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वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

May 25, 2011

Results of 15th Round (Q4:2010-11) of Survey of Professional Forecasters on Macroeconomic Indicators

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 survey covers forecast for quarter 4 of 2010-11, that is, January-March 2011.

Done through a questionnaire responded by 25 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 has been conducting this survey on a quarterly basis from the second quarter ended September 2007. It 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.

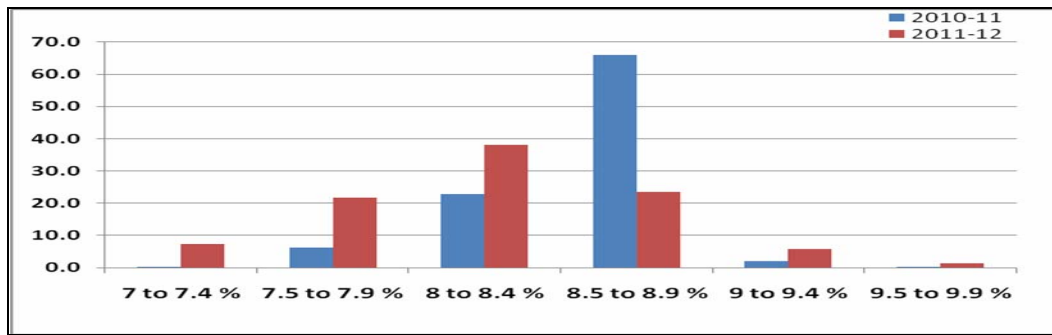
Some of the salient features of the survey are:

1. Annual Forecasts:

Overall & Sectoral Real GDP for 2011-12:

- For 2011-12, Forecasters have revised their real GDP growth rate forecasts downwards to 8.2 per cent¹ from 8.5 per cent as per the last survey. Projections for agriculture, industry and services growth are 3.1 per cent, 8.2 per cent and 9.6 per cent, respectively. For agriculture and industry, there is a downward revision and for services, there is an upward revision from the previous round of survey. The forecasters were asked to assign probabilities to the possibility that year-on-year real GDP growth rate would fall into various ranges. For 2011-12, they have assigned maximum probability of 38.2 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.

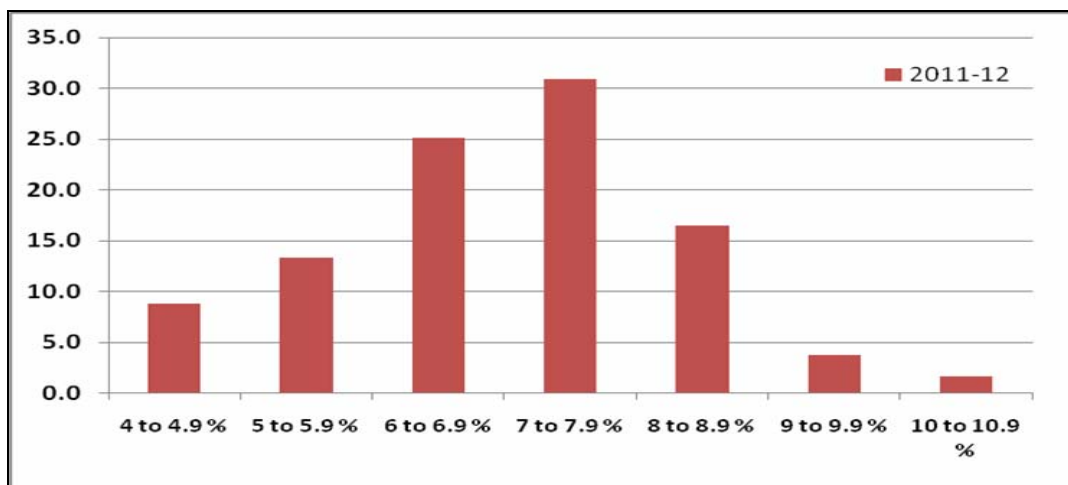
¹ Growth rates wherever indicated are the median forecasts.

Chart 1: Mean Probability Pattern of Real GDP Growth Forecast**Savings and Capital Formation for 2011-12:**

- For 2011-12, the domestic saving rate is indicated to be 35.3 per cent, revised downwards from last survey. Forecasters expect gross domestic capital formation to contribute 37.5 per cent, an upward revision from last round survey. The contribution of gross fixed capital formation is expected to be 31.5 per cent, revised downwards from last survey. The forecasters have predicted private final consumption expenditure to grow at the rate of 15.8 per cent, revised upwards from last round survey.

