

INDIA'S ECONOMY AND WEALTH: AN ANALYSIS

DR. PRASANT SARANGI
Director (Research)
ICSI-CCGRT, Navi Mumbai

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1. INTRODUCTION:

The world economy had a very successful year in 2017. This justifies by the IMF's recently released GDP data that registered a close growth of 3.7% in the year 2017. Unemployment rates in the advance economies are at multi-year, if not historical, lows. What is surprising is that inflation rate (median) in advanced countries, while up for nearly zero levels by 2015 and 2016 (0.3% & 0.8% respectively) could only register 1.6% in the year 2017.

Regarding the past, emerging markets contain 85% of the world's population, and have grown faster than advanced economics by an average of 1.35% per capita per year, and have done so for the past 37 years. This means that average income in the emerging world have gained on average incomes in the West by around 65%. A large gap in the average incomes still remains, but the journey has well and truly started.

Most important for the global economy is that in the year 2017, there has been no trade war. However, the exchange rate between Mexico and the US as a barometer issue is concerned, fears for the future of the North American Free Trade Agreement have largely subsided, even as trade negotiations have stalled.

On the other hand, the UK's decision to leave the EU didn't have the jolting economic effect that those who opposed it anticipated, largely because of the pound's depreciation. But it has become increasingly clear that the UK's May's government has no clear view about how to manage the UK's withdrawal or about countries post-Brexit relationship with the EU.

Experts are still anticipating the occurrences of two further potential hazards for Europe. One risk is that heavily indebted countries, such as Italy, will find it difficult to avoid crisis once interest rates return to more normal level, as they inevitably

will. Hungary and Poland represent a more existential threat to Europe. The EU is more than just an economic arrangement of convenience. Secondly, the concentration of power in China, the euro zone's failure so far to reform its flawed structure, and, most important, US President's contempt for the international rule of law, his rejection of US global leadership etc., all could be the future risks that the world may face in near future.

2. OBJECTIVES:

The study is designed to discuss two important aspects like:

- The structure of Indian economy by the year 2017 and
- The status of the India in the global wealth

3. METHODOLOGY:

The study is an analytical research. It analyses the cream of the Global Wealth Report 2017 and analyses where India stands among the other countries in the world. The eighth edition of the Credit Suisse Research Institute's Global Wealth Report 2017 not only provides a comprehensive annual update of global household wealth development by segment and region, it also takes a close look at the evolution and prospects of the highly appraised Millennial generation, whose members came of age after the turn of the 20th century. It covers so many aspects but few important aspects that are useful for the Company Secretary profession are considered in the study.

4. THE INDIAN ECONOMY BY 2017:

Recent data suggests that India's economic recovery is gradually taking hold following a lacklustre performance in Q1 FY 2017. The economy grew at a faster 6.3% in year-on-year terms in Q2 FY 2017-which runs from July to September-with the effects of demonetization where nearly 86% of cash in circulation had been cancelled and the implementation of the Goods and Services Tax (GST) gradually dissipating. Although the fourth quarter got off to a weaker start, with seasonal effects dragging on economic activity in October, stronger data for November,

including auto sales and the manufacturing, suggests that the economy remains on a recovery path.

Meanwhile, Moody's upgraded the country's sovereign issuer ratings to Baa2 from Baa3 in mid-November. The ratings agency expects the government's reform agenda to unleash India's growth potential and help drive down the government debt burden over the medium term, thus warranting a higher credit rating.

Growth is expected to accelerate further as recent fine-tuning measures on GST compliance, a large recapitalization plan for public banks and easing policy uncertainty all bolster the economy's performance. The economy is expected to grow 6.6% in FY 2017, down 0.1 percentage points from last month's estimate. This month's downward revision largely reflects a slightly weaker-than-expected GDP figure in Q2 FY 2017. In FY 2018, panellists forecast growth of 7.4%.

