ING Commercial Banking
Economics Department

The Indian Challenge with Modi

After the landslide victory of the Bhartiya Janata Party in May, PM Narendra Modi now has to live up to high expectations. Businesses are hopeful that Modi will bring reform to the entire economy like he did in his home State of Gujarat. This Business Opportunity Report holds an assessment and outlook of the economy, on an industry level, the business climate, and trade flows. It includes a list of measures that Modi has taken or is likely to take, that businesses may benefit from.

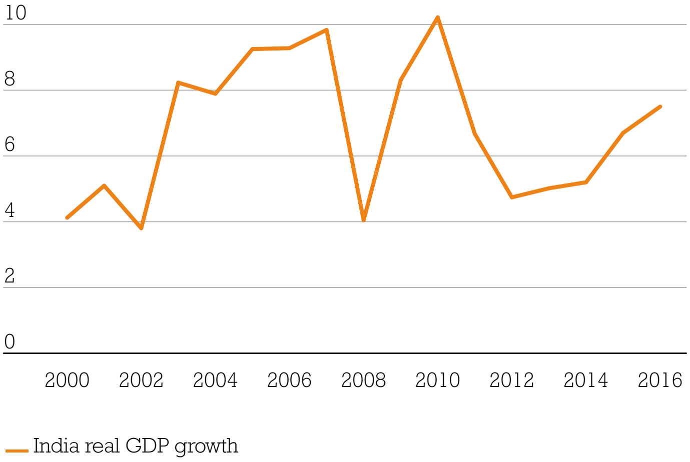
- Leading indicators suggesting a pickup in the economy
- Macroeconomic stability indicators are somewhat weak but show some recent improvement. Sovereign ratings are at lowest investment grade
- The Indian rupee has been under pressure since the start of the global financial crisis but scope for further sharp depreciation seems limited
- Economic growth is significant but below potential as a result of weaknesses in the business climate
- In terms of industrial production and productivity gains, India performs poorer than China since 2000, but better than the other BRICS countries. India has the lowest GDP per capita, while its demography is much more favorable than that of China
- Weaknesses in the economy center around administrative barriers, labor market rigidities, infrastructure and the tax system
- Measures that the Modi government has set up/plans to tackle these weaknesses include online systems for getting clearances/licences, easing administrative barriers, and providing funding to - and incentivizing banks to fund- large infrastructure projects. Less rigid labor laws are pending parliamentary approval. A unified Goods and Services Tax is likely to be introduced around April 2016.
- The policy measures should lead to improvement in some of the weak aspects of the Indian business climate, although drastic change will probably take more time.
- Growth industries in India include IT, transport (equipment), financial services, and distribution, while the ''Make in India'' should help general manufacturing. Most value-added continues to be generated in agriculture.
- In terms of India's export products, transport (equipment) but also chemicals, pharma and industrial machinery are expected to show strong growth
- Demand for imported pharmaceutical products, industrial machinery, office, electrical and telecom equipment, and road vehicles & transport equipment are expected to grow strongly.

1 Macroeconomic setting

India's real GDP growth rebounded sharply during 2009-11 after the global credit crisis years. However, the rebound was short-lived and growth decelerated significantly in the following three years.

Growth this year and the next is expected to be around 5/6%, which is substantial although not very impressive for a country such as India, with high population growth and very low GDP per capita. Fortunately, however, leading indicators are currently suggesting a pickup in the economy. ING forecasts an increase in growth, from 5.2% estimated growth for this year to 6.7% growth for 2015.

