

Monthly Economic Analysis Fortune 2009

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Recent Trends in Indian Economy

Overall Economy and Industrial Growth

- GDP growth for 2008-09 was estimated at 6.7% as compared to the growth of 9.0% posted in the previous year. All the three segments of the GDP namely agriculture, forestry and fishing, industry and services sector were seen to post growth of 1.6%, 3.8% and 9.6% respectively in 2008-09 against the growth of 4.9%, 8% and 10.8% respectively in 2007-08.
- Going by the IIP numbers we see industrial growth showing weakness from October 2008 onwards on account of high demand uncertainties in the markets – both international and domestic as a result of the global economic crisis.
- Data further shows that due to shrinkage in demand in the markets, it is not only manufacturing industry but also the services sector that is getting hit. The government came up with a set of stimulus measures on three occasions to aid the ailing industry compromising on the deficits. These measures have however have led to widening of fiscal deficits.

Core Infrastructure Industries

- An improvement in the production of six core infrastructure industries was witnessed in May 2009 coming mainly from cement, power and coal.

Trends in Rainfall and Agriculture

- Data as on July 8th 2009 shows 21 metrological subdivisions receiving normal –to-excess rainfall and 15 having deficient or scanty rainfall. This was better than the report of June 24th 2009 when 28 subdivisions were said to have received scanty rains.
- The country has 50 MT combined stock of rice and wheat, which is almost double the buffer stocking norm of 26.9 MT to cope with any shortfall in food grain production.

Trends in Inflation

- The WPI based inflation has softened to below zero level. However, prices of items of mass consumption (food articles) show not signs of softening and have risen substantially due to supply side constraints.

Monetary Indicators

- Money supply expanded by 2.6% in April 2009 calculated over March 2009, compared to the increase of 0.6% recorded in the same month of previous year. Growth in bank

credit to the government sector swelled compared to the previous year however, borrowings to the commercial sector slid.

In April 2009 aggregate deposits were seen to increase by 2.4% as compared to 0.1% recorded in the previous year. Investments in government and approved securities stepped up by 6% in the month of April 2009 from 4% recorded in the previous year.

Stock Market Trends

- Stock markets are still in the readjustment mode after the budget announcements and fears over the rising deficits due to increased borrowings to aid the industry and to support schemes in the social sector.

Fiscal Management

- Lower corporate earnings and series of packages announced to support the injured industry has moderated growth in tax collections.

Merchandise Trade

- The shrinkage in the international markets have hit country's total external trade. Country's merchandise exports and imports have fallen compared to the numbers achieved in the previous year without any indications of quick recovery. The issues related to fluctuations in the foreign exchange INR / USD by 3-4% are beyond the scope of hedging, compounding the problems of the already marred traders.

Exchange Rate

- Performance of inward investments has been fairly well. Foreign direct investment flows were observed to increase every month and in April of 2009 it totaled USD 2.3 billion.

Lead Stories of the Month

Economy is sound, let's push reforms, says Economic Survey

Painting a picture of a resilient economy, the pre-Budget Economic Survey 2008-09, tabled in Parliament by Finance Minister Pranab Mukherjee, said India could grow up to 7.75 per cent in 2009-10, up from 6.7 per cent in 2008-09, provided the global economy, particularly the United States, bottomed out by September and the government was able to push the button on significant economic policy reforms.

The World Bank had recently said India would grow 8.1 per cent in 2010, ahead of China (7.5 per cent). The numbers in the survey also suggest India is finally ready to rub shoulders with its northern neighbour.

The economy, according to the survey, can count among its strengths the large services sector which has historically been less affected by cyclical downturns than manufacturing, a strong farm sector, robust savings rate, ambitious infrastructure development programme and upbeat foreign investors. The "shock absorbers of the economy," it said, were the sound banking system, large foreign exchange reserves, a comfortable external debt position and low inflation. It listed as concerns the dip in growth of private consumption and gross capital formation and said the downside risks were the reduced availability of risk capital, lower capital inflows and delayed revival of the OECD economies.

