

APOLLO

Outlook for India:  
Strong GDP growth, low inflation, upbeat consumers and firms

Torsten Slok, Utsav Bajjal, Rajvi Shah, and Shruti Galwankar

[tslok@apollo.com](mailto:tslok@apollo.com)

**Apollo Global Management**

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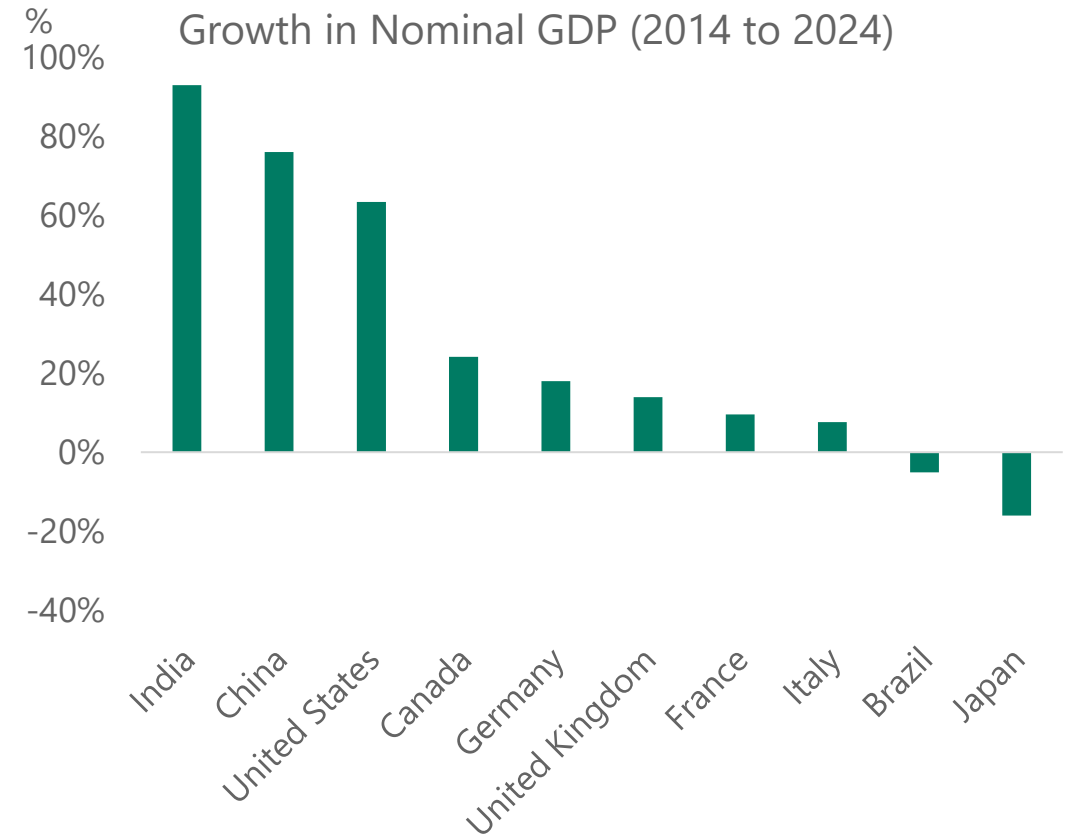
# Overview

- India, world's fifth largest economy is projected to grow at 6-8% over the next five years and surpass Japan to become the third largest economy. Outlook for India remains healthy on the backdrop of strong GDP growth, under control inflation, rising capex, improving fiscal and current account balance and favorable demographics
- Consumer and corporate confidence is upbeat. Household balance sheets are healthy and consumer spending is strong. Corporate profitability continues to rise with interest coverage ratio rising and interest burden falling
- The financial sector has seen significant transformation with digitalization and bankruptcy law enactment. Bank lending has been solid, and the Indian stock, bond, and private markets continue to grow at a rapid pace.

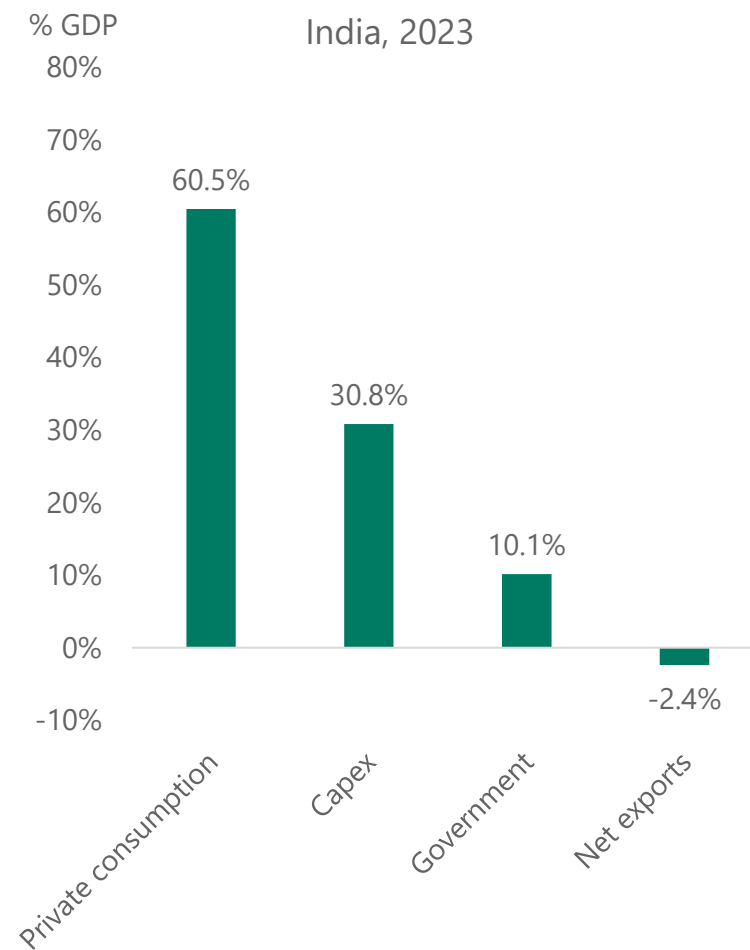
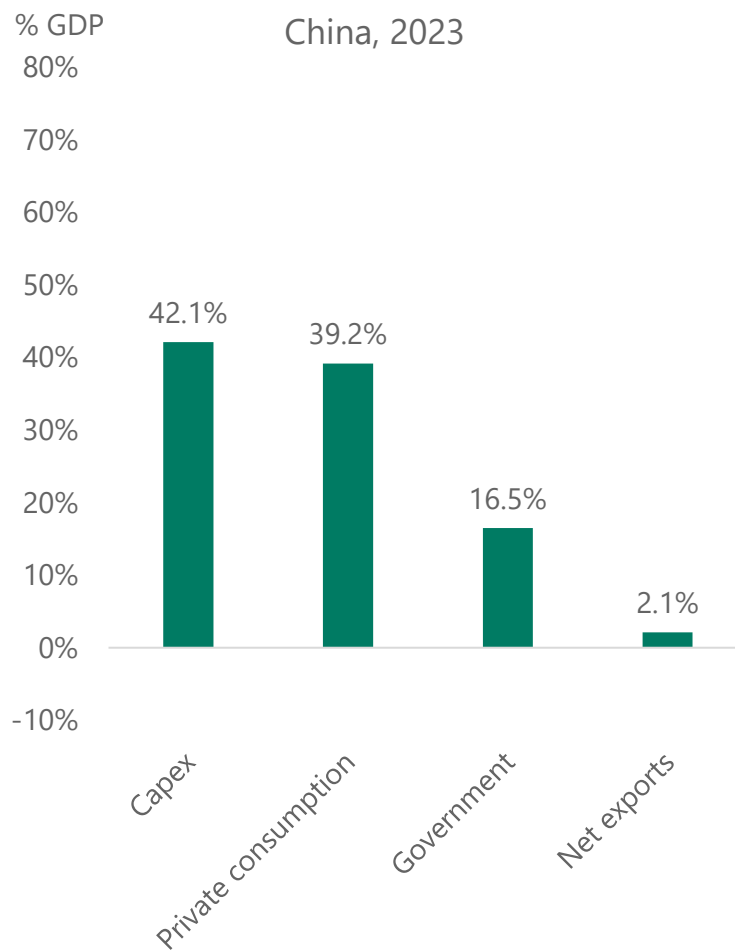
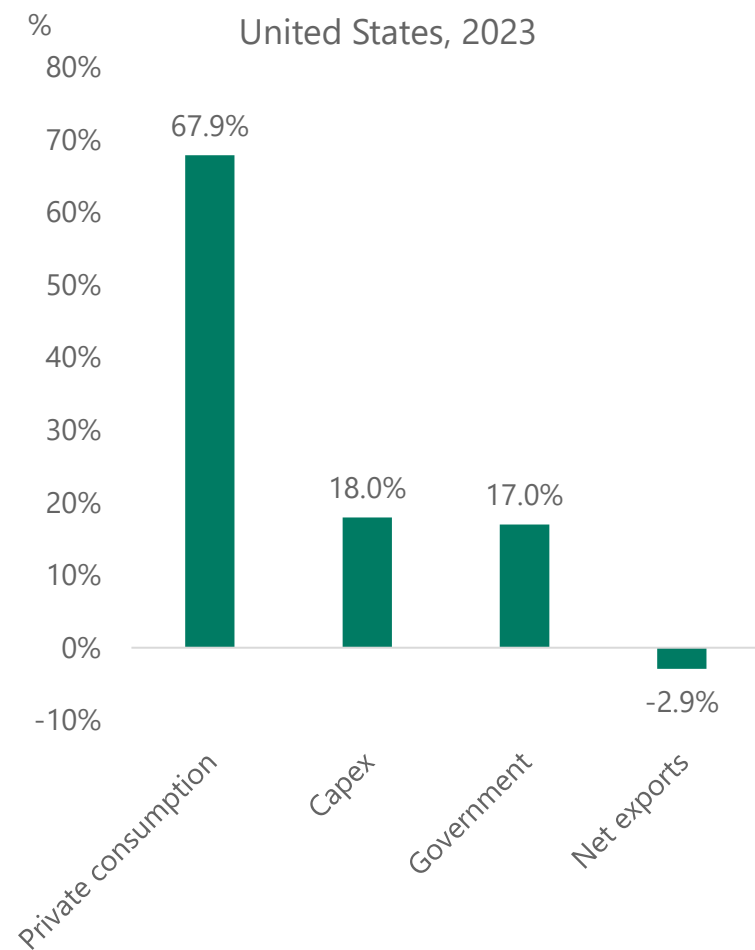
India is currently ranked fifth and has been the fastest growing economy in the past decade

World's largest countries ranked by nominal GDP (\$trn)

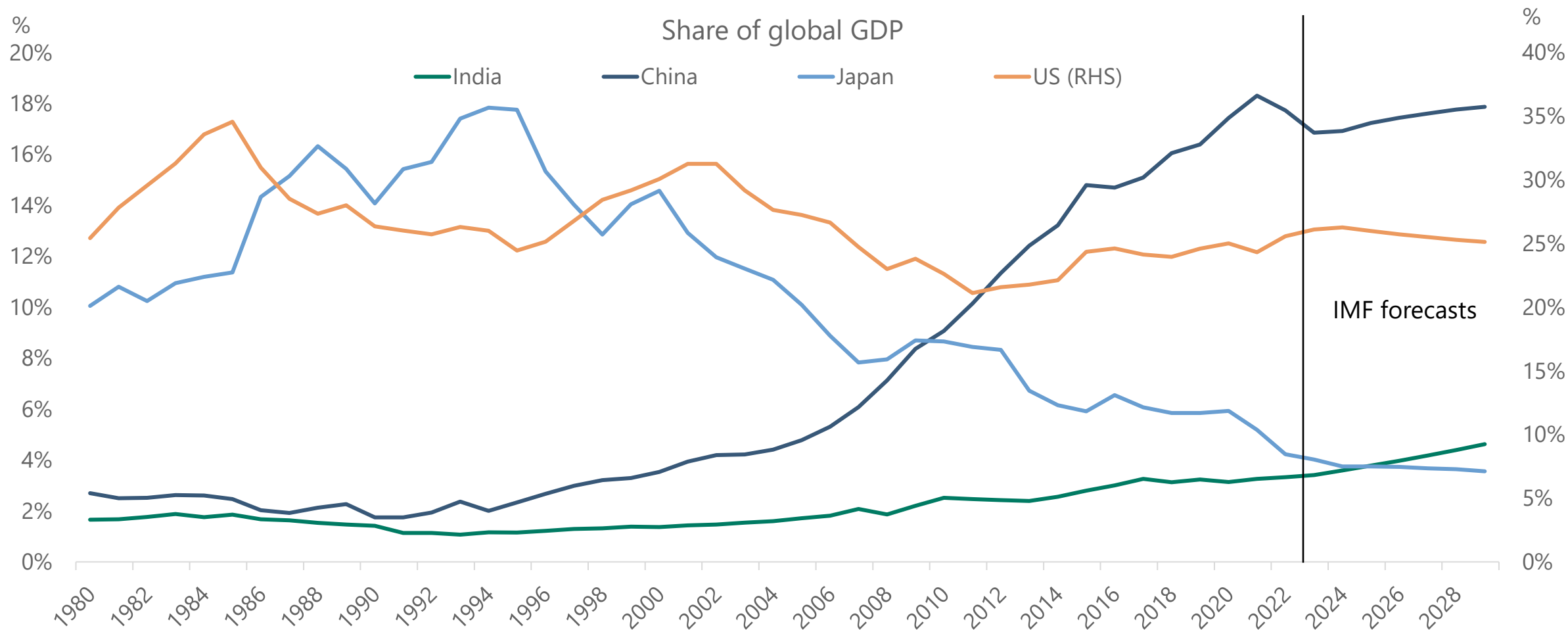
Rank	2014		Rank	2024		Rank	2029	
1	United States	17.6	1	United States	28.8	1	United States	35.0
2	China	10.5	2	China	18.5	2	China	24.8
3	Japan	4.9	3	Germany	4.6	<b>3</b>	<b>India</b>	<b>6.4</b>
4	Germany	3.9	4	Japan	4.1	4	Germany	5.4
5	United Kingdom	3.1	<b>5</b>	<b>India</b>	<b>3.9</b>	5	Japan	4.9
6	France	2.9	6	United Kingdom	3.5	6	United Kingdom	4.7
7	Brazil	2.5	7	France	3.1	7	France	3.6
8	Italy	2.2	8	Brazil	2.3	8	Brazil	3.1
9	Russia	2.0	9	Italy	2.3	9	Canada	2.8
<b>10</b>	<b>India</b>	<b>2.0</b>	10	Canada	2.2	10	Italy	2.6



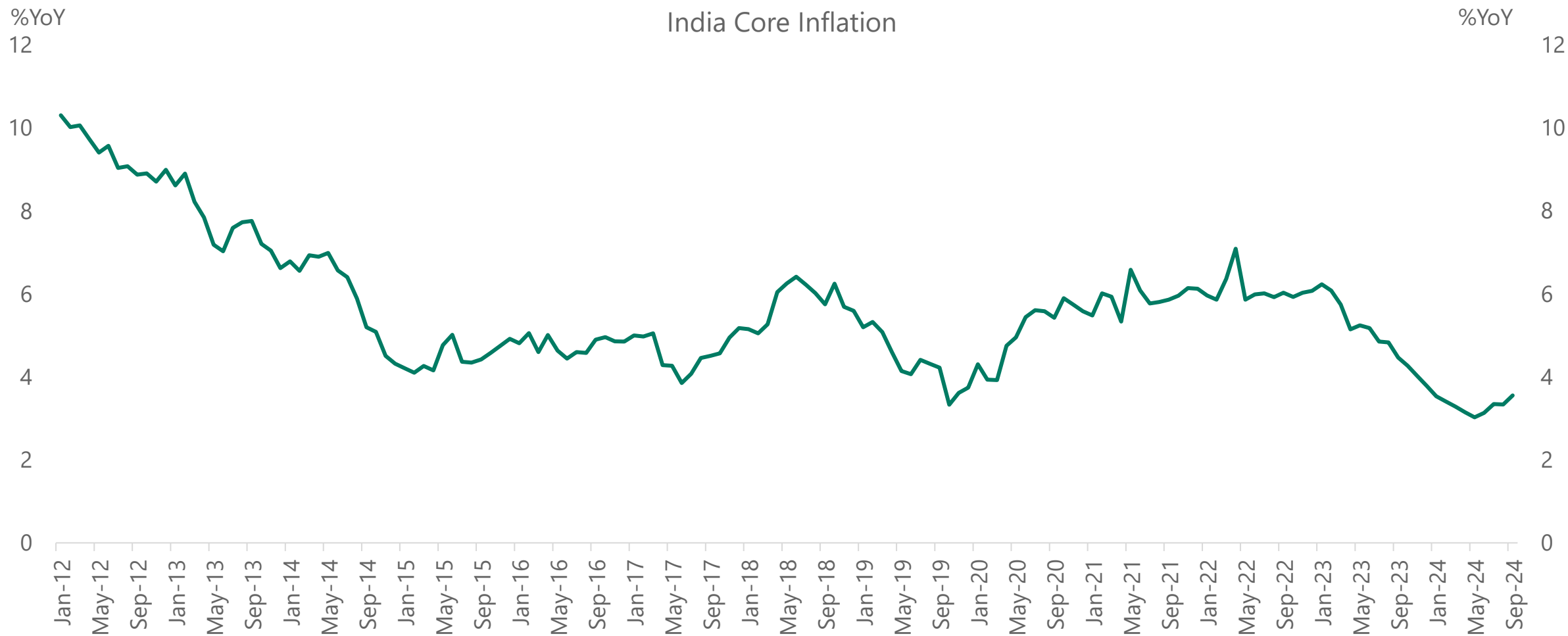
# GDP composition



# India's share of global GDP continues to grow

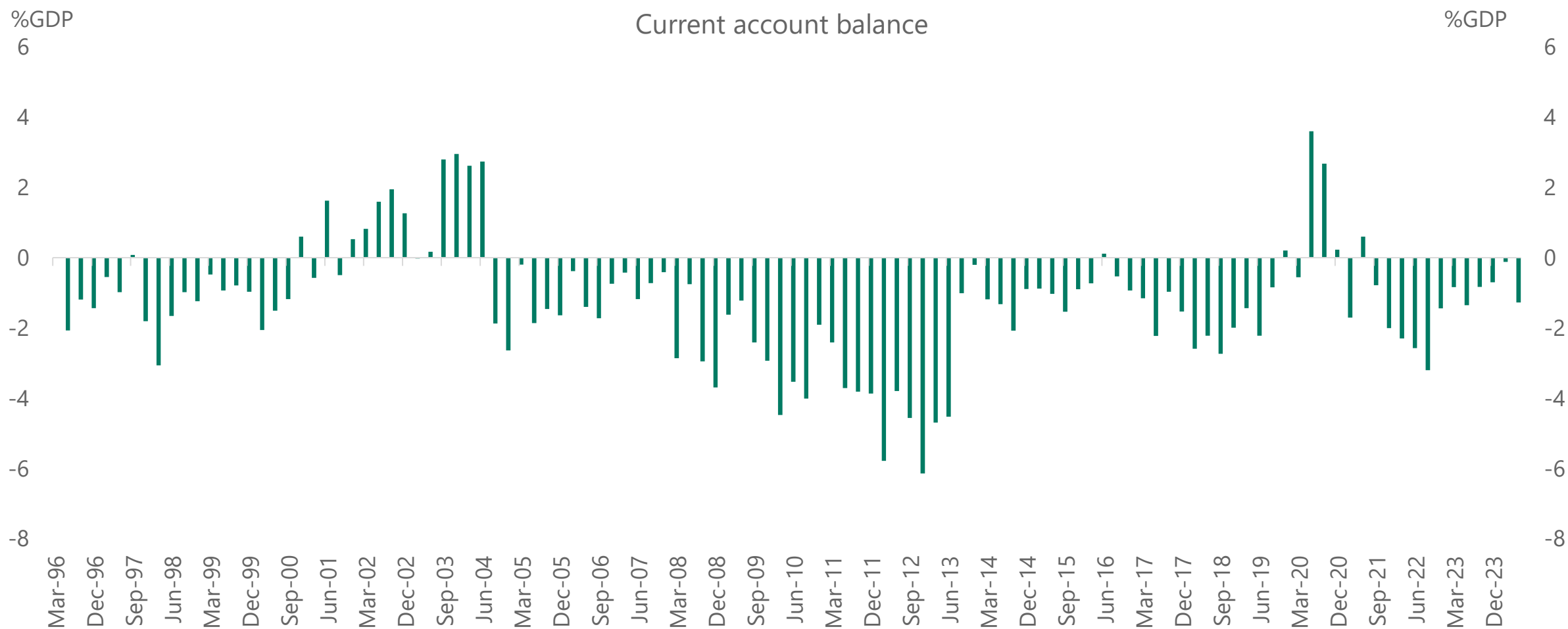


# Core inflation at 3.6%



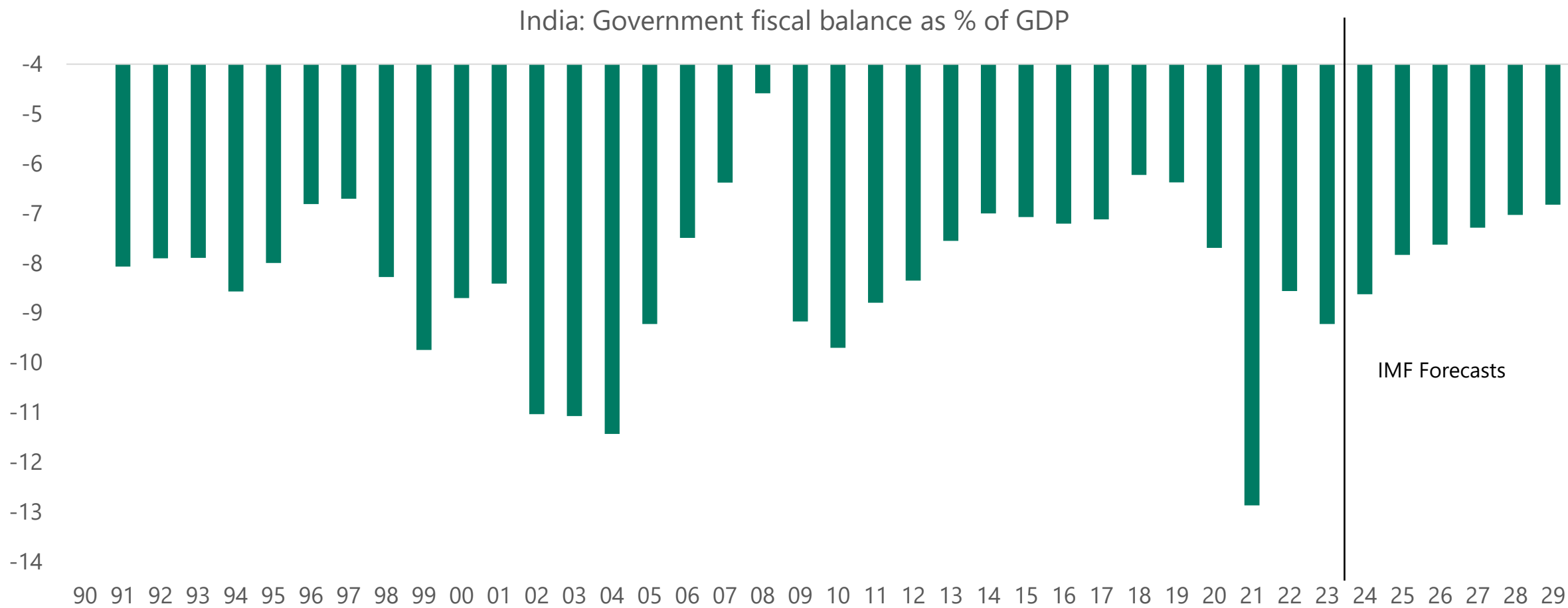
Source: MOSPI, Haver Analytics, Apollo Chief Economist

