

Weekly Economic Bulletin

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News Feature

Exports up 27% in November at \$12.4 b

The persistent higher growth in exports in the face of appreciating rupee till October 2007 continued in November too with latest export figure for November logging a robust 27 per cent growth at \$12.4 billion, as compared to \$9.8 billion in November 2006.

Provisional trade figures provided by the Department of Commerce shows that cumulatively too, the country's exports recorded a healthy 22.08 per cent growth during the first eight months of the current fiscal at \$98.3 billion, as compared to \$80.6 billion in the corresponding period of 2006-07.

Interestingly, in rupee terms too, when export growth was in single digit for some months, has recovered to register a growth of 11.51 per cent in November 2007, though cumulatively export growth in April to November 2007 remained at 8 per cent.

<http://www.thehindubusinessline.com/2008/01/02/stories/2008010252141000.htm>

M&A deals up 12%; Indian cos tap global opportunities

The global slowdown in 2008 provided good opportunity for Indian software service providers to cherry-pick attractive companies at reasonable prices - be it to expand global footprint or fill in capability gaps or access new markets. An interesting trend this year was that Indian majors acquiring assets of multinationals with strong operations in India.

The cross border merger and acquisition (M&A) involving Indian IT and IT-enabled companies increased by nearly 12 per cent between January 1 and December 15, 2008 to \$3.22 billion (in 98 deals) compared with \$2.88 billion (in 159 deals) in 2007. The average deal size in 2008 increased to \$32.86 million (\$18.15 million), according to Grant Thornton India.

The biggest deals were Citi's sale of its captive BPO unit to TCS for \$505-million in October and HCL Technologies buy-out of UK consulting firm Axon for \$658 million. Wipro acquiring Citi's Technology Services for \$127 million and 3i Infotech acquiring the US-based Regulus Group for \$80 million were some of the other major deals during the year.

<http://www.thehindubusinessline.com/2008/12/31/stories/2008123151190400.htm>

Overseas Investment

Despite slowdown, prospects for FDI inflows look promising

The continuing global economic meltdown has reduced the country's capability in attracting higher foreign direct investments (FDI) but the momentum gained by FDI inflows in the months prior to October has helped India get record inward investments.

While the FDI inflow from April to September rose 137% at \$17.21 billion compared to a year ago, October saw a fall of 26% at \$1.49 billion. The total inflow during April-October was still higher by 80% than the corresponding period of the previous year.

In September, the country attracted FDI of \$2.56 billion, a 259% growth over \$713 million in the same month in 2007. The increase in FDI is mainly due to further liberalisation in FDI norms in petroleum and natural gas, civil aviation, commodity exchanges, credit information companies, mining of mineral and ores bearing titanium, and industrial parks, said the department of industrial policy and promotion, under the commerce and industry ministry.

The sectors that got highest FDI inflows from April to August were services (\$2.34 billion), construction including roads and highways (\$1.64 billion), housing and real estate (\$1.62 billion) and computer hardware and software (\$1.36 billion).

<http://www.financialexpress.com/news/despite-slowdown-prospects-for-fdi-inflows-look-promising/404393/1>

FDI policy must focus on tech transfer: FICCI

Concerned over the low share of foreign direct investment in some of India's strategic sectors like industrial machinery, agriculture machinery and ship building, FICCI has called upon for a comprehensive action plan to attract more investments.

The industry body has suggested an FDI policy with a focus on value addition.

"The major benefits of FDI that include technology transfer and absorption have not taken place in key manufacturing sectors.

"While there are a few Indian manufacturing firms whose technological capabilities are world class, many segments especially in the small and medium enterprises have limited capabilities," said the chamber.

FICCI has also suggested giving incentives for technology transfer, which is similar to the 'swap technology for market' policy followed by China.

It also wants rationalising of complex regulatory procedures and reducing delays in project approvals.

According to the Department of Industrial Policy and Promotion, FDI inflows between January 2000 and September 2008 stood at \$59.15 million in ship building, \$283.77 million in industrial machinery, \$148.37 million in agriculture machinery and \$99.7 million in computer hardware.

<http://www.blonnet.com/2009/01/02/stories/2009010251410500.htm>

Trade News

India, Malaysia sign labour agreement

After nearly two years in negotiation, India and Malaysia finally signed an agreement on Saturday for the "orderly" recruitment and deployment of workers and the procedures for monitoring recruiting agents and employers.

