

Weekly Economic Bulletin

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News Feature

India's growth story just got better

India's economic growth rate accelerated to 9.2 per cent in the July-September quarter from 8.4 per cent in the year-ago quarter on the back of a strong performance by the manufacturing and services sectors, raising the likelihood of interest rates being raised in January 2007.

Taken along with 8.9 per cent growth in the first quarter of the current financial year, this comes to 9.1 per cent growth for the first six months of 2006-07. Finance Minister P

Chidambaram said this was the highest first-half GDP growth since 1991-92, when economic reforms were initiated.

He added that the 9.2 per cent growth clocked in the second quarter was among the highest growth rates in recent years.

"Higher growth rates were only seen in the fourth quarter of 2005-06, which saw 9.3 per cent growth and in the third quarter of 2003-04, which saw 11.3 per cent rise. This, however, was on a low base of 1.5 per cent," he said.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&bKeyFlag=BO&autono=266585&chkFlg=

Indian economy can grow 8 pc in FY07: ADB

The Asian Development Bank today said India's GDP can grow in excess of 8 per cent this fiscal, higher than its earlier projection of 7.8 per cent.

"Growth is buoyant and in 2006-07 it could exceed 8 per cent," said ADB's Rajat Nag, Managing Director (designate) and Special Advisor to ADB President.

The average 9 per cent growth during 2007-12 is quite achievable but "10 per cent growth may be a stretch," Nag said.

He complimented the government finances as fiscal deficit was declining and tax revenue was growing.

Current account deficit of India, is likely to hit 2 per cent of GDP for the whole fiscal year, he said adding that foreign exchange reserves are quite healthy.

Infrastructure needs more attention to sustain the high growth rate as India spends only 4.5 per cent of GDP on the sector, while China spends 12 per cent of GDP.

<http://economictimes.indiatimes.com/articleshow/623592.cms>

Overseas Investment

17 FDI proposals of Rs 3,536 cr cleared

Italian auto major Fiat SPA's proposal to enhance investment in its Indian arm, Fiat Indian Automobiles Pvt Ltd, by Rs 2,000 crore is among 17 foreign direct investment proposals cleared by Finance Minister P Chidambaram.

The 17 proposals involve a total FDI inflow of Rs 3,536 crore and are recommended by the Foreign Investment Promotion Board (FIPB) for clearance.

Fiat would be making the investment to manufacture fuel-efficient passenger cars in Pune.

US-based Fox International Channels' proposal to invest Rs 1.5 crore through its Indian arm to undertake television broadcasting business of non news and current affairs television in India has also been cleared by the FIPB.

The media firm proposes to invest up to 100 per cent in equity and preference shares of a company that has been proposed to undertake television-broadcasting business.

Mauritius-based Essar Telecommunications' offer to invest Rs 230 crore was also cleared by the FIPB. The company proposes to act as a foreign-owned Indian holding company to further acquire additional 5.85 per cent stake in Hutchinson Essar Ltd.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=266460

FII investment zooms past \$50 bn

\$49.98 billion invested in equities, \$1.08 billion in debt.

Foreign institutional investors' (FIIs) net investment in India has surpassed \$50 billion.

Ever since the government opened the doors for the overseas portfolio investors in 1993, FIIs have invested \$49.98 billion in the equities till date.

Taking into consideration their \$1.08 billion investments in the debt market, total FII investment, as on Tuesday, was pegged at \$51.06 billion. In rupee terms, their investments were Rs 2,16,048 crore.

Between April 1993, when the FIIs started investing in Indian markets, and now, they have bought shares worth Rs 12,83,336 crore and sold shares worth Rs 10,67,319 crore.

Although their investment aggregated at \$50 billion now, the market value of the investment at the current exchange rate of Rs 44.68 per dollar is a whopping \$ 117.13 billion (Rs 5,25,280 crore).

This essentially means that apart from the huge dividend that the foreign players have received from the Indian corporations, the value of their investment in India has grown by 135 per cent.

<http://www.businessstandard.com/common/storypage.php?autono=266262&leftnm=0&subLeft=0&chkFlg=>

15 venture funds to invest in real estate

Around 15 venture funds from the US and Southeast Asia will be making investments in the Indian real estate sector through the FII route. The average ticket size of the investments likely to be made by these funds is around \$200-250 million.

Funds that are presently making enquiries on investing in the real estate sector in India include the Blackstone Group, Berkshire Hathaway, JP Morgan, CalPERS, Lehman Brothers and GIC, according to a report by real estate consultant Jones Lang La Salle.

Eight to ten venture funds both from India and overseas have already announced plans to foray into the real estate sector.

The funds include big names like ICICI and the US based Tishman Speyers, Ascendas, GE of Singapore and US, HDFC, US based IREO, Fire Capital, an India based fund, Morgan Stanley, Merrill Lynch, New Vernon, and the US based Xander.

