



Why India? A bright spot for investors

The Indian Decade

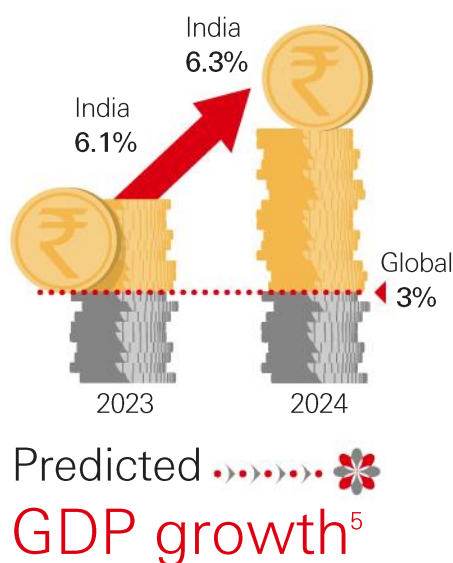
Today, no investment discussion would be complete without a look at India:

- India is now the world's fastest growing major economy¹
- It is predicted to become the third largest economy as early as 2030¹
- India's equity market emerged as the fifth largest equity market in the world²
- Indian bonds will be added to major global emerging market indices in the coming year³

Analysts believe the conditions are in place for a sustained, world-leading growth cycle, as India gains power in the world order. This, many say, will be the Indian Decade.

India's growth story in numbers

India's growth story is built on number of distinctive characteristics, from inherent advantages to new drivers.



Source: ¹IMF, World Economic Outlook, July 2023, ²Bloomberg, 30 June 2023, ³JPMorgan, 21 September 2023, ⁴United Nations Population Fund, September 2023, ⁵IMF database, GDP Data from July 2023 World Economic Outlook Update, ⁶Oxford Economics, based on current and predicted GDP 2019-2035

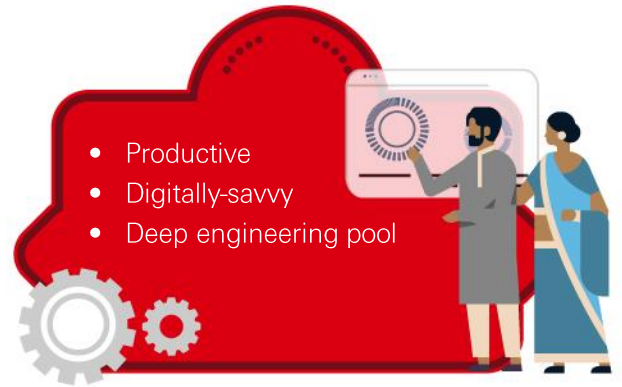
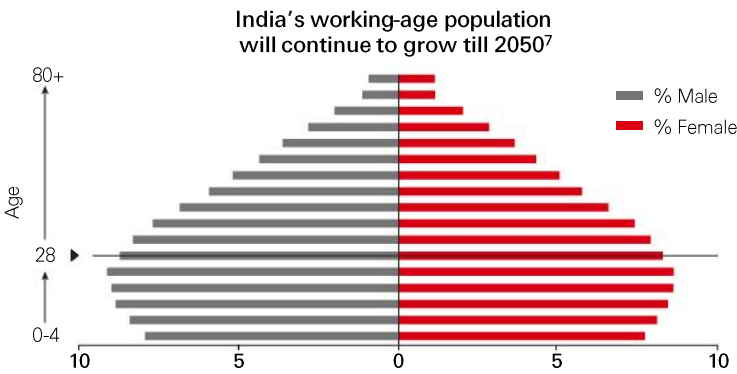
Driver no. 1 – The world’s strongest demographic dividend

Human capital

First on our list is an extremely large and youthful population.

India currently has a population of over 1.45 billion, and nearly 2/3 of them are working age.

That means India has far and away the world’s biggest workforce. While many countries face the challenges of supporting an aging population, India is a country primed for productivity.



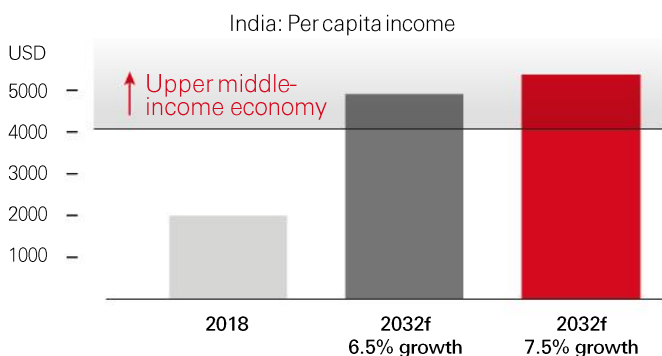
Demographic dividend: the economic boost that occurs when more of the population are in the workforce than out of it.

