

Week Ahead Economic Preview

BOE meeting, US, China and India inflation figures in view

5 May 2023

The upcoming week packs various key data releases, in addition to a monetary policy meeting in the UK. Specifically, inflation figures will be due from the US, mainland China and India while China also updates trade figures from April. Other tier-1 data due includes Q1 GDP numbers from the UK, just as another hike to interest rates is set to take place. Various survey data, including S&P Global Sector PMI, metal users PMI, Investment Manager Index and the GEP Global Supply Chain Volatility Index will also be released next week.

A surprise hike by the Reserve Bank of Australia (RBA) and higher interest rates post the US Federal Open Market Committee (FOMC) and European Central Bank (ECB) meetings this week reflected the continued attention on inflation even as recent easing of supply chain constraints have enabled upstream price pressures to wane. However, the inflation focus has shifted to the service sector, where rising demand has led to increased pricing power in April, according to the early PMI surveys. A key area to watch is therefore whether the latest round of consumer spending, especially on travel, may prove a short-lived boom, as underlying demand fundamentals remain adverse. Further pressure on this end may keep the central bankers on a tightening bias but the recession risks on hand later in the year certainly validates the cautious mood observed in the market.

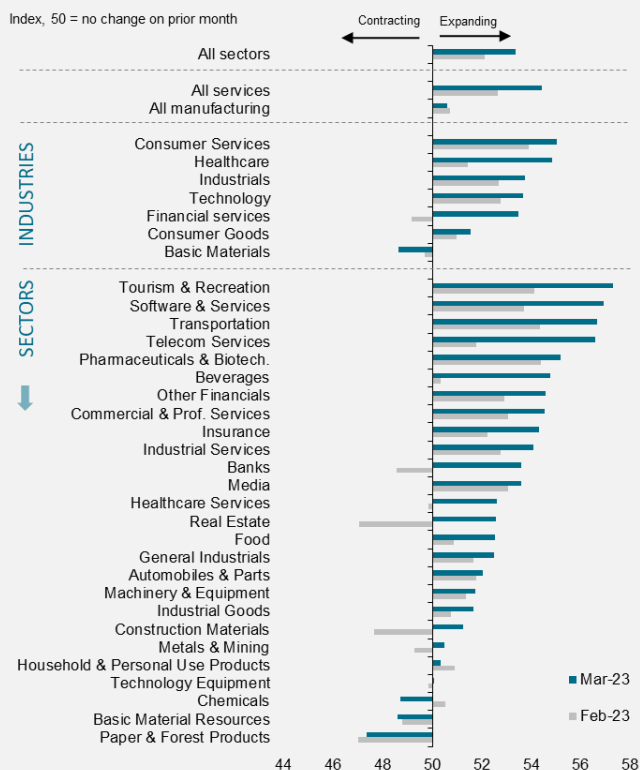
With a 25-basis point hike already priced in from the Bank of England, it will be the rhetoric surrounding future policy which will be the market's focus. Further clues on the direction that other central banks will take will meanwhile be drawn from the series of inflation figures due in the coming week for the US, mainland China and India. Notably, a further acceleration in US inflation is expected with the April release. The extent to which price inflation picked up, and which categories recorded the fastest increases, will be eagerly watched. This will be complemented by the S&P Global Investment Manager Index, which will shed light on risk appetite, expected returns, market drivers and sector preferences for US equities.

Finally, the GEP Global Supply Chain Volatility Index, a unique supply chain indicator derived from S&P Global PMI surveys, will also be due for April.

How long can consumers keep spending?

One of the big surprises in recent months has been a [strong surge in service sector activity led by consumers](#). The detailed global PMI sector data for March, for example, showed consumer services activity enjoying a strong rebound, outperforming all other sectors. Drill down deeper and the fastest growth area was tourism & recreation, with transportation also booming. The PMI data therefore point to a spike in consumer-led travel spending as the global economy truly opens up after the pandemic. Pent-up savings and better weather have helped, with the easing of COVID-19 restrictions in mainland China adding a nice tailwind to this year's expansion. Note that this is also the area of the economy now seeing the strongest inflation trend. Prices are rising as consumer-facing firms struggle to meet demand. It's therefore going to be important to watch how long this surge persists for, both from growth and inflation perspectives. The sector PMIs are updated for April on 8th May,

Global PMI sector output



Source: S&P Global, JPMorgan.
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Key diary events

Monday 8 May

UK Market Holiday

Japan BOJ Meeting Minutes
Japan Jibun Bank Services PMI* (Apr)
Australia Building Permits (Mar)
Germany Industrial Production (Mar)
Taiwan Trade (Apr)
United States Wholesale Inventories (Apr)
S&P Global Sector PMI* (Apr)

Tuesday 9 May

Japan Household Spendings (Mar)
Australia Consumer Confidence (May)
Philippines Trade (Mar)
Philippines Industrial Production (Mar)
Australia Retail Sales (Mar, final)
China (Mainland) Trade (Apr)
Malaysia Industrial Production (Mar)
United Kingdom Halifax House Price Index* (Apr)
United Kingdom S&P Global / REC Report on Jobs (Apr)
S&P Global Metal Users PMI* (Apr)
S&P Global Investment Manager Index* (May)

Wednesday 10 May

South Korea Unemployment (Apr)
South Korea Current Account (Mar)
Thailand Consumer Confidence (Apr)
Japan Leading Economic Index (Mar)
Germany Inflation (Apr)
Canada Building Permits (Mar)
United States CPI (Apr)
GEP Global Supply Chain Volatility Index* (Apr)

