

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 21 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.

G. Raghuraj
Deputy General Manager

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Survey of Professional Forecasters: Results of the Sixth Round (Q3:2008-09)

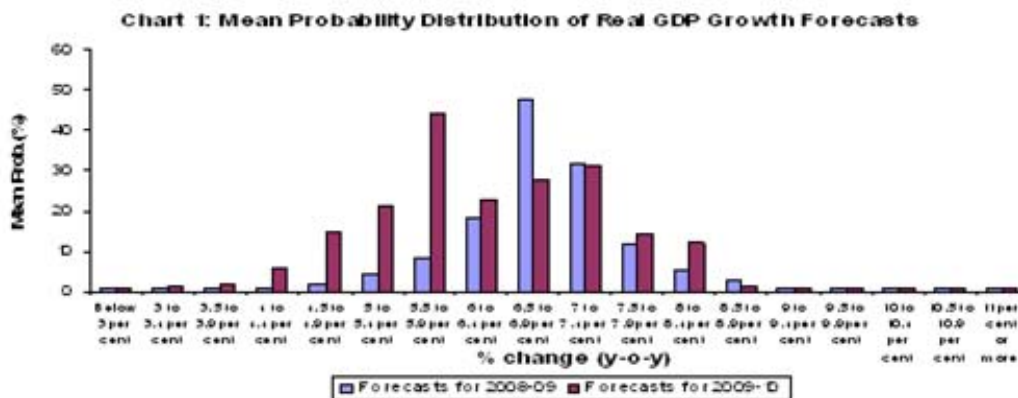
The 'Survey of Professional Forecasters' conducted by the Bank presents short to medium term economic developments on major macroeconomic indicators like component-wise detailed forecasts of GDP growth, inflation, savings, capital formation, consumption expenditure, export, import, interest rates, money 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 sixth round relating to the third quarter of 2008-09 are presented below. The questionnaire was sent to 40 selected forecasters, of which 21 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 downwards to 6.8 per cent in 2008-09 from 7.7 per cent in the last survey. The forecast for the year 2009-10 has also been revised to 6.0 per cent from 7.5 per cent in the last survey. The forecasters are asked to assign the probabilities to the possibility that year over year real GDP will fall into various growth ranges. The highest 47.8 per cent probability was assigned to growth range of 6.5-6.9 per cent for the year 2008-09. For the year 2009-10, they assign highest 44 per cent probability to 5.5-5.9 per cent growth range of GDP. The Chart given below shows mean probability pattern of real GDP growth forecasts.



- Real GDP growth originating in industry for the year 2008-09 has been revised downwards to 4.9 per cent from 7.0 per cent in the earlier survey and for services sector, it has been revised downwards to 9.0 per cent from 9.5 per cent. The growth forecast for agriculture sector remains the same as in the last survey at 3.0 per cent for 2008-09. For the year 2009-10, the forecasts for industry and services sector have been revised downwards from 7.2 per cent and 9.2 per cent respectively in the last survey to the rate of 5.0 and 7.5 per cent, respectively in the current survey.
- The proportion of domestic saving to GDP is indicated to be 33.0 per cent in 2008-09 which was 34.8 per cent in the last survey. Forecasters expect gross domestic capital formation to contribute 34.9 per cent to real GDP in 2008-09 (36.3 per cent in last survey), while contribution of gross fixed capital formation is expected to be 32.0 per cent (revised downwards from 33.5 per cent). The forecasters have revised the forecast of growth rate of private final consumption expenditure downwards in 2008-09 to 6.8 per cent against 7.4 per cent in the last survey.
- The profit growth of corporate sector in 2008-09 has been revised downwards at 15.0 per cent from 18.0 per cent in the last survey. The growth is expected to further come down to 12.0 per cent in 2009-10.
- Broad money (M3) growth is expected to go up to 19.5 per cent in 2008-09 from the earlier forecast of 19.0 per cent. Bank credit is expected to grow at the rate of 23.0 per cent in 2008-09 against previous forecast of 22.0 per cent.
- Central Government fiscal deficit is expected to widen to 5.0 per cent of GDP in 2008-09, whereas the combined gross fiscal deficit is placed at 8.0 per cent. Both these figures have been revised upwards from 3.5 per cent and 6.5 per cent respectively in the last survey.
- Most of the forecasters expect depreciation in rupee to a level of 48.5 vis-à-vis US dollar in 2008-09. In the last survey the rupee was kept at 44.3 vis-à-vis US dollar for the current financial year. Yield on treasury bills (91 days) is revised downwards to 5.9 per cent by the end of 2008-09 from 8.4 per cent in the last survey whereas 10-year government securities yield is seen to be at 7.0 per cent which is lower than the earlier forecast of 8.5 per cent.
- The forecasters expect Repo rate to be at 5.5 per cent in 2008-09 which is revised downwards from 9.0 per cent in the last survey. The reverse repo rate is also perceived to be 4.0 per cent by the end of current financial year, lower than the last survey forecast of 6.0 per cent.
- Forecasters expect an overall BoP deficit by US \$30.8 bn. in 2008-09, revised from their deficit forecast of US \$ 12.4 bn. in the last survey. Growth rate in exports has been kept at 12.0 per cent, down from the earlier forecast of 20.0 per cent in the last survey. Forecasters have also revised their imports growth forecasts downwards to 17 per cent from 27.2 per cent. Forecasters put net surplus under invisibles during 2008-09 to be US \$ 78 bn. which is slightly lower than US \$ 85.5 bn. expected three months ago.

