

## Weekly Economic Bulletin

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### Contents

- |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |           |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1 | <b>News Feature</b> <ul style="list-style-type: none"><li>• 'India can achieve 10% growth in 2008-09'</li><li>• India climbs up the income ladder</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                              | Page 1    |
| 2 | <b>Overseas Investment</b> <ul style="list-style-type: none"><li>• India's forex reserves at a record \$218.96 bn</li><li>• FII inflows cross US\$ 8 billion</li><li>• Commerce minister named FDI personality of year</li><li>• FDI proposals worth Rs 590 cr get the nod</li></ul>                                                                                                                                                                                                                                                                                                                     | Page 2-3  |
| 3 | <b>Trade News</b> <ul style="list-style-type: none"><li>• India-Indonesia trade to hit \$10 bn</li><li>• India-Bangladesh joint chamber launch tomorrow</li><li>• 'Bangladesh, India must break cycle of mutual mistrust'</li><li>• Skorea, India to discuss tariff cuts under free trade deal</li><li>• India-GCC FTA likely by '08</li></ul>                                                                                                                                                                                                                                                           | Page 3-5  |
| 4 | <b>Sectoral News</b> <ul style="list-style-type: none"><li>• Tourism industry may generate Rs 282,970cr</li><li>• Stainless steel output grows 25 per cent</li><li>• Technical textiles market to double in 2008</li><li>• India to dominate global KPO mkt; create 1.8L jobs</li><li>• Dozen car rental brands to drive into India soon</li><li>• Cell revenues to hit \$26 b by 2011: Gartner</li><li>• CRISIL upgrades rating of Godrej &amp; Boyce to 'P1+'</li><li>• Honour for India</li><li>• Exports of biosimilar drugs to get boost</li><li>• Naphtha exports set for a jump in 2010</li></ul> | Page 5-9  |
| 5 | <b>News Round – Up</b> <ul style="list-style-type: none"><li>• India tops consumer confidence index</li><li>• Infra, financial services to stay robust: Study</li><li>• It's India shining for foreign funds</li></ul>                                                                                                                                                                                                                                                                                                                                                                                   | Page 9-10 |

## News Feature

### 'India can achieve 10% growth in 2008-09'

Finance Minister P Chidambaram said it is possible for the country to achieve a 10 per cent economic growth in the next financial year.

"Achieving a 10 per cent growth in 2007-08 is tough, but it is possible in 2008-09. That will be a fitting finale for the UPA government's five-year tenure," Chidambaram said while addressing the India Policy Forum here.

The country's GDP grew 9.4 per cent in 2006-07 and as per the Economic Advisory Council to the Prime Minister, it is poised to achieve a 9 per cent economic growth in the current fiscal.

The Reserve Bank of India (RBI), however, in its Annual Policy statement has projected GDP growth rate of 8.5 per cent for 2007-08.

Chidambaram said it would be possible to push up the economic growth by improving the performance of agriculture, which is stagnant for the last nine years.

<http://economictimes.indiatimes.com/articleshow/2211765.cms>

### India climbs up the income ladder

Economic growth and an appreciating rupee will see India break into the ranks of lower middle-income countries this fiscal year, a few years earlier than expected.

At \$1,021, the Prime Minister's Economic Advisory Council has projected that per capita income would increase over 25.58 per cent this fiscal, against \$831 in 2006-07.

This would put India in the same category as China, though the latter's per capita income was estimated at \$2,165 in 2006.

This year's projected increase in per capita (in dollar terms) is nearly double the average 13 per cent growth between 2003-04 and 2006-07. In the same four-year period, GDP grew an average 8.6 per cent.

Council member and ICRA chief economist Saumitra Chaudhuri said that using Central Statistical Organisation data, the council arrived at 2006-07's per capita income in dollar terms assuming an exchange rate of Rs 45 per dollar.

For the current year's projection, the exchange rate assumed is Rs 41 to the dollar. "It is a commendable achievement, but there is so much to do. \$1,000 is not a big amount these days," he said.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291773](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291773)

## **Overseas investment**

### **India's forex reserves at a record \$218.96 bn**

India's foreign exchange reserves rose to a record \$218.956 billion, from \$214.835 billion a week earlier, the Reserve Bank of India said in its weekly statistical supplement on Friday.

The RBI said foreign currency assets expressed in US dollar terms included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

The foreign exchange reserves include India's Reserve Tranche Position in the International Monetary Fund, the RBI said.

