

Anchoring prices: On RBI's rate hike

Both savers and consumers need to regain confidence that prices will remain **stable**

The Reserve Bank of India's latest policy statement has **unequivocally acknowledged** that price **stability** must remain the primary focus of monetary policy now when, as Governor Shaktikanta Das **admitted**, "the CPI price **momentum** remains high". **Elucidating** the **rationale** behind the Monetary Policy Committee's decision to raise the **benchmark repo rate** by 35 **basis points** to 6.25%, he **underlined** that the '**battle** against inflation **was** not over' **regardless** of a **moderation** in its **pace**. Retail inflation remains above the 6% **upper tolerance mark** and is **projected** to **surpass** and then **ease** just below that level in the last two quarters of this **fiscal year**. The MPC retained its full-year CPI inflation projection at 6.7%, but **bumped up** the **forecasts** for Q3 and Q4 by 10 **basis points** each to 6.6% and 5.9%, respectively, **acknowledging** that **inflation expectations** are now well **adrift** of the MPC's **mandated** 4% target. Worse, **core inflation**, or price gains that **strip out volatile** food and fuel costs, **has** also stayed **stubbornly stuck** around the 6% level with **price pressures** across most of the **constituent** sub-groups. This is a **far from reassuring outlook** for price stability, especially when one considers that the **resurgent** demand across services is likely to **trigger** price increases when firms begin to **pass on** higher **input costs**.

The RBI's **policy panel** was, however, far from **unanimous** in its decisions. While **one** of the six members **voted** against raising the policy rate, **presumably so as to** not **dampen** the as yet **tentative** economic recovery, two members **dissented** over the policy **stance** remaining 'focused on the **withdrawal of accommodation**'. The majority was, however, **emphatic** that "further **calibrated** monetary policy action is **warranted** to keep inflation expectations **anchored**, break core inflation **persistence** and **contain second round effects**". Anchoring price stability would **ultimately serve** to '**strengthen** medium-term growth **prospects**', they **reasoned**. After all, as the RBI's latest Monetary Policy Report observed, 'second-round effects could keep inflation at **elevated** levels even beyond 8 quarters' and it was therefore **imperative** to make policy **interventions** to anchor inflation expectations. Governor Das also **pointed out** that even after the latest increase, the benchmark interest rate still remains very much '**accommodative**' when adjusted for inflation. The RBI's own November round of the consumer confidence survey shows that a significant majority of **respondents** **perceive** and expect one year ahead a **deterioration** in price levels, making this the single biggest **drag on** consumer **sentiment**. Ultimately, savers and consumers need to regain confidence that **prices will** remain stable over a medium term to resume saving and buying to help **entrench** a **durable** economic recovery.

[Practice Exercise]

- Red/blue coloring of words in the sentence indicates subject verb relationship; where 'red' denotes 'subject' and 'blue' denotes 'verb'.

Vocabulary

1. **Anchor** (verb) – Fix (a price, rate, or amount) at a particular level.
2. **Hike** (noun) – Increase बढ़ोतरी
3. **Stable** (adjective) –steady, unchanging, secure, longstanding, strong स्थिर
4. **Unequivocally** (adverb) –clearly, explicitly, obviously स्पष्ट रूप से
5. **Acknowledge** (verb) – recognize, admit, accept, concede, confess स्वीकार करना
6. **Stability** (noun) – permanence, constancy, balance, solidity, firmness स्थिरता
7. **Admit** (verb) –concede, accept, accede, grant, agree स्वीकार करना
8. **Momentum** (noun) – impetus, energy, impulse, speed, velocity गति
9. **Elucidate** (verb) –explain, clarify, illuminate, clear up, interpret स्पष्ट करना
10. **Rationale** (adjective) –Basis, foundation, justification, reasoning, logic, grounds मूलाधार
11. **Benchmark interest rate** (noun) – It include repo rate, MSF rate, CRR rate, Bank rate etc.
12. **Repo rate** (noun) – It is the interest rate at which the central bank of a country lends money to commercial banks
13. **Basis point** (noun) – 100 basis point = 1%
14. **Underline** (verb) – emphasize, stress on, highlight, accentuate, accent, call attention to ज़ोर देना
15. **Inflation expectation** (noun) – Inflation expectations are simply the rate at which people—consumers, businesses, investors—expect prices to rise in the future
16. **Adrift** (adjective) – failing to reach a target; off target लक्ष्य से दूर
17. **Mandated** (adjective) – required, mandatory अनिवार्य
18. **Core inflation** (noun) – the change in prices of goods and services, except for those from the food and energy sectors.
19. **Strip out** (phrasal verb) – To remove some integral piece, element of something
20. **Volatile** (adjective) – Instable, unstable, changeable, capricious, fickle अस्थिर
21. **Stubbornly** (adverb) – obstinately, inflexibly, obdurately, intractably हठपूर्वक, कडाई से
22. **Stuck** (adjective) – Fixed, caught, immovable, jammed अटकना
23. **Price pressure** (noun) – it occurs when overall prices increase (inflation) due to increases in the cost of wages and raw materials.

