

Weekly Economic Bulletin

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News Feature

India heading for 9 per cent growth: Chidambaram

India is heading for a nine per cent growth this year on top of buoyant investments and domestic environment, Finance Minister P Chidambaram said .

"Aggregate efficiency of both capital and labour and the 35 per cent investment in proportion to the GDP ratio quiet easily translates to about 9 per cent growth," Chidambaram said here.

The Finance Minister, was replying to questions after delivering the annual Lakshman Kadirgamar Lecture, attributed the high foreign exchange reserves of over 250 billion dollars to high capital inflows.

"Capital inflows are very large that is why we have a high foreign exchange reserves," he said.

"If the level of investment in any country is 35 per cent and the country can make gains with capital and labour. I think it is reasonable conclusion that that country will witness very high growth," Chidambaram remarked.

When asked about the "secret mantra" behind the high economic growth being registered by India during the last few years, Chidambaram said "there is no secret to growth. Sound macro economic policies followed anywhere in the world will lead to high growths".

"India's growth is led by investment and domestic environment. In fact in the last four years, investment is a prime driver of growth and domestic demand and consumption is a close second. Our investment to GDP ratio is now little over 35 per cent," he said.

According to official estimates, the economy registered a growth rate of 9.3 per cent during the first quarter of FY 2007.

<http://economictimes.indiatimes.com/articleshow/2534441.cms>

India's Sept industrial output seen up 9.9%

India's industrial output in September is forecast to have grown 9.9 per cent from a year earlier, easing from the previous month and adding to expectations that official interest rates have peaked.

The median forecast of 10 analysts in a poll put annual growth below the robust 10.7 percent in August.

"Manufacturing should be strong but it will be slower than (the) previous year. I expect growth to be in this region as the festival season kicks in," said Riyaz Khan, economist with the Centre for Monitoring Indian Economy.

<http://economictimes.indiatimes.com/articleshow/2534274.cms>

India leads in PE inflows among emerging mkts

India has attracted the highest private equity (PE) investments at \$10 billion in 2007 so far in the emerging economies including China. According to an India-focused cross-border advisory firm IndusView, China attracted \$8.3 billion during the same period.

China received \$13 billion in PE investments in 2006 compared to \$7 billion in India. The equation has changed since then, with India taking the lead this year, said the firm. In 2005, India had attracted only \$2 billion as private equity.

The Indian real estate and infrastructure sectors have been a key contributor to this rising inflows. Out of \$10 billion PE fund that India attracted so far, \$5 billion came in these sectors.

<http://economictimes.indiatimes.com/articleshow/2525163.cms>

Overseas Investment

11th Plan proposes relaxing FDI in key sectors

The Eleventh Plan draft document has built a strong case for relaxing Foreign Direct Investment (FDI) norms in key sectors like insurance, private banking, single brand retailing and broadcasting.

"The progress regarding elimination of FDI limits in key sectors also needs to continue in order to increase FDI flows and stimulate transfer of technology, which is critical for improving competitiveness," said the 11th Plan draft document.

Presently, the FDI insurance sector is capped at 26 per cent, while it is at 51 per cent in single brand retailing.

In case of FM radio broadcasting, the government allows foreign investment up to 20 per cent. The FDI cap in sectors like defence production and print and electronic media is 26 per cent.

Sectors like air transport, asset reconstruction firms and cable network are allowed FDI up to 49 per cent.

The sectors with comparatively higher FDI cap of 74 per cent are atomic minerals, private sector banking, telecom and establishment and operation of satellites at present.

Given the current scenario, the document says FDI could increase significantly during the 11th-plan period.

It also suggested that while containing the trade liberalisation, government should take steps to consolidate the gains from FDI by reducing delays in State level clearances.

<http://economictimes.indiatimes.com/articleshow/2524731.cms>

Cabinet to consider 49% FDI in PSU refineries

The petroleum ministry has asked the Cabinet to raise the cap on foreign direct investment (FDI) in government-owned refineries to 49 per cent from the current 26 per cent.

A senior petroleum ministry official said allowing higher foreign capital flow into refineries would help make the country a refinery hub. India is already a net exporter of petroleum products. In private sector refineries, 100 per cent FDI is allowed.

“The Cabinet is likely to take up the issue next week,” said Petroleum Secretary MS Srinivasan.

