

India set to be 3rd-largest economy by 2030: S&P

Will surpass Germany, Japan on demographic strength

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New Delhi, 24 October

India will become the world's third-largest economy, overtaking Germany and Japan, by 2030 on the strength of its youthful demographic profile and rapidly rising urban household incomes, S&P Global Market Intelligence has projected.

Now India is in fifth position.

That will result in India becoming the second-largest economy in the Asia-Pacific region, after China. Only the US is a bigger economy than China now.

"India's nominal GDP measured in USD (\$) terms is forecast to rise from USD 3.5 trillion in 2022 to USD 7.3 trillion by 2030. This rapid pace of economic expansion would result in the size of (Indian GDP) exceeding Japanese GDP by 2030, making India the (second-largest) economy in the Asia-Pacific region," S&P Global Market Intelligence said in its latest issue of PMI.

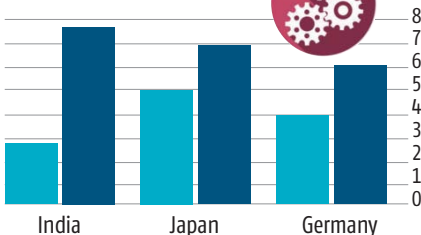
By 2030, India's GDP is forecast to surpass Germany's too.

Though the data-information company did not use the description of India becoming the "third-largest economy", that was almost clear when it pointed out that by 2022, the size of India's GDP had become

GDP GROWTH: ON THE RIGHT TRACK

GDP in \$ trn, nominal terms

■ 2020 ■ 2030E



Source: S&P Global Market Intelligence

larger than the GDP of the UK and France.

By virtue of that, India had become the fifth-largest economy in 2022.

While various agencies have forecast India to become the third-largest economy in the foreseeable future, there is no consensus on when it will be.

According to the International Monetary Fund (IMF), India will become the third-largest economy before 2030. It is likely to achieve the status in 2027.

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Economy ...

By then, India's economy would be \$5.43 trillion against Germany's \$5.33 trillion. Japan would be the fifth-economy by that time at \$4.57 trillion.

India would become larger than Japan by 2026. India's economy would be \$4.95 trillion that year against Japan's at \$4.71 trillion, according to the IMF. Unlike the IMF, the S&P Global Market Intelligence has shown Japan as a bigger economy than Germany currently as well as in 2030.

At home, Prime Minister Narendra Modi has often reiterated India's growth story to the electorate. Earlier this year, he had expressed confidence that India would be among the top three economies in the world during his "third term".

S&P Global said after two years of rapid economic growth in 2021 and 2022, the Indian economy continued to show sustained strong growth in 2023. The near-term economic outlook is for continued rapid expansion during the rest of 2023 and 2024, underpinned by strong growth in domestic demand. In real and rupee terms, India's economy grew 6.1 per cent and 7.8 per cent in the first and the second quarters of 2023, and that was the fastest among the large economies.

However, the size of the economy is measured in terms of nominal or current prices.

Pointing out that foreign direct investment in India has been strong despite moderation in 2022-23, S&P Global said the acceleration of such inflows over the past decade reflected the favourable long-term growth outlook for the Indian economy.