Results of the Survey of Professional Forecasters on Macroeconomic Indicators – 22nd Round (Q3:2012-13)

The Reserve Bank has been conducting the Survey of Professional Forecasters on a quarterly basis from the quarter ended 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.***

The latest survey round relates to Q3 of 2012-13. Thirty one professional forecasters participated in this round. The results of the survey are presented in the ***Annex.***

Highlights:

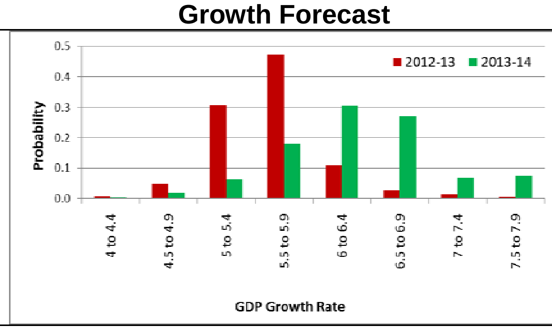
1. **Annual Forecasts**:

- Real GDP growth rate forecast for 2012-13 was revised downwards to 5.5 per cent[1] from 5.7 per cent in the last round. While growth forecast for GDP Agriculture and Allied Activities has been revised upwards, that for GDP industry and GDP services were revised downwards **(Table 1).**
- For 2013-14, real GDP growth rate forecast was revised down to 6.5 per cent from 6.6 per cent in the last round.
- The forecasters were asked to assign probabilities to the possibility that year-on-year real GDP growth rate will be in various ranges. For 2012-13, maximum probability of 47.3 per cent has been assigned to GDP growth range of 5.5-5.9 per cent **(Chart 1).** For 2013-14, maximum probability (30.5 per cent) has been assigned to the range of 6.0-6.4 per cent.

Table 1: Median Forecast of Real GDP* (Annual Growth Rate)

	2012-13	2013-14
Real GDP	5.5 (-0.2)	6.5 (-0.1)
Agriculture and Allied Activities	1.5 (+0.1)	3.0 (0.0)
Industry	2.8 (-0.2)	4.7 (-0.6)
Services	7.4 (-0.4)	7.8 (-0.2)

Chart 1: Mean Probability Pattern of Growth Forecast



*****: Figures in brackets are increase/decrease of forecasts from last round.

[1] Forecasts wherever indicated are the median forecasts.

- The domestic saving rate and the rate of gross fixed capital formation are forecast to be 30.5 per cent and 29.1 per cent, respectively, in 2012-13. The private final consumption expenditure at current prices is expected to grow at the rate of 12.5 per cent **(Table 2).**
- For 2013-14, the domestic saving rate and gross fixed capital formation are likely to improve to 31.2 per cent and 30.0 per cent respectively.

Table 2: Median Forecast of Savings and Capital Formation*

	2012-13	2013-14
PFCE Growth Rate	12.5 (0.0)	13.5 (-0.5)
GDS Rate	30.5 (+0.2)	31.2 (-0.4)
GFCF Rate	29.1 (+0.1)	30.0 (0.0)

*****: Figures in brackets are increase/decrease of forecasts from last round.

- The forecast for money supply (M_3) has been revised downwards in 2012-13 and 2013-14, whereas bank credit growth forecast for 2013-14 remains unchanged **(Table 3).**
- The exchange rate (₹ per USD) is projected at 54.00 for end period 2012-13 and at 52.00 for end period 2013-14. Yield of 91-Days Treasury Bill is forecast at 7.8 per cent for end 2012-13 and at 7.6 per cent for end 2013-14 (**Table 3**).

Table 3: Median Projections for Select Financial Market Variables*

Growth Rate	2012-13	2013-14		End Period	2012-13	2013-14
M_3	14.0 (-1.0)	15.3 (-0.5)		₹ per USD	54.00 (+2.00)	52.00 (+1.2)
Bank Credit	16.0 (-0.5)	17.0 (0.0)		Treasury Bill 91-days Yield (in per cent)	7.8 (-0.1)	7.6 (+0.1)

*****: Figures in brackets are increase/decrease of forecasts from last round.

- Central Government's gross fiscal deficit (GFD) is forecast at 5.7 per cent of GDP in 2012-13 and is likely to improve to 5.3 per cent of GDP in 2013-14. The combined GFD of Central and State Governments is forecast at 7.7 per cent of GDP in 2013-14 **(Table 4)**.
- The forecasters expect Repo Rate to be at 7.50 per cent for end of 2012-13 and 7.00 per cent for end of 2013-14. CRR is forecast at 4.25 per cent for end 2012-13 and 4.00 per cent for end 2013-14 **(Table 5)**.

