

Weekly Economic Bulletin

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News Feature

Economy to grow 6.7% this fiscal: Dun & Bradstreet

Indian economy will grow 6.7% in fiscal year 2009-10, pushed by a healthy increase in consumption even as private investment will moderate, information services provider Dun & Bradstreet (D&B) has projected.

In its Economy Outlook 2009-10, D&B said the economy will pick up in the medium to long-term when the policy responses of the government and Reserve Bank of India will come into play and the external situation will stabilise.

“D&B believes that the strong fundamentals of the Indian economy are a key to early reversal. D&B expects GDP growth to bottom out during H1 FY’10, see a reversal by H2 FY’10 and average at 6.7% for FY’10,” it said in the report.

The research firm expects the economy to grow at 6.8% in 2008-09, lower than the projection of 7.1% by Central Statistical Organisation and Prime Minister Economic Advisory Council. Giving reasons for the lower forecast, it said investment demand has come down in line with consumption as banks have turned risk-averse and cautious in lending.

The investment growth is likely to slow down to 35.5% this fiscal from 39.1% a year ago, D&B said, adding that in 2009-10 the growth in investment will level at 35% as the problems in lending will continue.

D&B said the aggregate consumption demand as measured by Private Final Consumption Expenditure (PFCE) will stabilise at 6.5% during FY’09 compared to 8.1% in the last fiscal. However, there will be a slight improvement in consumption to 6.7% in FY’10 as fiscal measures and lower interest rates begin to boost confidence and stimulate demand in the latter half of the year.

<http://www.financialexpress.com/news/economy-to-grow-6.7-this-fiscal-dun-&-bradstreet/431367/>

Chidambaram forecasts return to high growth path by 2010

The Home Minister, Mr P. Chidambaram, said the Indian economy would start recovering from the third quarter of the coming fiscal and end the year with 7 per cent growth.

He also said by FY10-11 the growth rate could go back to 9 per cent. “I am saying this with a high degree of confidence that 2010 will see us return to the high growth path,” said Mr Chidambaram, speaking at a conference organised by the International Bar Association.

Up savings, investments

In order to achieve this growth rate, the Home Minister said, we should follow a few steps. “We have to emphasis more on savings and also step up investments. In the next two to three years, we will see an increase in public investments and a decline in private investments. The Government will recapitalise banks and infuse more capital into public sector infrastructure, irrigation, agriculture, power generation, etc,” he said.

The country has to be more “prudent” about its “inessential” expenditure, he said. “If we are severely prudent then we can curb run away expenditures and deficits.”

Consumption should be encouraged as “domestic consumption is what has kept us reliant. Huge domestic demand is a magnet for foreign investment”. Increasing exports should also be an important goal as it helps us earn forex, he said.

“It is important for us to maintain a high growth rate in order to reduce poverty. And we should try to maintain this 9 per cent growth rate for another 20 to 25 years,” said Mr Chidambaram.

He also added that in order to achieve a 7 per cent growth rate for this fiscal we should post a rate of growth of at least 7.6 per cent in the fourth quarter of this fiscal. “But this looks like a stiff target,” he said.

He concluded by saying that “unless the developed world puts together a well-regulated financial system and revives its financial institutions, the shadow of the failure of the financial system in the western world will fall upon all developing countries, including India.”

<http://www.blonnet.com/2009/03/08/stories/2009030850980500.htm>

Overseas Investment

Govt approves 29 FDI proposals of 616 crore

The government approved 29 foreign direct investment (FDI) proposals worth Rs 616 crore including AAPC Singapore's Rs 365 crore hotel project.

AAPC plans to set up a wholly owned subsidiary in India for its hospital-ity venture, a finance ministry statement said.

The government has also allowed ABG Bulk Handling's plan to convert its operating company into an operating- cum-holding company. It pro-poses to make downstream investments of Rs 90 crore.

Other proposals cleared by the government include Rs 50 crore investment proposal of Cinema Capital Ventures Fund, US-based Telcordia Technologies' plan to induct foreign equity up to 74% in the mobile number portability solutions business and Telcordia plan to invest Rs 45 crore in its Indian operation.

