



# Daily current affairs

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## **RBI flags risk of higher inflation**

- Oil prices, global financial markets warrant vigil; stage set for structural reforms, says annual report
- The Reserve Bank of India (RBI) has warned about upside risks to inflation during the remaining part of the current financial year, 'warranting vigil and readiness' to deal with them.
- The risks could emanate from rising commodity prices, especially crude oil, global financial market developments and second-round impact from revision of house rent allowance for central government staff.

## **Headline Inflation**

- Headline inflation which averaged 4.8% during Q1:2018-19, is likely to face upside risks over the rest of the year from a number of sources, the central bank said in its annual report released.
- Inflation concerns have led RBI to raise the key policy rate, or the repo rate, twice in the last two monetary policy meetings by 25 basis points each, to 6.5%.

## **Favorable conditions**

- On growth, RBI said incoming data pointed to favourable conditions for an acceleration of activity in the Indian economy.
- RBI said the Indian economy is set to step up its growth trajectory, adding that two aspects warrant priority if this aspiration is to be 'realisable and sustainable.'
- The first is infrastructure that holds the key to unleashing faster growth.
- Second, even as infrastructure development provides the thrust, sustaining the momentum of growth will hinge around its inclusiveness and... its employment intensity."
- The pace and quality of growth will be anchored by progress on structural reforms over the medium-term, RBI said.
- These include resolution of banking and corporate financial stress, taxation, agriculture, liberalisation of the economy's external interface and galvanising the business environment.

## **What is 'Headline Inflation'**

- Headline inflation is the raw inflation figure reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labor Statistics.
- The CPI calculates the cost to purchase a fixed basket of goods, as a way of determining

how much inflation is occurring in the broad economy. The CPI uses a base year and indexes the current year's prices according to the base year's values.

### **Repo Rate**

- When government central banks purchase securities back from private banks in exchange for cash, the repo rate which is set by central banks is used.
  - "Repo" is a shortened form of the term "repossession" and indicates a repurchase of securities by the government that previously sold them.
  - The repo rate system allows governments to control money supplies within economies by increasing or decreasing available funds.
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### **O-SMART to include warning systems, desalination plants**

- India is set to get more disaster warning systems along its coasts. While it already has a tsunami warning system in place, the new systems will keep an eye out for "tsunamis and storm surges," according to an official release.
- The system is part of a programme called O-SMART (Ocean Services, Technology, Observations, Resources Modelling and Science) that is being piloted by the Union earth sciences ministry.
- It was cleared by the Cabinet Committee on Economic Affairs, at an outlay of Rs.1,623 crore.

### **Benefits of O-SMART**

O-SMART will provide economic benefits to a number of user communities in the coastal and ocean sectors, namely, fisheries, offshore industry, coastal States, defence, shipping, ports, etc.

Other key missions under O-SMART include,

- Strengthening of Ocean Observations and Modelling,
  - Strengthening of Ocean Services for fishermen,
  - Setting up marine observatories for monitoring marine pollution,
  - Setting up Ocean Thermal Energy Conversion Plant (OTEC) in Kavaratti,
  - Acquiring two coastal research vessels,
  - Continuation of ocean survey and exploration of minerals and living resources,
  - Technology development for Deep Ocean Mining ,
  - Manned submersibles and
  - The setting up six desalination plants in Lakshadweep.
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