

The background is a solid blue color. A white curved line starts from the top left and curves downwards towards the center. A white circular shape is positioned in the lower right quadrant, partially overlapping the blue background.

HIGH COMMISSIONER'S PRESENTATION ON INDIA

Rising GDP Growth

% average annual GDP Growth

1900 – 1950	1.0
1950 – 1980	3.5
1980 – 2002	6.0
2002 – 2006	8.0

Population Growth is Slowing

% average annual growth

1901 – 1950 1.0

1951 – 1980 2.2

1981 – 1990 2.1

1991 – 2000 1.8

2000 – 2005 1.7

2005 – 2010 1.5

Literacy Rate is Rising

1950	17%
1990	52%
2000	65%
2005	71.4%
2010 (proj)	80%

Middle Class is Exploding

	<u>%</u>	<u>Million People</u>
1980	8	65
2000	22	220
2005	26	300
2010(proj)	32	368

Poverty is declining

1980	46%
2000	26%
2005	21%
2010(proj)	16%

1% of the people have been crossing poverty line each year for 20 years. Equals to 200 million.

Drivers of Growth

India

- Domestic
- Services
- Consumption
- High tech, capital intensive market

South East Asia

Exports

Manufacturing

Investment

Low tech labour intensive market

Implications of India Model

Consumption Led

People friendly: Consumption as % GDP

India	64
Europe	58
China	42

Less inequality – GINI Index

India	33
U.S.	41
China	45
Brazil	59

The world needs another big consuming economy after the U.S.

Macroeconomic Indicators

- Largest democracy in the world.
- With a GDP of USD 1 trillion at the end of the FY 2006 – 2007
- GDP growth rate:
 - 8.5% in financial year 2003 / 2004
 - 8.2% in 2004 / 2005
 - 9% in 2005 / 2006
 - 9.2% in 2006 / 2007

- Manufacturing Sector – growth rate of 7.9% in 2005 – 2006, 11.3% in 2006 – 2007.
- Services Sector – 9.8% in 2005 – 2006, 11.2% in 2006 – 2007. Share of Services Sector in exports – 27.4% in 2005 – 2006.
- Agriculture Sector – sharp ups and downs. Average growth 2.3% during the Tenth Plan.

- The growth observed in recent years is reflected in the Eleventh Five Year Plan targets an average annual growth of 9% relative to 8% targeted by the Tenth Plan (2002-03 to 2006-07).
- The shortfall in the annual average growth of 7.6% from the target of 8% in the five years of the Tenth Plan is attributable to the disappointing 3.8% growth in the first year of the Plan
- Subsequent surge to 8.6%, on average, in the last four years.

Balance of Payments

- Current account deficit of USD 9.2 bn in 2005 – 2006 and 11.7 bn in 2006 – 2007.
- Reflects growing trade deficit – exports growing fast, but imports growing faster.
- Exports growing over 20% since 2002 – 2003 USD 103 bn in 2005 – 2006 with growth of 23.4% and the figures for April – February 2006 – 2007 is USD 109.2 bn.
- Imports in 2005 – 2006 at USD 149.2 bn (growth of 33.8%) and USD 165 bn in April – February 2006 - 2007

Foreign Investment

- Foreign Investment USD 17.2 bn in 2005 – 2006.
- FDI USD 4.7 bn in 2005 – 2006 USD 6.4 bn in 2006 – 2007.
- Outward investment USD 3.2 bn in 2005 – 2006.
- FII Inflow USD 9185 mn in 2006 with a record 217 new FII firms opening shop.
- Non-Resident deposits USD 37.8 bn.

- Savings at 32.4% & Investment at 33.8% - up from an average of 24% in the last decade. Private investment proposals for the current FY are at USD 600 bn.
- VAT introduced from 1 April 2005 has been highly successful to move towards GST.
- Mumbai to be developed as a financial hub.

Foreign Exchange

- Foreign exchange reserves now over USD 200 bn as on March 31 2007.
- Deepak Parekh Committee recommendation to use a small part of the foreign exchange reserves for financing infrastructure projects.

Human Development

- Government efforts focus on human development and social infrastructure.
- Incidence of poverty now 22% (2004 – 2005).
- Enhanced allocation in the budget for education (34.2% increase) and health and family welfare (21.9% increase).

Employment

- Annual growth rate of employment went up to 2.5% during 1999 – 2005 compared to 1.6% during 1993 – 2000.
- Schemes to generate self-employment such as the Prime Minister's Rozgar Yojna (Employment scheme), linkage of Self-Help Groups with Banks, National Rural Employment Guarantee Scheme.