Figure 1 Real GDP growth India expected to pick up



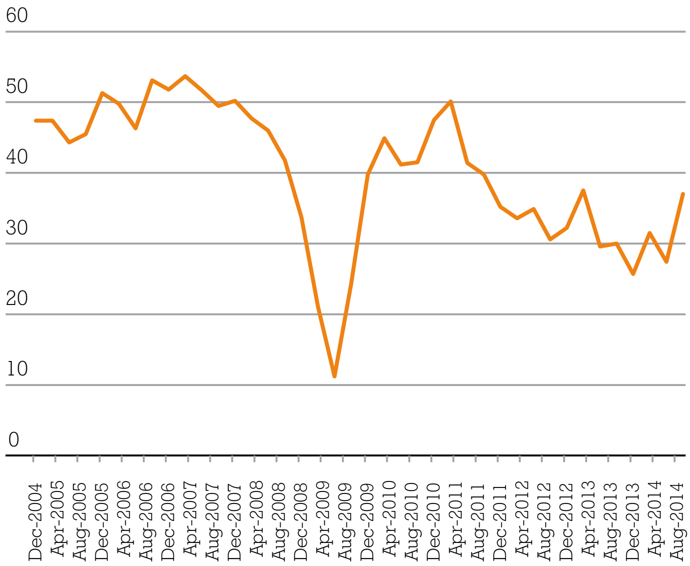
Source: ING

Business sentiment showed some clear improvement since Modi took office in May. Still, sentiment is still relatively weak, with only 37% of respondents currently expecting an improvement.

Currency

The INR has been under depreciating pressure since the start of the global financial crisis. The May quantitative easing testimony by Bernanke sent the rupee plummeting. Authorities reacted by imposing quantitative restrictions on bank borrowing with the objective of raising short-term interest rates to make rupee borrowing dearer. The scope for a further sharp depreciation for the INR seems limited, given these measures, some improvement in the twin deficit situation (please see box on country risk), and the fact that the currency seems by and large fairly valued at current levels.

Figure 2 Overall business outlook, % of respondents expecting improvement



Source: Reserve Bank of India

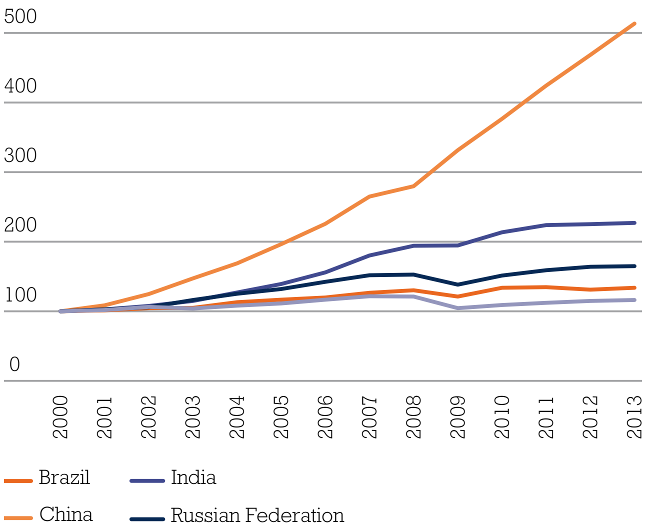
Figure 3 Currency depreciating: INR against USD, 2004-present

Source: ecowin

BOX: Comparing the BRICS

Agriculture still plays a large part in the Indian economy, generating 18% of GDP, the largest percentage among the BRICS (this percentage has been falling though). The role of industry has been almost stable since 2000, making up about a quarter of the economy, while the role of services has been increasing. Services make up 57% of GDP, which is average among the BRICS. The increase in labor productivity that India has shown since the turn of the millennium has been better than Russia and Brazil, but poorer than China. Total factor productivity shows the same picture: China does better, and Russia and Brazil do poorer than India. In terms of increase in industrial production, India is also number 2, after China:

Industrial production BRICS, 2000=100



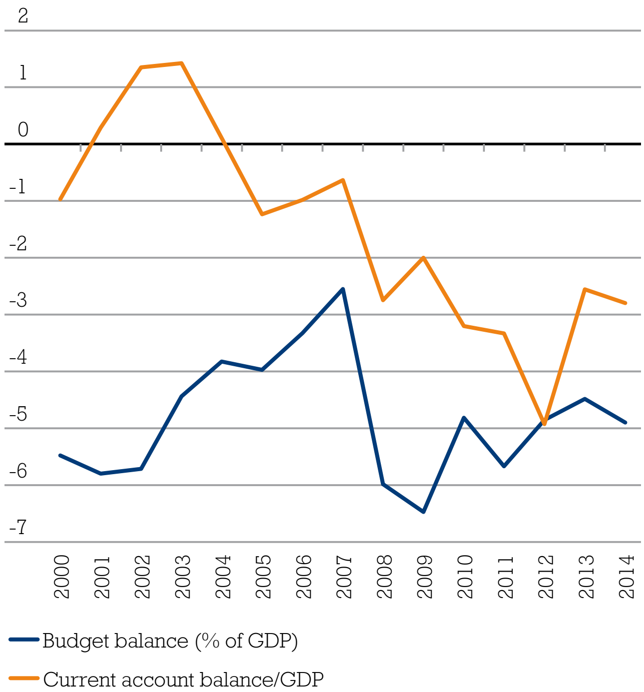
Source: EIU

Compared to the BRICS, India has by far the lowest GDP per capita, with the numbers in the other BRICS 2-5 times as high. In terms of GDP growth per head, you would expect India –given the low base – to be one of the highest growers. However, as a result of sizeable population growth the economy as a whole needs to grow faster to achieve an improvement in per capita GDP. The positive side of this is that India has a very young population: the average Indian is currently 27 years old. Comparing to a country such as China, India's demography is much more favorable, with no ageing issue.

BOX: Indian Country Risk

The deceleration in growth over the past few years was accompanied by a widening of the twin (current account and fiscal) deficits.

Twin (current account and fiscal) deficits



Source: EIU

The weakest aspect of India's macroeconomic profile is the government finances. As a result, the high government financing needs have a crowding-out effect on private investments, which is likely to be unfavorable for productivity and competitiveness (as private investment tends to be more productive than government investment). Overall, macroeconomic stability indicators are somewhat weak but better than the situation prior to the 1990s crisis, and risks have abated recently as the government and the Central Bank have worked jointly to address imbalances. Sovereign ratings have remained the same over the past few years: all three rating agencies have ''lowest investment grade'' ratings in place (in the case of Standard & Poor's combined with a negative outlook).

2 Business environment

In this chapter, the current situation in terms of business environment is described (the starting point for the Modi government). After this, we turn to the Modi government's realised and likely policy measures that may tackle some of the weaknesses in the business environment.

In the 2014 World Economic Forum ranking of most competitive countries, India dropped 11 places since the last one, ranking 71 out of 144, the poorest score among BRIC economies. India scores relatively poorly in terms of basic requirements, with weaknesses concentrating on infrastructure and health and primary education. To make progress in the basic requirements progress in reducing poverty and higher economic growth will be needed. On more sophisticated aspects, such as business sophistication and innovation, India scores relatively good. This means that the preconditions for process on innovation in products and processes are present, through geographical proximity of high-quality businesses, which interact with each other. The World Economic Forum stated that the country needs to move up the global manufacturing value chain. Despite the abundance of low-cost labor, India has a very narrow manufacturing base.

In the 2014 World Bank report "Ease of Doing Business" India is ranked 134 out of 189 countries, in the same league as Ecuador and Yemen. Weaknesses according to this ranking (please see table 1) are particularly enforcing contracts, dealing with permits, and starting a business. Relatively good points are getting credit, protecting investors, and registering property.
Summarising, in both the Global Competitiveness ranking and the Ease of Doing Business ranking India scores significantly poorer than the other BRICS. Noting this relatively poor performance, we now turn to which improvements need to take place to tackle some of the weaknesses.

