

# Territorial NEWSLETTER South Asia

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## Chairman's Pen



T S Bhasin

Majority of South Asian nations witnessed recovery in economic activities in 2016. Although, the richest economy of South Asia, India saw drop in real GDP growth following the impact of demonetization during the fourth quarter of 2016-17, it remains on a stable growth path. India's biggest trade partners in the South Asia viz. Nepal and Bangladesh also experienced rise in economic activities and increased stability at the macro front. Some risks however remains in the form of poor integration of trade in this region and more trade restrictions in advanced economies that needs to be addressed soon.

I belief this newsletter will certainly enhance the knowledge base of our member exporters focusing on South Asian region and will help them to take informed decision in business.

## SAARC Territorial Committee Chairman's Note



PR Venkatachalam

The fourteenth issue of our newsletter on South Asia is now published. We have discussed the prospect of economic activities in the said region in order to get an idea of the trade prospect in the next couple of years. Nepal, Bangladesh and Sri Lanka are the three major trade partners of India who have been experiencing decent rise in economic growth and improvement in overall economic activities despite some risks in outlook. Rise in trade restrictions in advance economies and reducing the trade-GDP ratio in some of the member nations remain areas of concern.

Like our previous issues, an analysis of Indian engineering exports for the entire fiscal 2016-17 is also presented in this newsletter from both country-wise and DGCI&S panel-wise perspective. Other sections include News section, upcoming events in SA regions and tenders.

## Basic Facts South Asia

## Cover Story

*Economy of the South Asian region witnessed economic recovery in 2016 that is expected to remain stable in the next couple of years. However some risks still remain....*

## What's in News

- **Bangladesh announces \$50 billion budget to spur economy...**
- **New India Investment Agreements Take Holistic Approach ...**
- **Bangladesh, India, Nepal to Redraw BBIN MVA...**
- **Nepal eyes fastest economic growth rate in 23 years...**

## Tenders

*More latest News from Tenders*

## Upcoming Events

Territorial  
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## Grouping: South Asia Association for Regional Cooperation

**Area:** 5,099,611 km<sup>2</sup>

**Population:** 1,713,870,000

**GDP:** US\$9.9 trillion

**Countries:** Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

**Climate:** The climate of South Asia can be divided into three basic kinds: tropical, dry, and temperate

**Natural Resources:** Rich agricultural land, minerals, energy resource



### South Asian Economy is likely to fare well despite some risks as per the World Bank

Despite slower economic growth in India during 2016-17 due to substantial deceleration in real GDP growth during the final quarter of the fiscal following the impact of demonetization, Growth in the South Asia region has picked up in 2017. The World Bank has recently published a report on the Global Economic Prospect where recent developments in different regions have been discussed and an outlook has been provided for each region. For our purpose, we keep our focus only on the South Asian Region and discuss the view of World Bank on South Asia.

Cash shortage in India eased and its exports rose from the last quarter of 2016. An increase in government spending, including on capital formation, has offset its private counterpart to some extent. In Pakistan, firm production boosted on the back of favorable weather and increased cotton prices while private investments charged up with implementation of key infrastructure projects like China-Pakistan Economic Corridor and stability on the broader macroeconomic environment.

Bangladesh also demonstrated decent growth driven by strengthening of agricultural activities and services sector but some external and domestic challenges might act as a bottleneck to growth. In Sri Lanka, a resumption of Chinese-funded investment and infrastructure projects have lifted private investment and

foreign direct investment inflows, and fiscal consolidation under an International Monetary Fund program has helped improve investor sentiment. In Bhutan and the Maldives, growth has continued to gain traction and Nepal's growth has rebounded strongly following a good monsoon.

### Economic Outlook for South Asia in 2017 and 2018 (As depicted by the World Bank)

Growth in the South Asia region is forecast to advance to a 6.8% pace in 2017 and accelerate to 7.1% in 2018, reflecting a solid expansion of domestic demand and exports. Excluding India, regional growth is anticipated to hold steady at 5.7% this year, rising to 5.8% in the next, with growth accelerating in Bhutan, Pakistan, and Sri Lanka, but easing in Bangladesh and Nepal.

India is expected to accelerate to 7.2% in fiscal 2017 (April 1, 2017 - March 31, 2018) and 7.5% in the following fiscal year. Domestic demand is expected to remain strong, supported by policy reforms. Pakistan is expected to pick up to a 5.2% rate in fiscal 2017 (July 1, 2016 - June 30, 2017) and to 5.5% in the next fiscal year, reflecting an upturn in private investment, increased energy supply, and improved security.

