



MARKET INSIGHTS

“India will become the world's third largest economy by 2027.”¹

India will become the world's third largest economy by 2027, surpassing Japan and Germany, according to projections by the IMF and firms such as Jefferies and Morgan Stanley. India is currently the fifth largest global economy with a GDP of \$3.7 trillion and is expected to reach \$5 trillion in the next three years.

India's growth is driven by domestic demand, investments in infrastructure, digitalization and the energetic transition. It also benefits from a young population and a growing labor force. The government's structural reforms have improved governance and the business environment, supporting sustained economic growth.

Along these lines, the International Monetary Fund (IMF) has raised its economic growth forecast for India in 2024, increasing it from 6.3% to 6.7%. This increase is due to greater resilience in domestic demand and robust consumer spending, especially in rural areas. India remains the fastest growing economy among the world's major economies, with a growth forecast of 6.5% for fiscal years 2025 and 2026.

Analysis of the Fundación Valenciaport

In recent years, India has been positioning itself as a **dynamic** and **fast-growing economy**. With a **GDP** estimated at **\$3.5 trillion in 2023**, India has risen to the **fifth position among the world's largest economies** and, according to projections made by the International Monetary Fund (IMF), aims to become the **world's third largest economy by 2027**.

In this line, there is no doubt that **prudent macroeconomic policies** and **major structural reforms** have continued to drive the country's economic growth, enabling greater participation in the global economy. Moreover, with a population of approximately 1.428 billion people in 2023 according to UN estimates, India has overtaken China to become the world's most populous country. **Rapid population growth**, combined with a young and working-age population, highlights India as a **market with immense potential**.

As way of characterization, India has a **diversified economy** with **several key sectors**, according to the World Bank. **Agriculture** is **fundamental**, contributing **16.7% of GDP** and **employing 44%** of the **population**, with main products such as wheat, rice, corn and sugarcane, reaching record figures in 2022-23. **Industry** accounts for **25.7% of GDP**

¹ Original news published by “Forbes” and available at: <https://www.forbes.com/sites/benjaminlaker/2024/02/23/india-to-become-third-largest-economy-by-2027-implications-for-leaders/>

and **employs 25% of the population**, including manufacturing, textiles, chemicals, automotive and pharmaceuticals, with emerging sectors such as biotechnology and renewable energy growing. The **services sector** is the **most dynamic**, contributing **48.4% of GDP** and **employing 31%** of the workforce, highlighting information technologies, financial services and healthcare, and showing notable growth in e-commerce, renewable energies and digital entertainment.

According to the IMF, focusing on the evolution of the **main macroeconomic aggregates** (Table 1), after strong GDP growth of 7.2% in 2022, a slowdown to 6.3% was projected in 2023 and 2024-25 due to adverse weather conditions and a deterioration in the international outlook. However, the start of FY2023-24 showed **robust growth** driven by **public investment** and **private consumption**. As a result, India achieved a **GDP growth rate of 7.3%** in **2023**, consolidating its position as one of the fastest growing economies globally.

In terms of its **public finances**, as seen in Table 1, India's **fiscal deficit** was 9.06 lakh crore rupees between April and October 2023-24, accounting for 50.7% of the annual estimate, an improvement from 58.9% in the previous year. The IMF projects the budget deficit to decline from 8.5% in 2024 to 8% in 2025. The **debt/GDP ratio** increased to 81.9% in 2023 and is expected to reach 82.2% in 2025. The IMF estimated **annual inflation** of 5.4% in 2023, with a decrease to 4.6% in 2024 and 4.1% in 2025.