Table 4: Median Forecast for Fiscal Deficit*				**Table 5: median Forecast for Policy Rates***		
	2012-13	**2013-14**		**End Period**	**2012-13**	**2013-14**
Combined Gross Fiscal Deficit as per cent of GDP	8.0 (-0.2)	7.7 (0.0)		Repo Rate	7.50 (0.0)	7.00 (0.0)
Central Govt. Fiscal Deficit as per cent of GDP	5.7 (0.0)	5.3 (0.0)		CRR	4.25 (0.0)	4.00 (-0.25)

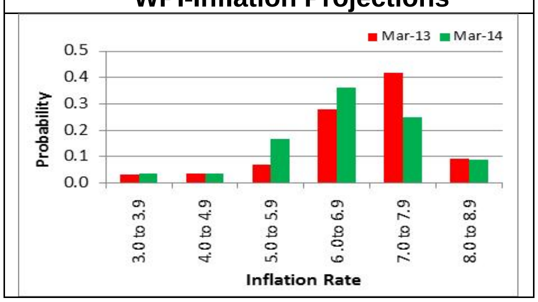
*****: Figures in brackets are increase/decrease of forecasts from last round.

- Forecast for exports growth, imports growth, current account balance and capital account balance for 2012-13 and 2013-14 are given in Annex Table A.1 and Table A.2.

2. Quarterly Forecasts:

- The growth of real GDP and that for agriculture and industry are forecast to improve gradually from Q3:2012-13 to Q3:2013-14, while GDP services growth forecast is expected to move in a narrow range (**Annex Table A.3**).
- Forecasters expect average WPI inflation in Q4:2012-13 at 7.0 per cent, revised downward from 7.7 per cent in the last round. WPI inflation is expected to fall to 6.6 per cent in Q2:2013-14 and may increase to 7.0 per cent in Q3:2013-14. Inflation based on CPI-Industrial Workers is forecast to remain above 9.0 per cent for Q4:2012-13 to Q3:2013-14 **(Annex Table A.4).**
- The forecasters were asked to assign probabilities to the possibility that WPI based inflation would fall into various ranges in March-13 and March-14. They have assigned the highest probability (41.9 per cent) that inflation will fall for the range of 7.0-7.9 per cent during March-13 **(Chart 2**). For March-14, highest probability (36.2 per cent) is assigned for the range of 6.0-6.9 per cent.

Chart 2: Mean Probability Pattern of WPI-Inflation Projections



3. Long Term Forecasts:

- Long term forecast for real GDP for the next five years (2013-14 to 2017-18) and the next ten years (2013-14 to 2022-23), is expected to be 7.3 per cent and 8.0 per cent, respectively. Over the next five years, inflation based on WPI and CPI-Industrial Workers is expected to be 6.5 per cent and 7.8 per cent respectively. Over the next ten years, inflation based on WPI and CPI-Industrial Worker is expected to be 6.0 per cent and 6.5 per cent respectively. **(Annex Table A.7)**.

