



## **Survey of Professional Forecasters: Results of Tenth Round (Q3:2009-10)**

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 tenth round relating to the third quarter of 2009-10 are presented below. The questionnaire was sent to 38 selected forecasters, of which 20 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.*

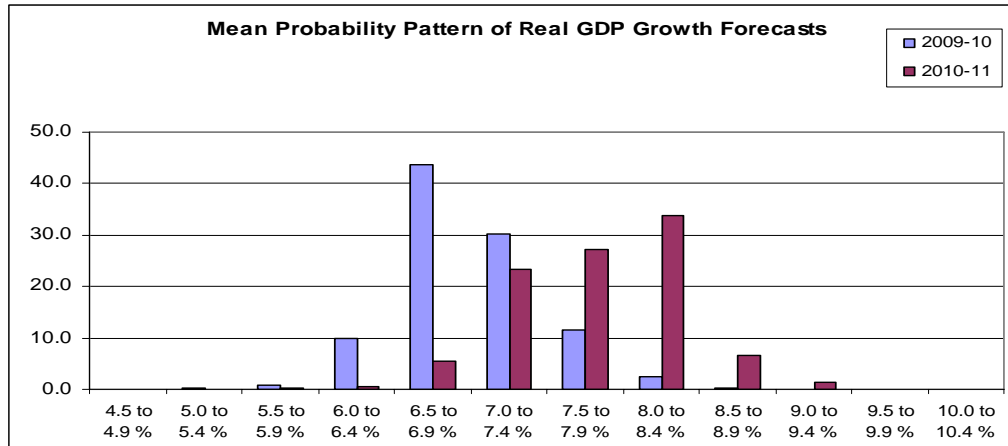
Some of the salient features are as follows:

### **Annual Forecasts:**

- Forecasters have revised their real GDP growth rate forecasts upwards to 6.9 per cent<sup>1</sup> in 2009-10 from 6.0 per cent in the last survey. The forecasters were asked to assign probabilities to the possibility that year over year real GDP growth will fall into various ranges. The highest probability of 43.8 per cent is assigned to growth range of 6.5-6.9 per cent for the year 2009-10. For the year 2010-11, they have assigned highest probability of 33.8 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.

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



- For the year 2009-10, the forecast for agriculture has been revised upwards from (-) 1.4 per cent to (-) 0.9 per cent. For industry, the forecasts have been revised significantly upwards from 6.3 per cent to 8.4 per cent, whereas for the services sector, there was modest upward revision from 8.1 per cent in the earlier survey to 8.7 per cent in the current survey.
- The proportion of domestic saving to GDP is indicated to be 35.0 per cent in 2009-10, revised upwards from 33.6 per cent in the last survey. Forecasters expect gross domestic capital formation to contribute 37.7 per cent of real GDP in 2009-10 (37.3 per cent in last survey), while contribution of gross fixed capital formation is expected to be 34.0 per cent (revised upwards from 33.5 per cent in the last survey). The forecasters have predicted private final consumption expenditure to grow at the rate of 6.0 per cent in 2009-10, revised downwards from 7.0 per cent in the last survey.
- The profit growth of corporate sector in 2009-10 has been revised upwards to 11.3 per cent from 10.0 per cent in the last survey. The growth in profit is expected to be 18.0 per cent in 2010-11, which has been revised significantly upwards from 14.5 per cent in the last survey.
- Broad money (M3) growth is revised downwards to 18.3 per cent in 2009-10 from the earlier forecast of 19.0 per cent. In 2009-10, bank credit is expected to grow at the rate of 15.0 per cent as against its previous forecast of 17.0 per cent.

- Central Government fiscal deficit is placed at 6.8 per cent of GDP in 2009-10, which is revised downwards from 7.0 per cent in the last survey. The combined gross fiscal deficit is placed at 10.8 per cent of GDP, revised downwards from 11.0 per cent in the last survey.
- The forecasters expect end period repo rate and reverse repo rate to be at 5.0 per cent and 3.5 respectively in 2009-10, which are same as expected in the last survey.
- Exports are expected to contract by 5.2 per cent in the current financial year, revised downwards from (-) 5.0 per cent in the last survey. Imports are expected to contract by 8.3 per cent in 2009-10, revised upwards from (-) 15.7 per cent in the last survey. Net surplus under invisibles is placed at US\$ 85.1 billion in 2009-10 as against US\$ 83.1 billion in the last survey.

