

**भारतीय रिज़र्व बैंक
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RBI Working Paper No. 05/2022: Quantifying Survey-based Qualitative Responses on Capacity Utilisation - An Analysis for India

Today the Reserve Bank of India placed on its website a Working Paper titled "[Quantifying Survey-based Qualitative Responses on Capacity Utilisation - An Analysis for India](#)" under the Reserve Bank of India Working Paper Series*. The Paper is authored by G.P. Samanta and Sayantika Bhowmick.

This paper focuses on examining the efficacy of survey-based qualitative information on Capacity Utilisation (CU) in tracking or predicting quantitative estimates of CU, which helps to assess economic slack and provides useful insights into the overall demand situation, inflationary pressure and investment conditions prevailing in the economy. Empirical results based on competing models reveal that although popular diffusion indices or summary measures of qualitative responses such as Balance Statistics or Net Response (NR) are useful indicators of CU; at times, they result in positive bias in the prediction. The forecast accuracy, however, may be improved by employing percentage responses separately on "rise/improvement in CU" and "fall/deterioration in CU". The results are robust for both assessment of CU in the current quarter and one-quarter-ahead expectation.

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(Yogesh Dayal)
Chief General Manager

* The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.