



India's economic prospects and challenges up to 2047

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Dr V Anantha Nageswaran

Chief Economic Advisor to the Government of India

THE WORLD INDIA FACES HAS CHANGED

⚡ QE Infinity Trap

Decades of ultra-loose money have financialised Western economies, suppressed productive investment, and built the conditions for populism and trade wars.

🌐 End of Naïve Globalisation

Export controls, technology denial regimes, carbon border mechanisms, and strategic trade blocs have replaced the post-Cold War rules-based order.

🏢 China's Asymmetric Openness

China treats trade as a transitional phase in production dominance — selling to the world while reducing its own dependence on external suppliers.

🕒 Telescoped Time Horizons

Import substitution, strategic resilience, and strategic indispensability must be pursued simultaneously. There is no luxury of sequential phasing.

"Decades seem to happen in weeks. India must run a marathon like a sprint." — Economic Survey 2025-26

A Harsher World: The Setting in Which Viksit Bharat Must Be Built

Five adverse shifts, arriving together. Not a passing storm — the operating environment out to 2047.

1

GEOPOLITICS

Order without rules.

A G-2 world of tacit accommodation. Alliances transactional, institutions hollowed — the WTO's appellate arm dead, the UNSC frozen. Power bargains; it no longer adjudicates.

→ **Negotiate from strength. Do not appeal to rules that no longer bind the strong.**

2

CHOKEPOINTS WEAPONISED

Interdependence as leverage.

Finance, energy, semiconductors, rare earths, APIs, fertiliser, sea lanes, undersea cables — every link is a lever someone else can pull.

→ **Redundancy is not waste. It is the premium paid on insurance.**

3

CHINA'S MANUFACTURING SCALE

The ladder is pulled up as we climb it.

Close to a third of world manufacturing value added; surplus capacity exported as deflation. The latecomer meets a price-setter, not a market.

→ **Compete on scale, capability and depth — not on cost alone.**

4

CLIMATE VARIABILITY

Not warming. Variance.

Monsoon dispersion, heat stress on yields and on outdoor labour, insurance in retreat. Adaptation finance is absent; carbon border taxes arrive regardless.

→ **Adapt at home; contest the rules abroad. Refuse the guilt, take the risk seriously.**

5

DEMOGRAPHY & THE MACHINE

A window, closing.

The world ages as India's workforce peaks. But the machine may arrive before the jobs do, eroding the labour-cost arbitrage on which every earlier miracle was built.

→ **Two decades to convert numbers into capability. There is no second window.**

The world has not merely become more dangerous; it has become less forgiving of policy error at a time when policy has to exercise more judgment. The ladder that carried every earlier latecomer — cheap labour, open markets, borrowed technology — is being dismantled while we are still standing on it. Efficiency was the currency of the old order; resilience is the price of admission to the new.



THE MACRO PICTURE

Short-term resilience, strength and stability

India's Macro Position: Resilience, stability and strength

~7.7%

Growth Rate
(2025-26)

4.3%

Fiscal Deficit
(BE 2026-27)

55.6%

Debt-to-GDP
(declining path)

Structural Strengths

- Strong banking sector with historic-high profitability
- Robust public capex momentum (₹12.2 lakh crore in FY27)
- Declining fiscal deficit on credible path
- 25 crore lifted out of multidimensional poverty

Vulnerabilities Requiring Action

- Trade and multilateralism under stress; supply chains disrupted
- High oil import dependence — 85% of consumption
- Manufacturing share of GDP still below potential
- AI-driven disruption of services employment on the horizon



THE LONG VIEW

India's priorities for turbulent decades

*Issues of long-term importance for **Viksit Bharat***

Snapshot of long-term priorities

- 01 Reducing import dependence, creating buffers
- 02 Manufacturing and indigenisation — import substitution with a difference
- 03 Agriculture — a sector of the future, immense scope
- 04 Urbanisation — land, mobility, sanitation and governance
- 05 Living and dealing with AI
- 06 Realising the demographic dividend

Import dependency and vulnerability to chokepoints

Product	Import share	Via Hormuz
Crude oil	87%	46%
LPG	60%	>90%
Natural gas	~50%	~55%
Ammonia & sulphur	>80%	Significant
DAP fertiliser	~40% (Saudi)	Major route

38%

of India's annual remittances come from the Gulf — a fourth shock, beyond energy, freight and fertiliser.

- *Managing the current account, financing it, and keeping the rupee from sliding are (were?) the FY27 imperatives.*

Critical-metals dependency

100%

Nickel

Import-dependent. Stainless steel & EV batteries. Imports ~33 kT.

99%+

Tin

Import-dependent. Electronics & tinplate. Imports ~12.5 kT.

~33%

Copper

Import-dependent. Electrical & construction. Deficit now narrowing.

