Economy

India within 'striking distance' of 8% growth

MICHAEL STOTT — NEW DELHI

India will be within "striking distance" of a return to 8 per cent annual economic growth if there are no big new global conflicts, according to Prime Minister Narendra Modi's top aide.

Shaktikanta Das, one of Modi's principal secretaries, told the FT that India's economy had been challenged by the Covid pandemic, Russia's full-scale invasion of Ukraine and the US-Israel war on Iran, but reforms to boost momentum were being planned.

The IMF forecast in April that India's growth would fall to 6.5 per cent this fiscal year and next, from 7.6 per cent in the year to March.

That would still leave India as the world's fastest-growing major economy, but some officials in New Delhi believe that following the US and Iran's shaky ceasefire deal this month, 7 per cent growth is achievable in 2026-27.

"With a reasonable level of normality in the geopolitical situation and the reforms being undertaken by the prime minister, 8 per cent growth should be within striking distance," said Das, a career civil servant who headed India's central bank from 2018 to 2024.

Economists estimate India needs to maintain average real GDP growth of about 8 per cent rate if it is to achieve Modi's stated goal of developed country status by 2047, the centenary of independence from the UK.

India introduced a new GDP data series this year that accounts for inflation differently and uses additional data sources. According to the new methodology, growth was 7.2 per cent in 2023-24 and 7.1 per cent in 2024-25.

> Morgan Stanley estimates that investor incentives could draw $40bn-$60bn of capital inflows

India's stock market has suffered a wave of selling this year, as investors chase AI-driven gains elsewhere.

Analysts have also raised concerns about the impact of AI on India's huge outsourcing and IT sectors, but senior officials believe the technology will not crimp the country's economic growth.

"The impact of AI on India's GDP growth will be far less than in the advanced economies," one official said.

Modi has won plaudits for overseeing huge infrastructure investment during his 12 years in power. India has more than doubled its tally of airports and built thousands of kilometres of motorways. It has also electrified its vast railway network.

He also introduced reforms to liberalise the labour market, harmonise the complex goods and services tax regime and entice foreign investors.

Morgan Stanley has estimated that a recent government-central bank package of investor incentives could draw $40bn-$60bn of capital inflows, helping keep India's balance of payments out of the red next year. Das said more market-friendly initiatives were "in the pipeline", though he did not provide details.

"In the last six to seven years, we have had . . . four major international crises," Das said. "India has emerged stronger each time because it saw every crisis as an opportunity to advance further reforms."