



D&B Country Insight Snapshot: India

January 2015





Overview

Overall Country Risk Rating : DB4b



Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

Rating Outlook: Stable →

Core Outlook

- + A large English-speaking population aids competitiveness in the global services sector.
- + Higher education spending and access to healthcare should increase intangible wealth. India's capital stock should surge over 2015-25.
- High costs for business reflect the chronic supply-side problems and are outweighing the advantages of an early-stage market in some cases.
- Two-thirds of Indians depend on farm income and close to half of the cropped area depends on rains, making India vulnerable to monsoonal disruption from climate change and El Nino.

Key Development

The country struggles with high inflation and a tight monetary policy, and although inflation seems to be receding, structural rigidities and the vagaries of monsoon could have a negative effect.

Credit Environment Outlook

Key Development has had a positive impact on the outlook.

Supply Environment Outlook

Key Development has had a positive impact on the outlook.

Market Environment Outlook

Key Development has had a neutral impact on the outlook.

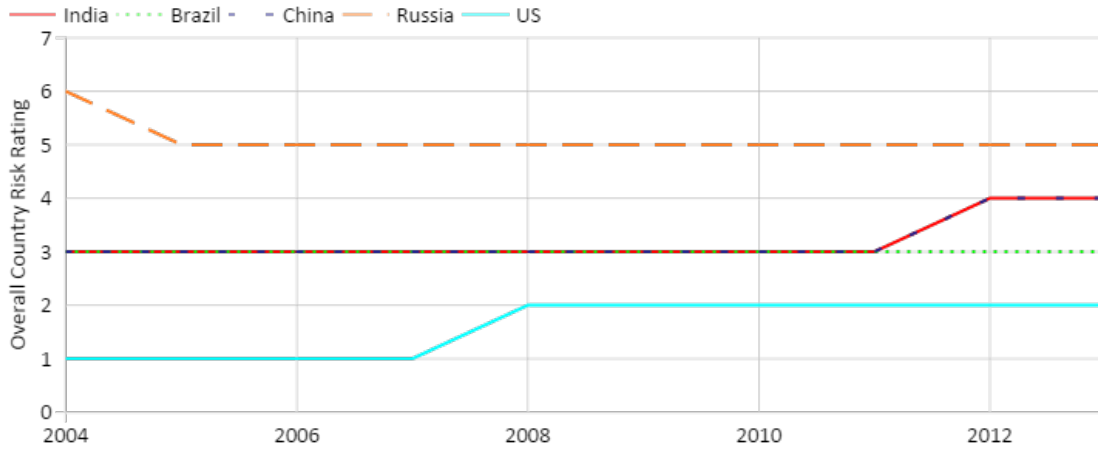
Political Environment Outlook

Key Development has had a neutral impact on the outlook.



