



# India Economy Panorama

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## Bird's Eye View

The First Decade of Reforms

Macro Balance-Sheet

Outlook

# Largest Democracy, 2nd Largest Muslim population

## Demographics

Location: South Asia

Neighbouring Countries: China & Pakistan

Population (2001): 1027 m, 54% of which are below 25 years

Area: 3.3 m sq. km

No of States and UTs: 35

No. of Dominant Languages: 18

Dominant Religions: Hindu (82%), Muslim (12%), Sikh & Christian (2% each)

## Political System

Gained independence in 1947

Largest democracy in the world

Has a federal structure with each state having its own legislative assembly

National elections held every 5 years, next in 2004

No of national political parties: 7

Currently a coalition led by BJP is in power, National govt led by Hon Mr. Atal Bihari Vajpai

## Securities Market

Leading Stock Exchanges: NSE & BSE

No of listed companies: Nearly 6000

Market Capitalisation (FY03): \$120 bn

Settlement Cycle: T+2

Market Cap/ GDP: 25%

Net FII investment: \$24 bn since 1993

Debt Market: total outstanding debt \$180 bn, largely dominated by G-Sec

## Macro-economic Perspective

GDP : \$525bn

Growth Rate : 6%

GDP (PPP adjusted): \$2.9 tr

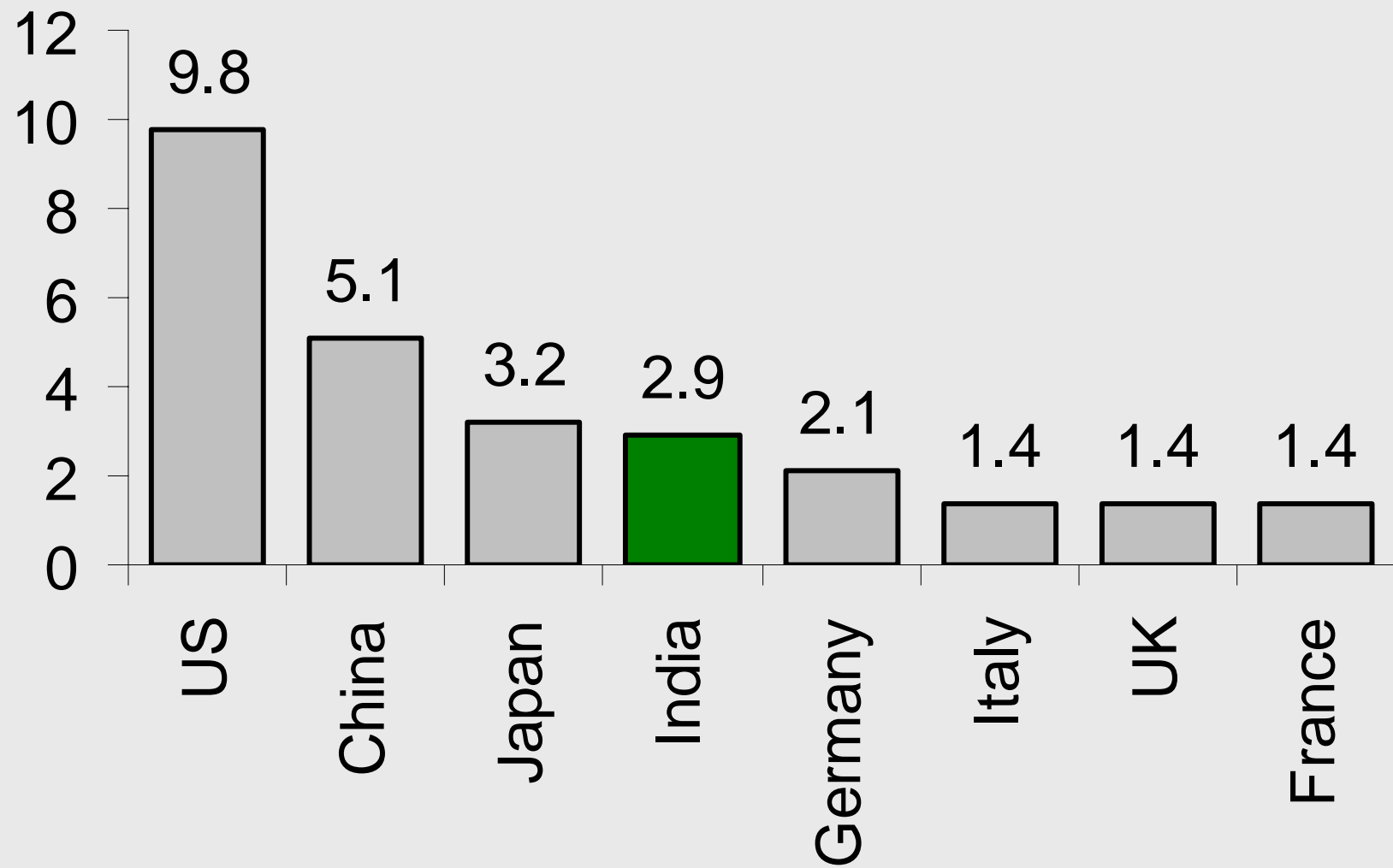
GDP shares - Agri 22.1% Ind 21.8%, Services 56.1%

Trade - Exports: \$62 bn Imports: \$75 bn

Current a/c Balance (% of GDP): 0.8

Forex Reserves: \$117.9 bn

# PPP Adjusted GDP for 2002 (in \$ tr)



- 23 member coalition (5 yrs) government
- forex management practices “amongst the best ” - IMF
- 220 of Fortune 500 outsource their work to India
- world's largest irrigated area, conducive climate
- lowest cost producer of aluminium, steel, copper, cement
- largest milk and tea producer, consumer in the world
- world's largest manufacturer of two-wheelers, CD-ROMs
- consumes a fifth of world's gold output

- largest number of pharma plants outside USA
- 90% of world's diamonds polished (80% by caratage)
- railways- largest employer (1.7m), largest network (63m m)
- 70,000 bank branches, deposits 60% of GDP
- 150,000 post office branches
- ranked 6th in satellite launches
- 800 movies per year, overshadows Hollywood
- currently world's largest single highway project (13,000 km)





Bird's Eye View

## The First Decade of Reforms

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# Then and Now

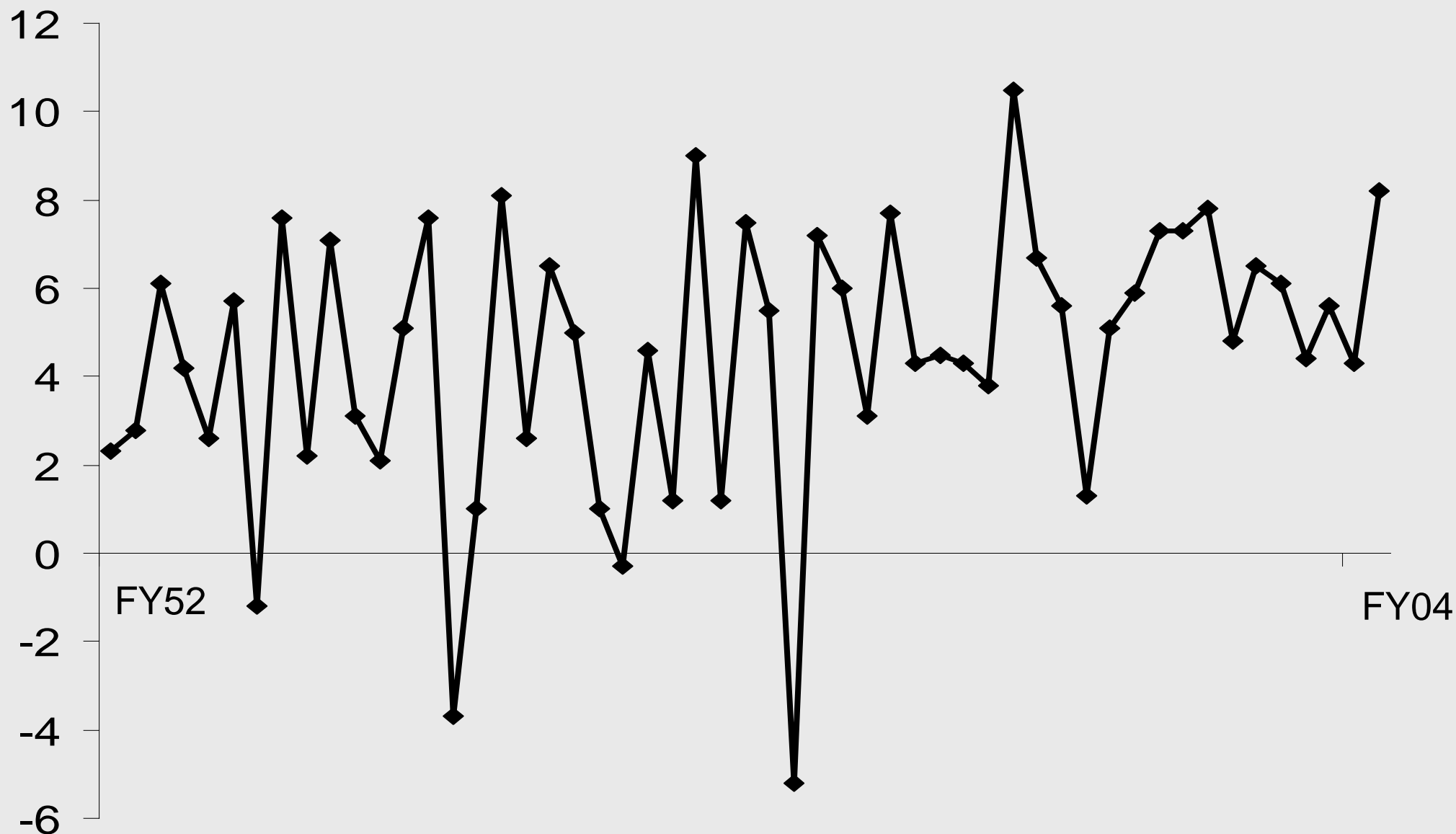
	Then	Now
 GDP Growth (yoy %)	1.3 <sup>*</sup>	6.0+
Industrial Growth (yoy %)	-1.3	6.7
Inflation (%)	16	5.3
Export Growth (%)	<i>negative</i>	15
 Foreign Currency Reserve (\$ bn)	5.8	117.9
 Current Account Deficit (% of GDP)	3.1	-0.8
External Debt (\$ bn)	83.6	112.1
 Debt Service Ratio	35.3	16
Fiscal Deficit (% of GDP)	7.8	4.8
Foreign Direct Investment	<i>negligible</i>	4-5 bn

