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Economy grows at 9.4 per cent

The Indian economy grew 9.4% in 2006-07, the fastest in 18 years, on the back of an impressive performance by services and the manufacturing sector. Services posted a healthy 11% clip, up from 9.8% the previous year. The manufacturing sector grew 12.3% against 9.1% in 2005-06, according to the data released by the Central Statistical Organisation (CSO) The scorching pace of GDP growth has catapulted India into the elite trillion-dollar club of a dozen economies. The GDP value at market prices stood at US $101 trillion The market capitalisation of Indian stocks also crossed the trillion-dollar mark. Reacting to the strong GDP numbers, the benchmark Sensex jumped over 15000. The latest CSO estimate of 9.4% beats the organisation's own earlier projection of 9.2% and the Reserve Bank of India's 8.5%. It is next only to the 10.5% GDP expansion achieved in 1988-89. High growth is the way forward to eradicate poverty, generate quality jobs and improve human development indicators. The figures are particularly impressive since they are based on the high base of 2005-06 when the economy grew 9%. The government's aim would be to maintain a growth rate of more than 9%. While the GDP grew 9.4%, the income of an Indian on an average grew only 8.4% in real terms (based on 1999-2000) prices. Per capita income stood at US $ 548 in 2006-07 against US $ 505 the previous fiscal year.

FDI outflow expected to touch US$ 35 billion

For Indian corporate sector, 2006 was a watershed year in terms of mergers and acquisitions as Indian companies went shopping across the globe. The total outbound deals, which were valued at US $4.3 billion in 2005, crossed US $15 billion-mark in the following year and it could well reach the US $35-billion level this year, according to the report by FICCI and Ernst & Young. Indian companies invested over US $2 billion in 2006-07 in 48 deals with the US counterparts. "IT and ITeS have emerged as the front-runners in outbound investment from India to the US, accounting for 48% of the total 48 deals worth over US $2 billion in 2006-07. Top three of the 48 deals are Tata Tea's US $677 million acquisition of Energy Brands Inc, OVL's Omimex de Columbia takeover for US $425 million and Tata Coffee's US $220 million deal with Eight O'Clock Coffee Company. The investments were primarily driven by increased profitability, cost advantage, increased willingness of corporate India to take on risk and a liberal regulatory stance of the Indian government. Management practices and maturing of the Indian corporate sector in terms of fundamentals and competitiveness were the other reasons fuelling growth in outbound deals.

Multi-brand retailing likely to get FDI

The Government of India is exploring possibilities of allowing foreign investment in multi-brand retailing in just a couple of sectors like electronics and sports goods. In the revised FDI guidelines to be announced shortly, the Centre may open up areas such as household appliances, professional goods and sports goods for foreign investment. According to reports, a case was made for allowing 51% FDI in multi-brand lifestyle retail like sports goods, apparel and gems, & jewellery. The government already allows 51% FDI in single-brand retail and 100% FDI in wholesale cash & carry.

India top retail investment hot spot

As consumer tastes veer towards western-style luxury goods for retail concepts, three nations – India, China and Russia – have emerged as the most attractive markets for retail investment. Furthermore, retails are now marching in to smaller cities after testing the larger ones, as per global consulting firm AT Kearney's annual Global Retail Development Index (GRDI), a study of retail investment attractiveness among 30 emerging markets. India and Russia continue to occupy the top two slots of this retail development through 2007 as they have since the last three years.

FDI ceiling in aviation services may rise

The flow of foreign investment into aviation is likely to get smoother with the government planning to fix a higher foreign direct investment (FDI) ceiling for five sub-sectors of the industry. The FDI ceiling for the sectors would be higher than the 49% allowed in airlines now. The five categories proposed for FDI review include maintenance, training facilities, cargo handling, passenger handling and chartered services. Separate limits and routes were being discussed for the five categories. Although the government has allowed 100% FDI in greenfield airports, not much FDI has come into the sector mainly due to other governmental restrictions. At present, the government allows 49% FDI in most segments of civil aviation except airports where the cap is 74% for existing airports and 100% for greenfield projects. Foreign airlines are barred from investing in the sector. The new caps for air traffic services will be announced in the annual FDI policy review expected shortly.

