

## Weekly Economic Bulletin

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## News Feature

### Core sector grows 7.2 % in March

Six major infrastructure industries, which constitute the core sector, registered robust growth of 7.2 per cent in March — the highest in 2009-10.a

The growth was primarily on account of increase in steel, cement and electricity production. The cumulative growth for the entire financial year stood at 5.5 per cent, significantly higher than the 3 per cent last year.

The core sector, which has a 26.68 per cent weight in the Index of Industrial Production (IIP), had grown at 4.7 per cent in the previous month and 3.3 per cent in the corresponding month of 2009. The infrastructure in March has fuelled the expectation of a sustained high growth in overall industrial output, which has been in double digits since October. The average growth in industrial output, as measured by IIP, for the first eleven months of 2009-10 stands at 10 per cent. Analysts expect the March figures to sustain the high growth rate.

“The core sector data are quite encouraging, especially the performance of the sectors of steel, power and cement. This will keep the overall IIP strong and, given the bump up in industrial production in March, the IIP growth will be impressive,” said YES Bank Chief Economist Shubhada Rao.

Analysts, however, say the Reserve Bank of India (RBI) will watch the growth figures and the effect of monsoon on the domestic demand to further spruce up policy rates. Most maintain the next measure for monetary tightening will take place in the July monetary policy review.

<http://www.business-standard.com/india/news/core-sector-grows-72in-march/393250/>

### India becomes seventh largest shareholder in World Bank

India will have a larger say in the affairs of the World Bank as it has become the seventh largest shareholder in the multilateral lender with 2.91% voting rights.

China has overtaken Germany, France and the UK to become the third largest shareholder in the Bank with 4.42% voting rights. Both India and China hitherto enjoyed an identical 2.77% voting rights.

“The change in voting power helps us better reflect the realities of a new multi-polar global economy where developing countries are now key global players,” said World Bank president Robert B Zoellick.

India’s shareholding in the Bank had been declining since 1970s and the trend has been reversed for the first time in a generation.

The development committee of the World Bank, which met on 25th April in Washington, decided to increase the financial capacity of the Bank and the role of developing countries in its governance.

There is an overall shift of 3% voting share in favour of developing countries, bringing their total vote share to 47%. The change will give emerging nations more say in how the bank is run and how its funds are disbursed.

These changes “are transformative in nature and will reposition the World Bank Group in the international financial architecture”, said Finance Secretary Ashok Chawla, who led the Indian delegation to the 2010 Spring meetings of the Bank.

“They will strengthen the role the World Bank Group in being an effective multilateral instrument for eradicating poverty, achieving the MDGs (millennium development goals), supporting international efforts to manage global public goods, and most importantly, keeping it relevant in a dynamic world,” he said.

<http://economictimes.indiatimes.com/Indicators/articleshow/5861616.cms>

## **Overseas Investment**

### **India's FX reserves at \$279.476 bn as of April 23**

India's foreign exchange reserves fell to \$279.476 billion as of April 23, from \$280.089 billion a week earlier, the central bank said in its weekly statistical supplement.

Changes in foreign currency assets, expressed in dollar terms, include the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, sterling and yen, the central bank said.

Foreign exchange reserves include India's Reserve Tranche position in the International Monetary Fund (IMF), the central bank said.

<http://economictimes.indiatimes.com/news/economy/finance/Indias-FX-reserves-at-279476-bn-as-of-April-23/articleshow/5877074.cms>

### **FDI in retail sector likely to be liberalised**

The government said it would next month initiate discussion on relaxing foreign direct investment (FDI) in sectors ranging from defence to agriculture and even retail—a source of political woes for the government in the past.

The Department of Industrial Policy and Promotion (DIPP), the nodal agency for framing FDI policies, will come out with six discussion papers in mid-May on overseas investment norms.

“All the issues, which are troubling you will be covered (in the discussion papers),” DIPP secretary RP Singh told media persons at a Ficci event when asked if multi-brand retail would also figure in the discussion papers.

In its first term, the UPA government had shelved plans to open FDI in multi-brand retail owing to fierce opposition from its then allies—Left brigade—and petty traders.

Under the existing rules, FDI is not allowed in retail, except for trade of “single brand” products, where up to 51% foreign investment is permitted. FDI up to 100% is also allowed in wholesale cash-and-carry trade.

