India’s Response Towards Global Uncertainty

Capital SPROUT

WHERE YOUR TRUST RESIDES

Wealth Bulletin
Sept 2024

The Chairman's Message

Greetings from Capital Sprout!

It gives me pleasure to share the September – 2024 issue of Capital Sprout's Wealth Bulletin, which will focus on ongoing war like scenario of the world, its effects on the economy and share market, and how India has coped up.

To gain maximum returns, and to achieve diversity of risk in their portfolio, many investors are investing in foreign capital market funds such as, Global Blue-chip Funds, NASDAQ Funds, Global Index Funds, Foreign Opportunities Funds, etc. However, as uncertainties of war, political tensions with invasion of Russia into Ukraine, invasion of Israel into Palestine and Lebanon, the fightback from Iran, elections just around the corner for the major western economies like the United States of America (USA) and the United Kingdom, the world economy is set to change leaps and bounds.

As supported by above, economy of the world is very dynamic, and because of globalization, a setback in one major economy can cause a ripple effect of all the economies dependent on it. As an individual investor, one has to stay vigil and up to date with the risks of economies they invest in, and has to constantly give a correction in their portfolio.

India as an economy has developed exponentially after the COVID era, and due to India's policy of being neutral in the war, and not picking any sides, has helped the Indian economy to be less affected by other economies.

India has shown a real growth of 7.8% in GDP in the year 2023, which is higher than any of the top 21 biggest economies of the world. It has shown second highest increase in growth in real GDP as compared to pre COVID periods. This has been supported by tables further in the newsletter.

While Indian economy has been on a bullish side in the recent years, it can be a rational decision to add investments or divert investments in Indian capital market.

In this newsletter, we cover everything you need to know about uncertainties of any economy, including their effects, growth of Indian economy, and how Indian economy has remained comparatively stable during uncertain times.
I hope that readers will find this newsletter valuable.

CA DR Rajesh Khandol

Ongoing war and its implications

The ongoing war poses a threat of blockage of trade with middle eastern countries, and sanctions of trade by the western and Indian governments.

Historically, war has never been favorable in the growth story of any economy. Ukraine-Russia war has led to sanctions on trade with Russia, and since the sanctions, the Russian economy is on a heavy decline (-4.5%, -3.5%, -2.7% and -1.6% in Q2 2022, Q3 2022, Q4 2022 and Q1 2023 respectively).

Diversification of investment

Many investors often invest in international capital markets so as to gain a competitive edge over local investors and to maximize their returns. However, in these turbulent times of war in the Middle East, and recession just on the rise in the American markets, it is also logical and reasonable to divert investment in Indian capital market.

As India is historically a savings-based economy, the people always keep some amount of savings in form of hard cash or safe investments like FDRs and savings accounts of banks which are not affected largely by economic forces of the stock market. Thus, even historically when recession hit globally, India was not much affected by it.

As analyzed from the table below, it can be determined that the worst year for the USA i.e., 2009 was much more serious than the worst year for India i.e., 2008. The USA was 1.67 times more affected than India, if we compare worst GDP growth rates of both the countries (-1.98%/-1.18%). Below data clearly supports the above paragraph –

Country	Calendar years				Average growth rate of GDP during the great depression
	2007	2008	2009	2010	
USA	4.77%	2.04%	-1.98%	3.94%	2.19%
INDIA	30.51%	-1.18%	11.57%	25.13%	16.51%

Why Invest Locally?

Supporting regional businesses will help maintain employment and develop self-sufficiency of funds, and reduce dependence on foreign investments. This will further reduce Indian economy's dependence on foreign market volatilities.

The global supply chains have become fragile because of war like situation in the middle east, and eastern Europe.

India's growth story

Indian economy, during the recent previous years, has shown a great come back from the COVID era. It has the second highest real GDP growth versus its peers –

Real GDP growth (%YoY) *			
Country	Pre-Covid -2019	Post-Covid -2023	Change
Mexico	-0.3	3.2	3.5
India	4.6	7.8	3.2
Japan	-0.4	1.9	2.3
Brazil	1.2	2.9	1.7
Australia	1.8	2.1	0.3
South Africa	0.3	0.6	0.3
Indonesia	5	5	-
US	2.5	2.5	-
Thailand	2.1	1.9	-0.2
Philippines	6.1	5.6	-0.5
Malaysia	4.4	3.7	-0.7
Canada	1.9	1.1	-0.8
China	6	5.2	-0.8
South Korea	2.2	1.4	-0.8
France	1.8	0.9	-0.9
Germany	1.1	-0.3	-1.4
UK	1.6	0.1	-1.5
Taiwan	3.1	1.4	-1.7
Saudi Arabia	1.1	-0.8	-1.9

As compared to its peers, India's cost of debt has remained stable, thus proving the dependability of the economy –

10-year yields *			
Country	Pre-covid (2019)	Now (2024-TD)	Change
China	3.2	2.15	3.2
Indonesia	7.49	6.62	7.49
India	6.92	6.97	6.92
Malaysia	3.62	3.78	3.62
Thailand	1.99	2.56	1.99
South Africa	8.43	9.01	8.43
Taiwan	0.73	1.53	0.73
Philippines	5.22	6.09	5.22
Japan	-0.11	0.85	-0.11
South Korea	1.67	3.03	1.67
Canada	1.56	2.97	1.56
US	2.08	3.73	2.08
Mexico	7.53	9.5	7.53
Germany	-0.24	2.22	-0.24
Australia	1.44	3.93	1.44
France	0.09	2.91	0.09
UK	0.85	3.94	0.85
Brazil	7.8	12.19	7.8

Vocal For Local

Recently, the NITI Aayog (National Institution for Transforming India) launched the 'Vocal for Local' initiative under its Aspirational Blocks Programme (ABP).

