Weekly Economic Bulletin

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News Feature

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.

http://www.financialexpress.com/news/indias-growth-is-in-everyones-interest/491483/1

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.

http://economictimes.indiatimes.com/Indicators/India-Inc-all-set-for-a-swinging-Q1/articleshow/4787573.cms

Overseas News

16 FDI proposals worth Rs 892 cr get FIPB nod

The Government cleared 16 foreign direct investment proposals worth Rs 892 crore, most of which will be for a hydro power project in Sikkim.

The Government, however, revoked all foreign collaboration approvals for ByCell Telecom on concerns over the Switzerland registered company's funding sources.

On the recommendations of the Foreign Investment Promotion Board (FIPB), the Government also deferred 13 proposals, including that of Vijay Mallya-promoted United Breweries request to raise Rs 708 crore through convertible warrants, and rejected two cases.

Among cleared proposals, Teesta Urja will bring in Rs 547.20 crore for developing 1,200-MW hydro power project in Sikkim.

The Government also allowed IL&FS Trust Company to hold two per cent stake in Multi Commodity Exchange of India, that will bring in Rs 108 crore of FDI.

http://economictimes.indiatimes.com/News/Economy/Policy/16-FDI-proposals-worth-Rs-892-cr-get-FIPB-nod/articleshow/4789814.cms

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 FIIs 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 skeptic 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.

http://economictimes.indiatimes.com/News/Economy/Silver-lining-FII-inflow-crosses-6-bn/articleshow/4797480.cms

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.

http://www.financialexpress.com/news/hike-in-defence-fdi-cap-to-49-likely-later-this-year/489859/

Textile looks set to weave Japanese ties

The government will lead its first-ever joint trade delegation of textiles industries to Japan early next week, with an aim to tap foreign investments into the country. The Indian government, which is promoting an export policy regime for tapping newer markets, is targeting the island nation, which is among the biggest consumers of textiles and clothing. India has a market share of just 1.12% in the Japanese import basket.

Union textile minister Dayanidhi Maran will be leading a 17-member delegation comprising textile industry representatives to Japan on July 20. The Indian delegation will comprise officials from the Apparel Export Promotion Council (AEPC), Cotton Textiles Export Promotion council (TEXPROCIL), Synthetic and Rayon Textiles Promotion Council (SRTEPC), Knitwear Technology Mission and leading textiles manufacturers and exporters from Tirupur and Coimbatore textiles clusters. During his visit, Mr Maran will inaugurate the Indian pavilion at Japan international fashion fair (JIFF) to be held at Tokyo on July 22. As many as 44 domestic textile exporters will participate in the exhibition.

http://economictimes.indiatimes.com/News/Economy/Foreign-Trade/Textile-looks-set-to-weave-Japanese-ties/articleshow/4787251.cms

Trade News

India, ASEAN FTA finalised

India and the ASEAN countries have finalised the free trade agreement, which now awaits only the formal task of being signed upon.

The signing of the India-ASEAN FTA, which has been delayed due to a variety of reasons, was discussed during Prime Minister Manmohan Singh's meeting with his Malaysian counterpart Najib Abdul Razak on the sidelines of the NAM summit.

Sources said that it is now only a question of formally signing the agreement, which is scheduled to be implemented from January 1, 2010.

The text of the trade-in-goods agreement has already been finalised while discussions on agreements in investment and services will start soon. The FTA seeks to eliminate tariffs on over 4,000 products, which include a host of items from chemicals to electronics.

The negotiations had been held up by objections from countries like Indonesia which had wanted India to reduce tariff on items like crude palm oil, pepper, refined palm oil, tea and coffee. But all that has now been sorted.

The Manmohan Singh government had late last year announced that the India-ASEAN FTA would be signed at the ASEAN summit which was initially supposed to take place in December. But the summit was postponed to the end of February due to the political troubles in Thailand. By then the Manmohan Singh government here was in election mode, making it difficult for the FTA to be signed especially in the backdrop of the economic recession. Now, the government has to get Cabinet approval so that the agreement can be signed at the first opportunity.

Under the agreement, duties on the 4,000 items will be brought down over a period of six years. The 10 Asean members are Brunei, Singapore, Cambodia, Indonesia, Malaysia, Laos, Myanmar, the Philippines, Vietnam and Thailand. All the involved governments also have to get the FTA approved at their levels.

It is understood that the Malaysian prime minister, during the bilateral meeting with Mr Singh, said that Malaysian companies were interested in car production in India. Mr Singh welcomed the participation of Malaysian companies in road construction projects.

Meanwhile, Mr Singh also held a bilateral meeting with Vietnamese President Nguyen Minh Triet. Vietnam is seen as an important country for India's 'Look East' strategy. Vietnam-India trade stands at $2.8 billion per year. It's also looking for cooperation in education, science & tech and higher education.

http://economictimes.indiatimes.com/Economy/India-ASEAN-FTA-finalised/articleshow/4787315.cms

Nuclear energy tops Indo-France agenda

With nuclear cooperation with France set to intensify, Prime Minister Manmohan Singh expressed hope that his visit to France would lead to building up the partnership in atomic energy.