While transnational companies like WalMart, Carrefour and the industry chambers are pitching for opening up multi- brand segment, a parliamentary panel has proposed a “blanket ban” on entry of corporates into this unorganised sector employing millions of people.

Sources in the DIPP said the discussion papers, which would be put in public domain on May 12 or 13, would deal in sectors like retail, defence, pharmaceutical and agriculture.

<http://www.financialexpress.com/news/fdi-in-retail-sector-likely-to-be-liberalised/611543/>

### **Foreign funds invest \$6 bn in 2010, most take ETF route**

A significant chunk of the foreign money that has poured into Indian shares in 2010, has been through exchange traded funds (ETFs), officials at foreign broking houses say.

Overseas investors have net bought a little over \$6 billion of Indian shares this calendar. This is significantly higher than the \$2.7 billion pumped in during the corresponding period in 2007, a year that saw record foreign inflows of \$18 billion.

Exchange-traded funds that invest across emerging markets, and some that invest specifically in India, witnessed huge interest in 2009, as investors cut exposure to developed markets following the global recession. Almost \$5 billion of the total \$17.45 billion inflows into India in 2009 were through the ETF route, according to Bloomberg.

Global investors remain enthusiastic about emerging markets even now, as the Euro zone is facing sovereign debt problems, while the US is beset with problems ranging from potential deflation to swelling government debt.

In India, a good chunk of foreign money has come in through ETFs like the Luxembourg-based DBX Tracker, the France based Lyxor International Asset Management, US-based Vanguard and the iShares MSCI Emerging Market Fund.

“One could say that investment patterns are changing,” said the head-research at a foreign brokerage. “Many investors are no longer keen on stock-picking or paying money managers. So the approach has become more benchmark- based rather than a India-specific view,” he told.

<http://economictimes.indiatimes.com/markets/stocks/market-news/Foreign-funds-invest-6-bn-in-2010-most-take-ETF-route/articleshow/5874612.cms>

## Trade News

### India, Afghan firm on strategic tie-up

India and Afghanistan reiterated their commitment to the strategic partnership and expressed satisfaction at the progress in their relations.

Afghanistan President Hamid Karzai on his first official visit after his second term Prime Minister Manmohan Singh and President Pratibha Devisingh Patil.

Singh, during his talks, cautioned Karzai against a plan to integrate the Taliban opposed to the emergence of “a strong, independent and pluralistic Afghanistan”.

At a joint press interaction with Karzai, who arrived in India in the morning en route to the South Asian Association for Regional Cooperation (SAARC) summit in Thimphu,

Singh underlined India’s unwavering commitment to continuing reconstruction works in Afghanistan and said repeated attacks on Indians would not deter it from carrying on with this process.

“India remains committed to assisting the government and people of Afghanistan in their efforts towards the reconstruction and development of their country,” Singh said.

While Singh stated that India desired to see a strong and a stable Afghanistan, leaders of both sides noted that these relations were rooted in historical and civilisation links, and served not only the interests and welfare of the two countries, but also contributed to peace, stability and prosperity in the region.

India has pledged \$1.3 billion for a slew of reconstruction and infrastructure projects in Afghanistan.

<http://www.financialexpress.com/news/india-afghan-firm-on-strategic-tieup/611544/>

### India-Latin America meet to consider \$10.39 bn deals

Business proposals worth \$10.39 billion (Rs 46,755 crore) will be discussed at a conclave of Indian and Latin American and Caribbean (LAC) firms, the Confederation of Indian Industry (CII) said.

"Project proposals worth \$10.39 billion will be discussed during the conclave across a wide cross-section of business sectors, including agriculture and food processing, machinery, sugar production, ethanol, contract farming, floriculture, textiles," said the industry lobby, which is organising the 4th India-Latin America and Caribbean Conclave April 29 and 30.

Delegates from 13 LAC countries, including Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Mexico, Peru, Trinidad and Tobago, and Uruguay, will take part in the meet.

Collectively, the LAC region is a huge market. Trade between India and the LAC region has risen almost four-fold from \$4.2 billion in 2004-05 to \$16.1 billion in 2008-09.

"Indian businesses are also looking at larger footprints in specific regional blocs spread across the South American continent and the Caribbean region on the basis of the success achieved by these trade blocs in promoting trade among the member countries," said a CII statement.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/India-Latin-America-meet-to-consider-1039-bn-deals/articleshow/5863424.cms>

### **Japanese trade body sees Chennai as gateway to South-East Asia**

Japanese companies have recognised Chennai as the new gateway to South-East Asia following the Indo-ASEAN Free Trade Agreement, according to Mr Michitaka Nakatomi, President, Japan External Trade Organisation (Jetro).

