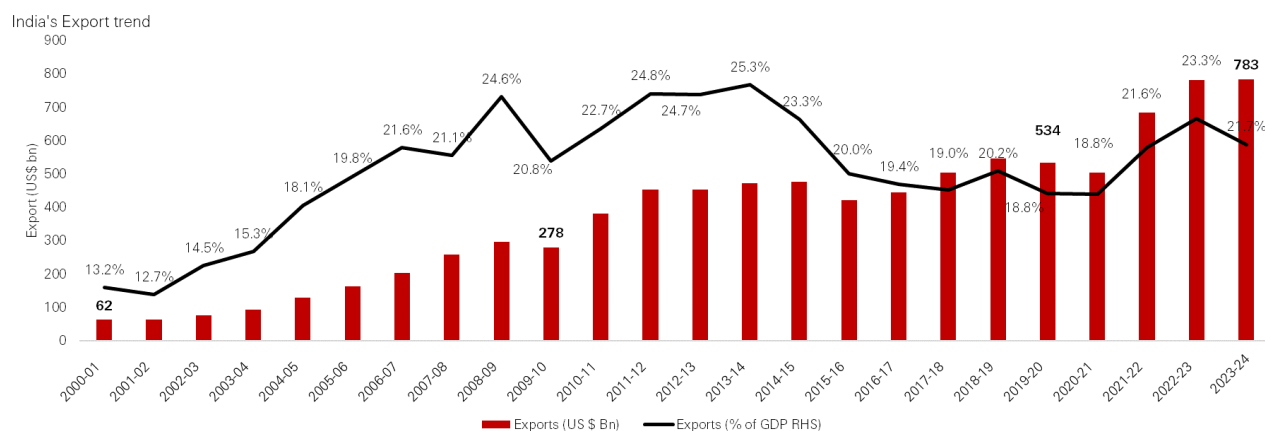


Indian Exports: The Opportunity beckons

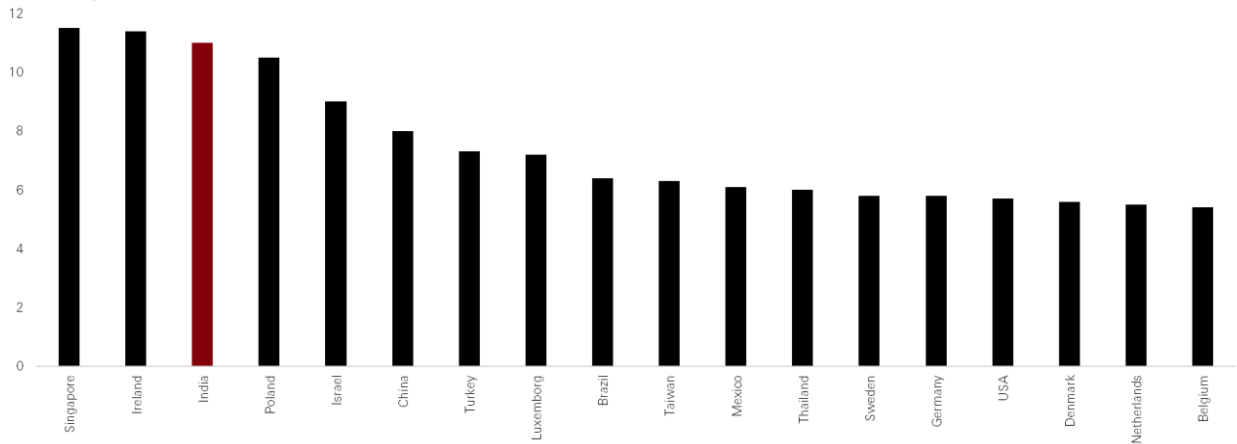
The Indian Economy is a fascinating mix of growth, emerging themes and potential- The fifth largest economy by nominal GDP and the third largest by purchasing power parity. India also benefits from a consumption -oriented economy, due to the rich demographic dividends it's been reaping over the years. Exports contribute significantly to the Indian Economy, with the 2023-24 exports touching \$783 bn. The growth in exports has been commendable, as Indian exports were a mere \$295 bn, 15 years ago. The export mix was approx. 44% services and 56% merchandise exports last year. Indian exports have shown a resilient and rising trend, with a 10% CAGR post covid growth. Exports contribute to India's forex reserves which help avoid external shocks to the economy. These reserves have also gone up in tandem, from \$252 bn to \$671 bn in the last 15 years.



