

**Monthly Economic Analysis
Fortune 2009**

December 2009

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Recent Trends in Indian Economy

Index of Industrial Production

The index of industrial production registered a double digit growth of 10.3 percent in the month of October 2009; the corresponding growth in the same month previous year was a meager 0.1 percent owing to aftermaths of the crisis.

While the manufacturing and mining sectors witnessed robust growth, there was a slight moderation in case of electricity sector vis-à-vis its performance previous month. The manufacturing and the mining sector recorded a growth of 11.1 percent and 8.2 percent respectively in October 2009. In case of electricity sector, the growth declined from 7.9 percent in September 2009 to 4.7 percent in October 2009.

Core Infrastructure

The core sector growth once again seems to have gained momentum with the index of six core infrastructure industries witnessing a growth of 6.0 percent in November 2009. The corresponding growth in November last year was 0.8 percent and in the previous month (October 2009) was 3.8 percent.

It was the finished steel and the cement sectors which pulled up the overall growth, each recording respective growths of 11.7 percent and 9.0 percent in November 2009. The petroleum refinery, coal and power production witnessed moderation vis-à-vis their performance last month. Further the growth in the crude oil production remained in the negative territory in the month of November 09 and that was for the fifth consecutive month.

Whole sale Price Index

The inflation rate which was 1.5 percent in the month of October 2009 climbed to 4.8 percent in November 2009 owing to the soaring food prices. The food articles segment recorded an inflation of 16.7 percent in November, while the fuel lubricants and light and manufactured products segments registered an inflation rate of (-) 0.9 percent and 4.0 percent respectively.

Monetary Indicators

Over the period April –November 2009-10, broad money supply registered a growth of 8.2 percent which was marginally lower than 8.3 percent growth registered during the same period last year.

Aggregate deposits expanded by 9.4 percent over the period April-November 2009, the corresponding growth last year was 10.8 percent.

The bank credit disbursal registered a growth of 11.9 percent over the period April-November in the year 2008-09, which declined to 4.7 percent in the corresponding period this fiscal.

Stock Market

The market remained upbeat with the Sensex crossing 17K in November 2009 and closing at a little over 16K by end of the month.

Taxes

During the period April-November 2009-10 there was a negative 7.8 percent growth in the gross tax revenue collections. The tax revenue collections (gross) amounted to Rs 3, 29, 606 crore, a decline by Rs 27, 835 crore from the corresponding period last year. The custom, excise and service tax collections each witnessed a decline by 31.2 percent, 20.0 percent and 6.2 percent respectively. The corporation tax and the income tax revenue, on the other hand grew by 6.6 percent and 9.8 percent respectively over the eight months ending November 2009.

Central Government Finances

The total expenditure incurred by the government increased from Rs 4, 94, 124 crore during the period April-November 2008-09 to Rs 6, 21, 672 crore in the current fiscal, recording an increase by almost 26 percent. On the other hand the revenue receipts of the government declined by negative 2.5 percent. As a result the fiscal deficit increased by a whopping 73 percent, going up from Rs 1,76, 510 crore to Rs 3,06,221 crore over the period April-November 2009-10.

Trade

The exports after declining for thirteen consecutive months witnessed an increase in the month of November 2009, growing by 18.2 percent. However it will be important to ensure that this growth is sustained in the exports sector. The imports on the other hand continued to decline. The oil imports although registered a 7.3 percent growth, the non oil imports witnessed a decline by 5.9 percent. The overall imports fell by 2.6 percent.

Foreign Investments

The portfolio investment inflows remained volatile and witnessed a decline from amounting to USD 5 billion worth inflows in September 2009 to USD 2.9 billion in October the same year. The foreign direct investments on the other hand increased from USD 1.5 billion in September 2009 to USD 2.3 billion in October 2009. As a result of the decline in portfolio investments the total foreign investment inflows amounted to USD 5.2 billion in October 2009, a decrease from USD 6.5 billion worth investments received in September.

Foreign Exchange Reserves

The current fiscal has witnessed a build up in the forex reserves. In October 2009 the reserves climbed to USD 284 billion, gaining about USD 33 billion since April 2009.

Exchange Rate

The rupee dollar exchange rate averaged Rs 46.6/USD in December 2009, which was the same as previous month. Although the average dollar value remained stable, the pound and euro witnessed slight appreciation in December vis-à-vis its value last month.



Lead Stories of the Month

Goldman sees India's real growth at 8.2%

India's real GDP growth in the financial year 2010-11 is likely to be 8.2 per cent, on the back of acceleration in domestic demand, especially infrastructure-led investment, Goldman Sachs said in a report.

"We forecast real GDP to grow by 8.2 per cent in FY11 and 8.7 per cent in FY12, on the back of an acceleration in domestic demand," the report said.

Reforms in infrastructure, fiscal, and financial sectors by the respective policymakers would also be critical for the country to return to the high growth path, it said.

The WPI-based inflation, which has started inching up now, is likely to go to 6.5 per cent by March, 2010 due to rising food and commodity prices, the report said.

Goldman Sachs also forecast the Reserve Bank to hike its policy rates in 2010, starting in January, by hiking repo and reverse repo rates.

Goldman expects 300 basis points of effective policy tightening starting in January with the Reserve Bank hiking the repo and reverse repo rates, according to the report.

This will constitute a removal of monetary accommodation (by the central bank) and moving rates to neutral, it said.

The world banks on India: Robert Zoellick

Robert Zoellick has seen a lot change over the course of a long career, first in the US government, now as the World Bank president. But World's top tax havens perhaps the most startling change is in the way the world views India.

"The outside world's image of India now is of cutting-edge competitive companies that are going to take jobs away from the developed world. I get more and more voices coming from Europe and North America saying, 'Why should we give money to India when they're going to be a threat to our businesses?' I have to constantly explain the huge income diversity of India and the fact that a lot of development work still needs to be done," he chuckles.

Zoellick also dwelt on how the growing strength of India-US ties has proved helpful to him. "I'm eventually going to have to go to the US Congress to seek its support for an increase in the World Bank's capital. I spoke to the Confederation of Indian Industry and said, 'Maybe you can help me because I know there's a strong India Caucus in Washington. Together we can make a case that an increase in the Bank's capital would help India's development'."

Wrapping up a four-day visit to the country, Zoellick praised India's "strong crisis management" and said it was playing an important role in leading a global recovery. "We all look to India now as a rising global economic power and in our interconnected world it has played a helpful role over the tough moments of the past year," he said.

IIP up by robust 10.3 pct in October

The industrial output rose 10.3 per cent in October from a year earlier, matching market forecast, helped by stimulus measures and robust domestic demand, data showed.

Manufacturing production rose 11.1 per cent in October from a decline of 0.6 per cent a year earlier.

September's annual industrial growth rate was revised up to 9.6 per cent from 9.1 per cent previously.

Industrial output rose 2.6 per cent in the 2008/09 fiscal year (April-March), slower than 8.5 per cent in 2007/08 as the global economic downturn hit Asia's third-largest economy.

Economy poised to hit high growth path, says mid-year review

The Indian economy is well on course to return to high growth trajectory. But this broad-based recovery is likely to be accompanied by somewhat higher inflation, mainly on account of food price rise, the Government's Mid-Year Review 2009-10 has said.

The gross domestic product (GDP) is likely to be in the upper bound of the 6.25-7.75 per cent range predicted by the Economic Survey 2008- 09 in July this year - or may even exceed it, said the review tabled in the Lok Sabha.

This forecast of near 7.8 per cent GDP growth or even higher than that for 2009-10 is perhaps the highest by any agency and was much higher than the 6 per cent (with upward bias) growth projection made by the Reserve Bank of India.

The robust outlook for economic growth in 2009-10 comes on the heels of the 7.9 per cent GDP growth recorded in Q2. India's GDP grew 6.7 per cent in 2008-09 and 6.1 per cent in the first quarter this fiscal.

Stating that inflation worry must not be dismissed, the review has, however, noted that there are some technical reasons why inflation appears somewhat larger than it is.

The decline in the base (price indices in November and December last year declined) is giving boost to the current inflation figures.

This, coupled with the rise in price index, which is indeed taking place, makes the inflation appear somewhat larger than it is, the Finance Ministry said.

Describing it as an "unusual inflation" in which the price rise across commodities is highly skewed, the midyear review has noted that this inflation was not a product of aggregate demand expansion in the economy.

