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Indian economy is on its growth path, the GDP grew by 6.1 per cent in the June quarter which is roughly in line with the forecasts. Indian economy accelerated from its 5.8 per cent growth rate in the previous quarter, majorly because of an increase in activity in the mining, manufacturing, electricity and services sectors. Economists are of the view that growth in the manufacturing and services sector will offset the decline in the agriculture sector and Indian economy will witness growth in the next quarter as well.

On the international front also the major economies of the world have come out of the slowdown. Second-quarter indicators have shown that Japan, United States and Europe are recovering from the global economic slump, Singapore and Hong Kong have returned to the growth path while other Asian countries including China, India, Indonesia, South Korea, the Philippines and Vietnam, are on a continuous growth path during the global downturn although the pace has slowed

The economic health of our country is also being reflected in the bullion and equity markets as they crossed a milestone on 7th September 2009, when the gold prices soared above Rs 16,000 per 10 gm and the BSE Sensex climbed above the 16000 points level. Major reasons for the growth of the Stock market include initial public offer (IPO) of Oil India, revival of monsoon rains and the recovery in the global market which boosted the market morale.

Since most of the economist and policy makers are deliberating of effects and after effects of recession during this time of the year, we at Amity International Business School organized the Global HR Summit on the theme "**Reorganising, Reengineering, and Reformation of HRM during Recession"** in the month of August. During the summit CEOs, CMDs, industry leader and HR heads from leading national and international companies participated in the deliberations. Entire HR fraternity was of the view that global slowdown had negligible impact on the Indian economy as most of the companies worked with a focused approach and emphasized on effective utilization of their resources including the most important resource, the Human Capital.

With our commitment to keep you updated with the latest happening in the world of Business, the issue for this month includes a cover story to explain the reasons for negative inflation, an insight into the entry of North Korean ship in Indian coastal waters, clipping of International Business news and basics of the term Price Index in the EJ-classroom section. A brief write has also been included on the Global HR Summit organized at Amity.

While thanking you for your support, guidance and feedbacks we look forward to your contributions for our next issues.

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Soaring Prices and Negative Inflation : Relevance of the Prices Indices

Ms Alka

Inflation is the overall general upward price movement of goods and services in an economy and is usually measured by the Consumer Price Index and the Wholesale Price Index. For instance, if the price of 10 essential commodities on January 1, 2004 was Rs 100 and if the same set of 10 commodities costs Rs 105 on January 1, 2005, the inflation rate would be 5% which means that the prices have increased by 5%. The rate of inflation is considered to be high if the prices are rising by 7%-8% or more and low if the prices are rising at 2%-3%. Economists believe that moderate inflation is good for a growing economy as it provides incentives for growth. Apart from high, low and moderate inflation there can be a decline in the price levels of commodities, which is generally known as deflation or negative inflation. Negative inflation is one of the issue facing the Manmohan Singh Government these days.

How to measure inflation?

In India we use the Wholesale Price Index (WPI) to calculate inflation rate. WPI was first introduced in 1902, and is being used since then by most of the policy makers of our country to ascertain the level of inflation in the economy. Even though WPI was replaced by Consumer Price Index in the 1970s by most of the developed countries but India continued with WPI.

How to calculate WPI and CPI?

WPI is an index that measures the change in the average price level of 435 commodities traded in wholesale market. The base year for the present WPI index is 1993-94 and it tracks a wide basket of commodities including industrial commodities. The 100-point index is subdivided into three groups. The primary articles, which include food and non-food agriculture products, have a weight of 22.02% in the index, manufactured goods have the highest weight of 63.75%, Fuel and power account for 14.23%. WPI does not properly measure the exact price rise an end-consumer has to pay as the commodity prices are considered at the wholesale level only.

A CPI-based inflation tracks the year-on-year rise in prices paid by consumers to retailers. Most countries use the CPI as a measure of inflation, as it actually measures the increase in price that a consumer ultimately pays. CPI is the official barometer of inflation in many countries such as the United States, the United Kingdom, Japan, France, Canada, Singapore and China. The governments there review the commodity basket of CPI every 4-5 years to accommodate the changes in consumption pattern.

Negative Inflation and implication on Indian Economy

The Wholesale Price Index (WPI) based weekly inflation rate has gone into negative territory for the first time in the last 32 years. The inflation rate had last turned negative in 1977. After the wholesale price index (WPI) series started in 1995, the rate turned negative for the first time in the week ended June 6, falling to minus 1.61 percent. India's annual rate of inflation is in the negative territory since then and it was minus 0.21 percent for the week ended Aug 22, up from minus 0.95 percent the week before.

In general, the negative inflation rate or deflation is not good for a country's growth as it translates into lower consumer and manufacturing activity due to falling prices. But the current negative trend in inflation level is not a matter of concern to the policy makers as it is happening because of the base effect. As the prices were at very high level last year, the negative inflation is more of a statistical issue.

One of the major reasons for the negative inflation, based on the WPI, is the high fuel prices during the corresponding period last year. International crude oil which are currently priced at approximately $70 a barrel, was trading around $140 a barrel during the same period last year due to which the fuel and power index reported a 12.8 per cent dip with respect to previous year. On the other hand, the primary articles group reported a jump of 0.1 per cent. Similarly, the food articles index which represents cereals, pulses, vegetables, milk etc also reported a jump from 8.6 per cent to 8.7 per cent.