<http://economictimes.indiatimes.com/articleshow/2220981.cms>

### **FII inflows cross US\$ 8 billion**

The net inflows of foreign institutional investors (FIIs) have crossed the \$8 billion mark in the current calendar to touch \$8.45 billion, up from \$7.99 billion recorded in 2006.

However, the FIIs' activities on the bourses seem to be lukewarm. The FIIs' trading data across the BSE and the NSE, collated on the basis of trades executed, show a net inflow of Rs 4,676 crore so far in the current calendar year.

This means a large chunk of inflows came through public offers and the conversion of foreign currency convertible debentures (FCCBs) to the equity market.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291469](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291469)

### **Commerce minister named FDI personality of year**

Commerce and industry minister Kamal Nath has been chosen global FDI Personality of the Year 2007 by a global business publication, earlier won by Brazilian President Luis Inacio Lula da Silva and Mexican President Vincente Fox.

"The award is in recognition of your active efforts to attract foreign businesses to India, boost exports and promote trade and investment — the results of which have been a substantial increase in FDI inflows to India and rise in export volumes last year," the citation said. The country's exports have almost doubled to Rs 5,63,800 crore during 2006-07 from Rs 2,93,367 crore in 2003-04, growing at average annual rate of 25% in the last three years.

The country's FDI equity inflows have risen to Rs 70,630 crore in 2006-07 from Rs 10,237 crore, showing a seven-fold increase. "In 2006-07, FDI inflows grew 183.56%," Mr Nath said. The publication said by choosing FDI Personality of the Year, it recognises leaders around the world who have been the most proactive and innovative in securing foreign investment.

<http://economictimes.indiatimes.com/articleshow/2222386.cms>

### **FDI proposals worth Rs 590 cr get the nod**

The government approved 17 foreign direct investment (FDI) proposals worth Rs 589.85 crore. These include a Rs 313.33-crore proposal by Sweden-based Quinn Hotels to develop hotels in India.

The foreign investment promotion board (FIPB) in its meeting had recommended to the finance ministry the Quinn's proposal to form a 100% subsidiary in India for investment in construction of properties and acquire existing companies engaged in hotels development.

<http://www.financialexpress.co.in/news/FDI-proposals-worth-Rs-590-cr-get-the-nod/205719/>

### **Trade News**

#### **India-Indonesia trade to hit \$10 bn**

Trade between India and Indonesia is expected to hit a historic high of \$10 billion by 2010, says Indonesian President Susilo Bambang Yudhoyono.

"The bilateral trade target of \$10 billion for 2010 can be achieved if the two nations seriously develop and enhance the existing cooperation," the president said .

Earlier in the day, Indian Ambassador to Indonesia Navrekha Sharma said a number of Indian companies had expressed keen interest in investing in Indonesia's information technology, infrastructure, banking and automotive sectors.

Susilo said Indonesia must be able to grab all the opportunities by establishing strategic partnership with India, which is a big country and has many comparative advantages, such as advanced technology.

He also underscored the importance of cooperation in the pharmaceutical industry, considering India was one of the world's largest pharmaceutical product suppliers.

<http://economictimes.indiatimes.com/articleshow/2209923.cms>

#### **India-Bangladesh joint chamber launched**

India's engagement with Bangladesh and using Bangladesh, India, Myanmar, Sri Lanka Thailand Economic Cooperation (BIMSTEC) as the sole bridge for South Asia with South-East Asia gets further impetus with the launch of the India-Bangladesh Chamber of Commerce and Industry in Dhaka on July 22.

Minister of State for Commerce, Mr Jairam Ramesh, said that though the Thailand Commerce Minister, Mr Krirk-Krai Jirapaet, recently told him in Guwahati that Thailand, Myanmar and North-East India could be a growth triangle, he said that he would go a step ahead to suggest that India, Bangladesh, Myanmar and Thailand could forge a growth quadrangle.

Mr Ramesh was in Dhaka on July 22 on the forthcoming launch of the India-Bangladesh Chamber of Commerce & Industry by the President of Bangladesh, Dr Iajuddin Ahmed.

This chamber is being launched jointly by the Federation of Bangladesh Chambers of Commerce and Industry and the Federation of Indian Chamber of Commerce and Industry to provide a high-level forum for accelerating economic partnerships between the two countries.

