

Newspaper Analysis

(22.06.2024)



**BPSC
CONCEPT
WALLAH**



Food inflation behind grudgingly slow pace of disinflation: Das

HITESH VYAS
MUMBAI, JUNE 21

SLOW PACE of disinflation is mainly due to the elevated food inflation which has been impacted by recurring supply-side shocks, RBI Governor Shaktikanta Das said in the minutes of the Monetary Policy Committee (MPC) meeting held from June 5 to 7.

Of the six-member rate setting panel, four voted to keep the policy repo rate unchanged at 6.5 per cent and policy stance as withdrawal of accommodation as higher food inflation is affecting disinflation process.

Two external members of the MPC – Ashima Goyal and Jayanth Varma, however, voted for a 25 basis points cut in the repo rate as higher interest rates could hurt growth. They also voted to change the policy stance to neutral from withdrawal of accommodation.

Das said headline consumer price-based inflation is moderating but at a very slow pace. Headline inflation has moderated by around 30 basis points (bps) from 5.1 per cent in February 2024 to 4.8 per cent in April 2024. In May 2024, inflation softened to 4.7 per cent and food inflation remained unchanged at 7.9 per cent.

"Food inflation is the main factor behind the grudgingly slow pace of disinflation. Recurring and overlapping supply-side shocks continue to play an outsized role in food inflation," Das wrote in the minutes. In the monetary policy, Das voted for keeping the policy repo rate unchanged at 6.5 per cent and to continue with the stance of withdrawal of accommodation. "With persistently high food inflation, it would be in order



Reserve Bank of India Governor Shaktikanta Das.

File

to continue with the disinflationary policy stance that we have adopted. Any hasty action in a different direction will cause more harm than good," he said.

It is important that inflation is durably aligned to the target of 4 per cent, the Governor said, adding that price stability is the bedrock for high and sustainable growth.

Going forward, the baseline projections show inflation moderating to an average 4.5 per cent in 2024-25. In the immediate months, however, the impact of exceptionally warm summer months on output of certain perishables; a likely rabi production shortfall in some pulses and vegetables – particularly potatoes and onions; and the upward revisions in milk prices, warrant close monitoring, Das said.

On economy, the Governor said domestic growth outlook for 2024-25 remains upbeat as economic activity continues to maintain momentum. The RBI has projected real gross domestic product (GDP) at 7.2 per cent in the current financial year.

RBI Deputy Governor Michael Patra, who voted for keeping the

policy rate and the stance of withdrawal of accommodation unchanged, said the speed of the easing of inflation has been disappointing so far, even from a cross-country perspective.

"The Indian economy remains hostage to intersecting food price shocks. Their repetitive occurrence calls for intensifying monetary policy vigil to ward off spillovers to other components of inflation and to expectations," he said.

MPC member Ashima Goyal said the experience of the past year shows supply shocks no longer have persistent effects on inflation or on inflation expectations. "We have waited for one year to watch the impact of these shocks, now it is time to move on," Goyal wrote in the minutes.

A durable approach to the inflation target is consistent with a transient rise in inflation, she said. It is necessary to avoid the mistake of 2015 when international crude oil prices fell substantially but the fear that they would rise again prevented an adequate cut in the policy rate.

