CIO Vantage Point

Jewels of India and China.

Asian Titans to Lead the Way

India and China, two ancient civilisations turned modern economic marvels. Both poised to gain greater prominence in the decade ahead.

Favourable Macro Tailwinds

Rising income levels, diverse talent pools, and supportive policies highlight the vast untapped potential of the two Asian giants.

Jewels in India and China Equities

India's pharmaceutical, banking, IT services, and consumer staples sectors shine alongside China's digital economy, consumer discretionary, and banking sectors.

New Market Segments to Unearth

Seize opportunities in debt and private asset markets as longstanding macro trends converge.

DBS

Content

INTRODUCTION

Asian Titans

Dear valued clients,

Within a mere 40 years after Deng Xiaoping's economic reforms awakened the "Dragon of the East", China has transformed from an agricultural society to an economic powerhouse. Today, supportive government policies, rapid urbanisation, and strong domestic consumption continue to supercharge its growth. Indeed, China's economic success is one for the history books.

Further south, India is fast gaining steam as the next bright spot. Its wealth of resources and vast talent pool have made it a popular offshoring location for the world's top companies. Bolstered by a burgeoning middle class, India is on track to quadrupling its consumer spending within the next decade, with upward income and social mobility slated to drive future growth across all consumption categories.

With India and China now contributing a quarter of global economic activity and more than a third of the world's population, their growth potential surely cannot be ignored.

In this edition of CIO Vantage Point, we highlight key demographic, economic, and geopolitical drivers to identify winners within these markets, or what we term as the 'Jewels of India and China'.

I hope you enjoy the read.

Hou Wey Fook, CFA
Chief Investment Officer

Jewels of India and China
Snapshot

Introduction

Shine bright like a diamond. Demographic, economic, and geopolitical winds of change bolster China and India's global economic dominance. Parts of India and China's equity, fixed income, and private assets shine so bright that they simply cannot be ignored.

Vast untapped potential

Backed with a wealth of resources and investments, domestic opportunities created for India and China's vast talent pool establish a strong foundation for long-term economic success.

Powered by India's domestic demand

Rising domestic demand underpinned by a young, growing demographic, fuels India's consumer staples sector, while a vast unbanked population and government push for digital banking provides impetus for growth in the banking sector.

India's IT and pharmaceutical tailwinds

Supportive policies and strong investments are set to boost India's pharmaceuticals and IT services sectors. Its domestic IT powerhouses are well positioned to ride on secular growth trends in the global digital economy.

China's resilient digital economy

China accounts for six out of the top 15 most popular social platforms in the world. The track record of the top-five new economy platform companies demonstrated earnings resilience throughout the past decade.

China's new wave of consumers

Rising levels of income and wealth have created a new wave of consumers while the economy's growing ultra-high-net-worth population provides opportunities in wealth management, fueling growth in China's banking sector.

Opportunities in Fixed Income and Private Assets

There are opportunities in local currency debt in India and China as part of a diversified bond portfolio. Vibrant private companies in India and China provide diversity to global private markets.

Crouching Tiger, Hidden Dragon

Goh Jun Yong
Analyst

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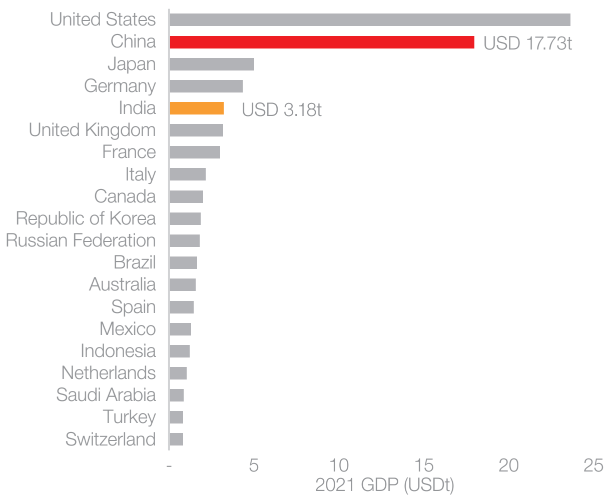
Introduction

Cradles of civilisation. Pioneers of groundbreaking technologies. Modern day economic marvels. These accolades come to mind when we consider - by many metrics - the meteoric rise of India and China. The strength of their economies might have ebbed and flowed over time, but in this decade, they have emerged as two of the most significant players in the global economy, possessing trump cards that make them a force to reckon with.

In this publication, we look into their demographic, economic, and geopolitical drivers, to identify winners within these markets, or what we term, the 'Jewels of India and China'.

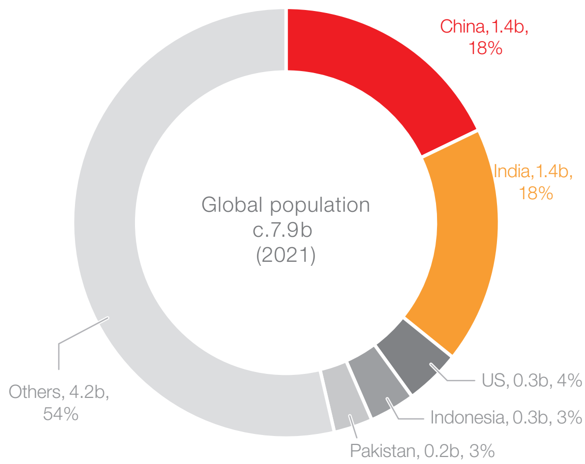
In India, rising domestic demand underpinned by a young, growing demographic, points to the robustness of its *consumer staples sector*, while a vast unbanked population and government push for digital banking underpins the *banking sector's* potential. In addition to its large and fast-growing population, supportive policy tailwinds and a focus on investments to supercharge manufacturing growth are set to boost *India's pharmaceuticals*. A policy push for investments is also likely to benefit *India's vibrant IT services sector*, where its domestic powerhouses are well-positioned to ride on secular growth trends in the global digital economy.

India and China now contribute a quarter of global economic activity…



Source: World Bank, DBS
Note: GDP is expressed in current USD

… and more than a third of the world's population



Source: World Bank, DBS

Although China is seeing signs of slowing population growth and rising manufacturing costs, these are unlikely to dull its shine. Once the world's production factory and now a global economic powerhouse, *China's digital economy* has become a key pillar of its growth, with its sprawling population providing a captive audience. Rising income and wealth levels in China have created a new wave of consumers with both the urge and ability to spend, supporting the rise of *China's consumer discretionary sector*, while the country's growing ultra-high net worth population provides opportunities in wealth management, providing a growth driver in *China's banking sector*.

Beyond these sectors, there are also opportunities to be unearthed in India and China's debt and private asset markets. Several long-standing macro trends appear favourable for debt in both India and China. Although India and China local currency bond markets are still in the early stage of development, we believe bond investors should keep a pulse on these markets for future consideration in alpha generation. Meanwhile, with their vibrant talent pools and innovative culture, India and China are both hosts to thriving ecosystems of emerging technologies and new businesses, and we expect to see the landscape for *private asset investing* in the region develop and flourish in the coming decade.

Overview of India and China

Rise of China: One for the history books. Within a mere forty years after Deng Xiaoping's economic reforms awakened the "Dragon of the East", China has quickly progressed from an agricultural society to the world's factory, and is now one of the wealthiest, most innovative, and technologically advanced nations in the world. Indeed, China's economic success is one for the history books, having achieved superscale growth uplifting a nation of 1.4b through a mix of government policy, capital investment, and productivity gains.

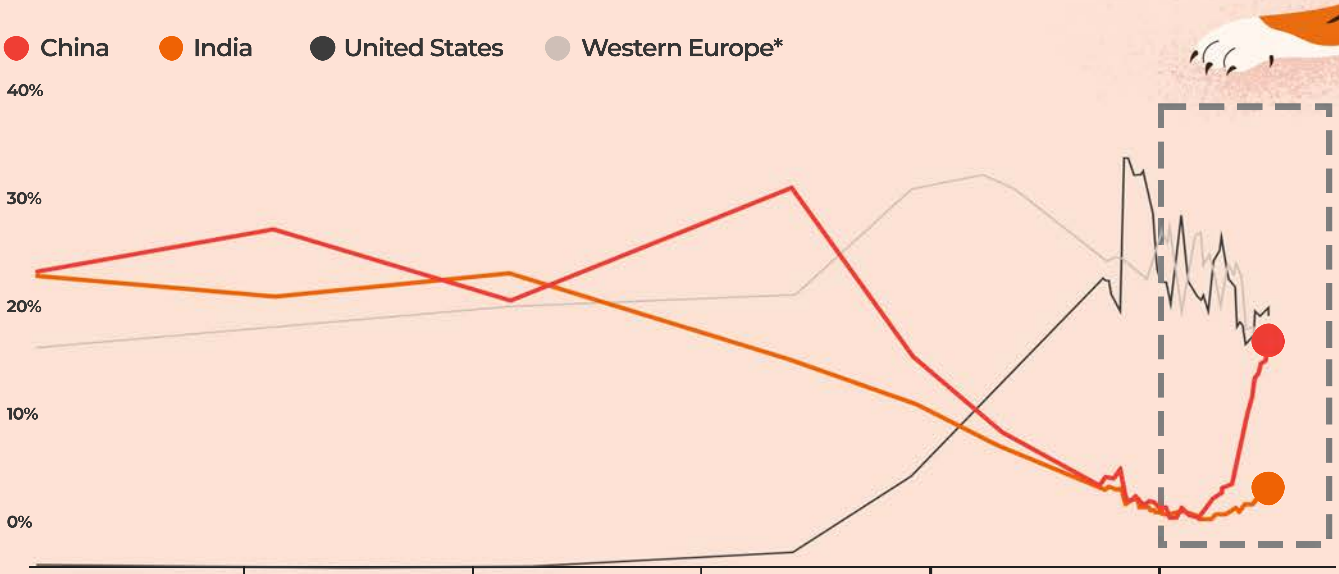
Investment at the heart of China's growth. Since 1978, China's growth has been driven by some of the world's highest investment rates, funded both domestically and by attracting foreign direct investments through its Open Door Policy. These investments have driven physical transformation of modern cities, high speed railways, airports, and ports; and in the process, China has built not just manufacturing muscle, but also a network facilitating movement of its domestic produce, massive labour force, and above all, knowledge and innovation.

An innovation powerhouse. Times are changing. While China's manufacturing engine, powered by its abundant supply of labour, has earned it the envy of the world, the nation today grapples with a dwindling pool of workers, perhaps as a by-product of its One Child Policy.

Crouching Tiger Hidden Dragon

An introduction to China & India

Contribution to global GDP over the years



1500s	1600s	1700s	1800s	1900s	2000s
1500s: Ongoing Ming Dynasty 1526: Start of Mughal Empire	1600: East India Company formed	1757: Beginning of British Conquests in India	1842: First Opium War	1901: Boxer Rebellion 1947: India Independence Act	Present

*Data for Western Europe for 1970 onwards refers to European Union
GDP before 1960 expressed in 1990 International Geary-Khamis dollars; GDP from 1960 expressed in current USD

Contribution to global GDP today

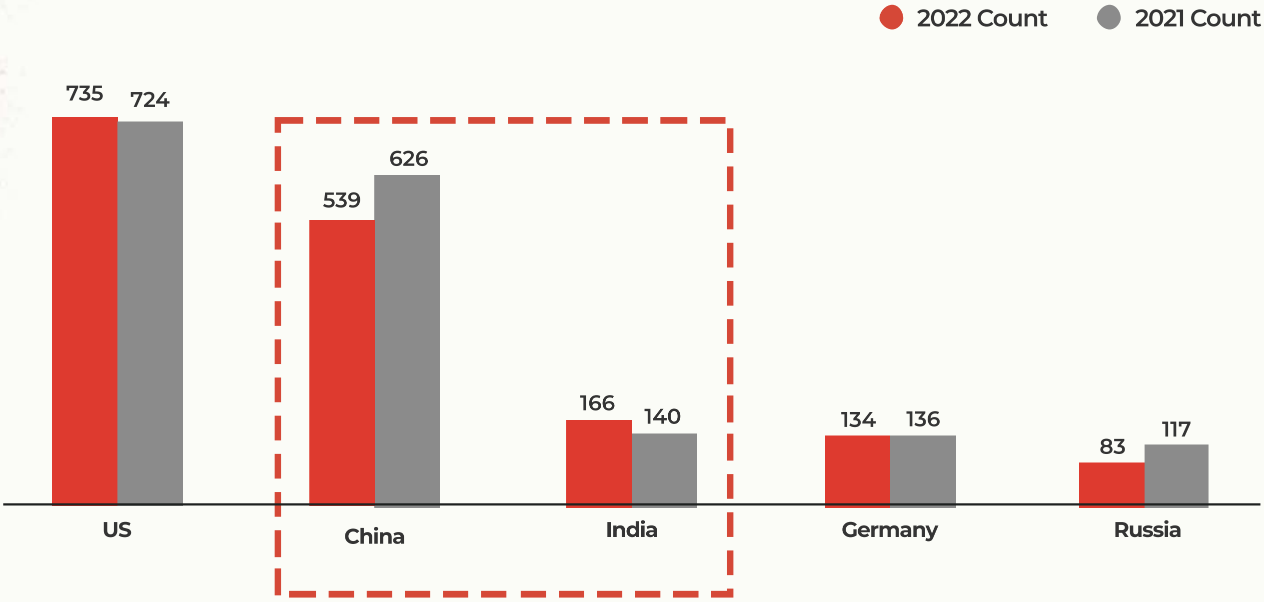
24.2%	United States	23.3t
18.4%	China	17.73t
5.1%	Japan	4.94t
4.4%	Germany	4.26t
3.3%	India	3.18t
3.2%	United Kingdom	3.13t
3.1%	France	2.96t

China and India contribute nearly 1/4 of global economic activity

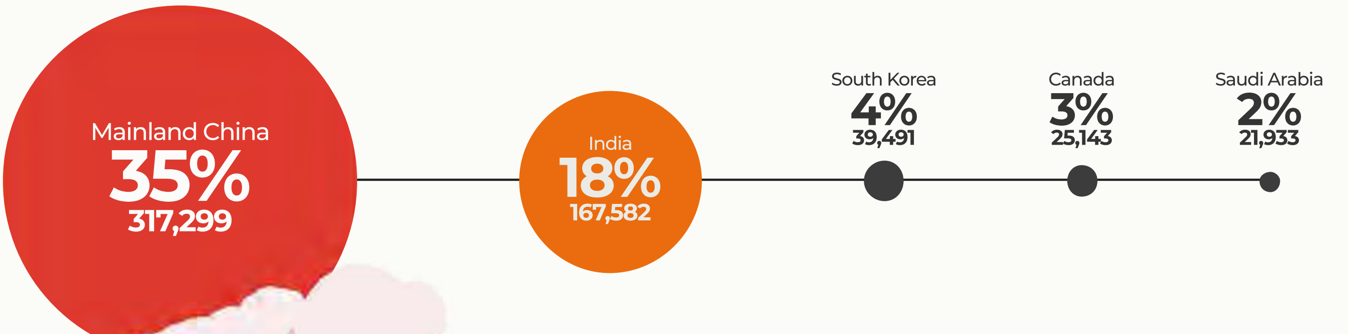
Note: GDP expressed in current USD

Sources: Angus Maddison, DBS, Forbes, Open Doors, Pew Research Center, World Bank

