

Weekly Economic Bulletin

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News Feature

Exports excel in April; up 31.5 per cent

India began fiscal 2008-09 with an impressive 31.5 per cent growth in exports, but surge in oil prices pushed the import expansion to 36.6 per cent in April.

Exports grew to 14.4 billion dollars in April 2008-09, against 10.95 billion dollars a year ago.

Imports, fueled by a big rise in purchase of crude oil from abroad, went up to 24.27 billion dollars against 17.76 billion dollars.

Trade deficit widened to 9.87 billion dollars in the opening month of the current fiscal against 6.81 billion dollars in the same period last year.

Oil imports amounted to 8.02 billion dollars, showing a rise of 46.2 per cent over the corresponding month last year.

The export performance in April was seen as commendable in the backdrop of the impact of strong rupee on exporters' margins in 2007-08 when the overall growth was limited to 23.02 per cent.

While rupee started losing ground since May, the positive impact on imports could be seen in the next few months.

<http://www.financialexpress.com/news/Exports-excel-in-April-up-31.5-per-cent/317562/>

Centre ups GDP estimate to 9%

The Centre has revised upwards its estimate of growth in the gross domestic product (GDP) for 2007-08 to 9 per cent, from the earlier 8.7 per cent.

The higher number is being ascribed to a better-than-expected performance of the farm sector.

According to 'revised estimates' of national income for 2007-08, released by the Central Statistical Organisation (CSO), agricultural growth at 4.5 per cent turned out to be more than the 2.6 per cent rate in the 'advance estimate' of February 7. This follows a bumper crop year that saw production of rice, wheat, maize; soya bean, cotton and pulses touch all-time highs.

At the same time, the growth rate for industry has been revised downwards from 8.6 per cent to 8.1 per cent, with the revision being particularly sharp in the case of manufacturing (from 9.4 to 8.8 per cent) and electricity, gas and water supply (from 7.8 to 6.3 per cent),

even as the estimate for mining and quarrying is now assessed at 4.7 per cent (against 3.4 per cent).

The services sector's growth has been marginally upped, at 10.7 per cent, from the advance estimate of 10.6 per cent.

There have been upward revisions in the figures for construction (from 9.6 to 9.8 per cent), financing, insurance, real estate and business services (from 11.7 to 11.8 per cent) and community, social and personal services (from 7 to 7.3 per cent) and a slight lowering for trade, hotels, transport and communication (12.1 to 12 per cent).

On the whole, the period from 2003-04 to 2007-08 marks a five-year dream run unprecedented in India's recorded economic history, with an annual average GDP growth rate of 8.8 per cent.

<http://www.blonnet.com/2008/05/31/stories/2008053152430100.htm>

India's per capita income moves up to Rs 32,299

Per capita income of Indians for the first time breached Rs 30,000 mark and has reached to Rs 32,299 during 2007-08 indicating their growing purchasing power.

The revised estimates, which were released by the government, indicate that per capita income at current prices rose by 12.3 per cent from Rs 29,642 to Rs 32,299 during the year.

At constant prices (1999-2000 prices), which is worked out after taking into account the erosion in purchasing power of rupee, the per capita income moved up to Rs 24,321 representing an increase of 7.8 per cent during 2007-08.

"This is an important aspect of growth... More money is available in the hands of people. It is a very good sign," Finance Minister P Chidambaram told.

http://economictimes.indiatimes.com/News/Economy/Indicators/Indias_per_capita_income_moves_up_to_Rs_32299/articleshow/3086304.cms

Overseas Investment

Havells India among 14 FDI plans cleared

Havells India's proposal entailing issue of shares and convertible warrants worth Rs 278 crore was among the 14 foreign direct investment proposals cleared by the Government. The 14 proposals together would bring in Rs 825.7 crore of FDI.

The Finance Minister, Mr. P. Chidambaram, on the recommendation of the Foreign Investment Promotion Board, also cleared the Mumbai-based Fox Star Studios India's plan for induction of foreign equity up to 100 per cent in domestic company for production

of motion pictures. The proposal involves foreign investment of Rs 9.90 crore, according to an official release.

LaQshya Media's proposal involving induction of foreign equity by way of allotment of equity shares and conversion of warrants into equity shares; and conversion of the operating company into an operating-cum-holding company for consideration of Rs 276.25 crore, was also cleared.