Experts are of the view that the situation here is more like a negative inflation rather than deflation. The industrial output is very much in the positive territory, moreover the inflation based on the consumer price index is also around eight per cent.. Impact of this WPI-based negative inflation on an individual's day-to-day life will be quite negligible. Also, the inflation rate is expected to remain in the negative zone for the next few weeks before it comes back into positive territory towards the last quarter of this calendar year.

There are some economists who are of the view that negative inflation is due to the 'erroneous method' of calculating inflation. Economists V Shunmugam and D G Prasad working with India's largest commodity bourse -- the Multi Commodity Exchange -- have come out with a research paper arguing that the government urgently needs to change the method of calculating inflation.

According to Shunmugam and Prased the flaws in the current method of calculating inflation are :

- WPI series of commodities were constituted in 1993-94; but has not updated it till now, therefore economists argue the Index has lost relevance and can not be the barometer to calculate inflation.

- WPI is supposed to measure impact of prices on business.

- The paper says the main problem with WPI calculation is that more than 100 out of the 435 commodities included in the Index have ceased to be important from the consumption point of view. For example,

- Coarse grains that go into making of livestock feed. This commodity is insignificant, but continues to be considered while measuring inflation.

- List of Indian Made Foreign Liquor has just five archaic brands even though there are lots of brands available in the market today

- WPI lists just 10 varieties of toffees manufactured by two brands — Parrys and Nutrine

- Saridon is the WPI's brand of choice among the analgesic medicine available in the market and Kolkata-based Deys Medical for personal grooming products such as hair oil.

- Dalda or Rath continue to be the brands in the category of vanaspati oil

- In1993-94, pagers sold more than mobile phones as did scooters compared to motorcycles and cars therefore WPI basket does reflects market categories either

- It does not factor in services which have assumed so much importance in the economy.

Should India switch to CPI?

Even though CPI is been used by most of the countries to calculate inflation, it will be difficult for India to switch to CPI based system as there are many intricate problems from shifting from WPI to CPI model.

According to Finance Ministry officials it is difficult to adopt CPI as measure of inflation because, first of all, in India, there are four different types of CPI indices, and that makes switching over to the Index from WPI fairly unwieldy. The three CPI series are: CPI Industrial Workers; CPI Urban Non-Manual Employees and CPI Agricultural labourers.

Secondly, officials say the CPI cannot be used in India because there is too much of a lag in reporting CPI numbers, WPI is published on a weekly basis and the CPI, on a monthly basis.

Indian Economy : Future ahead

The base year for the current WPI series is 1993-94. It has The 435 commodities in WPI index includes 98 primary articles, 318 manufactured products and 19 fuel and energy sources as well as lubricants and most of these products have lost relevance in the current scenario.

Most experts are of the view that the inflation will continue to be in the negative zone for some more time, but the chances of inflation levels staying below zero for a sustained period are remote, however the current negative inflation will not hurt the market sentiments adversely. Analysts believe the RBI will not take any quick measures just because of this negative inflation numbers. The RBI would rather wait and watch the overall developments before taking any further measures with respect to its policy.

Even though it is the best time for the business entities as they can take advantage of the low prices of inputs. But the Government must consider revising method to calculate WPI.

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Sugar Explosives

Ms. Areej Aftab Siddiqui

Recently an intriguing case emerged off the southern coast of India. A mysterious vessel was spotted in the territorial waters off the Andamans by Indian authorities and was detained after a more than six hour tense chase. In a manner of an international suspense thriller, the vessel refused to respond at first, then tried to escape, forcing coast guard officers to fire in the air and finally obeyed.

On interrogation it was found that the vessel was a North Korean merchant vessel, MV Mu San , carrying 16,500 tonnes of sugar on its way from Thailand to Umm Qasr in Iraq. It had on board the ship's captain, Yong Jung Sun, and his 38 member crew.

The explanations given by the crew members aroused suspicion as the claim that they came to make a quick killing on eased tariffs did not dovetail with the other assertion of the ship's captain that they changed direction towards the Andaman Islands because of "mechanical failure". The focal reason was an announcement by the Indian Government that lead MV Mu San to change its destination mid-course.

The sugar industry in India is in total disarray today. With drought like conditions affecting sugarcane cultivation, prices are touching a record high. Wholesale sugar prices have soared from Rs 2,450 to Rs 3,050 per quintal. Retail sugar prices are over Rs 35/kg and are expected to go higher. The global prices went up from $420 to $560 per tonne registering a 28 year high as Brazil, the biggest sugar producer, lost most of its crop to heavy rains.

To counter this sugar crisis the Union Government is considering the option of importing sugar from abroad, restrict bulk consumption and crack down on hoarding. On 31st July 2009, the much awaited announcement from the Union agriculture minister Sharad Pawar came. According to which the prevailing 4% import duty on sugar imports was waived off. This meant private firms could import sugar at zero duty.

According to the International Sugar Organisation, London, the global demand for sugar will exceed output by 5 million tonnes through September 2010. With India lifting the 4% import duty on sugar , getting the 16,500 tonnes of the ship's cargo would have meant returns of tens of thousands of dollars. Within hours of this announcement, the ship's charter in India decided to make a killing by diverting the vessel to Kakinada on Andhra Pradesh coast. The ship's agent who had earlier planned to sell the sugar in Iraq, realised that the prices of sugar in India were soaring and that it would be more profitable to sell sugar in India.