<http://www.business-standard.com/common/storypage.php?autono=303366&leftnm=3&subLeft=0&chkFlg=>

Trade News

‘India-China trade likely to cross \$40 b in 2008’

Bilateral trade between India and China is expected to cross the \$40-billion mark in 2008, two years ahead of the targeted year of 2010, according to the Chinese Ambassador to India, Mr Sun Yuxi.

Last year, the leaderships of both the countries had, on the occasion of the visit of the Chinese President, Mr Hu Jintao, decided to double bilateral trade from \$20 billion to \$40 billion by 2010.

“The ground level activity that is happening now has raised the outlook and I expect that the \$40-billion level of bilateral trade would be reached by end-2008, two years ahead of schedule,” Mr Sun told.

He highlighted that bilateral trade up to October 31 this calendar year had touched \$27 billion. Mr Sun also said that he expects the bilateral trade to cross \$50 billion level in 2010.

Bilateral trade between China and India has seen a quantum leap in the recent years from \$4.8 billion in fiscal 2002-03 to about \$25 billion in fiscal 2006-07.

<http://www.blonnet.com/2007/11/07/stories/2007110752261000.htm>

Germany confident of \$20 billion trade with India by 2012

Given the current trend in India's growth trajectory, it would not be difficult to achieve the target of raising bilateral trade to \$20 billion by 2012, the director-general for Asian and Pacific affairs, federal foreign office of German government, Hans-Henning Blomeyer-Bartenstein, said.

Speaking at a symposium on Indo-German collaborations, organised by Indian Chamber of Commerce, Mr Bartenstein indicated that given the current dynamism of the Indian economy, Germany is interested in investing in transport, infrastructure development, renewable energy, efficient management of energy and environment, science and technology in collaboration with Indian partners.

Already, the fora on Indo-German Energy and Indo-German Environment are trying to explore possibilities of joint collaboration in generation of renewable energy, particularly solar and wind power-driven energy and other projects relating to efficient management of energy to cut down on pollution. "Such initiatives will be further strengthened in the coming months," said Mr Bartenstein.

In the first six months of 2007, bilateral trade between the two nations has touched a record \$7.62 billion, up by 15.63% over the corresponding period last year.

India's exports to Germany during January-June, 2007, has increased 12.64% to \$3.2 billion and imports from Germany by 17.86% to \$4.44 billion. Among foreign investors in India, Germany ranks 6th with total investment of \$1.7 billion.

<http://economictimes.indiatimes.com/articleshow/2520707.cms>

'Indo-Russia ties to grow further'

Underscoring Russia's "special and unique" place in India's foreign relations, Prime Minister Manmohan Singh has hoped that bilateral cooperation in the fields of defence and energy security will continue to grow in future.

"India and Russia have enjoyed close ties of friendship and partnership over the last sixty years. Russia occupies a special and unique place in India's foreign relations. Our time-tested relationship is based on deep mutual trust and understanding," PM said.

Expressing optimism on the future of bilateral strategic partnership between the two nations, he said "Indo-Russian relations will grow to great heights. The evolution of our relations will be based on the solid foundation of the last sixty years. I see a continuing convergence and similarity of our world views on major international issues.

The prime minister dubbed Russia as India's "most important partner" in defence cooperation.

"Russia is the only country with which we have a formal mechanism of an Inter-Governmental Commission for military-technical cooperation, which meets annually under the chairmanship of the two defence ministers," Singh underscored.

"Defence cooperation is an integral element of our strategic partnership. Joint research, development and production of defence equipment will continue to play an important role in strengthening India's strategic partnership with Russia,."

Singh said noting that many defence contracts between the two nations are at various stages of implementation. He cited last month's signing of inter-governmental agreement for cooperation in the production and development of fifth generation multi-functional fighter aircraft (FGFA).

"I am sure that bilateral collaboration in the field of military technical cooperation will continue to grow in the future," the PM said.

<http://economictimes.indiatimes.com/articleshow/2531392.cms>

India, Ethiopia explore possible co-operation in gas, oil

India and Ethiopia explored possibilities of co-operation in the oil and gas sector.

The Petroleum Minister, Mr Murli Deora, held bilateral talks with his counterpart from Ethiopia to accelerate and expand co-operation in various activities in the hydrocarbon sector.

At the meeting with Mr Alemayehu Tegenu, Minister of Mines and Energy of Ethiopia, the two leaders explored possibilities of co-operation in the sector. The Indian side suggested roping in Engineers India Ltd (EIL) in engineering and other services.

