

# 'Fed rate hike to favourably impact emerging markets'



**MARK MOBIUS**

Executive chairman, Templeton Emerging Markets Group

## How do you see India's growth versus China's?

India is looking better with seven-eight per cent growth. Indian exports, especially software and information technology, are doing well. The growth rate is 20 per cent plus at \$70-80 billion. Hard exports are doing well, especially automobile exports.

## How do you see India's market performance?

Indian markets have done very well among the whole spectrum of emerging markets.

## How do you react to the Reserve Bank's decision not to raise rates?

Interest rates and inflation are other good news. If reforms are undertaken,

inflation will be pushed lower.

**MARK MOBIUS**, executive chairman, Templeton Emerging Markets Group, feels the Indian economy will continue to do better than China's. In an interview with Sanjay Jog and Kalpana Pathak, he discusses the current economic situation. Edited excerpts.

## Why do you not invest in the venture capital segment in India?

We have a private equity fund that focuses on two areas: pre-IPOs for companies that are ready to go to market and pipe deals for companies that are already listed. We are not into start-ups and venture capital. We know markets and how to get companies listed. We have a pretty good record there.

## How can India improve the ease of doing business?

It has to tackle the bureaucratic barrier, registration, licences. I understand the Narendra Modi government is working on bringing in one-stop registration. Also, there has to be a dramatic improvement in infrastructure like roads and electricity.

## What is your take on the Fed rate cut?

It will happen. I am sure there are big debates within the Fed that if inflation

is not going up, why should rates climb. So, it could be at the end of the year, or maybe next year. But it will probably happen and emerging markets will generally be favourably impacted.

## What is the biggest risk for the Indian economy?

The big risk is reforms not coming through. For instance, reforms in the power sector, tax reform and, of course, Modi being re-elected. So far business has not been too excited as tax reforms have not come through and the power sector has not been reformed, but these are things the government is working on. The government's survival depends on reforms. While taking away subsidies, Modi will have to give something back.

The Bharatiya Janata Party lost the Bihar elections and the question is can Modi bring electricity to the rural areas? Can he move payments through the new bank accounts so that corruption is down? If that can be done, then he could be safe in rural areas.

## How do you see reforms in India?

The key is implementation. If that hits a roadblock then we are in trouble. We have seen foreign direct investment on the promise of Prime Minister Modi making those changes. India is going to do pretty well, however, it has a lot to do in terms of ease of doing business. China is a lot better.

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