- *Nickel and Tin make the strongest case for a national strategic-resource reserve. Resilience is built before the shock, not improvised during it.*

Post-Busan, no pick-up

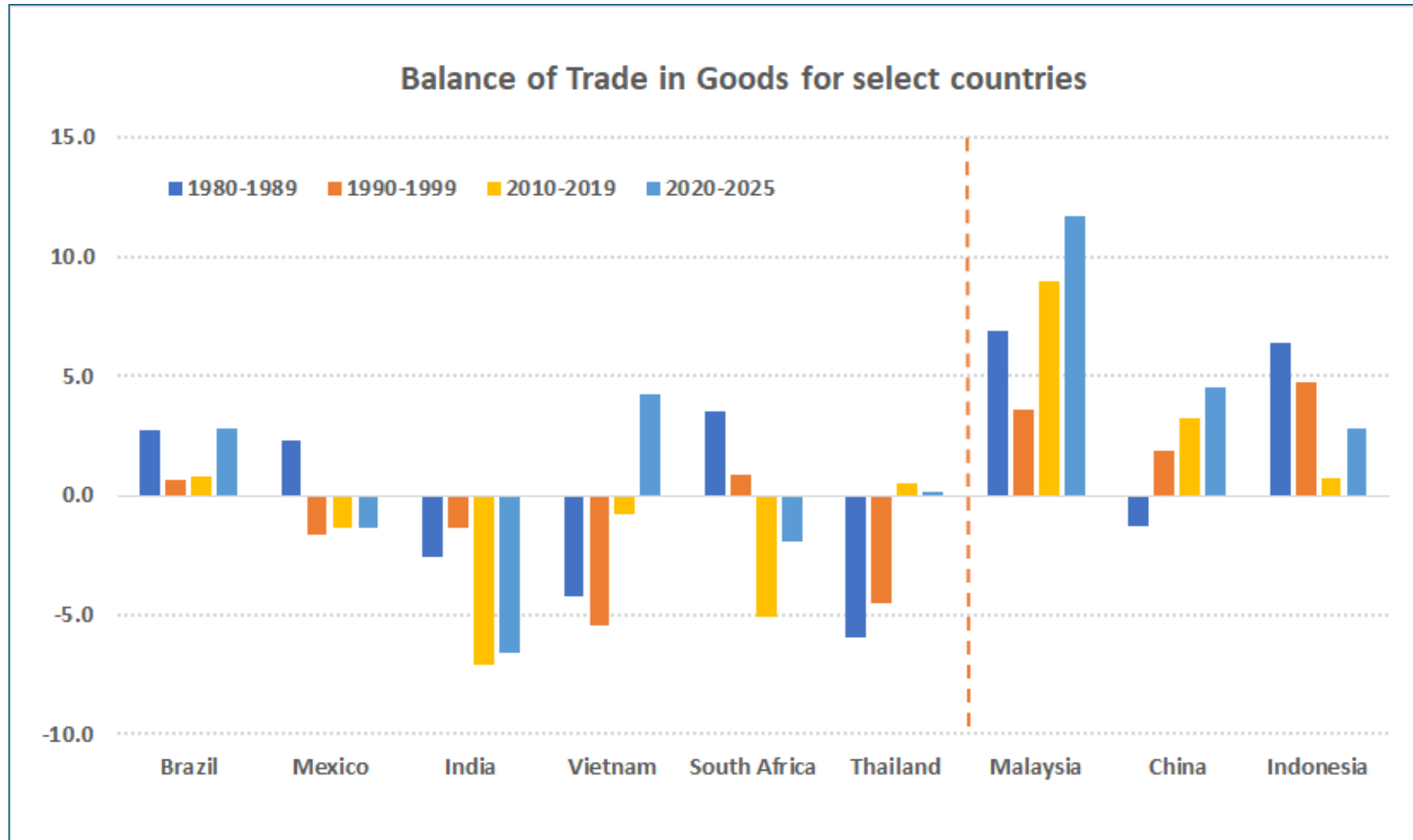
Source: 'China and the new era of critical minerals diplomacy', Financial Times, 15th July 2026

(<https://www.ft.com/content/a5018a00-0f96-4b39-b82f-c4ccd5e929f7?syn-25a6b1a6=1>)

