

Weekly Economic Bulletin

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News Feature

Exports grow 12.9% in May'08 to \$13.78 bn

India's exports grew by 12.9 per cent in May 2008 to \$13.78 billion, compared to \$12.21 billion in the same month last year.

Imports during the month grew by 27.1 per cent to \$24.54 billion, leaving a trade deficit of \$10.76 billion, according to government data released.

Exports during April-May in the current fiscal stood at \$28.18 billion, up 21.7 per cent from \$23.16 billion, while imports for the first two months of the 2008-09 fiscal rose by 31.7 per cent to \$48.82 billion.

Oil imports in May grew by 50.8 per cent and stood at \$8.46 billion, compared to \$5.61 billion in the year-ago period.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=10&bKeyFlag=IN&autono=41184

Overseas Investment

Marks & Spencer among 28 FDI plans cleared

Global retail major Marks & Spencer's proposal for 51 per cent foreign direct investment in single brand retail business was among 28 FDI proposals worth Rs 1,328 crore, cleared by the Government.

"Based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held on June 24, the Finance Minister, Mr P. Chidambaram, has approved 28 FDI proposals," an official statement said here.

The approved proposals relate to chemicals & petrochemicals, industrial policy & promotion, information & broadcasting, urban development, tourism and economic affairs, amongst others.

A proposal of Giordano Fashions (India) to establish a chain of single brand retail stores, and another by Pearle Europe BV involving induction of 50 per cent FDI for single brand retail trading also received the Government's green signal. Parryware Roca's Rs 741-crore proposal has also got approval for increasing foreign equity from 50 per cent to 100 per cent in the sanitary ware venture, while the Government nod was also granted to Multiscreen Media's FDI proposal (about Rs 158 crore).

FIPB also approved real estate major Eldeco's Rs 195.7 crore proposal for induction of foreign equity and change in status from operating company into operating-cum-holding company.

<http://www.blonnet.com/2008/07/05/stories/2008070552081000.htm>

Coke plans to infuse \$250 m into India

Revealing its plan to invest \$ 250 million over the next three years in the country, beverage giant Coca Cola on Friday said India figured strategically in its global gameplan.

President and CEO of Coca Cola India Atul Singh said, "We are committed to investments in India. The company will invest \$ 250 million in the country over the next three years."

He said that the BRIC nations (Brazil, Russia, India and China) are strategic countries on which the company is focusing. The company would focus on the sparkling drink, juice and its drinks, water and Georgia tea and coffee segments.

He said that although Coca Cola has 400 brands under its fold globally, the company would introduce newer brands in India at an opportune time.

In the sparkling drink category in India, Coca-Cola is the market leader with a market share of over 60%.

Singh said that the investments would go towards brand promotion and purchase of equipment.

Till date, Coca Cola has invested over \$ 1 billion in the country. Singh said that Coca Cola's strategy was to focus on refreshing the whole body, mind and spirit for which the company is present in India with a range of portfolio. Asked what kind of growth was the company looking at in India, Singh said that in the last seven quarters, the company had decent growth. In the last quarter, the company enjoyed a growth of 13%.

"We will maintain the growth trend," he said. Singh said that Coca Cola would be present in the non-alcoholic ready-to-drink beverage segment.

As a part of brand promotion, the company was sending a 16-member junior football team to Rio de Janeiro for a week-long training by Brazilian Football Academy.

<http://www.financialexpress.com/news/Coke-plans-to-infuse-250-m-into-India/331641/>

UK is the largest investor in India: Report

Britain has become the biggest foreign investor in India with an investment of 560 million pounds, according to a report on investment flows by the Commonwealth Business Council (CBC).

The report, prepared by the CBC and UK Trade and Investment, a Government agency, said that when investments made by UK companies through Mauritius, the British Virgin

Islands and Cyprus were included, it outstripped the US as the leading investor, with over 8 billion pounds of investment.

"A large part of investments made by UK companies is routed through Mauritius or other tax-friendly jurisdictions such as Cyprus. Including these indirect investments will make the UK the top investor in India," said the report, released.

Over 90 per cent of the UK's investment last year came from large companies. Vodafone made India's biggest foreign direct investment when the telecommunications group paid Hong Kong's Hutchison 5.5 billion pounds for a 67 per cent stake in Hutchison Essar, India's third-largest mobile operator.

