

Monthly Economic Analysis Fortune 2008

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Macro Economic Developments

Industrial Growth :

The recent data on industrial production for July 2008 shows an improvement in the industrial growth over the previous months. The industrial growth was found to gradually pick up in July 2008-09 compared to the growth posted in the previous months of this year.

However the growth during the four - month period (April- July) of the current fiscal remains much lower than the growth numbers recorded in the corresponding months of the last fiscal.

During the April- July period of 2008-09 growth in the manufacturing and electricity sector accelerated compared to the growth registered in the previous months of this year. However the growth performance remains weak when compared to the growth of last fiscal. The increase in production was witnessed only in the mining sector surpassing the growth posted in the previous year.

Further following the use-based classification we see growth in intermediate and basic goods in July 2008 was subdued as against the growth in the same month of the previous year. Output in the capital goods sector however increased by 22% in July this year compared to 12.3% increase in the same month of previous year. The growth in the consumer goods came mainly from the consumer durables segment that increased by 11.2% compared to the negative growth posted in the corresponding month of last year.

In July 2008-09 growth in seven among the seventeen industry sectors namely food products, beverages and tobacco, paper, metal products, machinery, transport equipments and other manufactured items exceeded the growths posted in the previous year. While basic metals, non-metallic minerals and basic chemicals slowed in July 2008-09 compared to the corresponding month of the previous year, production of 6 industry sectors namely rubber, leather, wood, jute, wool and cotton was found to drop.

Core infrastructure industries :

Growth in the core infrastructure industries slowed during the four-month period of the present fiscal as compared to the growth in the previous fiscal. During the April-July period of 2008-09 the overall infrastructure industries grew at a low 3.7%

compared to 6.6% recorded in the previous year. Output in coal sector accelerated during the period April- July 2008-09 compared to the same period of last year. On all the other sectors the production growth slowed down compared to growth logged in last year. There was a strong slippage in the production of crude petroleum during these four months.

Inflation Trends :

The average WPI based inflation calculated for the month of August 2008 continues to reign above 12.5%. Inflation rose from an average of 12.2% in July to 12.5% in August this year. In the week ending 13th September 2008 the WPI based inflation stood at 12.14%. During this time last year the annual rate of inflation stood at 3.51%.

The sharp difference in the rate of inflation between now and last year has been mainly on account of a sharp rise in the price index of fuel and some manufactured items. Measures to curb the rising food articles and other manufactured commodity prices have been put in place, however these only showed a marginal impact on the rising price index. The fall in fuel prices from its peak USD 147 / barrel to below USD 100/barrel is yet to be captured in the recent price index.

Monetary Indicators:

Money supply swelled by 5.2% (percentage rise is August end 2008 numbers over March end 2008) in August 2008 as against 5.1% in the same month of previous year. Borrowings by the government went up by 7.4% compared to 5.7% in the previous year. Despite rising interest rates bank credit to the commercial sector rose by 4.2% as against 1.7% recorded previously. The borrowings are high due to the huge demands in the oil sector. Foreign exchange assets build-up was significant in August 2008 compared to the growth seen in the previous month of this fiscal, but was found to be lower when compared to 5.9% rise seen in the previous year.

There has been high accumulation in aggregate deposits during August 2008. Growth in investments in the government and other approved securities shows a sharp deceleration compared to the growth seen in the previous year.

Interest rates including the PLR (13-14%) and the deposit rates cycles have peaked and any further tightening of money supply can hamper industrial growth.

Stock Market Trends:

Number of events of political nature and events in the financial markets impacted the stock markets adversely. After the major drop in the 30 stock index sensex in July to 13K the market somewhat recovered in August, rising to 15 K points before dropping to 14.5 K in Sept 2008. The recent numbers show that the market slid further by another 500 points going below 13 K points due to the uncertainties in the global and domestic markets.

Foreign Trade:

Despite odds (raw material prices, high borrowing rates, losses due to forward contracts) the country did export goods worth USD 60 billion, posting 24.6% growth during the first four months of 2008-09 as compared to 18.22% in the previous year. The reason ascribed to high exports growth was increased demand in some of the international markets.

The weakening of Rupee has helped the exporters to recover their (those who have not hedged their funds) losses made in the past. However, those who opted for a forward cover during the days when Rupee was maintaining Rs 38-40, failed to insulate themselves from the quick and sharp weakening of Rupee. The import bill swells due to obvious reasons and widens the trade deficit even further.

