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News Feature

India's stand at G20 heard, respected, endorsed

Prime Minister Manmohan Singh returned from the G20 Summit at Pittsburgh with some major gains at hand that are making the rich nations now look at the developing world in a new light.

It was evident from the final communiqué issued by the G20 leaders at the end of the Summit that it reflected a lot of what Manmohan Singh had been pointing out prior to the summit - and all this with a sense of "confidence" as he himself said.

Manmohan Singh said India had a lot at stake and also a lot to contribute to the management of the world economy and the outcome was for all to see, as the G20 has now emerged the premier forum on global financial and regulatory matters, giving the G8 grouping of rich nations a virtual burial.

"This is an important development broadening the global governance structure," the prime minister told the accompanying media delegation, reflecting on the realisation among the other G20 leaders of today's economic realities.

"With the rise of Asia, with growth of India, China and Brazil, the economic decision-making has to take into account the views of these countries if it is to have an optimum impact," the prime minister said.

The gains for India, and the developing world, did not end there. India said it was premature for countries to end their fiscal stimulus packages as it would hurt the developing countries the most - and that was what the G20 decided.

"We pledge today to sustain our strong policy response until a durable recovery is secured. We will act to ensure that when growth returns jobs do too. We will avoid any premature withdrawal of stimulus," said the G20 final communiqué.

In fact, the respect for the Indian premier - who was to turn 77 Saturday - was also visible when he was seated next to his host and US President Barack Obama at the high table.

In equal measure, officials in the US State Department highlighted that Manmohan Singh's visit to Washington will be the first state visit to the US for the new Obama administration.

In some of the other aspects of global financial structure, too, India's stand was reflected in equal measure - notably greater voting rights for developing countries in the International Monetary Fund (IMF).

In fact, the developing countries that are a part of the G20, mainly India, China and Brazil, also managed to secure what was rather unthinkable even a decade ago - a peer review of the economic policy framework of rich countries.

"The policies of major developed countries, within the framework of review by the G20 will give us an opportunity to pick holes in the functioning of their economies," said the prime minister.

The respect for the views of developing countries, which was earned by them and also forced on the rich nations, also saw their point of view being taken on a host of issues - climate change, fossil fuel subsidies and protectionism.

It is expected that the fruits of the gains made by developing countries during the Pittsburgh G20 Summit will start ripening soon, with a stock-taking expected when its leaders reconvene in Canada in June next year and then in South Korea in November.

<http://economictimes.indiatimes.com/news/economy/finance/Indias-stand-at-G20-heard-respected-endorsed/articleshow/5062602.cms>

Core sector index up 7.1% in August

The official index of six core infrastructure industries has registered a healthy 7.1 per cent year-on-year growth in August, as against 2.1 per cent during the same month last year.

The overall growth in the index for April-August 2009, at 4.8 per cent, works out higher than the 3.3 per cent year-on-year cumulative increase recorded during the five months of 2008-09.

This provides further evidence of the Indian economy coming out of the downturn phase, extending from the last quarter of 2008 to the early months of this year.

The industries that have performed particularly well are cement and coal.

Cement output in August, at 16.06 million tonnes (mt), was 17.6 per cent higher than the 13.66 mt produced in the same month last year.

The corresponding numbers for coal were 37.67 mt, 12.9 per cent and 33.38 mt, respectively.

For the April-August 2009 period, cement production, at 84.44 mt, was 13.5 per cent more than the 74.40 mt during April-August 2008, with these amounting to 192.81 mt, 12.4 per cent and 171.60 mt in the case of coal.

Electricity generation, at 65,563 million units (kilowatt-hour) in August, was 9.8 per cent more than the 59,732.7 million units for the same month last year.

For the first five months of this fiscal, the production of 319,285.9 million units (300,006.7 million units) stood 6.4 per cent higher.

Finished (carbon) steel output during the month under review was estimated at 4.798 mt, a 3.1 per cent increase over the 4.652 mt of August 2008. During April-August 2009, total production, at 22.649 mt (22.083 mt), was only 2.6 per cent higher. The steel industry has

seemingly not benefited as much as cement from the Centre's stimulus packages and efforts at boosting infrastructure spending.

