

## Weekly Economic Bulletin

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## News Feature

### **PM's Advisory Council projects GDP growth at 7.7%**

The Prime Minister's Economic Advisory Council has projected GDP growth of 7.7 per cent in 2008-09 compared with 9 per cent in 2007-08.

It says growth will slow as a number of factors inimical to growth have intensified this year.

The Economic Advisory Council has said that serious fiscal risks have arisen from growing off-budget liabilities, which is estimated at 5 per cent of the GDP.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44637>

### **Economy to grow by 9.4% despite gloomy expectations: CMIE**

The Indian economy would continue to clock a robust over nine per cent growth in FY09, the Centre for Monitoring Indian Economy (CMIE) said in its monthly report.

"We had predicted a growth of 9.1 per cent in our first forecast in February 2008, which was revised up to 9.5 per cent in June 2008. We now believe that the economy would grow by 9.4 per cent in FY09," CMIE said.

This marginal change is because of a downward revision in its estimate of the growth of the industrial sector, it said.

CMIE had predicted a growth of 11.4 per cent in industry. However, following a slowdown in the output of a few industries, "We now believe that the industrial sector would grow by 11.1 per cent and not 11.4 per cent as predicted earlier," the report said

Prominent industries that have warranted a decline were cement, sugar, glassware and milk powder, CMIE said.

In fact, two official documents released earlier also indicated that the Indian economy was headed for a slowdown in FY09.

The Reserve Bank of India (RBI) had predicted that the real GDP would grow by 8-8.5 per cent in FY09. But, the RBI Governor, brought this down to about 8 per cent.

The Economic Advisory Council of the Prime Minister (EAC), on the other hand, projects that the economy would grow by 7.7 per cent.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44844>

## Overseas Investment

### Sovereign funds crowd to invest in India

A growing number of sovereign wealth funds (SWFs), including China's overseas investment arm, Korea Investment Corporation and some from the Gulf region, has sought SEBI approval to register and invest in the Indian stock market.

With the capital market regulator easing norms for SWFs to register as foreign portfolio investors, nine government-owned or controlled funds have submitted their applications to SEBI for formal registration, sources close to the development said.

The list of sovereign funds, which have investible surplus aggregating to hundreds of billions of dollars and are now waiting for regulatory approval to invest in India, includes one of China's state-owned investment vehicles, Korea Investment Corporation, Saudi Arabia, which recently set up a \$5.3-billion fund, and SWFs from Oman and Jordan, said a person associated with the registration process.

Lawyers representing some of these funds said since these are large financial entities, government-run and are sometimes opaque in their investment strategies and portfolios, the due diligence process is far more stringent as compared to other categories of foreign portfolio investors. SEBI also has concerns relating to SWFs from certain countries.

[http://economictimes.indiatimes.com/Markets/Indices/Sovereign\\_funds\\_crowd\\_to\\_invest\\_in\\_India/articleshow/3366624.cms](http://economictimes.indiatimes.com/Markets/Indices/Sovereign_funds_crowd_to_invest_in_India/articleshow/3366624.cms)

### Govt nod on 9 FDI proposals; Rio Tinto's plan okayed

The Centre has approved nine FDI proposals amounting to Rs 294.46 crore, including Singapore-based aluminium firm Rio Tinto's Rs 148.57 crore proposal to set up a plant.

"Based on the recommendations of Foreign Investment Promotion Board (FIPB) in its meeting held on August 8, finance minister P Chidambaram has approved nine proposals of foreign direct investment amounting to Rs 294.46 crore," a finance ministry statement said. Major proposals that were approved include JP Morgan's Rs 100 crore plan to invest in hotel and hospitality sector. Cable service provider Hathway Cable Systems has also got approval for investing Rs 43.06 crore to issue compulsorily convertible debentures (CCDs). Surat-based Span Diagnostics also got approval to set up a joint venture through a nominal investment of Rs 66 lakh.

Meanwhile, the FIPB deferred six proposals including of ABN-Amro Securities to enlarge services by offering value added financial services to their clients. It also deferred the proposal of Aditya Birla Telecom, which offers cellular services under brand name Idea Cellular, to raise FDI limit to 74% and issue and allot compulsorily convertible shares apart from acting as an operating-cum- holding company to make downstream investments.

