

## Weekly Economic Bulletin

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### Contents

|   |   |           |
|---|---|-----------|
| 1 | <b>News Feature</b>   | Page 1-2  |
|   | <ul style="list-style-type: none"><li>• FICCI's 100 day agenda for double-digit growth</li><li>• India finally gets a say in OECD tax convention</li></ul>  |           |
| 2 | <b>Overseas Investment</b>  | Page 2-4  |
|   | <ul style="list-style-type: none"><li>• FIIs turn bullish; invest Rs 1,306.56 cr in equities</li><li>• Higher FDI in insurance likely soon</li><li>• New urea investment policy likely this week</li></ul>  |           |
| 3 | <b>Trade News</b>   | Page 4-5  |
|   | <ul style="list-style-type: none"><li>• UK to seek NRIs' help to open trade opportunities in India</li><li>• Exports to Canada rise 50%'</li><li>• India, Morocco to enhance marine fisheries trade</li></ul>   |           |
| 4 | <b>Sectoral News</b>  | Page 5-9  |
|   | <ul style="list-style-type: none"><li>• Boeing raises India sales forecast by 10%</li><li>• Spice exports up 23% in first 3 months of FY09</li><li>• Nonwoven, technical textiles industry set to scale new heights</li><li>• 'India set to become hub for luxury brands'</li><li>• Domestic BPO sector to treble revenues by 2012</li><li>• Indian food market sets for big leap, says US report</li><li>• IT industry to constitute 8% of Indian economy in 8 years</li></ul> |           |
| 5 | <b>News Round-Up</b>  | Page 9-10 |
|   | <ul style="list-style-type: none"><li>• India's share in global service exports to rise to 6pc by 2012</li></ul>  |           |

## News Feature

### **FICCI's 100 day agenda for double-digit growth**

Industry body Ficci submitted a 100-day agenda to Prime Minister Manmohan Singh and pressed for reforms in the agricultural and financial sectors. "We presented our agenda to the Prime Minister and he said that we respect the opinion of Ficci," Ficci president and MP Rajeev Chandrasekhar said.

Commenting on the monetary policy of RBI to be presented, Chandrasekhar said the tightening of the monetary policy by the Central Bank is not a permanent solution to tame inflation.

The 100-day agenda talked about measures to urgently stimulate investment in sectors like financial, agriculture and telecom so that the country could attain double-digit rate of growth.

"We feel its is imperative for the government to re-ignite investment across the economy. The expansion of the Indian economy over the last four years has been on the back of increasing investment inflows and rising investment to GDP ratio.

Therefore, it is important for the government to sustain and stimulate such investments in critical sectors so that growth is maintained," Chandrasekhar said.

The agenda also called upon the government to enhance efficiency and competitiveness of the economy by targeting reduction in transaction costs, set new standards in governance and address the perception of the looming financial crisis. According to industry chamber, the much-awaited changes in the sectors like insurance, pension and banking would lead to the development of the country's capital markets.

Chandrasekhar claimed that industry's confidence level has declined over the last nine months due to rising interest rates and said that Ficci has proposed a 100-day agenda for government as a prescription to restore the confidence of investors in economy and attain double-digit rate of growth.

He also said the Prime Minister would meet Ficci officials in middle of the next month.

The industry body, which believes that foreign investors could be an important source of capital for domestic players in insurance business urged the government to take up the Insurance Laws Amendment Bill, including hiking of cap on FDI stake to 49% from 26%.

It also urged the government to pass the Pension Fund Regulatory and Development Authority Bill and Banking Regulation (Amendment) Bill, still pending in the Parliament. Calling for a second green revolution, the chamber suggested that private sector investment in agri- infrastructure should be eligible for 150% weighted deduction.

Ficci also suggested setting up of private mandis, allowing direct procurement from farmers and contract farming to attract investment.

<http://www.financialexpress.com/news/Ficcis-100-day-agenda-for-doubledigit-growth/340477/>

## **India finally gets a say in OECD tax convention**

The model tax convention of the OECD, on which tax treaties of most countries are modelled, has given out guidance on taxation of permanent establishment (PE), incorporating India's views for the first time. The powerful grouping had granted 'observer status' to India in July 2006. Inclusion of the views of a non-member in the model convention is an important development, pointing at the growing stature of India.