Annex

Table A.1: Annual Forecasts for 2012-13

	Key Macroeconomic Indicators	Annual Forecasts for 2012-13				Actuals for 2011-12
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	5.5	5.5	6.0	5.2	6.5#
a	Agriculture & Allied Activities	1.5	1.5	3.0	0.2	2.8#
b	Industry	2.7	2.8	4.1	1.0	2.6#
c	Services	7.3	7.4	8.1	6.2	8.5#
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	12.4	12.5	15.0	5.2	14.4#
3	Gross Domestic Saving (per cent of GDP)	30.5	30.5	33.1	28.0	-
4	Gross Domestic Capital Formation (per cent of GDP)	34.2	34.2	37.5	30.0	-
5	Gross Fixed Capital Formation (per cent of GDP)	27.7	29.1	31.6	0.3	29.5#
6	Money Supply (M3) (growth rate in per cent)	14.3	14.0	16.6	12.0	12.9
7	Bank Credit (growth rate in per cent)	15.9	16.0	19.0	12.3	17.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	8.1	8.0	9.0	7.4	7.0 BE
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.7	5.7	5.9	5.3	5.9 #
10	Repo Rate(end period)	7.57	7.50	8.00	7.00	8.50
11	CRR (end period)	4.17	4.25	4.75	3.75	4.75
12	₹ per USD (RBI reference rate-end period)	53.5	54.0	55.0	48.0	51.16
13	T-Bill 91 days Yield (per cent-end period)	7.8	7.8	8.5	7.5	8.66
14	10 year Govt. Securities Yield (per cent-end period)	8.0	7.9	8.4	7.7	8.56
15	Overall Balance (in US $ bn.)	-3.9	-3.7	14.0	-36.4	-12.8@
16	Export (in US $ bn.)	298.7	297.0	340.0	284.1	309.8@
	Export (growth rate in percent)	-3.0	-3.5	10.0	-8.0	23.7@
17	Import (in US $ bn.)	494.0	492.1	535.0	475.0	499.5@
	Import (Growth rate in percent)	-0.7	-1.4	9.9	-4.9	31.1@
18	Trade Balance (per cent of GDP)	-10.6	-10.5	-8.4	-13.7	-11.1@
19	Invisible Balance (US $ bn.)	115.2	116.5	127.0	102.0	111.6@
20	Current Account Balance (US $ bn.)	-80.1	-79.9	-69.2	-96.2	-78.2@
21	Current Account Balance (per cent of GDP)	-4.3	-4.2	-3.0	-6.3	-4.6@
22	Capital Account Balance (US $ bn.)	77.9	79.5	94.0	49.0	67.8@
23	Capital Account Balance (per cent of GDP)	4.2	4.2	5.3	2.6	3.9@

#: RE; @: Preliminary; BE: Budget Estimate.

Table A.2: Annual Forecasts for 2013-14

	Key Macroeconomic Indicators	Annual Forecasts for 2013-14			
		Mean	Median	Max	Min
1	Real GDP growth rate at factor cost (in per cent)	6.4	6.5	7.5	5.8
a	Agriculture & Allied Activities	3.0	3.0	4.0	2.0
b	Industry	4.8	4.7	7.7	3.7
c	Services	7.7	7.8	9.0	6.7
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	13.3	13.5	15.3	6.7
3	Gross Domestic Saving (per cent of GDP)	31.4	31.2	33.4	29.5
4	Gross Domestic Capital Formation (per cent of GDP)	34.9	34.7	38.8	31.0
5	Gross Fixed Capital Formation (per cent of GDP)	28.7	30.0	32.7	0.3
6	Money Supply (M3) (growth rate in per cent)	15.4	15.3	17.0	13.0
7	Bank Credit (growth rate in per cent)	17.2	17.0	22.0	14.8
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.7	7.7	9.0	6.3
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.4	5.3	6.5	4.8
10	Repo Rate(end period)	6.99	7.00	7.50	6.50
11	CRR (end period)	3.96	4.00	4.50	3.25
12	₹ per USD (RBI reference rate-end period)	52.1	52.0	58.3	49.0
13	T-Bill 91 days Yield (per cent-end period)	7.6	7.6	8.6	7.0
14	10 year Govt. Securities Yield (per cent-end period)	7.8	7.8	8.4	7.3
15	Overall Balance (in US $ bn.)	1.2	2.5	22.0	-45.0
16	Export (in US $ bn.)	332.2	325.5	409.0	288.8
	Export (growth rate in per cent)	11.6	11.2	24.2	1.6
17	Import (in US $ bn.)	542.3	537.5	630.0	491.5
	Import (Growth rate in percent)	10.1	8.6	19.2	0.4
18	Trade Balance (as per cent of GDP)	-9.7	-9.6	-8.3	-11.3
19	Invisible Balance (US $ bn.)	130.4	130.0	161.7	113.9
20	Current Account Balance (US $ bn.)	-79.9	-77.2	-65.0	-116.4
21	Current Account Balance (per cent of GDP)	-3.6	-3.5	-2.4	-5.7
22	Capital Account Balance (US $ bn.)	84.1	85.5	102.9	56.3
23	Capital Account Balance (per cent of GDP)	3.9	4.0	5.0	2.4

