Results of the Survey of Professional Forecasters on Macroeconomic Indicators – 21st Round (Q2:2012-13)

The Reserve Bank has been conducting the Survey of Professional Forecasters on a quarterly basis from the quarter ended September 2007. ***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.***

The latest survey round relates to Q2 of 2012-13. Twenty nine professional forecasters participated in this round. The detailed results of the survey are presented in the ***Annex.***

Some of the salient features are as follows:

1. Annual and Quarterly Forecasts:

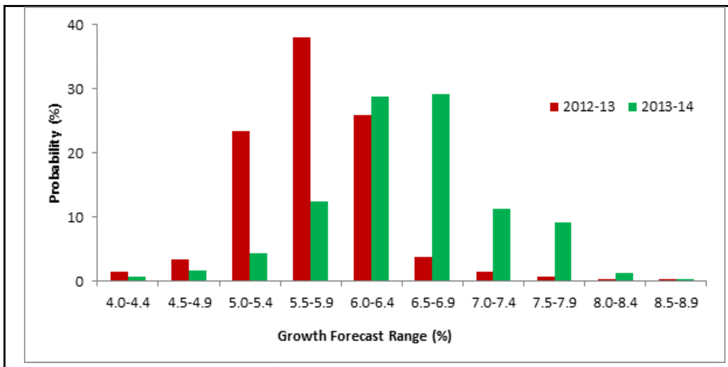
- Real GDP growth rate forecast for 2012-13 was revised downwards to 5.7 per cent[1] from 6.5 per cent in the last round. Growth forecast for GDP Agricultural and Allied Activities has been revised downwards to 1.4 per cent from 3.0 per cent level in the last round. Growth forecast for GDP industry has been revised downwards to 3.0 per cent from 4.0 per cent and GDP services growth was revised downwards to 7.8 per cent from 8.0 per cent in the last round **(Table 1).** The forecasters were asked to assign probabilities to the possibility that year-on-year real GDP growth rate will fall into various ranges. For 2012-13, they have assigned maximum probability of 38.1 per cent to 5.5-5.9 per cent growth range for GDP **(Chart 1).** For 2013-14, maximum probability (29.1 per cent) has been assigned to the range of 6.5-6.9 per cent.

Table 1: Median Forecast of Real GDP* Growth Rate (Y-o-Y)

Per Cent

	2012-13
Real GDP	5.7 (-0.8)
Agriculture and Allied Activities	1.4 (-1.6)
Industry	3.0 (-1.0)
Services	7.8 (-0.2)

Chart 1: Mean Probability Pattern of Growth Forecast



*: Figures in bracket are increase/decrease of forecasts from the last round.

[1] Forecasts wherever indicated are the median forecasts.

- Real GDP growth for Q2 of 2012-13 is projected at 5.5 per cent (6.3 per cent in the last round). Median forecasts for Q2 of 2012-13 for real GDP originating from Agriculture and Allied activities, Industry and Services sectors are forecast to be 1.2 per cent, 1.9 per cent and 7.5 per cent, respectively and are lower than the corresponding forecasts in the last round. There is a significant downward revision in the Index of Industrial Production growth forecast in Q2 of 2012-13 to 1.3 per cent, from 4.1 per cent in the last round. Quarterly sector-wise forecasts of real GDP from Q2 of 2012-13 to the Q2 of 2013-14 are presented in Table 2.

Table 2: Median Forecasts for Quarterly GDP and IIP

Growth Rate in %	Q2: 12-13	Q3: 12-13	Q4: 12-13	Q1: 13-14	Q2: 13-14
Overall GDP	5.5	5.6	6.2	6.4	6.7
Agriculture and Allied Activities	1.2	-0.3	1.5	2.4	2.5
Industry	1.9	3.2	3.9	4.6	5.1
Services	7.5	8.0	8.2	8.0	7.9
Index of Industrial Production	1.3	2.8	3.4	5.0	5.7

