

Weekly Economic Bulletin

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News Feature

PM projects 10% growth in 2 years

India can achieve double-digit growth in the next two years, Prime Minister Manmohan Singh said, while projecting around 7% growth for the current fiscal.

“We hope to achieve this year a growth rate of around 7%, which is one of the fastest in the world. We are equally optimistic that we can return to and sustain an annual growth rate of 9-10% in a couple of years,” he said.

Speaking at the Pravasi Bharatiya Divas function, Singh promised the government would address bottlenecks in infrastructure, a day after ArcelorMittal chairman Laxmi Mittal criticised the government for slow progress on realising projects. ArcelorMittal and Korean company Posco have endured delays of more than two years in their efforts to build 37 million tonne of capacity in India, at a cost of roughly \$37 billion. It is probably true that we are a slow-moving elephant but it is equally true that with each step forward we leave behind a deep imprint, Singh said.

Speaking at the same function, Finance Minister Pranab Mukherjee projected a more robust growth rate of 7.75% for 2009-10. The economy grew at 6.7% in 2008-09, as compared to a 9%-plus growth in the previous three years. He said the stimulus measures have started paying dividends, as the Indian economy grew 7.9% in July-September. The country fiscal deficit, though, is expected to widen to 6.8% of the gross domestic product as a result of these stimulus measures.

The prime minister urged Indians living abroad to look at long-term investments in India and help the government to accelerate growth and social development. “Overseas Indians, however, while being good savers tend to be somewhat conservative investors. Most remittances are placed in bank deposits. Foreign direct investment in India by overseas Indians is low and far short of potential,” Singh said.

The finance minister stressed despite the economic slowdown that struck India last year, the country recorded 8.6% average annual growth rate in the last five years. He promised continuation of the economic reforms started in early 1990s. The government is planning a major overhaul of the direct and indirect taxation regime with announcing its intent to introduce the Direct Taxes Code and the Goods and Service Tax. Prime Minister Manmohan Singh also argued that India would clock 9-10% growth.

<http://www.financialexpress.com/news/pm-projects-10-growth-in-2-years/565103/>

‘India can top China’s growth by 2014’

The Indian economy could surpass China’s growth rate sooner than expected, most probably by 2014, chief economic advisor in the finance ministry Kaushik Basu said. He also saw the economy bouncing back to 9% growth next fiscal, while expansion this year would be 7.5% plus.

Basu said there was no case at the moment for monetary tightening—including hiking interest rates—and that the government was yet to decide on the timing of rolling back fiscal sops. “India crossing China’s growth rate in the next four to five years is not impossibility. It is within the realm of possibility,” Basu said at a seminar organised by Ficci.

India’s relatively large young population will help raise its savings rate to over 40% of GDP from 38%, thereby hastening growth, Basu said. “The high savings rate will trigger a period of sustained economic expansion. Savings rates (are) unlike stock market indices. Once you are there, you don’t fluctuate. (The savings rate) is likely to cross 40%,” he said.

Basu said the economy will grow at 7.5% plus in the current fiscal on the back of the stronger growth projected in the fourth quarter. The economy grew 7.9% in the July-September quarter, higher than 6.1% in the preceding quarter.

<http://www.financialexpress.com/news/india-can-top-chinas-growth-by-2014/563421/>

Overseas Investment

Forex reserves up \$22 million; rupee falls

The country’s foreign exchange reserves have risen \$22 million to \$283.5 billion in the week ended 1 January, 2009, the Reserve Bank of India (RBI) said in its weekly statistical supplement.

While foreign currency assets fell \$85 million to \$258.6 billion, gold reserves rose \$110 million to \$18.3 billion, the bank said.

Special drawing rights with the International Monetary Fund fell \$3 million to \$5.2 billion, while its reserves with the IMF were unchanged at \$1.4 billion.

Total reserves jumped \$28.3 billion in the past year, the bank said. Assets comprise of overseas currencies, gold and special drawing rights with the IMF.

The liquidity in the money markets was comfortable and the overnight rates were steady. The overnight call rate was seen in a range of 3.20-3.40%.

