

## **Survey of Professional Forecasters: Results of the Fourteenth Round (Q3:2010-11)**

The Reserve Bank of India today released on its website the results of quarterly Survey of Professional Forecasters on major macroeconomic indicators of short to medium term economic developments. The Reserve Bank has been conducting this survey on a quarterly basis from the second quarter ended September 2007. Done through a questionnaire responded by 26 forecasters who participated in this round, the survey covered component-wise detailed forecasts of GDP growth, inflation, savings, capital formation, consumption expenditure, export, import, interest rates, money supply, credit growth, stock market movements, corporate profit, etc. The Reserve Bank disseminates the survey results through its website on a regular basis.

***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.***

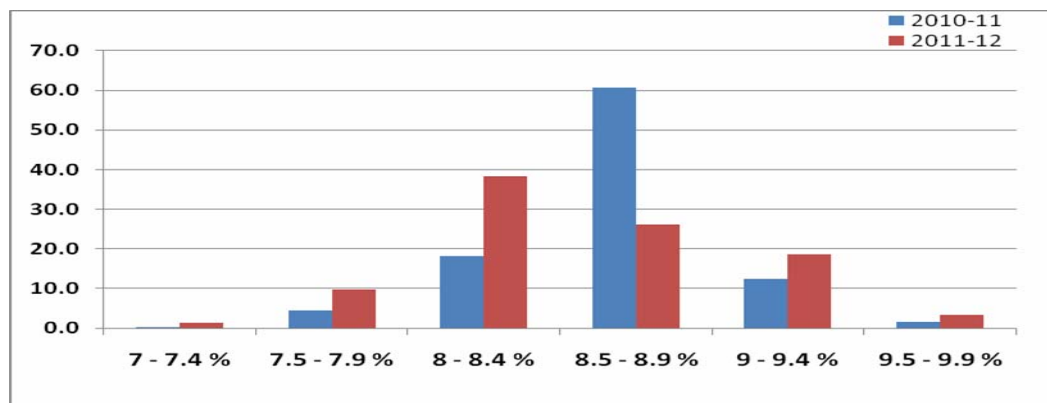
Some of the salient features of the forecast:

### **Annual Forecasts**

- Forecasters have revised their real **GDP** growth rate forecasts upwards to 8.7 per cent<sup>1</sup> in 2010-11 from 8.5 per cent in the last survey. The higher forecast is driven mainly by increased agricultural growth and growth in services. For the year 2011-12, the real GDP growth rate is expected to be 8.5 per cent, mainly driven by services. For the year 2010-11, forecasters have assigned the highest probability (60.7 per cent) to 8.5-8.9 per cent growth range for GDP. For 2011-12, they have assigned maximum probability (38.3 per cent) to 8.0-8.4 per cent growth range for GDP.

The chart given below shows mean probability pattern of real GDP growth forecasts.

**Chart 1: Mean Probability Pattern of Real GDP Growth Forecast**



<sup>1</sup> Growth rates, wherever indicated, are median forecasts.

