SBI Research

India set to transition to Upper Middle-Income Country by 2030 concurrently with becoming the 3rd Largest Economy in 2028..India at 95th percentile of global growth distribution for the decade ended 2024

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Executive Summary (1/2)

- World Bank classification of countries based on GNI per capita shows increase in number of high income and upper middle-income countries between 1990-2024
- Analysis of 48 low- and middle-income countries in 1990 which have performed well and transitioned to higher income category shows that Guyana has been the best performer with transition made from low-income country in 1990 to high income country in 2024 and corresponding per capita GNI increasing more than 51 times during the period (from $390 to $20,140)
- China which had $330 per capita GNI in 1990 (a low-income country) and it is now an upper middle-income country in 2024. Even Indonesia has transitioned from low-income country to upper middle-income country during the period
- **India took 60 years to transition to lower-middle income in 2007 from low-income country.. Its per capita GNI increased from $90 in 1962 to $910 in 2007, a CAGR of 5.3%. India also achieved $1 trillion in 60 years..**
- **India took 60 years since independence to reach $1 trillion …India achieved $2 trillion / another 7 years in 2014…India achieved $3 trillion in another 7 years in 2021…India achieved $4 trillion in another 4 years in 2025…India likely to achieve $5 trillion in another ~ 2 years.. India achieved $1000 per capita income in 62 years since independence in 2009…India achieved $2000 per capita / another 10 years in 2019.. India to achieve $3000 per capita in another 7 years in 2026..India set to touch $4000 per capita in another 4 years in 2030 to transition to an Upper Middle Income country and join China and Indonesia at current classification**

Executive Summary (2/2)

- **India's growth journey in the last decade shows that India's percentile rank in the cross-country distribution of average real GDP growth has increased from the 92nd percentile over a 25-year horizon to the 95th percentile implying a rightward shift in its relative position that places India deeper into the upper tail of the global growth distribution**
- **If we consider the current per capita GNI threshold for high income country of $13,936 to be reached by 2047 (as per Viksit Bharat vision), India's per capita GNI has to grow by a CAGR of 7.5%. This seems achievable as India's per capita GNI has grown by a CAGR of 8.3% during the last 23 years (2001-2024)**
- However, the threshold level for high income country will also get changed by then. If the threshold for high income country gets changed to $18,000 **then India's per capita GNI needs to grow by a higher rate, CAGR of around 8.9% in the next 23 years for it to become the high-income country by 2047….**Assuming 0.6% average population growth and average deflator of China, Japan, UK, USA and Euro area of around 2% (average between 1992-2024), **this translates into growth of nominal GDP in dollar terms of around 11.5% for the next 23 years. India should continue its reform agenda so that we can get higher incremental growth required to reach the high-income bracket**
- **Clearly, India can and will transition to the upper middle-income country, which has the threshold per capita GNI of around $4500..Growth of Nominal GDP in dollar terms required to achieve this is around 11.5% which is achievable as this growth has been around 11% before the pandemic (FY04-FY20) and around 10% during FY04-FY25**

India's upward repositioning in global growth for the decade ended 2024….

India's percentile rank in the cross-country distribution of average real GDP growth increased from the 92nd percentile over a 25-year horizon to the 95th percentile over the decade ended 2024 implying a rightward shift in its relative position that placing India deeper into the upper tail of the global growth distribution

Guinea
Côted'Ivoire
Rwanda
Tajikistan
Ethiopia
Guyana

Out of 139 Developing and Emerging market economies, 20 have grown >5% in last 10 years

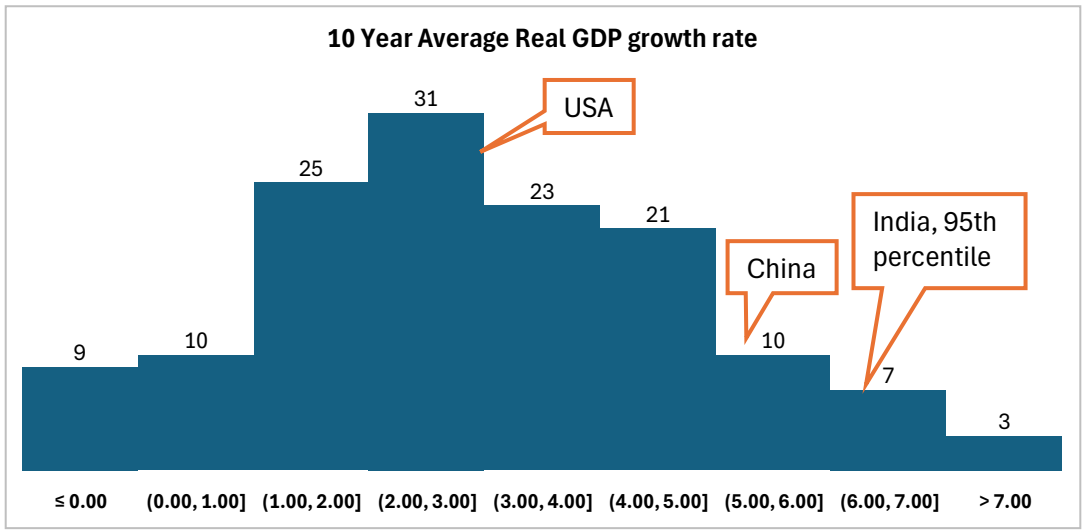
Only 6 have grown more than India in last 10 years

