

Monthly Economic Analysis Fortune 2008

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Macro Economic Developments

Industrial Growth:

Indian Industry posted a conservative growth of 4.8% during the first half of 2008-09 compared to the growth of 9.4% a year ago. Weakness in the position of the industry was on account of financial clogging in the global and in the domestic market. Monetary measures taken by the central bank over a year to control the inflation from worsening have also taken a toll in industrial performance.

The growth driver of industry–manufacturing sector was reduced to a single digit during the period April- September 2008-09, registering 5.22% growth compared to double-digit growth of 10.1% posted during the same period of previous year. The other two sectors mining and electricity also posted a lower growth rate compared to the growth rate registered in the previous year.

The impact of financial instability was observed in its other industry segments as well under the use-based classification. During the period from April – September 2008-09 the basic goods slowed to 3.8%, capital goods to 10.6% and intermediate to 0.1% as against the growth of 9.3%, 20.2%, and 10.6% respectively in the same period of previous year.

However, the consumer durables segment was largely unaffected by any slowdown with the sector registering growth of 7.7% as against the growth of 5.5% in the previous year.

During the six month period of 2008-09 among the seventeen industry segments, as many as 7 industry sectors have posted a negative growth compared to the previous year. These sectors were food products (currently running positive), cotton textiles, wool, jute, wood, leather, rubber and other items. Only two industry sectors paper, beverages, and tobacco and textiles (negative in September) have posted a positive growth during the above given period.

Core infrastructure industries:

In the first half of this fiscal the six core infrastructure industries registered a low growth of 3.9% in production as against 6.9% in the same period of previous year. Aggregated numbers from April- September 2008-08 show slowdown in 4 of the 6 core infrastructure industries. The only sector that posted a reasonably higher growth

during the first six months was coal, posting an increase of 7.9% as against 2.8% in the previous year.

Inflation Trends:

The government's achievement in surpassing the target in food grain production has helped in lowering the inflation numbers compared to the previous weeks of this fiscal. This was also aided by softening of oil commodity prices. Inflation numbers were observed to gradually soften than in the previous weeks. The fall in the price index can be seen in all the broad segments of the inflation basket.

In August 2008 the average inflation stood near 12.5% and in September this came down to 12.05%. Although the inflation rate recorded in August and September still remained much higher compared to the same months of the previous year, still a downward trend is now emerging. Looking at the current weekly numbers we see inflation softening further attaining single digit below 9%.

Monetary Indicators:

In the first six months of this fiscal the money supply expanded by 6.6% compared to 8.2% in the previous year (calculated from end of march 2008 end to end of September 2008). However, net bank credit to the government and commercial sector were seen to swell by 6.8% and 7.8% respectively and this was slightly above the rate attained in the previous year.

Growth in net foreign exchange assets of the banks slowed to 6.0% compare to 11.0% in the previous year. This was mainly on account of drawing down of forex reserves by RBI to meet the USD requirement in the market. However, the non-monetary liabilities were seen to be on the rise. In September 2008, growth in the aggregate deposits fell from 10% in the previous year to 7.7% in September this year. Investments in government and other approved securities were observed to fall to low levels, 1.6% in Sept this year as against 14.9% in the same month of precious year. Total credit rose by 7.6% as against 5.5% in the previous year, diverting credit towards the non-food sector

In early 2007 CRR stood at 5.5%, later being raised to 9.00% in July 2008. The financial crunch has forced the central bank to provide more money into the banking system, bringing back the CRR levels from 9.00% to 5.5%. Repo rate was also readjusted to 7.5% from its peak 9%.

Stock Market Trends:

Weakness and volatility remains in the Indian and other Asian stock markets. The Sensex has been witnessing a decline since the beginning of January 2008. From a high of 20000 points in January 2008, the Sensex came down to 14000/ 15000 level by August 2008-09. The Sensex weakened further in September 2008 due to synchronous meltdown in financial markets across the world. Since then selling pressure among the FIIs was seen to increase gradually breaking the index further down to below 9K level. Following the FIIs selling, the Indian and other investors (short term) panicked, slipping out of the stock market.

Fiscal Trends:

The gross revenue collection in September 2008 was on the higher side compared to that of the last year, both in absolute terms and as proportion of budget estimate.

