

Weekly Economic Bulletin

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Contents

- | | | |
|----------|--|----------|
| 1 | News Feature | Page 1 |
| | <ul style="list-style-type: none">• Forex reserves rise \$1.2 b• China, India dominate global carbon mkt: World Bank | |
| 2 | Overseas Investment | Page 2-3 |
| | <ul style="list-style-type: none">• FDI in telecom, IT hits Rs 80k cr in 20 months• India hopes to attract \$125 bn FI in infrastructure• France to triple investments in India• Haryana to attract Rs 2 lakh cr FDI in next 2 yrs | |
| 3 | Trade News | Page 4-6 |
| | <ul style="list-style-type: none">• India restarts free trade talks with Bimstec• Exports zoom 37% to \$59 bn in H1• Cumin exports up three-fold• Romania keen to enter strategic pacts with India• Engineering, oil products boost export figures• Vision document aims to boost marine exports to \$4 b | |
| 4 | Sectoral News | Page 6-7 |
| | <ul style="list-style-type: none">• IT firms hit it big in second quarter• Bank results - rushes indicate strong growth• Finmin plans ways to woo pvt funds in core sector | |
| 5 | News Round-up | Page 7-8 |
| | <ul style="list-style-type: none">• Sensex jumps 208 points on FII inflows, heavy buying | |

News Feature

Forex reserves rise \$1.2 b

Forex reserves rose by \$1.202 billion to \$166.153 billion for the week ended October 20, due to a rise in foreign currency assets. In the previous week, reserves fell by \$324 million to \$164.95 billion.

Foreign currency assets increased by \$1.199 billion to touch \$159.304 billion during the week, according to RBI's Weekly Statistical Supplement. "FII inflows at \$558 million have moved into the stock markets in the week under consideration.

<http://www.thehindubusinessline.com/2006/10/28/stories/2006102802990600.htm>

China, India dominate global carbon mkt: World Bank

The global carbon market grew to nearly \$22 billion in the first nine months of this year, more than doubling in value over the previous year with China and India leading the Clean Development Mechanism (CDM) market, according to the World Bank.

"All the data show that the carbon market is becoming a powerful financial force supporting clean development," said Karan Capoor, co-author of the report titled "State and Trends of the Carbon Market 2006".

"To put this into perspective, the almost \$22 billion is four times the GDP of Mongolia and more than twice the GDP of Laos, and the year is not even over," Capoor said at a press conference on the sidelines of the 'Carbon Expo Asia' organised by the World Bank and the International Emissions Trading Association (IETA).

<http://economictimes.indiatimes.com/articleshow/162626.cms>

Overseas Investments

FDI in telecom, IT hits Rs 80k cr in 20 months

With companies such as Intel, Microsoft, Cisco, Nokia and Ericsson outlining ambitious expansion plans for India, the FDI commitment in the telecom and IT sectors combined have touched Rs 80,000 crore over the last 20 months.

As per the data compiled by the ministry of communications and IT, against 28 companies that outlined their investment plans, 17 have already infused capital. Companies whose units are already operational include Ericsson, Elcoteq, LG, Nokia, Alcatel, EMC and Xenitis. Six of these companies have committed over \$1bn each towards their India operations. This include Cisco's committment of \$1.1bn, SemIndia's \$3bn proposed investment, Intel's \$1.25bn, Microsoft's \$1.7bn, IBM's \$6bn, and SAP Lab's \$1bn investment.

<http://economictimes.indiatimes.com/articleshow/154092.cms>

India hopes to attract \$125 bn FI in infrastructure

India has expressed hope that it would attract 125 billion dollars of foreign investment, particularly in infrastructure, to assist the economy in sustaining a high growth rate.

"That is (attracting 125 billion dollars of investment) is entirely within our hands to make it happen," Finance Minister P Chidambaram said in a speech at Stanford University here on Wednesday.

Prime Minister Manmohan Singh had said earlier this month that the Indian economy needed 320 billion dollars of investment for infrastructure development in the next five years.

Chidambaram said more public investment is needed to keep up the growth rate of 8 per cent a year.

<http://economictimes.indiatimes.com/articleshow/151308.cms>

France to triple investments in India

France says it will aim to triple the number of French companies that have invested in India within the next two years.

This announcement was made by Nicolas Forissier, a junior minister in the French government at an India Business Meet held on the sidelines of Salon Internationale de Agroalimentaire (SIAL) - one of the world's largest food shows - in Paris on Tuesday.

