



Weekly Economic Bulletin

Date: November 02- November 08, 2010

Issue No. 393

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News Feature

IMF quota overhaul puts India in top 10 members

The International Monetary Fund has approved proposals that will lead to a major overhaul of the Fund's quotas and governance, and would put India among top 10 members.

The 10 largest members of the Fund will now consist of the US, Japan, the BRICs (Brazil, China, India, Russia), and the four largest European countries (France, Germany, Italy, the United Kingdom).

The Executive Board of IMF also endorsed a timeline that calls for the quota increase and realignments to take effect by the annual meetings of October 2012, and Executive Board reforms to be implemented no later than the subsequent Executive Board election, which is scheduled in late 2012.

"This historic agreement is the most fundamental governance overhaul in the Fund's 65-year history and the biggest ever shift of influence in favour of emerging market and developing countries to

recognise their growing role in the global economy," IMF Managing Director Dominique Strauss-Kahn said after the Board's decision.

As a result of this, there will be a shift of more than six per cent of quota shares to dynamic emerging market and developing countries and more than six per cent from over-represented to under-represented countries, while protecting the quota shares and voting power of the poorest members.

"The doubling of quotas maintains the quota-based nature of the Fund, and ensures its ability to serve its membership in times of crisis.

A fairer allocation of quota shares reflecting better our members' economic importance, together with a more representative Executive Board, will enhance the credibility and effectiveness of the Fund's ongoing efforts towards greater global financial stability," Strauss-Kahn said.

"The reforms build on those initiated in 2008 and, combined with the earlier steps, the voting shares of emerging market and developing countries as a group will rise by well over 5 percentage points," he added.



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"The package we have arrived at is a balanced one. The negotiations have not been easy, but our members have shown a willingness to compromise and to demonstrate the flexibility needed to reach an agreement for the greater common good," the IMF chief said.

<http://economictimes.indiatimes.com/news/economy/indicators/IMF-quota-overhaul-puts-India-in-top-10-members/articleshow/6878783.cms>

Economy on recovery path, says Pranab

The Indian economy is on the path of recovery and will soon go back to robust growth rate of around nine per cent although inflation is a major area of concern, the Union Finance Minister, Mr Pranab Mukherjee, said.

Inaugurating the second annual conference of Finance Secretaries and Commissioners of States and Union Territories, the Minister said that recovery will span agriculture, industry and services and growth is estimated at 8.8 per cent in the first quarter of the current financial year.

"With the current recovery in sight, we have returned to path of fiscal consolidation. With a calibrated unwinding of transient expansionary fiscal policy, we expect to close the current year with a fiscal deficit not exceeding 5.5 per cent of

GDP as estimated in the Budget," Mr Mukherjee said.

The Minister said that the Government has taken a number of anti-inflationary measures to bring down inflation which has moderated to 8.6 per cent in September this year from the headline inflation of 11 per cent at the beginning the current financial year.

Mr Mukherjee said that the Central Government has requested the States to strengthen their public distribution systems to ensure that the vulnerable group of society is not adversely affected by the current level of inflation.

The Minister also asked the State Finance Secretaries to take appropriate steps in this regard so as to bring down inflation to more acceptable levels.

Mr Mukherjee said that in 2011-12 and 2012-13, the Government has projected fiscal deficit of the Centre to further reduce to 4.8 per cent and 4.1 per cent of GDP respectively. The debt stock of the Centre is also projected to come down to 48.2 per cent of GDP by the end of 2012-13 according to the medium term fiscal policy statement 2010-11.



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Mr Mukherjee said that the 13th Finance Commission has mandated that fiscal deficits of the States should come down gradually to 2.4 per cent of GDP.

<http://www.blonnet.com/2010/11/02/stories/2010110252250400.htm>

Indian economy could grow 9% over 5-6 years: Planning Commission

India's economy could grow at 9 percent over the next five to six years, Montek Singh Ahluwalia , deputy chairman of India's Planning Commission , said.

He also said India's current account deficit could be a "little below" 3 percent of gross domestic product in the current fiscal year ending in March 2011.

The Indian economy is on track to grow 8.5 percent this fiscal year.

