

Results of the Survey of Professional Forecasters on Macroeconomic Indicators– 31st Round ¹

The Reserve Bank has been conducting the Survey of Professional Forecasters since September 2007. **The results of the survey represent views of the respondent forecasters and in no way reflect the views or forecasts of the Reserve Bank of India.**

Twenty Seven professional forecasters participated in the latest survey round conducted in November 2014. The results of the survey in tabular form are presented in the Annex.

Highlights:

1. Annual Forecasts:

- Forecast[^] of real GDP growth rate (at factor cost) for 2014-15 is placed at 5.5 per cent. The growth forecast for 'Agriculture & Allied Activities' and 'Services' is revised downward by 10 basis points to 1.8 per cent and 6.9 per cent respectively, from the previous round. Growth forecast for 'Industry' is revised downward by 50 basis points to 3.4 per cent from 3.9 per cent in the previous round (**Table 1**).
- Real GDP growth rate forecast for 2015-16 remained unchanged at 6.5 per cent.
- For the year 2014-15, the forecasters assigned maximum probability of 0.44 to the range of 5.0-5.4 per cent for GDP growth, while probability of 0.42 has been assigned that GDP growth will be in the range of 5.5-5.9 per cent (**Chart 1**). For the year 2015-16, maximum probability of 0.40 per cent has been assigned in the range of 6.5-6.9 per cent.

Table 1: Median Forecast of Real GDP (Growth Rate) for 2014-15 and 2015-16			Chart 1: Mean Probability Pattern of GDP Growth Forecast for 2014-15 and 2015-16	
	2014-15	2015-16		
Real GDP	5.5 (0.0)	6.5 (0.0)		
Agriculture and Allied Activities	1.8 (-0.1)	3.5 (0.0)		
Industry	3.4 (-0.5)	5.3 (+0.3)		
Services	6.9 (-0.1)	7.5 (-0.1)		
Note: 1. Growth rates are in per cent. 2. Figures in parentheses are change in forecasts from the previous survey round. 3. These footnotes are valid for all tables.				

¹ Data for the previous survey round were released on September 30, 2014 on the RBI website.

[^] Median of forecasts of the respondents.

- Private final consumption expenditure (PFCE) at current prices is expected to grow by 12.2 per cent in 2014-15 and further by 13.0 per cent in 2015-16 (**Table 2**).
- Gross Domestic Saving rate is forecast at 30.7 per cent in 2014-15 and is expected to improve to 32.0 per cent in 2015-16 (**Table 2**).
- Gross Fixed Capital Formation rate is forecast at 29.8 per cent in 2014-15 and is expected to improve to 30.7 per cent in 2015-16 (**Table 2**).

Table 2: Median Forecast of PFCE and Capital Formation		
	2014-15	2015-16
Private final consumption expenditure	12.2 (+0.1)	13.0 (+0.1)
Gross Domestic Saving Rate (per cent of GDP)	30.7 (0.0)	32.0 (0.0)
Gross Fixed Capital Formation Rate (per cent of GDP)	29.8 (+0.4)	30.7 (+0.3)

- Money supply (M_3) growth for 2014-15 is forecast at 13.5 per cent and is expected to grow by 14.5 per cent in 2015-16 (**Table 3**).
- Bank Credit growth forecast for 2014-15 has been revised downward to 14.0 per cent from 14.8 per cent in the previous round. For 2015-16 also, bank credit growth has been revised downward by 100 basis points to 15.0 per cent from 16.0 per cent in the previous round (**Table 3**).
- Yield of 91-Days Treasury Bills is expected to be 8.2 per cent and 7.8 per cent at end March 2015 and end March 2016, respectively (**Table 3**).

Table 3: Median Forecasts for Select Monetary, Banking and Financial Market Variables		
	2014-15	2015-16
Money Supply (M_3)	13.5 (-0.5)	14.5 (-0.4)
Bank Credit	14.0 (-0.8)	15.0 (-1.0)
Yield of 91-Days Treasury Bills (per cent)	8.2 (-0.3)	7.8 (-0.1)

- Central Government's gross fiscal deficit (GFD) is projected at 4.1 per cent of GDP in 2014-15 and is expected to improve to 3.8 per cent of GDP in 2015-16 (**Table 4**).
- The combined GFD of Central and State Governments is expected to be 6.6 per cent of GDP in 2014-15 and is expected to improve to 6.3 per cent of GDP in 2015-16 (**Table 4**).

