

**All Members,**

## **India ranks 62<sup>nd</sup> among 74 emerging economies on an Inclusive Development Index 2018**

**According to the World Economic Forum's Inclusive Development Index 2018, Norway remains the world's most inclusive advanced economy, while Lithuania again tops the list of emerging economies. Also, India was ranked at the 62nd place among emerging economies on an Inclusive Development Index, much below China's 26th position and Pakistan's 47th.**

The report identifies 15 areas of structural economic policy and institutional strength that have the potential to contribute simultaneously to higher growth and wider social participation in the process and benefits of such growth. The 2018 index measures progress of 103 economies on three individual pillars -- growth and development; inclusion; and inter-generational equity -- has been divided into two parts. The first part covers 29 advanced economies and the second 74 emerging economies.

### **Results and key findings**

- Norway is the best performing advanced economy in 2018, with a consistently strong performance: it ranks second on one of the Index's three pillars (Intergenerational Equity and Sustainability) and third on each of the other two (Growth and Development, and Inclusion). Small European economies dominate the Index, with Australia (9) the only non-European economy in the top 10.
- Of the G7 economies, Germany (12) is ranked highest, followed by Canada (17), France (18), United Kingdom (21), United States (23), Japan (24), and Italy (27). In many countries, there is a stark difference between individual pillars: for example, the US ranks 10th out of the 29 advanced economies on Growth and Development, but 26th on Intergenerational Equity and Sustainability and 28th on Inclusion; France, meanwhile, ranks 12th on Inclusion, 21st on Growth and Development, and 24th on Intergenerational Equity and Sustainability. Low scores on the latter pillars suggest an economy may be storing up problems for the future.

## 2018 Rankings

| ADVANCED ECONOMIES |                 |                   |                              |  |
|--------------------|-----------------|-------------------|------------------------------|--|
| RANK OVERALL       | ECONOMY         | OVERALL ICI SCORE | 5 YEAR TREND ICI OVERALL (%) |  |
| 1                  | Norway          | 6.08              | +0.77                        |  |
| 2                  | Iceland         | 6.07              | 12.58                        |  |
| 3                  | Luxembourg      | 6.07              | 0.15                         |  |
| 4                  | Switzerland     | 6.05              | 1.92                         |  |
| 5                  | Denmark         | 5.81              | 4.76                         |  |
| 6                  | Sweden          | 5.76              | 0.48                         |  |
| 7                  | Netherlands     | 5.61              | 0.43                         |  |
| 8                  | Ireland         | 5.44              | 9.28                         |  |
| 9                  | Australia       | 5.36              | 0.46                         |  |
| 10                 | Austria         | 5.35              | -0.17                        |  |
| 11                 | Finland         | 5.33              | +2.92                        |  |
| 12                 | Germany         | 5.27              | 1.72                         |  |
| 13                 | New Zealand     | 5.25              | 1.04                         |  |
| 14                 | Belgium         | 5.14              | 0.24                         |  |
| 15                 | Czech Republic  | 5.09              | 2.88                         |  |
| 16                 | Korea, Rep.     | 5.09              | 2.20                         |  |
| 17                 | Canada          | 5.06              | 0.29                         |  |
| 18                 | France          | 5.05              | -0.55                        |  |
| 19                 | Slovenia        | 4.93              | +2.39                        |  |
| 20                 | Slovak Republic | 4.90              | 1.49                         |  |
| 21                 | United Kingdom  | 4.89              | 0.42                         |  |
| 22                 | Estonia         | 4.74              | 1.77                         |  |
| 23                 | United States   | 4.60              | 1.62                         |  |
| 24                 | Japan           | 4.53              | 1.14                         |  |
| 25                 | Israel          | 4.51              | 3.57                         |  |
| 26                 | Spain           | 4.40              | +2.12                        |  |
| 27                 | Italy           | 4.31              | +1.69                        |  |
| 28                 | Portugal        | 3.97              | -1.42                        |  |
| 29                 | Greece          | 3.70              | +1.69                        |  |
| (N/A)              | Singapore       | N/A               | N/A                          |  |

Note: ICI scores are based on a 1-7 scale: 1=worst and 7=best. Trends are based on percentage change between 2012 and 2016 (using indicators available during both years). Advanced and emerging economy ICI scores are not strictly comparable due to different definitions of poverty.

