

Weekly Economic Bulletin

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News Feature

Forex reserves up \$2b despite FII pullout

Forex reserves rose by \$2 billion during the week ended February 15, as RBI mopped up inflows. Though FIIs have been selling, the rise in forex inflows has been due to direct investments in sectors like real estate, external borrowings and remittances.

According to the latest figures released by RBI, total foreign exchange reserves, including gold and SDRs, rose by \$2.05 billion during the week ended February 15 to touch \$292.8 billion. Almost the entire rise during the week has been on account of growth in foreign currency assets, with the value of gold in reserves unchanged during the week.

The level of SDR in reserves dipped \$9 million, while the reserves with IMF rose by \$2 million.

The forex pile up translates into infusion of rupee funds worth Rs 11,220 crore during the week. The money market has been experiencing tight liquidity and the central bank released funds worth Rs 17,240 crore in repo transactions under the liquidity adjustment facility.

This is largely because the government has parked unspent funds worth almost Rs 50,000 crore with the central bank.

http://economictimes.indiatimes.com/Forex/Forex_reserves_up_2b_despite_FII_pull_out/articleshow/2806532.cms

Business confidence index rises 5.4% in Q3

The Business Confidence Index (BCI) of Indian industry appears to be inching up to the peak level of January 2007, even as the rise is minimal in the case of consumer non-durables.

In its latest BCI tracked by the non-profit think-tank on policy the National Council of Applied Economic Research (NCAER) shows that the latest round for the third quarter of the current fiscal has logged an increase of 5.4 per cent, which is the second successive improvement, following the recovery in the second quarter.

The investment climate has emerged as the most important contributor for the pick-up in confidence factor with the BCI across firm-size groups showing improvement in all the size groups, except for the category of firms with an annual turnover of Rs 1-10 crore. But, public sector firms displayed a sharp improvement in confidence index by 38.8 per cent.

While the western and southern regions reveal mild decline in the BCI in the current round, the eastern and northern regions show distinct improvement. The production trends follow

closely the expectations of growth of domestic sales. Unlike exports, the shift in the expectations of import growth is for a clear upturn.

The third quarter seems to have been one of stable input cost conditions for industry and the outlook for the next six months on the production cost and output price is also one of modest increase.

After a decline in the political confidence index (PCI) in April 2007, the index recovered in subsequent two rounds and has reached its peak. Major improvement in PCI in the extant round has supervened from a sharp improvement in the rating of external trade negotiations.

<http://www.blonnet.com/2008/02/23/stories/2008022352421000.htm>

Overseas Investment

`New mining policy to draw FDI of Rs 5 trn`

The long delayed new mining policy, expected in two to three months, is set to attract a foreign direct investment (FDI) of Rs 5 lakh crore within five to six years of introduction, according to Minister of State for Mines Subbarami Reddy.

“It generate direct and indirect employment of one million,” said Reddy on the sidelines of a aluminium seminar. Industrialists across the world are eyeing India’s rich mineral reserves of which only 5 per cent of the 18.7 lakh sq km of the country’s mineral wealth is exploited.

However, foreign industrialists are grappling with delays in land acquisitions, project clearances and mining leases. These issues have been sorted out in the new mining policy, Reddy claimed.

The mining sector has also been facing problems regarding environmental protection and tribal rehabilitation. As most of the country’s mining reserves lie in the forest area, both the government and industrialists are facing resistance from locals.

The minister, however, has appealed to project resistance groups to educate tribals of the benefit of the industrial projects.

The minister hoped that the country would be able to mine gold and diamonds worth at least Rs 10-15 lakh crore in the next five years with the help of global mining giants Rio Tinto, BHP Billiton and De Beers.

http://www.business-standard.com/common/news_article.php?leftnm=0&autono=314868

SKIL Infra's FDI proposal referred to CCEA

The Foreign Investment Promotion Board (FIPB) is learnt to have referred to the Cabinet Committee on Economic Affairs (CCEA) a proposal by SKIL Infrastructure Ltd entailing additional foreign investment of up to \$50 million. Ashoka Investment Holding, Mauritius and Ambadevi Mauritius Holding have offered to invest the amount, constituting up to five per cent of the fully diluted share capital of the company. The two are registered as foreign venture capital investors with the Securities and Exchange Board of India.

The CCEA, in October last, had given its approval for SKIL Infrastructure to accept foreign investment from GL Asia Mauritius II Ltd up to 26 per cent amounting to \$250 million (about Rs 1,000 crore).

The company had also issued convertible debentures to M2N2 Partners Ltd, Mauritius.

