

## Reflections on Development Economics

Organised by  
*Department of Economics*  
Presidency University, Kolkata

**Lecture: II** 17<sup>th</sup> August, 2022 at 3.30 PM (Economics Lecture Theatre)

*Measuring monetary policy shocks in emerging economies:  
Evidence from India*

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### **Abstract of the talk**

*In this paper we provide a template for constructing monetary policy shocks for emerging economies. Our approach synthesizes high-frequency financial market data with a narrative analysis of central bank communication and related media coverage. In the process we create a publicly available time-series database of policy dates and shocks for The Reserve Bank of India (RBI). In addition to capturing surprise changes to the RBI's policy rate, our shocks suggest that financial markets infer substantial information about the future path of the policy rate from RBI communication. Bond and stock markets react strongly to these monetary shocks but exhibit notable heterogeneity across governor regimes. Finally, we use the monetary shocks as external instruments to identify the impact on macroeconomic variables.*