

Weekly Economic Bulletin

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News Feature

India's March consumer price index up 8.03 pc y/y

India's consumer price index rose 8.03 percent in March from a year earlier, lower than February's annual rise of 9.63 percent, government data showed.

The consumer price index, which is published monthly, for industrial workers remained steady at 148.

The wholesale price index is more closely watched in India because it covers a higher number of products and is released weekly.

Government data showed the wholesale price index rose 0.48 percent in the 12 months to May 2, below the previous week's annual rise of 0.70 per cent.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Indias-March-consumer-price-index-up-803-pc-yy/articleshow/4533807.cms>

Overseas News

Forex reserves rise by \$4 billion

India's foreign exchange reserves increased by \$4.239 billion to \$255.941 billion for the week ended May 8, according to figures released in the Reserve Bank of India's weekly statistical supplement.

For the week ended May 1, reserves fell by \$1.389 billion to \$251.702 billion.

The foreign currency assets increased by \$4.014 billion to \$245.501 billion, on account of revaluation of the reserves.

Foreign currency assets expressed in US dollar terms include the effect of appreciation or depreciation of non-US currencies.

The dollar had weakened against the euro and the pound in the week under consideration, said a dealer with a public sector bank.

In the week under review, the dollar touched a low of 1.343 against the euro and 1.514 against the pound.

According to the figures released by the Securities and Exchange Board of India, foreign institutional investors were net buyers in the equity markets to the tune of \$906.5 million for the week ended May 8, pulling up the reserves.

Gold reserves and SDRs remained unchanged at \$9.23 billion and \$1 million respectively. The reserve position in the IMF increased by \$225 million to \$1.208 billion.

<http://www.thehindubusinessline.com/2009/05/16/stories/2009051650340600.htm>

FII invest Rs 3,614 cr in 5 days

In just five trading sessions this month, the Indian equity market saw foreign investments to the tune of Rs 3,614 crore, accounting for 91% of the overall purchases so far this year.

Foreign institutional investors (FIIs) have pumped in a net of Rs 3,614 crore in equities in May, which saw the Bombay Stock Exchange benchmark sensex breaching the psychological 12,000-level, the highest in the last seven months.

Last week, FIIs made a gross purchase of equities worth Rs 14,447 crore and sold equities valued Rs 10,832 crore, resulting in net investment of Rs 3,614 crore, as per the data available with the market regulator Securities and Exchange Board of India (Sebi).

So far this year, FIIs have made a gross purchase of equities worth Rs 1,35,692 crore and sold equities valued at Rs 1,31,721 crore, resulting in net investment of Rs 3,970 crore, Sebi data shows.

The previous week also recorded the biggest weekly infusion by the FIIs in the current calendar year. With a bulk investment of Rs 1,491.1 crore in a single day, FIIs remained net purchasers in equities in the remaining days.

<http://www.financialexpress.com/news/fiis-invest-rs-3-614-cr-in-5-days/457136/>

FDI inflows offset FII outflows in Oct-Mar

In what can be seen as India's relative strength amid nations reeling under the onslaught of a global recession, foreign direct investment (FDI) worth \$11 billion flowed into the country between October 2008 and March 2009 even as foreign institutional investors (FIIs) pulled out \$8.3 billion through the portfolio route over the same period.

FDI is long-term and, therefore, more stable in nature compared with investments through the portfolio route, which tend to be more speculative and volatile.

However, for the full fiscal (FY09), Reserve Bank data show that FDI was almost flat at \$33.6 billion (\$34.4 billion) while FIIs pulled out \$13.8 billion. Of the \$33.6 billion FDI in FY09, only a third was invested in the second-half while a bulk of it entered during the first half. This is the first time since 1999 fiscal, which recorded FDI at \$2.5 billion and FII at a negative \$61 million, that FDI inflows have offset FII outflows by such a huge margin.

The FII figures by RBI include investments into GDRs/ADRs and other offshore funds issued by Indian companies, which comprise a tiny portion of the overall investments. FDI also includes earnings reinvested by MNCs and acquisition of shares by non-residents.

<http://economictimes.indiatimes.com/Indicators/FDI-inflows-offset-FII-outflows-in-Oct-Mar/articleshow/4526938.cms>

Trade News

Ireland to enhance bilateral trade with India

Ireland is betting on increased interest of Irish companies in India to grow bilateral trade. The euro 500-million trade between the two nations is expected to surge by 25% in 2009 as against the 13% growth it recorded in 2008.

