

Weekly Economic Bulletin

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News Feature

Nov industrial output up 2.4 per cent

After turning negative for the first time in 15 years in October 2008, industrial growth turned positive again, clocking 2.4 per cent in November, despite the continuing global crisis, prompting analysts to say that "the worst is over" on the industrial front.

Industrial production, however, lagged behind the 4.9 per cent recorded in the same month last year, but was encouraging in the context of poor infrastructure growth and the dismal performance of exports and the auto sector in November.

Manufacturing, having a weight of around 80 per cent in the Index of Industrial Production (IIP), grew by 2.4 per cent in November against 4.7 per cent a year ago.

Industrial production figures were revised up to (-)0.3 per cent for October from (-)0.4 per cent estimated earlier. Industrial production had contracted in October, for the first time in 15 years.

Commenting on the industrial growth numbers, the Prime Minister's Economic Advisory Council Chairman, Suresh Tendulkar, said, "The numbers are above my expectations and in the coming days, I expect (them) to improve more."

He said a bulk of the rural market has not been affected by the global crisis and it was only the urban population that was not spending.

For the first eight months of this fiscal, industrial production grew by 3.9 per cent against 9.2 per cent in the year-ago period.

Industrial production numbers were quite substantial as six infrastructure industries, which comprise more than one-fourth of the industrial data, could manage to grow only by 2.2 per cent in November from 3.4 per cent in October.

The November data did not factor in the stimulus packages of December and January, and industrial production is expected to show improvement from December onwards.

"After the easing of monetary and fiscal policy, I expect urban consumers to spend more and industrial activities to improve," Tendulkar said.

However, the base effect came into play in pushing up industrial production. The base effect reflects industrial numbers in the previous fiscal's corresponding period.

<http://www.financialexpress.com/news/nov-industrial-output-up-2.4-per-cent/409752/>

Exports put up a better show in December

The Indian exports sector may not have ended year 2008 on such a bad note after all, with sectors such as pharmaceuticals, engineering products and agricultural commodities registering robust growth in December, according to initial estimates by the government. The growth rate for the month may still be in the negative, but a modest 1.6% as against 12.1% for October, and 9.9% for November, according to estimates by the commerce ministry that incorporated data from most sectors. The ministry is expected to release the final figures for December by the end of this month.

“While overall export figures have improved, there are some sectors which continue to suffer. We have to keep monitoring these sectors to see if government intervention is required,” a ministry told.

The official said even if export performance continued to improve in the next quarter, it would be difficult to reach the \$200 billion target set for 2008-09.

“We are now looking at an export figure of around \$170-175 billion for the fiscal,” the official said. Exports for the nine months to December are estimated at \$130.6 billion.

The increase in exports of a number of engineering goods, pharmaceuticals and agriculture products such as tobacco and spices have been in the range of 19%-25% in December, the official said.

The slowing pace of export decline, together with the slackening in import growth — thanks to falling oil prices, could help India contain its trade deficit. However, on the export front, sectors including textiles, gems & jewellery, handloom and chemicals continued to perform abysmally in December.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Exports_put_up_a_better_show_in_December/articleshow/3945361.cms

Overseas Investment

M&M venture with BAE among 34 proposals cleared by FIPB

The proposal of Mahindra and Mahindra to set up a joint venture company with BAE Systems was approved by the Foreign Investment Promotion Board (FIPB).

The joint venture will develop, manufacture and provide through life service support for land systems defence equipment. This was among the 34 proposals involving foreign direct investment of about Rs 1,614.90 crore in various fields, including information technology, financial services, steel, road transport and highways and telecommunication, which were approved by the FIPB.

Mahindra and Mahindra is to hold a 74 per cent stake in the new joint venture, while BAE Systems is to hold the remaining 26 per cent.

According to an official statement, the two companies will now finalise detailed planning and structural arrangements to commence operations during the second half of the year. The manufacturing facility, which is to come up in Faridabad, will initially employ 50-60 people and is likely to include the up-armouring of Rakshack vehicles, axe vehicle production apart from starting the process of developing a mine resistant ambush protected vehicle suitable for the country.

Among the other proposals cleared include those of Barwa International of Qatar involving FDI inflow of Rs 400 crore for conversion of operating company into an operating-cum-holding company to make further downstream investment. A Rs 300-crore proposal of the Mumbai-based HBS Realtors Pvt Ltd for a similar arrangement was also approved.

