

India is a compelling investment opportunity

3rd August

[BUSINESS](#)

[ECONOMY](#)

[FINANCE](#)

[PERSONAL FINANCE](#)

[SCOTLAND](#)



Under prime minister Narendra Modi, the Indian government has implemented key reforms to modernise the economy (Image: PA)

By Ewan Thompson

Share



No Comments

INDIA is often considered to be the most attractive long-term investment opportunity within emerging markets, and arguably among all global markets. It has a powerful demographic story, strong institutions, a vibrant democracy, market-friendly politics, an entrepreneurial **business** culture and huge growth potential.

Indian **markets** have lived up to this promise in recent years, firmly outperforming other major markets in the post-Covid recovery. Since the start of the market's strong run of performance in March 2020, the MSCI India Index has returned 229%, outperforming both developed and emerging markets by significant margins, including the US's S&P 500, and the technology-fuelled Nasdaq.

Preparing for possible return of Trump to the White House

Two important themes – the return of an important investment cycle and India's demographic dividend – are key in driving India's economic ascent and creating further opportunities for investors.

India's future growth hinges on substantial infrastructure development to unlock its potential as a manufacturing hub and transition to an upper-middle-income economy. This includes improving roads, railways, and ports to facilitate domestic and **international** trade, and expanding energy infrastructure to support both industrial and rural needs.

Between 2004 and 2014, India saw a considerable increase in infrastructure investment, soaring from 26% to 36% of gross domestic product (GDP). However, this led to subsequent industrial overcapacity.

Today, factory utilisation rates are high once again, requiring another investment cycle, with infrastructure investment now also on an upswing – albeit this time with more restraint as the Bharatiya Janata Party (BJP) focuses on long-term economic restructuring rather than immediate growth.

The industrial sector could be a key beneficiary of this upswing, and a specific sub-sector is cables and wires. The segment enjoys a large, resilient and growing end market that should benefit from long-term trends such as renewable energy buildout, moving overhead power lines underground and the digitalisation of the economy.

What do the new government's plans mean for your pension?

India's investment landscape offers exciting opportunities as it solidifies its global economic presence. The successful execution of necessary infrastructure projects will be crucial in supporting growth, enabling India to harness its long-term economic potential.

India's population overtook China in 2023 as the largest globally. While both nations have similar total populations, their demographic profiles are distinct. India's median age is 27.6, compared to China's 38. This suggests that India's working-age population will expand significantly, potentially adding 10 million workers annually, contrasting with China's declining workforce.

Urbanisation also differs markedly between the two countries. India remains predominantly rural with lower educational attainment levels, and only one-third of Indians live in cities, compared to over half of Chinese. India must focus on job creation and economic modernisation to harness the power of its youthful and growing workforce.

Under Modi, the Indian government has implemented key reforms to modernise the economy. The Digital India initiative aims to enhance internet access and digital infrastructure, vital for financial inclusion and e-commerce. This digital transformation has boosted the technology start-up ecosystem across sectors including financial services, e-commerce and food delivery, while high-tech manufacturing has experienced a significant uptick, as seen with Apple's growing iPhone production in India.

What will year of global elections mean for investors?

The outlook for domestic Indian growth is therefore exceptional. India remains easily the fastest-growing major global economy, which should translate into Indian **companies** making significantly more profit relative to their global peers.

India's strong recent stock market performance has taken share valuations to a healthy premium to other emerging markets. However, we think this premium is more than justified by higher expected earnings growth.

Since 2020, earnings growth in India has been 47%, compared with 1% for wider emerging markets. Over the next two years, consensus forecasts are for median Indian earnings growth of 16% against a 4% decline for emerging markets – the widest differential since 2010.

We believe India's potential is best captured through selectivity, focusing on areas of the domestic economy that are benefiting from the build out of physical infrastructure, consumer premiumisation, healthcare services and financial inclusion. These profit from both the current investment-led economic upswing and long-term structural forces such as a strong demographic profile and the emergence of a sizeable middle class.

India: an investment opportunity too big to ignore

The scale and pace of India's growth trajectory is potentially transformative on a global level over the next decade and beyond, providing investors with significant investment opportunities.