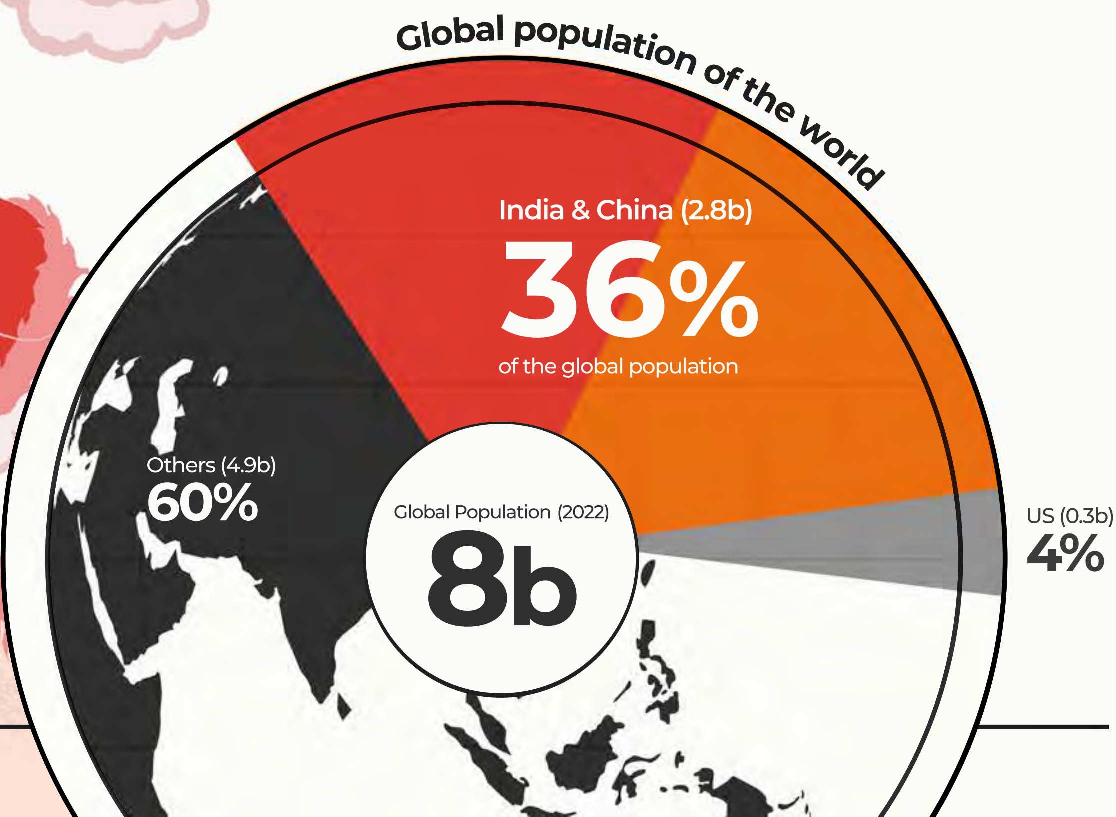
China and India are among the top 3 countries with the most billionaires



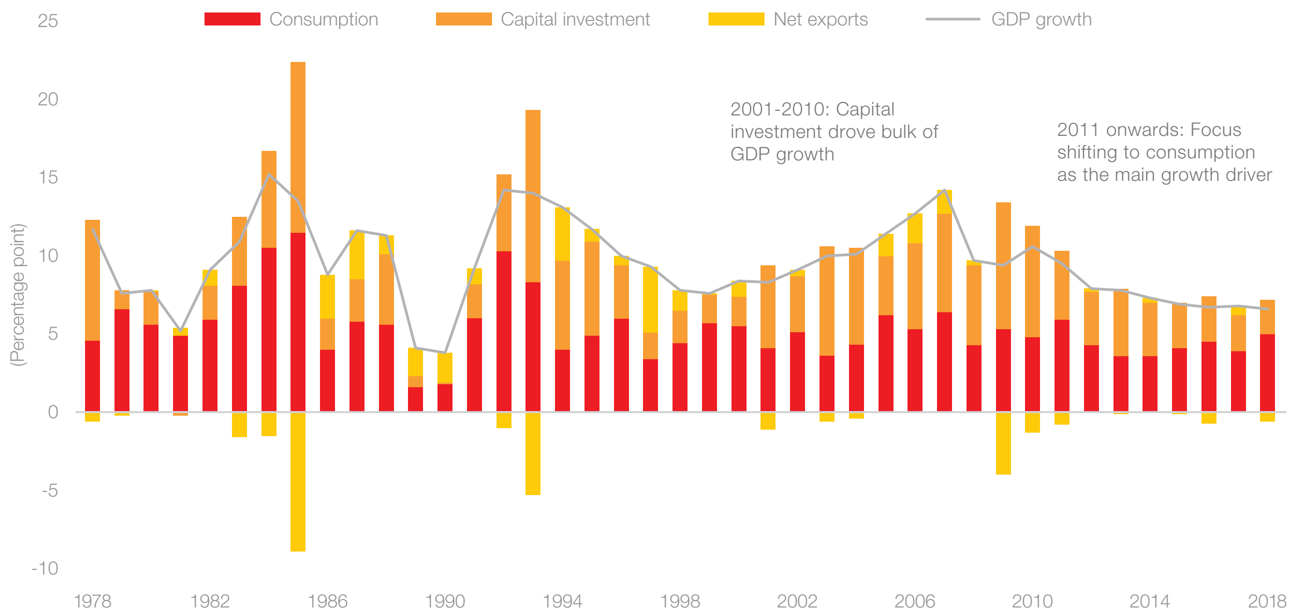
Around a third of all international students studying in the US in the 2020-21 school year were from China



Note : Open Doors treats China, Taiwan, Hongkong and Macau as separate locations in their analysis



Drivers of China's growth story

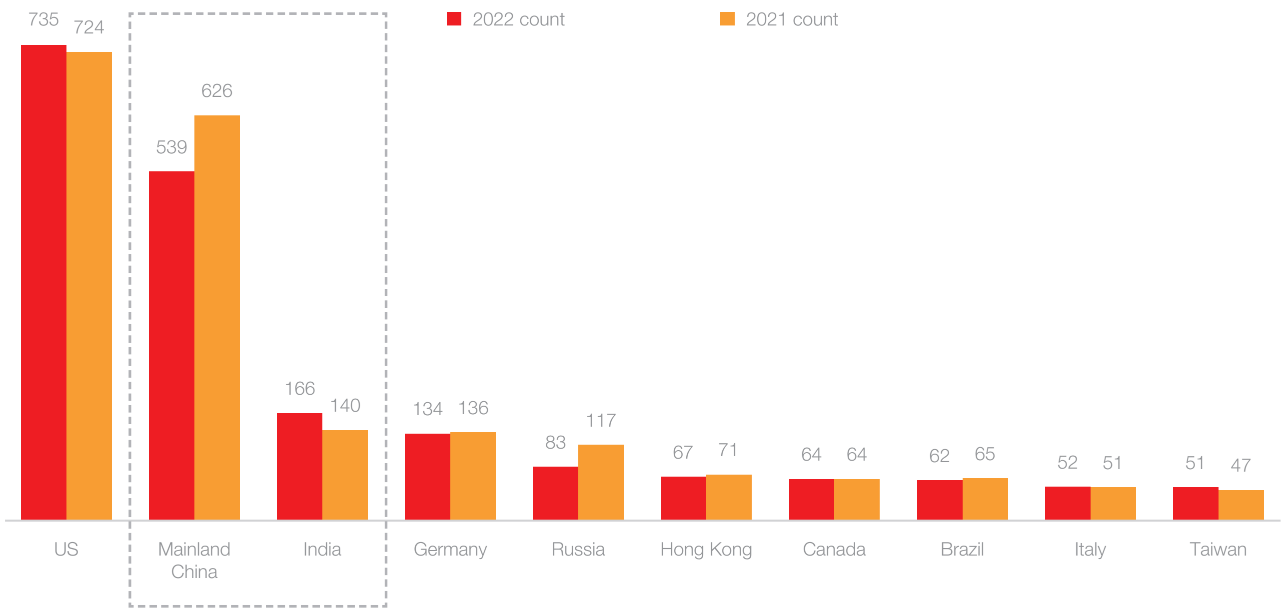


Source: National Bureau of Statistics China, DBS
Data for 1978 to 2000 from China Statistical Yearbook 2008. Data for 2001 onwards from China Statistical Yearbook 2018

With a declining workforce, China can no longer rely on brute force to grow. It needs to lean on innovation to turbocharge productivity. To this end, supportive policies, a cultural emphasis on education, and an innate ability to adapt put it in good stead. The rise of its New Economy sector is testament to this, as is China's strength in emerging fields such as artificial intelligence, quantum computing, and biotechnology.

China's insatiable consumption. After decades of investment-led growth giving it a global lead, climate considerations and market saturation suggest that China's growth is now swinging towards a more consumption-focused model. Rising income and affluence have propelled China's consumption engine to the next level and today, the new age consumers not only have an insatiable urge to spend, but also the power to do so.

Countries and territories with the most billionaires

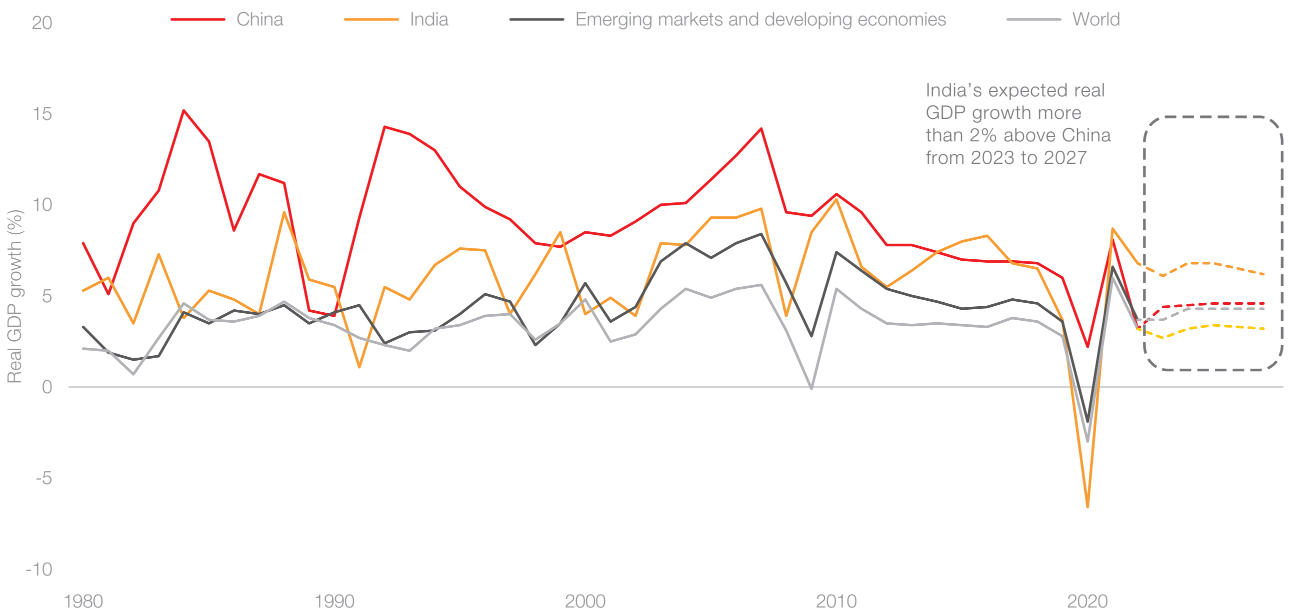


Source: Forbes, DBS

India: The next economic miracle. Despite China possessing a larger economy and population in the past four decades, India is fast gaining steam as the next bright spot alongside its northern neighbour. Today, India has already caught up with China as the world's most populous nation and overtaken many western superpowers to become the world's fifth largest economy. Like China, India also possesses a wealth of resources. Observers expect India to mirror China's success and dominate the global economy in time to come. Although key challenges remain in harnessing the power of India's resources across its diverse melting pot, supportive government policies and the strength of the nation's incredible talent pool nevertheless provide the conditions necessary for India's ascension.

India's demographic windfall. The country's trump card lies with its people. Unlike the ageing and dwindling population of China, a low age-dependency ratio vis-à-vis the rest of the world provides evidence of India's fast-growing and youthful population. This gives India a dual advantage of a massive working-age labour and foundational resource for production, as well as a backbone to support expansion of its resilient domestic consumption.

Asian titans: After three decades, India's growth could surpass that of China's



Source: IMF, DBS
Dotted lines reflect 2022 to 2027 projections which are World Economic Outlook October 2022 estimates

India's thriving tech talent. In India, about 1.5m engineering students graduate each year and this cements the country's reputation as one of the top sources of talent, particularly in technology-related functions all over the world. Notably, India's education system has produced many of the biggest names in the tech world. For example, Microsoft CEO Satya Nadella, Google's Sundar Pichai, and Adobe's Shantaru Narayen all completed their undergraduate studies in India before embarking on their illustrious careers. India's talent is not just powering Silicon Valley – homegrown players such as Tata Consultancy, Infosys, HCL, and Wipro have also emerged as leaders in global tech and are shaping the future of the industry.

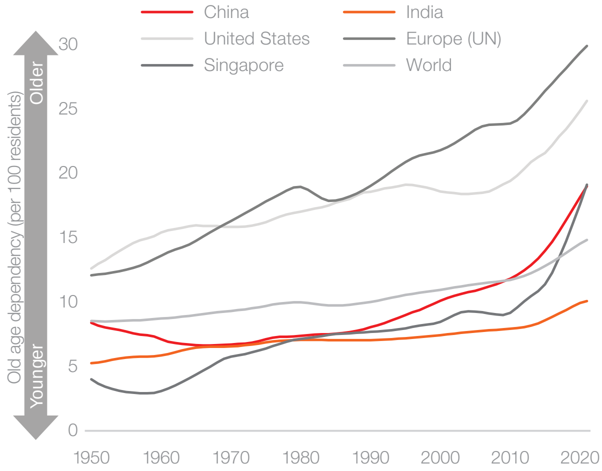
Clockwise from top left: Nikesh Arora (Palo Alto Networks), Shantanu Narayen (Adobe), Satya Nadella (Microsoft), Arvind Krishna (IBM), Roshni Nadar (HCL Technologies), Sundar Pichai (Alphabet)

Nonetheless, there remain issues with availability of opportunities for India's talent. According to ed tech platform Scalar, only 3% of India's engineering graduates manage to secure high quality technical jobs due to a lack of openings. Investments into expanding domestic capabilities will be key to scaling up opportunities for India to harness and retain talent and reap its demographic dividends.

India's consumers buy more and buy better. With rising disposable income, India is on course to quadruple its consumer spending within the next decade, bolstered by a burgeoning middle class, according to a report by the World Economic Forum (WEF). India's new age consumers are richer and more willing to spend than ever before. WEF projections suggest that by 2030, nearly 80% of India's households will be middle-income by 2030, up from c.50% in 2019. While food and other staples form the bulk of India's household consumption today, upward income and social mobility will drive growth across all consumption categories moving forward. Indeed, at least half of incremental consumption is expected to be driven by premiumisation and discretionary spending as the growing middle class goes to town with its newly acquired wealth.

