

Weekly Economic Bulletin

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News Feature

India presence must to become global banks: E&Y

Banks aspiring to become global must have a presence in India and other emerging economies, who are set to become a major source of financial sector revenue and profit growth, according Ernst and Young.

"In the near future, banks will not be able to say they are global unless they have a presence in China, India and a few other countries, because these emerging markets are going to be a major source of financial sector revenue and profit growth," the international consulting firm said in a report prepared jointly with UK-based research firm Oxford Analytica.

The report, titled 'Strategic Business Risk 2008 - the Top 10 Risks for Business', noted that a late entry into these Asian markets would make it difficult for foreign banks to keep up with competition.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_presence_must_to_become_global_banks_EY/articleshow/2631469.cms

Growth rate to moderate at 8% in fiscal 2008, says Goldman Sachs

The Indian economic growth is set to moderate to around 8 percent in financial year 2008-09 before improving to around 8.3 per cent in the next fiscal.

This will be due to the cyclical headwinds of high interest rates, rapid currency appreciation, weakening global demand and high oil prices even though investment demand will remain robust, according to research report released by Goldman Sachs.

The report on Indian economy also suggests that the growth in consumption demand will be slow, restrained by high interest rate and further because external demand will be a net negative contributor to growth.

<http://www.blonnet.com/2007/12/20/stories/2007122052321000.htm>

Overseas Investment

India's FDI for fiscal year to Sept at \$7.2 bn

Foreign direct investment (FDI) during the first seven months of the 2007/08 fiscal year stood at \$7.2 billion, an Indian government statement said.

"The growth is in comparison to '06/07, when the FDI inflows peaked at unprecedented level of \$15.7 billion.

The total FDI including reinvested earnings was \$19.5 billion on '06/07," the statement said.

http://economictimes.indiatimes.com/Indias_FDI_for_fiscal_year_to_Sept_at_72_bn/articleshow/2631976.cms

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 jatropa oil from jatropa seeds.

Daimler Chrysler 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>

100% FDI likely for mortgage guarantee firms

The government may treat mortgage guarantee Companies as non-banking finance Companies (NBFCs). This would enable foreign firms to set up wholly owned subsidiaries in India as there is no foreign direct investment (FDI) cap for NBFCs. The rules governing this are expected to be unveiled soon, according to sources.

The finance ministry favoured the inclusion of mortgage guarantee Companies in the relatively relaxed NBFC norms rather than the stricter insurance sector.

<http://www.financialexpress.com/news/100-FDI-likely-for-mortgage-guarantee-firms/251905/>

FDI in services sector will be without any cap, says Nath

Commerce and industries minister Kamal Nath has said with changes in laws governing small and medium enterprises, FDI would be allowed in the services sector without any cap.

Releasing the figures for FDI inflows in the country, Nath said the new Micro, Small and Medium Enterprises Act does not provide for a 24% equity cap on any industrial undertaking in the SSI sector.

FDI equity inflows rose 65% to \$7.2 billion during the first seven months of the current fiscal from \$4.4 billion in the corresponding period last year.

<http://www.financialexpress.com/news/FDI-in-services-sector-will-be-without-any-cap-says-Nath/251851/>

NYSE, Nymex line up to buy stake in MCX

The New York Stock Exchange (NYSE) and the New York Mercantile Exchange (Nymex) are awaiting policy guidelines on foreign direct investment (FDI) in commodity exchanges to pick up minority stake in Multi Commodity Exchange of India (MCX).

MCX, the largest commodity futures bourse, is promoted by the Mumbai-based Financial Technologies (FTIL).

When contacted an MCX spokesperson told that the exchange has been long awaiting the government policy on foreign investments. While the transaction value under discussion is not clear, sources say that it could be in line with the previous stake sale. Last week, FTIL offloaded around 10% stake in MCX. ICICI, IL&FS and Kotak acquired 3.55%, 5%, 1% stakes, respectively, at an enterprise value of \$1.1 billion (around Rs 4,400 crore). With this, FTIL's holding in MCX has come down to 37.5%.

http://economictimes.indiatimes.com/Markets/Indices/NYSE_Nymex_line_up_to_buy_stake_in_MCX/articleshow/2629951.cms

Trade News

US to keep building strategic ties with India: Rice

The US says it "will continue building a new and very important strategic relationship with India" while seeking "a moderate, democratic Pakistan that is a partner in the war on terrorism."

Setting this out as Washington's goal in South Asia, US Secretary of State Condoleezza Rice said: "In Pakistan, President Musharraf has taken off his uniform and stepped down as chief of the army and all major civilian leaders have now returned to that country.

"Free and fair elections in January will advance the goal of a moderate, democratic Pakistan that is a partner in the war on terrorism," she said at a yearend news conference giving an overview of US foreign policy.

<http://economictimes.indiatimes.com/articleshow/2642585.cms>

Switzerland wants to sign FTA with India

Switzerland is looking to sign a Free Trade Agreement (FTA) with India. India has been identified as a country of high priority in the framework of Switzerland's foreign economic strategy, said Swiss Ambassador to India Dominique Dreyer.