- Forecasters expect average WPI inflation in Q3 of 2012-13 at 8.0 per cent, revised upwards from the last round. For Q4 of 2012-13, WPI-inflation forecast is 7.7 per cent **(Table 3).**

Table 3: Median Forecast for Quarterly WPI and CPI-IW Inflation

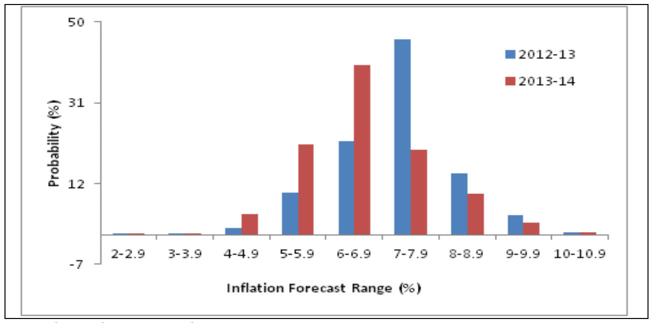
Growth Rate in %	Q3: 12-13	Q4: 12-13	Q1: 13-14	Q2: 13-14
WPI- All Commodities	8.0	7.7	7.0	7.0
WPI- Manufactured Products	5.9	6.1	5.8	5.1
CPI- Industrial Workers	10.4	10.2	9.8	9.3

- For 2012-13, domestic saving rate is forecast to be 30.3 per cent, revised downwards from 31.3 per cent in the last round. The rate of gross fixed capital formation is projected to moderate marginally to 29.0 per cent, from 29.7 per cent in the last round. Private final consumption expenditure at current prices is expected to grow at the rate of 12.5 per cent, revised downwards from the last round **(Table 4).**
- The forecasters were asked to assign probabilities to the possibility that WPI inflation would fall into various ranges by the end of 2012-13 and 2013-14. They have assigned the highest probability (45.9 per cent) that it will fall in the range 7.0-7.9 per cent by end-March of 2012-13 **(Chart 2**). For 2013-14, highest probability (39.8 per cent) is assigned for the range of 6.0-6.9 per cent.

Table 4: Median Forecast of Savings and Capital Formation*

	Per Cent 2012-13
PFCE Growth Rate	12.5 (-0.5)
GDS Rate	30.3 (-1.0)
GFCF Rate	29.0 (-0.7)

Chart 2: Mean Probability Pattern of WPI-Inflation Projections



*: Figures in bracket are increase/decrease of forecasts from last round.

- Forecast for Money supply (M3) growth remained unchanged at 15.0 per cent in 2012-13 and bank credit growth forecast at 16.5 per cent has been revised downwards from the last round **(Table 5).** The end-March 2012-13 Rupee-US Dollar exchange rate is projected at 52.00 as compared to 53.00, projected in the last round. Yield of 91-Days Treasury Bill is forecast at 7.9 per cent for end-March 2012-13.

Table 5: Median Projections for Select Financial Market Variables*

Growth Rate	2012-13		End Period	2012-13
M3	15.0 (0.0)		INR/1USD	52.00 (-1.00)
Bank Credit	16.5 (-0.5)		T-Bill 91 days Yield in %	7.9 (-0.1)

*: Figures in bracket are increase/decrease of forecasts from last round.

- Central Government's gross fiscal deficit is forecast at 5.7 per cent of GDP in 2012-13, revised upwards from 5.5 per cent of GDP in the last round and the combined gross fiscal deficit of Central and States Governments was forecast at 8.2 per cent of GDP in 2012-13 up from 7.9 per cent of GDP in the last round **(Table 6).**
- The forecasters expect Repo Rate to be at 7.50 per cent in end-2012-13, which is same as expected in the last round**.** Forecast for CRR for end-2012-13 has been revised downward by 25 bps to 4.25 per cent from 4.50 per cent in the last round **(Table 7)**.