Table 4: Median Forecast of Fiscal Deficit		
	2014-15	2015-16
Central Government Gross Fiscal Deficit (per cent of GDP)	4.1 (-0.1)	3.8 (-0.1)
Combined Gross Fiscal Deficit (per cent of GDP)	6.6 (0.0)	6.3 (+0.2)

- Merchandise Exports growth forecast is revised downward by 190 basis points to 5.9 per cent from 7.8 per cent in the previous round. Growth of merchandise exports is expected to improve to 9.4 per cent in 2015-16 (**Table 5**).
- Current Account Deficit is projected at 1.7 per cent of GDP and 1.9 per cent of GDP for 2014-15 and 2015-16, respectively (**Table 5**).
- Capital Account Balance is expected at 3.4 per cent of GDP for 2014-15 (**Table 5**).

	2014-15	2015-16
Merchandise Exports (growth rate in per cent)	5.9 (-1.9)	9.4 (-0.6)
Merchandise Imports (growth rate in per cent)	4.4 (-2.7)	9.6 (-1.2)
Current Account Balance (per cent of GDP)	-1.7 (-0.3)	-1.9 (-0.3)
Capital Account Balance (per cent of GDP)	3.4 (0.0)	3.3 (+0.1)

2. Quarterly Forecasts:

- Real GDP growth is expected to improve gradually from Q2: 2014-15 to Q2:2015-16 (**Table 6**).
- Growth forecast of 'Agriculture and Allied Activities' is revised upward within the range of 10 basis points to 40 basis points from the previous round (**Table 6**).
- Compared to the previous round, forecast of the Industrial sector is revised downward for the remaining quarters of 2014-15, while forecast is revised upward for the first two quarters of the next financial year (**Table 6**).
- Services sector is expected to grow by over 7.0 per cent from Q3: 2014-15 to Q2: 2015-16 (**Table 6**).

	Q2:14-15	Q3:14-15	Q4:14-15	Q1:15-16	Q2:15-16
Real GDP	5.1 (-0.2)	5.4 (0.0)	5.8 (0.0)	6.2 (0.0)	6.5 (0.0)
Agriculture and Allied Activities	1.5 (+0.2)	1.0 (+0.1)	1.7 (+0.2)	3.5 (+0.4)	3.7 (+0.3)
Industry	1.9 (-1.3)	3.8 (-0.4)	3.9 (-0.3)	4.2 (+0.2)	4.5 (+0.1)
Services	6.7 (-0.1)	7.0 (-0.1)	7.2 (-0.1)	7.5 (-0.1)	7.5 (0.0)

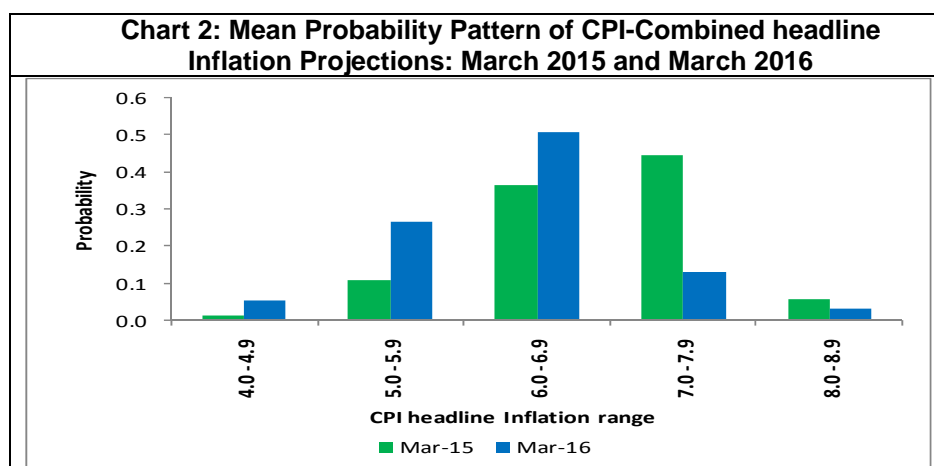
- The forecasters revised down the quarterly inflation forecast significantly from the previous round, for both CPI and WPI.
- For Q3: 2014-15, forecast of headline CPI (Combined) inflation is revised downward by 190 basis points to 5.6 per cent from 7.5 per cent in the previous round. CPI inflation is

