

## STATS WINDOW

The Pacific Business Review International has taken an initiative to start a section which will provide a snapshot of major Global & Indian economic indicators and industry review alternatively.

A snapshot of the section in upcoming issues is hereunder:

- Feb. 2016**      Pharmaceutical industry: Global Scenario
- Mar. 2016**      Economy at a Glance (Global & Indian)
- April 2016**    Textile Industry: Global Scenario
- May 2016**      Economy at a Glance (Global & Indian)

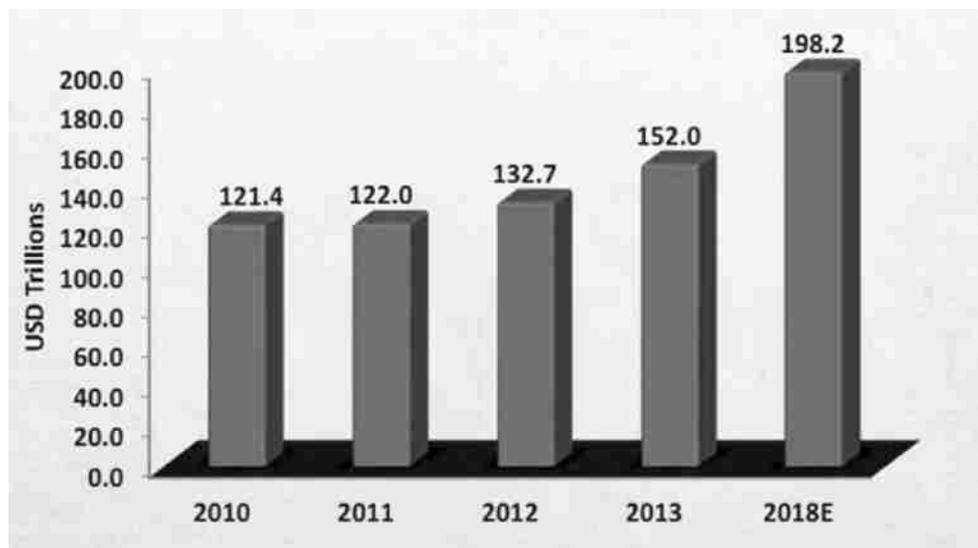
### Global Economy at a Glance

Global Private Financial Wealth stood at US \$152 trillion, marking a growth by 14.9% as compared to 2012. In absolute terms North America stood at US \$50.3 trillion followed by Western Europe at US \$37.9 trillion and remained the wealthiest regions in the world. Asia-Pacific region excluding Japan stood closely to Western Europe at US \$37.0 trillion.

The Asia-Pacific region represented the fastest growing region world-wide with the HNI population increasing by 17% and the wealth increasing by 18%, continuing the trend of high growth in the new world.

The global population of HNIs expanded by 14.7% to 13.7 million, well above 12 million of 2012, while HNI wealth increased by 13.8% to US \$52.62 trillion.

**Figure 1: Global Individual Financial Wealth**



Source: Karvy, “India Wealth Report, Dec 2014”, Vol 5

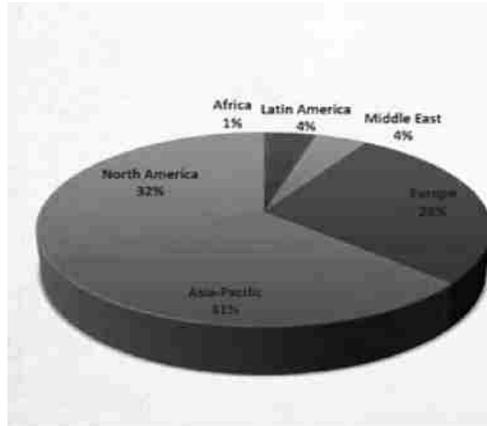
The global population of HNIs expanded by 14.7% to 13.7 million, well above the nearly 12 million of 2012, while HNI wealth increased by 13.8% to US \$52.62 trillion up from US \$46.22 trillion. Asia-Pacific recorded the largest increase in

HNI population (17.3%) and narrowed the gap on North America—the region with the largest HNI population at 4.33 million—to just 10000 individuals.

