

**भारतीय रिज़र्व बैंक**
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RBI Bulletin - November 2021

The Reserve Bank of India today released the [November 2021](#) issue of its monthly Bulletin. The Bulletin includes five speeches, four articles and current statistics.

The four articles are: [I. State of the Economy](#); [II. Is the Phillips Curve in India Dead, Inert and Stirring to Life or Alive and Well?](#); [III. Uncertainty and Disagreement among Professional Macroeconomic Forecasters](#); and [IV. Changing Tides in the Indian Money Market](#).

I. State of the Economy

The global economic outlook remains shrouded in uncertainty with headwinds from multiple fronts. In India, the recovery gained strength though the speed and pace of improvement remains uneven across different sectors of the economy. Indicators of aggregate demand posit a brighter near-term outlook than before. On the supply side, the *Rabi* season has set in early on a positive note on the back of a record *Khari* harvest and manufacturing is showing improvement in overall operating conditions, while services are in strong expansion mode. Overall monetary and credit conditions stay conducive for a durable economic recovery to take root.

II. Is the Phillips Curve in India Dead, Inert and Stirring to Life or Alive and Well?

The post-Global Financial Crisis period has seen a plethora of literature on the “health” of the most cited macroeconomic relationship –the Phillips Curve. Adding more essence to this heated global debate, this article examines the existence of the Phillips Curve in India by examining its time-variation and convexity. The findings from this paper confirm the existence of a convex Philips Curve relationship in India, though alive but stirring to life and convalescing from a period of flattening, which lasted for more than six years.

III. Uncertainty and Disagreement among Professional Macroeconomic Forecasters

This article analyses the responses received in the Reserve Bank’s bimonthly survey of professional forecasters (SPF) on major macroeconomic variables. The forecasts of output growth and inflation, particularly for 2020-21, were characterised by high uncertainty in the wake of the Covid-19 pandemic. The article dives into the fluctuations in short-term forecasts during the pandemic.

Highlights

- The pandemic led to massive disruption in global as well as domestic economy causing uncertainty as reflected in large swings in forecasts of growth and inflation for 2020-21.
- The pandemic induced lockdowns led to significant downward revision in the growth forecast for 2020-21 and subsequent gradual opening up of the economy led to improvement in the growth outlook.
- Disagreement among the forecasters was high at the onset of the pandemic and generally moderated subsequently. Uncertainty of forecasts exhibited similar pattern as disagreement and declined with shorter forecast horizon.
- The analysis portrays the existence of a significant association between uncertainty and disagreement; however, disagreement may not be a good proxy for uncertainty.

IV. Changing Tides in the Indian Money Market

Money market provides short-term capital to a wide class of financial entities and plays a key role in the transmission of monetary policy. This article reviews the important segments of the Indian money market in terms of volume, rate, microstructure, and dispersion of rates for the period from January-2016 to March-2021.

Highlights

- The overnight money market volatility, in terms of volume-weighted rates, increased after the declaration of Covid-19 pandemic, and peaked in March-2020. The volatility declined subsequently. A shift away from the unsecured segment to secured segments was also witnessed after the declaration of the Covid-19 pandemic.
- A study of the intraday market activity and network structure of the call money segment suggests increased portfolio diversification after the onset of the pandemic.
- The constructed dispersion index (covering six segments of the money market), that serves as an empirical gauge of pass-through efficiency, suggests a frictionless market with efficient pass-through for the period from January-2020 to February-2020.

The dispersion index that peaked in March-2020 showed a decreasing trend at the end of the sample period considered. The sector-specific, institution-specific and instrument-specific liquidity measures undertaken by the Reserve Bank in the recent times have resulted in the stabilisation of the money market with the market adapting to the new normal.