In keeping with the resurgent mood, the survey listed an ambitious reform agenda for the government, a clear signal that it was no longer weighed down by the Communist parties. Surcharges, cesses and new taxes like commodity transaction tax, securities transaction tax, fringe benefit tax and dividend distribution tax had reversed the move towards a simpler tax system, it said. The first three of these taxes were introduced by Mukherjee's predecessor, P Chidambaram (2004-08). High government-administered interest rates on small savings, it added, had kept lending rates from coming down.

Reflecting the new-found boldness of the Manmohan Singh government, the survey made some radical suggestions like restricting the cooking gas subsidy to six or eight cylinders for a family every year, auction of freely tradable 3G spectrum for next-generation mobile telephone services, raising foreign investment in defence to 49 per cent, opening up multi-brand retail, restricting price control to drugs with just five or six players, relaxing the contract labour laws and permitting retrenchment of workers by companies without prior permission.

It conceded that the return to the path of fiscal correction could occur next year with a fiscal deficit target of three per cent of GDP by 2010-11, mobilisation of at least Rs 25,000 crore through disinvestment, de-control of petrol and diesel prices as well as sugar and fertiliser industries, opening coal mining for the private sector and reform of pension, insurance and retail sectors.

"These reforms should be implemented over the next four to five years, which will take the country back on trend of growth," said Arvind Virmani, chief economic advisor in the ministry of finance. These, however, are just a wish list of the finance ministry and may not be implemented in full by the government.

To balance the interests of farmers and consumers, the survey suggested that there should be a domestic price band for agricultural commodities within which imports and exports are freely allowed. If the international price threatens to exceed the band, export restrictions and lower import duties would kick in and vice-versa. To rein in the fuel subsidy, it suggested temporarily taxing upstream crude oil producers.

The survey suggested that the indirect taxes, that were reduced in the recent part as part of fiscal stimulus package, could be restored once the economy is back on track. "The approach of the government has been to use a mix of fiscal measures including reduction in indirect which could be reversed subsequently," it said.

In the last financial year, 2008-09, the government had cut peak excise duty rate in two tranches from 14 to 8 per cent and service tax from 12 to 10 per cent.

Budget 2009-10: FM goes easy on personal tax; makes a host of products cheaper

Budget speak, such as fiscal deficit, GDP growth et al be damned. Consumers decode their well being and prosperity in simple terms — whether their money is able to buy more or less of everyday goods and services (that's real marketplace inflation) and whether their real income (after adjusting for inflation) is up or down.

So even as finance minister Pranab Mukherjee disappointed the stock markets with his Budget, the 224-million-odd Indian households had enough reason not to feel let down. Though not as radical as the UPA's FY09 Budget, which re-adjusted personal income tax slabs upwards, Mr Mukherjee's proposal to raise standard deduction by Rs 10,000 and scrap surcharge is symbolic of the government's intent to put more money in consumers' wallets, hoping that some of it finds its way into the market and spurs demand.

Minor tinkering in excise and customs duties, which will make products like LCD televisions, life-savings drugs, bigger cars and branded jewellery cheaper, and set-top-boxes for cable, direct-to-home television and cotton apparel more expensive, too, signal a consumption-enabling environment, more so when the inflation remains benign compared with a high of 13% in August last year.

A clear roadmap to rollout the goods and services tax (GST) from April 1, 2010, will bring down prices across the board, barring cigarettes, which will become costlier because of a dual GST duty structure wherein both the Centre and states continue to tax 'vice' products.

"The very fact that the Budget outlay has been increased by over 30% means there will be a lot of spending to encourage growth. There is also a lot of savings for taxpayers, and all this will boost consumption across urban and rural markets," said Future Group CEO Kishore Biyani.