# Sharp improvement in India's current account balance

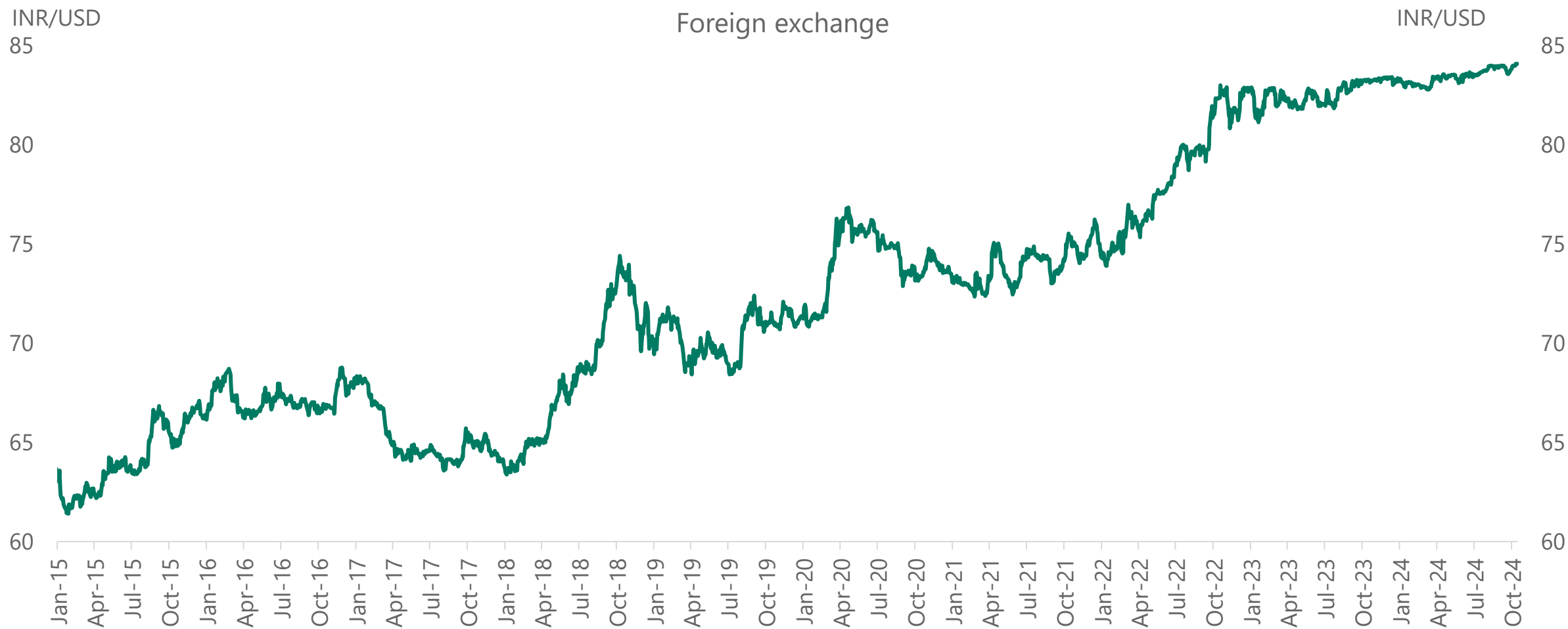




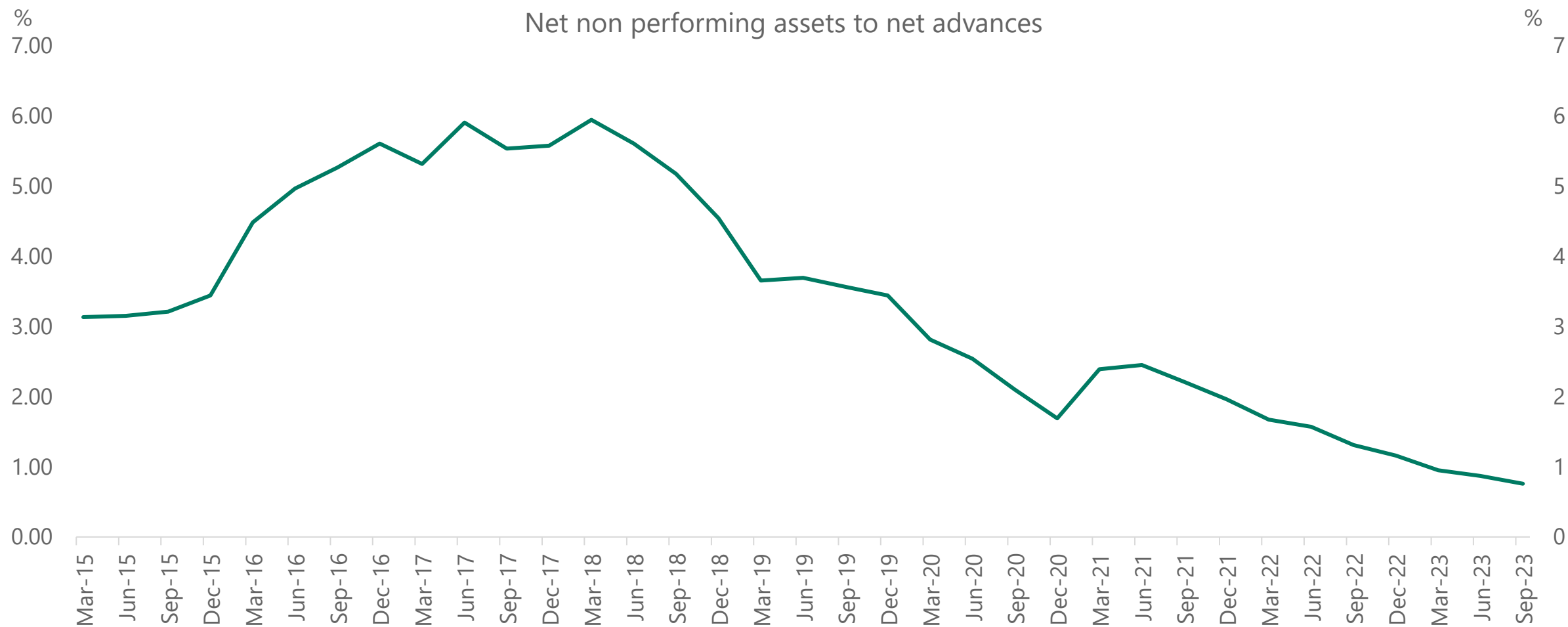
# Fiscal balance also improving



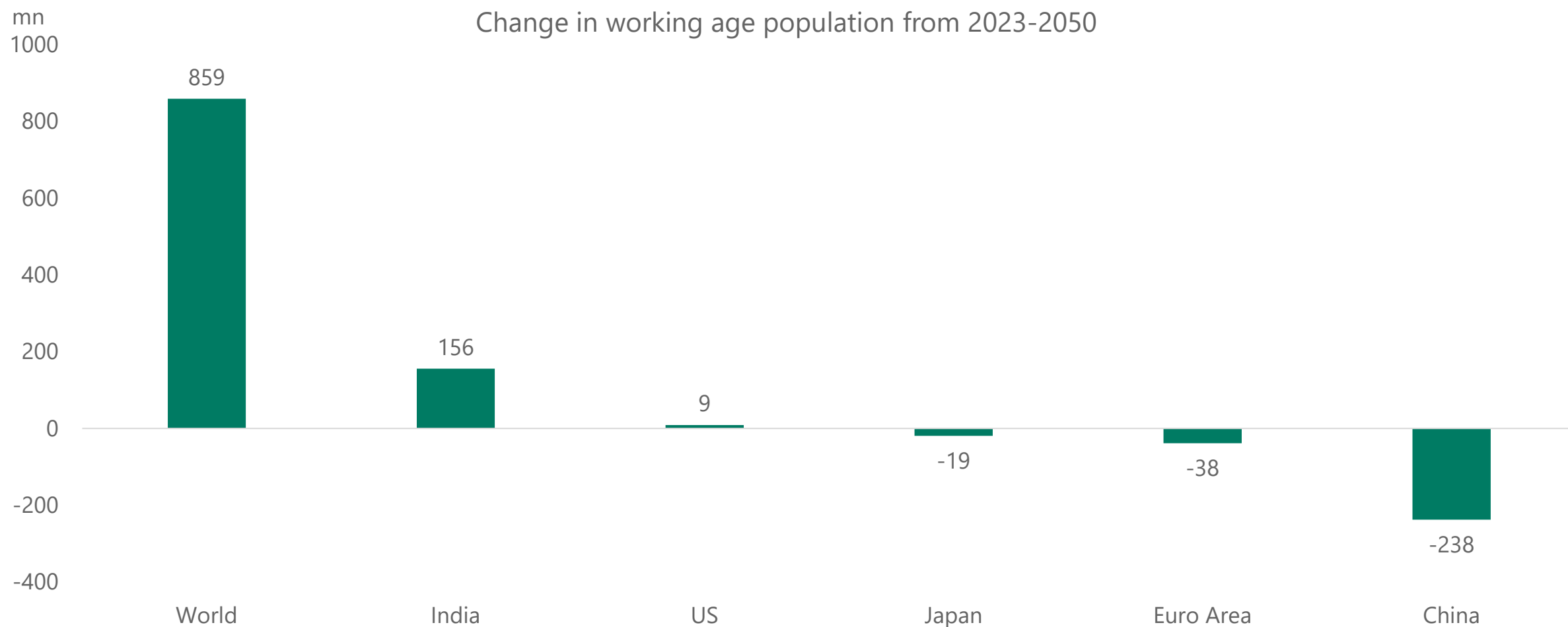
# Rupee has stabilised



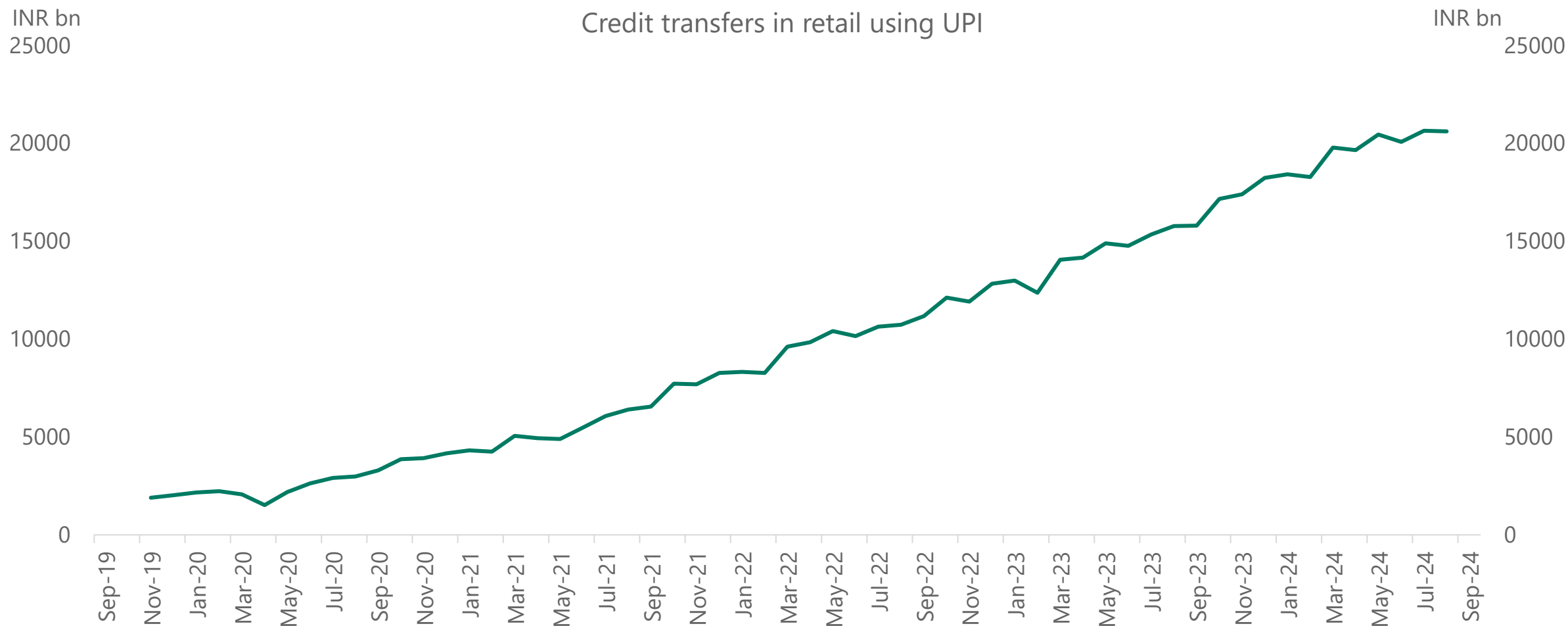
# Bank sector more robust than before



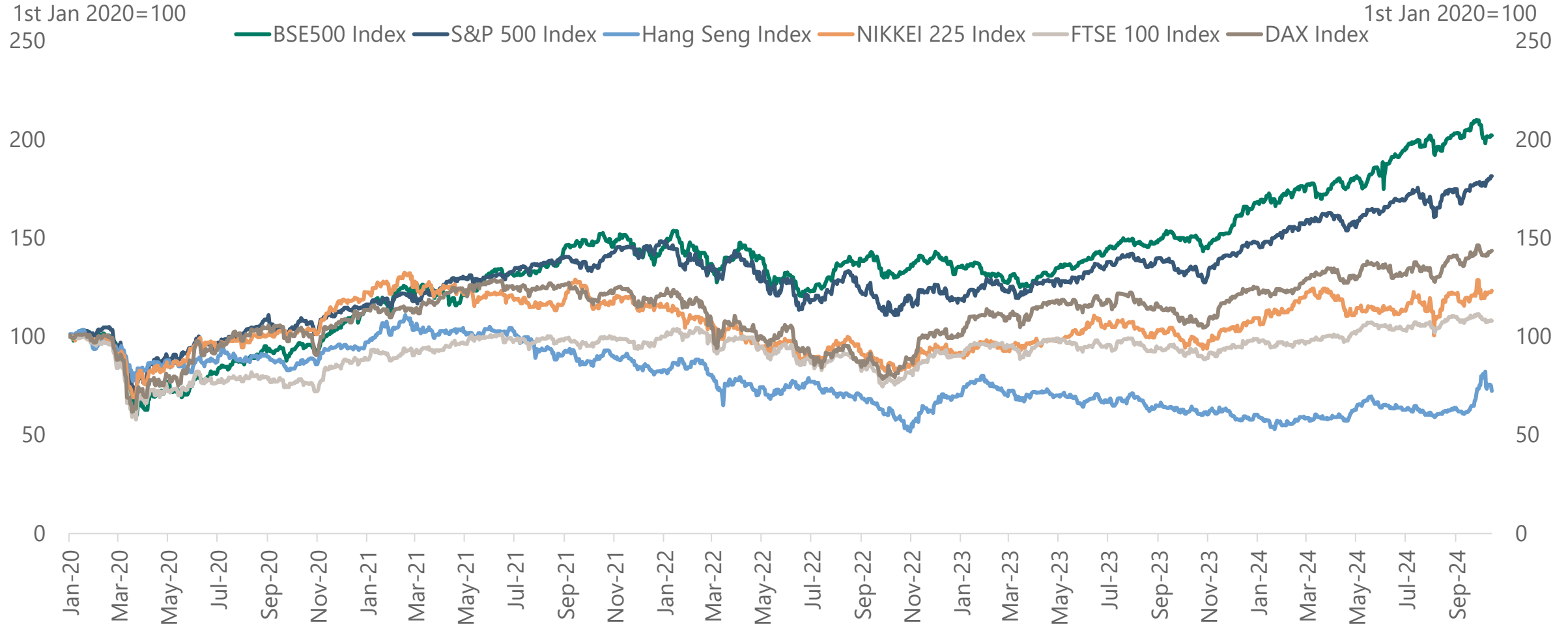
# India has a growing working age population



# Digital payments through UPI from INR 0.2 trillion in 2019 to INR 20 trillion in 2024

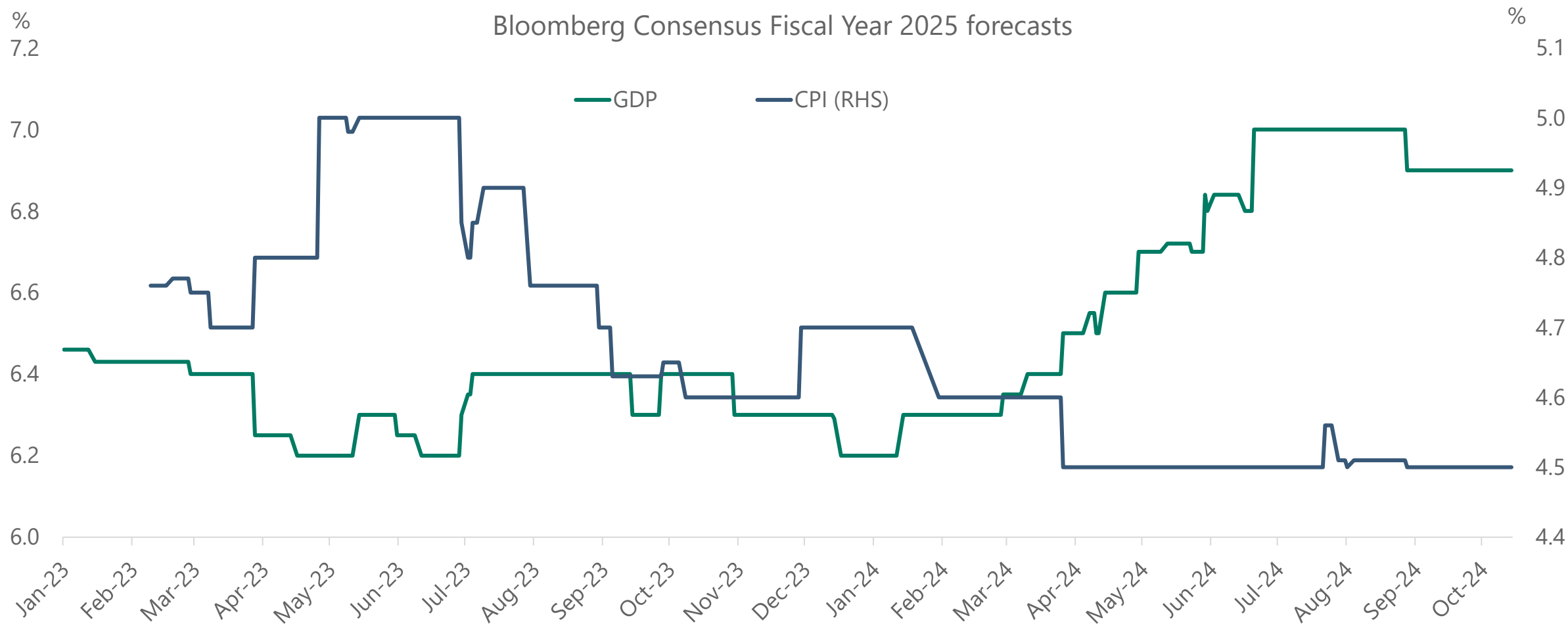


# BSE 500 has also outperformed major indices since 2020



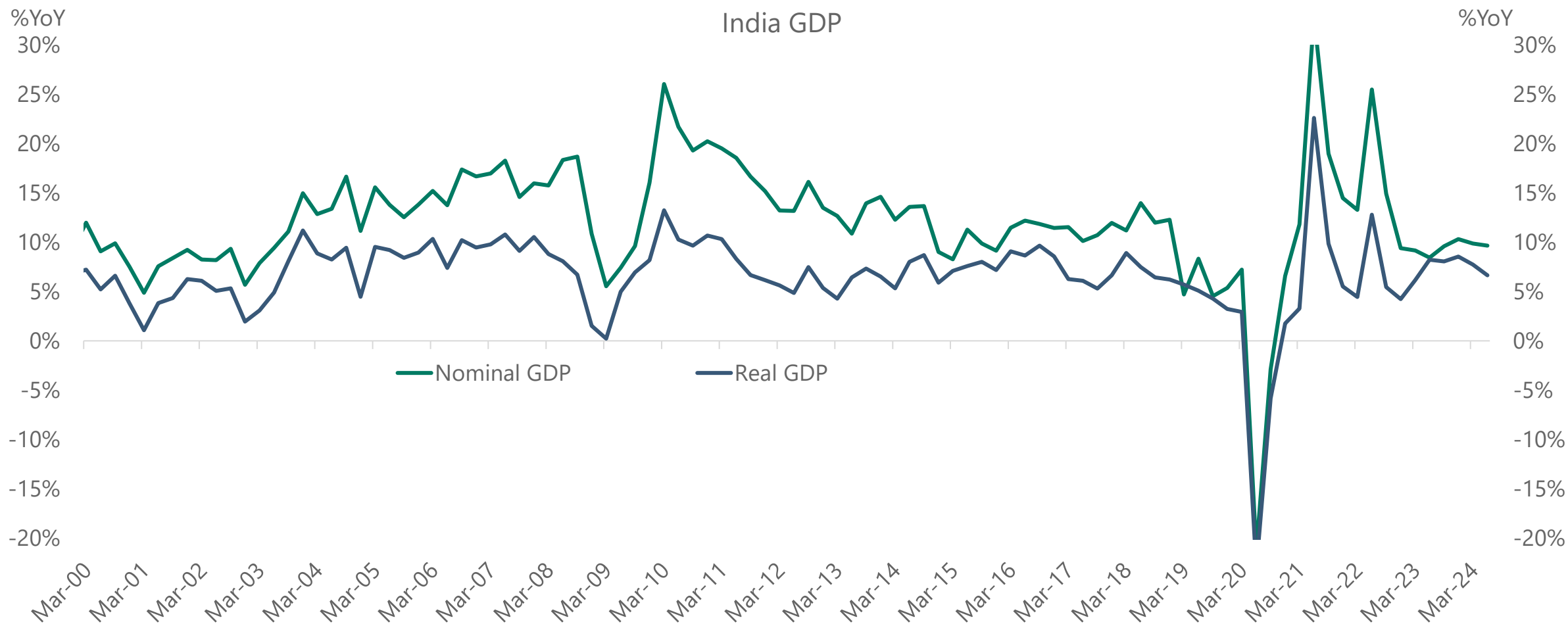
# Real economic indicators

# India: GDP consensus forecasts revised up. CPI revised down

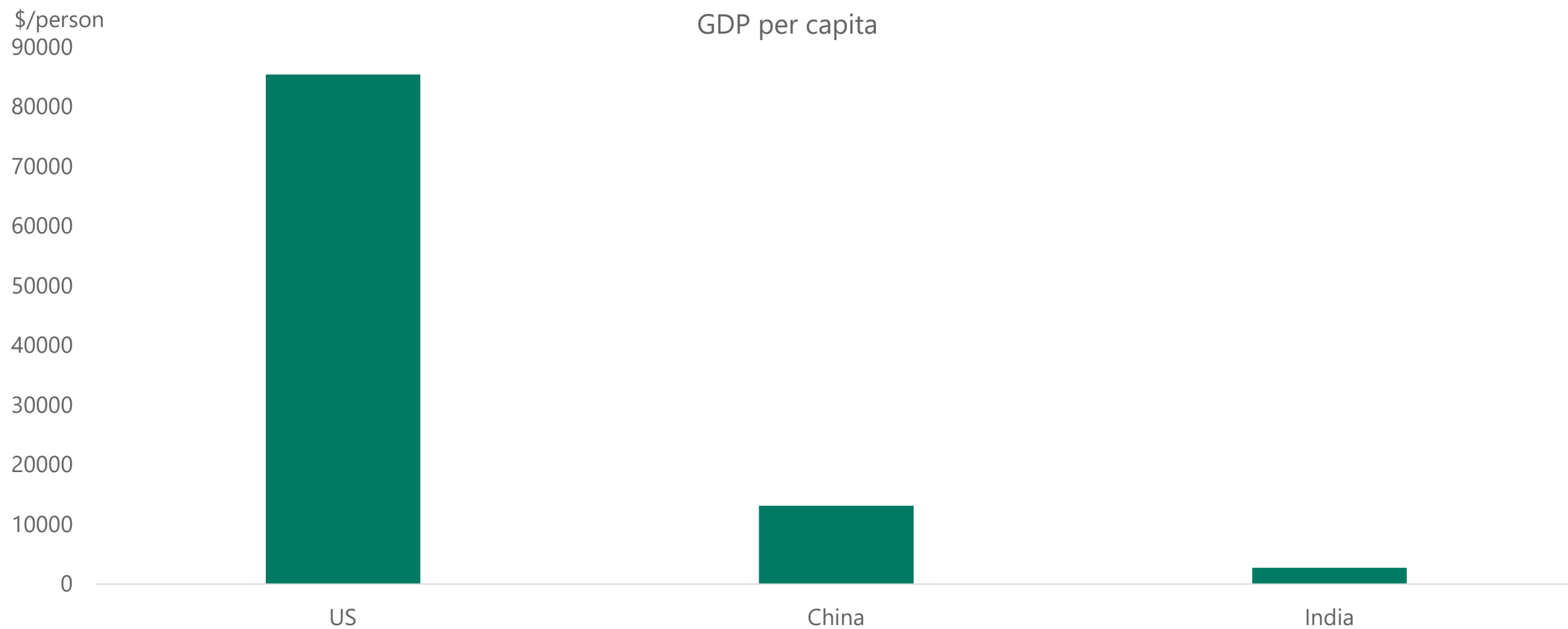




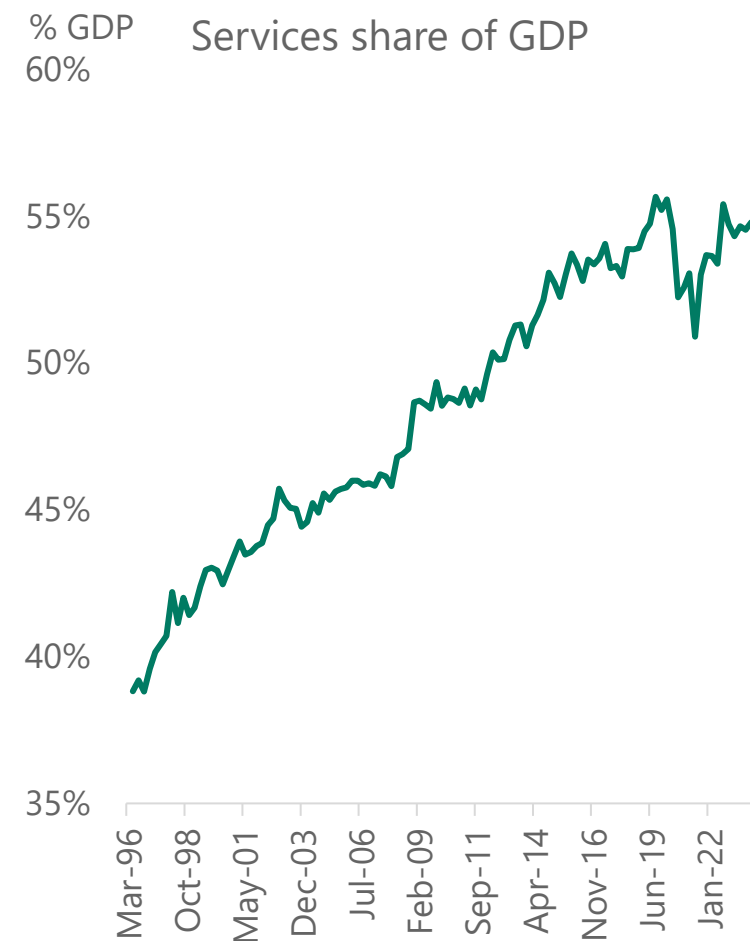
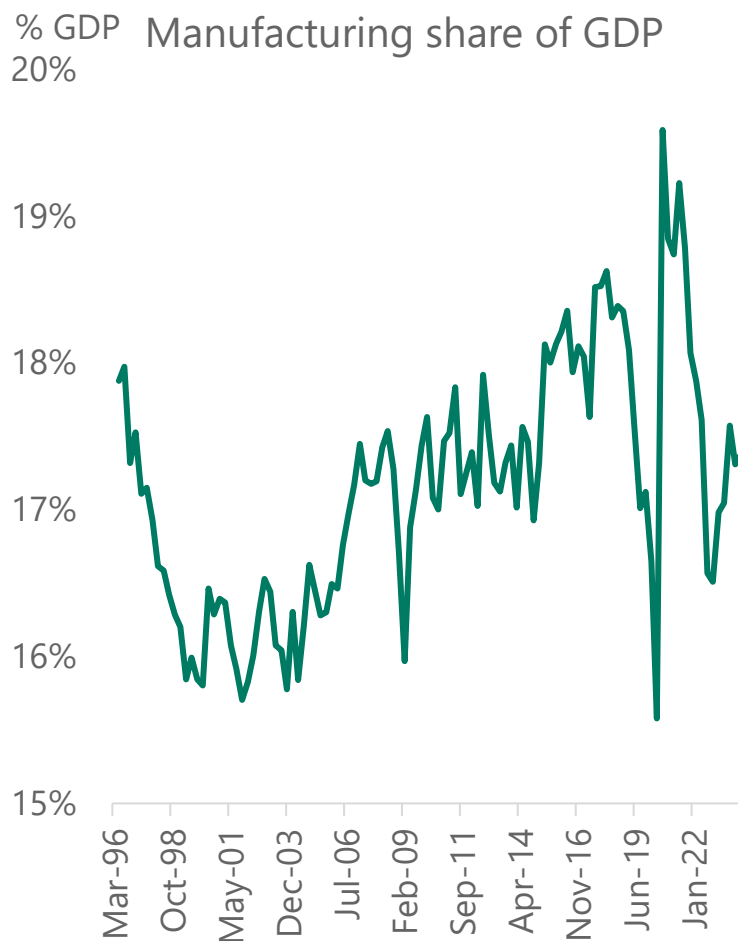
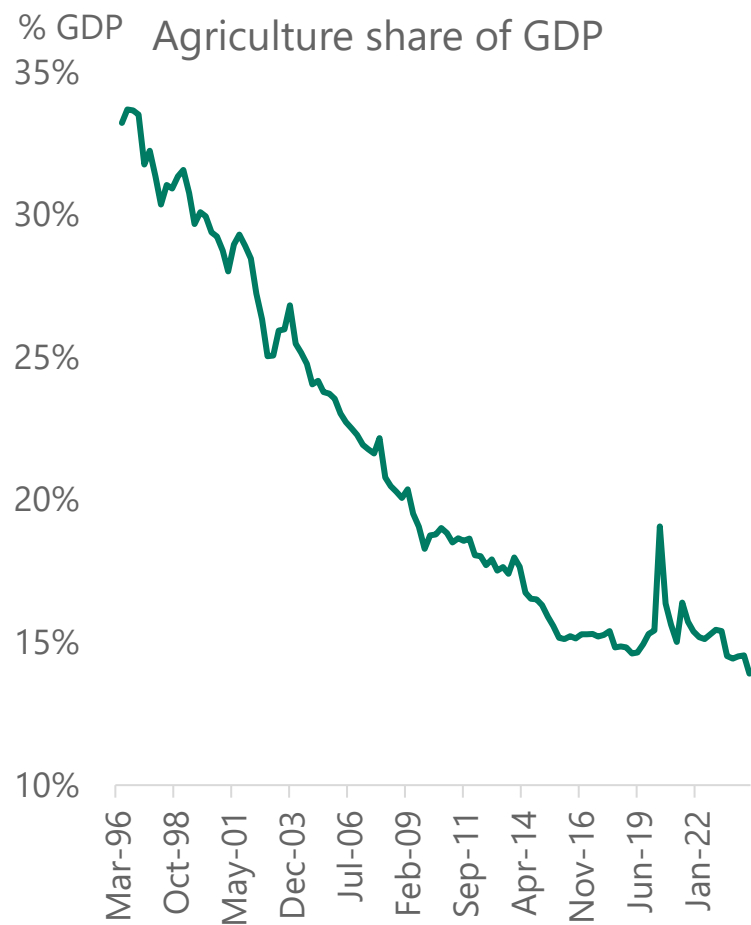
# Strong GDP growth



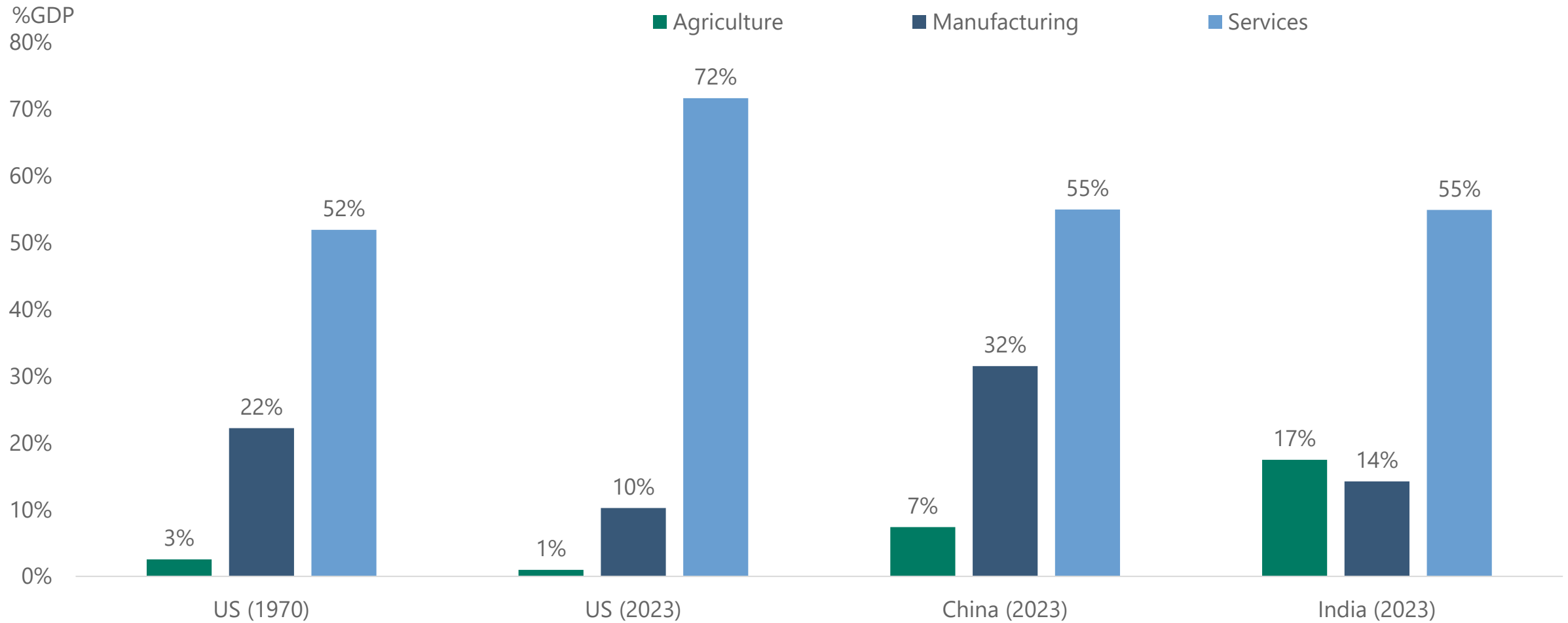
# GDP per capita



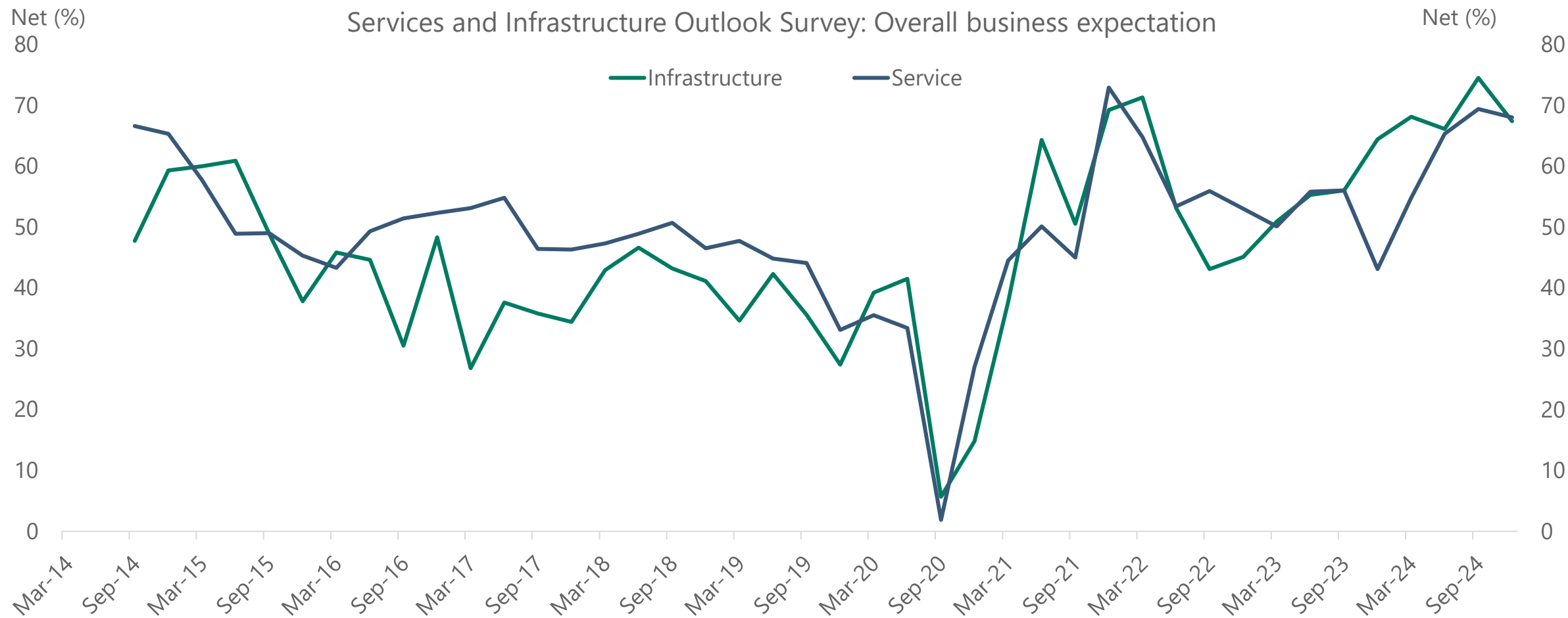
# Indian economy dominated by service sector



