

# *India's GDP growth may average 6.3% for FY21-30*

Will help the country pip Japan, Germany to be the third-largest economy, says S&P

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The S&P Global Market Intelligence on Tuesday projected India's real gross domestic product (GDP) growth to average 6.3 per cent annually between financial years 2021 and 2030, enabling it to overtake Japan and Germany to become the world's third-largest economy in nominal US dollar terms.

Real income per capita is projected to achieve significant average growth of 5.3 per cent, with Indian households becoming the greatest spenders among G20 economies, the firm said in a report, assuming con-



tinued structural reforms, including trade and financial liberalisation, infrastructure and human capital investment, and labour market reform.

"Progress is likely to be piecemeal: Although the current government has a parliamentary majority to pass leg-

islation, trade unions are strong, comprise millions of members in sectors highlighted for liberalisation, and have routinely opposed policies that they claim threaten job security and increase the influence of big business," the firm, earlier known as IHS Markit, said in the report.

The Union government has not been able to implement the four labour codes despite notifying them two years ago, due to opposition from states and labour unions.

"To circumvent stakeholder opposition, the thrust of economic policy will be to make India structurally more self-reliant. Doing so serves three goals: reducing import dependency, providing the labour force with suitable employment opportunities, and creating a more viable market for domestic and foreign investors," the report said.

The S&P report said the government was banking on production-linked incentive (PLI) schemes as tools to make the Indian economy more export-driven and more inter-linked in global supply chains. "A greater share in global value chains would also contribute to India's goals of improving leverage in multilateral negotiations and gaining advantage in its competition with mainland

China," it added.

India's manufacturing exports have struggled to gain global market share, while the share of manufacturing in India's GDP declined from 17 per cent in FY09 to 14 per cent in FY21. S&P said India's ambition to increase its economic power was unlikely to be limited to encouraging foreign investor participation.

"We are seeing, in effect, a promotion of 'national champions' — a handful of India-based conglomerates that the government is seeking to position as competitors to companies from mainland China, Europe, Japan, South Korea, and the United States. The government is likely to actively advocate that foreign investors participate in joint ventures in India with these national champions. This is particularly likely in strategic sectors, such as defense and semiconductors and in PLIs for renewable energy, electronics, and mining," it said.