

Results of the Survey of Professional Forecasters on Macroeconomic Indicators– Round 37¹

Output growth, measured using Gross Value Added, is likely to improve marginally in 2015-16 and further in 2016-17. CPI headline inflation is likely to remain below 6.0 per cent till Q2: 2016-17. Medium-term and Long-term inflation expectations remained stable. The Indian Rupee is expected to remain stable against the US Dollar in the near future.

The Reserve Bank has been conducting the Survey of Professional Forecasters since September 2007. **The results of the survey represent the views of the respondent forecasters and in no way reflect the views or forecasts of the Reserve Bank of India.** Twenty Four professional forecasters participated in the latest survey round (Round 37) conducted in November 2015. As the responses were received before the submission of the Seventh Pay Commission Report, the forecasts do not include the impact of the possible pay revisions on the economic indicators. The results of the survey are presented in the Annex in a tabular form.

Highlights

1. Annual Forecasts[^]

- Forecasters expect real Gross Value Added at basic price (GVA) to increase by 7.4 per cent in 2015-16. 'Agriculture & Allied Activities' and 'Services' are expected to grow by 1.5 per cent and 9.3 per cent, respectively. 'Industry' growth forecast has been placed at 6.6 per cent (**Table 1**).
- In 2016-17, GVA is expected to increase by 7.8 per cent, led by growth in 'Services' by 9.6 per cent. 'Agriculture & Allied Activities' and 'Industry' are expected to grow by 2.7 per cent and 6.9 per cent, respectively.
- In terms of subjective probabilities assigned to growth projections, forecasters ascribed maximum 53 per cent chance (based on the average of individual forecasts) that GVA growth in 2015-16 will be in the range of 7.0-7.4 per cent (**Chart 1**). For the year 2016-17, GVA growth in 7.5-7.9 per cent range is the most probable outcome.

¹ Data for the previous survey round were released on [September 29, 2015](#) on the RBI website.

[^] Median of forecasts of the respondents.

Table 1: Median Forecast of Real GVA (Growth Rate) for 2015-16 and 2016-17			Chart 1: Mean Probability Pattern of GVA Growth Forecast for 2015-16 and 2016-17	
	2015-16	2016-17		
Real GVA	7.4 (0.0)	7.8 (-0.2)		
Agriculture and Allied Activities	1.5 (0.0)	2.7 (-0.3)		
Industry	6.6 (-0.1)	6.9 (-0.3)		
Services	9.3 (-0.1)	9.6 (-0.2)		
Note: 1. Growth rates are in per cent. 2. Figures in parentheses are change in forecasts from the previous survey round.				

- Private final consumption expenditure at current prices is expected to increase by 10.7 per cent in 2015-16 and further by 12.1 per cent in 2016-17 (**Table 2**).
- Gross Saving Rate is projected at 30.2 per cent of Gross National Disposable Income (GNDI) in 2015-16 and 30.6 per cent of GNDI in 2016-17 (**Table 2**).
- Forecasters expect Gross Fixed Capital Formation Rate at 28.8 per cent of GDP in 2015-16, which is expected to improve to 29.8 per cent of GDP in 2016-17 (**Table 2**).

Table 2: Median Forecast of PFCE and Capital Formation		
	2015-16	2016-17
Private final consumption expenditure (growth rate in per cent)	10.7 (-0.7)	12.1 (-0.8)
Gross Saving Rate (per cent of GNDI)	30.2 (-0.3)	30.6 (-0.4)
Gross Fixed Capital Formation Rate (per cent of GDP)	28.8 (-0.1)	29.8 (0.0)

- Money supply (M_3) is expected to increase by 11.5 per cent in 2015-16 and further by 12.5 per cent in 2016-17. Bank credit is expected to expand by 10.5 per cent in 2015-16 and further by 12.8 per cent in 2016-17 (**Table 3**).