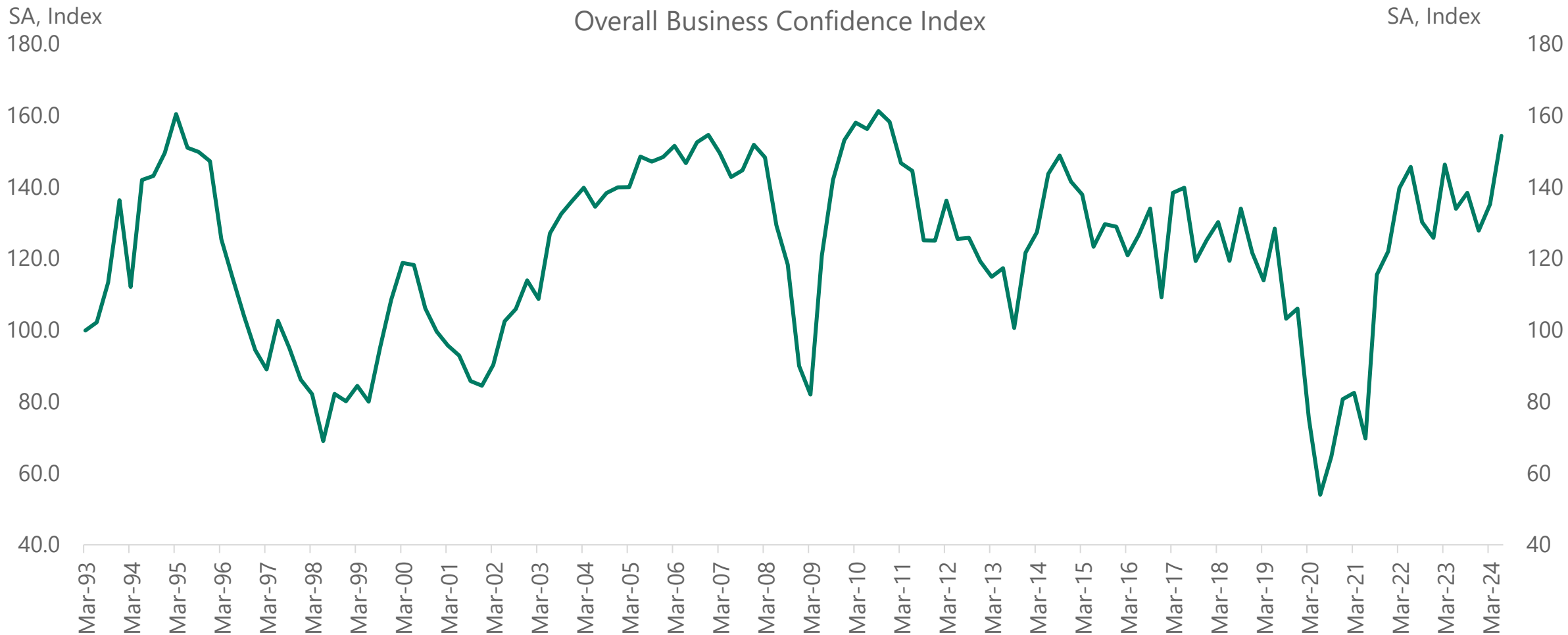
# India has made a non traditional shift directly to service sector



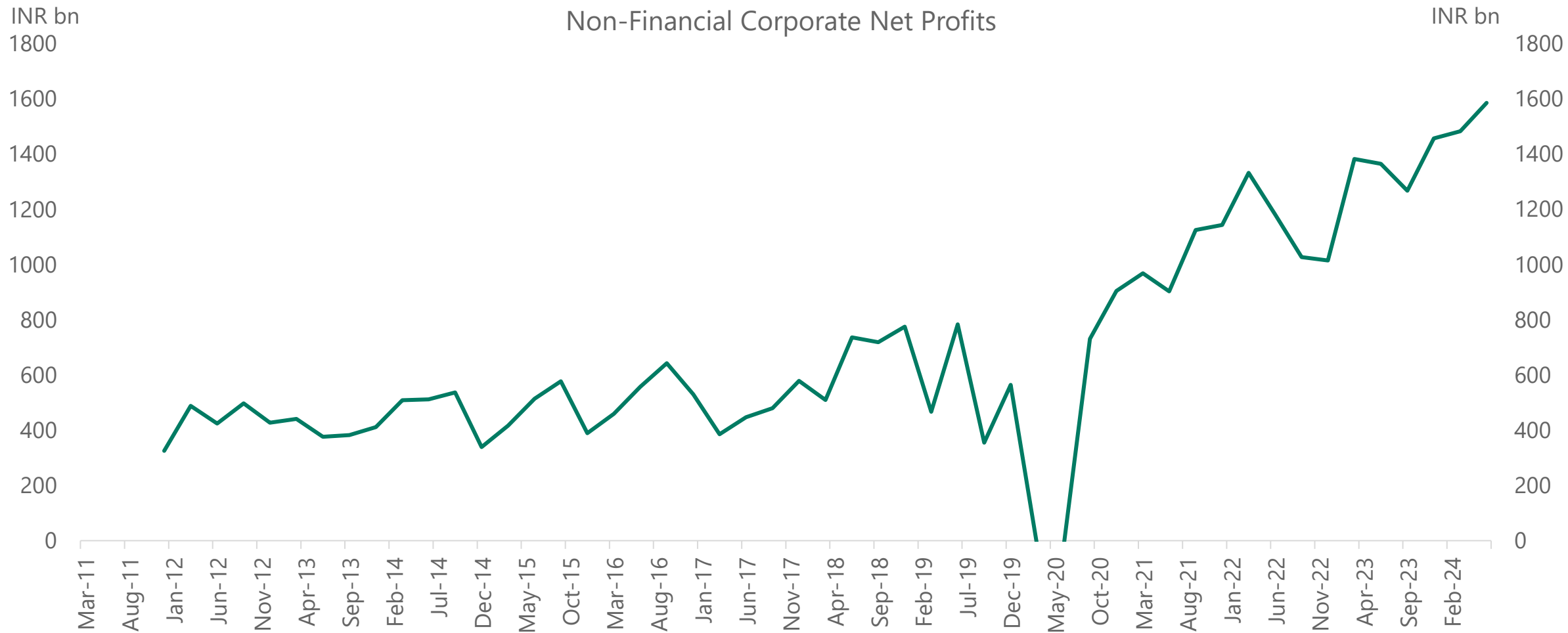
# Business expectations upbeat



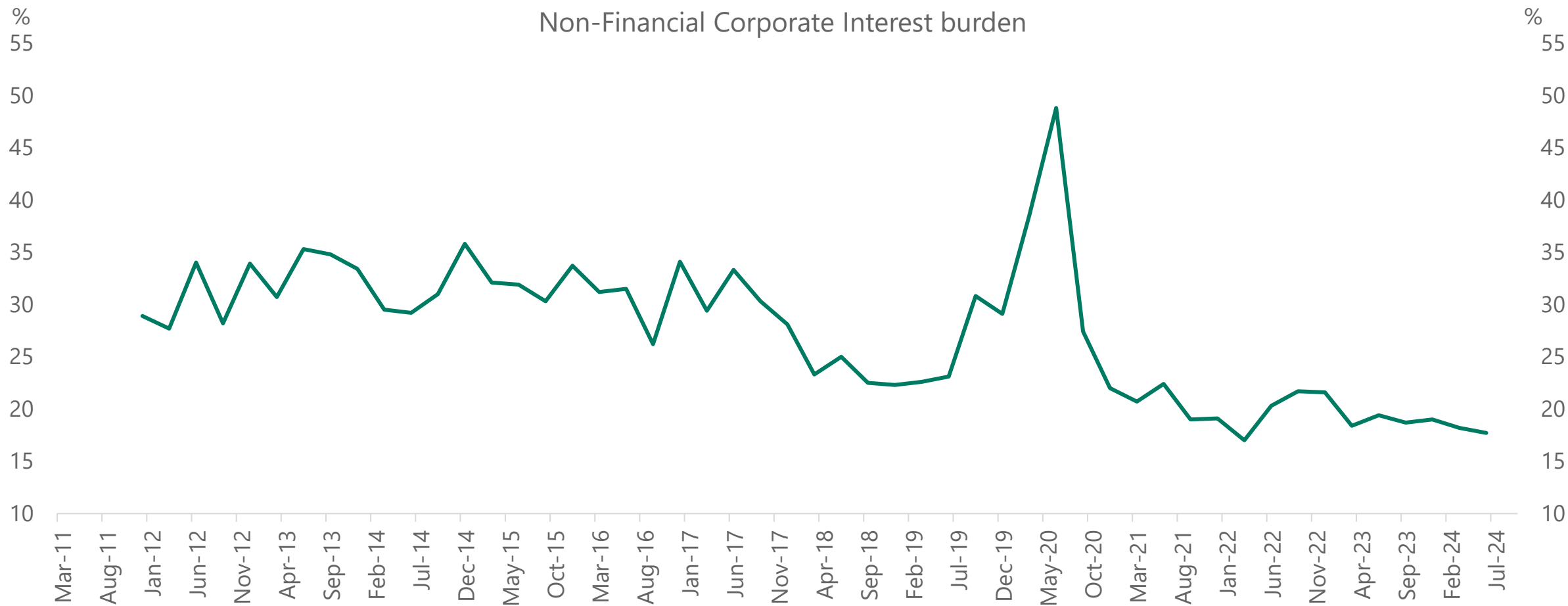
# Business confidence upbeat



# Corporate profits rising



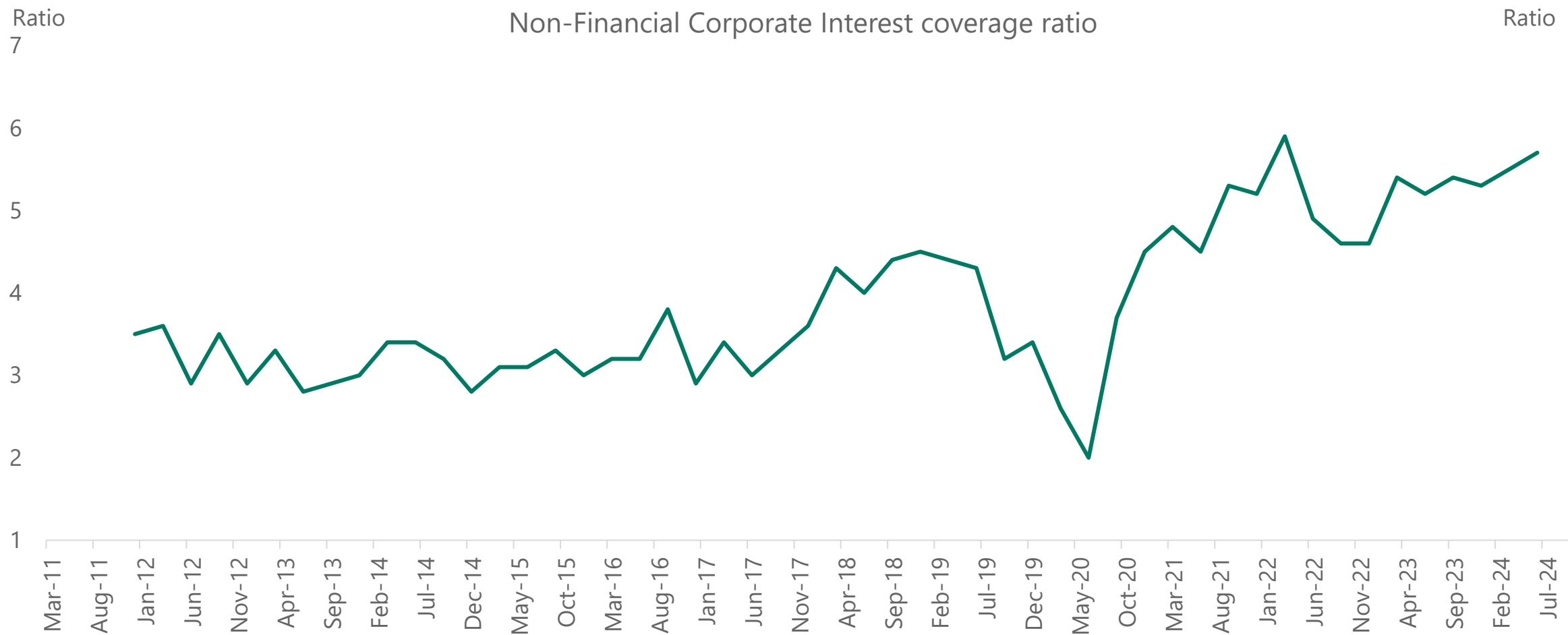
# Interest burden falling



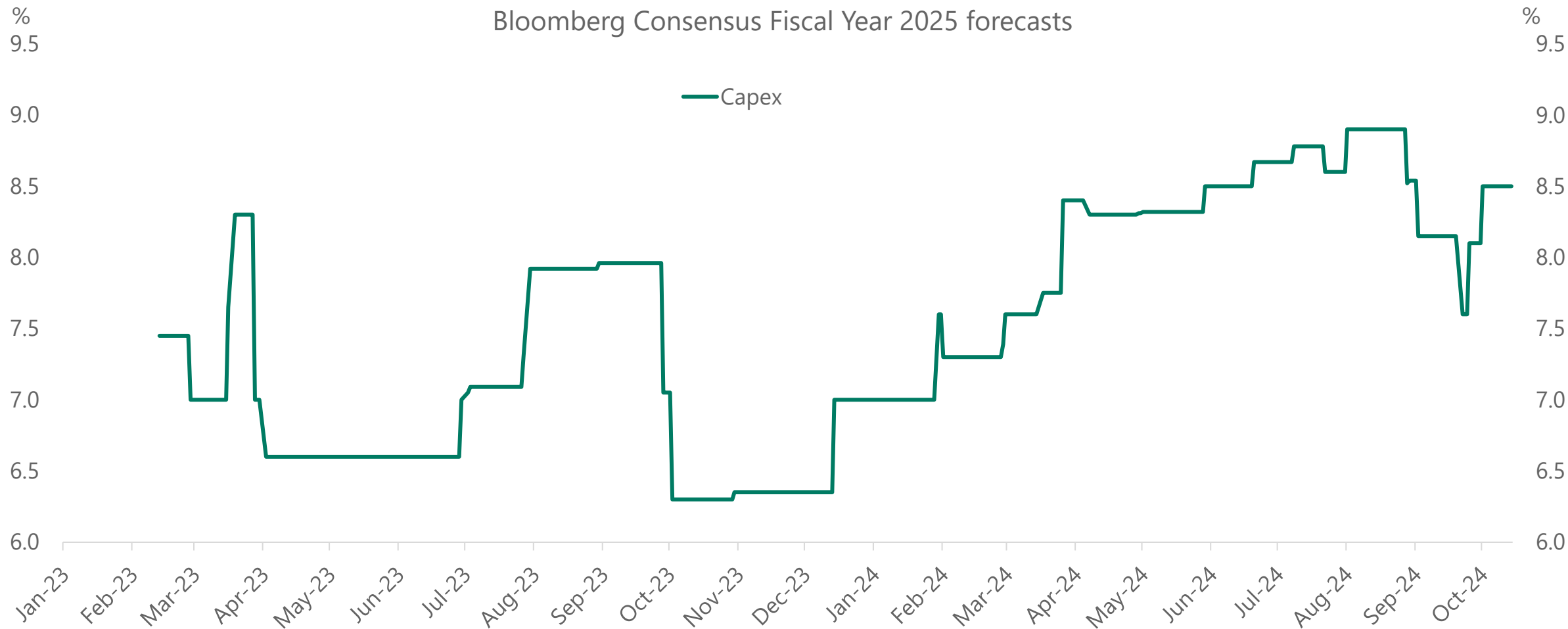
Source: RBI, Haver Analytics, Apollo Chief Economist



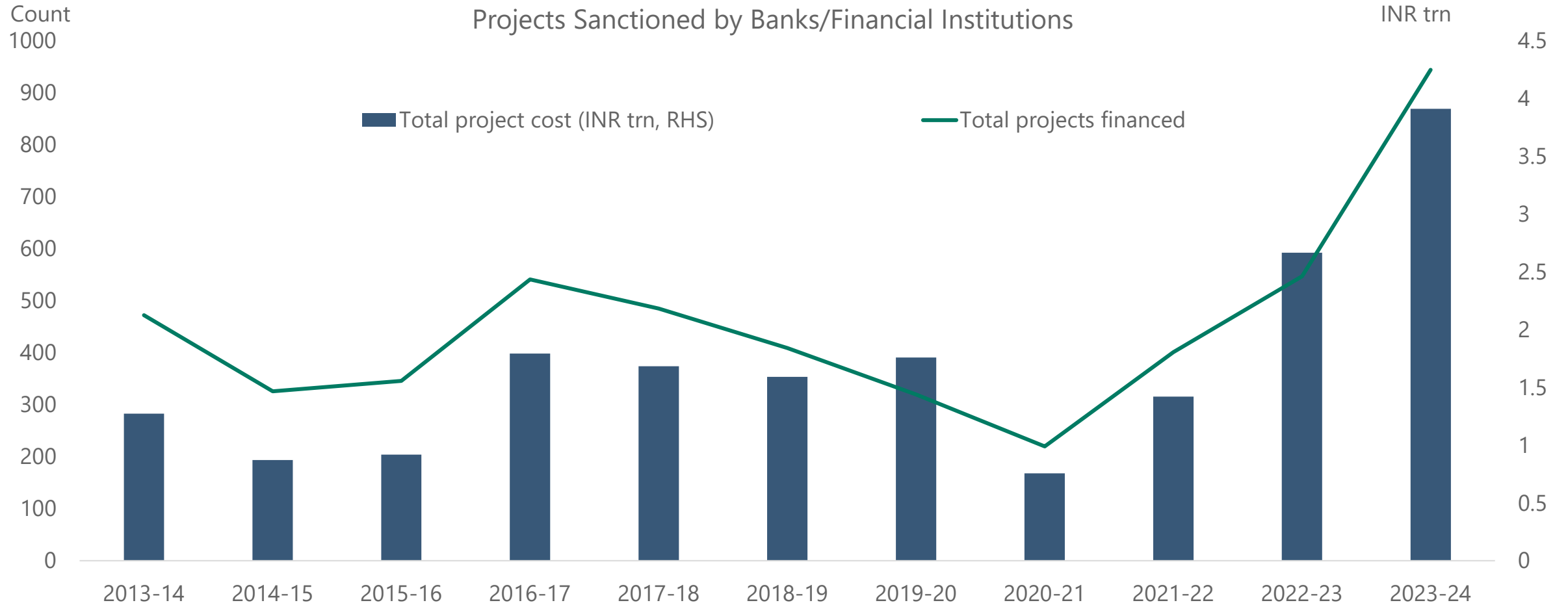
# Interest coverage ratio rising



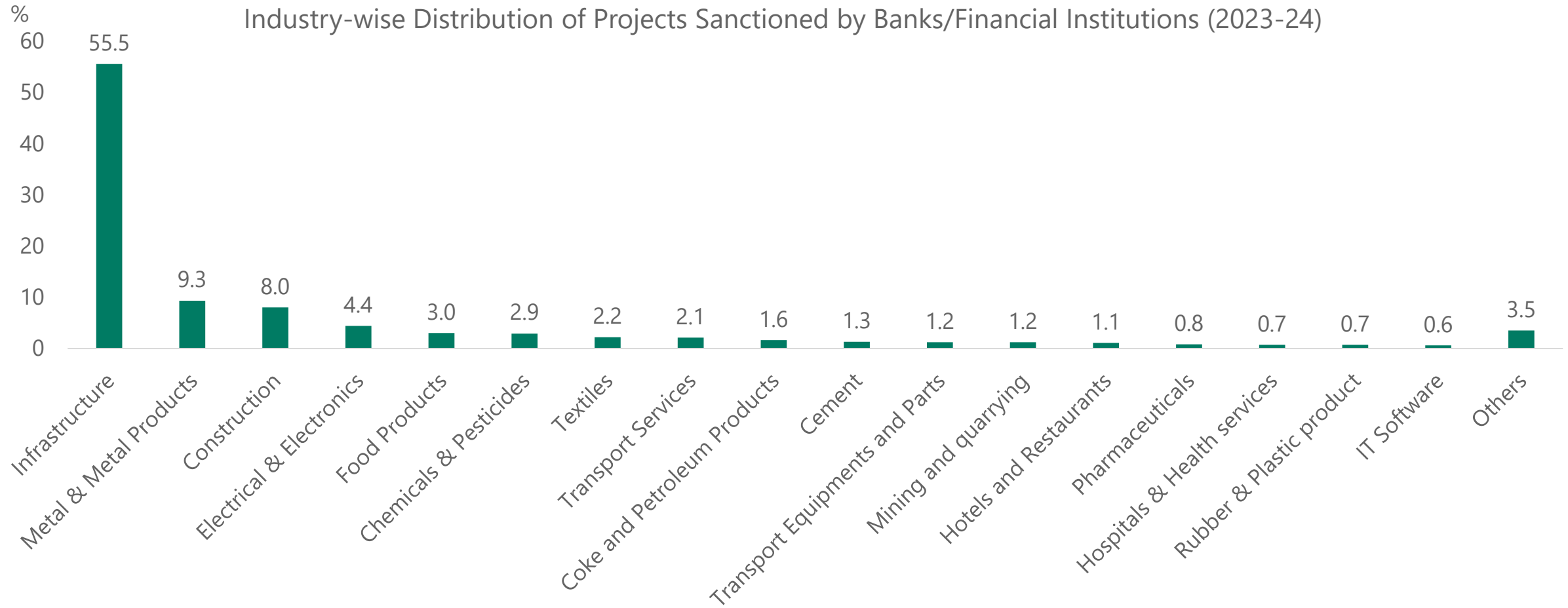
# India: Capex consensus forecast



# Private capex momentum is strong



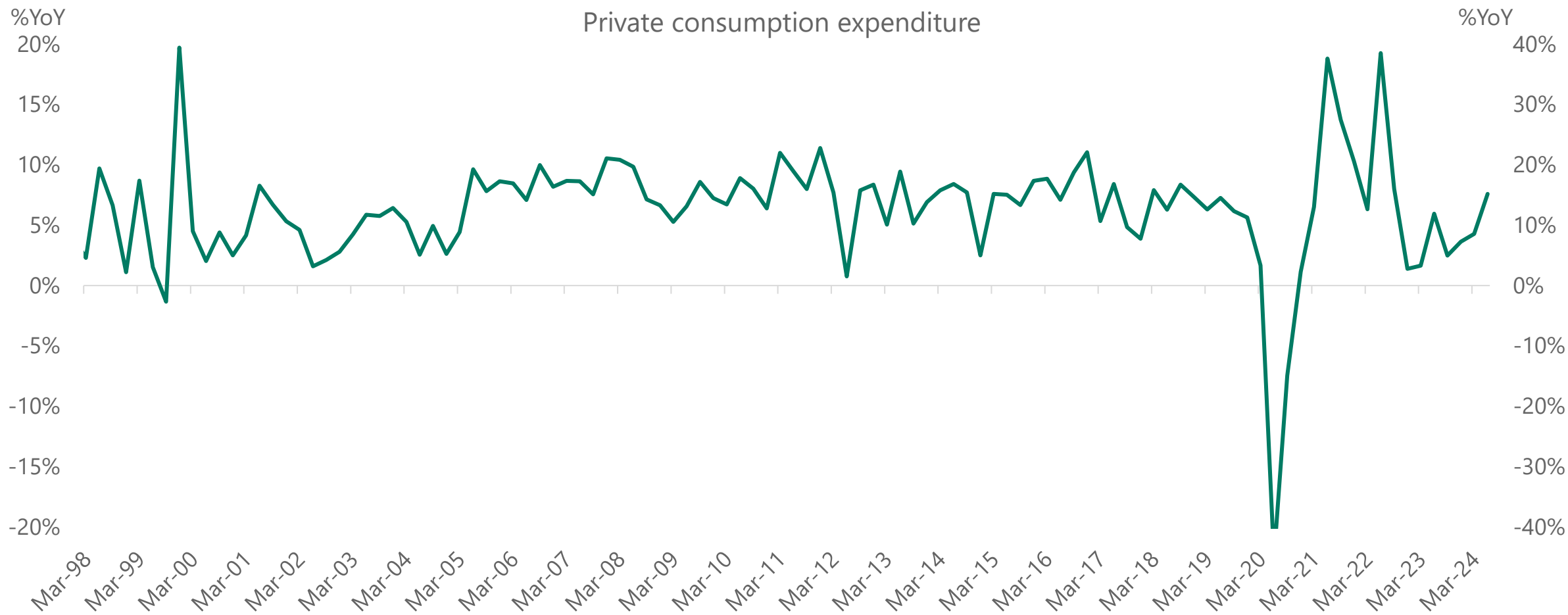
# Private capex by sector



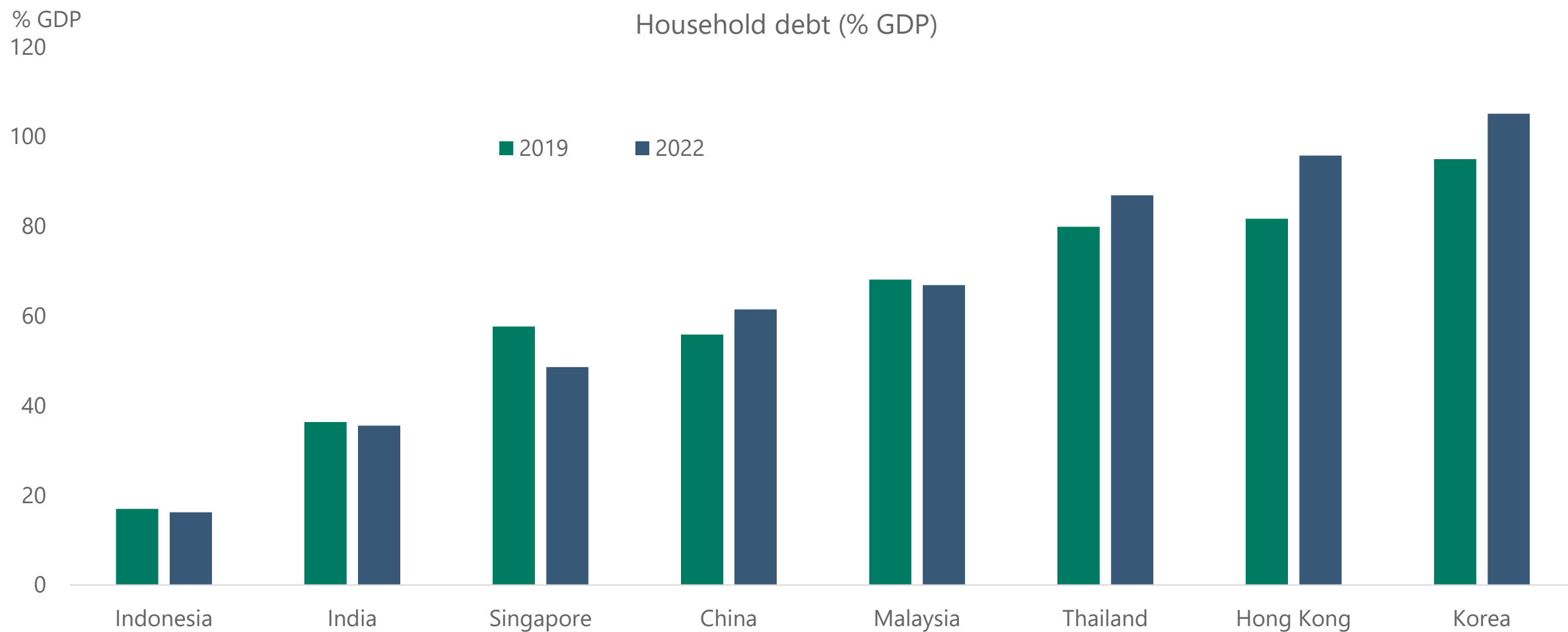
Source RBI Bulletin Aug 2024, Apollo Chief Economist. Note: Other includes industries like Paper & paper products, Agricultural & related activities, Manufacturing of electric and non-electric machinery, Glass & pottery, Sugar and allied products, Entertainment, Trading of services, Printing & publishing, other manufacturing and other services