Table A.3: Quarterly Forecasts for Q3:2012-13 and Q4:2012-13

Key Macroeconomic Indicators	Quarterly Forecasts							
	Q3: 2012-13				Q4: 2012-13			
	Mean	**Median**	**Max**	**Min**	**Mean**	**Median**	**Max**	**Min**
Real GDP growth rate at factor cost (per cent)	5.5	5.5	6.5	4.8	6.0	6.0	7.30	5.0
Agriculture & Allied Activities	0.3	0.5	3.5	-2.0	1.7	1.9	3.5	-0.5
Industry	3.3	3.5	5.1	1.1	3.5	4.0	5.8	1.1
Services	7.6	7.6	8.6	6.6	7.7	7.8	8.9	6.5
IIP growth rate (per cent)	3.3	3.6	5.4	1.4	3.5	3.9	5.5	1.4
Private Final Consumption Expenditure (growth rate in per cent)	12.1	12.4	15.3	5.0	12.2	12.1	15.9	5.8
Gross Capital Formation (per cent of GDP)	34.4	35.3	36.0	31.0	34.4	34.2	36.5	32.0
Gross Fixed Capital Formation (per cent of GDP)	29.1	29.4	31.0	27.8	30.0	30.3	31.3	28.0
₹ per USD (RBI reference rate-end period)	54.49	55.00	55.01	51.00	53.68	54.00	55.00	52.50
Repo Rate (end period)	7.97	8.00	8.00	7.50	7.52	7.50	7.75	7.25
CRR (end period)	4.26	4.25	4.50	4.00	4.13	4.25	4.50	3.75
BSE INDEX (end period)	19,045	19,000	19,427	18,700	19,630	20,000	20,120	18,400
Merchandise Export -BoP (in US$ bn.)	70.7	69.5	87.0	66.8	79.1	77.0	92.0	69.7
Merchandise Import -BoP (US$ bn.)	123.8	124.8	130.3	115.4	126.9	127.5	134.6	119.3
Trade Balance- BoP (US$ bn.)	-53.0	-55.9	-33.0	-60.1	-47.8	-48.1	-36.0	-54.2
Indian Crude Oil basket Price (in US$ per barrel)	106.2	108.0	109.0	98.0	106.9	109.0	110.5	95.0

A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	Q1: 2013-14				Q2: 2013-14				Q3: 2013-14			
	Mean	**Median**	**Max**	**Min**	**Mean**	**Median**	**Max**	**Min**	**Mean**	**Median**	**Max**	**Min**
Real GDP growth rate at factor cost (per cent)	6.1	6.1	7.3	5.3	6.6	6.5	7.6	5.7	6.6	6.6	7.5	5.5
Agriculture & Allied Activities	2.5	2.5	4.4	0.9	3.0	3.0	4.9	1.8	3.5	3.2	5.0	2.0
Industry	4.2	4.4	6.5	2.7	4.9	4.6	9.1	3.0	5.2	5.5	8.6	3.4
Services	7.5	7.6	9.0	5.6	7.6	7.7	9.0	6.1	7.9	7.9	9.0	6.8
IIP growth rate (per cent)	4.2	4.3	7.7	2.3	5.0	4.5	11.2	2.7	5.1	4.7	9.2	2.9
Private Final Consumption Expenditure (growth rate in per cent)	12.5	12.6	15.1	6.8	12.4	12.4	15.5	6.0	12.7	12.6	15.7	6.5
Gross Capital Formation (per cent of GDP)	35.4	36.0	36.9	33.5	36.0	36.0	38.0	34.0	35.5	36.0	36.3	34.0
Gross Fixed Capital Formation (per cent of GDP)	31.4	31.2	34.9	29.5	31.8	31.0	35.3	30.6	30.8	31.5	32.5	28.1
₹ per USD (RBI reference rate-end period)	53.23	53.00	57.00	51.00	52.86	52.50	60.00	50.00	52.46	51.50	59.00	49.00
Repo Rate (end period)	7.27	7.25	7.50	7.00	7.13	7.00	7.50	7.00	7.10	7.00	7.50	6.75
CRR (end period)	4.06	4.00	4.50	3.50	3.96	4.00	4.50	3.25	3.88	4.00	4.50	3.25
BSE INDEX (end period)	20,319	20,538	21,700	18,500	20,267	20,450	21,600	18,750	20,583	20,550	22,300	18,900
Merchandise Export -BoP (in US$ bn.)	81.5	81.8	98.0	70.3	84.4	83.7	101.0	70.9	85.4	81.4	105.0	70.7
Merchandise Import -BoP (US$ bn.)	126.6	126.2	132.9	120.0	132.9	132.0	144.6	124.1	136.9	135.0	145.0	123.7
Trade Balance- BoP (US$ bn.)	-45.1	-46.5	-32.0	-50.2	-48.5	-50.8	-31.0	-56.3	-51.7	-53.0	-30.0	-66.1
Oil Price (in US$ per barrel)	104.8	107.0	110.0	95.0	103.8	106.5	112.0	90.0	102.5	105.0	115.0	85.0

