

ECONOMIC NEWS FROM INDIA

Period: Upto –18 Nov.2002

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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 48.20. Comfortable dollar inflows from all counters and thin demand helped the rupee gain. Expectation of Moody's upgrading India's debt and foreign currency rating also helped the rupee appreciate.
- The **inflation rate** for the week ended for the week ended November 2nd, 2002 moved **upward to 3.14 per cent as compared to 3.02 per cent** the previous week. The rate of inflation for the corresponding week in 2001 was 2.46 per cent.
- Foreign exchange reserves breached the \$65 billion mark to stand at **\$65.376 billion** in the week ended November 8, 2002, compared to \$64.621 billion in the week ended November 1, 2002 and **\$46.258 billion on November 9, 2001**.

NRI deposit inflows touch \$1.4 bn, outstrip FDI

Fund inflows from non-resident Indians (NRIs) have outstripped total FDI between April and August '03. Interestingly, even though NRI deposits have gone up substantially, the non-repatriable portion has declined.

During the period under review, **fresh infows of NRI deposits totaled \$1.4bn. Against this, FDI and portfolio inflows increased \$1.1bn.** According to the NRI deposits figures released by RBI in its November bulletin, total outstanding deposits under all schemes stand at \$26.6bn as on end August '02.

Industrial growth up at 6.1 % in Sept

True to the signals of recovery in the economy, **the industrial sector has posted a growth of 5.2 per cent in the first six months of the current fiscal (April-September 2002) as against 2.4 per cent in the corresponding period last year.**

Month-on-month basis, the overall industrial growth has been pegged at 6.1 per cent in September (against two per cent last year).

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EVENTS

India International Trade Fair, 2002 is on

The 22nd IIFT, Asia's largest trade shows opened last week in New Delhi. This annual event attracts various national and multinational companies to show case their products and services under one roof. At the IIFT this year more than 7,000 companies from India and overseas are exhibiting under the theme "Services Exports and Tourism".

Overseas companies from 25 countries including China, Malaysia, Chile, Tunisia, Iraq, Brazil, Turkey, Nepal, the UAE, Sri Lanka, Hong Kong, Iran, Vietnam, Ukraine, Tanzania, Kazakhstan, Russia, Kenya and Myanmar are exhibiting at the fair.

At the IIFT, besides goods on display it has various seminars and conferences to exchange ideas, concepts, further business potential and to look at latest technology highlighted here.

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WEEKLY FOCUS

Dr. Bimal Jalan upbeat on economy

Though the Reserve Bank of India recently brought down its projection on the GDP growth from 6-6.5 per cent to 5-5.5 per cent, Dr Bimal Jalan, the RBI Governor, is still bullish on the Indian economy.

At a seminar on 'The Indian Economy — The Way Forward', organised by the Bombay Chamber of Commerce and Industry and Assocham, he said **growth indicators were seen to be too good. Interest rates are falling, inflation is expected to continue to be low, the balance of payments situation is good, credit availability is better and there were signs of credit pick-up. In the agriculture sector, despite the drought, kharif prospects were good**, he added.

According to him, **India can emerge as one of the two largest economies in the world over the next 20-25 years but this will entail investments in key areas such as infrastructure**.

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POLICY MEASURES AND PROPOSALS

FDI norms issued for tech specialty magazines

The Government has issued detailed guidelines for foreign investments in **publication of Indian editions of foreign technical, scientific, specialty magazines, journals and periodicals**. According to the norms, **a company planning to bring out the publication has to file an application with the Ministry of Information and Broadcasting along with a non-refundable fee of Rs 5,000**. The Ministry will determine the character and nature of the magazine and decide whether it is covered under the categories of scientific, technical or specialty magazines.

According to the **FDI policy for print media, up to 74 per cent is permitted in these categories of publications**. The detailed guidelines mentions that in case **where both FDI and portfolio investments by FIIs are envisaged, the applicant may approach the Foreign Investment Promotion Board (FIPB) or the Reserve Bank of India (RBI) for clearance after obtaining the no-objection certificate from the Ministry of Information and Broadcasting**. In cases involving portfolio investment the company may approach the RBI for further clearances.

