

A look at the country's urbanisation prospects



THE INAUGURATION of Andhra Pradesh's new capital city is a valuable time to take stock of India's urbanisation prospects.

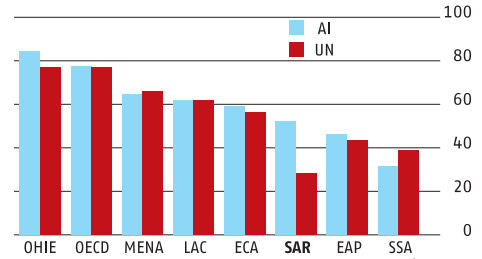
A World Bank study of urbanisation in South Asia released last month points out, through Table 1, that South Asia is the least urbanised major world region. However, the Bank's own estimate of urban agglomeration is considerably – almost twice – as high as India's domestic estimate, a point made for all the South Asian countries in Table 2. As Table 3 shows, South Asia is not urbanising as fast as its low urban ratio would suggest, either, well behind East Asia and on a par with sub-Saharan Africa. Nor is South Asia becoming urban at the rate that seems appropriate for its stage of economic development, as Table 4 suggests.

However, South Asia's share of global gross domestic product (GDP) is well below its share of the global urban population, as Table 5 makes clear. This suggests that its cities are under-performing. The worry is that, as Table 6 shows, manufacturing employment has simply failed to grow in the metropolitan core or in suburban towns. In fact, the only real urban job growth has come in the real estate sector.

As Table 7 shows, unorganised manufacturing, once a non-urban phenomenon, has increasingly spread to the cities after liberalisation.

1: SOUTH ASIA THE LEAST URBANISED MAJOR WORLD AREA

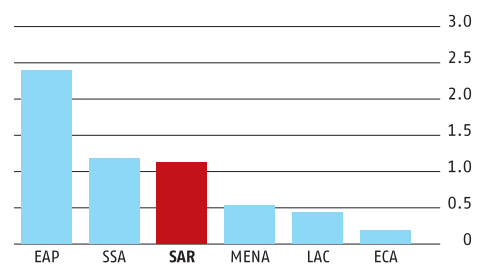
Share of urban population in total population (%)



Note: AI indicates urban shares based on the agglomeration index methodology; UN indicates estimates based on official national definitions of urban areas as taken from UN World Urbanisation Prospects: 2011 Revision. For India, the official definition of "urban areas" includes census towns; OHIE = other high-income economies; SAR = South Asia; SSA = Sub-Saharan Africa; Source: Calculations based on UN World Urbanisation Prospects: 2011 Revision data, from *Leveraging Urbanisation in South Asia*, World Bank, 2015

3: S ASIA NOT URBANISING AS FAST AS LOW RATIO INDICATES

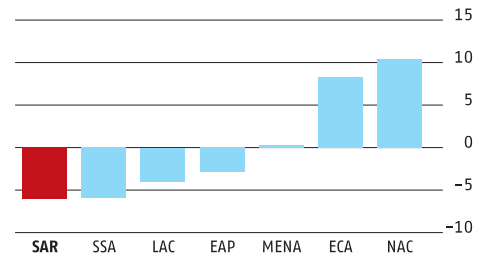
Annual growth rate of South Asia's urban share vs other regions, 2000–11 (%/year)



Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa; Source: Calculations based on UN World Urbanisation Prospects: 2011 Revision data, from *Leveraging Urbanisation in South Asia*, World Bank, 2015

5: SAsIAN CITIES UNDER-PERFORM IN TERMS OF GDP SHARE

Global GDP share minus global urban population share, 2011

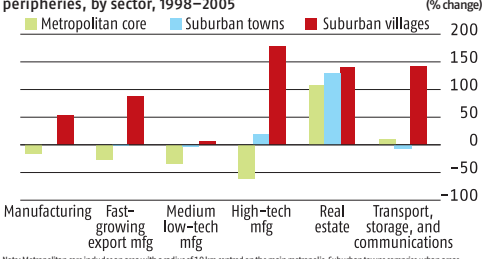


Note: GDP is measured at 2011 constant (purchasing power parity) international dollars. EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; NAC = North America; SAR = South Asia; SSA = Sub-Saharan Africa; Source: Calculations based on UN World Urbanisation Prospects: 2011 Revision and World Bank World Development Indicators data, from *Leveraging Urbanisation in South Asia*, World Bank, 2015



6: MANUFACTURING EMPLOYMENT HAS FAILED TO GROW...

