

## Weekly Economic Bulletin

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### **News Feature**

**RBI upbeat about momentum of economic growth**

The Reserve Bank of India (RBI) said that the ongoing momentum in economic growth is likely to remain robust in the rest of 2006-07 along with expectation of lower increase in selling prices, exports and imports.

In its latest Industrial Outlook Survey, the RBI has revised upwards the business expectations indices, based on assessment for October-December 2006 and on expectations for January-March 2007 by 2.7 per cent and 1 per cent, respectively, over the previous quarter. This is in line with other business confidence surveys, which also suggest that economic activity is likely to remain buoyant in the near term.

The RBI, in its third quarter review for 2006-07, said the financial situation was expected to show an improvement, as the higher working capital finance requirement was expected to be met by improvement in the availability of finance. The expectations of increase in selling prices, exports and imports had, however, moderated over the previous quarter.

The improvement in expectations index, January-March 2007, was backed by higher net responses for major parameters of the survey like overall business situation, production, order books, capacity utilisation, employment, and profit margins over the previous quarter

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=273017](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=273017)

### **India emerging as new business destination**

India is emerging as the new destination for American business after China with several states planning to send trade missions to take advantage of its "fast-growing market".

Governors from Virginia and Iowa have been there, and Minnesota, California and Utah are lining up gubernatorial visits for this year, according to Michael Taylor of the US-India Business Alliance that helped organise the earlier missions.

Minnesota's Republican governor Tim Pawlenty is planning to lead a 30-member trade mission to India Oct 20-27 with stops in New Delhi, Bangalore and Mumbai.

"We view this as a tremendous opportunity to better acquaint Minnesota with India and better acquaint India with Minnesota," said Pawlenty announcing the trip to a country that now makes up a tiny fraction of Minnesota's roughly \$14 billion in annual manufactured exports. The agenda will include market and industry presentations, networking events, business roundtable discussions, customised one-on-one business matchmaking meetings, and other similar events.

[http://economictimes.indiatimes.com/India\\_emerging\\_as\\_new\\_business\\_destination/articleshow/1549354.cms](http://economictimes.indiatimes.com/India_emerging_as_new_business_destination/articleshow/1549354.cms)

### **Overseas Investment**

## **Services top FDI inflows to India in first half of fiscal**

Big-ticket foreign investments from 25 top-notch companies including DSP Merrill Lynch, Barclays Bank and Mauritius-based TH Holdings in the first half of this fiscal have accounted for more than Rs 11,460 crore of FDI.

According to data compiled by the department of industrial policy and promotion, of the top 25 FDI investments made during the period, 11 were in the services sector, amounting for Rs 8,955.88 crore. The real estate and construction sector saw an inflow of Rs 1,252.79 crore primarily through six projects. Manufacturing was close on the heels of construction, attracting FDI worth Rs 1,133 crore.

Financial services giant DSP Merrill Lynch invested more than Rs 2,230 crore between April 2006 and October 2006. In fact, the top six investors in the country are from the services sector accounting for Rs 7,976 crore, which is more than half of the total FDI.

In the real estate and construction sector, the highest FDI amounting to Rs 321.70 crore was made by Mauritius-based IREO Investment Holding, which has further tied up with Orange Realty for two projects involving total inflows of about Rs 543 crore

[http://economictimes.indiatimes.com/News/Economy/Finance/Services\\_top\\_FDI\\_inflows\\_to\\_India\\_in\\_first\\_half\\_of\\_fiscal/articleshow/1541043.cms](http://economictimes.indiatimes.com/News/Economy/Finance/Services_top_FDI_inflows_to_India_in_first_half_of_fiscal/articleshow/1541043.cms)

## **Capital goods sector may see FDI rush**

After proposing relaxation of FDI norms for commodity exchanges, aviation and petroleum, the government is considering further opening up the capital goods industry to foreign players. The ministries of commerce & industry and heavy industries are in talks to allow 49% FDI for textiles machinery, leather equipment, automated machines in the construction sector, mining and computer numerically controlled (CNC) machines.

As of now, FDI in capital goods is restricted to equipment deployed by the power and petroleum sectors. "We are considering opening the sector gradually. Initially, foreign investors will be allowed to set up shop in partnership with domestic players. We may later allow 100% FDI," a government official told.

[http://economictimes.indiatimes.com/Capital\\_goods\\_sector\\_may\\_see\\_FDI\\_rush/articleshow/1560730.cms](http://economictimes.indiatimes.com/Capital_goods_sector_may_see_FDI_rush/articleshow/1560730.cms)

## **Trade News**

### **EEPC outlines plan to take exports to US\$ 100 billion by 2016**

The Engineering Export Promotion Council (EEPC) has drawn up a growth strategy to take exports of Indian engineering goods to \$100 billion by 2016. As part of the strategy, it

aims to increase exports of engineering goods by 20% per annum between 2007-08 and 2009-2010.

For the remaining six years till 2016, it targets raising such exports by 14% per annum. The growth chart has been drawn up by EEPC in response to President APJ Abdul Kalam's call to the council to take up the challenge.

