

Weekly Economic Bulletin

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News Feature

India on the move: Roach

Stephen S Roach, chief economist at the US-based Morgan Stanley, returning from his fourth trip to India in three years, said the South Asian country has achieved breakthroughs in savings and foreign direct investments that would script one of the world's most exceptional economic development stories over the next three-five years.

"I am returning from India with great enthusiasm. India has made solid progress on two counts — savings and FDI — and infrastructure development seems set to follow. These are breakthroughs that can unshackle India's greatest strengths — a high-quality stock of human capital and the magic of its entrepreneurial spirit.

India's national saving at 32.4 per cent in the 12 months ending March 2006 is up significantly from the 25 per cent average of the 1990 to 2004 period.

At the same time, the aggregate investment ratio has moved up to 33.4 per cent as of March 2006, a major breakout from the 26 per cent average of the preceding 15 years. And foreign direct investment is on target to hit \$13 billion in the 12 months ending March 2007, more than double India's previous best of \$5.5 billion hit in the previous year

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=274062

India zooms past China

India has emerged as the most favoured private equity destination attracting \$1,239.22 million worth investments in January, surpassing Asian giants like China and Japan, a study says.

India ranks top in terms of PE investments in January-February and has left behind Asian giants like China with \$ 609 million and Japan with USD 980 million, according to a report by Asian Venture Capital Journal (AVCJ).

The report, on Asia-Pacific emerging as the most attractive region for investment said, the total Asian private equity capital under management rose by almost 30 per cent in 2006 to \$158 billion as compared to \$122 billion in 2005.

http://www.financialexpress.com/latest_full_story.php?content_id=154158

Overseas Investment

FDI inflow may double in 2007

Inflows of foreign direct investment (FDI) into India have increased significantly during the current financial year, according to the minister of commerce and industry Kamal Nath.

The inflows are likely to be more than double the amount recorded in 2006, said Mr Nath while presiding over the meeting of the parliamentary consultative committee on Tuesday.

FDI equity inflows during April 2006 to November 2006 were \$7.2 billion, which is the highest ever for equity capital since economic liberalisation. Mr Nath said that monthly inflows this fiscal crossed \$1 billion during July, October and November 2006.

The higher inflows as well as the new credit rating reflected growing investor confidence in India, the minister added. According to him, FDI inflows by the end of this fiscal would reach \$12 billion. This means an unparalleled growth of 120% over the previous year.

http://economictimes.indiatimes.com/FDI_inflow_may_double_in_2007/articleshow/1577934.cms

Liberalisation of FDI in retail on track

The Government is likely to go ahead with its liberalisation agenda for foreign direct investment in specific sectors in retail, such as electronics, stationery and sports goods, according to the Commerce and Industry Minister, Mr Kamal Nath.

<http://www.thehindubusinessline.com/2007/02/10/stories/2007021006991000.htm>

Suzuki plans to invest \$1.6 bn more in India

Japanese car-maker Suzuki Motor will invest a further 200 billion yen (\$1.66 billion) in its Indian venture as it expands capacity at car and engine plants, its chairman, Osamu Suzuki, said on Tuesday.

Already 100 billion yen has been invested in plants run by Maruti Udyog , and another 200 billion yen will be spent by 2010, taking total capacity to 1 million cars a year from 630,000 now, Suzuki said.

Maruti on Tuesday opened its fourth car plant — in Haryana state, near New Delhi, which will have an initial annual capacity of 100,000 units. That will be expanded to 300,000 units by 2010.

A diesel engine and transmission plant, which was also inaugurated on Tuesday at the same location, will start with an output of 100,000 units and reach 300,000 over the same period. The company plans to export 200,000 cars by 2010 to Europe and other markets. It also hopes to export diesel engines to Suzuki units worldwide, starting with Hungary.

http://economictimes.indiatimes.com/Suzuki_plans_to_invest_16_bn_more_in_India/articleshow/1569178.cms

Trade News

India to spend Rs 119 cr to boost trade with Nepal

In an effort to expand the scope of engagement with its strategically important neighbouring country, India is spending Rs 119 crore to set up trade infrastructure in Nepal.

This is a part of the overall expenditure of Rs 316 crores, which is being utilised to improve facilities on both sides of India-Nepal border for boosting trade.

The work on creating facilities at four border points of Rauxal and Jogbani in Bihar, Sunauli and Rupaidiha/Nepalganj Road in Uttar Pradesh has already begun, Minister of State for Commerce Jairam Ramesh told media. However, the formal inauguration for the work would take some time when Ramesh visits Nepal.

The complete infrastructure would involve building four Integrated Check Posts (ICP) on the border. "These ICPs would house all regulatory agencies like immigration, customs, border security together with support facilities like parking, warehousing, banking and hotels in a single complex equipped with modern amenities," Ramesh said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_to_spend_Rs_119_cr_to_boost_trade_with_Nepal/articleshow/1592649.cms

Italy sets up €300-million 'Go India' fund

Italy has set up a € 300-million (Rs 1,700 crore) fund to help its small and medium enterprises to do business with India.