During the FIPB meeting, both the Department of Industrial Policy and Promotion and the Department of Economic Affairs conveyed their 'no objection' to the proposal subject to compliance with the regulations.

Sources said that FIPB noted that an original approval to the company was accorded by CCEA and the approved FDI percentage was up to 26 per cent.

<http://www.blonnet.com/2008/02/22/stories/2008022252741200.htm>

TRAI for hiking FDI cap on FM radio biz

The FM radio business in India could see a substantial inflow of foreign direct investment with the Telecom Regulatory Authority of India (TRAI) recommending that the FDI cap in private FM radio broadcasting be enhanced to 49 per cent. Currently, the cap is at 20 per cent in the entertainment segment.

The regulator has also suggested that FM broadcasters be permitted to air news using content from AIR, Doordarshan, authorised television news channels, PTI, UNI and any other authorised news agencies.

In case FM stations choose to air news, the FDI cap would be 26 per cent, TRAI has said in its proposals. "The FDI cap will also include funds received from Foreign Institutional Investors (FIIs)," the regulator said in its recommendations on the third phase of private FM radio broadcasting.

According to Information and Broadcasting Ministry data, during January to November 2007, 103 FM channels were commissioned, bringing the number of functioning FM channels to 150. The process is on for the allotment of another 97 private FM radio stations in the second phase.

<http://www.blonnet.com/2008/02/23/stories/2008022352510100.htm>

Trade News

India-US investment protection pact likely by year-end: Nath

With Indian firms investing aggressively in the US, India has put on fast track negotiations on signing an investment protection agreement with the States.

While both the US and India have signed the investment protection agreements with a number of countries, the one between them has to be unique because it is a different type of relationship, commerce and industry minister Kamal Nath said.

The two countries would try and conclude the investment protection agreement by the end of this year, he said, adding that Indian investments were not made in the American stock market but in the backyard of the US Economy. India and the US are also stepping up trade volume, particularly in the wake of the impending slowdown in the US.

Nath was speaking at the reception hosted by the Federation of Indian Chambers of Commerce and Industry (Ficci) and the US-India Business Council at the launch of a major initiative to sensitise American opinion-makers about the growing engagement of Indian firms in the US.

Under the programme, 'Investing in America: The Indian Story', the two industry bodies will roll out roadshows to change India's image from being only the recipient of the foreign direct investment to an important source of FDI.

<http://www.financialexpress.com/news/IndiaUS-investment-protection-pact-likely-by-year-end-Nath/275173/>

India, China to meet in April to work on FTA

Trade ministers of India and China will meet in the first week of April to consider the recommendations of the Joint task force on the India-China Free Trade Agreement.

"The two trade ministers would meet in the beginning of April in Beijing to look into the recommendations of the joint task force on the India-China FTA," commerce ministry joint secretary Dinesh Sharma said.

The ministers will discuss in what way the recommendations of the task force have to be worked upon and how to take the process forward, he said, while speaking on the sidelines of a seminar on 'A Road To Chinese Market'.

The 103rd session of the Canton Trade Fair would be organised in April at Guangzhou in China.

About the Indo-China trade, chairman of the Council of the China Foreign Trade Centre Zhang Zhi Gang said, "The current bilateral trade is \$ 38.6 billion. India is the tenth largest

trade partner of China, while China is the second largest trade partner of India." He expressed hope that trade between the two countries could reach a balanced level.

<http://www.financialexpress.com/news/India-China-to-meet-in-April-to-work-on-FTA/275177/>

India, South Africa to discuss free trade pact

The quest for a free trade pact would be high on the agenda of high-level talks between South Africa and India in Pretoria, a government official said.

Discussions between the foreign ministers of the two emerging powerhouses would pursue a free trade agreement between India and the five-member Southern African Customs Union (SACU), said Jerry Matjila, deputy director general in the South African department of foreign affairs.

"Part of our discussions with India revolve around the issue of the SACU-India Free Trade Agreement that we will have to begin with India soon. We regard this as a very important development," he said in a statement.

The SACU comprises South Africa, Botswana, Lesotho, Namibia and Swaziland. Matjila said a meeting of the South Africa-India joint ministerial commission, under visiting Indian External Affairs Minister Pranab Mukherjee and his South African counterpart Nkosazana Dlamini-Zuma, would seek to boost already burgeoning economic and political ties.

Bilateral trade has increased from about 200 million rand (\$26 million) in 1995 to 18 billion rand last year. "Our trade relations are growing in leaps and bounds and I am sure that by 2010, our bilateral relations would have reached 20 billion rand," said Matjila.

