

Weekly Economic Bulletin

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Contents

- | | | |
|---|---|----------|
| 1 | News Feature | Page 1-2 |
| | <ul style="list-style-type: none">• Sensex conquers 20,000• India now \$4 trillion economy: Chidambaram | |
| 2 | Overseas Investment | Page 2-3 |
| | <ul style="list-style-type: none">• India becomes 5th largest holder of forex reserves• SEBI clears 16 FII applications• Forex turnover shoots up to \$34 bn/day• Export of minerals may attract \$1.25 bn FDI in mining | |
| 3 | Trade News | Page 3-5 |
| | <ul style="list-style-type: none">• Merkel's India visit to strengthen economic ties• India, Netherlands to enhance cultural cooperation• India, Norway to intensify bilateral relation• India, Oman discuss economic cooperation | |
| 4 | Sectoral News | Page 5-8 |
| | <ul style="list-style-type: none">• Cement sector growing at 10 pc annually• India gets 250 mn phones two months before target• Textile, apparel sourcing set to rise 12%: CII-E&Y report• Spices exports rise 22% in the first 6 months• IT exports to touch \$80 bn by 2011: Govt• Coir exports increase Rs 97 cr in 2006-07 | |
| 5 | News Round-up | Page 8-9 |
| | <ul style="list-style-type: none">• Economy to grow at 9 per cent: PC• India story attracting inflows, says Kamath | |

News Feature

Sensex conquers 20,000

The Sensex surmounted the 20000-mark towards the fag-end of the trading session. The index took 11 trading sessions from 19000 to 20000. Capital goods were the major drivers of the rally.

Bombay Stock Exchange's benchmark touched a life high of 20,024.87, up 780 points or 3.9 per cent from previous close. National Stock Exchange's Nifty was up 199 points or 3.49 per cent at 5901.

Larsen & Toubro (up 9.73%), HDFC (8.92%), BHEL (7.55%), ONGC (6.49%), HDFC Bank (5.77%), Reliance (4.49%) and ICICI Bank (4.09%) were the major gainers on the Sensex.

Major losers were Tata Steel (down 8.89%), Tata Consultancy Services (0.34%), Bajaj Auto (0.32%) and Cipla (0.27%).

Sentiment has also improved as fears of sharp selling by overseas investors eased after the market regulator announced new rules to phase out the anonymous buying of shares by foreign investors.

"The surge has come on expectations that we could see an interest rate cut from the RBI. Fresh buying from local funds and the absence of overseas fund selling have kept the market buoyant," said Manish Sonthalia, an equity strategist at Motilal Oswal Securities.

The new regulations primarily concern participatory notes, which had allowed foreign investors like hedge funds to buy Indian shares without revealing their identity.

Overseas investors have helped drive a stock market boom in India, pumping in a record 18 billion dollars this year.

Market breadth was positive on the BSE with 1591 advances and 1170 declines.

http://economictimes.indiatimes.com/Sensex_hops_skips_and_crosses_20000/articleshow/2499490.cms

India now \$4 trillion economy: Chidambaram

India's economy, which swelled close to a trillion dollars last year, is actually worth four trillion dollars when measured in terms of purchasing power parity (PPP) and accounts for 6.3 per cent of the global economy, Finance Minister P Chidambaram said.

At market prices GDP has increased from \$20 billion in 1950-51 to \$912 billion in 2006-07 and is expected to cross a trillion dollars in the current year, he said, delivering a speech 'India's Socio-Economic Agenda: Development with Democracy' at the Norwegian Nobel Institute in Oslo.

PPP is a measure of the purchasing power of different currencies and the average cost of goods and services between countries.

<http://economictimes.indiatimes.com/articleshow/2487636.cms>

Overseas Investment

India becomes 5th largest holder of forex reserves

India joined the elite group of world's five biggest holders of foreign exchange reserves as it added about \$4.5 billion last week to take the kitty to \$261 billion.

The country surpassed South Korea, which had \$257 billion in forex reserves as of September-end, to stand at the fifth spot. While India reports its reserve position every week, South Korea does so on a monthly basis.

<http://economictimes.indiatimes.com/articleshow/2493662.cms>

SEBI clears 16 FII applications

Market regulator SEBI said it had enough responses from foreign and domestic investors to move ahead with plans to restrict the use of surrogate investment notes by foreigners. It cleared 16 foreign institutional investor (FII) applications and said measures to curb issuance of participatory notes (P-notes) are not intended to curb capital inflows coming through the front door.

Sebi chairman M Damodaran said the application process to register as a foreign investor took just a few weeks and media reports that it had 500-600 applications pending were exaggerated.

Mr Damodaran also made it clear that there was no proposal to extend the 18-month time limit provided for FIIs to liquidate their holding of PNs beyond 40% of their asset portfolio.

