



Economic Outlook of India

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Agenda



Macroeconomic Landscape

USD 5 trillion economy goal- Is it achievable?

Banking Sector Reforms

International Trade & Commerce

Jobs

The Digital Economy

Way Ahead

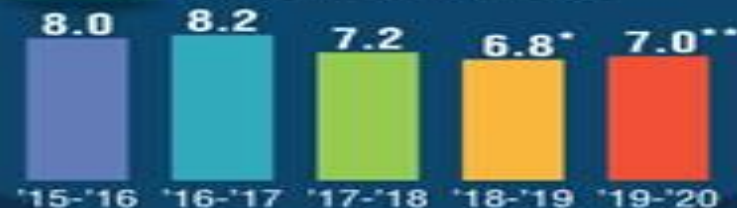


INDIAN ECONOMY: A SNAPSHOT



GDP Growth

At constant prices



*Provisional estimates
**Projected

Fiscal Deficit

% of GDP



*Provisional actual

Inflation

Average, in %



Foreign Trade

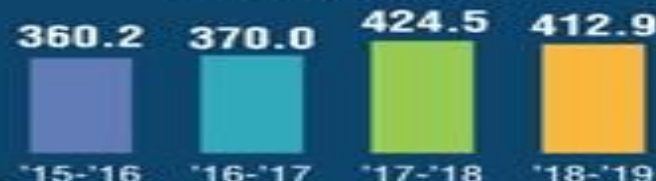
Good and Services (%)



*Provisional estimates

Foreign Exchange Reserves

In US \$ billion



March End

Agriculture, Forestry & Fishing

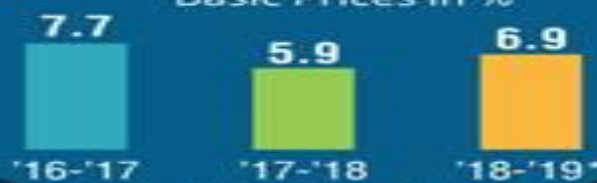
Growth Rate of GVA at Basic Prices in %



*Provisional estimates

Industrial Growth

Growth Rate of GVA at Basic Prices in %



*Provisional estimates

Services

Growth Rate of GVA at Basic Prices in %



*Provisional estimates



GROWTH & MACRO-ECONOMIC STABILITY: VISION FOR \$5 TRILLION ECONOMY

GDP

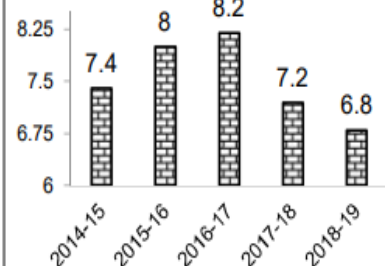
Fastest growing major economy in the world

11th largest economy in 2013-14



6th largest economy in 2019-20

GDP Growth rate (%)



CAD

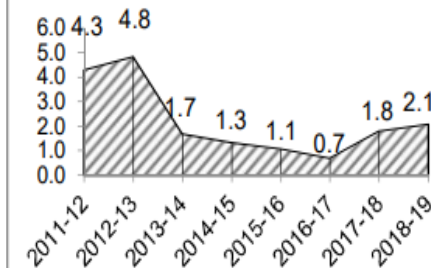


5.6% of GDP in 2013-14



2.1% of GDP in 2018-19

CAD as % of GDP



FDI & FPI

India attracted \$64.4 bn worth of FDI in 2018-19

100% FDI to be permitted for Insurance intermediaries



Statutory limit for FPI investment in a company increased to sectoral limit

Local sourcing norms to be eased for FDI in single brand retail

Source: Union Budget -2019



Macroeconomic Landscape

- GDP grew 5% in the first quarter of FY20, marking the slowest growth since the fourth quarter of FY13.
- Investment and consumer demand slowed down and impacted manufacturing. Manufacturing grew at 0.6%.
- There was only a 2% increase in farm sector which added to the demand slowdown. Retail food prices, which comprise nearly half of the inflation basket, increased 5.11% in September year-on-year.
- CPI inflation forecast for the second half of 2019-20 is 3.5-3.7%.
- Decline in private final consumption expenditure



USD 5 trillion economy goal- Is it achievable?

