Weekly Economic Bulletin

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News Feature

IIP up by robust 10.3 pct in October

The industrial output rose 10.3 per cent in October from a year earlier, matching market forecast, helped by stimulus measures and robust domestic demand, data showed.

Manufacturing production rose 11.1 per cent in October from a decline of 0.6 per cent a year earlier.

September's annual industrial growth rate was revised up to 9.6 per cent from 9.1 per cent previously.

Industrial output rose 2.6 per cent in the 2008/09 fiscal year (April-March), slower than 8.5 per cent in 2007/08 as the global economic downturn hit Asia's third-largest economy.

http://www.financialexpress.com/news/iip-up-by-robust-10.3-pct-in-october/552948/

India Inc rides recovery wave, raises $16.7 bn in Apr-Dec

Despite poor participation from retail investors, India Inc raised $16.7 billion (Rs 78,000 crore) through equity issues in the first eight months of the current fiscal, five times that in the entire financial year ended March 2009, as foreign investors returned and companies resumed expansion activities.

The pick-up in fund-raising coincided with the economy showing clear signs of revival and the sharp rebound in stock market valuations after they hit a low in early March.

However, the amount raised so far in the current fiscal is still far lower than in the corresponding period of 2007-08, a boom year for the stock markets. India Inc raised Rs 125,526 crore between April and November 2007.

Overall fund-raising through equity and equity convertible financial instruments in the April-November 2009 period was led by a surge in overseas issues and a rush by companies to issue fresh shares to institutional investors through qualified institutional placement (QIP).

Total funds raised through overseas issues, including equity and equity convertible bonds, totalled Rs 27,745 crore across 28 issues in the first eight months of the current fiscal, as compared to just Rs 945 crore during the whole of 2008-09, data compiled by Prime Database show.

In the same period, QIP issues also soared to an all-time high with firms across sectors raising Rs 31,292 crore as against a mere Rs 188 crore during FY09. The sharp increase in QIPs is linked to the rise in stock market valuations as institutional investors flush with liquidity returned to fund expansions and new ventures of companies. The benchmark 30-stock index Sensex has doubled since April this year.

"Corporates are increasingly using the QIP route to fuel growth as the cost and time of transactions is lesser than that of public issues," said Manish Sonthalia, a portfolio manager at Motilal Oswal Financial Services.

Fund-raising by companies coming through public issues also jumped eight times to Rs 15,981 crore through 16 initial public offer (IPO), besides one follow-on public offer (FPO). Many firms, including those in power, real estate and infrastructure, are in the queue to float their IPOs.

However, the IPO market has not taken off in direct proportion to the revival in the capital market, specially when compared to the boom year 2007-08. So far this fiscal there have been 19 IPOs while in 07-08 the number was much higher at 67.

"The vibrancy of the primary market is linked to the buoyancy in the secondary market. IPOs cannot happen when the secondary market is giving out signs of nervousness and volatility," said Prithvi Haldea, CMD, Prime Database.

The lack of confidence among retail investors could also explain why fund-raising through rights issues has floundered this year. As against rights issues that scooped up Rs 10,612 crore in the April-November 2008 period, companies have raised just Rs 2,986 crore this year.

http://economictimes.indiatimes.com/news/economy/indicators/India-Inc-rides-recovery-wave-raises-167-bn-in-Apr-Dec/articleshow/5324523.cms

Overseas Investment

Forex reserves up $651 million

India's foreign-exchange reserves climbed $651 million to $287.4 billion in the week ended December 4, helped by an increase in gold reserves, the central bank said.

The nation's gold reserves rose $682 million to $18.2 billion, the Mumbai-based Reserve Bank of India said in an e-mailed statement. Foreign-currency assets fell $22 million to $262.4 billion. India's special drawing rights with the International Monetary Fund fell $7 million to $53 billion, while its reserves with the IMF fell $2 million to $14.6 billion.

The change in foreign-currency assets is partly because of changes in the value of the dollar against the euro, yen and other currencies during the period, the central bank said.

Total reserves jumped $41.5 billion in the past year, the bank said. The assets comprise overseas currencies, gold and special drawing rights with the IMF.

India's rupee pared earlier gains after a government report showed industrial production increased less than economists estimated in October.

