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Indian Economy 2007-08

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India 2007-08 – The Growth Story

Key Growth Indicators

- India is presently the **second fastest growing economy** in the world.
- India is the **third largest economy** in the world in terms of **purchasing power parity**.
- **GDP growth rate** is estimated to be **8.7%** for 2007-08. The **average growth** for the **past four years** has been **8.8%**. (*Economic Survey 2007-08*)
- The **Industrial Sector**, which contributes to approximately 28.4% of GDP, is estimated to witness a growth rate of **9.2%** during 2007-08. (*Economic Survey 2007-08*)
- The **Agricultural and Allied sector**, which contributes to approximately 16.6% of GDP, is estimated to grow at **2.6%** during 2007-08. (*Economic Survey 2007-08*)
- The **Services Sector**, which contributes to approximately 55% of GDP, is estimated to grow at **11.4%** during 2007-08. (*Economic Survey 2007-08*)
- **Foreign Exchange Reserves** have crossed **US\$ 290 billion** as at February 2008. (*Economic Survey 2007-08*)
- Indian **Rupee appreciated 12%** in value against the US Dollar during 2007. (*Economic Survey 2007-08*)
- **Exports and imports** for 2007-08 are estimated to record a **21.6% and 25.9%** growth respectively. (*Economic Survey 2007-08*)



Investment Mobilisation

- **Gross Domestic Savings and Gross Capital Investments were at an all time high of 34.8% and 35.9% respectively in 2006-07.**
(Economic Survey 2007-08)
- **Capital raised through market instruments** in 2007-08 is estimated to be **31.5% higher** than in 2006-07. *(Economic Survey 2007-08)*
- **Capital inflows** in the first half of 2007-08 have risen to **7.7% of GDP**, as against 5.1% in the preceding financial year. *(Economic Survey 2007-08)*
- The **BSE SENSEX** and **NSE NIFTY** have generated **returns of 47% and 55% respectively** during the period January 2007 to December 2007.
- The **net inflow of saving into Mutual Funds** in 2007 was **US\$ 35 billion**, representing an **increase of 30%** over the inflow in 2006.
- **The value of total M&A (inbound and outbound) and PE deals during 2007 increased by 150% to US\$70.14 billion from US\$ 28.16 billion in 2006.**

Global Attraction

- India has emerged as **one of the most attractive investment destinations** in the world with an **average annual return of 38.36 per cent** - the second highest among BRIC economies.
- **FDI inflows for the first eleven months of 2007 amounted to US\$ 17.5 billion, up 94% from the corresponding period in the previous year.** *(DIPP)*
- **Net investment inflow from FIIs for the year 2007 was at an all time high of US\$ 17.2 billion.**
- The number of **registered FIIs** rose to **1,219** at the end of 2007 from **1,044** in the corresponding period of last year.



The Indian Opportunity – Salient Features

1. The **Infrastructure sector**, which is estimated to grow at a **CAGR of 15%** over the next **five years**, requires **investment of US\$ 475 billion** during this period to support the unprecedented growth rates being witnessed across virtually every other sector in the economy today.
 - 1.1. The **Power sector** requires **investment of US\$ 143 billion** over the next five years to **bridge the supply deficit of 70,000 MW** that exists in the market today. In accordance with emission norms elucidated in the Kyoto Protocol, this shortage would be addressed through both **traditional sources of energy and alternative sources of energy**.
 - 1.2. The **Logistics industry**, presently pegged at **US\$ 90 billion**, is propelled by strong growth drivers such as substantial infrastructure investments, development of organized retail and agri processing industries and globalization of manufacturing systems. The industry is slated to grow at a **CAGR of over 16%** from 2007–10 and reach a **market size of over US\$ 125 billion** by 2010.
(Datamonitor's Report: India Logistics Outlook 2007)
2. The **Real Estate Industry**, which is presently pegged at **US\$ 16 billion**, is estimated to grow at a **CAGR of 30%** to touch **US\$ 60 billion by 2010**. **(Ernst & Young)** This growth will come from **housing** requirement of **80 million units** over the next 15 years and **200 million square feet in office space** required over the next five years.
3. The **Construction industry**, which is the second largest activity after agriculture, requires **investment of US\$ 124.6 billion** over the next four years. The sector is estimated to grow at a **CAGR of 15%** over this period. *(Ernst & Young)*



4. Double digit growth rates in the tourism industry have had a cascading effect on the **Hospitality sector, which is estimated to record a 12.5% growth in 2007-08**. The following factors additionally highlight the strong growth potential of this sector:
 - 4.1. Average **occupancy rates** and **room rates** have witnessed a **10% and 25% increase** respectively on a year on year basis over the past few years.
 - 4.2. In view of **estimated shortfall of 140,000 rooms** across the country, this sector is expected to receive over **US\$ 11 billion in investments** over the next two years. (*India Brand Equity Foundation*)
5. Additionally, India is also likely to become a major hub for **medical tourism**, with **revenues** from the industry **estimated to grow** from **US\$ 333 million** in 2007 to **US\$ 2.2 billion** by 2012. (*Confederation of Indian Industry and McKinsey*)
6. The **Automotive and Auto Component Industry**, which has grown at a **CAGR of 20%** during the period 2005-2007, is thriving on **big ticket sourcing deals** from global OEMs such as Daimler, General Motors and Honda. Estimated at **US\$ 3 billion** for 2006-07, revenues from component sourcing are **estimated to double** by the end of the next fiscal year.
7. With **US\$ 40 billion in revenues**, the Indian **Information Technology Sector** continues to be one of the **strongest performing sectors** of the economy today. With a **growth figure of 30.7 per cent in 2006-07**, the sector has surpassed the average growth rate of 10% as recorded by its global counterpart. Estimated revenues for 2007-08 is US\$ 49-50 billion at a growth rate of 24-27 per cent. (*NASSCOM*).
8. The **Consumer Services** space, which includes **retail services, education and financial services**, is fast emerging as a specific focus area of the Indian Economy. With an estimated **ten-fold increase** in the middle-class population and **three-fold rise** in household income, **aggregate consumer spending** in India is likely to more than **quadruple** from around US\$ 428.69 billion in 2005 to **US\$ 1.76 trillion** in 2025; demonstrating the **significantly high growth potential** offered by this segment.



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