Table 1. Main macroeconomic aggregates of India

Growth indicators	2022	2023	2024 (E)	2025 (E)	2026 (E)
GDP (billions of USD)	3.353,47	3.572,08	3.937,01	4.339,83	4.789,83
GDP (annual growth in %, constant price)	7,0	7,8	6,8	6,5	6,5
GDP per capita (USD)	2.366	2.500	2.731	2.984	3.265
Public finance balance (in % of GDP)	-9,3	-8,7	-7,9	-7,7	-7,3
Government debt (in % of GDP)	81,7	82,7	82,5	81,8	80,9
Inflation rate (%)	6,7	5,4	4,6	4,2	4,1

Source: International Monetary Fund (2024)

India has made considerable progress in its openness to **international trade** (Table 2), with **trade** accounting for approximately **50% of its GDP by 2023**, according to the World Bank. Despite this progress, India faces a **structural trade deficit** due to its high **dependence on energy imports**. This deficit has fluctuated in response to variations in international hydrocarbon prices, showing a deficit of USD 240,667 million by 2023.

Table 2. India's trade openness indicators

Indicator	2018	2019	2020	2021	2022	2023
Imports of Goods (millions of USD)	505.600	486.059	373.202	573.092	720.441	672.667
Exports of Goods (millions of USD)	317.590	324.340	276.410	395.426	453.415	432.000
Foreign Trade (% of GDP)	43,6	39,9	37,8	45,7	49,4	50,0
Trade Balance (millions of USD)	-188.010	-161.719	-96.792	-177.666	-267.188	-240.667

Source: World Trade Organization (2024)

While India has traditionally followed a **protectionist policy** to protect its local industry and promote domestic development, in recent times it has made significant progress in integrating into the global economy. Proof of this is that India is a member of numerous international economic organizations, such as the International Monetary Fund (IMF), the Association of Southeast Asian Nations (ASEAN) as a dialogue partner, the Pacific Island Community (PIC), the Colombo Plan, the Commonwealth, the G-15, the G-20, the G-24, the G-77 and the World Trade Organization (WTO). However, there are still concerns about protectionism due to the implementation of restrictive measures and initiatives such as "Self-Reliant India".

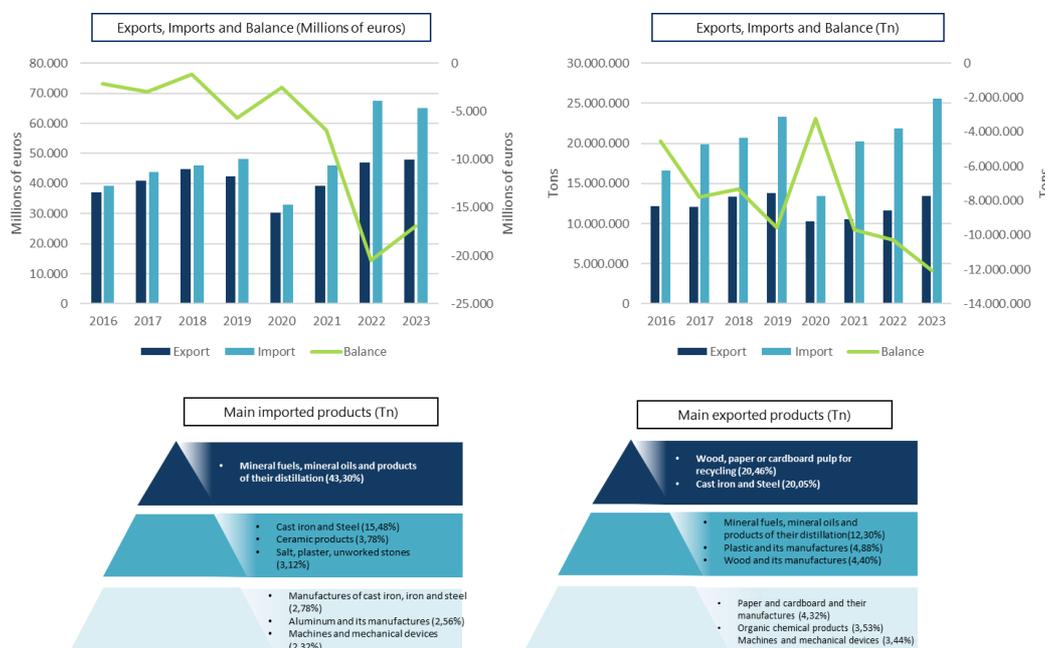
For their part, **relations between India and the European Union (EU)** are governed by the **Joint Declaration of 1993** and the **Cooperation Agreement of 1994**. Negotiations for a Bilateral Trade and Investment Agreement (BITA) were launched in 2007, but stalled in 2013. In November 2018, the EU adopted a new strategy towards India, complemented by the Europe-Asia Connectivity Strategy, and in 2020 a "strategic partnership" was signed to guide relations until 2025. In May 2021, India and the EU adopted a **Joint Declaration** to negotiate three key agreements: the **Free Trade Agreement (FTA)**, the **protection of Geographical Indications (GIs)** and **investment protection (IPR)**. In this context, the seventh round of negotiations is currently underway for the FTA, one of the most complex treaties due to the trade barriers and the size of the economies involved.