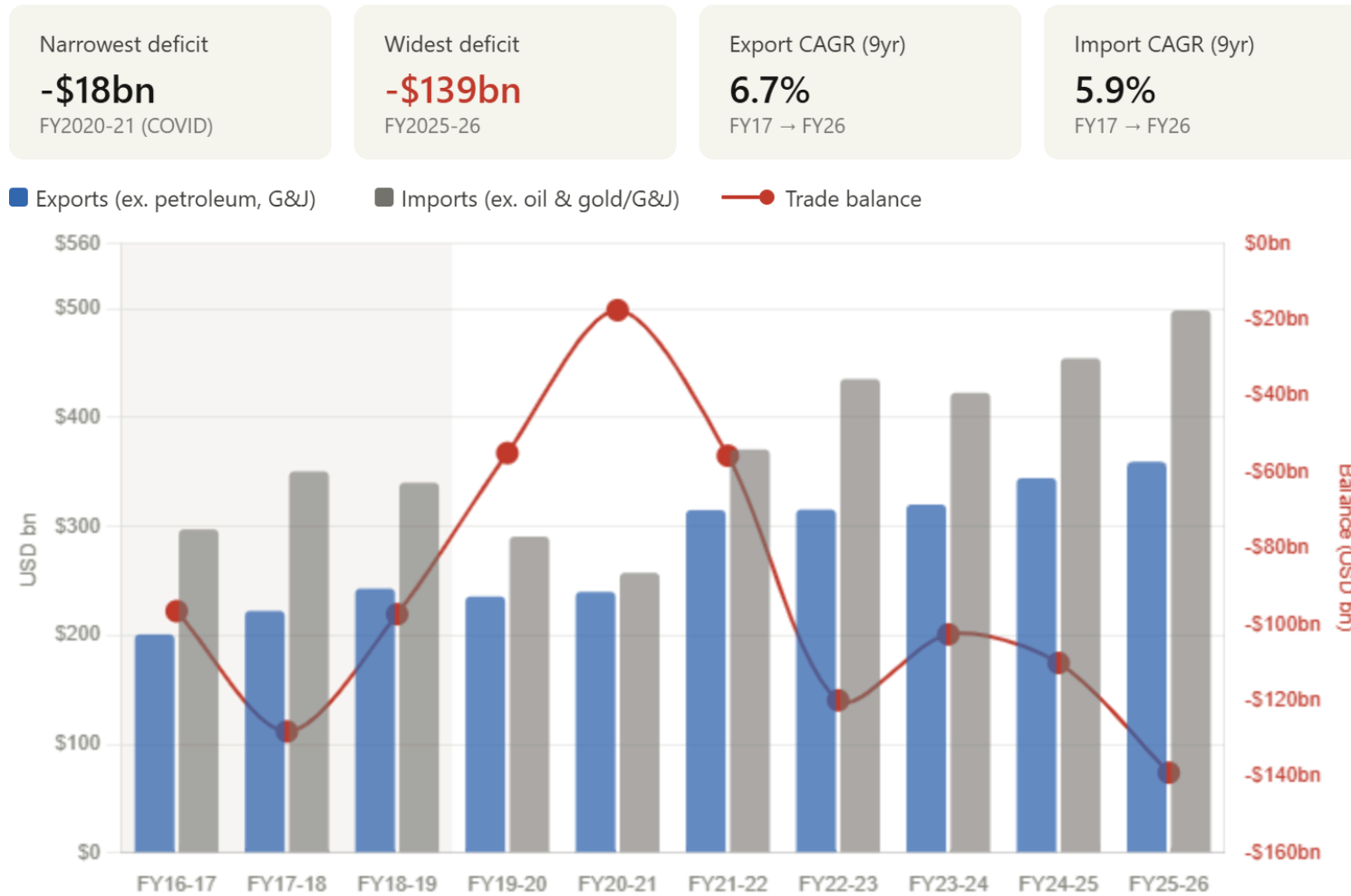


- One executive at a large Japanese user of rare earths says China wants to keep companies in a “neither alive nor dead” state, by supplying them with the minimum needed to avoid a supply chain collapse — which would hit Chinese companies that still rely on materials and components from Japan.
- This uncertainty has created what one veteran tungsten supply chain expert describes as “hysteria”. Companies are looking to stockpile “everything they [can] get their hands on”, with prices spiralling and some processors of mined tungsten asking customers to source feedstock themselves, they say. “It’s just madness . . . The whole west is in a battle.”

India's overall trade deficit higher than others

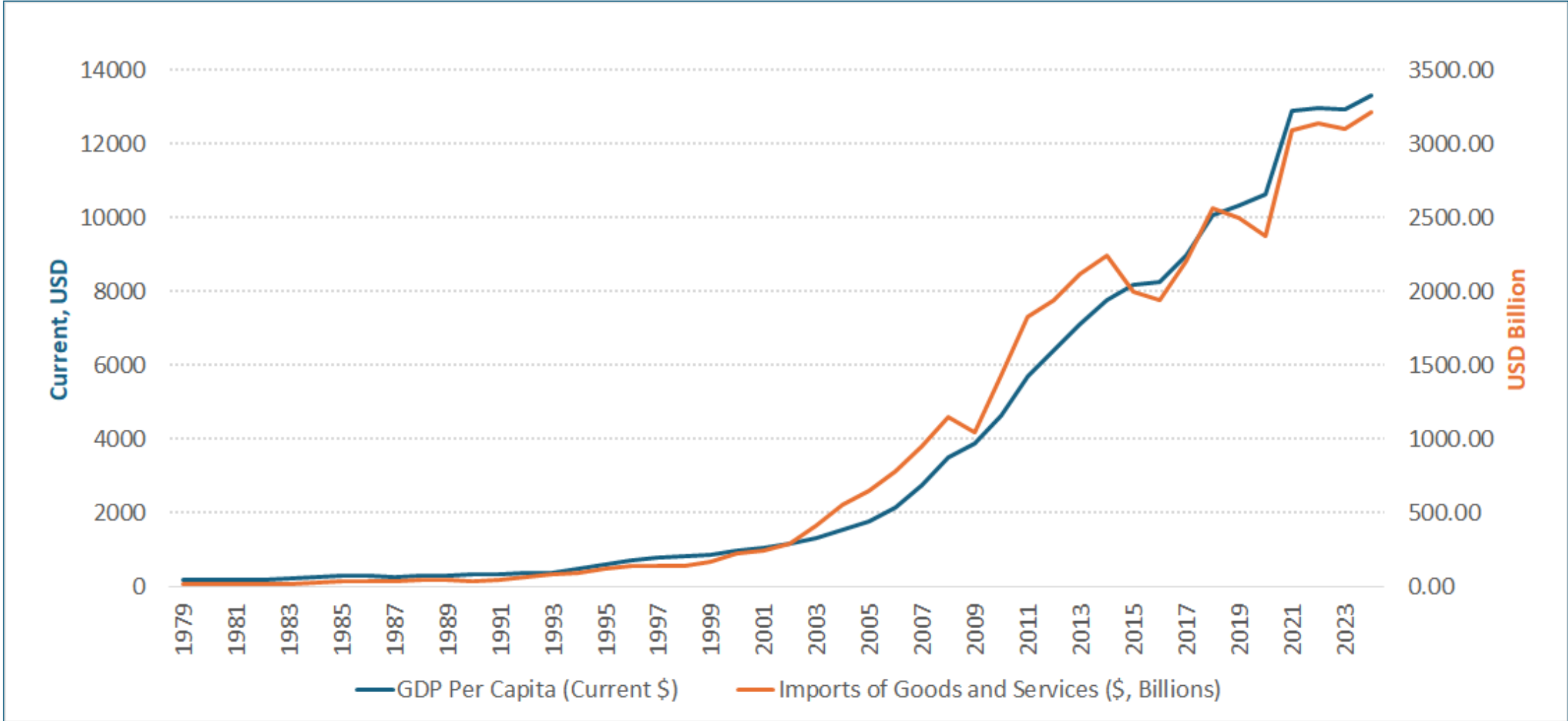


Why is there a big deficit in merchandise trade, even without counting oil and gold imports?



