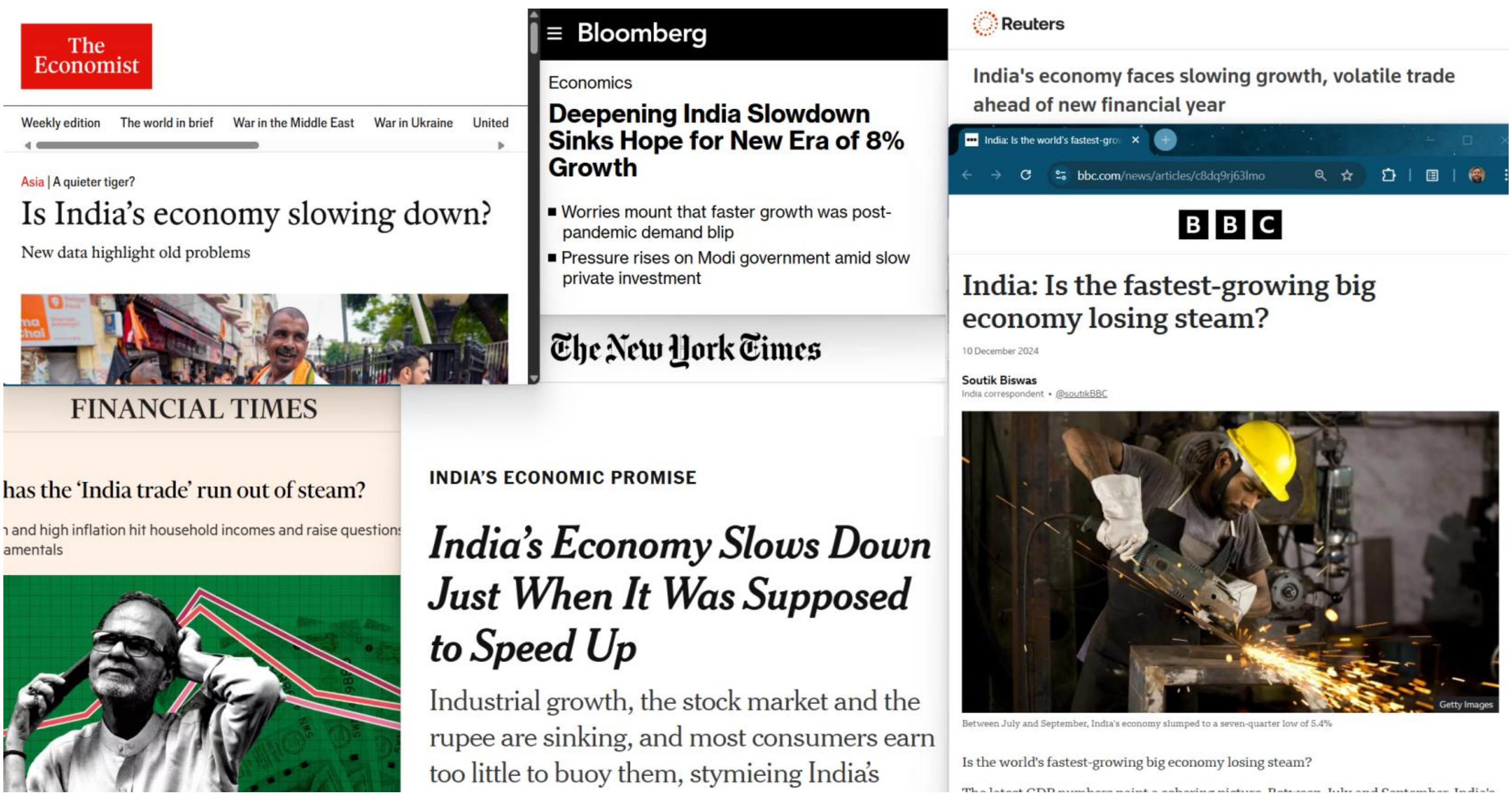
Driven by resilient domestic consumer demand and an unrivaled combination of macroeconomic tailwinds, India's world-leading growth is durable and largely insulated from trade wars. Investors fretting over short-term growth wobbles are missing the forest for the trees, and risk missing out on the ever-expanding opportunities to profitably deploy capital in an economy expanding at a rate more than *double* that of global GDP.[1]

Growth wobbles obscure the big picture

Headlines bemoaning deceleration in India's economic growth.



