

Weekly Economic Bulletin

Date: September 08-14, 2009

Issue No. 333

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News Feature

Industry on revival path, IIP up at 6.8 pc

Giving a clear indication of industrial revival, factory output (IIP) grew by 6.8 per cent in July this year, more than 6.4 per cent in the same month a year ago.

The industrial recovery may offset for slackening of agricultural production being impacted by erratic monsoon and help the economy clock a reasonable growth in the second quarter.

For the first four months of this fiscal, the industry grew by 4.6 per cent compared to 5.6 per cent a year ago.

The manufacturing sector, which constitutes around 80 per cent in the industrial production, grew by 6.8 per cent in July against 6.9 per cent in the same month last year.

Mining output grew robustly by 9.9 per cent in the month compared to 2.8 per cent in July 2008. The electricity generation expanded by 4.2 per cent during the period against 4.5 per cent in same month last year.

<http://economictimes.indiatimes.com/news/economy/indicators/Industry-on-revival-path-IIP-up-at-68-pc/articleshow/4998211.cms>

Overseas News

FII's put 422% more into construction in 6 months

Foreign institutional investors are shoring up investment in the country's construction sector. With the BSE Sensex touching a 15-month high, the market capitalisation of FII investment in construction has gone up a whopping 422% in the past six months. A detailed analysis illustrates a return of confidence in the sector, which was missing during 2008 and also in early 2009.

While market cap does not depict an investment, the sum indicates the returns being generated for investors, which, in turn, is a tool for fresh investment. This move will also have a cascading effect on the sum poured into the real estate sector. Till September 8, FIIs have registered a net investment of Rs 40,362 crore in the domestic stock market. The total FII market cap in 13 leading sectors is Rs 4,45,313 crore.

Along with construction, the market cap of FII investment in infrastructure and heavy engineering has also shot up, largely due to higher government spending and leveraged investment by companies in these sectors. In heavy engineering, FII market cap has gone up 202% and in steel it was up 274% in the past six months. But the sectors that have not generated much FII interest are FMCG, PSUs, pharmaceuticals and telecommunications, considered as defensive stocks, as they give returns after a longer period of time.

<http://www.financialexpress.com/news/fiis-put-422-more-into-construction-in-6-months/515097/>

Govt approves 9 FDI proposals worth about Rs 75 cr

The government said it has approved nine foreign direct investment (FDI) proposals, entailing an investment of about Rs 75 crore.

"Based on the recommendations of the Foreign Investment Promotion Board (FIPB)...(the) government has approved nine proposals of FDI amounting to Rs 74.61 crore," the government said in a statement.

High Mark Credit Information Services, whose FDI proposal worth Rs 23 crore has been granted, plans to increase the foreign equity participation in the company from 40 per cent to 49 per cent.

Ramboll Singapore, which plans to set up a wholly-owned subsidiary to provide engineering consultancy services in the field of oil and gas, is likely to bring in foreign investment of Rs 22 crore.

Other approved proposals are of UK's Ramboll Whitbybird Holdings, Amann Sewing & Embroidery Threads, Rescal S.A.S France, Housing Development Finance Corp, and Marconi Telecommunications.

Six proposals have been advised to access automatic route that include the Rs 119.63 crore proposal of Network18 Media & Investments to induct foreign equity and to permit the non resident investment limit up to 49 per cent of the fully diluted paid up capital.

<http://economictimes.indiatimes.com/news/economy/indicators/Govt-approves-9-FDI-proposals-worth-about-Rs-75-cr-/articleshow/4987251.cms>

Foreign exchange reserves at \$932 during week ended Sept 04

Foreign exchange reserves \$932m during the week ended September 04, largely on account inflows through foreign investment. According to the data released by the Reserve Bank of India in its weekly statistical supplement (WSS), total foreign exchange reserves including gold and special drawing rights (SDR - currency with the International Monetary Fund) rose \$1287m to touch \$277.6bn during the week ended September 04. While foreign currency assets and gold rose \$1134m and \$157m respectively, reserves with the IMF and SDR dipped \$1m and \$3m respectively.

