

## Weekly Economic Bulletin

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## News Feature

### India to outdo US, Japan in economic growth

Emerging economies, including India, will overtake the developed countries in economic growth by 2050, with the popularity of India and China as investment destination is rising while the attractiveness Europe and North America is slipping, says a study.

"The seven new global powers by 2050 will comprise the so-called BRIC economies (Brazil, Russia, India and China) together with Indonesia, Mexico and Turkey," says the Ernst and Young European Attractiveness Survey 2007.

These seven emerging countries would overtake the economies of the G7 countries, Britain, Canada, France, Germany, Italy, Japan, United States, in terms of gross domestic product (GDP) but whether India can develop its infrastructure at pace with that of global investment remains to be seen, the survey added.

The developing economies will outdo the G7 if it manages to mend the loopholes regarding transparency, fairness and infrastructure development. India's popularity is rising as 26 per cent respondents said the country is amongst their top three preferences in 2007 whereas the figure was just 11 per cent in 2004.

The survey highlights that with intensifying competitive cost pressure; companies across the world would resort to offshore services and manufacturing to lower cost and higher growth economies such as China and India.

<http://economictimes.indiatimes.com/articleshow/2256721.cms>

### Economy robust, says RBI's Q1 findings

India's economic growth continued to be robust in 2006-07, largely backed by the sustained momentum in services and manufacturing sectors, a report by the Reserve Bank of India (RBI) on the first-quarter macroeconomic and monetary developments said .

The latest estimates by the Central Statistical Organisation (CSO), in May this year, has put the GDP growth at 9.4% from the earlier January estimate of 9.2%.

The upward revision was mainly due to manufacturing and construction sectors, of which growth estimates have been revised up at 12.3% from 11.3% and 10.7% from 9.4%, respectively. The estimates were also revised downward in case of financing, insurance, real estate and business services to 10.6% from 11.1.

<http://www.financialexpress.com/news/Economy-robust-says-RBIs-Q1-findings/207673/>

### India beats China, Taiwan in ADR stakes

India topped the global chart for total amount raised through American depository receipts (ADRs) this year (January-July), beating China and Taiwan.

Three domestic companies, including the country's largest private lender, ICICI Bank, raised over \$5 billion in the last couple of months from the US market, propelling India to the number one position, according to Thomson Financial.

Experts said the depth and appetite of the US market was deeper compared with other markets in the world, encouraging blue-chip domestic companies to tap the US market. China, which saw its companies mopping up \$3.85 billion, was ranked second, followed by Taiwan (\$2.56 billion).

In 1906, India raised funds worth \$2.09 billion while China collected \$2.18 billion and Taiwan \$1.47 billion through this route. Indian companies have started favouring the ADR market in the last two years. There were no ADR issues in 2005 due to stringent norms, discouraging Indian companies from raising funds in the US.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=293166](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=293166)

## **Overseas investment**

### **Foreign money to rain on realty sector**

Foreign investors are once again queuing up to pour money into India's red-hot property market, with the government relaxing some of the norms. At least half-a-dozen deals worth \$1 billion are being finalised by Citigroup, Deutsche Bank, The Carlyle Group and Blackstone, among others, with unlisted real estate companies, as pre-initial public offering (IPO) placement.

A clarification issued by the department of industrial policy & promotion (DIPP), under the ministry of commerce and industry, has cleared the air for investments by foreign institutional investors (FIIs), foreign venture capital funds (VCFs) and private equity players.

FII investments in companies pre-IPO will be treated as foreign direct investment (FDI), as per the clarification, and the investment will have to be channelled for FDI-compliant Greenfield projects only.

[http://economictimes.indiatimes.com/Foreign\\_money\\_to\\_rain\\_on\\_realty/articleshow/2245363.cms](http://economictimes.indiatimes.com/Foreign_money_to_rain_on_realty/articleshow/2245363.cms)

### **Govt mulls raising FDI cap in PSU refineries**

The Government is examining the option of raising the foreign direct investment (FDI) cap in public sector refineries from the existing 26 per cent. Sources said this may come as part of the FDI review process currently being undertaken, which is likely to be finalised around September.