Consumer/household/labor

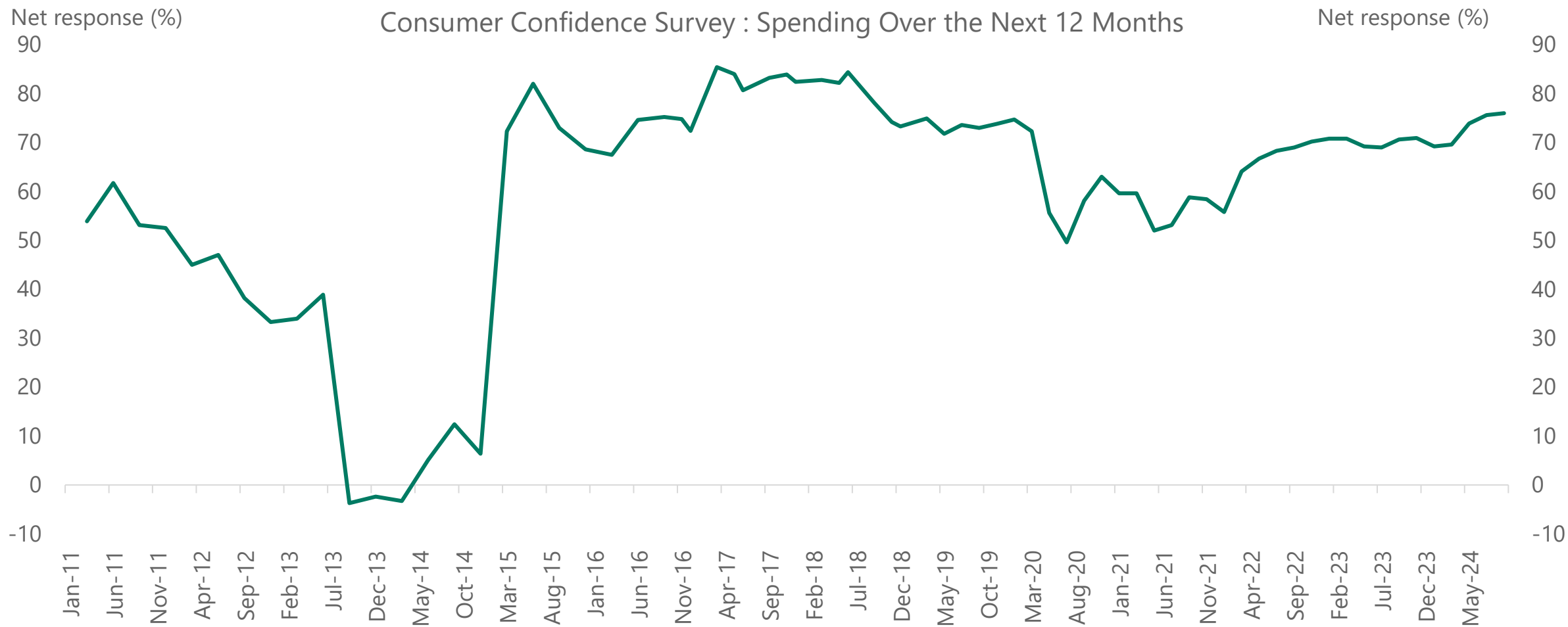
# Private consumption strong



# Indian household balance sheets remains healthy

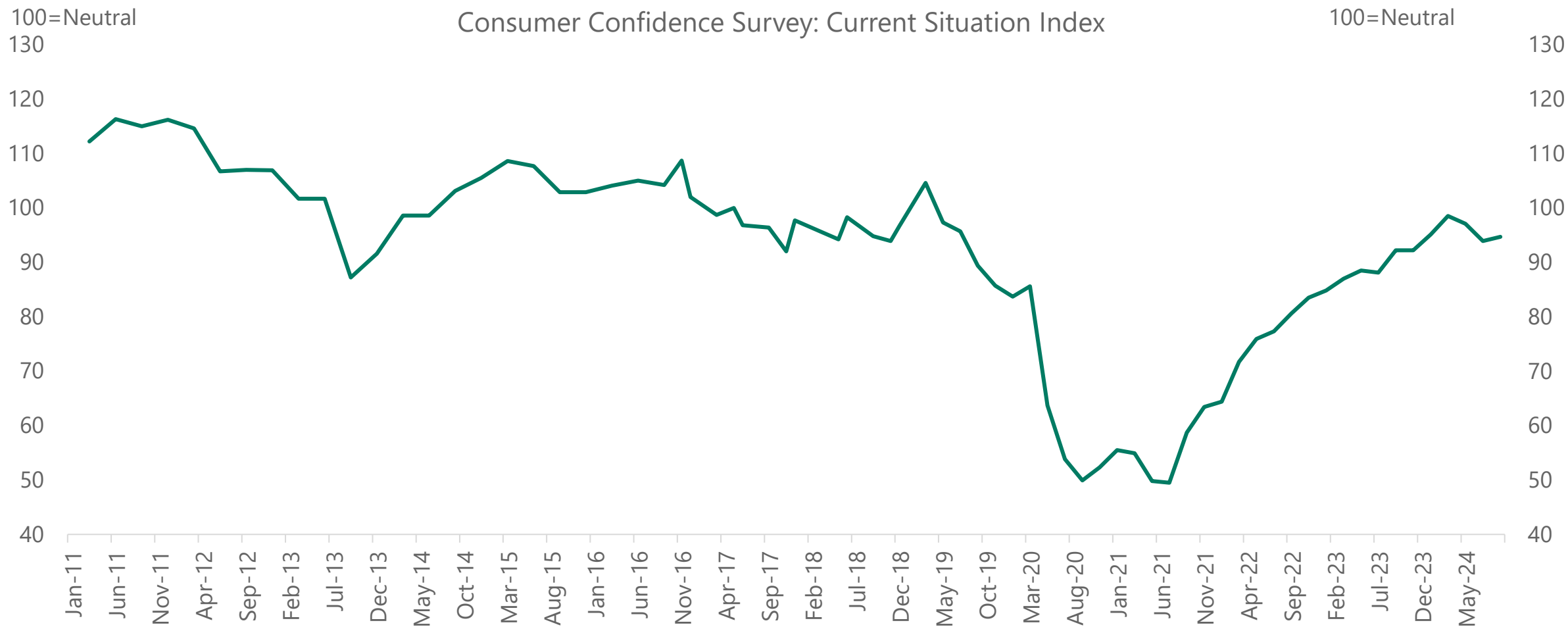


# Consumer spending expectations





# Consumer outlook about the current situation



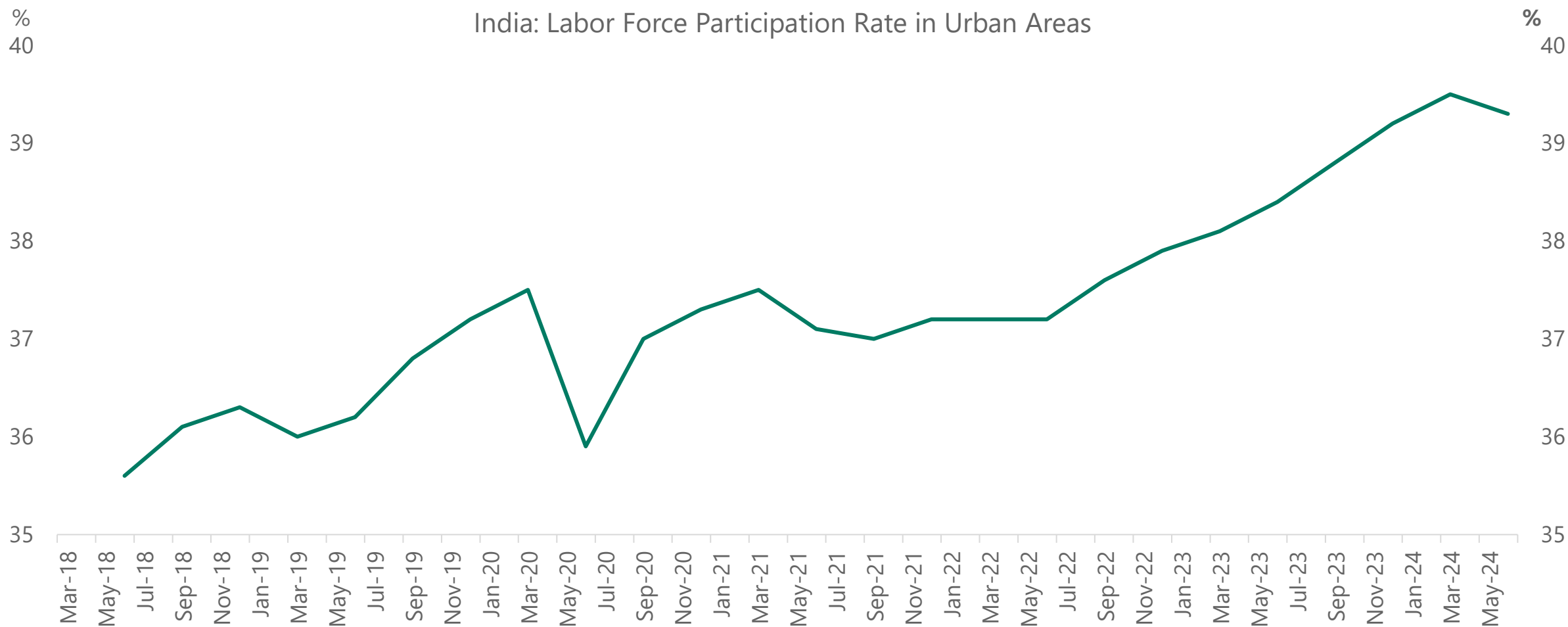
# Consumer outlook about future expectations



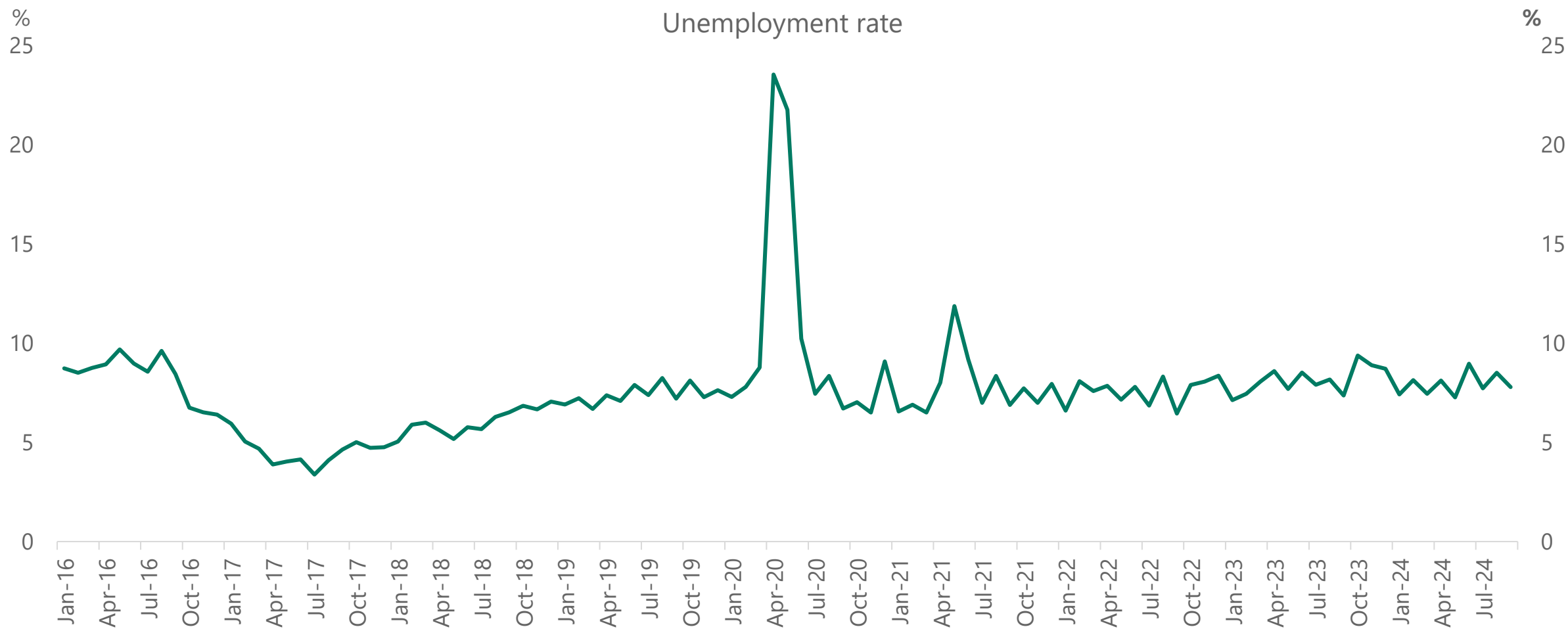
# Employment expectations



# Indian labor force participation rate is low due to large unorganized sector



# Unemployment rate



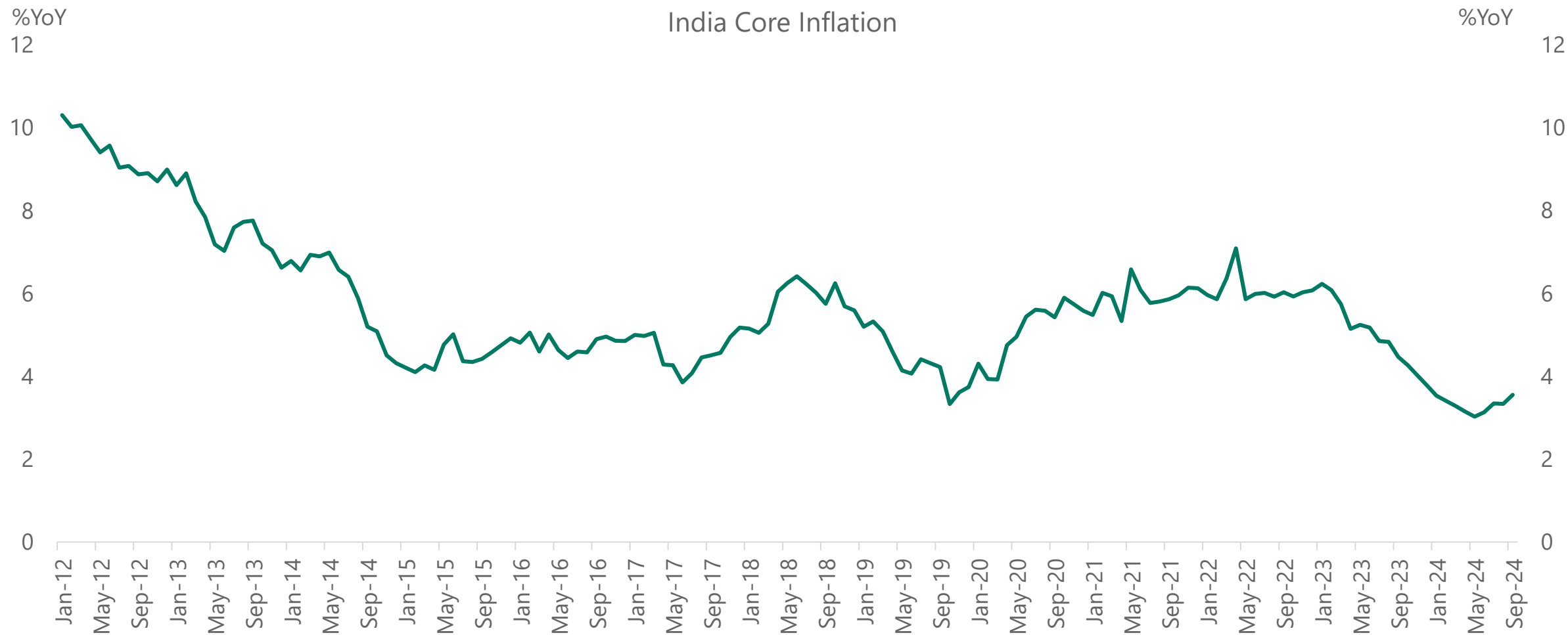
# Unemployment rate moving sideways

India: Unemployment Rate in Urban Areas



# Inflation

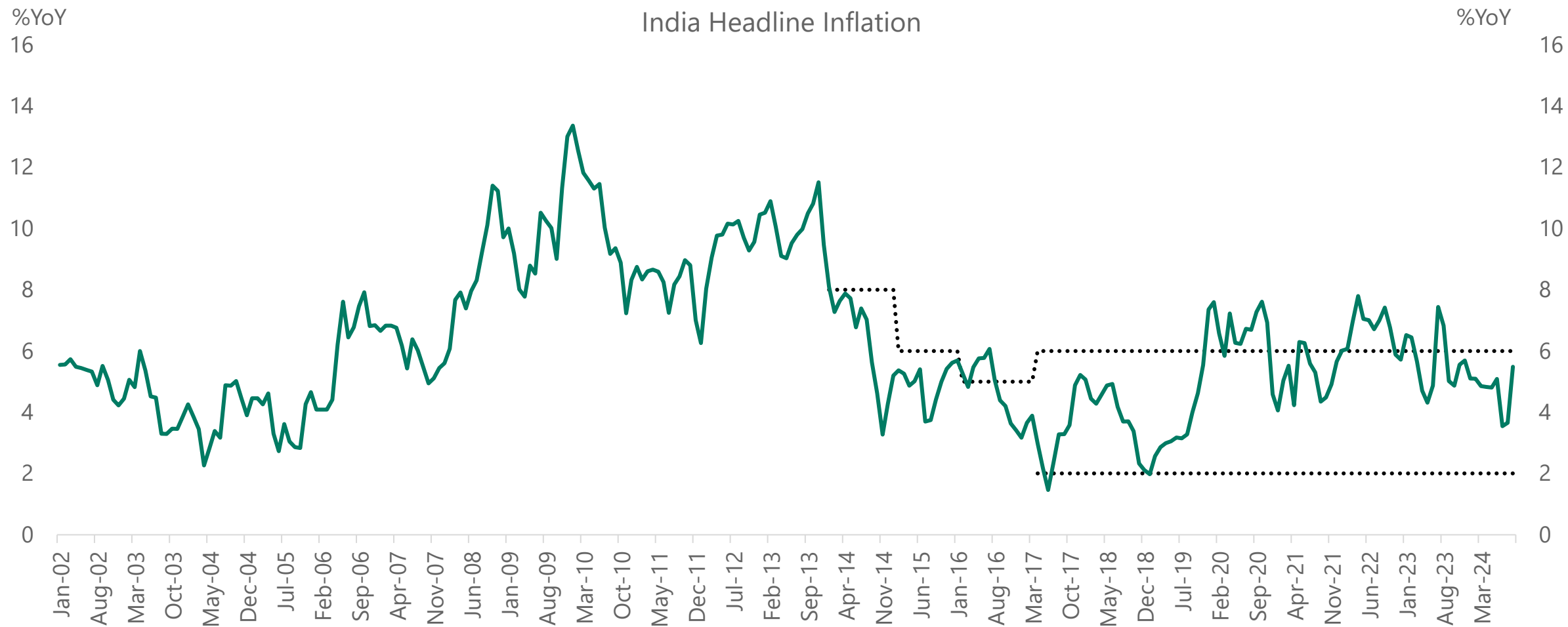
# Core inflation at 3.6%



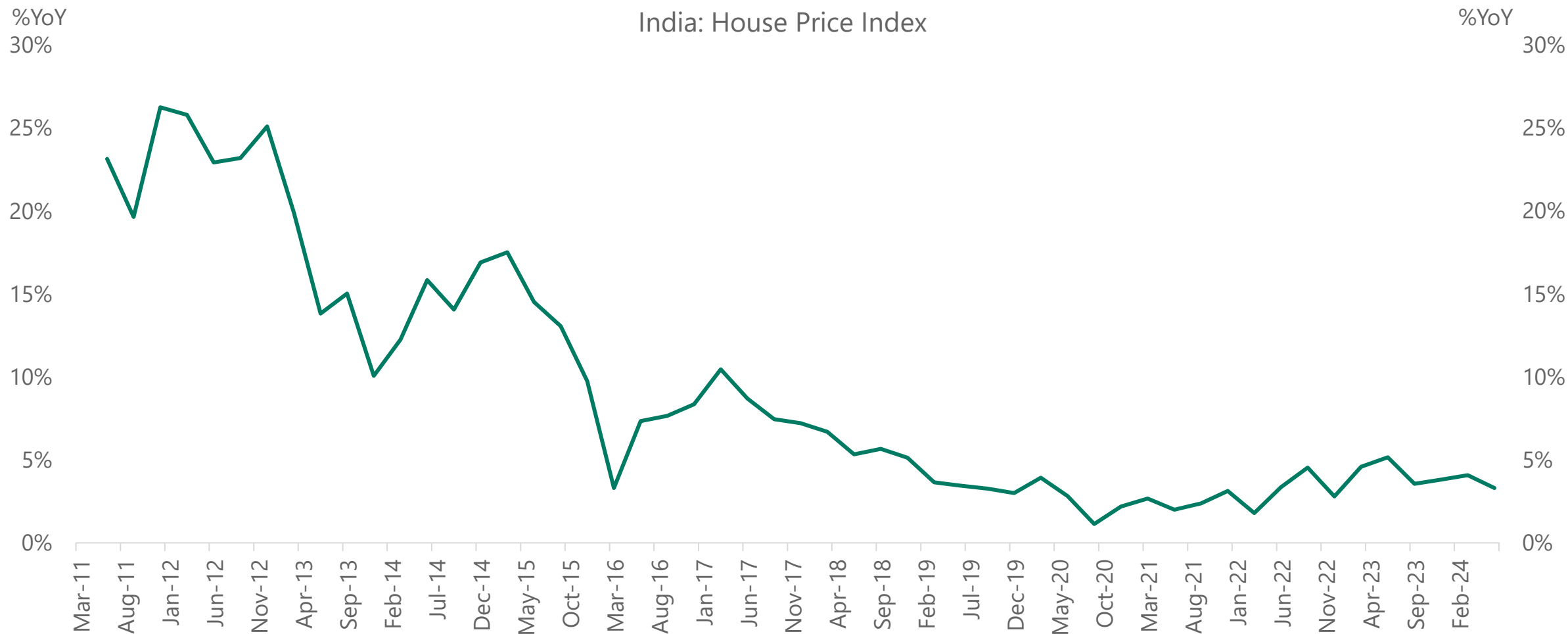
Source: MOSPI, Haver Analytics, Apollo Chief Economist



