

Monthly Economic Analysis Fortune 2009

Date: February 2009

Contents

Page 2-3

1. Recent Trends in Indian Economy

- *Industrial Growth*
- *Core Infrastructure Industries*
- *Trends in Inflation*
- *Stock Market Trends*
- *Monetary Indicators*
- *Fiscal Management*
- *Foreign Trade*
- *Capital inflows*
- *Foreign Exchange reserves*
- *Trends in Exchange Rates*

Page 4-23

2. Lead Stories of the Month

- *Savings and investments set 7%-plus pace for economy*
- *India likely to emerge stronger post recession*
- *Highlights of interim budget presented in Lok Sabha*
- *Dec industrial output up 7.6 pc*
- *India invited for G20 meet on global crisis*
- *Despite global gloom, India's outlook is good, says US expert*
- *India Inc invests the most in 2007-08*
- *Forex reserves rise \$990 m*
- *India, Finland see potential to widen economic ties*
- *Medical Transcription sector to boom despite recession: report*
- *India may be next WiMAX Mecca*
- *India-Cuba bilateral trade to reach \$100 m in 2-3 years*
- *Forex reserves up by \$2.9 bn*
- *India received \$32.4 billion foreign investment last fiscal*
- *Indo-UK bilateral trade may reach \$60 bn by 2020*
- *Destination India: Foreign tourist arrivals up 13%*
- *`Financial services KPO to touch \$5 bn`*
- *SME IT market sees 100% year-on-year growth*
- *BT sector to occupy 140 mn sq ft by `10*
- *India may sign trade pact with 5 African nations by 2009-end*

- *Wireless subscriber base touches 15.41 million customers in Jan*
- *Indian pharma sector to remain stable, says Fitch*
- *India's gems, jewellery exports rose by 7%*
- *India can retain leadership in KPO sector*
- *Media, entertainment grows 12%*
- *'Japan keen to strengthen economic ties with India'*
- *Spices exports rise 17% in April-Jan 2008-09 period*
- *IT infrastructure offshoring likely to touch \$6 bn this year*
- *Indian tea production and export on a high*

Page 24-26

3. Foreign Trade Statistics

Recent Trends in Indian Economy

Industrial Growth

While the Indian economy registered an average growth of 8.8% during the 5 years ending 2007-08, its growth is slacking today this is because the global economic crisis is getting even deeper than before. Latest IIP numbers for February 2009 shows negative 1.2% growth as against plus 9% growth recorded by the industry in the same month of previous year.

Core Infrastructure Industries

The six-core infrastructure industry managed to continue with a positive 2.2% growth, this growth was however much less than the growth number of 7% seen in the previous year. All the constituent sectors except the crude petroleum were seen to post positive growth.

Trends in Inflation

The recently adopted measures by the government, including reduction in fuel prices has brought the WPI based inflation under control. The average inflation for February 2009 was 3.45%. However, disaggregated numbers raise concerns over the price rise of the essential commodities like the primary food articles.

Stock Market Trends

With the main economic indicators off the growth track the stock markets seems to appear unattractive for the FIIs. The exit from the markets have has an impact on the overall economy as the country's forex reserves got affected. The Sensex shuttled between 10K and 8K, which is indicative of the continued weakness in markets.

Monetary Indicators

Money supply in the economy expanded in February 2009 by 16% and was less by a percent than the growth seen in previous year. The credit off take was on the rise, borrowing by the government and by the commercial sector increased in February 2009. The net foreign exchange assets with the banks turned negative during the month. Growth in the aggregate deposits is maintained compared to the previous year and investments in the government and approved securities decelerated to 22.2% compared to the increase by 24.8% seen in the previous year.

Fiscal Management

The slowdown in tax collection was pronounced since November 2008. In February 2009 gross tax collection rose by 7% compared to 26.7% recorded in the previous year. The low collection rate was on account the low corporate profits and tax concessions and reductions in the stimulus packages announced over time.

The total revenue loss due to tax reductions will be 0.2 % of GDP in 2008-09 and 0.5% of GDP in 2009-10. In the interim budget for 2009-10 the estimate for 2008-09 fiscal deficit was revised to 6.0 % of GDP as against the budget estimates of 2.5%.

Foreign Trade

Overall trade is in declining state due to dry up in international markets cutting through all sectors. Merchandise exports posted negative growth in straight 5 months starting October 2008 during 2008-09 compared to the growth numbers of previous year. While several packages for aiding the ailing exports were announced by the government this year however the recent numbers for February 2009 do not endorse any improvement.

Capital inflows

Foreign direct investment continues to flow and was seen to be slightly impacted due to the global economic concerns. By end of February 2009 foreign direct investment received was USD 5 bn in excess of what was receive a year ago. FDI received so far up to February 2009 was USD 31 bn. The overall investments shrank and were close to USD 18.5 bn when portfolio investments are included.

Foreign Exchange reserves

Forex reserves reduced sharply to USD 249 bn in February 2009. The reason to the sharp erosion in the reserves were large outflows in the foreign investments from the equity markets and use of reserves in keeping the Rupee from weakening apart from the valuation effects. The forex reserves maintained in February 2009 are enough for 10 months of import cover. Although it is felt that a further decline may cause concern.

Trends in Exchange Rates

The huge outflow in investments increased the dollar demand and exerted pressure on the Rupee to weaken to 52 against the USD. The Central bank continues its struggle in keeping the rate of exchange below 50 and stable. The average exchange rate against the USD in February 2009 was 49.22.

Lead Stories of the Month

Savings and investments set 7%-plus pace for economy

There are reasons to believe the economy will grow at over 7% in the next fiscal as projected by the Economic Advisory Council to the Prime Minister. This would be way above the 6% growth projected by IMF last month in its Global Economic Outlook (Update.)

The latest savings and investment data from GDP estimates, released by the Central Statistical Organisation, bears out this optimism.

The figures for 2007-08 show investments rose by 2.2 percentage points to 39.1% of GDP. The government's own projection for the economy was far more modest. It estimated that the investment rate would move up from 32.4% of GDP to 36.7% by 2012. This was considered good enough to sustain a 9% GDP growth each year in the Eleventh Plan.

