

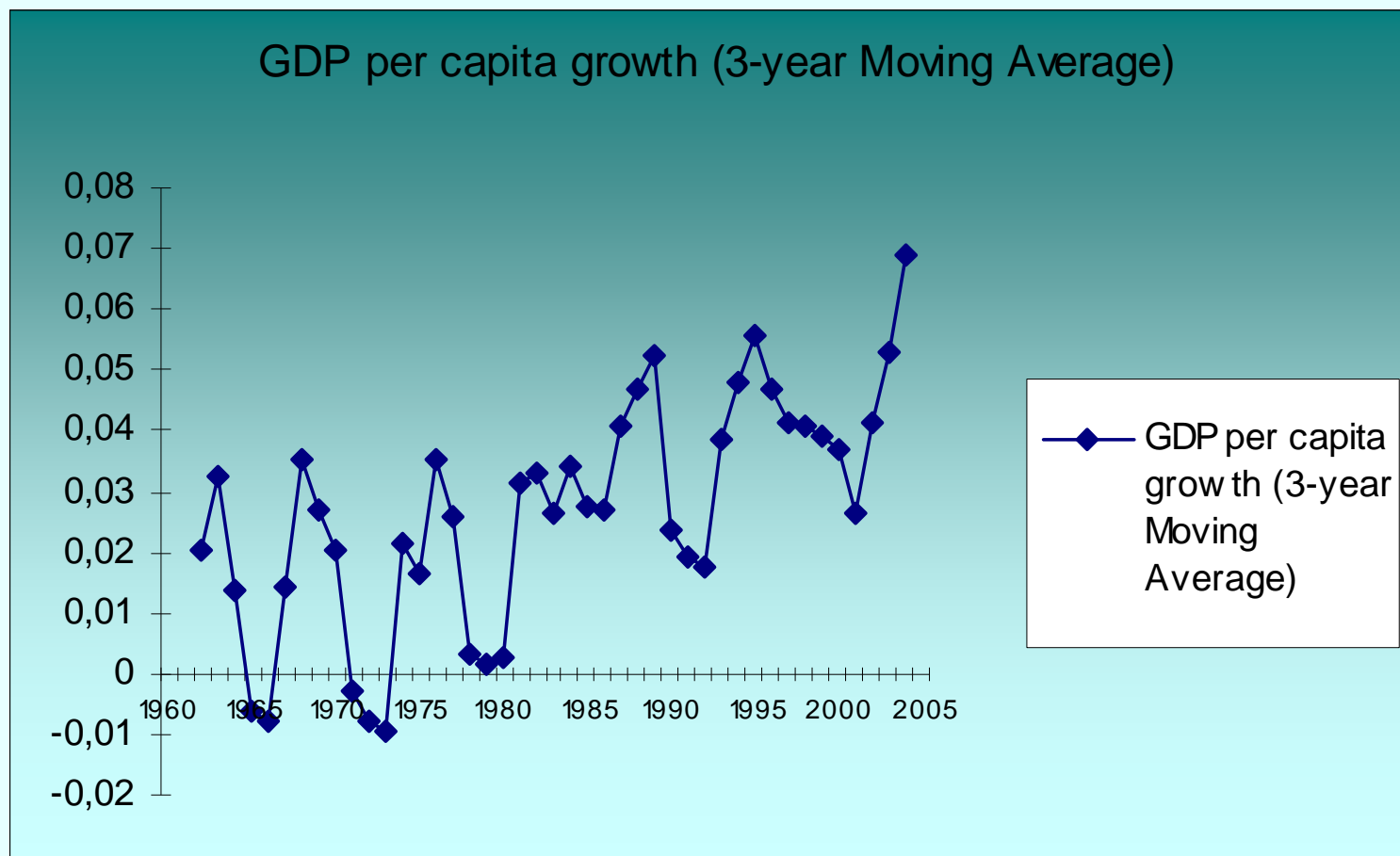
SUSTAINING GROWTH AND PROMOTING INCLUSION IN INDIA

