

# Global Outlook & Market Trends

## India Rubber Meet 2024

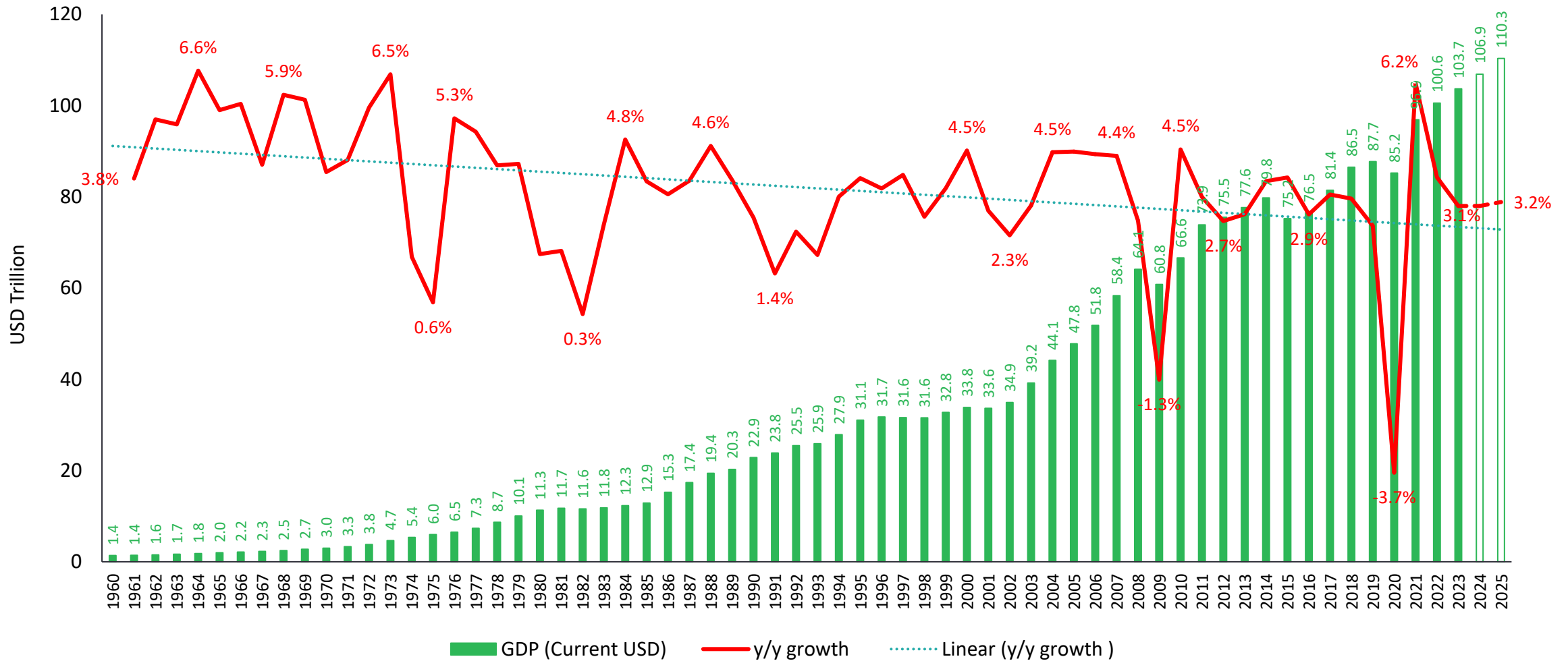
Guwahati, Assam    February 23, 2024



The better the question. The better the answer.  
The better the world works.

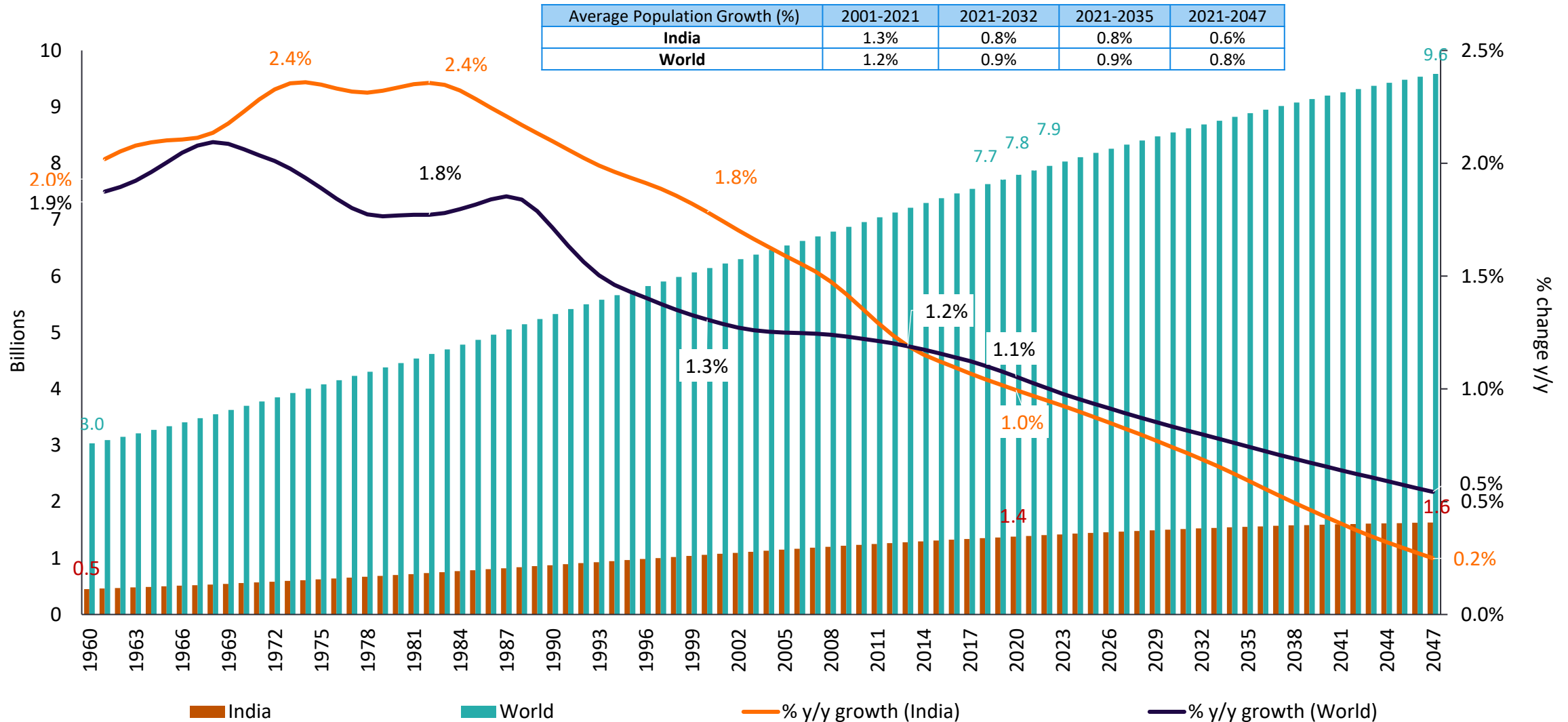


# World economic growth, once robust at ~6% in the 1960s, had slowed to ~3% by 2019 and is expected to moderate further



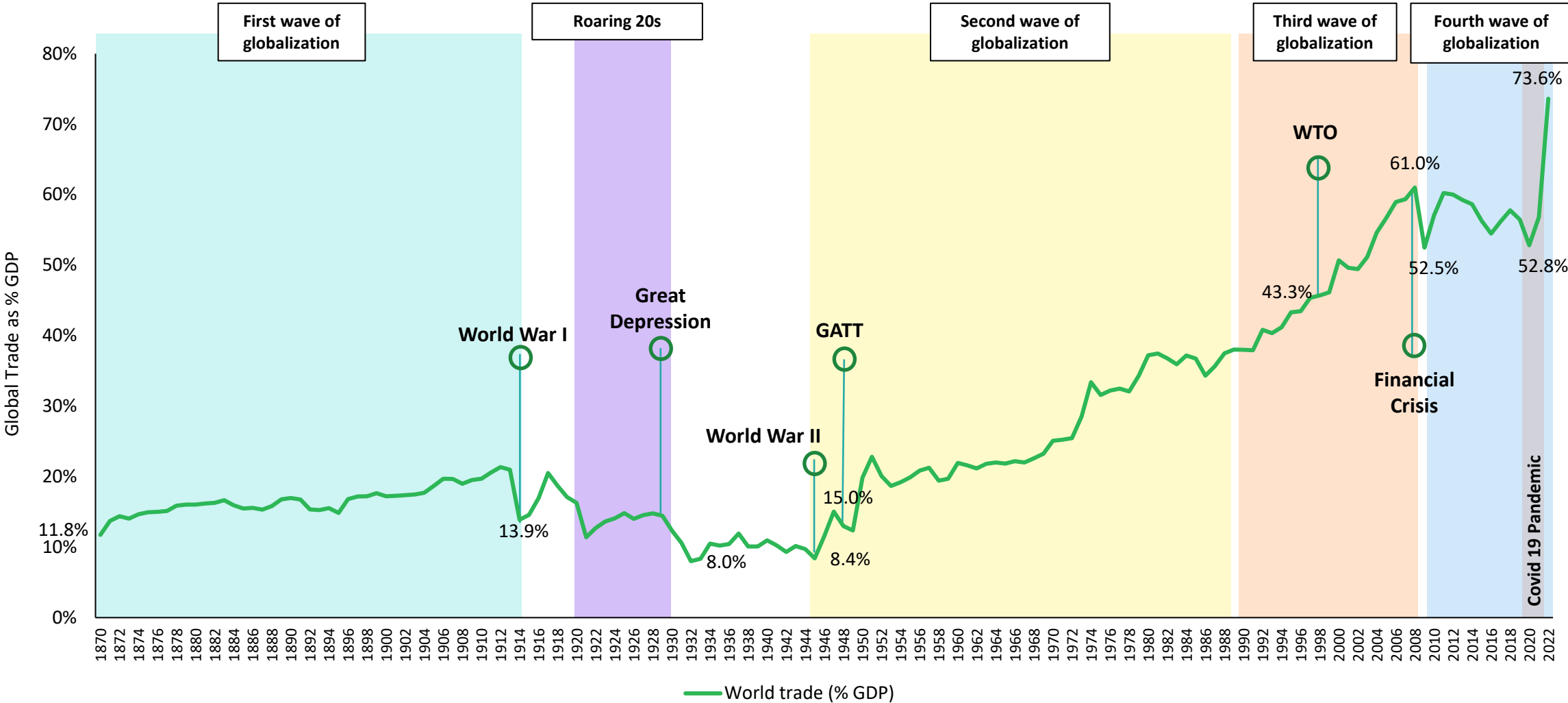
Dotted lines indicate forecasts as per WEO Jan 2024  
Source: IMF

# World population growth peaked in the 1960s and has been decelerating since; India's population growth rate moderated to below global rates around 2014



Source: World Bank

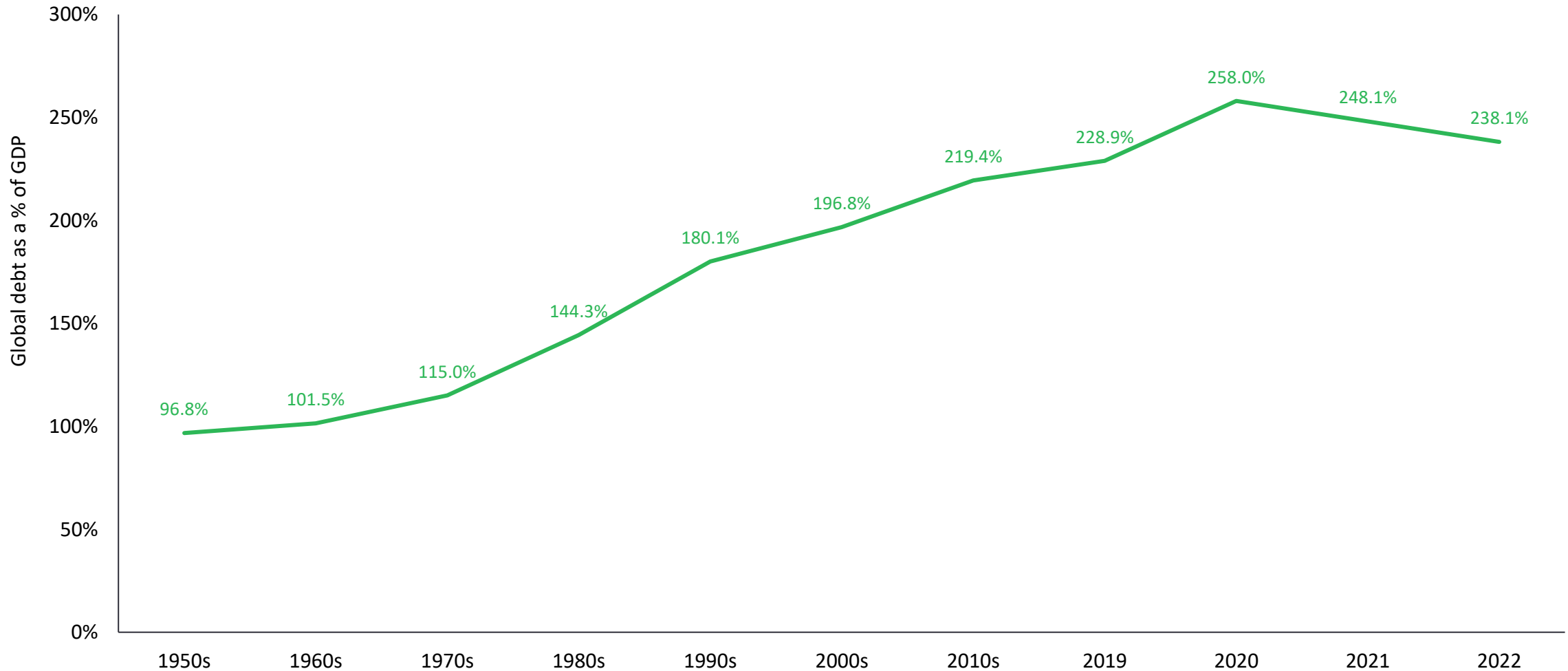
Global trade significantly contributed to GDP growth from the end of the great wars until the GFC; Pandemic-driven surge primarily due to supply constraints of highly traded commodities



Source: Klasing, Mariko J. and Milionis, P. (2014). "Quantifying the Evolution of World Trade, 1870-1949"; Feenstra, Robert C., Robert Inklaar and Marcel P. Timmer (2015), "The Next Generation of the Penn World Table"; World Economic Forum, World Bank

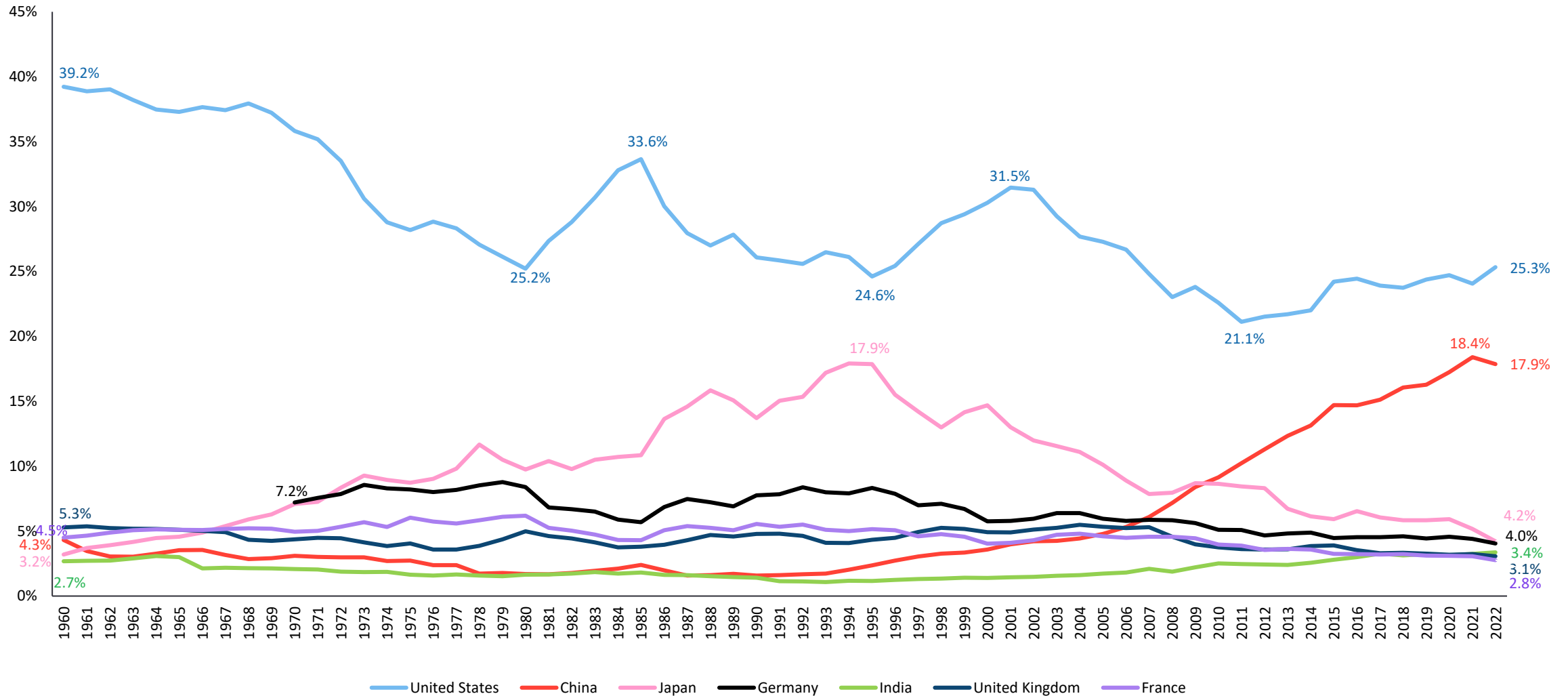


# Global debt to GDP has more than doubled since the 1970s, reaching unprecedented levels during the COVID-19 pandemic



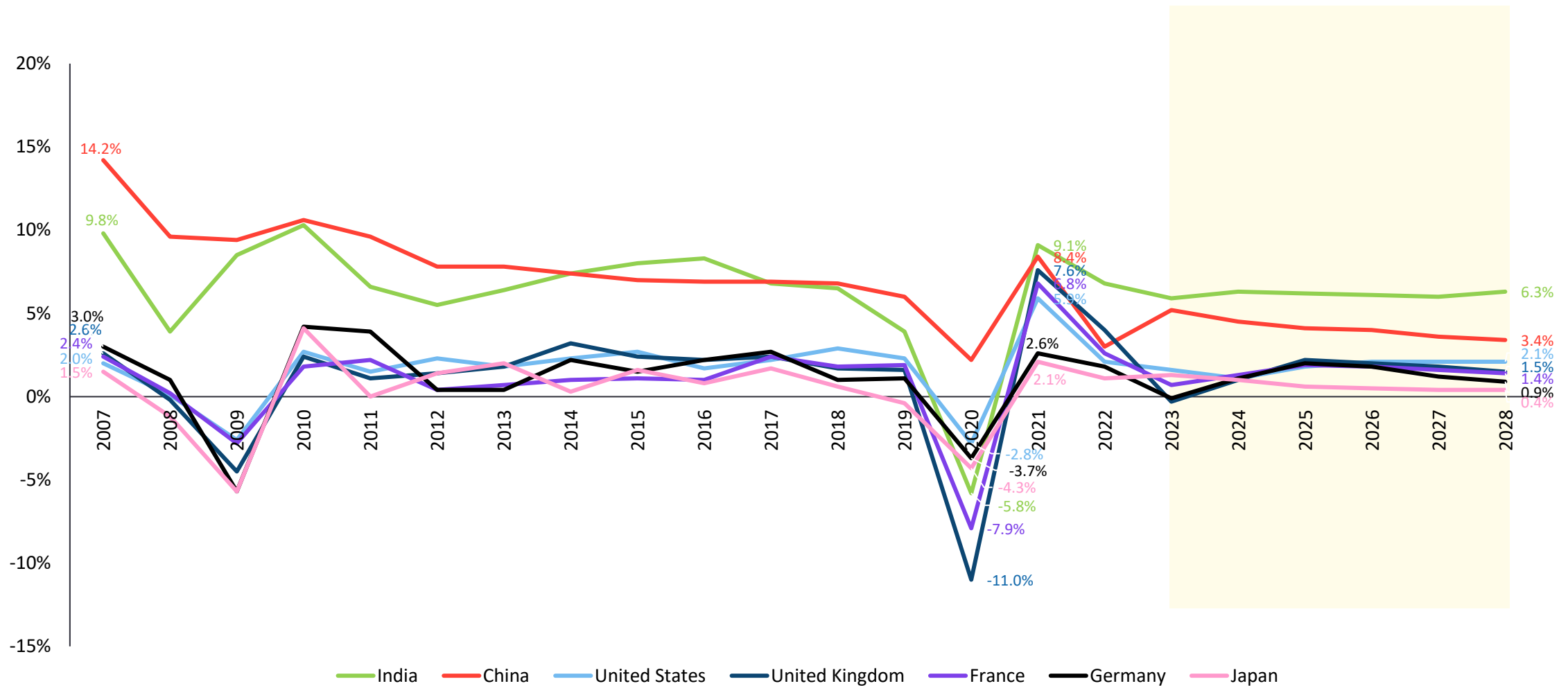
Source: Fiscal Affairs Department | International Monetary Fund, 2023