<http://www.financialexpress.com/news/Govt-nod-on-9-FDI-proposals-Rio-Tintos-plan-okayed/349080/>

### **FDI in Q1 exceeds total inflows in 2005-06**

India is fast catching up with China in the flow of Foreign Direct Investment (FDI) as it crossed \$10 billion in the first quarter of this fiscal.

FDI in the first quarter of FY 09 has far exceeded the total FDIs flows received by the domestic economy in the financial year 2005-06, Reserve Bank data said.

The total FDI inflows into the country in the April-June period amounted to \$10.073 billion, nearly \$1 billion more than the total FDI inflows 1 \$8.961 billion, reached in the 2005-06 period, RBI said in its August report.

The FDI flow into India was less than \$10 billion annually until 2005-06. It shot up to \$22 billion in 2006-07 and \$32 billion in 2007-08. China averaged \$50 billion annually in the past decade.

If the first quarter trend continued, India could cross this fiscal \$40 billion mark in FDI annual inflow for the first time.

FDI flows, during April-June, almost doubled when compared to the same quarter of FY 08, \$5 billion.

Of the total FDIs reached here in the April-June period this fiscal, around \$2.253 billion was on account of the acquisition of shares of Indian companies by foreign entities, RBI said.

While the momentum in the foreign direct investment is expected to continue in the remaining part of FY 09 on the back of a strong domestic demand, the pace of the growth may be a little lower compared to the preceding months, RBI said.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44779>

## **Trade News**

### **India and S Africa to ink deal for cultural exchange**

The cultural exchange programme will be signed between the two countries during Tourism and Culture Minister Ambika Soni's visit to South Africa from August 14 to 19, this year.

Soni is visiting South Africa to represent India at the centenary commemoration event of the burning of the registration certificate in Johannesburg by the father of the nation, Mahatma Gandhi, and fellow Indians.

The main event will be held on August 16 when Soni will lead the symbolic march upto Hamidiya Mosque, the actual site of the event in 1908.

During her visit the minister will meet the Culture Minister of South Africa, Z Pallo Jordan, and sign the cultural exchange programme.

The proposed cultural exchange programme 2008-2010, will cover wide ranging areas including performing arts, culture, archeology, handicrafts exhibitions, exchange of artisans, books and exchange of experts and films.

Soni will also be the guest of honour at the Independence Day reception to be hosted by the Indian High Commission at Pretoria.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44572>

### **India, ASEAN talks on opening services sector in Sept**

Having wrapped up long-drawn negotiations on free trade agreement for merchandise goods with ASEAN, India will push for greater market access for services and investment in the 10-nation Southeast Asian trading bloc.

"The two sides are likely to start talks in September for an agreement in services and investment, and hope to conclude negotiations by December 2009," a senior official said.

India is looking forward to a pact with ASEAN in the services sector, which contributes about 55 per cent to the Indian economy. The agreement would throw open a large market for services like banking, information technology, telecom, education and tourism.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India\\_ASEAN\\_talks\\_on\\_opening\\_services\\_sector\\_in\\_Sept/articleshow/3373162.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_ASEAN_talks_on_opening_services_sector_in_Sept/articleshow/3373162.cms)

### **Sectoral News**

#### **Tea exports rise 13.6% in January-June period**

India's tea exports in the first six months of 2008 were up 13.6% on rising demand from Pakistan and low production in Kenya, an official with the Tea Board said.

The total exports in the period between January and June stood at 87.41 million kg, compared with 76.97 million kg a year ago. Production in the period increased 3.3%, to 345.68 million kg. The short-fall in production in Kenya has aided Indian exporters, said the official.

Output in Kenya fell 21% in the first six months of 2008 due to drought and frost in growing areas. The east African grower projects that tea output in 2008 will decrease to 335 million kg from a record 369 million in 2007-08.

Pakistan and Egypt are traditional buyers of Kenyan tea, but in 2008-09 India has been exporting more tea to those countries due to better domestic production, he said. Exports from north India rose 17% to 44.67 million kg, while that from the south went up 10.2% to 42.75 million kg during the six-month period.

<http://www.financialexpress.com/news/Tea-exports-rise-13.6-in-JanuaryJune-period/347626/>

### **Cashew exports hit all-time high**

Profit margins of cashew exporters are on a rally as global shortage of the commodity helps in garnering more revenue per unit of export. Cashew exports for July have beaten all records as it showed a value increase of 74% when compared to the performance in July 2007. The increased revenue has come from a marginal increase in of 12% of quantity.