The rupee traded at 46.55 per dollar compared with the day's high of 46.49. The yield on the 6.9 % note due July 2019 rose four basis points to 7.58 %, its highest closing level since the bond began trading, according to the central bank's trading system. The price fell 0.25, or 25 paise per Rs 100 face amount, to 95.45. A basis point is 0.01 percentage point.

India's 10-year bonds declined for the third straight week on speculation the fastest increase in food prices in 11 years will prompt the central bank to raise interest rates. Yields rose to near the highest level in more than a year after a government report showed on Thursday wholesale food prices soared 19.05% in the week ended November 28 from a year earlier.

Bonds also fell as a separate report showed that industrial production accelerated. "Although the industrial output growth was a little less than expected, when you look at it in conjunction with yesterday's inflation figure, it seems a rate increase is on the cards," said Sanjay Arya, treasurer at state-owned Bank of Maharashtra in Mumbai.

http://www.financialexpress.com/news/forex-reserves-up-651-million/553116/

100 pc FDI allowed in renewable energy sector: Abdullah

Government said 100 per cent Foreign Direct Investment (FDI) was allowed in the renewable energy sector and a conducive policy has been put in place to attract foreign companies in the sector.

"100 per cent FDI is allowed in renewable energy sector and structures have been put in place to facilitate power trading, open access etc," New and Renewable Energy Minister Farooq Abdullah said in reply to a Rajya Sabha query.

He added, the Government had approved a generation-based incentive scheme in wind power projects especially for the foreign investors, who cannot avail benefits of the accelerated depreciation, available to domestic investors.

Replying to another query, the Minister said over two million solar energy-run appliances have been distributed or installed across the country under the solar energy programme.

"About 7.7 lakh solar lanterns, 5.1 lakh solar home lighting systems, 82,500 solar street lighting system, 7,247 solar water pumping systems, stand alone and grid-connected (SPV) power plants and 6.57 lakh solar cookers have been distributed or installed in the country till November 30 this year," Abdullah said.

He added that presently the solar energy systems were not commercially viable due to their initial high costs and the Ministry has been providing various fiscal and financial incentives for promoting these systems.

http://economictimes.indiatimes.com/news/economy/finance/100-pc-FDI-allowed-in-renewable-energy-sector-Abdullah/articleshow/5337431.cms

Trade News

India, Italy trade likely to touch $17.5 bn in 5 yrs: FICCI

Indo-Italian bilateral trade is expected to double to 12 billion Euro ($ 17.5 billion) in the next five years, FICCI said ahead of the India-Italy Business Forum meetings in New Delhi and Mumbai.

"With deeper business engagement, trade between the two countries is expected to double to 12 billion Euros in the next five years," industry chamber FICCI said.

The volume of Indo-Italian bilateral trade was 6.5 billion Euros (about $ 9.5 billion) in 2008.

An Italian business delegation led by Italian Minister for Economic Development and Foreign Trade Claudio Scajola will be in India for the meeting next week.

Commerce and Industry Minister Anand Sharma is expected to address the meetings in Delhi and Mumbai, FICCI said.

At the Delhi meeting FICCI in association with Yes Bank will be launching a report titled 'India- Italy: New Perspectives for Partnership,' the chamber said.

The report notes that as in any fledging relationship, Indian and Italian companies will face a host of challenges in doing business with one another.

"Apart from the institutional, regulatory and policy challenges, Indian companies will have to contend with the higher operating and workforce costs in Italy, stringent labour regulations, an ageing workforce...," the report says.

At the Mumbai Business forum, Tata Group Chairman Ratan Tata will be awarded the 'Grand Officer' rank of the Order of Merit of the Italian Republic.

http://economictimes.indiatimes.com/news/economy/indicators/India-Italy-trade-likely-to-touch-175-bn-in-5-yrs-FICCI/articleshow/5332815.cms

India, Australia wrap up free trade pact feasibility study

India and Australia have wrapped up the feasibility study on the proposed Free Trade Agreement (FTA) between the two countries. This sets the stage for commencement of negotiations for the bilateral trade pact.

“The (feasibility) study has been completed on the FTA,” Australia's Trade Minister, Mr Simon Crean, told visiting journalists here.

In fiscal 2008-09, India was Australia's fastest growing trade partner, with two-way trade up 55 per cent at $21.7 billion. This is expected to see a jump once the FTA is in place, with increased market access for products and services from both countries.

