

Weekly Economic Bulletin

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News Feature

Rejoice! A please-all export policy

The annual foreign trade policy for 2007-08 has managed to please exporters across the board by announcing refund of service tax on export goods.

The move, reported by ET on April 18, will cost the exchequer an estimated Rs 550 crore annually. It, however, remains to be seen whether the sop will be enough to help exporters meet the ambitious export target of \$160 billion for the current fiscal (compared to \$125 billion in '06-07) in the face of a slowdown in the US, static demand from the EU and a hardening rupee.

The policy has sought to give a push to exports of high-tech and agri products by introducing new incentives and expanding existing ones like the vishesh krishi and gram udyog yojana. Other highlights of the policy include extension of the export promotion capital goods (EPCG) scheme to spares and parts, introduction of flexibility in meeting export obligations under the EPCG scheme, expansion of the focus product and focus market schemes, extension of the DEPB scheme for a year and a change in the categorisation of status holders. A new scheme is being worked out to replace DEPB.

While the country struggled to meet the export target of \$125 billion for 2006-07—with the ministry banking on revised figures to increase the tally to the magic figure—India can take pride in the fact that exports have more than doubled in the last three years and India's share in world trade has increased from 0.7% to 1% during the period.

http://economictimes.indiatimes.com/Rejoice_A_please-all_export_policy/articleshow/1926056.cms

India to grow @ 9% in 2007

India's economy is expected to grow by 9.0 per cent in 2007 as against 9.2 per cent in the previous year despite concerns of overheating, rising rupee and slowdown in US, according to a UN report.

Aiding India's growth will be low oil prices, control on inflation and lesser reliance of its economy on exports, the UN Economic and Social Survey of Asia and the Pacific said.

Presenting the findings of the report, UN Under Secretary General Kim Hak-Su said services and industrial production would be the key growth drivers.

http://www.financialexpress.com/latest_full_story.php?content_id=161536

Overseas investment

FDI hits \$16 bn in FY'07, to grow \$25 bn in '08

Foreign Direct Investment in the country has grown three-fold to \$16 billion in 2006-07, encouraging the government to set an ambitious target of \$25 billion for this year.

"The FDI in the previous fiscal has touched \$16 billion as against \$5.5 billion in 2005-06. In the last three years of our government, the increase in FDI has been 725 per cent," Commerce and Industry Minister Kamal Nath said while announcing the Annual Supplement to the Foreign Trade Policy.

If the reinvested earnings are included in the FDI, the inflows would touch 19 billion dollars in 2006-07, constituting 2.3 per cent of the GDP. This is about 6.8 per cent of the gross capital formation or gross investment in the economy, Nath said.

The directional flow of FDI into manufacturing and export of goods and services is contributing immensely to our export efforts, he said.

http://www.financialexpress.com/latest_full_story.php?content_id=161644

Overseas investment in DHFL fund

The Cabinet Committee on Economic Affairs (CCEA) has given its nod for allowing overseas investors to invest up to \$250 million in Class B units of DREAM II scheme of DHFL venture capital fund for making investments in FDI compliant projects of the scheme.

An official spokesperson said that the approval would be subject to compliance of venture capital regulations, press note 9 of 99 series for downstream investment and press note 2 of 2005 series for construction development activities.

<http://www.blonnet.com/2007/04/22/stories/2007042203270200.htm>

Citigroup investing \$400 mn in India property

The property investment arm of Citigroup is investing around \$400 million of equity from a recently raised fund in India and \$600 million in China, with hotels, technology parks, and housing estates on its menu.

Citigroup Property Investors closed a \$1.29 billion Asia opportunities fund in February, of which 40 per cent was allocated to projects it had already started.

The unit's Asia head, David Schaefer, said other investments were being made fast, especially in India, where a growing middle class hankers for new homes, offices and shopping centres fitting for an economy growing at an annual rate of over 8 per cent.

"Our investment pipeline is very robust," Schaefer said in an interview, adding that he travels to India about once a month. "We look for partners we want to do business with over and over again, and we look to extend those relationships."

http://www.financialexpress.com/latest_full_story.php?content_id=161637

Trade News

Exports surge to \$125 billion, near-doubling in 3 years

Merchandise exports of the country surged to \$125 billion in the year ending March 2007, from \$63.84 billion three years ago, when the UPA Government assumed office. "This near-doubling in three years represents an annual compounded growth of 25 per cent compared to 12.73 per cent in the previous three years," commerce minister Kamal Nath said.

India's merchandise imports stood at \$181.37 billion with non-oil constituting \$124.1 billion and oil imports \$57.27 billion. Service exports touched \$71.64 billion in 2006-07.

Nath said India's trade deficit is due to fast growing merchandise imports as compared to exports of goods, but is manageable. "Taking into account the export of services, the position improves substantially and the trade gap in goods and services becomes much smaller and more manageable. In fact, I find that our non-oil imports consist significantly of capital goods, raw-materials and other critical inputs which are required for sustaining our industrial growth, particularly the manufacturing process. As the Minister in-charge of the Industry portfolio also, I would consider this as a healthy development, which augurs well for creation of production capacity and employment generation for the future."

Holding that India's exports have become globally competitive and found many new markets, Nath said, "Our export basket is expanding with the addition of new items and this includes many value added petroleum products produced by our oil refineries and petro-chemical complexes. Our exports of machinery, instrumentation and engineering goods grew by 35 per cent last year. We are increasingly exporting automobile components and becoming an international hub for automobile and component making."

