



INDIA

OCTOBER 2023

COUNTRY REPORT

INDIA

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MAP



KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	BJP Majority 65% (80%)
FIVE-YEAR	BJP Majority 65% (75%)

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	FINANCIAL TRANSFER	DIRECT INVESTMENT	EXPORT MARKET
18-MONTH	Moderate	B	B+	B
FIVE-YEAR	Moderate	B	B+	B+

() Indicates change in rating

* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	INFLATION (%)	CURRENT ACCOUNT (\$bn)
2018-2022(AVG)	4.2	5.3	-32.75
2023(F)	6.8	5.6	-74.60
2024-2028(F)	6.5	4.0	-108.70

OPPOSITION FACES UPHILL BATTLE

The ruling NDA, a multiparty coalition dominated by Prime Minister Narendra Modi's BJP, is looking less like a juggernaut following a decisive victory for the main opposition INC at a state-level election in Karnataka in May. Campaigning on a platform that focused on pocketbook issues and pledges to combat corruption, the INC made a net gain of 55 seats, while the BJP and the NDA-affiliated Janata Dal (Secular) suffered comparable combined losses, a result attributed to strong anti-incumbent sentiment and the limited appeal of the Hindu nationalist platform championed by Modi—who remains personally popular and campaigned for his party in Karnataka—for voters troubled by economic insecurity.

Polling at the national level shows the NDA holding a slim lead (42%-40%) over the opposition INDIA bloc, a 28-party coalition headed by the INC that includes the AAP, which has emerged as a potential challenger to the INC's status as the main national rival to the BJP. The opposition received another boost in August, when the Supreme Court stayed the defamation conviction of Rahul Gandhi, whose absence from the campaign trail would undoubtedly have had an adverse effect on the INC's fortunes.

Even so, the opposition faces an uphill battle to win control of the federal government. The projections derived from polling data suggest that the NDA will win a majority of seats in the 543-member lower house, and assuming the budget for 2024/2025 delivered by Finance Minister Nirmala Sitharaman in

February will include pre-election sweeteners that help to soothe economic insecurity, the BJP and its allies stand a good chance of clearing the 300-seat threshold for a third time at the multistage elections held in April and May.

Upcoming state elections will provide a clearer reading of public sentiment heading into the general election campaign. Polling data shows the BJP on track for a convincing win in Rajasthan, a result that would not be indicative of strong momentum for INDIA as the focus shifts to the national campaign.

With the opposition showing signs of improved unity and a renewed sense of purpose, the lure of populism will be strong for policy makers over the next six months, and any action on business-friendly reforms likely awaits the start of the new parliamentary term. A close call for the NDA could weaken Modi's resolve even after securing victory, and an upset that leads to the installation of an INC-led coalition government that includes the Communists and the SP would similarly have negative implications for aggressive action on structural reforms.

Despite generous spending on social welfare programs and a one-third increase in outlays for capital projects, the government is targeting a narrowing of the federal budget deficit to 5.9% of GDP, and an anticipated double-digit increase in nominal GDP will facilitate the reduction of the deficit and debt ratios. In general, however, the budget is suited to the government's electoral needs. While the lack of ambition reflected in the near-term fiscal goals improves the chances that the targets will be achieved, it also increases the risk of slippage that undermines confidence in the event of fresh global shocks.

The stimulus from robust capital expenditures will be reinforced by government spending on programs that support household consumption. However, the pace of real expansion is expected to slow in the October-December quarter, as weather-related factors continue to hamper agricultural production, weighing on overall economic activity and contributing to upward pressure on food prices that pinches household budgets.

Headline inflation fell to 5% (year-on-year) in September, but upward pressure on food prices will keep the rate near the upper end of the central bank's target range of 2%-6% over the coming months, delaying any moves to initiate monetary loosening. Assuming a moderate pre-election bump in government spending, real growth is forecast to average 6.5%-7% in the fiscal year to March 2024.

