



**Ministry of External Affairs
Government of India**

Weekly Economic Bulletin

Date: June 03 - 09, 2008

Issue No. 267

Contents

- | | | |
|----------|---|-----------------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• Economy to grow 8.5% in FY09: FM | |
| 2 | Overseas Investment | Page 2-4 |
| | <ul style="list-style-type: none">• India's forex reserves at \$314.614 bn on May 30• FIPB clears EFX Holdings' plans for stake in Tata Cap, Crisil venture | |
| 3 | Trade News | Page 4-7 |
| | <ul style="list-style-type: none">• Indian exports to non-US markets increasing: Dun & Bradstreet• Indo-China trade to surpass \$ 60 bn before 2010• India to sign investment promotion pact with Myanmar | |
| 4 | Sectoral News | Page 7-9 |
| | <ul style="list-style-type: none">• IT exports grow 41 per cent• India's mining industry to touch \$30 bn by 2012• General insurance industry grows 14% in April• Car, two-wheeler sales go up in May• Robust performance in cotton may continue• Onion exports rise by 17% in Apr-May• Cement sales increase by 7.9% in May• Rubber output rises 27% in May | |
| 5 | News Round-up | Page 9 |
| | <ul style="list-style-type: none">• India needs to diversify its mineral export basket: Study• India fourth most attractive investment destination: Survey | |

News Feature

Economy to grow 8.5% in FY09: FM

India's Economy is expected to grow 8.5 percent in the fiscal year ending March 2009, Finance Minister Palaniappan Chidambaram said.

Asia's third-largest Economy is estimated to have grown 9.0 percent in the fiscal year ended March 2008, and has grown at an average 8.8 percent in the past four years.

Top government and central bank officials have predicted expansion of 8-8.5 percent in the current fiscal year.

But there are concerns high global oil prices and rising inflation above 8 percent may moderate growth.

Chidambaram also said the government's target for direct tax receipts for 2008/09 would be revised upwards from the current 3.65 trillion rupees.

<http://www.financialexpress.com/news/Economy-to-grow-8.5-in-FY09-FM/320563/>

Overseas Investment

India's forex reserves at \$314.614 bn on May 30

India's foreign exchange reserves fell to a \$314.614 billion as on May 30, from \$316.171 billion a week earlier, the central bank said in its weekly statistical supplement.

The central bank said foreign currency assets, expressed in 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 central bank said.

http://economictimes.indiatimes.com/News/Economy/Indicators/Indias_forex_reserves_at_314614_bn_on_May_30/articleshow/3107244.cms

FIPB clears EFX Holdings' plans for stake in Tata Cap, Crisil venture

Foreign Investment Promotion Board (FIPB) has approved Mauritius-based EFX Holdings' plans to acquire 49 per cent stake in a proposed joint venture with Tata Capital and Crisil for credit information business in India.

The FIPB overruled Department of Revenues' objection that the foreign investing company could be attempting 'treaty shopping'.

“Revenue Department felt that main purpose of foreign investing company may be treaty shopping to enjoy the benefits of the double taxation avoidance agreement with Mauritius. They had objected to the proposal,” sources said. However, FIPB during its deliberation on the issue was of the view that routing through a tax haven could not be the grounds for a rejection and has given a go-ahead to the proposal.

<http://www.blonnet.com/2008/06/07/stories/2008060752251000.htm>

Trade News

Indian exports to non-US markets increasing: Dun & Bradstreet

The focus of India's exports is shifting from the traditional US market to the UAE, a Dun & Bradstreet report said.

The US has traditionally been India's leading export destination. In FY 2007, US accounted for as much as 14.9 per cent of the total merchandise exports worth an estimated \$ 18.9 billion, the report said.

Though US's share in India's merchandise exports declined from 20.7 per cent in FY 2003 to 14.9 per cent in FY 2007, in value terms the shipments increased from \$10.9 billion to \$18.9 billion.

"This is an indication of India's growing preference for trading with other emerging markets by diversifying its product group and improving its quality," the report added.

The UAE, the second-largest export market, accounted for 9.5 per cent of the country's total exports in FY 2007, while in FY 2003 it accounted for 6.3 per cent only, the report said.

The spurt in exports to the UAE can be largely attributed to a rise in shipments of mineral fuels, mineral oils and products, which constituted almost 30.4 per cent of total exports to the UAE, the report said.

UAE is also an important market for re-export in the entire Middle-East region. In 2005, the total re-export was as high as \$26.4-billion.