The growth in the gross tax collection is maintained at 25% cumulatively up to September 2008 compared to that of 24.5% in September 2007. Revenue from the corporate tax accounted for 34% share of the total collection in September 2008. The corporate tax collection grew by 38% in Sept 2008 same as posted in the previous year. Growth in revenues from the income sources was found to weaken slightly from the level during the previous year.

Proportion of indirect taxes in the total tax collected slid from 59% in September previous year to 49 % in September 2008. The alteration in proportion has been due to lesser revenues generated from excise and customs.

Foreign Trade:

The Rupee dollar movement has been in favor of Indian exports increasing the realizations of the exporters and helping them recover losses of the past. India's merchandise exports have grown by 30.9% during April- September 2008-09 as against 18.5% recorded in the previous year. However, in September 2008 the growth in exports decelerated to 10% against 19% previously and import bill was seen to swell by 43% against 2.3% in the corresponding month of last year.

The fall in the crude oil has also impacted the revenues of economies that are largely oil dependent and regions affected due to clogging of finances. This has impaired their

purchasing capacities resulting in cancellations of export orders and demand for discounts by the buyers.

Despite cool down in oil prices there has been only a limited moderating impact in our oil import bill. This is due to the large-scale depreciation of the Rupee that has negated the impact of falling oil prices.

Detailed numbers on exports available for the first quarter of this fiscal shows an increase in exports of all commodity segments except for natural silk, silk carpets and handicrafts.

Capital Inflows:

There was a net drop in the total foreign investment inflow during the first half of 2008-09. It fell to USD 13.8 billion in September 2008 from USD 26.6 billion recorded during the corresponding period of the last fiscal.

This sharp dip in total foreign investment inflow is on account of weakening of portfolio investments. We see foreign direct investment to double during April- Sept period this year compared with the same period of last year.

Foreign Exchange Reserves:

India's forex peaked at USD 315 bn in April 2008. However, in the current fiscal we see substantial cut down on reserves by USD 65 bn (heavy selling of USD). Our forex reserves stood at USD 251.3 bn in the first week of November 2008. This erosion was largely on account of RBIs efforts to meet the requirements of FIIs, banks, oil companies, importers etc.

Trends in the Exchange Rates:

Indian rupee weakened sharply against the USD attaining Rs 49-50 level during October / November 2008. Despite intervention by the RBI volatility in the Re/ USD continues in November 2008. While the variation between high and low in October 2008 was Rs 3.20 and in November upto 15th the difference was Rs 2.28.

It is been seen that demand for USD by the FIIS, oil firms and banks are affecting the Re / USD exchange rate.

Lead Stories of the Month

S&P outlook on India's long-term rating remains stable

International ratings agency Standard and Poor's affirmed its 'BBB-' long-term and 'A-3' short-term sovereign credit ratings on India. The outlook on the long-term rating remains stable.

The report by S&P said the ratings on India reflect the country's strong economic growth prospects and its deep Government debt market, which helps accommodate its weak fiscal position.

The report quoted S&P's credit analyst Mr Takahira Ogawa as saying, "India's economic prospects remain strong with growth likely to average more than 7 per cent in the medium term. Underpinning that growth is the gradual deregulation of the industrial sector, continued trade liberalisation, a dynamic service sector, and modest improvements in infrastructure."

Mr Ogawa also said that the ratings on India remain constrained by a weak fiscal profile, especially the high Government debt burden and deficit, which are still among the largest for rated sovereigns.

The report also said that the stable rating outlook balances India's good external liquidity and growth prospects with its weak fiscal flexibility. An improvement in the sovereign ratings will depend on resumed fiscal consolidation that leads to a materially lower debt and interest burden, and additional reforms that lift the country's growth prospects and income levels.

PM terms G-20 summit as 'very successful'

Describing the G-20 summit as 'very successful', Prime Minister Manmohan Singh said that this had marked a shift in balance of economic power in favour of emerging economies.

There was one important significance, which is clear that the balance of power is shifting increasingly in favour of emerging economies, Singh told reporters accompanying him in his special plane on way back from Washington, where he attended the G-20 summit.

"We were previously also invited for the past couple of years for the G-8 meetings. But consultations were merely for the sake of form. For the first time there was a genuine dialogue between many of the developed countries and the emerging economies," he said.