A proposal of the Singapore-based Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Pte Ltd involving FDI of Rs 124.23 crore to acquire, by way of transfer, equity shares to carry out the activities in infrastructure and services sector was also given the nod.

Similarly, a Rs 200-crore proposal of the Hyderabad-based Universal Biofuels to incorporate and make downstream investment in subsidiaries was approved. It would now also issue and allot equity shares to eligible non-resident investors through participation in IPO, and or in the form of any pre-IPO placement and for any preferential issue of equity shares that may be issued by the company at a future date.

The proposal of Japan-based Sumitomo Corporation involving an FDI inflow of Rs 160 crore was also approved.

<http://www.blonnet.com/2009/01/08/stories/2009010851760500.htm>

FII flows will be positive in 2009: India Infoline

Adopting a contrarian view, Mumbai-based stock broking house India Infoline expects domestic equities market to generate a return of over 30% in 2009. The prediction stems from three broad views - India is relatively better positioned for stronger and faster economic growth than rest of the world, a reversal of downward pressure on the rupee due to the turnaround in current account and sharp decline in cost of capital.

According to India Infoline analysts, while corporate capex will likely take a long time to recover, public spending and infrastructure spending will hold up well. Even as cost of capital is rapidly coming off, domestic liquidity conditions have improved and thus credit availability should improve. The sharp declines in commodity prices have reduced the cost of building infrastructure by 15-25% across the board.

"Notwithstanding large declines expected in external trade, a deceleration in industrial and services sectors and the investment cycle, we believe India is well positioned to grow its GDP by at least 5-6% in 2009. Industrial growth too will likely revive more quickly, owing to large capacity additions in core sectors, especially those where growth is constrained by supply," the Infoline report said.

Although India is still trading at a 20% premium to the MSCI EM index, this premium is lower than the average of 40% that it enjoyed over the past five and half years. Thus in a relative sense, Indian equities have been de-rated vis-a-vis emerging markets.

"The brokerage believes, FII flows will be positive in 2009, led mainly by increased weights in emerging markets and global funds. Earnings growth momentum and macro data will be bad for the next few quarters, but markets will look for growth cues beyond the next 2-3 quarters," the India Infoline report said.

The report states that earnings growth, except in commodities and select domestic cyclical, will either be resilient or in most cases will likely be better than what markets are pricing in, especially from the third quarter of next fiscal. The brokerage has picked Tata Steel, Suzlon Energy, Bajaj Auto, ICICI Bank and DLF Ltd as the 'dark horses' for 2009. India Infoline is overweight on financials and consumer staples sectors and underweight on IT and energy sectors.

http://economictimes.indiatimes.com/Stocks/FII_flows_will_be_positive_in_2009_India_Infoline/articleshow/3942345.cms

Spanish investment in India increases by 500%

Spain, which has a strong industrial base in the automotive and infrastructure sectors has witnessed a five-fold increase in its investments in India in 2008 calendar year.

"Spanish investment in India in the first three quarters of 2008 calendar year was USD 158 million (or 114 million euros). This had increased by 500 per cent from the previous year," Chief Executive Officer of Interes 'Invest in Spain', Javier Sanz told.

"Our companies have been investing in India in the automotive and infrastructure segment. One of our firms, Caf (Construcciones y Auxiliar de Ferrocarriles SA), is working with Reliance on the Delhi metro project from the railway station to the airport," Embassy of Spain, Economic & Commercial Counsellor, Teresa Solbes, said.

She added that the cost of the 22-kilometre project cost was about 670 million euros. Spanish fashion retail giant Zara too has shown keenness in investing in India, she added.

'Invest in Spain', a government agency for promotion and attraction of foreign investment in the European country, today met with 14 well-known Indian entrepreneurs to explore business opportunities between the two countries.

Infosys, Tata Consultancy Services, ICICI Bank, Essar Group, Navneet Publications, X L Telecom & Energy, Tata Motors, Kingfisher Airlines, Kalapuma Steel, Jupiter Infra Trade, Telcon, Wanbury Pharmaceuticals, Roha Dyechem, and ITNL IL&FS were part of the meet today.

