

## Weekly Economic Bulletin

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## News Feature

### **GDP growth for 2006-07 revised upwards to 9.4%**

The growth rate for industry has been reassessed at 10.9 per cent (from the earlier 10 per cent), with these being 11 per cent (11.2 per cent) for services and 2.7 per cent (2.7 per cent) for agriculture.

According to the CSO's revised estimates of national income for 2006-07, the country's real gross domestic product (GDP) grew by 9.1 per cent during the last quarter of the fiscal just ended.

This is on top of the 10 per cent year-on-year growth registered during January-March 2006.

A more significant pointer is the proportion of gross fixed capital formation (GFCF) to GDP at current prices, capturing the level of investment activity taking place.

During the January-March 2007 quarter, this ratio amounted to 30.2 per cent, which is higher than the 28.6 per cent, 29.9 per cent, 29.3 per cent, 28.7 per cent, 26.8 per cent, 29.2 per cent and 27.5 per cent for the preceding seven quarters

<http://www.thehindubusinessline.com/2007/06/01/stories/2007060105291000.htm>

### **Indian economy to surpass Japan**

India's economy will overtake the Japanese economy by 2025 to rank third in the world after the United States and China in terms of purchasing power parity, Japan's central bank chief predicted.

Bank of Japan governor Toshihiko Fukui also urged India to loosen restrictions on capital flows and develop domestic bond markets so as to further integrate itself into the global economy.

Everyone recognises the large and varied influence India is having on the world," he said.

"If we extend the current (growth) rate, India's purchasing power parity will exceed that of Japan by around 2025 and will rank third after the United States and China," he added

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=165462](http://www.financialexpress.com/latest_full_story.php?content_id=165462)

### **India becomes trillion-dollar economy**

Propelled by growth in services and manufacturing sectors, coupled with an appreciating rupee, India's economy has swelled to a trillion dollar-making it only the 12th nation to reach this milestone.

According to government data, the country's economy at market prices stood at Rs 41,25,724 crore at the end of fiscal 2006-07--which equals nearly 1,010 billion dollars at the current foreign exchange rate of the rupee.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=165752](http://www.financialexpress.com/latest_full_story.php?content_id=165752)

## **Overseas investment**

### **Govt clears 23 FDI proposals**

The government has cleared UBS India's plans to acquire domestic NBFCs as part of approval granted to 23 foreign direct investment (FDI) proposals involving investments of Rs 418.33 crore.

The proposals approved by finance minister P Chidambaram will allow UBS (India) to acquire shares of the existing non-banking finance companies (NBFCs) with an estimated investment of Rs 224 crore.

These proposals were recommended by FIPB for approval by the finance minister, an official statement said .

The minister also approved the proposal of four foreign investors to pick stake in the Bombay Stock Exchange at an investment of Rs 13 lakh. Consequent to this, FDI in BSE could go up to 16%

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=165786](http://www.financialexpress.com/fe_full_story.php?content_id=165786)

### **India set FDI target at \$30 bn**

India expects foreign direct investment (FDI) of USD 30 billion in the fiscal year ending in March 2008, Commerce Minister Kamal Nath said .

"While FDI equity flows were USD 5.5 billion in 2005-06, it increased almost three times to USD 15.7 billion in 2006-07. We have set a target of USD 30 billion in 2007-08," he told.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=165539](http://www.financialexpress.com/latest_full_story.php?content_id=165539)

### **'FDI policy due by early July'**

India is expected to release its foreign direct investment (FDI) policy review by the end of June or early July, a government official told.

"We are hopeful we should be able to do it by end June, early July, to facilitate more foreign investment and make it easier for people to bring in money and that investments

go into the infrastructure sector," said Ajay Dua, the secretary of the department of industrial policy and promotion.

<http://economictimes.indiatimes.com/articleshow/2083088.cms>

### **'Govt to have more liberal FDI policy soon'**

The Government will have a more liberal Foreign Direct Investment (FDI) policy in place soon as a review of the country's FDI policy will be finalised in the next few months.

"The results of the review will be in the direction of liberalisation, as was the case with similar policy reviews in the past," Department of Industrial Policy and Promotion Secretary Ajay Dua said.