These efforts highlight the commitment of both regions to strengthen their trade and investment ties, adapting to global and regional challenges. Proof of this is that, in 2023, **India** is the **EU's tenth largest trading partner**, with trade representing around 8% of the total goods traded by the EU (Eurostat). For its part, the **EU** is the fourth most important trading partner for India, accounting for around **11%** of the country's total trade (WTO).

However, despite the growth and dynamism in trade relations, and although these have shown a recovery after the slowdown caused by COVID-19 in 2020, the **trade balance** continues to show a negative balance, with the EU importing more from India than it exports (Illustration 1). Looking at the main products, the EU imports mineral fuels (43.30%) and iron and steel (15.48%) from India. In contrast, the main products exported

by the EU to India are wood pulp (20.45%) and iron and steel (20%) and, similarly, mineral fuels (12.30%).

Illustration 1. Evolution of trade relations between the European Union and India



Source: Own elaboration based on Datacomex (Eurostat) data

Likewise, considering the main **exporting countries** from the EU to India in 2023 (Table 3), **Germany** (16.93%), **Poland** (14.69%) and **Italy** (14.08%) stand out. On the other hand, the main **countries** within the EU **importing** from India are **Italy** (21.30%), the **Netherlands** (15.85%) and **France** (12.26%). This distribution reflects the trade dynamics and the main trade routes between the EU and India.

Table 3. Main European exporting countries to India and main import destinations from India in Europe

