

Weekly Economic Bulletin

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News Feature

India takes on the world: Time magazine

A string of acquisitions abroad by Indian companies, which have spent over \$10 billion to buy foreign firms this year, is not a one-off thing and may continue for years to come complemented by a healthy economic growth at home.

"One reason Indian companies are suddenly growing abroad is that they can," Time magazine said in an article 'India Takes on The World' in its latest issue. The Time article, which warns big companies to beware of "that Elephant in the room, (it) may be an Indian competitor looking to buy you out," comes ahead of the World Economic Forum's annual India Economic Summit -- an event that allows companies to network and strike multi-million dollar deals in closed-door meetings.

"In the first 10 months of 2006, Indian companies cut more than 10 billion USD worth of cross-border deals, up from about one billion USD in all of 2000," the magazine said.

This figure represents twice as much as foreign companies have invested in India, according to Dealogic, which tracks global merger and acquisition activity.

<http://economictimes.indiatimes.com/articleshow/490991.cms>

Overseas Investment

Foreign investment up 100% in H1 to \$4.4 bn

India is poised to achieve the target of attracting \$10 billion of foreign direct investment (FDI) this year as inflows have nearly doubled to \$4.4 billion in April-September 2006.

"The buoyancy in FDI in the first six months is likely to continue in the second half of the year as well exceeding the target of \$9-10 billion," Commerce and Industry Minister Kamal Nath said today.

In September 2006, FDI inflows grew 225% to \$916 million as compared to \$282 million in the same month last year.

The Chennai region, including Pondicherry, recorded the maximum growth of 211%, attracting \$437.3 million in FDI, largely due to greater activity in computer hardware and leather.

In absolute terms, Delhi region continues to remain on top of the table with \$936.5 million FDI inflows, showing a growth of over 25%. The Mumbai region was second on the chart with total inflows of \$867.5 million.

http://www.businessstandard.com/common/storypage_c_online.php?leftnm=11&bKeyFlag=IN&autono=17736

Investment by Japan in Indian equities to double

Investments by Japanese funds into the Indian equity markets are expected to double to \$ 10 billion in the next 2-3 years, feels a senior executive of Japan's Shinsei Bank.

"There is good potential for investors to grow their assets in India," Toru Irokawa, Co-Head of Asset Management Division, Shinsei Bank, told Business Standard. "We expect the investments by Japanese funds in India to double in next 2-3 years," he added.

Buoyed by rapid expansion of Indian economy coupled by robust corporate earnings, about 10 India-specific funds from Japan have invested about \$ 5 billion in the domestic markets.

<http://www.business-standard.com/common/storypage.php?autono=265988&leftnm=2&subLeft=0&chkFlg=>

Govt sets Rs 1-lakh cr mining FDI target

The government has set an ambitious foreign direct investment (FDI) target of Rs 1 lakh crore in the mining sector by 2008-09.

Announcing this at the Indian Mining Summit organised by the Confederation of Indian Industry (CII), the minister of state for mines, Mr T. Subbarami Reddy said: "FDI inflows into mining will rise substantially once the new mining policy is cleared in Parliament. We are confident the policy will get the go-ahead in the coming budget session."

"An FDI of Rs 1 lakh crore will contribute an additional Rs 50,000 crore to the gross domestic product (GDP). It will also create 1 million jobs," the minister said.

At present, actual FDI inflows in the mining sector are a measly \$150 million (Rs 690 crore) against an approval of Rs 4,000 crore. The minister feels the absence of a proper mining policy has been the main stumbling block in attracting foreign investment in the sector.

<http://economictimes.indiatimes.com/articleshow/546741.cms>

GM to build engine, powertrain plant in India

General Motors Corp, the world's largest automaker, is considering setting up an engine and powertrain plant in India, where it aims to expand rapidly, the President Nick Reilly of GM Asia-Pacific said on Tuesday.

"It is an objective. We will make a decision in the next six months," Nick Reilly said at a ground-breaking ceremony at Talegaon, 130 km southeast of Mumbai, for the firm's second car making factory in India.

Reilly did not say how much the firm would spend on the engine unit but said a typical investment was \$300-\$400 million.

In August, GM said it would invest more than \$300 million in the Talegaon plant for an initial capacity of about 140,000 units, which would help meet its goal of raising market share to 10 per cent by 2010, from 2.3 per cent.

http://www.financialexpress.com/latest_full_story.php?content_id=147009

Trade News

India, China target \$40-bn trade by '10

Rows and rows of cheap, shiny plastic toys; colourfully-wrapped firecrackers, electronic gizmos and silk neatly stacked on shop shelves are the most visible signs of China in India. But prepare yourselves for the next wave of 'Made in China' products to appear on market shelves as the dragon gets ready to come to town. And also imagine this, the Chinese eating Indian basmati rice and buying made in India clothes.