<http://economictimes.indiatimes.com/news/economy/indicators/Indian-economy-could-grow-9-over-5-6-years-Official/articleshow/6879669.cms>

Overseas Investment

Indians 3rd fastest growing foreign investor in US

Indians are the third fastest growing foreign investors in the United States, a top Obama Administration official has said, acknowledging the positive contribution of India in the US economy at the time of recession.

"India is the third fastest growing foreign investor in the US," said Holly Vineyard , Deputy Assistant

Secretary of Commerce for Africa , the Middle East and South Asia.

Vineyard said Indian investment in 2008 was USD 4.5 billion but the investments in 2009 grew 60 per cent higher than investments in the previous year. He was quoting from a yet to be published report by India US World Affairs Institute and the University of Maryland .

The report will soon be released by Congressman, Jim McDermott , Co-Chair of the Congressional Caucus on India and Indian-Americans , at a function organized by the East West Center , a Washington-based think tank.

The Joint study has found 372 acquisitions by Indian companies in the US between 2004 and 2009 worth USD 21 billion. This has created an estimated 40,000 employments in the US.

Giving preview of the report, FICCI 's secretary general, Amit Mitra, said there were 127 green field investments worth \$5.5 billion by Indian companies in the United States. "So these are huge numbers that India is contributing to the US economy," Mitra said.

"In contrast" , the FICCI secretary general pointed out, "India was facing difficulties in attracting US investment in its infrastructure sector." US needs to do more in the infrastructure sector, he said.

To boost the US involvement in India , FICCI is following Track II policy, envisioned by the External Affairs Minister , S M Krishna, and the Secretary of State, Hillary Clinton when they meeting here earlier this month. The policy works on enhancing public private engagement in economic and strategic sectors in both the countries.

As part of Track II policy, FICCI signed a memorandum of understanding with the Council on Competitiveness

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Indians-3rd-fastest-growing-foreign-investor-in-US/articleshow/6886589.cms>

FII's asset base swells to over Rs 11-lakh crore

Even as market experts say that the FII inflows into India would go further up, SEBI data on monthly FII assets under management outstanding for September 2010 shows an all-time high of Rs 11,24,352 crore.

"There are not many places for investors to go other than emerging markets especially India and commodities," said Mr Abbas Merchant Senior Assistant Vice-President Research, Jaypee Capital.

Growth targets

"Money has to incrementally come as India is the only market where companies are either meeting or exceeding growth targets," said Mr K. Ramanathan, CIO-Single Manager Investments ING Investment Management.

“Earlier, investment banks and hedge funds used to flock to India but today other entities such as the long only pension funds and insurance companies are also eyeing the Indian pie and this means the one for the long haul have started coming in,” he added.

Market experts are eagerly awaiting the outcome of the Federal Open Market Committee's meeting in the US on Wednesday.

The whole world is expecting the number that would constitute the second round of quantitative easing or QE-2.

October inflows

“Another \$5-6 billion would easily come into Indian bonds because of no significant foreign participation in government securities, stability and growth offered by India Inc and an eight per cent yield in fixed income, the highest among emerging markets surpassing Indonesia whose 10-year paper yields have fallen below eight per cent,” said Mr Arvind Chari, Senior Fund Manager, Quantum Mutual Fund

“The October-end figures would significantly be higher as close to \$7-8 billion inflows have come in October alone. With increase in interest rate differential, moderating inflation, FII inflows will increase in November and December and if they are not absorbed by the system, the RBI might

have to intervene,” said Mr G.A. Tadas, Managing Director, IDBI Gilts.

“Further inflows would depend on the QE2 which is expected to be in the range of \$500 billion-1 trillion and the subsequent economic scenario in the US. If US economic prospects start looking up, FIIs may start shifting focus to US markets,” he concluded.

<http://www.thehindubusinessline.com/2010/11/03/stories/2010110352051300.htm>

Forex reserves jump \$2.6 b to touch \$298 bn

The country's foreign exchange reserves rose \$2.6 billion during the week ended October 29, partly on account of revaluation of its gold reserves. The central bank is also believed to have purchased gold, which has pushed up the size of its reserves.

