

Weekly Economic Bulletin

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News Feature

Indian April-June GDP grows 9.3 % yr/yr

India's economy in the April-June quarter grew a faster-than-expected 9.3 per cent from a year earlier, led by robust manufacturing and services expansion, and steady farm growth.

The growth rate for India's fiscal first quarter was higher than a median forecast of 8.9 per cent in a poll, and was above the growth of 9.1 per cent in the previous quarter.

Asia's third-largest economy grew 9.4 per cent in the fiscal year that ended March 2007, its fastest rate in 18 years, and the central bank expects expansion of 8.5 per cent this fiscal year.

<http://www.financialexpress.com/news/Indian-AprilJune-GDP-grows-9-3-yr-yr/213657/>

India manufacturing growth at 9-mth high in Aug: PMI

Indian manufacturing activity accelerated strongly in August with the sector expanding at its fastest pace in nine months, reflecting strengthening demand conditions and a revival of inflationary pressures.

While August was a turbulent month on financial markets due to credit worries related to the US subprime market, the ABN AMRO Bank purchasing managers' index (PMI) signaled the strongest improvement in Indian manufacturing operating conditions since November. It rose to a seasonally adjusted 57.9 from 52.9 in July, when it touched its lowest in 28 months.

"The resurgence was driven by solid pick-up in the level of new business and overall output," said Gaurav Kapur, a senior economist at ABN AMRO Bank.

The PMI, compiled by UK-based NTC research and sponsored by the Dutch Bank, tracks changes in manufacturing business conditions by polling 500 companies each month on output, new orders, employment and prices. The series began in April 2005.

A reading above 50.0 signals expansion while readings below 50.0 suggest contraction.

http://economictimes.indiatimes.com/News/Economy/India_manufacturing_growth_at_9-mth_high_in_Aug_PMI/articleshow/2332949.cms

Growth momentum to continue in FY07-08: RBI

The country's economic growth momentum is expected to continue at a strong pace this fiscal but inflation could emerge as the main downside risk, the Reserve Bank of India (RBI) said .

Steady increase in gross domestic saving and investment rates, consumption demand, addition of new capacity as well as more intensive and efficient utilisation and capitalisation of

existing capacity are expected to support growth in 2007-08, the apex bank said in its annual report for 2006-07.

The central bank had earlier in its monetary policy pegged the GDP growth at 8.5 per cent this fiscal. India is the world's second-fastest growing major economy after China and recorded an average of 8.6 per cent growth in the last four financial years ending 2006-07. The country posted a record 9.4 per cent growth in 2007-08.

The annual report said, a higher growth in demand is placing greater pressure for accelerated expansion of supply of infrastructure, despite some efforts to remove supply constraints in the sector. Capacity utilisation was especially stretched in sectors such as electricity generation, roads, ports and major airports, the RBI said.

http://economictimes.indiatimes.com/News/Economy/Growth_momentum_to_continue_in_FY07-08_RBI/articleshow/2323732.cms

Overseas investment

Forex kitty bigger by \$2.4 billion

After two weeks of consecutive fall in reserves, the forex kitty went up by \$2.404 billion to \$228.849 billion for the week ended August 24. Market participants attributed it to the revaluation of currency assets particularly that of euro and sterling.

The reserves had fallen by \$2.551 billion to \$226.445 billion for the week ended August 17, said the RBI's Weekly Statistical Supplement.

The foreign currency assets went up by \$2.402 billion to \$221.505 billion. Foreign currency assets, as expressed in dollars, include the effect of appreciation or depreciation in non-US currencies (euro, sterling and yen) held in reserves.

The reserves in gold and SDRs remained unchanged at \$6.887 billion and \$2 million respectively. The reserve position in the IMF went up by \$2 million to \$455 million.

<http://www.blonnet.com/2007/09/01/stories/2007090151510600.htm>

'Common FDI norms for cable, DTH, HITS & radio'

Telecom regulator Trai has asked the government to bring the FDI sectoral cap for cable TV services, Direct-to-Home services, Head End in the Sky (HITS) and satellite radio to 74%, making it on par with the FDI sectoral cap for the telecom sector. If accepted, this will mean that the FDI cap for cable TV, DTH and HITS will rise while that of satellite radio will fall.

In a communication to both the department of industrial policy and promotion (DIPP) and also to the information and broadcasting (I&B) ministry, Trai has called for a complete and holistic review of the FDI policy for the various sub sectors in telecommunications and broadcasting.