India has automotive, steel and mining investments in South Africa, which in turn exports finished goods, transport and other equipment to India and invests in manufacturing there.

The two countries are in an alliance with Brazil, dubbed IBSA, that seeks to boost co-operation among countries of the southern hemisphere and to ensure a better deal for developing nations on the global stage.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_South_Africa_to_discuss_free_trade_pact/articleshow/2802365.cms

Britain urges companies to look for opportunities in India

Britain has urged companies in the west Midlands to look beyond established economies and exploit export opportunities offered by India and China.

British Trade Minister Lord Digby Jones, who visited India with Prime Minister Gordon Brown, regretted that too many companies in the region were content to do business with established markets such as the US and Europe.

"There are enormous opportunities available and we don't want to look back in five years time and say 'I wish I had done something then' because it could be too late by then," Jones said at a conference on international trade.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Britain_urges_companies_to_look_for_opportunities_in_India/articleshow/2806815.cms

India, Luxembourg sign treaty on taxation

The union cabinet gave its approval to a double taxation avoidance treaty with Luxembourg in Europe, giving a new boost to the economic and bilateral ties.

The cabinet chaired by Prime Minister Manmohan Singh approved the agreement, which covers both avoidance of double taxation and prevention of fiscal evasion in respect of the taxes on income and capital.

After the meeting, the central government's principal information officer Deepak Sandhu told that the agreement would encourage capital flow between the two countries.

"The agreement will stimulate the flow of capital, technology and personnel from India to Luxembourg and vice-versa. It will provide tax stability and reduce any obstacles in providing mutual co-operation," Sandhu said.

According to Sandhu, India has so far signed such bilateral treaties with 71 countries.

"In more than 20 double taxation avoidance agreements (DTAAs), the scope of agreement includes capital taxes," Sandhu said.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Luxemburg_sign_treaty_on_taxation/articleshow/2802469.cms

'India-Israel FTA may be in place by Nov'

The Free Trade Agreement (FTA) between India and Israel is likely to be in place by November, according to Mr Mouneer Agbaria, Director (Asia & Pacific Region), Ministry of Industry, Trade and Labour, Government of Israel.

Addressing the members of the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Mr Agbaria said Israel would also be opening a second trade office in India, at Bangalore, soon.

“These initiatives will certainly boost the trade and investment between the two countries, which is expected to touch \$5 billion,” he said. Israel was known for a high yield from livestock, open farming and greenhouse technologies, and mutual cooperation was possible between India and Israel, he said.

A ministerial delegation from Andhra Pradesh headed by Mr G. Surya Rao, Minister for Small Scale Industries would visit Israel in April, he said.

Mr Atluri Subba Rao, President, FAPCCI, said India was now Israel’s ninth largest trade partner and there was lot of scope for further development.

<http://www.blonnet.com/2008/02/26/stories/2008022651152300.htm>

Sectoral News

Spices export may top target

If the current trend is any indication, the exports of spices from the country are likely to cross the target of Rs 3,600 crore set by the Spices Board for the current fiscal.

The total shipments during April-January 2007-08 stood at 3,49,776 tonnes valued at Rs 3,485.48 crore compared with the target of 3.8-lakh tonnes valued at Rs 3,600 crore. During the corresponding period of the previous fiscal, the total exports were at 2,92,185 tonnes valued at Rs 2,850.45 crore. Thus, there has been a substantial increase — both in volume and value.

<http://www.blonnet.com/2008/02/23/stories/2008022350581200.htm>

India can be an attractive healthcare hub: study

India has the potential of becoming an ideal healthcare destination, a study conducted by Exim Bank on healthcare tourism stated.

India has generated an estimated revenue of around \$600 million from over five lakh international healthcare travellers, including non-resident Indians (NRI) that visited India in 2006, the study revealed.

The study also said, the promotion of healthcare tourism would result in development of associated sectors—medical equipment manufacturing, telemedicine, medical diagnostics, out-sourcing of hospital administration and insurance.

“India has many advantages in the healthcare sector, which includes, cost-effective healthcare solutions and availability of skilled healthcare professionals, which has the potential to make the country an attractive medical tourism destination,” Exim Bank said in a release.

The increasing popularity of India's traditional wellness systems and rapid strides made in information technology is also an advantage for the country, it added.

The total market for healthcare tourism is estimated to be in the range of 150 billion dollars globally and India has less than one per cent share of it.

<http://www.financialexpress.com/news/India-can-be-an-attractive-healthcare-hub-study/276094/>

Telephone connections touch 281 m in January

The total number of telephone connections in the country reached 281.62 million at the end of January 2008, compared with 272.88 million in December 2007, taking the overall tele-density from 23.89% in December to 24.63% at January-end.