This was confirmation of a shifting balance of economic power and the western world has at long last got to realize this reality, Singh said.

"This is a positive gain. Also before I went when President (George W) Bush spoke to me first about his idea I had mentioned to him that there was a risk that if the meeting was not well-planned it could be counter-productive.

"Also I was worried that Europeans and Americans may not not be able to agree and similarly the emerging countries may not receive the attention that we would like them to get in which case it would be a clear picture of dissension which would not be good for handling the financial crisis or its aftermath that is on the horizon," he said.

Singh said the G-20 meeting could be described as very successful. There was no attempt to score partisan points.

IIP grows 4.8% in September

The manufacturing sector grew by 4.8 per cent as against 7.4 per cent last year. Electricity sector growth remained almost the same at 4.4 per cent as against 4.5 per cent in September 2007. The mining sector improved its performance by indicating 5.7 per cent growth as against 4.9 per cent.

Terming the IIP figures encouraging, Finance Minister P Chidambaram said the growth in consumer goods has been a satisfactory 5.6 per cent as against -0.2 per cent in September 2007.

"The growth in the capital goods sector has been an impressive 18.8 per cent as against 20.9 per cent in September 2007. After the poor results reported for the month of August 2008, the quick estimates of IIP for the month of September 2008 are more encouraging. I say this even while I maintain that data collection must be improved and made more relevant, contemporary and universal," Chidambaram said.

The cumulative increase in industrial production during April-September 2008 period was 4.9 per cent as against 9.5 per cent during the corresponding period last year.

The IIP rose by 1.3 per cent in August 2008 as against 10.9 per cent during the corresponding period last year.

Industry welcomes Obama's victory

India Inc welcomed Barack Obama's victory in the US Presidential election and exuded confidence that during his tenure Indo-US relations would scale newer heights.

Congratulating Obama, the country's premier industry chamber, the Confederation of Indian Industry (CII) said that it expects that the Indo-US growth trajectory, which began with the March 2000 visit of the then President, Bill Clinton to India will continue

into an Obama administration due to sheer commonality of democratic values and interests.

According to CII director general Chandrajit Banerjee, the new president will face multiple global challenges. These challenges range from economic, security, strategic, health, trade, education, energy, environment and food to name a few. There is optimistic confidence. He added that India and the US can work together on each and every one of these challenges.

Echoing CII's views, Rajeev Chandrasekhar, president, Ficci said, "Our exporters should be preparing to take advantage of this coming resurgence of US demand and the government must ensure that our exporters are enabled for this coming opportunity".

As per Ficci, Barack Obama represents a new and fresh opportunity for future of the world and India in particular. Given his background, his international upbringing, his intellect and publicly articulated values and ideals around democracy and pluralism, India can and must play a very important partnership role with the US in shaping the world of today and tomorrow, starting with the coming G-20.

Congratulating Obama, the Associated Chambers of Commerce and Industry of India (Assocham) president, Sajjan Jindal said, "Obama Presidency will strengthen the bilateral and economic relationships between India and US would".

Indian companies post 225% investment growth amid gloom

Notwithstanding the global economic gloom, a record 7,068 new projects worth over Rs. 5 lakh crore were announced in the first six months of financial year 2008-09, an increase of a staggering 225 per cent as compared to investments announced in the same period last year.

This was revealed in a study "Project Investments in India" for the six-month period from April to September 2008 carried out by ProjectsToday, India's leading online database on projects investment in India. The study, conducted in the first week of October 2008, covered 27,143 projects entailing a total investment of Rs. 37,68,506 crore (approx. \$875 billion).

Of the 7,068 new projects, 240 were of mega size, each with an outlay of over Rs. 500 crore.

The feat also indicated nearly hundred percent rise over fresh projects investment in the first half of 2006-07, the earlier prominent year in which the country had enjoyed buoyant investment. Manufacturing, electricity and services sectors shared the booty almost equally, reveals the study.

Shashikant Hegde, CEO, ProjectsToday said, "Though in the next six months, the overall projects implementation pace would remain subdued, the recent measures like

60 per cent hike in the annual limit on external commercial borrowings by Indian companies and injection of around Rs. 1,00,000 crore of additional liquidity into the system through reductions in CRR will go a long way in boosting the morale of Indian project promoters. The long term outlook for projects investment looks pretty good."

