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# India Macroeconomic Report

## Economic Profile

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|---|---|
| **Country** | **India** |
| **Currency** | **Rupee** |
| **Population** | **1.366 Billion** |
| **Economy** | **Developing** |
| **GDP** | **$2.869 Trillion** |
| **GDP PPP** | **$6,118.36** |
| **Largest Trading Partner** | **United States** |

## Market Outlook

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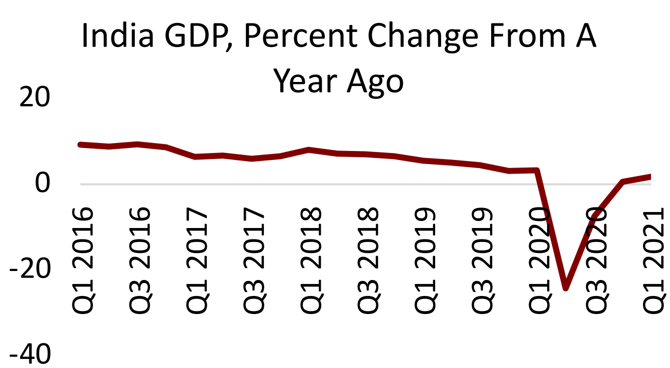
|---|---|
| **Point In Economic Cycle** | **Right-of-Trough** |
| **Outlook** | **Bullish** |




*Total Gross Domestic Product for India, Percent Change From A Year Ago (St. Louis Federal Reserve)*

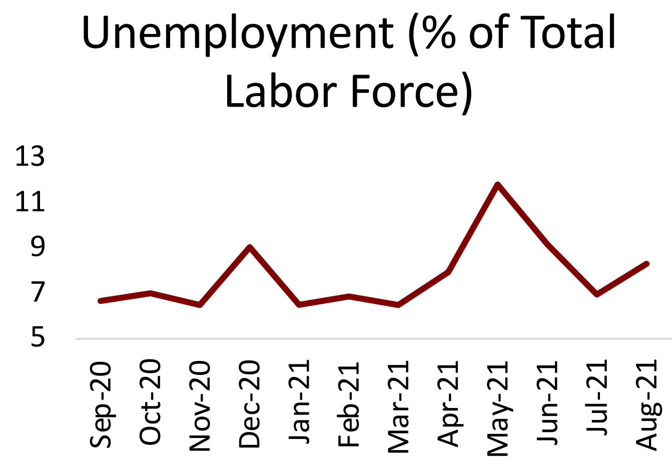
*__Macroeconomic Thesis:__*

After conducting research on various lagging, leading, and coincidental economic indicators, I conclude that India's position is right-of-peak in the current business cycle. Although I am bullish on their economy, I believe economic growth will be slow in the short run due to the fact that they are the second-highest country with Covid-19 cases. I chose to focus on India because they are the sixth largest economy in the world, and the second largest economy in Asia. The United States declared India a developed country since the U.S. is now India's largest trading partner with a share of overall exports at 16.94%.

By researching various economic indicators such as unemployment, Consumer Price Index, industry percent of GDP, government expenditure, consumer spending, and the India/U.S. foreign exchange rate, I maintain an optimistic outlook for India's economy. In the beginning of 2021, India had a second wave of Covid-19 cases which hindered economic growth and resulted in an increase in unemployment and lower consumer spending. Since recovering from the second wave, India's unemployment was able to rebound since more citizens are in search of labor and consumer spending increased. The government also plans to spend $1.3T in infrastructure in order to bolster the economy.

Some geopolitical factors to note would be their future with Covid-19. With India being the second highest country with coronavirus cases, India must be able to vaccinate their citizens and especially health care workers in order to prevent a third wave. Also, to note would be the implementation of the National Monetization Pipeline which focuses on infrastructure spending. Modi has not lived up to his promises of privatization plans in the past, so if this will be effective is still to be determined. Lastly, the continued farmers protest which is still challenging Modi's government has had much backlash from farmers and if Modi continues to deny the farmers' request, then these people could be out of work, or looking for new jobs.

