

5 in 5

A 5 TRILLION \$ GDP

Challenges and Plausibility

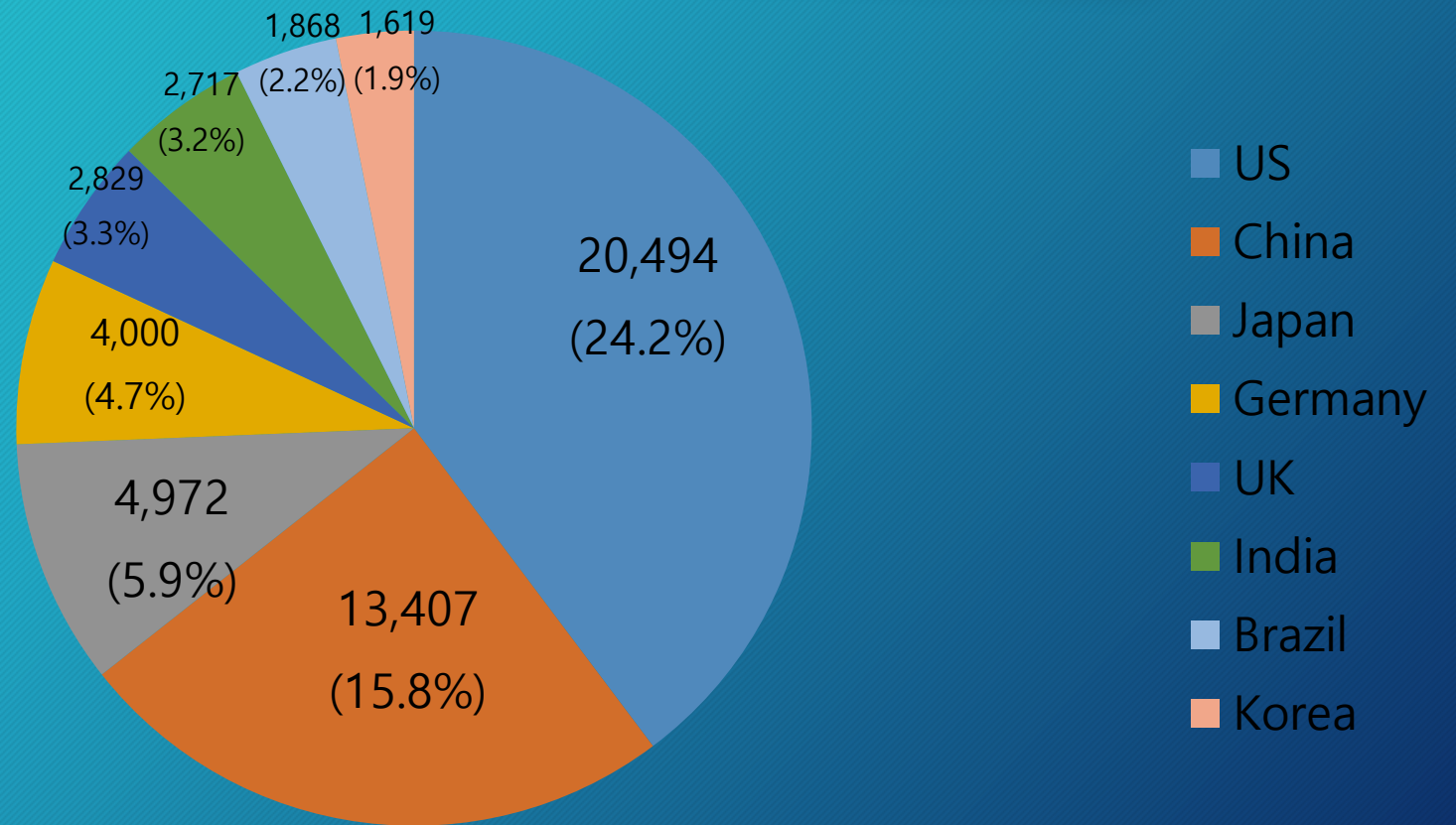
Amir Ullah Khan

For

Mcrhrdi

Global GDP share

* World GDP: 84,740



Source: IMF Global Outlook, April 2019

The 5 trillion dollar club

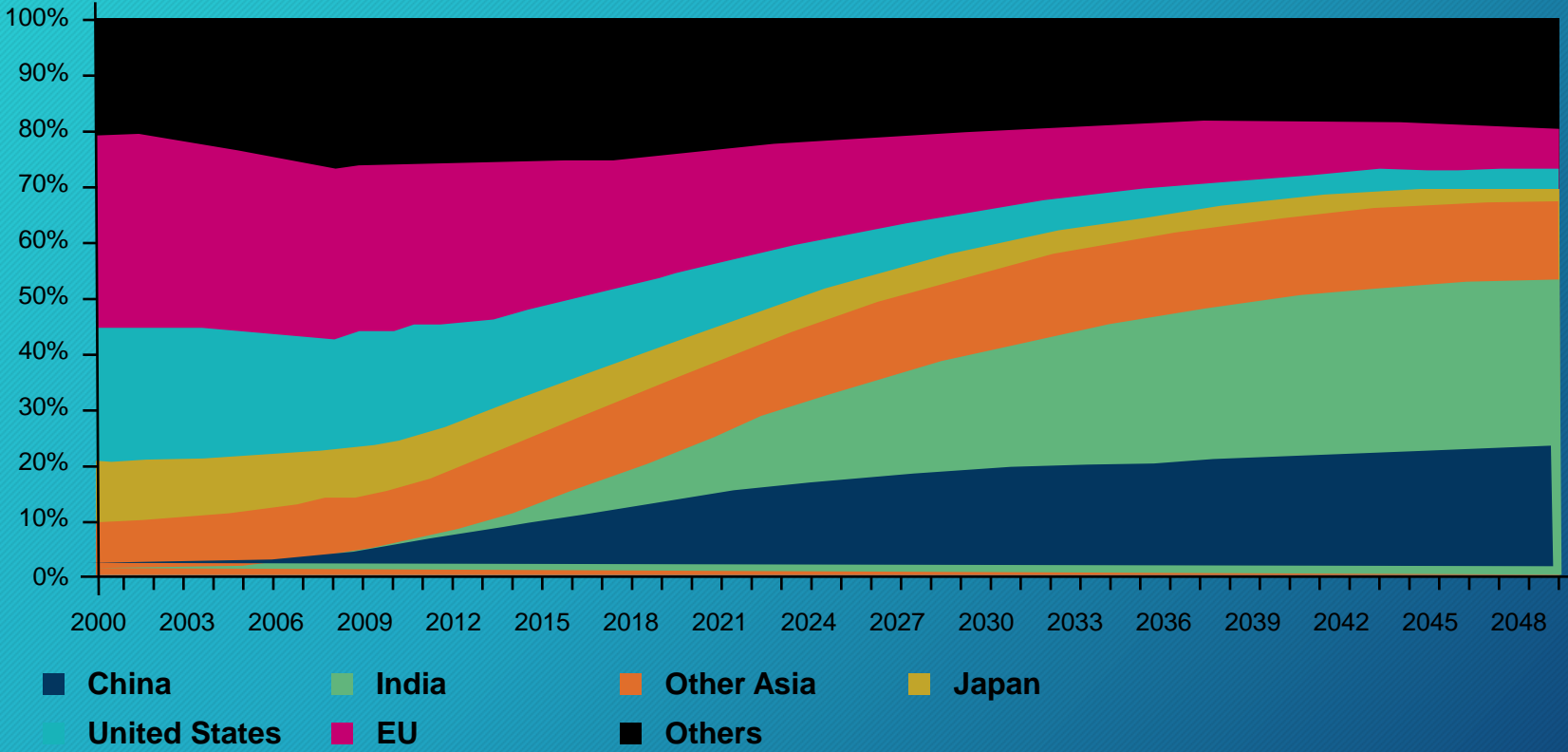
- Ambitious?

The 5 trillion dollar club

- Challenges - Scale, Education, Migration, Wages, Trade and exchange rates, Unemployment, Tax revenue, Hunger and
- Family business - strategies!!!

Why is India important?

Middle Class market - Brookings' projection



Shares of Global Middle Class Consumption, 2000-2050

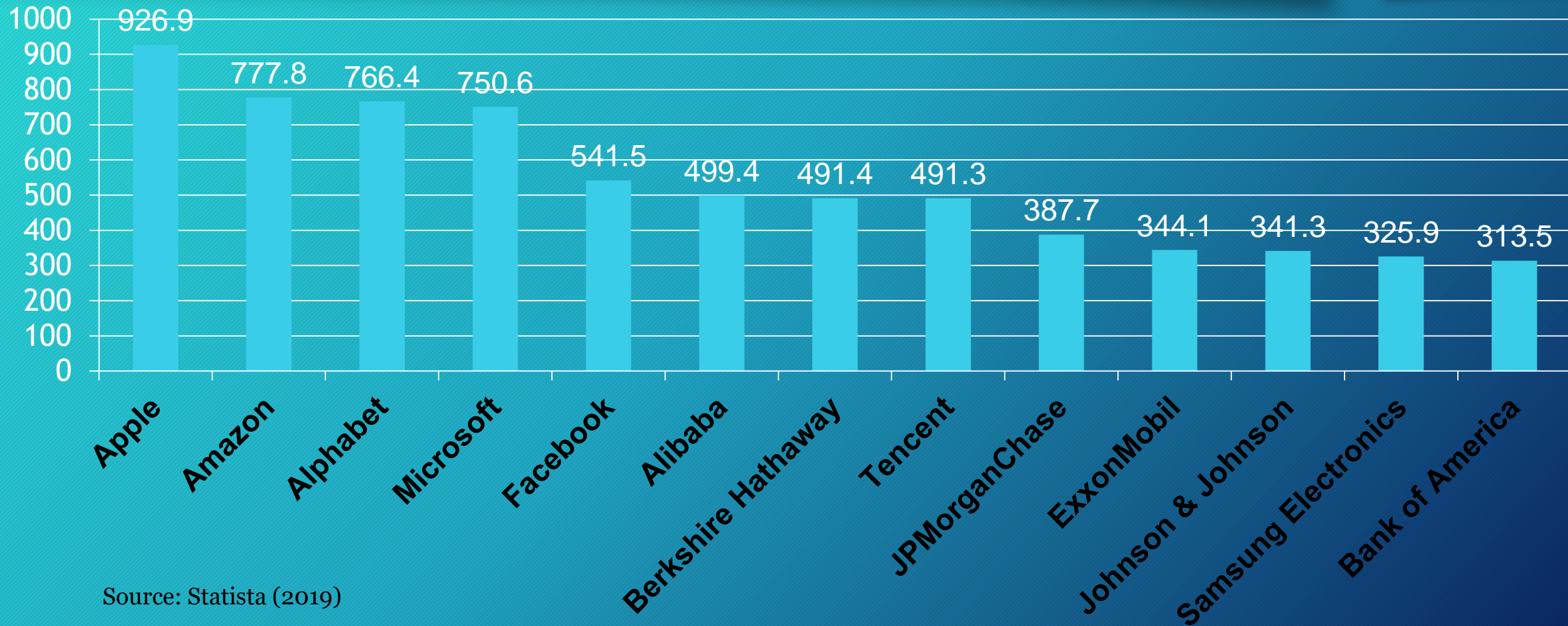
Growth and Challenges

SECTORS

INDIA'S TOP 20 COMPANIES BY MARKET CAPITALISATION

1990	2000	2010
Tata Steel	Wipro	Reliance Industries
ITC	Hindustan Unilever	ONGC
Tata Motors	Infosys Technologies	TCS
Century Textiles	Reliance	Coal India
Hindustan Unilever	ITC	Infosys Technologies
Mafatlal	O N G C	SBI
Reliance Industries	HCL Technologies	NTPC
Grasim	Pentamedia Graphics	Bharti Airtel
G S F C	Zee Entertainment	ITC
ACC	M T N L	ICICI Bank
SIV Industries	I O C L	Larsen & Toubro
Colgate-Palmolive	St Bk of India	Wipro
Hindalco	H F C L	MMTC
Bajaj Holdings	Satyam Computer	BHEL
Saurashtra Cement	Tata Communications	NMDC
Uniphos Enterprises	Ranbaxy Labs.	HDFC Bank
Bombay Dyeing	H D F C	HDFC
JCT	Cipla	Indian Oil Corp
Larsen & Toubro	NIIT	Tata Motors

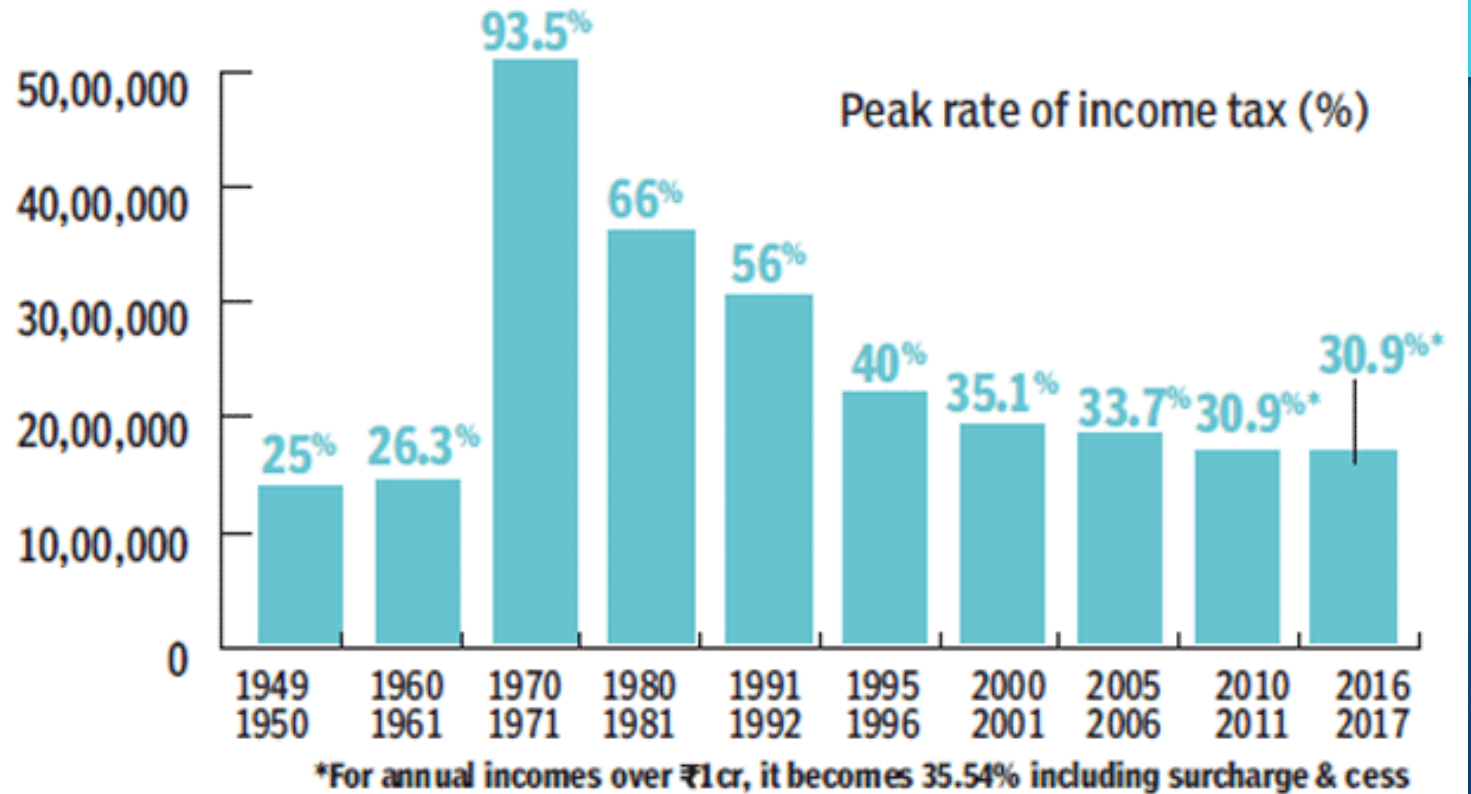
Largest Companies by Market Cap (2018)



Source: Statista (2019)

CORPORATE CONCERNS

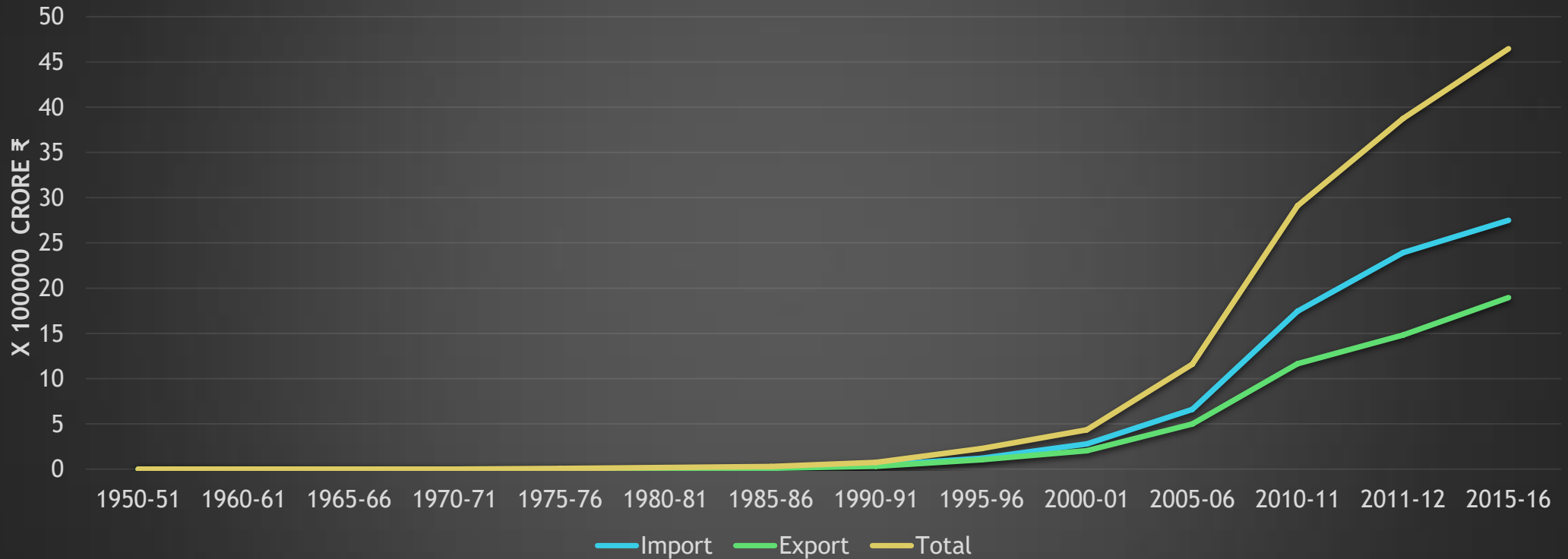
- TAX
- INTEREST RATES
- EXCHANGE RATES
- CSR
- LABOUR LAW
- LAND ACQUISITION



Foreign trade timeline post Independence

10

Growth of Foreign trade in India

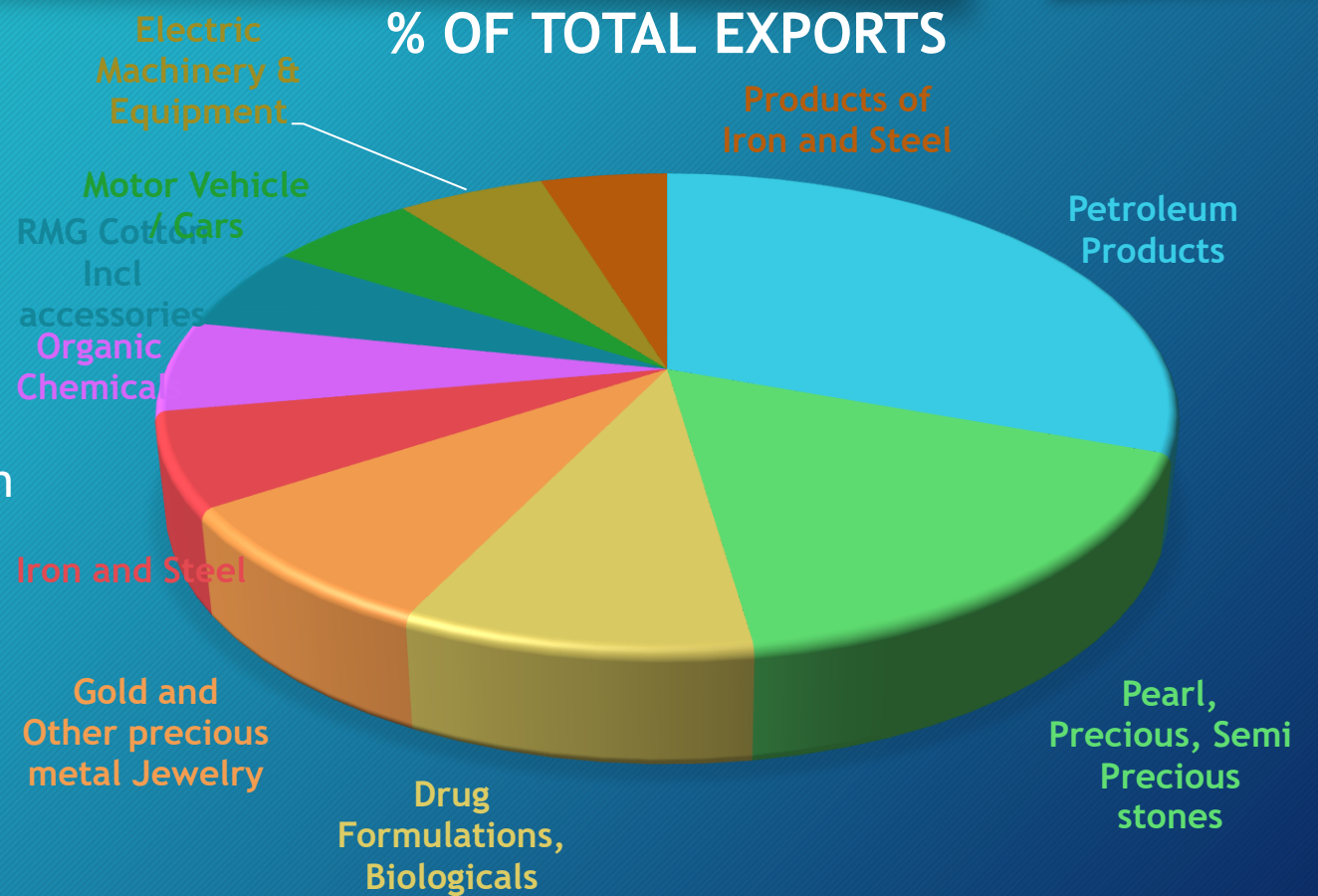


Exports from India - FY 2018-19

11

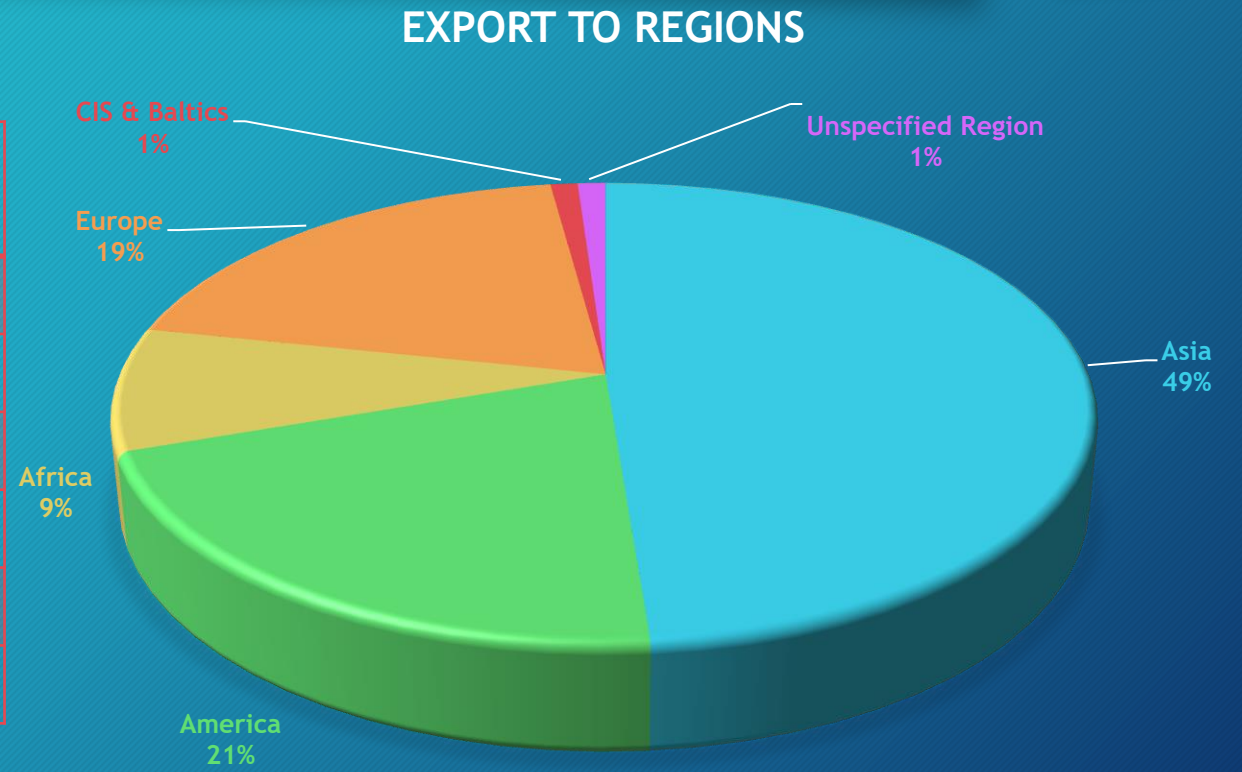
Total commodity export USD \$330 Billion

