

## SUMMING-UP

1.66 The fallout of the global financial crisis on the Indian economy has been palpable in the industry and trade sectors and has also permeated the services sector. While some segments, especially the export-oriented industries, suffered during the second half of the year, the Indian economy has withstood the adverse global economic situation and posted a growth rate of 6.7 per cent in 2008-09. The economy continues to face wide-ranging challenges— from improving its social and physical infrastructure to enhancing the productivity in agriculture and industry and addressing environmental concerns. Meeting these challenges will be critical for improving India's social and human development indicators and the quality of life.

1.67 At the same time, the Indian economy has shock absorbers that will facilitate early revival of growth. First, the banks are financially sound and well capitalized. The foreign exchange reserves

position remains comfortable and the external debt position has been within the comfort zone. The rate of inflation has since abated and provides a degree of comfort on the cost side for the production sectors. Agriculture and rural demand continue to be strong and agriculture production prospects are normal.

1.68 While there are indications that the economy may have weathered the worst of the downturn, in part, due to the resilience of the economy and also various monetary and fiscal measures initiated during 2008-09, nevertheless, the situation warrants close watch on various economic indicators including the impact of the economic stimulus and developments taking place in the international economy. Taking policy measures that squarely address the short- and long-term challenges would help achieve tangible progress and ensure that the outlook for the economy remains firmly positive. Chapter 2 highlights some of these challenges, policy options and prospects for the Indian economy.