

## Weekly Economic Bulletin

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## News Feature

### India is world's best performing stock market

India has emerged as the world's best performing stock market in the past three months, notwithstanding the five-day plunge that wiped off close to \$85 billion of investors' wealth from the bourses.

The country's benchmark Sensex has lost over 1,300 points in five trading sessions pulling down the total market capitalisation of all the listed firms from about \$1,650 billion to \$1,565 billion during the same period.

However, an analysis of three-month US dollar return data available with the global market intelligence service provider MSCI Barra for equity markets across the world shows that Indian bourses have delivered the highest gain of 33.64 per cent during this period, thus adding over \$400 billion to the investors' kitty.

The developed markets like the US, Japan, Austria, Sweden and Belgium have given negative returns in this period, while UK managed a modest return of 0.6 per cent.

The best performing developed markets has been Spain (18 per cent) and Hong Kong (17 per cent). But, their returns is just about half of the same on Indian bourses since August 21.

Worldwide, India is followed by Qatar, UAE and Egypt with a gain of about 28 per cent each. Among emerging markets, India is followed by Brazil with 31 per cent return, while Chinese stocks have managed to give about 17 per cent returns.

<http://economictimes.indiatimes.com/articleshow/2559788.cms>

### Surging economy will make India become G-3 nation: Livingstone

The surging economy of India will enable it to become one of the three greatest economies in the world within a decade along with the US and China, a top UK official said.

"India is heading towards becoming one of the three economic giants along with USA and China. In next one decade, India will become a G-3 nation from its current status of being a G-8 nation," Mayor of London Ken Livingstone said.

He was speaking on the occasion of signing a City-to-City agreement between a London based media company, Film London and the Film and Television Producers Guild of India for mutual cooperation in sharing ideas and best practices on domestic and international film production and promotion.

[http://economictimes.indiatimes.com/Surging\\_economy\\_will\\_make\\_India\\_become\\_G-3\\_nation\\_Livingstone/articleshow/2559838.cms](http://economictimes.indiatimes.com/Surging_economy_will_make_India_become_G-3_nation_Livingstone/articleshow/2559838.cms)

## **Overseas Investment**

### **FDI cap in cable TV may go up to 74 per cent**

The government is all set to allow 74% foreign direct investment (FDI) in cable TV services and Head-end in the Sky (HITS) — a satellite-based system to distribute television signal via cable — while also permitting 100% FDI in downlinking general and entertainment channels uplinked from abroad. The move would eventually lead to greater competition in telecom, particularly when convergence of telecast distribution, telecom and broadband becomes a reality.

Raising the FDI limit in the cable industry from the present 49% is set to have huge implications — almost all international cable operators such as Liberty Inc, who have been eyeing India for a long time, are likely to enter the segment. The sector will also become more corporatised, besides bringing in large-scale consolidation.

India's cable industry is currently in the hands of some 30,000 independent cable operators and 5,000 MSOs. More importantly, with cable operators already having their last-mile infrastructure in place, this sector will finally be able to take on telcos and compete with them on new technology platforms such as IPTV and broadband.

<http://economictimes.indiatimes.com/articleshow/2554367.cms>

### **PTC India Fin among 22 FDI plans cleared**

PTC India Financial Services Ltd's proposal to induct foreign equity up to 40 per cent by Goldman Sachs and Macquarie is amongst 22 foreign direct investment (FDI) proposals worth Rs 511.5 crore cleared by the Government.

The US-based Goldman Sachs and Australia's Macquarie would pick 40 per cent stake in PTC India Financial Services, a non-banking financial arm of power trading firm PTC India Ltd, for Rs 155.7 crore.

The proposals were cleared by the Union Finance Minister, Mr P. Chidambaram, on the recommendations of Foreign Investment Promotion Board (FIPB), an official statement said.

Angel Infin Pvt Ltd's application entailing induction of foreign investment by International Finance Corporation of up to 18 per cent for Rs 152 crore also received FIPB's green signal. Other proposals, which received the go-ahead included Yachiyo Industry's proposal to set up a new subsidiary to manufacture plastic fuel tanks for automobiles; and CWT International Pte Ltd's plans to set up a new subsidiary/joint venture company to

undertake warehousing, storage and container freight station business and other ancillary activities, involving an inflow of Rs 24 crore.

A proposal of leading retailer Dolce & Gabbana to set up a 51 per cent joint venture to undertake single brand retail trading of fashion and lifestyle products is amongst 13 proposals that have been deferred. Other proposals that were deferred included AVA Seeds (changing the status of the operating company into an operating-cum-holding company for making further downstream investments); and an application by ByCell Telecom for fresh investment inflow.