"We are seeing capital inflows through all avenues such as FDI. Foreign portfolio investments, particularly the QIPs (qualified institutional placements) as well commercial borrowings" said an economist with a brokerage firm.

As per the updated money supply figures the total stock of money comprising cash currency and deposits in the system amounted to Rs 50,29,401 crore as on August 28, up Rs 14,931 crore (0.3%) over the previous fortnight's levels. While currency with the public dipped Rs 6840 crore, demand deposits and term deposits rose Rs 3,152crore and Rs 18,018 crore respectively during the fortnight. The annual money supply growth now stands at 19.4%, marginally lower than previous year's 21.2%.

In the other developments, the central government has its ways and means advances (WMA) vacant during the week ended September 04. WMA is a facility under which the government (state as well as the centre) can borrow from the central bank to meet its daily revenue mismatches.

While borrowings within the limit is at the prevailing repo rate, borrowings above the agreed limit (between the government and RBI) is at 2% higher than the repo rate. States on the other hand availed an additional 159 crore under this facility taking their outstanding balances under WMA to Rs 249 crore as on September 04

<http://economictimes.indiatimes.com/news/economy/indicators/Foreign-exchange-reserves-at-932-during-week-ended-Sept-04/articleshow/5000476.cms>

FDI rises 56% in July

Foreign direct investment inflow to India was \$3.5 billion in July, 56 per cent higher than \$2.25 billion in the same month a year ago, the Commerce and Industry Minister, Mr Anand Sharma, said.

The Minister said inflows of \$3.5 billion received during July 2009 are as against \$2.5 billion received during June 2009 and \$2 billion received during May 2009.

The figure represents an increase of 36 per cent over June 2009, which, in turn, was an increase of 23 per cent over the equity inflows received in May 2009. He added that despite the current economic situation, FDI equity inflows amounting to \$10.532 billion were received during April-July 2009, which is as against \$12.3 received in April-July 2008.

“The corresponding amount in April 2007 to July 2007 was \$5.7 billion, compared to which FDI equity inflows during the current financial year have increased by nearly 85 per cent,” he added.

The sectors that attracted strong FDI inflows included services at \$1.86 billion, housing and real estate at \$1.18 billion and construction activities \$0.68 billion among others.

During April-June, Mauritius, the US, Cyprus, Japan and Singapore were the major investor countries, with the island nation investing \$3.37 billion in India.

<http://www.thehindubusinessline.com/2009/09/11/stories/2009091151171000.htm>

Govt-Ficci agency to attract FDI

A day after an International Finance Corporation report showed that India had slipped in its ease of doing business rankings, the government approved the setting up of a not-for-profit, single-window facilitator for prospective overseas investors. The move comes as

India saw foreign direct investment (FDI) worth \$3.5 billion in July—an annual increase of 50%—indicating that the slump in inflows had been arrested.

The new company, christened Invest India, will be set up as a joint venture between the department of industrial policy & promotion (DIPP) and industry lobby Ficci. State governments will be offered a 0.5% stake in the company, totalling 14%, while the Centre would have 35%. Ficci will hold the remaining 51%.

Other countries that have similar set-ups include Australia (Austrade), China (China Investment Promotion Agency), US (Invest in America) and Austria (Austrian Business Agency). “Globally, governments have established a structural mechanism to attract investment. Invest India (will) make the country more attractive as an FDI destination. This company will act as a first reference point for prospective foreign investors,” said commerce minister Anand Sharma.

The company will have three primary roles: hand-holding prospective foreign investors, promoting investment and providing feedback on FDI policy. To be established with an authorised capital of Rs 10 crore, Invest India will have the DIPP secretary as ex-officio chairman and a professional managing director. The board will see an equal number of DIPP officials and Ficci-nominated members.