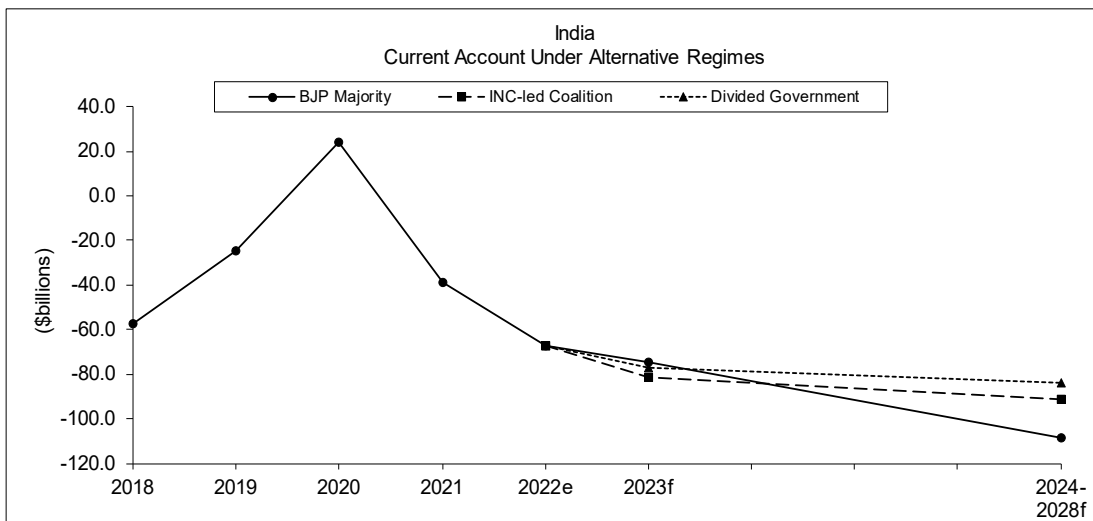
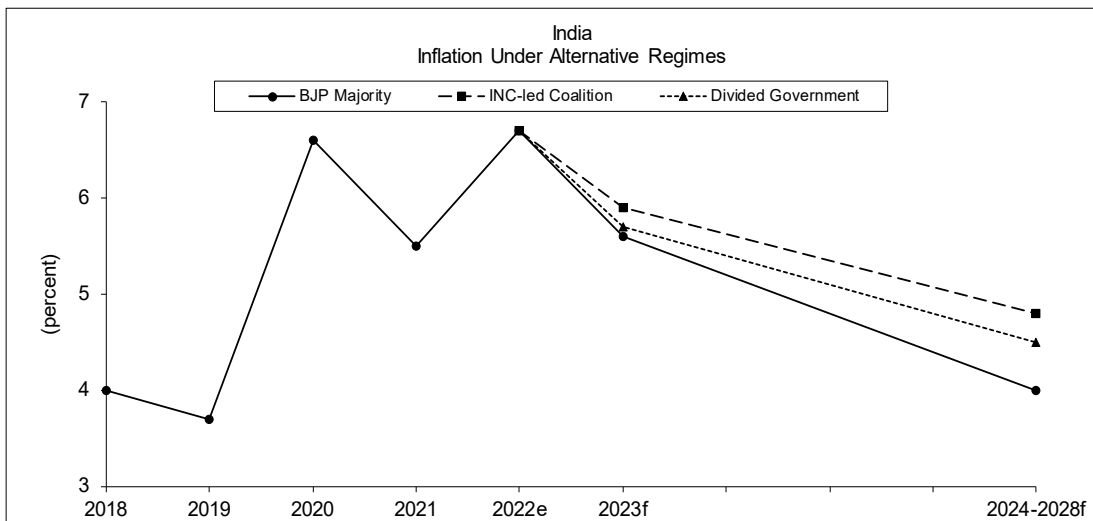
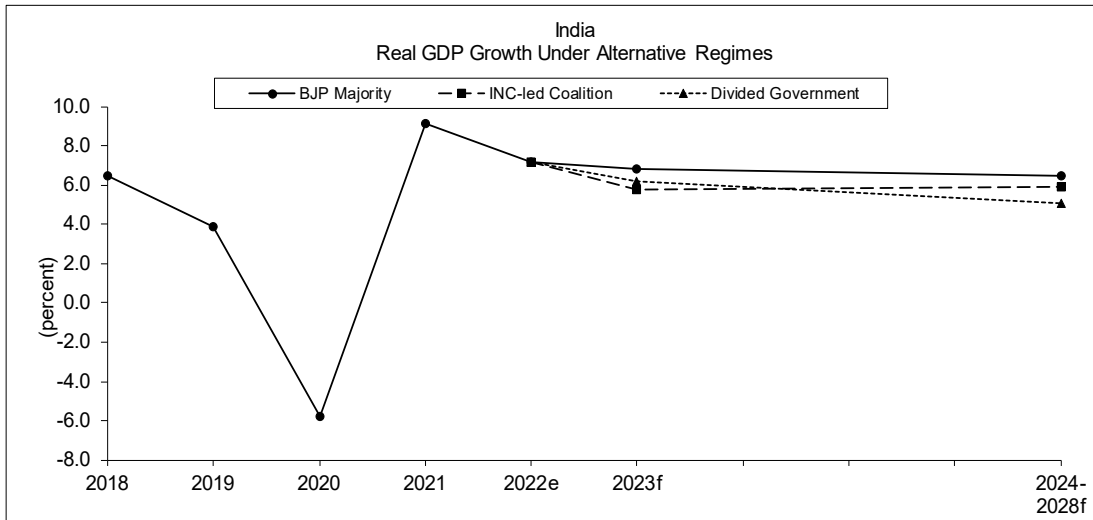
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES

	BJP Majority			INC-led Coalition			Divided Government		
	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)
2023	6.8	5.6	-74.60	5.8	5.9	-81.30	6.2	5.7	-77.20
2024-2028	6.5	4.0	-108.70	5.9	4.8	-91.10	5.1	4.5	-83.50

REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST					
REGIMES & PROBABILITIES		BJP Majority 65%	INC-led Coalition 30%	Divided Government 5%	
RISK FACTORS	CURRENT				
Turmoil	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE	
Investment					
Equity	Moderate	SLIGHTLY LESS	Same	Same	
Operations	High	SLIGHTLY MORE	SLIGHTLY MORE	SLIGHTLY MORE	
Taxation	Moderate	Same	Same	Same	
Repatriation	Moderate	Same	Same	Same	
Exchange	Low	Same	Same	SLIGHTLY MORE	
Trade					
Tariffs	High	SLIGHTLY LESS	Same	Same	
Other Barriers	High	Same	Same	Same	
Payment Delays	Moderate	Same	Same	SLIGHTLY MORE	
Economic Policy					
Expansion	High	Same	SLIGHTLY MORE	SLIGHTLY MORE	
Labor Costs	Low	SLIGHTLY MORE	SLIGHTLY MORE	SLIGHTLY MORE	
Foreign Debt	Moderate	Same	SLIGHTLY MORE	MORE	
SUMMARY OF FIVE-YEAR FORECAST					
REGIMES & PROBABILITIES		BJP Majority 65%	INC-led Coalition 20%	Divided Government 15%	
RISK FACTORS	BASE				
Turmoil	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE	
Restrictions					
Investment	Moderate	SLIGHTLY LESS	SLIGHTLY LESS	Same	
Trade	Moderate	LESS	LESS	SLIGHTLY LESS	
Economic Problems					
Domestic	High	LESS	SLIGHTLY LESS	Same	
International	Moderate	Same	Same	SLIGHTLY MORE	