The logic: "This will lead to consistency in policy and a level-playing field between competing technologies."

Trai has also pointed out to the government that "in the era of convergence where the distinction between voice, internet and video is vanishing, having different FDI limits for different carriage medium was anomalous". The regulator also said that the FDI policy should be consistent across all sectors, as this will ensure "that policies are not a stumbling block where there is a natural convergence of technologies".

<http://economictimes.indiatimes.com/News/News By Industry/Common FDI norms for cable DTH HITS radio/articleshow/2324856.cms>

FDI policy in two weeks: Kamal Nath

The Government is streamlining foreign direct investment guidelines and will be ready with the policy in two weeks, said the Commerce and Industry Minister, Mr Kamal Nath.

While speaking on the sidelines of the textile summit , the Minister said, "Streamlining is in process. In two weeks the policy would be formulated."

<http://www.blonnet.com/2007/09/01/stories/2007090152131000.htm>

Trade News

India hopeful of improved trade ties with Thailand

India expressed the hope that its trade relations with Thailand would vastly increase in the light of the free trade agreement (FTA) negotiations that are currently under way covering trade in goods, services and investments.

This was stated by the Union Commerce & Industry Minister, Mr Kamal Nath, when he met the Deputy Prime Minister and Minister of Industry of Thailand, Mr Kosit Panpiemras, during the Indo-Thailand bilateral talks.

Trade between India and Thailand has grown markedly from a level of \$399.8 million in 1992 to \$2,286 million in 2005-06 and in the first half of 2005-06 (April to September) this was \$1,509 million.

<http://www.blonnet.com/2007/09/01/stories/2007090152341000.htm>

India, Bangladesh to sign MoU to boost exports

Bangladesh will sign a memorandum of understanding (MoU) with India for duty-free export of eight million pieces of readymade garments.

The offer had been made during the 14th summit of the South Asian Association for Regional Cooperation (SAARC) in New Delhi and was firmed up during a subsequent visit of External Affairs Minister Pranab Mukherjee to Dhaka.

Chaired by Bangladesh Chief Adviser Fakhruddin Ahmed, a meeting of the Council of Advisers approved the MoU proposal for duty-free import by the Indian government.

The move comes amidst a steep fall in Bangladesh's readymade garments' exports.

The manufacture has been hit by labour unrest due to bad working conditions and failure to revise wages, while the exports were hit by political turmoil in the second half of 2006.

Growth in the readymade garment industry, the powerhouse of the country's export economy, has slowed with the sector for the first time failing to reach export targets and facing a sharp decline in new orders.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Bangladesh_to_sign_MoU_to_boost_exports/articleshow/2319345.cms

Thailand keen on fostering trade ties

The Deputy Prime Minister and Industry Minister of Thailand, Mr Kosit Panpiemras, told the industry captains that significant synergies between India and Thailand could help in forging stronger business ties.

Mr Panpiemras said: "sometime before the year-end, it is my expectation that Thailand and India will be taking the "early harvest" scheme to the next level of signing a Free Trade Agreement. This occasion will open the doors for further investment and drive trade between the two countries even higher than the estimated \$4 billion expected for 2007".

In a keynote address at a meeting organised by the Federation of Indian Chambers of Commerce and Industry, Karnataka, Mr Panpiemras highlighted the Thai economy's strength and investment potential and opportunities for investors.

He said the planned transition to knowledge-based economy from manufacturing base would open up huge untapped opportunities for Thai and Indian investors.

<http://www.blonnet.com/2007/08/30/stories/2007083052051000.htm>

FTA with Asean likely by Nov

The much-awaited India-Asean Free Trade Agreement (FTA) was expected to be inked at the Asean Summit in November this year when the Prime Ministers meet in Singapore, commerce secretary G K Pillai said.

However, reports said Asean has pointed out persisting differences and hoped that the November talks would give a political push for the agreement to be signed.

The differences are reportedly due to Asean's insistence that India remove petroleum products, palm oil, pepper, tea and coffee from the sensitive list as these constitute a significant portion of their trade with India.

Pillai, who was in Manila last week for talks on the India-Asean (Association of Southeast Asian Nations) free trade agreement, told that "there was positive movement from both sides" and added all modalities were likely to be "tied up" by September 30.

India's bilateral trade with Asean countries has more than doubled in three years, having increased from \$ 9.7 billion in 2002-03 to \$23 billion in 2005-06 with exports from India constituting \$8 billion. With the FTA in place in November, India expects its exports to Asean to touch \$22 billion by 2012.