Sharma clarified that in sectors with FDI caps like telecommunications, defence production and media, overseas investors would still have to obtain permission from the inter-ministerial FIPB. Invest India would help companies that need to apply to FIPB with the formalities. “Invest India will have a coordination and facilitation role, and act as a one-stop shop for all kinds of investment services,” said DIPP secretary Ajay Shankar.

Explaining the fee-based functions of the company, Ficci secretary-general Amit Mitra said, “Invest India will provide information clarity on the different departments and norms at state and central level. If there are issues arising at any level, Invest India will assist in ironing them out.”

<http://www.financialexpress.com/news/govtficci-agency-to-attract-fdi/515572/>

Trade News

India, Sri Lanka likely to ink new trade deal in 2010

India and Sri Lanka are expected to sign a new economic agreement next year covering both goods and services, said the island nation's Minister of Investment Promotion Navin Dissanayake.

Discussions are expected to iron out differences, paving the way for the signing of an expanded Comprehensive Economic Partnership Agreement before 2011, said the visiting Sri Lankan minister.

He, however, noted that Sri Lankan business groups were worried over Indian dominance in the services sector.

At a seminar organised by the Confederation of Indian Industry, Dissanayake made a strong pitch for Indian industry to come to the island nation, which is recovering after the end of a decades old civil war.

"It is profitable in your own self-interest to invest in Sri Lanka."

He noted that the global recession had left China and India relatively unscathed, but still the effects continued to linger.

"It is even more difficult for me to make this appeal to you in such circumstances. That's why I decided to talk to your sense of business entrepreneurship; to your sense of business adventure coupled with self-interest," said Dissanayake.

Sri Lankan High Commissioner to India CR Jayasinghe said due to the free trade agreement signed between the countries, bilateral trade volume had gone up from \$600 million to \$3.2 billion last year.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Sri-Lanka-likely-to-ink-new-trade-deal-in-2010/articleshow/5011139.cms>

India -Mongolia likely to ink civil nuclear pact

India is likely to ink another bilateral atomic energy cooperation agreement with Mongolia, which has nearly 6% of the world's uranium reserves.

According to sources, the pact will be sealed during Mongolian President Tsakhiagiin Elbegdorj's four-day state visit to India beginning on September 14. Apart from the proposed civil nuclear agreement, the two countries are also likely to sign bilateral pacts on health and statistics. India sanctioning a stabilisation loan to Mongolia is also on the cards. This is President Elbegdorj's first official visit abroad after assuming office in June 2009. FIFTA (Foreign Investment and Foreign Trade Agency of Mongolia) would ink a MoU with the industry body Ficci to strengthen economic, trade and investment cooperation between India and Mongolia.

From Ficci side this would be signed by Dilip Dandekar, chairman India-Mongolia JBC and from Mongolian side it would be signed by Zanabazar Battushig, vice-chairman, FIFTA. Under the MoU, the industry bodies of the two countries—Ficci and FIFTA—will exchange information on economic and commercial matters, especially about products, industrial processes; industrial training; offers & requests for joint ventures; and licensing & identification of possible partners. This exchange of information will be free of cost in principle. Also, information would be exchanged on the relevance that will facilitate a conducive environment for enhancing trade and investment between India and Mongolia.

Mongolia is not a member of 45-nation Nuclear Suppliers Group (NSG) but is affiliated to the Vienna- headquartered International Atomic Energy Agency (IAEA). Nuclear experts in India point out that Mongolia's huge uranium reserves could boost and energise the country's starving civil nuclear fuel cycle.

Mongolia's proposed decision to supply uranium to India assumes greater significance in the wake of Australia's reluctance to do so. Mongolia recently signed an inter-governmental agreement with Russia to establish a joint venture to develop, produce and process uranium. If the atomic energy agreement with India is inked during the Mongolian President's visit, India will become the second country to have uranium-linked cooperation with the Eurasian nation, the other being China.

The visiting leader would meet external affairs minister SM Krishna; have delegation level talks with Prime Minister Manmohan Singh; meet vice-President Hamid Ansari, Opposition leader LK Advani and call on his Indian counterpart Pratibha Devisingh Patil.