Sri Lanka's growth is forecast to accelerate to a 4.7% rate in 2017 and 5% in 2018, as international financial institution programs support economic reforms and boost private sector competitiveness. Growth in Bangladesh is forecast to ease from 6.8% in fiscal 2017 (July 1, 2016 - June 30, 2017), to 6.4% in the next fiscal year, and then accelerate to an average of 6.9% over fiscal 2019 and 2020, supported by improving remittances as Gulf Cooperation Council countries recover and as business confidence and investment gain momentum.

Some risks, however, are very much in sight

South Asia is less integrated into the global economy than other regions. Therefore it is less likely to be affected by negative external shocks. However, some concerns still remain. Setbacks to reform processes may hinder the process of removal of supply constraints, dampen productivity growth, and deter the integration of South Asian region into global value chains. Security concerns in countries such as Afghanistan and Pakistan could hold back investment and business confidence. Possibility of weaker-than-expected demand, or a rise in trade restrictions in advanced economies, could weigh on exports.

Source: World Bank Report on Global Economic Prospect and an Article published on its website.

### Trend of India's Engineering Trade with the South Asian Nations

India's engineering exports to Top 5 South Asian countries during April - March 2016-17  
(All values in USD million)

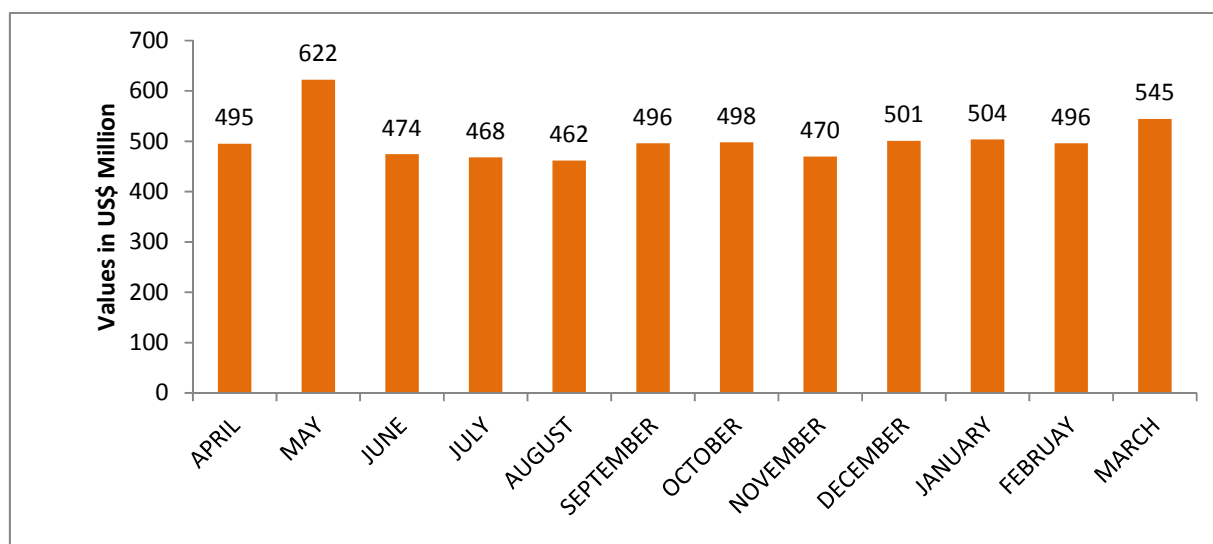
Region	Export in Mar 2016	Export in Mar 2017	Growth (%)	Exports in Apr-Mar 2015-16	Exports in Apr-Mar 2016-17	Growth (%)
NEPAL	188.30	175.09	-7.02	1427.75	2163.02	51.50
BANGLADESH	192.99	207.91	7.73	1541.43	1995.64	29.47
SRI LANKA	124.27	124.56	0.23	2760.29	1415.76	-48.71
BHUTAN	22.62	16.50	-27.05	188.85	260.12	37.74

PAKISTAN	14.95	12.88	-13.86	123.17	139.59	13.33
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Source: DGCIS

Mar 2017 was the month when Indian engineering exports to South Asia recorded year-on-year decline for the third consecutive time. However, this time the decline was marginal at 0.5% as against a much higher 17.6% in the previous month. On a cumulative basis for Apr - Mar 2016-17, engineering exports to South Asia fell by 1.46% over the previous fiscal. Top three importers remained the same both on a monthly basis for Mar 2017 and on a cumulative basis for the entire fiscal. However, country-wise analysis shows that Engineering exports to Sri Lanka conceded a huge 48.7% decline in 2016-17 over the previous fiscal but that was almost nullified by 51.5% rise in engineering exports to Nepal and around 30% to Bangladesh. Top importer Nepal however witnessed decline in engineering imports from India for the second month in a row in Mar 2017 but Sri Lanka recorded marginal growth in Mar 2017. Second largest importer Bangladesh also achieved good growth both in March 2017 as well as in entire fiscal 2016-17. Other than Sri Lanka, Afghanistan also conceded a decline on a cumulative basis.