The better performance of the economy is significant as this means India has crossed the projected savings and investments rate for the Plan period in the very first year. Even if the investment rate for 2009-10 drops to 32% as projected by the council, the economy has enough headroom to withstand the shock and keep growth ticking along at plus 7%.

The story for the savings trends in the economy, as the table shows, is very similar. Savings shot up by 2% over the previous year to touch 37.7% of GDP in 2007-08. Here too, the Eleventh Plan has projected that the average savings rate will go up from 30.9% of GDP to only 34.8% in the Plan years. How had the savings and consequent investment data moved up so fast? As the council points out in its Review of the economy, 2008-09, "the present crisis has come upon India at a point in time where several of its components are in relatively strong shape".

A break-up of the data shows the highest increase in investments were in manufacturing, rising by 0.8 percentage points to 15.7% of GDP in 2007-08. The next highest increase was in the transport, storage & telecommunication segment where investments picked up by 0.7 percentage points to 5% of GDP.

India likely to emerge stronger post recession

Even as the rest of the world remains mired in the global recession, India, which has been relatively less impacted by the downturn, may Ghosts of 1929 Citigroup Financial crisis emerge stronger post recession that will hopefully come in a year or two.

There have been renewed talks about a possible shift of economic power house from US to emerging economies like India and China in the context of deepening recession. Economists refuse to buy this notion terming it a distant goal, unless and until there are some major happenings like a global trade being dominated by in euros rather than

USD or a fundamental change in geo-political events whereby US loses dominance at the global level. US economy is expected to continue its dominance decades after decades, they are of opinion.

Said Dr. Shanto Ghosh, principal economist, Deloitte Haskins & Sells, "although, I don't see much good coming out of this episode (recession), Indian companies and policies should be ready to seize the opportunities that will emerge as the world starts to recover from the recession."

India's chances to participate in the world recovery stands firm subject to two factors: no reversal of economic reform process and not to let regional feuds and religious hatreds get out of hand, which will malign India's impression to foreign investors, feels Dr. Avinash Dixit, professor of economics, Princeton University, US.

If not be the economic super power, India is however, better equipped (rather than US, Europe and other frontline countries) to cope with the ongoing recession having certain exclusive economic characteristics.

According to Deloitte's Dr. Ghosh, there are four factors contributing to this. Those are India's domestic consumption, large number of PSU sectors jobs where job security is relatively greater than private sector, India's prudent mix of monetary and fiscal policy as a response to the economic slowdown that helps cope with the downside better and finally the recent decline in commodity prices.

"With almost two thirds of India's output consumed domestically, there is some insulation instilled within the economy that helps reduce volatility in market demand," pointed out Ghosh who believes, larger number of PSU employees, inspired by sixth pay commission will help sustain domestic demand restoring consumer confidence.

Highlights of interim budget presented in Lok Sabha

Following are the highlights of the interim budget presented by Minister for External Affairs Pranab Mukherjee in the Lok Sabha:

- * India remains second-fastest growing economy in the world
- * Economy expected to grow 7.1 percent this fiscal
- * Need to make economic growth inclusive
- * Government spent Rs.70,000 crore (Rs.700 billion) on 37 infrastructure projects in 2008-09
- * Under public-private partnership (PPP), 54 central infrastructure projects approved
- * Total expenditure of PPP projects estimated at Rs.67, 700 crore (Rs.677 billion)

- * India Infrastructure Finance Company to raise Rs.10, 000 crore (Rs.100 billion) by end-March
- * India has weathered inflation crisis, but no room for complacency
- * Country's agriculture outlook is encouraging
- * Focused attention to agriculture
- * Plan allocation for farm sector hiked 300 percent in past five years
- * Three-fold increase in short-term agriculture credit to Rs.250, 000 crore (Rs.2, 500 billion)
- * Farm debt worth Rs.65, 300 crore (Rs.653 billion) waived
- * Government will continue to provide additional subsidy to farmers
- * Corpus of Rural Infrastructure Development Fund hiked to Rs.14, 000 crore (Rs.140 billion) from Rs.5, 500 crore (Rs.55 billion)
- * Outlay for higher education hiked 900 percent for 11th Five Year Plan
- * Country's social security net will be strengthened
- * Record foreign direct investment of \$32.4 billion attracted
- * Global economic situation not encouraging
- * Extraordinary situation merits extraordinary measures
- * Need to consider additional fiscal measures in regular budget
- * Financial sector reforms need to be accelerated
- * In past three years, India grew by average of over 9 percent
- * Per capita income expanded by 4.7 percent per annum
- * Fiscal deficit was brought down from 4.5 percent to 2.7 percent
- * Revenue deficit was cut from 3.6 percent to 1.1 percent
- * Exports increased 26.4 percent per annum
- * Foreign trade increased from 27.3 percent to 35.5 percent

- * Tax to gross domestic product ratio expanded by 9.2 to 12.5 percent
- * Agriculture grew by 3.7 percent per annum
- * Revised estimates for 2009-09 peg plan expenditure at Rs.282, 957 crore (Rs.2, 829.57 billion)
- * Central plan increased for host of areas like telecom, rural development
- * Tax collections expected to fall to Rs.627, 949 crore (Rs.6, 279.49 billion).

Dec industrial output up 7.6 pc

India's industrial output rose 7.6 per cent in December from a year earlier, accelerating from the previous month's downwardly revised 5.1 per cent, helped by stronger manufacturing, data showed.

The figure matched a forecast for growth of 7.6 per cent in a poll of economists but was still below the double-digit levels seen last year as the impact of tight policy and a strong rupee clips demand.

Manufacturing production rose 8.4 per cent in December from a year earlier, compared with a provisional annual growth of 5.4 per cent in November.

India invited for G20 meet on global crisis

Prime Minister Manmohan Singh is among the top world leaders who have been invited for the Second G20 Summit to be held in April, which will discuss ways and means to reinvigorate growth in the wake of the global economic crisis.

British Prime Minister Gordon Brown, whose country will host the global economic summit, has sent formal invitations to the world leaders.

"The global economic challenges we face need to be met with decisive action if we are to secure jobs, restore confidence and reinvigorate growth," Brown said.

Besides leaders from G20 nations, Chair of the New Partnership for Africa's Development (NEPAD), the Chair of the Association of South East Asian Nations (ASEAN) and the President of the EU Commission have also been invited for the summit to be held on April 2.

