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Building Resilient Trade Finance Architecture

The financial crisis highlighted the fault lines in financial architecture across countries. The multi-layered disruptions adversely impacted the international trade flows, with deteriorating credit conditions emerging as one of the key transmission channels. In fact, the adverse effect on trade finance, which was more pronounced in the case of emerging economies, still lingers on. The constraints to trade finance have not only emerged from the crisis itself, but also from the response to the crisis, in particular, from the general regulatory tightening.

Financial regulations have witnessed unprecedented strengthening since the crisis, but have not necessarily led to the most efficient outcomes. Recalibration of capital charges have led to low-risk trade finance products being treated at par with much more complex financial products. Such regulatory treatment has impacted bank-intermediated trade finance, and as a corollary, global trade and economic growth.

In a world of deeply integrated economies, solutions to such intrinsic and extrinsic challenges lie in mutual cooperation. The overwhelming role of trade in the multi-faceted interactions among developing countries, and the role of trade finance in harmoniously welding the South-South trade links, behoves developing countries to adopt collective, concerted and coherent initiatives for developing an efficient trade financing framework.

COLLABORATION AMONG DEVELOPMENT FINANCE INSTITUTIONS

There is a need to address the mix of structural and developmental factors which are hindering the growth in trade finance, and in turn international trade. An essential first step will be to coalesce the efforts of development partners to enhance the existing trade facilitation programs. This includes Multilateral Development Bank (MDBs) such as the International Financial Corporation (IFC), the ADB, the African Development Bank (AfDB), the Inter-American Development Bank, Islamic Development Bank and the European Bank for Reconstruction and Development, ECAs, as well as the national Development Finance Institutions (DFIs).

The role of MDBs and ECAs has been crucial in ensuring that trade-finance gap does not incapacitate trade. According to the International Chamber of Commerce (ICC) 2016 Global Survey on Trade Finance, nearly 75 percent of respondents reported that MDBs and ECAs help narrow trade finance gaps. Going forward, the support from these entities will remain critical for supporting trade finance transactions till the time alternative local capacity can be augmented.

Collaboration among MDBs, ECAs and national DFIs can substantially enhance the trade financing capabilities, while concomitantly meeting the growing infrastructure requirements. There has been substantial increase in such transactions by MDBs, ECAs, and national DFIs. An example of such collaboration is the financing of Itezhi - Tezhi Hydro Power Project in Zambia. The project was co-financed by several lenders including multilateral banks such as the AfDB and the European Investment Bank; DFIs such as the Development Bank of Southern Africa, Dutch development bank FMO, and French development financial institution PROPARCO; and ECAs such as the Export-Import Bank of India (Exim India).

There have also been cases, where co-financing has enabled ECAs to finance transactions and support domestic companies which it otherwise could not. For example, on account of lack of sufficient scale, the Hungarian Export-Import Bank (Exim Hungary) could not support many Hungarian companies in large-scale transactions on a standalone basis. However, a collaborative approach by Exim Hungary opened up large-scale project opportunities for the domestic companies. Exim Hungary entered into an international deal with the General Electric, Indonesian Power Utility 'Perusahaan Listrik Negara', and the Export Development Canada (EDC). Not only did the project generate exports worth more than US\$ 276 million from the Hungarian economy, it also provided nearly 4 million Indonesian homes with electricity. Clearly, smaller ECAs can benefit substantially by networking with other ECAs, DFIs, and MDBs. There is also substantial evidence of collaboration among ECAs and MDBs. One way through which some of them are already

collaborating is through insuring of loan exposures and reinsuring of guarantee exposure. Multilateral Investment Guarantee Agency (MIGA) reinsures approximately 40 percent of its gross exposure with ECAs and Political Risk Insurers. Paul Mudde in his article estimates that if leading MDBs follow MIGA's practice, US\$ 169 billion of additional finance can be made available for development.

Another way in which ECAs, MDBs and national DFIs can collaborate is through information sharing and creation of an enabling environment for financing. All institutions face challenges in terms of financing projects which may originate on account of regulatory issues, structural challenges, public sector inefficiencies, etc. Structural exchange of information can reap substantial benefits for these institutions. These institutions can also collaborate in the sphere of creation of bankable projects through initiatives such as project preparation facilities. Exim India has made an attempt in this direction, and along with the African Development Bank, Infrastructure Leasing and Financial Services Ltd. and State Bank of India, has floated the Kukuza Project Development Company to facilitate private sector participation in infrastructure projects in Africa.

The DFIs can also collaborate through creation of liquidity pools. The Global Financial Crisis saw a drying up of liquidity with the impact being particularly adverse in case of small firms and smaller geographies. Establishment of targeted liquidity pool by MDBs, national DFIs and ECAs can help ensure that adequate funds are available to SMEs, new exporters and firms in smaller geographies during times of contraction in liquidity and credit.

CAPACITY BUILDING OF DOMESTIC FINANCIAL SECTOR

Capacity building of the local financial sector will form the cornerstone of initiatives for improving trade financing

infrastructure in developing countries. The growing role and influence of emerging market firms in international trade need to be supported through multi-faceted intervention. To begin with, a reform of the domestic institutions will be required. Financial markets in several developing economies remain risk averse, and a large proportion of bank deposits in these economies are invested in low-risk low-yield instruments. Technical assistance, aid, and policy advice will be required to equip developing countries with the necessary tools to counter the existing challenges and risks to trade finance. Greater adoption of technology will also be essential for removing the frictions in the domestic financial sector.

Technical assistance for strengthening schemes and mechanisms offered by financial institutions in both private and public sector will be pivotal for enhancing trade finance. Bulk of the trade finance is provided by commercial banks, necessitating capacity building of these institutions for better cross-border transaction risk assessment and lower trade finance costs. The role of MDBs, ECAs and national DFIs will be crucial in such institutional capacity building. Many of them are already engaged in providing such technical assistance. Technical training for issuing banks constitutes an integral part of the trade finance programmes of MDBs.

Alongside commercial banks, which are the prime agents of trade finance, technical assistance to ECAs will also be important for effectively bridging knowledge gaps. Institutional capacity building of ECAs will be important in order to position them as key drivers of export growth, especially in scenarios where the commercial sector is unable to efficiently meet the demand for trade finance. Already, ECAs in several countries are proactive in rendering technical assistance for institutional capacity building to other ECAs in developing countries. Exim India, for example, has provided consulting services for institution capacity building in several countries.

MARKET INFORMATION

Collection and sharing of credit information is a critical component for enabling accurate risk assessment of trade finance providers. Correct and reliable information on creditworthiness of importers and exporters can improve the risk assessment process and allow the banks and the financial institutions to offer affordable products. There are several ways through which MDBs, ECAs and national DFIs can provide support to countries and institutions for creating a robust credit information system. A favourable environment can be created by advising and supporting government authorities, regulators, etc. Direct support can also be provided to countries for developing new credit bureaus and credit registries. Support can also be provided to enhance existing bureaus. IFC is already providing such assistance under its Global Credit Reporting Program.

Information gaps also arise in cross-border financial services. Correspondent banking relationships have declined following the Global Financial Crisis. While re-evaluation of business models has contributed towards such decline, withdrawal of such relationships has also arisen where regulatory expectations are unclear, risks cannot be mitigated, or there are legal impediments to cross-border information sharing.

Collaborative partnerships can help mitigate the market information gaps. Partnerships among countries for developing and disseminating trade finance data can help in better understanding of the markets, and an accurate pricing of risks. This shall also help understand the disruptions in trade finance markets during periods of shock and crisis, and help devise responsive solutions.

While durable solutions may take time to be established, interim solutions can help improve information flows between correspondent and respondent banks. This includes use of "Know Your Customer" software utilities which store customer due-diligence information

in a single repository and allows easy access to bank customer information. Legal and contractual issues can also be streamlined to facilitate information sharing across institutions and countries.

ALTERNATIVE TRADE FINANCING

Non-bank capital is gradually emerging as an important source of trade finance. Since the time of financial crisis, these players have played an increasingly crucial role in meeting unmet demand, and have experienced considerable growth. Going forward, the role of fin-techs and alternative-finance providers will be crucial in bridging the trade-finance gaps. Alternative finance players are increasingly providing direct matching mechanism between borrowers and lenders through platforms such as peer-to-peer lending, crowdfunding and invoice trading for trade finance. Fin-tech companies also seek to supplement the existing pool of bank-intermediated trade finance. Hedge funds have also been active in trade financing. Partnerships among DFIs, banks and fin-techs can help drive efficiency and improve the capacity of financial systems to extend trade finance.

