

# Monthly Economic Analysis

Date: August, 2006

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## Macro Economic Developments

### INDUSTRIAL GROWTH

The overall industry maintained a healthy growth of over 10% in the first quarter of 2006-07. The overall industry grew at 10.1% in the first quarter 2006-07 slightly lower than the growth achieved (10.4%) in the corresponding quarter of previous fiscal. Among overall industry's broad constituents, the manufacturing sector maintained the same pace of growth at 11.2% as in the corresponding quarter of the last fiscal. Mining and electricity, however, posted lower growth rates of 3.5% and 5.1% as against the growth rates of 4.3% and 7.7% in the first quarter of 2005-06.

In Q1FY07 all the three use based industry categories, the capital goods, basic goods and intermediates achieved higher growth rates of 22.9%, 8.8% and 9.1% respectively compared to the growth rates registered in the corresponding quarter of FY06.

While there has been a sharp slowdown in the production of consumer non-durables since the beginning of 2006-07, higher growth in production could be seen in the consumer durables category during the first three months of the current fiscal. A slip in the growth in production of consumer non-durables has pulled down the quarterly growth in output of consumer goods to 8.2% in Q1 of 2006-07 from 18.4% in the corresponding quarter of FY06.

In the first quarter of 2006-07, out of the 17 industry sectors, 8 sectors have posted higher growth in production. These sectors include other manufacturing industries (32.3%), basic metal and alloy industries (20.5%), transport equipment (22.0%), machinery and equipments (15.4%), non-metallic mineral products (15.1%), paper products (12.0%), rubber plastic petroleum and coal products (8.7%) and man made textile products (7.3%).

Of the remaining 9 industry sectors, growth fell in 4 sectors namely beverages and tobacco, cotton textiles, textile products and chemical products while the other 5 sectors wood, leather, jute, food products and metal products registered negative growth.

## **CORE INFRASTRUCTURE INDUSTRIES**

Figures released by the Ministry of Commerce & Industry on the growth core infrastructure industries in May 2006-07 show a slowdown in production. In the second month of current fiscal a pull down in the growth of overall infrastructure industries to 5.7% was witnessed against the 7.1% increase in the corresponding month of last fiscal. Production growth of crude petroleum turned positive and growth in petroleum refinery was also seen to have risen during the month. Cement sector which is the main driver in the six core infrastructure industries' basket, slowed to 6.3% as against 15.3% in May last year.

While finished steel and power sectors grew slowly at 6.4% and 4.7% respectively in May 2006. Coal sector showed no change in its production.

## **TELECOMMUNICATIONS**

Total telephone subscription in the country is poised to touch 160 million by August 2006. During April-June 2006-07 the mobile phone subscriptions crossed 100 million, however, the basic phone subscription are yet to touch 50 million. This shows the gaining strength of mobile phones vis-à-vis landline phones. In July 2006, additions to mobile phones were the highest ever with 5.22 million phones being added during the month. It seems that India would achieve the targeted teledensity of 15% before the year 2010 as it has already reached 14.4% in July this year.

## **AGRICULTURE AND MONSOON**

The erratic rains, concentrated in a few areas are likely to hit the Kharif crops. Progress and distribution of rainfall has been far from satisfactory. Some of the Kharif crops such as soybean , bajra, urad, maize and sesame could be slightly hit.

The data on southwest monsoon for the period 1st June to 26th July 2006 shows actual rainfall received to be much below the normal levels. In percentage terms the departure of rainfall received from the normal level has been a negative 14%. Data on distribution of rainfall shows that 14 subdivisions have received deficient / scanty rainfall and 22 other subdivisions received normal rainfall..

Total area under cultivation has grown by 16 lakh hectares. The cultivation of rice, maize, cotton, sugarcane, soya bean, sunflower crops has shown an increase in terms of area under cultivation over the area covered for cultivation in the previous year. However, cultivated area under jowar, bajra, kharif oilseeds, groundnut, sesam, castor was found to decline.

## **INFLATION TRENDS**

The Government has been able to contain inflation below the 5% mark on a monthly basis. In July 2006 (average of 4 weeks) the wholesale price index increased by 4.8% , this rise has been higher than the rise in July last year.

The higher inflation can be broadly attributed to the increase in the prices of primary commodities and manufactured items as these increased by 5.1% and 3.4% in July 2006 as against 0.8% and 2.9% in the corresponding month of last year respectively.