The amount absorbed under LAF reverse repo operations was to the tune of Rs 87,130 crore. The g-sec market improved on value buying and amidst the auction cut-offs being in line with expectations. The 10-year benchmark paper, 6.90% bond maturing 2019 closed at 7.76% as against 7.79% on Thursday. The rupee pulled back from 15-month highs on Friday as a stronger dollar and choppy equities raised concerns whether foreign investors would maintain the pace of portfolio investments this year. It ended at 45.75/76 per dollar, about 0.2% below its close of 45.68/69 on Thursday when it rose during trade to 45.55, its strongest since Sept 23, 2008. The benchmark share index dropped 0.4% on Friday, falling for a second session, as forecast for a strengthening rupee spooked export-focused outsourcers. “There’s uncertainty whether the fall in stocks may be the beginning of a fresh round of correction,” said a trader with a private bank.

<http://www.financialexpress.com/news/forex-reserves-up-22-million-rupee-falls/565108/>

FII inflow at Rs 3,700 crore in first week

Overseas investors infused a net Rs 3,700 crore into the stock market in the first trading week of the New Year, reflecting an impressive start for the decade after record inflows in the last year.

Foreign institutional investors (FIIs) were gross buyers of shares worth Rs 13,738.80 crore, while they sold equities worth Rs 10,000 crore, resulting in a net investment of Rs 3,738.70 crore, as per the data available with capital market regulator Securities & Exchange Board of India (Sebi).

FIIs poured in a record Rs 83,400 crore in the domestic equities in 2009. FIIs were the net investor of Rs 4,417.90 crore in debt instruments, according to the Sebi data.

Interestingly, Sensex grew by 0.43% to close at 17,540.29 points during the period under review. Sensex registered an impressive gain of over 81% last year.

FIIs investment of Rs 83,400 crore in 2009 was the highest inflow in the country in rupee terms in a single year and came a year after overseas investors pulled out over Rs 50,000 crore.

<http://www.financialexpress.com/news/fiis-inflow-at-rs-3-700-crore-in-first-week/565701/>

Foreign fund flows push shares 81% in 2009

Indian shares are no longer cheap after recording their biggest annual rise since 1991, investment strategists overseeing the country's top performing equity funds for 2009 said.

Indian shares rose 81% in 2009, driven by a flood of foreign funds, stretching 12 months forward price to earnings multiple of India's benchmark index to nearly 17 times, one of the most expensive in Asia.

"Markets are not cheap any longer... the earnings has come on the back of substantial fiscal and monetary stimulus," Sankaran Naren, equities chief investment officer at ICICI Prudential Asset Management said in the Reuters Trading India chat room. "International valuations are cheap compared to Indian markets.

"In large caps, stocks are pretty fairly valued, so one does not see pure value picks there. However, in midcaps, there are some value picks," Rajat Jain, chief investment officer of Principal Pnb Mutual Fund, overseeing Rs 8,000 crore of funds, also said in the chat room.

<http://www.financialexpress.com/news/foreign-fund-flows-push-shares-81-in-2009/563731/>

Govt clears Pepsico's proposal to inject \$200 m

The government cleared a proposal of the US-based soft drinks major Pepsico Holdings Pvt Ltd to inject additional equity of \$200 million (around Rs 930 crore) into its Indian arm within three years.

A few month ago the company had announced plans to pump in \$200 million in 2010 on expanding manufacturing capacity, market infrastructure, supply chain and R&D.

The investment, approved by the Cabinet Committee on Economic Affairs at its meeting here, would take Pepsico's total FDI into the country to \$655 million.

The company had said of the planned \$220 million investments, \$170 million will be from Pepsico while \$50 million would come from its bottling partners.

The approval is to invest the money within three years but the company has plans to spend it within a year. "This is by far the largest investment made by the company... in a single year since its entry into India," PepsiCo India chairman and CEO Sanjeev Chadha said.

<http://www.financialexpress.com/news/govt-clears-pepsicos-proposal-to-inject-200-m/565402/>

Trade News

India, Indonesia to double trade value by 2013

After achieving the bilateral trade target of \$10 billion in 2009, Indonesia and India are looking to double the value of trade between the two countries by 2013. Presently, Indonesia is India's second largest export market in the Asean (Association of Southeast Asian Nations) region.

