PMI™ by S&P Global

Week Ahead Economic Preview

Flash PMI, Jackson Hole, BOK, BI meetings to watch

18 August 2023

August flash PMI data will be unveiled next Wednesday for the earliest insights into economic conditions across major developed economies midway into the third quarter. On the central bank front, the Fed's Jackson Hole symposium will be eagerly anticipated for further Fed updates while monetary policy meetings also unfold in South Korea and Indonesia. Other highlights to watch on the economic calendar includes US durable goods data, GDP from Germany and Thailand and CPI readings in APAC economies.

The July US Federal Open Market Committee (FOMC) meeting minutes led to an intensification of rate hike concerns this week after Fed officials were observed to be considering more hikes in their bid to tame inflation. This comes just after the [S&P Global Investment Manager Index] outlined easing monetary policy worries from July, suggesting that sentiment again shift before next month's update, ahead of the September 19-20 Fed meeting.

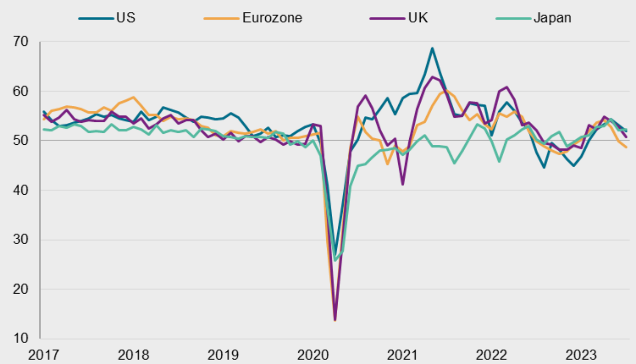
That being said, we will get a clearer sense if greater risk aversion may be warranted with both verbal updates via the annual Jackson Hole symposium and data guidance through the August flash PMI figures next week. The August 24-26 gathering in Wyoming is expected to bring about a series of updates from central bankers and even if no concrete direction may be sought with regards to US monetary policy, the tone adopted can still influence market expectations. This is especially as recent US PMI price indices, while still pointing to subdued inflationary pressures compared to the post-pandemic peak, are indicating that inflation has remained rather sticky into the second half of 2023 *(see box)*.

In APAC, we will also be watching the Bank of Korea and Bank Indonesia meetings though the consensus points to no surprises in the week ahead. Loan prime rates in mainland China may meanwhile be lowered after the medium-term lending facility (MLF) shift. As it is, [growth momentum across the wider emerging markets region have moderated] in July, affected by the same issues plaguing developed economies. Mainland China certainly saw support coming through to help spur economic conditions this week.

Sticky inflation situation

Next week's flash PMI release for major developed economies will provide the latest updates on growth after July data showed softening conditions for all but Japan among the "G4" economies. *(See special report)*

Major developed economies, output (manufacturing & services)



Data compiled August 2023 including PMI data to July 2023.
PMI index value of 50 = no change on prior month, covers manufacturing and services.
Sources: S&P Global PMI, S&P Global Market Intelligence, HCOB, CIPS, au Jibun Bank.
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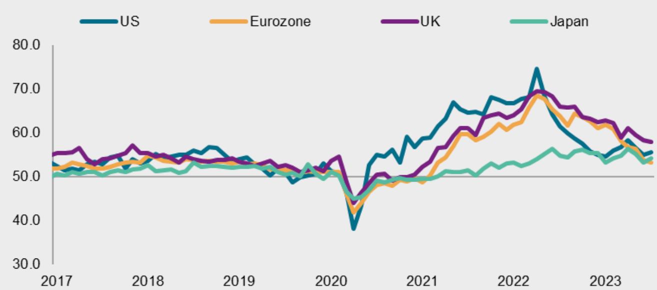
More importantly, the price indices will offer important clues on how inflation is evolving across these economies especially after July PMI data revealed sticky global inflation. The US and Japan notably saw faster rates of selling price inflation with the US gauge consistent with inflation running around the 3% level, validating some of the Fed's concerns over the pace of price increases.