Rise in the prices of food articles by 5.6% and minerals by 40% were the reasons for the increase in prices of Primary Articles. Among the food articles both pulses and condiments have contributed to the rise, becoming dearer by 25.3% and 18.6% as compared to a rise of 7.1% and -13.6% in July last year. The price rise in the case of vegetables during the month was found substantially lower than the increase in corresponding month of previous year. But the concern over the vegetable prices remains.

Items that became dearer in the manufactured category included non metallic minerals (12%), wood (9.6%) , beverages and tobacco (5.4%), paper products (5.3%), chemical products (4.7%), rubber and plastic products (4.6%) and food products (1.7%),

Price increase of some of the products in the manufactured category, the machinery , basic metals and alloys and transport equipments slowed a bit to 4.3%, 3.7% and 1.8% respectively while the dropped in leather and textiles products .

## **MONETARY INDICATORS**

Broad money grew faster for the first time in July this fiscal compared to the corresponding month of last year. M3 expanded by 4.0% in the fourth month of the year 2006-07 as against 1.8% in the same month of last year. Government borrowings increased substantially by 4.5% whereas borrowings by the commercial sector saw an increase by 1.9%. Net foreign exchange assets of banks also went up from a negative 3.1% to a positive 12% and non-monetary liabilities of the banks was also found to be on the rise going up by 13% in July this year .

Aggregate deposits continue to rise faster at 4.6% in July 2006-07 against 2.6% in the corresponding month of last year. This is reflected in the investments made in government securities, which grew by 6.7% as against a rise of 1% last year. The upswing in the investments was observed since the beginning of this fiscal. However, credit off take in the food category fell sharply in July 2006. The increase in non-food credit increased was maintained

## **STOCK MARKET TRENDS**

Activity by the FIIs in the stock market became lesser since the middle of May 2006, which dampened the market sentiments. Since then it has not been able to cross the level that was achieved before the crash. In July again the market failed to touch the earlier achieved level of 11000 points. However a more recent volumes figure show a gradual build up in investor sentiments.

The 30-stock index, sensex closed at 10751 points, rising by 0.5 percentage points in the last trading session of July 2006. NSE was down a bit by 0.1 percentage points to 3147 points.

## **FISCAL TRENDS**

The total tax collected in June 2006 from direct and indirect sources went up by 32% compared to 25.9% in the corresponding month of the previous year. Throughout the first quarter taxes from income sources have been positive in contrast to the negative collection last year. Income tax collection, which contributes less than one-fourth of the gross tax collection, went up by 29.3% in June 2006 as against a fall in collection by 21.7% in the same month of the previous year. Corporate tax collection was found to have slowed down to 50% as against 182% in the last year. Excise collection was marginally up by 6.6% vis-à-vis 4.0% rise in collections last year.

At the end of first quarter of 2006-07, total receipts stood at Rs 53730 crore accounting for just 12.9% of the projections for the year.

Fiscal deficit has already crossed 50% of the estimate for this fiscal. The fiscal deficit widened because of the rising total expenditure, which stood at Rs 131470 crore, a figure nearly accounting for 23.3% of the estimated Rs 563991 crore for the whole year. Revenue deficit too accounted for 83.4% of the total budget estimates. While major portion of the total expenditure, about 74%, is held by the non-plan expenditure.

## **FOREIGN TRADE**

Growth in Exports was maintained in the second consecutive month of the fiscal. Exports in the month of July 2006, grew at 40% (in US Dollar terms) as against the rise of 26.8% in the last fiscal. Total imports also rose by 42% compared to 33.2% in the same month of last fiscal. Oil imports continued to increase faster for the third month of the current fiscal primarily on account of increase in crude oil prices. It grew by 32.8% this July against a growth of 29.7% in the corresponding month of previous year, while growth of non-oil exports lowered a bit to 20.4% compared to 31.8% in the last year.

Cumulatively, exports during April-July 2006 are estimated at \$37.7 billion, which is 34.0 % higher than the level of US \$ 28.1 billion during the corresponding months of 2005. Performance improved on account of better export performance of gems and jewellery, chemicals and related products and engineering goods and textile products.

Oil imports during April-July 2006 are valued at US \$18,533.53 million, which is 43.23 % higher than such imports valued at US \$12,940.14 million in the

corresponding period of last year. The spurt in import value owed more to the steep rise in the cost of imported crude oil.