# Headline CPI within the central bank's target range

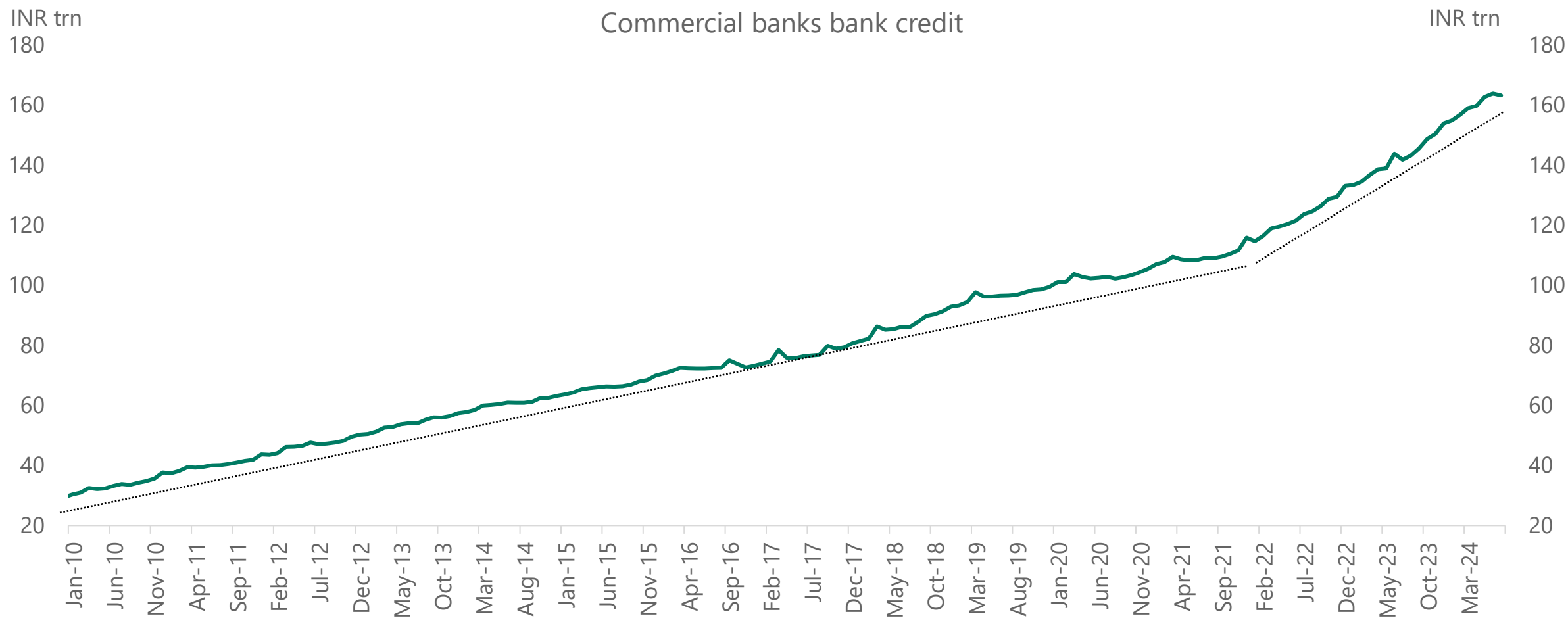


# Home price inflation remains low



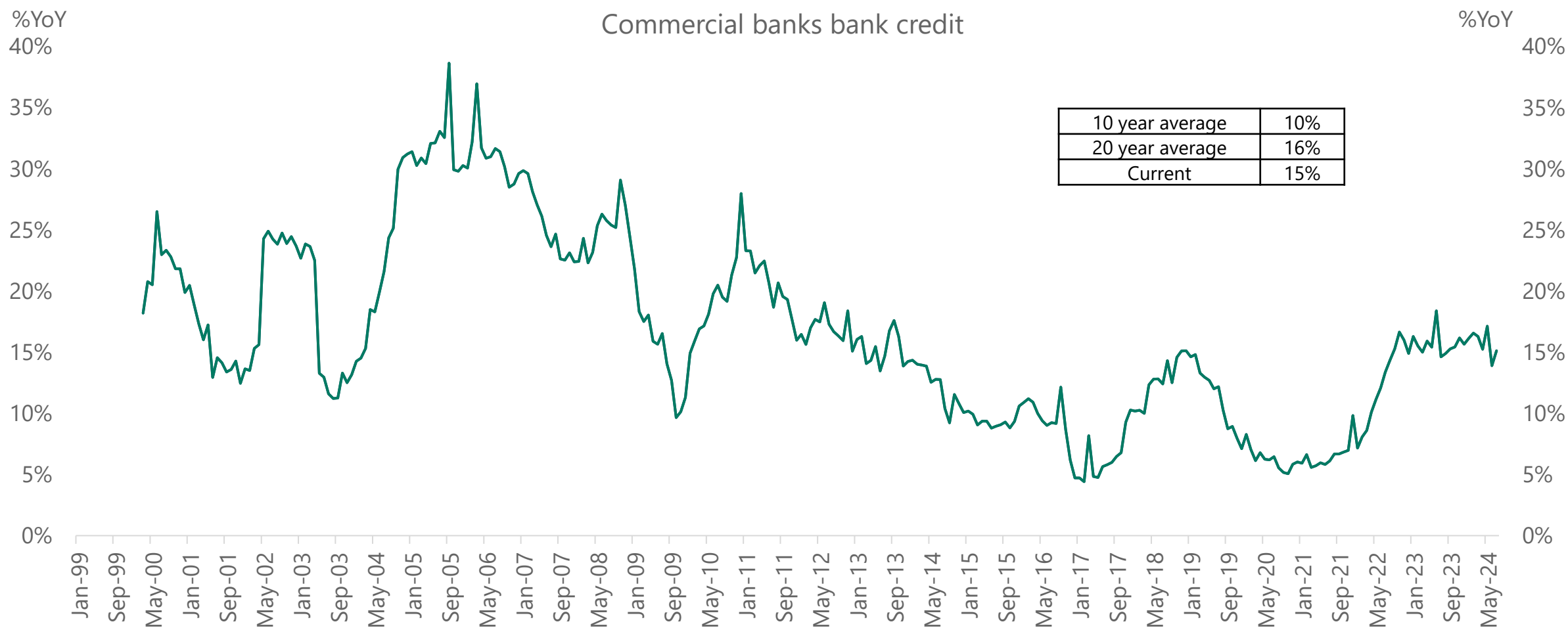
# Bank lending

# Bank credit is growing

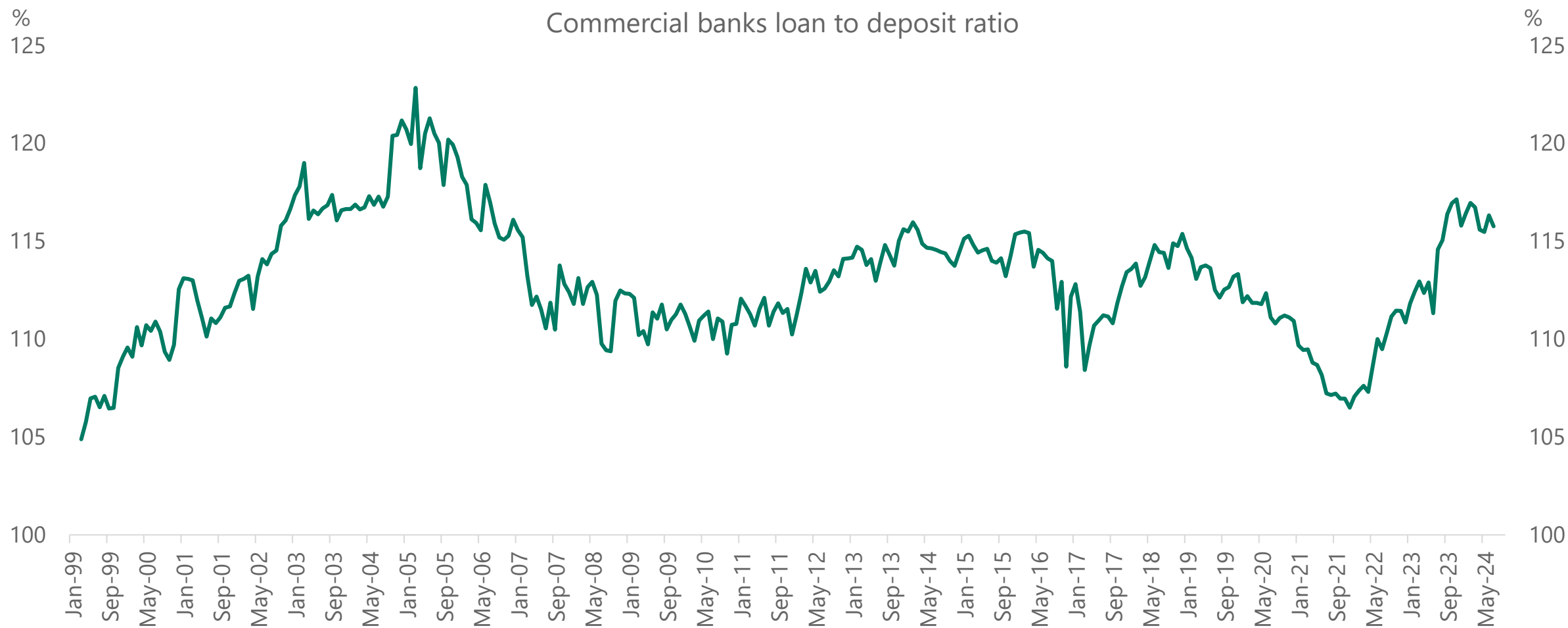


Source: Commercial Bank Survey, RBI, Haver Analytics, Apollo Chief Economist

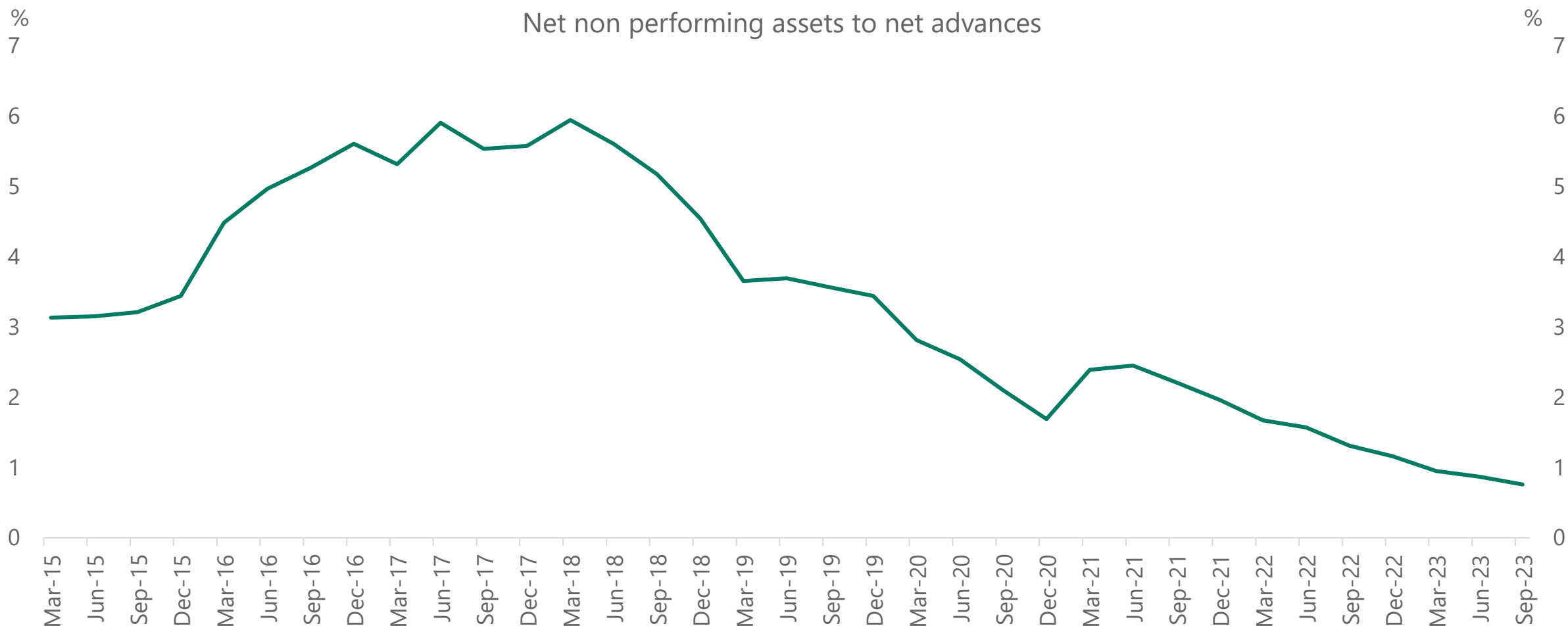
# Credit growth is strong



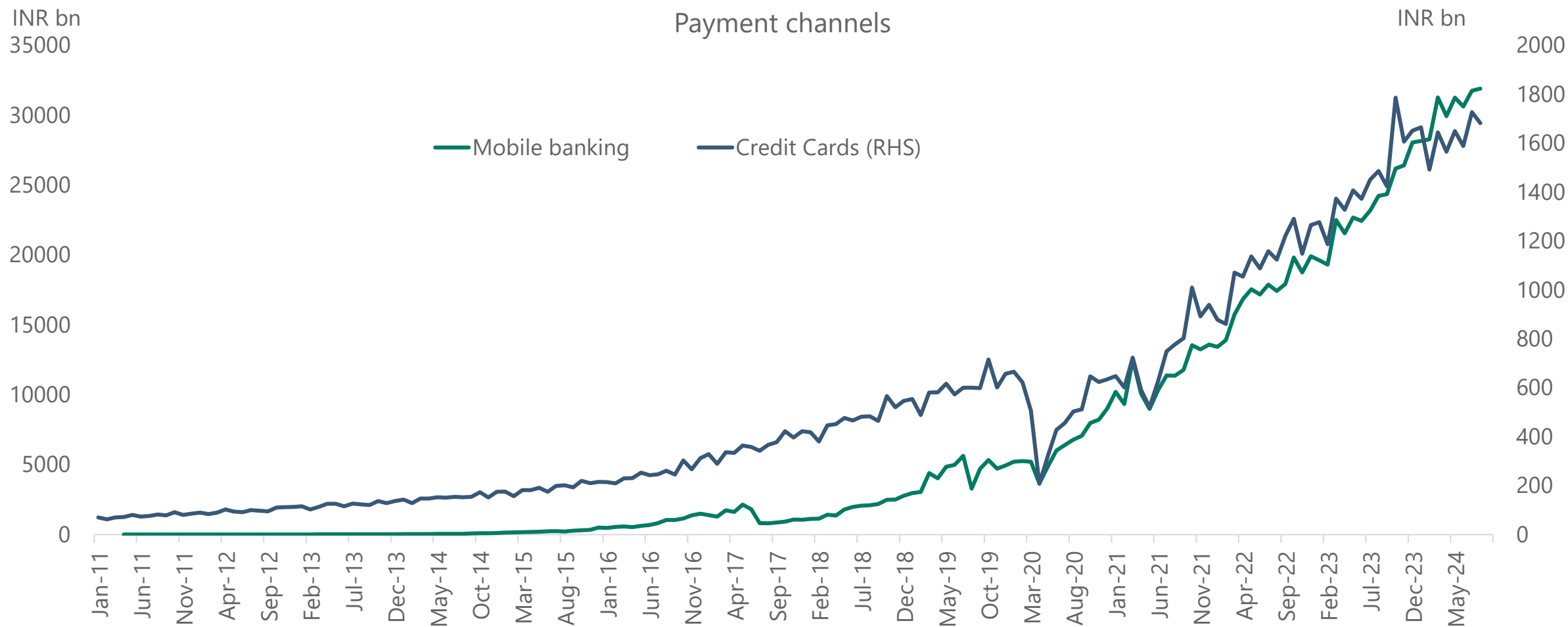
# Loan to deposit ratio



# Bank sector more robust than before

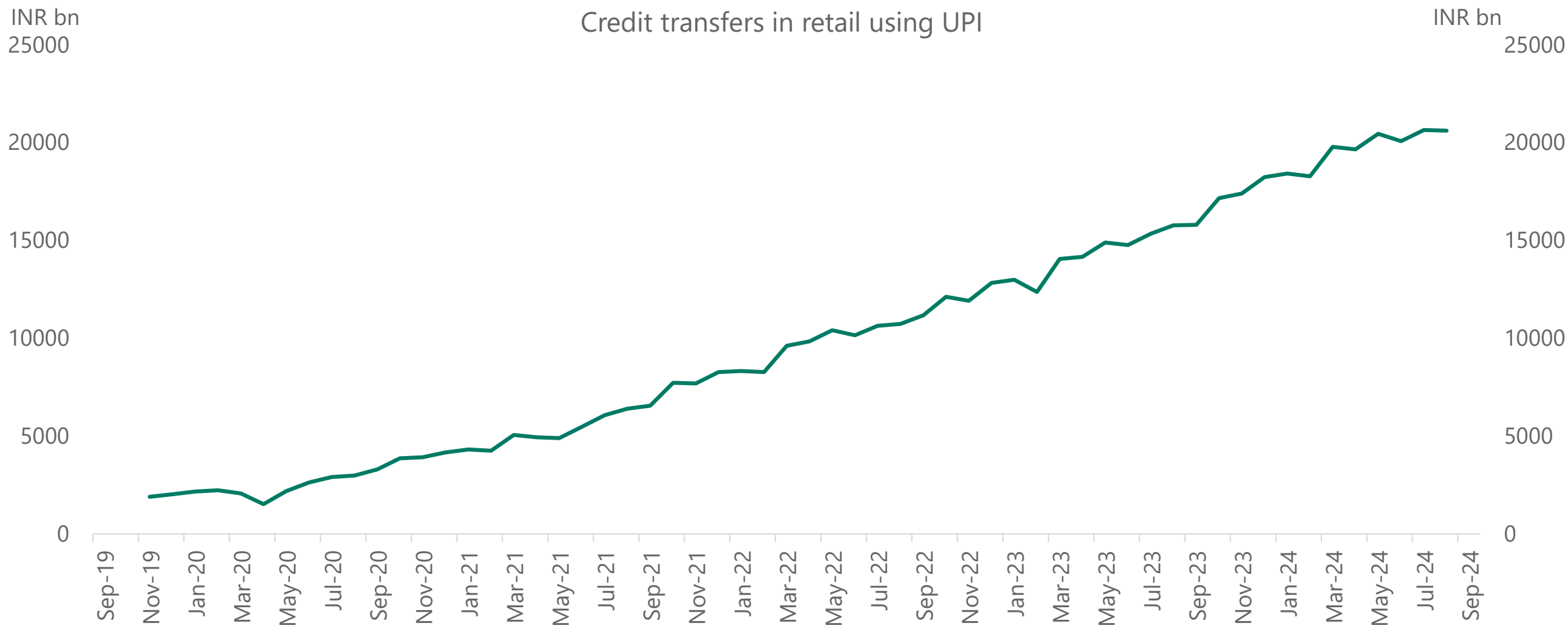


# Payments through mobile banking and credit cards growing sharply

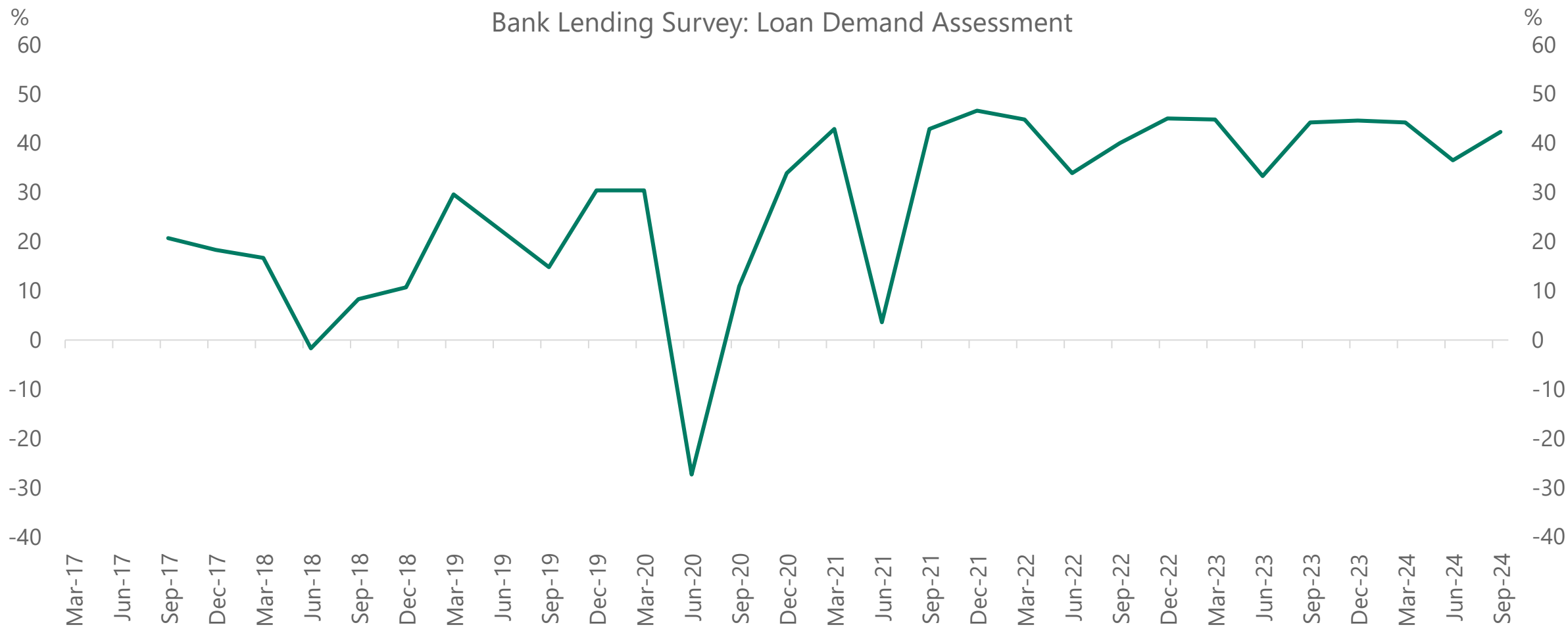




# Payments through UPI from INR 0.2 trn in 2019 to INR 20 trn in 2024

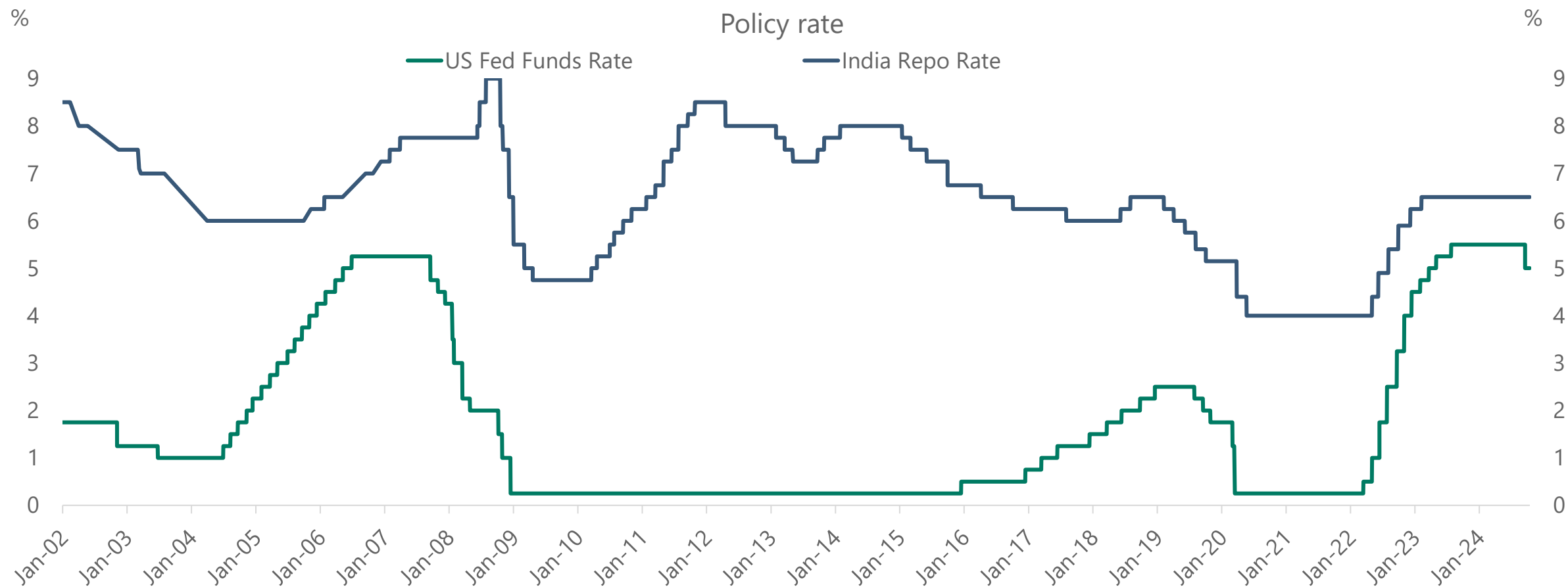


# Loan demand remains strong



# Financial markets

# US vs India policy rate differential



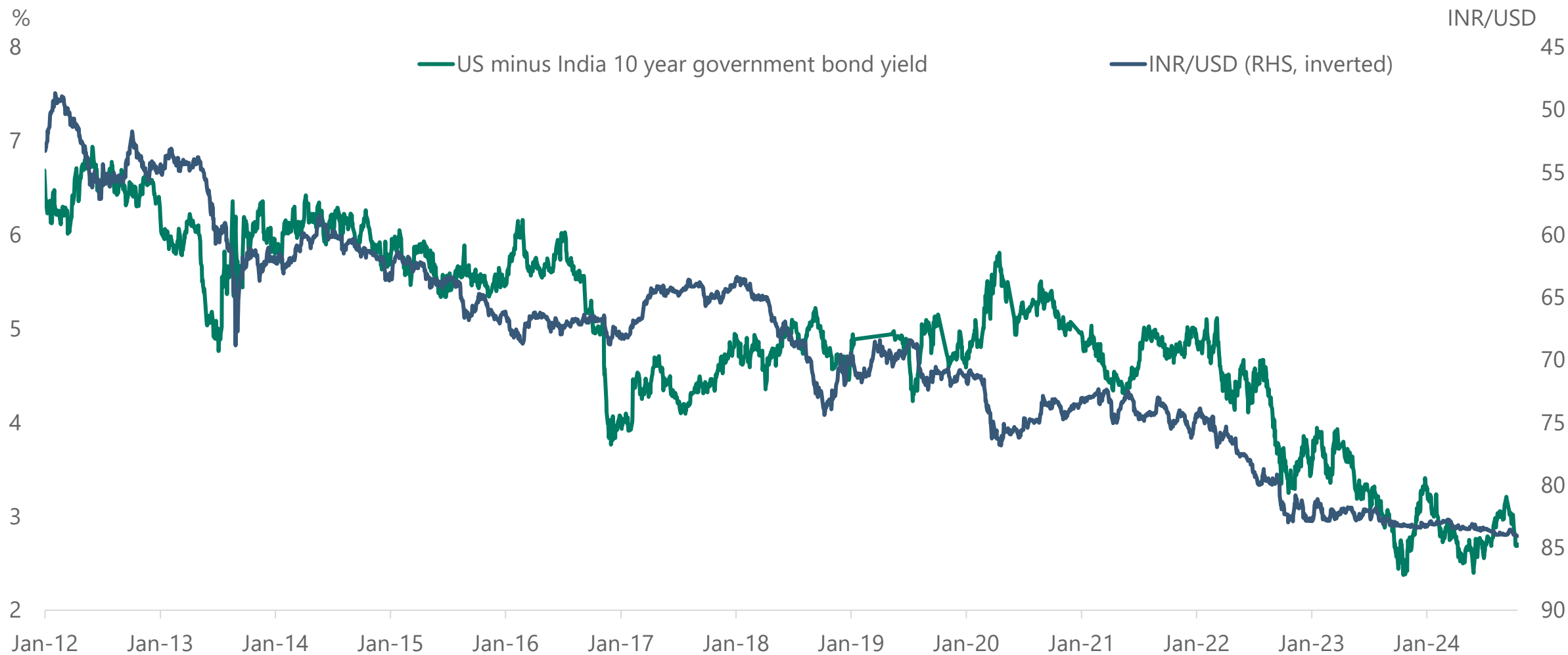
# US vs India 10 year yield



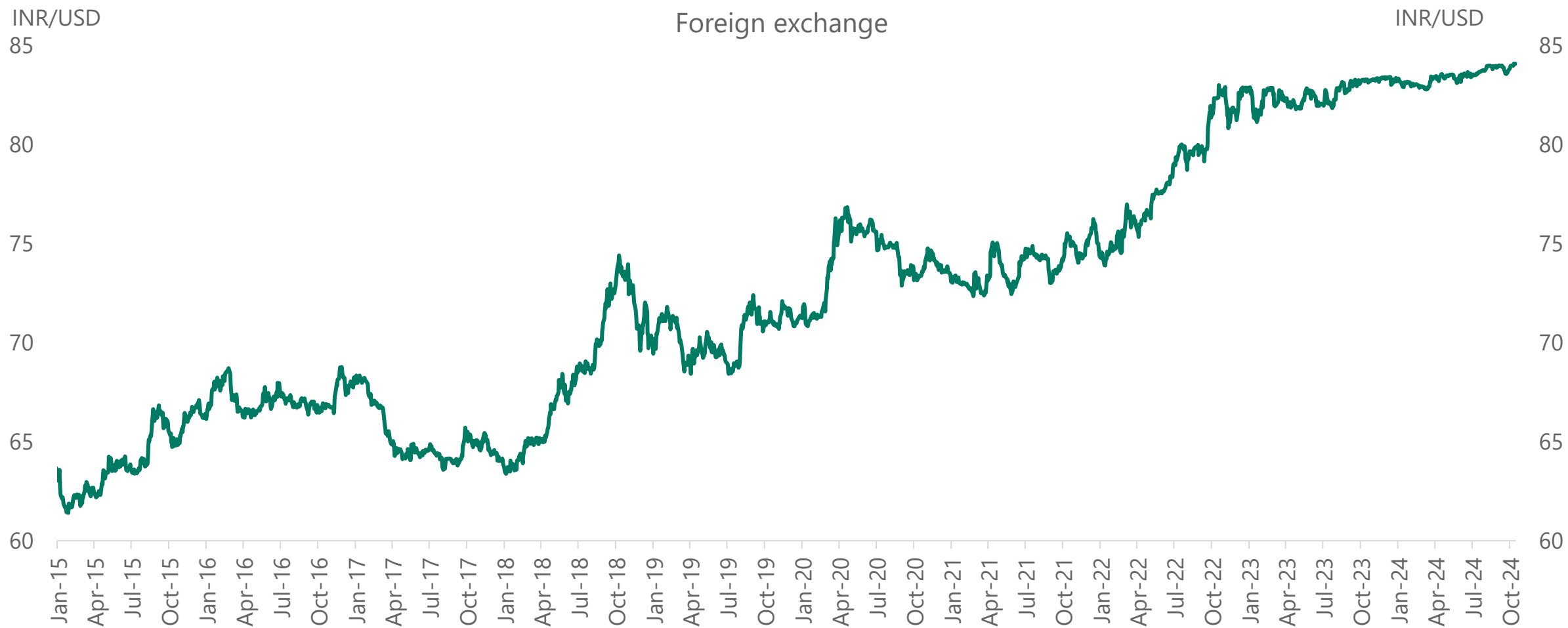
# US vs India 10 year yield differential falling



# 10 year yield differential vs foreign exchange

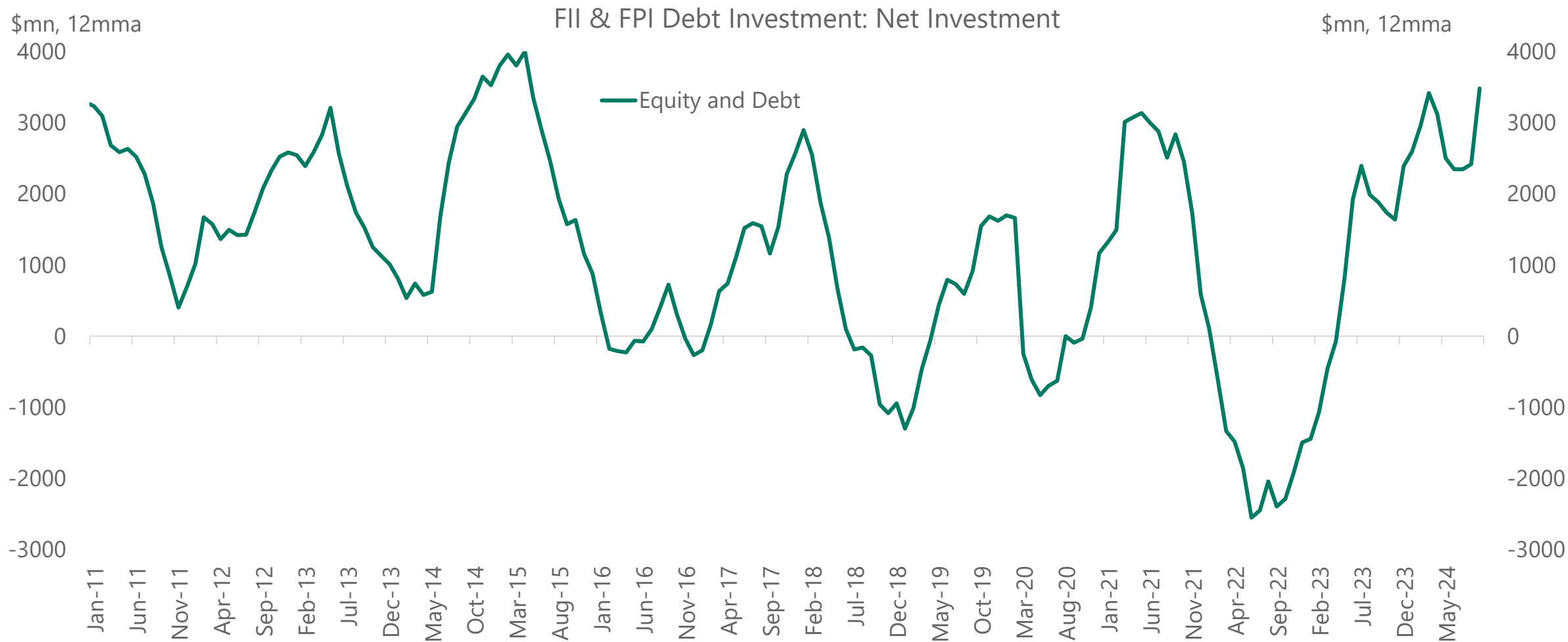


# Rupee has stabilised

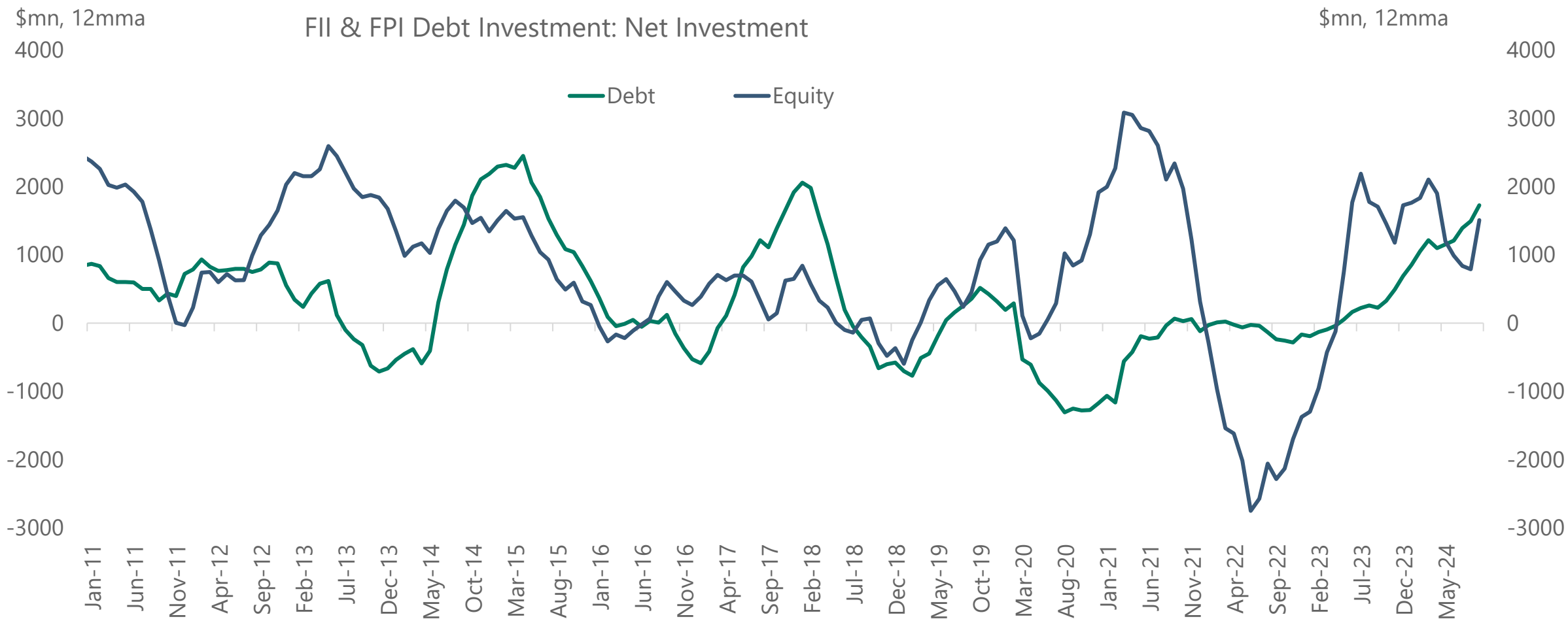




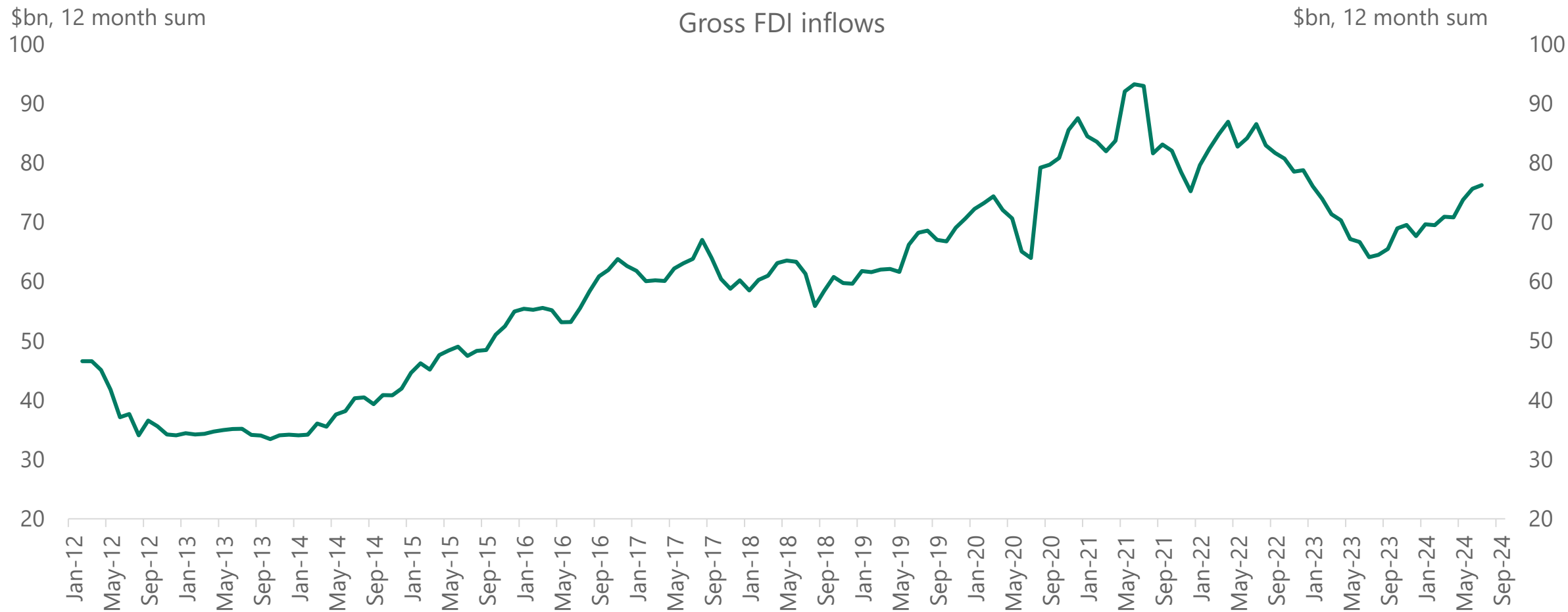
# Net FII and FPI investments remain positive