Seven Italian banks have contributed to the corpus of the 'Go India' fund, Italy's Minister of International Trade and European Affairs, Ms Emma Bonino, told Business Line on Saturday.

The Go India fund, that was formed two days ago, will provide trade finance, project finance, funding feasibility studies, and also help Italian SMEs set up joint ventures with Indian companies, the Minister said.

The Go India fund underscores the importance that the current government in Italy gives to India, Ms Bonino said.

She said that it also marked a shift in attitude because the previous regime in Italy saw the boom in Asia as a 'threat' to Italy's own industries.

Ms Bonino is a part of an Italian delegation, headed by the country's Prime Minister, Mr Romano Prodi, which is currently visiting India.

<http://www.thehindubusinessline.com/2007/02/11/stories/2007021104380300.htm>

Tea exports touch 200 mkg after three years

Tea exports topped the 200-million kg (mkg) mark after a gap of three years in 2006, while production scaled another fresh peak of 955.9 mkg on the back of a nearly 10 per cent rise in output in West Bengal.

According to the latest data from the Tea Board, a monthly shipment of 20 mkg from October onwards helped the industry to record total exports of 203.86 mkg last year. The last time the margin was pierced was in 2002, when 201 mkg were exported. In 2005, exports were just adrift of the 200-mkg mark at 199.05 mkg. Industry sources attribute two reasons for the achievement, considered significant in the face of exports being stagnant around 170 mkg and falling share in traditional markets such as Russia and other Commonwealth of Independent States (CIS) nations.

<http://www.thehindubusinessline.com/2007/02/12/stories/2007021201510500.htm>

Sectoral News

IT-BPO revenues may touch \$48m in FY07

The Indian IT-BPO sector is expected to rake in revenues in excess of \$47.8 billion — almost a 10-fold increase over the aggregate revenue of \$4.8 billion in FY1998. The sector, including domestic and exports segments, is growing at an estimated 28 per cent in FY07.

Moreover, direct employment is expected to exceed \$1.6 million, according to Nasscom's just-released Indian IT Industry 'Strategic Review 2007' report.

Inward foreign investment may scale new heights this year with multinationals planning to invest over \$10 billion in the next few years.

Service and software exports remain the mainstay of the sector with the US (67 per cent) and the UK (15 per cent) still remaining the dominant markets. FY07 export growth is likely to beat forecasts and exceed 32 per cent as firms are keenly exploring new areas for business development.

Banking, financial services and insurance and technology (hi-tech/telecom) are the main verticals accounting for almost 60 per cent of the total; manufacturing, retail, media utilities, healthcare and transportation follow.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=274153

Core sector grows 8.3 % in December

The upturn in crude oil and power production negated the impact of poor performance of steel, coal and cement sectors and led six core infrastructure industries to a healthy 8.3 per cent growth in December 2006 as compared with 7.5 per cent in the year-ago period.

The buoyancy during the month ensured that the six core sectors clocked a growth of 8.3 per cent in the first three quarters of 2006-07 as against 5.5 per cent in the same period last year, according to figures released by the Ministry of Commerce and Industry.

The index of the six sectors, which have a combined weight of 26.7 per cent in the overall Index of Industrial Production, stood at 232.6.

In December 2006, crude oil production went up 10.6 per cent as against a decline of 8.1 per cent in the same month last year. In April-December 2006, crude oil production grew by 6 per cent as against the negative growth of 6 per cent in first three quarters of the previous fiscal.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=273749

News Round – Up

Economy set to grow at 9.2%

Outperforms official targets; No overheating: chief economic advisor.

Continued buoyancy in manufacturing and services will see the Indian economy grow 9.2 per cent in 2006-07, making it the second consecutive year that the economy has grown at this rate, according to advance estimates of national income from the government's Central Statistical Organisation (CSO).

These numbers come a week after the government revised 2005-06 GDP growth from 8.4 per cent to 9 per cent. They surpass initial CSO estimates of 8.1 per cent and Reserve Bank's revised estimates of 8.5-9 per cent. This is also the fastest growth since 1989.

Reacting positively to the advance estimates, the benchmark BSE Sensex jumped 164.94 points, a 1.14 per cent increase, to close at 14,643.13.

"We are happy to note that the estimate for GDP growth at constant prices is 9.2 per cent. This is particularly gratifying because it is upon a base year growth of 9 per cent in 2005-06," Finance Minister P Chidambaram said in a statement today.

The advance estimates peg manufacturing growth at 11.3 per cent, against 9.1 per cent a year ago, and services at 11.2 per cent (9.8 per cent a year ago).

However, agricultural growth at 2.7 per cent is slower than the targeted 4 per cent and 6 per cent in the previous year.

A growth rate of 9.2 per cent suggests that the country could touch its Plan target of 8 per cent for the first time since the five-year plans began in 1950.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=274015&chkFlg=