

**भारतीय रिज़र्व बैंक**  
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**RBI Bulletin – September 2022**

The Reserve Bank of India today released the [September 2022](#) issue of its monthly Bulletin. The Bulletin includes four Speeches, three Articles and Current Statistics.

The three articles are: I. State of the Economy; II. Sensitivity of Output Prices to Input Prices: An Empirical Analysis for India; and III. Impact of COVID-19 on Economic Activity across Indian States.

**I. State of the Economy**

Loss of momentum in global economic activity may be taking the edge off inflation, which remains elevated. The Indian economy is poised to shrug off the modest tapering of growth momentum in the first quarter of 2022-23. Aggregate demand is firm and poised to expand further as the festival season sets in. Domestic financial conditions remain supportive of growth impulses. Inflation remains elevated and above the tolerance level, underscoring the need for monetary policy to keep second order effects contained and inflation expectations firmly anchored.

**II. Sensitivity of Output Prices to Input Prices: An Empirical Analysis for India**

This article decodes the pass-through behaviour from input prices to output prices to assess the second order effects of cost-push pressures. Input prices have seen a broad-based rise following the repeated waves of the pandemic and the war in Europe. With output prices not rising proportionately due to persistent slack in the economy during the period, the gap between input and output prices have widened.

**Highlights:**

- i) Pass-through from input costs to output prices is a non-linear process with the sensitivity of output prices rising at higher quantiles of input prices. Moreover, higher input prices have a quicker transmission and stronger impact on the headline inflation relative to core inflation.
- ii) Firms have begun to pass-on a part of their rising costs to selling prices in the manufacturing and services sector, following the improvement in demand conditions.
- iii) Going forward, the dynamics playing out between divergent forces – demand picking up; some softening in input price pressures in recent months and continuing global uncertainties – could determine the impact on headline inflation.

### **III. Impact of COVID-19 on Economic Activity across Indian States**

The article constructs a composite index using a set of lead indicators to capture trends in economic activity at the State level and analyses how economic activity responded to restrictions in mobility during the pandemic.

#### **Highlights:**

- i) There was considerable variability in the extent of mobility restrictions across States during the pandemic. Also, trends in economic activity varied across States.
- ii) States which are more dependent on agriculture, forestry and logging witnessed a relatively benign impact of mobility restrictions on economic activity. States with high share of manufacturing and services in their gross state value added (GSVA), however, witnessed relatively higher impact on economic activity.
- iii) Thus, economic activity responded differently to mobility restrictions across States and the varied impact could be attributed to different economic structures. This underscores the role of State-specific interventions, tailored to their economic structure, in supplementing the national level policy response.

The views expressed in the Bulletin articles are of the authors and do not represent the views of the Reserve Bank of India.

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