

## Weekly Economic Bulletin

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### **News Feature**

#### **Indian biz optimism at peak**

Global business executives are more confident about the economic outlook for their businesses in 2007, led by rising optimism in Asia and Europe. Business sentiment is at

an all-time high in India, which tops the list of 32 countries surveyed by London-based accounting firm Grant Thornton.

Business sentiment in Asia is at an all-time high with India the most upbeat, followed by the Philippines and China, according to Grant Thornton International's new survey on business optimism/pessimism that polled 7,200 leaders of private firms in 32 countries. The survey found Asians the most confident in the world as they looked ahead to the next 12 months. Asian countries took the top four spots on the list. The indicator covers 81% global GDP.

India was the most upbeat with 97% of the respondents optimistic. The Philippines followed with 88%, China was third at 85% and Singapore fourth with 84%. Ireland, the Netherlands, South Africa, Hong Kong, Sweden and Argentina filled the remaining top 10 spots with the global average at 45%.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=151487](http://www.financialexpress.com/latest_full_story.php?content_id=151487)

## **Overseas Investment**

### **FDI inflows likely to beat portfolio capital**

For the first time in several years, net foreign direct investment inflows into the country were projected to be larger than portfolio capital inflows.

The net FDI for 2006-07 would be around \$9 billion, up from \$4.7 billion last year, the Prime Minister's Economic Advisory Council said in its update on the country's balance of payments outlook for this fiscal.

"This comprises in-bound FDI of around \$12 billion and out-bound FDI of \$3 billion. The portfolio capital inflow is likely to be \$7 billion this fiscal," the council said in its report released here today.

The current account deficit was likely to be 1.5 per cent of the GDP for the year and \$22.6 billion would be added to the country's forex reserves in 2006-07, up from \$15.1 billion last year, the report said.

The council has estimated the current account deficit for the full year at \$13.4 billion, which is 1.5 per cent of the projected GDP of \$900 billion for 2006-07. The figure stood at \$6.5 billion for the first half of the current fiscal.

<http://www.businessstandard.com/common/storypage.php?autono=271155&leftnm=3&subLeft=0&chkFlg=>

### **FDI inflows to India increased in 2006**

Increasing attractiveness of India, China and Singapore for investors helped South, East and Southeast Asia maintain their upward trend for FDI inflows in 2006, with India surpassing South Korea to become the fourth largest recipient of FDI in the region, the United Nations has reported.

Overall, FDI grew in 2006 for the third consecutive year to reach USD 1.2 trillion, the UN Conference on Trade and Development (UNCTAD) said but warned that economic growth is likely to slow down this year because of high commodity prices and other factors.

It said FDI inflows to South, East, Southeast Asia and Oceania reached a new high of 187 billion dollars in 2006, showing an increase of 13 per cent over 2005.

India, it said, surpassed South Korea to become fourth largest recipient in the region while China, Hong Kong and Singapore were the three largest recipients of FDI.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=151215](http://www.financialexpress.com/latest_full_story.php?content_id=151215)

### **NYSE, 3 others take 20% in NSE**

\$490 mn deal is the first instance of FDI in bourses.

In the first instance of foreign direct investment (FDI) in an Indian stock exchange, the New York Stock Exchange and three financial investors — General Atlantic, Goldman Sachs and Softbank Asian Infrastructure Fund — have picked up a 5 per cent stake each in the National Stock Exchange (NSE) for \$490 million (Rs 2,205 crore).

This pegs the upper-end valuation of the country's largest bourse at \$2.5 billion (Rs 11,250 crore). The NSE had recorded a net profit of Rs 191 crore on a revenue of Rs 472 crore for the financial year ended March 31, 2006.

The NSE can still offload another 6 per cent (maximum of 5 per cent to a single entity) to any foreign investor barring these four. With this headroom and valuations discovered, it is likely that other shareholders like the State Bank of India may also seek to realise value from their investment in the exchange.

Investors who have sold their stake in the NSE include the Industrial Finance Corporation of India, IL&FS, ICICI, General Insurance Corporation and Punjab National Bank, which sold 7, 5, 5, 2 and 1 per cent stakes, respectively. The entire transaction was co-ordinated by IL&FS.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&bKeyFlag=BO&autono=271011&chkFlg=](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=271011&chkFlg=)

### **Realty story: FDI skyscraper to grow US\$ 10 billion taller in H1**

The boom in real estate is being complemented by an ever-increasing influx of funds. While more than 35 big-ticket foreign funds have already checked in, industry watchers

are confident that the first half of 2007 will see at least 20 more funds making an India entry.

This would ensure another \$10 billion addition to the FDI pie in the real estate sector. Experts say many Malaysian companies are also looking at entering India. According to industry estimates, nearly 90-100 real estate funds have already parked themselves in the country scouting for investment opportunities.

The Philippines-based Ayala, Dubai-based asset management firm Signature group, Och-Ziff Capital, EurlIndia and Old Lane are some of the recent additions to the list of funds operating in India. "The India story has evinced interest from eminent global real estate business houses.