Thursday 11 May

Japan BOJ Summary of Opinions
Japan Current Account (Mar)
China CPI, PPI (Apr)
Philippines GDP (Q1)
United Kingdom BOE Meeting
United States PPI (Apr)
United States Initial Jobless Claims

Friday 12 May

China (Mainland) M2, New Yuan Loans, Urban FDI (Apr)
China (Mainland) Current Account (Q1)
Hong Kong SAR GDP (Q1)
Malaysia GDP (Q1)
India Industrial Production (Mar)
India Inflation (Apr)
United Kingdom monthly GDP, incl. Manufacturing, Services and Construction Output (Mar)
United Kingdom GDP (Q1)
United States Import, Export Prices (Apr)
United States UoM Sentiment (May, prelim)

* Press releases of indices produced by S&P Global and relevant sponsors can be found [here](#).

What to watch

Americas: US CPI, PPI data, UoM sentiment

Following the FOMC meeting this week, official inflation figures will be updated with US CPI and PPI numbers due Wednesday and Thursday respectively. Consensus expectations are expecting a higher headline monthly US CPI in April, which are in line with indications from the [S&P Global Flash US Composite PMI](#), where higher material costs led to further cost pressures across both the manufacturing and service sectors. Core inflation is expected to have slowed, however, from 0.4% to 0.3%.

Besides inflation data, preliminary University of Michigan consumer sentiment for May will be due. Flash PMI future output readings suggested that confidence improved in April but remained subdued overall amidst concerns over the cost of living and tightening financial conditions.

Europe: UK BOE meeting, Q1 GDP

The Bank of England (BOE) is expected to lift rates by another 25 basis points (bps) in their May, bringing the policy rate to 4.5%. April flash PMI data suggested that business selling price inflation accelerated slightly, thereby keeping the focus on inflation.

Separately, Q1 GDP and March output data will also be released in the United Kingdom. According to Bloomberg consensus, first quarter UK GDP is expected to print 0.4% year-on-year (YoY), down from 0.6% previously.

Asia-Pacific: Mainland China inflation, trade and loans growth data, India CPI, BOJ releases

In APAC, key data releases include mainland China's inflation and trade numbers while India's CPI will also be due. Furthermore, the Bank of Japan updates their summary of opinions from the April meeting that led to yen weakness.

S&P Global Investment Manager Index

Next week also sees the release of the S&P Global Investment Manager Index (IMI) with insights into the latest convictions held by US equity investors.

[Risk appetite dipped to a one-year low in April](#) on the back of banking sector concerns. Whether this cautious sentiment lingers will be assessed with the upcoming IMI report, especially as the market's focus shifts back to the fundamentals past the peak of the earnings season. Furthermore, the degree to which central bank policies remain a drag will be examined, especially as the Fed is being viewed to be approaching the end of their tightening.

Special reports:

Global Factory Output Inches Higher as Supply Improvements Offset Falling Demand | Chris Williamson | [page 4](#)

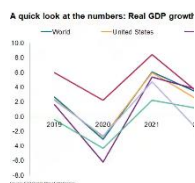
India's Economy Continues to Expand as Inflation Moderates | Rajiv Biswas | [page 8](#)

Recent PMI and economic analysis from S&P Global

Global	Electronics sector reports greatest improvement in supply chains since 2001	2-May	Chris Williamson,
	Flash PMI data signal fastest developed world growth for 11 months, price pressures rise further	24-Apr	Chris Williamson, Usamah Bhatti
	Previewing the April PMI surveys after global growth accelerated in March	18-Apr	Chris Williamson
	Consumer services drive global economic expansion in March amid travel surge	14-Apr	Chris Williamson, Usamah Bhatti
Americas	US flash PMI signals further acceleration of economic growth in April, but resurgent demand also brings higher price pressures	21-Apr	Chris Williamson
Europe	Eurozone flash PMI signals strong start to second quarter thanks to resurgent service sector	21-Apr	Chris Williamson
	UK economic growth hits highest for a year according to April flash PMI surveys	21-Apr	Chris Williamson
Asia-Pacific	Factories slide back into decline and prices fall in Mainland China as boost from reopening economy fades	4-May	Rajiv Biswas
	South Korea resumes positive GDP growth in early 2023	2-May	Rajiv Biswas
Commodities	Weekly Pricing Pulse: Commodity prices dip as oil demand weakens	28-Apr	Michael Dall

S&P Global Economics & Country Risk highlights

The global economy shows resilience in the face of tightening financial conditions



Despite persistent inflation and tightening financial conditions, the global economic expansion will continue at a moderate pace. Near-term growth is dominated by service sectors that are enjoying renewed post-pandemic demand. Economic performance will vary widely across regions, with growth in Europe and the Americas experiencing subpar growth and emerging markets of Asia-Pacific and parts of Africa achieving robust growth.