The move to take a policy view on easing the FDI limit for PSU refineries comes in the wake of the recent Government decision to allow steel baron Mr L.N. Mittal's group to pick up 49 per cent stake in Hindustan Petroleum Corporation Ltd's Bhatinda refinery. Under the current norms, 100 per cent FDI is permitted through automatic route for private refining companies, but

for the public sector companies only up to 26 per cent is allowed. Thus, Mittal's proposal had required a Foreign Investment Promotion Board's (FIPB) approval.

<http://www.thehindubusinessline.com/2007/08/02/stories/2007080250751400.htm>

### **FII inflow in July highest since '93**

The net FII inflow in the cash market in July was the highest ever on a monthly basis since FIIs started investing in 1993. Year-to-date, FIIs have purchased securities worth \$ 11.8 billion through the cash and derivatives segments.

While FII inflows into the cash market were positive for a seventh month running, domestic institutions were net sellers after three months of buying. In July, India outperformed emerging markets and Asia, according to Morgan Stanley estimates.

In July, India's performance ranking among emerging markets rose to 8th position. On a 12-month trailing basis, India continues to outperform emerging markets and Asia, even as it marginally underperforms emerging Asian markets in 2007.

Utilities was the best performing sector in July, for a second month running, whereas healthcare was the worst sector. Energy remains the best performing sector on a year-to-date basis, and healthcare slipped to the bottom in July on the same parameter.

FII flows registered a seventh straight positive month in the cash markets, with net flows at their best level ever. FIIs continued to sell in the derivatives market for a third consecutive month. Domestic institutions became net sellers after three months of net buying. Trading activity surged by over 35%, marked by a two-year high in share trading and an all-time high in dollar volumes trade. Cash trading volumes (number of shares) rose 36% month-on-month basis to a two-year high. Trading volumes in dollar terms rose 37 % to reach a new high. Shares purchased for delivery (as a share of total trading) continue to exhibit a declining trend.

[http://economictimes.indiatimes.com/FII\\_inflow\\_in\\_July\\_highest\\_since\\_93/articleshow/2251686.cms](http://economictimes.indiatimes.com/FII_inflow_in_July_highest_since_93/articleshow/2251686.cms)

### **TV 18 among 17 FDI proposals cleared**

TV 18 Group, through its Mauritius-based wholly owned arm BK Holdings Ltd, would invest Rs 202 crore for buying stake in MTV Networks India. This was amongst 17 FDI proposals worth Rs 575.83 crore cleared by the Finance Minister, Mr P Chidambaram on recommendations from the Foreign Investment Promotion Board (FIPB), a statement said.

MTV India would pay Viacom two per cent of net revenues as royalty for use of Viacom brands. MTV India is part of media giant Viacom and distributes MTV, VH1 and Nickelodeon. The deal is part of the strategic alliance between Viacom and the TV 18 Group announced in May this year.

The proposal by Mumbai-based Human Value Developers that would bring in Rs 235 crore FDI was also cleared. It involves conversion of operating company into an operating-cum-

holding company to make downstream investment in a firm engaged in the stock broking and provision of other financial products and services.

The Government cleared a proposal by Mitsubishi Heavy Industries of Japan to set up a Rs 37.35-crore joint venture company for diesel engines and its components.

<http://www.blonnet.com/2007/08/04/stories/2007080452301000.htm>

## **Trade News**

### **Israel proposes free trade pact with India**

Israel has proposed a free trade agreement (FTA) with India to boost burgeoning economic and bilateral ties.

Israel's deputy prime minister and the minister for trade and industry, Ellie Yishai, conveyed this during a meeting with Minister of State for Trade and Industry Ashwani Kumar, who is leading a high-level Ficci business delegation to Israel.

"The wish to renew and deepen bilateral ties were reiterated during the meeting, outlining major areas of cooperation for comprehensive economic development," Kumar said, adding India will also actively consider Israeli proposal for an FTA.

Israel also plans to open its second trade office in the country, which is likely to come up in Bangalore where several of its hi-tech companies have been active for almost a decade.

High-tech, genomics, nanotechnology, water technology, security systems, agriculture etc were mentioned as some of the areas where existing cooperation could be enhanced and new areas explored.

