



India to Become Fifth Largest Economy in 2025

Why in News

A recent report published by the **Centre for Economics and Business Research (CBER)** has predicted that India will again overtake the UK to become the **fifth largest economy in 2025** and race to the **third spot by 2030**.

- CBER is a **UK** based company that gives **independent economic forecasts** for public and private firms.

Key Points

▪ Findings:

- The Indian economy will **expand by 9%** in 2021 and **by 7%** in 2022.
- This growth trajectory will see India become the world's **third largest economy by 2030, overtaking the UK in 2025, Germany in 2027 and Japan in 2030**.
- **China in 2028 will overtake the USA** to become the **world's biggest economy, five years earlier** than previously estimated due to the contrasting recoveries of the two countries from the [Covid-19 pandemic](#).
- **Japan** would remain the world's **third-biggest economy, until the early 2030s** when it would be overtaken by India, pushing **Germany down from fourth to fifth**.

▪ Current Scenario:

- Previously, **India had overtaken the UK in 2019 to become the fifth largest economy** in the world but has been relegated to **6th spot in 2020**.
 - The five economies ahead are the **United States, China, Japan, Germany and the United Kingdom** respectively.
- India's economy had been losing momentum **even ahead of the shock delivered** by the **Covid-19** crisis.
 - The **rate of [Gross Domestic Product \(GDP\)](#) growth sank to** a more than ten-year low of **4.2% in 2019**.
- Slowing growth has been a consequence of a confluence of **factors** including **fragility in the banking system, adjustment to reforms ([Demonetisation](#), [GST](#))** and a **deceleration of global trade**.
- **[GDP in Q2 \(April-June\) 2020 was 23.9%](#)** below its 2019 level, indicating that nearly a quarter of the country's economic activity was wiped out by the drying up of **global demand** and the **collapse of domestic demand** that accompanied the series of strict **national lockdowns**.

▪ Suggestions:

- The **pace of the economic recovery** will be indistinguishably **linked to the development of the Covid-19 pandemic**, both domestically and internationally.
 - As the manufacturer of the majority of the world's vaccines and with a 42-year-old

vaccination programme (**Universal Immunisation Programme**) that targets 55 million people each year, **India is better placed than many other developing countries to roll out the vaccines successfully** and efficiently next year.

- In the medium to long term, **reforms such as the 2016 demonetisation** and more recently the **controversial efforts to liberalise the agricultural sector** can deliver economic benefits.
 - However, with the majority of the Indian workforce employed in the agricultural sector, the **reform process requires a delicate and gradual approach** that **balances** the need for **longer-term efficiency gains** with the need to **support incomes in the short-term**.
- The **infrastructure bottlenecks** that exist in India mean that investment in this area has the potential to unlock significant productivity gains.
 - Therefore, the outlook for the economy going forwards will be closely related to the **government's approach to infrastructure spending**.

Source:TH

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