

Weekly Economic Bulletin

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News Feature

Industrial growth touches 5-month high of 7.1% in July

High growth in production of capital goods and consumer durables in July 2008 pulled up the Index of Industrial Production (IIP) to a five month high of 7.1 per cent, though it still remained lower compared with 8.3 per cent growth recorded in July 2007.

For the April-July period, first four months of the current financial year, the overall growth in IIP stood at 5.7 per cent against 9.7 per cent registered in the same period last fiscal.

The IIP growth rate for March, April, May and June were 3 per cent, 7 per cent, 3.8 per cent and 5.4 per cent, respectively.

Capital goods production improved by 21.9 per cent during July 2008, against 12.3 per cent in the same month last year.

The consumer durables sector grew by 11.2 per cent against a negative growth of 2.7 per cent.

<http://www.blonnet.com/2008/09/13/stories/2008091352210100.htm>

IIP likely grow 9.1% in FY09, says CMIE

The Centre for Monitoring Indian Economy (CMIE), an independent economic think tank, expects India's industrial production to grow by 9.1 per cent in the current fiscal, even as the government estimate for the three months ended June dipped to 5.2 per cent.

The Centre for Monitoring Indian Economy, said sectors like machinery (with a weight of 18 per cent in the index for industrial production), chemicals (18 per cent), basic metal (12.4 per cent), rubber, plastic and petroleum products (11.8 per cent) and transport equipment (11 per cent) would be the growth engine for this year.

The projection is based on analysis of projected capacity and expected capacity utilisation of major industries.

Claiming that the current index of industrial production (IIP) released by the Ministry of Statistics grossly underestimates the industrial growth, the Centre for Monitoring Indian Economy said, "The IIP numbers do not confirm to the trends in the alternate reliable data sources."

As a proof of its claim, the Mumbai-headquartered institution said sales of 2,144 listed manufacturing firms increased by 22.6 per cent in the first quarter ended June 2008 — substantially higher than the IIP growth rate of 5.2 per cent for the quarter.

If the data collection problems of the IIP are not fixed, official industrial production number would be 8.4 per cent in the current fiscal as against Centre for Monitoring Indian Economy's projection of 9.1 per cent, it said.

<http://www.business-standard.com/india/storypage.php?autono=334081>

Overseas Investment

Bio-fuel policy gets Cabinet nod

In a bid to reduce the country's huge oil import bill, the government after much deliberation gave its nod to National Policy on Biofuels besides giving approval for setting up of National Bio-fuel Coordination Committee and Bio-Fuel Steering Committee. Under the approved policy, the country aims to raise blending of biofuels with petrol and diesel to 20% by 2017.

More than seven ministries and the Planning Commission have been debating about the biofuel policy for the last two years and a group of ministers (GoM) headed by agriculture minister Sharad Pawar had been anchoring the discussion prior to finalisation of the policy.

<http://www.financialexpress.com/news/Biofuel-policy-gets-Cabinet-nod/360218/>

FDI in FM radios to stay at 20%

The Cabinet gave its nod to relax the FM Phase II Policy and granted the approval to authorise ministry of information and broadcasting to allow FM radio players for the creation of subsidiaries, merger or demerger of companies by transfer of shares. However, there would be no change in the foreign investment limit of 20 % in the FM radio sector, said I&B minister Priyaranjan Dasmunsi.

The Cabinet allowed companies operating for less than five years to transfer shares into subsidiaries provided the foreign investment cap and the majority shareholders remained the same. "It would give the financial flexibility and the growth of the FM industry would be protected," said Dasmunshi.

<http://www.financialexpress.com/news/FDI-in-FM-radios-to-stay-at-20/360219/>

New FDI norms to focus on management control

In a major initiative, the government plans to integrate foreign direct investment (FDI) regulations, to bring them on a par with those of mature economies. The new, principles-based regulations will phase out the present regime of arbitrary FDI caps in all sectors.

More, the new regime will do away with the additional conditions that have been inserted for several sectors in the FDI policy, which often force companies to circumvent them.

In the new regime, the focus will be on who wields management control in each sector. This means rules will be framed to ensure that the management rights of each group of investors, foreign or Indian, are made transparent.