- For the year 2010-11, the forecast for **agriculture** has been revised upwards from 4.6 per cent to 5.0 per cent.
- For the **industry** sector, the forecast is 9.0 per cent, which is the same as predicted in the last survey.
- For **services**, the forecasts have been revised upwards from 9.2 per cent to 9.6 per cent.
- **Sectoral** forecast for agriculture, industry and services for the year 2011-12 are 3.3 per cent, 8.7 per cent and 9.5 per cent, respectively.
- The proportion of **domestic saving** to GDP is indicated to be 34.0 per cent in 2010-11. This is the same as predicted in the last survey.
- Forecasters expect gross **domestic capital formation** to contribute 36.0 per cent of real GDP at current market price in 2010-11 (same as in the last survey), while contribution of gross fixed capital formation is expected to be 34.0 per cent (revised upwards from 33.3 per cent in the last survey). For the year 2011-12, the forecasters have predicted **domestic savings** at 35.5 per cent and contribution of gross domestic capital formation to be 37.0 per cent of real GDP.
- The forecasters have predicted **private final consumption expenditure** to grow at the rate of 14.0 per cent in 2010-11, revised upwards from 12.8 per cent in the last survey.
- Contribution of **gross fixed capital formation** is expected to be 34.8 per cent of GDP and the private final consumption expenditure is expected to grow at the rate of 14.0 per cent in the year 2011-12.
- The **profit growth of corporate sector** (of BSE listed companies) in 2010-11 has been projected to be 20.0 per cent. For the year 2011-12, it is expected to be 21.2 per cent, higher than 2010-11.
- **Broad money (M3)** growth is revised downwards to 17.0 per cent in 2010-11 from the earlier forecast of 17.5 per cent. In 2010-11, **Bank credit** is expected to grow at the rate of 20.0 per cent. In the year 2011-12, the broad money growth and bank credit growth are expected to be 18.0 per cent and 20.0 per cent, respectively.
- Forecasters have placed **Central Government fiscal deficit** at 5.5 per cent of GDP for 2010-11, which is revised marginally upwards from 5.3 per cent from the last survey. The **combined gross fiscal deficit** is placed at 8.5 per cent of GDP in 2010-11, revised slightly upwards from 8.3 per cent in the last survey. For the

- year 2011-12, the Central Government fiscal deficit and combined gross fiscal deficit are expected to be 5.0 per cent and 7.8 per cent of GDP, respectively.
- The forecasters expect end period **repo rate** to be at 6.50 per cent in 2010-11, which is the same as predicted in the last survey. They expect the **reverse repo rate** to be at 5.50 per cent in 2010-11 which is also the same as the projection in the last round survey. For end period of 2011-12, the repo and reverse repo rates are predicted to be 7.00 per cent and 6.00 per cent, respectively.
  - **Exports** are expected to grow at 18.0 per cent in 2010-11, revised significantly upwards from 15.9 per cent in the last survey. **Imports** are expected to grow by 20.0 per cent in 2010-11, revised upwards from 19.7 per cent in the last survey. For 2011-12, exports and imports are expected to grow at 17.8 per cent and 18.0 per cent, respectively.
  - **Net surplus under invisibles** is placed at US\$ 90.0 billion in 2010-11 as against US\$ 94.9 billion predicted in the last survey. It is placed at US\$ 108.9 billion as against US\$ 108.6 billion predicted for the year 2011-12 in the last survey.

#### Quarterly Forecasts

- The **real GDP growth** in the third quarter of 2010-11 is projected at 8.9 per cent, which is revised marginally upwards from 8.7 per cent in the last survey. During the fourth quarter of 2010-11, the GDP growth is placed at 8.5 per cent, also revised upwards from 8.3 per cent, projected in the last round of survey.
- **Median forecasts for real GDP** originating from agriculture, industry and services sectors in third quarter of 2010-11 are projected to be 6.8 per cent, 8.5 per cent and 9.8 per cent, respectively. For **agriculture** sector, the forecast has been revised moderately upwards (6.5 per cent in the last survey). The projection for **industry** has been revised downwards from 8.7 per cent of the last survey. For **services** sector, the forecast is revised upwards from 9.4 per cent in the last survey.
- **Index of Industrial Production growth** forecast in the third quarter of 2010-11 is now placed at 8.5 per cent, revised downwards from 8.7 per cent in the last survey.
- Contribution of **gross fixed capital formation** to GDP has been projected at 32.4 per cent in the third quarter of 2010-11, revised moderately upwards from 32.3 per cent in the last survey.

- **Corporate profit** in the third quarter of 2010-11 is expected to grow by 12.8 per cent, which is revised downwards from 15.0 per cent in the earlier survey.

### **Forecasts on prices**

- Forecasters' median estimates for **WPI inflation** in the fourth quarter of 2010-11 is at 6.6 per cent, which has been revised upwards from 6.0 per cent in the last survey.
- Forecasters have assigned the highest (36.7 per cent) chance that it will fall in 6.0-6.9 per cent in end-March of 2010-11. For end-March 2011-12, the highest probability (28.8 per cent) has been assigned to the same range.