expected to increase to 6.9 per cent in Q4:2014-15 and is likely to decline to 6.1 per cent in Q2:2015-16 (**Table 7**).

- In line with the headline inflation, the forecasters revised downward the forecast of core CPI (defined as excluding food and fuel) between 130 to 150 basis points from the previous round. Core inflation is expected to decline to 5.7 per cent in Q3:2014-15 and is likely to remain sticky at around 5.5 per cent till Q2: 2015-16 (**Table 7**).
- Inflation based on WPI is expected to decline to 2.7 per cent in Q3: 2014-15 and is expected to remain at around 4.0 per cent till Q2:2015-16 (**Table 7**).

Table 7: Median Forecast of Inflation from Q3:2014-15 to Q2:2015-16				
	Q3:14-15	Q4:14-15	Q1:15-16	Q2:15-16
CPI (Combined) headline	5.6 (-1.9)	6.9 (-1.1)	6.6 (-1.2)	6.1 (-1.3)
Core CPI (Combined) (excluding food & fuel)	5.7 (-1.3)	5.6 (-1.3)	5.6 (-1.3)	5.3 (-1.5)
WPI headline	2.7 (-2.0)	4.0 (-1.7)	4.2 (-1.4)	4.0 (-1.3)

- The forecasters assigned highest probability of 0.45 that CPI-Combined headline inflation will remain in the range 7.0-7.9 per cent in March 2015 (**Chart 2**). For March 2016, the forecasters assigned maximum probability of 0.51 that CPI inflation will be in the range of 6.0-6.9 per cent.



- The Indian Rupee is expected to remain stable against the US Dollar within the range of ₹ 61/\$ to ₹ 62/\$ till end Q2:2015-16 (**Annex Table A.3**).

3. Long Term Forecasts:

- Average real GDP growth for the next five years (2014-15 to 2018-19) and the next ten years (2014-15 to 2023-24), is expected to be 6.75 per cent and 7.20 per cent, respectively. Over the next five years, headline inflation based on CPI and WPI is expected to be 6.0 per cent and 5.0 per cent, respectively. Over the next ten years,

headline inflation based on CPI and WPI is expected to be 5.5 per cent and 4.8 per cent, respectively (**Annex Table A.9**).