Total Services export USD \$186.8 Billion



Export to various regions

Region	Value (in Million USD)
Asia	160,723.97
America	68,855.04
Africa	28,541.92
Europe	64,380.88
CIS and Baltics	3,467.25
Unspecified region	3,567.09



Growth and Challenges

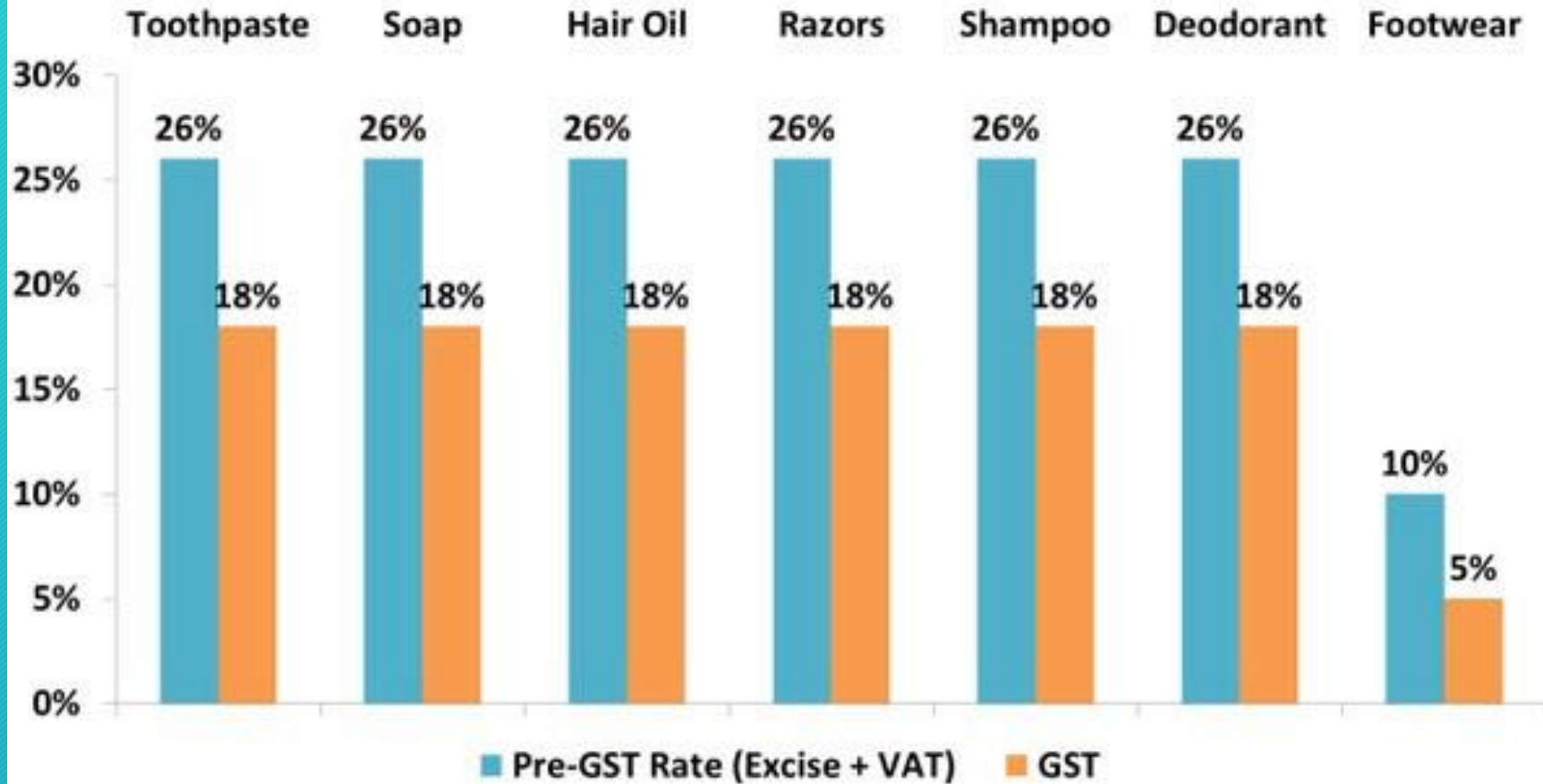
Tax to GDP ratio

Goods and Services Tax

- One tax slab
- Value added
- Refunds

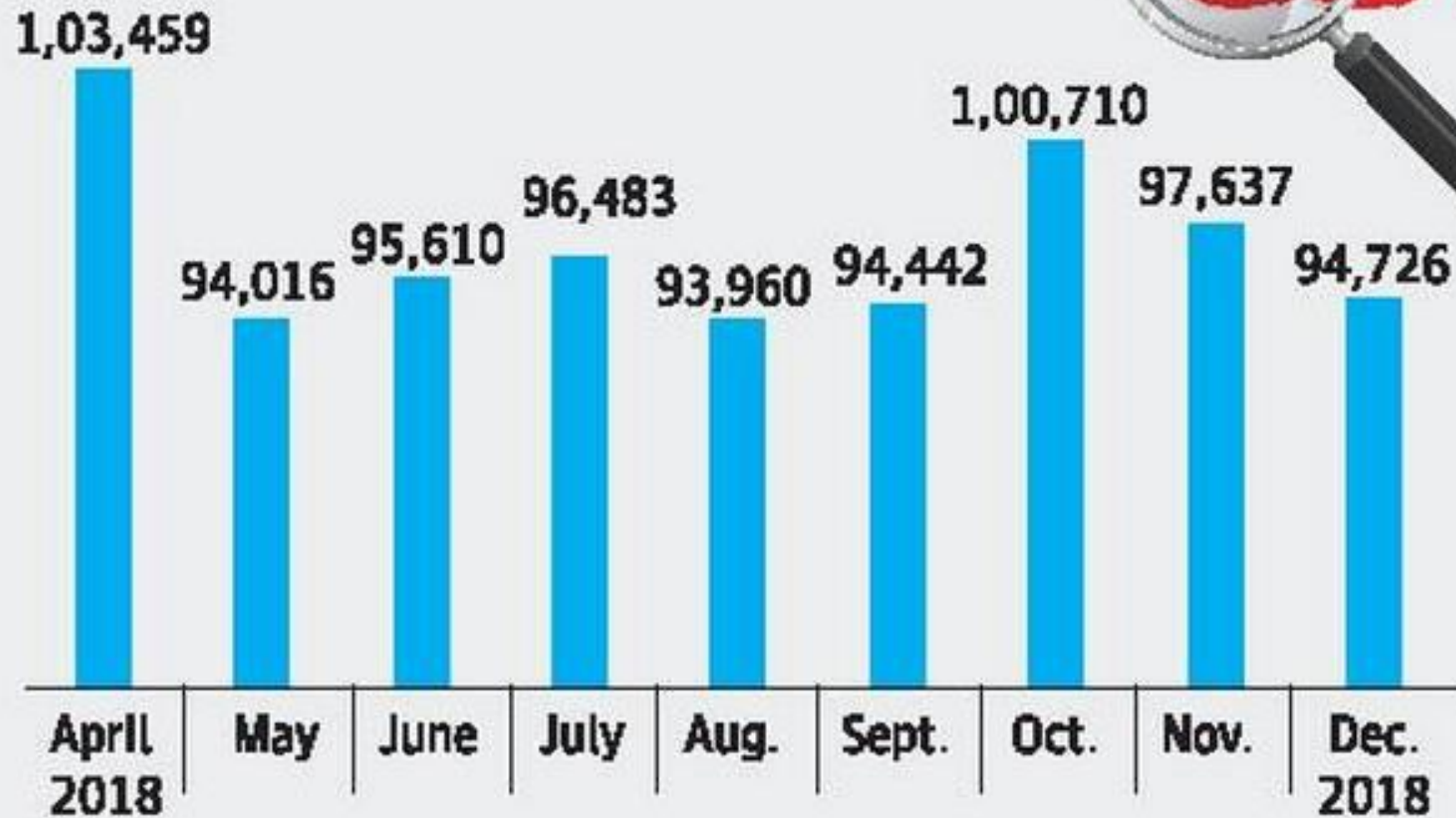
- Revenue neutral or revenue negative?

Reduced Indirect Taxes (GST)



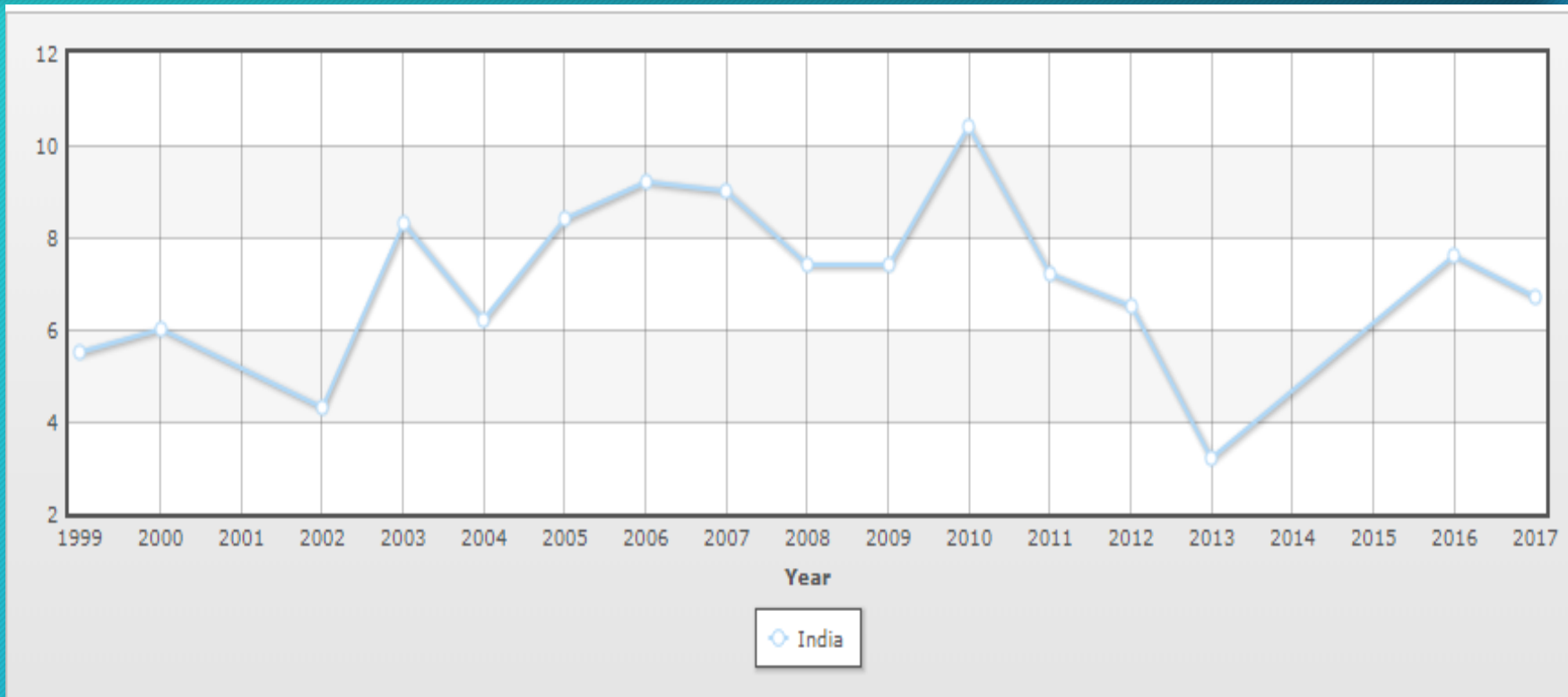
Note: GST rate for footwear is up to Rs. 500 price

Ebb and flow (in ₹ crore)



Source: Press Information Bureau

GDP Growth rate in %

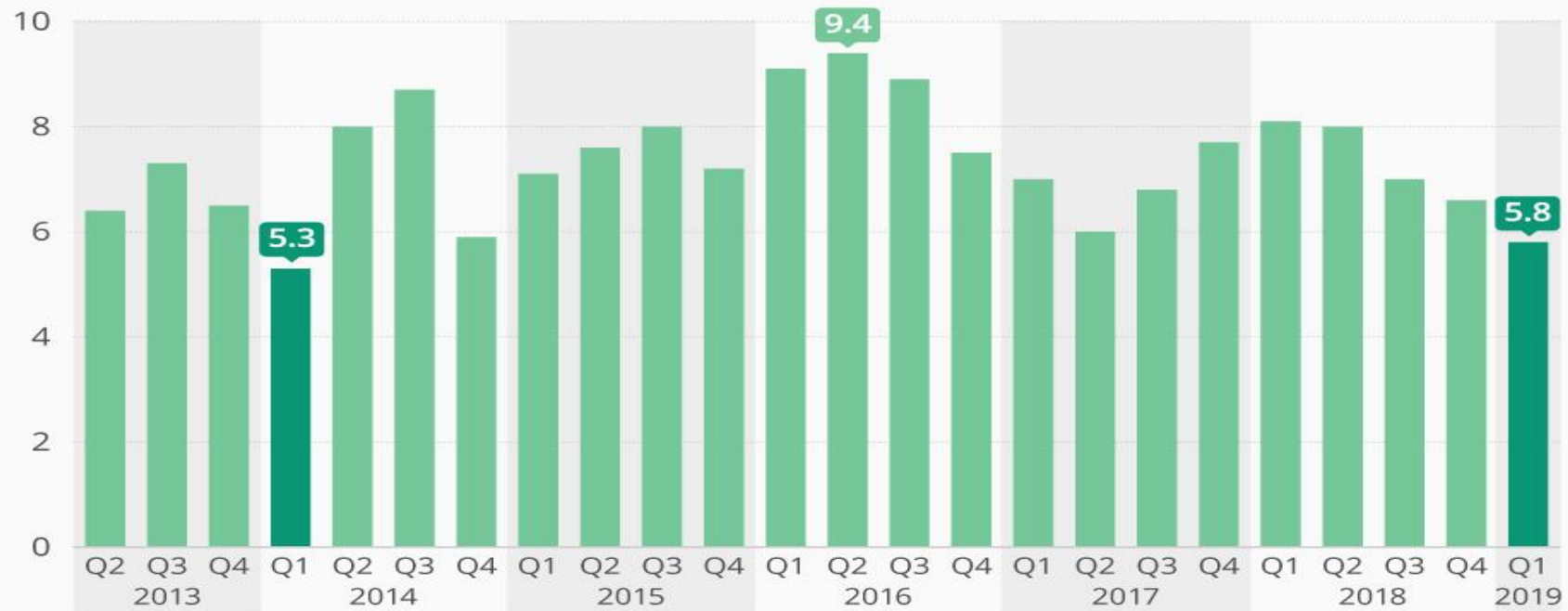


Country	1999	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2016	2017
India	5.5	6	4.3	8.3	6.2	8.4	9.2	9	7.4	7.4	10.4	7.2	6.5	3.2	7.6	6.7

GDP Growth Slows down?

India's GDP Growth Slows to 5-Year Low

Quarterly GDP growth in India (year-over-year, in percent)*



* at constant prices

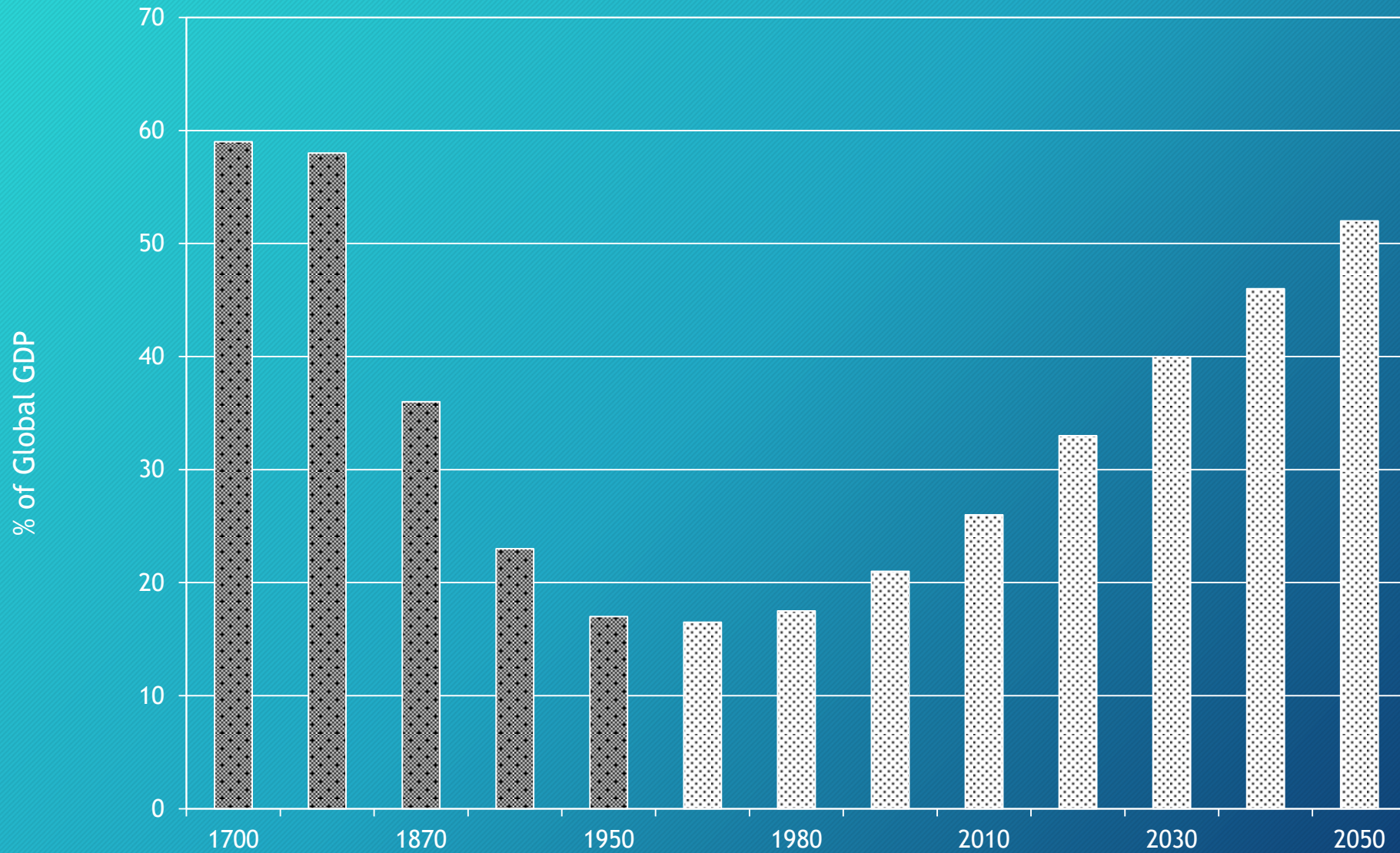


@StatistaCharts

Source: Government of India Ministry of Statistics and Programme Implementation (MOSPI)

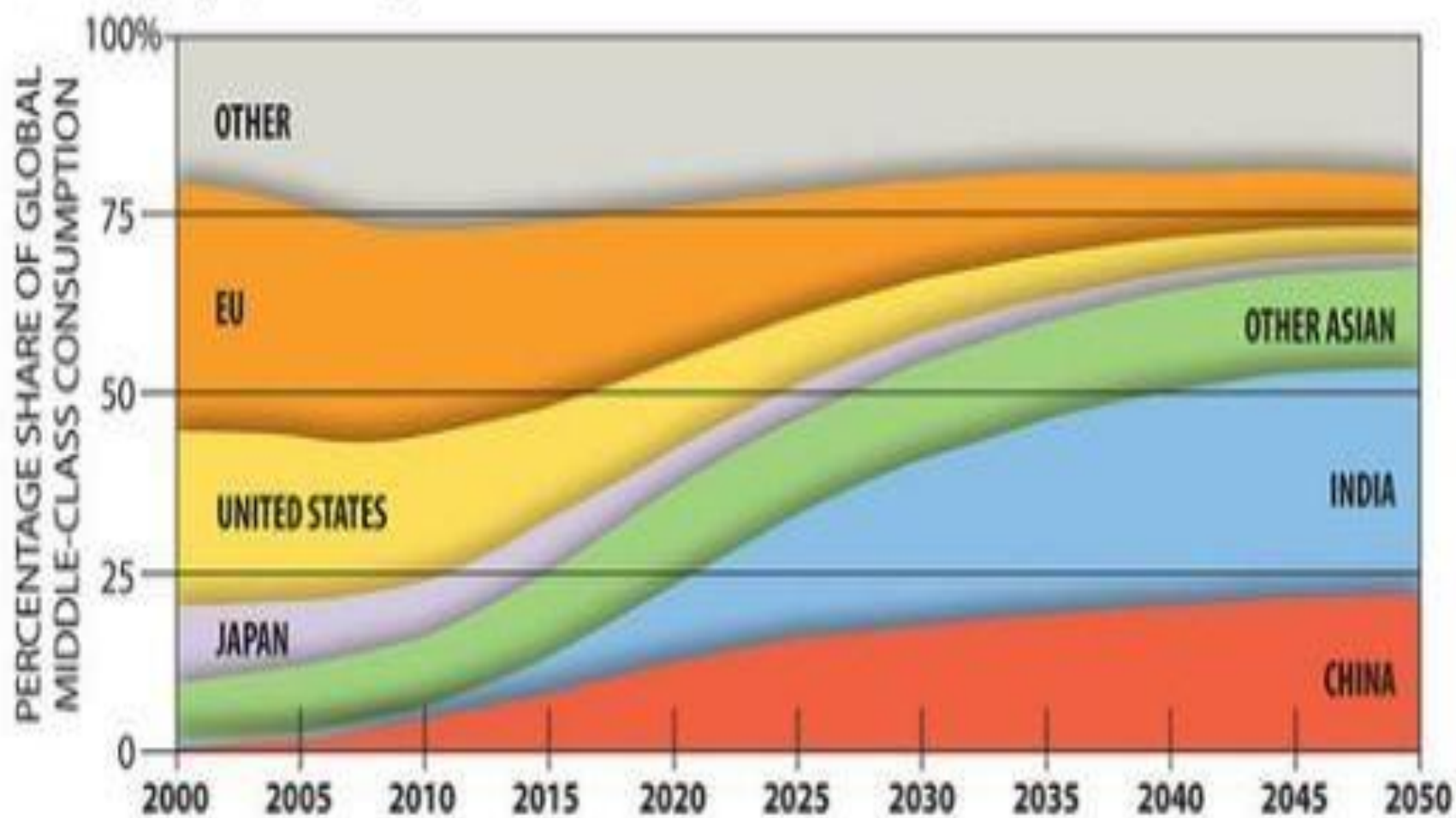
statista

Fall and Rise of the Share of Developing Countries in Global Economic System



The global middle-class wave

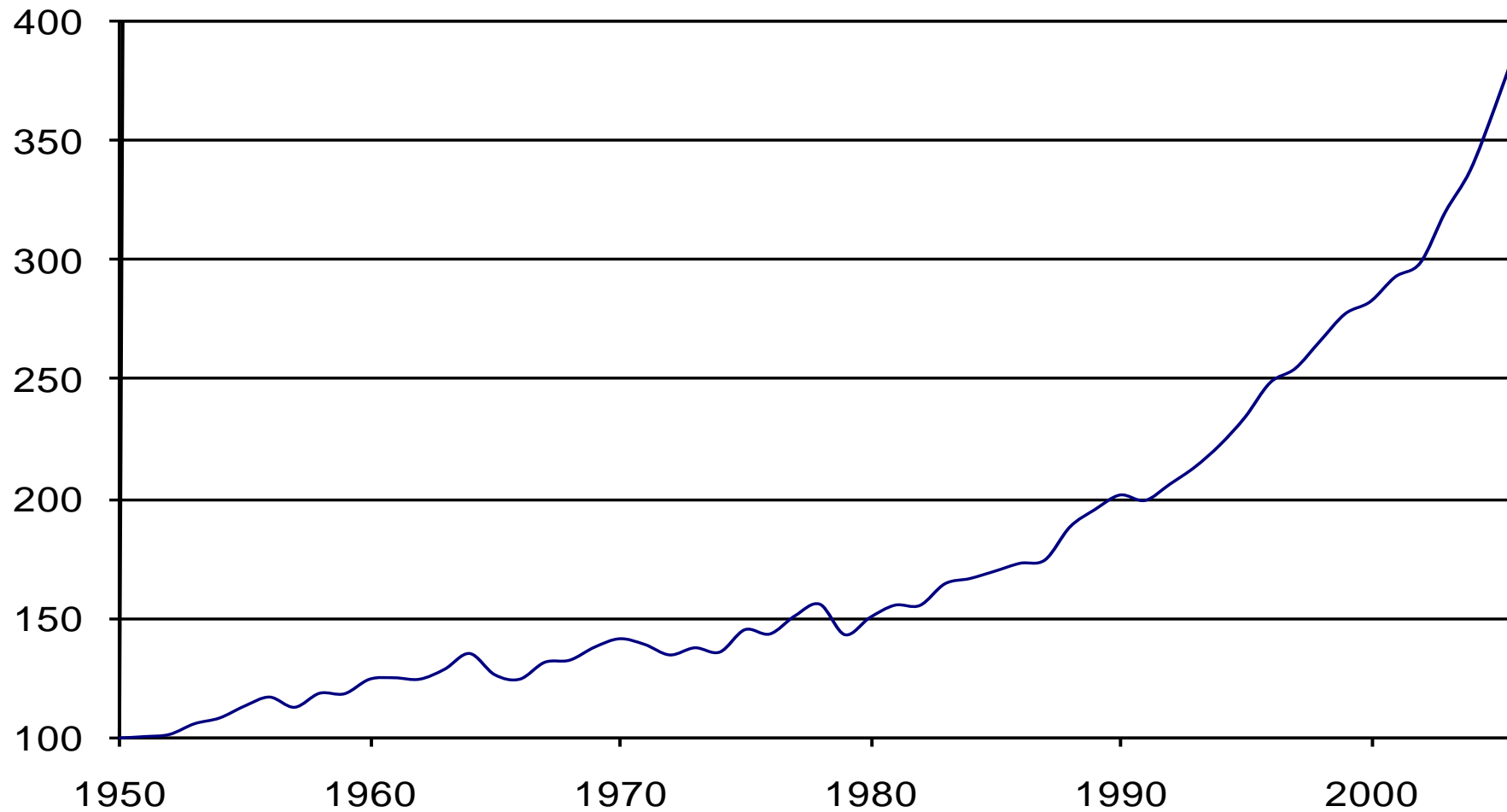
Global middle-class consumption will shift heavily toward China, India, and other Asian countries (excluding Japan) as the high-income countries see their share decrease.