24. **Constituent** (adjective) – relating to an element/part of something. संघटक, अंशभूत
25. **Far from** (phrasal verb) – away from, different from, not nearly से बहुत दूर
26. **Reassuring** (adjective) – restoring or boosting confidence; certainty, encouraging आश्वासनपूर्ण
27. **Outlook** (noun) – perspective, prospect, attitude, view, viewpoint दृष्टिकोण
28. **Resurgent** (adjective) – Burgeoning, growing, rising, increasing, reviving बढ़ती
29. **Trigger** (verb) – Initiate, start, prompt, activate, cause, spark off, set off शुरू करना
30. **Pass on** (phrasal verb) – transfer, send, forward, transmit हस्तांतरित कर देना
31. **Input cost** (noun) – it includes cost of direct material, direct labor, and other overhead items devoted to the production of a good or service.
32. **The RBI's policy panel** (noun) – it refers to Monetary policy committee
33. **Unanimous** (adjective) – united, solid, agreed, consentient, concordant एकमत
34. **Presumably** (adverb) – probably, supposedly, likely, presumptively, doubtless संभावित रूप से
35. **So as to** (phrase) – In order to; so that के लिए
36. **Dampen** (verb) – Reduce, diminish, check, dull, inhibit, stifle, damp down कम करना
37. **Tentative** (adjective) – not certain or fixed; provisional. अस्थायी
38. **Dissent** (verb) – disagree, oppose, differ असहमत होना
39. **Stance** (noun) – attitude, stand, point of view, viewpoint, opinion, way of thinking रुख
40. **Withdrawal of accommodation** (noun) – In simpler terms, under this policy, Central bank increases interest rate in order to control inflation.
41. **Emphatic** (adjective) – expressing something forcibly and clearly. स्पष्ट रूप से व्यक्त
42. **Calibrated** (adjective) – Carefully assessed, set, or adjusted सुनियोजित
43. **Warranted** (verb) – Justify or necessitate (a certain course of action) ज़रूरी बनाना
44. **Anchored** (adjective) – fastened, fixed, secured स्थिर
45. **Persistence** (noun) – Perseverance, tenacity, constancy, continuance, continuity, immortality अटलता / दृढ़ता

46. **Contain** (verb) – restrain, curb, rein in, suppress, repress रोकना
47. **Second round effects** (noun) – These indirect effects of higher energy prices on the overall rate of inflation are called second-round effects
48. **Ultimately** (adverb) – Eventually, finally, in the end, in due course, at last अंततः
49. **Serve** (verb) – work, act, operate, perform काम करना
50. **Strengthen** (verb) – reinforce, enhance, increase, intensify, fortify मजबूत करना
51. **Prospect** (noun) – outlook, expectation, view, perspective, possibility संभावना
52. **Reason** (verb) – think, rationalize, analyze, infer; think rationally तर्क करना
53. **Elevated** (adjective) – Increased, augmented, greater than before, enlarged बढ़ा हुआ
54. **Imperative** (adjective) – An essential or urgent thing आत्यावश्यक
55. **Intervention** (noun) – involvement, intercession, interceding, interposing हस्तक्षेप
- **Regardless of** (phrase) – in spite of, despite, notwithstanding, without regard to, irrespective of
- भले ही
56. **Point out** (phrasal verb) – indicate, mention, note, highlight, emphasize इशारा करना
57. **Accommodative** (adjective) – Intended to stimulate economic activity by lowering interest rates.
58. **Respondent** (noun) – a person who replies to something प्रतिवादी
59. **Perceive** (verb) – observe, see, notice, remark, recognize देखना
60. **Deterioration** (noun) – decline, decay, degradation, worsening, degeneration गिरावट
61. **Drag on** (phrasal verb) – Persist, continue, carry on, go on, extend खींचना, कायम रहना
62. **Sentiment** (noun) – opinion, view, attitude भावना
63. **Entrench** (verb) – establish, engrain स्थापित करना
64. **Durable** (adjective) – strong, lasting, stable, persistent टिकाऊ/ स्थायी
- **Moderation** (noun) – reduction, diminishing, lessening, decrease, contraction कमी/नरमी
- **Pace** (noun) – speed, rate, swiftness, quickness गति