- International experience, especially from high-growth East Asian economies, suggests that such growth can only be sustained by a ‘virtuous cycle’ of savings, investment and exports
- Investment-driven growth necessary with access to low cost capital is necessary
- It is estimated that India requires investments averaging INR 20 lakh crores every year (USD 300 billion a year)



Reforms are Happening -Banking Sector Reforms



27 Public
Sector Banks
in 2017

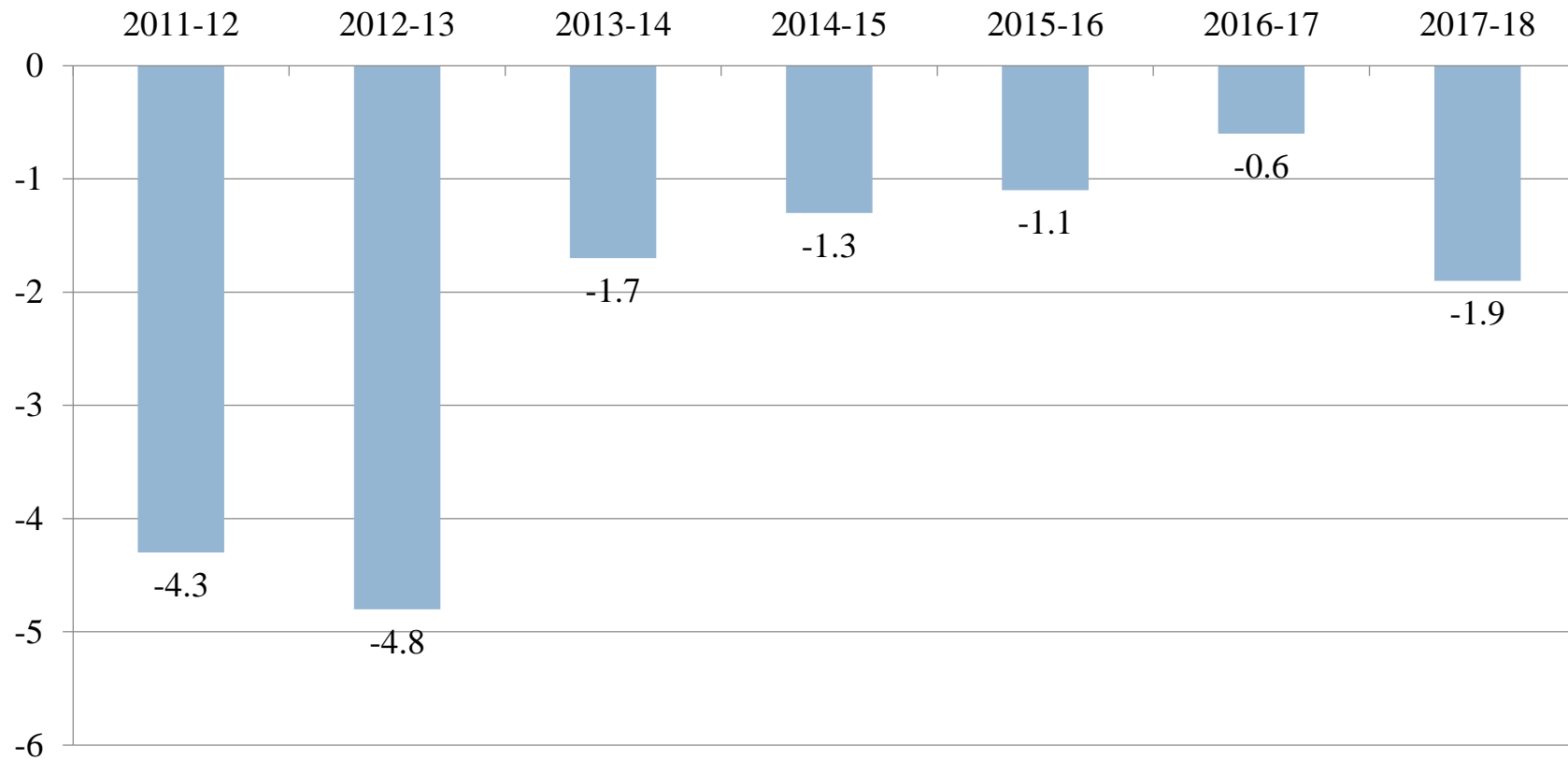
Mergers

12
Public
Sector
Banks

International Trade Issues for India

- Still less integrated into GVCs
- Manufacturing sector's value-added growth is declining even in traditional export sectors
- Weak infrastructure and logistics adversely affecting export competitiveness