Addressing the inaugural function of the Jetro office in Chennai, he said that the trade organisation would fully support bilateral investments in a wide range of sectors including infrastructure. The office in Chennai was the fourth in the India and marks the growing importance of the State as a destination for industrial investments and FDI.

Mr Toshiyuki Shiga, COO, Nissan Motors, said that the Renault-Nissan Alliance which is setting up a car plant near Chennai will employ over 1,500 workers by May this year. Along with the six components suppliers the project will generate over 6,000 jobs.

<http://www.blonnet.com/2010/05/02/stories/2010050251780300.htm>

### **Singapore team here to explore biz opportunities**

A business delegation from Singapore, consisting of senior representatives of five companies with interests in transportation, infrastructure, hospitality and engineering sectors, visited Hyderabad for exploring the feasibility of taking up projects in the State.

In this connection, the delegation, led by architectural and engineering services firm, RSP Architects Planners & Engineers, met the Chief Minister Mr K. Rosaiah and the AP Governor Mr E.L.S. Narasimhan.

"The response from the State Government was very positive. We will evaluate the projects that were discussed and look into initiating feasibility studies soon," Mr Pradeep Menon, CEO of RSP Architects, told.

The Singapore team is looking at a number of development projects across the State, especially in areas like transportation, infrastructure, hospitality and housing. "Of this is not to say that we will not be looking at other areas," he pointed out.

<http://www.blonnet.com/2010/04/29/stories/2010042951692100.htm>

## **Indian firms exploring potential in Ireland**

Close to a dozen Indian companies are said to have held talks with Irish firms to explore business potential and the benefits of establishing their presence in Ireland. They include players in the financial services space, BPOs and software developers.

APAC Director of IDA Ireland, Mr Brian Conroy, said the investment climate appears to be getting stronger now, after a lull for almost 18 months.

“Ireland is strong in three sectors namely information and communication technologies, financial services and life sciences. We are looking for investments in these areas,” he added.

The FDI investment in research and development and ICT has been estimated at over €500 million in 2009.

### *Research and investments*

He said “in the past, Indian companies chose to acquire firms in Ireland. Now, they are looking for collaborative research and investments in Ireland. MNCs assemble network of people in their own organisations as also mesh with other multinational firms and indigenous companies to create new products and services. About seven companies have established their presence in the last year or so.”

According to him, the Irish Government offers 40 to 50 per cent incentive for research and development activities.

During his brief visit to India, Mr Conroy met prospective investors in the cities of Mumbai, Bangalore, Chennai, Delhi and Hyderabad.

<http://www.blonnet.com/2010/04/27/stories/2010042750861900.htm>

## **Thailand keen on tie-ups; seeks investments**

A high-powered business delegation from Thailand has invited Indian entrepreneurs to visit them and explore opportunities for investment and mutual cooperation across various sectors, including value-added services.

### *Areas of interest*

During an event hosted by the Federation of Andhra Pradesh Chamber of Commerce and Industries (FAPCCI), the delegation under the leadership of Dr Atchaka Sibunruang, Chief, Board of Investment of Thailand, India-desk, called upon entrepreneurs to explore opportunities in the areas of agriculture and agro processing, automotive, fashion, electricals and electronics, alternative energy and environmental-related services.

During her presentation, she mentioned that Thailand ranked third in ASEAN investors and 19<sup>th</sup> of international investors into India. Over 15 years, there were 144 projects from

Thailand, which have invested into in India with a total outlay of about \$822 million, accounting for 1.12 per cent of the total foreign direct investment into India.

The visiting delegation mentioned the potential for chamber to chamber cooperation that could play a role in further boosting trade ties.

#### *FAPCCI mou*

The India-Thai Business Association and FAPCCI entered into a memorandum of understanding for strengthening relationship and promoting bilateral trade, investment, technology transfer, joint ventures and collaborations.

The MoU was signed by Mr Shekhar Agarwal, Senior Vice-President, Fapcci and Mr Vinod K. Gupta, Secretary General, India-Thai Business Association.

As members of the Asian Regional Forum, there is scope to play a role in expanding opportunities in the value added services segment, representatives at the meet expressed.