Though Asean's share in India's foreign trade rose slightly from 6% in 1991 to 9% in 2002, India's share in Asean's trade was a miniscule 1%.

Asean comprises Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

India has offered to start tariff cuts by 2-3% on edible oil annually soon after the FTA comes into force. This is a departure from its earlier stance of reducing it from 2012. Going by the latest offer, tariffs on refined palmoil would be cut from 90% to 60% and those on crude palmoil would be cut from 80% to 50% and significantly, these cuts will have a deadline of 2018, instead of the earlier 2022.

<http://www.financialexpress.com/news/FTA-with-Asean-likely-by-Nov/213125/>

Sectoral News

IT in healthcare likely to clock 18% CAGR by 2010: Analyst

The growth of information technology (IT) in healthcare sector is expected to record a compound annual growth rate (CAGR) of 18 per cent by 2010, an analyst said.

"The quality of healthcare services is changing globally and one of the key drivers for this change is the use of Information Technology (IT) by healthcare providers," stated Anurag Dubey, Industry Analyst, Health IT and Healthcare Delivery Practice at Frost & Sullivan, South Asia and Middle East.

Earlier, there were few hospitals that adopted IT to improve efficiency and provide better services. But in past two years, the number of private hospitals has increased at a good pace," he said.

US-based Frost & Sullivan, a consulting company, has been partnering with clients to support the development of innovative strategies for more than 45 years and has a client base of more than 1,000 companies.

"Today, Tier I hospitals are spending approximately 2 per cent and Tier II hospitals less than 1.5 per cent of turnover on IT. Apart from these, hospitals are also going ahead with the use of some advanced technologies like smart cards, RFID, biometrics and hand-held devices to further improve processes," Dubey said while talking to PTI on the sidelines of a three-day health event.

'IT advancements in healthcare delivery', a conference to be held between August 31 and September 2 in south Goa, is being hosted by Frost & Sullivan.

<http://economictimes.indiatimes.com/articleshow/2320248.cms>

Diamond jewellery sector to grow 25%: IDL chief

Country's diamond jewellery sector is expected to grow by 25% per annum to touch \$3.4 billion in 2007 and \$4.2 billion in 2008, according to Peter Meeus, CEO, International Diamond Laboratories (IDL).

Dubai-based IDL, the new global provider of high quality diamond certificates, is launching its international operations at the India International Jewellery Show (IIJS) in Mumbai from August 30 till September 3. "IDL is focusing particularly on the emerging markets of Asia and Middle East, as they have marked double digit growth in recent years. By making its services available to the world's third (India) and fourth (Middle East) largest diamond consumption markets with strong economic growth and a rapidly developing middle class, IDL aims at pushing the demand for diamond jewellery even more," Meeus said.

Apart from Mumbai, IDL will open offices in the leading diamond centres of Antwerp, Dubai and Hong Kong in the next two months, he said. The new global certification service for diamonds will use the platform to unveil its innovative technology that allows scientifically based and consistent diamond grading.

"IDL stands for a scientific approach to diamond grading. It is for the first time and only gemological lab that provides a much needed standardisation of diamond grades," he said.

<http://www.financialexpress.com/news/Diamond-jewellery-sector-to-grow-25-IDL-chief/213356/>

Sugar exports cross 2 million tonne

Indian sugar exports have crossed 2 million tonne in the crop year to September 30, well up on earlier forecasts, and could rise even further next year, a private trader said. Exports in 2007-08 could reach 5 million tonne if aided by weakness in the rupee, Sandeep Bhura of the India Trading Company said at the Asia International Sugar Conference.

These figures are far ahead of 1.5 million tonne of exports in 2006-07 and around 3.0 million tonne for 2007-08 forecast by minister for state and agriculture, Akhilesh Prasad Singh, last month. A big surplus of Indian sugar has been the main factor weighing down world sugar prices to close to 21-month lows, at around 9.5 cent a pound. S.L. Jain, director general of the

Indian Sugar Mills Association, said that exports of more than 2 million tonne so far this year were possible but making accurate predictions was difficult.

<http://www.financialexpress.com/news/Sugar-exports-cross-2-million-tonne/213154/>

Yarn output increases by 10% in 2006-07

The buoyancy in yarn production has continued during the financial year 2006-07. During the year, the total yarn output is placed at 3,813.40 million kg, up by 10.3% compared to the output of 3,458.3 million kg in 2005-06, according to the data compiled by the Office of the Textile Commissioner.