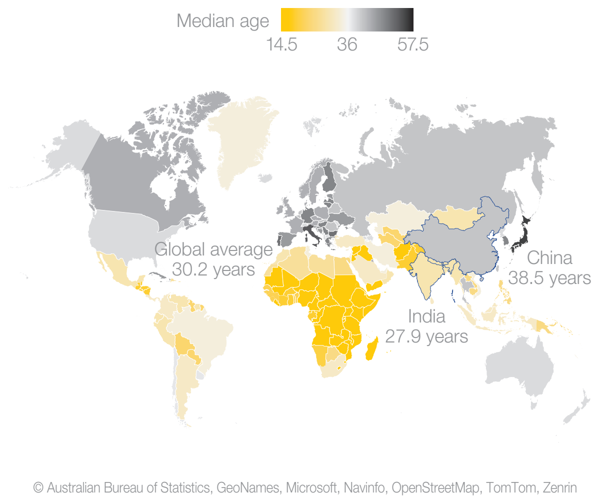
India the offshore centre powering top global companies. Given its vast pool of English speaking skilled labour unmatched by any other low cost countries, India has built a reputation as the top offshoring location for companies and this is demonstrated by its leadership in the Global Services Location Index (GSLI). According to AT Kearney, India currently hosts in-house centres for half of the world's top 500 companies, spanning

India's youthful population could be harnessed as a force for change



Source: World Bank, United Nations Population Division, DBS
Old age dependency is the ratio of people older than 64 to the working-age population (ages 15-64)

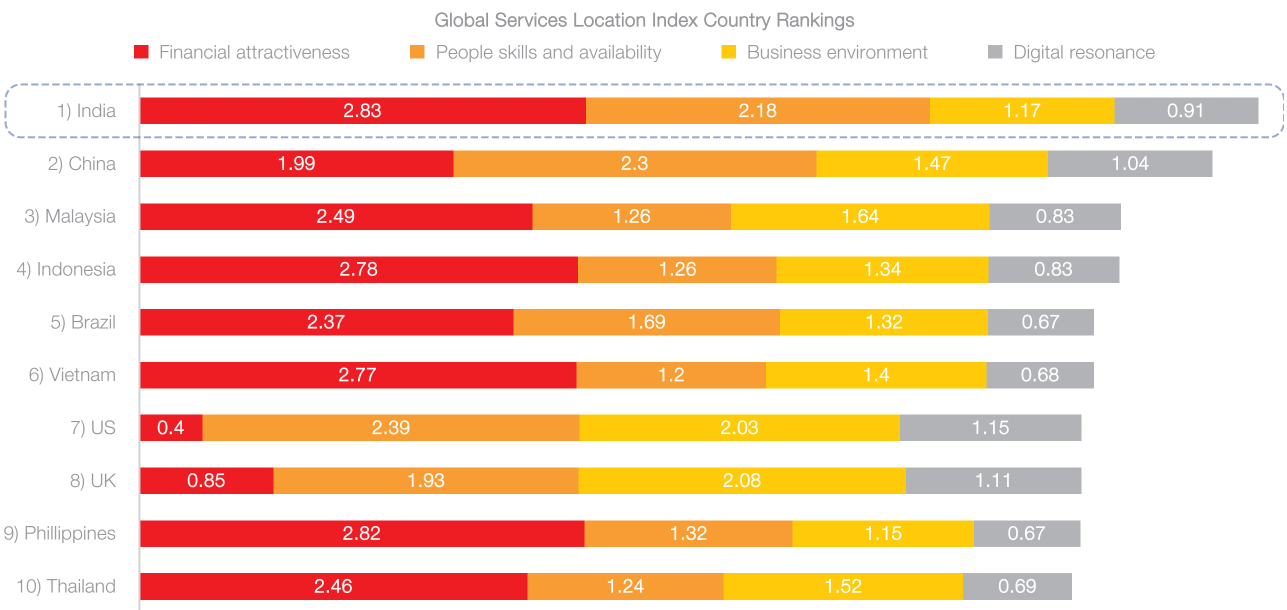
India's population remains younger than the global average



Source: United Nations Population Division, DBS functions such as software development, finance, and customer support. Additionally, several recent developments have enhanced India's attractiveness as the world's back office, for instance: (a) labour market tightness, (b) emergence of remote work, (c) geopolitical tensions, (d) China's rising labour cost, and (e) incentives by India's government to encourage investments and infrastructure. While India's business environment admittedly lags its peers today (as demonstrated by the GSLI breakdown), this merely suggests that there is white space to further elevate India's status as an attractive offshoring destination once business environmental conditions are resolved.

Investment boom needed to power India's next decade. As factors driving India's ascent fall into place, it would not be surprising to see China's investment boom replicated soon. China's tremendous growth over the past four decades was driven by some of the world's highest investment rates, channelled towards harnessing its abundant resources. In contrast, India's growth over this same period was mostly sustained by organic consumption from its large, growing population, while its investment rates have lagged China's.

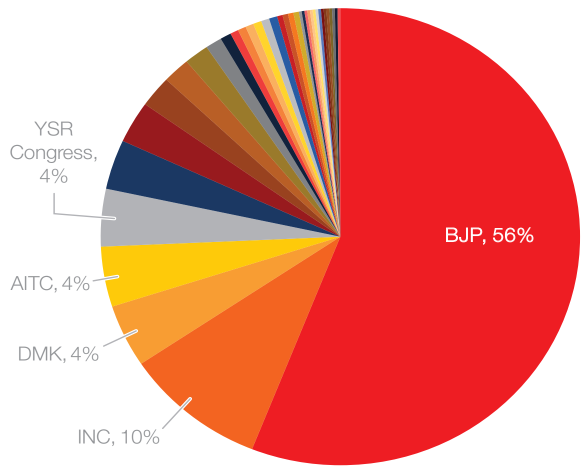
India remains the most attractive offshoring destination for businesses



Source: AT Kearney – 2021 Kearney Global Services Location Index, DBS

This could be linked to India's social and political diversity – as a melting pot of cultures, languages, and ideologies, significant fundamental differences exist between regions, resulting in India's state governments having significant autonomy. India's Lok Sabha (lower house of parliament) comprises representatives from as many as 37 different political parties. While this vibrant democracy lends exciting dynamism to its political climate, it could create challenges in implementation of nationwide projects, policies, and economic reform. In contrast, the Chinese Communist Party's dominance has allowed it to implement nationwide policies efficiently.

A vibrant democracy: India's Lok Sabha comprises representatives from 37 different parties



Source: Lok Sabha, DBS

Demographically diverse: India is the country with the most official languages in the world

Source: World Economic Forum, CIA Factbook, Indy100, InfoPlease

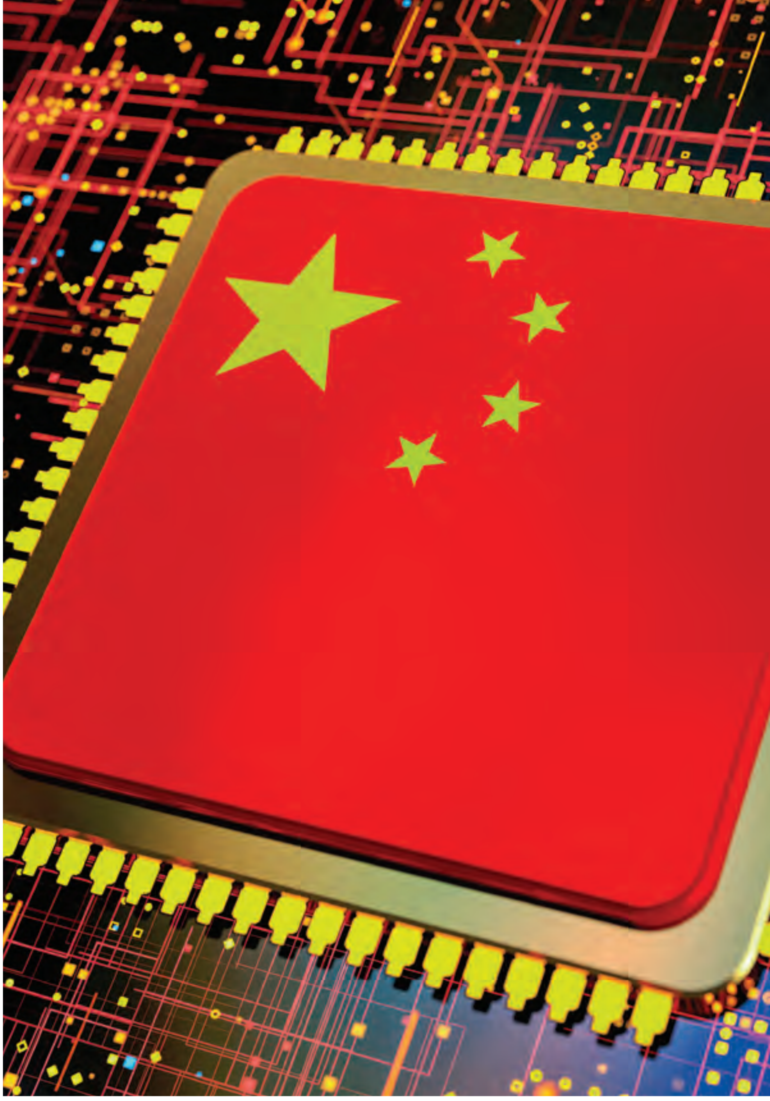
Taking cues from China, supercharging India's growth and building a foundation for long-term success would involve a much stronger emphasis on investments. The country enjoys enviable resources, and investments into productivity and infrastructure would help to harness these resources towards productivity gains, creating domestic opportunities for its vast talent pool, and building a physical network to keep pace with its growth. Acknowledging the multiplier effect of investment and productivity on growth, the government has prioritised building infrastructure and manufacturing capabilities. For example, Modi's flagship "Make in India" programme seeks to galvanise the numerous stakeholders toward boosting exports and creating employment through investment, fostering innovation, and building infrastructure. While there remains an investment gap in India, the success of the programme over

India

Then vs. Now

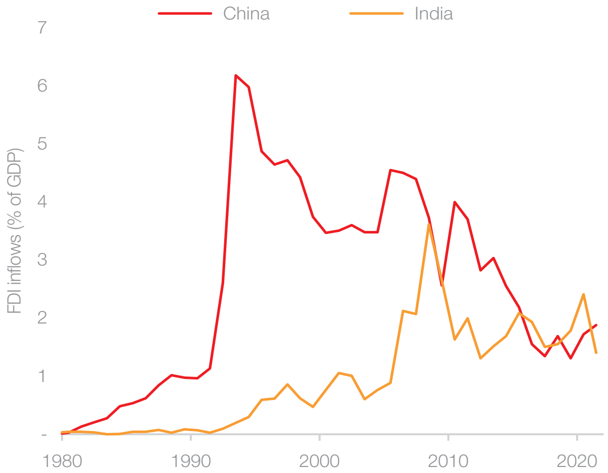
China

Then vs. Now



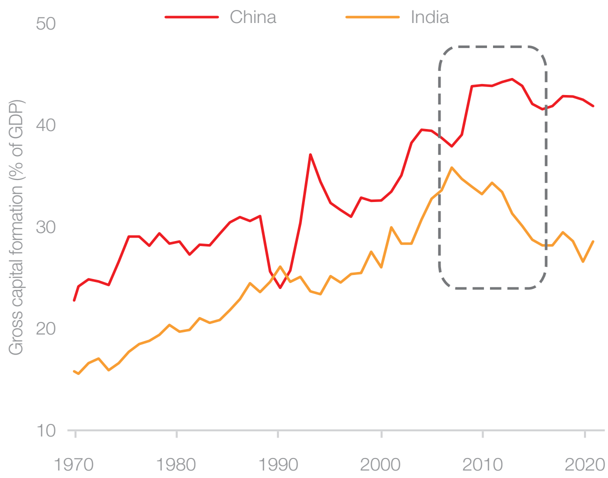
Source: iStock, Alamy

Surge in foreign investments in 1990s propelled China's growth – India to follow, two decades behind?



Source: World Bank, IMF, BOP database, DBS

India's investments lagged in the 2010s



Source: World Bank, DBS

the past decade (in part accentuated by India's role in plugging Russia's gap in the export of metals, machinery, and equipment to the West) could signal that the rise of India has commenced.

The Asian century is here. As demographic, economic, and geopolitical forces suggest that India will soon join China in dominating the global landscape, attractive opportunities abound, warranting a closer look into these markets. In the following sections, we first explore sectoral jewels poised to ride on tailwinds generated from the changing environment within India and China respectively. Next, we source for gems in fixed income amid long-standing macro trends that appear favourable for debt. Lastly, we highlight examples of innovative and valuable private businesses, which suggest that the private markets of India and China hold a wealth of opportunities waiting to be unearthed.

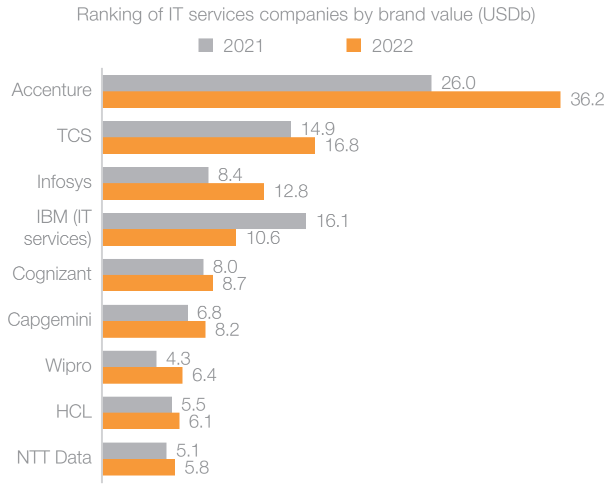
India's Sectoral Jewels

IT services sector – An indispensable fixture in a digital era

Big names on a global stage. As the global digital economy continues its rapid growth, the IT services sector is becoming increasingly indispensable, and India, with its multiple homegrown IT services powerhouses, is set to ride on this secular growth trend. Companies such as Tata Consultancy Services (TCS), Infosys, and Wipro provide a wide range of services from consulting to software development, systems integrations, and cybersecurity. The list goes on. These companies possess vast global operations and are among the top IT services companies in the world in terms of brand value.

Size matters. In terms of size, the IT services sector is also one of the most significant in India. According to the National Association of Software and Services (NASSCOM), revenue from IT services companies in India grew 15.8% y/y to reach USD227b in 2022. For context, this represents approximately 7.1% of India's 2021 GDP of USD3.2t. This percentage is expected to expand as nascent areas of the sector such as Cloud and Edge Computing, IOT, and Software/Platform as a Service, gain mainstream ubiquity and experience further waves of growth in the future.

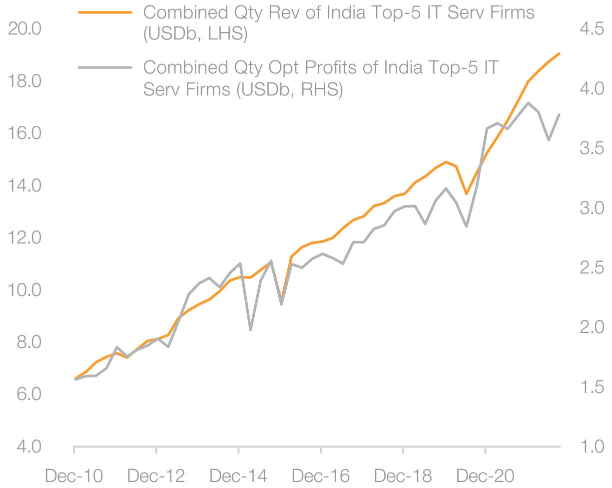
India is home to leaders in IT services sector



Source: Statista

Stellar sales and profit track record. Against the backdrop of ever-increasing scope and scale of IT services, industry players have benefitted tremendously, growing from strength to strength not just operationally but financially too. We conducted a financial analysis of the top-5 IT services companies in India (Tata Consultancy Services, Infosys, Wipro, Tech Mahindra, and HCL Technologies) and found that the collective revenue of these companies grew

Revenue and profit of top-5 IT services companies grew from strength to strength



Source: Bloomberg, DBS

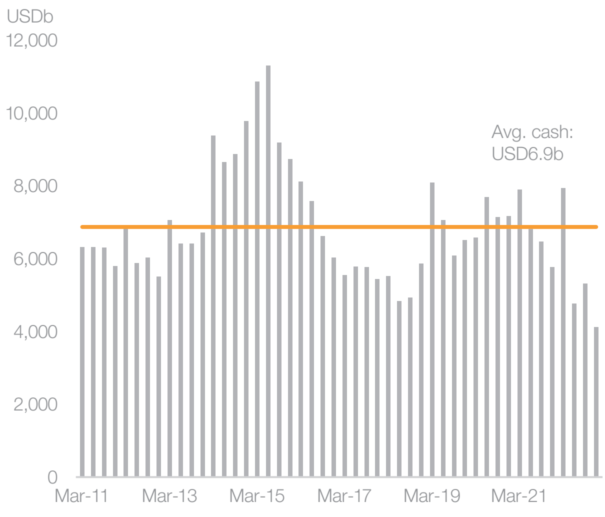
2.9x between 2010 and 2021. Net profits have have followed a similar trend, growing more than 2.4x during the same 10Y period.

Robust capital structure. In addition to a stellar top and bottom line, India's IT services firms companies also possess considerable balance sheet strength; notably, the top-5 firms maintained an average cash balance of USD6.9b over the past 10 years. Such robust cash balances, coupled with low dependency on debt financing, are reminiscent of global "Big Tech" companies. This shows that India's IT services companies can hold their own against the very best in the world.