A Rs 7.95 crore FDI proposal of Mauritius-based EFX Holdings Ltd also received Government nod, even as the FIPB rejected a proposal of Federal Mogul Corporation of the US to set up a new wholly-owned subsidiary to undertake manufacturing, distribution and sale of sealing products and gaskets.

<http://www.thehindubusinessline.com/2008/05/30/stories/2008053052501000.htm>

Government may consider 49% FDI in gems, apparel

The government may consider 49% FDI in segments such as gems & jewellery and apparel after National Council of Applied Economic Research (NCAER), which has been mandated to study the effects of multi-brand retail in India, submits its report next month. It is understood that NCAER is in favour of allowing FDI step-by-step in multi-brand retail.

The government does not allow FDI in multi-brand retail now. Only 51% is permitted in single-brand retail. "Last year, we had commissioned NCAER to study consequences of opening of multi-brand retail in India.

After the think-tank submits its report, we would be able to consider whether FDI can be allowed in multi-brand retail," a senior government official said.

At present, the government is of the view that foreign players should not be given majority shareholding in retail companies. According to sources in the government, NCAER also holds the view that the role of foreign players in the sector should be limited. Several safeguard measures may be made mandatory when FDI in retail is cleared.

<http://economictimes.indiatimes.com/News/News By Industry/Cons Products/Government may consider 49 FDI in gems apparel/articleshow/3075106.cms>

Forex reserves climb to \$316.2 bn

India's foreign-exchange reserves rose \$2.09 billion to a record \$316.2 billion in the week ended May 23, the central bank said.

Foreign-currency assets climbed \$2.085 billion to \$306.2 billion, the Reserve Bank of India said in its weekly statistical supplement (WSS). Gold reserves and the nation's special drawing rights with the International Monetary Fund remained unchanged at \$9.43 billion and \$11 million respectively. Its reserves with the IMF rose \$5 million to \$530 million.

The change in foreign-currency assets is partly because of changes in the value of the dollar against the euro, yen and other currencies during the period, the central bank said.

India's foreign-exchange reserves have increased \$111.2 billion in the past year, the bank said. The reserves comprise overseas currencies, gold and special drawing rights with the International Monetary Fund.

Meanwhile, India's money supply growth or M3 grew 22% in the two weeks ended May 9 from a year earlier, more than the 21.2% for the prior two weeks, data from the central bank showed.

<http://www.financialexpress.com/news/Forex-reserves-climb-to-316.2-bn/316873/>

Trade News

India signs DTAA with Luxembourg

India entered into an agreement with Luxembourg, a member of the European Union, for the avoidance of double taxation and prevention of tax evasion.

Double Taxation Avoidance Agreement (DTAA), which also aims at promoting economic cooperation between the two countries will come into effect from the date of notification, said an official statement.

It is expected to benefit the manufacturing and airline companies of Luxembourg having linkages with India. India and Luxembourg have been discussing a DTAA for the last 10-15 years. Negotiations for the DTAA have been on for the last five years.

For India, the agreement will cover income-tax and wealth tax and surcharges, while in the case of Luxembourg it would cover the income tax on individuals, corporation tax, capital tax and the communal trade tax, said the statement.

India already has the double taxation avoidance agreements with over 70 countries.

The DTAA provides for taxation of dividend, interest, royalties and fees for technical services both in the country of residence as well as the country of source.

However, the rate of tax in the country of source shall not exceed 10 percent of the gross amount of payment in case the beneficial owner of the payments is a resident of the other Contracting State.

The Agreement was signed by Chairman, Central Board of Direct Taxes R S Mathoda and Luxembourg's Ambassador Marc Courte.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_signs_DTAA_with_Luxembourg/articleshow/3094055.cms

India-Dubai trade records 74% rise

Non-oil trade between India and the emirate of Dubai touched a record \$19 billion in 2007, a rise of 74 percent from \$10.9 billion of the previous year.

"India is now the top export and re-export destination for Dubai and the second largest source of imports," India's Consul General in Dubai Venu Rajamony told, quoting figures released by Dubai Customs.

"India-Dubai trade accounted for 80 percent of the total trade between India and the United Arab Emirates (UAE)," he said.

Imports from India to Dubai increased by 55 percent from \$6.4 billion in 2006 to \$9.9 billion in 2007. Exports from Dubai to India increased 113 percent from \$1.5 billion in 2006 to \$3.2 billion in 2007.

Re-exports from Dubai to India increased by 97 percent from \$3 billion in 2006 to \$5.9 billion in 2007.

"The fact that re-exports from Dubai was almost double of its exports reflects the significance of Dubai as transshipment point for Indian trade," Rajamony said.

