

**Results of the Survey of Professional Forecasters on Macroeconomic Indicators –
28th Round (Second Bi-monthly)[#]**

The Reserve Bank has been conducting the quarterly 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 eight professional forecasters participated in the latest survey round. 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 revised down by 10 basis points to 5.4 per cent from 5.5 per cent from the previous round. The growth forecast for Agriculture & Allied Activities is also revised down from 3.0 per cent to 2.8 per cent and for Industry from 3.5 per cent to 3.1 per cent (**Table 1**).
- Real GDP growth rate forecast for 2015-16 is placed at 6.2 per cent.
- The forecasters assigned maximum probability of 0.44 to the range of 5.0-5.4 per cent for GDP growth in 2014-15 (**Chart 1**). For the year 2015-16, maximum probability of 0.35 per cent has been assigned in the range of 6.0-6.4 per cent.

Table 1: Median Forecast of Real GDP^{\$} (Growth Rate) for 2014-15 and 2015-16			Chart 1: Mean Probability Pattern of Growth Forecast for 2014-15 and 2015-16	
	2014-15	2015-16		
Real GDP	5.4 (-0.1)	6.2		
Agriculture and Allied Activities	2.8 (-0.2)	3.2		
Industry	3.1 (-0.4)	4.7		
Services	6.9 (0.0)	7.5		

[#] Data for the previous survey round were released on April 1, 2014 with the publication “Macroeconomic and Monetary Developments, First Bi-monthly Review 2013-14” on the RBI website.

[^] Median of forecasts of the respondents.

^{\$} 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.

- Private final consumption expenditure at current prices is expected to grow by 12.0 per cent in 2014-15 and by 12.5 per cent in 2015-16 (**Table 2**).
- Gross Domestic Saving rate is predicted at 31.0 per cent in 2014-15 and is likely to improve to 31.9 per cent in 2015-16 (**Table 2**).
- Gross Fixed Capital Formation rate is forecast at 30.0 per cent in 2014-15 and is expected to improve at 30.9 per cent in 2015-16 (**Table 2**).

Table 2: Median Forecast of PFCE and Capital Formation		
	2014-15	2015-16
Private final consumption expenditure	12.0 (0.0)	12.5
Gross Domestic Saving Rate (per cent of GDP)	31.0 (0.0)	31.9
Gross Fixed Capital Formation Rate (per cent of GDP)	30.0 (-0.5)	30.9

- Forecast for money supply (M_3) growth for 2014-15 is revised downward to 14.0 per cent from 14.5 per cent in the previous round. Bank credit growth forecast is also revised down to 15.0 per cent from 15.5 per cent in the previous round (**Table 3**).
- M_3 and Bank Credit are expected to grow by 15.0 per cent and 16.5 per cent, respectively, in 2015-16.
- Yield of 91-Days Treasury Bills is expected to be at 8.4 per cent and 8.3 per cent at end March 2015 and 2016, respectively (**Table 3**).

Table 3: Median Forecasts for Select Financial Market Variables		
	2014-15	2015-16
Money Supply (M_3)	14.0 (-0.5)	15.0
Bank Credit	15.0 (-0.5)	16.5
Yield of 91-Days Treasury Bills (per cent)	8.4 (-0.1)	8.3

- Central Government's gross fiscal deficit (GFD) is projected at 4.5 per cent of GDP in 2014-15 and is likely to improve to 4.1 per cent of GDP in 2015-16 (**Table 4**).
- The combined GFD of Central and State Governments is expected to be at 6.8 per cent of GDP in 2014-15 and is expected to improve to 6.2 per cent of GDP in 2015-16 (**Table 4**).

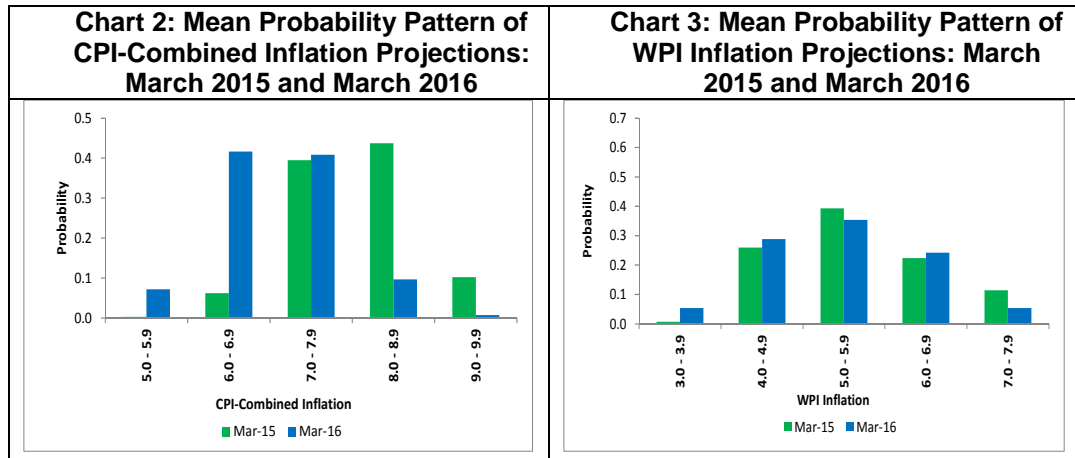
Table 4: Median Forecast for Fiscal Deficit		
	2014-15	2015-16
Central Government Gross Fiscal Deficit (per cent of GDP)	4.5 (+0.2)	4.1
Combined Gross Fiscal Deficit (per cent of GDP)	6.8 (+0.2)	6.2