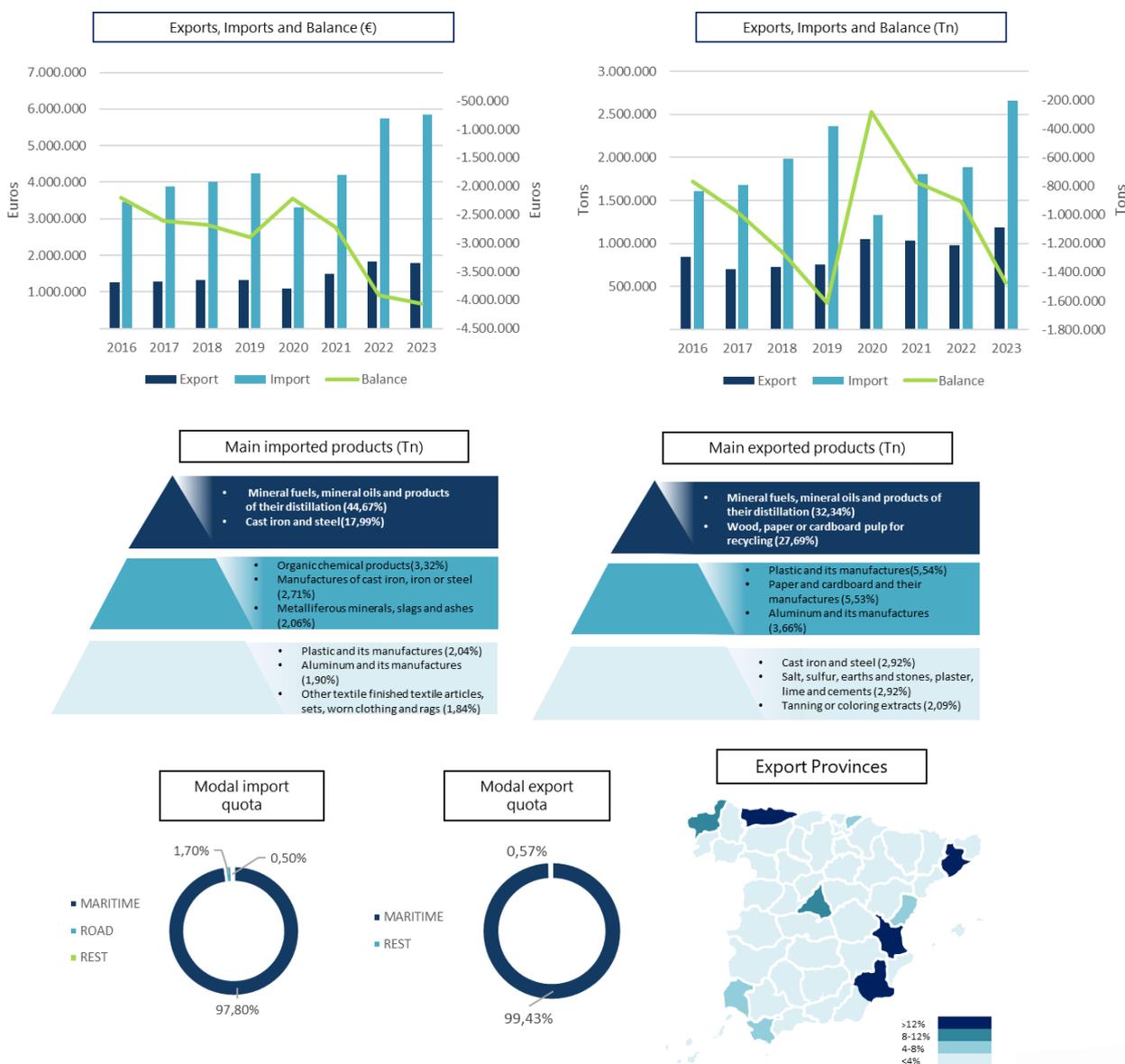
Main export countries (Tn)		Main import countries (Tn)	
GERMANY	16,93%	ITALY	21,20%
POLAND	14,69%	THE NETHERLANDS	15,85%
ITALY	14,08%	FRANCE	12,26%
SPAIN	8,81%	GERMANY	10,60%
BELGIUM	8,20%	SPAIN	10,31%
THE NETHERLANDS	7,96%	BELGIUM	7,80%
SWEDEN	4,87%	ROMANIA	4,74%
FRANCE	4,84%	POLAND	4,00%
IRELAND	2,74%	PORTUGAL	2,80%
AUSTRIA	2,45%	GREECE	1,87%
GREECE	2,32%	SLOVENIA	1,46%
PORTUGAL	1,77%	DENMARK	1,26%
FINLAND	1,56%	IRELAND	1,05%
ROMANIA	1,46%	SWEDEN	0,95%
BULGARIA	1,32%	CROATIA	0,64%
REST	5,98%	REST	3,10%

Source: Own elaboration based on Datacomex (Eurostat) data

In line with the general trend in the EU, the trade relationship between **Spain** and **India** has shown **steady growth** (Figure 2). Spanish exports to India have increased, but the increase in imports from India has been even more pronounced, both in volume and value. This imbalance in growth has resulted in a widening of the **trade deficit**. Similarly, the pattern of exports and imports between the two countries shows a similar trend to that observed in EU-India trade.