<http://www.blonnet.com/2007/07/21/stories/2007072151831000.htm>

### **'Bangladesh, India must break cycle of mutual mistrust'**

Bangladesh and India must break the cycle of mutual recrimination and put economic relationships on "fast forward" mode to make up for lost time and missed opportunities, said the Minister of State for Commerce, Mr Jairam Ramesh.

Taking part in the inaugural function of India-Bangladesh Chamber of Commerce and Industry in Dhaka, the Minister said that both the countries have been making some progress over the past 15 months in their bilateral relations.

He said the Bureau of Indian Standards (BIS) has signed a MoU with the Bangladesh Standards and Testing Institution for evolving a mutual recognition agreement. India was setting up testing facilities for hilsa fish at Petrapole and six laboratories in Bangladesh have been now recognised for the purpose of testing and certification in textiles and consumer products. He said in the first week of next month, a delegation from India would be in Dhaka to identify laboratories which could be accredited for testing in biscuits, cement and processed foods.

<http://www.thehindubusinessline.com/2007/07/23/stories/2007072350040300.htm>

### **SKorea, India to discuss tariff cuts under free trade deal**

South Korea and India will discuss proposed tariff cuts during another round of talks on a planned free trade deal, the South Korean government said .

The two sides will give details of their initial offers on tariffs, the Ministry of Agriculture and Forestry said.

Seoul and New Delhi started talks on a Comprehensive Economic Partnership Agreement (CEPA), similar to a free trade deal, in March 2006.

They are also expected to discuss place-of-origin rules for agricultural products and processed goods, the ministry said.

It said both sides have already agreed on the need to make some allowances for agricultural sectors that could be hurt by liberalisation.

CEPA seeks to promote trade, investment and economic cooperation by reducing tariff and non-tariff barriers.

The Seoul government sees free trade deals as crucial to make its economy more competitive.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/SKorea\\_India\\_to\\_discuss\\_tariff\\_cuts\\_under\\_free\\_trade\\_deal/articleshow/2226521.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/SKorea_India_to_discuss_tariff_cuts_under_free_trade_deal/articleshow/2226521.cms)

### **India-GCC FTA likely by '08**

India and the Gulf Cooperation Council are working to finalise the Free Trade Agreement by this year-end, which will give further fillip to bilateral trade ties.

"Negotiations concerning the GCC and India FTA are expected to be finalised by the end of the year and the agreement to be signed by early next year," Indian Ambassador to Bahrain, Balkrishna Shetty, said.

"Bahrain is keen to have this agreement and if there are hold ups, the country will go ahead with this," he said at a meeting in Manama.

Bilateral trade volume between India and Bahrain last year was USD 532.08 million compared to USD 343.59 million five years ago.

Shetty said more Indian investors were seeking business opportunities in the Kingdom to take advantage of its FTA with the US.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India-GCC\\_FTA\\_likely\\_by\\_08/articleshow/2226224.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-GCC_FTA_likely_by_08/articleshow/2226224.cms)

### **Sectoral News**

- **Tourism industry may generate Rs 282,970cr**

The travel and tourism industry in India is expected to generate Rs 282,970 crore of economic activity (total demand in 2007) and this is expected to grow to (nominal terms) to Rs 947,270 crore by 2017.

Total demand is expected to grow by 8.7 per cent in 2007 and by 7.9 per cent per year in real terms between 2008 and 2017, says the World Travel and Tourism Council's (WTTC) 2007 economic research on India.

WTTC's latest findings also reveal that 842 million international tourist arrivals were recorded last year of which India's share was only 0.52 per cent, indicating that while the growth in tourism in India has been impressive, India's share in global tourist arrivals and earnings needs an upwards thrust.

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=291869&subLeft=1&leftnm=3>

### **Stainless steel output grows 25 per cent**

Asian production (including India) of stainless steel amounted to 4.191 million tonnes in the March 2007 quarter, a growth of 25.2 per cent y-o-y, according to data recently released by the global industry body, International Stainless Steel Forum (ISSF).

Demand for stainless steel has come mainly from user industries such as construction and industrial applications, point out analysts.

Amongst Indian players, Jindal Stainless is one of the largest players and it is leveraging strong demand in the domestic market as well as neighbouring countries, by ramping up the company's stainless steel manufacturing capacity from 0.6 million tonnes to 0.9 million tonnes by FY09.

