

## **Survey of Professional Forecasters: Results of Twelfth Round (Q1:2010-11)**

The 'Survey of Professional Forecasters' conducted by the Bank presents short to medium term economic developments on major macroeconomic indicators like 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 results of the twelfth round relating to the first quarter of 2010-11 are presented below. The questionnaire was sent to 46 selected forecasters, of which 26 forecasters participated in this round.

*Note that 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.*

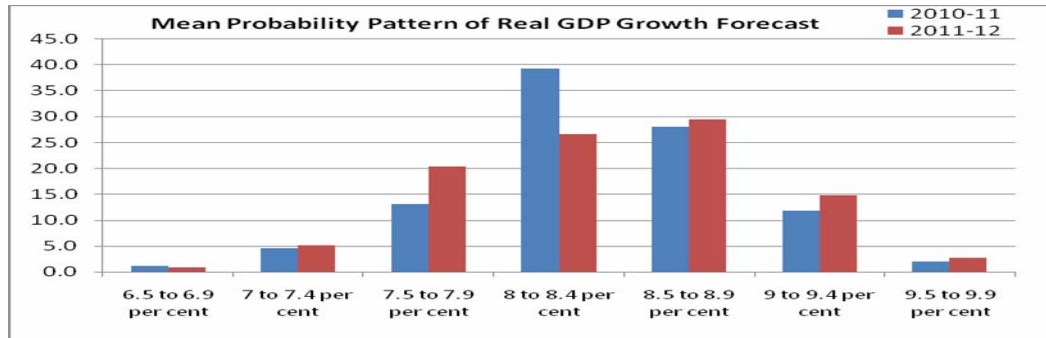
Some of the salient features are as follows:

### **Annual Forecasts:**

- Forecasters have revised their real GDP growth rate forecasts marginally upwards to 8.4 per cent<sup>1</sup> in 2010-11 from 8.2 per cent in the last survey, driven mainly by increased private final consumption expenditure growth, stronger industrial activity in the first quarter and further contribution of services in the subsequent quarters. The sectoral growth rate forecast for 2010-11 suggests moderate upward revision for agriculture and services. For the year 2011-12, the real GDP growth rate is expected to be 8.5 per cent. The forecasters were asked to assign probabilities to the possibility that year over year real GDP growth will fall into various ranges. For the year 2010-11, they have assigned highest probability of 38.7 per cent to 8.0-8.4 per cent growth range for GDP. For 2011-12, they have assigned maximum probability of 28.6 per cent to 8.5-8.9 per cent growth range for GDP. The chart given below shows mean probability pattern of real GDP growth forecasts.

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



- For the year 2010-11, the forecast for agriculture has been revised marginally upwards from 4.0 per cent to 4.1 per cent. For the industry sector, the forecast value is 9.0 per cent, which is same as expected in the last survey, whereas for services, the forecasts have been revised marginally upwards from 9.0 per cent to 9.1 per cent. The sectoral forecast for agriculture, industry and services for the year 2011-12 are 3.0 per cent, 9.1 per cent and 9.5 per cent, respectively.
- The proportion of domestic saving to GDP is indicated to be 34.7 per cent in 2010-11, revised downwards from 35.3 per cent 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 (38.0 per cent in last survey), while contribution of gross fixed capital formation is expected to be 34.0 per cent (revised downwards from 34.5 per cent in the last survey). The forecasters have predicted private final consumption expenditure to grow at the rate of 13.0 per cent in 2010-11, revised upwards from 12.0 per cent in the last survey. For the year 2011-12, the forecasters have assigned the proportion of domestic saving to GDP at 35.9 per cent, contribution of gross domestic capital formation to be 37.8 per cent of real GDP. Contribution of gross fixed capital formation is expected to be 35.5 per cent of real GDP and the private final consumption expenditure is expected to grow at the rate of 13.0 per cent in the year 2011-12.
- The profit growth of corporate sector (captured through BSE listed companies) in 2010-11 has been revised upwards to 22.5 per cent from 20.0 per cent in the last survey. For the year 2011-12, it is expected to be 21.0 per cent.
- Broad money (M3) growth is revised downwards to 17.9 per cent in 2010-11 from the earlier forecast of 18.5 per cent. In 2010-11, bank credit is expected to grow

at the rate of 20.0 per cent as against its previous forecast of 19.8 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.