The memorandum of understanding (MoU) was signed by Minister for Overseas Indian Affairs Vayalar Ravi and Malaysian Human Resources Minister S Subramaniam.

The draft agreement had first been discussed in February 2007 during the fourth joint commission meeting in Delhi. After formal negotiations ended and the MoU was initiated, the Indian government gave its approval March 20, 2008.

Describing the agreement as a "major milestone" in relation between the two countries, Ravi said one of the "important components is to check unscrupulous agents". He added that India had already signed similar labour agreements with all major gulf countries except Saudi Arabia.

The Malaysian minister said the agreement would allow "orderly recruitment" for workers to get employment in each other's country.

Subramaniam noted that the deal would delineate the responsibility of recruiting agents, workers and employers.

A joint working group will be set up, comprising three officials from each country. This group, to meet twice a year, will draw up the administrative procedures to implement and monitor the agreement.

According to Subramaniam, there are officially 133,000 Indian workers in his country. The majority of them - nearly 55 percent- are in the services sector and another substantial number is in the plantation industry.

As per Indian figures, 30,916 workers were given permission to migrate to Malaysia for employment on their emigration check required (ECR) passport in 2007.

At the same time, the visiting minister noted that Malaysia had a long-term policy to decrease the proportion of foreign workers in the country's workforce.

Subramaniam pointed out that Malaysia had nearly three million foreign workers, accounting for 25 percent of the workforce of 12 million. "As a nation, we feel that this is a very high number and we would like to cut it down and our target is of course to bring it down to 1.6 to 1.8 million."

The minister said this would be done through providing incentive to increase the proportion of high-technology industry in the economy. "We cannot be reliant on labour intensive technologies," he said.

Denying that there was any quota for Indian workers, he said the recruitment would depend on the supply.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Malaysia_sign_labour_agreement/articleshow/3931826.cms

Sectoral News

IT/ITeS market could grow at 13.4% in 2009

The domestic IT and ITeS, which was expected to make up for the dwindling exports, is now expected to register the slowest growth rate since 2003 in 2009 as a result of the global financial crisis. According to research agency, IDC the domestic IT/ITeS market will grow at a CAGR of 16.4% for the next five years as compared to an average of 24.3% recorded during 2003-08. "It's not only the end of another year, it's also the end of a business cycle that began in 2003," said Kapil Dev Singh, country manager, IDC India.

However, the domestic IT and ITeS market crossed the psychological Rs 1,00,000 mark by reporting revenues of Rs 1,01,031 crore in 2008, which is a growth of 17.3%. The outlook for 2009 is weaker, as IDC expects the market to grow at a rate of 13.4% in 2009. "2009 shall herald the beginning of a new business cycle that will be marked by slow growth but would eventually be the basis of a new phase of growth," said Singh. As per the report, global economic meltdown will bring about important structural changes, which will propel a new market order in the domestic Indian IT/ITeS industry termed growth phase 2.0.

However, India will continue to lead the pack among APAC nations with 11.4% growth in domestic IT spending projected for 2009. The top five growth markets in the APAC region are India, China, Vietnam, Thailand and Philippines. The economic slowdown is expected to bring the focus on cost savings, productivity enhancement and customer retention resulting in new engagements and delivery models in the long run. As a result, technologies that deliver significant cost savings such as virtualisation, unified communications and open source will see higher adoption in 2009.

<http://www.financialexpress.com/news/it-ites-market-could-grow-at-13.4-in-2009/405125/>

India sees over 6% jump in tourist arrivals

Everybody thought that a global meltdown and terror attacks will stop tourists from travelling to India. But the facts say a different story.

According to initial figures prepared by the Union ministry of tourism (MoT), there has been a 6-8% jump in foreign tourist arrivals in 2008 over the corresponding year 2007. Last year, the tourist arrivals to the country were 5.3 million as compared to 5.08 million in 2007.

According to a senior tourism ministry official, foreign exchange earnings from this sector also showed a growth of 8% at \$11.5 billion in 2008 as against \$10.70 billion registered in 2007.

Says Leena Nandan, joint secretary, ministry of tourism, "There has been a reasonably good growth this year keeping in mind the global economic meltdown and terror incidents. Now we need to have a higher involvement in improving the basic facilities by adopting such centres for improvement of facilities since the government alone can't do the job. The tourism sector has been one of the fastest growing sectors in the country. It offers immense opportunities to entrepreneurs in various segments and industry should work aggressively to get better results."