The country's forex reserves rose \$2.6 billion in the week-ended October 29. The reserves are at \$297.96 billion. Foreign currency assets comprising dollars, British pounds and euro, among others, rose \$1,399 million during the week. The value of gold in reserves rose \$1,152 million during the week. While special drawing rights, or SDRs-the reserve currency with the International Monetary Fund-and the reserve capital with IMF rose \$4 million and \$2 million, respectively.



Gold prices in international markets are touching new highs. Since RBI values its gold reserves based on prices in the London Bullion market, any appreciation increases the value of gold reserves. The RBI has also increased its gold stock in reserves last year by purchasing the yellow metal from the IMF. As a result, this has resulted in revaluation of non-dollar assets in reserves; an economist with a local brokerage firm said.

Banks have parked almost `50,000 crore with mutual funds as on October 22, up by over `10,000 crore during the month.

The updated money supply-cash, currencies and deposits - figures released by the central bank indicate that the total stock of money in the system amounted to `60,68,715 crore as on October 22, up `1,06,593 crore (1.8%) over the previous fortnight's levels. At current levels, the

annual growth in money supply works out to 17.1% compared with 18.9% a year ago.

The government parked unspent revenues worth `36,559 crore with the Reserve Bank of India. On the other hand, it did not resort to any short-term borrowings from the central bank. Such borrowings are resorted to by the government to meet its daily revenue mismatches. These short-term borrowings are known as WMAs, a facility under which state governments borrow from the central bank to meet their daily revenue mismatches. The states, however, had outstanding borrowing amounting to `1,439 crore under the WMA facility as on October 29.

<http://economictimes.indiatimes.com/news/economy/indicators/Forex-reserves-jump-26-b-to-touch-298-bn/articleshow/6877192.cms>



Trade News

India-Indonesia trade to touch \$20 bn

Republic of Indonesia Ambassador Andi M Ghalib has maintained the bilateral trade between India and Indonesia could touch \$20 billion by 2013.

Having achieved the bilateral trade target of \$10 billion in 2009, Indonesia and India are looking to double the value of trade between the two countries.

Andi M Ghalib was in Chandigarh to participate at a seminar organised by PHD Chamber. Ghalib said, as one of the most competitive and open economies in the world, Indonesia has a great deal to offer foreign investors.

Both India and Indonesia need to have a closer diplomatic coordination and stronger defence ties, he added.

<http://www.businessstandard.com/india/news/india-indonesia-trade-to-touch-20-bn/413703/>

'UK's small cos keen on India imports'

In the Midlands, home to Jaguar Land Rover (JLR) and the heart of Britain's manufacturing industry, small and medium businesses are as likely to have trade links with India as big companies — companies with a turnover of less than £1 million are more likely to import from India than medium or larger firms. In a survey spanning exporting and importing behaviour patterns for over 2,000 British companies, a surprise Derby and Leicester top the charts for doing the maximum business with India — ahead of places like Birmingham.

The survey, commissioned by the Indian High Commission in London, finds that while 4% of the companies currently export products to India, around 8% actively import and 27% want to increase their exposure. Sectors with the maximum demand for imports from India are for dressing and dying of fur, textiles, electrical machinery, motor vehicles like trailers, and furniture. Raw materials, components, and equipment are likely to form the bulk of imports.



On the export side, maximum exports are in other transport equipment, rubber, plastic products and

In order to tap into the latent demand among the SME sector in the Midlands, the Indian High Commission along with Indian industry associations are focusing on bringing together SMEs in both countries as an ongoing focus area, starting with an initiative to bring together Indian SMEs with their counterparts in Birmingham later this week. Indian SMEs, according to industry bodies, are keen on modern and cutting-edge technologies.

According to the survey, about half of the respondents are interested in selling technology to Indian firms, with the keenest sectors being in medical, precision and optical instruments, post and telecommunications, fabricated metal products and textiles.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/UKs-small-cos-keen-on-India-imports/articleshow/6885980.cms>

India-US trade will reach \$50 bn this fiscal: Shankar

Two-way trade between India and the United States is expected to reach \$50 bn this fiscal, with investments moving in both directions, India's Ambassador to the US, Meera Shankar , said.

basic metals, with parts, machinery, plastics and systems emerging as the main items.