"The development (OECD document containing India's position) has significant meaning. This clearly becomes a benchmark for how the Indian tax authorities intend to interpret the tax treaty positions laid down in the model convention. It also formally defines India's tax treaty policy for any future negotiation with a country on a tax pact," says Srinivasa Rao, partner & national leader-tax at Ernst & Young.

[http://economictimes.indiatimes.com/News/Economy/Finance/India\\_finally\\_gets\\_a\\_say\\_in\\_OECD\\_tax\\_convention/articleshow/3276903.cms](http://economictimes.indiatimes.com/News/Economy/Finance/India_finally_gets_a_say_in_OECD_tax_convention/articleshow/3276903.cms)

## **Overseas Investment**

### **FII's turn bullish; invest Rs 1,306.56 cr in equities**

Foreign Institutional Investors were net buyers in shares worth Rs 1,306.56 crore after the finance minister reassured that the government will push forward with the economic reforms after the UPA government won the trust vote in the Parliament.

FII's invested in shares worth Rs 5,749.67 crore and sold equities valued Rs 4,443.11 crore, resulting in a net investment of Rs 1,306.56 crore.

FII's reversed the selling trend wherein they sold shares worth Rs 390.50 crore, as per the data available.

Domestic institutional investors restrained themselves from buying and shed equities worth Rs 875.22 crore. Similar, trend was seen with the brokers who sold shares valued Rs 109.17 crore.

Non-resident Indians and proprietors looked confident and bought equities worth Rs 1.65 and Rs 97.75 crore respectively.

The BSE benchmark Sensex closed at 14,942.28 points, up 5.94 pc or 838.08 points.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=3271275>

## **Higher FDI in insurance likely soon**

Having survived without the support of Left parties, the UPA government is stepping on the reforms pedal that would pave the way for higher FDI ceiling in insurance sector, among others.

"Prime Minister Manmohan Singh wanted to make a point (on reforms) in his reply after the debate on trust vote, but he had to table it due to the uproar in Lok Sabha," Finance Minister P Chidambaram told after inaugurating the Sriram General Insurance scheme in Rajasthan.

"We will make all out efforts to take economic reform process forward by passing a number of bills pending in Parliament for the development of the nation," he asserted.

Chidambaram said the Centre would now reach out to other political parties, including those that voted against the UPA government on the Indo-US nuclear agreement, for faster economic reforms and passing of the bills, including the one on insurance sector.

The bill would enable the government to raise FDI in insurance sector from 26 per cent to 49 per cent, he said.

[http://economictimes.indiatimes.com/News/Economy/Policy/Higher FDI in insurance likely soon/articleshow/3269652.cms](http://economictimes.indiatimes.com/News/Economy/Policy/Higher_FDI_in_insurance_likely_soon/articleshow/3269652.cms)

## **New urea investment policy likely this week**

The Cabinet Committee on Economic Affairs is likely to discuss an investment policy for urea sector that promises higher remunerative prices with a view to increase the production by 10-15 per cent in short term.

"The Fertiliser Ministry's proposal was to come up at the CCEA meeting but couldn't be taken up. It is slated to come up for approval this week," a Fertiliser Ministry official said.

Under the proposal, it has recommended international price -parity for the domestic urea manufacturers. However, a maximum cap price of USD 425 per ton will be taken into consideration for payment of subsidy by the government. This is better than present consideration of USD 350 per ton.

"There is no investment in the fertiliser sector for the last 15-20 years. The production capacity has not increased but the output fell because of closure of some plants. So there was a need for a policy to attract high investment in fertiliser sector," the official said.

The policy would provide incentive to efficient producers and would be applicable only for additional production and not existing one, he explained. Urea production capacity is targeted to almost double to 40 million tons by 2012.

The current installed urea capacity is 21.04 million tons while the demand has surged to 27-28 million tons. The gap is met through imports from overseas markets where prices have gone up substantially leading to three-fold rise in subsidy.

The Ministry has proposed 85-95 per cent parity with global prices to the domestic producers of urea while simultaneously putting a price band of 250-425 dollars per tonne, he said.

[http://economictimes.indiatimes.com/News/Economy/Policy/New\\_urea\\_investment\\_policy\\_likely\\_this\\_week/articleshow/3298218.cms](http://economictimes.indiatimes.com/News/Economy/Policy/New_urea_investment_policy_likely_this_week/articleshow/3298218.cms)

## **Trade News**

### **UK to seek NRIs' help to open trade opportunities in India**

Britain's trade officials have announced plans to recruit British businessmen of Indian origin in Birmingham, Leicester and other areas to open and pursue trade opportunities in India.