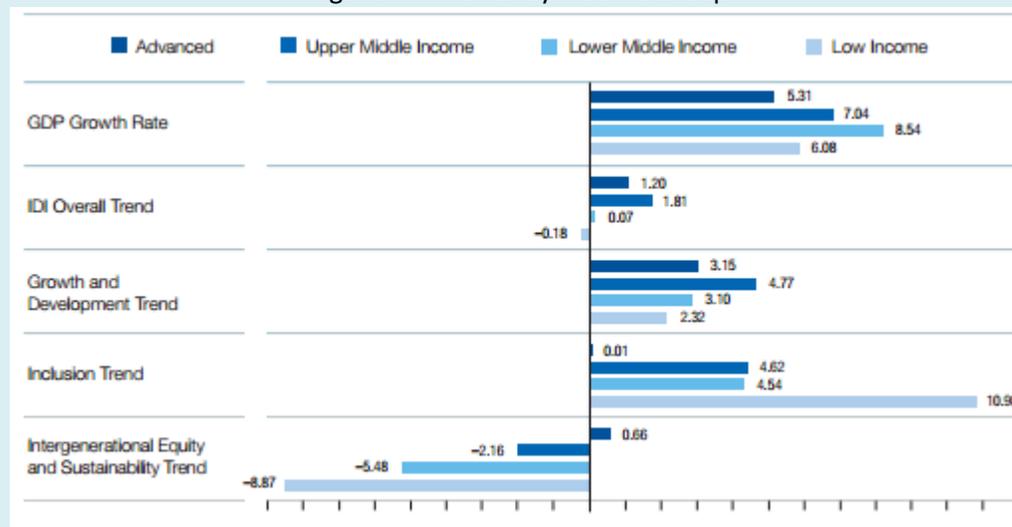
Several economies are not covered due to missing sub-pillar data including Cambodia, Kenya, Morocco, and Singapore, which were missing historical trend data on inclusion-related indicators.

