

## Daily Economic News Summary: 19 February 2016

### 1. Govt to inject more funds into public sector banks

Source: **Live Mint** ([Link](#))

India is preparing to pump in a higher-than-anticipated capital sum into poorly performing state banks, government sources said, a move that could see New Delhi infuse as much as \$34 billion additionally and make it harder to hit planned deficit targets. Prime Minister Narendra Modi's government in August pledged to put in Rs70,000 crore (\$10.2 billion) into state-run banks through four years to March 2019 as part of a broader banking reforms programme. It had then said the lenders would raise another Rs1.1 trillion from the financial markets.

But a surge in provisions for bad loans in a central bank-directed balance sheet clean-up exercise has sent several lenders into losses, hammering their stock prices and limiting their ability to secure external funding as the economy wobbles. It also means finance minister Arun Jaitley will have to squeeze the national budget to foot the bill. *"Indian public sector banks may find it difficult to raise capital, given their currently weak operating performance,"* Standard & Poor's credit analyst Deepali Seth said in a report, highlighting a risk of further rating downgrades. *"These banks will therefore have to rely more on government support for capital infusions."* Two senior government officials with direct knowledge of the matter said a new capital-infusion plan was being formulated that Jaitley might propose as early as the end of this month when he presents the federal budget. They did not say how much more the government was targeting injecting into the banks.

### 2. UK's Make in India expertise in defence more than any other country

Source: **Times of India** ([Link](#))

The UK may have lost out in the race to supply fighter jets to IAF, but it remains quite gung-ho about stepping up its international strategic partnership with India as well as the "Make in India" policy. This has gained momentum after PM Narendra Modi's visit to the UK last November, visiting British minister of state for defence procurement Philip Dunne tells TOI. Excerpts:

The Modi government has really been pushing the Make in India policy. Are there any concrete proposals for collaboration?

*We recognise this is a legitimate aspiration for India to encourage collaboration to develop in-country capabilities, building skills and employment prospects. We have a similar agenda in the UK. So, we share that objective. Some of the best examples of Make in India in the defence world are with the UK, like Jaguar fighters and Hawk advanced jet trainers. Rolls-Royce is another good example. There is this proposal to upgrade the Hawk trainers into combat Hawks, with missiles, guns, rockets. We think that's a clever way to develop some additional air combat capability. We will be very interested in discussing it.*

### **3. PM Modi's Make in India Week gets Rs 15.2 lakh crore investment commitments**

Source: **Business Standard** ([Link](#))

The week-long Make in India event here has secured investment commitments worth Rs 15.2 lakh crore, with host state Maharashtra alone accounting for Rs 8 lakh crore. Besides, it received investment enquiries worth Rs 1.5 lakh crore. *"The multi-sectoral Make in India Week has been a great success. We've managed to get investment commitments to the tune of over Rs 15.2 lakh crore from the event,"* DIPP Secretary Amitabh Kant told reporters at the closing press meet at the MMRDA Grounds here today.

He is hopeful that the summit will create a favourable environment for investors from across the world. Out of the total investment commitments, the host state made up for more than half, at Rs 8 lakh crore, Kant said, adding that Maharashtra could become the gateway for the rest of the country. Out of the total commitment pie, 30 per cent have come from foreign players. *"We have already opened the economy across sectors to the world. We're now showcasing, connecting and collaborating for manufacturing in the country,"* Kant said, adding that the summit is not about manufacturing alone, but innovation and nurturing inventors.

Prime Minister Narendra Modi had on February 13 inaugurated the maiden Make in India Week at the MMRDA Grounds at BKC in Central Mumbai. The jamboree, for which the Modi-led government has reportedly spent close to Rs 100 crore in marketing alone, is part of the government's push to create jobs by increasing the share of manufacturing to GDP to 25 per cent over the next decade, from the 16-17 per cent now. The domestic economy has for long been supported by the services sector, which alone contributes more than 60 per cent of GDP.

#### **4. IKEA to make India global sourcing hub for bamboo products**

Source: **Economic Times** ([Link](#))

Ikea, the world's largest furniture retailer, plans to make India its global sourcing hub for bamboo products as part of its strategy to increase bamboo product portfolio across its stores. Furniture made from bamboo, one of the fastest-growing plants, accounts for about 1% of Ikea's global sales of EUR 30 billion (about Rs 2,28,600 crore), and is mainly sourced from Indonesia, China and other far east countries. The Swedish retailer known for its ready to assemble products now wants to change that. *"We believe India can be the game changer in the bamboo furniture industry. India can be the leading bamboo furniture producer in the world if they get it together,"* said Patrik Antony, communications manager at Ikea India.

Ikea has recently partnered with a bamboo grower in Bangalore and is looking at roping in at least a dozen suppliers from primarily north-eastern states. The firm is in talks with a few state governments to incentivise bamboo cultivation and supply. Ikea is responsible for approximately 1% of world commercial-product wood consumption, making it one of the largest users of wood in the retail sector.

#### **5. India No. 1 for Kindle as sales up 200%**

Source: **Times of India** ([Link](#))

India and China will together emerge as the biggest market for Amazon's Kindle e-book reader this year, surpassing the US. David Limp, head of devices at Amazon, the world's largest e-tailer, said that Kindle saw a growth rate of over 200% last year in India — the highest among the Seattle-based company's biggest markets. Limp declined to break up the country figures, but attributed growth in India to the size of the market, increasing sales channels and availability of more content in the country. Limp also said reading increases significantly more in India when a reader obtains a digital device than is the case in the US.

In the latter, when Amazon customers take up digital readership, they tend to read four times more than they read physical books (based on the sales of physical books on Amazon). However in India, a Kindle user downloads ten times the number of books that he/she bought in physical form. The Kindle app, which can be used on most devices, is particularly popular in India.

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