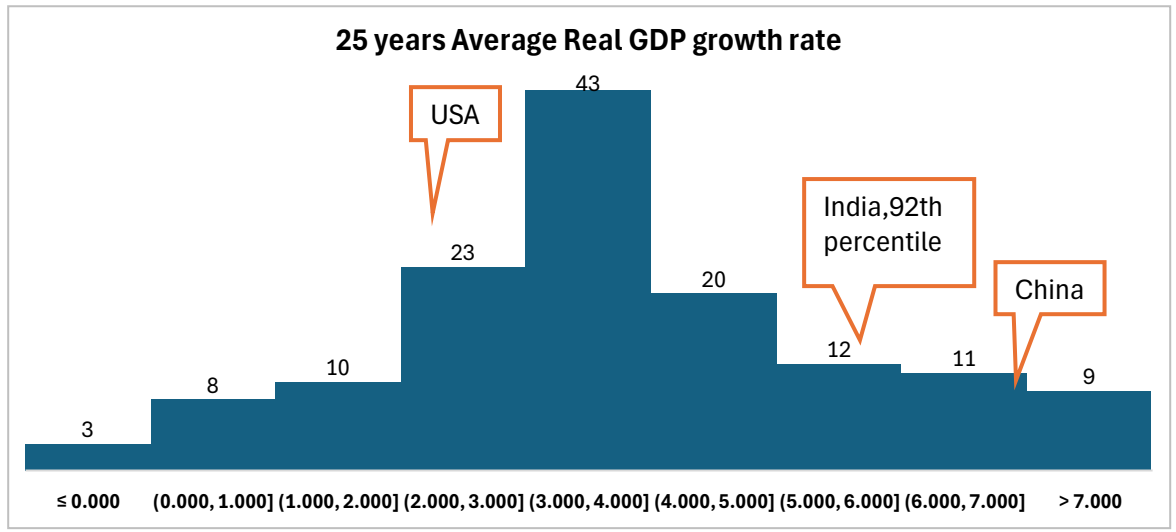
India moved from 92nd percentile in 25 years to 95th percentile in 10 years

14 countries have grown more than India i.e. >6%

Out of 139 Developing and Emerging market economies, 32 have grown >5% in last 25 years

Myanmar
Uzbekistan
Vietnam
Azerbaijan
Cambodia
Qatar
Turkmenistan
Rwanda
Tajikistan
China
Ethiopia
Equatorial Guinea
Guyana





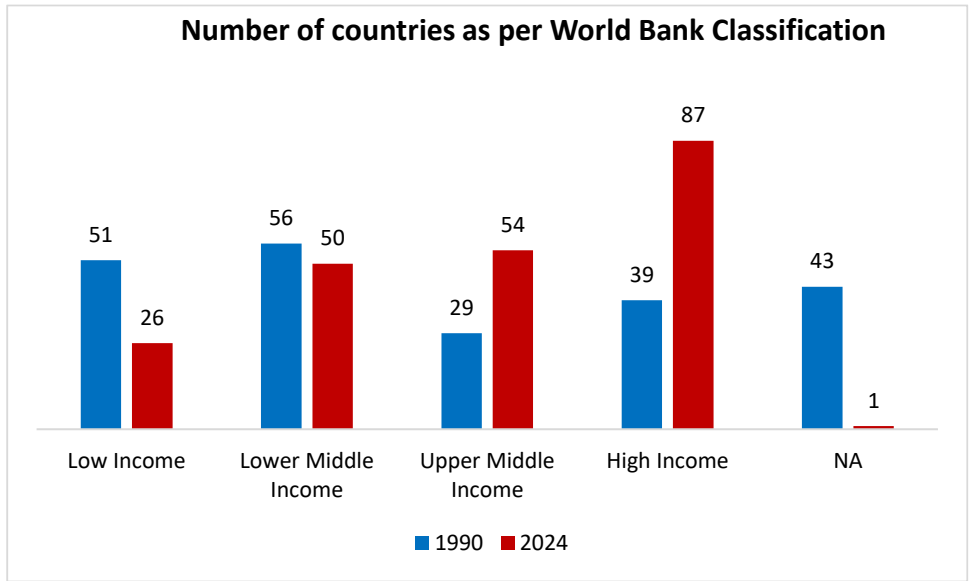
Source: IMF, SBI Research

World Bank Classification: Number of High-Income and Upper Middle-Income countries increased between 1990-2004

- The World Bank classifies countries as low income, lower-middle income, upper-middle income and high-income countries based on the country's per capita GNI in US $