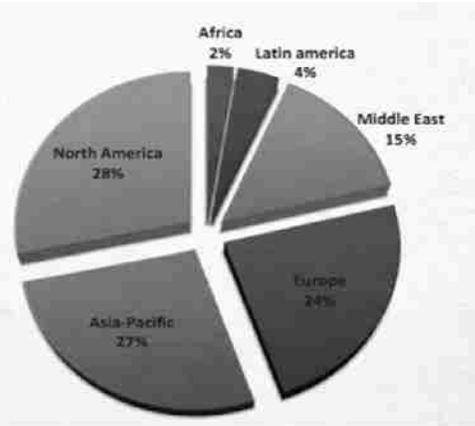
North America maintained its position as the wealthiest region (US \$14.88 trillion), even though its strong growth rate of 17.1% was shy of Asia-Pacific's even stronger 18.2%. Asia-Pacific's US \$14.20 trillion in investable wealth was followed by Europe with US \$12.39 trillion and Latin America with US \$7.70 trillion. Weak growth in Brazil and Mexico contributed to Latin America's low 2.1% growth.

Ultra High Net Worth Individuals (UHNIs) numbered only 1,28,008 in 2013 and made up just 0.9% of the total HNI population. However, UHNIs held more than one-third (34.6%) of global HNI wealth in 2013. United States ranked first in the total number of HNIs by population in 2013, followed by Japan, Germany and China. With 1,53,000 HNIs India ranked 16th in the world by the HNI population.

**Figure 2: Number of HNIs Globally**



**Figure 3: Global HNI Wealth Allocation**

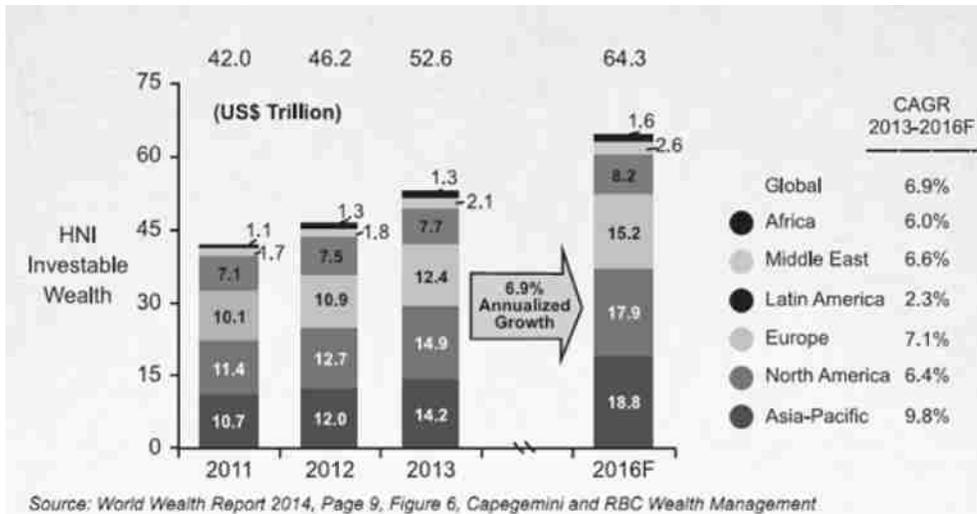


Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

As per Capgemini and RBC Wealth Management World Wealth Report - 2014, Global HNI Financial wealth is forecast to grow 6.9% annually through 2016 to reach a new record high of US\$ 64.3 trillion, with an additional US \$11.7 trillion in HNI wealth created over the three year period of

2014-16. Every region except Latin America is expected to grow strongly and Asia-Pacific is likely to emerge as the clear leader with a 9.8% annual growth rate. Asia-Pacific's strong growth should allow it to overtake North America in HNI population by 2014 and HNI wealth by 2015.

**Figure 4: Forecast of Global HNI Financial Wealth**



The Global asset allocation in equities fell to 24.80% compared to 26.1% last year. Proportion

of alternate assets grew to 13.50% as compared to 10% in 2013.

