

Weekly Economic Bulletin

Date: April 08 - 14, 2008

Issue No. 259

Contents

- | | | |
|---|---|-----------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• India's industrial output up 8.6% in Feb• Exports may touch \$500 bn in 5 yrs• SEZ exports to touch 125k cr in FY'09: Govt | |
| 2 | Overseas Investment | Page 2-3 |
| | <ul style="list-style-type: none">• Govt gives nod to 20 FDI proposals worth Rs 1,962 cr• India's forex reserves at \$311.89 bn on Apr 4 | |
| 3 | Trade News | Page 3-5 |
| | <ul style="list-style-type: none">• Indo-Africa trade to touch \$50 bn: Survey• Indo-Malaysia trade on the right track• India, Australia to begin talks on FTA• Russia seeks enhanced economic ties with India• Tremendous growth potential for Indo-US trade: US | |
| 4 | Sectoral News | Page 5-9 |
| | <ul style="list-style-type: none">• Household segment pushes PC sales up 26% in Q3• Cement firms add 17 mt capacity in fiscal 2008• Oilmeals exports at record high• 'Hardware sales in India to touch \$360 billion by 2015'• India to see 8% growth in drug sales annually• India surpasses US as second largest wireless market• IT-BPO industry's growth pegged at 33% to \$64 bn | |
| 5 | News Round-up | Page 9-10 |
| | <ul style="list-style-type: none">• 5% share in world trade by 2020 achievable for India• India preferred emerging market for retailers: CBRE | |

News Feature

India's industrial output up 8.6% in Feb

Industrial production grew at 8.6 per cent in February 2008, compared to 11 per cent a year-ago, but belied apprehensions of a major slowdown after dismal figures for the previous month, giving RBI some headroom to tighten money supply for combating the surging inflation.

Industrial growth, as measured by Index of Industrial Production (IIP), was much higher than 5.3 per cent in January and even reversed the negative output growth witnessed in consumer durables goods.

For the first 11 months of last fiscal, industrial growth stood at 8.7 per cent against 11.2 per cent a year ago, according to figures released by the Government. In February, electricity generation grew by 9.8 per cent from a low of 3.3 per cent a year-ago.

Manufacturing, which occupies the highest weight of around 80 per cent in IIP, grew at 8.6 per cent against 12 per cent in February 2007. It was higher than 5.9 per cent in January.

<http://www.financialexpress.com/news/Indias-industrial-output-up-8.6-in-Feb/295592/>

Exports may touch \$500 bn in 5 yrs

India can export goods worth \$500 billion by 2013 with more incentives to four labour intensive sectors — textiles, gems and jewellery, leather; and engineering goods — which constitute over 50% of India's export basket, the Confederation of Indian Industry (CII) said. "India needs to be among the top three exporters in the globe in these sectors. There is a need for technology infusion, infrastructure improvement especially freight lines and ports, access to Markets, innovation in product development and improvement in scale of production," the CII said.

Noting that India has a share of only about 3.5% of the total African import bill of \$300 billion annually, and that India accounts for just \$ 4.3 billion of the total Latin American imports of \$ 630 billion, the CII said India needs to target large countries in these regions first to expand its share in these Markets.

<http://www.financialexpress.com/news/Exports-may-touch-500-bn-in-5-yrs/294220/>

SEZ exports to touch 125k cr in FY'09: Govt

The Government said the exports from Special Economic Zones (SEZs) are expected to touch Rs 1,25,000 crore during 2008-09, an increase of more than 86 per cent over the 2008 fiscal.

"The government sees SEZs as vehicles of industrialization and employment generation," Commerce Minister Kamal Nath said while presenting the last annual supplement to the Foreign Trade Policy.

Pointing out the massive increase in exports and employment, the Minister said, "Development of this nature reassures us of the validity of the basic policy relating to SEZs, notwithstanding the skepticism expressed by a few persons."

According to the pre-budget Survey, exports from the tax-free zones increased to Rs 34,615 crore in 2006-07 from Rs 22,840 crore, an increase of 52 per cent.

