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CURRENT STATUS OF THE INDIAN ECONOMY

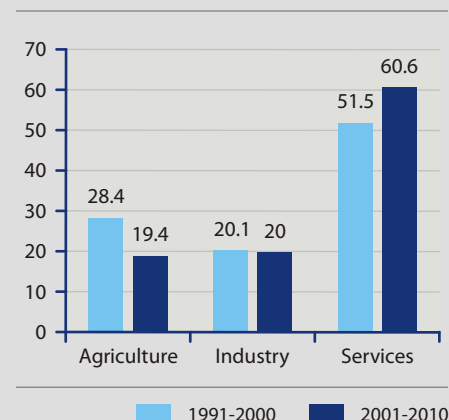
India is a resource-rich country with social, economic and cultural diversity. 1990s was a watershed decade for the Indian economy as the initiation of economic reforms in the 1990s saw India gradually breaking free of the low growth trap that was called the 'Hindu growth rate' of 3.5 percent per annum. India unlocked its growth potential in the past two decades and the growth dynamics altered the structure of the Indian economy with a decline in the share of agriculture from 28.4 percent in the 1990s to about 15 percent in 2009-11. There was corresponding gain in the share of services from 52 percent to 65 percent during the same period. However, the share of industry has remained unchanged at around 20 percent of GDP. This suggests that India's growth acceleration during the last two decades has been dominated by the services sector.

GROWING GDP

Real Economy	1991-00	2001-10	2004-08	2009-11
1	2	3	4	5
(Percentage Change)				
1. Overall Real GDP	5.7	7.3	8.9	7.8
1.1 Agriculture	3.2	2.4	5	2.3
1.2 Industry	5.7	7.3	9	6.7
1.2.1 Manufacturing	5.6	8	10	7.1
1.3 Services	7.1	9	10.1	9.5
3. Share in GDP				
3.1 Agriculture	28.4	19.4	18.9	14.9
3.2 Industry	20.1	20	20.1	20.1
3.3 Services	51.5	60.6	61.1	65

Source: RBI

Share in GDP



DECLINING UNEMPLOYMENT RATES

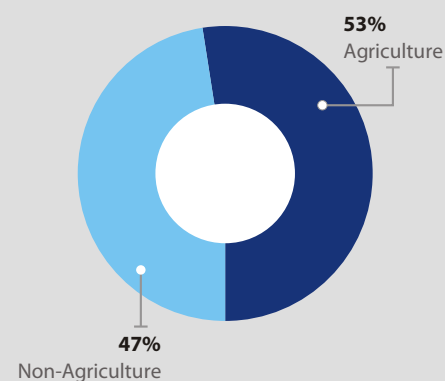
India had a workforce of 400 million in 2009-10. Of this, 53 percent was in agriculture and the rest 47 percent in non-agricultural activity. While the bulk of employment is in agriculture, despite its shrinking share in GDP, the noteworthy feature of the employment structure has been that for the first time the absolute workforce in agriculture declined in the latter half of the 2000s. The overall unemployment rate in the economy also declined from 8.3 percent in 2004-05 to 6.6 percent in 2009-10.

LABOUR FORCE (IN MILLION)

Sector	1993-94	1999-00	2004-05	2009-10
1	2	3	4	5
1. Agriculture	210.7	225.4	238.8	212.7
1.1 Self Employed	126.6	130.2	153.2	127.9
1.2 Regular Wage/ Salaried Employees	2.9	3.3	2.6	1.9
1.3 Casual Labour	81.2	91.9	83	82.9
2. Non-Agriculture	115.8	140	169.5	187.4
2.1 Self Employed	52.1	62.8	79	76
2.2 Regular Wage/ Salaried Employees	40.2	47.9	55.6	60.5
2.3 Casual Labour	23.5	29.3	34.9	50.9
Total	326.5	365.4	408.3	400

Source: RBI

Labour Force - 2009-2010



EXPANDING FOREIGN TRADE

Exports and imports of goods and services have more than doubled from 23 percent of GDP in the 1990s to 50 percent during 2009-11. The high growth phase of 2004-08 was accompanied by sharp increase in exports and imports as well as capital inflows. Net capital inflows as percentage of GDP more than doubled from 2.2 percent in the 1990s to 4.6 per cent of GDP during 2004-08. Subsequently, growth rates in both trade and capital inflows moderated following the global financial crisis. The openness of the Indian economy has been accompanied by improvement in India's external position as the debt to GDP ratio fell from about 29 percent in the 1990s to 19 percent in the recent period. The debt service ratio has also declined from 25 percent to under 5 percent during the period.