A report by Home minister Liam Byrne and UK Trade and Investment department says that the thriving Indian-origin business community in various parts of the country could play a leading role in helping companies do business in India.

The report focusing on Birmingham in the West Midlands, with a large presence of people of Indian-origin, found that help from NRI businessmen could prove vital for companies that found entering the Indian market 'too difficult'.

Trade between the UK and India is currently worth pounds 8.7 billion a year, and growing at a rate of ten per cent per annum.

"For some West Midlands companies and organisations, India currently falls into the 'too difficult' category - one to watch for now, but not yet familiar or easy enough for those more used to the regulation and certainty of Europe," the report said.

But the West Midlands business groups with members who already understood India well, such as the Minority Business Forum and the Institute of Asian Businesses, could play an important role in helping other firms and offering advice to bodies such as the chambers of commerce, it said.

"It is important to ensure that both ethnic and non-ethnic business groups interact fully with each other and share information as widely as possible, so that the relative business advantages of each group may be shared and developed," it said.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=3268558>

## **Exports to Canada rise 50%'**

In past five years, India's exports to Canada grew by 50 per cent while imports almost tripled, according to Mr Ghislain Chaput, Head of Public Affairs, Canadian High Commission. In 2007-08, India's exports to Canada amounted to Canadian \$2 billion and imports from Canada C\$1.8 billion, said Mr Chaput. Agri food, transport, environment technology and food processing were the key areas of bilateral trade between the two nations. "Indian investment in Canada has been steadily growing and is more than Canada's investment in India," he said. The Canadian High Commission plans to set up a trade office in Kolkata by September this year to enhance bilateral trade relations. Canada as an education destination was attracting Indian students keen to pursue higher education, Mr Chaput said, adding, "Nearly 3,000-4,000 Indian students go to Canada every year as Canadian universities offer not just world-class education but also equip students with soft skills required to excel in their work field."

<http://www.blonnet.com/2008/07/24/stories/2008072452221000.htm>

## **India, Morocco to enhance marine fisheries trade**

India will sign an agreement with Morocco for enhancing cooperation in the field of marine fisheries.

The Cabinet today approved a proposal in this regard, Information and Broadcasting minister Priya Ranjan Dasmunsi told.

The memorandum of understanding is aimed at enhancing cooperation between the two countries in training, technical and scientific research in marine fisheries and fish process industry fields, he said.

It also stresses maritime training for the staff through common programmes.

<http://www.business-standard.com/india/storypage.php?tp=on&autono=43149>

## **Sectoral News**

### **Boeing raises India sales forecast by 10%**

Boeing, the world's second-biggest commercial aircraft maker, has raised India's 20-year aircraft sales outlook by 10 per cent on expectation of a rise in travel demand.

Boeing projected a demand for 1,001 aircraft from 2008 to 2027, which is worth more than \$105 billion at current list prices of aircraft around 10 per cent more than its last year's outlook for 2007-2026, which stood at 911 aircraft.

Of these, 24 will be freighter aircraft while the rest will be passenger planes.

"We have developed the forecast in a manner that considers today's market environment but, more importantly, takes a long-term view of this dynamic industry and the fundamentals that drive commercial aviation," Dinesh Keskar, senior vice-president (sales), Boeing, said in New Delhi.

As many as 313.72 million people are expected to travel by air by 2012 from the present level of 116 million, KPMG said in a report in June. Record economic growth and introduction of discount carriers have made air travel more affordable in India, the world's second fastest-growing major economy.

The 2008 outlook for India included 59 regional jets, 728 single aisle, 203 twin aisle and 11,747 and larger aircraft. Compared with last year's forecast, Boeing projected a 9 per cent increase in demand for single aisle aircraft and 18 per cent increase in demand for twin aisle aircraft.

[http://www.business-standard.com/common/news\\_article.php?leftnm=1&autono=329502](http://www.business-standard.com/common/news_article.php?leftnm=1&autono=329502)

### **Spice exports up 23% in first 3 months of FY09**

The export of spices in the first three months of the current fiscal of FY09 has registered an increase of 23% in terms of volume and 28% in terms of rupee-value, stated the Spices Board.

