

## Daily Economic News Summary: 1 June 2016

### 1. Q4 GDP growth powers Indian economy to \$2 Trillion

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

India's economy accelerated in the March quarter of 2015-16 to grow at 7.9%, buoyed by improved agricultural performance and growth in consumption. The forecast of a good monsoon, due to make landfall on 7 June, together with the implementation of the Seventh Pay Commission's recommendations on hikes for government employees (with sizeable arrears) will only further boost consumption demand in the economy. The bad news is that private investment continues to be weak and it is falling upon a fiscally strapped government to make good the shortfall. Private consumption growth remained robust at 7.4% in 2015-16, though it was marginally revised downward from 7.6% estimated earlier. Core sector data released by the industry department shows that while electricity generation and cement production picked up significantly, steel output also recovered sharply although it remained marginally in the negative in the fourth quarter.

### 2. Govt keeps fiscal deficit tad lower than target

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

The government managed to rein in fiscal deficit marginally below the revised estimate for 2015-16, despite mopping lower than budget taxes. But, it also meant that the finance ministry had to curtail spending below the revised estimates for the last financial year. With the provisional estimate of GDP higher than the advance estimate, the Centre's fiscal deficit was estimated at 3.92% of GDP compared to 3.94% in the revised estimate. Against the revised estimate of Rs 5.35 lakh crore of fiscal deficit, the Centre closed the year with a deficit of Rs 5.32 lakh crore, data released by the Controller General of Accounts showed.

This was the second year in a row that the government met the fiscal deficit target, but it did not have to significantly cut spending to meet the projections. With private sector investment remaining subdued, the government has been forced to step up public spending.

The country's infrastructure sector posted robust expansion in April, building on the revival in the segment since January and holding out hopes for the industrial growth during the month.

### **3. Qatar wants flight cap to and from India to go**

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

Qatar has sought open skies with India-an aviation treaty under which there is no cap on the number of flights or seats operated between two countries-ahead of Prime Minister Narendra Modi's visit to the energy rich Gulf nation next week. India last gave additional flying rights to Qatar in 2009 due to which Qatar Airways is currently entitled to deploy about 24,000 weekly seats to India, less than half the bilateral given to neighboring Dubai and Abu Dhabi by the Congress led UPA during its 10 year rule. *"While most Gulf countries ask for additional bilateral with India, Qatar has formally send a request for the same. This is being examined and we will take a call,"* said a senior aviation ministry official.

### **4. Canada Co to pay \$1Bn for Mumbai biz park**

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

Brookfield Asset Management, one of the world's largest property and infrastructure investors, is set to buy the commercial real estate assets, mostly tenanted office buildings, of Hiranandani Developers in Powai near Mumbai for \$1 Billion. The Canadian asset manager is weeks away from acquiring 100% ownership of the 4.5 million sq ft business park, making it the single largest commercial property acquisition in the country, two people directly familiar with the matter said.

Brookfield pipped other potential suitors (Canadian Pension Plan Investment Board and Blackstone) with an aggressive offer to chase down its third Indian buyout deal, after snapping up Unitech Corporate Parks and Gammon's road and power assets.

### **5. Indian energy cos aim to regain ground in Lanka plan joint bid for 500 MW power plant**

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

Three Indian energy companies have initiated a move to make a joint bid for regaining lost ground in Sri Lanka after Colombo dumped plans for an India built coal fired power plant in the port city of Trincomalee. State Run gas utility GAIL generation utility NTPC and Petronet LNG Ltd-a private company promoted by public sector oil firms- have taken baby steps to work out an alternative energy package with a substantial takeaway in terms of air quality management.

Sources aware of the development said a team of executives from the companies and government officials was in Sri Lanka to get an idea about the project dynamics and prospects.

Admittedly, the proposal is in a nascent stage and a lot of distance remains to be covered since it involves international relations.

## **6. E-commerce to reach \$60 Bn GMV by 2020**

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

With a strong consumer base of around 175 million, Indian e-commerce could reach \$60 billion in gross merchandise value (GMV) by 2020, Google and AT Kearney said in a report titled Digital Retail 2020. The estimates are less than that projected by US investment bank Goldman Sachs last October, which pegged the e-tail segment to be valued at \$69 billion.

According to the report, e-tailing will become a substantial channel for the Indian organised retail sector, contributing as much as 25 per cent of the total organised retail sales by 2020. Value-added service will be a key differentiator and 90 per cent of the online buyers will be willing to pay for premium value-added services. *“Forty-six per cent of online buyers said they would be willing to pay extra charges for faster delivery; 37 per cent for hassle-free return and 35 per cent were willing to pay more for extended warranty,”* the report stated. *“E-tailing in India is at an inflection point and will touch 175 million online buyers by 2020. The next three to four years would be critical for the sector to get on the path of sustained profitability. Innovative delivery models and creating omni-channel presence will help bring on board new online shoppers and help grow the overall share of e-tailing from the organised retail industry in India,”* said Rajan Anandan, vice-president and managing director, Google SEA & India.

Among the other findings of the report is a five-fold growth in the number of women shoppers by 2020. *“They are likely to spend more on lifestyle categories, namely apparel and accessories, and are looking for the latest trends and brands online. Women respondents also said they would increase online shopping if they can get more options for flexible delivery time, and more pick-up locations so that they don’t have to divulge too many personal details,”* it said.

## **7. India grabs third spot in global tech investment destinations list**

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

India retained the third spot in consultancy EY’s list of most attractive investment destinations for technology transactions. EY’s 14th biannual Global Capital Confidence Barometer (CCB) - Technology report, based on a survey that covered 182 technology executives around the world including senior level executives, named the US, the UK, India, China and Germany as the top five destinations for technology investment in that order.

The report said in the current global economic scenario, companies have been revising their strategies to enhance revenues and protect earnings. *"While 84% of tech executives see a stable or modestly improving economy, there has been a 38-point drop (to 1%) in those projecting strong improvement only six months ago. Economic and political instability, including the impact of the strong US dollar and weak oil prices , have tempered optimism,"* it said.

Technology deals volume rose 2% from a year ago in the first quarter of 2016 to 1,002 deals, according to EY. Globally, there is a shift towards shared infrastructure, and that is the main area of investments in India, said Ashish Basil, partner - transaction advisory services, EY India.

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**By Harsha Hazarika**