### Month-wise Trend in Total Engineering Export in South Asia (Apr - Mar 2016-17)



### Panel-wise trend in engineering exports to South Asia during April - March 2016-17

Top 10 panels exported to South Asia during April - March 2016-17 are listed below (Value of Exports measured in USD Million).

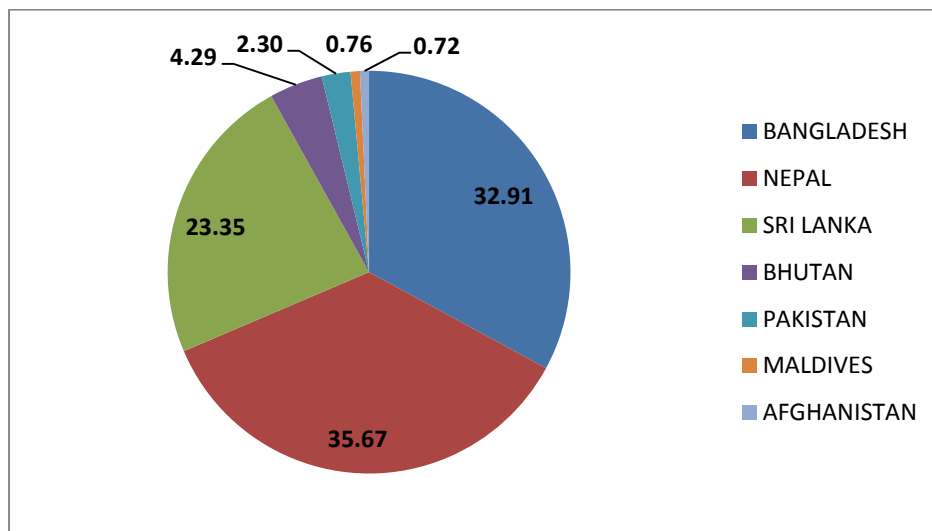
Name of the Panel	Export in Mar 2016	Export in Mar 2017	Growth (%)	Exports in Apr-Mar 2015-16	Exports in Apr-Mar 2016-17	Growth (%)
Iron and Steel	82.28	103.31	25.55	843.11	1181.37	40.12
Motor Vehicle/cars	62.22	66.75	7.27	880.40	860.83	-2.22
Industrial Machinery	79.00	75.64	-4.25	622.20	753.50	21.10
Two and Three Wheelers	42.65	66.49	55.89	459.66	593.19	29.05
Auto Components/Parts	48.43	41.35	-14.60	345.13	470.41	36.30
Electric Machinery and Equipments	31.06	28.36	-8.71	255.65	316.03	23.62
Products of Iron and	21.78	34.27	57.35	229.30	263.02	14.70

Steel						
Other Construction Machinery	17.64	25.93	47.00	120.21	255.97	112.94
Ships Boats and Floating Structure	31.16	4.08	-86.91	179.12	197.80	10.43
Aluminium and products	11.55	13.16	13.89	128.57	157.52	22.52

Source: DGCIS

Panel-wise analysis depicted that 'Iron and Steel' was the highest exporting panel to the South Asian region during fiscal 2016-17 with a sizeable 40% growth over the previous fiscal. Second highest exporting panel 'Motor Vehicles/cars' however conceded 2.2% decline in exports over the previous fiscal despite securing a year-on-year growth in exports in March 2017. All the other top ten exporting panels achieved year-on-year growth in exports to SA during the said fiscal. Only 8 out of 33 panels recorded decline in exports to SA during fiscal 2016-17.

### Country-wise Share (%) during April- March 2016-17



### Major Importers of India's engineering products to South Asia during April - March 2016-17

**Nepal:** Nepal has become the largest destination of India's engineering exports among South Asian nations during the entire fiscal 2016-17 replacing Sri Lanka with 35.7% share in total engineering exports to the region.

Top exported Products: Iron and Steel, Industrial Machinery, Motor Vehicle/cars, Auto Components/Parts, Other Construction Machinery.

**Bangladesh:** Bangladesh is the second largest importer of Indian engineering after Nepal during the said time period with around 33% share.

Top exported Products: Iron and Steel, Industrial Machinery, Motor Vehicle/cars, Auto Components/Parts, Two and Three Wheelers.

Sri Lanka: Sri Lanka was the largest importer of Indian engineering products among South Asian nations in the last fiscal but dropped to third place in this fiscal due to significant fall in import of Aircrafts. Share of Sri Lanka dropped to 23.4% during fiscal 2016-17.

Top exported Products: Motor Vehicle/cars, Two and Three Wheelers, Ships, Boats and Floating Structures, Iron and Steel, Industrial Machinery.