<http://economictimes.indiatimes.com/articleshow/2481711.cms>

Forex turnover shoots up to \$34 bn/day

Foreign exchange (FX) turnover volume in India has grown 385% between 2004 and 2007 to an average of \$34 billion a day — the second-highest growth recorded among all countries surveyed by the Bank for International Settlements. Although China has the highest growth rate of 800%, the country's forex market is still underdeveloped with an average daily turnover of \$9 billion.

The Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity published by the Bank for International Settlements observes: "Among emerging markets,

the growth of India was noteworthy and possibly reflected Indian authorities' efforts to relax controls on capital movements."

India's share in the geographical distribution of forex market turnover has risen from 0.3% in 2004 to 0.9% in 2007 while the amount traded on an average per day has risen around five times from \$7 billion in 2004 to \$34 billion in 2007.

<http://economictimes.indiatimes.com/articleshow/2484823.cms>

Export of minerals may attract \$1.25 bn FDI in mining

The National Mineral Policy (NMP), to be discussed by the Union Cabinet soon, will have the potential to attract \$1.25 billion (about Rs 5,000 crore) as FDI in next five years, but the government will have to allow export of minerals, including iron ore, to ensure the same.

"A long-term export policy would provide stability and prove to be an incentive for investing in large-scale commercial mining activity. Assurances on export of minerals will be a key factor for investment decisions, particularly on FDI in the sector," according to the Mines Ministry.

It said to develop mining as a modern, stand-alone industry, substantial investment is required, "and the export policy should be based on a clear, long term strategy for export of minerals taking these aspects into consideration."

<http://economictimes.indiatimes.com/articleshow/2497186.cms>

Trade News

Merkel's India visit to strengthen economic ties

India and Germany will strengthen their strategic and economic ties by signing around 12 agreements in areas ranging from trade and technology to energy and defence during the visit of German Chancellor Angela Merkel.

This is her first visit to India after becoming Germany's Chancellor, accompanied by top business honchos representing iconic names in German finance and industry like Lufthansa and Siemens and luminaries from the world of science and technology.

Ahead of Merkel's visit, German ambassador Bernd Muetzelburg said that "The nuclear deal issue will not figure in a major way in discussions between the chancellor and the Indian prime minister during their bilateral discussions."

Germany is the next chair of the NSG.

He, however, underlined that Germany looked at the deal "favourably", but would wait for India to complete its safeguards negotiations with the International Atomic Energy Agency (IAEA) before making up its mind.

<http://www.financialexpress.com/news/Merkels-India-visit-to-strengthen-economic-ties/231615/>

India, Netherlands to enhance cultural cooperation

India and the Netherlands decided to enhance their cultural cooperation as they discussed ways to strengthen bilateral ties, particularly in trade and economy.

The two sides also signed memoranda of understanding on cultural cooperation after deliberations between Prime Minister Manmohan Singh and visiting Queen Beatrix.

Minister of Culture and Tourism Ambika Soni and Dutch Foreign Minister M J M Verhagen signed a memorandum of understanding on cultural cooperation.

Another memorandum of understanding on cultural cooperation was signed by Pavan K Varma, Director General of Indian Council for Cultural Relations and Simon Reinink, Chairman of Stichting Amsterdam India Festival.

<http://economictimes.indiatimes.com/articleshow/2487613.cms>

India, Norway to intensify bilateral relation

India and Norway have decided to step up their bilateral economic relations.

The decision to this regard was taken at the official level talks of Finance Minister P Chidambaram with his Norwegian counterpart Kristin Halvorsen and the Norwegian Minister of Environment and International Development Erik Solheim on his official visit to Oslo.

Chidambaram, accompanied by an official delegation, was received by Indian Ambassador Mahesh Sachdev and Deputy Secretary General in the Ministry of Finance Thorvald Moe.

<http://www.financialexpress.com/news/India-Norway-to-intensify-bilateral-relation/231827/>

India, Oman discuss economic cooperation

India and Oman have discussed the need to deepen their economic engagement in all fields, especially in the education sector.

The topic was discussed during the visit of Minister for Overseas Indian Affairs, Vayalar Ravi, to Oman. The emphasis was placed on the education sector, including developing Omani educational institutions.

During his visit, the minister called on Sayyid Fahd bin Mahmood Al Said, Deputy Prime Minister for Council of Ministers Affairs, Lt Gen Malik bin Sulaiman Al Maamari, Minister and Inspector General of Police and Customs and Juma bin Ali Al Juma, Minister of Manpower.

Indian ambassador to Oman Anil Wadhwa said both sides discussed bilateral relations and means to further strengthen them.

"Both sides lauded the historic bilateral relations between India and Oman which are based on mutual understanding and respect for each other's culture and views and expressed happiness at the pace of their development," he said in a statement.

