

**Survey of Professional Forecasters:  
Results of the Eleventh Round (Q4:2009-10)**

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 the survey on a quarterly basis from the second quarter ended September 2007. Done through a questionnaire responded by 24 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 will disseminate 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.***

## **Survey of Professional Forecasters: Results of Eleventh Round (Q4:2009-10)**

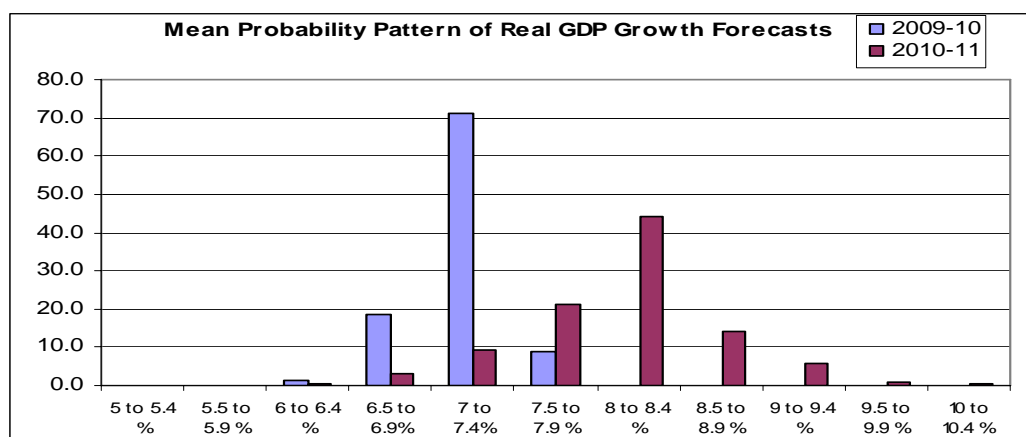
The 'Survey of Professional Forecasters' conducted by the Bank presents short to medium term economic developments on major macroeconomic indicators like component-wise detailed forecasts of GDP growth, inflation, savings, capital formation, consumption expenditure, export, import, interest rates, money supply, credit growth, stock market movements, corporate profit, etc. The results of the eleventh round relating to the fourth quarter of 2009-10 are presented below. The questionnaire was sent to 47 selected forecasters, of which 24 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 upwards to 8.2 per cent<sup>1</sup> in 2010-11 from 7.9 per cent in the last survey, driven mainly by increased private final consumption expenditure growth, stronger industrial activity in the first half and further pick up in services in the second half. The sectoral growth rate forecast for 2010-11 suggests upward revision for agriculture and industry. 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 44.2 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.



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

- For the year 2010-11, the forecast for agriculture has been revised slightly upwards from 3.5 per cent to 4.0 per cent. For industry, the forecasts have been revised upwards from 8.1 per cent to 9.0 per cent, whereas for the services sector, the forecast value is 9.0 per cent, which is same as expected in the last survey.
- The proportion of domestic saving to GDP is indicated to be 35.3 per cent in 2010-11, revised downwards from 36.4 per cent in the last survey. Forecasters expect gross domestic capital formation to contribute 38.0 per cent of real GDP in 2010-11 (39.0 per cent in last survey), while contribution of gross fixed capital formation is expected to be 34.5 per cent (revised downwards from 35.0 per cent in the last survey). The forecasters have predicted private final consumption expenditure to grow at the rate of 12.0 per cent in 2010-11, revised significantly upwards from 8.0 per cent in the last survey.
- The profit growth of corporate sector in 2010-11 has been revised upwards to 20.0 per cent from 18.0 per cent in the last survey.
- Broad money (M3) growth is revised downwards to 18.5 per cent in 2010-11 from the earlier forecast of 19.5 per cent. In 2010-11, bank credit is expected to grow at the rate of 19.8 per cent as against its previous forecast of 19.0 per cent.
- Central Government fiscal deficit is placed at 5.6 per cent of GDP in 2010-11, which is revised moderately downwards from 6.0 per cent in the last survey. The combined gross fiscal deficit is placed at 8.5 per cent of GDP in 2010-11, revised downwards from 9.4 per cent in the last survey.
- The forecasters expect end period repo rate to be at 6.00 per cent in 2010-11, which is the same as expected in the last survey and reverse repo rate to be at 4.75 per cent in 2010-11 which is revised moderately upwards from 4.50 per cent in the last survey.
- Exports are expected to be at 15.0 per cent in 2010-11, revised moderately downwards from 15.2 per cent in the last survey. Imports are expected to grow

by 18.0 per cent in 2010-11, revised upwards from 17.4 per cent in the last survey.

