

Weekly Economic Bulletin

Date: June 09-15, 2009

Issue No. 320

Contents

- | | | |
|----------|---|------------|
| 1 | News Feature <ul style="list-style-type: none">• Revised numbers reason for better GDP figure• PM predicts 8-9% growth in 2-3 yrs• Indian exchanges may hit annual turnover of \$10 trillion by FY-14 | Page 1-3 |
| 2 | Overseas Investment <ul style="list-style-type: none">• FII's infuse \$60 bn in 1 yr• Govt to announce comprehensive foreign trade policy in Aug | Page 3-4 |
| 3 | Trade News <ul style="list-style-type: none">• Norway to increase renewable energy investment in India• UK survey ranks Pune most suitable place in India for British investments• India's exports to France increase by nearly 23% | Page 4-6 |
| 4 | Sectoral News <ul style="list-style-type: none">• Jewellery exports getting back some shine• GSM users grow 2.78% in May, cross 30-m mark• Spice exports at all-time high of Rs 5,300 crore• June to see a slew of new car launches• Increased demand, easier fuel access push power sector growth | Page 6-10 |
| 5 | News Round-up <ul style="list-style-type: none">• Deloitte survey sees increased VC interest in India• India Inc optimistic about economic situation in next 18 months | Page 10-11 |

News Feature

Revised numbers reason for better GDP figure

Downward revision of growth numbers in two key sectors — agriculture and construction — in January-March 2008 by the Central Statistical Organisation (CSO) helped the Indian economy register better-than-expected growth of 5.8 per cent in the fourth quarter ended March 2009.

As growth in the current quarter (January-March 2009) is measured on the base of the corresponding period last year (January-March 2008), any downward revision of base numbers would increase the growth rate.

Had these numbers not been revised downwards, the economy would have grown at least 50 basis points lower. One basis point is one-hundredth of a percentage point. Agriculture and construction sectors account for nearly 26 per cent of India's output.

"Some amount of statistical factors also contributed to the GDP figure," said Abheek Barua, chief economist, HDFC Bank. "But there is some fundamental dimension to the latest GDP numbers for the fourth quarter. Services sector did well and the decline in the manufacturing sector was not as sharp as it was expected."

CSO revised downwards the construction sector numbers, which account for nearly 9 per cent of India's GDP, for the fourth quarter of fiscal 2008. This revision to 6.9 per cent as against the initial estimate of 12.6 per cent leads to 40 basis point upside to GDP growth, wrote Bank of America–Merrill Lynch economist Indranil Sen Gupta.

Agriculture is another sector where the government data agency revised downwards the growth numbers. As against the initial estimate of 3.5 per cent expansion in the fourth quarter of fiscal 2007-08, it was revised to 2.2 per cent. This led to higher agriculture growth of 2.7 per cent in January-March 2009.

<http://www.business-standard.com/india/news/revised-numbers-reason-for-better-gdp-figure/360507/>

PM predicts 8-9% growth in 2-3 yrs

Prime Minister Manmohan Singh expressed confidence that the economy would grow at 8 to 9 per cent over the next two or three years, "even if the world economy does not do well". He expected the economy to grow at least 7 per cent in the current fiscal.

"I am convinced, since our savings rate is as high as 35 per cent, given the collective will, if all of us work together, we can achieve a growth rate of 8 to 9 per cent, even if the world economy does not do well," Singh said in his reply to the debate on the President's speech.

The prime minister spoke in both the Lok Sabha and Rajya Sabha, his first major speeches after assuming office.

Weeks before his government's next General Budget, Singh, who was replying to the debate on the President's speech, also proposed increasing public expenditure to boost the economy, especially in infrastructure.

<http://www.business-standard.com/india/news/pm-predicts-8-9-growth-in-2-3-yrs/360625/>

Indian exchanges may hit annual turnover of \$10 trillion by FY-14

The country's exchanges space, including stock, commodity and currency segments, is expected to more than double its growth to touch an annual turnover of over \$10 trillion (about Rs 4,700 lakh crore) by FY'14, on increasing penetration and structural transition.

According to a report by brokerage firm IDFC-SSKI, riding on the back of improving penetration and structural transition into a more organised industry, the Indian exchanges space is headed for robust growth in next five years.

"With strong secular growth in the underlying market, the \$4 trillion (Rs 190.17 lakh crore) Indian exchanges industry is headed for 2.5 times growth in next five years to an annual turnover of \$10 trillion," IDFC-SSKI analyst Nikhil Vora said in the report.

Taking in account the shorter evolution cycle of the industry, the report stated that penetration would be achieved over the course of time and hence have appropriately discounted global benchmarks to arrive at this potential.