# Since the 2000s, advanced economies have generally ceded share of global GDP to emerging economies, with recent onshoring by the US bucking the trend



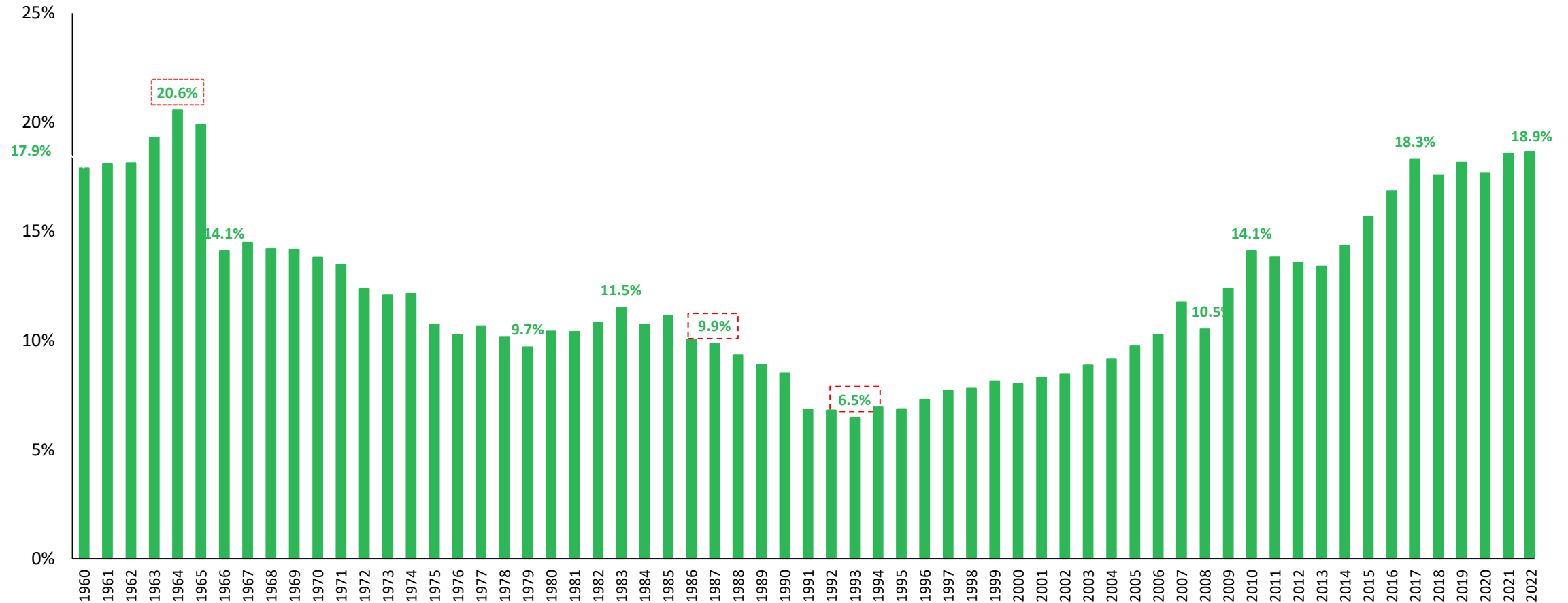
Source: World Bank

# India expected to sustain position as fastest growing large economy, driven by accelerating reforms, tremendous investments in improving competitiveness, and formalization driving credit growth



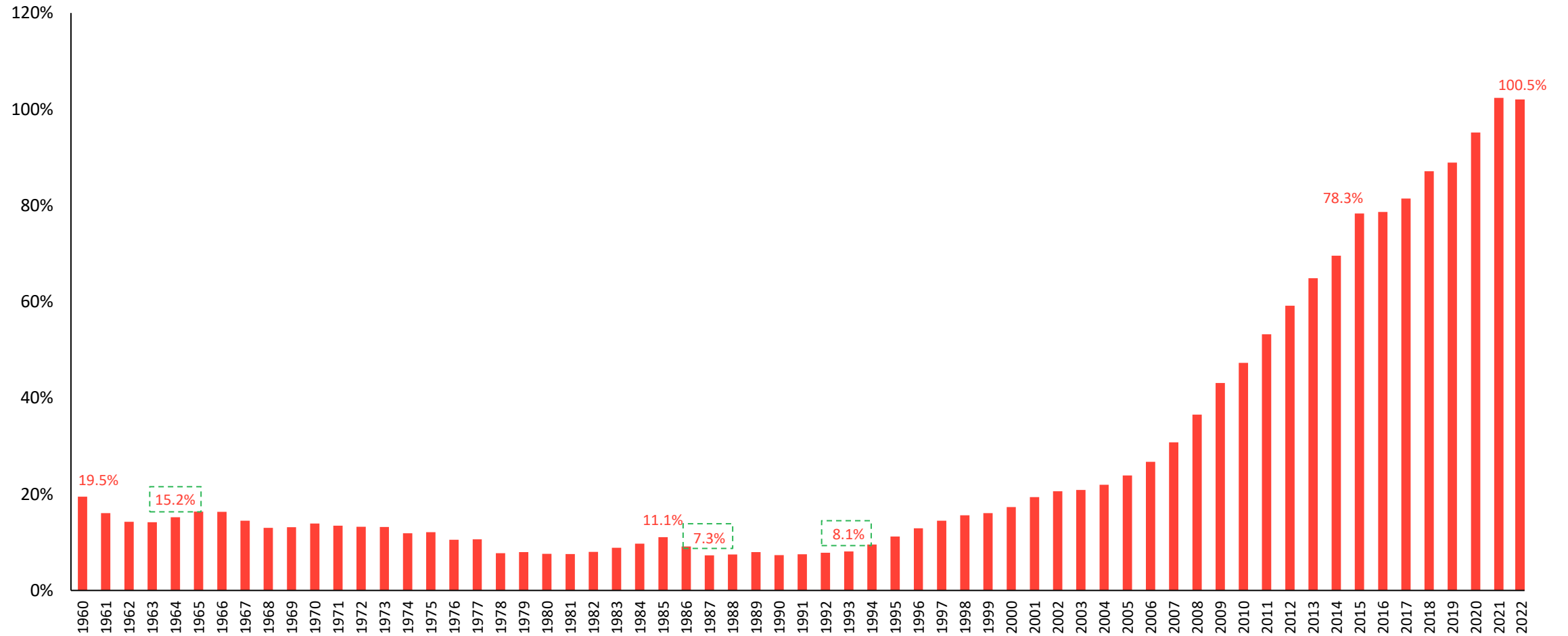
Source: IMF  
\*Forecast by IMF

# India's GDP per capita as a % of World average



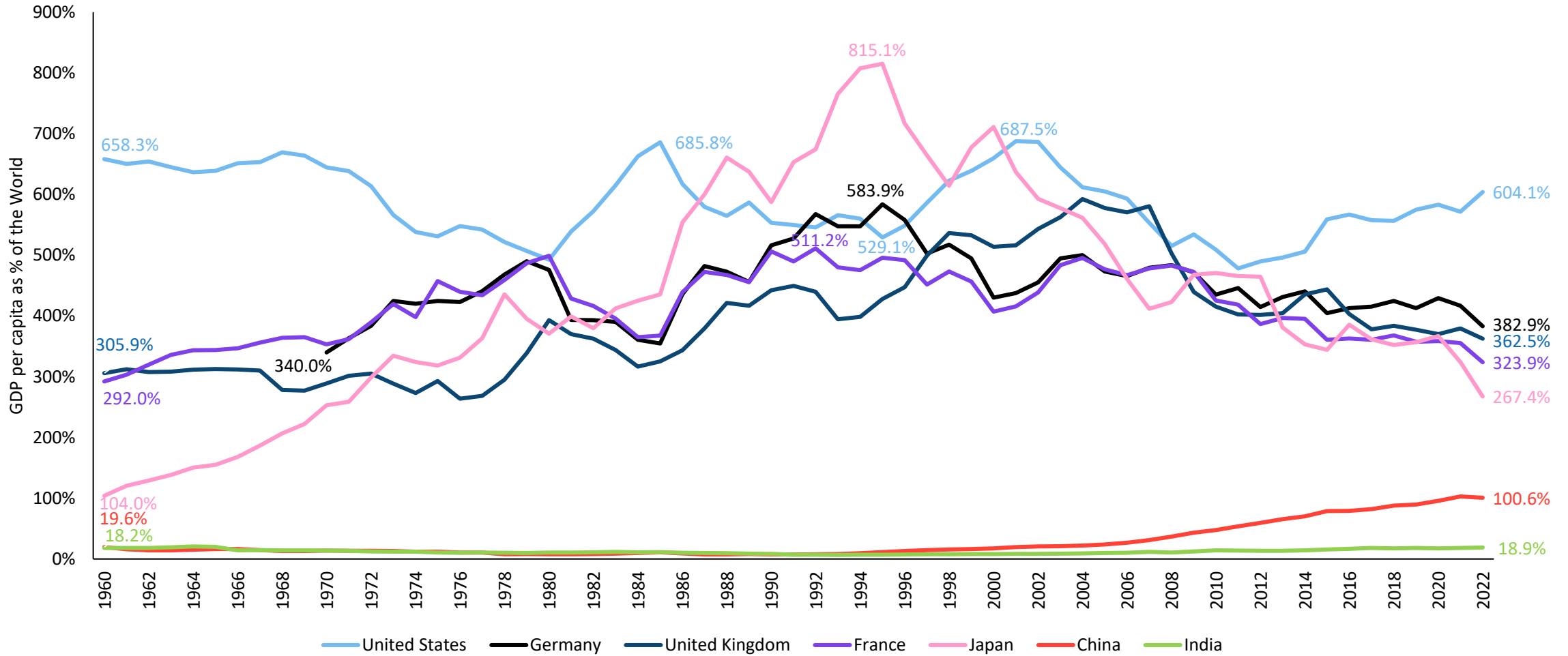


# China's GDP per capita as a % of World average



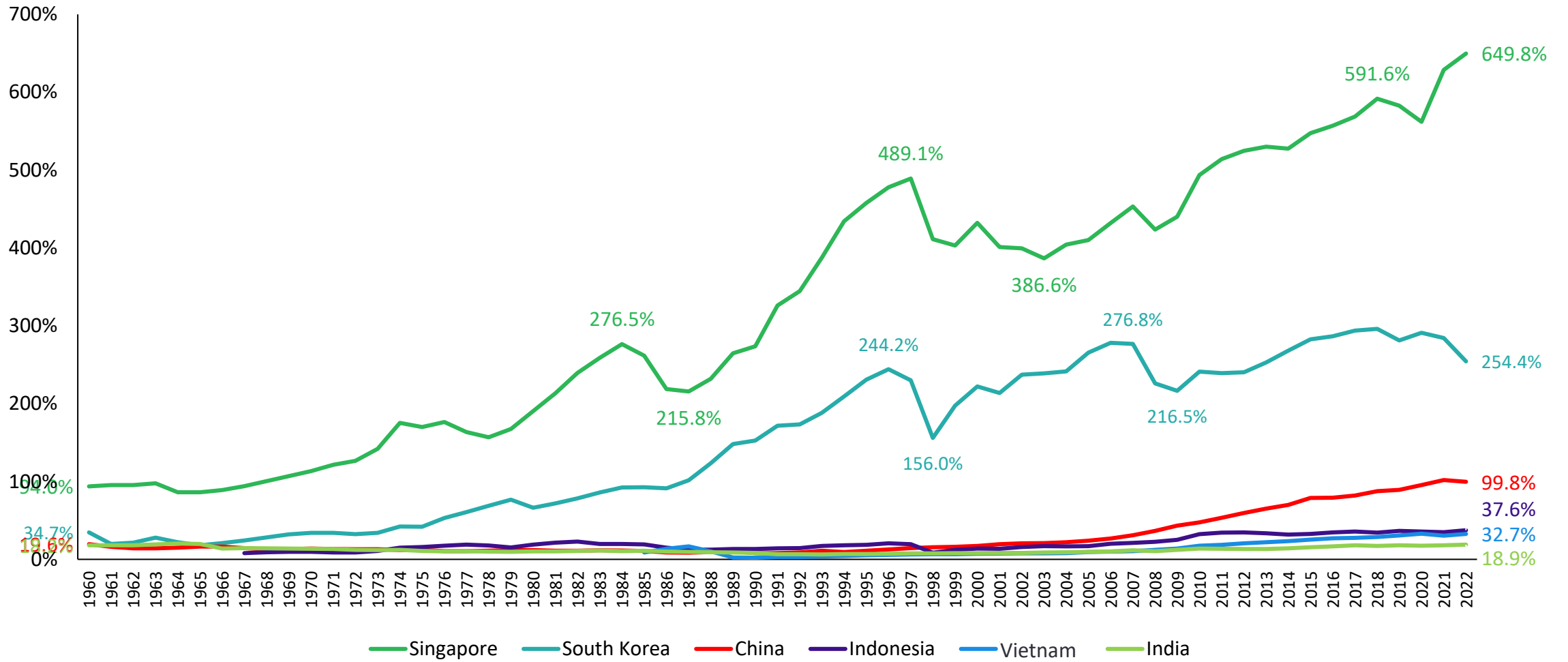
Source: World Bank, EY Analysis

# India has tremendous potential to improve its relative GDP per capita driven by improving competitiveness, trade, and investment



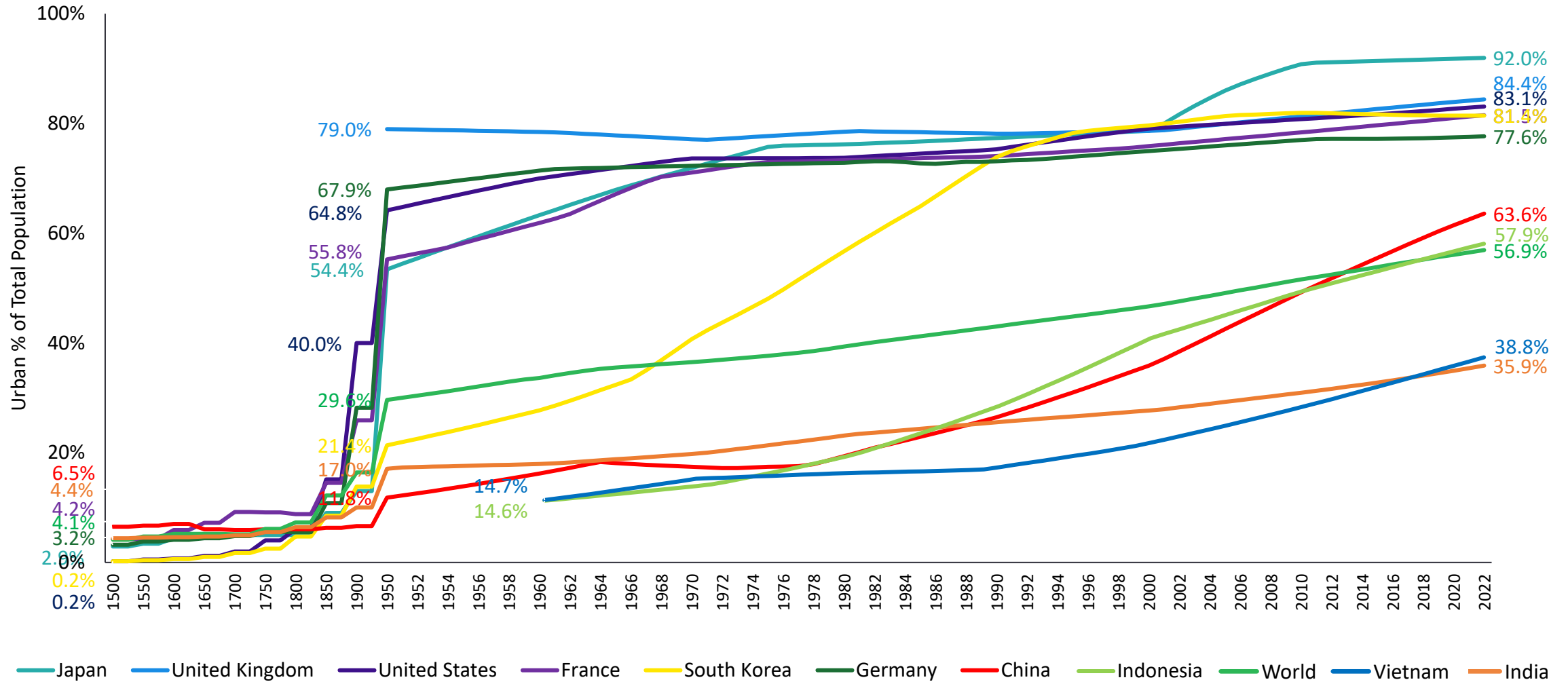
Source: World Bank

# India's comparative per capita GDP suggests room for faster advancement when compared to recent peers



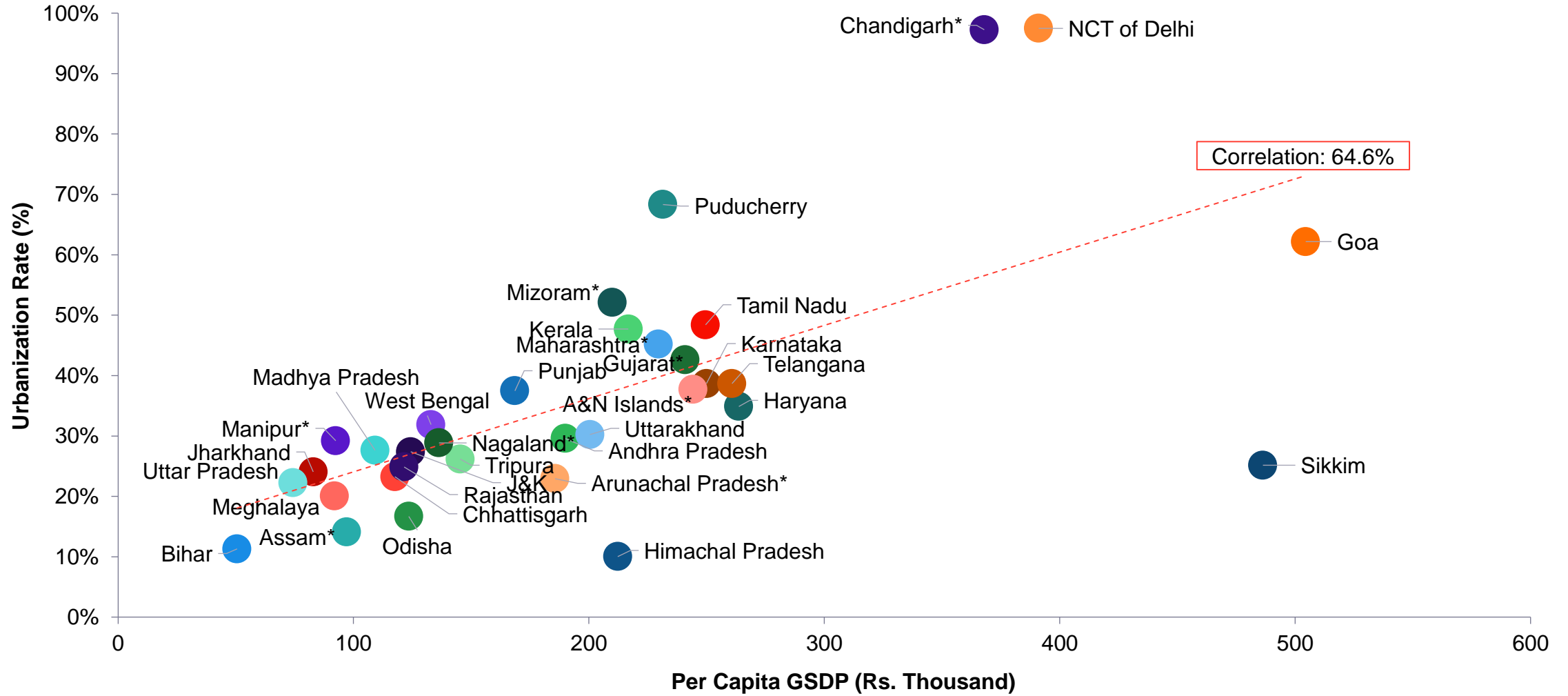
Source: World Bank

# India is behind all large economies in its urbanisation



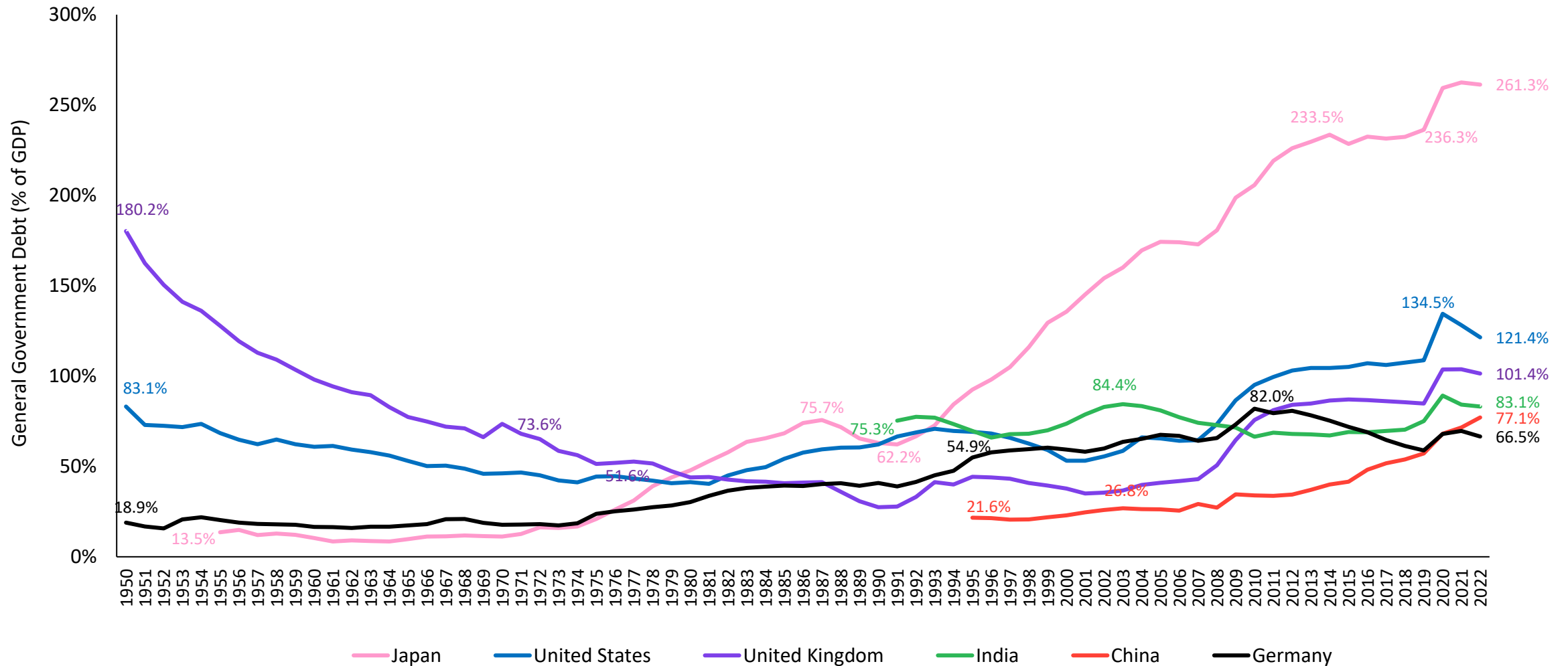
Source: World Bank (2022), OWID based on UN World Urbanization Prospects 2018 and historical sources

