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CRISIL projects India's GDP growth at 8.4% over 5 years *Expanding supply potential key to double-digit growth*

The inherent strength of India's domestic demand will enable it to maintain 8.4 per cent annual growth over the next five years (2011-12 to 2015-16) according to "India - Raising the growth bar", a CRISIL report. The report also identifies five supply-side issues, which, if addressed, can put India on a sustained 10 per cent growth trajectory.

"Domestic demand, spurred by a large growing young population, and robust consumption and investment rates, will support 8.4 per cent economic growth over the next 5 years" says Ms. Roopa Kudva, Managing Director and CEO, CRISIL. An increase in discretionary spending by middle class households will boost demand for durables like automobiles and white goods, and services like hotels, restaurants, and tourism. Financial services such as consumer finance, asset management, and insurance will grow briskly to cater to the needs of the rising middle and affluent class. Rising incomes will also propel demand for healthcare and education services, particularly in the private sector.

The Indian economy is not demand-constrained; rather, it is the supply-side issues that limit the growth prospects. ***"The five key issues that need to be addressed to unleash India's growth potential are: the quantity and quality of physical infrastructure, skill shortages in its bulging population, faltering agriculture and consequent high food inflation, fiscal inflexibility to spend on health, education and physical infrastructure, and a governance deficit,"*** says Ms. Kudva.

If India overcomes the prevailing deficit in most segments of physical infrastructure, its growth prospects will receive a tremendous boost. This necessitates the removal of policy hurdles in setting up infrastructure projects to attract private investment, and the mobilisation of funds for infrastructure development. Another key issue is the mismatch of skills. According to **Mr. Dharmakirti Joshi, Chief Economist, CRISIL** ***"If jobs are created and youth are equipped with the required skill-sets, India's economic growth will accelerate."*** The prevailing skill deficit, in terms of insufficient quantity and quality of workforce, limits productivity, increases wages, and raises unemployment levels. Only about 10 per cent of India's youth (15-29 years) receive vocational training, and the majority of engineering graduates are unemployable in the IT-ITES sector without additional training.

In the 2000-2010 decade, agricultural growth became more volatile; the average slipped to 2.5 per cent in this period from 3.2 per cent in the 1990s. However, the demand for food increased, pushing up food prices. Rekindling agriculture by accelerating productivity-enhancing reforms is critical for taming persistently high food inflation.

"India's main fiscal challenge is not reduction in debt and deficit ratios; this objective can be achieved by another spurt of high growth, as evidenced by the improvement in fiscal ratios during the growth upturn between 2003 and 2007. The country's fundamental fiscal issue lies in expanding its fiscal flexibility, which would enable it to increase spending on education, health, and physical infrastructure", adds Mr. Joshi. Finally, the need to improve governance standards is vital. Addressing governance-related issues will not only lift growth and accelerate poverty reduction, but will also greatly enhance India's already growing stature in the global landscape.

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Media Contacts	Analytical Contact
<p>Mitu Samar Head, Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: msamar@crisil.com</p> <p>Tanuja Abhinandan Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1818 Mobile: +91- 98192 48980 Fax: +91-22- 3342 3001 Email: tabhinandan@crisil.com</p>	<p>Dharmakirti Joshi Chief Economist CRISIL Limited Tel: +91 -22-3342 8043 E-mail : djoshi@crisil.com</p>

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