TRADE FINANCE FACILITY

National DFIs and ECAs from developing countries, with support from MDBs can explore the prospects for a trade finance facility to enhance the access to trade finance by companies and banks from participating countries. While many MDBs already have risk mitigation instruments, the scope and reach of such instruments can be significantly enhanced with the involvement of national developmental agencies. These facilities can be established at the regional level, and can provide non-funded guarantee to enhance the international confirming banks' appetite for dealing with local issuing banks by substitution of risk from the local bank to the facility. The facility can also extend trade finance loans, structured around a company's trade cycle period—starting from the import/ purchase of raw materials to the receipt of sale proceeds.

Loans can be provided against evidence of invoices/ trade activity. For example, payment obligations in intermediation instruments such as L/Cs and bills may take time to discharge. Banks may discharge such obligations ahead of time based on a straight discount basis, with discount rate based on the market price of the obligation party.

The facility can also provide training and capacity building support to banks. Further, a subsidy can be provided by the respective Governments to cover the cost of compliances which may be associated with on boarding of banks.

TRADE ENHANCEMENT FACILITY FOR SMALL STATES

A special Trade Enhancement Facility can also be set up for Small States, which have been disproportionately impacted in the post-crisis period. These countries cannot get L/C, opened by them on behalf of their importer customers, confirmed by exporters' banks at reasonable prices as the perceived risks of the L/C opening banks is considered high by the exporters' banks. This denies importers in these countries access to trade finance through L/C and other instruments, which form the backbone of current international trade architecture. This in turn impacts the competitiveness of businesses in these countries.

In such a scenario, a Trade Enhancement Facility for such small countries can be set up. The proposed facility for Small States could comprise a credit enhancement mechanism which enables confirmation of L/C opened on behalf of importers by banks in the countries participating in the facility. The confirmations would be enabled by guaranteeing the credit risk of L/C opening banks in these countries. The guarantee may be backed by pool of cash collateral contributed by member states into a Fund, which can be managed by an independent Facility Manager, who, inter alia, can identify banks in the member countries who would be interested in participating in the program, and assign credit limits to these banks depending on parameters

such as credit profile, potential usage, etc.

The Fund can receive revolving grant contributions from member states which can form the core capital of the Fund. These contributions may be invested in high quality liquid assets which can be drawn in the event of defaults to honour the claims. Support from bilateral and multilateral development finance agencies, and private sources of capital may also be considered for contributions to the Fund.

REGIONAL FINANCING MECHANISM FOR ASIA

In much of the developing Asia, the financing mechanisms, which are taken for granted in industrial nations, are rudimentary and sub-optimal. Information networks and policy environments required for banks to carry out international transactions with a fair deal of confidence are also yet to stabilise.

A regional mechanism which pools funds and risks across countries can benefit the intra-regional trade in Asia. In this context, an Asian Exim Bank can be set up as the principal agency in Asia for re-financing trade and investment and may operate on business principles. The basic objective of the Asian Exim Bank would be to improve the access to trade finance for Asian economies through credit enhancement and risk mitigation measures and thereby, contribute to enhance intra-regional trade and investment.

With a view to achieve this purpose, the Asian Exim Bank may provide refinance/ rediscounting / reinsurance facilities to ECAs / commercial banks in the region to enable them to extend financial assistance to the exporters and importers of the region, at both pre and post-shipment stages as also to enable banks in the region to extend short and medium / long term credit through a variety of instruments / programmes to promote intra-regional and industrial development.

OVERVIEW

Madhya Pradesh a landlocked state in the central part of India, shares its borders with five states. The Gross State Domestic Product of Madhya Pradesh registering a growth rate of 7.3% is expected to reach 4991 billion in 2017-18, at constant 2011-12 prices, from 4651.4 billion in 2016-17.

EXPORT SCENARIO

Exports from the state during 2012-13 to 2016-17, registered an AAGR of 1.7%, falling from US\$ 4.18 billion in 2012-13 to US\$ 3.96 billion in 2015-16, before rising to US\$ 4.43 billion in 2016-17. The state ranked 15th in terms of the share in the total Indian exports in 2016-17.

Product Analysis

At a principal commodity level, the top 10 principal commodities from Madhya Pradesh contributed around 65.4% to the total exports of Madhya Pradesh in 2016-17.

In 2016-17, at 6-digit level, the top exported commodity from MP was 'Medicaments consisting of mixed or unmixed products for retail sale' (HS Code- 300490). The product registered an AAGR of 48.2%, during 2012-13 to 2016-17, exhibiting a share of 17.8% in MP's and 8.1% in India's exports in 2016-17. The exports of this commodity jumped from US\$ 193.3 million in 2012-13 to US\$ 789.0 million in 2016-17.

This was followed by 'Oilcake and other solid residues, resulting from the extraction of soya-bean oil' (HS Code- 230400). Exports of this commodity registered an AAGR of 3.6%, during 2011-12 to 2016-17. It may be noted that whilst, the exports of this commodity in MP's exports had a share of 6.5%, the share was as high as 51.7% in India's exports of this commodity in 2016-17.

In fact, within the top 10 commodities exported by MP in 2016-17, there are 3 other commodities, which had a share of greater than 15% in India's total exports of these commodities.

Besides these there are a few quick take away. The AAGR registered by the top 10 commodities at 6-digit level exported during 2012-13 to 2016-17 was 5.7%, as against 1.7% of the total exports from MP, during the same period. It was also observed that at 6-digit level the share of top 10 commodities exported from MP constituted an 11.3% share in 2016-17 in India's total exports.

Country Analysis

A country wise analysis of the exports from MP in 2016-17 reveals that, the major exporting destination for the commodities from MP are the USA (27.6%), Bangladesh (7.6%), China (4.4%), Germany (3.3%) and Japan (3.2%). It may be interesting to note that Iran, which was the largest exporting destination for Madhya Pradesh's exports in 2013-14 and 4th largest in 2014-15, slipped to 33rd largest in 2015-16 and 30th largest in 2016-17. The reason for the same could be the access of Iran to global community with sanctions being eased.

According to the Financial Times FDI markets, during January 2008 to November 2017, MP accounted for 2.1% of the total investment received by India. During the same period, the state received nearly 2.3% of the total capital expenditure registered in the greenfield projects in India. These projects represented a total capital investment of US\$ 9.1 billion.

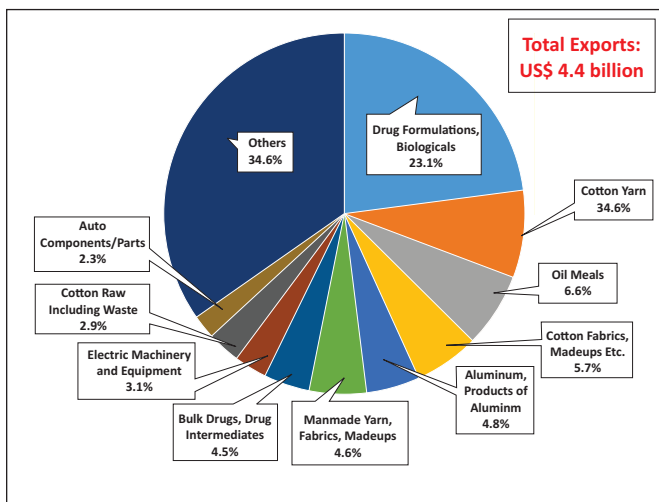
The USA accounted for the largest number of greenfield FDI projects in Madhya Pradesh during January 2008 to November 2017, with 24% projects being received from the USA, in the 10 year period. This was followed by Germany at 17%; the UK at 9%; Japan at 9%; and Singapore at 6%.

In terms of capital investment, Oman accounted for the largest capital with 26% of capital investment in MP being received from it, through a single project by Oman Oil Company. This was followed by the USA at 18%; Germany at 17%. Singapore at 10%; and Sweden at 7%.

Maximum greenfield foreign capital expenditure in Madhya Pradesh was received in the coal, oil and natural gas sector, worth US\$ 2.4 bn, during January 2008 to November 2017. This accounted for 6.7% of the total greenfield foreign capital expenditure received in India, during the same period. The other major sectors (in terms of absolute value of FDI) were renewable energy (share of 6.7% in India), semiconductors (34.9%), electronic components (1.9%), and minerals 58.7%. The state also received nearly 28.5% of the total investment in India's space & d sector, 6.4% of leisure & entertainment sector, and 6.1% of the total investment in India's pharmaceuticals sector.

WAY AHEAD

It is observed that, the landlocked states of Haryana (3.9%), and Punjab (1.9%), which have a smaller area, as compared to Madhya Pradesh, have contributed more to India's exports in 2016-17 than Madhya Pradesh. This gap has the potential to be reduced given its diverse resource potential and a robust production network.