Capital Inflows:

In the fourth month of 2008-09 foreign investments continue to pour into the Indian market. The country received foreign investments of 6 billion in excess of the investments made during the four-month period of the previous year. Due to weak investor sentiments portfolio investments turned to a negative USD 4.6 billion, reducing total foreign investments to USD 7.6 billion in July 2008 as against USD 20.7 billion in same period of previous year.

Foreign Exchange Reserves:

Forex reserves touched USD 315 billion in April 2008 before descending to USD 306 billion in July and USD 300 billion in August 2008. The downward revision in the reserves could be on account of FII outflow, large trade deficits and also due to the revaluation between the currencies.

Trends in the Exchange Rates:

Weakening of the domestic currency against the USD benefits the exporters. However, in the present context, weakening of the Rupee / USD favored a section of exporters that chose not to hedge funds at the time of strong Rupee – Dollar movement. Today Rupee is ruling at Rs 47/ USD weakening by about 20% since January 2008. Present exchange rate of Rupee / Euro was also found to weaken by about 17-18% over the exchange rate in January 2008.

Lead Stories of the Month

Global bank majors optimistic about Indian market

Major multinational banks that are facing tough times in western markets appear to be holding on to their optimism about the Indian market. Banks, which have become cautious about expansion in other locations and are even mulling job cuts in Europe and America to cope with the liquidity crunch, are confident about rolling out India plans.

Banking sources say most leading banks like UBS (one of the worst hit European bank in the subprime fiasco) to ANZ, which had relinquished banking licence in India a few years ago, are going ahead with expansion plans in India.

The Swiss banking giant UBS, that had more than \$43 billion as total write downs, is expected to launch its commercial banking operations within the next few months. The assertion by UBS comes at a time when questions were being raised whether UBS would meet its deadline of launching operations. The bank was given a 12-month timeframe under the licence it was granted, which is set to expire in February 2009.

FDI cap in DTH to go up to 74%

The ministry of information and broadcasting (I&B) reiterated that it is working towards raising the FDI cap in the media distribution platforms like direct-to-home (DTH) to 74% from the current 49%. “We are considering the case of raising the FDI ceiling in DTH to 74%” said Uday Verma, additional secretary, at the IDNS conference.

This is consistent with what the former secretary of the ministry, Asha Swarup said earlier this year and was quoted in Fe in March, “The ministry is of the view that the ceiling for total foreign investment limits, inclusive of FII and FDI, both direct and indirect, can be upwardly raised to 74% in the case of infrastructure and platform services like DTH, teleport, HITS and satellite radio “.

While the current foreign investment limit in DTH is at 49% with a FDI cap of 20%, the policy guidelines on HITS and satellite radio is still awaited. Verma also said that while HITS policy framework is being given final touches, the work related to the policy framework regarding mobile TV and satellite radio has reached advanced stages.

Currently according to industry estimates, the DTH service providers cater to around 8 million subscribers in the country, while the cable operators provide services to 78 million households.

The ministry is also working towards rationalizing the licence fee of the DTH players to align it with the telecom players in the backdrop of convergence of technologies between broadcasting sector and telecom sector, Verma said. The ministry is considering whether it should charge the DTH players 6 % of their gross revenue slashing the fee from the existing 10 % of the gross revenue or adopt Trai’s earlier recommendation to charge 8 % of the DTH operators adjusted gross revenue.

FDI cap hike to prop up multi-system cable TV networks

In what could pave the way for further consolidation and faster digitalisation in the Rs 23,000-crore cable industry, the information and broadcasting ministry (I&B) is considering a differential FDI cap within the cable networks for multi-system operators (MSOs) and local cable operators (LCOs). While it may propose an increase in the FDI limit for the MSOs to 74% from the existing 49% to align it with the proposal to raise FDI cap for other distribution medium like DTH, HITS, mobile TV, the FDI ceiling for LCO is most likely to remain unchanged at 49%, according to a ministry official.

The MSOs are distributors who could either deliver TV content directly or route it through the LCOs. The broadcast regulator Telecom Regulatory Authority of India (Trai) had recently recommended that MSOs and LCOs should be brought under licensing regime from the existing registration system. It further said that MSOs and LCOs should be licensed separately.