* When present, indicates forecast of a new regime



India Econometric Data

	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, \$bn)	2209.76	2987.61	1917.21	2048.83	2151.05	2294.39	2637.30
Per Capita GDP (\$)	1686	2155	1500	1584	1643	1733	1969
Real GDP Growth Rate (%)	7.4	4.2	6.4	7.4	8.0	8.3	6.8
Inflation Rate (%)	6.4	5.3	10.9	7.8	4.9	5.0	3.3
Capital Investment (\$bn)	638.40	855.30	574.79	621.79	612.00	648.74	734.67
Capital Investment/GDP (%)	29.0	28.6	30.0	30.4	28.5	28.3	27.9
Budget Revenues (\$bn)	201.32	255.33	178.19	187.20	193.23	211.96	236.02
Budget Revenues/GDP (%)	9.1	8.5	9.3	9.1	9.0	9.2	9.0
Budget Expenditures (\$bn)	282.99	436.18	264.02	271.13	276.45	276.45	326.89
Budget Expenditures/GDP (%)	12.9	14.6	13.8	13.2	12.9	12.1	12.4
Budget Balance (\$bn)	-81.67	-180.86	-85.83	-83.93	-83.22	-64.49	-90.87
Budget Balance/GDP (%)	-3.8	-6.0	-4.5	-4.1	-3.9	-2.8	-3.5
Money Supply (M1, \$bn)	364.62	616.57	338.58	359.48	383.86	298.20	443.00
Change in Real Wages (%)	1.0	0.5	1.0	1.2	1.0	0.9	1.1
Unemployment Rate (%)	3.5	7.0	3.6	3.5	3.5	3.5	3.6
International Economic Indicators							
Foreign Direct Investment (\$bn)	38.52	51.61	30.76	35.28	44.91	42.21	39.43
Forex Reserves (\$bn)	322.63	481.42	267.70	295.95	327.84	336.58	385.10
Gross Reserves (ex gold, \$bn)	328.95	494.21	276.49	303.46	334.31	341.15	389.35
Gold Reserves (\$bn)	19.07	33.88	19.73	19.38	17.24	18.58	20.42
Gross reserves (inc gold, \$bn)	348.02	528.09	296.22	322.84	351.55	359.73	409.77
Total Foreign Debt (\$bn)	477.70	583.79	440.61	461.94	484.99	471.31	529.67
Total Foreign Debt/GDP (%)	21.8	19.6	23.0	22.6	22.6	20.5	20.1
Debt Service (\$bn)	4.36	6.58	3.87	3.91	4.01	4.70	5.33
Debt Service/XGS (%)	0.8	0.9	0.7	0.7	0.8	0.9	0.9
Current Account (\$bn)	-28.88	-32.75	-32.36	-26.86	-22.09	-14.42	-48.66
Current Account/GDP (%)	-1.3	-1.0	-1.7	-1.3	-1.0	-0.6	-1.9
Current Account/XGS (%)	-5.2	-4.2	-5.9	-4.8	-4.4	-2.8	-8.2
Exports (\$bn)	298.13	367.84	318.61	316.54	266.37	280.14	308.97
Imports (\$bn)	437.15	546.78	466.22	461.48	396.44	392.58	469.01
Trade Balance (\$bn)	-139.02	-178.94	-147.61	-144.94	-130.07	-112.44	-160.04
Exports of Services (\$bn)	164.70	241.43	151.81	158.11	154.31	164.20	195.09
Income, credit (\$bn)	14.92	24.29	11.35	13.40	14.70	16.29	18.86
Transfers, credit (\$bn)	67.52	88.45	70.40	70.14	66.03	61.56	69.46
Exports G&S (\$bn)	545.27	722.01	552.17	558.19	501.41	522.19	592.38
Liabilities (\$bn)	5.83	6.60	6.47	6.00	5.71	5.42	5.57
Net Reserves (\$bn)	342.19	521.48	289.75	316.84	345.84	354.31	404.20
Liquidity (months import cover)	9.5	11.9	7.5	8.2	10.5	10.8	10.3
Currency Exchange Rate	63.121	73.073	58.593	60.854	64.024	67.084	65.048
Currency Change (%)	-3.7	-3.8	-8.2	-3.7	-5.0	-4.6	3.1
Social Indicators							
Population (million)	1308.96	1384.38	1278.56	1293.86	1309.05	1324.17	1339.18
Population Growth (%)	1.2	1.1	1.2	1.2	1.2	1.2	1.1
Infant Deaths/1000	42	37	45	43	42	41	39
Persons under Age 15 (%)	28	27	29	29	28	28	27
Urban Population (%)	33	35	31	32	33	33	34
Urban Growth (%)	3.1	1.6	1.2	4.5	4.3	1.2	4.2
Literacy % pop.	70	71	63	71	71	74	72
Agricultural Work Force (%)	49	44	53	49	49	49	47
Industry-Commerce Work Force (%)	20	24	19	20	20	20	22
Services Work Force (%)	30	32	28	31	31	31	31
Unionized Work Force (%)	6	6	6	6	6	6	6
Energy - total consumption (10 ¹⁵ Btu)	28.15	30.25	25.87	27.54	28.49	29.04	29.81
Energy - consumption/head (10 ⁹ Btu)	0.02	0.02	0.02	0.02	0.02	0.02	0.02

