

India to overtake United States by 2050: Report



Productivity growth will help India sustain over 8 percent growth until 2020 and become the second largest economy in the world, ahead of the U.S., by 2050, Goldman Sachs has said, scaling up estimates of the country's prospects in its October 2003 research paper widely known as the BRICs report.

The original report had projected that India's GDP would outstrip Japan's by 2032 and that in 30 years, it would be the world's third largest economy after China and the U.S. The new report goes one step further by moving India up from No. 3 and No. 2 in the global sweepstakes of tomorrow.

Goldman Sachs' research arm said that India's growth acceleration since 2003 represented a structural increase rather than simply a cyclical upturn. It said productivity growth drove nearly half of overall growth and expected it to continue for some years.

"We project India's potential or sustainable growth rate at about 8 percent until 2020. The implication is that India's contribution to



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world growth will be even greater (and faster) than implied in our previous BRICs research," Goldman Sachs Global Research said.

The vote of increased confidence from the world's largest investment bank, whose previous chairman Henry Paulson is now Treasury Secretary in the Bush Administration, comes when India is easing into its new seat in the global political arena as a nuclear power and consolidating its economic might as the world's services backbone.

The paper said a turnaround in manufacturing productivity was central to the ratcheting up of productivity growth. The private sector was the principal driver of this turnaround, as it improved efficiency in the face of increasing competition owing to the cumulative effects of a decade of reforms.

"The underlying reasons are: increasing openness to trade, investment in information and communication technology, and greater financial deepening. These factors still have some distance to run," it said. ■