Similar, assistance was also offered in largely unexplored exploration and production (E&P) activity of Ethiopia along with utilising Indian expertise in setting up refinery in that country, Mr Deora told.

The Indian side also offered its assistance in developing a pipeline network along with building infrastructure for transportation of liquefied natural gas in smaller quantities to the places, which are not connected by pipelines in that country.

The Ethiopian Minister showed keen interest in India's ethanol blended petrol programme and enquired about the progress in bio-diesel production in the country.

<http://www.blonnet.com/2007/11/06/stories/2007110650571200.htm>

Assocham calls for early free-trade pact with GCC

India's total trade with Gulf Co-operation Council (GCC) is likely to go up to \$28 billion by March 2008 and exceed \$40 billion by 2010, provided Free Trade Agreement (FTA)

between the two is hurried up, according to The Associated Chambers of Commerce and Industry of India (Assocham).

A paper brought out by the chamber points out that India's total trade with GCC countries, comprising Bahrain, Kuwait, Oman, Saudi Arabia, Qatar and the UAE, has already gone up to \$22.5 billion, in fiscal ending March 2007 from \$5.6 billion in fiscal 2001.

The GCC has emerged as the third largest trade partner for India after European Union and the US.

<http://www.blonnet.com/2007/11/07/stories/2007110752281000.htm>

Sectoral News

India to become the luxury retail destination

International luxury goods makers are planning to foray into India in a big way, perceiving the country as a major "retail destination" of top- end products.

"India is becoming the beacon of the future," said Tikka Shatrujit Singh, Advisor to the Chairman of Louis Vuitton company, a French leather and fashion brand that is set to expand its footprint in the country.

An environment has now been created for consumption of high-end luxury goods and services, UB Global CEO Shashikanth said, which is all set to roll out a luxury retail project, UB City-Collection, in first quarter of next year.

"The group had already signed up 10 international brands including names like Dunhill Gucci, Mont Blanc, Van CLeef, Arpels, Zegna and would bring in 12 others, Shashikanth added.

The luxury retail market, which is currently in its nascent stage, was roughly estimated to be around Rs 1,500 crore and expected to grow at 20 per cent in next five years.

<http://www.financialexpress.com/news/India-to-become-the-luxury-retail-destination/237091/>

Steel sector to get Rs 150 lakh cr investment in 5 yrs

The Indian economy should expect an investment of Rs 150 lakh crore in the steel sector in the next five years. Of this, public sector undertakings will invest about Rs 60,000 crore. This was announced by Union Minister of Chemicals, Fertilisers and Steel Ram Vilas Paswan.

On sidelines of the meeting of the parliamentary consultative committee on steel in Chandigarh, the minister said a rapid expansion of the steel industry was indispensable to keep up the pace of economic development.

He said the steel sector was growing at a rate of 12-13 per cent and the production of steel in the current year was 50 million tonne. The target for 2010 is 80 million tonne and by 2020 the aim is to attain a production of 200 million tonne.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=303568

Cement industry to add 111-mn tonne capacity by 2010

The cement industry is poised to add 111 million tonnes of annual capacity by the end of 2009-10 (FY10), riding on the back of an estimated 141 outstanding cement projects.

The surplus position, that was long enjoyed by the industry, is steadily on the decline on account of increased demand. According to recently announced expansion plans, installed capacity is expected to increase to 186 million tonnes per annum (mtpa) by FY08-end, and 219 mtpa by end of FY09, and up to 241 mtpa by FY10-end, says the latest ICRA Industry Monitor report.

The report predicts that considering an expected production and consumption growth of 9 to 10 per cent during this year, the demand-supply position of the cement industry is expected to improve from 2008-09 onwards, resulting in an expected price stabilisation.

Cement prices shot up from Rs 158 a 50 kg bag in December 2005 to Rs 229 for the same quantity this July, while the wholesale price index (WPI) for cement increased 9.1 per cent in FY07, compared with 3.9 per cent during FY06.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=303955

TCS, Infy among world's top-20 FinTech list

Four Indian companies, including two of the country's biggest IT firms, TCS and Infosys, have been named among the world's 100 biggest technology providers to the global financial services industry. Tata Consultancy Services has also emerged as the first Indian firm to be named among the top 10 in the annual FinTech 100 list of financial industry technology vendors that was released.

Besides TCS and Infosys, I-Flex Solutions and Patni Computer Services have been named in the list. TCS moved up three positions from 13th last year to be ranked as 10th biggest technology vendor in 2007. Infosys also moved up four positions to 14th this year. It had been ranked at 18th position in 2006 and 28th in 2005.