Quarterly Forecasts:

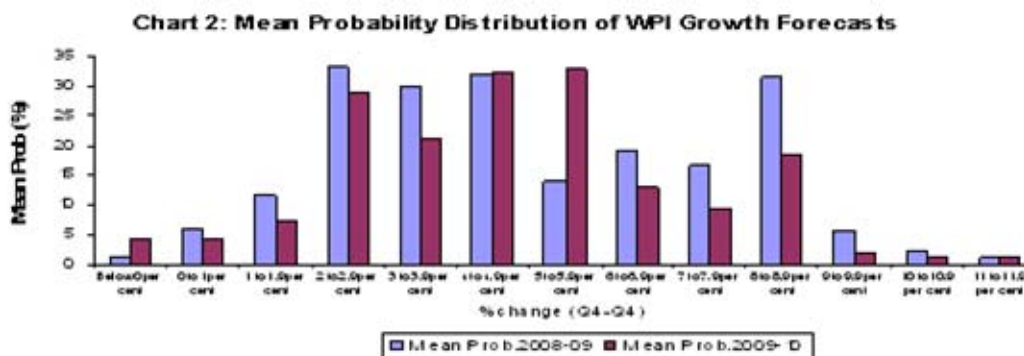
- The real GDP growth in third and fourth quarters of 2008-09 is projected at 6.1 and 6.2 per cent respectively. During

the first and second quarters of next financial year, the GDP growth is placed at 6.1 and 6.3 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 3.5, 4 and 8 per cent respectively. For agriculture sector, the forecasts have been revised upwards (3 per cent in the last survey). The projection for industry has been revised downwards from 7.5 per cent in the last survey, and for services sector, the forecasts are revised downwards from 9.3 per cent. Index of Industrial Production growth forecast in fourth quarter of 2008-09 is kept at 2.8 per cent, revised downwards from 7.4 per cent in the last survey.
- Contribution of gross fixed capital formation to GDP has been projected at 30.3 per cent in fourth quarter of current financial year, revised downwards from the last survey. Growth rate of corporate profit in the fourth quarter of 2008-09 have been revised downwards to 11 per cent from 17.8 per cent in the last survey.
- Forecasters expect repo rate to remain at 5.5 per cent in the last quarter of current financial year. Forecasters also expect CRR to be at 5.0 per cent in the last quarter of 2008-09.

Forecasts on prices:

- Forecasters' median estimates for WPI inflation on a year over year basis in the fourth quarter of 2008-09 is revised downwards to 4.8 per cent against the earlier forecast of 9.7 per cent. Inflation is expected to come down substantially in the first half of 2009-10. Inflation based on CPI-IW in the last quarter of 2008-09 is forecast at 6.5 per cent against 8.5 per cent expected earlier.
- 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. The probabilities for 2008-09 are changed from those assigned in the survey three months ago. Highest (33.1 per cent) chance has been assigned for WPI inflation in the range of 2-2.9 per cent in 2008-09. However, there is highest (32.8 per cent) chance that inflation will be in the range of 5-5.9 per cent in 2009-10. The following chart shows mean probability pattern of WPI forecasts.