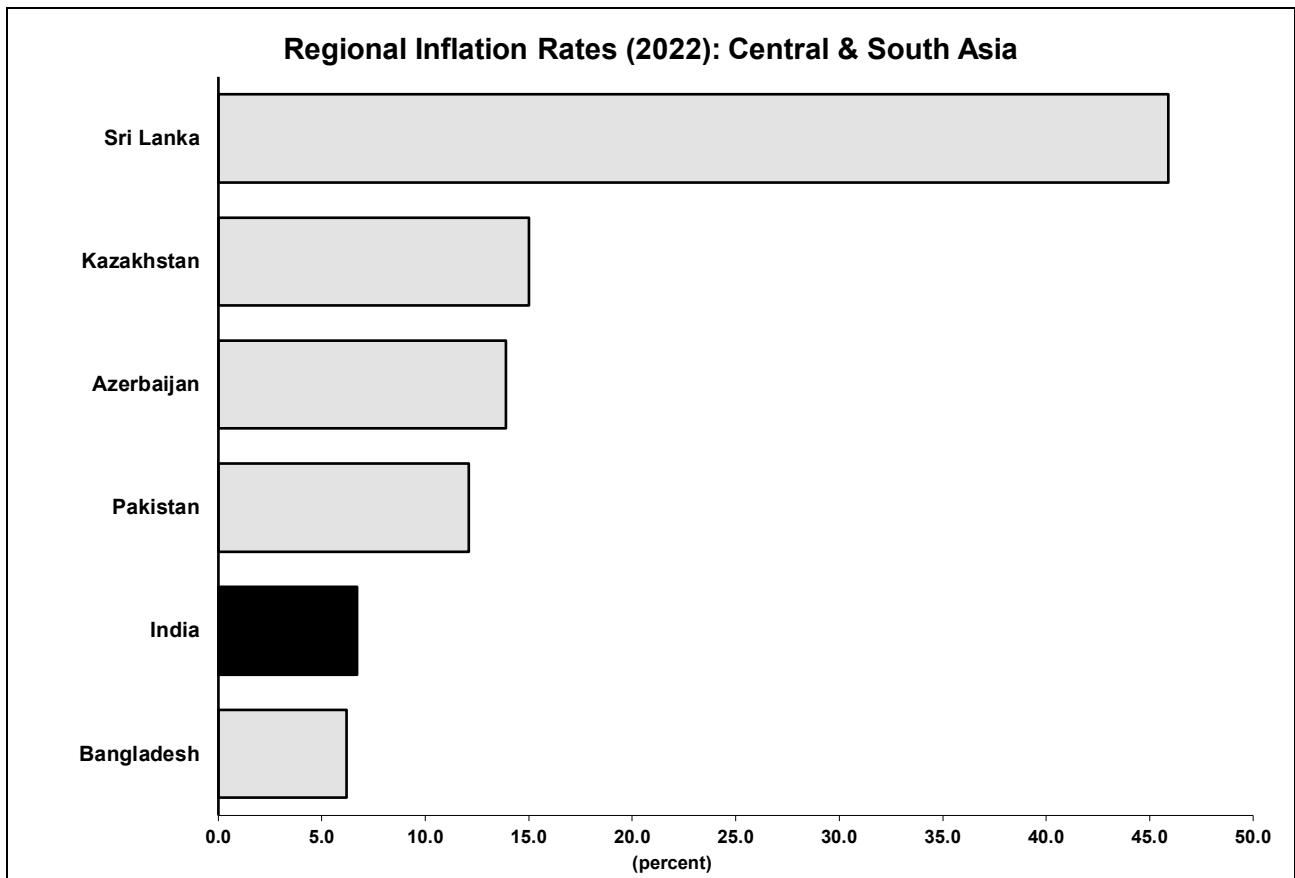
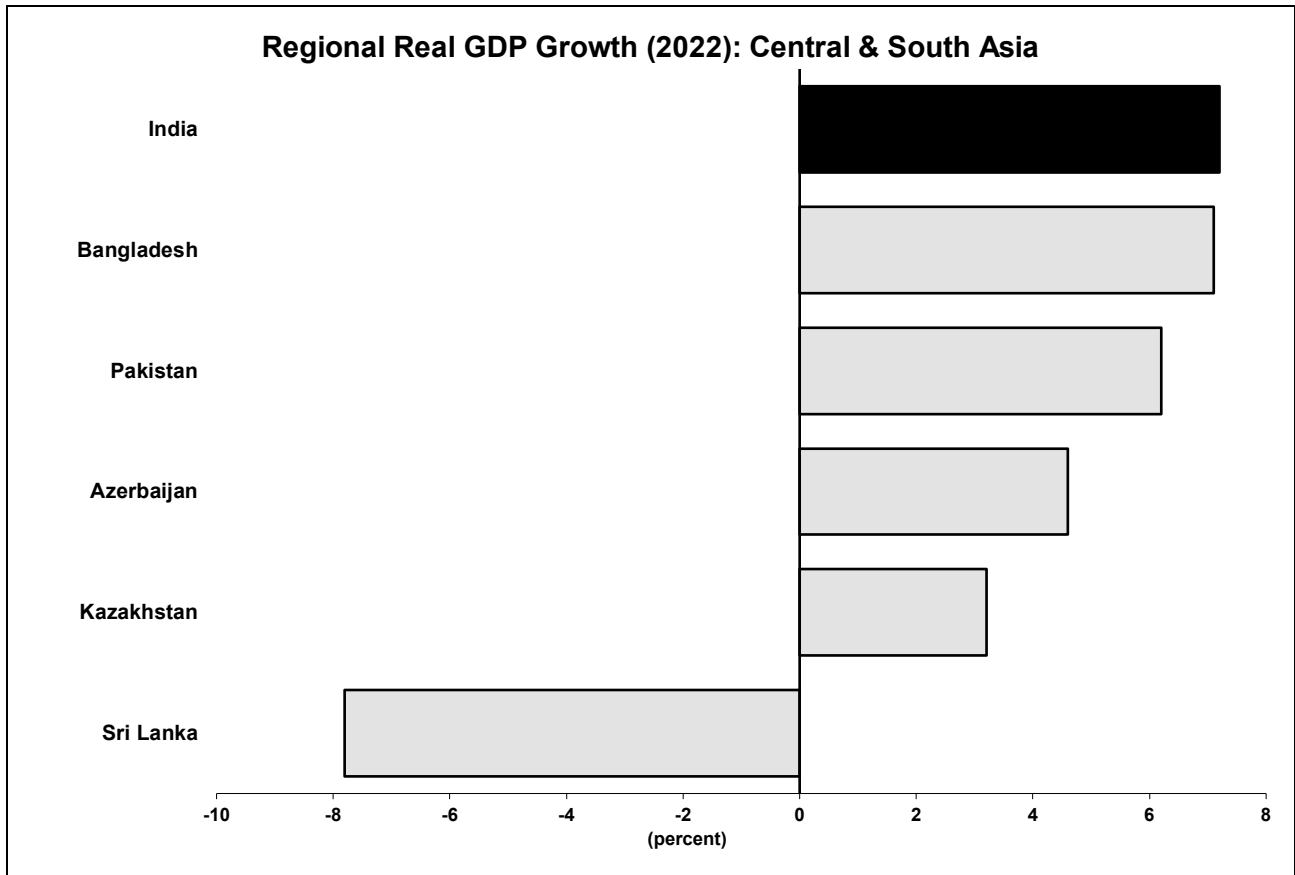
Note: fiscal year beginning April 1