The Commerce Ministry hopes to accomplish export volume worth \$150 billion much before the target date of 2008-09 as spelt out in the new foreign trade policy

Detailed numbers available for April-March 2005-06 show that exports growth of Agriculture and allied products improved, growing at 20.3% in the 2005-06. In this category, the highly valued items of exports with a high growth were the oil seeds that grew by 54% and secondly the rice exports that slowed a bit to 7.6%. However, the marine products turned to a negative 0.3% during the year. Ores and Minerals went up by 21.9% as against a rise of 114% in the previous year.

Growth in exports of manufactured products went up by 25% as compared to 18.3% last year. Under the Manufactured category, while exports of Petroleum products grew at 64.7%, textiles exports recorded 18.3% and handicrafts a growth of 8.8%.

Imports of petroleum products increased by 47.3%, whereas imports of bulk consumption goods dropped by 13.6% compared to a 1% rise in the last year. This was largely on account of fall in imports of edible oil by 20% in 2005-06 against a 3% fall in 2004-05.

## **CAPITAL INFLOWS**

Total foreign investment has fallen in the negative territory as the total inflow was at US \$ (-)2796 million in May against a positive US \$ 564 million. During the April-May period of 2006-07 however, we see total investment positioned better than what it was in the corresponding period of 2005-06 on account of better inflows of portfolio investments in April 2006-07.

During the April-May 2006-07, foreign direct investment was higher at US \$ 1199 million compared to US \$ 922 million in the corresponding months of previous fiscal, and portfolio investments was stable at US \$377 million, but on observing closely we a sudden downswing in the Portfolio investments. This fall could be ascribed to the pull out of the FIIs from the Indian stock market in the middle of May. However, the inflows on account of ADRs/ GDRs continue to rise.

## **FOREIGN EXCHANGE RESERVES**

The foreign exchange reserves rose to touch \$164 billion in July 2006-07. The increase in the foreign exchange reserves is attributed to rise in Foreign Currency Assets to \$ 157 billion, which increased by US \$ 1 billion in a month's time while Gold position remained unaltered and so remained the reserve position in the IMF.

## **TRENDS IN EXCHANGE RATES**

Monthly averages of exchange rates shows that the Rupee weakened vis-à-vis USD with the value touching Rs 46.5 against the monthly average in June, of Rs 46, without any major fluctuations. In July it ranged between a high of Rs 46.95 to a low of Rs 46.06. Closer observation reveals weakening in the exchange rate in the first half of July from Rs 46.5 to Rs 48.9. However in the second half we see the Rupee strengthening gradually against the USD, to reach Rs 46.05/ 46.15 level.

The Rupee value against Euro fluctuated during the month. On an average Rupee vis-à-vis Euro weakened in July 2006 against the average of previous month of this year. The month opened with a strong Rupee (Rs 59.3) against Euro, however, we witnessed Rupee weakening to Rs 58.5 by the middle of July 2006. Indian Rupee gained ground from mid July onwards following an up trend to close at Rs 58.7 against the Euro.

### **Lead Stories of the Month**

#### **FDI inflow rise by 47% in Q1**

Foreign Direct Investment (FDI) inflows into India increased 47 % to US\$1.7 billion in the first three months of the current fiscal year (April-June 2006-07) compared to US\$1.1 billion in the same period last fiscal. FDI inflows in the month of June grew 102 % compared to corresponding period last year, according to union industry ministry.

Continuous liberalisation of India's FDI policy and simplification of procedures had contributed to the steady increase in FDI inflows into the country, in particular the surge witnessed in the first quarter of this fiscal.

"Foreign Direct Investment (FDI) plays an important role in the long term economic development of the country, not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities", union commerce and industry ministry, Kamal Nath, observed at a press meet recently.

"The investment climate in India is highly conducive for investments by investors particularly from Taiwan, Korea and Singapore, who are looking at sites in India to locate their manufacturing facilities. A business delegation is visiting Taiwan later this month to attract investments particularly in electronic hardware, textile machinery and leather goods", Kamal Nath added.

According to the data available up to May 2006, the 10 sectors attracting highest FDI into India are: electrical equipments (including computer software & electronics); telecommunications (radio paging, cellular mobile, basic telephone services); services sector (financial & non-financial); transportation industry; fuels (power and oil refinery); chemicals (other than fertilisers); food processing industries; drugs and pharmaceuticals; cement and gypsum products; and metallurgical industries.

