

India in the fast lane

All economic indicators reinforce the country's growth story year after year leading to a robust India



MOVING AT A FAST PACE: The growth story has begun to change the lives of millions of Indians

The India growth story is no longer just the preserve of columns in daily newspapers and speeches of political leaders and civil servants. The number of growing job opportunities in big and small cities, the construction work on the roads,

ports and at airports, the healthy balance sheets of companies and the heightened growth in consumerism — all go on to prove that this growth story has begun to change lives of millions across the length and breadth of India.

Statistics only reinforce the

all-pervading India growth story. During the past three years, India has grown at an average growth rate of 8.6%, the fastest since Independence. Its global competitiveness ranking has improved from 57 in 2001 to 45 in 2005 and 43 in 2006. According to the latest Global Competitiveness Report, India has the highest rank amongst the BRIC economies, with China at 54, Russia at 62 and Brazil at 66.

India's economy is at the fulcrum of an ever increasing growth curve. While both the industry and the services sector are growing in double-digits, other indicators – such as the capital markets, foreign exchange reserves, foreign trade and (outward and inward) FDI – too reinforce India's growth story. Today, India's foreign exchange reserves are at over \$200 billion. The Sensex has topped the majestic 14,000 mark and FDI inflows for 2006-07 are estimated at \$19 billion (up from \$7 billion during 2005-06). During 2006-07, exports rose 23.9 per cent to \$124.63 billion, while imports jumped 29.3 per cent to \$181.4 billion.

In services, India has emerged as the world's 10th largest services exporter. The country has transformed itself from a low-cost outsourcing hub for back-end jobs to a knowledge hub to the world and an emerging R&D powerhouse. Over 100 Fortune 500 companies have set up R&D centres in India.

In 2006-07, the industrial sector grew by an impressive 11.3 per cent. The upbeat Indian industry has outmatched China with as many as eight domestic firms making it to Standard & Poor's list of challengers to leading global blue-chip companies. S&P recently included eight Indian companies in its annual 'Global Challengers List' of 300 firms, as against four from China.

The private sector in India has played a key role in India's growth. From operating in a protected environment, India's dynamic entrepreneurs have moved towards attaining world standards of quality and efficiency at competitive costs. Today, India's private sector contributes nearly 75 per cent of India's GDP.

Indian companies have also displayed a voracious appetite for doing business

overseas. Since 2000, India Inc has made over 300 acquisitions overseas. Big ticket acquisitions like the recent £595 million acquisition of Whyte & Mackay by Vijay Mallya's UB group, Tata Steel's acquisition of Anglo-Dutch steelmaker Corus Group Plc for \$11 billion and AV Birla group's acquisition of Atlanta-based aluminium major Novelis for \$6 billion, go on to prove that corporate India is today a force to reckon with. Numerous Indian companies, such as Ranbaxy, Dr Reddy's, Wockhardt, Moser Baer, Bharat Forge, Infosys, Tata Motors, TCS, L&T, Wipro and Satyam, have made a mark overseas.

At the helm of the India growth story is its ever-increasing middle-class, estimated to grow from 50 million today to 583 million by 2025. India is today the fourth largest economy in the world in terms of purchasing power parity (PPP) and is expected to rank third by 2010, just behind the US and China. A recent research report by McKinsey Global Institute points out that the Indian middle class will reshape global markets. "Households that can afford discretionary consumption will grow from 8 million today to 94 million by 2025," the report says.

India's per capita GDP is growing at the rate of 6-7 per cent per annum. India's overwhelming youth population – 70 per cent of India is below the age of 35 years – is playing a vital role in its growth. Rising incomes have led to higher consumer spending and rising consumer confidence. As a result, sectors like consumer durables, retail and IT have been growing at rates of over 20 per cent.

Industries like aviation, retail and telecom are growing like never before. India is adding 5-7 million mobile connections each month. India's civil aviation passenger growth stands at 20 per cent - among the highest in the world. Airlines are expanding like never before - ten Indian carriers have placed orders for 400 aircraft worth \$15 billion. The number of passengers who will be airborne by 2020 is a whopping 400 million. Similarly, organised retail industry too is growing at a healthy rate of over 35 per cent.

Once considered a bane, India's core

India's youth - 70 per cent of the population is below the age of 35 - is playing a vital role in its growth.

sector (roads, power, ports, airports etc) is today being viewed as a \$340 billion opportunity over the next 10 years. The government's measures to improve the country's infrastructure are moving at a fast pace. Forty eight new road projects worth \$12 billion are under construction. And an additional \$24 billion worth of investments are being undertaken to develop and upgrade roads till 2008. The government has announced an ambitious plan to add around 1,00,000 MW of additional generation capacity by the year 2012 with an investment target of \$73 billion. Railways, airports, ports, water supply, all these are in for huge investments to cater to India's ever-increasing needs.

Growth is not surpassing villages. During 2000-2005, penetration of colour TVs in rural areas has risen by 200 per cent, followed by motor cycles at 77 per cent, refrigerators at 31 per cent, tractors by 28 per cent and bicycles by 17 per cent. Rural India today is consuming more shampoos, packaged oils and biscuits, more soft drinks, branded utensil cleaners and tooth-pastes and toothpastes today than ever before. The government is working towards improving the productivity of the agricultural sector. Prime Minister Dr Manmohan Singh recently announced that \$120 billion will now be spent on a four-year project ending in 2009 to connect 66,000 villages by road. Rural road connectivity will lead to rural development. It will make villages accessible to economic and social services. And as the India growth story also becomes the story of rural India, the prowess of the nation will become truly insurmountable. 🌈