The Chairman of the African Union Commission will also attend. This is the second meeting of the grouping after the one in Washington on November 15 hosted by the then US President George W Bush.

"To be effective in addressing this global crisis we have to bring in partners from across the world. For that reason I have issued invitations to the leaders of G20

countries and the Chairs of NEPAD, ASEAN and the African Union will ensure their interests are not forgotten and their voices are heard," Brown said.

Despite global gloom, India's outlook is good, says US expert

Despite the deeply troubled global economic situation, India is on the path to becoming a global economic player in the years ahead and one of increasing importance to the United States, said Ms Diane Mc Mahon, former Director of the US India Business Council and Vice-President of Stonebridge.

Ms McMahan was speaking at a panel discussion on 'Indo US Business Relations in the changed economic scenario' organised by Inkel Forum of Excellence, Indo-American Chamber of Commerce and Cochin Chamber of Commerce and Industry.

Ms McMahan said that the Indian economy had not been affected severely by the global financial crisis as it is not export-oriented like some other emerging markets. India, in the long term, is poised to maintain growth between 5-6 per cent even after western Europe, Japan and China have greyed, she said.

India could make important contributions to the global economy as leading nations work together to restore growth, improve financing conditions and strengthen the oversight of financial systems through platforms such as G20. The US values India's role and its leadership in addressing the global economic slowdown, she added.

Market reforms

Stressing the need to continue financial market reforms and liberalisation process, Ms McMahan said that India should initiate steps to facilitate credit and investment flows not only to blunt the negative global financial impact but position the country to its impressive 9 per cent growth trajectory once the global conditions improved.

The recent opening of the corporate bond market to more foreign investment can help support infrastructure development that otherwise could falter during the downturn, she added.

India, however, still requires substantial improvement in agriculture, energy and infrastructure in order to sustain future growth and continue to alleviate poverty. The State-level reforms in agriculture can help raise farmers' incomes and lower their transaction costs.

Ms McMahan said that close coordination between the Centre and State Governments such as Kerala is necessary to improve timely delivery of inputs – including roads and electricity – and also to aid farmers and the innumerable cottage industries in rural India.

The new US administration will look to India for joint cooperation between the two governments as well as the private sector. "We must tap the private sector momentum

in the relationship to address the kinds of big problems governments cannot solve alone," Ms McMahon said.

India Inc invests the most in 2007-08

Private corporates have never dominated investment activity in the Indian economy as they did in 2006-07 and 2007-08.

The latest data of Central Statistical Organisation (CSO) on gross fixed capital formation show that the organised private sector accounted for nearly Rs 4 out of every Rs 10 invested in plant and machinery or construction activity during 2006-07 and 2007-08.

In these two years, private corporates invested more than their public sector counterparts and the household sector that includes SMEs and firms not incorporated under the Companies Act. This was not the case until as recently as 2003-04, when private companies had a meagre 25 per cent share in gross fixed capital formation – below that of the public sector and households.

But in 2004-05, private corporates invested more than public sector and departmental undertakings, and in the next couple of years, went on to displace households and unincorporated enterprises.

The last and only other time when the private sector had such an overwhelming dominance in investment was from 1995-96 to 1997-98. That binge was rudely interrupted and followed by an almost five-year investment famine – private corporate gross capital formation in 2001-02 was lower than that of 1995-95 even in absolute (current prices) terms.

Whether the same story would repeat itself, particularly in the post-meltdown period, remains to be seen.

The Chief Statistician of India, Dr Pronab Sen, said any likely investment slowdown will not get reflected in the CSO data for the current fiscal.

Gross fixed capital formation during 2007-08 touched an unprecedented 33.99 per cent of GDP – meaning more than a third of income generated in the country last fiscal was ploughed back into future income-earning physical assets. And 39.5 per cent of this fixed investment came from private corporates, with households and the public sector making up the balance 36 per cent and 24.5 per cent, respectively.

Of the gross Rs 633,328 crore invested by the organised private sector, three-fourths (Rs 474,147 crore) was in machinery and equipment. In households, Rs 429,260 crore of Rs 578,775 crore went towards construction. In public sector, Rs 269,394 crore out of Rs 393,336 crore (68.5 per cent) was directed to construction – roads, railways, irrigation and various other infrastructure projects.

The CSO's historical data show investment by private corporates, more so in machinery and equipment, to exhibit wide volatility. Public sector and household investment have, on the other hand, tended to be more steady. Gross fixed capital formation in the public sector went up in absolute terms even in the recessionary phase of the late nineties.

Forex reserves rise \$990 m

Foreign exchange reserves rose \$990 million during the week ended January 30, largely on account of revaluation of gold in reserves and non-dollar currencies vis-à-vis the dollar.

According to the latest figures released by the Reserve Bank of India, total foreign exchange reserves, including gold and SDR, rose \$990 million to touch \$248.6 billion. While foreign currency assets rose \$589 million, the value of gold in reserves rose \$399 million during the week. Reserve with the International Monetary Fund rose \$2 million.

Major international currencies such as the euro and the pound have been weakening against the dollar, which in turn, is impacting the valuation of foreign exchange reserves, expressed in dollar.

India, Finland see potential to widen economic ties

India and Finland will encourage businesses to explore new areas and sectors so as to widen and deepen the trade basket. This was agreed at a bilateral meeting between the Commerce and Industry Minister, Mr Kamal Nath, and the visiting Finland Minister for Foreign Trade & Development, Dr Paavo Vayrynen.

Both the sides felt that bilateral trade and investments between Finland and India were growing and that there was lot of potential for developing these economic relations further.

The Ministers noted that the possible areas for bilateral cooperation include energy, environment, forestry, IT, civil aviation, science and technology and tourism. India-Finland bilateral trade has more than doubled from \$533 million in 2004-05 to \$1,165 million during 2007-08.

Major exports to Finland are readymade garments (cotton), manufactures of metals, drugs & pharmaceuticals, coffee, transport equipment while major imports from Finland are electronic goods, computer software, iron and steel and paper board.

Dr Paavo said that the direct flight connections of Finnair, which started in 2006, have stimulated tourism and a lot of new contacts between the two countries and their people.