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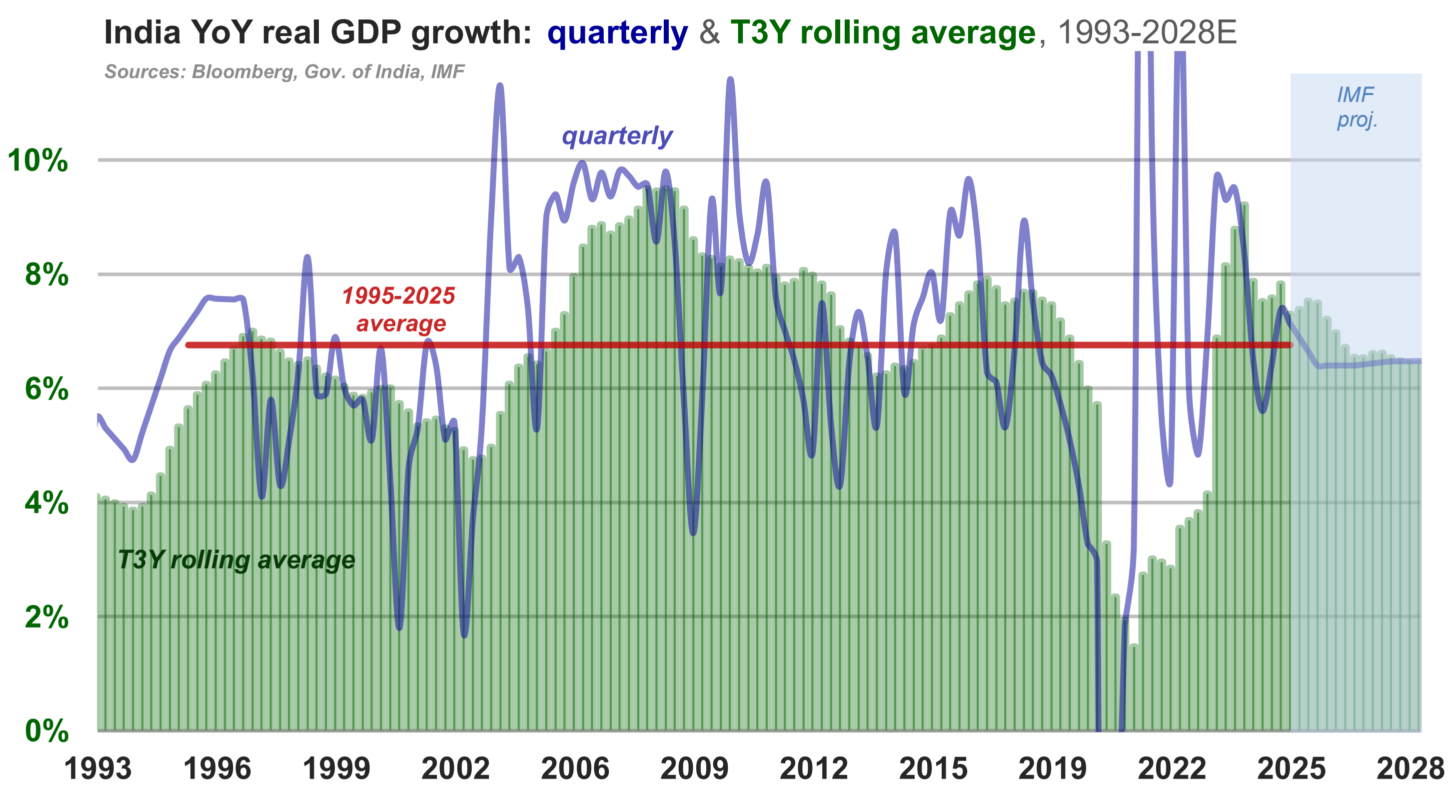
Deceleration…