The world's two fastest economies on Tuesday set the bar high for bilateral trade and agreed to increase the volume of bilateral trade to \$40bn by '10. Talks between prime minister Manmohan Singh and Chinese president Hu Jintao on Tuesday largely centred around increasing trade and co-operation, leaving the contentious for another day. In a joint declaration released at the end of the talks, the two countries promised to diversify the trade basket, remove existing impediments and optimally utilise the present and potential complementarities in their economies.

In a joint press briefing after talks, Mr Singh, who has met Mr Hu five times and is said to share a "good rapport" with him, said: "President Hu and I have agreed that comprehensive economic and commercial engagement between India and China will receive our urgent and particular attention."

<http://economictimes.indiatimes.com/articleshow/516143.cms>

Let business ties bloom: Hu

Carrying on his pro-business agenda, Chinese president Hu Jintao on Thursday proposed five steps, including trade liberalisation, expansion and diversification between India and China, to take mutual relationship to greater heights.

"Asia will dominate the next century if China and India can strengthen their trade and business links," president Hu said addressing the Indo-China economic, trade, investment and co-operation summit jointly organised by the Federation of Indian Chambers of Commerce, the Confederation of Indian Industry and the Association of Chambers in Mumbai, on the last leg of his three-day India tour.

Mr Jintao emphasised that the current bilateral trade is incompatible with the size of the two countries. "It has scope for growth by improving trade structure and increasing technological co-operation," he added.

To support his argument further, the Chinese president reeled off some numbers. Two-way trade, growing at an average annual rate of 32%, has risen to \$18.7bn in '05 from \$1.16bn in '95, a 15-fold jump in 10 years. "This year, the bilateral trade is expected to exceed \$20bn and will meet ahead of schedule the goal of lifting the bilateral trade volume of \$20bn in '08 set by the two countries. China is now India's second-largest trading partner and India is China's largest trading partner in South Asia," president Hu said.

<http://economictimes.indiatimes.com/articleshow/548716.cms>

Peru-India to sign bilateral pact soon

Peru is likely to sign a commercial agreement with India soon to boost bilateral trade in areas like mining, steel and iron ore, ships and engines, textiles and pharmaceuticals. This was stated by the Peru-India Chambers of Commerce vice president Marco Hurtado at 'Peru-India: Project Partnerships - Opportunities in Trade & Investment' meet organized by the Confederation of Indian Industry (CII) on Tuesday.

Peru is a good investment destination for India in these areas because the free trade agreement (FTA) it has with the United States provides a platform for Indian investors to export to the US, Mr Hurtado said.

Mining is one area where Peru is keen to attract investments with small and medium industries in the sector looking for investments from overseas. "Technology and capacity built up by India in the past few years have proved to be of great advantage to Peruvian investors," Mr Hurtado said.

<http://economictimes.indiatimes.com/articleshow/514443.cms>

Marine exports register 10% growth in H1

Marine exports from the country have posted a 10% growth in value during the first six months of this fiscal as per figures submitted recently by the Marine Products Export Development Authority (MPEDA) to the Union commerce ministry.

Given the trend, exports were likely to touch the Rs 8,000-crore level by the end of this fiscal, especially in the backdrop of the ensuing Christmas and New Year season which should boost shipments in a big way, feel exporters.

During the period April to September, 2,10,494 tonne of seafood was exported earning Rs 3,704.87 crore compared to 1,98,026 tonne worth Rs 3,373.2 crore during the same period last year.

Even value in dollar terms went up by 4.36% to \$810.3 million from \$776.47 million. However, the unit value realisation though remaining static around the \$4 a kg level, was marginally down to \$3.85 from \$3.92.

http://www.financialexpress.com/fe_full_story.php?content_id=147068

Sectoral News

FDI cap for services sector set to go up

In a bid to fasten economy growth, the government is working for increased liberalisation in retail, banking and other sector of the services sector.

“The services contribute to 54% of the economy and in the next five years it will grow to 60%. The sector is growing at 7% and it can grow at a higher rate with further liberalisation of regulatory framework,” Department of Industrial Policy and Promotion(DIPP) secretary Ajay Dua said on Sunday.

Addressing the inaugural session of India Economic Summit organised CII and World Economic Forum, he said in sectors like retail, banking, accounting and healthcare much more needs to be done to ease regulatory framework guiding FDIs in India. Mr Dua said there was a case to liberalise the policy framework for labour intensive sectors too. “Labour intensive sectors are not expanding that fast,” he added making a case for footwear, leather and textiles industry.

<http://economictimes.indiatimes.com/articleshow/589369.cms>

Industrial output growth shoots to decade high

For the first time in the last 10 years, the industrial growth has exceeded 10%. Also, for the first time ever, the manufacturing rate of growth has exceeded 12% in six month(April-September 2006).