<http://www.financialexpress.com/news/SEZ-exports-to-touch-125k-cr-in-FY09-Govt/295644/>

Overseas Investment

Govt gives nod to 20 FDI proposals worth Rs 1,962 cr

The government has cleared 20 foreign direct investment proposals that will bring in Rs 1,962.05 crore, including Rs 924 crore by UTV Software Communications. The proposals, approved by finance minister P Chidambaram based on the recommendation of Foreign Investment Promotion Board (FIPB), also included the offer from cement manufacturer Lafarge India for merger of Lafarge India Holding Pvt Ltd with Lafarge India Pvt Ltd, according to the finance ministry.

The Lafarge's proposal was cleared as per the order of Bombay High Court, a Finance Ministry statement said. UTV Software Communications' proposals would bring in Rs 923.94 crore through equity purchase in UTV Software and equity shares and warrants in UTV Global. The FIPB has, however, deferred its decision on eight FDI proposals, including that of Singapore-based Delight Investments offer to invest in a Hindi-language newspaper group.

The board has recommended a proposal by Essar Power and Axis Pvt Equity to the Cabinet Committee on Economic Affairs. PSA India Pte Ltd, Singapore's proposal for induction of foreign equity up to 49 % for Rs 240 crore by way of preferential allotment of compulsorily convertible preferential shares has also been approved.

Chidambaram also approved Rs 300 crore FDI proposal of Mauritius-based GS Strategic Investment Ltd to induct foreign equity up to 20 per cent in a company engaged in commodity broking, besides other activities.

However, the proposal of Kim Eng Securities to undertake stock-broking activities as a non-fund based activity was rejected apart from Meta Telecom to increase foreign equity from 40 per cent to 73.45% in a company engaged in international long distance services.

<http://www.financialexpress.com/news/Govt-gives-nod-to-20-FDI-proposals-worth-Rs-1-962-cr/294230/>

India's forex reserves at \$311.89 bn on Apr 4

India's foreign exchange reserves rose to a record \$311.885 billion on April 4, from \$309.161 billion a week earlier, the central bank said in its weekly statistical supplement.

The central bank said foreign currency assets, expressed in dollar terms, included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

The foreign exchange reserves include India's Reserve Tranche Position in the International Monetary Fund, the central bank said.

http://economictimes.indiatimes.com/Indicators/Indias_forex_reserves_at_31189_bn_on_Apr_4/articleshow/2945284.cms

Trade News

Indo-Africa trade to touch \$50 bn: Survey

India's two-way trade with African nations could double to \$50 billion by 2012 if the government signs more trade pacts and offers incentives to exporters, a survey by an industry body said on Monday.

The survey of 41 Companies conducted by Federation of Indian Chambers of Commerce and Industry (FICCI) also said the government should further enhance the credit lines to African countries as this would only lead to higher exports.

India should look at exports of automobiles, construction materials, gems and jewellery, farm equipments, project exports, it said. "The buoyant trade between India and Africa, reckoned at \$25 billion in 2006-07, can be doubled to US\$ 50 billion in five years," it said.

"India should look at entering into preferential trade arrangements with more and more African countries and regions."

<http://www.financialexpress.com/news/IndoAfrica-trade-to-touch-50-bn-Survey/293656/>

Indo-Malaysia trade on the right track

More often than not, the mention of Malaysia conjures up images of the captivating 'Malaysia - Truly Asia' campaign that deftly showcased the South East Asian nation's sights, sounds and smells to entice tourists across the world. A significant share of India's growing outbound traffic too is heading towards Malaysia. Today, tourist packages dedicated to the Far East region are hugely popular among Indian tourists who, on the back of soaring disposable incomes, are looking beyond domestic shores for annual vacations.

However, there's more to Malaysia than the grandeur of Petronas Towers and the scenic beauty of Langkawi islands. For one, it's touted as the gateway to the lucrative ASEAN market. Add to it excellent infrastructural facilities and an investor-friendly regulatory environment, and it's not difficult to understand why many Indian businesses are now eyeing Malaysia as a prospective trade destination.

That the trade between the two countries has doubled from \$ 4 billion in 2004 to \$ 8 billion in 2007, therefore, does not come as a surprise. India is Malaysia's 9th largest trading partner at present. India's imports from Malaysia consist of mainly electronic and electrical products, crude petroleum, palm oil, chemicals and chemical products and timber, while India's exports to Malaysia include food products, chemicals and chemical products, metals and so on.

http://economictimes.indiatimes.com/News/Economy/Indo-Malaysia_trade_on_the_right_track/articleshow/2939616.cms

India, Australia to begin talks on FTA

India and Australia will launch talks on a "high quality" Free Trade Agreement with both countries agreeing on terms of reference for a feasibility study to remove all impediments to bilateral commerce.