At the start of 2025, *The New York Times* bemoaned the "nasty shock" that hit India late last year, when national statistics suggested that GDP growth had slowed to seven-quarter low of 5.6% year-over-year (YoY) in the third quarter of calendar 2024, and was on track to sag to a four-year low of 6.4% YoY for the full fiscal year ending March 2025.[2] Bloomberg News attributed the deceleration to factors including stubbornly high inflation and subdued private investment,[3] while the BBC pointed to weakened consumer demand and lackluster goods exports.[4]

Around this same time, New Delhi-based economics professor Biswajit Dhar lamented in *East Asia Forum* that "India's economic growth engine [had begun] to stall"[5] and declared in another publication, *The Diplomat*, that "India's growth momentum seems to be losing steam."[6] Analysts at UBS went so far as to recommend reducing exposure to Indian stocks amid a "structural […] growth slowdown in India's $4 trillion economy".[7] Economists at banks including BNP Paribas spent the subsequent months publishing reports with anxious titles like *India: Significantly slower growth and rising risks* and *India: Economic slowdown and limited room for manoeuvre*.[8]



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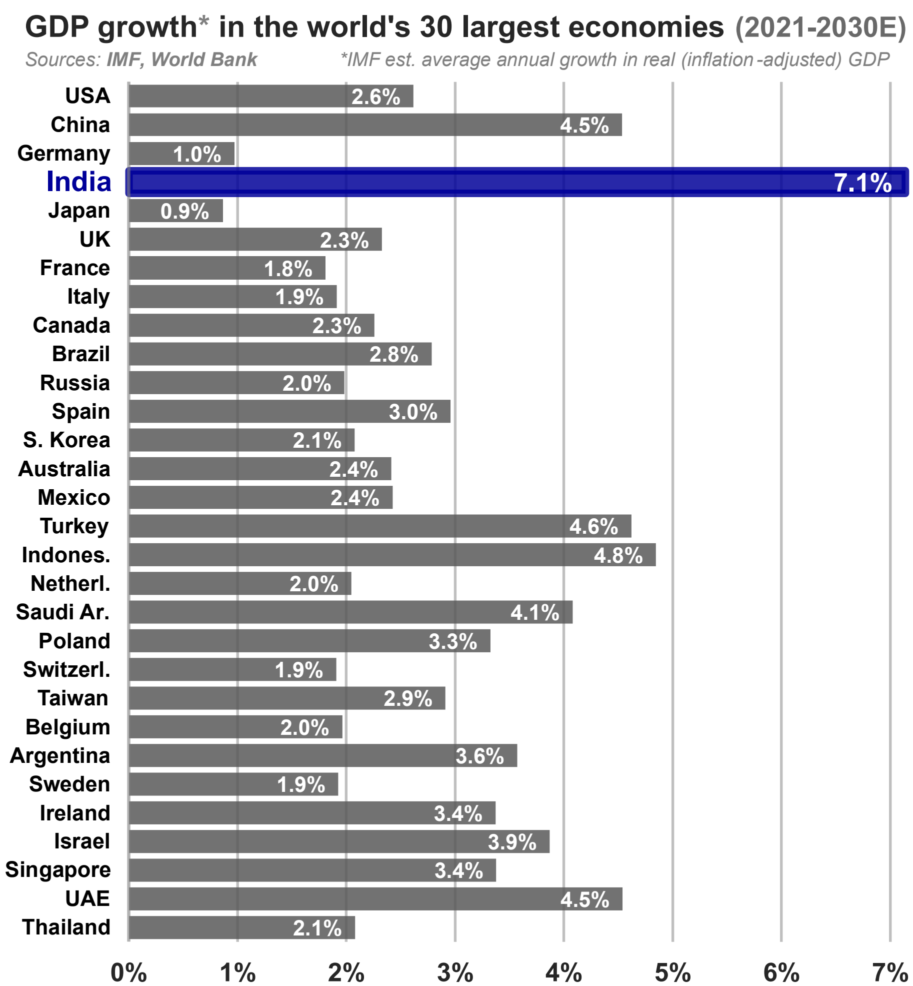
…followed by re-acceleration

As shown in the above chart, outside the peak of the global pandemic, India's economy has in recent decades chugged along at a fairly steady pace.[9] Looking past the volatile quarterly trendline, YoY GDP growth has averaged roughly 6.8% over the past 30 years, with intermittent cyclical slowdowns offset by equally frequent spurts of faster expansion. And indeed, the late-2024 "slowdown" over which the aforementioned analysts agonized was followed by a re-acceleration to 7.4% YoY growth in the first quarter of 2025.[10]