### **Long Term Forecasts**

- Long term forecast for **real GDP** for the next five years is 8.5 per cent, which is same as predicted in the last survey. For the next ten years, the GDP is expected to grow at 8.7 per cent, which is revised downwards from 9.0 per cent in the last survey (Table A.7).
- Over the next five years, the forecasters expect **WPI inflation** and **CPI-IW inflation** to be 6.0 per cent and 7.0 per cent, respectively, which are the same as expected in the last survey. Over the next ten years, WPI based inflation is expected to be 5.3 per cent, which is revised downwards from 5.5 per cent in the last survey and CPI-IW based inflation is expected to be 6.5 per cent, same as expected in the last survey.

Table A.1 : Annual Forecasts for 2010-11

	Key Macroeconomic Indicators	Annual Forecasts for 2010-11				Actuals for 2009-10
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	8.7	8.7	9.2	8.4	7.4 #
a	Agriculture & Allied Activities	4.8	5.0	6.8	3.5	0.2 #
b	Industry	8.9	9.0	9.7	8.0	10.4 #
c	Services	9.5	9.6	10.1	8.8	8.3 #
2	Private Final Consumption Expenditure (growth rate in per cent)	13.8	14.0	20.2	5.5	11.0 #
3	Gross Domestic Saving (per cent of GDP at current market price)	34.0	34.0	35.0	32.0	
	of which Private Corporate Sector	9.2	9.0	10.0	8.5	
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	36.6	36.0	40.3	35.4	
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	34.4	34.0	38.7	32.9	32.4 #
6	Money Supply (M3) (growth rate in per cent)	17.3	17.0	20.0	15.5	16.8
7	Bank Credit (growth rate in per cent)	19.9	20.0	22.5	17.0	16.7
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.5	8.5	10.1	-8.3	10.0 #
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.0	5.5	7.3	-5.3	6.7 #
10	Corporate profit after tax (growth rate in per cent)	19.5	20.0	30.0	6.9	28.8
11	Repo (end period)	6.50	6.50	6.75	6.50	5.00
12	Reverse Repo (end period)	5.50	5.50	5.75	5.25	3.50
13	CRR (end period)	6.00	6.00	6.25	5.50	5.75
14	INR/ 1USD (RBI reference rate-end period)	44.5	44.5	46.4	43.2	45.1
15	T-Bill 91 days Yield (Weighted average cut-off yield)	6.8	6.8	7.5	5.5	4.4
16	10 year Govt. Securities Yield (per cent-average)	8.0	8.0	8.3	7.8	7.8
17	Overall Balance (in US \$ bn.)	24.1	22.0	41.3	10.0	13.4*
18	Export (in US \$ bn.)	211.0	211.0	225.0	200.0	178.6
	Export (growth rate in percent)	17.4	18.0	26.0	9.5	-3.6
19	Import (in US \$ bn.)	352.4	351.3	378.5	335.0	286.8
	Import (Growth rate in percent)	20.0	20.0	27.9	12.0	-5.6
20	Trade Balance (% of GDP)	-8.9	-8.9	-7.6	-10.4	-8.2
21	Invisible Balance (US \$ bn)	90.2	90.0	95.1	80.0	78.9*
22	Current Account Balance (US \$ bn)	-50.6	-51.3	-35.2	-60.0	-38.4*
23	Current Account Balance (% of GDP)	-3.2	-3.3	-2.3	-3.9	-2.9*
24	Capital Account Balance (US \$ bn)	72.2	72.0	96.0	54.6	53.6*
25	Capital Account Balance (% of GDP)	4.7	4.7	7.6	3.4	4.1*

