



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

November 25, 2016

Quarterly Projection Model for India: Key Elements and Properties

The Reserve Bank of India today placed on its website a Working Paper titled "[Quarterly Projection Model for India: Key Elements and Properties](#)" by Jaromir Benes, Kevin Clinton, Asish Thomas George, Pranav Gupta, Joice John, Ondra Kamenik, Douglas Laxton, Pratik Mitra, G.V. Nadhanael, Rafael Portillo, Hou Wang and Fan Zhang under the Reserve Bank of India Working Paper Series.

Reserve Bank of India has formally adopted a flexible inflation targeting (FIT) framework with the amendment of the RBI Act in May 2016 with an emphasis on a strong nominal anchor for monetary policy. In such a FIT framework, also known as an Inflation Forecast Targeting framework, reliable medium-term forecasts and knowledge of how policy actions will affect the goal variables of inflation and output becomes crucial for successful implementation of monetary policy. The purpose of this paper is to describe a quarterly projection model (QPM) based on 'Forecasting and Policy Analysis System' to provide support for FIT in India. QPM is structured around a small New-Keynesian open-economy framework. The model captures key India-specific features, especially, in terms of inflation dynamics and characteristics of monetary policy transmission. The paper describes the model properties in terms of the responses of key macroeconomic variables to different shocks. The historical decompositions of the important variables using QPM are also illustrated in the paper.

Press Release : 2016-2017/1331

Anirudha D. Jadhav
Assistant Manager