Major developed economies, output prices (manufacturing & services)



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PMI index value of 50 = no change on prior month, covers manufacturing and services.
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Key diary events

Monday 21 Aug
Philippines Market Holiday
New Zealand Trade (Jul)
China (Mainland) Loan Prime Rate (Aug)
Germany PPI (Jul)
Thailand GDP (Q2)
Taiwan Export Orders (Jul)
Hong Kong Inflation Rate (Jul)

Tuesday 22 Aug
South Korea Consumer Confidence (Aug)
Eurozone Current Account (Jun)
Indonesia Current Account (Q2)
Taiwan Unemployment Rate (Jul)
United States Existing Home Sales (Jul)

Wednesday 23 Aug
Australia Judo Bank Flash PMI, Manufacturing & Services*
Japan au Jibun Bank Flash Manufacturing PMI*
UK S&P Global/CIPS Flash PMI, Manufacturing & Services*
Germany HCOB Flash PMI, Manufacturing & Services*
France HCOB Flash PMI, Manufacturing & Services*
Eurozone HCOB Flash PMI, Manufacturing & Services*
US S&P Global Flash PMI, Manufacturing & Services*
South Korea Business Confidence (Aug)
New Zealand Retail Sales (Q2)
Singapore Inflation (Jul)
Taiwan Industrial Production (Jul)
Taiwan Retail Sales (Jul)
Canada Retail Sales (Jun)
Eurozone Consumer Confidence (Aug, flash)
United States New Home Sales (Jul)

Thursday 24 Aug
South Korea PPI (Jul)
South Korea BOK Interest Rate Decision
Indonesia BI Interest Rate Decision
Hong Kong Trade (Jul)
United States Durable Goods Orders (Jul)
United States Jackson Hole Symposium

Friday 25 Aug
Japan Tokyo CPI (Aug)
Malaysia Inflation (Jul)
Thailand Trade (Jul)
Singapore Industrial Production (Jul)
Germany GDP (Q2, final)
Germany Ifo Business Climate (Aug)
United States UoM Sentiment (Aug, final)
United States Jackson Hole Symposium

* Press releases of indices produced by S&P Global and relevant sponsors can be found here.

What to watch

August flash PMI for major developed economies

Flash PMI data for August will be released for major developed economies in the coming week, including the US, UK, Eurozone, Japan and Australia.

While softening economic conditions has been a common theme across most of the four largest developed world economies (the “G4”), the pace varied between a deepening contraction in the eurozone and softening growth in the US and UK. Whether the majority of G4 economies remained in expansion will be watched with the upcoming flash data, which offers a first glimpse of August economic conditions based on approximately 85% of total PMI survey responses each month. *Read more in this week’s special report.*

Americas: Jackson Hole symposium, US existing home sales, durable goods orders data

Following the release of the July US FOMC meeting minutes which showed the Fed contemplating more rate hikes amid inflation risks, greater attention will now be placed on the August 24-26 Jackson Hole Economic Symposium in the coming week for further insights into the Fed’s thoughts.

Additionally, US existing home sales and durable goods orders data will also offer the latest insight on the housing market and industrial activity. As it is, July PMI data indicated that new orders within the US basic materials sector shrank at a markedly slower rate, improving from June.

Europe: Germany Q2 GDP, PPI and Ifo business climate

Besides the flash PMI readings for the UK, eurozone, Germany, France and Italy, a slew of tier-2 data are expected across Europe next week. Q2 GDP reading will also be updated for Germany after the first estimate showed the economy stagnating in the second quarter.

Asia-Pacific: BoK, BI meetings, China’s loan prime rate, Thailand GDP, Singapore, Hong Kong CPI

In APAC, central bank meetings unfold in South Korea and Indonesia, though no surprises are expected. China’s 1-year and 5-year Loan Prime Rates are expected to shift after the People’s Bank of China (PBOC) lowered the rate of the one-year medium-term lending facility this week.

Separately, Thailand’s Q2 GDP will be due on Monday, following by CPI from Hong Kong and Singapore in the week.

Special reports:

Global Inflation and Growth: What to Watch for in the Upcoming August PMI Surveys | Jingyi Pan | page 4

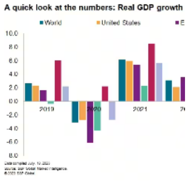
India’s Economy Continues to Show Strong Growth in Mid-2023 | Rajiv Biswas | page 7