Net surplus under invisibles is placed at US\$ 100.0 billion in 2010-11 as against US\$ 101.9 billion in the last survey.

#### **Quarterly Forecasts:**

- The real GDP growth in the first quarter of 2010-11 is projected at 8.1 per cent, which is revised upwards from 7.9 per cent in the last survey. During the second quarter of 2010-11, the GDP growth is placed at 8.3 per cent.
- Median forecasts for real GDP originating from agriculture, industry and services sectors in first quarter of 2010-11 are projected to be 2.9, 10.6 and 8.9 per cent, respectively. For agriculture sector, the forecasts have been revised upwards (2.0 per cent in the last survey). The projection for industry has been revised upwards from 9.0 per cent in the last survey. For services sector, the forecasts are revised downwards from 9.3 per cent in the last survey. Index of Industrial Production growth forecast in the first quarter of 2010-11 is now placed at 13.3 per cent, revised significantly upwards from 8.6 per cent in the last survey.
- Contribution of gross fixed capital formation to GDP has been projected at 34.0 per cent in the first quarter of 2010-11, revised downwards from 35.5 per cent in the last survey. Corporate profit in the first quarter of 2010-11 is expected to grow by 18.5 per cent, which is the same as in the earlier forecast.

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

- Forecasters' median estimates for WPI inflation in the first quarter of 2010-11 is at 9.5 per cent, which has been revised upwards from 7.4 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 29.6 per cent chance that it will fall in 6.0-6.9 per cent in 2010-11.

**Long Term Forecasts:**

- Long term forecast for real GDP for the next five years is 8.3 per cent, which is revised upwards from 8.0 per cent in the last survey. For the next ten years, the GDP is expected to grow at 8.0 per cent, which is same as expected in the last survey (Table A.7).
- Over the next five years, the forecasters expect WPI inflation to be 5.5 per cent, which remains the same as in the last survey. CPI-IW inflation for the next five years is 7.0 per cent; revised upwards from 6.5 per cent in the last survey. Over the next ten years, WPI and CPI-IW based inflation are expected to be 5.0 and 6.0 per cent, respectively, revised upwards from 4.5 per cent and 5.25 per cent respectively in the last survey (Table A.7).

## Annex

Table A.1 : Annual Forecasts for 2009-10

	Key Macroeconomic Indicators	Annual Forecasts for 2009-10				Actuals for 2008-09
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	7.1	7.2	7.4	6.5	6.7*
a	Agriculture & Allied Activities	-0.6	-0.5	0.6	-2.4	1.6*
b	Industry	9.1	8.9	10.7	7.0	3.1*
c	Services	8.5	8.4	9.5	7.8	9.3*
2	Private Final Consumption Expenditure (growth rate in per cent)	9.5	10.5	15.0	4.1	14.3*
3	Gross Domestic Saving (per cent of GDP at current market price)	33.9	34.0	35.0	32.8	
	Of which Private Corporate Sector	8.2	8.3	9.1	6.5	
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	35.9	36.0	38.3	34.0	35.6*
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	33.1	32.5	36.7	31.9	33.0*
6	Money Supply (M3) (growth rate in per cent)	17.1	17.0	20.0	14.5	18.6
7	Bank Credit (growth rate in per cent)	16.2	16.0	22.0	13.0	17.5
8	Combined Gross Fiscal Deficit (per cent of GDP)	10.0	10.1	11.0	8.2	8.9
9	Central Govt. Fiscal Deficit (per cent of GDP)	6.8	6.7	7.8	5.8	6.2
10	Corporate profit after tax (growth rate in per cent)	17.0	17.8	25.0	8.0	-18.4
11	Repo (end period)	5.00	5.00	6.00	4.75	5.00
12	Reverse Repo (end period)	3.50	3.50	4.50	3.25	3.50
13	CRR (end period)	5.7	5.8	6.0	5.0	5.0
14	USD/INR (RBI reference rate-end period)	45.6	45.5	47.7	44.9	50.95
15	T-Bill 91 days Yield (Weighted average cut-off yield)	4.6	4.5	5.5	4.2	4.95
16	10 year Govt. Securities Yield (per cent-average)	7.9	8.0	8.3	7.7	7.04
17	Overall Balance (in US \$ bn.)	26.0	23.5	36.2	15.0	-20.1
18	Export (in US \$ bn.)	173.9	169.1	260.0	155.0	185.3
	Export (growth rate in percent)	-7.6	-9.1	11.9	-16.0	13.8
19	Import (in US \$ bn.)	279.0	275.0	330.8	244.7	303.7
	Import (Growth rate in percent)	-6.9	-9.0	10.0	-16.8	20.8
20	Trade Balance (% of GDP)	-8.5	-8.7	-5.8	-10.0	-9.6
21	Invisible Balance (US \$ bn)	85.0	84.5	100.0	76.0	89.9
22	Current Account Balance (US \$ bn)	-26.6	-27.9	2.0	-40.6	-28.7
23	Current Account Balance (% of GDP)	-1.5	-2.1	3.1	-3.1	-2.4
24	Capital Account Balance (US \$ bn)	47.6	52.0	64.9	7.0	7.2
25	Capital Account Balance (% of GDP)	3.5	3.9	5.0	0.5	0.5