"The bilateral trade account between India and Indonesia has shown a significant increase. In 2006, the trade value was \$5.5 billion, then increased to \$8.7 billion in 2008, and in 2009, the total trade value increased by 20 per cent to \$10.55 billion. So it has passed the target. We are now aiming to double the value trade in the next three years," Indonesia's ambassador to India Andi M Ghalib said. Ghalib, who was speaking at an interactive session at the Merchants' Chamber of Commerce, said that the recently signed free trade agreement (FTA) between India and the Asean would act as a further shot in the arm for bilateral business.

"With an expanding economy and increasingly favourable investment climate, Indonesia stands as a key economic entity in the Asean region. We need much more from India in the IT, education and healthcare sectors. There is optimism about the potential that exists between the two countries," he said.

<http://www.business-standard.com/india/news/india-indonesia-to-double-trade-value-by-2013/381991/>

India, Japan to jointly develop solar city

India and Japan would jointly develop a city in India as "solar city". An agreement was reached at a meeting of New and Renewable Energy minister Farooq Abdullah with the Japanese minister for Internal Affairs and Communications Kazuhiro Haraguchi.

The government has, till now, given its in-principle approval to 34 cities in the country to be developed as solar cities.

A solar city is one in which the government tries to reduce the demand for conventional energy by 10 per cent in five years through energy efficiency measures and generation from solar power projects.

<http://www.business-standard.com/india/news/india-japan-to-jointly-develop-solar-city/381919/>

Luxembourg keen to boost trade with India

To stimulate trade and investment between India and Luxembourg, the minister of economy and trade of the Grand-Duchy of Luxembourg, Jeannot Krecké will hold a meeting with representatives of Indian companies. Companies from different sectors in Luxembourg will also join the meeting. The provisions of the double taxation avoidance agreement signed between India and Luxembourg in June 2008 will be applicable in India from April 1, this year.

Jean-Claude Knebel, director of foreign trade, ministry of the economy and foreign trade, Luxembourg said, "The government of Luxembourg has taken several steps to further broaden its relationship with India, especially to promote trade and investment between the two countries".

"Luxembourg has a lot to offer, especially in terms of an attractive business and legal framework. Our bilateral trade has tripled from 2002 to 2007 reaching a peak of 52 million euros. India is of major interest to our companies who are eager to find new business partners," added Knebel. With the GDP growing by an average of 5%, Luxembourg has a wide range of business sectors, particularly steel, chemical, plastics and synthetic materials, engineering, mechanical construction, industrial machinery, processing of ferrous and non-ferrous metals, car industry, precision instruments, electronic supplies and glass production.

Several Luxembourg companies have already established a foothold in India, operating in diverse fields such as steel industry, engineering, appliances, air cargo, information technology and consulting.

According to Knebel, Luxembourg has a very active automotive components industry. Most cars produced in Europe use parts "made in Luxembourg". As India starts exporting cars to Europe, there is ample space for highly interesting synergies between the respective industries.

Knebler said many Indian companies need a solid logistical base to distribute their products in Europe. The IT sector has crucial potential. Software applications play a key role in the banking, financial services and insurance industry which is one of the country's biggest strength. Indian firms are experts in the field and will find ample opportunities in Luxembourg.

<http://www.financialexpress.com/news/luxembourg-keen-to-boost-trade-with-india/565703/>

Sectoral News

Foreign tourist arrivals to rise 25%

Foreign tourist arrivals in India in the peak tourism season of 2009-10 is set to witness a growth of 25 per cent over the same period of 2008-09.

After battling a phase of slowdown which began from the second half of 2008-09, the economy is on the recovery track, bringing cheer to the travel and tourism industry in the country.

The peak tourism season in the country begins from November and continues up to February. The tour operators have witnessed a 20 per cent jump in bookings in the months of November and December 2009.

Vijay Thakur, president, Indian Association of Tour Operators (IATO), "India is set to witness a growth of 25 per cent in the peak tourism season of 2009-10 in terms of foreign tourist arrivals. The growth in inbound tourist arrivals to the country would come on the back of the revival in the economy."

To give a further boost to the tourist arrivals, IATO has drawn up plans to hold roadshows in USA, UK, European Union nations and Australia in 2010 to hard sell India as a tourist hub.

"We have already given a proposal to the Union ministry of tourism for conducting these roadshows to pull the foreign tourists to India. This time, we are trying to bring in more long haul foreign tourists", Thakur said.

