The New GDP series with the same lingering question: Will India get out of the Two-Decade old Low-Middle Income Trap?

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The month of February 2026 witnessed the introduction of revised series for two key macroeconomic indicators of the Indian economy: (i) the Consumer Price Index (CPI) and (ii) the Gross Domestic Product (GDP) index. Both the revised series have incorporated the improved estimation procedures including new base years, replacing the earlier series to better reflect the structure of a post-pandemic, digitally driven economy since 2022, marking the post-Covid 19 recovery period. The central government significantly updated the base years for these two macro indicators as well to capture structural changes in consumption and production patterns.

The new CPI series, which came into effect on February 12, 2026, now uses 2024 as the base year. The first data released under the revised series was also made on February 12, 2026. The CPI basket has been modernized and expanded from 299 items to over 350 items. The weight assigned to housing and services has increased, while that of food has been reduced. Importantly, the revised CPI incorporates data from e-commerce platforms, reflecting changing consumption behaviour.

The new base year of the revised GDP series is 2022–23 = 100. The revised GDP estimates were released on February 27, 2026. The new base year represents the first "normal" year following the disruptions caused by COVID-19.

Key Features of the Revised GDP Series

The updated GDP series introduces several methodological improvements. They include —

- Adoption of double deflation for manufacturing, improving the measurement of real value added

- Use of user-centric surveys such as the Household Consumption Expenditure Survey (HCES) 2023–24 for more accurate weighting

- Greater use of administrative data sources such as GST filings, corporate filings, e-Vahan registration data, and digital payment platforms.

- Transition by Ministry of Statistics and Project Implementation (MoSPI) to digital data collection platforms with built-in validation, reducing time lags in data release.

- Alignment with the UN System of National Accounts (SNA).

The revised GDP series reflects thus shifts in the economy during last two decades, including the growth in digital services and renewable energy industries. Updated weights also now better represent current production and consumption patterns.

Growth Momentum

On February 1, 2026, the Central Government presented the Budget for FY27 (April 1, 2026 to March 31, 2027). The Budget estimates were based on growth projections prepared by MoSPI, which suggested stronger economic performance in 2025, reviving the hopes that India may realize the ambitious target of reaching the next higher income status by 2037; and joining the status of advanced nations by 2047, the 100th year of Independence. The target dates are determined by a thumb rule, known as Rule of 70. More on it, in next two paras.

In the second fortnight of last month, February, a new study by the State Bank of India (SBI) projected India's GDP growth in Q3 FY26 at around 8.1%, higher than the January 29, 2025 estimate of 7.4% in the Economic Survey. This sparked renewed optimism regarding India's potential to exit the low middle income category—where it has remained for nearly two decades—and graduate to upper middle- income status well before the target year of 2037.

According to the World Bank's July 2025 classification, countries are grouped based on per capita Gross National Income (GNI) in current US dollars. Upper middle- income economies are those with per capita GNI between approximately $4,496. Economies with per capita GNI of $13,935 and above, are bracketed as High Income Economies **(Table 1)**. India's per capita GNI currently stands at around $2,600–2,700. It is projected to cross the $4,500 threshold by 2037 under baseline growth assumptions. However, SBI Research suggests that if India sustains annual growth close to 8%, the transition could occur earlier—possibly by 2030–2032 and it would get out the low middle income class, where it has been trapped in for 19 years since 2007. In fact, India it has been the only one in the Lower-Middle Income category among the six selected Emerging Economies for study, the other five being, Brazil, China, Indonesia, Malaysia and South Africa, who are in the Upper Middle-Income category **(Table 2)**.