"Today, there are about 270 French companies that have invested in India - from any sector of the economy. We would like to multiply this number by three times in the next couple of years and I would like to make sure that there is adequate representation from the French food processing industry in the new investments," Forissier told the gathering.

<http://economictimes.indiatimes.com/articleshow/144778.cms>

Haryana to attract Rs 2 lakh cr FDI in next 2 yrs

Haryana is expecting to attract a record Foreign Direct Investment of Rs 2,00,000 crore over the next two years in various manufacturing sectors such as automobiles, auto components, power and food processing.

"The recent five-nation tour to Europe has reaped an investment of Rs 12,000 crore. Overall, we are expecting FDI proposals of about Rs 2,00,000 crore in the next two years," Chief Minister Bhupinder Singh Hooda said here.

The delegation visited The Netherlands, Germany, France, UK and Spain from October 8 to 19. Giving details of the visit, Hooda said an European Desk would be set up in the Investment Promotion Centre in Delhi to facilitate the flow of investment from Europe.

<http://economictimes.indiatimes.com/articleshow/163467.cms>

Trade News

India restarts free trade talks with Bimstec

After months of inaction, negotiations on the free trade agreement (FTA) between India and Bimstec countries (Bangladesh, Bhutan, Myanmar, Nepal, Sri Lanka and Thailand) have restarted with meetings taking place both at the official and business level in Bangkok this week. The meetings focusing on ironing out contentious issues like rules of origin, sensitive lists and non-tariff barriers aim at accelerating the negotiations so that the agreement is in place before the Bimstec Summit in February next year.

Speaking to ET, official sources said since the July '06 deadline for concluding the agreement was missed, members wanted the pact to be finalised before the heads of state from Bimstec countries participate in the New Delhi summit in February '07. "The India-Bimstec FTA is very important as unlike Safta it also provides for an agreement in services and investment which is to be negotiated later," an official said.

<http://economictimes.indiatimes.com/articleshow/175484.cms>

Exports zoom 37% to \$59 bn in H1

Merchandise exports increased 37% in the first half of the current financial year to \$59.3bn compared with \$43.2bn in the comparable period of the previous year.

Imports during April-September '06-07 recorded a growth of 32% to \$83.9bn against imports worth \$63.5bn in the first half of FY06. The trade deficit for the first half was estimated at \$24.6bn, which was higher than the deficit of \$20.32bn recorded in April-September '05.

In an official statement issued here, commerce and industry minister Kamal Nath stated that the enhanced export target of \$125bn envisaged for '06-07 was likely to be achieved with a projected growth rate of about 22% over last year's performance.

<http://economictimes.indiatimes.com/articleshow/131972.cms>

Cumin exports up three-fold

Cumin exports have made a quantum leap during the first half of the current fiscal on short supply in the world market.

Shipments during April - September have shot up to 16,500 tonnes valued at Rs 119.80 crore from 4,364 tonnes valued at Rs 33.89 crore in the same period last fiscal - an increase of Rs 85.91 crore in value and 12,136 tonnes in quantity

<http://www.blonnet.com/2006/10/24/stories/2006102400780800.htm>

Romania keen to enter strategic pacts with India

Romania on Monday said it is keen to enter into strategic partnerships with India in the fields of energy and defence, describing the country as a "very important" global player.

"No one can afford to ignore India... It (India) has to be taken into consideration by any country," visiting Romanian President Traian Basescu told a business summit here.

Later speaking to media, FICCI chairman Western region, Sushil Jiwrajka said India's energy needs can be met from Romania, which has advanced resources.

Romania would invest \$30 billion to develop its rural areas and agriculture, Basescu said adding that the country, which will join the European Union on January 1 next year, would receive 32 billion euros from the EU for development activities.

<http://economictimes.indiatimes.com/articleshow/127503.cms>

Engineering, oil products boost export figures

A robust increase in export of engineering and petroleum products and plastics has led to a strong overall performance on this front this year.

According to latest government data, exports grew 22 per cent in September; for the April-September period, the growth was 23 per cent.

"Quick estimates reveal that the trend of high growth in export of engineering, petroleum products and plastic products seen in the first quarter of the current fiscal is continuing," a commerce ministry official said.