“Australia and India are natural economic partners and have a strong and growing trade and investment relationship... The Australian Government is committed to taking Australia's relationship with India to a higher level,” Mr Crean said.

He said that India has consolidated its position as one of Australia's most significant economic partners. Australia's exports of gold, coal, copper, wool, education services, and construction and industrial services form key inputs for Indian export, business and infrastructure requirements.

Expanding operations

“While energy and mineral resources will be the building blocks of the trading relationship, emerging areas for engagements include biotechnology and communications. Trade in services is an increasingly critical part of the bilateral relationship... Tourism links between Australia and India are also growing rapidly,” he added.

In line with the increasing importance to Australia's engagements with India, underscored by nearly a dozen high-profile visits by leaders from both sides during the last one year, the former has already announced the opening of five new Austrade offices in India. It has also announced the expansion of three existing operations, bringing the network in India to 11 offices.

Austrade's expansion will mean Australia will have the largest trade promotion network in India of any foreign country: more than Canada, which has eight offices, and the US with five.

http://www.thehindubusinessline.com/2009/12/08/stories/2009120853081500.htm

East European nations woo India Inc

East European countries expect a big surge in investment by India in the region. European Bank for Reconstruction and Development (EBRD) business group director-infrastructure Thomas Maier said, “Indian companies will make up a significant share of the expected 4 billion euro investment that eastern Europe will get in 2010. This region needs Indian Inc's contribution for its development and EBRD is playing an important role in facilitating this development.”

Overall investment from Indian companies in the eastern Europe at $44 million as on date has been very small. EBRD is currently discussing specific investment contracts with Indian companies for the eastern Europe. Indian companies have got special expertise not only in physical side of investment, but also in overcoming institutional difficulties, like bureaucratic hurdles which is experienced in emerging markets, he added.

Eastern Europe will become more attractive market for Indian companies because there is a match between capabilities of Indian companies and the needs of Eastern European markets. The region is expected to recover to a 6% GDP growth, from the current level of negative growth, within next one year. "For example, Indian construction companies have a competitive edge in pricing. EBRD has invited exposure to the real estate in the region. It may take some time for recovery in Eastern European market , but there is a market of

450 million consumers in the region which is highly attractive for Indian companies, he said.

The Eastern European markets are having too little supply of services and goods. There is a huge demand for products ranging from white goods to cars in the region, he said . Some of the Indian corporate houses that have shown their interest in investing in Eastern Europe include Span Consultants, Intercontinental Consultants and Technocrats, ICRA and Cranes Software.

Indian banks are also gradually increasing their trade finance exposure for the region. There are eight Indian banks participated in three transactions in the total amount of euro 240,000 so far. The country's largest lender, State Bank of India has contributed to the tune of euro 902 million as on October, 2009. Similarly, there have been 83 export transactions by the Indian companies which are valued at euro 12.2 million financed since 1999.

http://www.financialexpress.com/news/east-european-nations-woo-india-inc/551078/

Indo-Russian trade and economic relations need a new vision

Indo-Russian trade and economic relations seem to be the weakest link in the whole gamut of our growing and vibrant strategic partnership. Former Soviet Union was India's largest trade partner, and India its largest trading partner in the developing world for years. However, market reforms and structural changes, coupled with the elimination of state monopoly in foreign trade following the break-up of the Soviet Union, dealt a heavy blow to Indo-Russian trade. Trade nosedived and then hovered around at $2-3 billion for more than a decade until 2006. However, the two-way trade volume started picking up fast, particularly since 2007 and crossed the $8-billion mark in 2008, generating the hope that the $10-billion bilateral trade target can be achieved by 2010.

While the Soviet share in Indian foreign trade was almost 9% and India's share in Soviet foreign trade was close to 4%, the present situation is grim with India and Russia contributing less than 1%to each other's trade volumes. This obviously does neither reflect each other's economic potential nor is it commensurate with our thriving bilateral political cooperation.