Irish companies are keen to invest in sectors like cement, publishing, medical technology and IT, said Ireland's ambassador in India Kenneth Thompson.

"The pace at which Irish companies are showing interest in India, we anticipate a 25% jump in bilateral trade. In fact, the number of business partnerships between Irish and Indian companies is also expected to surge in a big way," Mr Thompson said. He was talking to reporters on the sidelines of a meet organised by Bharat Chamber of Commerce.

India's exports to Ireland account for nearly 63% of the bilateral trade driven by products like yarn, garment and drugs. On the other hand, India imports telecom, sound equipment, automatic data processing machines and other manufactured products from Ireland.

Ireland has recently set up an investment office in Mumbai to attract Indian companies. "We are primarily looking at frontline Indian companies in sectors like pharma and IT. We are already one of the world's largest software exporters led by Microsoft and encouraging generic drug makers to reduce our public healthcare cost," said Mr Thompson.

The European nation is also keen to invest in West Bengal. "Since Irish companies are mainly present in Bangalore, they have little idea about investment opportunities in West Bengal. But, we are now exploring opportunities in areas like food processing, education, dairy and aviation in the state," Mr Thompson said.

Mr Thompson said Indian people account for the largest immigrant group in Ireland outside the Europe. "Apart from 20 Indian professors in Trinity College Dublin, there are several Indian doctors, nurses and IT professionals in Ireland," he said.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Ireland-to-enhance-bilateral-trade-with-India/articleshow/4536039.cms>

India-Mercosur pact to boost bilateral trade

The India-Mercosur Preferential Trading Arrangement (PTA), which is likely to be inked by June 2009 will provide a significant boost to bilateral trade and investment flows. The pact will also mark the first step towards the creation of a Free Trade Area between Mercosur and India.

Argentina, Brazil, Paraguay and Uruguay are the four countries of South America that together constitute the Mercosur bloc. Venezuela is in the process of becoming a full-fledged member of the bloc soon.

At an interactive meeting organised by Ficci, Jose Carlos Fonseca Jr, Minister-Counsellor of Brazil in India, said the signing of the PTA between Mercosur and India reflected the priority attached by each of the participating countries in doing business with India.

“Very soon we will have to sit down again to look into the possibility of widening the scope of the agreement to give rise to a new wave of economic and business cooperation with India,” he said.

At the meeting, ambassadors of the four Mercosur countries gave a comprehensive picture of the business opportunities awaiting to be tapped business from India and their respective countries, with the Argentine Ambassador to India, Ernesto Carlos Alvarez, assuring Indian businessmen of a 24-hour visa approval.

Alvarez said Argentina was the third largest market of Latin America after Brazil and Mexico. It is rich in natural, agricultural, mineral and energy resources. It has the eighth largest land area but a small population of 40 million. The Argentine market has successfully withstood the global financial crisis, suffering only a modest adverse impact. The economy’ mainstay is agribusiness, wine production, energy, minerals, food processing, automobiles, auto parts, consumer goods, pharmaceuticals, paper and metallurgy.

Cesar Ferrer, Ambassador of Uruguay in India, pointed out that the mainstay of the Uruguayan economy was the export-oriented agricultural sector. Policymaking was transparent and predictable and the security situation better than most countries of the region. The main exports are rice, cotton, wool, meat lather and paper pulp. The country offers competitive incentives to foreign investors to set up assembly units and warehouses for exports to the rest of South America.

<http://www.financialexpress.com/news/indiamercosur-pact-to-boost-bilateral-trade/458214/>

'Stable Cong-led govt to boost Indo-Russian strategic ties'

The return to power of the Congress-led government in India will boost the bilateral "strategic partnership" between New Delhi and Moscow, a top Russian expert on India said.

"The new Indian government enjoying a popular verdict will have a more focused and pragmatic Russia policy and is expected to further cement bilateral strategic partnership," said Dr Tatiana Shaumyan, the Director of Centre for Indian Studies of the Russian Science Academy.

Dr Shaumyan underscored that it was Congress government of Prime Minister Jawaharlal Nehru, which after India's Independence adopted the policy of fostering friendship and cooperation with Russia's predecessor the Soviet Union.