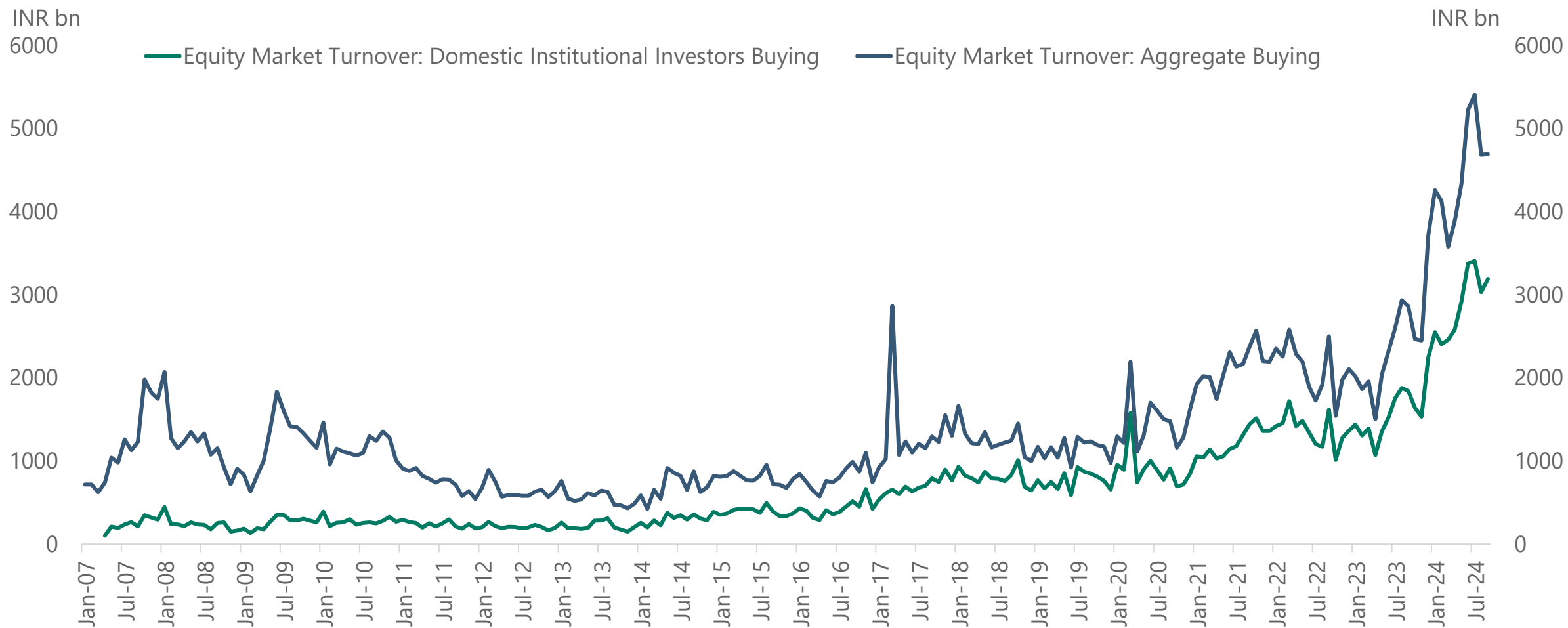
# Net FII and FPI debt and equity investment



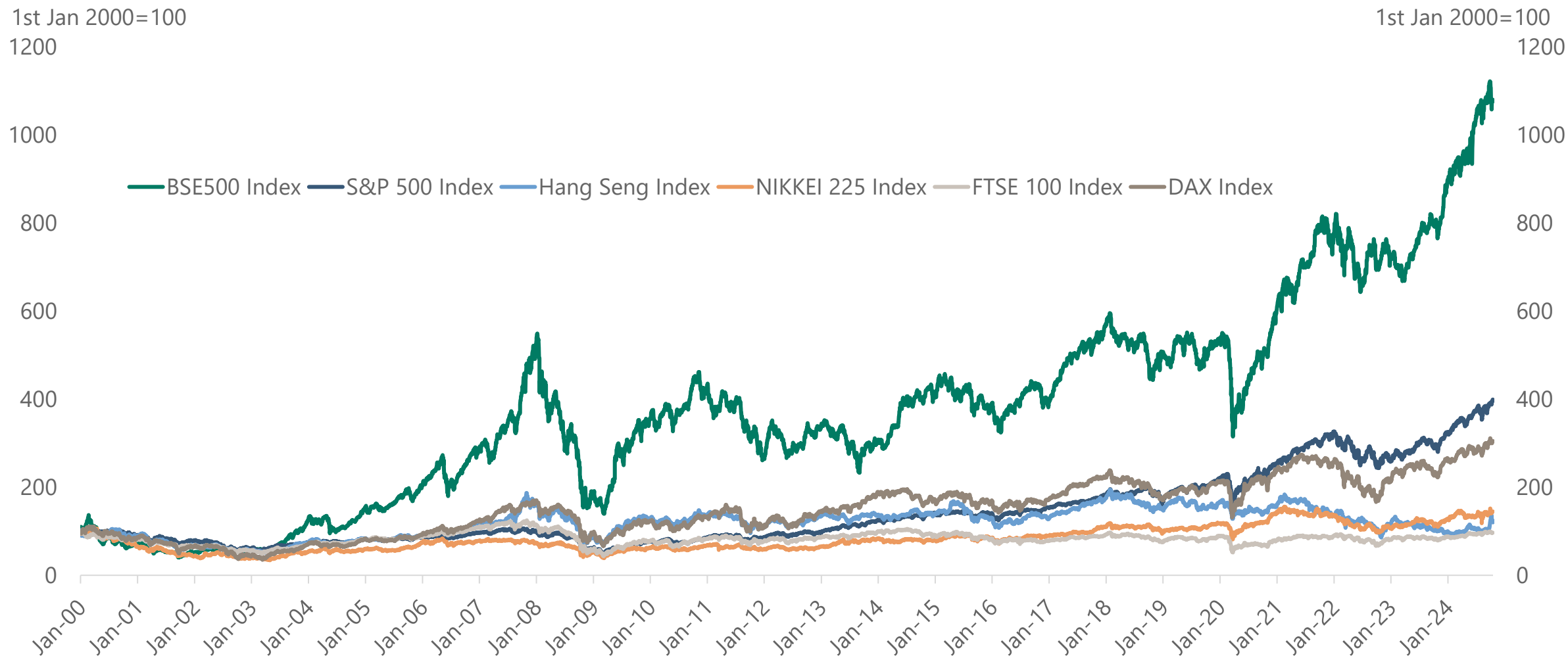
# Gross FDI inflows



# Equity market turnover has risen sharply

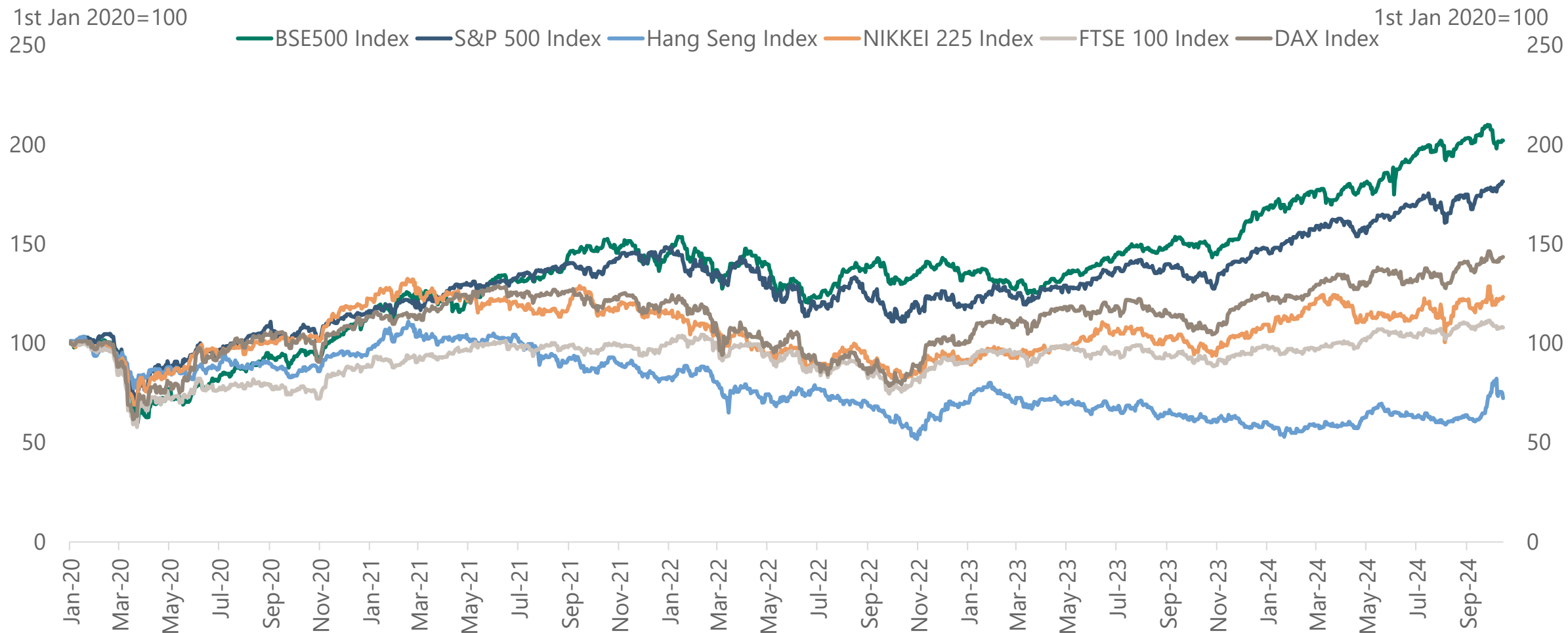


# BSE 500 has outperformed major indices since 2000

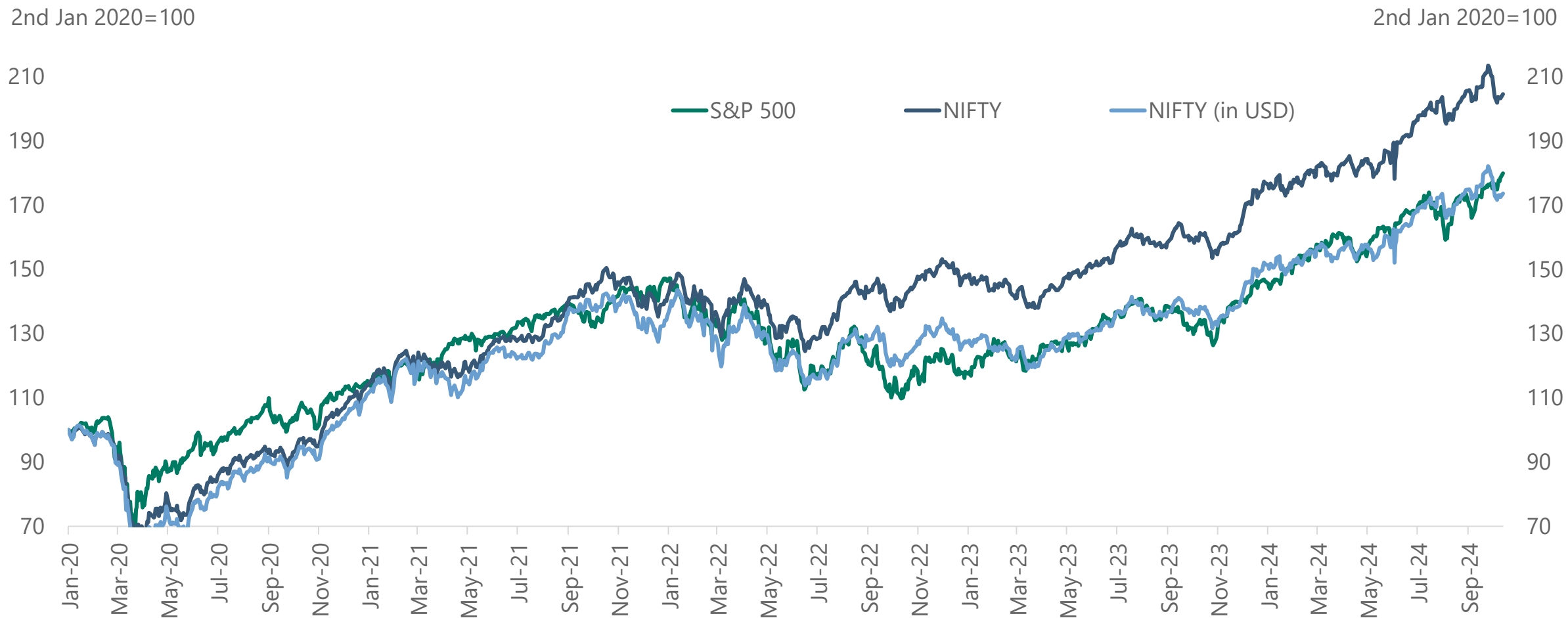


Source: Bloomberg, Apollo Chief Economist

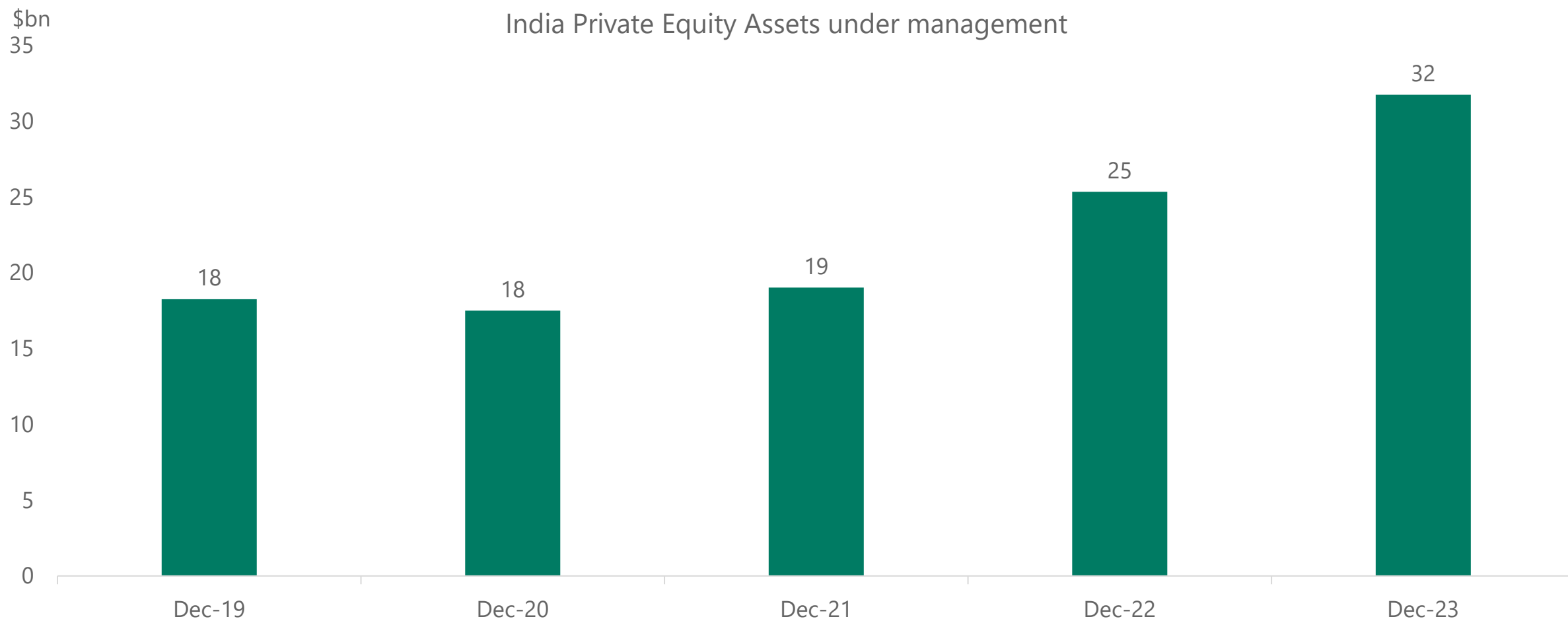
# BSE 500 has also outperformed major indices since 2020



# NIFTY vs S&P 500

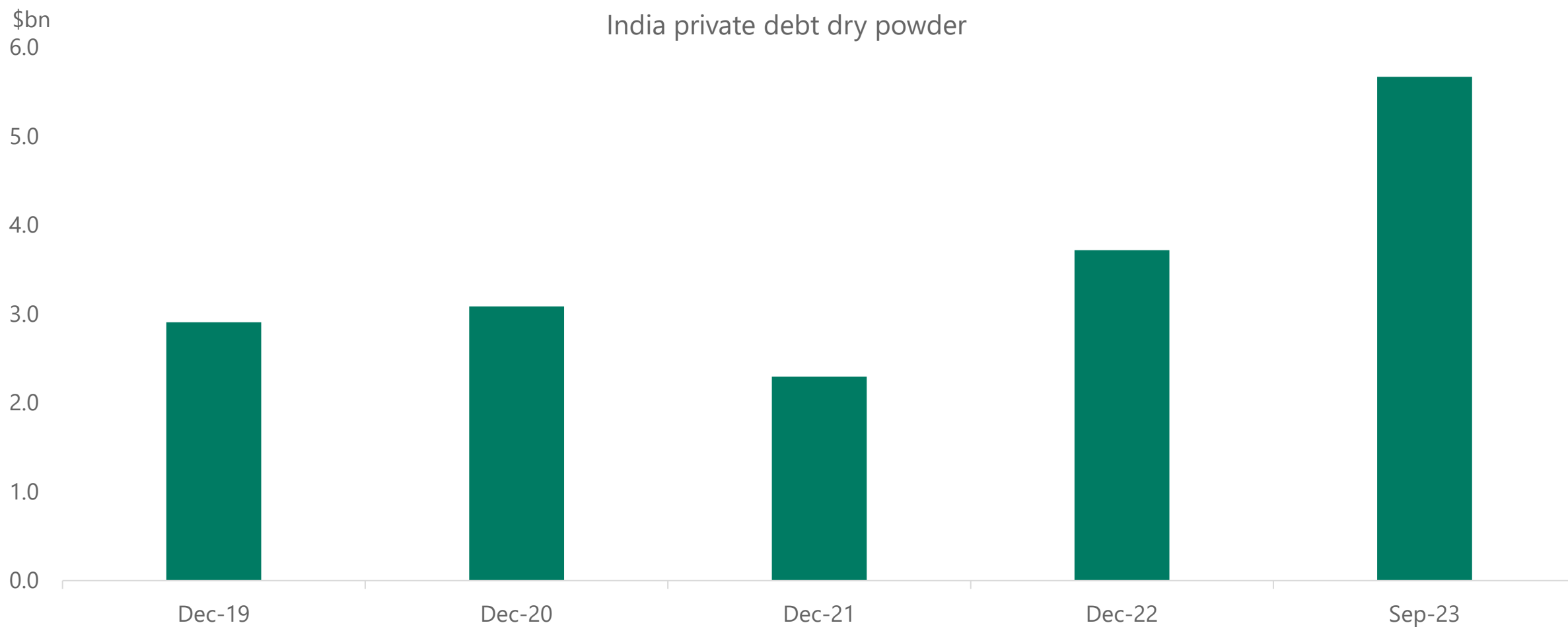


# India private equity assets under management growing





# India private debt dry powder has doubled since 2020



# IPO activity strong in 2024

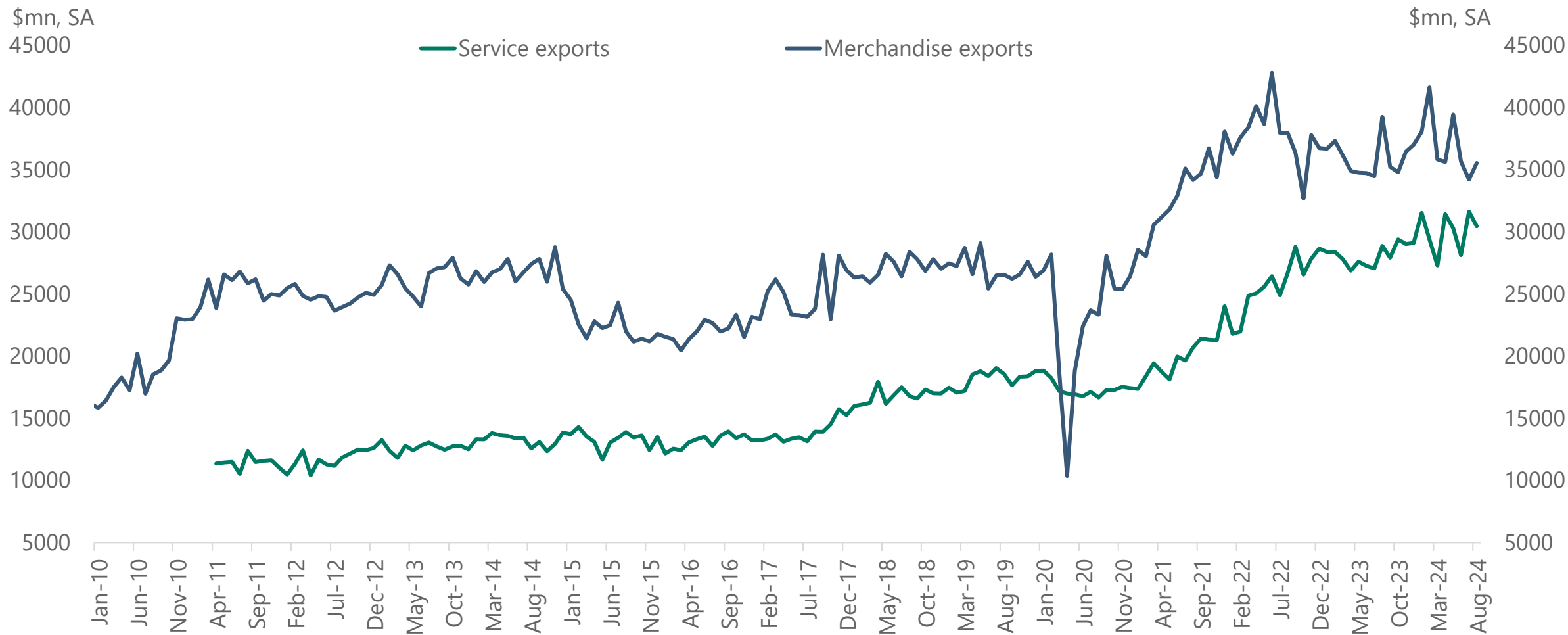


# IPO activity strong in 2024



Trade

# Indian goods and service exports

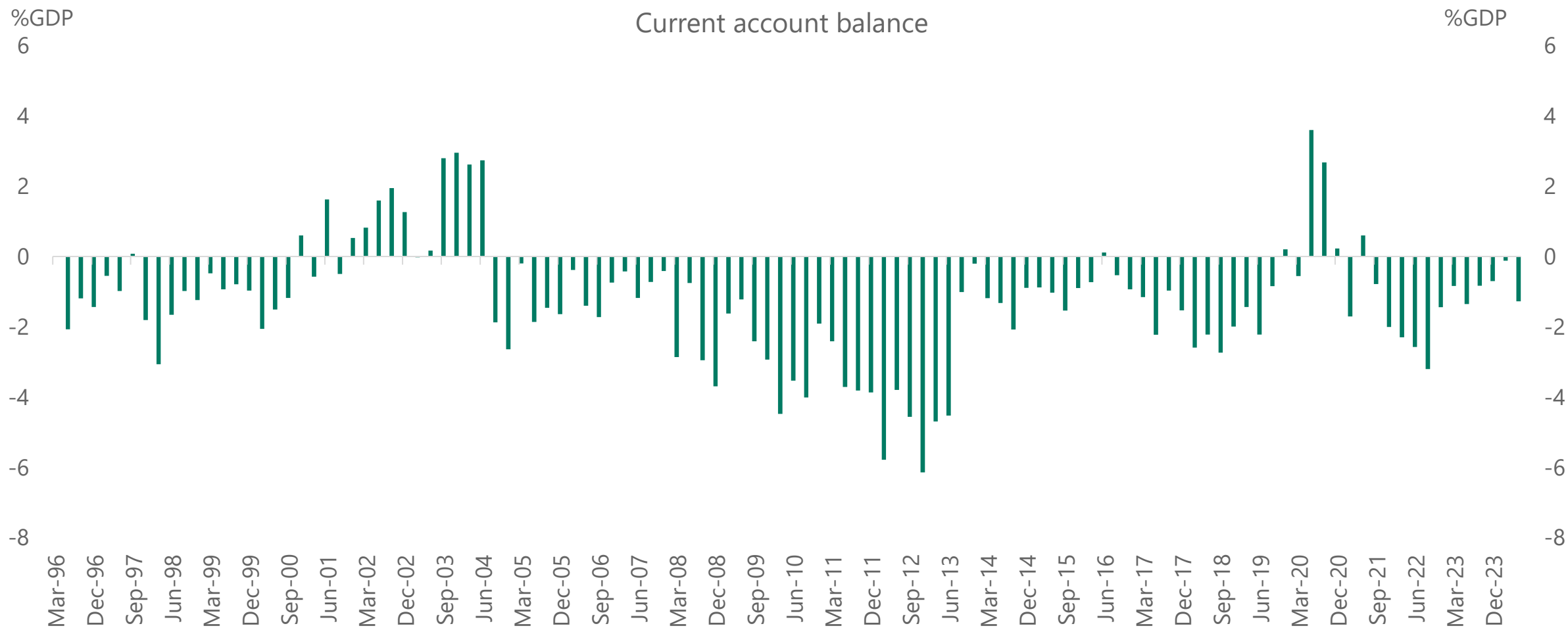


Source: Ministry of Commerce and Industry, RBI, Haver Analytics, Apollo Chief Economist

