Weekly Economic Bulletin

Date: August 26- September 1, 2008 **Issue No. 279**

Contents

News Feature

15 of world's top 20 pension funds head for India

Foreign pension funds are making a beeline for India despite the turmoil in global markets. More than 40 such funds (endowments and university and family foundations) have registered with the Securities and Exchange Board of India (Sebi) in the past seven or eight months.

The Bombay Stock Exchange's benchmark Sensex is more than 40 per cent off its peak this year. Yet out of the top 20 global pension funds, more than 15 are investing in India, according to Watson Wyatt.

Watson Wyatt estimated global pension assets at $24,932 billion at the end of last year. Even if India were to receive 5 per cent of this, it will mean a boom for Indian markets.

"From what we have learnt allocations to emerging market equities are certainly going up simply because developed markets are slowing down," said Rashmi Mehrotra, business leader at investment consulting firm Mercer, which advises pensions, endowments and charities on the relative returns of fund managers managing different asset classes.

"Pension funds want to allocate more to alternative asset classes," she added, "so when we say foreign institutional investors (FIIs) are withdrawing from India, it may not actually be pension funds because these are long-term players."

Rolls-Royce Pension Fund, Walt Disney Retirement Plan and Teachers' Retirement System of Texas are some of the top pension funds that have registered in the current year. Foundations such as Broad Foundation and Malaysian Community and Education Foundation have also found a place.

http://www.business-standard.com/india/storypage.php?autono=333138

Overseas Investment

Juniper to invest $400 mn in India

Juniper Networks, the second-largest maker of networking equipment, plans to invest $400 million in next five years in India, which is its fastest-growing region in Asia pacific. The investment will focus on its R&D activity in the country.

"The investment will be spent on research, engineering, switching products, security products. Globally our switching portfolio is largely focused here. We are also growing our sales team in Mumbai, Chennai, Delhi and other cities," Adam Judd, senior VP, Asia-Pacific, Juniper, said.

The company is focused on internet protocol (IP) solutions market in India and it is expecting major market opportunities with telecom service providers rolling out their network infrastructure. Juniper India has around 1,250 employees and has invested $200 million in the last three years.

Juniper is also seeing major opportunity in the area of 3G equipment and infrastructure mainly routers, switches, WAN acceleration and security products to major service providers.

http://economictimes.indiatimes.com/News/News_By_Industry/Cons_Products/Juniper_to_invest_400_mn_in_India/articleshow/3429266.cms

GM to invest $200 mn in Pune engine plant

General Motors (GM), the world's largest automobile maker, said that it will invest $200 million (about Rs 870 crore) in Talegaon near Pune, Maharashtra, to set up a powertrain (engine, gearbox and transmission) project.

The powertrain facility, which will have an annual production capacity of 160,000 units, is expected to begin operations in the first quarter of 2010.

This investment in Talegaon is in addition to the $300 million the auto maker has already invested for cars.

"GM's total investment in the country will go up to $1 billion. This shows our confidence in emerging markets like India," said Karl Slym, head, GM India, after signing a memorandum of understanding with the state government.

"We cannot remain a global industry leader without a strong presence in India," Slym said.

"This will enable us to capture more opportunities in one of the fastest growing vehicle markets in the world," he said.

The facility will provide jobs to about 1,400 people, said Aziz Khan, industry secretary, Maharashtra, while signing an MoU with the auto maker.

GM, which makes the Tavera, Optra, Aveo and Spark, under the Chevrolet brand, in a plant in Gujarat, will have a capacity to make 140,000 vehicles in the new Talegaon car plant, taking its India capacity to more than 225,000 units.

http://www.business-standard.com/india/storypage.php?autono=332884

Trade News

Export growth to maintain high momentum in Apr-July

The country's exports during the first four months of the current fiscal (April to July) are likely to have cranked up at a faster pace of above 35 per cent in rupee terms and above 25 per cent in dollar terms.

Thanks to the rupee depreciation vis-À-vis the US dollar that has begun in the current fiscal, Indian exports in rupee terms have been showing a salutary trend, the Commerce Secretary, Mr Gopal K. Pillai told.

He said engineering goods, auto companies and information technology companies would do well because of rupee depreciation.

However, he said, there is a definite slowdown in the US market where out of Rs 100 of exports, Rs 20 came from the US and this would now come down to Rs 15.

But this has been made good by diversifying export destination to Latin America, South East Asia and Asean region by Indian exporters in recent period.

Mr Pillai expects pharmaceutical and engineering goods would partly make up the moderation in the export of petroleum products in the wake of recent fall in global crude prices even as petroleum exports from India currently account for 10 to 12 per cent of total exports.

http://www.thehindubusinessline.com/2008/09/01/stories/2008090151540300.htm

India-Asean pact's negative list covers mostly farm goods

India's negative lists from the 10-member Association of South East Asian Nations in the proposed free trade agreement (FTA) under which no tariff concessions would be exchanged cover mostly agricultural products, processed food and fruit juices, natural rubber, textile and textile products, chemical and petro-chemical products and auto products.