# High correlation between urbanisation rate and per capita GSDP even for states



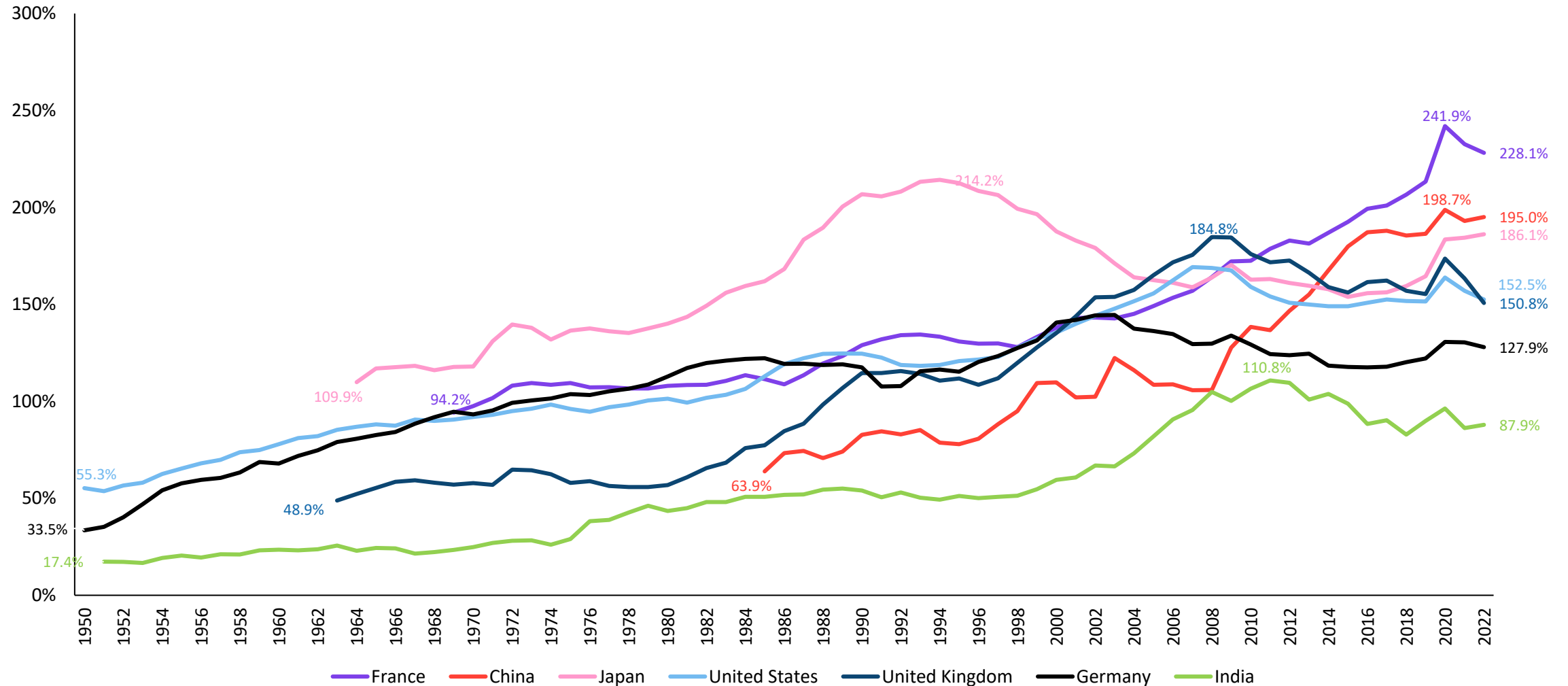
Source: Census of India 2011, MoSPI

# Government debt as percentage of GDP surged since 1990s, especially post-GFC and during pandemic; India falls from highest to 4<sup>th</sup> place among largest economies



Source: IMF

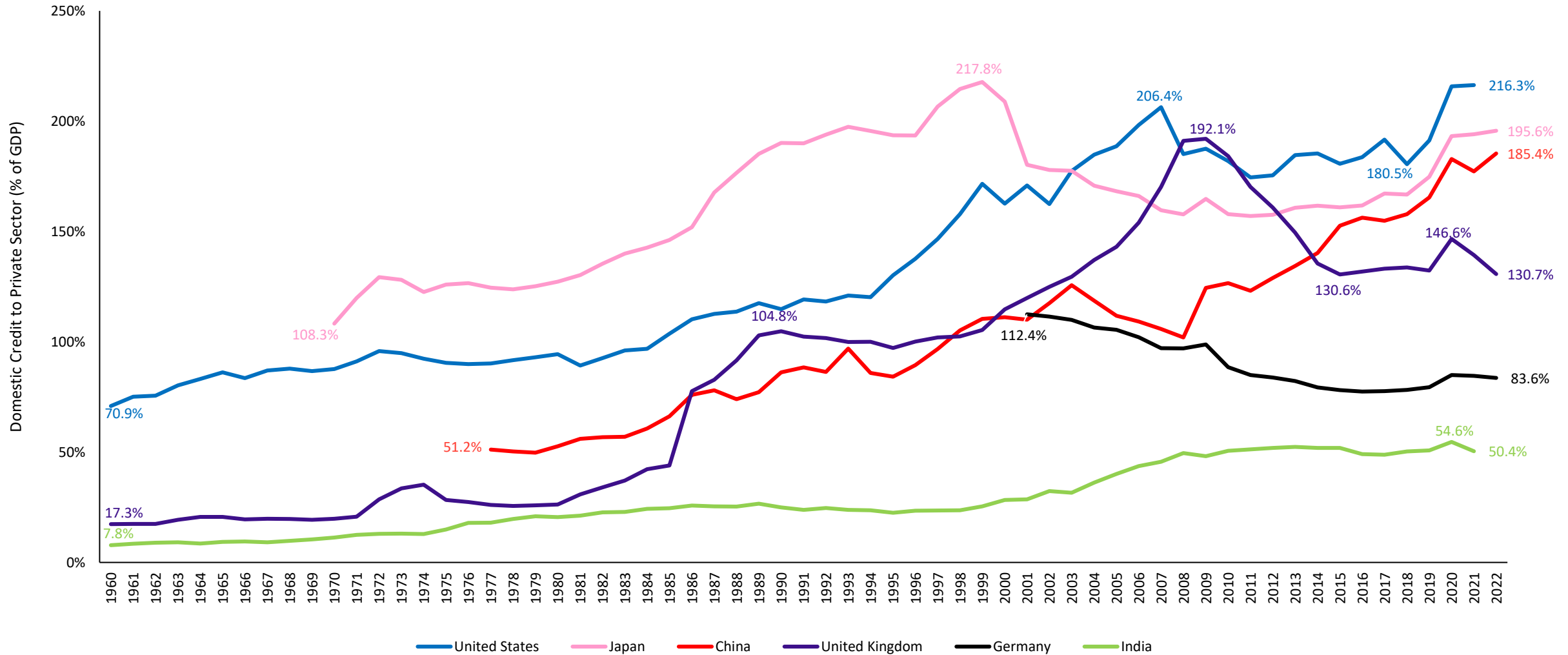
# Private debt propelled economic growth worldwide; India yet to use the lever



Source: IMF  
 Note: Data includes private debt, loans and debt securities



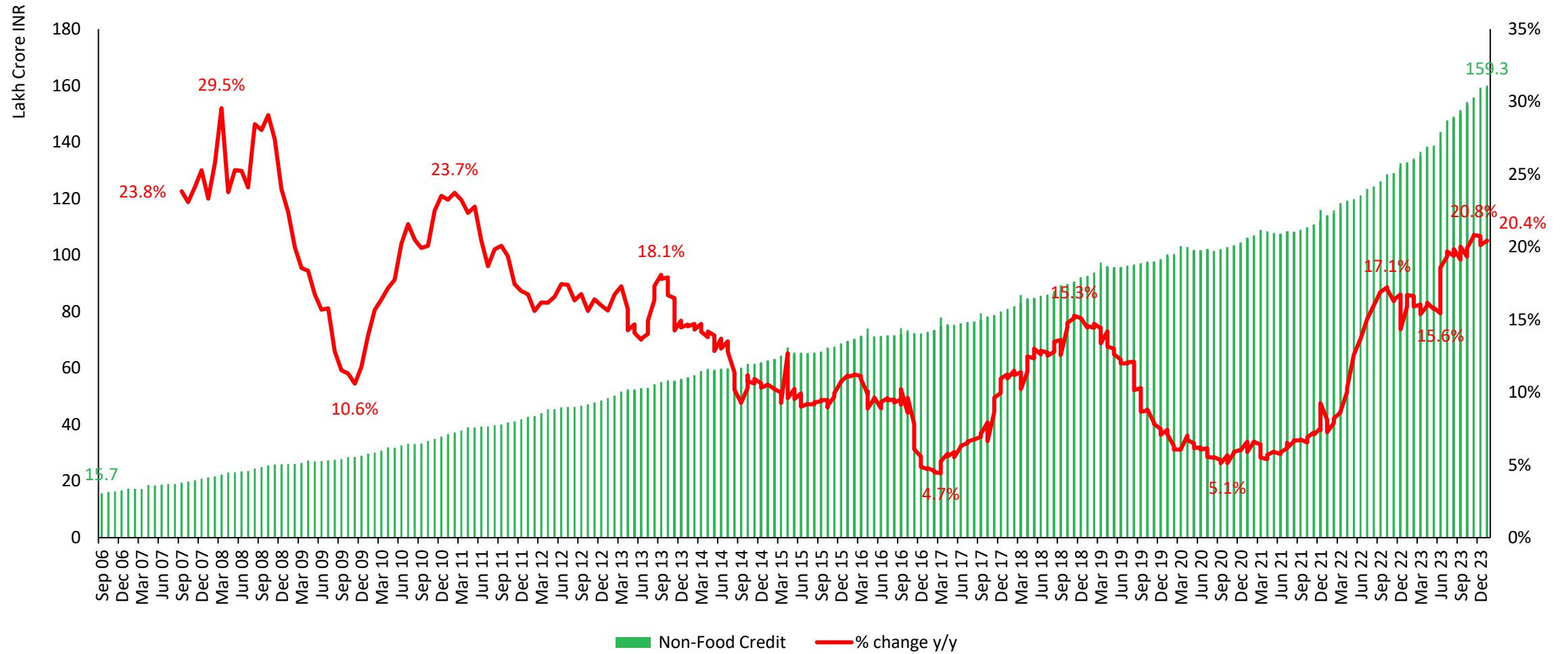
# Domestic credit to the private sector (% of GDP) holds significant potential for India and could play a pivotal role in driving economic growth and development