Nicholas Stern
IG Patel Professor of Economics and Government

Dharm Narain lecture
October 2007

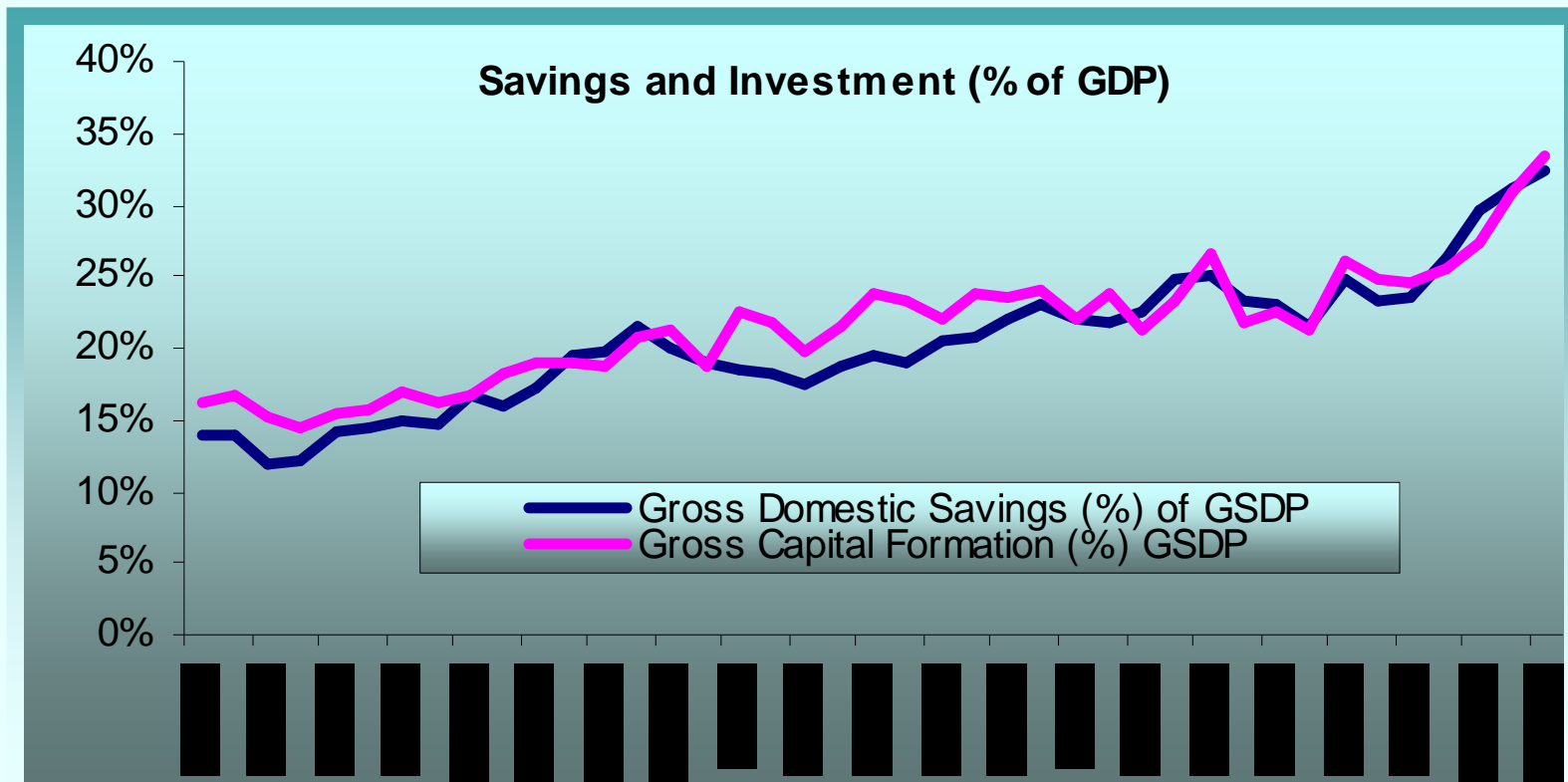
Growth I

Rise in GDP per capita growth



Growth II