The United Kingdom contributed the largest number of visitors with more than seven lakh, followed by the US with almost five lakh. While France has shown a growth of 16%, visitors from Germany has seen a 22% growth.

From the South Asian countries the visitor growth in 2008 has been significant at 20%. Latin American countries, particularly Brazil, Argentina and Mexico, where some major road shows were done by the ministry over the last two years, have shown a huge upsurge in interest and there was a 25% increase in arrivals from Brazil alone.

Says K B Kachru, country head, Carlson group, "The tourist arrival figures clearly indicate that foreign tourist arrivals has not taken a beating. The tourism sector has shown much faster growth as compared to other sectors in the last few years. Now there is a need to push the tourism sector, and the 2010 Commonwealth Games should bring in the required infrastructure to the country."

According to a report prepared by the ministry, there has been an increase in traffic to the tune of 75% with employment generation up by more than 43% between 2002 and 2007. It is estimated that more than \$6.5 billion of investment has already come for the construction of new star hotels.

http://economictimes.indiatimes.com/News_by_Industry/India_sees_jump_in_tourist_arrivals/articleshow/3932415.cms

Tea exports to rise marginally on global slump

Tea exports in 2009 are likely to hover around 200 million kg (Mkg), registering a marginal increase over last year's export of 189 million kg as the global slowdown may offset targets for the year. "We are trying to export 195-200 Mkg tea this year," said Basudev Bannerjee, chairman, Tea Board of India.

In November 2007, Union minister of state for commerce and industries Jairam Ramesh said that the tea exports in 2008-09 were estimated to cross 200 million kg. Aditya Khaitan, managing director, Mcleod Russel India Ltd and chairman of the Consultative Committee for Plantation Associations said, "It is praiseworthy if we are able to maintain even the 175-180 mkg-level, under the present circumstances." Moreover exports at that level will also help check the price-level, he said.

Bigger markets like Egypt, which was a traditional market for Indian exports, have shifted to consume Kenyan tea. "Exports to Egypt this year depend on how the African market performs," added Khaitan. According to Khaitan, demand in Russia, Iran and Iraq are not likely to pick up till the impact of recession is over.

"Exports started falling from the September-October period due to a payments-crisis. But that did not reflect about demand falling down in those countries," Bannerjee said. Earlier, India was looking at the export to Pakistan increasing to 16 Mkgs in 2008-09 from 5.4 Mkgs in 2007. After terrorist attacks in Mumbai, Jairam Ramesh has deferred his visit to Pakistan. According to Bannerjee, there has not been any cancellation of orders after November 26. "Tea exports to Pakistan will not be hurt due to the current political situation. Moreover, an Indian delegation will visit Iran," he said.

Meanwhile, expecting larger demand in exports, tea manufacturers like Tata Tea and Hindustan Unilever have reportedly stepped up their procurement by 75%-80% in 2008 from the Guwahati auction centre, as against a previous procurement of 50%, of the total tea auctioned .

<http://www.financialexpress.com/news/tea-exports-to-rise-marginally-on-global-slump/405452/>

Infosys in top 20 of MAKE study

Infosys Technologies has been recognized amongst the top 20 global companies to be listed in the Most Admired Knowledge Enterprises (MAKE) study, 2008.

Infosys has won this award for organizational learning for its concerted effort over the last decade to provide an integrated knowledge management (KM) solution to meet the knowledge needs of the organization through content sharing, collaboration and professional networking.

India's second largest IT services company has been a five-time Global MAKE Winner.

The Most Admired Knowledge Enterprises (MAKE) research program was established in 1998 by Teleos, in association with the KNOW Network to recognize companies that create shareholder wealth by transforming enterprise knowledge into superior products, services or solutions.

The 2008 Global MAKE awards were chosen by a panel of Fortune Global 500 business executives, leading knowledge management and intellectual capital experts.

<http://www.businessstandard.com/india/news/infosys-in-top-20make-study/07/20/51982/on>

Indian retail drug sales jump 10% amid slowdown

Retail sales of Ranbaxy Laboratories, Cipla, Nicholas Piramal, Lupin and other drug makers have jumped by over 10 per cent in the domestic market despite the sales of generics or copycat versions of patented drugs falling in leading global markets such as the US and Europe.