An additional benefit of sitting on a large war chest is that it allows companies to pursue M&A opportunities and augment their growth trajectory along the way.

A million-strong workforce. The India IT services sector is the backbone of the white-collar work force in India. As of September 2022, the industry is responsible for creating 1.6m direct jobs, and arguably many more if part-time workers and contractors are included. As a result, the sector is deemed as strategically important from a policy standpoint with numerous initiatives implemented over the years to promote its growth (e.g., Software Technology Parks of India scheme, National Policy on Software Products of 2019 etc.).

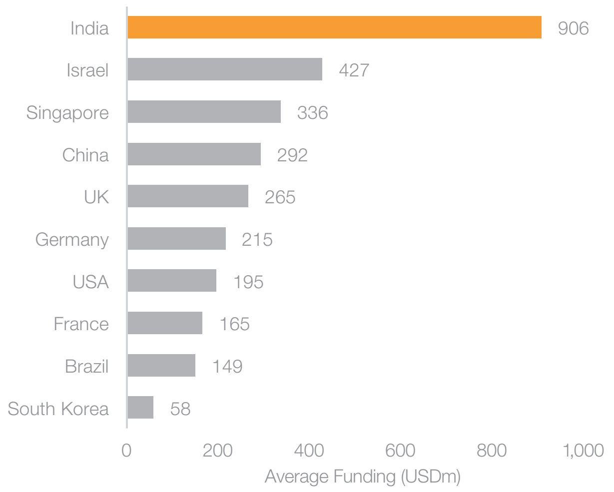
Healthy combined cash balance of top-5 IT services companies



Source: Bloomberg, DBS

Unicorns: The growth drivers of tomorrow. Despite impressive progress seen in India's IT services sector, there is nonetheless still room for growth. This is not surprising considering India is the third largest unicorn hub. According to the India Brand Equity Foundation (IBEF), the country is home to 100 unicorns with a combined valuation of USD332.7b as of 5 May 2022. IT services accounted for the largest proportion of these unicorns, with 13 out of 44 of them coming from the sector. Government policy is also supportive in this area; the Next Generation Incubation Scheme inaugurated in June 2021 has been continuously identifying and supporting promising start-ups in digital transformation. This will build a vibrant software product ecosystem to complement the existing IT services sector.

India's unicorns raised the highest average funding globally

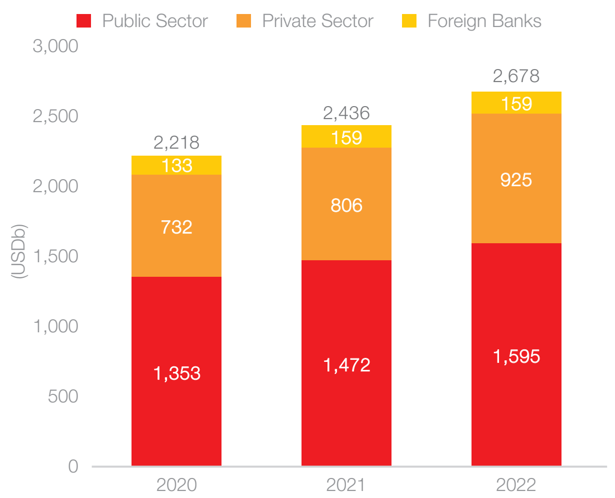


Source: CB Insights, Inc42, Traxcn, Tech Aviv

Banking sector – Vast untapped potential

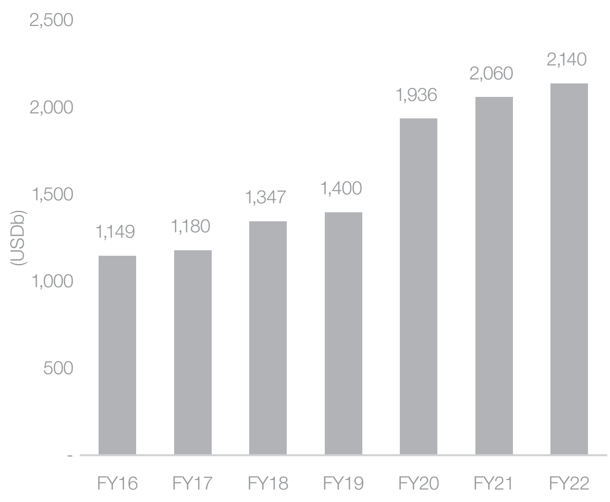
Historically healthy loan and deposit growth. The India banking sector has grown substantially over the past decade. The country's strong economic growth helped to grow middle class wealth and income, which in turn led to rising consumption and demand for credit. Total banking assets grew from USD2.2t in 2020 to USD2.7t in 2022. Meanwhile, savings is on the rise amid rising income. The sector's deposit base expanded from USD1.1t in 2016 to USD2.1t in 2022. This strong deposit base kept the sector's credit deposit ratio at a respectable c.70% and helped to maintain the stability of the industry despite global upheavals. Against this backdrop of steady growth, we expect an increase in demand for both corporate and retail loans, especially in the areas of services, consumer durables, agriculture, and real estate.

Increase in total banking sector assets…



Source: India Brand Equity Foundation (IBEF)

… and corresponding growth in deposits



Source: IBEF

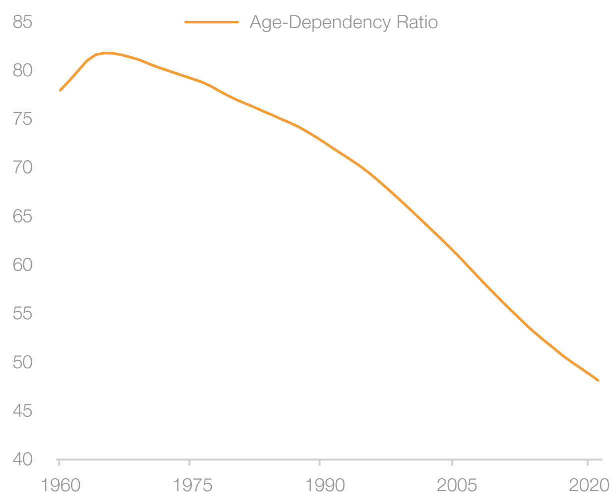
Growing fee income to boost fundamentals. India's demographical shift benefits not only the size of its banking sector, but it also helps to improve its revenue mix. The rising number of high and ultra-high net worth individuals (HNWI and UHNWI) in India will also lead to greater demand for wealth management services and this, in turn, will translate to higher investment fee income for banks.

In addition to the ultra-rich, the proportion of wealthy middle-class people is also growing significantly; by 2030, WEF predicts that 80% of India's population will belong to the middle class, up from around 50% in 2019. This affluent middle-class group will further augment the demand for wealth management services as their disposable income rises.

Demographic and economic tailwinds. While China's domestic consumption is anchored by the strong spending power of its middle class, India is still at an infancy stage in this aspect. But as per capita GDP and disposable income rise in the coming years, the demand for banking services in India will also rise in tandem.

The other driver for banking services growth in India comes from the rise in its working population. The country's age-dependency ratio (which measures the number of dependents per 100 working-age population) is on the decline. World Bank expects the working population to grow by 9.7m per year between 2021 – 2031 and 4.2m per year from 2031 – 2041. Such robust growth will undoubtedly be an additional tailwind for India's banking sector.

Falling dependency ratio and growth of working population

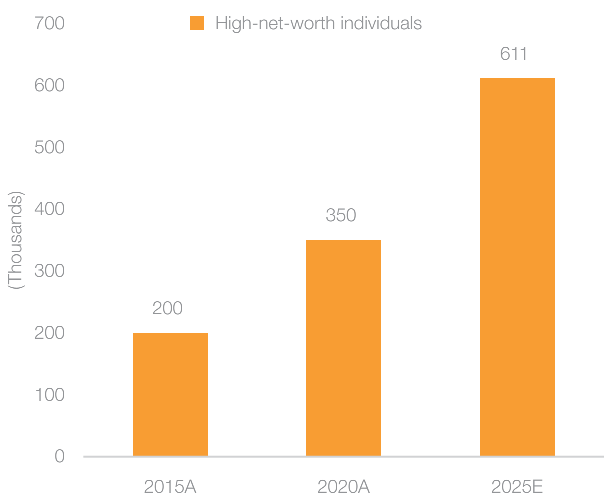


Source: The World Bank, DBS

Government policy support. The second big pillar of growth for India banks is government policy. Programmes such as the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MNREGA), while not directly targeting banking, helped to raise the national rural income, which in turn supported the need for banking services. To wit, the government launched in 2014 a financial inclusion programme known as Pradhan Mantri Jan Dhan Yojana, aimed at expanding affordable access to financial services such as bank accounts, remittances, credit, insurance, and pensions. Under this scheme, 15m bank accounts were opened on inauguration day, and that number has grown to 456m as of 1 Jan 2022.

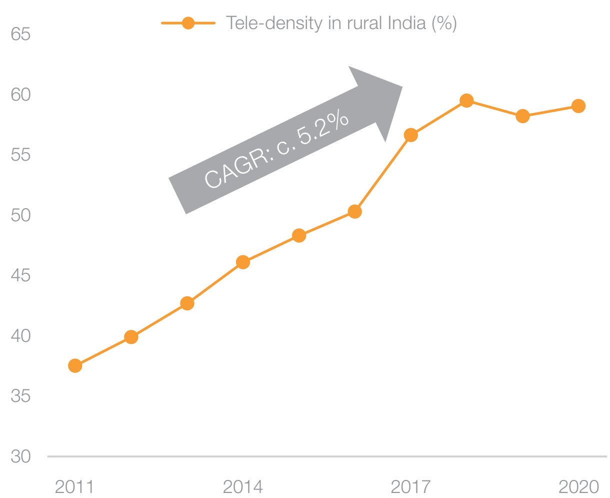
The future of banking is mobile. Digitalisation has permeated all aspects of modern life and banking is no exception. With infrastructure challenges being almost characteristic of rural India, many are envisioning the future of banking to be app-based rather than branch-based as 95% of the rural population in India do not have access to a commercial bank branch. This push towards mobile banking is facilitated by soaring tele-density in India, which rose at a CAGR of c.5.2% from 2011 to 2020. Additionally, the Reserve Bank of India has taken several steps to further facilitate mobile payments by abolishing the former transaction limit of INR50,000, allowing banks to set their own limits. The combination of technological and infrastructure advances, coupled with the government push for digital/cashless banking will have a profound impact on the growth of the sector moving forward.

Growing HNWI population in India



Source: IBEF

Rising tele-density in rural India to facilitate mobile banking boom



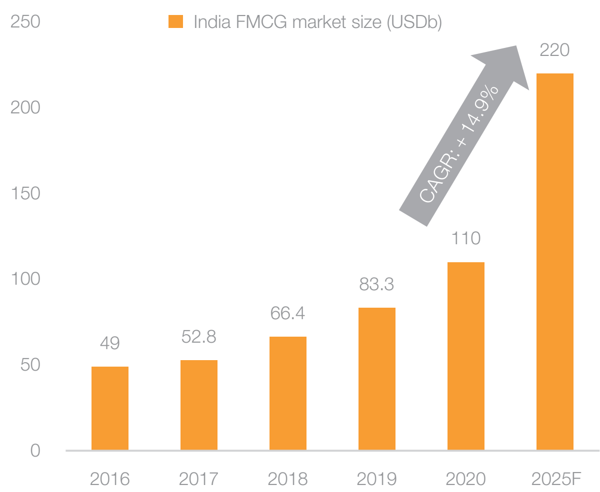
Source: IBEF

Source: iStock

Consumer staples sector – A demographic play

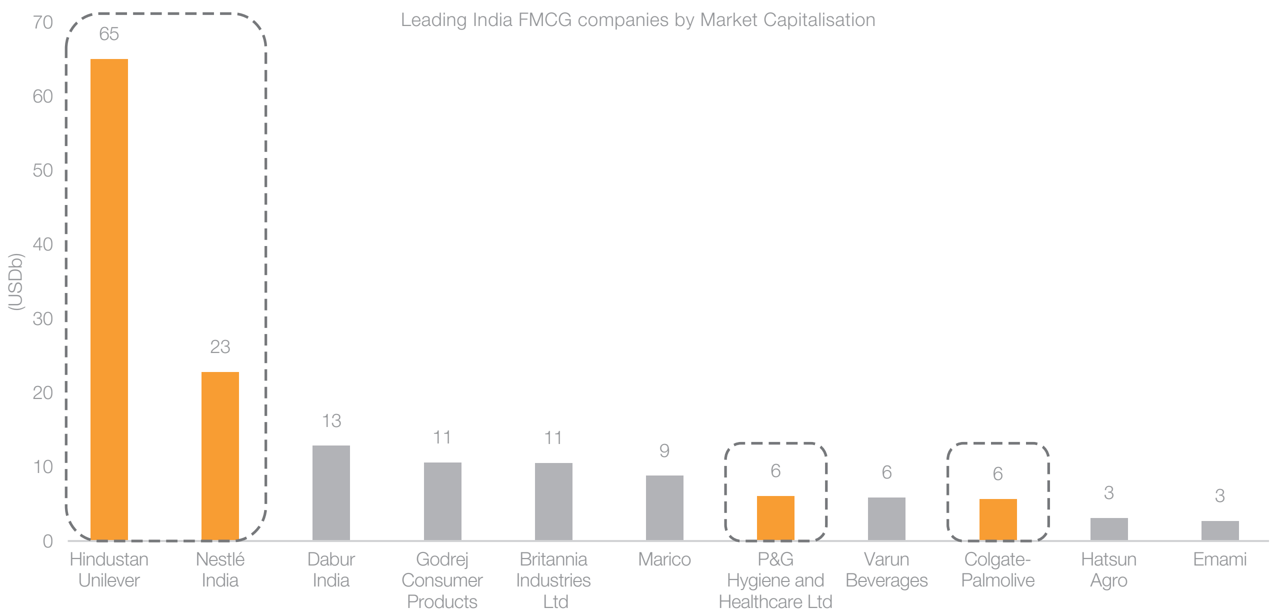
Powered by domestic consumption. As the most populous nation in the world, it is no surprise that demographic factors have been and will continue to be an important growth driver for the consumer staples sector in India. FMCG is the fourth largest sector in India's economy and is so significant that many global FMCG giants have set up subsidiaries in India to tap on the local market. According to Statista, the India consumer staples sector was worth USD110b as at 2020, and is set to grow at a CAGR of 14.9% to double its size (USD220b) by 2025.