*\*The figure refers to FY92*

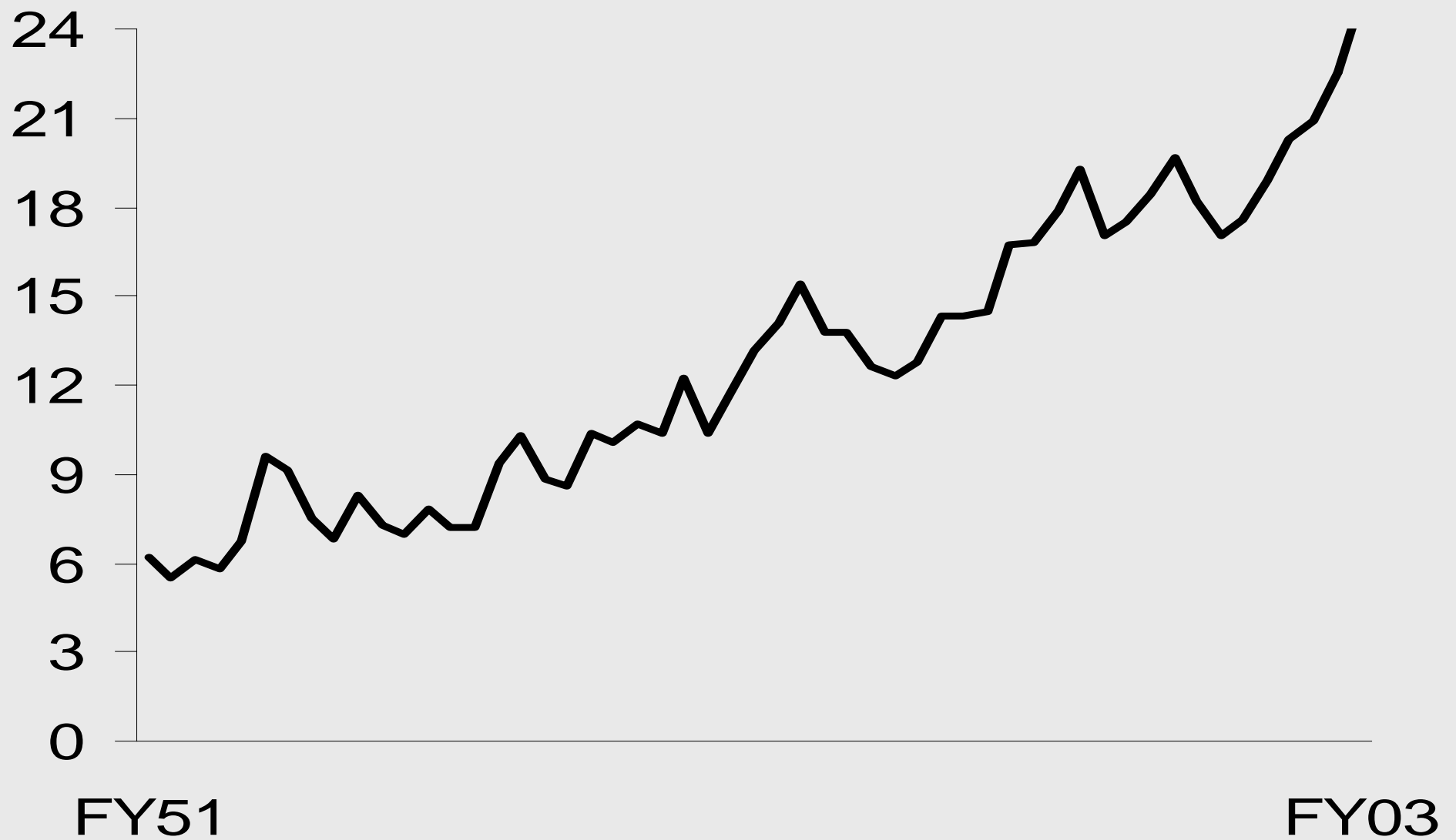


# GDP Growth

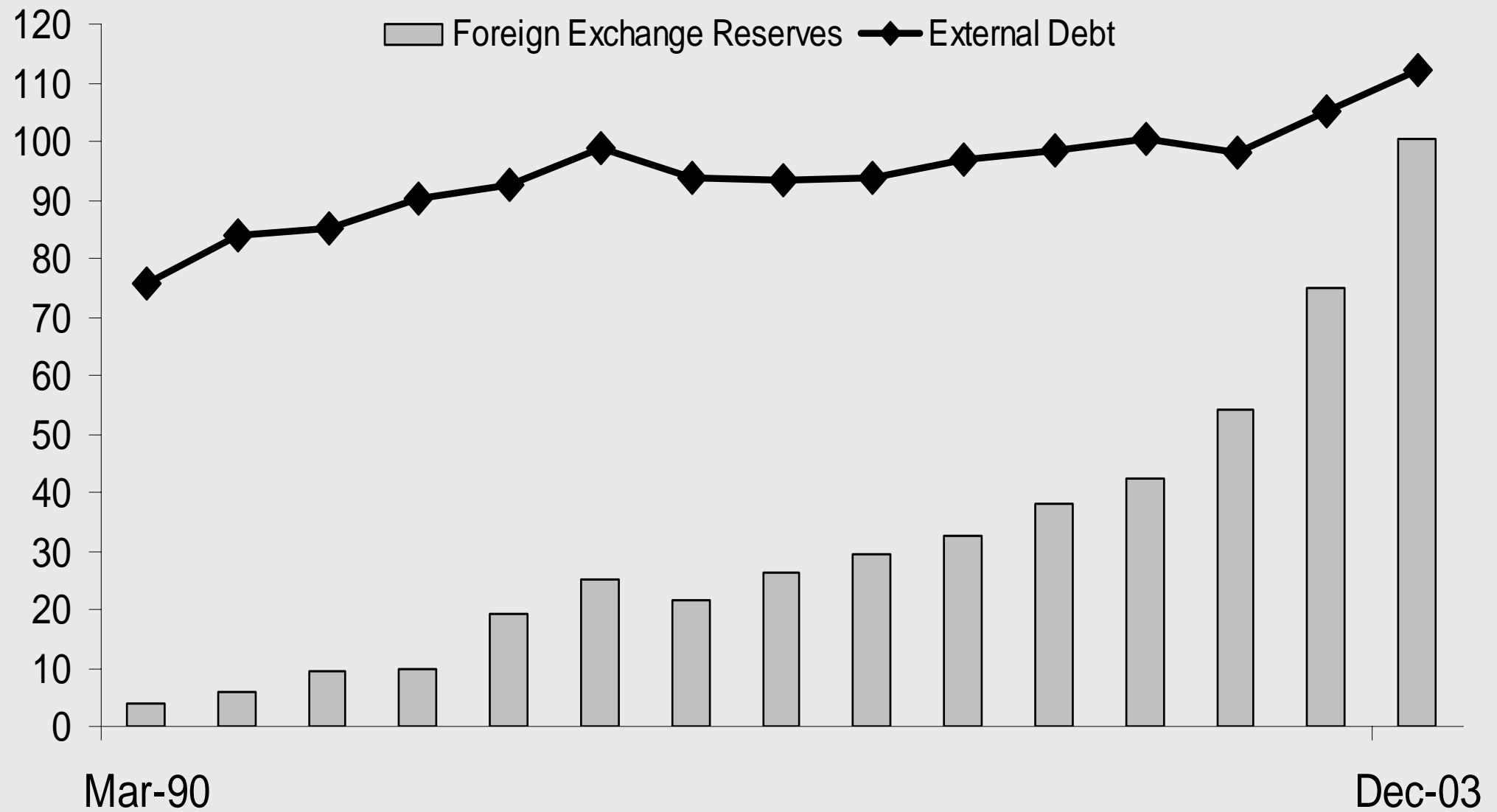
Among the Top 10 fastest growing economies over the past 20 years



