

Economy current affairs

Current account deficit % hit a 36 quarter high.
3.4 % of GDP

CAD represents a country's foreign transaction and like capital account, is a component of a country's Balance of ~~Boo~~ Payments.

Components of CAD

- Trade of goods,
- Services
- Net earnings on overseas investments & net transfer of payments over a period of time, such as remittances

Causes of High CAD

- # existing exchange rate, consumer spending level, capital inflows, inflation level, & prevailing interest rate
- # Crude oil and gold imports are reason for high CAD

Effect

- help debtor nation in short term but it may worry in the long term as investors begin raising concerns over adequate return on their investments

Twin deficit problem

→ it means nation's current account deficit and a simultaneous fiscal deficit

Measures to overcome twin deficit

- Rationalizing non-capex expenditures
- Fiscal consolidation through tight monetary policy.
- Import substitution/cuts, especially fossil fuels & non-essential goods.
- Fair valuation of Rupee for competitive exports
- Ease of Doing Business reforms for continued inflows.

Shrinkflation is when a product downsizes its quantity while keeping the price the same.

→ Also referred to as package downsizing in business & academic research.

Cantillon Effect

It refers to the idea that changes in money supply in an economy causes redistribution of purchasing power among people, disturbs relative price of goods & services and leads to misallocation of ~~scarce~~ scarce resources.

Stag inflation

→ A situation characterised by simultaneous increase in prices and stagnation of economic growth.

Core Industries: defined as the main industry which has a multiplier effect on the economy.

Eight core industries comprise 40.27% of the weight of items included in the IIP.
(Industrial Production).

Eight core industries in decreasing order.

- Refining products
- Electricity
- Steel
- Coal
- Crude Oil
- Natural gas
- Cement
- fertilizers