"All other Gulf nations as well as African countries use the Jebel Ali port near here in a major way to export their goods to India," he added.

Located in south of the main city of Dubai, Jebel Ali is the world's largest man-made harbour and the biggest port in the Middle East.

According to Dubai Customs data, the top three commodities imported from India to Dubai were: precious and semi-precious stones and precious metals; cereals and copper and items made of this metal.

Of the total imports of \$9.9 billion, the top three commodities accounted for \$6.6 billion.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India-Dubai_trade_records_74_rise/articleshow/3093800.cms

Northern Ireland-India trade ties on the upswing

Northern Ireland's growing trade links with India have received a further boost with the appointment of two Bangalore and New Delhi-based advisory companies to help expansion and growth.

Northern Ireland is fast emerging as one of the most prominent trading regions of Britain with Indian companies investing there and Northern Ireland companies winning major contracts in India.

Invest Northern Ireland, a regional development agency, has recruited the Bangalore-based Feedback Consulting Services and the New Delhi-based T&A Trade Consultants, to catalyse the region's trade ties with India.

The announcement was made at a 'Doing Business in India' seminar in Belfast attended by 50 local companies.

The new trade advisers, K Shankar of Feedback Consulting's Mumbai office, and T&A's Turan Gupta, will work with Barry Clarke, Invest NI's Regional Director in India, to strengthen business with the sub-continent.

"The trade advisers will provide expert guidance and support to local companies in the dynamic Indian marketplace. This will involve pinpointing new market opportunities for our companies and then helping them to take the necessary steps to bid for the business," Alan Hingston, Invest NI's Trade Director, said.

"They are an integral part of our network of trade advisers who are providing practical advice and support to help smaller companies in particular to increase export sales. This support network also includes the US, Europe, the Middle East and China," he added.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Northern_Ireland-India_trade_ties_on_the_upswing/articleshow/3078681.cms

India, Finland to partner to enhance industry competitiveness

India and Finland will set up a team for identifying the sectors of cooperation between the two nations. The decision was taken at a meeting between India's Minister of State for Industry Ashwani Kumar and Finnish Minister of Economic Affairs Mauri Pekkarinen.

"Over the next three months, we will assess the areas of common interest to develop a roadmap for technologies that will add to the competitiveness of our industries," a release quoted Pekkarinen as saying. Kumar, who inaugurated the Global Innovation Summit in Finland, said innovation and technological advancement were keys to "competitiveness of national economies' advancement on account of globalisation". He added there is need to involve the corporate sector in bilateral innovation efforts.

Industry body CII and Finpro also signed an agreement to cooperate in the area of innovation, particularly in the field of energy, waste management and high technology industry.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Finland_to_partner_to_enhance_industry_competitiveness/articleshow/3080727.cms

India, Afghanistan discuss on firming up bilateral ties

India and Afghanistan held discussions on firming up bilateral cooperation and the situation in the war-torn country and its neighbourhood.

Chairman of the Upper House of Afghan Parliament Hazarat Sibghatullah Mojadidi met Vice President Hamid Ansari and held discussions on improving bilateral relations besides Indian assistance to Afghanistan in the reconstruction of the war-torn country.

The situation in Afghanistan and neighbouring countries was also discussed.

Mojadidi, who was accompanied by two Afghan Parliamentarians, met Ansari for nearly 40 minutes during which training of Afghan Parliamentarians and staff was also discussed.

Besides helping in the reconstruction of the country, India has also been imparting training to staffers as well as material and technical support to the Afghan Parliament.

Mojadidi, who is leading a five-member delegation, is on a three-day visit to India.

http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Afghanistan_discuss_on_firming_up_bilateral_ties/articleshow/3088254.cms

Sectoral News

Five mn tourists visited India in 2007

Around five million foreign tourists had visited India in 2007 which was a big jump from the 3.92 million tourists during the previous year, Union Tourism and Culture Minister Ambika Soni said.

Around 400 million domestic tourists had also travelled across different parts of the country during 2007, she said.

She was speaking after declaring open the Rs 35 crore 'Zest Big Beach-Puducherry' a project of the Mahindra Holidays and Resorts India Limited (MHRIL) at Manapet coastal village.

Puducherry will emerge in the near future as a major centre for cruise tourism and efforts to promote this project would be intensified in collaboration with the Union Shipping Ministry, she said.