Table 3: Median Forecast of Select Monetary and Banking Variables		
	2015-16	2016-17
Money Supply (M_3)	11.5 (-0.5)	12.5 (-1.0)
Bank Credit	10.5 (-2.0)	12.8 (-1.4)

- Central Government's gross fiscal deficit (GFD) is projected at 3.9 per cent of GDP in 2015-16 and is expected to moderate to 3.5 per cent of GDP in 2016-17. The combined

GFD of Central and State Governments is projected at 6.3 per cent of GDP in 2015-16 and is expected to improve to 6.0 per cent of GDP in 2016-17 (**Table 4**).

Table 4: Median Forecast of Fiscal Deficit		
	2015-16	2016-17
Central Government Gross Fiscal Deficit (per cent of GDP)	3.9 (0.0)	3.5 (-0.1)
Combined Gross Fiscal Deficit (per cent of GDP)	6.3 (0.0)	6.0 (0.0)

- Merchandise Exports is likely to decline by 10.3 per cent in 2015-16 which constitutes a downward revision by 570 basis points (bps) from -4.6 per cent in the previous round. Growth of merchandise exports is expected to improve to 6.1 per cent in 2016-17 (**Table 5**).
- Current Account Deficit is projected at 1.0 per cent and 1.4 per cent (of GDP) in 2015-16 and 2016-17, respectively. Capital Account surplus is expected at around 3.0 per cent of GDP for the next two financial years (**Table 5**).

Table 5: Median Forecast of Select External Sector Variables		
	2015-16	2016-17
Merchandise Exports (growth rate in per cent)	-10.3 (-5.7)	6.1 (-0.4)
Merchandise Imports (growth rate in per cent)	-8.2 (-4.1)	7.7 (+0.6)
Current Account Deficit (per cent of GDP)	1.0 (-0.1)	1.4 (+0.1)
Capital Account Balance (per cent of GDP)	2.9 (-0.3)	3.1 (-0.1)

2. Quarterly Forecasts

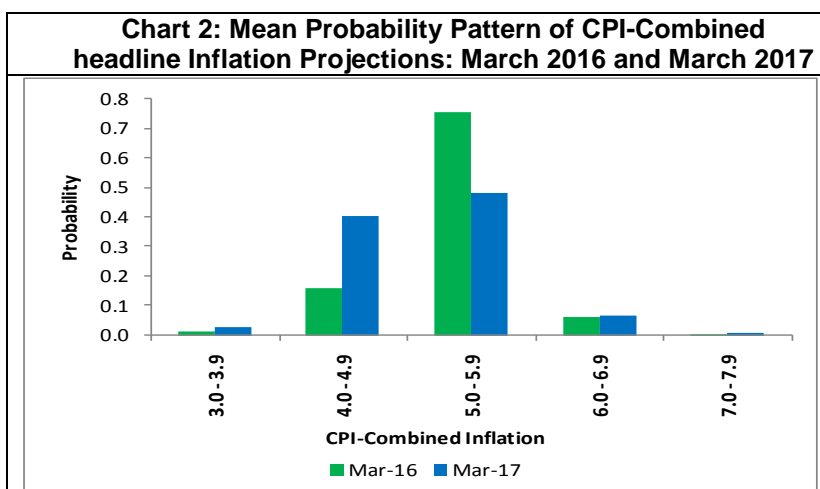
- Real GVA growth at basic prices is expected to improve gradually from 7.4 per cent in Q2: 2015-16 to 8.1 per cent in Q2:2016-17 (**Table 6**).