Long Term Forecasts:

- Long term forecast for real GDP for the next five years is at 7.7 per cent, which is revised downwards from 8.0 per cent in last survey. For the next ten years, the GDP is expected to grow at 8.8 per cent, revised upwards from 8.1 per cent in the last survey (tables A.7 and A.8).
- Over the next five years, the forecasters expect WPI inflation to be 5.0 per cent, which is revised downwards from 6.0 per cent in the last survey. CPI-IW inflation has also been revised downwards to 5.5 per cent. Over the next ten years, WPI and CPI-IW based inflation are expected to be 4.5 and 5.0 per cent respectively.

	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)	6.8	6.8	7.8	5.8	9.0@
a	Agriculture & Allied Activities	2.9	3.0	4.4	1.5	4.5@
b	Industry	4.7	4.9	6.3	2.0	8.1@
c	Services	8.8	9.0	9.9	7.2	10.7@
2	Private Final Consumption Expenditure (growth rate in per cent)	6.7	6.8	7.5	5.6	8.3@
3	Gross Domestic Saving (per cent of GDP at current market price)	33.3	33.0	36.0	31.4	34.8*
	of which Private Corporate Sector	7.5	7.0	10.5	6.2	7.8*
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	34.5	34.9	37.7	32.0	35.9*
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	32.3	32.0	35.7	30.0	33.9@
6	Money Supply (M3) (growth rate in per cent)	19.2	19.5	21.0	16.3	20.8
7	Bank Credit (growth rate in per cent)	22.3	23.0	26.0	18.0	22.3
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.6	8.0	9.0	5.9	5.3
9	Central Govt. Fiscal Deficit (per cent of GDP)	4.8	5.0	6.2	2.9	3.1
10	Corporate profit after tax (growth rate in per cent)	16.5	15.0	26.0	8.0	26.2
11	Repo (end period)	5.3	5.5	6.0	4.8	7.75
12	Reverse Repo (end period)	4.0	4.0	5.0	3.5	6.0
13	CRR (end period)	4.8	5.0	6.0	3.5	7.5
14	USD/INR (RBI reference rate-end period)	48.3	48.5	52.0	45.0	39.97
15	T-Bill 91 days Yield (Weighted average cut-off yield)	5.7	5.9	7.2	4.2	7.09
16	10 year Govt. Securities Yield (per cent-average)	6.6	7.0	8.2	5.0	7.91
17	Overall Balance (in US \$ bn.)	-30.0	-30.8	-10.4	-43.0	
18	Export (in US \$ bn.)	176.0	178.8	188.6	133.5	158.5!

	Export (growth rate in percent)	13.0	12.0	20.0	6.4	23.7
19	Import (in US \$ bn.)	292.0	293.8	306.5	273.5	248.5!
	Import (Growth rate in percent)	18.2	17.7	30.0	10.0	29.9
20	Trade Balance (% of GDP)	-9.6	-9.8	-8.2	-10.4	
21	Invisible Balance (US \$ bn)	76.7	78.0	95.9	40.0	72.7!
22	Current Account Balance (US \$ bn)	-35.9	-35.3	-24.3	-51.7	-17.4!
23	Current Account Balance (% of GDP)	-2.9	-3.0	-1.6	-4.4	-1.5
24	Capital Account Balance (US \$ bn)	34.0	35.0	50.4	19.1	108!
25	Capital Account Balance (% of GDP)	3.0	2.9	3.5	2.2	
* Figures pertain to 2006-07; @: Revised estimates, *: QE; !: Provisional						

