

Weekly Economic Bulletin

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News Feature

FICCI asks PM not to alter stance on climate change

Industry body FICCI has asked the Prime Minister not to shift positions on climate change at the Copenhagen Summit from the original stand of fixing responsibility of cutting greenhouse gas emissions on a per capita basis.

"We are alarmed by reports that the government may change its stance on the principle that emission of all countries should converge on per capita basis.

"We strongly suggest that per capita emission remains the basis for greenhouse gas emission reduction," Ficci president Harsh Pati Singhanian said in a letter to Prime Minister Manmohan Singh and Commerce and Industry Minister Anand Sharma.

Singhanian said the Prime Minister had also supported the principle of per capita emission cuts when he spoke recently at the Delhi High Level Conference on Climate Change, Technology Development and Transfer.

<http://www.financialexpress.com/news/ficci-asks-pm-not-to-alter-stance-on-climate-change/550593/>

Gas, manufacturing power up GDP 7.9% in second quarter

Growth has returned riding on the back of natural gas and revived industrial investments.

The Gross Domestic Product (GDP) grew 7.9 per cent during July-September 2009. This has raised hopes that the growth for the full year will cross 7 per cent. Growth in the first quarter was only 6.1 per cent.

Overall, industrial output was boosted by strong growth in mining (9.5 per cent), manufacturing (9.2 per cent) and electricity (7.5 per cent) during the second quarter.

Three factors contributed to the growth in output - the stimulus packages instituted between November 2008 and March 2009, natural gas (D-6) production in the mining sector, and the revival of manufacturing sector as bank credit revived after a contraction last year in the wake of the global financial crisis.

Increases in overall gas production (as Cairn gas also started to flow alongside the D-6 output) are expected to keep the growth buoyant in fiscal 2010. The gas output is expected to add between half and one percentage point to the GDP over the next several years.

Manufacturing pick-up

Meanwhile, as investment demand returns on the back of easier and more credit, manufacturing, too, is expected to grow steadily. Last year, the sudden disappearance of both credit and demand had led to many firms postponing investment plans and reducing output.

These growth numbers could also mean that the final GDP growth number will be less dependent on the rabi crop. The 20 per cent shortfall in the kharif crop had led the Government to pin its hopes on the rabi crop.

Reacting to the second quarter GDP performance, the Union Finance Minister, Mr Pranab Mukherjee, said that the Q2 performance was satisfactory. "I do hope it will be possible to achieve 7 per cent plus GDP growth this fiscal."

The Planning Commission Deputy Chairman, Mr Montek Singh Ahluwalia, said that the earlier GDP growth estimate of 6.5 per cent for 2009-10 could be revised upwards if the growth trend witnessed in Q2 were to continue during the remaining period of the current fiscal.

Mr Mukherjee said, "It's too early to predict. But initiatives taken by Government in the form of stimulus measures have paid dividends."

These stimulus measures raised internal demand as the Government injected Rs 1.86-lakh crore into the system since October 2008 through three stimulus packages.

In the first half of the current fiscal, GDP grew 7 per cent against 7.8 per cent in the same period last year.

For the second quarter ended September 2009, the Central Statistical Organisation (CSO) put the GDP estimate at factor cost at constant prices (1999-2000) at Rs 8,34,780 crore (Rs 7,73,850 crore).

At constant (1999-2000) prices, the private final consumption expenditure is estimated at Rs 4,97,425 crore in Q2 of 2009-10 as against Rs 4,70,932 crore in Q2 of 2008-09.

<http://www.blonnet.com/2009/12/01/stories/2009120152040100.htm>

Overseas Investment

Rs 4,551-cr FDI proposals get govt nod

The government has approved 17 foreign direct investment (FDI) proposals worth Rs 4,551 crore, including that of the Federal Agency for State Property Management of the Russian Federation to buy 20 per cent stake in telecom service provider Sistema-Shyam for Rs 3,051 crore.