The report revealed that the exchanges space seems to be near-perfect business with transparency, annuity revenues, high operating leverage and solid entry barriers.

"We believe the industry is now ripe for value creation - validated by the high strategic values ascribed to NSE (valued at \$2.3 billion), MCX (\$1.1 billion) and BSE (\$0.8 billion) by global exchanges," the IDFC-SSKI report said.

Financial Technologies, Asia's largest exchange conglomerate which is also the only listed entity in the space, hold great potential, it added.

The Indian exchanges space can be categorised into three primary segments - commodities, equities and currency, while power and spot exchanges are the other emerging segments.

The commodity and currency segments are each expected to see the highest about 32 per cent compounded annual growth rate (CAGR) in next five years, while equity is forecast to witness 12 per cent growth.

The turnover of commodity bourses is forecast to reach a size of \$4.18 trillion (Rs 198.74 lakh crore) by FY'14 from \$1.05 trillion in FY'09 , while currency segment may grow to \$960 billion from \$240 billion in current fiscal, the report stated.

Interestingly, the stock bourses are likely to see their turnovers growth at a CAGR of 12 per cent to \$5.2 trillion (Rs 246.86 lakh crore)in the next five years as against 3.04 trillion dollar in FY09, it added.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=4644620>

Overseas News

FII's infuse \$60 bn in 1 yr

Total FII investments in domestic equities has crossed the \$60-billion mark—the first time since June 2008—in what could be gauged as renewed commitment by overseas investors to the Indian stock market.

Since March this year, foreign investors have been aggressively buying, pumping in nearly \$7 billion in just 60 days, Sebi data shows. Extrapolating the numbers would mean FIIs have invested (net) of around \$120 million every day since March 9. This has led to the net investment position of FIIs increasing from \$53.3 billion in March 9 to over \$60.3 billion till June 10.

The data pertains to all FII activities in India, including trade in secondary and primary (IPO) markets and in right/bonus issues, private placement and M&As . As on date, the number of registered FIIs is 1,660 and that of registered sub-accounts has crossed the 5,000 mark.

The sheer pace of incoming foreign money has made FIIs net buyers to the tune of \$5.2 billion in 2009, while they were net sellers of nearly \$12 billion in 2008, Sebi data showed.

Besides buying equities from the market, FIIs have aggressively gone ahead and participated in QIPs directly from the capital-hungry promoters as well.

“India’s economy is driven by domestic demand. As policy makers in Asia realise this, as they will in due course of time, that the US and other excess consumption-driven western economies face long-term structural problems,” Christopher Wood of CLSA Asia-Pacific said.

Rupee rises over 10% from March.

<http://economictimes.indiatimes.com/Market-News/FIIs-infuse-60-bn-in-1-yr-/articleshow/4642504.cms>

Govt to announce comprehensive foreign trade policy in Aug

The Government would announce a comprehensive foreign trade policy in August, which would emphasise stimulus to trade, besides granting sops to exporters to beat the global economic meltdown, Commerce and Industry Minister Anand Sharma said.

The ministry is also looking as steps to boost export, which has been hit hard by the worst economic downturn overseas since the 1930s, even though India has not been affected to a great extent, Sharma told reporters.

Sounding optimistic, Sharma said by September this year there would be visible increase in export after the various proposes incentives are given to exports. The Commerce Ministry is would also recommend some measures to the Finance Minister in this regard, he added.

Sharma said he has also advised officials of his ministry and the Director General of Foreign Trade to look for new avenues to boost the foreign trade in Latin American and African countries besides others.

Sharma said he would soon convene a meeting of the industry ministers of all the states to discuss problems facing industrial sector and to encourage export and foreign trade.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Govt-to-announce-comprehensive-foreign-trade-policy-in-Aug/articleshow/4655178.cms>

Trade News

Norway to increase renewable energy investment in India

Wanting to further its ties with India, Norway is planning to increase its investment in the country in the area of renewable energy, including solar and hydropower.

"Solar energy is one of the areas which Norway will be focusing on to further its relationship with India. We are working on a huge project. We are working together with the Ministry of Renewable Energy. We look for upscaling of investment in future," Norway's Ambassador to India Ann Ollestad told.

She also emphasised the need for South Asian countries, which have potential for renewable energy and hydropower, to work together, setting aside their political differences.

The South Asia region "should focus more on renewables" she said, adding "you should have collaborations within hydropower ... (It has) great potential within Bhutan, Nepal, India and all the countries in the region."

Noting that Telemor, a Norwegian telecom firm and the seventh largest company in the world, has invested in two villages of Uttar Pradesh, the Ambassador said the company

was also looking at the possibility of combining telecom with renewable solar energy for the towers.

