

Weekly Economic Bulletin

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News Feature

India beats recession blues, attracts \$2.7-billion FDI in January

At a time when the world economy is facing the worst credit freeze in several decades, India attracted USD 2.7-billion FDI in January, up 58.8 per cent from a year ago, and remained a favourite destination for cross-border investments.

"January numbers are very good...it is an indication of the confidence that the rest of the world has in India," Secretary in the Department of Industrial Policy and Promotion Ajay Shankar told.

The foreign direct investment (FDI) inflows for the April-January period aggregated to USD 23.8 billion and is expected to cross the last year's target of USD 25 billion this fiscal.

Though the government had set a target of USD 35-billion FDI for 2008-09, it looked rather ambitious in the wake of the global downturn.

Up to September this fiscal, the monthly inflows were in excess of USD 2 billion. However, the following three months saw a sharp dip in the overseas investments.

The January figures bring a renewed hope that India is back on the radar of global investors.

<http://economictimes.indiatimes.com/News/Economy/Indicators/India-beats-recession-blues-attracts-27-billion-FDI-in-January/articleshow/4271870.cms>

GDP growth to stabilise around 7%: CMIE

India's real GDP is projected to grow by seven per cent in FY'10, which can be partly seen in the signs of recovery in the data available for January 2009, the Centre for Monitoring Indian Economy (CMIE) said in its monthly review.

Economic think-tank CMIE expects the growth rate to climb slowly from around six per cent in the first-half to about eight per cent in the second-half of FY'10.

The global liquidity crisis in late September 2008 has suddenly brought the economy's story of nine per cent growth to a grinding halt. FY'10 would gradually recover from this jolt.

Signs of recovery are already evident in the little data that is available for January 2009. While the global economy seems to be getting into a deep crisis, the domestic Indian economy is likely to see a smarter and quicker recovery in FY'10, it said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/GDP-growth-to-stabilise-around-7-CMIE/articleshow/4272531.cms>

Overseas Investment

FDI shoots up 90% this fiscal to Rs 85,700 cr

Foreign investment inflows into India grew 90% in the first eight months of the current fiscal year, indicating that the country continues to be an attractive destination for investors despite a fall in economic growth rates.

Foreign direct investment (FDI) inflows during the April-November period stood at Rs 85,700 crore compared with Rs 45,000 crore in the corresponding period of the previous fiscal, despite most of the developed world reeling under the impact of a global recession. According to the FDI data compiled by the commerce and industry ministry, investments from three Asian countries — Mauritius, Singapore and Japan — contributed more than 55% of the total inflows during the period.

Economists see nothing unusual in the situation. “Today, India and China are the warm spots in the global economy. We expect high growth in India as there is huge unmet demand. India is growing faster than the more mature economies of the world, and this is luring investors into India,” Boston Consultancy Group chairman Arun Maira said.

Mauritius remained the largest source of foreign investment, with the island nation contributing Rs 35,000 crore in FDI inflows during the April- November period, almost doubling its contribution from Rs 19,000 crore in the same period of the last fiscal.

Singapore replaced the US as the second-largest source of long-term investments into India. Singapore, which was placed fifth last year, saw its investments growing to Rs 8,500 crore during the period from Rs 3,500 crore in the same period last year.

Increased investment from Singapore came from the investment arms of the government: GIC and Temasek. Temasek Holdings Advisors India made a Rs 2,500-crore investment in Bharti Infratel while GIC affiliate Indivest Pte invested Rs 900 crore in Reid & Taylor, a clothing company promoted by S Kumars. Japanese investment into the country received a major boost when Daiichi Sankyo invested Rs 20,000 crore to pick up 63% stake in Ranbaxy.

However, the FDI figures captured by government statistics may not necessarily reflect the actual origin of investment. For instance, tax havens like Mauritius are used by investors from across the world to invest in India.

While Mauritius remains the No. 1 source of such FDI routed into India, other tax havens are also catching up. European hub Cyprus is gaining ground as a favoured route for channelling FDI into the country. Investments from Cyprus doubled to Rs 4,486 crore in the April-November period this fiscal from Rs 2,000 crore in the same period last year.

<http://economictimes.indiatimes.com/Indicators/FDI-shoots-up-90-this-fiscal-to-Rs-85700-cr/articleshow/4258353.cms>

Govt may ease FIIs' market entry

Companies in sectors with foreign direct investment (FDI) limits could soon be exempted from taking prior approvals for participation by foreign funds in their share issues, as per new rules being considered by the government to attract more overseas investments.

A committee of top government officials will soon consider a proposal that seeks to explicitly do away with the Foreign Investment Promotion Board's (FIPB) approval for investments by foreign institutional investors (FIIs) in public offers of companies that operate in sectors with such FDI limits, a government official said.

