

The Reserve Bank of India today released on its website the results of quarterly Survey of Professional Forecasters on major macroeconomic indicators of 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 17 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.

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Survey of Professional Forecasters: Results of the Seventh Round (Q4:2008-09)

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 forecasts given are the averages of data obtained from the survey.* The results of the seventh round relating to the fourth quarter of 2008-09 are presented below. The questionnaire was sent to 40 selected forecasters, of which 17 forecasters participated in this round.

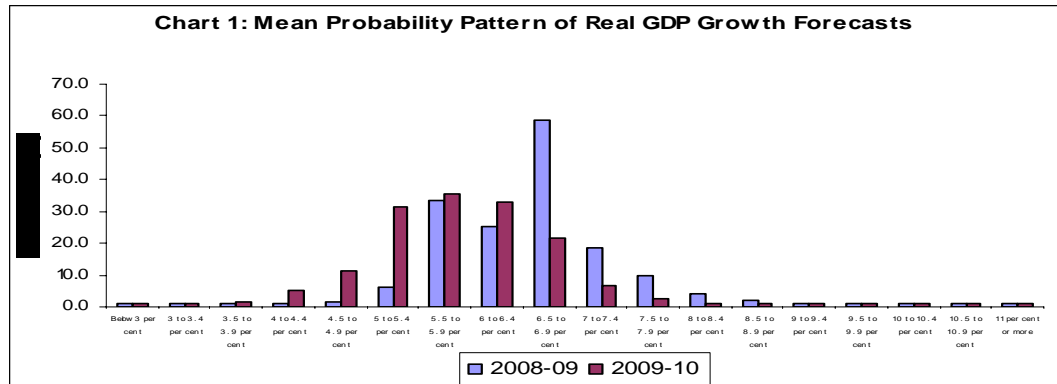
*Note that the results of the survey represent views of the **respondent forecasters** and in no way reflect the views or forecasts of the Reserve Bank of India.*

Annual Forecasts:

- Forecasters have revised their real GDP growth rate downwards to 6.6 per cent¹ in 2008-09 from 6.8 per cent in the last survey. The forecast for the year 2009-10 has also been revised to 5.7 per cent from 6.0 per cent in the last survey. The forecasters are asked to assign the probabilities to the possibility that year over year real GDP growth will fall into various ranges. The highest 58.6 per cent probability was

¹ Growth rates wherever indicated are the median forecasts.

assigned to growth range of 6.5-6.9 per cent for the year 2008-09. For the year 2009-10, they assign highest 35.4 per cent probability to 5.5-5.9 per cent growth range for GDP. The chart given below shows mean probability pattern of real GDP growth forecasts.



- Real GDP growth forecast originating from agriculture for the year 2008-09 has been revised downwards to 1.6 per cent from 3 per cent in the earlier survey and for the industrial sector it was revised downwards from 4.9 per cent in the last survey to 4.1 per cent. For the services sector, however, the growth forecast has been revised upwards to 9.3 per cent from 9 per cent in the last survey. For the year 2009-10, the forecast for industry has been revised downwards from 5 per cent in the last survey to 4.1 per cent in the current survey. The forecasts for agriculture and services sector have been kept at the same level of 3 per cent and 7.5 per cent respectively.
- The proportion of domestic saving to GDP is indicated to be 35.3 per cent in 2008-09, revised upwards from 33 per cent in the last survey. Forecasters expect gross domestic capital formation to contribute 37.5 per cent of real GDP in 2008-09 (34.9 per cent in last survey), while contribution of gross fixed capital formation is expected to be 33.7 per cent (revised upwards from 32 per cent in the last survey). The forecasters have predicted private final consumption expenditure to grow at the rate of 6.5 per cent, down from earlier forecast of 6.8 per cent in the last survey.
- The profit growth of corporate sector in 2008-09 has been revised further downwards to 13.5 per cent from 15 per cent in the last survey. The growth is expected to further come down to 9 per cent in 2009-10.