Global production of stainless steel grew 15.1 per cent y-o-y to 7.57 million tonnes in the March 2007 quarter, highlighted the industry body.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291465](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291465)

### **Technical textiles market to double in 2008**

An internal document prepared by the textiles ministry has projected the technical textiles market to double to Rs 42,006 crore by 2007-08 from Rs 20,128 crore in 2005-06. It further estimates the market to grow to Rs 78,060 crore by 2014-15 with an average annual growth of 14 per cent y-o-y.

According to the document, technical textiles are one of the faster-growing sectors of the global textile industry and are likely to increase by leaps and bounds, coupled with the growth of the Indian medical industry.

Textile materials, manufactured primarily for their technical performance and functional properties rather than aesthetic and decorative values, are commonly known as technical textiles and are broadly divided into 12 categories, comprising clothtech, packtech, indutech, sporttech, meditech, mobiltech, homotech, agrotech, protech, buildtech, oekotech and geotextiles.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291566](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291566)

### **India to dominate global KPO mkt; create 1.8L jobs**

India, already known as the back office of the world, will account for two-third of the global Knowledge Process Offshoring (KPO) segment that could create up to 1.8 lakh new jobs here by 2011, a new study has said.

The worldwide KPO market is expected to grow to 16.7 billion dollar in revenues by 2010-2011 at an annual growth rate of 39 per cent. Of this, India would account for 11.2 billion dollars, according to the study by business research and analytics firm Evalueserve.

The industry would employ about 3.5 lakh professionals by March 2011 globally. This includes nearly 2.55 lakh in India, where only about 75,400 people are currently employed.

According to Evalueserve, the KPO industry in India had only 9,000 billable professionals in India, generating revenue of 260 million dollars during 2000-01. This number has grown to 75,400 by 2006-07 with 3.05 billion dollars in revenue at an annual growth rate of 51 per cent.

The anticipated success in KPO comes after the success of Business Process Outsourcing (BPO) in the country, which accounts for revenues of 15.8 billion dollar in 2006-07, a jump from just 7.7 billion dollar in 2003-04.

<http://economictimes.indiatimes.com/articleshow/2210760.cms>

### **Dozen car rental brands to drive into India soon**

International car firms are making a beeline for the Indian shore with almost a dozen car rental brands expected to enter the market soon. According to industry sources, American car rental major Avis-owned brand Budget is likely to enter the country.

Similarly, US car rental companies Thrifty and Dollar are expected to set up their networks in the country. And it's not just the big three that are looking at India, car rental companies like Enterprise and Vanguard's brands Almo and National are also said to be firming up their Indian plans.

According to industry experts, the sudden rush to enter India is largely due to the negative growth in the car rental business in the US and Europe. "Worldwide the car rental segment is slumping and in some countries like Singapore it is even seeing a downward trend because of improved public transport.

<http://economictimes.indiatimes.com/News/News By Industry/Dozen car rental brands to drive into India soon/articleshow/2225650.cms>

### **Cell revenues to hit \$26 b by 2011: Gartner**

The entry of Vodafone will make India a more dynamic telecom market, with the country's total cellular revenues reaching \$25.6 billion by 2011, technology research firm Gartner has predicted.

The revenues from cellular operations were around \$9 billion in 2006, of which 9.6% were contributed by data services. In four years, these would outpace the growth of voice revenues to contribute 22% to the total pie, it said.

Upbeat about the Indian market, Gartner said India would continue to be the fastest growing country in APAC in terms of mobile telephony after China. The telecom scenerio in the country was also expected to become more dynamic with the entry of Vodafone, the firm added.

<http://economictimes.indiatimes.com/articleshow/2219011.cms>

### **CRISIL upgrades rating of Godrej & Boyce to 'P1+'**

CRISIL has upgraded its rating on Godrej & Boyce Manufacturing Company Ltd's commercial paper programme of Rs 100 crore to 'P1+' from 'P1'.

The revision reflects CRISIL's expectation that Godrej and Boyce's financial risk profile will continue to improve on the back of strong sales growth in its furniture, security equipment, process plant and equipment, and material handling divisions.

Also, CRISIL believes that the company's diversified revenue profile will continue to lend stability to the overall cash flows; and profitability in Godrej and Boyce's numerous divisions will offset the losses in the home appliances division.

Robust sales growth in the high-margin process equipment division, reduction of losses in the home appliances division, and continued support from dividend income have led to an increase in the company's cash accruals to Rs 110 crore in 2006-07 (April-March) from Rs 62.80 crore in 2005-06.