Global reputation will help Indian firms grow: Gates

Microsoft chairman Bill Gates said that Indian IT companies will be affected by the global economic slowdown but will continue to grow their business as they have built a global reputation.

"IT companies in India are great partners of Microsoft. They are investing in the long term and they have a pretty incredible reputation. They are always considered whenever a global project comes up," he said, speaking at a seminar at IIT Delhi.

Mr Gates is currently on a visit to India to promote anti-polio and other healthcare efforts, undertaken by his charitable foundation, the Bill & Melinda Gates Foundation, in the country.

Talking about the financial crisis that started with the US and has now spread to other markets, Mr Gates said that global markets had overreacted in gauging the spread of the crisis. "There is no doubt that the US is in somewhat of an economic recession but it doesn't need to extend to other markets.

I think the markets have overreacted. The economy will have some weakness for more than six months but it will get back on track," he said. A proponent of increasing the number of H1-B visas, the speciality worker visas for foreign nationals working in the US, Mr Gates also highlighted the shortage of right skills worldwide during his speech.

Capital markets may rebound faster than anticipated: Deloitte

The Indian economy and capital markets are likely to rebound much faster than most people anticipate, according to global consultancy firm, Deloitte Haskins & Sells. However, the consultancy notes that concerns about curbing inflation, improving the financial flow, lowering lending rates and easing up capital flows would engage the country's policy makers, said Mr Shanto Ghosh, Principal Economist, Deloitte Haskins & Sells.

The short-term outlook is less pessimistic in India than other markets. The capital markets could turn around within six to nine months.

General concerns

The recent moves by the Union Finance Minister, Mr P. Chidambaram, and regulators will slowly sink in addressing general concerns.

Mr Ghosh told that sectors such as real estate and infrastructure, manufacturing and information technology were already feeling the heat due to the slowdown in the banking and financial services sector in the US and other economies.

But what separates India from the rest was its economy that was largely dependent on the domestic market unlike many other countries in the West, he noted.

Bharti Wal-Mart to open stores by June 2009

Bharti Wal-Mart, grocery and retail chain operator, will be going ahead with its plans to launch its cash and carry stores despite the current market instability, said Raj Jain, managing director and chief executive officer, Bharti Wal-Mart.

The company was fully committed to its long-term investments in India, he added. Bharti Wal-Mart is a joint venture between Bharti Enterprises and US retail giant Wal-Mart.

The company signed a Memorandum of Understanding (MoU) with the Punjab government to jointly establish the Bharti Wal-Mart Skill Centre (BWSC) for providing training on technical skills regarding modern retail and allied sectors like logistics, supply chain and other support services.

Speaking on the occasion, Punjab Chief Minister Parkash Singh Badal said that the BWSC being set up in Amritsar would certainly act as a catalyst to promote economic and social development of local communities by imparting technical training and certification on modern retail and its allied sectors.

The joint venture, which is for wholesale cash-and-carry and back-end supply chain management operations in India, is scheduled to open its first store in Punjab in the first quarter of the next financial year. "We will be opening our first store in Punjab between April and June next year," Jain said. The company is at present in the process of building stores in Amritsar, Jalandhar and Ludhiana.

A conventional cash and carry store will occupy 50,000 to 100,000 sq.feet and sell a wide range of fruits and vegetables, groceries, footwear, clothing and other general merchandise. The joint venture would open 15 stores in the next seven years and employ 5,000 people over the same period as according to plan.

Cabinet clears way for 49% FDI in insurance

The government has decided to increase the foreign direct investment (FDI) limit in insurance firms from 26% to 49%. The government will now introduce a bill in Parliament to effect this change. The government, however, conceded that the bill may not be passed by the current Parliament for want of time.

Finance minister P Chidambaram announced that the Union Cabinet, which met last night, had decided that the government would introduce a comprehensive amendment

bill. "The Union Cabinet gave its approval for introduction of the Insurance (Amendment) Bill, 2008, for amendment to Insurance Act 1938, General Insurance Business (Nationalisation) Act, 1972, and Insurance Regulatory and Development Act, 1999, in the Rajya Sabha on the basis of recommendations made by Group of Ministers," Mr Chidambaram said. The bill is being introduced in the Rajya Sabha as it is not a money bill.

