

Weekly Economic Bulletin

Date: July 13-19, 2010

Issue No. 377

Contents

1	News Feature <ul style="list-style-type: none">• Rupee becomes only 5th currency to get a symbol• Economy to grow over 9 per cent in Q1: Pranab Sen	Page 1-2
2	Overseas Investment <ul style="list-style-type: none">• Forex reserves up at \$ 279.422 bn• FDI lock-in period in realty may apply to 'original' \$5 m	Page 2-3
3	Trade News <ul style="list-style-type: none">• India, Oman in pact for \$100-m investment fund• India, Japan launch pilot project to monitor natural disasters• Gujarat, Egypt to work jointly for tourism• 'Trade between India, Bhutan to grow 10%'• Ambassador pitches for stronger Indo-Saudi trade ties	Page 3-7
4	Sectoral News <ul style="list-style-type: none">• Domestic airlines post 22% growth in June• Cashew exports recover on demand• Higher ad spend to spur broadcasters' revenue growth by 39%• Tyre industry to see strong growth this financial year	Page 7-9
5	News Round-up <ul style="list-style-type: none">• Industrial growth in FY10-11 to be shade better than last fiscal: Rangarajan	Page 10

News Feature

Rupee becomes only 5th currency to get a symbol

In keeping with India's growing economic might and its status as a major investment destination, the hitherto humble rupee is all set to get a distinct identity in the form of a new symbol. The Union Cabinet gave its approval to the symbol which combines the Roman letter 'R' with the Devnagri 'Ra' .

The symbol will catapult the rupee into the company of four 'elite' currencies which have similarly distinct identities-the US dollar, euro, yen and British pound.

The symbol has been designed by D Udaya Kumar, an IIT Bombay post-graduate , who has just joined as a teacher at IIT Guwahati. Kumar will receive a prize money of Rs 2.5 lakh for his efforts. The symbol will standardize the expression for the Indian rupee in different languages, both within and outside the country.

"It's a big statement on the Indian currency. It would distinguish the rupee from those countries whose currencies are also designated as rupee or rupiah, such as Pakistan, Nepal, Sri Lanka and Indonesia," I&B minister Ambika Soni said after the Cabinet meeting. The symbol, she added, would reflect the strength and robustness of the Indian economy.

Till now, the Indian currency was simply denoted by Rs or INR. Kumar's symbol was chosen after a public competition was held among resident Indian citizens inviting entries for a symbol which "reflects and captures the Indian ethos and culture".

Over 3,000 entries were received. These were evaluated by a jury headed by the RBI deputy governor, which included experts from reputed art and design institutes.

"The entries were presented to the jury in such a manner that the identity of the competitors was not revealed to the jury members. The jury selected five final entries and also gave its evaluation of these five entries to the government to take a final decision," said Soni.

<http://economictimes.indiatimes.com/Policy/articleshow/6174849.cms>

Economy to grow over 9 per cent in Q1: Pronab Sen

The economy is likely to grow above 9 per cent in the first quarter, according to Planning Commission principal energy advisor Pronab Sen.

"The first quarter gross domestic product growth will be slightly above 9 per cent," said the former chief statistician on the sidelines of a PHD Chamber function in New Delhi.

Chief economic Advisor Kaushik Basu also had said the first quarter might show up around 9 per cent expansion while the full fiscal would grow over 8.5 per cent.

The GDP grew by 7.4 per cent in the last fiscal with its fourth quarter managing clipping at 8.6 per cent. The government expects 8.5 per cent growth this fiscal.

The economy has been on the recovery path since dipping to 6.7 per cent in FY09 mainly on stimulus measures undertaken by government which saw the and industry ticking back after the global downturn that began in September 2008.

Industrial production has remained in double-digits for the eighth month in a row in May driven mainly by a robust performance of the manufacturing sector. However, Sen said industrial growth is not likely to remain in double digits for the full financial year. It has slipped to 11.5 per cent in May from 16.52 per cent in April.

"The index of industrial production is very unlikely to cross 10 per cent this fiscal. It will be probably around 9 per cent," Sen said.

On the headline inflation, he said it is likely to inch up from the 10.55 per cent in June, but will not cross 11 per cent mark in July.