The minister had made the announcement on July 31st 2009, but the gazette notification was expected only around August 5th 2009. The captain informed the charter that he would reach the Indian shores by August 3rd 2009, however slow he moved. The charter instructed the captain to slow down and take shelter to ensure that the consignment reached only after the zero duty came into effect. The charter offered Yong $7000 for each day that he delayed the consignment.

The ship dropped its anchor off Hut Bay on August 3rd 2009. For two days, the ship went unnoticed but on August 5th 2009, passengers of a ferry informed Indian Authorities of a suspicious ship off Hut Bay.

North Korea's nuclear program is a matter of global concern and subject to United Nations sanctions . The ship had to undergo a more intensive search to rule out any secret compartments hiding the “real” consignment, which could have been anything from contraband to nuclear components. The conduct of the captain and the fact that North Korean ships are suspected to transfer nuclear components had evoked enough suspicion to keep the investigators interested. An examination of the ship had revealed that there was nothing wrong with the piston of the engine which as stated by the captain had forced him to change direction.

After detention of Mu San, preliminary examination by experts from Kalapakkam in Port Blair found that the vessel was actually carrying sugar and has ruled out the presence of any radioactive or nuclear substances. The agencies involved in the investigations were planning to take the ship to either Chennai or Kakinada port in Andhra Pradesh for more thorough checking to establish it doesn’t contain any contraband.

In another dramatic twist, it was found that the vessel made other erratic and suspicious stops along the way. Mu San had docked unscheduled in Singapore without following the routine passport stamping procedure.

It was also learned that the ship had in the past “made several voyages between North Korea and China without maintaining proper records.” It is alleged that North Korea has been a beneficiary of Chinese technology and materiel transfer.

Apart from China Mu San had also visited Karachi (Pakistan) last year. On being quizzed about the visit the captain maintained that the visit was for delivery of cargo alone. Indian officials are concerned about Mu San’s mysterious behaviour as North Korea is known to have helped Pakistan develop its missile capability and its military nuclear programme.

It is also believed that North Korea has been aiding Burma (now Myanmar) in its nuclear programme. In June 2009, the North Korean cargo ship Kang Nam, headed for Myanmar was the first to be monitored by the U.S. Navy under a new system to track arms shipments covered under the U.N. sanctions. Kang Nam had to eventually turn and head for home. It is alleged that Pyongyang (in North Korea) is helping fellow pariah state Myanmar build a secret nuclear reactor and plutonium extraction plant for an atomic bomb.

Pyongyang is seen as an active proliferator of nuclear and missile technology with countries like Iran and Syria named by senior US officials as buyers of the know-how.

In April 2009, North Korea had rejected a 2007 deal under which Pyongyang would receive security guarantees and fuel in return for halting its nuclear weapons drive. In May 2009, Pyongyang staged a massive nuclear test, leading to a UN Security Council resolution calling for further inspections of air, sea and land shipments going to and from North Korea, and an expanded arms embargo.

The Indian security brass feared that the lack of any suspicious material on board M V San could have been on account of two reasons: either the vessel had already offloaded the "suspect" consignment — possibly comprising nuclear components — in Myanmar or it was waiting for another rogue ship to come in with the "real" consignment.

Owing to the above instances, the proliferation potential of the *Mu San* had to be thoroughly checked by India owing to obligations under UN Security Council Resolution 1874, which encourages member states to search North Korean cargo on land, sea and air for fissile substances or related technologies.

This incident was nothing new for North Korea as it is a well known fact that North Korea has been an active supplier of missiles and other weapons of mass destruction to tense or unstable parts of the world. This has been a major concern of the United States and its allies. North Korea had walked out of six-party talks which had aimed at reining its nuclear weapons program. It fired a barrage of short-range missiles in launch tests in May 2009 and exploded a nuclear device on May 25^{th} 2009. This resulted in tougher UN sanctions that Norh Korea has ignored. Hence, North Korean ships are occasionally stopped and inspected.

There have been cases in the past when North Korean vessels were stopped on suspicion of shipping weapons of mass destruction, components or chemicals between 1992-2003. None of them were prosecuted as the cargo was either undetermined, legal or of "dual-use".

As of now Mu San is in India for further investigations. A vessel which had plans of earning profits due to eased tariffs is in a soup. Mu San's greed brought it to India. The ball is India's court now,so as to buy the 16,500 tonnes of sugar which is God's gift in todays era of drought or to send the consignment back to its original destination.

News Briefs

India's Q1 GDP up 6.1 pc, meets forecasts

31 Aug 2009, 1105 hrs IST, REUTERS

NEW DELHI: India's economy grew 6.1 per cent in the June quarter from a year earlier, roughly in line with forecasts, as government stimulus measures helped spur demand, although a poor monsoon threatens to crimp growth later in the year even as it drives inflation. (Watch)

The economy accelerated from its 5.8 per cent rate in the previous quarter, data showed on Monday, propelled by a pick-up in activity in the mining, manufacturing, electricity and services sectors from the previous quarter.

Growth was just above analysts' median forecast of 6 per cent annual expansion, and economists said weakness in agriculture could be offset by growth in manufacturing and services later in the year.

Abheek Barua, chief economist at HDFC Bank in New Delhi, expects growth for the full year of 5.8 per cent, with agriculture declining by 3 per cent, although strength in industrial output and services may prompt him to lift his forecast.