Faster growth has been underpinned by increased savings and investment

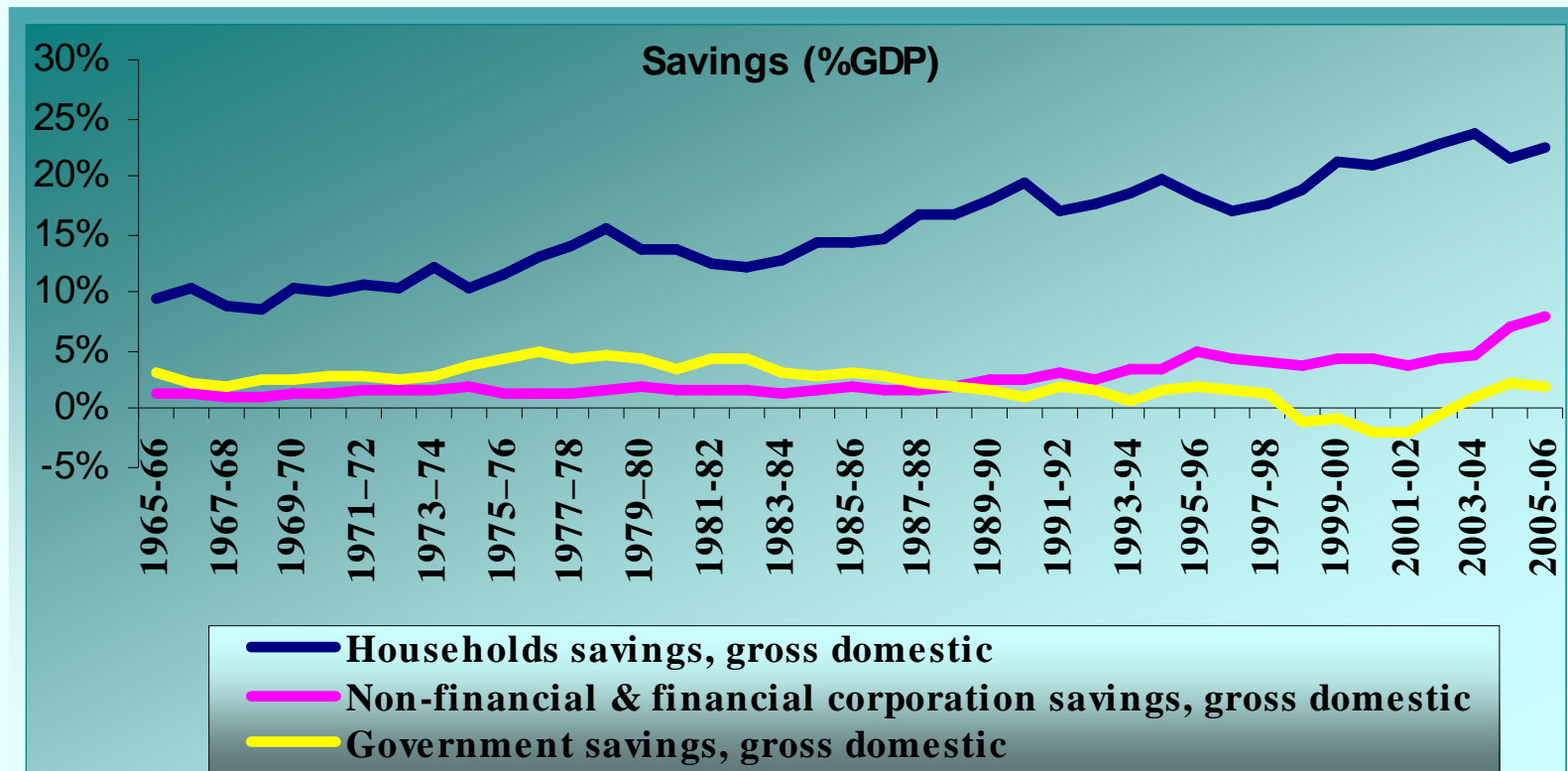


Investment has moved in line with savings and as a share of GDP has increased from 23% in 2001/02 to 34% in 2005/06