Although accurate figures are difficult to ascertain in the largely unorganised sector, according to MSOs’ own estimation—of the 78 million cable homes around 50 to 60% are catered to by the 6,000 MSOs currently. Over 60,000 to 65,000 LCOs command the rest of the households. However, the three largest MSOs claim of a subscriber base that is equivalent to almost 20% of the total cable

homes. According to Jagjit S Kohli, promoter of Digicable Network (India) Pvt Ltd, "Once the proposed move is implemented, it will accelerate the process of digitalisation by attracting more investment into the sector." Last year, the UK-based Ashmore Investment Management Ltd had bought 49% stake in the Digicable Networks for Rs 41 crore.

India, South Africa hope to move ahead with stronger trade links

With the western markets slowing, Indian and South African companies are preparing to step up their engagement with each other over the next few months. A large number of South African companies, from sectors as varied as banking and financial services to FMCG and retail, plan to establish operations in India, attracted by the immense potential of one of the fastest growing markets.

Likewise, Indian companies, attracted by the world class infrastructure and abundant natural resources and of course the potential to use South Africa as bridgehead to the rest of the African continent , are exploring opportunities to establish their base in parts of that country.

Leading the pack of Indian companies with established presence in that country is the Tata group with interests in automobile, information technology and minerals. Others with a presence include Mahindra and Mahindra, Ranbaxy, Dr Reddy's , ICICI Bank, State Bank of India and NIIT. These companies are said to be executing projects worth \$2 billion in South Africa, according to estimates of Navdeep Suri, Consul General of India in Johannesburg.

At another level, the governments of the two countries are seeking to step up trade relations, which in recent years has been growing at a very robust pace. Trade and diplomatic relations between the two countries were re-established in 1993 after the abolition of the apartheid regime.

"We have set an internal target to grow the bilateral trade between the two countries to \$10 billion by 2010," India's high commissioner to South Africa RK Bhatia told a 'Doing Business with India' summit organised in Johannesburg last week by the Indian consulate and Confederation of Indian Industries (CII). Bilateral trade between the two countries was \$4.7 billion in 2006-07, up from \$4 billion the previous year.

In the nine months to December 2008, of the last fiscal year, bilateral trade had already grown to \$4.4 billion, with exports from India amounting to \$1.7 billion and imports from South Africa totalling \$2.7 billion.

India, France sign civil nuclear pact

Putting an end to its over three decades of isolation in the nuclear energy market, France became the first country to ink a civil nuclear agreement with India.

Prime Minister Manmohan Singh and French President Nicolas Sarkozy, announced a “a new dimension” to their strategic partnership by signing a co-operation agreement on civilian nuclear energy as well as two more pacts in areas ranging from space and counter-terrorism to business and high-end research in Paris.

With this agreement, France became the first country out of the 45-nation Nuclear Suppliers group (NSG) to sign such a pact after they lifted over global restrictions on nuclear trade with India.

The agreement on the development of peaceful uses of nuclear energy will form the basis of wide-ranging bilateral civil nuclear cooperation. It will span the entire gamut from basic and applied research to reactors, nuclear fuel supply, nuclear safety, radiation and environment, protection and nuclear fuel cycle management. The pact was signed by French foreign minister Bernard Kouchner and India's Atomic Energy Commission chief Anil Kakodkar at the Elysee Palace.

The agreement clears the way for French companies like Areva to begin supply nuclear reactors to India. However, the actual nuclear trade may have to wait till India signs the 123 agreement with the US which is awaiting clearance by the Senate.

Indian biotech sector to touch \$5 bn by 2010

Indian biotechnology sector is expected to become a five billion-dollar (around Rs 23,400 crore) industry by 2010, says a report.

"The Indian biotechnology sector has excellent potential and is expected to touch five billion-dollar mark by 2010," a report jointly prepared by industry chamber CII and consultancy firm KPMG said.

"India is ranked among the top 12 biotech destinations in the world and is the third biggest in Asia-Pacific in terms of the number of biotech companies," it added.

Investments in the segment are also growing at the rate of about 38 per cent for the last three years and have touched 560 million dollars in 2006-07.

Biopharma is one of the important segments of the Indian biotechnology sector and it constitutes about 70 per cent of the domestic biotech industry.