#: RE \*: Preliminary

**Table A.2 : Annual Forecasts for 2011-12**

	Key Macroeconomic Indicators	Annual Forecasts for 2011-12			
		Mean	Median	Max	Min
1	Real GDP growth rate at factor cost (in per cent)	8.5	8.5	9.3	8.0
a	Agriculture & Allied Activities	3.4	3.3	5.0	1.4
b	Industry	8.8	8.7	10.3	7.0
c	Services	9.6	9.5	10.5	8.8
2	Private Final Consumption Expenditure (growth rate in per cent)	14.0	14.0	18.6	11.5
3	Gross Domestic Saving (per cent of GDP at current market price)	35.4	35.5	36.5	33.8
	of which Private Corporate Sector	9.9	9.8	10.5	9.5
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	37.0	37.0	38.0	35.3
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	34.7	34.8	36.3	33.4
6	Money Supply (M3) (growth rate in per cent)	18.0	18.0	20.0	16.0
7	Bank Credit (growth rate in per cent)	20.3	20.0	24.0	17.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.9	7.8	10.0	7.0
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.0	5.0	5.6	4.0
10	Corporate profit after tax (growth rate in per cent)	21.3	21.2	25.0	17.0
11	Repo (end period)	7.00	7.00	7.50	6.00
12	Reverse Repo (end period)	6.00	6.00	7.00	5.00
13	CRR (end period)	6.25	6.00	7.00	5.50
14	INR/ 1USD (RBI reference rate-end period)	43.7	43.5	47.1	41.8
15	T-Bill 91 days Yield (per cent-end period)	6.7	6.9	8.0	4.5
16	10 year Govt. Securities Yield (per cent-end period)	7.9	8.0	8.5	7.0
17	Overall Balance (in US \$ bn.)	21.8	24.5	42.2	3.5
18	Export (in US \$ bn.)	249.1	250.0	290.0	215.0
	Export (growth rate in percent)	16.7	17.8	29.0	7.3
19	Import (in US \$ bn.)	409.8	416.9	460.0	346.7
	Import (Growth rate in percent)	17.7	18.0	26.0	9.0
20	Trade Balance (% of GDP)	-9.0	-9.0	-8.1	-11.1
21	Invisible Balance (US \$ bn.)	110.8	108.9	154.5	92.0
22	Current Account Balance (US \$ bn)	-58.9	-59.4	-30.3	-78.4
23	Current Account Balance (Growth in per cent)	-3.2	-3.1	-1.6	-4.4
24	Capital Account Balance (US \$ bn)	82.2	83.0	112.5	62.0
25	Capital Account Balance (Growth in per cent)	4.4	4.5	6.4	3.3

**Table A.3: Quarterly Forecasts Q3: 2010-11 to Q3: 2011-12**

Key Macroeconomic Indicators	Quarterly Forecasts								
	Q2:10-11	Q3:10-11				Q4:10-11			
	Actuals	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.9	8.9	8.9	10.3	8.4	8.5	8.5	9.4	7.5
Agriculture & Allied Activities	4.4	6.5	6.8	10.0	3.8	4.9	5.0	7.0	3.0
Industry	9.0	8.3	8.5	9.5	6.1	7.5	7.3	9.3	5.8
Services	9.7	9.8	9.8	11.0	8.9	9.7	9.6	11.3	8.3
IIP growth rate (per cent)	8.7	8.4	8.5	9.5	6.9	7.1	6.9	10.5	5.0
Private Final Consumption Expenditure (growth rate in per cent)	19.5	15.5	16.5	19.7	8.1	16.3	16.6	21.3	10.0
Gross Domestic Capital Formation (per cent of GDP at current market price)		35.1	35.1	36.5	33.7	36.3	36.3	36.6	36.0
Gross Fixed Capital Formation (per cent of GDP at current market price)	32.4	32.2	32.4	33.0	31.0	33.7	34.0	35.2	32.0
Corporate profit after tax (growth rate in per cent)	10.8	13.9	12.8	20.0	10.0	16.8	15.8	30.0	10.2
INR/ 1USD (RBI reference rate- end period)	44.9	44.7	44.9	45.2	43.5	44.4	44.5	45.3	43.2
Repo Rate (end period)	6.00	6.25	6.25	6.25	6.25	6.50	6.50	6.75	6.50
Reverse Repo Rate (end period)	5.00	5.25	5.25	5.25	5.25	5.50	5.50	5.75	5.50
CRR (end period)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.00
BSE INDEX (end period)	20069	20051	20000	20509	19700	20906	21000	21500	20240
Export (US \$ bn.)	50.9#	54.8	54.1	68.9	51.0	57.0	56.9	68.0	48.0
Import (US \$ bn.)	86.0#	89.1	84.5	116.4	82.0	93.6	93.4	112.9	82.8
Trade Balance (US \$ bn.)	-35.1#	-34.3	-31.5	-28.0	-47.4	-36.6	-35.7	-28.6	-50.6
Oil Price(in US\$ per barrel)	76.1*	88.0	87.8	91.4	84.9	91.5	91.0	100.0	87.0