Interacting with the Finnish Minister, Mr Nath said that India had a vibrant SME sector. The engagement by SMEs on both sides would strengthen the foundations of trade relationship, he added.

Both the Ministers agreed on a need for fast results in the WTO Doha Round, especially in the current economic situation. Mr Nath emphasised that India would remain committed to engage constructively to reach a fair and balanced outcome of the Doha Round of WTO negotiations.

The cumulative FDI inflows during 1991 to 2008 were \$74.4 million. The top sectors attracting FDI inflows from Finland are fuels (power & oil refinery), telecommunications, electrical equipment, paper & pulp and services sector.

Meanwhile, speaking to reporters on the sidelines of the bilateral meeting, Mr Nath said that the Reserve Bank of India would continue to take more (monetary) measures, but they will have to be calibrated.

Medical Transcription sector to boom despite recession: report

Despite global economic downtrend, the Medical Transcription (MT) industry is looking for a further growth buoyed by a report of the NASSCOM stating that recession has not hit the healthcare industry.

Reverse is the trend in medical transcription outsourcing in the US, which is witnessing agonising attrition in large scale in IT, financial, manufacturing and other sectors.

As per a NASSCOM report, the MT industry will be worth Rs 40 billion by 2010 and could employ as many as 50,000 people. It predicts that this industry is here to stay for at least 10 years.

It estimated the size of the US MT industry, which is in the range of around \$ 12 million in 2005, would reach \$ 16.8 billion by 2010. The work offshored was expected to be in the region of \$ 860 million in 2010, of which India is expected to capture \$ 647 million. India remained a preferred offshore destination primarily due to availability of manpower and industry maturity.

The report also expected the employee strength of 18,000 in 2006 in India-based MT vendors would reach 52,000 by 2010. For an industry that witnessed too much crowding, too fast in India, a report conducted by US-based Stevens International Consulting expected the value of MT outsourcing in the US to double by 2005 to \$ 4 billion. India could take as much as two-thirds of that increase, providing work to 45,000 transcribers.

MT companies in Mysore observe that the demand for medical transcriptionists is great. There is currently a shortage of qualified medical transcriptionists - and

demographic trends suggest that the outlook will continue to be favorable for some time to come. Good medical transcriptionists typically have no problem in obtaining and maintaining employment.

Currently there are around 300 MT companies including training institutes in India, employing about 50,000. Mysore houses around 25 MT firms (including Mom n Pop set ups). However, the major companies, which provide MT services, are only two - Software Paradigm International (SPI) and Acusis. Approximately, there are around a thousand employees.

In India, MT business is 3-4 years old. Bangalore pioneered, the Health scribe India setting up the first MT company. In USA, where it is a well-established industry, it is 25 years old. Low cost, reliable telecommunication links, abundant, qualified, low cost, human resources, second-largest English-speaking workforce in the world, abundant supply of college graduates - 2.1 million graduates and 0.3 million post-graduates per year, about 12 hours time zone difference with US, less operating cost in India - 20 per cent vis a vis the US, reliable, low cost datacom bandwidth available on demand (for clients needing online connectivity), industry-friendly government and labour laws provide enough job opportunities in medical transcription.

"High-speed Internet access and faster, more reliable operating systems have made collaboration and information exchange more efficient than ever before. Technology advances such as these make it possible for us to offer home-based positions to our staff. This enables us to create a pleasant, family-friendly work environment that promotes both productivity and employee satisfaction," says Sheetal Somashekar, HR Executive, SPI.

India may be next WiMAX Mecca

India is slated to become the largest WiMAX market in the Asia-Pacific by 2013. A recent study sees India's WiMAX subscriber base hitting 14 million by Year 2013 and grow annually at nearly 130%. What's more, initial investment in WiMAX ventures is slated to top \$500 mn in India, notes the report conducted by US-based research and consulting firm Strategy Analytics.

While the initial deployment is likely to happen primarily in urban pockets, WiMAX will find relatively greater utility and less competition from competing technologies in smaller towns and villages.

"Eventually, we expect WiMAX growth to be much faster in smaller cities and rural towns. The investment on WiMAX will then go up substantially. WiMAX will not be an alternative to 3G but will be used for overall broadband diffusion in India," Strategy Analytics manager (emerging market communication service) Rahul Gupta told.

India-Cuba bilateral trade to reach \$100 m in 2-3 years

The bilateral trade between India and Cuba is expected to more than double to \$100 million within the next two to three years from the current \$40 million level, Mr M.A. Ramirez Ramos, Ambassador of the Republic of Cuba in India said.

The recent sanction of \$100 million line of credit to Cuba by the EXIM bank of India and the decision of extending credit cover by the Export Credit Guarantee Corporation for exports to Cuba would accelerate trade between the two countries, he said, while addressing media persons and members of the Bengal National Chamber of Commerce & Industry in an interactive session.

India also waived a debt of nearly \$70 million – nearly \$30 million in principal and the rest in interest to Cuba last year, he pointed out.

“The deterrent in trade with India so far has been the lack of credit line for exports to Cuba,” Mr Ramos said. The recent initiatives by the Indian Government, however, would help boost trade between the two countries.

The credit line extended by EXIM bank would largely facilitate import of engineering products from India, he said.

The initiative to expedite bi-lateral trade with India also follows the Cuban policy to expand trade relations in Asia beyond China, Mr Ramos said.

“We are reaching the saturation of our possibilities in China,” he said.

Forex reserves up by \$2.9 bn

Foreign exchange reserves rose \$2.9 bn during the week ended February 06, on improved dollar supplies that the central bank mopped up.

According to the figures released by the Reserve Bank of India in its weekly statistical supplement (WSS), total foreign exchange reserves including gold and SDR rose \$2,921m to once again cross the \$250bn mark to \$251.53bn.

The entire growth in reserves during the week was on account of strong foreign currency assets, which rose \$2922m during the week. While reserves with the IMF dipped \$1m during the week.

In the banking sectors, loans extend by the commercial banks in the country dipped Rs 8822.36 crore in the latest fortnight ending January 30 to touch Rs 26,36,338 crore, according to the data released by the Reserve Bank of India.

While food credit has dipped Rs 4174 crore, non-food credit Rs 4648.36 crore. The dip in loans is largely due to slowdown in lending by private and foreign banks according

to the Reserve Bank, while public sector banks on the other hand have been maintaining a steady growth in business.