"We are expecting bilateral trade to grow by 30 percent and reach \$50 bn by March," said Shankar, releasing a report on "Indian investment in US" brought out by the Federation of Indian Chamber of Commerce and Industry and Ernst and Young.

She said trade was a "key driver in the relationship". "If we look at the trade in goods, it is growing on both sides".

Shankar pointed out that Indian foreign direct investment was growing fast in US markets. "Indian companies have created 65,000 jobs, both in terms of greenfield projects and by means of mergers and acquisitions."

India is already the second fastest growing investor in the US, after the United Arab Emirates.

The report, released ahead of the visit of US President Barack Obama from Nov 6, said though there has been a decline in outward Indian FDI, the US has emerged as preferred destination with its share increasing from 5.7 percent in 2009 to 6.5 percent in 2010.

Informational Technology, pharmaceuticals and manufacturing sectors account for about 60 percent of the deals in the last two years.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-US-trade-will-reach-50-bn-this-fiscal-Shankar/articleshow/6866257.cms>

Bangladesh to charge India only transit fee

Bangladesh will charge fees from India instead of duties for transit facilities of goods to its northeastern states through its territory, officials said.

"Initiatives are underway to frame new rules to fix the amount of fees in line with international practices," a finance ministry official said.

He added that the World Trade Organisation (WTO) provisions suggested realisation of fees, "not duties" by a country which offers the transit facilities to another.

The official's comments came as Finance Minister AMA Muhith yesterday said Dhaka would need to charge India "something" as they would use infrastructures in Bangladesh for carrying their goods.

"They will use our facilities to transport their goods. Our infrastructure will be used and that involves some costs for the government. So we'll have to take something; it may be called fee or anything," a newspaper today quoted him as saying.

Muhith said the existing transit rules of the National Board of Revenue (NBR) would be amended to offer the facility and re-fix the amount of fees.

Bangladesh has been offering India a transit facility since the pre-independence period before 1971 through waterways and according to officials the country now receives fees of around Taka 5 crore annually.

But a new set of rules was now required for all the transit routes as there has been no such facility for road and rail transport.

The WTO affairs committee chairman of the apex Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) chairman Manzur Ahmed said that The European Union (EU) nations and the Association of Southeast Asian Nations (ASEAN) countries charged fees in offering the transit facilities under the WTO provisions.

"Bangladesh should not have any bar in charging the fees to India in exchange of the facility," Ahmed told the 'Prothom Alo' newspaper.

Dhaka and New Delhi signed a crucial transshipment agreement in March this year finalising an earlier deal to allow Indian goods to be

shipped to its isolated northeastern state Tripura through Bangladesh territory.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Bangladesh-to-charge-India-only-transit-fee/articleshow/6865085.cms>

Sectoral News

Auto makers post record sales in festive October

The country's passenger vehicle makers reported record domestic sales and growth for October, buoyed by strong festive demand. Maruti Suzuki India (MSIL), Hyundai Motors, Tata Motors, General Motors, Ford, Toyota and Mahindra & Mahindra sold a record 296,064 vehicles (including exports), a rise of 27 per cent over last year. These companies account for 95 per cent of car sales in India.

The highest growth during the last few years was in September, when domestic passenger vehicle sales

went up by 20.6 per cent and hit the previous all-time high of 290,252.

The aggressive sales numbers have more or less neutralised the sharp drop in export, which mainly affected Hyundai and MSIL. In October, MSIL sold 107,555 vehicles in the domestic market, an increase of 50.3 per cent over last year and a record since its inception, while its export fell by 18 per cent. Thus, the combined sales increase was only 39.2 per cent at 118,908 vehicles. While the compact car segment contributed over 45 per cent to the sales of MSIL, sales of multi-utility and multi-purpose vehicles grew 91.8 and 151 per cent, respectively.



Domestic sales of the country's second-largest car manufacturer, Hyundai Motor, grew by 22.7 per cent to 34,725, its highest ever, while exports fell by a staggering 25 per cent. So, its total sales grew by a meager 0.9 per cent at 52,225 units.