"The focus on multi-dimensional, multi-faceted comprehensive economic development can give a new dimension to Indo-Israel bilateral ties," the minister said.

<http://www.business-standard.com/economy/storypage.php?tab=r&autono=293524&subLeft=1&leftnm=3>

### **India, Slovenia to sign MoU for R&D**

In a bid to enhance economic cooperation between the two nations, India and Slovenia are keen to sign an MoU to create a joint forum for promoting R&D in various fields, relating to the manufacturing sector.

This was disclosed by Miklavz Borstnik, charge d'affaires, embassy of the republic of Slovenia in New Delhi at an interactive session on 'Bilateral trade and investment opportunities', organised by Merchants' Chamber of Commerce on Saturday.

Slovenia has submitted its proposals for the proposed MoU to India's ministry of science and technology.

<http://economictimes.indiatimes.com/articleshow/2256400.cms>

### **Call for early trade pact with S. Africa**

The Minister of State for Industry, Mr Ashwani Kumar, has called for an early finalisation of a Preferential Trade Agreement between India and South Africa to give a fresh boost to bilateral economic ties. Speaking at a conference in South Africa, Mr Kumar underlined the crucial role that India and South Africa would play in defining the new global order as they addressed the challenges of economic growth.

In his meeting with the South Africa's Deputy President and the Minister of Trade and Industry, he said the agreement could be concluded soon, possibly before the visit of Prime Minister, Dr Manmohan Singh, to South Africa in October. Considering the target to treble Indo-South African trade by 2010 to \$12 billion, the agreement between the two countries would be a major step forward.

Describing India's plans to develop its infrastructure, he urged South African captains of trade and industry to invest in India and become partners in its economic growth.

<http://www.blonnet.com/2007/08/04/stories/2007080452341000.htm>

### **'Pakistan 'agreeable' to trade across LoC'**

Pakistan is "agreeable" to India's suggestion of making 2007 "a year of trade across the border" by allowing trade through the Line of Control (LoC) in Jammu and Kashmir on a limited number of goods, the Minister of State for Commerce, Mr Jairam Ramesh said. After his interaction with the Commerce Secretary of Pakistan, Mr Syed Asif Shah, when the latter called on him, Mr Ramesh said that by using trade and investment as an instrument for mutual benefit, both the countries could put their political problems on the backburner.

He said that when both President Musharraf and the Prime Minister, Dr Manmohan Singh, agreed at the highest level to promote peace with free flow of goods, services and people, the LoC trade could be the first modest step.

<http://www.blonnet.com/2007/08/03/stories/2007080351621000.htm>

### **India, Pak eye \$10 bn trade, to ease hurdles**

India and Pakistan announced an ambitious goal to increase their trade by six times to \$10 billion by 2010 and said they would work to ease barriers that have hit commercial ties between the old rivals.

They said they would allow their banks to open branches across the border, widen the trade basket, improve transport links and chip away at tariffs that have limited business and encouraged indirect trade and smuggling. The decisions came at the end of two-day talks between top trade officials of the South Asian rivals, their first in 16 months, as part of a larger peace process that was launched after they came to the brink of their fourth war in 2002.

"We agreed on almost all the issues," Pakistani Commerce Secretary Syed Asif Shah told a joint news conference. Asked if he agreed with the target set by his Indian counterpart to push trade to \$10 billion by 2010 from \$1.7 billion in 2006/07, he said: "Absolutely ... the way we are moving ahead, I am very positive on achieving the result."

<http://economictimes.indiatimes.com/articleshow/2249095.cms>

## **Sectoral News**

### **IT industry crosses \$50 bn mark in FY07**

The Indian information technology (IT) industry crossed the \$50 billion mark in 2006-07. Dataquest's annual "DQ Top 20" survey of the Indian IT industry revealed that the IT industry recorded a growth of 32 per cent in rupee terms and was a little shy of 30 per cent growth in dollar terms during the year.

With a growth of 35 per cent, IT exports continued to hold the majority of the revenue share by contributing Rs 1,53,744 crore to the total revenue of Rs 2,26,879 crore. The domestic market continued its three-year average growth rate of 27.2 percent by contributing Rs 73,135 crore, accounting for the rest of the revenue pie.