Mr Biyani may have a point here, for even though the stock market rues the absence of sector-specific measures to kickstart growth, Mr Mukherjee's Budget is rich in signalling the importance of medium-to-long-term consumption enablers, such as lifting more people out of poverty, focusing on building roads and houses, raising female literacy, creating more jobs (12 million every year) et al.

“It is, of course, not the Budget alone, the monsoon, too, has to be equally good to ensure consumption-led growth,” said Marico chairman Harsh Mariwala. The rains have been delayed in some parts of the country and there are fears that the sowing season, usually in July, will be affected.

“Some categories may have been affected and job cuts too have impacted sentiment. But looking ahead, the Budget has all the elements, such as incentives for rural markets and tax concessions, to fuel consumption and growth,” said Technopak Advisors chairman Arvind Singhal.

Business sentiment looking up: D&B

The Indian economy’s business sentiment has improved indicating a path of recovery. Dun & Bradstreet, the world’s leading source of global business information, knowledge and insight, has found that business optimism has recorded a jump of over 40%, quarter-over-quarter. The Dun & Bradstreet composite Business Optimism Index (BOI) for third quarter of 2009 has recorded an increase of as much as 40.8%, inching up to 132.1 after touching an all-time low of 93.8 in second quarter of 2009.

It was observed that five out of the six optimism indices - namely, volume of sales, net profits, selling prices, new orders, and employee levels have registered an increase as compared to the previous quarter. The improvement witnessed in the business optimism during Q3 2009 indicates that the worst may be behind.

“Positive data releases, improving investment sentiment along with the post-election optimism seem to have provided the much needed support to corporate confidence,” said Kaushal Sampat, chief operating officer, Dun & Bradstreet India. Going forward, the policy announcements in the forthcoming budget will be crucial in determining business expectations over the next quarter. Also, the advancement of monsoon and how it pans out during the rest of the season would play an important role in shaping business sentiment in the near future.” he added.

Demand conditions are expected to witness some improvement during third quarter of 2009, with as many as 72% of the respondents anticipating an increase in sales volume. While about 19% of the respondents expect volume of sales to remain unchanged, around 9% of the respondents anticipate a decrease in sales during third quarter of 2009. The resultant optimism for volume of sales stands at 63%, an increase of 40 percentage points as compared to the previous quarter.

Profit expectations of the Indian corporates improved substantially, with as many as 69% of the respondents expecting an increase in their net profits during the forthcoming quarter. While about 10% of the respondents are anticipating a fall in their net profits in the forthcoming quarter, about 21% of the respondents expect no change in net profits during the Jul-Sep 09 quarter. The resultant optimism for net profits stands at 59%, an increase of as much as 41 percentage points as compared to the previous quarter.

IIP rises 2.7% in May on domestic demand

India's industrial output expanded 2.7 per cent in May this year, the most since September last year, on the back of strong consumer demand in the domestic market. This is significantly more than the downwardly revised 1.2 per cent in April and better forecasts of a 1.4 per cent rise.

With 10 out of 17 sectors in the Index of Industrial Production, or IIP, registering growth in May, Finance Secretary Ashok Chawla said the government expected the positive momentum to continue in the coming months.

Output had fallen in December, February and March as Asia's third-largest economy was hit hard by a sudden liquidity crunch and the global downturn.

"We do believe that the worst is over, but there is a difference between the worst being over and getting back to robust growth," said Montek Singh Ahluwalia, deputy chairman of the Planning Commission.

The manufacturing sector, which has nearly 80 per cent weight in the index, increased by 2.5 per cent as producers are believed to be increasing output to meet anticipated demand.

"Producers in India may have run down inventories during the early stage of the global turmoil, meaning that the decline in production was steeper than the fall in orders, and the recent rise in production could be a result of businesses rebuilding inventories," Moody's Economy.com analyst Sherman Chan wrote in a research note.

Rubber, plastic, petroleum and coal products — which have 58 per cent weight in IIP — grew by 16 per cent. This industry group alone contributed 0.8 percentage point in IIP's growth rate.