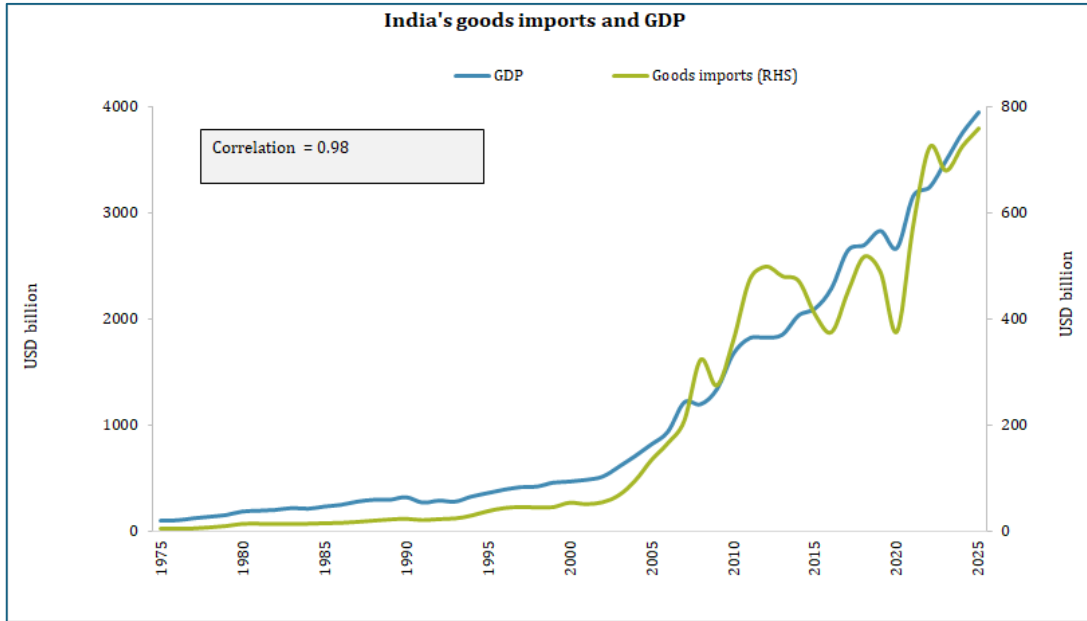
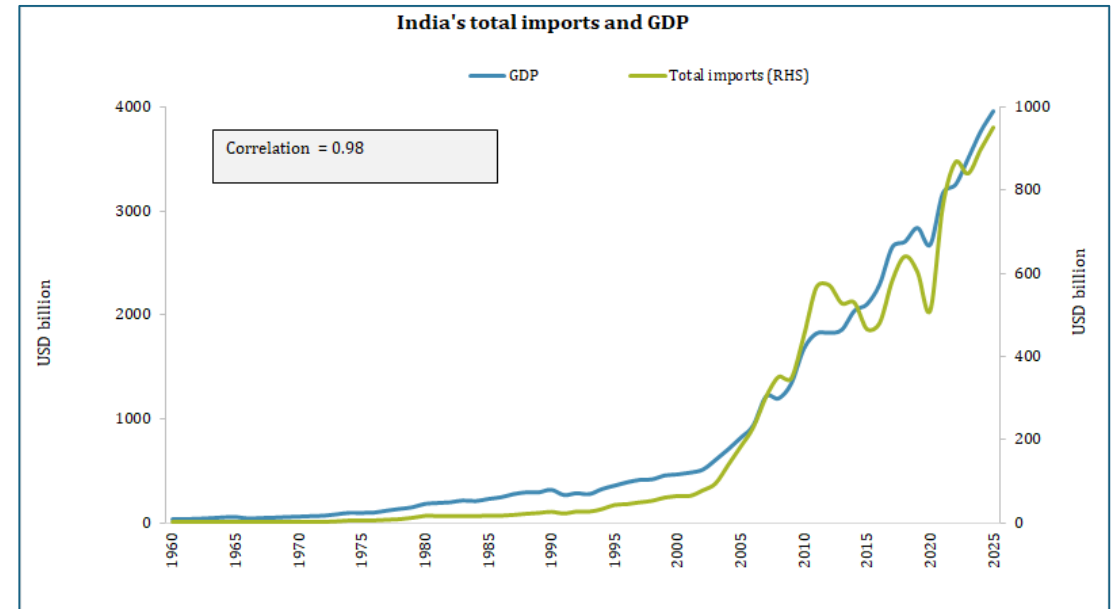
Sources: Ministry of Commerce PIB press releases; March 2018 & 2019 PIBs (DGCI&S). FY2016-17 and FY2017-18 imports = non-oil (gold not excluded); FY2018-19 = non-oil, non-gold; FY2019-20 onwards = non-petroleum, non-gems & jewellery. Shaded bars mark series break.

