India may be world's 2nd-largest economy by 2075: Goldman Sachs

KUMAR ABISHEK
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India is poised to become the second-largest economy in the world by 2075, surpassing not only Japan and Germany but also the United States, according to a Goldman Sachs report. The report projected India's GDP at $52.5 trillion by 2075, behind China's $57 trillion but ahead of the US' $51.5 trillion.

Currently, India is the world's fifth-largest economy, behind Germany, Japan, China, and the US. According to the Economic Survey tabled in Parliament in January this year, the Indian economy was projected to reach the $3.5 trillion mark by the end of March. According to various projections, India is on track to become the third largest economy by 2030, behind China and the US.

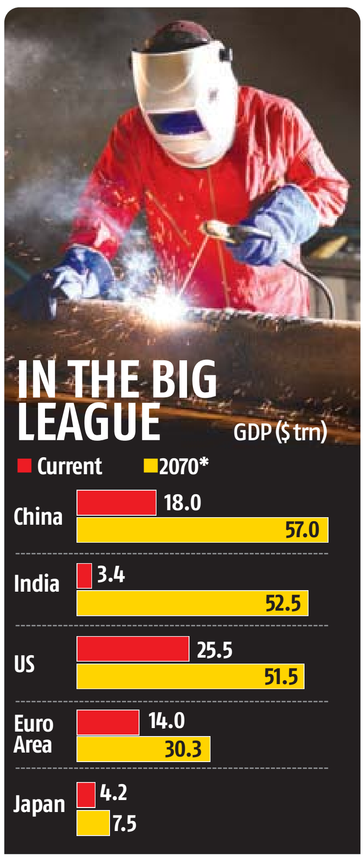
For India, a key to realising the potential of that growing population is boosting participation within its labour force, as well as providing training and skills for its immense pool of talent, Santanu Sengupta, Goldman Sachs Research's India economist, was quoted as saying in the report. India, according to UN projections, surpassed China as the world's most populous country earlier this year.

"Over the next two decades, the dependency ratio of India will be one of the lowest among regional economies," he said, stressing that India's population has one of the best ratios between its working-age population and its number of children and elderly. "So that really is the window for India to get it right in terms of setting up manufacturing capacity, continuing to grow services, continuing the growth of infrastructure." The dependency ratio is a measure of the ratio of the number of dependents to the total working-age population in a country or region.

Besides "demographics on its side", according to Sengupta, "innovation and increasing worker productivity are going to be important for the world's fifth-biggest economy". In technical terms, that means greater output for each unit of labour and capital in India's economy, the economist said.

The Goldman Sachs report said the government has placed a priority on infrastructure creation, especially roads and railways.

On capital investment, Sengupta said the government has done "the heavy lifting in the recent past". "But given healthy balance sheets of private corporates and banks in India, we believe that the conditions are conducive for a private sector capex cycle." The Goldman report said among the downside risks to its projections is the labour force participation rate.



*Projections
Sources: World Bank, Goldman Sachs Research

...pips China to become most attractive emerging market

Invesco report says investors are recalibrating portfolios amid persistently high inflation and real interest rates

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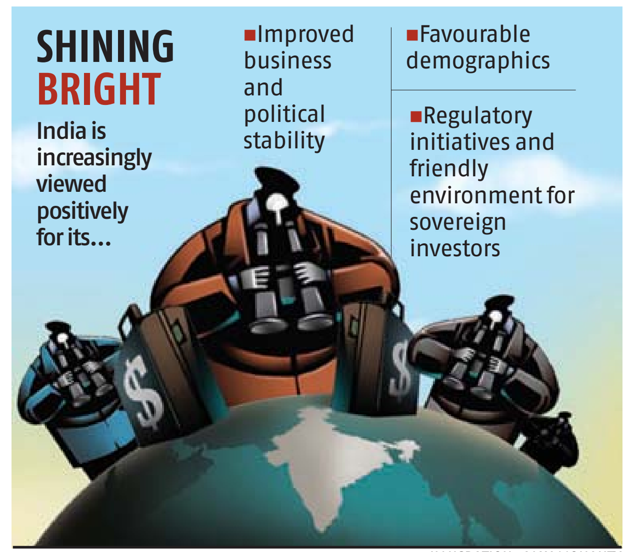

ILLUSRATION: AJAY MOHANTY

India has overtaken China as the most attractive emerging market for investing, according to 85 sovereign wealth funds and 57 central banks representing $21 trillion in assets.

India is increasingly viewed positively for its improved business and political stability, favourable demographics, regulatory initiatives, and a friendly environment for sovereign investors, according to a report by global investment management firm Invesco.

The report titled 'Invesco Global Sovereign Asset Management Study' included views from 142 chief investment officers, heads of asset classes along with senior portfolio strategists from 85 sovereign wealth funds and 57 central banks. Amid persistent high inflation and real interest rates, investors are recalibrating portfolios.

Sovereign wealth funds, it said, favour fixed income and private debt, while emerging markets (EMs) with solid demographics, political stability, and proactive regulation, particularly India, have emerged as prime investment destinations.

"Among emerging markets, India has piqued sovereign investors' interest, overtaking China," it said.

India, it said, exemplifies the attributes sought by sovereign investors. "India has now overtaken China as the most attractive emerging market for investing in emerging market debt." A development sovereign fund based in West Asia noted, "We don't have enough exposure to India or China. However, India is a better story now in terms of business and political stability. Demographics are growing fast, and they also have interesting companies, good regulation initiatives, and a very friendly environment for sovereign investors."

India is among a number of countries, including Mexico and Brazil, that are benefitting from increased foreign corporate investment aimed at both domestic and international demand through 'friend-shoring' and 'near-shoring'.

This was seen as helping fund current account deficits as well as support currencies and domestic assets including debt.

On the scale of attractive EM markets for increasing exposure, India and South Korea continue to be the most attractive destinations, it said.

One central bank based in the West explained that they were looking at increasing their exposure to EM debt and in particular focused on debt targeting real estate and infrastructure as well as other diversified industries.

According to the report, more than 85 per cent of the 85 sovereign wealth funds and 57 central banks noted that inflation will be higher in the coming decade.

In such a situation, gold and emerging market bonds are being seen as good bets. This shift may have been triggered due to the freezing of almost half of Russia's $640 billion of gold and forex reserves by the West in response to the Ukraine invasion.