

Weekly Economic Bulletin

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News Feature

India could grow 8.5-9.5% in medium term: UN

India's Economy could grow 8.5-9.5 percent over the medium term but price pressures may persist due to high global oil and food prices, a United Nations panel said in a report.

"The sustained expansion of the Indian Economy would see growth at between 8.5-9.5 percent over the medium term following growth of 8.7 percent in 2007," the U.N. Economic and Social Commission for Asia and the Pacific (UNESCAP) said.

"UNESCAP expects inflation at 5 percent for 2008."

India's widely watched wholesale price inflation inched close to 6.0 percent in early March, above the central bank's comfort level of 5.0 percent.

<http://www.financialexpress.com/news/India-could-grow-8.5-9.5-in-medium-term-UN/289096/>

Exports may touch \$ 200 bn by 2009: CII

Exports from India are expected to touch 200 billion dollars by 2009, maintaining an annual growth of over 20 per cent for the 2004-09 period, but it would require government support through tax refund schemes, said a survey of CEO's conducted by industry body CII.

A CEO survey conducted by the CII on Foreign Trade Policy said to sustain the growth of exports, government should continue tax refund schemes such as Duty Entitlement Pass Book (DEPB), Export Promotion Capital Goods (EPCG), Duty Free Import Authorisation (DFIA) in the next fiscal as well.

The Cabinet is likely to take a decision on the proposal of extension of the DEPB scheme for the next fiscal, Commerce Secretary G K Pillai had said.

"India will become a major player in the global market, if the government ensures stability with no mid-term changes to the policy. This will enable long-term planning for exports," the CEOs participating in the survey said.

The survey said exporters are looking for new export promotion schemes from the annual supplement, to be announced on April 7. The new scheme would help exporters in getting raw material at cheaper cost and make the Indian products more competitive in the international markets, it added.

The CEOs said the government should further simplify export and import procedures for small and medium enterprises, which contributes a large portion of total exports from the country.

The powers of regional and zonal offices of Directorate General of Foreign Trade Policy (DGFT) should be enhanced to ensure quick approvals to exporters. Currently, the cases are sent to the Head Office of DGFT in New Delhi for approval, they said.

http://economictimes.indiatimes.com/News/Economy/Exports_may_touch_200_bn_by_2009_CII_/rssarticleshow/2911372.cms

Overseas Investment

I&B gives go ahead to 24% FDI in FM

The information & broadcasting (I&B) ministry has given its nod to a hike in the foreign direct investment (FDI) limit to 24% from the current 20% in FM radio operations.

Speaking on the sidelines of the Ficci-Frames convention, I&B secretary Asha Swarup said the proposal has been forwarded to the department of industrial policy & promotion (DIPP), the nodal ministry governing foreign investment.

The I&B ministry is of the view that raising the FDI cap to 24% would not result in giving foreign stakeholders any additional rights under Company Law to the detriment of Indian operators. Some 150 FM radio channels have so far become operational, out of the 266 licences granted.

Earlier, the Telecom Regulatory Authority of India (Trai), which also regulates the broadcasting sector, had recommended that the composite foreign investment limit for FM radio operators who would also like to broadcast news should be raised to 26% in line with that for news and current affairs broadcasters in television.

<http://www.financialexpress.com/news/I&B-gives-go-ahead-to-24-FDI-in-FM/288336/>

FII invest in shares worth Rs 1,246 cr on bourses

Foreign Institutional Investors were net investors in equities as the Bombay Stock Exchange benchmark index, Sensex, ended 928 points up.

FII made gross sale of equities worth Rs 3,774.33 crore and gross purchase of Rs 5,020.45 crore, resulting in a net investment of Rs 1,246.12 crore.

Domestic institutional investors also were net investors in shares worth Rs 399.97 crore, provisional data available on the BSE show.

Among other categories, non-resident Indian entities sold shares worth Rs 0.91 crore and proprietors invested in equities worth Rs 49.83 crore. Brokers, however, sold shares worth Rs 405.72 crore for their clients or retail investors.

The Sensex ended at 16,217.49, a rise of 928.09 points or 6.07 per cent.

http://economictimes.indiatimes.com/FIIs_invest_in_shares_worth_Rs_1246_cr_on_bourses/articleshow/2899337.cms

Trade News

India, Brazil aim for \$10 b trade in three years

Aiming for more than three-fold increase in bilateral trade to \$10 billion in three years, India and Brazil discussed ways to help developed world cope with the economic slowdown.