Annex

Table A.1: Annual Forecasts for 2014-15

Key Macroeconomic Indicators		Annual Forecasts for 2014-15			
		Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	5.5	5.5	6.0	5.1
a	Agriculture & Allied Activities (growth rate in per cent)	2.0	1.8	4.7	-0.3
b	Industry (growth rate in per cent)	3.4	3.4	4.7	1.9
c	Services (growth rate in per cent)	7.0	6.9	7.6	6.4
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	12.3	12.2	14.0	11.0
3	Gross Domestic Saving (per cent of GDP)	30.8	30.7	32.3	29.0
4	Gross Fixed Capital Formation (per cent of GDP)	29.7	29.8	32.4	27.2
5	Money Supply (M3) (growth rate in per cent)	13.7	13.5	16.0	12.0
6	Bank Credit of Scheduled Commercial banks (growth rate in per cent)	14.0	14.0	17.1	12.0
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.6	6.6	7.6	6.1
8	Central Government Gross Fiscal Deficit (per cent of GDP)	4.2	4.1	4.8	4.1
9	Repo Rate(end period)	7.82	8.00	8.25	7.00
10	CRR (end period)	3.97	4.00	4.00	3.50
11	Yield of 91-Days Treasury Bills (end period)	8.2	8.2	8.8	7.5
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	8.2	8.2	8.5	7.7
13	Overall Balance of Payments (in US \$ bn.)	36.2	38.0	62.6	4.5
14	Merchandise Exports (in US \$ bn.)	337.8	337.4	360.0	327.2
15	Merchandise Exports (growth rate in per cent)	6.2	5.9	12.9	3.6
16	Merchandise Imports (in US \$ bn.)	488.3	484.8	525.0	471.0
17	Merchandise Imports (growth rate in percent)	5.0	4.4	12.6	2.3
18	Merchandise Trade Balance (per cent of GDP)	-7.3	-7.2	-6.0	-8.5
19	Net Invisible Balance (in US \$ bn.)	115.3	114.9	130.2	106.4
20	Current Account Balance (in US \$ bn.)	-36.2	-35.4	-27.9	-50.0
21	Current Account Balance (per cent of GDP)	-1.7	-1.7	-0.9	-2.3
22	Capital Account Balance (in US \$ bn.)	69.6	69.5	94.0	44.9
23	Capital Account Balance (per cent of GDP)	3.3	3.4	4.2	2.0

Table A.2: Annual Forecasts for 2015-16

Key Macroeconomic Indicators		Annual Forecasts for 2015-16			
		Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	6.4	6.5	6.8	5.6
a	Agriculture & Allied Activities (growth rate in per cent)	3.6	3.5	4.6	2.2
b	Industry (growth rate in per cent)	5.1	5.3	7.2	2.9
c	Services (growth rate in per cent)	7.5	7.5	8.5	6.9
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	13.1	13.0	15.0	11.0
3	Gross Domestic Saving (per cent of GDP)	31.9	32.0	33.3	29.5
4	Gross Fixed Capital Formation (per cent of GDP)	30.6	30.7	33.0	27.0
5	Money Supply (M3) (growth rate in per cent)	14.9	14.5	17.0	13.9
6	Bank Credit of Scheduled Commercial banks (growth rate in per cent)	15.6	15.0	19.4	14.0
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.3	6.3	7.0	5.5
8	Central Government Gross Fiscal Deficit (per cent of GDP)	3.8	3.8	4.8	3.5
9	Repo Rate(end period)	7.30	7.50	8.00	6.00
10	CRR (end period)	3.91	4.00	4.00	3.00
11	Yield of 91-Days Treasury Bills (end period)	7.7	7.8	8.6	7.0
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	7.7	7.6	8.3	7.2
13	Overall Balance of Payments (in US \$ bn.)	36.0	36.9	60.0	5.0
14	Merchandise Exports (in US \$ bn.)	371.7	372.1	414.0	350.0
15	Merchandise Exports (growth rate in per cent)	9.4	9.4	15.0	5.9
16	Merchandise Imports (in US \$ bn.)	537.2	535.0	598.1	503.0
17	Merchandise Imports (growth rate in per cent)	9.4	9.6	16.3	4.6
18	Merchandise Trade Balance (per cent of GDP)	-7.2	-7.0	-6.4	-8.9
19	Net Invisible Balance (in US \$ bn.)	124.3	120.1	158.5	116.4
20	Current Account Balance (in US \$ bn.)	-43.4	-43.9	-24.0	-54.2
21	Current Account Balance (per cent of GDP)	-1.9	-1.9	-1.4	-2.4
22	Capital Account Balance (in US \$ bn.)	77.9	76.3	110.0	54.0
23	Capital Account Balance (per cent of GDP)	3.3	3.3	4.3	2.6