WPI Inflation for 2011-12:

- The forecasters were asked to assign the probabilities to the possibility that WPI based inflation will fall into various ranges in end period of current financial year. Forecasters have assigned highest 30.2 per cent chance that it will fall in 7.0-7.9 per cent in end-March of 2011-12, with a downward bias (Chart 2).

Chart 2: Mean Probability Pattern of WPI-Inflation Forecast**Markets, 2011-12:**

- The profit growth of corporate sector (of BSE listed companies) in 2011-12 has been projected to be 20.0 per cent, revised downwards from last round survey.
- Broad money (M3) growth is revised downwards to 17.2 per cent in 2011-12 from the earlier forecast of 18.0 per cent. In 2011-12, bank credit is expected

to grow at the rate of 20.0 per cent, same as predicted in the last round of survey.

Fiscal Deficit for 2011-12:

- Central Government fiscal deficit is placed at 5.0 per cent of GDP in 2011-12, which is same as predicted in the last survey. The combined gross fiscal deficit is placed at 7.6 per cent of GDP in 2011-12, revised downwards from 7.8 per cent in the last survey.

Policy rates, 2011-12:

- The forecasters expect end period repo rate to be at 7.25 per cent in 2011-12, which is revised upwards from 7.00 per cent predicted in the last survey and reverse repo rate to be at 6.25 per cent in 2011-12 which is also revised upwards from 6.00 per cent in the last round survey.

External Sector, 2011-12:

- Exports are expected to grow at 17.2 per cent in 2011-12, which is revised downwards from 17.8 per cent in the last survey. Imports are expected to grow by 20.0 per cent in 2011-12, revised upwards from 18.0 per cent in the last survey.
- Net surplus under invisibles is placed at US\$ 96.0 billion in 2011-12 as against US\$ 108.9 billion predicted in the last survey.

2. Quarterly Forecasts:

GDP:

- The real GDP growth in the fourth quarter of 2010-11 is projected at 8.2 per cent, which is revised downwards from 8.5 per cent in the last survey.
- Median forecasts for real GDP originating from agriculture, industry and services sectors in fourth quarter of 2010-11 are projected to be 5.0 per cent, 6.2 per cent and 9.8 per cent, respectively. For agriculture sector, the forecast has remained unchanged from the last survey. The projection for industry has been revised downwards from 7.3 per cent of the last survey. For services sector, the forecast is revised upwards from 9.6 per cent in the last survey. Index of Industrial Production growth forecast in the fourth quarter of 2010-11 is now placed at 4.2 per cent, revised downwards from 6.9 per cent in the last survey.
- Contribution of gross fixed capital formation to GDP has been projected at 29.0 per cent in the fourth quarter of 2010-11, revised downwards from 34.0 per cent in the last survey. Corporate profit in the fourth quarter of 2010-11 is expected to grow by 10.7 per cent, which is revised downwards from 15.8 per cent in the earlier survey.

Inflation:

- Forecasters' median estimate for WPI inflation in the first quarter of 2011-12 is at 8.2 per cent, which has been revised upwards from 6.4 per cent in the last survey. For the fourth quarter of 2011-12, the WPI-inflation forecast is 6.7 per cent.

3. 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 also same as predicted in the last survey (Table A.7).
- Over the next five years, WPI inflation is expected to be 6.4 per cent, revised upwards from 6.0 per cent in last survey. CPI-IW inflation forecast over next five years is remained unchanged at 7.0 per cent. Over next ten years, WPI inflation is expected to be 5.4 per cent, revised marginally upwards from 5.3 per cent in last survey. CPI-IW inflation is revised downwards to 6.3 per cent from 6.5 per cent over next ten years (Table A.7).

