

Policy Brief: India Becomes the World's Most Populous Nation

April 28, 2023

Insights for What's Ahead:

India has [overtaken](#) China as the world's most populous nation, with almost 1.426 billion people, according to the UN, updating an earlier estimate in the United Nations Population Fund (UNFPA)'s "[State of World Population Report](#)" that the shift would happen by the middle of 2023. This change is historically [significant](#), as China has held the number one spot since at least 1950, the year the UN began issuing population data, and will have important ramifications for India's economic growth and its long-standing competition with China. India's "demographic dividend" of young workers, touted by India over the past several years as an engine for growth, can easily move from being an asset to a liability.

- **India has a strong advantage in median age**, as countries world-wide are now experiencing or will soon be experiencing an aging demographic. By 2050, India's median age is [expected](#) to be 39, an increase from 29 now, while China's will be 57. A lower median age [supports](#) not only a vital workforce but greater consumption, leading to economic growth.
- **India's working age population is growing at a rate far faster than China's and is larger in absolute numbers than any other major economy.** The IMF [projects](#) 5.9 percent GDP growth for India in 2023, making India one of the fastest growing economies in the world.
- **As China and many advanced economies struggle with an aging population, India's working age population is expected to grow, but lack of job opportunities will hamper economic growth.** However, if India can find the jobs, its economy has great potential for growth, possibly [reaching](#) \$40 trillion by its centennial in 2047.
- **While population is growing, fertility rates are falling**—giving India a defined window of opportunity to take advantage of its working age population advantage.
- **High population growth can have negative impacts as well**, including greater demand for education, infrastructure, food, and energy, which will place demands on the nation.

India as the World's Most Populous Nation

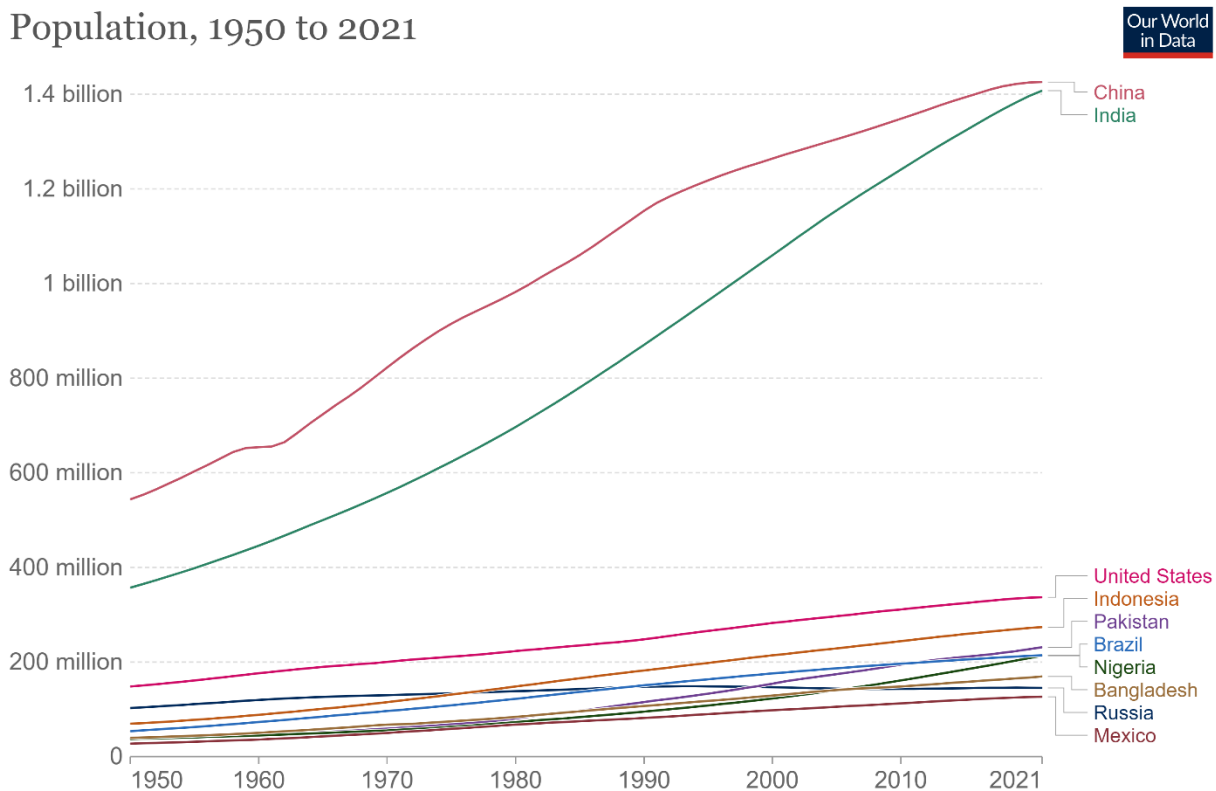
According to the 2023 UNFPA's "[State of World Population Report](#)," India's population is expected to reach 1.4286 billion, 2.9 million people more than China¹ at 1.4257 billion. India's population of [young people](#) aged 15 to 24 is the largest in the world, and the average age of India's population is [29](#). Though India's birthrate has slowed down over the past couple of years, India's population is [expected](#) to peak at 1.7 billion by 2064. Meanwhile, China continues to struggle with an aging population and stagnant population growth among a continued slowing fertility rate, at 1.2 births per woman in 2022, whereas India's fertility rate is at 2.0.