Rising Current Account Deficit (as percent of GDP)

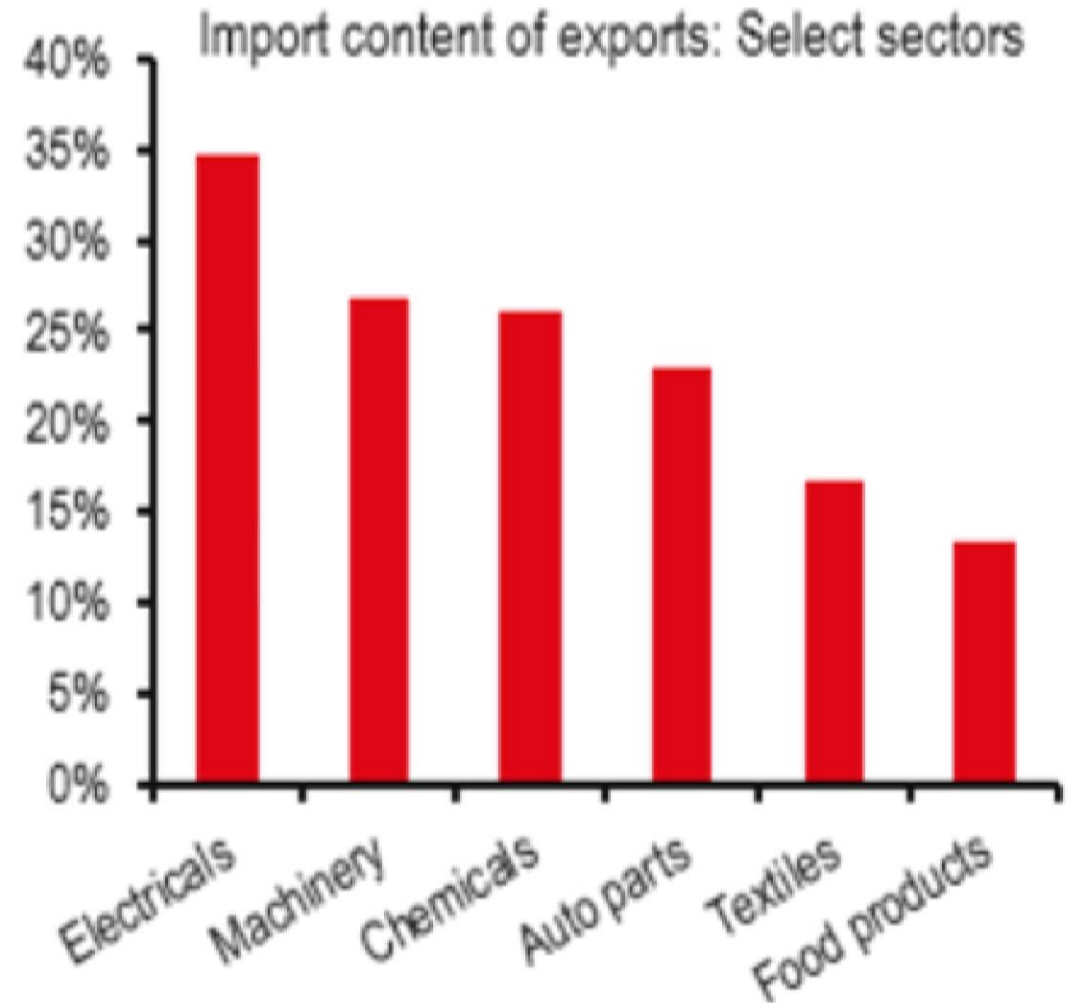


Source: Reserve Bank of India

IMPORT CONTENT OF EXPORTS



Source: OECD, HSBC

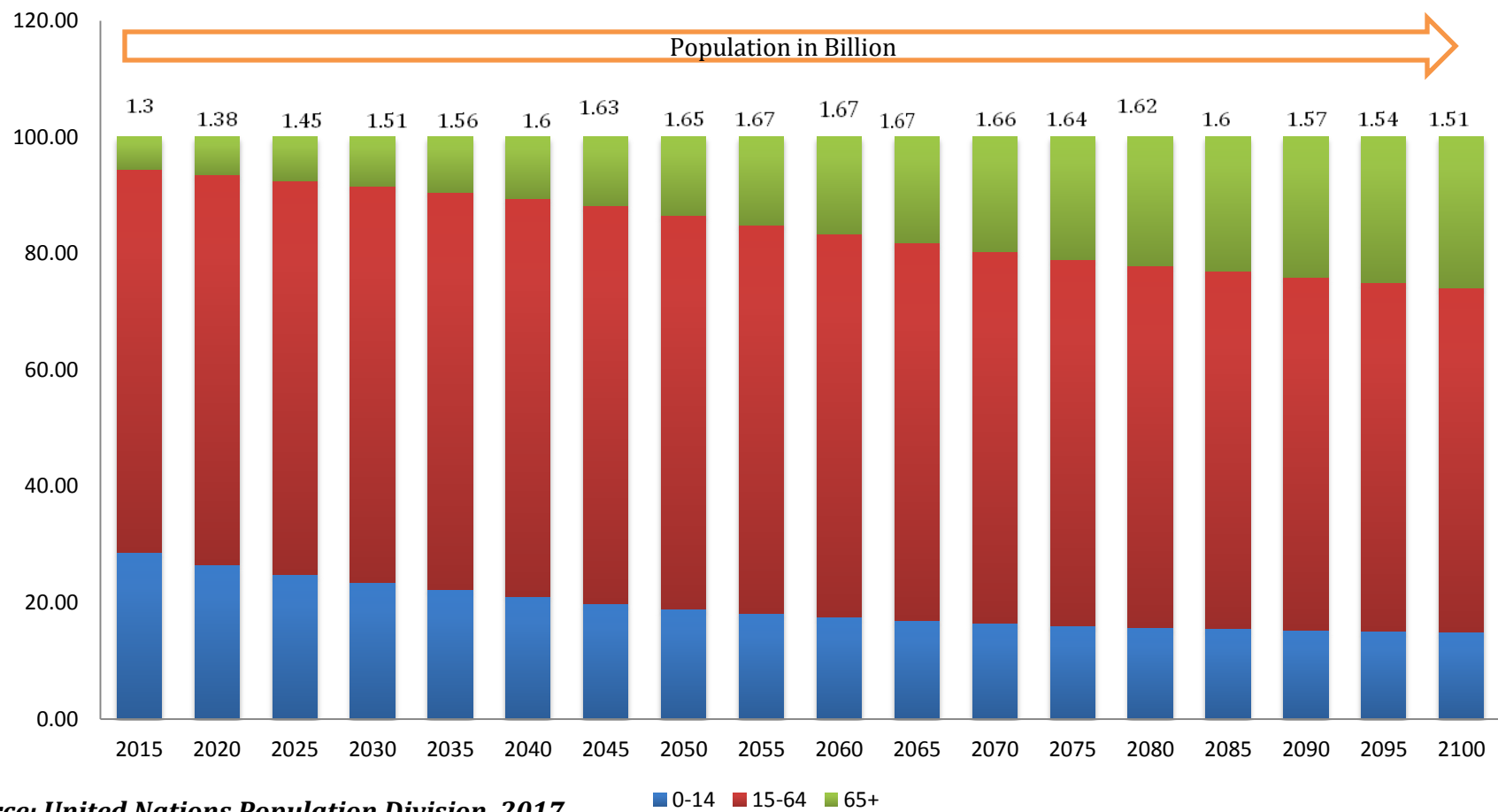


Source: OECD, HSBC

Is there a Vision for GVCs? What Should India Do?

- Focus on easing the way business : For instance, the time taken for border compliance of imports in India is more than five times that in Vietnam and the cost is almost 25% higher, as per the World Bank.
- GVCs demand high quality and on-time delivery, necessitating behind-the-border logistics support, with high-speed and reliable linking of industrial parks and ports.
- India is in a unique position in electronics GVCs because it has a strong presence in integrated circuit design, with most of the top multinationals having an office in India, albeit minimal manufacturing.
- For upgrades within a GVC, backward linkages between MNCs and domestic industry are critical.
- A 10% decrease in indirect logistics cost can contribute to around 5-8% of extra exports

The demographic profile



Source: United Nations Population Division, 2017

The Rise of Informality in India

- **The informal sector is the biggest job creator, followed at distant second by the government (30.5 million) and private sector 19.2 million**
- **There is also a glaring gender gap in India's labour force, with the labour force participation of women being among the lowest in the world (23.7% LFPR as reported by the 5th EUS, 2015-16)**

Challenges and Opportunities for India

- Challenge of job creation exacerbated

Will manufacturing be a less accessible pathway for growth and development?