- In 1990, of the total 218 countries classified by the World Bank 51 countries belong to the low income, 56 lower middle income, 29 upper middle income and 39 high income countries. The latest data in 2024 shows only 26 countries as low income, 50 as lower middle income, 54 as upper middle income and 87 as high income. The transition clearly shows countries have moved up the income ladder over the years

GNI per capita thresholds in US$				
Year	Low income	Lower middle income	Upper middle income	High income
1990	<= 610	611-2,465	2,466-7,620	> 7,620
2000	<= 755	756-2,995	2,996-9,265	> 9,265
2010	<= 1,005	1,006-3,975	3,976-12,275	> 12,275
2020	<= 1,045	1,046 - 4,095	4,096 - 12,695	> 12,695
2024	<= 1,135	1,136-4,495	4,496-13,935	> 13,935



Source: World Bank, SBI Research

Transition of economies since 1990 - I

- We have analysis of 48 low- and middle-income countries in 1990 that transitioned to higher category

Guyana best performer

- 1997-$390: Low Middle Income
- 2015- $ 5530: Upper Middle-Income
- 2022-$20,140: High-income

Indonesia has transitioned from Low-Income Country to Upper Middle-Income Country during 1990-2024

- Thailand, Peru, Maldives, Ukraine (transitioned from Lower Middle Income to Upper Middle Income)
- Uruguay, Hungary, Russia (transitioned from Upper Middle Income to High income) during the period

India transitioned to Low Middle Income in 2007

- 2007- $910: Low Middle Income Country
- 2030- (Expected) : Upper Middle Income
- 2047- (Projected) High Income

China transitioned to upper middle-income country

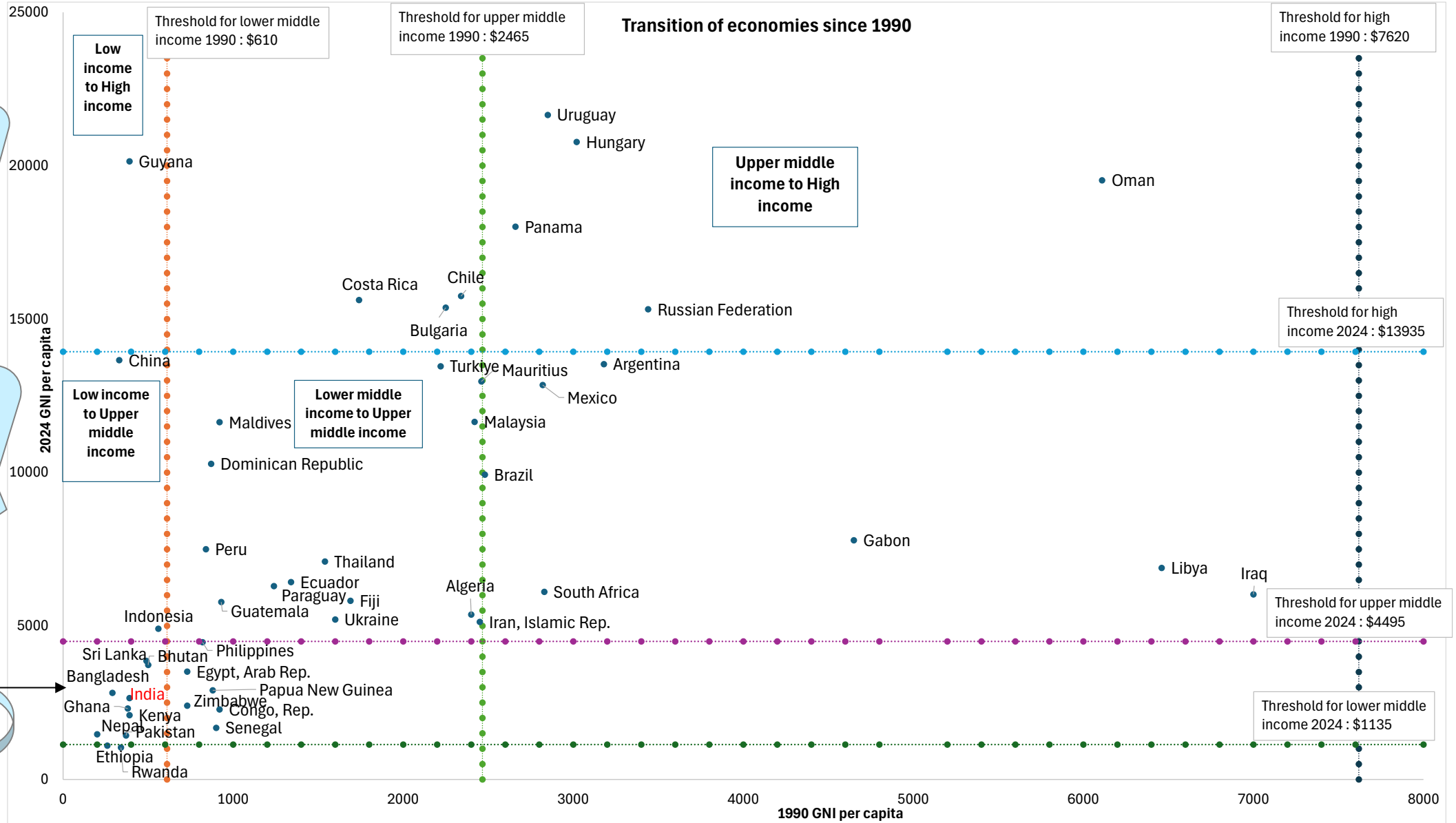
- 1990- $330: Low Income
- 1999- $860: Lower middle income
- 2010- $4410: Upper middle Income 2010