Table A.3: Quarterly Forecasts for Q2:2014-15 and Q2:2015-16

	Key Macroeconomic Indicators	Quarterly Forecasts							
		Q2: 2014-15				Q3: 2014-15			
		Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	5.1	5.1	5.8	4.5	5.4	5.4	6.1	4.7
a	Agriculture & Allied Activities (growth rate in per cent)	1.2	1.5	4.1	-3.0	1.1	1.0	4.6	-3.0
b	Industry (growth rate in per cent)	2.0	1.9	3.9	0.4	3.6	3.8	5.6	1.5
c	Services (growth rate in per cent)	6.8	6.7	7.8	6.2	7.0	7.0	7.8	5.9
2	Index of Industrial Production(growth rate in per cent)	-	-	-	-	3.6	3.6	5.6	1.4
3	Private Final Consumption Expenditure (growth rate in per cent)	11.3	11.5	13.3	8.5	11.7	12.0	13.0	9.3
4	Gross Fixed Capital Formation (per cent of GDP)	30.0	29.8	33.9	28.3	29.5	29.6	31.8	27.1
5	₹ per U.S. Dollar (RBI reference rate-end period)	-	-	-	-	61.19	61.50	62.50	58.00
6	Repo Rate (end period)	-	-	-	-	7.98	8.00	8.00	7.75
7	CRR (end period)	-	-	-	-	4.00	4.00	4.00	4.00
8	Merchandise Export (in US\$ bn.)	83.6	84.0	85.3	75.3	82.4	82.2	85.3	80.0
9	Merchandise Import (in US\$ bn.)	120.8	120.9	125.9	107.2	121.4	120.6	134.2	114.2
10	Indian Crude Oil basket Price (in US\$ per barrel)	-	-	-	-	85.8	85.0	92.0	82.0

	Key Macroeconomic Indicators	Quarterly Forecasts											
		Q4: 2014-15				Q1: 2015-16				Q2: 2015-16			
		Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	5.8	5.8	6.4	5.3	6.1	6.2	6.8	5.3	6.4	6.5	6.9	5.9
a	Agriculture & Allied Activities (growth rate in per cent)	1.9	1.7	4.4	0.2	3.5	3.5	7.1	1.5	3.8	3.7	5.0	3.0
b	Industry (growth rate in per cent)	3.8	3.9	5.8	1.7	4.1	4.2	6.2	1.8	4.9	4.5	6.7	3.1
c	Services (growth rate in per cent)	7.2	7.2	8.2	6.4	7.4	7.5	8.1	6.4	7.4	7.5	8.3	6.3
2	Index of Industrial Production(growth rate in per cent)	3.7	3.4	6.5	1.1	3.7	3.8	6.2	1.0	4.8	4.3	6.7	3.5
3	Private Final Consumption Expenditure (growth rate in per cent)	12.4	12.6	13.4	11.0	12.9	13.1	14.5	11.5	12.9	13.3	15.0	10.2
4	Gross Fixed Capital Formation (per cent of GDP)	29.8	29.7	31.5	27.4	30.8	31.6	32.6	28.2	30.9	30.9	33.9	28.9
5	₹ per U.S. Dollar (RBI reference rate-end period)	61.00	61.50	62.86	57.70	60.96	62.00	63.08	57.40	60.51	61.45	63.98	55.00
6	Repo Rate (end period)	7.87	8.00	8.25	7.50	7.74	7.75	8.50	7.50	7.62	7.50	8.50	7.25
7	CRR (end period)	3.99	4.00	4.00	3.75	3.99	4.00	4.00	3.75	3.98	4.00	4.00	3.75
8	Merchandise Export (in US\$ bn.)	88.3	87.2	91.8	86.0	88.0	88.0	93.2	82.1	91.4	90.7	99.5	86.7
9	Merchandise Import (in US\$ bn.)	125.9	124.1	144.4	115.9	128.9	128.0	140.9	116.7	132.8	131.1	145.4	124.4
10	Indian Crude Oil basket Price (in US\$ per barrel)	84.1	86.4	92.0	70.0	86.6	88.5	95.0	75.0	87.1	88.8	95.0	75.0

Table A.4: Forecasts of CPI-Combined Inflation								
	CPI Combined Headline				Core CPI Combined (excluding food & fuel)			
	Mean	Median	Max	Min	Mean	Median	Max	Min
Q3:2014-15	5.8	5.6	7.3	4.8	5.8	5.7	7.5	5.3
Q4:2014-15	6.8	6.9	8.2	5.2	5.7	5.6	7.2	4.6
Q1:2015-16	6.6	6.6	7.7	5.0	5.7	5.6	7.6	4.5
Q2:2015-16	6.1	6.1	7.8	4.7	5.5	5.3	7.2	4.4