Table 6: Median Forecast of Real GVA growth from Q2:2015-16 to Q2:2016-17					
	Q2:15-16	Q3:15-16	Q4:15-16	Q1:16-17	Q2:16-17
Real GVA at basic prices	7.4 (-0.1)	7.3 (-0.1)	7.6 (-0.3)	7.8 (-0.3)	8.1 (-0.1)
Agriculture and Allied Activities	1.6 (+0.2)	1.8 (-0.2)	2.5 (+0.3)	2.3 (-0.5)	2.8 (-0.2)
Industry	6.7 (+0.2)	7.0 (+0.2)	6.8 (0.0)	7.1 (-0.1)	7.1 (-0.3)
Services	9.4 (-0.1)	9.7 (+0.2)	9.8 (+0.3)	9.7 (-0.3)	9.7 (-0.1)

- CPI (Combined) headline inflation is expected to increase to 5.5 per cent in Q4:2015-16 and thereafter moderate to 5.2 per cent in Q2:2016-17 (**Table 7**).
- The forecasters expect core CPI (defined as excluding food and fuel) inflation to remain at around 5.0 per cent till Q2:2016-17 (**Table 7**).
- WPI inflation is expected at around 1.0 per cent in Q4:15-16 and is expected to increase to 2.4 per cent in Q2:2016-17 (**Table 7**).

	Q3:15-16	Q4:15-16	Q1:16-17	Q2:16-17
CPI (Combined) headline	5.2 (+0.3)	5.5 (+0.1)	5.3 (+0.1)	5.2 (0.0)
Core CPI (Combined) (excluding food & fuel)	4.7 (-0.1)	5.0 (-0.1)	4.5 (-0.5)	4.8 (-0.3)
WPI headline	-2.3 (-0.8)	0.8 (-0.4)	1.6 (0.0)	2.4 (0.0)

- Forecasters assigned maximum probability of 76 per cent that CPI headline inflation will be in the range 5.0-5.9 per cent in March 2016 (**Chart 2**). Based on this probability distribution, the implicit CPI inflation rate for March 2016 is expected at 5.3 per cent. For March 2017, the forecasters assigned maximum probability of 48 per cent that CPI inflation will be in the range of 5.0-5.9 per cent and 40 per cent in the range of 4.0-4.9 per cent.



- The Indian Rupee is expected to remain stable against the US\$. Indian Rupee is expected to remain within the range of ₹65.5 per US\$ to ₹66.5 per US\$ till Q2:2016-17 (**Annex Table A.3**).

3. Long Term Forecasts

- The long- term real GVA growth expectations moderated by 10 bps to 8.3 per cent in the current round from 8.4 per cent in the previous round. The medium- term growth forecast for the next five years remained unchanged at 8.0 per cent (**Chart 3**).
- The average CPI inflation for the next five years and ten years remained unchanged at 5.0 per cent and 4.7 per cent, respectively, in the current round from the previous round (**Chart 4**).