- Merchandise Exports is predicted to grow by 6.7 per cent in 2014-15 and by 8.7 per cent in 2015-16 (**Table 5**). Current Account Deficit is projected at 2.1 per cent of GDP for the next two financial years. Capital Account Balance is expected at 3.1 per cent of GDP for 2014-15.

Table 5: Median Forecasts for Select External Sector Variables		
	2014-15	2015-16
Merchandise Exports (growth rate in per cent)	6.7 (-1.3)	8.7
Merchandise Imports (growth rate in per cent)	8.0 (-0.7)	10.0
Current Account Balance (per cent of GDP)	-2.1 (+0.3)	-2.1
Capital Account Balance (per cent of GDP)	3.1 (-0.1)	3.2

2. Quarterly Forecasts:

- Real GDP growth is expected to improve gradually from Q4: 2013-14 to Q4:2014-15 (**Annex Table A.3**).
- Industrial sector is projected to grow by 2.0 per cent in Q1: 2014-15 and is likely to improve to 3.5 per cent in Q4: 2014-15.
- Services sector is expected to grow at near 7.0 per cent from Q2: 2014-15 to Q4: 2014-15.
- Forecasters expect average CPI-Combined inflation in Q1: 2014-15 at 8.4 per cent. CPI inflation is expected to decline to 7.7 per cent in Q3: 2014-15 and then increase to 8.1 per cent in Q4: 2014-15 (**Annex Table A.4**).
- Inflation based on WPI is expected to decline to 4.5 per cent in Q3: 2014-15 and then increase to 5.5 per cent in Q4:2014-15 (**Annex Table A.4**).
- The forecasters assigned highest probability of 0.44 that CPI-Combined inflation will remain in the range 8.0-8.9 per cent in March 2015 (**Chart 2**).
- The forecasters assigned highest probability of 0.39 that WPI inflation will fall in the range of 5.0-5.9 per cent in March 2015 (**Chart 3**). For March 2016 also, the forecasters assigned maximum probability of 0.35 that WPI inflation will be in the range of 5.0-5.9 per cent.



- The Indian Rupee is expected to remain stable against the US\$ and is likely to remain stable around ₹60/US\$ till end 2014-15.

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), are expected to be 6.5 per cent and 7.2 per cent, respectively. Over the next five years, inflation based on CPI-Combined and WPI is expected to be at 7.0 per cent and 5.5 per cent, respectively. Over the next ten years, inflation based on CPI-Combined and WPI is expected to be around 6.5 per cent and 5.0 per cent, respectively (**Annex Table A.8**).

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)	5.4	5.4	6.2	4.9
a	Agriculture & Allied Activities (growth rate in per cent)	2.7	2.8	3.5	1.4
b	Industry (growth rate in per cent)	3.2	3.1	5.6	1.2
c	Services (growth rate in per cent)	6.9	6.9	7.6	6.1
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	11.5	12.0	14.0	7.2
3	Gross Domestic Saving (per cent of GDP)	30.9	31.0	32.0	29.0
4	Gross Fixed Capital Formation (per cent of GDP)	30.0	30.0	31.5	28.1
5	Money Supply (M3) (growth rate in per cent)	14.1	14.0	15.4	12.0
6	Bank Credit (growth rate in per cent)	15.3	15.0	17.5	12.5
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.8	6.8	8.0	6.1
8	Central Government Gross Fiscal Deficit (per cent of GDP)	4.5	4.5	5.5	4.1
9	Repo Rate(end period)	7.80	7.75	8.25	7.00
10	CRR (end period)	3.96	4.00	4.00	3.50
11	Yield of 91-Days Treasury Bills (end period)	8.4	8.4	9.0	7.5
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	8.5	8.5	9.3	7.7
13	Overall Balance of Payments (in US \$ bn.)	23.5	25.9	70.0	3.0
14	Merchandise Exports (in US \$ bn.)	338.8	337.0	360.0	323.8
15	Merchandise Exports (growth rate in per cent)	7.3	6.7	16.6	1.6
16	Merchandise Imports (in US \$ bn.)	501.3	498.1	538.1	474.5
17	Merchandise Imports (growth rate in per cent)	8.5	8.0	20.0	1.8
18	Merchandise Trade Balance (per cent of GDP)	-8.0	-7.9	-7.2	-9.2
19	Net Invisible Balance (in US \$ bn.)	120.6	119.9	135.4	113.8
20	Current Account Balance (in US \$ bn.)	-44.2	-45.0	-20.0	-81.4
21	Current Account Balance (per cent of GDP)	-2.2	-2.1	-1.0	-3.8
22	Capital Account Balance (in US \$ bn.)	67.1	64.0	97.0	45.0
23	Capital Account Balance (per cent of GDP)	3.2	3.1	4.5	2.2