Of the total 325 biotechnology companies in India, more than 40 per cent are in the biopharma sector, the report said.

Availability of talent pool in the country is a big advantage for the Indian companies. The sector employs about 20,000 scientists, the report added.

The industry has received significant contribution from leading institutes such as All India Institutes of Medical Sciences (AIIMS) and Centre for cellular and molecular biology (CCMB).

The report pointed out that educational infrastructure need to be upgraded to facilitate further progress in the industry.

"India needs to invest in building a strong capability base in order to leverage large opportunities going forward. There are no shortcuts," report quoted Biocon CEO and MD Kiran Mazumdar Shaw as saying.

Banks record highest growth in Q2 lending despite crunch

There is a clear sign of resource pressure on banks, with the incremental credit-deposit ratio during the second quarter touching 80%. Despite tight credit conditions, banks have lent very high amounts in Q208-09. Between July and September, banks lent Rs 1,29,396.4 crore - the highest Q2 growth despite high interest rates.

According to the latest RBI data, the outstanding amount of total domestic loans disbursed by banks touched Rs 2,542,467 crore as on September 26, while total deposits touched Rs 34,42,137.62 crore. The year-on-year credit growth works out to 24.8%, way above the projected growth of 20% for the year.

At these levels, while incremental loans between July and September 2008 amounts to Rs 1,29,396.4 crore, incremental deposits work out to Rs 1,62,670.6 crore, resulting in an incremental credit-to-deposit ratio of 79.5% for the quarter.

This is one of the highest Q2 growth levels that banks have seen. Typically, the period between July and September is seen as part of the slack season, when there is not much demand for loans from corporate, as they go slow on their new investments because of rains during this period.

Bankers say much of the credit demand is from oil companies and PSUs to meet their input demands. Also, there is some working capital requirements from corporates with on-going projects.

But corporates, which are now finding it difficult to raise money from overseas debt markets because of the ongoing turmoil, are now borrowing from domestic banks, they say. As a result, despite high lending rates, they are still borrowing from banks. The outstanding credit-to-deposit ratio of banks is currently at around 74%.

The demand appears to be so strong that banks with a surplus stock of government bonds (they need to park at least 25% of the deposits they raise in government bonds) are selling bonds to fund the loan demand. The investment-(in government bonds) to-deposit ratio for the entire banking system has further

dipped to 28.5% as on September 26, leaving very little leeway for banks to further offload their stock of bonds.

The government sought to allay fears of the country being hit by the worsening financial turmoil saying its strong fundamentals would continue to attract foreign direct investment and that the \$35 billion FDI target for the fiscal would be achieved.

Commerce and industry minister Kamal Nath, releasing the latest FDI data here, said the country had received \$14.6 billion worth FDI in April-August period in this financial year, which is a whopping 124% rise over \$6.5 billion in the corresponding period a year ago.

In 2007-08, India received FDI inflows of \$24.57 billion. Nath said August alone saw FDI inflow of \$2.32 billion, a jump of 180% over August 2007. "This is unprecedented...this is a good sign in comparison to the global economic situation," Nath said. Admitting that India will be affected by the sentiment and frenzy effect of the global situation, Nath, however, said "we have the confidence to tide over the global financial crisis".

However, experts are not that optimistic. Rajeev Kumar, Director and Chief Executive of Indian Council for Research on International Economic Relations (ICRIER) said most of the FDI that the country is receiving now are old commitments made on the basis of the analysis then.

"The FDI inflows may well be at its peak now. One should not read too much into this," he said, adding that the government should not be complacent and should stop letting the rupee depreciate so sharply. The rupee has depreciated by 19% this year so far.

"Now is the time to put the brakes on (rupee depreciation) given that the trade balance is deteriorating."

Pointing out that the manufacturing sector received \$5 billion worth FDI during the April-August period, an increase of 41% over inflows, Nath said "the good part is that recipient sectors are manufacturing and infrastructure."

The industries in the manufacturing sector that got a sizeable portion of FDI include metallurgical industries (\$765 million), cement and gypsum products (\$627 million), automobile (\$441 million), telecom equipments (\$309 million) and chemicals, other than fertilisers (\$301 million).

'€20 b target for trade with Germany in sight'

The Union Minister of Commerce and Industry, Mr Kamal Nath, said that reaching the bilateral trade target of €20 billion by 2012 between India and Germany appears within sight and the strength of the relationship is evident from the healthy growth in bilateral trade.