"The FTA study will consider the feasibility of a comprehensive World Trade Organisation-consistent agreement covering trade in goods, services and investment," Australian Trade Minister Simon Crean said.

Crean said Australian and Indian officials will hold their first meeting and the study that will focus on tariff liberalisation and removing other impediments to trade is expected to be completed next year.

"I am pleased that India's Prime Minister, Manmohan Singh, has personally approved the terms of reference. Given the complementary nature of our economies in so many areas this is an exciting prospect," he said.

India is Australia's sixth largest and fastest growing major export market. "The bilateral trading relationship is increasing in importance for both countries," the Minister said.

The study will consider how an FTA might help take the economic partnership to a stronger level. High quality FTAs can bring considerable economic benefits through the jobs created by increased trade and investment and by bringing forward the pace of growth-enhancing economic reform.

Tariff liberalisation and the removal of other impediments to the trade in goods will be a key focus of the study, the Minister said in a statement.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2945446>

Russia seeks enhanced economic ties with India

Expressing interest in forging commercial cooperation with India in oil and gas, power generation and mining, Russia has said the public-private partnership model would hold the key to success in enhancing engagement between the two countries.

"India and Russia have mutual complementarity and ample opportunities for greater collaboration. The key factor to enhancing bilateral cooperation is public-private partnership on both sides," Russia's Ambassador to India Vyacheslav Trubnikov said at a function, organised by the Indian-Russian Chamber of Commerce.

Bilateral trade grew 40 per cent last year to five billion dollars and the two emerging BRIC (Brazil, Russia, India and China) economies have set a target of 10 billion dollars by 2010.

<http://www.financialexpress.com/news/Russia-seeks-enhanced-economic-ties-with-India/294645/>

Tremendous growth potential for Indo-US trade: US

A top Bush administration official has said that there is "tremendous potential" for the growth of US-India trade and hoped that the two countries would work together for a strong Doha Round Agreement.

"In terms of US-India trade, we believe there is tremendous potential to grow US-India trade. The bilateral trade policy forum, that just recently met in Chicago, was a good meeting. And we look forward to containing to expand trade between the two countries," US Trade Representative Susan Schwab said while addressing the media at the White House.

She was addressing the media on the Colombia Free Trade Pact which the US President George W Bush has sent to Capitol Hill for passage.

<http://www.financialexpress.com/news/Tremedous-growth-potential-for-IndoUS-trade-US/294008/>

Sectoral News

Household segment pushes PC sales up 26% in Q3

Led by buoyancy in household consumption and a whopping 158 per cent rise in laptop sales, the total personal computer (PC) sales (desktops and notebooks combined) surged 26 per cent year-on-year, to touch 1.75 million units in the third quarter ended December, 2007.

“The third quarter was driven by increased consumption in the household segment while industry verticals and corporate sectors such as telecom, banking and financial services, manufacturing, e-governance and IT-enabled services, experienced steady growth. The growth in these verticals is expected to continue in the fourth quarter,” the Quarterly Industry Performance Review released by hardware association MAIT said.

<http://www.thehindubusinessline.com/2008/04/11/stories/2008041151800400.htm>

Cement firms add 17 mt capacity in fiscal 2008

Cement companies have added an additional capacity of 17 million tonnes (mt) in fiscal 2008, as against six million tonnes the previous year. In April 2007, the industry announced a capacity addition of 100 mt over the next three years.

“Though the projects were announced in FY08 it will take at least three to four years for the companies to complete the projects,” said Mr Kamlesh Jain, research analyst, Prabhudas Lilladher Pvt Ltd.

Capacity addition could be marginally higher if one takes into account the many capacity expansions by small and medium-sized companies, said an analyst.

Production for the year ended March 31, 2008 has increased 7.09 per cent to 166 mt.