He expects the Reserve Bank of India to hold off on any tightening measures until the end of 2009.

"I think by January they would want to send some kind of monetary signal to thwart inflationary expectations," he said.

"By April policy we will see the first rate hike of 25 basis points preceded by a 50 basis point increase in CRR (cash reserve ratio)," he said.

Data showed manufacturing output expanded 3.4 per cent in the June quarter while farm output was up 2.4 per cent.

The services sector grew 7.8 per cent in the June quarter, compared with 10.2 per cent in the same year-ago period.

The benchmark stock index trimmed losses to 1 per cent from 1.1 per cent before the data release.

The benchmark 10-year bond yield was unmoved at 7.45 per cent, its highest in 9-½ months, from before the release of the data. The partially convertible rupee was unchanged at 48.85/87 from earlier.

MONSOON BLUES

In the 2008/09 fiscal year to March 31, India's economy grew 6.7 per cent, its weakest in six years and well below rates of 9 per cent or more in the previous three years.

Just as early signs of recovery were visible with rising sales of cars and homes, the economy was jolted by the worst rainfall since 1972, with drought-like conditions engulfing 40 per cent of the country's districts.

However, last week the Reserve Bank of India warned that the poor monsoon is more likely to drive inflation than to curb growth. The index of food prices jumped 13.3 per cent in the year through Aug 15, even as India's wholesale price index fell for the 11th straight week.

The Reserve Bank of India (RBI) cut its key lending rate by 425 basis points between October and April, while the government has slashed duty rates and stepped up spending to pump-prime the economy and prevent massive job losses.

Last month, the RBI estimated growth during 2009/10 at 6 per cent with an upward bias. The finance minister said last week growth could rebound to 8 per cent next year.
The annual growth for India's fiscal first quarter was just above a median forecast of 6 per cent in a Reuters poll, but lower than the year-ago quarter's 7.8 per cent expansion.

The manufacturing sector expanded 3.4 per cent in April-June from a year earlier, while farm output grew an annual 2.4 per cent, government data showed on Monday.

For the full year, India's economy grew 6.7 per cent in 2008/09, much slower than its expansion of 9 per cent or more in the previous three years.

Economists have said poor monsoon rains could erode economic growth by 1 or 2 per centage points in the current fiscal year, although the central bank said last week that dry conditions are more likely to drive inflation than erode growth.

India's economy is expected to improve in the coming quarters, plan panel deputy chairman Montek Singh Ahluwalia said on Monday, after government data showed the economy grew faster than expected in the June quarter.

"The worst may be over," he said. The economy grew 6.1 per cent in April-June from a year earlier, just above a median forecast of 6 per cent in a poll.

Global Outlook: So far, so good on recovery

3 Sep 2009, Andres Carbacho-Burgos, Economic Times

For now, though, the main story of recovery is in Asia, where China seems to have recovered from its hiccup in the early part of the year, thanks to a vigorous fiscal policy response, and seems like it may regain its prerecession growth rate. India is a similar story. Even Japan is starting to show some signs of life as the world economy recovers and exports start to pick up. Thus, all of the major Asian economies are showing higher levels of industrial production.

For the moment, East Asia seems to be recovering well, with the exception of Japan, where only a significant injection of domestic demand to accompany export recovery can hope to pull the economy out of the doldrums.

The August GDP figures for France and Germany were good news for a European economy that has been struggling over the past year and indicate that at least for the economies in the France-Germany-Benelux core, recovery may be starting. Observers have pointed out, though, that Germany is still substantially below its potential output. France is also substantially below potential output, though not as deep as Germany.

Nevertheless, the recovery process will lag in Europe compared with the the rest of the world for several reasons. First, the fiscal stimulus has been enacted in most countries, but only in France and the U.K. has the stimulus been strong enough to have a perceptible impact on the economy. Second, the economies in the euro zone periphery are still struggling and show little sign of recovery as of yet.

Third, Western Europe's financial system remains exposed to the fortunes of Central and Eastern Europe, where most countries have not begun to recover and where negative GDP and rising unemployment are actually smaller dangers than the highly fragile financial systems. The financial situation of Eastern European countries ranges from unpleasant (Poland and Turkey) to critical (Ukraine).

While a combination of bailout guarantees to European banks and intervention by the International Monetary Fund and private creditors will most likely prevent a financial crisis resulting from CEE defaults, the region still has to go through a period of retrenchment-IMF-directed or otherwise-that will keep growth low and reduce its potential as export markets to Germany and the other Western European economies.

Anatomy of recovery

The other regions of the world economy don't face the difficulties that Europe faces and will experience somewhat faster returns to average growth rates. With the housing market recovering and the fiscal stimulus taking effect, both the US and Canada seem set to start growing again before the end of the year, though in the case of the U.S., unemployment may not peak until well into 2010.

The rest of the world economy will recover sometime after China and before Europe. One important caveat, though, is that China's stable postrecession growth rate will be a mere 9% per year, as much of the growth in the four years before 2009 was fueled by extensive debt buildups in the US, and to a lesser extent in Europe, and was thus unsustainable in the long run.

The recovery will be gradual for most countries other than China, with GDP growth definitely more U-shaped. It is also unlikely that the U.S. or smaller economies whose growth was fueled by a debt-led housing bubble will be able to maintain their 2003-2006 growth rates in the long term, though the US may well exceed this rate in the recovery period as it returns to full capacity and low employment. The world economy will grow slowly in 2010 and gather speed in 2011, and most economies will not regain their prerecession levels of employment and output until the end of 2012.