Sources: DGCIIS

FDI IN MP

According to the Financial Times FDI markets, during January 2008 to November

Uttar Pradesh (UP) has been a confluence of cultures, religions, and businesses over the last many decades. UP happens to be the fourth largest state of India, spread over an area of roughly 95,000 square miles (246,000 sq km), equal to about 7.3% of the total land area of India. The multitude of resource endowments, coupled with diverse production and value addition networks, provides UP with the opportunity to contribute significantly to the country's exports. In fact, during 2016-17, Uttar Pradesh ranked 5th among all states by value of exports.

In order to develop the landlocked State of Uttar Pradesh as an exports hub, the State government would need to align its priorities and focus areas with the national and international demand trends and focus on maximizing benefits from bilateral and multilateral trade agreements made by the Centre.

Today, the global trade is highly unpredictable and dynamic, wherein various disruptions, competition and changing preferences can have both positive and negative impacts. In order to have a robust export strategy that transcends both domestic and international trade volatility, the industrial and economic infrastructure of the state must be revamped and modernized. Some focus areas for an overarching strategy towards boosting export potential of the state have been highlighted below:

INFRASTRUCTURE

Robust infrastructure will be critical for providing forward and backward linkages to exporting units. This includes airports, dry ports, container freight stations, Inland Container Depots, warehouses, agro-warehouse, post-harvest processing facilities, packaging facilities, export product exhibition centre, food parks, textile parks, raw material banks for high quality raw material, multi-modal logistics hubs, and specialized industrial zones.

HIDDEN CHAMPIONS INITIATIVE

The State Government can initiate

a 'Hidden Champions' initiative, to identify, encourage and felicitate promising small enterprises that have shown exemplary performance in exporting products through innovative practices. This can encourage innovation in the state economy. Under the Hidden Champions initiative, select companies could receive both financial and non-financial forms of assistance to incubate globally competitive SMEs.

GEOGRAPHICAL INDICATIONS

For the Geographical Indications (GI) products of UP, logo and name of the GI brand needs to be developed and marketed, and mechanism needs to be devised for ensuring that all the products marketed under the GI brand meet the minimum specified standards. Towards this, a brand equity fund can be setup by the State Government under the aegis of the Department of Industries. This will be aimed at building globally competitive brands for products manufactured /produced originating from the state.

PROMOTING E-COMMERCE

Online opportunities in traditionally strong sectors such as apparel, gems and jewellery, handicrafts, carpets, etc. are yet to be tapped completely. Online marketplace for these products can substantially increase the reach of these products and fetch better prices for the producers.

CLUSTER DEVELOPMENT

UP has several industrial clusters spread across an array of sectors. The development and upgrading of clusters will be an important agenda for the State Government. Assessment of these clusters, and relevant capacity building activities can be undertaken by the Government. The elements of capacity building include construction of physical infrastructure, building institutions, development of human resources, etc.

MEAT PROCESSING

In order to realise its export potential, the state needs to focus its efforts in upgrading slaughter houses to modern

abattoirs with all basic and minimum hygienic standards requirements. The state may also focus on strengthening its 'Foot and Mouth Disease Control Programme'.

CARPETS

The state can establish a design centre to coordinate the process of developing latest designs, patterns, bringing newer dyeing technologies, colour combinations etc. This shall help the industry in adapting to the changing consumer needs and expectations. Proper publicity of local carpets, especially the Bhadohi carpets which holds a GI status and contesting of adverse publicity on the child labour issue will also be essential for maintaining and enhancing the international repute of the carpets.

LEATHER INDUSTRY

In order to match up to the environmental regulations, the state requires urgent investment in city-wide effluent treatment plants to curb the tannery pollution. Research on cheap substitutes of Azo Dyes and Pentachlorophenol that have been banned due to their carcinogenic nature, will also be crucial. Once the products can be manufactured in consonance with the environmental regulations, these products can be marketed as environment-friendly products, with hallmarks such as 'Eco-Labels'.

IT AND ITES SECTOR

The Government of Uttar Pradesh should encourage establishment of centre of excellence in specialised fields like BigData, cloud Computing etc. across the state. Further, the 'Plug n Play Model' based Incubation centre facility launched in Ghaziabad and Lucknow under the IT UPVAN initiative, to encourage start-ups and provide a conducive growth environment to them, can also be expanded to other cities. Diversification of IT/ ITeS sector to more locations within the state can reap substantial benefits for the state economy.

Special Coverage :

13th CII-Exim Bank India-Africa Partnership Conclave

Export-Import Bank of India (Exim Bank) and the Confederation of Indian Industries (CII), in collaboration with Ministry of External Affairs and the Ministry of Commerce & Industry, Government of India (GOI), has organized the 13th edition of the CII-Exim Bank Conclave on India-Africa Project Partnership in New Delhi during March 25-27, 2018. The first conclave was held in 2005, and over the years the conclave has emerged as the pioneer event in building partnerships and enhancing the economic engagement between India and Africa. The conclave has also facilitated the enhancement of Indian project exports to African markets. The growing India-Africa economic exchanges bear testimony to the noticeable benefits that had accrued from the high profile engagements at the conclaves. The conclave has seen the participation of eminent dignitaries from across Africa and India, who have actively built bridges to strengthen the partnership between the two regions.

The 13th conclave was inaugurated by the Hon'ble Minister of Commerce & Industry (GOI), Mr. Suresh Prabhu. In the inaugural speech, the Minister has emphasized that the current trade between India and Africa at US\$ 53 million was below potential, and that there is a need to expand the trade volume, and increasing diversification of trade basket. The Minister also stated that a Free Trade Agreement (FTA) between India and Africa will be negotiated, which will be unique in nature and will be beneficial to Africa needs. He has also declared that Government is planning to set up a new India – Africa Development Fund which would seek to synergise the Lines of Credit as well as other export promotion and development programmes to bring about a more holistic development of the continent. The Minister has also highlighted that Commerce Ministry is revamping export insurance and the Project Export Promotion Council to provide the much needed boost to

India's exports to Africa. The Minister also stressed the importance of connectivity and highlighted government's intention to strengthen connectivity links with Africa especially in the area of Civil Aviation.

The Guests of Honour were vice-presidents from three African countries, H E Dr. Saulos Klaus Chilima, Vice President, Republic of Malawi; H E Mr. Edward Ssekandi, Vice President, Republic of Uganda and Hon Gen (Rtd) Dr. Constantino G N D Chiwenga, Vice President of the Republic of Zimbabwe. All the three vice-presidents talked about the current India-African partnership, and need for further cooperation in various sectors of their respective countries and continent.

RELEASE OF EXIM BANK'S PUBLICATION DURING THE 13th CONCLAVE



During the Inaugural session, Exim Bank's study on "Connecting Africa: Role of Transport Infrastructure", was released at the hands of Mr. Suresh Prabhu, along with a joint report by United Nations for Economic Commission for Africa and CII on "Deepening Africa India Trade and Investment Partnership" and a Compendium on Project Implementation by Indian Companies in Africa. Exim Bank's study analyzed the existing situation of the transport and logistics sector in Africa, the challenges to its development and the strategies

for enhancing increased transportation network and connectivity in the continent. A Line of Credit (LOC) agreement for US\$ 500 million was also signed between Mr. David Rasquinha, Managing Director, on behalf of Exim Bank and Hon'ble Mr. Bashir M IFO, President, ECOWAS Bank for Investment and Development (EBID) during the inaugural function, where Exim Bank extended a LOC to EBID, for financing various development projects in the ECOWAS region.

During the Valedictory session, the Hon'ble Minister of State for Commerce & Industry, Mr. C R Chaudhary, expressed that India-Africa bilateral trade could reach US\$ 150 billion in the next five years, propelled by better utilization of the Indian Duty Free Tariff Preference (DFTP) scheme by the African region.

The Conclave with the aim of achieving the multi-pronged target of increasing trade, investment and developmental activities, has succeeded in building a bridge between Indian and African businessmen and senior government officials, under the public private partnership model. The conclave covered various key areas of cooperation between India and Africa including trade and investment enablers and disablers, infrastructure, manufacturing, capacity building, agriculture development and technology.

OVERVIEW

The Export-Import Bank of India (Exim Bank), along with a group of financial institutions from India, hosted the 41st Annual Meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), during February 20-22, 2018 at the ITC Maurya Hotel in New Delhi. ADFIAP is the focal point of all development banks and other financial institutions engaged in the financing of development in the Asia-Pacific region. The Association has a membership of 98 development financing institutions from the region. The Annual General Meetings of ADFIAP, considered the flagship event of the Association, draws most of its member-institutions, partners and supporters at one place for learning, sharing experiences and business networking. The meeting is attended by the Chief Executives and other top executives of the member organizations.