TABLE - 1	
World Bank Classification of Member Countries	
Four Income Groups (on per Capita Real GNI Basis 2021 prices)	**GNI Per Capita Income Range in US$ (constant prices)**
Low Income	Less than $1,135
Lower-Middle Income	$ 1, 136-$-4,495
Upper-Middle Income	$4,496 – $13,935
High Income	>$13,395

Note : Based on 2024 Data and in constant (in 2021) prices
Source : Word Bank, July 2025

TABLE - 2			
Six selected Emerging Economies: Graduation years to next class			
EMEs	**Lower Middle Income**	**Upper Middle Income**	**High Income**
Brazil	1960	1987	Not Yet
China	1997	2010	Not Yet
India	2007	Not Yet	Not Yet
Indonesia	1993	2020	Not Yet
Malaysia	1970	1992	Soon
South Africa	1987	2005	Not Yet

Note : India continues to be only country in the Lower Middle Income class
Source: World Bank July 2025

India's performance during the pandemic recovery phase (2022–2025) has been acclaimed widely by international institutions including IMF and the World Bank. At its Annual December 2025 meeting in Davos, the World Economic Forum described India as the fastest-growing major economy with its rising domestic demand and steady sectoral activities, despite global headwinds.

Drivers of Recent Growth

Several growth drivers were in action which include the following

- Strong agricultural output supported by good monsoons

- Expansion of rural non-farm activity and rising rural consumption

- Steady manufacturing growth, particularly in automobiles, consumer durables, and construction materials.

- Infrastructure push in roads, housing, and energy, boosting demand for steel, cement, and machinery

- Robust services growth, especially in IT exports, financial services, retail, and hospitality services

- Rapid expansion of digital commerce and fintech, increasingly captured in revised GDP measurements Urban consumption growth supported by GST rationalisation and wage gains.

Is Upper-Middle-Income Status by early 2030s realistic?

Achieving upper-middle-income status requires sustained growth, macroeconomic stability, and structural transformation. If India maintains growth near 8% annually, the Rule of 70 suggests that per capita income could double in about nine years. This makes crossing the $4,500 threshold by the early 2030s plausible. However, there were lurking threats ever present in the current global environment. They comprise (i) Geopolitical shocks and volatile oil prices; (ii) Global financial instability; (iii) Climate variability affecting agriculture; and (iv) Stress and environmental degradation. In the midst of all, domestic structural challenges include (i) Meeting the insufficient job creation relative to labour force growth; (ii) Persistent informal employment; (iii) Regional and rural-urban inequality.

They all highlight the need for commitment to inclusive growth. While urban sectors are expanding rapidly, rural and informal employment must keep pace to prevent widening inequality.

Sectoral Roadmap

Agriculture and rural economy offer opportunities in terms of raising productivity through precision farming, irrigation, and mechanization. Further, expansion of agri-exports (processed foods, organic products) through strengthening rural infrastructure, including logistics and rural roads. However, bottlenecks are inevitable. They are part of life which is deeply affected by climate variability and water stress. The ever present fragmented landholding, limited access to credit and insurance are the persisting stumbling hurdles. Strategic direction calls for investment in research in climate-resilient crops and digital agriculture platforms and shifting surplus labour to higher-value added rural enterprises such as food processing and services in rural services.

In regard to Manufacturing and Industry sectors, opportunities are in the "Make in India" initiatives in electronics, semiconductors, EVs, and renewable energy equipment. Production-Linked Incentive (PLI) schemes aim at strengthening and domestic units into global supply chains together with ongoing Infrastructure expansion supporting domestic demand. The bottlenecks include high logistics costs, skill gaps in advanced manufacturing, and regulatory burdens on MSMEs. Strategic direction calls for development of industrial corridors and port infrastructure, upskilling the workforce in robotics, AI, and green manufacturing. It also includes simplification of regulatory compliance for MSMEs.

The Services sector will be the key sector of growth by 2047, in the most populous nation of world. The continuing growth in IT exports, leadership potential in AI, fintech, and cybersecurity, and expanding domestic services—healthcare, home care services for the elderly, education at all levels, tourism and hospitality subsectors offer unlimited opportunities of employment.