- **Upper tolerance mark** (noun) – The upper tolerance limit of inflation level for India is 6 per cent
- **Project** (verb) – Predict, Envisage, Foresee अनुमान लगाना
- **Surpass** (verb) – exceed, outdo, outstrip, outshine पार करना
- **Ease** (verb) – alleviate, relieve, comfort, mitigate, soothe; reduce, lessen कम करना
- **Fiscal year** (noun) – Financial year (i.e. 1 April to 31 March) वित्तीय वर्ष
- **Bump up** (phrasal verb) – increase something बढ़ाना
- **Forecast** (noun) – prediction, prophecy, forewarning, prognostication पूर्वानुमान
- **Basis point** (noun) – 100 basis point = 1%

Practice Exercise

Direction (Q1 – Q3): Select the best express synonym of the given words

[Editorial page]

1. The RBI's policy panel was, however, far from unanimous in its decisions
 - A. Innocuous
 - B. Proletariat
 - C. Periphery
 - D. Undivided

2. Two members dissented over the policy stance remaining 'focused on the withdrawal of accommodation'.
 - A. Vacillate
 - B. Disagree
 - C. Maverick
 - D. Astute

3. The RBI's own November round of the consumer confidence survey shows that a significant majority of respondents perceive and expect one year ahead a deterioration in price levels, making this the single biggest drag on consumer sentiment.
 - A. Agrarian
 - B. Ostensible
 - C. Worsening
 - D. Orthodox

4. **Idioms & Phrase**
 I was given a million-dollar project to manage in my first month - it was a real baptism of fire.
 - A. Pay attention
 - B. To have a very strong hope that something will happen
 - C. To take a decision
 - D. A very difficult first experience of something

5. **Direction: Six statements are given below, which are jumbled in any random order. These statements will form a coherent and meaningful paragraph, when arranged in the correct sequence. Arrange the sentences in the right order and answer the questions that follow.**
Securities Exchange Board of India (SEBI) has revoked the licence held by Brickwork Ratings and asked it to wind down its credit rating operations within six months.
 - P. as it shrinks the choice of rating agencies available to issuers from seven to six.
 - Q. It also casts doubt on the reliability of credit ratings for over 8,699 instruments
 - R. This move has sent ripples across bond markets,
 - S. This order has implications not just for Brickwork
 - T. but also for other rating agencies, bond issuers and investors at large.
 - U. which were under Brickwork's coverage at the time of the order.

Which among the following will be the **Fourth** sentence of the paragraph after the rearrangement?

A. P B.T C.U D.Q E.R

Direction (Q6 – Q9): Read the given sentences to find out whether there is any grammatical error in them

6. The teacher said (A)/ that the building adjacent with his house (B)/ needed repairs. (C)/ No Error(D)
7. The Headmaster with all his senior teachers (A)/ have come (B)/ to attend the meeting. (C)/ No Error (D)
8. When she knocked the door (A)/ I said to her (B)/ Come in. (C)/ No Error(D)
9. She said (A)/ that she will meet me (B)/ at the restaurant. (C)/ No Error(D)
10. **Find out the misspelt word**
 - A. Bewilderingly
 - B. Vardant
 - C. Insatiable
 - D. Ruminative

Direction: Read the passage given below and answer the following questions.

The latest official GDP estimates **(A)** would in normal circumstances be a cause for cheer, **(B)** pointing as they ostensibly **(C)** do to a double-digit expansion in economic output in the first quarter. **(D)** The NSO's projection of 13.5% growth in gross domestic product from the year-earlier April-June period, however, is disconcertingly slower than the 16.2% pace that the Reserve Bank of India (RBI) had projected just last month and points to an economy that is still in search of a firmer footing. Faced with **headwinds (A)** — signs of a global **recession (B)** and the Ukraine war — the first-quarter's underwhelming momentum may **shallower (C)** the economy into a far **pitch (D)** growth trajectory even as faster-than-acceptable inflation erodes consumer confidence.