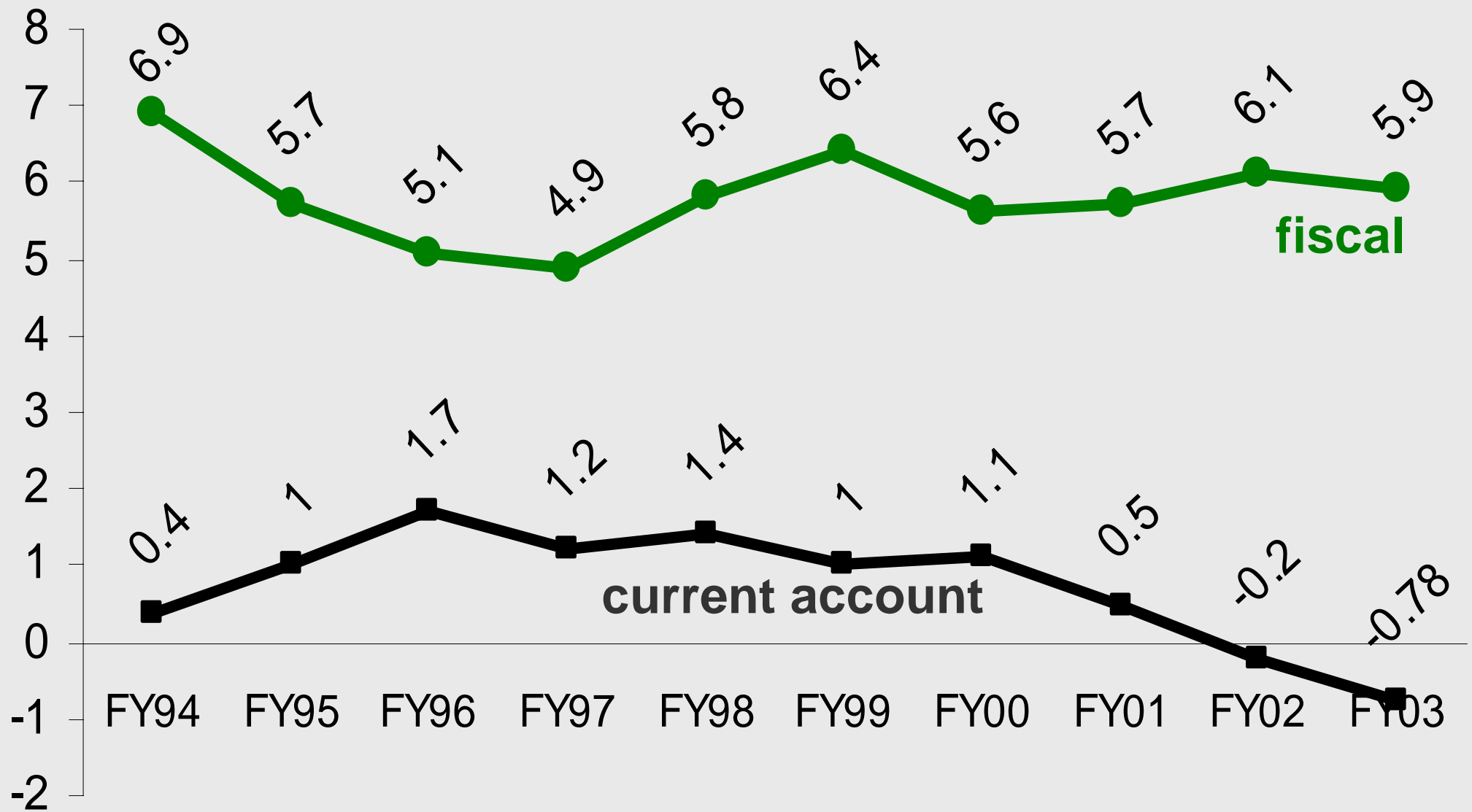
# Household savings (as % of GDP)



# Reserves and Foreign Debt (\$ bn)



# The Twin Deficits - Yin and Yang



- mainly about industry, trade, banking, insurance
- privatisation coupled with private/foreign entry
- reduced subsidies and price fixation, more market play
- labour, agriculture untouched
- infrastructure opened up

Bird's Eye View

The First Decade of Reforms

**Macro Balance-Sheet**

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# Current Strengths and Weaknesses

**Growth**



**Trade**



**External Debt**



**Demography**

**Knowledge base**

**Fiscal Situation**

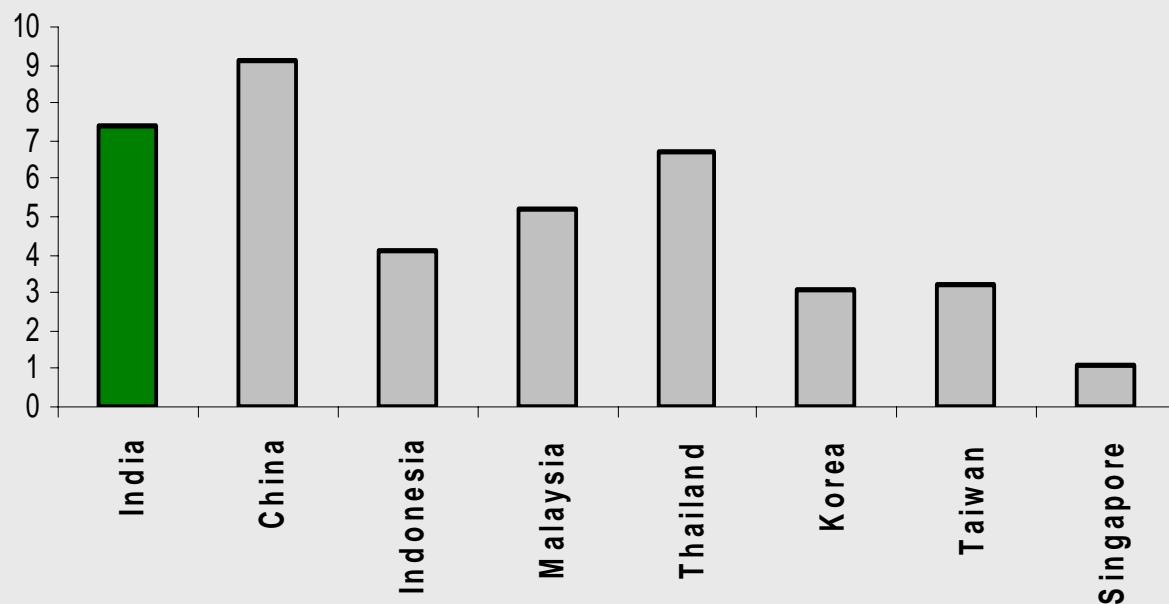


**Debt**

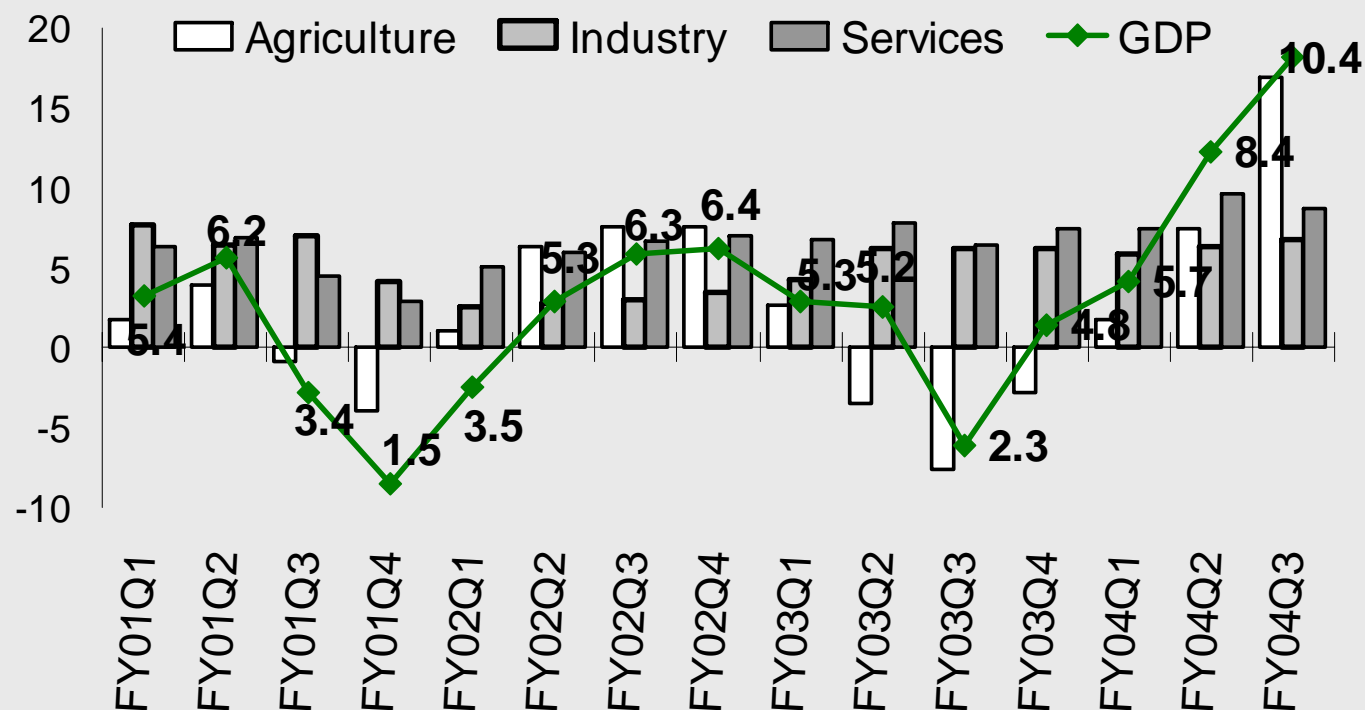


**Inter-state Disparity**

**Poverty**



**GDP components...**  
 agriculture volatile,  
 services steady





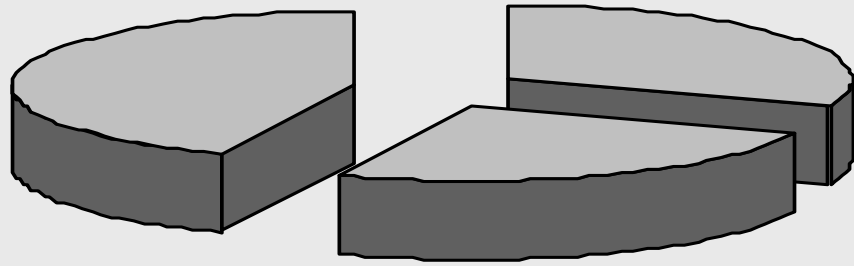
# services share 56% - leapfrogging past industrial phase?