At a meeting between the Commerce and Industry Minister, Mr Kamal Nath, and the Brazilian Minister of Development, Industry and Foreign Trade, Mr Miguel Jorge, the two BRIC (Brazil, Russia, India, China) countries discussed measures to treble bilateral trade from the present level of \$3.12 billion.

Besides, the two ministers reviewed the global economic slowdown and how the two emerging market economies can maintain their growth to avert deeper crisis in the world economy.

<http://www.thehindubusinessline.com/2008/03/27/stories/2008032752391000.htm>

African economies open up to India

Spurred by the indomitable spirit of South-South cooperation, and the accompanying changes in the world economic architecture, traditional partners India and Africa have crossed the rubicon to forge a mutually beneficial economic partnership guided by long-term goals. Africa today views the Indian Economy as a successful model to be emulated. Governments and Companies in the region see Indian technologies as most appropriate, adaptable and affordable, even as Indian Companies are being welcomed into the African countries with greater enthusiasm than ever seen.

The recently concluded fourth CII-Exim Bank India-Africa Conclave on Project Partnership 2008, precursor to the landmark India-Africa Forum Summit to be held in New Delhi on April 8, demonstrated the depth and range the partnership has acquired in recent years. Attended by a record 1,000 plus delegates including 606 ministerial and business delegates from 30 African countries, businesses worth nearly \$11 billion were discussed between the participating entities in diverse areas such as financial services, education, healthcare, mines and minerals and agriculture.

The African leaders at the conclave said in no uncertain terms that they look towards India for value addition in the conversion of their natural resources to productive assets—meaning, India has a key role cut out to enhance Africa’s manufacturing and farm sector competitiveness. It is this felt-need that has induced African states to open up their economies to foreign investments, including from India.

Noting that Indian investments, along with knowledge transfer and skills development initiatives, will drive African economies towards a higher growth trajectory, the African leaders emphasised that footprints in Africa by way of joint ventures and strategic alliances would open doors to western Markets, facilitated by certain western trade policies geared to increase African exports.

India-Africa bilateral trade that was measured at \$25 billion in 2006-07, up from \$967 million in 1990-91, is expected to grow manifold as both regions trade in value added products and services. At the conclave, Exim Bank of India signed a MoU with African Export-Import Bank (Afreximbank) to extend a \$30 million line of credit (LOC) to finance Indian exports to Africa. At the same time, African leaders said that value addition to local industries was a way to correct the general imbalance in terms of trade between India and African countries.

<http://www.financialexpress.com/news/African-economies-open-up-to-India/288284/>

Trade between India and China to cross \$100 bn'

Diplomatic relations notwithstanding, bilateral trade between India and China is growing more than 50% year-on-year and is slated to cross the \$100-billion mark in three years.

Much of the growth is due to initiatives being taken by small and medium enterprises on either side of the border. A publication, Business opportunities for Indian SMEs in China, says the SMEs are now looking at Chinese firms more as potential buyers and partners rather than competitors.

The study was carried out by the Federation of Indian Micro and Small & Medium Enterprises (FISME) and commissioned under project, Strategies and preparedness for trade and globalisation in India, by the department of commerce, Unctad India and DFID.

The study has identified maximum potential in textiles and apparel, leather, chemicals and dyes and marine and tea/coffee sectors, and points out that opportunities lie more in specific product categories or niches than across sectors.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2905628>

India, Sweden agree to catalyse cooperation in trade, academia

India sought active cooperation from Sweden in the field of higher education, besides identifying complementarities in high-tech areas of IT, biotech, automotive industry and electronics.

At the bilateral meeting between the Union Commerce and Industry Minister, Mr Kamal Nath, and the visiting Swedish Minister of Foreign Trade, Ms Ewa Bjorling, it was agreed

that the two countries should catalyse cooperation by involving industry, academia and local universities.

Both sides discussed the development of trade and economic relations. Expressing his appreciation for the Swedish government's desire for enhanced engagement with India, Mr Nath highlighted: "Sweden has strong interest to deepen and diversify relations with India, especially in the area of trade and economic development, as also in frontier areas of high technology".

<http://www.blonnet.com/2008/04/01/stories/2008040152141000.htm>

Sectoral News

Radio advertising to earn \$450 mn in India by 2012

With new FM stations mushrooming by the dozen in India, a study says radio advertising industry will gross Rs 18 billion (\$450 million) by 2012 from the present Rs 6.2 billion (\$155 million).

Radio advertising was a mere Rs.5 billion industry in 2006, said the report by the Federation of Indian Chambers of Commerce and Industry of India (Ficci) and PricewaterhouseCoopers (PWC) released.