With the signing of the free trade agreement between India and ASEAN, Thailand is targeting \$10 billion worth bilateral trade in 2010, according to Mr. Srinivas Ayyadevara, Chairman of International Trade Relations, Fapcci.

<http://www.blonnet.com/2010/04/27/stories/2010042750061900.htm>

### **Sectoral News**

#### **IT Sector to grow 11% by '13, says Gartner**

The IT spend in India is expected to touch \$67 billion in 2010, an increase of 14.1% from 2009, research firm Gartner says. By 2013, the IT market in India is expected to grow 11% from 2009-levels. The growth will be driven by IT services, telecommunications, software and computing hardware.

The domestic IT services sector, at \$6.1 billion, accounted for more than 10% of the overall domestic information, communication and technology (ICT) market in India in 2009. It is expected to witness the strongest growth at 17.6 % among the four sectors.

“The Indian government’s focus on infrastructure projects with IT dimensions will be a strong driver for overall IT growth within the country,” said Aman Munglani, principal research analyst, Gartner.

“The growth of India's IT industry, has been driven largely by domestic consumption, which has left India less exposed than many emerging markets to global economic cycles,” he added.

The Indian PC market is expected to grow 19 % in 2010 and by more than 21 % in 2011.

India is among the top four markets in Asia-Pacific, both in size and in its growth prospects for the next five years. The Indian IT security market is forecast to grow more than 20 % in

2010. Indian telecommunications services market revenue will reach \$41.4 billion in 2013, growing 7 % from 2009 to 2013. Data services will be the main driver of the mobile sector from 2009 through 2013, and will grow at 13 % through 2013, accounting for 14 % of total mobile revenue in 2013. The Indian server market will reach \$551 million in 2010, registering a growth rate of 6 % from 2009. Revenue in the Indian external-controller-based storage market will reach \$319 million in 2013, growing 14 % from 2009 to 2013. Network-attached storage will grow 22 % over the same period. Software spending in India is projected to grow 12.9 % through 2013, compared with the regional average of 10.8 % during the same period.

<http://www.financialexpress.com/news/sector-to-grow-11-by-13-says-gartner/612677/>

### **Autocos' dream run continues this fiscal as sales grow in Apr**

The successful run of the auto companies in 2009-10 could continue this fiscal as well if numbers in the first month are anything to go by. However, high raw material costs and a possible tightening of the interest rates due to inflation remain a big concern for the industry.

Market leader Maruti Suzuki India's sales surged 23.4% at 80,034 units in April 2010 against 64,857 units in the same month the previous year. The company's A2 segment, which has a portfolio of cars ranging from WagonR, Alto, Estilo and Swift, recorded the highest volumes in the month at 46,817 units as compared to 7,066 units in the A3 segment. The company has been citing raw material costs and increased competition as two major challenges in the current fiscal.

Hyundai Motor India's sales increased 28.1% at 28,501 units in April 2010 against 22,247 units in April 2009. The company's director for marketing & sales, Arvind Saxena, attributed the growth to Hyundai's product portfolio spearheaded by the newly refurbished i-20.

However, export figures for the country's largest car exporter grew at a tardy 6.3% at 23,519 units last month compared to 22,123 units in April 2009.

Meanwhile, General Motors India more than doubled its sales in April 2010 at 10,601 units against 4,823 units in the same month the previous year, riding on the success of its new hatchback car Chevrolet Beat, which contributed over one-third to its April 2010 numbers, selling a total of 3,852 units. This was followed by 3,507 units of Chevrolet Spark and another 1,529 units of Chevrolet Tavera.

Ford Motor India sales increased 269% at 7,509 units in April 2010, compared with 2,034 units in April 2009. The recently launched Ford Figo has been a big draw for the company. Since its launch in March, more than 15,000 bookings have been completed. The two-wheeler segment also continued to see impressive growth rate due to high rural penetration.

<http://www.financialexpress.com/news/autocos-dream-run-continues-this-fiscal-as-sales-grow-in-apr/613898/>

## **India's footwear exports may touch \$3.37 bn in next 2 yrs**

With the global economies recovering from the slowdown, India's footwear exports are expected to more than double to USD 3.37 billion (about Rs 14, 828 crore) in the next two years over 2008-09 period.