India received \$32.4 billion foreign investment last fiscal

India received about \$32.4 billion of foreign investment in 2007-08, Minister for External Affairs Pranab Mukherjee said while presenting the interim budget 2009-10 in the Lok Sabha.

Foreign investment inflow during April-December 2008 was \$23.3 billion, reflecting a growth of 45 percent over the same period in 2007, Mukherjee said.

He said despite the global financial crisis which began in 2007 impacting most emerging market economies, gross domestic product (GDP) growth rate was recorded at 7.1 percent in the current year, making India the second fastest growing economy in the world.

Mukherjee said that the government had approved 37 infrastructure projects worth Rs.70,000 crore (Rs.700 billion) from August 2008 to January 2009 alone.

Under the public private partnership (PPP) model, 54 central sector infrastructure projects totalling an investment of Rs.67,700 crore (Rs.677 billion) were given in-principle or final approval, while 23 projects amounting to Rs.27,900 crore (Rs.279 billion) were approved for viability gap funding in 2008-09, he added.

Indo-UK bilateral trade may reach \$60 bn by 2020

The bilateral trade between India and UK might reach a staggering figure of \$60 billion by 2020, British High Commissioner in India Sir Richard Stagg said.

"There has been considerable degree of progress in bilateral trade between the two countries which will grow in the next 12 years," he said.

He said that in the recent past, the Indian economy grew a considerable degree and UK would like to establish a strong business relation.

"Great Britain is likely to invest in certain priority areas like automotive industry, service sector, banking, insurance, retail, agriculture and logistics," Stagg said.

These were growing sectors and Britain would like to invest in them because these areas were not explored properly and have great business potentiality, Stagg added.

He said, "We would like India to invest in fields like information technology, automotive and energy."

Destination India: Foreign tourist arrivals up 13%

It seems that 2008 has started with a bang for the tourism industry. Just look at the figures: In the first month of the year, the tourism arrivals have seen a jump of 13%, at 6 lakh, against 5.32 lakh in the corresponding period in 2007.

According to the ministry of tourism (MoT), foreign exchange earnings from this sector also showed a growth of 40%, at \$1,433 million, as against \$1,081 million registered in the same period in 2007.

“The tourism sector is one of the fastest growing sectors in the country. It offers immense opportunities to entrepreneurs in various segments. What was detrimental to our tourism growth is the lack of basic facilities at our monuments, pilgrimage places and tourist sites. We need to have a higher involvement in improving the basic facilities by adopting such centres for improvement of facilities as the government cannot do this job alone. The Asian region is as important for us as any other region and we are going to aggressively market here,” said Leena Nandan, joint secretary, ministry of tourism.

The industry’s growth can be gauged from the fact that the forex earnings from tourism have shown a phenomenal growth of 57% in one year, from \$5.73 billion in 2005 to \$9 billion in 2006.

Though foreign tourist arrivals have recorded a double-digit growth, domestic travel is the backbone of Indian tourism industry, with 460 million Indians travelling last year. The sector has seen a phenomenal growth between 2002 and 2007 and there has been an increase in traffic to the tune of 75% with employment generation up by more than 43%.

“The tourism sector has shown a much faster growth as compared to other sectors. Now there is a need to push the tourism sector and 2010 Commonwealth Games should bring in the required infrastructure to the country,” said Bharat Sidheshwar Rai, ED, Swift Travel.

`Financial services KPO to touch \$5 bn`

The financial services knowledge process outsourcing (KPO) industry is expected to be worth \$5 billion by 2010, said a KPMG study.

KPMG’s view was revealed in a report launched at the Nasscom India Leadership Forum 2008 in Mumbai today. Edge Zarrella, global partner-in-charge, IT advisory, KPMG, said: “Our study looks at the financial services KPO space which is driving the KPO evolution.”

While organizations are trying to master Information Technology Outsourcing (ITO) and BPO strategies, they are now faced with a new industry trend: KPO.

Pradeep Udhas, global partner-in-charge, sourcing advisory, KPMG, said, “Cost savings, operational efficiencies, access to talented workforce and improved quality are driving offshoring of high-end knowledge-based processes.”

India is expected to remain a preferred location for KPOs. However, organizations may look at other locations for additional delivery centers. Canada and Australia have the power to support the KPO industry. China, South Africa, and Singapore are other possible locations.

SME IT market sees 100% year-on-year growth

Global information technology (IT) giants are looking at a 100 per cent year-on-year growth in their small and medium businesses (SMBs) market in India on the back of increased purchasing power and rapid business expansion of the Indian small and medium enterprises (SMEs).

Oracle is expecting over 100 per cent growth in India for its CRM business on the back of increased technology awareness and need for cost-effective customer servicing.

According to Simon Banks, general manager of CRM on Demand — Asia Pacific, Oracle Corporation, over the next 12 to 18 months, the company is expecting a bulk of its business to come from small and medium enterprises (SMEs) in India.

“A lot of SMEs in India are expanding business rapidly. A lot of bigger companies are outsourcing client servicing to SMEs, which will push up sales of CRM,” Banks said.

CRM is dominantly used in call-centres and at customer help-desks.

With the growing economy, Oracle expects sectors like hi-tech manufacturing companies, life-sciences, financial services, in addition to call-centres, to contribute to the bulk of its CRM sales.

Oracle’s CRM costs \$70 per user per month.

Likewise, Cisco posted over 100 per cent year-on-year growth in its SME business in India.

BT sector to occupy 140 mn sq ft by `10

The Indian biotech industry is set to grow and occupy 140 million square feet by 2010.

“Even though the country presently holds a minimal market share of 2 per cent of the global biotech market, it has immense potential to develop as a key player by 2010 and is expected to generate \$5 billion revenues, creating employment for a million by

2010 through its products as well as services," said international real estate consultants Cushman & Wakefield in its 'Bio Reality in India Report 2008'.

In addition to Bangalore, Hyderabad, Chennai, Pune and Mumbai, tier II and tier III cities like Vadodara, Coimbatore, Goa, Mysore, Madurai, Kolkata, Gurgaon, Thrissur, Nagpur and Thiruchirapalli have emerged as the preferred destinations to set up a biotech facility.