[http://economictimes.indiatimes.com/News/Economy/Finance/Realty\\_story\\_FDI\\_sky\\_scraper\\_to\\_grow\\_10b\\_taller\\_in\\_H1/articleshow/1101864.cms](http://economictimes.indiatimes.com/News/Economy/Finance/Realty_story_FDI_sky_scraper_to_grow_10b_taller_in_H1/articleshow/1101864.cms)

## **Trade News**

### **Portuguese Prez calls for stronger ties with India**

The Portuguese president on Friday urged the Indian and Portuguese business to strengthen the bilateral trade between the two countries.

Addressing the business community in a meeting organised by the three business chambers Ficci, CII and Assocham, Prof Anibal Cavaxo Silva, President of the Portugal Republic said, "Indian and Portuguese business should forge strategic partnerships with a futuristic mindset in sectors such as IT, robotics, communications, biotechnology, tourism and banking services, engineering, moulds and construction."

Stating that relations between Portugal and India has remained far below potential, he stressed on the need mobilize the will of our political, economic, cultural and scientific communities to a greater extent." Flows of information and communication between the two countries need to be strengthened and politicians must contribute by creating suitable conditions for business to materialise," he added.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/Portuguese\\_Prez\\_calls\\_for\\_stronger\\_ties\\_with\\_India/articleshow/1159569.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Portuguese_Prez_calls_for_stronger_ties_with_India/articleshow/1159569.cms)

### **RBI relaxes norms for project, service exports**

The Reserve Bank of India today simplified the procedures for project and service exports, such as deployment of temporary cash surpluses and inter-project transfer of machinery and funds.

These measures, first announced in the Mid-Term Review of Annual Policy Statement for 2006-07, will provide more flexibility to exporters. The RBI has said that the measures were subject to monitoring by banks.

Exporters will now be allowed to use the machinery or equipment used for a turnkey or construction abroad, for executing a contract in another country. Currently, exporters are required to dispose of the equipment, machinery, vehicles purchased abroad or arrange their import into India after completion of the contracts. If it has to be used for another overseas project, the market value should be recovered from the second project.

<http://www.blonnet.com/2007/01/09/stories/2007010903370600.htm>

## **Sectoral News**

### **Industrial output shoots up record 14.4% in Nov '06**

Adding more shine to the India growth story, industrial production surged 14.4% in November 2006 — the fastest growth in more than a decade.

The spurt also marks a strong comeback for the index after October's lacklustre growth, now revised downward to 4.4% from the 6.2% reported last month. It, incidentally, was this financial year's lowest growth.

The Index of Industrial Production (IIP) figures released by the government on Friday show that growth was primarily driven by manufacturing, which soared 15.7% in November. A rebound of the mining sector, which swelled 7% in November 2006 against a negative 2.1% in November 2005, also played its part. Electricity, meanwhile, grew 8.7% in November 2006.

The sectoral growth rates in November 2006 over November 2005 too are commendable. While basic goods grew 11.6%, capital and intermediate goods expanded 25.3% and 16.7% respectively. Intermediate goods saw a negative growth of 0.6% in November 2005.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Industrial\\_output\\_shoots\\_up\\_record\\_144\\_in\\_Nov\\_06/articleshow/1162370.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Industrial_output_shoots_up_record_144_in_Nov_06/articleshow/1162370.cms)

### **Cabinet nods semi-conductor policy**

The Union Cabinet on Thursday gave its in-principle approval to the semi-conductor policy. However, the details of the policy--in terms of specific incentives to the industry--are yet to be finalised. The incentives will be worked out by the Cabinet Secretary and the Prime Minister's Office.

The incentive package would be available up to 31 March 2010. "The Cabinet today gave its in-principle approval for giving special incentives to attract semi-conductor companies

to set up fabs in hi-tech areas”, said Information and Broadcasting Minister, P R Dasmunsi at the cabinet briefing on Thursday.

The proposed policy pegs the threshold investment (for availing the benefits) at Rs 2,500 crore for semiconductor fabrication projects. For manufacture of high tech products other than semiconductors, the threshold level for investment is Rs 1,000 crore.

Incentives include a direct subsidy of 25% of the capital expenditure incurred during the first 10 years of the project. The Department of IT has proposed that any unit claiming incentives under the package can do so in a combination of equity not exceeding 26%, investment grants and interest subsidy.

[http://economictimes.indiatimes.com/Cabinet\\_nods\\_semiconductor\\_policy/articleshownews/1142632.cms](http://economictimes.indiatimes.com/Cabinet_nods_semiconductor_policy/articleshownews/1142632.cms)

### **Second highest growth in cars sales**

The domestic passenger car market recorded a historic 22.66% growth in April-December, 2006, second only to the 28.56% in fiscal 2003-04. Analysts believe the industry will close fiscal 2006-07 with around 22-23% growth, against just 16% in 2005-06.

In the first nine months of 2006-07, the industry sold 7.65 lakh units, against 6.23 lakh in the same period last fiscal. With the launch of the new Zen Estilo, Indica Xeta and the Chevrolet Aveo U-VA, the industry is expected to maintain its growth momentum through the remaining three months.