"Approximately 60 percent of the revenue of the radio advertising industry comes from the private FM broadcasters and the balance from the state broadcaster All India Radio (AIR)," said the report released at the Ficci-Frames forum.

"In terms of share of ad pie, it is projected that the Indian radio advertising industry will be able to increase its share from 3.2 percent in 2007 to 4 percent in the next five years," the report said.

The annual global forum looks at the business aspects of the entertainment and media industry.

Pitted as one of Asia's biggest forums on the entertainment industry, about 2,000 Indian and 500 foreign delegates are here to discuss the growth and sustainability of the sector by addressing the challenges facing it.

http://economictimes.indiatimes.com/Advertising/Radio_advertising_to_earn_450_mn_in_India_by_2012/articleshow/2899316.cms

Herbal mkt to grow to Rs 14,500 cr by 2012: Assocham

Indian herbal industry is likely to register a compound annual growth rate of 20 per cent to touch Rs 14,500 crore by 2012, industry body Assocham said.

The Indian herbal market size is currently worth Rs 7,000 crore and the export of its medicines would grow at 25 per cent to Rs 9,000 crore, ASSOCHAM said in its study, Herbal Industry Biz Potential.

Setting up of Herbal Farm Clusters by the government, promotion of exports, doubling the cultivation of medicinal plants, continuous focus for research and development on product and effective marketing of herbal products are the reasons cited by ASSOCHAM for the growth in herbal industry.

"The study reveals that out of 700 plant species commonly used in India, only 20 per cent were earlier being cultivated on commercial scale and 90 per cent of medicinal plant used by the industries are collected from the wild," ASSOCHAM President Venugopal Dhoot said.

However, the study states that the major hurdle for cultivating medicinal and aromatic plants as a sustainable agricultural profession are the lack of organised and regulated markets in India.

"The regulated production on scientific lines, effective enforcement of licensing system and setting up of Export Promotion Zones (EPZ) in select states will push up exports of herbal material and medicines," it added.

The study said that the farmers should be trained, particularly in post-harvest handling of the products and stressed for the dissemination of information about the prospects of cultivation, processing and marketing of medicinal plants.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2910010>

Spice exports rise 16% in Apr-Feb

Spice exports during April-February of the current financial year grew by 16 per cent to 377,000 tonnes from 325,076 tonnes in the previous year.

Exports earnings also jumped 19 per cent to Rs 3,785.40 crore (\$940.47 million) against Rs 3177.54 crore (\$700.77 million) in the same period in 2006-07.

According to the latest estimates of the Spices Board, export earnings exceeded the target fixed for the year, both in dollar and rupee terms, while in volume, 99 per cent of the 380,000 tonne target has been achieved. Exports during the period also surpassed the record performance of 373,750 tonnes at Rs 3575.75 crore (US \$ 792.95 million) registered during 2006-07.

http://www.business-standard.com/common/news_article.php?leftnm=0&autono=317950

India 2nd largest in mobile subscribers

India has crossed the 250 million mark with the addition of 8.53 million mobile subscribers in February.

With this, India is set to become the second largest wireless network in the world after China in the first half of April 2008.

According to telecom regulator Trai, a total of 8.49 million telephone connections were added during February 2008 (landline connections went down) as compared to 8.74 million connections in January 2008.

The total number of telephone connections hit 290.11 million at the end of February 2008 as compared to 281.62 million in January 2008, taking the overall teledensity to 25.31 per cent at the end of February 2008 as against 24.63 per cent in January 2008.

In the wireless segment, 8.53 million subscribers were added in February 2008 as against 8.77 million subscribers added in the month of January 2008. The total wireless subscribers (GSM, CDMA & WLL (fixed) base stood at 250.93 million at the end of February 2008.

According to CTIA website (an association of wireless operators in US), US currently has 256 million subscribers and adds about two to three million subscribers every month while China adds around six to seven million subscribers a month.

India's monthly wireless subscriber addition of eight to nine million a month is the highest.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2897132>

Indian Wi-Fi market to touch \$891 mn by 2011-12: Study

On the back of rise in sales of laptops and use of mobile phones, the market for the wireless technology Wi-Fi in India is set to touch \$891-million mark by 2011-12, a study said.

'Wi-Fi in India: A Key Enabler of Economic, Social and Community Development', the study sponsored by Global Wi-Fi Alliance, said Wi-Fi market in India will grow to \$891 million by 2011-12, marking a 36 per cent compound annual growth rate from 2008.