The major employment-providing sectors of agriculture, manufacturing, construction and the contact-intensive trade, hotels and transport services sector suffered quarter-on-quarter contractions of 13.3%, 10.5%, 22.3% and 24.6%, respectively. **(1)** Only two services sectors — electricity, gas, water and other utility services, and financial and professional services — logged expansions from the January-March quarter, growing by 12.6% and 23.7%, respectively. **(2)** Output in the eight broad sectors that combine to provide the Gross Value Added (GVA) shows that while year-on-year all sectors expanded, with public administration, defence and other services growing 26.3%, six of these sectors posted sequential contractions. **(3)** The demand side has flattered to deceive. Private final consumption expenditure, the essential 11 of the economy, appeared to have revived with a year-on-year expansion of 25.9% lifting its share in the GDP to just shy of 60%. However, when viewed sequentially, the estimated ₹22.08 lakh crore of private consumption spending in April-June 2022 was a not insignificant ₹54,000 crore, or 2.4%, less than what was spent in the preceding quarter. And both government spending and gross fixed capital formation, which is viewed as a proxy for private investment, shrank quarter-on-quarter by 10.4% and 6.8%, respectively, undermining overall output. That GDP, in fact, contracted 9.6% sequentially should be a cause for concern among policymakers. Given that this year's monsoon has distributed rains in an **erratic** 12 pattern that has caused disruptive flooding in some parts while leaving key paddy and pulses growing areas in northern and eastern India moisture deficient, both farm output and consumer spending in the rural hinterland are likely to take a hit. And with global trade also 13 amid the sharp

slowdown in advanced economies, India's merchandise exports are sure to weaken in momentum, any benefits from the rupee's depreciation against the dollar notwithstanding. With the RBI needing to stay laser focused on _____14_____ inflation, the onus is on fiscal authorities to spur consumption and investment.

Fill in the blank with the most appropriate word given in the option (From Q11 – Q14)

11. Private final consumption expenditure, the essential _____ of the economy, appeared to have revived with a year-on-year expansion of 25.9% lifting its share in the GDP to just shy of 60%.
 - A. Belligerent
 - B. Heresy
 - C. Blatant
 - D. Bulwark
12. Given that this year's monsoon has distributed rains in an erratic _____ pattern that has caused disruptive flooding in some parts.
 - A. Provincial
 - B. Scattershot
 - C. Espouse
 - D. Aggregate
13. And with global trade also _____ amid the sharp slowdown in advanced economies, India's merchandise exports are sure to weaken in momentum, any benefits from the rupee's depreciation against the dollar notwithstanding.
 - A. Clique
 - B. Flaunting
 - C. Becalmed
 - D. Ascendancy
14. With the RBI needing to stay laser focused on _____ inflation, the onus is on fiscal authorities to spur consumption and investment.
 - A. Taming
 - B. Juxtaposing
 - C. Infatuated
 - D. Vitiating
15. **The following sentence may or may not contain an error in one of its parts. Identify the part containing the error. If the sentence is correct, select 'No error' as your answers.**

The latest official GDP estimates (A)/ would in normal circumstances be a cause for cheer, (B)/ pointing as they ostensibly (C)/ do to a double-digit expansion in economic output in the first quarter. (D)

 - A. (A)
 - B. (B)
 - C. (C)
 - D. (D)
 - E. No Error
16. **Rearrange the sentence to form a meaningful sentence.**

The major employment-providing sectors of agriculture, manufacturing, construction and the contact-intensive trade, hotels and transport services sector suffered quarter-on-quarter contractions of 13.3%, 10.5%, 22.3% and 24.6%, respectively. **(1)/** Only two services sectors — electricity, gas, water and other utility services, and financial and professional services — logged expansions from the January-March quarter, growing by 12.6% and 23.7%, respectively. **(2)/** Output in the eight broad sectors that combine to provide the Gross Value Added (GVA) shows that while year-on-year all sectors expanded, with public administration, defence and other services growing 26.3%, six of these sectors posted sequential contractions. **(3)/**

- A. 213
- B. 123
- C. 321
- D. 231
- E. 312

17. Given below is a word, followed by three sentence that consist of that word. Identify the sentence (S) that best express (es) the meaning of the word. Choose option 5 'None of the above' if the word is not suitable in any of the sentence

ERRACTIC

- (i) He drove in an **erratic** course down the road.
- (ii) Stocks closed up slightly after an **erratic** day of trading.
- (iii) The **erratic** behaviour of the stock market is making investors nervous.

- A. Only (i)
- B. Only (ii)
- C. Only (iii)
- D. (i), (ii)
- E. (i), (ii), (iii)

18. In the following question, a sentence is given with four words marked as (A), (B), (C), and (D). These words may or may not be placed in the correct order. Four options with different arrangements of these have been provided. Mark the option with the correct arrangement as the answer. If no rearrangement is required, mark option (5) as your answer.