Central Statistical Organisation

Growth III

Rising savings driven by households and firms

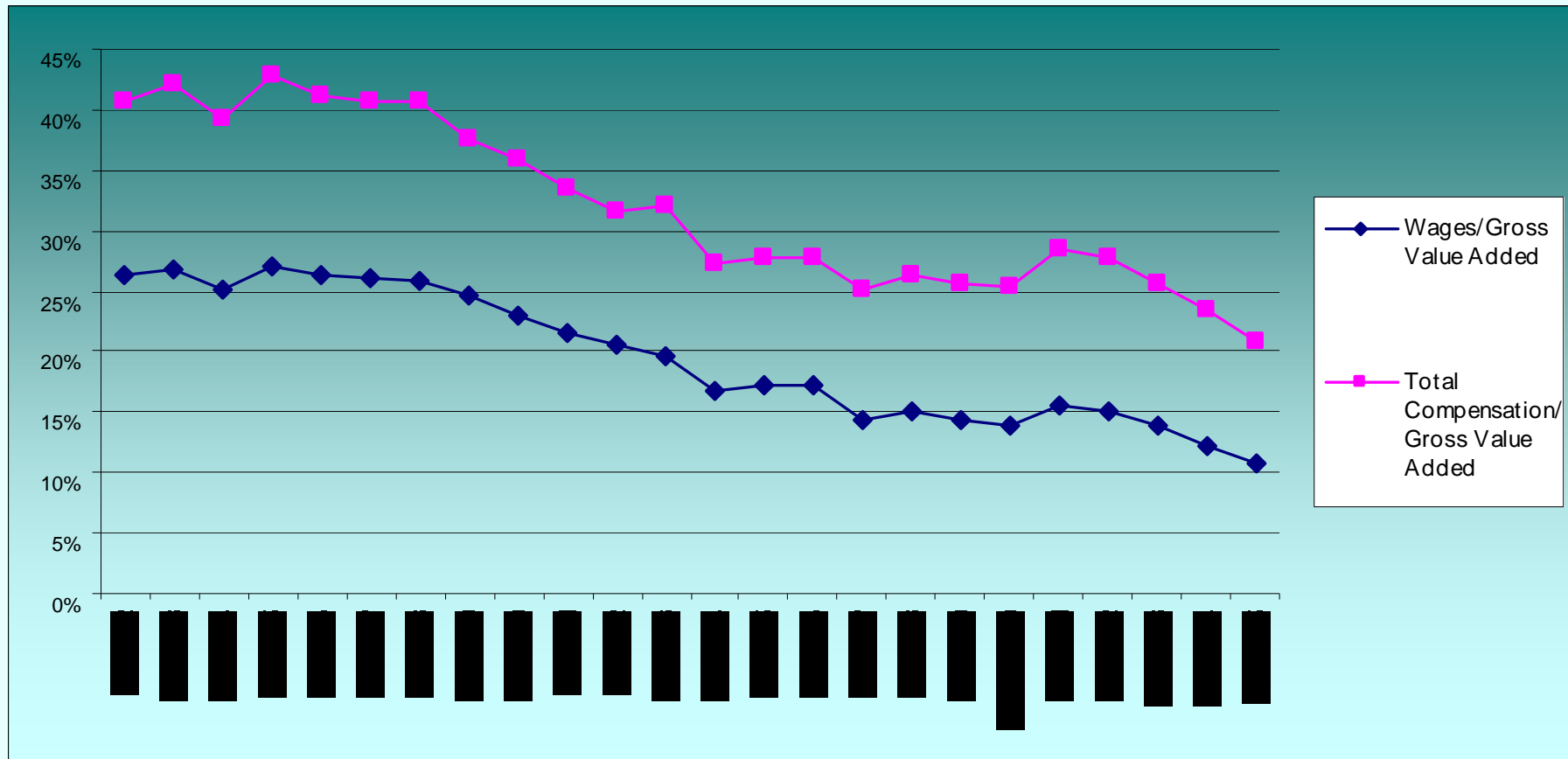


Government savings have been declining for 20 years

