

Weekly Economic Bulletin

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News Feature

Exports increase by 22.9% in FY08: RBI

Despite appreciation in rupee, country's merchandise export growth increased by 22.9 per cent in FY 08 marginally higher than last fiscal which was at 22.6 per cent, said Reserve Bank.

Merchandise exports, in FY 08, stood at \$155.4 billion as against \$126.4 billion in the previous fiscal, mainly driven by a huge jump in engineering goods, gems and jewellery and petroleum products, RBI said.

RBI said the growth in exports, during FY 08, was close to the average export growth of 23.5 per cent recorded during the previous five years, indicating a strong growth momentum, the apex bank said.

Of the total exports, agriculture and allied products, engineering goods, gems and jewellery and petroleum products alone contributed 68 per cent of the export growth during April-January FY 08, RBI said.

However, the growth in exports of petroleum products sharply decelerated to 36.7 per cent as compared to 66.7 per cent in the year-ago period.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=10&bKeyFlag=IN&autono=40667

9% growth over medium term possible, says Montek

The country would be able to maintain nine per cent growth rate in the medium term despite the recent increase in oil prices internationally, Mr Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, has said.

Addressing a seminar organised by the Administrative Staff College of India and World Bank, he said even if it meant putting a bit of a brake to the monetary policy for a couple of quarters, which might lead to growth being a bit slower, it could be made up later.

"This year, the range of forecast is between eight and 8.5 per cent growth rate. I will be happy with eight per cent. The Reserve Bank of India has a role to play in taming inflation," he added.

India has achieved over nine per cent GDP growth rate in the past three years and analysts have predicted that there will be moderation in growth during the current fiscal.

"One should not be concerned about the short-term phenomena. Even if it is slightly lower than eight per cent as predicted by the analysts this year, it can always be made up the next year," Mr Ahluwalia said.

<http://www.blonnet.com/2008/06/29/stories/2008062951040300.htm>

Overseas Investment

FDI inflow up 127 per cent in April 2008

Foreign investors shrugged off concerns of high inflation rate impacting economic growth in India and poured in 3.74 billion dollars FDI in April showing a whopping 127 per cent jump over a year-ago period.

FDI in April, 2007-08 was 1.64 billion dollars which was less than half of the figures in April this fiscal. "I want to dispel fears of any economic slowdown and investment drying up," Commerce and Industry Minister Kamal Nath said.

Nath said despite the interest rate hike exerting pressure on the cost of production, the industry is likely to maintain a growth momentum of eight to nine per cent in 2008-09.

The Commerce Minister painted a similar scenario for exports which have grown by 31.5 per cent in April to 14.4 billion dollars from 10.94 billion dollars in the opening month of the previous fiscal.

India attracted 25 billion dollars FDI in 2007-08 and has set a target of 35 billion dollars for the current financial year.

<http://www.financialexpress.com/news/FDI-inflow-up-127-per-cent-in-April-2008/327845/>

Real estate FDI inflow up nearly five-fold

The Indian real estate and housing space emerged as the darling of foreign investors in 2007-08, clinching FDI equity inflows of about Rs 8,749 crore, a near five-fold increase over FY07.

"The investors have seen that the real estate potential in India is huge. The returns are quite attractive. In fact, we see the trend picking up even further this year as the prices are getting more attractive for investors," Mr Ramesh Sanka, Chief Financial Officer at DLF said.

Late last year, DLF Ltd had sold 49 per cent stake in eight residential project SPVs to private equity investors for a total consideration of Rs 1,675 crore.

A Merrill Lynch & Co entity had bought 49 per cent equity in seven residential projects in Chennai, Bangalore, Kochi and Indore for Rs 1,481 crore. The company — headed by Mr K.P. Singh — has also diluted 49 per cent stake, in another middle-income housing project in Panchkula, Haryana, to Brahma Investments for Rs 194 crore.

According to data released by the Government, the real estate sector, thrown open in 2004-05, saw the FDI picking up significantly between FY05 and FY08; it was Rs 171 crore in 2005-06 surging to Rs 2,121 crore in 2006-07.