Another issue of concern for both countries is the narrow base of the export baskets dominated by few traditional commodities. While India's export basket to Russia is dominated by medicine, traditional agricultural goods like tea, coffee and spices, consumer goods like textiles, garments and leather, Russian exports to India are dominated by products like, metal, fertiliser, newsprint and machinery. Both countries need to diversify their export baskets.

http://www.financialexpress.com/news/indorussian-trade-and-economic-relations-need-a-new-vision/551575/

Sectoral News

Home textile exports shoot up 20%

Over the past couple of months, home textile exporters are witnessing a 15-20% jump in their volumes from the US and the EU. These markets typically offer higher profit margins.

India has emerged as the second-largest supplier to these markets after China. The home textile business consists of bed and bath linen, curtains, towels and mats. The US and Europe are the biggest export markets for Indian companies as they ship over 80% of their home textile products to these markets. Following the surge in demand, large players, such as Welspun India, Alok Industries, Abhishek Industries, say their order books are full for the next year.

The recent global meltdown has led to many home furnishing manufacturing units across Europe and the US shutting shop. That has now improved with some revival ahead of Christmas and the New Year. The global home textile business, which is estimated to be worth $10 billion, is expected to grow to $23 billion by 2010.

According to Welspun India, the country's largest exporter of home textile, its order book has grown significantly. "The demand from the West has increased by around 30% as compared to last year. Buyers' renewed focus on inventories and a cut on anti-dumping duty by the EU have supported the local exporters," said Akhil Jindal, director of Welspun Group.

Alok Industries, the country's second-largest exporter, has seen a sales growth of 47% to Rs 312 crore in the home textile business for the first half of the current fiscal, as compared to Rs 212 crore for the same period last year. The company says its order book is full for next 8-10 months. On account of lower material and labour costs, countries such as India, China, Pakistan, Bangladesh and Sri Lanka are scoring over their counterparts in the West.

With rising demand, Indian players, apart from looking at contract manufacturing and acquiring global brands, are also expanding their retail presence in overseas market. For instance, Alok is looking to expand its retail chain Home & Apparel. "We have planned to scale up our number of stores from existing 200 to 250 by the end of 2010," said Sunil Khandelwal, the company's CFO.

http://economictimes.indiatimes.com/news/economy/foreign-trade/Home-textile-exports-shoot-up-20/articleshow/5328745.cms

Exports worth Rs.90, 000 cr from SEZs in January-June

The 101 special economic zones (SEZs) operational in the country recorded exports worth Rs.90,000 crore in the first six months of the year, Commerce Minister Anand Sharma said in the Rajya Sabha.

"The SEZs recorded exports of Rs.100,000 crore last (calendar) year. In the first six months of this year, they recorded exports of Rs.90,000 crore," Sharma said during question hour in the Rajya Sabha.

"Approval in principle has been accorded for 570 SSEZs and 101 are operational. Physical exports constitute 89 per cent of their turnover," Sharma said. "SEZs help in attracting investments and new technology."

Replying to a supplementary on the monitoring of SEZs, Sharma said: "There is a regular review of their functioning. The development commissioners have to give quarterly reports and there are penal provisions if there are violations of policy."

http://economictimes.indiatimes.com/news/economy/foreign-trade/Exports-worth-Rs90000-cr-from-SEZs-in-January-June/articleshow/5319016.cms

Car sales jump 36.7%, bikes up 42.4% in Nov

Domestic passenger car sales jumped 36.7 per cent to 1,13,687 units in November, the Society of Indian Automobile Manufacturers (SIAM) said.

The passenger car sales stood at 83,121 units in the same month last year.

According to the data released by the Society of Indian Automobile Manufacturers (SIAM) today, motorcycle sales were up 42.4 per cent at 6,14,274 units in November compared to 4,31,171 units in the same month a year ago.

The total two-wheeler sales in November surged by 39.3 per cent to 7,90,613 units from 5,67,502 units in the same period last year.

The sale of commercial vehicles almost doubled to 40,874 units in the last month compared to 20,631 units in the corresponding period last year, SIAM said.

The total sales of all vehicles across categories rose by 45.7 cent to 10,37,133 units in November this year, compared to 7,11,363 units in the same month last year, it added.

http://www.financialexpress.com/news/car-sales-jump-36.7-bikes-up-42.4-in-nov/551425/

Pvt hospital sector may touch Rs 2 lakh cr: Study

The private hospital sector is expected to touch USD 45 billion (around Rs 2,00,000 crore) in the next three years riding on growth in Tier-II and Tier-III cities, a study said.