PLENARY SESSION ON TRADE FINANCE

The plenary sessions during the Annual Meeting provided an opportunity for Indian financial institutions to discuss a number of vital issues common to the region. Given the role of trade finance as an important instrument for expansion of international trade and global growth, Exim Bank also organized a plenary session on building resilient trade finance.

The session on trade finance provided an opportunity for members and experts in the field to deliberate on the emerging trade finance scenario, its evolving challenges, and explore the various innovative, inclusive and integrated solutions for supporting trade finance as a key component of catalysing intra-regional trade in Asia Pacific. Positive and encouraging

feedbacks were received from delegates from various Development Finance Institutions in the Asia-Pacific region, highlighting that the session created requisite platform for exchange of ideas and knowledge-sharing on various issues pertaining to trade finance. This initiative will further cohere the multi-faceted engagement in the field of trade finance.

RELEASE OF EXIM BANK PUBLICATIONS

Two Exim Bank publications were released during the Annual Meeting. Exim Bank's publication entitled "Revitalising Trade Finance: Development Banks and Export Credit Agencies at the Vanguard" was released by Mr. Arun Jaitley, Hon'ble Finance Minister, and Minister of Corporate Affairs, Government of India, during the Inaugural Session. The publication asserted that the role of Multilateral Development Banks, Export Credit Agencies (ECAs) and national Development Finance Institutions will be crucial in bridging the trade finance gap, as also in catalysing private finance.

Another Exim Bank Study entitled "Creating a Resilient Trade Finance Architecture: A Compendium of Articles" was released by Mr. Suresh Prabhu, Hon'ble Minister of Commerce and Industry, Government of India, during the Valedictory Session. The publication systematically presents the impediments to trade finance and draws out innovative, inclusive and integrated strategies for scaling up trade finance, and as a corollary, catalysing global trade. The Compendium contains 12 articles/papers contributed by leading Indian and international experts in this field.

Exim Bank's Study on Revitalising Trade Finance analysed the recent trends in

trade finance, challenges pertaining to trade finance flows, and strategies which can be adopted to reduce the large deficit in global trade finance. Currently, the global trade finance gap is estimated at nearly US\$ 1.5 trillion, with 40 percent of the gap existing in the Asia Pacific. According to the Study, trade finance gaps in developing countries have exacerbated in the aftermath of Global Financial Crisis. The Study highlights the stabilizing role played by ECAs in terms of easing the financing terms and increasing the supply of trade finance. In the aftermath of the Global Financial Crisis, involvement of ECAs in trade transactions ensured that exporters were able to offer their goods and services on open account terms in an environment characterized by heightened risk.

KEY OUTCOMES

The Annual Meetings of ADFIAP have important implications for development financing institutions in Asia and the Pacific. Regional collaboration enhances and amplifies not only the domestic development efforts but also widens the range of options available to participating countries. The Government of India has taken several initiatives to forge closer economic ties, particularly with the Asian region. In 1992, the Government instituted a 'Look East Policy' that sought closer economic ties with maritime Southeast Asia and Pacific. This has now morphed into a more proactive 'Act East Policy', which envisages accelerated multi-faceted engagement between vibrant Asian economies. The ADFIAP Annual Meetings has added to the win-win synergies being created in this sphere. Hosting the ADFIAP Annual Meeting has imparted a fresh resonance to India's role in the development financing area.

The Annual Economic Survey released by the Government of India in January 2018 expressed optimism in the revival of the Indian economy in the coming months. The GDP growth is expected to touch 7-7.5% by FY 2019 from current forecasts of 6.6% in FY 2018.

The Survey has for the first time indicated a strong correlation between export performance and States' standard of living, saying that those which export most are found to be richer. Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana accounts for a whopping 70% of India's exports. The document also highlighted that the top 1% of Indian firms accounting for 38% of exports unlike in other countries where they account for substantially greater share – (72%, 68%, 67% and 55% respectively in Brazil, Germany, Mexico and USA respectively). Such tendencies were also found to be true for the top 5-10% of the Indian firms.

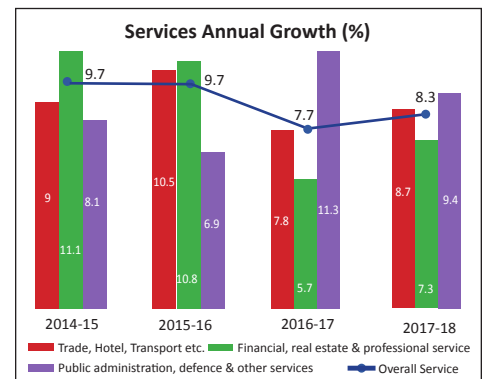
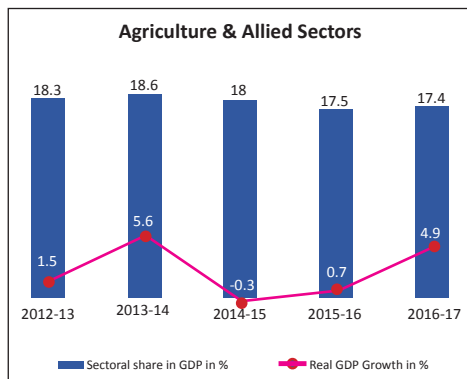
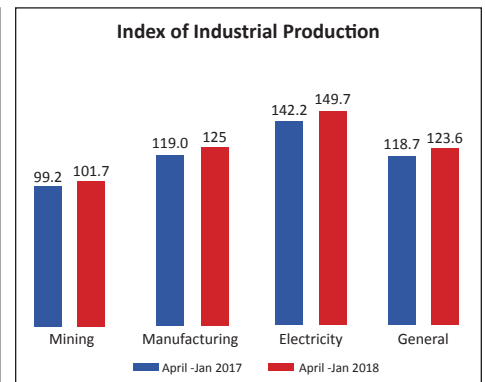
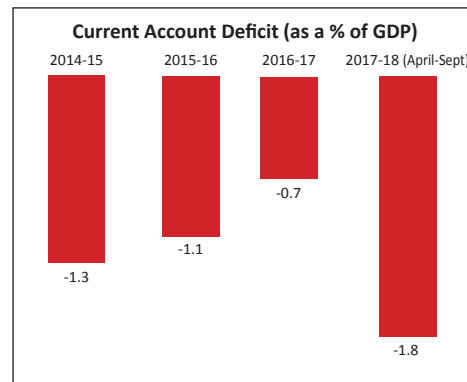
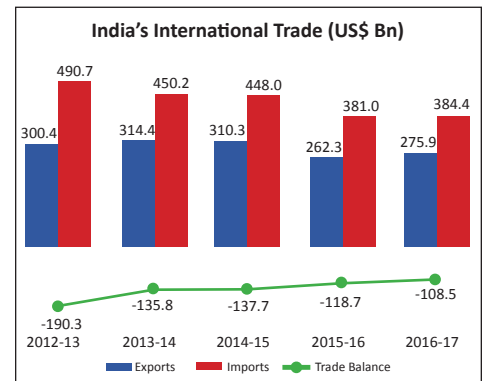
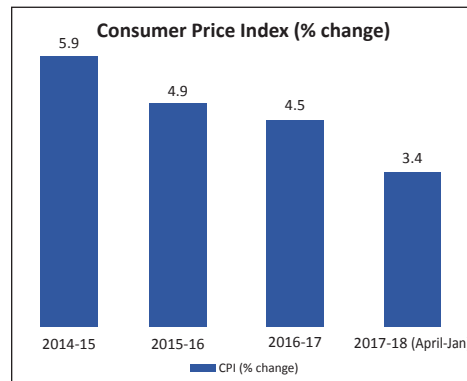
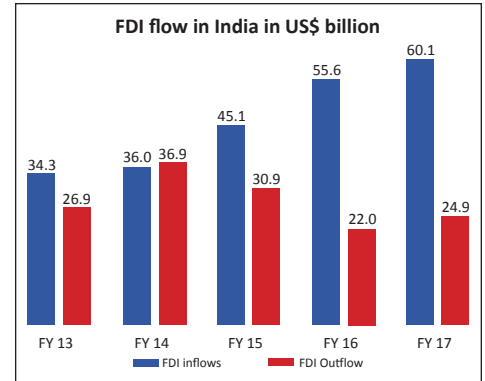
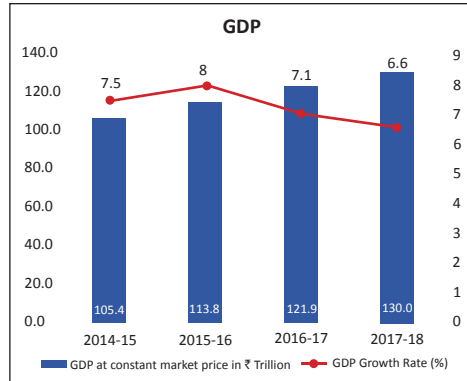
The Survey has also pointed out that India has remained the eighth largest exporter in commercial services in the world in 2016 with share of 3.4 per cent. This is double the share of India's merchandise exports in the world at 1.7 %.