\*: QE

**Table A.2 : Annual Forecasts for 2010-11**

	Key Macroeconomic Indicators	Annual Forecasts for 2010-11			
		Mean	Median	Max	Min
1	Real GDP growth rate at factor cost (in per cent)	8.3	8.2	9.2	8.0
a	Agriculture & Allied Activities	4.0	4.0	5.8	2.0
b	Industry	9.1	9.0	10.2	7.8
c	Services	9.1	9.0	10.0	8.4
2	Private Final Consumption Expenditure (growth rate in per cent)	12.1	12.0	20.0	4.8
3	Gross Domestic Saving (per cent of GDP at current market price)	35.3	35.3	36.5	34.0
	Of which Private Corporate Sector	9.3	8.9	12.0	7.5
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	37.3	38.0	39.6	35.0
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	34.6	34.5	38.2	33.0
6	Money Supply (M3) (growth rate in per cent)	18.7	18.5	20.0	16.0
7	Bank Credit (growth rate in per cent)	19.4	19.8	24.0	14.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	8.6	8.5	10.0	7.5
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.5	5.6	6.0	4.3
10	Corporate profit after tax (growth rate in per cent)	19.9	20.0	25.0	10.8
11	Repo (end period)	5.75	6.00	7.50	4.50
12	Reverse Repo (end period)	4.75	4.75	6.00	3.75
13	CRR (end period)	6.3	6.3	7.0	5.3
14	USD/INR (RBI reference rate-end period)	44.0	44.0	46.0	42.0
15	T-Bill 91 days Yield (per cent-end period)	5.5	5.3	6.8	4.5
16	10 year Govt. Securities Yield (per cent-end period)	8.0	8.0	8.8	7.4
17	Overall Balance (in US \$ bn.)	33.9	33.9	63.0	10.0
18	Export (in US \$ bn.)	202.0	195.2	301.5	183.1
	Export (growth rate in percent)	16.1	15.0	28.5	10.0
19	Import (in US \$ bn.)	327.1	324.8	397.1	284.0
	Import (Growth rate in percent)	18.1	18.0	31.6	5.8
20	Trade Balance (% of GDP)	-8.3	-8.6	-5.4	-13.3
21	Invisible Balance (US \$ bn.)	102.3	100.0	130.0	89.0
22	Current Account Balance (US \$ bn)	-34.9	-38.9	3.4	-57.0
23	Current Account Balance (Growth in per cent)	-1.7	-2.3	3.2	-3.3
24	Capital Account Balance (US \$ bn)	62.2	63.0	89.0	7.5
25	Capital Account Balance (Growth in per cent)	3.5	4.0	5.2	0.0