With the entry of 15 more funds, the total size of foreign investments in the Indian real estate sector will increase to \$5 billion. According to Lang Salle, the objective of the existing funds varies as both investors and developers are setting up these funds.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=266454

Trade News

India to pitch for MFN status with Pakistan

In yet another attempt to convince Pakistan to establish normal trading relations with India, foreign minister Pranab Mukherjee is expected to take up the issue of grant of the most favoured nation status to India by Pakistan in the composite dialogue scheduled to be held in Islamabad in January 2007.

Pakistan attempted to appease India earlier this year by expanding the positive list of products, which it allows to be imported from India by 304 items to 1,077.

India, however, is not satisfied. It wants Pakistan to honour its commitment under the South Asia Free Trade Agreement (Safta) by allowing import of all products except the ones included in the negative list notified with the Saarc secretariat. Pakistan allows Safta members preferential access for more than 4,000 products and bars access to just 1,185 items on the negative list.

However, for India, preferential access is limited to only 1,077 items placed on the positive list. The discrimination against India will continue till Pakistan decides to establish normal trading relations with India by granting it MFN status.

<http://economictimes.indiatimes.com/articleshow/644490.cms>

India-Pak trade has potential to cross \$6-bn

Trade between India and Pakistan can increase to a phenomenal level of \$6.6 billion if barriers are removed and the neighbouring country implements the South Asia Free Trade Area (SAFTA) agreement, an ICRIER report has said.

India's exports increased by 157 per cent to \$428.1 million and imports by 143 per cent to \$82.1 million in the first quarter of 2006-07 as against the corresponding period last year, according to official figures.

"Trade between the two nations is very small as compared to trade between India and its other large partners in South Asia," Indian Council for Research on International Economic Relations said in a report on 'India-Pakistan trade'.

On the other hand, informal trade through a third country is estimated to be in the range of two billion dollars, the report said.

<http://economictimes.indiatimes.com/articleshow/617395.cms>

India-Canada business ties get a boost

The India story appears to have entered the virtuous cycle. That is the impression you get when you hear the plans Canada's government and companies have for India. Having realised that Canada's trade with India was miniscule, and no Canadian company had a significant exposure to India, Canada is now trying to engage India at multiple levels.

From federal government, to provinces, and finally individual corporates, at all levels there is a realisation that business with India can be larger.

In recent months, there have been visits by government and business delegations at various levels. How serious is the effort? Between November 2006 and May 2007 one or the other Canadian delegation will travel to India at least once a month.

What they want to stress is the similarity of business strengths between Canada and India. Key sectors in Canada are IT, life sciences, multimedia, aerospace, mining and infrastructure. Many of these are high growth areas in India too.

<http://economictimes.indiatimes.com/articleshow/627601.cms>

India, Europe trade bloc sets up joint study group

In a significant bid to step up trade and investment flows, India and the European Free Trade Association (EFTA) bloc, comprising the member-countries of Switzerland, Norway, Liechtenstein and Iceland, on Friday set up a Joint Study Group (JSG) to explore the possibility of entering into broad-based trade and investment pact.

The agreement to set up the JSG was signed on Friday at a meeting of the EFTA Council in Geneva in the presence of Union Commerce and Industry Minister, Mr Kamal Nath, and

Ms Doris Leuthard, Federal Counselor, Federal Department of Economic Affairs, Switzerland. The Chairperson of the EFTA Council and Ministers from all other member States were also present.

The study would examine all aspects of bilateral economic relationship and recommend measures to deepen engagement through an expansion of two-way trade and investment flows.

This would also entail trade facilitation, technical standards, sanitary and phytosanitary standards, intellectual property rights and dispute settlements, besides, trade in goods and services. The JSG would be co-chaired by the Additional Secretary, Europe Division in the Department of Commerce, Mr Rahul Khullar, from the Indian side, while his counterpart official is to be designated by the EFTA.

<http://www.thehindubusinessline.com/2006/12/02/stories/2006120205461000.htm>

Sectoral News

PC mart grows 24% in Q3, HP remains No 1

The Indian PC market - desktop and notebook - grew by 24% year-on-year during the third quarter this fiscal with HP retaining the top slot with 21% market share, according to research firm IDC.

The number of unit shipments in the client PC market stood at over 1.4 million during the quarter, according to IDC's India Quarterly PC Market Tracker for the third quarter this year.

HCL retained the second position with a share of 12% followed by Lenovo at 9%, the firm said.

The top three rankings remained unchanged from the previous quarter. HP had a market share of 20% during the second quarter followed by HCL at 14% and Lenovo at 10% in terms of unit shipments.

http://www.businessstandard.com/common/storypage_c_online.php?leftnm=11&keyFlag=IN&autono=18122

Hospitals look to skies for medical tourism

Leading corporate hospitals like Apollo, Fortis and Wockhardt are eyeing alliances with foreign airlines to reach out to prospective markets. The alliances provide a win-win situation, as foreign carriers are also believed to be exploring similar opportunities in India.