- Central Government fiscal deficit is placed at 5.2 per cent of GDP in 2010-11, which is revised downwards from 5.6 per cent in the last survey. The combined gross fiscal deficit is placed at 8.2 per cent of GDP in 2010-11, revised downwards from 8.5 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 4.8 per cent and 7.5 per cent of GDP, respectively.
- The forecasters expect end period repo rate to be at 6.25 per cent in 2010-11, which is revised upwards from 6.00 per cent in the last survey and reverse repo rate to be at 4.75 per cent in 2010-11 which is the same as expected in the last survey. For 2011-12, the repo and reverse repo are predicted to be 6.50 per cent and 5.50 per cent, respectively.
- Exports are expected to grow at 15.0 per cent in 2010-11, which is the same as predicted in the last survey. Imports are expected to grow by 17.9 per cent in 2010-11, revised moderately downwards from 18.0 per cent in the last survey. For 2011-12, exports and imports are expected to grow at 16.0 per cent and 15.0 per cent, respectively.
- Net surplus under invisibles is placed at US\$ 95.0 billion in 2010-11 as against US\$ 100.0 billion predicted in the last survey. It is placed at US\$ 105.0 billion for the year 2011-12 in the latest survey.

#### **Quarterly Forecasts:**

- The real GDP growth in the first quarter of 2010-11 is projected at 8.7 per cent, which is revised upwards from 8.1 per cent in the last survey. During the second quarter of 2010-11, the GDP growth is placed at 8.2 per cent, revised moderately downwards 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 first quarter of 2010-11 are projected to be 2.7 per cent, 11.6 per cent and 9.1 per cent, respectively. For agriculture sector, the forecast has been revised moderately downwards (2.9 per cent in the last survey). The projection

for industry has been revised upwards from 10.6 per cent in the last survey. For services sector, the forecast is revised upwards from 8.9 per cent in the last survey. Index of Industrial Production growth forecast in the first quarter of 2010-11 is now placed at 12.9 per cent, revised downwards from 13.3 per cent in the last survey.

- Contribution of gross fixed capital formation to GDP has been projected at 32.7 per cent in the first quarter of 2010-11, revised downwards from 34.0 per cent in the last survey. Corporate profit in the first quarter of 2010-11 is expected to grow by 20.0 per cent, which is revised upwards from 18.5 per cent in the earlier survey.

#### **Forecasts on prices:**

- Forecasters' median estimates for WPI inflation in the first quarter of 2010-11 is at 10.4 per cent, which has been revised upwards from 9.5 per cent in the last survey.
- The forecasters were asked to assign the probabilities to the possibility that average WPI based inflation during the current financial year and the next financial year will fall into various ranges. Forecasters have assigned highest 25.8 per cent chance that it will fall in 6.0-6.9 per cent in end-March of 2010-11.

#### **Long Term Forecasts:**

- Long term forecast for real GDP for the next five years is 8.5 per cent, which is revised upwards from 8.3 per cent in the last survey. For the next ten years, the GDP is expected to grow at 8.1 per cent, which is revised upwards from 8.0 per cent in the last survey (Table A.7).
- Over the next five years, the forecasters expect WPI inflation to be 6.0 per cent, which is revised upwards from 5.5 per cent in the last survey. CPI-IW inflation for the next five years is 7.0 per cent; which remained same as in the last survey. Over the next ten years, WPI based inflation is expected to be 5.0 per cent, which remained same as in the last survey and CPI-IW based inflation is expected to be 6.5 per cent, revised upwards from 6.0 per cent in the last survey (Table A.7).

