

INTERNATIONAL INSTITUTIONS

WORLD ECONOMIC OUTLOOK (WEO): IMF

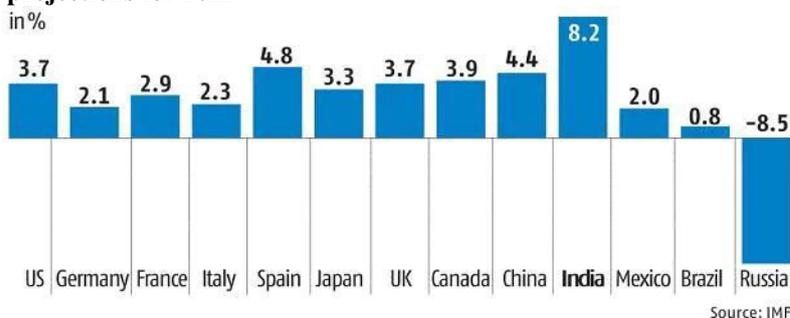
The International Monetary Fund (IMF), in its latest World Economic Outlook report, cuts global growth sue to Russia- Ukraine war

World Economic Outlook (WEO)

- It is a report by the International Monetary Fund (IMF) that analyzes key parts of the IMF's surveillance of economic developments and policies in its member countries.
- It also projects developments in the global financial markets and economic systems.
- The WEO is released in April and September/October each year.
- **Report Provides:**
 - Analysis and forecasts of economic developments and policies in its member countries.
 - Encapsulates the state of the global economy and highlights risks and uncertainty that could threaten growth.
 - This report is the main instrument of disseminating the findings and analysis of their global surveillance activities to the world.

Major Highlights

- **Global:**
 - Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023.
 - This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January.
 - **Growth projections for 2022**



- The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution.
 - At the same time, economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation.
 - Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

For India:

- It has slashed its forecast for India's FY23 gross domestic product growth to 8.2 percent from 9 per cent
 - It downgraded the outlook for global growth citing the economic impact of the Russia-Ukraine war.
 - It also projected India's economy to expand by 6.9% next year, putting it on course to be the fastest growing large economy over the next two years.
- **Japan and India were seeing "notable" growth forecast downgrades in the Asia region,** partly because of lower net exports and weaker domestic demand, with higher oil prices expected to weigh down consumption and investment.

FY23 forecasts by various institutions (in %)

| Agency | Now | Earlier |
|----------------|-------|---------|
| World Bank | 8 | 8.7 |
| IMF | 8.2 | 9 |
| Fitch | 8.5 | 10.3 |
| India Ratings | 7-7.2 | 7.6 |
| Morgan Stanley | 7.9 | 8.4 |
| Citigroup | 8 | 8.3 |
| ICRA Ltd | 7.2 | 8 |
| RBI | 7.2 | 7.8 |

Issues :

- The Ukraine war will serve to reduce global economic growth, it will also add to inflation.
- Elevated price pressure will complicate the trade-offs central banks face between curbing inflation and protecting growth.
- As key central banks tighten policy, interest rates are set to rise, exerting pressure on emerging markets and developing economies.
- Higher food and fuel prices were impacting vulnerable populations, and interest rates were rising, as central banks tightened monetary policy.
- Additionally, the global economy was becoming fragmented with countries cutting off ties with Russia, the “rules-based frameworks” were being threatened, and pandemic-induced lockdowns in China were exacerbating supply-chain disruptions.

Suggestions

- Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.
- Interestingly, the IMF pitched for carbon pricing and fossil fuel subsidy reform, which could also help with the transition to a cleaner mode of production, less exposed to fossil fuel prices.
- This is “more important than ever in light of the fallout of the war on the global energy market”.
- Authorities should also be vigilant about private sector vulnerabilities to rising interest rates.

International Monetary Fund

- The International Monetary Fund (IMF) is an international financial institution,
- Headquartered in Washington, D.C.
- Consists of 200 countries working:
 - to foster global monetary cooperation,
 - secure financial stability,
 - facilitate international trade,
 - promote high employment and sustainable economic growth, and
 - reduce poverty around the world while periodically depending on the World Bank for its resources.
- It was formed in 1944, started in 27 December 1945
- **Following Reports are released by IMF:**
 - World Economic Outlook (WEO),
 - Global Financial Stability Report (GFSR), and
 - Fiscal Monitor (FM).

IMPORTANT FACTS FOR PRELIM

1. Auroras

A stunning aurora glow was recently observed above Iceland after a ‘dead’ sunspot erupted.