Table 6: Median Forecast for Fiscal Deficit*

	2012-13
Combined Gross Fiscal Deficit as per cent of GDP	8.2 (+0.3)
Central Govt. Fiscal Deficit as per cent of GDP	5.7 (+0.2)

Table 7: Median Forecast for Policy Rates*

End Period	2012-13
Repo Rate	7.50 (0.0)
CRR	4.25 (-0.25)

*: Figures in bracket are increase/decrease of forecasts from last round.

- For the year 2012-13, growth forecasts for both Export and Import have been revised downwards from the last round. Export is forecast to remain at the same level of 2011-12, while Import is forecast to fall by 0.9 per cent in 2012-13. In 2013-14, Export is expected to grow at 12.0 per cent and Import growth is expected to be 12.7 per cent. Net surplus under invisibles is placed at US$118.4 billion in 2012-13, revised downward from the last round **(Table 8).**

Table 8: Median Forecasts for External Sector

	2012-13	**2013-14**
Export (growth rate in %)	0.0	12.0
Import (growth rate in %)	-0.9	12.7
Trade Balance (% of GDP)	-9.7	-9.1
Net Invisible Balance (US $ bn.)	118.4	128.9
Current Account Balance (% of GDP)	-3.5	-2.7
Capital Account Balance (% of GDP)	3.6	3.4
Overall Balance of Payments (in US $ bn.)	0.5	7.8

2. Long Term Forecasts:

- Long term forecast for real GDP for the next five years (2012-13 to 2016-17) and the next ten years (2012-13 to 2021-22), has remained unchanged at 7.5 per cent and 8.0 per cent, respectively, from the last round. Over the next five years, WPI inflation is expected to be 6.5 per cent, revised upwards from the last round. CPI- Industrial Workers (CPI-IW) inflation forecast over next five years has remained unchanged at 7.3 per cent from the last round. Over the next ten years, WPI inflation is forecast at 6.0 per cent, unchanged from the last round. CPI-IW inflation forecast has been revised downwards to 6.5 per cent from 6.8 per cent over the next ten years **(Table 9)**.

Table 9: Long Term Median Forecasts for Growth and Inflation

Growth rate in %	**Next Five Years**	**Next Ten Years**
Real GDP	7.5	8.0
WPI	6.5	6.0
CPI-IW	7.3	6.5

Annex

Table A.1 : Annual Forecasts for 2012-13

	Key Macroeconomic Indicators	Annual Forecasts for 2012-13				Actuals for 2011-12
		Mean	Median	Max	Min	
1	Real GDP growth rate at factor cost (in per cent)	5.7	5.7	6.2	5.2	6.5#
a	Agriculture & Allied Activities	1.3	1.4	3.0	-0.8	2.8#
b	Industry	2.9	3.0	4.8	0.6	2.6#
c	Services	7.7	7.8	8.2	6.9	8.5#
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	12.7	12.5	15.0	7.0	14.4#
3	Gross Domestic Saving (per cent of GDP at current market price)	30.3	30.3	31.8	28.5	-
	of which Private Corporate Sector	7.6	7.9	9.0	6.0	-
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	33.5	33.8	36.0	29.5	-
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	29.0	29.0	30.7	25.5	29.5#
6	Money Supply (M3) (growth rate in per cent)	14.5	15.0	17.0	10.3	12.9
7	Bank Credit (growth rate in per cent)	16.4	16.5	19.2	13.0	17.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	8.2	8.2	9.0	7.4	7.0 BE
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.7	5.7	6.2	5.5	5.9 #
10	Repo Rate(end period)	7.5	7.50	8.1	7.00	8.50
11	CRR (end period)	4.2	4.25	4.5	3.75	4.75
12	INR/ 1USD (RBI reference rate-end period)	52.0	52.0	55.9	48.0	51.16
13	T-Bill 91 days Yield (per cent-end period)	7.9	7.9	8.6	7.5	8.66
14	10 year Govt. Securities Yield (per cent-end period)	8.0	8.0	8.4	7.6	8.56
15	Overall Balance (in US $ bn.)	1.3	0.5	10.0	-15.1	-12.8@
16	Export (in US $ bn.)	308.7	308.9	342.9	224.0	309.8@
	Export (growth rate in percent)	1.0	0.0	10.7	-10.0	23.7@
17	Import (in US $ bn.)	491.5	491.6	540.0	370.0	499.5@
	Import (Growth rate in percent)	0.1	-0.9	9.9	-7.3	31.1@
18	Trade Balance (per cent of GDP)	-8.7	-9.7	10.0	-11.5	-11.1@
19	Invisible Balance (US $ bn.)	117.0	118.4	128.9	95.0	111.6@
20	Current Account Balance (US $ bn.)	-67.3	-67.1	-55.1	-98.3	-78.2@
21	Current Account Balance (per cent of GDP)	-3.6	-3.5	-3.0	-5.2	-4.6@
22	Capital Account Balance (US $ bn.)	66.5	66.1	88.0	42.0	67.8@
23	Capital Account Balance (per cent of GDP)	3.3	3.6	4.7	-3.8	3.9@