In 2005-06, engineering goods exports from the country stood at \$20.3 billion, which are expected to grow 20% to \$24 billion in the current fiscal. On its lofty ambitions, EEPC chairman Rakesh Shah said, "The Indian engineering sector has the potential to realise the Presidents dream. So, it will not be a daunting task to achieve the targets. There is ample room for pushing the sectors export in the global market, where India's share in the global engineering trade is less than 1%."

<http://economictimes.indiatimes.com/News/News By Industry/Indl Goods Svs/Engineering/EEPC outlines plan to take exports to 100b by 2016/articleshow/1552964.cms>

### **IT services exports touch \$24 bn**

India's exports of IT services, BPO and electronic hardware are estimated to have touched \$23.6 billion during the first nine months of the current financial year. Software and ITeS exports accounted for more than 90% of the overall kitty.

Electronic hardware exports have logged a growth rate of 38.8% at \$2.1 billion during April-December FY07, compared to \$1.5 billion grossed in the corresponding period of the previous year. IT software and IT-enabled services (ITeS) exports, which enjoy a lion's share of the high-tech export booty, registered \$21.5 billion during the period, a growth of 28.2% over the year-ago period.

In rupee terms, the growth in software and BPO exports was an estimated 30.3% during the period in reference. Meanwhile, the growth in hardware exports was an estimated 41.1%, according to export statistics by the Electronics and Computer Software Export Promotion Council

[http://economictimes.indiatimes.com/IT\\_services\\_exports\\_touch\\_24\\_bn/articleshow/1547988.cms](http://economictimes.indiatimes.com/IT_services_exports_touch_24_bn/articleshow/1547988.cms)

### **Sectoral News**

#### **Synthetic fabric sector readies for retail boom**

Country's biggest man-made fabric industry is gearing up for the retail boom. Surat's textile industry, which contributes 65% of the nation's total man-made fabric production, expects 15% to 20% growth in the demand of synthetic fabrics.

“The retail boom will fuel growth of the synthetic fabrics,” said Arun Jariwala, chairman of the Federation of Indian Art Silk Weaving Industry (FIASWI).

The retail boom has come as a ray of hope for the decentralised textile industry that incurred losses running into crores of rupees in the recent floods.

[http://economictimes.indiatimes.com/Synthetic\\_fabric\\_sector\\_readies\\_for\\_retail\\_boom/articleshow/1560661.cms](http://economictimes.indiatimes.com/Synthetic_fabric_sector_readies_for_retail_boom/articleshow/1560661.cms)

### **Tata Steel gets nod for US\$ 1.3 billion Iran plant**

Tata Steel's global footprint is spreading at a furious pace. The company has received approval from the Iranian government to set up a three million tonne steel project with an investment of over Rs 6,000 crore.

Iran has allotted 500 hectares in the Persian Gulf Special Economic Zone (PGSEZ) at Bandar Abbas for the gas-based steel plant.

A Tata Steel spokesperson confirmed the development and said the Iranian Mines & Mining Industries Development & Renovation Organisation (IMIDRO) had issued permission for supplying raw material for production.

The three-million-tonne plant could be scaled up to five million tonne at a later stage. Once commissioned, it will scale up the combined capacity of Tata Steel-Corus to 28.5 million tonne

[http://www.businessstandard.com/common/storypage\\_c.php?leftnm=10&autono=273368](http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=273368)

### **News Round – Up**

#### **India's Forex reserves up by \$924 million**

India's Forex reserves increased by \$924 million to stand at \$179.052 billion during the week ended January 26 as against \$178.128 billion during the week ended January 19. Reserves were up by \$702 million during the preceeding week ended January 19, compared to a week ago period.

The Foreign Currency Assets were also increased by \$916 million to \$171.984 billion during the seven day period ended January 26, 2006, according to figures released by the Reserve Bank of India.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=153510](http://www.financialexpress.com/latest_full_story.php?content_id=153510)

#### **GDP grew 9% in 2005-06: CSO**

A sharp revision in agricultural sector growth has propelled the country's Gross Domestic Product growth rate in 2005-06 to 9 per cent against the previous estimates of 8.4 per cent.

The agriculture sector growth for 2005-06 has now been pegged at 6 per cent in the quick estimates for GDP growth in 2005-06 released by the Central Statistical Organisation (CSO). Agriculture growth for 2005-06 was earlier estimated at just 3.9 per cent.

Manufacturing growth for 2005-06 has now been marginally revised upwards at 9.1 per cent from 9 per cent. Official data show that the 9 per cent GDP growth during 2005-06 was achieved due to high growth in agriculture, forestry and fishing, manufacturing, insurance, construction, financing, real estate and business services and transport.

Reacting to the revision in GDP growth rate for 2005-06 to 9 per cent, the Finance Minister, Mr Chidambaram, said that this augurs well for GDP growth for 2006-07. India's GDP has grown by over 9 per cent in the first half of fiscal 2006-07.

<http://www.thehindubusinessline.com/bline/2007/02/01/stories/2007020102901300.htm>