Commerce and industry minister Kamal Nath said the manufacturing sector has shown growth of 12% in September 2006. It had grown by only 8.9% in September 2005. During the period April-September 2006, the manufacturing sector grew by 12.1%, compared with 9.5% during the same period of last year.

Industry and especially manufacturing growth rate in the last two years exceeded the overall growth rate of the economy. Industry recorded growth rate of 8.6% and 8.7% during 2004-05 and 2005-06. Manufacturing recorded growth rate of 8.1% and 9% during 2004-05 and 2005-06, respectively,” the minister said.

http://www.financialexpress.com/fe_full_story.php?content_id=146945

Biotech sector may get tax sops

Fiscal concessions and grants for the fledgling biotech industry are likely to feature in the forthcoming Union Budget.

Tax concession to the biotech sector is being worked out with the finance ministry and a legislation to govern the sector is likely to be tabled in the Budget session of Parliament, Union Minister for Science and Technology and Earth Sciences, Kapil Sibal, said here on Saturday.

The biotech legislation would be aimed at regulating the sector and is expected to spell-out measures to encourage scientists to create more intellectual property (IP), he added.

<http://www.business-standard.com/common/storypage.php?autono=266056&leftnm=3&subLeft=0&chkFlg=>

Govt may up FDI in aviation to 74%

The government is considering a proposal to raise the foreign investment cap in domestic carriers from 49 per cent to 74 per cent. This has been necessitated following the failure of the existing regime to bring in substantial foreign direct investment in the sector.

The government is of the view that a more investment friendly system is required to help carriers raise funds for their expansion plans. Moreover, fund inflow will also help carriers tide over their financial woes.

It is expected that Indian carriers will acquire close to 400 aircraft — valued at over \$15 billion — over the next few years as a part of their expansion plans. But, most such plans hinge on their capacity to raise funds.

However, foreign airlines looking to invest in India's aviation sector still have to wait — the ban on their investing in domestic carriers will continue. Even foreign equity funds in which airline companies have a stake are barred.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=265961&chkFlg=

Local seed industry turning key centre in Asia

The Rs 490 crore Indian seed industry is emerging as an important centre for seed production in the south-east Asian region owing to the availability of a variety of crops growing in a varied range of climatic conditions in the country.

According to a Rabobank report, the domestic seed industry has matured over the last couple of years with the introduction and broad acceptance of technologically superior transgenic hybrids of cotton crops.

The Genetic Engineering Approval Committee has recently reported that BT cotton acreage has increased to 3.2 million hectares in 2006, from 1.2 million hectares in 2005.

India's 161.7 million hectares of cultivated land make up the second largest acreage of arable land in the world after the US (176.1 million hectares).

As only 40 per cent of the gross cropped area in the country is irrigated, agriculture is highly dependent on the vagaries of the monsoon. Majority of cropped area is rainfed. Foodgrains are the most important cultivated crops with production ranging from 190 - 200 million tonne per annum.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=265653

New mining policy to encourage FDI flows: MoS Mines

The new mining policy, which was being finalised, would aim to encourage greater foreign direct investment (FDI) into this sector through joint ventures between Indian and overseas partners, Minister of State for Mines T Subbarami Reddy said on Thursday.

Speaking to reporters on the sidelines of the Indian Mining Summit organised by CII here, Reddy said at present, the quantum of FDI flow into the mining sector was a paltry 150 million dollars.

He said the government was targeting to attract Rs 1,00,000 crore as FDI in the next two years and an additional Rs 50,000 crore contribution to GDP each year.

Reddy said the new policy would be presented before the Cabinet soon, after which it would be placed in Parliament.

The policy would be based on the recommendations of the Anwarul Hoda committee, which was formed to look into the Mining Act and to suggest policy changes in this regard.

<http://economictimes.indiatimes.com/articleshow/543413.cms>

News Round – Up

India among largest foreign investors in Russia

India, with an investment of \$130 billion, is among the largest investors in Russia, a government agency report said on Monday.

"India, Britain, The Netherlands, Cyprus, France, Germany, Luxemburg, Switzerland and the United States were the largest investors in Russia, accounting for 82.3 per cent of country's total accrued foreign investment and 84 per cent of total Foreign Direct Investments (FDI) during the reporting period," the Federal Statistics Service said.

India has been identified among the top investors in Russia's oil and gas sector in Jan-September 2006 with a total investment of USD 1.543 billion including 21.7 per cent sectoral share of USD 1,425 billion in FDI, report said.

ONGC Videsh's investment of USD 3 million in offshore Sakhalin-1 oil and natural gas production sharing arrangement is said to be the largest single Indian investment.

<http://economictimes.indiatimes.com/articleshow/493398.cms>