SOURCE: H. Kharas (2010), 'The Emerging Middle Class in Developing Countries,' OECD Development Centre Working Paper No. 285

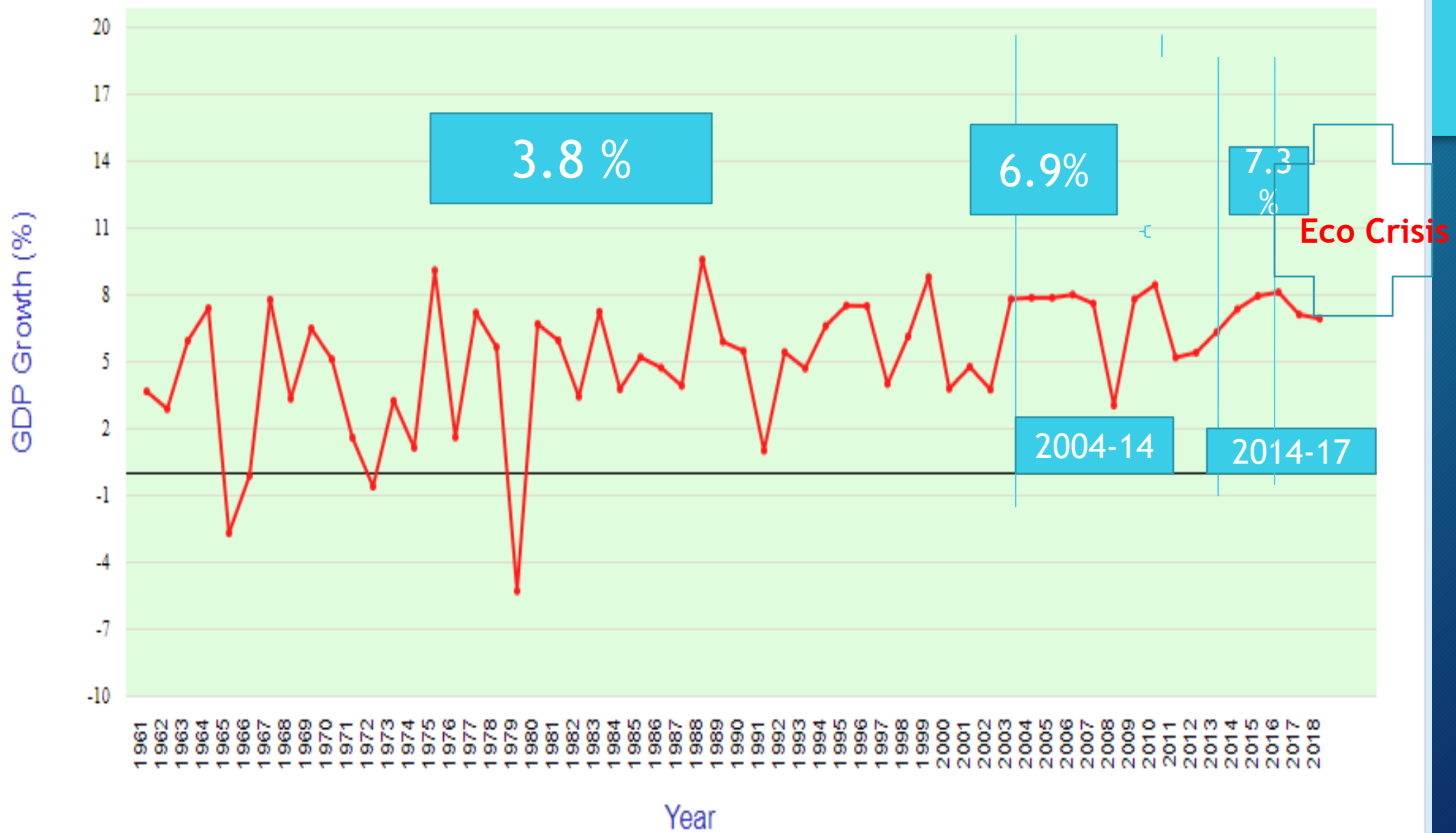
RICH CLABAUGH/STAFF

Graph Index of per capita income at constant prices (1950-51=100) India



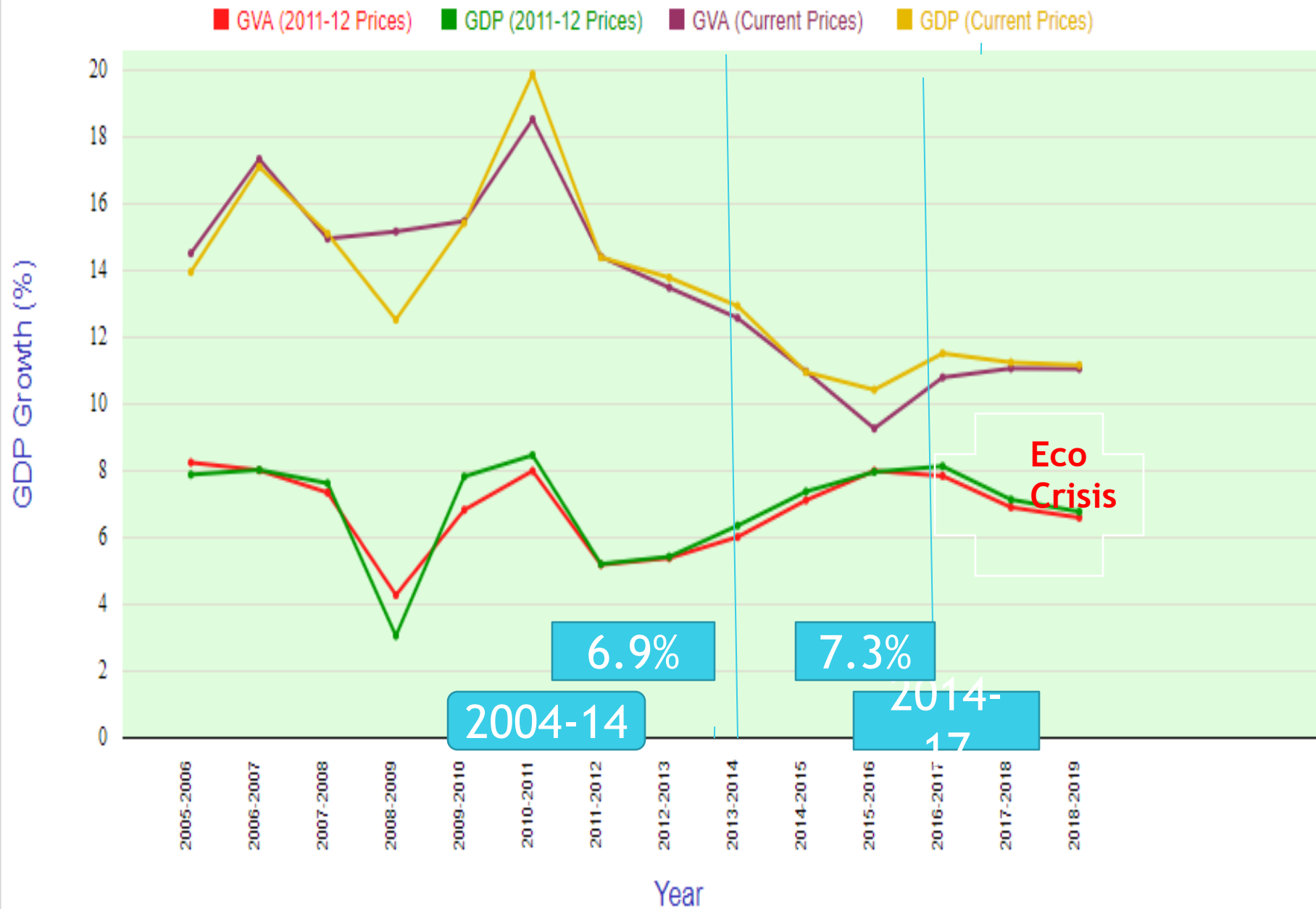
GDP Growth of India

Source : World Bank

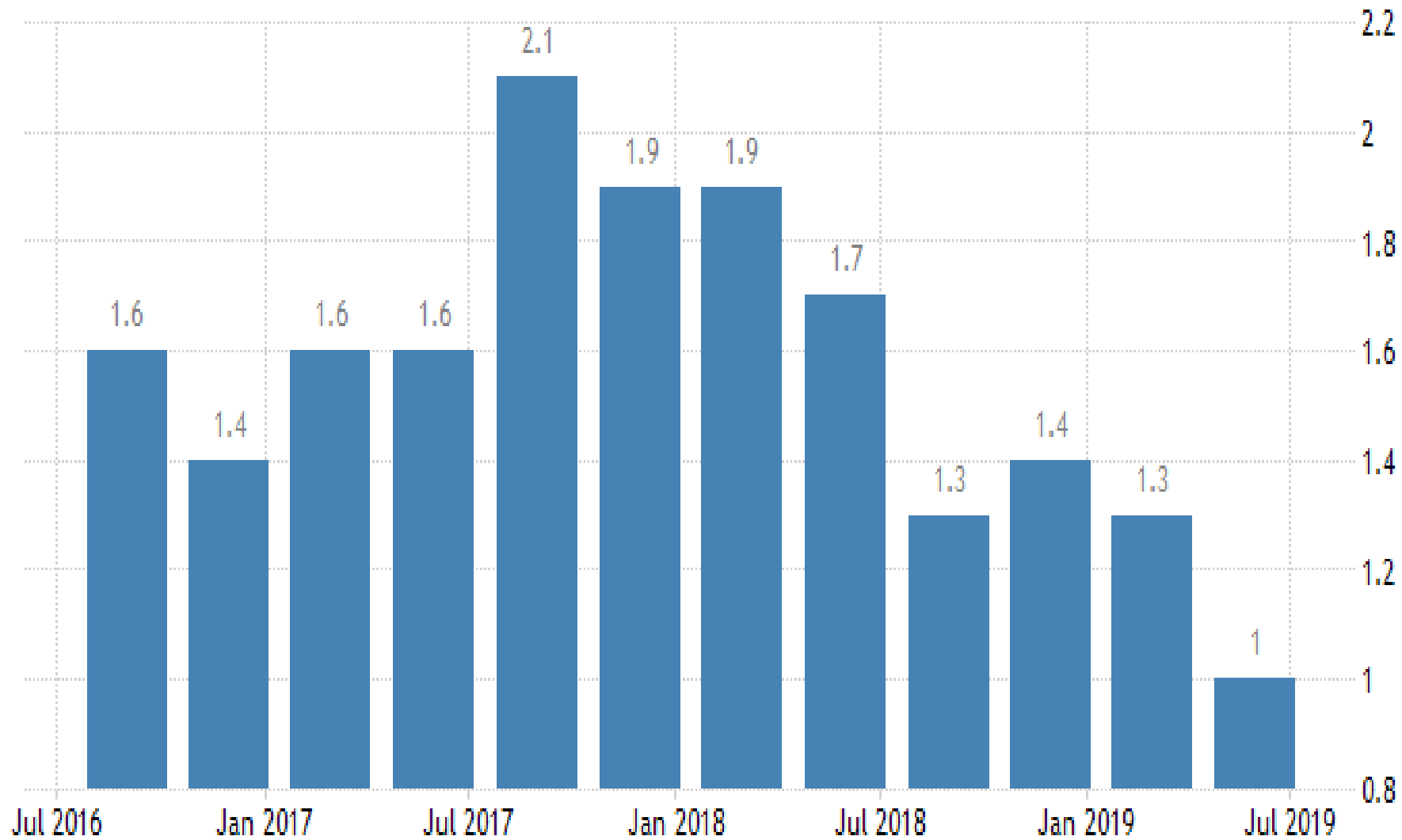


GDP Growth of India

Source : Ministry of Statistics and Programme Implementation



India GDP Quarterly Growth Rate Sequentially



India GDP Quarterly Growth Rate (Year on Year)

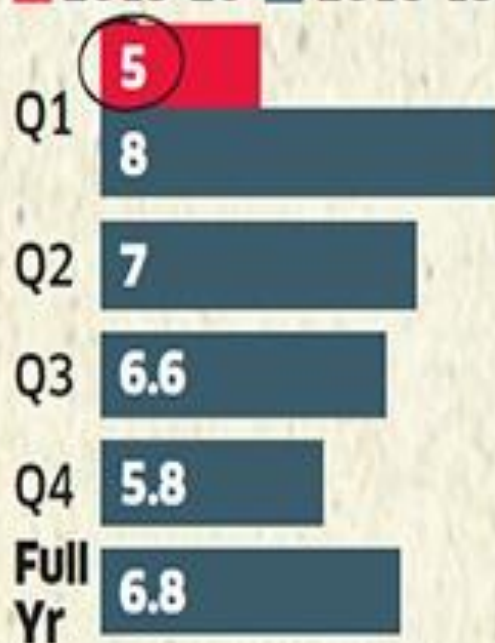


SOURCE: [TRADINGECONOMICS.COM](https://tradingeconomics.com) | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

Driving in the Slow Lane

GDP (%)

■ 2019-20 ■ 2018-19



8% nominal GDP growth lowest since FY2002-03

3.1% private consumption rise worst in 18 quarters

Sector-wise Growth

Q1 GVA Growth (%)	FY20	FY19
Agriculture, forestry, fishing	2.0	5.1
Mining, quarrying	2.7	0.4
Manufacturing	0.6	12.1
Utilities	8.6	6.7
Construction	5.7	9.6
Trade, hotels, transport	7.1	7.8
Financial, realty, prof. services	5.9	6.5
Public administration, defence	8.5	7.5

What Lies Ahead

Further rate cuts, sentiment boosters needed

Govt should consider major reforms

Windfall gain from RBI may boost govt expenditure

FM's stimulus package may propel demand

Worry Lines

Sharp slowdown in private consumption

Low domestic, global demand

Negligible growth in manufacturing GVA

Govt spending key driver of growth

Rebound in H2 likely

Faster rate cut transmission to revive demand

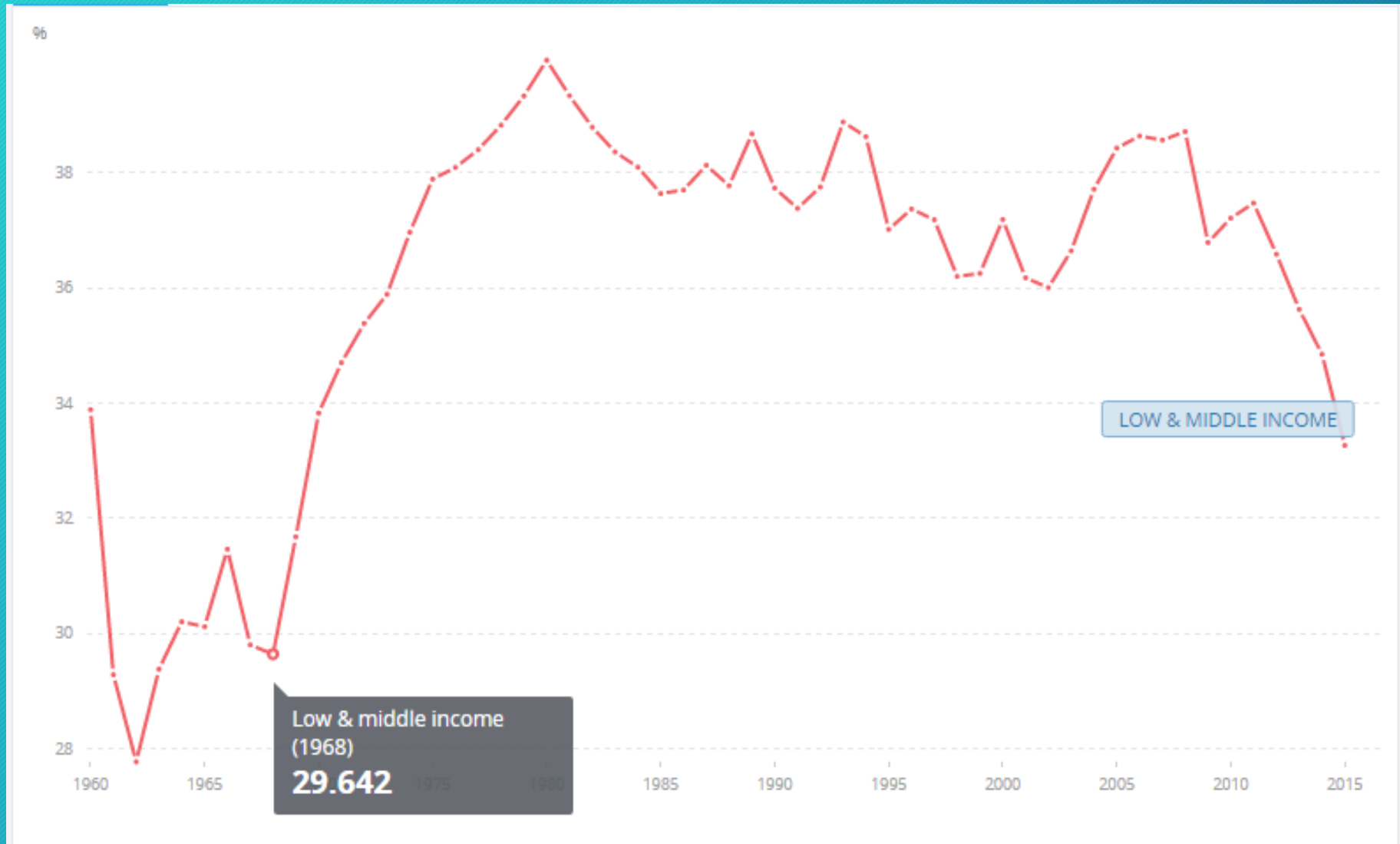
Alarming trends in Q1 2020 compared to Q1 in 2019

- Agriculture growth is down to 2% from 5.1%
- Construction growth is down to 5.7% from 9.6%
- Real estate Decline reflected significantly
- Manufacturing growth down from 12.1% to 0.6%
- Private consumption growth down to 3.1 from 10.6
- GVA grew by 4.9% compared to 7.7 % last year

