

## Weekly Economic Bulletin

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## News Feature

### Oct-March business confidence index up

The confidence index of Indian businesses in the October-March (2007-08) period stood at 66.3 points, up 2.4 points from the April-September period of 2007, a Confederation of Indian Industry (CII) Business Outlook Survey said.

The survey, which involved over 190 member companies across sectors, revealed that around 87 per cent of the respondents plan to increase investments during October-March, 2007-08.

However, the index is down by 5.5 points (7.66 per cent) when compared with the corresponding period last year.

Recent data showed that the gross domestic product (GDP) grew at 8.9 per cent in the second quarter ending September 2007, which is a dip from 9.3 per cent in the first quarter ending June 2007.

The business confidence index (BCI), which is constructed as a weighted average of the current situation index (CSI) and the expectations index (EI), was higher among the services sector at 68.3 points, compared with manufacturing firms which stood at 65.1, the survey said.

According to the survey, 59 per cent of the total respondents felt that the GDP is expected to be around 9 per cent. Also, nearly 22 per cent of the respondents expect the GDP growth rate to be in the range of 9-9.5 per cent.

There are signs of declining demand, especially in the consumer durable sector, as the survey revealed that around 45 per cent of the respondents expect the inventory levels to increase.

Nearly 82 per cent of the respondents expected the value of production to increase in the next six months as against only 66 per cent in April-September 2007. This, according to the survey, is because of expected increase in new orders.

<http://www.businessstandard.com/common/storypage.php?autono=309197&leftnm=3&subLeft=0&chkFlg=>

### Forbes List: India does it again

After billionaires and household names like Ambanis and Mittals, it is the turn of little-known microfinance institutions from India to hit the pages of famed magazine Forbes, which has named seven such entities in the list of world's top 50 -- highest for a country.

In its first ever list of World's Top 50 Microfinance Institutions, the US business magazine has named Bangalore-based Bandhan at the second position.

Bandhan, as well as two other Indian MFIs – Microcredit Foundation of India (ranked 13th) and Saadhana Microfin Society (15th) -- have been placed even above Bangladesh-based Grameen Bank, which along with its founder Mohammed Yunus was awarded Nobel Prize last year.

Grameen Bank has been ranked 17th in the list topped by another Bangladesh-based institution, ASA. India, along with Bangladesh, are jointly home to the maximum number of MFIs to be featured in the list. Among others, there are five from Bosnia and Herzegovina, four each from Morocco and Peru, three from Colombia and two each from Equador, Ethiopia and Serbia.

<http://www.financialexpress.com/news/iForbes-i-List-India-does-it-again/254495/>

### **Forex Reserves to touch US\$ 300 billion: IEG**

On the back of robust foreign inflow due to sub-prime and other crises in the West, India's foreign exchange reserves are expected to rise by USD 100 billion to touch USD 300 billion mark by the end of current fiscal, the Institute of Economic Growth (IEG) has said.

"We expect such flows to continue especially as foreign funds are now diverted to safe havens such as India, following uncertainty about the extent of impact due to sub-prime crisis and potential recessionary signals emanating from US Economy," IEG said in its monthly monitor.

"Forex reserves are to reach USD 300 billion by the end of March 2008," the report projected.

However, for the week ended December 21, forex reserves witnessed a decline of USD 232 million to touch USD 272.72 billion, primarily as a result of drop in foreign currency and assets collections.

As per the weekly statistical supplement of the Reserve Bank (RBI) released on December 28, foreign currency and assets dropped by USD 230 million to USD 263.93 billion.

Since the beginning of the calendar year, forex reserves have bulged more than 55 per cent, second highest after Brazil among the BRIC nations.

Brazil's foreign exchange reserves jumped by 106 per cent to USD 178.8 billion as on December.

Rate cut by the Fed in the US along with the positive perception prevailing about the emerging economies such as India has led to sharp rise in inflows, it said.

In percentage terms, the accretion would amount to a growth of over 50 per cent on year-on-year basis. The country's forex stood at USD 199.1 billion for the year ended 2006-07.

<http://www.financialexpress.com/news/Forex-Reserves-to-touch-300-bn-IEG/255800/>

## Overseas Investment

### FII inflows hit all-time high

Foreign institutional investors (FIIs) turned net sellers on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in the current calendar year so far, while net inflows in the current calendar year, according to the Sebi data, have been at an all-time high of Rs 66,800 crore.

The category-wise turnover data by BSE and NSE, according to the client code or the client type, show net outflows of Rs 2,656 crore, while the data collated by Sebi show net FII inflows of Rs 66,800 crore.

The huge gap between the two figures is because of the compilation of FIIs inflows. The Sebi definition pertains to all activities undertaken by FIIs in the Indian securities market, including trades done in the secondary and primary markets.