Press Release : 2010-2011/1717

Alpana Killawala
Chief General Manager

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)	8.5	8.5	9.0	8.2	8.0 #
a	Agriculture & Allied Activities	5.4	5.4	6.8	4.1	0.4 #
b	Industry	8.2	8.1	9.5	7.3	8.3 #
c	Services	9.5	9.5	10.2	8.8	9.7 #
2	Private Final Consumption Expenditure (growth rate in per cent)	17.7	18.0	19.8	12.5	16.1 #
3	Gross Domestic Saving (per cent of GDP at current market price)	34.4	34.0	36.0	34.0	33.7#
	of which Private Corporate Sector	8.9	8.6	10.0	8.5	8.1#
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	36.4	36.9	38.0	34.4	36.5#
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	31.4	31.4	34.0	29.3	30.8 #
6	Money Supply (M3) (growth rate in per cent)	16.9	17.0	18.0	16.0	16.8
7	Bank Credit (growth rate in per cent)	21.4	21.5	23.3	19.6	16.7
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.9	8.0	8.1	7.4	10.0 ##
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.1	5.1	5.3	4.8	6.7 ##
10	Corporate profit after tax (growth rate in per cent)	19.6	20.0	30.0	8.1	28.8
11	Repo (end period)	6.75	6.75	7.25	6.50	5.00
12	Reverse Repo (end period)	5.75	5.75	6.25	5.50	3.50
13	CRR (end period)	6.00	6.00	6.00	6.00	5.75
14	INR/ 1USD (RBI reference rate-end period)	44.7	44.7	45.6	44.0	45.1
15	T-Bill 91 days Yield (Weighted average cut-off yield)	7.2	7.3	7.3	6.8	4.4
16	10 year Govt. Securities Yield (per cent-average)	8.0	8.0	8.2	7.8	7.8
17	Overall Balance (in US \$ bn.)	21.7	21.3	34.7	10.0	13.4*
18	Export (in US \$ bn.)	229.7	230.0	247.0	204.1	178.7
	Export (growth rate in percent)	27.7	28.7	35.6	14.2	-3.6
19	Import (in US \$ bn.)	347.8	345.0	390.4	323.0	286.8
	Import (Growth rate in percent)	20.5	20.3	30.4	13.2	-5.6
20	Trade Balance (% of GDP)	-7.4	-7.4	-6.0	-9.6	-7.8
21	Invisible Balance (US \$ bn)	84.0	85.0	91.3	72.0	80.0*
22	Current Account Balance (US \$ bn)	-43.0	-45.0	-25.0	-54.2	-38.4*
23	Current Account Balance (% of GDP)	-2.6	-2.6	-1.7	-3.5	-2.8*
24	Capital Account Balance (US \$ bn)	65.8	65.4	80.0	55.0	53.4*
25	Capital Account Balance (% of GDP)	4.1	4.0	5.6	3.3	3.8*

#: QE; ##: RE ; *: Partially Revised

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)	8.3	8.2	9.2	7.7
a	Agriculture & Allied Activities	3.1	3.1	4.1	1.8
b	Industry	8.4	8.2	10.3	7.5
c	Services	9.5	9.6	10.6	8.8
2	Private Final Consumption Expenditure (growth rate in per cent)	16.0	15.8	18.8	14.1
3	Gross Domestic Saving (per cent of GDP at current market price)	35.2	35.3	36.0	33.5
	of which Private Corporate Sector	9.4	9.5	10.5	8.5
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	37.1	37.5	38.5	34.6
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	31.9	31.5	34.5	29.8
6	Money Supply (M3) (growth rate in per cent)	17.5	17.2	20.0	15.5
7	Bank Credit (growth rate in per cent)	20.0	20.0	25.0	16.6
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.8	7.6	10.0	7.1
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.0	5.0	5.5	4.6
10	Corporate profit after tax (growth rate in per cent)	19.7	20.0	25.0	11.4
11	Repo (end period)	7.25	7.25	7.75	6.50
12	Reverse Repo (end period)	6.25	6.25	6.75	5.00
13	CRR (end period)	6.00	6.00	6.50	5.00
14	INR/ 1USD (RBI reference rate-end period)	44.5	44.5	46.0	43.0
15	T-Bill 91 days Yield (per cent-end period)	7.5	7.5	8.0	7.0
16	10 year Govt. Securities Yield (per cent-end period)	8.1	8.0	8.5	7.8
17	Overall Balance (in US \$ bn.)	19.1	19.2	32.0	7.9
18	Export (in US \$ bn.)	271.1	270.2	336.0	233.5
	Export (growth rate in percent)	18.7	17.2	48.6	12.1
19	Import (in US \$ bn.)	420.5	416.3	481.1	377.0
	Import (Growth rate in percent)	21.2	20.0	39.0	16.2
20	Trade Balance (% of GDP)	-8.0	-7.8	-5.9	-11.0
21	Invisible Balance (US \$ bn.)	97.6	96.0	120.1	85.0
22	Current Account Balance (US \$ bn)	-56.3	-56.9	-33.9	-73.2
23	Current Account Balance (Growth in per cent)	-2.9	-3.0	-2.0	-4.2
24	Capital Account Balance (US \$ bn)	74.7	75.0	95.0	58.5
25	Capital Account Balance (Growth in per cent)	4.0	3.8	5.3	2.9