**1990-91**

Agriculture  
31%

Industry  
25%

Services  
44%

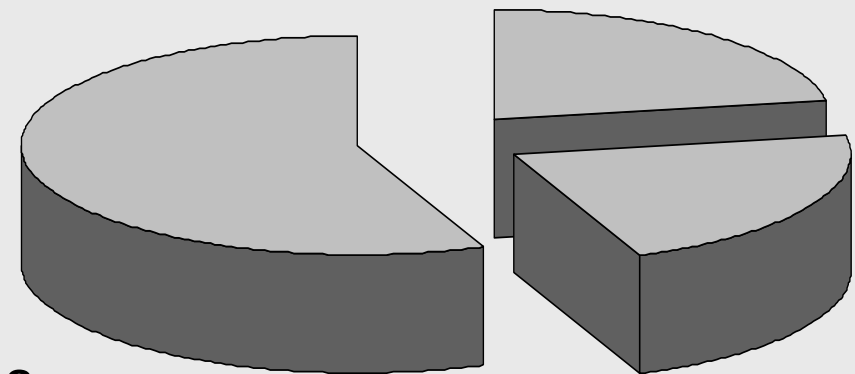


**2002-03**

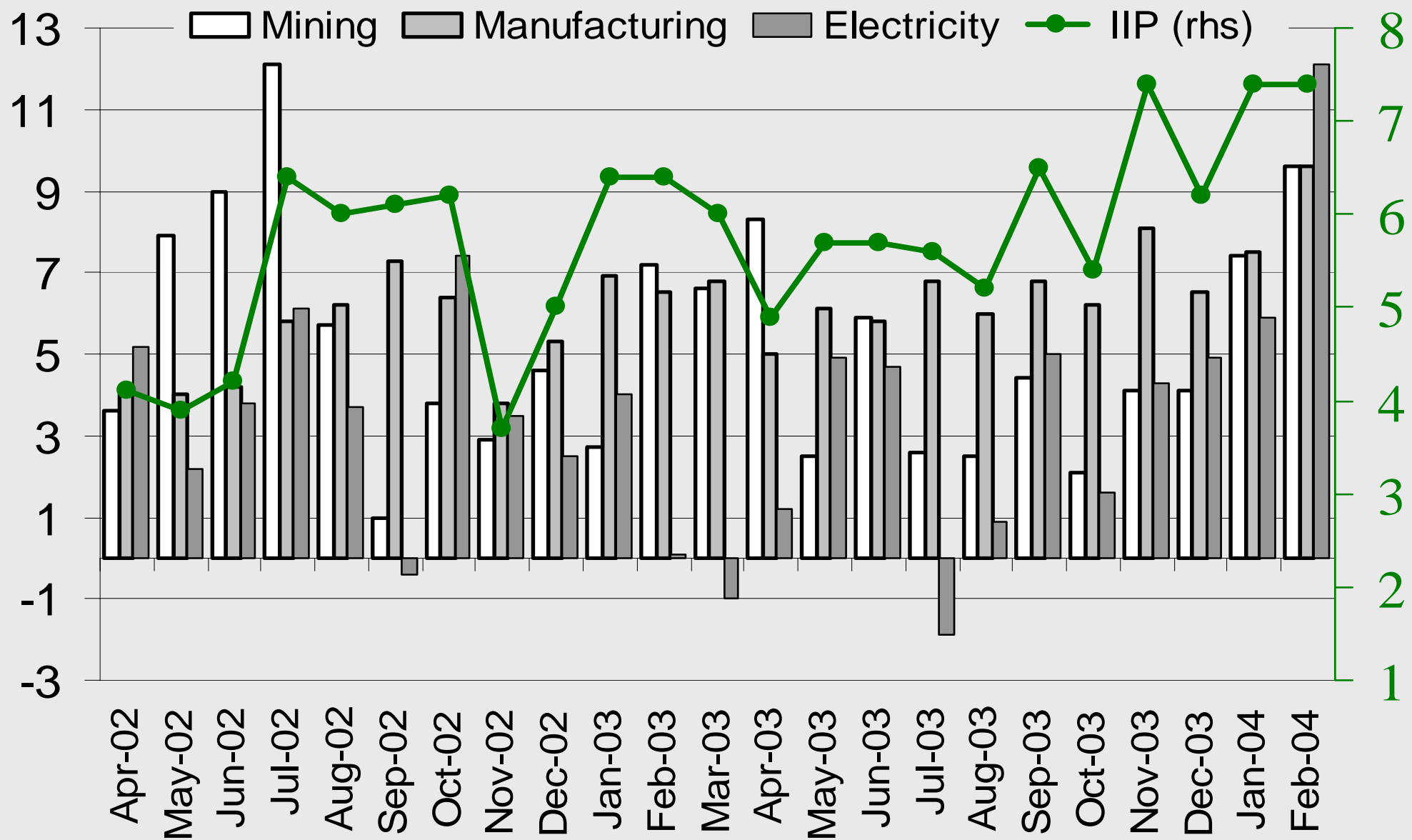
Agriculture  
22%

Industry  
22%

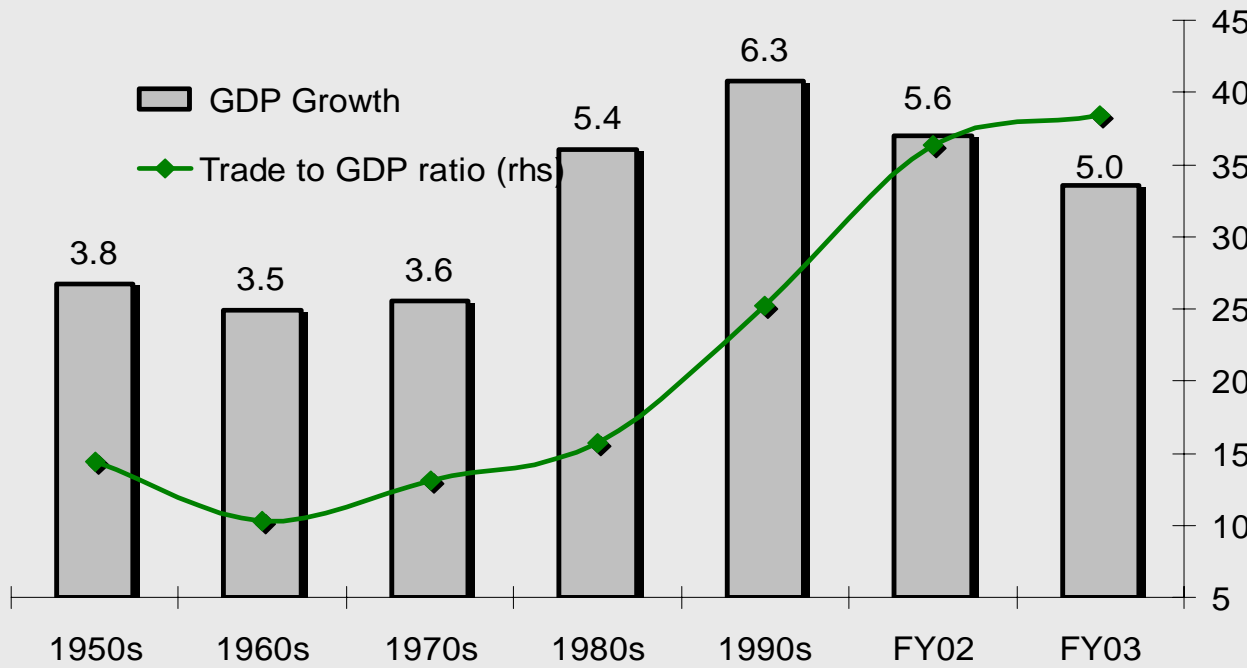
Services  
56%



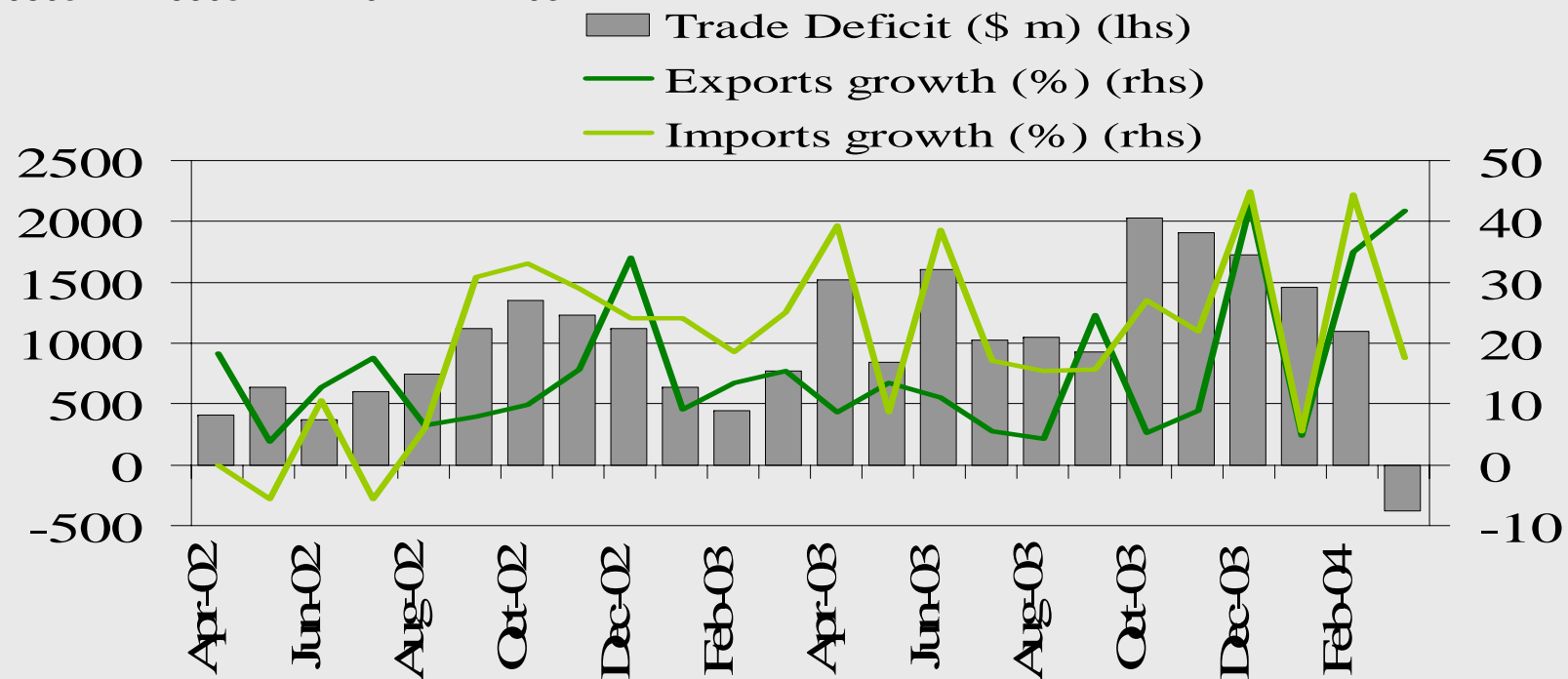
But, industry showing broad based recovery



Third Quarter Corporate Sector Performance		
Sector (figs in %)	Sales growth	Profit growth
Engineering	22.4	51.2
Pharmaceuticals	11.9	-2.4
Automobiles	26.3	47.0
Oil & Gas	10.4	36.0
IT, Telecom, Media	8.5	19.9
Banks & Financial Institutions	0.7	20.0
Commodity	23.5	166.1
Power	10.4	132.4
Textiles	9.2	24.2
FMCG & Durables	7.2	19.7
Miscellaneous	36.7	57.3
<b>Total</b>	<b>14.0</b>	<b>40.0</b>



Trade ratio has risen dramatically in last twenty years... more openness



Exports (sans IT) clipping over 10% growth ...



## Exports are diversifying...

(figures in \$bn)	FY93	FY02	% change
Ores and Minerals	0.7	1.2	75
Leather and Goods	1.2	1.9	59
Chemicals	1.2	4.3	250
Agriculture and Allied	3.0	5.9	99
Engineering	2.3	6.9	196
Garments and Textiles	4.7	10.1	114
Other Manufacturing	3.7	10.0	169

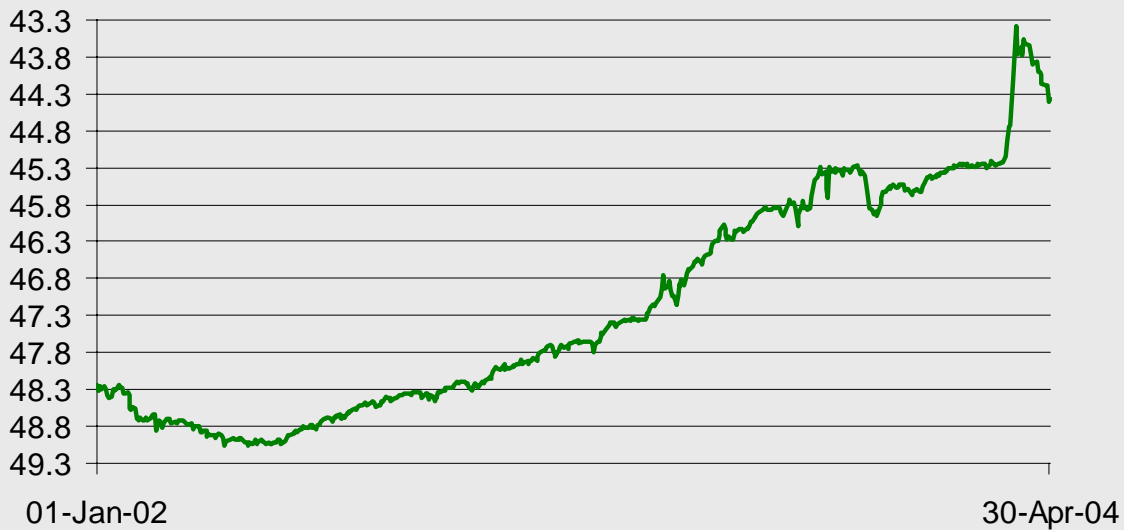
A major component of Chemicals is drugs and pharma

