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# India Surpasses Japan — The Road to the World's 4th Largest Economy

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SUBJECTS COVERED

**ECONOMY**

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## WHY IN NEWS

India surpassed Japan to become the world's fourth-largest economy with a GDP of approximately \$4.18 trillion in 2025–26. India's real GDP growth of 8.2% in Q2 2025–26 underscores the momentum behind the country's economic rise, with projections suggesting India will overtake Germany to become the third-largest economy by 2030.

## UNDERSTANDING GDP AND INDIA'S RISE

**Gross Domestic Product (GDP)** is the total monetary value of all goods and services produced within a country in a given period. When economists compare the sizes of national economies, they typically use **nominal GDP** (in current US dollars at market exchange rates) rather than **PPP-adjusted GDP** (which accounts for price differences across countries).

### Why the distinction matters:

By **nominal GDP**, India is now the 4th largest economy (~\$4.18 trillion, 2025–26)

By **Purchasing Power Parity (PPP)**, India has been the 3rd largest economy globally for several years already — behind only China and the United States

UPSC questions typically specify which metric is being used; both are relevant

## INDIA'S GDP JOURNEY — A DECADE OF ASCENT

India's rise in the global GDP rankings has been one of the defining economic stories of the 21st century. The trajectory:

Year	GDP Rank (Nominal)	GDP Approximate	Notes
2014	10th	~\$2.0 trillion	PM Modi took office
2019	6th	~\$2.9 trillion	Surpassed France and UK
2022	5th	~\$3.4 trillion	Surpassed UK
2025-26	<b>4th</b>	<b>~\$4.18 trillion</b>	Surpassed Japan
2030 (projected)	3rd	~\$6-7 trillion	Expected to surpass Germany

### Key drivers of India's GDP growth:

**Services sector:** India's IT, BPO, financial services, and professional services exports continue to grow; services are approximately 55% of GDP

**Manufacturing:** Gradual recovery through PLI (Production Linked Incentive) schemes — electronics, pharmaceuticals, textiles, automotive components

**Infrastructure investment:** National Infrastructure Pipeline (NIP — Rs 111 lakh crore); PM Gati Shakti; highway construction at record pace

**Consumption demand:** Young population (median age ~28 years); growing middle class; rising rural wages from MGNREGA and MSP increases

**Formalisation:** UPI/digital payments, GST network, and Jan Dhan-Aadhaar-Mobile (JAM Trinity) bringing more economic activity into formal accounting

## JAPAN'S ECONOMIC CONTEXT — WHY INDIA OVERTOOK IT

Japan's economy has experienced prolonged stagnation — a phenomenon economists call “The Lost Decades.” Japan's nominal GDP has grown slowly in yen terms and has been additionally compressed in USD terms because of the yen's prolonged weakness against the dollar (the yen depreciated significantly against the dollar through 2023–2025).

### Japan's challenges:

Rapidly aging population (median age ~49 years; one of the world's oldest populations)

Deflation or very low inflation for decades (inhibiting investment and growth)

Currency depreciation reducing dollar-denominated GDP

Structural stagnation in domestic productivity growth

India's overtaking of Japan is thus partly a story of India's dynamism and partly a story of Japan's structural slowdown — the two trends converged to produce the ranking change.

## INDIA'S ECONOMY — KEY STRUCTURAL INDICATORS (2025–26)

Indicator	Approximate Value	Notes
Nominal GDP	~\$4.18 trillion	4th globally
Real GDP growth	~7–8%	One of world's fastest-growing major economies
Per capita income (nominal)	~\$2,800–3,000	Still classified as lower-middle income
Inflation (CPI)	~4–5%	RBI target: 4% (+/-2%)
Fiscal deficit (central)	~4.5–5% of GDP	Being reduced toward 4% target
Exports (goods + services)	~\$950 billion–\$1 trillion	FY26
FDI inflows	~\$70–80 billion	Relatively stable

**India's per capita gap:** While India is the 4th largest economy by total GDP, it remains a **lower-middle income country by per capita income** (~\$2,800–3,000 nominal) — reflecting the vast size of the population (1.44 billion). For comparison, Japan's per capita income is approximately \$35,000–40,000. This gap is India's central development challenge.