With India, she said, Norway was developing projects in the fields of hydropower, oil, gas and renewable energy.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Norway-to-increase-renewable-energy-investment-in-India/articleshow/4654815.cms>

UK survey ranks Pune most suitable place in India for British investments

A survey conducted by trade facilitation body UK-India Business Council (UKIBC) has ranked Pune as the most suitable place for British investments in India. The survey report, titled 'Opportunities for UK Plc in Emerging Cities in India', also ranks eight other cities — Ahmedabad, Chandigarh, Jaipur, Goa, Indore, Kochi, Nagpur and Vadodara — as the most conducive destinations for UK investments in India.

The report is a product of “qualitative research through a process of in-depth interviews, reviews and perception surveys across various professional and social networks”. The report said in its preamble that close to 200 survey responses were analysed and over “150 key informants” were conducted to ensure an extensive and representative coverage.

While the report’s annexure lists 41 cities in the survey's ranking with Pune holding the top rank and Ranchi getting the lowest rank, it provides a detailed study of nine cities that merit UK investment the most.

UKIBC’s CEO Sharan Bamford, however, cautioned that the immediate priority of the report was to take the investments forward by pointing at prospective cities for UK investments.

The rankings are based on physical, social and cultural infrastructure and key economic indicators. Good quality roads, power connections, number of banks, health institutions and colleges, per capita income of each city and market size are some of the key parameters considered for the final listing.

<http://www.business-standard.com/india/news/uk-survey-ranks-pune-most-suitable-place-in-india-for-british-investments/360615/>

India’s exports to France increase by nearly 23%

The bilateral trade balance between India and France shifted in favour of India in 2008, as India’s exports to France increased by nearly 23 per cent vis-À-vis one per cent decline in French exports to India, according to Mr Francis Bouquin, French Trade Commissioner in Kolkata.

Addressing an interactive session organised by the Bharat Chamber of Commerce, Mr Bouquin said, "The bilateral trade between the two countries in 2008 clocked €6.8 billion, with India enjoying a trade surplus of around €150 million."

The exports of consumer goods, accounting for 34 per cent of the country's exports to France, garment and leather (28 per cent), agro food (10 per cent) and semi-finished goods such as chemical, plastics etc (24 per cent) picked up last year with more Indian items entering the European markets, he said.

On the other hand, exports of equipment from France into India declined marginally last year. Equipment for ships, aircraft, railways and motorcycle constitutes 63 per cent, semi-finished goods 25 per cent and consumer goods 7 per cent of its total export to India. In reply to a question, Mr Bouquin said, France was hopeful of reviving the export of transportation equipment, its major item of export to India, this year as the forthcoming Union budget was expected to give due focus to the infrastructure sector.

A business delegation from Moselle, a department in France located between Paris and Frankfurt of Germany, was on a visit here to discuss the prospects of participation by Indian companies in a business convention, Euro-Indian Transportation Systems, to be held in Moselle during November 17-19. "The event would provide a good platform for European enterprises and Indian companies, particularly SMEs, keen on establishing joint ventures in the sphere of transportation, like aviation, railways, automobile, etc," Mr Thierry Petri, General Manager, Moselle Development Centre, said.

There was good deal of interest among French companies to establish joint ventures and manufacturing tie-ups in India, particularly at a time of slowdown in Europe, he pointed out. While the Moselle Development Centre had economic representative offices in Japan and China, it had no immediate plans of setting up the same in India, he added.

<http://www.thehindubusinessline.com/2009/06/09/stories/2009060950861700.htm>

Sectoral News

Jewellery exports getting back some shine

Gem and jewellery exports seem to be on the revival path. Gold jewellery exports in May registered a growth of 158 per cent at Rs 3,911 crore against Rs 1,513 crore in April. In dollar terms, jewellery exports were up 160 per cent at \$785 million (\$301 million), according to Gem and Jewellery Promotion Council data.

Cut and polished diamond exports rose 18 per cent to Rs 4,528.76 crore (Rs 3,847 crore) in May, while they were up 19 per cent in dollar terms at \$914 million (\$766 million).

Total exports including coloured gemstones and rough diamonds jumped 55 per cent at Rs 8,887 crore (Rs 5,749 crore).

<http://www.thehindubusinessline.com/2009/06/12/stories/2009061252181500.htm>

GSM users grow 2.78% in May, cross 30-m mark

The country added over 8 million subscribers during May, taking the total GSM subscriber base to over 30 million, registering a growth of 2.78%.

However, May witnessed a decline of approximately 6 lakh subscribers compared to the additions made during April.