<http://www.blonnet.com/2009/09/26/stories/2009092650811500.htm>

Industry recovers as excise up 22.7 pc in Aug

In a clear sign of the strength of the industrial comeback, excise duty collection for August registered a 22.7 per cent increase over last month, raising the government's hope of meeting the indirect tax mop-up target for the year.

"The industry is clearly showing signs of revival. Excise collection in August is up 22.7 per cent compared to last month... We are hopeful of meeting the target," Chairman of Central Board of Excise and Customs V Sridhar told.

The growth in excise figures is led by improvement in sectors like sugar that showed an increase of about 16 per cent, petroleum products that grew by about 4 to 5 per cent and cigarettes, Sridhar said on the sidelines of a CII seminar.

The indirect tax collection target of the government is set at about Rs 2.7 lakh crore for 2009-10.

Further, customs duty also slightly improved from the negative of over 30 per cent in July to a minus 28 per cent in August, he said.

<http://economictimes.indiatimes.com/news/economy/indicators/Industry-recovers-as-excise-up-227-pc-in-Aug/articleshow/5055161.cms>

ADB gives India growth forecast upgrade to 6%

The Asian Development Bank (ADB) has raised its growth forecast for India to 6% in the current fiscal year from its earlier projection of 5%, thanks to increased public spending and improved business confidence, but cautioned against the ballooning fiscal deficit.

With the tempo of growth gaining pace, India will grow at 7% in the next fiscal, 50 basis points higher than the earlier projection of 6.5%, the bank said in its updated Asian Development Outlook (ADO) 2009 released.

"GDP growth in the second and third quarters is expected to fall below the 6.1% first-quarter expansion because of weak agriculture, but will recover sufficiently in the fourth to post a 6% annual expansion," the report said.

<http://economictimes.indiatimes.com/news/economy/indicators/ADB-gives-India-growth-forecast-upgrade-to-6/articleshow/5044760.cms>

Overseas News

FIIIs are back, I-T coffers swell

The rebound in stock markets on the back of increased foreign institutional investor participation has led to a 20% jump in income-tax collection from brokers till date this fiscal, raising hopes of overall higher tax collections.

Brokers paid Rs 580 crore in income tax since April 1, according to the latest figure available with the I-T department. This is in addition to the securities transaction tax (STT) of Rs 3,207 crore collected during the period, which is also marginally higher than past year's figure. STT is a tax levied on every stock transaction executed through stock exchanges, irrespective of profit or losses flowing out of them. Corporate income tax is levied on the income generated by the taxpayer.

The jump in tax collection reflects the market rebound as well as increased trading volumes. BSE Sensex, the bellwether 30-share stock index of the Bombay Stock Exchange, which was hovering around 13,000 in September 2008, is now close to 17,000.

Motilal Oswal, chairman of Motilal Oswal Securities, said the jump in tax payment by brokers was in line due to a 50% rise in trade volumes. Amid fears of an adverse impact of drought and sluggish exports, the higher tax collection from stock brokers brightens the prospect of a higher tax collection this year, a senior I-T official said.

Other positive signals include higher growth estimation of the economy and a revival in domestic consumption. Corporate advance tax collections, too, grew 14.7% in the July-September quarter.

An official of Antique Stock Broking said the development indicates that the total tax payment will be higher this year. Tax collections from brokers in the past year dipped significantly in the wake of the global market crash.

The list of brokerages that have paid higher taxes this year include Citi Global Markets India, JPMorgan, HSBC Securities, Kotak Securities Edelweiss Securities and Antique Stock Broking. Citi Global's payment went up to Rs 65 crore from Rs 50 crore, while Kotak Securities paid six times of its previous payment of Rs 6 crore. Edelweiss paid Rs 10 crore this time against Rs 1.26 in the previous April-September period.

<http://economictimes.indiatimes.com/markets/stocks/market-news/FIIs-are-back-I-T-coffers-swell/articleshow/5053403.cms>

FIIIs continue to have voracious appetite

Inflows for calendar year cross \$10 billion.