<http://www.business-standard.com/common/storypage.php?autono=262987&leftnm=3&subLeft=0&chkFlg=>

Vision document aims to boost marine exports to \$4 b

A five-pronged vision document to step up the country's marine product exports from \$1.7 billion to \$4 billion in five years and ensuring additional employment for one million was unveiled here on Thursday. The five planks of the vision document are: Product diversification, focus on potential brackish water aquaculture in Maharashtra, Gujarat and Orissa, a substantial increase in value-addition of marine product exports from 15 per cent to 75 per cent, making India a major hub for outsourcing and reprocessing of marine products and creating a bio security zone here, the Minister of State for Commerce, Mr Jairam Ramesh, said.

After chairing a stakeholder meeting on maintaining the bio-security of the island and the need for promoting sustainable shrimp cultivation, the Minister said the Marine Products Export Development Authority (MPEDA) and the newly-formed National Fisheries Development Board to be headquartered in Andhra Pradesh would work together to ensure that the strategic vision outlined in the document was implemented.

<http://www.thehindubusinessline.com/2006/10/27/stories/2006102700271500.htm>

Sectoral News

IT firms hit it big in second quarter

It's been a bumper second quarter for the Indian IT industry. While the topline of the eight IT companies, that ETIG analysed, has grown by an impressive 46%, the bottomline has grown at 49% on a YoY basis.

Operating margins too increased by 200 basis points on average for these companies. Growth in this quarter was driven on both the volume and pricing front. Moreover, for most of these companies, barring Wipro and Satyam, there were no visa related costs or salary hikes, as these had been taken care of in the first quarter.

The eight companies include IT bigwigs such as Infosys, TCS, Wipro, Satyam, HCL Tech as well as some mid- and small-sized companies such as Hexaware, i-flex and NIIT

Technologies. Combined revenues of these eight companies crossed Rs 15,000 crore this quarter, an increase of around 11% on a sequential basis.

<http://economictimes.indiatimes.com/articleshow/153982.cms>

Bank results - rushes indicate strong growth

The first clutch of about 20 bank results for the second quarter that have come in present a picture of very robust earnings growth.

The median profit growth is of the order of 36 per cent. The presence of an extraordinary item (non-recurring) either in the second quarter of the current fiscal or in the corresponding quarter in the previous fiscal has caused a sharp deviation from the median figure for many other banks.

A 30 per cent growth in loans during the quarter, re-pricing the loans by roughly 0.50 per cent, a late rally towards the end of the second quarter in the bond market that boosted investment portfolios and reduced need for provisioning, besides the absence of any visible deterioration in asset quality were among the factors that generally boosted bank profits.

<http://www.thehindubusinessline.com/2006/10/26/stories/2006102600740600.htm>

Finmin plans ways to woo pvt funds in core sector

Grappling with the issue of attracting private sector investment in infrastructure, the Finance Ministry is likely to start consultations next month with the RBI, market regulator Sebi, merchant bankers and multi-lateral agencies on innovative financial instruments to woo these funds.

While the Finance Ministry is quite certain about the quantum of funds needed from the private sector in infrastructure projects, it is yet to do an analysis of the kind of policy requirements that are needed to attract this money, said a key ministry official.

<http://economictimes.indiatimes.com/articleshow/163904.cms>

News Roundup

India Inc on song, debt-equity ratio hits 15-year low

Indian companies are in a sweet spot as far as fund raising goes. Besides buoyant equity markets enabling them to mop up capital, most firms being under-leveraged compared with historical levels, raised large loans without overstretching themselves.

The overall debt-equity ratio for Indian companies is at a 15-year low, and an ETIG analysis spanning 15 manufacturing groups reveals that 13 are enjoying their lowest leverage.

What's more, this has been achieved through a sharp increase in net worth and not through debt reduction. While debt has grown at 8.6% CAGR during the 15-year period, net worth has grown at nearly double this rate (at 15.2%) bringing down the leverage.

<http://economictimes.indiatimes.com/articleshow/175291.cms>

Sensex jumps 208 points on FII inflows, heavy buying

Huge FII inflows and aggressive buying in index majors propelled the BSE Sensex by 208.4 points or 1.64 per cent on Friday to end the week at 12,906.81. NSE S&P CNX Nifty soared by 61.8 points or 1.68 per cent to end at 3,739.35 against the previous close of 3677.55.

Sensex touched an intra-day high of 12,921 as buying accelerated towards the end of the session with gains in the auto, banking, FMCG, and tech sectors. FIIs bought shares worth Rs 109.57 crore going by provisional data on the NSE. Mutual funds also helped the rally, buying shares worth Rs 384.29 crore (as on October 21).

<http://www.thehindubusinessline.com/2006/10/28/stories/2006102805280100.htm>