Imports will rise with growth, and they need to be paid for (Case of China)

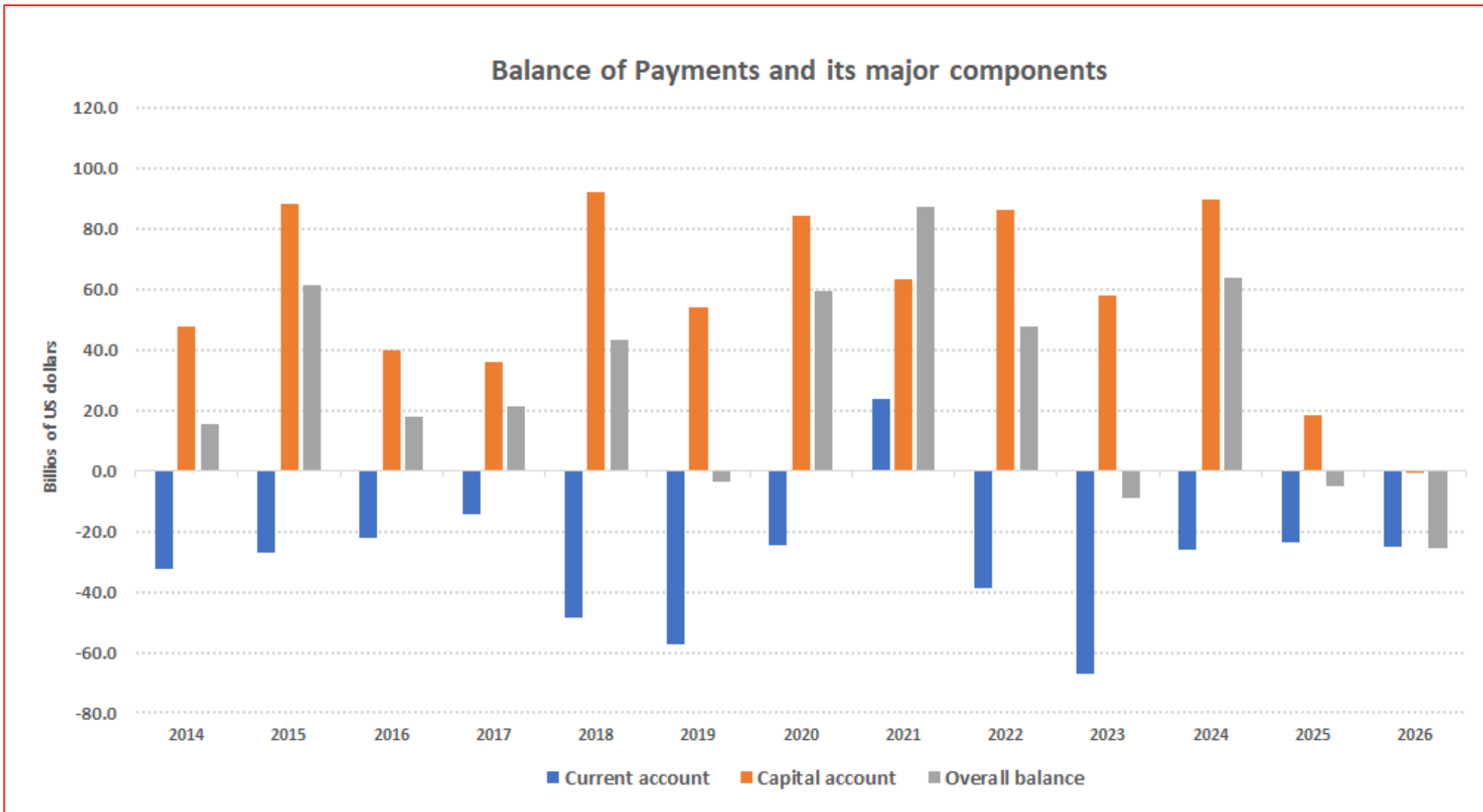


Source: World Bank

As the economy expands, so will imports. You have to finance it or pay for it through exports.