Growth of FMCG revenues in India



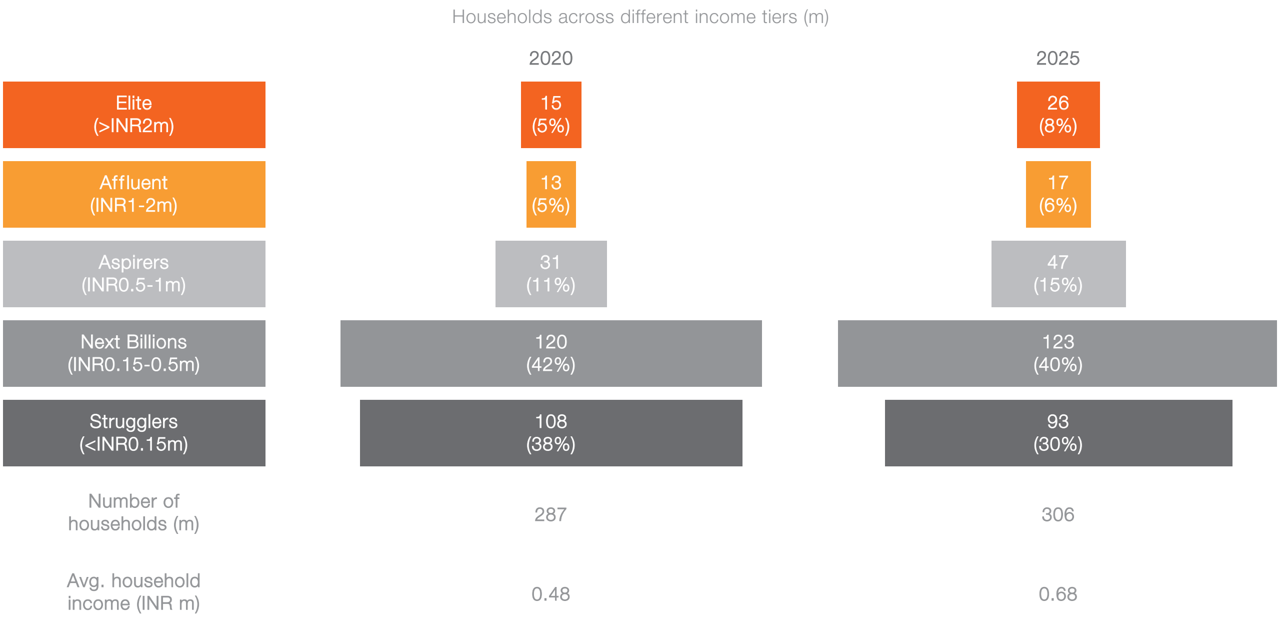
Source: IBEF

Conviction of global FMCG giants in India



Source: Statista

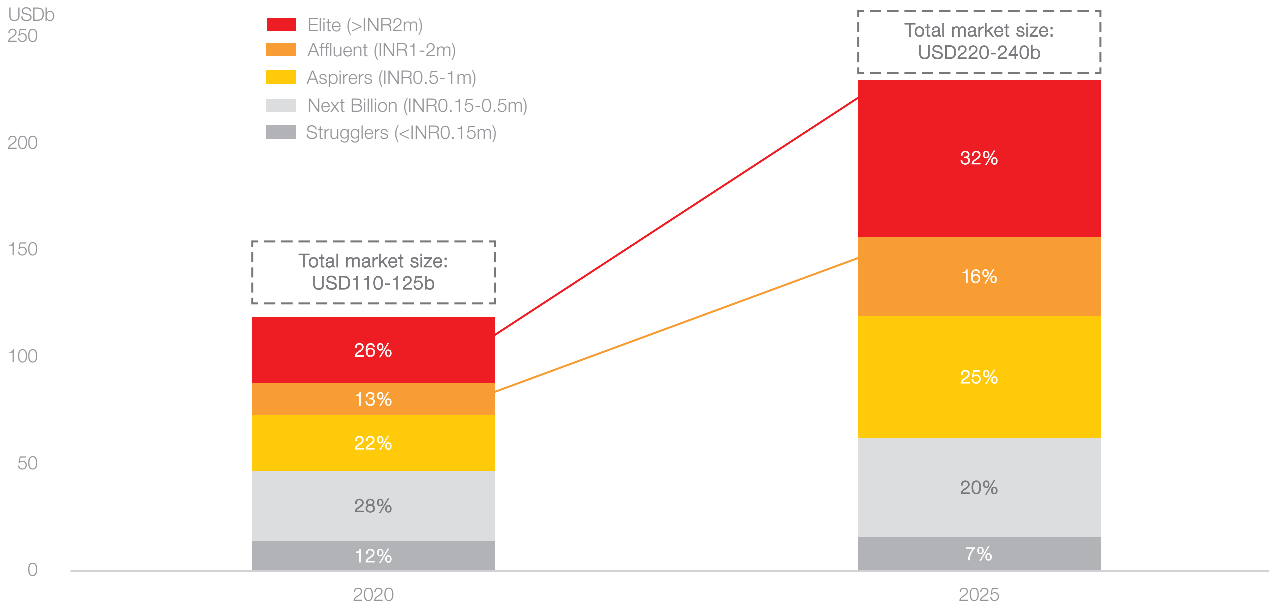
India's households across different income tiers



Source: Indicus income distributions, EuroMonitor, BCG analysis, IRS

Shift towards higher income. As India continues along its path of economic progress, household incomes will increase and drive consumption growth in staples. Average household incomes in India are expected to rise 1.4x, from c.INR0.48m in 2020 to c.INR0.68m in 2025. But beyond just an increase in absolute income, the distribution of income will also change as the tail end (low income) shrinks and the economic pyramid becomes more top-heavy. By 2025, it is projected that 'Strugglers' (i.e. households that make less than INR0.15m annually) will fall from 38% to 30% of the population. Conversely those at the top of the economic food chain, or the 'Elites' and 'Affluents' who make more than INR1m annually, will account for 14% of the population, up from 10% in 2020. This dual-barrelled shift in both absolute income and distribution of income will greatly benefit the end demand for the FMCG industry.

High income tiers to account for c.50% of FMCG spending by 2025



Source: Indicus income distributions, EuroMonitor, BCG analysis, IRS

Just how much more do the rich spend on staples? We have firmly established 'Elites' and 'Affluents' as categories that are set to grow rapidly in India, but just how much incremental demand will they bring to the table? In 2020, these two categories accounted for c.39% of total FMCG consumption, however with the impending growth factored in, it is projected that this figure will jump to nearly half (c.48%) of total consumption in 2025.

Digital influence another major growth driver. As India continues to ride the wave of digitalisation, consumer sectors will benefit. E-commerce will increase accessibility of goods and services, while social media marketing will improve awareness of goods and services. An estimated 150-190m consumers were digitally influenced to spend in FMCG in 2020, spending c.USD40-45b (35%) of the market, and these figures are only expected to grow in the future as mobile penetration rates in India climb from 66.2% in 2022 to almost 88% by 2030, and more citizens conduct their daily activities through mobile platforms.

Fragmented but with room for consolidation. While the size of the FMCG market in India is huge, it also very fragmented. The top-5 players in the retail market in India account for just 5-7% of the market, while the US and UK have their top-5 players accounting for 30-35% and 35-40% of market share respectively. Global FMCG giants such as Unilever and Nestle recognise that such a fragmented market presents opportunity for abnormal profits to be made, and as such have chosen this market to set up onshore subsidiaries; this should in theory create more opportunities for direct FDI and augment future growth prospects for the sector. The fragmented market also provides opportunities for consolidation of market share, which will drive further growth as larger players can achieve greater economies of scale and scope.

India's retail market is more fragmented than other major markets

	US (2021)	UK (2021)	India (2021)
Size of retail market (USDt)	c.3.8	c.0.6	c.0.7
Historical CAGR: 2010 – 2019 (%)	3-4%	0-1%	>10%
Top-5 players' market share	30-35%	35-40%	5-7%

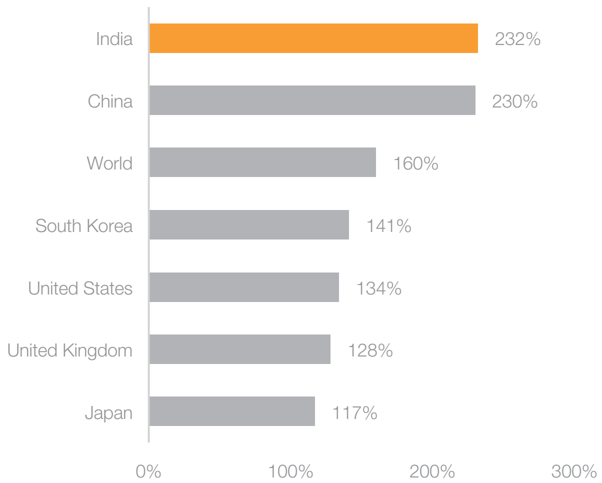
Source: Euromonitor, BCG analysis

Pharmaceutical sector – Regulatory tailwinds abound

Double-digit growth expected over the next 10 years. The pharmaceutical industry is a glimmering gem within India's healthcare sector and is expected to grow 232% from 2017 to 2030. This will be driven by tailwinds including rising incomes, improving healthcare infrastructure, a large and fast-growing population, and crucial support from government policies (e.g. patent laws, push for insurance coverage at a national scale, and supply-side investments).

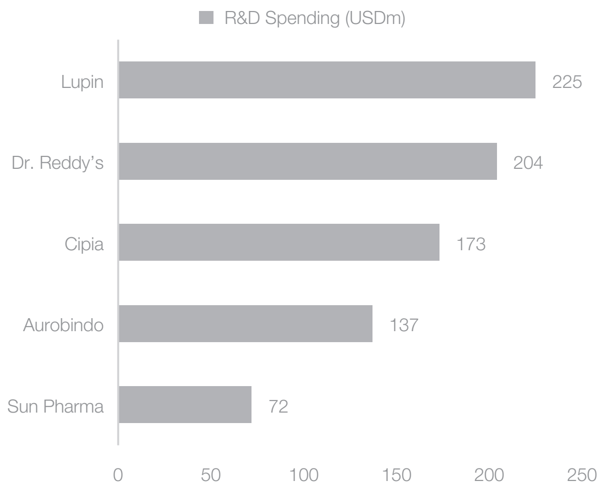
A PLI Scheme beneficiary. India's government approved a product-linked investment (PLI) scheme in February 2021 aimed at enhancing its drug manufacturing capabilities through investment in technology and ultimately create leaders that play a key role in global pharmaceutical value chains. Additionally, the pandemic spurred India's government to support the domestic production of active pharmaceutical ingredients (APIs), key starting materials (KSMs), and drug intermediates (DIs) through this scheme. A total of 19 companies have been approved under the PLI scheme for the domestic manufacturing of critical KSMs/DIs/APIs and have committed USD633.8m of investment in these areas. This investment will be complemented by disbursals from the government of up to a maximum of INR48.7b (USD667.6m). This is a significant amount as it is more than 80% of the total R&D spending of the top-5 India pharmaceutical companies in 2020.

Pharmaceutical sector growth by country: 2017 – 2030



Source: OECD

2020 R&D spending by top-5 India pharmaceutical companies



Source: IBEF, Statista

Generics are the cornerstone of India's pharmaceuticals. Pulling the weight of the industry, generic drugs account for 70% of India's pharmaceuticals market, far exceeding the market share of over-the-counter medicines (21%) and patented drugs (9%), respectively. This is due to two main factors: first, the demand for low-cost drugs (both domestically and globally) is ever-increasing and generics trump patented drugs in this respect; secondly, the regulatory system in India is primed for generics production as patent laws are not as onerous as in other countries.

The process patent – an unfair advantage for generics? During the 1970s, India's government introduced a process patent for pharmaceutical companies to replace a more internationally recognised product patent. This allowed India-based companies to reverse engineer patented drugs under the notion that the process of production was not the same as the one adopted by the originator company. This had an extremely favourable impact on India-based pharmaceutical companies that could develop cheaper versions of patented drugs without paying a license fee to the originator companies. The process patent was eventually abolished to be more compliant with WTO's stance on intellectual property, but generic drug makers in India are still allowed to manufacture drugs that are off-patent or were patented before 1995.

Value of India's Pharmaceutical Exports: 2012 - 2022

Source: IBEF, Statista

Exports to support demand for generics. Greater use of generic drugs in the US and other major markets will sustain demand for this segment and bode well for India drug exports. India currently accounts for 20% of global pharmaceutical exports and 30% of the US's generic drug imports, with exports to the US and other regulated Western markets accounting for over 50% of the country's global medicine exports. It is worth noting that India has the largest number of pharmaceutical units (over 200) located outside the US and approved by the US FDA.

Top Tech Companies in India and China

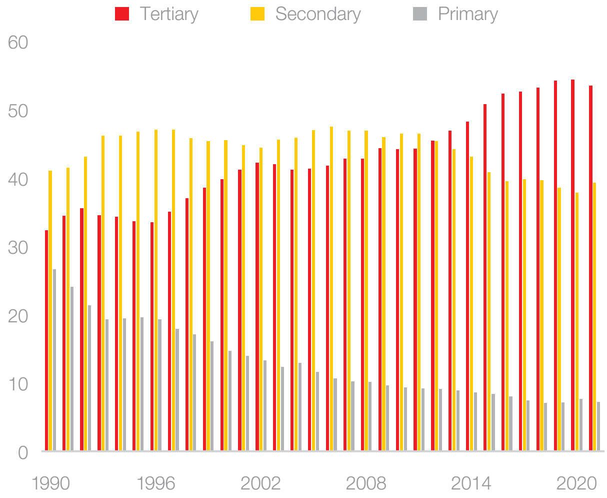
China's Sectoral Jewels

Digital economy – Winning the digital arms race

What is the digital economy? The digital economy, or new economy as it is often referred to, refers to an economy where information and communication technologies (ICT) are used in the production of goods and services. This could entail the use of ICT to transform traditional brick-and-mortar economic activities (production, distribution, management etc.), or the generation of brand-new digital goods and services in their entirety. Some of the more visible and high-profile aspects of the digital economy include digital platforms, big data, cloud computing, IOT, 5G, and artificial intelligence.

A key pillar of China's economy. China's digital economy grew exponentially in the past three decades and has become arguably the most important economic force in the country. According to a white paper published by the China Academy of Information and Communications Technology, the country's digital economy swelled to RMB47.9t or USD7.1t in 2021; this represents a whopping c.40% of the country's national GDP. To better illustrate the rise of China's digital economy, we examined the country's composition of GDP by primary (agriculture), secondary (manufacturing), and tertiary (services) industries over the past 30 years. The share of tertiary industry, which has significant overlaps with the digital economy, has grown from occupying 32.4% of GDP in 1990 to 53.5% in 2021.

China's composition of GDP by primary, secondary, and tertiary industry: 1990 – 2021



Source: Bloomberg, DBS

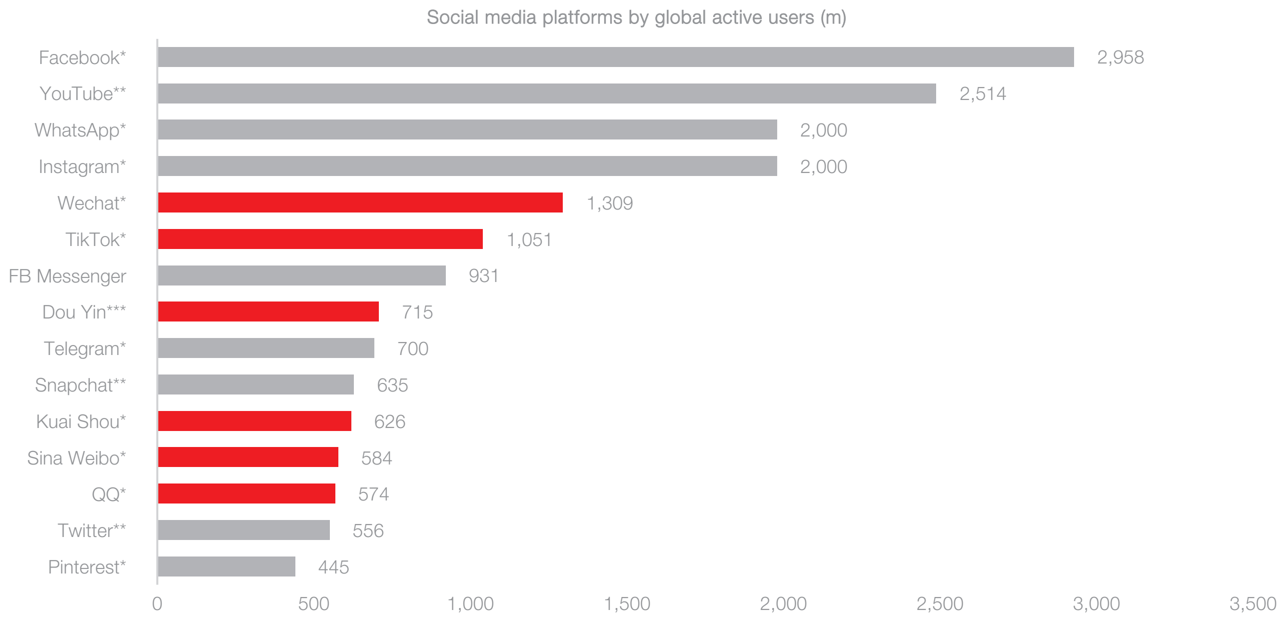
Aided by digital infrastructure. China's meteoric economic rise has been in large part due to fixed asset investment in the country over the past half century. And part of this investment, especially in the past two decades, has been focused on building digital infrastructure. The number of 5G bases in China stood at 1.4m with more than 500m 5G users tapping on that infrastructure as at March 2022. China sports one of the world's largest and most advance network facilities, and a correspondingly large user base to boot. It is predicted that China will be responsible for approximately 30% of the world's total data volume by 2025.