Auroras on Earth

- An Aurora is a display of light in the sky predominantly seen in the high latitude regions (Arctic and Antarctic). It is also known as a Polar light.
- Caused when solar wind (charged particles ejected from Sun’s surface) enters Earth’s atmosphere & interacts with different gases causing a display of light, called aurora.
- Earth’s geomagnetic field shields humans from these harmful particles.
- At Earth’s high latitude regions (auroral oval), particles continuously stream down causing polar light, active all year round.
- While usually a milky greenish colour, auroras can also show red, blue, violet, pink, and white. These colours appear in a variety of continuously changing shapes.
- North Pole: Aurora Borealis/Northern Lights & are visible from the US (Alaska), Canada, Iceland, Greenland, Norway, Sweden & Finland.
- South Pole: Aurora Australis/Southern Lights & are visible from Antarctica, Chile, Argentina, New Zealand & Australia.

Do other Planets have Auroras?

- Auroras are not just something that happens on Earth. If a planet has an atmosphere and magnetic field, they probably have auroras.
- Recently, the Hope spacecraft has captured images of discrete auroras on Mars.

2. Marginal Cost of Funds Based Lending Rate

Recently, State Bank of India (SBI) raised the marginal cost of funds-based lending rates (MCLR) for the first time in three years, signalling that the soft rates regime that has prevailed since 2019 may be over.

What is Marginal Cost of Funds Based Lending Rate?

- It was instituted by RBI with effect from April 1, 2016.
- It is the lowest interest rate that a bank or lender can offer.
- It is applicable to fresh corporate loans and floating rate loans taken before October 2019.
- RBI then switched to the external benchmark linked lending rate (EBLR) system where lending rate is linked to benchmark rates like repo or Treasury Bill rates.

Aims and objectives:

- To improve the transmission of policy rates into the lending rates of banks.
- To bring transparency in the methodology followed by banks for determining interest rates on advances.
- To ensure availability of bank credit at interest rates which are fair to borrowers as well as banks.
- To enable banks to become more competitive and enhance their long run value and contribution to economic growth.

3. NATPOLREX- VIII: National Level Pollution Response Exercise

The Indian Coast Guard (ICG) kicked off the 8th edition of the two-day National Level Pollution Response Exercise, 'NATPOLREX-VIII', on April 19, 2022, off Mormugao harbour, Goa.

About

- **Objectives:** To enhance the preparedness and response capability of all the stakeholders in combating marine spills.
 - It aims at validating the procedures and guidelines as contained in the National Oil Spill Disaster Contingency Plan (NOSDCP) at the national and regional levels.
 - During the exercise, various components of NOSDCP were invoked to validate and improve the contingency plans and evaluate the preparedness of the resource agencies as well as stakeholders to meet any marine spill disaster at sea.

DAILY ANSWER WRITING PRACTICE

Q1. he 5G technology will shape Industry 4.0 and enhance quality of service delivery and innovation by facilitating smarter and developing societies. Discuss. (250 words)

Introduction

5G is the fifth generation mobile network. It's a unified platform which is much more capable than previous mobile services with more capacity, lower latency, faster data delivery rate and better utilisation of spectrum. The standards for the usage of 5G are defined and driven by 3rd Generation Partnership Project (3GPP).

Body:

Benefits of 5G technology:

- **A more Connected World:**
 - 5G will provide the capacity and bandwidth as per the need of the user to accommodate technologies such as Internet of Things.
 - Thus, will help to incorporate Artificial Intelligence in our lives. It can also support Virtual Reality and Augmented Reality services.
- **Bringing Internet Connectivity Everywhere:**
 - The speed of 5G will have ripple effects across many industries and geographies.
 - High speed internet access is critical to pushing rural industries — like farming and agriculture — to evolve.
 - 5G networks stand to unlock that innovation, but it's highly dependent upon how it's implemented.
- **Better Coverage in Densely Populated Areas:**
 - Small cell deployments will be made more effective through high-speed internet, allowing lightweight, easy-to-mount network base stations to increase capacity and coverage in densely populated areas.
 - Though their range is much shorter, they will be able to alleviate overloaded networks in cities and other densely populated regions.
- **Networking as a Service:**
 - Network slicing allows multiple virtual networks to be created on top of a shared physical infrastructure, so different types of applications and services will be able to run on shared infrastructure.
 - This enables telecommunications companies to provide networking on-demand in the same way that we currently access other services on-demand, creating a user experience that's indistinguishable from a physically separated network.
- **radio access networks (RAN):**
 - This is creating a new set of ecosystem players dominated by smaller and more innovative companies, which can make way for unknown companies from countries such as India, to emerge as mainstream mobile infrastructure technology providers for the world

The potential advantages it offers:

- **Industry 4.0:**
 - The manufacturing industry is going through a digital revolution.
 - Within the context of Industry 4.0, manufacturers are becoming more efficient through the application of automation and data exchange to their existing factory processes to enable better integrated workflows and smarter manufacturing.
 - Industrial IoT technologies are streamlining and simplifying many manufacturing processes in revolutionary ways.
- **Mixed reality (MR) applications:**
 - The MR Apps comprise augmented reality (AR) plus virtual reality (VR) apps.
 - Beyond the consumer market (think Pokémon Go), interesting applications are also likely to be found in industrial and medical contexts.
 - Remote medical procedures, engineering, public safety and field-service applications are all strong use case opportunities for the application of low latency 5G services.
- **Sports and entertainment:**
 - A combination of VR and AR with ultra-high-fidelity enabled by 5G could transform the way fans interact in these events.
 - Motorsports is ideal for VR in particular: equipped with their mobile device or headset, fans could be served information like lap or technical information about cars as they race on the track in a sport like Formula 1
- **Fixed wireless access:**
 - Fixed wireless access could also be used to bring high bandwidth digital services to under-served rural areas.
 - Mobile operators will then be able to compete with wireline, satellite and cable companies, offering new revenue streams and faster RoI.
- **Autonomous vehicles:**
 - The idea that much of the car, if not all of it, is controlled not by the driver but by technology.
 - 5G is critical to realize this as it will offer the connectivity and speed needed to deliver vast amounts of data to one another as well as other objects simultaneously.
 - 5G can provide a completely seamless mobile experience is a must so that cars can stay constantly connected.

Challenges:

- **Huge Investment Required:** India needs a massive Rs 5 lakh crore (\$70 billion) investment to bring in 5G.
- **Expensive spectrum:** Indian spectrum prices are some of the highest in the world and the allocated quantity is well below global best practices, while 40% of the spectrum is lying unsold.
- **Lack of uniform policy framework:** Delays due to complex procedures across states, non-uniformity of levies along with administrative approvals have impacted telecom service providers in rolling-out Optical Fiber Cables (OFC) and telecom towers.
- **Local Regulatory Issues:** Many of the local rules and regulations are prohibiting the rapid and cost-effective roll-out of small cells in city centres where Fifth Generation (5G) is initially expected to be most in demand.
- **Debt scenario in the industry:** According to ICRA, the collective debt of telecommunications service providers (TSPs) stands at Rs 4.2 lakh crore.
- **Low optical fiber penetration:** India lacks a strong backhaul to transition to 5G. Backhaul is a network that connects cells sites to central exchange. As of now 80% of cell sites are connected through microwave backhaul, while under 20% sites are connected through fiber.
- **High Import of Equipments:** Imports account for a 90 per cent of India's telecom equipment market. However due to lack of local manufacturing and R&D, Indian telecom providers have no option other than to procure and deploy 5G technologies from foreign suppliers.
- **Security:** According to the Global Cyber Security Index released by the International Telecommunication Union (ITU), only about half of all the countries had a cybersecurity strategy or are in the process of developing one. The index, which was topped by Singapore at 0.925 saw India at 23rd position.
- **Possibility of increased digital divide:** Initial deployment of 5G networks in dense urban areas could leave behind rural areas due to commercial viability, may lead to increase the digital divide.
- **Human exposure to radiofrequency electromagnetic fields:** There has been concern about the said impact of these frequencies on health of human as well as on animals.

Way Forward:

- Spectrum Policy: India's spectrum allocation for public wireless services should be enhanced significantly. Also, the cost of spectrum relative to per capita GDP is high and should come down.
- Create a Fifth Generation (5G) Program Office within Department of Telecommunications and an Oversight Committee.
- New civil infrastructure like highways, roads, canals and utilities (gas, electricity, water) lines should be mandated to provide Common Telecom Infrastructure resources such as ducting and power junction boxes to support 5G infrastructure.
- Security audits, a prerequisite for importing of equipment before deploying in Indian networks, needs to be simplified.
- Favorable Taxation Policy: Reducing taxation and regulatory fees on revenues could contribute to further evolution of the tax framework.
- Fifth Generation (5G) Pilot: Policy-makers may consider encouraging 5G pilots and test beds to test 5G technologies and use cases and to stimulate market engagement.
- Support Fifth Generation (5G) investment: Indian government and regulators should ensure the long-term sustainability of the industry and its ability to fund the significant investment required for 5G network deployments.
- Policy-makers may consider the use of licensed, unlicensed and shared spectrum to create a balanced spectrum ecosystem – one that encourages investment, makes efficient use of spectrum and promotes competition.
- Where market failure has occurred, governments may consider stimulating investment in fiber networks and passive assets through setting up PPPs, investment funds and offering grant funds, etc.

Conclusion

The World Economic Forum predicts that by 2023 there will be a staggering 9.1 billion mobile subscriptions. 5G will act as the catalyst for Digital India—a watershed moment in digital transformation. India is at the cusp of a next generation of wireless technology 5G. It provides an opportunity for industry to reach out to global markets, and consumers to gain with the economies of scale. It can help in better service delivery, faster access to services and deeper penetration of digital services.