<http://www.financialexpress.com/news/india-mongolia-likely-to-ink-civil-nuclear-pact/516614/>

India, Turkey moving towards free trade agreement

India and Turkey are holding talks here to expedite the proposal to ink a Free Trade Agreement (FTA) and enhance the bilateral trade from the current "way below potential level" of \$3 billion to at least \$5 billion in the short-term.

Both countries are also considering their industry demands to open Indian bank branches in Turkey and vice-versa. Besides, they are looking at increasing the frequency of flights and number of destinations to facilitate closer interaction of Turkish and Indian traders as well as tourists.

Infra investment

Significantly, New Delhi also urged Turkish companies to invest in infrastructure projects in India.

"The (Indian) Government has set aside \$565 billion for infrastructure. India can absorb foreign direct investment of another \$500 billion in infrastructure," the Indian Commerce and Industry Minister, Mr Anand Sharma, said addressing the 'Turkish-Indian Cooperation Meeting' organised by FICCI and the Turkish Union of Chambers and Commodity Exchanges.

Turkish companies such as Limak Construction are already into building and widening of highways in India.

The Minister also pitched for more bilateral investment, joint ventures and technology tie-ups to in turn increase trade volume.

"The quantum of economic engagement is not reflective of the potential, especially since both the countries have shown remarkable growth and are continuing to grow even during times of global financial crisis," Mr Sharma said.

Closer ties

His counterpart from Turkey, Mr Mehmet Aydin, said that besides the FTA, frequent political engagement and cultural exchange are a must for developing closer ties.

Apart from infrastructure, banking and aviation, the other sectors chosen for exploring further opportunities are tourism, construction and real-estate, telecom, IT, hydrocarbon, electronics, food processing, textiles, pharmaceuticals, mining, marbles, gems and jewellery as well as entertainment. Of the total trade of \$3 billion in 2008, Indian exports to Turkey were worth \$2.46 billion. These include yarn, chemicals, granite, steel, carpets, sesame, antibiotics, mobile handsets and TVs.

Turkey's exports to India amounted to \$544 million, including auto components, textile machinery, steel products, denim, carpets, cumin seed and minerals.

Pointing out that clearances of transactions between Indian and Turkish traders happen mostly through the US and UK banks, the FICCI Senior Vice-President, Mr Rajan Mittal, said it was important for Indian banks to open more branches and representative offices in Turkey and vice versa to help the industry, especially SMEs enhance trade.

Mr Mittal said there was a lot of scope for cooperation in third-party logistics, including warehousing, cold chain and distribution centres.

Both governments also promised to give special attention to cutting red-tape and help encourage small and medium enterprises of both countries reach out to each other.

Indian traders use Turkey — that is a member of the EU Customs Union — not only as a market for their products but also as a gateway to Europe.

<http://www.blonnet.com/2009/09/09/stories/2009090951761500.htm>

Taiwan to treble trade with India

Taiwan hopes to treble trade with India to \$15 billion in the next three years, said Mr Wenchi Ong, Representative Taipei Economic and Cultural Center in New Delhi.

Addressing a press conference on Taitronics India 2009, Mr Ong said that the trade volume between both the countries was \$5 billion last year, which accounted to only to 1 per cent of Taiwan total trade.

Establishing presence

In the last six years about 70 Taiwanese companies have established their presence in India and about 95 per cent of them are located in Chennai.

Mr Ong said that the Taiwanese companies have made a total investment of \$90 billion in Malaysia, while the investment in India was only \$1 billion.

Asked about the Free Trade Agreement talks between India and Taiwan, he said it was the way forward but would take few more years as the trade volumes are yet to grow.

<http://www.blonnet.com/2009/09/11/stories/2009091150541900.htm>

Sectoral News

Farm exports to top \$20 bn by 2014: Government

Exports of agricultural products from the country will more than double to top Rs 1 lakh crore (Rs 1 trillion or \$20 billion) in the next five years, says an official export promotion agency of the commerce ministry.

