

INDIA'S EXECUTIVES: Confident in their economy and eager to hire

Executives in India are consistently the world's most optimistic about their country's economic prospects, according to McKinsey research

The economic boom that has lifted India's growth rates has also buoyed the spirits of executives based in the country. Research conducted by The McKinsey Quarterly over the past four years highlights just how much more optimistic they are than their global counterparts. Each quarter since 2004, McKinsey Global Surveys have explored the views of executives on their country's economy and their expectations for the workforce¹.

Executives around the world have consistently been somewhat more optimistic than not about future economic conditions. Those in India have been far more optimistic—with as much as a 30-percentage-point spread between those who expect economic improvement every quarter and those who don't.

Such optimism is not unfounded. Since India began a major reform effort, in 1991, the country has moved away from the dismal growth rates that had plagued it since independence 60 years ago. GDP has grown at more than 8% over the past three years, hitting 9.4% in the most recent fiscal year. This robust economy has lifted hundreds of millions of people out of poverty. In addition, India is now home to world-class companies not only in IT services but also in the automotive, steel, and telecommunications industries. Research by the McKinsey Global Institute indicates that the country's middle class will continue to grow, accounting for more than 40% of the population by 2025², compared with about 5% today.

Notes

1 The McKinsey Quarterly conducts surveys among a proprietary panel of some 14,000 executives from around the world; more than 40 percent are C-level executives from a range of industries and company sizes. Executives are asked about economic expectations for their countries and industries and their hiring plans, including location and functions of new employees and the reasons for terminating employment.

2 There is no standard definition of India's middle class. MGI adapted a methodology from India's National Council of Applied Economic Research (NCAER), which defined the middle class as households with a disposable yearly income of Rs2 lakh to Rs10 lakh (\$4,380 to \$21,890) in real 2000 terms.

3 In June 2006 respondents in India reported a significant drop in confidence about the performance of their economy. While they were answering the survey, from mid-May to mid-June of that year, the Bombay Stock Exchange index fell by nearly 30%, a factor that may have influenced their responses. Even then, executives in India were the most optimistic—by more than 20 percentage points over the global total.

4 The McKinsey Quarterly conducted this survey in June 2007 and received responses from 2,700 executives around the world.

Graphics by: SANDEEP BHATNAGAR

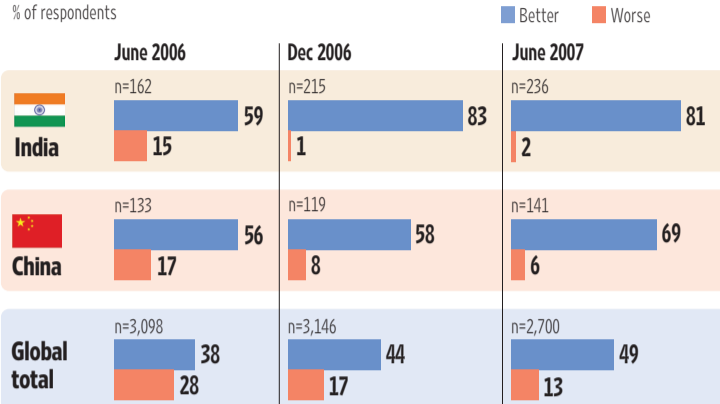
Source: June 2007 McKinsey Global Survey of Business Executives

CONSISTENTLY POSITIVE

Over the past two years, more than 75% of executives in India have expected their country's economy to improve each time they were surveyed—almost twice as many as in the rest of the world, with one exception³.

How do you expect your country's economy to be six months from now?

% of respondents



n=number of respondents

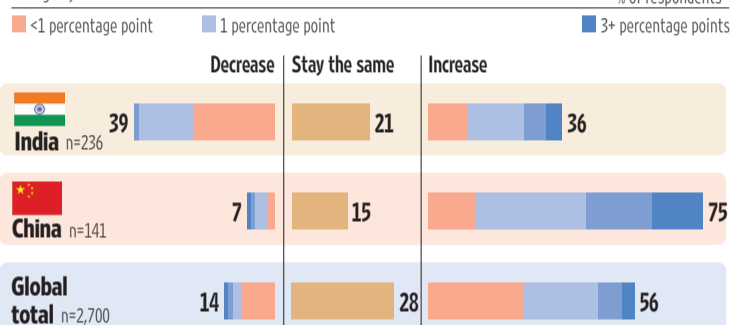
UPBEAT INFLATION EXPECTATIONS

Executives in India are equally upbeat about the possibility of inflation in their country: fewer than 40% expect higher inflation in the medium term, a proportion lower than that in any other part of the world (Exhibit 2)⁴.