Key Indicators

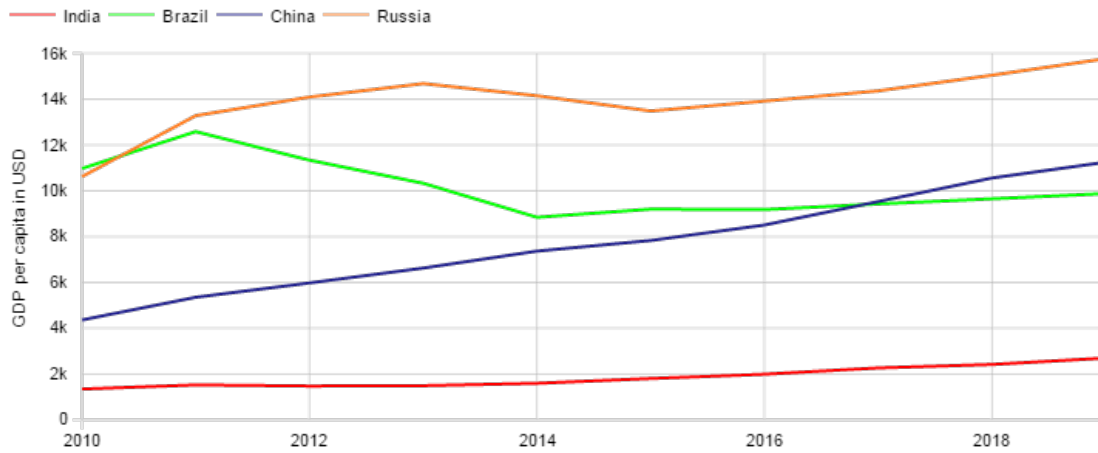
Rating History and Comparison



Source : D&B

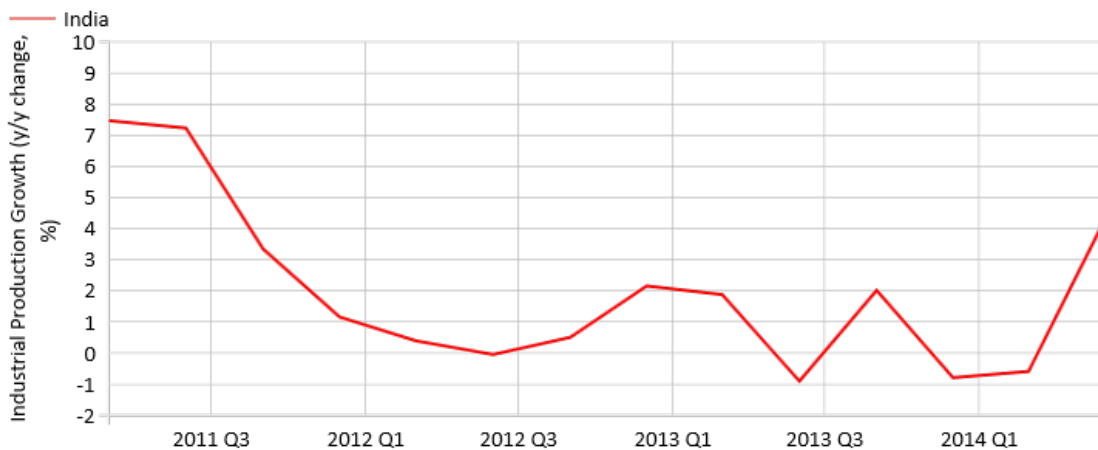
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Chart of the Month



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	-4.2	-4.8	-1.7	-1.5	-1.5	-1.7	-2.0	-1.2
Debt Service Ratio, %	6.0	5.9	5.9	6.0	6.3	5.7	6.5	7.3
Govt balance, % GDP	-5.8	-5.0	-4.6	-4.2	-4.1	-4.5	-4.7	-4.8
Inflation, annual avge %	9.5	10.2	9.5	7.3	6.7	6.6	7.0	6.0
Real GDP Growth, %	7.7	4.8	4.7	5.3	6.2	7.0	6.4	7.5

Source : Haver Analytics/D&B

Trade and Commercial Environment

India still exhibits high levels of restructured corporate debt, low capacity utilisation in its industries and caution among banks and firms for credit for fixed capital investments. However, the short-to-medium term outlook retains positive features. Exports and imports have begun turning around and rising in value since the start of Q3 2014, and D&B India's Composite Chief Financial Officer Optimism Index witnessed strong growth of around 61% during Q4 2014 on a y/y basis, even if it demonstrated a marginal decline from Q3 levels. Respondent CFOs in the industrial sector are more optimistic than the CFOs in the services sector, with 63% versus 62% indicating an increase in the operating margins and liquidity positions of companies, respectively, for Q4 2014, the highest since Q2 2012.

Trade Terms and Transfer Situation

Minimum Terms: LC

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CLC

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

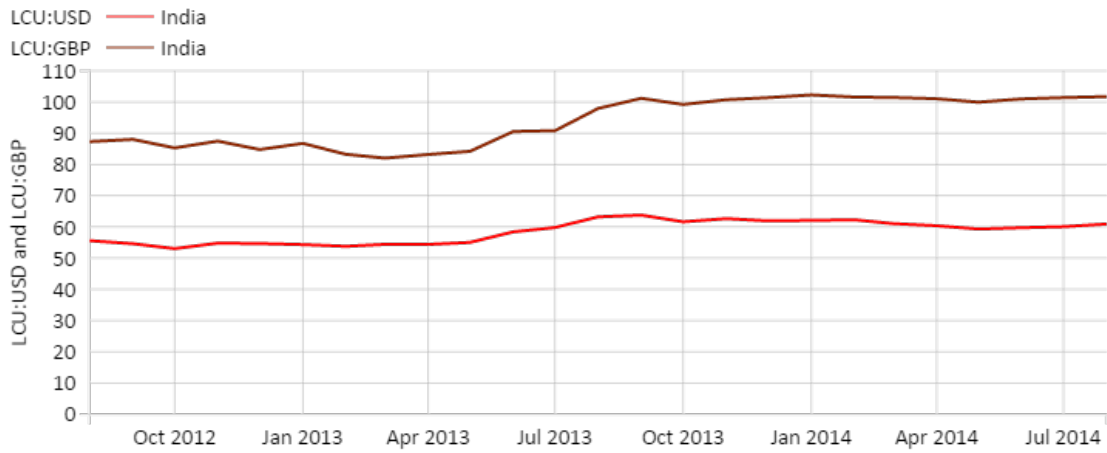
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