Gas production from the Krishna Godavari basin, from which Reliance Industries began to pump gas in April, is seen as a reason why this particular industry sector increased sharply in May.

Food products, which have 90 per cent weight in the index, continued to be in negative territory and declined by 15 per cent.

After being in the negative territory for three months, consumer goods production increased by 1.2 per cent in May, aided by a 12.4 per cent expansion in consumer durables output

Forex kitty jumps \$932 million to touch \$265 billion

Foreign exchange reserves rose by \$932 million during the week ended June 26, partly due to cross currency revaluation and the central bank purchasing dollars to prevent the rupee from rising too sharply.

According to the latest data released by the Reserve Bank of India in its weekly statistical supplement (WSS), total foreign exchange reserves, including gold and special drawing rights (currency with the International Monetary Fund) rose by \$932 million to touch \$264.58 billion during the week ended June 26. Almost the entire growth in reserves was on account of the rise in foreign currency assets.

India-Asean trade likely to cross \$50 bn by '10

With the India-Asean (Association of South-East Asian Nations) free trade agreement (FTA) likely to be inked in August at the Asean economic ministers meeting in Thailand, India-Asean trade is likely to surpass \$50 billion by 2010.

The FTA will enable member countries to reduce tariffs for more than 4,700 categories from January 2010 onwards, senior government officials told. Diplomats from some members of Asean like Vietnam, Malaysia and Indonesia opined that India should reduce the duties on the four products—palm oil, tea, coffee and pepper. The duty ranged between 50% and 60%.

India has agreed to cut import duties on crude palm oil by 37.5% and on refined palm oil by 45% by 2018.

Both India and Asean have attained growth in exports at rates higher than the global average over the last two-decades. The trade between the two sides accounted for an average of 9% of India's total trade in the last three years. However, Indo-Asean trade, which has been growing at a compounded annual growth rate (CAGR) of 27% since 2000, stood at \$38.37 billion in 2007-08.

Singapore and Malaysia have been India's most prominent trading partners as far as bilateral trade between India and individual Asean countries for the entire period is concerned.

From 1997 to 2008, the two-way trade between India and Asean countries witnessed an approximate seven-fold increase from the level of \$5.9 billion to more than \$38.37 billion in 2007-2008.

"With a trade volume of \$5.83 billion in 1996, the 'East Asian Crisis' gave a hammering blow to this impressive growth resulting in a very little growth in absolute terms for the following two years. The trade picked momentum post 1999-2000, both in absolute and percentage terms and is moving in the positive direction since then," explained officials.

Growth in India's exports to Asean in recent years has been impressive as compared to other important destinations. As far as its imports from Asean countries are considered, the same is not true. Though it showed some improvement in the last year.

Cement despatch growth remains robust

The 224-million-tonne cement industry is yet again set to strike a growth of 10 per cent in June. If the initial numbers from the top cement makers are anything to go by, industry analysts said, the continuous robust growth will be maintained.

Since November last year, the domestic cement sector has managed to keep its growth over 8 per cent on the back of good demand for the building material. It struck a growth of as high as 13 per cent in the beginning of the current financial year in April.

The Aditya Birla group, comprising Grasim and UltraTech, posted a rise of close to 22 per cent in its despatches in June at 3.14 million tonnes. Similarly, north major JP Associates clocked a growth of 29 per cent whereas Shree Cement despatched 28 per cent more in June than the corresponding month last year.

Ambuja Cements' despatch growth rate stood at 8.1 per cent whereas that of its sister company ACC, the growth was almost flat at 1.1 per cent. Industry analysts pointed out that capacity constraint is not letting Holcim group companies in India.

The main factors which kept the momentum going in June as well was the delayed monsoon which gave additional time for construction activities.

Election results were another reason, which helped keep the demand robust.

The industry is adding close to 45 million tonne of additional capacities in FY10.

