

India can be 2nd largest economy by 2031: Patra

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It is conceivable that India can become the world's second-largest economy by 2031 and the largest economy by 2060, given the country's inherent strengths, said Reserve Bank of India (RBI) Deputy Governor Michael Debabrata Patra.

Speaking at the Lal Bahadur Shastri National Academy of Administration, Mussoorie on Tuesday, he said that price stability was the best contribution monetary policy could make to strengthen the foundations for long-term growth.

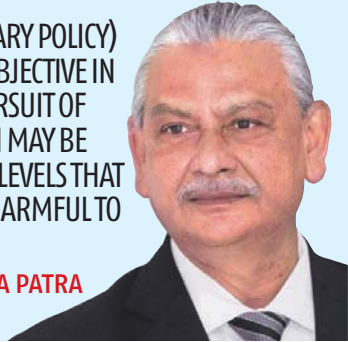
"Given the innate strengths... it is possible to imagine India striking out into the next decade to become the second largest economy in the world, not by 2048, but by 2031, and the largest economy of the world by 2060," he said.

The speech was uploaded on the RBI website on Friday.

"The formation of inflation in India needs to be navigated towards convergence with global inflation so that both the internal and external value of the rupee is preserved. This will prepare the ground for the internationalisation of the rupee and the emergence of India as the economic power-

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MICHAEL DEBABRATA PATRA
Deputy Governor, RBI



house of the world of tomorrow," he said.

Patra said the RBI projects average inflation to be 4.5 per cent in 2024-25 and 4.1 per cent in 2025-26.

"Monetary policy should be conducted in terms of some rule-like behaviour that binds it to pursue its goals across time. Instead, if it falls prey to the temptation of exploiting short-run trade-offs – like abandoning inflation control in the short run and boosting growth or what economists call time inconsistency – it will ultimately lose sight of its objective because, in the short-run pursuit of growth, inflation may be allowed to rise to levels that can be inimically harmful to growth," he said.

Patra said there was evidence that the Indian households were switching from

financial savings to physical savings, which is financed by loans.

In the period 2021-23, the gross domestic saving rate has averaged 30.7 per cent of gross national disposable income. "Thus, unlike many countries, India does not have to depend on foreign resources, which play a minor and supplemental role in the growth process."

He said India must intensify its efforts to increase exports of goods and services from the current \$768 billion (2.4 per cent of the world's total) to \$1 trillion each for merchandise and services (5 per cent of the global total) by 2030. Patra also said to elevate India's manufacturing sector and position it as a global manufacturing hub, the growth rate must be increased to 10 per cent.