Transition of economies since 1990 - II

India projected to transition in 2047 from Higher Middle Income to Higher Income

India expected to transition in 2030 from Lower Middle Income to Higher Middle Income and join China & Indonesia

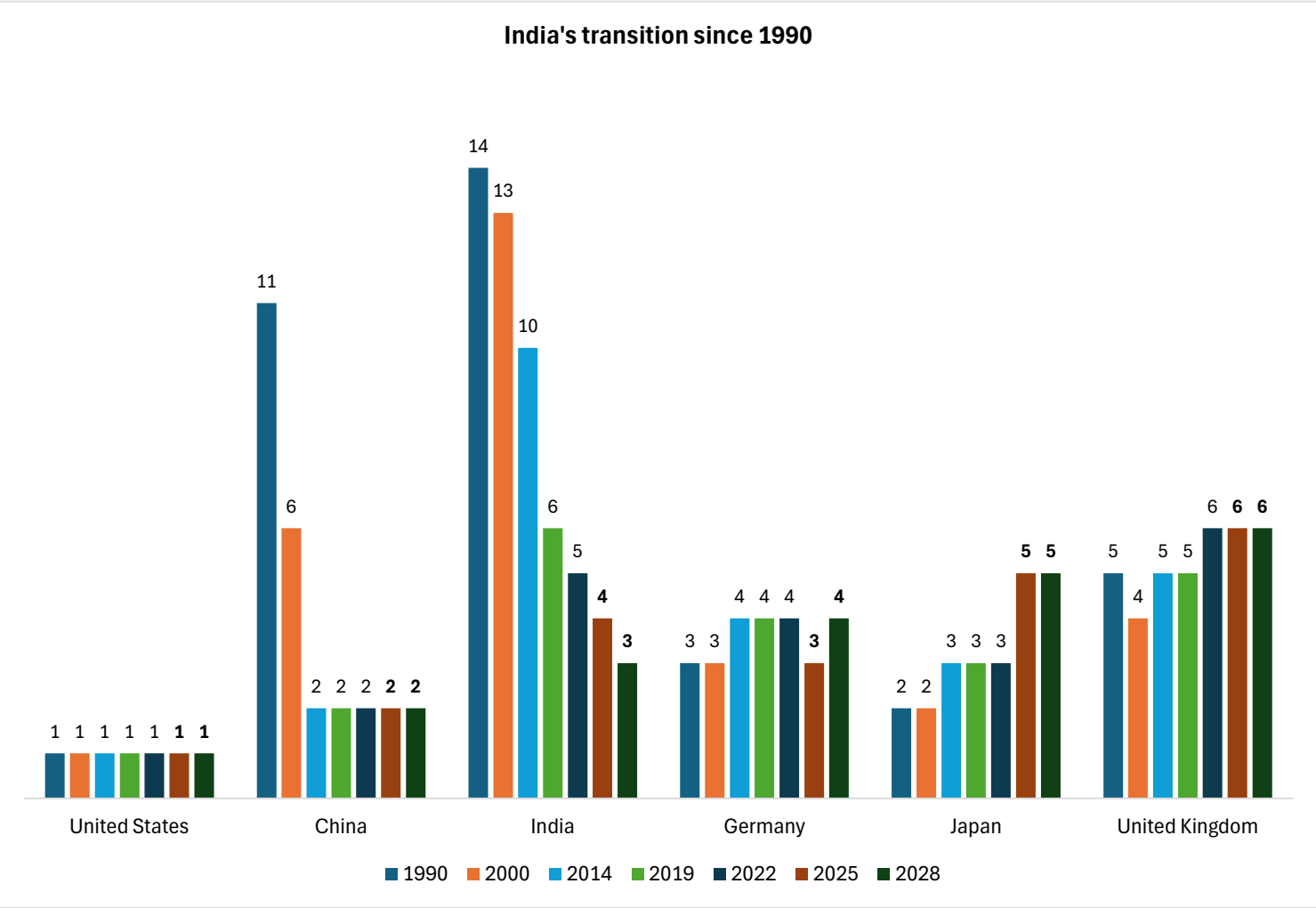
India transitioned in 2007 from Low Income to Lower Middle Income