In terms of the dollar, the increase has been noted to be at 26%. During the April-June period of 2008-09, 1,48,550 tonne of spice and spice-products valued at Rs 1375.05 crore (\$329.60 million) were exported, as against 1, 21,180 tonne valued at Rs 1073.50 crore (\$260.57 million) in the corresponding period last year. Spice-oils and oleoresins including mint products contributed 35% of the total export earnings. Chilli contributed 24%, followed by cumin with 11%, pepper with 9%, and turmeric with 5%.

During April-June 2008, a quantity of 7,550 tonne of pepper valued at Rs 126.23 crore was exported as against 8,600 tonne valued at Rs 121.58 crore during the previous comparable period. For the same period, 67,000 tonne of chilli valued at Rs 333.53 crore was exported as against 57,625 tonne valued at Rs 321.36 crore of last year, registering an increase of 16% in quantity and 4% in value.

<http://www.financialexpress.com/news/Spice-exports-up-23-in-first-3-months-of-FY09/340623/>

### **Nonwoven, technical textiles industry set to scale new heights**

India's non-woven and technical textile industry would grow exponentially from 2035 with the rising income levels, according to an expert in the field.

With the GDP of India predicted to be in between 8-9 per cent this year, the over 300 million middle class population was set to spearhead the growth of the nonwoven and technical textile industry, Dr Ramkumar Seshadri, Texas Tech University, said in an analysis.

As India's economy was expected to exceed that of Europe and Japan by 2030 and of US by 2045, such a growth was possible because of the increase in household incomes and the predicted growth in agriculture, manufacturing and service sectors, he said in the analysis presented at a recent conference.

The consumer spending level was growing over five per cent per annum, which resulted in the ongoing growth of organised retail sectors, Ramkumar said.

Stating that the economy received a boost due to the growing middle class, young and educated population, Ramkumar said that these were the vital factors for the growth of nonwoven and technical textile industry in the country.

A major support scheme of National technology Mission for technical textiles as well as the growth in the middle class population were expected to change the nature of technical textile industry in the next five to 10 years, he said.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=3268132>

### **'India set to become hub for luxury brands'**

With the fastest high networth individuals population in the world and income level of consumers expected to triple by 2025, India is poised to become a manufacturing hub for global luxury brands in the next four to five years, according to a FICCI-Yes Bank report.

The report, to be released along with the launch of the FICCI lifestyle Forum in New Delhi, points that in view of the core strengths in India's manufacturing sector, the manufacture of luxury items in India could grow to \$ 500 million.

This optimism stems from the fact that global brands such as Louis Vuitton and Frette are already looking at India as a manufacturing base for their products, while others are sourcing their requirements from India.

The report suggests initiatives like corporatisation of the luxury, forming a standardisation and branding/packaging organisation which can provide a seal of approval for all the luxury goods produced in India and forming partnership with international fashion/luxury councils or association or trade organisation to encourage, promote and facilitate cooperation in the high-end luxury market. The Indian tariff structure also needs to be streamlined. India has one of the highest duties/taxes on imported luxury goods, which drive the grey market and duty free purchases.

<http://www.thehindubusinessline.com/2008/07/28/stories/2008072851480300.htm>

## **Domestic BPO sector to treble revenues by 2012**

There will be an almost four-fold rise in the number of people employed for providing back office services to Indian domestic firms as this industry is expected to more than treble in revenues by 2012.

According to a study by the Pune-based research firm, Valuenotes Database, domestic business process outsourcing (BPO) firms would collectively employ about 5.4 lakh employees in the next four years as against 1.4 lakh staff currently. In the same time period, it will achieve revenues of Rs 22,800 crore from Rs 6,900 crore in fiscal 2008, the study suggests.

Apart from opening new vistas of opportunity for third party BPO companies, the growth in domestic BPOs would help in creation of job opportunities in semi-urban pockets of the country.

Unlike the international service providers, the driver for domestic BPOs is not labour or cost arbitrage but the need to provide better customer services, scale up rapidly, enhance productivity and reduce time to market, Mr Pranav Dixit, Senior Analyst with Valuenotes, told.

<http://www.thehindubusinessline.com/2008/07/28/stories/2008072851490300.htm>

## **Indian food market sets for big leap, says US report**

The Indian food market is set to more than double by 2025 on the back of growing economy and changing lifestyles of people, says a US report. Citing a study by McKinsey&Co, a report by the US Department of Agriculture says: "The market size for the food consumption category in India is expected to grow from \$155 billion in 2005 to \$344 billion in 2025 at a compound annual growth rate of 4.1 per cent."