A key focus in its next Five-Year plan. The 14th Five-Year plan (2021 – 2025) of the country revealed that the digital economy will be one of its key pillars in its national development strategy; specifically, the plan details a roadmap and various incentives to build capabilities and expertise in the areas such as sensors, quantum information, communications, integrated circuits (design and production), and other new technologies like 6G. Some of the initiatives that have been undertaken by the Chinese government thus far to develop its digital economy include:

- January 2022: Fintech Development Plan for 2022 – 2025
- February 2022: "Eastern Data, Western Computing" initiative aimed at addressing supply-demand imbalances in computing capacity
- July 2022: Cyberspace Administration of China requirements for cross-border data transfer security reviews
- September 2022: New state-backed blockchain infrastructure Blockchain-based Service Network

China's digital platforms are among the best in class. The largest digital platforms in the world originate in the US, however, China's platforms are no slouches. At just over 1.3b monthly active users as at Jan 2023, Wechat ranks as the fifth most used social platform in the world, with TikTok and Dou Yin following closely behind at 1.1b and 0.7b monthly active users respectively. China accounts for six out of the top 15 most popular social platforms in the world.

China features prominently among world's most used social platforms



* Company announcements of monthly active users. ** Platforms' self-service advertising resources
*** Figures from ANALYSYS.CN
Source: DataReportal

Sprawling ecosystem of social networks with captive audiences. But beyond active users, China platform companies have something that Western platforms simply do not have access to; a large captive domestic audience who have limited options in terms of alternative overseas platforms unless they have access to virtual private network (VPN) services. The lack of alternative avenues in China means that the theoretical utilisation rate of Chinese platforms (as a percentage of the country's population) will be much higher than its western counterparts, thereby resulting in stronger network effects and prohibitive switching costs. The result of this unique set of circumstances has led to the explosion of platform enterprises in the country as can be seen in the table below.

List of select China platform companies and applications

Company	App Name	Type	Reference
Alibaba (China) Co.,Ltd.	Taobao	Integrated Platform	Amazon
	Taobao Mall	Integrated Platform	Amazon
	Goofish	E-commerce	Poshmark
	Alipay	Finance	PayPal
	Amap	Map	Google Maps
	Youku	Video	Youtube
	Freshippo	E-commerce	Amazon Fresh
	Ele.me	Takeaway	-
	UCWeb	Browser	Google Chrome
	DingTalk	Work	Teams/Zoom
Beijing 58 Information Technology Co., Ltd.	58	Integrated Platform	Craigslist
Beijing Baidu Netcom Science and Technology Co., Ltd.	Baidu	Mobile Search	Google
	Baidu Maps	Map	Google Maps
	Baidu Tieba	Social	Reddit

Source: Various, DBS

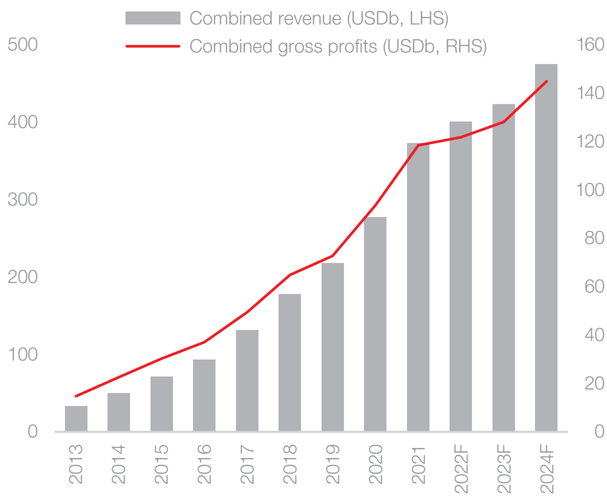
Company	App Name	Type	Reference
Beijing Dangdang Information Technology Co., Ltd.	Dangdang	Integrated Platform	Amazon books
Beijing Douyin Information Service Co., Ltd.	TikTok	Short Video	-
	Toutiao	Information	BuzzFeed
Beijing Express Hand Technology Co., Ltd.	Kuaishou	Short Video	TikTok
Beijing Weimeng Chuangke Network Technology Co., Ltd	Weibo	Social	Facebook
Beijing Xiaoju Technology Co., Ltd.	DiDi	Ride-hailing	Uber
Hangzhou Beigou Science And Technology Co., Ltd.	Ubei	E-commerce	BabyCenter
KE Holdings Inc	Beike	Real estate	Zillow
Pinduoduo Inc.	Pinduoduo	Integrated Platform	Temu
Shanghai Ctrip Commerce Co., Ltd.	Ctrip	Integrated Platform	Booking
	Qunar	Integrated Platform	Booking
Shanghai Magic Electric Information Technology Co., Ltd	Bilibili	Video	Crunchyroll

Source: Various, DBS

Company	App Name	Type	Reference
Shenzhen Tencent Computer System Co., Ltd	Wechat	Social	Whatsapp
	QQ	Social	MSN
	Sougou	Input method	-
	WeTV	Video	Youtube
	Kugou	Music	Spotify
	QQ Music	Music	Spotify
	QQ Browser	Browser	Google Chrome
	Tencent Mobile Manager	Network Security	-
	Tencent Appstore	App Store	Apple App Store, Google Play Store
	Kuwo	Music	Spotify
	QQ Yuedu	Ebook	-
	Enterprise WeChat	Work	Teams/Zoom
Xingin Information Technology (Shanghai) Co., Ltd.	Xiaohongshu	Social	Instagram

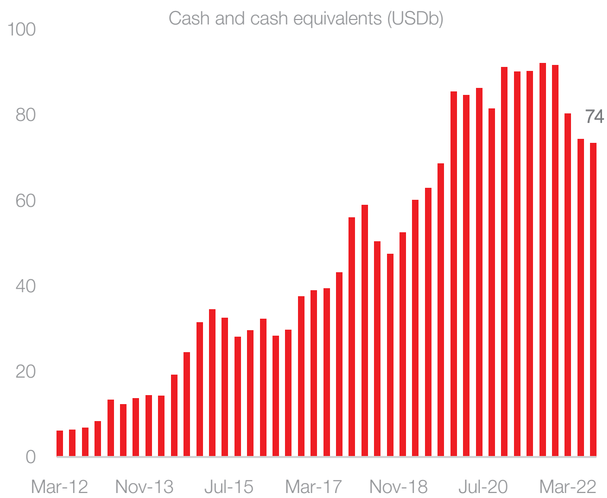
Source: Various, DBS

Robust revenue and profits from Top-5 China platform companies…



Source: Bloomberg, DBS

…and sizeable war chest for potential M&A and R&D spending



Source: Bloomberg, DBS

Ever-growing potential for monetisation. The track record of the top-five new economy platform companies with at least 10 years of listing status (Alibaba, Tencent, Baidu, JD, and NetEase) have demonstrated revenue and earnings resilience throughout the past decade. The combined revenue and gross profits of said companies have grown at a CAGR of 35.3% and 29.7% respectively from 2013 – 2021. They have also shown remarkable balance sheet strength, with aggregated net cash of the five companies amounting to c.USD74b. This provides a strong war chest for accretive M&A and R&D activities. The combination of robust and unique fundamental tailwinds, coupled with a strong financial track record show why China's digital economy is truly a jewel in Asia.

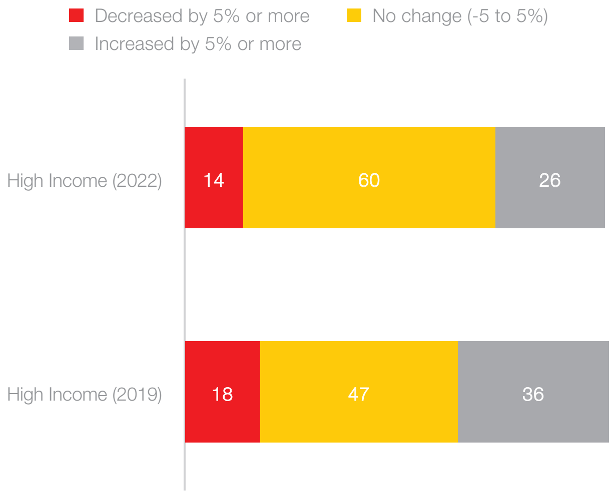
Source: iStock

Consumer discretionary sector – Multiple dimensions of growth

A large and diverse market. China's consumer discretionary market is one of the world's largest, with an estimated size of approximately USD8.4t in 2022, according to Oxford Economics. The market is highly diversified, encompassing a myriad of industries such as retail, e-commerce, leisure, and entertainment. Since the Covid-19 pandemic, e-commerce has become the fastest growing segment within the consumer discretionary market, with a penetration rate of over 50% among Internet users. This is also driven by rapid urbanisation and a rising middle class, with an estimated composition of 400m people by 2025. As China enters a post-pandemic era, it is prudent to keep a watchful eye over how these trends, bolstered by government support in encouraging domestic consumption and tourism, will play out in time to come.

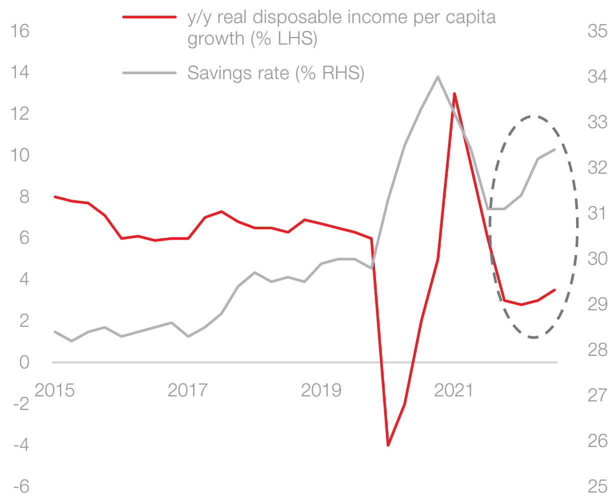
Premiumisation maintains trajectory. According to data collected by McKinsey, China's high-income consumers (RMB345,000 and above) have been increasing their spending over the years, trading up to purchase higher-end products and brands that complement a more luxurious lifestyle in the domains of skincare, low-alcohol flavoured beverages, and more. Consumers in the high income and upper-middle income groups are less likely to cut their spending over time; 14% of high-income consumers said that they cut spending in 2022 compared to 18% in 2019. On the other hand, omnichannel retailers present a new alternative to a burgeoning upper-middle income population. Lower-income consumers meanwhile, are adjusting by switching to cheaper channels, such as community or group-buying e-commerce platforms when searching and purchasing products in most categories.

High income consumers are less likely to cut spending



Source: McKinsey Global Institute

Elevated savings rate and rebounding income growth bodes well for consumption



Source: Goldman Sachs Investment Strategy Group

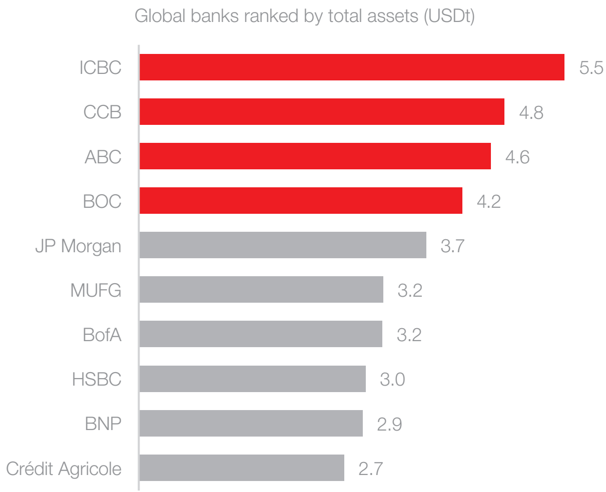
New methods of outreach. Livestream channels hosted on platforms such as Douyin are gaining popularity, with surveys revealing that 60% of Chinese consumers interact at least once a day with such channels and spend an average of nearly two hours per day watching short-video platforms. The extensive reach of Douyin, hosting 671m users in 2021 is driving massive growth in its strength as both a social media platform and a shopping channel. The confluence of an interactive user experience, accessible content-based product information, and Key Opinion Leaders (KOLs) specialising in hosting on such platforms are driving sales for popular categories such as skincare and apparel.

Riding China's wave of consumption-led growth. While China's reopening continues to unfold and economic activity is not yet back in full swing, we hold the view that an economic recovery in a post Covid-zero environment will create a rebound of opportunity. Despite slowing real disposable income growth, household savings remain persistent and elevated. Pent-up demand, excess savings, and an improving labour market are key signals of economic recovery, further bolstered by continued policy support from the government.

Banking sector – A diverse and sprawling landscape

Largest and most well-capitalised banks in the world. When China's banking sector was first liberalised in 1978, its main purpose was to finance and support economic development and state projects, and it did so mainly through five policy banks, namely: the Bank of China (BOC), Bank of Communications (BOCOM), Industrial and

Chinese banks are the largest in the world by asset size…

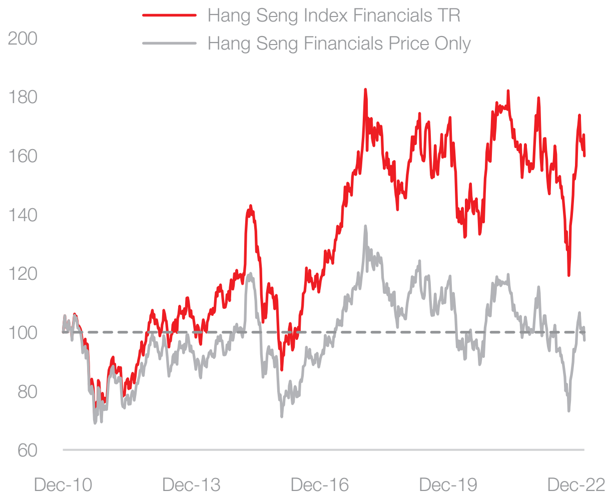


Source: Statista

Commercial Bank of China (ICBC), Agricultural Bank of China (ABC), and China Construction Bank (CCB). While these banks retain some of their original function of being the government's agents of influence in the financial sector, they have also gone on to become some of the largest and most prominent financial institutions in the world. These five policy banks are now consistently top-10 globally in terms of asset size. In addition to their impressive size, China banks are also among the most well-capitalised in the world, with a combined Tier 1 capital of USD3.38t, which is more than double that of US banks.

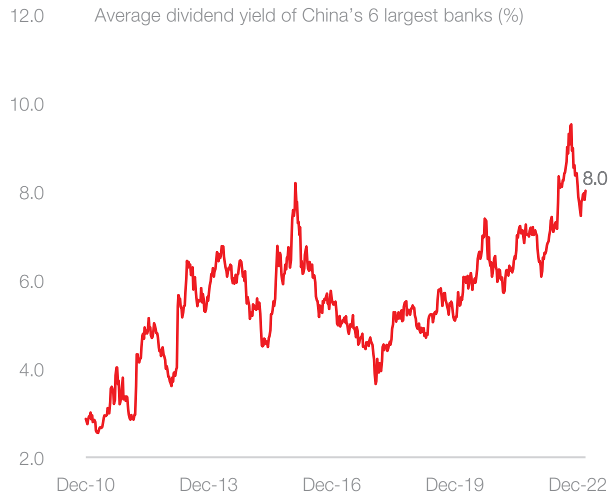
Healthy loan growth and stable NPL ratio over time. The bread and butter of the banking sector is lending, and China has seen robust loan growth in the past decade, driven by strong economic growth

China banks provide consistent and attractive dividends



Source: Bloomberg, DBS

Attractive dividend yield of c.8%



Source: Bloomberg, DBS

and high rates of capital investment. As at June 2022, combined yuan and foreign currency loans amounted to RMB212.3t (USD31t), up 10.8% y/y. While growing loan volumes, the China banking sector managed to keep its non-performing loan (NPL) ratio relatively stable at an average of c.1.5% over the past 10 years. The large policy banks, given their strong balance sheets and higher loan loss provisions, have even lower NPL ratios.

