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1 MARKET ANALYSIS - INDIA

1.1 Economy of India – From Emerging to Surging

“By 2024, India will rank among the world’s leading economic powers. This phenomenon will be more striking than Japan’s progression toward economic dominance during the past 30 years.”¹

India’s economy now ranks as the 4th largest in the world. The country has one of the world’s largest and most opportune markets in the world today with 350 million middle class consumers who are anxious for high quality goods and services, particularly in the housing sector. The rapidity of change in India over the past two years has been far greater than in the previous fifty years.

1.1.1 History

India began lowering tariffs and easing central control on its economy in the late 1980s and early 1990s, after decades of state-controlled economic policy and limited integration with the rest of the world. As a result, the country's gross domestic product grew about 6% a year during the 1990s. It is felt that with further easing of controls and continued growth and investment in the software and IT sectors that the GDP could more than double. This would make India’s economy the fastest growing in the world and the country’s citizens twice as well off.²

1.1.2 Current Status

Since September 11, India has been upgraded and is now ranked second worldwide as a desirable emerging market investment destination³. Using criteria including dividend discount model risk, earnings risk and consensus 12-month price-to-earnings ratios, Goldman Sachs assigned scores to the countries. Ranked from 1 to 11, with 1 being the best, Korea came in at 1, India at 2 and China at 3.

Progress in the Indian economy has been very positive as indicated by the recently released 2001 FDI (Foreign Direct Investment) Confidence Index. This index tracks the impact of likely political, economic and regulatory changes on the

¹ McKinsey Report, 2001

² Amadeo M. Di Lodovico, William W. Lewis, Vincent Palmade, and Shirish Sankhe, The McKinsey Quarterly, 2001 Number 4 Emerging Markets.

³ Goldman Sachs, October 12, 2001, Times of India.