Besides detailing the key indicators of the Indian economy (select ones are graphically illustrated herein), the Survey also mentioned about the Indian Bankruptcy Code (IBC) in the financial sector which is expected to provide a resolution framework helping corporates clean up their balance sheets and reduce their debts.

The Survey has also expressed satisfaction upon India's increase in rank to 100, over its previous rank of 130, in the World Bank's Doing Business Report 2018. While India improved its score in all the parameters, it exhibited its best performance in areas like 'Paying Taxes', 'Getting Credit', and 'Resolving insolvency'.

India did face some transitory constraints from demonetisation and glitches in the implementation of GST, which eventually is expected to fade

off. The Survey is hopeful to see private investment rebound with India receiving its first upgrade to Baa2 in 14 years.



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 with the support of Government of India. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. LOCs have also 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, Oceania and the CIS. The Bank has now in place 225 Lines of Credit, covering over 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over USD 21.37 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, with the support of Government of India, has signed three LOCs, as given below, during the period January-March 2018:

- (i) An LOC of USD 18 million was extended to the Government of Zambia for Pre-fabricated health posts in Zambia. With the above LOC, Exim Bank, till date, has extended four LOCs to Zambia, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 107.03 million. The earlier LOCs were extended to Government of Zambia for financing Itezhi-Tezhi Hydro power project, export of buses, motor vehicles, motor cycles and supply of vocational tool kits.
- (ii) An LOC of USD 36.92 million was extended to the Government of Cambodia for Stung Sva Hab/Slab Water Resources Development Project in Cambodia. With the above LOC, Exim Bank, till date, has extended four LOCs to Cambodia, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 102.12 million. The earlier LOCs were extended to Government of Cambodia for Stung Tasal

development project, transmission line project between Kratie and Stung Treng.

- (iii) An LOC of USD 45.27 million was extended to the Government of Sri Lanka for Rehabilitation of Kankesanthurai Harbour in Sri Lanka. With the above LOC, Exim Bank, till date, has extended eight LOCs to Sri Lanka, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 1.58 billion. The earlier LOCs were extended to Government of Sri Lanka for Purchase of equipment/ supplies, Upgradation of Southern Railway Corridor from Colombo to Matara, Procurement of rolling stock for Sri Lankan Railways and other railway projects.

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SUCCESS STORY: SWAZILAND



- Exim Bank extended an LOC of USD 37.90 mn to the Government of Swaziland for Agricultural Development and Mechanization of Agriculture in Swaziland.
- The project was completed in November 2017.
- The Food Security project has brought forth the desired results in ensuring quality and easy to access services in all respects of crops production in high precipitation areas.
- The project has been able to deliver important services for the Ministry that will enable the improvement of Food security in the country.

EXIM BANK'S JOINT STUDY WITH THE INDIAN MISSION TO ASEAN, ANALYSES TRENDS AND HIGHLIGHTS FUTURE PROSPECTS FOR ASEAN-INDIA PARTNERSHIP

Exim Bank's joint study in association with the Indian Mission to ASEAN, titled "Strengthening ASEAN- India Partnership: Trends and Future Prospects" was released at the hands of Mr. Suresh Prabhu, Hon'ble Minister for Commerce and Industry Government of India, in the presence of trade ministers from ASEAN countries, during the "ASEAN-India Business and Investment Meet" held in New Delhi on January 22, 2018. The Association of Southeast Asian Nations (ASEAN) established in 1967, commemorated 50 years of its establishment in 2017. Over the past 5 decades, ASEAN has emerged to become one of the fastest growing regions in the world and has made tremendous progress both economically and socially, with deepened intra-ASEAN cooperation and narrowed developmental gap within and across the ASEAN region. Exim Bank's study analyses recent trends and highlights future prospects for India's trade and investments in the ASEAN member countries, given their strategic importance to India.

EXIM BANK OF INDIA RAISES US\$ 1 BILLION FOR 10-YEAR TENOR AT A COUPON OF 3.875% P.A.

The Export-Import Bank of India, on January 25, 2018, successfully launched a 10-year Bond issue of USD 1 bn, its second transaction in the 144A/Reg S format. This was the largest issuance ever for Export-Import Bank of India having previously raised a similar sized issuance in July 2016. The issue attracted a total order book in excess of USD 1.8 billion thereby achieving approx. 1.8x over subscription of the issue size from over 100 high-quality global investors. The funds thus raised will be used by the Bank to support Indian project exports, overseas investment by way of long term credit and its lines of credit portfolio.

SIGNING OF AGREEMENT BETWEEN UNDP AND EXIM BANK FOR FINANCING A PROJECT ON "CAPACITY BUILDING OF MSMEs IN NORTH EAST INDIA FOR EXPORT COMPETITIVENESS"

Exim Bank and the United Nations Development Programme (UNDP) had signed an Agreement for financing a project on "Capacity Building of MSMEs in North East India for Export Competitiveness" at Exim Bank's

Regional Office, New Delhi on February 22, 2018. The Agreement was signed by Mr. David Rasquinha, Managing Director, on behalf of Exim Bank and Ms. Marina Walter, Country Director a.i., on behalf of the UNDP. The project looks at creating stronger MSMEs in the North East region to boost exports, generate employment and provide livelihood opportunities to the youth and women. The key strategy would be to take advantage of the emerging opportunities under the Government of India's 'Act East Policy' that recognizes the potential of the region in terms of natural resources, hydropower, close proximity to East Asian countries, among others.

EXIM BANK'S STUDY ENTITLED 'OIL PRICE AND INTERNATIONAL TRADE IN PETROLEUM CRUDE & PRODUCTS: AN INDIAN PERSPECTIVE'

Exim Bank has recently published a study entitled 'Oil Price and International Trade in Petroleum Crude & Products: An Indian Perspective'. The Study, inter alia, has analyzed the trend in oil prices, examining the causes and implications of the price variations, and has assessed the impact on India's international trade of crude and petroleum products. The Study notes that price fluctuations in the commodity markets, especially in the short run, are driven by market sentiment and expectations. On the other hand, the long run trend in prices mostly tend to be driven by underlying demand and supply conditions. According to the Study, the steep price decline in crude oil after June 2014, was a blend of both these factors. The changes in demand and supply, while noticeable, were not unusually large. However, certain other developments like the significant shift in OPEC's objectives, receding geopolitical risks and the US dollar appreciation brewed the recipe for the downfall in oil prices.



Release of Exim Bank Publication at the Hands of Hon'ble Minister of Commerce and Industry, GOI, at the "ASEAN-India Business and Investment Meet and Expo", New Delhi

India has long historical ties with Estonia. India first recognised Estonia on 22 September 1921, when Estonia was admitted into the League of Nations. India re-recognised the Republic of Estonia on 9 September 1991 and diplomatic relations were established on 2 December of the same year in Helsinki. Since then, the bilateral relations continue to be cordial and friendly. The agreement on Economic and Technical Cooperation was signed between the two countries on 14th October, 1993 and entered into force on March 13, 2000.

During the last ten years, total trade between India and Estonia has increased from US\$ 79.4 million in 2007-08 to US\$ 200 million in 2016-17. Exports from India to Estonia increased from US\$ 68.6 million in 2007-08 to US\$ 97.5 million in 2016-17. India's imports from Estonia increased from US\$ 10.7 million in 2007-08 and stood at US\$ 102.5 million in 2016-17. The major reason behind the relatively less volume of bilateral trade has been the diversion of trade via other countries of the European Union to achieve economies of scale. The value of trade also depends on the comparative prices of the Estonian pulp and paper as compared to other countries. Imports from Estonia peaked during 2011-12 to US\$ 348.2 million due to increased imports of fertilisers and electrical machinery and equipment.

Major items of export from India to Estonia during 2016-17 included apparel and clothing accessories not knitted or crocheted (17.9%), electrical machinery and equipment (17.7%), apparel and clothing accessories, knitted or crocheted (17.1%), iron and steel (6.2%), and coffee, tea and spices (4.2%).