IATO had earlier sought reduction in the tax component on the tariff of tour packages of international tourists to boost India's inbound tourist inflow.

At present, the various taxes like luxury tax and service tax account for 40-45 per cent of the cost of tour packages for the international tourists. IATO is in favour of bringing down the share of taxes in cost of the tour packages, designed for the international tourists, to 15 per cent.

The association had also demanded that the luxury tax should be levied on the actual tariff of the hotels and not on the printed tariff.

India has targeted to attract 10 million foreign tourists by 2010, almost double the figure which the country achieved in 2008. The country recorded foreign tourist arrivals of 5.37 million in 2008 and earned foreign exchange worth Rs 50,730 crore.

<http://www.business-standard.com/india/news/foreign-tourist-arrivals-to-rise-25/381898/>

Sops for food processing industry

The food processing industry in India is all set for a robust growth with the Centre today announcing a series of new initiatives. This includes a separate policy at the state level, thrust on contract farming and making the sector tax-free.

Inaugurating Baba Ram Dev's mega food park at Haridwar, Union Minister for Food Processing Industries Subodh Kant Sahay said the Centre would launch efforts to set up at least one mega food park in each state.

Stating that the sector was growing at 14 per cent, Sahay said the Centre had also decided to keep the food processing industry out of the tax net. "We have decided not to levy any tax on the industry," he said.

For the further growth of the sector, he asked all the states not to levy VAT more than four per cent on the food processing industry. He said the industry would soon become the backbone of the country.

Sahay also asked all the states to come out with a separate food processing policy in order to attract investments in the rural sector and assured all support from his ministry.

In lighter vein, he also urged Baba Ramdev to invite Planning Commission Deputy Chairman Montek Singh Ahluwalia to Haridwar for showing the working of the food processing industry which he said would help his ministry in getting more budgetary support.

<http://www.business-standard.com/india/news/sops-for-food-processing-industry/381769/>

Indian telcos follow global peers, tap mobile apps biz for growth

Indian telcos are joining communication majors such as Vodafone, AT&T and France Telecom in a bid to capitalise on the global boom in the mobile applications space. Mobile operator Aircel, along with software major Infosys, will unveil the country's first mobile application store.

The concept involves allowing independent software developers to produce a range of applications for Aircel's customers on a revenue sharing basis. Here, Infosys will provide the IT backbone and software kits that will allow developers to come up with products and services targeting the 'desi' user. Globally, developers also sell their applications (called apps) for a one-time fee or even offer it for free as increased usage of their apps drives advertisers to their products and solutions.

In mid-2009, Bharti Airtel became the first Indian telco to have an independent developers community to develop applications and services for the over 120-million customers across its mobile, landline, internet, IPTV and DTH services. Over 1,000 developers have signed up for the Airtel Open Developers Community, on the lines of such communities owing allegiance to global technology firms such as Apple, Google and Nokia.

Executives with Airtel said that the telco, along with IT major IBM, was on track to launch its app stores in 2010. Airtel provides the software development kit, the main set of tools needed to write applications, to AODC members and also trains them to build applications across the three screens — PC, mobile and TV. Airtel has also roped in over 100 companies — including Infosys, Indiagames, Mobile2Win, Versa, Symbiotic, Pyro, Hungama and OnMobile amongst others — to develop solutions on its IBM-built service development platform.

The moves by Bharti and Aircel are seen as a tacit recognition from mobile operators that the future of mobile technology is in the hands of independent developers who can gauge market needs. It also emphasises the fact that operators are positioned to drive apps, since they understand their consumers better and have far greater insight into their usage. Additionally, the apps developed by the Bharti and Aircel platforms will be independent of handsets.

<http://economictimes.indiatimes.com/news/news-by-industry/telecom/Indian-telcos-follow-global-peers-tap-mobile-apps-biz-for-growth/articleshow/5411200.cms>

Coir exports back on track

Coir exports seem to be back on track with trade moving into the positive territory in the last two months.

Coir exports have been in depressed for most of 2009 with sales of traditional items like rugs, carpets and mats recording a decline. Exports were sustained by the liberal import of coir fibre and curled coir by China and Korea , which in turn were hurting the domestic manufacturing industry.