In the current fiscal year ending March 2026, India's economy is projected to expand 6.5% YoY – identical to the prior fiscal year's rate, and *more than double* the expected growth of the global economy as a whole.[11] Bigger picture, even if its GDP growth rate were to decelerate again, India would be no danger of losing its title as the **world's fastest-growing large economy**.[12]



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From my February '24 trip camera roll: enjoying a sunny afternoon in Mumbai.[13]

Global headwinds, local tailwinds

Unrivaled combination of macro tailwinds

Even if its GDP growth were to decelerate (as it briefly did a year ago, before subsequently re-accelerating), India would be in no danger of losing its title as the world's fastest-growing large economy. This is because India's domestic demand-led growth is underpinned by an unmatched combination of macroeconomic tailwinds, including exceptionally favorable demographics, ongoing growth-enhancing urbanization, and an abundance not only of cost-competitive low-skilled labor but also of graduates with engineering and other technical skills.

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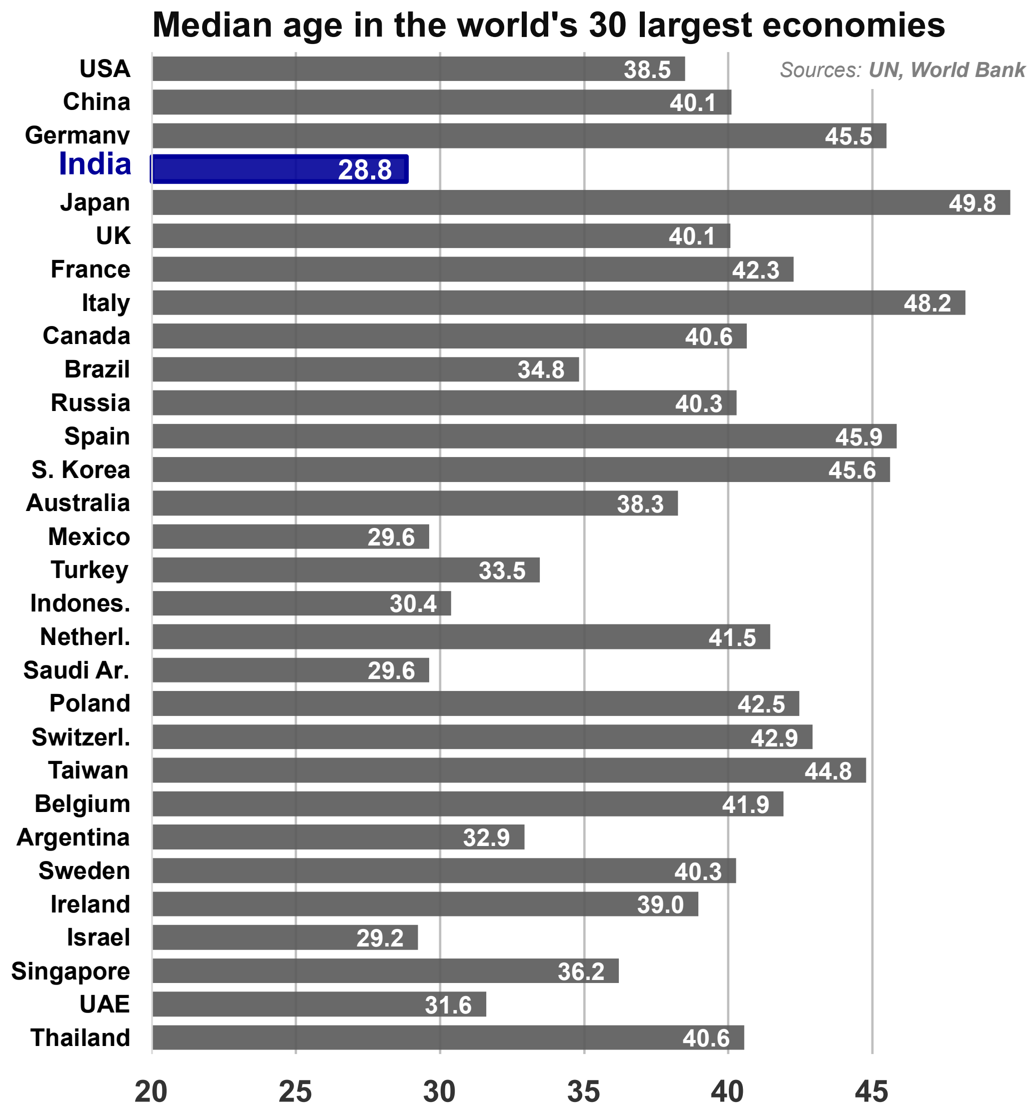