\*: Indian Basket #: Provisional

## A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	Q1:11-12				Q2:11-12				Q3:11-12			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.4	8.4	9.0	7.7	8.4	8.5	9.0	7.0	8.5	8.3	9.8	7.8
Agriculture & Allied Activities	3.7	3.5	6.7	2.8	3.6	3.1	6.0	3.0	3.3	3.4	6.0	-1.1
Industry	7.9	7.6	9.3	6.8	8.2	8.1	10.3	5.1	9.0	8.8	10.0	7.8
Services	9.6	9.5	10.3	9.0	9.4	9.5	10.3	8.1	9.9	9.6	11.0	8.9
IIP growth rate (per cent)	8.0	7.8	11.2	6.5	8.4	8.3	11.5	5.7	9.0	8.5	11.0	8.0
Private Final Consumption Expenditure (%growth)	15.3	14.8	20.0	9.8	15.7	15.1	21.1	10.5	15.4	16.0	18.3	12.0
Gross Domestic Capital Formation (% of GDP at current market price)	35.7	35.7	36.0	35.4	35.9	35.9	36.5	35.3	36.8	36.8	37.0	36.5
Gross Fixed Capital Formation (% of GDP at current market price)	32.8	32.8	34.5	31.0	32.2	32.5	33.2	30.0	32.6	33.0	33.5	30.0
Corporate profit after tax (growth rate in per cent)	18.3	17.5	32.7	10.0	15.2	14.1	25.0	9.5	16.5	16.0	25.0	9.5
INR/ 1USD (RBI reference rate- end period)	44.1	44.1	46.3	42.8	43.7	43.9	45.5	42.4	43.7	43.9	45.8	42.0
Repo Rate (end period)	6.50	6.50	7.00	6.25	6.75	6.75	7.25	6.25	7.00	7.00	7.50	6.25
Reverse Repo Rate (end period)	5.50	5.50	6.00	5.25	6.00	5.75	6.50	5.25	6.00	6.00	7.25	5.25
CRR (end period)	6.00	6.00	6.25	6.00	6.00	6.00	6.50	6.00	6.25	6.00	6.75	6.00
BSE INDEX (end period)	21038	20750	22500	20000	21637	21800	23000	20610	21840	22000	23000	20800
Export (US \$ bn.)	58.7	59.2	70.0	50.0	60.0	59.4	71.0	52.0	64.8	62.1	81.8	55.0
Import (US \$ bn.)	95.4	93.9	110.0	80.0	101.1	100.2	119.9	83.0	109.1	106.0	145.6	87.0
Trade Balance (US \$ bn.)	-38.3	-38.1	-30.0	-52.6	-37.8	-40.7	-21.0	-45.1	-39.4	-41.2	-22.0	-51.4
Oil Price(in US\$ per barrel)	88.5	88.8	92.0	83.3	88.5	88.8	93.0	83.3	89.1	88.8	95.0	83.3