Recent PMI and economic analysis from S&P Global

Global	Global inflation and growth: what to watch for in the upcoming August PMI surveys	16-Aug	Jingyi Pan
	Easing growth momentum keeps price inflation subdued across emerging markets	11-Aug	Jingyi Pan
	Monthly PMI Bulletin: August 2023	10-Aug	Jingyi Pan
	Global trade downturn accelerates in July	8-Aug	Jingyi Pan
	PMI surveys show global inflation pressures ticking higher in July on rising staff costs	4-Aug	Chris Williamson
Europe	United Kingdom flash PMI data point to cooler inflation as economy stalls	24-Jul	Chris Williamson
	Eurozone flash PMI signals cooling inflation amid rising recession risks	24-Jul	Chris Williamson
US	Flash US PMI signals growth slowdown but stubborn price pressures at start of third quarter	24-Jul	Chris Williamson
Asia-Pacific	Taiwan economy rebounds in second quarter of 2023	11-Aug	Rajiv Biswas
	Weak start to third quarter for China as PMI signals divergent sector growth and inflation trends	3-Aug	Chris Williamson
Commodities	Weekly Pricing Pulse: Commodity markets calm as traders await Fed's next move	28-Jul	Michael Dall

S&P Global Economics & Country Risk highlights

Persistent headwinds hinder global growth prospects



While S&P Global Market Intelligence's global real GDP growth forecast for 2023 is unchanged at 2.4%, this masks regional divergence. Growth forecasts for 2023 have been revised markedly upward in North America, primarily reflecting the recent resilience of economic activity. In contrast, the forecasts for mainland China and parts of Europe have been revised down.

Click here to read our research and analysis

PMI Insights: Divergent trends in goods and services

Our Purchasing Managers' Index team compiles data for more than 40 economies around the world. In this episode, the economists explore the divergence in the performance of the manufacturing and services sectors in countries including Australia and Greece. They zero in on how this is showing up in labour markets, looking at employment growth and wages.

Click here to listen to this podcast by S&P Global Market Intelligence

For further information:

For more information on our products, including economic forecasting and industry research, please visit **https://www.spglobal.com/**. For more information on our PMI business surveys, please visit **here**.

Special Focus

Global Inflation and Growth: What to Watch for in the Upcoming August PMI Surveys

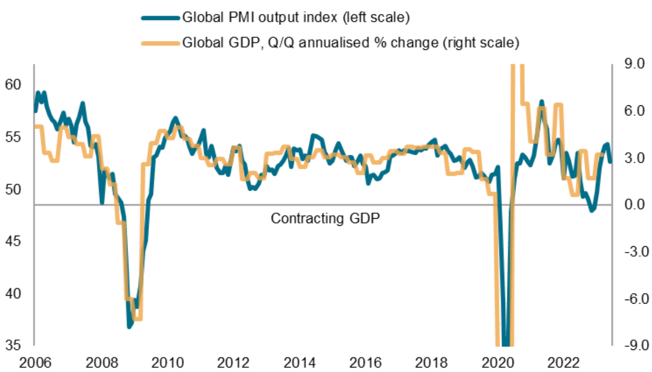
The global economy continued to lose growth momentum at the start of the second half of 2023, underpinned by waning of service sector growth momentum and a deepening manufacturing downturn. Whether this continues in August and to what extent if so, will be eagerly watched with the upcoming flash PMI releases for major developed economies on August 23rd, followed by worldwide PMI figures at the start of September.

Furthermore, global inflation has shown signs of 'stickiness' in July, driven by higher service sector prices. To understand if elevated inflation will sustain for longer, we will be tracking the price indices with upcoming PMI releases, especially given how monetary policy trajectories vary around the world with inflation trends.

We recap the key messages from July's PMI and highlight key themes to watch with the upcoming releases here.

July PMI indicate slowing global growth momentum

Global economic growth and the PMI



Data compiled June 2023 including PMI data to June 2023.
PMI (Purchasing Managers' Index) 50 = no change on prior month..
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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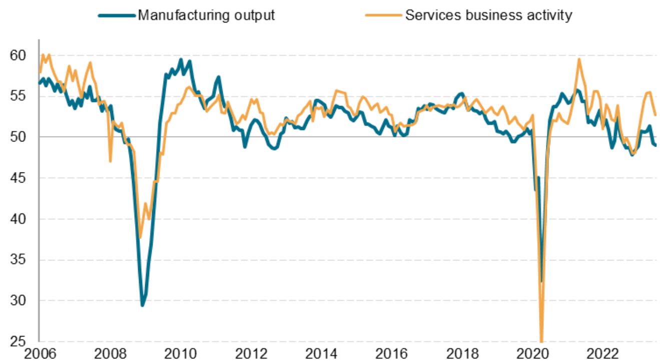
The global economy expanded at the slowest pace in six months according to the Global PMI data - compiled by S&P Global across over 40 economies and sponsored by JPMorgan. At 51.7 in July, the headline PMI, covering manufacturing and services, takes the PMI further below the survey's long-run average. Furthermore, it is broadly consistent with annualized quarterly global GDP growth of around 2% at the start of the third quarter, which is likewise lower than the 2.9% long-run average.