[Click here to read our research and analysis](#)

PMI Insights: Inflation trends, China re-opening, top 10 indicators



Tune in for the latest trends seen in our Purchasing Managers Index data. Economists on our Purchasing Managers' Index team use the prism of our PMI datasets to look at some of the most important themes in the global economy at the start of 2023. These include inflation, the recent reopening of China's economy, and supply chain risks.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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Special Focus

Global Factory Output Inches Higher as Supply Improvements Offset Falling Demand

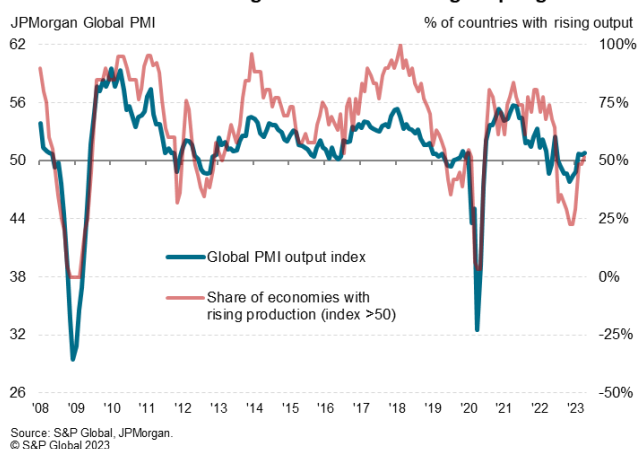
A marginal improvement in global manufacturing output was recorded for a third consecutive month in April, according to the JPMorgan Global Manufacturing Purchasing Managers' Index™ (PMI™) compiled by S&P Global.

The steadying of the sector after the downturn seen late last year can be largely traced to improved supply chain conditions, with supplier delivery times shortening to an extent not seen since 2009. Better supply means production is being largely driven by the fulfillment of orders placed in prior months, which in many cases accumulated during the pandemic.

Worryingly, new order inflows continued to fall, indicating deteriorating demand for goods, in turn linked to the rising cost of living, a post-pandemic diversion of spend toward services and deliberate policies of inventory reduction.

The suggestion is that, once manufacturers have cleared their backlogs of orders, these demand headwinds will drive production lower. Manufacturers, however, are increasingly optimistic that any such slowdown will prove short-lived as these headwinds are anticipated to fade. Optimism about output levels in a year's time rose in April to the highest for over a year.

Pace and distribution of global manufacturing output growth

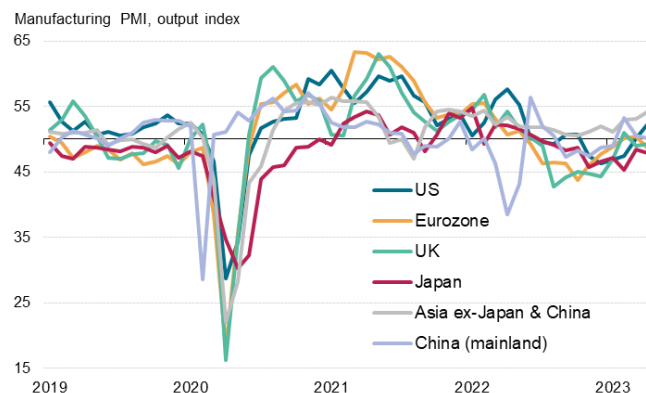


Global factories eke out modest output gain

Global manufacturing output rose marginally for a third successive month in April, according to the latest PMI surveys compiled by S&P Global, contrasting with the losses incurred over the prior six months. At 50.8, up from 50.7 in

March, the JPMorgan Global Manufacturing PMI Output Index remained only modestly above the 50.0 threshold which separates contraction from expansion. The recent readings are nevertheless a welcome improvement on the lows seen late last year which, barring pandemic lockdown months, had been some of the worst seen since the global financial crisis.

Manufacturing output



Output trends varied markedly around the world. Most notable was an upturn in manufacturing growth in the US to the fastest for 11 months, building on the marginal return to growth seen in March. Canada also saw a modest revival of growth in April.

Growth in the US was nonetheless outpaced by that seen in Asia excluding Japan and mainland China, which accelerated to a 14-month high, largely led by India.

Output growth faltered in mainland China, however, slipping closer to stagnation from the growth spurt seen in February, which had been the fastest for over two years thanks to the reopening of the economy.

Output meanwhile contracted in Europe, with both the eurozone and UK reporting falling production volumes. France saw the steepest decline of all 31 economies covered by the S&P Global PMIs, in part due to disruptions arising from strikes.

Output also fell in Japan, down for a tenth successive month.

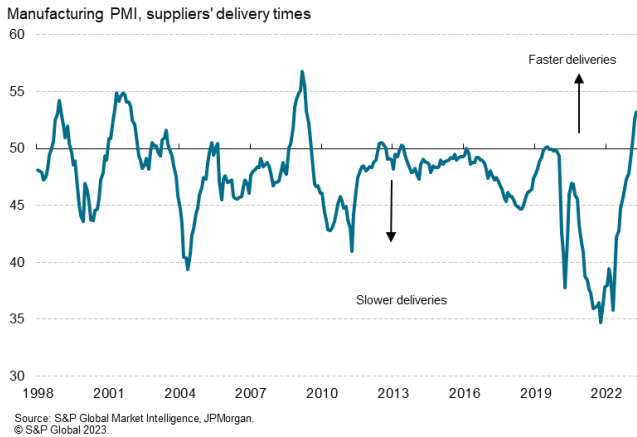
In total, 15 economies reported falling production and 16 reported higher volumes. This compares with just seven reporting higher production volumes in the final two months of 2022.