Source: World Bank

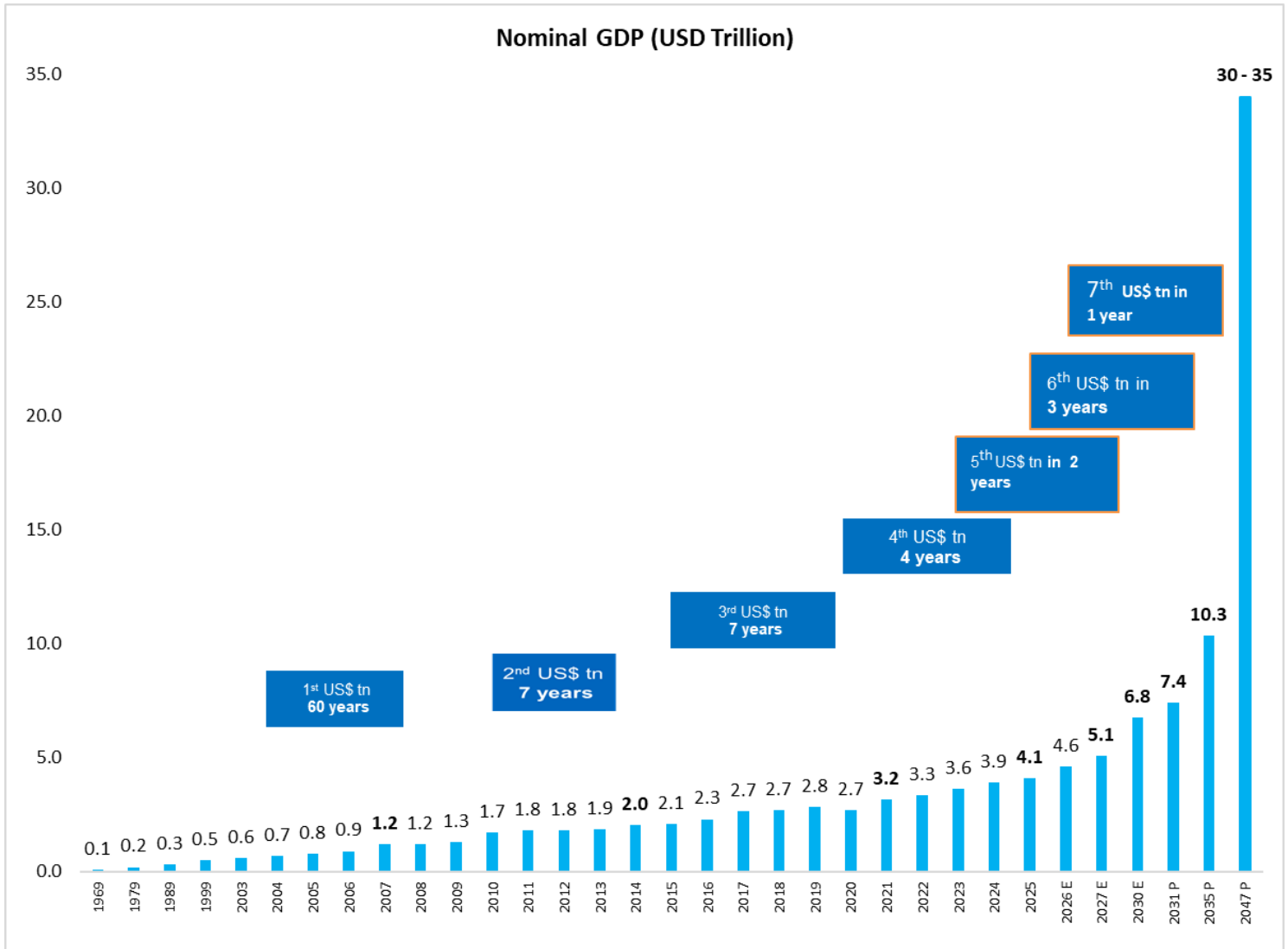
In terms of nominal GDP, India transitioned from 14th rank in 1990 to 4th in 2025 and is set to become 3rd largest economy by 2028

- The US remains the biggest economy followed by China, with India transitioning to become 3rd largest economy beating Germany by 2028