India Econometric Data

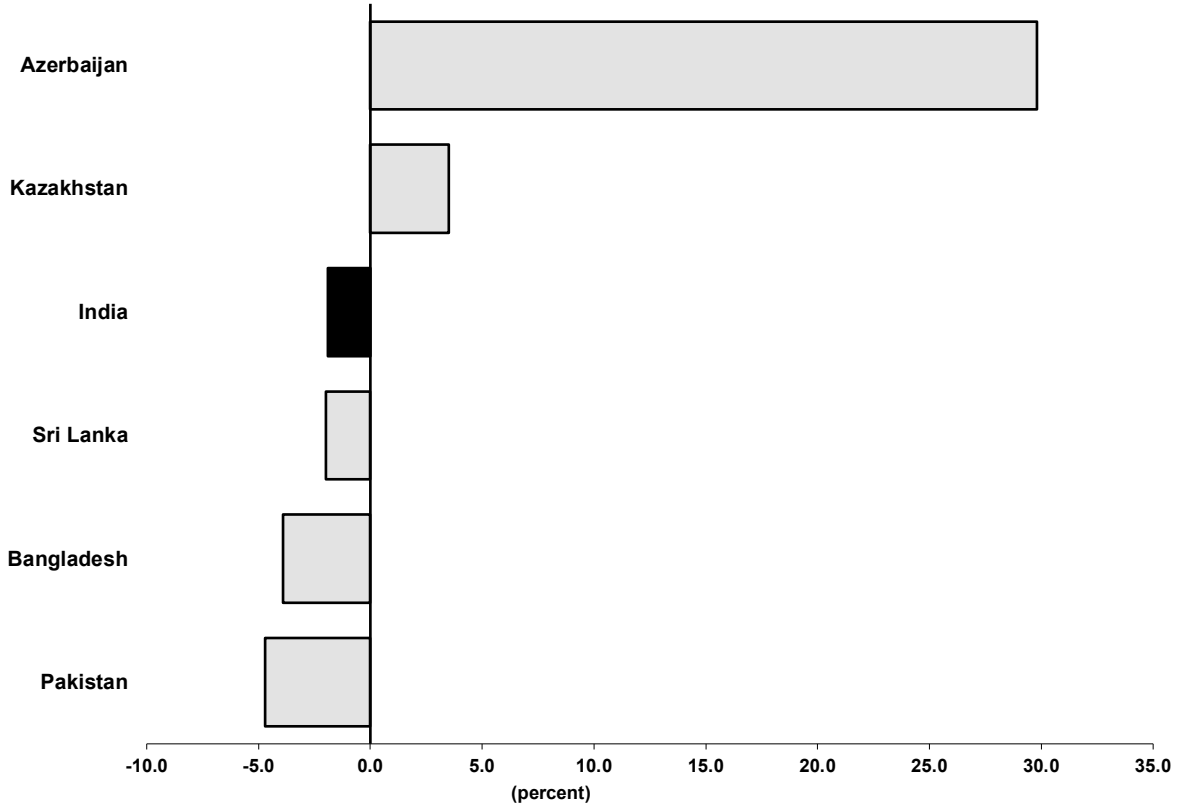
	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, \$bn)	2209.76	2987.61	2761.17	2861.84	2674.95	3174.59	3465.52
Per Capita GDP (\$)	1686	2155	2039	2091	1938	2264	2445
Real GDP Growth Rate (%)	7.4	4.2	6.5	3.9	-5.8	9.1	7.2
Inflation Rate (%)	6.4	5.3	4.0	3.7	6.6	5.5	6.7
Capital Investment (\$bn)	638.40	855.30	805.42	832.96	721.67	905.91	1010.52
Capital Investment/GDP (%)	29.0	28.6	29.2	29.1	27.0	28.5	29.2
Budget Revenues (\$bn)	201.32	255.33	240.71	246.89	214.10	265.56	309.38
Budget Revenues/GDP (%)	9.1	8.5	8.7	8.6	8.0	8.4	8.9
Budget Expenditures (\$bn)	282.99	436.18	335.59	379.80	463.47	469.37	532.69
Budget Expenditures/GDP (%)	12.9	14.6	12.2	13.3	17.3	14.8	15.4
Budget Balance (\$bn)	-81.67	-180.86	-94.88	-132.91	-249.37	-203.81	-223.31
Budget Balance/GDP (%)	-3.8	-6.0	-3.4	-4.6	-9.3	-6.4	-6.4
Money Supply (M1, \$bn)	364.62	616.57	478.99	518.64	594.87	714.99	775.35
Change in Real Wages (%)	1.0	0.5	0.6	-0.8	-1.2	-0.2	3.9
Unemployment Rate (%)	3.5	7.0	3.5	6.1	10.1	7.8	7.6
International Economic Indicators							
Foreign Direct Investment (\$bn)	38.52	51.61	43.30	56.01	54.93	56.23	47.60
Forex Reserves (\$bn)	322.63	481.42	395.60	422.73	537.47	552.79	498.49
Gross Reserves (ex gold, \$bn)	328.95	494.21	399.85	427.82	544.13	577.40	521.84
Gold Reserves (\$bn)	19.07	33.88	20.82	27.13	36.71	43.77	40.97
Gross reserves (inc gold, \$bn)	348.02	528.09	420.67	454.95	580.84	621.17	562.81
Total Foreign Debt (\$bn)	477.70	583.79	543.00	557.52	556.24	637.47	624.70
Total Foreign Debt/GDP (%)	21.8	19.6	19.7	19.5	20.8	20.1	18.0
Debt Service (\$bn)	4.36	6.58	5.79	5.78	6.64	6.39	8.30
Debt Service/XGS (%)	0.8	0.9	0.9	0.9	1.1	0.8	0.9
Current Account (\$bn)	-28.88	-32.75	-57.26	-24.66	23.91	-38.77	-66.98
Current Account/GDP (%)	-1.3	-1.0	-2.1	-0.9	0.9	-1.2	-1.9
Current Account/XGS (%)	-5.2	-4.2	-8.9	-3.8	4.0	-4.9	-7.3
Exports (\$bn)	298.13	367.84	337.24	320.43	296.30	429.16	456.07
Imports (\$bn)	437.15	546.78	517.52	477.94	398.45	618.62	721.36
Trade Balance (\$bn)	-139.02	-178.94	-180.28	-157.51	-102.15	-189.46	-265.29
Exports of Services (\$bn)	164.70	241.43	208.00	213.19	206.09	254.53	325.33
Income, credit (\$bn)	14.92	24.29	21.84	25.17	20.85	25.75	27.85
Transfers, credit (\$bn)	67.52	88.45	76.64	83.36	80.33	89.32	112.62
Exports G&S (\$bn)	545.27	722.01	643.72	642.15	603.57	798.76	921.87
Liabilities (\$bn)	5.83	6.60	5.94	6.10	6.41	7.37	7.20
Net Reserves (\$bn)	342.19	521.48	414.73	448.85	574.43	613.80	555.61
Liquidity (months import cover)	9.5	11.9	9.6	11.3	17.3	11.9	9.2
Currency Exchange Rate	63.121	73.073	68.448	70.247	74.132	73.934	78.605
Currency Change (%)	-3.7	-3.8	-5.0	-2.6	-5.2	0.3	-6.3
Social Indicators							
Population (million)	1308.96	1384.38	1353.91	1368.80	1380.00	1402.01	1417.17
Population Growth (%)	1.2	1.1	1.1	1.1	0.8	1.6	1.1
Infant Deaths/1000	42	37	38	37	37	37	37
Persons under Age 15 (%)	28	27	27	27	27	27	27
Urban Population (%)	33	35	34	35	35	35	35
Urban Growth (%)	3.1	1.6	1.1	4.1	1.5	0.0	1.3
Literacy % pop.	70	71	71	71	71	71	71
Agricultural Work Force (%)	49	44	43	44	44	44	44
Industry-Commerce Work Force (%)	20	24	24	24	24	24	24
Services Work Force (%)	30	32	33	32	32	32	32
Unionized Work Force (%)	6	6	6	6	6	6	6
Energy - total consumption (10 ¹⁵ Btu)	28.15	30.25	30.29	30.75	31.05	30.84	28.34
Energy - consumption/head (10 ⁹ Btu)	0.02	0.02	0.02	0.02	0.02	0.02	0.02