The Cabinet also approved introduction of Life Insurance Corporation (Amendment) Bill in the Lok Sabha. The bill, after its passage, will allow an increase in equity base of the insurance major from current Rs 5 crore to Rs 100 crore. Currently, insurers have to maintain minimum paid-up capital of Rs 100 crore as per the IRDA Act, but LIC was an exception since it is covered by a separate Act.

Partner country' status for Pak in India International Trade Fair

The country's 'flagship exhibition' showcasing India's diversified industrial prowess and technological excellence through the India International Trade Fair (IITF) would be inaugurated by the Vice-President, Mr Hamid Ansari, on November 14.

Announcing this, the Chairman-cum-Managing Director, India Trade Promotion Organisation (ITPO), Dr Sheila Bhide, said the two-week-long trade fair would have participation from 38 countries and the twin themes of this 28th annual fair are 'infrastructure' and 'women's empowerment'.

In consonance with the Government's commitment to promote closer ties with the neighbouring countries, Pakistan has been accorded Partner Country status, while Asean countries have been selected as the focus region for the forthcoming fair, reflecting the imminent sealing of the India-Asean free trade agreement, she added.

She said Orissa is participating as a partner State, while Kerala is the focus State, while all other States and Union Territories will also highlight their potential and existing endowments to woo investors, both domestic and foreign.

Asked about the revenues accruing to ITPO in conducting the annual trade fair, Dr Bhide said that, "we do make profits" but "we also cross-subsidise" holding India shows abroad for the benefit of Indian companies. She said that more than that, even within the country, certain promotional exhibitions such as 'arogya' (for health) and the one on highlighting environment and clean technology, which ITPO would be organising in December, would be fully funded by the ITPO.

She said that for the first time, the fair proposes to organise "structured" meeting for overseas and domestic delegation and buyers in line with best international practices being followed by other trade promotion agencies abroad.

This facility of pre-arranged business-to-business meetings at a dedicated Domestic Business Visitors Lounge would be for the entire duration of the fair that would last till November 27, Dr Bhide added.

FTA with Asean on Dec 17

India would sign Free Trade Agreement (FTA) with Asean on December 17 signalling a greater political and strategic partnership between south-east Asia and New Delhi, minister of state for commerce Jairam Ramesh said.

Prime Minister Manmohan Singh would sign the pact in Bangkok, sending out an important political signal that India is integrating with rest of Asia, Ramesh told on the sidelines of a function here. India enjoys a substantial trade deficit with Asean (Association of South East Asian Nations). While Indian exports to the ten-nation group was to the tune of \$16 billion in 2007-08, Indian imports from that region was of the order of \$24 billion during the same period.

“In spite of the trade deficit, we are going ahead with signing FTA in goods as a signal that India is integrating with rest of Asia which is the most economically prosperous part of the world,” the minister said.

“Once FTA in goods is signed, negotiations will begin on signing a similar agreement in services in which India has a comparative advantage, and we will also have FTA in investment,” he added.

According to FTA, import duty on tea and coffee is to come down from 100 % to 50%, that of pepper from 70% to 50% by the year 2018. Ramesh said he has submitted an action plan to the Prime Minister last week to strengthen Indian tea, coffee and pepper industry over a ten-year period in order to meet the consequences of India-Asean FTA, and face competition, particularly from Vietnam.

India, Iran vow to enhance bilateral trade

Seeking to inject new momentum in bilateral relations, India and Iran vowed to enhance trade and business ties and signed two agreements and four MoUs in this regard as New Delhi said the Indo-US nuclear deal was not at the cost of the IPI gas pipeline.

Iran also invited Indian companies to explore oil and gas in the hydro-carbon rich Persian Gulf as the two countries decided to improve banking and insurance linkages to encourage two-way investments.

Wrapping up his three-day official visit to Iran, External Affairs Minister Pranab Mukherjee said the nuclear deal with the US was not at the cost of the Iran-Pakistan-India gas pipeline as atomic power was one of the country's sources to ensure the fast growing economy's energy security.

Nuclear power "is one source of energy, the other important source is the Iran-Pakistan-India (IPI) gas pipeline. One is not exclusive to the other," Mukherjee said at a joint press conference with Iranian Economic Minister Shamseddin Hossein after the two-day Joint Commission Meeting set up by the two countries.