The structural growth drivers underpinning India's world-leading growth include **exceptionally favorable demographics**, with the youngest median age among the globe's 30 largest economies.[14] The ongoing expansion in the working-age share of India's population – a phenomenon known as a "demographic dividend" – means India's youth are entering the prime of their working lives with relatively few dependents to support, allowing an increasing share of national income to be re-invested into infrastructure, education, and other productivity-enhancing public goods (as opposed to, say, old-age pensions). While other major economies' dwindling, greying workforces struggle to support ballooning numbers of retired dependents (meaning, to borrow a phrase from Kyla Scanlon, "resources are poured into maintenance rather than creation"), India is poised to add roughly another 140 million people to its labor force over the next quarter-century.[15]

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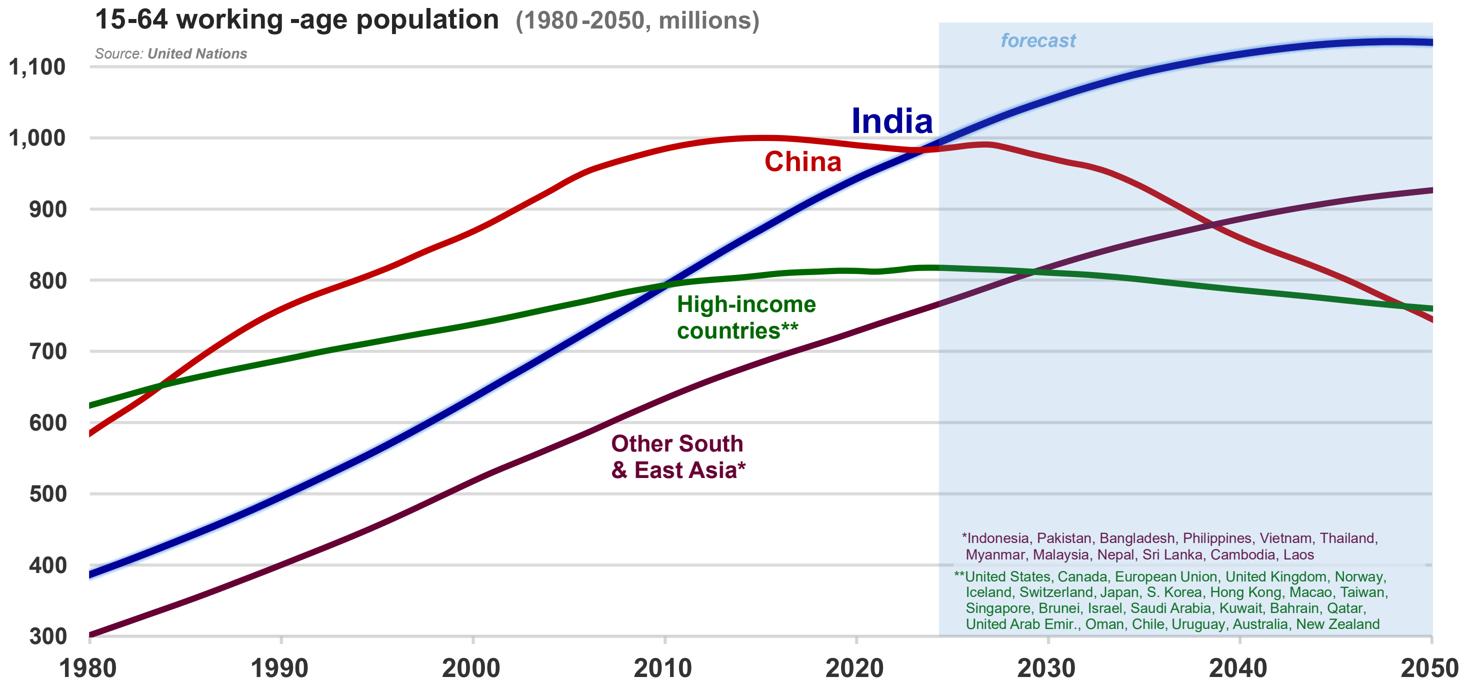