¹ For statistical purposes, the data for China do not include Hong Kong and Macao, Special Administrative Regions (SAR) of China, and Taiwan.

India was originally not expected to become the most populous nation until later this decade, but with China’s dropping fertility rate and India’s decrease in infant mortality over the past three decades, India’s ranking as number one has come sooner than expected.

Since India gained independence in 1947, the country’s population has more than quadrupled. As the country grows, its population continues to face economic disparities, challenges concerning climate change, and a [widening religious divide](#). In a public survey UNFPA commissioned released in conjunction with the [Report](#), respondents were asked to identify which issues were of greatest importance when considering population change in their countries. Almost two-thirds of respondents from India (63 percent) cited economic issues as top concerns for population change, followed by environmental issues at 46 percent and sexual and reproductive health policies and human rights at 30 percent.

Population, 1950 to 2021



Source: United Nations, World Population Prospects (2022)

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It is important to note that it is very difficult to determine population exactly. UN population officials have said (and despite this week’s announcement, continue to believe) that it was not possible to pinpoint a precise date of India’s population surpassing China’s because of [uncertainty](#) about the data from the two countries. India’s once-in-a-decade census, due in 2021, was [delayed](#) due to the pandemic. “In the absence of the latest census data, the estimations are based on data that is one decade old and is likely to provide estimates that are far from reality,” explained Rachna Sharma, Fellow at the National Institute of Finance and Policy in New Delhi. Equally, Chinese figures are uncertain, though the trend of declining births is clear. In 2022, China had the [smallest](#) recorded number of births since 1790.

Economic Implications of a Growing India and Population Decline in China

Today, China is much wealthier than India with an economy roughly five times larger, but this has only been the case for several decades. In the late 1970s, China began its economic reforms under Deng Xiaoping, causing a split as China rapidly became [wealthier](#) than India, which was slow to modernize its economy and only began extensive liberalization of the economy in 1991 under Prime Minister Rajiv Gandhi. China benefited greatly from its mixture of market capitalism and government regulation, bringing in foreign investment. As a result, hundreds of millions of citizens moved from rural regions to take manufacturing jobs in cities. Compared to China, India has been [slower to modernize](#).

