

## ECONOMIC NEWS FROM INDIA

Period: Upto – 2<sup>nd</sup> Dec. 02

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### MACRO ECONOMIC INDICATORS

- The closing **exchange rate** of the rupee ended the week at a 10-and-half-month closing high of 48.30. Comfortable dollar inflows from all counters and thin demand helped the rupee gain.
- The **inflation rate** for the week ended for the week ended November 16th, 2002 **moved downward to 3.14 per cent** as compared to 3.27 per cent the previous week. The rate of inflation for the corresponding week in 2001 was 2.78 per cent. A fall in the prices of diesel and petrol pushed down the rate of inflation.
- **Foreign exchange reserves** increased to **\$66.58 billion** in the week ended November 22, 2002 compared to \$66.02 billion in the week ended November 16, 2002.

#### October exports up 10% to \$4.09 billion

India's exports recorded a **9.92 per cent growth at \$4.09 billion in October 2002** against \$3.72 billion during the same month last fiscal, according to the data released by the Commerce and Industry Ministry. **The exports for the seven months of the fiscal year ( April-October 2002) increased 13.67 % at \$28.24 billion against \$24.842 billion in the corresponding period in the previous fiscal.** Cumulative imports during April-October 2002 rose **12.32 per cent** at \$33.8 billion against \$30.1 billion in the same period last fiscal. **India's trade deficit rose to \$5.54 billion** in April-October 2002 compared to \$5.23 billion during the same period last fiscal.

Oil imports increased 18.5 per cent at \$10.37 billion during April-October 2002 against \$8.75 billion a year ago period, while non-oil imports also rose 9.78 per cent at \$23.42 billion during the seven-month review period compared to \$21.33 billion during April-October 2001.

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### POLICY MEASURES AND PROPOSALS

#### National e-governance policy by March

The Department of Information Technology (DIT) is expected to finalise the agenda for the national e-governance policy by the end of the current fiscal. The agenda will chart a roadmap for policy and projects, and see to it that once the basic infrastructure is in place, subsequent action could take place. The agenda would include technology standards, funding mechanism, HRD strategy playing the role of indicators to the states. DIT has a Rs 700 million budget for the current fiscal, and significant amount of this budget has been spent already on various projects taken up in coordination with several states.

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### GEO-ECONOMIC

## **BILATERAL**

### **French aerospace co eyes India for manufacturing base**

**French aerospace major Snecma is planning to expand its small Indian presence by setting up a manufacturing base in the near term to make aircraft engines, components and spares.** The possible investment in such a venture could be "well above euro 20 million" and the procedure may take at least 18 months, Mr Dominique Paris, Senior Vice-President, Propulsion, said here.

**Snecma group company, Turbomeca, has a contract to supply over 200 of the powerful engines for HAL's advanced light helicopter (ALH) project.** HAL and Snecma are also in talks for a possible 50:50 joint venture to manufacture engine components for the global market.

## **MULTILATERAL**

### **Outsourcing consultants have India bias: Merrill Lynch report**

Outsourcing consultants such as **Bangalore-based neoIT with headquarter in the US, Gartner and McKinsey, which play the role of catalysts in helping first-time customers moving offshore, are looking to increasingly focus on the Indian market now,** as most of the companies are moving offshore and India is often their most preferred destination.

Apart from this, these consultants are focused on the Indian market to facilitate the 'not-so-mature' existing customers in using the services of Indian vendors, according to a latest report by Merrill Lynch. **The total offshore market for outsourcing consultants in IT applications is over \$10 billion annually in India, and the business process outsourcing (BPO) segment is growing fast.**

**In the last 12 months, neoIT has facilitated projects worth about \$225 million from Indian vendors. Vashistha said, "neoIT expects to facilitate projects worth about \$500 million to \$1 billion over the next 12 months."**

### **India, China to figure prominently in UN's 2003 FDI report**

India and China are likely to figure distinctly in UNCTAD's next World Investment Report mainly because of their outstanding performance in wooing foreign investments at a time when global FDI flows are expected to dip 27% to \$534 billion in 2002.

"FDI inflow in India is slated to go up from \$3.4 billion last year, which was up 47% from \$2.3 billion in 2000," United Nations Conference on Trade and Development (Unctad) director Karl Sauvant said, quoting the latest FDI report. Indications are that China and India will be highlighted separately in the next World Investment Report slated to be released in September 2003.

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## **CORPORATE SECTOR NEWS**

### **Excise holiday boosts investments in N-E**

The excise holiday announced by the Union Government in 1999 has worked as a major boom for the north-eastern sector as leading corporate houses like Hindustan Lever Ltd and SmithKline Beecham have set up manufacturing bases in that region.

Mr J.P. Saikia, Chairman and Managing Director of North Eastern Development Finance Corporation Ltd, (popularly known as Nedfi), said the units had come up mostly in Assam, Meghalaya and Tripura. According to him, 461 units in the medium and large-scale sector had come up involving a total investment of Rs 9.97 billion, creating jobs for more than 33,000

people. **In Assam, the investment was made mostly in sectors like jute, coal, food and beverages, plastics and cement. Steel and ferro alloys is the most favoured sector in Meghalaya because of the cheap power. In Tripura it is mostly food products and in Arunachal Pradesh it is tea.**

**Cheap power is the biggest attraction for setting up units in Meghalaya.** Power is available at a price of only Rs 1.70-1.80 per unit. In fact, there is such a rush for setting up production bases in Meghalaya, Mr Saikia said, that the Government was forced to hold back the process of issuing licences to nearly 55 new proposals.

#### **iSeva plans third centre in Mumbai**

ISEVA Inc, the US-based e-CRM company is planning **to expand its back-end operations** in India by setting up its **third contact centre in Mumbai.**

iSeva, at present, offers a mix of both voice and Web-based customer support services from its back-end interaction and technical development centres in Bangalore. The company has two contact centres in Bangalore with a combined capacity of 500 seats, while it has about 800 employees on rolls. Considering an investment of \$6,000 per seat, the company would invest about \$3 million in the proposed Mumbai contact centre.

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