Business Standard

THE INDIA OF 2025

	METROS HOLD THE KEY	STATES DIFFER IN GROWTH	CONCENTRATION OF WEALTH
2012	▸ 65 metropolitan districts account for **26%** of population, **45%** of consuming class households, **40%** of GDP and **37%** of consumption	▸ 12 states which are very high and high performing make up **50%** of GDP and **58%** of consuming class households	▸ 49 clusters contribute **70%** of GDP
2025	▸ 79 metropolitan districts spread across **427,000 km** provide same economic opportunity as 8 high performing states spread across **794,000 km**	▸ 8 states which are high performing will contribute **52%** of incremental GDP	▸ 49 clusters account for **77%** of incremental GDP; **21** clusters home to **44%** of consuming class households

49 city clusters to drive growth

India's growth may have slumped over the past few years, but there are signs of a recovery beginning to take shape. If growth averages 6–7 per cent annually over the coming decade, how will it transform the economy? How different will the India of 2025 be from the India of 2014, considering that the India of 2014 is vastly different from the India of 2004. A new report from McKinsey, titled 'India's economic geography in 2025: states, clusters and cities', looks at how the next decade will unfold

A report from McKinsey examines how India's economic landscape will change over the coming decade. Based on the assumption that yearly growth will average at least 6.4 per cent, the report projects that eight "high performing" states, namely, Gujarat, Haryana, Himachal Pradesh, Kerala, Maharashtra, Tamil Nadu, Andhra Pradesh and Uttarakhand, will together account for 52 per cent of incremental gross domestic product (GDP) growth from 2012 to 2025. Disaggregating the data, the report identifies 49 metropolitan clusters which are likely to account for 77 per cent of India's incremental GDP from 2012 to 2025. By 2025, these clusters are expected to be home to 72 per cent of the consuming class and 73 per cent of the income pool.

Trends in two states stand out. According to the findings, Punjab's growth is likely to moderate, based on current momentum. Its per capita GDP will move closer to India's average, thereby shifting it to the category of "performing" states in 2025. Interestingly, Madhya Pradesh's high growth momentum is expected to push it into the category of "performing" states.

By 2025, states classified in the "performing" category are likely to mirror today's "high performing" states in terms of per capita GDP. For example, West Bengal's per capita GDP in 2025 is likely to reach that of Maharashtra today.

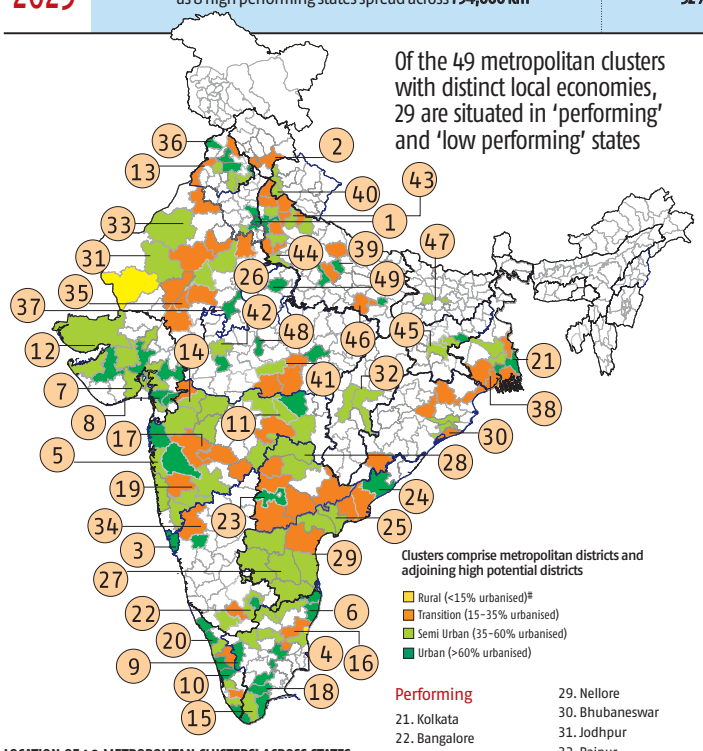
The report estimates that by 2025, 38 per cent of India will be urbanised, up from 31 per cent in 2011. Of the eight high performing states, four are likely to be more than 50 per cent urbanised by this time. This urbanisation and the associated income growth is likely to propel "high performing" states to income levels currently enjoyed by global middle-income countries. For example, the 128 million residing in Maharashtra are likely to have purchasing parity similar to that of Brazil today. Households in Delhi are likely to have a standard of living comparable to Russia, while Goa and Chandigarh will mirror Spain.

By 2025, 57 per cent, or 51 million of India's 89 million consuming class households (those earning above ₹4.85 lakh a year) will be concentrated in "very high performing" and "high performing" states, up from 16 million in 2012.

While these projections are based on annual growth averaging 6.4 per cent over the decade, a word of caution is in order. In the absence of wide-ranging reforms to tackle systemic issues and continued pressure on both the current account and fiscal deficits, annual growth is expected to be lower at around 5.2 per cent, which will negatively impact these projections.