India's exports to China have also seen a rapid growth from just 3.7 per cent in FY 03 to 6.6 per cent in FY 07.

India's export share to Singapore has gone up from around 2 per cent in FY 2001 to 4.8 per cent in FY 07.

http://economictimes.indiatimes.com/Economy/Indian_exports_to_non-US_mkts_rising/articleshow/3097204.cms

Indo-China trade to surpass \$ 60 bn before 2010

Indo-China trade would surpass \$ 60 billion well before the target year 2010, consulate general of People's Republic of China in Kolkata Mao Siwei said.

Speaking at the Indian Chamber of Commerce on 'India-China Economic Partnership: Role in Globalised World', Siwei said in the first four months of the current year, the bilateral trade had already touched \$ 18.8 billion.

At this growth rate, trade would be well in the region of \$ 56 billion for the whole year, he said.

The revised target for the trade between India and China has been set at \$ 60 billion.

Siwei said that China was becoming the biggest trade partner of India.

Comparing the relative advantages of the two countries, he said that while India was stronger in services, software and financial services, China was so in the fields of hardware and manufacturing.

According to him, both the countries could harness the respective advantages and become an economic superpower.

Siwei said that several Chinese companies were showing interest in coming to India, particularly to West Bengal.

<http://economictimes.indiatimes.com/News/Economy/Indicators/Indo-China trade to surpass 60 bn before 2010/articleshow/3107185.cms>

India to sign investment promotion pact with Myanmar

India will enter into an investment promotion and protection agreement with Myanmar to increase fund flows and protect interests of investors of the two countries.

"The Union Cabinet gave its approval to the Bilateral Investment Promotion and Protection Agreement with the Government of Myanmar and its ratification," Information and Broadcasting Minister P R Dasmunsi told.

The agreement will help increase investment flow between India and Myanmar. It will also promote and protect interest of the investors of either country in the territory of the other country, he said. Initially, the agreement would be implemented for a period of 10 years.

He further said provisions of the agreement would continue for a period of 15 years after the termination of the pact to protect existing investments and those made before the pact ends.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_to_sign_investment_promotion_pact_with_Myanmar/articleshow/3102596.cms

Sectoral News

IT exports grow 41 per cent

Andhra Pradesh recorded a 41 per cent growth in IT exports during the financial year ended March 31, 2008, at Rs 26,122 crore, as compared with Rs 18,582 crore a year ago, contributing 15 per cent to the national exports of Rs 1,77,700 crore. The growth registered by the state is against the projected national average growth rate of 32 per cent, according to E Manoj Kumar, outgoing director of Software Technology Parks of India (STPI), Hyderabad.

He said growth in tier-II cities was also steadily catching up with Visakhapatnam emerging as the next destination in the state.

"Total exports from Vizag stood at Rs 372 crore from 80 units including HSBC, Satyam and Wipro during the year, while Vijayawada, Tirupati and Kakinada contributed Rs 56 crore, Rs 2 crore and Rs 6 crore respectively," he said.

Employment generation too grew significantly with the addition of 51,550 jobs.

The state witnessed a robust growth in terms of new entrants as well, with around 4 new companies registering themselves every week for setting up shop. In all, 176 new companies were registered, of which around 40 are foreign equity companies. IT investments from foreign companies stood at Rs 654 crore, while domestic players accounted for the rest.

Kumar said STPI was focusing on initiating specific measures for supporting SME companies.

"Towards this, it is planning to extend data centre and co-location support to SMEs besides expanding incubators in tier-II cities. A state-of-the-art incubation is also being set up in Hyderabad, which would be ready by this year end," he added.

Meanwhile, STPI Noida director P Venugopal assumed charge as the new director of STPI Hyderabad.

http://www.business-standard.com/common/news_article.php?leftnm=3&autono=325192

India's mining industry to touch \$30 bn by 2012

Country's mining industry is projected to touch over \$30 billion (about Rs 1,27,662 crore) accounting for about 2.5 per cent of the GDP in the next four years, a latest report said.

"Considering India's mineral resources, we believe there is strong potential for further development and scaling up of the country's mining industry.

"We believe that the mining industry could grow to USD 30 billion plus by FY'12 and reach 2.5 per cent of GDP, if India develops a conducive regulatory framework and attracts significant investment in exploration, mine development and infrastructure," a report by financial services firm Edelweiss stated.