TREND ● RECEIDING ● SLOWLY RECEIDING ● STABLE ● SLOWLY ADVANCING ● ADVANCING

| EMERGING ECONOMIES |                    |                   |                              |  |
|--------------------|--------------------|-------------------|------------------------------|--|
| RANK OVERALL       | ECONOMY            | OVERALL ICI SCORE | 5 YEAR TREND ICI OVERALL (%) |  |
| 1                  | Lithuania          | 4.86              | 4.90                         |  |
| 2                  | Hungary            | 4.74              | 8.10                         |  |
| 3                  | Azerbaijan         | 4.69              | -2.07                        |  |
| 4                  | Latvia             | 4.67              | 8.60                         |  |
| 5                  | Poland             | 4.61              | 3.39                         |  |
| 6                  | Panama             | 4.54              | 4.80                         |  |
| 7                  | Croatia            | 4.48              | 2.89                         |  |
| 8                  | Uruguay            | 4.46              | 1.65                         |  |
| 9                  | Chile              | 4.44              | 1.76                         |  |
| 10                 | Romania            | 4.43              | 4.21                         |  |
| 11                 | Bulgaria           | 4.41              | 2.91                         |  |
| 12                 | Costa Rica         | 4.32              | -0.17                        |  |
| 13                 | Malaysia           | 4.30              | 2.40                         |  |
| 14                 | Peru               | 4.29              | +1.40                        |  |
| 15                 | Kazakhstan         | 4.26              | 0.35                         |  |
| 16                 | Turkey             | 4.26              | 2.48                         |  |
| 17                 | Thailand           | 4.24              | 1.93                         |  |
| 18                 | Algeria            | 4.22              | -1.22                        |  |
| 19                 | Russian Federation | 4.20              | 0.48                         |  |
| 20                 | Paraguay           | 4.19              | 1.86                         |  |
| 21                 | Dominican Republic | 4.19              | 3.08                         |  |
| 22                 | Nepal              | 4.15              | 8.53                         |  |
| 23                 | Argentina          | 4.13              | 0.93                         |  |
| 24                 | Mexico             | 4.12              | 0.66                         |  |
| 25                 | Macedonia, FYR     | 4.10              | 9.24                         |  |
| 26                 | China              | 4.09              | 2.94                         |  |
| 27                 | Iran, Islamic Rep. | 4.08              | -0.92                        |  |
| 28                 | Albania            | 4.08              | 2.59                         |  |
| 29                 | Nicaragua          | 4.05              | 3.82                         |  |
| 30                 | Colombia           | 4.01              | 0.69                         |  |
| 31                 | Moldova            | 4.00              | 4.69                         |  |
| 32                 | Georgia            | 3.99              | 7.89                         |  |
| 33                 | Vietnam            | 3.98              | +1.34                        |  |
| 34                 | Bangladesh         | 3.98              | 4.55                         |  |
| 35                 | El Salvador        | 3.96              | 2.38                         |  |
| 36                 | Indonesia          | 3.95              | 2.57                         |  |
| 37                 | Brazil             | 3.93              | -3.26                        |  |
| 38                 | Philippines        | 3.83              | 2.40                         |  |
| 39                 | Tunisia            | 3.82              | -3.80                        |  |
| 40                 | Sri Lanka          | 3.79              | -0.74                        |  |
| 41                 | Bolivia            | 3.76              | -3.80                        |  |
| 42                 | Mongolia           | 3.74              | 3.39                         |  |
| 43                 | Serbia             | 3.70              | 1.28                         |  |
| 44                 | Guatemala          | 3.70              | 2.83                         |  |
| 45                 | Armenia            | 3.66              | 0.62                         |  |
| 46                 | Honduras           | 3.61              | 2.03                         |  |
| 47                 | Pakistan           | 3.55              | 7.56                         |  |
| 48                 | Tanzania           | 3.43              | 3.86                         |  |
| 49                 | Ukraine            | 3.42              | -6.80                        |  |
| 50                 | Jordan             | 3.40              | -3.89                        |  |
| 51                 | Kyrgyz Republic    | 3.36              | -2.11                        |  |
| 52                 | Ghana              | 3.34              | +1.67                        |  |
| 53                 | Cameron            | 3.32              | -2.78                        |  |
| 54                 | Tajikistan         | 3.30              | 8.57                         |  |
| 55                 | Burundi            | 3.27              | 3.48                         |  |
| 56                 | Namibia            | 3.25              | 1.68                         |  |
| 57                 | Rwanda             | 3.24              | -3.31                        |  |
| 58                 | Lao PDR            | 3.22              | -4.87                        |  |
| 59                 | Uganda             | 3.21              | 2.39                         |  |
| 60                 | Mali               | 3.10              | -5.71                        |  |
| 61                 | Senegal            | 3.09              | +1.30                        |  |
| 62                 | India              | 3.09              | 2.29                         |  |
| 63                 | Nigeria            | 3.08              | -3.11                        |  |
| 64                 | Madagascar         | 3.03              | -3.78                        |  |
| 65                 | Sierra Leone       | 3.02              | 0.06                         |  |
| 66                 | Mauritania         | 3.00              | -5.12                        |  |
| 67                 | Zambia             | 2.99              | -0.64                        |  |
| 68                 | Chad               | 2.97              | -2.73                        |  |
| 69                 | South Africa       | 2.94              | 2.49                         |  |
| 70                 | Egypt              | 2.84              | -6.52                        |  |
| 71                 | Zimbabwe           | 2.84              | 0.47                         |  |
| 72                 | Malawi             | 2.81              | -6.47                        |  |
| 73                 | Lesotho            | 2.63              | +1.73                        |  |
| 74                 | Mozambique         | 2.47              | -12.38                       |  |
| (N/A)              | Morocco            | N/A               | N/A                          |  |
| (N/A)              | Cambodia           | N/A               | N/A                          |  |
| (N/A)              | Kenya              | N/A               | N/A                          |  |

- In the ranking of emerging economies, six European economies are among the top 10: Lithuania (1), Hungary (2), Latvia (4), Poland (5), Croatia (7), and Romania (10). These economies perform particularly well on Growth and Development, benefiting from EU membership, and Inclusion, with rising median living standards and declining wealth inequality. Latin America accounts for three top 10 economies: Panama (6), Uruguay (8), and Chile (9).
- Performance is mixed among BRICS economies: the Russian Federation (19) is ahead of China (26), Brazil (37), India (62), and South Africa (69). Although China has ranked first among emerging economies in GDP per capita growth (6.8%) and labor productivity growth (6.7%) since 2012, its overall score is brought down by lackluster performance on Inclusion. Turkey (16), Mexico (24), Indonesia (36), and the Philippines (38) are among economies which show potential on Intergenerational Equity and Sustainability, but lack progress on Inclusion indicators such as income and wealth inequality.
- As for recent performance, 64% of the 103 economies for which data are available have seen their IDI scores improve over the past five years, attesting to recent efforts by policymakers to broaden socioeconomic progress. This has been largely driven by gains among upper-middle-income economies, while low-income economies have fallen further behind. In 27% of the economies, however, IDI scores have decreased even as GDP per capita has increased.