DAILY QUIZ

Q1. Which of the following Reports are released by the International Monetary Fund(IMF)?

1. World Economic Outlook (WEO)
2. Global Financial Development Report
3. Fiscal Monitor (FM).
4. Global Financial Stability Report (GFSR)
5. Global Gender Gap Report

Select the correct answer using the code given below:

- (a) 1, 2, 3 and 5 only (b) 1, 3 and 4 only
(c) 2, 4 and 5 only (d) 1, 2, 3, 4 and 5

Q2. With reference to Marginal Cost of Funds Based Lending Rate, consider the following statements:

1. It was instituted by State Bank of India (SBI) with effect from April 1, 2016
2. It is the lowest interest rate that a bank or lender can offer.
3. It is applicable to fresh corporate loans and floating rate loans taken before October 2019.

Which of the statements given above are correct?

- (a) 1, 2 and 3 only (b) 3 and 2 only
(c) 1 and 2 only (d) only 1 and 3

Q3. With reference to Criminal Procedure (Identification) Bill 2022, consider the following statements:

1. It allows details of arrested persons as well as persons detained under any preventive detention law to be taken.
2. It enables both the central government and state government to make rules.

Which of the statements given above is/are correct?

- a) 1 only b) 2 only
c) Both 1 and 2 d) Neither 1 nor 2

Q4. The “Common Carbon Metric” supported by UNEP, has been developed for

- (a) Assessing the carbon footprint of building operations around the world
- (b) Enabling commercial farming entities around the world to enter carbon emission trading
- (c) Enabling governments to assess the overall carbon footprint caused by their countries
- (d) Assessing the overall carbon foot-print caused by the use of fossil fuels by the world in a unit time

Q5. Recently seen in the news, DSR technique is related to:

- a) Detecting virus in a computer network
- b) Sending a broadcast message

- c) Bettering soil quality
d) Seeding of crops
- Q6.** Recently “Sarmat” a intercontinental ballistic missile has been tested belongs to which of the following country
a) India **b) Russia** c) Japan d) Pakistan
- Q7.** Global risks report is released by
a) WEF b) IMF c) WB d) UNEP
- Q8.** Which of the following are covered under the national monetised pipeline ?
1. Railways 2. Roads 3. Telecom 4. Power
Select the correct answer using the code given below
a) 1,2 and 4 only b) 2 ,3,4 only
c) 1 and 2 only **d) All of the above**
- Q9.** Consider the following statement about UJALA scheme
1. It is implemented by Ministry of Power
2. Since it’s Implementation ,it has been seen a significant amount of CO2reduction.
Select the correct statement using the code given below
a) 1 only b) 2 only **c) Both** d) None of the above
- Q10.** Which of the following statement/s is or are correct regarding National Water Award
1. The award is given to motivate individuals or organisations in the field of Water resource conservation
2. Ministry of jal shakti had launched the first National Water Award under PM krishi sinchayee yojna in 2015.
Select the correct answer using the code given below
a) 1 only b) 2 only c) Both d) Neither 1 nor 2
- Q11.** Consider the following statement with respect to recent Survey on Defence Land
1. It is for the first time since Independence ,entire defence land has been surveyed
2. Technologies like Electronic Total Station(ETS) and Differential Global Positioning System (DGPS) were used in this survey
Choose the correct statement using the code given below
a) 1 only b) 2 only **c) Both** d) Neither 1 nor 2
- Q12.** Consider the following statement with respect to Wild life (protection) Act 1972
1. Recently, the act has been amended for the 2nd time, with the last amendment having been made in 2006.
2. The original act does not include plants protection under it
Select the incorrect statement using the code given below
a) 1 only b) 2 only **c) Both** d) Neither 1 nor 2
- Q13.** With regards to MSP ,choose the correct statement /s
1. The government buys wheat at the MSP, which it declares before the harvest of the crop every year on the recommendation of the Commission for Agricultural Cost and Prices (CACP).
2. States can pay bonus over and above this MSP.
3. There is no statutory backing for MSPs, or any law mandating their implementation.
Select the correct answer using the code given below
a) 1 only **b) 2 and 3 only** c) 1 and 3 only d) 1 and 2 only
- Q14.** Which of the following organisation recently launched Global EDNA project
a) UNESCO b) IUCN c) WWF d) UNEP
- Q15.** Consider the following with regards to Padhe Bharat Campaign recently launched by Ministry Of Education
1. This campaign is in alignment with the National Education Policy
2. It focused on children studying in Valvatika to Grade 8
Choose the correct statement
a) 1 only b) 2 only **c) Both** d) Neither 1 nor 2