According to KPMG's "Ease of doing business in India" report[1] there is a particular need for:
- Enhanced transparency and simplification in rules and processes
- Structural reform of the tax system
- More flexible labor policy
- Promotion of industrial clusters for ease in land acquisition and business startup
- Increase efficiency of dispute resolution, including judicial
- Improved efficiency of clearance systems

Table 1 India's ranking on "Ease of Doing Business"

	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	3	3	6	28	3	2	5	1	12	4
Hong Kong SAR, China	2	5	1	5	89	3	3	4	2	9	19
…	…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…	…
Bosnia and Herzegovina	131	174	175	164	96	73	115	135	107	115	77
Uganda	132	151	143	178	126	42	115	98	164	117	79
Yemen, Rep.	133	114	101	116	61	170	138	129	128	85	126
India	**134**	**179**	**182**	**111**	**92**	**28**	**34**	**158**	**132**	**186**	**121**
Ecuador	135	176	64	138	91	86	138	91	122	99	143
Lesotho	136	89	145	136	88	159	98	101	144	144	104
Cambodia	137	184	161	134	118	42	80	65	114	162	163
…	…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…	…
Libya	187	171	189	68	189	186	187	116	143	150	189
Central African Republic	188	177	156	177	141	109	138	188	185	180	189
Chad	189	183	139	149	146	130	157	189	183	171	189

Source: World Bank "Ease of Doing Business", 2014

In ING's 2013 Business Monitor India (a questionnaire among entrepreneurs active in India), respondents were asked what the Indian government could do to make doing business easier in India. Many replied that the government could simplify and/or reduce tariffs, taxes and customs duties; that the government needed to tackle administrative barriers to registering a business and labor market rigidities; and combat corruption.

Modi has announced various landmark programs and campaigns to Boost India's economic development.
"Make in India", "Clean India", Namami Ganga -which relates to the cleaning of the Ganges river- are examples of these. Since the Modi government has only been in office

1 "Ease of Doing Business in India", KPMG, April 2014

for slightly over 4 months, many of the below mentioned measures are still in the planning process. However, these measures are expected to be implemented, within the next 12-24 months.

Measures that are likely to improve the business climate positively[2]

More predictable policies

- Modi government intends to exercise with extreme caution and judiciousness – keeping in mind the impact of such measures on the economy and overall investment climate - the government's sovereign right to undertake retrospective legislation.

Meeting business needs of specific sectors

- In the context of the "Make in India" campaign, so-called "thrust areas" have been identified for 25 sectors, of which auto, food processing, defense, IT, textiles, pharma and electronics will be key. These special zones will equip these sectors with next generation infrastructure facilities to enable greater production. These measures have not been detailed yet, blueprint likely in some time

Development of "Smart Cities".

- Mr Modi has promised to set up 100 "smart cities" ($1.2bn has been allocated for this project in the 2014-2015 budget). This plan is actually an extension of a programme that Mr Modi has implemented in Gujarat, promising to bring in hundreds of thousands of jobs through the construction and development of new urban spaces. 5 "Smart cities" have already been identified for development into industrial clusters in the government's maiden budget: Dholera, Shendra-Bitkin, Vikram Udyogpuri, Greater Noida and Gurgaon Global City under the Delhi Mumbai Industrial Corridor project. These smart cities are planned to be ready in 2019, while plans for Chennai-Bangalore industrial corridor have already been prepared. Plans for 2 more corridors (Vizag-Chennai and Amritsar-Kolkata) are being accelerated.

Easing rigidities in labor laws

- To ease the environment for doing business, the government proposed amendments to various labor laws. Examples include amendments to the Apprentice Act -removing a clause that mandates business to absorb 50% of apprentices-; allowing women to work in night shifts; and liberalizing laws governing overtime hours. These measures are currently awaiting parliamentary approval.

Relaxation foreign direct investment rules

- With the aim of attracting foreign investment and improving technological knowhow, the government has raised the FDI limits in defense and insurance (to 49% from 26%), and to 100% (for construction, operation, and maintenance) in railway infrastructure projects (realized). Likely further liberalization in FDI norms in the construction development sector and selected sectors in defense.

