

India: A Nation on the Move

I recently returned from India, where the business leaders I met in Mumbai and Chennai believe that India's moment on the world stage has arrived. The evidence is strong.

At a time when growth is hard to find in many parts of the world, the Indian economy is growing by about 7% annually. It is on a path to become a \$7 trillion economy by 2030 and is likely to surpass both Japan and Germany in size.

Indian consumers are benefitting from this growth. GDP per capita has grown from about \$1,000 15 years ago to about \$2,500 currently, putting more money in the pockets of consumers. The elite and affluent consumer segments account for 15% of the population, up from about 6% a decade ago. By 2030, these segments will approach one-quarter of the population. Domestic and international companies alike can tap into this opportunity.

The country is enjoying other tailwinds as well:

- Global trade is going through profound changes, and India is emerging as one key option. In our [recent global trade report](#), we project that India will add nearly \$400 billion in additional trade in goods over the next ten years.
- There is a concerted effort to expand India's manufacturing base, driven in part by Production Linked Incentive (PLI) schemes. This creates an opportunity for the country to diversify beyond services that have powered growth this century—building an additional leg for the economy to stand on.
- India, now the most populous country in the world, has the workforce to support this transition. Its working-age population will reach 950 million next year, a striking demographic dividend in an aging world. The share of the working-age population will continue to grow until 2041.
- To enable this growth, India is investing in hard infrastructure such as roads, airports, ports, and power. It is

also a leader in public digital infrastructure, building on its traditional strength in IT services. India's Unified Payments Interface and Open Network for Digital Commerce facilitate peer-to-peer transactions, while Aadhar is the world's largest biometric identity system.

The leaders I met with recognize the opportunity of a large and growing local economy alongside the challenges. They are keeping their eyes on the horizon but feet on the ground.

A significant share of manufacturing moving to India involves assembly. To guarantee future competitiveness, India will need to improve the skill level of employees in manufacturing and related functions (e.g., in quality management). The added value per employee in manufacturing is below that of several countries in Southeast Asia, which are also seeking to attract investments.

Healthy ecosystems around raw materials and subcomponents will be critical. Companies need to improve their R&D and innovation capabilities to compete globally. Inclusivity is also key. More opportunities for women, a reduction in regional disparities, and support for micro, small, and medium-size enterprises will all help India reach its potential.

One of my colleagues in India described the country as ready for "tough optimism." The country's ambitions are high, and it has a lot going for it. I am excited to see India meet the moment.

Until next time,

A handwritten signature in black ink, appearing to read 'Christoph'.

Christoph Schweizer
Chief Executive Officer

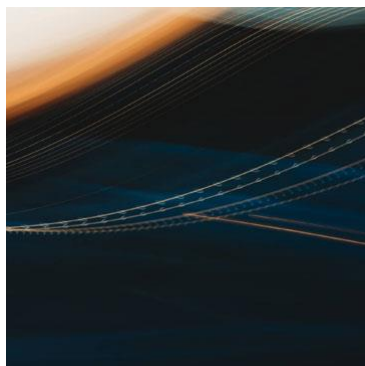
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