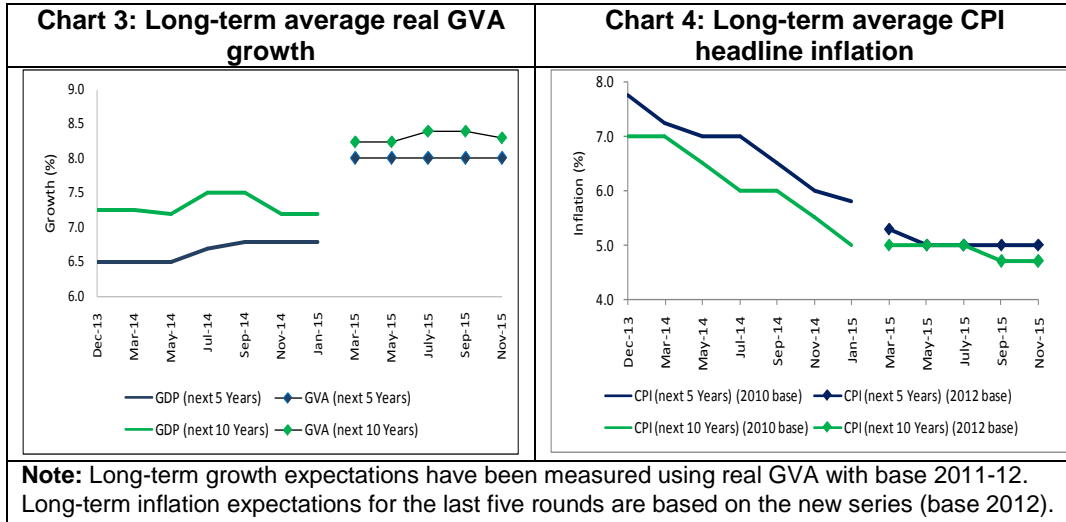


Table A.1: Annual Forecasts for 2015-16

Key Macroeconomic Indicators		Annual Forecasts for 2015-16			
		Mean	Median	Max	Min
1	Real GVA at basic prices (growth rate in per cent)	7.3	7.4	7.5	6.9
a	Agriculture & Allied Activities (growth rate in per cent)	1.5	1.5	2.9	-1.5
b	Industry (growth rate in per cent)	6.6	6.6	8.2	4.0
c	Services (growth rate in per cent)	9.3	9.3	10.2	8.0
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	10.6	10.7	13.5	6.2
3	Gross Saving (per cent of Gross National Disposable Income)	30.0	30.2	31.0	28.0
4	Gross Fixed Capital Formation (per cent of GDP)	28.7	28.8	30.0	27.5
5	Money Supply (M3) (growth rate in per cent)	11.7	11.5	12.7	11.0
6	Bank Credit of Scheduled Commercial banks (growth rate in per cent)	10.9	10.5	13.0	9.0
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.4	6.3	6.9	5.9
8	Central Government Gross Fiscal Deficit (per cent of GDP)	3.9	3.9	4.1	3.8
9	Repo Rate(end period)	6.67	6.75	6.75	6.50
10	CRR (end period)	3.99	4.00	4.00	3.75
11	Yield of 91-Days Treasury Bills (end period)	7.2	7.1	8.0	6.7
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	7.4	7.4	7.6	7.1
13	Overall Balance of Payments (in US \$ bn.)	43.4	37.0	69.3	13.2
14	Merchandise Exports (in US \$ bn.)	285.2	283.0	319.5	265.0
15	Merchandise Exports (growth rate in per cent)	-10.3	-10.3	0.9	-17.5
16	Merchandise Imports (in US \$ bn.)	424.6	424.0	451.7	400.0
17	Merchandise Imports (growth rate in percent)	-8.1	-8.2	-2.0	-14.4
18	Merchandise Trade Balance (per cent of GDP)	-6.4	-6.5	-5.5	-7.2
19	Net Invisible Balance (in US \$ bn.)	119.8	120.0	125.2	110.0
20	Current Account Balance (in US \$ bn.)	-21.2	-20.0	-6.9	-36.0
21	Current Account Balance (per cent of GDP)	-1.1	-1.0	-0.4	-1.6
22	Capital Account Balance (in US \$ bn.)	63.0	59.0	86.8	46.2
23	Capital Account Balance (per cent of GDP)	2.9	2.9	4.0	2.0

