

The Rise of India as a Global Economic Power

June 1, 2024



Prime Minister Narendra Modi.

India, with its vast population and burgeoning economy, is rapidly emerging as a global economic power. As of this year, India's GDP is projected to grow between six and seven percent, making it the world's fastest-growing major economy. This growth trajectory suggests that India's economy could expand from approximately USD 3.5 trillion in 2023 to around USD 7 trillion by the end of the decade.

Investment Destination

Global investment banks such as Morgan Stanley, Goldman Sachs, and Barclays are increasingly viewing India as a prime investment destination. This influx of foreign investment is prompting companies worldwide to develop strategies tailored to the Indian market. While China still holds the crown for global

economic growth, India's growth rate, even if marginally higher by about one percent per year, could position it as the leading driver of global economic expansion by 2028.



Prime Minister Narendra Modi with U.S. President Joe Biden.

Manufacturing and Urbanization

For India to fully realize its economic potential, significant improvements in key areas like manufacturing, urbanization, workforce, and infrastructure are necessary. Currently, manufacturing accounts for only 16 percent of India's economy, compared to 26 percent in China. The Indian government aims to increase this share to 25 percent by 2025. This shift would require a substantial portion of India's agricultural workforce, comprising 150 million people, to transition to manufacturing jobs, fueling urbanization.

Urbanization is crucial for economic growth. While 64 percent of China's population resides in urban areas, only 36 percent of Indians live in cities. To support this transition, India is enhancing its infrastructure, including railways, airports, and urban housing, though challenges like traffic, water, and housing

remain.

Workforce and Demographics

India's demographic advantage is significant. With a population surpassing 1.4 billion, more than half of whom are under 30, India has the world's youngest workforce. This demographic dividend can drive rapid economic growth, provided there are sufficient job opportunities. However, unemployment remains high at around seven percent, and many college graduates are deemed unemployable due to the poor quality of education. Additionally, increasing female workforce participation from 29 percent to levels closer to China's 45 percent could expand India's GDP by nearly a third by 2050.

Infrastructure and Investment

Infrastructure development is critical for attracting foreign direct investment (FDI). Historically, inadequate roads, railroads, airports, and seaports have hampered India's growth. Despite some progress, such as expanding the national highway network by over 50 percent since 2014, much remains to be done. Improvements in the ease of doing business are also essential to stimulate economic growth.



Prime Minister Narendra Modi with Donald Trump, former President of the United States.



Prime Minister Narendra Modi with Ratan Naval Tata, Former chairperson, Tata Group and Mukesh Ambani, Indian businessman, Chairman and Managing Director, Reliance Industries.



Prime Minister Narendra Modi with Gautam Adani, Founder and Chairman, Adani Group.

Political Landscape

India's political landscape, led by Prime Minister Narendra Modi, plays a pivotal role in its economic development. Modi, known for his dynamic leadership, has been both lauded and criticized. While many view him as an effective leader with

high approval ratings, others criticize his Hindu nationalist policies, which some argue marginalize minorities and undermine democratic norms.

Modi's Economic and Political Strategies

Modi's rise to power was marked by his tenure as Chief Minister of Gujarat, where he implemented policies to attract investment and boost economic productivity. His 'Gujarat model' focused on cutting red tape and delivering tangible benefits to the poor. This approach helped Gujarat's economy grow at an average rate of 10 percent annually during his 12-year tenure.

On a national level, Modi has pushed for infrastructure development and economic reforms, including a national identity card, an inflation target, and a unified goods and services tax. However, his tenure has also seen controversial moves such as revoking the autonomous status of Jammu and Kashmir and passing discriminatory citizenship laws.

Challenges and Opportunities

Despite significant economic progress, India faces challenges such as high unemployment, economic inequality, and infrastructure deficiencies. Addressing these issues is crucial for sustaining growth and ensuring that the benefits of economic expansion reach all segments of society.

India's future as a global economic power hinges on its ability to overcome these challenges and capitalize on its demographic advantages, improving infrastructure, and fostering an inclusive growth environment. With strategic investments and reforms, India is poised to play a pivotal role in the global economy in the coming decades.

The Rise of India as a Global Economic Power - Bloomberg Originals Marathon