A brief glance of Indian economy is presented in the table-1 given below:

Table-1: Indian Economy: At A Glance

Categories	2012	2013	2014	2015	2016
Population (Million)	1,243	1,259	1,276	1,292	1,309
GDP per capita (USD)	1,465	1,477	1,597	1,611	1,729
GDP (USD bn)	1,821	1,860	2,038	2,082	2,264
Economic Growth (GDP, annual variation in %)	5.5	6.5	7.2	8.0	7.1
Consumption (annual variation in %)	5.3	7.4	6.8	6.1	8.7
Investment (annual variation in %)	4.8	1.8	4.1	6.6	2.4
Industrial Production (annual variation in %)	1.1	-0.1	2.8	3.4	5.0
Public Debt (% of GDP)	69.1	68.5	68.6	69.6	69.5
Money (annual variation in %)	7.5	12.3	10.7	11.5	6.3
Inflation Rate (CPI, annual variation in %)	10.5	8.2	5.3	4.8	3.9
Stock Market (annual variation in %)	8.2	18.9	24.9	-9.4	16.9

Current Account Balance (USD billion)	-87.4	-32.8	-27.6	-22.1	-15.2
Trade Balance (USD billion)	-189.5	-136.6	-137.5	-117.8	-105.7
Export (annual variation in %)	-1.9	4.6	-1.2	-15.7	4.9
Imports (annual variation in %)	0.1	-8.0	-0.6	-15.3	0.2

Source: Focus Economics, December 2017.

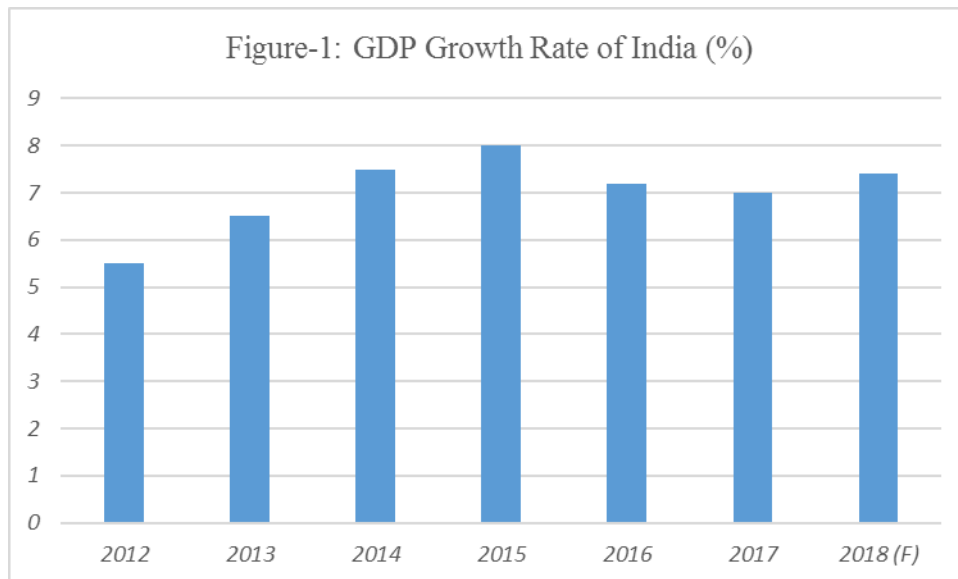
There were some major achievements as well, including India's 30-point jump to join the top 100 countries in the World Bank's "ease of doing business" index. Then the global credit rating agency Moody's upgraded India's sovereign credit rating for the first time since 2004. India's stock markets were among the world's best performing - they grew by more than 30% year on year. Asian Development Bank in its report has forecasted the growth rate of South Asian Countries. A look of the estimate is derived in the table-2 below:

Table-2: Forecasting Growth Rate of South Asian Countries

Country	2017	2018
Afghanistan	-0.8	1.0
Bangladesh	5.5	5.5
Bhutan	6.7	8.4
India	7.0	7.4
Maldives	1.6	1.8
Nepal	4.2	3.9
Pakistan	3.2	3.5
Sri Lanka	4.7	4.7
Average	5.9	5.8

Source: Asian Development Outlook 2017 update

The figure-1 derived below shows GDP growth rate of India % per year between years 2012 to forecasted value of 2018.