**Annex**

**Table A.1 : Annual Forecasts for 2010-11**

	Key Macroeconomic Indicators	Annual Forecasts for 2010-11				Actual for 2009-10
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	8.5	8.4	9.2	8.0	7.4*
a	Agriculture & Allied Activities	4.4	4.1	8.8	2.5	0.2*
b	Industry	9.2	9.0	10.9	8.2	10.4*
c	Services	9.2	9.1	9.8	8.4	8.3*
2	Private Final Consumption Expenditure (growth rate in per cent)	12.2	13.0	20.0	6.5	11.0*
3	Gross Domestic Saving (per cent of GDP at current market price)	34.6	34.7	36.5	32.0	
	Of which Private Corporate Sector	9.2	9.0	10.0	8.8	
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	36.2	36.0	37.6	34.3	
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	34.0	34.0	35.3	33.1	32.4*
6	Money Supply (M3) (growth rate in per cent)	18.1	17.9	21.0	15.5	20.6
7	Bank Credit (growth rate in per cent)	19.8	20.0	24.0	16.0	16.7
8	Combined Gross Fiscal Deficit (per cent of GDP)	8.4	8.2	10.3	7.2	10.1
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.3	5.2	7.2	4.4	6.6
10	Corporate profit after tax (growth rate in per cent)	22.2	22.5	28.2	11.1	28.8
11	Repo (end period)	6.00	6.25	6.50	5.50	5.00
12	Reverse Repo (end period)	4.75	4.75	5.50	4.00	3.50
13	CRR (end period)	6.25	6.50	7.00	6.00	5.75
14	USD/INR (RBI reference rate-end period)	44.7	44.5	48.0	42.5	45.14
15	T-Bill 91 days Yield (Weighted average cut-off yield)	5.3	5.2	6.8	4.5	4.38
16	10 year Govt. Securities Yield (per cent-average)	7.7	7.8	8.4	7.3	7.83
17	Overall Balance (in US \$ bn.)	19.6	20.0	45.4	-22.0	13.4P
18	Export (in US \$ bn.)	203.0	203.1	222.0	182.2	176.6
	Export (growth rate in percent)	14.1	15.0	27.0	-3.6	-4.7
19	Import (in US \$ bn.)	339.5	339.2	384.0	299.4	278.7
	Import (Growth rate in percent)	16.3	17.9	28.7	-2.7	-8.2
20	Trade Balance (% of GDP)	-8.6	-8.6	-7.5	-9.9	-7.8
21	Invisible Balance (US \$ bn)	92.4	95.0	110.8	48.1	78.9P
22	Current Account Balance (US \$ bn)	-41.6	-41.0	-25.5	-59.8	-38.4P
23	Current Account Balance (% of GDP)	-1.7	-2.5	3.0	-3.8	-2.9P
24	Capital Account Balance (US \$ bn)	57.8	60.0	85.4	10.1	53.6P
25	Capital Account Balance (% of GDP)	3.8	4.0	5.4	1.2	4.1P

\*: RE      P: 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	9.2	7.6
a	Agriculture & Allied Activities	3.0	3.0	4.5	0.9
b	Industry	8.9	9.1	10.3	6.3
c	Services	9.5	9.5	10.5	8.5
2	Private Final Consumption Expenditure (growth rate in per cent)	12.3	13.0	15.7	7.4
3	Gross Domestic Saving (per cent of GDP at current market price)	35.5	35.9	37.5	33.3
	Of which Private Corporate Sector	9.7	9.6	11.0	8.8
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	37.4	37.8	38.3	35.2
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	35.4	35.5	37.2	33.2
6	Money Supply (M3) (growth rate in per cent)	17.9	18.0	19.5	15.0
7	Bank Credit (growth rate in per cent)	20.4	20.0	27.3	16.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.6	7.5	10.0	6.3
9	Central Govt. Fiscal Deficit (per cent of GDP)	4.8	4.8	5.5	4.0
10	Corporate profit after tax (growth rate in per cent)	22.3	21.0	28.5	18.0
11	Repo (end period)	6.50	6.50	7.50	5.25
12	Reverse Repo (end period)	5.25	5.50	6.50	3.75
13	CRR (end period)	6.50	6.50	7.75	5.50
14	USD/INR (RBI reference rate-end period)	43.6	43.5	49.0	39.0
15	T-Bill 91 days Yield (per cent-end period)	5.4	5.0	7.5	4.0
16	10 year Govt. Securities Yield (per cent-end period)	7.6	7.5	8.3	6.8
17	Overall Balance (in US \$ bn.)	20.8	26.9	65.0	-31.0
18	Export (in US \$ bn.)	236.7	238.0	277.5	200.0
	Export (growth rate in percent)	16.6	16.0	27.5	6.0
19	Import (in US \$ bn.)	397.5	385.0	492.0	347.1
	Import (Growth rate in percent)	16.8	15.0	28.0	7.0
20	Trade Balance (% of GDP)	-8.6	-8.7	-7.2	-10.5
21	Invisible Balance (US \$ bn.)	106.9	105.0	149.6	56.6
22	Current Account Balance (US \$ bn)	-45.1	-44.0	-22.4	-96.7
23	Current Account Balance (Growth in per cent)	-1.8	-2.3	3.2	-4.8
24	Capital Account Balance (US \$ bn)	63.8	69.6	95.0	20.4
25	Capital Account Balance (Growth in per cent)	3.6	3.7	5.0	1.6

