

Weekly Economic Bulletin

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News Feature

India invited for G20 meet on global crisis

Prime Minister Manmohan Singh is among the top world leaders who have been invited for the Second G20 Summit to be held in April, which will discuss ways and means to reinvigorate growth in the wake of the global economic crisis.

British Prime Minister Gordon Brown, whose country will host the global economic summit, has sent formal invitations to the world leaders.

"The global economic challenges we face need to be met with decisive action if we are to secure jobs, restore confidence and reinvigorate growth," Brown said.

Besides leaders from G20 nations, Chair of the New Partnership for Africa's Development (NEPAD), the Chair of the Association of South East Asian Nations (ASEAN) and the President of the EU Commission have also been invited for the summit to be held on April 2.

The Chairman of the African Union Commission will also attend. This is the second meeting of the grouping after the one in Washington on November 15 hosted by the then US President George W Bush.

"To be effective in addressing this global crisis we have to bring in partners from across the world. For that reason I have issued invitations to the leaders of G20 countries and the Chairs of NEPAD, ASEAN and the African Union will ensure their interests are not forgotten and their voices are heard," Brown said.

<http://www.financialexpress.com/news/india-invited-for-g20-meet-on-global-crisis/426481/>

India likely to grow 7% next fiscal: Montek

The Indian economy is expected to grow at least 7 per cent in the next financial year on the back of stimulus measures taken by the Government, Planning Commission Deputy Chairman Montek Singh Ahluwalia said.

"The world economy expects a recovery in the second half of the next fiscal... In the coming year, India's growth will be at least seven per cent," Ahluwalia told.

"Compared to other countries, we are doing reasonably well... we are growing below our potential... many sectors are feeling the pain. Right now, the foremost challenge is to restore the growth momentum of the economy," he said.

In the second-half of the current fiscal, the economy would have grown at around 6.5 per cent and the growth is likely to be better next year, he added.

<http://economictimes.indiatimes.com/News/Economy/Indicators/India-likely-to-grow-7-next-fiscal-Montek-/articleshow/4165749.cms>

Overseas Investment

Govt looking at plans to allow FDI in aviation: Patel

Civil aviation minister Praful Patel said the government is examining the proposal of allowing foreign direct investment (FDI) by foreign carriers into domestic aviation sector. At present, foreign equity up to 49% and non-resident Indian investment up to 100% is allowed in domestic carriers. But equity investment from foreign airlines, either directly or indirectly, is prohibited.

Patel's statement comes at a time when most airlines are finding it difficult to meet their capital and working capital requirements as banks and financial institutions are reluctant to lend funds to the sector in the absence of visibility for sustained cash flows. Airlines had, therefore, requested the civil aviation ministry to consider allowing foreign airlines to invest in domestic carriers.

<http://www.financialexpress.com/news/govt-looking-at-plans-to-allow-fdi-in-aviation-patel/426161/>

DIPP recommends changes in FDI norms for real estate

The Department of Industrial Policy and Promotion (DIPP) has recommended relaxation in foreign investment rules in the real estate sector in a bid to facilitate cash-strapped realtors get overseas funds.

The DIPP is backing changes in rules to facilitate foreign direct investment (FDI) in real estate projects that are not FDI-compliant, according to sources.

DIPP members who are part of the Foreign Investment Promotion Board (FIPB), in a meeting held on January 22, were of the view that in light of the current liquidity crunch, some leeway was required for the sector. The DIPP has directed that the matter be examined expeditiously.

At present, FDI in the sector is allowed only in partially completed and greenfield projects. There are also area specifications that developers have to comply with.

The DIPP is also examining the approach to be adopted in case of requests for receiving FDI by real estate companies that are engaged in various projects, not all of which are FDI-compliant according to Press Note 2 (2005) and which cannot be hived off.

Unitech has approached the FIPB for raising up to Rs 5,000 crore through global depository receipts. Unitech's 10 per cent projects are not FDI-compliant. If the DIPP allows real estate companies to get FDI in non-compliant projects, it will help Unitech raise money without difficulty.

<http://www.businessstandard.com/india/news/dipp-recommends-changes-in-fdi-norms-for-real-estate/01/21/349500/>

Foreign trade norms may be relaxed

Exporters, dismayed by lack of any substantive stimulus package, could heave a sigh of relief as the Union Commerce and Industry Minister, Mr Kamal Nath, might unveil an interim Foreign Trade Policy (FTP) for 2009-10 either on February 26 or 27, putting in place procedural simplifications to address their hassles.

