bonds in two different currencies viz., Australian Dollar and United States Dollars thereby achieving diversification of investor base. The USD swapped price of the Bonds was inside the fair value of the Bank's outstanding public USD bonds for similar tenor. The Bank has now tapped the Uridashi Bond market on four occasions and continues to be the only Indian entity in this market.

Advisory & Consultancy Services

- Special Purpose Facility for Financing Strategic Infrastructure Projects in Neighbouring Countries : Exim Bank with the support of GoI, has extended commitment to finance the strategic

Maitree Power Project in Bangladesh valued US\$ 1.8 billion. BHEL has emerged as the lowest bidder, against global competition. The project known as Bangladesh India Friendship Power Company Ltd. is a 50:50 JV between NTPC and the Bangladesh Power Development Board. Once commissioned, it is expected to be the largest power plant in Bangladesh. The project saw many firsts - it was the first super-critical overseas power project in which BHEL has been involved - and the first being developed by NTPC overseas.

- Initiatives for Renewable Energy : Exim Bank has been partnering the Ministry of New and Renewable Energy, GoI, in its plan towards establishing the International Solar Alliance drawn as a part of the COP21 initiative in Paris, to boost solar energy in developing countries. Exim Bank is also a part of the Advisory Committee of ISA, and had given a presentation at the 2nd Steering Committee of the ISA, in Abu Dhabi in January 2016, towards promoting 10,000 MW of solar projects. Bank has also conducted a Study entitled "International Solar Alliance: Nurturing Possibilities."

- Export Development Fund : In terms of the Exim Bank Act, the Export Development Fund is a distinct Fund with an independent balance sheet and earnings statement. The fund can be utilized only for specified activities as may be approved by GoI. GoI has approved an amount of upto ₹ 3,000 crore of Buyer's Credit facility to seven Iranian banks for utilisation towards import of steel rails from India and Development of Chabahar Port Project. The credit facility will also be guaranteed by GoI.

- Kukuza Project Development Company : Exim Bank, IL&FS, AfDB and SBI have floated the Kukuza Project Development Company (PDC) for Africa, based out of Nairobi. A few projects in Africa are currently under consideration by the PDC.

INDICATORS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GDP (at current prices, US\$ bn)	1708.5	1823.2	1828.9	1863.9	2041.9	2075.8^f
Real GDP Growth (%)	8.9	6.7	5.6^{**}	6.6^{**}	7.2^{**}	7.6^{#**}
Sectoral Share in GDP (%)						
Agriculture & allied activities	14.6	18.5	17.8 ^{**}	17.5 ^{**}	16.3 ^{**}	15.3 ^{p**}
Industry	27.9	32.5	31.9 ^{**}	31.5 ^{**}	31.2 ^{**}	31.2 ^{p**}
Services	57.5	49.0	50.3 ^{**}	51.0 ^{**}	52.5 ^{**}	53.5 ^{p**}
Inflation rate (WPI, annual avg. %)	9.6	8.9	7.4	6.0	2.0	-2.5
Inflation rate (CPI, annual avg. %)	10.4	8.3	10.2	9.5	6.0	4.9
Gross Fiscal Deficit (% of GDP)	4.8	5.9	4.9	4.5	4.1	3.9^e
Exchange Rate (₹/US\$, avg.)	45.6	47.9	54.4	60.5	61.1	65.5
Exchange Rate (₹/Euro, avg.)	60.2	65.9	70.1	81.2	77.5	72.3
Exports (US\$ bn)	249.8	306.0	300.4	314.4	310.3	262.0
% change	39.8	22.5	-1.8	4.7	-1.3	-15.6
Oil Exports (US\$ bn)	36.4	56.7	60.9	63.2	56.7	30.4
% change	29.0	55.9	7.3	3.8	-10.2	-46.4
Non-oil Exports (US\$ bn)	213.4	249.2	239.5	251.2	253.6	231.6
% change	41.8	16.8	-3.9	4.9	0.9	-8.7
Imports (US\$ bn)	369.8	489.3	490.7	450.2	448.0	380.4
% change	28.2	32.3	0.3	-8.3	-0.5	-15.1
Oil Imports (US\$ bn)	106.0	155.0	164.0	164.8	138.3	82.9
% change	21.6	46.2	5.9	0.4	-16.0	-40.1
Non-oil Imports (US\$ bn)	263.8	334.3	326.7	285.4	309.7	297.5
% change	31.1	26.7	-2.3	-12.6	8.5	-3.9
Trade Balance (US\$ bn)	-120.0	-183.3	-190.3	-135.8	-137.7	-118.4
Services Exports (US\$ bn)*	124.6	140.9	145.7	151.5	156.0	154.3
Software Exports (US\$ bn)*	53.1	62.2	65.9	69.4	73.1	74.2
Services Imports (US\$ bn)*	80.6	76.9	80.8	78.5	79.8	84.6
Services Balance (US\$ bn)*	44.0	64.0	64.9	73.0	76.2	69.7
Current Account Balance (US\$ bn)*	-47.9	-78.2	-87.8	-32.4	-26.8	-22.1
CAB as percentage of GDP (%)	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1
Forex Reserves (US\$ bn)	304.8	294.4	292.0	304.2	341.6	360.2
External Debt (US\$ bn)	317.9	360.8	409.4	446.2	475.0	485.6
External Debt to GDP Ratio (%)	18.2	21.1	22.4	23.8	23.8	23.7
Short Term Debt / Total Debt (%)	20.4	21.7	23.6	20.5	18.0	17.2
Total Debt Service Ratio (%)	4.4	6.0	5.9	5.9	7.6	8.8
FDI (US\$ bn)	36.0	46.6	34.3	36.0	45.1	55.4
GDRs/ADRs (US\$ bn)	2.0	0.6	0.2	0.02	1.3	0.4
FII (net) (US\$ bn)	29.4	16.8	27.6	5.0	40.9	-3.5
FDI Outflows (US\$ bn)	17.2	10.9	7.1	9.2	4.0	8.8