Percentage Share of Industries in GDP in the World



Percentage Share of Industries in GDP in the Low and Middle Income Countries



Percentage Share of Industries in GDP in China

Line

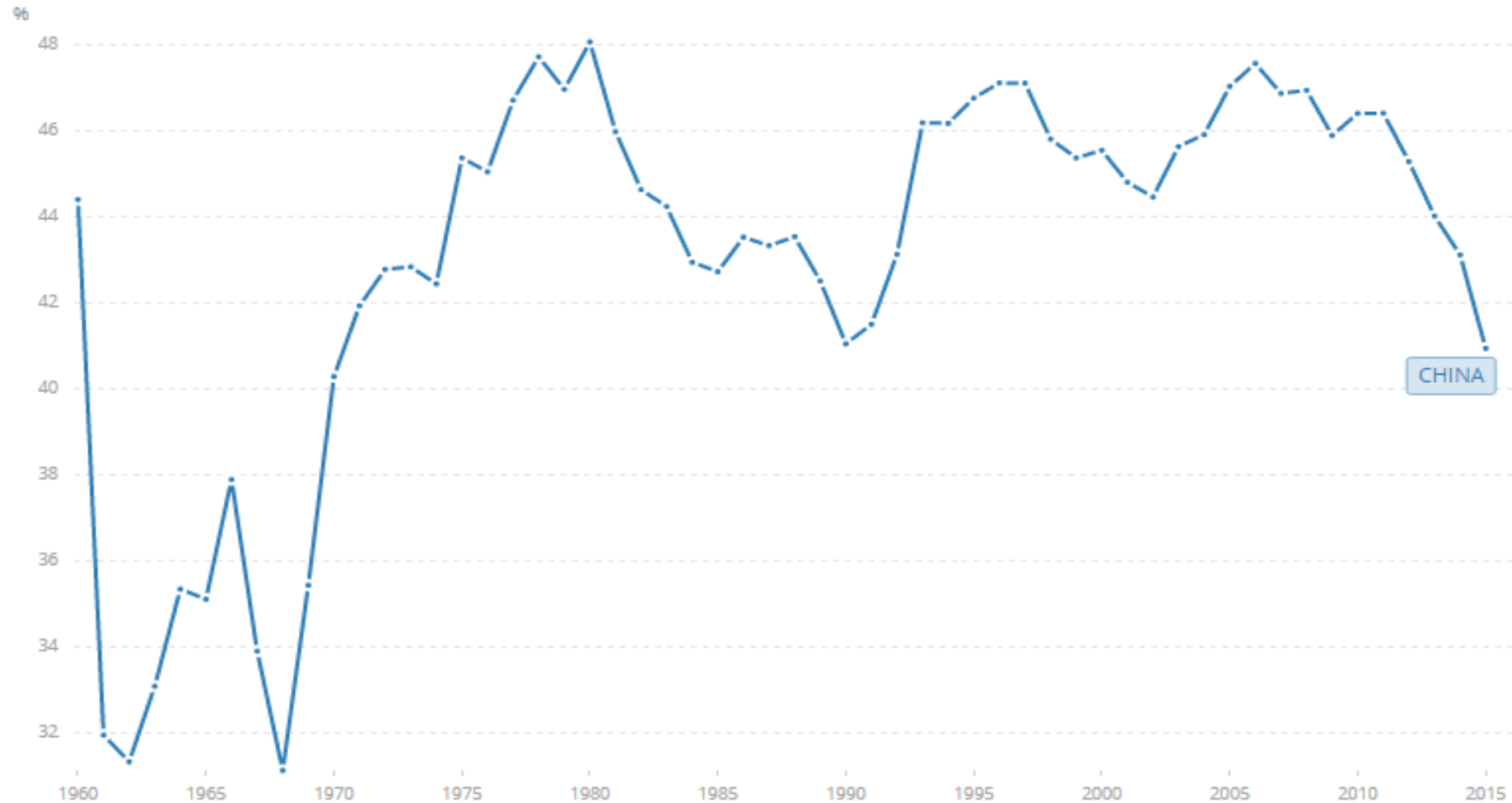
Bar

Map

Also Show

Share

Details

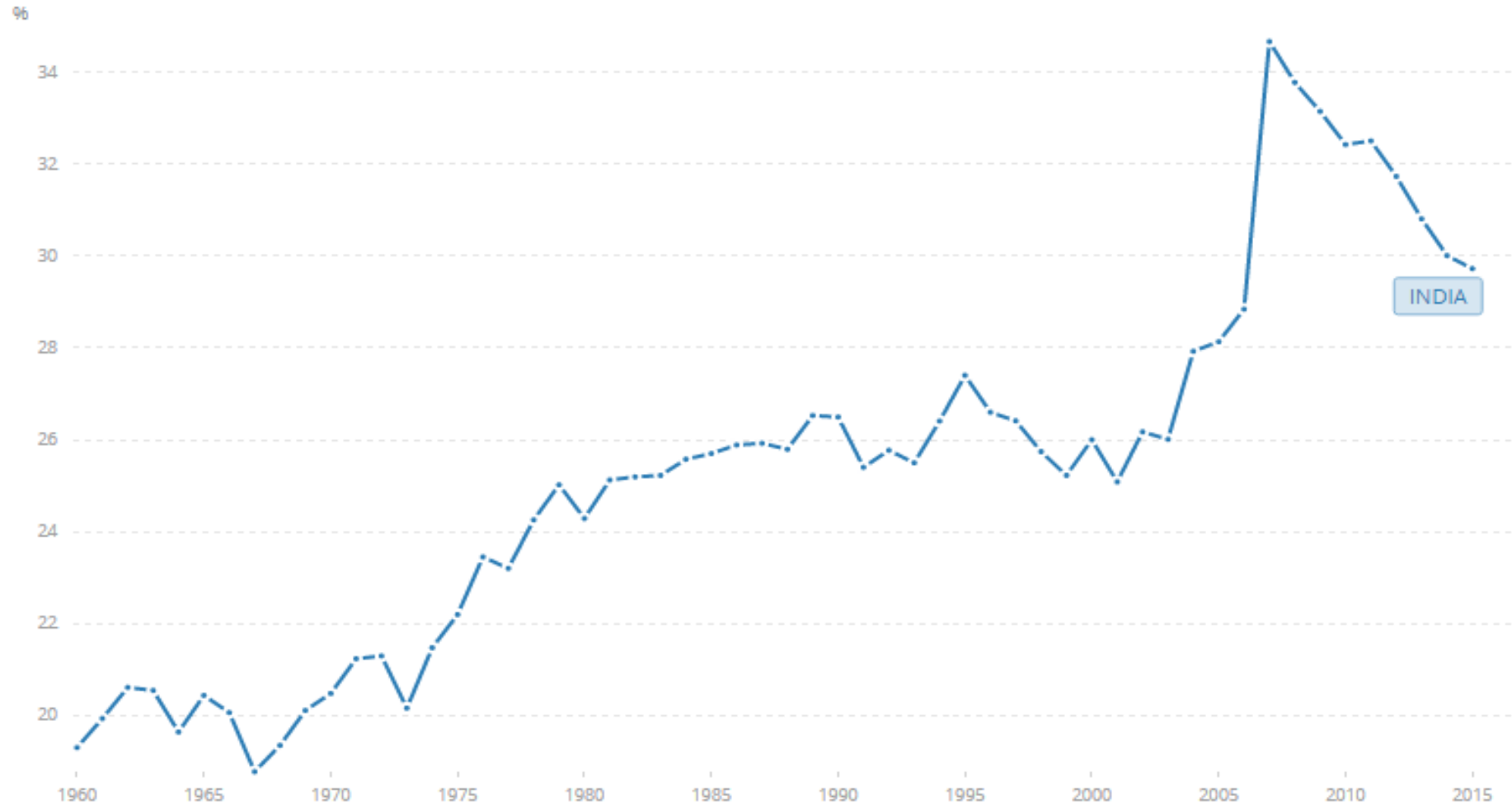


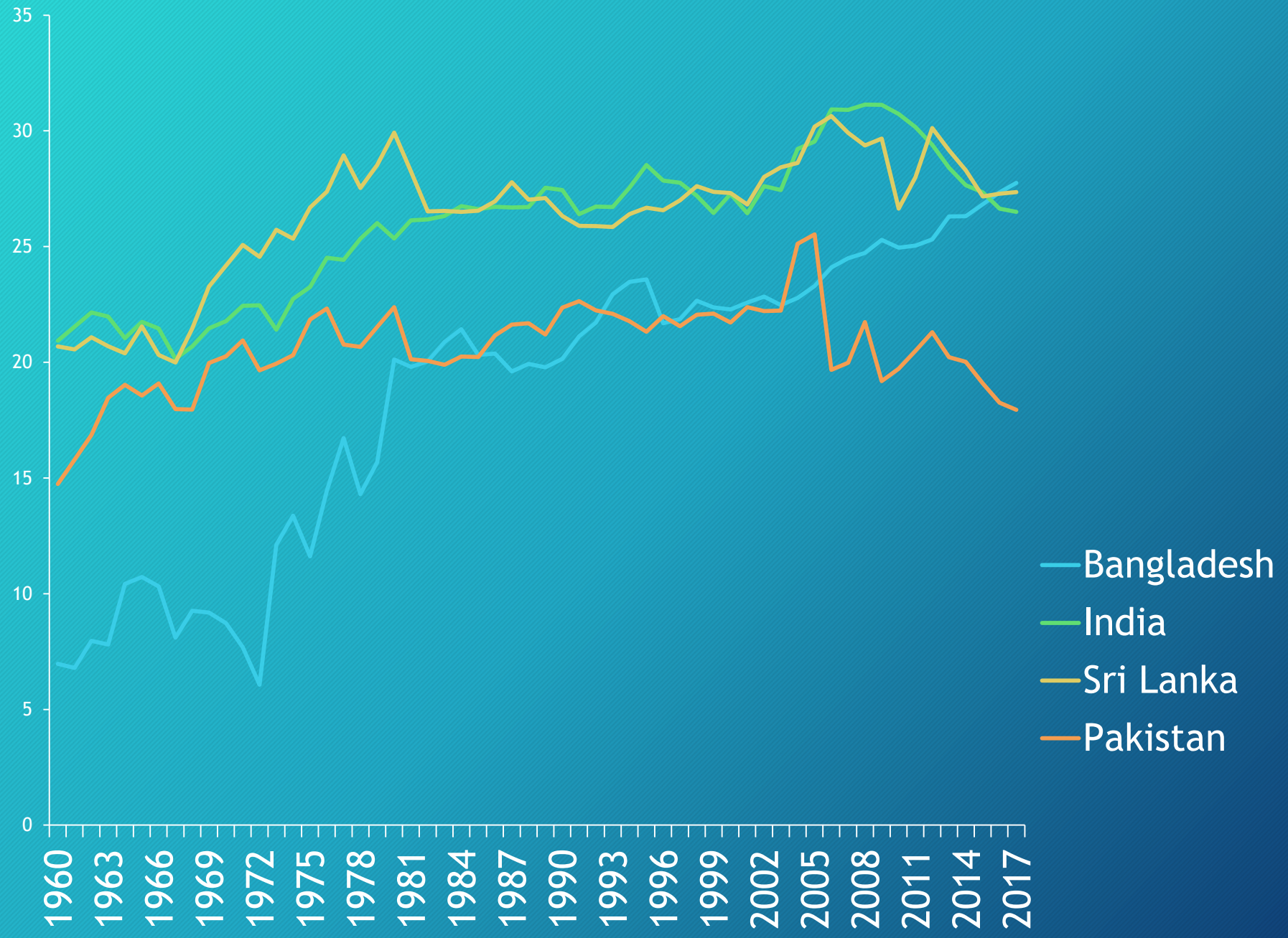
1960 - 2015

|||

|||

Percentage Share of Industries in GDP in India





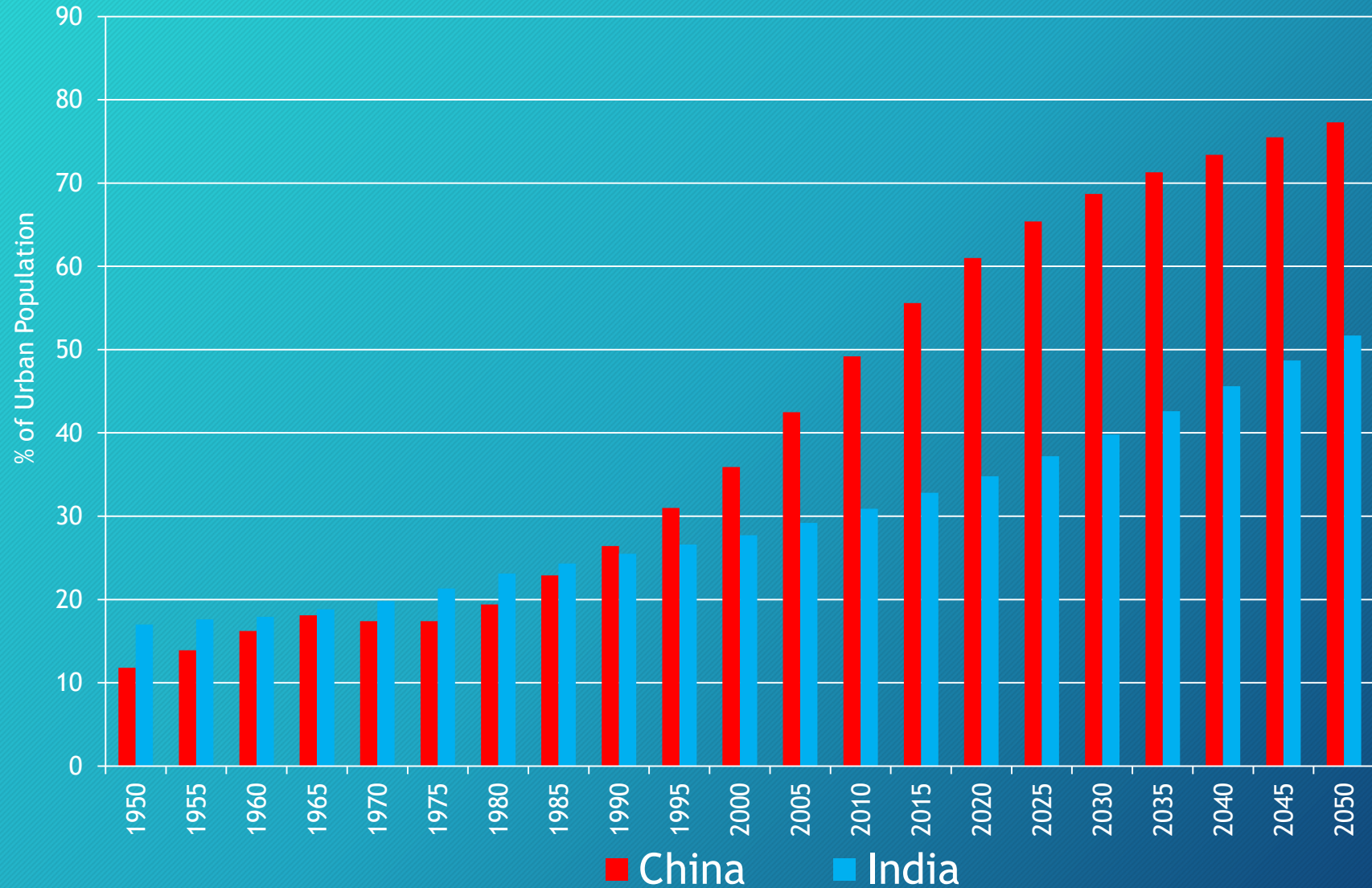
Directions of Intervention

- Liberalising FDI in select sectors
- Rollback of controversial foreign portfolio investment
- Big bang Reforms including the enhanced surcharge levied on capital gains made by foreign portfolio investors
- Reduction in Repo rate of RBI
- Credit Flow to non-banking financial institutions
- Increase in govt expenditure backed up by the extra funds provided by RBI

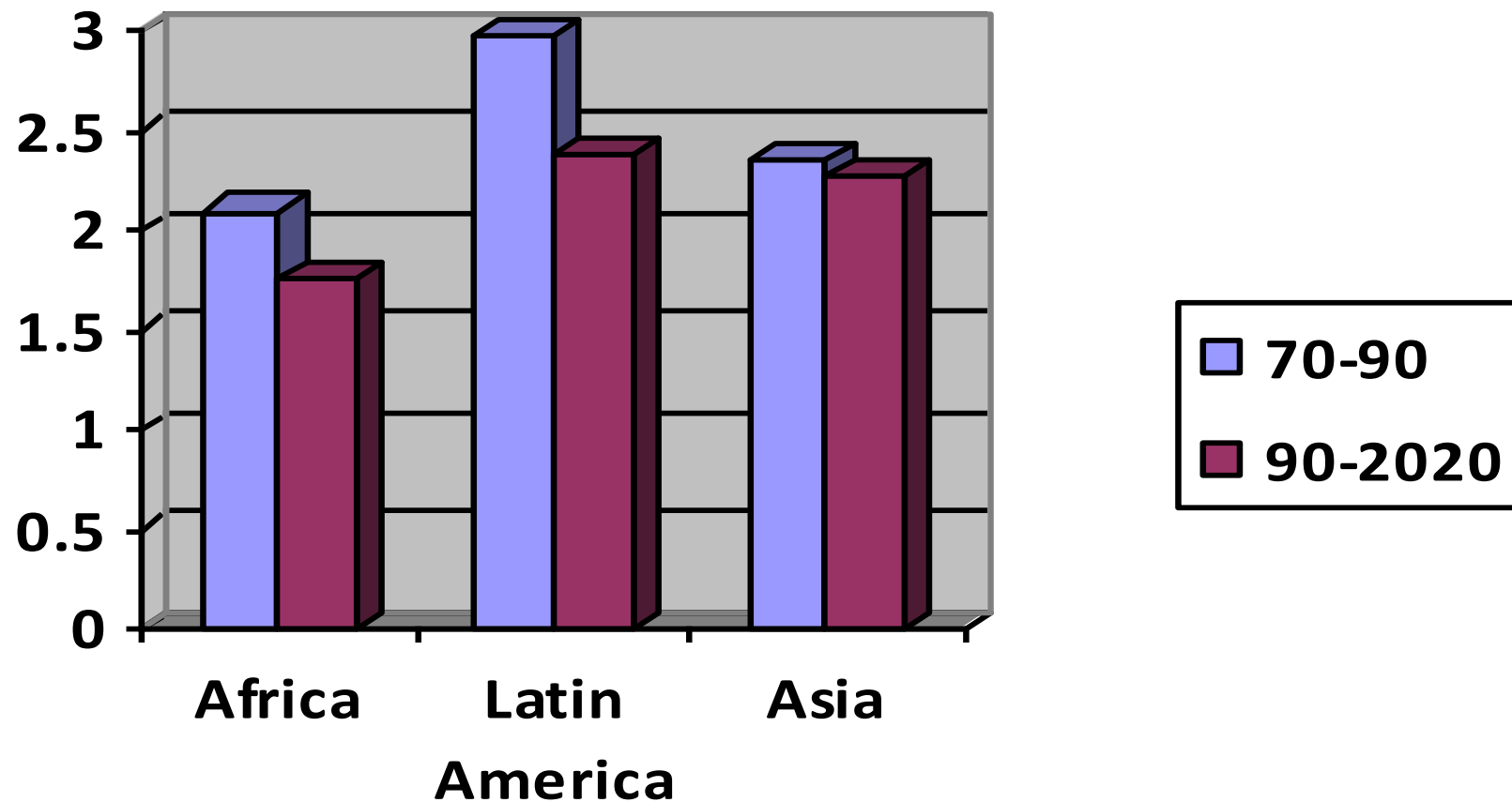
Middle Income Trap hypothesis Explored

- Current growth driven by 100 million people in upper and middle class
- Phenomenal growth in Automobile, mobile and other items of upper and middle class consumption
- Plateau in the demand of this class
- Sluggish growth in the base of middle class
- Car industry accounting for 7 % of GDP more than housing of 5 %
- Real estate producing vacant houses with 11 million vacant houses in urban areas

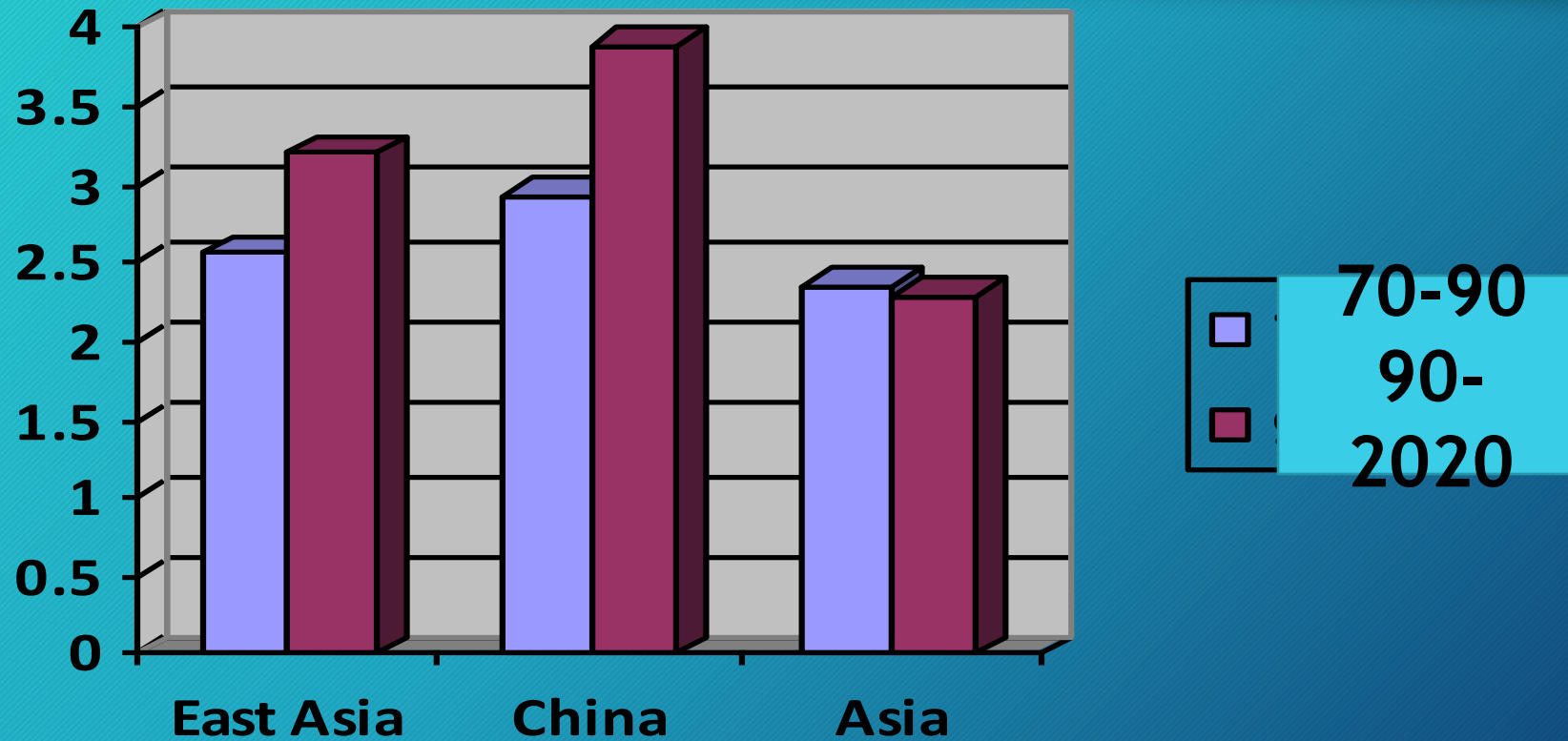
Trend in the Percentage of Urban Population in India and China



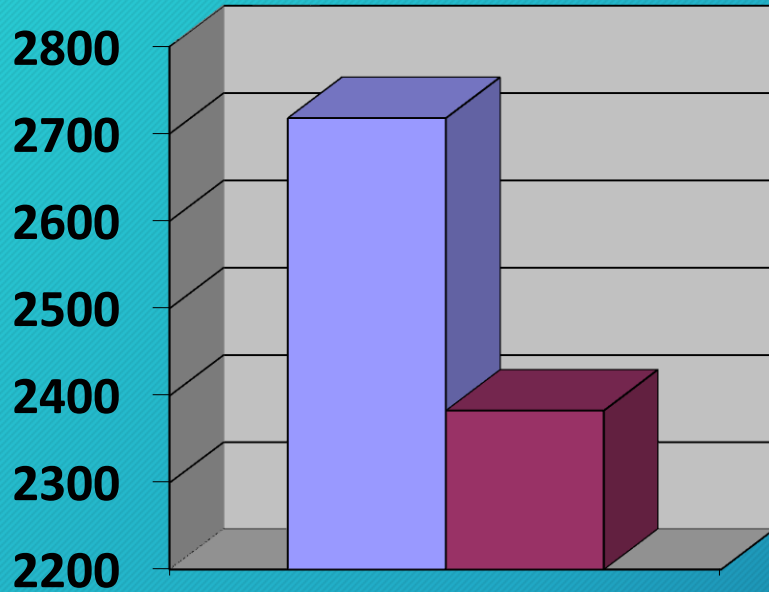
Declining Growth Rates in Urban Population in Africa, Latin America and Asia



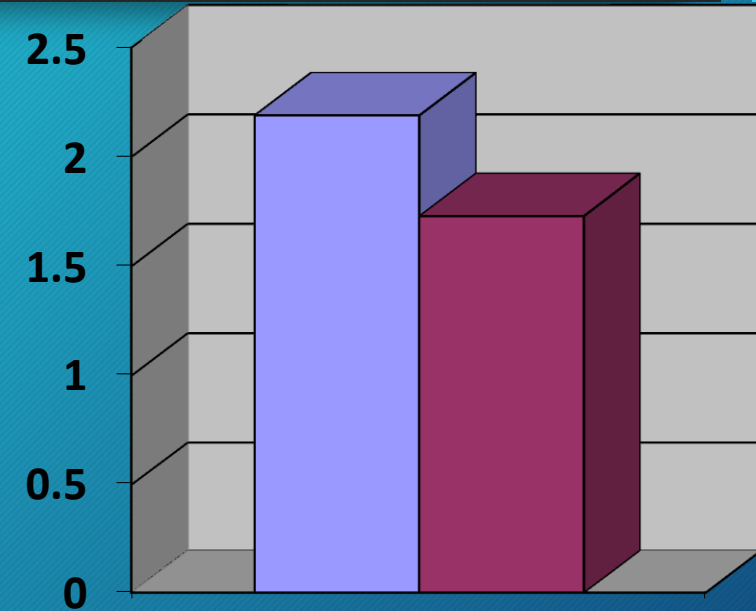
Growth Rates of Urban Population in Asian Countries



Projected Urban Population for Asia in 2025 and its Growth Rate during 2025-30 as given in World Urbanization Prospects



Urban Population in Asia 2025



Growth in Urban Population in Asia

WUP Revision 1995

WUP Revision 2015

Growth Rates of Urban Population in India as Projected in World Urbanisation Prospects (WUP)

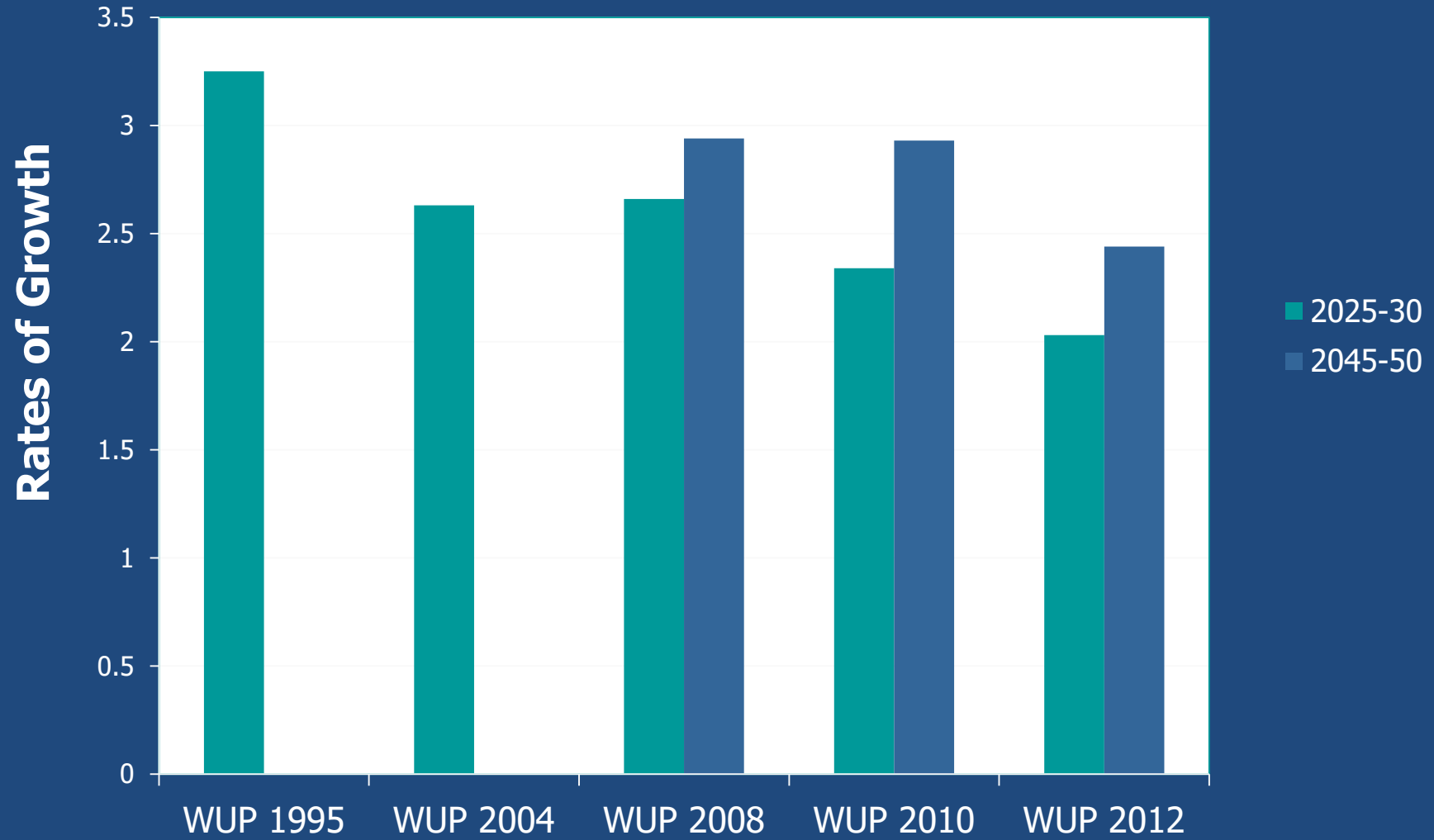
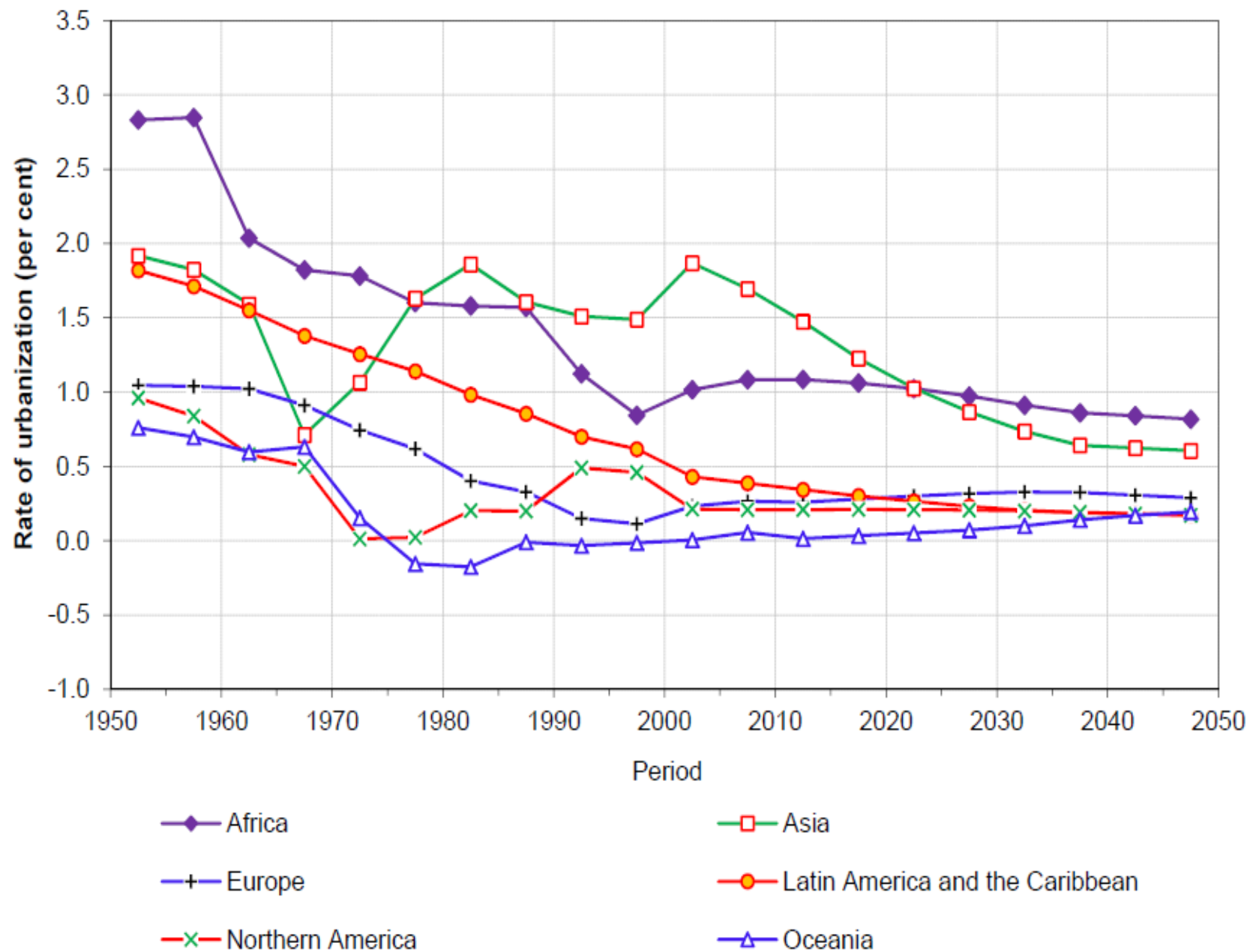