Services rebound further losing steam?

Global PMI output by sector



Data compiled August 2023 including PMI data to July 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P.Morgan, S&P Market Intelligence
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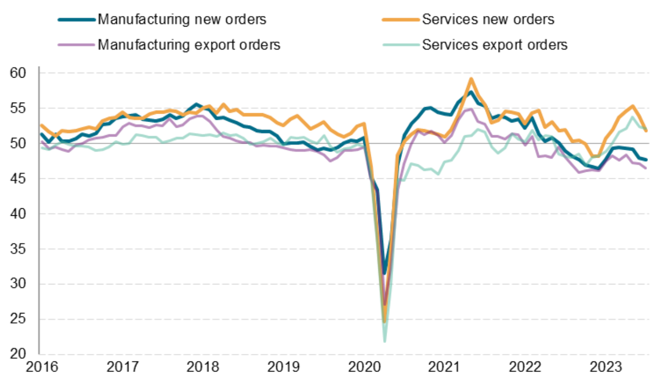
Service sector expansion, which primarily supported growth into 2023, slowed further in July to the weakest since February. The travel and leisure boom that had previously boosted demand for services further dissipated into the start of the second half of 2023. That said, with the first summer season since the easing of worldwide travel restrictions continuing into the busy August period, it will be of interest to observe how the sector will trend with upcoming releases.

Manufacturing sector's destocking problem

Global PMI new orders



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PMI (Purchasing Managers' Index) 50 = no change on prior month.
Sources: S&P Global PMI with J.P.Morgan, S&P Market Intelligence
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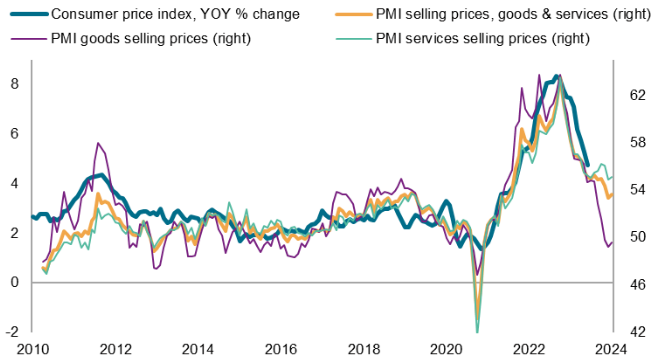
Meanwhile the manufacturing malaise continued in July with production contracting at an even sharper rate compared to June. While modest overall, any contraction of global production is nevertheless a rare occurrence and a continuation of which may garner further concerns. As it is, the new orders for goods continued to fall globally in July, hinting at the likelihood of production falling at an increased rate in August. A key reason for this has been the sustained unwinding of inventory that had previously accumulated among manufacturers in the immediate aftermath of the pandemic and we are still watching for clear signs of a turnaround with this ongoing destocking trend.

Global inflation pressures persist?

Another key focus with the August PMI releases will be developments on the inflation front. July's PMI surveys showed global inflationary pressures ticking higher on rising staff costs.

The global PMI survey's selling price index, covering prices charged for both goods and services in all major developed and emerging markets, registered 53.6 in July. Although this was down almost ten points from the survey record of 63.5 in April 2022, indicating that we will continue to see global inflationary pressures decline, it was nevertheless higher than in June and consistent with a global inflation rate of around 4%, thus signalling sticky inflationary pressures going into the start of the third quarter.

Global consumer price inflation and PMI selling prices



Data compiled August 2023 including PMI data to July 2023 advanced six months.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, S&P Global Market intelligence.
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We are cautious not to read too much into one data point, and therefore August data will be important in providing a clearer direction on where the price indices are headed. So far, the stickiness in inflation have stemmed primarily from the service sector with higher services selling prices contrasted by falling average prices charged for goods, even though the rate of decline slowed in July. The impact from higher interest rates have had a relatively reduced effect for services inflation compared to goods and whether this continues to be so will be watched with upcoming figures.