While Kolkata's Apollo Gleneagles is in talks with Biman Bangladesh to offer "medical packages" at competitive prices, Wockhardt Hospitals is also talking to several carriers.

The Fortis chain and Escorts Heart Institute are also in the fray to explore potential alliances with foreign airlines.

Wockhardt Hospitals Group chief executive officer Vishal Bali said, “Several hospital chains are exploring options to increase the foreign patient inflow in India through partnerships. With international air fares becoming attractive and affordable, such alliances may reap rich dividends.”

<http://economictimes.indiatimes.com/articleshow/644541.cms>

FDI may fly up to 74% in airline sub-sectors

The government is planning to raise the foreign direct investment (FDI) limit to 74% for non-scheduled airline operations, helicopter services and regional airlines using small aircraft. The current FDI ceiling for airline services is 49%.

The proposal for hike in FDI limit in these sub-sectors, mooted by civil aviation minister Praful Patel, is to catalyse growth in these key areas, a government official said. However, FDI in domestic airlines will be retained at the existing level of 49%. The move involves ushering in a different FDI ceiling for these sub-sectors while retaining the limit for the chunk of domestic scheduled operators at the current level.

While Indian aviation is growing at an impressive double-digit pace, the benefit is flowing mostly to high-density metro routes, which have been the focus for all major airlines. However, non-metro routes, which can be profitably served by smaller airlines and helicopters, has not shown similar growth. Hence the plan to increase FDI limit as a booster dose for these lagging areas which need more connectivity.

<http://economictimes.indiatimes.com/articleshow/644640.cms>

Coal mining opened up to private investment

The government has opened the doors for private investment in the coal sector by allowing domestic and overseas mining companies to directly access captive coal blocks reserved for cement, steel and power sector players.

In all, 38 coal blocks with reserves of over 6 billion tonnes have been earmarked for allocation under the new dispensation that is expected to see interest from multinational biggies like BHP Billiton, Rio Tinto and domestic companies like Sesa Goa, Runta Mining, Essel Mining.

According to official sources, guidelines for allocation of captive coal blocks have been amended and under a new entry norm standalone mining companies (both domestic and overseas) have been permitted to apply for captive coal blocks. The only condition put is that these companies should have tied up supply contracts with one or more companies in the cement, steel and power sectors.

<http://economictimes.indiatimes.com/articleshow/630124.cms>

Organised retail's share up 6 pc

Organised retail's share of the total Indian retail market has increased, albeit marginally, to 6% from the earlier penetration of 3%, although retail is a significant about 39% contributor to India's economy, according to findings by AT Kearney.

Organised retail is expected to grow at a rate of approximately 35% per annum till 2010. When it comes to retail, India scores over China in that it is at the 'peaking' stage in the evolution of markets as compared to China which is in the 'declining' stage, states the CII-AT Kearney Retail report released today at the National Retail Summit 2006 held in Mumbai.

Markets that are in the 'peaking' stage are those that are developing quickly and are ready for modern retail. The markets that are in the declining stage are still big and growing but the space for new entrants is getting tighter. India has been ranked as the most attractive market for global retailers to enter now, according to AT Kearney's Global Retail Development Index for 2006.

<http://economictimes.indiatimes.com/articleshow/641539.cms>

News Round – Up

Forex reserves jump by \$5.9 b in November

The country's foreign exchange reserves rose sharply by \$2.427 billion to \$172.782 billion, for the week ended November 24. This is the sixth week in a row forex reserves have risen and the second consecutive week when they have gone up by over \$2 billion.

In the previous week, forex reserves moved up by \$2.071 billion to touch \$170.355 billion.

In November, forex reserves increased by about \$5.9 billion.

The hefty climb in forex reserves was mainly due to revaluation of foreign currencies, said Mr V. Rajagopal, Chief Dealer, Forex, Kotak Mahindra Bank. Dealers believe the RBI, during the week, prompted nationalised banks to visit the market to pick up dollars. FII inflows into the equity markets during the week were around \$621.6 million, according to SEBI figures.

<http://www.thehindubusinessline.com/2006/12/02/stories/2006120205770100.htm>

GDP growth lures foreign investors

India, with a growth of over 8% per annum, is emerging as the most-preferred destination for foreign investors, a survey by a leading business chamber says. In a survey by the Federation of Indian Chambers of Commerce and Industry (FICCI), 83% of foreign firms are considering expansion, while 71% hope the country will surpass the 8% GDP growth by March 2007.

A majority of foreign investors have achieved their growth target set for their India business, said the survey, adding that 91% of the companies making profits have been able to meet their profitability targets.

With more and more companies bringing in their assembly lines and setting up manufacturing units here, India is becoming a coveted place for investments.

India, with its young population, is an attractive destination for investment in comparison to other developing countries, including China, where the one-child policy has resulted in an older workforce. The perception of India as a manufacturing base has reasonably improved over the past two years, with 48% of foreign companies rating India as an attractive manufacturing base.

<http://economictimes.indiatimes.com/articleshow/702819.cms>