#### **Quarterly Forecasts:**

- The real GDP growth in the third quarter of 2009-10 is projected at 6.5 per cent, which is revised upwards from 5.7 per cent in the last survey. During the fourth quarter of current financial year, the GDP growth is placed at 7.5 per cent.
- Median forecasts for real GDP originating from agriculture, industry and services sectors in third quarter of 2009-10 are projected to be (-) 4.0, 10.1 and 8.8 per cent, respectively. For agriculture sector, the forecasts have been revised downwards ((-) 3.7 per cent in the last survey). The projection for industry has been revised upwards from 6.9 per cent in the last survey. For services sector, the forecasts are revised upwards from 8.4 per cent in the last survey. Index of Industrial Production growth forecast in the third quarter of 2009-10 is now placed at 10.0 per cent, revised upwards from 7.2 per cent in the last survey.
- Contribution of gross fixed capital formation to GDP has been projected at 35.3 per cent in the third quarter of current financial year, revised upwards from 33.0 per cent in the last survey. Corporate profit in the third quarter of 2009-10 is expected to grow by 21.2 per cent, revised significantly upwards from earlier forecast of 9.0 per cent.

**Forecasts on prices:**

- Forecasters' median estimates for WPI inflation in the fourth quarter of current financial year is at 8.2 per cent, which has been revised upwards from 6.8 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 40.4 per cent chance that average inflation will be in the range 7.0-7.9 per cent in 2009-10 and highest 34.3 per cent chance that it will fall in 5.0-5.9 per cent in 2010-11.

**Long Term Forecasts:**

- Long term forecast for real GDP for the next five years is 8.0 per cent, which is revised upwards from 7.5 per cent in the last survey. For the next ten years, the GDP is expected to grow at 8.0 per cent, which is revised upwards from 7.8 per cent 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 6.5; same as in the last survey. Over the next ten years, WPI and CPI-IW based inflation are expected to be 4.5 and 5.3 per cent, respectively (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)	6.9	6.9	7.6	6.5	6.7*
A	Agriculture & Allied Activities	-1.2	-0.9	0.6	-4.0	1.6*
B	Industry	8.3	8.4	9.5	7.3	2.6*
C	Services	8.7	8.7	9.5	8.2	9.4*
2	Private Final Consumption Expenditure (growth rate in per cent)	7.0	6.0	12.5	3.5	12.2*
3	Gross Domestic Saving (per cent of GDP at current market price)	35.1	35.0	38.7	33.0	
	Of which Private Corporate Sector	8.4	7.7	14.0	6.0	
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	35.1	37.7	39.2	7.5	
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	34.1	34.0	36.0	32.0	34.8*
6	Money Supply (M3) (growth rate in per cent)	18.0	18.3	19.5	15.0	18.6
7	Bank Credit (growth rate in per cent)	15.3	15.0	18.0	12.0	17.5
8	Combined Gross Fiscal Deficit (per cent of GDP)	10.7	10.8	11.8	8.9	10.7
9	Central Govt. Fiscal Deficit (per cent of GDP)	6.9	6.8	7.5	6.5	6.2
10	Corporate profit after tax (growth rate in per cent)	12.4	11.3	25.0	4.0	-18.4
11	Repo (end period)	5.1	5.0	6.0	4.8	5.0
12	Reverse Repo (end period)	3.6	3.5	4.5	3.3	3.5
13	CRR (end period)	5.6	5.5	7.5	5.0	5.0
14	USD/INR (RBI reference rate-end period)	45.6	45.5	47.3	44.0	51.0
15	T-Bill 91 days Yield (Weighted average cut-off yield)	4.1	4.0	4.7	3.7	7.1
16	10 year Govt. Securities Yield (per cent-average)	7.7	7.8	8.3	6.8	7.6
17	Overall Balance (in US \$ bn.)	29.2	24.6	64.0	10.0	-20.0
18	Export (in US \$ bn.)	166.3	166.8	180.0	153.3	168.7
	Export (growth rate in percent)	-4.7	-5.2	13.4	-12.8	5.4
19	Import (in US \$ bn.)	273.5	270.7	300.0	244.0	287.8
	Import (Growth rate in percent)	-8.0	-8.3	2.0	-16.5	14.3
20	Trade Balance (% of GDP)	-6.8	-8.0	9.9	-9.5	-10.3
21	Invisible Balance (US \$ bn)	86.1	85.1	100.0	80.0	89.6
22	Current Account Balance (US \$ bn)	-21.6	-23.7	2.0	-36.7	-29.8
23	Current Account Balance (% of GDP)	-1.3	-1.8	2.9	-2.7	-2.6
24	Capital Account Balance (US \$ bn)	50.2	49.2	88.0	15.0	9.1
25	Capital Account Balance (% of GDP)	3.7	3.8	5.4	2.0	0.8