# India's service exports as a share of global exports is rising



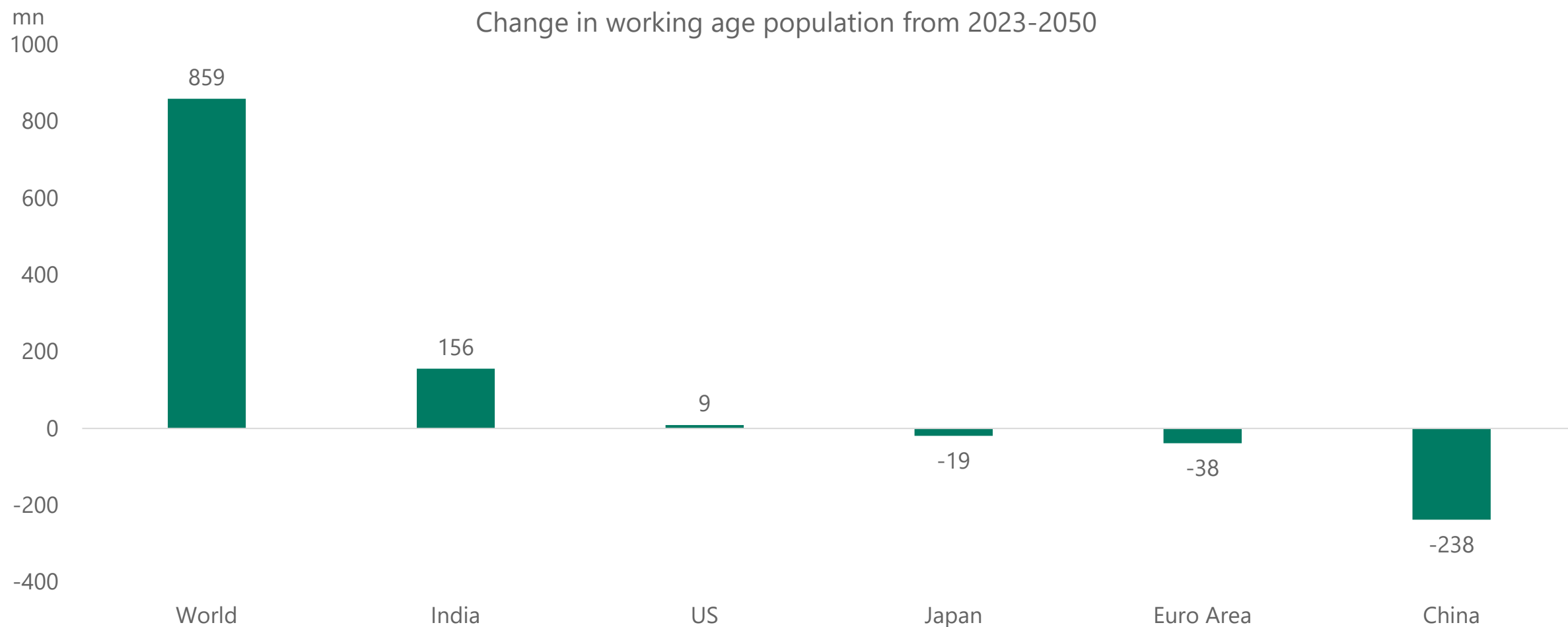
# India's current account balance



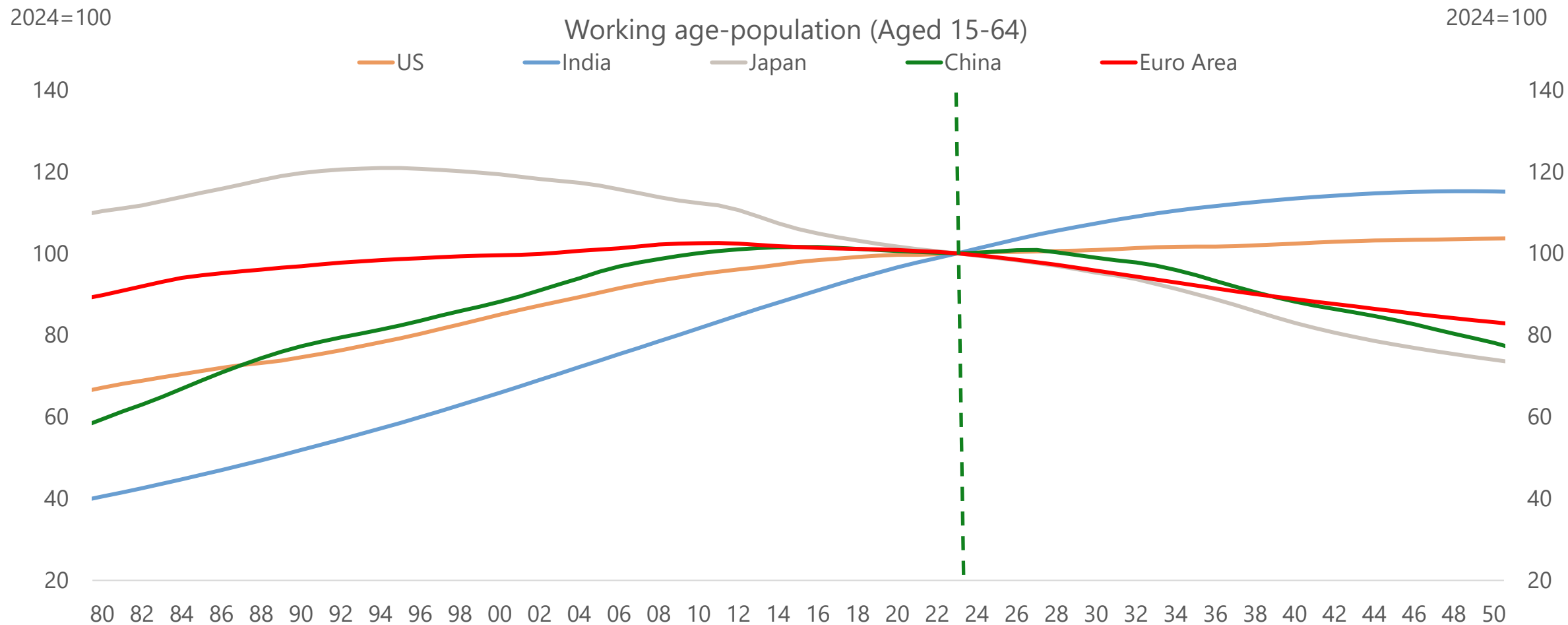
# Demographics



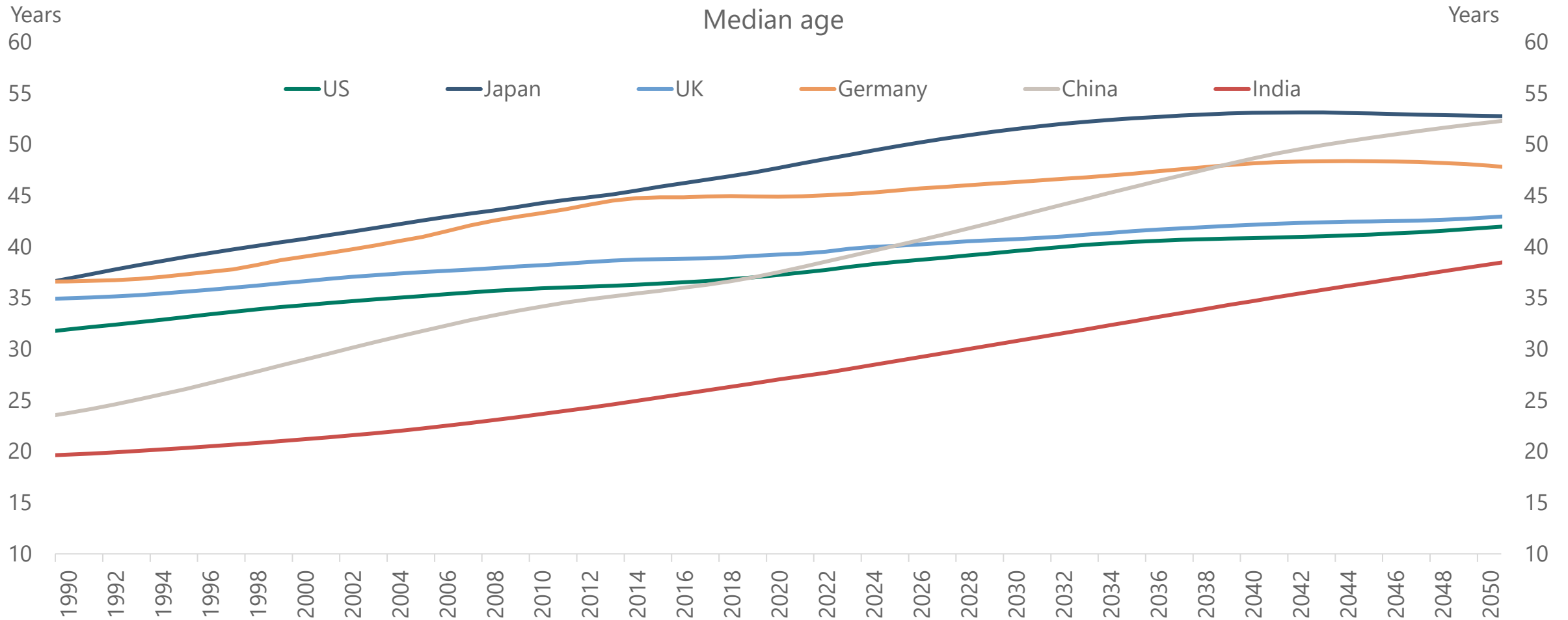
# Working age population growth



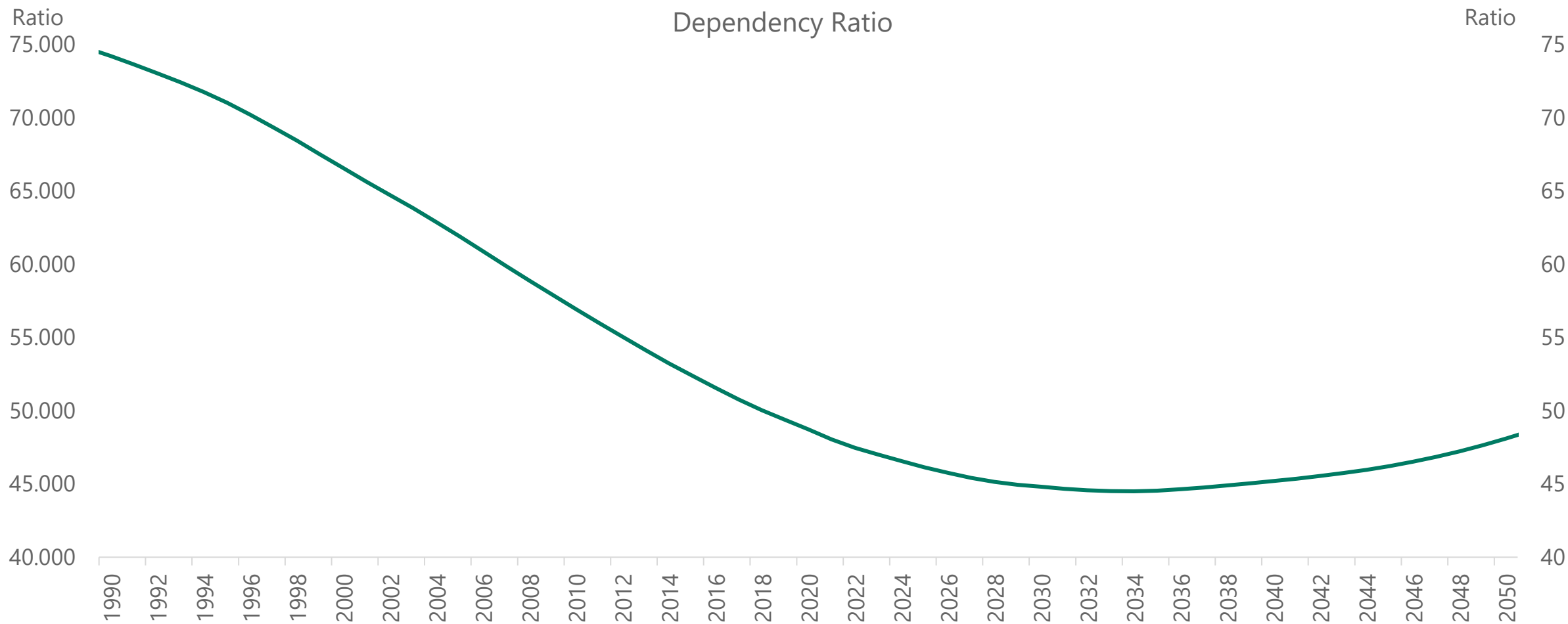
# India has a growing working age population



# Median age is lower in India

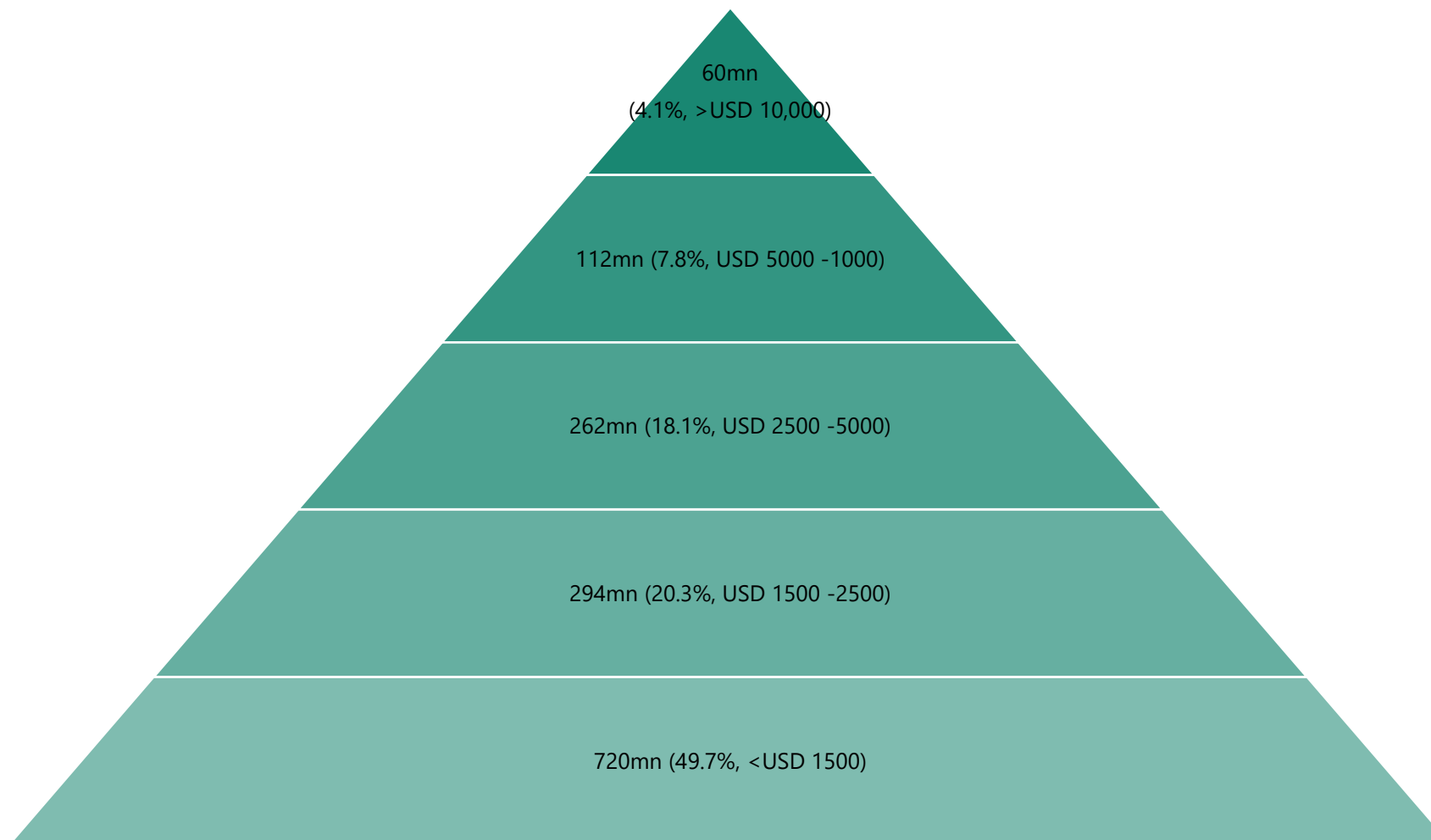


# India: Dependency ratio falling



Source: UN Population Statistics, Haver Analytics, Apollo Chief Economist

# India's income pyramid



# Comparing India with China

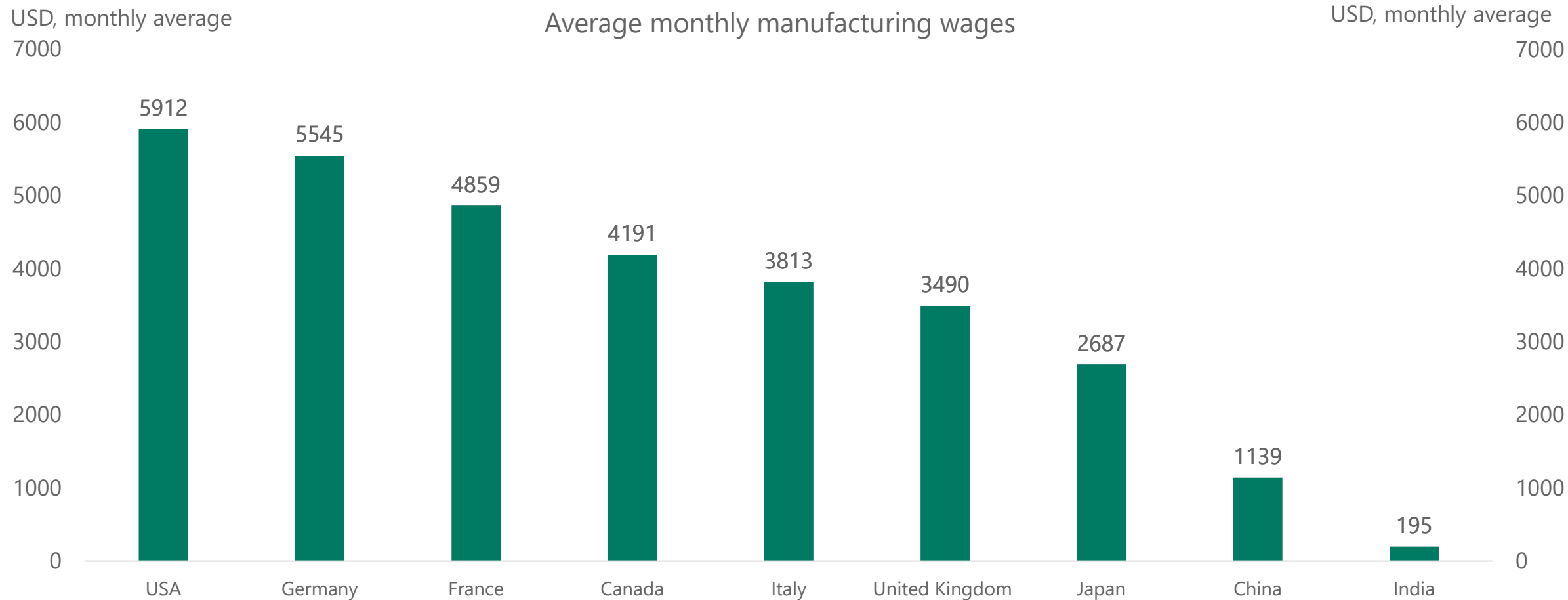
# India and China earnings diverging

EPS, Dec 2019 = 100

EPS, Dec 2019 = 100



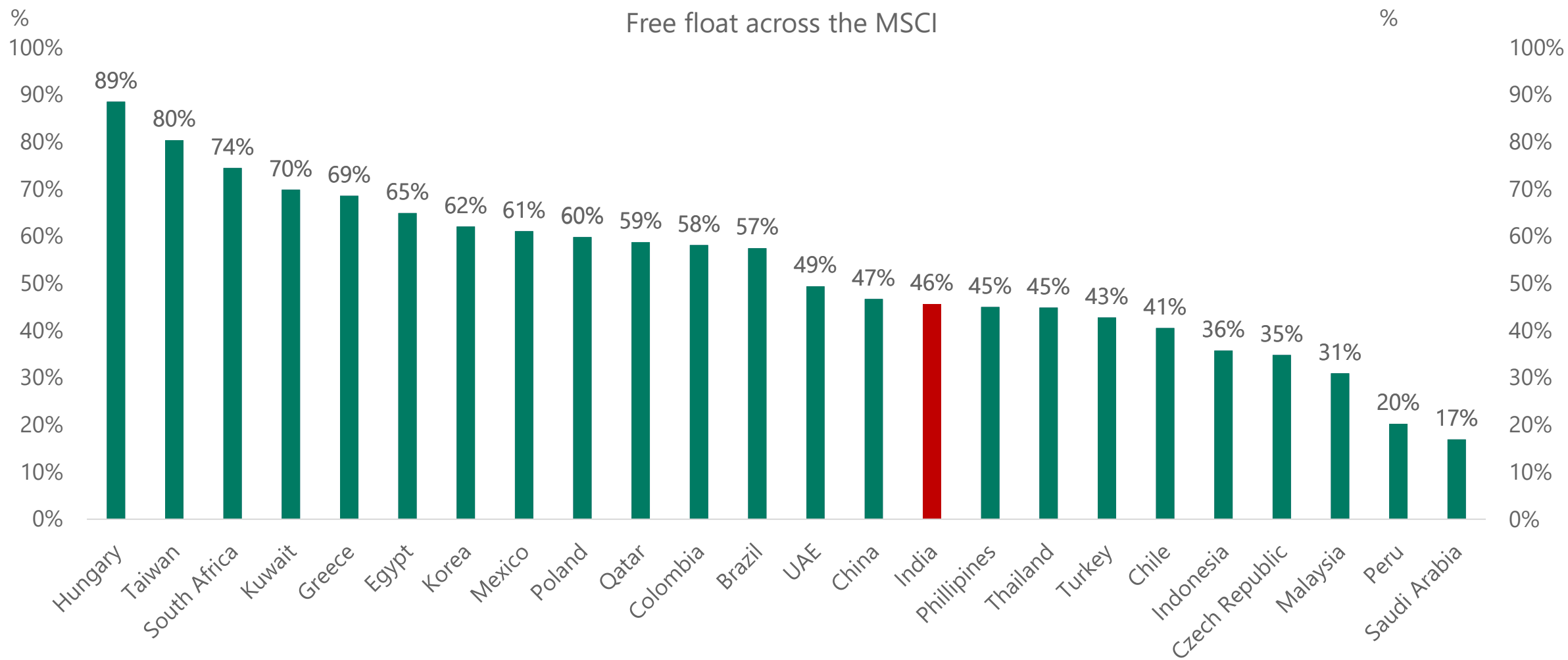
# Average monthly manufacturing wages



Source: ILO, National Bureau of Statistics of China, Apollo Chief Economist. Note: Canada, United Kingdom, United States of America and India data is for 2023. Germany, France, Italy and China data is for 2022. Japan data is for 2021

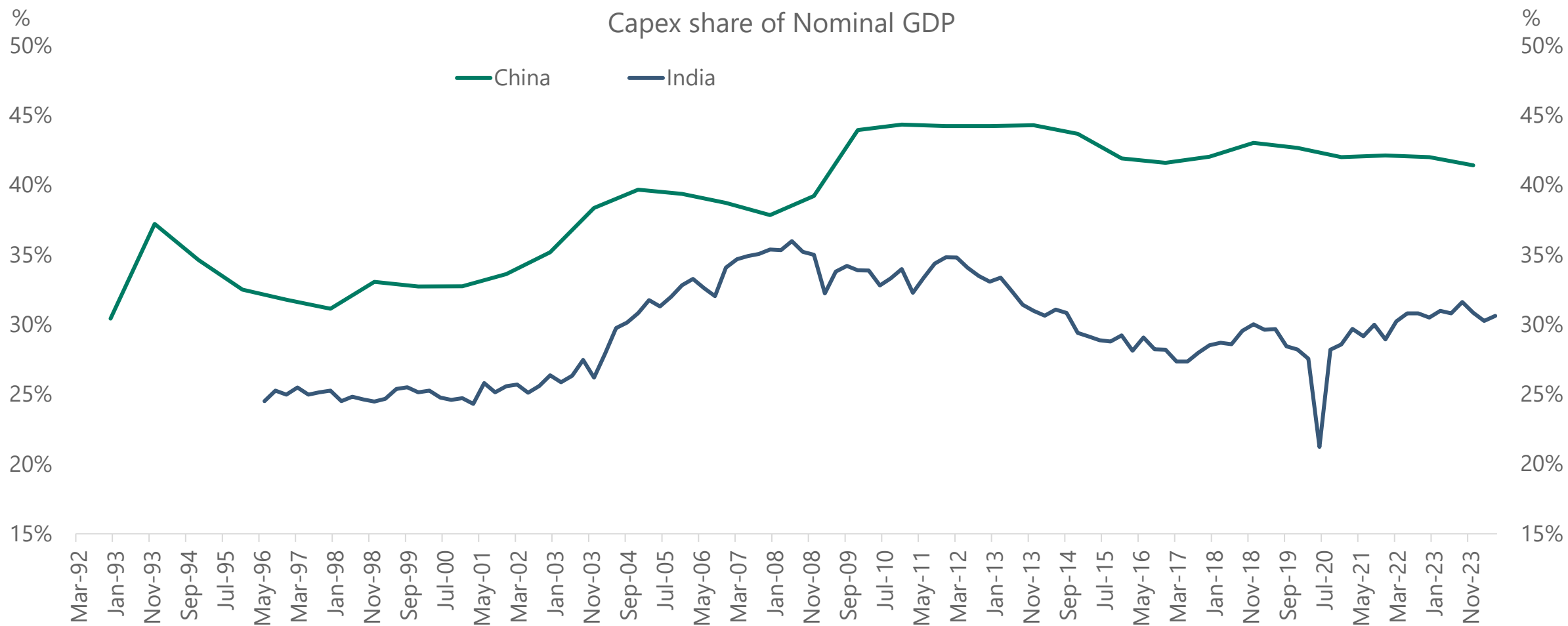


# EM: Significant differences in free float across countries



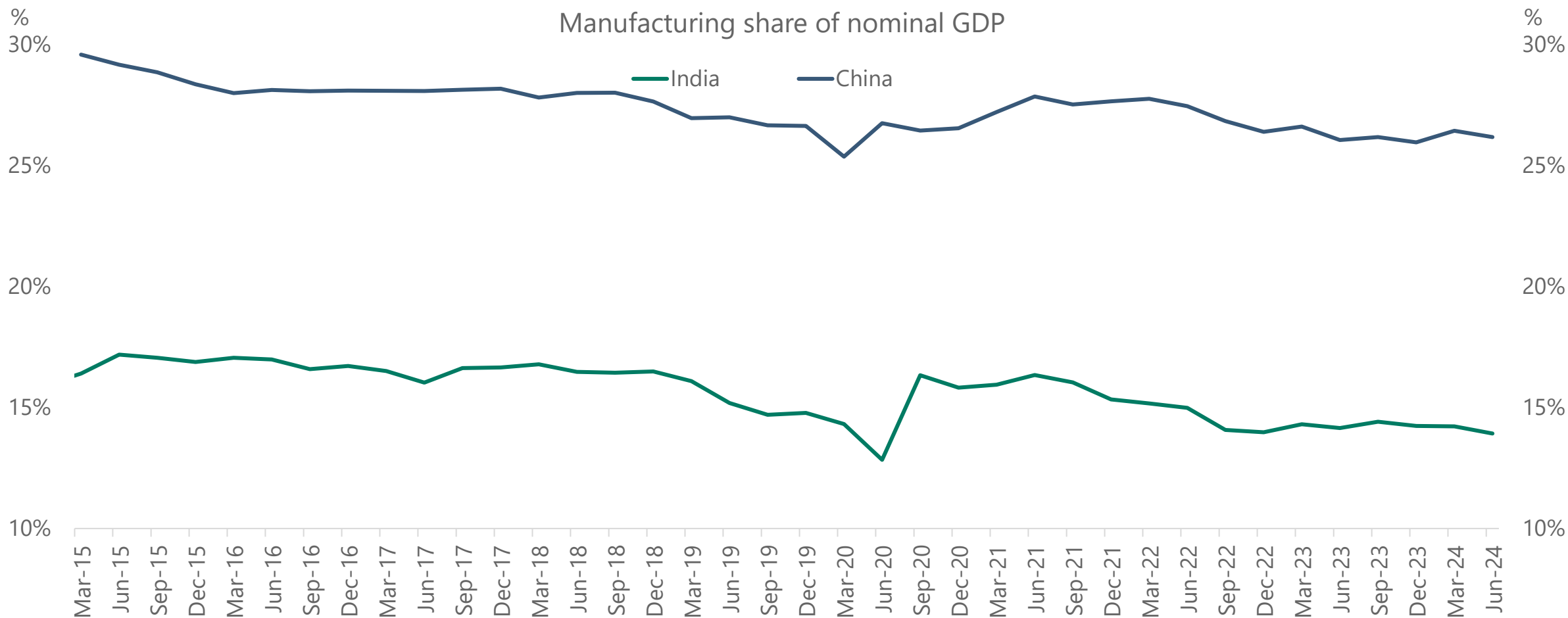
Note: MSCI defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors. Source: Bloomberg, Apollo Chief Economist. Note: Data as of July 2024.

# China's share of capex much higher than India

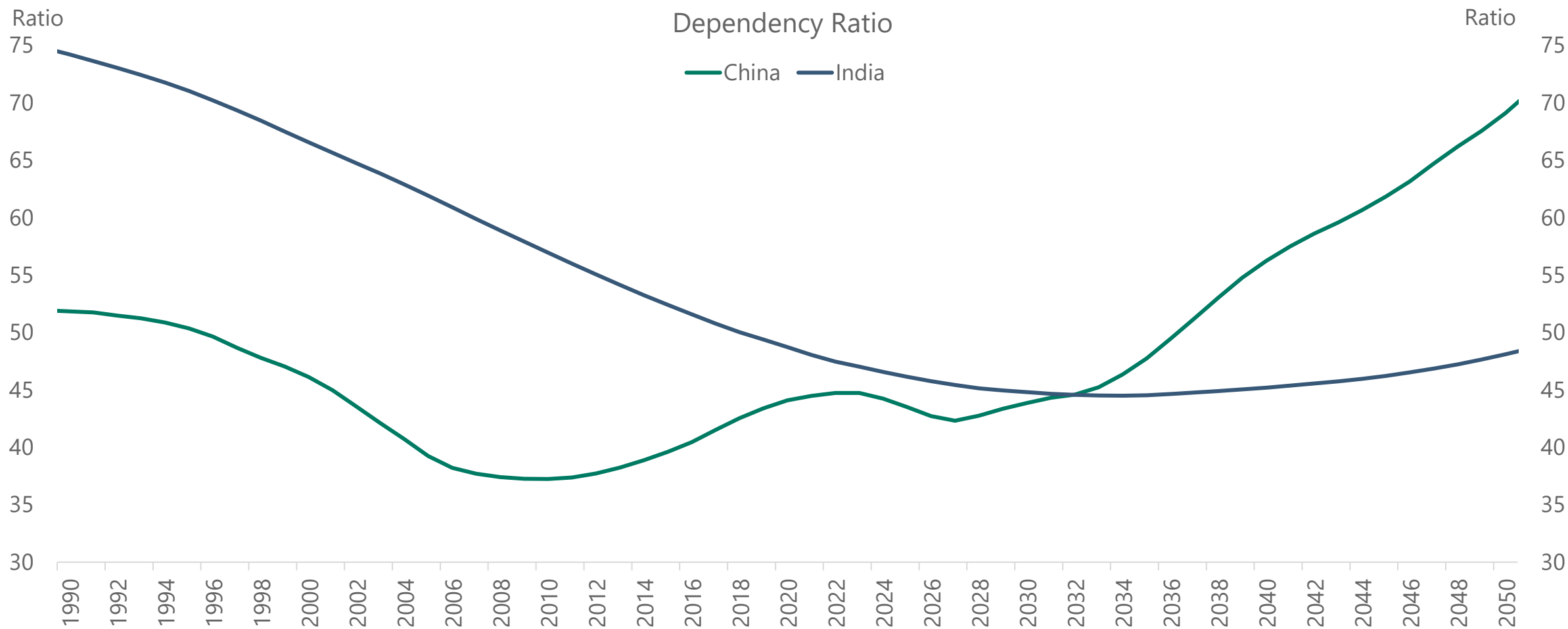


Source: CNBS, CSO, Haver Analytics, Apollo Chief Economist

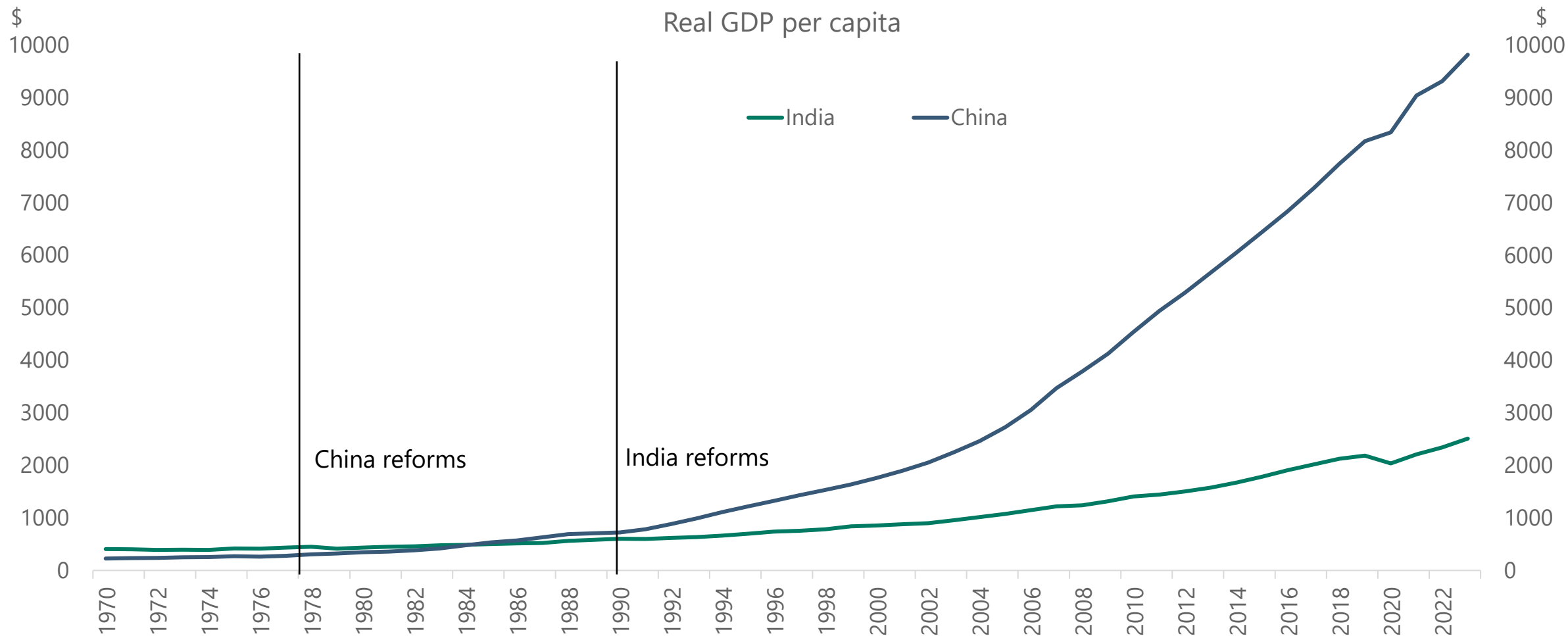
# China is a manufacturing economy. India is a service sector economy