**Table A.3: Quarterly Forecasts Q4: 2009-10 to Q4: 2010-11**

Key Macroeconomic Indicators	Quarterly Forecasts									
	09-10:Q3	09-10:Q4				10-11:Q1				
	Actuals	Mean	Median	Max	Min	Mean	Median	Max	Min	
Real GDP growth rate at factor cost (per cent)	6.0	8.2	8.4	9.2	7.2	8.4	8.1	10.2	7.6	
Agriculture & Allied Activities	-2.8	-0.4	-1.0	2.0	-3.2	2.7	2.9	4.0	0.8	
Industry	12.8	12.2	11.8	15.2	8.7	10.8	10.6	14.3	8.5	
Services	6.6	9.3	9.2	11.8	7.5	9.0	8.9	10.8	7.6	
IIP growth rate (per cent)	13.4	15.5	16.0	17.0	10.2	12.9	13.3	15.4	9.4	
Private Final Consumption Expenditure (growth rate in per cent)	11.1	13.6	12.9	19.0	11.3	13.6	12.5	18.1	11.5	
Gross Domestic Capital Formation (per cent of GDP at current market price)		35.6	36.0	37.0	33.9	37.0	37.0	37.2	36.9	
Gross Fixed Capital Formation (per cent of GDP at current market price)	31.7	33.0	33.0	36.2	29.5	33.8	34.0	35.5	32.3	
Corporate profit after tax (growth rate in per cent)	99.3	20.3	12.5	59.0	-2.9	18.9	18.5	40.0	-1.6	
USD/INR (RBI reference rate- end period)	46.68	45.2	45.1	46.0	44.0	45.0	45.0	47.5	43.5	
Repo Rate (end period)	4.75	5.00	5.00	5.25	4.75	5.00	5.25	5.50	4.00	
Reverse Repo Rate (end period)	3.25	3.50	3.50	3.75	3.25	4.00	3.75	5.50	3.25	
CRR (end period)	5.00	5.79	5.75	6.00	5.75	6.05	6.00	6.25	5.75	
BSE INDEX (end period)	17464	17615	17600	17750	17500	18175	18100	18700	17800	
Export (US \$ bn.)		46.6	46.6	50.0	44.2	47.1	45.4	55.0	43.0	
Import (US \$ bn.)		75.5	76.3	86.0	66.9	80.5	80.0	90.2	73.4	
Trade Balance (US \$ bn.)		-28.9	-29.7	-21.2	-36.0	-34.3	-32.7	-30.4	-44.0	
Oil Price(in US\$ per barrel)	75.02	79.3	80.0	82.5	69.9	81.3	81.3	85.0	78.0	



## A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	10-11:Q2				10-11: Q3				10-11:Q4			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.1	8.3	8.7	7.1	8.6	8.4	10.0	7.8	8.4	8.5	10.0	5.9
Agriculture & Allied Activities	3.8	3.8	5.3	1.7	5.3	5.7	8.7	2.0	4.1	4.3	6.4	1.9
Industry	9.3	9.3	10.7	6.3	8.8	9.0	9.7	7.5	8.0	8.5	9.5	3.9
Services	8.7	8.8	9.5	7.5	9.6	9.7	10.9	7.8	9.7	9.9	11.2	7.3
IIP growth rate (per cent)	10.3	10.4	15.5	8.1	9.3	9.3	15.0	5.7	8.0	7.7	16.0	4.0
Private Final Consumption Expenditure (%growth)	14.0	13.6	16.6	11.8	12.3	12.9	14.0	8.8	11.9	12.5	15.5	8.0
Gross Domestic Capital Formation (% of GDP at current market price)	38.2	38.0	40.2	36.5	38.7	38.7	39.5	38.0	38.8	38.8	39.0	38.5
Gross Fixed Capital Formation (% of GDP at current market price)	35.1	35.2	37.8	32.5	34.7	34.5	36.7	32.6	35.9	35.8	37.3	34.5
Corporate profit after tax (growth rate in per cent)	17.9	18.8	29.0	5.0	19.2	18.4	30.0	10.0	26.4	26.1	40.0	13.5
USD/INR (RBI reference rate- end period)	44.7	44.8	47.0	43.0	44.4	44.6	46.5	42.5	44.1	44.1	46.0	42.0
Repo Rate (end period)	5.25	5.50	6.00	4.50	5.50	5.75	6.25	4.50	5.75	6.00	6.50	4.50
Reverse Repo Rate (end period)	4.25	4.25	6.00	3.50	4.50	4.50	6.00	3.75	4.75	4.75	6.00	3.75
CRR (end period)	6.15	6.25	6.50	5.25	6.29	6.25	7.00	5.25	6.38	6.38	7.00	5.25
BSE INDEX (end period)	18750	18600	19800	18000	18560	18500	19300	18000	19125	19250	20000	18000
Export (US \$ bn.)	48.0	48.1	51.9	45.0	47.0	47.9	50.0	40.0	50.7	50.4	53.1	48.8
Import (US \$ bn.)	82.8	82.8	89.4	75.9	82.6	82.7	91.7	75.0	83.5	82.5	96.2	74.8
Trade Balance (US \$ bn.)	-34.8	-34.6	-30.4	-40.7	-35.6	-35.5	-30.6	-41.7	-32.8	-32.1	-23.3	-43.1
Oil Price(in US\$ per barrel)	83.2	83.8	86.0	80.0	84.1	82.8	90.0	80.0	83.9	82.8	92.0	80.0