Mr Singh in his departure statement was clear that India was looking forward to building a strong civilian nuclear partnership with France, which was the first country India signed an agreement with after casting off the nuclear apartheid status.

“We would like to build upon our partnership in the areas of trade and investment, high technology, space, nuclear energy, defence, education, culture, tourism and scientific research and development,’’ said Mr Singh in a departure statement. He left for a five-day tour that will first take him to France and then to Egypt for the 15th Non-Aligned Summit.

Mr Singh, who is visiting Paris at the invitation of French President Nicolas Sarkozy, said that being chief guest at the National Day celebrations of France “is an honour for the people of India.”

Apart from nuclear issues, increasing defence cooperation is also likely to figure prominently in talks between the two leaders. “India and France enjoy a close and wide ranging strategic partnership. Our relations with France encompass a large number of areas, and have served our national interests well,’’ he added.

The Prime Minister’s visit also takes place in the backdrop of the G-8 bid to put curbs on transfers of sensitive enrichment and reprocessing technology and items to countries that have not signed the NPT. There is concern the G-8 position would affect India’s civilian nuclear cooperation with France which is a G-8 member.

However, it is not expected to affect the sale of nuclear reactors or fuel. At the moment India is in negotiations with France to set up two nuclear reactors of 1,650 MW each in Maharashtra.

French company Areva and the Nuclear Power Corporation of India Limited (NPCIL) are in the process of preparing the agreement for two advanced EPR nuclear reactors, which are considered to be safer and less susceptible to terrorist attack. At the same time, France is also waiting for Parliament ratification of the India-France civilian nuclear agreement.

http://economictimes.indiatimes.com/PoliticsNation/Nuclear-energy-tops-Indo-France-agenda/articleshow/4774424.cms

Indo-US eco ties to hinge on 5 pillars: Clinton

India and the United States plan to take their strategic and economic cooperation to a new high by launching an important dialogue on what is called 'five pillars" during the five-day visit of US Secretary of State Hillary Clinton.

"We see the dialogue that we are embarking upon as extremely important and is based on the five pillars which are areas of strategic importance, agriculture, healthcare, science and technology and education," Clinton told after meeting top Indian businessmen, including Ratan Tata and Mukesh Ambani.

The subjects of discussion ranged from climate change, promotion of green energy and initiatives to strengthening of bilateral trade ties.

To a question if export of petro-products by Reliance to Iran figured on the agenda, Clinton said the issue was not discussed. "That is something we will look at later."

Discussions with India Inc on climate change and clean energy were "extremely productive" Clinton said, adding "the point was made that there is no contradiction between poverty elimination and moving on carbon emission".

She said the US and developed countries "have made mistakes that have contributed significantly leading to the problems that we face of climate change" and hoped that India would not repeat those mistakes.

"We are hoping that a great country like India does not make the same mistakes (that the US did)," Clinton said, adding "we believe India is innovative enough to deal with climate change" while simultaneously taking measures to eliminate poverty.

Clinton also and highlighted the country's great achievement in the telecom sector where it has leap-frogged over technologies to reach the level it has today.
Both Governments were seized of the challenge posed by climate change problems and over the next few days, discussions would be held not only at the Governmental level but also with the private sector on this issue, she said.

"There are creative approaches (to the climate change problem) and we will share it," Clinton said.

Describing the power-breakfast with India's corporate bigwigs as "exciting", she said among the issues discussed were increasing agricultural production, providing micro-nutrients to infants, the need for clean energy, working together of Indian and US pharma companies and universities.

Apart from Ratan Tata and Mukesh Ambani, others who interacted with Clinton included Jamshyd Godrej, Sudha Murthy, Ashoke Ganguly, Chanda Kochhar, Swati Piramal, O P Bhatt, R K Krishna Kumar and Amrita Patel

http://www.financialexpress.com/news/indous-eco-ties-to-hinge-on-5-pillars-clinton/491121/

Sectoral News

India ranks 20 for number of unique IP addresses, says report

The first quarter 2009 state of the Internet report prepared by Akamai Technologies has ranked India at 20 globally for number of unique IP addresses with over 3 million IP's.

It also ranked India at 11 with 1.60% of observed attack traffic and ranked at 107 for average connection speed, at 898 kbps as against the global average connection speed of 1.7 mbps.

Akamai Technologies, the leader in powering rich media, dynamic transactions and enterprise applications online, brings out quarterly report which provides insight into key internet statistics such as origin of attack traffic, network and web site outage and internet connectivity levels across the globe.

The report has found that India's IP addresses has recorded a 52% year-on-year growth and 17% from last quarter of 2008. In comparison, United States was ranked at 1 with 116.1 million unique IPs.