Commerce Secretary, Mr Gopal K. Pillai, said, “there won’t be any financial or policy changes, but some 20 to 30 different procedural changes and simplifications would be announced. But, any further concessions to exporters will come only when the Finance Minister gives reply to the debate on the Interim Budget in Parliament early this week”.

By the end of this week, exporters would know everything and later the model code of conduct will be in place, he added, hinting at the constitutional barriers to the Government from undertaking any major policy initiatives.

Implementation the key

Mr Pillai said he still believes that the real effect of the two stimulus packages would be felt once they get implemented on the ground. The credit concession given in terms of pre-shipment and post-shipment and dollar financing, when implemented by the banks, would give the real booster dose to the exporters than any new package or modifications to the extant policy, he maintained.

He said April-June of the next fiscal is going to be crucial as other countries’ stimulus measures would start yielding results with orders for exporters materialising when the credit system in developed countries too start functioning.

Credit facility

On credit availability to exporters at affordable terms, Mr Pillai hoped that the apex bank will take a view as the SBI has frozen auto loans at 10 per cent. He said while exporters with interest subvention get credit at 7 per cent, in some cases, it is as high as 11 per cent and “we are disappointed with private and foreign banks which looked after their interests and not the interests of exporters even partially”.

Asked about the duration of the 2004-09 FTP, which has been extended till end-December 2009, Mr Pillai said that even the current policy fell on the cusp period between the present Government and the next as in 2004. As a result, the FTP for 2009-14 could be set off only in June.

<http://www.thehindubusinessline.com/2009/02/23/stories/2009022351270100.htm>

Trade News

India may sign trade pact with 5 African nations by 2009-end

India and the five-nation South African Customs Union (SACU), a regional sub-group of African countries, are likely to sign a preferential trade agreement by the year-end, an official of South Africa High Commission said.

"By the end of 2009, we should be close to signing of the PTA between India and its southern African customs union partners," Counsellor in the High Commission Jardine Omar said.

A framework agreement has already been signed between the two parties, he told.

"PTA is the first step. Once it is signed, the progression is to move towards FTA which encompasses services and investment," he said.

Under the PTA, South Africa, Botswana, Lesotho, Namibia and Swaziland (SACU nations) and India would be lowering tariffs on certain products.

Meanwhile, South African High Commissioner to India Sehloho Francis Moloji said South African company Sasol would be showcasing technology to convert coal into gas and liquid forms at the four-day International Engineering and Technology Fair scheduled in Bengaluru from February 23.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/India-may-sign-trade-pact-with-5-African-nations-by-2009-end/articleshow/4151438.cms>

Canada seeks comprehensive trade pact with India

Faced with the global economic slowdown, Canada is seeking Indian investments, touting its newly-liberalised rules. It has also called on the Indian government to start talks on a comprehensive trade agreement.

"My basic message to Indian companies is that Canada is open for business," Canadian Industry Minister Tony Clement during a five-day trip to India. He met Commerce Minister Kamal Nath and Communications and IT Minister A Raja.

Clement's visit comes only days after he unveiled major changes in investment rules to make it easier for foreign companies to invest in Canada. He is the fourth Canadian minister to visit India in the space of about a month.

The current value of bilateral trade between Canada and India is just about \$4 billion, but Clement asserted this was "going to increase".

He cited the recent visit by his cabinet colleague, International Trade Minister Stockwell Day, who led a delegation that included several companies working in the civil nuclear energy sector. "That is a clear site where there could be great synergies," said Clement.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Canada-seeks-comprehensive-trade-pact-with-India/articleshow/4148056.cms>

India, New Zealand to begin talks on FTA soon

India and New Zealand would kick start negotiations soon to give an early impetus to the process of Free Trade Agreement (FTA) — as the joint study group commissioned by them highlighted the need for tapping the full bilateral trade potentials to the hilt.

Announcing this at a joint news conference with the visiting Trade Minister of New Zealand, Mr Tim Groser, the Union Minister of Commerce & Industry, Mr Kamal Nath, said the volume of bilateral trade was close to \$500 million in 2007-08, which amounted to \$394 million in the first seven months of the current fiscal, with the bilateral trade surplus in favour of New Zealand.

