

## Abstract

This paper provides an outlook for the Indian economy in the light of the extraordinary global financial crisis, that started in the US, but which has now transformed into the worst economic downturn since the Great Depression. The Indian economy was slowing down even before the onset of global crisis and so the timing of this external shock could not have been worse. The analysis undertaken for this paper shows that the global crisis is likely to bring the Indian GDP growth rate down considerably. This will pose a big challenge requiring urgent and sustained policy attention to prevent this downturn from becoming unnecessarily prolonged. There is real downside risk that the growth rate could plummet to the pre-1980s levels if appropriate countercyclical measures are not taken immediately and are not urgently followed by necessary structural reforms. The paper provides a short-term forecast for GDP growth based on a model of leading economic indicators. We present three scenarios in the paper assuming differentiated impact of the external crisis. Finally the paper suggests a set of policy measures to get the Indian economy back on the path of sustained rapid and inclusive growth.

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**Keywords:** *Forecasting, Indian economic growth, Economic outlook and conditions, Financial crises*

**JEL Classification:** *E17, E66, G01*