A total of about 8.74 million telephone connections were added during January, against 8.11 million connections added in December, said the Telecom Regulatory Authority of India (Trai) in its monthly subscriber data released.

In the wireless segment, 8.77 million subscribers were added in January, against 8.17 million subscribers added in December. This is the highest-ever addition in a month till date.

The total wireless subscribers, comprising GSM, CDMA and WLL base stood at 242.40 million at the end of January, compared with 233.63 million in December. In the wireline segment, the subscriber base slightly decreased to 39.22 million in January, against 39.25 million subscribers in December.

The total broadband subscriber base stood at 3.24 million in January, compared with 3.13 million in December.

<http://www.financialexpress.com/news/Telephone-connections-touch-281-m-in-January/276093/>

News Round – Up

Indian SMEs, consumers quite buoyant on economic growth

Confidence of both small businesses as well as consumers is on a high despite turbulent markets. Indian small businesses are not restricting themselves to the Asia-Pacific region to expand their cross-border trade opportunities. According to the results of a survey commissioned by HSBC, Indian SMEs are among the most optimistic in Asia, with 58% of them expecting acceleration in local economic growth in the near term.

Also, according to the MasterCard Worldwide Index of Consumer Confidence Survey, there has been a sharp rise in confidence level of the Indian consumer for the first half of 2008. The current level of 86.6 is 36% higher than the previous score of 63.6 for the second half of '07.

Even further, 70% of the SMEs polled were planning to go forward with cross-border trade with countries outside Asia, notwithstanding the US slowdown fears. Also, two-thirds of the SMEs polled planned to increase their trade with China. However, only 20% of the Indian SMEs indulge in cross-border trade compared with figures of 65% of Taiwan and Hong Kong.

HSBC India country head-commercial banking Puneet Chaddha said, "SMEs tend to be a significant, dominant force in the economy, and the fact that they are confident about the growth of the economy and investments in their businesses is a key indicator of the health of the economy."

A lot of small businesses were feared to be affected by the rising rupee and slowdown in the US economy. Explaining that today's SMEs are more sophisticated and educated, Mr Chaddha pointed out that some of them had even converted their receivables to euros and payables in dollars, to take advantage of the prevailing currency situation.

At the same time, all five components in the MasterCard survey; employment, economy, regular income, the stock market and quality of life, recorded optimism. The most significant increase was observed in the case of employment, which recorded a rise of 72% for the first half of '08. There was also a 32% increase in confidence over regular income.

National Council for Applied Economic Research (NCAER) director general Suman Bery said, "These results are quite unexpectedly buoyant. The survey reveals increased optimism across the board, but most strikingly with respect to employment."

The growth of consumer confidence in India is also remarkable, as it comes against the backdrop of a drop in the Index for the SAMEA (South Africa, Middle East and Asia/Pacific) region. While consumer sentiment towards employment and the stock market has remained high in this region, the sentiment towards quality of life and a regular income seems to have dampened.

http://economictimes.indiatimes.com/Economy/SMEs_buoyant_on_economic_growth/articleshow/2799659.cms

India emerging as an economic power: Kidwai

Haryana Governor, Dr A R Kidwai said that India is emerging as an economic power as a result of the hardwork of farmers, labourers, entrepreneurs, scientists, youth and social organizations.

The Governor was speaking at the concluding function of two-day conference of Rotary International District 3080 at Panchkula.

The Governor described Rotary as an old organization, which was engaged in organising social and cultural activities not only within India but also in several other countries.

While complementing the Rotary for its anniversary celebrations, he said that it was constituted in 1905 and today it had 1.2 million members in the world. It has 32,000 branches all over the world, including 3000 in India and these are engaged in social activities.

Appreciating those industrial houses which were engaged in organising social and cultural activities, Kidwai urged other industrial houses which were engaged in organising social and cultural activities, the Governor urged other industrial houses to undertake similar activities so as to render service to humanity.

He said that such organizations were organizing social and cultural functions by rising above political considerations.

The Trustee of Rotary Foundation Caroline Jones, who had come from the USA also spoke on the occasion.

Others who also spoke on the occasion included Past President of Rotary International, R K Saboo, President, Dr Balram Gupta, former Indian Cricket team Captain Kapil Dev and former Union Home Secretary, N N Vohra.

Kidwai also honoured N N Vohra, Kapil Dev among others.

http://economictimes.indiatimes.com/Economy/India_emerging_as_economic_power/articleshow/2810205.cms