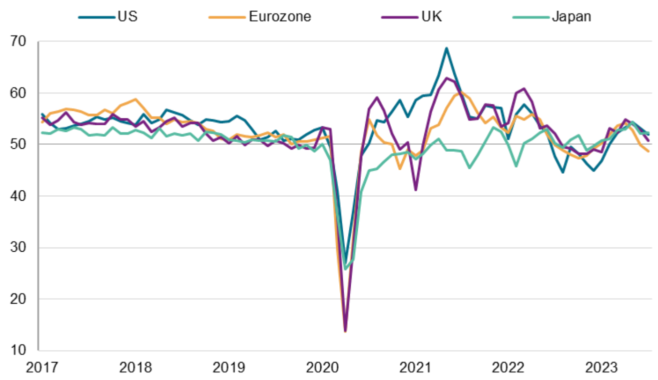
Inflation trends will be central to informing us on the likely monetary policy trajectories for major central banks around the world with uncertainties still lingering over the course of action by policymakers such as in the US and UK given still-elevated inflation.

Mixed growth performance across developed economies

Despite higher interest rates continuing to run its course for the global economy, concerns over recession have so far remained subdued. This was even as recent PMI readings revealed falling growth momentum across various major developed economies with the eurozone notably sliding deeper into contraction territory.

Whether the eurozone remains the only one of the G4 economies to post a sub-50.0 reading for the composite PMI, or if the UK with near-stalling output growth will join their counterparts in the euro area in the contraction territory, or even Japan that had showed resilience in July with slightly higher output growth may converge with the rest of the G4 economies, will all be watched with the upcoming flash PMI due August 23rd.

Major developed economies, output (manufacturing & services)



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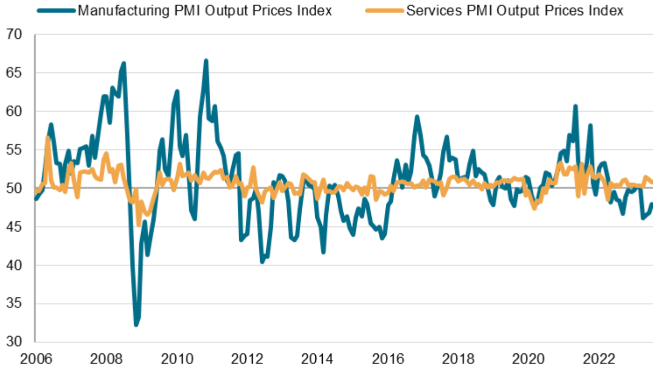
Mainland China's divergent growth and price trends

Finally, PMI survey data from S&P Global and Caixin showed the mainland Chinese economy losing growth momentum at the start of the third quarter. A renewed manufacturing downturn was accompanied by relatively subdued service sector growth compared to earlier in the year. As a result, the headline Caixin PMI, compiled by S&P Global, signalled a cooling in the rate of output growth for a second successive month at the start of the third quarter, registering the weakest expansion since January. This was also consistent with an annualized quarterly rate of just 3.2%, down from 8.8% at the start of the year.

Deteriorating output and demand conditions have led to prices remaining subdued in mainland China at the start of the second half of 2023. Further discounting by manufacturers to drive sales coupled with slowing of price hikes by service providers in mainland China have led to overall selling prices for goods and services to fall for a fourth month in a row. Given the importance of mainland

China's expansion for the Asia-Pacific region, August's data will be scrutinized for the latest updates. As it is, some uptick in inflation from supply chains had been signalled by July's data, though pressures remain muted by historical standards.

China (mainland) selling prices



Data compiled July 2023.
PMI (Purchasing Managers' Index), 50 = no change on prior month..
Source: S&P Global PMI with Caixin
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Worldwide manufacturing and services PMI, including Caixin China PMIs, will be due September 1 and September 5 respectively. Refer to our release calendar here.

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Special Focus

India's Economy Continues to Show Strong Growth in Mid-2023

After rapid economic growth of 7.2% in the 2022-23 fiscal year, economic momentum has remained strong in the first half of 2023. The S&P Global India Services PMI Business Activity Index for July signalled continued rapid expansion in output and new orders, while July's Manufacturing PMI survey also showed strong expansionary conditions.