<http://www.financialexpress.com/news/India-Oman-discuss-economic-cooperation/233335/>

Sectoral News

Cement sector growing at 10 pc annually

Country's cement industry will maintain annual growth at 10 per cent in the coming years as more money is poured into infrastructure projects like roads, bridges, ports and houses, an official said.

"This growth is going to sustain for two-three years," O P Puranmalka, executive president for cement at Aditya Birla Group, told.

"If special economic zone projects come, the growth can be 10 per cent plus also," he said. The group, which includes Grasim Industries Ltd and UltraTech Cement Ltd, is India's second-biggest cement producer. It plans to boost capacity to 46 million tonnes by 2008/09 from 31 million tonnes, he said.

Cement companies are running plants at full capacity to feed a fast expanding economy and producers have pledged to add another 100 million tonnes of capacity by 2009/10 to the existing 177 million tonnes a year.

"If all this growth comes together, then may be one year there is a problem. But ultimately this capacity is required by India," Puranmalka said, when asked about the outlook for prices after the expansion.

http://economictimes.indiatimes.com/News_by_Industry/Cement_sector_growing_at_10_pc_annually/articleshow/2481069.cms

India gets 250 mn phones two months before target

The total number of wireless subscribers in the country — including GSM, CDMA and fixed mobile — has reached 209.08 million and the tele-density stood at 21.85 per cent as on

September 30 this year. The total telephone subscriber base stood at 248 million, much ahead of the target month of December.

The wireless segment added 7.80 million subscribers in September, compared with 8.31 million users accrued during the comparable period of August.

During the July-September period, Indian operators added 43.97 million users, according to data released by the Telecom Regulatory Authority of India (Trai).

Keeping the growth projections on conservative scale, the subscriber number has already crossed 250 million. This means that the 500 million target for 2010 can be achieved, Trai said in a statement.

The total number of telephones (wireless and wired) in the country stood at 248.66 million, compared with 241.02 million in August this year. The overall tele-density reached 21.85 per cent in September, as against 21.20 per cent in August.

In the wireline segment, subscriber base addition was lower at 39.58 million in September, compared with 39.73 million during the previous month.

During the first six months (April-September) of the 2007-08 fiscal, 42.80 million telephone subscribers were added, as against 29.70 million recorded during the corresponding period of the previous year.

The target of 15 per cent of tele-density by 2010 as set by the National Telecom Policy of 1999 was achieved in September 2006, four years ahead of the schedule.

The total number of broadband subscribers reached 2.67 million as on September, adding around 110,000 connections.

The addition during the first six months of the current fiscal stood at 330,000 as compared with 470,000 during the corresponding period a year ago.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=302060

Textile, apparel sourcing set to rise 12%: CII-E&Y report

Confederation of Indian Industry-Ernst & Young's textile and apparel report 2007 has forecast a higher growth trajectory for India's textile and apparel sector with sourcing from India by global retailers set to increase at a combined annual growth rate of 12 per cent.

The expected sourcing market in 2008, which is anywhere between \$22-25 billion, is projected to go up to \$35-37 billion by 2011. The trigger for this growth is likely to come from top global retailers who will seek to take advantage of India's abundant multi-fibre based raw material, well-established production bases, design capabilities and knowledge/skilled labour. The Government's pro-textile industry initiatives too will give fillip

to retail sourcing from India, said the CII-E&Y report 'India in Global textile econ-system' released at the 'CompTex 2007' textile conference.

Of the \$49-billion textile and apparel industry, the domestic industry accounts for \$30 billion and the remaining is accounted by exports. Most Indian textile companies are expanding capacities across value chain in areas like design, yarn, fabric, garments and retail forays. Globally, the textile and apparel sectors on consolidation are also shifting to Asian countries and this has brought challenges and opportunities for the Indian textile industry, said Mr Ranjan Biswas, Partner and National Leader, Retail and Consumer Practice of Ernst & Young India.

The CII-E&Y report forecast the global textile/apparel trade to grow from the present \$450 billion to \$700 billion by 2010 and the demand for apparel and woven textiles to grow by 25 per cent to about 35 million tonnes by then, of which 85 per cent would be sourced from Asian countries. The sector wise advantage for India is its strong position as the third largest cotton producer in the world and it accounts for 22 per cent of global spindle age and 61 per cent of global loom age.

<http://www.thehindubusinessline.com/2007/10/29/stories/2007102950961400.htm>

Spices exports rise 22% in the first 6 months

A global rally in pepper and chilli prices based on supply shortage helped Indian spices exports for the first six months of the current FY to touch Rs 2100.33 crore. An increase of 22% in terms of quantity and 29% in rupee value terms compared to the same period last year.

In volume terms, 219,640 tonne of spices were exported from the nation as against 180,500 tonne in the same period last year. In dollar terms, the performance was \$514.10 million as against \$353.90 million in the same period last FY. India has also achieved 60% of the export target in value and volume terms set for 2007-08. Spices Board has set a target of Rs 3,600 crore of exports for 2007-08.