\*: RE

**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)	7.9	7.9	8.8	7.4
A	Agriculture & Allied Activities	3.6	3.5	5.0	1.5
B	Industry	8.0	8.1	9.5	6.5
C	Services	8.9	9.0	9.6	8.2
2	Private Final Consumption Expenditure (growth rate in per cent)	9.0	8.0	13.0	4.8
3	Gross Domestic Saving (per cent of GDP at current market price)	36.2	36.4	37.7	33.5
	Of which Private Corporate Sector	8.9	8.2	15.0	6.5
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	38.2	39.0	39.7	35.0
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	35.0	35.0	37.0	33.4
6	Money Supply (M3) (growth rate in per cent)	19.3	19.5	22.0	16.0
7	Bank Credit (growth rate in per cent)	19.7	19.0	27.5	17.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	9.4	9.4	10.9	8.0
9	Central Govt. Fiscal Deficit (per cent of GDP)	6.0	6.0	6.5	5.5
10	Corporate profit after tax (growth rate in per cent)	17.9	18.0	22.0	14.0
11	Repo (end period)	6.0	6.0	7.5	5.3
12	Reverse Repo (end period)	4.6	4.5	6.0	3.5
13	CRR (end period)	6.6	6.5	8.5	5.8
14	USD/INR (RBI reference rate-end period)	44.1	44.3	47.5	40.5
15	T-Bill 91 days Yield (per cent-end period)	5.2	5.3	6.5	4.1
16	10 year Govt. Securities Yield (per cent-end period)	7.8	7.8	8.5	6.7
17	Overall Balance (in US \$ bn.)	32.6	30.9	63.1	-20.0
18	Export (in US \$ bn.)	195.1	197.1	212.0	177.0
	Export (growth rate in percent)	14.7	15.2	26.8	-5.3
19	Import (in US \$ bn.)	315.5	317.8	362.0	246.4
	Import (Growth rate in percent)	15.8	17.4	28.0	-12.0
20	Trade Balance (% of GDP)	-7.3	-8.7	10.6	-15.0
21	Invisible Balance (US \$ bn.)	102.5	101.9	125.0	85.0
22	Current Account Balance (US \$ bn)	-26.2	-29.4	3.5	-52.9
23	Current Account Balance (Growth in per cent)	-1.3	-1.9	3.2	-4.0
24	Capital Account Balance (US \$ bn)	64.2	61.0	120.0	10.0
25	Capital Account Balance (Growth in per cent)	4.3	4.1	6.3	3.0

**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
Q4-09-10	7.8	8.2	9.3	4.5	5.3	5.5	8.2	2.5	12.2	11.3	15.5	8.5
Q1-10-11	7.4	7.4	8.3	5.6	5.7	5.9	8.1	4.0	11.6	11.4	15.0	8.2
Q2-10-11	5.9	6.4	8.0	3.4	5.4	5.1	9.0	2.8	8.5	7.9	13.0	6.5
Q3-10-11	5.4	5.5	6.8	3.5	5.4	5.5	9.3	2.0	7.5	7.6	11.0	4.8