Table A.3: Quarterly Forecasts Q4: 2010-11 to Q4: 2011-12

Key Macroeconomic Indicators	Quarterly Forecasts								
	Q3:10-11	Q4:10-11				Q1:11-12			
	Actuals	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.2	8.3	8.2	10.3	6.8	8.2	8.3	9.2	7.5
Agriculture & Allied Activities	8.9	5.2	5.0	8.0	1.2	4.0	3.8	6.7	2.8
Industry	5.7	5.8	6.2	8.8	0.8	6.9	7.0	8.6	3.7
Services	8.7	9.5	9.8	10.5	4.8	9.7	9.8	10.9	8.8
IIP growth rate (per cent)	5.9	4.2	4.2	6.8	2.8	6.4	6.5	8.8	4.1
Private Final Consumption Expenditure (growth rate in per cent)	18.4	18.3	18.3	23.6	15.0	18.1	18.5	21.6	14.1
Gross Domestic Capital Formation (per cent of GDP at current market price)	32.3	37.3	37.3	38.5	36.0	36.5	36.5	36.5	36.5
Gross Fixed Capital Formation (per cent of GDP at current market price)	27.3	30.2	29.0	38.0	25.0	32.2	32.8	33.2	30.0
Corporate profit after tax (growth rate in per cent)	10.3	14.3	10.7	30.0	8.5	22.9	20.0	38.7	10.0
INR/ 1USD (RBI reference rate- end period)	44.8	44.8	44.7	45.5	44.6	44.7	44.5	46.2	43.9
Repo Rate (end period)	6.25	6.75	6.75	6.75	6.50	7.00	7.00	7.50	7.00
Reverse Repo Rate (end period)	5.25	5.75	5.75	5.75	5.50	6.00	6.00	6.50	5.75
CRR (end period)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
BSE INDEX (end period)	20509	19093	19445	19500	18000	19400	19200	21000	18500
Export (US \$ bn.)	59.4	66.4	68.6	70.0	58.0	64.0	62.1	72.5	59.3
Import (US \$ bn.)	80.6	91.1	91.4	98.2	85.0	96.6	97.6	100.0	90.0
Trade Balance (US \$ bn.)	-21.3	-26.2	-26.1	-16.0	-38.5	-34.8	-36.5	-29.3	-38.5
Oil Price(in US\$ per barrel)	89.8*	104.1	103.0	115.0	94.0	109.3	112.2	120.0	95.2

