

PURCHASING POWER PARITY- ECONOMY

NEWS: No 'dead economy'? India may surpass US as 2nd largest economy in PPP by 2038 - despite Trump tariffs

A recent report projects India will become the world's second-largest economy by 2038 with a \$34.2 trillion GDP (PPP), driven by its young population and major structural reforms. While this strengthens India's global position, the country must manage risks from potential trade tariffs and the domestic challenge of job creation.

Understanding GDP and India's Current Position (2024-25)

GDP (Nominal)

This is the market value of an economy. India's is currently ~\$4.1 trillion, making it the 5th largest.

GDP (PPP - Purchasing Power Parity)

This adjusts for price differences between countries and shows real purchasing power. India's is ~\$15.4 trillion, making it the 3rd largest (after China and the US).

Key Projections for India's Economy

A recent EY report projects significant growth for India:

1. By 2030: India's GDP is expected to reach \$20.7 trillion (PPP).
2. By 2038: The economy is projected to hit \$34.2 trillion (PPP), overtaking the US to become the world's 2nd largest economy.

What's Driving India's Growth?

Young Population (Demographic Dividend)

India's median age is just 28.8 years, providing a large workforce compared to aging nations like China (39) and the US (38).

High Savings & Investment

A high national savings rate supports investment in infrastructure and manufacturing, boosted by schemes like the Production Linked Incentives (PLI).

Major Reforms

Policies like the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), and the Unified Payments Interface (UPI) have modernized the economy.

Stable Finances

Government debt is projected to decline, which is a better position than high-debt nations like the US and Japan.

Technology & Green Growth

Rapid adoption of AI, renewable energy, and world-class digital infrastructure (like Aadhaar and UPI) are major advantages.

Risks and Challenges

India's path is not without obstacles

External Shocks

The threat of high US tariffs could impact GDP, but India can reduce this impact with countermeasures.

Internal Hurdles

Key challenges include creating enough jobs for the growing workforce, addressing regional economic disparities, and closing the skill gap in advanced technologies.

How India Compares Globally

India is seen as the most dynamic among the top 5 economies because its competitors face significant issues

China

Slowing growth due to an aging population and high debt.

US

High debt (over 120% of GDP) and political polarization.

Germany/Japan

Aging populations and heavy dependence on trade.

Global Implications of India's Growth

As India's economy grows, its global influence will increase:

Geo-economics

It will become a major growth engine for the Global South and a key alternative to China in global supply chains.

Geo-politics

India's role in the G20 and BRICS will expand, strengthening its case for a permanent seat on the UN Security Council.

Viksit Bharat 2047

Becoming the world's second-largest economy by 2038 aligns perfectly with the national vision of becoming a developed nation by 2047.

Key Takeaways and Strategy Needed

The Big Picture

India is on a clear path to become the world's #2 economy by 2038.

The Engine

Growth is powered by a young population, strong reforms, and technology.

The Brakes

Risks from global trade friction and domestic unemployment must be managed.

The Roadmap

The strategy should focus on diversifying trade, investing heavily in skills and education, boosting domestic manufacturing, and maintaining sustainable policies.

Source: <https://timesofindia.indiatimes.com/business/india-business/no-dead-economy-india-may-surpass-us-as-2nd-largest-economy-in-ppp-by-2038-despite-donald-trump-tariffs/articleshow/123567475.cms>