Source: World Bank

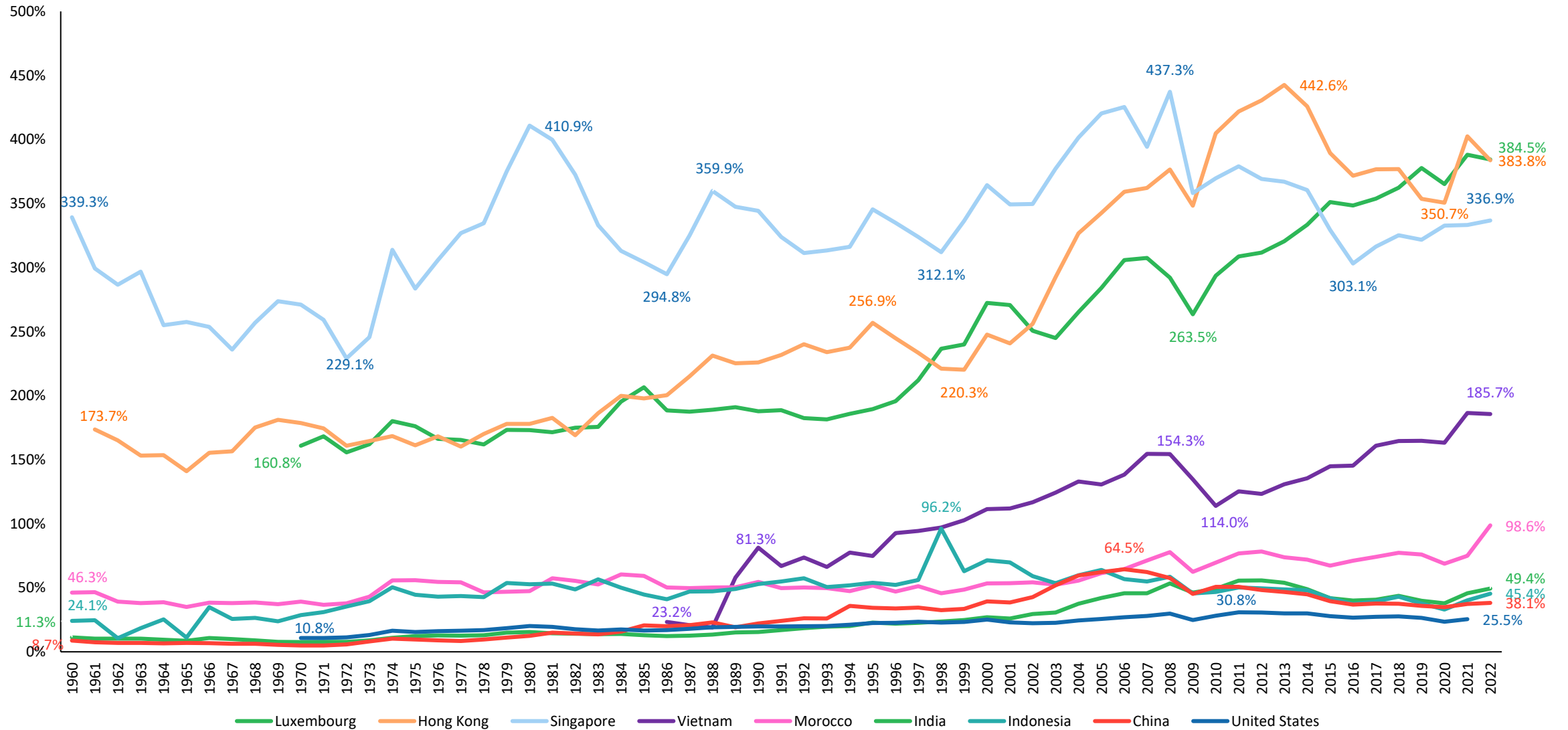


# Non-Food Credit is growing at fastest pace in over a dozen years



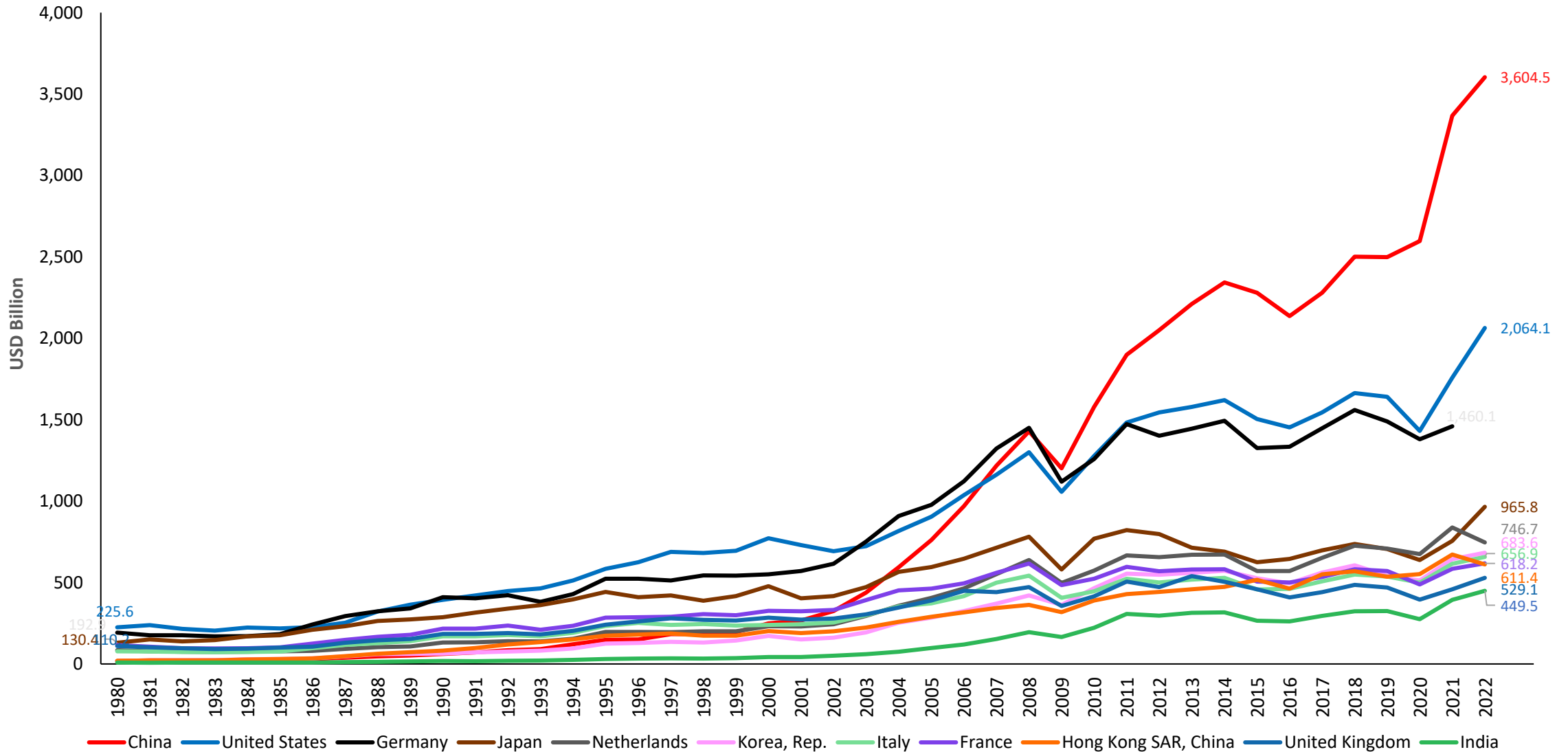
Source: RBI

# Trade can be leveraged as a driver to accelerate GDP and per capita GDP



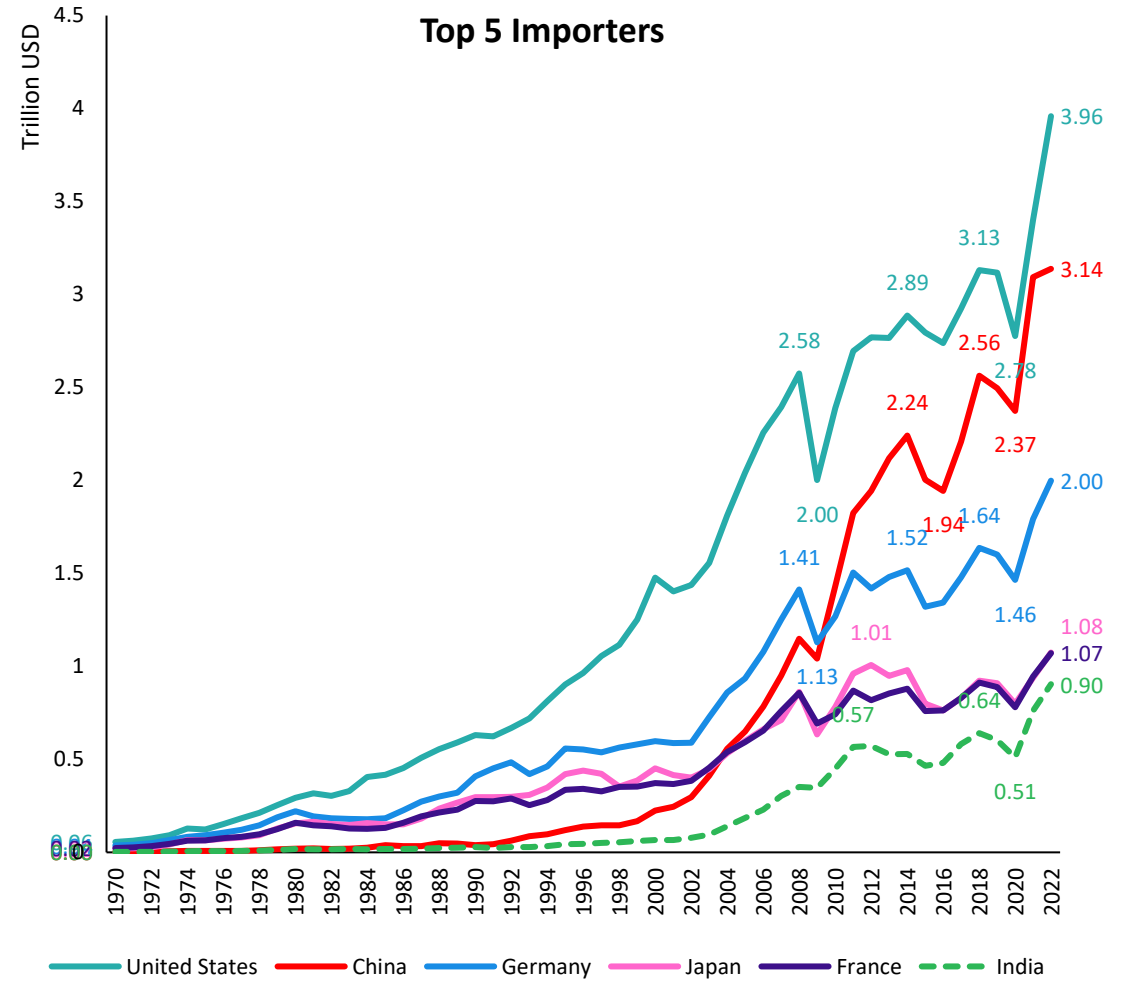
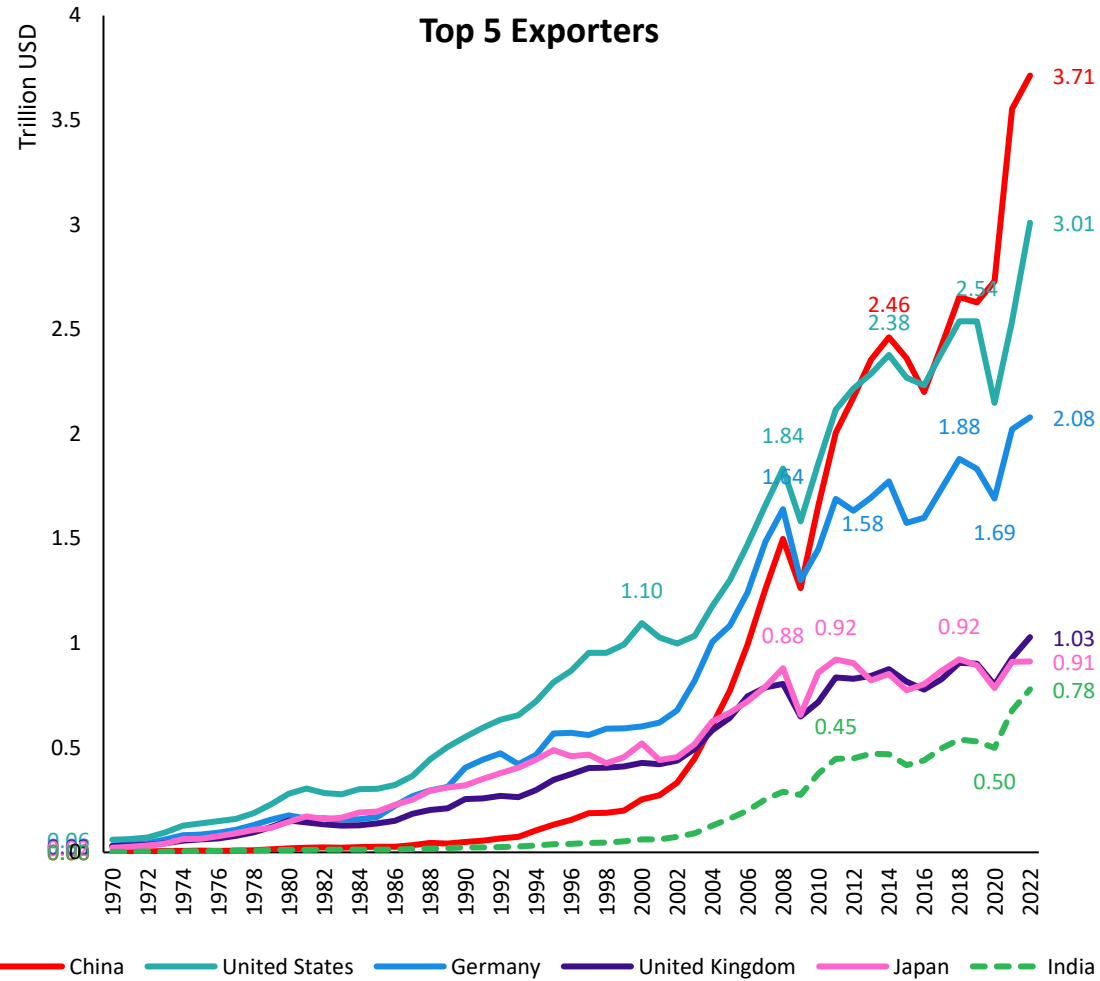
Source: World Bank

# Top 10 Global Merchandise Exporters and India (18<sup>th</sup>)



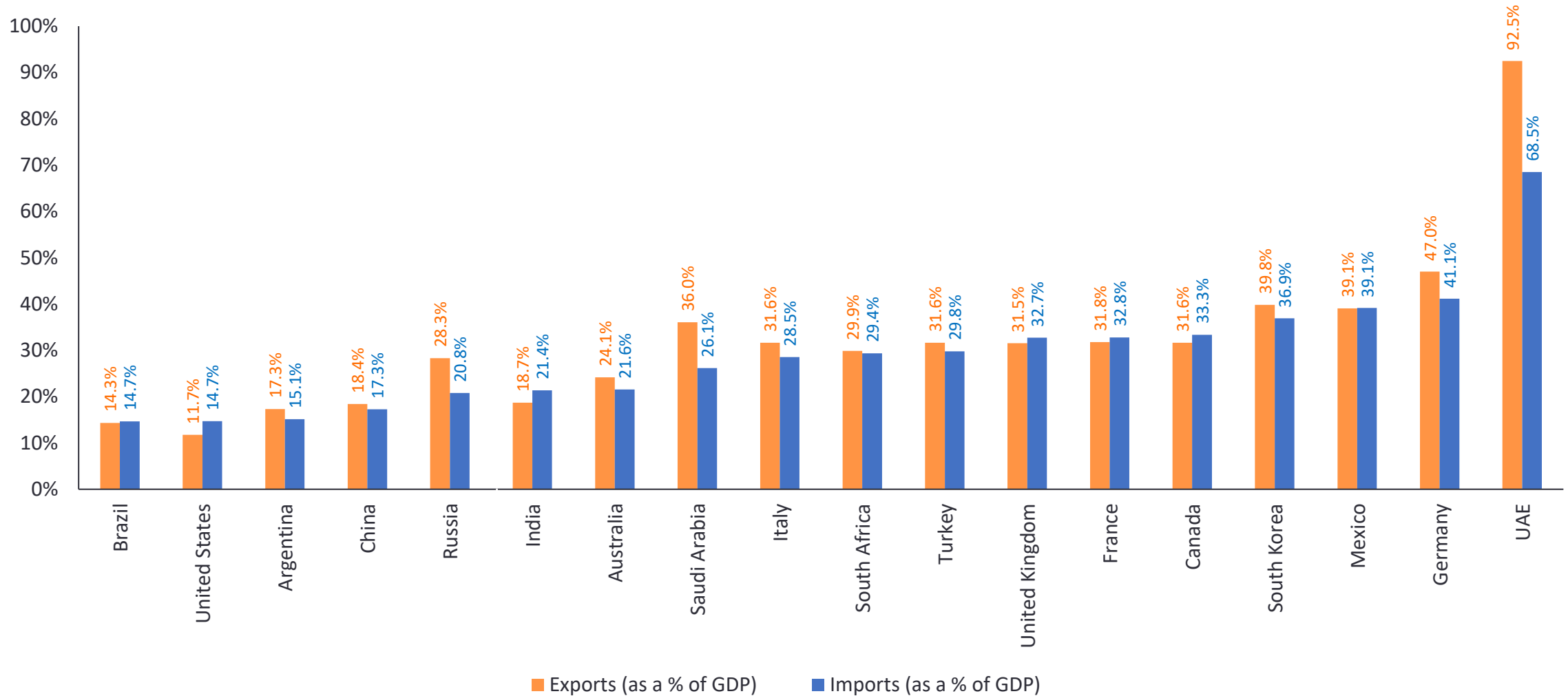
Source: UN Trade Statistics

# Top Exporters and Importers and India (Merchandise and Services)



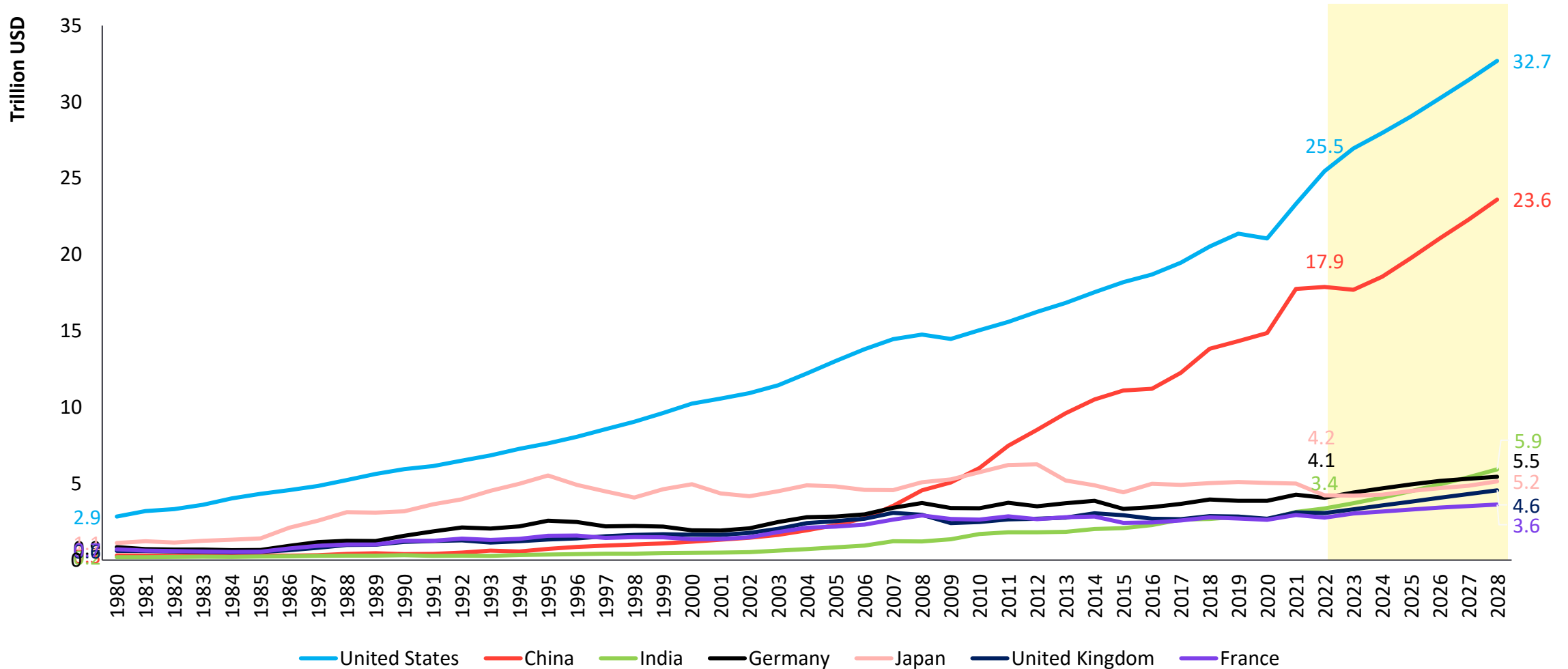
Source: World Bank

# Exports & imports for a country are highly correlated (2019)



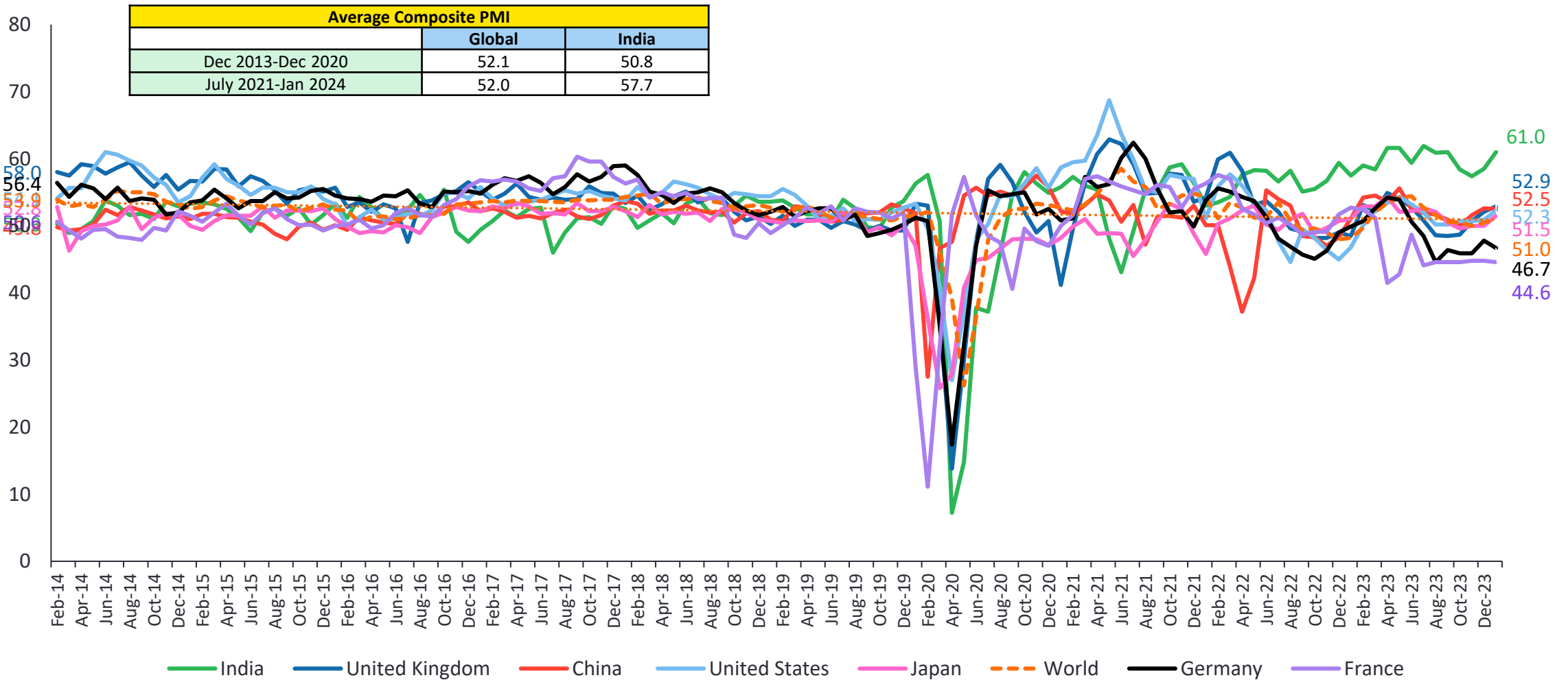
Source: World Bank

# India is projected to surpass Germany and Japan to become the world's third-largest economy by 2028\*



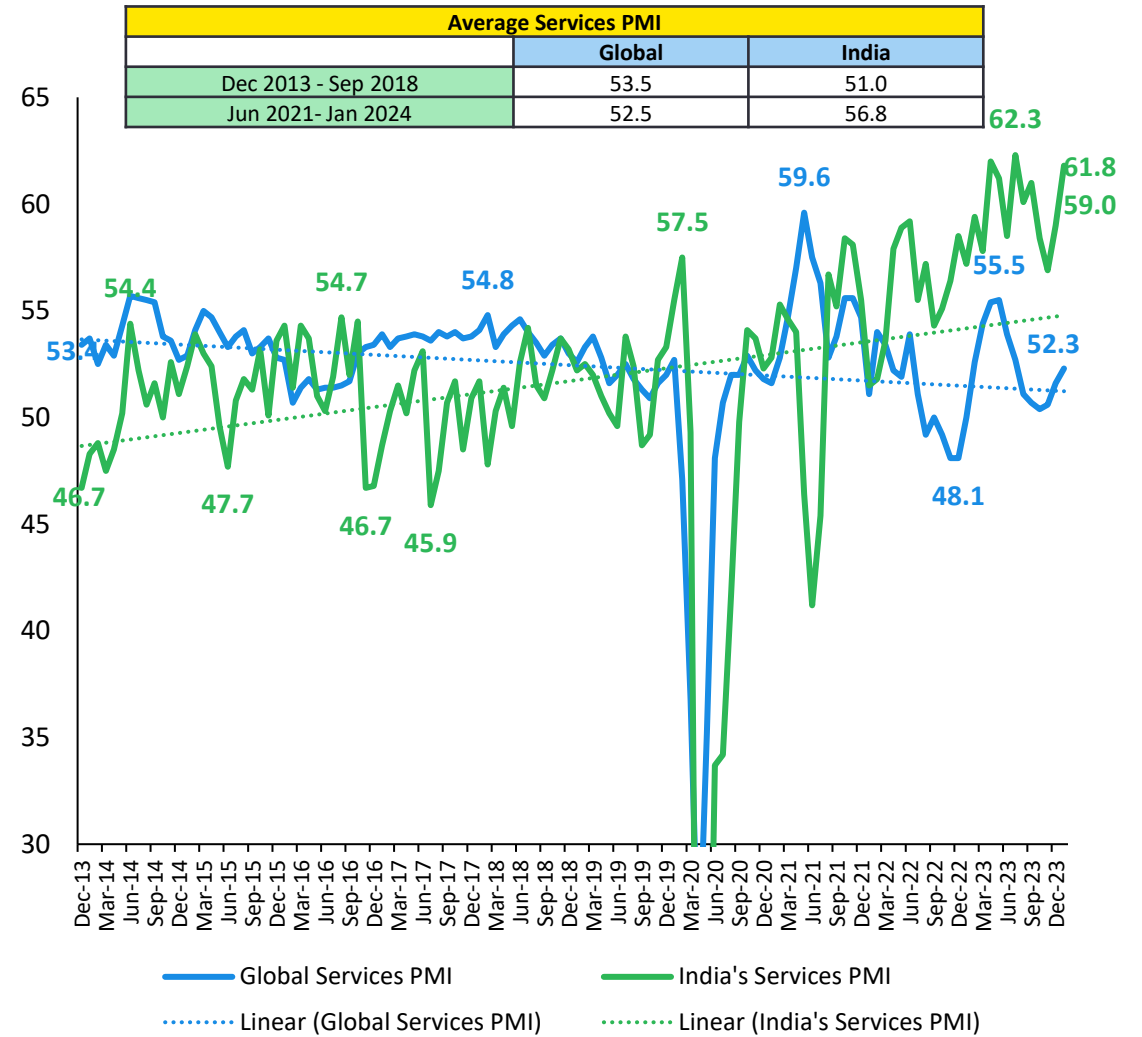
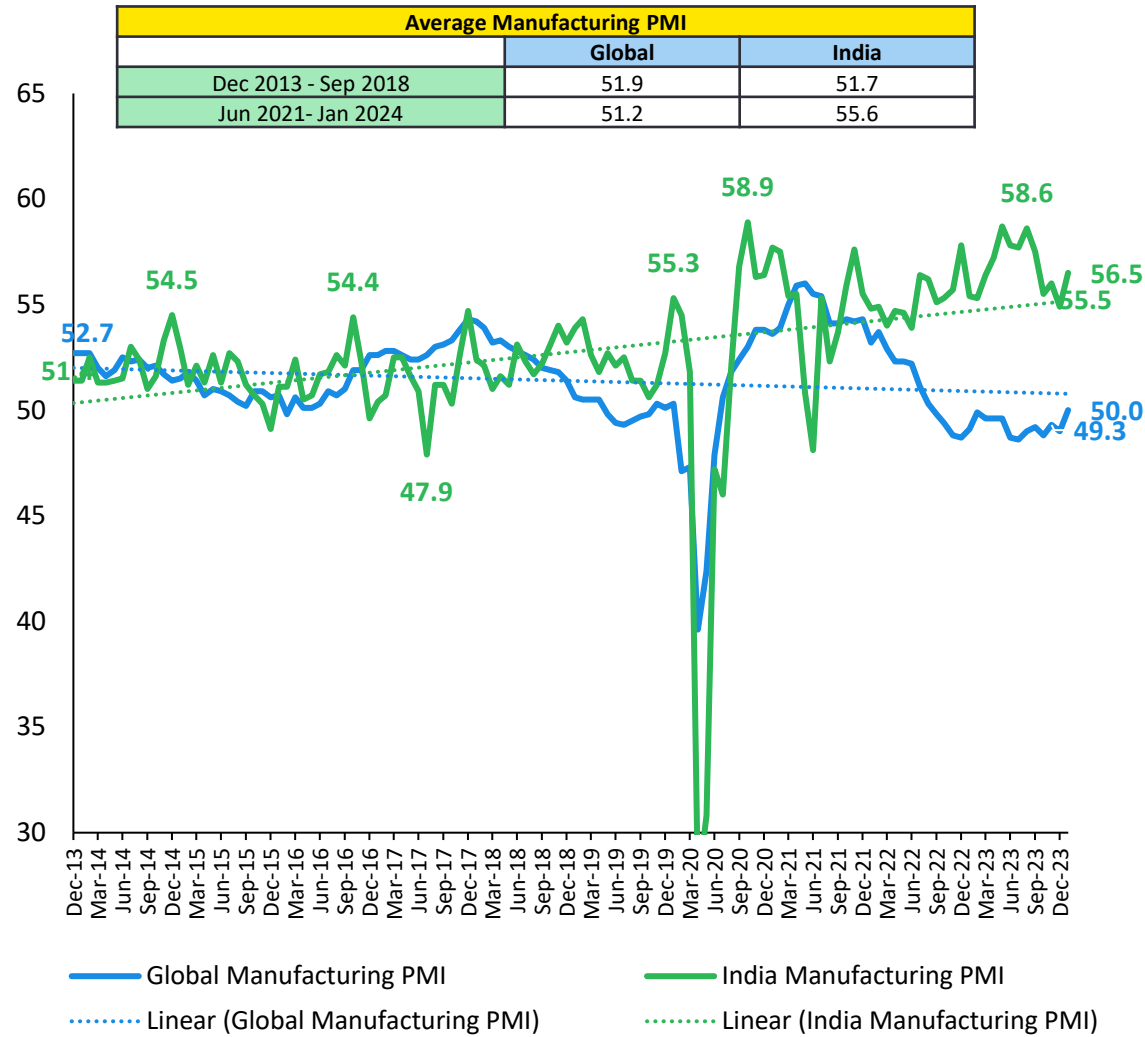
Source: IMF  
\*Forecast by IMF