**Table 1: Classification of Wealth Globally in Key Asset Classes**

Key Asset Classes	Global (%)
Equity	24.80
Debt (including Cash)	43.00
Alternate Assets (including Gold and other precious metals and gems)	13.50
Real Estate	18.70
<b>Total</b>	<b>100.00</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

Table below shows the proportion of investments in key asset classes by Individuals in India and globally. As it is evident from the table below, investments in debt instruments is highest among asset classes both globally and in India. Indian's allocate a lot less of their wealth to equity as compared to global allocation, but this is projected to increase with more retail participation seen in the equity

markets flocking to reap the benefits of the long term growth in India.

Investments in alternative assets form a larger portion in India as compared to that done globally primarily because of investments in gold, as Indian individuals prefer investing in gold higher as compared to other countries.

**Table 2: Individual Wealth -India versus World**

Key Asset Classes	India (%)	Global (%)
Equity	13	25
Debt (including Cash)	39	43
Alternate Asset (including Gold and other precious metals and gems)	28	13
Real Estate	20	19
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

## Indian Economy at a Glance

The General Election was the most influential factor affecting the Indian Stock markets in 2013–14. The expectations of a business friendly government coming to power in the centre boosted investor confidence which resulted in the Indian Stock Indices outperforming its Asian and Western counterparts.

The Sensex might paint a rosy picture for the Indian economy, but at a fundamental level the economy is still recovering from the slowdown. The \$1.8 trillion Indian economy suffered its worst slowdown till FY14 in over a decade with growth below 5% for four straight quarters, amid threats of a ratings downgrade. It grew by 4.8, 4.4, 4.8 and 4.7% during the four quarters of FY14, (average of 4.6), slowest since 2002. Persistent inflation and low investments due to policy inaction coupled with external factors like the speculation of quantitative easing, or roll back of stimulus, by the US Federal Reserve dampened growth and created macro-economic upheavals.

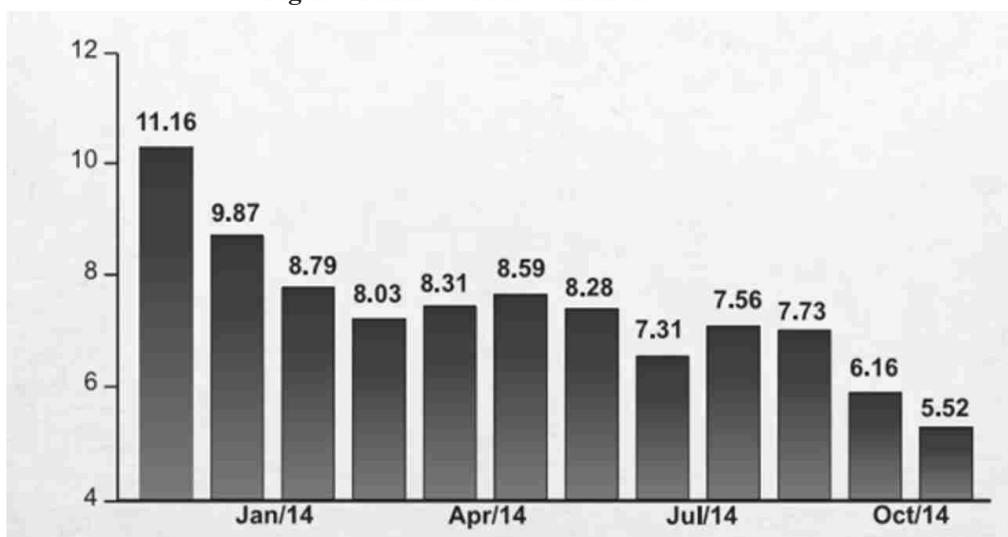
However, the first six months of the new government have been very eventful. We see a lot of new initiatives being undertaken to revive the Indian Economy. Several new policy measures like Make in India, Swachh Bharat Abhiyan, Free pricing of Auto Fuels, etc will go a long way in making India more competitive and productive. India's vicious economic cycle between 2010-2013 of slowing growth, elevated twin deficits and a skewed savings profile is coming to an end. We believe that the positive sentiment prevalent will translate down into acceleration of GDP growth and improved profitability for corporate India in the next few years. We see the sensex growing exponentially to reach 1, 00,000 by 2020.

