JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIRST TRIMESTER (Batch 2021-23)
END-TERM EXAMINATIONS, JANUARY 2022
SET-II

Course Name	Emerging Economic Environment	Course Code	ECO20402
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- All questions are compulsory
- Marks are indicated against each question.
- Length of the paper is 4 pages.

Q.1. Read the following excerpts and answer the questions that follow.

IMF says emerging economies must prepare for Fed policy tightening

"Faster Fed rate increases could rattle financial markets and tighten financial conditions globally," IMF said.
(Excerpt from ET 11Jan, 2022)

Emerging economies must prepare for U.S. interest rate hikes, the International Monetary Fund said, warning that faster than expected Federal Reserve moves could rattle financial markets and trigger capital outflows and currency depreciation abroad. In a blog published Monday, the IMF said it expected robust U.S. growth to continue, with inflation likely to moderate later in the year. The global lender is due to release fresh global economic forecasts on January 25.

It said a gradual, well-telegraphed tightening of U.S. monetary policy would likely have little impact on emerging markets, with foreign demand offsetting the impact of rising financing costs. But broad-based U.S. wage inflation or sustained supply bottlenecks could boost prices more than anticipated and fuel expectations for more rapid inflation, triggering faster rate hikes by the U.S. central bank.

"Emerging economies should prepare for potential bouts of economic turbulence," the IMF said, citing the risks posed by faster-than-expected Fed rate hikes and the resurgent pandemic. St. Louis Fed President James Bullard this week said the Fed could raise interest rates as soon as March, months earlier than previously expected, and is now in a "good position" to take even more aggressive steps against inflation, as needed.

(a) Explain in detail the possible threats which Indian economy can face if Fed adopts monetary policy tightening. **(5Marks)**

(b) Elaborate the monetary and fiscal policy options present in front of India for reducing the impact of monetary policy tightening by Fed. **(5Marks)**

Q.2. On the basis of following estimates, answer the questions that follow.

First Advance Estimates of GVA at Basic Prices by Economic Activity (at 2011-12 Prices) (Rs Crore)

Industry	Percentage Change Over Previous Year	
	2020-21	2021-22
Agriculture, Forestry & Fishing	3.6	3.9
Mining & Quarrying	-8.5	14.3
Manufacturing	-7.2	12.5
Electricity, Gas, Water supply & other utility services	1.9	8.5
Construction	-8.6	10.7
Trade, Hotels, Transport, Communication & Services related to broadcasting	-18.2	11.9
Financial, Real Estate & Professional Services	-1.5	4.0
Public administration, Defense & other services	-4.6	10.7
GVA at Basic Prices	-6.2	8.6

Source: NSO, MOSPI, GOI

First Advance Estimates of GVA at Basic Prices by Economic Activity (at Current Prices) (Rs Crore)

Industry	Percentage Change Over Previous Year	
	2020-21	2021-22
Agriculture, Forestry & Fishing	6.6	9.1
Mining & Quarrying	-17.9	62.7
Manufacturing	-4.7	25.2
Electricity, Gas, Water supply & other utility services	0.2	10.1
Construction	-6.3	31.6
Trade, Hotels, Transport, Communication & Services related to broadcasting	-15.5	21.1
Financial, Real Estate & Professional Services	0.9	11.5
Public administration, Defense & other services	0.4	15.6
GVA at Basic Prices	-3.0	17.4

Source: NSO, MOSPI, GOI

(a) Explain the conceptual difference between real and nominal GDP. Using these estimates, calculate and interpret the change in GVA (at basic prices) at current and constant prices. **(5Marks)**

(b) Assess the performance of agriculture, manufacturing and services sector in 2021-22, as compared to 2020-21 estimates. **(5Marks)**

Q.3. On the basis of information provided below, answer these two questions.

(a) Complete the table by calculating Fiscal, revenue and primary deficits. Also calculate the percent of actuals to revised estimates (Copy paste the table, create additional columns and answer). **(5Marks)**

(b) Assess the important implications of these calculations for Indian economy. **(5Marks)**

GOVERNMENT OF INDIA
UNION GOVERNMENT ACCOUNTS
AT A GLANCE
AS AT THE END OF JANUARY 2021

Rs. in Crore) @@

		Revised Estimates 2020-2021*	Actuals@ upto January 2021	% of Actuals to Revised Estimates	
		Rs.	Rs.	Current	COPPY**
1	Revenue Receipts	1555153	1242959	79.9%	(67.6%)
2	Tax Revenue (Net)	1344501	1101855	82.0%	(66.3%)
3	Non-Tax Revenue	210652	141104	67.0%	(73.0%)
4	Non-Debt Capital Receipts	46497	40355	86.8%	(40.1%)
5	Recovery of Loans	14497	15804	109.0%	(86.6%)
6	Other Receipts	32000	24551	76.7%	(28.2%)
7	Total Receipts (1+4)	1601650	1283314	80.1%	(66.4%)
8	Revenue Expenditure	3011916	2155210	71.6%	(85.1%)
9	*of which* Interest Payments	692900	519597	75.0%	(75.5%)
10	Capital Expenditure	438389	362108	82.6%	(76.9%)
11	*of which* Loans disbursed	106916	109100	102.0%	(84.2%)

12	Total Expenditure (8+10)	3450305	2517318	73.0%	(84.1%)
13	Fiscal Deficit				(128.5%)
14	Revenue Deficit				(150.0%)
15	Primary Deficit)				(362.3%)

Note :- Fiscal deficit figure shown in monthly accounts during a financial year is not necessarily an indicator of fiscal deficit for the year as it gets impacted by temporal mismatch between flow of not-debt receipts and expenditure up to that month on account of various transitional factors both on receipt and expenditure side, which may get substantially offset by the end of the financial year.

**Financial Year runs from "April to March"*
**COPPY : *Corresponding Period of the Previous Year*@ Actuals are unaudited provisional figures.
@@ 1 Crore = 10 Millions

Q.4. Read the following excerpts and answer the questions that follow.

Decoding India's inflation numbers
(Excerpt from The WEEK, 18 December , 2021)

The November 2021 Consumer Price Index (CPI) data was released, it showed that retail inflation was at a three-month high of 4.9 per cent. Though it is high, it is well within the Reserve Bank of India target of 2-6 per cent for the fifth straight month. This rise came despite both state and central governments reducing taxes on petrol and diesel. A major cause of concern was that the core inflation was 6.2 per cent in November 2021. Similarly, the wholesale prices inflation reached a new twelve-year high of 14.23 per cent in November mainly due to a surge in primary food inflation and also a rise in fuel and power, as well as oil and gas prices. "The November CPI inflation at 4.91 per cent, below most estimates, but core inflation above 6 per cent is a cause of concern. The retail inflation has inched up for the past three months but stayed below the 5 per cent mark. The rise in inflation has been primarily due to food and vegetables for the non-seasonal rains. The cool-off in food and crude prices is likely to result in lower inflation in the months to come.

(a) Differentiate between retail inflation and core inflation. Identify the 'pain points' of India Inflationary tendencies from the above given paragraph. **(5Marks)**

(b) Discuss the policy implications emerging from the 'pain points' identified in the part (a). **(5Marks)**