

‘India rising in world order with +ve macros’

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Of the 27 countries tracked by Morgan Stanley's Asia strategists, India rose to number 1 from number 6 earlier with relative valuations for the country less extreme than in October 2022.

“Multipolar world-trends are supporting FDI and portfolio flows, with India adding a reform and macro-stability agenda that underpins a strong capex and profit outlook. We see a secular trend toward sustained superior (earnings per share) growth versus emerging markets over the cycle, with a young demographic profile supporting equity inflows,” the report noted.

The bullishness among Morgan Stanley analysts stems from the fact that the economic and market situations in the country are in stark contrast to that in China. “With GDP per capita only \$2.5k (against China's \$12.7k) and positive demographic trends, India is arguably at the start of a long wave boom at the same time as China may be ending one,” states the report.

In India, manufacturing and services PMIs have rallied consistently since the end of Covid restrictions, in contrast to the rapid fade seen in China. Also, “real estate transaction volumes and construction have broken out to the upside. Moreover, India's ability to leverage multipolar world dynamics is a significant advantage.” The analysts also feel that India is benefitting from a surge in inward FDI as companies from US, Taiwan and Japan are looking at its large domestic market. And “India is rising in the world order with significant positive macro and market implications,” the report noted.