

AT CURRENT RATE, INDIA TO BECOME THE 3RD LARGEST ECONOMY BY 2027 (FY28), 2 YEARS EARLIER THAN OUR PREVIOUS PROJECTION OF 2029 (FY30)! UTTAR PRADESH WILL BE INDIAN “LAND OF MIDNIGHT SUN”!

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The Indian economy continues to enjoy a period of sustained goldilocks. There is now an increasing consensus that **India’s GDP in Q1FY24 is likely to surpass 8%** (SBI projection at 8.1% with an upward bias), thus pushing India’s GDP growth to beyond 6.5% for FY24. We firmly believe that in a world that is ravaged by uncertainties, 6.5%-7.0% growth is the new normal.

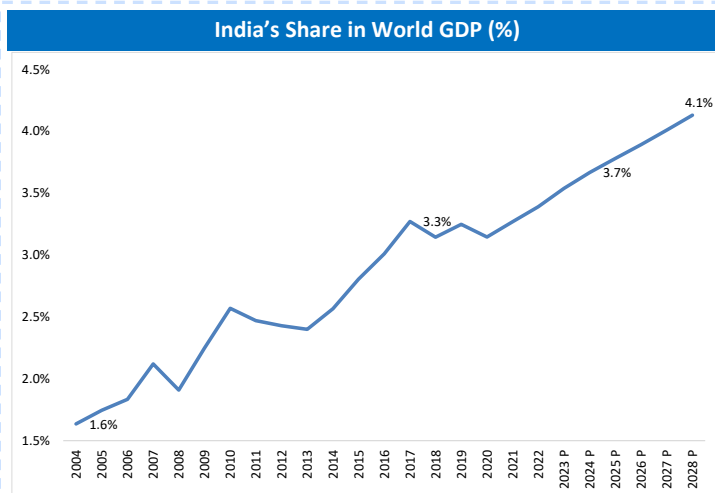
The path taken by India since 2014 reveals that India is likely to get the tag of the 3rd largest economy in 2027 (or FY28) based on actual GDP data as on March 2023, a movement of 7 places upwards since 2014 when India was ranked 10th and 2 years earlier than our previous forecast of 2029. India should surpass both Japan & Germany in 2027 at the current rate of growth. This is a remarkable achievement by any standards. **Interestingly, the incremental increase by India between 2022-2027, is more than the current size of Australia’s economy at \$1.8 trillion! At this rate, India is likely to add \$ 0.75 trillion in every 2 years, implying that India is all set to touch \$20 trillion by 2047, at least on current numbers. India’s global share in GDP will cross 4% by 2027.**

Behind this surge, India needs to grow by CAGR of 8.4% till 2027 (in dollar terms). This translates into 11.0-11.5% nominal GDP growth per annum (in Rs terms), which is eminently achievable with a 6.5-7% growth rate.

State-wise estimate indicates that at least two Indian states, Maharashtra and Uttar Pradesh, will break the \$500 billion mark in 2027 (or FY28) when India achieves the 3rd place in global economy. The GDP size of major Indian states in 2027 will be more than the size of some of the Asian and European countries like Vietnam, Norway and so on.

In coming days as macroeconomic prospects steadily improve, India will dynamically seek fuller expression of its full potential and a transformative change in its global position. Additionally, the recent visits of the PM mark significant long term economic gains for India in areas of onshoring of chip manufacturing, defence relationship, climate transition & climate finance, trade disputes and creation of special economic zones. Development will have a cascading impact on economic growth in India and extended neighbourhood.

- Against all odds India’s GDP growth is expected to grow by more than 8% in Q1 FY24 (8.1-8.2%). With this, India may surpass the 6.5% mark of overall growth in FY24. We firmly believe that in a world that is ravaged by uncertainties, 6.5%-7.0% growth is the new normal.
- **Meanwhile, India has undergone a large structural shift since 2014 and is now the 5th largest economy. The share of India’s GDP is now at 3.5%, as against 2.6% in 2014 and is likely to reach 4% in 2027.**
- **The path taken by India since 2014 reveals India is likely to get the tag of the 3rd largest economy in 2027 (or FY28), a movement of 7 places upwards since 2014 when India was ranked 10th. India should surpass both Japan & Germany in 2027 at the current rate of growth. This is a remarkable achievement by any standards. Interestingly, the incremental increase by India between 2022-2027 is more than the current size of Australia’s economy!**



Source: IMF, SBI Research

Top 10 Economies, Nominal GDP (\$ Bn)											
2014				2022				2027 P			
Rank	Country	Nominal GDP (\$ bn)	Share (%)	Rank	Country	Nominal GDP (\$ bn)	Share (%)	Rank	Country	Nominal GDP (\$ bn)	Share (%)
1	US	17551	22.1%	1	US	25464	25.4%	1	US	31092	24.4%
2	China	10524	13.2%	2	China	18100	18.1%	2	China	25722	20.2%
3	Japan	4897	6.2%	3	Japan	4234	4.2%	3	India	5153	4.0%
4	Germany	3890	4.9%	4	Germany	4075	4.1%	4	Japan	5077	4.0%
5	UK	3067	3.9%	5	India	3399	3.4%	5	Germany	4947	3.9%
6	France	2857	3.6%	6	UK	3071	3.1%	6	UK	4016	3.1%
7	Brazil	2456	3.1%	7	France	2784	2.8%	7	France	3322	2.6%
8	Italy	2163	2.7%	8	Russia	2215	2.2%	8	Brazil	2588	2.0%
9	Russia	2049	2.6%	9	Canada	2140	2.1%	9	Canada	2492	2.0%
10	India	2039	2.6%	10	Italy	2012	2.0%	10	Italy	2407	1.9%

Source: IMF WEO; SBI Research

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

Source: IMF; SBI Research

- To achieve the 3rd place India needs to grow by CAGR of 8.4% till 2027 (in dollar terms). This translates into 11.0-11.5% nominal GDP growth per annum (in Rs terms), which is achievable.
- State-wise estimate indicates that at least two Indian states will break the \$500 billion mark in 2027 (or FY28) when India achieves the 3rd place in global economy. The GDP size of major Indian states in 2027 will be more than the size of some of the European countries like Norway, Hungary, etc.
- A broad-based growth of empowerment will also lift India's per capita income from current levels and this could also act as a force multiplier for a better tomorrow.
- In coming days as macroeconomic prospects steadily improve, India will dynamically seek fuller expression of its full potential and a transformative change in its global position.
- 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!

Top 15 States contributing to India GDP in FY28			
State	Estimated Size (\$ Bn)	Estimated Share (%)	Countries with equal size in 2027
Maharashtra	647	13%	Vietnam
Uttar Pradesh	515	10%	Norway
Tamil Nadu	426	8%	Chile
Karnataka	395	8%	Colombia
Gujarat	386	7%	
Rajasthan	252	5%	Qatar
Andhra Pradesh	243	5%	Ethiopia
Telangana	239	5%	Algeria
Madhya Pradesh	234	5%	
Kerala	218	4%	Hungary
Delhi	209	4%	
West Bengal	206	4%	Kuwait
Haryana	200	4%	
Bihar	159	3%	Dominican Republic
Punjab	151	3%	Slovak Republic
India	5153	-	-

Source: WEO, SBI Research, * FY28 is CY27

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Contact Details:

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
🐦 : kantisoumya