I-Flex and Patni have been ranked at 30th and 45th positions respectively in the FinTech 100 list that is topped by Fidelity Information Services of the US. TCS is the only second non-US firm in the top ten, besides the UK-based Reuters (8th) in the list.

Other companies in the top ten include Fiserve (2nd), NCR (3rd), Diebold (4th), SunGard (5th), Unisys (6th), Broadridge Financial Solutions (7th) and First Data Corp (9th).

The annual ranking is being published for four years now by American Banker, a banking and financial services daily, and Financial Insights, a unit of global independent technology advisory firm IDC.

<http://economictimes.indiatimes.com/articleshow/2529869.cms>

Youth market for mobiles in India growing at 300 per cent

Indicating the growing interest of youngsters in mobile phones, the country's youth market for cell phones has been growing at 300 per cent in the recent years, says a study.

The youth market for mobiles has touched 27.6 million this year compared to 8.3 million people in 2005, says the global study conducted by leading mobile phone maker Nokia.

As per the report, entertainment is expected to be one of the main revenue generators for value added services (VAS) segment and is likely to dominate the mobile space in India.

The total earnings from mobile entertainment services is estimated to be Rs 1,500 crore in India whereas the global entertainment earnings stood at \$110 billion.

<http://economictimes.indiatimes.com/articleshow/2526216.cms>

News Round – Up

M&As, PE deals total \$63.5 billion till Oct

It's a total rockfest on deal street. For the first 10 months of the year, the total value of mergers & acquisition (M&A) and private equity (PE) deals involving India Inc has more than doubled to a staggering \$63.5 billion compared to \$30.3 billion in the same period last year. While the billion-dollar strategic M&A deals hogged the limelight in the early part of this year, PE investments are leading the way in the second half.

For instance, the total value of PE deals between January and October has shot up to \$13.62 billion against \$5.93 billion in the corresponding period last year, according to the latest dealtracker by advisory firm Grant Thornton.

During the period, the volume of PE deals increased by 32% to 380 deals. This means that the average size of PE deals this year also increased from \$26 million to \$40 million.

There was a similar increase in size of the average M&A deal, which was expected given the multi-billion deals of Tata-Corus, Vodafone-Hutch, among others. While volume of strategic M&A deals rose 53% to 582 in the first 10 months of 2007, the average size of M&A deals increased from \$64 million to \$85 million this year.

<http://economictimes.indiatimes.com/News/News By Industry/Banking Finance /M As PE deals total 635 billion till Oct/articleshow/2534013.cms>

World Bank ranks India at 39th in global trade logistics

India Inc continues to grow strong in terms of expanding businesses across the world, but when it comes to cross-border transportation of goods, the country ranks below a number of other major economies such as the US, UK and China.

India holds the 39th position on the Logistics Performance Index (LPI) that is based on the ability to transport goods reliably and in a cost-effective manner to and from a country, says a World Bank study - Connecting to compete: Trade logistics in the global economy.

The list of 150 countries has been topped by Singapore, followed by the Netherlands (2nd), Germany (3rd), Sweden (4th) and Austria (5th). Others in top-ten include Japan, Switzerland, Hong Kong, UK and Canada.

India has been ranked below the US (14th), China (30th), Finland (15th), Australia (17th), France (18th), New Zealand (19th), Italy (22nd) and South Africa (24th).

However, the country has found a place higher than as many as 111 nations including Saudi Arabia, Poland, Qatar, Cyprus, Pakistan, Bangladesh and Sri Lanka.

India is the second highest ranked nation among the BRIC countries after China. Brazil and Russia have been positioned at 61st and 99th place respectively.

Terming India as one of the nations making a "transition from the vicious circle to the virtuous circle", the study said the country is also one of the comprehensive reformers in logistics alongwith South Africa and emerging economies in East Asia and Latin America.

Further, India is ranked 46th in terms of logistic costs. These costs are much higher in the country compared to China (43rd) but less than Sri Lanka (47th) and Bangladesh (48th).

In terms of timeliness, India is ranked at the 47th place while China is at the 36th position.

On a scale of one to five, India has been given an overall score of 3.07 points on LPI reflecting parameters like customs, infrastructure, international shipments, logistics competence, tracking and tracing of shipments, domestic logistics costs and timeliness.

<http://economictimes.indiatimes.com/articleshow/2532844.cms>