

**INDIA SET TO BECOME 3RD LARGEST ECONOMY BY 2029:
INDIA SURPASSED THE SIZE OF UK ECONOMY IN DECEMBER 2021 ITSELF**

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India's GDP growth in Q1FY23 was 13.5%. At this rate, India is likely to be the fastest growing economy in the current fiscal. Interestingly, even as estimates of India's GDP growth rate for FY23 currently range from 6.7% to 7.7%, we firmly believe that it is immaterial. In a world that is ravaged by uncertainties, we believe 6% -6.5% growth is the new normal.

Nevertheless, we make a passionate urge to update the IIP basket that is composed of a 2012 set of products and is hopelessly outdated. For example, IIP basket does not contain handset exports that are now produced by companies like Foxconn in India. Separately, the steel production by select companies has undergone locational shift which are not a part of the IIP sample. Nokia's handset manufacturing facility at Chennai has closed down post 2014. Hilariously, the facility is now producing 5G Radio sets. We believe that manufacturing growth in India will see an upward revision once this is done.

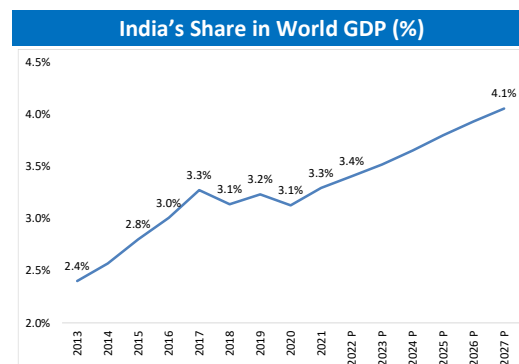
Meanwhile, India has undergone a large structural shift since 2014 and is now the 5th largest economy. Interestingly, India had surpassed UK as the 5th largest economy as early as December 2021 itself and not recently as is being claimed. The share of India's GDP is now at 3.5%, as against 2.6% in 2014 and is likely to cross 4% in 2027, the current share of Germany in global GDP!

The path taken by India since 2014 reveals India is likely to get the tag of 3rd largest economy in 2029, a movement of 7 places upwards since 2014 when India was ranked 10th. India should surpass Germany in 2027 and most likely Japan by 2029 at the current rate of growth. This is a remarkable achievement by any standards.

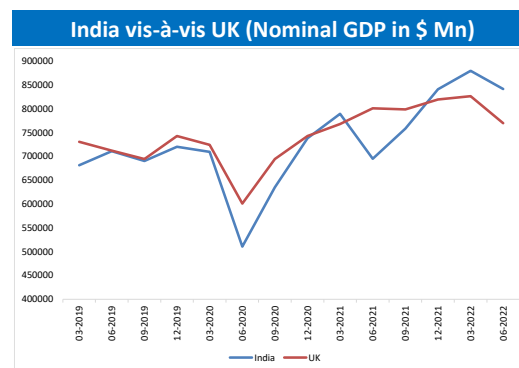
In coming days India is likely to be the beneficiary as China slows down in terms of new investment intentions. Global tech major Apple's recent decision to shift part production of its flagship iPhone 14 model for worldwide shipping from India, with a negligible time lag of a few weeks post its slated launch on September 7, bears testimony to such an optimism! The move by Apple, the most recognisable face of tech infused innovation in the last two centuries, that captures aspirations of an upwardly mobile population should open the flood gates for other major conglomerates to follow suit.

A broad-based growth of empowerment will also lift India's per capita income from current levels and this could also as a force multiplier for a better tomorrow.

At the beginning of 21st century, China embarked on an accelerated growth path occupying the second largest economy tag. We believe, with right policy perspective and realignment in global geopolitics our current estimates might even undergo an upward revision!



Source: IMF, SBI Research



Source: CEIC, SBI Research

Top 10 Economies, Nominal GDP (\$ Mn)						
2014				2022 P		
Rank	Country	Nominal GDP (\$ Mn)	Share (%)	Rank	Country	Nominal GDP (\$ Mn)
1	US	17551	22.1%	1	US	26695
2	China	10524	13.3%	2	China	21865
3	Japan	4897	6.2%	3	Japan	5291
4	Germany	3890	4.9%	4	Germany	4565
5	UK	3089	3.9%	5	India	3894
6	France	2852	3.6%	6	UK	3687
7	Brazil	2456	3.1%	7	France	3086
8	Italy	2163	2.7%	8	Canada	2362
9	Russia	2049	2.6%	9	Italy	2169
10	India	2039	2.6%	10	Brazil	1980

Source: IMF WEO, SBI Research; For India, it is FY2023

India's Transition since 2014	
Rank	Year
10th	2014
7th	2015
6th	2019
5th	2022
4th	2027 P
3rd	2029 P

Source: IMF; SBI Research

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