Mukherjee asserted that the nuclear deal with the US will have no impact on the IPI gas pipeline.

"India's energy requirement is quite substantial and we have to locate various sources of energy, including civil nuclear cooperation with countries like the US, France and Russia or any other country willing to cooperate with us," he said.

Mukherjee, who met Iranian President Mahmoud Ahmadinejad and other senior leaders, said he got positive indications to expand the political relationship between the two countries.

India, Iran pitch for two-way investments in various fields

Seeking to give a major push to their relations, India and Iran strongly pitched for increased two-way investments in various fields as they finalised the Double Taxation Avoidance Agreement (DTAA) and decided to conclude a pact on promotion and protection of investments at the earliest.

External Affairs Minister Pranab Mukherjee, who met President Mahmoud Ahmedinejad and Oil Minister Gholam Hossein Nozari, asked Tehran to implement the bilateral agreement of 2005 on supply of LNG as he affirmed New Delhi's commitment to the proposed 7.4 billion USD Iran-Pakistan-India (IPI) gas pipeline project.

Mukherjee also pitched for greater Indian investment in Iran, including in petroleum sector, a proposal that found acceptance in Tehran which said it was undertaking major economic reforms to allow entry of private companies in various areas and Indian firms could explore the possibilities.

"India and Iran have common interests and perceptions. The leaderships of our two countries have, therefore, always unreservedly stood for a broader and multi-dimensional engagement," he said, while inaugurating the Joint Commission meeting that discussed ways to enhance cooperation in various specific areas of energy, trade and investment, mining and railways.

Noting that India and Iran are developing countries with "obvious synergies", Mukherjee said so far, energy sector has been at the focus of the bilateral economic ties with Tehran emerging as a major supplier of energy resources imperative for driving his country's growth.

"Iran is energy-rich country while India is energy-deficient economy," he said.

Belgium keen on trade ties in biopharma, nuclear energy sectors

Belgium is interested in collaborating with India in biopharma, financial sector, nuclear energy for civil applications and logistics, according to its Minister for Foreign Trade and Foreign Affairs, Mr Du Gucht.

Speaking on the sidelines of a visit to the Indian School of Business (ISB) by Mr Albert II, King of Belgium, Mr Gucht said the possibilities of business alliances, acquisitions and mergers were plenty between the two nations.

“For the last five years, some Indian companies, including Crompton Greaves Ltd and All Cargo, acquired some businesses in Belgium. We have expertise in biopharma and nuclear energy which can be shared with India,” he said. The modalities of collaboration in nuclear energy sector would be discussed in a meeting scheduled to be held in Delhi, he added.

The domestic banking and financial sector is also attractive for Belgium companies in view of the “strong savings” in India.

“One of our companies, KBC, signed an agreement with Union Bank of India for setting up a joint venture asset management company,” he said.

The Belgium king is leading a 150-member delegation which includes 50 representatives from industry in India.

Earlier, the Chief Minister, Dr Y.S. Rajasekhara Reddy, called on Mr Albert and Queen Paola at Hotel ITC Kakatiya Sheraton.

Core sector growth gains momentum on coal and cement

In a pleasant surprise, infrastructure industries grew 5.1% in September, after hitting a low of 2.7% a month before. The pick-up in infrastructure growth could be pointer to an upswing in industrial production, after a disastrous August when the industrial growth plunged to 1.3%—the lowest in a decade—and sparked off fears of a recession in the economy. Since the six infrastructure industries have a 26.68% weight on the index of industrial production (IIP), “the figures may have a bit of positive impact on the IIP,” according to Naresh Thakkar, managing director of rating agency ICRA.

The growth in the infrastructure sectors was the highest in the last seven months, according to data released by the department of industrial policy and promotion. But it was still marginally lower than the 5.8% growth clocked in September 2007. The overall growth in April-September 2008-09 was down to 3.9%, a good 3 percentage points lower than the year-ago figure.

Figures for the latest month show that only three of the six infrastructure industries showed acceleration in output. The most impressive growth was in the coal sector, where growth picked up from 6.3% in September 2007 to 10.7% in September 2008.

Figures for the first six months of the current year also show that coal output grew more than three-fold to 7.9%, from just 2.8% in April-September 2007-08.