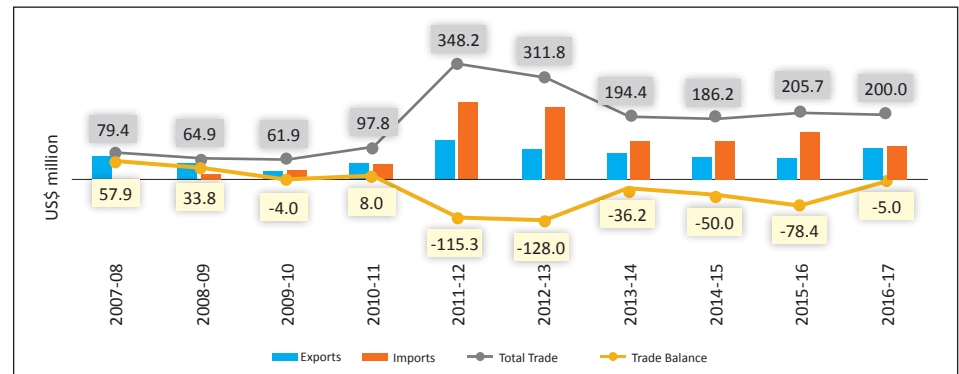
India's major imports from Estonia during 2016-17 include: fertilizers (27.3%), electrical machinery and equipment (21.2%), edible vegetables and roots (18.1%), wood pulp and other fibrous cellulosic material (15.9%) and wood and other articles of wood (5.3%).

Considering the size of India and its rapidly developing economy, there is significant room for higher economic engagement. Good prospects for co-operation may be found in information technology, biotechnology and clean energy.

October 14, 1993 entered into force on March 13, 2000)

- Protocol on Bilateral Foreign Office Consultations (signed in August 1995)

Bilateral Trade between India and Estonia



Source: ITC TRADE MAP

As regards investments, there is further scope for development. During April 2000 to December 2017, total investment by Estonia in India amounted to US\$ 1.1 million. Key sectors of investment by Estonian companies in India are finance, insurance and real estate. During April 1996 to December 2017, the cumulative approved Indian FDI in joint ventures and wholly owned subsidiaries (FDI outflow) in Estonia stood at US\$ 0.1 million. Indian companies have invested in Estonia in sectors such as manufacturing, construction, hotel and hospitality, real estate and financial services.

Following are the areas where the two nations have signed bilateral agreements or are engaged at a level of bilateral cooperation-

- Declaration of Principles of Cooperation between the Republic of Estonia and the Republic of India (signed and entered into force on October 15, 1993)
- Agreement on Trade and Economic Cooperation (signed on October 15, 1993 entered into force on October 24, 2004)
- Agreement on Economic and Technical Cooperation (signed on

- Agreement on Cooperation in the Spheres of Culture, Education, Science, Sports, Arts, Mass Media, Tourism and Youth Affairs (signed on October 15, 1993, entered into force on November 11, 1999)
- Agreement on Cooperation in the Fields of Science & Technology (signed on February 5, 1999, entered into force on August 6, 1999)
- Joint Business Council Agreement between FICCI & Estonian Chamber of Commerce.
- The Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion (DTAA) was signed on September 19, 2011.
- An MOU on Cooperation in the field of Biotechnology and Higher Education was signed in October 2013
- An MOU on Cooperation on Capacity Building and Other Related Areas in the Field of E-Governance signed in February 2014
- Agreement on Transfer of Sentenced Persons was signed on November 15, 2016 and became effective on 1 March, 2017

SUPPORT TO GRASSROOTS SECTOR

The Bank supported Traditional & Folk Art exhibition in Mumbai, Bengaluru, Chennai, Kolkata & Pune. The objective of supporting the event was to provide assistance to artisans in finding new market opportunities and draw access to large number of potential buyers. The Bank also supported and sponsored participation of several craftsmen and grassroots enterprises at Kuchai Silk Expo, Surajkund Mela and Kalaghoda Festival.

During this period, the Bank supported Sasha Association for Craft Producers (Sasha) by organizing 25 day long design & skill development training programme for around 20 women embroiders in Kantha embroidery. The training programme was organized in association with Jaypore E-Commerce Pvt Ltd (Jaypore).

The objective of the training programme was to develop products with contemporary aesthetics and infuse modern techniques in Kantha embroidery. The programme aimed at empowering women artisans by upscaling semi-skilled artisans, creating employment in the region as well as provide new market opportunities.

Sasha & Jaypore in association with Exim Bank are working towards increasing the market potential for Kantha products through design interventions which helped in diversifying the range of products.

The Bank recently signed an MOU with the Government of West Bengal for promoting exports from West Bengal. Under which, among many other objectives, the Bank would also support the exporters having operations in West Bengal in achieving higher exports by facilitating market linkages by identification of suitable partners and undertake capacity building workshops. With regards to the MOU, the Bank under its Marketing Advisory Services programme facilitated this training programme by providing a platform for West Bengal craftsmen in skill upgradation, new product development and identification of buyers.

For more details please contact: mas@eximbankindia.in

EXIM BANK'S MARKET OUTREACH PROGRAMME

Exim Bank launched its first Market Outreach Programme (E-MOP) in Myanmar and Cambodia focusing on the healthcare sector. E-MOP is an initiative launched to create value addition for the Indian enterprises and promote India's international trade and investment in emerging markets in sunrise sectors.

Healthcare has been identified as a priority sector by the Governments of Myanmar and Cambodia. A significant amount (approx. US\$ 6 mn.) is spent by patients of Myanmar on overseas treatment. There is also a high demand for hospitals in the country specialising in cardiology, neurology, kidney transplants, urology, etc. With sustained economic growth during the last decade, Cambodia has made substantial progress in improving health outcomes in recent years. However, the country still has maternal and child mortality rates that are among the highest in the region. Overall, Cambodia has a ratio of 0.71 hospital beds per 1000 population, with considerable variation across provinces. Availability of state-of-the-art diagnostic medical equipment, such as Magnetic Resonance Imaging (MRI) or Computed Tomography (CT) scanners, is still very limited.

Given the potential of the sector, Exim Bank led an Indian delegation comprising of multi-specialty and super-specialty hospitals, medical equipment and device manufacturers and pathology labs, diagnostic centres and clinics, to Myanmar and Cambodia during February 5-7, 2018. The delegation interacted with various stakeholders from the government, chambers, trade bodies and consultants from the healthcare sector of the two countries, under the outreach programme.

The inaugural programme in Yangon, Myanmar, was graced by Dr. Kyaw Zin Thant, Director General, Ministry of Health & Sports, Government of Myanmar and Prof. Dr. Aung Tun Thet, Senior Economist and Member of the Peace Commission of Myanmar. Prof. Tan Vuoch Chheng, Secretary of State, Ministry of Health of the Royal Government of Cambodia inaugurated the event in Phnom Penh,

Cambodia, in presence of Ms. Manika Jain, Indian Ambassador to Cambodia. Business-to-business meetings between Indian companies and companies from Myanmar and Cambodia and visits to local hospitals were organised under the programme.

Speaking at the occasion, Dr. Kyaw Zin Thant highlighted that in spite of increase in spending on the healthcare sector by the Government of Myanmar in the recent years, the sector still faces many challenges. This poses immense opportunities for Indian companies, not only in investment but also health tourism from Myanmar to India. Welcoming the Indian delegation, Prof. Dr. Aung Tun Thet, stated that the country has recently opened up and identified healthcare as a priority sector. The Government of Myanmar is very interested to promote the private sector and foreign direct investment in the country.

Prof. Tan Vuoch Chheng, Secretary of State, Ministry of Health of Cambodia said that Cambodia is increasingly becoming a preferred investment destination and healthcare is of immense priority to the government.

Highlighting the trade and investment opportunities in the healthcare sector in the region, Mr. Debasish Mallick, Deputy Managing Director, Exim Bank, emphasized that given the transition economies, Myanmar and Cambodia present very interesting opportunities for healthcare businesses and professionals. However, the current health status of the population in Myanmar and Cambodia is not favourable vis-à-vis the other countries in the region. Healthcare equipment, healthcare and pharmaceutical supplies, healthcare services and training are some of the sectors which Indian companies can consider for investment in Myanmar and Cambodia. Exim Bank is partnering the Government of India under its 'Act East' policy by way of a Project Development Fund for facilitating Indian private sector investments in the CLMV region. Under this initiative, healthcare sector has been identified as a potential sector for investments in Myanmar and Cambodia.