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 85 billion in the 2021-22 fiscal year. FDI investment inflows into the manufacturing sector rose by 76% year-on-year (y/y) in 2021-22, reaching a level of over USD 21 billion.

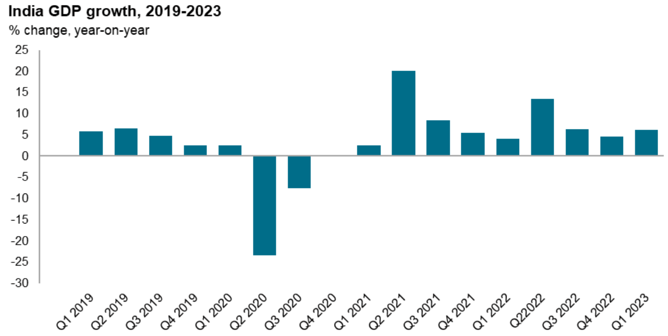
India's economic expansion continues in mid-2023

Recent economic indicators for India during the first half of 2023 continue to signal expansionary economic conditions driven by domestic demand. Steel production rose by 11.9% y/y in the April-June quarter, while consumption of steel rose by 10.2% y/y. Sales of commercial vehicles rose sharply higher in FY2022-23, increasing by 34.3% y/y, while sales of private vehicles rose by 18.7% y/y in FY2022-23.

The index of industrial production, which generally shows considerable monthly volatility, recorded growth of 4.5% y/y in the April-June quarter, while manufacturing output rose by 4.7% y/y in the same quarter. For the FY2022-23 from April to March, industrial production was up 5.2% y/y, with manufacturing output rising by 4.7% y/y over the same period.

For FY2022-23, production of capital goods rose by 12.9% y/y, while production of infrastructure and construction goods rose by 12.5% y/y. However, production of consumer durables and non-durables was sluggish, with production of consumer durables growing at a marginal pace of 0.6 y/y in FY2022-23 while consumer non-durables grew by 0.5% y/y, according to the National Statistical Office.

In the April-June quarter of 2023, production of capital goods rose by 4.9% y/y, while production of infrastructure and construction goods rose by 14.0% y/y. Output of consumer durables remained weak, contracting by 2.8% y/y, although output of consumer non-durables showed strong momentum, rising by 6.7% y/y.



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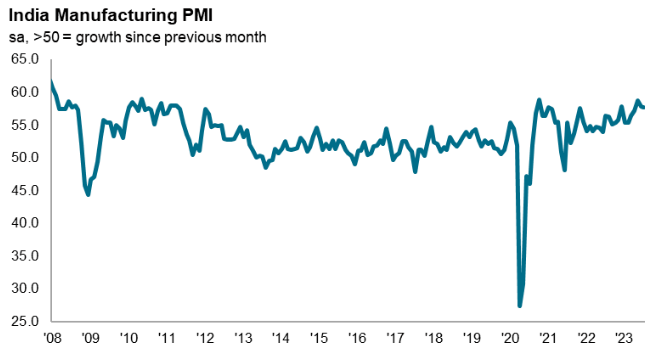
The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) posted 57.7 in July, broadly in line with the reading of 57.8 in June. The index signalled continued robust expansion in the manufacturing sector. Business conditions have now strengthened in each of the past 25 months.



Source: S&P Global PMI.
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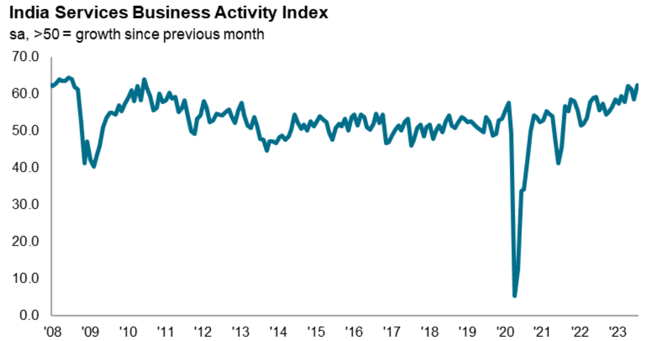
Reports of demand improvements were widespread across the latest survey and resulted in another marked expansion of new orders in the sector.

Rising from 58.5 in June to 62.3 in July, the seasonally adjusted S&P Global India Services PMI Business Activity Index signalled the sharpest increase in output since June 2010. The upturn was largely attributed to demand strength and new business gains.