#: RE; @: Preliminary; BE: Budget Estimate.

Table A.2 : Annual Forecasts for 2013-14

	Key Macroeconomic Indicators	Annual Forecasts for 2013-14			
		Mean	**Median**	**Max**	**Min**
1	Real GDP growth rate at factor cost (in per cent)	6.6	6.6	7.5	5.5
a	Agriculture & Allied Activities	2.8	3.0	3.6	1.9
b	Industry	5.1	5.3	7.1	1.0
c	Services	8.0	8.0	9.0	6.7
2	Private Final Consumption Expenditure at current market price (growth rate in per cent)	14.0	14.0	16.2	11.9
3	Gross Domestic Saving (per cent of GDP at current market price)	31.9	31.6	33.7	30.0
	of which Private Corporate Sector	8.4	8.6	10.0	7.2
4	Gross Domestic Capital Formation (per cent of GDP at current market price)	34.5	34.1	36.9	31.0
5	Gross Fixed Capital Formation (per cent of GDP at current market price)	30.3	30.0	31.8	28.5
6	Money Supply (M3) (growth rate in per cent)	15.8	15.8	17.0	14.5
7	Bank Credit (growth rate in per cent)	17.7	17.0	22.0	15.0
8	Combined Gross Fiscal Deficit (per cent of GDP)	7.7	7.7	9.0	6.3
9	Central Govt. Fiscal Deficit (per cent of GDP)	5.3	5.3	6.5	4.8
10	Repo Rate(end period)	6.9	7.0	7.5	6.25
11	CRR (end period)	4.1	4.2	4.5	3.0
12	INR/ 1USD (RBI reference rate-end period)	51.1	50.8	59.3	48.0
13	T-Bill 91 days Yield (per cent-end period)	7.4	7.5	8.4	7.0
14	10 year Govt. Securities Yield (per cent-end period)	7.7	7.8	8.3	7.3
15	Overall Balance (in US $ bn.)	2.9	7.8	20.0	-45.0
16	Export (in US $ bn.)	353.2	345.0	425.0	320.4
	Export (growth rate in per cent)	13.7	12.0	26.9	5.0
17	Import (in US $ bn.)	549.3	540.0	630.0	503.2
	Import (Growth rate in percent)	12.5	12.7	20.0	6.0
18	Trade Balance (as per cent of GDP)	-9.0	-9.1	-8.1	-10.1
19	Invisible Balance (US $ bn.)	131.1	128.9	156.6	115.1
20	Current Account Balance (US $ bn.)	-65.7	-62.5	-46.1	-101.3
21	Current Account Balance (per cent of GDP)	-3.0	-2.7	-2.1	-4.4
22	Capital Account Balance (US $ bn.)	67.8	67.0	83.0	54.6
23	Capital Account Balance (per cent of GDP)	3.2	3.4	3.7	2.4