Arvind Saxena, director (marketing and sales), HMIL, said, "The market has been on an upswing for the last few months, but the introduction of the new 'Next Gen' i10 has really pepped up things for HMIL, with the new i10 sales growing as much as 26 per cent in the last two months. The strong domestic demand has forced us to change our product mix and focus more on the domestic market."

Bucking the trend, exports of Tata Motors doubled to 5,950 units during October. As a result, the passenger vehicles sales grew 19 per cent over last year. Tata Motors sold 26,503 passenger vehicles last month. However, sales of Nano fell to 3,650 units, compared to 5,250 units in September 2010.

Mahindra & Mahindra's passenger vehicle sales grew 21 per cent to 15,908 vehicles.

<http://www.business-standard.com/india/news/auto-makers-post-record-sales-in-festive-october/413489/>

Consumer durables firms expect to clock 40% growth this festive season

This festive season is expected to be a happy one for consumer durables companies, with most expecting to clock a sales growth of 40 per cent — double the amount achieved last year.

LG Electronics National Sales Head Amitabh Tiwari says: "This festive season will see us do business of 40 per cent in the region. I am excited about it."

Samsung India Deputy Managing Director Ravinder Zutshi says: "Business has been brisk. I expect to do double of what I did last year."

Last year, sales growth has stood at 15-20 per cent, primarily because consumers were reluctant to spend freely due to the tension they felt on account of the economic slowdown. "During the festival season last year, the economy was just beginning to recover," says Amitabh, secretary general, Consumer Electronics and Appliances Manufacturers Association (CEAMA). "Growth was sluggish," he adds.



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But this year, with the economy having recovered and estimated to grow at 8.4 per cent – up from 7.2 per cent last year – consumers are returning to the market. Consumer durables companies say this is a result of pent-up demand. Higher disposable incomes, liberal bonus and increments are all contributing to this phenomenon, says LG's Tiwari.

Godrej Appliances Chief Operating Officer George Menezes says: "Normally, there is a dip in sales after Dussehra. But the momentum this year has been on even after Dussehra. This will continue till Diwali, running for four or five days after that."

Tiwari says almost all categories – from television sets to washing machines, refrigerators to air conditioners – are seeing a sales uptick.

The most striking feature this year, however, is the visible uptrading by consumers, who are choosing flat-panel TVs (commonly called LEDs, LCDs) over plain colour TVs, automatic washing machines over semi-automatic ones, frost-free refrigerators over single-door fridges and split ACs over window ACs.

High aspiration levels, the need to be at the forefront of technology, besides economical pricing, are driving this need for premium products, says Onida Vice-president (sales, marketing and service) K Sriram.

<http://www.businessstandard.com/india/news/consumer-durables-firms-expect-to-clock-40-growth-this-festive-season/413503/>

Coffee year starts on good note, exports up 60%

The New coffee year (October 2010-September 11) in India has started on a good note as coffee exports increased by a whopping 60% in the first month of the crop year.

According to statistics available with the state-owned Coffee Board, exports increased to 21,338 tonne in October 2010 from 13,295 tonne recorded in the same month a year ago.

According to International Coffee Organization (ICO) composite price indicator, currently the coffee price in the global market has topped US 170 cents per pound compared to the average price of 121 cents per pound recorded in October 2009. In October 2010, India's foreign exchange through coffee exports increased to Rs 229 crore from Rs 146 crore.

In dollar terms, coffee exports fetched a foreign exchange of \$ 50.32 million in October 2010 to the country, up from \$ 28.82 million reported in the same month a year ago.



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With fresh Arabica crop already hitting the market, analysts forecast that export volumes will further increase in the coming months.

In current coffee year that started on on October 1, the Coffee Board has projected a higher output for both Arabica and Robusta.

According to post-blossom estimates of the board, coffee output will touch 3.08 lakh tonne in the current coffee year compared to 2.89 lakh tonne harvested in the previous crop year.

Arabica output is expected to increase to 99,500 tonne from 94,600 tonne during the period while Robusta production is likely to touch 2.08 lakh tonne compared to 1.95 lakh tonne a year ago.

Coffee output in Karnataka, which accounts for 70% of the country's total production, is expected to increase to 2.19 lakh tonne compared 2.05 lakh tonne harvested in the previous crop year.