Will reconfiguration of GVCs reverse the importance and length of GVCs and reorient global trade and production back towards advanced countries

- Impact on informal economy complex, but also opportunities ahead...

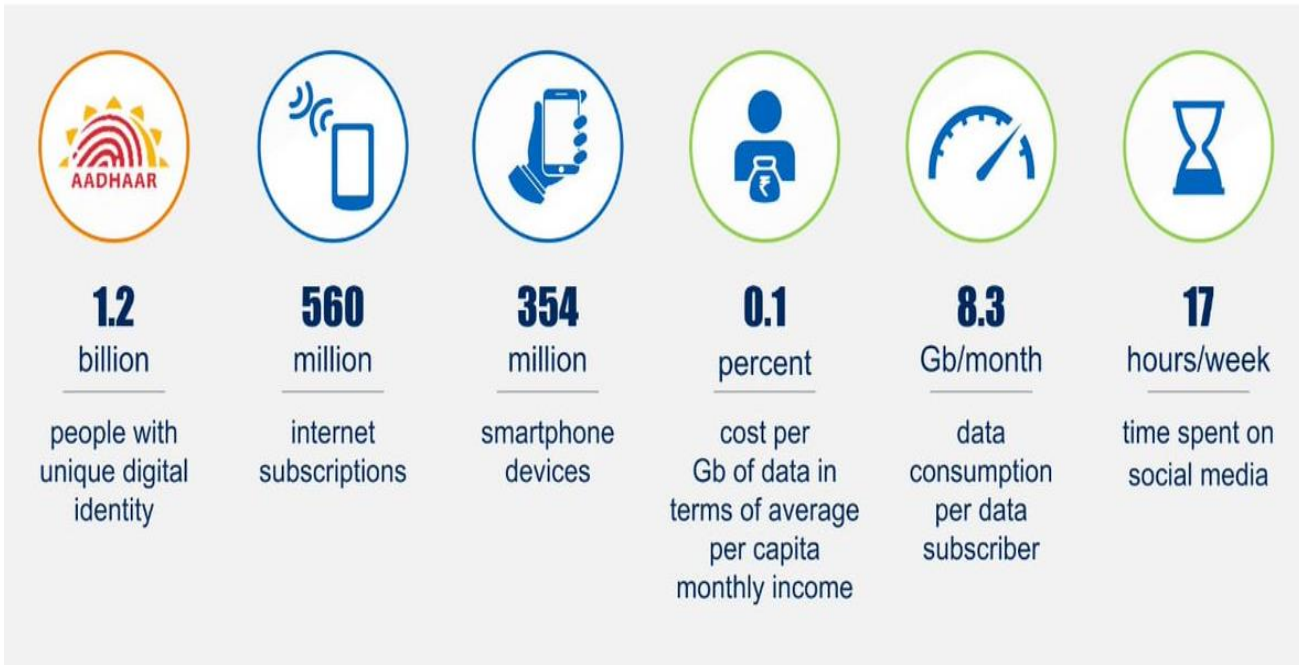
Technology can improve delivery of public services and expand access to new opportunities– including programs targeting those who are displaced or vulnerable

While there is a risk that manufacturing may be a less accessible pathway for low-income countries to develop, there are also opportunities to “leapfrog” the traditional development path.

The Digital Economy

India is among the top countries globally on key aspects of digital adoption

India ahead of all countries India **second** in the world India one of the leading countries



India is the second-fastest digitizing economy amongst 17 leading economies of the world, according to the report's Country Digital Index, that is based on 30 metrics to measure digital adoption in 17 mature and emerging digital economies, including Brazil, China, Indonesia, Russia, South Korea, Sweden, and the United States.