A proposal of Croupier Prive Private Equity Ltd to invest five per cent stake in Central Depository Services Ltd for Rs 16 crore and Finland's UPM KYMMENE to set up a joint venture for trading of recycled paper, was also cleared.

<http://www.blonnet.com/2007/11/24/stories/2007112452501000.htm>

### **FDI in food processing seen trebling by '09**

The government is looking forward to a three-fold increase in foreign direct investment (FDI) in the food-processing sector over the next couple of years.

"FDI in the sector has almost trebled in the past two years, going up to Rs 441 crore in 2007 from Rs 174 crore in 2005. With the growing interest of international retailers in India, this momentum will further increase," food-processing industries minister Subodh Kant Sahay.

If the government's estimates come true, the FDI inflow into the sector would be Rs 1,300 crore in 2009. The food-processing ministry is demanding more incentives for the sector in the 2008 budget, so that more FDI could be attracted.

"We have had initial discussions with the finance ministry and are hopeful of some more incentives this year. Apart from this, one of our key areas will be to initiate training facilities and capacity building efforts for farmers and entrepreneurs," Mr Sahay said.

The ministry plans to start a nationwide entrepreneurship development programme. "We will establish food processing training centres at the farm gate level all over the country," the minister said.

The government will also undertake programmes to provide farmers with linkages to the retail market or industrial users. This will lead to elimination of middlemen and result in substantially higher economic gains to the farmers.

[http://economictimes.indiatimes.com/Economy/FDI\\_in\\_food\\_processing\\_may\\_treble/articleshow/2570638.cms](http://economictimes.indiatimes.com/Economy/FDI_in_food_processing_may_treble/articleshow/2570638.cms)

## **New policy to boost FDI in mining sector: Reddy**

The new mining policy was awaiting cabinet clearance and would be unveiled in a couple of months, the Union Minister of State for Mines T Subbarami Reddy said.

The new policy would give a major boost to Foreign Direct Investments (FDIs) into the mining sector, he said after inaugurating the 5th International Conference and exhibition on Aluminium.

As part of the policy, specific time-frame would fixed for granting of mining leases and prospecting licenses, he said, adding if there was any delay on the part of state governments, the private companies could approach appellate tribunals.

The mining policy is ready and would be put up before the cabinet very soon, Reddy added.

On the problems being faced by the companies in mining bauxite deposits in tribal and forest areas, the Minister said the government was keen to protect the interests of the locals and make them partners in the development.

<http://economictimes.indiatimes.com/articleshow/2560064.cms>

## **Trade News**

### **India-China trade tops \$27b till Sept**

India-China bilateral trade has crossed a whopping \$27 billion during January-September 2007. The Chinese government expects bilateral trade to exceed \$30 billion by December 2007, China's consul general Mao Siwei said.

Incidentally, both countries had set a target of \$20 billion in 2008. Thus, the 2008 target will be surpassed comfortably in 2007 itself.

"The volume of bilateral trade has grown nearly 10-fold since 2002. Both the governments had set a bilateral trade target of \$40 billion in 2010, which we now think will be achieved by 2009 itself. The Chinese government believes bilateral trade is the most important factor to promote bilateral relations," Mr Siwei said. He was speaking at a seminar organised by Bharat Chamber of Commerce.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India-China\\_trade\\_tops\\_27b\\_till\\_Sept/articleshow/2563569.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-China_trade_tops_27b_till_Sept/articleshow/2563569.cms)

### **ASEAN FTA pact by May 2008: Nath**

The much-awaited India-ASEAN Free Trade Agreement will be in place by May 2008 as substantial progress has been made in all areas, Commerce Minister Kamal Nath said.

"Convergence is within reach. We are in our last mile, by May 2008 we will have the FTA with ASEAN in place," he said after meeting ASEAN economic ministers.

He noted that the differences pertained to only four products and three countries, but expressed confidence that these issues would be sorted out soon.

"The FTA just needs some legal scrubbing and will be done by the May 2008 retreat meeting. The products where still some negotiations are going on are palm oil, pepper, tea and coffee involving Malaysia, Indonesia and Vietnam," he said.

"There is no deadlock. There has been substantial progress in the negotiations," Nath told reporters after he finished meetings with counterparts from Singapore, Malaysia and Vietnam and also a meeting with the other ASEAN ministers.

Nath said all trade pacts were a "win-win for everyone".

"Timelines and deadlines are all important but what is most important is the bottom line and the bottom line is that the Asean-India FTA will be in place by May 2008," he said.