Central Statistical Organisation

Productivity I

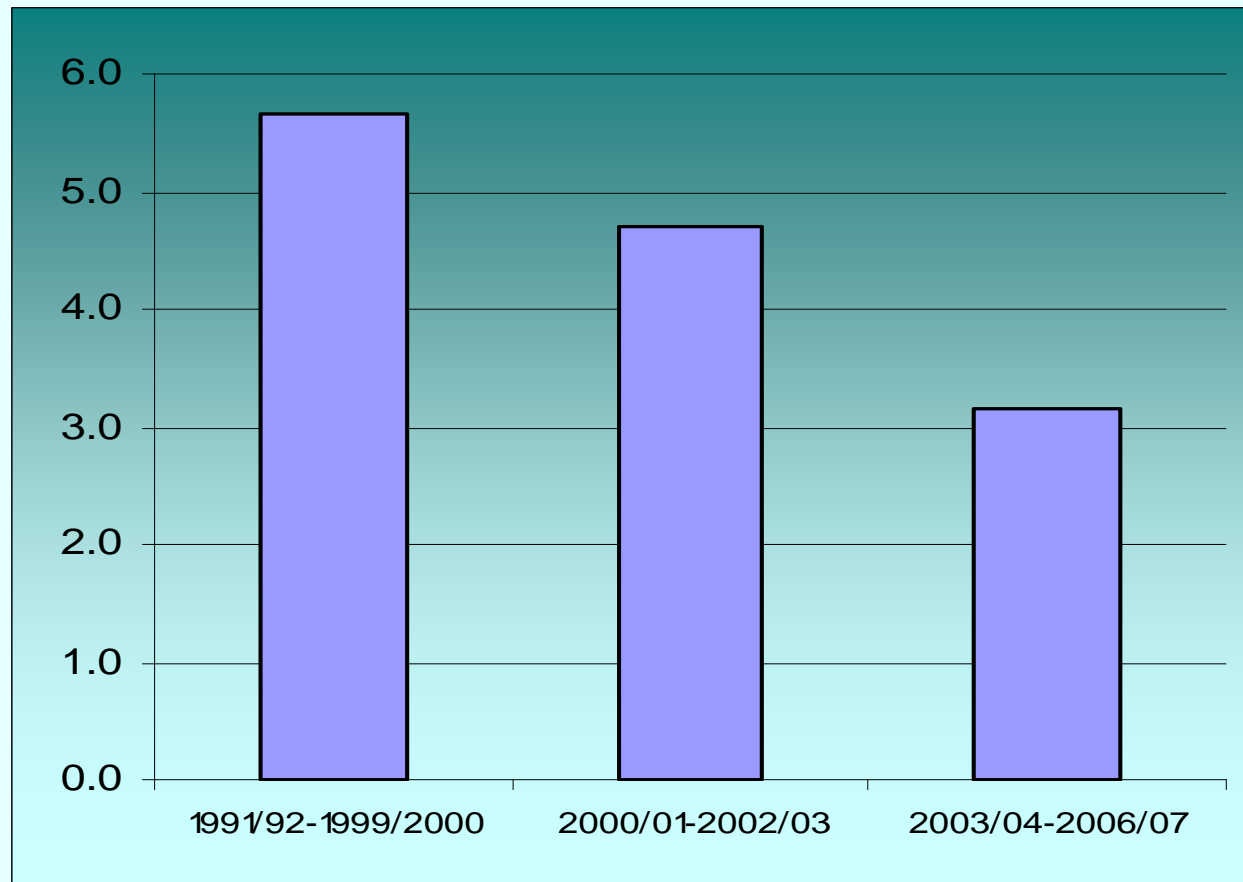
Unit labour costs in registered manufacturing
have been falling