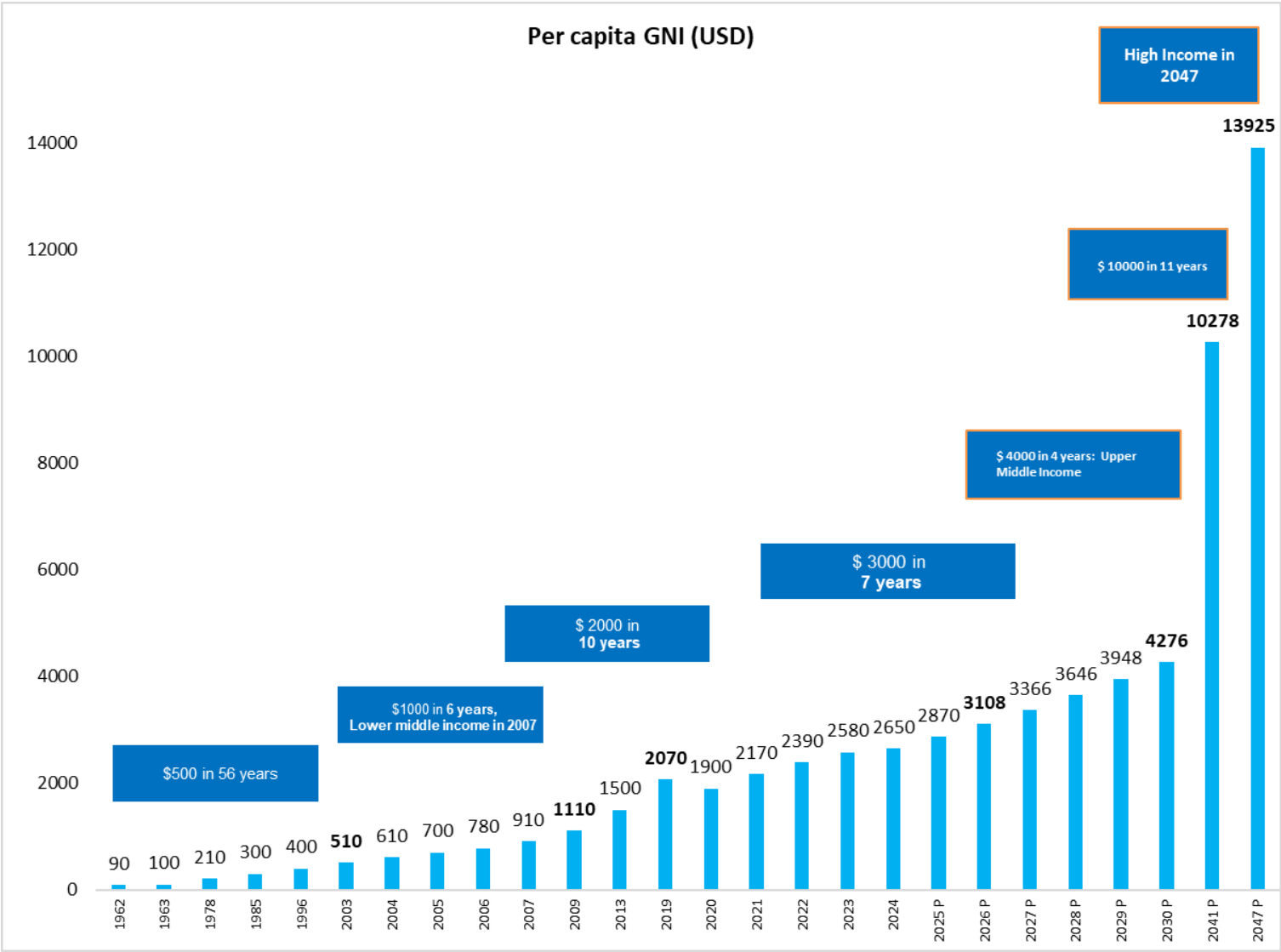
Source: IMF, SBI Research

India to become 5 trillion economy by 2027/FY28 and $10 trillion by 2035/FY36



Source: MOSPI, IMF, SBI Research, E- IMF Estimate, P-SBI projections, CY as per IMF