Today, ~63% of Indians still live in rural areas – making the country roughly as urbanized as China in 2001, South Korea in 1968, Japan in 1937, or the United States in 1895.[16] India's urban areas are gaining a New York City's worth of new residents roughly *every eight months* – marking **acceleration** since the 2017 publication of the Demographics blog post, when India was adding an NYC's worth of new city-dwellers merely every *ten* months.[17]

As laid out in the more recent The Indian Century blog post, an expanding labor force, rising ratio of working-age people to dependents, accelerating urbanization, and remarkably competitive labor costs bolster India's economy in interrelated and synergistic ways. For example, India's urbanization speeds its progression toward lower birthrates, while its expanding, increasingly productive cities reinforce the economic incentives driving rural-to-urban migration, even as the villagers continuing to migrate into India's urban workforce sustain the country's extraordinarily competitive labor costs. **The combination of these simultaneous and complementary macroeconomic advantages is unique among the world's major economies**, and will continue to serve as an extraordinary tailwind to India's economic growth for decades to come.

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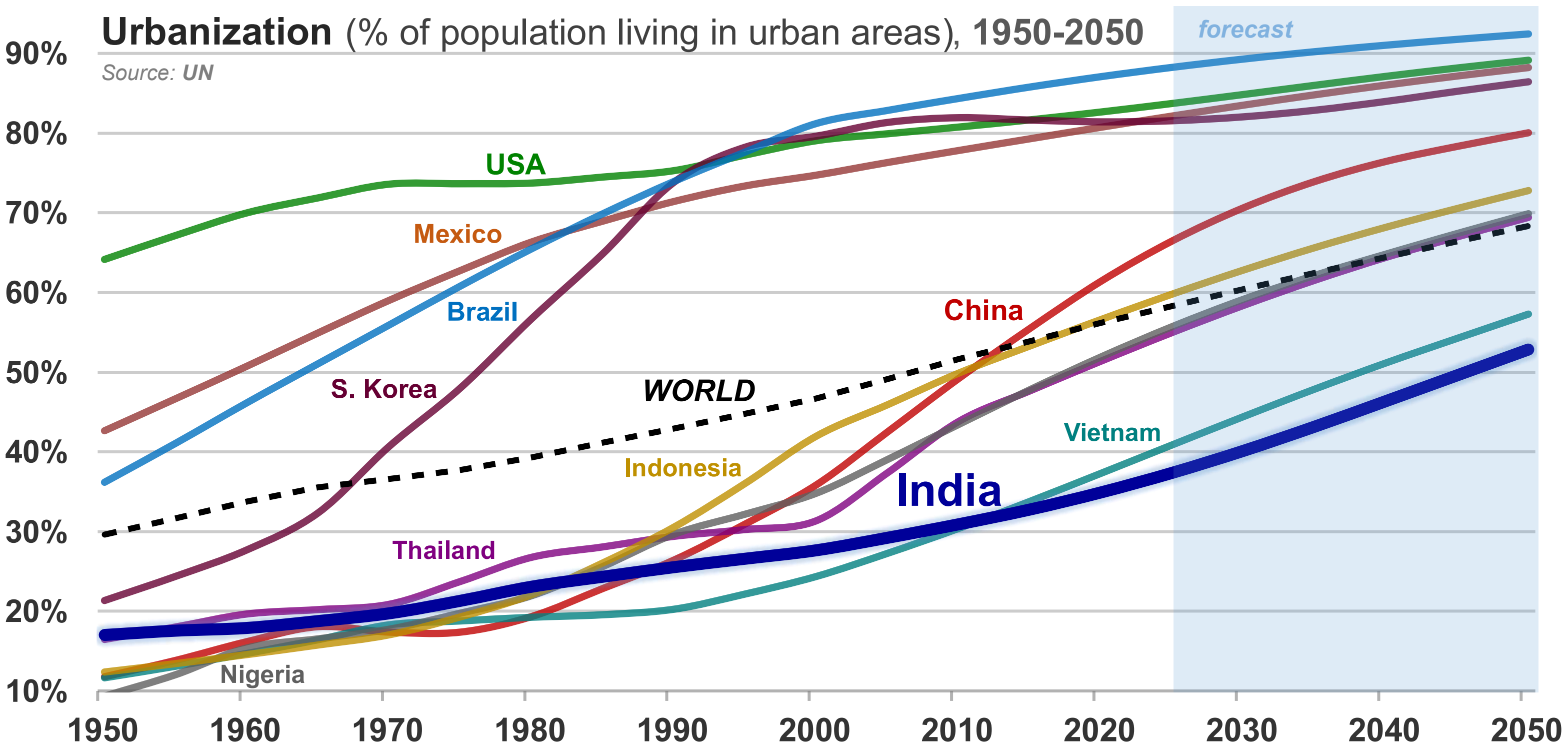