FMCG industry seeks GST implementation by Apr '10

The Rs 82,000 crore Indian FMCG industry is primarily seeking the implementation of the GST (Goods & Services Tax) by April 1, 2010 in the upcoming Union Budget. Industry captains expect fiscal measures that will spur growth of the FMCG sector in rural as well as urban India.

Adi Godrej, chairman of the Godrej Group expects the withdrawal of the FBT in the Union Budget 2009. Godrej's wish list also includes reduction of the CST from 2% to 1%." My expectations for the Budget proposals and pronouncements for the FMCG sector include, continuation of the current excise duty, implementation of the GST by April 1, 2010 and re-imposition of import duty on edible oils," he added.

Like Godrej, Sunil Duggal, chief executive officer of Dabur India strongly recommends the withdrawal of FBT in the upcoming Budget. According to Duggal, the government

should continue with the policy of providing financial stimulus to rural sector in India.” The government should also chart out a clear map for the implementation of GST,” he said.

Sharing similar sentiments, Harsh Mariwala, chairman & managing director of Marico Ltd said the industry expects the roll out of GST by next year. “This move will certainly stimulate growth in the Indian FMCG industry,” he said.

According to Nadia Chauhan, joint managing director, Parle Agro Ltd, at a macro level, the FMCG industry needs a larger impetus for the improvement of infrastructure in the country.” The areas of priority are water, power and roads to facilitate growth for industry. At present, farming industries do not have sufficient power to run their operations. We need proper allocation of funds to improve the state of roads and transport in the country,” she added.

According to a market strategy survey report by ICICI Securities, analysts are optimistic about the prospects of FMCG sector going forward. With the economy growing at a rapid pace and organized retailing making greater inroads, ISEC analysts expect the domestic FMCG industry to garner huge benefits from the same.

“Further FMCG companies in last few years have systematically spread their network in rural areas, with this ongoing thrust we expect these companies to make deeper penetration in rural areas and increase its customer base and expand volumes. We expected the Budget impact to be positive for the industry,” said an analyst with Isec.

India’s growth is in everyone’s interest’- Hillary Clinton

The US said it would not initiate any steps that impede India’s economic progress. While making a strong pitch for a low-carbon economy, US secretary of state Hillary Clinton said, “The US does not and will not do anything that will limit India’s economic progress. We believe that economic progress in India is in everyone’s interest and not just in the interest of Indians.” She was speaking at a conference on climate change at the ITC green building.

Clinton also said India was well positioned to lead the fight against hunger through increasing agricultural yield and technology innovation.

While acknowledging the US’ responsibility as the biggest historic emitter of greenhouse gas, she said, “But we also believe that there is a way to eradicate poverty and develop sustainability that will lower significantly the carbon footprint of the energy that is produced and consumed to fuel that growth.”

Allaying India’s concern about negotiations on climate change, especially about the impact of binding cuts on greenhouse emissions on economies of developing countries, Clinton said addressing climate change and achieving economic growth are

compatible and 'both countries can devise a plan that will dramatically change the way we produce, consume and conserve energy.'

Minister of state for environment and forests Jairam Ramesh, who was also present in the conference, categorically said, India would not accept any "legally binding" reductions but assured that its carbon footprint would never exceed that of developed nations. He asserted that New Delhi was "simply not in a position" to accept any legally binding emission reductions and made it clear that India was not running away from responsibilities on the issue.

India contributes 4% of the world's emissions from burning fossil fuels, compared with 20% from the US.

Ramesh, however, said, "Both sides have agreed on the need of partnership, concrete partnerships, on projects in various fields like energy efficiency, solar energy, biomass, energy-efficient buildings of the type that you are seeing here today."

We have made a good beginning. We have taken a small step today. We will continue our engagements in multilateral forums. But we will also have bilateral engagements," he added.

Later in the day, during a visit to Indian Agricultural Research Institute (IARI) in New Delhi, the visiting envoy said India has a critical role in fighting global hunger through increasing agricultural yield and technological innovation.

