

Daily Economic News Summary: 9 June 2016

1. US firms pledge \$45 Bn investments

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

Setting aside the regulatory concerns that businesses such as Apple, Walmart or Amazon have faced in India, American companies have promised to invest at least \$45 billion (Rs 3 lakh crore) over the next two to three years. The commitment came at a roundtable interaction in Washington DC between Prime Minister Narendra Modi and 20-odd chief executive officers on Tuesday night. Modi, who had wooed top Silicon Valley majors during his US trip last year, spent 90 minutes last night with CEOs representing companies in sectors spanning new economy to entertainment, energy to telecom, food to pharma. He told them investor confidence has returned as India is scripting a new growth story. *"We will continue to make our tax policies more predictable. We have made major strides towards predictability by signing a number of Advance Pricing Agreements with the United States. At the same time, like the US, we are cracking down on tax evasion and unfair tax avoidance,"* he said. The top stars betting big on India were Rupert Murdoch's STAR group and Jeff Bezos-led Amazon. Amazon committed a fresh investment of \$3 billion, in addition to the \$2 billion it announced in 2014. *"I can assure you it's only the beginning. It's day one, like we say it at Amazon,"* Bezos said.

STAR, with interests in TV, entertainment and web wants to invest another \$5 billion in the country in about three years. *"We see huge potential in the Indian market and have been one of the largest foreign investors in India and the largest in the media and entertainment sector,"* said Uday Shankar, chairman and CEO of STAR India. US India Business Council (USIBC) president Mukesh Aghi said American Tower Company and Emerson are the other companies to have made big investment announcements at \$4 billion and \$1 billion, respectively. Aghi told Business Standard that the meeting with Modi *"was held in a positive environment"*. Industry concerns related to riders in the guidelines for foreign direct investment in e-commerce and those linked to mandatory local sourcing in retail that blocked Apple's plans to set up fully owned stores were not discussed, he said.

2. Washington takes a shine to Delhi's solar mission

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

India and the US have announced a joint initiative to mobilise up to \$400 million for lighting up a million Indian households by 2020 with renewable power. According to the joint statement issued after discussions between PM Narendra Modi and US President Barack Obama, both governments will equally set up a \$20 million US-India Clean Energy Finance initiative for mobilising funding for New Delhi's renewable energy plans.

Both have also committed to establishing the US-India Clean Energy Hub as the coordinating mechanism to focus US government efforts to increase renewable energy investments in India in partnership with leading Indian financial institutions. A \$40 million US-India Catalytic Solar Finance Programme, equally supported by both the governments, will also aim at providing liquidity to smaller-scale renewable energy investments, particularly in poorer villages that are not connected to the grid. This initiative could mobilize up to \$1 billion worth of projects.

3. India, US vow to expand economic co-op to breakdown trade barriers

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

India and the US on Wednesday vowed to expand economic relation between the two nations and explore new opportunities to break down barriers to facilitate movement of goods and services. The leaders of the two countries resolved to pursue US-India Totalisation Agreement and enhance engagement on intellectual property rights with a view to promote innovation and creativity. *"In order to substantially increase bilateral trade, they (leaders) pledged to explore new opportunities to break down barriers to the movement of goods and services, and support deeper integration into global supply chains, thereby creating jobs and generating prosperity in both economies,"* said the joint statement issued after a meeting between Indian Prime Minister Narendra Modi and US President Barack Obama. They look forward to the second annual Strategic and Commercial Dialogue in India later this year to identify concrete steps in this regard, it added.

4. India second best among emerging markets in fixed income returns

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

India is poised to offer the second-highest returns among emerging markets, after Mexico, on fixed income investments, and provide further tailwind for foreign capital flow into the economy. High returns and a stable currency is the potent combination that can draw global investors to India, even in the event of Governor Raghuram Rajan 's exit from the RBI, Brexit or even the Fed rate hikes in the short term. Overseas debt investors in India are expected to earn 1.71 per cent total returns, derived at adjusting spot exchange rate with the interest income, compared with China's 0.33 per cent negative returns and Indonesia's 0.7 per cent by the end this year, a Bloomberg forecast showed at the close of market hours in India.