PepsiCo's proposal for infusion of Rs 928-crore equity into its Indian subsidiary has been referred to the Cabinet Committee on Economic Affairs (CCEA), since all proposals involving more than Rs 600-crore FDI have to be referred to CCEA.

The proposal of France-based Alstom Power Holdings', Alstom Power and Switzerland-based Alstom Technology to establish two joint venture companies in India, with 51 per cent equity in one company and 49 per cent in another, has also been referred to CCEA.

Other cleared proposals include those of Delhi-based Scorpios Beverages' which would involve Rs 533.33-crore FDI and AG Mercantile to bring in Rs 329.53 crore. Besides, the proposal of Telecom Investments India for Rs 380-crore FDI was also approved.

<http://www.business-standard.com/india/news/rs-4551-cr-fdi-proposals-get-govt-nod/378351/>

India may net \$50 b foreign investments this fiscal

Net capital inflows into India during the current fiscal will be about \$50 billion, Dr C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council (PMEAC), has said. Capital flows cover portfolio inflows from foreign institutional investors (FIIs), foreign direct investments and external commercial borrowing (ECBs).

The Council had earlier estimated net capital inflows of \$55 billion. In 2008-09, there was a net capital outflow from the economy.

"Capital flows have started picking up. Perhaps, in the second half, one would see a larger pick-up. So far the gross inflows have been \$44 billion, but we have to account for ECB repayments and outward FDI also. The total net capital inflows could be \$50 billion this year," Dr Rangarajan told on the sidelines of an OECD-India symposium co-hosted by the Organisation for Economic Cooperation and Development and ICRIER.

In his address to the symposium, Dr Rangarajan said that this increased level of capital flow was manageable and would not pose problems for the monetary authorities.

However, in her presentation, Ms Usha Thorat, Deputy Governor of the Reserve Bank of India, said that managing the capital flow is going to be a challenge in the coming days.

VOLATILE FIIs

Noting that FII inflows have been the volatile element, Ms Thorat said that in the current year so far (up to November 20) \$19 billion had come in FII through this route. In 2008-09, the net FII outflow was about \$15 billion. Inward FDI so far this fiscal stood at \$17.7 billion. It was \$35 billion last fiscal, she said.

"Managing capital flows is an important issue as large capital flows and asset prices could feed on each other and this could be destabilising," Ms Thorat said.

7 PER CENT GROWTH

Dr Rangarajan said that the economy will grow by about 7 per cent in the current fiscal. For 2010-11, the Council's forecast is 7-8 per cent. India will return to 9 per cent GDP growth levels in 2011-12 only if the world economy and world trade improve.

For the current fiscal, Dr Rangarajan said that the current account deficit will be about 2 per cent of GDP, that is, about \$25 billion. This current account deficit will be easily financed by the net capital inflows.

"After allowing current account deficit of \$25 billion, we had estimated accumulation of \$30 billion reserves. Looking at what has happened to the accumulation of reserves in the first nine months, it appears that our estimate was more or less correct. It could be somewhat less than \$30 billion. This is manageable level of capital flows. This can be managed," Dr Rangarajan said.

<http://www.thehindubusinessline.com/2009/12/04/stories/2009120451800200.htm>

Trade News

India, US to enhance investor treatment

India and the US have pledged to develop trade and economic opportunities for the two countries and educate the future generations to solve the global challenges.

"We are negotiating a bilateral investment treaty that will enhance investor treatment and protection to spur greater bilateral investment flows," the US ambassador to India, Timothy J Roemer said.

Describing Prime minister Manmohan Singh's visit to the US as a watershed movement in the course of our amazing partnership, Roemer said, "The US president Barack Obama has told Prime minister Singh of their determination to defeat terrorism together and have decided to invest in new technologies which will provide us all an environmentally-sustainable and economically bright future."

"Our new counter terrorism cooperation initiative will strengthen collaboration on counter terrorism, information sharing, and capacity building—already at unprecedented levels—and make our citizens and cities safer," he said.