The 10 top investing countries are: Mauritius, USA, Japan, Netherlands, UK, Germany, Singapore, France, South Korea and Switzerland.

The FDI inflows in 2005-06 (comprising equity capital, reinvested earnings and other capital) was US \$ 7.7 billion, representing a rise of over 37% over the previous year. FDI inflows (equity capital only) during 2005-06 was valued at US \$ 5.5 billion, showing a record growth of over 72% over 2004-05.

### **Outward investment norms eased**

Inward investments apart, Indian investors can now look forward to new opportunities in the global markets with eased overseas investment norms for mutual funds, which provides the much-needed quality diversification to their portfolios, industry experts have observed.

On the other hand, Indian industry has welcomed the RBI decision to ease the overseas investment norms as a "progressive step forward" that would provide an opportunity to expand the investors' portfolio beyond the boundaries and reduce the volatility-related risk factors associated with a single market.

Though RBI's relaxation is an initial step towards launch of schemes by domestic mutual funds in overseas markets, as funds have to wait for SEBI guidelines to launch their schemes," analysts said.

Reserve Bank of India announced liberalised norms coinciding with its announcement of its latest monetary policy, which raises the aggregate ceiling for overseas investment by the funds to \$2 billion, from \$1 billion previously.

RBI has also removed the previous requirement that MFs can invest in overseas securities of only those foreign companies, which have a 10 % stake in an Indian company listed in India.

The changes were first proposed by Finance Minister P Chidambaram in his budget speech earlier this year.

"This is a progressive step for mutual funds by the government and MFs should utilise the opportunities being provided to them," Dhirendra Kumar, CEO of mutual fund research firm, Value Research said.

Investing in stocks overseas helps investors capitalise on areas that are not adequately represented in the Indian markets.

Oil marketing companies here, for instance, are not a good proxy for crude oil prices because of the artificial restraints on their pricing.

### **15,000 MW hydro power target in 11<sup>th</sup> plan**

The 11<sup>th</sup> Plan has set a target for creating 15,000 MW hydel power generation capacity during the plan period. The 11<sup>th</sup> Plan is placing higher priority on hydel power generation for meeting the energy requirements. To implement this strategy the government is formulating policies and initiating steps to attract greater private sector investment in this sector.

Elaborating on this new approach, Sushil Kumar Shinde, union power minister, said, a number of issues such as timely sanction of projects, speedy environmental and forest clearance, rationalization of conditions imposed on hydro projects while giving clearance on wildlife related issues, excessive payment of Net Present Value for forest land, release of minimum of 15 % of lean season discharge directly into the river are being looked into.

The minister said that in order to facilitate the entry of the private sector in hydro generation, the Centre has issued guidelines empowering the State Governments to develop hydroelectric projects having a capacity of up to 100 MW by the MOU route, in case this route is considered more feasible. Projects above 100 MW are, however, required to be developed through tariff-based bidding.

He said that a hydro capacity of 5980 MW has already been added in the 10<sup>th</sup> Plan so far and expressed confidence that another 10,000 MW of capacity would be added in the current plan which would be highest ever capacity addition in the hydro sector in any Five Year Plan.

Shinde pointed out that the country's hydro power generation potential from major and medium schemes was placed at 84,044 MW at 60 % Load Factor. This would mean creation of an installed capacity of over 1,50,000 MW. Out of this only 28 % has either been exploited or is under exploitation so far. Hydro development has experienced a steady rise from 508 MW in 1947 to 32,735 MW now, which indicates a growth of hydro power by about 63 times in a period of over five decades. The growth of thermal power has, however, been as much as 96 times during the same period. Hydro power at present accounts for only about 26 % of the total capacity.

The minister informed the Parliamentary Consultative Committee for the Ministry of Power that the government has also approved a 3-stage clearance procedure for hydel projects to be executed by Central Public Sector

Undertakings (CPSUs) in consultation with the Ministry of Finance and the Ministry of Environment and Forests. The procedure was introduced to reduce time and cost over runs in execution of hydro projects. Further, it has been ensured that there would not any dearth of funds for execution of projects in Central Sector.

On National Hydroelectric Power Corporation (NHPC), the minister informed the Members that it is a consistently profit making company and with investments exceeding Rs. 23500 crores, it is among the TOP TEN companies of the country in terms of investment. He said as the country's leading hydro power developer, it also registered a net profit of Rs. 743 crore and achieved all time high sale turnover of Rs. 1714 crore during financial year 2005-06.