The proposal, mooted by the Department of Industrial Policy and Promotion (DIPP), is likely to be taken up by the committee of secretaries shortly, said the commerce and industry ministry official.

This move will remove all ambiguity in the policy over whether FIPB permission is needed for such investments and could benefit companies in sectors such as singlebrand retail, aviation and telecom, all of which have strict foreign investment limits. At present, the government's foreign investment policies are silent on whether such investments need FIPB approval, but companies as a practice take its approval for their public offers due to lack of clarity.

Recently, Oil India and National Hydel Power Corporation sought FIPB approval for raising foreign capital in their planned initial public offerings, though both the oil and power sectors come under the automatic route where such approvals are not needed. "There is a lack of uniformity and clarity in the existing policy as far as treatment of FII investments vis-à-vis constituents of a sectoral cap is concerned," the official said.

The secretaries' panel will also consider a separate proposal to just prescribe a single composite cap on foreign investment, doing away with sub-limits on portfolio investments by foreign funds and FDI. Sectors such as commodity exchanges, credit information companies, stock exchanges and direct-to-home broadcasters have sub-caps for FDI and portfolio holdings by foreign funds.

If approved, foreign investment in a company could be through any route so long as it remained within the stipulated composite ceiling. The committee of secretaries will also consider proposals for easing various restrictions for foreign investment in the real estate and aviation sectors.

The proposal for aviation includes allowing up to 49% FDI in aviation through the automatic route. For real estate, the restrictions mainly pertain to minimum area and capitalisation requirements. The proposal will seek to reduce the minimum area criteria to 10,000 square meters for commercial developments and 10 acres for residential projects.

<http://economictimes.indiatimes.com/News/Economy/Finance/Govt-may-ease-FIIs-market-entry/articleshow/4253889.cms>

Trade News

India, China to hold talks to normalise trade relations

India and China are to discuss ways to defuse rising trade tensions between them next week, after a series of recent government actions to impose restrictions on Chinese imports risks upsetting relations with the country's largest trading partner.

China's vice-minister of commerce, Zhong Shan, is to meet commerce secretary GK Pillai to explore ways in which such trade restrictive actions could be minimised.

With the recession in key western markets hitting demand for Chinese exports, there has been a flood of imports into India from that country, sometimes at prices that hurt Indian industry. This has prompted the government to adopt various ways to check these imports to protect the local industry.

Earlier this year, India banned imports of Chinese toys, after it imposed restrictions on a variety of goods ranging from hot-rolled steel to radial tyres. The ban on toys has now been partially lifted.

New Delhi has also initiated 14 anti-dumping cases—instances where imports take place at prices lower than those applied in the domestic market causing injury to domestic industry—against China this fiscal year, of which preliminary duties have been imposed on two items.

India's actions have come at a time China is being hurt by the slowdown in global trade, and has got the government there concerned. Mr Zhong met India's ambassador to his country, Nirupama Rao, last month, and urged the need for better communication to ease trade tensions between the two countries.

China's exports to India for the year to end-March 2009 is estimated to rise by 35% to more than \$35 billion, up from \$26 billion in the previous year, according to India's commerce and industry ministry. Bilateral trade is estimated at \$50 billion during the fiscal year up from \$37 billion in the previous fiscal.

His visit comes at a time the government is considering imposing additional import duties called safeguard duties on items such as soda ash and other chemicals, which have seen a surge in imports recently, hurting local manufacturers.

"We have so far taken measures against imports from China or any other country by sticking to norms laid down by the World Trade Organization. However, we are open to discussions on any concern that China might have and will try to reach an amicable solution," a commerce department official told.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/India-China-to-hold-talks-to-normalise-trade-relations/articleshow/4251771.cms>

Sectoral News

Exports from SEZs likely to touch Rs 90,000 cr

The global economic downturn notwithstanding, exports from India's special economic zones (SEZs) are continuing to show robust growth.

Units in SEZs are expected to post a 40% increase in exports to Rs 90,000 crore this fiscal, commerce secretary G K Pillai has said. Exports from SEZs in the next fiscal is likely to go up by more than half to Rs 1,45,000 crore in 2009-10, he added.

The global slowdown has, however, forced about 100 odd SEZ developers from across sectors with formal approval from the government to put on hold their investment plans for about a year till things improve. "The new SEZs, where project implementation has not yet started or just begun, are wanting to wait for a while to be first sure of their anchor investors. They want to wait for about six-twelve months. Projects which are more than two-thirds complete would, however, start operations soon," Mr Pillai told.