Source: RBI, IMF, HSBC Mutual Fund, Latest available data as on 31 July 2024, The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments.

Global Share of Exports: India has also seen its global share of merchandise and service exports rising in overall trade. In fact, in the last 18 years, India is one of the fastest growing services export country, globally. India's share in global services exports has gone up from approx. 2% in FY06 to 4.3% in FY'24, and from 1% to 1.8% in global merchandise exports. There has also been a significant shift from traditional exports to value -added, high end exports in the last decade.

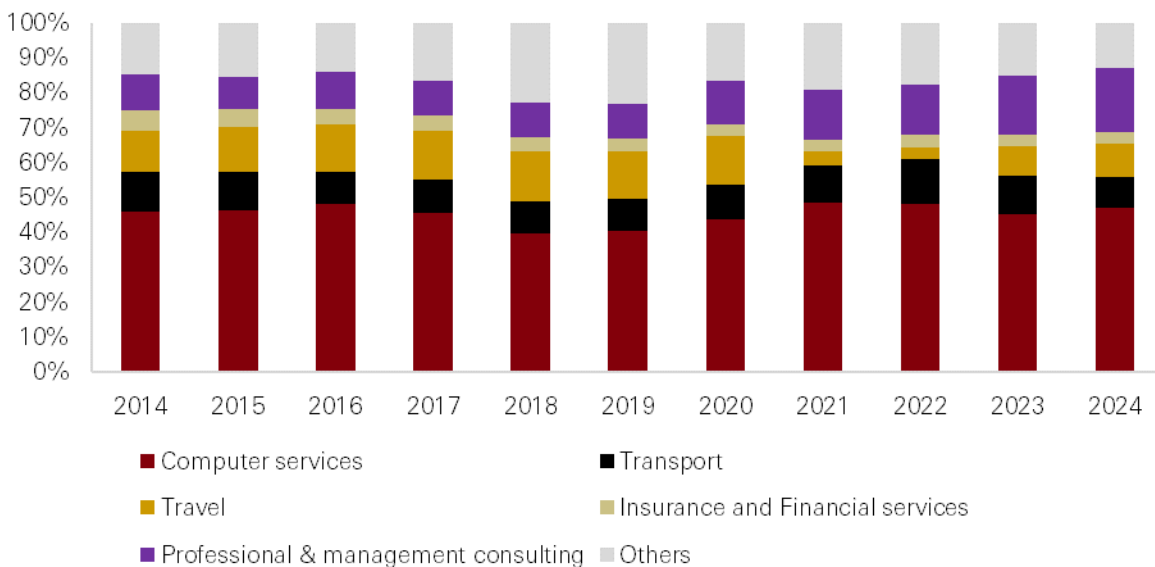
Services Export (CAGR% 2005 -2023)



Source: UNCTAD, Haver Analytics, Goldman Sachs Global Research, HSBC Mutual Fund, Latest available data as on 31 July 2024

High-end Exports: India has been gaining share in professional consulting globally, which is relatively less concentrated than other sectors. The GCC (professional and management consulting) exports have grown at a 14.9% CAGR in the last 10 years. There may be an opportunity to gain share in exports related to consulting, insurance and financial services going forward. As per EY's '*Future of GCCs in India - a vision 2030*' report, it is estimated that the domestic GCC market size will reach US\$110b by the year 2030, led by software exports, which remains a key component of India's service exports. It is predicted that by 2030, India will have 2400 GCCs and that number can potentially increase to 2550 as India emerges as the world's technology and services hub.