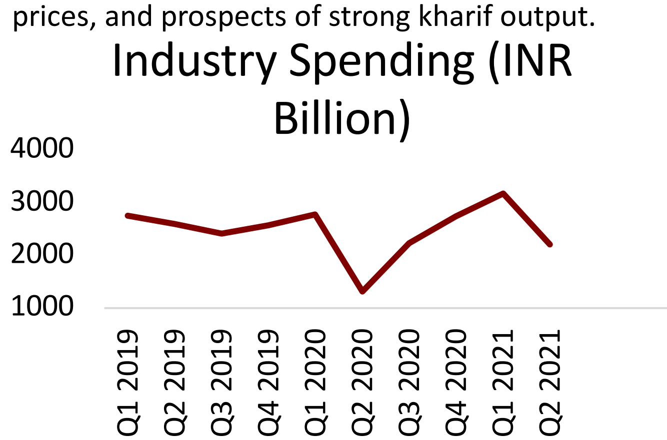
# Economic Indicators




*Unemployment Rate in India (CMIE)*

***Consumer Price Index:***

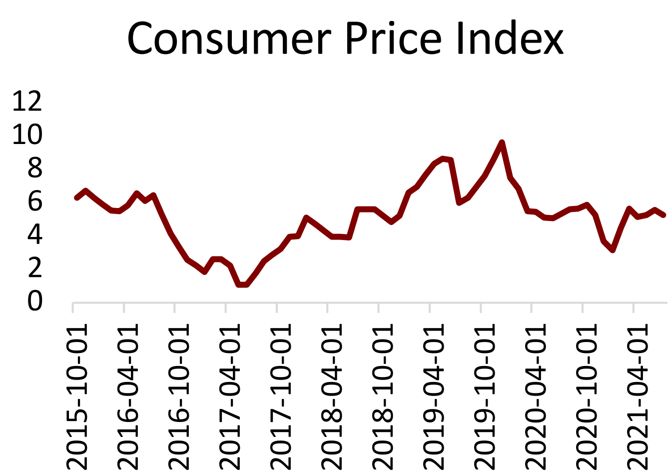
The Consumer Price Index is considered the benchmark inflation guide. It measures the average change in prices over time that consumers pay for a basket of goods and services. If CPI is growing quickly, it indicates an increase inflation which can raise interest rates and decrease consumer confidence. Inflation was within RBI's 2%-6% comfort range for both August and September. Inflation was on the downside in August with the CPI at 3.8%, due to lower food and beverages inflation. The CPI has moved further down from its peak of 6.3% in May and June, showing signs of lower inflation. Going forward, India expects inflation to moderate further on account of easing supply chain disruptions, plateauing of global commodity prices, and prospects of strong kharif output.




*India GDP from Construction (Trading Economics)*

***Unemployment:***

Unemployment is an extremely important leading indicator of a country's economic health. It is the percentage of the labor force without a job. India's unemployment rose to an average of 7.5% with urban unemployment at 9.1% and rural at 6.8%. In august, 1.5 million people lost jobs mainly due to Covid-19. In July, nearly 15 million people joined the labor force, primarily in low-productive agriculture work when the monsoon-led sowing season was at its peak. The increase in employment comprised of poor-quality informal jobs. The total labor force increased by 4 million which means more Indians are looking for jobs. Unemployment is expected to decrease with upcoming holidays such as Dussehra, Diwali, and Christmas due to seasonal employment.