### Anti-dumping measures

At present, there is no anti-dumping case being investigated by India against Nepal, Bangladesh, Sri Lanka or Pakistan, the four top importers of Indian engineering products in South Asian region.

### Upcoming exhibitions in South Asian Countries

Events	Date	Venue	Link
BANGLADESH BUILDCON 2017	13-Jul-2017 to 15-Jul-2017	International Convention City Bashundhara Kuril Bishwa Road, Dhaka	<a href="http://www.eventseye.com/fairs/f-bangladesh-buildcon-22962-1.html">http://www.eventseye.com/fairs/f-bangladesh-buildcon-22962-1.html</a>
INDIA MACHINE TOOLS 2017	28-Jul-2017 to 31-Jul-2017	Pragati Maidan Near Delhi Zoological Park Mathura Road, Delhi	<a href="http://www.eventseye.com/fairs/f-india-machine-tools-21697-1.html">http://www.eventseye.com/fairs/f-india-machine-tools-21697-1.html</a>
GARTEX INDIA 2017	29-Jul-2017 to 31-Jul-2017	Pragati Maidan Near Delhi Zoological Park Mathura Road, Delhi	<a href="http://www.eventseye.com/fairs/f-gartex-india-23708-1.html">http://www.eventseye.com/fairs/f-gartex-india-23708-1.html</a>
AUTOMATION EXPO 2017	9-Aug-2017 to 12-Aug-2017	Bombay Convention & Exhibition Center (BCEC), NSE Nesco Complex, Off Western Express Highway, Goregaon East, Mumbai - 400063	<a href="https://www.jetro.go.jp/j-messe/tradefair_en/AUTOMATIONEXPO_54403">https://www.jetro.go.jp/j-messe/tradefair_en/AUTOMATIONEXPO_54403</a>

### News in Focus

#### South Asia

#### Bangladesh announces \$50 billion budget to spur economy

Bangladesh's finance minister announced the budget for the next fiscal year would increase by a quarter to more than 4 trillion taka (\$50 billion) to help spur on economic growth. The budget, for the year July 2017

to June 2018, is crucial for the government as it looks towards the next national election, due before the end of 2018.

**Link:** <http://in.reuters.com/article/bangladesh-budget-idINKBN18S58Y>

### New India Investment Agreements Take Holistic Approach to Spur Infrastructure Growth

India signed a total of 34 agreements at the Integrated Transport and Logistics Summit, which opened on 4 May 2017 in New Delhi, India. More than 15 of those agreements involve setting up of multi-modal logistics parks by state governments, along with the National Highways Authority of India and the Container Corporation of India. Agreements for port connectivity and land ports were also signed.

**Link:** <http://sasec.asia/index.php?page=news&nid=663&url=new-india-investment-agreements>

### Bangladesh, India, Nepal to Redraw BBIN Motor Vehicles Agreement (MVA)

In June 2017, the BBIN working group will meet to redesign the routes, including corridors that start from Paro and Phuentsholing in Bhutan, connecting Dhaka and Kolkata. An official estimates the process will take five to six months, with the edited protocols requiring approval by the Parliaments of Bangladesh, India, and Nepal.

**Link:** <http://sasec.asia/index.php?page=news&nid=668&url=ban-ind-nep-to-redraw-bbin-mva>

### Nepal eyes fastest economic growth rate in 23 years

Nepal said on Monday its economic growth for the fiscal year ending in mid-July was projected to be the highest in 23 years on the back of improved power supplies, agricultural production and higher spending on reconstruction work after earthquakes.

**Link:** <http://in.reuters.com/article/nepal-economy-idINKBN18P1J1>

## Tender Information in South Asian Countries

Location	Title	Deadline
India	Consultancy Services For Authority's Engineer Services For Rehabilitation & Upgradation Of Two Laning Of Maheshkhunt	06-Jul-2017
India	Consultancy Services For Preparation Of Dpr Including Planning Designing And Periodical Architectural Supervision In Connection With Construction Of Proposed Town Hall Project Of Ndita At Sector V Salt Lake Kolkata. 2nd Call	27-Jun-2017
India	Architectural/ Engineering Services For Construction Of Shopping Complex At Jabalpur Cantt	23-Jun-2017
Nepal	Preparation Of Feasibility Study Report And Iee Report Of Badighad Kholahep.	19-Jun-2017
Bangladesh	Sub-soil Investigation For The Construction Of Proposed Rcc/pc Girder Bridge At Different Location Of Different Road Under Chittagong Road Division During The Year 2016-2017.	20-Jun-2017

For more tender notices, Please register with Tenderinfo and follow the link:

<http://www.tendersinfo.com> and search for South Asia.

**EEPC India South Asia Territorial Newsletter**

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