Downside risks

As with any economy just recovering from recession, the risks to the world economy are to the downside and relate to the still-fragile financial system. The residential real estate bust may have caused the recession, but the potential remains for rising unemployment and low spending to trigger more business failures and a second serious round of debt write-offs. In the U.S., the recession has led to a surge of business bankruptcies not seen since the early 1980s, a pattern evident to a lesser extent in France, Japan and the U.K.

In China, the financial system also poses risks, although more because of lax regulation and loose credit than because of the recession. Credit has expanded after government's massive stimulus, without regard to credit quality or repayment prospects. The reaction to the crisis has thus exacerbated China's financial fragility. A wave of defaults would leave the government with the unpleasant choice of permitting financial turmoil in the wake of write-offs or erasing bad debt through money creation and inflation. Thus, risks of a double-dip recession remain in the picture, though financial authorities in all major regions will now be more alert than they were two years ago.

(The author is an economist at Moody’s Economy.com)

US recession may be easing, but job market weak

1 Aug, 2009, Economic Times

WASHINGTON: The American economy may be heading out of the woods with new government numbers showing signs of easing recession laying the groundwork for growth in the months ahead. But the job market still remains weak with working people haunted by fear of layoffs.

A Commerce Department report on gross domestic product (GDP) Friday shows America's steep economic downturn eased in the spring, with economic output shrinking at a 1 per cent annual rate in the April-through-June period.

That compares with a 6.4 per cent rate of decline at the beginning of the year, itself a downward revision from the 5.5 per cent decline originally reported for the first quarter.

The improvement came about in part due to an 11 per cent boost in federal government spending, along with a more modest decline in exports, down 7 per cent, compared with a 30 per cent drop in the first quarter.

But the report also points to one of the key threats to expansion as it shows that consumers, who account for about two-thirds of economic activity, are still in lockdown mode, reluctant to make purchases.

The job market remains weak, and even those who still have work are fearful of layoffs and stung by lost stock market and housing wealth. The situation is underscored by a 1.2 per cent drop in personal consumption expenditures in the second quarter, which occurred despite a tax cut.

New revisions to past data indicate that the economic output was weaker throughout the recession of the past 19 months than originally reported.

The Commerce Department had previously estimated that GDP, which captures the value of goods and services produced within US borders, rose 1.1 per cent in 2008. That was revised down to 0.4 per cent.

Meanwhile, the International Monetary Fund said Friday the sharp contraction in the US economy "seems to be ending" but recovery will be slow with risks still looming from the weak labor and housing markets

In its annual report on the US economy prepared before release of US data, The IMF stuck to earlier forecasts that gross domestic product will shrink by 2.6 per cent in 2009 and then rise by 0.8 per cent in 2010.

"As a result of their increasingly strong and comprehensive policy measures, the sharp fall in economic output seems to be ending, and confidence in financial stability has strengthened," it said.

"Nevertheless, with financial strains still elevated, the recovery is likely to be gradual, and risks are tilted to the downside," it said.

Services may land sops in trade policy

1 Aug, 2009, Economic Times

NEW DELHI: The government may give incentives to the services sector battling the global downturn in demand in the foreign trade policy to be announced next month, commerce and industry minister Anand Sharma has said.

“We are talking to the services sector. I am sure it (FTP) will address the short-term challenges (of the sector),” Mr Sharma said in a seminar on Friday. He added that the government would help the industry to increase services exports.

Due to shrinking demand in the global markets and the pressure on prices, growth projections for the IT and the BPO sectors have already been lowered for the on-going fiscal. Industry body Nasscom has lowered IT growth projection to about 4%-7% and BPO growth projection to 15%-18%. The relatively low growth projections are despite the fact that domestic demand is high as the dip in exports is likely to continue. India’s services exports in 2007-08 was valued at $ 90 billion.

The minister added that the services sector should try to diversify export market instead of traditional markets like the US and the European Union. “There has to be diversification in addition to the traditional destinations and we are advising the industry to explore the emerging markets (and) focus on Africa and Latin America in addition to looking at Far East,” he said.

India’s has 2.7% share in the global services market and hopes to increase in to 4% in the next few years. The government is trying to negotiate mutual recognition agreements (MRAs) with all countries with which it is exploring bilateral trade agreements. MRAs allow countries to recognise each other’s professional qualifications making it easier for service providers to work in the other country.

China economy to improve, bubbles a concern: BoCom

1 Aug, 2009, Economic Times

BEIJING: China's economy is expected to expand 8.5 per cent in 2009, and its growth will accelerate to 9.8 percent next year, an economist at Bank of Communications (BoCom) said on Saturday.

Lian Ping, chief economist at the fifth-largest bank in China, said strong growth in domestic demand had partially offset the drop in external demand in the first half of the year, and the trend will continue into the second half.

"In the second half, investment growth...is set to accelerate, with consumption maintaining its upward momentum," Lian said.

"China's export growth is slated to bottom out in the second half too," Lian told reporters in a media briefing.

The bank's current projection of China's gross domestic production (GDP) for 2009 is higher than its February's estimate of 8 percent. Major international agencies, such as the World Bank and OECD, have recently raised forecasts for China's GDP growth for this year.