"Its dominant cause is the supply-side one of reduced food production or more accurately, the expectation of a reduction in food production over the next months that the drought and poor monsoon in India have inevitably given rise to," the review said.

SUBBARAO MEETS PRANAB

In the backdrop of a dismal scenario on the food inflation front, the RBI Governor, Dr D. Subbarao, held an hour long meeting with the Finance Minister, Mr Pranab Mukherjee, at North Block. Dr Subbarao said the discussions related to macro-economic situation.

The meeting with the Finance Minister was routine and fixed three weeks ago, Dr Subbarao told reporters.

The RBI Governor also had separate meetings with the Finance Secretary, Mr Ashok Chawla, the Revenue Secretary, Mr P.V. Bhide, the Expenditure Secretary, Ms Sushma Nath, and Dr K.P. Krishnan, Joint Secretary in the Department of Economic Affairs.

CAPITAL FLOWS

With the return of capital flows, the mid-year review has raised the question of economy having to once again contend with the challenge of maintaining balance between price stability, exchange rate and capital mobility.

However, it noted that the problem of capital flows is somewhat muted this time round since the levels of inflows could be managed without significant costs or tradeoffs in policy setting.

"This (capital inflows) is, however, a matter that will need some deep strategic thinking in the long run", the report said.

It has also highlighted that foreign funds are required to meet the long-term finance requirements in critical infrastructure sectors.

Also, the utilisation of foreign funds in productive sectors can also avert the risk of creation of asset price bubbles.

The review also said that there was enough evidence to suggest that the fiscal policy measures undertaken by the Government had worked.

Exports grow for first time in November in over a year

India's exports turned around in November after falling for 13 straight months, posting a growth of 18 percent to touch USD 13.2 billion, but the expansion was attributed to base effect.

There is no "great shift in demand, it (growth) is because of base effect," Commerce Secretary Rahul Khullar told.

Among the sectors that performed good during November were gems and jewellery, which grew over 40 per cent to USD 2.15 billion, readymade garments to USD 727 million from USD 686 million a year ago, besides man-made fibre and petroleum products.

During April-October of the current fiscal, the country's merchandise consignments dropped by 26.5 per cent to USD 90.4 billion.

ADB ups GDP forecast to 7% for 2009

The Asian Development Bank (ADB) on raised its growth outlook for the country to 7% from its earlier 6% for calendar year 2009. "... India is now expected to grow 7% in 2009, a full percentage point higher than projected in the Asian Development Outlook Update," the regional development bank said in a note. In September, the bank, in its Asian Development Outlook 2009 Update, had forecast that the country's GDP would grow at 6% in 2009. The Reserve Bank's GDP estimate is 6% for the fiscal 2009-10, while the Planning Commission pegs it 6.3%, both with upward bias.

Survey shows jobs are back, direct hirings on the rise

The economic recovery could well and truly be in if official employment estimates are anything to go by.

The Labour Bureau's latest quick employment survey for the July-September quarter shows a turnaround in the hiring trends of direct workers across most manufacturing sectors, signalling a buoyant medium-to-long term outlook among entrepreneurs.

While cumulative employment is estimated to have increased by about 5 lakh during the July-September quarter, about 80 per cent of this increase is in the direct category of workers.

Direct workers include permanent, temporary and casual workers employed directly by the employer. Contract workers are those hired by the employer to perform specific functions through a contractor for a defined period of time.

In the previous quarterly survey for the April-June period, the direct category of workers was the most affected, with job losses of 1.7 lakh reported in the category. Contract workers, on the other hand, saw a revival in hiring during the last quarter, with employment increasing by 0.4 lakh in the category during April-June.

The latest survey shows hiring of direct workers is up by nearly 4 lakh, while the employment of contract workers has also grown by over one lakh. The textile and apparel and the gems and jewellery sectors have experienced a significant increase in the number of direct workers employed.

The main reason, according to analysts, is a revival of retail demand in key markets such as the US and the European Union, which has resulted in a pick-up in winter orders, especially in the home textiles segment.

India Inc rides recovery wave, raises \$16.7 bn in Apr-Dec

Despite poor participation from retail investors, India Inc raised \$16.7 billion (Rs 78,000 crore) through equity issues in the first eight months of the current fiscal, five times that in the entire financial year ended March 2009, as foreign investors returned and companies resumed expansion activities.

The pick-up in fund-raising coincided with the economy showing clear signs of revival and the sharp rebound in stock market valuations after they hit a low in early March.

However, the amount raised so far in the current fiscal is still far lower than in the corresponding period of 2007-08, a boom year for the stock markets. India Inc raised Rs 125,526 crore between April and November 2007.

Overall fund-raising through equity and equity convertible financial instruments in the April-November 2009 period was led by a surge in overseas issues and a rush by companies to issue fresh shares to institutional investors through qualified institutional placement (QIP).

Total funds raised through overseas issues, including equity and equity convertible bonds, totalled Rs 27,745 crore across 28 issues in the first eight months of the current fiscal, as compared to just Rs 945 crore during the whole of 2008-09, data compiled by Prime Database show.

In the same period, QIP issues also soared to an all-time high with firms across sectors raising Rs 31,292 crore as against a mere Rs 188 crore during FY09. The sharp increase in QIPs is linked to the rise in stock market valuations as institutional investors flush with liquidity returned to fund expansions and new ventures of companies. The benchmark 30-stock index Sensex has doubled since April this year.

“Corporates are increasingly using the QIP route to fuel growth as the cost and time of transactions is lesser than that of public issues,” said Manish Sonthalia, a portfolio manager at Motilal Oswal Financial Services.

Fund-raising by companies coming through public issues also jumped eight times to Rs 15,981 crore through 16 initial public offer (IPO), besides one follow-on public offer (FPO). Many firms, including those in power, real estate and infrastructure, are in the queue to float their IPOs.

However, the IPO market has not taken off in direct proportion to the revival in the capital market, specially when compared to the boom year 2007-08. So far this fiscal there have been 19 IPOs while in 07-08 the number was much higher at 67.

“The vibrancy of the primary market is linked to the buoyancy in the secondary market. IPOs cannot happen when the secondary market is giving out signs of nervousness and volatility,” said Prithvi Haldea, CMD, Prime Database.

The lack of confidence among retail investors could also explain why fund-raising through rights issues has floundered this year. As against rights issues that scooped up Rs 10,612 crore in the April-November 2008 period, companies have raised just Rs 2,986 crore this year.

Core sector expands 5.3% in November

The country’s infrastructure sector accelerated by 5.3 per cent in November, backed primarily by growth in steel and cement production in the month.

The six core sectors, which contribute 26.7 per cent to the overall Index for Industrial Production (IIP), had grown 0.8 per cent in the corresponding month of 2008. The growth in October this year was revised upwards to 3.8 per cent from an earlier estimate of 3.5 per cent.

“The figures indicate that the growth is skewed, as it is still in favour of sectors that have benefitted from stimulus measures like construction and other allied sectors. Therefore, even as the data are tilted towards positive growth, we should take it with a pinch of salt because it is not broad based,” said Rupa Rege Nitsure, chief economist, Bank of Baroda.

On a sequential basis, core sector growth accelerated after two consecutive months of deceleration in rate. On a cumulative basis, core sector grew 4.6 per cent in the current financial year (April-November), against 3.5 per cent in the corresponding period last year.

Analysts further said the Reserve bank of India (RBI) would take major monetary policy decisions as credit demand picks up. Most expect that the third quarter GDP growth rate would provide a clearer picture.

Finished (carbon) steel production grew at the highest rate — 11.7 per cent — during the month, against a decline of 6.3 per cent in the corresponding period of 2008. Cement production also picked up to post a growth rate of 9 per cent in November, marginally up from 8.7 per cent in the month in 2008.

Production of petroleum refinery products also grew by 4.9 per cent on a year on year basis, as against a contraction of 1.1 per cent in the year ago period. Crude oil production contracted by 1.6 per cent, as compared to a modest growth of 0.5 per cent in the corresponding period last year. Coal and electricity registered a growth of 3.3 per cent and 1.8 per cent, respectively, marginally lower than 9.7 per cent and 2.6 per cent, in the corresponding period the previous year.