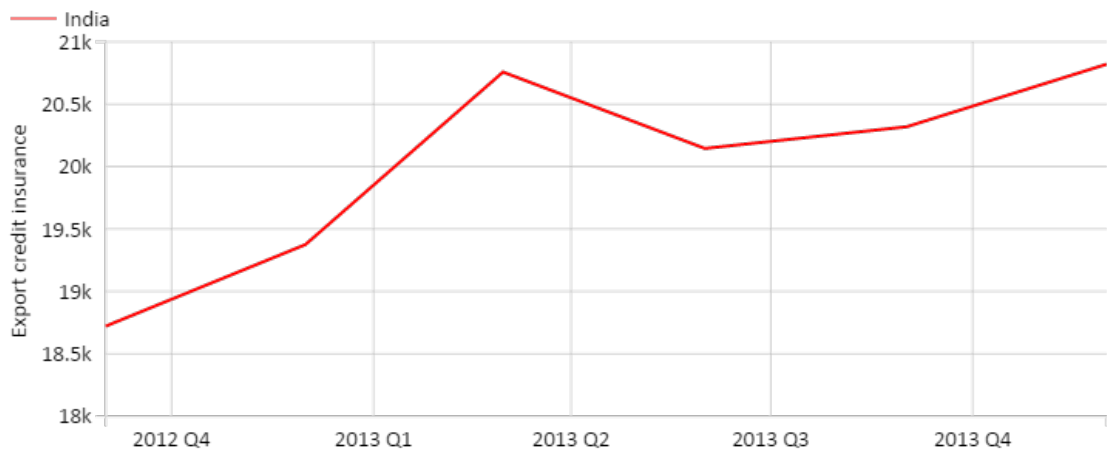
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, short-term, USDm

Risks and Opportunities

Short-Term Economic Outlook

A fall in inflation may slow.

Contrary to most major countries which are battling with deflationary pressures and adopting a loose long-term monetary policy, India has been struggling with high inflation and a tight monetary policy. This may be the reason why portfolio inflows have been larger than FDI inflows and proportionately higher for debt instruments. Currently, when inflation seems to be receding (with wholesale inflation at 0.0% and CPI inflation at 4.4% during November) and monetary policy expected to loosen soon, there is still no reason to expect India to face the disinflation or deflation pressures seen in OECD countries and China. Structural rigidities and the dependency of India's agricultural output on the vagaries of monsoon could prevent prices from falling any time soon. We thus believe that a fall in inflation numbers is unlikely to herald a rate cut in the short-term. We expect wholesale inflation to reverse its trend in by January due largely to waning base effects. Moreover, a deficient monsoon and its impact on food grain production would also pose upside inflationary pressures. Inflation in pulses and products (under CPI) has been on an upward trend since Oct 13. Moreover, inflation in milk and milk products continues in double digits, and inflation in protein items such as eggs, fish and meat witnessed an increase during the months of Oct and Nov 2014. Further, expectations of some revival in demand will also add to inflationary pressures towards the end of fiscal (April-March) 2015-16. Any reversal in crude oil prices (not expected in the near term) would also cause the inflation rate to increase faster than the pace of its current slowdown, given the government's increased thrust on fiscal consolidation. Secondly, the liquidity in the banking system is comfortable enough to ensure a flow of funds to the productive sectors. Deposits have outpaced growth in credit and money market rates have eased. Moreover, given the weak transmission mechanism in the market, the quantum of rate cuts and not the timing will be more effective. A 50 basis point (bp) cut in the repo rate a few months later will send a stronger signal to the market than a 25 bp cut during or before the policy meeting due in early February 2014.

