

Weekly Economic Bulletin

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News Feature

Near 9 pc economic growth in FY'08 possible: FM

Attributing the slower 8.9 per cent economic growth in the second quarter to sluggishness in manufacturing sector, Finance Minister P Chidambaram said he believes GDP will grow close to nine per cent in 2007-08.

"There is turbulence in the international markets, there is slowdown in world output, we have adopted a tight monetary stance. The commodity prices are high, crude oil prices are high. All this points to some moderation... but I am quite confident that economic growth this fiscal will be pretty close to nine per cent," he told.

He said rupee appreciation had also affected GDP growth to the extent it affected exports. However, rupee has appreciated only against the dollar, and there has been zero rupee appreciation against the Euro, he added.

Declining to comment on whether exports target of 160 billion dollars would be achieved this year, he said the government was committed to provide all support to export sector "within affordable limits."

On whether monetary stance could be softened after fall in inflation, the Finance Minister said inflation is expected to remain at the current rate. Inflation for the week ended November 17 stood at 3.21 per cent.

Exuding confidence in the revival of agriculture, he said: "Wheat production is expected to be one million tons higher than the previous year. With agriculture growth rate touching 3.6 per cent in second quarter, agriculture growth is expected to remain close to the target of 4 per cent."

Chidambaram recalled that he has been saying that economic growth would be moderate in the second quarter, but overall it would be close to nine per cent.

Economic growth slowed down to 8.9 per cent in the July- September quarter from 10.2 per cent in the corresponding period of the last year. However, economic growth in the first half of this fiscal stood at 9.1 per cent, he said.

<http://economictimes.indiatimes.com/articleshow/2585275.cms>

NSE leads global stock futures deals

The National Stock Exchange (NSE) has climbed to the number-one spot in stock futures contracts in the world, beating South Africa's JSE (formerly the Johannesburg Stock Exchange). NSE launched trading in individual stock futures in November 2001.

In the index futures segment too, NSE is at the number-two slot after Eurex, which is jointly operated by Germany's Deutsche Borse and the SWX Swiss Exchange. Early this

year, the Deutsche Borse had bought a 5 per cent stake in NSE's rival in India, the Bombay Stock Exchange (BSE).

In stock and index options, however, NSE did not figure among the top-three slots. Interestingly, NSE introduced trading in index futures (June 2000), index options (June 2001), options in individual stocks (July 2001) before introducing stock futures.

The International Securities Exchange of New York topped in the stock options trade (82,862,031 contracts), followed by the Chicago Board of Options Exchange and the Philadelphia Stock Exchange (which was recently acquired by Nasdaq).

In index options, the Korea Exchange (205,967,768 contracts) topped the chart, followed by the Chicago Board Options Exchange and the Eurex.

NSE's rise to the number-one slot in stock futures was mainly due to the frequency of stocks added into the F&O segment, said dealers. NSE has been adding more stocks into its derivatives segment in the recent past, from 53 securities in March 2005 to 207 securities.

According to the NSE data, the number of stock futures contracts traded on the exchange in October were 24,008,470 compared with JSE's 8,367,397 contracts in the same period. The Eurex replaced the Euronext Liffe in the third slot with 2,195,807 contracts.

<http://www.businessstandard.com/common/storypage.php?autono=305511&leftnm=0&subLeft=0&chkFlg=>

Overseas Investment

Real estate may see \$30 bn FDI: Assocham

Foreign Direct Investment in the Indian realty sector may jump around six-fold to USD30 billion over the next 10 years, with the sector projected to grow at more than 30 per cent in the next few years, Industry body Assocham said.

Currently, FDI inflows to the sector is estimated between 5 to 5.50 billion dollars.

The domestic real estate market, which currently stands at 14 billion dollars, is estimated to be 102 billion dollars in the next 10 years, when the FDI inflows to the sector would be about 30 billion dollars, the chamber said in a statement.

At present, foreign developers can undertake construction activities on a minimum space of 50,000 sq ft, which may be raised by the government over the years, resulting in more FDI inflows to the sector, Assocham president Venugopal Dhoot said.

The government needs to do away with the multiple approvals at the central and state levels required for setting up townships, it said.

Given the rapid growth of the country's IT sector, which would require space of 200 million sq ft and around 20 million dwelling units, the real estate sector is set to grow exponentially, Dhoot said.

"Increase in purchasing power and exposure to organized retail formats have redefined the consumption patterns for dwelling units due to which retail projects have mushroomed in smaller towns and cities," he added.

As per estimates by the chamber, nearly 30 million sq ft of organised retail space is currently available, while another 90 million sq ft is likely to be added by 2008 from over 265 mall projects.

