India Country Report
An ANMI Presentation – ASF AGM 2011

Presentation by
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• Global Trends are affecting confidence in world financial and capital markets yet India’s Growth can expand global economy

Prime Minister of India at UN
Introduction

• The World economies are facing challenges so rapidly that everything we speak today in OSAKA will be outdated by the time we return home.

• I would like to start from where we left at the ASF 2010 in Beijing, where I opined that the World Economy would face another crises much before we could anticipate – and it has occurred
## LAST ONE YEAR

<table>
<thead>
<tr>
<th>Index's</th>
<th>ASF. 2010</th>
<th>ASF. 2011</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDIAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nifty</td>
<td>6030</td>
<td>4867</td>
<td>-19%</td>
</tr>
<tr>
<td>Sensex</td>
<td>20069</td>
<td>16162</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>U S Market</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dow Futures</td>
<td>10680</td>
<td>10771</td>
<td>1%</td>
</tr>
<tr>
<td>Nasdaq Futures</td>
<td>1960</td>
<td>2166</td>
<td>11%</td>
</tr>
<tr>
<td><strong>European Markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTSE</td>
<td>5569</td>
<td>5029</td>
<td>-10%</td>
</tr>
<tr>
<td>CAC</td>
<td>3714.8</td>
<td>2821.3</td>
<td>-24%</td>
</tr>
<tr>
<td>DAX</td>
<td>6216</td>
<td>5785.5</td>
<td>-7%</td>
</tr>
<tr>
<td><strong>Asian Markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nikkei 225</td>
<td>9603</td>
<td>8560.26</td>
<td>-11%</td>
</tr>
<tr>
<td>Straits Times</td>
<td>3097</td>
<td>2698.8</td>
<td>-13%</td>
</tr>
<tr>
<td>Hang Seng</td>
<td>22358.17</td>
<td>17668.83</td>
<td>-21%</td>
</tr>
<tr>
<td>KOSPI</td>
<td>1860</td>
<td>1697.44</td>
<td></td>
</tr>
<tr>
<td>Shanghai Comp</td>
<td>2,599.71</td>
<td>2433.16</td>
<td>-6%</td>
</tr>
</tbody>
</table>
How India is Different

• High Domestic Savings –

• Huge Public Sector in Banking, Manufacturing & Infrastructure.

• India’s strong population growth with a corresponding increase in the working age population is leading to a high consumption driven growth.

• Robust Public Sector (corporations owned substantially by Government)

• Domestic Savings still continues to be major suppliers of capital to industry and to Government (Non Tax Receipt)

• Liberalization and opening of Economy and Economic activities in a focused and calibrated manner.
**INDIA 2001 to 2010**

- On path of high growth trajectory

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>Units</th>
<th>Scale</th>
<th>2001</th>
<th>2010</th>
<th>2012 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP – Constant 2005 Prices</td>
<td>National Currency</td>
<td>Billions</td>
<td>26,154.22</td>
<td>51,980.23</td>
<td>60,666.14</td>
</tr>
<tr>
<td>GDP – Constant 2005 Prices Percent Change</td>
<td>Percent Change</td>
<td></td>
<td></td>
<td>8.5</td>
<td>7.823</td>
</tr>
<tr>
<td>GDP – Current Price National Currency</td>
<td>Billions</td>
<td></td>
<td>23,189.08</td>
<td>74,514.23</td>
<td>98,352.93</td>
</tr>
<tr>
<td>GDP – Based on PPP per capita Current USD (As on 20th Sept)</td>
<td>Units</td>
<td></td>
<td>1,585.25</td>
<td>3,339.31</td>
<td>3,892.75</td>
</tr>
<tr>
<td>Implied PPP conversion rate National Currency per current USD</td>
<td></td>
<td></td>
<td>13.795</td>
<td>18.351</td>
<td>20.224</td>
</tr>
<tr>
<td>Gross National Savings Percent of GDP</td>
<td>Percent of GDP</td>
<td></td>
<td>22.515</td>
<td>34.69</td>
<td>36.455</td>
</tr>
</tbody>
</table>
Economic Growth

- The Economy was on a path of recovery in 2010 – 11 and the recovery continues in 2011 – 12.
- At 2005 Constant Prices the GDP is expected to grow closest 8% in 2010 – 11.
- The monsoons in India in the current year have been normal with equal distribution and late monsoon will help the rabi-season crop (October to March season)
- Agriculture around 4% and together with allied industries are expected to grow at 7.9% and services at 9.4%.
- The Core 8 industries grew by 5.0 % during April –June 2011-12 as compared to 6.8% in the earlier period with an overall growth of 5.2% as compared to 4.4% during June 2010.
- High inflation continue to tighten monetary policies.
- Trade off between inflation and growth: a perennial puzzle.
Inflation

Historically Inflation in India has been around 6 – 7%.