The other sector where growth accelerated substantially in September was cement, moving up to 7.9% from 5.4% a year earlier. However, the 6% growth in cement

production in April-September was still significantly lower than the 8.7% growth in the same period of the previous year.

Similarly, though the generation of electricity has climbed up marginally to 4.4% in September, the 2.6% overall growth of the sector in the first half was around a third of the growth rate in the same period last fiscal.

Food processing industry going strong

Even in times when slowdown and the fear associated with it is hitting businessmen across the globe, the Indian food processing industry remains undeterred.

The industry's order books are full. This, at a time when Asia's economic and financial systems are likely to come under increased pressure. While countries are revising their GDP figures, various sectors like auto and steel are planning to reduce their output.

The Indian food processing industry exports commodities like basmati rice, pulses, herbs, ready to eat products, pickles, chutney, gravies, poultry, meat, fruits and vegetables. These products are traveling around the world-Europe, USA, Middle East and South East Asia.

Vimal Sawansukha, MD, Aaha Impex Pvt Ltd, which exports mainly to USA said, "I export around 100 tonne of mixed spices, basmati rice, herbs, pickles, chutney and gravies." He claimed that exports have not fallen and there is no sign of it happening in the near future either.

"Food is an essential commodity and people cannot cut down on it," he opined.

Even while experts like Rajat Nag, managing director general, Asian Development Bank forecast that Asia's export-dependent economies will face a sharp slowdown as global demand weakens, food processing is probably the only sector that remains unaffected by falling global demands.

When most businesses are being consolidated, J D Gupta, proprietor, Process Enterprises, Indore, is in an expansion mode. He is foraying into exports of soya products in the next couple of months.

"There is a good demand for it in foreign markets and we have received good enquiries. I am confident that this business proposition has a great deal of potential and will do well," said Gupta. He is planning to explore markets like Europe, Middle East and Pakistan.

On the other hand, Danish Beg, finance controller, Rei Agro Ltd, said his company exports basmati rice, mainly to the gulf. He said that the company has not faced any cancellation or postponement of orders. "In fact our order book is overbooked," he claimed.

GSM subscriber base keeps rising

Notwithstanding the gloom in the economy, growth in mobile subscriber base continues to increase by leaps and bounds. GSM operators added a record 8 million new users in October. This is the highest ever-monthly addition till now. The previous best was in September when 7.7 million new GSM subscribers were added.

Mr T.V.Ramachandran, Director General, Cellular Operators Association of India, said that with the cumulative GSM subscriber base already at an estimated 242 million, the GSM sector would by itself cross the historic 250 million milestone by December.

The biggest gainer during October was Bharti Airtel with 2.7 million new subscribers. Vodafone Essar added more than 2 million new users. This takes Airtel's total user base to 80 million while Vodafone is at 56 million. State owned BSNL managed to get 6.7 lakh new users, taking its total tally to 39.8 million.

Animation industry to be worth \$1.16 bn by 2012, says Nasscom

IT industry body Nasscom has projected the Indian animation industry to reach \$1.16 billion of revenues by 2012. The industry is currently worth \$460 million and is expected to grow at a CAGR of 27%. The Indian Animation and Gaming 2008 report outlines shortage of skill-sets, high cost of consoles and lack of sufficient bandwidth along with the limited appeal of Indian animation films as some of the challenges facing the industry.

“The fiercely competitive global market place calls for disciplined effort as well as policy measures in this direction. Providing tax breaks and holidays to animation and gaming development studios, setting up education centres and setting up special zones to create an entire ecosystem will go a long way in accelerating industry growth,” said Ganesh Natarajan, chairman, Nasscom.

Increase in budgets of Indian animation films, more international releases, improvement in skill sets are expected to be the growth drivers. The gaming and animation industry has outpaced the growth rates of its counterparts and the last few years have seen the industry evolve and mature, said Som Mittal, president, Nasscom.

Custom content development is the largest segment as of today, with an estimated industry size of \$187.5 million while animation education is slated to be the fastest growing. The report expects the gaming industry in India to reach \$1.06 billion of revenues by 2012 from its current \$212 million.