### **Ministries to formulate investor-friendly policies**

The union government has asked key economic ministries to introduce policies to help investors fund the country's infrastructure projects, which according to the Ratan Tata-led Investment Commission need over USD 269 billion investments in the next five years. Of the seven sectors identified by the Commission, more than half -- 140 billion dollars--is required for the energy sector, the minister of state for finance, Pawan Kumar Bansal said in a written reply in the Rajya Sabha.

Apart from Energy, other infrastructure sectors that required huge investments are Oil and Gas (30-35 billion dollar), Roads (25-30 billion dollar), Telecom (22 billion dollar), civil aviation and airport (15-17 billion dollar), Coal (15 billion dollar) and Ports (10 billion dollar).

Bansal said, the commission's recommendations included removal of sectoral cap on FDI and entry route on sectors other than those considered strategic, provision of labour flexibility and promotion of SEZs.

Besides, it has proposed provision of a level playing field in sectors with PSUs dominance, curbing corruption and creation of thrust areas that include tourism, power, textile and agro processing sectors.

The commission has also given sector specific suggestions for the seven sectors.

For energy sector, it has suggested establishment of 25-30 sites for the mega projects with land acquired and with all approvals in place for a total of 35,000 mw with an estimated investment of over 30 billion dollar. Government should expedite the implementation of large hydel projects.

## **Merchandise exports up by 41% in July**

India's merchandise exports during July 2006 stood at US \$ 10176.80 million which is 40.67% higher than the level of US \$ 7234.41 during July 2005. Exports during April-July 2006 are valued at US \$ 37707.60 million which is 34.03% higher than the level of US \$ 28134.72 million during April-July 2005.

India's imports during July 2006 are valued at US \$ 14143.06 million representing an increase of 42.8% over the level of imports valued at US \$ 9904.22 million in July 2005.

Total imports during April-July 2006 are valued at US \$ 54424.34 million which is 29.24% higher than the level of US \$ 42109.47 million during April-July 2005. In rupee terms, the imports were Rs.248925.88 crore which is 35.6% higher than the level of Rs.183537.52 crore during April-July 2005.

Oil imports during July 2006 are valued at US \$ 4642.31 million which is 32.83% higher than oil imports valued at US \$ 3494.80 million in the corresponding period last year. Oil imports during April-July 2006 are valued at US \$ 18533.53 million which is 43.23% higher than oil imports valued at US \$ 12940.14 million in the corresponding period last year.

Non-oil imports during July 2006 are estimated at US \$ 9500.75 million which is 20.42% higher than the level of such imports valued at US \$ 7889.81 million in July 2005. Non-oil imports during April-July 2006 are estimated at US \$ 35890.81 million which is 9.90% higher than the level of such imports valued at US \$ 32658.61 million in April-July 2005.

The trade deficit for April-July 2006 is estimated at US \$ 16716.74 million which is higher than the deficit of US \$ 13974.75 million during April-July 2005.

## **RBI forecasts robust growth**

Keeping its forecast for India's GDP growth unchanged at 7.5-8 % for 2006-07, the Reserve Bank has said that the prospects of sustaining the high growth momentum of recent years appear favourable at the current juncture.

RBI based its assessment on "somewhat positive" outlook on agriculture and "robust" activity in industrial and services sector in the early months of the current fiscal.

RBI Governor Y V Reddy in a statement on the occasion of the first quarterly monetary review by the bank said the revival of monsoon activity from the last week of June and its spread across various parts of the country should mitigate the impact of early adversities on the kharif output.

While the onset of the south-west monsoon occurred nearly a week in advance, its progress stalled in the subsequent fortnight which resulted in delay in sowing in some parts of the country, he said elaborating on early adversities.

During the season so far (June 1 to July 19), rainfall has been excess or normal in 24 of the 36 meteorological sub-divisions and 86 % of the long-period average, the RBI Governor said.

The India Meteorological Department has updated its initial forecast and has placed the rainfall for south-west monsoon season at 92 % of the LPA for the country as a whole.

On industrial performance, Reddy said early results for the first quarter of 2006-07 indicated that both sales growth and profits after tax improved vis-a-vis the trends in 2005-06.

### **Life insurance sector to grow by 20%**

The life insurance sector in India is likely to grow by 20% year-on-year in the medium term, according to a projection by global rating agency Standard & Poor's.