Export in different Services share (%)



Source: UNCTAD, Haver Analytics, Goldman Sachs Global Investment Research, Latest available data as on 31 July 2024, GCC - Global Capability Centers. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or

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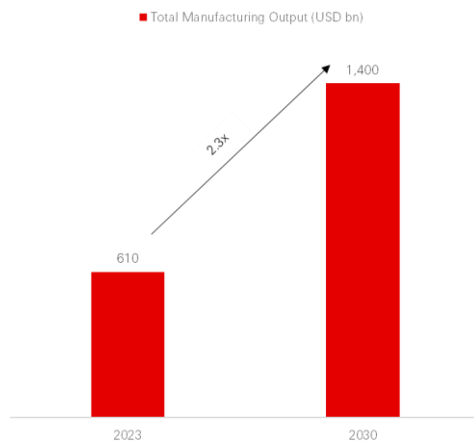
Multiple driving factors for growth in Indian exports:

- Indian labour workforce benefits from lower cost and higher skill, on a relative basis.
- Geopolitics and supply chain diversification have put India in a sweet spot, especially post-covid.
- Government policies, reforms and incentives have acted as enablers for a conducive environment. Some of these existing and prospective reforms / strategies include:

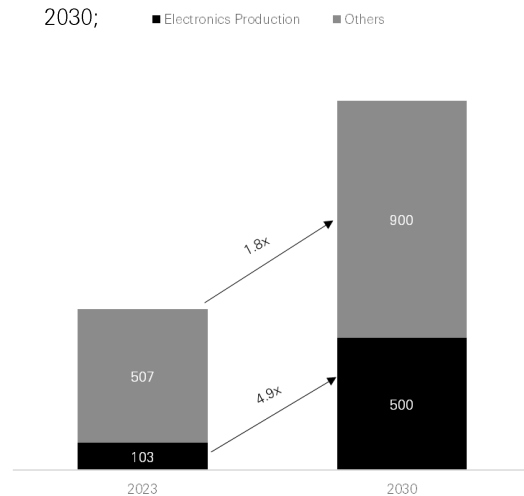
- Ongoing FTAs – UK and EU
- Revamping SEZ law
- Rationalisation of taxation
- Promoting Districts as Exports Hub
- Production-linked Incentive (PLI) schemes
- Data Analytics for policy interventions and identifying market potential

The Indian Government’s ambition is to take the total value of Indian exports to USD 2 trillion by 2030, which is a ~15% projected growth rate. Some promising trends and projections to support this ambition are given below:

Share of manufacturing in GDP is expected to increase to 20% by 2030; Mainly driven by Electronics sector

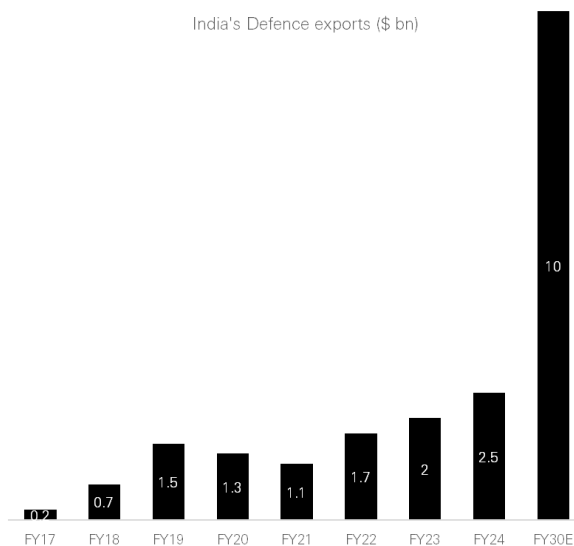


Electronics manufacturing is expected to grow by almost 5x by 2030;



Source – Bloomberg, MeitY, JM Financial, Industry, Latest available data as on 30 June 2024

New sectors are emerging with an exponential export potential. One such sector is defence which is expected to grow multifold.



Key Growth Drivers for Defence Exports

100% Foreign Direct Investment in Defence

-Foreign companies can own up to 100% equity in domestic defence manufacturing companies (Automatic govt approval)

-Access to new technology and utilizing foreign technology

-Long-term indigenous Defence capabilities through policy interventions (DPP & MAKE)

-Encourage indigenous manufacturing of defence equipment

-Increased focus towards indigenous R&D

-Offset Clause enabling domestic procurement

-Components worth 30% of estimated cost of capital acquisition must be procured domestically via Indian manufacturers

Source: Ministry of Defence, HSBC Mutual Fund, Data as on 31 July 2024

Indian exports have been evolving from traditional sectors to sunrise sectors. Globally, inflation is likely to come down further, and should keep trending lower towards the inflation targets. This should further aid overall GDP growth, and with ongoing reforms and the Government's focus on exports, help propel Indian exports to the next level.

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