

Weekly Economic Bulletin

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News Feature

Economy in high-growth trajectory, says Survey

The economy seems to have decidedly 'taken off' and moved from a phase of moderate growth to a new phase of high growth. That is the prominent theme of the Economic Survey 2006-07, presented to Parliament on Tuesday by the Finance Minister, Mr P. Chidambaram.

Pressing its claim, the survey points to signs of industrial resurgence, with the industrial sector growing from a low of 2.7 per cent in 2001-02, moving up to 7.1 and 7.4 per cent in 2002-03 and 2003-04, accelerating to 9.5 per cent in the next two years to touch 10 per cent in the current fiscal. Also, the growth impulses within industry seem to have spread to manufacturing.

A notable feature in the current growth phase is the high rate of investment, measured in terms of gross domestic capital formation that has steadily climbed from 31.5 per cent in 2004-05 to 33.8 per cent in 2005-06.

There are other positives. The generally laggard infrastructure index grew 8.3 per cent in April-December 2006, up from 5.5 per cent in the same period of the previous year; the public sector turned its dissavings into positive savings and the corporate sector reported a sharp increase in savings at 8.1 per cent in 2005-06, which helped it to finance a large part of its investment in the ongoing capital-expenditure cycle.

Capital inflows into the country have also remained strong and even domestic flows to the capital market have been high. Initial public offerings grew 30.5 per cent in calendar year 2006 to Rs 1,61,769 crore and on an average, there have been six IPO issues per month.

<http://www.thehindubusinessline.com/2007/02/28/stories/2007022805760100.htm>

Overseas Investment

FDI inflows increase 6-fold at \$2.04 bn in Dec'06

India witnessed a nearly six-fold increase in Foreign Direct Investment (FDI) inflows in December 2006 at 2.04 billion dollars as against 350 million dollars in the same month in 2005.

"This is the highest ever FDI inflow into the country in a single month," Commerce and Industry Ministry Kamal Nath said in a statement.

Total FDI inflows for April-December 2006 stood at 9.3 billion dollars, as compared to 3.5 billion dollars in the corresponding period last fiscal.

India is likely to receive 12 billion dollars of FDI during the current financial year as compared to 5.5 billion dollars in the previous fiscal, he said.

http://www.financialexpress.com/latest_full_story.php?content_id=156166

Services sector attracts highest FDI in April-Sept 2006

The Economic Survey tabled today in Parliament said that the services sector has emerged as the most attractive sector for foreign direct investment during the first six months of the current fiscal followed by electrical equipments and telecommunication.

Simultaneously, India has bypassed South Korea and has become the fourth largest destination for FDI inflows in Asia and attracted over Rs 20,000 crore within the first six months of the current fiscal year.

The services sector attracted \$1.509 billion during April-September 2006 as against \$0.581 billion in fiscal 2005-06.

Electrical equipment sector saw FDI worth \$0.778 billion inflows while FDI worth \$0.405 billion flowed into the telecommunication sector.

According to the survey, the total cumulative FDI inflow between August 1991 and September 2006 stood at Rs 1,81,566 crore (\$43.29 billion). During the first six months of the current fiscal, total FDI inflows (excluding reinvested earnings and other capital components) stood at Rs 20,155 crore (\$4.38 billion).

<http://www.blonnet.com/2007/02/28/stories/2007022802181000.htm>

Informatica to expand India operations

Informatica, the \$325-million data integration software products company, is looking to grow its customer support services business in India, in Bangalore.

Handling around one-third of its customer support services work from Bangalore, Informatica will be expanding its team not only to handle such activity in India, but for the Asia-Pacific region as well. Sohaib Abbasi, CEO, Informatica, said that the Bangalore centre is one of the fastest growing and the largest centres outside its headquarters in the US.

Informatica launched its India operations in Bangalore in 2003 and currently has around 150 people engaged in R&D, customer support services and sales and marketing. Its investment in India started with a few million dollars in 2003 and has been doubling every year with the cumulative figure now standing at \$20 million.

http://economictimes.indiatimes.com/News/News_By_Industry/Infotech/Software/Informatica_to_expand_India_operations/articleshow/1722874.cms

Hyundai plans to set up LCV plant at Pune

Hyundai Motor Corporation, Korea, plans to set up a light commercial vehicle (LCV) manufacturing plant in India. The company is understood to have chosen Chakan in Pune as the location for the new plant.

According to sources close to the development, Maharashtra Industrial Development Corporation has agreed to allot about 700 acres to the Korean company for its new plant in India. An MoU between the company and the State Government is expected to be signed soon.

Senior Hyundai officials were in Mumbai last week to discuss the new manufacturing facility. At the new facility, the company would make one-tonne load carriers primarily targeted against the Tata Ace model, which has already made its mark in the LCV segment. The company may also set up a powertrain (engine and gearbox) plant at Chakan, as part of its indigenisation programme.

<http://www.thehindubusinessline.com/2007/03/05/stories/2007030502880100.htm>

Trade News

Marine products export to EU up 34% in value

Marine products export increased by 13 per cent, both in volume and value, during the first nine months of the current fiscal.