Speeding up clearance and license processes

- Creation of online systems for getting environment approvals in place, such as for forest clearance proposals (http://environmentclearance.nic.in/)
- Relaxed norms for when environmental impact assessment and environmental clearances (when building production facilities) are needed (likely)
- Planned development of online one-stop shop to grant over 100 clearances. This "e-biz" window is planned to be operational by March 2015, while 15-16 important clearance procedures are planned to go online by the end of this year (www.ebiz.gov.in)

Improving the speed of decision making

- The Department of Industrial Policy and Promotion (DIPP) and FICCI, have jointly set up a 8 member panel to address queries and concerns of investors, clarify Indian policies, redress grievances, and suggest reforms. The panel promises matters to be resolved in 72 hours max.

Upgrading infrastructure

- Reserve Bank of India (RBI) has recently provided big incentives for banks to issue infrastructure bonds (mostly taking the form of exempting such bonds from the regulatory pre-emptions, hence reducing cost of funds for infrastructure bonds)
- Government providing funds from the budget for large infrastructure projects (to push implementation of these projects), such as: Solar Power project in Tamil Nadu ($82m allocated in budget); Metro rail project in Lucknow, Uttar Pradesh ($8m allocated in budget); Ahmadabad-Gandhinagar Metro Rail Project Phase-I, Gujarat ($8m allocated in budget); Trans-Arunachal Highway Project, Arunachal Pradesh and Kaladan Multi Modal Transport support road Project, Mizoram; ($489m allocated jointly for these 2 projects); Ahmadabad-Dandi Heritage

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2 this part has been partly based on earlier publications of ING ("Budget 2014/2015: a fine balance between growth and investment", July 2014) and KPMG ("India Insights: Budget Special", July 2014) along with other media reports

Route Project, Gujarat (total investment est. $391m, $1bn allocated in budget for this and 2 other projects); Paradip-Raipur-Ranchi Product Pipeline Project, Odisha; Kalyani AIIMS Type Hospital Project, West Bengal ($82m allocated in budget for this and 3 other hospitals); A clean river Ganges and river connectivity ($33m allocated in budget) for cleaning the polluted Ganges water and interlink all of India's rivers, potentially solving issues relating to water shortage

Easing rules around land acquisition

- Process of collective feedback and/or building consensus with stakeholders on key reforms begun. The government, in consultation with states is, also deliberating on amendments to the Land Acquisition Bill, to make it more business-friendly. The bill in its current form mandates resettlement of displaced persons before acquisition, consent of 70-80% of the landowners and higher compensation norms for those affected. The government is reviewing these clauses, among others, to ensure that the bill does not become a roadblock to project implementation.

Creating a unified Goods and Services Tax

- Process of collective feedback and/or building consensus with stakeholders on key reforms begun. This unified tariff is likely to be introduced around April 2016. If implemented, it would be a big boost for growth and fiscal consolidation

The above-mentioned measures should lead to improvement in some of the weaknesses of the Indian business climate, such as dealing with permits, starting a business, and labor market rigidities. Particularly for the foreign investor, the easing of the FDI limit rules in certain sectors should be a bonus, while the fact that the Modi government plans to undertake retrospective legislation only with extreme caution should improve the confidence of foreign investors. The measures should improve the country's ranking on the next "Ease of Doing Business" publication, although drastic improvements will likely take more time.

3 Industry developments

Now that we have some indication of possible improvements that may take place in the business climate, we now provide some indication of the outlook for different sectors in the Indian economy.