# China's dependency ratio rising while India's dependency ratio is falling

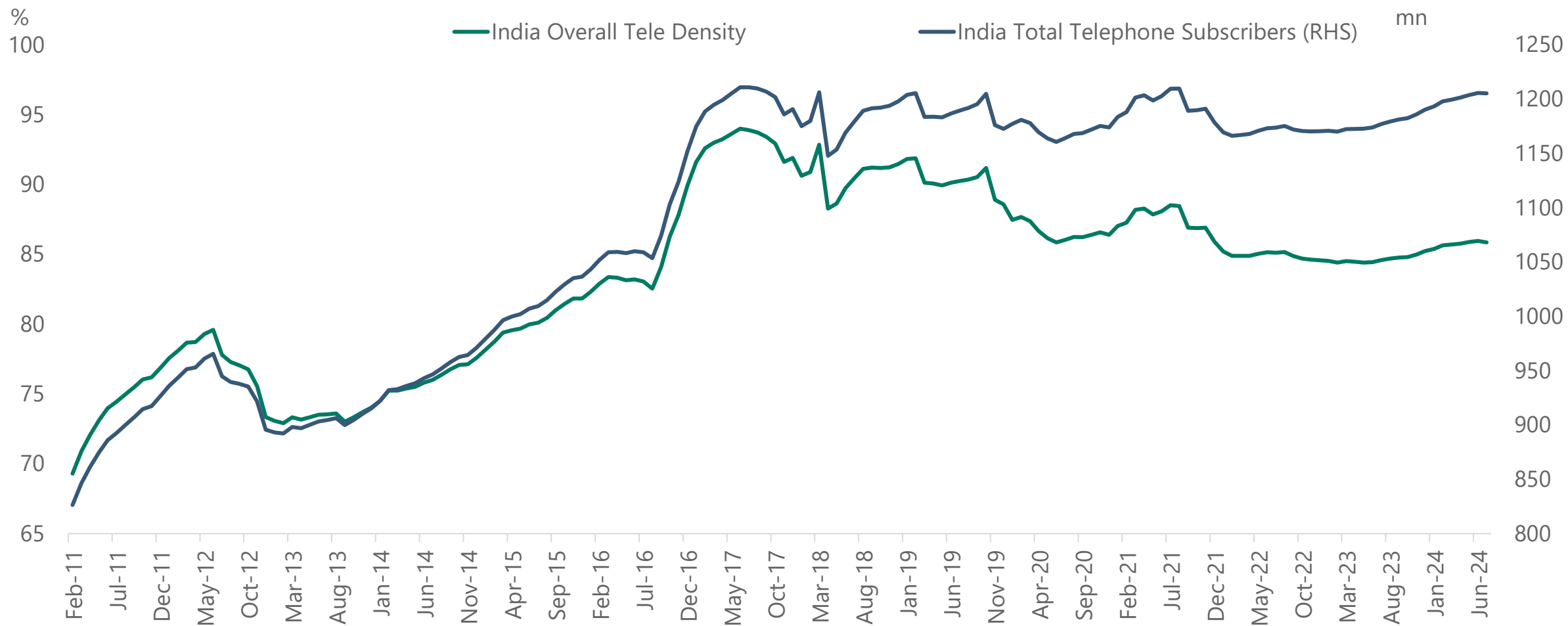


# India lags China in GDP per capita

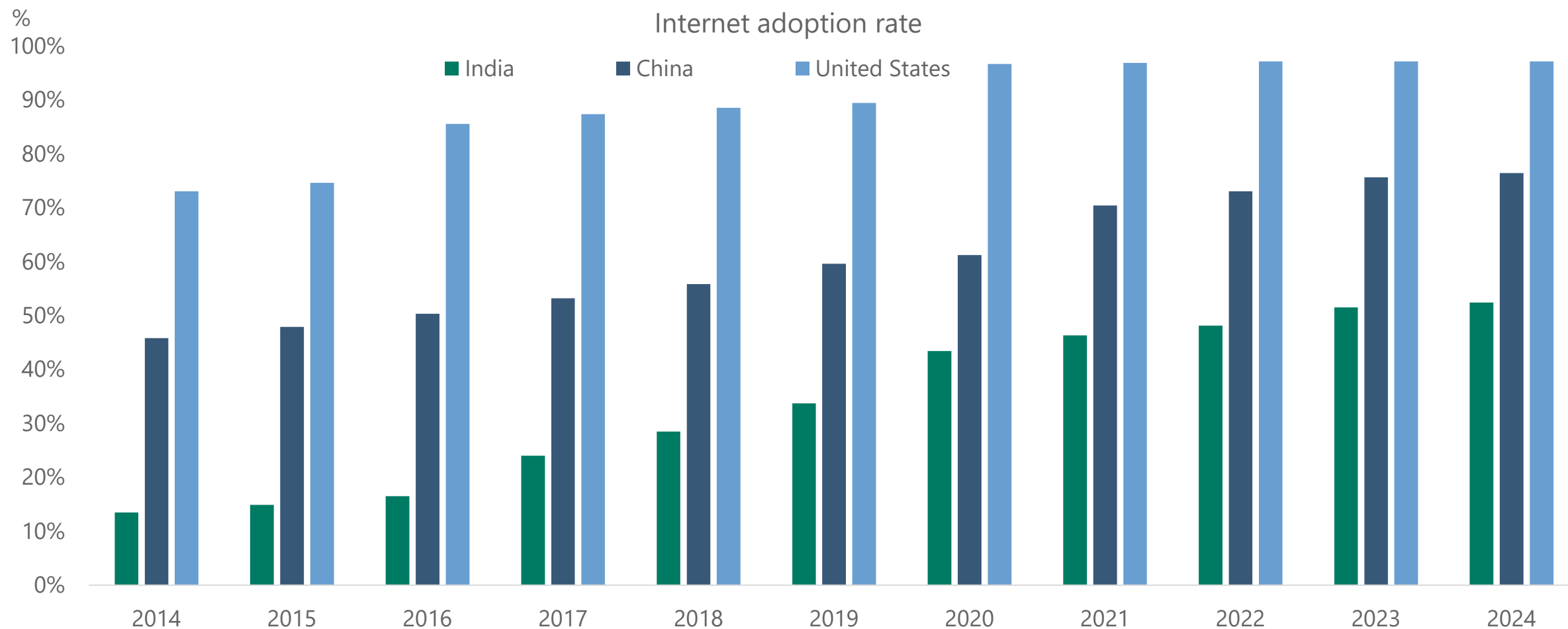


# Other indicators for the Indian economy

# India's tele-density

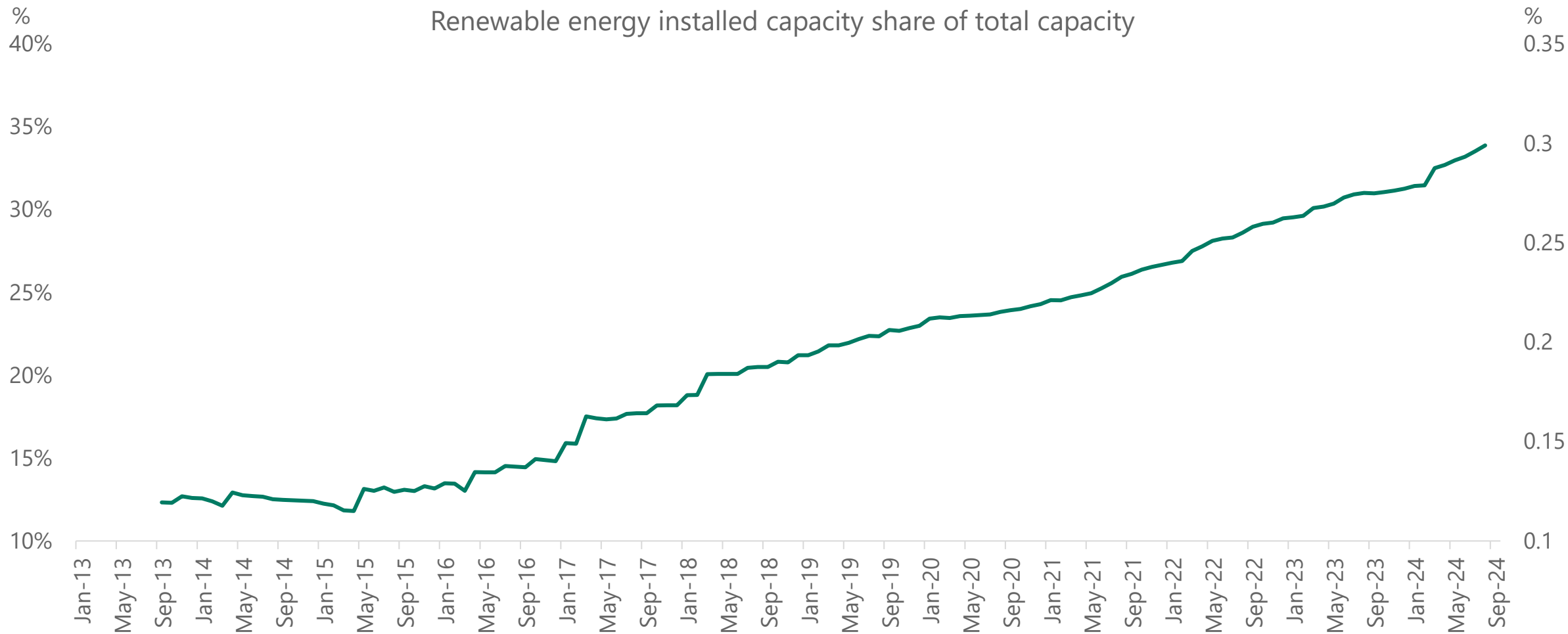


# Internet adoption rising rapidly in India

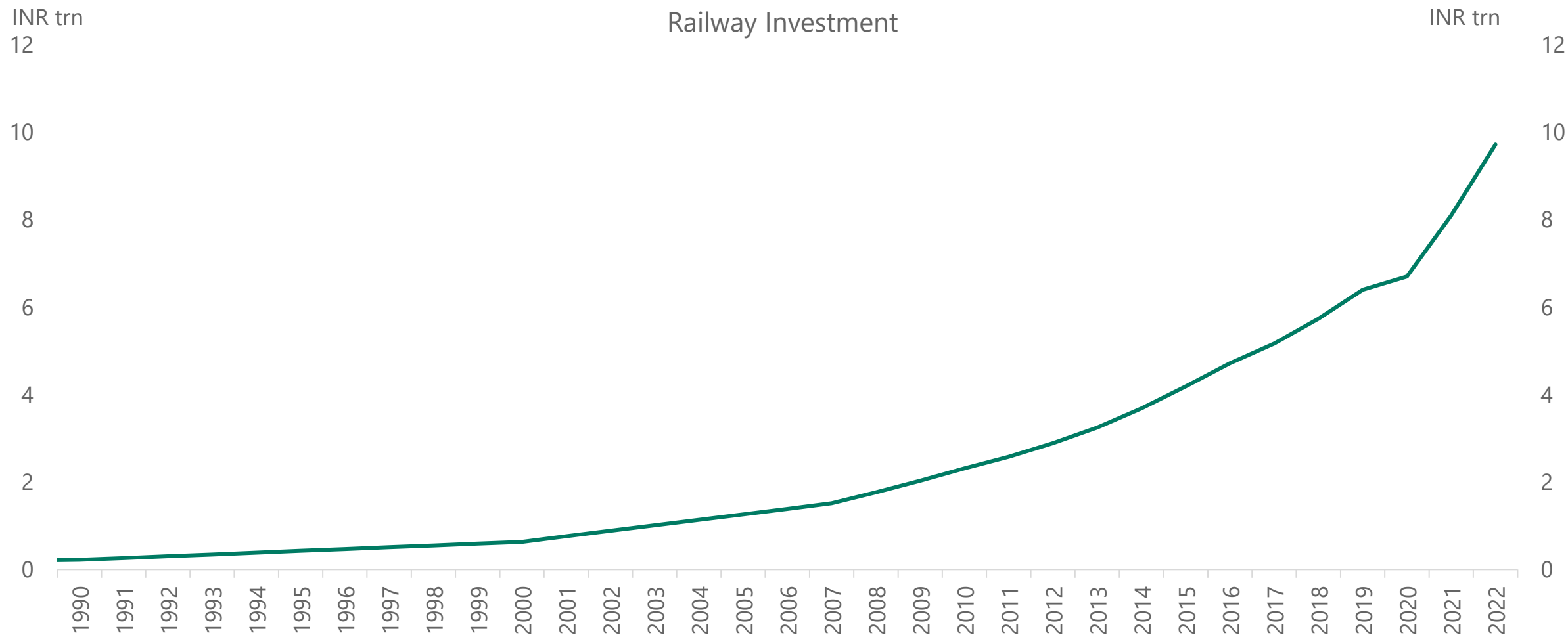




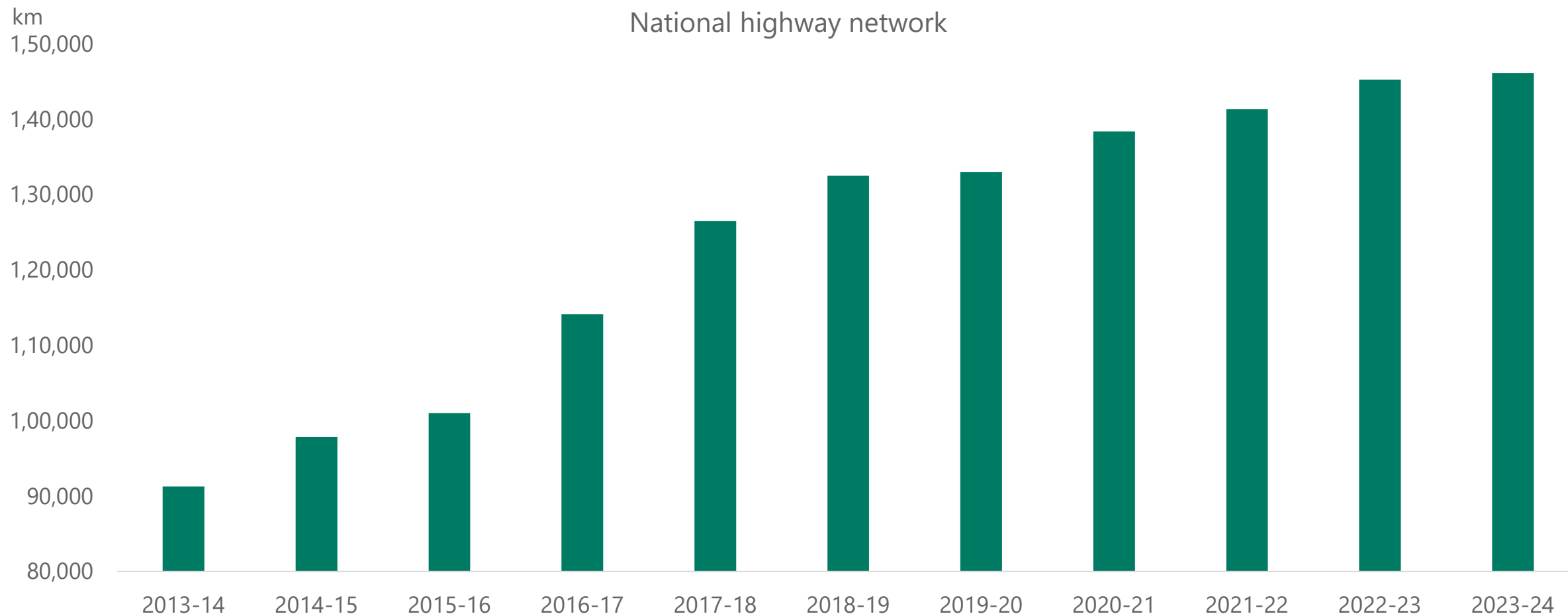
# Renewable energy capacity share of total installed capacity



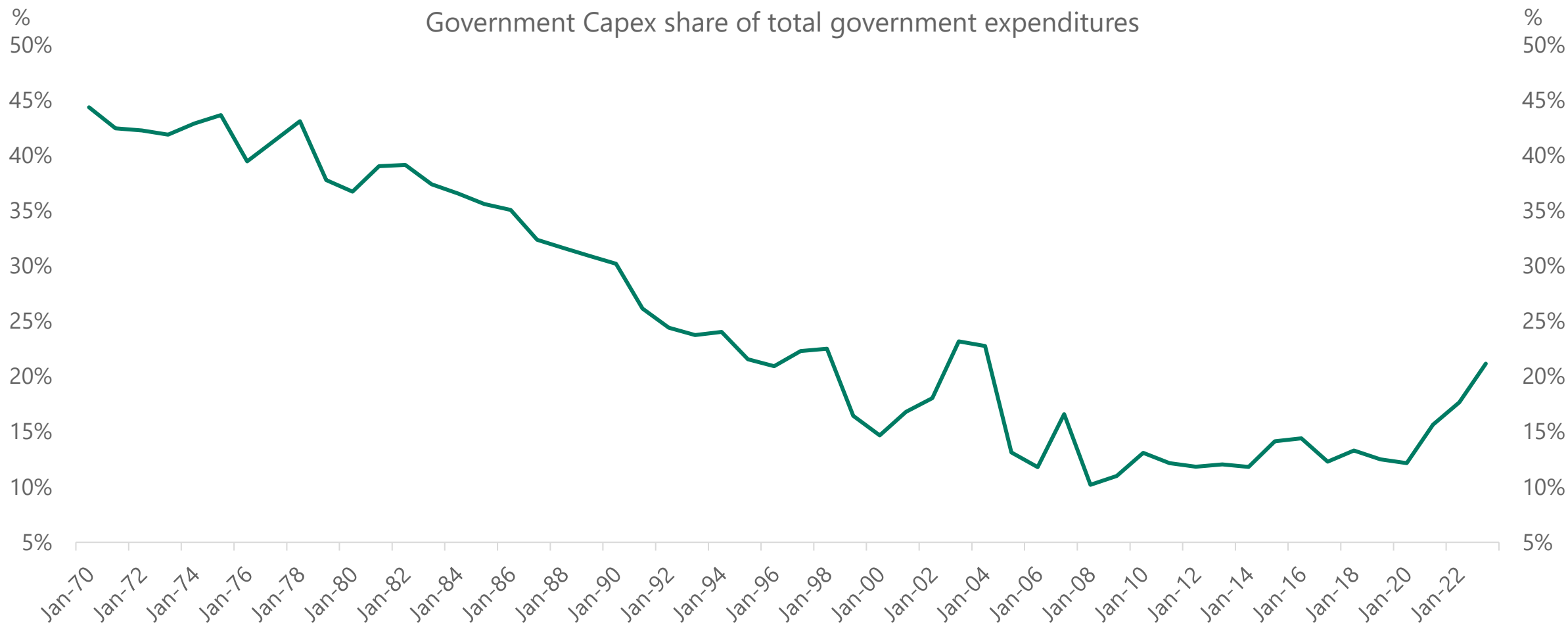
# Railway investment has increased sharply post pandemic



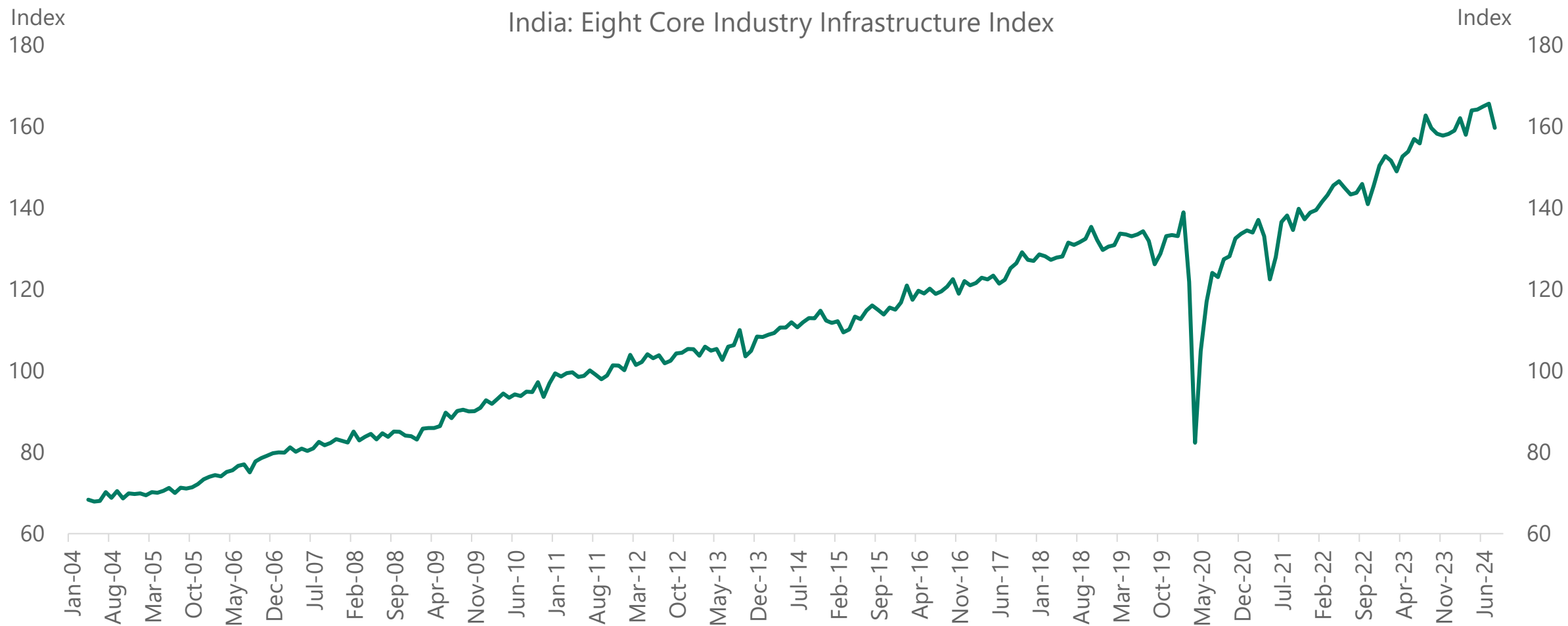
# National highway network expanded



# Government capex, as a share of total government expenditures



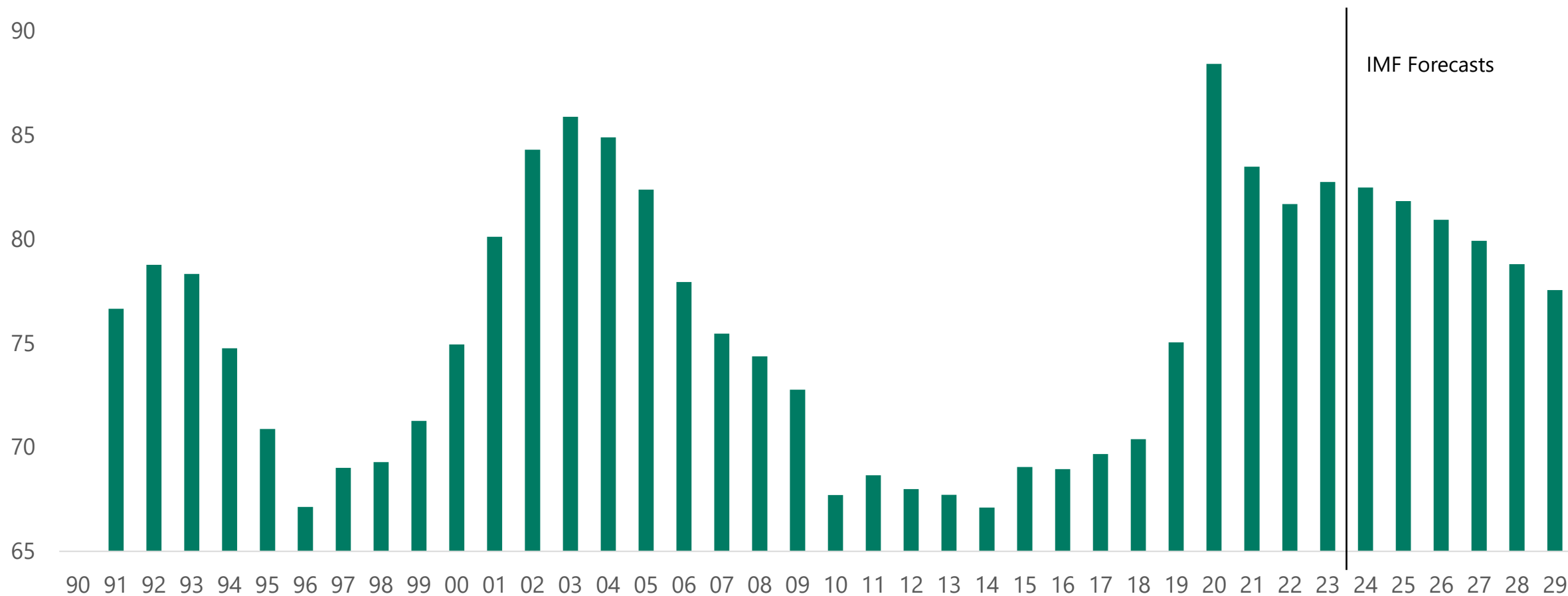
# Infrastructure sector is growing



Source: Ministry of Commerce and Industry, Haver Analytics, Apollo Chief Economist. Note: Eight industries include coal, crude oil, natural gas, petroleum refinery products, fertilizers, steel, cement, electricity

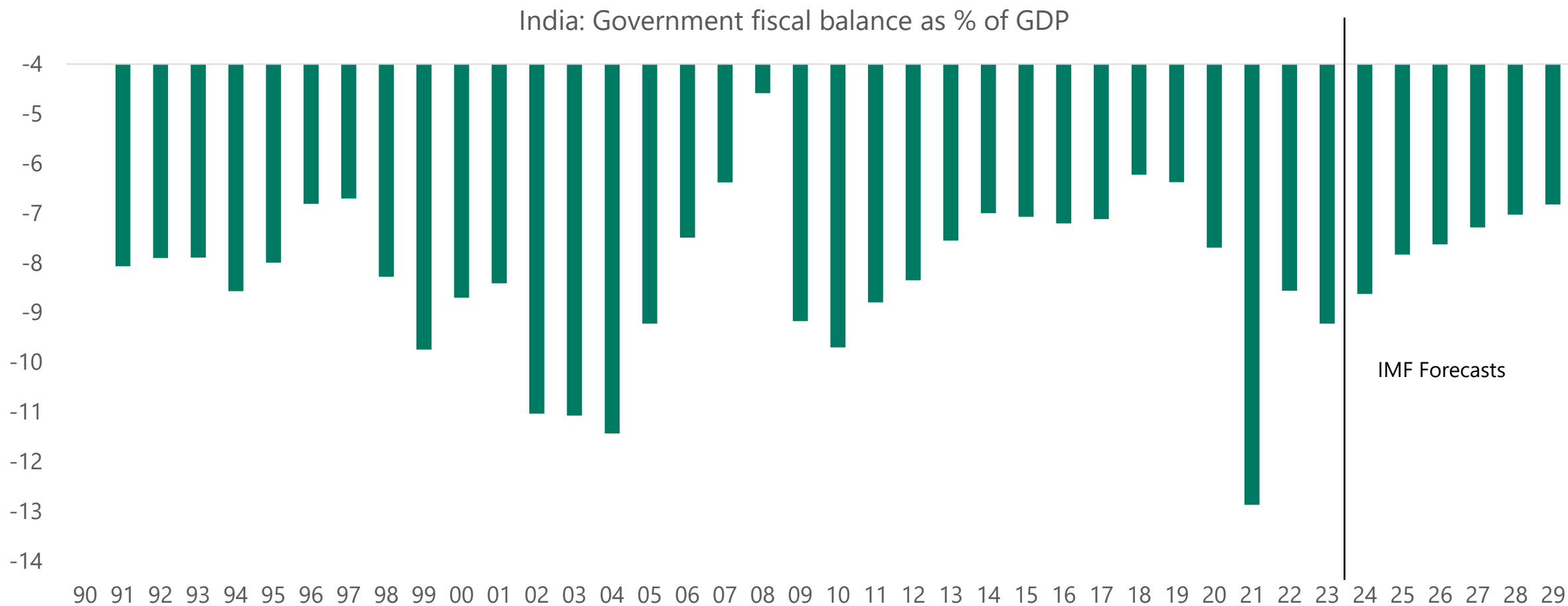
# Government debt share of GDP falling

India: General Government Gross Debt as % of GDP



Source: IMF WEO, Haver Analytics, Apollo Chief Economist

# Fiscal balance improving





# Torsten Slok, Ph.D.

**Chief Economist**

Apollo Global Management

tslok@apollo.com

Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist on the sell-side where his team was top ranked in the annual Institutional Investor survey for a decade. Mr. Slok has also worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and studied at the University of Copenhagen and Princeton University.