But tier I cities (Bangalore, Hyderabad, Chennai, Pune and Mumbai) with better infrastructure and talent pool, the two most important factors in setting up a biotech facility, score over the others.

The other tier II and tier III cities are along the potential corridors that are attracting investments from various stakeholders of the industry.

"These cities have gained attention from the government and the industry in their attempt to provide a conducive environment to foster biotech development. The government is trying to boost the sector by providing sector-specific promotion policy and requisite infrastructure in terms of various biotech parks and SEZs that are coming up in these cities," the report added.

India may sign trade pact with 5 African nations by 2009-end

India and the five-nation South African Customs Union (SACU), a regional sub-group of African countries, are likely to sign a preferential trade agreement by the year-end, an official of South Africa High Commission said.

"By the end of 2009, we should be close to signing of the PTA between India and its southern African customs union partners," Counsellor in the High Commission Jardine Omar said.

A framework agreement has already been signed between the two parties, he told.

"PTA is the first step. Once it is signed, the progression is to move towards FTA which encompasses services and investment," he said.

Under the PTA, South Africa, Botswana, Lesotho, Namibia and Swaziland (SACU nations) and India would be lowering tariffs on certain products.

Wireless subscriber base touches 15.41 million customers in Jan

In the highest ever jump that subscriber base in the domestic wireless segment has witnessed ever, a total of 15.41 million customers were added during the month of January as against 10.81 million wireless subscribers in December 2008. However, the growth in total subscriber base, that includes both the wireless and wireline segments has been pulled down by a negative growth in the wireline segment and

stands at 15.26 million, but is still the highest monthly addition ever. The growth in total telephone connections (wireline and wireless) stood at 10.66 million connections in December 2008.

With a record high subscriber addition in the wireless segment in January, the total number of telephone connections in the country crossed the 400-million mark to touch 400.05 million as compared to 384.79 million in December 2008.

In the wireline segment, the subscriber base decreased to 37.75 million in the month of January as against 37.90 million subscribers in December 2008 recording a drop of 0.15 million. With this growth, the overall tele-density has reached 34.50 % at the end of January this year against 33.23% in December last year, the Telecom Regulatory Authority of India (Trai) said.

The total wireless subscribers (GSM, CDMA and WLL (F)) base stood at 362.30 million at the end of January. Total broadband subscribers base has reached 5.65 million by the end of January 2009 as compared to 5.45 million by the end of December 2008.

India's gems, jewellery exports rose by 7%

India's gem and jewellery exports rose by 7.05 per cent at Rs 72,529.67 crore in the April 08-January 09 period, according to data from the Gems and Jewellery Export Promotion Council (GJEPC).

Exports of gem and jewellery stood at Rs 67,754.95 crore in the April 07-Jan 08 period.

However, exports in dollar terms declined by 2.29 per cent at USD 16,387.18-million as compared to USD 16,771.03 million in the same period last year.

The exchange rate stood at Rs 44.26 per US dollar in the April 08-January 09 period as compared to Rs 40.40 per US dollar in the April07-Jan 08 period, it said.

The cut and polished diamond exports increased by 6.43 per cent at Rs 48,775 crore in April 08-January 09 as against Rs 45,827 crore in the same period last year. The export of rough diamonds also increased by a whopping 67.10 per cent at Rs 2,958 crore as compared to Rs 1,770 crore.

Gold jewellery exports from domestic tariff area fell 18 per cent, a year ago to Rs 7,917 crore, while exports from special economic zones and export-processing zones rose 26.60 per cent to Rs 11,059 crore.

On a combined basis, gold jewellery exports were Rs 18,976 crore, up 2.88 per cent from a year ago, while in dollar terms it fell 6.09 per cent at USD 4,287-million, GJEPC said.

Apr-Jan exports of coloured gemstones rose 13.16 per cent to Rs 1,023 crore.

The net imports of rough diamonds fell by 4.63 per cent at Rs 31,805 crore in April-January 09 period as compared to Rs 33,349 crore in the same period last year.

The cut and polished diamond imports, however, rose by 53.88 per cent at Rs 26,2520 crore as compared to Rs 17,059 crore in the same period last year.

The import of gold bars also increased by 22.08 per cent at Rs 9,203 crore as against Rs 7,538 crore in the same period last year, GJEPC said.

India can retain leadership in KPO sector

Knowledge Processing Outsourcing (KPO), over which India's holds the sway with a potential 12 billion dollar market by 2010, is expected to grow despite global recession and the country could maintain its leadership in the KPO sector with stable government policies.

"India has competitive people costs which is sustainable at least for the next seven to ten years. There is an established ITES (Information Technology Enabled Services) sector with good management, plus a reasonable sized talent-pool of human expertise in many areas. All this coupled with fairly stable government policies could help India in its quest to maintain leadership in the KPO sector by a wide margin," Chandu Nair, President and Director of Scope e-Knowledge Centre, a leading KPO company, said.

According to an earlier estimate of National Association of Software and Service companies (NASSCOM), the apex business association, the KPO sector is expected to be worth USD 17 bn by 2010 of which USD 12 bn would be outsourced to India.

'Despite the recession in the US and UK/Europe, NASSCOM still feels that IT/BPO sector would grow in the FY 2008-09. There has been an impact on certain companies, especially those with clients predominantly in certain sectors – financial services – or high exposure to clients which have gone bankrupt,' he said.

Seeking to differentiate KPO and BPO, Nair said BPO is essentially process or rules based while KPO is more expertise or judgment based.

Asked about the competition, he said India's key competitors in the KPO domain are Russia, China, Ireland, Israel, Philippines among others. The competition for India could vary depending on the nature of work.

"For instance for certain kinds of foreign language oriented services, locations in Eastern Europe or South America are favoured. Russia and Israel have scientific talent pool to provide certain specialist KPO services. The major challenge for them as also for say, the Philippines, Ireland is that the talent pool is much smaller while for China and Russia, non-English speaking population is relatively small."

About the scenario five-ten years hence, he said the KPO sector has the potential to grow faster and bigger and create more jobs.

'There is certainly a challenge in terms of availability of certain skill sets and basic employability of fresh graduates which hits small and medium sized companies,' he said.

NASSCOM has embarked on some initiatives with respect to improving the skills and is working closely with the government, he said.