Catalysed by the emerging domestic BPO market, IT enabled services (ITES) reported a growth of 48 per cent to touch Rs 5,400 crore. The domestic IT services market reached Rs 20,948 crore by reporting a 30 per cent growth. Packaged software industry witnessed a 19 per cent growth to touch Rs 8,053 crore.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=293096](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=293096)

### **Jewellery exports up 20%**

Despite a strong rupee, jewellery exports rose 20 per cent in rupee terms and 35.16 per cent in dollar terms at Rs 6,346.29 crore (\$1,270.87 million) in June 2007 compared with Rs 5,299.87 crore (\$1,162.25 million) in the corresponding month last year.

Cut and polished diamond exports increased by 22.15 per cent in rupee terms and 37.87 per cent in dollar terms in the month under consideration to Rs 3,919.49 crore (\$970.17 million) from Rs 3,208.85 crore (\$703.69 million).

Gold jewellery exports recorded 26.01 per cent and 42.22 per cent growth in rupee and dollar value at Rs 1,712.62 crore (\$423.92 million) from Rs 1,359.17 crore (\$298.06 million) respectively.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292905](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292905)

## **Indian cotton preferred in Int'l mkt**

Acceptability and preference of Indian cotton in the international market due to its low contamination and trash levels would help its exports, an office bearer of Coimbatore Cotton Association said.

In his address to the 35th Annual General Meeting of the association, CCA president Ashok Daga said that exports were expected to be higher due to quality and surplus production.

There was a sudden surge in exports to 55 lakh bales in 2006-07 from 84,000 bales in 2002-03, thanks to the low contamination and trash levels of Indian cotton. Meanwhile, the imports were stable at six lakh bales, mainly fine and superfine varieties, he said.

Due to sudden increase in spindle age, there has been good demand for cotton in past years, resulting in a lower carry on stock despite better crops each year, Daga said.

This year, India was sitting on a very low stock to use at 44 lakh bales and if the consumption pattern was any indication, there would be only two months' cotton in hand, he said.

Following an expansion drive by the mills, there has been a consistent increase in the domestic consumption of cotton which reached 240 lakh bales last season from 168.83 lakh bales in 2002-03, Daga said.

Stating that greater availability and reduction in prices of Bt cotton seeds have helped increase the acreage, Daga said that the cost of production and inputs have assisted farmers to realise good value for their produce .

<http://economictimes.indiatimes.com/articleshow/2257287.cms>

## **India to become hub for sanitaryware**

India could soon become a manufacturing hub for international sanitaryware brands. International brands like Roca, Kohler and H&R Johnson plan to expand their scale of operations in India. The expansion will be either through brownfield expansion of their joint venture partners or through setting up Greenfield ventures.

Apart from supplying to the global market, the facilities will also cater to the rising consumer demand within India for branded and premium sanitaryware products. Close to Rs 1,000 crore will be invested over a period of two years in the Rs 2,500 crore Indian market.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=292952](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=292952)

## **Electronic equipment output to touch \$32 bn**

The total electronic equipment production in India will reach \$32 billion in 2011, compared with \$14 billion in 2006, a compound annual growth rate (CAGR) of 18 per cent, according to

Gartner. Semiconductor consumption in India will more than double from \$2.8 billion in 2006 to \$7.2 billion in 2011.

The growth in electronic equipment production is being bolstered by the rapid growing demand for electronics equipments in India.

Gartner classifies electronic equipments across six broad categories: communications electronics, data-processing electronics equipment, consumer electronics, industrial electronics, automotive electronics and military/civil aerospace electronics.

In 2006, the consumer electronics equipment segment led the growth with 39 per cent share of the overall electronic equipment production in India. The segment is primarily driven by analog cathode ray tube (CRT) TVs and other audio and video equipment, including cassette tape recorders and players. It also includes electronic appliances such as microwave ovens, washing machines, air-conditioners and calculators.

Whereas, the communications electronics and data processing electronics segment had a market share of 38 per cent and 12 per cent, respectively, of the overall electronic equipment production in India, during 2006.