Improving supply facilitates higher output

A key difference between recent months and the steep downturn seen in late 2022 lies in supply chains. Whereas 2022 was characterised by unprecedented supply chain

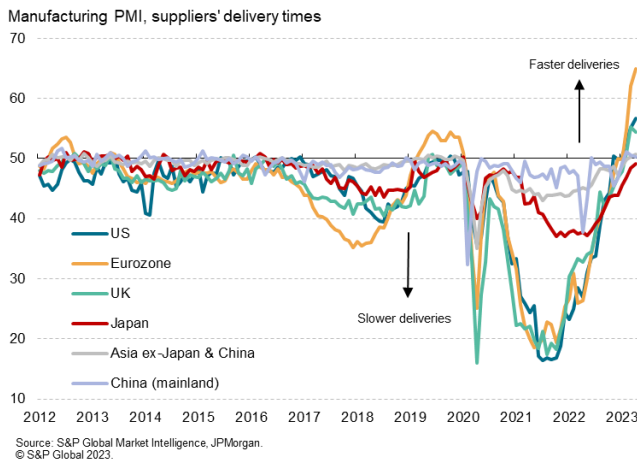
delays associated with pandemic-related shortages of inputs, 2023 has seen supply chains start to heal. Average supplier delivery times shortened globally for a third month running in April, improving at a rate not seen since 2009.

Global manufacturing supplier delivery times



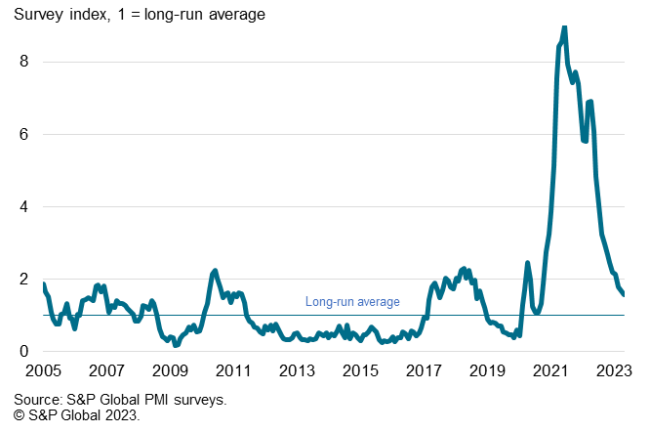
Delivery times have improved most notably in Europe and the US, though the number of delays has also fallen considerably across Asia.

Global manufacturing supplier delivery times



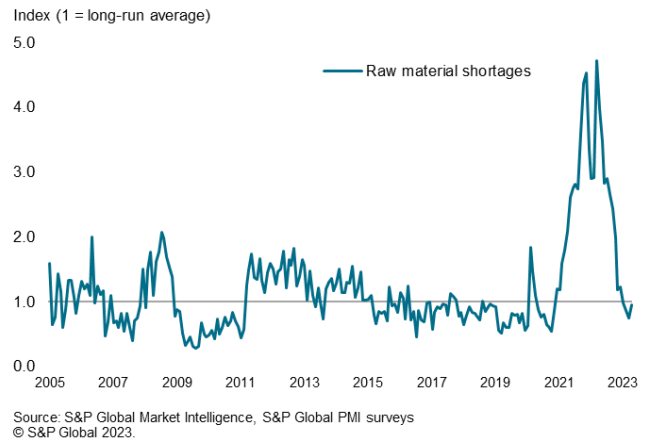
The number of companies reporting shortages of inputs has fallen commensurately. Having been running at peak of nine-times the long-run average in mid-2021, the incidence of reported shortages has since been on a downward trend such that April saw the incidence down to just 1.6 times the long run average. In essence, the number of reported supply shortages is almost back to normal levels.

Companies worldwide reporting shortages of inputs

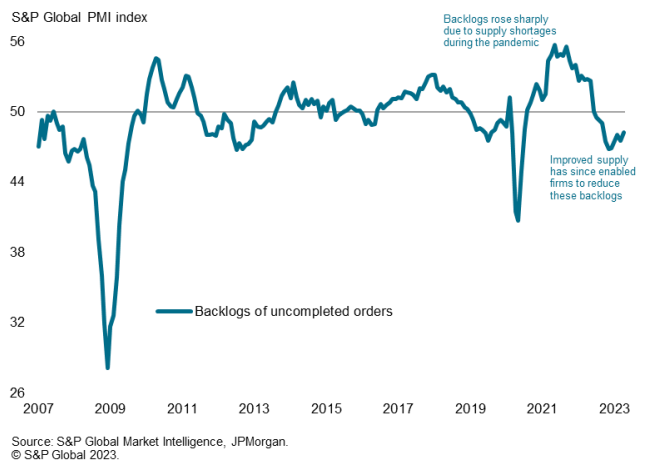


Reflecting this improved supply situation, the number of companies reporting that output was constrained by raw material shortages has been running at or below its long-run average in recent months to represent a marked contrast to the supply-driven production constraints seen at the height of the pandemic.

Causes of lower factory output, worldwide



Global manufacturing backlogs of work



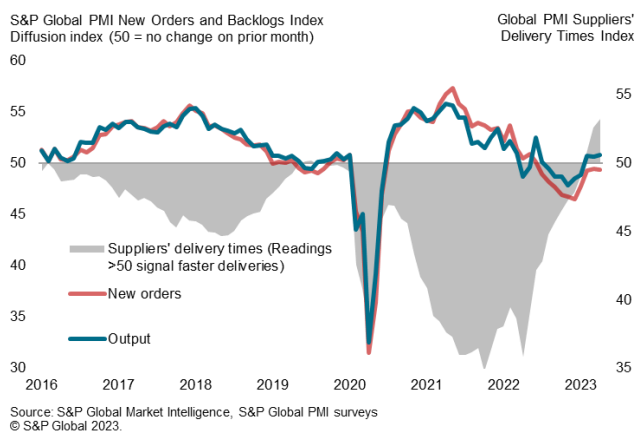
The benefit of improved supply is clearly evident in the backlogs of work data. Whereas backlogs of uncompleted orders rose sharply during the height of the pandemic amid

shortages of critical inputs, these backlogs have now fallen for ten successive months, with a marked decline seen again in April.