Spurred by improving economic conditions, growing affluence, the need for health protection, and low penetration rates, the life insurance sector is expected to continue to grow at about 20% over the medium term.

Moreover, the anticipated raising of the ceiling on permitted foreign domestic investment in insurance companies to 49% from 26% will have a positive impact, the rating agency said.

Pension fund plans, which have found more acceptance due to extended life spans and improved medical facilities available in the country, are one of the growth drivers.

India's largest life insurer the Life Insurance Corporation of India still dominates the market, which was opened to private players in 2000 and about 14 private players have come up in 74:26 joint venture format between domestic and foreign companies.

Despite the hardening interest rates, LIC recorded higher returns on account of the bullish performance of the Indian stock markets in the past few years. LIC's challenge has been to move away from guaranteeing long-term returns on life products and to improve its solvency ratio.

### **AAI to develop 35 non-metro airports**

The decision to go in for private participation in modernisation of Delhi and Mumbai airports will enable the Airports Authority of India (AAI) to focus on developing 35 non-metro airports.

Outlining the strategy, civil aviation minister Praful Patel has explained that the joint venture route for Mumbai and Delhi airports modernisation programme was

adopted in order to pave the way for AAI to take up development and modernisation works of 35 non-metro airports.

The minister revealed during Question Hour in the Lok Sabha that while AAI would develop the air-side of these airports and run them, public-private partnership could be considered for city-side development. Regarding Ahmedabad airport, he said the environmental clearance for its development was received on July 31 and work would start at the earliest.

Besides, a decision on the route to modernise Kolkata and Chennai airports would be taken within the next few months. Patel said discussions were on with the concerned state governments. The Prime Minister's Committee on Infrastructure is also looking into the matter.

### **India records fastest online population growth**

India's online population is growing at a faster pace than other countries like the United States, China, Japan and Germany.

The total online population in India, measured in terms of people aged over 15 years accessing internet, rose 7.8% to 18.02 million in June, from 16.71 million in March.

According to a survey by US-based technology research firm comScore Networks, the growth in the India's online population outscores the rise of 2.7% in the world's overall online audience size, which rose to 713 million in June, from 694 million in March this year.

India has also become the ninth biggest country in terms of the total online population from its 10<sup>th</sup> position three months ago, while the US has retained its top slot with 153 million of web users.

Interestingly, the figures exclude the traffic from public computers such as cyber cafes and access from mobile phones or PDAs. The total number of people accessing internet could be much higher if those aged below 15 years and the public computer data and new-age mediums such as mobiles and PDAs are also taken into consideration.

The number of internet visitors rose less than 1% in the US, Germany, Italy, Spain and the Netherlands, while United Kingdom (UK), France and Australia have actually registered a decline from the March 2006 levels.

According to the comScore June World Metrix report, China witnessed the second-biggest jump of 5.22%, Russia witnessed 5.14% growth, while online population of Japan, Korea, Canada and Brazil rose between 2-4%.

### **Indian firms look at US bourses**

A large number of Indian companies are vying to list their shares on foreign exchanges, particularly in the US, on the back of the successful listing of BPO

major WNS on the New York Stock Exchange and continuing expansion by domestic companies into the overseas markets.

Over 100 Indian companies have started posting earnings as per the US GAAP (Generally Accepted Accounting Principles) guidelines and all of them are mulling to list on the US stock exchanges, investment-banking sources said.

With the Indian companies continuing to expand their footprints on the US shores and the overseas revenues playing a larger role in their balance sheets, particularly in the IT sector, the companies are increasingly getting attracted to the brand value addition and exposure a US listing provides.

This emerging trend is driving both the NYSE and Nasdaq to go an extra mile for wooing Indian companies to get listed in the US, promising fair and transparent exchange markets. Both the exchanges are in talks with several Indian companies for a US listing.

Nasdaq Stock Market president and CEO Robert Greifeld has been quoted by news agencies as saying: "We are currently in talks with several Indian companies drawn from various sectors and are confident that we will see more Indian companies listing on Nasdaq in the future."

"India poses an exciting opportunity among the various countries in the world today. The country's GDP is firmly on an 8% plus growth path and it offers a huge opportunity for business," he added.

There are seven Indian companies already listed on the Nasdaq, while 10 companies are trading on the NYSE, including WNS, which got listed recently.