The US envoy hoped that both countries would initiate landmark steps to arrest the threat of global warming and climate change through the new bilateral green partnership.

<http://www.financialexpress.com/news/India--US-to-enhance-investor-treatment/548076/>

India, Russia sign expanded N-pact

Russia and India signed an agreement to expand nuclear cooperation. They also signed three military pacts.

The umbrella civilian nuclear cooperation agreement will give India the right to reprocess spent fuel, taking the pact "far beyond the 123 Agreement" signed with the US, official sources have said. The pact with the US provides for not just termination of ongoing cooperation but also for the return to the US of already supplied components and fuel in the event of the nuclear agreement being terminated.

The Prime Minister, Dr Manmohan Singh, who ended a three-day visit to Moscow, said: "Our views are similar on global issues and our cooperation can extend to cooperation at the international level," he said. "We will be sharing intelligence and information gathering."

With this pact, the way is cleared for further Russian investment and technology transfer in nuclear energy. The US is still holding back and could thus fall behind Russia and France which are racing ahead.

Last year, India and Russia signed an agreement providing for the setting up of four more nuclear plants.

"We have decided to set a trade target of \$20 billion by 2015. We have identified the areas of energy, information technology and communications, and pharmaceuticals as the new thrust areas for cooperation," said Dr Singh.

<http://www.thehindubusinessline.com/2009/12/08/stories/2009120853290100.htm>

UK delegation reaches out to Indian companies

An arena company is planning to set up a 30,000 seater arena in Gujarat, as part of a joint venture with an Indian company. Atlantis Resources recently forged a deal for attempting to develop tidal power projects capable of generating more than 100 megawatts of power at the Gulf of Kutch.

These are a few examples of UK companies seeking to expand business relations in India. The UK Trade and Investment (UKTI) and the UK India Business Council (UKIBC) has brought in a business delegation to India to explore potential business opportunities through partnerships.

Among the sectors in focus are railways and infrastructure, education and skills, renewable energy, lifesciences, biotech and pharma.

What's more, as part of UK's efforts to reach out to various sectors in India, there is also a possibility of it opening a British Safety Council office in India to promote health and safety. Operating in 50 countries, The British Safety Council is one of the world's leading health and safety organisations and runs courses on health and safety in India.

The delegation has created a nine 'emerging cities' programme, which includes events to highlight the interest and capabilities of UK companies to work with companies in Ahmedabad. Citing the reason behind looking towards India, Vicki Treadell, British Deputy High Commissioner, Western India, said, "Britain is the third largest investor in India. Besides, in spite of being just 1 per cent of the world population, we produce 5 per cent of the world's science. It would be interesting to note that India's GDP is 7.9 per cent today from 6.7 per cent just a month ago. This is the place for us to do business, especially during the Dubai downturn time, India and UK can be the solution for each other."

Treadell also highlighted the fact that the only way for UK to recover from the slowdown is business performance. "We have reached the bottom and it may take us a little longer than our European counterparts to recover. The only sector where our government has

pumped in money is banks and the only way for us to recover is through business performance. We are also trying to create a partnership to build a supply chain between the Indian and UK small and medium enterprises (SMEs). There are a number of companies in India which are good at manufacturing, who can use our design and innovation."

The delegation also is planning to get angel investors for around 10 Indian entrepreneurial ventures.

"In April 2010, 8-10 mid-sized entrepreneurial ventures from India will be taken to UK so that they can pitch for the 50 angel investors, who can fund anywhere between 300 pounds to a million pounds. The idea is to match the sector capabilities with the sector opportunities," said Sharon Bamford, CEO of UKIBC.

UK's bilateral trade with India is worth over 12 billion pounds. UK's exports to India were up 30 per cent in 2008 to 5.9 billion while imports were up 17 per cent in 2008 to 6.2 billion pounds.