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)	6.2	6.2	6.7	5.0
a	Agriculture & Allied Activities (growth rate in per cent)	3.3	3.2	5.0	2.3
b	Industry (growth rate in per cent)	4.6	4.7	6.4	0.9
c	Services (growth rate in per cent)	7.4	7.5	8.5	6.4
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	12.5	12.5	14.0	9.8
3	Gross Domestic Saving (per cent of GDP)	31.8	31.9	32.2	31.5
4	Gross Fixed Capital Formation (per cent of GDP)	30.8	30.9	32.0	28.5
5	Money Supply (M3) (growth rate in per cent)	15.0	15.0	16.3	14.0
6	Bank Credit (growth rate in per cent)	16.7	16.5	20.0	14.5
7	Combined Gross Fiscal Deficit (per cent of GDP)	6.4	6.2	8.0	5.8
8	Central Government Gross Fiscal Deficit (per cent of GDP)	4.2	4.1	6.0	3.6
9	Repo Rate(end period)	7.55	7.50	8.50	6.50
10	CRR (end period)	3.88	4.00	4.00	3.50
11	Yield of 91-Days Treasury Bills (end period)	8.0	8.3	8.9	6.5
12	YTM of Central Govt. Securities with term to maturity of 10-years (end period)	8.1	8.4	8.8	7.0
13	Overall Balance of Payments (in US \$ bn.)	23.9	17.2	60.0	4.9
14	Merchandise Exports (in US \$ bn.)	373.1	373.3	404.0	340.0
15	Merchandise Exports (growth rate in per cent)	9.2	8.7	15.9	5.0
16	Merchandise Imports (in US \$ bn.)	554.7	562.5	617.1	498.2
17	Merchandise Imports (growth rate in per cent)	10.3	10.0	20.4	5.0
18	Merchandise Trade Balance (per cent of GDP)	-7.8	-7.6	-6.5	-9.2
19	Net Invisible Balance (in US \$ bn.)	131.9	127.5	169.3	120.0
20	Current Account Balance (in US \$ bn.)	-52.2	-50.5	-35.0	-67.0
21	Current Account Balance (per cent of GDP)	-2.3	-2.1	-1.5	-3.4
22	Capital Account Balance (in US \$ bn.)	76.9	74.8	110.0	45.0
23	Capital Account Balance (per cent of GDP)	3.2	3.2	4.9	1.9

Table A.3: Quarterly Forecasts for Q4:2013-14 and Q4:2014-15

	Key Macroeconomic Indicators	Quarterly Forecasts							
		Q4: 2013-14				Q1: 2014-15			
		Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	4.8	4.9	5.2	4.4	5.0	5.0	5.9	4.2
a	Agriculture & Allied Activities (growth rate in per cent)	3.9	4.0	6.0	1.4	3.0	3.1	4.0	2.0
b	Industry (growth rate in per cent)	0.6	0.7	2.3	-0.9	1.9	2.0	3.7	1.0
c	Services (growth rate in per cent)	6.6	6.7	7.8	5.5	6.5	6.5	7.5	5.4
2	Index of Industrial Production (growth rate in per cent)	-	-	-	-	1.6	1.8	2.2	0.7
3	Private Final Consumption Expenditure (growth rate in per cent)	10.9	11.0	12.6	9.4	10.3	10.5	12.1	7.1
4	Gross Fixed Capital Formation (per cent of GDP)	29.0	28.3	32.6	27.0	29.3	29.0	32.4	27.8
5	₹ per US\$ (RBI reference rate-end period)	-	-	-	-	59.99	60.00	62.00	58.00
6	Repo Rate (end period)	-	-	-	-	7.99	8.00	8.00	7.75
7	CRR (end period)	-	-	-	-	4.00	4.00	4.00	4.00
8	Merchandise Export (in US\$ bn.)	83.1	83.3	86.9	81.1	78.5	78.5	82.9	74.8
9	Merchandise Import (in US\$ bn.)	113.1	113.7	118.6	109.8	117.7	117.5	129.5	112.6
10	Indian Crude Oil basket Price (in US\$ per barrel)	-	-	-	-	106.9	106.5	110.0	104.5