Indians' shift from agrarian subsistence into services- and manufacturing-sector jobs in cities is being driven by the fact that the average income in urban India is *twice* that in rural India,[18] which is still home to more than 60% of the population.[19] A newly urbanized Indian worker who doubles his household's *overall* income (say, from $2,500 to $5,000) typically drives even more substantial growth in his household's spending on non-essential goods and services. Such a household will tend to boost its spending on bare necessities such as housing, food, and clothing, but at a pace slower than its increase in overall income (say, from $2,000 to $3,250), resulting in drastically faster growth in the disposable income that remains (in this case, from $500 to $1,750) available for non-essential spending.[20] This has been borne out in government statistics showing a clear decline in the proportion of disposable income spent on bare necessities, and a concurrent increase in discretionary spending.[21]

At just under $3,000, India's current per capita GDP is comparable to the level that in other economies historically heralded the start of booms in discretionary spending.[22] Indians' **burgeoning disposable incomes** mean that growth in certain industries, from apparel to financial services to healthcare to travel, is outpacing even the world-leading growth in India's overall GDP.[23]

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From my February ’24 trip camera roll: enjoying a sunny afternoon in Mumbai.[24]

For example, the number of passengers carried by Indian airlines rose more than 130% over the decade spanning 2014-2024 – far outpacing the roughly 78% cumulative expansion in India’s real (inflation-adjusted) GDP over that same period.[25] That growth was driven primarily by a doubling over the decade in air trips per capita (to ~0.12/person/year – still far short of the global average of ~0.59 trips/person/year).[26] Other businesses boasting above-GDP growth over the 2014-2024 period include healthcare providers (with industry revenue up more than sixfold in USD terms to ~$480 billion),[27] credit card issuers (with active cards up more than fivefold to ~110 million),[28] SUV manufacturers (with unit sales up more than fivefold to ~1.9 million),[29] and asset managers (with mutual fund AUM up nearly fourfold in USD terms to ~$800 billion).[30]

Many listed Indian businesses are **gaining market share from so-called “unorganized” sector firms** – smaller-scale establishments whose chief competitive advantage (their ability to evade taxes and ignore regulations) has