<http://www.business-standard.com/india/news/uk-delegation-reaches-out-to-indian-companies/378293/>

India emerges as UAE's top trading partner

India was the UAE's top trading partner last year with non-oil trade totalling USD 32.11 billion, the data by the UAE Ministry of Foreign Affairs has showed.

India was the UAE's top export destination with exports valued at USD 15.24 billion while the UAE's imports from India amounted to USD 16.87 billion in 2008.

India's two-way non-oil trade with the UAE jumped 53.45 per cent to USD 44.53 billion in India's fiscal year that ended March 2009, enabling the UAE to retain its status as India's largest trading partner.

China was India's second largest trading partner in 2008-09 with two-way trade valued at USD 40.61 billion. It was followed by the US with USD 38.98 billion, Singapore with USD 15.64 billion and Hong Kong with USD 13.07 billion, the data by the Indian embassy showed.

India's exports to the UAE comprise mainly petroleum products, finished precious and semi-precious jewellery, machinery, textiles, apparel and cereals. India's imports from the UAE consist primarily of crude oil, petroleum products, raw pearls, precious metals, electrical machinery and equipment and iron and steel.

<http://www.financialexpress.com/news/india-emerges-as-uaes-top-trading-partner/550367/>

Sectoral News

India's drug industry is over Rs one lakh crore

The Indian Pharmaceutical industry has become the third largest in the world in terms of volume, valued at over Rs one lakh crore, Parliament was informed.

"The Indian pharmaceutical industry, now over one lakh crore (US \$ 20 billion) industry, has shown tremendous progress in terms of infrastructure development, technology base creation and a wide range of products," Minister of State in the Chemicals and Fertilisers Ministry Srikant Kumar Jena said in the Lok Sabha in reply to a written query.

The country now ranks third worldwide by volume and 14th by value thereby accounting for around 10 per cent of the world's production by volume and 1.5 per cent by value, he added.

"Globally, it ranks fourth in terms of generic production and 17th in terms of export value of bulk actives and dosage forms," Jena said.

The industry has established its presence and determination to flourish in the changing environment, the minister said.

Indian exports pharmaceuticals to more than 200 countries around the globe, including highly regulated markets of USA, West Europe, Japan and Australia.

<http://economictimes.indiatimes.com/News/News-By-Industry/Healthcare/Biotech/Pharmaceuticals/Indias-drug-industry-is-over-Rs-one-lakh-crore/articleshow/5296971.cms>

Top cement firms post strong dispatches in Nov

The domestic cement industry has once again shown a healthy growth, thanks to the surge in demand for the building material. From the statistics of the top five cement makers, November is likely to hit a double-digit growth rate.

The Aditya Birla Group companies (UltraTech & Samruddhi), Holcim group companies (ACC & Ambuja), Shree Cement and Jaiprakash Associates have come up with positive numbers in November.

The dispatches of Birla companies were up 15.3 per cent at 2.92 million tonnes, while that of the Holcim group witnessed almost a flat growth of 0.3 per cent. This was mainly because of ACC's continuously poor performance, which saw a decline of over four per cent in its dispatches, at 1.66 mt against 1.73 mt last year in the same month.

Two northern cement majors, Shree and Jaiprakash, continued to get the benefits of high demand due to the coming Commonwealth Games in New Delhi. Shree's dispatches were up 15.25 per cent, whereas Jaiprakash crossed the one million tonne-mark, with its dispatches rising 49 per cent.

“The peak period of cement consumption has now begun. The current financial year may see the industry grow over 11 per cent,” said an analyst with a domestic broking agency.

The entire statistics of the industry are likely to be announced by the Cement Manufacturers’ Association next week.

On the Bombay Stock Exchange, cement stocks performed well and closed in the green on Tuesday. Stocks of ACC closed at Rs 807.65, up 1.4 per cent, Ambuja Rs 94.25 (2.3 per cent up), UltraTech Rs 839.15 (0.3 per cent up), Grasim Rs 2,395.90 (0.6 per cent up), Shree Cement Rs 1,810 (0.6 per cent) and Jaiprakash Associates Rs 229.10 (1.53 per cent).