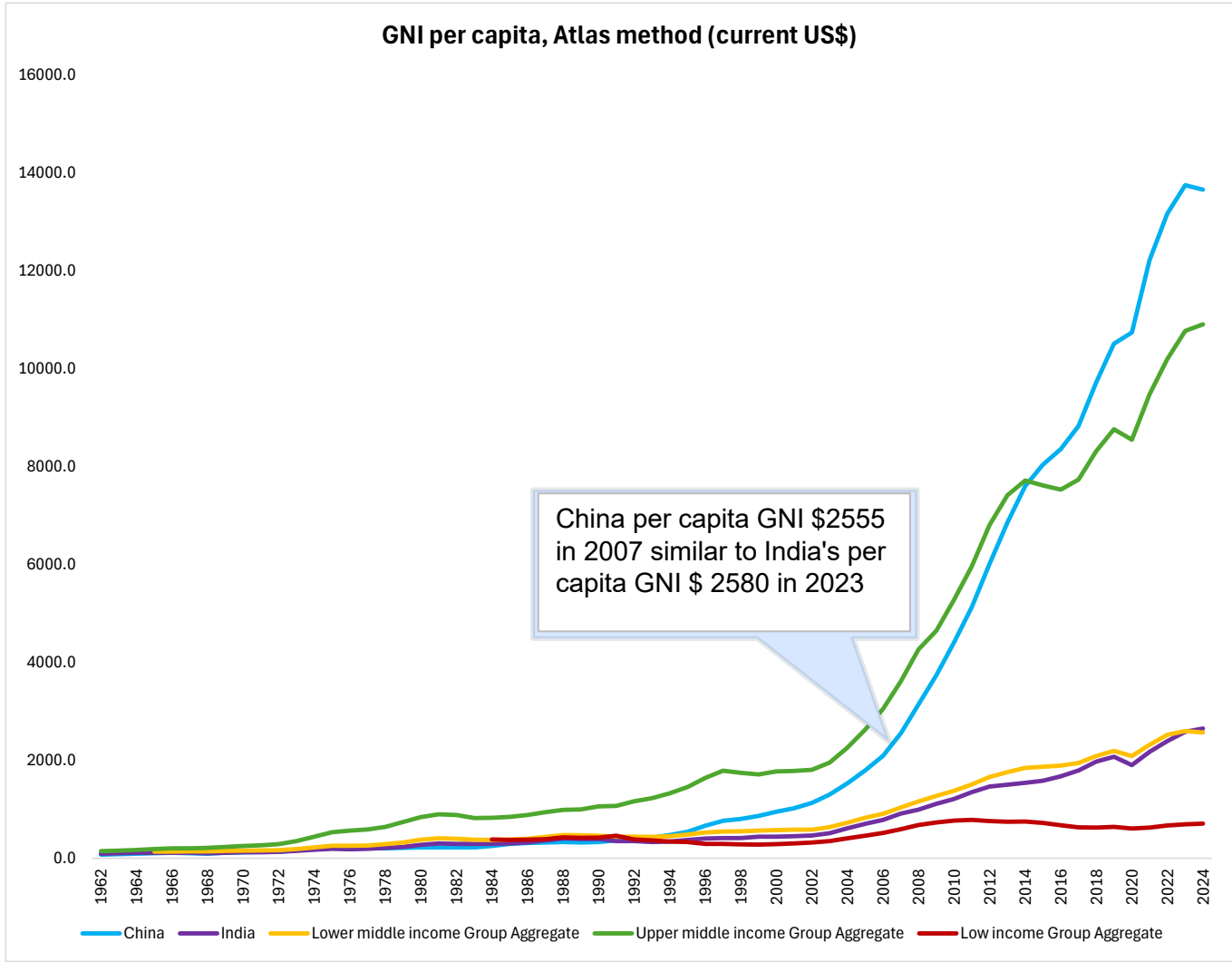
In terms of GNI pc, India transitioned to Lower Middle Income in 2007 and is set to become Upper Middle Income by 2030



Source: World Bank, SBI Research, P-SBI projections, CY as per World Bank

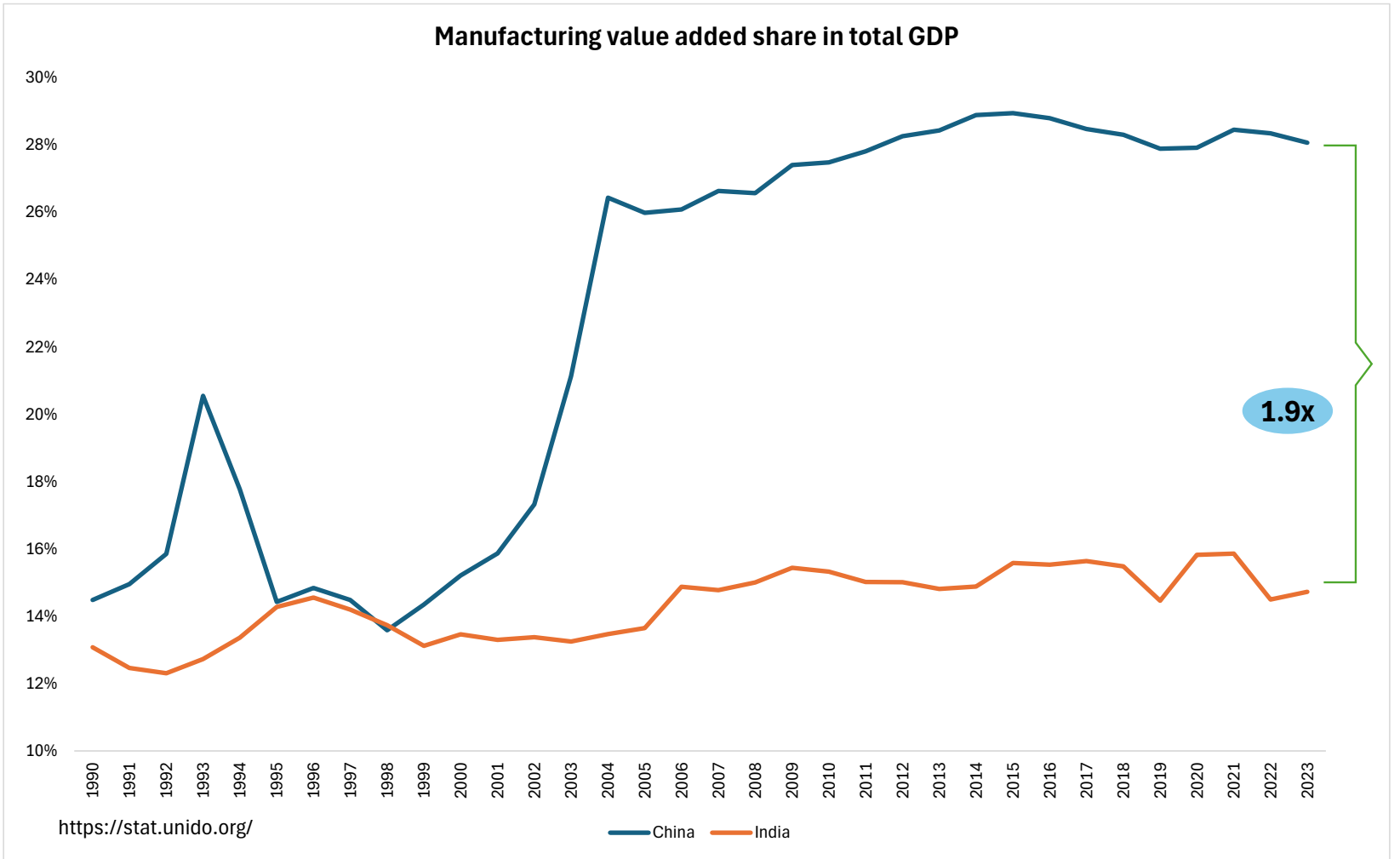
China GNI per capita took off after 1990