Commenting on the report, Sanjay Singh, managing director, Akamai, said, “We continue to see strong trends that suggest an ever-improving Internet penetration figures in India. For example, this quarter we reported the number of unique IPs in India has gone up 52% year over year and the average connections speed was at 898 kbps. The average connection speed will be an interesting number to track in the coming quarters as it will give us a clear indication of the growing broadband adoption rates in the country.”

During Q1 Akamai observed attack traffic originating from 68 unique countries around the world. United States and China were the two largest attack traffic sources accounting for nearly 50% of observed traffic in total.

The top 10 ports saw approximately 90% of the observed attack traffic, with more two-thirds of the traffic likely related to the Conficker worm.

A number of new submarine cable projects were announced or deployed in the first quarter that are expected ultimately to improve internet connectivity for countries in Africa, Europe, South America and the Caribbean, and Oceania.

New WiMAX projects and deployments will bring broadband wireless connectivity to countries in Eastern Europe, Africa, Asia, and the former Soviet Union.

Fiber-to-the-home efforts announced in the first quarter will benefit users in New Zealand, Australia, Bali, Latvia, Scotland, and England.

http://www.financialexpress.com/news/india-ranks-20-for-number-of-unique-ip-addresses-says-report/489868/

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.

http://www.business-standard.com/india/news/gsm-firms-add-889-mn-users-in-june/363872/

MAIT eyes 500 m Net users by 2012

Hardware association MAIT outlined ‘Goal 511’, an ambitious target that talks about 500 million Internet users, 100 million broadband connections, and 100 million connected devices by 2012.

“This calls for strengthening of the national IT infrastructure along with the physical infrastructure on a priority basis,” the MAIT Vice-President, Mr Ravi Swaminathan, said. Achieving the vision would require early rollout of 3G and Wi-Max networks.

These will not only enable consumption of front-end devices, consumer premise equipment and other back-end devices, but also create a new paradigm through various applications, services and other avenues created through the network-multiplier effect, he pointed out.

At present, there are 60 million Internet users in the country. According to MAIT, the number of active Internet entities rose to 8.6 million by March 2009 from 7.2 million units in March 2008.

PC sales by region

Earlier, while announcing the industry performance review for FY09, MAIT said the western region followed by the South cornered the largest market share of the PC sales, accounting for 37 per cent and 23 per cent, respectively. Sales in the western region grew 12 per cent over 2007-08, but in South it declined 22 per cent. Mirroring the IT activities in the region,

PC consumption in eastern India rose 18 per cent (overall accounting for 22 per cent of the market). The North witnessed a decline of 34 per cent in PC sales – ending up with a share of 18 per cent of the market.

Multinational brands accounted for 51 per cent of the desktop market in FY09 (45 per cent in FY08) while the Indian brands managed 18 per cent share (from 22 per cent). The informal and unbranded systems witnessed de-growth, their share shrinking to 31 per cent (33 per cent).

http://www.thehindubusinessline.com/2009/07/15/stories/2009071551930400.htm

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 sttricted 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.

http://www.business-standard.com/india/news/two-wheelers-utility-segment-to-prop-sales-in-q1/364170/

News Round – Up

FM sees early signs of recovery, says deficit won't be monetised

The government will push through its disinvestment programme, cut the fiscal deficit to 5.5% by next year and create the necessary policy environment—including reforms—in the financial sector, finance minister Pranab Mukherjee said.

“We all know that the global financial crisis did not affect Indian banks or financial market directly. But it did expose a number of weaknesses in our financial system,” was the minister’s candid acknowledgement in Parliament.

The minister used his reply to the debate on the general Budget to outline the government’s reform agenda. He touched on all topics that domestic and foreign investors as well as stock markets had missed in his Budget speech on July 6, saying there were early signs of economic recovery.

“There is sometimes a perception among financial and other investors that in the recent past, government has been slow on policy reforms. I intend to look into all issues, legislative or otherwise, necessary to carry forward the reforms to their logical end,” Mukherjee said.

Elaborating on the UPA government’s disinvestment policy, he said, “The President’s address had clearly spelt out the policy of the government on disinvestments--the government would develop people-ownership of public undertakings while ensuring that government equity does not fall below 51% and the government retains management control of the company. I reiterated this in my Budget speech.”

The finance ministry has already begun discussions with other ministries and departments to identify PSUs where the government can divest a portion of its stake or issue fresh equity to meet their fund requirements. “The details are being worked out and would be announced in due course,” Mukherjee said, adding that this would “enable the PSUs to benefit from techno-managerial efficiencies and become more competitive”.

Stake sales in four PSUs are already on the cards, Mukherjee told the Rajya Sabha earlier in the day. The Centre would divest its holding in NHPC Ltd and Oil India Ltd through IPOs this fiscal, and has also approved disinvestment of two loss-making companies-- Tyre Corporation of India Ltd and Central Inland Water Transport Corporation Ltd--he told the Upper House.

http://www.financialexpress.com/news/fm-sees-early-signs-of-recovery-says-deficit-wont-be-monetised/489342/