Table 2 Value-added created by India's sectors

	Value-added output, 2008 (a)	Absolute value increase 2008-2013 (b)	% Increase 2008-2013	Value-added output, 2013 (a+b)	Expected absolute value increase 2013-2018 (c)	Expected % increase 2013-2018	Expected value-added output, 2018 (a+b+c)
Agriculture, forestry & fisheries	**255.8**	**52.8**	21%	**308.7**	**52.3**	17%	**361.0**
Financial services	**172.4**	**118.8**	**69%**	**291.2**	**106.3**	37%	**397.5**
Retail & wholesale distribution	**170.0**	**65.8**	39%	**235.8**	**86.7**	37%	**322.5**
Construction	107.2	31.9	30%	139.1	45.7	33%	184.9
Transport & storage	76.3	29.5	39%	105.8	47.6	**45%**	153.3
Information & communications	46.9	18.2	39%	65.1	29.3	**45%**	94.3
Business services	27.2	18.7	**69%**	45.9	15.8	35%	61.7
Extraction	38.0	3.5	9%	41.4	3.9	9%	45.3
Basic metals	29.7	8.7	29%	38.4	12.6	33%	51.0
Textiles, leather & clothing	25.4	7.1	28%	32.5	10.6	33%	43.1
Food, beverages & tobacco	26.2	4.9	19%	31.1	10.2	33%	41.3
Utilities	23.2	7.1	31%	30.3	6.5	21%	36.8
Chemicals	21.4	5.9	27%	27.3	6.4	23%	33.7
Coke & refined petroleum products	14.5	5.2	36%	19.7	4.8	24%	24.5
Transport equipment	11.0	8.2	74%	19.2	9.3	**48%**	28.5
Non-metallic minerals	11.7	2.9	25%	14.6	4.6	31%	19.2
Furniture manufacturing	5.3	5.8	**109%**	11.1	3.4	30%	14.4
Electrical, optical & high-tech	11.0	-0.6	-6%	10.4	1.5	14%	11.9
Mechanical engineering	8.0	2.2	27%	10.2	3.1	30%	13.3
Metal products n.e.c	7.4	2.3	32%	9.8	2.1	21%	11.8
Paper & printing	5.7	1.7	30%	7.4	2.1	29%	9.5
Pharmaceuticals	5.9	0.8	14%	6.7	1.6	23%	8.3
Rubber & plastics	4.4	1.6	36%	5.9	2.3	39%	8.2
Wood & wood products	3.0	-0.1	-2%	2.9	0.7	25%	3.7
Repair & installation of machinery	0.9	0.3	35%	1.1	0.1	11%	1.3
Other manufacturing	1.0	-0.2	-19%	0.8	0.3	37%	1.1

Source: Oxford Economics, ING calculations. Value-added output in real terms, $bn, 2010 prices. Top 3 in each column is highlighted

Table 2 illustrates the importance of the different sectors in India's economy. Most valued-added continues to be created in the agriculture sector. By 2018, however, its number 1 place may well be taken over by financial services. Still, a sizeable $52bn is expected to be added to the agriculture sector output over the next few years. When looking at a more detailed level than depicted in the table, we see that over the past 5 years, the fastest growth took place in furniture manufacturing, aerospace, shipbuilding and transport equipment, motor vehicles manufacturing and different forms of business services, such as real estate, insurance and financial services.

Looking ahead, fast growth is expected in transport and storage services (strongly correlated with industrial activity), information communication, specialized construction activities, motor vehicles, electrical fittings and domestic appliances. The labor-intensive manufacturing sectors that benefit from the "Make in India" initiative should generally benefit. Businesses that can deliver components, machinery, or specialized services for these growth sectors may well be able to find opportunities.

Next, we've looked at the share of world output that different Indian sectors have in the global output (of that sector). This share, and the fact that this share is increasing or decreasing, could give us some indication of the performance of that sector as compared to this same sector in the rest of the world. India turns out to have the largest shares in agriculture, furniture manufacturing, and textiles. High growth in these shares over the past 5 years occurred in furniture manufacturing, business services, and transport equipment. The largest growth in these shares over the coming 5 years is expected to occur in transport equipment, and information & communications, and general manufacturing.

Now we have an idea of the developments on the macro environment and business, combined with an idea of which industries will show higher growth. Next, we turn to developments of trade flows to and from India. High growth flows may provide some ideas of possible attractive business opportunities for entrepreneurs.