EXTERNAL SECTOR

	1991-00	2001-10	2004-05	2009-11
1	2	3	4	5
1. Balance of Payments				
1.1 Merchandise Exports (% change)*	8.6	17.7	25.4	15.8
1.2 Merchandise Imports (% change)*	9.6	19.5	32.3	14.6
1.3 Trade Balance/GDP (%)	-2.8	-5.3	-5.4	-8.6
1.4 Invisible Balance/GDP (%)	1.6	4.8	5.1	6.1
1.5 Current Account Balance/GDP (%)	-1.3	-0.5	-0.3	-2.6
1.6 Net Capital Flows/GDP (%)	2.2	3.4	4.6	2.7
1.7 FDI to India (US\$ billion)	1.6	16.3	15.3	31.4
1.8 Reserve Changes (BoP basis) (US \$ billion)	-3.3	-22.9	-40.3	-2.1
[Increase (-)/ Decrease (+)]				
2. External Debt Indicators				
2.1 Debt-GDP Ratio (%)	29	19	17.7	18.6
2.2 Debt Service Ratio (%)	24.9	8.8	8.3	4.7
*: Based on DGCI&S Data				

Source: RBI

Exports



BURGEONING FDI

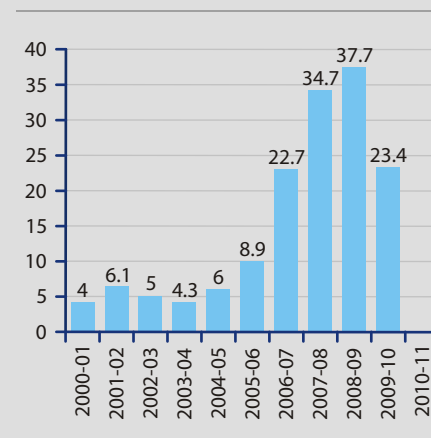
The liberalization and openness of the Indian economy has resulted in two-way movement in capital with a sharp pick-up in India's outward FDI since the mid-2000s. Uptrend in outward FDI mainly reflected the large overseas acquisition deals of Indian corporates to gain market share and reap economies of scale amidst progressive liberalization of the external payments regime.

FOREIGN DIRECT INVESTMENT (US\$ Billion)

	Inward	Outward	Net FDI to India	Outward/inward (%)
1	2	3	4	5
2000-01	4	0.8	3.2	18.8
2001-02	6.1	1.4	4.7	22.7
2002-03	5	1.8	3.2	36.1
2003-04	4.3	1.9	2.4	44.7
2004-05	6	2.3	3.7	38
2005-06	8.9	5.9	3	65.9
2006-07	22.7	15	7.7	66.2
2007-08	34.7	18.8	15.9	54.2
2008-09	37.7	17.9	19.8	47.4
2009-10	33.2	14.4	18.8	43.3
2010-11	23.3	16.2	7.1	69.4

Source: RBI

FDI Inward Flows (US\$ Billion)



RISING SAVINGS RATE

The average savings rate also showed a substantial increase from 23 percent of GDP in the 1990s to about 31 percent in the 2000s with a peak saving rate of over 33 percent achieved during the high growth phase of 2004-08. The efficiency of capital utilization also improved as the incremental capital output ratio (ICOR) declined to 3.7 during the high growth phase of 2004-08 from 5 in the 1990s.

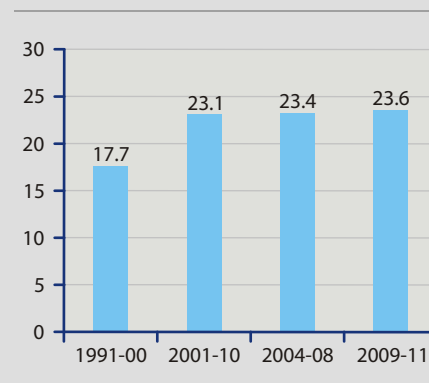
SAVING AND INVESTMENT

Item	1991-00	2001-10	2004-08	2009-11
1	2	3	4	5
(As % of GDP at current market prices)				
1. Gross Domestic Savings	23	30.7	33.4	33
1.1 Household Saving	17.7	23.1	23.4	23.6
1.1.1 Financial Assets	9.9	11	11.3	11.3
1.1.2 Physical Assets	7.8	12.1	12.1	12.4
1.2 Private Corporate Sector	3.8	6.3	7.2	8
1.3 Public Sector	1.5	1.3	2.9	1.3
2. Gross Domestic Capital Formation	24.4	31.2	34.3	35.5
3. ICOR*	5	4.4	3.7	4.9

*: Ratio of real investment rate and real GDP growth

Source: RBI

Household Savings as a % of GDP



India is transforming from a “working power”, based on a huge supply of low-cost labor, to a “brain power” of highly skilled and educated workers. India has progressively improved its ability to compete globally and, with a young population and the attendant democratic dividends, India’s growth would be steady and sustained in the coming years.

FOFM: Knowledge Management & Secretariat

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