Imports under these negative lists would not exceed five per cent of total bilateral imports by India with any one of the ten members. The products so covered include honey, cut flower, vegetables such as potatoes, tomatoes, onion, garlic, quail-flower, carrot, cucumber, peas, beans, coconut and cashew nut.

Fruits like bananas, pineapple, guava, mango, orange, lemon, grapes, water melon, papaya, apple cherries, grains like wheat, maize, rice, millet, groundnut, copra, oilseeds such as soyabean, cotton, sunflower, castor oil, sesamum and mustard seeds, beverages like beer, wine, whisky, rum, gin, vodka, tobacco and tobacco products, bamboo rattans, milk and milk products, fish and fish products, including tuna, shrimp, lobster and poultry and poultry products also come under the list.

All 10 members plus India would maintain negative list of a maximum of 489 tariff lines, officials in the Commerce Ministry said.

Addressing a news conference after attending the meeting of the trade ministers of Asean in Singapore, the Union Commerce and Industry Minister, Mr Kamal Nath, said that all parties have agreed to reduce/ eliminate tariffs no more than 90 per cent of tariff lines, which corresponds to about 96 per cent of total trade by various timelines.

He said a majority of trade would be by and large liberalised by 2012 with the implementation.

http://www.blonnet.com/2008/08/30/stories/2008083052251000.htm

Laos seeks Indian investment

The Government of Laos PDR is considering investment laws that would allow 100 per cent foreign equity in projects without any conditionality on the minimum amount of capital that has to be brought in, stated the country's Minister of Planning and Investment, Mr Soulivong Daravong, at an industry meet organised jointly by the CII, FICCI and Assocham.

He said investment laws were likely to be reviewed by the end of the year.

Inviting the Indian companies to invest, the Lao PDR President, Mr Chaommally Sayasone, said, "The Laos is growing at a GDP growth rate of eight per cent plus since 2006. We are aiming to graduate from the less developed country status by 2020."

The Assocham past President, Mr Govind Hari Singhania, said that India-Laos trade at $2.74 million did not reflect the tremendous potential that existed in doing business, emphasising on mining as a major area of collaboration between the two countries.

The chambers estimate that there is opportunity in drugs, pharmaceuticals, chemicals, fertilisers, hydrocarbons, food processing and two wheelers business through which Indian companies could benefit.

http://www.blonnet.com/2008/08/28/stories/2008082852161000.htm

'India, US need to increase trade scope'

India and the US should pay special attention to infrastructure, financial services, bilateral investments and renewable energy to increase trade opportunities, according to US Commercial Consul, Ms Aileen Crowe Nandi.

Though the bilateral trade between India and the US is growing by leaps and bounds and crossed $50 billion last year, there are more opportunities that need to be tapped, she said.

Speaking at a seminar on ‘Doing business with USA’, organised by Confederation of Indian Industry (CII), Ms Nandi said there are a few challenges that need to be addressed to realise the potential. A delegation on renewable energy would be visiting India next month, which would help both countries identify possibilities for cooperation.

On their experiences in doing business in India, representatives from Ford India and Caterpillar India had similar points of view. While appreciating the conducive business atmosphere, especially in Tamil Nadu, where their companies have manufacturing facilities, Mr Nigel Wark, Executive Director (marketing, sales and service) Ford India, and Mr Larry Stacker, General Manager (supply chain), Caterpillar India, expressed concern about infrastructure, rail connectivity, storage facilities in port and employable manpower. The Vice-Consul of the US Consular Office in Chennai, Mr Paul Hinshaw, said the number of visa applications has been growing at the rate of 20 per cent every year. Chennai processed the largest number of H1B (temporary worker) visas last year.

http://www.blonnet.com/2008/08/27/stories/2008082750852100.htm

Sectoral News

High interest rates pulling down property prices: Assocham

Residential sector in India has witnessed a slowdown following a spurt in property prices and spiralling interest rates on home loans by about five per cent in last four years, an Assocham study said.

"With the re-pricing of interest rates in the last four years from 7 per cent to 12 per cent and the sky rocketing prices of the property, there has been a slowdown in the residential property market," it said in a paper on Realty Check.

Expressing concern over increasing role of speculators in the real estate sector, Assocham said: "it is necessary to check the flow of speculative money."

Commenting on the home loan GDP ratio, Assocham said this ratio is stagnated between five to six per cent in the country as 90 per cent Indian borrowers are first timers, while in the US and UK the ratio was as high as 50 per cent.

High interest rates coupled with soaring property prices have only impacted the affordability of buyers, demand, however, continues to persist and would become stronger and more intense in near future, Assocham President Sajjan Jindal said.

http://www.financialexpress.com/news/High-interest-rates-pulling-down-property-prices-Assocham/354981/

Every second Indian will go mobile by 2012

With India now adding 8-10 million mobile subscribers every month, up to half the nation's population-or one in every two citizens-will own a mobile phone in India by the middle of 2012.

