

## India to overtake China as fastest growing large economy, says IMF

India will be larger than Japan and Germany combined before the end of the decade in terms of purchasing power parity, according to the International Monetary Fund



In a speech in New Delhi, Ms Lagarde said India was on course to grow by 7.2pc this year, and 7.5pc in 2016



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**India** will overtake **China** this year to become the fastest growing large economy in the world, the head of the International Monetary Fund said on Monday.

Christine Lagarde described India as the "bright spot" in a "cloudy global horizon", as she said the country's young population and progress on structural reforms would help the economy to "fly" in the coming years.

Last week, the IMF said changes this year to the way Indian growth is calculated meant the country was on course to grow by 7.2pc in the coming fiscal year, and 7.5pc in 2016.

Ms Lagarde said Indian gross domestic product (GDP) would be larger than Japan and Germany combined by the end of the decade under a measure that takes into account buying power in each country - known as purchasing power parity.

"A brighter future is being forged right before your eyes," she said on Monday. "By 2019, the economy will more than double in size compared to 2009. When adjusting for differences in purchase prices between economies, India's GDP will exceed that of Japan and Germany combined.

"Indian output will also exceed the combined output of the three next largest emerging market economies—Russia, Brazil, and Indonesia. So clearly India's weight among the group of emerging markets will increase."

Ms Lagarde said India was on course to overtake China by 2030 as the most populous country in the world, with the largest labour force. By contrast, the **Chinese government expects the country to grow by "approximately 7pc" this year as policymakers press on with structural reforms**. The IMF believes that China will grow by 6.8pc this year and 6.3pc in 2016.

Ms Lagarde also singled out the UK and the US as two advanced economies where the recovery was most "promising".

She said: "Apart from the United States and the United Kingdom, where a promising recovery continues, growth remains rather low in the euro area and Japan."

While Ms Lagarde said there were some "reassuring 'pick up signs'" in these economies, she said there was a risk that the single currency area and Japan could remain stuck in a "low growth-low inflation" trap, with diverging monetary policies triggering increased volatility in the rest of the world.

She also said a stronger dollar - which has climbed 13pc against the euro and 5pc against sterling since the start of the year - would also cause turbulence in emerging markets, including India.

"Emerging and developing economies could face a triple hit of a stronger US dollar, higher global interest rates, and more volatile capital flows. A stronger dollar will have a significant impact on financial systems in emerging markets, including India, because many banks and companies have increased their borrowing in dollars over the past five years."