Table 3 visualizes shifts in share of GDP from the agriculture and allied activities sector to Digital Economy aided industry and manufacturing and services sectors. The eventual shifts in share of employment in the corresponding sectors are presented in **Table 4**, by early/mid 2030s; and the onward march to reaching the advanced income status in 2047, the 100th year of India's Independence. That will be the year of India crossing the threshold per capita real GNI in 2021 prices $ 13,936 from the current level of GNI $ 2500-2700 in 2021 prices.

TABLE - 3
India: Share of GDP among Sectors : Current and Target in 2030s (percent)

Sector	Currrent	Target in 2030s	Notes
Agriculture	16 to19	10 to 12	Only through productivity gains; and by shifting labor intoprocessing of agriculture produce as value added products
Manufacturing and Industry	25 to 27	30 to 32	Expansion in electronics and end-conductors, renewable energy and construction.
Services	56 to 58	55 to 57	Services will remain dominant, but growth will be limilted to domestic services, health care, education, retail trade and tourism
Digital Economy	15 to 18	08 to 10	Digital platform, fin tech will be expanded

TABLE - 4
Share of Emplloyment among Sectors : Current and and Target 2030s (percent)

Sector	Currrent	Target in 2030s	Notes
Agriculture	42 to 45	25 to 30	100 million to 120 million workers will be shifted including food and value and value added products
Manufacturing and Industry	25 to 27	30 to 32	Expansion in electonics and semi-conductors, renewable energy and construction.
Services	39 to 32	35 to 40	Services should be the largest employment provider; growth in service should diversify into health care and home care, primary/secondary education, retail trade and tourism, with digital platform, fin tech embedded

Cross-Cutting Priorities are important.

- They are Investment in human capital—education and healthcare
- Accelerate energy transition and reduce fossil fuel dependence
- Promote smart urbanization and affordable housing
- Strengthen governance and institutional capacity.

One of the most important ones is technical education. South Korea showed the way and performed the Asian Miracle in the 1970s. It poured money into technical education and in manufacturing, of course with open arms foreign direct investment and exported manufactured goods and semi-durables for household consumption. It took the nation to new heights. **Table 5** shows India's spending on education is the least among the six selected emerging economies. We just heard the news that in one of the leading states, about out of 2.26 lakhs candidates who appeared for a recruitment examination for teachers in government funded schools, 50% were declared failed.

Conclusion

India's revised GDP and CPI series provide a more accurate picture of a structurally transforming economy. If the country sustains growth with a near 8%, manages climate and global risks, and ensures broad-based job creation across agriculture, manufacturing, and services, it should be able graduate to upper-middle-income status by 2030–2032 and realize the goal of joining the advanced, high income countries by 2047.

Sectors other than Agriculture, aided fully by developments in Digitalization will remain the primary growth engine. However, agricultural productivity gains are essential to ensure smooth shift of labour through upgrading skills from agriculture to processing and value-added activities using the agricultural produce into finished food products in the expanded manufacturing sector; here again, facilitated by Digitalization. That would ensure inclusivity, resilience, and long-term sustainability. ■

TABLE - 5
Six selected EMEs: Expenditures on Education including Technical Education (% of GDP)

Country	Latest Year	Percent	Notes
Brazil	2023	6.1	Heavy public spending, but quality and efficiency issues persisting, tertiary enrollment is slow
China	2023	4.0	Strong emphasis on STEM and Vocational training, rapid expansion of Universities
India	2022	3.5	Low investment; relative to peers, Technical and Vocational Training education; greater tertiary enrolment in liberal arts and less in applied sceinces and weak mathematics edication in secondary and high school levels
Indonesia	2022	4.0	Focus on basic education. Limited vocational training relative to tertiary education enrollment in applied sciences
Malaysia	2022	4.5	Strong emphasis on technical education; and higher tertiary higher enrollment in engineering and applied sciences
South Africa	2022	4.5	Among the highest in global education; outcomes diverge across poor governance and inequality

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