Indian employers most optimistic about hiring staff: Manpower

A new survey undertaken by Manpower Inc, a world leader in the employment services industry, found that Indian employers are most optimistic about adding staff. As per the global Manpower Employment Outlook Survey results, job seekers across most of the Asia-Pacific region should start the new year with employment opportunities similar to those seen prior to the global downturn. Significantly, Indian employers are reporting the strongest hiring plans globally.

“Data results from Asia-Pacific confirm the progress toward recovery we began to see in the final quarter of 2009. It indicates most labour markets should turn the corner across the region with employers expecting hiring to return to a pre-recession pace. And, while the global market remains difficult, in the US and Europe, we are seeing limited but continued positive signals,” said Jeffrey A Joerres, chairman and CEO of Manpower Inc.

“We have yet to see the robust hiring intentions we have seen in past recoveries. However, we are seeing clear signs of improvement. An increase in job prospects also means that companies will need to ensure they strengthen their employer brands, as companies will now start to experience higher attrition based on an improving employment outlook,” he said.

Meanwhile, employment prospects in America remain muted, but have generally improved from past three months. In the US, employers are more optimistic than three months ago, but are still forecasting the weakest first-quarter hiring pace since 1982. Across Europe, hiring sentiments are mixed with employers in eight countries, indicating modest improvements compared to three months ago.

Gas, manufacturing power up GDP 7.9% in second quarter

Growth has returned riding on the back of natural gas and revived industrial investments.

The Gross Domestic Product (GDP) grew 7.9 per cent during July-September 2009. This has raised hopes that the growth for the full year will cross 7 per cent. Growth in the first quarter was only 6.1 per cent.

Overall, industrial output was boosted by strong growth in mining (9.5 per cent), manufacturing (9.2 per cent) and electricity (7.5 per cent) during the second quarter.

Three factors contributed to the growth in output - the stimulus packages instituted between November 2008 and March 2009, natural gas (D-6) production in the mining sector, and the revival of manufacturing sector as bank credit revived after a contraction last year in the wake of the global financial crisis.

Increases in overall gas production (as Cairn gas also started to flow alongside the D-6 output) are expected to keep the growth buoyant in fiscal 2010. The gas output is expected to add between half and one percentage point to the GDP over the next several years.

Manufacturing pick-up

Meanwhile, as investment demand returns on the back of easier and more credit, manufacturing, too, is expected to grow steadily. Last year, the sudden disappearance of both credit and demand had led to many firms postponing investment plans and reducing output.

These growth numbers could also mean that the final GDP growth number will be less dependent on the rabi crop. The 20 per cent shortfall in the kharif crop had led the Government to pin its hopes on the rabi crop.

Reacting to the second quarter GDP performance, the Union Finance Minister, Mr Pranab Mukherjee, said that the Q2 performance was satisfactory. "I do hope it will be possible to achieve 7 per cent plus GDP growth this fiscal."

The Planning Commission Deputy Chairman, Mr Montek Singh Ahluwalia, said that the earlier GDP growth estimate of 6.5 per cent for 2009-10 could be revised upwards if the growth trend witnessed in Q2 were to continue during the remaining period of the current fiscal.

Mr Mukherjee said, "It's too early to predict. But initiatives taken by Government in the form of stimulus measures have paid dividends."

These stimulus measures raised internal demand as the Government injected Rs 1.86-lakh crore into the system since October 2008 through three stimulus packages.

In the first half of the current fiscal, GDP grew 7 per cent against 7.8 per cent in the same period last year.

For the second quarter ended September 2009, the Central Statistical Organisation (CSO) put the GDP estimate at factor cost at constant prices (1999-2000) at Rs 8,34,780 crore (Rs 7,73,850 crore).

At constant (1999-2000) prices, the private final consumption expenditure is estimated at Rs 4,97,425 crore in Q2 of 2009-10 as against Rs 4,70,932 crore in Q2 of 2008-09.

India may net \$50 b foreign investments this fiscal

Net capital inflows into India during the current fiscal will be about \$50 billion, Dr C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council (PMEAC), has said. Capital flows cover portfolio inflows from foreign institutional investors (FIIs), foreign direct investments and external commercial borrowing (ECBs).

The Council had earlier estimated net capital inflows of \$55 billion. In 2008-09, there was a net capital outflow from the economy.

"Capital flows have started picking up. Perhaps, in the second half, one would see a larger pick-up. So far the gross inflows have been \$44 billion, but we have to account for ECB repayments and outward FDI also. The total net capital inflows could be \$50 billion this year," Dr Rangarajan told on the sidelines of an OECD-India symposium co-hosted by the Organisation for Economic Cooperation and Development and ICRIER.

In his address to the symposium, Dr Rangarajan said that this increased level of capital flow was manageable and would not pose problems for the monetary authorities.

However, in her presentation, Ms Usha Thorat, Deputy Governor of the Reserve Bank of India, said that managing the capital flow is going to be a challenge in the coming days.

Volatile FIIs

Noting that FII inflows have been the volatile element, Ms Thorat said that in the current year so far (up to November 20) \$19 billion had come in FII through this route. In 2008-09, the net FII outflow was about \$15 billion. Inward FDI so far this fiscal stood at \$17.7 billion. It was \$35 billion last fiscal, she said.

"Managing capital flows is an important issue as large capital flows and asset prices could feed on each other and this could be destabilising," Ms Thorat said.

7 Per cent Growth

Dr Rangarajan said that the economy will grow by about 7 per cent in the current fiscal. For 2010-11, the Council's forecast is 7-8 per cent. India will return to 9 per cent GDP growth levels in 2011-12 only if the world economy and world trade improve.

For the current fiscal, Dr Rangarajan said that the current account deficit will be about 2 per cent of GDP, that is, about \$25 billion. This current account deficit will be easily financed by the net capital inflows.

"After allowing current account deficit of \$25 billion, we had estimated accumulation of \$30 billion reserves. Looking at what has happened to the accumulation of reserves in the first nine months, it appears that our estimate was more or less correct. It could be somewhat less than \$30 billion. This is manageable level of capital flows. This can be managed," Dr Rangarajan said.

India, US to enhance investor treatment

India and the US have pledged to develop trade and economic opportunities for the two countries and educate the future generations to solve the global challenges.

"We are negotiating a bilateral investment treaty that will enhance investor treatment and protection to spur greater bilateral investment flows," the US ambassador to India, Timothy J Roemer said.

Describing Prime minister Manmohan Singh's visit to the US as a watershed movement in the course of our amazing partnership, Roemer said, "The US president Barack Obama has told Prime minister Singh of their determination to defeat terrorism together and have decided to invest in new technologies which will provide us all an environmentally-sustainable and economically bright future."

"Our new counter terrorism cooperation initiative will strengthen collaboration on counter terrorism, information sharing, and capacity building—already at unprecedented levels—and make our citizens and cities safer," he said.

The US envoy hoped that both countries would initiate landmark steps to arrest the threat of global warming and climate change through the new bilateral green partnership.

India, Russia sign expanded N-pact

Russia and India signed an agreement to expand nuclear cooperation. They also signed three military pacts.

The umbrella civilian nuclear cooperation agreement will give India the right to reprocess spent fuel, taking the pact "far beyond the 123 Agreement" signed with the US, official sources have said. The pact with the US provides for not just termination of ongoing cooperation but also for the return to the US of already supplied components and fuel in the event of the nuclear agreement being terminated.

The Prime Minister, Dr Manmohan Singh, who ended a three-day visit to Moscow, said: "Our views are similar on global issues and our cooperation can extend to cooperation at the international level," he said. "We will be sharing intelligence and information gathering."

With this pact, the way is cleared for further Russian investment and technology transfer in nuclear energy. The US is still holding back and could thus fall behind Russia and France which are racing ahead.

Last year, India and Russia signed an agreement providing for the setting up of four more nuclear plants.

“We have decided to set a trade target of \$20 billion by 2015. We have identified the areas of energy, information technology and communications, and pharmaceuticals as the new thrust areas for cooperation,” said Dr Singh.

India emerges as UAE's top trading partner

India was the UAE's top trading partner last year with non-oil trade totalling USD 32.11 billion, the data by the UAE Ministry of Foreign Affairs has showed.

India was the UAE's top export destination with exports valued at USD 15.24 billion while the UAE's imports from India amounted to USD 16.87 billion in 2008.