"Our relations have survived all the changes in our countries, sometimes even dramatic, and have remained top foreign policy priority for the Kremlin and South Block even after change of guards. The reason is simple, the bilateral ties are based on vital common national interests and threat perceptions," Dr Shaumyan underlined.

According to her, the defence, security cooperation will further develop under the new Congress-led UPA government, which will also take a fresh look to cement economic interaction by energetically utilising new opportunities and openings amid the global downturn.

<http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Stable-Cong-led-govt-to-boost-Indo-Russian-strategic-ties-/articleshow/4540111.cms>

Sectoral News

Investment in retail tech solution to touch Rs 2,400 cr

The Rs 40,000-crore organised Indian retail sector is seen investing close to Rs 2,400 crore in retail technology service solutions in the current financial year. This could go up to Rs 6,000 crore in the next four to five years, at a CAGR of 40%, Kumar Rajagopalan, chief executive officer, Retailers Association of India (RAI) told.

"In a tough economic situation, today's organised retailers want retail technology solutions for utilising retail space better, creating a better merchandise and enhancing supply chain management, creating better customer-centric models, people management and financial management, apart from enabling retailers to create revolutionary models, especially in multi-channel retail technology," said Rajagopalan,

Retailers' increasing focus on multi-brand formats is expected to further drive growth in technology. Says Mukesh Mathur, director and business head—retail, Oracle India Private Ltd, "In times of global financial slowdown, the demand for cost-effective retail solutions is growing at a rate of 10% in Q1 FY10 and is expected to grow between 20% to 40% in the next three to four years with retail majors focusing more on multi-brand retail formats."

<http://www.financialexpress.com/news/investment-in-retail-tech-solution-to-touch-rs-2-400-cr/461293/>

Cement despatch growth at 5-year high in April

The domestic cement industry has seen robust growth since the start of FY10. The persistent high demand has seen the industry hit a five-year high in despatch growth in April. At a time when other manufacturing sectors are showing poor growth, cement sector has been an outperformer since November last year.

The 212-million-tonne cement industry — world's second largest after China — despatched 16.65 million tonnes during the month, registering a growth of 13.03 per cent,

the highest since February, 2008. It was during April, 2004, when industry despatch was hit 17.85 per cent.

The previous financial year had begun with a muted despatch growth rate of 6.12 per cent in April which subsequently slumped to 3.78 per cent in August before it finally surged in November.

Amrit Lal Kapur, managing director, Ambuja Cements, had said FY10 might see a similar growth of 8 per cent as was in the previous financial year. "We are positive on cement demand growth," he added.

It is the first-ever positive outlook from the industry for the present year at a time when apprehensions persist about oversupply in the second half. This is in contrast with the industry analysts' view who expect the sector to grow by 6 per cent in FY10.

Since the beginning of the year, the monthly despatch growth (year-on-year) has continuously inched up from 8.26 per cent in January to 8.73 per cent in February which later jumped to 10.35 per cent in March, the month when the industry touched historic highs of 18.12 million tonnes.

Pawan Burde, research analyst at Angel Broking, said, "It is an optimistic growth for the sector on account of good demand from infrastructure projects, rural housing and pre-election spending. However, it is premature to say if the same growth will be sustained for the entire year."

ACC, the country's largest cement maker had a despatch growth rate of 4.05 per cent in April whereas Ambuja Cements registered a rise of 10.74 per cent. The cement despatches of Aditya Birla group, comprising UltraTech Cement and Grasim, in April jumped 17.43 per cent while the cement major from north Shree Cement's despatches surged a steep 28 per cent.

"Partially, the dramatic rise in April despatches is due to the low base last year because of the export ban which came into effect during the same period last year, thereby impacting despatches," said another industry analyst, who did not wish to be named. The government had put an overall ban on cement exports on 11 April 2008 which subsequently was partially removed by May-end.

The price hike of Rs 12-15 for a 50 kg bag of cement during the March quarter of FY09 is helping cement makers reap the benefits. The market players have always maintained that pricing of cement is the function of supply and demand.

It is learnt the government is unhappy with the cement prices hikes and may consider withdrawing some benefits to the sector.

The government had come up with two stimulus packages which also benefitted the cement sector with excise duty cuts and re-imposition of counter-vailing duty (CVD) on the imported cement from Pakistan.