The corporate leaders in India remained largely positive, but their level of optimism has dropped to its lowest level in four years even as it has hit a two-year high in the Asia-Pacific. According to the latest Grant Thornton's report, Asia Pacific business optimism has hit a 2-year high, largely driven by improvements from its two biggest economies, China and Japan, and region-wide positivity on prospects for increased trade.

Some Major Highlights of Indian Economy in 2017

- Documents for a worth of INR 5,000 crore (US\$765.1 million) Initial Public Offerings (IPO) has been by eight Indian companies are applied with the Securities and Exchange Board of India (SEBI) in the last week of September 2017.
- The Indian Country Director of World Bank has said that an efficient implementation of the Goods and Services Tax (GST) can help Indian economy grow at more than 8 per cent with huge gains expected from internal integration of markets in the next 5-8 years.
- India's exports to Singapore increased by 23 per cent in FY17 and the bilateral trade between the two countries have the potential to reach US\$ 25 billion by 2019-20.
- As per the Prime database report, Indian enterprises are expected to raise record funds worth INR 2.5 lakh crore (US\$ 39.14 billion) from the financial markets with more than 150 companies interested in initial public offerings (IPOs),

qualified institutional placements (QIPs), and follow-on public offerings.

- India received the highest ever inflow of equity in the form of foreign direct investments (FDI) worth US\$ 43.4 billion in 2016-17 and has become one of the most open global economies by ushering in liberalisation measures, as per the mid-year economic survey of India.
- The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.
- The Niti Aayog has predicted that rapid adoption of green mobility solutions like public transport, electric vehicles and car-pooling could likely help India save around Rs 3.9 trillion (US\$ 60 billion) in 2030.
- Indian impact investments may grow 25 per cent annually to US\$ 40 billion from US\$ 4 billion by 2025, as per Mr Anil Sinha, Global Impact Investing Network's (GIIN's) advisor for South Asia.
- The Union Cabinet, Government of India, has approved the Central Goods and Services Tax (CGST), Integrated GST (IGST), Union Territory GST (UTGST), and Compensation Bill.
- The Ministry of Commerce and Industry, GoI has released that Indian merchandise exports registered a growth of 10.29 per cent year-on-year in August 2017 at US\$ 23.818 billion as compared to US \$ 21.597 million during August, 2016.
- The Government of India has approved five Foreign Direct Investment (FDI) proposals from Oppo Mobiles India, Louis Vuitton Malletier, Chumbak Design, Daniel Wellington AB and Actoserba Active Wholesale Pvt Ltd, according to Department of Industrial Policy and SS Promotion (DIPP).
- The Government of India plans to facilitate partnerships between gram panchayats, private companies and other social organisations, to push for rural development under its 'Mission Antyodaya' and has already selected 50,000 panchayats across the country for the same.
- India's revenue receipts are estimated to touch INR 28-30 trillion (US\$ 436- 467 billion) by 2019, owing to Government of India's measures to strengthen infrastructure and reforms like demonetisation and Goods and Services Tax (GST).

- The Finance Minister of India has stated that start-ups incorporated after March 31, 2016, can avail a three-year tax holiday in the first seven years of their existence, instead of five years, and reduced the tax rate for enterprises with a turnover up to Rs 50 crores (US\$ 7.68 million) to 25 per cent instead of the earlier 30 per cent.

Source: IBEF Report

5. WEALTH REPORT 2017:

In the twelve months to mid-2017, significant rises in wealth were evident throughout the world, driven not only by robust equity markets, but also by substantial increases in non-financial wealth. Overall, aggregate global wealth rose by 6.4 % from USD 16.7 trillion to USD 280 trillion. Further the report reveals that wealth growth also outpaced population growth, so that global wealth per adult grew by 4.9%, raising global mean wealth to USD 56,540 per adult, a new record high. But inequality has continued to edge upwards, so that despite higher mean wealth per adult, median wealth fell again this year in Africa, Asia-pacific and Latin America. Our projections for 2022 suggest more pessimistic scenarios for the immediate years ahead.