The drug makers' sales in the local market grew by 10.3 per cent till November 2008, at Rs 33,769 crore, compared with the corresponding previous 12 months, according to ORG-IMS, which tracks sales of pharmaceutical drugs in India.

As against this, the growth rate of the global generics industry dropped to 3.6 per cent, to \$78 billion (approx Rs 390,000 crore) in the 12 months ending September 2008, from 11.4 per cent in 2007, IMS estimated. The US, the world's largest generics market, which sees 42 per cent of the global sales, experienced a 2.7 per cent sales decline at \$33 billion (approx Rs 165,000 crore) in annual sales, compared with \$34 billion last year.

According to a recent Yes Bank study, demand for drugs in India is growing due to rising population, especially those over 60 years, and rising income. It estimates the domestic formulations market to touch \$21.5 billion by 2015. A KPMG analysis says the domestic market is projected to grow at a CAGR of 13.1 per cent over the next five years to reach \$11.2 billion by 2011-12.

KPMG estimates that the future demand for domestic formulations is expected to be driven by chronic therapeutic segments such as anti-diabetic, central nervous system (CNS), cardio vascular system (CVS) and gastrointestinal drugs, on account of the changing lifestyles.

Domestic companies such as Wockhardt, Dr Reddy's and Elder Pharma are also launching in-licenced drugs in India, targeting specific therapy segments. For example, Wockhardt launched over a dozen in-licenced drugs in the recent past, mainly in the dermatology segment.

Analysts also noted that multinational pharmaceutical companies, which account for 20-22 per cent of the domestic pharmaceutical market, are increasingly launching more patented products in India, thanks to the product patent regime in India since 2005. Pfizer launched patented drugs such as Viagra, Lyrica, Caduet, Genotropin and Champix.

Similarly, GlaxoSmithKline (GSK), one of the leading drug sellers in the Indian market, launched drugs such as Avandia and Carvedilol. While Roche brought in drugs such as Tamiflu and Pegasys, sanofi aventis launched drugs such as Avalide and Ambien. Earlier, MNCs used to launch patented drugs in India after a few years of sales in the developed markets.

Improving rate of health insurance penetration, favourable regulatory and government support such as increased budget allocation for health, introduction of projects such as National Rural Health Mission (NRHM) and emergence of the country as a medical hub are contributing to the growth of drug sales in the domestic market.

“Local companies will maintain growth momentum by leveraging wider product basket, focusing on chronic segments, strengthening brand building skills and by targeting rural areas,” noted Nitin Agarwal and Samir Bhise, analysts with IDFC-SSKI.

They also said most domestic players make 25-30 per cent margins in the domestic market with limited capital expenditure.

<http://www.business-standard.com/india/news/indian-retail-drug-sales-jump-10-amid-slowdown/10/21/344831/>

Spices exports up in value, volume

Spice exports from the country have increased 15 per cent in rupee value and 6 per cent in quantity during April-November this year against the corresponding period of the last financial year. In dollar terms, the increase is 6 per cent.

The export is estimated at 3,10,830 tonnes valued at Rs 3,450.50 crore (\$786.25 million) against 2,94,335 tonnes valued at Rs 3,010.25 crore (\$742.95 million). Spice oils and oleoresins, including mint products, contributed 42 per cent of the total export earnings. Chilli contributed 21 per cent followed by cumin, 8 per cent, pepper 8 per cent and turmeric 5 per cent.

During April-November this year, export of most of the major spices has shown an increasing trend, both in terms of quantity and value, compared with the same period last year. However, exports of pepper and mint products declined both in quantity and value. Exports of ginger and chilli declined in quantity only.

During April-November, the export of pepper was 16,850 tonnes valued at Rs 281.77 crore against 25,230 tonnes valued at Rs 365.36 crore last year. The average export price of pepper increased from Rs 144.81 a kg in 2007 to Rs 167.22 in 2008.

<http://www.thehindubusinessline.com/2008/12/30/stories/2008123051411500.htm>

Agri cos record biggest profit gains in first half

One out of every five listed companies in India declared higher profits in the first half of fiscal 2008-09, an analysis shows.

The farm inputs and farm machinery companies were the biggest gainers, while TTK Healthcare, NIIT, Whirlpool, Punjab Alkalies and Bannari Amman saw their profits rising by more than 500% during the period.

List of outperformers includes 750 companies belonging to various sectors, including consumer durables, metal & mining, banks, IT, sugar, oil & gas, infrastructure construction and pharmaceuticals.