The market holds enormous potential for snackfood. The urban India consumes commercial savoury snacks 10 times more than its rural counterpart, with people in the western parts topping the chart of snack lovers followed by the northern region, the report said.

Around 1,000 snack items and 300 types of savouries are sold in India. Potato chips and potato-based products are the largest product category with over 85 per cent share of the salty snack market, it pointed out. Pepsi and Haldiram's are some of the major players in the organised potato chips market.

India's snacks market is estimated to be worth \$3 billion, with the organised segment accounting for half the market share and growing at a rate of 15-20 per cent a year. The unorganised snack food market is worth \$1.56 billion and is growing at 7-8 per cent, the report said.

"Consumers are willing to pay a premium for both value-added private and branded products, creating immense opportunities for manufacturers and retailers, it said, adding "there is a widespread recognition in India that consumers are likely to replace light meals with snacks".

<http://economictimes.indiatimes.com/Food/Indian food market sets for big leap says US report /articleshow/3298586.cms>

### **IT industry to constitute 8% of Indian economy in 8 years**

Continuing its growth momentum, the Indian IT industry is projected to constitute over eight per cent of the economy and employ the second largest number of professionals after the United States in the next eight years, says a study.

According to research and analytics firm Evaluateserve, the booming IT industry is expected to account for 8.05 per cent of the country's GDP by 2015-16, compared to 2.86 per cent in 2007-08.

During the same period, the employee strength would be surging to 37.5 lakh, making India the place with the second largest number of IT professionals after the United States.

In 2007-08, the number of such people was at 13.16 lakh. "The industry is likely to employ 37,50,000 professionals and record USD 193.1 billion in revenue by 2015-16. Since India's GDP is growing annually at 8.5 per cent in real terms and 14 per cent in nominal terms, this GDP is likely to be USD 2,400 billion by 2015-16, and hence the IT industry is likely to constitute 8.05 per cent of the total GDP," the study noted.

In the next eight years, the US is projected to employ about 1.25 to 1.33 times more IT professionals than those in India.

Further, in terms of revenues, the IT industry in the US is expected to generate USD 810 billion which would be about five times more than projected for the sector in India, the study added.

<http://economictimes.indiatimes.com/Indicators/IT industry to constitute 8 of Indian economy in 8 years/articleshow/3298885.cms>

### **News Round – Up**

#### **India's share in global service exports to rise to 6pc by 2012**

Despite a stagnant global trend, India's share in global service exports is set to more than double from 2.7 to 6 per cent by 2012, an economic think-tank has said. "Currently, the country's share in worldwide service exports is 2.7 per cent, and it would increase to six

per cent by 2012," the National Council of Applied Economic Research (NCAER) said in its latest macrotrack report.

The country's exports of services, powered by the booming software, consultancy, engineering and tourism sectors, was expected to touch \$319 billion by 2011-12, the report said. The country's services exports, in the past-decade-and a-half, have increased fifteen-fold, from around \$5 billion in 1990 to nearly \$74 billion in 2006, the report said.

"Today, more than one-third of the country's aggregate exports are services, an exceptionally high share unmatched by any large developing country and only a handful of advanced countries," NCAER said in the report. Besides exports, the country's imports of services have also grown at an impressive rate, the report said.

"Against the world average of 10 per cent, the country's services imports grew by a hefty 40 per cent in 2006, while exports jumped by 34 per cent," NCAER said. NCAER, in its report, further said that India needed to make tremendous efforts to maintain the growth trend in the services sector.

"For maintaining high growth of its service exports, India would need to push for effective market access for its service sectors, both under the bilateral and regional trading agreements and WTO framework," the NCAER report said.

Today, as industries have started feeling the shortage of skilled manpower, the country needs to pay attention to general and technical training, the report said. "India would also have to invest heavily on both general and technical education, and vocational training or otherwise it would lose the momentum in services sector growth," the NCAER report said.

[http://economictimes.indiatimes.com/Indicators/Indias\\_share\\_in\\_global\\_service\\_exports\\_to\\_rise\\_to\\_6pc\\_by\\_2012/articleshow/3298054.cms](http://economictimes.indiatimes.com/Indicators/Indias_share_in_global_service_exports_to_rise_to_6pc_by_2012/articleshow/3298054.cms)