The FII purchase and sales data compiled by Sebi show the aggregate purchases at Rs 7.97 lakh crore and sales at Rs 7.30 lakh crore, with the purchase netting to Rs 66,800 crore. BSE and NSE show aggregate purchases of Rs 7.28 lakh crore and sales of Rs 7.31 lakh crore, with the sales netting to Rs 2,656 crore.

FIIs were net buyers of Rs 18,854 crore on the secondary markets till October 2007 and turned net sellers, leading to outflows of Rs 13,689 crore in November and Rs 7,825 crore in the current month so far.

FIIs have been net sellers in the last two months to make up the losses on account of the US sub-prime defaults. The secondary market inflows also dried up on account of the ban on fresh investments through participatory notes (P-notes) by Sebi last month.

<http://www.businessstandard.com/common/storypage.php?autono=308905&leftnm=0&subLeft=0&chkFlg=>

### Global Broadcast plan among 19 FDI proposals cleared

Global Broadcast News Ltd's plan to have up to 26 per cent foreign direct investment was among the 19 foreign direct investment proposals worth Rs 726.88 crore cleared by the Government.

Global Broadcast News' proposal entails an inflow of about Rs 500 crore, an official release said.

The Government also approved the Rs 200-crore investment plan of Middlesbrough Oils UK Ltd to set up a wholly owned subsidiary to undertake extraction of crude jatropha oil from jatropha seeds.

DaimlerChrysler of Germany has also been allowed to set up a joint venture company to undertake bus bodybuilding, while Dunbay Company's plan to acquire an additional five per cent shares from the Delhi Stock Exchange (Rs 10.61 crore) has also been cleared.

Besides this, the Government has given its nod to a proposal by NSK Ltd Japan to set up a wholly owned subsidiary to undertake wholesale trading in bearings on cash and carry basis, including sales to industrial customers and distributors.

The proposals were cleared by the Finance Minister, Mr P. Chidambaram, based on the recommendations by Foreign Investment Promotion Board (FIPB) in its meeting held on December 14. A proposal of DFS Ventures Singapore involving induction of foreign equity by way of subscription to fully convertible preference shares or compulsorily convertible debentures, has also been cleared.

<http://www.blonnet.com/2007/12/25/stories/2007122551951000.htm>

### **Starbucks enter India through PVR tie-up**

World's leading coffee chain Starbucks has finally seen the light of the day in India through a distribution tie-up with the country's leading multiplex operator PVR Ltd for its select products.

PVR has started retailing Starbucks products at its select multiplexes in Mumbai and Delhi and plans to extend the arrangement to as many as 25 movie theatres across major metros.

"The retailing of Starbucks products has already started on an experimental basis at three multiplexes in Mumbai and Delhi. The arrangement is for sourcing the Starbucks products directly from the US, but does not include brewing of coffee," PVR Ltd's Marketing and Sales General Manager Ranjan Singh told PTI.

PVR is sourcing products with longer shelf-life, including cold coffee and mineral water, from Starbucks and in future it might look at brewing the flagship hot coffee as well as and when the US firm gets the regulatory approval for full-fledged operations here.

<http://www.financialexpress.com/news/Starbucks-enter-India-through-PVR-tieup/255801/>

### **Trade News**

#### **20.47% rise in coir exports**

Coir exports have increased sharply during April-November of the current fiscal, despite rupee appreciation denting the shipments a bit.

Exports of coir products increased 20.47 per cent to 1,18,158 tonnes. However, in rupee terms the export up to November was higher by only 2.5 per cent compared with the same period a year ago. The export value is Rs 387.11 crore.

Mr A.C. Jose, Board Chairman, said the 12.5 per cent appreciation in rupee against the dollar impacted coir exports.

During the same period last year, 98,079 tonnes valued at Rs 377.65 crore were exported. Had rupee appreciation not dented the exports, the value realisation would have gone up by another Rs 68.27 crore, he said.

Coir and its products are exported to more than 97 countries the world over. The US is the single largest market with a share of over 40 per cent. European countries together make up another 41 per cent of the exports. Coir is exported in the form of raw materials like fibre, yarn, curled coir etc. They are also exported as furnishing articles like door mats, matting, rugs, carpets, coir rope and rubberised coir and its products, pith-based products for agricultural operations, and soil erosion control materials — coir geo-textiles.

<http://www.thehindubusinessline.com/2007/12/26/stories/2007122650561100.htm>

### **Raw cotton export boom cheers growers**

Raw cotton exports from the country are booming like never before, bringing cheer and of course, remunerative incomes to lakhs of cotton growers across the country. Indian cotton is in great demand in the export markets, and despite a firming rupee, shipments are moving at a fast pace to markets such as China, Pakistan, Bangladesh and South East Asia.