Speaking on the 'Investment Scenario in India' at the Plenary Session of a CII-sponsored seminar, Dua outlined the growing attraction of India as an investment destination and identified six sectors that have tremendous potential.

These are automobiles and auto ancillaries, IT and IT-enabled services, pharmaceuticals, biotechnology, food processing and telecommunications.

Dua said FDI has started coming into the telecom sector in a big way now. In all these sectors, the basis for optimism about future growth stemmed from India's cost competitiveness and supply side strengths, including a large intellectual capital base and the expanding domestic market.

<http://economictimes.indiatimes.com/articleshow/2083901.cms>

### **Centre, private sector estimate \$7-8 bn FDI in housing sector**

Despite hardening interest rates and policy reversals, India will have a foreign direct investment (FDI) of \$7 to 8 billion in the housing sector in next two to three years. This is also despite the recent decision by the Centre to tax rental income. FDI is expected from the US, Europe, middle east, Japan and Korea.

These projections have been made by the Government of India and various private developers and real estate development firms. "US investors, especially, private equity firms have already finalised deals and some are in the pipeline. Interestingly, investors from Europe, Japan and Korea have indicated that they will make investments in the rapidly growing India's housing sector," a housing ministry official told.

The official said that this would be possibly large because of the Centre's FDI policy in housing and real estate sector.

Some have tied up with local partners to develop townships such as Keppel Land (Singapore), Emaar (Dubai), Salim Group (Indonesia), Kikken Sekkel (Japan), High Point

Rental of the UKEdaw Ltd (US). Experts say the real estate sector would continue to be one of the fastest growing service sectors of the Indian economy. A recent study by the Associated Chambers of Commerce and Industry of India (Assocham) pegs the total share of FDI in the domestic real estate market at 26% out of the total FDI expected by 2010. The official said that in terms of the FDI Policy, FDI up to 100% is allowed under the automatic route in Townships, Housing, Built-up infrastructure and Construction-Development Projects (which would include but not be restricted to housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure).

[http://www.financialexpress.com/fe\\_archive\\_full\\_story.php?content\\_id=165997](http://www.financialexpress.com/fe_archive_full_story.php?content_id=165997)

## Trade News

### Exports up 23 pc in April at 10.6 bn dlr

Despite a spiralling rupee, the country's exports in first month of the new fiscal started off on an encouraging note. Exports in April registered a 23% increase at \$10.57 billion compared to \$8.59 billion a year ago. Exports during the month were, however, lower than the \$12.58 billion worth shipments in March 2006.

With export figures for April showing normal growth, the pressure on the government to act immediately to give relief to exporters has eased a bit. It, however, remains to be seen how individual sectors have fared. There is apprehension that small exporters of items such as handicraft and leather items, which have low import content, might have been hit the hardest by the appreciating rupee.

Imports continued to accelerate in April registering 40.69% growth at \$17.63 billion compared to \$12.53 billion in the year-ago period. The high imports were largely due to increased activity in the economy, which is reflected in a 54.29% increase in imports of non-oil goods and commodities at \$13.21 billion against \$8.56 billion in April 2006. Oil imports, on the other hand, rose a modest 11.4% to \$4.42 billion dollars compared to \$3.97 billion in April 2006. High imports helped widen trade deficit to \$7 billion.

[http://economictimes.indiatimes.com/News/Economy/Indicators/Exports\\_up\\_23\\_pc\\_in\\_April\\_at\\_106\\_bn\\_dlr/articleshow/2093103.cms](http://economictimes.indiatimes.com/News/Economy/Indicators/Exports_up_23_pc_in_April_at_106_bn_dlr/articleshow/2093103.cms)

### India in free trade talks with Gulf countries

India and six Gulf countries are likely to conclude a free trade agreement in the near future, Commerce Minister Kamal Nath said.

India's total trade with the six Gulf countries -- Oman, Qatar, United Arab Emirates, Saudi Arabia, Kuwait and Bahrain -- has risen from \$5.5 billion in 2000/01 to \$23.42 billion in 2005/06.

