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


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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Chief General Manager

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