The commerce department, which is over-all incharge of SEZs, expects about 120 SEZs to be operational by December-end as opposed to the present 87.

India's overall export growth is expected to be lower than 10% this year at about \$170 billion compared to \$162 billion in 2007-08.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Exports-from-SEZs-likely-to-touch-Rs-90000-cr/articleshow/4271603.cms>

Domestic drug makers immune to slowdown

At a time when various industries have been hit due to the current economic slowdown, the domestic pharmaceutical market registered a value growth of 14.4 per cent in January and 9.9 per cent in the 12 months ended January 2009. The yearly turnover was Rs 34,487.17 crore.

The growth of the domestic drug sector, which was just 6.8 per cent in November 2008, improved to 13.2 per cent in December and to 14.4 per cent this January.

"This is because of the seasonal nature of drug sales. Sales of drugs for cough and cold, respiratory diseases, and of other antibiotics are usually more during the November-January winter season," said Ranjit Kapadia, head of Life Science Research at Prabhudas Liladhar.

Data revealed that while sales of anti-infectives grew 11.6 per cent, the gynaecology segment grew 15.9 per cent, and vitamins and minerals 13.1 per cent. The demand for drugs for respiratory diseases increased 12.1 per cent this January.

This is far ahead of the growth rate of the global generic industry. The rate came down to 3.6 per cent in the 12 months ending September 2008, from 11.4 per cent in the previous 12 months.

Data for January said Cipla — which markets 844 drugs in the domestic market — show it maintained its number one position by growing 14.6 per cent in January. For the 12 months, Cipla's domestic business grew 13.4 per cent, with a turnover of Rs 1,839 crore. Cipla has 5.34 per cent domestic market share.

The second largest domestic player, Ranbaxy Laboratories, which markets 536 products in the domestic market, grew 7.2 per cent in January. For the 12 months, Ranbaxy's growth was 11.5 per cent in value terms. Its market share rose to 5.03 per cent. Ranbaxy's growth in the domestic market in value terms in 2008 was only 7 per cent, with a turnover of Rs 1,485 crore, compared with Rs 1,393 crore in 2007.

ORG-IMS data revealed that the market share of the other top 10 companies in the domestic market remained more or less the same. GlaxoSmithKline retained its third position, followed by Piramal Healthcare, Zydus Cadila, Sun Pharma, Alkem Laboratories, Lupin Labs and Mankind Pharma. Companies such as Piramal Healthcare (30.3 per cent), Alkem Laboratories (21.6 per cent), Mankind (26.5 per cent), USV (34.2 per cent), Ipca Labs (43.2 per cent) and Indoco Remedies (22.1 per cent) grew their sales substantially in January.

ORG-IMS, which tracks sales of pharmaceutical drugs in India, had earlier projected that the domestic market would grow 10.3 per cent (in value terms) until November 2008, to Rs 33,769 crore, over the 12 months of the previous year.

Analysts said better health insurance coverage, more government funds, introduction of mass healthcare projects such as the National Rural Health Mission (NRHM) and increasing rural penetration by pharmaceutical companies contributed to the growth of domestic drug sales. It is estimated that more than 65 per cent of the Indian population lacks access to proper healthcare facilities and drugs.

A YES Bank study has estimated that the demand for drugs in India will grow due to rising population, especially those over 60 years of age, and rising incomes. It said the domestic formulation industry market would touch \$21.5 billion by 2015. A KPMG analysis said the domestic market's compounded annual growth rate over the next few years would be 13.1 per cent. It would reach \$11.2 billion by 2011-12, KPMG predicted.

“Future demand for domestic formulations would be driven by chronic therapeutic segments such as anti-diabetic, central nervous system, cardio-vascular systems and gastrointestinal drugs on account of changing lifestyles,” the KPMG report had said.

<http://www.business-standard.com/india/news/domestic-drug-makers-immune-to-slowdown/351685/>

Feb sees 9.2 mn new mobile users; Bharti leads

GSM subscriber base in the country grew by 9.2 million (excluding Reliance Telecom) in February 2009. According to the latest data released by Cellular Operators' Association of India (COAI) the total GSM subscriber base in the country rose to 277.16 million in February from 267.54 million in January 2009, a growth of about 3.43 per cent during the month.

India's largest private telecom operator Bharti Airtel continued to dominate the market as its subscriber base rose to 91.11 million in February. The operator added 2.73 million subscribers to its subscriber base however with the entry of operators in the GSM market, the company's market share declined to 32.88 per cent as compared to 33.04 per cent in the previous month.

Vodafone-Essar added about 2.6 million customers to its total subscriber base witnessing a growth of 4.9 per cent over the trailing month. The company increased its market share marginally to 23.79 per cent as against 23.68 per cent in January this year. The company's total subscriber base stood just under 66 million during the end of the reporting month.

