Course Name	Emerging Economic Environment		Course Code	30402
Max. Time	**2 hours**		Max. Marks	**40 MM**
INSTRUCTIONS:				

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All questions are mandatory.

The answer should be briefed and very précised – a word limit of 300 (maximum) should be followed for each answer. Avoid taking extra answer sheets.

Question 1: India's retail inflation was likely flat in December at 5.90%, according to the median prediction of a Mint poll of 20 economists. Lower food prices, particularly the fall in vegetable prices, supported moderate inflation. However, core inflation, which excludes food and fuel items, likely remained sticky at around 6%. The inflation expectations in the poll ranged from 5.4% to 6.1%. Six of the 20 economists in the poll expect inflation to have increased in December, while the rest expect it to be the same or fall from the 11-month low of 5.88% in November.

"Sequentially, headline inflation is slowing largely on account of falling food prices… but non-food inflation remains sticky, showing signs of demand-side pressures" noted Rahul Bajoria, economist at Barclays in a report dated 5 January.

Evaluate why the monetary policy had been ineffective in controlling inflation and *assess* the role of fiscal policy in controlling inflation. **[5+5 marks]**

Question 2: Nominal GDP growth, which includes inflation, is the benchmark used to estimate tax collections in the upcoming budget to be presented on Feb 1. India's nominal GDP growth is likely to fall in 2023-24, hurting tax collections and putting pressure on the federal government to reduce the budget gap by cutting expenses ahead of national elections in 2024.

Nominal GDP growth, which includes inflation, is the benchmark used to estimate tax collections in the upcoming budget to be presented on Feb. 1. It is estimated to be around 15.4% for the current financial year. At least four leading economists expect nominal GDP growth to come in between

8% and 11% as inflation slows and real GDP growth eases from an estimated 7% this year, when pandemic-related distortions and pent-up demand pushed up growth rates.

A lower tax revenue will limit the government's ability to spend and support the economy as the country heads to national elections in 2024. It will also strain efforts to bring down the fiscal deficit towards the medium-term target of 4.5% of GDP by 2025/26. Higher nominal GDP growth has not only helped in lowering public debt and fiscal ratios, but has also resulted in pushing up credit growth to 16%-17% year-on-year in FY23, Deutsche Bank's chief India economist Kaushik Das wrote in a note on Monday.

Distinguish between nominal and real GDP. Describe which of the two measures *reflect* the correct status of the economy. **[2+3 marks]**

Explain the three approaches of measuring GDP of a nation. **[5 marks]**

Suppose you are India's Finance Minister, *devise* an economic plan to help India achieve its dream of becoming 5 trillion economy by keeping in mind the role of following macroeconomic indicators

   a) Household consumption
   b) Investments
   c) Government spending
   d) Foreign trade **[10 marks]**

Question 3. *Explain* the following concepts (Any two)

   a) Current Account Deficit
   b) Fiscal Deficit
   c) Balanced budget multiplier
   d) Fixed Vs Flexible exchange rate **[5+5 marks]**