<http://economictimes.indiatimes.com/news/economy/indicators/Economy-to-grow-over-9-per-cent-in-Q1-Pronab-Sen/articleshow/6188001.cms>

Overseas Investment

Forex reserves up at \$ 279.422 bn

The country's foreign exchange reserves rose to \$279.422 bn for the week ended July 9, up by around \$1.16 bn over the previous week, backed by a healthy jump in foreign currency assets.

The foreign currency assets, which is a major component of the reserves, grew by \$1.13 bn during the week to \$253.26 bn from \$252.12 bn in the week ago, the RBI said in its weekly report.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies, such as euro, sterling and yen, held in the reserves, the apex bank said.

During the week, country's gold reserves remained static at \$19.89 bn while the Special Drawing Rights (SDRs) moved a notch to \$4.93 bn, up from \$4.91 bn in the preceding week, the data showed.

India's reserve position in the International Monetary Fund also inched up to \$1.328 bn as compared to \$1.325 bn the week before, the central bank said.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-reserves-up-at--279422-bn/articleshow/6177559.cms>

FDI lock-in period in realty may apply to ‘original’ \$5 m

Foreign players in the real estate business will soon have a reason to cheer. The department of industrial policy and promotion (DIPP) is considering a proposal which seeks to enable foreign players repatriate profits from their investments in the country save the ‘original investment’, which is \$5 million. This means that the minimum lock-in period for foreign direct investment in real estate, which bars repatriation of profits, would only apply to the stipulated original investment, which is pegged at \$5 million. Any amount invested over this can be repatriated.

Sources said the DIPP would reverse its earlier notification issued last year, which had termed original investment as the “entire investment” brought in by the foreign player in a project.

According to the foreign direct investment (FDI) regulations, a foreign investor has to bring in a minimum \$5 million to participate in a joint venture (JV) with an Indian developer while the rest of the money can be brought in later, in tranches. The rule says, “Original investment cannot be repatriated before a period of three years from completion of minimum capitalisation”. Till now, the interpretation has been that the three-year lock-in applies only to the ‘original’ or ‘minimum’ investment of \$5 million and not to the entire money that the foreign investor puts in. For instance, if a foreign fund invests \$500 million, the interpretation has been that it can recover and repatriate up to \$495 million before three years while the balance \$5 million can be repatriated only after three years. However, last year, the department issued a notification saying original investment would apply to entire investments brought into the project, a move that was enough to wean them away from the Indian market and dampen their plans in India.

“The change will not warrant any tweak in the policy but a mere notification,” a DIPP official said. “If the government maintains the spirit of the original Press Note and allows foreign players continue investing in the way they have been doing for the last five years, it would reinstate their confidence in the real estate sector. At a time, when realty sector is reviving in India, the proposed move may instill their confidence in the realty sector,” said Delhi-based realty firm Ansal API marketing and brand head, James Mathew.

<http://www.financialexpress.com/news/fdi-lockin-period-in-realty-may-apply-to-original-5-m/645473/>

Trade News

India, Oman in pact for \$100-m investment fund

State Bank of India and State General Reserve Fund of Oman signed a joint venture for setting up a \$100-million investment fund.

The initial corpus will be contributed equally by two companies. The fund will be expanded to \$1.5 billion in due course and will invest equity in all sectors. The investment fund will currently invest only in India.

Launching the fund, finance minister Pranab Mukherjee said it would open new vistas in economic relations between India and Oman. The initiative is being seen as a catalyst to attract capital from the Gulf region into India.

The two sides had reached an understanding for setting up the fund during the visit of Prime Minister Manmohan Singh to Oman in November 2008.

The Sultanate of Oman is keen on diversifying its oil and gas industry-based economy to a modern industrialised economy and for the purpose the country needs investment in manufacturing, tourism as well as warehousing and other allied industries.

The agreement was signed by SBI chairman OP Bhatt and State General Reserve Fund CEO Warith Al-Kharusi.

<http://www.financialexpress.com/news/india-oman-in-pact-for-100m-investment-fund/646655/>

India, Japan launch pilot project to monitor natural disasters

India and Japan have begun a pilot project to test the procedures and systems to evolve a Network for Natural Disaster Mitigation and Recovery or DISANET.

It is aimed at monitoring natural disasters and developing an emergency communication system, using the information technology tools.

Funded by the Japan Science and Technology Agency (JST), a Japanese Government agency, the DISANET project would involve Indian Institute of Technology (IIT: Hyderabad, Madras and Kanpur), National Geophysical Research Institute (NGRI) and India Meteorological Department.