CPI inflation which was a big concern for RBI is finally coming down (5.52% in October 2014) which will help RBI in decreasing interest rates thus giving a much needed stimulus to the economy. Another worrying factor for the economy in the past – IIP is also showing signs of revival

(+3.4% in May 2014) indicating that the manufacturing sector is on the path of revival. India's Current Account Deficit (CAD) for the quarter ended March this year fell sharply to 0.2% of gross domestic product (\$1.2 billion) from 3.6% (\$18.1 billion) a year earlier, as the fall in imports was steeper than the drop in exports. However in FY15 with crude prices & prices of most commodities coming down globally the CAD is expected to be negligible.

Agriculture showed a growth of 4.7% in 2014, the best growth since 2010-11. Agriculture is the biggest contributor to India's Economic growth. Last year it grew by 1.9%. Thus we can see that Indian Economy seems to have bottomed out in FY14 and is expected to be on a growth path from now on. We expect GDP growth rate to reach 7.5% in the next 4 to 5 years.

**Figure :1 Inflation Rates in India**



Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

### Individual Wealth in India

The amount of Individual Wealth in India is calculated by aggregating the private wealth in all asset classes in which investments are made by individuals. It does not consider government and institutional holdings. In this report, financial assets and Physical assets where investments are made by individuals of India are considered.

The total Indian Individual wealth in Financial assets stands at `134.71 Lakh Crore in FY14, and Indian Individual

Wealth in Physical Assets (Real Estate and Precious metals like Gold, Diamond, Silver and Platinum) stands at `122.70 Lakh Crore. Hence the total Indian Individual Wealth in FY14 is estimated to be at `257.41 Lakh Crore, an increase of 27.47% over FY13.

Financial wealth contributes about 52.33% and Physical wealth contributes about 47.67% to the total Indian Individual Wealth.

**Table 1: Total Individual Wealth in India 2014**

Asset Type	FY14 (₹ Cr.)	Proportion (%)
Financial	1,34,71,160	52.33
Physical	1,22,70,504	47.67
<b>Total</b>	<b>2,57,41,664</b>	<b>100.00</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

In FY14, Physical assets have shown only a modest growth since import of gold was subdued on account of the curbs

imposed on it.

**Table 2: Classification of Individual Wealth in India based on Financial Assets**

Asset Type	Amount (₹ Cr.)	Proportion (%)
Fixed Deposits and Bonds	29,39,702	21.82
Direct Equity	26,66,202	19.79
Insurance	22,12,654	16.43
Savings Deposits	16,28,628	12.09
Cash	13,00,900	9.66
Provident Fund	7,36,096	5.46
NRI Deposits	6,22,337	4.62
Small Savings	5,78,851	4.30
Mutual Funds	3,93,140	2.92
Current Deposits	3,08,125	2.29
Pension Funds	48,136	0.36
Alternative Assets	23,727	0.18
International Financial Assets	12,659	0.09
<b>Total</b>	<b>1,34,71,160</b>	<b>100.00</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

The total Individual wealth in financial assets has increased from `109.8 Lakh Crore to `134.7 Lakh Crore, which is growth of 22.6%. Fixed Deposits and Bonds retained the top spot within financial assets closely followed by direct equity, which comes a close second attracting 19.79% of total Individual wealth in financial assets, followed by Insurance and Savings Deposits. The high minimum ticket

size needed for alternative investments keeps their proportion in the financial Assets pie very small. Pension Funds are relatively new in the market and are expected to grow at a rapid pace since they invest in both equity and government bonds and are thus expected to give higher returns than provident fund.

**Table 3: Classification of Individual Wealth in India in Physical Assets**

Asset Type	Amount (₹ Cr.)	Proportion (%)
Gold	62,53,263	50.96
Real Estate	50,38,978	41.07
Diamond	7,77,084	6.33
Silver	1,95,498	1.59
Platinum	5,678	0.05
<b>Total</b>	<b>1,22,70,501</b>	<b>100.00</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

Individual wealth in Physical Assets stands at `1.22 Lakh Crore. The individual wealth in gold stands at a whopping `62.53 Lakh Crore, showing India's affinity to yellow metal.

Investment in Real Estate stands at `50.38 Lakh Crore,

excluding primary residence. Gold and Real Estate form a bulk of physical wealth in India i.e.92%. In this report we have also added the wealth held by Individuals in Diamond, Silver and Platinum.