"Real interest rates rose substantially and hurt growth," Goyal

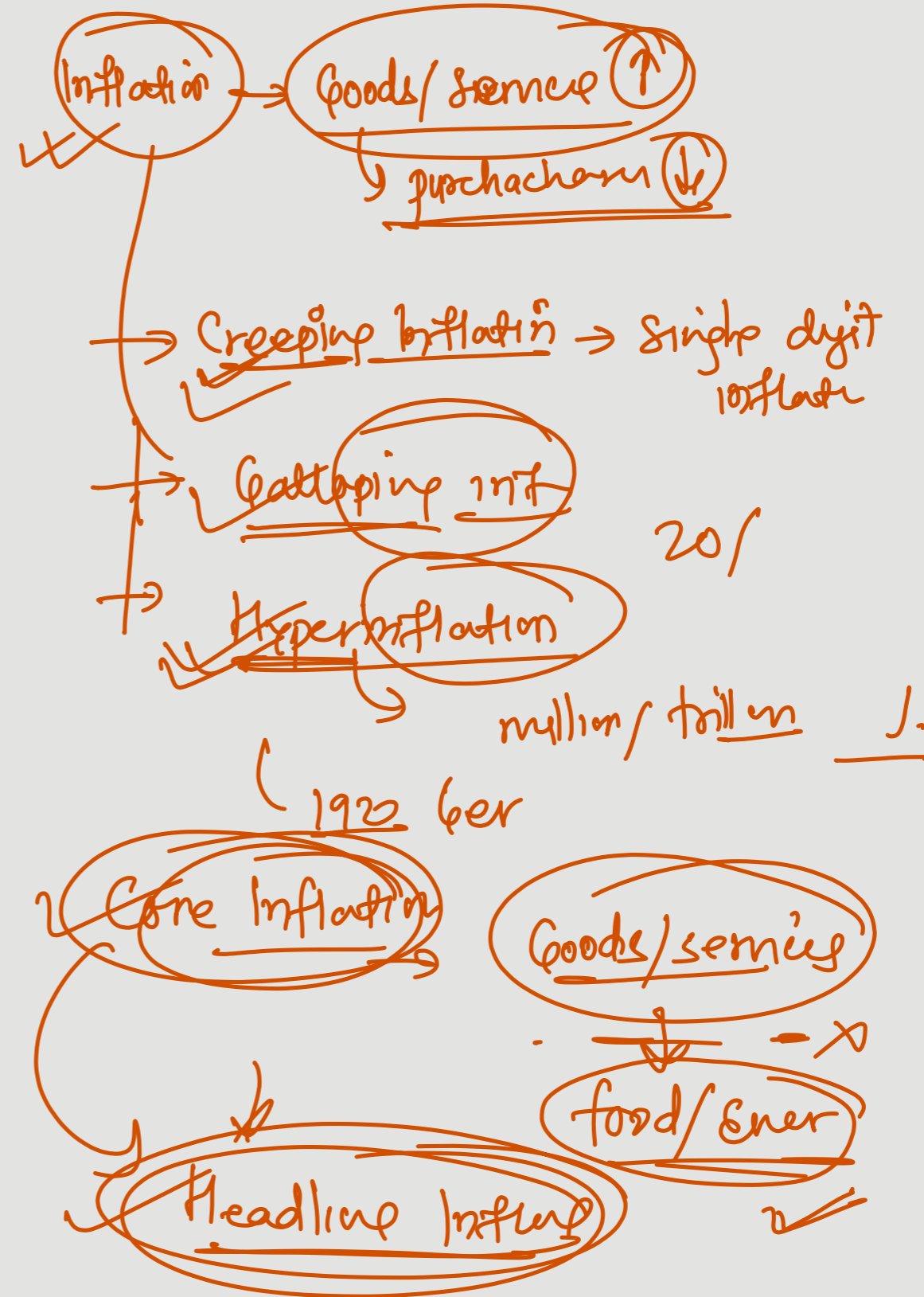
said. Jayanth Varma said that the maintenance of restrictive policy for unwarrantedly long will lead to a growth sacrifice in 2025-26 as well. Professional forecasters surveyed by the RBI are projecting growth both in 2025-26 and in 2024-25 to be lower than in 2023-24 by more than 0.75 per cent, and lower than the potential growth rate (of say 8 per cent) by more than 1 per cent.

"This is an unacceptably high growth sacrifice considering that headline inflation is projected to be only about 0.5 per cent above target, and core inflation is extremely benign," Varma said.

MPC member Rajiv Ranjan said headline and core inflation have moderated on anticipated lines. There is, however, little comfort in the near-term with inflation projected to remain sticky at around 4.9 per cent in Q1 of FY2024-25.

"While we can draw some comfort from headline inflation running within the tolerance band successively for eight months in a row, we cannot drop our guard as the headline inflation is still not aligned to the target," Ranjan said. Repeated incidence of food price shocks is delaying the final descent of inflation to the target, he said.

According to Shashank Bhide, the moderate inflation rate will have to be durable to be an effective condition for sustained growth. In this context, the policy would have to continue its focus on maintaining the inflation rate aligned to the target over the medium term. He also voted for keeping policy rate unchanged at 6.5 per cent and keeping policy stance as withdrawal of accommodation.