<http://economictimes.indiatimes.com/articleshow/2082193.cms>

### **India, Brazil have reasons to join hands**

Brazilian president Luiz Inacio Lula da Silva's ongoing India visit with a 100-strong industry team ought to be seen in the context of the need to reinvent south-south economic cooperation in response to the new realities of globalisation, marked by the irony of an increasingly protectionist and "status quoist" developed world.

The India-Brazil strategic partnership formalised in September last year during Prime Minister Manmohan Singh's tour of the South American country will be reinforced this week with specific inputs on trade and technology, according to official sources.

The strategic dialogue for closer ties in multilateral forums (the UN and the WTO), which began in Brasilia last year, will be taken forward. There will also be talks against the backdrop of the ambition to form a trilateral trade pact among the Southern African Customs Union (Sacu), the South American trade bloc Mercosur, in which Brazil is a part, and India.

India and Mercosur, which comprises Argentina, Paraguay and Venezuela apart from Brazil — have already shared their lists of items for "free trade", as the two have been discussing the contours of a comprehensive agreement for enhanced economic cooperation, including tariff reduction on identified goods.

Of course, the volume of trade between India and Brazil is still modest and far below potential. Trade between the two countries stood at \$2.4 billion in 2006. The target the two countries are looking at is a two-way trade volume of \$10 billion by 2013-14.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India\\_Brazil\\_have\\_reasons\\_to\\_join\\_hands/articleshow/2096199.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_Brazil_have_reasons_to_join_hands/articleshow/2096199.cms)

### **India, US seals Hercules deal worth \$1 bn**

The Bush administration has notified Congress of the impending sale to India of six C-130J aircraft and accessories worth more than \$1 billion, underscoring the growing "Americanisation" of Indian military hardware.

The proposed sale, the Defence Security Cooperation Agency (DSCA) said in its notification this week, "will enhance the foreign policy and national security objectives of the US by providing the Indian government with a credible special operations airlift capacity that will deter aggression in the region, provide humanitarian airlift capability and provide interoperability with US forces in coalition operations."

The purchase will mark a significant diversification of India's military transport paradigm that has traditionally rested on Soviet-supplied AN-32 and IL-76 aircraft. Earlier this year,

New Delhi purchased the American landing dock USS Trenton, which will give the Indian Navy amphibious landing capability.

The \$1.059 billion transaction will also be the single largest Indian military purchase to date from the United States. C-130J is the latest model of the trusted and versatile Hercules transport aircraft that has been an American workhorse for half a century, the longest continuous production-run of any military aircraft in history.

[http://economictimes.indiatimes.com/News/Economy/Foreign\\_Trade/India\\_US\\_seals\\_Hercules\\_deal\\_worth\\_1\\_bn/articleshow/2087987.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/India_US_seals_Hercules_deal_worth_1_bn/articleshow/2087987.cms)

### **Trade with UK to touch £1.5 bn in 2010: report**

Trade between India and the United Kingdom (UK) is poised to reach 1.5 billion pounds by 2010 from the current level of £900 million, led by sectors like healthcare, pharma, automotive, infrastructure and financial services, FICCI and Yes Bank said in a yet-to-be released report. The study outlines huge opportunities for British pharmaceutical companies to invest in India in areas such as research and development alliances, contract research and manufacturing (CRAM).

The report—Strategic Knowledge and Economic Partnerships: India and UK—also pointed at alliances for holding clinical trials in India, joint ventures for co-production of generics, process outsourcing, co-marketing alliances and data processing. The study would be released at the FICCI-International Indian Film Academy Global Business Forum (GBF) at Leeds, UK, on June 7, the chamber president Habil Khorakiwala said in a statement. A 60-member FICCI delegation, led by the chamber president, is embarking on a 3-day mission to the UK for the forum, the statement said.

[http://www.financialexpress.com/fe\\_full\\_story.php?content\\_id=166079](http://www.financialexpress.com/fe_full_story.php?content_id=166079)

### **Sectoral News**

#### **Transport sector likely to get higher viability gap funding**

The government is considering to increase viability gap funding (VGF) for transportation projects beyond the current figure of 20% of the project cost. The proposal is part of strategy being framed for 11th Five-Year Plan.