<http://www.business-standard.com/india/news/top-cement-firms-post-strong-dispatches-in-nov/378338/>

Auto cos race to record monthly sales

The buoyancy in the automobile industry continues, with car makers and two-wheeler companies bettering their sales even post the festival months.

The highlight of November was Maruti Suzuki and Hyundai Motor India reporting their highest ever monthly sales at 87,807 units and 55,265 units respectively.

Maruti showed 67 per cent growth while Hyundai registered 29 per cent growth over the same month last year.

Not surprisingly, the smallcar segment continues to surge, and Maruti and Hyundai with their array of models are making the most of it.

"One noticeable thing for the car industry in November is that the A2 segment (cars of 3.5 -4 metre length) clocked sales of close to one lakh units, which is unprecedented," said Mr Shashank Srivasthava, Chief General Manager, Sales and Marketing, Maruti Suzuki.

"When talking about good numbers for November, we shouldn't forget the fact that in the same month last year it was dismally low. If we compare the sales with the November 2007 figures, the growth is only 14 per cent," he said.

While Maruti's exports more than doubled to 11,448 units, the country's largest car exporters Hyundai said overseas sales dropped 5 per cent to 27,100 units.

"The scrappage incentive scheme in many European countries came to an end and this started affecting our exports," said Mr Arvind Saxena, Senior Vice-President, Hyundai Motors India.

Tata Motors' passenger vehicles segment reported 29 per cent growth at 18,480 units, the highest for any month this fiscal. The company delivered 3,406 Nanos in November.

At Mahindra & Mahindra, the top utility vehicle maker, sales doubled to 15,193 units. Meanwhile, auto companies are hiking prices on account of rising raw material costs.

"There continues to be pressure on costs due to commodity prices, yen appreciation and BS IV compliance for our range of vehicles. Currently we haven't decided on the price increase," said Mr Mayank Pareek, Executive Officer, Marketing and Sales, Maruti Suzuki.

TWO-WHEELERS

In the two-wheeler segment, market leader Hero Honda's sales crossed the 3 lakh mark for the 11th consecutive month. It reported 32 per cent growth to post sales of 3.81 lakh units. Its closest rival Bajaj Auto has not released its figures. TVS Motor showed 23 per cent growth at 1.2 lakh. Suzuki Motorcycles sold 14,745 units

<http://www.thehindubusinessline.com/2009/12/02/stories/2009120253800100.htm>

STPI exports log 10% growth in first half

The country's IT exports under the Software Technology Parks of India (STPI) scheme logged an estimated Rs 83,436 crore in the first half of the current financial year, with Bangalore accounting for over 30 per cent of the total export basket.

"At this point, the STPI exports have shown over 10 per cent growth over the year-ago period," Mr N Krishnan, Director-General, STPI, told Business Line.

According to the data collected by STPI from its various jurisdiction sites, Bangalore is estimated to have clocked Rs 25,523 crore in IT exports, with Maharashtra fetching Rs 19,739 crore and Hyderabad at Rs 15,800 crore in first half. Exports from Noida location stood at Rs 10,910 crore, with Chennai following closely at Rs 7,505 crore.

Among other centres, Guwahati is expected to have clocked exports of Rs 3,029 crore, while for Gandhinagar and Thiruvananthapuram are pegged at Rs 492.30 crore and Rs 438.30 crore, respectively.

The figures available also point out that the IT exports under Special Economic Zone (SEZs) in the same locations stood at a cumulative Rs 9,682.74 crore.

For the last fiscal (FY09), exports under the STPI scheme were at Rs 2,07,358 crore, nearly 15 per cent higher than FY08.

The STPI exports stood at Rs 1,80,155 crore in FY08.

According to the official statistics, besides the STPI scheme, as much as Rs 17,698 crore of IT exports is estimated to have been logged by SEZ units in FY09, compared to Rs 5,618 crore a year ago.