<http://www.financialexpress.com/news/ASEAN-FTA-pact-by-May-2008-Nath/241362/>

### **India, Japan agree to deepen strategic partnership**

India and Japan decided to advance the conclusion of a bilateral Free Trade Agreement (FTA) by mid 2008, six months ahead of previous target.

This was decided after Prime Minister Manmohan Singh met his new Japanese counterpart Yasuo Fukuda for the first time on the sidelines of the East Asian summit here.

"The Indian side said the talks on an economic partnership agreement with Japan are moving forward and that New Delhi wanted to conclude it mid next year," a Japanese government spokesman said, adding Fukuda concurred with New Delhi's proposal.

Singh and then Japanese Prime Minister Shinzo Abe had pledged in December last year to conclude the FTA talks within two years.

During the meeting, the two prime ministers also decided to cement bilateral ties and implement the commitment of their governments to establish a 'Strategic Global Partnership'.

Singh and Fukuda expressed their commitment to Strategic and Global Partnership and exchanged views on the way to deepen their partnership, External Affairs Ministry spokesman Navtej Sarna said.

Both agreed on the need to expedite progress on projects that are part of the Special Economic Partnership Initiative. They reviewed the progress on the dedicated freight corridor and the Delhi-Mumbai industrial corridor, he said.

The two leaders decided to strengthen their cooperation in regional and multilateral fora on important issues such as UN Security Council reforms and climate change, Sarna said.

The two leaders also shared the view that the East Asia Summit is an important building block for creating an Asian Economic Community, and pledged to work closely to further this objective. Singh also accepted Fukuda's invitation to visit Japan.

<http://economictimes.indiatimes.com/articleshow/2560071.cms>

## **Sectoral News**

### **Inland fisheries sector offers wide scope: Scientists**

India's inland fisheries sector offered a wide scope for increasing fish production through aquaculture and by increasing the coverage of water area, according to scientists.

India was the second largest producer of fish through aquaculture next to China and the annual production could be doubled by utilising the available reservoir areas.

Both aquaculture, which has been registering an annual growth rate of over six per cent, and fisheries had become important enterprises in both coastal and inland states contributing to food basket and employment generation as well as the economy of different regions, they said.

"The country stood fourth in the world in fish production with annual production of about 6.57 million tonnes with the marine and inland sectors contributing 2.9 million tonnes and 3.67 million tonnes respectively," deputy director general of Indian Council of Agricultural Research S Ayyappan said.

"By increasing the coverage of water area and the productivity of existing water bodies by 50 per cent, the total production from aquaculture could be doubled," he said.

India accounted for 4.7 per cent of world fish production and 2.5 per cent of global market.

The annual export earnings from fish and shellfish was more than Rs 8,000 crore, accounting for 18 per cent of the agricultural exports and over two per cent of total exports.

<http://economictimes.indiatimes.com/News/News By Industry/Cons Products/Food/Inland fisheries sector offers wide scope Scientists/articleshow/2570231.cms>

## **Auto component sector to become stronger: Edelweiss**

The Indian auto component sector that has underperformed over the past several quarters is expected to witness stronger outsourcing trends and robust domestic demand growth in future, an industry analyst said.

"We believe that growth expectations are still justified. However, the long product development cycles inherent to the export market and high capex requirement for expanding capacities has affected the performance of the sector in the recent past. We believe the performance is likely to improve significantly going forward," Edelweiss Securities' analyst Ashutosh Goel said in the company's research report.

Auto component firms with significant investments towards capacity expansions will be in a position to capture this growing demand, he said.

However, Goel said, given that a growing part of the domestic auto part story is based on exports, there have been concerns on the impact of rising rupee on margins.

"We believe the industry can absorb a gradual and orderly appreciation of 3-4 per cent in the rupee, without hurting margins, through productivity gains, improving economies of scale, reasonable pricing power, higher value addition through design and engineering services," Goel said.

"Also, given that input costs account for 60 per cent of revenues of component producers, they enjoy a natural hedge to that extent against an appreciating rupee. In fact, the composition of exports has shifted significantly in favour of the Euro, which has been relatively strong against the dollar," he said.

<http://economictimes.indiatimes.com/articleshow/2558035.cms>

## **Indian telecom market to be at Rs 344,921 crore by 2012**

The Indian telecom industry is expected to reach a size of Rs 344,921 crore by 2012 at a growth rate of over 26 per cent, and generate employment opportunities for about 10 million people during the same period, according to a report.