- Broad money (M3) growth is revised downwards to 17.5 per cent in 2009-10 from the earlier forecast of 18.3 per cent. In 2009-10, bank credit is expected to grow at the rate of 16 per cent against its previous forecast of 20 per cent.
- Central Government fiscal deficit is expected to widen to 6.2 per cent of GDP in 2008-09, whereas the combined gross fiscal deficit is placed at 9.8 per cent. Both these figures have been revised upwards from 5 per cent and 8 per cent, respectively, in the last survey.
- The forecasters expect repo rate to be at 4.5 per cent in 2009-10 which is revised downwards from 5 per cent in the last survey. The reverse repo rate is also perceived to be 3 per cent by the end of current financial year, lower than the last survey forecast of 3.5 per cent.
- Forecasters expect an overall BoP deficit to be US \$22.5 bn. in 2008-09, revised from their earlier deficit forecast of US \$ 30.8 bn. in the last survey. Growth rate in exports has been kept at 7.8 per cent, down from the earlier forecast of 12 per cent in the last survey. Forecasters have also revised their import growth forecasts downwards to 17.2 per cent from 17.7 per cent. Net surplus under invisibles during 2008-09 to be US \$ 85.1 bn. which is higher than US \$ 78 bn. expected three months ago.

Quarterly Forecasts:

- The real GDP growth in fourth quarter of 2008-09 is projected at 5.5 per cent revised downwards from the earlier forecast of 6.2 per cent. During the first and second quarters of next financial year, the GDP growth is placed at 5.3 and 5.6 per cent respectively.
- Median forecasts for real GDP originating from agriculture, industry and services sectors in fourth quarter of 2008-09 are projected to be 2.5, 1.8 and 8.5 per cent respectively. For agriculture sector, the forecasts have been revised downwards (3.5 per cent in the last survey). The projection for industry has been revised downwards from 4 per cent in the last survey. For services sector, the forecasts are revised upwards from 8 per cent in last survey. Index of Industrial Production growth forecast in fourth quarter of 2008-09 is kept at 0.1 per cent, revised downwards from 2.8 per cent in the last survey.

- Contribution of gross fixed capital formation to GDP has been projected at 32 per cent in fourth quarter of current financial year, revised upwards from 30.3 per cent in the last survey. Growth rate of corporate profit in the fourth quarter of 2008-09 have been revised downwards to (-) 5 per cent from 11 per cent in the last survey.
- Forecasters expect repo rate and CRR cut in the first quarter of current financial year.

Forecasts on prices:

- Forecasters' median estimates for WPI inflation on a year over year basis in the first quarter of 2009-10 is revised downwards to (-)1.4 per cent against the earlier forecast of 2.4 per cent.
- The forecasters were asked to assign the probabilities to the possibility that fourth quarter over fourth quarter WPI inflation will fall into various growth ranges. Forecasters have assigned highest 40 per cent chance that inflation will be in the range of 5-5.9 per cent in 2009-10.

Long Term Forecasts:

- Long term forecast for real GDP for the next five years is 7.0 per cent, which is revised downwards from 7.7 per cent in last survey. For the next ten years, the GDP is expected to grow at 7.5 per cent, revised downwards from 8.8 per cent in the last survey.
- Over the next five years, the forecasters expect WPI inflation to be 5.0 per cent, which is same as in the last survey. CPI-IW inflation has also been revised upwards to 5.9 per cent in this survey from 5.5 per cent the last survey. Over the next ten years, WPI and CPI-IW based inflation are expected to be 4.5 and 5.0 per cent, respectively.