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)	6.2	6.0	8.0	3.9
a	Agriculture & Allied Activities	3.0	3.0	4.5	1.8
b	Industry	5.0	5.0	7.8	3.3
c	Services	7.9	7.5	9.5	6.5
2	Private Final Consumption Expenditure (growth rate in per cent)	6.4	6.7	8.0	4.0
3	Gross Domestic Saving (per cent of GDP at current market price)	32.6	33.3	34.2	28.7
	of which Private Corporate Sector	7.3	7.8	9.0	5.5
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	33.7	34.0	36.1	30.9
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	31.7	32.0	33.9	28.2
6	Money Supply (M3) (growth rate in per cent)	17.8	18.3	21.0	11.0
7	Bank Credit (growth rate in per cent)	19.2	20.0	24.0	12.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.4	7.3	9.0	6.0
9	Central Govt. Fiscal Deficit (per cent of GDP)	4.6	4.2	6.5	3.0
10	Corporate profit after tax (growth rate in per cent)	12.9	12.0	20.0	9.0
11	Repo (end period)	4.8	5.0	6.0	3.5

12	Reverse Repo (end period)	3.5	3.5	5.0	2.5
13	CRR (end period)	3.9	4.0	5.0	2.5
14	USD/INR (RBI reference rate-end period)	46.3	46.5	52.0	40.0
15	T-Bill 91 days Yield (per cent-end period)	5.2	5.5	6.2	3.5
16	10 year Govt. Securities Yield (per cent-end period)	5.9	6.0	7.1	4.3
17	Overall Balance (in US \$ bn.)	40.4	39.8	59.0	18.6
18	Export (in US \$ bn.)	185.4	180.5	208.0	164.0
	Export (growth rate in percent)	10.7	10.2	20.0	5.0
19	Import (in US \$ bn.)	297.2	286.5	360.0	249.0
	Import (Growth rate in percent)	2.7	-4.0	30.0	-9.0
20	Trade Balance (% of GDP)	-8.0	-7.7	-5.6	-11.4
21	Invisible Balance (US \$ bn.)	84.2	80.4	124.7	64.2
22	Current Account Balance (US \$ bn)	-29.5	-27.3	-17.2	-58.2
23	Current Account Balance (Growth in per cent)	-1.7	-2.0	-0.3	-3.5
24	Capital Account Balance (US \$ bn)	45.6	36.6	80.1	21.9
25	Capital Account Balance (Growth in per cent)	2.9	2.9	5.0	1.0

Table A.3 (Contd.)												
Quarterly Forecasts												
Key Macroeconomic Indicators	09-10:Q1				09-10:Q2				09-10:Q3			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	5.9	6.1	7.3	4.0	6.1	6.3	7.6	3.9	6.7	6.8	7.5	5.5
Agriculture & Allied Activities	2.9	3.0	3.5	2.0	2.8	3	3.5	2	3.0	3.0	4.4	1.5
Industry	4.2	4.0	6.0	3.0	5.0	4.5	8	3.8	6.0	5.6	8.5	4.5
Services	7.8	7.6	9.4	5.7	7.8	8.1	9.4	5.6	8.2	8.3	9.5	6.8
IIP growth rate (per cent)	3.8	3.5	6.5	2.2	4.7	4.8	7	3.3	5.8	4.9	7.5	4.2
Private Final Consumption Expenditure (%growth)	6.6	6.4	8.0	5.5	6.7	6.5	8.2	5.5	6.6	6.7	7.5	5.5
Gross Domestic Capital	34.0	34.0	36.0	32.0	34.3	34.3	36.0	32.5	35.3	35.3	36.0	34.5