China's export-oriented economy has been hit hard by the slump in overseas demand, but encouraging signs emerged in recent months. In July, China reported a 7.9 percent growth in GDP for the second quarter.

However, Lian noted that with the economy recovering, potential asset bubbles were a concern.

"Under the triple impacts of economy recovering, inflation expectation and hot money inflow, the rising pace of asset price would increase," he said.

Consumer prices in China are likely to turn positive in the fourth quarter, said Lian said, that the yearly figure will come at around -0.5 percent.

China's central bank said last week consumer prices were stabilising after months of declines and could bottom out at the end of the third quarter before rebounding.

Morgan Stanley says mid-cap banks are 'attractive'

3 Aug, 2009, Economic Times

Morgan Stanley recommended taking on more risk in the mid-cap bank space, saying second-quarter earnings were slightly better than expected and it now has greater confidence in its "attractive" industry view.

"Stronger-than-expected net interest margin and higher earning asset balances more than offset a sharp decline in loan balances, driving top line growth. While non-performing loans continued to rise, the rate of growth is slowing," analysts Ken Zerbe and Yoana Koleva wrote in a note to clients.

The recent capital raises allow the banks to more easily absorb rising credit losses, the analysts said.

"While the industry still faces considerable credit headwinds from deteriorating commercial portfolios and rising unemployment, we believe the group provides a compelling investment opportunity for investors with a long-term time horizon," they said.

Though banks are likely to see rising credit losses over the next several quarters, "we believe this is more than priced into the shares," the analysts said.

The analysts see the greatest upside in companies that are trading below tangible book value, but have raised capital to support the workout of their problematic loan portfolios, including South Financial Group Inc, Webster Financial Corp and Zions Bancorp.

The analysts' top "underweights" include Cullen/Frost Bankers Inc, M&T Bank Corp, TCF Financial Corp and Westamerica Bancorp.

Renewable energy sector may witness hefty increase in M&A Activities

11 Aug, 2009, Economic Times

A significant increase in the M&A activities is expected in the renewable energy (RE) sector in India , as a wave of consolidation hits the industry, says Ernst & Young's 'Renewable Energy in India – The Evolving Dynamics' report.

According to the report, despite numerous challenges, opportunities in the renewable energy space are attracting various types of developers/investors. Among key emerging players are conventional energy developers looking to diversify into clean energy, large international utilities wishing to participate in the Indian opportunity, private equity-backed renewable energy development companies, and companies with existing renewable energy assets looking to expand their portfolio, among others. All these players are seen to be pursuing both organic and inorganic expansion strategies.

India has seen significant transaction activity with deals worth $2,155 million being announced between January 2005 and July 2009. The average deal size (based on deals with announced value) stood at $69.5 million during the same period. Huge demand-supply gap in power, depletion of fossil fuels and energy security have been the key drivers behind sustained investments in the sector.

The transaction activity is skewed by Suzlon's acquisition of REPower as this transaction, worth $1,327 million, itself accounts for 61.6% of transaction activity in value. Another significant transaction was Gammon India's acquisition of a 50% stake in Sofinter for $101 million. Private Equity (PE)/Venture Capital (VC) players have also shown a keen eye and have invested $527 million, 24% of the total transaction value in India.

Wind has the maximum share of approximately 79% of the transactions in the renewable energy space during January 2005 and 21 July 2009. Biomass, hydro, solar and others (having presence in all renewable energy segments) share the remaining part of the pie.

The PE/VC investment accounts for only 24% of total transaction value. However, if the transaction activity is observed in terms of the deal count, they have a substantial share. In fact, 20 of the 37 transactions between January 2005 and 21 July 2009 were by the PE/VC players. These players are chasing up the innovative players while several funds with specific renewable energy mandates have contributed to the transaction activity.

Kuljit Singh, partner and transactions advisory leader for infrastructure, real estate and government, Ernst & Young, says, "In the near time frame, a significant number of assets are expected to change hands with some of the existing project owners refocusing efforts on core areas, raising finances by selling non-core assets and de-leveraging balance sheet in case of assets which are on the balance sheet of the main company etc."

Crude oil rebounds on firm global cues

13 Aug, 2009, Economic Times

NEW DELHI: Crude oil prices rebounded marginally to trade higher by 0.34 per cent on the Multi Commodity Exchange today as speculators indulged in creating fresh positions in tandem with firming global trend.

Trading sentiment turned better on reports of oil prices rose in Asian trade after the Federal Reserve said the recession-hit US economy was stabilising.

Crude oil for September contract gained 0.34 per cent to Rs 3,498 per barrel with an open interest in 5,634 lots. It had lost 0.34 per cent in yesterday's trading.

Similarly, the oil for delivery in current-month August contract edged up by 0.24 per cent to Rs 3,408 per barrel, clocking an open interest in 9,836 lots.

Marketmen said fresh buying by speculators in tandem with firming global trend mainly led to recovery in crude oil prices at futures market here.

Meanwhile, New York's main contract crude for September delivery traded higher by 55 cents to 70.71 dollar a barrel.

BlackBerry is world's fastest growing company: Fortune

18 Aug, 2009, Economic Times

TORONTO: BlackBerry-maker Research In Motion (RIM) tops Fortune magazine's list of the world's 100 fastest-growing companies.

It is the first time that Fortune has opened its list of the top 100 fastest growing companies to businesses from around the world.