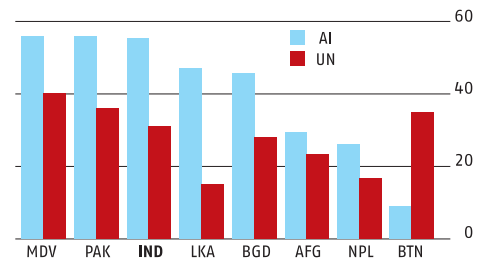
Employment growth in Indian metropolitan cores and their peripheries, by sector, 1998–2005 (% change)



Note: Metropolitan core includes an area with a radius of 10 km centred on the main metropolis. Suburban towns comprise urban areas 10–50 km from the metropolitan core, and suburban villages comprise rural areas in the same vicinity. These figures are averages for the seven largest metropolitan areas (in descending order of population): Mumbai, Delhi, Bengaluru, Kolkata, Chennai, Hyderabad and Ahmedabad. Source: World Bank 2013 based on Economic Census data covering manufacturing establishments of all sizes (organised and unorganised), from *Leveraging Urbanisation in South Asia*, World Bank, 2015

2: BANK'S ESTIMATE OF URBAN ALMOST TWICE OF INDIA'S

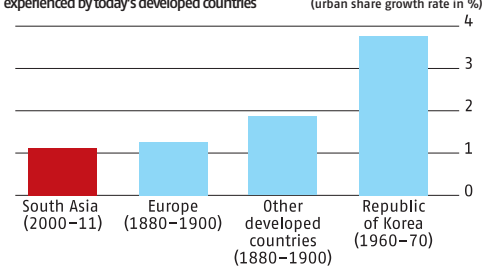
Share of the population classified as urban: Official definitions and AI, 2010(%)



Note: AI indicates urban shares based on the agglomeration index methodology; UN indicates estimates based on official national definitions of urban areas as taken from UN World Urbanisation Prospects: 2011 Revision. For India, the official definition of "urban areas" includes census towns; AFG = Afghanistan; BGD = Bangladesh; BTN = Bhutan; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan

4: S ASIA'S URBANISATION DOESN'T MATCH ECONOMY

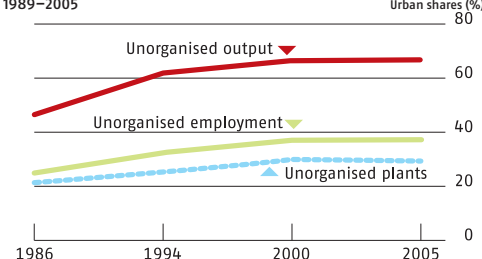
Annual growth rate of S Asia's urban population vs annual growth rates historically experienced by today's developed countries (urban share growth rate in %)



Note: Europe comprises Austria, Hungary, Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Romania, the Russian Federation, Serbia, Spain, Sweden, Switzerland, and the United Kingdom. Other developed countries comprise Australia, Canada, New Zealand, and the United States. Source: Calculations based on UN World Urbanisation Prospects: 2011 Revision data and historical urban share data from Bairoch and Goertz (1986, 1988), from *Leveraging Urbanisation in South Asia*, World Bank, 2015

7:...WHILE UNORGANISED MANUFACTURING HAS SPREAD

Increased urbanisation of unorganised manufacturing in India, 1989–2005



Source: Ghani, Goswami, and Kerr 2012 based on National Sample Survey Organization data, from *Leveraging Urbanisation in South Asia*, World Bank, 2015