Table A.1

	Key Macroeconomic Indicators	Annual Forecasts for 2008-09				Actuals for 2007-08
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	6.5	6.6	7.1	5.5	9.0*
a	Agriculture & Allied Activities	1.6	1.6	2.7	-0.1	4.9*
b	Industry	3.7	4.1	4.8	2.4	7.4*
c	Services	9.1	9.3	9.6	8.0	10.8*
2	Private Final Consumption Expenditure (growth rate in per cent)	6.6	6.5	7.6	5.9	8.5*
3	Gross Domestic Saving (per cent of GDP at current market price)	35.4	35.3	38.0	32.0	37.7*
	of which Private Corporate Sector	7.9	8.1	8.5	7.0	
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	36.9	37.5	40.1	32.9	39.1*
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	33.2	33.7	35.0	30.8	31.6*
6	Money Supply (M3) (growth rate in per cent)	18.8	19.0	20.0	17.0	21.2
7	Bank Credit (growth rate in per cent)	18.6	18.8	21.5	15.0	22.3
8	Combined Gross Fiscal Deficit (per cent of GDP)	9.8	9.8	12.0	8.5	5.3
9	Central Govt. Fiscal Deficit (per cent of GDP)	6.4	6.2	8.0	5.4	2.7
10	Corporate profit after tax (growth rate in per cent)	12.5	13.5	18.0	5.0	26.2
11	Repo (end period)	5.0	5.0	5.5	4.5	7.75
12	Reverse Repo (end period)	3.6	3.5	4.0	3.5	6.0
13	CRR (end period)	4.9	5.0	5.0	4.0	7.5
14	USD/INR (RBI reference rate-end period)	49.7	50.3	51.1	46.0	39.9
15	T-Bill 91 days Yield (Weighted average cut-off yield)	5.0	4.8	7.1	4.2	7.09
16	10 year Govt. Securities Yield (per cent-average)	6.6	6.5	7.6	5.7	7.91
17	Overall Balance (in US \$ bn.)	-22.5	-22.5	-12.4	-35.9	92.2
18	Export (in US \$ bn.)	173.2	172.0	182.5	165.0	162.9R
	Export (growth rate in percent)	7.9	7.8	15.0	1.1	28.9
19	Import (in US \$ bn.)	281.5	287.0	305.0	172.7	251.4R
	Import (Growth rate in percent)	16.6	17.2	25.0	11.5	35.4
20	Trade Balance (% of GDP)	-10.1	-10.3	-9.0	-11.5	
21	Invisible Balance (US \$ bn)	83.9	85.1	97.7	72.0	74.6
22	Current Account Balance (US \$ bn)	-32.9	-30.0	-23.3	-44.2	-17.0PR
23	Current Account Balance (% of GDP)	-2.9	-2.9	-2.0	-3.8	
24	Capital Account Balance (US \$ bn)	10.0	9.6	17.9	3.5	108.0PR
25	Capital Account Balance (% of GDP)	1.4	1.3	3.1	0.6	

*: QE; R: Revised Estimates; PR: Partially revised

Table A.2

	Key Macroeconomic Indicators	Annual Forecasts for 2009-10			
		Mean	Median	Max	Min
1	Real GDP growth rate at factor cost (in per cent)	5.8	5.7	6.7	5.1
a	Agriculture & Allied Activities	2.9	3.0	3.7	2.0
b	Industry	4.1	4.1	5.6	2.4
c	Services	7.5	7.5	9.0	6.3
2	Private Final Consumption Expenditure (growth rate in per cent)	6.1	6.0	7.3	4.6
3	Gross Domestic Saving (per cent of GDP at current market price)	34.6	34.6	39.0	31.0
	of which Private Corporate Sector	7.0	7.0	8.2	5.0
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	35.6	35.4	40.0	30.1
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	31.9	32.0	34.0	29.1
6	Money Supply (M3) (growth rate in per cent)	17.4	17.5	20.0	15.5
7	Bank Credit (growth rate in per cent)	16.5	16.0	23.0	14.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	10.3	10.2	13.0	8.5
9	Central Govt. Fiscal Deficit (per cent of GDP)	6.8	6.8	7.5	6.0
10	Corporate profit after tax (growth rate in per cent)	10.8	9.0	20.0	6.0
11	Repo (end period)	4.4	4.5	6.0	3.5
12	Reverse Repo (end period)	3.2	3.0	4.5	2.5
13	CRR (end period)	4.1	4.0	5.5	3.0
14	USD/INR (RBI reference rate-end period)	48.1	48.0	55.0	44.0
15	T-Bill 91 days Yield (per cent-end period)	4.9	5.0	5.5	4.1
16	10 year Govt. Securities Yield (per cent-end period)	6.5	6.5	7.3	5.5
17	Overall Balance (in US \$ bn.)	-4.3	-4.7	-3.2	-5.5
18	Export (in US \$ bn.)	172.7	169.1	208.0	145.0
	Export (growth rate in percent)	-2.5	-4.0	7.1	-9.0
19	Import (in US \$ bn.)	267.4	270.0	359.0	164.0
	Import (Growth rate in percent)	-6.0	-8.4	2.1	-11.5
20	Trade Balance (% of GDP)	-8.4	-7.5	-6.6	-12.1
21	Invisible Balance (US \$ bn.)	82.9	78.5	127.0	70.0
22	Current Account Balance (US \$ bn)	-22.1	-23.6	-10.0	-30.0
23	Current Account Balance (Growth in per cent)	-1.4	-1.9	1.2	-2.3
24	Capital Account Balance (US \$ bn)	26.6	23.9	59.0	14.3
25	Capital Account Balance (Growth in per cent)	2.2	1.9	4.9	1.2