Falling demand acts as drag on output

However, whereas improving supply has helped support production through the fulfilment of back orders, demand remains a drag. New orders inflows into the global manufacturing economy fell for a tenth successive month in April. Although the rate of decline was only very modest, and far less worrying than the steep declines seen late last year, the data point to a sustained weakening of demand for goods.

Global manufacturing output, demand and supply



This demand downturn in part reflects a further deterioration in global trade flows in April. Global new export orders for goods fell for a fourteenth straight month.

Global goods exports



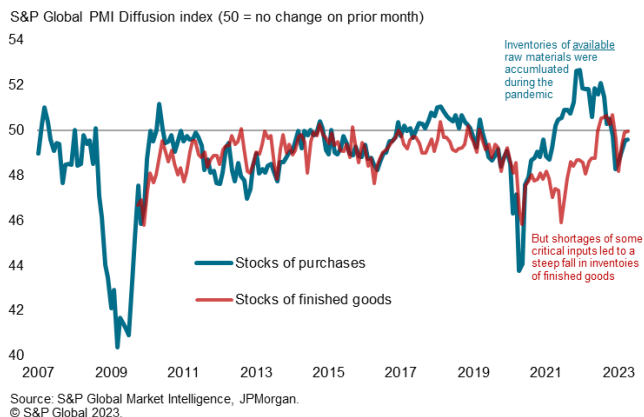
Demand-led stock reduction

The ongoing loss of new orders can be in part traced to the rising cost of living, which has reduced spending power across the world's major developed economies. Spending on goods has also been diverted towards services, which have seen resurgent demand in recent months following the reopening of economies after the pandemic. Travel and

recreation activity, in particular, has enjoyed especially buoyant growth in recent months.

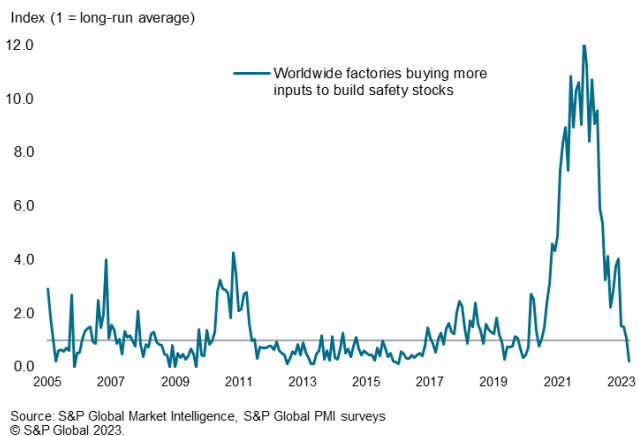
However, the drop in orders also reflected a continuing trend of inventory reduction. Inventories of goods purchased by manufacturers fell in April for a sixth successive month, in part blamed on the winding-down of warehouse stocks accumulated during the pandemic amid supply chain concerns. Worried about future supply security, factories built up stocks of available inputs during the pandemic to a degree not seen before in the PMI survey's history. Many of these input purchases are of course goods manufactured by other companies. These concerns have now faded and been replaced by concerns over escalating costs.

Global manufacturing inventories



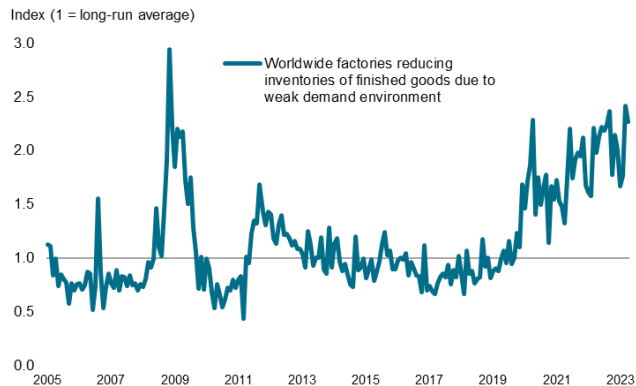
The worldwide incidence of safety stock building by manufacturers fell further in April to its lowest since January 2016.

Worldwide safety stock building



It's not just inventories of purchases that are coming under pressure to be reduced. Recent months have seen historically high numbers of companies reporting that inventories of finished goods were being wound down as a result of subdued demand. The incidence of deliberate stock reduction in the face of weak demand is amongst the highest recorded since November 2008.

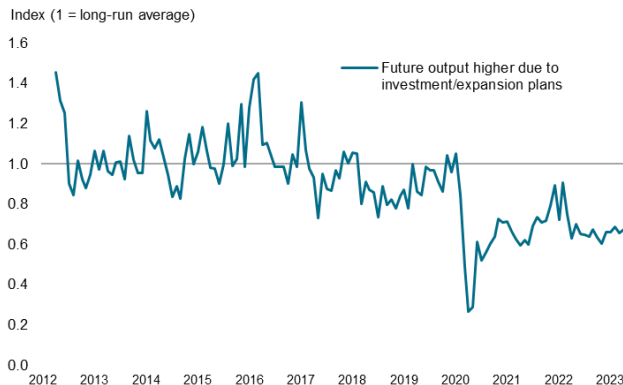
Worldwide inventory draw-down



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

which showed very subdued numbers of companies expecting their output to be higher in a year time due to their investment in the expansion of capacity. Without such investment, one questions the quality and sustainability of the anticipated upturn.