'Expand Scope'

Addressing the inaugural of the Rs 20-crore project, Mr E.S.L. Narasimhan, the Governor of Andhra Pradesh, said that the scope of 'disaster management' should not be restricted just to natural disasters but expanded to power and other damages, too.

The Japanese academic institutes would share their expertise in the area of earthquake monitoring, weather hazard sensing and emergency communications.

"It will study the scope to establish a robust sensor network for pre-disaster monitoring and deploy communications and database systems for post-disaster relief," an IIT (Hyderabad) representative involved in the project said.

"We will develop a 3D monitoring and analysis programme for earthquakes in the Himalayan belt. The structural behaviour of buildings will be studied to assess vulnerability and post-disaster response," he said.

The consortium would also come out with a prototype for an emergency communication system to send out timely alerts. Automatic Weather Stations would be deployed to

monitor parameters such as rainfall, wind, temperature, humidity and atmospheric pressure.

“This data would be communicated remotely to a central processing node for analysis. The focus would be on developing the ability to analyse weather data in harsh weather conditions,” the IIT (Hyderabad) official said.

<http://www.thehindubusinessline.com/2010/07/19/stories/2010071951620300.htm>

Gujarat, Egypt to work jointly for tourism

Tourism Corporation of Gujarat and tourism department of Egypt will work together for the development of tourism sector in India. Vipul Mitra, tourism secretary, government of Gujarat also held meeting with officials of Egypt International Tourism Board at the International India Tourism Mart (IITM) held in Bangalore.

Tourism Corporation of Gujarat had organised a road show in Bangalore to promote tourism in Gujarat and inviting tour operators, travel agents, investors for the development of tourism in Gujarat.

"Gujarat government also made an elaborate presentation outlining broader view tourism opportunities," the government said in a release.

Tourism secretary of the state and the official of Egypt tourism in India also decided to work out a mutual plan at IITM for co-operation and understanding tourism and hospitality sectors.

It may be mentioned here that Gujarat government is gearing up to focus exclusively on tourism opportunities in the state. Gujarat government has also roped in legendary actor Amitabh Bachchan as a brand ambassador for Gujarat.

From roping in Amitabh Bachchan as the brand ambassador for Gujarat, setting up tourism institutes to identifying Special Tourism Investment Regions (STIR), the state government is exploring various avenues to popularise Gujarat as a tourist destination. With an aim to sensitise the Indian tourism industry on Gujarat tourism, the state is planning various initiatives and policies.

<http://www.business-standard.com/india/news/gujarat-egypt-to-work-jointly-for-tourism/401187/>

'Trade between India, Bhutan to grow 10%'

The bilateral trade between India and Bhutan is set to grow by about ten per cent during the current fiscal, according to Mr Dasho Tshring Wangda, Consul General of Bhutan Consulate in Kolkata.

The trade between the two countries has been growing at five-to-seven per cent on a year-on-year basis and was at about Rs 2,000 crore in 2009-10, he told on the sidelines of

a press conference to announce the issuance of travel permit to Indian citizens by the Consulate in Kolkata.

“There has been a good increase in the bilateral trade between the two countries. Close to 95 per cent of our food items are imported from India,” Mr Wangda said.

The major items of import from India were food items, clothing, construction material and petroleum products among others, while power was the single largest item of export from Bhutan to India, he added.

The issuance of travel permits by the Consulate in Kolkata will facilitate Indian citizens to travel at ease without having to process travel documents at Paro International Airport and the border towns of Bhutan, he said.

“The number of Indian tourists coming to Bhutan has been growing at about ten per cent on a year-on-year basis,” he said.

<http://www.blonnet.com/2010/07/13/stories/2010071353471900.htm>

Ambassador pitches for stronger Indo-Saudi trade ties

Mr Talmiz Ahmad, Ambassador of India to the Kingdom of Saudi Arabia, has called upon the business community here to explore the potential in that country as it is an important economic partner for investments, joint ventures, transfer of technology projects and joint projects.

India is the 4th largest trading partner for Saudi Arabia and the volume of last year's trade exchange between the two countries was about \$25 billion, he said, while addressing the business community at the meeting organised by the Indian Chamber of Commerce and Industry.

Avenues in the Kingdom

Over 550 small and medium Indian enterprises have been set up in the Kingdom with a total value of over \$2.5 billion. He pointed out that the most promising areas for Indo-Saudi economic ties are Saudi investments in India's infrastructure and energy sectors and setting up of joint ventures in the Kingdom in industry and the knowledge-based services sectors.