4 India's trade flows

For such a large economy, India is relatively open: exports of goods and services are equivalent to a quarter of GDP. Please find in tables 3 and 4 the main trade partners in terms of current size, plus the bilateral trade flows that are expected to grow strongly.

What immediately becomes clear from these tables is that India is becoming an increasingly important trading partner in the region and for emerging markets generally. The flows expected to grow the fastest are without exception to and from emerging markets.

Table 3 Top 10 import origins and fastest expected growth in this

Size of imports, rank	Import partner	Realised growth over past 5 years (CAGR*)	Nominal value, 2013, $bn	Expected growth over coming 5 years (CAGR*)
1	China, P.R.	11.2%	51.4	8.4%
2	Saudi Arabia	13.3%	36.4	0.4%
3	United Arab Emirates	12.1%	33.3	0.2%
4	Switzerland	18.3%	25.6	0.9%
5	United States	3.6%	22.6	6.7%
6	Iraq	22.7%	20.3	9.0%
7	Kuwait	14.4%	17.5	-2.1%
8	Indonesia	19.4%	15.1	8.2%
9	Venezuela	36.8%	14.9	0.7%
10	Qatar	35.3%	14.5	6.4%
…				
13	Korea. South	9.3%	12.4	8.1%
…				
18	Iran	-3.3%	10.0	10.5%
19	Malaysia	6.6%	9.3	8.2%
…				
22	Singapore	-1.7%	7.0	7.4%
…				
29	Brazil	27.7%	3.8	12.9%
30	Russia	-0.3%	3.8	10.1%
…				
38	Egypt	2.9%	2.4	10.9%

Source: Oxford Economics. * CAGR: Compiled annual growth rate

Table 4 Top 10 export destinations and fastest expected growth in this

Size of imports, rank	Export destination	Realised growth over past 5 years (CAGR*)	Nominal value, 2013, $bn	Expected growth over coming 5 years (CAGR*)
1	United States	13.2%	38.8	8.4%
2	United Arab Emirates	7.9%	32.0	13.7%
3	China. P.R.	8.5%	14.6	13.7%
4	Singapore	11.0%	13.5	9.5%
5	Hong Kong	14.5%	13.0	10.7%
6	Saudi Arabia	20.4%	11.8	6.6%
7	United Kingdom	7.7%	9.6	5.3%
8	Netherlands	7.4%	8.6	7.2%
9	Germany	4.2%	7.4	7.4%
10	Japan	16.1%	6.8	7.2%
…				
13	Brazil	16.3%	5.4	11.9%
14	Viet Nam	25.6%	5.3	12.0%
…				
16	Indonesia	16.5%	5.2	13.8%
…				
22	Korea. South	2.1%	4.1	13.6%
…				
31	Nigeria	13,0%	2,6	12,9%
32	Egypt	10,4%	2,6	12,4%
…				
37	Mexico	24,3%	1,9	10,6%

Source: Oxford Economics. * CAGR: Compiled annual growth rate

Bilateral trade relations that are growing in importance are among others those with China and parts of Africa. India has always been a bit wary of China, but under Modi it seems to be opening its doors to the Chinese a bit more, albeit while at the same time boosting military preparedness and strategic partnerships to cope with Beijing's rise. The Chinese are setting up factories in India both for Indian consumption and exports, taking advantage of the fact that labor now is significantly cheaper in India than in China. China is India's largest trading partner and number 1 origin of imports. China exports power and telecom equipment to India. India's main exports to China are raw materials. Still, Chinese direct investment in India, which totals about $400m, trails far behind the $17bn in cumulative investments from Japan, with which country relations have traditionally been closer. A further investment of China of $5bn in 2