**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	0.1	0.1
3 to 3.4 per cent	0.1	0.1
3.5 to 3.9 per cent	0.1	0.1
4 to 4.4 per cent	0.1	0.1
4.5 to 4.9 per cent	0.1	0.1
5 to 5.4 per cent	0.4	0.1
5.5 to 5.9 per cent	0.8	0.3
6 to 6.4 per cent	9.9	0.7
6.5 to 6.9 per cent	43.8	5.6
7 to 7.4 per cent	30.3	23.3
7.5 to 7.9 per cent	11.5	27.3
8 to 8.4 per cent	2.4	33.8
8.5 to 8.9 per cent	0.4	6.7
9 to 9.4 per cent	0.1	1.5
9.5 to 9.9 per cent	0.1	0.1
10 to 10.4 per cent	0.1	0.1
10.5 to 10.9 per cent	0.1	0.1
11 percent or more	0.1	0.1

**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	0.1	0.1
-5 to -4.1 per cent	0.1	0.1
-4 to -3.1 per cent	0.1	0.1
-3 to -2.1 per cent	0.1	0.1
-2 to -1.1 per cent	0.1	0.2
-1 to -0.1 per cent	0.1	0.2
0 to 0.9 per cent	0.1	0.2
1 to 1.9 per cent	0.1	0.2
2 to 2.9 per cent	5.8	1.1
3 to 3.9 per cent	1.5	3.1
4 to 4.9 per cent	0.1	23.3
5 to 5.9 per cent	2.9	34.3
6 to 6.9 per cent	14.9	25.0
7 to 7.9 per cent	40.4	9.1
8 to 8.9 per cent	23.6	2.2
9 to 9.9 per cent	7.9	0.3
10 to 10.9 per cent	1.9	0.2
11 to 11.9 per cent	0.3	0.2
12 per cent and above	0.1	0.2

**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	7.0	4.5	6.0	Minimum	6.5	3.5	4.0
Lower Quartile	7.7	5.0	6.4	Lower Quartile	7.7	4.1	5.0
Median	8.0	5.5	6.5	Median	8.0	4.5	5.3
Upper Quartile	8.0	5.9	7.0	Upper Quartile	8.5	5.0	5.9
Maximum	8.5	6.0	8.0	Maximum	9.3	5.5	7.0
S.D	0.5	0.6	0.7	S.D	0.9	0.7	1.0



**Table A.3: Quarterly Forecasts Q3: 2009-10 to Q3: 2010-11**

Key Macroeconomic Indicators	Quarterly Forecasts								
	09-10:Q2	09-10:Q3				09-10:Q4			
	Actual	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	7.9	6.4	6.5	7.7	5.0	7.6	7.5	9.5	7.0
Agriculture & Allied Activities	0.9	-4.0	-4.0	0.0	-10.0	-0.6	-0.9	2.0	-4.0
Industry	9.0	9.9	10.1	11.6	8.0	9.9	10.0	13.1	7.3
Services	9.0	8.7	8.8	10.9	7.5	9.0	8.9	11.0	7.9
IIP growth rate (per cent)	9.2	10.4	10.0	14.6	6.9	10.3	10.0	15.7	7.4
Private Final Consumption Expenditure (growth rate in per cent)	8.7	7.3	7.7	9.4	5.5	9.4	9.0	14.3	6.0
Gross Domestic Capital Formation (per cent of GDP at current market price)		30.2	37.3	38.2	8.0	31.2	38.1	38.5	10.0
Gross Fixed Capital Formation (per cent of GDP at current market price)	36.3	34.5	35.3	36.5	30.0	35.0	35.4	36.8	30.9
Corporate profit after tax (growth rate in per cent)		25.2	21.2	43.4	15.0	15.8	19.0	25.0	0.0
USD/INR (RBI reference rate- end period)	48.04	46.4	46.5	47.3	45.0	45.5	45.5	47.3	44.0
Repo Rate (end period)	4.75	4.75	4.75	4.75	4.75	4.9	5.0	5.3	4.8
Reverse Repo Rate (end period)	3.25	3.25	3.25	3.25	3.25	3.4	3.5	3.8	3.3
CRR (end period)	5.0	5.0	5.0	5.0	5.0	5.4	5.5	6.0	5.0
BSE INDEX (end period)	17127	17400	17465	17500	17010	17783	17850	18500	16500.0
Export (US \$ bn.)		41.5	41.4	45.0	38.7	46.4	45.7	52.0	41.0
Import (US \$ bn.)		72.2	71.0	77.5	67.5	74.9	72.5	90.0	66.1
Trade Balance (US \$ bn.)		-30.7	-31.0	-24.5	-35.5	-28.5	-29.7	-19.4	-38.0
Oil Price(in US\$ per barrel)	67.7	74.2	75.2	79.4	69.0	79.7	80.0	90.0	70.0