Japan space agency hit by cyberattacks since last year, no sensitive data taken, says minister

MARI YAMAGUCHI
TOKYO, JUNE 21



Chief Cabinet Secy
Yoshimasa Hayashi

JAPAN'S SPACE agency has suffered a series of cyberattacks since last year, but sensitive information related to rockets and satellites was not affected and it is continuing to investigate and take preventive measures, officials said Friday.

Chief Cabinet Secretary Yoshimasa Hayashi acknowl-

edged that the Japan Aerospace Exploration Agency, or JAXA, has had "a number of" cyberattacks since late last year. JAXA has investigated the extent of illegal access while shutting down the af-

ected networks and verifying that they did not contain classified information about operations of rockets and satellites and national security, he said. Hayashi vowed to strengthen Japan's ability to counter cyberattacks.

Japan has been accelerating a military buildup in response to China's growing military might and is hoping to be able to develop a counterstrike ability, but experts say Tokyo will continue

to need to rely heavily on the United States for launching long-range cruise missiles at targets.

Officials on Friday said they were not aware of any information leak from the cyberattacks.

Defense Minister Minoru Kihara said that the attacks on JAXA have not affected his ministry, but that he is keeping a close watch on the investigation by the agency, which is one of his ministry's key contractors. AP

JAXA → Japan Aerospace Exploration Agency

ESA → Europe Space Agency

USA - NASA

Comment ?

India - ISRO

China - CNSA

Roscosmos - Russia

CSA

Blue Origin - Jeff Bezos
Space X - Elon Musk
Virgin Galactic - Richard Branson



Pro tem Speaker choice: Opp alleges bias against Dalit, Govt says it is as per norms

EXPRESS NEWS SERVICE
THIRUVANANTHAPURAM,
NEW DELHI, JUNE 21

A DAY after the government announced the appointment of Bhartruhari Mahtab as the pro tem Speaker of Lok Sabha, the Opposition said it was a violation of parliamentary norms as the post should have gone to the

most senior MP — Kodikunnil Suresh of Congress.