Worldwide manufacturing expansion plans



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

Outlook

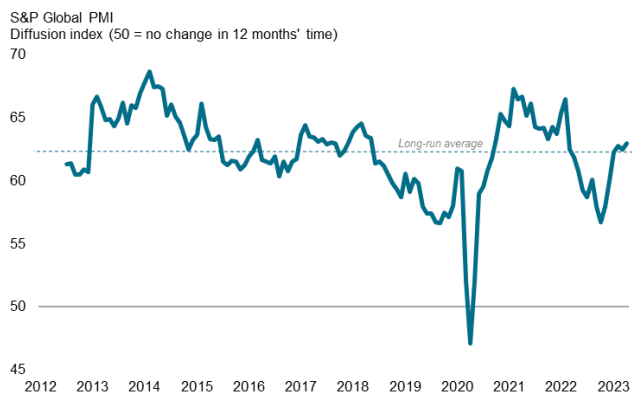
The April PMI data add to signs that the global manufacturing economy has stabilized after the downturn seen late last year, buoyed in particular by the improving supply chain situation. However, several headwinds – notably the increased cost of living, a post-pandemic shifting of demand from goods to services, and inventory reduction – mean new order inflows and global trade flows continue to deteriorate. Without an increase in demand, production growth could falter in the months ahead.

Encouragingly, more factories see the production trend improving in a year's time. Business confidence about the year ahead rose in April to the highest recorded since February of last year as companies anticipate the headwinds from destocking, reviving demand for services and the cost-of-living crisis to fade, hinting at some upside possibilities for growth as we head through the year.

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Global manufacturing future output expectations



Source: S&P Global Market Intelligence, JPMorgan © S&P Global 2023.

One final word of caution, however, is provided by the anecdotal evidence provided by PMI contributors worldwide,

Special Focus

India's Economy Continues to Expand as Inflation Moderates

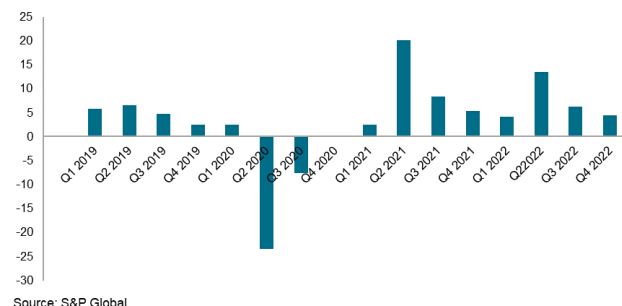
The Indian economy showed rapid growth in 2022, the second consecutive year of strong recovery following deep economic contraction in 2020 due to the COVID-19 pandemic. According to India's National Statistical Office, the First Advance Estimate for real GDP growth for FY2022-23 is 7.0% year-on-year (y/y). Economic momentum has remained strong in early 2023, with the S&P Global India Services Business Activity Index for April having signaled the fastest expansion in output and new orders since mid-2010.

India has also become an increasingly attractive location for multinationals across a wide range of industries, with foreign direct investment inflows (FDI) having reached a new record high of USD 84 billion in the 2021-22 fiscal year. Foreign direct investment inflows into the manufacturing sector rose by 76% y/y in 2021-22, reaching a level of over USD 21 billion.

India's economic expansion continues in early 2023

Recent economic indicators for India during early 2023 continue to signal expansionary economic conditions, although the pace of economic growth has moderated in recent quarters. After rapid economic growth in the April–June quarter, driven by post-pandemic pent-up demand, growth moderated in the second half of 2022 as higher inflation, tighter monetary policy, and a weaker rupee reduced demand.

India GDP growth, 2019-2022
% change, y/y



The index of industrial production, which generally shows considerable monthly volatility, recorded growth of 5.6% y/y in February. For the first eleven months of FY2022 from April to February, industrial production was up 5.5% y/y, with manufacturing output rising by 4.9% y/y over the same period. India's passenger vehicle sales grew by 26.7% y/y in the 2022-23 fiscal year, according to data from the Society of

Indian Automobile Manufacturers (SIAM). The rapid growth in vehicle sales was helped by easing of shortages of semiconductors and strong demand for utility vehicles.

The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) for April indicated the fastest improvement in the health of the manufacturing sector in the calendar year-to-date, rising from 56.4 in March to 57.2 in April.

New orders placed with goods producers rose at the quickest pace since December 2022. Likewise, output increased at a sharp rate that was the most pronounced in four months. More than one-quarter (26%) of all survey participants reported higher production volumes, citing sustained expansion in sales.

India Manufacturing PMI

sa, >50 = growth since previous month

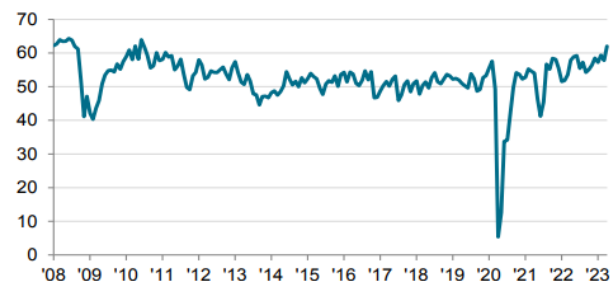


Source: S&P Global.