"We should work together to make Puducherry as a major destination as was done in respect of Sikkim and Goa and other destinations. In the near future Puducherry would emerge as a centre for cruise tourism", she said. Around 74 heritage sites had been identified in Puducherry and "we should look at the best of them for promotion and restoration for the benefit of the people here", she said.

The Auroville International Project and Sri Aurobindo Ashram were adding to richness, the legacy and also full-fledged projection of Puducherry as a destination.

"There had been lot of questions and eager enquiries about Auroville in different parts of the world from information seekers as they want to visit Auroville to have a new experiment in India", she said.

http://www.business-standard.com/common/storypage_c_online.php?leftnm=10&bKeyFlag=IN&autono=38462

India is becoming the eastern hub of the food industry'

Food ingredients is a big business in the west and is becoming quite large. Indian foods and spices are becoming quite popular the world over, as people everywhere are discovering the flavour of India. This has encouraged food products and ingredients suppliers to produce the kind of products that are suitable for large-scale production of these foods.

India is becoming the eastern hub of the food industry. Not only does it have leading productions of various materials like milk, fruits and vegetables, grains and animal products but the food processing is also growing at a rapid rate to cater to domestic needs and the export market, according to JS Pai, executive director, Protein Foods and Nutrition Development Association of India (PFDAI).

"The Indian food industry is growing at over 9% per annum. The size of the food industry is as large as Rs 4 lakh crore and growing fast. It is one-fifth of the US food industry, which is \$550 billion (Rs 22 lakh crore). There are many factors that will stimulate the growth of health and wellness food products in the country," said Pai.

<http://www.financialexpress.com/news/India-is-becoming-the-eastern-hub-of-the-food-industry/315882/>

Hero Honda sales up 9.54% in May

Country's largest two wheeler maker Hero Honda Motors Ltd (HHML) reported a 9.54 per cent rise in its motorcycle sale in May at 3,12,317 units compared to 2,85,109 units in the same month last year.

The company attributed this rise to its latest launch of new Splendor NXG and the 150cc executive segment bike Hunk.

"While Hunk has contributed largely to doubling our volume and share in the premium segment, the refreshed Splendor NXG has been driving the volumes in the deluxe segment," Hero Honda Motors Senior Vice President (Marketing & Sales) Anil Dua said in a statement.

<http://www.financialexpress.com/news/Hero-Honda-sales-up-9.54-in-May/317224/>

News Round – Up

India may target 5% of global trade by '20: Nath

India could target a 5% share in world trade by 2020, commerce minister Kamal Nath has said. This would translate into a four-fold increase in the country's share in the next 12 years, which stands at about 1.2% now. India's total foreign trade was at \$391 billion in 2007-08.

Speaking at the annual export award function organised by the Agricultural and Processed Food Products Export Development Authority (Apeda), Mr Nath pointed out that the world trade is itself increasing and this would translate into an eight-fold increase in absolute terms. "Ambitious the target may be, but achieving it is not impossible. The agro exports would also have to keep pace with this rate of growth. The task is difficult, but the gains are invaluable," he said.

Commenting on infrastructure required for the agri and processed food sector, the minister said organised retail was expected to throw up new opportunities for service providers to go in for investment in the cold chain which would be important for preserving the quality of perishable food products and strengthening backward linkages with growers.

http://economictimes.indiatimes.com/News/Economy/Indicators/India_may_target_5_of_global_trade_by_20_Nath/articleshow/3087332.cms

Ratan Tata among most powerful in UK construction industry

Indian business titan Ratan Tata, already named among the world's most influential business people from India, has now made to a list of 30 most powerful in the British construction space with a ranking higher than even the UK's Minister for Housing.

The list compiled by UK-based digital magazine Contract Journal, which features people with a direct influence on the construction industry, has placed Indian conglomerate Tata Group's Chairman Ratan Tata at the 16th position, ahead of Housing Minister Caroline Flint, who is at the 18th place.

Topped by Ian Tyler of engineering and construction services provider Balfour Beatty, Simon Williams, who is the Director of cartels at Office of Fair Trading (OFT) and Ray O'Rourke, the Chairman of private construction firm Laing O'Rourke, are at the second and third places, respectively.

On Ratan Tata, the report said, "Already providing products that feature in many British homes after its takeover of Tetley in 2000, Ratan Tata's Tata Group now supplies the mainstay material in most of its offices: steel."

http://economictimes.indiatimes.com/News/News_By_Company/Ratan_Tata_among_most_powerful_in_UK_construction_industry/articleshow/3076607.cms