The buying spree of foreign institutional investors continues as their net inflows for the current calendar year crossed the \$10-billion mark.

According to data on the SEBI Web site, the total FII inflow for 2009 as on September 21 is \$10.2 billion. In the current fiscal (2009-10), the net inflows by FIIs crossed \$11 billion.

Close to half of the inflows by FIIs have come through qualified institutional placements (QIP) and initial public offerings said Mr Saurabh Mukherjea, Head of Equities at Noble Group.

Between March and September, corporates raised Rs 21,691 crore through QIPs, according to a recent SMC Capitals report.

"The confidence of foreign investors in Indian equities is much more now relative to 2007. This is because on the macro economic level India is doing well. High-frequency data such as those on cement dispatches, steel, freight and airline travel point to a steady recovery of our economy. The FIIs are positive on India," said Mr Mukherjea.

<http://www.thehindubusinessline.com/2009/09/23/stories/2009092351711000.htm>

Government okays 13 foreign investment proposals

The government has approved 13 foreign investment proposals worth Rs.393.62 crore, including Sterlite Technologies' plan to issue and allot warrants valued at Rs.103.95 crore on preferential basis, an official statement said.

"Based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held on September 11, government has approved 13 proposals of foreign direct investment amounting to Rs. 393.62 crore approximately," the statement said.

Among these investment plans are TM International's Rs.40-crore proposal to issue shares against consideration other than cash, and Kludirak India's plan to set up a joint venture to enter the cash-and-carry trading segment.

The government deferred eight proposals, including UTV Software's plan to issue and allot equity shares.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Government-okays-13-foreign-investment-proposals/articleshow/5047732.cms>

Trade News

India-Australia talk on Free Trade Agreement likely soon

India and Australia are expected to launch negotiations soon on Free Trade Agreement to enhance bilateral commerce.

A Joint Study Group, set up to conduct feasibility study for such an agreement, has prepared a report favouring such a pact. The report will now be studied by the respective governments before formal negotiations begin.

"The negotiations on the proposed FTA will begin after governments of both the countries examine the feasibility study on the pact. We expect it to start soon," newly appointed Australian High Commissioner Peter Varghese told.

He said Australia was looking forward to begin the negotiations on the trade pact that will entail tariff liberalisation and removal of other barriers.

The feasibility study, which began two years back, examined the potential impact on Australia and India of an FTA, including implications for economic growth, trade in goods and services and investment, as well as for other commercial linkages.

The trade and investment relationship between India and Australia has been growing over the years, touching 18.3 billion Australian Dollar.

In 2007, India was Australia's sixth largest market for goods exports, seventh largest market for services and seventh largest market for goods and services combined.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Australia-talk-on-Free-Trade-Agreement-likely-soon-/articleshow/5061996.cms>

FICCI, Innovation Norway ink agreement on industrial coop

Industry body FICCI entered into an agreement with its Norwegian government-owned Innovation Norway to strengthen and diversify industrial cooperation between firms in the two countries.

"The two organisations will ensure the implementation of industrial cooperation agreements, creation of joint ventures, transfer of know-how and technology, licence agreements and investments on Indian and Norwegian territories," FICCI said in a statement.

Under the pact, the two bodies will exchange information on matters of reciprocal interest, including on economic situation and trends, labour market statistics, legislation on investments and incentives.

Innovation Norway promotes industrial development profitable to both the business economy and Norway's national economy. Its core group of clients are Norwegian companies, predominantly SMEs.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/FICCI-Innovation-Norway-ink-agreement-on-industrial-coop/articleshow/5057357.cms>

Mkt economy status for Vietnam to boost trade

With the Asean FTA under its belt, India is preparing to acknowledge Vietnam as a market economy since this will help in exploiting trade with it, according to MEA sources.

Senior MEA officials told, “Vietnam is important in the promotion of India’s political, economic and security interests in South-East Asia, and in turn, in the success of our Look-East Policy. The ministry of commerce had recently sent out a note seeking comments from other ministries and departments. India has pledged to take necessary steps to enable Vietnamese products to enter Indian markets to balance the two-way trade.”