Note: fiscal year beginning April 1

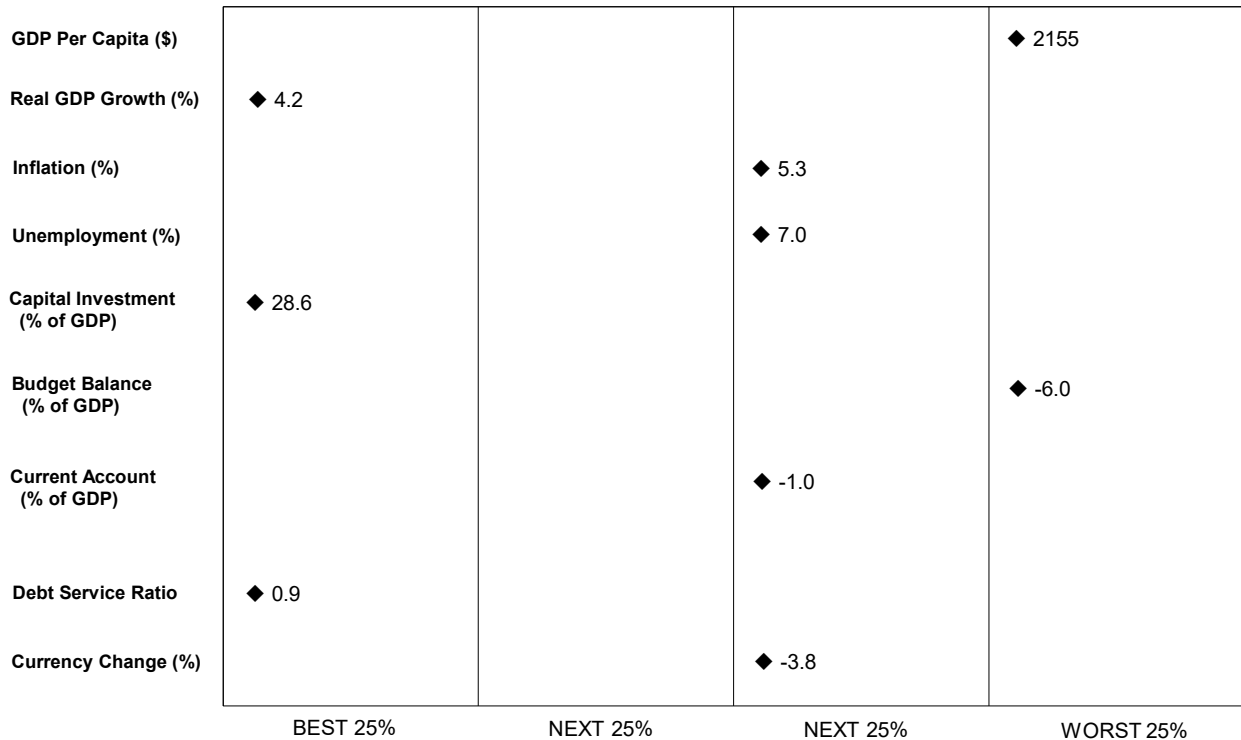
INTRA-REGIONAL COMPARISONS



Regional Current Account/GDP (2022): Central & South Asia



Economic Performance Profile Country's Ranking Relative to All Countries Covered by Political Risk Services 2018-2022



GEOPOLITICAL & ECONOMIC ANALYSIS

BJP-LED ALLIANCE STILL FAVORED OVER ENLARGED OPPOSITION BLOC

The ruling National Democratic Alliance (NDA) led by Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) is looking less like a juggernaut following a decisive victory for the main opposition Indian National Congress (INC) at a state-level election in Karnataka in May. Campaigning on a platform that focused on pocketbook issues and pledges to combat corruption, the INC made a net gain of 55 seats, while the BJP and the NDA-affiliated Janata Dal (Secular) suffered comparable combined losses, a result attributed to strong anti-incumbent sentiment and the limited appeal of the Hindu nationalist platform championed by Modi—who remains personally popular and campaigned for his party in Karnataka—for voters troubled by high inflation and other economic pressures.

Polling at the national level shows the NDA holding a slim lead (42%-40%) over the Indian National Developmental Inclusive Alliance (INDIA), a 28-party coalition established in July. The new formation is an expanded version of the INC-led United Progressive Alliance (UPA), which suffered crushing defeats at the hands of the NDA in 2014 and 2019.

The key addition to the enlarged opposition bloc is the Aam Aadmi Party (AAP), an anti-corruption party led by Arvind Kejriwal, which currently heads the state administrations in Delhi and Punjab and is a potential challenger to the INC's position as the chief rival to the BJP, having been granted status as a national party in April 2023. Other non-UPA parties of note in the INDIA bloc include the two Communist Party of India factions and the Samajwadi Party (SP), a socialist party based in Uttar Pradesh, India's most populous state, and a stronghold of the BJP.

The opposition received another boost in August, when the Supreme Court stayed the defamation conviction of Rahul Gandhi, the scion of India's most powerful political family. His two-year prison sentence met the minimum requirement to disqualify him from holding a seat in the Lok Sabha and would bar him from political activity for six years following the completion of his term of confinement. Although Gandhi stepped down as leader of the INC following a crushing defeat in the 2019 general election, his name still carries weight and his absence from the campaign trail would undoubtedly have had an adverse effect on the party's fortunes.

Even so, the opposition faces an uphill battle to win control of the federal government. Karnataka has a track record of favoring the BJP in general elections and the INC in state elections, and polling for the general election indicates that the BJP is on track to secure 18-20 of the state's 28 seats in the Lok Sabha.

More generally, the seat projections derived from polling data suggest that the NDA will win a majority in the 543-member lower house. Assuming the budget for 2024/2025 delivered by Finance Minister Nirmala Sitharaman in February will include pre-election sweeteners that help to soothe economic insecurity, the BJP and its allies stand a good chance of clearing the 300-seat threshold for a third time at the multistage elections held in April and May.

Upcoming state elections will provide a clearer reading of public sentiment heading into the general election campaign. Voting will take place in five states, but the most important contests are those in Chhattisgarh and Rajasthan, where the INC currently heads the government, and Madhya Pradesh, where the BJP took control following a political crisis that resulted in the collapse of an INC-led administration in 2020.

Polling data points to a narrow victory for the INC (or a hung parliament) in Madhya Pradesh. However, the INC is clinging to a slim lead over the BJP in Chhattisgarh and the survey data suggests that the BJP is on track for a convincing win in Rajasthan, a result that would not be indicative of strong momentum for INDIA as the focus shifts to the national campaign.

CLOSE ELECTION COULD SAP REFORM ZEAL

Since riding to power under Modi's leadership in 2014, the NDA government has racked up some notable achievements, including India's entry into the ranks of countries with a \$3 trillion economy and progress on a program of liberal structural reforms that has helped to produce sustained inflows of foreign direct investment (FDI) averaging around \$50 billion annually over the last five years. But the record is tainted by the persistence of a lack of job opportunities for educated youth and the continuing economic struggles of large sections of the rural population and the voluminous urban poor, which have been compounded of late by higher costs for basic goods.