Table A.3: Quarterly Forecasts Q2: 2012-13 to Q2: 2013-14

Key Macroeconomic Indicators	Q1:12-13	Quarterly Forecasts							
		Q2:12-13				Q3:12-13			
	Actual	Mean	Median	Max	Min	Mean	Median	Max	Min
Real GDP growth rate at factor cost (per cent)	5.5	5.5	5.5	5.9	5.0	5.6	5.6	6.5	4.9
Agriculture & Allied Activities	2.9	1.3	1.2	3.0	-0.4	-0.1	-0.3	2.7	-3.5
Industry	0.8	1.9	1.9	3.4	0.1	3.2	3.2	5.9	0.9
Services	7.4	7.5	7.5	8.1	6.7	7.9	8.0	8.7	6.7
IIP growth rate (per cent)	1.2^	1.3	1.3	3.4	-0.4	2.6	2.8	5.9	0.0
Private Final Consumption Expenditure (growth rate in per cent)	12.6	12.1	12.1	14.8	7.0	12.8	12.2	15.3	10.3
Gross Capital Formation (per cent of GDP at current market price)	34.8	33.2	32.9	39.2	29.0	33.3	35.0	35.6	29.5
Gross Fixed Capital Formation (per cent of GDP at current market price)	29.9	29.9	30.3	33.6	25.5	29.0	29.4	30.9	25.5
INR/ 1USD (RBI reference rate- end period)	56.31	53.3	52.9	55.1	52.0	52.7	52.5	54.5	50.9
Repo Rate (end period)	8.00	8.00	8.00	8.00	8.00	7.87	8.00	8.00	7.50
CRR (end period)	4.75	4.52	4.50	4.75	4.50	4.31	4.25	4.50	4.00
BSE INDEX (end period)	17404	18470	18600	18763	17430	19650	19950	20000	18700
Merchandise Export -BoP (in US$ bn.)	-	71.3	70.9	75.3	67.9	73.7	72.0	87.0	66.5
Merchandise Import -BoP (US$ bn.)	-	116.9	115.5	126.0	107.0	119.8	119.1	128.0	112.2
Trade Balance- BoP (US$ bn.)	-	-45.7	-46.6	-39.1	-54.0	-46.1	-46.5	-33.0	-54.0
Oil Price (in US$ per barrel)	93.46	106.8	108.0	115.0	95.0	109.6	110.0	115.0	105.0

*: Indian Basket; @: Preliminary, ^July-August 2012

A.3 (contd.)

Key Macroeconomic Indicators	Quarterly Forecasts											
	Q4:12-13				Q1:13-14				Q2:13-14			
	Mean	**Median**	**Max**	**Min**	**Mean**	**Median**	**Max**	**Min**	**Mean**	**Median**	**Max**	**Min**
Real GDP growth rate at factor cost (per cent)	6.1	6.2	6.8	4.6	6.2	6.4	7.0	5.0	6.6	6.7	7.5	5.8
Agriculture & Allied Activities	1.4	1.5	3.7	-1.5	2.3	2.4	3.9	1.2	2.5	2.5	3.2	1.2
Industry	3.5	3.9	6.3	-0.3	4.4	4.6	6.5	1.7	5.1	5.1	8.6	2.1
Services	8.0	8.2	8.8	6.5	7.8	8.0	9.0	5.3	7.8	7.9	9.0	5.8
IIP growth rate (per cent)	3.2	3.4	5.9	0.0	4.3	5.0	6.5	0.0	5.0	5.7	9.2	0.0
Private Final Consumption Expenditure (growth rate in per cent)	13.1	12.4	15.9	10.3	13.3	13.0	15.3	11.7	13.6	13.4	15.8	11.7
Gross Capital Formation (per cent of GDP at current market price)	33.4	34.6	35.5	29.5	34.5	35.1	37.0	30.2	35.5	36.0	39.6	31.2
Gross Fixed Capital Formation (per cent of GDP at current market price)	29.6	30.0	31.3	25.5	30.9	30.8	34.9	27.5	31.3	31.5	33.7	28.0
INR/ 1USD (RBI reference rate- end period)	52.1	51.5	55.9	50.0	52.0	51.5	57.3	49.5	51.7	51.3	58.6	49.0
Repo Rate (end period)	7.54	7.50	8.00	7.25	7.25	7.25	7.50	7.00	7.17	7.13	7.50	6.75
CRR (end period)	4.17	4.25	4.50	3.75	4.11	4.25	4.50	3.50	4.07	4.25	4.50	3.25
BSE INDEX (end period)	20425	20800	21700	18400	20350	20150	22400	18500	20717	20200	23200	18750
Merchandise Export -BoP (in US$ bn.)	80.0	79.0	92.0	70.2	84.9	86.2	98.0	68.5	83.3	86.2	101.0	65.0
Merchandise Import -BoP (US$ bn.)	126.2	127.4	130.3	118.6	130.3	130.0	136.2	124.1	131.3	132.0	141.3	121.2
Trade Balance- BoP (US$ bn.)	-46.2	-47.6	-36.0	-51.4	-44.3	-45.2	-32.0	-57.5	-47.0	-47.0	-31.0	-61.5
Oil Price (in US$ per barrel)	107.7	110.0	115.0	95.0	104.5	103.5	115.0	90.0	103.0	102.5	115.0	85.0