Major items of India's exports to New Zealand include gems and jewellery, medicines, textiles, iron and steel products, tyres and parts of aeroplanes/helicopters, while major items of exports from New Zealand include coal, wool, wood, metal waste/scrap and raw skins/hides.

<http://www.blonnet.com/2009/02/21/stories/2009022151240500.htm>

Sectoral News

Wireless subscriber base touches 15.41 million customers in Jan

In the highest ever jump that subscriber base in the domestic wireless segment has witnessed ever, a total of 15.41 million customers were added during the month of January as against 10.81 million wireless subscribers in December 2008. However, the growth in total subscriber base, that includes both the wireless and wireline segments has been pulled down by a negative growth in the wireline segment and stands at 15.26 million, but is still the highest monthly addition ever. The growth in total telephone connections (wireline and wireless) stood at 10.66 million connections in December 2008.

With a record high subscriber addition in the wireless segment in January, the total number of telephone connections in the country crossed the 400-million mark to touch 400.05 million as compared to 384.79 million in December 2008.

In the wireline segment, the subscriber base decreased to 37.75 million in the month of January as against 37.90 million subscribers in December 2008 recording a drop of 0.15 million. With this growth, the overall tele-density has reached 34.50 % at the end of January this year against 33.23% in December last year, the Telecom Regulatory Authority of India (Trai) said.

The total wireless subscribers (GSM, CDMA and WLL (F)) base stood at 362.30 million at the end of January. Total broadband subscribers base has reached 5.65 million by the end of January 2009 as compared to 5.45 million by the end of December 2008.

<http://www.financialexpress.com/news/wireless-subscriber-base-touches-15.41-million-customers-in-jan/426163/>

Indian pharma sector to remain stable, says Fitch

At a time when the international rating agency Fitch has downgraded its outlook for European and US pharma sectors, it expects the Indian pharma sector to remain stable during the current year 2009. Partially, this stability has been attributed to the very factors that have led the rating agency to forecast a negative outlook for the matured sectors in regulated markets of developed countries. Fitch has pointed out that the pressures arising out of weak global economic environment coupled with a weaker rupee and a wave of mindset change in governments across the world which are now migrating to pro-generic attitude to reduce healthcare spend will translate in higher export orders for the low-cost Indian generic drug makers and an increased demand for low cost contract research and manufacturing activities (CRAMS).

“The inherent stability of demand for core pharmaceutical products and the likely support from global demand for low-cost Indian generics compared to their branded counterparts will keep the Indian pharma companies afloat,” said Priyamvada Balaji, director, Fitch Ratings.

<http://www.financialexpress.com/news/indian-pharma-sector-to-remain-stable-says-fitch/425221/>

India's gems, jewellery exports rose by 7%

India's gem and jewellery exports rose by 7.05 per cent at Rs 72,529.67 crore in the April 08-January 09 period, according to data from the Gems and Jewellery Export Promotion Council (GJEPC).

Exports of gem and jewellery stood at Rs 67,754.95 crore in the April 07-Jan 08 period.

However, exports in dollar terms declined by 2.29 per cent at USD 16,387.18-million as compared to USD 16,771.03 million in the same period last year.

The exchange rate stood at Rs 44.26 per US dollar in the April 08-January 09 period as compared to Rs 40.40 per US dollar in the April07-Jan 08 period, it said.

The cut and polished diamond exports increased by 6.43 per cent at Rs 48,775 crore in April 08-January 09 as against Rs 45,827 crore in the same period last year. The export of rough diamonds also increased by a whopping 67.10 per cent at Rs 2,958 crore as compared to Rs 1,770 crore.

Gold jewellery exports from domestic tariff area fell 18 per cent, a year ago to Rs 7,917 crore, while exports from special economic zones and export-processing zones rose 26.60 per cent to Rs 11,059 crore.

On a combined basis, gold jewellery exports were Rs 18,976 crore, up 2.88 per cent from a year ago, while in dollar terms it fell 6.09 per cent at USD 4,287-million, GJEPC said.

Apr-Jan exports of coloured gemstones rose 13.16 per cent to Rs 1,023 crore.

The net imports of rough diamonds fell by 4.63 per cent at Rs 31,805 crore in April-January 09 period as compared to Rs 33,349 crore in the same period last year.

The cut and polished diamond imports, however, rose by 53.88 per cent at Rs 26,2520 crore as compared to Rs 17,059 crore in the same period last year.