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=281863

India racing to the top in global services trade

India has emerged as the fastest growing nation in the global services trade and contrary to popular belief, the country's import growth in commercial services has outpaced exports in 2006, a WTO report said.

Against the world average of 10 per cent, India's services imports grew by a hefty 40 per cent in 2006 while exports jumped by 34 per cent, thus emerging as the most dynamic country in services trade.

Ranked at the 10th position, the country's services exports totalled 73 billion dollars while imports were only a shade below at 70 billion dollars with the global ranking of 12, according to the report.

"While the dynamic growth of India's commercial - and in particular software services - exports are widely reported, the dynamic expansion of its services imports attracts less attention even though the growth rate in 2006 exceeded that of exports," the report said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_racing_to_the_top_in_global_services_trade/articleshow/1929722.cms

India, New Zealand to study on FTA implications

India and New Zealand have agreed to study the potential for a free trade agreement between the two countries.

The two countries have agreed in principle to conduct a study on what such a trade agreement could mean for the two countries, New Zealand Trade Minister Phil Goff announced after talks with his Indian counterpart Kamal Nath in Wellington.

"While achieving a free trade agreement with India would require us to overcome significant obstacles, agreement in principle to conduct a study into what such an agreement would mean for both of our countries would be a good start," Goff was quoted as saying by the media here.

Trade between the two countries is small, but growing fast. "New Zealand-India two-way trade is at less than \$650 million compares with nearly \$7 billion in our two-way trade with China," Goff said adding he had raised concerns about significant barriers to New Zealand goods entering the Indian market.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_New_Zealand_to_study_on_FTA_implications/articleshow/1940172.cms

Sectoral News

Grant industry status to retail: FICCI

To help the retail sector achieve a turnover of \$430 billion by 2010, industry chamber FICCI has demanded grant of industry status to retail, apart from allowing foreign direct investment in the sector.

For a quantum jump in the choice of products and an array of formats for the discerning consumers, it is imperative to have the right mix of a package to boost the competitiveness of the sector. This would include honing the skills of retail personnel, induction of modern technology and effective implementation of the rules and regulations governing the sector, according to the chamber.

In a report on the retail sector, the chamber says that 92 per cent of the projected investments are slated for urban areas and eight per cent for rural India. Of the urban

investments, a large share is slated for the hypermarket (38 per cent) and supermarket (21 per cent) formats, while 62 per cent of urban investments are expected to go to A-type or above cities.

Industry status to the sector would help in garnering greater focus on development and fiscal incentives for retail. It would also help in availability of organised financing and establishment of insurance norms, according to the chamber.

<http://www.thehindubusinessline.com/2007/04/23/stories/2007042303780300.htm>

Steel: India may rank 2nd

Enthused with the resurgence in steel sector, the government anticipates the country is set to emerge as the world's second-largest steel producer by 2016 as the capacity would rise three-fold to 120 million tonnes.

The government had projected 65 million tonnes of production capacity by 2010-11 in the National Steel Policy, but now these estimates have been revised to 80 MT," Steel Secretary R S Pandey told PTI.

Given a conducive mineral policy framework, this country should be producing 120 million tonnes by 2015-16 and 180 MT by 2019-20," Pandey said, exuding confidence that by 2015-16 India will be the world's number two steel producer.

The country is currently the world's seventh-largest producer of the alloy with a capacity of around 44 MT. China is at the top with a capacity of 418 MT, followed by Japan with 116 MT and US with a capacity of 98 MT.

http://www.financialexpress.com/latest_full_story.php?content_id=161529

Biocon Q4 net up 27% to Rs 61 cr

Bangalore-based Biocon has posted a consolidated net profit of Rs 61 crore for the fourth quarter ended March 31, 2007, up 27% from Rs 48 crore during the corresponding period last fiscal. The company saw a 30% topline growth in the quarter to Rs 279 crore against Rs 215 crore.

The board of directors also announced a dividend of Rs 3 per share (on face value of Rs 5). Driven by its research services business and licensing income, the company saw its net profit for FY07 grow by 15% to Rs 200 crore while total income rose by 25% to Rs 990 crore.

Stating that the company had delivered on all businesses this fiscal, Kiran Mazumdar-Shaw, CMD, Biocon said from London, "going forward, our research services, brand formulations and biopharmaceuticals segments are going to be important drivers for the company. In the next 3-5 years, our revenues will reflect this — one-third of it coming from

research services, another one-third coming from drug discovery and new product development while remaining will come from formulations and generics business.”

http://economictimes.indiatimes.com/Biocon_Q4_net_up_27_to_Rs_61_cr/articleshow/1926005.cms

News Round – Up

High growth sustainable: Kamath

"We are in the initial phases of the growth of our economy... and a growth rate of nine per cent is indeed sustainable over long periods of time," said Mr K.V. Kamath, Managing Director, ICICI Bank. Speaking at the 41st convocation of the Indian Institute of Foreign Trade, he said Japan grew at 8.5 per cent for 20 years after World War II and China grew at 9.5 per cent for 25 years since it began the reforms process.

The Indian economy has the same characteristics as the economies of Japan and China in the early years of their growth like favourable demographics, right competitiveness of the industry and rising saving rate. We can reasonably expect these growth rates to sustain for the next 15-20 years

<http://www.blonnet.com/2007/04/22/stories/2007042203540500.htm>