Ganesh Ramamoorthy, principal research analyst, Gartner said, "As local manufacturing of electronics grows to keep pace with the increasing demand, semiconductor consumption will also grow at a healthy rate. Semiconductor vendors and original equipment manufacturers (OEMs) should therefore fine-tune their local sales and manufacturing strategies and better position themselves to address the needs of the domestic market." In terms of the semiconductor total available market (TAM) in 2006, the communications electronics segment held the first position with 46 per cent of the TAM, driven primarily by the increased production of mobile phones.

Data-processing electronics segment ranked second accounting for 24 per cent of the semiconductor TAM, driven by the desktop and mobile PC assembling segment. In third position, the consumer electronics segment, which accounted for 22 per cent of semiconductor TAM was driven by the manufacture of analog CRT colour TVs and other audio-video equipment.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=293194](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=293194)

### **Egypt wants a bite of Indian BPO mkt**

Egypt has set its sights on grabbing a share of the multi-billion dollar Indian-dominated call centre market and is looking to an unexpected corner for a helping hand, India. As it makes its pitch to the world, touting a multilingual workforce over India's English-speakers, a time zone shared with Europe and proximity to the US, Egypt is marketing its edge over India to India itself. The government has sent a high-level delegation to India to convince the IT behemoth to sub-outsource its outsourcing to Egypt.

Several cooperation agreements and memoranda of understanding were signed between the two countries, and Indian industry giants such as Wipro and Satyam have signed agreements to set up support centres in Egypt.

According to the Yankee Group, a US-based technology research and consulting firm in IT outsourcing, Egypt is 15 to 20 years behind India, which has boomed to dominate 60 per cent of the overall offshore market.

<http://economictimes.indiatimes.com/articleshow/2256552.cms>

## **News Round – Up**

### **23 sectors record over 20% growth, says CII survey**

Cold rolled steel strips, pig iron, textile machinery, industrial gases, electric fans, microwave ovens are some of the sectors that reported growth rate of more than 20 per cent in the April to June period of the current year over the same period last year.

Out of 101 sectors reporting production, 23 sectors recorded over 20 per cent growth, 27 sectors recorded growth rate of 10-20 per cent, 36 sectors registered growth rate of up to 10 per cent, while 14 sectors reported negative growth, according to an industry survey conducted by the Confederation of Indian Industry.

Out of the 27 sectors reporting sales, six sectors registered above 20 per cent growth, 11 sectors registered growth rate of 10-20 per cent, four sectors reported up to 10 per cent growth and an equal number of sectors recorded negative growth, according to the survey.

Some of the sectors recording above 20 per cent growth on the sales front are cold rolled steel strips, sponge iron, textile machinery, water equipment, tractors, electric fans, and electric two-wheelers.

On the exports front, three-wheelers and motorcycles sectors recorded above 20 per cent growth. Eight sectors recorded 10-20 per cent growth, five sectors recorded up to 10 per cent growth, while nine sectors registered a fall in exports in the survey.

<http://www.blonnet.com/2007/08/05/stories/2007080551560300.htm>

### **Time celebrates India's awakening as a young giant**

Sixty years after independence, India is beginning to deliver on its promise, "unleashing a torrent of growth and wealth creation that is transforming the lives of millions", says Time magazine in a special cover issue.

"India's economic clout is beginning to make itself felt on the international stage, as the nation retakes the place it held as a global-trade giant long before colonial powers ever arrived there," says the US magazine's Aug 13 issue.

The special issue on "A Young Giant Awakes" has articles looking at the country's middle class, religion, politics and the transformation of its economy, besides a write-up profiling the conflicts, trends and turning points that shaped modern India.

"Twenty years ago the rest of the world saw India as a pauper. Now it is just as famous for its software engineers, Bollywood movie stars, literary giants and steel magnates," notes Time.

"It is worth remembering this as India aspires to superpower status, economic futurologists all agree that China and India during the 21st century will come to dominate the global economy," says William Dalrymple, author of "The Last Mughal: The Fall of a Dynasty, Delhi 1857".

<http://economictimes.indiatimes.com/articleshow/2255131.cms>