The report on metals and mining pointed out that India has immense natural resources and is ranked among top 10 globally for deposits in iron ore at 25.2 billion tons (BT), coal 257.4 BT and bauxite 3.3 BT, which constitute 3 per cent, 10 per cent, and 4 per cent respectively of the world's resources.

The country also holds leading position globally in mica (No 1), barytes (No 2), chromite (No 4), kaolin (No 4), and manganese (No 7), the report said.

"These are significant numbers and imply that India has the potential to develop a scaled up, world class mining industry. Some progress has been made and in iron ore, for instance, India ranks third amongst various exporting countries," it said.

<http://economictimes.indiatimes.com/News by Industry/Mining to touch 30 bn by 2012/articleshow/3095901.cms>

General insurance industry grows 14% in April

The general insurance industry grew by 14 per cent in April led by strong growth in premiums collected by private sector insurers, including Bajaj Allianz and Reliance General.

The 17 non-life insurers collected a total of Rs 3,593 crore premium in April this year, against Rs 3,141 crore during the same period in the previous year, according to the industry data.

During the period, the four public sector non-life insurance Companies collected Rs 2,015 crore in the reviewed month, against Rs 1,864 crore in the year-ago period.

Private players increased their business from Rs 1,278 crore to Rs 1,578 crore during the period, a significant growth of 23 per cent in the month. While growth of public sector firms dropped to 8 per cent in the period.

State-run New India Insurance maintains its position at the top with the highest premium collection of Rs 694 crore in April, while ICICI Lombard is at the second slot with premium of Rs 543 crore in the month.

Private insurers like Reliance General Insurance and Bajaj Allianz are contesting strongly to grab the second position in the insurance industry.

Bajaj Allianz witnessed a growth of 28 per cent in the month with its premium growing to Rs 276 crore from Rs 215 crore in April last year. While Reliance General Insurance, which has been among the fastest growing firms, witnessed an increase of 24 per cent in its premium of Rs 274 crore in the month.

<http://www.financialexpress.com/news/General-insurance-industry-grows-14-in-April/318584/>

Car, two-wheeler sales go up in May

Even as the price hike announced by the top three passenger carmakers takes effect this month, car sales for the last month generally showed an upward trend.

Maruti Suzuki, which enjoys about 50 per cent share of the Indian car market, grew by 16 per cent to 69,000 units. Hyundai Motor India's sales grew 51 per cent to clock 40,261 units in May.

Tata Motors' passenger vehicle sales grew by 9 per cent to 19,234 units. Premium car makers General Motors and Skoda also recorded an increase in their sales figures while Honda's sales dipped a little.

Maruti has shown growth across all segments including the M800, the growth of which was stagnant in past many months. The 25 per cent growth in M800 at 6,830 is attributed to the early despatches of LPG variant of Maruti 800 Duo, which is to be launched this month. The compact car segment which includes Alto, Swift, Wagon R and Zen contributed a major share of Maruti's sales volume with the total number exceeding 44,000. Maruti's export at 4,858 are up by 41 per cent.

Of Hyundai's total sales in May, domestic sales accounted for 24,510 units while exports registered sales of 15,751 units, a 47 per cent growth in domestic sales and 57 per cent in exports compared to the figures in May 2007.

<http://www.thehindubusinessline.com/2008/06/03/stories/2008060351960200.htm>

Robust performance in cotton may continue

India's robust performance in cotton – rising output, expanding exports and remunerative grower prices – during the last two years is set to continue into 2008-09 season as well.

Going by the current indications, the world's second largest cotton producer is not only in a position to register another bumper crop, but would also be able to effect exports on a large-scale in view of the expected high prices in the world market.

<http://www.thehindubusinessline.com/2008/06/06/stories/2008060652141100.htm>

Onion exports rise by 17% in Apr-May

India's onion exports increased by 17 per cent in the first two months of the current fiscal, helped by a low minimum export price (MEP) of the edible bulb.

"Onion exports have increased to 2.25 lakh tonnes during April-May of the current fiscal," a senior government official said. The country exported 1.92 lakh tons of onion during April-May 2007.

The estimate is based on no-objection certificate issued by NAFED, which is the nodal agency to carry out onion export, he said. The country has exported 1.05 lakh tonnes in April and 1.2 lakh tonnes in May, he said, while noting that the increasing trend would continue in June.

