

# India to be world's No. 3 economy by FY28: IMF

**PROJECTED TO GROW BIGGER THAN JAPAN AT \$5.36 TRILLION**

**MISSED 5TH-LARGEST ECONOMY SPOT BY \$10 BILLION IN FY22**

INDIVIAL DHASMANA  
New Delhi, 13 October

India failed to unseat the UK and missed being the fifth-largest economy by \$10 billion in 2021-22. It'll have to wait another year before it gets that coveted spot in 2022-23, overtaking the UK by \$27 billion.

By 2025-26 (FY26), the Indian economy would equal Germany's to be the fourth-largest. It would become the third-largest by 2027-28 (FY28), when it is projected to grow bigger than Japan, according to the International Monetary Fund's (IMF's) World Economic Outlook.

By 2026-27, India's economy would not be \$5 trillion as hoped by the finance ministry, but close enough. It would be \$4.94 trillion that year.

The following year, India's economy would hit the \$5.36-trillion mark, higher than Japan's at \$5.17 trillion. That year, India would become the third-largest economy.

The size of India's economy was \$3.18 trillion in 2021-22 (FY22), while Britain's was \$3.19 trillion in 2021, according to the flagship publication by the Fund.

The size of India's economy is calculated on a financial year basis (April to March). For other economies, it is on a calendar year basis.

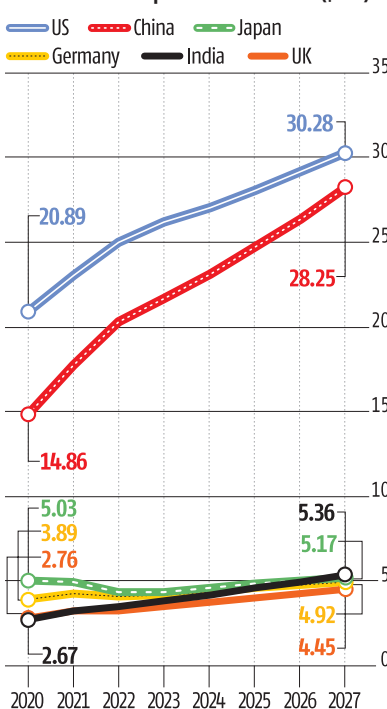
Earlier, there was a *Bloomberg* report that stated that India has overtaken the UK in the fourth quarter of FY22, basing it on World Bank data. However, that comparison was made on quarterly figures, not yearly.

India would become a \$3.47-trillion economy, while the UK's would be \$3.2 trillion in the current financial year (2022-23), according to the data provided by the IMF.

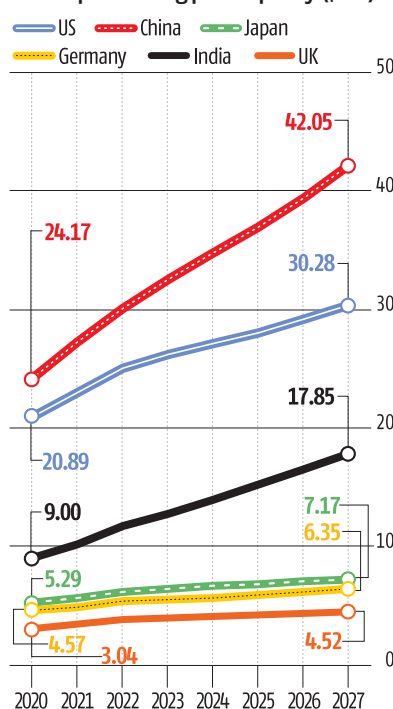
By FY26, India's economy would be \$4.55 trillion, equal to the size of Germany's which was bigger than the

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GDP at current prices (\$ trn)



GDP at purchasing power parity (\$ trn)



Note: For India, financial years are used, so 2020 would mean 2020-21 and so on

Source: IMF

former by over \$1 trillion in FY22. In fact, if figures are not rounded off, India's economy would be bigger than Germany's by \$1 billion in FY26. But \$1 billion is too small a figure for any forecaster to make a precise projection three years down the line, say experts.

Some may argue that purchasing power parity (PPP) is a better method to gauge the size of the economy. PPP takes into account the cost of living in a country while converting a currency into dollars. India has been the third-largest econ-

omy on PPP terms for quite some time. It will continue to be so until FY28, according to IMF projections.

Bank of Baroda Chief Economist Madan Sabnavis sounded a word of caution in making these interpretations.

"There are issues on gross domestic product numbers and calculations which cause these interpretations. (We) should be cautious since all such calculations are in nominal terms and PPP. Inflation and prices (are) used (to) derive this number," he observed.