

POLICY REFORMS ARE CATALYST FOR GROWTH

Modi's agenda is premised on groundbreaking reforms which have gained a stranglehold on India. Each of these measures has a distinct impact on specific segments of the economy, spurring the growth of related businesses and consequently their stock prices. The financial, infrastructure, industrial and consumer discretionary sectors are expected to benefit from Modi's reforms.

"India is taking historic steps. It's a very exciting time for investors"

— The Telegraph, Dec. 2016

Victory at State Elections Boosts Markets

The rupee strengthened and Indian stock markets traded higher following the state elections, putting the widely-tracked Nifty 50 Index on course to a new record high. For the year-to-date period ending August 31, 2017, the benchmark BSE Sensex Index was up 19.58% in Canadian dollar terms¹.

Infrastructure Development Springboards Growth

The 2017-18 fiscal year budget allocated over USD \$59 billion² to a variety of infrastructure projects, including roads, railways, waterways, power generation, and civil aviation. These projects will improve connectivity and movement within India, create jobs, facilitate easier flow of goods and services, and act as a springboard for greater economic activity.

Demonetization to Increase Size of Formal Economy

India's demonetization initiative (the removal of high denomination banknotes) increased the size of the formal economy and broadened financial intermediation in the longer term. It has also resulted in a widening of the tax base, enhanced bank liquidity, and has strengthened the government's overall efforts toward greater financial inclusion.

GST to Simplify Tax Regime, Increase Growth

On July 1, the Goods and Services Tax (GST) replaced 16 individual state and federal taxes³ with a single federal tax. It has simplified the tax regime and made it easier to conduct cross-border business. According to the US Federal Reserve, the implementation of the GST may boost GDP growth by up to 4.2% due to enhanced efficiency.

Digital Highways to Increase Efficiency and Connectivity

Modi's digital revolution is aimed at increasing efficiency and connectivity, and is expected to contribute significantly to India's GDP growth. Currently 1.1 billion Indians have digital identities to make digital payments, thereby transforming India from a mostly cash economy to a digital economy. India has also added over 268 million internet users since 2014⁴; many train stations now provide free WiFi through public-private partnerships; and Digital India aims to connect 250,000 local self-government bodies across Indian villages through broadband penetration.




New Pay Structures Embody Greater Fairness

The implementation of the recommendations of 7th Central Pay Commission on pay and pension benefits for civilians, defense personnel and military nursing personnel introduces greater fairness in pay structures. An Index of Rationalization has been approved for standardizing minimum pay in each Level of the Pay Matrix based on role, responsibility and accountability.

Increasing FDI Supports Markets

The relaxation of foreign investment restrictions has led to increasing Foreign Direct Investment (FDI) in a variety of industries in India, supporting the growth of the market and allowing the INR to maintain its strength. FDI inflows into India jumped 18% to a record USD \$46.4 billion⁵ in 2016.

CONSUMER GOODS AND SERVICES PENETRATION RATE: INDIA, CHINA AND CANADA

	INDIA	CHINA	CANADA
 Cars	1.8%	8.5%	61.8%
 Mobile Phones	33%	56%	79.5%
 Internet	34.8%	55.2%	88.5%

Source: OCIA, Statista, eMarketer, March 31, 2017.

1. Morningstar Direct data, total annualized return in CAD terms, as at August 31, 2017.

2. Bloomberg, Modi to Spend \$59 Billion to Upgrade India's Infrastructure, February 1, 2017.

3. The Economic Times, Which of the existing taxes are proposed to be subsumed under GST?, MAY 10, 2017.

4. The Economic Times, India added 268.9 mn new internet users since 2014, March 6, 2017.

5. LiveMint, FDI inflows into India jump 18% to a record \$46.4 bn in 2016 despite global fall, February 18, 2017.