The urban development ministry, finance ministry and the Planning Commission are considering a proposal to enhance VGF, urban development secretary M Ramachandran said. The policy change will help various transport projects in the country.

“Our cities are under severe stress in terms of adequate transport development. With a view to equip this sector with ample funds, we need to increase viability gap funding for the transport projects. We have had a meeting with the Planning Commission in this regard,” he said.

Apart from VGF, the Centre would also help mobilise resources for urban infrastructure through issuance of tax-free municipal bonds and broadening the definition of infrastructure to include water supply and sanitation projects. The government would also formulate a long term National Urbanisation Policy in the 11th Plan to modernise the Capital cities.

[http://economictimes.indiatimes.com/News/Economy/Policy/Transport\\_sector\\_likely\\_to\\_get\\_higher\\_viability\\_gap\\_funding/articleshow/2096181.cms](http://economictimes.indiatimes.com/News/Economy/Policy/Transport_sector_likely_to_get_higher_viability_gap_funding/articleshow/2096181.cms)

### **Retail, media, FMCG score highest in labour index**

With organised retail growing at an annual average of 45 per cent, the retail industry is gaining higher weightage in the overall sectoral employment outlook ranking.

The retail, media and FMCG sectors together score highest with eight points in the 2006 Retail Labour Index followed by the infrastructure sector (7 points), said a study 'South India Retail & Realty Report: 2015 and Beyond', conducted by Images F&R Research, with real estate services firm Cushman & Wakefield as its knowledge partner, released by the Governor of Karnataka, Mr T.N. Chaturvedi.

The report deals with the southern retail market in its entirety, with special focus on the food and apparel retailing segments, besides exploring the real estate market in the South.

The retail market in South India is valued at Rs 2.62 lakh crore (at 2006 current prices). Of this, the size of the organised retail market in 2006 stood at Rs 12,825 crore, comprising 4.9 per cent of the total retail market.

<http://www.blonnet.com/2007/06/02/stories/2007060204690500.htm>

### **Andhra increases share in IT exports to 14%**

Andhra Pradesh increased its share in the country's software exports to 14 per cent at Rs 18,582 crore during the year 2006-07, from 12.5 per cent in the previous financial year when the software exports from the state stood at Rs 12,521 crore, registering an year-on-year growth of 48 per cent. Over 35,000 new IT jobs were created during the same period.

Ranking fourth in the country in terms of value of software exports after Karnataka, Maharashtra and Tamil Nadu in that order, Andhra has seen more than 50 per cent sequential growth in IT exports in last two years.

While the state has been consistently performing well above the national average, the increase in its share in total exports by 1.5 per cent in one year is quite significant, said C S Rao, IT advisor, Andhra Pradesh government.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=286008](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=286008)

## **Maruti May sales up by 11.2 percent**

India's biggest car maker, Maruti Udyog Ltd., said that it sold 59,400 vehicles in May, up 11.2 per cent from 53,396 units a year earlier.

Maruti said it sold 55,952 units in the domestic market, also up 9.9 per cent from 50,904 units a year earlier. Its exports rose 38.4 percent to 3,448 units from 2,492 units a year earlier. Japan's Suzuki Motor Corp. has a majority stake in Maruti.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=165847](http://www.financialexpress.com/latest_full_story.php?content_id=165847)

## **Retail institutes to create 2.2 m jobs**

Manpower crunch in the retail sector has led to a massive jump in training institutes for the retail sector from just 6, two years ago, to 50 today. More importantly, some of the most prominent names in the business of education have jumped in with their own courses. The Rs 1,250 crore retail manpower training sector is growing at over 50% per annum. But within the sector, training for front-end jobs is growing at over 100% annually.

According to industry estimates, retail alone will throw up 2.2 million jobs by 2011. Nearly 80% of these would be front-end jobs.

[http://www.financialexpress.com/latest\\_full\\_story.php?content\\_id=165843](http://www.financialexpress.com/latest_full_story.php?content_id=165843)

## **Aviation counters zoom**

Aviation scrips took off on news of the UB-Air Deccan deal, with volumes in all three aviation stocks more than doubling their two-week average turnover.