India Inc all set for a swinging Q1

India Inc may be heading for a profitable year, with early corporate results for the first quarter of the new fiscal showing significant improvement in margins despite slower revenue growth.

The first set of 59 non-banking companies to come out with their numbers for the quarter ended June 30 have reported a 21% year-on-year growth in net profit, the highest in four quarters, while their aggregate net sales grew 11%, an study shows. Banks were excluded from the study as their income is dependent on the interest rate regime and does not necessarily reflect demand growth in the economy.

Slower sales growth indicates that the corporate sector is yet to see a significant pick-up in demand but there has been a major improvement in profit generation as cost pressures have eased. The companies saw expenses like wage bill, raw material costs, interest costs and fuel and power expenses rise much more moderately than before.

Silver lining: FII inflow crosses \$6 bn

In a sign of confidence in the Indian markets, Foreign Institutional Investors pumped in over \$6 billion, or about Rs 29,940 crore this year, with over \$1 billion coming in July

alone. An analysis of FII activity shows that overseas investors are the net purchasers of Indian stocks worth \$6.18 billion (Rs 29,940.30 crore) from January to July this year.

According to the data with the Securities and Exchange Board of India, FIIs were the gross buyer of shares worth Rs 2,98,675.70 crore while they sold equities valued at Rs 2,68,735.30 crore, resulting in a net inflow of Rs 29,940.30 crore (\$6.18 billion).

In July, FIIs made a net investment of Rs 5,637 (\$1.16 million) in the domestic equity markets, showing their confidence in an emerging market like India.

Significantly, during the same period, the Bombay Stock Exchange's barometer sensex has lost nearly 2%.

However, it seems that the overseas investors are still skeptical about debt market as they have not turned into net investor in this segment this year. Till now, FIIs are the net seller of debts worth Rs 973.60 crore (\$151 million), even as the overseas investors infused Rs 4,485.10 crore (\$932 million) so far in July, the Sebi data said.

Hike in defence FDI cap to 49% likely later this year

Government likely to hike FDI in defence later this year. Driven by the urgent need to establish a strong defence-industrial base in the country, a notification to raise the foreign investment from the present 26% to 49% in the defence sector, is expected to be issued by the government later this year.

A senior ministry of defence official told that, "A notification on the hike in FDI is likely by year end. Although the Economic Survey—that was tabled in the Parliament earlier this month—which has sought raise in the FDI from 26% to 49 %, has no legal binding, but it has found favour among the defence planners who have been seeking a hike in the FDI for the defence industry."

The Economic Survey for 2008-09 had also suggested 100% FDI be permitted for high-technology defence equipment. The Survey has also suggested 100 % FDI on a case by case basis, in high technology, strategic defence goods, services and systems that can help eliminate import dependence. It is to be noted that since the opening up of defence industry for foreign participation in 2001, very little by way of FDI has entered India's defence industry.

According to sources in the MoD "the government is fully committed to the development of a vibrant and proactive defence industry in India. It was in May 2001 that the defence industry sector was opened up to 100% private investment, with up to 26% FDI. The defence sector till then was strictly the preserve of the public sector."

However, the progress has been slow since then, with the Indian armed forces continuing to import the major chunk of their military hardware and software from countries like Russia, Israel, France, UK and now, increasingly the US.

It may be noted that companies, which have the state of the art technologies like Lockheed Martin, Boeing, EADS and Sikorsky etc, have also indicated major proposals for investments in India.

GSM firms add 8.89 mn users in June

GSM operators added 8.89 million subscribers in June, taking the total number of subscribers using the technology to 315.8 million.

In May, 8.3 million subscribers were added and the corresponding figure for April was 8.9 million, the Cellular Operators Association of India (COAI) said in a statement.

Bharti Airtel, added 2.82 million, increasing its subscriber base to 102.4 million. Vodafone-Essar, recorded a lower net addition of 2.37 million in June, compared to 2.54 million in May.

