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**RBI Working Paper No. 04/2020:
Macroeconomic Effects of Uncertainty: A Big Data Analysis for India**

The Reserve Bank of India today placed on its website a Working Paper titled “[Macroeconomic Effects of Uncertainty: A Big Data Analysis for India](#)” under the Reserve Bank of India Working Paper Series*. The Paper is authored by Nalin Priyaranjan and Bhanu Pratap.

The paper reviews the emerging literature on macroeconomic uncertainty, including its economic impact and measurement. In particular, the study uses a novel dataset – consisting of newspaper articles and internet search intensity data – to construct three alternative indices for measuring uncertainty in the Indian context. Further, using a local projections-based econometric framework, the study finds that uncertainty shocks influence financial markets as well as the real economy in India. The results indicate that both investment activity and real GDP growth fall in the face of heightened uncertainty in the economy. The paper concludes that such uncertainty indices can help in strengthening policy simulation exercises and in improving near-term projection of macroeconomic variables which exhibit high degree of sensitivity to uncertainty.

Press Release: 2019-2020/2076

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.