In terms of output and prices, Indian cotton farmers have not had it so good for several years; and why not? They produced a record crop of 300-lakh bales (170 kilograms each) in 2007-08. As a result, this year, India ranks second in world cotton production, having overtaken the US and standing next to China.

Given the domestic consumption requirement of about 225-230 lakh bales maximum, there is a genuine export surplus of a large quantity of Indian cotton. Without exports, Indian cotton prices would have collapsed under the weight of large crop and farmers would have had to bear the brunt of price fall.

<http://www.blonnet.com/2007/12/31/stories/2007123150630700.htm>

### **Sectoral News**

#### **A big year for organised retail**

For retailers in the country, at the end of 2007, the writing on the wall was clear: that the business was not just about operating a chain of air-conditioned stores and filling them up with the right kind of stock-keeping units (SKUs).

It entailed several other issues and commitments, both business and social: location, manpower, supply-chain, procurement, taxes, FDI, Uttar Pradesh and West Bengal, the last two sending shivers down the spines of even biggies in the industry.

The year also saw the announcement of India plans of globally significant players such as Wal-Mart and Carrefour. "This has indeed been a big year for retail," says Mr Gibson Vedamani, CEO, Retailers Association of India.

The Rs 3,50,000-crore retail market grew 7-8 per cent during the year, with the organised sector recording a 25 per cent growth. The country now has a 150-million strong shopper base that can expect to shop in 40 million sq ft of mall space.

No wonder then, lead players of the sector went whole hog into the business during the year. The Future Group continued its trailblazing expansion and crossed Rs 4,000 crore this year and launched eight new formats and six verticals.

<http://www.thehindubusinessline.com/2007/12/28/stories/2007122850470500.htm>

### **Telecom cos add 8.3 million mobile users in November**

India added a record 8.3 million wireless users in November, taking the total subscriber base to 225.5 million, telecom regulator TRAI said. In October, new wireless subscribers numbered 8.05 million. Fixedline user base continued to dwindle as more and more users shift to mobile phones. In November, the total user base fell to 39.31 million, from 39.41 million in October.

India, which added 60.35 million new wireless users in April-November, is the world's fastest-growing mobile services market. Including fixedline users, total telephone subscriber base grew to 264.8 million by November, 8.2 million more than the previous month, the traai said in a statement late on Monday.

The regulator expects India's total telephone user base to top 500 million by 2010. Bharti Airtel, with nearly 53 million subscribers in November, is the top mobile firm in India, followed by Reliance Communications, which had 39.4 million customers at the end of the month.

Other leading players include Vodafone-controlled Vodafone Essar Ltd, state-run BSNL, Tata Teleservices and Idea Cellular.

[http://economictimes.indiatimes.com/News/News\\_By\\_Industry/Telecom/Telecom\\_cos\\_add\\_83\\_million\\_mobile\\_users\\_in\\_November/articleshow/2651093.cms](http://economictimes.indiatimes.com/News/News_By_Industry/Telecom/Telecom_cos_add_83_million_mobile_users_in_November/articleshow/2651093.cms)

## **Herbal medicine sector to grow 12-15% a year**

Herbal medicine has suddenly come into vogue with the notion of “wellness” becoming integral to the healthcare business. But here’s the catch.

Although India is the birthplace of ayurveda, one of the most popular forms of herbal medication, the domestic market looks positively anaemic when compared with its healthy presence in the West.

Prescription herbal medicine, for instance, hasn’t quite taken off in India. In fact, of the \$1 billion herbal medicine market, almost 70 per cent constitutes over-the-counter (OTC) products, with only 30 per cent being prescription drugs.

While India is one of the largest producers of medicinal herbs, the market suffers from lack of clinical research, standardisation and regulation.

“Only those prescription medicines are doing well that are promoted and supported by standardisation and clinical research,” says Durga Prasad of Dabur.

“However, there is not much data available on a large number of prescription medicines and hence this segment is taking a back seat,” he adds.

But the OTC market has been growing steadily. The main drivers of this growth are medicines like analgesics and cough, cold and allergy remedies. Even herbal dietary supplements are fast gaining popularity.

“There are many reasons for growth of the OTC market, including increasing awareness of alternative and complementary medicine and the shift from curative to preventive healthcare,” explains Philippe Haydon, COO (pharmaceutical division), Himalaya Drug Company.

<http://www.businessstandard.com/common/storypage.php?autono=308842&leftnm=5&subLeft=0&chkFlg=>

## **India needs \$150 bn investment in energy sector in 5 years**

A conducive policy and regulatory framework is necessary to attract private participation in the country’s power and upstream energy sectors which will require an investment of up to \$150 billion over the next five years, according to a report by KPMG and CII.