“Over the last three years, there has been a build-up in investor interest. We saw the impact of that interest and euphoria for FY07 and FY08 as new townships and projects were announced. Depending on the asset class within real estate sector, the average rate of return stood at 25-35 per cent for India, against a global average of single digit return,” Mr Sanjay Verma, Executive Managing Director, South Asia, of Cushman & Wakefield said.

<http://www.thehindubusinessline.com/2008/06/25/stories/2008062552240100.htm>

Forex reserves at \$312.5 bn on June 20

India's foreign exchange reserves rose to \$312.481 billion as on June 20, from \$310.687 billion a week earlier, the central bank said in its weekly statistical supplement.

Reserves rose to a record \$316.171 billion in late May and analysts said the decline since then is due to dollar sales by the central bank in the currency market to prop up the rupee and giving foreign exchange to oil companies to meet their import payments.

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.

http://economictimes.indiatimes.com/News/Economy/Indicators/Forex_reserves_at_3125_bn_on_June_20/articleshow/3172923.cms

Trade News

India becomes most-favoured investment destination for Japan

The Ranbaxy-Daiichi deal attracted a lot of interest, which was only to be expected, since it was the largest Japanese acquisition in India till date. But the Japanese business association with India has been growing for a while now.

A recent survey conducted by the Japan Bank for International Cooperation (JBIC) shows that India has become the most-favoured destination for long-term Japanese investment.

While nearly 70% of Japanese manufacturers regard India as the most attractive country to do business over the next 10 years, around 67% preferred China. Russia came third with a 37% rating, followed by Vietnam at 28%.

http://economictimes.indiatimes.com/News/News_By_Company/India_becomes_most-favoured_investment_destination_for_Japan/articleshow/3169928.cms

Booming Indo-British business surprises new envoy

India's new High Commissioner to Britain, who presented his credentials to the Queen, says the sheer scale and intensity of business ties between India and Britain has taken him by surprise.

"India's success story is of course well-known. But the sheer intensity of interest in the Indian economy has surprised me - it has truly exceeded my expectations," said Shiv Shankar Mukherjee, an unflappable senior diplomat who came to London after helping steer stormy Nepal toward a democratic course.

Mukherjee, who is the 21st Indian High Commissioner since 1947, said almost all of the events he has attended so far have been connected to the Indian economy, but that his tenure will take in many more facets of the bilateral ties.

"I have been struck by the interest shown by British business in the very practical ways in which to get into India," Mukherjee said. "It's a good time to be here." Politically, Mukherjee said, relations between India and Britain are "multi-faceted and full of warmth."

"In general, I don't believe in facile classification that in the UK it is the Labour Party which is traditionally friendly to India. These are myths - politics are not based on the party in power," Mukherjee added.

"Our relations are about much more than business - they are also about international policies of trade and the reform of international institutions. The UK today is an important partner in our global involvement.

"We have strong historical ties, we understand each other well and we are both democracies," the Indian envoy said. "We share a common view."

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Booming_Indo-British_business_surprises_new_envoy/articleshow/3162855.cms

India, Singapore to form IPR pact, step up trade

A Bilateral Agreement on Intellectual Property Rights (IPR) Cooperation between the Intellectual Property Offices of India and Singapore would be signed shortly, with both countries identifying science and technology and media and entertainment as areas for promoting bilateral trade and investment, the Union Commerce and Industry Minister, Mr Kamal Nath, said.

In his bilateral meeting with Mr Lim Hng Kiang, Minister for Trade and Industry of Singapore, Mr Nath, also said that considerable progress was made during the last meeting in Bali on the free trade agreement talks between India and the Association of South East Asian Nations (ASEAN).

He said, "I am now hopeful that we would be able to achieve our target of announcing the conclusion of negotiations at the AEM-India Consultations in August".

<http://www.blonnet.com/2008/06/24/stories/2008062452391000.htm>

Indo-Pak farm trade to touch \$2 billion

India and Pakistan would attempt to increase the basket of commodities for bilateral trade when the commerce secretaries of both sides meet in August 2008. "We have already liberalised 30% of our tariff line for facilitating imports from India. We have imported a number of items from India and exported cement," said the visiting commerce secretary of Pakistan, Syed Asis Shah.

