



**UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016**

## INDIA

GDP (current US\$, billions):	\$2,048.52	Population (thousands):	1,295,292
Share of GDP in developing Asia-Pacific:	12.6%	GDP per capita (current US\$):	\$1,581.51
Share of GDP in South and South-West Asia:	52.9%	Average inflation (2015)	5.0%

- Economic growth in India edged up to 7.6% in 2015 compared with 7.3% in 2014, making India the fastest-growing large economy in the world.
- Private consumption growth continued to be the main growth driver, as reflected in robust services activities relating to trade, finance, transport and communications, and real estate. However, strong household consumption was not broad-based; rural demand was weaker due to muted agricultural activity and slower rural wage growth resulting from subpar monsoon seasons in recent years.
- Stalled large-scale infrastructure projects and somewhat cautious investor sentiment resulted in sluggish fixed investment growth.
- On the external front, merchandise exports declined on weak orders in advanced economies and lower prices of refined petroleum products, which accounted for more than 13% of India's total exports. However, as imports also shrank and services exports remained in surplus, the current account deficit narrowed to about 1% of GDP in 2015.
- Despite a spatially uneven monsoon and some seasonal spikes in food prices, consumer inflation moderated to 5% in 2015 from 6.7% in 2014. Lower inflation was driven by low global commodity prices, a downward adjustment in administered fuel prices and government measures, such as price checks, anti-hoarding and suspension of futures trading of select pulses. Moderate inflation enabled the Reserve Bank of India to cut policy rates by a total of 125 basis points in 2015.
- The near-term growth outlook is positive, with the projected growth being 7.6% in 2016 and 7.8% in 2017.
- Urban household spending is expected to drive economic growth amid steady employment growth and relatively low inflation.
- Fixed investment conditions would benefit from lower borrowing costs and a more enabling business environment, as reflected in India's better ranking in the World Bank's ease of doing business index. Nonetheless, high levels of stressed bank assets and fragile business confidence could constrain investment growth.
- The overall strength of domestic demand will depend on progress made in implementing structural reforms and how rapidly large scale stalled infrastructure projects are unlocked. Some progress has been made in reforming fiscal policy, such as the rationalization of fuel price subsidies, but the implementation of the goods and services tax remains an important reform that is being held up due to political deadlock.

- The Government recently launched several initiatives to promote inclusive and sustainable development. These measures include programmes to support small and medium-sized enterprises through enhanced credit under the Micro Units Development and Refinance Agency bank loan scheme; foster financial inclusion through the Jan Dhan programme under which 250 million people have gained access to modern banking services; create a skilled workforce under the Skill India initiative; make India a manufacturing base; and promote entrepreneurship under the Start up India Stand up India initiative.
- On the social front, a scheme to enhance access to improved sanitation through the introduction of a 0.5% cess on all taxable services was introduced.
- The Government is also placing emphasis on developing sustainable cities under the 100 Smart Cities mission, and harnessing solar and wind energy, with the target being to attain 175 gigawatts of renewable generation capacity by 2022.