*: Indian Basket

A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	Q2:11-12				Q3:11-12				Q4:11-12			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.2	8.1	8.8	7.6	8.3	8.2	9.4	7.7	8.4	8.5	9.3	7.7
Agriculture & Allied Activities	3.3	3.1	6.5	-1.0	2.3	3.0	6.0	-1.4	3.2	3.0	4.8	1.7
Industry	7.8	8.0	10.0	3.8	8.5	8.7	10.3	3.9	8.2	8.5	9.7	2.4
Services	9.3	9.3	10.7	8.2	9.8	9.5	11.5	8.9	9.6	9.7	10.5	8.7
IIP growth rate (per cent)	6.8	7.4	8.5	3.7	8.1	8.1	10.7	5.0	8.1	8.1	11.5	5.7
Private Final Consumption Expenditure (%growth)	17.4	18.2	19.4	13.8	15.6	16.4	18.2	10.9	17.0	17.5	18.6	14.9
Gross Domestic Capital Formation (% of GDP at current market price)	37.3	37.3	38.0	36.5	37.8	37.8	39.0	36.5	38.5	38.5	40.5	36.5
Gross Fixed Capital Formation (% of GDP at current market price)	31.9	31.2	33.5	31.0	30.8	30.3	34.0	27.6	33.2	32.1	36.2	29.5
Corporate profit after tax (growth rate in per cent)	15.8	12.8	25.0	9.5	8.4	9.5	25.0	-9.3	16.6	10.4	30.0	9.5
INR/ 1USD (RBI reference rate- end period)	44.4	44.7	45.5	43.0	44.5	44.5	45.9	43.2	44.6	44.5	46.5	43.0
Repo Rate (end period)	7.25	7.25	7.75	6.75	7.25	7.25	7.75	6.50	7.25	7.25	7.50	6.50
Reverse Repo Rate (end period)	6.25	6.25	6.75	5.75	6.25	6.25	6.75	5.50	6.25	6.25	6.50	5.50
CRR (end period)	6.00	6.00	6.00	6.00	6.00	6.00	6.25	5.50	6.0	6.00	6.50	5.00
BSE INDEX (end period)	20358	20200	21550	19700	20960	21000	22000	19800	21400	21200	22500	20000
Export (US \$ bn.)	62.5	62.1	64.0	61.5	68.6	70.1	74.0	63.0	74.4	75.0	88.0	65.0
Import (US \$ bn.)	100.6	101.1	104.0	95.0	103.7	102.7	110.2	98.0	109.4	110.0	116.5	103.0
Trade Balance (US \$ bn.)	-38.5	-39.1	-33.0	-40.5	-36.1	-38.5	-24.0	-42.0	-35.9	-39.8	-15.0	-45.0
Oil Price(in US\$ per barrel)	108.8	113.0	118.0	83.3	107.7	108.0	120.0	89.3	106.6	106.5	122.0	92.3

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
Q1:11-12	8.0	8.2	8.7	7.0	5.4	5.5	6.6	3.5	8.9	8.3	11.4	8.0
Q2:11-12	8.0	7.8	9.0	6.8	5.8	6.0	7.5	3.1	8.2	8.4	12.1	6.0
Q3:11-12	7.6	7.5	8.8	6.7	5.7	5.6	7.7	3.2	7.9	8.2	11.9	5.5
Q4:11-12	6.7	6.7	7.9	5.5	5.0	5.0	6.5	2.8	7.7	7.0	10.3	6.1

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	7.3
7.5 to 7.9 per cent	6.2	21.7
8 to 8.4 per cent	22.9	38.2
8.5 to 8.9 per cent	66.0	23.5
9 to 9.4 per cent	2.1	5.7
9.5 to 9.9 per cent	0.2	1.5
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

Growth Range	Forecasts for End-March 2010-11	Forecasts for End-March 2011-12
Below -3 per cent	0.2	0.1
-3 to -2.1 per cent	0.2	0.1
-2 to -1.1 per cent	0.2	0.1
-1 to -0.1 per cent	0.2	0.1
0 to 0.9 per cent	0.2	0.1
1 to 1.9 per cent	0.2	0.1
2 to 2.9 per cent	0.2	0.1
3 to 3.9 per cent	0.2	0.1
4 to 4.9 per cent	0.2	8.5
5 to 5.9 per cent	0.2	13.0
6 to 6.9 per cent	0.2	24.4
7 to 7.9 per cent	9.7	30.2
8 to 8.9 per cent	59.2	16.1
9 to 9.9 per cent	28.5	3.7
10 to 10.9 per cent	0.2	1.6
11 to 11.9 per cent	0.2	0.9
12 to 12.9 per cent	0.2	0.1
13 to 13.9 per cent	0.2	0.1
14 to 14.9 per cent	0.2	0.1
15 per cent and above	0.2	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			
	Real GDP	WPI Inflation	CPI-IW Inflation		Real GDP	WPI Inflation	CPI-IW Inflation
Minimum	8.0	4.5	6.5	Minimum	7.0	4.4	5.0
Lower Quartile	8.5	5.9	6.5	Lower Quartile	8.0	5.0	5.6
Median	8.5	6.4	7.0	Median	8.7	5.4	6.3
Upper Quartile	8.9	6.5	7.9	Upper Quartile	9.1	6.0	7.0
Maximum	9.5	7.0	8.5	Maximum	10.0	6.5	7.5
Mean	8.6	6.1	7.2	Mean	8.7	5.5	6.2
S.D	0.5	0.7	0.7	S.D	0.8	0.7	0.8