The Aditya Birla Group telecom service provider added 1.61 million subscribers during the month, up from 1.3 million added in May, while Aircel has added 1.11 million new users during the month.

Two-wheelers, utility segment to prop sales in Q1

Automobile manufacturers are expected to post sequential growth in sales, operating margins and profit in the first quarter of 2009-10, driven by Hero Honda, Maruti Suzuki and Mahindra & Mahindra. But Ashok Leyland and Tata Motors are expected to show poor results in the commercial vehicle segment due to lack of demand. TVS Motors should also be showing a decline in sales on lower motorcycles' volumes.

The sector is likely to post an 8-10 per cent rise in year-on-year net sales, driven by Hero Honda with a sales growth of 66 per cent. Maruti Suzuki expects to post a 28 per cent rise in sales on the back of a 134 per cent rise in exports from new launches. Mahindra & Mahindra should post a 20 per cent growth in sales on strong volume growth in utility vehicles and tractors.

Ashok Leyland is likely to show a 50 per cent decline in sales on poor volume from the passenger and goods vehicle segment. Tata Motors should post a double-digit decline in net sales due to a poor show from commercial and utility vehicles. Bajaj Auto, which has just declared its results, has maintained its turnover compared to the quarter a year earlier, on improved product mix, while TVS Suzuki expects to post a double-digit decline in sales on depleted motorcycle volumes.

Hero Honda and Mahindra are likely to outperform the sector with net profit growth of over 50 per cent each. The net profit of Maruti Suzuki is expected to be flat, due to

pressure on operating margins. Tata Motors should show a decline in net profit by over 60 per cent, while Ashok Leyland should post a net loss due to higher interest cost.

The auto analyst at Sharekhan Research indicates that the growth is augmented by new launches in the passenger car segment, with Maruti Suzuki leading from the front. These launches, such as Maruti Ritz, Honda Jazz and Fiat Grande Punto in the segment boosted the demand. The growth in the two-wheeler segment was also backed by new launches and upgradations like Pulsar 220 and Apache-RTR.

The aggregate net profit of automobile companies is expected to be flat due to Tata Motors and Ashok Leyland, but there will be a 100-150 basis points increase in operating margins due to the softening of raw material prices. Auto analysts expect strong margin expansion on a sequential basis across the space, as benefits of low input costs are expected to flow through for most players.

The auto analyst at Edelweiss Research expects Ashok Leyland's average realisations to go up due to increase in share of revenues from non-vehicle segments. For the company, most of the gains of softening of commodity prices will be offset by the negative operating leverage. Tata Motors is expected to post a modest rise in operating margins, while the rise in interest burden due to funding for overseas acquisitions is likely to hurt its net profit.

Bajaj Auto had better operating margins due to soft aluminium prices and stritcted cost control. Hero Honda is expected to post a 50-100 basis points improvement in margins, as most of the benefits of soft input prices have already been noticed in the fourth quarter.

External Sector: Foreign Trade April-February

Region/Country	Export		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	143639.2	153223.6	6.7
Africa	12833.0	12890.2	0.4
Egypt	1208.8	1445.7	19.6
Ghana	770.4	492.4	-36.1
Kenya	1355.4	1225.5	-9.6
Mauritius	1016.8	912.4	-10.3
Nigeria	976.9	1240.2	27.0
South Africa	2360.0	1730.7	-26.7
America	24620.9	25354.2	3.0
Brazil	2131.0	2475.7	16.2
Canada	1138.8	1247.9	9.6
USA	18716.2	18436.0	-1.5