Stating this at his interaction with Mr Christian Wulff, Minister-President of the State of Lower Saxony (Germany), here, Mr Nath pointed out that the State of Lower Saxony could be an important trading partner in sectors such as agriculture, mining, crude oil, manufacturing, aviation, shipbuilding, biotechnology, steel, tourism industry and telecommunication.

During discussion, both sides agreed to enhance bilateral relations between Lower Saxony and India.

India's Priority

Mr Nath stated that India's priority is to carry forward its reform process so as to accelerate growth in an inclusive manner. Bilateral trade between India and Germany is showing a consistent growth. During 2007-08, bilateral trade was of \$14.7 billion as against \$11.5 billion during 2006-07. India's major exports to Germany include readymade garments, machinery and instruments, electronic goods and transport equipments, while major imports from Germany include machinery (except electrical and electronics), iron and steel, machine tools and organic chemicals.

Investor-friendly

During the meeting, Mr Nath emphasised that Lower Saxony should take advantage of India's investor-friendly climate and German companies should show greater engagement with India, especially in the sectors of infrastructure, information technology, bio-technology and automobile, an official release said.

'E-payment market likely to grow 70% in next 2 years'

Electronic payment is poised for rapid growth in the country in the next couple of years, even though it is still in its infancy in the country and over 50 per cent of bills are still paid by cash.

In a recent report, "Payments in India Going e-Way," Boston-based financial research and consulting firm Celent said the Indian retail e-payment market is likely to grow nearly 70 per cent in the next two years. The value of retail e-payment would be between \$150 billion and \$180 billion by 2010.

However, at present, only 17-20 per cent of bill payments occur electronically, and the majority of these transactions are in urban areas. Customers still prefer to pay standing "in line" rather than "online", the report said.

The report said India is dominated by paper-based transactions in volume, but electronic payments have been growing at over 60 per cent in the last three years, with over 75 per cent transactions currently taking place via electronic mode. Electronic payment accounts for about 37 per cent of total payments by volume.

India exceeds export target for 2007-08, touches USD 163 bn

India exceeded the export target for 2007-08 by 3 billion dollars achieving an overall growth rate of about 29 per cent, appreciation of rupee notwithstanding.

"Exports reached a level of 162.9 billion dollars during 2007-08, registering a growth of 29.02 per cent over the same period last year," according to the final figures released by the Directorate General of Commercial Intelligence and Statistics.

The export target for the fiscal 2007-08 was 160 billion dollars. In the same period, the domestic currency appreciated by about 8 per cent, eroding the profit margins of exporters.

In rupee terms, the shipments for the period recorded a growth of 14.7 per cent to Rs 6,55,864 crore compared to Rs 5,71,779 crore last fiscal, it said.

The major sectors which drove the exports during the period were engineering goods, petroleum products, gems and jewellery, agriculture and allied products and ores and minerals, it said.

Exports of textiles, handicrafts and sports goods, which were badly hit during 2006-07 due to appreciation of rupee vis-a-vis dollar since September 2006, showed improvement in their performance during the year, it added.

The country's export for the first five months of the current fiscal grew by 35.1 per cent to 81.2 billion dollars from that of 60 billion dollars corresponding period previous year.

PE inflows hit \$10bn mark

Private equity investments in the country have touched nearly \$10 bn in the first nine months of this year with \$3 bn coming in the last three months, a report says.

"Private equity firms invested about \$3 bn in 116 Indian companies during the quarter ended September taking the total investments in the first nine months of the year to over \$9.7 bn across 330 deals," according to the latest report from Venture Intelligence, a research service focussed on private equity and venture capital.

The PE investments in the September quarter was lower than that of the same period last year when \$4.2 bn was invested in 115 deals but it is higher in comparison with the immediate previous quarter (which witnessed 80 deals totalling \$2.9 mn), the report added.

"Pre-IPO placements and buyouts completely dried up during the latest quarter. While late stage investments accounted for a third of the deals during Q3 of 2008, the share of venture capital investments rose to 40 per cent in volume terms," Venture Intelligence Founder and CEO Arun Natarajan said.