Business Environment Quality

A push on legislation has seen some steps taken

A policy rate cut would not be the only means of boosting investment and growth. The RBI has decided to allow the banks to flexibly structure existing project loans to infrastructure projects and core industries projects with the option to periodically refinance the same as per certain norms. This will facilitate flows of funds into the ailing infrastructure and core industries projects. On the policy front, the Lok Sabha has passed 13 Bills and Rajya Sabha has passed nine during the winter session so far. The government has proposed at least eight more including an Insurance Bill, Companies Bill, Coal Mines Bills, the Lok Pal and Lok Ayuktas Bill. This sets the stage for initiatives to follow during the next year as well.

Country Profile and Statistics

Overview

With almost 1.3bn citizens, India is the world's most populous democracy and second largest country. It became a sovereign republic in 1947 and joined the Commonwealth of former British colonies in 1950. India borders Pakistan to the northwest; China, Bhutan and Nepal to the northeast; and Bangladesh and Myanmar to the east.

India's diverse economy encompasses village farming, modern agriculture, handicrafts, modern industries, and services (the most dynamic sector). Until the early 1990s, the economy was held back by stringent state controls. These have been liberalised considerably, and in the 2000s the economy grew on average by over 7% a year. However, India's economic prospects in the 2010s face major challenges from chronic infrastructure constraints, restrictions on changes in land use, endemic poverty, an inefficient bureaucracy, corruption, insurgencies in the north-east and the threat of communal violence.

Key Facts

Key Fact	Detail
Head of state	President Pratibha PATIL
Capital	New Delhi
Timezone	GMT +05-30
Official languages	Hindi, English
Population (millions)	1,275.1
GDP (USD billions)	2,036
GDP per capita (USD)	1,597
Life expectancy (years)	66
Literacy (% of adult pop.)	61
Surface area (sq km)	3,287,260

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	9.34	7.67	4.81	4.7	5.3
Nominal GDP in USDbn	1,624.72	1,868.62	1,835.35	1,879.16	2,035.95
Nominal GDP in local currency (bn)	74,291	87,209	98,075	110,115	123,989
GDP per Capita in USD	1,345	1,526	1,478	1,493	1,597
Population (year-end, m)	1,207.74	1,224.61	1,241.49	1,258.35	1,275.14
Exchange rate (yr avge, USD-LCU)	45.73	46.67	53.44	58.6	60.9
Current Account in USDbn	-47.91	-78.18	-87.84	-32.36	-30
Current Account (% of GDP)	-2.95	-4.18	-4.79	-1.72	-1.47
FX reserves (year-end, USDbn)	274.86	270.07	268.78	275.11	280.61
Import Cover (months)	7.69	5.96	5.66	6.03	6.16
Inflation (annual avge, %)	9.5	9.5	10.2	9.5	7.3
Govt Balance (% GDP)	-5	-5.8	-5	-4.6	-4.2

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	6.2	7	6.4	7.5	5.5
Nominal GDP in USDbn	2,333.1	2,606.9	3,005.5	3,248.8	3,622.4
Nominal GDP in local currency (bn)	139,984.03	159,021.86	180,330.79	204,675.45	228,213.12
GDP per Capita in USD	1,806	1,992	2,267	2,419	2,698
Population (year-end, m)	1,291.8	1,308.6	1,325.6	1,342.8	1,342.8
Exchange rate (yr avge, USD-LCU)	60	61	60	63	63
Current Account in USDbn	-35	-45	-60	-40	-40
Current Account (% of GDP)	-1.5	-1.73	-2	-1.23	-1.1
FX reserves (year-end, USDbn)	286.2	291.9	297.8	303.7	303.7
Import Cover (months)	6.04	5.92	5.75	5.59	5.45
Inflation (annual avge, %)	6.7	6.6	7	6	6
Govt Balance (% GDP)	-4.1	-4.5	-4.7	-4.8	-5

Source : D&B

Comparative Market Indicators

Indicator	India	Brazil	China	Russia	US
Income per Capita (USD)	1,597	8,843	7,367	14,149	53,975
Country Population (m)	1,275.1	203.2	1,393.8	142.5	322.6
Internet users (% of population)	15.1	51.6	45.8	61.4	84.2
Real GDP Growth (% p.a., 2014 - 2023)	5 - 6.5	2.5 - 4.5	5.5 - 7	1.5 - 3	1.5 - 3

Source : D&B

Links

User Guide

Please [click here](#) to visit our online user guide.

Other D&B Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

D&B

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

D&B provides information relating to more than 240m companies worldwide. Visit <http://www.dnb.com> for details. Additional information relevant to country risk can be found in the:

International Risk & Payment Review : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this D&B Country Insight report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst D&B attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by D&B means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgment when choosing to rely upon the reports.