

Weekly Economic Bulletin

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News Feature

India drives global biz confidence to 5-yr high

Dynamism in emerging markets, mainly India, has driven the global business confidence to a five-year-high, a survey by the Economist Intelligence Unit (EIU) says.

The EIU's fifth annual CEO briefing survey found that nine out of 10 top global executives rated business prospects during the next three years as "good" or "very good".

The main drivers behind the optimism among global business executives were the bustling emerging markets especially — India and China.

In the survey, a majority of the 1,006 executives from around the world are planning to invest more in developing countries than in developed economies.

One of the key findings of the survey shows that India is more upbeat than China. Respondents from India are abuzz with optimism for the years ahead, with 98 per cent of them seeing "good" or "very good" business prospects.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271805

NCAER raises GDP forecast to 8.44%

The National Council of Applied Economic Research (NCAER) has revised its forecast for the country's gross domestic product growth for 2006-07 to 8.44 per cent, from the 8.13 per cent that it had forecast in October last year.

The projected real GDP growth is still lower than the 9 per cent witnessed in the first two quarters of this fiscal, but if compared to the earlier forecast it is higher by 0.3 percentage points.

Significantly, the NCAER has projected a lower fiscal deficit of 3.63 per cent for the current fiscal, against its October projection of 3.71 per cent. It has also projected a decline in the current account deficit to 1.93 per cent, from the earlier forecast of 2.11 per cent for 2006-07.

The council has kept its inflation forecast unchanged at 4.98 per cent for the full year. It has also maintained its agricultural growth estimate at 2.65 per cent for 2006-07 due to erratic and uneven rainfall witnessed across all regions this monsoon.

In its quarterly review of the economy, the NCAER has said the revised GDP forecast is on account of higher growth in the industry and services sectors. It has projected higher growth in industry and services sectors by 0.53 per cent and 0.29 per cent, respectively, to 9.13 per cent and 10.24 per cent.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271803

Overseas Investment

FDI inflows to touch \$15 bn, says Nath

Foreign direct investment (FDI) into India is expected to touch \$15 billion by the end of the present fiscal, with more overseas firms eyeing good returns from the sub-continent.

“While FDI will account for \$12 billion, retained earnings (earnings ploughed back into investments) will be to the tune of \$3 billion,” said Commerce and Industry Minister Kamal Nath.

Speaking to reporters on the sidelines of the CII Partnership Summit here today, the minister said the overall FDI was expected to go up by 120 per cent as compared with the previous fiscal.

“Between April and November, the FDI inflow was \$7.3 billion, which is 117 per cent higher than that for the corresponding period last fiscal (\$3.5 billion). The inflow is expected to touch \$12 billion by the end of the present fiscal,” he added.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271808

Govt okays Mauritius firm's Rs 3,000cr FDI

The Cabinet Committee on Economic Affairs (CCEA) today gave a go-ahead to foreign direct investment (FDI) of up to Rs 3,000 crore (about \$674 million) by Independent Mobile Infrastructure Mauritius Ltd (IMIML) in India.

IMIML would be making the investment over a five-year period, said Information and Broadcasting Minister P R Dasmunsi.

"The approval is subject to licensing and security requirement of the Department of Telecom (DoT) and the condition that the company will divest 26 per cent equity in favour of the Indian public in five years if it is listed in other parts of the world," Dasmunsi said.

The FDI inflow by the telecom infrastructure provider will begin by acquisition of 10,000 equity shares of Rs 10 each from promoters S Venkateswarlu and Chandra Padmasri.

The balance would be invested by way of further issue of shares over a period of 1-5 years, depending on the capital requirement of the company, Dasmunsi said. The investments could be made by IMIML or its group companies, parent, subsidiaries, nominees or associates, he added.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271936

European banks line up to invest in telecom

Lured by the growth potential of the Indian telecom sector, leading European banks have already committed over Rs 2,000 crore for development of infrastructure in the country.

German banking major KFW Bankengruppe, European majors Bank JB, Standard Chartered and The Netherlands Development Finance Company (FMO) and Swedfund were among others to have committed to invest in the country.

KFW Bankengruppe has committed around Rs 364 crore for various infrastructure funds in the country through its subsidiaries—DEG (a development finance institute) and KFW Ipx Bank.