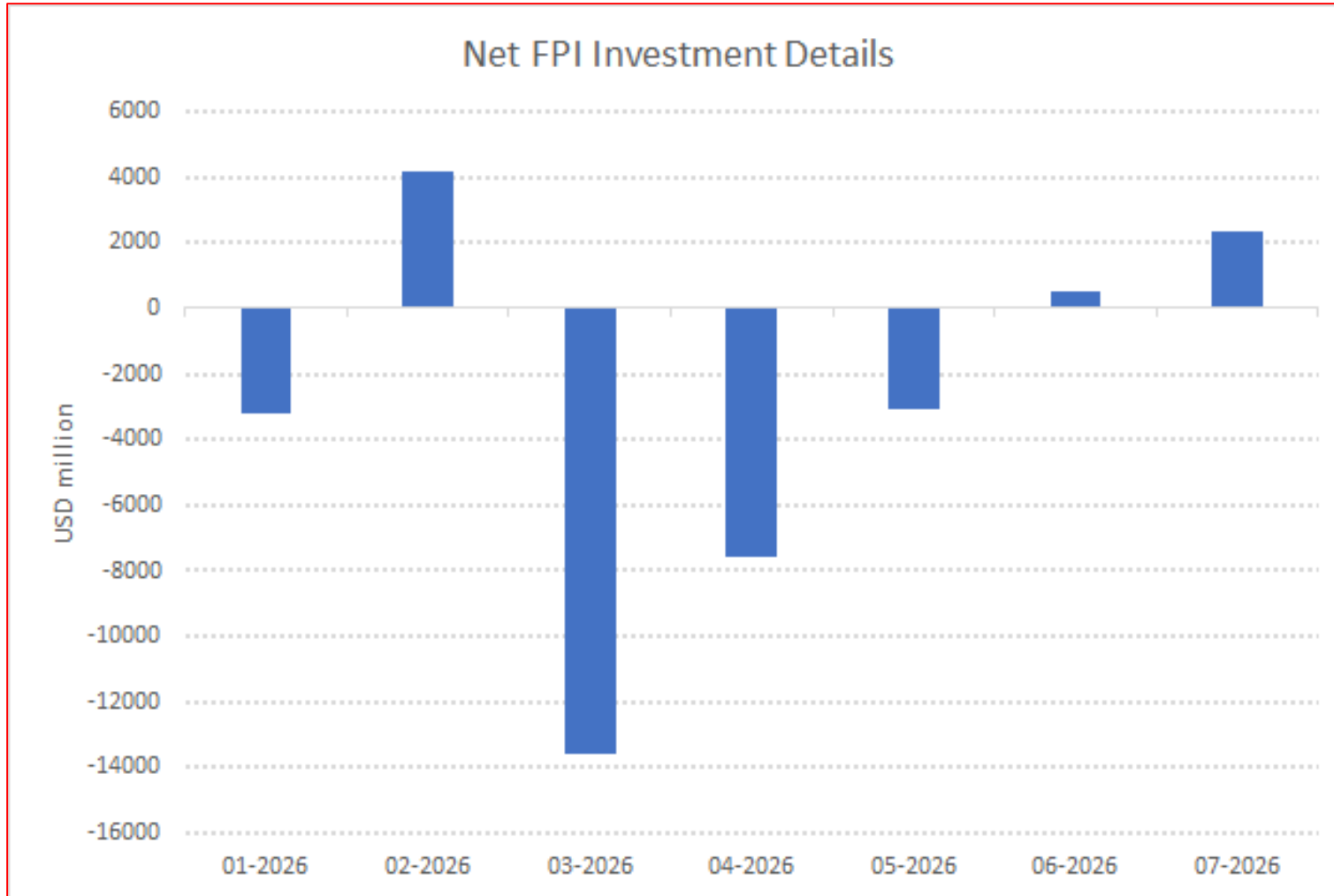


Evolution of BoP over the years – a structural challenge going forward?



Source: RBI Table 131, Handbook of Statistics of the Indian Economy

As war returns, March-May risks resurface



Source: NSDL as of 17th July 2026

State Finances 2024-25

What the numbers say

An analytical read of the 28-state finance accounts — the aggregate fiscal position, the composition of spending, and where the pressure is building.

Data covers FY2014-15 to FY2024-25. 2024-25 figures are the latest available and may be provisional.

₹90.5

lakh crore in outstanding liabilities — and rising

A solvent system carrying a heavier, stickier load

₹90.5 L cr

Outstanding liabilities — about 28% of combined GSDP

₹10.5 L cr

Gross fiscal deficit — roughly 3.2% of combined GSDP

₹2.2 L cr

Aggregate revenue deficit — borrowing partly funds consumption

45%

of revenue receipts pre-empted by committed spending

The story in one line

States remain broadly solvent, but the **quality and flexibility** of their finances is deteriorating. Debt has grown faster than income, a rising share of revenue is claimed by salaries, pensions and interest before any choice is made, and the fastest-growing single line — **subsidies** — is precisely the one that is politically hardest to reverse. The system can pay its bills; the concern is how little room is left for the roads, schools and clinics that finance the next decade of growth.



BELOW THE HEADLINE

Guarantees and liquidity stress that debt figures miss

CONTINGENT LIABILITIES

₹12.96 L cr

in outstanding state guarantees — off the balance sheet, but real if the guaranteed entities falter.

Uttar Pradesh ₹2.21 L cr

Andhra Pradesh ₹1.54 L cr

Concentrated guarantees can convert into direct debt with little warning.

CASH-FLOW STRESS

357 / 365

days Andhra Pradesh drew Ways & Means Advances from the RBI in 2024-25 — including 107 days in overdraft.

Persistent, not seasonal. Near-continuous recourse to short-term RBI accommodation signals a structural mismatch between when revenue arrives and when commitments fall due — the everyday face of tight state finances.



WHERE WE STAND

India is on a good path...

Reform & Policy Achievements since 2024: Highlights

Economic & Fiscal

1. Simplification of the Income Tax Act
2. GST 2.0 & Higher direct tax exemptions
3. Relaxations of Quality Control Orders
4. Rural Employment Reforms: *Viksit Bharat Guarantee for Rozgar and Aajeevika Mission (Gramin) Act, 2025*
5. Four Labour Codes notified
6. MoRTH shifts from cost-based bidding to technical-score-based system

Building a Future Ready India

Trade, Investment and Sustainability

1. Export Promotion Mission
2. District Business Reform Action Plan (D-BRAP 2025)
3. Trade and Investment Deals (EU, UK, Oman, New Zealand and EFTA)
4. Liberalisation of Environmental Rules
5. FDI in Insurance and Nuclear Power
6. ANRF and RDIF
7. Power Sector: Pass-through of costs, smart-metering, and RDSS*

**Revamped Distribution Sector Scheme*

How are industry bodies making use of these?