**Table A.4: Forecasts for WPI and CPI-IW**

	WPI				WPI-MP				CPI-IW			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Q4:10-11	6.5	6.6	7.8	3.6	4.2	4.0	5.5	3.3	7.6	7.4	9.5	6.1
Q1:11-12	6.2	6.4	8.0	3.2	4.6	4.5	6.0	3.3	7.8	7.9	8.3	7.1
Q2:11-12	6.6	6.9	8.6	3.9	5.0	5.1	7.0	3.2	7.7	7.4	9.2	6.3
Q3:11-12	6.7	7.0	7.9	4.7	5.2	4.9	7.1	3.3	7.7	7.4	9.4	7.0

**Table A.5: Mean probabilities attached to possible outcomes of GDP**

Growth Range	Forecasts for 2010-11	Forecasts for 2011-12
Below 3 per cent	0.2	0.2
3 to 3.4 per cent	0.2	0.2
3.5 to 3.9 per cent	0.2	0.2
4 to 4.4 per cent	0.2	0.2
4.5 to 4.9 per cent	0.2	0.2
5 to 5.4 per cent	0.2	0.2
5.5 to 5.9 per cent	0.2	0.2
6 to 6.4 per cent	0.2	0.2
6.5 to 6.9 per cent	0.2	0.2
7 to 7.4 per cent	0.2	1.4
7.5 to 7.9 per cent	4.5	9.8
8 to 8.4 per cent	18.2	38.3
8.5 to 8.9 per cent	60.7	26.2
9 to 9.4 per cent	12.4	18.7
9.5 to 9.9 per cent	1.6	3.4
10 to 10.4 per cent	0.2	0.2
10.5 to 10.9 per cent	0.2	0.2
11 to 11.4 per cent	0.2	0.2
11.5 to 11.9 per cent	0.2	0.2
12 percent or more	0.2	0.2

**Table A.6: Mean probabilities attached to possible outcomes of WPI**

<b>Growth Range</b>	<b>Forecasts for End-March 2010-11</b>	<b>Forecasts for End-March 2011-12</b>
Below -3 per cent	0.1	0.1
-3 to -2.1 per cent	0.1	0.1
-2 to -1.1 per cent	0.1	0.1
-1 to -0.1 per cent	0.1	0.1
0 to 0.9 per cent	0.1	0.1
1 to 1.9 per cent	0.1	0.1
2 to 2.9 per cent	0.1	0.1
3 to 3.9 per cent	9.1	2.1
4 to 4.9 per cent	3.9	16.6
5 to 5.9 per cent	12.0	21.4
6 to 6.9 per cent	36.7	28.8
7 to 7.9 per cent	20.1	17.8
8 to 8.9 per cent	13.8	11.3
9 to 9.9 per cent	2.6	0.1
10 to 10.9 per cent	0.1	0.1
11 to 11.9 per cent	0.1	0.1
12 to 12.9 per cent	0.1	0.1
13 to 13.9 per cent	0.1	0.1
14 to 14.9 per cent	0.1	0.1
15 per cent and above	0.1	0.1

**Table A.7: Annual Average Percentage Change**

<b>Annual average percentage change over the next five years</b>				<b>Annual average percentage change over the next ten years</b>			
	<b>Real GDP</b>	<b>WPI Inflation</b>	<b>CPI-IW Inflation</b>		<b>Real GDP</b>	<b>WPI Inflation</b>	<b>CPI-IW Inflation</b>
Minimum	8.0	4.5	6.0	Minimum	8.0	4.0	4.0
Lower Quartile	8.5	5.5	7.0	Lower Quartile	8.0	5.0	6.0
Median	8.5	6.0	7.0	Median	8.7	5.3	6.5
Upper Quartile	9.0	6.4	7.5	Upper Quartile	9.3	5.8	7.0
Maximum	9.5	7.0	8.5	Maximum	10.5	7.5	8.0
Mean	8.7	6.0	7.2	Mean	8.8	5.4	6.4
S.D	0.4	0.7	0.7	S.D	0.7	0.8	1.1