Financial Services

- Commercial Banking:
 - Increasing deposits by retail customers.
 - Private and foreign banks growing in number and market share.
 - NPA's at 1.9%.
- Insurance:
 - Increasing liberalisation particularly in non-life sectors.
 - FDI caps raised to 49%.
- Stock Markets:
 - Growing steadily.
 - FII's growing in importance, and have been investing in excess of 106 bn every year since 2004.
 - Market capitalisation is now 92% of GDP, comparable to the levels of Japan and Korea.

Government Focus on Agriculture and Rural Sectors

- Additional irrigation potential of 2.4 million hectares to be created.
- Over 12,000 km of rural roads completed by December 2006.
- 783,000 rural houses constructed until December 2006 and 914,000 under construction.
- 19,758 villages provided electricity under the Rajiv Gandhi Electrification Scheme.
- 15,054 villages provided with telephones.

Foreign Policy Framework

- “Look East” policy – India’s response to the end of the Cold War:
 - Earlier, specially since the 1970s, our foreign policy focussed towards West, only limited engagement between India and its eastern extended neighbourhood.
- South East Asia more actively engaged than ever before.

- Annual summit dialogue with ASEAN, framework FTA with ASEAN, FTA's with Thailand and Singapore.
- In FY 2004 – 2005, India's trade with the Asia Pacific Region exceeded the trade with the EU and the USA – first time in our history – Australia is an important part of this, and accounts for about 7% of our total imports. This trend continues.
- India participated in the inaugural East Asia Summit held in Kuala Lumpur in December 2005, and in the subsequent Summit in January 2007.

- Growing ties with Australia – Prime Minister Howard visited in March 2006. Accompanied by high-level business delegation. Signing of TEF. Air services agreement allows for four points of origin and four destinations to each country's designated carrier.

Areas of Priority

(i) Infrastructure –

- Delhi and Mumbai airports being privatised. Development and O & M of Delhi and Mumbai Airports handed over to joint-ventures. Development of Hyderabad and Bangalore Airports by joint-ventures in project: development Of 35 non – metro airports approved.
- Openings in telecom, ports, roads and power – The Electricity Act 2003 allows for private sector investment in production, distribution and retailing of electricity throughout the country.
- Government pursuing Public – Private partnership.
- Commonwealth Games 2010 to be held in Delhi.

(ii) Energy –

- Sixth largest energy consumer in the world.
- The second fastest growing consumer of energy in the world – Focus on LNG, hydro-electricity and nuclear power.

(iii) Retail –

- Rapid growth in the Retail sector – over 20% average annual growth on a base of USD 200 billion.
- Shopping malls coming up in a big way to most of the urban centres.
- Consumer products now targeted on the smaller towns.
- Middle class 350 million strong.
- Foreign investment in ‘cash – n – carry’ segment.

(iv) Pharma and health care –

- Pharmaceutical companies developing new products and acquiring patents in a big way – both in generic drugs and branded products.
- Rapid growth of companies –
Ranbaxy, the fastest growing pharmaceutical company in the USA.
- Health care growing fast.
 - Several foreign health services utilising Indian inexpensive and high quality health services.
- The bio-tech sector taking roots.
 - India has independent stem cell lines – only about half a dozen countries in the world have them.

(v) Media and Entertainment –

- One of the fastest growing sectors in India, among the most buoyant in Asia
 - Star TV earns over 60% of its revenues in Asia from India alone.
- Foreign investment in the print media now being promoted.
- Indian movie industry, largest in the world

(vi) Tourism –

- Tourism earnings crossed USD 6.6 bn in 2006.
- Number of Indians travelling abroad also increasing, in excess of 10 million annually.

Environmental Issues

- India exempted from Kyoto targets. However, we are mindful of the need for curbing GHG emissions.
- Bulk of GHG emissions is from power generation, hence growing focus on natural gas and nuclear energy.
- Transportation – have endorsed Euro III emission norms.
- Member of Asia Pacific Partnership for Clean Development and Climate – inaugural meeting in Australia in January 2006.
- Several projects since identified and being implemented.

Summary

- Indian economy is based on strong fundamentals.
- Is growth driven.
- The Economic reforms have continued despite change in governments – fears of political instability allayed.
- Growth in all economic areas – manufacturing, services, agriculture.
- Proactive government policies to ensure ‘all – inclusive’ growth and development.

THANK YOU

For further information contact
hc@hcindia-au.org