The size of private hospital sector at present is USD 22 billion, according to a joint study by Assocham and Yes Bank.

"Investments by private players in Tier II and Tier III cities are increasingly getting momentum, with rising income levels and exposure to international standards of quality in these cities. Therefore, the sector is expected to rise exponentially," Assocham President Swati Piramal said.

The survey said private healthcare sector is poised to be a key contributor to the healthcare industry with substantial private equity investments.

Further, it said, the Indian diagnostic and pathology services contribution to healthcare industry may touch USD 2.5 billion by 2012 against USD 1.2 billion in 2008-09.

Several key players in diagnostic and pathology services have proposed significant investments for expanding in Tier II and Tier III cities, the study said.

Dr Lal PathLabs plans to scale up to a size of 50 laboratories with 1,000 collection centres in the next five years with an investment of Rs 35 crore. Piramal Diagnostics plans to invest Rs 100 crore to add 10-15 laboratories by 2012 and increase the number of collection centres to one thousand with an increased focus on Tier II and III towns.

http://www.financialexpress.com/news/pvt-hospital-sector-may-touch-rs-2-lakh-cr-study/553583/

Apr-Nov turnover up 43%

The turnover of 23 commodity exchanges in the country surged by 42.63% to Rs 47, 29,971 crore till November this fiscal on the back of significant improvement in agricultural and other commodities and also because of good turnover in India ‘s newest commodity futures exchange, ICEX.

ICEX clocked a turnover of Rs 2,559 crore in just four days after it went live on November 27, the market regulator FMC said.

The exchange has made maximum business in gold at Rs 1,093 crore, followed by crude oil (Rs 656 crore), copper (Rs 457 crore) and silver (Rs 323.42 crore) in the first four days, FMC said.

Meanwhile, total turnover of commodity exchanges has increased to Rs 47,29,971 crore during the April-November period from Rs 33,16,206 crore in the same period last year.

Over 90% growth in agricultural and other commodities segment has pushed up the total turnover figures in the review period.

During April-November period, business from agriculture was to the tune of Rs 7, 66,133 crore, while from other commodities like energy was Rs 21, 38,796 crore, FMC said. Bullion turnover stood at Rs 1,825,041 crore in the review period, it added.

In the second fortnight of November, the turnover of the leading exchange MCX stood at Rs 3, 33,879 crore, according to the FMC, which releases the trade data every fortnight. The total business at the leading agri-commodity exchange NCDEX and NMCE was about Rs 58,122 crore and Rs 10,199 crore respectively. New exchange ICEX made a business of Rs 2,559 crore in just four days after it started trading operation on November 27.

Among the regional bourse, Indore-based National Board of Trade, which trades in soya oil, made an impressive business of Rs 2,937 crore during November 16-30.

http://www.financialexpress.com/news/aprnov-turnover-up-43/551631/

News Round-Up

Indian employers most optimistic about hiring staff: Manpower

A new survey undertaken by Manpower Inc, a world leader in the employment services industry, found that Indian employers are most optimistic about adding staff. As per the global Manpower Employment Outlook Survey results, job seekers across most of the Asia-Pacific region should start the new year with employment opportunities similar to those seen prior to the global downturn. Significantly, Indian employers are reporting the strongest hiring plans globally.

“Data results from Asia-Pacific confirm the progress toward recovery we began to see in the final quarter of 2009. It indicates most labour markets should turn the corner across the region with employers expecting hiring to return to a pre-recession pace. And, while the global market remains difficult, in the US and Europe, we are seeing limited but continued positive signals,” said Jeffrey A Joerres, chairman and CEO of Manpower Inc.

“We have yet to see the robust hiring intentions we have seen in past recoveries. However, we are seeing clear signs of improvement. An increase in job prospects also means that companies will need to ensure they strengthen their employer brands, as companies will now start to experience higher attrition based on an improving employment outlook,” he said.

Meanwhile, employment prospects in America remain muted, but have generally improved from past three months. In the US, employers are more optimistic than three months ago, but are still forecasting the weakest first-quarter hiring pace since 1982. Across Europe, hiring sentiments are mixed with employers in eight countries, indicating modest improvements compared to three months ago.

http://www.financialexpress.com/news/indian-employers-most-optimistic-about-hiring-staff-manpower/553637/