Spice Jet, which is seen as another takeover target, rose 20 per cent to Rs 61. The volume in the scrip tripled to 30,43,939 compared with its two-week average volume of 10,68,837. Similarly, volume growth was also reported in Deccan Aviation scrip.

Deccan Aviation gained 11.56 per cent to Rs 146.20, after the Vijay Mallya-controlled United Breweries Holdings said that it will buy 26 per cent of the company for Rs 550 crore and is looking forward to buy a further 20 per cent.

The scrip is moving northwards since last one month, as Deccan Aviation was considering proposals to infuse additional capital by way of private equity or stake sale. It has gained 41 per cent since last one month, where it stood at Rs 103. Deccan will issue 35 million preferential shares at Rs 155 to UB group, which is significantly lower than the scrip's 52 week high of Rs 162. Jet Airways, the biggest private carrier in the country, rose 1.36 per cent to Rs 769.53, while its volumes also doubled.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=286285](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=286285)

## News Round – Up

### Incredible India makes it to global Top 10 brands

Brand India is a shining metaphor of authenticity, history, art & culture, business, shopping and value. It is natural to gauge the gung-ho halo around India as a brand these days.

But when leading global brand consultant Future Brands' Country Brand Index 2006 ranked India along with the top country brand tag, all previous parameters started falling into place. Incredible India figured 7 times across 20 parameters and 45 countries considered in the index. What's more?

India stands tall as the numero uno brand in terms of authenticity, and has improved its position six ranks over the previous year where history is concerned. It has also up-scaled nine notches over the 2005 index insofar as art and culture goes.

The index also suggests how Brand India reflects business opportunity as well as value shopping. India fares reasonably well in the index and enjoys the 10<sup>th</sup> rank in terms of a country brand.

<http://economictimes.indiatimes.com/Brand India among global Top 10/articleshow/2095915.cms>

### Continuing good news

India Inc.'s sales figures for the January-March quarter show some slowing of the pace of business growth. The net sales of 1,875 listed companies (excluding banks and financial institutions), as compiled by the Business Standard Research Bureau, show an increase of 22 per cent on a year earlier, compared with growth rates of 30 per cent and 33 per cent, respectively, in the previous two quarters. The June 2006 quarter had also seen sales increase by nearly 30 per cent. The silver lining to the latest quarterly numbers is that they are somewhat better than the 19.9 per cent growth registered in the March 2006 quarter.

But any hasty conclusion that the economy is slowing down will have to be avoided. The index of industrial production, after all, does not show any slowing of pace; the index increased by 11.3 per cent for the last financial year as a whole, and accelerated in March to an even better 12.9 per cent. The slowing of financial sales numbers when the physical index accelerates would suggest that companies are losing pricing power, but this is belied by the profit numbers. Operating profit in the quarter grew by 34.9 per cent, which is significantly faster than sales growth and therefore helped to improve company margins—which have moved up over the full year by a handsome 170 basis points, and stand at an impressive 19 per cent. However, it is also true that operating profit growth in previous quarters was even better—being as high as 53 per cent in the December quarter, and 35.6 per cent in the September quarter for the same sample of companies.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=285920](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=285920)

### **Economy on a roll**

The economy is on a roll. Fuelled by a robust growth in manufacturing and services, the gross domestic product (GDP) grew by 9.4% in 2006-07 beating the government's previous estimate of 9.2%, highest ever in 19 years.

Agriculture bucked the trend with a slowdown, registering a growth of 2.7% as compared to 6% in 2005-06. The economy was valued at a whopping Rs28,48,157 crore last fiscal, up by 9.3% as compared with 2005-06.

Finance minister P Chidambaram said that the results confirm the belief that the "Indian economy has shifted to a higher growth trajectory." The minister emphasized the criticality of growth saying that "high growth generates its own momentum. With high growth comes high investment which, in turn, reinforces growth itself"

<http://economictimes.indiatimes.com/articleshow/2094791.cms>