With a targeted GDP growth rate of 10 per cent, energy requirement is expected to grow at 6.4-8.0 per cent.

“India’s power and upstream energy sectors need investments to the tune of \$120-150 billion over the next five years,” the report said.

Clarity in areas, including pricing of products and stability in policy framework, is essential to encourage private investment in the energy space, it said.

India's current energy consumption level is low as compared to the world average. For 2004-05, the country's total annual energy consumption was estimated at 572 million tons oil equivalent while the per capita consumption was at 531 kilograms oil equivalent.

As per the study, tariff and distribution reforms in energy sector need to be carried out to phase out subsidies and attain efficiency. Also, there is a need to diversify the country's energy basket to reduce dependence on a single fuel.

"The biggest challenge is to replace coal - exhaustible in 40 years - representing 51 per cent of the energy basket, and oil, which is heavily dependent on international supply in the short term towards natural gas, hydro and renewable sources," according to the report.

There is a need to bring in market mechanisms in the energy sector under an independent regulatory oversight. A gradual approach is important till the supply side position improves and more players enter the sector, the report said.

[http://economictimes.indiatimes.com/News/Economy/Indicators/India\\_needs\\_150\\_billion\\_investment\\_in\\_energy\\_sector\\_in\\_5\\_years/articleshow/2653193.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/India_needs_150_billion_investment_in_energy_sector_in_5_years/articleshow/2653193.cms)

### **FICCI urges sops for packaging industry**

In an effort to boost the competitiveness of the food processing industry, the Federation of Indian Chambers of Commerce and Industry has recommended a fiscal incentive package for the packaging industry.

Towards this end it elicited views of 225 respondents from across the country, including food processing companies representing sectors such as dairy, bakery, meat and poultry, and fruits and vegetable processors.

The package includes recommendations for nil import duty on packaging machinery, central excise tax on equipment for both packaging and processing to be reduced from 16 to 8 per cent, exemption of packaging machines used for food packaging, and abolition of excise on packaging material for packing fresh fruits, vegetables and grains.

<http://www.thehindubusinessline.com/2007/12/31/stories/2007123151400300.htm>

### **Global medical tool makers throng India**

Unclear regulations keep domestic firms from making their presence felt in the \$2 bn market

Even as a lack of clarity in regulations is preventing Indian medical device manufacturers from making their presence felt in the \$2 billion domestic medical equipment market,

foreign players, mostly from the United States, are increasingly finding the country a preferred destination.

The tremendous growth projections have also prompted foreign medical equipment makers to float Indian subsidiaries -- 30 of them received import clearances in 2007 alone -- to move away from the earlier practice of indirect operations through authorised agents in India.

Boston Scientific, Abbott, Becton Dickinson, Guidant, Medtronic, B Braun, Johnson & Johnson, DePuy, Advanced Medical Optics and Stryker are among the leading firms, whose Indian subsidiaries received approvals to import medical devices during the year.

Corporate interest in the Indian healthcare segment and the introduction of the product patent regime in 2005 are known to be the prime movers behind India becoming a hot destination for medical device firms across the world.

A recent FICCI-Ernst & Young study had predicted 15-20 per cent growth for the Indian medical equipment market and estimated market size to be about \$5 billion by 2012.

“With the kind of attention the government and the corporate world has given to India’s healthcare sector, the growing interest of foreign players in the medical equipment sector is quite expected. I would be surprised if companies are not coming to India,” says Anjan Bose, chairman, medical electronics forum, FICCI.

<http://www.businessstandard.com/common/storypage.php?autono=308931&leftnm=1&subLeft=0&chkFlg>

## **News Round – Up**

### **India's market cap crosses Rs 70 trillion mark**

Investors' wealth on the Indian bourses has crossed Rs 70,00,000-crore milestone for the first time in history, with an average increase of over Rs 40 crore in every minute of trading during 2007.

The total wealth, measured in terms of cumulative market capitalisation of all the listed companies on the Bombay Stock Exchange, has surged to a record high of Rs 70,38,538 crore (over \$1.7 trillion), the latest data available with the bourses show.

This marks a ten-fold surge in the total market value in just about four and a half years. It stood at about Rs 7,00,000 crore in May 2003.

The investors' wealth has grown by Rs 34,14,181 crore, or about \$970 billion, since the beginning of 2007. Taking into account the 249 days of trading so far this year, this means an average gain of about Rs 13,711 crore a day or about Rs 41 crore a minute.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Indias\\_market\\_cap\\_crosses\\_Rs\\_70\\_trillion\\_mark/articleshow/2662275.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Indias_market_cap_crosses_Rs_70_trillion_mark/articleshow/2662275.cms)