For their part, the **provinces** that **contribute** most to **exports** to India are **Valencia** (15.32%), **Barcelona** (14.99%), **Murcia** (14.71%) and **Asturias** (14.34%). On the other hand, the main **provinces importing** products from India are **Barcelona** (43.44%), **Vizcaya** (10.08%), **Madrid** (9.68%), **Valencia** (7.23%) and **Tarragona** (4.89%).

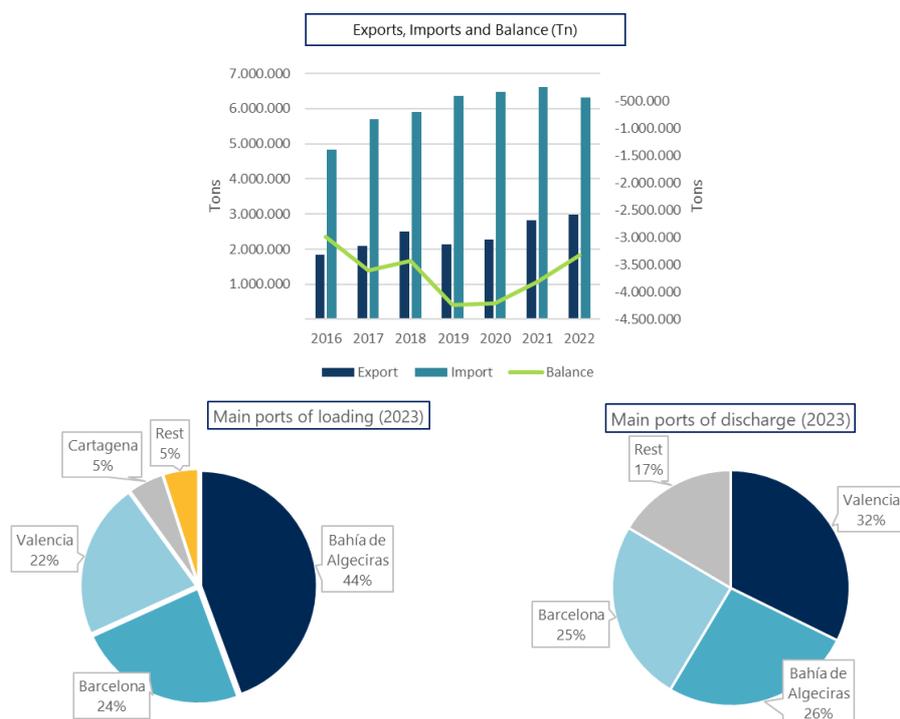
Illustration 2. Evolution of trade relations between Spain and India



Source: Own elaboration based on Datacomex

As can be seen from the above illustration, **maritime transport** predominates and plays a crucial role in trade relations between Spain and India. Again, when examining the data of the Spanish Port System, an **increasing trend** in the traffic handled by its ports is observed, with a significantly higher volume of imports than exports. Looking at the **main ports** handling this traffic (Illustration 3), the **Bahía de Algeciras** handles 44.43% of the **cargo**, followed by **Barcelona** (23.75%) and **Valencia** (21.90%). In terms of **unloading**, **Valencia** leads with 32.32%, followed by the **Bahía de Algeciras** (26.18%) and **Barcelona** (25.02%).

Illustration 3. Evolution of the historical traffic of the ports of the Spanish Port System in relation to India; main ports of loading and unloading in the year 2023



Source: Own elaboration based on data from Puertos del Estado

Focusing on **maritime supply**, the **Department of Ports of India** plays an **essential role** in the **development** and **management** of **12 major ports**, with the objective of providing the cargo handling capacity needed to meet the country's growing foreign trade demands. **Indian ports handle** approximately **90%** of the **volume** and **70%** of the **value** of India's total foreign trade, making them a vital component of the country's trade infrastructure.