Poltrona Frau's proposal to set up a single brand retail joint venture (JV) with Tata group company Eward also got the government's nod, the statement said. The foreign company would invest Rs 21 crore in the proposed JV.

FDI proposals are cleared by the government on the basis of Foreign Investment Promotion Board's (FIPB) suggestions. The board, constituted by the top officials of economic ministries, screens such FDI proposals where prior government approval is required.

<http://economictimes.indiatimes.com/Economy/Govt-approves-29-FDI-proposals/articleshow/4224936.cms>

Foreign cos may get FIPB nod for downstream investments

The wait is over for 30 foreign firms to get foreign exchange promotion board's (FIPB) nod for making downstream investments. The government has allowed them to escape the board and make direct investment in downstream activities by merely informing the Reserve Bank of India (RBI). So far, a foreign company operating in India needed a prior FIPB approval before taking any such decision.

But, the company will be required to inform the board, department of industrial policy and promotion (DIPP) and the secretariat for industrial assistance (SIA) about its investments within 30 days of funding the project, a senior official in the commerce and industry ministry told.

Last week, the government had issued an instruction (Press Note 4) doing away with the FIPB approval for downstream investments. But, it was silent on the fate of cases pending with the board. Nimbus Communications, DSR Realtors and Intertoll Consultants are some of the companies to have approached FIPB of late seeking its approval for making downstream investments.

According to Press Note 4, a foreign-owned or controlled Indian company that either runs a business or runs a business and also invests in other companies down the line will no longer have to seek clearance.

<http://economictimes.indiatimes.com/News/Economy/Policy/Foreign-cos-may-get-FIPB-nod-for-downstream-investments/articleshow/4225680.cms>

Trade News

German cos defy downturn, look to invest in India

Defying the downturn, German firms are continuing to focus on India. Despite the global economic slump, German managers regard India as an attractive long-term growth market and continue to invest strategically here.

“Especially SMEs, the repository of Germany’s technological edge, remain convinced of India’s prospects and are looking for new opportunities here,” said Bernhard Steinruecke, director-general, Indo-German Chamber of Commerce (IGCC).

Two high-level business delegations are visiting the country in March.

Companies from the German federal state of Rhineland-Palatinate (Rheinland-Pfalz) will visit Delhi, Pune and Chennai from March 11-16. The delegation will be led by chief minister Kurt Beck.

“Their companies (from food, chemicals and construction) want to diversify into new growth markets,” explained Steinruecke. “And instead of just trading with India, many of them start to look for JV partners or for locations to set up subsidiaries here,” he added.

A delegation from the federal state of Brandenburg will visit India after that. Led by economic minister Ulrich Junghanns, this group will focus on aviation and energy. They will visit Delhi, Pune and Bangalore from March 15-21. Aviation industry suppliers like AneCom AeroTest GmbH, renewable energy firms like Greenblade GmbH and the environment technology provider ERV GmbH, a waste management company, are looking for Indian partners.

A 14-member delegation from North Rhine-Westphalia (NRW) was in Pune, exploring tie-ups in the renewable energy sector. “NRW is among the strongest states in Germany in this sector and has over a 100 Indian companies in different sectors that have set up base here,” said Micheal Gessner, head of energy department, ministry of economic affairs of the state of NRW.

<http://www.financialexpress.com/news/german-cos-defy-downturn-look-to-invest-in-india/430956/>

Dhaka, Delhi to renew transit, trade deal in March

Bangladeshi and Indian officials will meet later this month to renew their inland water transit and trade deal. The current deal expires March 31.

The Protocol on Inland Water Transit and Trade, aimed at boosting the inland water trade between the two South Asian neighbours, was renewed at a meeting in New Delhi May 1, 2007, New Age newspaper said quoting foreign ministry sources.

Bangladesh proposed inclusion of Ashuganj as a new port of call, especially for easy transport of Indian goods from Kolkata to Agartala through Bangladesh. This proposal was made during the Dhaka tour of India’s Minister for External Affairs Pranab Mukherjee last month.

A Bangladeshi official said before finalising the date of renewing the protocol, the technical committee at a meeting will assess all the aspects of the deal by March 10.

The inland water transit protocol was first signed in 1980 under the bilateral trade agreement of 1980 that facilitated mutually beneficial arrangements for the use of the waterways for commerce, maintaining the river routes within each territories a navigable condition.