The industry at large is unfazed by this trend as this was expected to happen as the telecom operators move towards the rural areas. With the metro cities and urban India attaining high tele-density close to 100% in cities like Delhi, the operators are now focussing on the rural market, where the average levels of income are much lower and propensity levels.

The country's largest telecom operator, Bharti Airtel that reached the 100 million subscriber mark (fixed line and wireless) registered a 2.91% growth in its wireless subscribers taking its total wireless subscribers' tally to 99.5 million. An addition of 2.8 million subscribers Airtel continued to have the largest market share in subscriber terms despite a marginal dip in its market share that declined by 0.1% during the month.

The company's market share has been dipping marginally over time but the company officials have long maintained that Airtel is more focused on increasing its revenue market share rather than the subscriber market share.

The company is currently engaged in talks with South African telecom giant MTN for swapping 36% stake in Bharti for a proposed 49% stake in MTN.

Vodafone-Essar the second largest GSM operator recorded a 3.55% growth in its subscriber market share garnering an additional 2.5 million subscribers. With this Vodafone held over 74 million GSM subscribers at the end of the month. Vodafone marginally increased its market share to 24.17% during the month. The company netted the highest number of subscribers from its UP east circle where it added close to 2.9 lakh users in the month.

<http://www.financialexpress.com/news/gsm-users-grow-2.78-in-may-cross-30m-mark/475039/>

Spice exports at all-time high of Rs 5,300 crore

About 470,520 tonnes were exported and in dollar terms the value fetched was \$11.68 billion (Rs 5,300.25 crore), Spices Board Chairman VJ Kurien said.

During the previous financial year, 444,250 tonnes valued at \$11.01 billion (Rs 4,435.50 crore) were exported.

The spice exports were at an all-time high both in terms of volume and value. Compared with last year, the export had shown an increase of 19 per cent in rupee value and six per cent in dollar terms.

The increase in quantity was also six per cent, he said. The export had also exceeded the target in terms of volume, rupee value and dollar terms of value. The export target for 2008-09 was 4,25,000 tonnes valued at Rs 4,350 crore (\$1,025 million) for the year 2008-09, he said.

However, anticipating a deceleration in exports due to recession, Kurien said the board was projecting exports worth Rs 4,500 crore only in 2009-10. Already there has been a dip in volume of 20-25 per cent to all countries, he said adding the 6-7 months inventory level has been reduced to a month now. The exports to the European Union have also dwindled to a large extent.

The United States continues to be the largest importer from India (21 per cent), followed by Malaysia (seven per cent), UAE (six per cent) and UK (five per cent).

Kurien said in the export basket of spices and spice products, spice oils and oleoresins, including mint products such as mint oils, menthol crystals, and menthol powder contributed 40 per cent of the total export earnings.

Chilli is the largest spice item exported in terms of volume and it also occupies the second position in terms of value. During 2008-09, it accounted for 40 per cent in volume and 20 per cent in value terms of total spices exports.

<http://www.business-standard.com/india/news/spice-exports-at-all-time-highrs-5300-crore/360683/>

June to see a slew of new car launches

After the launch of Audi's crossover utility vehicle Q5, June will see two more heavyweight car launches within days of each other, making this month the one with the most number of launches in the last nine months.

The launches indicate that the automotive industry is slowly coming out of the downturn, with most companies registering positive sales figures in May. Auto majors like Maruti Suzuki India and Hero Honda posted 10.4 and 22.5 per cent growth in domestic sales last month respectively.

Upbeat from positive market conditions, carmakers have lined up a series of launches during the second half of the year. Honda Siel Cars India will launch its popular compact car Jazz on June 10 and Fiat India bringing in its premium compact car Grande Punto into the Indian market just seven days later on June 17.

"We are upbeat that the Grande Punto will create ripples in the B+ segment, which is growing at a 4 per cent right now", Fiat India Automobiles Pvt Ltd's President and CEO Rajeev Kapoor said. He added that the company was looking at a 14-15 per cent market share in the segment, which is dominated by Maruti.

The supermini from the Fiat stable helped the Italian car major to perform against the downturn in Europe. The company achieved a 5 per cent rise in sales, together with

increasing its market share to 10 per cent last fiscal when the European market actually contracted by 11.6 per cent. But the car's fortunes in India will depend heavily on its pricing strategy.

"We have an almost 85 per cent localisation in the Grande Punto and this will help us to have a competitive pricing," Kapoor said. Sources close to development indicated that the Grande Punto could be priced at an edge above the Tata Indica Vista so that there was no cannibalisation amongst the two cars. Fiat India will sell the car through the 100-odd Tata-Fiat dealerships across the country.