Media, entertainment grows 12%

The Indian media and entertainment industry, which was pegged at Rs 58,400 crore in 2008, grew 12.4 % over the previous year. The industry is projected to grow at a compound annual growth rate (CAGR) of 12.5% to reach the size of Rs 1,05,200 crore by the year 2013, according to the FICCI & KPMG report 2009 released at FICCI FRAMES, one of Asia's largest media and entertainment convention.

Anand Sharma, minister of state for information and broadcasting and external affairs, government of India said, "The world of cinema is rapidly changing and the media and entertainment industry has grown over the last decade with technological explosion growing particularly in information and entertainment."

The filmed entertainment sector is estimated to have grown at a CAGR of 17.7% over the past 3 years. The industry revenues have grown to around Rs 10,930 crore in size in 2008, a growth of 13.4% over 2007. Over the next five years, the industry is projected to grow at the CAGR of 9.1% and reach the size of Rs 16,860 crore by 2013. As the demand for Indian films in the US and other overseas markets has increased, the Indian film industry is set to reach almost 100 countries in the coming years. The sector will experience an expansion of multiplex screens resulting in better realisations, increase in number of digital screens facilitating in wider film prints releases, enhanced penetration of home video segment, increase in number of TV channels fuelling demand for film content resulting in higher cable and satellite acquisition costs, improving collections from the overseas markets.

According to Harsh Pati Singhania, president FICCI and MD, JK Paper Ltd, the Indian entertainment sector is not recession proof and the market environment has become increasingly challenging as there was a consequent slowdown in advertising revenues, especially in the last quarter of 2008. Advertising spends grew at CAGR of 17.1% in the past three years. Going forward, it is expected to exhibit a robust growth rate at CAGR of 12.4% over the next five years.

The TV industry is on an unprecedented high due to the launch of DTH and IPTV platforms. The industry is estimated to have reached a size of Rs 24,100 crore, a growth of 14.2% over 2007.

‘Japan keen to strengthen economic ties with India’

With the global meltdown lengthening its dark shadows on the capital market and financial institutions showing diffidence to lend, the Government should take innovative investment strategy to keep the investment flow steady until economies recover. This would help developing countries overcome bottlenecks to raise capital to fund their crucial projects, particularly in the infrastructure sector, said a senior executive of the Japan External Trade Organisation (JETRO).

Investment mechanism

A viable investment mechanism that helped in overcoming short-term debacles without disturbing the role of private sector should be evolved, said Mr Tomaharu Washio, Special Advisor, Strategic Research, JETRO.

The process of development should not be allowed to be stunted by such short-term hurdles, particularly when the free flow of private capital was difficult to get, he said.

Mr Washio, who is here in connection with the 18th International Engineering & Technology Fair organised by Confederation of Indian Industry, said Japan was keen to strengthen its economic ties with India.

Japan, which is going through growth pangs due to recessionary pressures following its structural reforms and the impact of deceleration of US economy, was keen to seek investment opportunities in India. He said India’s resilience in withstanding the global economic shock caused by the US financial sector collapse encouraged Japan to rely on its market.

Spices exports rise 17% in April-Jan 2008-09 period

Indian spices have managed to increase their presence in the global trade during the first ten months of the current fiscal (2008-09) despite a general slowdown in the global economy. Compared to the same period of last fiscal (2007-08), exports have shown an increase of 17% in value and 5% in volume. In dollar terms, the increase is 6%. Exports of pepper and garlic have declined in terms of both volume and value during the period, while chilli, ginger and mint products have declined in volume.

During April-January 2008-09, India exported 3,72,125 tonne of spices and products valued at Rs 4,275.11 crore (\$956.75 million) as against 3,54,875 tonne valued at Rs 3,645.32 crore (\$904.11 million) in the corresponding period of 2007-08. The export of pepper was at 21,600 tonne valued at Rs 356.10 crore as against 29,700 tonne valued at Rs 433.76 crore exported last year. Volume and value have fallen by 27% and 18% respectively for the period.

The unit value of pepper exported has gone up from Rs 146.05 per kg in 2007-08 to Rs 164.86 per kg in 2008-09 due to a global shortage of the commodity. Low

inventories in the major international markets due to the economic recession is reported to be a major reason for the decline in exports.

During the same period, chilli exports fell in volume by 3%, while managing a value increase of 3%. India exported 1,56,500 tonne of chilli and chilli products valued at Rs 891.54 crore as against 1,60,930 tonne valued at Rs 864.40 crore last year. Traditional buyers of Indian chilli like Malaysia, Indonesia and Sri Lanka are active in the market. It is expected that exports will pick up in the coming months as the new crop comes to the market.

Seed spices like coriander and cumin have recorded a considerable jump in exports due to the failure of crop in other regions. Export of value-added products like curry powder, oleoresins and oils have also increased during the period. Curry powder and pastes managed an increase in export volume by 21% and gained a value increase of 52%.

IT infrastructure offshoring likely to touch \$6 bn this year

Even as top outsourcing customers are tightening their information technology budgets, they continue to outsource the management of their computer servers and desktops, according to experts tracking the industry.

Remote Infrastructure Management Outsourcing (RIMO) has emerged as the growth engine for many Indian tech firms. According to Everest Research Institute, the RIMO market is expected to touch \$5.9-billion in 2009 and \$8.6-billion in 2010.

“Infrastructure services do not fall under the discretionary spend category and the current growth projection is unlikely to be impacted by the economic recession,” said Everest Group associate principal Vikash Jain.

While IT infrastructure outsourcing is almost 5-year-old industry, remote management of computer infrastructure has given an opportunity to Indian tech firms to compete with established rivals such as IBM and HP-EDS.

According to Everest, the offshore suppliers (India-based companies) grew at a 70% compound annual growth rate (CAGR) between 2004 and 2007.

Anand Lavi of Tholons, an offshore advisory firm, said that there are still many segments of IT infrastructure that can be offshored.

Indian tech firms have been building their capability in this space over past few years. Wipro’s acquisition of Info crossing for \$600 million gave it a strong foothold in the infrastructure services space with direct presence in the US market.

Mr Jain added that RIMO deals are typically of a longer duration giving the much-needed stability to the Indian companies.

Indian tea production and export on a high

As Indian tea production inches closer to the magical figure of 1000 million kg, the exports have fallen short of 200 million kg for the year 2008.