According to Business Monitor International, a renowned London-based research firm, 612 million mobile subscribers by 2012 will help India clock a mobile teledensity of roughly 51% by 2012. This scorching pace of growth is unlikely to falter unless the sector faces unforeseen policy disasters or if India's operators fail to roll out their networks.

International Telecom Union's (ITU) projections are in the same range. India is already the world's second largest mobile market, behind China's 500 plus million mobile subscriber base.

Increasing incomes, changing lifestyles and lower cost of technology are allowing more and more Indians to ride the telecom wave. The new numbers overtake earlier estimates, including from UBS, Citigroup and Credit Suisse, predicting a mobile population of 400-450 million by March 2010. Merrill Lynch and Lehman Brothers have been more even conservative, betting on a base of just 400 million by 2010.

However, India will reach this milestone in 2009 itself. India's mobile revolution has been a huge social leveler, with the growing number of users tying a diverse nation in a manner rarely seen before.

http://economictimes.indiatimes.com/News/News_By_Industry/Telecom/Every_second_Indian_will_go_mobile_by_2012/articleshow/3424234.cms

Outbound travel: Indians champs at globetrotting

Outbound travel from India is bucking the trend even as inflation and slowdown coupled with increasing airfares is adversely affecting domestic traffic and corporate travel.

Not only have outbound numbers grown from India, especially on short-haul routes, average spend of travellers is also going strong, as per figures for January-July period shared by various international tourism boards. According to industry estimates, the number of Indian travellers visiting foreign shores is poised to touch 12 million by end of this year, about 2 million higher than last year.

"Indians who travel abroad are the top of the pyramid. This group of travellers are not impacted by inflation or increase in air fares as they have high disposable income," says SOTC COO Sunil Gupta. For instance, Indian arrivals visiting the island country Malaysia was up 30% to 3.35 lakh in the first seven month of this year from 2.6 lakh during the same period of last year. For Singapore, the inbound figures for Indians have increased by 8% this year compared to last year. Honeymooners haven, Mauritius, received around 25,000 Indians between January and June this year, a 10% increase from the same period last year.

Even an emerging destination Korea saw an 8.5% growth in arrivals from India in the January-June period this year, compared to the corresponding period last year. Long-haul destination Finland, that is witnessing a growth rate of over 25%, expects around 62,000 Indian tourists by 2008 end.

http://economictimes.indiatimes.com/News/News_By_Industry/Services/Outbound_travel_Indians_champs_at_globetrotting/articleshow/3419770.cms

Auto parts cos pin hopes on product development, future launches

Auto component makers are not too worried about the current slowdown as their order books are overflowing with new cars being launched.

Besides, work on new product development for future models going on in full swing and capacity expansion by domestic and global automakers too is keeping their spirits high.

Auto component companies say that while sales would remain flaccid for the next few months, it was likely to be a temporary phenomenon.

"My order book is full up to 2010-11," said Mr Deepak Jain, Executive Director, Lumax Industries. The company supplies automotive lamps to various makers including Maruti, Toyota amongst others.

Similarly, Mr N.K. Minda, Chairman Minda Industries Ltd, part of the N.K. Minda Group admits "There is a slowdown. But work on product development for the future car models which would be launched in the next few months takes a lot of time, keeping us busy."

Industry officials cite a variety of reasons for being exuberant. The domestic auto component industry has matured over the years, attained more competence in cost cutting measures, product development and understanding the market, making companies better prepared to fight the current slowdown, commented Mr Jain.

http://www.thehindubusinessline.com/2008/09/02/stories/2008090251250300.htm

News Round – Up

India 3rd on commercial spend list

Annual commercial spending in India clocked $2.3 trillion in 2007, an increase of 23% from 2006, according to data released by Visa, the world's largest retail electronic payments network.

As per Visa's Commercial Consumption Expenditure (CCE) index, India was third largest nation in terms of the size of total business and government spend and the fourth fastest growing in the Asia Pacific (APAC) region.

The other top economies given the size of their commercial expenditure in the region included Japan ($5.2 trillion), China ($4.9 trillion), South Korea ($2 trillion) and Australia ($1.2 trillion).

The CCE index captures business-to-business purchases to acquire goods and services used in production, wholesale and retail purchases of final goods, business capital expenditures and government spending on goods and services.

It makes adjustments to exclude expenditures such as construction and durable defense spending. According to the report, which considered 21 economies in the APAC region as a part of the global study, commercial spending in the region grew by 13% to $18.9 trillion in 2007, while global annual commercial spending grew 12.2% to an estimated $77.3 trillion from $68.9 trillion in 2006.

http://economictimes.indiatimes.com/India_3rd_on_commercial_spend_list/articleshow/3419827.cms