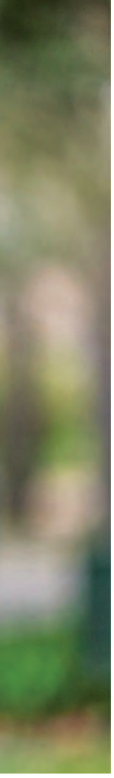
Wealth management to augment the sector's growth. China's growth may have slowed compared to the past decade, but the country's wealth continues to rise rapidly. China is home to an eye-watering 539 billionaires in 2022 and is second only to the US. Its population of UHNWI with a minimum net worth of USD30m, has also grown to 51,145 in 2H22 according to the World Ultra Wealth Report, defying the wider global trend declining UHNWIs last year. This increase in wealth will see a growing need for private banking and wealth management services domestically. Joint-stock commercial banks, which have enhanced their wealth management capabilities in recent years, have been taking over an increasing proportion of the total wealth management business in the country.

Attractive dividend yields. In addition to a strong demographic backdrop, stable asset quality, and growing loan volume, we favour the China banking sector because of the attractive dividends that it pays. Looking at the Hang Seng Financials Index, which has China banks among its main constituents, we can see that a large proportion of its total return over the past 12 years has come from dividends. Additionally, if we look at the top-6 state-owned enterprise banks, we see that they have averaged a very respectable dividend yield of 7.8% over the same period.









The Rise of New Age Consumers in India & China

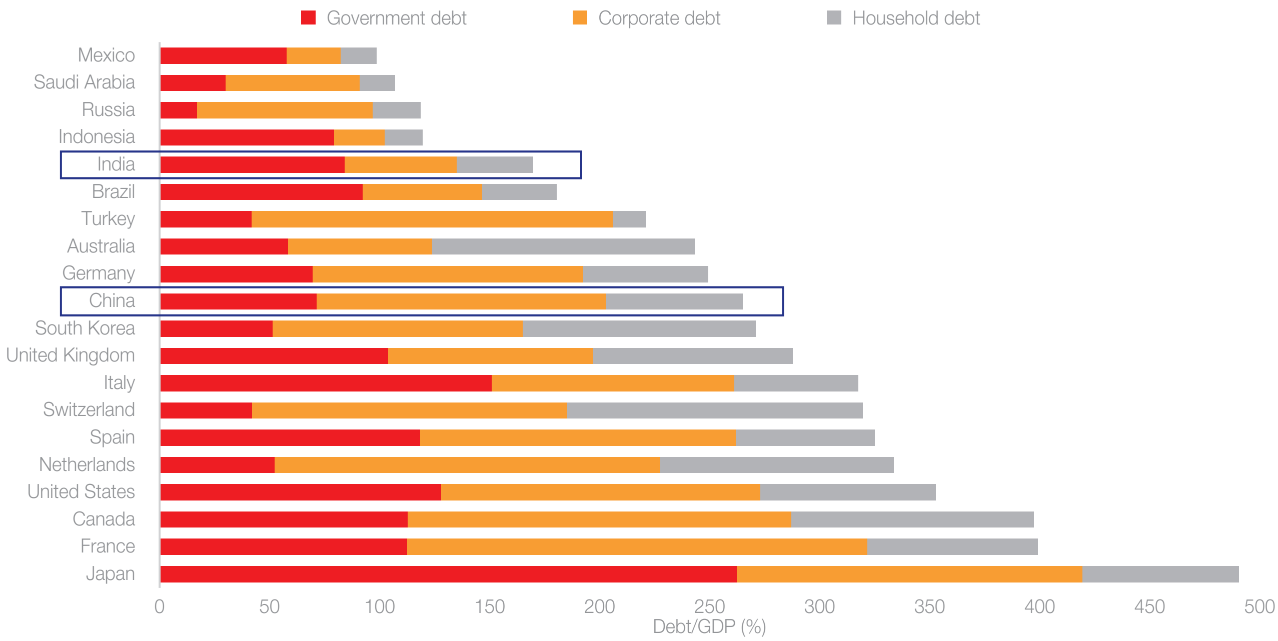
Source: iStock

Fixed Income – A road less travelled

Against the current of a deluge of debt. The most consistent narrative in entering the post-pandemic era has been the gargantuan amounts of debt that the world on aggregate has amassed through spending; to stave off the deep global depression that would otherwise have ensued. Against the grain, India and China's indebtedness coming out of the crisis appear reasonable compared to most other major economies which have seen total debt/GDP balloon above 300% – could bond investors find opportunities in these emerging economies?

Shortcomings that lie beneath the surface. One must note that monitoring gross indebtedness alone will not reflect the drawbacks that fixed income investors face when venturing into emerging economies such as India and China. For China, one would recall the policy-induced bursting of the property debt bubble, leading to developers – both overly- and modestly-leveraged alike – defaulting in swathes in 2021-2022. The issue of high corporate debt/GDP remains a headwind, noting, in particular several hotspots of highly geared balance sheets in both state-linked enterprises and the local government financing vehicle (LGFV) space.

India and China indebtedness looks reasonable against other developed economies

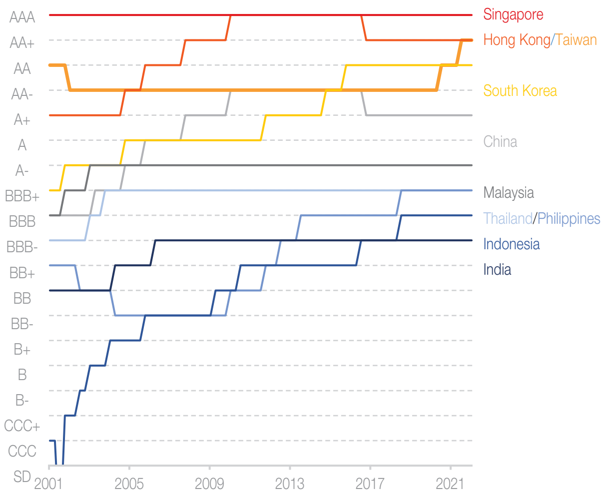


Source: IMF, DBS

For India, global fixed income investors face a disadvantage of another complexion. The economy has been largely reliant on banks and other domestic sources of funding. As such, investors who are keen to gain exposure to debt in India denominated in the major G3 currencies would be hard pressed to find issuances – an amount totalling merely c.USD90b by our estimates. On a related note, this is also why India only constitutes a c.1-2% weight in most hard currency Emerging Markets or Asia bond indices.

Macro trends remain favourable. Aside from these acute disadvantages, investors should not miss the forest for the trees; there are several long-standing macro trends that appear favourable for debt in both India and China.

Positive ratings drift across the Asian continent



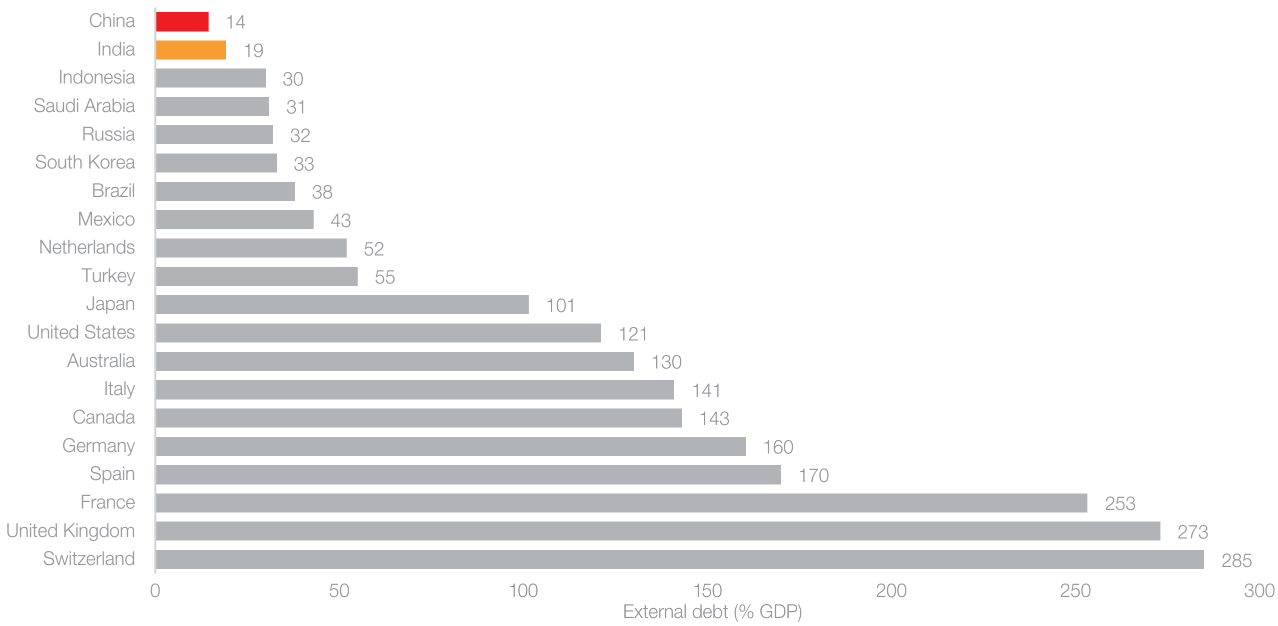
Source: Bloomberg, DBS

1. **Low external debt reliance.** First, both countries rank very favourably in terms of their dependency on external debt for funding – with external debt in India and China coming up to only 19% and 14% of GDP respectively. In an era where Developed Market interest rates are expected to remain elevated to combat sticky inflation, such low levels of reliance on foreign lenders makes them both (a) resilient to capital flight and (b) able to maintain their standards of debt serviceability.

2. **Positive ratings drift.** While this is not just a feature of India and China alone, but also the broader Asian continent, it is encouraging to see that both countries are ultimately strong beneficiaries of the credit uplift in Asia over the last 20 years. This is likely supported by the (a) growing levels of wealth of the middle-class that have spearheaded consumption growth, (b) consistent foreign investment interest, and (c) rapid build-up of FX reserves with persistent surpluses in trade.

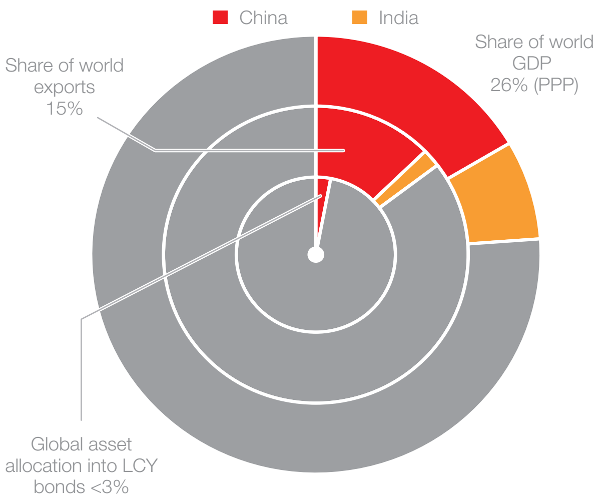
Sourcing for fixed income jewels of India and China. Judging from all the factors above, we believe the current opportunities lie mainly with the highest quality Investment Grade (IG) hard currency debt in India and China, although these markets are comparatively small against the broader spectrum of global high-grade issuances. Such allocations should remain as part of a broader diversified portfolio of high-quality bonds to mitigate concentration risk.

India and China's low external debt reliance



Source: ICEIC, Euromoney, The World Factbook, Various National Bureaus of Statistics, DBS

Current bond allocations understate India and China's global prominence



Source: IMF, DBS

Local currency debt – a potential diamond in the rough. The world is evidently beginning a shift towards a multipolar order, and with it comes talk of nations like India and China across the globe taking means to reduce their reliance on the present dollar-centric system; one of which is by negotiating bilateral trade settlement in their own domestic currencies such as the Rupee or the Yuan. Should these trends continue, demand for local currency bonds should rise as global reserves begin to shift away from dollar-denominated assets and into assets denominated in currencies of the larger global trade partners at the margin. Given that both China and India together constitute more than a quarter's share of world GDP, this represents a sizeable structural tailwind behind these bonds in the longer term, given their present miniscule allocations in global portfolios.

Wheels already in motion. In the nearer term, there are already certain positive developments to be mindful of. Investors would not be unfamiliar regarding China's interest rate liberalisation, financial reforms, and market innovation over the last decade, opening doors for Chinese issuers to tap on foreign demand for their debt and creating structural inflows in their domestic bond markets. The markets are now too large for investors to overlook for their various yield and diversification benefits, although the onshore market has still some ways to go in terms of the maturation of understanding and identifying credit risks.

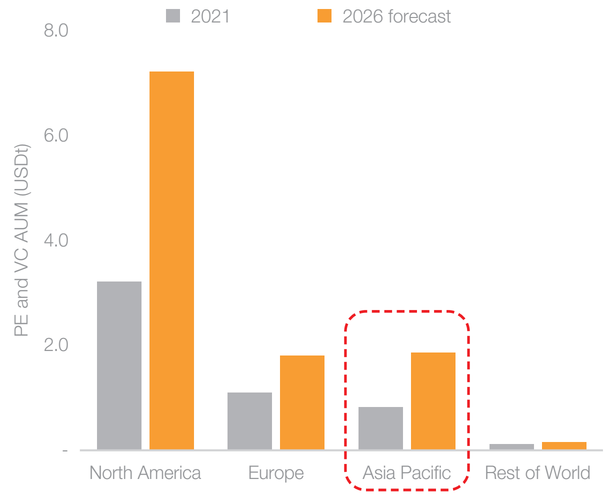
India has also consistently been in talks with various global bond index providers since 2019 for the inclusion of their bonds into said indices. Like China, this would open the door for foreign portfolio investors, enhancing the liquidity and ownership base. Moreover, there would be additional benefits such as (a) the reduced reliance on India's banks to absorb government bond issuances, (b) the demand-led strengthening of the Rupee which reduces the import bill (and hence, the trade deficit), (c) alleviating the high costs of borrowing with foreign demand pushing down yields, and (d) ease the overall process of raising money. Currently, issues such as investor verification and settlement rules are still being ironed out, but if all goes according to plan, this tailwind of index inclusion could come as soon as 2023.

At present however, while investor familiarity, liquidity, and market depth of India and China local currency bonds are still in the earlier stages of development, these represent a road less travelled for investors wishing to capitalise on the favourable trends listed above. Nonetheless, we believe that bond investors should keep a pulse on these local currency bond markets for future consideration in alpha generation.

Private Assets – Thriving, innovative ecosystems

Exciting prospects for India and China's private markets. With their vibrant talent pools and innovative culture, India and China are both hosts to thriving ecosystems of emerging technologies and new businesses. Although we recognise that Asia comprises just a modest c.13% of private markets, we expect to see the landscape for private asset investing in the region develop and flourish in the coming decade.