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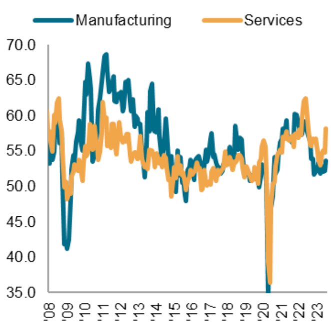
However, India's exports of goods and services for the April-July 2023 period contracted by 6.0% y/y, due to a significant decline in merchandise exports of 14.5% y/y in the April-July quarter. The decline of merchandise exports was mitigated by strong growth in services exports, which rose by 7.8% y/y over the same period.

Inflationary conditions

Cost inflation pressures strengthened in July, with acceleration noted by both goods producers and service providers. At the composite level, input costs increased at the fastest rate in a year. On the other hand, prices charged for Indian goods and services rose at the slowest pace in three months. Rates of output price inflation moderated in both the manufacturing and service economies.

India PMI input costs

sa, >50 = growth since previous month



Source: S&P Global PMI.
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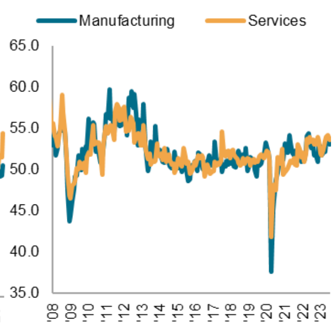
India PMI output prices

sa, >50 = growth since previous month



Source: S&P Global PMI.
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The latest statistics on India's consumer price index (CPI) showed that the headline CPI inflation rate surged further to 7.4% y/y in July from a pace of 4.8% y/y in June.

A key factor contributing to the upturn in the headline CPI inflation rate was a further sharp upturn in the food and beverages CPI sub-index. The food and beverages CPI subindex rose by 10.6% y/y in July compared with 4.6% y/y in June driven by a surge in vegetables prices, as well as significant price rises for cereals and pulses.

The vegetables CPI subindex had registered significant declines in recent months, falling by 8.2% y/y in May after a decline of 6.5% y/y in April. However, in July vegetables prices rose by 37.3% y/y. A significant contributing factor to the sharp upturn in vegetable prices was a sharp rise in tomato prices, due to crop damage in some regions. Prices for pulses also showed a strong increase, rising by 13.3% y/y in July. A key concern for the Indian government has also been rapid rises in rice prices, with the overall cereals sub-index up by 13.0% y/y.

High energy prices have been an important factor contributing to India's CPI inflation pressures over the past year, but have been easing in recent months, helped by some moderation in world oil prices as well as the impact of base-year effects owing to the spike in world oil prices a year ago, in the second quarter of 2022. The fuel and light sub-index increase moderated further in July, to 3.7% y/y, compared with 3.9% y/y in June and significantly lower than the 8.9% y/y rate recorded in March.

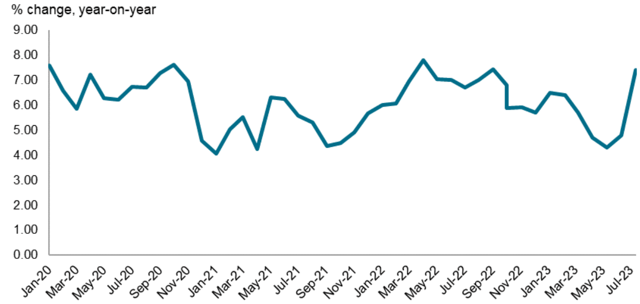
The Reserve Bank of India (RBI) in its August Monetary Policy Statement raised its projected CPI inflation rate for the current fiscal year (2023–24) to 5.4%, compared with its 5.1% y/y projection made in the June Monetary Policy Statement. This nevertheless represents a significant moderation from the 6.5% rise in CPI inflation in fiscal year 2022–23. The near-term trajectory of CPI inflation is projected in the RBI August Monetary Policy Statement at 6.2% y/y for the July–September quarter, 5.7% year over year for the October to December quarter of fiscal 2023–24, moderating to 5.2% y/y in the January-March quarter of 2024, based on the assumption of a normal monsoon.

The RBI's August Monetary Policy Statement had expected that the headline CPI inflation rate would likely witness a spike in coming months on account of disruptions to food production due to adverse weather conditions. The RBI also noted risks to food production from the impact of the skewed south-west monsoon so far, as well as upward pressures on food prices due to a possible El Niño event as well as geopolitical hostilities.