# PMI augurs for robust growth in India, weakness in Germany and France, and sluggishness in other large economies



Source: JP Morgan Chase, S&P Global

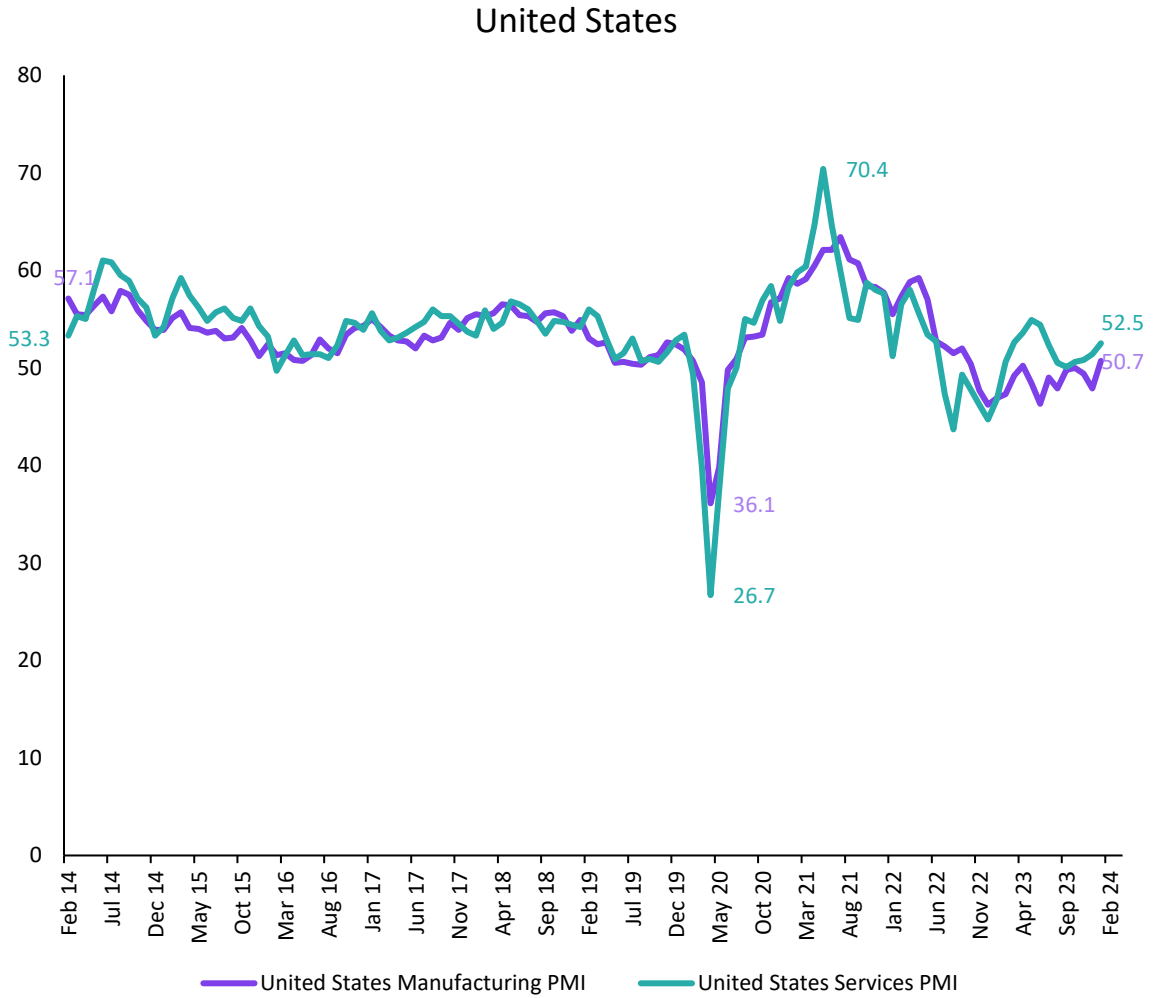
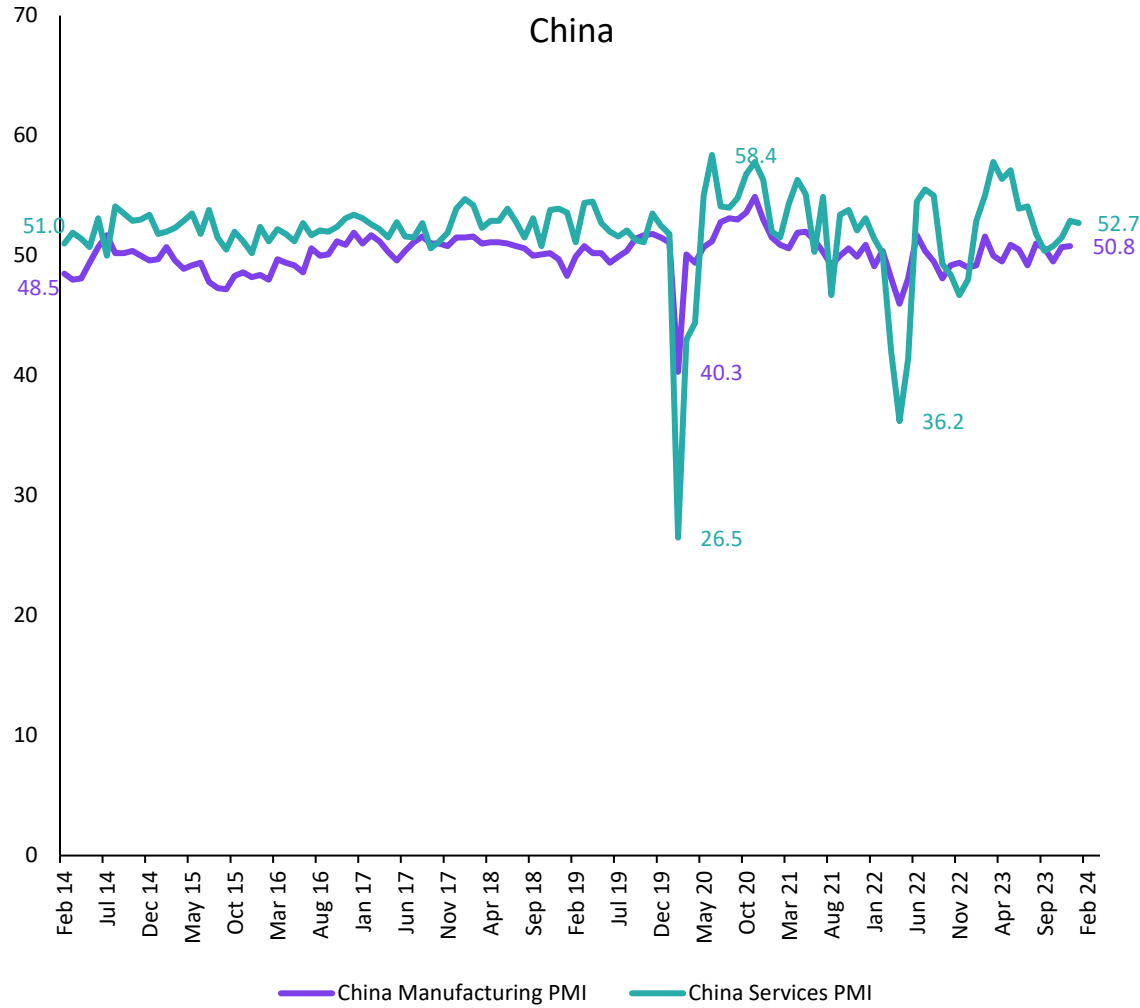
# For India, both manufacturing PMI and services PMI, are widening their lead over global trends



Source: S&P Global

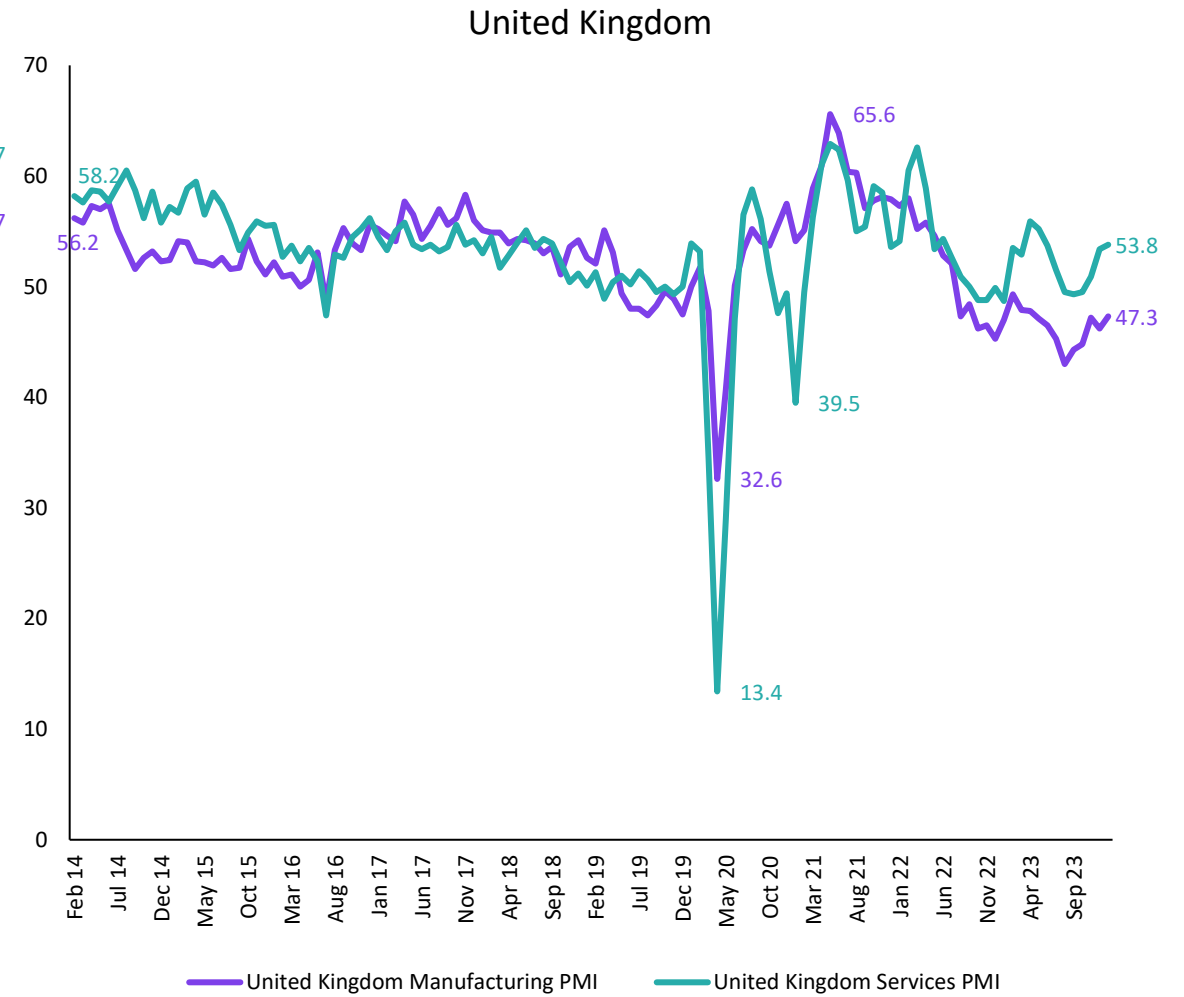
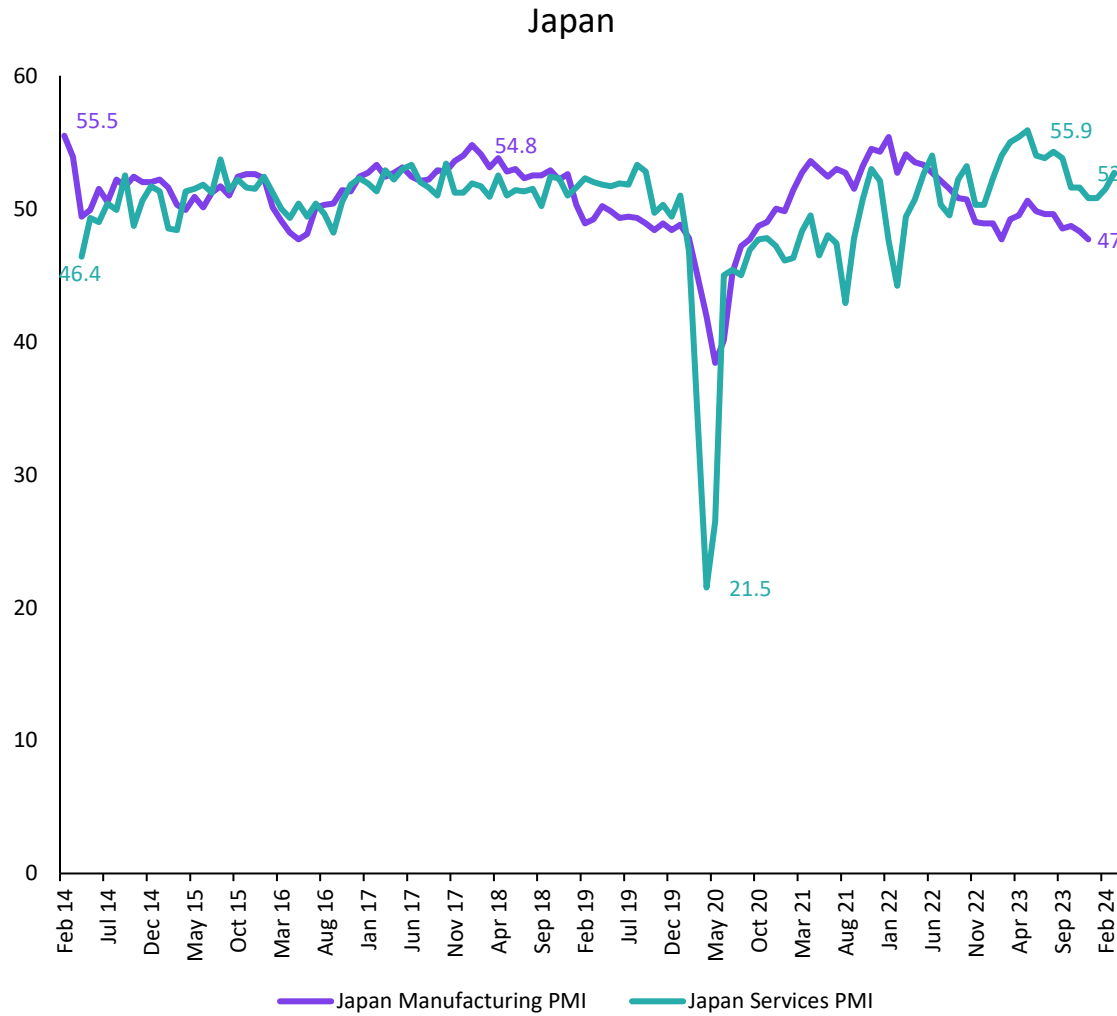


# Manufacturing & Services PMI (1/3)



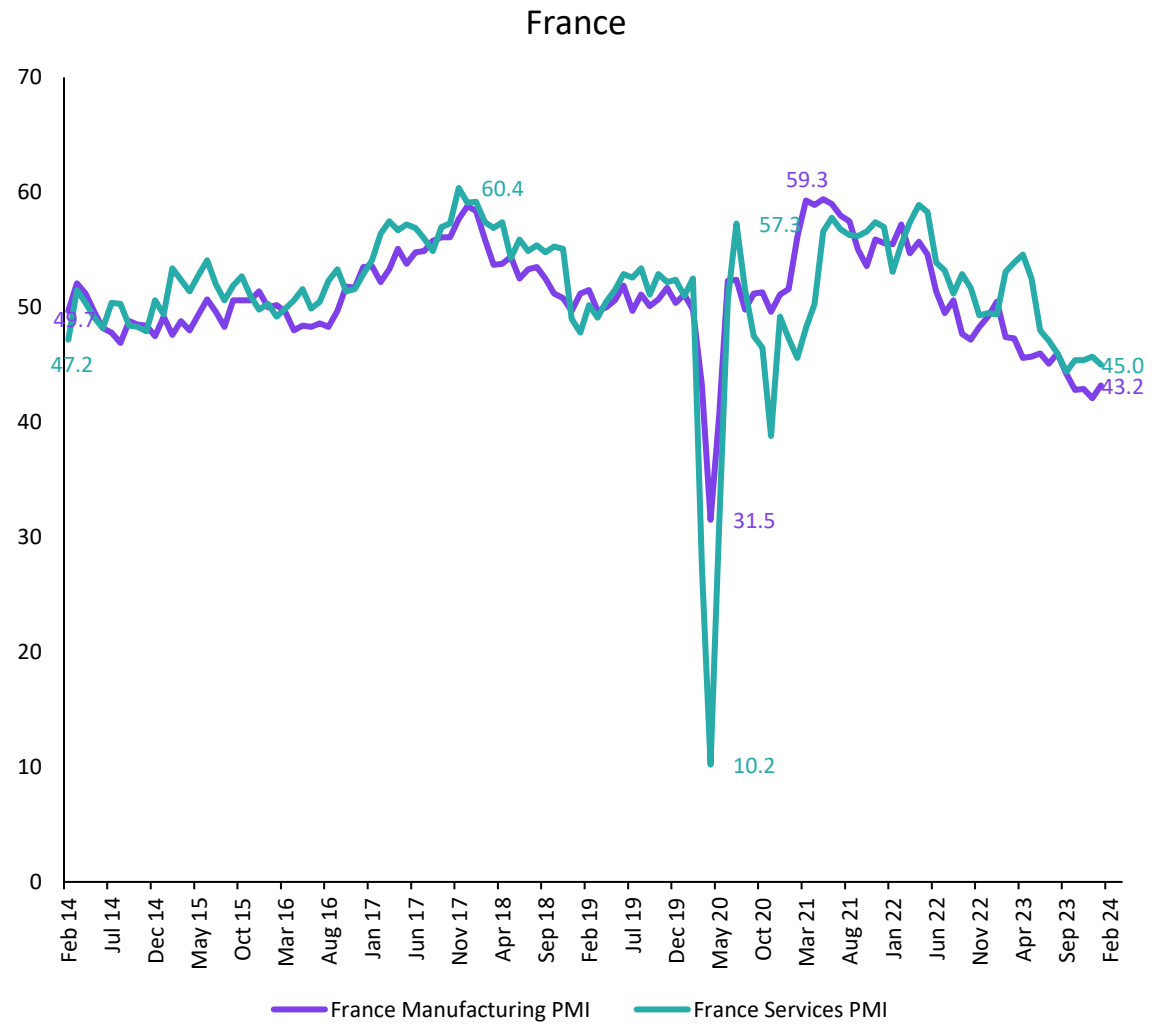
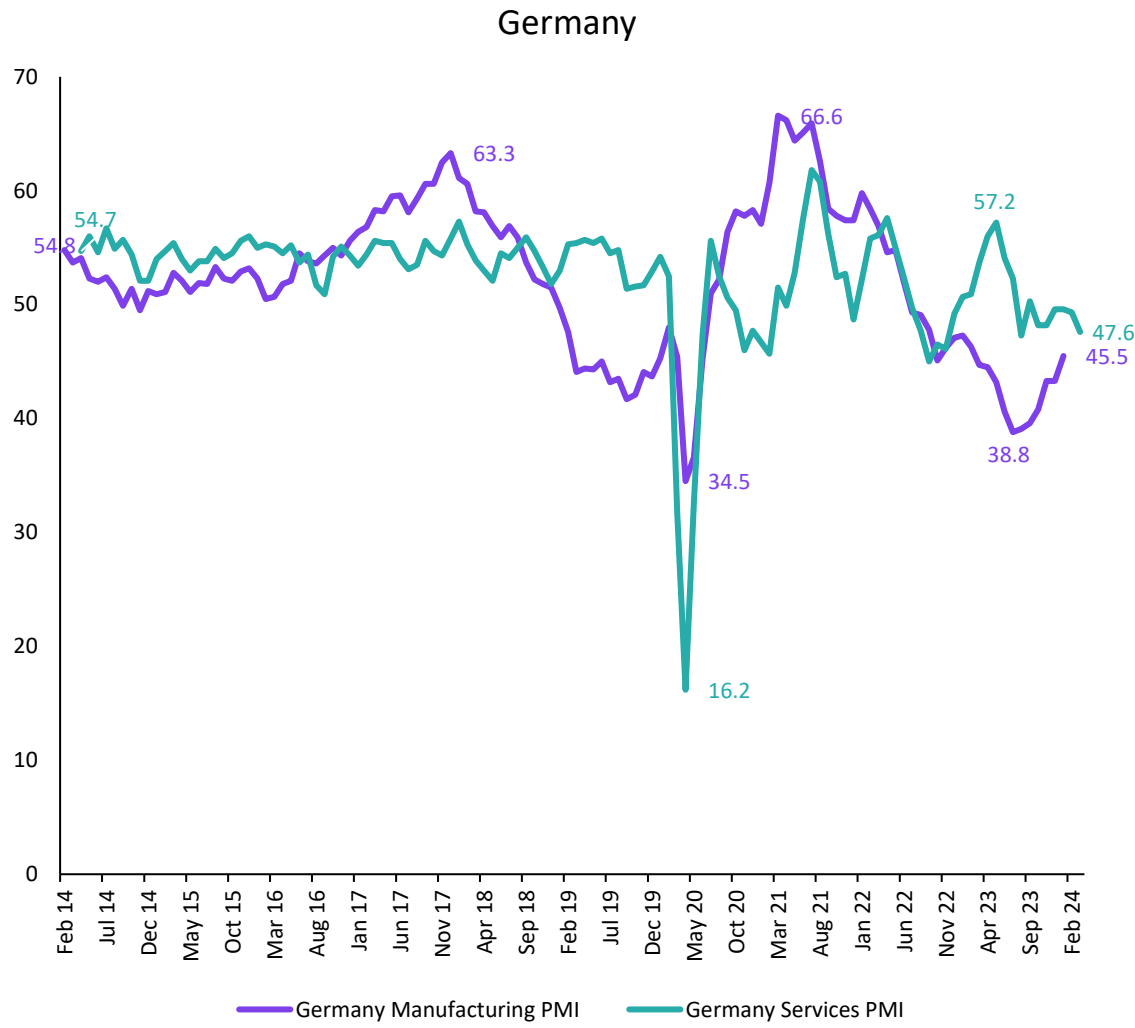
Source: S&P Global