Of late the number of Saudi tourists visiting India has started increasing.

With the joining of the Kingdom as a member of the World Trade Organisation in 2005, the Saudi economy has become more investor-friendly. Saudi Arabia is the 15th largest market in the world for Indian exports. Main Indian exports to Saudi Arabia are basmati/non-basmati rice, tea, manmade yarn, fabrics, made-ups, cotton yarn, primary and semi-finished iron and steel, chemicals, plastic & linoleum products, machinery and instruments, he said.

India's major imports from Saudi Arabia are petroleum and petrochemical products. Saudi Arabia is the largest supplier of crude oil to India. Saudi Arabia meets around 26 per cent of India's crude requirements annually, he added.

The UAE

Mr Abbas Ali Mirza, former President and present Board member of India Business and Professional Council, Dubai, the United Arab Emirates (UAE), said that India is the biggest trading partner with the UAE.

Being an international business hub with top-class infrastructural facilities, the UAE provides tremendous scope for Indian investment and trade partnership.

<http://www.blonnet.com/2010/07/13/stories/2010071352641900.htm>

Sectoral News

Domestic airlines post 22% growth in June

Domestic airlines flew 45.04 lakh passengers in June this year, up almost 22 per cent against June 2009.

This is the second consecutive month when the domestic airlines have registered almost 22 per cent growth against same period last year. This perhaps explains the increase in congestion at the metro airports.

The DGCA data show that apart from Paramount, all the other airlines carried more passengers in June against June 2009.

The airlines operated with healthy seat factors in the range of 72 per cent to 90 per cent.

The seat factors for June are: Air India (Domestic) – 72.3 per cent, Jet Airways – 80.5 per cent, JetLite – 83.6 per cent, Kingfisher Airlines – 85.1 per cent, Spice Jet – 88.5 per cent, Paramount Airways – 86.8 per cent, Go Air – 84 per cent and Indi Go – 90.7 per cent.

<http://www.thehindubusinessline.com/2010/07/16/stories/2010071653962000.htm>

Cashew exports recover on demand

After months of declining due to lower off take by developed markets, cashew exports are staging a recovery on the back of good demand from Asian countries.

Value of exports for the first quarter of 2010-11 have increased when compared to the same period of the last fiscal on lower volume. Economic problems in the developed market of Europe and the US have altered the dynamics of cashew trade with buyers preferring near-term contracts and lower inventory which have resulted in high volatility.

Value of exports in April-June 2010-11 are up by 2% compared to the same period of 2009-10, while volume during the same period is down by 1.6%. The total realisation for

the period stood at Rs 713.01 crore as against Rs 698.46 crore for the previous period. In June, exports have increased by 3% in volume terms and 13% in value when compared with the same month of 2009.

In 2009-10, India exported 1,08,120 tonne of processed cashew valued at Rs 2,905.82 crore as against 1,09,522 tonne valued at Rs 2,988.40 crore during 2008-09.

“Share of major markets has changed in the last few years and the pattern of buying has also altered. There is increasing emphasis on spot prices due to the nature of nearby buying in large Asian market and the changed pattern of buying by several buyers in major importing countries,” Pankaj Sampat of Samsons Trading told FE.

<http://www.financialexpress.com/news/cashew-exports-recover-on-demand/646010/>

Higher ad spend to spur broadcasters' revenue growth by 39%

Buoyancy in advertisement spends will lead to a revenue growth of around 39% for the broadcasting segment of the media sector for the June quarter, say analysts. Sectors like telecom, FMCG and auto were the key advertisers in this segment. Also, increasing digitisation and direct-to-home penetration will continue to boost subscription revenues for all broadcasters.

A report from IDFC Securities says Zee Entertainment Enterprises Ltd (ZEEL) is expected to garner a 33% growth in revenues for the June quarter to Rs 631.5 crore compared with Rs 475.9 crore in the corresponding quarter of the previous year on the back of a low base effect, strong revival in ad spends and additions of general entertainment channels (GECs). Its net profit will also surge 28% at Rs 130.8 crore as against Rs 101.9 crore. Zee has recently de-merged its six regional channels from Zee News to ZEEL.

UTV will also see a jump of 132% in its sales at Rs 201 crore as against Rs 86.50 crore. Net profit is estimated to be Rs 34 crore. UTV posted a loss of Rs 31.80 crore loss in the corresponding quarter of the previous financial year.

