

7.7% Real GDP growth 2025-26 (7.8% Apr–Jun 2026)	~\$4 trn Nominal GDP 2025-26; ~4th largest, level with Japan	~\$2,700 GNI per head 2024; lower-middle income	~60% Household consumption % of GDP; demand-led	0.6% Current account deficit % of GDP 2025-26
4.8% CPI Aug 2026; target 4% ± 2; low 0.25% Oct 2025	5.0% Unemployment Aug 2026; youth (15–29) 9.9%	~29 Median age; most populous country (~1.46 bn)	~0.26 Consumption Gini 2022-23; top 10% ~58% of income	43% Workers in agriculture 2025 (~18% of output)

STRUCTURE OF THE ECONOMY

	% OF GVA (APPROX.)	% OF JOBS (2025)
Agriculture	~18	43
Industry	~27	~26
Services	~55	~31

- Farm jobs far exceed farm output → disguised unemployment; manufacturing only ~15% of output.
- AD mix:** high C (~60%), rising public I, goods deficit offset by services exports.
- BoP:** goods deficit (oil, gold, electronics) covered by IT services surplus and ~\$150 bn remittances (2025).
- System:** mixed economy; market-led since 1991, large state role in banks, rail, energy.

MAIN INDUSTRIES

- IT & business services:** ~\$280 bn revenue (2024-25); TCS, Infosys, global capability centres.
- Digital:** UPI payments, Aadhaar ID, Jan Dhan accounts → financial inclusion.
- Pharma:** "pharmacy of the world" for generic medicines.
- Electronics:** PLI subsidies drew Apple's suppliers; phone exports up fast.
- Textiles, gems:** labour-intensive; hit by 50% US tariff (Aug 2025).
- Agriculture:** largest milk producer, top rice exporter; monsoon-dependent.
- Energy:** imports most crude oil → oil shocks hit CPI, rupee, BoP.

GROWTH STORY: TURNING POINTS

1951–91 Five-year plans, "Licence Raj", import substitution	1991 BoP crisis, IMF loan → liberalisation	2014 Make in India; Jan Dhan accounts	2016 Demonetisation; RBI inflation target 4% ± 2
2017 GST: one national indirect tax	2020-21 Covid: GDP –5.8%; PLI launched	2025 US tariff 50%; GST 2.0; UK trade deal	2026 EU FTA; US tariff cut to 18%; growth 7.7%

Model: young workforce + domestic consumption + public infrastructure + services exports. **Catch:** few good jobs for low-skilled workers.

EIGHT PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
Too few good jobs	43% farm; 25% of youth NEET	Lewis model
Missing women workers	Female LFPR 40% vs male 79%	Labour supply, LRAS
Weak manufacturing	~15% of output; target was 25%	Supply-side policy
Informality	~90% of workers informal	Tax base, development
Human capital	Stunting ~35% (2019-21)	HDI, merit goods
Trade shocks	US tariff 50% (2025); left RCEP 2019	Protectionism
Oil dependence	Oil imports \$60.6 bn in Q1 2026-27	Cost-push, BoP
Pollution	Delhi smog; coal power	Externalities

POVERTY & DEVELOPMENT

- Extreme poverty (\$3/day) 27.1% (2011-12) → 5.3% (2022-23): ~270 m lifted out.
- Still ~24% under \$4.20/day (lower-middle line).
- HDI 0.685 (2023), rank 130; life expectancy ~72.
- Consumption Gini ~0.26 but top 10% get ~58% of income (WIL).
- Rich south/west vs poor Bihar, Uttar Pradesh; caste and gender gaps.
- Welfare: free grain for ~800 m; direct transfers via Aadhaar.

Dividend or disaster? For: rising working-age share to the 2040s. Against: low female work, weak schooling, few factory jobs.

CLASSIC CHAINS USING INDIA

Demographic dividend: more people of working age → labour supply ↑ → LRAS ↑ → potential growth ↑ → but only if skills and jobs exist; otherwise youth unemployment.

Oil shock: oil price ↑ → import costs ↑ → SRAS shifts left → cost-push inflation; CAD widens → rupee ↓ → imports dearer still.

Services-led growth: educated graduates → IT services exports ↑ → urban incomes ↑ → but few jobs for low-skilled workers → inequality ↑.