The fastest growth was in Engineering and in Drugs and Pharma

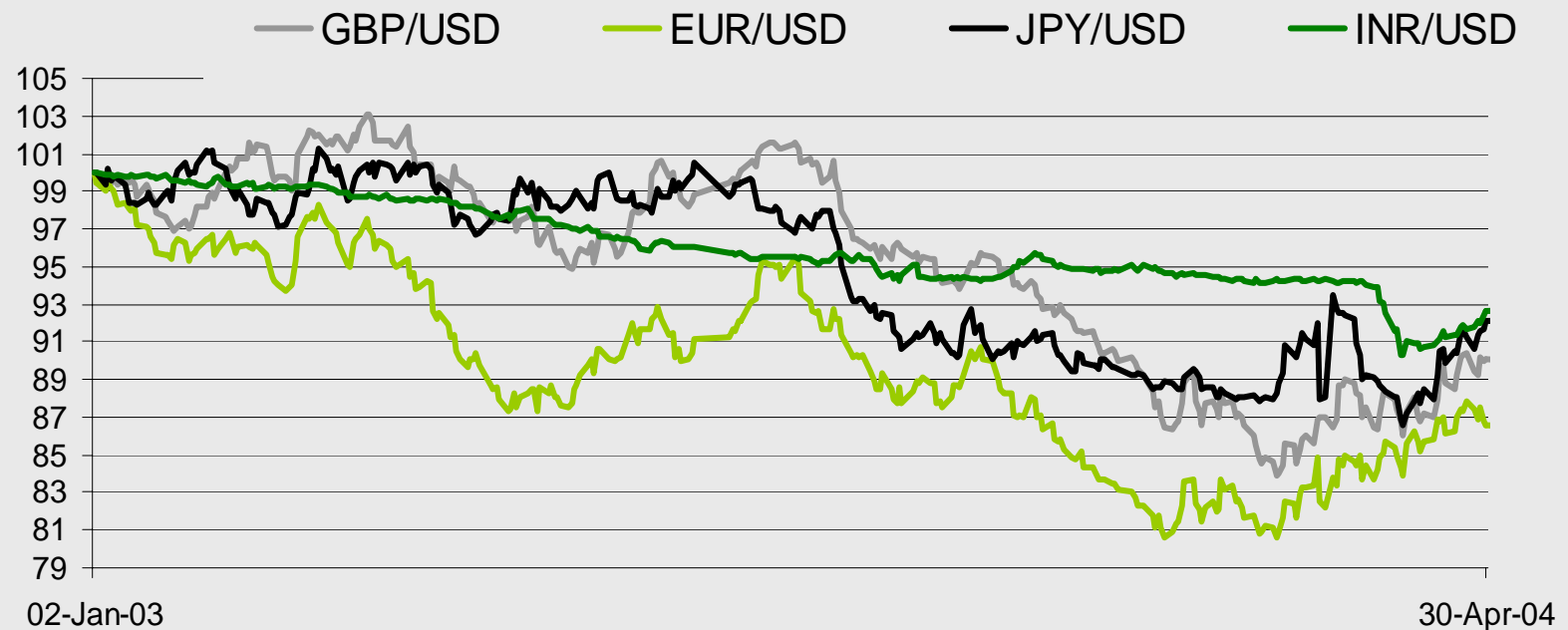
## Rupee's U turn Against Dollar

Up 2.7% in FY03

9.4% in FY04



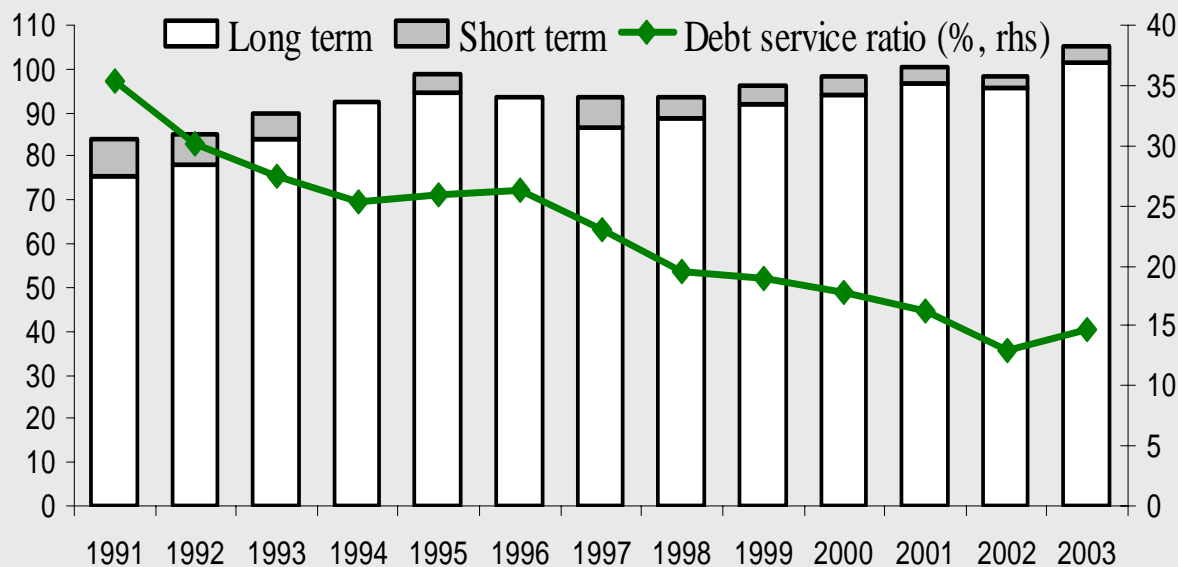
Others have gained much more against the dollar



## INR/USD least volatile

Annual Volatility (in %)					
	2000	2001	2002	2003	2004 (Jan-Apr)
INR/USD	2.4	2.1	1.6	1.7	4.9
USD/EUR	12.4	11.9	9.1	9.9	13.0
JPY/USD	10.0	10.4	9.9	8.8	9.5
INR/EUR	13.6	12.5	9.7	10.0	13.5

