

## Weekly Economic Bulletin

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## News Feature

### India is on a roll, says Lee Kwan Yew

India would find its rightful place in the international community as more investment is coming into the development of infrastructure like roads, bridges, airports and container ports among others, the Mentor Minister, Singapore, Mr Lee Kuan Yew said.

“India is on a roll. It’s the Indian season and it’s the flavour of international investors,” Mr Lee said while attending a luncheon meeting hosted by the Confederation of Indian Industry (CII).

Mr Lee also urged Indian industry to take their corporate social responsibility to a wider platform so that the community at large benefits from the country’s economy growth in the field of education, primary health and sanitation among others.

The Mentor Minister also urged the Government to work out a political system that enables growth to spread faster and wider.

<http://www.blonnet.com/2007/11/01/stories/2007110150981000.htm>

### NCAER raises GDP growth estimate to 8.9%

The National Council of Applied Economic Research (NCAER) has revised its projection of gross domestic product (GDP) growth for the current fiscal to 8.9 per cent from its August estimates of 8.5 per cent, spurred by “speedier growth of agriculture and services”.

In its latest quarterly review, the Council contends that in the case of agriculture, the factors that have led to higher growth rate are exogenous — better price conditions for the year; while in the case of services, the momentum of growth in telecommunications and financial services is likely to continue.

In the case of industry, the Council notes that despite the investment climate continuing to be strong and capable of sustaining investment expenditure, the slower growth of exports is a dampening factor. It noted, in particular, the decline in the index of industrial production for consumer durables in April to August 2007 as compared to the average for the same period in 2006.

<http://www.blonnet.com/2007/11/01/stories/2007110151921200.htm>

### India fastest growing biz intelligence market in Asia

The market for Business Intelligence (BI) platforms in India has grown by 35.6 per cent in 2005-06, making it the fastest growing geography for business intelligence in Asia.

In the period, SAP grew at 70.3 per cent to replace Microsoft as the largest BI vendor in India and relegated Business Objects to the third position, a research from Gartner Inc said.

According to Gartner, BI platforms provide the infrastructure and tools to enable users to build applications that facilitate decision-making and help organisations learn, understand and improve their business.

Business Intelligence revenues in India grew to \$16.4 million in 2006 from \$12.1 million in 2005.

However, the Indian BI market is less than 4 per cent of the total Asia Pacific (including Japan) market. In APAC, the BI platforms market grew at 16 per cent in 2005 to reach \$491.8 million in 2006, with Japan accounting for more than half of the overall market.

<http://www.thehindubusinessline.com/2007/11/02/stories/2007110252040400.htm>

## **Overseas Investment**

### **Govt proposes 100% FDI in titanium mining**

The Government proposes to allow 100 per cent foreign direct investment (FDI) in mining and mineral separation of titanium bearing minerals and ores.

The proposal is also applicable to the value-addition and integrated activities subject to regulations.

The proposal has been finalised by the Department of Industrial Policy and Promotion and is likely to be presented to the Union Cabinet soon.

“The companies will be allowed 100 per cent FDI for mineral separation only if the value-addition facilities are set up within the country, along with the transfer of technology,” an official said.

Companies also have to follow the disposal of tailing during the mineral separation in accordance with the regulations framed by the Atomic Energy Regulatory Board.

The present policy is governed by the Beach Sand Minerals Policy of the Department of Atomic Energy since limonite, the titanium-bearing mineral, was included as an atomic mineral.

As per the existing FDI rules, up to 74 per cent is permitted in pure value-addition and integrated activities.

This is permitted provided the level of value-addition is maximum as per the prevailing international levels of value addition to the products of mining.

<http://www.thehindubusinessline.com/2007/11/05/03hdline.htm>

## **FII's holding crosses Rs 10-lakh crore mark**

FII holdings in S&P CNX 500 companies crossed the Rs 10,00,000 crore mark at the end of September.

While 54 per cent of the total was accounted for by handful of Sensex scrips, most of the rest was widely distributed among the remaining companies.

Totally only 23 companies had FII holdings worth Rs 10,000 crore or more on October 1.

Contrary to what one might expect in a scenario of rapidly rising share prices, almost 40 per cent of the Rs 2,13,644 crore gain booked by FIIs between June and September 2007 came from shares purchased by them over the quarter, rather than from an increase in the value of shares already held by them at the end of June.

In order to make these acquisitions, FIIs may have supplemented net FII July-September purchases of Rs 32.234 crore with Rs 23,792 crore raised through sale of shares.

If so, this would mean a Rs 22,679 crore valuation gain on the newly purchased shares.

Valuation gains for FIIs as a group would be higher if some FIIs, or some of their money, exited the market altogether.

Indian Hotels and Indiabulls Financial top the list of companies in which FIIs made large reductions in their holdings.