Figure II.12. Rate of urbanization by major area, 1950-2050



Per cent Urban Population and Urban Growth Rates 1901-11

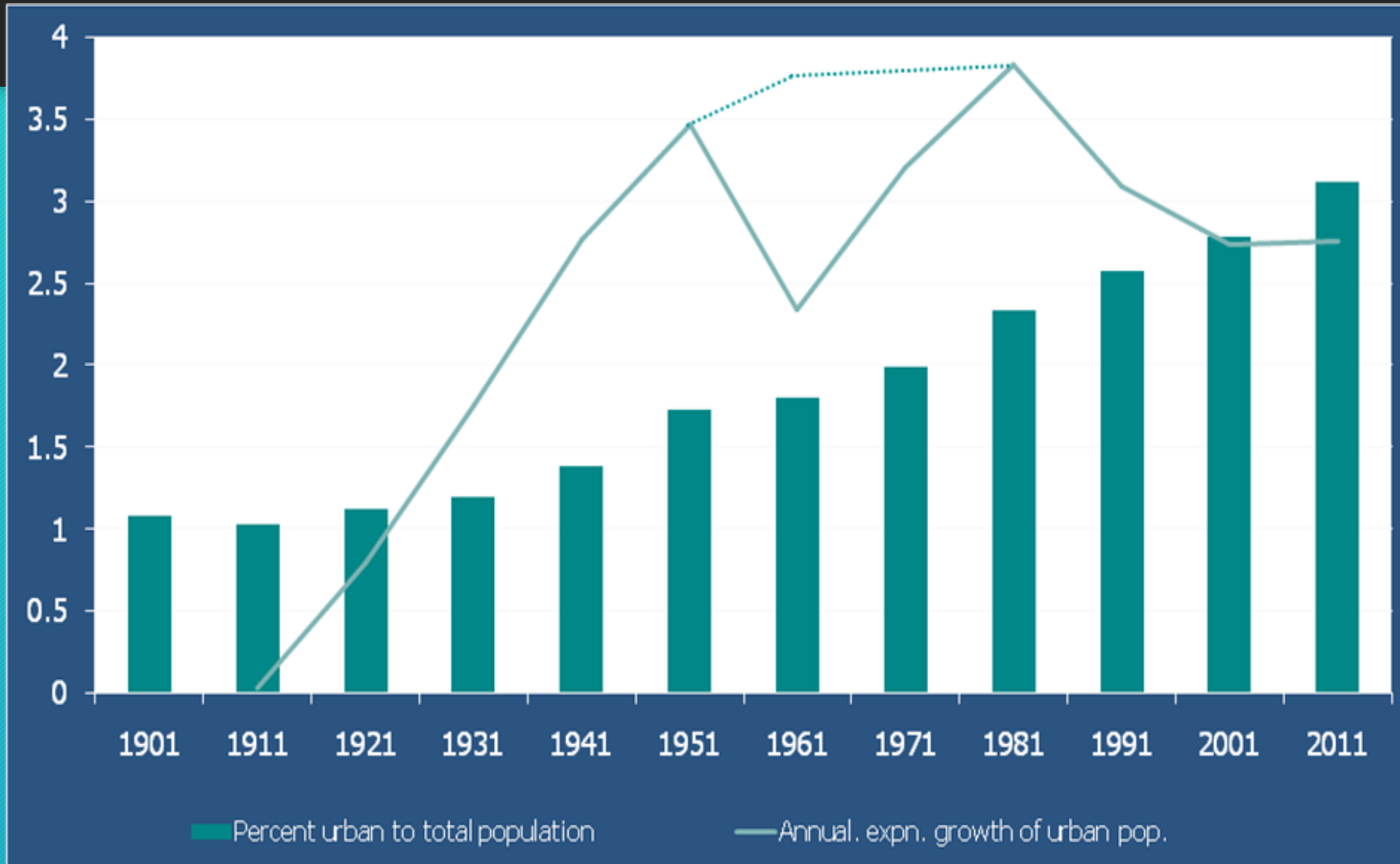


Table : Percentage of migrants (POLR) in the population as per decennial censuses

Source: Compiled from Census tables on Migration.

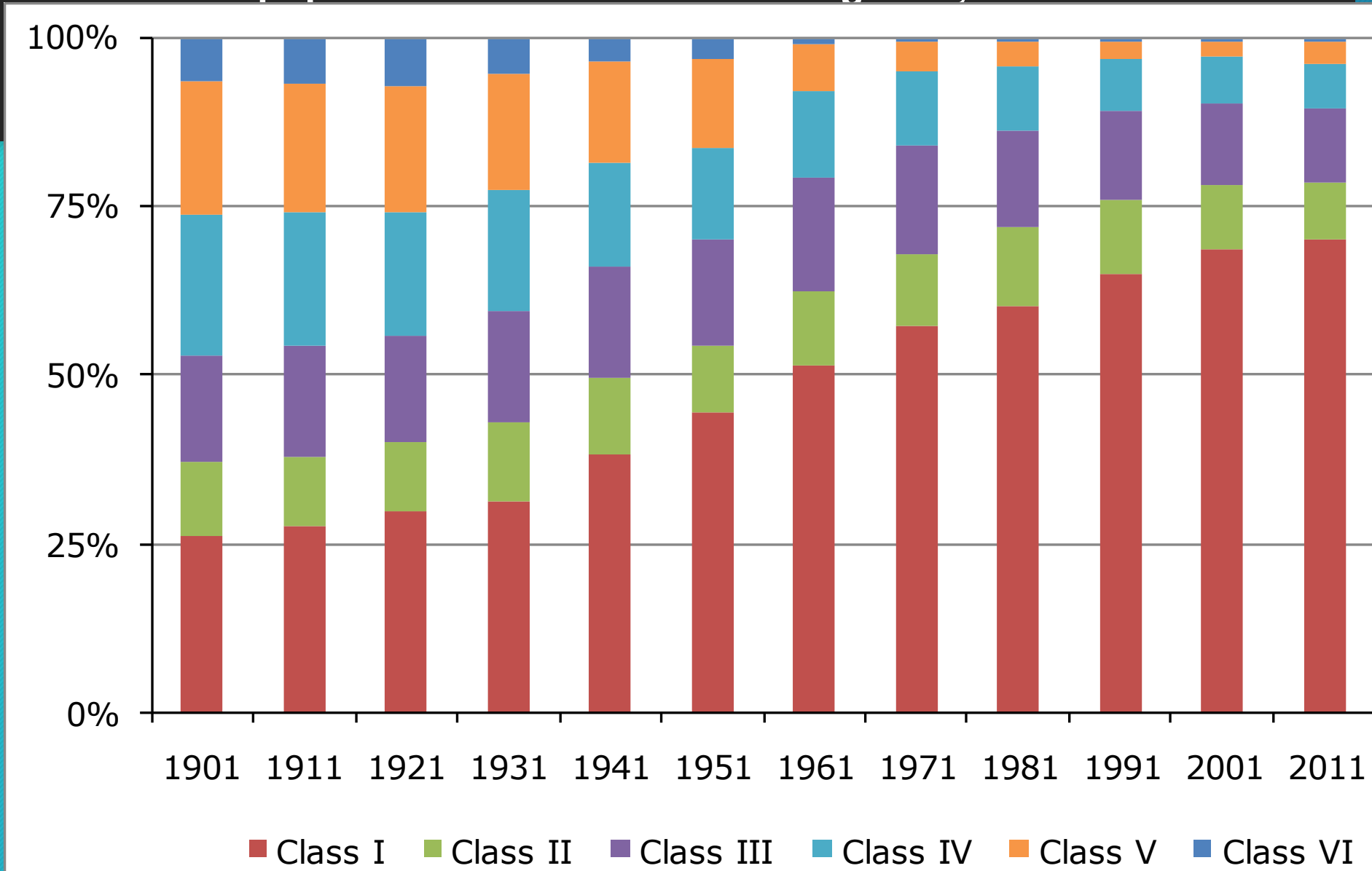
	Census years				
	1971	1981	1991	2001	2011
Total	29.1	30.3	27.4	30.1	37.5
Male	17.5	17.2	14.7	17.0	22.6
Female	41.7	44.3	41.2	44.6	53.2

Percentage of Population in Cities with Population over 5 million to Total Urban Population

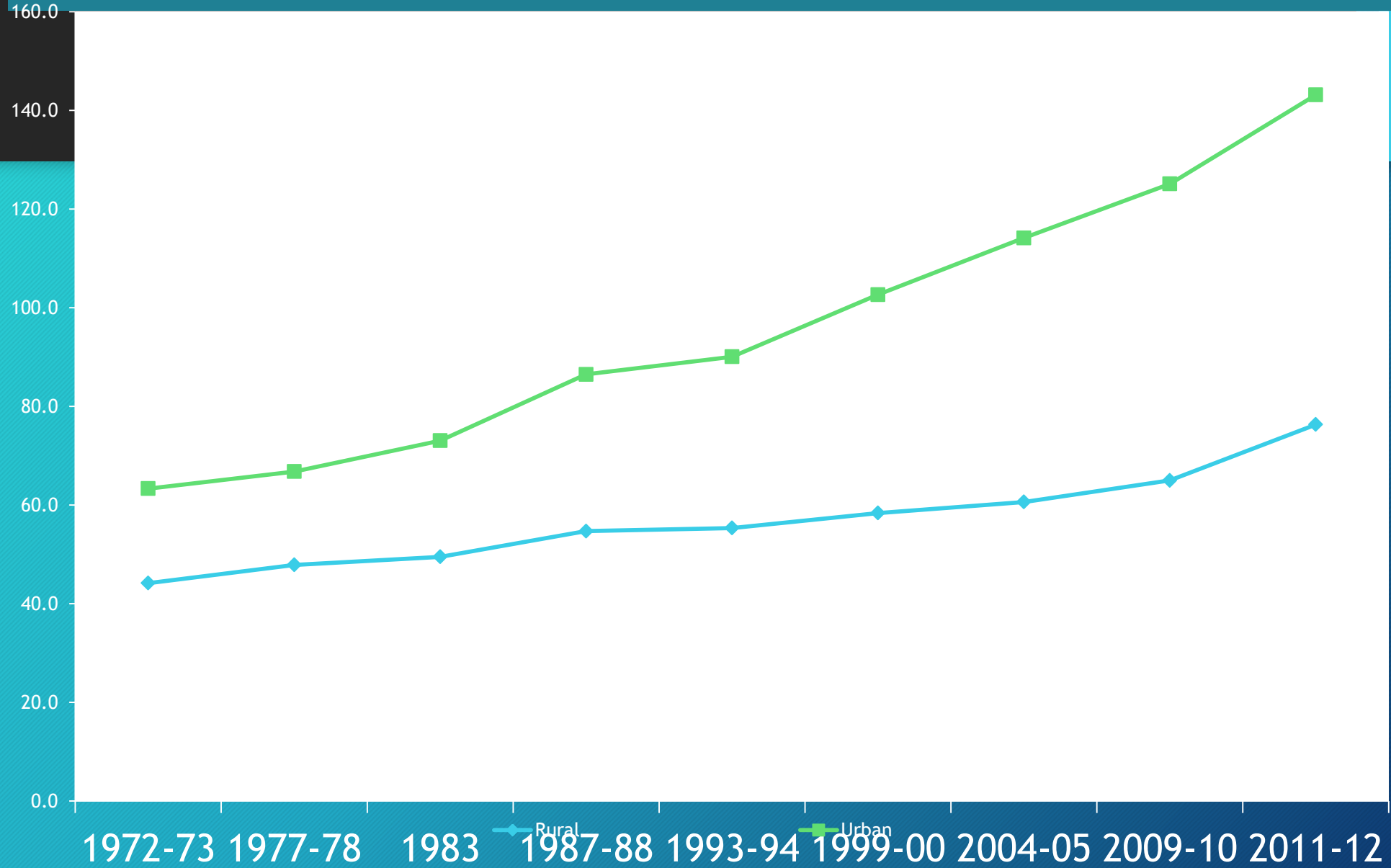
Europe	Africa	Less Developed Countries	World Average	Developed Countries	Asia	South Central Asia	India
7.5	9	15	15.5	16	18	23	23.5

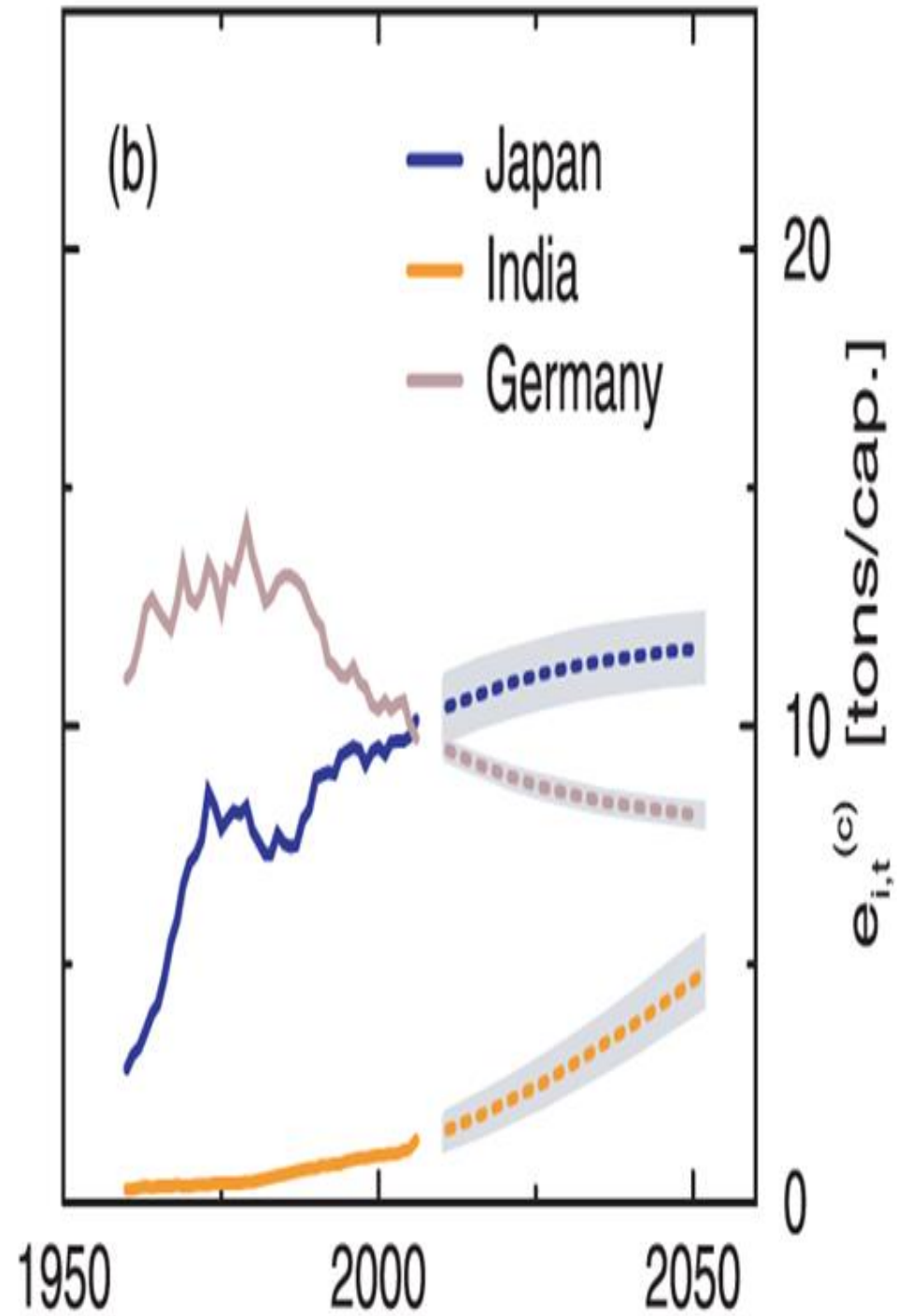
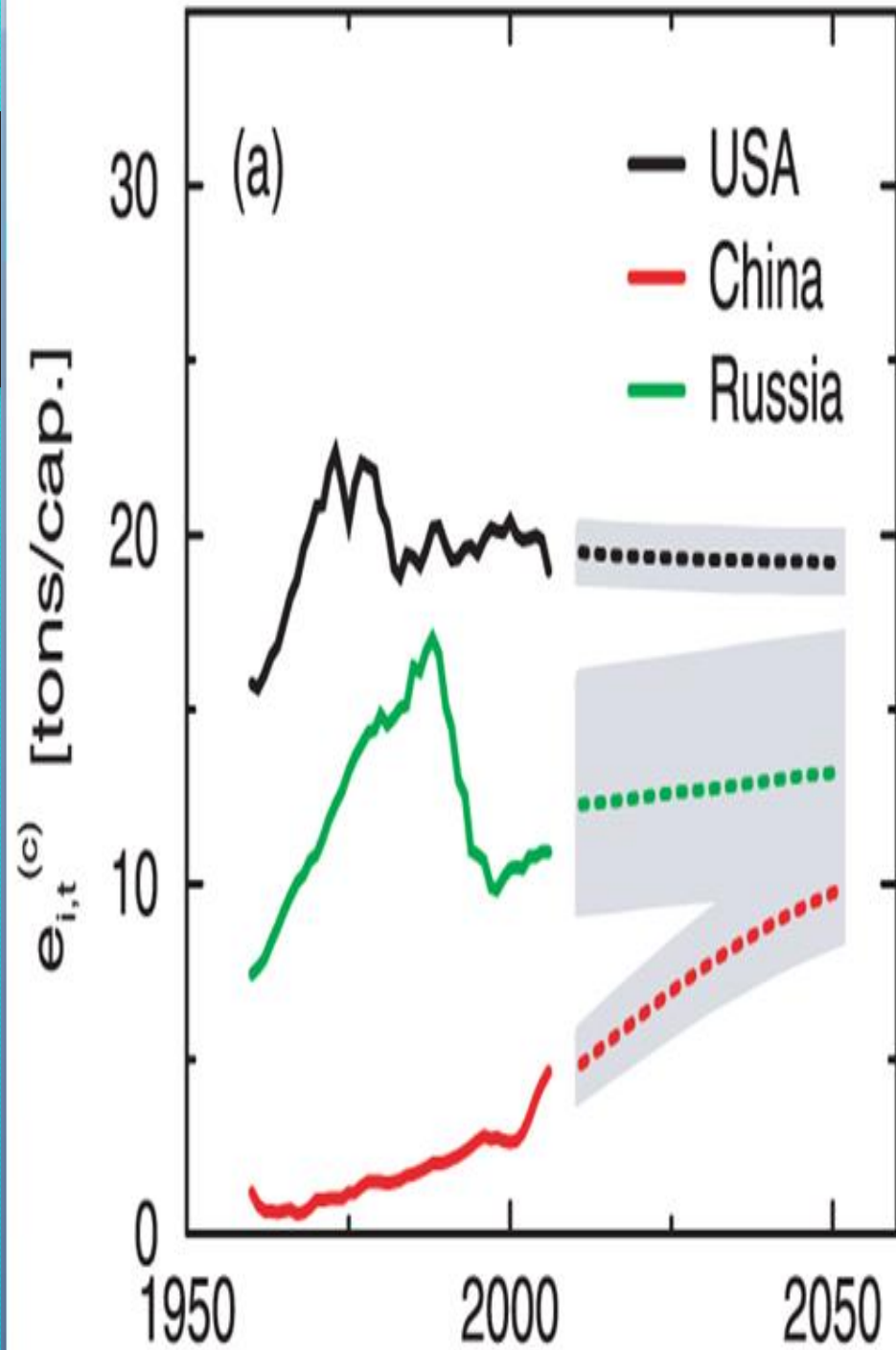
Implications of top heavy urban structure: high infrastructural cost, energy consumption, regional disparity and threat to sustainable development.