Formation (% of GDP at current market price)													
Gross Fixed Capital Formation (% of GDP at current market price)	32.1	33.5	33.7	29.0	33.1	33.5	36.8	29	31.2	32.0	33.5	28.2	
Corporate profit after tax (growth rate in per cent)	10.0	10.0	15.0	5.0	12.5	12.5	15	10	12.5	12.5	15.0	10.0	
USD/INR (RBI reference rate- end period)	47.5	47.6	49.0	45.0	46.6	46.5	48	45	45.3	45.5	46.5	43.0	
Repo Rate (end period)	4.9	5.0	5.5	4.0	4.8	5	5.5	4	4.8	5.0	5.5	4.0	
Reverse Repo Rate (end period)	3.8	4.0	4.5	3.0	3.7	4	4.5	2.5	3.7	4.0	4.5	2.5	
CRR (end period)	4.3	4.3	5.0	3.5	4.0	4	5	3	4.0	4.0	5.0	3.0	
BSE INDEX (end period)	10350	10350	10700	10000	11250	11250	11500	11000	12500	12500	13000	12000	
Export (US \$ bn.)	45.6	44.8	51.0	42.0	47.0	47.1	51.7	42.0	44.9	44.5	48.0	42.5	
Import (US \$ bn.)	78.9	77.8	89.0	70.8	83.1	82.4	96.0	71.7	73.8	76.3	81.0	61.5	
Trade Balance (US \$ bn).	-33.2	-33.3	-28.4	-38.0	-36.2	-35.5	-28.6	-45	-28.9	-31.8	-19.0	-33.0	
Oil Price (US\$ per barrel)	45.0	40.0	55.0	40.0	52.5	52.5	60	45	60.0	60.0	65.0	55.0	

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
Q4-08-09	4.5	4.8	6.0	2.1	3.9	3.8	6.0	2.0	6.9	6.5	10.0	3.0
Q1-09-10	2.1	2.4	3.5	-1.5	3.7	3.7	3.9	3.5	5.6	5.5	6.9	4.3
Q2-09-10	0.4	0.1	3.2	-2.0	1.6	2.5	3.4	-1.0	4.6	4.7	5.0	4.1
Q3-09-10	2.8	3.0	4.4	1.0	3.0	2.8	4.2	2.0	4.6	4.8	5.5	3.3

Table A.5

Mean probabilities attached to possible outcomes of GDP		
Growth Range	Forecasts for 2008-09	Forecasts for 2009-10
11 per cent or more	1	1
10.5 to 10.9 per cent	1	1
10 to 10.4 per cent	1	1

9.5 to 9.9 per cent	1	1
9 to 9.4 per cent	1	1
8.5 to 8.9 per cent	3	1.5
8 to 8.4 per cent	5.4	12.3
7.5 to 7.9 per cent	11.9	14.5
7 to 7.4 per cent	32	31.1
6.5 to 6.9 per cent	47.8	27.7
6 to 6.4 per cent	18.6	22.8
5.5 to 5.9 per cent	8.7	44.0
5 to 5.4 per cent	4.5	21.4
4.5 to 4.9 per cent	2	15
4 to 4.4 per cent	1	6
3.5 to 3.9 per cent	1	2
3 to 3.4 per cent	1	1.5
Below 3 per cent	1	1

Table A.6		
Mean probabilities attached to possible outcomes of WPI		
Growth Range	Forecasts for 2008-09	Forecasts for 2009-10
12 per cent or above	1	1
11 to 11.9 per cent	1	1
10 to 10.9 per cent	2.3	1.3
9 to 9.9 per cent	5.7	2.0
8 to 8.9 per cent	31.4	18.3
7 to 7.9 per cent	16.7	9.4
6 to 6.9 per cent	19.1	13.0
5 to 5.9 per cent	14.0	32.8
4 to 4.9 per cent	32.0	32.3
3 to 3.9 per cent	30.0	21.3
2 to 2.9 per cent	33.1	28.9

1 to 1.9 per cent	11.5	7.4
0 to 1 per cent	5.8	4.3
Below 0 per cent	1	4.3

Table A.7				Table A.8			
Annual average percentage change over the next five years:				Annual average percentage change over the next ten years:			
	Real GDP	WPI Inflation	CPI-W Inflation		Real GDP	WPI Inflation	CPI-W Inflation
Minimum	6.0	3.5	4.5	Minimum	6.0	3.5	4.5
Lower Quartile	6.9	4.5	5.5	Lower Quartile	7.5	4.2	5.0
Median	7.7	5.0	5.5	Median	8.8	4.5	5.0
Upper Quartile	8.0	5.5	6.0	Upper Quartile	9.0	4.6	5.5
Maximum	9.5	7.0	8.0	Maximum	10.0	7.0	7.0
S.D	1.1	0.9	1.0	S.D	1.1	0.9	1.0

¹Growth rates wherever indicated are the median forecasts.