9 Free Trade Agreements and Comprehensive Economic Partnerships Agreements concluded in the past 5 years

India-Mauritius CECPA (2021) 

India-UAE CEPA (2022) 

India-Australia ECTA (2022) 

India-EFTA TEPA (2024) 

India-UK CETA (2025) 

Yet to be implemented

India-Oman CEPA (2025) 

Yet to be implemented

India-New Zealand FTA (2025) 

Negotiations concluded

India - European Union FTA (2026) 

Negotiations concluded

India – United States of America (USA) framework for an interim Agreement (2026) 

Announced on February 02, 2026



Free Trade Agreements under negotiation

 India - Australia CECA

 India - Sri Lanka ETCA

 India- Peru FTA

 India - Chile CEPA

 India - Eurasian Economic Union FTA

 India - Korea CEPA
Upgraded negotiations

 ASEAN - India (AITIGA)
Review ongoing

INDIA'S LIVE TEST: DEREGULATION AS STATE CAPACITY IN ACTION

36

States &
UTs engaged

23

Priority Areas
per state

828

Total actionable
reforms

76%

Already
implemented

What distinguishes this from earlier deregulation drives:

↻ Cross-agency coordination with iterative problem-solving — not one-off mandates

📊 Real-time digital MIS tracking with regular high-level review — accountability with learning

📋 States internalising deregulation as continuous governance, not a checklist exercise

🗣️ Peer learning: best practices shared across jurisdictions through state-wise dockets

Lesson: Deregulation is not a retreat of the State — it is a strengthening of it.

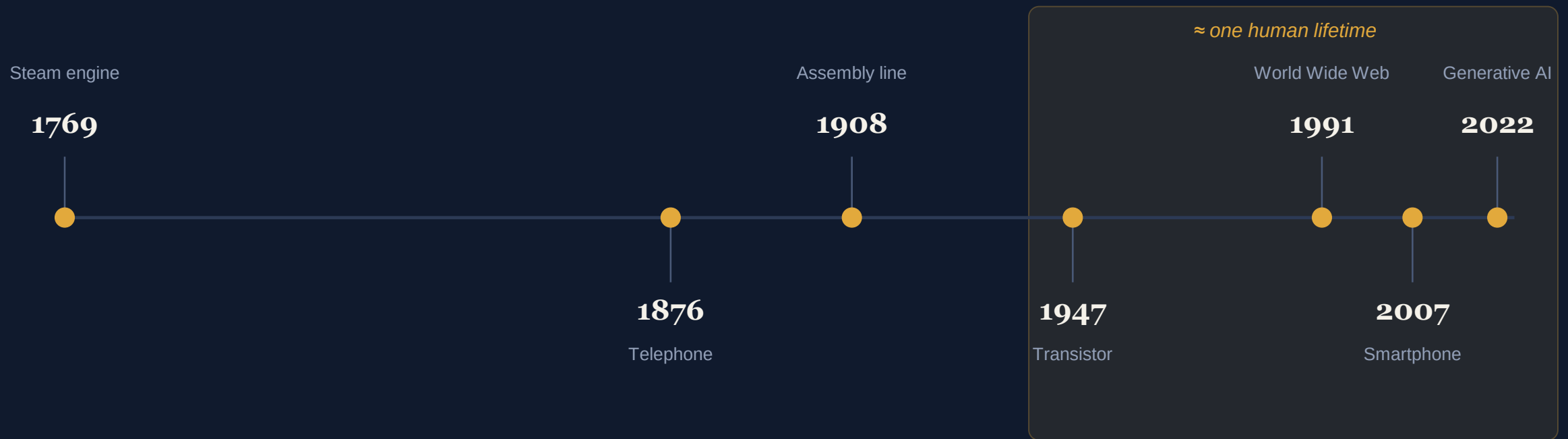
THE HARD QUESTION

But does India understand the speed of change and its speed and quality of response?

The Acceleration of Change

On a true time axis, the milestones bunch toward the present — the compression is real, not stylised.

GENERAL-PURPOSE TECHNOLOGIES, PLACED BY THE YEAR EACH ARRIVED



The gap from steam power to the telephone spans a century; the last four milestones arrive inside seventy-five years.

Sources: dates of first practical deployment; UBS / Similarweb; Our World in Data.

The Two Curves of Progress

Acceleration is not a law of technology. It clusters in what can be manufactured and copied — and stalls in what must be built.

What has accelerated

manufactured, modular, copied at near-zero cost

Computing

a millionfold cheaper per computation since 1970

Solar power

utility-scale cost about 90% lower since 2010

Batteries

from over \$1,100 to about \$110 per kWh since 2010

Genome sequencing

from \$100 million to a few hundred dollars

What has not

sited, permitted, financed, poured in concrete

Air travel

no faster than 1970; Concorde retired in 2003

Construction

labour productivity roughly flat for fifty years

New nuclear power

cost per kilowatt has risen, not fallen

Drug discovery

output per R&D dollar halves every nine years

*For a developing economy, the binding constraints — power, transport, housing, clinics — sit largely on the second curve. **The optimism of the first is not a general theory of progress.***

Sources: IRENA (2024); BloombergNEF (2025); NHGRI; McKinsey Global Institute; Scannell et al., Nature Reviews Drug Discovery (2012).

ASYMMETRY IS EVERYTHING

The most underrated insight in policymaking.

Policy does not have symmetric effects in either direction. Cause and consequence are rarely proportional. An entrepreneurial policymaker thinks non-linearly — and documents their reasoning so others can follow.