<http://www.business-standard.com/india/news/cement-despatch-growth-at-5-year-high-in-april/357901/>

April saw 9-million new GSM subscribers

The country added a total of nearly 9 million GSM subscribers during the month of April taking the total GSM subscriber base to 297 million, a growth of 3.11% over the additions made the previous month. The figures, however do not include the GSM subscriber additions made by Reliance Telecom of Reliance Communications, which offers GSM services.

Bharti Airtel, which registered a growth of 2.99% during the month for the first time saw a dip below 3%. The company at the end of the month continued to dominate the market with a market share of 32.49%. Bharti Airtel recorded a total of over 96 million subscribers at the end of the month adding 2.8 million subscribers. The highest additions for the company came from Rajasthan that added 3.9 lakh subscribers. Vodafone-Essar registered a high 4.09% growth during April. Vodafone added 2.7 million subscribers in April taking its total mobile user base up to 71.5 million during the month.

<http://www.financialexpress.com/news/april-saw-9million-new-gsm-subscribers/458753/>

Real estate mkt shows revival signs, grows 20%

A couple of major real estate deals in April has raised expectations of a revival in the real estate market, estimated at Rs 10,000 crore. According to Confederation of Real Estate Developer's Associations of India (CREDAI), the market is growing by 15% to 20% compared to last year, but less sanguine estimates also pitch a dip in growth rate of sales of major real estate companies by 82% and net profit by 89% during the fourth quarter of the financial year 2008-09, over the previous corresponding quarter, as per the BSE Realty Index.

Cement major Lafarge India has recently set up its new aggregates and concrete (A&C) office division in Bandra East, Mumbai, which is an additional space to the company's existing office which is also based in Nariman Point, according to Lafarge India spokesperson. Recently, the National Stock Exchange (NSE) has chosen Kohinoor City in Kurla for office space, which is strategically located from its main office tower at BKC. According to Atul Modak, head – Kohinoor City Project, "NSE, along with its group companies has purchased about 80,000 sq ft at Rs 15,000 per sq ft for a total Rs 80 crore." According to sources at JLLM, commercial leasing in Delhi, Gurgaon, Noida, Hyderabad, Chennai, Kolkata, Pune and Bangalore too have started witnessing about 5% to 10% increase in volumes.

According to Rajeev Piramal, executive vice-chairman, Peninsula Land Ltd (PLL), "There are signs of revival in the real estate market, especially Mumbai, which is our core market. We hope to see demand pick up further in the second half of the year. Along with the real estate prices, land prices are also getting aligned."

Commercial leasing has picked up by 5% in volume terms in the first quarter of 2009-10, according to real estate consultant Jones Lang LaSalle Meghraj (JLLM). Driving this growth are corporates who are now seeking to set up additional offices that offer them better space at lower costs. However, this is much lower than the 10% to 15% growth the leasing market saw during Q1 of 2008-09 , according to Abhishek Kiran Gupta, head – research, JLLM.

<http://www.financialexpress.com/news/real-estate-mkt-shows-revival-signs-grows-20/458710/>

Bio-processing tech for leather to make India world leader

Environment-friendly bio-processing of hides and skin to leather using enzymes in the pre-tanning process, a technology that can make India a world leader, is nearing commercialisation. The Central Leather Research Institute (CLRI) the lead institute in the development of the new technology, is in talks with tanneries to field test the new process, and with leather chemical manufacturers for the large-scale production of the new bio-process materials.

A collaborative effort by a dozen research institutes and universities in the country under the New Millennium Technology Leadership Initiative (NMITLI) of the Council of Scientific and Industrial Research (CSIR), resulted in this breakthrough, AB Mandal, director of CLRI, one of the CSIR Laboratories and the nodal agency for NMITLI for leather, said.

Mandal added that the NMITLI network developed 18 technology leads and shortlisted six combination of about 40 enzymes. CLRI scientists, in partnership with tanneries in different regions, would undertake field trials to assess the technical feasibility of these enzymes in processing leather.

The greatest challenge for the scientists, he said would be changing the mindset of the tanners and convincing them that quality leather could be produced using enzymes. The tanners are now using a combination of chemicals with enzymes for leather processing.