Spain, which is seeking Indian investment in ICT, renewable energy, biotechnology, aerospace and logistics sectors, says Indian foreign investment in Spain has been fairly insignificant at 10.3 million euros.

Although India is not facing the slowdown as much as elsewhere, it has great potential for investment in Spain, Solbes said. "India has a special potential. The slowdown is less felt over here," Solbes said.

"With an astonishing economic growth rate of 9 per cent and IMF growth forecast at 6.7 per cent, India is a key market for us," Sanz said, adding they want more Companies like TCS to invest in Spain.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Spanish_investment_in_India_increases_by_500/articleshow/3943962.cms

Trade News

India, US may sign safety agreement

India may sign a bilateral safety agreement with the US next year to enable certification of each other's products and technology. Civil aviation authorities of both the two countries are already talking to each other to conclude the Bilateral Aviation Safety Agreement (BASA).

"We are working in right earnest to get the BASA concluded by 2010," civil aviation secretary M Madhavan Nambiar said at the Indo-US Economic Summit.

The proposed agreement would enable certification of Indian aviation and aeronautic products by the US authorities and vice-versa. It would also enable India-made aviation products to be sold globally.

"A Joint Aviation Steering Committee, set up last year, is working on the regulatory, safety, security and other technical issues. Some working groups on areas like airworthiness and flight standards are already functioning," Mr Nambiar said.

The directorate general of civil aviation (DGCA) and the Us Federal Aviation Administration (FAA) are working to finalise the agreement.

http://economictimes.indiatimes.com/News_by_Industry/India_US_may_sign_safety_agreement/articleshow/3948157.cms

India-Africa trade to grow nine times by 2012: ASSOCHAM

Even as India's exports decline, India-African bilateral trade is projected to grow by over nine times from \$26 billion now to \$150 billion by 2012, according to an estimate by a leading business chamber.

The Associated Chambers of Commerce and Industry of India (Assocham), in a report on Africa, projects that in the next four years the continent will have greater business significance and drive two-way trade to over \$150 billion.

According to Assocham, bilateral trade grew over five times from \$5.2 billion to \$26 billion from 2002-03 to 2007-08.

"The governments in African continent have also been encouraging industries to intensify their ties with India because it has already announced Duty Free Tariff Preference Scheme for all LCDs (Least Developed Countries) including Africa so that imports from them become easier and increase by manifold," said Assocham secretary general DS Rawat.

Rawat said the areas which will receive maximum focus in the next four to five years for increased trade include minerals, fuels, gems and jewellery, inorganic chemicals, ores and wood, besides project exports, consultancy, IT, education and healthcare.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Africa_trade_to_grow_nine_times_by_2012_Asocham/articleshow/3948475.cms

India, US likely to ink aviation safety pact next year

Moving ahead with its cooperation with the US in the aviation sector, the government is likely to sign a bilateral safety agreement next year to enable certification of each other's products and technology.

"We are working in right earnest to get the (BASA) agreement concluded by 2010," Civil Aviation Secretary M Madhavan Nambiar said at the ongoing Indo-US Economic Summit.

In order to conclude the Bilateral Aviation Safety Agreement (BASA), the regulatory authorities of both the countries like the Directorate General of Civil Aviation and the US Federal Aviation Administration (FAA), besides firms like Hindustan Aeronautics, are already in talks.

The pact would enable certification of Indian aviation and aeronautic products by the US authorities and vice-versa. It would enable India-made products to be sold globally as the strict American standards are accepted worldwide.

Nambiar said a Joint Aviation Steering Committee, set up last year, was working on the regulatory, safety, security and other technical issues. Some working groups on areas like airworthiness and flight standards were already functioning.

"We are closely working with the FAA on this programme. We will be launching the second and third phase of our collaboration in these areas shortly," he said.

<http://www.business-standard.com/india/news/india-us-likely-to-ink-aviation-safety-pact-next-year/14/41/52385/on>

Sectoral News

FICCI suggests 5-point package to govt to grow food industry

Industry body FICCI has suggested a five-point package to the government to grow the Indian food industry to Rs 13,20,000 crore by 2015 from Rs 8,80,000 crore in 2006-07.

