



Association of National Exchanges Members of India

India Country Report
An ANMI Presentation – ASF AGM 2011

TRUST

WELFARE

INTEGRITY

EDUCATION

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- The World economies are facing challenges so rapidly that everything we speak today in OSAKA will be outdated by the time we return home.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

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

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

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

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

Whole Price Index (WPI 2004 – 05 = 100)

(Data as on 20th Sept – IMF Report)

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

Descriptor	Units	2001	2006	2010	2012 Estimated
Inflation – Average Consumer Price	Percent change	3.779	6.117	13.187	6.852
Inflation – End of period Consumer Price	Percent change	5.208	6.723	8.608	5.88

- 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.

Source RBI

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

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 ration 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 enablers
- 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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