Meanwhile, the state-owned operators after continually losing market share to the private operators managed to stabilise their market share in February.

The market share of Bharat Sanchar Nigam (BSNL), which operates pan-India operations except Delhi and Mumbai, stood at 15.94 per cent in February, while in January 2009, the company's market share was 15.95 per cent. The company added about 1.5 million subscribers during the month taking its total subscriber base to 44.18 million.

Despite the launch of its 3G services in the early days of February, Mahanagar Telephone Nigam (MTNL), which operates in Delhi and Mumbai, added about 80,000 subscribers to its total base taking it to over 4.08 million. In January 2009, MTNL had added over one lakh subscribers to its network.

Meanwhile, AV Birla-promoted Idea Cellular (along with Spice Communications) witnessed a rise of 3.75 per cent in its subscriber base over the preceding month as it added about 1.5 million users during the month to report a total subscriber base of 41.5 million.

<http://www.business-standard.com/india/news/feb-sees-92-mn-new-mobile-users-bharti-leads/56439/on>

Apparel exports grow 11% over Dec

After a long spell of gloom, things have started looking up for exporters of ready-made garments. Chasing away months of consistent decline, Indian apparel exports grew 5 per cent in January 2009 over the same month last year.

On a month-to-month basis, it is an increase of 11 per cent at \$972 million, compared with \$871 million in December 2008, according to the Apparel Export Promotion Council (AEPC).

Competitive pricing, reduction in bank rates and a depreciating rupee have helped garment exporters survive the recession and compete with countries like Bangladesh, which was able to pip India in garment exports to the US due to its lower production costs. For India, the US, which imports \$70 billion worth of textile products every year, is the largest market, accounting for nearly a fourth of ready-made garments exported.

The recent announcement of providing a 2 per cent duty credit scrip benefit to garment exporters to the US and Europe, which would become effective from April 1, 2009, has also lifted the spirits of exporters. The scrip, which is a cash substitute, can be used by exporters to pay for duties on imported inputs.

“Things are not as grim as we were fearing,” said Rahul Mehta, president of the Clothing Manufacturing Association of India. Exporters have started offering competitive prices and discounts to buyers matching those offered by Bangladesh, Vietnam and Cambodia.

According to industry officials, Indian exporters have slashed prices by 11-12 per cent. “In order to survive and retain customers, exporters have to slash prices,” said Praveen Nayyar, managing director of Delhi-based Dimple Creations. “The main point is that there is still requirement for goods made here,” added Nayyar.

“It is a good news for the entire textile industry if the garment sector does well. This will ultimately help the upstream industry that includes yarn and fabric,” said DK Nair, secretary general of the Confederation of Indian Textile Industry (CITI).

<http://www.business-standard.com/india/news/apparel-exports-grow-11-over-dec/351404/>

News Round – Up

Indian cos top global charts on hiring plans in April-June

India tops a list of nations likely to keep a steady pace of hiring in the April-June quarter of 2009 with one in every four Indian companies surveyed saying it plans to recruit. South Africa came second in the 33-country study that featured 3,600 Indian companies and 72,000 employers worldwide, according to HR consulting firm Manpower.

The survey’s benchmark net employment outlook (NEO) for India improved from 19% in the previous quarter to 25% in April-June, said the firm’s India MD Naresh Malhan. NEO is arrived at subtracting the percentage of employers expecting to see a decrease in employment at their location in the next quarter from those anticipating total employment to increase. India had registered a NEO of 42% for Q2 2008, which has now dipped to 25%, indicating the impact of the global slowdown.

“The relatively slow pace of hiring in the second quarter can be attributed to employers’ focus on maintaining their workforce at current levels. Also, hiring intentions across all industry sectors have softened, as organisations review their requirements at the beginning of the fiscal year,” Mr Malhan said.

Employers in all the seven industry sectors surveyed said they expected the headcount to grow in the next quarter. The services sector was the most optimistic with a strong net outlook of 29%. Sectors such as transportation & utilities, (23%) manufacturing (22%), public administration & education (22%), insurance, finance and real estate (21%) are all likely to see robust hiring in the next quarter.

Also, employers in all four regions across the country predict a strong labour market for April-June, 2009. “The most optimistic forecast is from the eastern region, where the net employment outlook stands at 27%, followed by south, west and north at 24%, 23% and 22%, respectively,” the survey said. South Africa had a NEO of 14% while China registered 4%, and the US just 1%.

<http://economictimes.indiatimes.com/Jobs/Indian-cos-top-global-charts-on-hiring-plans-in-April-June-/articleshow/4253505.cms>