# Debt

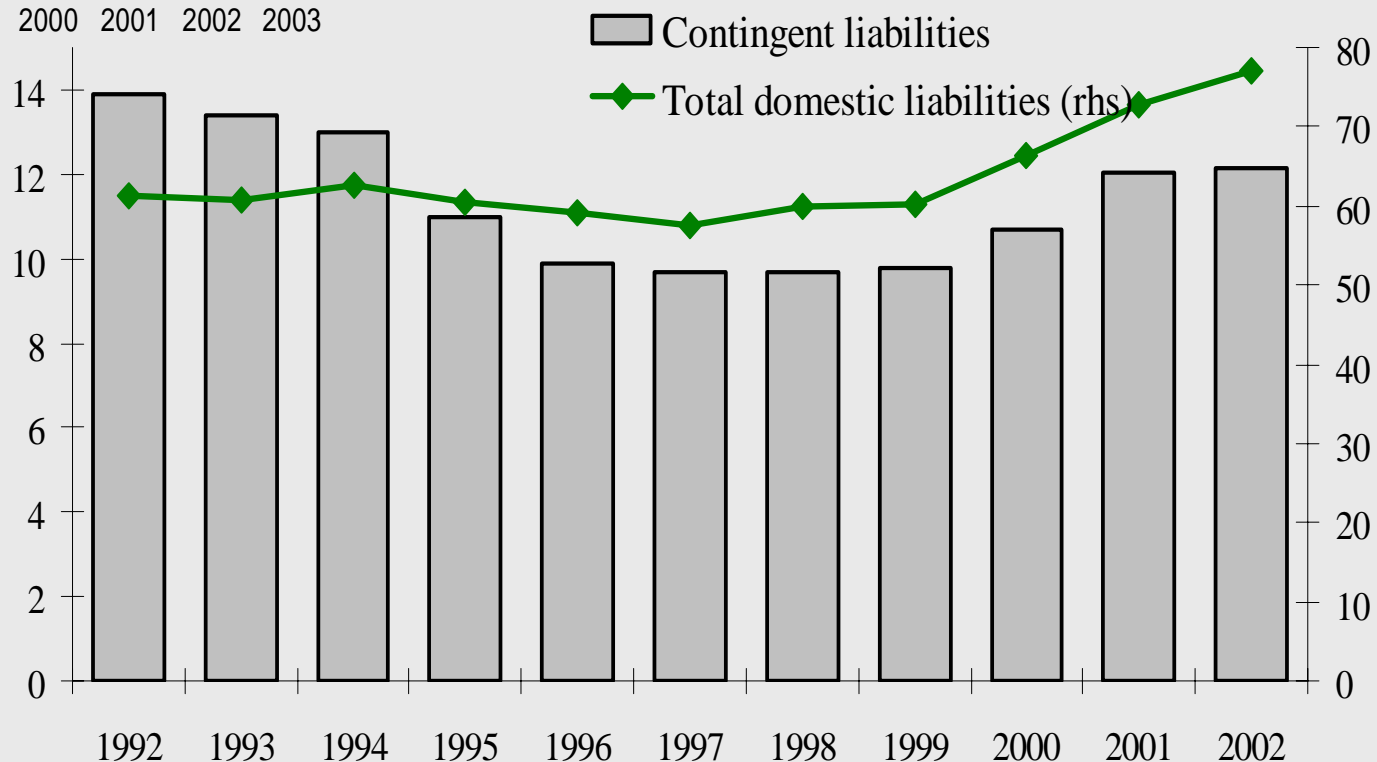


**Foreign debt constant for a decade**

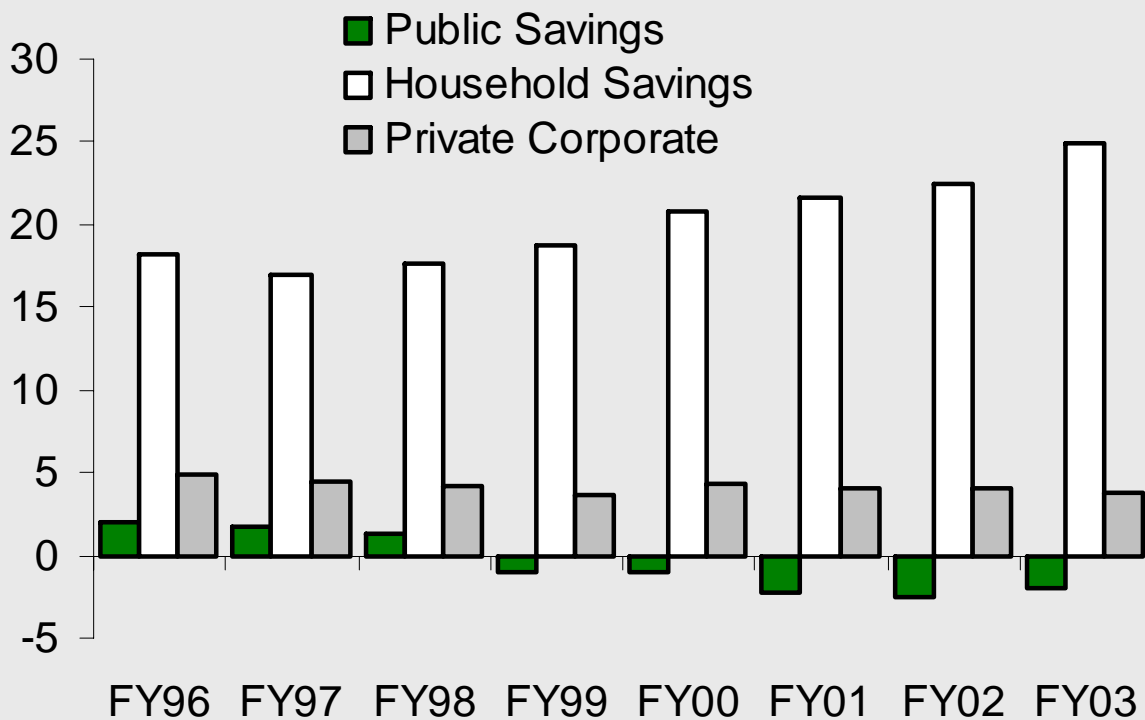
**Debt service has declined**

**Domestic debt ballooning**

**Contingent liabilities rising, and quality of debt deteriorating**



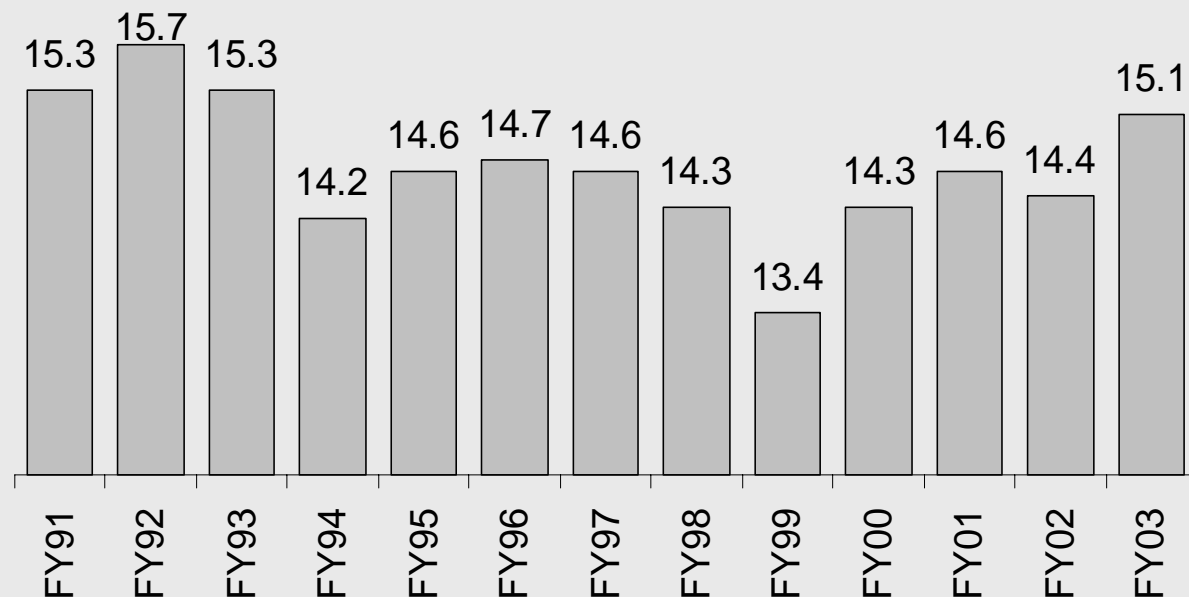