"Switzerland is looking for an FTA with India," Dreyer said at 'Go Global Via Switzerland Investment Conference'. The conference is part of the official programme of the Swiss government for promoting foreign investments into their home country.

Two dozen Indian companies including Tata, Birla, Ramco, Infosys, Wipro, TCS, Mindtree, Divi's Laboratories, Amas Bank, Preroy, Dr Reddy's, Hexaware Technologies, Neillsoft, Glenmark and Aftek, have set up operations in Switzerland.

<http://economictimes.indiatimes.com/articleshow/2639177.cms>

India- France to talk trade in Jan meet

Despite the political turmoil over the Indo-US civil nuclear deal, the Indian government is likely to continue talks with French foreign minister Bernard Kouchner, whose country is a member of nuclear suppliers group (NSG) and a supporter of the pact.

Kouchner's two-day visit, will be a precursor to the French President Nicolas Sarkozy's visit early next year and the talks will focus on firming up an agenda for the same.

<http://www.financialexpress.com/news/India-France-to-talk-trade-in-Jan-meet/251401/>

More tariff cuts under India-Singapore CECA on anvil

India and Singapore have signed a protocol to amend the comprehensive economic cooperation agreement (CECA) between the two countries, an official press release said.

The CECA would be amended to expand the tariff liberalization package within the Trade in Goods Chapter.

With a view to enhance bilateral trade and to strengthen economic relations in various fields, the CECA) between India and Singapore was signed on June 29, 2005 by the Indian Prime Minister Manmohan Singh and the Singapore Prime Minister Lee Hsien Loong. It came into effect from August 1, 2005.

The bilateral trade has shown tremendous growth since then with India's exports to Singapore during 2005-06 and 2006-07 at \$ 5.4 billion and \$ 6.02 billion registering a growth of 35.61% and 10.98% respectively and Singapore's export to India during 2005-06 and 2006-07 at \$ 3.4 billion and \$ 5.5 billion registering a growth of 26.49% and 63.10% respectively. India had a positive trade balance of \$ 551 million against Singapore in 2006-07.

<http://www.financialexpress.com/news/More-tariff-cuts-under-IndiaSingapore-CECA-on-anvil/252488/>

Sectoral News

Auto part investments to treble in 3 yrs

Companies plan to pump in Rs 30,000 crore to cash in on demand surge

Domestic auto component companies are investing Rs 30,000 crore to cash in on the automobile boom. Automobile capacity in the country will double from 2.2 million unit per annum to 4.4 million by 2010.

Sanjay Labroo, president, Automotive Component Manufacturers' Association (ACMA), said: "The industry will invest Rs 30,000 crore in the next two years. Last year, we did a business of Rs 62,000 crore and this year we will do a business of 71,000 crore."

Companies, which are jumping into the bandwagon, include MNCs. For instance, the world's leading component company Bosch has committed an investment of Rs 2,650 crore through four subsidiaries in India. Funds will be used to set up manufacturing facilities for gasoline systems, electronic control units and ABS systems.

<http://www.businessstandard.com/common/storypage.php?autono=307897&leftnm=1&subLeft=0&chkFlg=>

India grows fastest in ECB sales during Q3 2007: Gartner

India has emerged as the fastest growing market for external controller-based disk (ECB) storage devices with revenues reaching \$59.4 million in the third quarter of 2007, according to a report.

India registered a 76.3 per cent growth in sales of ECB devices, like USB drives, during in the quarter, a report by Gartner said.

Worldwide, the revenue from ECB sales totalled \$3.9 billion in the three-month period, registering a 3.4 per cent increase over the same period in 2006.

<http://economictimes.indiatimes.com/articleshow/2637834.cms>

India to see biggest rise in rice output by 2016

India will register the highest increase in rice production in the world over the next 10 years, although its annual output will be less than that of China.

According to an analysis of worldwide rice production data compiled by the US Department of Agriculture, India's annual rice production would increase by 16.3 million tons by 2016, from 91 million tons currently.

This is higher than any other rice producing country in the world.

In contrast, China would see its annual grain output decline by about 4.8 million tons in 2016, from 128 million tonnes in the 2006-07-production year.

http://economictimes.indiatimes.com/News/Economy/Agriculture/India_to_see_biggest_rise_in_rice_output_by_2016/articleshow/2644641.cms

Record soymeal exports seen

The country is on track for record exports of the animal feed this year after selling 2.5 million metric tonne since October, a spokesman for the soybean-processing industry said.

The sales amount to more than half of targeted exports of 4.5 million tonne for the year through September 2008, as buyers including China seek supplies amid a global shortage, Rajesh Agrawal of the Soybean Processors Association of India, said. Traders will ship the meal by February, he said.

India competes with Brazil and Argentina for soybean meal sales to countries including China, Vietnam, Indonesia and South Korea. Exporters are benefiting from prices, which gained 71% in Chicago in the past year after US farmers planted the smallest acreage to soybeans in 12 years.