<http://www.thehindubusinessline.com/2008/04/11/stories/2008041151710200.htm>

Oilmeals exports at record high

The total exports of oilmeals touched a record level of 54.42 lakh tonne for the financial year 2007-08, indicating an increase of 5% over the previous year thanks to record soyabean production.

For 2006-07, total exports were registered at 51.70 lakh tonne. In the first half of the year, total export was declined due to lower oilseeds crop for season 2006-07. However, record soybean crop of 9.4 million tonne coupled with record price realisation in international market pushed up the export of oilmeals in the second half of 2007-08, according to the Solvent Extractors' Association of India (SEA).

"The overall export earnings have jumped up by 65% from Rs 4,300 crores in 2006-07 to Rs 7,109 crores in 2007-08, thanks to better price realisation. The better FOB realisation has also given good support to domestic processing industry and nullified the impact of rupee depreciation," BV Mehta, executive director, SEA said.

Export of oilmeals during March 2008 was reported at 8.53 lakh tonne compared to 7.55 lakh tonne in March 2007, up by 13% due to increase in exports of soybean meal, rapeseed meal, castor meal and groundnut meal.

Free on board (FOB) price realisation for soybean meal was increased to \$407 per tonne in March 2008 from \$269 per tonne in April 2007. Similarly, rapeseed meal realisation jumped to nearly double and reached at \$233 per tonne from \$129.

Groundnut meal FOB price increased to \$320 from \$220 a tonne and castor meal jumped to \$141 from \$70 in one year.

During the review period, Vietnam has increased the import of oilmeals from India and reported at 17.08 lakh tonne consist of 14.45 lakh tonne soybean meal, 70,523 tonne rapeseed meal and entire quantity of 1.92 lakh tonne of rice bran extraction.

<http://www.financialexpress.com/news/Oilmeals-exports-at-record-high/294396/>

'Hardware sales in India to touch \$360 billion by 2015'

On the back of increasing demand of consumer electronics, sales of hardware in the country is poised to touch \$360 billion by 2015, PHD Chamber said. These would include units brought through imports and those produced domestically, it said in a statement.

The production of electronics hardware, which includes strategic electronics, consumer electronics, computers, communication and broadcasting equipment, is around \$16 billion at present, the release added.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2949675>

India to see 8% growth in drug sales annually

Driven primarily by rising population and increasing middle class income, annual drug sales in the country is projected to grow at 8%, much higher than rest of the world, says a new report. According to Deutsche Bank, the country is projected to see drug sales would touch 20 billion euros by 2015. “

This growth rate is higher than that seen for Germany (more than 5% per annum) and the entire world (over 6%). Nonetheless, India’s share in world pharmaceutical sales will rise only marginally to 2%,” the report said. It said the country is becoming a “major pharmaceutical location” on account of low costs, qualified staff and extensive production and research units.

<http://economictimes.indiatimes.com/News/News By Industry/Healthcare Biotech /Pharmaceuticals/India to see 8 growth in drug sales annually/articleshow/2949672.cms>

India surpasses US as second largest wireless market

India has added a massive 7.6 million new mobile phone users under the GSM technology in March, surpassing the US as the second largest wireless market, the Cellular Operators Association of India (COAI) said.

The total number of GSM users till March 31 stood at 192.35 million, an increase of four per cent from February when the base stood at 185 million, COAI said. The growth in March was "the highest ever subscriber additions since the inception of GSM service in India", it added.

"Aggressive network expansion, excellent affordability, ample choice of service and continuing customer pull for GSM" were cited as some of the reasons for the growth by COAI.

The organisation also said the country is likely to become "the second largest wireless network in the world, after China" by the end of the current month.

Bharti Airtel, India's leading mobile phone service firm, added 2.31 million new users in March, taking its total base to 62 million and market share to 32.22 per cent.

Vodafone Essar, promoted by British telecom giant Vodafone, registered 44.12 million subscribers by adding 1.56 million new users last month against the preceding month's 1.41 million.

Aditya Birla Group's Idea Cellular added 1.12 million new subscribers against 918,871 users in February. Its total subscriber base stood at 24 million by end of March.

State-run Bharat Sanchar Nigam Ltd (BSNL) added 1.6 million users in March taking its total subscriber base to 36 million from 34.57 million in February, COAI said.

India is the world's fastest growing mobile phone market with the lowest call tariffs of below a cent.