India's two-way non-oil trade with the UAE jumped 53.45 per cent to USD 44.53 billion in India's fiscal year that ended March 2009, enabling the UAE to retain its status as India's largest trading partner.

China was India's second largest trading partner in 2008-09 with two-way trade valued at USD 40.61 billion. It was followed by the US with USD 38.98 billion, Singapore with USD 15.64 billion and Hong Kong with USD 13.07 billion, the data by the Indian embassy showed.

India's exports to the UAE comprise mainly petroleum products, finished precious and semi-precious jewellery, machinery, textiles, apparel and cereals. India's imports from the UAE consist primarily of crude oil, petroleum products, raw pearls, precious metals, electrical machinery and equipment and iron and steel.

India's drug industry is over Rs one lakh crore

The Indian Pharmaceutical industry has become the third largest in the world in terms of volume, valued at over Rs one lakh crore, Parliament was informed.

"The Indian pharmaceutical industry, now over one lakh crore (US \$ 20 billion) industry, has shown tremendous progress in terms of infrastructure development, technology base creation and a wide range of products," Minister of State in the Chemicals and Fertilisers Ministry Srikant Kumar Jena said in the Lok Sabha in reply to a written query.

The country now ranks third worldwide by volume and 14th by value thereby accounting for around 10 per cent of the world's production by volume and 1.5 per cent by value, he added.

"Globally, it ranks fourth in terms of generic production and 17th in terms of export value of bulk actives and dosage forms," Jena said.

The industry has established its presence and determination to flourish in the changing environment, the minister said.

Indian exports pharmaceuticals to more than 200 countries around the globe, including highly regulated markets of USA, West Europe, Japan and Australia.

Top cement firms post strong dispatches in Nov

The domestic cement industry has once again shown a healthy growth, thanks to the surge in demand for the building material. From the statistics of the top five cement makers, November is likely to hit a double-digit growth rate.

The Aditya Birla Group companies (UltraTech & Samruddhi), Holcim group companies (ACC & Ambuja), Shree Cement and Jaiprakash Associates have come up with positive numbers in November.

The dispatches of Birla companies were up 15.3 per cent at 2.92 million tonnes, while that of the Holcim group witnessed almost a flat growth of 0.3 per cent. This was mainly because of ACC's continuously poor performance, which saw a decline of over four per cent in its dispatches, at 1.66 mt against 1.73 mt last year in the same month. Two northern cement majors, Shree and Jaiprakash, continued to get the benefits of high demand due to the coming Commonwealth Games in New Delhi. Shree's dispatches were up 15.25 per cent, whereas Jaiprakash crossed the one million tonne-mark, with its dispatches rising 49 per cent.

"The peak period of cement consumption has now begun. The current financial year may see the industry grow over 11 per cent," said an analyst with a domestic broking agency.

The entire statistics of the industry are likely to be announced by the Cement Manufacturers' Association next week.

On the Bombay Stock Exchange, cement stocks performed well and closed in the green on Tuesday. Stocks of ACC closed at Rs 807.65, up 1.4 per cent, Ambuja Rs 94.25 (2.3 per cent up), UltraTech Rs 839.15 (0.3 per cent up), Grasim Rs 2,395.90 (0.6 per cent up), Shree Cement Rs 1,810 (0.6 per cent) and Jaiprakash Associates Rs 229.10 (1.53 per cent).

Auto cos race to record monthly sales

The buoyancy in the automobile industry continues, with car makers and two-wheeler companies bettering their sales even post the festival months.

The highlight of November was Maruti Suzuki and Hyundai Motor India reporting their highest ever monthly sales at 87,807 units and 55,265 units respectively.

Maruti showed 67 per cent growth while Hyundai registered 29 per cent growth over the same month last year.

Not surprisingly, the smallcar segment continues to surge, and Maruti and Hyundai with their array of models are making the most of it.

"One noticeable thing for the car industry in November is that the A2 segment (cars of 3.5 -4 metre length) clocked sales of close to one lakh units, which is unprecedented," said Mr Shashank Srivasthava, Chief General Manager, Sales and Marketing, Maruti Suzuki.

"When talking about good numbers for November, we shouldn't forget the fact that in the same month last year it was dismally low. If we compare the sales with the November 2007 figures, the growth is only 14 per cent," he said.

While Maruti's exports more than doubled to 11,448 units, the country's largest car exporters Hyundai said overseas sales dropped 5 per cent to 27,100 units.

"The scrappage incentive scheme in many European countries came to an end and this started affecting our exports," said Mr Arvind Saxena, Senior Vice-President, Hyundai Motors India.

Tata Motors' passenger vehicles segment reported 29 per cent growth at 18,480 units, the highest for any month this fiscal. The company delivered 3,406 Nanos in November.

At Mahindra & Mahindra, the top utility vehicle maker, sales doubled to 15,193 units. Meanwhile, auto companies are hiking prices on account of rising raw material costs.

"There continues to be pressure on costs due to commodity prices, yen appreciation and BS IV compliance for our range of vehicles. Currently we haven't decided on the price increase," said Mr Mayank Pareek, Executive Officer, Marketing and Sales, Maruti Suzuki.

TWO-WHEELERS

In the two-wheeler segment, market leader Hero Honda's sales crossed the 3 lakh mark for the 11th consecutive month. It reported 32 per cent growth to post sales of 3.81 lakh units. Its closest rival Bajaj Auto has not released its figures. TVS Motor showed 23 per cent growth at 1.2 lakh. Suzuki Motorcycles sold 14,745 units

Iron ore exports more than doubled to 9.3 mn tonne in Oct

India's iron ore exports more than doubled to 9.3 million tonne in October this year as compared to 4.4 million tonne in the same month a year ago on the back of increase in demand from Chinese steel producers, as per a joint study by a group of iron ore exporters.

Iron ore is a key input in steel making. The country's iron ore exports during April-October period grew 20% over the year ago period to 53 million tonne, as per the study conducted jointly by Goa Mineral Ore Exporters Association, Kudremukh Iron Ore Company and government owned trading house MMTC.

India produces close to 200 million tonne of iron ore every year, half of which is exported. Around 80% of the country's ore exports go to China, while the rest goes to Japan and Korea.

Top iron ore exporters in the country include Sesa Goa, MSPL, Roongta Mines, Chowgule and Mineral and Metal Trading Corporation.

Forex reserves up \$651 million

India's foreign-exchange reserves climbed \$651 million to \$287.4 billion in the week ended December 4, helped by an increase in gold reserves, the central bank said.

The nation's gold reserves rose \$682 million to \$18.2 billion, the Mumbai-based Reserve Bank of India said in an e-mailed statement. Foreign-currency assets fell \$22 million to \$262.4 billion. India's special drawing rights with the International Monetary Fund fell \$7 million to \$53 billion, while its reserves with the IMF fell \$2 million to \$14.6 billion.

The change in foreign-currency assets is partly because of changes in the value of the dollar against the euro, yen and other currencies during the period, the central bank said.

Total reserves jumped \$41.5 billion in the past year, the bank said. The assets comprise overseas currencies, gold and special drawing rights with the IMF.

India's rupee pared earlier gains after a government report showed industrial production increased less than economists estimated in October.

The rupee traded at 46.55 per dollar compared with the day's high of 46.49. The yield on the 6.9 % note due July 2019 rose four basis points to 7.58 %, its highest closing level since the bond began trading, according to the central bank's trading system. The price fell 0.25, or 25 paise per Rs 100 face amount, to 95.45. A basis point is 0.01 percentage point.

India's 10-year bonds declined for the third straight week on speculation the fastest increase in food prices in 11 years will prompt the central bank to raise interest rates.

Yields rose to near the highest level in more than a year after a government report showed on Thursday wholesale food prices soared 19.05% in the week ended November 28 from a year earlier.

Bonds also fell as a separate report showed that industrial production accelerated. "Although the industrial output growth was a little less than expected, when you look at it in conjunction with yesterday's inflation figure, it seems a rate increase is on the cards," said Sanjay Arya, treasurer at state-owned Bank of Maharashtra in Mumbai.

100 pc FDI allowed in renewable energy sector: Abdullah

Government said 100 per cent Foreign Direct Investment (FDI) was allowed in the renewable energy sector and a conducive policy has been put in place to attract foreign companies in the sector.