Indian real estate to get US$ 6 billion in FDI

Realty equity deals worth US $30 billion are in the pipeline for the current year across all Asian markets. One-fifth of these investments (US $6 billion) will find their way into the Indian real estate market alone. According to a report by property consultants Jones Lang LaSalle on rising FDI in real estate, an estimated US $10 billion foreign investment is expected to enter the Indian real estate sector in the next 12-18 months. For the most part of the 1990s, FDI inflow into the Indian real estate sector was at US $2-3 billion a year. In 2004-2005, it was recorded at $5.6 billion, and reached its peak in 2005 -2006 at US $7.2 billion. More than a dozen overseas private equity firms such as Goldman Sachs, Morgan Stanley, JP Morgan and Blackstone Group are looking at investment opportunities in the Indian real estate market. Morgan Stanley recently closed a deal worth about US $150 million with Oberoi Constructions in Mumbai. Meanwhile, the Nakheel Group in Dubai entered into a US $10 billion deal with DLF for residential projects in Tier I and II cities.

Textile industry to witness 16 per cent growth

The Indian textile industry, which has accelerated to an annual growth of 9-10 per cent, is expected to grow at a rate of 16 per cent in value terms and reach a level of US $115 billion by 2012, Union Minister of State for Textiles E V K S Elangovan announced on 19.6.2007. This growth can be fuelled by both exports as well as a rise in domestic consumption, resulting in India's share in the global textile and clothing trade moving up from the current three per cent to seven per cent by 2012. The global trade of textile and clothing products was set to double from US$ 353 billion in 2002 to US $ 655 billion by 2010, growing at the rate of eight per cent. The Indian textile exports have increased from US $ 12.45 billion in 2002-03 to US $ 17.85 billion in 2005-06 and are estimated at US $ 19.24 billion dollars in 2006-07. The exports are projected to grow at a rate of 22 per cent between 2007 and 2012 and are targeted to reach US $ 55 billion by 2012. Total investment in the textile industry between 2004-07 was around US $ 15726.4 million in India, investment is expected to reach US $ 36731.7 million by 2012. It is expected that this enhanced investment would generate 17.37 million jobs (12.02 million direct and 5.35 million indirect) by 2012.

ITeS exports cross US $ 31 billion in 2006-07

The IT boom continues to yield strong growth figures for the industry. The software and ITeS exports from India are expected to exceed US $ 31.3 billion during the year 2006-07, up by 32% compared to the previous year. Also, the software and ITeS sector’s contribution to the gross domestic product (GDP) is expected to rise to 5.4% in 2006-07, up from 4.8% in 2005-06. While the US and the UK continue to be the dominant markets for IT exports, Indian IT firms are also keenly exploring new regions. Exports to the US and UK make up 67% and 17% of the total exports, respectively. Banking, financial services and insurance and technology (high tech and telecom) are the main IT verticals accounting for nearly 60% of total exports. This is followed by manufacturing retail, media, utilities, healthcare and transportation that are rapidly growing verticals. Over the last six years, India's share in global sourcing is estimated to have grown from 62% to 65% for IT and from 30% to 45% for BPOs. The report attributes growth of the IT-BPO segment to the leading demand for global sourcing and the evolving socio-political attitudes. The total number of IT and the ITeS-BPO professionals employed in India is estimated to have grown from 284,000 in 1999-2000 to 1,630,000 in 2005-06, growing by over 340,000 in the last year alone.

Pharmaceutical exports to surpass retail sales

Pharma exports from the country are set to over take domestic retail sales in the current fiscal. While exports in 2006-07 were US $ 6012.34 million and domestic retail sales were US $ 6805.61 million exports are expected to forge ahead on the back of projected 30% growth in this fiscal year. Export growth is driven by growing dependence on generics across the world to contain health expenditure, acceptance of Indian generic drugs, aggressive expansion of Indian companies in international markets and entry of smaller companies into exports. But competition is expected from companies in Eastern Europe and China which are also emerging as low cost producers of generics. Rapid erosion of prices of generics, non-tariff barriers and appreciation of Rupee are also seen as hurdles to exports.

