

'Unstoppable' India will become 3rd \$10-trillion economy by 2035: CEBR

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The Centre for Economic and Business Research (CEBR) has said India now seems unstoppable in its momentum to become an economic superpower. By 2037, the country will become the third largest economy, CEBR has forecast.

CEBR is one of the leading economy consultancies in the UK and its annual publication, *World Economic League Table*, tracks macroeconomic developments globally. The latest edition of the report was released on Monday which also warned of the world moving towards a recession.

Highlighting the development of the Indian economy, the report said: "By 2035, we forecast that India will become the third \$10-trillion economy. Although there are political factors that could hold India back, it has demographics on its side."

GDP GROWTH

India ranks second in terms of global population and its GDP per capita (adjusted to purchasing power parity) is estimated at \$8,293 in 2022, which puts it in the group of lower middle-income countries. "Over the next five years, the annual rate of GDP

growth is expected to average 6.4 per cent, and 6.5 per cent in the subsequent nine years. This growth trajectory will see India rise from the fifth place on the *World Economic League Table* in 2022 to the third by 2037," it said.

According to the report, the pandemic had a particularly devastating effect in absolute terms and India had the third highest death toll globally. This, in turn, led to a significant decline in economic activity. As the pandemic subsided, a sharp rebound in the economic activity followed, resulting in the GDP growing by 8.7 per cent in FY22.

RETAIL INFLATION

"We still expect growth in FY23 to remain robust, at 6.8 per cent, in spite of decelerating global demand and tightening monetary policy to curb inflationary pressures. This would bring the output above 2019 levels," the report said. Output

growth is expected to ease in the next fiscal.

Much of India's current inflation rate reflects higher food prices, an erratic item but one that also accounts for a larger share of the consumer basket than in any other G20 country.

The uptick in inflation, nevertheless, has been softened by India's purchase of discounted Russian energy. "The Reserve Bank of India has raised interest rates to bring back inflation to its target range. Higher borrowing costs will weigh on public debt, especially on top of expanded infrastructure spending and targeted fiscal measures," the report said.

Government debt currently stands at 83.4 per cent of GDP, with a high fiscal deficit amounting to 9.9 per cent of GDP in 2022. Fiscal consolidation will eventually be necessary to ensure the debt levels do not destabilise the economy.

WORLD ECONOMIC LEAGUE TABLE 2022

- Retail inflation has been lower in India compared with most large economies
- The uptick in inflation has been softened by purchase of discounted Russian energy
- Fiscal consolidation will be necessary to ensure debt levels do not destabilise the economy