

RBI EYES ROBUST STATISTICS, ML TO MONITOR ECONOMY REAL TIME

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

The Reserve Bank of India (RBI) would like to deploy robust statistical data and machine learning (ML) techniques to strengthen real-time tracking of economic activity to effectively deal with the impact caused by the pandemic, according to RBI officials.

The RBI had recently come out with weekly-activity indices to track the latest economic developments with the least possible lag.

Two different weekly indices have been developed — a 7-indicator weekly activity index (WAI) using the dynamic factor model reflecting changes in economic activity on a year-on-year basis; and a 15-indicator weekly diffusion index (WDI) reflecting directional movement on a sequential basis.

Highlighting the importance of these systems, the RBI officials wrote, “Outbreak of the COVID-19 pandemic has called for prompt policy actions to safeguard livelihoods and make timely assessment of the economy to help in speedy recovery”.

“With faster innovation and realignment of production processes due to the pandemic, the extant economic indicators fell short of keeping pace with rapid changes in the economy,” the officials wrote in an article published in the latest edition of RBI Bulletin.

“This called for supplementing them with additional data, preferably with lower time lag.”

For central banks, timely information on economic activity was crucial, particularly for exercising precise judgment in the monetary policy decisions.

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