# Manufacturing & Services PMI (2/3)



Source: S&P Global

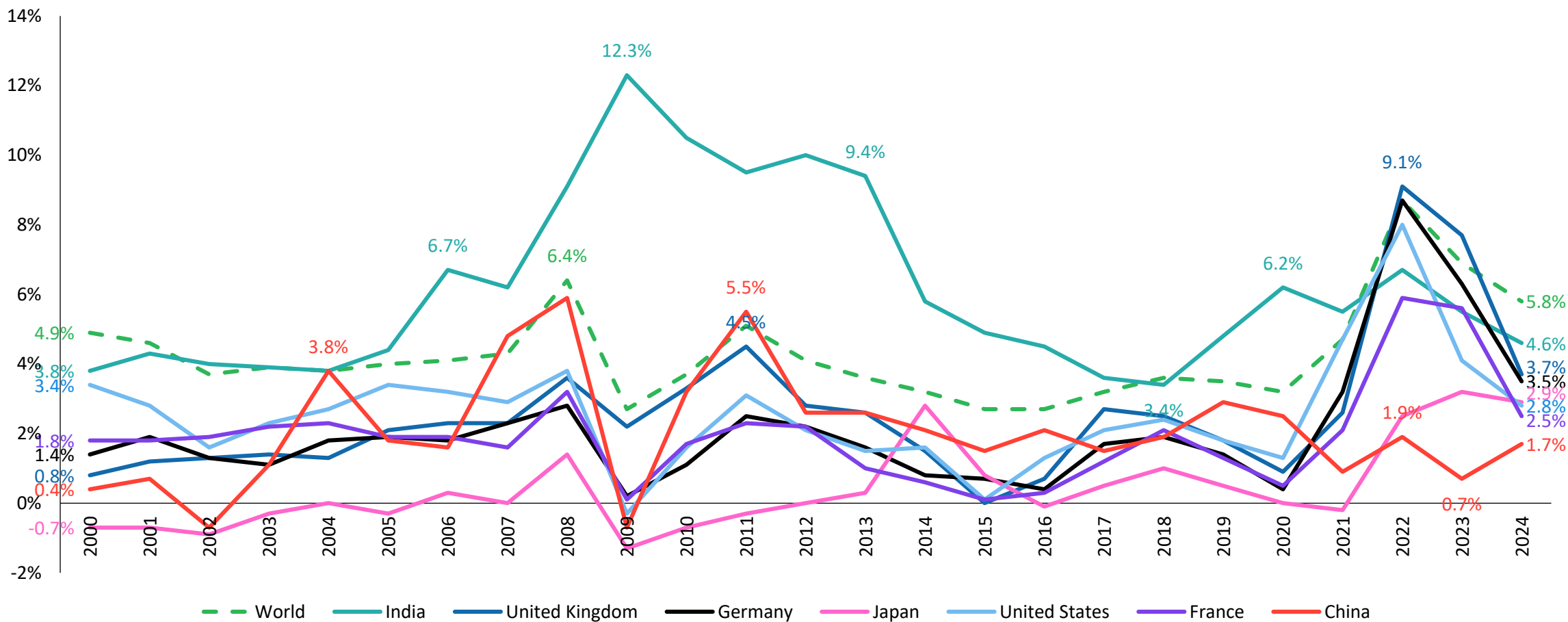
# Manufacturing & Services PMI (3/3)



Source: S&P Global

# OECD economies recently experienced the highest inflation levels in 30-40 years, but inflation is moderating as supply constraints ameliorate and economic growth slows

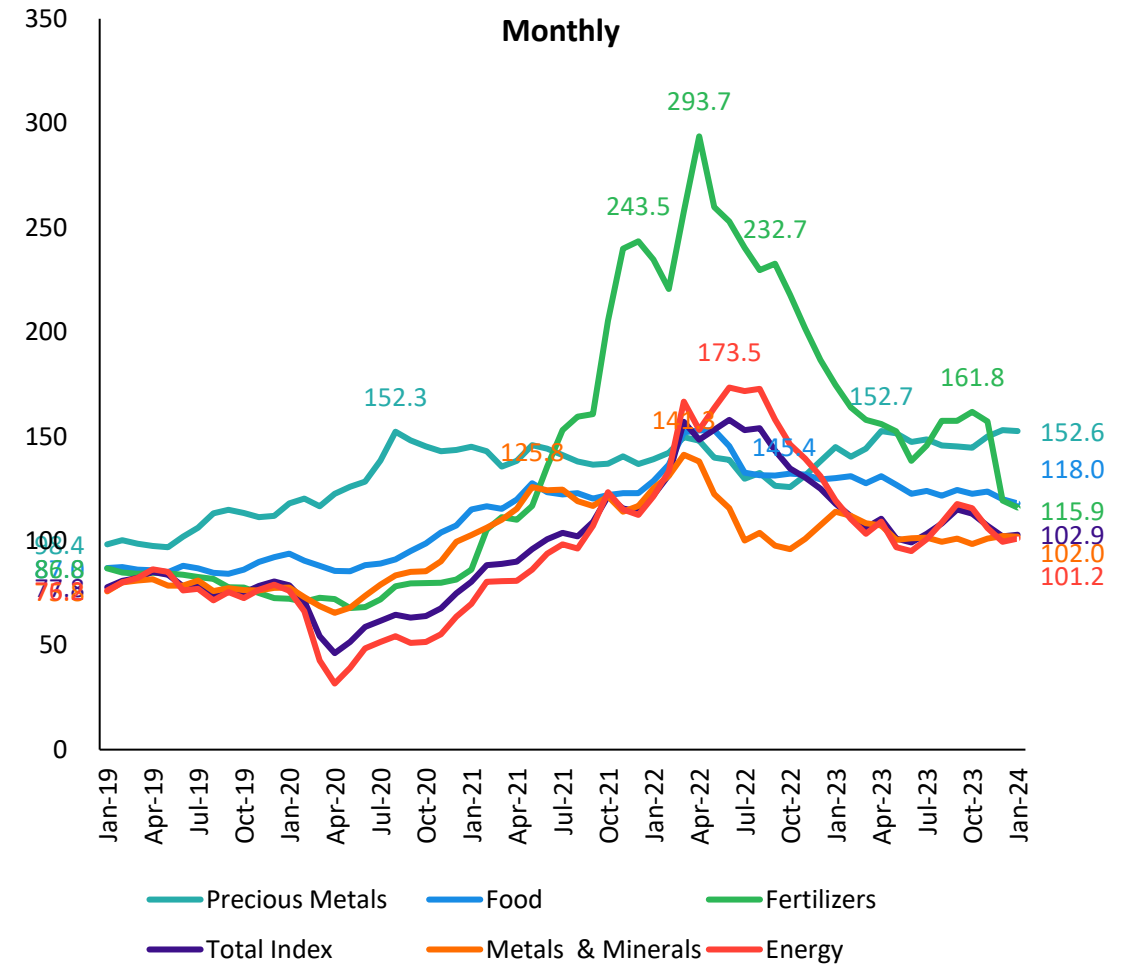
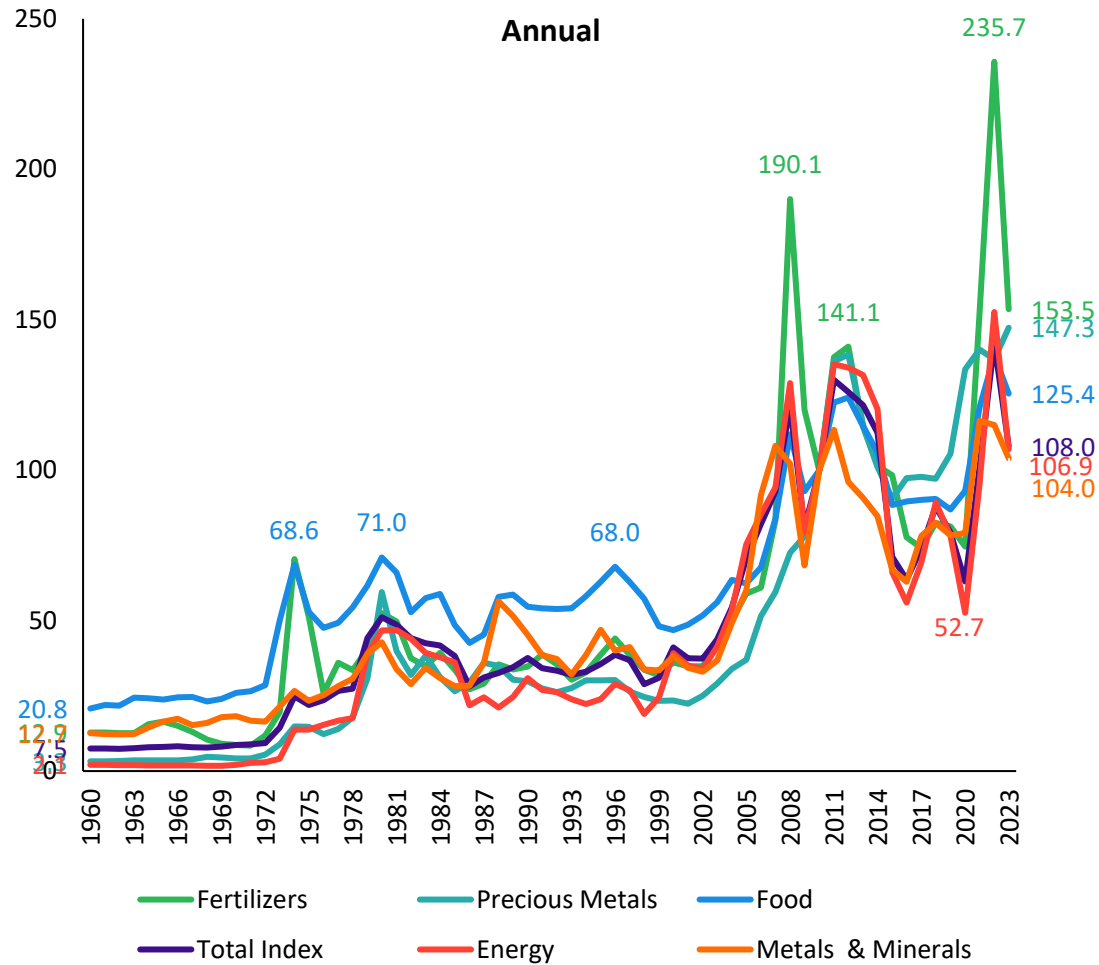
Inflation, consumer prices (annual %)



Source: IMF

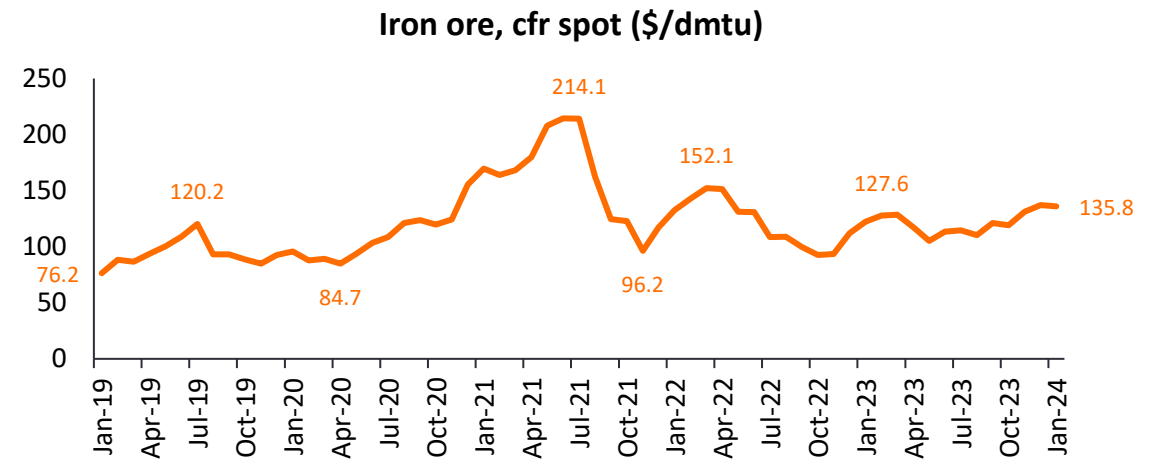
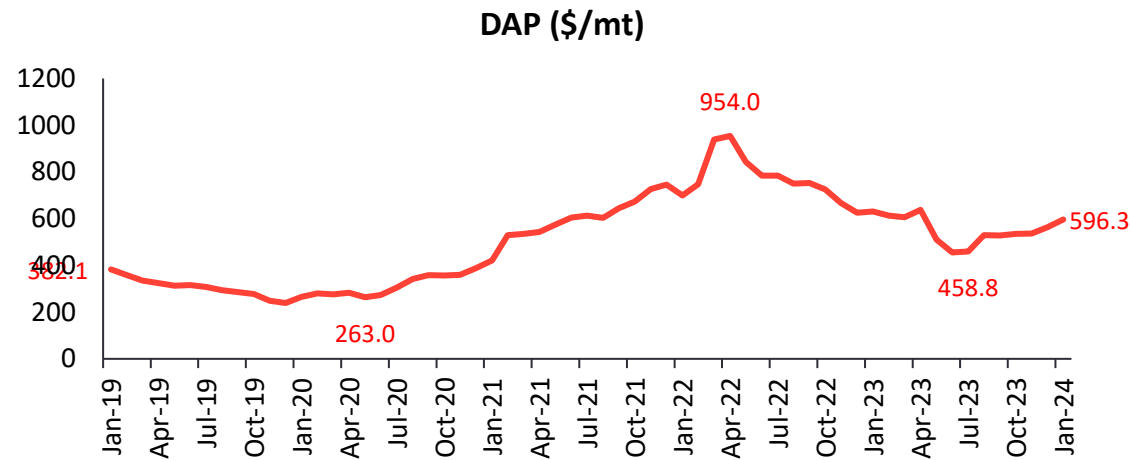
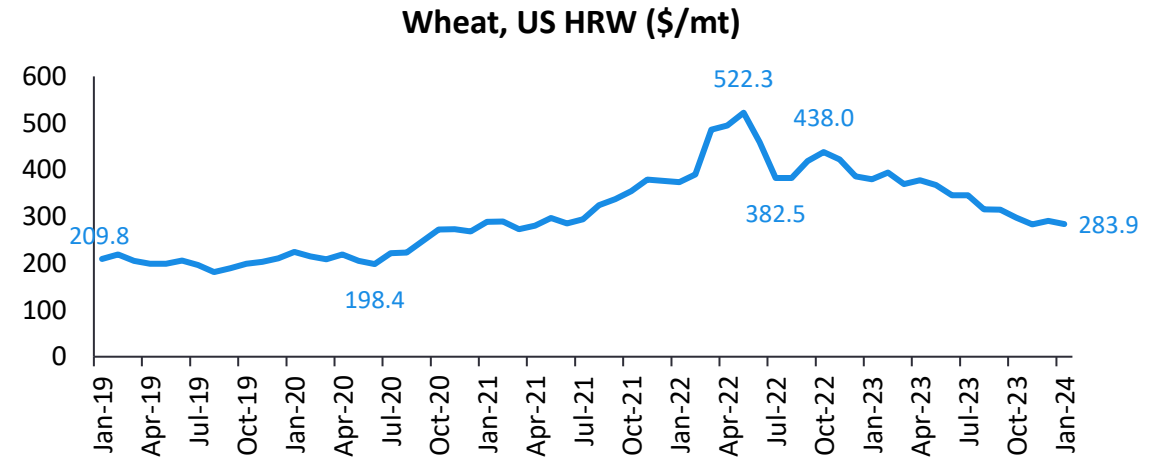
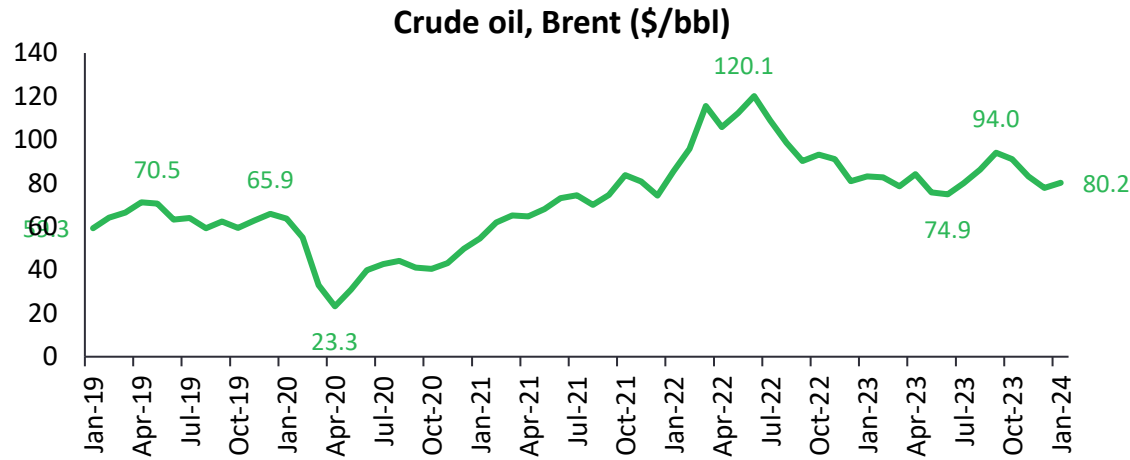