The Honda Jazz, on the other hand, is likely to be priced higher. "The Jazz is made on the City platform and that definitely defines the cost structure, if not the price. Moreover, we have decided to provide all amenities like airbags, anti-braking system and a powerful 1.2-litre iVTEC engine in the Jazz," Honda Siel Cars India's Vice-President (marketing) Jnaneswar Sen said.

<http://www.business-standard.com/india/news/june-to-seeslewnew-car-launches/360518/>

Increased demand, easier fuel access push power sector growth

Increased demand for power and easier availability of fuel pushed the electricity sector's growth to 6 per cent in April this year, compared with just 1.4 per cent in the same month last year, according to the latest Index of Industrial production (IIP) figures.

The sector carries a weight of 10 per cent in the index, which rose 4.3 per cent for the month, the most since January 2008.

The demand for power in April, the first month of the current financial year, was 4,000 Mw higher than the demand of 106,900 Mw power in the same month last year. "This is certainly a sign of recovery in the economy, although most of it happened in the last quarter," said an analyst.

The higher demand for power was aided by an improved fuel availability at thermal power stations in April this year.

"Thermal power generation had good growth of 8.5 per cent in April due to better flow of imported coal at power stations. This has been a major contribution to the sector's growth," said a senior official from the Central Electricity Authority (CEA), the country's apex power planning body.

There was a 10 per cent rise in the coal-based power generated in April — 43,000 Million units (MUs) — compared with the same month last year. Coal sector too, which has a weight of 3.2 per cent in the IIP, registered a 13 per cent growth in April, compared to a 10.4 per cent growth in the same month last year.

Overall, the thermal power generation target for April of 53,000 MUs was over-achieved by at least 500 MUs of electricity. Thermal power accounted for around 86 per cent of the 62,350 MUs of power generated in the month.

Another reason for the increased growth of electricity sector in April was the fresh availability of gas for running gas-starved power plants from the RIL's KG-D6 block in the Krishna Godavari basin off the west coast of India.

“Additional gas has started coming from KG basin from April. Also, the international spot price of Liquefied Natural gas (LNG) has come down to \$4.2 per mmbtu from over \$20 per mmbtu earlier. This has started showing effect now,” the CEA official said.

According to experts, the improved power generation and the resulting growth in electricity sector was also pushed by a better hydro generation as a harsh summer in April this year maintained enough water availability at hydro power stations.

“This time power supply has gone up from hydro power plants due to surplus water flow in summer,” said a senior analyst from an accounting and consultancy firm.

For hydropower generation, India depends primarily on the glacial-fed rivers for water. These rivers have given a better output this summer because of higher melting of glaciers.

Hydropower accounted for around 12 per cent — 7,264 MUs — of the overall power generated in April.

<http://www.business-standard.com/india/news/increased-demand-easier-fuel-access-push-power-sector-growth/360511/>

News Round – Up

Deloitte survey sees increased VC interest in India

Venture capitalists are now lifting their heads and starting to show interest in deals in India, according to Ms Kalpana Jain, Senior Director at Deloitte in India. This is after a lull in the venture capital investing space between November 2008 and end March this year.

The growing interest of venture capitalists towards the Indian market is also reaffirmed by the results of the Deloitte's 2009 Global Venture Capital survey released.

As many as 43 per cent of the respondents to the survey said they expect to increase their investments in India over the next three years. The 2009 survey had 725 respondents worldwide, almost double the number compared to last year.

<http://www.thehindubusinessline.com/2009/06/11/stories/2009061152081500.htm>

India Inc optimistic about economic situation in next 18 months

Corporate India is optimistic about improvement in the country's economic situation in the next 18 months and believes developing nations will become more powerful as a fallout of the global slowdown, a survey says.

According to a survey by the All India Management Association (AIMA), at a time when the global economy is experiencing the deepest downturn in 50 years, Indian managers are still showing optimism towards both the global and Indian economy.

As many as 61 per cent of Indian managers are bullish about the economy, while just about 7 per cent are pessimistic about the situation in the coming months, the survey said.

"With the stable government in power again, reforms will be unstoppable. Special focus should be laid on employment generating projects and increasing money flow in the economy besides reducing taxes to bring back both consumers and investors confidence," AIMA Research Committee Chairman BS Sahay said.

Despite higher optimism for the economy, about 35 per cent of those surveyed feel that economic recovery in India and rest of the world would not be too spaced out.

Further, almost half of the respondents felt that liquidity crunch was the major problem facing corporate India. This reflects the fact that the domestic economy is not isolated from the global market.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=4646344>