The market has emerged as the cynosure of global telecom giants. The latest to make a foray is the Richard Branson-promoted Virgin Mobile, which announced its entry into the Indian market last month in partnership with Mumbai-based Tata Teleservices.

The Indian government has set a target of 500 million users by 2010; half of this was reached last year.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2945551>

IT-BPO industry's growth pegged at 33% to \$64 bn

Revenue growth of the IT-BPO sector in the country during FY 2007-08 has been estimated to be around 33% at \$64 billion (of which exports would contribute \$40 billion

and the domestic market around \$23 billion) from \$48 billion in the earlier period. This accounts for 5.5% of the GDP, according to Nasscom.

The new chairman of the industry body, Ganesh Natarajan, who is CEO, Zensar, said, "Global slowdown may deal a blow to the domestic industry. However, the CAGR would still be robust enough (20 to 24%) to achieve the target of \$60 billion (in exports) and \$75 billion (overall) by 2010." The industry body estimates that banking, financial services, telecom and insurance would constitute around 60% of the India IT and BPO exports pie last fiscal.

According to Nasscom estimates, direct employment generation through the IT and BPO sectors has reached 2 million and indirect employment has touched 8 million in fiscal 2007-08 in the country. In the coming year, the industry body plans to focus on education by synchronizing its own initiative with education initiatives of the government's skill's mission and strives to achieve 5 lakh registrations under the National Skills Registry (NSR). NSR was announced by Nasscom in 2006 for registry of IT professionals and create a vendor employee database agencies hired by BPOs for transportation, catering, security and housekeeping activities. Nasscom plans to explore and develop new Markets like Japan in 2008-09 while continuing to grow in present market such as the US and EU. The consortium also aims to focus attention on specific segments in the year ahead like captives, engineering, BPO, RIM, among others.

<http://www.financialexpress.com/news/ITBPO-industrys-growth-pegged-at-33-to-64-bn/295756/>

News Round – Up

5% share in world trade by 2020 achievable for India

The growth-oriented annual review to the Foreign Trade Policy will boost Indian exports and help the country achieve the ambitious target of five per cent share in world trade by 2020, a survey by CII has said.

"The annual supplement to the Foreign Trade Policy (2004-09) has fulfilled the Indian industry expectations," a CII CEO Opinion poll said.

Over 73 per cent of the respondents said the target of India achieving 5 per cent share in world trade by 2020 is ambitious but achievable.

At present, India's share in the global trade is about one per cent.

Majority of the respondents said the FTP review is growth-oriented and would help in sustaining the 8.5 per cent growth rate of the country, besides, giving the much-needed boost to the rupee-hit exports.

About half the respondents said measures taken in the policy would help enhance their competitiveness and profitability in the global market.

The government has set an export target of USD 200 billion for the 2008-09, up from USD 160 billion last year. It announced extension of the Duty Entitlement Pass Book (DEPB) scheme till May 2009 and tax exemption to 100 per cent Export Oriented Units till 2010.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2950975>

India preferred emerging market for retailers: CBRE

India is the most sought-after market by retailers with 40 per cent of them expecting emerging markets to be their source of growth in the next five years, a recent study by CB Richard Ellis says.

As per the Global Emerging Markets Survey (GEMS) 27 per cent of international retailers surveyed have opened their first store in India in the last year or are planning to do so soon.

The country is considered particularly attractive because of the size of its market compared to its low presence of international retailers, the report added.

Of the total number of people surveyed only 25 per cent expect to see growth concentrated in their home market.

With foreign ownership rules being gradually relaxed, foreign investment is also now possible, allowing single-brand retailers to own up to 49 per cent of their India operations, the report said.

"India is the preferred destination when it comes to retail today among the emerging markets. With a booming economy and increase in spending capacity, more and more Indians are now looking for wider options in retail.

"In the event that the government opens up Foreign Direct Investment in retail, number of international retailers will immediately start trickling in. This will lead to preference converting into retailers making investments in India," CBRE South Asia Chairman and Managing Director Anshuman Magazine said in a statement.

India was followed by Ukraine and Russia in the survey at second and third positions.

http://economictimes.indiatimes.com/News/India_preferred_emerging_market_for_retailers_CBRE/rssarticleshow/2945602.cms