A default by exporters in Vietnam, shortage of supply in Africa and erratic rain over the cashew-producing regions across India are said to have caused the sudden upsurge in cashew prices.

According to figures supplied by the Cashew Export Promotion Council, India exported 11,276 tonne of cashew valued at Rs 328.83 crore in July 2008, as against an export of 10,014 tonne valued at Rs 189.72 crore in July 2007. The unit value of exports has increased to Rs 291.61 per kg, an increase of 34%, when compared to the realisation from the comparable period last year.

The shortage has also increased the input cost of exporters who import raw cashew kernels. India is a major processing centre, known for the skill of its women workers who manually process cashew without causing any breakage.

Meanwhile, a few Indian exporters with huge inventories have reaped a windfall as cashew prices almost doubled within a few months.

Raw cashew kernels imports for the period are at 85,086 tonne valued at Rs 335.61 crore. The unit value of imports has moved up to Rs 39.94 per kg. In July 2007, the import of raw cashew stood at 100,306 tonne valued at Rs 234.98 crore.

<http://www.financialexpress.com/news/Cashew-exports-hit-alltime-high/349146/>

## **Software revenue to touch \$12 billion by 2015: Nasscom**

The maturing ecosystem of the Indian IT sector, reaching a point of inflection, promises a quantum growth in the software product business, with a revenue target ranging between \$9.5 billion and \$ 12 billion by 2015 from a meagre 1.4 billion in 2008, according to a recent report on "Outlook for Indian Software Product Businesses," released by Nasscom (National Association of Software Companies) at its second annual product conclave in Bangalore. As per the report, the next decade will play a crucial role in bringing about disruptive growth for the Indian software product segment in the areas of disruptive technologies such as virtualisation, Service Oriented Architecture (SOA) and delivery model, web-services, software-as-an-appliance, subscription/transaction /on-demand business models, etc. These have all already helped new entrants build global billion dollar businesses and further promise to sustain the growth momentum to reach the ambitious target by 2015.

According to the opportunity assessment report, the world software product market is poised to grow \$537 billion in FY 2015 from \$294 billion (FY 2008), with the Indian market having the scope to address \$290 to \$315 billion worth of the global pie in the same period. The growth engine is expected to accelerate broadly by 3 areas namely ERM (Enterprise Resource Management), BI (Business Intelligence) and storage and security.

Nasscom predicts that the global market from ERM (Enterprise Resource Management) software products is expected to grow from \$33.2 billion in 2008 to \$59.8 billion in 2015. Driven by SMBs (Small and Medium Businesses), the BI product segment is expected to grow from \$7.8 billion in 2008 to \$15 billion by 2015 and the forecast on storage software product from \$13.9 billion in FY08 to \$26.2 billion in FY15. Indian players and India-based product development facilities of MNC companies are expected to make a mark leveraging on the strong base of domain expertise and demonstrable potential of Indian product start-ups, observes Nasscom.

<http://www.financialexpress.com/news/Software-revenue-to-touch-12-billion-by-2015-Nasscom/347637/>

## **Rubber exports rise 38 per cent in April-July**

India's natural rubber exports have surged 38 per cent in the April-July period of the current financial year. In Q1 ( April-June) alone, total exports had registered a growth of 26 per cent, according to the latest estimates of the Rubber Board.

Total exports increased to 23,998 tonnes during April-July as against 14,816 tonnes in the same period of the previous financial year. As global market conditions were favourable for exports in July, a total of 10,862 tonnes were exported during the month.

Total imports for the first four months of 2008-09 were 23,782 tonnes as against 28,315 tonnes in the same period last year.

<http://www.business-standard.com/india/storypage.php?leftnm=0&autono=331098>

### **TCS, Infosys, Wipro nextGen megavendors: Gartner**

India's top IT services companies, Tata Consultancy Services (TCS), Infosys Technologies and Wipro Technologies will emerge as the next generation of IT service megavendors, according to Gartner, Inc. These vendors are increasingly being considered for strategic service deals, and will augment or in some cases, replace today's acknowledged megavendors by revenue - IBM Global Services, Accenture and EDS - in this space by 2011.

These emerging megavendors are much smaller than the current megavendors but will increasingly compete for the same mega deals that had been the exclusive domain of the incumbent megavendors, the report adds. The emerging megavendors have leveraged four critical competencies to achieve their status. The competencies are process excellence, world-class HR practices, providing high quality services at a low cost and the achievement of significant and disproportionate 'mind share' compared to their actual size.