Proportion of urban population in different size categories, 1901–2001

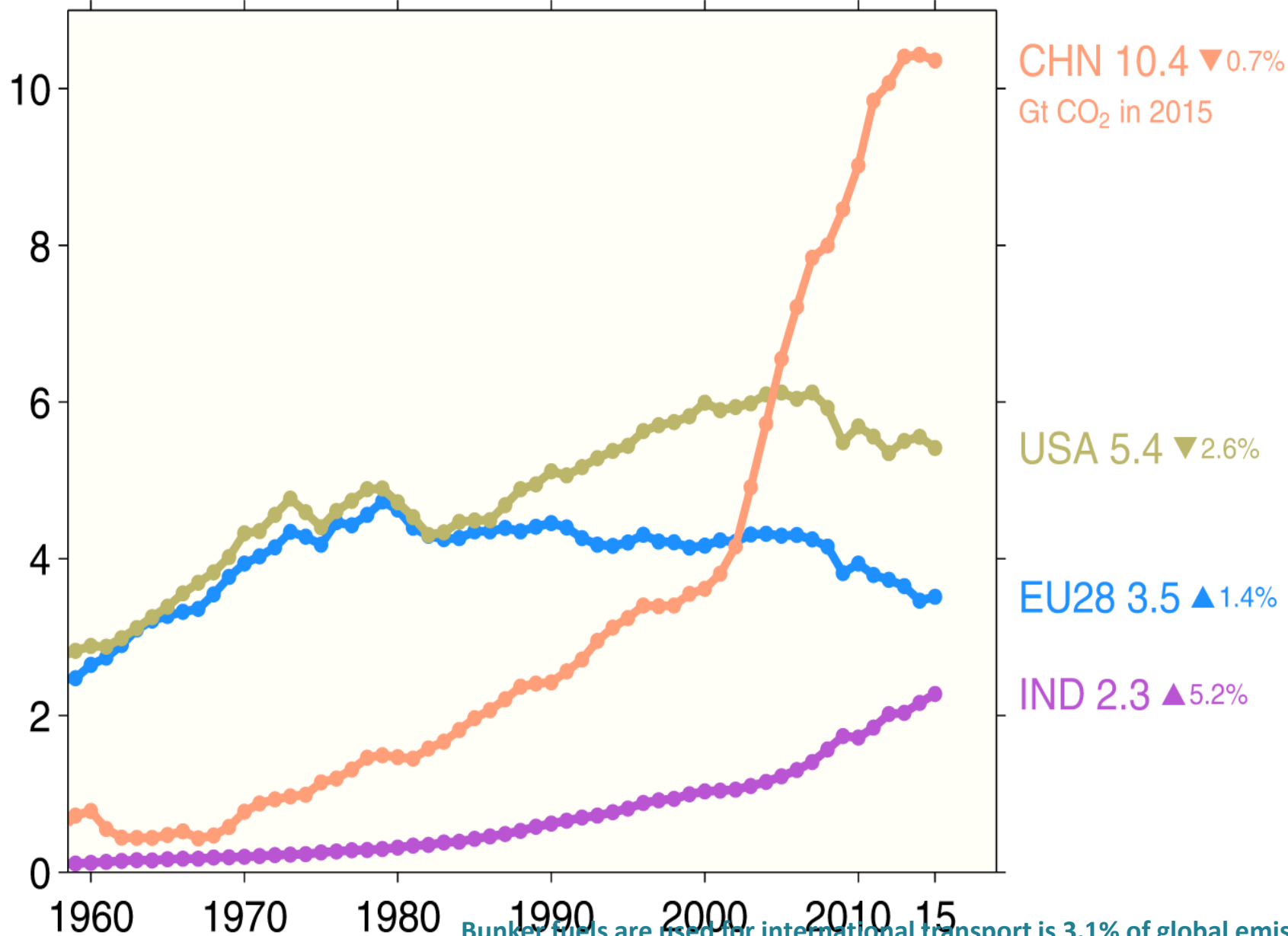


Trends in all-India average monthly per capita consumption at constant prices (Rs.) 1972-73 to 2011-12





Data: CDIAC/GCP



Bunker fuels are used for international transport is 3.1% of global emissions

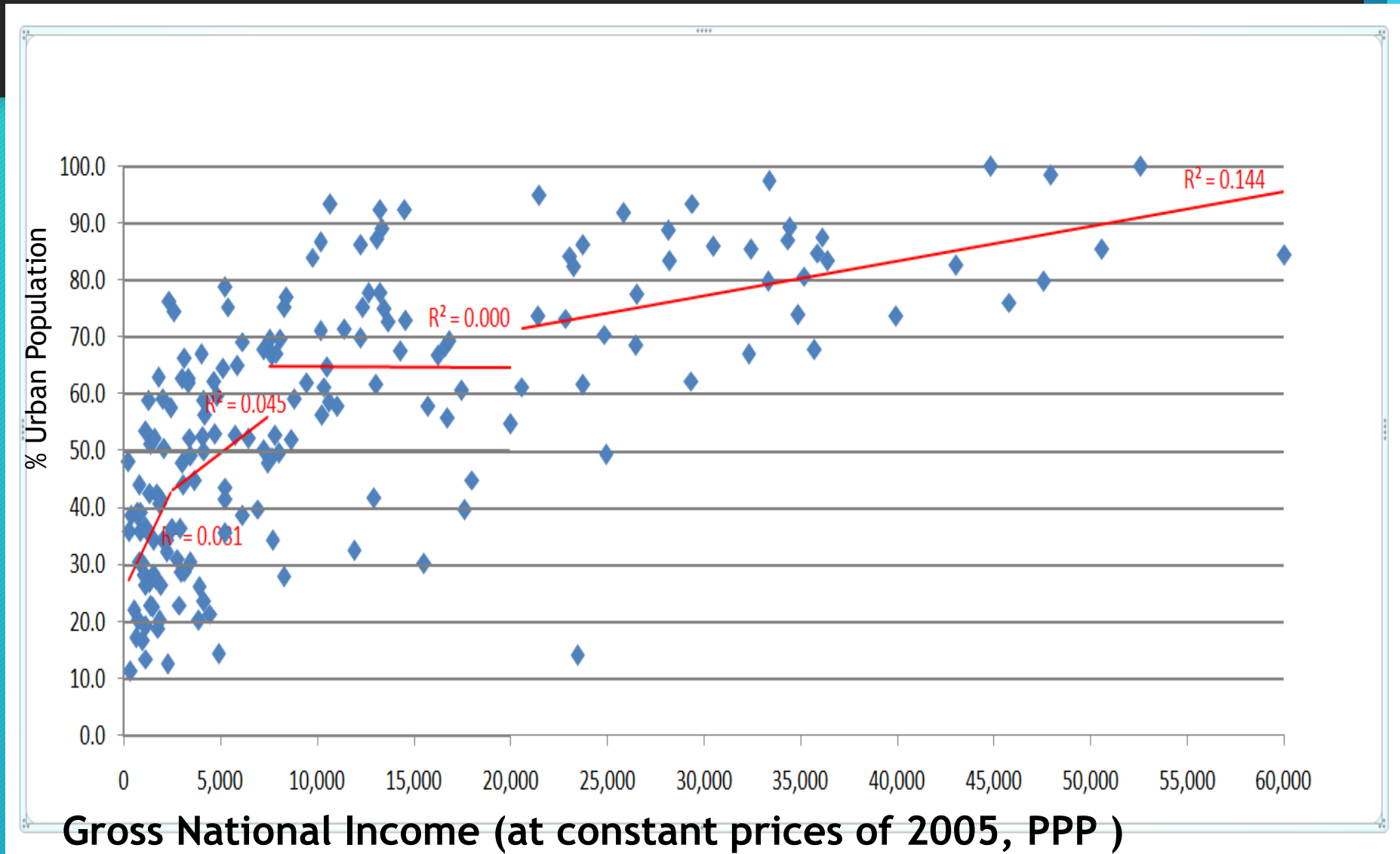
Statistical differences between the global estimates and sum of national totals are 1.2% of global emissions.

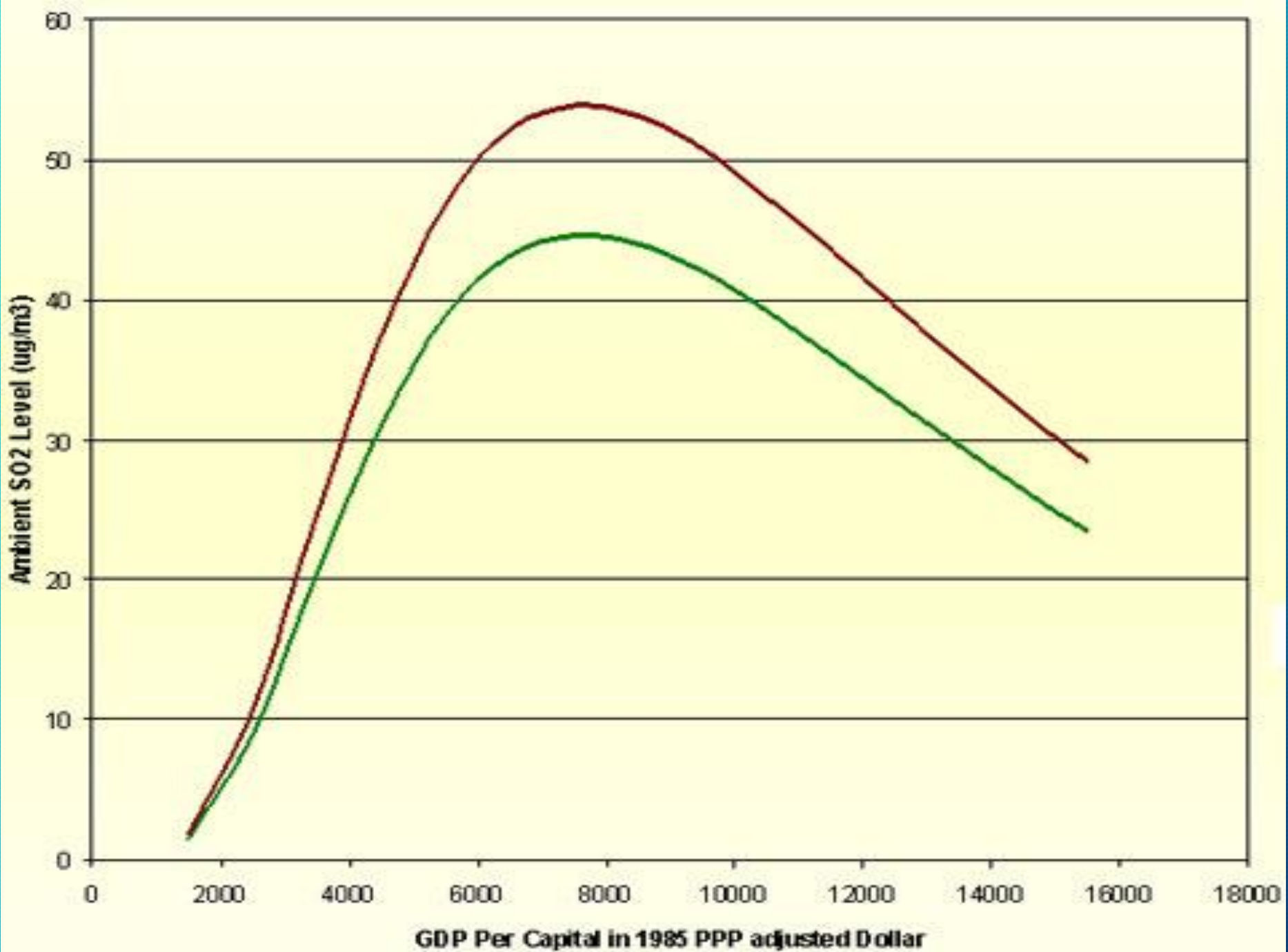
Source: [CDIAC](#); [Le Quéré et al 2016](#); [Global Carbon Budget 2016](#)

Empirical Results : Relationship between energy use and PCI & HDI

- Regressing energy consumption on PCI and HDI for 1982 and 2002 using the data for UNDP
- Three categories of countries (a) Below 1,000 KOE (b) Between 1000 KOE and 3000 KOE and (c) Above 3000 KOE (60, 30 and 32 countries respectively)
- (c) Relationship strong and positive for low KOE, low for medium and none for high KOE countries
- (d) Relation over time remains strong in 2002 but becomes weak for others

Linear Functions relating Level of Urbanization with Per Capita Income





COST COMPARISON OF ENERGY SOURCES 2018

Adapted from US DOE²

Power Plant Type	Cost \$/kW-hr
Coal with CCS	\$0.12-0.13
CC Natural Gas	\$0.05
CC with CCS	\$0.075
Nuclear	\$0.093
Wind onshore	\$0.059
Wind offshore	\$0.139
Solar PV	\$0.063
Solar Thermal	\$0.165
Geothermal	\$0.045
Biomass	\$0.095
Hydro	\$0.062

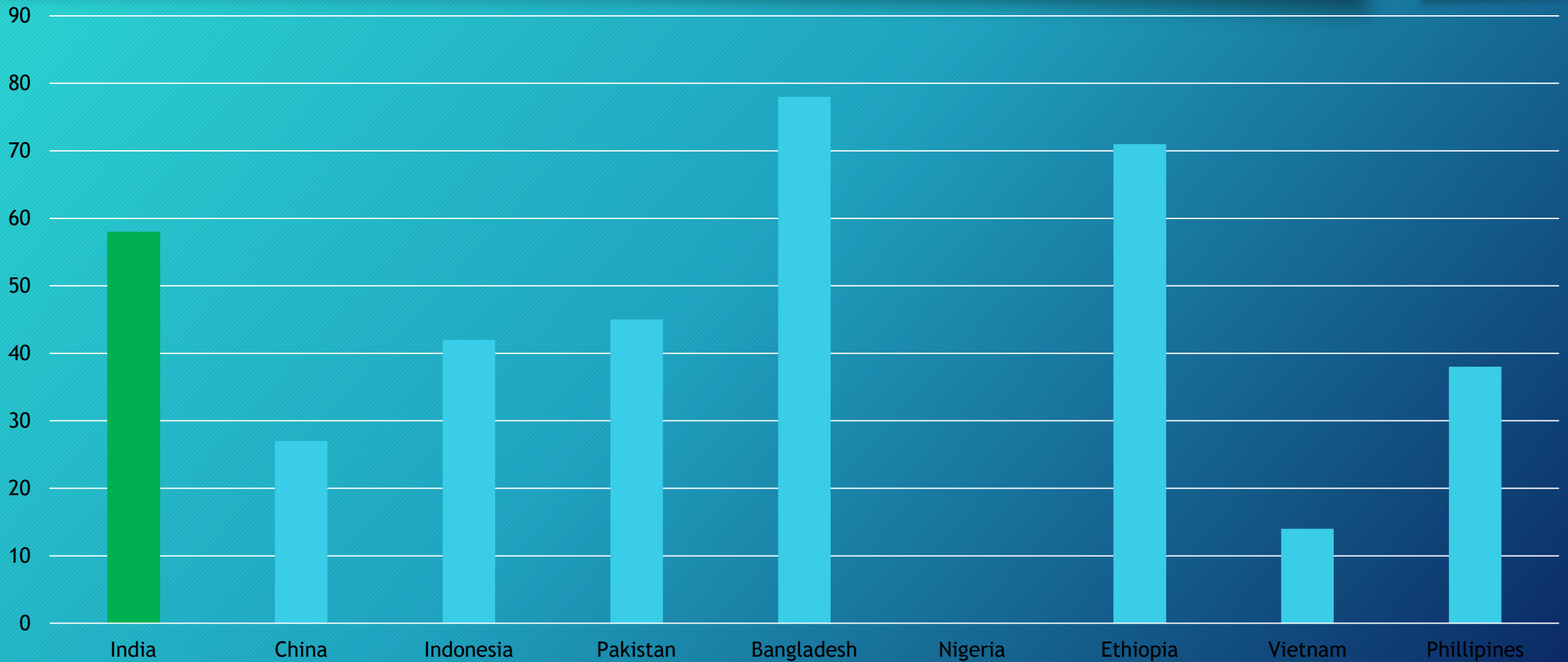
A Perspective of Policy for Sustainable Development in India

- A strong case for spatially balanced urbanisation permitting increase in emissions for meeting their poverty reduction and other MDG targets. “common but differentiated resp.”
- Erroneous to be complacent about developed countries and India must have self restraining policies and sustainable energy sources
- Change in Life style: A more balanced strategy of urbanisation and shift in energy source like Hydel
- The 12th Plan for distributed urbanisation and development of small towns as in SDG 11.

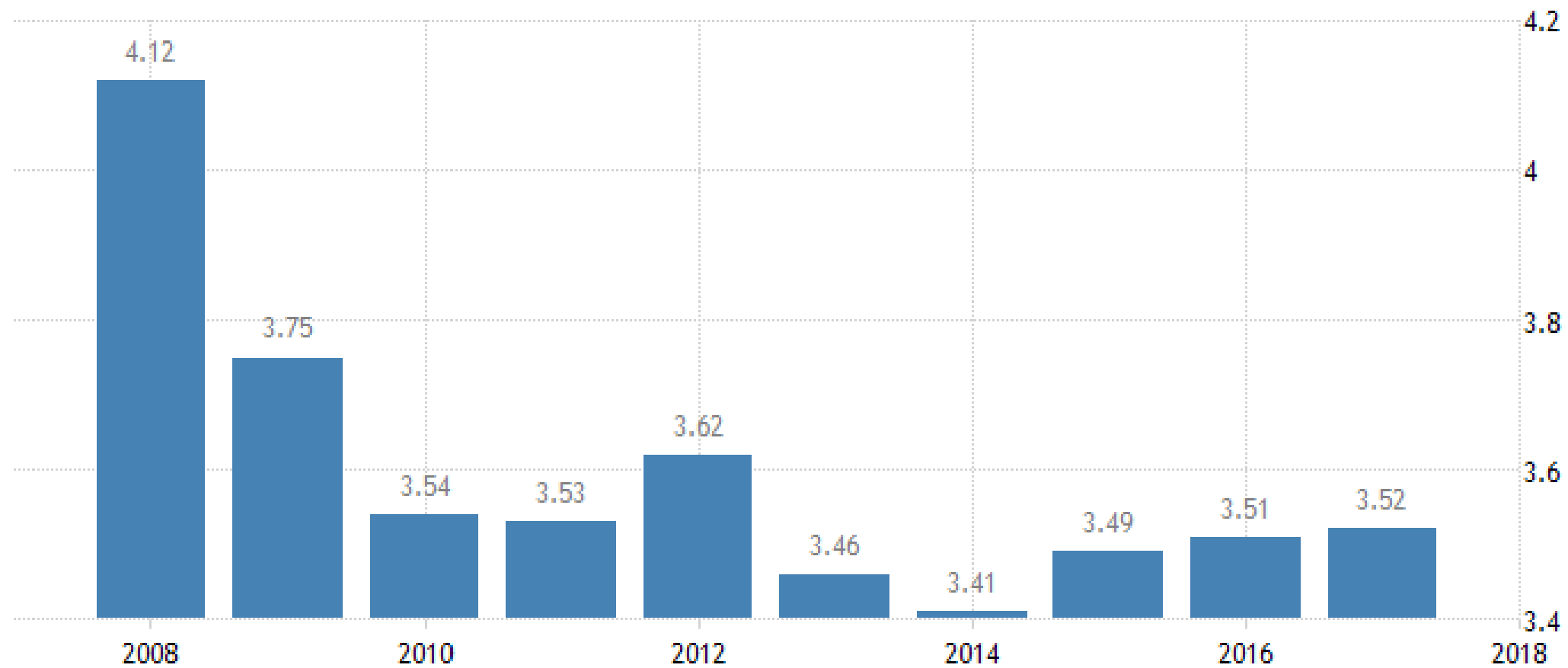
Growth and Challenges

Unemployment

Income 3\$ a day

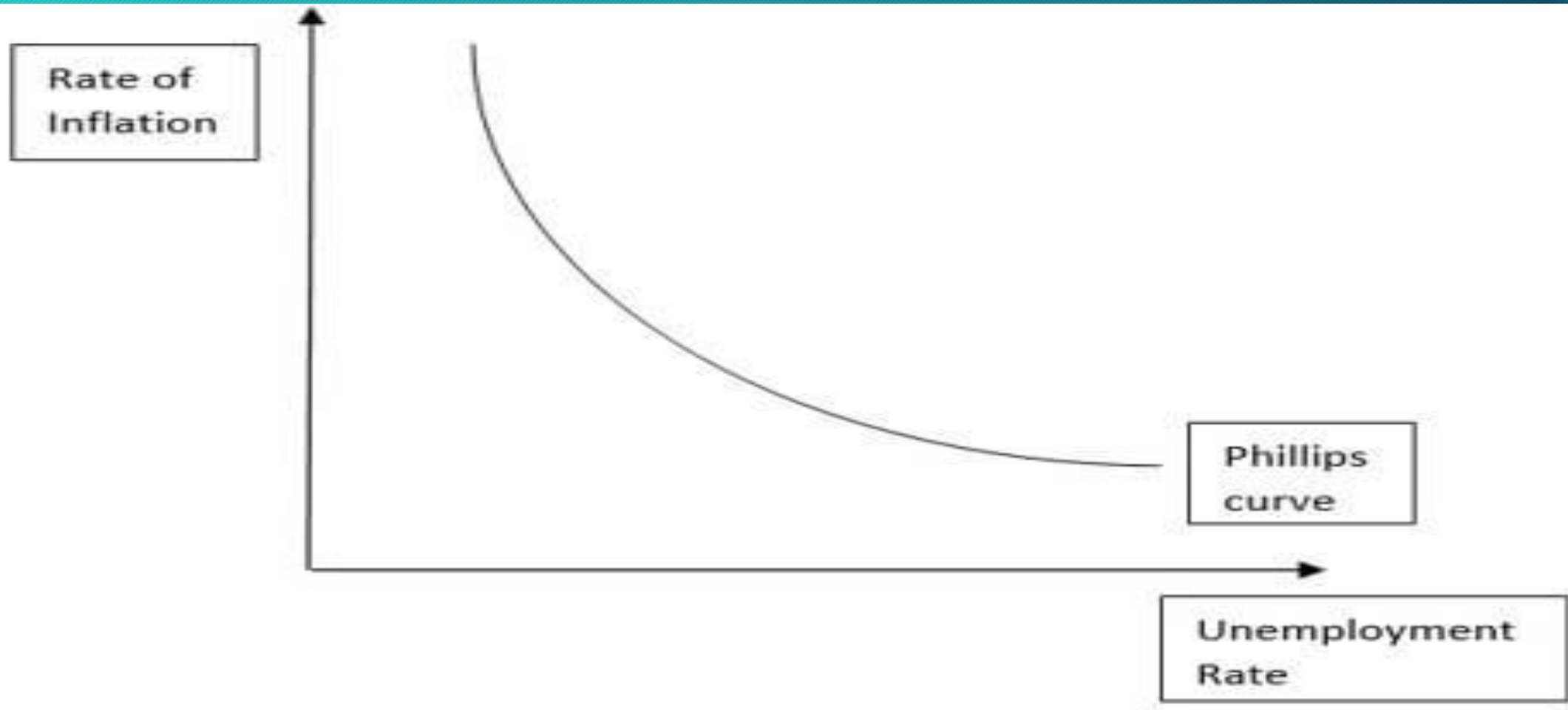


UNEMPLOYMENT



SOURCE: TRADINGECONOMICS.COM | INTERNATIONAL LABOUR ORGANIZATION (ILO)

Phillips curve - tradeoff between unemployment and inflation



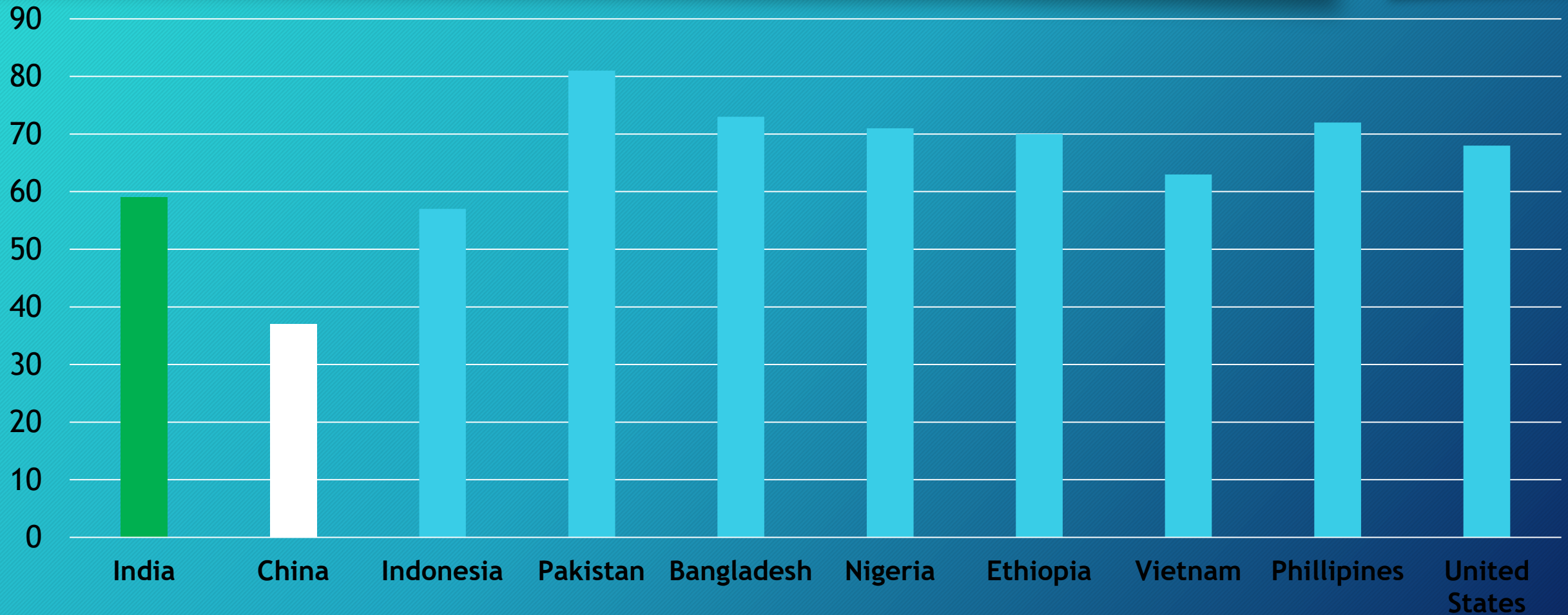
Consumption demand

- Middle income trap
- Savings rate
- Real growth rate 9%
- Investment to GDP ratio - 39%
- Monetary transmission?