**Households save, but the government dis-saves**

**Tax receipts stagnant at 15% of GDP**

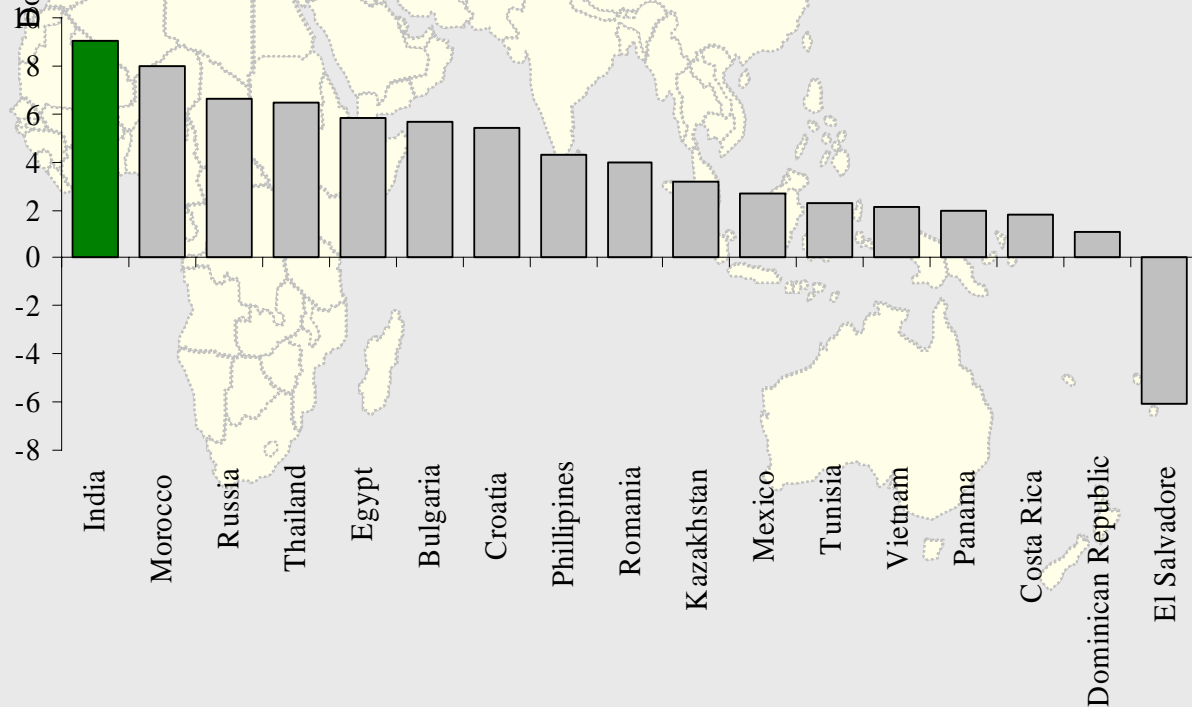
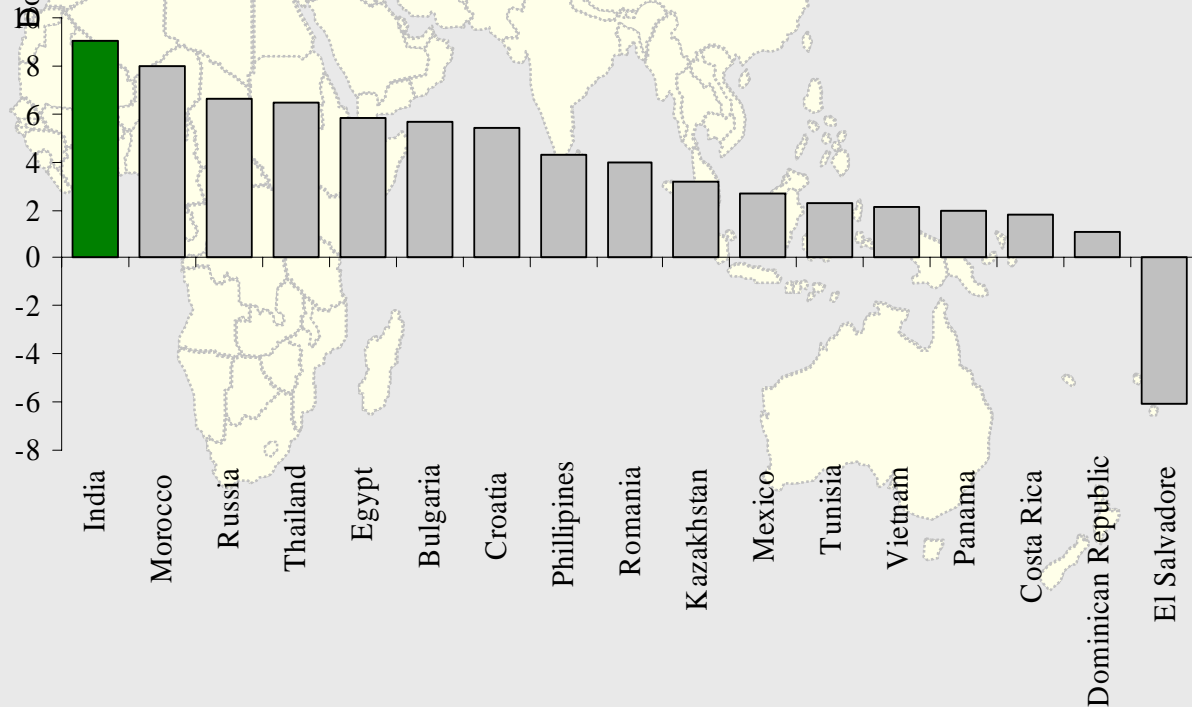
Brazil - 31%, Korea - 27%,  
 Turkey - 33%, Czech Republic  
 - 40%



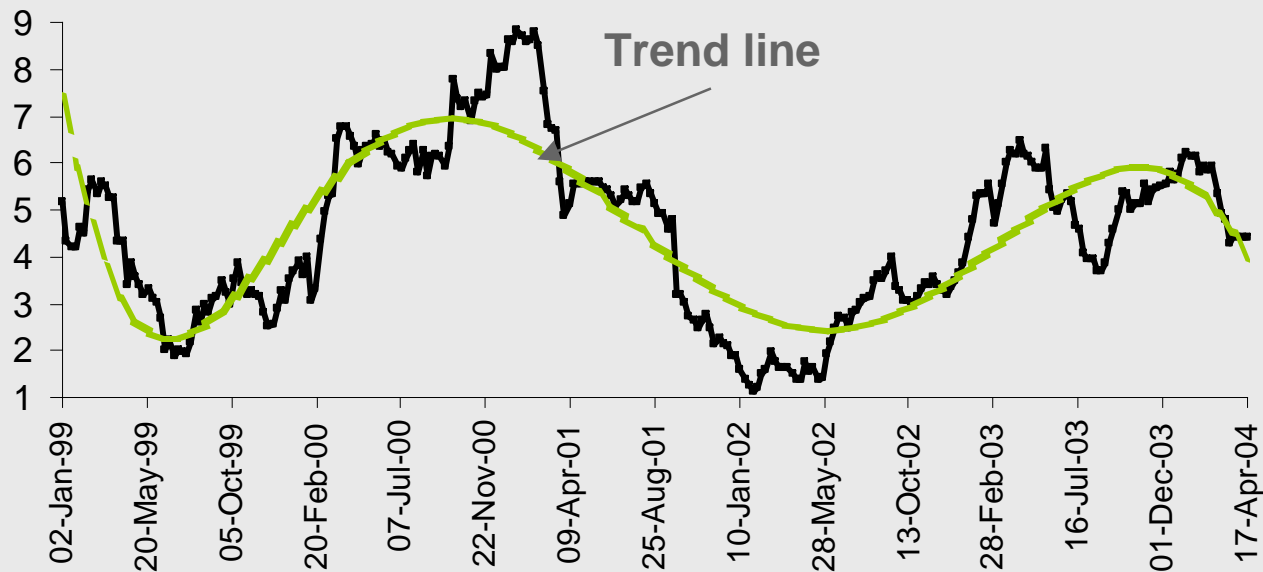
# Debt and reserves comparison

Gross Debt (% of GDP)