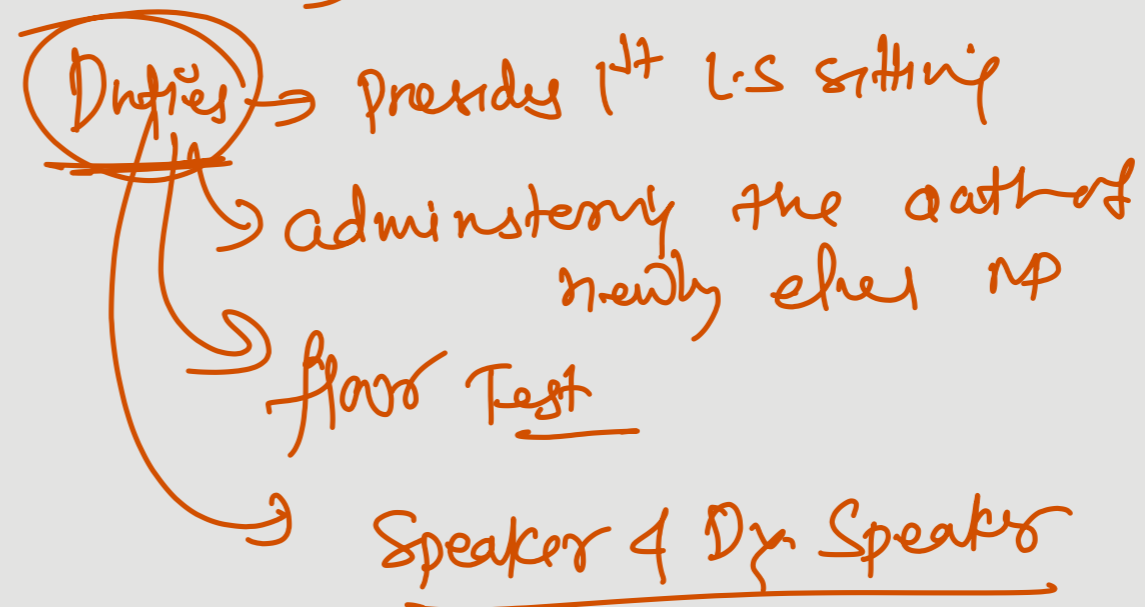
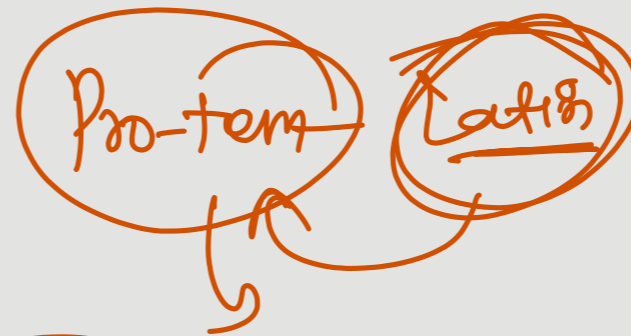
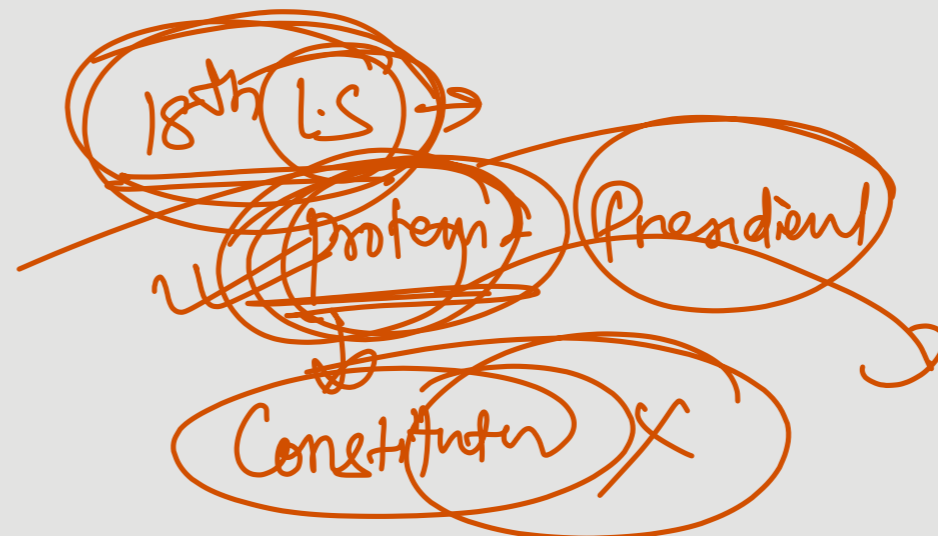
While Mahtab is a seven-time MP from Odisha, Suresh is an eight-time MP from Kerala.

Accusing the government of being anti-Dalit, the Congress asked if Suresh was denied the post because he belongs to the Dalit community. The party was backed by INDIA bloc ally CPI(M), with Kerala Chief

Minister Pinarayi Vijayan alleging that "upper caste politics" may have played a role behind the decision.

Countering the Opposition attack, Parliamentary Affairs Minister Kiren Rijiju said that "as per the Westminster system", the MP who has the longest-serving "uninterrupted tenure" is chosen for the position.

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Hokkaido

Honshu

Tokyo - Capital

Shikoku

Kyushu

PM ?



WORLD MAP



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|---------------------------|-------------------|-----------------------|----------------------------------|
| 1. Netherlands | 10. Austria | 20. Ghana | 29. Liechtenstein |
| 2. Belgium | 11. Hungary | 21. Togo | 30. Montenegro |
| 3. Luxembourg | 12. Serbia | 22. Benin | 31. Kosovo |
| 4. Switzerland | 13. Moldova | 23. Cameroon | 32. Palestinian Territories |
| 5. Slovenia | 14. Macedonia | 24. Equatorial Guinea | 33. St. Vincent & the Grenadines |
| 6. Croatia | 15. Albania | 25. Rwanda | |
| 7. Bosnia and Herzegovina | 16. Cyprus | 26. Cambodia | |
| 8. Czech Republic | 17. Lebanon | 27. Panama | |
| 9. Slovakia | 18. Guinea-Bissau | 28. Malawi | |



0 1,000 2,000 4,000 Miles
0 1,000 2,000 3,000 4,000 Kilometers

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Thank You