Over the last few years, there has been a healthy growth in bilateral trade between the countries. The trade is projected to touch \$2 billion in 2007-08. "This increase in bilateral is in favour of India. We need to address the para-tariff and non-tariff barriers imposed by India for ensuring a level playing field," said deputy chairman, Planning Commission in Pakistan, Salman Faruqui.

<http://www.financialexpress.com/news/IndoPak-farm-trade-to-touch-2-billion/328136>

India replaces China as top exporter to Bangladesh

India has regained its position as the number one import source for Bangladesh, beating China, in the first nine months of the financial year ending June 30, official figures said.

This is mainly due to large-scale imports of rice and onion from India after Bangladesh faced a series of natural calamities last year.

Besides, analysts said, India, as the current chair of the South Asian Association for Regional Cooperation (SAARC), has also gone out of its way to woo the least developed countries among the member-nations, of which Bangladesh is one.

China has been the number one import source for Bangladesh during 2005-06 and 2006-07.

"India is set to dominate the Bangladesh market as importers here are shifting from China," a senior commerce ministry official was quoted by the New Age newspaper as saying.

Bangladeshi importers find imports of essentials from the next-door neighbour convenient in many ways, he said.

Bangladesh Bank's figures showed the country imported Chinese goods worth \$2,292.12 million during July-March of the current fiscal year that ends this month-end.

The amount was 15 percent of the country's total imports during the period.

But imports from India figured \$2,454.83 million or 16 percent of overall imports.

Bangladesh imported \$14.64 billion in merchandises in the nine months between last July and March this year.

Food items, especially rice, onions and fresh fruits accounted for the bulk of imports from India.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_replaces_China_as_top_exporter_to_Banladesh/articleshow/3171896.cms

Sectoral News

Sugar exports to touch 4.2 MT

India is expected to export a record 4.2 million tonne (MT) of sugar in the crop year to September, exceeding earlier estimates of 3.5 MT, a top trade official said.

With the surge in exports, which have never been more than two million tonne in a year, India would sell more sugar abroad than Australia, Shanti Lal Jain, director general of the Indian Sugar Mills Association (ISMA) said.

“With India’s emergence, the whole sugar exporting community feels threatened,” he said.

ISMA, the apex body of leading private sugar mills, had earlier estimated that exports in the current crop year would double to about 3.5 MT.

Analysts said overseas sales accelerated in the past two-three months, the peak of the sugarcane crushing season, and were now tapering off.

Out of the projected exports of 4.2 MT, 3.6 MT have already been exported, Jain said, adding that raws accounted for 2.3 MT.

He said India’s efforts to tap raw sugar export markets had helped sales surge.

<http://www.financialexpress.com/news/Sugar-exports-to-touch-4.2-MT/327519/>

Indian IT growth on track: Report

The Indian IT growth story seems to be firmly on track despite hiccups like slowdown in the US. A Nasscom-McKinsey report has forecast an annual revenue of \$87 billion for the IT industry in 2008, along with the emergence of significant market openings in segments such as IT services, software products, IT enabled services, and e-business.

To salute IT's contribution to the country's economic growth and provide a common platform for the captains of the industry to explore new opportunities and map the route to overcoming challenges, the Times Grey Cell is organising The Economic Times Lead IT Intelligence Conclave 2008 on July 4 in Delhi.

Under the guidance of Nasscom's ex-president, Kiran Karnik, who is the Conference chairman for this conclave, the discussions will centre around the theme, 'Making technology your partner for global positioning and generating higher revenues'. The convergence of the IT sector's top brass is expected to stimulate discussions on developing more efficient IT operations and innovative business IT solutions.

[http://economictimes.indiatimes.com/Infotech/Software/Indian IT growth on track Report/articleshow/3158048.cms](http://economictimes.indiatimes.com/Infotech/Software/Indian_IT_growth_on_track_Report/articleshow/3158048.cms)

At one lakh tonne, mango exports to overshoot target

Fresh mango exports are likely to go up to 1 lakh tonne this year against an estimated export of 80,000 tonne last year. The growth in the fruit's export is expected to be driven by Indian mangoes' growing acceptance in the world market for its quality, opening up of Japan's market in recent times and resumption of mango export to the US since the middle of last year, after a gap of 17 years.