\*:RE; P:Preliminary

### A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	10-11:Q1				10-11: Q2				10-11:Q3			
	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	8.2	7.9	9.7	7.1	7.9	7.7	9.4	6.7	8.0	8.2	8.9	7.3
Agriculture & Allied Activities	1.8	2.0	3.5	-1.4	2.9	3.0	5.0	1.5	4.3	4.7	7.0	1.0
Industry	8.7	9.0	10.7	6.1	8.0	8.4	9.8	5.9	8.2	8.3	10.0	6.4
Services	9.6	9.3	12.0	8.3	9.1	9.1	10.3	8.4	8.9	9.0	9.5	7.1
IIP growth rate (per cent)	8.9	8.6	11.1	6.2	7.3	7.4	9.9	2.8	7.6	7.8	9.5	5.3
Private Final Consumption Expenditure (%growth)	11.1	10.0	13.6	9.0	10.7	10.5	12.8	8.6	9.1	10.5	11.6	2.8
Gross Domestic Capital Formation (% of GDP at current market price)	37.9	37.9	38.5	37.2	39.8	39.8	40.2	39.3	39.7	39.7	39.8	39.5
Gross Fixed Capital Formation (% of GDP at current market price)	35.6	35.5	36.8	34.4	36.7	37.0	37.8	35.0	35.3	36.5	37.5	30.8
Corporate profit after tax (growth rate in per cent)	16.8	18.5	20.0	10.0	16.0	18.5	22.0	5.0	18.3	22.0	24.0	5.0
USD/INR (RBI reference rate- end period)	45.1	45.3	46.7	43.0	44.9	44.9	47.0	42.5	44.7	44.7	47.3	41.5
Repo Rate (end period)	5.1	5.3	5.5	4.8	5.4	5.4	5.8	5.0	5.6	5.6	6.3	5.3
Reverse Repo Rate (end period)	3.6	3.8	4.0	3.3	3.9	4.0	4.3	3.5	4.2	4.3	4.8	3.5
CRR (end period)	5.8	5.5	7.0	5.0	6.0	5.9	7.0	5.5	6.1	6.0	7.0	5.8
BSE INDEX (end period)	18340	18200	20000	16500	18640	18500	22000	15000	18560	18500	20000	16000
Export (US \$ bn.)	45.3	44.3	49.1	43.5	46.3	46.6	51.9	40.4	47.5	47.7	49.0	45.8
Import (US \$ bn.)	72.1	75.3	82.2	55.7	76.8	80.4	85.3	61.1	83.3	84.0	87.6	77.7
Trade Balance (US \$ bn.)	-26.8	-28.8	-12.1	-37.6	-30.5	-31.9	-20.7	-37.3	-35.8	-36.4	-31.9	-38.6
Oil Price(in US\$ per barrel)	77.7	78.5	85.0	67.0	77.8	80.0	85.0	65.0	77.7	79.0	88.0	65.0