<http://www.financialexpress.com/news/UK-is-the-largest-investor-in-India-Report/330415/>

Trade News

Indo-US trade to hit \$100 bn

Notwithstanding the impasse in the Indo-US civilian nuclear deal, the bilateral relations have reached a new high with India gearing itself to launch four US satellites and the two-way trade expected to more than double to touch 100 billion dollars in the next 3-4 years.

After successful launch of Israeli, German and Canadian satellites from Shriharikota near Chennai, four US satellites are to be launched by Indian launch vehicles.

"As part of the collaboration in space technology, four American satellites are to be launched by India in the next two years," the outgoing Consul-General Michael Owen said.

It is not correct to say that Sino-Indian trade is growing rapidly at the cost of Indo-US trade, Owen said.

"No doubt Sino-Indian trade is growing fast. Nonetheless Indo-US trade has more than doubled from 20 billion dollars to 42 billion dollars in the last three years," he said.

The bilateral trade doubles every 3-4 years and "our next target is to take to 100 billion dollars," he said.

Regarding defence collaboration with India, he said the American companies are responding to Indian competitive tender for military hardware and fighter aircrafts like F-16 and F-18.

Another exciting thing will be the American companies are going for co-production with the Indian companies, Owen said.

Elaborating on the all time high relations between India and US, he said, there have been a series of agreements in various fields like energy, agriculture, trade, investment and open sky policies which were not there 15 years back.

Owen said the relationship is at two levels -- government to government and the other is between the people and the relationship will continue to increase.

Talking about collaboration in energy and agriculture, he said during Prime Minister Manmohan Singh's visit to the US, emphasis was laid on collaboration with Agriculture Knowledge Initiative (AKI) and bringing researchers and technologists from both the countries together to improve productivity.

<http://www.financialexpress.com/news/IndoUS-trade-to-hit-100-bn/330932/>

'Indo-Thailand bilateral trade set to reach \$10 bn'

Bilateral trade between Thailand and India was expected to reach USD 10 billion by 2010, Tamil Nadu Governor Surjit Singh Barnala said.

Speaking at the inauguration of an exhibition 'Destination Thailand 2008', he said the trade between the two nations had been growing steadily and stood at over \$4 billion in 2007.

The programme of cooperation in science and technology bio-technology and the MoUs on cooperation in the field of agricultural science, technology and economy stand testimony for the Indo-Thai bilateral relations, he said.

Expressing happiness that many Indian companies like the Aditya Birla Group, Tata Motors, Tata Steel, Satyam Computers had set up their operations in Thailand, he said "conducive climate, infrastructure and peaceful atmosphere are attractions for new companies to set up their operations from abroad".

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Indo-Thailand_bilateral_trade_set_to_reach_10_bn/articleshow/3198512.cms

Italy keen on expanding trade

Italy is looking forward to widening business opportunities in India, especially in West Bengal. Antonio Armellini, ambassador of Italy in India, said that Italy is optimistic about the way India has shown positive gestures towards business ventures even during the current worldwide economic upheaval.

"Keeping in mind the expanding bilateral ties between the two countries, We are prepared to move as fast as you are prepared," said Armellini. Bilateral trade added up to \$56 million in 2006 and reached \$100m the next year.

India's response to free trade is quite encouraging, Armellini said, citing plans by Videocon, one of the largest diversified groups in India, to expand its industrial basis in Italy through a new investment of over \$1 billion.

He was addressing members of the Merchants Chamber of Commerce.

Anupam Shah, president of the MCC, said the ruling Left Front's focus on industrial development is encouraging Italian firms to invest in West Bengal.

The principal items of India's exports to Italy are textiles and garments, leather products, basic chemicals, marine products and engineering goods.

India, on the other hand, imports from Italy items like machinery for precision tools, chemicals, textile and granite machinery, base metals and measuring instruments.

Bruno Camprio, Italian consul general said, "Italy is also willing to invest in agro-food and agro-based industries and the Indian Government is also willing to give it a thought."

Shah said India has "imbibed and innovated" the original industrial clusters idea of Italy. The countries together have also agreed to promote joint co-operation through joint ventures and technical collaboration.

Pankaj Parekh, chairman of the Indo-Italian Chamber of Commerce & Industry, pointed out that Italian companies have invested in leather establishments coming up in Bantala.

<http://www.financialexpress.com/news/Italy-keen-on-expanding-trade/330564/>

India, Israel likely to start formal talks for FTA soon

India and Israel could soon start formal negotiations for a Free Trade Agreement, according to Mr Mark Sofer, Ambassador of Israel. The idea of having an FTA between the two nations, which was mooted three years ago, has been positively received, he said.