## THE "INDIA AT 100" VISION — 2047 TARGET

India has articulated a goal of becoming a **"Viksit Bharat" (Developed India) by 2047**, coinciding with the 100th anniversary of Independence. The Economic Survey 2024–25 projected that India needs to sustain 8%+ real growth for two decades to reach per capita income levels consistent with a developed economy.

### Viksit Bharat 2047 — broad aspirations:

- GDP of approximately \$30 trillion by 2047 (making India 2nd or 3rd largest globally)
- Per capita income of approximately \$20,000+ (developed country threshold)
- Universal access to quality education and healthcare
- Leading position in manufacturing, technology, and innovation

### Structural requirements for 8%+ sustained growth:

- Education reform (learning outcomes, not just enrollment)
- Labour law reforms enabling large-scale formal employment
- Agricultural productivity increase (currently agriculture = 17–18% of GDP but 45–50% of employment)
- Urban infrastructure to support 40–50 crore additional urban residents by 2047

Energy transition (net-zero by 2070 without sacrificing growth)

## INDIA ALSO SURPASSES CHINA AS WORLD'S LARGEST RICE PRODUCER

In the same period, India overtook China to become the **world's largest rice producer**, recording total output of **150.18 million tonnes**. This milestone reflects improvements in agricultural productivity across major rice-producing states.

### India and rice:

Rice is India's largest food grain by production and area

Major producing states: West Bengal, Uttar Pradesh, Punjab, Andhra Pradesh, Telangana, Odisha

India is the world's **largest rice exporter** — though export restrictions were imposed in 2023–24 to protect domestic food security

**Green Revolution** (1960s): India adopted high-yielding varieties (HYVs) of wheat and rice — transforming from a food-deficit nation to food-surplus

## UPSC RELEVANCE

### Prelims:

India's nominal GDP: ~\$4.18 trillion; 4th largest globally (2025–26); surpassed Japan

India's PPP GDP: 3rd globally (already, for several years)

GDP ranking history: 10th (2014) → 6th (2019) → 5th (2022) → 4th (2025-26)

India rice production: 150.18 MT (surpassed China; world's largest producer)

Viksit Bharat 2047: goal of developed India by Independence centenary

JAM Trinity: Jan Dhan + Aadhaar + Mobile

NIP: National Infrastructure Pipeline; Rs 111 lakh crore

**Mains GS-3:** India's economic growth drivers; structural challenges for sustained 8% growth; per capita income gap despite 4th largest GDP; Viksit Bharat 2047 — what it requires.

**★ FACTS CORNER — KNOWLEDGE PEDIA**
**INDIA GDP MILESTONES:**

4th largest (nominal GDP) globally in 2025-26: ~\$4.18 trillion

Surpassed: UK (2022), France (2019), Japan (2025-26)

PPP: already 3rd largest globally

Q2 2025-26 real GDP growth: 8.2%

Projected: 3rd largest by 2030 (surpassing Germany)

**INDIA'S PER CAPITA CONTEXT:**

Nominal per capita: ~\$2,800-3,000 (lower-middle income)

Japan per capita: ~\$35,000-40,000 (high income)

GDP size ≠ per capita income; India's large population means high total GDP but low per capita

**GDP CONCEPTS:**

Nominal GDP: at current market prices/exchange rates

PPP GDP: adjusted for purchasing power (price differences between countries)

Real GDP growth: after adjusting for inflation

**VIKSIT BHARAT 2047:**

Target: developed India by 100th independence anniversary (2047)

GDP aspiration: ~\$30 trillion by 2047

Per capita target: ~\$20,000+ (developed country income)

**INDIA RICE:**

India rice production: 150.18 MT (world's largest, surpassing China)

India largest rice exporter globally (~40% of global rice exports, FY24)

Export restrictions: imposed 2023-24 for domestic food security

Green Revolution: 1960s; HYV seeds; Norman Borlaug; M.S. Swaminathan

**OTHER RELEVANT FACTS:**

JAM Trinity: Jan Dhan + Aadhaar + Mobile — financial inclusion architecture

National Infrastructure Pipeline (NIP): Rs 111 lakh crore; 2020–2025

PM Gati Shakti: integrated infrastructure planning platform (GIS-based)

Nominal vs PPP: World Bank classifies countries by per capita gross national income (GNI), not total GDP

Sources: IMF, Ministry of Finance, PIB

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