China's Macro Indicators		
Indicators	**2007**	**2024**
Real GDP Growth YoY%	14.2	5.0
Nominal GDP($ bn)	3612	18748
Total investment % of GDP	40.1	40.4
Gross national savings % of GDP	49.9	42.7
Population share in world %	19.6	17.3
General government revenue as % of GDP	17.9	25.6
General government gross debt as % of GDP	28.7	88.3
Current account balance as % of GDP	9.8	2.3
Consolidated Fiscal Balance as % of GDP	0.2	-3.0



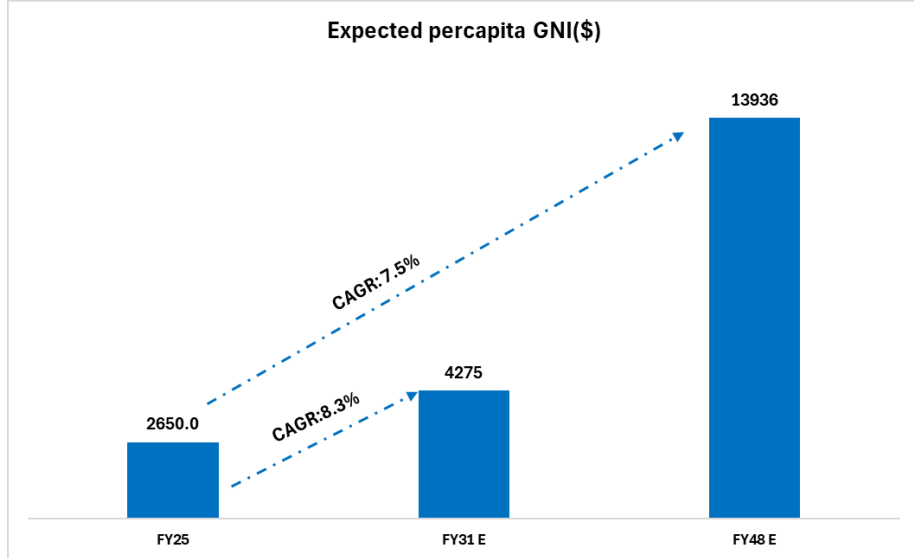
Source: World Bank, IMF, SBI Research

Share of Manufacturing value added in total GDP of China is higher..India embracing many steps to move up the ladder



Per capita GNI estimation

- If we consider the current per capita GNI threshold for high income country of $13,936 to be reached by 2047 (as per government's plan), India's per capita GNI has to grow by a CAGR of 7.5%. This seems achievable as India's per capita GNI has grown by a CAGR of 8.3% during the last 23 years (2001-2024)
- However, the threshold level for high income country will also get changed by then. If threshold for high income country gets changed to $18,000, then India's per capita GNI needs to grow by a CAGR of around 8.9% in the next 23 years
- Assuming 0.6% average population growth and average deflator of China, Japan, UK, USA and Euro area of around 2% (average between 1992-2024), this translates into growth of nominal GDP in dollar terms of around 11.5% for the next 23 years
- Clearly, **India can and will transition to the upper middle-income country, which has the threshold per capita GNI of around $4500, in the next few years (assuming average growth of GNI per capita of around 8.3%)**. Growth of Nominal GDP in dollar terms required to achieve this is around 11.5%. Notably, this growth has been around 11% before the pandemic (FY04-FY20) and around 10% during FY04-FY25



Estimated Per capita GNI($)			
Scenarios	**CAGR required (%)**	**Percapita GNI ($) in 2047**	**Percapita GNI(Rs Lakh)**
1: Percapita threshold will be same for high income	7.45	13925	16.7
2: If India grows at average CAGR between 2001 to 2024	8.39	16584	19.9
3: If India grows by of 50 bps more than past average CAGR	8.89	18218	21.9

Source: World Bank, SBI Research

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