Table 5 Indian exports (total) by product group

	Realised growth over past 5 years (CAGR)*	Exports, $bn, 2013	Expected growth over next 5 years (CAGR)*	Expected growth is faster/ slower
Other manufactured goods	11%	141.4	19%	**faster**
Fuels	12%	98.8	7%	slower
Textiles	12%	73.9	17%	**faster**
basic food	11%	49.0	10%	slower
Chemicals	12%	45.5	**22%**	**faster**
Road vehicles & transport equipment	11%	27.6	**26%**	**faster**
Pharmaceuticals	**20%**	21.9	20%	stable
Office, telecom and electrical equipment	**14%**	19.3	16%	**faster**
Industrial machinery	4%	19.0	20%	**faster**
Ores and metals	-6%	16.2	18%	**faster**
agriculture. raw materials	**47%**	14.2	9%	slower
beverages and tobacco	8%	2.0	6%	slower
Other products	-25%	1.3	**21%**	**faster**

Source: Oxford Economics * top 3 highlighted

Table 6 Origin of FDI (values in $m)

		FDI flows so far this financial year (April-July 2014)	Cumulative inflows April '00-July '14	share of total cum. Inflows
1	Mauritius	3,386	81,911	36%
2	Singapore	1,669	27,115	12%
3	UK	824	21,588	10%
4	Japan	834	17,102	8%
5	The Netherlands	1,492	12,728	6%
6	USA	351	12,279	5%
7	Cyprus	271	7,717	3%
8	Germany	314	6,833	3%
9	France	116	3,994	2%
10	Switzerland	109	2,817	1%
	All countries	**10,736**	**228,438**	

Source: India's Department of Industrial Policy and Promotion industrial parks may well be forthcoming. China and India may also firm up a deal on bullet trains.

Parts of Africa, particularly the East, also have close and growing trade relations with India. 7% of total Indian imports come from Africa, while 8% of India's total exports go to Africa. Particularly exports to Kenya, Tanzania, Egypt, and Nigeria are substantial in size and have been growing fast. Especially fast-growing flows are fuels to Tanzania, textiles to Nigeria, and electrical components to Nigeria and Egypt.

We now turn to India's trade picture in terms of product groups. Table 5 shows that high growth is expected in road vehicles and transport equipment as well as chemicals exports from India to the rest of the world. For businesses, this may imply an increasing demand for components for vehicles, or machinery to be used in the chemicals industry. It could also mean attractive investment opportunities for entrepreneurs looking to start producing in India. This could also apply to production of machinery and manufactured goods in general, as these categories are also expected to show fast growth.

In terms of import demand, (please see table 7), the most important components of the large "other manufactured goods" flow are non-metallic mineral manufactures, iron & steel, scientific equipment, furniture, and prefab buildings. Of these, high growth is expected in scientific equipment and prefab buildings. In the other main product groups, strong growth is expected to occur in industrial machinery, pharmaceuticals, office, telecom and electrical equipment, and road vehicles. Exporters of these types of products could benefit from the high growth.

Table 7 Indian imports (total) by product group

	Realised growth over past 5 years (CAGR)*	Imports, $bn, 2013*	Expected growth over next 5 years (CAGR)*	Expected growth is faster/ slower
Other manufactured goods	10%	67.0	12%	**faster**
Fuels	11%	61.1	7%	slower
Office, telecom and electrical equipment	5%	32.9	**14%**	**faster**
Industrial machinery	4%	30.3	**15%**	**faster**
Chemicals	5%	28.5	13%	**faster**
Other products	10%	20.1	12%	**faster**
Basic food	**12%**	13.6	10%	slower
Ores and metals	-1%	13.5	9%	**faster**
Road vehicles & transport equipment	-1%	9.6	**14%**	**faster**
Textiles	11%	6.7	11%	stable
Agriculture, raw materials	**13%**	3.2	7%	slower
Pharmaceuticals	8%	2.6	**15%**	**faster**
Beverages and tobacco	**12%**	0.2	6%	slower

Source: Oxford Economics * top 3 highlighted

For more information, please contact:

Anke Martens
Senior economist
+31 6 83 63 97 39

Upasna Bhardwaj
Economist ING Vysya
+91 22 33 09 57 18

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