# Global tradable commodity prices remain volatile with very high swings upwards and downwards



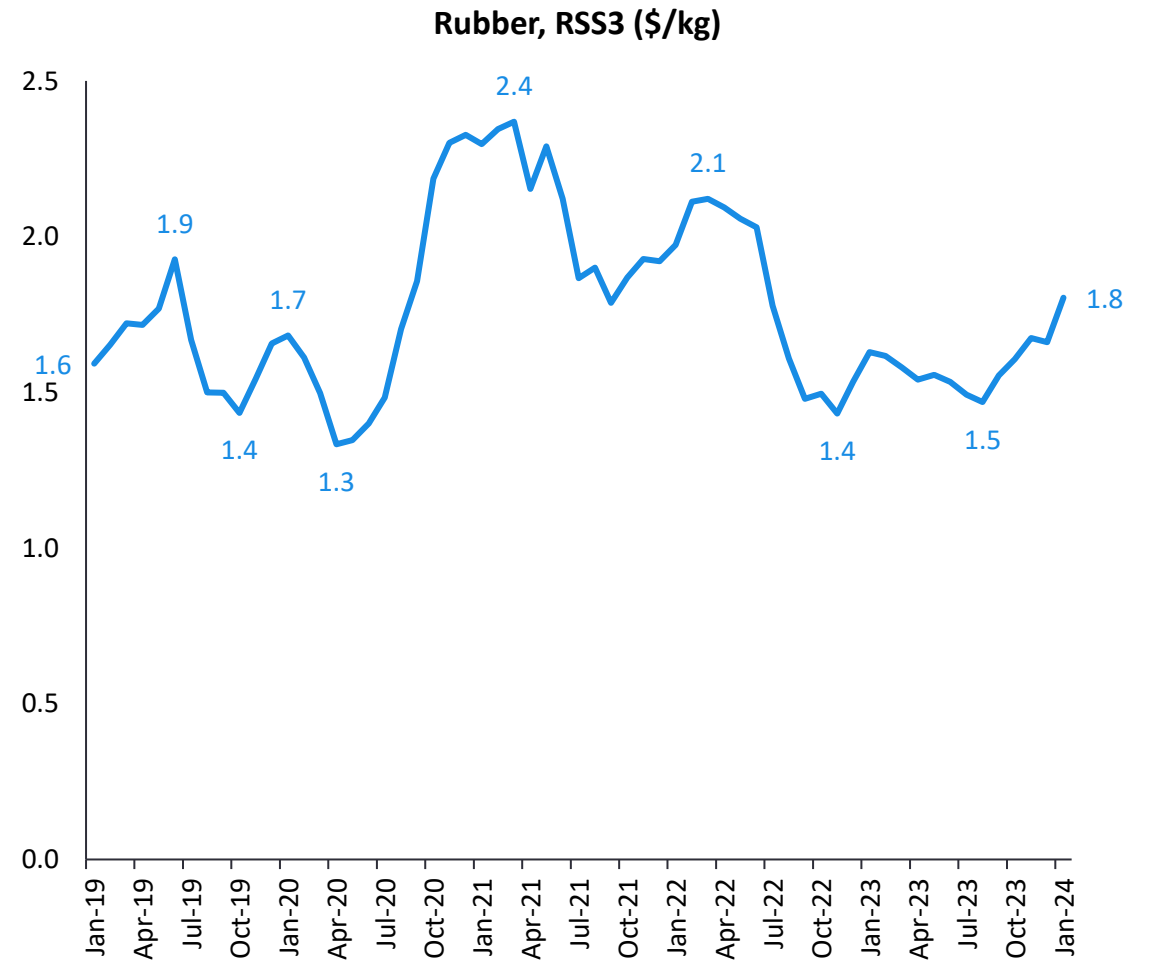
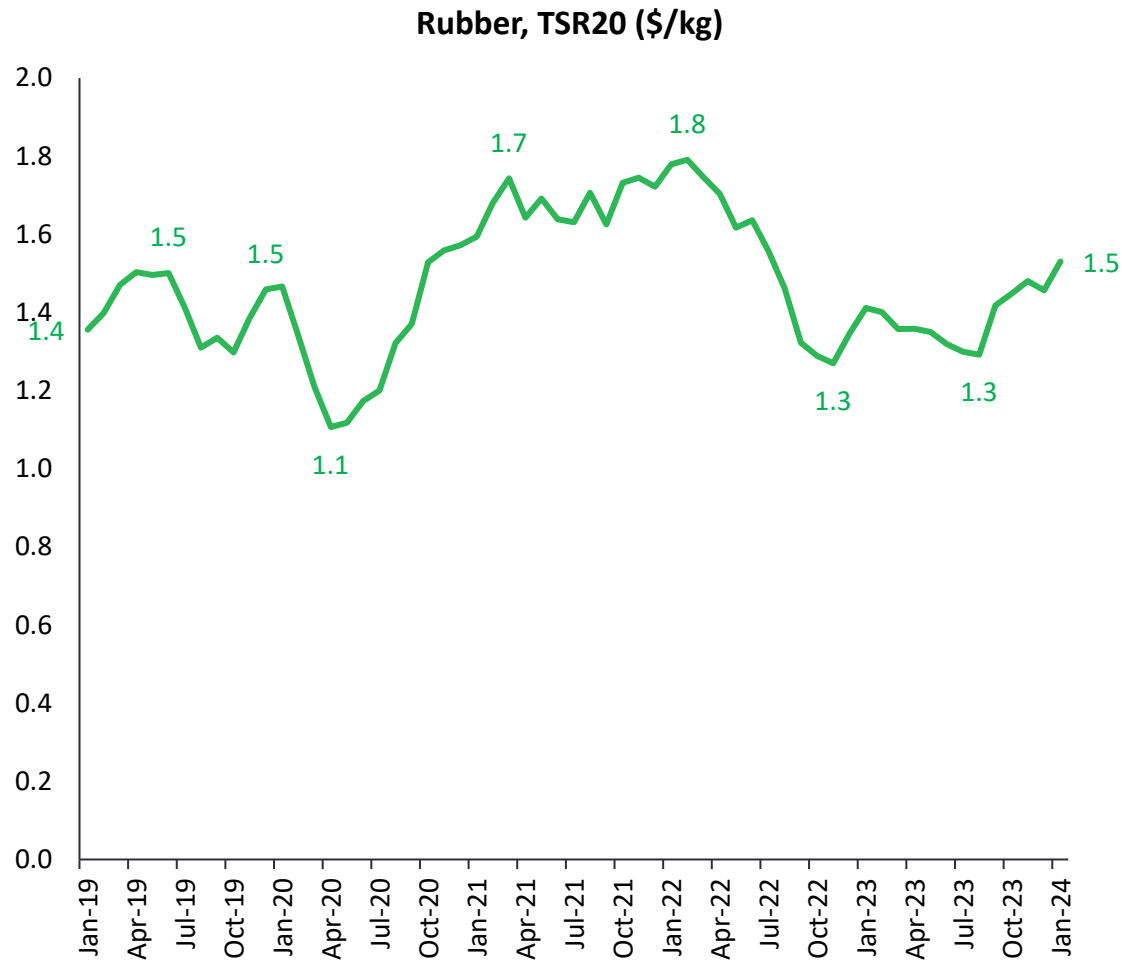
Source: World Bank Commodity Price Data (The Pink Sheet) 2024

# Commodity Prices



Source: World Bank Commodity Price Data (The Pink Sheet) 2024

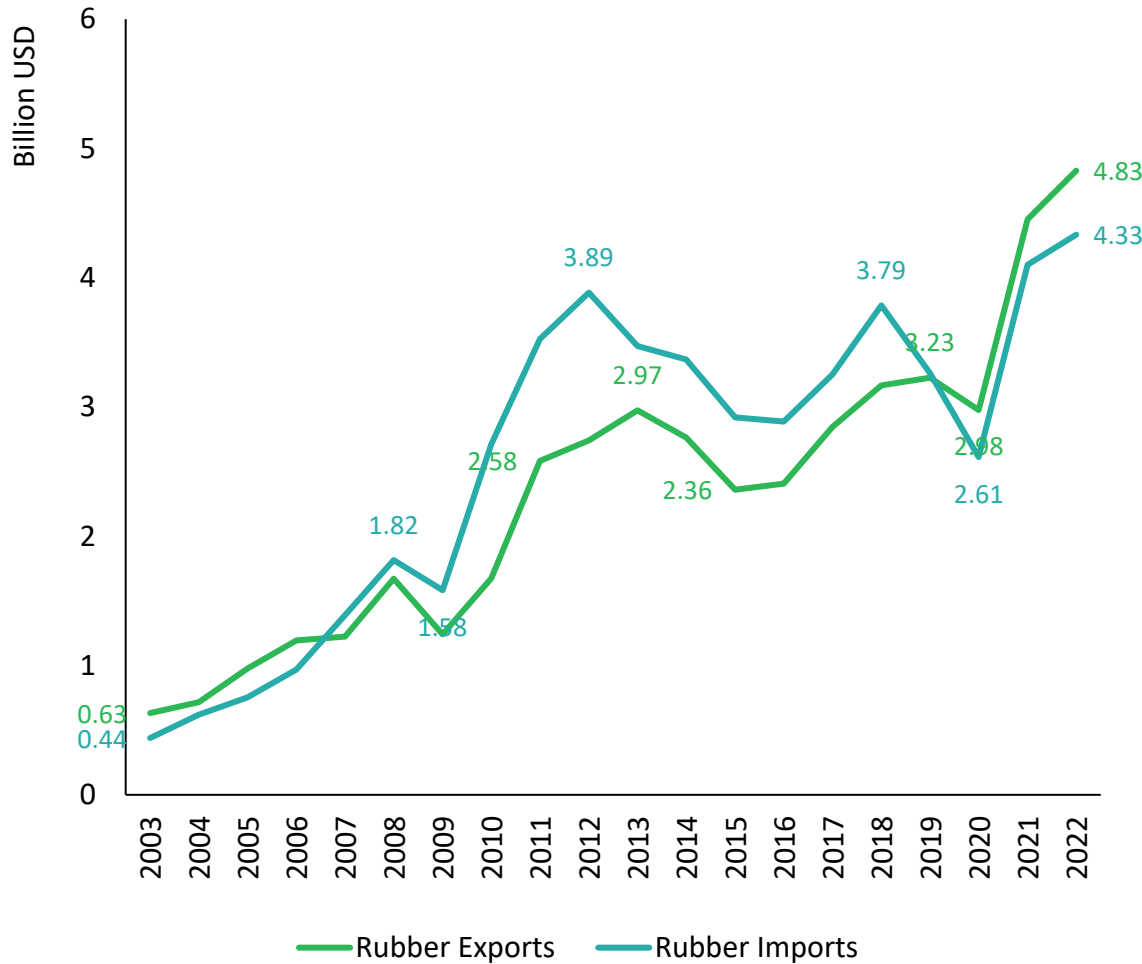
# Global Rubber Prices



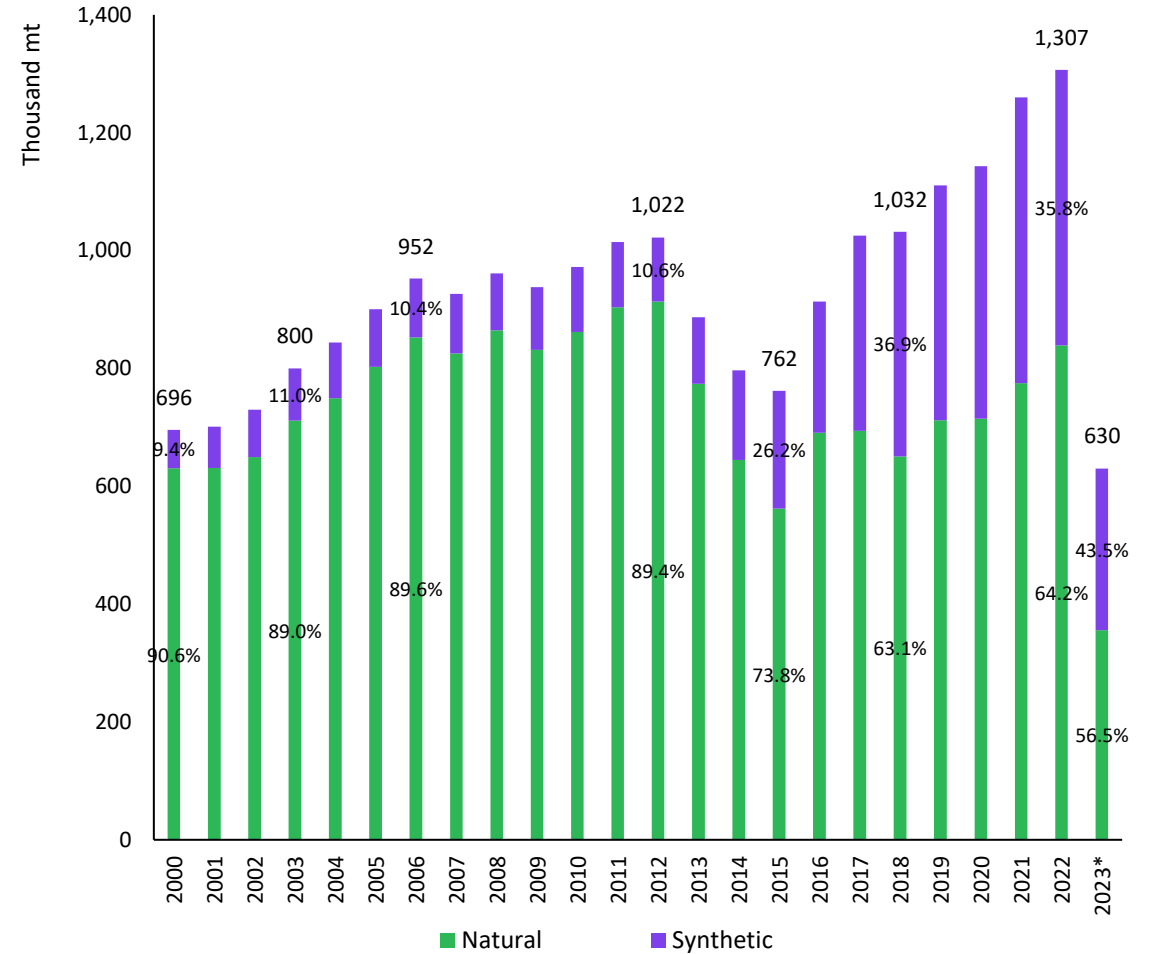
Source: Asian Wall Street Journal; Bloomberg; International Rubber Study Group; Rubber Association of Singapore Commodity Exchange (RASCE); Singapore Exchange Ltd (SGX previously SICOM); World Bank.

# Rubber Trade and Production (1/2)

### Rubber (and products) Exports and Imports of India



### Rubber Production in India



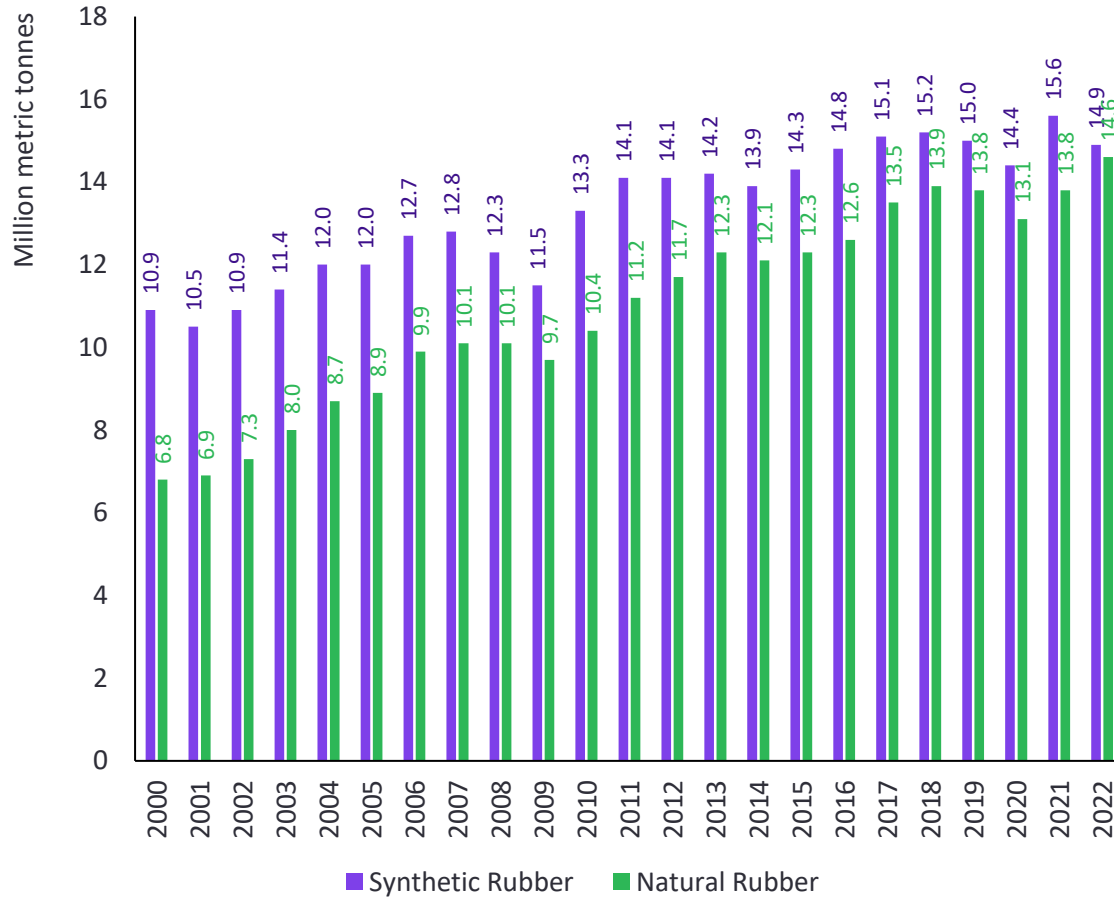
\*provisional estimates till September 2023  
 Source: ITC World Trade Map, Ministry of Commerce and Industry, World Population Review





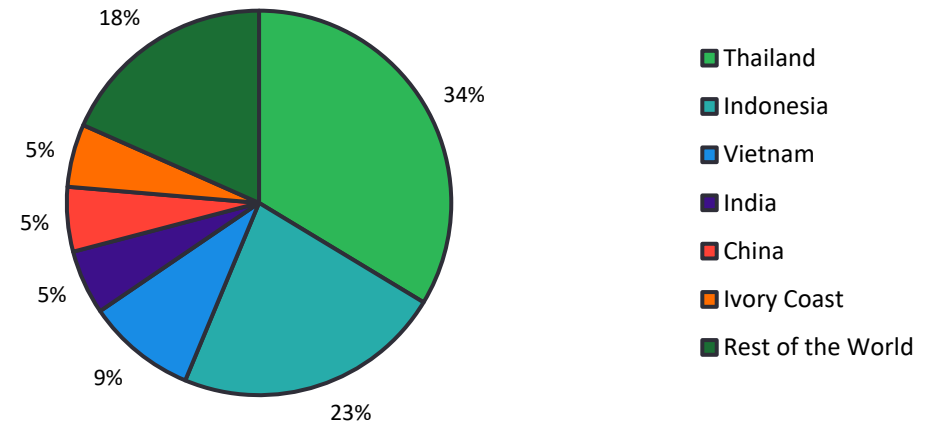
# Rubber Trade and Production (2/2)

### Global Synthetic and Natural Rubber Production

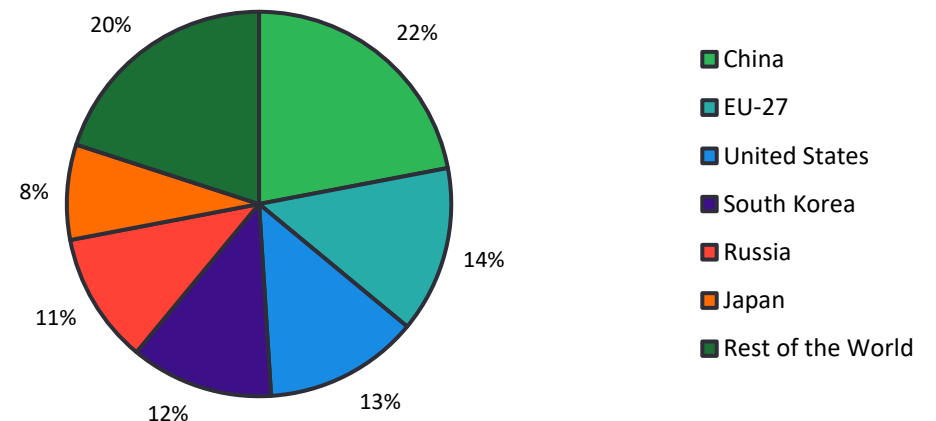


Source: ETRMA, International Rubber Study Group, Malaysian Rubber Board

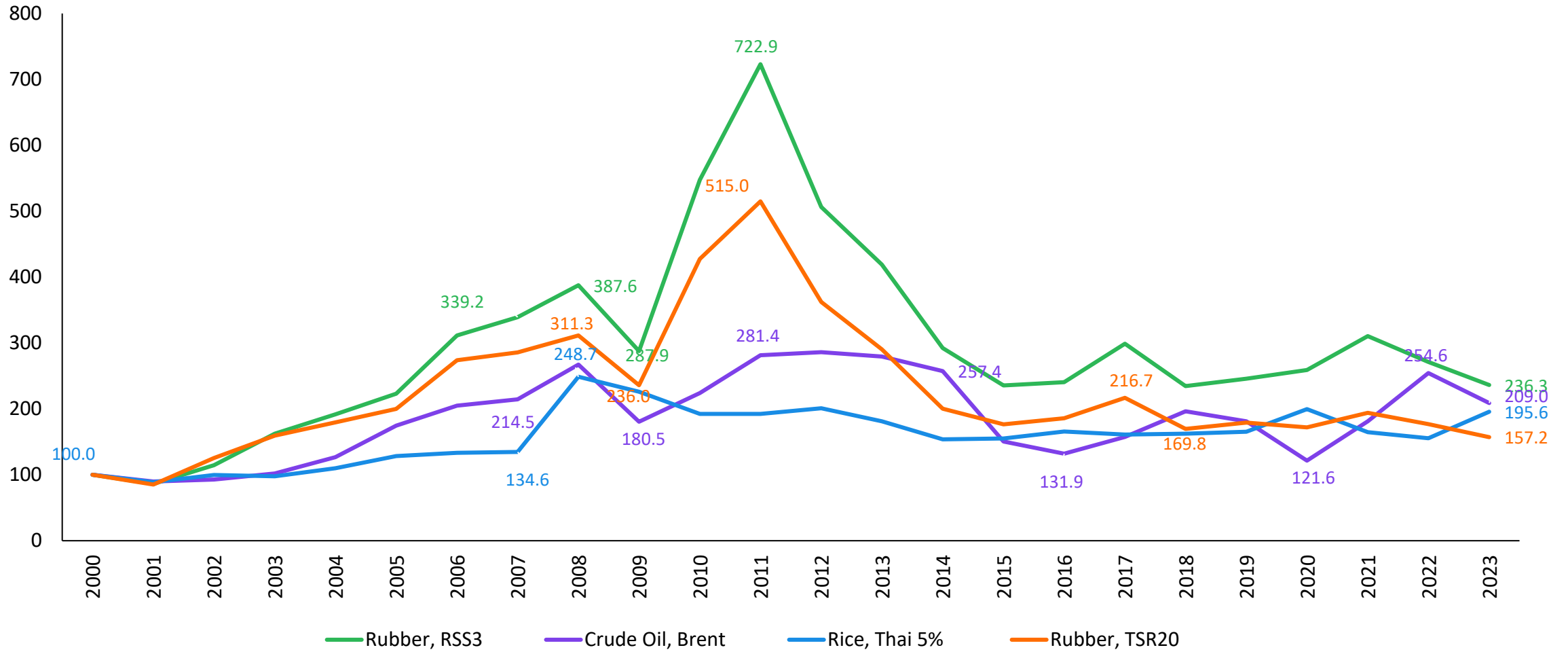
### Global Natural Rubber Production (2021)