“With change in the intellectual property ownership, the rights of animation will be retained by the developers which will enable them to exploit alternate revenue streams such as merchandising and sale on digital platforms,” said Farokh Balsara, national sector leader, media and entertainment at Ernst & Young.

External Sector: Foreign Trade April-June

Region/Country	Export			Import		
	US \$ million		% change	US \$ million		% change
	2007-08	2008-09	2008-09	2007-08	2008-09	2008-09
World	30736.6	48044.7	56.31	56503.2	77208.2	36.64
Africa	3146.0	4321.2	37.36	5540.3	6128.4	10.62
Egypt	267.8	669.0	149.83	222.3	415.1	86.74
Ghana	404.0	93.5	-76.85	0.6	113.1	17325.40
Kenya	170.6	396.3	132.29	454.7	465.4	2.34
Mauritius	262.6	443.1	68.78	633.8	101.9	-83.93
Nigeria	195.8	300.4	53.45	2106.4	2239.8	6.33
South Africa	560.2	593.5	5.94	1009.7	1198.7	18.71
America	5137.5	6905.6	34.42	4726.4	7447.1	57.56
Brazil	308.3	711.8	130.89	259.7	294.0	13.23
Canada	249.0	329.4	32.30	337.5	396.1	17.35
USA	4071.7	5016.5	23.21	635.0	555.6	-12.51
Asia (excl. Middle East)	8888.1	15598.7	75.50	161.8	453.2	180.10
Bangladesh	383.5	747.7	94.98	2763.5	3967.2	43.56
China	1675.1	2655.8	58.55	16149.1	21607.6	33.80
Hong Kong	1260.4	1585.2	25.76	6098.4	8686.4	42.44
Indonesia	413.1	720.6	74.44	710.1	495.5	-30.22
Japan	748.0	783.1	4.70	1248.1	1441.8	15.52
Korea DPR (North)	168.1	524.4	212.01	1494.5	2193.9	46.79
Korea Republic (South)	432.0	961.2	122.50	1386.2	1998.3	44.16
Malaysia	367.6	798.3	117.18	1349.5	1854.2	37.40
Nepal	186.7	446.2	139.03	1767.9	2400.3	35.77
Pakistan	292.8	453.5	54.85	653.8	777.4	18.90
Philippines	108.9	181.7	66.87	547.6	669.0	22.17
Singapore	1244.5	3251.6	161.28	13870.8	23090.4	66.47
Sri Lanka	628.8	774.2	23.14	2428.5	3130.0	28.89
Taiwan (Taipei)	280.4	428.1	52.71	1477.4	2599.3	75.94
Thailand	280.3	526.1	87.70	368.7	484.3	31.35
Viet Nam	233.1	425.4	82.44	1471.7	2924.3	98.70
Middle East	5707.6	8766.1	53.59	158.1	380.6	140.72
Iran	665.8	632.3	-5.03	506.2	806.0	59.25
Israel	341.6	421.8	23.47	3289.4	5472.7	66.37
Kuwait	145.6	218.2	49.82	3411.1	5723.3	67.79

Oman	126.9	211.1	66.38	459.3	448.5	-2.37
Saudi Arabia	784.6	1484.0	89.14	13415.8	16534.8	23.25
Syria	111.1	83.5	-24.78	1295.8	1234.9	-4.70
UAE	3017. 2	4864.3	61.22	202.3	258.2	27.67
Yemen	229.9	325.6	41.65	524.8	743.1	41.61
Europe	7548.5	11833.4	56.77	2182.4	2962.6	35.75
Belgium	995.5	1278.4	28.42	802.0	1486.1	85.29
France	509.6	831.0	63.08	402.3	526.5	30.85
Germany	952.2	1523.9	60.04	157.6	294.0	86.50
Italy	854.3	1090.6	27.67	472.0	913.8	93.60
Netherlands	745.7	1819.9	144.06	201.4	247.9	23.04
Russia	174.1	306.8	76.25	583.2	571.0	-2.09
Spain	479.4	849.1	77.14	4027.1	3855.3	-4.26
Turkey	344.8	438.4	27.14	342.1	639.8	87.03
UK	1281. 1	1796.3	40.22	1226.9	1401.6	14.24
Oceania	223.6	409.8	83.26	2732.8	2318.3	-15.17
Australia	185.4	336.8	81.65	2588.7	2156.1	-16.71