<http://www.financialexpress.com/news/coffee-year-starts-on-good-note-exports-up-60/705737/>

Oil meal export surges 61% in Oct

India oilmeal exports jumped by 61% to 4.98 lakh tonne in October as drought-like condition in

Russia pushed up demand for Indian soya and rapeseed meal.

The country had exported 3.09 lakh tonne in the same month last year. Adequate availability of oilseeds because of good local production also helped in pushing up sales, the Solvent Extractors' Association of India (SEA) said in a statement. "Export of soyabean meal and rapeseed meal jumped to nearly double compared to October 2009, thanks to gradual improvement in market in last two months due to drought in Russia," SEA said.

Oilmeal exports rose by more than 53% in September to 3.54 lakh tonne as compared to the same month last year.

Of the total oilmeal exports, soyabean meal exports were to the tune of more than 2.9 lakh tonne while rest comprised of rapeseed meal and groundnut meal. The country had exported 2.31 lakh tonne oilmeal in September 2009.

In April-October 2010, oilmeals export rose by 21% to 1.87 million tonne as against 1.54 million tonne in the year-ago period. Another reason for jump in export of oilmeals was bullish October USDA report, the SEA said.



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Export of oilmeals and crushing was also supported by good crush margin in the last two months, thanks to better oil prices, it said. Export of oilmeals doubled in West Asia to 1.46 lakh tonne in April-October compared to 87,122 tonne during the same period last year.

Major importers of oilmeals were South Korea, China, Vietnam and Japan. Majority of export was carried from Kandla. Kandla handled 46% of the export followed by Mumbai (30%), Mundra (16%) and Kolkata (3%), the SEA added.

<http://www.financialexpress.com/news/oil-meal-export-surges-61-in-oct/707224/>

News Round-Up

India among 40 most improved economies: World Bank report

India is one of the 40 “most-improved economies” that made significant changes in business regulation at a steady pace in 2009 to make it easier for firms to operate, according to a new World Bank report.

Since 2005, India has implemented 18 business regulation reforms in seven areas, creating more opportunities for local firms, according to the

“Doing Business 2011: Making a Difference for Entrepreneurs” report.

Many of the reforms focused on technology-implementing electronic business registration, electronic filing for taxes, and online submission of customs forms and payments, the report notes.

India comes in at number 134 out of the 183, one rung higher than last year's 135.

<http://www.thehindubusinessline.com/2010/11/07/stories/2010110751130500.htm>



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Indians upbeat on jobs: Survey

Indians are most optimistic globally about their job prospects for the next one year, although their confidence levels over their country's economy and spending has not increased in third quarter of 2010, said the latest Nielsen Global Consumer Confidence survey. At 129 index points, consumer confidence in India is highest which is twelve points ahead of the second highest country Thailand which has 117 index points in the Q3 2010 survey. The findings of Nielsen Global Consumer Confidence survey are based on the results of polling conducted on 26,000 consumers across 53 countries. As per the survey, 91% Indians are optimistic about their job prospects in the next 12 months.

"The confidence in job prospects also translates into optimism on the financial front for Indians. More than eight in ten Indians (83%) are optimistic about their state of personal finances in the next 12 months, the highest percentage globally," the survey said.

However, Nielsen survey also reveals that India is 5th in the list of countries that considers food prices as biggest concern over the next six months. At 15%, it has increased by 2% compared to the previous round of survey. China tops the countries in its concern over rising increasing food prices with 36% of consumers in China voting it as the biggest concern over the next six months. According to the survey, 67% of Indians think that India is not under an economic recession. However, 33% Indians believe that the country is currently under an economic recession, a 2% rise over Q2 2010, the Nielsen survey said. In Q3 2009, more than half the consumers surveyed believed that India was under an economic recession.

"Indian consumers are confident about their economy and have shown similar confidence levels as the second quarter of 2010; however these levels have not increased like they did in the first two quarters of 2010," Justin Sargent, managing director, the Nielsen Company (Consumer) said.

<http://www.financialexpress.com/news/indians-upbeat-on-jobs-survey/705694/>

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