"100 per cent FDI is allowed in renewable energy sector and structures have been put in place to facilitate power trading, open access etc," New and Renewable Energy Minister Farooq Abdullah said in reply to a Rajya Sabha query.

He added, the Government had approved a generation-based incentive scheme in wind power projects especially for the foreign investors, who cannot avail benefits of the accelerated depreciation, available to domestic investors.

Replying to another query, the Minister said over two million solar energy-run appliances have been distributed or installed across the country under the solar energy programme.

"About 7.7 lakh solar lanterns, 5.1 lakh solar home lighting systems, 82,500 solar street lighting system, 7,247 solar water pumping systems, stand alone and grid-connected (SPV) power plants and 6.57 lakh solar cookers have been distributed or installed in the country till November 30 this year," Abdullah said.

He added that presently the solar energy systems were not commercially viable due to their initial high costs and the Ministry has been providing various fiscal and financial incentives for promoting these systems.

India, Italy trade likely to touch \$17.5 bn in 5 yrs: FICCI

Indo-Italian bilateral trade is expected to double to 12 billion Euro (\$ 17.5 billion) in the next five years, FICCI said ahead of the India-Italy Business Forum meetings in New Delhi and Mumbai.

"With deeper business engagement, trade between the two countries is expected to double to 12 billion Euros in the next five years," industry chamber FICCI said.

The volume of Indo-Italian bilateral trade was 6.5 billion Euros (about \$ 9.5 billion) in 2008.

An Italian business delegation led by Italian Minister for Economic Development and Foreign Trade Claudio Scajola will be in India for the meeting next week.

Commerce and Industry Minister Anand Sharma is expected to address the meetings in Delhi and Mumbai, FICCI said.

At the Delhi meeting FICCI in association with Yes Bank will be launching a report titled 'India- Italy: New Perspectives for Partnership,' the chamber said.

The report notes that as in any fledging relationship, Indian and Italian companies will face a host of challenges in doing business with one another.

"Apart from the institutional, regulatory and policy challenges, Indian companies will have to contend with the higher operating and workforce costs in Italy, stringent labour regulations, an ageing workforce..." the report says.

At the Mumbai Business forum, Tata Group Chairman Ratan Tata will be awarded the 'Grand Officer' rank of the Order of Merit of the Italian Republic.

India, Australia wrap up free trade pact feasibility study

India and Australia have wrapped up the feasibility study on the proposed Free Trade Agreement (FTA) between the two countries. This sets the stage for commencement of negotiations for the bilateral trade pact.

"The (feasibility) study has been completed on the FTA," Australia's Trade Minister, Mr Simon Crean, told visiting journalists here.

In fiscal 2008-09, India was Australia's fastest growing trade partner, with two-way trade up 55 per cent at \$21.7 billion. This is expected to see a jump once the FTA is in place, with increased market access for products and services from both countries.

"Australia and India are natural economic partners and have a strong and growing trade and investment relationship... The Australian Government is committed to taking Australia's relationship with India to a higher level," Mr Crean said.

He said that India has consolidated its position as one of Australia's most significant economic partners. Australia's exports of gold, coal, copper, wool, education services, and construction and industrial services form key inputs for Indian export, business and infrastructure requirements.

Expanding operations

"While energy and mineral resources will be the building blocks of the trading relationship, emerging areas for engagements include biotechnology and communications. Trade in services is an increasingly critical part of the bilateral

relationship... Tourism links between Australia and India are also growing rapidly," he added.

In line with the increasing importance to Australia's engagements with India, underscored by nearly a dozen high-profile visits by leaders from both sides during the last one year, the former has already announced the opening of five new Austrade offices in India. It has also announced the expansion of three existing operations, bringing the network in India to 11 offices.

Austrade's expansion will mean Australia will have the largest trade promotion network in India of any foreign country: more than Canada, which has eight offices, and the US with five.

Indo-Russian trade and economic relations need a new vision

Indo-Russian trade and economic relations seem to be the weakest link in the whole gamut of our growing and vibrant strategic partnership. Former Soviet Union was India's largest trade partner, and India its largest trading partner in the developing world for years. However, market reforms and structural changes, coupled with the elimination of state monopoly in foreign trade following the break-up of the Soviet Union, dealt a heavy blow to Indo-Russian trade. Trade nosedived and then hovered around at \$2-3 billion for more than a decade until 2006. However, the two-way trade volume started picking up fast, particularly since 2007 and crossed the \$8-billion mark in 2008, generating the hope that the \$10-billion bilateral trade target can be achieved by 2010.

While the Soviet share in Indian foreign trade was almost 9% and India's share in Soviet foreign trade was close to 4%, the present situation is grim with India and Russia contributing less than 1% to each other's trade volumes. This obviously does neither reflect each other's economic potential nor is it commensurate with our thriving bilateral political cooperation.

Another issue of concern for both countries is the narrow base of the export baskets dominated by few traditional commodities. While India's export basket to Russia is dominated by medicine, traditional agricultural goods like tea, coffee and spices, consumer goods like textiles, garments and leather, Russian exports to India are dominated by products like, metal, fertiliser, newsprint and machinery. Both countries need to diversify their export baskets.

Exports worth Rs.90, 000 cr from SEZs in January-June

The 101 special economic zones (SEZs) operational in the country recorded exports worth Rs.90,000 crore in the first six months of the year, Commerce Minister Anand Sharma said in the Rajya Sabha.

"The SEZs recorded exports of Rs.100,000 crore last (calendar) year. In the first six months of this year, they recorded exports of Rs.90,000 crore," Sharma said during question hour in the Rajya Sabha.

"Approval in principle has been accorded for 570 SSEZs and 101 are operational. Physical exports constitute 89 per cent of their turnover," Sharma said. "SEZs help in attracting investments and new technology."

Replying to a supplementary on the monitoring of SEZs, Sharma said: "There is a regular review of their functioning. The development commissioners have to give quarterly reports and there are penal provisions if there are violations of policy."

Car sales jump 36.7%, bikes up 42.4% in Nov

Domestic passenger car sales jumped 36.7 per cent to 1,13,687 units in November, the Society of Indian Automobile Manufacturers (SIAM) said.

The passenger car sales stood at 83,121 units in the same month last year.

According to the data released by the Society of Indian Automobile Manufacturers (SIAM) today, motorcycle sales were up 42.4 per cent at 6,14,274 units in November compared to 4,31,171 units in the same month a year ago.

The total two-wheeler sales in November surged by 39.3 per cent to 7,90,613 units from 5,67,502 units in the same period last year.

The sale of commercial vehicles almost doubled to 40,874 units in the last month compared to 20,631 units in the corresponding period last year, SIAM said.

The total sales of all vehicles across categories rose by 45.7 cent to 10,37,133 units in November this year, compared to 7,11,363 units in the same month last year, it added.

Financial sector tie-ups between India, Australia on the rise

Financial sector engagements between Indian and Australian firms are gaining momentum, with the possibility of market access for businesses on both sides looking brighter once the proposed Free Trade Agreement comes into place.

In a major deal in the financial sector earlier this month, Insurance Australia Group Ltd (IAG) announced the completion of an investment of AUS\$ 126 million (around Rs 542 crore) for a 26 per cent stake in its general insurance joint venture with the State Bank of India for the Indian market.

The venture, SBI General Insurance Company, hopes to begin operations in the first half of 2010. IAG — Australia's largest general insurance company by premiums written — holds an option to increase its stake in the joint venture to 49 per cent, subject to regulatory and other conditions, the insurance company told the Australian Stock Exchange in a statement earlier last week.

On the banking side, Australia's four major banks ANZ, NAB, Commonwealth and Westpac are all in various stages of processing applications for entering the Indian banking sector.

Meanwhile, Indian banking players are ramping up presence in Australia. Mumbai-based Union Bank of India opened a rep office in Sydney earlier this month, joining State Bank of India and Bank of Baroda, which already have a presence here. According to industry players, Punjab National Bank is also in the process of approaching the Australian Prudential Regulation Authority to set up operations in Australia.

The increasing activity by Indian banks comes a year after the world's largest bank, the Industrial and Commercial Bank of China, was granted a branch licence by the Australian regulator. Both SBI and UBI have plans to upgrade its operations through a full-fledged branch or through a subsidiary bank in the coming years to tap the opportunity arising from the upping of business engagements on both sides in light of the proposed FTA.

