India

CRT-4

August 20, 2020

Region: Asia

Country Risk Criteria Procedures

Guide to Best’s Country Risk Tiers


- India, a CRT-4 country, has moderate levels of economic and financial system risk and a high level of political risk.

- GDP grew 4.2% in 2019 and is projected at 1.9% in 2020. Even prior to the global COVID-19 pandemic, India was already facing a growth slowdown. In 2019, the economy was hampered by a lack of progress in creating meaningful income gains for India’s rural population, as well as tight credit conditions driven by the non-bank financial sector.

- Inflation in 2019 was around 4.5%. Despite currency pressure, inflation is expected to remain around 3.5% over the medium term due to weak demand.

- The map depicts the countries in the region AM Best evaluates for country risk.

Vital Statistics 2019

Nominal GDP USD bn 2935.57
Population mil 1351.8
GDP Per Capita USD 2,172
Real GDP Growth % 4.2
Inflation Rate % 4.5

United Nations Estimates

Literacy Rate % 69.3
Urbanization % 34.9
Dependency Ratio % 48.7
Life Expectancy Years 69.7
Median Age Years 26.7

Insurance Statistics

Insurance Regulator Insurance Regulatory and Development Authority
Premiums Written (Life) USD mil 79,671
Premiums Written (Non-Life) USD mil 26,637
Premiums Growth % 9.2

Regional Comparison

Country Risk Tier

India CRT-4
China CRT-3
Indonesia CRT-4
Kazakhstan CRT-4
Russia CRT-4
Thailand CRT-3

Source: IMF, UN, Swiss Re, Axcio and AM Best
Economic Risk: Moderate

- India’s growth outlook is heavily weighted to the downside than was anticipated at the start of the pandemic, due to length of time the country was under lockdown and the slowness of the recovery so far. India instituted a national lockdown on March 24 that was extended until May 31. Private consumption accounts for an estimated 60% of GDP and has been heavily curtailed by lockdown.

- India has taken significant fiscal measures (around 10% of GDP) to support households and businesses impacted by the crisis, with a focus on micro, small, and medium-sized enterprises (MSME) and the most vulnerable households. The country entered into a USD750 million agreement with the World Bank’s MSME Emergency Response Program to provide liquidity and credit to these enterprises.

- An estimated 80% to 90% of India’s total workforce is employed in the informal sector. Agriculture accounts for only 15% of the economy, but employs nearly half the population. Many laborers are internal migrants with limited safety nets in times of crisis.

- India has received two USD1 billion loans from the World Bank to support its health sector and the most vulnerable among its population.

Political Risk: High

- With his Bharatiya Janata Party (BJP) winning a significant majority in the 2019 elections, Narendra Modi is serving his a second term as Prime Minister. The next parliamentary elections are scheduled for 2024. Until then, the BJP’s focus is on economic growth and job creation, with a particular emphasis on boosting India’s rural economy; however, these initiatives have been hampered by the outbreak.

- Prior to the pandemic, nationwide protests were taking place over the Citizenship Amendment Act, which would legislate a path to citizenship for undocumented migrants from Pakistan, Bangladesh, and Afghanistan, provided they met certain religious requirements. The pandemic and lockdown ended those protests and increased support for the government.

- Border tensions with neighbors, including China, Pakistan, and Nepal, have been elevated over the past year. China and India’s border dispute in the Ladakh region has escalated to dozens of casualties.

Financial System Risk: Moderate

- The insurance industry is regulated by the Insurance Regulatory and Development Authority (IRDA).

- India has the highest non-performing loan ratio—10.3%—of the top ten world economies, according to the IMF.