Figures provided by the state-run Coir Board for the first eight months of the 2009-10 financial year show that exports have eclipsed the performance of the same period of last fiscal.

The important factor has been the turnaround in the export of rugs, carpets and mats, board sources said.

Exports during April-November stood at 152,505 tonne valued at Rs 478.30 crore as against 124,250 tonne valued at Rs 410.48 crore during the same period of 2008-09.

The increase in volume was estimated to be around 22.74%, while the rise in value was estimated to be around 16.52%. Exports of coir mats have increased by 28% in volume and 20% in value during November, while during the month of October the increase recorded was 10% in volume and 5% in value.

Cumulatively for the first eight months, export of mats have moved into the positive territory by recording an increase of 9% in value while exports in volume terms was almost the same as last financial year. Similarly, rugs and carpets have also recorded an increase during the eight months helping the overall exports to record a significant rise.

<http://www.financialexpress.com/news/coir-exports-back-on-track/563736/>

Cement units to add 43 mt capacity by March 2011

The 234 million tonne per annum (mtpa) Indian cement industry, which witnessed a double digit despatch growth in December 2009 and an overall growth thanks to infrastructure and real estate projects, is set to add 43.2 mtpa capacity during the next 15 months (January 2010 to March 2011).

South India, which has already started feeling the heat of oversupply, will add the maximum capacity of 17.6 million tonne during that period. The next in line is the northern region, which will add 9.6 mt. The western, central and eastern regions will add 9 mt, 3 mt and 4 mt, respectively.

The industry, which is growing at the rate of 8-10%, is currently witnessing price hike in the southern and western regions. Industry sources say with small producers increasing capacity multifold and new players entering the southern and western markets, pricing discipline is tough to emerge.

Adesh Gupta, CFO of Grasim Industries, while announcing the company's Q2 results had said, "With new capacities coming on stream in the second half, margins are expected to be under pressure along with pressure on prices."

"The southern market with 18 players having capacity of 1mtpa or more is the most fragmented one in India. Capacities of three new players (Raghuram Cement, Jayajyothi and JSW Cement with more than 2 mtpa each) will stabilise in the next 6-9 months. With sharp price cuts, new producers may find it difficult to break even, and this would likely to prompt some consolidation. All the three new producers are unlikely to participate in consolidation," J Radhakrishnan, analyst with IIFL, said in his report.

Industry sources say medium-term price recovery in the south is unlikely without consolidation. However, there could be delays in the announced capacities due to slowdown that hit the industry last year. Moreover, the on-stream supplies will be absorbed by increased demand from the infrastructure and construction sectors, say players.

"No new capacities are expected to come on stream for the next six months, and hence, we don't see any significant threat of oversupply in the southern markets," said a Dalmia Cement spokesperson.

The top cement players who are adding up capacity include ACC Ltd, Grasim, Ambuja Cements and Lafarge.

<http://www.financialexpress.com/news/cement-units-to-add-43-mt-capacity-by-march-2011/564686/>

Siam brings more cheer to Expo with sales figures

Higher discounts, new models and lower base have helped the passenger vehicle industry to register high double-digit growth in December, thereby continuing the growth momentum of the last eight-nine months. This comes at a time when the Motown is buzzing with several new launches and concept cars at the 10th Auto Expo.

According to the Society of Indian Automobile Manufacturers (Siam), sales of passenger vehicles jumped by 49.9% in December 2009 at 1,49,097 units compared with 99,440 units in the corresponding month in 2008.

The cumulative sales of passenger vehicles between April and December last year went up by 23.8% at 13,67,986 units against 11,04,999 during the same period in the preceding year, the third highest growth worldwide.

“In fact, in the passenger vehicle segment, India was the third highest growing market in the world after China and Germany in 2009,” Pawan Goenka, president, Siam, said, adding that sales in 2009 were also boosted by new launches totalling 11, the highest in recent years.

While India’s passenger vehicle sales went up by 18%, China registered a growth of 42%, propelled by a tax cut on cars announced in January 2009. Germany registered a growth of 25% growth, buoyed by the incentives given for buying new vehicles in exchange of old ones.