The banking group, which has ₹341 billion under management, has invested ₹20 million (Rs 114 crore) in IL&FS' infrastructure fund, ₹4 million (Rs 22.8 crore) in IDFC fund, ₹20 million in SREI Infrastructure and 20 million in GTL Infrastructure. European major Bank JB, which manages over ₹200 billion, has also committed ₹15.5 million (Rs 88.35 crore) to GTL Infrastructure.

FMO, with ₹2 billion under management, has promised to invest in India Infrastructure Equipment in return for a 17.24 per cent stake, while Swedfund, that manages over ₹150 million, has also committed to invest in India Infrastructure Equipment for a 17.24 per cent stake.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271795

UK cos keen on investing in Indian infra

Close on the heels of the government announcing a \$350-billion investment requirement in the infrastructure sector, representatives of over 150 UK companies have come scouting for investment opportunities in the sector.

Speaking at a conference organised by the Confederation of Indian Industries on Monday, director infrastructure projects UK Trade and Investment (UKTI) Duarte Figueira said, "The Indian government is looking for about \$70 billion investment from the private companies in the infrastructure sector, and we feel that United Kingdom can provide not only funds but expertise as well."

Britain's interest in investing in India's infrastructure sector would be high on the agenda of UKTI representatives and British secretary of state Alistair Darling when they commerce minister Kamal Nath on Tuesday, Figueira said.

http://www.financialexpress.com/fe_full_story.php?content_id=151806

Govt may put FDI & FII in same bracket

The government is examining the possibility of redefining foreign investments in companies by removing the distinction between FDI and FII investments. The new policy, which will require changes in the Foreign Exchange Management Act (Fema) regulations, will look at foreign investments in a company as a whole, instead of treating foreign institutional investors (FIIs) as a separate entity.

The proposed policy change will impact several sectors, particularly those like asset reconstruction companies, direct-to-home distribution of broadcast signals and real estate, where separate sub-ceilings or conditions apply at present for foreign direct investment (FDI), leaving FII investments outside their ambit.

Senior finance ministry officials are set to hold a meeting later this week with the Reserve Bank of India (RBI) and the Department of Industrial Policy and Promotion (DIPP) to take a final view on this matter. The debate over removing distinctions between FII investments and FDI came up following the DIPP proposal over foreign investments in the real estate sector.

http://economictimes.indiatimes.com/Govt_may_put_FDI_FII_in_same_bracket/articleshow/1208149.cms

Engg contributes \$13bn to exports in Apr-Oct

With its contribution crossing \$13 billion during April-October period of the fiscal, the engineering sector has emerged as the largest contributor to the country's merchandise exports, ahead of gems and jewellery.

The increase has been 29% as compared with the corresponding period last year. At this rate engineering exports would touch \$24 billion in 2006-07, Engineering Export Promotion Council (EEPC) Chairman Rakesh Shah said.

During the last financial year, engineering exports registered a growth of 25.5% amounting to \$20.34 billion and \$16.2 billion in 2004-05, he said, according to an official release.

Shah said the council will be celebrating its golden jubilee here on January 23 where over 300 foreign and Indian delegates are expected to participate.

President APJ Abdul Kalam will be the chief guest at the function which will also be attended by Commerce minister Kamal Nath.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=11&bKeyFlag=IN&autono=19842

Trade News

\$60 bn IT exports by `10 in sight

The ebullient results of software biggies in the last quarter have triggered a buzz that the target of \$60 billion worth of software exports by 2009-10, dubbed ambitious when first talked of by Nasscom, is well within reach.

Software exports stood at \$23.6 billion in 2005-06. Over 90 per cent of the revenue comes from exports.

The results assume more significance in the last quarter (ended December 31, 2006) because the billing days were lower compared with other quarters and rupee appreciation was to the order of 2-3 per cent, which ate into profitability.

Despite this, TCS is already on its way to becoming a \$4 billion company, having posted over \$1 billion in terms of revenue in a single quarter (this third quarter). Last quarter, it became the first Indian IT firm to register a net profit of Rs 1,000 crore in a single quarter.

TCS has reported an over 40 per cent growth in net profit over the last four quarters. Infosys, too, beat market expectations to post a 50 per cent plus year on year increase in net profit for the second successive quarter.

The company has done well by posting their third consecutive quarter of double digit dollar-term growth and operating margins expansion by 0.6 per cent.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=271793

India Inc calls for better trade routes with Russia

Indo-Russian trade in goods and services could improve if a permanent platform for discussion on non-tariff barriers is set up to identify hurdles like lack of trade routes and address them, the Indian industry has suggested.