In July this year, Infosys rung the opening bell of Nasdaq from its Mysore facility in the first ever such ceremony through an electronic sign-in screen. Greifeld, who was present on the occasion, said that Infosys was a shining example of what can be achieved with a clear and compelling vision, talented workforce and world-class corporate governance.

Out of a total of around 120 Indian companies listed overseas, as yet only a few have listed in the US markets. Nasdaq has seven Indian companies on its exchange with a market cap of around \$32 billion including - Infosys, Sify and Rediff.

At present, there are about 3,200 companies listed on the Nasdaq, including 332 international companies. "In many ways Indian companies are still experimenting with the US option and as they seek to go global, we could expect many more Indian listings in the US and on Nasdaq," Greifeld said.

### **IPOs back on track**

Good investor response to the two big IPOs of Tech Mahindra and GMR Infrastructure is likely to prompt promoters who had shelved their IPO plans back into the market, market watchers say. The rally in the Sensex in recent weeks has encouraged companies to enter the market after a two-month lull.

The IPOs of companies such as Global Vectra Helicorp Ltd., Malwa Industries and Bluebird, are also back on track. These companies are expected to enter the market once they receive observations on their Draft Red Herring Prospectus (DRHP) from market regulator SEBI (Securities and Exchange Board of India). Kew Industries has already received SEBI observations on its DRHP and the company plans to enter the market towards the end of August.

In the wake of positive trends, several companies have submitted IPO applications. Lanco Infratech Limited, an infrastructure development company with interests in power generation, construction and property development, filed its Draft Red Herring Prospectus on August 7. Investment and Credit Rating Agency (ICRA) also filed the DRHP to raise funds from the market by diluting its holding. Realty major Sobha Developers too has filed its DRHP with SEBI.

### **India offers ASEAN new tariff cuts**

In a bid to smoothen the path to a India-ASEAN free trade agreement (FTA), India has offered attractive new import duty reductions covering more than 90% of ASEAN's exports.

India has offered to substantially reduce import duty on some highly sensitive products which were of significant export interest to certain ASEAN members. These were refined palm oil from 90% to 60%, Crude palm oil from 80% to 50%, black tea from 100 percent to 50 % and pepper from 70% to 50%.

The revised offer provides preferential market access of 95% to 100% for seven ASEAN members and of 85% or more for the other three members.

"Earlier we had offered tariff reductions for 69% of the items and now it has been raised to 94.6%," Gopal K Pillai, special secretary, ministry of commerce and industry, told news agencies after talks with economic officials from the ASEAN in Kuala Lumpur.

Meanwhile, ASEAN Secretary General Ong Keng Yong has indicated that negotiations for the proposed FTA are "still on" as leaders of the respective countries are committed to the negotiations.

"It (the FTA) is still on. It is just that we feel the respective positions on the table have not progressed from the last meeting. So, no point in having a meeting if we don't have new things to offer", he said, noting that the 10-member grouping should complete negotiations on FTA with India by 2007.

Implementation of the FTA, initially scheduled for January 1, 2007, has been delayed following differing positions over tariff rates.

Malaysia's international trade minister Rafidah Aziza had said on the sidelines of the ASEAN Regional Forum (ARF) meeting in July that the ASEAN had suspended FTA talks with India. India's minister of state for defence Rao Inderjit Singh, who represented India for the ARF, had expressed surprise and noted that the talks had not been called off.

The ASEAN secretary-general said ASEAN, which comprises of Malaysia, Brunei, Singapore, Indonesia, Vietnam, Myanmar, Philippines, Thailand, Cambodia and Laos, would meet with Indian officials during the ASEAN Economic Ministers Meeting.

“They came in with an exemption list for 1,414 items. Now, it has come down to 854 items but our target is only 400 items (about 40 items per ASEAN country). It all depends on the bargaining,” Ong said.

“How many sensitive items does Malaysia have that they do not want to put on the trade with India? It will be very few,” he said, adding, “countries like Singapore and Brunei don’t have a lot of problems with this because theirs are already open trade.”

### **Morgan Stanley to invest US\$1bn in realty**

Morgan Stanley Real Estate, the realty arm of global financial services firm Morgan Stanley, plans to invest \$1 billion in next 4-5 years in India. Over the next 4-5 years, around one billion dollars investment is not out of realm of possibility, according to Zain Fancy, executive director of Morgan Stanley Real Estate in Asia Pacific.