The suggested measures include setting up an Inter-Ministerial Working Group (IMWG) under the leadership of Ministry of Food Processing with FICCI as a knowledge partner, addressing agri business from the entire food chain perspective, restructuring the tax system to reduce the impact of multiple levies and reduction in final price of products, creating an enabling environment for modern food retailing, implementing the amended APMC Act and the FSSA Act in letter and spirit.

The major push, says FICCI, will come from retail industry that is likely to grow by 30 per cent in the next five years and become Rs 110 billion industry by 2010. According to FICCI, fruits and vegetables, dairy products, marine and fish, meat and poultry, edible oils, staples, alcoholic and non alcoholic beverages, breads and bakery, confectionary and packaged foods are the key industry segments which offer tremendous growth potential and investment opportunities.

Further, Indian wine is gaining a lot of recognition across the globe; the domestic wine market has grown at a compounded annual growth rate of more than 25 per cent and Ready-to-Eat (RTE) foods growing almost at 40 per cent per year.

<http://www.business-standard.com/india/news/ficci-suggests-5-point-package-to-govt-to-grow-food-industry/14/39/52435/on>

Indian paper industry fastest growing in the world

India has emerged as the fastest growing paper market in the world, registering a growth of 10% in per capita consumption of paper over the last one year. Per capita paper consumption increased to 8.3 kg as of December 2008 as compared to 7.5 kg during 2007-08, as per estimates of Indian Paper Manufacturers Association (IPMA).

The Indian paper industry accounts for about 1.6% of the world's production of paper and paperboard. The estimated turnover of the industry is Rs 25,000 crore.

"The pulp and paper industry will grow at an estimated CAGR of 7-8% over the next decade. The installed capacity in the country is also slated to grow to 11.2 million tonne per annum by 2010 from the current level of 9 million tonne," said outgoing IPMA president Pradeep Dhobale. He was speaking at the annual general meeting of IPMA.

Orient Paper & Industries' MD, M L Pachisia has taken over as the new president, while of Star Paper's MD, Madhukar Mishra, will be the new vice president of IPMA.

Mr Dhobale added that the industry is targeting a capital expenditure of over Rs 13,000 crore in the next 2-3 years, towards capacity expansion, modernisation and enhancement of efficiencies.

http://economictimes.indiatimes.com/Indicators/Indian_paper_industry_fastest_growing_in_the_world/articleshow/3957059.cms

Analysts see agro cos yielding high in 2009

Martin Taylor, chairman, Syngenta AG, had in April 2008 credited his company's outstanding performance to the worldwide rise in demand for agricultural products, which found reflection in unusually high price increases.

"These rising commodity prices are a greater incentive for farmers around the globe to protect their crops as effectively as possible against diseases and pests and to optimise their crop yields through the use of modern technologies, crop protection products and seeds," the chairman had said addressing a meeting in Basel.

Almost a year later, echoes of this sentiment can be found closer home, with equity analysts predicting a bright outlook for the agro-chem industry in 2009. At a time when the rest of India Inc would be wrestling with earnings pressure, growth prospects for this sector are looking up. India is now recognised as an important source for supply of generic products and a net exporter of agrochemicals.

"The outlook for producers is much better, particularly given the increase in consumption of agro-chem products. Input costs are also down on account of crude prices coming off sharply. Given better realisation for their crops, producers are also well-positioned to pass on higher prices to farmers. With crude prices coming off, effective subsidy in urea and other fertilisers will come down substantially, thereby reducing government's subsidy burden," said the head of a domestic brokerage.

An assured offtake of farm produce has led to another positive development in the industry that farmers have started investing in high-tech and quality seeds and agrochemicals. This was unlike earlier occasions when use of spurious products would mar production. "Food scarcity is a big issue today. If you look at the Indian market, minimum prices of all food articles have been increased by almost 30% this year by the government. This has resulted in more disposable income with farmers, which, in turn, has seen a corresponding increase in productivity. It is a definite positive," says Ajay Parmar, head-research and institutional sales at Emkay Share and Stock Brokers.

http://economictimes.indiatimes.com/Market_News/Analysts_prefer_agro_cos_in_2009/articleshow/3939969.cms

5.08 mn tourists arrive in India in 2008

India's tourism sector has grown by six per cent with 5.3 million arrivals in 2008, despite the global slowdown hitting the tourism industry worldwide.