New centre

Meanwhile, STPI is all set to launch a new centre in Bahrampur, Orissa.

The STP unit would come with 10,000 square feet of space.

This will be the third centre in Orissa after Bhubaneswar and Rourkela, Mr Krishnan pointed out.

In the Union Budget presented in July, the Government had extended the sunset clause for the Income Tax holiday under Section 10A/B by one year, allowing the IT companies a breather till March 2011.

Besides the tax holiday, STP scheme also allows other benefits such as a single-window clearance and 100 per cent Customs duty exemption on imports of capital equipment among others.

<http://www.thehindubusinessline.com/2009/12/01/stories/2009120151740400.htm>

Iron ore exports more than doubled to 9.3 mn tonne in Oct

India's iron ore exports more than doubled to 9.3 million tonne in October this year as compared to 4.4 million tonne in the same month a year ago on the back of increase in demand from Chinese steel producers, as per a joint study by a group of iron ore exporters.

Iron ore is a key input in steel making. The country's iron ore exports during April-October period grew 20% over the year ago period to 53 million tonne, as per the study conducted jointly by Goa Mineral Ore Exporters Association, Kudremukh Iron Ore Company and government owned trading house MMTC.

India produces close to 200 million tonne of iron ore every year, half of which is exported. Around 80% of the country's ore exports go to China, while the rest goes to Japan and Korea.

Top iron ore exporters in the country include Sesa Goa, MSPL, Roongta Mines, Chowgule and Mineral and Metal Trading Corporation.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Iron-ore-exports-more-than-doubled-to-93-mn-tonne-in-Oct/articleshow/5296648.cms>

News Round-Up

Goldman sees India's real growth at 8.2%

India's real GDP growth in the financial year 2010-11 is likely to be 8.2 per cent, on the back of acceleration in domestic demand, especially infrastructure-led investment, Goldman Sachs said in a report.

"We forecast real GDP to grow by 8.2 per cent in FY11 and 8.7 per cent in FY12, on the back of an acceleration in domestic demand," the report said.

Reforms in infrastructure, fiscal, and financial sectors by the respective policymakers would also be critical for the country to return to the high growth path, it said.

The WPI-based inflation, which has started inching up now, is likely to go to 6.5 per cent by March, 2010 due to rising food and commodity prices, the report said.

Goldman Sachs also forecast the Reserve Bank to hike its policy rates in 2010, starting in January, by hiking repo and reverse repo rates.

Goldman expects 300 basis points of effective policy tightening starting in January with the Reserve Bank hiking the repo and reverse repo rates, according to the report.

This will constitute a removal of monetary accommodation (by the central bank) and moving rates to neutral, it said.

<http://www.financialexpress.com/news/goldman-sees-indias-real-growth-at-8.2/550016/>

The world banks on India: Robert Zoellick

Robert Zoellick has seen a lot change over the course of a long career, first in the US government, now as the World Bank president. But World's top tax havens perhaps the most startling change is in the way the world views India.

“The outside world’s image of India now is of cutting-edge competitive companies that are going to take jobs away from the developed world. I get more and more voices coming from Europe and North America saying, ‘Why should we give money to India when they’re going to be a threat to our businesses?’ I have to constantly explain the huge income diversity of India and the fact that a lot of development work still needs to be done,” he chuckles.

Zoellick also dwelt on how the growing strength of India-US ties has proved helpful to him. “I’m eventually going to have to go to the US Congress to seek its support for an increase in the World Bank’s capital. I spoke to the Confederation of Indian Industry and said, ‘Maybe you can help me because I know there’s a strong India Caucus in Washington. Together we can make a case that an increase in the Bank’s capital would help India’s development’.”

Wrapping up a four-day visit to the country, Zoellick praised India’s “strong crisis management” and said it was playing an important role in leading a global recovery. “We all look to India now as a rising global economic power and in our interconnected world it has played a helpful role over the tough moments of the past year,” he said.

<http://economictimes.indiatimes.com/articleshow/5303119.cms>