Reliance Communications, NTPC and Biocon, too, figure in this list.

<http://www.thehindubusinessline.com/2007/11/02/stories/2007110251951600.htm>

## **Italian co to set up 25 hotels, invest \$600 m**

Milan-based Domina Hotel Group is planning to expand in India. The company plans to set up 25 hotels through a joint venture and pump in \$600 million. The project will be run by an equal joint venture with real estate firm Shristi Holding.

While the Italian hotel company will manage the hotels, the real estate development will be done by Shristi Corporation. "We are proud to announce the expansion of our group in India," says Ernesto Preatoni, chairman, Domina Hotel Group. "We are the first Italian hotel operator to enter the Indian market," he said. Domina Hotel Group's hotels are represented by three distinct brands: Domina Prestige, Domina Hotel and Domina Inn.

In India, the first hotel is already under construction and will be marketed under the new brand Vedic Domina Hotels & Resorts. The first four Vedic Domina hotels are expected to be constructed in five years, and others will follow. The hotels will be constructed using

eco-sustainable parameters. The construction will follow holistic precepts and Indian tradition”, the company said.

[http://economictimes.indiatimes.com/News/News\\_By\\_Industry/Services/Italian\\_company\\_set\\_up\\_25\\_hotels\\_invest\\_600\\_m/articleshow/2510429.cms](http://economictimes.indiatimes.com/News/News_By_Industry/Services/Italian_company_set_up_25_hotels_invest_600_m/articleshow/2510429.cms)

### **Dow plans \$100mn R&D centre near Pune**

The international chemical giant Dow will invest \$100 million in Research and Development (R&D) facility at Chakan, near Pune. The centre may be fully functional by 2010.

The R&D facility would come up in the 100-acres, and will employ 500 researchers.

The facility would carry out research in areas such as water, building material, personal care, paints and coatings, plastic chemicals besides carrying out basic research in chemistry and chemical engineering.

The MoU was signed by Dow Chemical International’s India Chief Executive Officer Vipul Shah, and Maharashtra government’s Industry secretary V K Jairath.

Chief Minister Vilasrao Deshmukh and company’s international Executive President Michael Gambrell were present in the occasion.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=302883](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=302883)

## **Trade News**

### **EU-India free trade pact likely next year**

The European Union and India are likely to enter into a Free Trade Agreement by 2008, according to Dr Alexander Spachis, Minister-Counsellor, Deputy Head of Mission, Delegation of European Commission to India.

“We have made significant progress in bilateral parleys and hope that this would be achieved by the second half of 2008, which would dismantle barriers and be mutually beneficial. In the meantime, another important milestone would be achieved in the form of signing up of a Science and Technology agreement between the two,” Dr Spachis said.

Addressing a press conference, Dr Spachis said: “The bilateral trade between the EU and India is balanced at about \$20 billion either way. But we feel that this is far short of the potential as India ranks at about 13th in terms of overall trade from the EU. Therefore, the FTA and other agreements could have a big bearing on the trade and potential for cooperation in other sectors.” The cooperation between the two could encompass some 40 sectors covering science and technology, environment and energy.

<http://www.blonnet.com/2007/11/04/stories/2007110450570500.htm>

### **Seven pacts with Germany signed**

The German Chancellor, Ms Angela Merkel, called for doubling trade volumes between India and Germany to €20 billion by 2012.

Addressing a joint press conference with the Prime Minister, Dr Manmohan Singh, the German Chancellor said that business and economic relations were the driving force behind co-operation between India and Germany. During the address the Chancellor pointed out that the target of bilateral trade reaching €10 billion was achieved ahead of target during 2006 itself.

When questioned on the problems Indians face in getting a German visa, Ms Merkel said that while there had been an increase in the number of students going to Germany in the past few years, steps must be taken to ensure that Indian entrepreneurs wanting to invest in Germany did not face problems.

Speaking on the occasion, Dr Singh said that India would welcome German investments, particularly in the field of infrastructure and science and technology among other areas.

The two countries signed seven memoranda of understanding, including one for the creation of an Indo-German science and technology centre and another on bilateral co-operation between the Office of the Controller General of Patents, Designs and Trade Mark Promotion of the two countries.

<http://www.blonnet.com/2007/10/31/stories/2007103152271000.htm>

### **India is looking at raising its oil and gas imports from energy-rich Africa.**

To meet its growing domestic demand, the country is planning to import nearly 38 per cent more crude oil from the region in the next three years.

The Petroleum Secretary, Mr M. S. Srinivasan, said "We are enhancing the level of engagement with the African continent."

India is Asia's third-largest oil consumer and is set to import 4.5 per cent more crude overall in the current financial year to end- March 2008, he said.