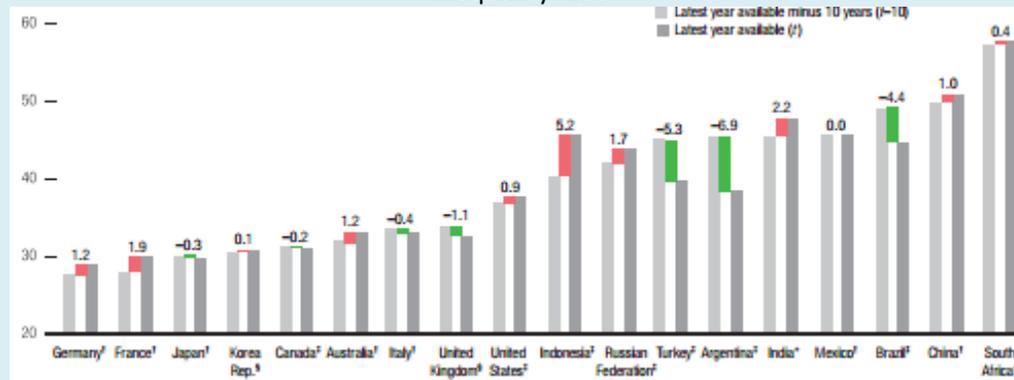
Figure: IDI Trends by Income Group



Source: PHD Research Bureau, compiled from World Bank and World Economic Forum  
 Note: The figure depicts percent change in score over five years (2012-2016)

- Income inequality has risen or remained stagnant in 20 of the 29 advanced economies, and poverty has increased in 17. Most emerging economies have improved in these respects, with 84% of them registering a decline in poverty, though their absolute levels of inequality remain much higher. In both advanced and emerging economies, wealth is significantly more unequally distributed than income. This problem has improved little in recent years, with wealth inequality rising in 49 of the 103 economies.

Figure: Income Inequality and Its Evolution Over the Past Decade in Selected Economies Gini Index, Income inequality=100



Source: PHD Research Bureau, compiled from World Bank and World Economic Forum

- In Intergenerational Equity and Sustainability, the trend is discouraging, with a decline in 56 of the 74 emerging economies. This is largely driven by growing fiscal and demographic pressures and a decline in adjusted net savings, which measures the true rate of savings in an economy, after taking into account investments in human capital, depletion of natural resources, and damage caused by pollution. Most economies perform poorly on this indicator, with most emerging economies recording deterioration. Notable exceptions include Brazil, China, and India, though these are mainly driven by strong human capital investment, while reporting high levels of resource depletion

### Focus on India

India, with an improving trend, ranks 62nd out of 74 emerging economies. Despite its low overall score, India is among the ten emerging economies with 'advancing' trend. Only two advanced economies have shown 'advancing' trend. The country performs best (44th) in terms of Intergenerational Equity and Sustainability, profiting from a low dependency ratio that is set to further decline as the economy reaps the dividends of an extremely young population (28% of the Indian population was younger than 14 years in 2017). Though the incidence of poverty has declined in India over the past five years, 6 out of 10 Indians still live on less

than \$3.20 per day. Given the prevalence of inequality both in terms of both income and wealth, there is substantial scope for improvement for India in this aspect. Both labor productivity and GDP per capita posted strong growth rates over the past five years, while employment growth has slowed. Healthy life expectancy also increased by approximately three years to 59.6.

**Conclusion: Bridging the gap between aspiration and action**

Despite recent progress, many economies have significant unexploited potential to simultaneously increase economic growth and social inclusion. But activating the virtuous circle of inclusive growth more fully will require them to:

- Reconceive and prioritize structural economic reform as a systemic effort to strengthen the institutions and structural features of an economy that play an important role in driving both wider social inclusion and higher growth.
- Adopt a broader metric of national economic success that corresponds better to society's bottom-line measure of economic progress: broad-based living standards.

Please contact for any query related to this mail to Ms. Areesha, Research Associate at [areesha@phdcci.in](mailto:areesha@phdcci.in) with a cc to Dr. S P Sharma, Chief Economist at [spsharma@phdcci.in](mailto:spsharma@phdcci.in) and Ms. Megha Kaul, Associate Economist, [megha@phdcci.in](mailto:megha@phdcci.in), PHD Chamber of Commerce & Industry.

Warm regards,

**Dr. S P Sharma**  
**Chief Economist**

-----  
PHD Chamber of Commerce and Industry  
PHD House, 4/2 Siri Institutional Area  
August Kranti Marg, New Delhi-110016  
Ph.: + 91-11-26863801-04, 49545454  
Fax: +91- 26855450, 49545451  
Email: [spsharma@phdcci.in](mailto:spsharma@phdcci.in)  
Website: [www.phdcci.in](http://www.phdcci.in)

***"We Walk Our Talk"***

---

**PHD CHAMBER OF COMMERCE AND INDUSTRY**

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400  
Fax : +91-11-2685 5450 • E-mail : [president@phdcci.in](mailto:president@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in), CIN: U74899DL1951GAP001947