Later, the protocol was first renewed in 1999, then in 2001 and the last time in 2007.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Dhaka-Delhi-to-renew-transit-trade-deal-in-March/articleshow/4227269.cms>

Sectoral News

Foodgrain produce to increase by 2.2% in FY 09: CMIE

The foodgrain production is expected to increase by 2.2% in FY 09, the Centre for Monitoring Indian Economy (CMIE) has said in its monthly review. CMIE expects foodgrain production to reach 234 million tonne as compared with 230 million tonne during FY 08, an increase of 2.2%.

Kharif acreage was down by 2.4% in 2008 due to the absence of rain in the crucial sowing month of July. But increased acreage and favourable weather conditions are expected to boost rabi production, the CMIE report said.

Despite expectations of higher foodgrain output, "Our projection for growth in total crop production during FY 09 stands revised downwards to 1.2% from our earlier estimate of 2.5%," it said.

The scaling down of the growth rate was due to an upward revision in the Government's final crop production figures for FY 08 and also on account of "our downward revision in production estimates of some non-food crops in FY 09," it added.

<http://www.financialexpress.com/news/foodgrain-produce-to-increase-by-2.2-in-fy-09-cmie/432491/>

Biotech cos eye global JVs for R&D push

Biotech companies like Avesthagen and Biocon are in talks with global players to out-license various projects in their R&D pipeline, industry officials said. These initiatives are happening at a time when pharmaceutical companies, too, seem unable to find takers for their molecules in a challenging business environment.

Avesthagen is currently in talks with several companies for partnerships in the nutrition space. Viloo Morawala Patel, chairperson and managing director of Avesthagen, told: "Our first molecule in nutrition has also finished clinical trials while others are in the pipeline. But instead of retailing it directly, we will be licensing them out to other retail companies." The company's partnership with Danone in metabolic disorders is through

with its pre-clinical testing. As part of the agreement between the two companies, Danone will start clinical trials of the molecules and later into the market.

In the biopharma space, Avesthagen has four molecules in the pre-clinical stage and is looking at partnering them for further development. With its IPO currently on hold, Avesthagen is counting on strategic partnerships and milestone payments from its out-licensed molecules to tide over shortage of funds.

Biocon is also looking at partnering with MNCs for its insulin molecule. The company's oral insulin molecule is entering phase three clinical trials, and Kiran Mazumdar Shaw, chairman and managing director of Biocon, says the company should have some indication about the data by the end of the year. "Following this, Biocon will be looking for partners to out-license this molecule to unlock good value. The company will mainly look at partnering with MNCs. But from the marketing point of view, we are open to partnering with Indian companies just to make it into a big product," Ms Shaw said.

Biocon is developing both biosimilars and novel products. The insulin space, where the company is developing an oral insulin, is an important play for it globally. AntiCD 6 and BVX20 are other areas where the company is doing its research. The company has strategically focused on insulin and glargine, which it sees as big-ticket items. "We expect that the insulin space alone will become a \$100-million business for us in the rest of the world (ROW) markets within the next few years," Ms Shaw said.

<http://economictimes.indiatimes.com/Biotech/Biotech-cos-eye-global-JVs-for-RD-push/articleshow/4231005.cms>

Media & entertainment sector can fight slowdown riding on IT growth

Owing to economic downturn the media and entertainment (M&E) industry has been cautious in taking investment decisions. Information technology (IT) spending by the M&E industry is expected to grow to Rs 1,440 crore by 2010, with a compound annual growth rate of 32%. However, Springboard's report, titled "IT in the Indian Media and Entertainment Industry: Emerging Trends and Opportunities" forecasts that the annual growth will slow down to 23% in 2009 compared to 30% in 2008, but will pick up again in 2010.

According to ITC Infotech head media & entertainment Bala K, "Usage of IT, especially across key functions spanning core content, enabling business applications and surround infrastructure support is essential for the M&E sector. These firms should target 20% to 30% cost reduction by rationalisation of hardware and software IT assets, supporting their multiple media properties. Initiative towards Green IT are also gaining prominence."