The guidelines also mention that the I&B Ministry will keep the Secretariat for Industrial Assistance (SIA) and the RBI informed about the FDI projected by the company and the balance permissible foreign investment on portfolio investment route.

RBI has barred individuals from banking with offshore banking units

The Reserve Bank of India has decided to **bar individuals from banking with offshore banking units (OBUs) to be set up in special economic zones (SEZs). The OBUs will be allowed direct dealing only in foreign currency.**

RBI has prescribed a minimum contribution of \$10 million by the parent bank to its OBU for starting operations. Public sector, private and foreign banks, authorised to deal in foreign exchange would be eligible to set up OBUs but those with overseas branches and experience in running OBUs would be accorded preference.

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GEO-ECONOMIC

BILATERAL

Voltas ties up with Jardine

Diversified Tata major **Voltas has formed an alliance with the Jardine Matheson group of Hong Kong, which is a 20 per cent shareholder in Tata Industries, for making a major foray into China.** Voltas also plans to rope in either Pricewaterhouse Coopers or KPMG Peat Marwick for chalking out a strategy for the entry into China.

Wipro sews up \$26 million consultancy buyout in US

Infotech major Wipro Ltd said that it has decided to acquire the global energy practice of global business and IT consulting firm, **American Management Systems, for \$26 million in an all-cash deal.** The deal will be completed by December 2002. This is the third major acquisition in over a year's time by Wipro. **The infotech major earlier acquired eSpectramind for around \$80 million and GE Medical Systems Information Technologies Private Ltd for around \$6 million.**

Microsoft to invest \$400 m in India over three years

Microsoft Corporation will make its largest investment outside the US in India by pumping in \$400 million (about Rs 20 billion) over the next three years to spread computer literacy, outsource more software and boost its business in the country. The Microsoft Chairman, Mr Bill Gates, said here at a press conference that his company wanted to deepen its commitments to India and help create millions of high paying jobs in the country during the current decade. Mr Gates, who announced a \$100 million charity to support India combat AIDS, said Microsoft would **outsource more software from India** through partnerships with other companies and by **strengthening its India Development Centre in Hyderabad.**

Mr Gates said a part of Microsoft's investments would go towards spreading computer education through 'Project Shiksha'. Computer training would be imparted to over 80,000 schoolteachers, who in turn will train about 3.5 million students in five years. **The software major would also partner with State education departments to set up 10 Microsoft IT Academy Centres and collaborate with over 2,000 school labs.**

Mahindra BT sees good potential in Indian market

Mahindra British Telecom Ltd (MBT), the telecom software joint venture between the Mahindra Group and British Telecommunications plc (BT) is looking at the Indian market for potential business. Mr Shantanu Rudra, Chief Financial Officer, MBT, said that the company has already been shortlisted for a \$3 million telecom solutions project for one of the public sector telecom companies in the country.

MULTILATERAL

World Bank sanctions \$250-mn loan to India

The World Bank has approved a \$250 million loan to India for improving **technical- engineering education in the country**. It will support engineering colleges, universities and polytechnics to achieve academic excellence and boost the quality of emerging professionals

India 38th in competitiveness

India has improved its standing in the latest Global Competitiveness Report of the World Economic Forum (WEF). It has been ranked 38th among 80 countries in the 2002 report, compared to 57th among 75 countries in the 2001 report. The ranking is based on each country's growth competitiveness index, which represents an estimate of the underlying prospects for growth over the next six to eight years.

The WEF report has commented on the substantial improvement in India's ranking in the list, along with that of China, which has improved from 39th in 2001 to 36th in 2002.

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CORPORATE SECTOR NEWS

BHP Billiton, Dwyka strike diamond exploration pact

BHP Billiton, the world's largest diversified resource company, has entered into a strategic alliance with the Perth-based Dwyka Diamonds for a **major diamond exploration project in India**. The move has been prompted by the new national mineral policy, which has also resulted in interest being shown by other multinationals such as Rio Tinto and De Beers. **India is the world's largest diamond polishing centre.** The alliance will cover 55,000 square kilometres in the Dharwar area in Andhra Pradesh, where the Kohinoor (793 carats) and the Great Moghul (787 carats) stones were found. The alliance also covers licensed areas, which are said to cover four known diamond-bearing veins.

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