

# India may account for 16% of consumption by 2050

World Data Lab projections based on PPP criterion

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India is projected to account for 16 per cent of global consumption at purchasing power parity (PPP) by 2050, up from 4 per cent in 1997 and 9 per cent in 2023 according to World Data Lab, a McKinsey Global Institute analysis said in a report on “Dependency and Depopulation: Confronting the Consequences of new Demographic Reality” released a few days ago. Only North America, with a 17 per cent share in 2050, will have a higher consumption share.

PPP is a way to compare the value of different currencies by adjusting for price differences between countries.

In the next quarter century, later-wave countries and regions, including emerging Asia, Latin America and the Caribbean, West Asia and North Africa, India, and Sub-Saharan Africa will account for more than half of the global consumption, due to fast-growing young population and increasing

incomes. Later-wave countries and regions are those that have seen fertility rates fall later than advanced countries.

In comparison, during the same period, advanced Asia, North America, Greater China, Western Europe, and Central and Eastern Europe could account for just 30 per cent of the world’s consumption in 2050, down from 60 per cent in 1997.

The research says that the shift has some major implications — as income and consumption grow in markets like India, local and multinational companies have to best meet changing local tastes and adapt their products and services to their needs.

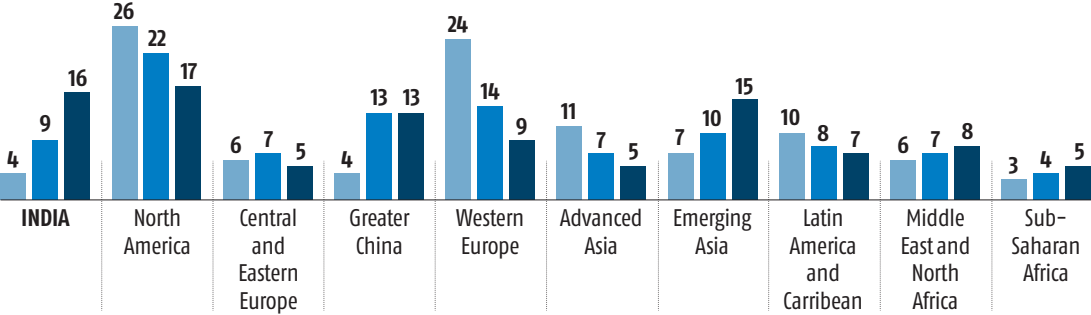
The report points out the shift of balance of population due to sharp declines in fertility rates — by 2050, only 26 per cent of the world population will live in first-wave regions compared to 42 per cent in 1997. The rest will be in later-wave regions and Sub-Saharan Africa.

As a result, labour will also shift to these later-wave regions, which

## COMPARATIVE TREND

Contribution to global consumption (in %)

■ 1997 ■ 2023 ■ 2050



Note: Figures may not sum up to 100 % due to rounding. Share based on consumption on purchasing power parity; Only direct consumption is included, in kind consumption from governments excluded  
Source: World Data Lab, McKinsey Global Institute

will by 2050 account for two-thirds of all hours worked globally.

Research on India provides some interesting insights — one, in India, where the support ratio currently is 9.8, the trajectory of births and deaths, and life expectancy indicates the same will halve by 2050 and drop to 1.9 by 2100, about the same as Japan today. Support ratio is the number of working age people for every person above 65 years whom they have to support.

Two, India’s share of world population, which was 23 per cent in 2023, will fall to 17 per cent in 2050, and go down further to 15 per cent by 2100, when it will hit 1,505 million — a growth of 5 per cent from 2023. In 2019, India’s fertility rate fell below the replacement rate. The replacement rate is the average number of children a woman needs to have to replace herself and sustain the population.

Finally, the research says that the

demographic dividend added 0.7 per cent on average to the country’s gross domestic product (GDP) per capita growth between 1997 and 2023. But labour intensity (the number of hours that a worker has worked) in the same period fell by 1.1 per cent, offsetting the advantages of a bigger working force. Not only that, as the age-mix skews older, it will contribute only 0.2 per cent to the average of Indian income by 2050.