**Table 4: Classification of Individual Wealth in India in Key Asset Classes**

Key Asset Classes	Amount (₹ Cr.)	Proportion (%)
Equity	33,76,216	13.12
Debt (including Cash)	1,00,58,558	39.08
Alternative Assets (including Gold and other precious metals and gems) in physical form	72,67,910	28.23
Real Estate	50,38,977	19.58
<b>Total</b>	<b>2,57,41,661</b>	<b>100.00</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

## Future of Indian Individual Wealth

Optimism is back in the economy and many economic indicators show that the worst for the economy is now over (improved IIP, Services have started showing growth). The new government with no fear of the political chains of coalition can take bold decisions which will take the economy on a high growth path. Equity will reap the maximum benefits of this growth with the sensex expected to attain 100,000 levels by 2020. GDP growth rates of 6.5 to 7.5% are expected for the next five years taking the nominal GDP of FY19 to 3.2 Trillion USD from the current 1.8

levels. Also more of the household savings are expected to go to financial instruments and the financial to physical savings ratio is expected to return to the levels seen during the golden years of 2005-08 (45:55) from the current ratio of 36:64. Total Individual Wealth is expected to reach `514 Lakh Crore in FY19 from `257 Lakh Crore in FY14 showing a CAGR of 14.86%. Financial Assets are seen posting a much faster growth than Physical Assets (high equity growth being a major reason for this) which is consistent with the economy embarking on a high growth path.

**Table 6: Individual Wealth Forecast 2019**

Asset Type	FY19 (₹ Cr.)	FY14 (₹ Cr.)	CAGR (%)
Financial	3,16,74,990	1,34,71,160	18.65
Physical	1,97,92,893	1,22,70,504	10.03
<b>Total</b>	<b>5,14,67,883</b>	<b>2,57,41,664</b>	<b>14.86</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

Financial Assets are expected to grow to `316 Lakh Crore at a CAGR of 18.65% riding on the back of equity which is expected to show a CAGR of 33.16%. Equity is expected to increase its share in financial assets from 19.79% to 35%.

Fixed deposits are expected to lose share by 5.2% points. Insurance is expected to remain stable at 16.4%. Financial Assets are seen taking a bigger slice of the pie in FY19.

**Table 7: Projected Financial Wealth - Asset Class Wise Distribution in FY19**

Asset Class	FY14 (₹ Cr.)	FY19 (₹ Cr.)	CAGR (%)
Direct Equity	26,66,202	1,11,61,434	33.16
Insurance	22,12,654	52,17,812	18.72
Fixed Deposits	28,71,764	50,94,547	12.15
Savings Deposits	16,28,628	24,07,439	8.13
Provident Fund	7,36,096	18,63,509	20.41
Cash	13,00,900	18,59,383	7.41
Mutual Funds	3,93,141	12,20,799	25.44
NRI Deposits	6,22,337	11,43,170	12.93
Small Savings	5,78,851	9,10,052	9.47
Current Deposits	3,08,125	3,85,549	4.59
Bonds	67,939	1,55,656	18.03
Pension Funds	48,136	1,19,319	19.91
Alternative Assets	23,728	96,150	32.29
International Assets	12,659	40,170	25.98
<b>Total</b>	<b>1,34,71,160</b>	<b>3,16,74,990</b>	<b>18.65</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5

Physical Assets are expected to grow at a CAGR of 10% to reach `197 Lakh Crore by FY19. Among the wealth held by individuals in Physical assets, wealth held in Platinum and

Diamond are expected to grow faster than the traditional classes-Gold and Real Estate in the next Five Years.

**Table 8: Projected Physical Wealth - Asset Class Wise Distribution in FY19**

Asset	FY19 (₹ Cr.)	FY14 (₹ Cr.)	CAGR (%)
Gold	1,00,48,964	62,53,263	10.0
Real Estate	77,27,275	50,38,981	8.9
Diamond	16,73,127	7,77,084	16.6
Silver	2,98,292	1,95,498	8.9
Platinum	45,236	5,678	51.4
<b>Total</b>	<b>1,97,92,893</b>	<b>1,22,70,504</b>	<b>10.0</b>

Source: Karvy, "India Wealth Report, Dec 2014", Vol 5