The report further highlighted that the July-September quarter saw almost \$1.8 bn being raised by India-dedicated private equity funds. Of this, Sequoia Capital successfully raised a \$750 mn second growth capital fund.

Other firms that closed new funds during the period included Franklin Templeton, Nexus India Capital and Gaja Capital, the report added.

Indo-US bilateral trade may top \$50 b in 2008

The United States Commercial Service stated that the total bilateral trade between India and the US is likely to exceed \$50 billion by the end of 2008 against \$41.6 billion last year.

With the signing of the nuclear deal between the two countries recently, the trade volumes are likely to go up further not only with India but other countries too, according to senior US officials.

Of the \$17.6 billion US exports to India in 2007, aviation accounts to about \$6 billion (34.4 per cent). The growth has been quite rapid from \$2 billion in 2006 to \$6 billion in 2007, and there is immense potential for upside, according to Mr Steven White, Charge D' Affairs, US Embassy.

Addressing a press conference, Mr White said that a large contingent of US companies is now in India exploring opportunities for co-operation with their Indian counterparts in the aviation sector.

Unfazed by the current financial turmoil, they believe that China and India are amongst two fastest growing economies having potential for business expansion in several sectors, including aviation, infrastructure and energy.

Citing some of the recent initiatives to fund the aviation industry, Mr Carmine S. Aloisio, Minister Counsellor, US Embassy, said that the Ex-Im Bank had extended a \$549-billion financing as a part of \$1.23 billion loan for purchase of Boeing aircraft to Air India.

Aviation sector needs \$300 billion in the next 10-15 yrs: Patel

India needs a whopping \$200 billion-\$300 billion investment in the aviation sector over the next 10-15 years.

The investment will cover the entire spectrum of the aviation industry including the ancillary industries, said civil aviation minister Praful Patel.

Speaking at the inauguration of the India Aviation 2008, first international exhibition and conference on civil aviation being held at Hyderabad, he said, "there is a rough patch in the sector worldwide and India is no exception. But we will be able to progress as the Indian aviation companies have laid a strong foundation for themselves. They fly between destinations far and wide. And the government will do everything possible to support the aviation companies and other ancillary industries.

We do accept that some work needs to be done with the regulatory framework behind the scene".

In the years to come, the Indian aviation industry is poised to grow and would position itself among the top aviation markets globally. This is very clear from the fact that the country is geographically spread with huge population. Besides, it is becoming an economic power.

"In 2004, the sector started slowly with probably 100 plus aircraft. It was very small then, for a country like India. Though we have not grown big, over the years, the size of the aircrafts which the airline companies have, is a clear testimony to the fact that the aviation industry is here to stay".

Speaking on the occasion, YS Rajasekhara Reddy, chief minister of Andhra Pradesh said, India has a growing aviation market with wide opportunities and potential.

"Every possible player has to take look at India in a positive manner in terms of investments. We in the state of Andhra Pradesh adopt proactive measures for the benefit of the industry.

In fact, we were the first state to reduce the tax on aviation fuel, helping the industry to a large extent. And in terms of infrastructure development, we are planning for six new airports in the state and we are also in the process revamping two non functional airports.

According to Madhavan Nambiar, secretary, ministry of civil aviation, the industry has contributed significantly to the growth in the country, both directly and indirectly. It has created lot of opportunities for the domestic and international

tourism, has facilitated in creation of infrastructure, besides developing ancillary industries.

ADB puts India's GDP at \$35 t by 2040

Recently in Singapore The Asian Development Bank reckons that India will grow at 11.5 per cent (average) over the next 30 years.

By 2040, India's GDP will be \$35 trillion at 2007 prices, against \$1 trillion now, said Mr Rajat Nag, Managing Director-General, ADB.

Addressing the Pravasi Bharatiya Divas, a conference of the Indian diaspora here, Mr Nag said that by 2040, India would be the second largest economy in the world, only after China, accounting for 18 per cent of the world's economy, against 2 per cent today.

He said that the Indian rupee would appreciate against the US dollar, contributing to the GDP, which is calculated in terms of the dollar. Of the 11.5 per cent growth projected, 9 per cent would be in terms of 'real effective exchange rate' (REER), and the appreciation of the rupee would account for the rest.

By 2040, India would be the second largest economy in the world, after China. India's population would have risen to 1.7 billion people, but still, the per capita income would be \$20,000.