He added, "16 per cent of our crude imports, around 18 million tonnes, are from Africa.

As requirement increases, imports will go up. In the next two to three years, our imports from African countries are expected to be 20-21 per cent, around 24-25 million tonnes."

<http://www.blonnet.com/2007/11/03/stories/2007110350040701.htm>

## **Sept exports rise 4.31% in Re terms; imports down**

Even as export growth in rupee terms in September 2007 was 4.31 per cent higher than the comparable period of 2006, import growth in September 2007 nosedived by 10.51 per cent, reflecting the slackening appetite of industry for import of capital goods and consumables for export production.

Provisional figures of foreign trade released by the Department of Commerce show that the country's exports during September 2007 were valued at \$12,796.61 million, which was 19.26 per cent higher than the level of \$10,730.34 million during September 2006. In rupee terms, exports touched Rs 51,621.52 crore, 4.31 per cent higher than the value of exports during September 2006.

Cumulative value of exports during the first half of the current fiscal was \$72,280.60 million (Rs 2,95,233.05 crore) against \$60,985.84 million (Rs 2,80,275.27 crore), registering a growth of 18.52 per cent in dollar terms and 5.34 per cent in rupee terms.

Imports, on the other hand, were valued at \$17,217.65 million representing a meagre increase of 2.31 per cent over the level of imports valued at \$16,828.82 million in September 2006. In rupee terms, imports declined by 10.56 per cent.

Cumulative value of imports for the period April-September 2007 was \$1,09,204.43 million (Rs 4,46,520.86 crore) against \$8,70,110.23 million (Rs 3,99,815.04 crore), registering a growth of 25.51 per cent in dollar terms and 11.66 per cent in rupee terms during the same period last year.

<http://www.blonnet.com/2007/11/02/stories/2007110252171000.htm>

## **Sectoral News**

### **India tops in carbon credit deals**

India has registered the largest number of Clean Development Mechanism (CDM) projects in the world.

The country accounted for 283 CDM projects out of the 819 registered by the CDM Executive Board, Environment Secretary Meena Gupta said at the India Carbon Market Conclave, organised by Ficci, the environment ministry, the World Bank and the International Emissions Trading Association.

CDM or carbon credits is a mechanism devised under the Kyoto Protocol to award encashable points or CERs (carbon emission reduction) to eco-friendly projects on the basis of the carbon emissions they control.

These CERs are bought by the nations that are bound by the emission cut targets under the protocol.

The Indian National CDM Authority has accorded host country approval to 753 projects, facilitating investment of more than Rs 63,000 crore.

These projects are in areas of energy efficiency, fuel switching, industrial processes, municipal solid waste and renewable energy and have the potential to generate 421 million CERs by 2012.

Ficci and financial institutions could play a catalytic role in bundling of CERs and helping PSUs take up such projects, she said.

The recommendations from the conclave would go into framing the national climate change strategy, said Ficci.

[http://www.business-standard.com/common/storypage\\_c.php?leftnm=10&autono=302978](http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=302978)

### **Biotech, pharma set for big leap**

Hyderabad, which has become synonymous with the growth of information technology industry in the recent past, is now emerging as a hub of discovery research in biotech and pharma industry as well.

The biotech industry, which has been anchored firmly by the Genome Valley project, has already been a major earner of foreign exchange (Rs 4,914 crore from pharmaceuticals, biotech, chemicals and allied chemicals) for the State. The number of biotech companies in Genome Valley now stands at 50. "With the ongoing expansion of the third phase of Genome Valley, another 10 companies will be added. They include major names such as Biocon," Mr K.R.K. Reddy, Additional Secretary and Director Biotechnology, Government of Andhra Pradesh, said. The Andhra Pradesh Industrial Infrastructure Corporation (APIIC) is currently developing the third phase of Genome Valley.

The presence of reputed research institutions like the Indian Institute of Chemical Technology (IICT), Centre for Cellular and Molecular Biology (CCMB), National Institute of Nutrition (NIN) and Centre for DNA Fingerprinting and Diagnosis (CDFD) and University of Hyderabad are also adding up to the industry's fascination with Hyderabad.

<http://www.thehindubusinessline.com/2007/11/01/stories/2007110150593200.htm>

### **News Round – Up**

#### **For growth, depend both on agriculture, industry: Stiglitz**

To ensure sustainability of economic growth, countries would have to depend both on agriculture and industry. For, it is not feasible to leverage only on agriculture for sustained economic growth, according to Prof Joseph Stiglitz, US Nobel laureate in economics.

Speaking to newsmen while on a visit here, Prof Stiglitz said that as population grows, economic growth would have to depend upon industry and services as well. However, it would be important to maintain a balance between agriculture and economy, he said. There must also be a balance between large industries, and small and medium industries, he added.