India's service sector economy has also continued to show strong expansionary conditions, according to recent S&P Global PMI survey results for early 2023. The seasonally adjusted S&P Global India Services PMI Business Activity Index surged higher from 57.8 in March to 62.0 in April and signalled the fastest expansion in output and new orders since mid-2010. Anecdotal evidence linked the upturn to a pick-up in new business growth and favourable market conditions.

S&P Global India Services Business Activity Index

sa, >50 = growth since previous month



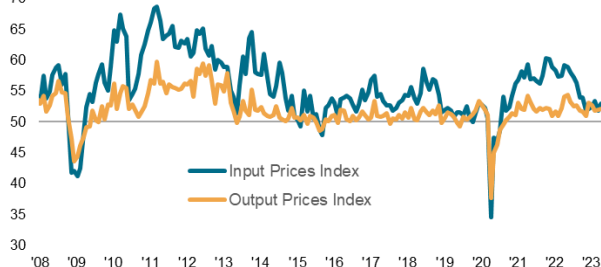
Source: S&P Global.

Inflationary conditions

Although manufacturers signalled higher operating costs in April — linked to fuel, metals, transportation and some other raw materials — the overall rate of inflation remained below its long-run average despite quickening since March. Manufacturing output prices have also remained constrained, with 6% of companies having hiked their output prices since March, while 92% left them unchanged. However, the combination of rising input costs and resilient demand resulted in services companies lifting their selling prices in April.

India Manufacturing PMI Input Prices and Output Prices

S&P Global PMI (Purchasing Managers' Index) Output Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys © S&P Global 2023.

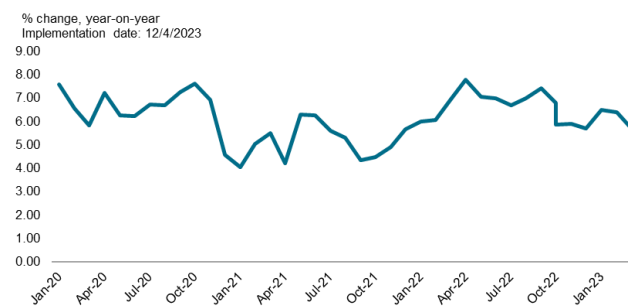
The global geopolitical and economic fallout from Russia's invasion of Ukraine exacerbated inflation pressures during 2022, with headline consumer price inflation surging to an eight-year high of 7.8% y/y in April 2022. After moderating to 5.7% y/y in December 2022, CPI inflation rose again to 6.4% y/y by February 2023, reflecting higher food prices, but eased back to 5.7% y/y by March 2023. Following the surge of Brent crude oil prices to above USD120 per barrel in March 2022, world oil prices have gradually declined to USD80 per barrel by end April 2023, which will help to constrain domestic fuel and transportation prices.

Higher food prices have been a key factor pushing up CPI inflation again in early 2023, notably for cereals. Annual CPI inflation is expected to moderate from 6.7% in 2022 to 5.4% in 2023, helped by lower energy prices compared to their peaks in mid-2022.

In response to rising inflation and aggressive policy tightening by the US Federal Reserve (Fed), the Reserve Bank of India (RBI) raised its policy repo rate by 225 basis points to 6.25% between April and December, taking it to above the pre-pandemic level of August 2019. A further 25bp rate hike in February 2023 pushed the policy repo rate to 6.5%. At its meeting in April, the MPC of the RBI decided to keep the policy repo rate on hold. The MPC decided that as the policy rate has been increased by a cumulative 250 basis points since May 2022, which is still working through the system, the policy repo rate would be left unchanged at

6.50% at the April MPC meeting. The near-term trajectory of CPI inflation is projected in the RBI Monetary Policy Statement at 5.4% y/y for the April–June quarter of 2023–24.

India CPI inflation rate



Source: S&P Global Market Intelligence © S&P Global 2023.

Foreign direct investment

Net new foreign direct investment into India has risen very rapidly in recent years, with FDI reaching a new record level of USD 84 billion in the 2021-22 fiscal year, after inflows of USD 82 billion in the 2020-21 fiscal year. This compares with FDI inflows of just USD 4 billion in the 2003-04 fiscal year. Rapid growth in FDI inflows has been evident over the past decade, with technology-related FDI having become an important source of investment. The Computer Software and Hardware sector was the largest recipient of foreign direct investment equity inflows in the 2021-22 fiscal year, at around 25% of the total inflows.

US technology firms have been a key source of recent FDI inflows into India. In 2020, Google established the "Google for India Digitization Fund", through which it announced plans to invest USD 10 billion into India over seven years through a mix of equity investments, partnerships, and operational, infrastructure and ecosystem investments. Also in 2020, Facebook announced an investment of USD 5.7 billion in Jio Platforms, owned by Reliance Industries Limited.

Infrastructure investments have also been an important sector for FDI inflows. A large FDI deal in 2020 was the USD 3.7 billion investment by Singapore's GIC and Canada's Brookfield Asset Management in the acquisition of Tower Infrastructure Trust, which owns Indian telecom towers assets.