"Though we have not started formal negotiations there is complete agreement on both sides," he said. Mr Sofer, met with the West Bengal Chief Minister, Mr Buddhadeb Bhattacharya. During his address, he said that both countries had a vibrant and strong defence relationship and by having an FTA can develop co-operation on the economic front.

Israel-India trade, which currently stands at \$3.3-3.5 billion, is expected to grow to \$12 billion in the next four years. "Some experts opine that Indo-Israel trade will triple or even quadruple in some years," he said.

On the education front, a delegation of six Vice-Chancellors is planning to make a visit to Israel to sign memorandum of understanding with 6-7 major universities there. "The Vice-Chancellor of Calcutta University and Delhi University will be a part of that delegation. They will look for possible areas of signing MoU with the universities in Israel," he said.

In his meeting with Mr Bhattacharya , the Israel Ambassador discussed the various areas of co-operation between Israel and West Bengal. "Issues such as agriculture, water management and irrigation have been tackled well by Israel and we can co-operate with the State to improve on these lines," he said.

Medical and public health and horticulture management could be other areas of co-operation between the two countries, he pointed out.

<http://www.blonnet.com/2008/07/05/stories/2008070552452100.htm>

Sectoral News

Telecom services revenue up 21% to Rs 1.30 lakh cr

With one out of four Indians owning a phone, revenue of the country's telecom services industry has swelled to Rs 1,30,561 crore in 2007-08, up 21 per cent over the the previous fiscal.

India added 100 million new subscribers in this period.

The revenue of telecom services, including that of cellular, fixed line, national long distance, international long distance, broadband, radio trunking and VSAT services, has risen to Rs 1,30,561 crore, registering a growth of 21.3 per cent, a survey by Voice&Data revealed.

Among the services, cellular segment contributed a major chunk of around 59 per cent to the total revenue. The segment's topline rose to Rs 76,608 crore in 2007-08, compared to Rs 56,183 crore last fiscal, a growth of about 36 per cent.

BSNL topped the survey list in terms of revenue with Rs 35,296 crore total income. However, it registered a negative growth of 12 per cent. Its revenue for last fiscal was Rs 40,135 crore.

Bharti with Rs 26,436 crore topline clinched the second slot while Reliance communications was placed at the third position reporting total income of Rs 18,638 crore, the survey read.

Fixed line business was the second biggest revenue earner for the industry, contributing more than 20 per cent. However, its total income dipped 11.6 per cent in this financial year to Rs 26,692 crore, compared to Rs 30,190 in 2006-07, it said.

Broadband business showed a huge growth of 162.7 per cent in terms of revenue. It reached to Rs 5,359 crore in 2007-08, compared to Rs 2,040 crore in the previous fiscal.

The growth in the number of broadband subscribers, however, was not appealing as the country added only 1.4 million new users in this period. The total subscriber base was up 56 per cent to 3.9 million, the survey added.

<http://www.financialexpress.com/news/Telecom-services-revenue-up-21-to-Rs-1.30-lakh-cr/329884/>

Mobile reach to triple in 4 years: Gartner

India would have more than 737 million mobile connections by 2012 and revenues from cellular services will exceed \$37 billion by then.

In the next four years, cellular market penetration would increase to 60.7 per cent from 19.8 per cent last year, according to a study by research firm Gartner Inc.

“The growth in the mobile subscriber base is on the back of a rapidly proliferating rural market, lower handset costs, and low tariff rates in the Indian market,” said Mr Madhusudan Gupta, Senior Research Analyst, Gartner.

With 14 telecom service operators already present and another two set to join, the Indian telecom industry is expected to see some level of merger and acquisition activity in 2009. Given the high level of competition and anticipated consolidation, different business models will emerge that could push tariffs further down, with Indian mobile service consumers set to emerge as the biggest beneficiaries, said Mr Gupta.

Vendors will continue to focus on handsets cheaper than \$25 (Rs 1075) to capture market share, the report said. At the end of April, the number of mobile connections in India reached 264.19 million, depicting a three per cent month- on-month rise.

The Indian mobile connection market continues to be dominated by pre-paid subscribers. Pre-paid connections accounted for more than 89 percent of all mobile connections in 2007 and are expected to grow to more than 92 percent of the connection base by 2012. The total services revenue for pre-paid connections is expected to grow at a compounded annual growth rate of 18.9 per cent till 2012.