Apple, which is BlackBerry makers' main rival in the global smart phone market, is way down the list at 39th spot.

Potash Corporation of Saskatchewan Inc, which is the world's biggest fertiliser company, is another Canadian firm among the top 10 in the Fortune list.

Among the top 10 are also two companies from China- Shanda Interactive Entertainment and a website.

Others in the top 10 are California-based Sigma Designs, Ebix of Atlanta, Texas-based DG Fastchannel, CF Industries of Illinois, Arena Resources of Oklahoma and Massachusetts-based Bruker Corp.

BlackBerry maker RIM currently controls 56 per cent of the smart phone market in the US.

Based at Hamilton near Toronto, RIM has just reported net revenue of $3.42 billion for the first quarter of fiscal 2010- up 53 per cent from the same period last year.

Defying market forecasts, it has posted a record quarterly profit of $643 million as against $482.5 million during the same period last year.

The wireless communication giant, which has currently about 12,000 employees on its rolls, has also extended its market from corporate types to common consumers.

Giving credit to them for this, Fortune magazine says RIM co-CEOs Jim Balsillie and Mike Lazaridis are "more than holding their own" against Apple head Steve Jobs.

Apple had mounted a huge challenge to the BlackBerry maker last year by launching its iphones.

However, Fortune warns RIM that competition is "getting increasingly stiff" with changing consumer demands.

Currently, BlackBerry has a subscription base of about 29 million in about 150 countries.

At about $80, RIM shares are still almost half of the $150-peak they touched early last year.

To be eligible for the list, foreign companies should be traded on a US exchange and file quarterly reports. Fortune ranks the companies on the basis of three years of revenue and profit growth and total return.

Asian economies outpace US and Europe on growth track

19 Aug, 2009, Economic Times

SINGAPORE: Asia is outpacing the United States and Europe in the rebound from the global economic slump, thanks to multi-billion dollar stimulus packages and robust demand from China, analysts said.

Second-quarter indicators showed the region's recession-hit economies such as Singapore and Hong Kong have returned to the growth path despite sluggish demand from the US and European markets, their main export destinations.

Countries with bigger domestic populations, including China, India, Indonesia, South Korea, the Philippines and Vietnam, have been growing during the global downturn although the pace has slowed.

Japan, the world's second largest economy, lumbered out of recession in the second quarter and Prime Minister Taro Aso credited the government's stimulus package for the achievement.

In contrast, US gross domestic product was estimated to have shrunk 1.0 per cent in the second quarter, and the eurozone economy dipped a milder than expected 0.1 per cent after Germany and France emerged from recession.

US-based credit ratings firm Standard and Poor's said that five of the 14 Asia-Pacific economies it covers will post positive growth this year, with nine expected to report contractions.

But by next year, all 14 should post year-on-year growth, led by China's projected expansion of 8.0-8.5 per cent.

The US economy is forecast to contract by 2.9 per cent this year and grow 1.5 per cent in 2010, it added.

Asian economies were hammered after a crisis in the US housing market sparked global financial and economic turmoil late last year.

Some analysts said the impact on Asia showed that the region's fortunes remain largely linked to the West and that there would be no recovery until after the industrialised economies had rebounded.

But the speed and strength of the region's recovery showed it is not entirely dependent on the US economy.

"The pattern we're seeing is that while the US remains a very significant contributor to Asian growth, it has become less significant over time," Subir Gokarn, Standard and Poor's chief economist for the Asia Pacific, said at a recent media briefing in Singapore.

"The ability of the Asian region to use its domestic policy instruments... and also take advantage of what is a growing regional market is helping it sort of move a little bit ahead of the recovery in the US and Europe."

Global recovery has started, says IMF

19 Aug, 2009, Economic Times

WASHINGTON: The global economic recovery has begun but sustaining it will require refocusing the United States toward exports and Asia toward imports, the International Monetary Fund's chief economist said.

In an article released by the IMF on Tuesday, Olivier Blanchard also said potential economic output may be lower than it was before the financial crisis struck.

"The turnaround will not be simple," Blanchard said. "The crisis has left deep scars, which will affect both supply and demand for many years to come."

He said US consumption, which accounts for about 70% of the US economy and a large chunk of global demand, would not quickly return to pre-crisis strength as households cope with trillions of dollars in losses from the falling housing and stock markets.

He said the financial crisis had made Americans more conscious of "tail risks" — events that are unlikely to occur, but when they do have devastating consequences.

That means US consumers are unlikely to return to their free-spending ways, and both the United States and its trading partners will have to adjust. Emerging Asian countries, especially China, must play a big role.

"From the point of view of the United States, a decrease in China's current account surplus would help increase demand and sustain the US recovery," he said. "That would result in more US imports which would help sustain world recovery."

But in order for China to boost domestic demand, it will need to provide a stronger social safety net and increase household access to credit, which will encourage its consumers to save less and spend more.

"Both higher Chinese import demand and a higher (yuan) will increase US net exports," he said.