Source : Report on India's Trillion Dollar Digital Opportunity



Economic Impact of Telecom Infrastructure

IMPACT OF DIGITAL COMMUNICATION

MOBILE PENETRATION (2001-2018)

A 10 % increase in mobile penetration increases output by 1.9 %

INTERNET SUBSCRIBER (2001-2018)

A 10 % increase in internet subscribers increases states GDP per capita by 3.2%

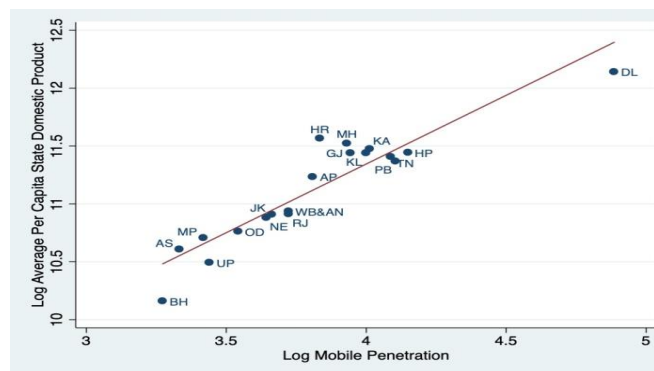
INTERNET AND MOBILE TRAFFIC (2013-2018)

A 10% increase in mobile and internet traffic delivers on an average 1.6 % and 3.1 % increase in GDP per capita respectively.

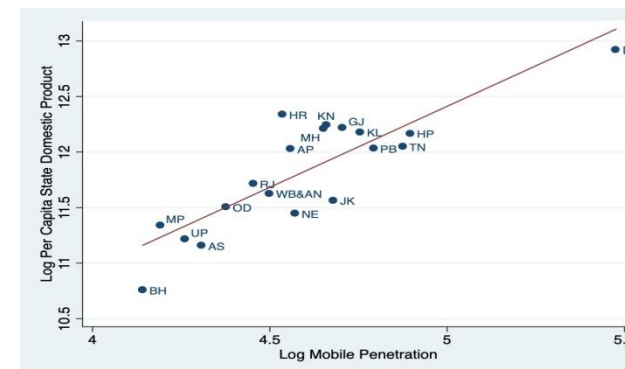
INVESTMENT IN TELECOMMUNICATION (2010-2018)

A 10% increase in investment in telecom will increase India's GDP by 3.3 %.

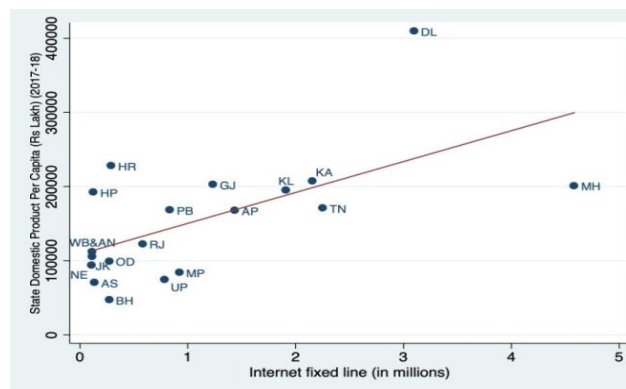
Correlation between State GDP Per capita and Mobile Penetration (Average for 2010-11 to 2017-18)



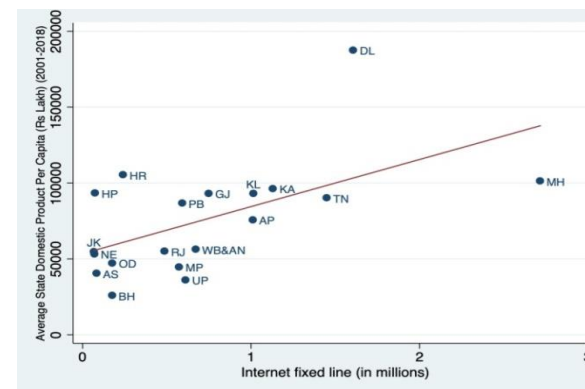
Correlation between State GDP Per capita and Mobile Penetration (2017-18)



Correlation between State GDP Per capita and Fixed Internet Subscribers (2017-18)



Correlation between State GDP Per capita and Fixed Internet Subscribers (Average for 2010-11 to 2017-18)



CHALLENGES AHEAD AND POLICY FOCUS

Agenda for the FY20

- ✓ Stabilize GST implementation to remove uncertainty for exporters, facilitate easier compliance, and expand the tax base
- ✓ Completing the Twin Balance Sheet actions by focusing on 4R's
- ✓ Privatization
- ✓ Staving off threats to macro-economic stability

Areas of policy focus over medium-term

- ✓ **Employment:** finding good jobs for the young and burgeoning workforce, especially for women
- ✓ **Education:** creating an educated and healthy labor force
- ✓ **Agriculture:** raising farm productivity while strengthening agricultural resilience.
- ✓ **GVCs:** Integrating into the value chains



Thank You

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