<http://www.financialexpress.com/news/Record-soymeal-exports-seen/251906/>

India may open up \$330-bn retail market'

Hinting that the country may open up its retail industry to more foreign direct investments, the government on Monday lashed out at "jobless ex-politicians" for "raising cheap slogans" saying they were only hurting farmers.

"India may open up its \$330-billion retail market after being convinced that kirana stores will not be affected by big retailers," union minister of state for food processing industries Subodh Kant Sahai said at a function organised by industry chamber Ficci.

<http://www.financialexpress.com/news/India-may-open-up-330bn-retail-market/251378/>

India emerges as second largest cotton exporter: ICAC

The International Cotton Advisory Committee (ICAC) has projected that India is expected to emerge as the world's second largest exporter of cotton in 2007-08.

India's cotton exports, at a new record at 1.2 million tonne in 2007-08, thanks to a record production, and the US will continue to dominate with its exports projected at 3.6 million tonne in 2007-08, up 29% from 2.8 million tonne in 2006-07.

World cotton imports are forecast to be up by 9% in 2007-08, due to a projected rebound of Chinese imports to 3.2 million tonne, an increase of 39% from last year's 2.3 million tonne.

<http://www.financialexpress.com/news/India-emerges-as-second-largest-cotton-exporter-ICAC/253106/>

Consumer durables to grow by 12 pc in 07-08: FICCI

Consumer durable sector will achieve a 12 per cent growth in 2007-08 despite inverted customs duty structure and high excise duty on white goods, a FICCI survey said.

The survey revealed that the Consumer durable sector which grew at 11.5 per cent in 2006-07 would grow at a rate higher by 0.5 per cent points due to technological improvements, falling prices, innovative marketing and declining import tariffs.

"The non-IT consumer durable goods market estimated at Rs 35,000 crore in 2006-07 with 11.5 per cent growth is expected to achieve about 12 per cent overall growth in 2007-08," the release said.

<http://economictimes.indiatimes.com/articleshow/2644988.cms>

Insurance sector to become Rs 2 trillion industry by '10

India's thriving insurance sector is all set to grow from Rs 500 billion to Rs 2 trillion (\$50.7 billion) by 2010, says the Associated Chambers of Commerce and Industry of India (Assocham).

The main reasons for such a major growth would be the coming of private players and aggressive marketing, the industry chamber said.

The industry, which has seen a compounded annual growth rate of around 175 percent in the last couple of years, is likely to throw up several new avenues of business potential.

The private sector insurance business is likely to achieve a growth rate of 140 percent as against the public sector's growth rate of 35-40 per cent.

http://economictimes.indiatimes.com/News/Economy/Indicators/Insurance_sector_to_become_Rs_2_trillion_industry_by_10/articleshow/2648870.cms

India to be global technical textiles hub

India can become the global hub for the manufacture of technical textiles and non-wovens, for which there is a huge national and international market. The domestic market under categories of medical textiles, automotive textiles, geo textiles, personal hygiene products, is estimated to be \$12 billion by 2012. Seshadri Ramkumar, assistant professor, Texas Technical University, co-chairman of the Association of Nonwoven Textile Industry's (INDA) India committee, told the ground is set for large-scale investments in technical textiles in India.

The government has launched a technical mission on technical textiles, customs duty on technical textile machinery is now 5%, 100% foreign direct investment in the automatic route is permitted, and investment and interest subsidy is offered under the Technology Upgradation Fund (TUF) scheme.

<http://www.financialexpress.com/news/India-to-be-global-technical-textiles-hub/253594/>

News Round up

Rupee is BRIC's second fastest growing currency

The rupee has become the second most appreciating currency against the US dollar among the currencies of BRIC nations, with a surge of close to 11 per cent in 2007, says an analysis.

While all the four countries have seen a sharp rise in their currencies against the US dollar, the pace of rupee appreciation is only next to Brazilian real since the beginning of this year.

Rupee has appreciated 11 per cent from Rs 44.10 levels to Rs 39.34 against the dollar in 2007 so far, way ahead of China's yuan Renminbi, which gained about six per cent in the period, according to an analysis of the exchange rates in the four countries versus the US greenback.

<http://economictimes.indiatimes.com/articleshow/2644714.cms>

M&A, PE deals spurt 143% to \$68 bn in '07

India saw a spurt in private equity (PE) deals and mergers & acquisitions (M&As) in 2007. The total value of these deals (both PE and M&A) announced in this calendar year was \$68.32 billion, up 143% against 2006's \$28.16 billion. The average Indian M&A deal size was close to \$77 million, while the average Indian PE deal size was around \$44 million in 2007, according to Grant Thornton's annual deal tracker.

The report reveals that the total number of M&As announced in 2007 stood at 661, with a total announced value of \$51.17 billion, against 480 deals in 2006 with a total announced value of \$20.30 billion. The Tata-Corus, Vodafone-Hutch and Hindalco-Novelis deals accounted for 60% of total cross-border M&As during the year.

<http://www.financialexpress.com/news/MA-PE-deals-spurt-143-to-68-bn-in-07/252240/>