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RESERVE BANK OF INDIA

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**RBI Working Paper No. 09 /2024:
State-Level Inflation Forecasts for India: Based on Data
from Inflation Expectations Survey of Households**

Today the Reserve Bank of India placed on its website a Working Paper titled, "[State-Level Inflation Forecasts for India: Based on Data from Inflation Expectations Survey of Households](#)" under the Reserve Bank of India Working Paper Series¹. The paper is co-authored by Purnima Shaw and R. K. Sinha.

The Inflation Expectations Survey of Households (IESH) of the Reserve Bank of India (RBI) completed its 90th round in March 2024. Using the historical series from this survey, this paper provides state-level inflation forecasts. Deviating from the conventional regression-based forecasting, this paper proposes a new approach to modelling inflation expectations, which not only uses centre-wise survey data and state-wise inflation data but also redistributes the inflation expectation of respondents suitably to gain further precision.

For most of the states/union territories, the results show clear reduction in the quantum of nowcast/ forecast errors in state-level nowcasts/ forecasts obtained using the proposed methodology when compared with the errors of the survey forecasts, bias-adjusted survey forecasts and linear regression-based forecasts. The percentage of occurrences of directional matches of the nowcasts/ forecasts and the realised inflation figures are also noticeable.

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(Puneet Pancholy)
Chief General Manager

¹ The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors, when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.