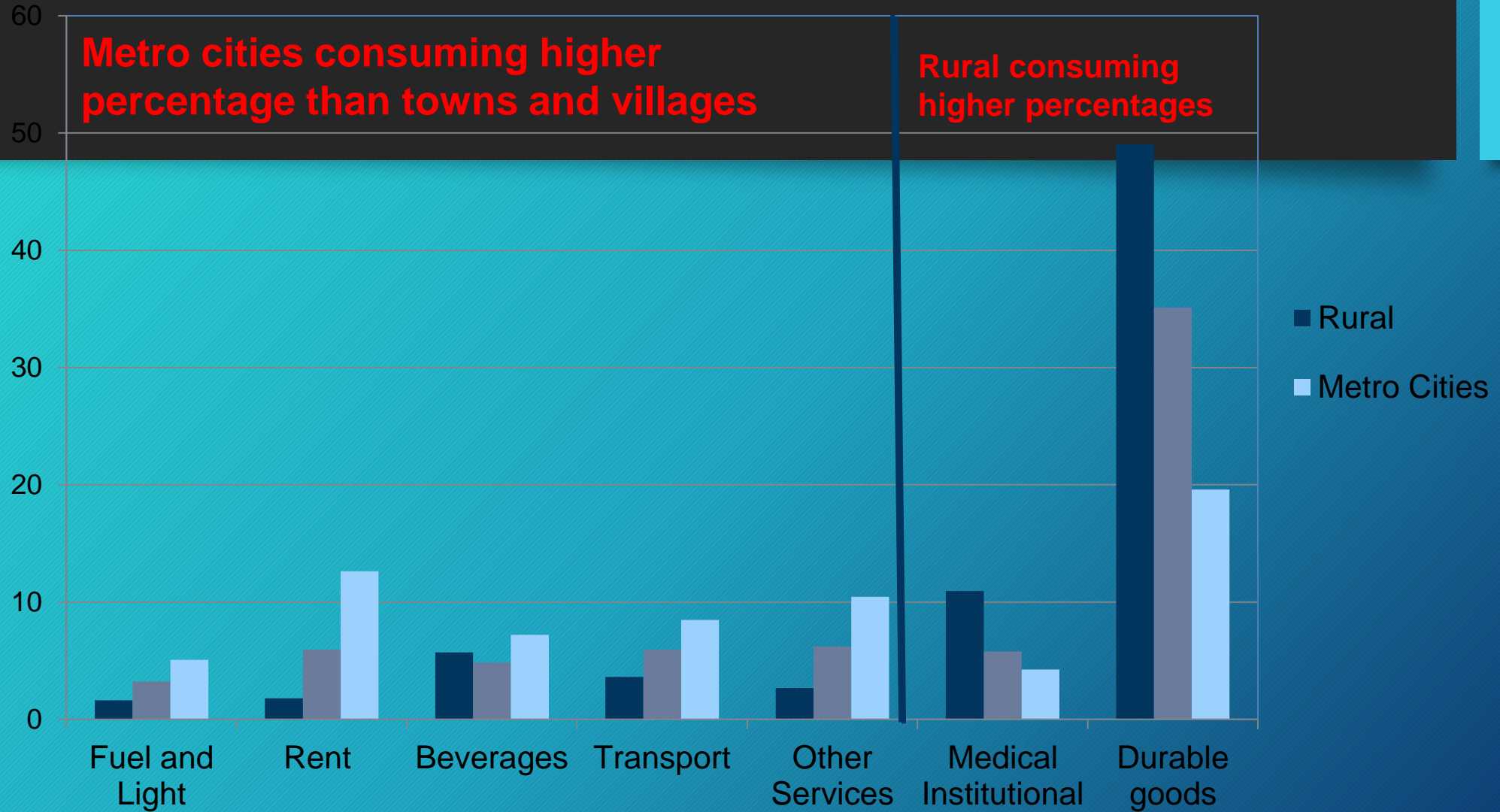
Consumption demand

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Consumption Spending as % of GDP



Middle class consumption of different items as percent to total consumption













Growth and Challenges

SDG Goals

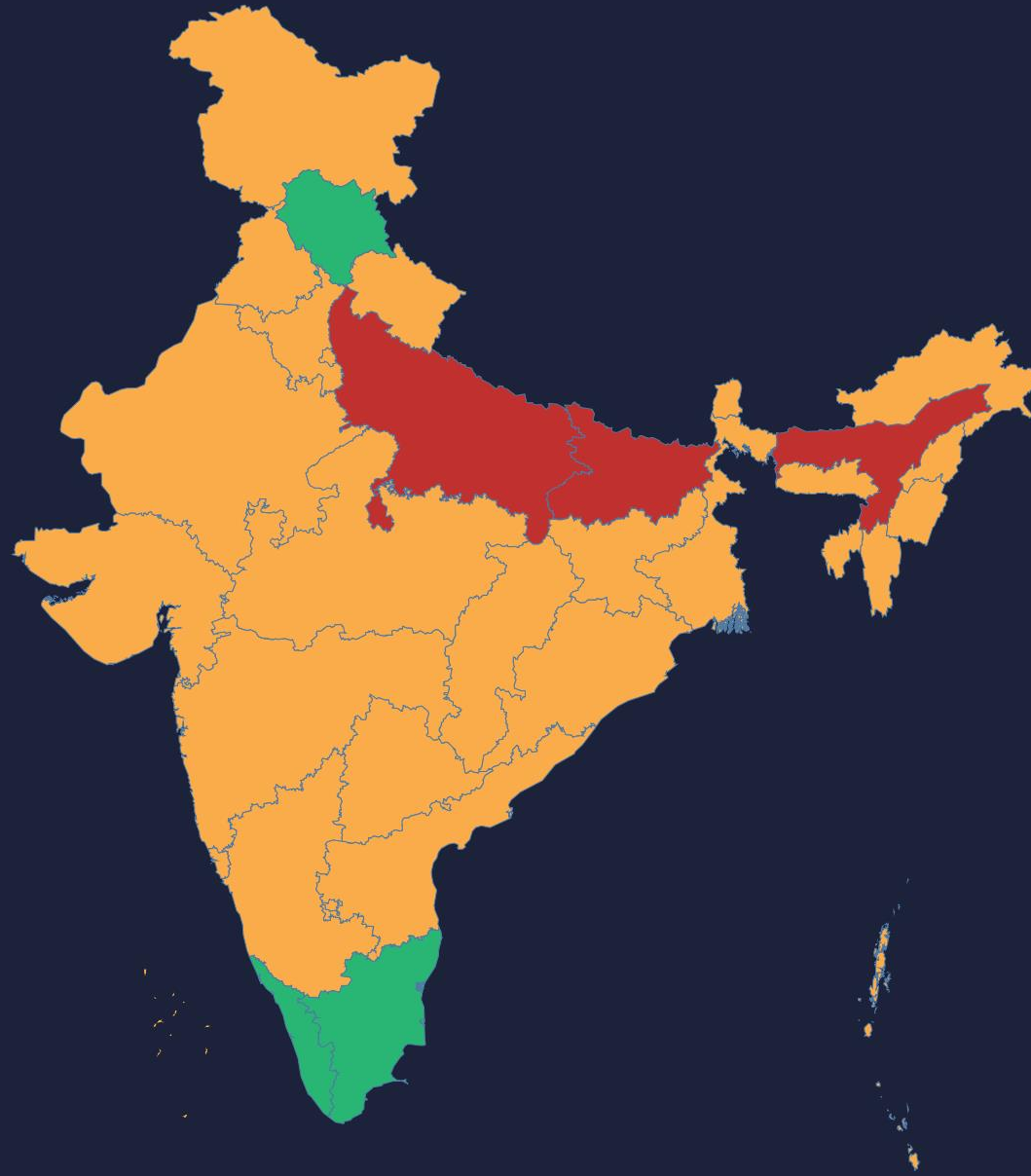
IN THE RACE

The 2017 Sustainable Development Goals Index

Rank	Country	Score	
1	Sweden	85.6	
2	Denmark	84.2	
3	Finland	84	
4	Norway	83.9	
5	Czech Republic	81.9	
6	Germany	81.7	
7	Austria	81.4	
8	Switzerland	81.2	
9	Slovenia	80.5	
116	India	58.1	

Source: SDG Index and Dashboards Report

Figure 2 - Performance of States and UTs on SDG India Index

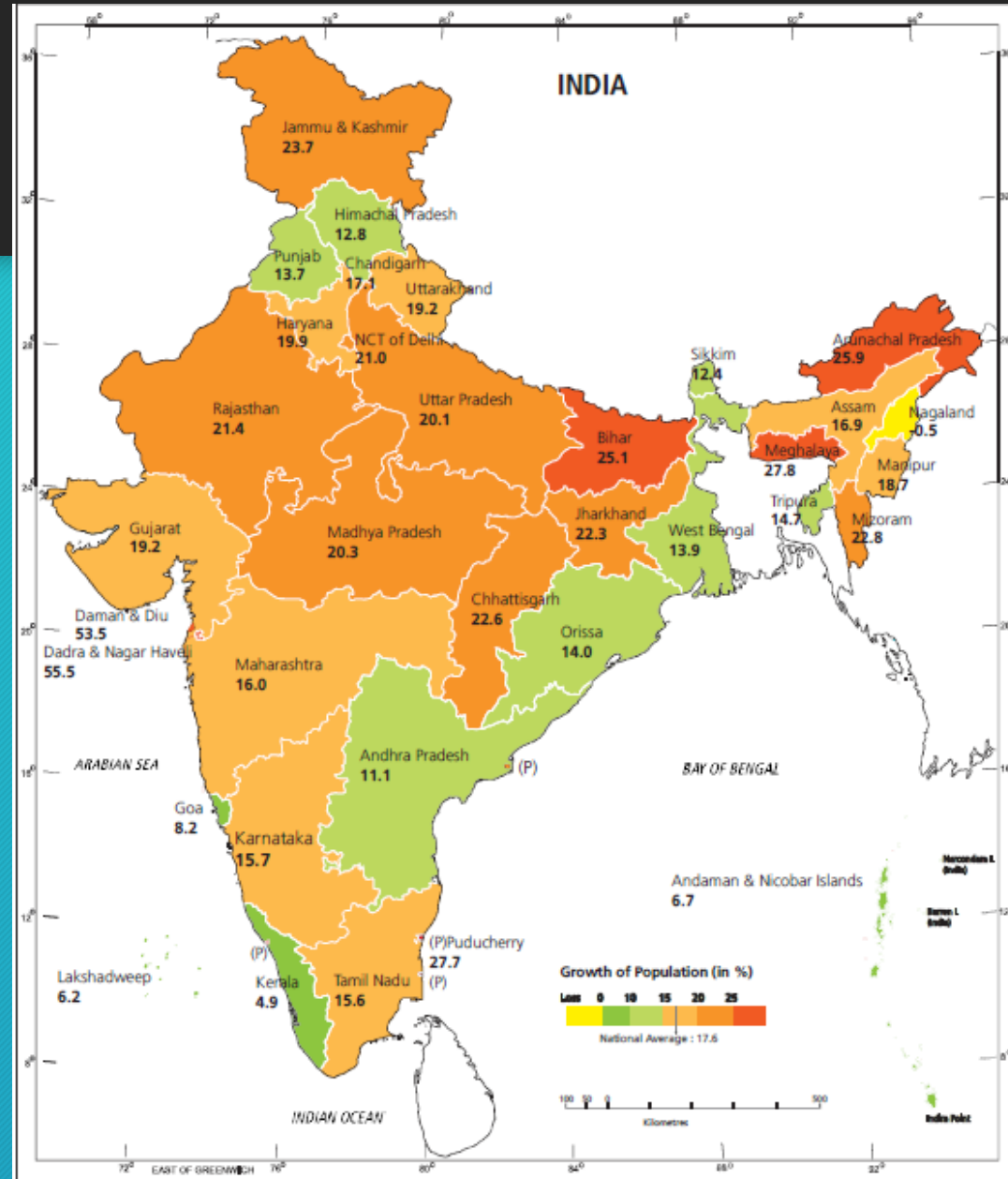


● Achiever (100) ● Front Runner (65-99) ● Performer (50-64) ● Aspirant (0-49)

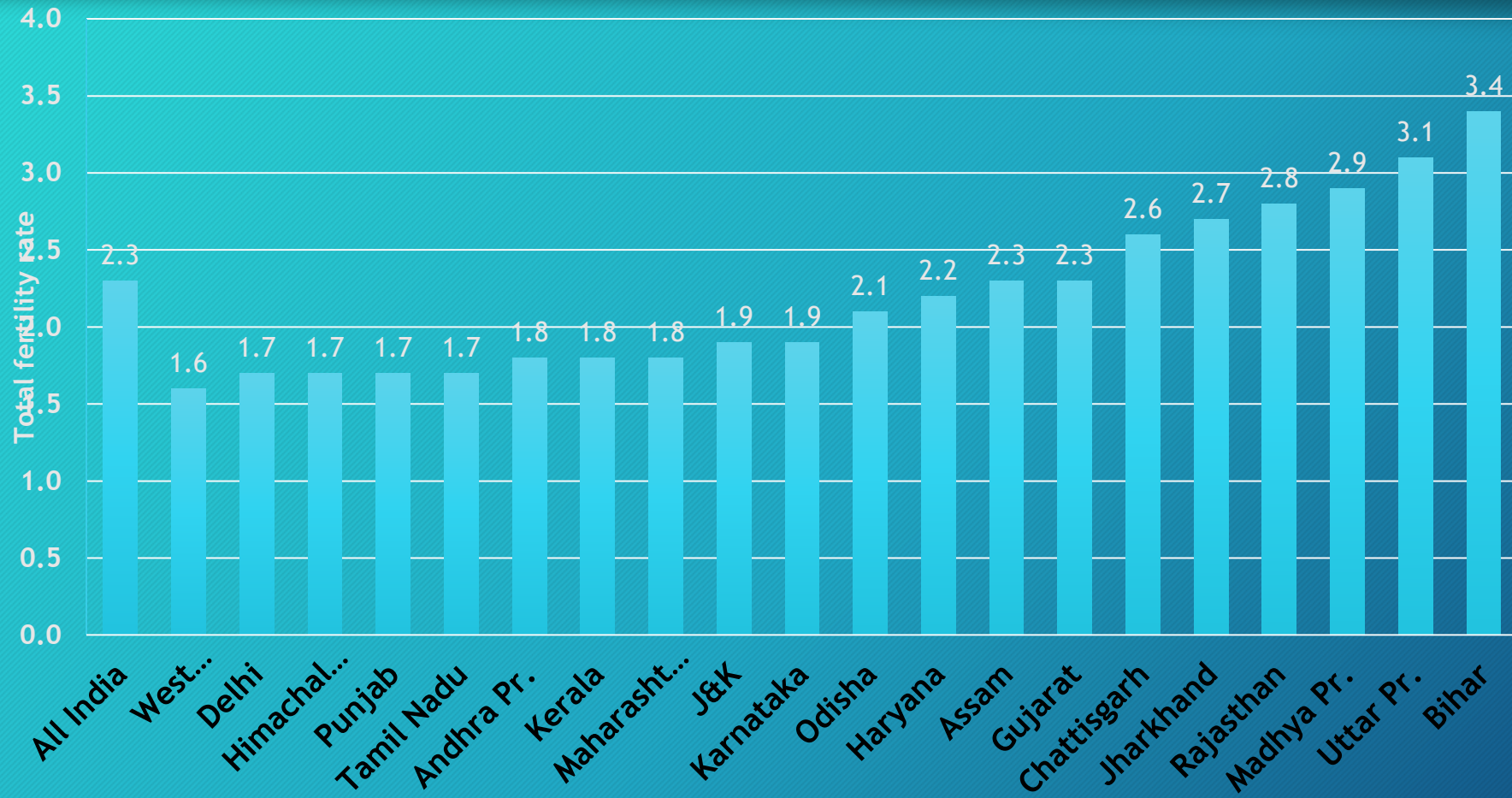
Growth and Challenges

Population growth

Growing India



Population - TFRs of Indian states



Highest and lowest TFRs

• Niger	7.63	• Hong-Kong	1.20
• Somalia	6.61	• Singapore	1.23
• Mali	6.35	• South Korea	1.26
• Chad	6.31	• Moldova	1.27
• Angola	6.20	• Bosnia	1.28
• DR Congo	6.15	• Portugal	1.28
• Burundi	6.08	• Spain	1.32
• Uganda	5.91	• Hungary	1.34
• Timor-Leste	5.91	• Greece	1.34
• Gambia	5.78		

Highest and lowest LE_0

- Swaziland: 49.2
- Lesotho: 49.5
- CAR: 49.54
- Sierra Leone: 50.2
- Chad: 51.1
- Angola: 51.7
- Nigeria: 52.3
- Mozambique: 54.6
- Zimbabwe: 54.8
- Hong Kong: 83.7
- Japan: 83.3
- Italy: 82.8
- Switzerland: 82.7
- Singapore: 82.6
- Spain: 82.3
- Australia: 82.1
- Sweden: 81.9

Life expectancy - The average number of years a person can expect to live given the current age-specific mortality rates

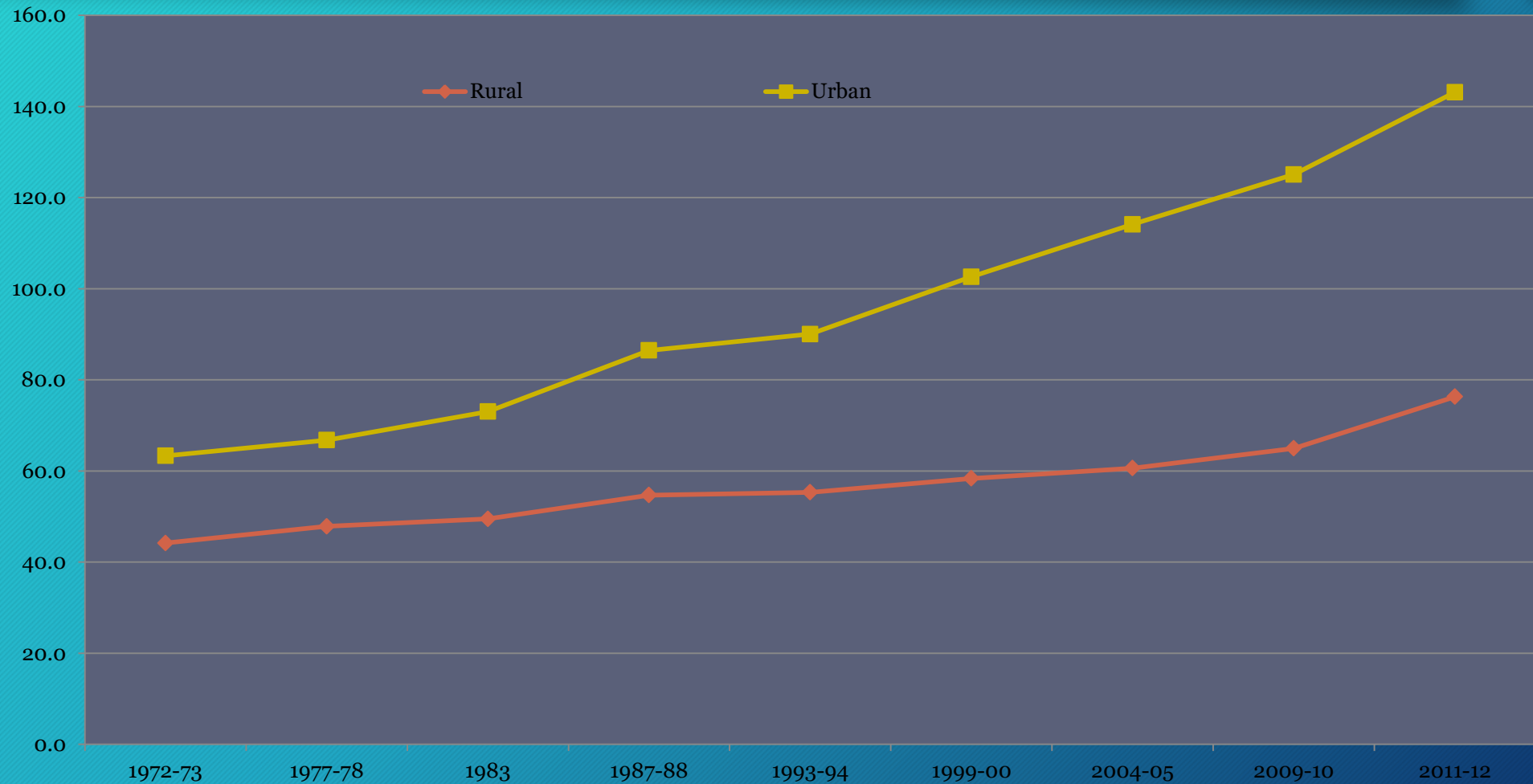
Highest and lowest LE_0 , India

- Chhattisgarh: M-56.0; F-60.0
- Assam: M-57.6; F-58.8
- Madhya Pradesh: M-58.0; F-60.0
- Orissa: M-58.3; F-59.8
- U P: M-59.5; F- 59.4
- INDIA: M-61.8; F-64.1
- Andhra : M-61.4; F- 65.9
- Rajasthan: M-62.1; F-65.2
- Bihar: M-63.6; F-62.7
- West Bengal: M-64.7; F-67.4
- Maharashtra: M-64.4; F-68.1
- Punjab: M-66.2; F-68.9
- Himachal: M-67.3; F -70.9
- Kerala: M-69.3; F-75.2

Growth and Challenges

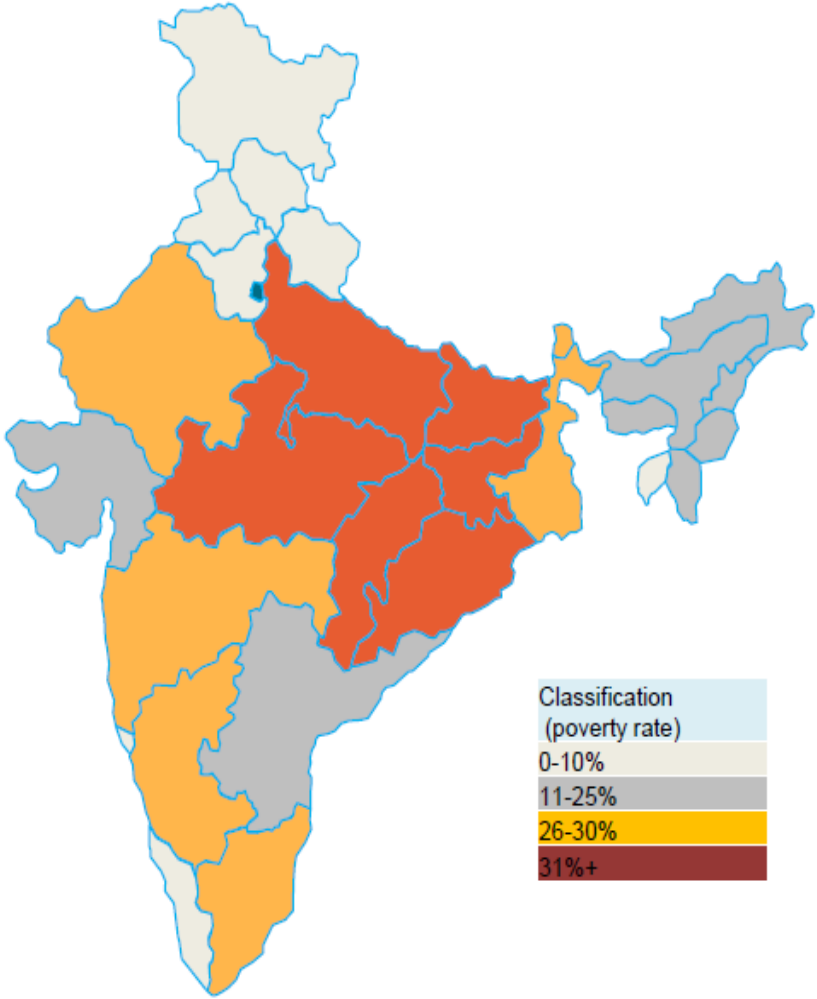
INEQUALITY

Consumption (Rs.) 1972-73 to 2011-12



Poverty and inequality

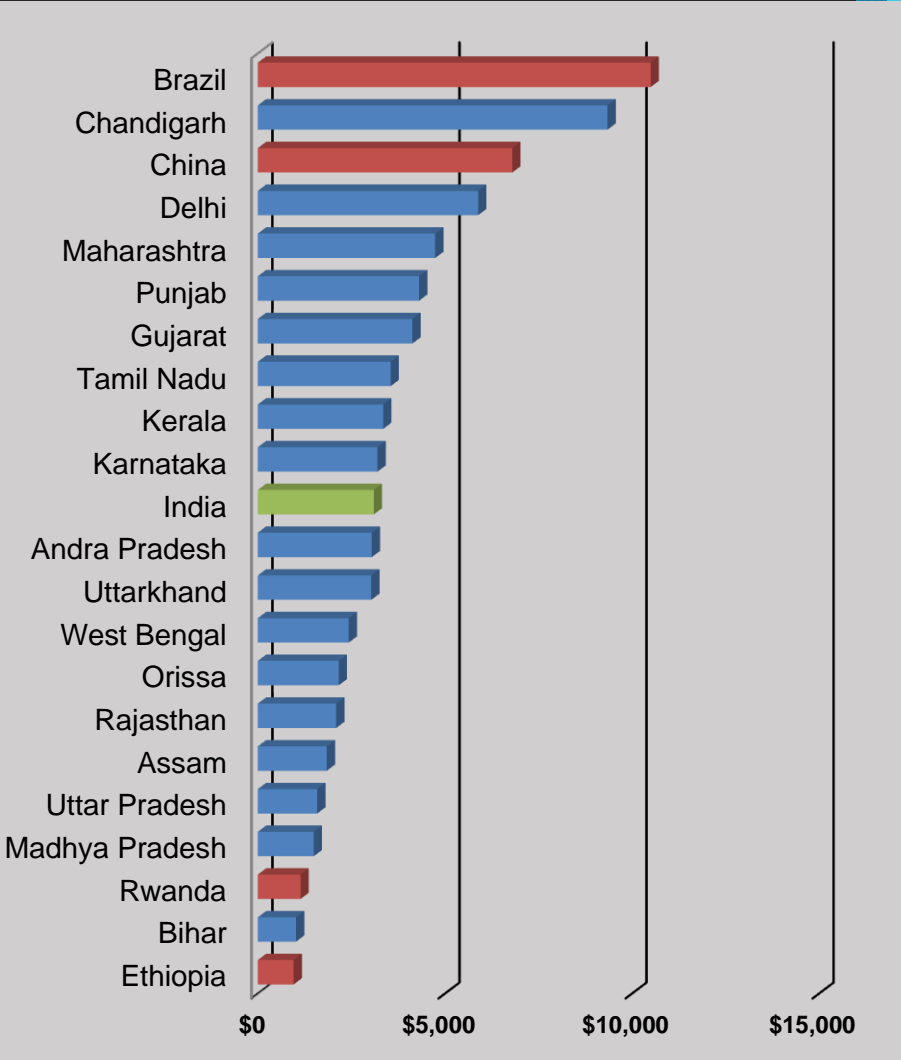
Concentration of poverty in states



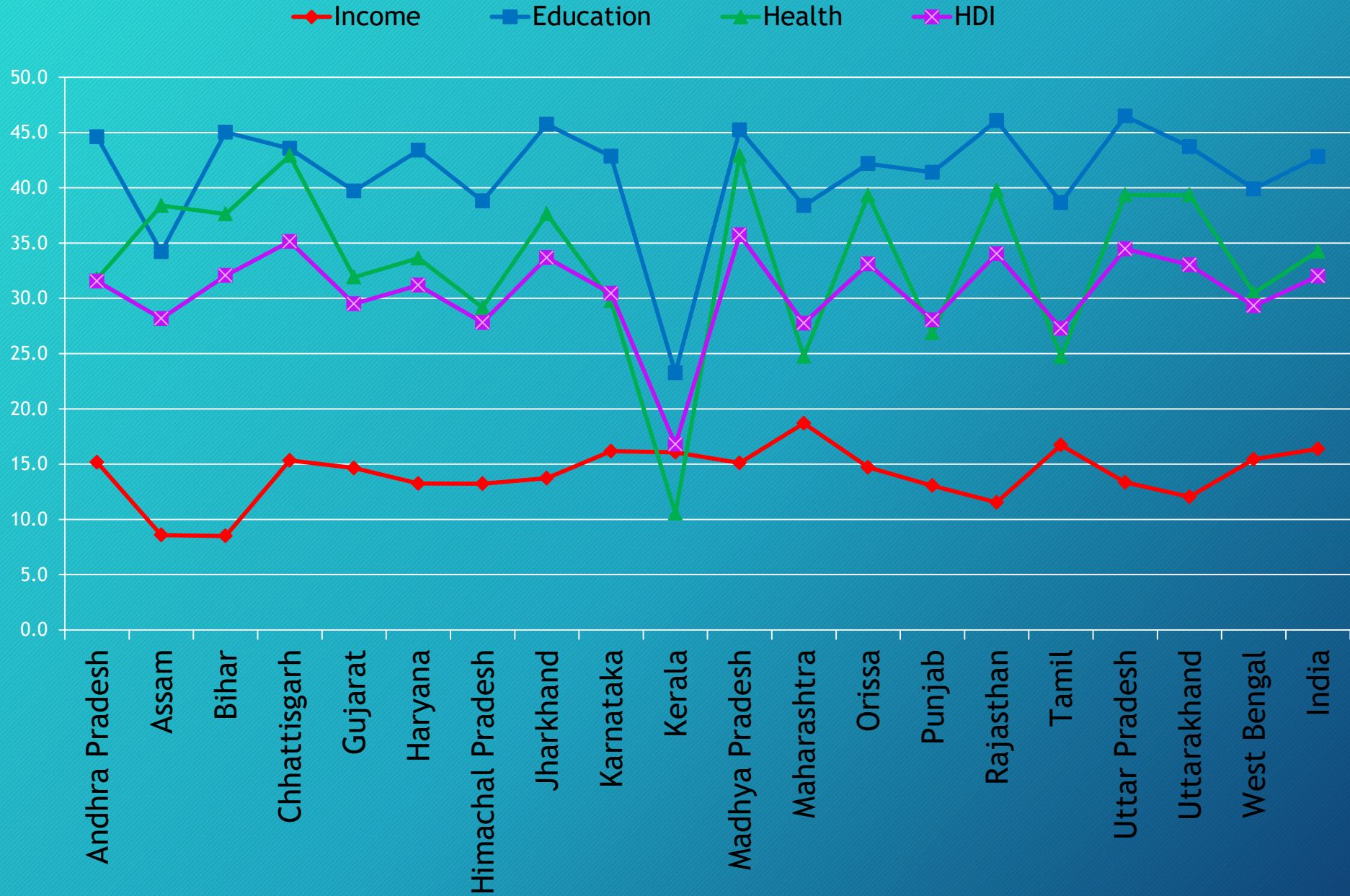
February 11, 2020

Source: Planning Commission, Data Tables; Economist Intelligence Unit; IMF, World Economic Outlook