ISHAN BAKSHI

Of the 49 metropolitan clusters with distinct local economies, 29 are situated in 'performing' and 'low performing' states



LOCATION OF 49 METROPOLITAN CLUSTERS* ACROSS STATES

Very high performing

1. Delhi 2. Chandigarh 3. Goa 4. Puducherry

High performing

5. Mumbai
6. Chennai
7. Ahmedabad
8. Surat
9. Coimbatore
10. Kochi
11. Nagpur
12. Rajkot
13. Ludhiana
14. Nashik
15. Thiruvananthapuram
16. Tiruchirappalli
17. Aurangabad
18. Madurai
19. Solapur
20. Kozhikode

Performing

21. Kolkata
22. Bangalore
23. Hyderabad
24. Visakhapatnam
25. Vijayawada
26. Jaipur
27. Kadapa
28. Adilabad
29. Nellore
30. Bhubaneswar
31. Jodhpur
32. Raipur
33. Bikaner
34. Hubli–Dharwad
35. Udaipur
36. Amritsar
37. Kota

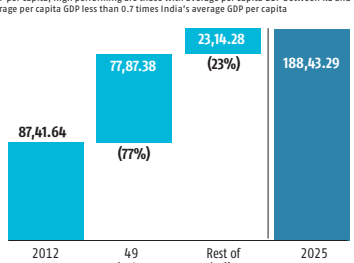
Low performing

38. Jamshedpur
39. Lucknow
40. Saharanpur
41. Jabalpur
42. Indore
43. Bareilly
44. Agra
45. Ranchi
46. Varanasi
47. Patna
48. Bhopal
49. Gwalior

* Amritsar, Patna, Bhopal, Kota and Gwalior are single district clusters; # Based on 2025 urbanisation rate. Very high performing are those with average per capita GDP greater than two times India's average GDP per capita; high performing are those with average per capita GDP between 1.2 and two times India's average GDP per capita; low performing are those with average per capita GDP less than 0.7 times India's average GDP per capita

These 49 clusters will provide access to 77% of India's incremental GDP through 2025

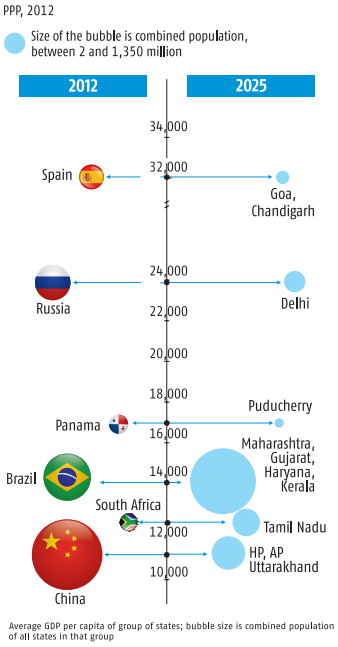
Clusters' GDP (₹ '000 crore, 2012 prices); figures in brackets show contribution to India's incremental GDP



By 2025, the standard of living in 'very high' and 'high performing' states will mirror that of high and middle-income nations today

GDP PER CAPITA

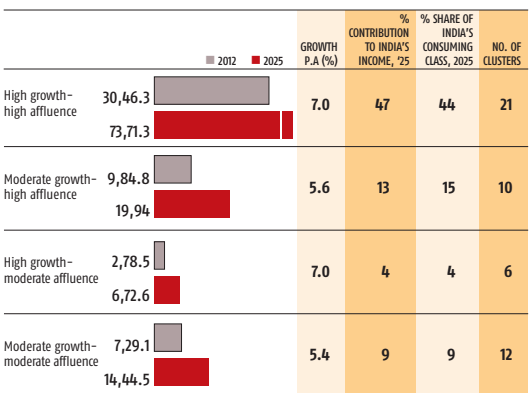
PPP, 2012



Average GDP per capita of group of states; bubble size is combined population of all states in that group

Twenty-one 'high growth-high affluence' clusters will provide access to 47 per cent of India's income pool in 2025 and 44 per cent of its consuming class

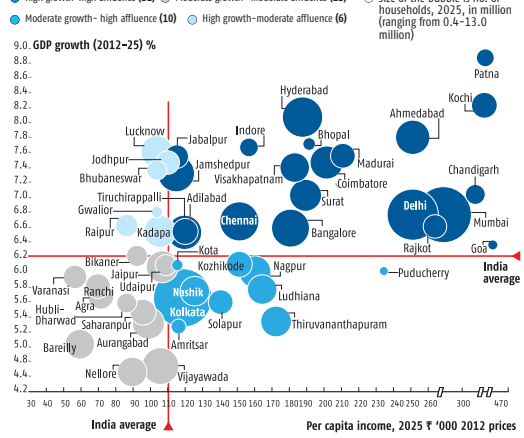
CLUSTERS INCOME POOL BY 4 QUADRANTS (₹'000 crore, 2012 prices)



Classification based on how clusters stack up to India average on 2025 per capita income and GDP growth rate (2012–25)

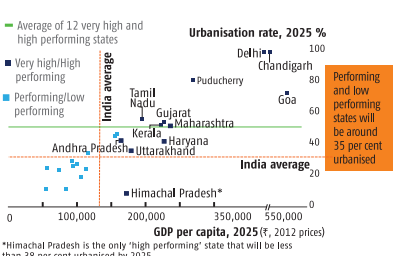
Twenty-one clusters are likely to be more affluent and grow faster than India

Clusters' matrix on GDP growth and richness



Figures in brackets mean number of quadrants

By 2025, eight of 12 'very high' and 'high performing' states will be on average 55% urbanised



*Himachal Pradesh is the only 'high performing' state that will be less than 38 per cent urbanised by 2025

Source: McKinsey's India's economic geography in 2025: states, clusters and cities

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