**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
Q1-10-11	9.5	9.5	11.3	8.1	7.5	7.8	9.5	4.1	13.5	13.5	16.0	11.0
Q2-10-11	8.1	8.0	11.4	6.4	7.4	7.6	9.9	3.2	10.2	9.8	12.5	8.0
Q3-10-11	6.7	6.7	9.3	5.0	6.6	6.6	9.4	2.7	8.0	7.9	10.3	6.0
Q4-10-11	5.7	5.7	7.5	2.5	5.8	5.7	9.6	2.5	6.3	6.0	8.5	4.1

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

Growth Range	Forecasts for 2009-10	Forecasts for 2010-11
Below 3 per cent	0.0	0.1
3 to 3.4 per cent	0.0	0.1
3.5 to 3.9 per cent	0.0	0.1
4 to 4.4 per cent	0.0	0.1
4.5 to 4.9 per cent	0.0	0.1
5 to 5.4 per cent	0.0	0.2
5.5 to 5.9 per cent	0.0	0.2
6 to 6.4 per cent	1.5	0.6
6.5 to 6.9 per cent	18.5	3.1
7 to 7.4 per cent	71.0	9.1
7.5 to 7.9 per cent	9.1	21.3
8 to 8.4 per cent	0.0	44.2
8.5 to 8.9 per cent	0.0	14.4
9 to 9.4 per cent	0.0	5.5
9.5 to 9.9 per cent	0.0	0.7
10 to 10.4 per cent	0.0	0.4
10.5 to 10.9 per cent	0.0	0.0
11 percent or more	0.0	0.0

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

Growth Range	Forecasts for 2009-10	Forecasts for 2010-11
Below -5 per cent	0.0	0.0
-5 to -4.1 per cent	0.0	0.0
-4 to -3.1 per cent	0.0	0.0
-3 to -2.1 per cent	0.0	0.0
-2 to -1.1 per cent	0.0	0.0
-1 to -0.1 per cent	0.0	0.0
0 to 0.9 per cent	0.0	0.0
1 to 1.9 per cent	0.0	0.1
2 to 2.9 per cent	0.0	6.2
3 to 3.9 per cent	0.0	6.2
4 to 4.9 per cent	0.0	12.1
5 to 5.9 per cent	0.0	27.7
6 to 6.9 per cent	0.0	29.6
7 to 7.9 per cent	0.0	10.0
8 to 8.9 per cent	4.3	2.3
9 to 9.9 per cent	55.2	6.1
10 to 10.9 per cent	35.4	0.1
11 to 11.9 per cent	3.6	0.0
12 per cent and above	1.4	0.0

**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	5.5	Minimum	7.0	4.0	5.0
Lower Quartile	8.0	5.0	6.4	Lower Quartile	8.0	5.0	5.5
Median	8.3	5.5	7.0	Median	8.0	5.0	6.0
Upper Quartile	8.5	6.0	7.5	Upper Quartile	9.0	5.7	7.0
Maximum	9.5	7.0	8.5	Maximum	11.5	6.5	8.3
S.D	0.4	0.7	0.9	S.D	1.1	0.7	1.2