<http://www.financialexpress.com/news/Real-estate-may-see-30-bn-FDI-Assocham/245884/>

FDI limit in aviation on cards

The Union Cabinet will take up soon a proposal to raise FDI limit in non-scheduled airlines and ground handling services and allowing 100 per cent foreign investment in titanium mining.

Government sources said the Commerce Ministry has proposed allowing 74 per cent FDI through the automatic route in non-scheduled, chartered and cargo airlines.

However, the FDI limit in air transport services would continue to remain at 49 per cent through the automatic route and 100 per cent for NRIs.

It is also proposed to allow FDI in ground handling services up to 74 per cent. The Ministry wants to allow 100 per cent foreign investment in the Maintenance, Repair and Overhauling and aviation training institutes.

Hundred per cent FDI may be allowed in the mining of titanium bearing minerals and ores, but complete foreign participation in value addition would be allowed only if the facilities are set up in India.

In what may be a relief to companies like British Gas, the government proposes to do away with the condition of compulsory divestment of 26 per cent equity in fuel and gas trading venture.

It also proposes to raise FDI in public sector refineries to 49 per cent from the current 26 per cent. A few months back the government had made one-time exception to allow steel baron Lakshmi Mittal to pick 49 per cent stake in HPCL's Bhatinda refinery.

<http://economictimes.indiatimes.com/articleshow/2585480.cms>

FDI cap for pvt FM radio may be raised to 26%

Retaining the current 20% FDI cap in radio companies, govt may allow an additional 6% for FIIs and others

In a cautious initiative to attract foreign investors in private FM radio space, the overall foreign investment cap may be increased from the current limit of 20 per cent to 26 per cent. However, the government may attach a rider while allowing this.

According to sources, the government may retain the current 20 per cent foreign direct investment cap in the radio companies while allowing the additional 6 per cent for foreign institutional investors and others.

The private radio companies have been demanding an overall increase in FDI cap to 26 per cent or 49 per cent from the current 20 per cent limit.

But radio is considered a sensitive sector by the Ministry of Information and Broadcasting (I&B) as it influences the masses. Therefore, neither the FDI limit has been raised so far nor news and current affairs have been allowed on private FM radio channels.

But a review of the FDI cap may open doors for more changes in private FM radio companies, sector analysts feel. "It is a step-wise process. First, the overall cap will go up to 26 per cent followed by the nod to news and current affairs. Once the government is satisfied with the overall growth of the sector, it may actually allow 49 per cent FDI limit too," an analyst said.

According to the present status, 30-odd radio companies have the licence to open 266 private FM radio stations across 91 cities within the next 12 months. According to industry estimates, over Rs 3,500 crore of investments have been made by these companies and more funds are required for expanding the sector.

An overall increase to 26 per cent in the foreign investment limit is likely to help most of these 30-odd FM radio companies raise foreign investments.

<http://www.business-standard.com/common/storypage.php?autono=305734&leftnm=3&subLeft=0&chkFIg=>

Trade News

Trade relations between India and EU on the rise, says report

India's trade with the European Union has increased manifold over the past decade especially in the food and drinks sector, the statistical office of the European Commission has said.

The Commission said the statistics underscore the growing importance of the emerging Indian economy in the world food trade and the overall trade with Europe, which has grown by 80 per cent since 2000.

Products produced in India often come at a lower cost, piling pressure on European companies to cut their prices thereby increasing competition, the report said. At the same time, Indian consumers have increasingly adopted Westernised diet trends, therefore fuelling the need for trade.

Figures released by Euromonitor showed that the value of the ready-to-eat meals market in India has grown from \$3.7 million in 2002 to \$22.2 million at present.

[http://economictimes.indiatimes.com/News/Economy/Foreign Trade/Trade relations between India and EU on the rise says report/articleshow/2577535.cms](http://economictimes.indiatimes.com/News/Economy/Foreign_Trade/Trade_relations_between_India_and_EU_on_the_rise_says_report/articleshow/2577535.cms)

India, Malaysia mull pact on economic co-operation

India and Malaysia are considering an India-Malaysia Comprehensive Economic Co-operation Agreement (CECA) from January 2008, said Mr Kamal Nath, Minister of Commerce and Industry at a seminar.

The seminar, 'Malaysia India Business Opportunities', was jointly organised by the Ministry of International Trade and Industry, the Malaysia External Trade Development Corporation, the Malaysian Industrial Development Authority and the Confederation of Indian Industry (CII).

"I am confident that this agreement would take our bilateral relations to newer heights and would contribute to the growth of our economies," said Mr Nath. To take the trade and investment relations forward, India and Malaysia have set up a Joint Study Group (JSG), which has recommended the establishment of CECA that would serve as a plausible institutional framework to provide significant economic benefits to both countries, he added.