According to estimates by the Agricultural and Processed Food Products Export Development Authority (Apeda), the share of India's farm product exports in the global trade will also grow from 2 percent now to over 5 per cent.

"It is very important to increase our exports to the developed countries," Apeda director S Dave told a business meet organised by the Associated Chambers of Commerce and Industry.

Exports of fresh and processed vegetables, fruits, livestock and cereals grew 24 percent in rupee terms to Rs.39,000 crore in 2008-09. In dollar terms, such exports rose 10 per cent to \$8.67 billion.

"Consumption patterns are fast changing in the international market. There is an emergence of specific products like functional foods, convenience foods, dietary products and organic products," Dave said.

"India has made considerable progress in ready-to-eat food and organic products but more effort is needed to add value."

<http://economictimes.indiatimes.com/Economy/Farm-exports-to-top-20-bn-by-2014/articleshow/4990048.cms>

Cement despatches up 17 % in August

The domestic cement industry has clocked a despatch growth rate of 17 per cent in August. This is in sharp contrast to the industry leaders' estimates of 9-10 per cent.

The 226-million-tonne industry despatched 15.44 million tonnes during the month compared with 13.2 million tonnes during the same period last month.

The industry produced 15.52 million tonnes which is 17.75 per cent more than what it produced last year in the same month.

According to the chief commercial officer of ACC, Jayanta Datta Gupta, the rise in government's expenditure on infrastructure and to some extent delayed monsoon have triggered such a robust growth in the month.

For instance, Ambuja Cements having a pan-India presence registered a growth of over 15 per cent in its despatch growth while Aditya Birla group firms, comprising Grasim and UltraTech Cement, registered an over 32 per cent growth in despatches.

Similarly, north majors Jaiprakash Associates, Shree Cement and JK Lakshmi Cement continued with their robust despatch growth of 43 per cent, 30 per cent and 15 per cent, respectively. ACC, due to its constraint capacities, could manage a despatch growth of only 7 per cent in August.

Ajay Kapur, head of marketing and commercial services at Ambuja Cements, told earlier that the demand for cement from small towns of semi-urban regions remained strong as delayed rainfall did not let construction activities go slow. "We also sensed a slight improvement in demand from urban centres too," he had further added.

According to industry analysts, one of the factors behind the high growth in August is the low base. It was during this time last year that the industry's growth was on a decline due to poor demand for the building material.

<http://www.business-standard.com/india/news/cement-despatches17in-august/369603/>

GSM cos add 9.3 m subscribers

Mobile operators using the GSM technology added 9.3 million subscribers during August, up 2.86% over July, taking the total GSM subscriber base in the country to 335 million, the Cellular Operators Association of India said.

During the month, the country's largest telecom operator, Bharti Airtel, added 2.8 million subscribers, taking its tally of customers to over 107 million. Bharti Airtel continued to maintain the highest share in the market at 32.19%. The company added its maximum number of subscribers of over 3.1 lakh from Rajasthan followed by Andhra Pradesh where it added over 3 lakh users in August.

Vodafone-Essar, the country's second largest GSM mobile operator, added close to 2.2 million, a growth of 2.79% over July, subscribers in August, taking its total subscriber base to more than 80 million. The company had a market share of around 24.11%. The company added the highest number of subscribers in Rajasthan with addition being than 3 lakh. The second highest additions for the mobile service provider came from the circle of Bihar at over 2.2 lakh additions during August.

BSNL, the third largest GSM operator, registered a market share of 15.52% during the month, adding 1.3 mobile users at a rate of 2.67%. It was successful in arresting the erosion in its subscriber base in a few circles during August.

<http://www.financialexpress.com/news/gsm-cos-add-9.3-m-subscribers/515553/>

Auto sales could zoom past target, says Siam

Buoyed by the growth in automotive sales for seven consecutive months, with the last two being in double digits, industry experts and analysts feel the overall industry could grow beyond 5%, as estimated earlier. "With sales expected to be robust in September and October as well, there is a possibility of the sales target going higher than the earlier set target of 5% growth for 2009-10," said Sugato Sen, senior director, Society of Indian Automobile Manufacturers (SIAM).