The pre-paid subscriber base will cross 683 million and post-paid s base will exceed 53 million subscribers. The churn rate or the rate at which customers switch to competing cellular firms in India is 41 per cent currently; despite a maturing market the ratio is expected to go up to 49 per-cent in 2012.

Moreover, with the increased growth in data services, the percentage of revenues coming from voice will reduce from 89 per cent in 2007 to 85 per cent in 2012.

<http://www.thehindubusinessline.com/2008/07/03/stories/2008070350950400.htm>

India going strong in \$40 bn ESO market: F&S

The global engineering services outsourcing (ESO) market is estimated to be around \$40 billion by 2015 and India is holding a relatively strong position in this market with its

strengths in automotive, aerospace and hi-tech telecom sectors, said a leading industry research major Frost & Sullivan.

“India’s strengths lie in the automotive, aerospace and hi-tech telecom sectors accompanied by a large talent pool and experience in this field. The growth in engineering services signifies the need for global companies to expand their R&D centres beyond their home countries,” the research company said. Another attractive factor for these global manufacturers is low labour cost along with quality; one of the main reasons that makes India a major outsourcing destination, it added.

According to F&S, Indian engineering service providers are technically proficient and have a fervent eye for detail ensuring that service levels remain better than competing countries. Most of the Indian engineering services providers are at par with competition and offer an array of services, which include computer aided design (CAD), computer aided manufacturing (CAM), computer aided engineering (CAE).

<http://www.financialexpress.com/news/India-going-strong-in-40-bn-ESO-marketF&S/329981/>

Auto cos post higher sales in June

Domestic auto companies managed to report higher sales despite interest rates and the looming threat of inflation on consumer’s pocket.

Beating all the macro economic blues for the third consecutive month of current fiscal, two-wheeler companies have managed to grow. Hero Honda, the top motorcycle maker, has posted a 16 per cent increase in domestic sales. Bajaj grew its motorcycles sales including exports at 8 per cent by selling 1,75,903 units. For TVS Motor Co, motorcycles sales increased 9 per cent at 51,409 units.

“Our strategy to tap into new markets in the semi-urban, rural and the upcountry areas has contributed to our expanding share in the two-wheeler market and thereby trigger growth in the industry amidst the continuing uncertainty over interest rates and the overall credit squeeze that the industry is going through,” said Mr Anil Dua, Senior Vice-President, Sales and Marketing, Hero Honda, in a statement.

According to an Axis Bank senior official, despite the two-wheeler companies showing growth, there was lot of polarisation in the market.

“Normally in monsoon, sales remain depressed. This year, there has been growth. But the market remains polarised. So while leading companies continue to show a phenomenal increase in sales, others find it difficult to come out of the impact of macro economic factors,” said Mr Sujjan Sinha, Senior Vice-President, Axis Bank.

For car makers, the exports markets have helped with both Maruti Suzuki and Hyundai Motor India posting a greater increase in overseas sales than in the domestic market. Maruti increased its exports by 23.5 per cent at 4,836 units and Hyundai registered a 61.7 per cent growth in its overseas sales at 18,301 units. Mahindra & Mahindra sold 12,662

units of utility vehicles and Logan as against 12,977 units in the same period last year in the domestic market.

“Domestic sales have shown growth. But the high discounts that are being offered by most car makers is a reflection of the tremendous pressure that companies may be facing under the macro economic factors,” said an auto analyst from B&K Securities India.

<http://www.thehindubusinessline.com/2008/07/02/stories/2008070252400200.htm>

Cement industry adds 46 mt capacity in three years

Make hay while the sun shines. That's what the cement industry has been doing over the last three years. In what could be seen as the golden period for over a decade, the cement industry in India has added a whopping 46 million tonne capacity in just a little over three years, taking the total installed capacity to over 200 million tonne as on May 2008.

It is significant to note that, for the first time in the history, the industry has added over 30 mt to its installed capacity in just one year during last fiscal (that is April 2007 to March 2008) and the positive sign continued to be seen in the first two months of the current fiscal (April & May) with two million tonne capacity addition, said cement industry sources here.

It is interesting to note that almost all players of the industry, small to medium to large, have added capacity ranging between a minimum of 2 lakh tonne and a maximum of 3 million tonne in the last three years (April 2005 to March 2008), effecting a total addition of 45 mt to the installed capacity by setting up greenfield projects, expanding and upgrading the existing plants, said the sources.