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**
Q3:12-13	7.9	8.0	8.6	6.9	5.9	5.9	6.4	5.4	10.2	10.4	11.3	8.5
Q4:12-13	7.6	7.7	8.3	6.5	5.9	6.1	6.8	5.0	10.2	10.2	11.9	7.8
Q1:13-14	7.0	7.0	7.8	6.0	5.6	5.8	6.3	4.5	9.4	9.8	12.1	7.5
Q2:13-14	7.0	7.0	7.7	5.9	5.2	5.1	6.0	4.5	8.9	9.3	10.5	7.0

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

Growth Range	Forecasts for 2012-13	Forecasts for 2013-14
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	0.5	0.3
4 to 4.4 per cent	1.5	0.6
4.5 to 4.9 per cent	3.4	1.6
5 to 5.4 per cent	23.4	4.3
5.5 to 5.9 per cent	38.1	12.4
6 to 6.4 per cent	25.9	28.8
6.5 to 6.9 per cent	3.8	29.1
7 to 7.4 per cent	1.5	11.2
7.5 to 7.9 per cent	0.7	9.1
8 to 8.4 per cent	0.4	1.3
8.5 to 8.9 per cent	0.2	0.3
9 to 9.4 per cent	0.2	0.3
9.5 to 9.9 per cent	0.2	0.2
10 to 10.4 per cent	0.0	0.2
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 End-March 2012-13	Forecasts for End-March 2013-14
Below -2 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	0.0
2 to 2.9 per cent	0.2	0.2
3 to 3.9 per cent	0.3	0.3
4 to 4.9 per cent	1.6	4.8
5 to 5.9 per cent	9.8	21.1
6 to 6.9 per cent	22.0	39.8
7 to 7.9 per cent	45.9	19.9
8 to 8.9 per cent	14.4	9.5
9 to 9.9 per cent	4.6	2.8
10 to 10.9 per cent	0.5	0.6
11 to 11.9 per cent	0.2	0.2
12 to 12.9 per cent	0.2	0.2
13 to 13.9 per cent	0.2	0.2
14 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			
Statistic	**Real GDP**	**WPI Inflation**	**CPI-IW Inflation**	**Statistic**	**Real GDP**	**WPI Inflation**	**CPI-IW Inflation**
Minimum	6.5	5.5	5.5	**Minimum**	7.0	4.5	5.0
Lower Quartile	7.0	6.0	7.0	**Lower Quartile**	7.5	5.5	6.2
Median	7.5	6.5	7.3	**Median**	8.0	6.0	6.5
Upper Quartile	7.5	6.8	8.0	**Upper Quartile**	8.3	6.0	7.0
Maximum	8.5	8.0	10.0	**Maximum**	9.5	6.5	7.5
Mean	7.3	6.4	7.5	**Mean**	8.0	5.8	6.5
S.D	0.5	0.6	1.0	**S.D**	0.6	0.5	0.7