India needs to find jobs for workers: India's growing population of young people has sparked debate as to whether India, already the world's [fifth](#) largest economy on one measure, will become a major global economic player, possibly eventually overtaking China. But economists have cautioned that the country's spur in growth of the working-age population could easily become an issue if this population is not adequately employed. India's working-age population stands at over 900 million, according to 2021 data from the Organization for Economic Cooperation and Development (OECD). Yet India has [struggled](#) to generate additional formal employment in the last six years, with the number of jobs stagnant at 405 million, according to Mahesh Vyas, director of the Center for Monitoring the Indian Economy (CMIE). Only 40 percent of working-age Indians are employed (and only [about](#) 20 percent of Indian women in the formal economy).

Finding jobs for workers could unleash economic growth: A 2022 study for the business-led Confederation of Indian Industry (CII) [estimates](#) that the economy can grow from its current \$3 trillion size to \$9 trillion by 2030 and up to \$47 trillion by its centennial of independence in 2047 if India can find jobs for its workers. This will require greater efforts at vocational training and reskilling and also a broad sweep of other economic reforms, including making the country more conducive to foreign investment.

Regional divisions drive population growth: Much of India's population growth is [driven](#) by poorer northern states such as Bihar and Uttar Pradesh (which alone has 235 million people), while some southern states have seen declines in fertility that will eventually lead to an aging population; 20 percent of Kerala's population will be over 60 by 2025. These growing divisions within India will likely have both economic effects (from changing the dependency ratio) and political effects (as political power shifts to more populous and poorer states).

India has strong advantage in median age: By 2050, India's median age is [expected](#) to be 39, an increase from 29 now, while China's will be 57.

But rising population can have negative effects as well: While it is true that a younger median age will raise domestic demand and consumption, it is also important to understand how a growing population can put strains on an economy for food, energy, education and infrastructure, to just name a few. For instance, India's agriculture sector currently [employs](#) 43 percent of workers, compared to 25 percent in China and less than 2 percent in many developed countries. One study estimates that reducing agriculture's share to 15 percent of employment would require [95,000,000](#) new jobs in other sectors—or risk losing the benefits of the demographic dividend if these people cannot find work. Yet India will need more food to feed a growing population and is already facing the [effects](#) of climate change in its food growing regions. A growing population will also place demands on India's infrastructure.

Aging populations affect countries in predictable ways. [Notably](#), “the old-age dependency ratio (the number of people over 64, divided by those aged 15-64) [has](#) a strong negative correlation with GDP growth, as does the median age and the proportion of people over 64.” For instance, in Japan, as its old-age dependency ratio rose above that of the US, its GDP growth [began to fall](#) in relative terms. For China, its “prime-age labor force (15-59) began to shrink in 2012, and by 2015, GDP growth had decelerated to 7 percent before slowing further [.]” As in other countries, this will have clear implications

for China's future economic growth: by 2030, according to one [analysis](#), "China's median age will already be 5.5 years above that of the US and by 2033, its old-age dependency ratio will begin to exceed America's. Its GDP growth rate will begin to fall below America's in 2031-35, at which point its per capita GDP will hardly have reached 30 percent" of the US figure.

In 2022, China's population [declined](#) by 850,000 compared to the previous year, according to China's National Bureau of Statistics (NBS), with its birth rate falling to a record low of 6.77 births per 1,000 people, the lowest since the founding of the People's Republic in 1949. Along with its rapidly aging demographic, China reported one of its worst economic growth numbers in nearly half a century. The legacy of China's former one-child policy continues to have an impact, as there are [now](#) 32,000,000 more men than women in China, a sharp reversal from the usual gender ratio favoring women and a current fertility rate of 1.2 women per child.

But it would be wrong to use population figures alone to make predictions about the future state of China's economy. China, as in other economically advanced nations, will use robotics and other technological solutions to help address workforce shortages. Equally, China's shift to what it [describes](#) as a "three-child birth policy" is designed to [promote](#) greater fertility and address future demographic changes. China [maintains](#) that its "demographic dividend has not disappeared. The talent dividend is taking shape, and development momentum remains strong [.]"

Conclusion

While many other factors, including policies that encourage foreign investment, will be important to the pace and rate of India's economic growth, the change in the world's largest population from China to India will doubtless focus greater attention on India as an increasingly important actor in global affairs.

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