<http://www.blonnet.com/2007/11/27/stories/2007112751861000.htm>

'Sino-India ties are of global significance'

China's outgoing Ambassador Sun Yuxi, says good relationship between the two countries is important as their ties are of global and strategic significance.

The 56-year-old career diplomat, who is returning home to take up a new assignment, feels that the two countries are also far behind in realising the full potential of their ties.

"When I came, our bilateral trade was only \$13.7 billion and now it is over \$30 billion. I am so happy that our relationship is developing very fast," he told ahead of his departure to Beijing. "But it is still far behind our potential. There is a lot to be desired."

"No matter where I am going, I will continue to be a friend of India and work to promote this good relationship which is so important for China and India," Sun said.

He also noted that both sides agree that the relationship between India and China, the two biggest developing countries in the world, is of global and strategic significance.

"I feel very lucky to be the Chinese Ambassador to India at this time," Sun said.

"During my term, our bilateral relations were upgraded to strategic cooperative partnership for peace and prosperity," he said on the decision of the two countries to establish a Strategic and Cooperative Partnership for Peace and Prosperity during the visit of Premier Wen Jiabao to India in 2005.

During the visit of Chinese President Hu Jintao to India in November 2006, "we laid out a 10-point strategic agenda to develop our relationship," he said on the strategy for future development of relations by the two governments.

<http://economictimes.indiatimes.com/articleshow/2582874.cms>

India seeks investment from Netherlands

India hailed the focussed approach of the Netherlands for identifying collaborations in bio-technology, agri-business, health, infrastructure and logistics and research and development.

During the visit of Dutch Minister for Foreign Affairs, Mr Frank Heemskerk, the Union Commerce & Industry Minister Mr Kamal Nath, said: "We are happy that the Dutch delegation consists of both small and medium enterprises and has identified focused areas for further collaboration".

He said that there is great potential for further intensification of trade and investment relations between India and the Netherlands. He said bilateral trade has increased by 22.3 per cent in 2006 while the total trade between India and the Netherlands in the past five years has almost doubled.

<http://www.blonnet.com/2007/11/27/stories/2007112751911000.htm>

Adding fizz to Indo-US biz

Sentiments at Washington-headquartered US-India Business Council (USIBC) are upbeat, as it has appointed Indra K Nooyi, chairman and CEO of PepsiCo, to its board of directors.

Ron Somers, president, USIBC, said, "Indra Nooyi's joining the USIBC board will recalibrate our focus on important areas identified by Prime Minister Manmohan Singh and President Bush in their July 18, 2005 Joint Statement for India's educational build-out,

development of world-class supply chain infrastructure, and technology transfer into India's vast agricultural sector."

Somers added, "These are all areas of critical importance to sustain the extraordinary

9% GDP growth rate underway. Indra's interest and leadership in these areas will help focus American and Indian Companies' interest in these essential sectors. Representing 250 of the largest US Companies that are investing in India, US-India Business Council works towards strengthening US-India commercial ties.

<http://www.financialexpress.com/news/Adding-fizz-to-IndoUS-biz/244705/>

Sectoral News

Spices exports rise 50% in Apr-Oct

Spices exports have gone up by 50 per cent in value terms during the first seven months of the current financial year.

The country shipped 262,250 tonnes valued at \$625.23 million (Rs 2,540.15 crore) in the April-October period against 206,150 tonnes at \$417.97 million (Rs 1918.94 crore) last year.

So far, the country has achieved 71 per cent (in value terms) of the export target fixed by the Spices Board. The board has set an export target of 380,000 tonnes valued at \$875 million (Rs 3600 crore) for 2007-08. Total exports have increased by 27 per cent compared with the same period last year.

Black pepper saw the sharpest jump in exports with earnings soaring from Rs 140.36 crore in 2006-07 to Rs 303.68 crore, a growth of 116 per cent. Quantity-wise, 21,100 tonnes of pepper were shipped from the country against 15,050 tonnes last year, registering a growth of 40 per cent.

Chilly exports rose 77 per cent to 120,000 tonnes (at Rs 651.72 crore) against 67,933 tonnes (at Rs 339.23 crore). Malaysia is the largest buyer of Indian chilly (29,500 tonnes) followed by traditional buyers such as Bangladesh (24,000 tonnes), Sri Lanka (15,750 tonnes) and the US (12,725 tonnes). Chilly accounts for 46 per cent of the country's total volume of spices exported and 26 per cent in value term.

Performance of cardamom (large) and seed spices such as coriander, celery, fennel and fenugreek was better than last year. Value-added spices such as curry powder, spice oils, oleoresins and mint products have also witnessed a rise in exports.