In order to cope with trade expansion, increasing port capacity is a priority. In addition to the expansion of the main ports, operational efficiency is being promoted through the implementation of advanced technologies, digitalization and process optimization. As a result, a **notable increase** in **installed capacity** and **cargo handled by the ports** has been observed, along with **significant improvements** in **efficiency indicators** such as **average turnaround time** and **daily throughput per docking**.

In the context of the main container ports in India, **Mundra**, **Nava Sheva** and **Chennai** stand out for their significant volume of traffic and their relevance in the country's foreign trade. According to the publication “**TOP 200 Container Ports, 2024 Edition**” of Transporte XXI magazine, **Mundra** ranks **26th** with a throughput of **7.2 million TEUs**, consolidating its position as the most important container port in the country. It is followed by **Nava Sheva**, with traffic of **6.4 million TEUs**, and **Chennai**, with a throughput of **1.6 million TEUs**. These ports are critical to the handling capacity and efficiency in the Indian port network. In contrast, other major ports such as Cochin and Kolkata show considerably lower figures, with traffics of 754,000 and 753,000 TEUs respectively.

For its part, the **port connectivity index** is also crucial to understand the capacity and traffic of these ports. According to the *Port Liner Shipping Connectivity Index* (PLSCI) for the year 2024, developed by UNCTAD, **Mundra** ranks **23rd** with an index of 608.33, **Nava Sheva** is at number **22** with an index of 614.70, and **Chennai** is ranked **159th** with an index of 156.91. These data underline the strategic importance of Mundra and Nava Sheva in the global shipping network, while Chennai, although with a lower position, remains a relevant port for the southeast region of India.

Focusing on the three main Indian ports, Table 4 shows the **operational characteristics** in terms of **services**, **weekly capacity**, **total number of shipping lines** and **total number of destination ports** for each of the ports under analysis. Along these lines, the **port of Mundra** stands out for offering a **high number of services** and a **large weekly capacity** of 271,835 TEUs, with 52 shipping lines and connections to 121 ports, underlining its robustness as a significant cargo hub. The **port of Nava Sheva**, with 76 services and a higher weekly capacity of 290,969 TEU, operates with 55 shipping lines and maintains connections to 132 ports. For its part, the **port of Chennai**, although on a smaller scale with 19 services and a weekly capacity of 32,239 TEU, works with 32 shipping lines and has connections with 32 ports, adequately meeting the logistics needs of the southeast region of India.

Table 4. Operational characteristics of the three main ports in India

Port 	Total services	Weekly capacity (TEU)	Total operators	Total destination ports
MUNDRA	76	271.835	52	121
NHAVA SHEVA	76	290.969	55	132
CHENNAI	19	32.239	32	32

Source: Own elaboration based on Alphaliner data

As a conclusion, **India** is consolidating its position as an important **emerging global force**, with **aspirations** to become the **world's third largest economy** in the coming years. Its growing relevance in the global economy and international trade, as well as in the Indo-Pacific region, underscores the need to intensify trade ties with the country. A clear example of this ambition is the recent initiative to establish a new state-owned shipping company with a fleet of more than 1,000 vessels in the next decade, following the Chinese model to ensure **control** of its **supply chain**.

In this context, the **EU** and, therefore, **Spain**, have a **key opportunity** to **strengthen** their already strong **trade relations**. Proof of this is that, according to the latest report by the Spanish Institute for Foreign Trade (ICEX) on the profile of Spanish exporters, the value of exports to India has shown a significant increase in 2023, reaching 1,523.4 million euros. This growth is reflected by a total of **2,099 Spanish companies exporting to India** during the year.

For their part, **ports**, as **channels** for maritime traffic between India and Europe, play an **essential role** in this dynamic. Strengthening existing relationships and taking advantage of robust port infrastructures will allow **capitalizing** on the **opportunities** India offers. In addition, ports act as **drivers** of the **business fabric** of their *hinterland*, being a crucial **gateway** and playing a **key role** in regional development.