The import of gold bars also increased by 22.08 per cent at Rs 9,203 crore as against Rs 7,538 crore in the same period last year, GJEPC said.

<http://www.financialexpress.com/news/indias-gems-jewellery-exports-rose-by-7/424587/>

Tea exports up on Kenyan shortfall

India's tea exports are expected to touch 203 million kg in FY09, slightly up from 200 million kg a year ago as the country benefits from a crop shortfall in main rival Kenya, a senior Tea Board official said.

"Exports are higher this financial year as the crop from Kenya has taken a hit due to bad weather," Gagan Boriah, director of Tea Development, said here on Thursday. Kenya, the world's largest tea exporter, has seen a shortfall in tea production due to a drought and political unrest.

"Kenya mainly produces the CTC (crush, tear, curl) variety of tea, so a shortfall in exports there can only be made up by Indian tea because India also mainly produces CTC," Mr Boriah said. India faces competition from Sri Lanka and Indonesia in the orthodox tea market, and in green teas from China, while Kenya and other African countries vie for the CTC export market.

Resolution of trade complications relating to payments with Iraq, a major importer, has also helped exports he said. The Tea Board expects to achieve an export target of 205 million kg and a production target of 1,015 million kg by FY10, he added. "We hope to achieve 1,015 million kg by 2010 and 1,040 million kg by 2012," Mr Boriah said.

India's tea production in FY09 is expected to rise 2% to 1,000 million kg due to increasing yield from replantation and higher acreage. "Nearly 20,000 hectares have been replanted in the past two years and that is adding to our production in the current financial year and will continue to add on until 2012," he said. A tea plant, which usually has a gestation period of 5 years, begins to bear partial yield from the second year of planting. Higher acreage has also contributed to output, Mr Boriah said. "A lot of small holdings in West Bengal, Assam and Bihar have taken to tea cultivation due to better prices," he said.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Tea-exports-up-on-Kenyan-shortfall/articleshow/4157973.cms>

India can retain leadership in KPO sector

Knowledge Processing Outsourcing (KPO), over which India's holds the sway with a potential 12 billion dollar market by 2010, is expected to grow despite global recession and the country could maintain its leadership in the KPO sector with stable government policies.

"India has competitive people costs which is sustainable at least for the next seven to ten years. There is an established ITES (Information Technology Enabled Services) sector with good management, plus a reasonable sized talent-pool of human expertise in many areas. All this coupled with fairly stable government policies could help India in its quest to maintain leadership in the KPO sector by a wide margin," Chandu Nair, President and Director of Scope e-Knowledge Centre, a leading KPO company, said.

According to an earlier estimate of National Association of Software and Service companies (NASSCOM), the apex business association, the KPO sector is expected to be worth USD 17 bn by 2010 of which USD 12 bn would be outsourced to India.

'Despite the recession in the US and UK/Europe, NASSCOM still feels that IT/BPO sector would grow in the FY 2008-09. There has been an impact on certain companies, especially those with clients predominantly in certain sectors – financial services – or high exposure to clients which have gone bankrupt,' he said.

Seeking to differentiate KPO and BPO, Nair said BPO is essentially process or rules based while KPO is more expertise or judgment based.

Asked about the competition, he said India's key competitors in the KPO domain are Russia, China, Ireland, Israel, Philippines among others. The competition for India could vary depending on the nature of work.

"For instance for certain kinds of foreign language oriented services, locations in Eastern Europe or South America are favoured. Russia and Israel have scientific talent pool to provide certain specialist KPO services. The major challenge for them as also for say, the Philippines, Ireland is that the talent pool is much smaller while for China and Russia, non-English speaking population is relatively small."

About the scenario five-ten years hence, he said the KPO sector has the potential to grow faster and bigger and create more jobs.

'There is certainly a challenge in terms of availability of certain skill sets and basic employability of fresh graduates which hits small and medium sized companies,' he said.

NASSCOM has embarked on some initiatives with respect to improving the skills and is working closely with the government, he said.

<http://www.financialexpress.com/news/india-can-retain-leadership-in-kpo-sector/424598/>

Media, entertainment grows 12%

The Indian media and entertainment industry, which was pegged at Rs 58,400 crore in 2008, grew 12.4 % over the previous year. The industry is projected to grow at a compound annual growth rate (CAGR) of 12.5% to reach the size of Rs 1,05,200 crore by the year 2013, according to the FICCI & KPMG report 2009 released at FICCI FRAMES, one of Asia's largest media and entertainment convention.