Further enhancing the facts, the report says that, the United States continued its remarkable unbroken spell of gains after the financial crisis, adding USD 8.5 trillion to its stock of household wealth—a 10.1% increase. India achieved a similar percentage rise, although its addition to total global wealth was limited to USD 451 billion. Europe and China recorded the second and third highest absolute increases among regions (USD 4.8 trillion and USD 1.7 trillion respectively) and both recorded growth rates that closely matched the global figure of 6.4%. Latin America managed a growth rate of 3.9%, which is a good performance compared to recent years, but below par by this year's standards.

The detailed change in household wealth are highlighted in table-3 derived below. From the table it can be seen that total wealth of world is USD 280289 billion in the year 2017 which changed by 6.4% from the previous year 2016. There is also a change of USD India's wealth by 451 billion in 9.9% to USD 4987 billion. It can be

concluded that, India's wealth is growing almost double to the growth rate of the world.

The world's wealth per adult is recorded to be USD 56541 which is increasing at 4.9 per cent. Whereas India's wealth per adult is recorded to be USD 5,976 which has changed 7.9% quite more than the world change. Similarly in terms of financial assets, the India is having USD 64 billion with a change of 9.1% as against the world figure of USD9676 billion which has changed at 5.8%. Further, India's non-financial assets are also increasing at 11% whereas the world is changing at 6.5%. The most surprising figure can be observed from the table about the change in debt. The India's debt is changing at 19.5% in comparison to world's 4.9%.

Table-3: Change in Household Wealth 2016-17

Region	Total wealth 2017 USD bn	Chang in total wealth		Wealth per adult 2017 USD	Change in wealth per adult 2016-17 %	Change in financial assets		Change in non-financial Assets		Change in debts	
		2016-17 USD-bn	2016-17 %			2016-17 USD bn	2016-17 %	2016-17 USD bn	2016-17 %	2016-17 USD bn	2016-17 %
Africa	2,499	22	0.9	4,166	-1.9	51	4.1	-10	-0.7	18	7.0
Asia-Pacific	55,052	396	0.7	47479	-1.0	201	0.6	497	1.6	302	3.5
China	29,000	1,718	6.3	26872	5.6	302	2.2	1,601	10.2	186	7.8
Europe	79,639	4,757	6.4	135163	6.3	2,621	6.6	2,797	5.8	662	5.3
India	4,987	451	9.9	5,976	7.9	64	9.1	470	11.0	83	19.5
Latin America	8,107	302	3.9	19,049	2.1	124	4.5	271	4.3	94	7.4
North-America	101,005	9,097	9.9	374,869	8.8	6,313	8.4	3,441	10.7	657	4.3
World	280,289	16,744	6.4	56,541	4.9	9,676	5.8	9,068	6.5	2,000	4.9

Source: Credit Suisse Global Wealth Databook 2017.

The report further highlights that the North America and Europe together account for 64% of total household wealth, but contain only 17% of the adult population. In the past, total global wealth in the two regions has often been similar, with Europe's greater population compensating for higher average wealth in North America. However, North America pulled ahead after 2013, and now accounts for 36% of global wealth compared to 28% for Europe. In the other regions, the share of wealth fails to match the population share. The discrepancy is modest in the Asia-Pacific region (excluding China and India), where 23% of global adults own

20% of global wealth. But the population share exceeds the wealth share in India by a factor of almost ten, and the disparity is even greater in Africa.

5.1 Winners and losers among countries

Comparing wealth gains across countries, the US was restored to its usual first place with an increase of USD 8.5 trillion, which is trillion). Four Eurozone countries (Germany, France, Italy, Spain) also appear in the top ten. Together they accounted for USD 3.1 trillion, or almost 20% of the total gain worldwide. Very few countries experienced a decline in total wealth, and only two lost more than USD 100 billion: Egypt (USD 172 bn) and Japan (USD 1.6 trillion).