India fastest growing cabling market in APAC

With India witnessing a healthy growth, the country has emerged as the fastest growing market in the data centre-structured cabling market in the Asia Pacific region, including Japan according to Access Markets International (AM) Partners, a US-based consultancy agency. In 2005, the data centre structured cabling market was US $19 million in India. It is expected to touch US $125 million by 2010, with a compounded annual growth (CAGR) rate of 46%. In 2005, the overall structure cabling market in India was US $127 million. It is expected to touch US $345 million by 2010 with a CAGR of 22%.

Sony Ericsson to set up Chennai unit

Sony Ericsson will be establishing a R & D unit for mobile phones in Chennai. It will be a part of Sony Ericsson's global R&D chain, which comprises sites in China, Japan, Sweden, the Netherlands, the US and the UK. The move follows the company's announcement in January 2007 that it would manufacture phones in Chennai with partners Flextronics and Fixconor, targeting a production of 10 million units by 2009. The company has witnessed very encouraging growth in the Indian market, more than doubling its market share and ranking among the top 3GSM handset manufacturers. With a product development site in Chennai, as well as local manufacturing, Sony Ericsson is poised to further consolidate its growing momentum in the Indian market.

Global newspaper sales rose 2.3 per cent in 2006, India grew 13 per cent

Global newspaper sales rose 2.3 per cent last year, as readership increased in Asia, Europe, Africa and South America. India, the world's second-largest market for newspapers after China, recorded one of the fastest growth rates of 12.93 per cent in sales during 2006 and 53.63 per cent over the past five years, according to the World Association of Newspapers (WAN). More than 515 million newspapers were sold and 40.7 million distributed free, daily in 2006. Newspapers in developing markets continue to increase circulation by leaps and bounds, and in mature markets are showing remarkable resilience against the onslaught of digital media.. Even in many developed countries the industry was maintaining or even increasing sales.Paid-for dailies boosted their advertising revenue by 3.8 per cent last year, bringing gains over the past five years to 15.8 per cent.

India to drive E&M biz to US$ 2 trillion

India has emerged as the fastest growing market in the world in entertainment and media, and along with China, the key driver to push the global entertainment and media industry to US $2 trillion by 2011, according to a study by PricewaterhouseCoopers. Led by India and China, E&M spending in BRIC (Brazil, Russia, India and China) will continue to grow at double-digit annual rates during the next five years accounting for 24% of global E&M growth during the next five years. Worldwide, the industry is growing at an average rate of 6.4%, and is expected to touch US $2 trillion in 2011. India's compound annual growth rate of 18.5% is the highest estimated in the fastest growing Asia-Pacific segment.

India and EU launch negotiations on bilateral trade and investment agreement at Brussels

India and European Union (EU) formally launched negotiations on a broad based Bilateral Trade and Investment Agreement in Brussels on 28th June 2007. The Indian delegation was led by Commerce Secretary Mr. G.K. Pillai and the EU delegation was led by Mr. Davis O'Sullivan, Director General, European Commission.These negotiations are pursuant to the commitment made by political leaders

at the EU-India Summit held in Helsinki on 13 October 2006 to move towards negotiations of a broad-based trade and investment agreement. There has already been significant preparatory work. at the EU-India Summit held in Helsinki on 13 October 2006 to move towards negotiations of a broad-based trade and investment agreement. There has already been significant preparatory work. The EU-India High Level Trade Group has been preparing the ground for these negotiations since October 2005 and its report will form the basis for further deliberation.The EU and India expect to promote bilateral trade by removing barriers to trade in goods and services and investment across all sectors of the economy. Both parties believe that a comprehensive and ambitious agreement, that is consistent with WTO rules and principles would open new markets and would expand opportunities for EU and Indian businesses.

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