p - EAC, GOI's Provisional Estimate; e - GOI's estimates; f - IIF Estimates; * - Data from 2009-10 onwards is given by RBI as per new format of standard presentation of BoP statistics based on guidelines set out in IMF Balance of Payment Manual; ** - Data as per the revised base year 2011-12; # - Budget 2016-17 estimates.

Sources : Economic Survey, Various issues; Union Budget, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Finance; CSO; Ministry of Commerce & Industry; Institute of International Finance (IIF).

Trade and Partnership Opportunities

Trade Opportunities

Turnkey Sugar Projects

One of India's leading suppliers of Turnkey Sugar refineries and sugar based ethanol plants. Also supplying sugarcane farming equipment's, solar plants and wind ventilators.



Herbal Cosmetic Products

Established in 2006, manufacturing wide-range of herbal cosmetic products for tanning, pigmentation, pimples, wrinkles, dandruff and scars.



Surgical Gloves

An ISO 13485: 2003 company, manufacturing and exporting Sterile Medical Gloves having state of the art medical glove manufacturing facilities with a capacity of 2 million pairs per month.



Pipes and Fittings

Established in the year 1988, a two star export house status engaged in manufacturing and exporting diversified products used in plumbing and drip irrigation.



After Mints

Manufacturing of dry paan is a new concept although after-mints are very popular throughout the country. Dry Paan, a natural mouth freshener does not have side effects and also helps the digestive system.



Blended Mango Pulp

Manufacturer and exporter of fruit and vegetable based food ingredients offering fruits and vegetables in pulp, puree and concentration form with added color, flavor and fragrance, including its best selling mix-Blended Mango Pulp.



Partnership Opportunities

Project Opportunities

(I) UAE based consultancy firm is interested in partnering with Indian EPC contractor for developing a Media City in Sharjah.

Export Opportunities

- (I) DR Congo Government is looking for an Indian IT/Software company to implement 'Unique Identity Card' project for a population of around 85,000,000 citizens of DR Congo.
- (II) An importer from New Benin is looking for a suitable partner to implement a project for transformation of solid waste into pellets and briquettes. The pellets are to be used as substitutes of charcoal to be used for domestic purposes.
- (III) Egyptian manufacturer of home and electrical appliances is looking for importing Stainless Steel Coils from India.

Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.

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