**Table A.3: Quarterly Forecasts Q1: 2010-11 to Q1: 2011-12**

Key Macroeconomic Indicators	Quarterly Forecasts									
	09-10:Q4	10-11:Q1				10-11:Q2				
	Actuals	Mean	Median	Max	Min	Mean	Median	Max	Min	
Real GDP growth rate at factor cost (per cent)	8.6	8.7	8.7	9.5	7.9	8.2	8.2	8.9	7.3	
Agriculture & Allied Activities	0.7	2.8	2.7	4.6	1.0	3.8	4.0	5.2	1.7	
Industry	15.1	11.6	11.6	13.8	8.5	9.4	9.3	11.2	7.0	
Services	8.5	9.2	9.1	10.5	8.4	8.6	8.9	9.7	7.6	
IIP growth rate (per cent)	15.0	13.2	12.9	16.0	11.4	10.3	10.6	13.5	6.8	
Private Final Consumption Expenditure (growth rate in per cent)	14.2	10.4	8.5	14.0	6.7	10.4	10.2	14.4	7.0	
Gross Domestic Capital Formation (per cent of GDP at current market price)		36.9	36.8	37.8	36.2	36.6	36.8	37.5	35.5	
Gross Fixed Capital Formation (per cent of GDP at current market price)	34.2	33.4	32.7	35.5	31.6	34.2	34.4	35.0	33.0	
Corporate profit after tax (growth rate in per cent)	44.0	20.1	20.0	34.0	4.3	21.1	18.0	30.0	12.6	
USD/INR (RBI reference rate- end period)	45.14	46.1	46.2	47.0	45.0	45.3	45.5	46.2	43.3	
Repo Rate (end period)	5.00	5.50	5.25	6.00	5.25	5.75	5.75	6.00	5.50	
Reverse Repo Rate (end period)	3.50	4.00	3.75	4.50	3.75	4.25	4.25	4.75	4.00	
CRR (end period)	5.75	6.00	6.00	6.25	5.75	6.00	6.00	6.50	6.00	
BSE INDEX (end period)	17527	17572	17701	17800	16500	18340	18200	19250	17750	
Export (US \$ bn.)	17.0	48.7	48.8	55.5	40.6	48.7	48.7	57.2	42.0	
Import (US \$ bn.)	25.8	80.1	78.5	94.0	73.2	82.2	79.4	92.5	75.0	
Trade Balance (US \$ bn.)	-8.9	-24.0	-32.8	35.0	-38.5	-24.0	-34.5	33.0	-40.0	
Oil Price(in US\$ per barrel)	78.02*	75.1	76.5	79.0	59.2	78.0	78.8	83.0	68.4	