*Consumer Price Index: All Items for India, Percent Change From a Year Ago (St. Louis Federal Reserve)*

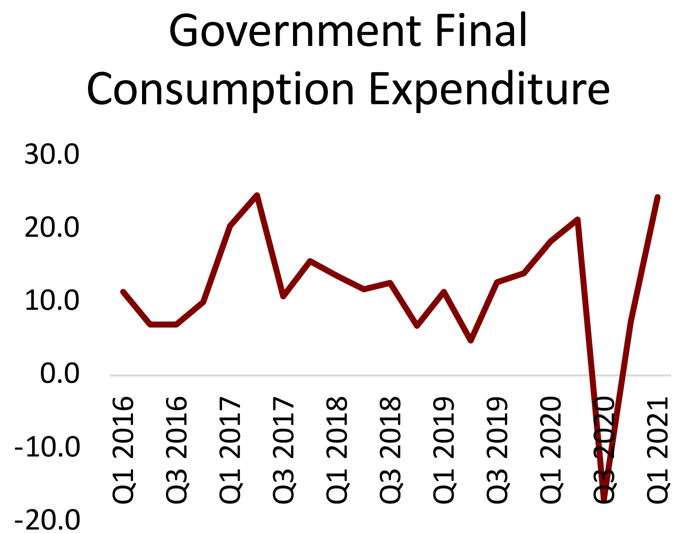
***Industry Spending:***

Industry spending is an important leading indicator because it is a driver of jobs and growth. Industrial metrics provide an insight into the broader market conditions of the Indian economy. Although, the graph shows lower construction spending, India has already implemented their National Monetization Pipeline, investing about $1.3T on infrastructure projects which will make India the third largest construction market in the world.

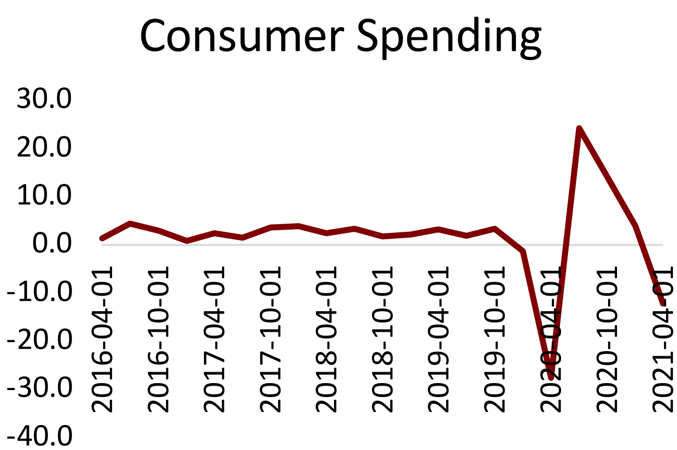
# Economic Indicators

*Government Spending:*

Government spending refers to money spent by the public sector on the acquisition of goods and services. Expansionary fiscal policy can be used by governments to stimulate the economy during a recession. Increased spending increases demand for goods and services. India plans to spend $1.3T on infrastructure to boost economic growth and create jobs. The Prime Minister is trying to improve domestic supply chain and plug into the international supply chain that will help in improving their share of exports in global economy. Modi’s National Monetization Pipeline should generate about $81B which will help with the creations of jobs, and therefore aid in economic recovery.




*Government Final Consumption Expenditure in India, Percent Change From a Year Ago (St. Louis Federal Reserve)*