The growth in cotton yarn production has continued to outpace that in total yarn production. As against 2,520.9 million kg in 2005-06, the output of cotton yarn in 2006-07 was 2,823.7 million kg, an increase of 12%. The production of blended and 100% non-cotton yarn registered only a marginal rise and almost all the rise in output was accounted for by cotton yarn, indicating the consumer preference for cotton fabrics and apparel.

Cotton yarn production was consistently higher during the year. The uptrend in yarn production has been maintained during the year 2007-08 also. During the first two months of the current fiscal, the total yarn output was 652.2 million kg as against 613 million kg during the same period of 2006-07, registering an increase of 6.3%.

<http://www.financialexpress.com/news/Yarn-output-increases-by-10-in-200607/213152/>

'Tobacco exports all set to touch Rs 1,605 cr'

Buoyed by rising demand in Russia, Vietnam, UK, Germany and Belgium, the country's tobacco exports are likely to touch Rs 1,605 crore by the end of current fiscal from Rs 1,506 crore last year, industry body Assocham said.

Domestic tobacco sector in the past few years has come out of recession and growers are set to export more than 60% of their produce in view rising demand overseas, a chamber statement said.

Estimates revealed that in 2005-06 the country exported 1,65,882 tonne of tobacco for Rs 1,404 crore, while during 2006-07 exports were valued at Rs 1,506 crore and quantity was estimated at around 1,70,005 tonne.

"Export potential of Indian tobacco could be much more, provided farmers are paid reasonably well," Assocham president V N Dhoot said. He said tobacco farmers in Brazil are paid \$1.8 per kg against \$2 per kg in Zimbabwe, while in India its only 80-90 cent per kg.

In India, about 6 million farmers are engaged in cultivation of tobacco and about 36 million people are dependent on the tobacco industry.

Of the total exports of tobacco items from the country, unmanufactured tobacco accounts for 80- 85 per cent and manufactured tobacco products account for 20- 25%.

<http://www.financialexpress.com/news/Tobacco-exports-all-set-to-touch-Rs-1-605-cr/213779/>

News Round – Up

NSE becomes world's 2nd fastest growing stock exchange

The National Stock Exchange has become the world's second fastest-growing bourse in terms of number of listed companies, while Bombay Stock Exchange has consolidated its position as the biggest bourse.

NSE recorded a 16.6 per cent jump in the number of listings to 1,274 during one-year period ended July 2007, while BSE has become home to a total of 4,853 companies, the World Federation of Exchanges (WFE) said.

NSE has seen a whopping surge of about 13-times in number of listed companies in nearly 13 years from about 100 firms in 1994-95, after it was recognized as a stock exchange under the Securities Contracts (Regulation) Act in April 1993.

The exchange was next only to a 29 per cent jump in the number of listings at Poland's Warsaw Stock Exchange in the 12-month period ended July, according WFE's monthly bulletin.

NSE has been the third fastest with a growth rate of about 15 per cent since April this year, after Warsaw and Malta Stock Exchanges. However, the one-year growth rate at Malta exchange remained stagnant at 15.4 per cent in July, while that of NSE rose from 15.2 per cent to 16.6 per cent.

<http://www.financialexpress.com/news/NSE-becomes-2nd-fastest-growing-stock-exchange/213305/>

Pvt firms invest record \$3.8 bn in India

Global private equity firms, including Blackstone and Carlyle Group, have made an investment of USD 3.8 billion in 2007 so far in the country, up 50 per cent from the year-ago period.

The record volume has been reached through 81 M&A deals.

Last year, foreign private equity players had invested USD 2.6 billion, data compiled by global consulting firm Dealogic showed.

Carlyle Group is the leading "financial sponsor" in India with investment of USD 777 million via two deals, including acquisition of over six per cent stake in HDFC.

It is followed by Dubai International Capital, which acquired a 2.87 per cent stake in ICICI Bank for USD 741 million, and Blackstone Group with USD 619 million inflow via eight deals.

Financial sponsor is a term commonly used to refer to private equity investment firms, particularly those engaged in leveraged buyout transactions.

Blackstone Group, the world's leading private equity firm, has acquired stake in companies such as Intelenet Global Services, Punj Lloyd and Gokaldas Exports.

<http://www.financialexpress.com/news/Pvt-firms-invest-record-3-8-bn-in-India/213303/>