Anand Sharma, minister of state for information and broadcasting and external affairs, government of India said, "The world of cinema is rapidly changing and the media and entertainment industry has grown over the last decade with technological explosion growing particularly in information and entertainment."

The filmed entertainment sector is estimated to have grown at a CAGR of 17.7% over the past 3 years. The industry revenues have grown to around Rs 10,930 crore in size in 2008, a growth of 13.4% over 2007. Over the next five years, the industry is projected to grow at the CAGR of 9.1% and reach the size of Rs 16,860 crore by 2013. As the demand for Indian films in the US and other overseas markets has increased, the Indian film industry is set to reach almost 100 countries in the coming years. The sector will experience an expansion of multiplex screens resulting in better realisations, increase in number of digital screens facilitating in wider film prints releases, enhanced penetration of home video segment, increase in number of TV channels fuelling demand for film content resulting in higher cable and satellite acquisition costs, improving collections from the overseas markets.

According to Harsh Pati Singhania, president FICCI and MD, JK Paper Ltd, the Indian entertainment sector is not recession proof and the market environment has become increasingly challenging as there was a consequent slowdown in advertising revenues, especially in the last quarter of 2008. Advertising spends grew at CAGR of 17.1% in the past three years. Going forward, it is expected to exhibit a robust growth rate at CAGR of 12.4% over the next five years.

The TV industry is on an unprecedented high due to the launch of DTH and IPTV platforms. The industry is estimated to have reached a size of Rs 24,100 crore, a growth of 14.2% over 2007.

<http://www.financialexpress.com/news/media-entertainment-grows-12/424692/>

News Round – Up

India still a good bet for foreign investors

Even in the midst of a global downturn India is attracting one billion dollar foreign direct investment in a month, which is "encouraging", Secretary in the Department of Industrial Policy and Promotion Ajay Shankar said.

Though the overseas inflows have sharply dropped after September this fiscal, the trend has to be seen in the context the credit freeze in major economies of the world, he said.

"We are still one billion dollar plus every month... that is when there is huge financial difficulties in the world.

That is very encouraging," the DIPP Secretary told.

FDI inflows till September averaged between USD 2.5 and USD 3 billion a month.

Shankar said India has come a long way in the last five years in terms of winning the confidence of foreign investors.

"This (drop in FDI) has to be seen in the context of 2003-04," he said. The country received USD 3.13 billion in 2003-04 while in 2008-09, the monthly inflows averaged above USD 2 billion.

The government has recently changed the guidelines governing the FDI giving more leeway to overseas investors in sectors where there are ceilings. These include telecom, aviation, defence production and media.

<http://www.financialexpress.com/news/india-still-a-good-bet-for-foreign-investors/426735/>

Economic growth may pick up in second half of 2009-10'

The Indian economy should grow at more than 7 per cent in the financial year 2009-10, said Dr Suresh Tendulkar, Chairman, Economic Advisory Council to the Prime Minister.

Though the growth may be weak in the first half of the next fiscal, it will pick up in the second half, ensuring that the economy grows at more than 7 per cent in 2009-10, he said.

He was delivering the keynote address at a seminar organised by the Maharashtra Economic Development Council.

In the current fiscal, the economy is expected to grow at around 7.1 per cent according to the estimates, he said.

The monetary and fiscal policies that have been introduced will work with a lag and their impact will be seen from the first quarter of 2009-10.

Fiscal consolidation should have taken place during the past five years when the economy was booming, he said. But it did not happen due to the subsidies regime that was followed.

Admitting that fiscal deficit is a problem, he said there is not much room for fiscal measures and the dependence would be much more on the monetary policy.

“Going ahead, we do expect a lower interest rate regime,” he said. It will take some time for banks to cut their lending and deposit rates and move towards lower interest rates, he said. Falling rates will help leverage consumption and lead to a pick up in investment demand. Therefore, the psychology of gloom and doom, which is impacting sentiments of bankers, investors and consumers, is not justified on the evidence available.

However, he cautioned that asset quality of banks may deteriorate in the current scenario though the rise in NPAs might not be significant.

Conceding that small and medium enterprises are facing a credit crunch, he said efforts are being made through a variety of channels to address their concerns.

<http://www.blonnet.com/2009/02/21/stories/2009022151200500.htm>