Technology has influenced the entertainment industry in a big way, bringing in DTH and digital cinema. This has transformed content delivery as well as viewership experience. Ernst & Young advisory services (technology, communication and entertainment practices), partner, Devendra Parulekar told, "IT plays an important role in the M&E sector as it is used in various segments. Consumption of IT in postproduction, distribution and

digital companies is higher than film companies. For the television industry the entire scheduling is dependent on it.” Companies are increasingly transforming from production towards content creation. Investments in agile content and business application portfolio will be crucial for companies to grow rapidly in a competitive environment to monetise assets. Bala added, “M&E companies will focus on cost take-out propositions that can reduce total cost of ownership while transforming to the new media world. IT spends are also foreseen in solutions that can help companies monetise their assets efficiently across multiple channels.” Ad sale systems, scheduling system, and traffic systems are some of the technologies largely used by the M&E sector. For distribution companies, customer relationship management and billing systems are essential whereas enterprise resource planning solution and accounting systems are critical for print companies.

<http://www.financialexpress.com/news/media-&-entertainment-sector-can-fight-slowdown-riding-on-it-growth/430878/>

Seafood exports up despite fall in US account

Seafood exports from the country have managed to record growth in volume and value for the first three quarters of the current fiscal despite exports to the US recording a negative growth.

Other markets like China, the Middle East and South East Asia have helped Indian marine exports stay afloat in the recessionary market, Marine Products Export Development Authority (Mpeda) sources told.

Exports to the US have fallen during April-December 2008-09 by 15% in volume and 10% in value. High value items like shrimp are faced with falling demand, whereas other less costly species are attracting customers from outside the European Union and the US.

The US accounts for 7% of the volume share and 16% of the value share of total exports (according to figures provided by MPEDA for 2006-07), while European Union accounts for 24% share in volume and 33% share in value of the total exports.

According to figures provided by the Mpeda, India exported 438,768 tonne of seafood valued at Rs 6391.91 crore during April-December 2008 as against 413,768 tonne valued at Rs 5920.58 crore during April-December 2007. The volume has increased by 6% and value by 7.9%. The dollar realisation for the nine-month period has declined by 1.2%.

India exported 529,357 tonne of seafood valued at Rs 7,476.37 crore during fiscal 2007-08, as against 612,641 tonne valued at Rs 8,363.53 crore for 2006-07.

Shrimp, the major component in the seafood export basket, seems to be the worst hit. Shrimp exports account for more than 50% of the total exports in volume and value.

Export of shrimp has fallen by 12% in volume and 11% in value during April-December 2008-09. Dollar realisation from exporting shrimp has recorded an 18% drop when compared with figures of the same period of last FY.

Unit value realisation from shrimp exports has fallen by more than 7% during the period to touch \$ 6.87 per kg from \$7.3 per kg during April-December 2007.

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

Oilmeal exports seen at 5.5 mt

So far, the overall export of oilmeals for the period April 2008 to February 2009 was reported at 5.05 million tonne against 4.58 million tonne, up by 10%. Total FOB earning is estimated at Rs 7,790 crore, according to the latest data released by Solvent Extractors' Association of India (SEA).

"I think total export of oilmeals may reach to 5.4-5.5 million tonne for FY 2008-09 due to good crop of major oilseeds and higher price realisation in the international markets. I expect export for March to reach around 4,00,000 tonne," BV Mehta, executive director, SEAI told.

Export of oilmeals for February 2009 was reported at 4,41,000 tonne against 7,63,000 tonne in February 2008, down by 42%. The FOB earning was Rs 790 crore.

The export jumped during the first two quarters of 2008-09 due to excellent demand and FOB realisation. However, export got stagnated in the third quarter and in last two months export declined heavily due to stagnation in production of meat and poultry worldwide following financial crisis and pronounced slowdown in economic activity affected consumer demand for livestock products, he said.

In last few months, export of oilmeals has declined sharply due to various reasons. The association has decided to step up promotional efforts to check the declining trend and planning to depute a trade delegation in second half of May 2009 to some of the key markets in South-East Asia like Cambodia, Laos and Phillipines to maintain India's share in world market and to develop a new markets for oilmeals.