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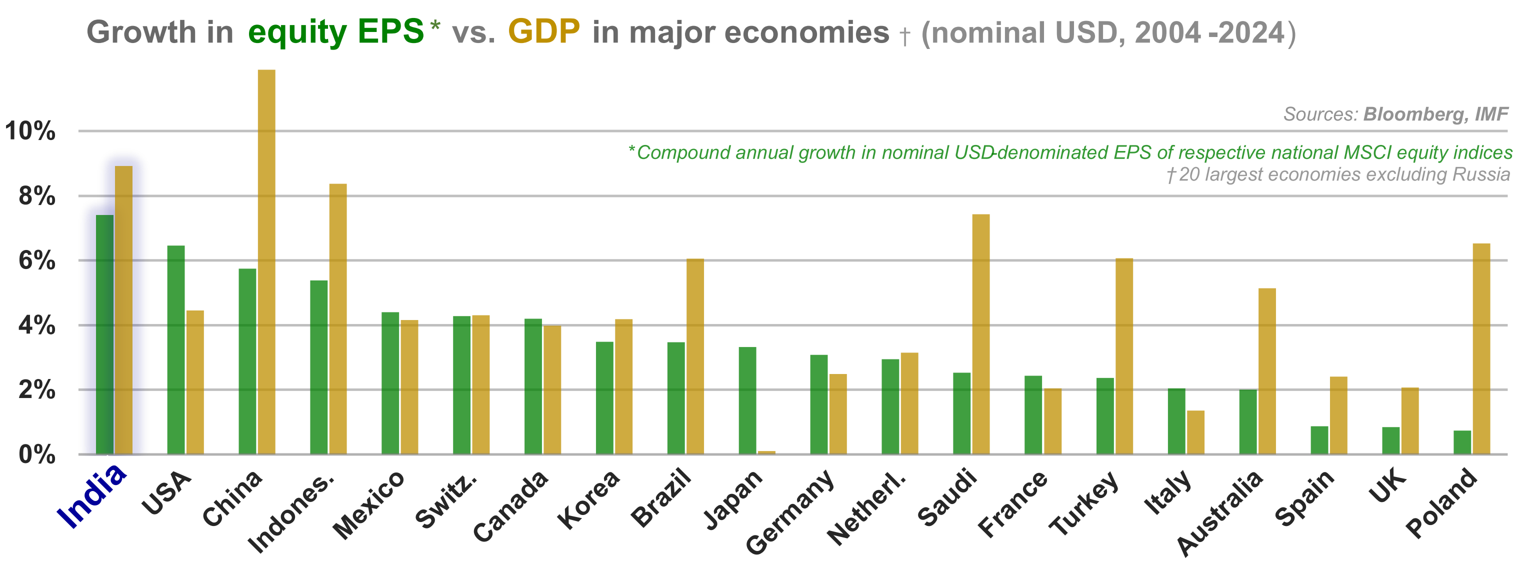
eroded ever since the 2017 implementation of a nationwide goods and services tax (GST) incorporating built-in incentives for digitization and compliance. Nevertheless, such informal businesses still account for large portions of overall activity in sectors including building materials, chemicals, consumer lending, healthcare, retail, and textiles.[31] By removing barriers to interstate commerce, GST has made it easier for listed firms to wrest market share from smaller-scale regional rivals toward "pan-India" brands distributed nationwide via more efficient, centralized supply chains.[32]

In markets ranging from consumer goods to industrial fasteners, increasingly high-quality "Made in India" products are not only **substituting for foreign-made alternatives**, but also capturing growing shares of export markets. In other industries, such as aerospace, commercial lending, and electrical equipment, "GDP-plus" growth is being driven by **structural transformations** such as India's indigenization of its defense procurement, financial sector reforms, and upgradation of its public infrastructure.[33]

Connection to corporate earnings growth



India's world-leading GDP growth has coincided with correspondingly robust long-term growth in the earnings generated by listed Indian companies.[34] In fact, India exhibits the highest correlation between GDP and corporate earnings growth of

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any large emerging market *(see chart below).*[35] India, "home of the last decade's only major bull market in stocks outside the US," has since 2015 produced 40 "compounders", defined as companies with present-day market caps greater than $10 billion that have generated average annual dollar returns exceeding 15%.[36]

As discussed in our research into the equitization of Indian savings, listed Indian companies' robust earnings growth and Indian savers' rising allocations to financial assets are helping to drive a virtuous cycle that is deepening India's equity markets and channeling record capital to the businesses underpinning the nation's world-leading GDP growth. As that blog post notes, the fact that more than four-fifths of India's equity market is domestically owned further insulates Indian equities from global volatility.[37]

Leading the world – with one hand tied behind its back

Wide swaths of India's economy remain constrained by anti-competitive, statist controls that severely disrupt the allocation of labor, land, and capital. In a feat neatly summarized by author Gurcharan Das as "India grows at night while the government sleeps," India has achieved world-leading economic growth *in spite of* those constraints.[38] Our 2018 blog post India's unfinished revolution outlines the ways in which a new round of liberalizing reforms could turbocharge economic growth – and thereby further accelerate the improvement in living standards enjoyed by the citizens of the world's most populous nation.

* * *

Andrei Stetsenko

August 27, 2025

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