"The emerging megavendors have made dramatic progress in the past few years and have more than doubled their revenues in a four-year period, with the 2007 revenues being 2.6 times the 2004 revenues," said Partha Iyengar, vice president, analyst and regional research director, Gartner. "This level of growth differential has continued even as these vendors have become multibillion dollar enterprises.

<http://www.financialexpress.com/news/TCS-Infosys-Wipro-nextGen-megavendors-Gartner/348603/>

### **Rains brighten cotton outlook**

The cotton scenario, which looked bleak last fortnight, seems to have changed dramatically since the beginning of this month following the copious monsoon.

"There is a bounce-back. We expect the current year's production to be almost equal to the 2006-07 crop at around 310 to 315 lakh bales," Mr K.N. Viswanathan, Honorary Secretary, South India Cotton Association, told.

Lint prices, which were showing an upward trend, seem to have sobered. Shankar 6, which was quoting at Rs 28,500/candy towards end of July, slipped to Rs 27,500/candy and the price of the new crop fell by 10 to 12 per cent, industry sources said.

"The uncontrolled price rise has stopped for now. Though mill buying is slow and production estimates encouraging, we do not foresee a crash in cotton prices," Mr Viswanathan said.

<http://www.blonnet.com/2008/08/19/stories/2008081950751100.htm>

### **Commexes turnover shoots up 40% till July**

With less than a month left before the suspension of futures in four farm commodities comes up for review, and despite faint indications that the government might extend the suspension, the turnover in India's commodity exchanges showed no signs of slowing down.

According to the latest data from the Forward Market Commission (FMC), commodity exchanges recorded a 40.23% jump in their turnover at Rs 16,54,442 crore till July 2008-09, against Rs 11,79,765 crore during the corresponding period in 2007-08.

During July 16-31, the total turnover of the three national exchanges and 19 regional exchanges increased by 82.67% at Rs 3,01,269 crore compared with the year-ago period, the FMC said in a release.

According to FMC data, the turnover of the MCX, the country's leading exchange, stood at Rs 2,55,191 crore, while leading agri-commodity bourse, NCDEX, recorded a business of Rs 42,296 crore. Other national level exchanges like the Ahmedabad-based NMCE, registered a turnover of Rs 1,114 crore.

<http://www.financialexpress.com/news/Commexes-turnover-shoots-up-40-till-July/347622/>

### **News Round – Up**

#### **Infrastructure sector emerges highest job creator: Assocham**

Flooded with huge investments, India's infrastructure sector has emerged as the top employment generator cornering 12 per cent share in the total jobs created during the first three months of 2008-09, a study by industry chamber Assocham has said.

The sector created 12,580 job opportunities out of a total 1,05,638 in areas aviation, construction, energy, core infrastructure, metals and mining between April-June 2008.

The construction segment provided maximum job opportunities with a share of 24.32 per cent in the sector. Mining emerged the second largest job creator given the rise in prices of metal.

Energy had 18.8 percent share in the number of job openings, creating 2,365 employment opportunities. The aviation sector saw job openings for 2,250 people, while core infrastructure posted 1,857 vacancies, the chamber said.

"Removing infrastructure bottlenecks is seen as a good business opportunity by private players. The sector is emerging as a potential employment generator with its share set to leap further," Assocham President Sajjan Jindal said.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44997>

### **Corporate investment to be robust this fiscal: RBI**

Strong domestic demand is likely to push up the private corporate investments in the current financial year but in a slower-pace owing to a deceleration in global and domestic economies, the Reserve Bank said.

"The private corporate investment in 2008-09 is likely to increase, although it may grow at a slower pace... Corporate's incentives to invest are likely to remain strong in 2008-2009, namely high domestic demand and high capacity utilisation rates amidst improved profitability of last few years," RBI said in its August bulletin.

The capital investment intention of companies in the domestic market having institutional assistance upto the last fiscal amounted to Rs 1,48,350 crore as against Rs 1,25,248 crore envisaged for 2007-08, the apex bank said.

In the current fiscal, the proposed investment aggregates to Rs 1,73,173 crore, if the capital spending envisaged by companies raising funds from sources other than banks and foreign investors was added, RBI said.

"If the aggregate capital expenditure in FY 09 were to surpass the level indented for the year 2007-08, the fresh envisaged capital expenditure in 2008-09 must be above Rs 71,934 crore," the apex bank said.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=44783>