\*: Indian Basket

## A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	10-11:Q3				10-11: Q4				11-12:Q1			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.6	8.5	9.7	7.8	8.4	8.4	9.9	7.7	8.4	8.3	9.0	7.5
Agriculture & Allied Activities	5.7	6.0	8.8	2.5	4.0	3.9	7.0	1.3	3.1	3.0	4.5	1.5
Industry	8.8	8.7	10.4	7.5	8.3	8.4	9.8	6.8	8.7	8.7	10.2	6.9
Services	9.3	9.3	10.8	8.4	9.5	9.2	12.2	8.2	9.5	9.5	11.0	8.5
IIP growth rate (per cent)	9.3	8.5	11.9	7.5	8.3	8.1	11.2	5.4	8.8	9.0	11.0	6.6
Private Final Consumption Expenditure (%growth)	11.0	11.5	14.1	7.4	11.8	12.5	15.4	7.2	10.8	12.0	15.0	7.2
Gross Domestic Capital Formation (% of GDP at current market price)	36.5	36.3	37.3	36.0	36.6	36.1	38.5	35.5	37.4	37.3	38.5	36.5
Gross Fixed Capital Formation (% of GDP at current market price)	33.4	33.5	34.5	32.0	34.2	34.0	35.1	34.0	34.2	34.0	35.6	33.0
Corporate profit after tax (growth rate in per cent)	22.4	18.9	35.0	15.0	26.5	25.0	40.0	9.3	27.3	25.0	40.0	19.0
USD/INR (RBI reference rate- end period)	44.8	44.8	47.0	42.2	44.4	44.5	48.0	41.0	44.0	43.8	48.0	40.0
Repo Rate (end period)	6.00	6.00	6.25	5.50	6.25	6.25	6.5	5.50	6.25	6.50	6.75	5.25
Reverse Repo Rate (end period)	4.50	4.50	5.25	4.00	4.75	4.75	5.50	4.00	5.00	5.00	5.75	3.75
CRR (end period)	6.25	6.25	6.75	6.00	6.50	6.50	7.00	6.00	6.4	6.50	7.25	6.00
BSE INDEX (end period)	17608	18075	19000	16000	18466	18500	20000	16500	18325	18200	19900	17000
Export (US \$ bn.)	49.8	50.4	53.0	45.0	53.8	53.4	61.1	48.9	55.4	56.6	58.4	50.8
Import (US \$ bn.)	84.9	84.7	93.4	72.0	87.5	86.5	101.0	78.7	88.4	87.5	100.0	79.2
Trade Balance (US \$ bn.)	-25.9	-36.5	37.0	-43.0	-24.1	-33.0	33.0	-39.9	-26.4	-35.9	23.0	-41.6
Oil Price(in US\$ per barrel)	78.9	77.5	87.0	70.0	79.6	77.5	90.0	70.0	78.3	77.0	85.0	70.0



**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
Q2-10-11	9.4	9.5	11.6	7.8	6.9	6.8	8.7	5.5	10.6	10.3	14.5	7.6
Q3-10-11	7.8	8.1	10.7	5.0	6.2	6.2	8.4	4.0	8.9	8.3	13.4	5.2
Q4-10-11	6.5	7.0	9.1	2.1	5.4	5.3	7.9	1.7	7.6	8.3	11.4	2.0
Q1-11-12	6.3	6.4	8.5	3.1	6.0	6.4	7.6	2.9	8.3	8.4	10.7	4.7

**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	0.1	0.2
3 to 3.4 per cent	0.1	0.3
3.5 to 3.9 per cent	0.1	0.3
4 to 4.4 per cent	0.1	0.3
4.5 to 4.9 per cent	0.1	0.3
5 to 5.4 per cent	0.1	0.4
5.5 to 5.9 per cent	0.1	0.4
6 to 6.4 per cent	0.3	0.5
6.5 to 6.9 per cent	1.2	0.9
7 to 7.4 per cent	4.4	5.0
7.5 to 7.9 per cent	12.9	19.7
8 to 8.4 per cent	38.7	25.8
8.5 to 8.9 per cent	27.6	28.6
9 to 9.4 per cent	11.6	14.4
9.5 to 9.9 per cent	1.9	2.7
10 to 10.4 per cent	0.1	0.3
10.5 to 10.9 per cent	0.1	0.1
11 percent or more	0.2	0.1

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

<b>Growth Range</b>	<b>Forecasts for End-March 2010-11</b>
0 to 0.9 per cent	0.1
1 to 1.9 per cent	0.1
2 to 2.9 per cent	0.1
3 to 3.9 per cent	1.7
4 to 4.9 per cent	12.8
5 to 5.9 per cent	20.2
6 to 6.9 per cent	25.8
7 to 7.9 per cent	19.6
8 to 8.9 per cent	15.1
9 to 9.9 per cent	1.6
10 to 10.9 per cent	0.7
11 to 11.9 per cent	0.6
12 to 12.9 per cent	0.4
13 to 13.9 per cent	0.4
14 to 14.9 per cent	0.3
15 per cent and above	0.3

**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	7.5	4.5	5.5	Minimum	6.5	3.5	5.0
Lower Quartile	8.0	5.3	6.5	Lower Quartile	7.5	4.7	5.5
Median	8.5	6.0	7.0	Median	8.1	5.0	6.5
Upper Quartile	8.7	6.1	7.5	Upper Quartile	9.1	5.5	6.6
Maximum	9.5	7.0	9.0	Maximum	9.5	6.5	7.5
Mean	8.4	5.8	7.1	Mean	8.3	5.1	6.2
S.D	0.5	0.8	0.8	S.D	0.9	0.7	0.8