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>Units</th>
<th>2001</th>
<th>2006</th>
<th>2010</th>
<th>2012 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation – End of period</td>
<td>Percent change</td>
<td>5.208</td>
<td>6.723</td>
<td>8.608</td>
<td>5.88</td>
</tr>
</tbody>
</table>

The increase in headline inflation is mainly on account of an upward momentum in food, crude and metal prices.

In respect of primary articles inflation, there is a downward trend in commodity prices, which should ease inflationary trends;

Depreciation of the Rupee has in the near term mostly nullified the softer commodity prices.
Inflation and Monetary Trends

Food Price Inflation
- Monetary Policies do not affect food price inflation.
- The higher food price inflation is mainly due to structural factors and the increase in rising expectations arising from increased incomes.
- An expected bountiful monsoon and post monsoon harvest in 2010/11 is likely to mitigate food inflation,
- The Government is encouraging cluster development of identified harvest areas for improved production of oil seeds and pulses and with a focus on connectivity to remove the supply chain bottle necks

Primary Articles Inflation
- Although there is a downward revision in world commodity prices, the trickle down effect is likely to be delayed due to the $ effect.
- The Government is steadily removing the regulatory bottle necks which has hindered development.
Inflation and Monetary Trends

- The RBI since Oct-2009 has been revising interest rates to ensure that the excess liquidity would not be used in risky assets since the economic recovery was too fragile.
- Unbridled demand side growth could lead to high inflation in core areas.
- The question before the RBI is whether the economy is slowing sufficiently for inflation to come down on its own.
- However inflation continues to be a bigger problem in the Indian context than an economic slowdown.
- More than rising rates a fall in commodity prices can bring down inflation – but this largely depends on the US $ linkage.

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>Unit</th>
<th>1990-91</th>
<th>2008-09</th>
<th>2010-11</th>
<th>2011 July</th>
<th>2011 Sept 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Currency Assets</td>
<td>US $ Million</td>
<td>2,236</td>
<td>241,426</td>
<td>274,330</td>
<td>286,160</td>
<td>316,760</td>
</tr>
<tr>
<td>Gold</td>
<td>US $ Million</td>
<td>3,496</td>
<td>9,577</td>
<td>22,972</td>
<td>25,349</td>
<td>28,320</td>
</tr>
<tr>
<td>SDR’s</td>
<td>US $ Million</td>
<td>102</td>
<td>1</td>
<td>4,569</td>
<td>4,609</td>
<td>4,550</td>
</tr>
</tbody>
</table>

Source: RBI

Association of National Exchanges Members of India
Social Sector & Economic Development

• Building on the growing strength of the economy the Government is implementing a comprehensive strategy for inclusive development focusing on areas like:
  – Poverty alleviation & employment generation;
  – Education & skills development;
  – Health & well being

• To achieve inclusive development higher sector specific budgetary allocation is extended to areas like:
  – Rural & Farm Development, Education,
  – family welfare, Water supply and sanitation;
  – Medical and public health
  – Housing and Urban development
The Economy Responds

• This initiative by the Government has considerably improved not only the living standards of the rural population;
  – With an increase in the per capita income due to an increase in the Working Population
  – This has led to a corresponding increase in discretionary spends, a lower dependency ratio and reduced deprived population ratio.

• This has mainly been a consumption driven growth with the main beneficiaries being the Financial Industries and Private Domestic Consumption Industries.

• The Indian Economy has mainly been a Consumption Driven Economy

• With well directed support the large population of India turns into an industry enabler.
Technology absorption and diffusion

• The Government of India has correctly identified the nodal points for poverty alleviation and economic development.

• We have to explore these nodal points for Inclusive Innovative activities for a transformation in the economy with:
  – New to the World Knowledge Creation and Commercialization
  – New to the Market absorption and diffusion of existing world technology

• Both of these processes are crucial for development of the economy and represents untapped potential

• Using these processes India have become World leaders in frugal engineering.

• These processes are crucial not only to India but also the undeveloped areas of the Asian Region
In Conclusion

• It is important to remember that the term *inclusive growth* covers the entire demographic pyramid; though in our examples in the report we have stressed on rural development.

• In our view this is important because in the current world economic slowdown is bound to negatively affect all countries who are dependant on exports for growth.

• Whilst considering the rural potential in India and softening commodity prices, well directed policies will become industry enables

• Of course in all of this there is just one caveat – recovery in the current sovereign crises.
• Broadly speaking we are all in trouble – I am not advocating pessimism but financial policy innovation and out of the box thinking by stakeholders is needed.

• In keeping with the AEC 2015 Vision, regions adjacent to the more developed countries require the most assistance.

• At a time of crises such as the world is facing today, frustration is contagious – as witnessed recently.

• It is in our own interest that we help each other to develop our economies together in keeping with the AEC 2015 Vision which we are exploring here today.
Thank You

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