

Indian economy to reach \$5 trillion by 2025, says report

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India's millennial population is a massive disruptive force and driven by this supportive demographics along with government's policy action, Indian economy is likely to reach \$5 trillion by 2025, says a report.

India's \$2.2 trillion economy makes it the seventh largest in the world in terms of nominal GDP (and the third largest in PPP terms), but the country's per capita income is less significant. With a per capita income of \$1,700, India ranks well behind some of the key emerging markets, like China, Russia, Brazil, Indonesia, the Philippines, Mexico, and Turkey.

"We expect a confluence of supportive factors, led by demographics, government policy action, and globalization, to lead to a sustained period of productive growth in the medium term," Morgan Stanley said in a research note adding "in our base case, we expect the Indian economy to reach \$5 trillion by FY2025.

By financial year 2024-25, Morgan Stanley expects per capita income to rise 125% to \$3,650. The report said India's millennial population of 400 million is the largest in the world and is armed with around \$180 billion in spending power, and with high smartphone adoption and widespread availability of mobile broadband infrastructure, it will become a disruptive force faster than most businesses expect.

The population dynamics will therefore be a key force in shaping India's overall growth trajectory and also in shaping how product markets will develop as the preferences of the population evolve, Morgan Stanley said.

The report, however, noted that the demographics factor alone is not sufficient for an acceleration in GDP growth. It is important that the working age population is adequately skilled to participate in a globalized competitive environment. "The next leg of harnessing this young and better skilled population would require creation of adequate employment opportunities, which is an opportunity and a challenge for India," it said.