In the farm inputs and machinery sector, Coromandel Fertiliser, RCF, Excel Industries, Punjab Tractors, Excel Crop Care, Liberty Phosphate, Swaraj Engines, Nagarjuna Agrichem and VST Tillers Tractors reported higher profit growth in the first half of the fiscal year.

Two-thirds of the profitable companies in the first half of the fiscal year are small in size. But the sales of 53 companies, including ONGC, Sail, HDFC Bank, Hero Honda Motors, Satyam Computers, Nalco, MTNL, Titan Industries, Sesa Goa, Gammon India, Whirlpool India and Hindalco, exceeded Rs 1,000 crore.

Tata Steel, Sterlite, Punj Lloyd, Aditya Birla Nuvo, Dr Reddys Lab and Piramal Healthcare reported better net profit growth as stand-alone entities. The consolidated profits of some companies rose last year in the wake of overseas acquisitions. For instance, the UK-based steel maker Corus became a Tata Steel subsidiary and therefore witnessed a four-fold jump in its consolidated numbers compared to H1 of 2006-07.

Companies that more-than-doubled their net profits included Coromandel Fertiliser, PTC India, RCF, Sesa Goa, Titan, Gujarat NRE Coke, Matrix Labs, Punjab Tractors, Aban Offshore, ICI India, 3i Infotech, Ciba India, Tata Coffee, Punjab Chemicals and Nocil.

Many firms became profitable in the first half of this financial year. Eveready Industries, Deepak Nitrite, Sharp India and UTV Software made profits this year after reporting stand-alone net losses in the first half of last year.

Besides the 750 companies that boosted their profits in the half year ended September, another 200 improved their bottomlines by stemming the decline in profits. For instance, two-wheeler maker TVS Motor reported a 10% drop in net profit for the first half of this year vis-a-vis a 58% decline in the corresponding period of the previous fiscal. The 750 firms reported net profits of Rs 50,510 crore for H1 of 2008-09, up 42%, against a rise of 8.3% in H1 of 2007-08.

These companies also saw significant topline growth, with aggregate net sales rising by 38.6% to Rs 3.32 lakh crore, compared to a rise of 12.3% in H1 of FY08. The study excluded one-time items such as extraordinary income and loss.

Sectors other than banks and oil & gas registered even better performance, with profits jumping by more than 50% compared to the 1.9% growth seen in H12007-08. This shows that high crude oil prices and interest rates were not the only contributors to profitability.

http://economictimes.indiatimes.com/Earnings/Agri_cos_record_biggest_profit_gains_in_first_half/articleshow/3920879.cms

News Round – Up

Emerging economies will continue to grow: report

Developed nations across the world might have been into recession, but emerging market economies, including India, will continue to grow though with clear signs of a slowdown, says a report.

According to the report by global economic research firm Oxford Economics, "The BRIC economies would continue to grow, but there would be a clear downturn. China is now forecast to grow by about 7% in 2009, its lowest since 1990, and India is seen slowing to about 5%." Growth rate of 5-7% looks significant amid the present scenario when the world GDP is expected to remain very weak in 2010, posting growth of just 0-1% after the decline of 0.4% in 2009, Oxford Economics said.

However, significant decline in major economies across the world, would have an adverse impact on the emerging markets, with even China and India suffering further slowdown as the world trade failed to recover, the report said, adding that "all of the major developed economies would post growth of little better than zero in 2010".

"Despite the aggressive monetary and fiscal easing, the US, the Eurozone, Japan and the UK are all now seen contracting by around 2% in 2009," the report said.

These declines would certainly add to the threat of deflation, quite possibly prompting an even more aggressive monetary and fiscal policy response, Oxford Economics said and added that this in turn would add significantly to the chances of a period of higher inflation from 2011-12.

However, inflation is considered to be the traditional escape route from excessive debt and would guard against a repeat of the 1930's depression, the report added. The slowdown in emerging market economies is largely because trade finance has dried up, capital inflows are dwindling and rolling over short-term debt has become more difficult.

The emerging countries, already being hit hardest because of slower world trade, are those that have been heavily dependent on exports for growth, such as South Korea, Taiwan and Hungary. The BRIC economies should be less affected given their stronger growth in domestic demand, but even China and India have relaxed policy quite aggressively in order to support their flagging economies.

<http://www.financialexpress.com/news/emerging-economies-will-continue-to-grow-report/405488/>