How do you expect your country's inflation rate six months from now to compare with the current rate?

Change by

% of respondents



n=number of respondents

Figures may not sum up to 100% because of rounding.

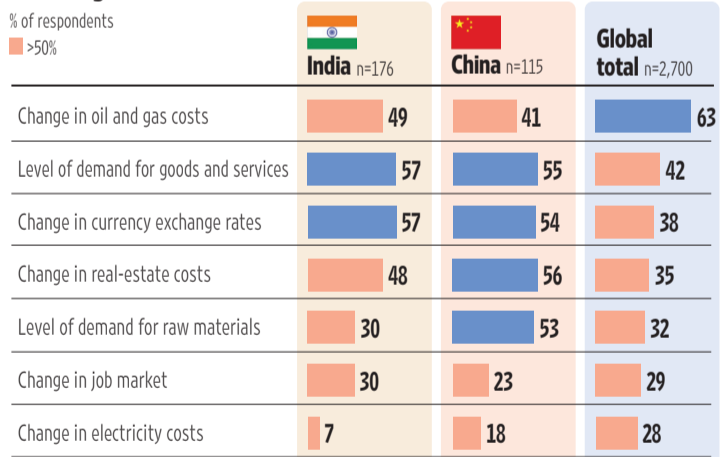
DIFFERENT INFLATION RETURNS

The relatively few executives in India who expect inflation to change differ from their counterparts elsewhere about what will cause it. While nearly two-thirds of executives in the rest of the world cite oil and gas costs as the top concern, respondents in India and China focus on changes in the level of demand for goods and services and in currency exchange rates—no doubt because of these countries' export-driven economies. However, compared with executives in India, a far greater share of those in China fears that the availability of raw materials will affect their inflation rate.

Which of these factors are contributing to your estimate of a change in inflation rate?

% of respondents

>50%



n=number of respondents

Respondents could select multiple answers; those who answered "other" are not shown.

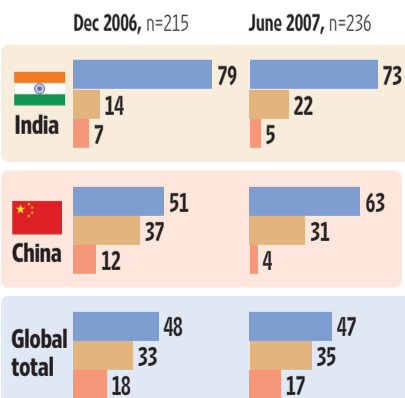
ROBUST HIRING PLANS AT HOME

Executives in India have been consistently bullish not only on the nation's economy but also on prospects for their industries. That confidence is apparent in executives' hiring plans: those at companies headquartered in India have been persistently the most likely to hire. In the most recent survey almost a third said they were planning to hire abroad, mostly for positions that will help them to take advantage of new market opportunities—perhaps a reflection of the increasing sophistication and global expansion plans of companies headquartered in India.

How do you expect the size of your company's workforce to change over the next six months?

% of respondents

Increase Stay the same Decrease

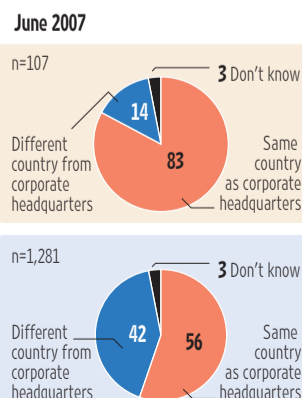


n=number of respondents

Respondents who answered "don't know" are not shown.

Where will the majority of new employees be located?

% of respondents who expect hiring to increase



Figures do not sum up to 100% because of rounding.