Converted into percentage terms, most countries achieved increases in a fairly narrow band from 5%–10%. Poland (18%) tops the list mainly because of equity price rises, while Israel (16%) and South Africa (15%) follow close behind due to exchange-rate appreciation. Exchange rate movements also account for the largest percentage losses suffered by countries: Japan (–6%) and Egypt (–49%).

5.2 Wealth per adult across countries

The global figure of USD 56,540 for wealth per adult masks considerable variation across countries and regions. The nations with wealth per adult above USD 100,000, are located in North America, Western Europe, and among the rich Asia-Pacific and Middle Eastern countries. Countries with mean wealth in the USD 25,000–100,000 range, three European Union (EU) countries (Czech Republic, Portugal and Slovenia) are situated towards the top of the band, while six more recent EU members (Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia) are found lower down. The intermediate wealth group also includes several Middle Eastern nations (Bahrain, Oman, Saudi Arabia, and United Arab Emirates), and important emerging markets in Latin America (Chile, Costa Rica, Peru and Uruguay). The widespread rise in wealth this year resulted in Cyprus passing the USD 100,000 threshold and moving into the rich country group, while Latvia, Lithuania and Poland joined the intermediate group from below. The most notable change in membership, however, has been prompted by improved and revised wealth

estimates for China which have moved it above the threshold for the intermediate wealth group.

5.3 Wealth distribution across regions

Assigning individuals to their corresponding global wealth decile enables the regional pattern of wealth. The most prominent feature is the contrast between China and India. Most Chinese adults are found in the upper middle section of global wealth distribution, where they account for a third of worldwide membership of deciles 7–9. China's record of strong growth this century, combined with rising asset values and currency appreciation, has shifted its median position. China now accounts for 9% of the top decile of global wealth holders, less than the number of residents in the United States and Japan, but well above the number in France, Germany, Italy, and the United Kingdom, which it overtook some years ago. In contrast, residents of India remain heavily concentrated in the bottom half of the distribution, accounting for more than a quarter of the members. However, the country's high wealth inequality and immense population mean that India also has a significant number of members in the top wealth echelons.

Residents of Latin America are fairly evenly spread across the global wealth spectrum. The Asia-Pacific region (excluding China and India) mimics the global pattern even more closely, but its apparent uniformity masks substantial polarization within the region. Residents of high-income Asian countries, such as Hong Kong, Japan, and Singapore, are heavily concentrated at the top end: half of all adults in high income Asian countries are in the top global wealth decile. In contrast, citizens of lower-income countries in Asia, such as Bangladesh, Indonesia, Pakistan, and Vietnam, tend to be found farther down the wealth distribution. In fact, when high-income countries are excluded from the Asia-Pacific group, the wealth pattern within the remaining countries resembles that of India, with both regional groupings contributing around one-quarter of the members of the bottom half of the wealth pyramid.

There are few young billionaires on the Forbes list, but an interesting trend has emerged. In absolute terms, the number of young billionaires has risen sharply in the last several years. There were 21 billionaires aged less than 40 in 2003, and

just 24 in 2010. But by 2017 the number had risen to 46. Furthermore, their mean wealth rose substantially from USD 3.2 billion in 2010 to USD 4.1 billion in 2017. This increase in wealth was especially marked in the last two years.

The geographic and demographic profile of Forbes billionaires yields interesting insights, especially with regard to the comparison between emerging markets and advanced countries since 2000. The age distribution and fraction of self-made billionaires has changed little in advanced countries. But in emerging markets the fraction of self-made billionaires rose from 56% in 2001 to 79% in 2014. Meanwhile, the billionaires are younger in the emerging market countries: billionaires under the age of 50 outnumbered those over 70 in 2014. In high income countries, on the other hand, one-third of billionaires in 2014 were over 70 and only 12% were aged less than 50. The upsurge of young, self-made billionaires in emerging markets has been seen as a sign of healthy growth and economic dynamism.