The transformation of India from 'poor' to 'rich' would happen in one generation, Mr Nag said.

Mr Nag, an alumnus of IIT, Delhi, said that India has an edge over China in terms of demographics. While China's labour force is ageing and will peak in a few years, India's is young and the ratio of labour force to overall population is growing.

External Sector: Foreign Trade April 2008

Region/Country	Export			Import		
	US \$ million		% change	US \$ million		% change
	2007-08	2008-09	2008-09	2007-08	2008-09	2008-09
World	10952.8	15960.9	45.72	17744.0	24753.2	39.50
Africa	1235.1	1341.3	8.60	1952.1	2022.8	3.62
Egypt	69.3	227.4	228.30	126.9	110.4	-12.96
Kenya	120.3	113.2	-5.87	5.3	8.2	55.40
Mauritius	77.7	129.2	66.30	0.7	1.3	77.43
Nigeria	54.6	86.3	57.90	736.3	660.6	-10.28
South Africa	94.6	113.9	20.37	289.5	482.7	66.73
America	1737.7	2427.0	39.67	1414.4	2281.4	61.30
Brazil	118.6	266.2	124.53	39.2	87.2	122.12
Canada	78.7	101.8	29.32	87.6	122.4	39.73
Mexico	34.8	51.7	48.79	126.3	207.3	64.08
USA	1391.2	1718.2	23.51	818.3	1124.9	37.47
Asia (excl. Middle East)	3563.2	5058.4	41.96	5117.0	6799.5	32.88
Bangladesh	182.5	239.0	30.96	14.8	27.0	81.75
China	660.3	1057.3	60.11	1766.9	2575.9	45.79
Hong Kong	417.6	500.8	19.92	332.0	116.7	-64.85
Indonesia	129.0	206.1	59.75	450.4	461.3	2.41
Japan	314.5	275.5	-12.41	538.9	738.7	37.07
Korea DPR (North)	56.6	77.3	36.47	5.1	21.1	315.94
Korea Republic (South)	223.2	309.7	38.789	414.7	622.4	50.09
Malaysia	98.9	260.7	163.71	382.5	651.2	70.26
Nepal	103.5	176.6	70.60	25.2	46.8	85.37
Philippines	28.3	57.3	102.42	17.3	11.3	-35.07
Singapore	658.5	854.3	29.73	706.9	916.6	29.67
Sri Lanka	259.0	304.9	17.74	24.1	35.1	45.38
Taiwan (Taipei)	112.7	102.2	-9.34	149.8	192.3	28.38
Thailand	80.0	194.2	142.72	169.5	201.6	18.95

Viet Nam	83.4	198.6	137.97	9.9	30.4	208.38
Middle East	1844.9	2786.0	51.01	4328.7	6862.6	58.54
Iran	132.6	120.7	-8.96	762.8	1015.4	33.12
Iraq	9.2	42.1	358.13	381.4	875.9	129.64
Israel	98.6	130.6	32.49	120.7	67.6	-43.96
Kuwait	57.9	85.7	48.15	501.3	704.1	40.45
Saudi Arabia	154.5	431.1	179.02	941.8	1564.9	66.16
UAE	1080.7	1721.9	59.33	1099.1	1659.9	51.02
Europe	2476.3	4105.9	65.80	4225.4	5799.9	37.26
Belgium	312.0	399.4	28.02	404.2	152.5	-62.27
Denmark	32.3	45.1	39.61	34.5	39.8	15.56
France	193.5	291.6	50.67	152.7	263.6	72.66
Germany	313.0	548.7	75.32	699.2	907.6	29.80
Italy	266.2	381.5	43.31	235.1	535.5	127.80
Netherlands	234.9	553.9	135.82	145.3	169.0	16.31
Russia	61.7	94.0	52.34	138.6	258.8	86.65
Spain	142.1	407.9	186.98	51.8	73.7	42.31
Sweden	32.5	49.1	50.96	190.8	191.7	0.48
Switzerland	62.8	55.2	-12.02	1334.3	1965.2	47.28
Turkey	121.4	150.3	23.84	80.5	266.1	230.57
UK	445.1	589.6	32.46	366.5	341.7	-6.77
Oceania	70.6	109.0	54.31	689.8	964.9	39.89
Australia	59.2	86.9	46.79	655.0	920.0	40.46