The Indian footwear industry, the second-largest in the world after China, is growing at a rate of about 10 per cent annually, President of Indian Footwear Components Manufacturers Association B D Bhaiya told reporters here.

"Apart from growth in the domestic sector, we have also set a target of USD 3.37 billion in exports of footwear alone by 2013-14," Bhaiya said.

In 2008-09, footwear exports from India was USD 1.53 billion. Of the total exports of leather and leather products, the segment contributes over 40 per cent.

Several international brands like Nike, Addidas and Reebok source footwear from the USD five-billion domestic industry.

India currently produces about 2.06 billion pairs of shoes in different categories. Per capita consumption of footwear in the country has also increased to two pairs from a mere 0.5 pairs a decade ago.

"With the quality and price competitiveness that has been proved, I am confident that India will fast become a major player in the global footwear market, as more and more companies are shifting their sourcing needs as well as production basis towards us," Bhaiya said.

The country's major export markets are the US and Europe. India allows 100 per cent foreign direct investment in the sector.

<http://economictimes.indiatimes.com/news/economy/foreign-trade/Indias-footwear-exports-may-touch-337-bn-in-next-2-yrs/articleshow/5872507.cms>

## **News Round-Up**

### **India to produce more MNCs than any other country: PwC**

India is expected to produce the highest number of new multinational companies (MNCs), overtaking China as the emerging world's largest such source. Over 2,200 Indian companies are likely to open operations outside the country over the next 15 years, says a new report by PricewaterhouseCoopers (PwC) on emerging MNCs.

The report says the number of companies from emerging markets choosing to set up operations abroad has increased in the past five years, partly due to the rapid pace of globalisation and the revolution in information and communication technologies. This trend is expected to continue over the next 15 years, as new MNCs from emerging economies rise in prominence on the global economic stage.

Indian and Chinese companies would lead the way in seeking new markets abroad, who will be joined by companies from Singapore, Russia, Malaysia and South Korea, who will continue to produce a large number of new MNCs.

Jairaj Purandare, India Leader for Markets and Industries, PwC, said: "It is encouraging to know that India will replace China as the largest source of new multinationals in the emerging world from 2018 onwards. The key drivers for this are the relative increase in both investment intensity and openness that the Indian economy offers."

PwC used econometric techniques to project the number of new MNCs that would arise from a representative sample of 15 emerging economies over the next 15 years. The countries were: Argentina, Brazil, Chile, China, Hungary, India, Malaysia, Mexico, Poland, Romania, Russia, Singapore, South Korea, Ukraine and Vietnam.

<http://www.business-standard.com/india/news/india-to-produce-more-mncs-than-any-other-country-pwc/393443/>

### **Jan-March quarter M&A value at \$14 bn**

The first quarter of the calendar year 2010 saw a significant quarterly increase in outbound deal value, with a total M&A transaction value of \$14 billion, according to mergermarket, an independent Mergers and Acquisitions (M&A) intelligence service firm. This makes January-March this year as the second largest quarter in India's outbound deal value.

India's M&A market accounts for over 4% by value of deals in Asia-Pacific and 11% by deal count. The total volume of inbound and domestic M&A deals in India has increased from 40 to 53 compared to Q1 2009, but deal value dropped from \$5.1 billion last quarter to \$4.7 billion, representing a 7% decrease. Inbound activity has also had a strong start to the year, up 81% by value and 69% by volume compare to Q1 2009.

Bharti Airtel's \$10.7 billion acquisition of Zain announced in March pushed the country's total outbound deal value from last quarter's \$0.1 billion to this quarter's \$14 billion, making this quarter the second largest quarter by outbound value on mergermarket records. Inbound activity was also strong in Q1 2010, with a significant 81% and 69% year-on-year increase by value and deal count respectively.

"Through acquiring Zain in March and purchasing a 70% stake in Warid Telecom in January, Bharti Airtel has substantially strengthened its presence across the globe. Domestically, GTL Infrastructure purchased Aircel's tower business and Quippo Wireless-TT Info-Services acquired Tata Teleservices' tower portfolio in this quarter.

All these deals provide clear evidence that the Indian telecom industry is consolidating, and at the same time aggressively working on global expansion. With the ongoing auction for national 3G spectrum, we expect to see more M&A deals in India's telecom sector in the coming months," said Vinu Lal, Head of India Coverage at merger market.

<http://www.financialexpress.com/news/janmarch-quarter-m&a-value-at-14-bn/613121/>