Of the total capacity addition of 46 mt plus, the industry has added 6.40 mt between April 2005 and March 2006; 7.60 mt between April 2007 and March 2007 and little over 30 mt between April 2007 and March 2008. In the first two months of the current fiscal, nearly 2 mt capacity has been added.

According to sources, some of the states had seen the maximum capacity addition in the last three years. They include Maharashtra, Andhra Pradesh, Gujarat, Tamil Nadu, Rajasthan, Madhya Pradesh, Karnataka and Uttar Pradesh. Some others such as West Bengal, Meghalaya, Jharkhand, Uttaranchal, Haryana have seen some new plants and expansions, the sources pointed out.

Driven by increasing consumption levels from across the regions, particularly from western and southern regions, the overall production and despatches have grown more than 10% annually for the last three years. Southern and western regions, in particular, have seen both production and despatches grow over 12% annually, followed by northern and central regions, the sources pointed out.

States such as Andhra Pradesh, Tamil Nadu, Maharashtra, Gujarat, Rajasthan and Jharkhand have seen tremendous offtake of cement during this three-year period, the sources added.

<http://www.financialexpress.com/news/Cement-industry-adds-46-mt-capacity-in-three-years/331647/>

Global demand propels India's coffee exports

Despite scorching prices and lower output, coffee exports from India witnessed a growth of 3% in the first six months of the current calendar year.

According to statistics available with the state-owned Coffee Board, exports surged to 1,32,846 tonne in January-June 2008 from 1,28,898 tonne in the same period a year ago. Setting a new record, export price of Indian coffee touched Rs 1,05,454 per tonne in the first half of 2008, up from Rs 84,521 per tonne in the same period a year ago.

In fact, the monthly average of International Coffee Organisation (ICO) composite indicator price increased to 138.82 cents per lb in February from 122.22 per lb in January. But the ICO indicator price tumbled to 126.55 cent per lb in April and maintained at the same level throughout May and the first two weeks of June. But again the prices started moving up in the third week of June touching 141.39 cents per lb on June 30. In addition to higher prices, coffee production for the season 2007-08 stood at lower levels at 2,62,000 tonne in India. Despite these negative parameters, exports picked up this year mainly because of firm demand for the commodity at international market while rupee losing its strength against the dollar, trade experts said.

With the Coffee Board releasing positive post-blossom outlook for the forthcoming season, trade sources said exports will jump in the remaining six months of 2008.

<http://www.financialexpress.com/news/Global-demand-propels-Indias-coffee-exports/330065/>

News Round – Up

Indian firms have created 30,000 jobs in US: Report

Indian companies, led by the Tata group, Essar and HCL Technologies, among others, have created more than 30,000 jobs and made large investments in the United States, a joint report of the Federation of Indian Chambers of Commerce and Industry (Ficci) and the US India Business Council (USIBC) said.

Indian companies have been investing in various sectors in the US, including pharmaceuticals, healthcare, travel, information technology, luxury hotels, engineering services, as well as auto parts and steel manufacturing.

The Ficci-USIBC report said the Tata group is the largest Indian investor in the US, with more than \$3 billion being pumped in as investments into the world's largest economy.

In June, 2006, Tata's coffee division acquired Eight O' Clock Coffee, the fourth-largest coffee brand in the US, in a \$220 million deal. Tata not only retained the 105 workers and 60 executives, but also infused investments in it.

Tata-owned Taj Hotels zeroed in on Pierre Hotel in up-market New York in 2005 in a deal worth \$50 million. The hotel, when reopened in 2009, will have 300 employees, who will cater to 200 rooms, which have been renovated at a cost of \$100 million.

Currently, Tata has 16 businesses and employs 19,000 people in the United States.

Indian Steel maker Essar infused \$1.6 billion in Minnesota Steel Industries to upgrade the plant in 2007. Today, the company employs 7,200 employees in the US and has operations in more than 24 states, of which only 30 are Indian. In 2009, the total work strength of Essar is expected to go up to 8,500. This was achieved by rationalising costs and at the same time maintaining quality, the report said.

In the infotec space, Wipro, Satyam and HCL technologies have created 16,000 jobs in the US. HCL Technologies has been involved in Boeing's 787 Dreamliner aircraft, which is likely to be the most fuel-efficient in its class.

http://www.business-standard.com/common/news_article.php?tab=r&autono=328008&subLeft=1&leftnm=3