Table A.5: Forecasts of WPI Inflation								
	WPI Headline				WPI-Manufactured Products			
	Mean	Median	Max	Min	Mean	Median	Max	Min
Q3:2014-15	3.0	2.7	4.5	1.9	3.0	3.0	3.7	2.4
Q4:2014-15	4.0	4.0	5.6	2.9	3.1	3.1	4.1	2.3
Q1:2015-16	4.1	4.2	5.9	2.8	3.2	3.1	4.8	2.3
Q2:2015-16	4.2	4.0	5.8	2.4	3.6	3.6	4.9	2.4

Table A.6: Mean probabilities attached to possible outcomes of real GDP growth

Growth Range	Forecasts for 2014-15	Forecasts for 2015-16
Below 2.0 per cent	0	0
2.0 to 2.4 per cent	0	0
2.5 to 2.9 per cent	0	0
3.0 to 3.4 per cent	0	0
3.5 to 3.9 per cent	0	0
4.0 to 4.4 per cent	0	0
4.5 to 4.9 per cent	0.04	0.01
5.0 to 5.4 per cent	0.44	0.03
5.5 to 5.9 per cent	0.42	0.16
6.0 to 6.4 per cent	0.05	0.36
6.5 to 6.9 per cent	0.03	0.40
7.0 to 7.4 per cent	0.01	0.04
7.5 to 7.9 per cent	0	0
8.0 to 8.4 per cent	0	0
8.5 to 8.9 per cent	0	0
9.0 to 9.4 per cent	0	0
9.5 to 9.9 per cent	0	0
10.0 per cent or more	0	0

Table A.7: Mean probabilities attached to possible outcomes of CPI-Combined inflation

Inflation Range	Forecasts for March 2015	Forecasts for March 2016
Below 0 per cent	0	0
0 to 0.9 per cent	0	0
1.0 to 1.9 per cent	0	0
2.0 to 2.9 per cent	0	0
3.0 to 3.9 per cent	0	0.01
4.0 to 4.9 per cent	0.02	0.06
5.0 to 5.9 per cent	0.11	0.27
6.0 to 6.9 per cent	0.37	0.51
7.0 to 7.9 per cent	0.45	0.13
8.0 to 8.9 per cent	0.06	0.03
9.0 to 9.9 per cent	0	0
10.0 to 10.9 per cent	0	0
11.0 to 11.9 per cent	0	0
12.0 to 12.9 per cent	0	0
13.0 to 13.9 per cent	0	0
14.0 per cent or above	0	0

Table A.8: Mean probabilities attached to possible outcomes of WPI inflation

Inflation Range	Forecasts for March 2015	Forecasts for March 2016
Below 0 per cent	0	0
0 to 0.9 per cent	0	0
1.0 to 1.9 per cent	0	0
2.0 to 2.9 per cent	0.14	0.08
3.0 to 3.9 per cent	0.38	0.21
4.0 to 4.9 per cent	0.32	0.39
5.0 to 5.9 per cent	0.14	0.29
6.0 to 6.9 per cent	0.02	0.03
7.0 to 7.9 per cent	0	0
8.0 to 8.9 per cent	0	0
9.0 to 9.9 per cent	0	0
10.0 to 10.9 per cent	0	0
11.0 to 11.9 per cent	0	0
12.0 to 12.9 per cent	0	0
13.0 to 13.9 per cent	0	0
14.0 per cent or above	0	0

Table A.9: Annual Average Percentage Change

	Annual average percentage change over the next five years				Annual average percentage change over the next ten years			
	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP	6.8	6.75	7.5	6.0	7.3	7.2	9.0	6.0
CPI	6.1	6.0	7.5	5.0	5.6	5.5	7.0	4.0
WPI	4.9	5.0	6.5	3.5	4.6	4.8	5.8	3.0