Talking in the context of IMF-WTO-led globalisation, he cited the instance of the East Asian financial crisis and spoke of lessons that needed to be learnt from it. According to him, countries must be careful in liberalizing capital markets and restrict short-term funds inflow into their capital markets.

Prof Stiglitz, however, was not against foreign direct investment for the long term. "Countries must learn to manage globalization," he said, adding, "they must say yes to what is good and no to what is not good for them".

Prof Stiglitz said he disagreed with the view that, in developed markets, everything was market-led. "This is not true. The Governments must regulate financial markets and play an active role in this regard," he said.

<http://www.blonnet.com/2007/11/03/stories/2007110352212100.htm>

### **RBI raises cash reserve ratio in liquidity mop-up**

As part of the measures to mop-up excess funds, the Reserve Bank of India hiked the cash reserve ratio (CRR) by 50 basis points to 7.5 per cent with effect from November 10. This is expected to suck out Rs 16,000 crore from the system, while the liquidity overhang is to the extent of about Rs 30,000 crore.

In the mid-term review of the annual policy announced on Tuesday, the RBI left the key rates such as repo, reverse repo and bank rate unchanged.

CRR was last hiked in July by 50 basis points to 7 per cent. CRR is the proportion of deposits banks have to park with the RBI for statutory requirement. Banks do not earn any interest on cash reserves.

Explaining the rationale behind the policy measure, the RBI Governor, Dr Y.V. Reddy, said, "If excess liquidity is not addressed, it will create inflation pressures and could be used for speculative purposes." However, he added, "We have addressed only a part of the liquidity overhang."

<http://www.blonnet.com/2007/10/31/stories/2007103151770100.htm>

## **Inflation dips to 3.02 per cent**

Inflation for the week ended October 20 fell to 3.02 per cent, close to the Reserve Bank's target of three per cent in the medium term.

The inflation rate stood at 3.07 per cent in the previous week and 5.61 per cent in the corresponding week last year.

This is the first official data on inflation after RBI announced its mid-term monetary review in which it raised cash reserve ratio by 50 basis points to suck out excess liquidity.

While retaining its forecast for inflation at five per cent this fiscal, RBI lowered its objective for the medium-term to three per cent against 4-4.5 per cent as announced in the last quarterly review in July.

<http://www.financialexpress.com/news/Inflation-dips-to-3-02-per-cent/235193/>

## **India moving to more open capital acc**

India is clearly heading towards a more open capital account and there was no question that more financial sector reforms are necessary, a top government official said in an interview.

And while the pace of growth in recent years had surprised, average growth may only slightly increase to 9 per cent over the next five years because of some cyclical correction, Montek Singh Ahluwalia, the deputy chairman of India's Planning Commission, told the McKinsey Quarterly Review.

"We're clearly heading toward a more open capital account, but we're not doing it in one go," he said.

"There are people who argue that government should declare that it would remove all capital controls in a defined, relatively short period -- say, one or two years.

"Others argue for steady movement over a more extended time frame, putting in place the necessary preconditions first. The government is considering these proposals but has not taken a firm view on the issue."

<http://www.financialexpress.com/news/India-moving-to-more-open-capital-acc/235190/>

## **India's forex reserves at \$262.450 bn on Oct 26**

India's foreign exchange reserves rose to a record \$262.450 billion on Oct. 26, from \$261.143 billion a week earlier, the Reserve Bank of India said in its weekly statistical supplement on Friday.

Analysts said a part of the increase in reserves was due to the heavy intervention by the central bank to check the rupee's rise, which hit a 9-1/2-year peak of 39.22 on 30<sup>th</sup> October 2007.

The central bank said foreign currency assets expressed in US dollar terms included the effect of appreciation or depreciation of other currencies held in its reserves such as the euro, pound sterling and yen.

The foreign exchange reserves include India's Reserve Tranche Position in the International Monetary Fund, the central bank said.

<http://www.financialexpress.com/news/Indias-forex-reserves-at-262-450-bn-on-Oct-26/235235/>

### **Fitch urges India for faster reforms**

Fitch has affirmed India's investment grade rating of 'BBB-' but urged faster economic reform and greater fiscal discipline for it to receive further credit upgrades.

"Fitch upgraded India to investment grade in August 2006. One year on the growth story remains firmly intact, reinforced by strong net capital inflows and further advances in India's external solvency and liquidity indicators," said Fitch sovereign credit analyst Paul Rawkins.

"Fiscal consolidation, too, has continued to move ahead, narrowing the gulf between India and many of its rating peers."

He said falling inflation and tighter government deficits reflected the decisive steps made toward entrenching fiscal discipline but said much more needed to be done.

<http://www.financialexpress.com/news/Fitch-urges-India-for-faster-reforms/235245/>