Asia (excl. Middle East)	45597.6	46113.7	1.1
Bangladesh	2232.7	2267.6	1.6
China	9462.6	7757.5	-18.0
Hong Kong	5596.4	5708.9	2.0
Indonesia	1752.1	2150.4	22.7
Japan	3198.4	2735.0	-14.5
Korea DPR (North)	692.8	885.1	27.8
Korea Republic (South)	2592.5	2852.7	10.0
Malaysia	2113.0	3213.1	52.1
Nepal	1282.2	1315.5	2.6
Pakistan	1696.9	1292.5	-23.8
Philippines	559.9	657.4	17.4
Singapore	6438.8	7283.2	13.1
Sri Lanka	2527.0	2257.9	-10.7
Taiwan (Taipei)	1560.1	1350.8	-13.4
Thailand	1615.1	1631.9	1.0
Viet Nam	1379.5	1375.0	-0.3
Middle East	24807.4	28857.0	16.3
Iran	1849.1	2350.3	27.1
Israel	1442.7	1291.8	-10.5
Kuwait	590.3	700.5	18.7
Oman	851.0	695.8	-18.2
Saudi Arabia	3079.9	4542.7	47.5
Syria	637.5	330.3	-48.2
UAE	14040.3	16580.1	18.1
Yemen	968.5	712.4	-26.4
Europe	34328.9	37662.7	9.7
Belgium	3728.5	3988.3	7.0
France	2305.6	2643.4	14.6
Germany	4570.5	5291.3	15.8
Italy	3525.3	3411.6	-3.2
Netherlands	4539.6	5736.1	26.4
Russia	813.0	930.2	14.4
Spain	2019.4	2276.0	12.7
Turkey	1583.0	1289.5	-18.5
UK	5988.4	5573.3	-6.9
Oceania	1267.4	1486.0	17.3
Australia	1039.5	1209.4	16.3

Region/Country	Import		
	US \$ million		% change
	2007-08	2008-09	2008-09
World	215702.8	262622.2	21.8

Africa	18799.7	22890.2	21.8
Algeria	1167.6	993.5	-14.9
Angola	1017.7	1162.1	14.2
Egypt	1799.3	1770.4	-1.6
Libya	1133.5	626.8	-44.7
Nigeria	6878.0	8502.5	23.6
South Africa	3240.9	5022.0	55.0
America	19839.0	26713.9	34.7
Brazil	911.2	1104.6	21.2
Canada	1805.7	2040.4	13.0
Chile	1685.5	1374.9	-18.4
Mexico	982.5	1480.9	50.7
USA	12183.5	15740.3	29.2
Asia (excl. Middle East)	63587.7	75842.8	19.3
China	24830.1	28145.5	13.4
Hong Kong	2515.1	5319.1	111.5
Indonesia	4368.4	6060.4	38.7
Japan	5681.3	6903.8	21.5
Korea Republic (South)	5392.8	7493.9	39.0
Malaysia	5577.1	6662.7	19.5
Singapore	7099.2	6637.8	-6.5
Taiwan (Taipei)	2190.1	2388.6	9.1
Thailand	2105.8	2418.4	14.8
Middle East	59118.1	73198.7	23.8
Iran	9955.4	11295.9	13.5
Iraq	5633.3	7406.7	31.5
Israel	1333.9	1936.8	45.2
Kuwait	6583.9	8859.3	34.6
Oman	1069.8	1056.1	-1.3
Qatar	2028.2	3106.7	53.2
Saudi Arabia	17406.7	18688.8	7.4
UAE	12215.6	17005.5	39.2
Yemen	1424.1	655.7	-54.0
Europe	46697.6	55114.9	18.0
Belgium	4213.4	5152.9	22.3
Finland	859.5	976.3	13.6
France	2587.9	2797.4	8.1
Germany	8607.4	9580.5	11.3
Italy	3445.4	3900.7	13.2
Netherlands	1809.3	1545.4	-14.6
Norway	1533.9	1040.5	-32.2
Russia	2289.4	4149.3	81.2
Spain	872.3	895.9	2.7

Sweden	1877.5	1807.8	-3.7
Switzerland	8894.5	11195.1	25.9
Turkey	1466.6	1425.7	-2.8
UK	4611.2	5458.0	18.4
Oceania	7660.7	8861.7	15.7
Australia	7143.8	8207.4	14.9