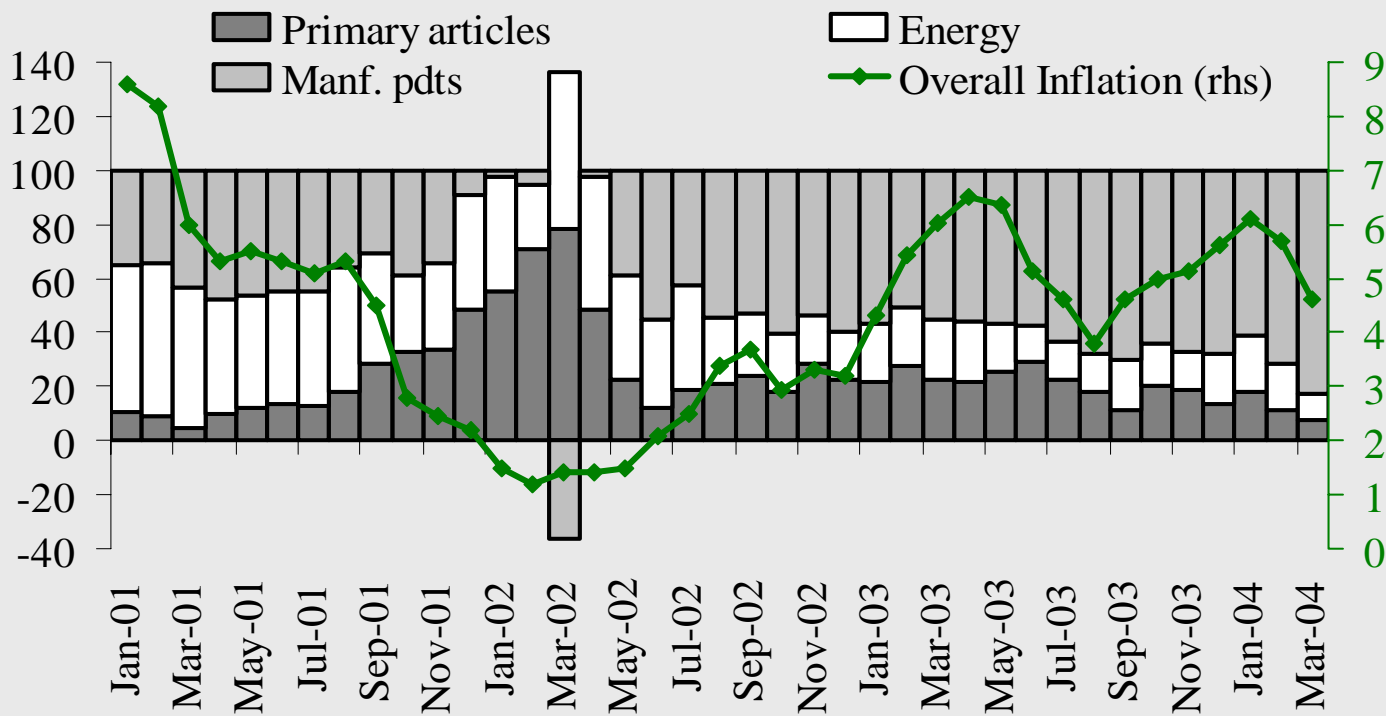
reserves/imports  
(months)



# Inflation



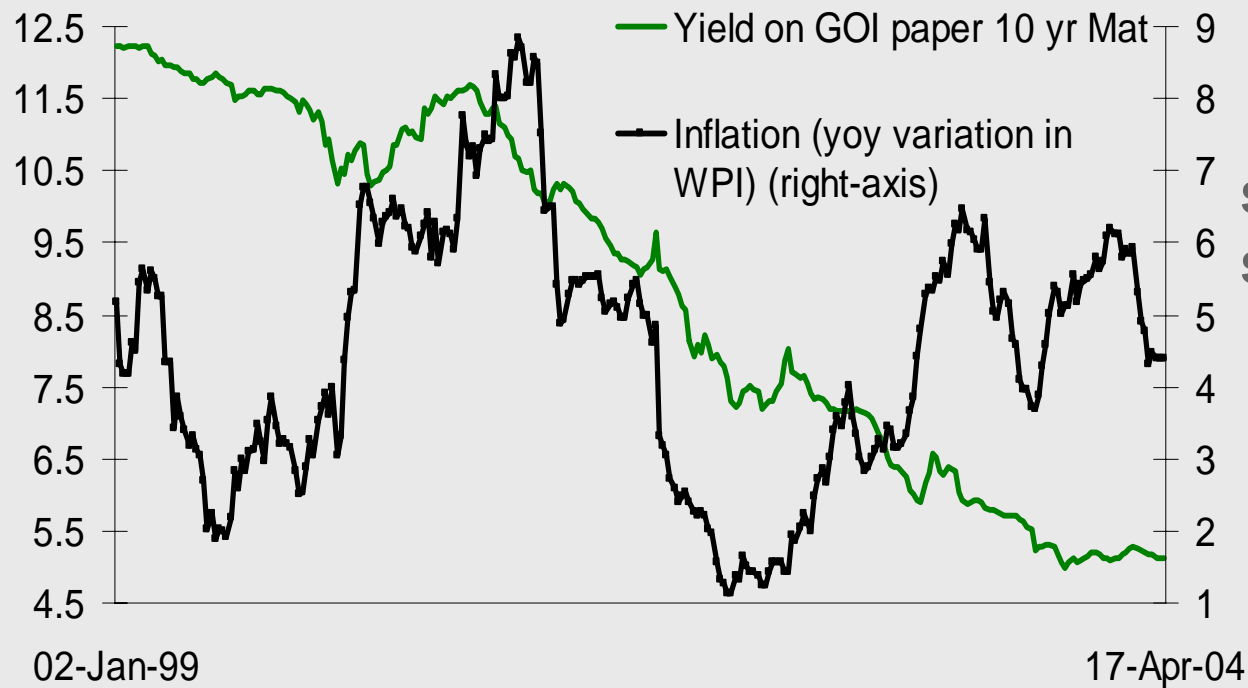
**FY04, WPI averaged at 5.3%...inflation under control...**



**Core inflation picking up...  
both by cost push and  
demand-pull factors...**

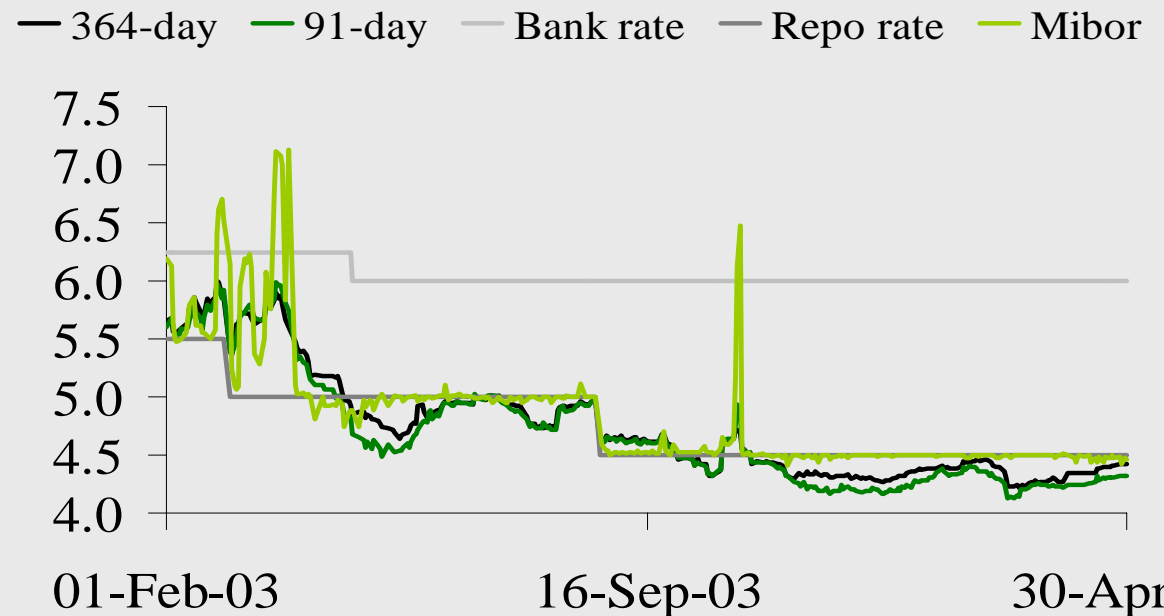


# Interest rates



soft interest rates... inflation slightly picking up...

Declining interest rates on money market instruments...



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# Economy numbers

Indicators	FY02 Actuals	FY03 Actuals	FY04 Provisional	FY05 Forecasts
Real GDP growth rate	5.6	4.0	8.1	6.5
Inflation (year-average)	3.6	3.4	5.3	4.5
Interest (year-end)	7.3	6.1	5.15	5.8
Rupee-US\$ rate (year-end)	48.8	47.5	43.39	42.5
Exports (\$ bn)	44.9	53.0	61.0	67.0
Imports (\$ bn)	57.6	65.5	82.5	95.0
Forex Reserve (\$ bn)	54.0	74.8	112.7	130.0
Fiscal Deficit (% of GDP)	6.1	5.9	5.0	5.5
Current account balance (% of GDP)	0.2	0.78	0.5	-0.6

- Improvement in Indo-Pak relations
- India's role post Cancun
- Elections 2004 (followed by bold decisions?)
- An assertive, and more productive industry
- Capacity to digest huge forex inflows?
- Will fiscal stress spill out to a currency crisis?
- Outsourcing trend to continue