Per capita incomes – a comparative lens on 'pattern'



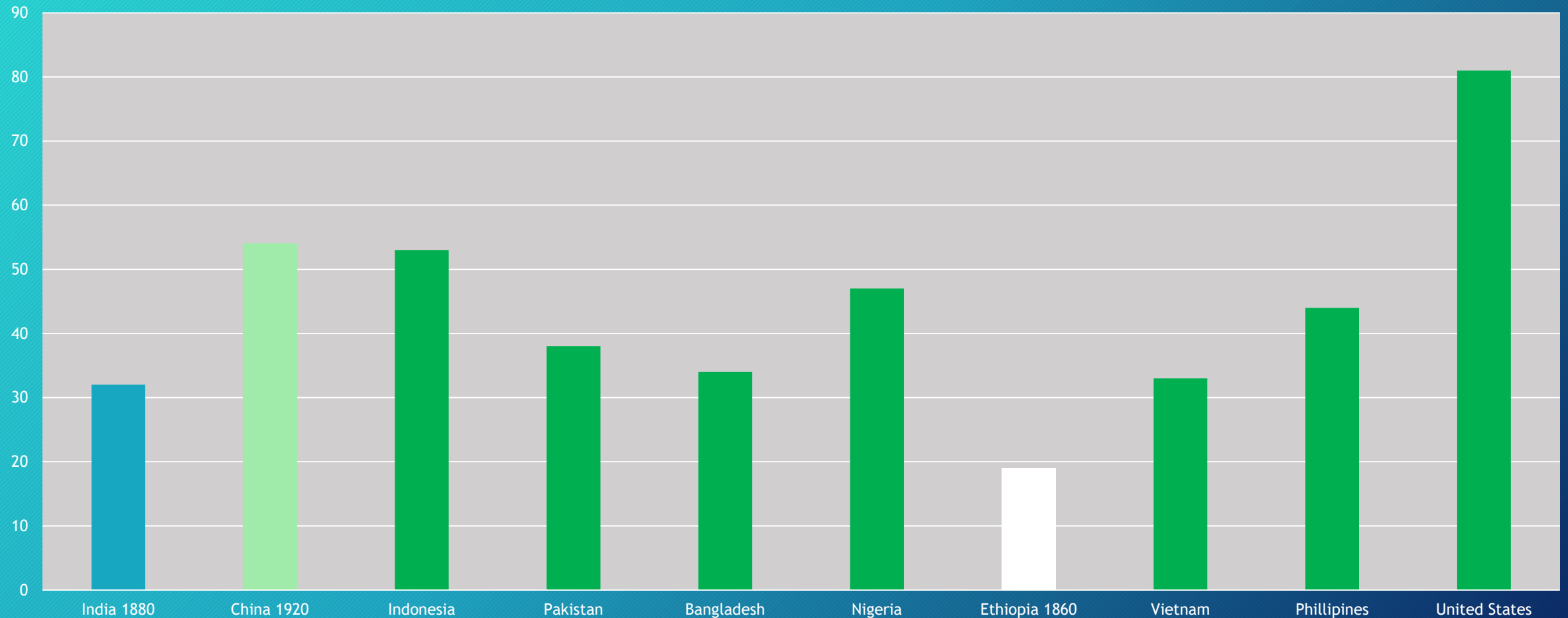
Percentage loss in the three inequality adjusted indices



Growth and Challenges

Urbanisation

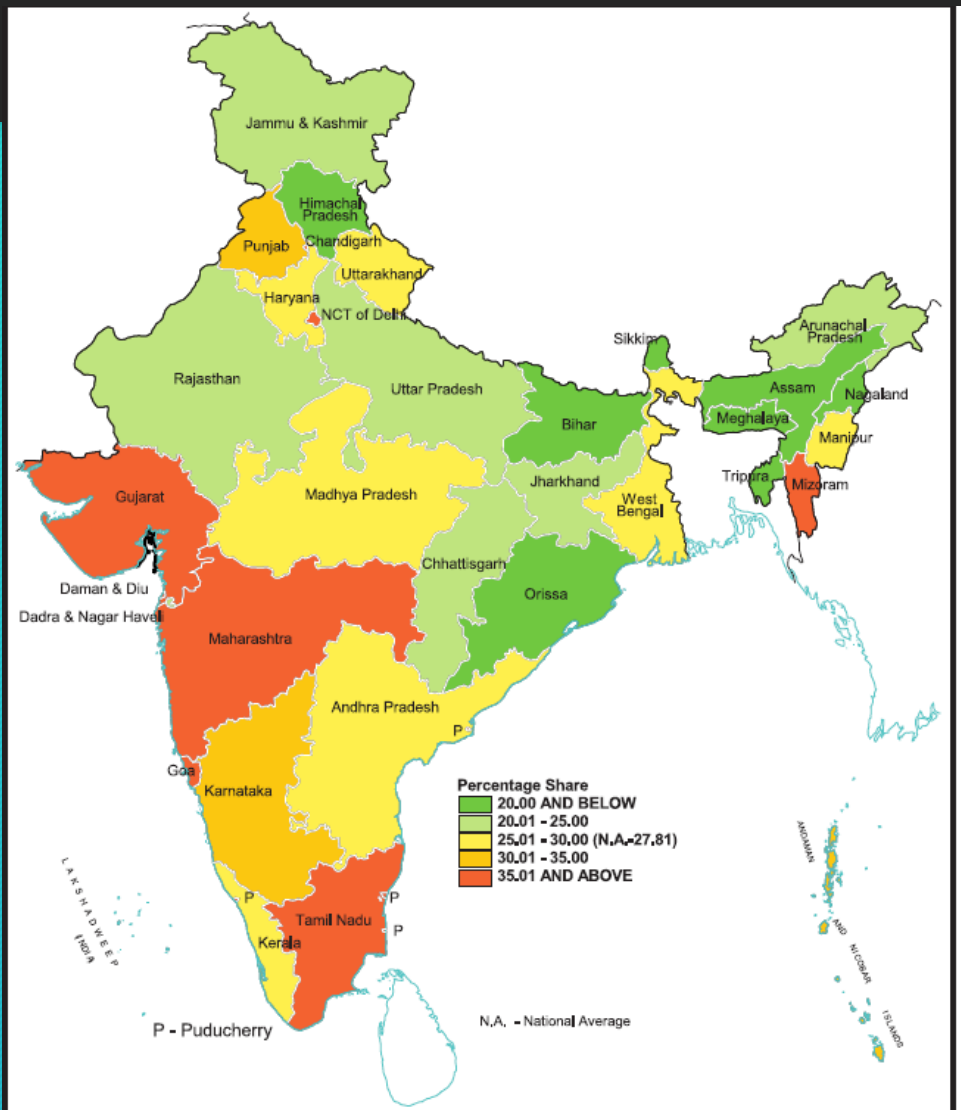
Urban Population %



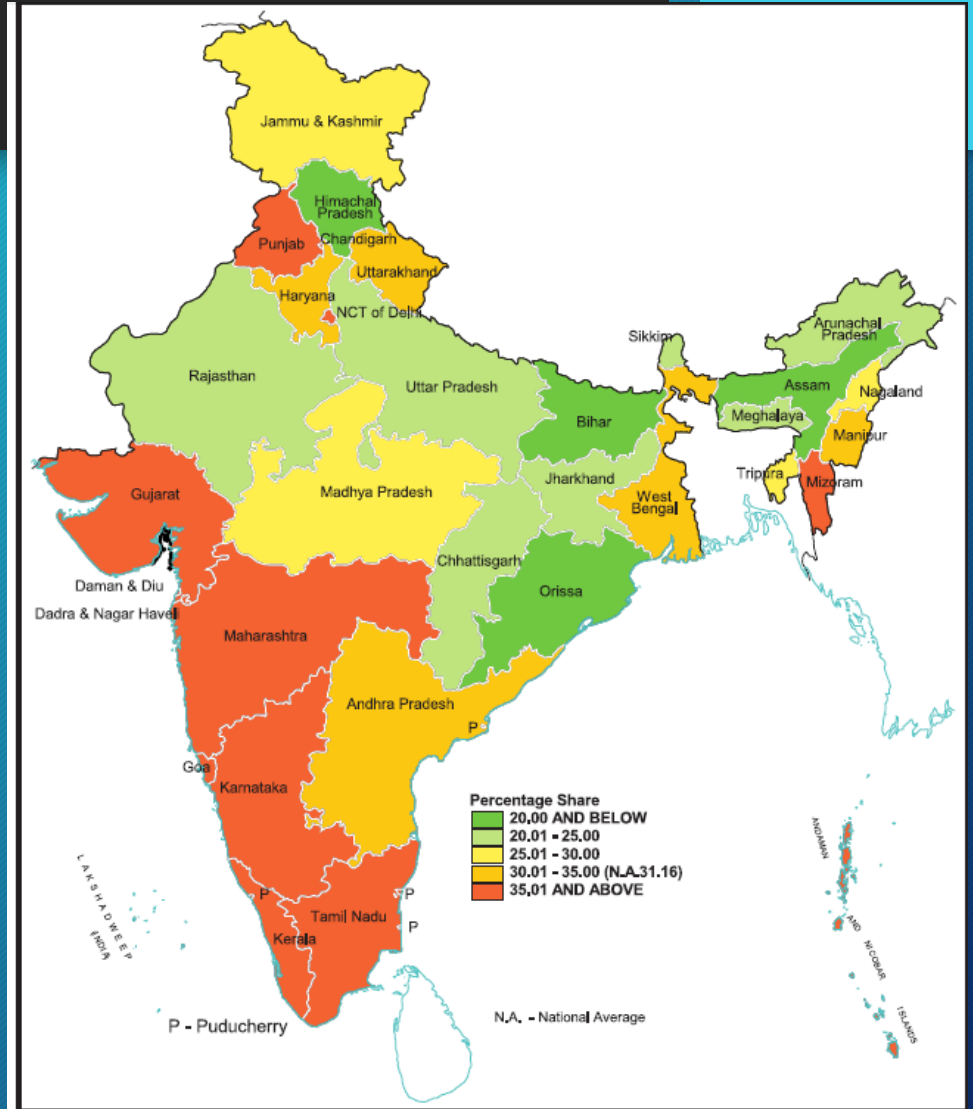
Urban Population... Where is growth happening?

2011

2001

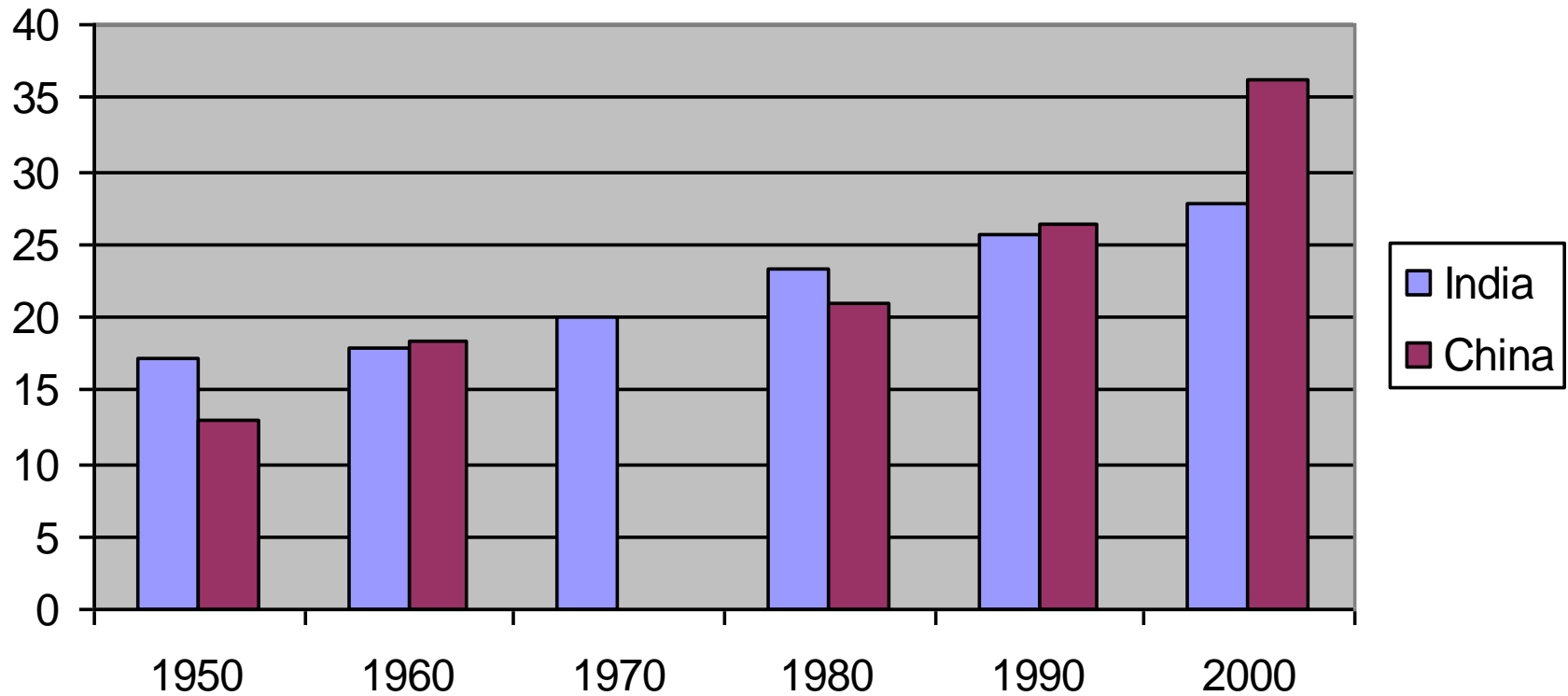


2011



India vs. China

Urbanisation

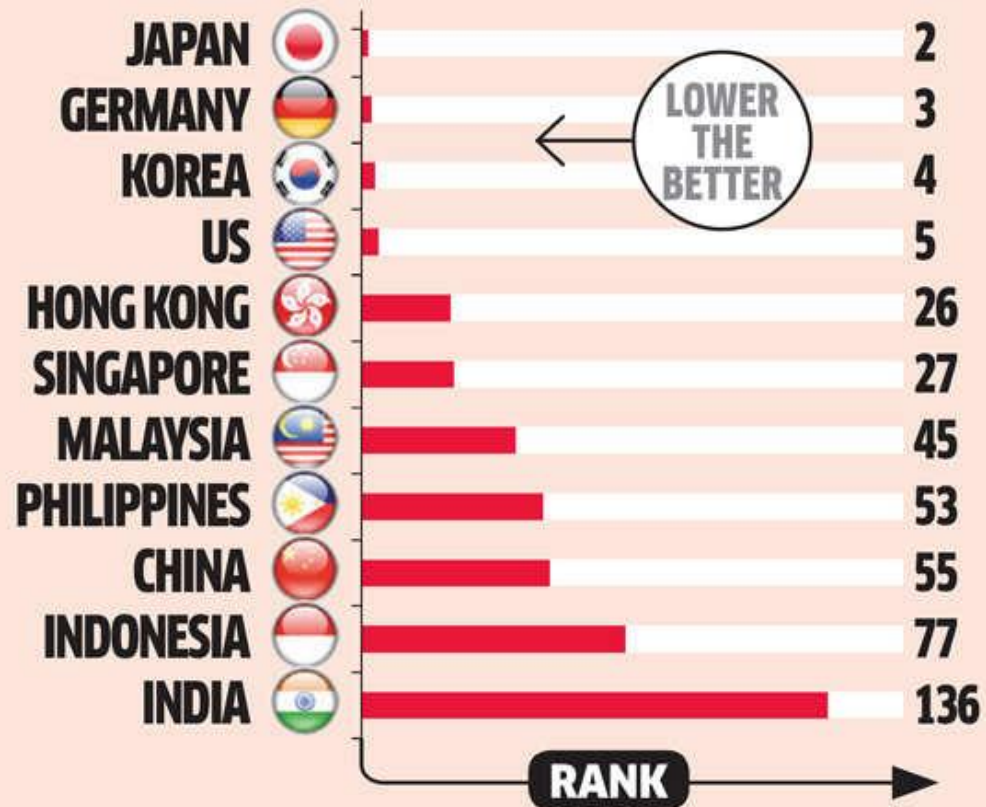


Reforms and Initiatives

Insolvency and Bankruptcy Code

Resolving Insolvency

Global ranking



Ayushman Bharat

The Motor Vehicle Act

Foreign Contribution Regulation Act

Swachh Bharat

Make in India

Mudra

Ujjwala

What happened to

- Smart cities
- Bullet trains
- Black money
- 40 Rupees to a dollar
- Jobs
- Land acquisition
- Demon
- Soil cards
- Subsidies
- Tourism
- Start Up India
- Labour law reforms
- Skilling
- Rashtriya Gokul Yojana

Now....

- Fiscal deficit
- Trade deficit
- Private investment
- Foreign investment
- Indian investment abroad
- Manufacturing sector
- Jobs
- Exports
- MSMEs
- Share versus Debt market

The Final frontier

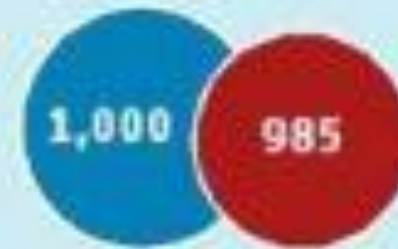
SEX RATIO – 1901 TO 2011



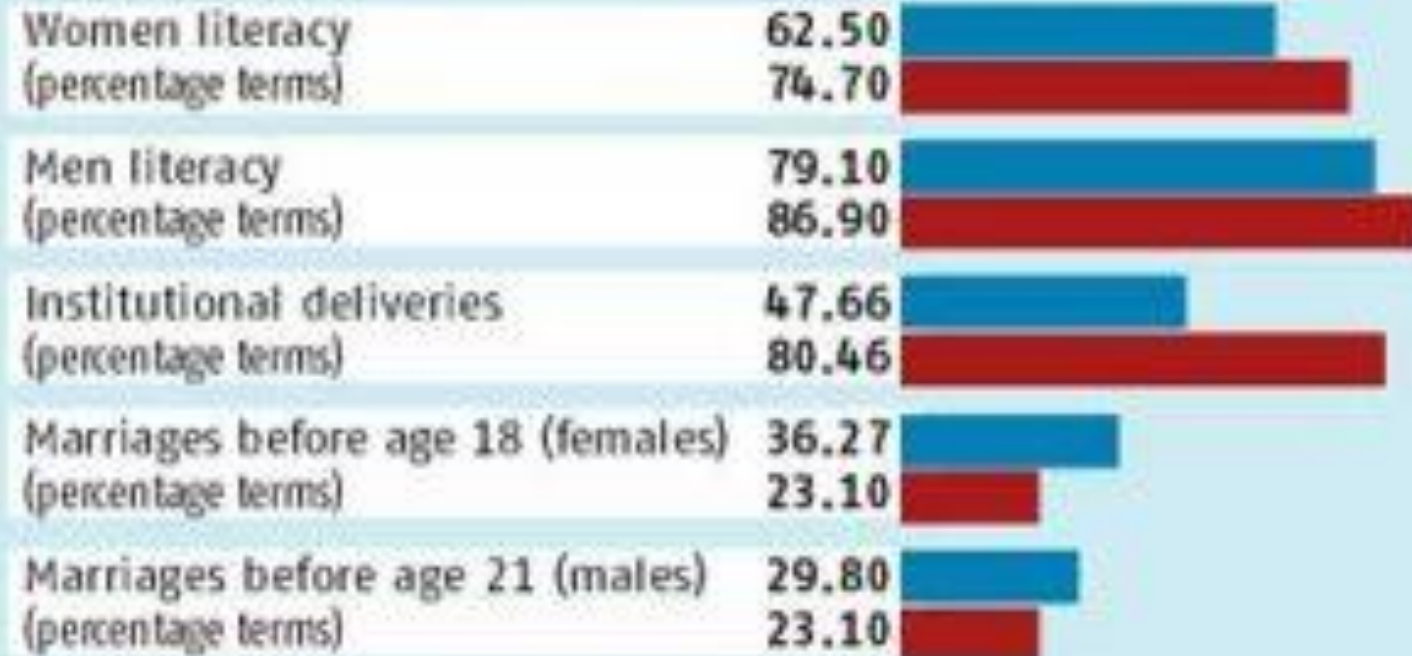
Gender

SOME GOOD AND SOME BAD NEWS

Sex ratio
(Females per thousand males)



■ (NFHS-3) 2005-06 ■ (NFHS-4) 2015-16



The data are for 11 states

Source: National Family Health Survey-4

Highest and lowest sex ratios at birth, 2015

- Rwanda: 102
- Sierra Leone: 102
- Togo: 102
- Zimbabwe: 102
- Madagascar: 103
- Kenya: 103
- Malawi: 102
- Burundi: 103
- Mozambique: 103
- China: 116
- Azerbaijan: 116
- Armenia: 114
- Vietnam: 112
- India: 111
- Maldives: 110
- Pakistan: 109
- Singapore: 107

- Sex Ratio - The number of male births per 100 female births
- Usually ranges from 103
- May be changed by sex selective abortions

Highest and lowest sex ratios at birth in India

- Punjab: 126
- Haryana: 125
- Gujarat: 118
- Uttar Pradesh: 115
- Delhi: 115
- Rajasthan: 114
- Himachal Pradesh: 111
- **INDIA: 111**
- Assam: 102
- Chhattisgarh: 103
- Andhra Pradesh: 104
- Jharkhand: 104
- West Bengal: 105
- Karnataka: 106
- Tamil Nadu: 107
- Kerala: 108

Highest and lowest LE_0 , India

- Chhattisgarh: M-56.0; F-60.0
- Assam: M-57.6; F-58.8
- Madhya Pradesh: M-58.0; F-60.0
- Orissa: M-58.3; F-59.8
- U P: M-59.5; F- 59.4
- INDIA: M-61.8; F-64.1
- Andhra : M-61.4; F- 65.9
- Rajasthan: M-62.1; F-65.2
- Bihar: M-63.6; F-62.7
- West Bengal: M-64.7; F-67.4
- Maharashtra: M-64.4; F-68.1
- Punjab: M-66.2; F-68.9
- Himachal: M-67.3; F -70.9
- Kerala: M-69.3; F-75.2