Faced with **headwinds (A)** — signs of a global **recession (B)** and the Ukraine war — the first-quarter's underwhelming momentum may **shallower (C)** the economy into a far **pitch (D)** growth trajectory even as faster-than-acceptable inflation erodes consumer confidence.

- A. A – C
- B. A – D
- C. B – C
- D. C – D
- E. No arrangement

19. Select the connector from the given options which can be used to form a single sentence from the two sentences given below, implying the same as expressed in the statement sentence.

- (i) The only reasonable aim was to shorten those marches.

- (ii) All the artful maneuvers suggested by our generals meant fresh movements of the army and a lengthening of its marches.
- A. Whereas
 - B. Although
 - C. Due to
 - D. Unless
 - E. Nonetheless

20. Fill the appropriate preposition in the given blanks

India is beset _____ many problems these days.

- A. With
- B. From
- C. By
- D. For
- E. None of the above

Answers

1. D 2. B 3. C 4. D 5. C 6. B 7. B 8. A 9. B 10. B 11. D 12. B
 13. C 14. A 15. E 16. C 17. E 18. D 19. A 20. A

[Practice Exercise]

Explanations

4. **A baptism of/by fire** (phrase) – a very difficult first experience of something
4. **RPQUST**
 Securities Exchange Board of India (SEBI) has revoked the licence held by Brickwork Ratings and asked it to wind down its credit rating operations within six months. This move has sent ripples across bond markets, as it shrinks the choice of rating agencies available to issuers from seven to six. It also casts doubt on the reliability of credit ratings for over 8,699 instruments which were under Brickwork's coverage at the time of the order. This order has implications not just for Brickwork but also for other rating agencies, bond issuers and investors at large.
5. (B) 'with' के बदले 'to' का प्रयोग होगा क्योंकि 'adjacent' के साथ Preposition 'to' का प्रयोग होता है।
 • 'to' will be used instead of 'with' because the preposition 'to' is used with 'adjacent'.
6. (B) 'have' के बदले 'has' का प्रयोग होगा क्योंकि यदि दो Subjects 'with, along with, together with' से जुड़े हो, तो Verb पहले Subject के अनुसार होता है; जैसे-
 i. The Minister along with his followers is coming here.
 • 'has' will be used instead of 'have' because if two Subjects are joined by 'with, along with, together with', then Verb follows according to the first Subject; As-
 i. The Minister along with his followers is coming here.
8. 'knocked' के बाद Preposition 'at' का प्रयोग होगा क्योंकि 'knock at the door' का प्रयोग होता है किन्तु 'knock on the window' का। देखें;-
 i. Someone is knocking at the door/ on the window.
 • After 'knocked' the preposition 'at' will be used because 'knock at the door' is used but 'knock on the window'. see;-
 i. Someone is knocking at the door/ on the window.
9. 'will' के बदले 'would' का प्रयोग होगा क्योंकि Indirect Narration में यदि Reporting Verb Past Tense में हो, तो Reported Speech में 'will' के बदले 'would' का प्रयोग होता है; जैसे-
 i. She said that she would not go to Delhi.
 • 'would' will be used instead of 'will' because in Indirect Narration if Reporting Verb is in Past Tense, then 'would' is used instead of 'will' in Reported Speech; As-
 i. She said that she would not go to Delhi
10. **Verdant** (adjective) – green, leafy, grassy, grass-covered हरा भरा
11. **Bulwark** (noun) – Safeguard, Protection, Defense, Buttress सुरक्षा, हिफाज़ती बांध
12. **Scattershot** (adjective) – disorganized, random, slapdash, haphazard, chaotic बेतरतीब
13. **Becalm** (verb) – steady, still, settle स्थिर रहना

14. **Tame** (verb) – Control, Curb, Repress, Suppress, Overcome नियंत्रण करना

15. No error

16. (C) **321**

Output in the eight broad sectors that combine to provide the Gross Value Added (GVA) shows that while year-on-year all sectors expanded, with public administration, defence and other services growing 26.3%, six of these sectors posted sequential contractions. Only two services sectors — electricity, gas, water and other utility services, and financial and professional services — logged expansions from the January-March quarter, growing by 12.6% and 23.7%, respectively. The major employment-providing sectors of agriculture, manufacturing, construction and the contact-intensive trade, hotels and transport services sector suffered quarter-on-quarter contractions of 13.3%, 10.5%, 22.3% and 24.6%, respectively.