### Global Synthetic Rubber Production (2020)

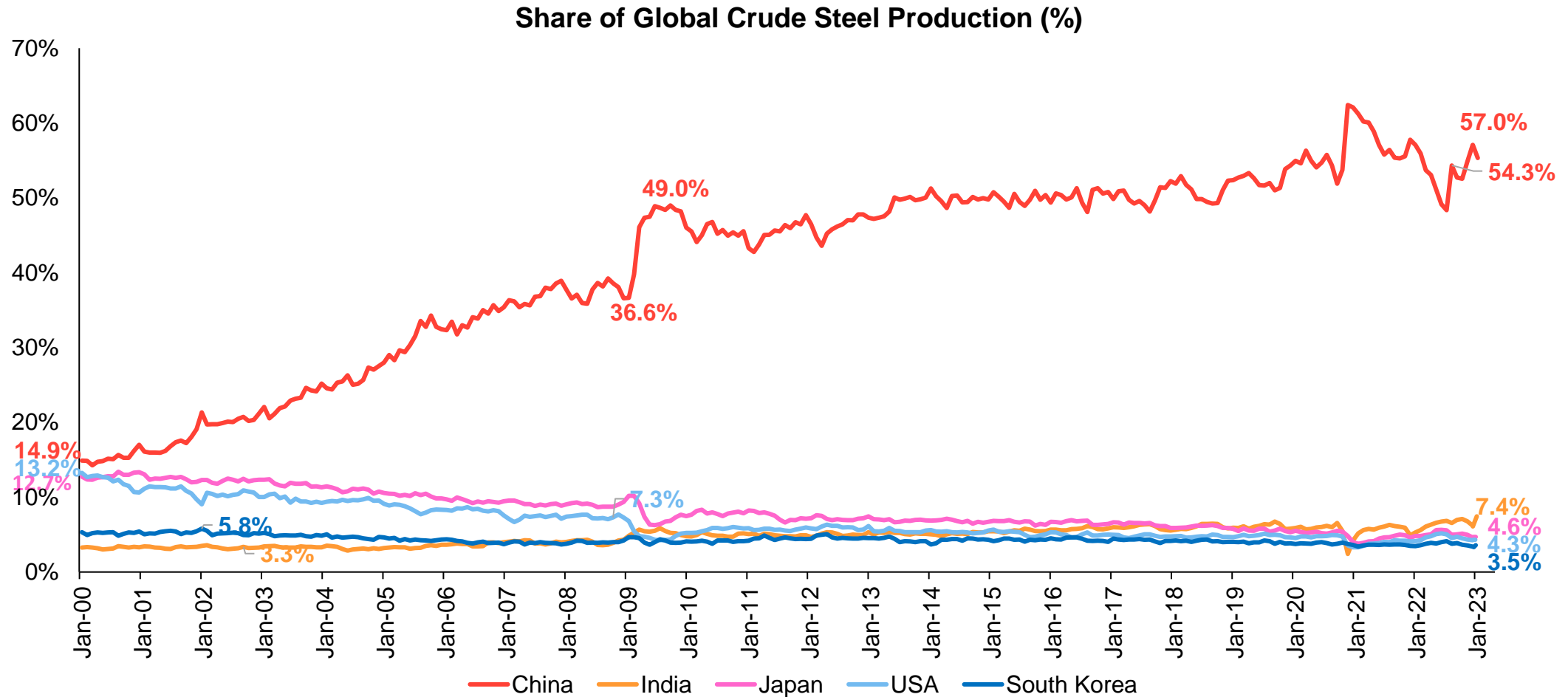


# Commodity Prices Indexed to 2000 Prices



Source: World Bank Commodity Price Data (The Pink Sheet) 2024

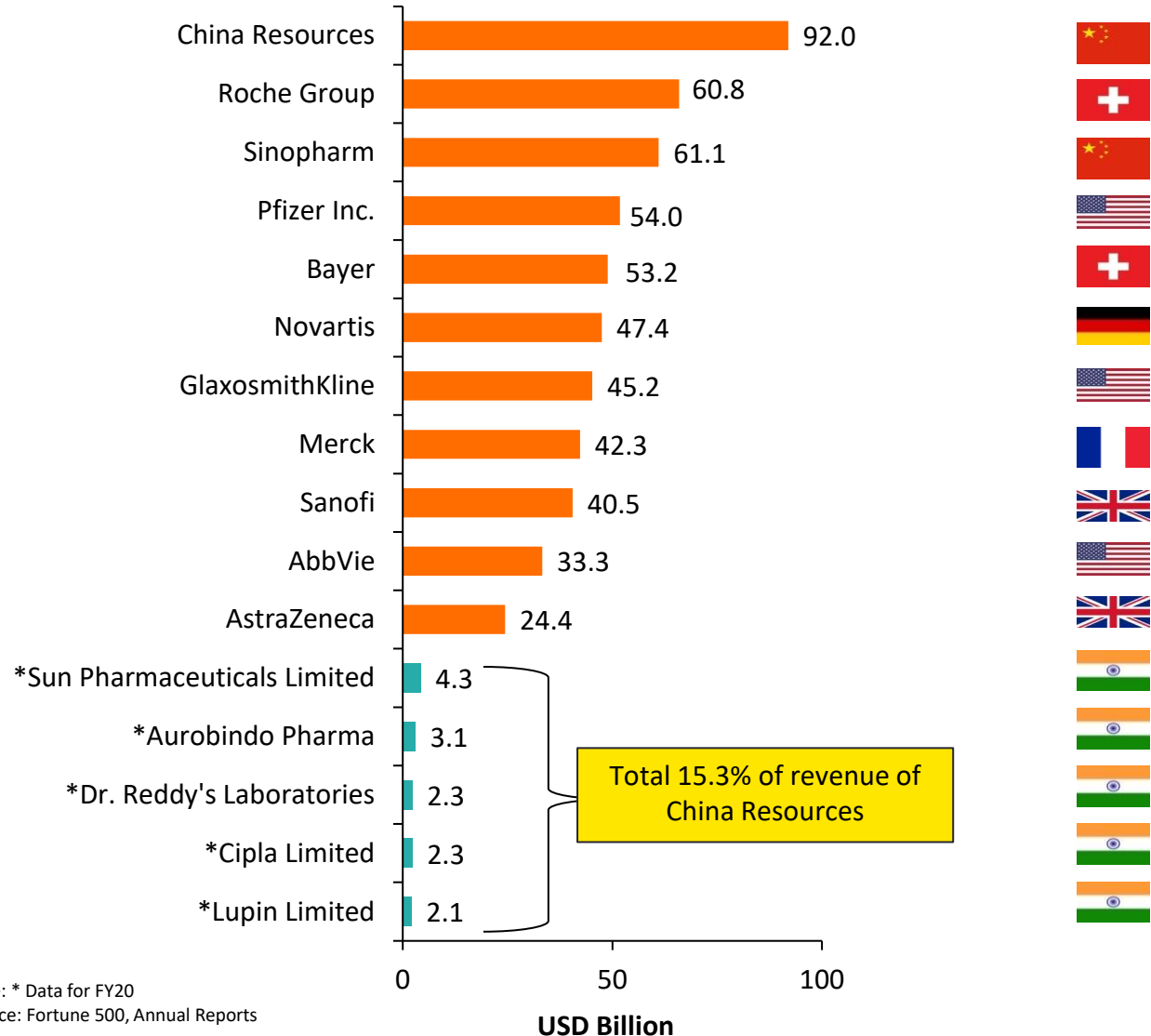
# A rebalancing of world economic order is likely given China's monopolistic share in critical sectors



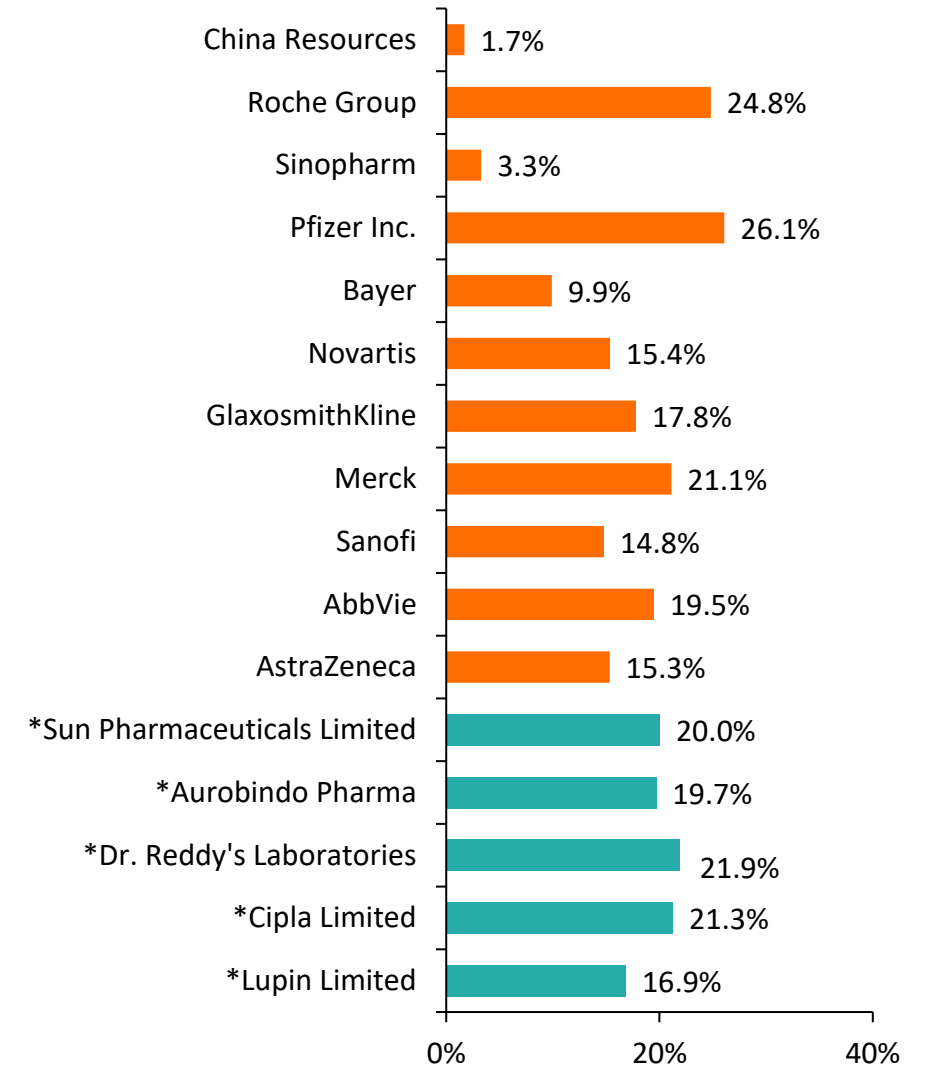
Source World Steel Association & United States Geological Survey(CEIC), ITC Trade Map

# China has gamed global trade rules to gain dominance

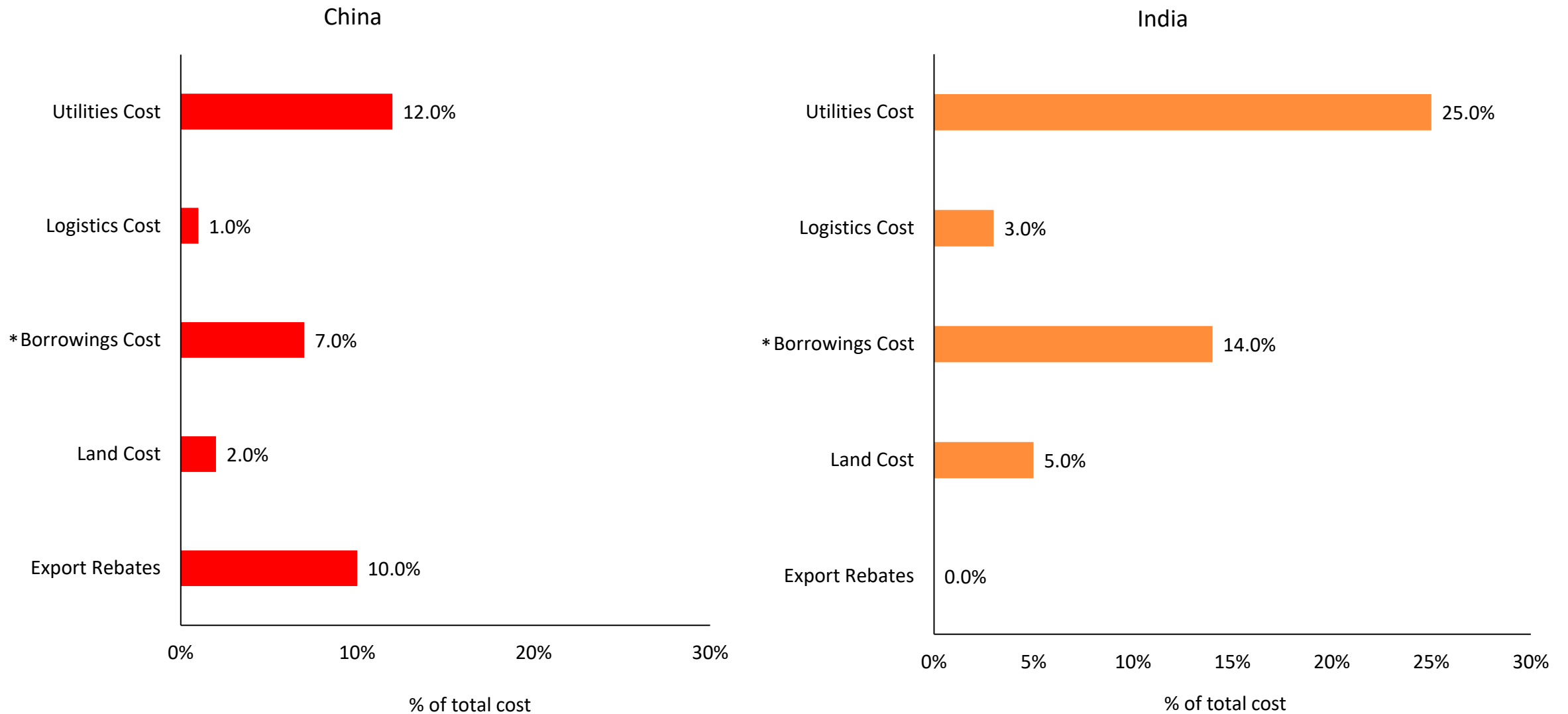
## Revenue of Global Pharma Companies



## Operating profit as a % of total revenue



# China's enabling environment strategy: Overall API manufacturing expenses are 35% lower due to government policies, support and infrastructure



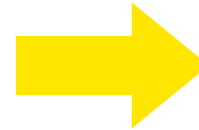
Note: \* This reflects average interest cost

Source: Industry reports (2018)

# Change in Definition of MSMEs in India

- ▶ The current definition of MSMEs is based on turnover & investment and does not differentiate between manufacturing and services sector enterprises

Earlier MSME Definition (2006)		
Type of Enterprise	Investment	Turnover
Micro	<Rs 25 Lakh	<Rs 10 Lakh
Small	<Rs 5 Crore	<Rs 2 Crore
Medium	<Rs 10 Crore	<Rs 5 Crore



Revised MSME Definition (2020)		
Type of Enterprise	Investment	Turnover
Micro	<Rs 1 Crore	<Rs 5 Crore
Small	<Rs 10 Crore	<Rs 50 Crore
Medium	<Rs 50 Crore	<Rs 250 Crore

The earlier definition of MSMEs was set in 2006 and revised in 2020 with increase in thresholds for investment in assets for Micro (4x), Small (2x) and Medium (5x) enterprises and with increase in thresholds for turnover Micro (50x), Small (25x) and Medium (50x)

# MSME Definitions: India's comparison with South Korea, Germany & China

## India's MSME definition

Micro	Small	Medium
Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover; not more than Rs. 250 crore
₹1 crore = ~\$121,951	₹5 crore = ~\$609,756	₹10 crore = ~\$1,219,512
	₹50 crore = ~\$6,097,560	₹250 crore = ~\$30,487,800

## South Korea's MSME definition

Micro	Small	Medium
A Micro Enterprise is defined as an enterprise employing nine or less people (in the service industry, four or less people).	A Small-sized Enterprise is an enterprise that has annual sales revenue less than 1 to 12 billion Korean Won (threshold varies with industry), and Small-sized Enterprises include Micro Enterprises	A Medium-sized Enterprise is an enterprise that is bigger than Small-sized Enterprise and has annual sales revenue less than 40 to 150 billion Korean Won (threshold varies with industry).
	₩1 Billion = ~\$699,022	₩12 Billion = ~\$8,388,268
	₩40 Billion = ~\$27,960,896	₩150 Billion = ~\$104,853,360

## Germany's MSME definition

Micro	Small	Medium
A Micro Enterprise is defined as an enterprise employing up to 9 people, with an annual turnover of up to 2 million Euro	A Small Enterprise is defined as an enterprise employing up to 49 people, with an annual turnover of up to 10 million Euro	A Medium Enterprise is defined as an enterprise employing up to 249 people, with an annual turnover of up to 50 million Euro
€2 Million = ~\$2,069,100	€10 Million = ~\$10,345,500	€50 Million = ~\$51,727,500


## China's MSME definition

Micro	Small	Medium
A Micro Enterprise is defined as an enterprise employing less than 20 people, with a revenue of upto 3 million Euro RMB	A Small Enterprise is defined as an enterprise employing >= 20 people, with a revenue of >= 3 million Euro RMB	A Medium Enterprise is defined as an enterprise employing >= 300 people, with a revenue of >=20 million Euro RMB
	3 Million RMB= ~\$421,354	20 Million RMB = ~\$2,809,028

Source: Ministry of SMEs and Startups Korea, Ministry of MSME India

# Performance Linked Incentive (PLI) Scheme: Announced Outlay

- The first three PLI Schemes were approved in March 2020 followed by 10 new PLI Schemes in November 2020 and 1 new Scheme in September 2021, with an outlay of Rs. 1.97 lakh crore (over US\$26 billion).
- First round of PLI scheme was notified on 01.04.2020. The scheme extends an incentive of 4% to 6% on incremental sales for a period of five years subsequent to the base year.
- Second round of PLI Scheme was launched on 11.03.2021. Incentive of 3% to 5% shall be extended on incremental sales (over base year, i.e., 2019-20) of goods manufactured in India to eligible companies for a period of four years.

						
Mobile & Electronic Components	Pharma – KPI/DI/API	Medical Devices	Textiles	Specialty Steel	Automobiles & Auto Components	White Goods (Air Conditioners & LED)
₹ 38,601 Crore	₹ 6,940 Crore	₹ 3,420 Crore	₹ 10,683 Crore	₹ 6,322 Crore	₹ 25,938 Crore	₹ 6,238 Crore
						
High Efficiency Solar PV modules	Advanced Chemistry Cell Battery Storage	Electronic/ Technology Products	Food Processing	Pharmaceutical Drugs	Telecom & Networking Products	Drones & Drone Components
₹ 24,000 Crore	₹ 18,100 Crore	₹ 7,350 Crore	₹ 10,900 Crore	₹ 15,000 Crore	₹ 12,195 Crore	₹ 120 Crore

Note: Additional outlay of Rs. 19,500 Crore for High Efficiency Solar PV modules was announced in Union Budget 2022-23. Outlined above are the preliminary allocations for each category. A provision for PLI Schemes for Leather & Footwear and Toys has been announced in the Interim Budget FY25.