<http://www.financialexpress.com/news/oilmeal-exports-seen-at-5.5-mt/431453/>

News Round – Up

India Inc optimist, expects growth despite slowdown

India Inc representatives seem to be optimistic about the prospects of the economy and corporate growth even in the troubled times. ICICI Bank managing director and CEO KV Kamath mentioned India Inc is expected to deliver better results in the current quarter with compared to its average performance in the third quarter of the current financial year.

Kamath reiterated India's GDP is expected to grow over 7% in the coming days.

Kotak Mahindra Bank managing director and vice-chairman Uday Kotak and Reliance Industries chairman and managing director Mukesh Ambani also participated in a panel discussion at the Emerging Economic Giant: Business Law Conference in Mumbai. Ambani too indicated India will certainly clog double-digit growth at least over next three to four decades. "However, we might take another couple of years to recover from the global downturn effect," he added.

Ambani explained that India has a sizeable amount of young population and therefore growing younger in a scenario where rest of the world's population is getting older. The consumption of goods & services by the younger generation is expected to rise phenomenally in future. "It's a fact that India is going to get richer before it gets older whereas China is expected to grow older before it becomes richer. Thus among developing economies, India enjoys a competitive advantage in many aspects. Also, we have a vibrant democracy which has embraced technology in an excellent way," he said.

India must work towards establishing a peaceful atmosphere in the neighboring countries. Kotak said India is expected to come out of the current economic crisis earlier compared to other developed as well as developing economies of the world. "India has sound and sustainable domestic banking and financial system, the country has huge market for domestic consumption and we are a significant producer of goods & services to suffice the domestic needs," he said.

These three criteria are more than adequate to ensure that whenever there is an upturn in the global economy, we will be the first to enjoy its benefits. "However, I do not know how long the current crises will last. It's beyond my assessment," he said.

<http://www.financialexpress.com/news/india-inc-optimist-expects-growth-despite-slowdown/432511/>

India bright spot in MNC gloom story

Indian subsidiaries, relatively minor cogs in the wheels of large multinational companies until 2007, have emerged as crucial profit generators, as earnings in developed western markets tumble amid the worst economic downturn in a generation.

Barring a few exceptions, the locally-listed units of companies such as ABB, Glaxo, Siemens, Cummins, Oracle, Suzuki, Whirlpool, Nestle and Areva have increased their contribution to the global consolidated earnings, as growth remains robust in various sectors of Indian industry.

Significantly, this has happened despite a sharp depreciation of the rupee against major international currencies in the past one-year, which tends to depress earnings in dollar

terms, as the dollar value of the subsidiary's contribution is lower after currency conversion. Had this not happened, the contribution of these Indian units would have been much higher.

<http://economictimes.indiatimes.com/Corporate-Trends/India-bright-spot-in-MNC-gloom-story/articleshow/4242802.cms>

India to soon have a housing index

Like her sisters across the seven seas, India, too, could have her own housing starts index.

A technical advisory group (TAG) set up by the Reserve Bank of India (RBI) has recommended the creation of a Housing Start-up Index (HSUI) to be based on newly-built residential units in urban India and compiled on a quarterly basis. The central bank is likely to launch the index, work out the computation methodology and monitor its evolution.

The number of housing starts during a period indicates the demand and supply situation as reflected in conversion of building permits into actual starts. Housing starts are considered lead indicators of economic activity due to their strong forward and backward linkages with other sectors.

The TAG said the HSUI would be confined to newly built residential units in urban India, whose construction is authorised through the issuance of building permits. The start-up co-efficients should reflect the recent experience of converting the housing permits into housing starts and the number of permits issued during the past two years. The group made its recommendations after studying the practices followed in Canada and USA.

Post liberalisation, RBI has been largely looking at equity prices to keep a check on asset price inflation. The significance of real estate in the economy has increased substantially in the recent years, compelling the central bank to also look at real estate prices. The RBI had, in fact, made it more expensive for banks to lend to real estate as a counter-cyclical measure.

The Case-Shiller Home Price Indices are a useful tool for measuring the movement of nominal house prices in the United States. The index indicates the price direction by using sales data for the same house over time.

The HSUI will be initially based on co-efficient matrices constructed for the six metros.

<http://economictimes.indiatimes.com/News-/India-to-soon-have-a-housing-index/articleshow/4231144.cms>