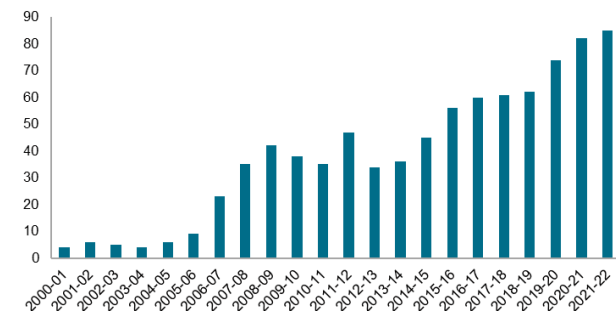
In the 2020-21 fiscal year, FDI from Saudi Arabia also rose sharply, reaching USD 2.8 billion. Saudi Arabia's Public Investment Fund acquired a USD 1.5 billion stake in Jio Platforms and a USD 1.3 billion stake in Reliance Retail in 2020.

Reliance Retail also received investment from other foreign firms in 2020, with Singapore's GIC and TPG Private Capital having invested a combined amount of USD 1 billion, while

US private equity firm Silver Lake Partners also invested USD 1 billion.

India: Foreign direct investment inflows

USD billion



Source: RBI

Unicorns

The rapid growth in numbers of Indian unicorns (start-ups that have achieved a valuation of over USD 1 billion) over the past five years has also become a major focus for foreign direct investment inflows into India. By 2022, there were an estimated 107 Indian unicorns, with 44 of these having reached unicorn status within the 2021 year and 21 in the 2022 year, according to Invest India, the National Investment Promotion & Facilitation Agency.

Indian start-up firms have attracted large-scale foreign direct investment from global venture capital and private equity firms such as Blackstone and Sequoia Capital. Japan's SoftBank has been a leading global investor in Indian tech start-ups, having invested over USD 14 billion into Indian firms over the past decade, with an estimated USD 3 billion of new FDI in calendar 2021.

Electronics sector investment

As in many other auto manufacturing hubs worldwide, global semiconductors shortages caused significant disruption to Indian auto production in 2021, constraining new auto output and sales. With India still highly reliant on imported chips, the Indian government announced a large new incentive package of USD 10 billion in December 2021, to try to encourage the development of semiconductors and display manufacturing in India. The new incentive scheme will provide 50% financial support for the cost of establishing new semiconductors fabrication and packaging plants as well as display plants in India. Many major international electronics firms have commenced initial discussions about establishing production facilities in India. India already has strong capabilities in semiconductor design, with an estimated 24,000 design engineers working in India. The federal government will work with state governments in order to establish high-tech clusters for semiconductor fabs and display fabs.

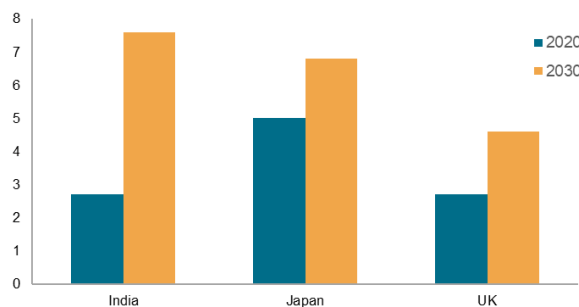
India has already made considerable progress in developing its domestic electronics manufacturing industry over the past decade, with total electronics manufacturing estimated to have risen from USD 30 billion in 2014-15 to USD 75 billion in 2019-20. The growth in electronics exports has been helped by rapid growth in exports of mobile phones as major global electronics firms have rapidly expanded their production of mobile phones in India. India's mobile phone exports rose from USD 0.2 billion in the fiscal year 2017-18 to USD 3.2 billion in the 2020-2021 fiscal year, rising further to USD 5.5 billion in the 2021-22 fiscal year.

Indian economic outlook

The acceleration of foreign direct investment inflows into India over the past decade reflects the strong long-term growth outlook for the Indian economy. India's nominal GDP measured in USD terms is forecast to rise from USD 3.5 trillion in 2022 to USD 7.3 trillion by 2030. This rapid pace of economic expansion would result in the size of the Indian GDP exceeding Japanese GDP by 2030, making India the second largest economy in the Asia-Pacific region. By 2022, the size of Indian GDP had already become larger than the GDP of the UK and also France. By 2030, India's GDP is also forecast to surpass Germany.

India to surpass Japan by 2030

USD trillion, nominal terms



Source: S&P Global

The long-term outlook for the Indian economy is supported by a number of key growth drivers. An important positive factor for India is its large and fast-growing middle class, which is helping to drive consumer spending. The rapidly growing Indian domestic consumer market as well as its large industrial sector have made India an increasingly important investment destination for a wide range of multinationals in many sectors, including manufacturing, infrastructure and services.

The digital transformation of India that is currently underway is expected to accelerate the growth of e-commerce, changing the retail consumer market landscape over the next decade. This is attracting leading global multinationals in technology and e-commerce to the Indian market.

By 2030, 1.1 billion Indians will have internet access, more than doubling from the estimated 500 million internet users in 2020. The rapid growth of e-commerce and the shift to 4G and 5G smartphone technology will boost home-grown unicorns like online e-commerce platform Mensa Brands, logistics startup Delhivery and the fast-growing online grocer BigBasket, whose e-sales have surged during the pandemic.

The large increase in FDI inflows to India that has been evident over the past five years is also continuing with strong momentum in 2021 and 2022. This is being boosted by large inflows of investments from global technology MNCs such as Google and Facebook that are attracted to India's large domestic consumer market, as well as a strong upturn in foreign direct investment inflows from manufacturing firms.

Overall, India is expected to continue to be one of the world's fastest growing economies over the next decade. This will make India one of the most important long-term growth markets for multinationals in a wide range of industries, including manufacturing industries such as autos, electronics and chemicals to services industries such as banking, insurance, asset management, health care and information technology.

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