Table A.2: Annual Forecasts for 2016-17

Key Macroeconomic Indicators		Annual Forecasts for 2016-17			
		Mean	Median	Max	Min
1	Real GVA at basic prices (growth rate in per cent)	7.8	7.8	8.2	7.5
a	Agriculture & Allied Activities (growth rate in per cent)	2.5	2.7	3.7	0.2
b	Industry (growth rate in per cent)	6.8	6.9	8.2	5.0
c	Services (growth rate in per cent)	9.5	9.6	10.4	8.0
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	11.7	12.1	15.5	6.1
3	Gross Saving (per cent of Gross National Disposable Income)	30.4	30.6	31.7	28.5
4	Gross Fixed Capital Formation (per cent of GDP)	29.4	29.8	30.6	26.7
5	Money Supply (M3) (growth rate in per cent)	12.7	12.5	14.1	11.1
6	Bank Credit of Scheduled Commercial banks (growth rate in per cent)	12.6	12.8	15.0	10.0
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.0	6.0	6.6	5.0
8	Central Government Gross Fiscal Deficit (per cent of GDP)	3.6	3.5	3.9	3.5
9	Repo Rate(end period)	6.40	6.25	6.75	6.00
10	CRR (end period)	3.97	4.00	4.00	3.50
11	Yield of 91-Days Treasury Bills (end period)	7.0	6.9	7.8	6.6
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	7.2	7.2	7.5	6.8
13	Overall Balance of Payments (in US \$ bn.)	47.4	46.2	69.5	28.9
14	Merchandise Exports (in US \$ bn.)	303.4	296.8	339.2	270.0
15	Merchandise Exports (growth rate in per cent)	6.3	6.1	10.5	1.9
16	Merchandise Imports (in US \$ bn.)	456.2	452.9	498.1	415.0
17	Merchandise Imports (growth rate in per cent)	7.9	7.7	12.0	3.0
18	Merchandise Trade Balance (per cent of GDP)	-6.4	-6.4	-5.6	-7.6
19	Net Invisible Balance (in US \$ bn.)	125.3	123.6	135.3	120.0
20	Current Account Balance (in US \$ bn.)	-31.7	-33.0	-17.2	-48.0
21	Current Account Balance (per cent of GDP)	-1.4	-1.4	-0.8	-2.0
22	Capital Account Balance (in US \$ bn.)	77.5	73.0	95.0	65.6
23	Capital Account Balance (per cent of GDP)	3.2	3.1	4.0	2.8

Table A.3: Quarterly Forecasts from Q2:2015-16 to Q2:2016-17

	Key Macroeconomic Indicators	Quarterly Forecasts							
		Q2: 2015-16				Q3: 2015-16			
		Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GVA at basic prices (growth rate in per cent)	7.4	7.4	7.9	6.5	7.2	7.3	7.7	6.4
a	Agriculture & Allied Activities (growth rate in per cent)	1.3	1.6	2.3	-2.2	1.7	1.8	4.0	-2.5
b	Industry (growth rate in per cent)	6.7	6.7	8.0	5.7	7.2	7.0	9.8	6.3
c	Services (growth rate in per cent)	9.1	9.4	9.8	8.1	9.5	9.7	10.3	7.8
2	Private Final Consumption Expenditure (growth rate in per cent)	9.0	9.5	10.4	5.7	9.6	9.1	11.9	7.1
3	Gross Fixed Capital Formation (per cent of GDP)	28.2	28.2	28.8	27.2	28.6	28.7	29.5	27.2
4	₹ per U.S. Dollar (RBI reference rate-end period)	-	-	-	-	66.0	66.0	67.5	64.4
5	Repo Rate (end period)	-	-	-	-	6.75	6.75	6.75	6.75
6	CRR (end period)	-	-	-	-	4.00	4.00	4.00	4.00
7	Merchandise Export (in US\$ bn.)	68.5	68.0	72.4	66.1	71.6	69.7	87.4	63.1
8	Merchandise Import (in US\$ bn.)	104.8	105.0	107.5	101.7	105.6	105.0	117.2	93.0
9	Indian Crude Oil basket Price (in US\$ per barrel)	-	-	-	-	46.6	46.8	51.0	41.5