<http://economictimes.indiatimes.com/articleshow/2219474.cms>

### **Honour for India**

It's heartening that Tata Sons chairman Ratan Tata was given honorary fellowship of the London School of Economics and Political Science for his contribution to global industry. The contribution of Ratan in bringing India to the forefront of the world economy is commendable.

The LSE has rightly chosen Ratan for the award, which holds tight the cherished values of Tata. The honour clearly shows that India has now been noticed as a competent hub in the global economy.

<http://economictimes.indiatimes.com/articleshow/2212081.cms>

### **Exports of biosimilar drugs to get boost**

The increasing interest in the European Union and the US for biosimilar drugs — low cost variants of branded biotechnology medicines, made available by enacting fresh regulatory

guidelines — has prompted the Indian Pharmaceutical Export Promotion Council (Pharmexcil) to structure a biotech-specific export promotion plan.

The council intends to help Indian companies tap the emerging export opportunities for biosimilar drugs, the market for which is estimated to grow as big as \$25 billion in Europe and \$30 billion in the US by 2015.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292001](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292001)

### **Naphtha exports set for a jump in 2010**

Fertiliser plants will complete a switch to natural gas by 2010, freeing for export nearly four million tonne of naphtha and other oil products, a source in the fertiliser ministry said.

The fuel shift, coupled with a drive to become a fertiliser export hub, will more than double the sector's gas demand by 2012 from 39.33 million standard cubic metres (mcm) a day in 2006/07, according to a senior official. In three years time, we have to convert all naphtha and fuel oil-run plants to gas, revive eight sick plants and expand capacities to meet growing demand. For this we will need around 79 mcm a day of gas," he said. In 2006/07 India exported 8.3 million tonnes of naphtha, according to government data. Fertiliser units consumed 2.4 million tonne of the fuel and nearly 1.25 million tonne of fuel oil and low sulphur heavy stock in the financial year that ended in March.

<http://www.financialexpress.co.in/news/Naphtha-exports-set-for-a-jump-in-2010/205433/>

## **News Round – Up**

### **India tops consumer confidence index**

Consumer confidence is softening across the world but Indians remain the most upbeat.

That is the finding of the ACNielsen Consumer Confidence and Opinions Survey for the first half of 2007.

While all three indices (India's, Asia Pacific's and the global index) have dropped two points, with 135 points, India is in the lead of both the 47-nation global survey (97 points) and the 14-country Asia Pacific study (96). The country's 137 score in the October 2006 round of the survey was an all-time high.

Conducted in April 2007, the survey covered over 26,000 people, including more than 500 people from India. Indians remain confident of the job market and personal finance: 94 per cent are optimistic about employment prospects, compared with the regional and global averages of 50 and 52 per cent, respectively.

Indian consumers' perceptions of the state of their personal finances is also encouraging: 90 per cent rate it as excellent or good (region: 54 per cent).

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291426](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291426)

### **Infra, financial services to stay robust: Study**

The financial services and infrastructure sectors are expected to register maximum growth, both in terms of hiring prospects and business outlook, states the fourth quarterly employment outlook report for July-September 2007 by TeamLease Services Pvt Ltd.

The report suggests a two percentage point increase in net employment from 82 per cent in April-June 2007 to 84 per cent in the current quarter.

The highest net employment growth rate of 5 per cent plus is expected in the financial sector followed by the information technology-enabled services segment (ITeS), which is likely to reflect a growth rate of 2 per cent plus from the previous quarter.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=291521](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=291521)

### **It's India shining for foreign funds**

Recently, a fund manager with an exposure of \$500 million in India, was busy entertaining representatives of a Danish pension fund and a Japanese delegation that were keen to invest in India.

Looking back, the fund manager remembers the days when investors would hang up the phone on him at the very mention of India.

Coming a full circle, today it is these big moneybags — with expectations of returns crossing the 25 per cent mark — that are courting most fund managers of India-specific funds. This enables them to be selective about their investors.

“We raise only up to 10 per cent of the fund from one limited partner and also do not have more than one limited partner from one city,” said Rahul Bhasin, managing partner, Baring India.

Renuka Ramnath, managing director and chief executive officer, ICICI Ventures, remembers that two to three years ago it was difficult to even convince limited partners to do their due diligence on Indian firms.

“Today, limited partners are visiting India twice a year irrespective of whether a fund is raising capital or not. They just want to be on the radar and do not want to miss out in case someone does decide to launch a new fund,” she said.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292003](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292003)