Daily Economic News Summary: 4 May 2016

1. China funds scout for desi mobile startups

Source: **Times of India** (Link

Several Chinese investment funds and mobile tech companies are betting big on early-stage Indian mobile startups. Some 15 of them are currently on a trip to India, organized by China-based venture capital management organization OnionFans, with the objective of identifying opportunities for investment. Among them are Zhejiang Investment Group, Incapital, Grand Capital, Yeahmobi, and Hangzhou Zhexin Information Technology. A few already have investments in India, and want to build on them. At an event in Bengaluru in association with the Internet and Mobile Association of India (IAMAI) on Tuesday, the ventures interacted with more than 100 Indian startups.

Jessica Wong, investment director in Yeahmobi, a mobile advertising firm that counts Baidu, Cheetah Mobile and Paytm among its clients, said the Indian mobile startup ecosystem is where China's was a few years ago. *"So we consider ourselves as 'advantage investors' - with our resources and industry know-how, we would like to get involved with high-quality Indian startups from the very beginning,"* she said. Yeahmobi, which launched an India-specific fund last year, has already invested in six startups in India and is planning to make a seed investment of $500,000 each in another 12 this year. The fund is focused on financial tech, education, healthcare, e-commerce, and business-to-business ventures. Investment interest from China began about two years ago, with the entry of players like Alibaba, Baidu, Cheetah Mobile and Apus Group. Now the interest appears to be exploding, with many more players looking at a wider range of India opportunities.

2. Govternment's effort is to move towards a low interest rate regime: Das

Source: **Times of India** (Link)

The broader aim of the reform agenda of the government is to move towards a low interest rate regime where money is available at a lower rate to entrepreneurs and investors to invest, Economic Affairs Secretary Shaktikanta Das said on Tuesday. *"The Prime minister has set the goal of reform to transform. We are targeting to make India a low cost economy by way of reducing our interest rates, by reducing our tax levels, reducing the cost of logistics and the transaction cost of our economy,"* Das said while participating in a panel discussion on structural reforms at the Asian Development Bank annual meeting. He detailed the reform measures undertaken by the government to push growth and provided an overview of the effort of the government and the Reserve Bank of India to ease interest rates. *"The finance Ministry and the central bank have entered a monetary policy framework agreement under which the central bank has a particular inflation target and over two years inflation which was earlier in the order of 10% been brought down to 5-5.5%. That has enabled the central bank to reduce policy rates, it has also enabled the government to reduce certain government driven savings schemes,"* he said.

Das said the government was also working on lowering the tax rates by moving towards a Goods & Services Tax regime, a reduction of corporate tax and listed the several legislations in the pipeline which will fill regulatory gaps such as the Insolvency and Bankruptcy code. *"The JPC report has come. We were actively participating in the deliberations of the committee. I don't expect any official amendment to the JPC's recommendations because most of the recommendations they have made are based on interaction with government officials. It is an outcome of a very close and positive interaction. Now the effort of the government is to enact it,"* Das said interacting with reporters on the sidelines of the 49th annual meeting of the Asian Development Bank. The bill is expected to be put before the Cabinet for approval soon, he said. Das said the bankruptcy code will improve India's position in the World Bank's ease of doing business ranking significantly.

3. IMF retains India’s growth forecast at 7.5% for FY17

Source: **Business Standard** (Link)

India is expected to grow at 7.5 per cent in FY17, underpinned by strong domestic consumption, which has benefited from lower energy prices, says the International Monetary Fund (IMF) in its Regional Economic Outlook: Asia and Pacific. The government's push to boost capital spending could help crowd in private sector investments, which will help broad-base the recovery, it added.

The IMF lowered its growth forecast for the Asia-Pacific region to 5.3 per cent in 2016-17, marginally lower than the previous estimate of 5.4 per cent. The downgrade reflects the sluggish nature of global recovery, which suggests that export growth is likely to be muted. As such growth in the region is likely to be driven largely by domestic consumption demand aided by lower commodity prices. The aggregate growth numbers might be adversely affected as the IMF predicts the Chinese and Japanese economies to slow sharply over the next two years.

Particularly worrying is the slowing down of the Chinese economy, especially economies which are closely integrated with the Chinese supply chains. But those who are exposed to China's consumption demand may benefit, as the country attempts to rebalance its economy towards domestic consumption. *"Asia remains the most dynamic part of the global economy but is facing severe headwinds from a still weak global recovery, slowing global trade, and the short-term impact of China's growth transition,"* said the IMF.

4. Indian IT infrastructure market to reach $1.93 billion in 2016: Gartner

Source: **Times of India** (Link)

The Indian IT infrastructure market will increase marginally to $1.93 billion this year whereas by 2020, it is likely to grow to $2.13 billion, Gartner said today. The IT infrastructure market includes server, storage and enterprise networking equipment. In 2015, the market stood at $1.90 billion. *"The Indian IT infrastructure market will total $1.9 billion in 2016, a 1% increase from 2015,"* Gartner said. Indian enterprises will continue to focus on optimizing their infrastructure and operations budgets in 2016, it added. *"Optimization is primarily driven with an objective to create next generation data center architecture that can support the ever increasing challenges of digital business. With the emergence of bimodal IT, there are a lot of investments made in Mode 1, and there is an increasing focus on building Mode 2 infrastructure,"* Naveen Mishra, research director at Gartner said.

5. Smart City project to get a branded look soon

Source: **Economic Times** (Link)

Wary of state governments taking political advantage of Modi government's flagship Smart City initiative, the Centre has started a branding exercise to own up the mega urban renewal programme. The urgency to start branding exercise stems from the fact that opposition party-ruled states like Odisha and UP are moving swiftly on the BJP government's programme. Of the 20 cities chosen under the project in the first round, Odisha's capital Bhubaneswar had topped the list. The cities were the first to kickstart a special purpose vehicle (SPV) and appoint the chief executive officer to formally launch the programme.

The Centre is planing to conduct familiarisation trips of city administrators, citizen walk-throughs at project sites and popularisation of the project's butterfly logo to build the "Smart City" brand as their own. The urban development ministry has roped in Bloomberg Philanthropies and National Institute of Urban Affairs to help in building a brand for PM Modi's pet initiative.

By Harsha Hazarika