Sun TV Network is expected to post a 27% growth in revenues at Rs 365.30 crore for the June quarter compared with Rs 287.70 crore in the corresponding quarter of the previous financial year. Its net profit would be around Rs 143.30 crore as against Rs 119.80 crore, up 20%.

Regional channels are also consolidating revenues as their viewership is growing. According to a recent Ficci-KPMG report, advertisers are realising potential of regional channels as they look to penetrate deep. The report says that lower operating costs as well as the opportunity to earn attractive revenues from international markets mean that regional GECs can break even more quickly compared to their Hindi counterparts.

Says Divya Radhakrishnan, president TME, a media buying agency, “Due to events like the Indian Premier League and the Fifa World Cup, an upswing in ad spends was witnessed during the June quarter.”

Television advertising is expected to touch Rs 11,897 crore in 2010-11, up from Rs 9,914 crore in 2009-10.

<http://www.financialexpress.com/news/higher-ad-spend-to-spur-broadcasters-revenue-growth-by-39/647143/>

Tyre industry to see strong growth this financial year

The tyre industry is poised to grow by around 15% in terms of production and sales during this fiscal backed by healthy domestic demand and a modest recovery in exports. This is despite conflicting expectations in terms of demand recovery, stated Icmra Management Consultancy Services (IMaCS), a wholly-owned subsidiary of Icmra.

Though radialisation and imports are impacting revenues and margins of the prominent players, expected high growth in the replacement market is likely to result in stable margins.

IMaCS has predicted an increase in domestic demand for tyres on account of a steady growth in almost all segments of the automobile industry even as volatility in prices of rubber and other derivatives of crude oil remains a concern.

During the nine months period of FY'10, operating income of listed tyre companies increased 12.8% (y-o-y) to Rs 14,174 crore. Though operating income y-o-y growth was healthy at 21% in Q1 FY '09, it decelerated sharply thereafter till Q1 FY'10. However, operating income increased at a higher rate of 13% (y-o-y) in Q1 FY '10 and 18% in Q3 FY'10. Operating margins declined sharply in Q2 FY '09 and Q3 FY'09 because of increase in input and employee costs. However, margins improved from Q4 FY '09 onwards because of moderation in input costs.

A close scrutiny of the financials of eight major tyre manufacturing companies shows that while their collective operating income was Rs 18,800 crore in FY09, in the five year period FY04-FY09 increases in raw material costs and selling costs have impacted operating margins.

Lower interest costs till FY2007-09 resulted in an improvement in net margins. Subsequently, net profit margins have declined because of lower operating margins and increased interest and depreciation costs.

According to IMaCS study, the growth in tyre production for OEMs would depend on automotive production, which is expected to grow at a healthy rate in FY2010. CV production has increased substantially in FY2010, largely because of the base effect.

By comparison, given the low levels of penetration of two-wheelers and passenger cars in the country and the recent excise duty cuts, domestic supply to these segments is likely to increase at modest rates of 17% and 18%, respectively in FY2011.

<http://www.financialexpress.com/news/tyre-industry-to-see-strong-growth-this-financial-year/648338/>

News Round-Up

Industrial growth in FY10-11 to be shade better than last fiscal: Rangarajan

The Prime Minister's Economic Advisory Council (PMEAC) sees industrial growth of at least 10.5 per cent in 2010-11, its Chairman, Dr C. Rangarajan, has said.

"I think the industrial growth performance this fiscal will be shade better than last year. Despite the base effect that one would see in the second half this year, I see industrial growth in 2010-11 at 10.5 per cent or much higher," Dr Rangarajan told after the release of IIP numbers for May 2010.

Dr Rangarajan highlighted that industrial growth performance in the second half of 2009-10 was quite strong and therefore once could see some base effect in the second half of this fiscal. India's industrial output grew 10.4 per cent in 2009-10.

Asked whether the May 2010 industrial growth of 11.5 per cent was some disappointment, given that it was lower than the April performance of 17.6 per cent, Dr Rangarajan said, "To me even this May performance is quite good and it's a strong show."

Meanwhile, the Finance Secretary, Mr Ashok Chawla, said that the overall expansion pace in industrial output continues to be robust even as IIP growth may have decelerated in May 2010.

<http://www.blonnet.com/2010/07/13/stories/2010071354730400.htm>