<http://www.financialexpress.com/news/New-FDI-norms-to-focus-on-management-control/360387/>

Trade News

Tata honoured for contribution to Indo-British partnership

Ratan Tata, Chairman of one of India's largest business conglomerates, the Tata Group, has been awarded by the UK India Business Council for his significant contribution to Indo-British business partnership.

S. Anwar Hasan, Managing Director of Tata Limited, received the award on behalf of Tata from British High Commissioner to India, Sir Richard Stagg, at a Gala Dinner organised to celebrate the first anniversary of the UK India Business Council.

Sir Stagg lauded Ratan Tata's contribution to the UK economy by employing 50,000 people since he acquired the Corus Group, an Anglo-Dutch steel and aluminium producer and the Jaguar and Land Rover from Ford Motor company.

The dinner attended by prominent entrepreneurs including Hinduja Group President, G P Hinduja and Kingfisher owner Vijay Mallya, was hosted by the Lord Mayor Alderman David Lewis, who said he would raise 3.5 million pounds to support the cause of blindness prevention in India.

<http://www.livemint.com/2008/09/02093311/Tata-honoured-for-contribution.html>

India-China trade scales new heights in first half

Sino-Indian bilateral trade continues to grow by leaps and bounds, with the trade value in the first half of calendar year 2008 hitting the \$ 29-billion mark, recording a 69 per cent jump over the corresponding period last year, a top Chinese Commerce Ministry official said.

According to Mr Liang Shu He, Deputy Director-General of Foreign Trade Department in the Commerce Ministry of China, India and China were on course to raise their bilateral trade to \$ 60 billion by 2010, which was the target set by the Prime Ministers of both the countries in 2005.

Bilateral trade in calendar year 2007 stood at \$ 38.65 billion, registering an increase of 56 per cent over the previous year.

<http://www.thehindubusinessline.com/2008/09/09/stories/2008090952160100.htm>

India-Nepal trade can double by 2010: Assocham

Industry body Assocham said the forthcoming maiden India-visit by Nepalese Prime Minister Prachanda will give a filip to bilateral trade, which is expected to double to three billion dollar by 2010.

India-Nepal trade currently stands at 1.4 billion dollar and the neighbours need to upgrade their Treaty of Trade signed in 1995 to enlarge the scope of economic co-operation. "India Inc is optimistic that with the first official visit of the Nepalese PM to India, industries from the two countries will forge closer economic ties, besides exploring possibilities for upgrading Nepal's infrastructure, water resources and agri-business," Assocham President Sajjan Jindal said.

Pushpa Kamal Dahal 'Prachanda' would begin his five-day visit to India from September 14. Nepal's hydropower provides significant opportunity for India as the Himalayan kingdom has the potential to generate an estimated 83,000 MW of electricity, which however remains untapped due to resource constraints. Nepal's current installed capacity is 591 MW.

While four hydro electric schemes have been implemented in Nepal, with financial and technical assistance from India, Jindal said more domestic companies are keen to invest in the sector.

Nepal has imported around 186 million units of energy from India and exported 138.90 million units. As per its water resources strategy 2,230 MW of hydropower would be generated by 2017, of which 400 MW would be exported to India.

Nepal exports vanaspati, jute goods, polyester, pulses, hides and skins, herbs, cardamom, rice bran oil, ginger, oil cakes and noodles to India, while it imports rice, mechanical equipment, cotton textile, cement, chemicals, electrical equipments, milk products, farm equipments and tobacco.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Nepal_trade_can_double_by_2010_Asocham_/articleshow/3477282.cms

Canada to open new trade office in Gujarat

The Canadian government has announced it would open a new trade office in Gujarat.

The previous Liberal Party government had implicitly blacklisted Gujarat after the 2002 anti-Muslim riots.

Making this announcement at a luncheon by the Indo-Canada Chamber of Commerce (ICCC) , Canadian Prim Minister Stephen Harper said if his Conservative Party was voted back in next month's election, it will open a new trade office in Gujarat.

The prime minister has already announced to set up new trade offices in Hyderabad and Kolkata and appoint more trade commissioners to deepen economic ties with India.