EJ Classroom : About the Price Index

The price index is an indicator of the average price movement over time of a fixed basket of goods and services. The constitution of the basket of goods and services is done keeping in to consideration whether the changes are to be measured in retail, wholesale, or producer prices etc. The basket will also vary for economy-wide, regional, or sector specific series. At present, separate series of index numbers are compiled to capture the price movements at retail and wholesale level in India. There are four main series of price indices compiled at the national level. Out of these four, Consumer Price Index for Industrial Workers (CPI-IW), Consumer Price Index for Agricultural Labourers / Rural Labourers (CPI -AL/RL), Consumer Price Index for Urban Non-Manual Employees (CPI-UNME) are consumer price indices. The Wholesale Price Index (WPI) number is a weekly measure of wholesale price movement for the economy. Some states also compile variants of CPI and WPI indices at the state level.

WPI is also compiled by many states covering state level wholesale transactions. Presently WPI series compiled are -- Assam (base 1993-94), Bihar (1991-92), Haryana (1980-81), Karnataka (1981-82), Punjab (1979-82), U.P.(1970-71) and West Bengal (1980-81). Most of the state series are cover agricultural commodities only.

The classification structures adopted in the WPI (1993-94) series is as below:-

Major Group/Groups

I. Primary Articles i) Food Article ii) Non-Food Articles iii) Minerals	**II. Fuel, Power, Light & Lubricants**
III. Manufactured Products i) Food Products ii) Beverages, Tobacco & Tobacco Products iii) Textiles iv) Wood & Wood Products v) Paper & Paper Products vi) Leather & Leather Products vii) Rubber & Plastic products viii)Chemicals & Chemical Products xi) Non-Metallic Mineral products x) Basic Metals. Alloys & Metal Products xi) Machinery & Machine tools xii) Transport Equipment & parts	

Happenings at AIBS
Global HR Summit

Amity International Business School and Amity Global Business School, Noida, organized Asia's biggest conclave of management professionals, the annual event Global HR Summit on Thursday, August 27, 2009 and Friday, August 28, 2009 which was held at the AIBS campus, Sector-44, Noida, with a focus on the theme - **"Reorganizing, Reengineering & Reformation of HRM during Recession".**

On the first day, the convention of management professionals witnessed the presence of eminent personalities such as Dr. U.D.Choubey- Director General, Standing Conference of Public Enterprises (SCOPE) and Mr. Naveen Munjal - MD, Hero Electric Ind., Mr. B.C Tripathi, CMD, GAIL; Mr. C.M. Iyer, COO Luxor International; Mr. Vivek Srivastava, Associate Director, KPMG amongst others.

The second day of the Global HR summit was organized on August 28, 2009 in which the Industry Captains and HR heads of global renown such as Mr. Wilfred Kenely, High Commission, Malta; Mr. Manoj Swaraj, CEO, I Next 360; Mr. Arvind Shukla, President, Vayam Technologies Ltd.; Mr. Gautum Chakravarti, Executive Director, Gokaldas Exports Ltd.; Mr. Kunwer Sachdev, MD, Su-kam Power Systems Ltd.; Mr. M.S.Venkatesh, HR- Head, Educomp Solutions Ltd. Ms.Mona Dutta, Director-People Strategy, Sapient; Ms. Ruchi Ahluwalia, Div. Manager-HR, Carl Zeiss India; Ms. Ritu Arora, Asso. Director, Xerox India, enriched the budding young managers with their valuable thought

Prof. Dr. Gurinder Singh Pro-VC (I), AUUP & DG, AIBS delivered the welcome address and in his speech he aptly highlighted the contribution of the personnel in ensuring the prosperous and harmonious progress of their organizations. Very often, when we judge the successful organizations, we see their balance sheet, we see their revenue, we see their goodwill, but often we forget the people who made this happen. Various research studies have pointed out that the balance sheets always become thicker, revenues always become strong, brands and goodwill are made by the committed efforts of the people who are dedicated to their company.

Based on their exemplary performances—affirmed by exhaustive research conducted by AIBS' devoted research team-- laurels of **'Best HR Head', 'HR Excellence'**, '**Best HR Practices'** and **'Best Young HR Manager'** were bestowed upon the management professionals.

This year the Global HR summit witnessed the engagement of over 500 top Management professionals, from renowned organizations such as, FedEx, Mercedes-Benz, PWC, KPMG, Ernst & Young, GE India Business, Reliance Retail, Ranbaxy, RNFS, Scope, BHEL, SAIL, Yamaha Motors, EduComp, TATA Motors, HCL, HDFC Standard Life, UCB, Hero Group, Nestle, The Economic Times, Hindustan Times, among various others.

The Global HR Summit Meet shone the strong interface that AIBS & AGBS, Noida share with the industry and is a gist of the guiding forces of Amity, Dr. Ashok K Chauhan, Founder President (RBEF) and Mr. Atul Chauhan, President RBEF who have always encouraged and extended substantive interaction, cooperation and involvement of the industry in enhancing the academic quality in the nation by sharing Amity's vision of making India a Superpower by 2030.

Mr Naveen Munjal, MD of Hero Electric India being felicitated with the HR Excellence Award

Corporate Meet

Amity International Business School and Amity Global Business School, Noida, organized by AIBS and AGBS on 28^{th} August 2009 at sector 44 campus in Noida. The meet was organized to felicitate the Industry guides with the "**Academia Industry Interface Award**" for their valuable guidance to young budding managers during their summer internship.

Several invigorating and cultural activities, including Best Dressed Couple", live cartoon characters, movie shows, drawing and coloring competitions were organized for the industry guests and the family members accompanying them.

Snapshots of Corporate Meet : Industry guides being felicitated with "Academia Industry Interface Award"