	Key Macroeconomic Indicators	Quarterly Forecasts											
		Q2: 2014-15				Q3: 2014-15				Q4: 2014-15			
		Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
1	Real GDP at factor cost (growth rate in per cent)	5.3	5.4	6.1	4.8	5.4	5.4	5.9	4.5	5.6	5.6	6.4	4.4
a	Agriculture & Allied Activities (growth rate in per cent)	2.5	2.9	3.5	1.0	2.7	2.7	3.5	1.7	2.7	2.9	3.6	1.7
b	Industry (growth rate in per cent)	2.1	2.2	3.8	-0.5	3.2	3.2	4.7	1.1	3.5	3.5	5.5	1.0
c	Services (growth rate in per cent)	6.9	6.8	8.3	5.8	6.9	6.9	7.7	6.4	7.0	7.1	7.5	6.3
2	Index of Industrial Production (growth rate in per cent)	1.6	1.9	3.1	-0.4	3.1	2.8	4.6	1.8	3.3	3.5	5.0	1.6
3	Private Final Consumption Expenditure (growth rate in per cent)	10.9	11.1	13.0	8.5	11.5	11.6	14.0	9.3	12.1	11.9	15.0	10.3
4	Gross Fixed Capital Formation (per cent of GDP)	30.5	30.0	33.9	29.1	29.3	28.2	31.5	27.6	31.0	31.4	32.5	29.5
5	₹ per US\$ (RBI reference rate-end period)	60.12	60.00	62.30	59.00	60.15	59.75	64.50	58.00	59.89	59.75	63.00	56.00
6	Repo Rate (end period)	8.00	8.00	8.25	7.75	7.92	8.00	8.25	7.50	7.93	8.00	8.25	7.50
7	CRR (end period)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.98	4.00	4.00	3.75
8	Merchandise Export (in US\$ bn.)	84.2	84.0	89.0	80.5	84.0	83.0	89.7	80.3	89.1	89.1	96.7	81.3
9	Merchandise Import (in US\$ bn.)	118.6	117.8	124.0	114.2	122.5	123.1	130.5	114.1	128.0	126.2	135.7	121.2
10	Indian Crude Oil basket Price (in US\$ per barrel)	106.3	107.0	108.0	104.5	107.4	107.0	114.0	103.0	106.3	106.3	110.0	103.0

Table A.4: Forecasts of CPI-Combined and WPI Inflation												
	CPI-Combined				WPI				WPI-Manufactured Products			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Q1:2014-15	8.4	8.4	9.0	7.8	5.7	5.7	6.9	4.9	3.5	3.5	4.5	3.0
Q2:2014-15	8.0	8.1	8.7	7.2	4.7	4.8	6.1	3.1	3.5	3.4	4.3	2.9
Q3:2014-15	7.5	7.7	8.6	6.1	4.6	4.5	6.2	3.3	3.4	3.3	4.9	2.5
Q4:2014-15	8.1	8.1	9.0	7.5	5.5	5.5	6.5	4.5	3.5	3.5	4.8	2.3

Table A.5: 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	0.03	0
4.5 to 4.9 per cent	0.14	0.03
5.0 to 5.4 per cent	0.44	0.15
5.5 to 5.9 per cent	0.33	0.22
6.0 to 6.4 per cent	0.05	0.35
6.5 to 6.9 per cent	0	0.22
7.0 to 7.4 per cent	0	0.03
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.6: 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
4.0 to 4.9 per cent	0	0
5.0 to 5.9 per cent	0	0.07
6.0 to 6.9 per cent	0.06	0.42
7.0 to 7.9 per cent	0.40	0.41
8.0 to 8.9 per cent	0.44	0.10
9.0 to 9.9 per cent	0.10	0.01
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.7: 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	0
3.0 to 3.9 per cent	0.01	0.05
4.0 to 4.9 per cent	0.26	0.29
5.0 to 5.9 per cent	0.39	0.35
6.0 to 6.9 per cent	0.22	0.24
7.0 to 7.9 per cent	0.11	0.05
8.0 to 8.9 per cent	0	0.01
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: 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	6.5	6.5	7.5	5.9	7.2	7.2	8.0	6.0
CPI Inflation	6.9	7.0	8.0	5.5	6.3	6.5	7.5	5.0
WPI	5.4	5.5	6.2	4.3	5.1	5.0	6.0	3.5