At present, the Wi-Fi market in the country is estimated at \$137.686 million.

The report cited growing laptop sales and pervasive use of mobile phones for rich content transfer as key accelerators for widespread Wi-Fi use among Indians.

"The increase in laptop sales and use of mobile phones for content transfer will accelerate the adaption of Wi-Fi in the country," Global Wi-Fi Alliance Senior Marketing Manager Kelly Davis-Felner said.

More than 240 million cellular subscribers in India use handsets for entertainment and social networking applications. With Wi-Fi increasingly deployed as a feature on handsets and the Wi-Fi hotspot footprint on the rise, many Indians are likely to use Wi-Fi without even owning a computer, she said.

WiFi, is the common name for a popular wireless technology used in home networks, mobile phones, video games and more. Wi-Fi enabled devices such as a PC, game console, cell-phone, MP3 player or PDA can connect to internet when these are within the range of a wireless network.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2902167>

Healthcare sector to touch \$80 bn in five years

The country's healthcare industry is set for a wholesome growth of \$80 billion in the next five years from the current \$40 billion now.

According to Technopak, provider of knowledge-based solutions and services, the private sector today accounts for over 80% of this spending.

India needs an immediate investment of \$82 billion to make up for the backlog. An additional \$465 billion is also required to catch up with demographic shifts as well as improvement in healthcare indicators in the next 10 years, said Technopak.

"We stand at the threshold of an exciting opportunity to design and engineer sustainable healthcare delivery systems, develop numerous commercially viable and customisable delivery formats for the growing, demanding and health-conscious Indian populace.

Healthcare providers have been struggling to cope with this exciting opportunity where change is the only constant," said Rana Mehta, vice-president and head of Technopak's healthcare division.

<http://www.financialexpress.com/news/Healthcare-sector-to-touch-80-bn-in-five-years/287909/>

News Round – Up

India Inc's M&A value touches \$6 bn in first 2 months

India Inc has announced 92 merger and acquisition deals, valued at nearly six billion dollars, in the first two months of the new calendar year, a global consultancy firm has said.

Banking and financial services and shipping and ports attracted the maximum deals during the period.

The M&A scene has received a major boost from the latest Tata Motors acquisition of premium car brands Jaguar and Land Rover from US automobile firm for 2.30 billion dollars. The deal also led to culmination of Ford's decision last August to explore strategic options for the JLR business.

"There have been 92 merger and acquisition deals worth USD 5.96 billion in the first two months of 2008," Grant Thornton said in its latest issue Deal tracker.

Outbound deals have outnumbered domestic ones in terms of value breakup. Domestic deals accounted for USD 2.7 billion, whereas outbound deals USD 2.8 billion. Inbound deals valued USD 0.45 billion, the report showed.

The most significant M&A deal in the first two months of 2008, has been HDFC Bank's acquisition of Centurion Bank of Punjab followed by a subsequent merger.

Deals worth USD 2.51 billion were entered into in the banking and financial services, while those in the shipping and ports sector amounted to USD 1.40 billion.

In the field of private equity, there were 90 deals worth USD 3.55 billion in the first two months of this year. The top PE deal during January-February period was Citi Venture Capital and AIG's joint investment of USD 0.38 billion in Akruiti City.

Real estate and infrastructure as well as power and energy sectors garnered the maximum PE investment with USD 1.13 billion USD 0.55 billion respectively.

<http://www.financialexpress.com/news/India-Incs-M&A-value-touches-6-bn-in-2-months/289167/>

India to remain one of world's best performing economies: Reddy

The country has been in the process of self-accelerating growth and will continue as one of the world's best performing economies in the months ahead.

"We (India) have been on the path of self-accelerating growth...In the new millennium, the growth has been an average 7.2 per cent. In the last four years, the growth was an average of 8.7 per cent," Reddy told.

The central bank would ensure price stability and adequate flow of credit in its forthcoming credit policy while financial stability, macro-economic growth and management of forex reserves would continue to be focus areas, he said.

Noting that growth in the economy has been largely driven by domestic savings, Reddy said economic activities have been supported by the domestic savings in the past years.

"The strengthening of economic growth has been supported by domestic savings. In the past few years, about 95 per cent of our investments were from domestic savings," Reddy said.

The country has sustained a robust macro-economic performance, showing the vibrancy and resilience of the economy despite high food prices and turbulent global markets, Reddy said.

<http://economictimes.indiatimes.com/articleshowarchive.cms?msid=2914878>