Annual Survey of Industries: Central Statistical Organisation

Productivity II

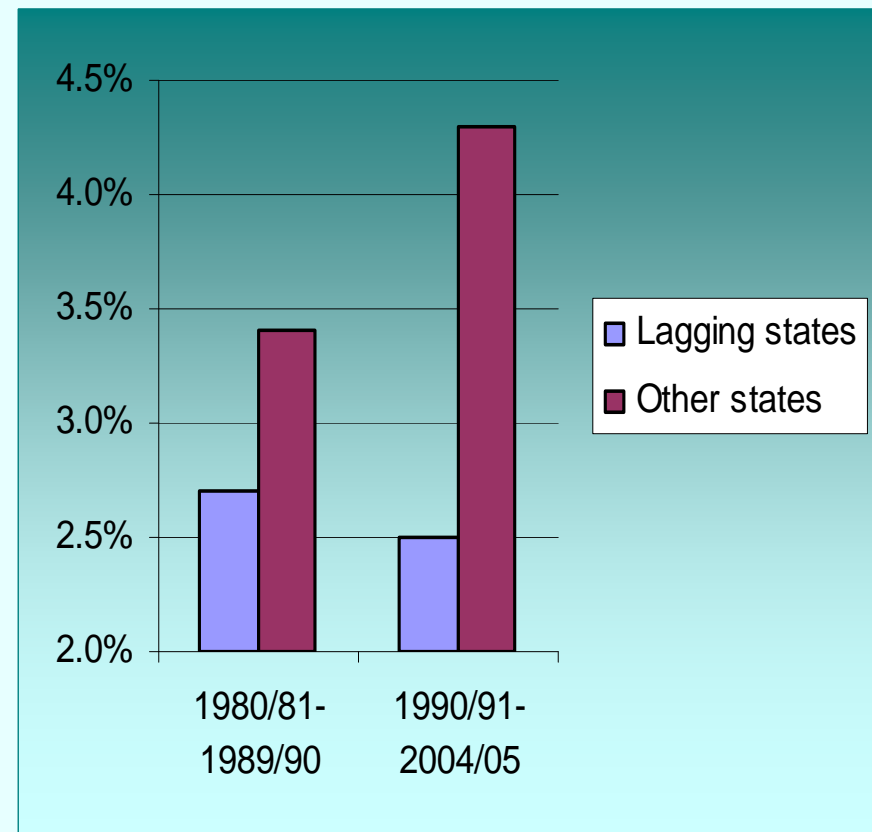
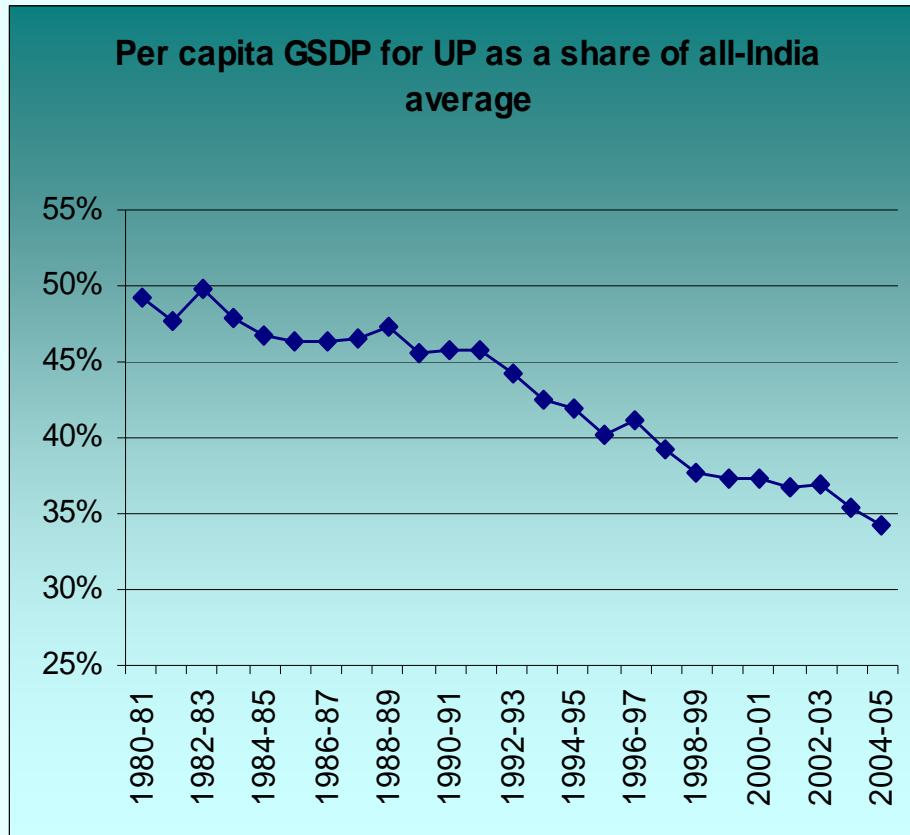
Incremental Capital Output Ratio (ICOR) is falling