The RBI projection in its August Monetary Policy Statement for real GDP growth for fiscal year 2023–24 remained unchanged at 6.5%. Domestic economic activity is assessed by the RBI to have remained resilient in the April–June quarter of fiscal year 2023–24, as reflected in high-frequency indicators such as passenger vehicle sales and domestic air passenger traffic, as well as steel consumption and cement output. The index of industrial production grew at a pace of 4.5% y/y in the April-June quarter, while core industries output rose by 8.2% y/y in June.

India CPI inflation rate

% change, year-on-year



Source: S&P Global Market Intelligence.
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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 85 billion in the 2021-22 fiscal year, after inflows of USD 82 billion in the previous 2020-21 fiscal year. This compares with FDI inflows of just USD 4 billion in the 2003-04 fiscal year.

Sustained strong FDI inflows have helped to reduce India's external account vulnerability and have contributed to boost India's foreign exchange reserves over the past decade.

A key contributor to strong FDI inflows over the past decade has been technology related FDI, which has 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.

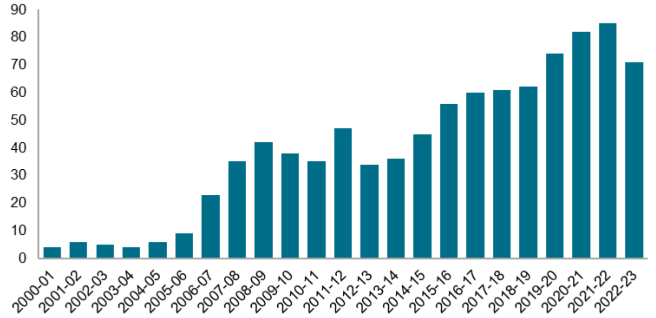
Infrastructure investments have also been an important sector for FDI inflows. A large FDI deal in 2020 was the USD 3.7 billion investment by Singapore's GIC and Canada's Brookfield Asset Management in the acquisition of Tower Infrastructure Trust, which owns Indian telecom towers assets.

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.

By source of origin of FDI inflows, Singapore, Mauritius and United Arab Emirates were three of the four top sources of FDI inflows into India in FY 2022-23, alongside the USA. This highlights the growing importance of India's bilateral economic and investment relationships with global financial hubs in emerging markets, in addition to strong ties with advanced economies like the USA, Japan, EU and UK.

India: Foreign direct investment inflows
USD billion



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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. Micron has announced that it will build a semiconductors assembly and test facility in Gujarat, with construction planned for 2023-24.

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 2020-21 fiscal year, rising further to USD 5.5 billion in the 2021-22 fiscal year. The Indian Cellular and Electronics Association estimated that mobile phone exports doubled to USD 11.1 billion in 2022-23 compared to the previous fiscal year. India's electronics goods exports rose by 37.6% y/y in the April-July quarter of 2023, highlighting the rapid pace of expansion in India's exports of electronics products.

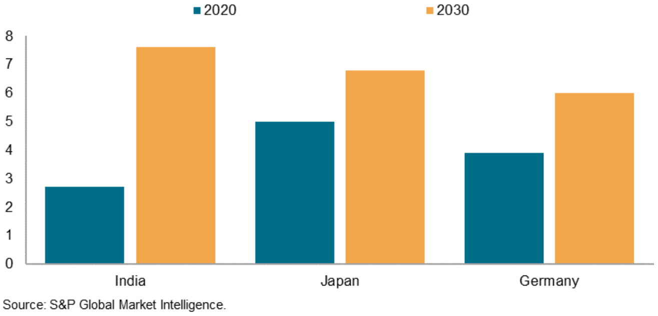
Indian economic outlook

After two years of rapid economic growth in 2021 and 2022, the near-term economic outlook is for continued rapid expansion during 2023-24, underpinned by strong growth in private consumption and investment.

The acceleration of foreign direct investment inflows into India over the past decade reflects the favourable long-term growth outlook for the Indian economy, helped by a youthful demographic profile and rapidly rising urban household incomes. 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's GDP to surpass Japan and Germany by 2030

USD trillion, nominal terms



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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 people in India 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 evident even during the pandemic years of 2020-2022. India's strong FDI inflows have been boosted by large inflows of investments from global technology MNCs such as Google and Facebook that are attracted to India's large, fast-growing 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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