``We have (already) expanded operations at our trade missions in Delhi and Mumbai, and announced new trade offices in Hyderabad and Kolkata," the prime minister said.

If his government is re-elected next month, he said, ``we will give this country a commercial presence in the state of Gujarat."

Referring to his commitment to the Indo-Canadian community in 2006 to reverse the trend in India-Canada relations, Harper said the two countries have ``covered a lot ground together" since then.

He said the two countries have concluded a landmark foreign investment protection and promotion agreement.

``Expanding relations with emerging economic giants like India is a solid investment in Canada's future prosperity," said Harper.

Paying tributes to the Indo-Canadian business community, the prime minister said, ``I am always specially impressed by the ambition and optimism of new Indo-Canadian entrepreneurs.

<http://economictimes.indiatimes.com/News/Economy/Foreign Trade/Canada to open new trade office in Gujarat/articleshow/3469840.cms>

'India-Malaysia trade set to grow'

Bilateral trade between Malaysia and India is expected to see an increased growth this year from the \$8.1 billion recorded last year, an official said.

For the first six months of the year, bilateral trade between the two countries stood at \$5.2 billion, Makkal Osai Tamil newspaper quoted B.N. Reddy, Counsellor (Economic and Education) at the Indian High Commission saying.

India is a major importer of Malaysian palm oil and the two countries have ongoing projects in various sectors.

India, last week signed the Free Trade Agreement (FTA) with the Association of South East Asian Nations (Asean) of which Malaysia is a key member.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Malaysia_trade_set_to_grow/articleshow/3471251.cms

Singapore trade body opens India office as business booms

With business between India and Singapore touching new heights, the Singapore Indian Chamber of Commerce and Industry (SICCI) has opened an office in India to facilitate deeper trade ties between the two countries. The SICCI office in New Delhi will function as a "hand-holding" facility for Singapore firms, helping them to navigate the Indian market, according to SICCI chairman Vijay Iyengar. The new facility would also serve as a platform for Indian companies looking to do business in Singapore and the region, he said.

"There has been a quantum leap in terms of business between Indian and Singapore firms. A lot of small and medium sized enterprises from Singapore are going to India. We want to lend them a helping hand, help guide them through the maze of regulations and keep them informed about developments in different sectors of the Indian economy," Iyengar said. Bilateral trade between India and Singapore amounted to \$16.6 billion in 2007, showing a substantial spurt since the two countries signed a Comprehensive Economic Cooperation Agreement (CECA) in mid-2005. The agreement has fostered strong economic relations and created extensive business opportunities between the two states, with Singapore emerging among India's top four investors in recent years.

"Our office will act as a facilitator, helping to keep members abreast with changes in regulations," said Iyengar. SICCI, which was set up as the Indian Merchants Association in 1924, has more than 700 members in Singapore. Over the past few years, the trade body has served as a connecting forum for Singaporean companies seeking business opportunities in India. "Many SICCI members have entered the Indian market and we can draw on their experience, their expertise. We can help open a few doors, point Singaporean firms towards India," he said. In recent years, SICCI has been working closely with other business groups, such as the Singapore Chinese Chamber of Commerce and Industry (SCCCI), to help businesses explore markets in China.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Singapore_trade_body_opens_India_office_as_business_booms/articleshow/3467249.cms

Bilateral trade between Taiwan and India has gone up.

Bilateral trade between Taiwan and India has grown by 79.4 per cent between 2006 to 2007, a top Taiwanese official said.

The trade, which stood at USD 2.72 billion, has gone upto USD 4.9 Billion in 2007 and stood at USD three Billion during first half of 2008, the Executive Director of Taipei World Trade Centre, Moses Yen, told.

Indications are that the trade would cross five billion dollar mark this year, he said.

The Centre, in collaboration with Taiwan Electrical and Electronic Manufactures Association was organising a three-day expo of electronic goods produced in their country, he said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Bilateral_trade_between_Taiwan_and_India_has_gone_up/articleshow/3462868.cms

Sectoral News

IT spend to touch \$110 bn by 2012, says Gartner

IT end-user spending in India is expected to grow at a compounded annual growth rate (CAGR) of 14.8 per cent from 2007 through 2012 to touch \$110 billion (Rs 484,000 crore) by 2012, says research and advisory firm Gartner.