Throughout his tenure as prime minister, Modi has leaned heavily on a populist strategy that combines generous welfare spending and appeals to Hindu nationalist sentiment to provide him with the political capital required to implement the structural reforms that are key to unleashing India's massive economic potential. His chosen methods have at times created impediments to achieving his desired ends, and policy makers have struggled to balance acquiescence to popular demands with the expectations of the markets.

With the opposition showing signs of improved unity and a renewed sense of purpose, the lure of populism will be especially strong for policy makers over the next six months, and any action on business-friendly reforms likely awaits the start of the new parliamentary term. A close call for the NDA could weaken Modi's resolve even after securing victory, and an upset that leads to the installation of a

coalition government that includes the Communists and the SP would similarly have negative implications for aggressive action on structural reforms.

In any case, India possesses many assets that will make it attractive to investors, including a massive domestic market, a deep pool of talent, top-notch technological capabilities, and a capacity for innovation, a fact underscored last month when India became only the fourth country in the world to land a spacecraft on the moon. However, achieving developed nation status before mid-century will require consistent annual real GDP growth of 8%-9%, which implies significantly higher levels of FDI than have been flowing into the economy in recent years.

SECURITY RISKS WILL PERSIST

A third term for Modi will likely see him continuing to devote significant attention to elevating India to global economic power status and managing the risks arising from an increasingly intense rivalry with China. The Russian invasion of Ukraine in early 2022 has created complications in the latter regard, as Modi's government has relied on Russia and, more recently, the US to provide it with the military hardware and the diplomatic support it requires to manage the security threats posed by historical tensions with Pakistan and the increasingly aggressive hegemonic ambitions of China.

India's strategy for countering China includes its participation in the Quad, an informal alliance with the US, Japan, and Australia, all of which are displeased with Delhi's adoption of a position of neutrality on the war in Ukraine and India's continued purchases of discounted crude from Russia. However, the distraction of the war in Europe has increased India's value to the US as a bulwark against China's expansionist designs, which likely explains President Joe Biden's decision not to impose sanctions on India for purchases of Russian military equipment under the 2017 Countering American Adversaries Through Sanctions Act (CAATSA) implemented in response to Russia's interference in the 2016 US elections.

There has been no substantive progress toward resolving territorial disputes that led to direct military clashes between Indian and Chinese military forces in 2020. Moreover, a BJP-led government will continue to grapple with the perennial threat of the Kashmir issue becoming a catalyst for broader military conflict with Pakistan. Short of that, tensions with Pakistan create an opportunity for China to increase its influence in South Asia, an unwelcome prospect that India has sought to counter by more aggressively courting other neighbors in the region.

ROBUST STATE SPENDING WILL BOLSTER ECONOMY

Real GDP growth accelerated to 7.8% (year-on-year) in April-June 2023, the first quarter of the fiscal year, as strong domestic demand offset the negative impact of a 7.7% year-on-year contraction of exports

amid an economic slowdown in key markets. Private-sector investment continued to grow at a healthy clip, buoyed by increased capital spending in the public sector that boosted construction activity and a revival of private consumption that lifted manufacturing. In contrast, the agricultural sector grew at a slower pace, with below-average rainfall contributing to reduced output. Monthly indicators point to sustained real expansion of 7% or more in the July-September quarter, with strong credit growth supporting consumer spending and fueling a double-digit expansion of services.

Despite generous spending on social welfare programs and a one-third increase in outlays for capital projects, the government is targeting a narrowing of the federal budget deficit to 5.9% of GDP, just enough to sustain the credibility of a debt strategy that sees a reduction of the shortfall to 4.5% of GDP by the 2025/2026 fiscal year and the medium-term stabilization of the debt-to-GDP ratio at around 82%. The deficit for the first half of the year amounted to 39.3% of the full-year estimate, as revenues exceeded the target and expenditures were slightly lower than projected.

An anticipated double-digit increase in nominal GDP will facilitate the reduction of the deficit and debt ratios. In general, however, the budget is suited to the government's electoral needs. While the lack of ambition reflected in the near-term fiscal goals improves the chances that the targets will be achieved, it also increases the risk of slippage that undermines confidence in the event of fresh global shocks.

The stimulus from robust capital expenditures will be reinforced by government spending on programs that support household consumption. However, the pace of real expansion is expected to slow in the October-December quarter, as weather-related factors continue to hamper agricultural production, weighing on overall economic activity and contributing to upward pressure on food prices that pinches household budgets.

Headline inflation fell to 5% (year-on-year) in September, but upward pressure on food prices will keep the rate near the upper end of the central bank's target range of 2%-6% over the coming months, delaying any moves to initiate monetary loosening. Assuming a moderate pre-election bump in government spending, real growth is forecast to average 6.5%-7% in the fiscal year to March 2024.

The current account deficit widened markedly in 2022, as supply-chain issues and anti-inflation policies that contributed to a weakening of demand in key markets slowed the growth of exports and higher prices for staple imports expanded the goods deficit by nearly \$100 billion. The positive impact of the boost to export competitiveness from a weaker rupee was offset by the increased cost of key imports. The moderation of global energy prices will ease pressure on the external balances, but weak growth of exports will sustain a current account shortfall amounting to 2% of GDP. Inflows of FDI will be sufficient to cover most (if not all) of the deficit.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk claims and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have “predictive power for both political risk insurance claims as well as political risk events measured by news coverage.”

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
OCTOBER 2023 VERSUS NOVEMBER 2022

RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
<i>Very Low Risk</i>					
1	Norway	86.0	87.0	-1.0	2
1	Switzerland	86.0	87.3	-1.3	1
3	Luxembourg	85.8	86.0	-0.3	3
4	Denmark	84.8	84.3	0.5	6
5	Taiwan	84.5	84.3	0.3	6
6	Singapore	84.3	85.8	-1.5	4
7	Ireland	83.8	82.3	1.5	8
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.8	79.5	2.3	16
10	Canada	80.8	82.0	-1.3	10
10	Iceland	80.8	80.5	0.3	14
10	Qatar	80.8	78.8	2.0	17

* C Harvey, et al., “Political Risk Spreads,” Journal of International Business Studies, (2014), 471-493.