Initiative aims to boost sustainable growth by showcasing indigenous products through 'Aakanksha.' A dedicated window on the GeM portal facilitates e-commerce for local products.

As a part of this initiative, indigenous local products from 500 Aspirational Blocks have been mapped and consolidated under Aakanksha.

The CEO of NITI Aayog urged district collectors and block-level officials to collaborate with partners such as Government e-Marketplace (GeM) and Open Network for Digital Commerce (ONDC) to facilitate sustainable growth of microenterprises in Aspirational Blocks.

The ABP is a development initiative announced in the Union Budget 2022-23, it aims to provide direction, guidance, and support for social and economic advancement in the most underdeveloped regions in India and to direct development benefits towards marginalized and vulnerable sections of the population.

Make in India

Make in India is a direct inspiration from China's model to increase domestic manufacturing. In the year 1987, GDP of China and India were US$ 327.728 billion and US$ 278.864. Thus, China was only 17.52% ahead in terms of GDP. However, in 1990, China adopted and liberalized its policy of domestic production by way of relaxing the SEZ norms, and thereby increasing the relaxations to companies to set up production plants and facilities in such zones. Thus by 2023, China has increased its GDP exponentially, and sits at US$ 17662.041 billion, while India has managed US$ 3572.078, with potential to grow even more like China.

This initiative was launched globally in September 2014 as a part of India's renewed focus on Manufacturing. The objective of the Initiative is to promote India as the most preferred global manufacturing destination.

The Make in India initiative aims to make India an integral part of the global supply chain. It is about making Indian companies excel in a globalized workspace. India has vigorously opened up its economy Defence, Railways, Construction, Insurance, Pension Funds, Medical Devices have all been rapidly opened up for Foreign Direct Investment. India today is one of the most open economies of the world.

Government policies

Make in India has already created a strong impact in form of improved business environment and economic growth, as follows:

- India is now 1st amongst the world's most attractive investment destinations
- 1st amongst world's fastest growing economies
- 1st among 100 countries on the growth, innovation, and leadership index
- 1st amongst 110 investment destinations polled globally
- 7th most valued national brand in the world
- India's rank jumped 12 positions in Ease of Doing Business 2016 list by World Bank
- India moved 16 places in the Global Competitiveness Index 2015-16

MAKE IN INDIA

Some success stories of Make in India so far:

Ministry of Railways signed formal agreements with global giants AlstomBSE -0.56 % and GE Transport to set up locomotive manufacturing factories in Madhepura and Marhaura in Bihar.

Electronics:

- Foxconn announces 10-12 facilities in India
- Oppo, ZTE, Phicomm invest in India
- One Plus, ASUS announces mobile manufacturing

Automobiles:

- Mercedes Benz invest aggressively in India
- BMW increases 50% localization
- Volvo, Ford in with R&D facility

Defence:

- Hyundai to build warships
- Sun Group to build Russian helicopters
- Reliance and international partners to build nuclear submarines and stealth warships

Aviation:

- Airbus to increase its exports from India up to $ 2 bn USD
- Pratt & Whitney evinced interest to Make in India

Conclusion

Globalisation has always been a boon and a bane to economies of the world. It serves as a boon to the economies which are not self-sufficient by providing benefits of trade with other global economies, and making available the resources, which it cannot produce on its own. It also serves as a bane, by making the same economy overly relied on import-export and global trade in the long run. If the global economies of the world are consistent, it prospers the economy, but if just one link of the trade is weak or broken, it can affect many economies dependent on it vastly.

Examples of such weak links are wars, political instability, recession, inflation etc. Such examples are popping up in many countries of the world like recession and unemployment rates in the USA, political instability in the UK and war like situations in middle eastern countries like Iran, Israel, Palestine, Ukraine, Russia and several other countries.

Political stability has been a huge factor for growth of the Indian economy, thus, making a decision of diverting funds in the portfolio, and investing in Indian capital market could be a wise call, as India has not been much affected by uncertainties of the west historically, and it is supported by the growth story of India in recent years.

Performances

Equity Market

Indices	01-09-2024	30-09-2024	High	Low
BSE S&P SENSEX	82,725.28	84,299.78	85,978.25	80,895.05
NIFTY 50	25,333.60	25,810.85	26,277.35	24,753.15

Mutual Fund

AUM Data of Mutual Fund for the Month of Sept 2024

(INR. In Lakh Crore)

Particulars	AUM As On 31-08-2024	Fresh Fund Mobilize During Sep– 24	Redemption During Sep-24	AUM As On 30-09-2024
Total AUM of all mutual funds scheme	67.53	11.74	12.45	66.82
AUM of equity oriented (growth) schemes	30.76	0.72	0.38	31.10

Source: Association of Mutual Fund of India (AMFI)

SIP Contribution

(INR. In Crore)

Month	SIP Contribution	SIP AUM
Sept-2024	24,509	13,81,704

FII & DII Inflow/Outflow Position

FII's buying in the month of Sept-24 is 0.13 Lakh.
DII's buying in the month of Sept-24 is 0.31 Lakh.

Inflow/Outflow position in the month of Sept 2024

(*INR. In Crore)*

FII /DII	Gross Purchase	Gross Sale	Net
FII	3.91 Lakh	3.79Lakh	0.13 Lakh
DII	3.17 Lakh	2.86Lakh	0.31 Lakh

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