In fiscal 2008-09, India was Australia's fastest growing trade partner, with two-way trade up 55 per cent at \$21.7 billion. This is expected to see a jump once the FTA is in place, with increased market access for products and services from both countries.

India-Bhutan trade to maintain 15% growth

The bilateral trade between India and Bhutan is set to grow by more than 15 per cent in 2009-2010.

The trade between the two nations has been witnessing a growth of about 15 per cent on a year-on-year basis for the last five years, according to Mr Jay P. Majumdar, Secretary General, Indo-Bhutan Friendship Association.

India's exports to Bhutan was at \$81 million while its imports from Bhutan stood at \$119 million during the period between April and December 2009, Mr Majumdar said while speaking at a press conference to announce the formal inauguration of the Bhutan Consul General's office in Kolkata.

“Power, roads and health are the key areas of co-operation between the two countries. India has further identified newer areas and are working on environment management, tourism, agro processing, non-timber forestry, horticulture and automobiles among others,” he said.

The Indo-Bhutan Friendship Association, Mr Majumdar said, was looking at establishing Indo-Bhutan Chamber of Commerce for further enhancing the trade relations between the two countries. "About 17,000 tourists from Bengal visit Bhutan every year. There needs to be greater collaboration between the two nations in tourism, health and other such sectors," he observed.

India tops Asian real estate investment markets

India leads the pack of top real estate investment markets in Asia for 2010, according to a study by PricewaterhouseCoopers (PwC) and Urban Land Institute, a global non-profit education and research institute.

The report, which provides an outlook on Asia-Pacific real estate investment and development trends, points out that India, particularly Mumbai and Delhi, are good destinations. Residential properties are viewed as more promising than other sectors and Mumbai, Delhi and Bangalore top the pack in the hotel 'buy' prospects as well.

The study is based on the opinions of over 270 international real estate professionals, including investors, developers, property company representatives, lenders, brokers and consultants.

Asia-Pacific hold up

Since the global economic meltdown, asset markets in the Asia-Pacific region have been holding up surprisingly well compared with their peers in Europe and the US. While pricing and rentals in the region fell steeply in 2008 and early 2009 in line with those in the West, markets across the region were boosted in the second half of the year by the remarkable resilience of the Chinese economy, which was buoyed by a series of fiscal and monetary stimulus measures.

As a result, many Asian markets have begun to flash positive signals toward the end of 2009. Transaction volumes have rebounded, although from a very low base, led overwhelmingly by China, the report said.

"The relatively stronger fundamentals and the lack of dependence on foreign demand are seen as key advantages as India has managed to mitigate the severe recession that has hit most other Asian countries.

"The recapitalisation by players in equity markets across Asia has been successfully replicated by some Indian developers, which has helped ease the liquidity stresses," said Mr Gautam Mehra, India Leader for Real Estate Practice, PriceWaterhouse Coopers.

Unlike the US and Europe, distress sale in Asia had been relatively minimal. This was due to several factors, including a relative abundance of liquidity; low loan-to-value

ratios, leaving borrowers less vulnerable to loan servicing problems when the prices declined, the report said.

Further, Asian banks remain well-capitalised, having experienced few major losses from derivative investments and also because of the ability of many large investment institutions to recapitalise via the capital markets, (particularly in Australia and Singapore) allowing them to pay down debt.

Domestic air traffic up 29.8% in Nov

On the back of recovery in the domestic travel sector, which began since June this year, domestic carriers have reported a 29.8% increase in traffic for the month of November, compared to the same period last year.

As per figures from the Directorate General of Civil Aviation (DGCA), the total number of domestic passengers carried by scheduled airlines of the country stood at 38.98 lakh. However, the airline traffic in November was down 1.7% compared to the passengers carried by the airlines in October this year.

While there has been a clear recovery in demand since June this year, the robust year-on-year growth could be due to a low base effect, as demand in November 2008 was significantly weak. In line with the renewed demand, airlines have also increased their capacity, which was at its highest during November according to the DGCA figures.

In terms of market share, the combination of Jet Airways and its low-cost brand JetLite retained the top slot with a combined market share of 27%. However, the lead domestic carrier lost around 0.7% share equally between both the brands. On the other hand, both Air India and Kingfisher Airlines increased their shares marginally. While Air India has gained 0.2% to have 18.8% share, Kingfisher had 21.1% share in November compared to 20.7% in October this year.

Recently, Jet Airways had said that the airline has recorded a 33% increase in its domestic passenger traffic and 19% in international traffic for the month of November and flew 7.6 lakh passengers domestically and 3.2 lakh passengers on international routes.

Nikos Kardassis, CEO, Jet Airways, had attributed the gain to the recovery in travel and to the restructuring exercise carried out by the company.

As per DGCA figures, while Air India flew 7.34 lakh passengers, Jet Airways and JetLite together carried 10.52 lakh passengers. Kingfisher had a domestic traffic of 8.21 lakh.

As far as the low-cost carriers are concerned, while IndiGo registered a gain in market share at 14.1% (compared to 13.6% in October), SpiceJet and GoAir lost shares marginally. At the end of November, SpiceJet had 12.2% share and GoAir had a 5.3%

share.

FII inflows hit record Rs 80,000 cr-mark in 2009

After their flight last year, foreign institutional investors flocked back to bet on the India growth story by pouring in a record over Rs 80,000 crore in domestic equities in 2009.

The FII investment of Rs 80,500 crore in 2009 is the highest ever inflow in the country in rupee terms in a single year and comes a year after they pulled out over Rs 50,000 crore. FII inflow so far this year has broken the previous high of Rs 71,486 crore parked by foreign fund houses in domestic equities in 2007.

Market analysts believe that the FII inflow in India may continue in the next year as well, if the liquidity conditions remain strong.

"FIIs will continue to be positive on our markets and in general Indian markets will fare well in 2010," Purpleline Investment Advisors director P K Agarwal said.

Delhi-based SMC Capitals Ltd's Equity Head Jagannadham Thunuguntla echoed the view, saying, "If liquidity conditions remain strong next year, one can expect FII inflows to remain strong into India even in 2010 as well."

During a year when the stock market barometer added over 70 per cent to its valuation, foreign institutional investors (FIIs) made a net investment of whopping over Rs 80,500 crore (about 16.8 billion dollars) in the Indian share market.

The Bombay Stock Exchange's benchmark Sensex, comprising 30 bluechip stocks, has gained more than 70 per cent so far in 2009, one of the best performer among leading global bourses.

"However, if dollar-carry trade-unwinding starts, then one can expect rush of FII outflow from the country, resulting in pressure on Indian markets," he cautioned.

Govt may stub out FDI in tobacco

The government is all set to accept the recommendations of a ministerial group and ban foreign direct investment (FDI) in tobacco, dealing a blow to the plans of international tobacco firms that have long eyed a bigger presence in the Indian market.

The move, which forms part of a Cabinet note prepared by the Department of Industrial Policy and Promotion (DIPP) that frames the country's foreign investment rules, could notably affect Japan Tobacco International's (JTIL) proposal to raise stake in its Indian venture to 74% from 50% now.

The DIPP has prepared the note containing the inter-ministerial group's decision for the Cabinet Committee on Economic Affairs (CCEA), the government's highest

decision-making body on economic issues, a senior government official said, adding that issue was likely to be taken up for a final decision within a fortnight.

With an inter-ministerial group, which comprises officials from the health, commerce, finance and industry ministries and the Planning Commission, opposed to FDI, chances of the CCEA adopting a different position were slim, the official said.

A decision to ban FDI will draw a line under a long-running issue that has seen hectic lobbying from domestic and foreign players, and will be victory for the health ministry, which had sought a total FDI ban in tobacco.

RBI curbs forex market play to control liquidity, inflation

The Reserve Bank of India (RBI) is managing inflation expectations by minimising intervention in the foreign exchange market and thereby controlling liquidity in the system. Even as foreign investors brought in huge amounts, the funds have barely found their way to the central bank's foreign exchange kitty.

Between August and October this year, foreign institutional investors (FIIs) have bought close to \$8 billion into the country, according to the latest RBI data, but the central bank has absorbed only \$336 million in the spot currency market and sold around the same amount in the forwards market. Apart from FII inflows, other major sources of the dollars include FDI, ECBs, export earnings and remittances. However, there is a huge dollar demand from importers and from investors to repatriate profits.