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RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
13	United Arab Emirates	80.5	82.3	-1.8	8
14	Netherlands	80.3	79.8	0.5	15
15	Kuwait	80.0	80.8	-0.8	13
Low Risk					
16	Japan	79.8	76.3	3.5	26
16	Sweden	79.8	81.0	-1.3	12
18	Korea, Republic	79.5	77.8	1.8	22
19	Australia	79.3	81.3	-2.0	11
19	Botswana	79.3	77.0	2.3	24
21	Finland	78.8	78.3	0.5	20
21	New Zealand	78.8	76.0	2.8	27
23	Germany	78.5	78.8	-0.3	17
24	Hong Kong	78.0	74.0	4.0	36
25	Trinidad & Tobago	77.0	77.5	-0.5	23
26	Bahamas	76.8	71.0	5.8	55
26	Portugal	76.8	75.5	1.3	31
28	Austria	76.5	78.5	-2.0	19
28	Oman	76.5	78.3	-1.8	20
30	Czech Republic	75.8	75.5	0.3	31
31	Kazakhstan	75.5	76.0	-0.5	27
32	Guyana	75.3	75.8	-0.5	30
33	Uzbekistan	74.8	73	2.3	43
34	Belgium	74.5	74.5	0.0	35
34	Italy	74.5	73.5	1.0	38
36	Malaysia	74.3	73.5	0.8	38
37	Croatia	73.8	73.8	0.0	37
37	Libya	73.8	70.8	3.0	59
37	Malta	73.8	74.8	-1.0	34

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RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
37	Panama	73.8	73.5	0.3	38
37	Slovenia	73.8	73.0	0.8	41
37	United Kingdom	73.8	76.8	-3.0	25
37	Uruguay	73.8	75.3	-1.5	33
44	Azerbaijan	73.3	72.5	0.8	43
45	Costa Rica	73.0	72.0	1.0	48
46	Latvia	72.8	71.5	1.3	52
47	Jamaica	72.5	72.3	0.3	46
47	Spain	72.5	72.8	-0.3	42
49	Dominican Republic	72.3	72.5	-0.3	43
50	Brazil	71.8	70.0	1.8	65
50	Chile	71.8	71.8	0.0	49
50	France	71.8	72.3	-0.5	46
50	Israel	71.8	76.0	-4.3	27
54	Bulgaria	71.5	70.8	0.8	59
54	Philippines	71.5	70.8	0.8	59
54	Poland	71.5	71.0	0.5	55
54	Vietnam	71.5	70.8	0.8	59
58	Hungary	71.0	71.5	-0.5	52
58	India	71.0	70.3	0.8	63
60	Guatemala	70.8	71.0	-0.3	55
60	Thailand	70.8	65.0	5.8	88
62	United States	70.5	71.8	-1.3	49
63	China, Peoples' Rep.	70.0	69.5	0.5	67
Moderate Risk					
64	Cyprus	69.8	70.0	-0.3	65
64	Gabon	69.8	66.5	3.3	84
64	Lithuania	69.8	70.3	-0.5	63

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67	Bahrain	69.3	68.8	0.5	71
68	Estonia	69.0	71.5	-2.5	52
68	Indonesia	69.0	68.3	0.8	73
68	Papua New Guinea	69.0	69.3	-0.3	68
71	Greece	68.8	68.0	0.8	76
71	Mexico	68.8	68.3	0.5	73
73	Congo, Republic	68.5	64.3	4.3	94
73	Iraq	68.5	71.0	-2.5	55
73	Peru	68.5	68.0	0.5	76
76	Namibia	68.3	71.8	-3.5	49
76	Slovakia	68.3	68.8	-0.5	71
78	Algeria	67.8	69.3	-1.5	68
79	Romania	67.3	66.8	0.5	82
80	Ecuador	67.0	68.3	-1.3	73
80	Gambia	67.0	65.0	2.0	88
80	Honduras	67.0	66.8	0.3	82
83	Morocco	66.8	64.5	2.3	92
83	Russia	66.8	66.0	0.8	87
85	El Salvador	66.5	63.8	2.8	98
85	Mongolia	66.5	65.0	1.5	88
85	South Africa	66.5	67.3	-0.8	80
88	Tanzania	66.3	65.0	1.3	88
89	Armenia	66.0	60.0	6.0	110
90	Serbia	65.8	67.3	-1.5	80
91	Guinea-Bissau	65.3	64.0	1.3	96
91	Paraguay	65.3	64.3	1.0	94
93	Jordan	65.0	64.5	0.5	92
94	Albania	64.8	67.8	-3.0	79

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RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
95	Iran	64.3	66.5	-2.3	84
96	Bolivia	64.0	66.5	-2.5	84
96	Cote d'Ivoire	64.0	62.3	1.8	105
98	Colombia	63.8	64.0	-0.3	96
98	Nicaragua	63.8	62.8	1.0	101
100	Bangladesh	63.5	62.5	1.0	103
100	Togo	63.5	63.3	0.3	100
102	Madagascar	63.0	62.5	0.5	3
103	Zambia	62.3	62.8	-0.5	101
104	Ghana	62.0	58.8	3.3	115
105	Cuba	61.8	69.3	-7.5	68
106	Cameroon	61.5	60.3	1.3	108
107	Moldova	61.3	59.0	2.3	114
107	Ukraine	61.3	51.8	9.5	133
109	Angola	60.5	68.0	-7.5	76
110	Mozambique	60.0	54.5	5.5	128
110	Uganda	60.0	59.3	0.8	113
High Risk					
112	Guinea	59.8	57.3	2.5	124
112	Tunisia	59.8	61.3	-1.5	107
114	Belarus	59.3	57.0	2.3	126
114	Senegal	59.3	58.3	1.0	119
114	Suriname	59.3	58.5	0.8	117
117	Burkina Faso	59.0	59.5	-0.5	111
118	Myanmar	58.3	55.8	2.5	127
119	Ethiopia	58.0	58.5	-0.5	117
120	Mali	57.8	58.8	-1.0	115
121	Zimbabwe	57.5	61.5	-4.0	106

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122	Egypt	57.3	57.8	-0.5	123
123	Congo, Dem. Republic	57.0	60.3	-3.3	108
123	Sierra Leone	57.0	53.5	3.5	131
125	Haiti	56.8	54.3	2.5	129
125	Kenya	56.8	58.3	-1.5	119
127	Argentina	56.3	63.8	-7.5	98
128	Nigeria	56.0	59.5	-3.5	111
129	Yemen, Republic	55.8	48.3	7.5	138
130	Turkey	55.5	54.3	1.3	129
131	Liberia	55.0	58.0	-3.0	121
131	Venezuela	55.0	58.0	-3.0	121
133	Sri Lanka	54.5	48.5	6.0	137
134	Malawi	52.3	51.0	1.3	134
135	Somalia	51.8	52.0	-0.3	132
Very High Risk					
136	Korea, D.P.R.	49.3	51.0	-1.8	134
136	Pakistan	49.3	51.0	-1.8	134
138	Niger	47.8	57.3	-9.5	124
139	Syria	44.5	43.8	0.8	139
140	Sudan	43.5	43.0	0.5	140
141	Lebanon	34.8	41.3	-6.5	141

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