India’s Commodity Boom: Could India be the New China?

India is emerging as one of the most compelling countries to watch. While much of the West continues to focus on China’s economic strength and global influence, India has been steadily gaining momentum. This shift has prompted deeper analysis, leading us to produce a two-part research series exploring the trajectory of India’s economic expansion and its implications for global commodity markets. The key question we aim to address is whether India’s current growth trajectory is truly comparable to China’s past ascent—and if so, what this means for global commodity flows.

In this first article, we explore the primary drivers behind India’s rapid economic rise and examine why analysts are increasingly drawing parallels between India today and China in the mid-2000s.

India’s Economic Growth and Industrial Expansion

India has firmly positioned itself as one of the fastest-growing economies in the world. In 2023, it overtook the UK to become the fifth-largest economy and is projected to surpass both Japan and Germany by 2027. According to the PHD Chamber of Commerce and Industry (PHDCCI), India’s GDP growth is expected to reach 6.8% in FY25 and 7.7% in FY26, a pace that underscores its economic resilience and strong macroeconomic fundamentals. S&P Global Market Intelligence forecasts that India’s nominal GDP will nearly double from $3.6 trillion in 2023–24 to over $7 trillion by 2030–31, increasing its share of global GDP to 4.5%. This surge is driving higher investments in infrastructure and manufacturing, leading to greater demand for commodities.

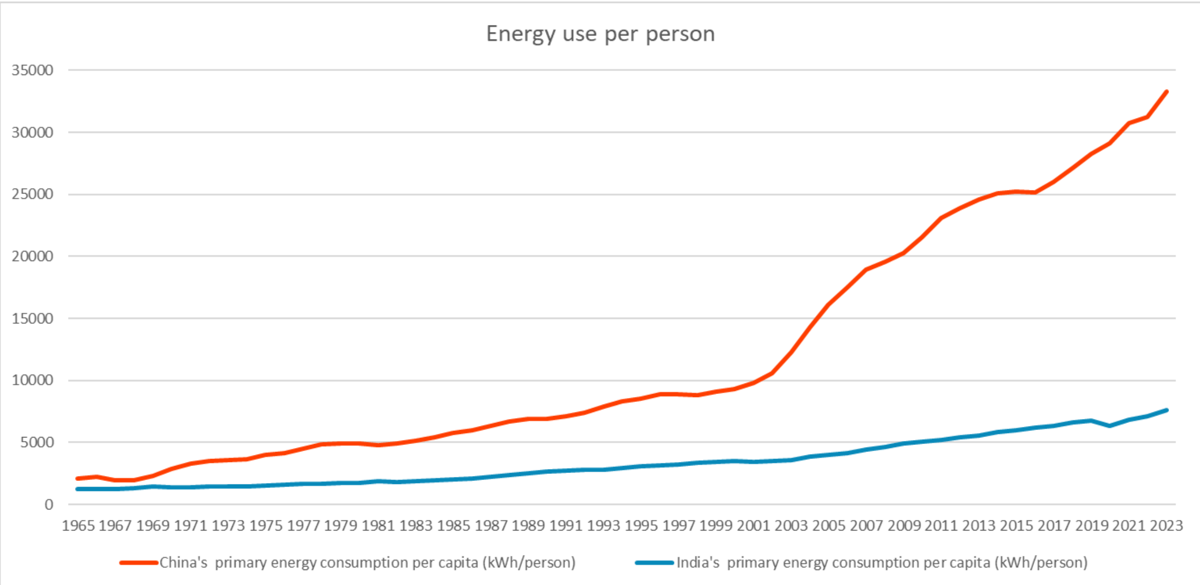
In our analysis we argue that India today is at a similar stage of economic development to where China was in the early-to-mid-2000s. The similarities are evident, India’s GDP per capita, urbanisation rate, and energy consumption patterns closely resemble those of China during its period of rapid industrialization. If this trajectory continues, India could be on the cusp of a major transformation, with infrastructure spending, rising metal consumption.

How does India Compare to China Across Key Metrics

We can begin by tracking India's GDP per capita; this is one data point we can use to understand at what year of growth we are in compared to China. According to data from the World Bank and Facto Group, India's GDP per capita (PPP) in 2024 is estimated at around $11,110–$12,000, comparable to China's rate in 2012. This year is relevant as it suggests India is reaching the economic threshold where rapid industrialization and infrastructure investment could trigger soaring demand for commodities.

Urbanisation is another critical factor for growth and increased commodity demand. In the mid-2000s, China experienced a construction boom, leading to an explosion in demand for iron ore, steel, cement, and energy. India's urbanisation rate currently stands at around 36%, close to where China was in the early 2000s. This indicates that India still has significant room for infrastructure and real estate expansion, which will further boost commodity consumption.

Another key indicator of India's industrial growth is its energy consumption. In 2023, India's per capita electricity consumption stood at approximately 1,300 kWh, a level similar to China in the mid-1990s. If India follows a similar trajectory, its industrial growth will drive significant increases in demand for coal, oil products like natural gas, and renewable energy investments, mirroring China's early 2000s energy expansion.



Sources: U.S. Energy Information Administration (2023); Energy Institute - Statistical Review of World Energy (2024)

Steel consumption also provides a compelling comparison. India's current per capita steel consumption is around 77.2 kg—far below China's peak of approximately 700 kg. The Indian Ministry of Steel anticipates that this figure will rise to 160 kg by 2030–31, demonstrating the potential for enormous growth in the steel sector. This will, of course, have a knock on effect for iron ore demand, a market currently dominated by China.

Oil demand is another major factor. India is projected to be the single largest driver of global oil demand growth by 2030, further reinforcing its importance in global commodity markets. Additionally, the country's transition to electric vehicles and renewable energy will drive increased demand for copper, aluminium, and battery metals.

Challenges to the China Comparison

While the data allows us to draw several parallels between India's current position and China's past growth, it is crucial to recognize key differences. India and China have vastly different social and political structures, which may lead to significant variations in how their economies evolve.

Additionally, China's resource-rich landscape has historically given it a major advantage in trade negotiations, wealth accumulation, and productivity. India, by contrast, is more resource-dependent, meaning its industrial expansion could rely more heavily on global commodity imports and shipping transportation. These structural differences could influence how India's economic rise impacts global commodity markets.

What This Means for Commodity Markets

The key question now is how this economic backdrop will shape global commodity markets. In the second part of this series, we will examine how India's industrial expansion could impact specific commodity sectors, particularly the ferrous complex. We will also analyse the role of the "virtual steel mill" concept and its relevance to India's industrialization journey in the unpredictable world of the future.

Stay tuned for the second part – will be published soon.

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