While pepper exports increased by 36.54% in volume terms during the period to touch 17,000 tonne as against 12,450 tonne, the realisation increased by 125%. India got Rs 245.43 crore for exporting pepper during the first six months of 2007-08 as against Rs 108.66 crore in the same period last year. The unit realisation per kilogram increased to Rs 144.37 from Rs 87.28. India exported 1 lakh tonne of chilli as against 58,285 tonne, an increase of 72%.

In value terms, chilli exports rose 93% to Rs 549.25 crore. The unit realisation for chilli was Rs 54.93 per kg as against Rs 48.96 in the comparing period last year. Vanilla, nutmeg, garlic, celery, and cumin showed a decrease in exports during the period while turmeric, ginger and spice oils remained unchanged. Garlic exports fell sharply to only 305 tonne from 10,325 tonne in the same period the previous year. Mint exports for the period stood at 9,000 tonne as against 8,215 tonne and the realisation stood at Rs 574.50 crore.

<http://www.financialexpress.com/news/Spices-exports-rise-22-in-the-first-6-months/231294/>

IT exports to touch \$80 bn by 2011: Govt

The government said it expects IT exports to touch 80 billion dollars by 2011, growing at an average rate of 30 per cent annum.

"Our IT exports were a few million dollars in the early 90s and now it is around 37 billion dollars... We expect the IT exports turnover to touch 80 billion dollars by 2011, growing at an annual rate of 30 pc per annum," IT Minister A Raja said.

"We are confident that our exports will boom despite the perceived odds against outsourcing and increasing competition," he said.

<http://www.financialexpress.com/news/IT-exports-to-touch-80-bn-by-2011-Govt/231856/>

Coir exports increase Rs 97 cr in 2006-07

India 's exports of coir products have increased from Rs 350 crore in 2002-03 to Rs 605 crore in 2006-07. In 2006-07 alone the exports increased by Rs 97 crore. With the hope of further boosting the exports of coir products, the nodal promotional agency, Coir Board has decided to promote Indian coir products in international exhibitions abroad and as well as within the country.

"We have planned to host the 5-day India International Coir Fair-2007 at Kochi in Kerala from December 7, this year. We will arrange buyer-seller meeting. About 125 importers from leading countries like US, UK, France, Germany, Japan, Korea, Mexico, South Africa, Sri Lanka, Brazil, Poland, UAE, Australia and Holland are expected to participate in the event," said the Coir Board chairman, AC Jose. According to Jose the event is slated to generate a business amounting to \$ 25 million. "It would be an unique opportunity as the event would synchronise with the 7th Commonwealth India Small Business Competitiveness Development Programme," said Jose.

<http://www.financialexpress.com/news/Coir-exports-increase-Rs-97-cr-in-200607/232905/>

News Round – Up

Economy to grow at 9 per cent: PC

India's economy is likely to expand by close to 9 per cent in the financial year ending March 2008, but investment in ports, roads and power generation must be urgently stepped up, the finance minister said.

Asia's third-largest economy has averaged rapid growth of 8.6 per cent over the past four years, leaving key roads, ports and airports choked.

Many analysts say strong economic expansion could be at risk if infrastructure investment is not substantially raised.

"There is nothing more important to sustain growth than infrastructure. Infrastructure investment in India over the 50 year period has been close to 5 percent of GDP," Finance Minister P. Chidambaram told.

"Growth (this year) is likely to be close to 9 per cent. That rate of investment in infrastructure is lagging behind GDP growth."

<http://www.financialexpress.com/news/Economy-to-grow-at-9-per-cent-PC/233646/>

India story attracting inflows, says Kamath

Foreign fund flows continued to be strong despite the recent clampdown on participatory notes (PNs).

The surge in the rupee value and excess inflows were the main challenges to the Indian economy, said K V Kamath, managing director and chief executive officer, ICICI Bank.

Kamath added, "These steps are in the right direction. However, the inflows continue to be strong. The rupee rise is getting to be a challenge and all tools in the monetary policy context have to be used."

"Investors continue to believe in the long-term growth story of India. India will continue to see sustained GDP growth of around 10 per cent for the next 10 to 15 years. We have come through various challenges such as inflation and overheating. A slowdown is visible in certain sectors and a more vivid picture could be obtained only after seeing the financial results of corporates in the second quarter," added Kamath.

The Securities and Exchange Board of India (Sebi) had released a discussion paper, in which it had sought comments by October 20 on various proposals, including not to allow foreign institutional investors (FIIs) and their agents from issuing or renewing offshore derivative instruments (ODIs) such as participatory notes, equity-linked notes and capped-return notes.

http://www.business-standard.com/common/storypage_c.php?leftnm=10&autono=302013