The tea production in the country touched 981 million kg compared with 945 million kg in 2007. At present only China produces over 1000 million kg. The rise has mostly come from the south Indian plantations.

As per the tea board figures, the north Indian production went up by 9 million kg to 734 million kg, the tea output in south India rose by nearly 27 million kg 247 million kg. The total production is expected to cross 1000 million kg this year.

On the export front, 196 million kg of tea went from India, which was higher than 179 million kg of the previous year. Here too exports from south India recorded better growth of 12 million kg against about 5 million kg by north India. According to Tea Board chairman Basudeb Banerjee, rising consumption of tea in times of slowdown augurs well for Indian tea.

The prospects look bright for Indian tea with the India set to start a tea centre in Cairo. Egypt along with Iraq and Iran is the markets India is focusing apart from the traditional markets of Russia. "We expect the tea imports from India to go up to 20 million kg in 2009 against 12 million kg last year," said Mr Shawky Olama, the head of the delegation from Egypt, which is visiting Indian tea plantations after attending India International Tea Convention.

According to him, Egypt is buying more from India with a shortfall in production in Kenya, its regular supplier. "The reduction in customs duty in Egypt to 2 % has increased Indian export of tea to Egypt," he said. Pakistan also had turned to India for tea with decline in Kenyan crop. However, after the Mumbai terrorist incident, the tea exports to Pakistan have slowed down.

External Sector: Foreign Trade April-June

External Sector: Foreign Trade April-November

Region/Country	Export		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	100648.6	118496.2	17.7
Africa	9157.1	10233.2	11.8
Egypt	842.1	1223.1	45.2
Ghana	587.7	400.6	-31.8
Kenya	880.5	1015.8	15.4
Mauritius	701.0	865.9	23.5
Nigeria	685.4	873.5	27.4
South Africa	1621.9	1388.0	-14.4
America	17846.1	19703.7	10.4
Brazil	1446.2	2211.8	52.9
Canada	809.9	894.6	10.5
USA	13693.1	14074.9	2.8
Asia (excl. Middle East)	30213.8	35419.3	17.2
Bangladesh	1432.2	1759.1	22.8
China	5920.3	5221.2	-11.8
Hong Kong	3952.1	4497.9	13.8
Indonesia	1160.3	1746.2	50.5
Japan	2165.8	2036.6	-6.0
Korea DPR (North)	511.5	880.6	72.2
Korea Republic (South)	1514.5	2489.1	64.3
Malaysia	1416.8	1871.4	32.1
Nepal	869.4	1047.8	20.5
Pakistan	1015.3	979.8	-3.5
Philippines	399.6	496.8	24.3
Singapore	4475.0	6001.0	34.1
Sri Lanka	1699.8	1832.1	7.8
Taiwan (Taipei)	1135.5	1263.2	11.2
Thailand	1142.4	1336.4	17.0
Viet Nam	760.1	997.4	31.2
Middle East	18039.4	23193.5	28.6
Iran	1549.3	1759.5	13.6
Israel	1043.1	1052.4	0.9
Kuwait	418.4	556.1	32.9
Oman	592.1	552.9	-6.6
Saudi Arabia	2183.2	3847.1	76.2
Syria	544.1	238.7	-56.1

UAE	10094.1	13317.2	31.9
Yemen	755.6	595.2	-21.2
Europe	24354.0	28395.9	16.6
Belgium	2716.5	3234.2	19.1
France	1599.8	1874.0	17.1
Germany	3229.7	3848.3	20.1
Italy	2493.4	2548.0	2.2
Netherlands	3158.5	4269.7	35.2
Russia	580.3	735.4	26.7
Spain	1411.0	1824.5	29.3
Turkey	1124.1	1082.2	-3.7
UK	4391.7	4284.6	-2.4
Oceania	899.1	1123.9	25.0
Australia	765.3	885.3	15.7

Region/Country	Import		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	153346.0	208384.4	35.9
Africa	13730.5	19226.0	40.0
Algeria	781.7	991.9	26.9
Angola	751.9	883.0	17.4
Egypt	1309.2	1393.3	6.4
Libya	1072.2	592.4	-44.7
Nigeria	4906.9	7835.1	59.7
South Africa	2490.8	3558.4	42.9
America	14363.3	21474.4	49.5
Brazil	664.2	861.4	29.7
Canada	1280.4	1489.1	16.3
Chile	1228.7	1028.2	-16.3
Mexico	729.6	1165.5	59.7
USA	9091.4	12375.7	36.1
Asia (excl. Middle East)	45533.5	57115.3	25.4
China	17832.2	20894.7	17.2
Hong Kong	1888.2	3945.7	109.0
Indonesia	3121.6	4420.9	41.6
Japan	4152.4	5108.2	23.0
Korea Republic (South)	3768.4	5772.1	53.2
Malaysia	3967.4	5228.9	31.8
Singapore	5110.4	5113.7	0.1

Taiwan (Taipei)	1673.8	1843.1	10.1
Thailand	1572.2	1863.2	18.5
Middle East	39528.7	61473.2	55.5
Iran	6698.9	9570.6	42.9
Iraq	3899.6	6579.6	68.7
Israel	1006.8	1544.5	53.4
Kuwait	4049.5	7407.5	82.9
Oman	536.1	863.8	61.1
Qatar	1486.8	2464.4	65.7
Saudi Arabia	11440.2	16195.9	41.6
UAE	8380.7	13679.2	63.2
Yemen	1162.2	608.5	-47.6
Europe	34114.2	41783.8	2.5
Belgium	3431.2	4541.5	32.4
Finland	615.2	561.2	-8.8
France	1705.3	1853.3	8.7
Germany	6064.4	7050.2	16.3
Italy	2474.8	3035.6	22.7
Netherlands	1082.1	1141.9	5.5
Norway	664.8	801.9	20.6
Russia	1637.1	3244.0	98.2
Spain	625.7	689.9	10.3
Sweden	1356.1	1238.9	-8.6
Switzerland	7439.2	8754.0	17.7
Turkey	1012.1	1139.2	12.6
UK	3420.15	3880.0	13.4
Oceania	5906.0	7108.7	20.4
Australia	5543.8	6650.5	20.0