The export target is slated to be achieved despite a setback in mango production in the western parts of the country with the early onset of monsoon. Mango export orders, which are coming in from the US, Japan, Bangladesh, the Saarc bloc and West Asia, are to be met from the mango crop from the second round of harvest. This was indicated by RK Mandal, assistant general manger, Agricultural and Processed Food Products Export Development Authority (Apeda).

Mr Mandal said 40% of exports stem from West Bengal. However, not all the mangoes being exported originate from the state. So, mango growers in the state should take more initiatives to export home-grown mangoes, especially after the coming up of several important export-enabling infrastructure in the state, he said.

Mohanta Chatterjee, the state minister of food processing industry and horticulture, has asked mango growers of the state to become more active to drive up mango exports from the state. They should also become more aware about adopting the global standards on good management practices (GAP), pre and post-harvest management and can try their luck in organic farming due to high demand for organic mangoes in the world market, said the minister.

West Bengal is traditionally famous for its 'Malda' mango, which is still the predominating export variety from the state. However, of late the 'Lakhanbhog' variety is gaining acceptance in the UK market. Exporters are also making an attempt to push it to the US market. The state government on its part has also taken initiatives to set up several export-enabling infrastructure, with financial assistance from the Centre and Apeda. As part of the endeavour, a state-of-the-art pack house has been set up at Malda and another is under construction at Barasat.

The perishable cargo centre, built at an investment of Rs 6 crore at the Netaji Subhas International airport in Kolkata, has also become operational.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/At_one_lakh_tonne_mango_exports_to_overshoot_target/articleshow/3169749.cms

Tobacco exports may rise to record \$600 mn

India is likely to export a record \$600 million of tobacco in 2008/09, as a shortfall in global output boosted demand and pushed up prices to new highs, a senior official said.

"Prices have risen about 70 percent from last year and importers are buying at these levels also. At this price, exports will touch \$ 600 million (in 2008/09)," J Suresh Babu, chairman of the Tobacco Board.

In the year ending March 2008, tobacco exports rose 32 per cent to \$503 million, he said. India is the second biggest producer of tobacco after China and the fourth-biggest exporter of unmanufactured tobacco.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Tobacco_exports_may_rise_to_record_600_mn/articleshow/3167624.cms

Organic spice export may touch Rs 2.6 bln by 2012

India is likely to export organic spices worth Rs 240 crores to Rs 260 crores by 2012, a senior official said.

The Spices Board will spend Rs 600 million for development of organic spices, especially chilli, turmeric and ginger, V.J. Kurian, chairman, Spices Board, said. India is the world's biggest spices exporter, with exports touching an all-time high of \$1.1 billion in 2007/08.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Organic_spice_export_may_touch_Rs_26_bln_by_2012/articleshow/3163714.cms

News Round – Up

India 3rd most popular destination for sourcing talent

India has been ranked as the third most popular destination for sourcing foreign talent and is believed to pose a threat to other nations' competitive ability, global staffing services firm Manpower said.

As many as 11 of the 26 foreign countries surveyed sourced talent from India and the country has been ranked third in the list of top ten countries believed to be an economic threat to other nations, according to the latest Manpower Inc Borderless Workforce Survey.

“Of the 26 foreign countries surveyed, all nations with the exception of Costa Rica and Peru believe that India provides competitive threat to their own country’s ability to compete economically,” it added.

India is the third most popular country for sourcing foreign talent after China and United States. While the other seven major countries for sourcing foreign talent across the world, include United Kingdom, Germany, Japan, Spain, France, Canada and Poland.

Notwithstanding the fact that India is the third most popular destination for sourcing foreign talent, but the country receives the highest remittances about USD 27 billion from nationals working abroad, it is closely followed by China (USD 25.7 billion), Mexico (USD 25 billion) and Philippines (USD 17 billion), Manpower said.

The survey further highlights the fact that about 57 per cent of employers are concerned about the impact on labour market from talent migrating abroad, while only 21 per cent believe government and businesses are doing enough to slow the outward migration of talent and attract these people back to India.

<http://www.financialexpress.com/news/India-3rd-most-popular-destination-for-sourcing-talent/326941/>