The Seafood Exporters Association of Indian has reported that by the end of December 2006, the country recorded 4,47,560 tonnes (3,95,901 tonnes) of marine exports worth Rs 6,341 crore (Rs 5,604.9 crore).

The export realisation in dollar terms grew by nine per cent. However, there was a fall in the volume of high-value shrimp in the export basket; the total unit value realisation also fell, by three per cent.

<http://www.thehindubusinessline.com/2007/02/27/stories/2007022700981200.htm>

Australia keen on bilateral trade ties

After cricket, trade is the next game for India and Australia. As the Trade Minister of Australia, Mr Warren Truss, put it, "Cricket has brought us together in the past. But now things are gaining momentum and we want to create an entirely different playing field — based on economic relationships." Mr Truss kick-started his weeklong visit to India here on Monday by inaugurating an Australian Consulate office.

Addressing a press conference, he said Australian investors were keen to partner with India for future opportunities. He was confident that bilateral trade between the two countries would grow on the lines of the Australia-China bilateral trade — increasing six-fold in the last 10 years to \$36 billion today. Indo-Australia bilateral trade exceeds \$9.45 billion at present.

Trade in energy resources is likely to dominate the upcoming discussions with the Indian Government. Australia is an energy exporter with resources of coal, oil and liquefied natural gas (LNG).

Though Indian companies have tapped these resources in the past, Australia would like to establish longer-term supply relationships, said Mr Truss. Members of the 63-strong Australian delegation told Business Line that creating a regulatory framework for energy trade was top priority in this visit.

<http://www.thehindubusinessline.com/2007/02/27/stories/2007022703961100.htm>

Sectoral News

Eco Survey: Industry logs impressive growth

The Economic Survey 2006-07 has lauded the impressive growth of the industrial sector propelled by robust growth in the manufacturing sector, which has continued unabated during the current year so far.

Year-on-year industrial growth of 10.6% in the first nine months of 2006-07 was the highest recorded since 1995-96. In seven of the eight months of the current year, the year-on-year growth of the manufacturing sector was in double digits.

The survey feels that the lower contribution of industry to GDP growth relative to services in recent years does not adequately capture the signs of industrial resurgence. The growth of industrial sector, from a low of 2.7% in 2001-02 revived to 7.1% and 7.4% in 2002-03 and 2003-04, respectively, and after accelerating to over 9.5% in the next two years, touched 10% in 2006-07. Since 1951-52, industry has never consistently grown at over 7% per year for more than three years in a row before 2004-05.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=11&bKeyFlag=IN&autono=20932

Telephone subscribers to touch 650 m by 2012

Pointing out that the telecom sector has been the biggest success stories of market-oriented reforms, the Economic Survey has projected that telephone subscribers base will more than treble to 650 million users by 2012.

The Survey has, however, said that much needs to be done for improving connectivity in rural areas for which the use of Universal Services Obligation fund has to be optimised.

"Supportive Government policies coupled with private sector participation have fuelled the unprecedented expansion of this sector," the Survey said.

The Government has set a target of providing 200 million rural telephony connections, which will increase rural tele-density to 25 per cent from the current level of 1.7 per cent, it said.

"Broadband connectivity would be made available on demand, without limiting the speed. Each village would have at least one broadband enabled kiosk. Broadband would also be provided to schools, health centres and panchayat offices," the Survey said.

<http://www.blonnet.com/2007/02/28/stories/2007022805671100.htm>

Pharma sector turnover to double by 2010

The Economic Survey 2006-07 has predicted a doubling of turnover to Rs 1,00,000 crore for the pharmaceutical industry by 2010 and said that the National Pharmaceutical Policy will be implemented soon.

The sector, with exports of Rs 21,000 for 2005-06, has helped India become a leading global player in pharmaceuticals, says the Survey. It also attributed qualitative and quantitative improvements in research and development to policy initiatives of the recent past.

The increasing number of domestic pharma companies winning international regulatory approvals (such as US Food and Drug Administration or Medicines and Healthcare Products Regulatory Agency, UK), and the fact that a major share of exports went to developed countries was testimony to the price competitiveness and excellent quality of domestic pharmaceuticals.

<http://www.thehindubusinessline.com/2007/02/28/stories/2007022805631100.htm>

News Round – Up

Domestic savings continue to rise

India can today boast of being among the top nations in terms of savings, which shot up to 32.4 per cent of GDP, but government or public savings declined to make a 'negative contribution'.

The quantum of savings gave the nation a much needed platform to raise the investment level, which touched 33.8 per cent, a fact that helped the economy to "take off from a phase of moderate growth to a new phase of high growth", the Economic Survey presented in Parliament said on Tuesday.

Public sector contributed Rs. 71,262 crore in 2005-06 due to higher savings of both non-departmental as well as departmental enterprises, the Survey said.

A dramatic element in the savings profile of the Indian economy has been the sharp rise in the savings rate of the private sector for four years in a row. The private sector rate for 2005-06 has been pegged at 8.1 per cent, the Survey pointed out.

The sector has financed a large part of its investment in the ongoing long capital expenditure cycle from such retained earnings or savings.

http://economictimes.indiatimes.com/Domestic_savings_continue_to_rise_Survey/articleshow/1692319.cms