This is also helping the central bank contain inflation expectations, as buying fewer dollars from the market results in less rupee funds being pumped into the system, while at the same time letting the rupee appreciate against the dollar in the process. RBI is already grappling with excess liquidity, as banks are not lending much of the deposits they have mobilised. The system has excess liquidity of over Rs 50,000 crore these days.

According to Shubhada Rao, chief economist, YES Bank: "RBI has already indicated that it is comfortable with the current pace of capital inflows and has therefore not intervened much in the foreign currency markets. This also serves not to exacerbate inflation expectations."

Spiralling food inflation in recent months has added to the central bank's concerns, as a section of the market feels that the easy monetary policy adopted to contain the impact of the global financial crisis is also in some way contributing to inflation, even though much of it is because of supply-side factors. "India's monetary exit will likely focus on first shrinking excess liquidity via multiple tools before normalising policy rates, probably from March/April 2010," said Rajeev Malik of Macquarie Economic Research in a recent report.

Even though the country's foreign exchange reserves have risen by around \$13 billion during August-October, much of this is believed to be due to revaluation of non-dollar

assets in reserves such as the euro, the pound and the yuan. While some feel that the central bank could have also intervened by buying non-dollar currencies, these amounts are not reckoned to be significant. The central bank's policy of minimal intervention also helps it bring down the cost of managing foreign exchange, if RBI continuously buys the dollars from the market, it has to simultaneously infuse the rupee liquidity into the system and later suck it out by selling bonds. This is at a cost, as the returns on deploying the dollars in the overseas markets is far less than the interest paid on domestic bonds.

<http://economictimes.indiatimes.com/news/economy/finance/RBI-curbs-forex-market-play-to-control-liquidity-inflation/articleshow/5364278.cms>

India-Bhutan ink 12 agreements, four in hydropower

India and Bhutan inked a dozen agreements, including four on hydropower generation, after Bhutanese King Jigme Khesar Namgyel Wangchuck held extensive talks with Prime Minister Manmohan Singh. The other agreements were in civil aviation, health and IT fields.

The 29-year-old Bhutanese sovereign is on his first foreign visit since his formal coronation in November 2008.

He began his programme with a ceremonial welcome in the forecourt of Rashtrapati Bhavan. He then laid a wreath at Raj Ghat, the memorial to Mahatma Gandhi.

External Affairs Minister S.M. Krishna called on the young king at his suite in Taj Mahal Hotel after which he left for Hyderabad House in the heart of New Delhi to meet the prime minister.

The delegation-level talks between the king and the prime minister were followed by more restricted consultations. Thereafter, both sides signed 12 agreements.

India will prepare the initial technical reports for four new hydro-electricity projects with capacity of over 3500 MW in the Himalayan kingdom. Bhutan currently has an installed capacity of 1500 MW of hydropower, with the domestic consumption being only 400 MW. The entire surplus power is exported to India.

Bhutan has a favourable balance of trade with India since 2006 due to its export of power. It is also the reason that Bhutan has one of the highest per capita incomes in South Asia at over \$2,000.

Prime Minister Manmohan Singh had announced in 2008 that India will help Bhutan build additional installed capacity of 10,000 megawatt in hydropower by 2020.

India has already given assistance to build three major hydro-electric projects at Chukha, Kurichu and Tala. Besides, India is also helping in the construction of Punatsangchhu-1 project.

The four agreements are for preparing detailed project reports for the hydropower projects of Amochu reservoir (620 MW), Kuri Gongri (1800 MW), Chamkarchhu (670 MW) and Kholongchhu (486 MW). Besides, a 4,000-MW Sankosh project is also under negotiation.

India also offered assistance in a major Information Technology project worth Rs.205 crore, which would make more than half of Bhutan's population "e-literate". Under this project, computer training will be given to over 7,000 government officials, 5,000 teachers and 1,600 enterprises and 200,000 rural children.

Another agreement was to set up a 50-seat undergraduate medical college on the lines of the All India Institute of Medical Sciences (AIIMS).

The other agreements were on curbing illicit drug trafficking, promoting civil aviation, standardization of sea quality testing, cooperation in search and rescue operations, technical assistance to Bhutan's national environment commission secretariat and preparation of national transmission grid masterplan.

During discussions, Manmohan Singh said India wants the "democratic experiment" in Bhutan to succeed. Bhutan had turned into a constitutional monarchy in mid-2008.

Singh termed the concept of "Gross National Happiness" as touted by the Bhutan king as "ecological sanity".

He also offered all assistance from India to Bhutan in its hosting of the South Asian Association for Regional Cooperation (SAARC) summit next year.

Besides, both sides also discussed security and defence cooperation, with India and Bhutan talking about their "excellent cooperation" in action against northeast insurgent groups.

Japan PM to pursue thaw in India ties, boost trade

Japan's prime minister, who has promised to forge a new place for east Asia in international diplomacy, opened three days of talks in India focusing on engineering a further thaw in relations and boosting trade.

Yukio Hatoyama took office in September after 50 years of almost uninterrupted rule by the conservative, pro-U.S. Liberal Democratic Party, but has since seen his popularity ratings slide to 50 percent in a survey.

Japan and India, Asia's largest and third largest economies, have been working at improving ties since Japan slapped sanctions on India in response to its 1998 nuclear tests.

"Our prime minister is here to elevate the Indo-Japan strategic partnership to a new stage, to a higher dimension," said Japanese press secretary Kazuo Kodama.

"We would like to translate our strategic partnerships into a more action oriented partnership."

Hatoyama launched his visit by meeting Indian industrialists, including Tata group chairman Ratan Tata and Reliance Industries head Mukesh Ambani, at a Mumbai hotel which was one of the targets attacked by gunmen in November 2008.

He later attended a dinner hosted by his Indian opposite number, Manmohan Singh, in New Delhi.

Gems and jewellery exports jump 55% to \$2.1 bn in Nov

Exports of gems and jewellery from India increased 55% to \$ 2.142 billion in November 2009 compared to \$1.383 billion exactly a year ago with good orders pouring in from the UAE, Hong Kong and the US.

The smart November growth was triggered certainly by Christmas buying, which started building up since October, when exports of such items was \$ 2.114 billion.

"Since Hong Kong and the UAE are two important hubs for third country exports, the spurt in our exports in November indicates a slow economic turnaround in some countries of West Asia and southeast Asia," said Pankaj Parekh, chairman of the Gem & Jewellery Export Promotion Council (GJEPC) - eastern region.

According to GJEPC, the exports in October and November are in fact higher because exports from SEZs in Chennai and Vizag would also get included. The sudden jump in November exports has helped gems and jewellery exporters to make good the loss from decline in exports in the previous months. In aggregate term, it has helped India to restrict the total slippage in exports to just 1.02% on a cumulative basis till the month of November.

So, despite the recession, cumulative exports have dropped only marginally to \$ 17.623 billion in April-November 2009 compared to \$ 17,922 billion in the corresponding period last year. Exporters hope that the positive trend will continue, Mr Parekh said.

Mobile user-base crosses 500-m mark

The mobile subscriber base in the country crossed the 500-million mark to touch 506 million in November. The landmark development comes after the country crossed the 500 million-mark for overall telecom subscriber base (mobile plus landline) in October against the targeted date of December, 2009.

According to the figures released by the Trai, at total telecom subscriber base stood at 543 million at the end of November, registering a growth of 3.34% over the previous month. India has emerged as the fastest growing telecom market in the world adding over 10 million users per month.

A total of 17.65 million mobile subscribers alone were added during November. With this tele-density stands at 46.32. month. However, due to an intense tariff war and coming of new operators, the revenue and profitability of the mobile firms are under pressure. During November the wireline subscribers continued to register a decline with 0.10 million dip, taking the total subscribers to 37.16 million.

As the wireless subscriber base increased from 488.40 million in October to 506.04 million at the end of November at a monthly growth rate of 3.61%, the wireless tele-density climbed up to 43.15.

India retains largest milk producer tag

India which retained its numero uno position in world milk production this year as well, is estimated to have produced 110 million tonnes of milk in 2008-09.

Milk procurement of the world is estimated to be around 688 million tonnes in 2008, which was up by 1.7% compared to the previous year. With the success of Amul model of cooperative dairy in India, some of the developing and underdeveloped countries, too, are considering replicating the same.