<http://www.financialexpress.com/news/siam-brings-more-cheer-to-expo-with-sales-figures/565069/>

Rs 1-lakh cr investments in food processing by 2015, says Sahai

The Union food processing ministry has set a target of attracting investments to the tune of Rs 1 lakh crore in the sector by 2015.

Subodh Kant Sahai, Union food processing minister, said: “We are expecting investments of Rs 1 lakh crore in the next five years. We are planning to increase food processing to 20% of the total fruits and vegetable produced in the country.”

According to him, food processing has grown by 10% in India while value-added products have grown by 10-15% in the last five years.

We are looking at a growth of 35% in value-added production by 2015,” Sahai said. Talking to reporters at a business summit on north eastern states in Kolkata.

<http://www.financialexpress.com/news/rs-1lakh-cr-investments-in-food-processing-by-2015-says-sahai/565091/>

2010 to be a good year for realty, says Credai

Confederation of Real Estate Developers' Associations of India (CREDAI) is hopeful of a positive year for the India real estate industry in 2010 and the market is expected to return to the 2007-08 level. Given the right opportunity and supportive policies, the real estate sector too would prove effective in driving the country's GDP growth. Infrastructure development is an area which will play a vital role as increased connectivity in terms of roads, rail and communication will lead to development in real estate. Development of other asset classes like warehousing, logistics, tourism and hospitality would also boost real estate activity.

Kumar Gera, chairman, CREDAI, said: "This year would be crucial for the housing industry given the government's concern over the massive housing needs of the people, especially in the urban areas. Supportive policies to encourage and aid the housing requirements of all sections are expected to propel the development in the real estate and allied sectors as well. Affordable housing would be a key factor in driving the sector and CREDAI has already started working on progressive solutions in this area for effective and customised implementation as suited to the Indian situation through NATCON 2010. Also, focus on tier II and tier III cities besides metros will help widen market and generate demand."

<http://www.financialexpress.com/news/2010-to-be-a-good-year-for-realty-says-credai/565092/>

New Round-Up

Delhi gets new industry policy

The new industrial policy of the Delhi government, which was approved, seeks to make the national capital a global hub for clean, high technology industries and services sector.

The Delhi cabinet, presided over by chief minister Sheila Dikshit, approved the new industrial policy framed for the first time after 1982. "The new policy will encourage non-polluting industries and services sector," Dikshit said.

Officials said the new policy aims to make the city a "hub for clean, high technology industries encouraging ecofriendly knowledge-based industries and generate high amount of revenue." They said it would encourage IT and IT enabled services which will not only boost revenues of the Capital but also deter polluting industries.

<http://economictimes.indiatimes.com/news/economy/policy/Delhi-gets-new-industry-policy/articleshow/5411632.cms>

Domestic market to drive hiring in 2010

The domestic market is expected to spearhead hiring activities in 2010, unlike in recent years when recruitment was led by outsourcing requirements. With domestic companies getting their act together to cash in on the "recovering market" opportunities, there is already a significant amount of buoyancy reported in hiring.

Bhanushree R, director in TMG Talent Management Group, says there was a 50% increase in recruitment billing revenues during the October-December quarter. " January has already shown a 20% increase on this. It is clearly an indication of the kind of job numbers that are going to come during the first calendar quarter itself and beyond. Desi companies are also busy inducting talent to strengthen their management," she says.

Some other recruiters too report an over 50% upturn in hiring during the last one month. Staffing firm TeamLease reports a quantum increase in the number of active positions at around 4,000 currently, as against just 800 positions around June last year. It had over 10,000 active job positions prior to the Lehman collapse in 2008.

Ashok Reddy, managing director, Team-Lease Staffing Solutions, says unlike in the past, the current hiring is not driven by outsourcing or global markets. " It's the domestic market that is responsible for the current spurt in hiring. It is going to be a sustained, well-rounded growth. Recruitment volumes will pick up across verticals like telecom, manufacturing , FMCG, retail, BFSI, IT and government ," he says. Traditionally, about 85% of hiring by IT companies is to meet outsourcing demand, but now, domestic demand is playing a significant role.

A lot of senior sales and customer-facing positions are getting filled. IT infrastructure, storage and security are the hot domains in the technology space.

<http://economictimes.indiatimes.com/news/news-by-industry/jobs/Domestic-market-to-drive-hiring-in-2010-/articleshow/5415173.cms>