Central Statistical Organisation

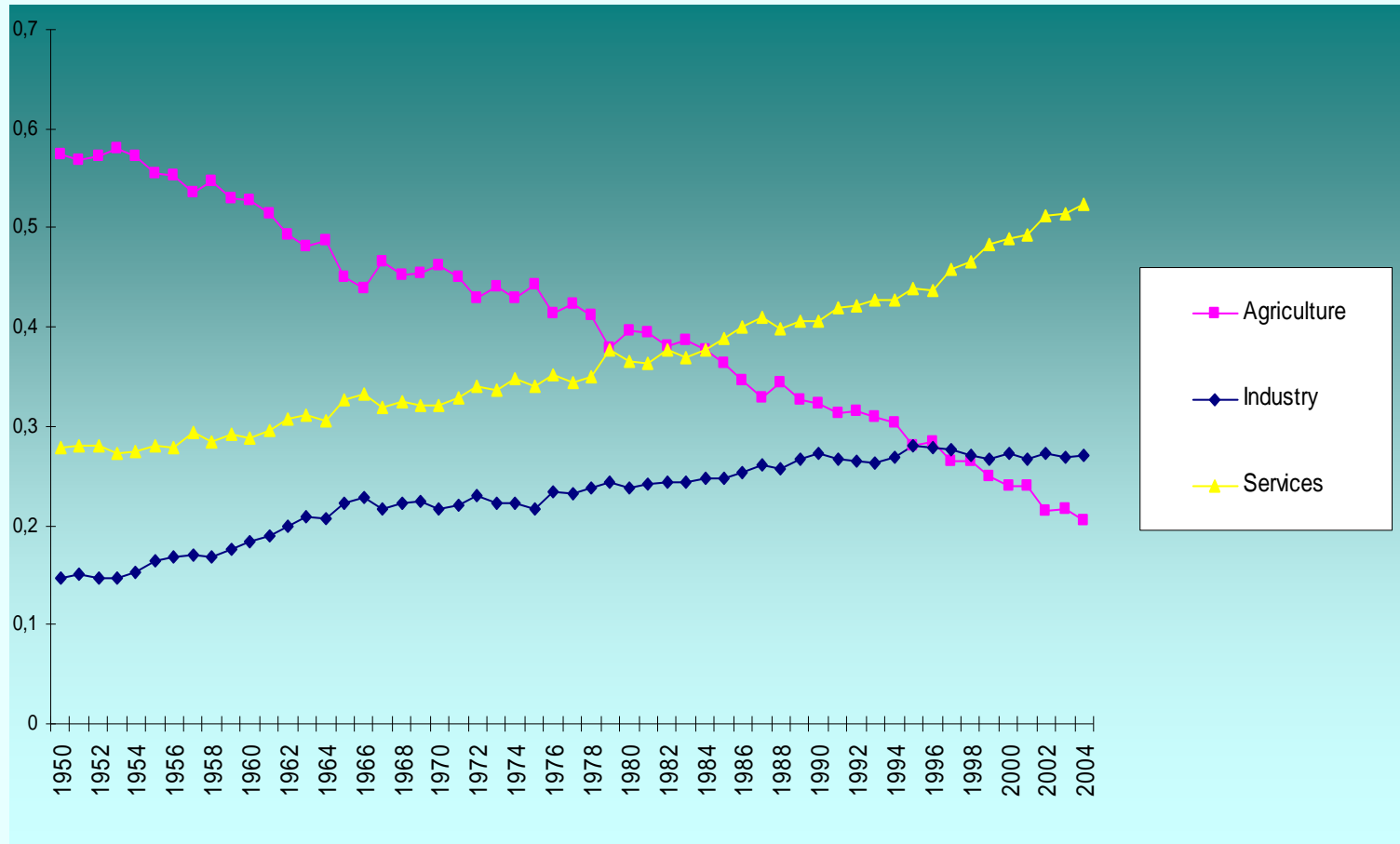
Inclusion I

Regional disparity has increased



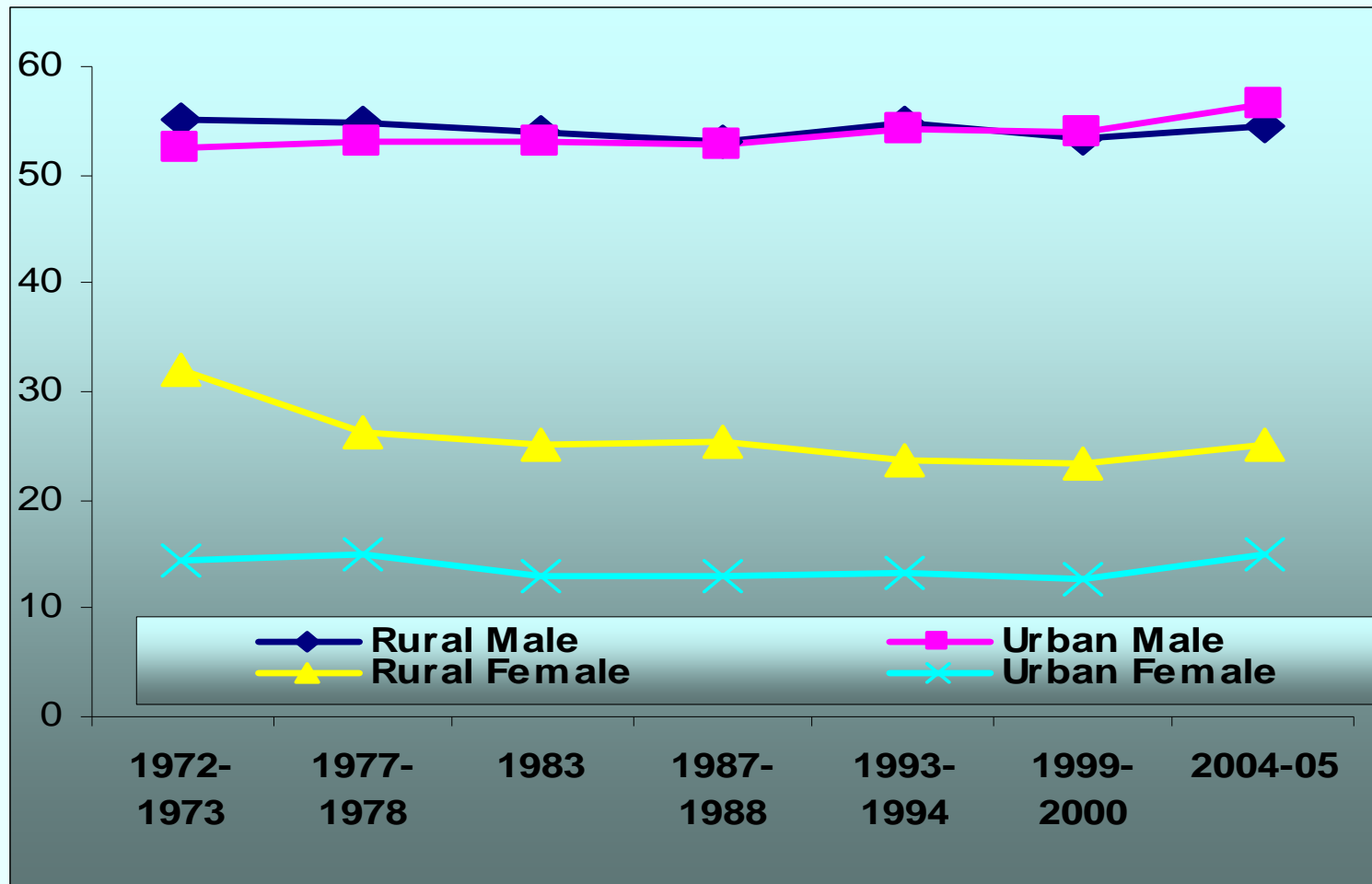
Inclusion II

Share of agriculture has been falling



Inclusion III

Participation of women in labor force remains low



National Sample Survey

The future of growth & inclusion; in hope

India's growth & inclusion will be sustained by

- Improving investment climate, including infrastructure and competition in service sector
- Investment in rural areas, including infrastructure
- Stronger investment in people, including higher education
- Improved growth and governance in lagging regions
- Stronger integration of women in labour force
- World tackles problem of climate change