

What are India's key economic trends?

Learning objectives

- To know India's key economic trends since 1990
- To appreciate that government policy is a major influence on development
- To understand the role of globalisation in India's economic advance

India has undergone rapid economic advancement in recent decades. All measures of development have shown considerable improvement. Such significant change has meant that India is now considered to be an emerging country rather than a developing country.

GDP and GNI per capita

India's GDP began to steadily grow from 1950. In the 1990s, the rate of growth increased and then increased again in the present century. India's economy has grown by an average of 7% for the last two decades. It became the world's fastest growing major economy from the end of 2014 and is now the world's 7th largest economy by nominal GDP (not adjusted for inflation). When measured using PPP, however, India's economy is the third largest in the world.

As GDP has risen at a faster rate than population growth, GDP per capita has increased, as have other similar measures such as GNI per capita (Table 6). The data show that GNI per capita almost doubled between 2006 and 2014.

Table 6 India – GNI per capita and HDI

Year	GNI per capita PPP (US\$)	HDI
2000	2522	0.496
2005	3239	0.539
2010	4499	0.586
2014	5497	0.609

Change in India's economy

As a country develops, the structure of its economy changes. So does the proportion of people working in the three main economic sectors. This happens as people move from less productive to more productive

employment which pays higher wages, so each sector's contribution to the country's GDP also changes. Figure 13 shows India's distribution of GDP for four different years, from 1980–1981 to 2010–2011, in the three main sectors. The main trends are:

- a large reduction in the contribution of agriculture to total GDP – from 37.2% to 14.5%
- a small change in the contribution of manufacturing industry – from 16.9% to 18.4%
- a rapid increase in the contribution of services – from 45.8% to 67.1%

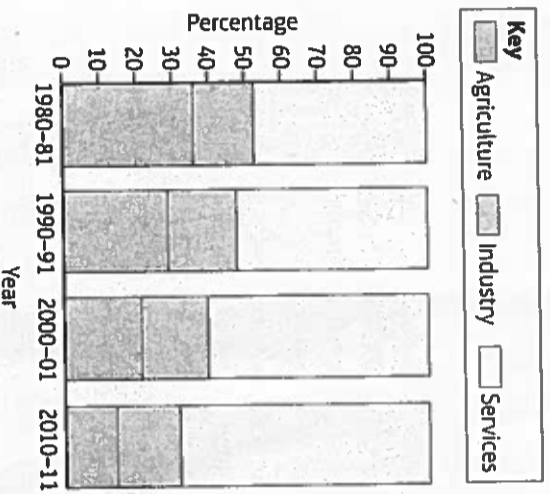


Figure 13 The changing distribution of GDP by economic sector in India, 1980–2011

Trade

As India has become more integrated into the global economy, the volumes of both its exports and imports have increased (Figure 14). Total merchandise trade increased more than threefold from US\$252 billion

in 2006 to US\$794 billion in 2012. The composition of India's trade has also changed, with higher value goods becoming more prominent in both directions of trade.

- Key exports are petroleum products, gems and jewellery, pharmaceutical products and transport equipment.
- Oil is India's biggest import, followed by gold and silver, and electronic goods.

Asia is the main destination for India's exports, up from 40.2% of the total in 2001–2002 to 51.6% in 2011–2012. India's largest import source is China.

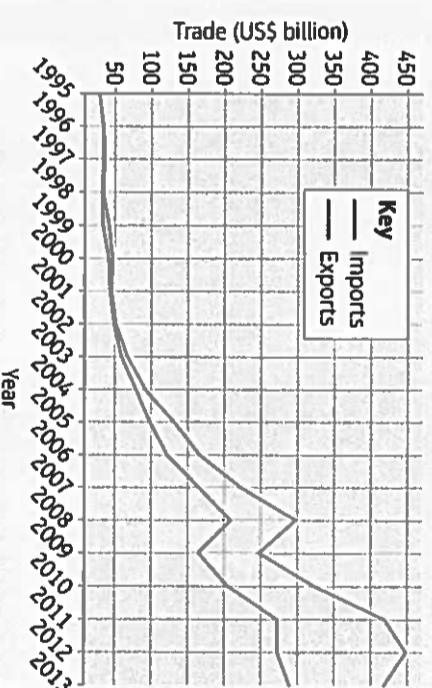


Figure 14 India's trade balance, 1995–2013

Foreign direct investment (FDI)

India's economic development has recently been boosted by a spectacular increase in foreign direct investment, especially since 2000. Table 7 shows inward FDI stocks, or the cumulative level of investment in India for each year. There has been inward investment in all three economic sectors. The Indian government has been particularly keen to encourage FDI in the development of the country's infrastructure. For example, some of the country's largest railway projects will be funded by FDI investment. In 2014–2015, the top two sources of FDI into India were Mauritius and Singapore.

Table 7 India – FDI stocks (US\$ billion)

	1995	2000	2014
Inward	5.6	16.3	252.3
Outward	0.5	1.7	129.6

A key indicator of India's economic development is that Indian companies are investing an increasing amount of money abroad. India's outward FDI is much lower than its inward FDI (Table 7), but the gap is steadily narrowing.

Activity

- 1 Study Table 6.
 - a Draw a multiple-line graph to show the change in GNI per capita and HDI between 2000 and 2014.
 - b Describe what your graph shows about India's economic and social development.

Tip With a multiple-line graph you need to mark years on the x-axis and have two y-axes: one for GNI values and one for HDI values.
- 2 Using GDP data, write a short paragraph to describe how the structure of India's economy is changing.
 - a On an outline map of India:
 - i draw proportional flow lines to show the difference between India's inward and outward FDI in 2014 (use a scale of 10 mm per US\$100 billion)
 - ii add flow lines to show the value of exports (US\$3329.6 billion) and imports (US\$472.8 billion) in 2014, annotating the most important goods.