However, garlic, nutmeg & mace and vanilla exports declined during the period. The country exported 400 tonnes of garlic valued at Rs 2.40 crore against 10,806 tonnes valued at Rs 19 crore in 2006-07, registering a sharp fall of 96 per cent in quantity and 87 per cent in value.

Export of fennel increased by 51 per cent to 3,500 tonnes and that of fenugreek increased by 62 per cent to 7,850 tonnes during the period.

The import of spices, however, declined by 15 per cent to 45,875 tonnes (at Rs 320.64 crore) in April-October against 53,508 tonnes (at Rs 367.63 crore) imported during the last year.

http://www.businessstandard.com/common/storypage_c.php?leftnm=10&autono=305905

'Retail food growth set to double by 2020'

The food retail business in India is expected to double at \$482 billion by 2020 as against \$236 billion in 2006.

Increasing aspirations, high disposable income and growing exposure to global lifestyle and factors such as health consciousness, convenience seem to characterise the changing consuming patterns of modern Indian consumers.

Over 80-million-odd Indian consumers who have an annual income of over \$5,000 will be the primary drivers of the food retail business, said industry experts in Chennai at a CII seminar 'Foodpro 2007'.

According to managing director of Rabo India Finance, Rajesh Srivastava, "Following the US, China and Japan, India is the fourth largest Economy in terms of purchasing power parity. The consumer base is growing with the households of annual income of over \$5,000 expected to increase from the current 81 million to 147 million by 2015."

He said there were 9 million people in India with an annual income of over \$ 25,000, which would increase to 20 million by 2014-15. The size of the 'consuming' category—people with the annual income anywhere between \$5,200 and \$25,000—will increase from 95 million in 2006-07 to 127 million by 2014-15.

He said the processed food consumption is set to treble to \$300 billion by 2015 and the value of processed fruits & vegetables will increase to 10% in 2009-10 and 15% in 2014-15. Currently, there are over 700 malls coming up in the country and organised retail sector is growing at 45-50%.

<http://www.financialexpress.com/news/Retail-food-growth-set-to-double-by-2020/244508/>

Gaming in India set to grow 72% by 2010-11

A gaming summit is being organised by IAMAI in Mumbai.

The Indian gaming market is growing at a dizzying pace. The figures tell the story. The Indian gaming segment — comprising mobile, computer and console games and development — touched Rs 192 crore in 2006, and is likely to cross Rs 1,700 crore by 2010, states Nasscom.

The compound annual growth rate is 72 per cent over 2006-2010. Industry players are more bullish. They peg the figure for 2010 at almost Rs 2,500 crore.

“Interactive online entertainment is changing the way an entire generation consumes gaming... it is expanding beyond passive consumption to include story-telling and that is where we get our casual, first-time gamers,” said Rohit Sharma, COO, Zapak.

<http://www.businessstandard.com/common/storypage.php?autono=305720&leftnm=8&subLeft=0&chkFlg=>

News Round – Up

India preferred over China for investments

India has overtaken China for the first time as the most attractive business destination for long-term Japanese investments, results of a survey by Japan Bank for International Cooperation (JBIC).

According to the JBIC's annual survey, 70% of surveyed Japanese manufacturers regarded India as an attractive country to do business in over the next 10 years or so, while 67% preferred China. Russia came third, with a 37% rating, followed by Vietnam at 28%.

For three years China remained the most attractive base of production, marketing and other operations for Japanese manufacturers. But its popularity declined the fourth year, while India, Vietnam, and Russia have boosted their popularity, Kyodo.

“Attention had been concentrated on China but it is being diversified to other emerging countries,” said Susumu Ushida, senior economist at the JBIC's direct investment research division.

<http://www.financialexpress.com/news/India-preferred-over-China-for-investments/245289/>

Tata, Mittal, Nooyi among world's Top 25 business heads

India's top corporate leader Ratan Tata has been named by global business magazine Fortune as one of the top 25 most powerful business heads, along with steel tycoon L N Mittal and PepsiCo's Indra Nooyi.

The Fortune ranking closely follows a list by another global business publication Forbes that named India's richie-rich led by Mittal and Ambanis, but there was no mention of Ratan Tata.

In the Fortune list, Tata has been named as the world's 23rd most powerful person in business, ahead of CEOs of international media and entertainment giant Walt-Disney and French luxury goods major LVMH.

[http://economictimes.indiatimes.com/Tata Mittal Nooyi among Top 25 business heads/articleshow/2575676.cms](http://economictimes.indiatimes.com/Tata_Mittal_Nooyi_among_Top_25_business_heads/articleshow/2575676.cms)