	Key Macroeconomic Indicators	Quarterly Forecasts											
		Q4: 2015-16				Q1: 2016-17				Q2: 2016-17			
		Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GVA at basic prices (growth rate in per cent)	7.6	7.6	8.5	6.8	7.7	7.8	8.1	6.9	8.0	8.1	8.3	7.3
a	Agriculture & Allied Activities (growth rate in per cent)	2.1	2.5	3.9	-2.8	2.0	2.3	4.0	-2.2	2.6	2.8	3.4	1.0
b	Industry (growth rate in per cent)	7.0	6.8	9.1	5.6	7.0	7.1	8.1	5.7	7.0	7.1	8.4	5.7
c	Services (growth rate in per cent)	9.8	9.8	11.2	8.7	9.7	9.7	10.2	9.0	9.6	9.7	10.3	8.8
2	Private Final Consumption Expenditure (growth rate in per cent)	9.4	9.1	12.3	4.6	9.4	9.3	12.1	4.2	9.7	9.5	12.5	6.7
3	Gross Fixed Capital Formation (per cent of GDP)	29.0	29.0	30.2	27.8	28.5	29.3	30.3	25.7	29.0	29.5	30.3	26.7
4	₹ per U.S. Dollar (RBI reference rate-end period)	66.4	66.5	68.5	63.7	66.0	65.8	68.6	63.5	66.1	66.0	69.6	63.0
5	Repo Rate (end period)	6.69	6.75	6.75	6.50	6.54	6.50	6.75	6.25	6.50	6.50	6.75	6.25
6	CRR (end period)	3.98	4.00	4.00	3.75	3.98	4.00	4.00	3.75	3.98	4.00	4.00	3.75
7	Merchandise Export (in US\$ bn.)	75.2	74.6	89.8	66.9	74.0	71.4	84.0	67.0	76.6	75.0	86.0	66.5
8	Merchandise Import (in US\$ bn.)	107.0	106.9	121.0	84.2	110.8	108.5	125.0	102.0	116.0	117.7	130.0	100.0
9	Indian Crude Oil basket Price (in US\$ per barrel)	47.4	48.3	55.4	41.0	51.8	51.8	64.4	40.5	53.0	54.5	65.4	41.0

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
Q3:2015-16	5.1	5.2	5.6	4.5	4.8	4.7	5.9	4.3
Q4:2015-16	5.5	5.5	6.0	5.0	5.1	5.0	6.0	4.5
Q1:2016-17	5.3	5.3	5.8	4.6	4.6	4.5	5.0	4.3
Q2:2016-17	5.1	5.2	6.1	3.2	4.8	4.8	5.0	4.5

Table A.5: Forecasts of WPI Inflation

	WPI Headline				WPI-Manufactured Products			
	Mean	Median	Max	Min	Mean	Median	Max	Min
Q3:2015-16	-2.0	-2.3	0.9	-3.5	-1.0	-1.1	0.7	-1.7
Q4:2015-16	0.5	0.8	3.8	-2.8	0.3	0.5	1.9	-0.9
Q1:2016-17	1.3	1.6	3.9	-0.9	1.3	1.1	2.3	0.1
Q2:2016-17	2.5	2.4	4.5	-0.4	2.2	2.2	3.3	0.7

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

Growth Range	Forecasts for 2015-16	Forecasts for 2016-17
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	0
5.0 to 5.4 per cent	0	0
5.5 to 5.9 per cent	0	0
6.0 to 6.4 per cent	0.02	0
6.5 to 6.9 per cent	0.14	0.04
7.0 to 7.4 per cent	0.53	0.20
7.5 to 7.9 per cent	0.30	0.48
8.0 to 8.4 per cent	0.01	0.25
8.5 to 8.9 per cent	0	0.03
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 2016	Forecasts for March 2017
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	0.01	0.03
4.0 to 4.9 per cent	0.16	0.40
5.0 to 5.9 per cent	0.76	0.48
6.0 to 6.9 per cent	0.06	0.07
7.0 to 7.9 per cent	0	0.01
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.8: Mean probabilities attached to possible outcomes of WPI inflation

Inflation Range	Forecasts for March 2016	Forecasts for March 2017
Below 0 per cent	0.27	0.01
0 to 0.9 per cent	0.24	0.05
1.0 to 1.9 per cent	0.29	0.27
2.0 to 2.9 per cent	0.14	0.24
3.0 to 3.9 per cent	0.04	0.20
4.0 to 4.9 per cent	0.01	0.12
5.0 to 5.9 per cent	0	0.05
6.0 to 6.9 per cent	0	0.05
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 GVA	7.9	8.0	10.0	7.0	8.3	8.3	10.0	7.0
CPI Combined	5.0	5.0	6.0	4.0	4.7	4.7	5.5	4.0
WPI	3.7	4.0	5.0	1.8	3.8	3.5	5.5	2.4