SIAM's optimism follows announcement by the automobile industry body that the total automobile sales in the country grew by 24.3% in August, at 10,08,702 units, against 8,11,341 units sold in August last year. While passenger vehicles registered a growth of 22.4% at 1,52,100 units, vis-à-vis 1,24,240 units in August last year, commercial vehicles grew by 18.5% at 40,624 units as compared to 34,289 units during the same month last year.

Two-wheelers, which constitute nearly 70% of total automobiles sold in the country, posted a 25.1% jump in sales last month at 7,76,777 units, vis-à-vis 6,20,883 units last year.

"There is a potential for nearly double-digit growth in 2009-10 because of several positive developments, including better liquidity conditions, loans at lower interest rates, new products on road and greater penetration of major auto manufacturers into rural markets," said Abdul Majeed, auto practice leader, PricewaterhouseCoopers.

According to Majeed, if the drought impact is not as fearful as anticipated, which would be seen in the third quarter, and the demand persists, there is a scope of revising the sales target upwards, as dealers are piling up inventory to meet the festive demand.

In 2008-09, the overall automobile industry remained nearly flat at 97,23,391 units against 96,54,435 units the year before that due to the global slowdown. "The government has announced that the last installment of arrears under the Sixth Pay Commission will be released soon and this will help people fund their purchases," Sen said, adding that with lot of activity happening in the infrastructure sector, the growth trend is expected to continue.

In the passenger car category, market leader Maruti Suzuki India registered a growth of 34.6%, at 63,028 units in August as compared to 46,811 units the year before that. Hyundai Motor India sales went up by 12.9% at 24,401 units, against 21,607 units in August last year. Tata Motors registered a growth of 21% at 14,755 units, against 12,216 units in August last year. Sales of two-wheeler.

<http://www.financialexpress.com/news/auto-sales-could-zoom-past-target-says-siam/514624/>

News Round – Up

Corporate India bullish on hiring: HR survey

A quarter of all Indian companies plan to hire in October-December , up from one in five who said they will recruit in the three months adding up to October, says a survey by HR consulting firm Manpower that points to perceptions across corporate board rooms that the slowdown has bottomed out and brighter times are just around the corner.

The survey conducted among more than 5,600 companies across 30 cities shows that the government's booster packages to lift the economy, especially the infrastructure industries, are bearing fruit, said Manpower India MD Naresh Malhan.

A key index used for the survey, the net employment outlook (NEO), represents the percentage of companies anticipating total employment to go up against those who expect it to decline. In the latest study, wholesale retail & trade shone the brightest with a NEO of 34% while and public administration & education came close with 32%.

"With customers coming back to malls, we can say that the lull in the retail segment seems to be getting over now," said Kishore Biyani, whose Future Group that operates retail chains such as Big Bazaar, Central, Pantaloon and Home Town stores, which will together add 2,000 people over the next one quarter.

Sectors such as construction & mining, finance , insurance & real estate, manufacturing and services have also shown improvement in hiring intentions compared to the last survey.

Transportation & utilities, which have been a laggard for four years now in Manpower surveys , came a predictable last in terms of hiring intentions with a NEO of 16%.

Within India, employers in the eastern and southern regions reported the strongest hiring outlook with NEO of 25%. Companies in the western and northern regions had NEO of 20% and 23% respectively, but showed improvement compared to the previous quarter. In contrast, the southern region of the country reported the weakest outlook by this region since the survey first began.

India also continued to be most optimistic in terms of hiring outlook internationally , having topped the global survey covering 35 countries with 25% NEO for the coming quarter. Brazil, which was included in the survey for the first time, straight away took the second spot behind India with NEO of 21%. "The strong job prospects in Brazil are being reported because of services sector, where 37% of employers expect to add employees in the next three months," the Manpower survey said.

<http://economictimes.indiatimes.com/Jobs/Corporate-India-bullish-on-hiring-HR-survey/articleshow/4988592.cms>