



Press Release

NCAER'S Quarterly Review of the Indian Economy 2013-14 and Forecast for 2014-15

- GDP growth rate for 2013-14 based on quarterly and annual models point to a GDP growth of 4.7 – 4.9 per cent.
- WPI based average inflation rate projected at 6.2-6.4 per cent.
- Fiscal deficit for the center estimated at 5.1 per cent of GDP.
- GDP growth rate for 2014-15 is projected at 5.6%.

New Delhi, Wednesday, 5 February 2014: At a seminar held at the National Council of Applied Economic Research (NCAER) on the *State of Economy*, the following observations, reviews and projections were made by the Council through a presentation and release of their quarterly report titled, *“Quarterly Review of the Economy”*.

Agriculture

- All time high food grains production is expected. A new record output of around 270 million tones is estimated.
- Growth rate is expected to increase to 4.8% in 2013-14.
- In 2014-15, agricultural growth is expected to return to normal level and the projection stands at 2.1%.

Industry and Services

- The industrial sector continues to be in slowdown blues. Meagre growth in Gross Fixed Capital Formation (0.7%) between April-September, 2013.
- The IIP registered a negative growth of 2.1% in November 2013 with manufacturing declining by 3.5%.
- Eight core (infrastructure) industries registered a growth of 1.7% during April-November, 2013-14 versus 6.7% during the corresponding period in 2012-13
- The revised 2013-14 projection for Industry stands at 1.6%, while in 2014-15 it is projected to see an upward trend to 3.8%.
- Services sector has not been immune from the overall slowdown. However Services exports may prove an exception mainly due to expected growth in demand of IT services in the West. In 2014-15, the services sector growth is projected at 5.6%.

Public Finance

- Public Finances continue to be in disarray with the fiscal deficit touching 94% of the target of Rs 5.42 lakh crore for the year by November 2013.
- Faced with the prospects of breaching the fiscal deficit target of 4.8% of GDP for 2013-14, the Finance Ministry is expected to take all possible combat measures including cutback on plan expenditure; offloading stake in various profitable companies; pitch in by PSUs and possibility of deferred payments to meet the FD/GDP target.
- Overall the fiscal deficit in 2013-14 may be slightly higher than the budgeted 4.8 per cent on account of slower economic growth. The revenue and primary deficits are also likely to be higher than budgeted.

Money, Credit and Financial Markets

- Money and Capital markets exhibited lower volatility during the third quarter as a result of global environment.
- Liquidity conditions have eased and have helped to bridge the gap between credit and deposit growth mainly owing to the capital inflows under RBIs swap facilities for overseas borrowings by banks and non-resident deposit accounts.
- Overall credit growth to industry decelerated from 15.2% last year to 14.1%, nonfood credit growth also declined to 15% by early January.
- As a result of RBIs concerted efforts to attract dollar deposits, the deposit growth, year-on-year, finally outstripped credit growth in the third quarter.

External sector

- The external sector reflected improvement with the fairly stable exchange rate since mid –September 2013.
- The improvement in the exports together with moderation in imports contributed to a narrowing of trade deficit by around 25% during April – December 2013 as compared to corresponding period last year.
- Capital flows turned positive in Q3 though the outlook for Q4 remains uncertain.
- The current account deficit is expected to return to more sustainable levels (-2.9%).

Prices

- The Wholesale Price Index has shown a decline from 7.6% during April-December 2012 to 6.2 % during the same period in 2013. However the consumer price index continued to be sticky and close to double digits.
- Inflation is expected to come down to 6.2% in 2012-13 with further moderation to 6% in 2013-14.

Table: Forecasts for 2013–14 and 2014-15						
Item	2011–12	2012–13(RE for GDP)	NCAER Jul 2013 forecast for 2013-14	NCAER Oct 2013 Forecast for 2013-14	NCAER Jan 2014 Forecast for 2013-14	NCAER Jan 2014 Forecast for 2014-15
% Change yoy						
I. Real GDP						
- Agriculture	5.0	1.4	3.2	3.9	4.8	2.1
- Industry	7.8	1.0	4.3	3.9	1.6	3.8
- Services	6.6	7.0	7.1	6.1	6.0	7.1
Total	6.7	4.5	5.9	<i>5.2</i>	4.7	5.6
II. Trade (Goods)						
Exports (\$ value)	21.8	-1.8	9.4	<i>11.0</i>	11.7	14.0
Imports (\$ value)	32.3	0.4	12.4	<i>13.1</i>	9.8	14.4
III. Inflation (WPI, annual)	8.8	7.2	5.9	6.8	6.2	6.0
% of GDP at market prices						
IV. Current account balance*	-4.2	-4.8	-4.6	-4.5	-2.9	-3.0
V. Fiscal Deficit (Centre)	5.7	5.2	5.1	5.1	5.1	4.9
Notes: Forecast Based on Annual Model. RE: Revised Estimates * Surplus (+)/deficit (-)						

About NCAER: NCAER, the National Council of Applied Economic Research, is India's oldest and largest independent economic think-tank, set up in 1956 at the behest of Prime Minister Jawaharlal Nehru to inform policy choices for both the public and private sectors. Over nearly six decades, NCAER has served the nation well with its rich offering of applied policy research, unique data sets, evaluations, and policy inputs to central and state governments, corporate India, the media, and informed citizens. It is one of a few independent think-tanks world-wide that combines rigorous economic analysis and policy outreach with data collection capabilities, particularly for large-scale household surveys. NCAER is currently led by its Director-General, Dr Shekhar Shah, and governed by an independent Governing Body chaired by Mr Nandan M. Nilekani.

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