5.4 Growth of Millionaires by 2022:

The millionaire segment is projected to rise in number by 22%, from 36 million today to 44 million in five years' time, as per the Credit Suisse Global Wealth Databook 2017. The lower world wealth growth that we expect in the next five years. Number of millionaires in 2017 and 2022 (regions and selected countries) are presented in the table-4 below. From the table it can be observed that the world expects a rise of 22% millionaires by 2022 where the growth of millionaires in India is expected to grow at 52% which will be more than double. Even in comparison to China, the report expects a growth of 41% to China in comparison to India's 52% expectation. The lowest expectation is of UK where it is expected to be -3% may be due to various uncertainties including the divorce from EU. However, Argentina is expected to get more millionaires i.e., by 127% in the world. The millionaires at US is expected to grow by 16% till 2022, the report estimates. Thus it can be a good indicator for India that it is expecting to double its millionaires within the next five years of time.

It is also projected substantial increases in Latin America, pushed by the improved performance of Argentina (127%) and Brazil (81%). In addition, the number of

millionaires in transition economies is predicted to rise substantially over the next five years, reaching 196,000 in Russia, 74,000 in Poland and 44,000 in the Czech Republic.

Table-4: World Millionaires by 2022

Country	Number (thousand)	Change	(%)
United states	15,356	17,784	16%
Japan	2,693	3,821	42%
United kingdom	2,189	2,126	-3%
Germany	1,959	2,240	14%
China	1,953	2,748	41%
France	1,949	2,258	16%
Italy	1,288	1,451	13%
Australia	1,160	1,699	46%
Canada	1,078	1,453	35%
Korea	686	972	42%
Switzerland	594	670	13%
Spain	428	506	18%
Taiwan	381	501	31%
Belgium	340	405	19%
Sweden	335	408	22%
Netherlands	335	373	11%
Austria	250	287	15%
India	245	372	52%
Brazil	164	296	81%
Russia	132	196	49%
Hong Kong	119	138	16%
Mexico	84	88	5%
Argentina	30	68	127%
Africa	121	210	73%
Asia-pacific	6,069	8,552	41%
China	1,953	2,748	41%
Europe	10,763	12,115	13%
Latin America	460	706	54%
North America	16,440	19,245	17%
World	36,051	43,948	22%

Source: Credit Suisse Global Wealth Databook 2017.

By 2022, the number of ultra-high net worth individuals UHNWIs, those with wealth above USD 50 million, will likely increase by 45,000 to reach 193,000 individuals, more than half of whom will reside in North America. Countries in the Asia-Specific region, including China and India, are home to more than 37,000 UHNWIs,

compared to almost 32,000 living in Europe. This difference in favour of Asia-Specific will increase further and by 2022, the region is projected to accumulate another 14,400 UHNWIs to reach a total of nearly 52,000, 49% of whom will be from China. While Latin America is home to 8.5% of global adults, only 2% of global UHNWIs reside in the region. Despite the projected good performance of Brazil and Argentina, we expect this to continue as the region will likely add only 1,600 UHNWIs in the next five years.

The report further says that in terms of its own currency, India's wealth has grown quite quickly since the turn of the century, except during the global financial crisis. Annual growth of wealth per adult in rupees averaged 7% over 2000–2017. Prior to 2008, wealth also rose strongly in US dollar terms, from USD 2,010 in 2000 to USD 5,020 in 2007. After falling 26% in 2008, it rebounded, reaching USD 5,050 in 2010, but since then has risen only 18%, being held back by currency depreciation.

6. CONCLUSION:

It can be concluded from the report that while wealth has been rising in India, not everyone has shared in this growth. There is still considerable wealth poverty, reflected in the fact that 92% of the adult population has wealth below USD 10,000.

At the other extreme, a small fraction of the population (just 0.5% of adults) has a net worth over USD 100,000. However, due to India's large population, this translates into 4.2 million people. The country has 340,000 adults in the top 1% of global wealth holders, which is a 0.7% share. By our estimates, 1,820 adults have wealth over USD 50 million, and 760 have more than USD 100 million.

In terms of the performances of Indian economy is concerned, after some policy majors, the economy is now railed in its right track of growth. All the indicators and rating agencies are expecting that the growth rate of the country will now increase in an increasing rate coming years.

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