17. **Erratic** (adjective) – unpredictable, irregular, fickle, changeable, inconstant अनिश्चित

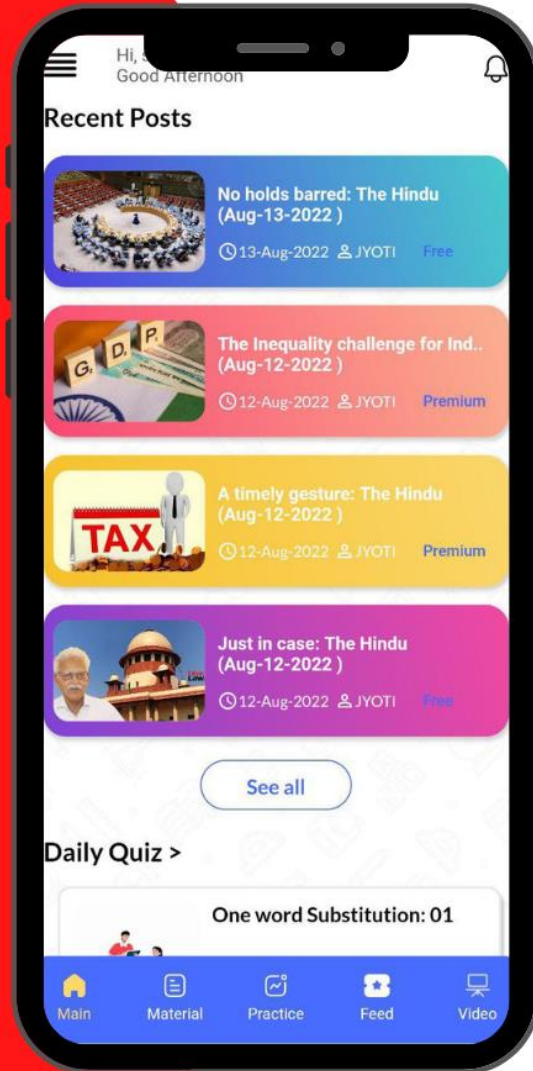
According to the given options all options are contextually correct.

18. Faced with headwinds — signs of a global recession and the Ukraine war — the first-quarter's underwhelming momentum may pitch the economy into a far shallower growth trajectory even as faster-than-acceptable inflation erodes consumer confidence.

19. All the artful maneuvers suggested by our generals meant fresh movements of the army and a lengthening of its marches, **whereas** the only reasonable aim was to shorten those marches.

Explanation of other important words

Sr.NO	Words		Meanings	
Q1	Innocuous	adjective	Harmless; banal	अहानिकर
	Proletariat	noun	The industrial working class	सर्वहारा
	Periphery	noun	The outside edge of something	उपनगर
Q2	Vacillate	verb	to be indecisive; to waver	डगमगाना, हिचकना
	Maverick	noun	A nonconformist; a rebel	आवारा
	Astute	adjective	Shrewd; keen in judgment	चतुर
Q3	Agrarian	adjective	Relating to land; relating to the management or farming of land	कृषि संबंधी
	Ostensible	adjective	Apparent; professed	दृश्यमान
	Orthodox	adjective	Conventional; adhering to established principles or doctrines, especially in religion; by the book	रूढ़िवादी
Q11	Belligerent	adjective	Combative; Quarrelsome; waging war	लड़ाकू, युद्धकारी
	Heresy	noun	Any belief that is strongly opposed to established belief.	विरुद्ध मत, मतान्तर
	Blatant	adjective	Unpleasantly or offensively noisy; glaring	शोरगुल से भरा, जबरदस्त, प्रबल
Q12	Provincial	adjective	Limited in outlook to one's own small corner of the world; narrow	प्रांतीय
	Provisional	adjective	Conditional; temporary; tentative	अस्थायी
	Espouse	verb	To support; to advocate	समर्थन करना
Q13	Clique	noun	An exclusive group bound together by some shared quality or interest	गुट
	Flaunt	verb	To show off; to display ostentiously	इठलाना, शान दिखाना
	Ascendancy	noun	Supremacy; domination	प्रभुत्व, प्रधानता
Q14	Juxtapose	verb	To place side by side	मिलाना
	Infatuated	adjective	Foolish; foolishly passionate or attracted; made foolish	मुख्तता
	Vitiate	verb	To make impure; to pollute	भ्रष्ट करना



Learn Vocabulary Through Reading Articles

English Madhyam