Vietnam had insisted that it will be a signatory to the recent India-Asean FTA only if New Delhi gives the trade status. “We had assumed that Vietnam had completed all formalities needed to be declared a market economy. Once the status is given, it will help channelise significant commodity trade and India can utilise the information that Hanoi will provide vis-à-vis the commodities coming through a third country.” Also, trade can then be carried out more transparently so that both buyers and sellers feel safe, officials said, adding that they “are looking at the future of India-Asean trade and soon we will be commencing negotiations, both in service and investment.”

Vietnam is a potential regional power in South-East Asia . The country has great political stability and successful economic performance, with an annual growth rate of 7%. With its geo-strategic location and demonstrated military prowess, it holds an important place in South-East Asia. Vietnam also offers very attractive preferential prospects for Indian foreign direct investment, especially with its stress on economic liberalisation. In terms of India ‘s energy security, Vietnam ‘s offshore oil deposits offer opportunities for exploration and eventual supply to India .

Both countries have agreed to raise the two-way trade to \$2 billion by 2010 and \$5 billion by 2015. The Vietnamese government has also created favourable conditions for Indian investors to invest in information technology, electricity, oil and gas, metallurgy, coal, transport, agriculture, fisheries, food processing and health care and medicine. Vietnam is the largest producer of cashew nuts with a one-third global share, the largest producer of black pepper accounting for one-third of the world’s market and the second largest rice exporter in the world after Thailand .

<http://www.financialexpress.com/news/mkt-economy-status-for-vietnam-to-boost-trade/520270/>

Sectoral News

Number portability to roll in by Dec-end, TRAI issues guidelines

The Telecom Regulatory Authority of India announced that mobile number portability (MNP) — a facility that allows customers to switch operators but retain their numbers — will kick in from December 31 across the metros and category A circles, such as Tamil Nadu and Karnataka, while the rest of the country will have access to the facility from March 31, 2010.

The telecom regulator also issued a slew of guidelines for MNP implementation. As per the norms, once a user switches operator, he must stay for at least three months (90 days) with the new service provider before moving to another operator. Besides, a user holding a

mobile connection is eligible to make a porting request only after three months of the date of activation of his number.

The regulations also add that subscribers, who wish to port their numbers must submit their requests in writing to their service providers. The new operator must mandatorily carry out all checks, including identity verification, before completing the process, the regulator said, adding that the entire process must be completed within four days.

Pre-paid users must give an undertaking of being aware that balances on both talktime and minutes will not be carried over to the new operator they are switching to. Post-paid customers must furnish proof that all outstanding dues to their current operator have been cleared, TRAI added.

<http://economictimes.indiatimes.com/news/news-by-industry/telecom/Number-portability-to-roll-in-by-Dec-end-TRAI-issues-guidelines/articleshow/5049083.cms>

Logistics revenues set to cross Rs 5 lakh crore in five years' time

The Indian logistics sector is expected to clock Rs 5,96,114 crore in annual revenues by 2013-14 on the back of strong growth in economic fundamentals as well as favourable regulatory environment. The introduction of goods and service tax (GST) from April 1, and the development of logistics parks will be a boost to the sector, which will post a 11% compound annual growth rate for the next five years, according to research firm Crisil.

The logistics industry revenues are pegged at Rs 3,60,000 crore in 2008-09, which includes primary transport modes and infrastructure as well as secondary movement (from the hub to various depots). This accounts for 10.7% of GDP, which is significantly higher than 5-7% that is registered in developed nations.

“A strong growth in the sector is expected, following a favourable regulatory environment, greater thrust on logistics infrastructure spending and the changes that we expect from organised players gaining a larger market presence in the industry,” Crisil Research head Manoj Mohta said.

<http://economictimes.indiatimes.com/news/economy/finance/Logistics-revenues-set-to-cross-Rs-5-lakh-crore-in-five-years-time/articleshow/5053123.cms>

Telephone users touch 494-m mark in August

The total telephone subscribers in the country touched 494-million mark during August, with the wireless subscribers reaching 456 million. The total tele-density was at 42.27 at the month-end.