In the current year, IT end-user spending is on way to reach \$64.7 billion (Rs 2,98,345 crore), a 17.2 per cent increase from 2007.

This prediction, supplemented by a robust gross domestic product (GDP) averaging 8 per cent growth from 2007 to 2012 means, the Indian market continues to represent a significant growth opportunity for IT vendors.

“Indian businesses continue to invest in IT in order to drive operational excellence and innovation. Small and midsize businesses (SMBs) will drive the growth of various IT-related industries, with the critical involvement of value added resellers, distributors and retailers,” said Naveen Mishra, senior research analyst at Gartner.

Moreover, the report notes that India’s domestic IT services market is the fastest growing in Asia-Pacific with a CAGR of 20.2 per cent in these five years, reaching \$11.8 billion (Rs 53,690 crore) in 2012.

<http://business-standard.com/india/storypage.php?autono=334228>

Telepresence market to reach \$40 mn by 2012: report

The audio and video conferencing market in India, which has undergone a paradigm shift with the emergence of telepresence as a business solution for real time communication, is expected to grow at a CAGR of 53 per cent to reach \$40 million by 2010.

According to a survey conducted by consulting firm Zinnov Management Consulting, the market for telepresence in India is pegged as \$7.2 million at present. Improvement in broadband infrastructure, increase in travel cost, going green initiatives and globalisation are some of the key factors that would led to this growth, the report said.

Said Pari Natarajan, CEO, Zinnov Management Consulting, "The importance of telepresence needs to be reinforced through specific marketing initiatives as it is the next big wave in conferencing. Various factors like increase in broadband penetration, the rollout of 3G services, government efforts and initiatives by the BFSI IT /ITeS sectors paint a very bright picture."

The penetration of Broadband, which is the backbone for Telepresence, is growing at a rapid pace with 3.8 million subscribers in March 2008. Besides, the introduction of 3G network in the Indian market will further boost up the infrastructure and availability of high-speed bandwidth.

The report said while segments like IT and ITES would typically become early adopters of conferencing solutions including telepresence due to growth in the number of R&D captives and shared service centers, education, government and BFSI are some of the other sectors where telepresence can make strong inroads.

The government is already investing in conferencing solutions for efficient administration and reduced travel cost. Even large banks are planning to invest in conferencing to manage their widespread operations across multiple branches, states the report.

<http://business-standard.com/india/storypage.php?autono=334164>

Realty outlook positive in mid-to-long term: E&Y

Describing the current bearish trend of the real estate sector a 'transitory slowdown', consultancy firm Ernst & Young said that the outlook of the sector is still 'positive' in the medium-to-long term.

"Ernst & Young believes that the market is witnessing a transitory slowdown. However, considering the opportunities present as well as the strong economic fundamental drivers, the outlook for the mid-to-long term is positive," it said in a report released at a Ficci-organised summit.

The momentum of the market in the mid-to-long term would be sustained by the emergence of new markets, innovative products, ongoing corporatisation of the sector,

integration with global markets, greater transparency and new funding mechanisms, it said.

The real estate sector is set to grow by 100 times in the next ten years as compared with the past 10 years, though profit margin would be less, said Hiranandani Group of Companies Managing Director Niranjan Hiranandani.

<http://economictimes.indiatimes.com/Real Estate/Realty outlook positive in mid-to-long term EY /articleshow/3468362.cms>

Global shortage boosts India's tobacco exports by 33 pc

The supply crunch of tobacco in the global market spurred India's exports by 33.66 per cent to 80,571 tonne during the first four months of the current fiscal, the Tobacco Board said.

The country had shipped 60,278 tonne of tobacco in the same period last year.

"The demand for Indian tobacco increased due to a production shortfall in major growing countries such as China, Brazil and Zimbabwe," a senior official of the Tobacco Board said.

A spurt in global demand has put Indian tobacco in competitive price front also, he added.

