Video Transcript

**HSBC Global Private Banking – In Conversation with James Cheo**
**Investing in India: A key player in the global economy**

India is now a key player in the global economy with huge untapped potential that investors cannot afford to ignore.

The drivers of growth in India are structural, which suggests they are going to keep the economy on a strong upward path.

India is now the world's most populous country with over 1.4 billion people. The country enjoys one of the best demographic dividends in the world with rising working age population and rising productivity. As incomes rise, India's middle class is expected to double over the next decade, becoming one of the most important economic locomotives of the world. The size of India's e-commerce market is estimated to grow to US$350bn by 2030.

India's new digital economy is an accelerator for consumption and innovation.

On technology, the pandemic has made the world digital especially India.

India has a large rural economy that benefits immensely from digitalisation

With digitalisation, money flows without friction. When money can be moved without friction, consumer spending increases.

Furthermore, as the digital behaviour of buyer and seller are captured, it sets the stage for the next stage of growth as lenders and insurers will be able to reach the rural economy that was previously left out.

On manufacturing, the Make in India reforms has been reinvigorating the economy with industrial upgrades.

That is why we are seeing high tech manufacturing becoming an important pillar for India's economy.

India's high-tech exports such as IT services, pharmaceuticals, mobile handsets, specialised chemicals and complex auto-parts are gaining global market share and have been one of the key drivers of India's new economy.

In the next decade, we will witness India expand its share of global manufacturing, create new digital technologies, give rise to a new middle class and transit into a greener economy.

It is not just the long-term view that is looking promising; the near term view is also extremely exciting.

India's economic momentum is picking up in recent months.

It's earnings growth is one of the strongest in Asia for this and as well as next year.

Economic indicators are showing a very strong recovery driven by consumer and as well as by manufacturing.

And clearly, I think very importantly if we look further ahead,

The renaissance of manufacturing is due to government reforms like the Performance Linked Incentive

(PLI) scheme, and the diversification of the global supply chain.

Due to digitalisation, the informal economy is starting to become more healthy in terms of spending. Indian banks' balance sheets are showing signs of improving and credit growth has picked up.

India has a large domestic consumer economy that is resilient.

With falling inflation, it will only bolster more consumer spending.

Also because of the falling inflation, the central bank is likely to pause rates.

With the loosening of monetary conditions, it will ease credit and spur investment and infrastructure spending to boost growth for the country.

That's why from an earnings perspective, we think that India has a very solid earnings outlook.
And therefore, we are now overweight on Indian equities.

Taking a step back, due the unique characteristics of India's economy, an allocation to India can increase diversification for global investors.

Indian equities have a lower correlation than other EM markets because of India's large domestic economy.

Moreover, its domestic companies are closely linked to its strong structural growth opportunities.

With India's strong growth potential, investors should consider a satellite allocation to India, in addition to a broad emerging markets allocation.

Such a strategy would allow investors to capitalise on India's growth potential for diversification and alpha opportunities in global portfolio context.