The wireless users increased by 15.08 million during the month. Broadband connections, however, continued to grow at a snail's pace to reach 6.98 million. The wireless subscribers grew at 3.42% during the month from over 441 million in July. The wireless tele-density touched 39.08 in August.

The wireline subscriber base declined by 0.09 million in August and the total wireline users reached 42.27 million mark. In the wireline segment Airtel registered the highest number of subscribers at over 107 million by the end of the month followed by Reliance

Communications that had 84 million users both GSM as well as CDMA. Vodafone-Essar was third with 80 million users.

<http://www.financialexpress.com/news/telephone-users-touch-494m-mark-in-august/520726/>

News Round-Up

India's services sector most favourite among foreign investors

India attracted \$ 2.14 billion FDI in the services in the first four months of the current fiscal, the highest among all sectors.

Despite the economic downturn, the country managed to attract \$ 3.47 billion foreign direct investment (FDI) in July, while it was \$ 2.24 billion in the year ago month, according to official data.

India's total FDI inflow during April-July 2009 was \$ 10.49 billion, down 15 per cent from \$ 12.32 billion in the same period previous year, the data said.

According to an UNCTAD report, the FDI in India may erode sharply from the record \$ 42 billion in 2008 with trans-national corporations (TNCs) going slow on expansion plans following the global financial meltdown.

The services sector, including financial and non-financial segment, attracted 20 per cent of the total foreign direct investment inflows in the April-July period.

It was followed by housing and real estate sectors that attracted \$ 1.41 billion investments. The telecommunications sector attracted investments worth \$ 993 million.

The highest FDI of \$ 4.55 billion came from Mauritius followed by the US and Singapore in April-July 2009.

The government recently approved formation of an investment promotion firm 'Invest India', where it will partner the states and industry, to help attract foreign investors and provide them a hassle-free entry.

<http://economictimes.indiatimes.com/news/economy/finance/Indias-services-sector-most-favourite-among-foreign-investors/articleshow/5056891.cms>

India WPI up 0.37 pc yr/yr on Sept 12: Govt

India's wholesale price index rose 0.37 per cent in the 12 months to Sept 12, government data showed. It compared with a median forecast of a 0.29 per cent rise in a Reuters poll and a rise of 0.12 per cent a week earlier. The annual inflation rate was 12.42 per cent during the corresponding week of 2008.

Last week, a deputy governor of the Reserve Bank of India (RBI) said WPI inflation could hit 6 per cent by the end of the fiscal year in March, above the central bank's July forecast of around 5 per cent.

Private sector economists have said inflation could reach as high as 8 per cent by the end of March. The wholesale price index is more closely watched than the consumer price index, which is published monthly, because it covers a higher number of products and is released weekly.

<http://economictimes.indiatimes.com/news/economy/indicators/India-WPI-up-037-pc-yr/yr-on-Sept-12-Govt/articleshow/5050159.cms>

Confidence back: Companies, people borrow more

More Indian companies and individuals are now borrowing from banks to build factories, buy cars and homes, taking advantage of low interest rates, a sign that economic growth may accelerate.

Banks, especially the state-owned ones, now say that many companies, which had earlier obtained sanctions for borrowing, are now seeking disbursal of loans to execute projects in the core and infrastructure sectors while individuals are signing up for home loans and for buying vehicles thanks to teaser rates offered by some of the bigger banks such as State Bank of India and Axis Bank besides HDFC. The surge in loans is also in anticipation that interest rates may begin to rise later this fiscal, according to bankers .

The uptick is reflected in the latest data unveiled by the Reserve Bank of India. Bank loans aggregated Rs 56,303 crore more in Q2 (July- September 11, 2009) compared to a drop of Rs 7456 crore in Q1 (April-June 2009) an indication that lenders are slowly getting back to their core business. During the previous quarter, banks had seen their loan books shrinking, given the weak demand.

<http://economictimes.indiatimes.com/news/economy/indicators/Confidence-back-Companies-people-borrow-more/articleshow/5048997.cms>