India exports tobacco leaf as well as ready products such as cigarette, cigars, bidi and hookah. Interestingly, overseas sale of tobacco leaf surged almost 35 per cent at 70,118 tonne during April-July this fiscal compared with 52,046 tonne in a year-ago period, the Board data showed.

Tobacco products' exports also increased by 27 per cent at 10,453 tonne from 8,232 tonne, it said.

In value terms, total exports jumped by 65.31 per cent to Rs 982.87 crore during the period under review.

India with an annual production of about 700 million kilograms, exports to major markets such as Belgium, Russia, Philippines and Germany.

<http://economictimes.indiatimes.com/News/Economy/Foreign Trade/Global shortage boosts Indias tobacco exports by 33 pc/articleshow/3475562.cms>

Processed food industry likely to grow over 15%: CII

Processed food industry is likely to register a growth of over 15 per cent in 2008-09 owing to rising exports and expanding domestic market, according to the industry chamber CII.

Confederation of Indian Industries (CII) arrived at the positive growth outlook after speaking to CEOs of its member companies from the processed food industry, a release said.

Seventy-eight per cent of the CEOs attributed factors like growth in domestic market size, launch of new products and increase in exports during the current year for achieving over 15 per cent growth rate.

The companies said the pressure on their profit margins would be high due to increased cost and high interest rates. Rising commodity prices have also led to a spike in raw material costs.

However, despite the pressure on margins, there would be capacity expansion in the processed food industry, said CII Director General Chandrajit Banerjee.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Processed_food_industry_likely_to_grow_over_15_CII/articleshow/3481829.cms

Tea exports rise 19 pc in Jan-July: Official

Tea exports in the first seven months of 2008 rose 19 per cent on rising export demand due to a production shortfall in Kenya and a weak rupee, a senior official said on Tuesday. Total exports during Jan-July were 105.6 million kg, compared with 88.9 million kg a year ago. Production during the period increased 3.7 per cent to 476.6 million kg.

"It's a good year for tea exporters - a significant drop in Kenyan production is bringing in more export," said Basudeb Banerjee, chairman, Tea Board. Output in Kenya, the world's largest exporter of CTC (crush, tear, curl) tea, fell 21 per cent in the first six months of 2008 due to drought and frost in growing areas.

The east African grower estimates output in 2008 will decrease to 335 million kg from a record 369 million last year. Pakistan and Egypt are the traditional buyers of Kenyan tea, but this year India has been exporting more tea to those countries due to better domestic production.

A fall in rupee was also helping the exporters, Banerjee said. Rupee has weakened more than 11 percent in 2009. Rupee fell to near two-year lows, tracking weaker regional currencies, while lower shares triggered concern about further foreign fund outflows.

Exports from north India rose 20.4 per cent to 53.6 million kg, while that from south India increased 17.1 per cent to 52 million kg during Jan-July. Exports CTC tea mainly to Egypt, Pakistan and the UK and the premium orthodox tea to Iraq, Iran and Russia.

Area under tea plantation is estimated at about 521,500 hectares. About 130,000 growers and 1.26 million workers are associated with the industry in the country.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Tea_exports_rise_19_pc_in_Jan-July_Official/articleshow/3461794.cms

News Round – Up

Lakshmi Mittal gets Forbes Lifetime Achievement Award

Mittal gets the award at Forbes Global CEO Conference, held in Singapore and was attended by more than 450 business leaders with a combined net worth of more than 160 billion dollars from across the world.

Earlier in March this year, Forbes had named Mittal as fourth richest with a net worth of \$45 billion in its annual ranking of the world's richest billionaires.

"Mittal will receive the third Malcolm S Forbes Lifetime Achievement Award at the opening dinner tonight from Steve Forbes, Chairman & CEO of Forbes, and Editor-in-Chief of Forbes magazine," Forbes said in a statement.

"The award honors heroes of entrepreneurial capitalism and those who embody and exemplify the ideals of free enterprise," it added.

Born in Rajasthan in India, Mittal founded Mittal Steel Company (formerly LNM Group) in 1976. It later acquired numerous steel companies around the world, including the International Steel Group in the US, to become the world's largest steel producer following merger with Arcelor in 2006.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=46148>