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

	WPI				WPI-Manufactured Products				CPI-Industrial Workers			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Q4:2012-13	7.1	7.0	7.7	6.6	5.4	5.3	6.4	4.9	9.8	9.9	11.8	8.2
Q1:2013-14	6.7	6.8	7.3	6.0	5.3	5.2	7.1	4.1	8.9	9.1	10.5	7.3
Q2:2013-14	6.6	6.6	7.5	5.5	4.8	4.8	6.7	3.3	8.8	9.3	10.5	6.9
Q3:2013-14	6.8	7.0	7.5	5.5	5.0	5.2	6.1	3.7	8.7	9.1	10.2	6.7

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

Growth Range	Forecasts for 2012-13	Forecasts for 2013-14
Below 3.0 per cent	0.1	0.1
3.0 to 3.4 per cent	0.1	0.1
3.5 to 3.9 per cent	0.5	0.2
4.0 to 4.4 per cent	0.7	0.4
4.5 to 4.9 per cent	4.6	1.7
5.0 to 5.4 per cent	30.6	6.2
5.5 to 5.9 per cent	47.3	18.0
6.0 to 6.4 per cent	10.8	30.5
6.5 to 6.9 per cent	2.5	27.1
7.0 to 7.4 per cent	1.3	7.0
7.5 to 7.9 per cent	0.6	7.5
8.0 to 8.4 per cent	0.3	0.4
8.5 to 8.9 per cent	0.2	0.2
9.0 to 9.4 per cent	0.2	0.2
9.5 to 9.9 per cent	0.2	0.2
10.0 to 10.4 per cent	0.0	0.1
10.5 to 10.9 per cent	0.0	0.0
11.0 percent or more	0.0	0.0

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

Growth Range	Forecasts for March 2013	Forecasts for March 2014
Below 0	0.3	0.3
0 to 0.9	0.4	0.4
1.0 to 1.9	0.7	0.7
2.0 to 2.9	2.1	2.1
3.0 to 3.9	3.4	3.4
4.0 to 4.9	3.5	3.6
5.0 to 5.9	7.0	16.8
6.0 to 6.9	27.9	36.2
7.0 to 7.9	41.9	25.1
8.0 to 8.9	9.3	8.7
9.0 to 9.9	2.7	1.8
10.0 to 10.9	0.3	0.3
11.0 to 11.9	0.2	0.2
12.0 to 12.9	0.1	0.1
13.0 to 13.9	0.1	0.1
14.0 or above	0.1	0.1

Table A.7: 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	7.3	7.3	8.5	6.0	7.8	8.0	9.5	7.0
WPI Inflation	6.5	6.5	8.0	5.5	5.9	6.0	6.5	4.5
CPI-IW Inflation	7.7	7.8	10.0	6.5	6.7	6.5	8.5	5.5