ASYMMETRY IN PRACTICE

Money may not buy happiness



But lack of money surely causes unhappiness

Trust is built over years



But lost in a single day — and never fully restored

A tax cut may not incentivise production



But a tax hike can definitively kill capacity creation

Growth may not improve income distribution



But absence of growth will certainly worsen it

Reversing a bad policy may not guarantee good outcomes



But retaining a bad policy will guarantee bad outcomes

We covet what we don't have, value it when we get it



Then take it for granted — until we lose it

WHAT IS AN ENTREPRENEURIAL STATE?

An entrepreneurial state does not replace markets. It acts under uncertainty, structures risk, and learns systematically — not to be bold for its own sake, but to be purposeful where markets alone would hesitate or fail.

NOT this

- State replacing markets
- Pervasive discretion
- Picking winners unconditionally
- Permanent protection

BUT this

- Acting before certainty
- Bounded experimentation
- Credible performance discipline
- Disciplined exit when bets fail

REQUIRES this

- Outcome-oriented bureaucracy
- Failure tolerance with learning
- Institutional forgiveness architecture
- Political cover for honest error

EAST ASIA: IT'S THE ARCHITECTURE, NOT JUST THE POLICY

Japan

Bureaucratic Authority Anchored in Outcomes

MITI officials could preside over failed bets and still advance — if the reasoning was sound and learning explicit. Career = judgement under uncertainty, not absence of error.

South Korea

Failure Tolerance with Ruthless Exit

Chaebol received directed credit and protection — but explicit performance expectations and credible withdrawal. Persistent underperformance was never tolerated. Discipline must be visible and enforced.

Singapore

Speed, Regulatory Flexibility, Credibility

Rules could be waived temporarily to facilitate investment. Speed valued over formal perfection. But strict enforcement once standards were set preserved trust. Regulatory friction is a competitiveness variable.

Vietnam

Relentless Cost Reduction and Adaptation

Rather than heavy protection, Vietnam reduced regulatory and transaction costs by up to 20% in certain periods. Integration into global networks accelerated learning. Competitiveness is multi-dimensional.

The Common Thread: Outcome-oriented bureaucracy · Failure tolerance with learning · Credible withdrawal of support

THE ROOT PROBLEM: WHY ENTREPRENEURIAL GOVERNANCE IS HARD

Irreversibility Creep

Temporary measures solidify into permanent entitlements. Once economic and political actors reorganise around an intervention, reversal triggers litigation and backlash. Anticipating this, officials rationally avoid experimentation altogether.

💡 Sunset clauses, staged scaling, mandatory post-implementation reviews as defaults — not exceptions.

Retrospective Scrutiny

Good-faith decisions risk being judged against outcomes revealed later, rather than the information available at the time. Where scrutiny — audit, vigilance, judicial review — is purely ex-post and calibrated to hindsight, the rational response is to avoid anything visible. The remedy is not less accountability, but a different kind: risk-based, outcome-oriented, and forward-looking.

💡 Accountability must be calibrated to ex-ante information, not ex-post omniscience. Error ≠ malfeasance.

Wrong Metrics

Entrepreneurial initiatives evaluated on compliance, revenue collection, and procedural correctness — the metrics of routine administration, not strategic capability. Learning and long-term impact go unmeasured.

💡 Incentive systems must reward problem-solving and capacity-building, not mere process adherence.

"A state that cannot reverse cannot learn; a state that cannot learn cannot adapt." — Economic Survey 2025-26

The Auditor Reinvents Itself

The accountability architecture I have described is not a complaint against the auditor. In this building, it is already being built.

post-mortem → real-time · sample → census · compliance → capability · fault-finding → road-map

WHAT THE CAG IS DOING NOW

Data-led audit

100% of transactions, red-flags via analytics

Risk Control Maturity Scorecard

forward risk scoring across 66 bodies

Pan-India EoDB & Ease-of-Living audits

whole-of-government, whole-of-country

Multimodal-logistics (MMTAL) audit

cross-ministry, silo-dismantling

Custom LLM + IIT-Madras certification

75,000 inspection reports ingested

WHAT IT GIVES THE ENTREPRENEURIAL STATE

- Risk-intelligence over process-policing — more assurance, lighter footprint
- Ex-ante assessment — anticipate failure, not only record it
- Tests whether reform landed — and maps the road ahead
- Systemic sight — seeing the whole, not the unit
- The auditor itself learns to live with AI

*Good governance and good audit now share one grammar — anticipate risk, measure outcomes, learn systematically, see the whole.
The guardian of the public purse is becoming the guarantor of intelligent risk-taking.*

The Guardian of the Public Purse

“I am of opinion that this dignitary is probably the most important officer in the Constitution of India... his duties are far more important than the duties even of the judiciary.”

Dr B.R. Ambedkar, on the Auditor-General — Constituent Assembly of India, 30 May 1949.

Ambedkar built the office to protect accountability. Its present custodians are extending it to protect adaptation.

A guardian that can anticipate risk, measure outcomes, and learn is not a brake on the entrepreneurial state — it is what makes the entrepreneurial state safe to attempt. That officer, whom Ambedkar ranked the most important in the Constitution, is becoming in addition the enabling officer of a Viksit Bharat: the institution that lets the state take intelligent risks because someone trustworthy is watching how, not merely whether, the money was spent.

THE DESTINATION: FROM SWADESHI TO STRATEGIC INDISPENSABILITY



India must pursue all three simultaneously — there is no luxury of sequential phasing.

Thank you and best wishes!