Table A.3										
Key Macroeconomic Indicators	Quarterly Forecasts									
	08-09: Q3	08-09:Q4				09-10Q1				
	Actuals	Mean	Median	Max	Min	Mean	Median	Max	Min	
Real GDP growth rate at factor cost (per cent)	5.3	5.4	5.5	6.9	3.7	5.3	5.3	6.3	4.1	
Agriculture & Allied Activities	-2.2	2.1	2.5	6.1	-2.0	2.8	3.0	4.0	0.9	
Industry	0.8	1.8	1.8	4.8	-0.6	2.4	2.1	4.0	1.0	
Services	9.5	8.1	8.5	9.6	5.7	7.3	7.3	8.4	5.8	
IIP growth rate (per cent)	0.4	0.1	0.1	2.0	-2.1	1.1	1.0	3.1	-2.1	
Private Final Consumption Expenditure (growth rate in per cent)	5.4	5.7	5.7	7.0	4.2	5.7	6.0	6.8	3.8	
Gross Domestic Capital Formation (per cent of GDP at current market price)		35.2	37.1	38.5	30.0	34.4	36.2	38.0	29.0	
Gross Fixed Capital Formation (per cent of GDP at current market price)	31.0	30.9	32.0	34.0	26.0	31.7	32.2	33.7	27.5	
Corporate profit after tax (growth rate in per cent)	-53.4	-5.7	-5.0	5.0	-17.0	-2.5	-2.5	5.0	-10.0	
USD/INR (RBI reference rate- end period)	48.4	50.6	50.9	52.8	48.5	50.6	50.0	53.0	48.3	
Repo Rate (end period)	5.5	4.8	5.0	5.0	3.5	4.4	4.5	4.5	3.5	
Reverse Repo Rate (end period)	4.0	3.6	3.5	5.0	3.5	3.3	3.0	5.0	2.5	
CRR (end period)	5.0	4.9	5.0	5.0	4.0	4.7	4.5	5.0	4.0	
BSE INDEX (end period)	9513	9242	9500	9708	8500	9600	9700	11000	8000	
Export (US \$ bn.)		39.8	37.8	46.2	35.0	41.7	40.7	49.7	35.4	
Import (US \$ bn.)		62.8	64.0	74.0	51.9	67.1	69.6	87.7	55.0	
Trade Balance (US \$ bn.)		-23.1	-24.0	-14.2	-29.0	-25.3	-25.0	-14.0	-38.0	
Oil Price(in US\$ per barrel)		44.5	43.9	53.0	40.0	45.9	46.0	53.0	40.0	

Table A.3 contd.

Key Macroeconomic Indicators	Quarterly Forecasts											
	09-10:Q2				09-10:Q3				09-10:Q4			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	5.5	5.6	6.3	4.5	5.9	6.2	6.9	4.0	6.4	6.5	7.2	5.1
Agriculture & Allied Activities	2.5	2.5	3.3	1.8	3.3	3.0	5.0	2.0	3.1	3.0	5.0	1.5
Industry	3.1	3.0	4.8	1.5	4.7	5.3	7.4	1.0	5.6	5.9	8.2	2.4
Services	7.3	7.4	8.0	6.1	7.5	7.5	8.8	6.0	7.8	8.2	8.5	6.5
IIP growth rate (per cent)	2.2	2.2	5.1	-0.3	4.4	5.0	6.1	2.2	5.2	5.7	7.0	2.2
Private Final Consumption Expenditure (%growth)	5.8	5.9	7.1	4.0	6.2	6.1	7.5	4.5	6.5	6.5	7.7	5.0
Gross Domestic Capital Formation (% of GDP at current market price)	34.2	34.5	38.0	30.0	34.4	34.1	38.5	30.5	34.4	33.8	38.5	31.0
Gross Fixed Capital Formation (% of GDP at current market price)	32.1	32.5	35.6	29.0	31.2	30.8	33.0	29.1	31.6	32.1	33.5	28.9
Corporate profit after tax (growth rate in per cent)	0.3	2.0	5.0	-6.0	16.5	16.5	25.0	8.0	12.5	12.5	15.0	10.0
USD/INR (RBI reference rate- end period)	49.7	49.0	53.0	48.0	48.4	48.0	52.0	46.5	47.7	47.0	53.0	45.9
Repo Rate (end period)	4.2	4.0	4.5	3.5	4.2	4.0	4.5	4.0	4.4	4.5	5.5	4.0
Reverse Repo Rate (end period)	3.2	3.0	5.0	2.5	3.3	3.0	5.5	2.5	3.5	3.0	6.0	2.5
CRR (end period)	4.2	4.5	5.0	3.0	4.1	4.0	5.0	3.0	4.2	4.5	5.0	3.0
BSE INDEX (end period)	10325	9850	13000	8600	10525	10000	12600	9500	10925	10750	12300	9900
Export (US \$ bn.)	42.9	40.8	52.1	35.0	42.6	42.2	50.0	38.9	47.2	45.0	55.4	41.8
Import (US \$ bn.)	69.2	68.0	88.0	57.0	70.9	68.4	89.1	59.0	73.8	73.0	88.1	63.7
Trade Balance (US \$ bn.)	-26.3	-27.0	-17.2	-36.1	-28.3	-27.1	-18.0	-46.1	-26.6	-28.0	-19.9	-32.7
Oil Price(in US\$ per barrel)	51.3	51.3	55.0	47.0	57.7	60.0	65.0	50.0	60.5	60.0	70.0	52.0