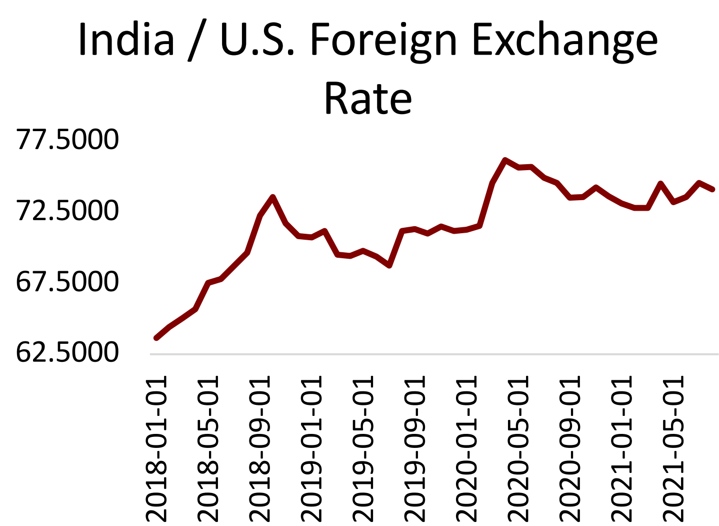

*Consumer Spending in India*

*Consumer Spending:*

Consumer spending is the amount of money spent on goods and services by individuals and households. Consumer spending is important when analyzing the overall health of an economy. When consumers spend money, that money begins to circulate through the economy. Consumer spending decreased in Q2 of 2021 due to the ruthless second-wave of the Covid-19 virus. However, with increased vaccinations along with the upcoming holiday season, consumer spending should increase again towards the end of 2021.

*India / U.S. Foreign Exchange Rate:*

The India/U.S. foreign exchange rate measures how strong the rupee is, relative to the dollar. The foreign exchange rate has increased from the second wave of the virus, which indicates that exports will increase. Domestic good for Indians will become more expensive, hurting Indian consumers and businesses. If interest rates rise, then so does the foreign exchange rate. The RBI has stated it will keep its repo rate of 4% to bolster economic recovery, so the India / U.S. foreign exchange rate should remain stagnant.




*India / U.S. Foreign Exchange Rate (St. Louis Federal Reserve)*

# Geopolitical Factors

*Covid-19:*

India has seen fast growing cases over the year. The country has the second-highest Covid-19 cases with about 2,430 cases per 100,000 people. However, weekly cases declined to 214K from its peak of around 2.73M cases per week in May 2021. In a bid to deal with the crisis, India halted exports of Covid vaccines and won't resume until the end of the year. Modi has not established a nation-wide lockdown but left it up to the states to impose their own rules. With regional lockdowns, social distancing, and increasing antibodies, the infection rate was able to decrease. About 15% of India's population is fully vaccinated and 29% of it partly vaccinated. India reported 31,923 new cases with active caseloads hitting a 6-month low, which can be accredited to a Covid vaccination drive. The increase in vaccination rates and lower infection rates indicate that India is on the road to recovery. However, India has not been effective in vaccinating health workers, and those who are vaccinated have experienced a significant drop in antibodies and there have been talks about a booster shot, but that will be determined after six months.

*National Monetization Pipeline:*

The National Monetization Pipeline is designed to unlock the value of investments in brownfield public sector assets by tapping institutional and long-term capital. Therefore, government-owned infrastructure could be leased out to non-government entities. With the fiscal deficit almost at its limit, the government needed to produce alternative ways to shore up its budget. The NMP will help realize value from idle assets. Funds generated from this will be used for further infrastructure creation. The NMP is worth Rs 6 lakh core. The National Monetization Pipeline is expected to boost economic growth and increase employment. With the collaboration between the public and private sectors, the promises of socio-economic growth should be seen. The NMP started on August 23rd of 2021, so we have yet to see how it has currently affected India's recovery process, but it is forecasted to re-invigorate the economy due to it being a stable revenue stream for the government, no burden on taxpayers, and the virtuous cycle of sustained investment in infrastructure. Over the last several years, however, Modi's government's ambitious privatization plans have consistently come up empty.

*Farmers' Protest:*

The Indian farmers' protest were against Modi's three farm acts. Many farmers call these laws "anti-farmer laws" because they favor larger corporations which in turn hurts farmers. The laws passed facilitated interstate trade, contract farming, and direct marketing, and lessened regulation on the whole production process. The laws prevent the state governments from collecting a market fee for trade outside the APMC markets, which led farmers to believe that the laws will leave farmers at the mercy of corporations. The government stated they would impose a minimum support price, guaranteeing farmers they would buy all of their produce at that price. Over half of India's population works on farms, with more people joining the agriculture sector for work. Economists say that the laws are necessary and positive for India since they have incentivized to lower costs and innovate. Even though it has been a year since the three acts have been implemented, farmers continue to protests. Economists say that if the government continues to decline the farmers' demands, the farmers would be more inclined to move to different sectors of the workforce which could in theory stimulate economic growth.