A slew of new launches and attractive discounts by leading carmakers helped the market grow at an explosive rate. The pace of growth was led mainly by compact car models such as the Maruti Alto, the Wagon-R, the Hyundai Santro, the Tata Indica and its newly launched variant, the 1.2-litre Xeta.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=151338](http://www.financialexpress.com/fe_full_story.php?content_id=151338)

### **Airports` non-aviation revenue set to take-off**

Non-aeronautical revenues are set to bloat the purses of airports being developed by the private sector.

Private players are setting up malls, hospitality chains, book shops, duty-free shops, Internet cafes, lounges and entertainment centres at greenfield airports as well as those they are upgrading. This is expected to contribute almost 50 per cent to their revenue.

“Airports, including those operated by the government, are targeting an average 50:50 mix. Airline passengers are expected to increase from 39 million in 2000-01 to 77 million in 2006-07 and cargo hauled is expected to increase from 0.8 million tonnes to 1.40 million tonnes during the same period,” industry analysts said.

“Also, the proposed growth in airline fleet size from 271 to 482 will warrant the need for improved and increased airport facilities. Non-aeronautical revenue is a niche area with huge potential for exploring revenue enhancement because the rates are not regulated,” says a KPMG study.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&bKeyFlag=BO&autono=270882&chkFlg=](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=270882&chkFlg=)

### **Good days are here to stay for drug makers**

The pharmaceutical sector, which has recorded a strong performance in the past two consecutive quarters, is again set to report strong numbers in the quarter ended December 2006. According to industry watchers, the sector could witness a 52% surge in net profit compared to last year’s corresponding sector, driven by a 39% growth in sales.

“Higher topline growth should be mainly driven by new product launches, notably through products line extensions in the domestic market and growth in exports to emerging countries,” said Awadesh Garg, associate vice president, private client group — research division, Kotak Securities. “Better cost management and shifting of production to tax-free zones are likely to drive an improvement in the bottomline,” added Mr Garg.

<http://economictimes.indiatimes.com/News/News By Industry/Healthcare Biotech /Good days are here to stay for drug makers/articleshow/1115299.cms>

### **40 retail players to spend \$25 bn in four years**

In the next four years, organised retail in India will receive investments in excess of \$25 billion from 40 players, taking the size of modern retail to \$75 billion by 2011, according to estimates provided by Technopak.

The investments include the supply chain, but exclude real estate component.

"The big players include Reliance Retail, Bharti-Wal-Mart, AV Birla Group, Future group and the money that will be pumped in by Tesco's and Carrefour when they enter India. While ITC and Godrej have not formally announced any new retail plans, we are speculating that in the next five years these two companies will be investing heavily into retail," said Arvind Singhal, chairman, Technopak.

These investments imply that share of organised retail will grow from the present 3 per cent to approximately 15-18 per cent in 2011-12.

"India is attempting to do what in 10 years what took 25-30 years in other major markets in world," said Singhal in a presentation.

Of the \$25 billion investment, approximately 60-65 per cent is expected to be from the domestic retailers.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270714](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270714)

### **IT spending to grow 21.5% in '07: IDC**

India will remain the fastest growing country in the Asia Pacific region in terms of domestic IT spending, which is expected to grow at 21.5 per cent to touch Rs 75,891 crore this year. It grew 22.4 per cent in 2006.

In its report named India Domestic IT Market: Top 10 Predictions for 2007, the International Data Corporation (IDC) notes the figure includes the spending by banks, financial services institutions (FSI), telecom, manufacturing, government and education.

IDC also expects the domestic internet subscriber base to grow at 50 per cent this year, with broadband subscribers accounting for 30 per cent of the total at 3.5 million by June.

It will cross 5 million by December 2007, when the mobile subscriber base would have crossed 220 million.

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=270727](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=270727)

### **News Round – Up**

#### **Sensex hits new high; banking, IT stocks lead rally**

Tracking global markets, the BSE Sensex touched an all-time high of 14,070.88 points surging by more than 430 points on Friday on aggressive buying by funds as well as retail investors. The NSE S&P CNX Nifty also created a new high of 4,059 points led by heavyweights and banks.

Markets rose sharply on the back of heavy buying as well as due to short covering. Going by the momentum and trend, the markets are likely to rise further if key earnings announcements next week top market estimates.

Bank shares surged as the Government gave the RBI flexibility to set SLR. Among active counters, SBI notched 6.30 per cent gain to Rs 1,219.80, ICICI Bank rose 8.15 per cent to Rs 965.40, HDFC Bank climbed 7.20 per cent to Rs 1,068 and Reliance gained 3.60 per cent to Rs 1,343.50.

The BSE-30 share Sensex flared up by 425.82 points to finish at 14,056.53. Similarly, the wide-based National Stock Exchange's Nifty spurted by 110.20 point at 4,052.45.

<http://www.hinduonnet.com/businessline/blnus/05131001.htm>