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
Q1-09-10	-1.1	-1.4	2.0	-3.3	-1.0	-1.2	0.2	-2.0	5.9	6.6	7.2	4.3
Q2-09-10	-2.2	-2.5	-0.2	-4.3	-1.8	-1.8	-1.0	-3.5	4.0	4.2	5.5	1.4
Q3-09-10	2.1	1.6	5.0	-0.4	1.9	1.7	4.2	-1.0	4.2	4.3	4.8	3.3
Q4-09-10	5.1	4.8	9.3	1.8	3.9	4.5	5.8	1.3	3.9	3.6	6.1	1.8

Table A.5

Mean probabilities attached to possible outcomes of GDP		
Growth Range	Forecasts for 2008-09	Forecasts for 2009-10
Below 3 per cent	1.0	1.0
3 to 3.4 per cent	1.0	1.0
3.5 to 3.9 per cent	1.0	1.5
4 to 4.4 per cent	1.0	5.0
4.5 to 4.9 per cent	1.8	11.5
5 to 5.4 per cent	6.3	31.2
5.5 to 5.9 per cent	33.2	35.4
6 to 6.4 per cent	25.0	32.8
6.5 to 6.9 per cent	58.6	21.8
7 to 7.4 per cent	18.6	6.5
7.5 to 7.9 per cent	10.0	2.3
8 to 8.4 per cent	4.0	1.0
8.5 to 8.9 per cent	2.0	1.0
9 to 9.4 per cent	1.0	1.0
9.5 to 9.9 per cent	1.0	1.0
10 to 10.4 per cent	1.0	1.0
10.5 to 10.9 per cent	1.0	1.0
11 per cent or more	1.0	1.0

Table A.6

Mean probabilities attached to possible outcomes of WPI		
Growth Range	Forecasts for 2008-09	Forecasts for 2009-10
Below -5 per cent		
-5 to -4.1 per cent		
-4 to -3.1 per cent		
-3 to -2.1 per cent		1.0
-2 to -1.1 per cent	10.0	1.0
-1 to -0.1 per cent	30.7	1.0
0 to 0.9 per cent	39.3	13.7
1 to 1.9 per cent	13.3	32.8
2 to 2.9 per cent	20.0	15.3
3 to 3.9 per cent	71.0	25.4
4 to 4.9 per cent	4.0	24.5
5 to 5.9 per cent		40.0
6 to 6.9 per cent		30.8
7 to 7.9 per cent		17.5
8 to 8.9 per cent		9.7
9 to 9.9 per cent		1.5
10 to 10.9 per cent		1.0
11 to 11.9 per cent		1.0

Table A.7

	Annual average percentage change over the next five years		
	Real GDP	WPI Inflation	CPI-IW Inflation
Minimum	6.8	4.0	5.0
Lower Quartile	7.0	4.5	5.4
Median	7.0	5.0	5.9
Upper Quartile	7.3	5.3	6.1
Maximum	8.0	6.0	8.3
S.D	0.4	0.6	0.9

Table A.8

	Annual average percentage change over the next ten years		
	Real GDP	WPI Inflation	CPI-IW Inflation
Minimum	5.5	4.0	4.0
Lower Quartile	6.8	4.3	5.0
Median	7.5	4.5	5.0
Upper Quartile	8.0	5.0	5.5
Maximum	9.0	5.3	8.8
S.D	1.1	0.4	1.2