



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-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: 022- 22660502

February 25, 2020

RBI Working Paper No. 03/2020
Nowcasting Indian GDP growth using a Dynamic Factor Model

Today the Reserve Bank of India placed on its website a Working Paper titled "[Nowcasting Indian GDP growth using a Dynamic Factor Model](#)" under the Reserve Bank of India Working Paper Series.* The Paper is co-authored by Soumya Bhadury, Saurabh Ghosh and Pankaj Kumar.

This paper constructs single-index dynamic factors (DFs) using a sequentially expanding list of 6, 9 and 12 high-frequency activity indicators. These indicators represent various sectors, display high contemporaneous correlation with GDP, and track GDP turning points well. DFs, estimated using a dynamic factor model and representing the common trend underlying diverse indicators, provide a real time assessment of the state of the economy and identify sectors contributing to economic fluctuations. DFs may be used to nowcast quarterly GDP growth well before its official release with better accuracy as compared to alternative time-series models.

Press Release: 2019-2020/1985

Ajit Prasad
Director

* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.