The company, which recently invested around \$65 million in Delhi-based real estate firm Alpha G: Corp, has already invested about \$140 million in India. “We are looking at a mix of company-level investment as well as asset investment in India. We are in discussion with several developers,” Fancy said, adding that opportunities existed in all segments of Indian real estate sectors.

### **External Sector: Foreign Trade April**

Region/Country	Export			Import		
	US \$ million		% change	US \$ million		% change
	2005	2006	2006	2005	2006	2006
World	7627.4	8742.9	14.62	10765.0	12732.5	18.28
Africa	638.7	568.5	-10.98	394.7	430.0	8.95
Egypt	50.2	43.5	-13.31	15.4	14.6	-5.41
Kenya	73.1	93.6	28.11	4.7	5.2	10.57
Mauritius	14.9	14.4	-3.73	0.4	1.2	206.51
Nigeria	73.2	50.6	-30.92	6.5	3.8	-41.51
South Africa	133.5	90.7	-32.07	265.5	280.9	5.78
America	1512.5	1783.4	17.91	787.3	998.6	26.83
Brazil	130.1	106.1	-18.44	57.8	53.3	-7.71
Canada	76.0	85.7	12.82	67.5	67.5	0.06
Mexico	26.5	36.6	38.31	5.1	9.7	88.05
USA	1187.9	1390.9	17.08	607.2	629.9	3.73
Asia (excl. Middle East)	2444.5	2732.8	11.79	2485.8	3040.6	22.32

Bangladesh	148.8	149.7	0.56	8.0	6.7	-15.60
China	518.5	592.0	14.17	645.5	1017.3	57.59
Hong Kong	313.4	319.1	1.83	160.3	172.8	7.83
Indonesia	125.2	161.8	29.28	168.9	283.6	67.91
Japan	193.9	202.0	4.20	293.2	375.6	28.13
Korea DPR (North)	3.2	17.9	464.14		42.3	
Korea Republic (South)	152.9	79.0	-48.30	329.9	304.1	-7.83
Malaysia	77.2	86.0	11.35	219.1	179.6	-18.03
Nepal	67.1	22.8	-66.05	24.8	3.9	-84.22
Philippines	39.1	37.4	-4.47	20.0	11.4	-42.64
Singapore	350.6	527.0	50.29	279.6	261.2	-6.58
Sri Lanka	155.8	171.1	9.80	40.4	40.7	0.95
Taiwan (Taipei)	72.7	46.1	-36.52	125.7	108.0	-14.10
Thailand	85.3	79.9	-6.40	97.8	119.4	22.11
Viet Nam	50.4	54.6	8.30	6.5	14.2	117.45
Middle East	977.8	1475.6	50.91	643.2	713.7	10.96
Iran	50.4	134.6	166.83	23.6	55.8	135.96
Iraq	2.4	20.7	752.76	0.2	0.1	-34.87
Israel	89.9	115.1	28.09	102.0	86.3	-15.43
Kuwait	35.9	58.0	61.47	24.6	18.3	-25.57
Saudi Arabia	137.2	137.0	-0.19	114.0	101.8	-10.67
UAE	543.5	854.7	57.26	292.8	301.5	2.97
Europe	1980.9	2062.2	4.11	2963.0	2938.2	-0.83
European Union	1683.2	1784.8	6.03	1727.8	1865.1	7.95
Belgium	204.3	195.7	-4.21	446.0	324.1	-27.33
Denmark	29.5	33.8	14.39	33.8	29.4	-13.05
France	221.5	148.5	-32.96	134.7	126.6	-5.99
Germany	277.8	331.7	19.42	472.8	495.9	4.88
Italy	181.7	217.4	19.64	126.4	155.7	23.22
Netherlands	117.8	142.4	20.81	66.5	82.5	24.11
Spain	104.2	122.6	17.63	31.4	48.4	54.07
Sweden	22.8	25.0	9.90	94.4	125.8	33.29
UK	402.7	473.0	17.46	248.7	288.2	15.90
Other European Countries	297.6	277.4	-6.79	1235.1	1073.1	-13.12
Russia	75.4	57.4	-23.85	161.9	99.8	-38.37
Switzerland	39.7	33.4	-15.86	939.0	837.0	-10.86
Turkey	62.7	74.6	19.07	21.2	12.0	-43.54
Oceania	69.2	68.6	-0.88	391.3	403.7	3.16
Australia	58.0	56.6	-2.40	380.0	375.5	-1.18