GHANA

Ghana is a member of the Economic Community of West African States (ECOWAS). Ghana's real GDP growth increased to 7.9% in 2017, as compared to 3.7% in 2016, owing to the ramp-up of new oil and gas production from the Tweneboa-Enyenra-Ntomme (TEN) and Sankofa fields. Production of Jubilee oilfield is also expected to pick up in the coming years. Agricultural growth is likely to be restrained by unfavourable prospects for the cocoa sector, in terms of both price conditions and the underlying weak quality of the tree stock. Growth in the services sector, on the other hand, is expected to be affected by the consolidation in the banking sector during 2018, ahead of a large increase in banks' minimum capital requirements at the end of the year. Consequently, the real GDP growth is expected to ease to 6.6% in 2018, and further down to 5.9% in 2019. Annual consumer price inflation is expected to again come within the Bank of Ghana's medium-term target zone of 8% plus or minus 2 percentage points in the latter half of 2018, reflecting tighter fiscal policy compared to the profligacy in the previous five years. Inflation, which averaged to 12.4% in 2017, is hence expected to ease to 10.5% in 2018, and further down to 9.1% in 2019. Ghana's currency, Cedi is likely to remain prone to periods of volatility, given a dependence on commodity exports for hard-currency earnings and changing trends in investor sentiment to emerging markets. The current-account deficit is expected to average around 3.9 per cent of GDP in 2018-22 as new oil output is offset by stronger import demand and higher profit remittances.

SPAIN

In 2017, Spain's real GDP growth eased to 3.1 per cent, from 3.3 per cent in 2016, owing to a slow down linked to the Catalan crisis in the fourth quarter. However, high-frequency economic indicators remained relatively strong,

with only a modest softening of labour market indicators in the fourth quarter. Although it is possible that tensions could re-intensify, weighing on investor sentiment and growth prospects, it is more likely that with the relative stabilisation of the situation in Catalonia, the region is likely to not pose a major disruption to growth. Consequently, the real GDP growth in 2018 is forecast at 2.7%. After three years of deflation in 2014-16 as a result of plunging oil prices, inflation on the EU's harmonised measure leapt to an average of 2% in 2017. The pick-up reflects mainly oil price base effects and higher food prices early in the first quarter of 2017. However, core inflation (excluding energy and unprocessed foods) continues to lag. Inflation is likely to average at 1.5% in 2018-19, owing to base effects in 2018 and cooling domestic demand. The current account registered an estimated surplus of 1.5% of GDP in 2017. The improved performance has been the result of strong exports of goods, which have contained the trade deficit, and sustained strong receipts from services. It is forecast that the current-account surplus is expected to decline to 1.3% of GDP in 2018 as solid export growth is outweighed by rising oil prices that help to raise the import bill.

THAILAND

Thailand's real GDP growth increased to 3.7% in 2017, from 3.3% in 2016, supported by private consumption and a modest recovery of external demand majorly from Asian economies. Burgeoning prospects in surrounding ASEAN countries is likely to help to accelerate the return of more robust investment export growth in the forthcoming years. A modest recovery in global commodity prices and firming domestic demand has also led to a gradual increase in inflationary pressures, resulting in consumer prices rising by an average of 0.7% in 2017, up from 0.2% in 2016. However, weakening exchange rate and rising global commodity prices in 2018 will lift

consumer price inflation to 1.6% in 2018. In 2018, the baht, like many emerging-market Asian currencies, is expected to be affected by tax cuts and further rate rises in the US, which will impact investor confidence in that market. The current account surplus during 2017 stood at 11.6% of GDP. However, the size of the surplus is expected to shrink and is forecast to average the equivalent of 10.9% of GDP in 2018-22, largely owing to the strong growth of merchandise imports vis-à-vis exports, as global commodity prices rise and the accelerating infrastructure investment drive draws in more imports.

KAZAKHSTAN

Kazakhstan's Real GDP grew by 4% in 2017, as compared to 0.9% in 2016, as oil output hit a record high, driven by rising oil production from the Kashagan oilfield, and the strong performance of the manufacturing sector. In 2017, consumer price inflation averaged at 7.4%, down from 14.2% in 2016 and within the National Bank of Kazakhstan's (NBK) target band, supported by currency appreciation which helped to reduce imported inflation and inflation expectations. In 2018 external inflationary pressures (global food and non-oil commodity prices) are expected to be weak and inflation is likely to ease to an average of 6.5%. The national currency Tenge's movements reflect those of oil prices. In 2017 the Tenge appreciated by an average of 4.9% against the US dollar to reach Tenge 326: US\$ 1, supported by a recovery in oil prices, rising exports and positive real interest rates. An expected tightening of monetary policy by the Federal Reserve (the US central bank) is likely to lead to a modest depreciation of the Tenge in 2018. Current account deficit narrowed in 2017, to an estimated 3.1% of GDP, owing to rising oil exports and a higher average oil price. In 2018 higher average oil prices are expected to narrow the current-account deficit further down to 0.4% of GDP.

MYR (Malaysian Ringgit):

During February the Malaysian Ringgit weakened against the Dollar in terms of London closing rates from 3.8975 to 3.9150. Bank Negara Malaysia (BNM) kept the benchmark overnight policy rate at 3.25% on 7th March in its policy meet, with no further tightening in view this year following the 25bps hike on 25th January. The Malaysian Ringgit recorded its first monthly loss in three months, largely due to the global equity rout on rising market expectations of a faster pace of US rate hikes. This led to a net sell-off in equities to the tune of USD 0.3 bn – the largest outflow since November 2016. It is notable that real GDP growth beat expectations six times in a row, with Q4 GDP rising by 5.9% y/y from Q3's 6.2% y/y. This brings full year growth to 5.9%, which is the strongest growth rate since 2014. While a potential bump up in government spending ahead of the general elections may boost economic growth at the beginning of the year, growth is likely to moderate thereafter in part due to high base effects. Based on news reports, there are increasing signs of the government getting ready for the general elections. But unlike past elections, the impact on financial markets post-elections are unlikely to be substantial this time around as there may be a greater degree of voter fatigue, and BN (Barisan Nasional) is expected to win the most number of seats. The Ringgit is likely to find further support this year on an expanding current account, and potential Dollar weakness as the US' twin deficits expand, amongst other factors. Q4's current account at MYR 12.9 bn is the largest since Q2 2014, and brings the total current account surplus to MYR 40.3 bn in 2017 from MYR 29.0 bn in 2016. The current account is likely to be lifted by an increase in net energy exports and net tourism receipts.

PHP (Philippine Peso):

During February the Philippine Peso weakened against the US Dollar in terms of London closing rates from 49.830 to 52.147. Bangko Sentral ng Pilipinas (BSP) kept its benchmark overnight reverse repo rate at 3.0% on 8th February. On 15th February, BSP announced that the reserve requirement ratio (RRR) will be cut by one percent point to 19.0% with effect from 2nd March. The Philippine Peso dropped to fresh multi-year lows against the Dollar during February largely due to the global equity rout, news that the trade deficit widened to a new record high, and that the BSP lowered the RRR by one percentage point. Although the Peso pared back some of its losses by the end of the month on intervention according to BSP Governor Espenilla, it remains the worst performing Asia ex-Japan currency year-to-date and is on track to reach new multi-year lows due to widening trade deficits. December's record trade deficit at USD4.0bn from November's revised USD 3.8 bn is already an indication of things to come in 2018, especially since the first tax reform package was only approved last December and kick-started last month. The overall balance of payments in January hit a deficit of USD 531 mn, which is the lowest reading since July 2017. Policy tightening is unlikely to provide much support to the Peso. The more hawkish tone of Espenilla's remarks in February raises the risk of an earlier-than-expected rate hike this year. Other than hiking the benchmark overnight reverse repo rate, Espenilla said that the BSP can tighten policy subtly by allowing the term deposit facility (TDF) rates to rise or fall by tweaking auction volumes. Note that the marginal rise in TDF auction volumes set in March is in response to the increase in liquidity following the RRR cut.