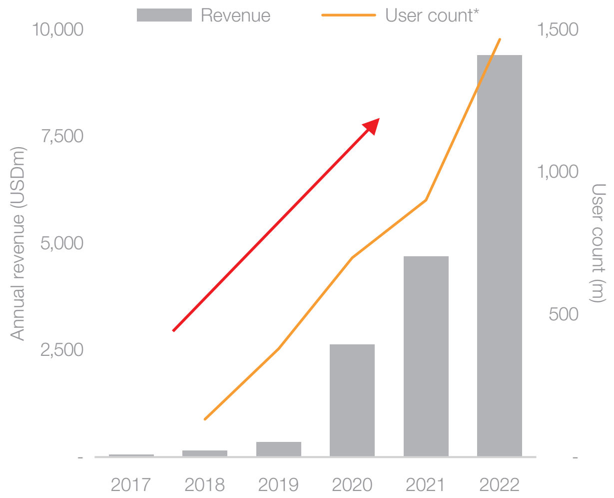
Room to grow: Asia comprises just c.15% of the market for private asset investing



Source: Statista, DBS

India and China boast the greatest private market success stories. Much of life in India and China has been, and is continuing to be, shaped by innovative companies which have driven speedy adoption of ground-breaking technologies in recent

Strong trajectory of TikTok's user growth translating to revenues



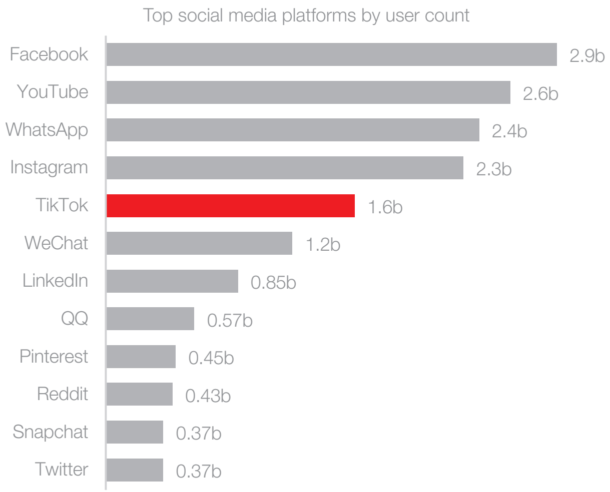
Source: Business of Apps, DBS
*Monthly active users in Q2 of the respective year

years – think mobile payments eclipsing physical cash in China's fast-paced cities, the pervasiveness of rich, user-generated content bringing together online communities, or educational technology revolutionising learning for millions of students across India. Many of these movers and shakers have risen from the private markets, the brainchildren of passionate founders, nurtured by both funding and expertise of leaders in private equity and venture capital.

Some examples of notable successes include:

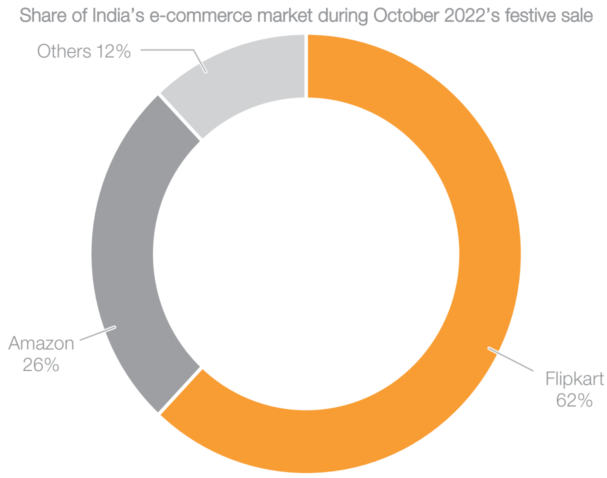
Bytedance: Connecting Gen Zs around the world through music and video. Since its founding by a mere decade ago, ByteDance has reached tremendous scale, propagating its unique value proposition of developing engaging applications like TikTok, which allows users to curate short clips

TikTok an emerging leader in social media



Source: Business of Apps, DBS

Flipkart dominates India's e-commerce market

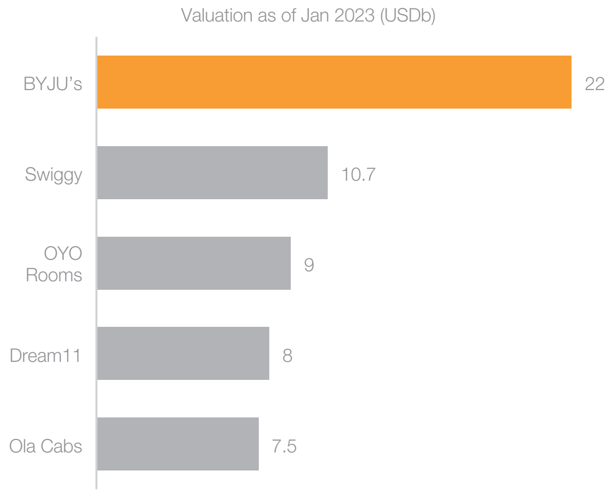


Source: Fortune India, DBS

seamlessly. ByteDance's mega funding round in 2018 raised eyebrows and elevated it as the world's largest Internet start-up, when heavyweights including Softbank, KKR, General Atlantic, and Primavera Capital placed the company at a USD75b valuation. Within a short span of five years, its most popular application, TikTok (Or Douyin in China), achieved 1.5b global downloads and is ubiquitous amongst Gen Zs (it took Facebook around 16 years to reach this scale), thanks to the predictive recommendation algorithms that keep users hooked. It is no wonder that revenues from TikTok alone have reached c.USD3b in 4Q22.

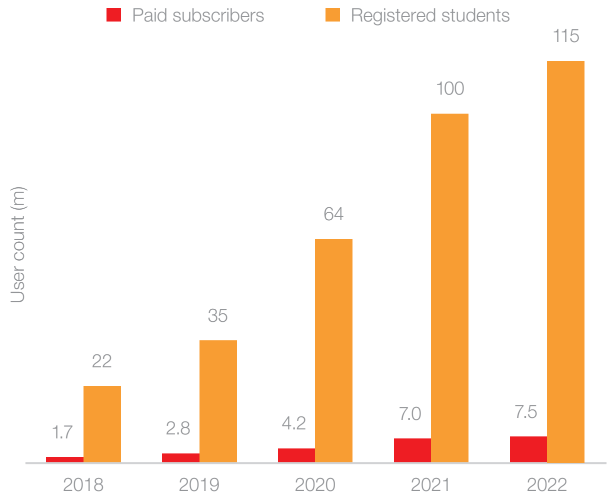
Flipkart: Giving Amazon a run for its money. Among the notable alumni of India's start-up ecosystem is Flipkart, India's largest e-commerce company which now comprises 60% of India's e-commerce market. The company has come a long way since it was first founded in 2007, capitalising on an early-mover advantage into India's e-commerce and harnessing tailwinds brought by the rapid growth of Internet penetration and smartphone usage in India. Recognising Flipkart's success and dominance in a market otherwise dominated by global e-commerce giant Amazon, Walmart acquired a majority stake, valuing Flipkart at USD20b in 2018, to strategically boost its own e-commerce capabilities. Walmart's acquisition generated mega-returns for investors who had placed early bets on Flipkart. For example, PE/VC Accel and Tiger Global partially exited their holdings with a whopping c.400 times what they first invested in Flipkart.

India's top unicorns: BYJU's leading the charge



Source: Statista, DBS

BYJU's growing adoption



Source: Forbes, BYJU's, DBS

BYJU's: Democratising education using edtech. By identifying a white space in India's rapidly growing student population and dearth of well-qualified tutors, online tutoring platform BYJU's, has risen to become India's largest unicorn. The company's latest fundraising round in October 2022 valued it at USD22b, supported by reputable investors such as the Chan-Zuckerberg Initiative, Sequoia Capital, BlackRock, Tencent, General Atlantic, Tiger Global, Qatar Investment Authority, and the IFC. Benefitting from the disruption caused by the pandemic through its transformative approach to education, BYJU's user base increased more than five-fold from 22m in 2018 to 115m by 2022, while its paid subscriber base grew from 1.7m to 7.5m. Even as BYJU's now readies itself for a post-Covid new normal, it is poised to benefit from adoption of global edtech through hybrid learning and a broadened suite of product offerings.

These examples illustrate that private companies in India and China are set to continue to shape how people in these gigantean markets live, work, and play, providing diversity to global private capital markets that have traditionally been more focused on the US. Noting unique features such as demographics, regulations and culture, reputable and experienced managers acquainted with the intricacies of these markets would be best equipped to unearth jewels in the private markets of India and China.

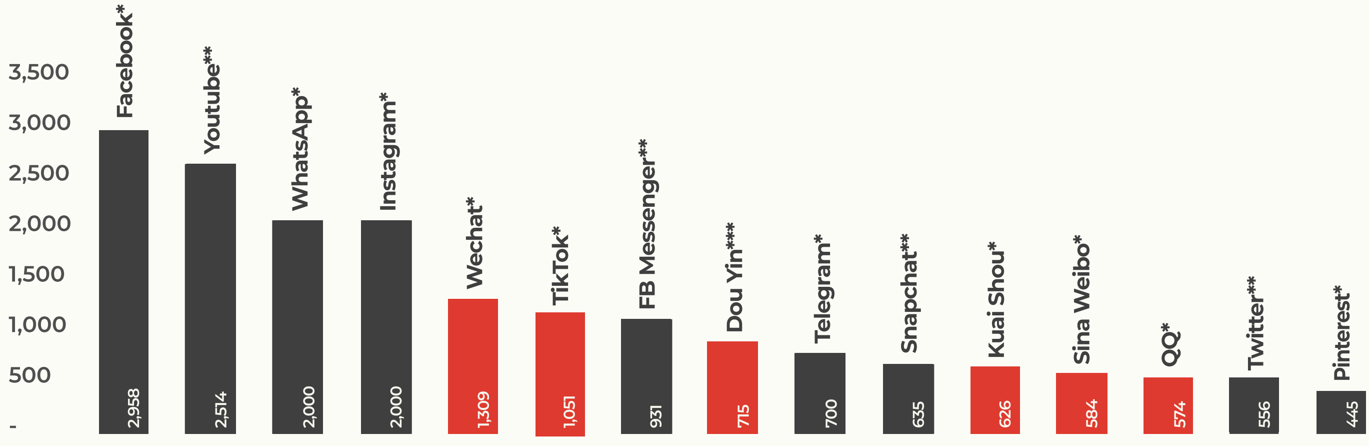
Source: iStock

Key Takeaways

Two of the most significant players in today's world economy, here's everything you need to know about the Jewels of India and China.

China: Digital Economy

A key pillar of growth for the nation



Social media platforms by global active users (m)

China: Consumer Discretionary

Spurred by rising income and wealth levels

An economic recovery in a post Covid-zero environment will create a rebound of opportunity

Elevated savings rate and rebounding income growth bodes well for consumption

Banking

China:

Healthy loan growth and stable NPL ratio over time

Growing number of UHNWIs

India:

Rising wealth among population

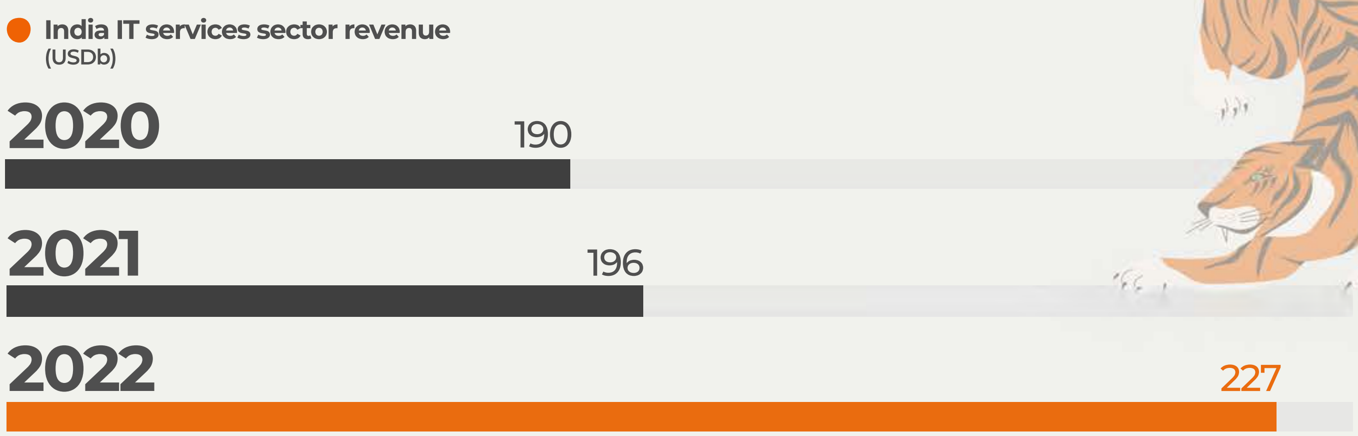
Strong government push for digital banking

India: Pharmaceuticals

Improving healthcare infrastructure levels	Fast-growing population	Policy tailwinds	Large focus on investments to boost sector

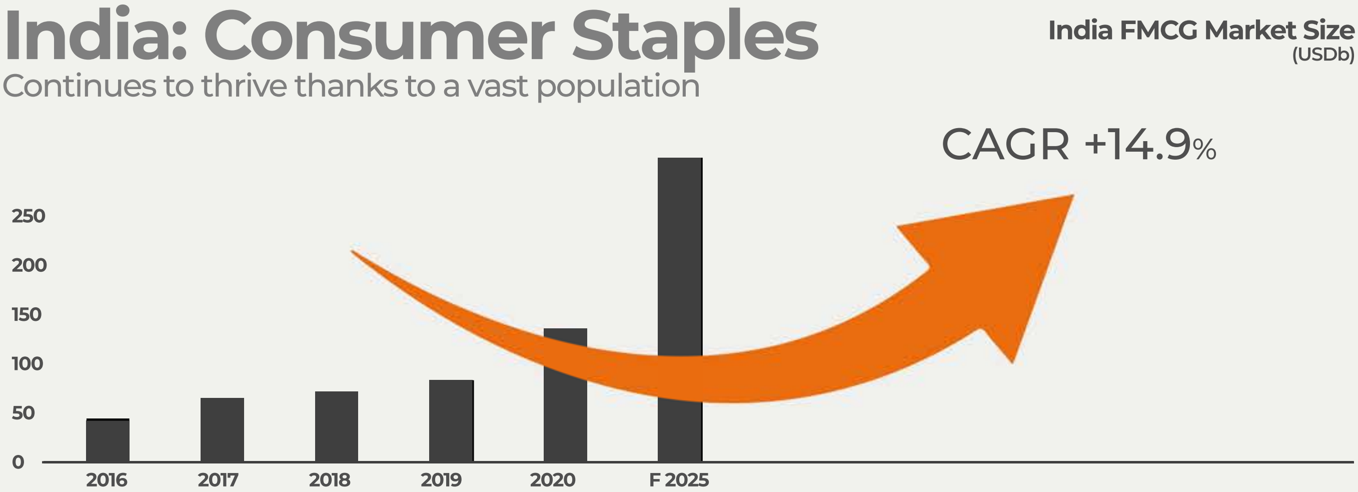
India: IT Services

Boasts domestic powerhouses poised to flourish in a global digital economy

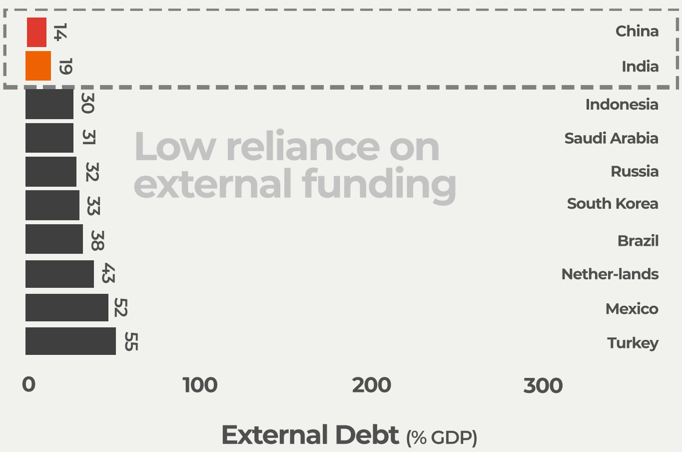


India: Consumer Staples

Continues to thrive thanks to a vast population

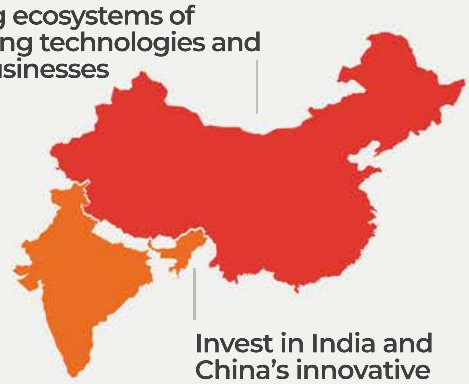


Fixed Income



Private Assets

India and China are hosts to thriving ecosystems of emerging technologies and new businesses



Invest in India and China's innovative talent pools

Sources: ANALYSIS.CN, Bloomberg, DataReportal, DBS, IBEF, NASSCOM, OECD

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