In a report on 'deepening India-Russia trade relations' released by industry association CII ahead of Russian President Vladimir Putin's visit later this month, it has been pointed out that the proposed comprehensive economic cooperation agreement (CECA) between the two countries will work only if a viable and shorter route for trade is worked out soon.

"The greatest hindrance to trade between India and Russia is the lack of trade routes. The North-South Corridor needs greater attention from both countries," the report said.

The agreement on India-Russia transport corridor may help in reducing transport costs, the study added, pointing out that the present route, which passes through the Suez Canal and enters into the Russian port of St Petersburg via Kotka (Finland) and Rotterdam (Netherlands), is long and time consuming.

<http://economictimes.indiatimes.com/News/Economy/Foreign Trade/India Inc calls for better trade routes with Russia/articleshow/1231768.cms>

Sectoral News

Advertising grows at a 10-yr high of 23%

Some cheer for the advertising industry in India. After five years of lacklustre performance, the advertising industry in India has posted growth of 23.4% in 2006, according to data released by advertising and media monitoring agency TAM Media Research. This is the best the industry has seen in the last 10 years. The industry closed the year with Rs 16,300 crore in revenue against Rs 13,200 in 2005 (the figure stood at Rs 11,800 crore in 2004).

In 2005, the growth rate stood at 14%, while in 2004, it was close to 13.7%. Radio, Internet and press have posted the fastest growth in ad revenue across media in 2006 with 58%, 52% and 24%, respectively.

“This is basically a reflection of the fantastic phenomenon called sentiment,” says Anand Halve, co-founder, chlorophyll brand and communications consultancy. “Sentiment drives consumers and consumers drive the market. Consumer sentiment last year was at an all-time high as reflected by the surge in the stock market.”

http://www.financialexpress.com/fe_full_story.php?content_id=152144

Power ministry proposes clause to rope in distribution franchisees

Over a decade after the idea of privatising state electricity boards (SEBs) was formally adopted, the power ministry has submitted a draft Cabinet note proposing to modify the 1995 mega power policy to allow a more flexible system of private participation in distribution through a franchisee model.

The proposal is to amend the clause that requires a state to privatise its distribution network as a precondition to granting mega power status to projects supplying power to the state.

<http://www.business-standard.com/common/storypage.php?autono=272177&leftnm=3&subLeft=0&chkFlg=>

India has 19 cr phone subscribers

Telecom sector in the country is on a roll. The number of annual additions of subscribers in 2006 is three times the additions in 2004 while teledensity has increased by nearly 100% over the same period, from 8.62 at the end of December 2004 to 17.16 at the end of December 2006, according to recent figures released by the Telecom Regulatory Authority of India.

The wireless segment added 6.48 million subscribers in December 2006 as compared to 6.8 million in November 2006.

At the end of December 2006, total wireless (GSM, CDMA and WLL-F) subscribers were 149.5 million.

[http://economictimes.indiatimes.com/India has 19 cr phone subscribers/articleshow/1208364.cms](http://economictimes.indiatimes.com/India%20has%2019%20cr%20phone%20subscribers/articleshow/1208364.cms)

News Round – Up

Buoyant numbers do the talking for India Inc in Q3

The number deck seems to be in order for India Inc. Technology bellwether Infosys Technologies beat market expectations and on Thursday, Reliance too, came out with numbers ahead of analyst consensus estimates. Its profits were up 58% for the December 2006 quarter compared to the December 2005 quarter.

For the set of numbers declared so far, India Inc's sales have shown an increase of 39% and profits are up 68% compared to the same period in the previous year. Excluding banks and NBFCs (non-banking financial companies), sales are up 38% and profits up 72%. For the banking and NBFC segment, incomes were up 40%, while profits grew around 35%. These statistics have been compiled on the basis of 150 companies that have declared their Q3 FY07 numbers so far.

Looking at these figures it appears that foreign institutional investors may be justified in according a higher premium to Indian equities, compared to those in other emerging markets. And bulls are clearly celebrating the buoyant quarterly earnings.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Buoyant numbers do the talking for India Inc in Q3/articleshow/1288931.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Buoyant%20numbers%20do%20the%20talking%20for%20India%20Inc%20in%20Q3/articleshow/1288931.cms)