The telecom industry had a market size of Rs 105,287 crore in 2006.

The sector would create direct employment for 2.8 million people and for 7 million indirectly, according to a Frost and Sullivan report.

"This growth is expected to be fuelled by addition of 400 million subscribers as well as by growth of ARPU from applications facilitated through VAS services," the report said.

India currently has 250 million telephone subscribers and the numbers are expected to reach 500 million by 2010 and 650 million by 2012.

[http://economictimes.indiatimes.com/News/News\\_By\\_Industry/Telecom/Indian\\_telecom\\_market\\_to\\_be\\_at\\_Rs\\_344921\\_crore\\_by\\_2012/articleshow/2563062.cms](http://economictimes.indiatimes.com/News/News_By_Industry/Telecom/Indian_telecom_market_to_be_at_Rs_344921_crore_by_2012/articleshow/2563062.cms)

## News Round – Up

### India's tax system better than China's: PwC

India has a better tax system in place than its neighbour China, with lower tax rates and easier ways of payment, a latest report says.

India has a lower total tax rate of 70.6 per cent as compared to China's 73.9 per cent, while it also scores ahead of the fastest growing economy in terms of compliance time.

Prepared by the World Bank, IFC, and PricewaterhouseCoopers (PwC), the report said that among the BRIC (Brazil, Russia, India & China) economies, Russia was the best with overall ease of paying taxes and ranked 130th globally.

Reducing tax burden was the second most popular reform of the business regulatory environment this year. Despite previous reluctance to reduce tax burdens for fear of cutting government revenues, some governments that have implemented tax reforms have reaped the benefits of higher investment and economic growth, said Rita Ramalho, co-author of the report.

Ramalho, who is also a tax specialist with the World Bank IFC Doing Business Project, added that "economies with a lower business tax burden also have more new firms entering the market."

India, which is the second fastest growing economy globally, occupies 165th position among 178 countries while China has been ranked below at 168.

Meanwhile, the top 10 countries in terms of ease of tax payments are Maldives, Singapore, Hong Kong (China), United Arab Emirates, Oman, Ireland, Saudi Arabia, Kuwait, New Zealand, and Kiribati.

<http://economictimes.indiatimes.com/articleshow/2556656.cms>

### Manufacturing m-cap will scale \$520 b by 2015: Study

The Indian manufacturing sector is estimated to command a market capitalisation of \$520 billion by 2014-15, as against \$272 billion as on September 30, 2007, said a study on the sector by the Confederation of Indian Industry and the Boston Consulting Group.

The core manufacturing sector comprises engineering and construction, industrial manufacturing, materials and commodities, chemicals and plastics and automotive. The projection assumes that the ratio of market capitalisation to manufacturing GDP remains at

the current levels. "The sector thus has the potential to create additional shareholder wealth up to the extent of \$250 billion by 2014-15," the study believes.

<http://www.blonnet.com/2007/11/21/stories/2007112150740300.htm>

### **Nooyi, Girotra figure on '50 women to watch' list**

Two Indian-origin women – Indra Nooyi and Manisha Girotra figure on a list prepared by the Wall Street Journal for women who could have a significant impact on their businesses in the year ahead.

Wall Street Journal has compiled a list of 50 women from across the world in its 'Women to Watch' list for 2007 saying, "a new generation of women leaders who grew up watching pioneering women break into the executive suite has moved into the corner offices of some of the world's largest Companies."

The list is topped by America's largest health insurer Well Point Inc's president and CEO Angela Braly, followed by Pepsi Co Inc's Chairperson and CEO Indra Nooyi at the 2nd rank and European Union Anti-Trust Chief Neelie Kroes.

The other two women among the top five are Morgan Stanley Co President Zoe Cruz and Federal Deposit Insurance Corporation Chairman Sheila Bair.

Manisha Girotra, who is UBS AG Managing Director and Chairperson (India), figures along with Nooyi on the coveted list.

Nooyi has been ranked at the second position with WSJ describing her as the "the head of PepsiCo Inc who has a lofty goal for the company, whose strategy and deal-making she helped to drive for more than a decade before ascending to the top job."

Nooyi is ahead of women leaders in firms like Xerox Corp, Hewlett Packard executive Vice-President and Melinda Gates, wife and co-founder of The Bill and Melinda Gates Foundation.

While Girotra occupies the 43rd position as she gears up to integrate the asset-management business UBS recently bought from Standard Chartered Plc and expand UBS's wealth-management business in India.

<http://www.financialexpress.com/news/Nooyi-Girotra-figure-on-50-women-to-watch-list/241359/>