In 2007, 5.08 million tourists had thronged India.

"While the global average of growth was about two per cent, Indian tourism sector grew to 5.3 million arrivals in 2008," Tourism Joint Secretary Leena Nandan told on the sidelines of a FICCI conference.

This has helped India get Rs 50,730 crore worth of foreign exchange in 2008 compared with Rs 44,260 crore in 2007, up about 14 per cent, she added.

"This was a good growth as the last quarter was specifically low with the global economic meltdown and the Mumbai attacks. Despite that, in December, we saw more than five lakh tourist arrivals, which is very encouraging," she said.

Asked about the expected number of tourist arrivals in 2009, Nandan said, "We do not have year-on-year targets but by 2010, we expect the number to touch 10 million."

The tourism ministry is also set to launch a new campaign post the Mumbai attacks.

"The campaign is set to begin this month through all mediums including the web. The ads will feature a tiger and Mahatma Gandhi's quote will follow (Let the winds from all over sweep into my room but I will not be swept off my feet) which is representative of India's determination," she said.

<http://www.financialexpress.com/news/5.08-mn-tourists-arrive-in-india-in-2008/408758/>

News Round – Up

Indian economy tops optimism list

India has regained top slot in optimism among privately held businesses for 2009. While optimism amongst privately held businesses (PHBs) around the world slumped by 56% over the last 12 months, pushing the Grant Thornton International optimism/pessimism barometer to a record negative balance of -16% compared to +40%, this time last year.

Despite raging pessimism, the survey found that PHBs from 11 countries remained optimistic about the outlook for their economies, with India leading this group (+83%), and Botswana (+81%) with Brazil (+50%) also emerging on the top. Japan (-85%) and Spain (-65%) were the most pessimistic.

It is the first time that pessimists have outweighed optimists about the outlook for their economy since the research began in the current form in 2003 but this year's International Business Report, which surveyed senior executives from over 7,000 PHBs across 36 economies, also shows an overwhelming consensus that falling consumer demand is the biggest threat to PHB businesses.

There are also some startling differences in attitude towards the economic crisis between the mature and emerging economies. Of the four largest trading nations, PHBs in the United States and mainland China, who together contribute over 32% of global GDP¹, scored their optimism at -34% in the United States and +30% in Mainland China.

Similarly, Japan and India (collectively contributing over 11% of global GDP) scored their optimism at -85% and +83% respectively.

"These polarised results suggest that despite the current slowdown, there are still pockets of hope in the global marketplace for PHBs," explained Vishesh Chandiok, National Managing Partner – Grant Thornton India.

"Their macro view of the world economic stage explains the overall slump in optimism but there are still signs of optimism in some economies and also clear signs that PHBs, while preparing for the downturn, are also seeking to leverage on opportunities this could bring," Mr Chandiok added.

When asked to identify the most significant factors causing most concern for their business, PHBs in 33 out of the 36 economies cited a fall in consumer demand, while citing a shortage of business credit as a secondary concern.

http://economictimes.indiatimes.com/Economy/Indian_economy_tops_optimism_list/articleshow/3941904.cms

Economy to grow at 7 pct: PM

India's economy is expected to grow 7 per cent in the fiscal year to March 2009 despite the global slowdown, and will maintain a "strong pace" of expansion in coming years, the Prime Minister said.

Asia's third-largest economy expanded by 7.6 per cent in the September quarter, easing from a scorching near 9 per cent average growth in the last four years as the global financial crisis and high borrowing costs tripped up activity.

"Despite the global economic downturn, the fundamentals of the Indian economy continue to remain strong. We expect to achieve a growth rate of about 7 per cent this year which will be among the highest in the world," Manmohan Singh said in the southern city of Chennai.

Economists and government advisers and officials expect expansion to moderate to around 7 per cent this fiscal year and the central bank's chief said last month that 2009/10 looked like being an even more challenging year.

The central bank has cut its key lending rate by 350 basis points since October while the government announced a 200 billion rupee (\$4 billion) stimulus package and cut duties on manufactured products to lift growth in a slowing economy.

"Much of India's growth is internally driven, and I expect we can maintain a strong pace of growth in the coming years that certainly will be our ambition," Singh said.

<http://www.financialexpress.com/news/economy-to-grow-at-7-pct-pm/408262/>