During 2008-09, milk procurement by the dairy co-operatives increased by 9.7% to 9.2 million tonnes in India. Dairy cooperatives procured about 14% of the national marketable surplus, covering around 21% of the country's villages and 18% of the rural milk-producing households.

India's milk production was 104.8 million tonnes in 2007-08 and it is estimated to be 110 million tonnes in 2008-09. The National Dairy Development Board (NDDB) published recent statistics in its annual report for the fiscal 2008-09.

In February 2009, NDDB deputed a team to Uganda and Tanzania under 'South South Experience Exchange Programme' at the request of the World Bank.

The apex marketing body for Amul brand of dairy products, the Rs 6,711-crore Gujarat Cooperative Milk Marketing Federation Ltd, too, is closely working with World Bank to replicate its successful model in the African countries.

Despite the growth in milk procurement in the country, it was observed that producer (farmer) and consumer prices of milk increased by 5-6%. Ghee prices also increased significantly.

NDDB has chalked out a National Dairy Plan with an estimated outlay of about Rs 17,300 crore for a period of 15 years. The plan consists of three major components — enhancing productivity, strengthening infrastructure for procurement, processing, marketing and quality assurance through existing institutional structures and human resource development.

During the previous fiscal, NDDB reported surplus after the tax of Rs 50.6 crore compared to Rs 54.54 crore for the financial year 2007-08. During the period under review, NDDB's spend on remuneration and benefits to employees increased to Rs 57.36 crore compared to Rs 30.86 crore in 2007-08. However, the performance of NDDB's Delhi based subsidiary Mother Dairy could not be known.

Meanwhile, the dairy sector is focusing on increasing the milk production through scientific approach. The NDDB has entered into collaboration with various institutions to produce high genetic merit bulls for the entire country through progeny testing programmes for five breeds — Murrah, Mehsana, Pure Holstein Friesian (HF), HF Crossbred and Jersey Crossbred.

As feed accounts for about 70% of the cost of milk production, NDDB initiated steps to intensify the dissemination of various technologies that add value to feed and reduce the cost of milk production, stated the media release by the NDDB. The project included ration balancing advisory services at village level.

Top public sector banks see robust growth in profits

Contrary to the international trend, large public sector banks (PSBs) expect a quantum jump in bottomline growth in the December and the subsequent quarter this fiscal, going by their advance tax payouts up to the December 15 instalment.

The state-owned/public sector biggies (banks) have clearly bucked the economic slowdown on the back of credit expansion and treasury gains in the first two quarters.

The strong show on the advance tax front points towards buoyant profits in the current quarter also, say analysts. The financial performance of these banks seems more or less untouched by the global financial crisis.

Pvt\foreign banks

On the other hand, large private/foreign banks' advance tax payout show a mixed picture with only HDFC Bank and Axis Bank recording strong double digit growth in payouts.

Large banks like ICICI Bank and foreign banks such as Citibank and HSBC have paid lower advance tax so far this fiscal on a year-on-year basis.

However, Standard Chartered Bank and Deutsche Bank's payout has seen a rise.

An analysis of the top 50 advance taxpayers' league for the period showed the strong presence of the banking sector in the listing.

Nearly two-fifths of the top 50 advance taxpayers' list comprised banking companies.

At least four banks — Axis Bank, Bank of Baroda, Canara Bank and Allahabad Bank — have paid up to December 15 more advance tax than their entire advance tax payout for 2008-09.

By December 15, banks would have to fork out at least 75 per cent of their expected income tax liability for the entire fiscal.

A higher advance tax payout is a signal that banks expect to make more profits.

External Sector: Foreign Trade April-October

Region/Country	Export		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	162988.0	182922.0	12.2
Africa	14307.1	14613.8	2.1
Egypt	1396.9	1634.0	17.0
Ghana	807.6	543.8	-32.7
Kenya	1579.5	1337.3	-15.3
Mauritius	1086.6	957.8	-11.9
Nigeria	1083.9	1530.2	41.2
South Africa	2658.7	1969.3	-25.9
America	27692.6	28299.6	2.2
Brazil	2517.8	2553.8	1.4
Canada	1265.9	1360.0	7.4
USA	20722.7	20851.6	0.6
Asia (excl. Middle East)	52784.1	53253.5	0.9
Bangladesh	2918.3	2464.5	-15.5
China	10834.3	9290.4	-14.3
Hong Kong	6308.5	6672.3	5.8
Indonesia	2160.2	2521.3	16.7
Japan	3855.8	3005.6	-22.0
Korea DPR (North)	850.9	879.1	3.3
Korea Republic (South)	2853.3	3996.9	40.1
Malaysia	2568.9	3436.3	33.8
Nepal	1506.8	1558.3	3.4
Pakistan	1945.2	1420.0	-27.0
Philippines	619.0	734.9	18.7
Singapore	7371.3	8220.1	11.5
Sri Lanka	2826.6	2373.5	-16.0
Taiwan (Taipei)	1735.8	1455.1	-16.2
Thailand	1808.8	1981.4	9.5
Viet Nam	1603.2	1731.6	8.0
Middle East	27748.2	37550.6	35.3
Iran	1949.5	2513.5	28.9
Israel	1603.7	1441.4	-10.1
Kuwait	682.1	789.7	15.8
Oman	937.8	772.2	-17.7
Saudi Arabia	3708.4	4995.9	34.7
Syria	673.2	362.9	-46.1
UAE	15634.9	23959.3	53.2
Yemen	1018.1	769.1	-24.5
Europe	38672.8	43035.6	11.3
Belgium	4210.5	4422.0	5.0
France	2598.0	3000.1	15.5
Germany	5119.0	6354.0	24.1

Italy	3913.6	3782.2	-3.4
Netherlands	5228.2	6289.9	20.3
Russia	940.2	1080.0	14.9
Spain	2292.5	2480.6	8.2
Turkey	1750.3	1385.5	-20.8
UK	6701.7	6605.2	-1.4
Oceania	1417.9	1743.6	23.0
Australia	1150.6	1428.3	24.1

Region/Country	Import		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	249791.1	290667.4	16.4
Africa	20499.7	24337.4	18.7
Algeria	1233.0	983.8	-20.2
Angola	1017.9	1424.0	39.9
Egypt	1983.8	2126.5	7.2
Libya	1245.2	669.0	-46.3
Nigeria	7620.0	8709.8	14.3
South Africa	3614.9	5449.0	50.7
America	29574.9	30419.1	2.9
Brazil	948.8	1184.9	24.9
Canada	1973.2	2455.3	24.4
Chile	1843.8	1451.0	-21.3
Mexico	1184.3	1740.5	47.0
USA	21030.1	18191.9	-13.5
Asia (excl. Middle East)	69978.3	85086.2	21.6
China	27116.3	31383.9	15.7
Hong Kong	2700.6	6420.8	137.8
Indonesia	4826.2	6685.0	38.5
Japan	6326.5	7618.7	20.4
Korea Republic (South)	6040.7	8605.1	42.5
Malaysia	6008.0	7032.0	17.0
Singapore	8121.8	7443.3	-8.4
Taiwan (Taipei)	2401.6	2776.5	15.6
Thailand	2302.2	2660.2	15.6
Middle East	66370.0	79919.0	20.4
Iran	10921.0	12153.1	11.3
Iraq	6832.7	7466.2	9.3
Israel	1428.0	2041.9	43.0
Kuwait	7693.8	9407.5	22.3
Oman	1134.2	1189.9	4.9
Qatar	2457.5	3461.4	40.9
Saudi Arabia	19411.1	19524.1	0.6
UAE	13477.4	20637.6	53.1
Yemen	1469.7	728.5	-50.4

Europe	54974.6	61769.5	12.4
Belgium	4360.3	5450.1	25.0
Finland	926.9	1214.6	31.0
France	6256.4	4595.4	-26.5
Germany	9874.8	11712.9	18.6
Italy	3900.2	4315.7	10.7
Netherlands	1920.6	1878.7	-2.2
Norway	1626.4	1136.4	-30.1
Russia	2469.8	4297.7	74.0
Spain	994.3	995.2	0.1
Sweden	2131.7	1934.7	-9.2
Switzerland	9833.7	11465.5	16.6
Turkey	1690.2	1446.3	-14.4
UK	4955.6	5801.4	17.1
Oceania	8393.7	9136.1	8.8
Australia	7841.0	8436.6	7.6