SGD (Singapore Dollar):

During February the Singapore Dollar weakened against the US Dollar in terms of London closing rates from 1.3100 to 1.3232. Against the Malaysian Ringgit, the Singapore Dollar fell from 2.9752 to 2.9587. In February, the Singapore Dollar suffered its largest monthly decline since November 2016, primarily due to a spike in global financial market volatility as investors start to anticipate a faster pace of Fed rate hikes. During the market sell-off, the lowest point for the Singapore Dollar nominal effective exchange rate in February was 0.1% below the midpoint, versus January's average at 0.7% above the midpoint. Market participants are wary of further downside risks in the near term, especially if the Fed turns more hawkish. However, outlook of a stronger Singapore Dollar in the year ahead still stands as the Dollar weakens on the US' ballooning twin deficits amongst other factors. In addition, market participants expect the Monetary Authority of Singapore (MAS) to tighten monetary policy this year despite the deferment in the GST hike from 7% to 9% to sometime between 2021-2025. This is on the basis of rising inflationary pressures. Most notable is the trend in core inflation, which is expected to move towards the long-run average of 2.0% this year. Core inflation rose by 1.4% y/y in January from 1.3% y/y in December. Singapore's core inflation strips out accommodation and private road transport costs, so the primary drivers of higher core inflation would be utility and food costs. Electricity tariffs are already up by 6.2% q/q in Q1, and water prices are set to increase in July due to the second phase of the water price hike. Further, prices of food servicing services (e.g. restaurants) may start to increase well ahead of the rise in GST.

INDICATORS	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
GDP (at current prices, US\$ bn)	1874.3	1863.6	1919.4	2039.6	2134.4^f	2260.6^f	2455.3^f
Real GDP Growth (%)	6.7	5.5	6.4	7.5	8	7.1^p	6.6^f
Sectoral Share in GDP (%)							
<i>Agriculture & allied activities</i>	18.5	18.3	18.6	18	17.5	17.4 ^{re}	14.8 ^{ae}
<i>Industry</i>	32.5	31.7	30.8	30.2	29.6	28.8 ^{re}	31.0 ^{ae}
<i>Services</i>	49	50	50.6	51.8	52.9	53.8 ^{re}	54.2 ^{ae}
Inflation rate (CPI, annual avg. %)	8.3	10.2	9.5	5.9	4.9	3.8	5.07 (Jan '18)
Inflation rate (WPI, annual avg. %)	8.9	7.4	6	2	-2.5	1.7	2.84 (Jan '18)
Gross Fiscal Deficit (% of GDP)	5.9	4.9	4.5	4.1	3.9	3.5^e	3.5^e
Exchange Rate (₹/US\$, avg.)	47.9	54.4	60.5	61.1	65.5	67.1	65.1 (Mar 09,'18)
Exchange Rate (₹/€, avg.)	65.9	70.1	81.2	77.5	72.3	73.6	80.2 (Mar 09,'18)
Exports (US\$ bn)	306	300.4	314.4	310.3	262.3	276.5	246.9 (Apr-Jan '18)
<i>% change</i>	22.5	-1.8	4.7	-1.3	-15.5	5.4	11.3 [^]
Oil Exports (US\$ bn)	56.7	60.9	63.2	56.7	30.6	31.6	30.2 (Apr-Jan '18)
<i>% change</i>	55.9	7.3	3.8	-10.2	-46.1	3.4	19.7 [^]
Non-oil Exports (US\$ bn)	249.2	239.5	251.2	253.6	231.7	244.9	216.7 (Apr-Jan '18)
<i>% change</i>	16.8	-3.9	4.9	0.9	-8.6	5.7	10.3 [^]
Imports (US\$ bn)	489.3	490.7	450.2	448	381	382.7	381.5 (Apr-Jan '18)
<i>% change</i>	32.3	0.3	-8.3	-0.5	-15	0.5	23.0 [^]
Oil Imports (US\$ bn)	155	164	164.8	138.3	82.9	86.9	87.4 (Apr-Jan '18)
<i>% change</i>	46.2	5.9	0.4	-16	-40	4.7	25.8 [^]
Non-oil Imports (US\$ bn)	334.3	326.7	285.4	309.7	298.1	295.9	294.1 (Apr-Jan '18)
<i>% change</i>	26.7	-2.3	-12.6	8.5	-3.8	-0.7	23.1 [^]
Trade Balance (US\$ bn)	-183.3	-190.3	-135.8	-137.7	-118.7	-106.2	-134.6 (Apr-Jan '18)
Services Exports (US\$ bn)	140.9	145.7	151.8	158.1	154.3	163.1	125.9 (Apr-Dec '17)
<i>Software Exports (US\$ bn)</i>	62.2	65.9	69.4	73.1	74.2	73.7	37.7 (Apr-Sep '17)
Services Imports (US\$ bn)	76.9	80.8	78.7	81.6	84.6	95.7	74.9 (Apr-Dec '17)
Services Balance (US\$ bn)	64	64.9	73.1	76.5	69.7	67.4	50.9 (Apr-Dec '17)
Current Account Balance (US\$ bn)	-78.2	-87.8	-32.4	-26.8	-22.1	-15.2	-22.2 (Apr-Sep '17)
<i>CAB as percentage of GDP (%)</i>	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-1.8 (Apr-Sep '17)
Forex Reserves (US\$ bn)	294.4	292	304.2	341.6	360.2	370	420.8 (Mar 02,'18)
External Debt (US\$ bn)	360.8	409.4	446.2	474.7	485	471.9	495.7 (Sep'17)
External Debt to GDP Ratio (%)	20.5	22.3	23.9	23.2	23.4	20.2	20.3 (Jun'17)
Short Term Debt (US\$ bn)	78.2	96.7	91.7	85.5	83.4	88	92.7 (Sep'17)
Short Term Debt / Total Debt (%)	21.7	23.6	20.5	18	17.2	18.6	18.7 (Sep'17)
Total Debt Service Ratio (%)	6	5.9	5.9	7.6	8.8	8.3	6.3 (Jun'17)
FDI (US\$ bn)	46.6	34.3	36	45.1	55.6	60	52 (Apr-Jan '18)
GDRs/ADRs (US\$ bn)	0.6	0.2	0.02	1.3	0.4	-	-
FIIs (net) (US\$ bn)	16.8	27.6	5	40.9	-4	7.7	23.3 (Apr-Jan '18)
FDI Outflows (US\$ bn)	10.9	7.1	9.2	4	8.9	7	7.3 (Apr-Jan '18)

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

Note: e - GOI's estimates; re - Economic Advisory Council, GOI's Revised Estimate; ae - Second advance estimate f- IIF Estimates; - Not Available;

[^]-% change is over corresponding period of the previous year; [^]- not available;

Trade and Partnership Opportunities

Trade Opportunities for Exports from India

PULPING MACHINERY

A company engaged in designing and manufacturing of clean pulp & energy technology systems for agro based residues for pulp & paper industries. The products include fiber preparation system, wet washing system, continuous digester system, chemical recovery plants and lime calciner.



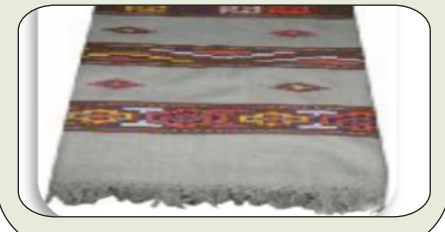
COMPONENTS

Manufacturer of automobile and tractor parts; the company supplies engineering components to OEMs of trucks and trailers. Operating in India and USA, the company exports various engineered components to several countries around the globe.



APPAREL & FABRICS

Himachal Pradesh based handloom weaving unit, is engaged in activities of producing wool fabric and apparels. This cooperative society has trained around 200 weavers in producing export quality handwoven apparels and home furnishing products from around the hilly region.



HEALTHCARE EDUCATION & TRAINING

Leading healthcare education & training company offering technology innovation & educational training programs including career training, health & safety, and emergency life support training.



NON LEATHER HANDBAGS

A PETA certified start-up managed by millennial women entrepreneur is engaged in making waterproof & sustainable bags, wallets and travel accessories using natural cork fabric.



INDUSTRIAL & SAFETY WORKWEAR

Specializes in conceptualizing, designing and producing protective clothing for various end applications. Product range include; flame retardant protective clothing i.e., coveralls, shirts, trousers, jackets, innerwear etc.



Partnership Opportunities

Project Opportunities

- (I) A Government owned company in Bangladesh has invited applications for designing, supplying and setting up a 400 kV transmission line project on turnkey basis through an international tender.
- (II) A Public Limited company seeks call for Expression of Interest (EOI) aimed at selecting partners for construction and management of multiple infrastructure including office buildings, warehouses, hotels, shopping mall, amusement park, international medical clinic, academic institutions, residential areas and sports facilities in Ivory Coast.

Export Opportunities

- (I) Appliance manufacturing company from Egypt is interested to import Cold Rolled Coil from India. Quantity required is 100 MT of DC01 Steel Grade.
- (II) Poland based Importer interested in importing Basmati Rice and assorted Spices from India. The port of destination is Gdynia, Poland.

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

For more details, please contact: Phone: 022-2217 2600, Extn: 2830/2707/2737; Fax: 022-2218 8268; Email: mas@eximbankindia.in