FinMin charts path to $5tn economy by FY29

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NEW DELHI: Unleashing the productive potential of micro, small and medium enterprises; streamlining regulatory obligations; ensuring land availability at reasonable price; and securing energy needs—these are some of the measures that will "guarantee" further acceleration of India's economic growth, according to a note prepared by the Union finance ministry.

The note , "Roadmap for $5 trillion economy in light of global economic and geopolitical circumstances", underscored the need for caution on the depreciation of the Indian currency against the dollar, which could delay the country's march towards becoming a $5 trillion economy.

Last month, the parliamentary standing committee on finance led by senior BJP lawmaker Bhartruhari Mahtab held a meeting with the chief economic adviser V. Anantha Nageswaranto discuss India's prospects of becoming a $5 trillion economy.

In its note, the finance ministry said India was a $3.57 trillion economy in FY24 and that at the annual trend growth of around 6.5-7%, the target of $5 trillion would be achieved by 2028-29.

India is better positioned than the global economy, the finance ministry noted. REUTERS

The first advance estimates of GDP for FY25, released by the National Statistical Office (NSO) on January 8, projected a GDP growth of 6.4%, a four-year low. The government called it a transitory blip because of general elections in the beginning of the current financial year and hoped to regain growth momentum.

According to the note, India is better placed compared to the global economy, which is facing several challenges, including elevated levels of uncertainty stemming from geopolitical conflicts, slowing growth and lower productivity. Set against this background, IMF's World Economic Outlook (WEO) October 2024 estimated that the global economy would expand by 3.2% in 2024, which is slower than the pre-pandemic average growth of 3.5% over 2011-2019, it said. Structural weakness in the Chinese economy also constrains the growth prospects,the ministry's note added. "World output growth may be different than presently projected by IMF as inflation in the advanced economies has not fallen to the acceptable rate, prompting policymakers to apprehend that interest rates may stay 'higher for longer'. A weaker growth in the world output will lead to a slowing of India's exports and, consequently, India's GDP growth," it said.

"In addition, when the interest rates 'stay higher for longer', it increases the prospects of capital flight from emerging market economies, which weakens their currency. The weakening of the ₹ will delay the progress towards a $ 5 trillion economy. India, thus, needs to be on guard on this front, also," the ministry said.

"If we are able to sustain reasonably high and consistent economic growth, the pressure on the rupee to weaken will not be as much as it would be on other currencies. Therefore, aligning policies for domestic growth at all levels of government in the country is critical to this goal and to keep the currency strong and stable," it added.