"There is a good demand from Sri Lanka, Bangladesh and Gulf countries. Besides, we have lowered the MEP by 25 dollars per tonne for June shipments," he said. India had exported 9.96 lakh tonnes of onions in 2007-08, compared to 11.61 lakh tonnes in the previous year.

In value terms, however, exports declined marginally to Rs 1,116 crore from Rs 1,135 crore in the year-on-year period. The co-operative major NAFED has decided to cut the MEP of standard sized onions by \$25 a tonne for June to boost the exports. The average MEP of onion for June is \$155-\$160 per tonne.

http://www.business-standard.com/common/storypage_c_online.php?bKeyFlag=IN&autono=38974

Cement sales increase by 7.9% in May

Cement sales have grown 7.9% as an increased focus on infrastructure projects has pushed up demand for the building material in the world's second-largest cement market after China.

According to the Cement Manufacturers' Association, industry sales grew to 167.67 million tonne, from 155.26 mt in the previous year. The growth has come from all players including large and small.

Cement sales of Aditya Birla group, the largest cement player in the country, rose 0.8% in May to 2.66 mt while its production grew 2.5% to 2.70 mt in May. The Birlas' cement production comes from flagship Grasim Industries and UltraTech Cement, with a combined capacity of more than 31 mt.

The other large firm, ACC, which is owned 41% by Swiss cement major Holcim, said its January-March sales rose 7.1% to 5.29 mt. The company which has a strong presence in the large markets of northern and eastern India, said its April production totaled 1.77 mt while sales in the same month was 1.74 mt.

ACC has the capacity to make 22.4 mt of cement a year. According to AL Kapur, managing director of Ambuja Cements, “The industry has added 25 mt of new capacity leading to the increase in sales.

This also indicates that cement demand is increasing on the back of housing and infrastructure growth.” Shree Cements, a mid-sized cement company, said its May sales grew 20.3% at 5.56 lakh tonne.

<http://economictimes.indiatimes.com/News/News By Industry/Indl Goods Svs/Cement sales increase by 79 in May/articleshow/3097750.cms>

Rubber output rises 27% in May

India, the world’s fourth-biggest natural rubber grower, produced 27% more of the commodity last month because of sunny weather in the main growing region, the state-run Rubber Board said.

Production in May rose to 59,000 metric tonne, compared with 46,485 tonne a year earlier, G Mohana Chandran, joint director at Rubber Board said, citing provisional data.

Demand climbed 12% to 74,000 tonne from a year earlier as users such as tire Companies bought more to replace expensive synthetic rubber.

Kerala, which accounts for more than 90% of India’s output, received less rains in May, helping growers to tap the trees for more days than in the year-ago month, Chandran said.

<http://www.financialexpress.com/news/Rubber-output-rises-27-in-May/317781/>

News Round – Up

India needs to diversify its mineral export basket: Study

India needs to diversify its mineral export basket and intensify exploration activity with a suitable incentive framework to attract private sectors and foreign investments, says a study by Export-Import Bank of India (Exim Bank).

According to the study titled 'Exploration holds the key for Growth in India Mineral Sector', the growth momentum in the Indian minerals sector arising out of an increasing worldwide demand could be sustained through a comprehensive exploration policy to unearth the largely unexplored mineral wealth of the country.

It observes that India's exports have largely been confined to only iron-ore. It would be strategic to consider diversification of the export basket and focus on other minerals that have a longer life index or have a larger reserve base, it says.

This would not only help India to have a diversified export portfolio, but also save from depletion specific ores that may be critical for the development of the country in the years to come, it added .

The Exim bank study further stresses that the boom in the mining sector was expected to continue and should not be seen as a temporary phenomenon.

Thus, the players in this sector need to increase their investment in exploration activities and make the mining a composite business and not a standalone business.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_needs_to_diversify_its_mineral_export_basket_Study/articleshow/3111243.cms

India fourth most attractive investment destination: Survey

India has been rated as the fourth most attractive investment destination in the world, according to a global survey.

The survey conducted by Ernst and Young found the South Asian country being preferred after China, Central Europe and Western Europe in terms of prospects of alternative business locations and the criteria that drives the perceptions of respondents.

While China received 47 per cent votes, Central Europe and Western Europe got 42 per cent and 33 per cent votes respectively, says the survey of 834 respondents across the world.

With 30 per cent votes, India emerges ahead of the US and Russia, which receive 21 per cent votes each.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_fourth_most_attractive_investment_destination_Survey/articleshow/3103591.cms