5. Shipments grew 150% in Jan-March: Amazon India

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

Amit Agarwal, Amazon's India head, said the online retailer will deploy the \$3 billion committed to the domestic market into building infrastructure, enhancing selection, enabling sellers so that they can offer lower prices, payments and on mobile. Having registered a 150% growth in shipments in the first quarter of this year, against the same period last year, the e-commerce major is seeing no signs of slowdown in any of its existing categories, he said.

Having steered the local operations of Amazon since the past three years, Agarwal said the fresh capital allocated for India would be invested aggressively. *"Last year in the fourth quarter, we sold more than what we sold in the whole year of 2014. We grew our shipments 250% last year, compared to the whole of 2014, and the first quarter growth this year has been 150% compared to same period of last year,"* said Agarwal, an Amazon veteran who was recently elevated to the global leadership team. His induction into Bezos's core team signals the e-commerce giant's success story in India so far. *"Our single-minded focus has been on improving the customer and seller experiences. We look at three pillars-providing more selection, how to lower cost of operations for sellers, and pushing faster and more reliable delivery. In India, payments and mobile are key for making investments,"* he said. *"These areas require a lot of investments."*

All told, Amazon India is expected to have channeled \$2 billion into India with discounting and advertising being a big area of spends. Having clocked stupendous growth and market share at the expense of domestic players like Snapdeal, Agarwal said Amazon is seeing noticeable traction in categories other than electronics and mobiles. *"Fashion and daily consumables like grocery, health and personal care items are one of the fastest growing categories for us,"* he said.

6. Tamil Nadu and other southern states power Mercedes India sales

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

With the diesel ban in Delhi skewing luxury vehicle sales in that market, the footprint of the five southern states has suddenly increased given that Tamil Nadu , Kerala, Karnataka, Andhra Pradesh and Telangana collectively clock the highest growth in luxury car sales in India. According to Mercedes Benz , the share of southern markets in its overall sales has gone up from 25 per cent in 2014 to 30 per cent in 2015 and 35 per cent-36 per cent in the first quarter of 2016.

Among the southern markets, Tamil Nadu has been clocking a 30 per cent growth for the brand even as the national growth is a flat 2 per cent in Q1 for the carmaker. Boris Fitz, VP, sales and network development, Mercedes-Benz India,said, *"The performance of the southern markets is now on par with the rest of the country and there are some markets which are growing much faster than our national average."* Mercedes Benz sold 622 units in the first quarter at a 2 per cent growth nationally over the last fiscal.

7. Fitness Brands drive wearable market in India: IDC

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

The wearable market in India clocked just over 400,000 units in the first quarter of 2016, largely driven by fitness bands with 87.7% market share whereas smart wearables, defined as any wearable that can run third-party applications, contributed to around 12.3%, said a report by International Data Corporation (IDC).

According to the quarterly wearable device tracker, wearable devices witnessed an annual triple-digit growth, and similar growth is expected in the near future as well. *"Wearable devices have become immensely popular in the past one year, and more players are expected to make an entry into the market in both the basic and smart wearable categories. The expected launch of affordable smartwatches in the second half of 2016 could see a rapid growth in the share of smart devices,"* says Swapnil Bhatnagar, Research Director, IDC India.

The penetration of wearables is still low, and vendors are investing in the continuous development of products to provide better value to users, said the report. "The increase in volumes is giving more scope to the vendors to come up with better features such as display and NFC. Both Intex's recently launched Fitrist and Xiaomi's soon-to-be-launched Mi Band 2 come with a display at affordable prices," added Bhatnagar. The wearable devices market is at a

nascent stage right now and penetration in India is much lower in comparison to markets like the US or China. While consumers are keen on understanding the product and its features, vendors are continuously increasing their marketing budgets to address the issue. A rapid adoption in all categories of wearables is expected and the market is expected to evolve on all parameters such as price, product features and target segments.



By Harsha Hazarika