A · DATA RECALL (1 MARK EACH)

1. Real GDP growth in 2025-26: _____
2. Share of workers in agriculture (2025): _____
3. Current account deficit, % of GDP (2025-26): _____
4. RBI inflation target: _____
5. Year of the BoP crisis and liberalisation: _____
6. Extreme poverty rate 2022-23 (\$3/day): _____
7. Female labour force participation (2025): _____
8. Approximate median age: _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

INDIA EVIDENCE	LETTER	CONCEPT
1. 43% of workers produce ~18% of output in farming		A. Cost-push inflation
2. Oil import bill up from \$49 bn to \$61 bn in a year		B. Supply-side industrial policy
3. Subsidies per phone made in India (PLI)		C. Disguised unemployment
4. Indians working abroad send ~\$150 bn home a year		D. Negative externality
5. Delhi winter smog from crop-burning		E. Protectionism
6. US tariff of 50% on Indian textiles		F. Current transfers (secondary income)

C · COMPLETE THE CHAINS

1. Rising working-age population → _____ → LRAS shifts right → _____
2. RBI raises the repo rate → _____ → _____ → demand-pull inflation falls.
3. Public spending on highways ↑ → _____ → _____ → LRAS ↑.

D · EXAM-STYLE QUESTIONS

Extract. India's CPI inflation fell to a record low of 0.25% in October 2025, helped by falling food prices and GST cuts. By August 2026 it had risen to 4.8%, with food inflation at 6.0%. India's oil import bill reached \$60.6 billion in April–June 2026, up from \$49.2 billion a year earlier. The RBI held its repo rate at 5.25%.

(5 marks) With reference to the extract, explain one likely cause of the rise in India's inflation rate between October 2025 and August 2026.

(8 marks) Examine two reasons why India runs a small current account deficit despite a large deficit in trade in goods.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate the view that India's young population will allow it to grow faster than China over the next twenty years.

ARGUMENTS FOR (WITH INDIA EVIDENCE)	ARGUMENTS AGAINST / DIFFICULTIES
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. 7.7% (new 2022-23 base series)
2. 43% (accept 42–46%)
3. 0.6% of GDP
4. 4% CPI inflation $\pm$ 2 percentage points
5. 1991
6. 5.3%
7. About 40% (men about 79%)
8. About 28–29 years

B · MATCHING

1 $\rightarrow$ C · 2 $\rightarrow$ A · 3 $\rightarrow$ B · 4 $\rightarrow$ F · 5 $\rightarrow$ D · 6 $\rightarrow$ E

C · CHAINS

1. Labour supply rises / dependency ratio falls (more saving) $\rightarrow$ higher potential growth, if there are skills and jobs.
2. Bank lending rates rise $\rightarrow$ borrowing and spending fall (C and I) $\rightarrow$ AD falls.
3. AD rises via the multiplier / transport costs fall $\rightarrow$ firms' costs fall and private investment is crowded in.

D · EXAM-STYLE GUIDANCE

5 marks: Define inflation (1). Identify cost-push from oil using the extract: import bill \$49.2 bn $\rightarrow$ \$60.6 bn (1–2). Explain the chain: oil price $\uparrow$ $\rightarrow$ transport, energy and fertiliser costs $\uparrow$ $\rightarrow$ SRAS shifts left $\rightarrow$ price level $\uparrow$ (2). Alternative: food price shock, food inflation 6.0%; food is a large share of the CPI basket. Must use extract data.

8 marks: Reason 1: services surplus from IT and business services (\$51.6 bn in Apr–Jun 2026). Reason 2: remittances from Indians abroad (~\$43 bn in the quarter; ~\$150 bn a year). Explain each as a credit on the current account offsetting imports of oil, gold and electronics. Evaluation (2 points for full marks): remittances depend on Gulf oil economies; IT services face AI and US demand risks; oil prices can widen the deficit quickly; the financial account (FDI, portfolio flows) also matters.

E · 25-MARK PLAN: POINTS TO LOOK FOR

For faster growth than China

- Median age ~29; working-age share rising to the 2040s; China's population falling.
- Lower dependency ratio $\rightarrow$ more saving and investment.
- Catch-up: GDP per head about a fifth of China's, so more room to converge.
- Already growing faster: 7.7% vs China's ~5% (2025).
- Infrastructure push, FTAs, "China plus one" investment.

Against / difficulties

- Female participation 40%; 43% still in farming.
- Stunting and weak schooling limit productivity.
- Manufacturing stuck at ~15% of output; few mass jobs.
- China leads in technology, infrastructure and capital stock.
- Faster % growth from a lower base still means lower living standards.

Judgment: India will very likely grow faster in percentage terms, but how much faster depends on job creation and human capital, especially for women. Faster growth does not mean India catches up with China's income per head within twenty years. Compare with South Korea, which cashed in its dividend through education and factory jobs.