Under the new technology, a cocktail of enzymes alone would be used for the critical pre-tanning process, called beam house operations. This include de-hairing, de-fleshing and opening up of the fibre quality of the hides.

The use of enzymes will have a dual effect. On the one hand, it would eliminate the environmental problems associated with the solid and liquid wastes. On the other, it would avoid chemical pollution of the tannery wastes that can be processed into useful materials.

According to a CLRI data, the amount of waste discharged from processing a tonne of leather includes about 750 kg of solid waste. Of this, about 350 kg would be lime-sulphide sludge, 40,000 liters of liquid waste and 450 kg of total dissolved solids. Mandal said when the bioprocess technology is operated the leather industry would be able to meet the Pollution Control Board norms on total dissolved solids in effluents and on solid waste in leather production.

<http://www.financialexpress.com/news/bioprocessing-tech-for-leather-to-make-india-world-leader/457641/>

Seafood exports climb in volume, value

Seafood exports during the last fiscal (2008-09) is likely to surpass the performance of previous fiscal by at least 8-10% in both volume and value, thanks to good response from non-traditional markets like China, Middle East and South East Asia, trade sources said. Dollar realisation is also likely to match or marginally move up.

According to estimates of the Marine Products Export Development Authority (Mpeda), India exported 5,39,299 tonne of seafood during the first eleven months of 2008-09 valued at Rs 7,730.16 crore as against 4,91,430 tonne valued at Rs 6,945.35 crore during the same period of 2007-08.

The effort is seen higher by 9.7% in volume and 11.3% in value. Dollar realisation of \$1,728.86 million for the period is more or less the same for the last comparable period. India exported 5,29,357 tonne of seafood valued at Rs 7,476.37 crore during fiscal 2007-08, as against 6,12,641 tonne valued at Rs 8,363.53 crore for 2006-07.

Weakening of the rupee has helped exporters gain market shares at the cost of dollar realisation. Despite volume losses in traditional markets of US, Japan and the European Union, increased demand from non-traditional sources have helped exports, sources said.

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

Exports to the US market have fallen by 4% in volume and 1% in value during the eleven months of 2008-09. Dollar revenue has dropped by 13%. Volume of exports to Japan is seen lesser by 6%.

<http://www.financialexpress.com/news/seafood-exports-climb-in-volume-value/459631/>

News Round – Up

Morgan Stanley ups India

Morgan Stanley upgraded India to overweight on its country model portfolio for the first time, citing the political victory secured by the country's ruling Congress party.

Israel and Chile also saw their weightings on Morgan Stanley's country model raised to overweight and equal weight respectively.

The brokerage said it decided to add Reliance Industries and Larsen and Toubro to its focus list along with the change to the country's "underweight" rating.

"Our economics team expects the decisive election victory by the Congress Party to lead to progress in areas including public finances, acceleration in infrastructure spending, augmentation of government resources through privatisation and implementation of de-regulation for the pension funds, banking and retail sectors," it said in a client note.

Morgan Stanley said it was downgrading Thailand to underweight from equal weight on a deterioration in share valuations and earnings as well as rising political risk.

It also cut Egypt to equal weight from overweight on weaker valuations.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Morgan-Stanley-ups-India/articleshow/4548828.cms>

CMIE pegs GDP growth at 6.6 per cent for 2009-10

The Indian economy is likely to grow at 6.6 per cent in the current fiscal on the back of new investment proposals and additional capacity building by companies, economic think-tank CMIE said in a report.

The real GDP is projected to grow at 6.6 percent in 2009-10, the Centre for Monitoring Indian Economy (CMIE) in said in a report on the state of economy.

The projection is tad higher than the 6.5 per cent growth estimated in the last fiscal, the report said, adding, "There is some evidence that suggest that the much higher growth trajectory is getting restored after a sudden and substantial interruption."

The Reserve Bank has pegged GDP to grow at 6 per cent for the current fiscal in its monetary policy, announced on April 21, 2009.

According to CMIE, early results of the companies for the quarter ended March 09 are turning to be better than expectations.

"New investment proposals continued to pour in and companies have expressed confidence that they would set up additional larger production capacities during the fiscal," the report said.

<http://economictimes.indiatimes.com/News/Economy/Indicators/CMIE-pegs-GDP-growth-at-66-per-cent-for-2009-10/articleshow/4547905.cms>