Consumer spending

That same workforce is also busy spending their hard-earned cash.

Post-pandemic consumer spending is up, driven by the young population, expanding middle class and growing number of high-net-worth individuals.

India is set to move to upper middle income status by 2032⁸



India is home to a fifth of the world’s youth.¹⁰



Overall consumption is expected to surpass USD 4 trillion by 2030.¹¹

Source: ⁷United Nations, HSBC Global Research, data as of May 2023, ⁸HSBC Global Research, data as of May 2023, ⁹Economic Times, May 2022, ¹⁰Statista, May 2023, ¹¹Economic Times, August 2023

Past performance is not an indication of future returns. Any forecast, projection or target where provided is indicative only and is not guaranteed in anyway. HSBC Asset Management accepts no liability for any failure to meet such forecasts, projections or targets.

Driver no. 2 – Economic reforms

And it's not just young workers boosting the economy. Over the last decade, the government has launched a number of economic reforms and programmes designed to boost business.

These have contributed to a highly diverse and profitable corporate universe, and attracted billions of dollars of foreign direct investment.

Make in India

The aim of the Make in India programme is to turn the country into a global manufacturing hub with reforms such as tax breaks and manufacturing incentives. Many MNCs looking to diversify their supply chain have already made the move to India.



Global Big Tech, software and investment companies are investing or planning to **invest in India**.

Investment in infrastructure

The Indian government is channelling significant funds into improving the country's transport links. These improvements are further boosting India's manufacturing competitiveness, making transporting supplies and end products cheaper and faster.

The government has pledged a **USD 1.4 trillion** investment in **infrastructure** over 5 years.¹²



Refers to estimated investment for the National Infrastructure Pipeline (NIP) from 2020-2025.

Digitalisation

India is a connected nation. Driven in part by the Digital India initiative, adoption of digital technologies has been rapid.

And digitalisation benefits business. In India, it is increasing economic efficiency and competitiveness, creating new businesses, boosting financial inclusion and improving governance.



In 2022, **India had the highest number of digital payment transactions** in the world.¹³

Startup India

Innovation and entrepreneurship are thriving in India. This is in part thanks to initiatives such as Startup India, offering budding businesses thematic funds, incubation programs, and tax benefits.



India is home to **108 unicorns** with a **total valuation of USD 340.8 billion**.¹⁴

A shift to clean energy

India is renowned for its use of fossil fuels but that's all changing with some bold energy transition plans. And those plans mean new business opportunities.

The transition is expected to create investment opportunities worth over USD 720 billion by the year 2030.¹⁵

India plans to reach **net zero emissions by 2070** and to meet **50% of its electricity requirements from renewable sources by 2030**.¹⁶



Driver no. 3 – Macro resilience

Globally, the economic outlook is rocky at best. And for the most part, challenges in one economy mean challenges in another.

However, India's economy is relatively insulated from the difficult external environment – our third critical factor in the country's ongoing growth story.

A domestically-focused market

The Indian equity and fixed income markets remain relatively domestically oriented. This results in a lower correlation to broader global and emerging market sentiment.

Correlation between India and other markets¹⁷

	Equities	Government bonds
Global	0.43	0.11
US	0.28	0.00
Emerging markets	0.61	0.30
China	0.39	0.25

This means adding Indian assets to a global portfolio could provide important diversification benefits.

Services exports

What's more, a surge in India's services exports is expected to further shield the economy, countering any drop in the country's merchandise exports. Growing exports have also led to a much-improved current account balance and greater resilience and strengthening of the INR.



Services exports hit a record **high in 2022** and it's not all about IT anymore. More lucrative offerings such as **consulting and research and development** are coming to the fore.¹⁸

Source: ¹⁷Bloomberg. Data are daily correlation between respective indices for the past ten years to 30 September 2023. Indices used: MSCI India Index (Indian equities), MSCI AC World (global equities), S&P 500 (US equities), MSCI Emerging Markets (emerging market equities), MSCI China (Chinese equities), Markit iBoxx ALBI India TRI Unhedged USD (India government bonds), FTSE World Government Bond Index USD (global government bonds), Bloomberg USTreasury Total Return Unhedged USD (US government bonds), JP Morgan GBI-EM Global Diversified Composite Unhedged USD (emerging market government bonds), and FTSE Chinese Government Bond USD Index (China government bonds). Past performance is not an indication of future returns, ¹⁸The World Bank and World Trade Organization, July 2023.

Why now?

In today's climate of global uncertainties, diversification is critical. And the Indian economy's unique combination of economic drivers make it a top destination.



Striking growth potential



Burgeoning new economy



Diversification benefits



A unique opportunity



In a world starved of growth, global investors should not overlook the opportunities offered by India.

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