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News: BrahMos supersonic cruise missile successfully test-fired with enhanced capability

- BrahMos supersonic cruise missile, with **increased indigenous content and improved performance, was successfully test-fired from Integrated Test Range, Chandipur off the coast of Odisha.**
- The missile was equipped with the advanced indigenous technologies and followed a modified optimal trajectory for enhanced efficiency and improved performance.
- The missile with the modified control system has been fine tuned to achieve an enhanced capability.

BrahMos

- BrahMos is a **medium range ramjet supersonic cruise missile that can be launched from submarine, ships, aircraft or land.**
- This is a **joint venture between the Defence Research and Development Organisation of India (DRDO) and the NPO Mashinostroyeniya of Russia.**
- BrahMos is named on the **rivers Brahmaputra and Moskva.**
- It is a **two-stage (solid propellant engine in the first stage and liquid ramjet in second) air to surface missile with a flight range of around 300 km.**

- However, India's entry into the Missile Technology Control Regime (MTCR) has extended the range of the BrahMos missile to reach 450 km – 600 km, a shade above its current MTCR capped range of 300 km.
- BrahMos is the heaviest weapon to be deployed on Su-30 MKI fighter aircraft, with a weight of 2.5 tonnes.
- BrahMos has a pinpoint accuracy that works in **both day and night irrespective of the weather conditions.**
- It operates on the **"Fire and Forgets" principle** i.e it **does not require further guidance after launch.**
- BrahMos is one of the fastest cruise missile currently operationally deployed with speed of **Mach 2.8, which is 3 times more than the speed of sound.**

News: Inflation

- With Union Budget in 10 days, inflation control measures of the finance ministry are under radar.

Inflation

- Inflation refers to the **rise in the prices of most goods and services of daily or common use**, such as food, clothing, housing, recreation, transport, consumer staples, etc.

- Inflation measures the average price change in a basket of commodities and services over time.
- Inflation is indicative of the decrease in the purchasing power of a unit of a country's currency.
- This could ultimately lead to a deceleration in economic growth.
- However, a moderate level of inflation is required in the economy to ensure that production is promoted.
- In India, inflation is primarily measured by two main indices —WPI & CPI which measure wholesale and retail level price changes, respectively.
- The concept of a relative price rise of one or a group of commodities is referred to as skewflation. This is in contrast with inflation, where price of almost every goods and service increases.

Measures of Inflation

Wholesale Price Index (WPI)

- Wholesale price Index (WPI) calculates the average change in prices of commodities at the Wholesale level.
- WPI is released by Office of Economic Advisor to the Ministry of Commerce and Industry under Department of Industrial Policy and Promotion.

- It **considers goods only** and **no services are considered**.
- The **taxes are also not included in the WPI** in order to remove the impact of fiscal policy.
- The index basket of the WPI covers commodities falling under the three major groups namely **Primary Articles, Fuel and Power and Manufactured products**.
- WPI measures the price paid by Manufacturers and Wholesalers and calculate the **inflation at the 1st stage of transaction**.
- Base Year of calculation of WPI is **2011-12**.
- While the **direction of the Consumer Price Index is often in sync with the direction of WPI**, there may be a divergence as well.
- The reasons for the divergence between the two indices can also be partly **attributed to the difference in the weight of the food group in the two baskets**.

Consumer Price Index (CPI)

- Consumer Price Index **indicates the average change in prices of commodities at the retail level**.
- It is released by **Central Statistics Office** at 5:30 pm of 12th of every month. If 12th of a particular month is holiday, CPI is released on the next working day.
- **CPI considers both Goods and Services**.

- It measures the **prices paid by consumers** and calculates **inflation at the last stage of transaction**.
- Base year of calculation of CPI is **2012**.
- CPI is used as the **measure of inflation by RBI**.
- In India, **there are four consumer price index numbers**, which are calculated, and these are: **CPI for Industrial Workers (IW)**, **CPI for Agricultural Labourers (AL)** **CPI for Rural Labourers (RL)** and **CPI for Urban Non-Manual Employees (UNME)**.
- While the **Ministry of Statistics and Program Implementation** collects **CPI (UNME) data** and compiles it, the **remaining three are collected by the Labour Bureau in the Ministry of Labour**.
- While the **direction of the Consumer Price Index** is often in sync with the **direction of WPI**, there may be a divergence as well.
- The reasons for the divergence between the two indices can also be partly **attributed to the difference in the weight of the food group in the two baskets**.

Measures of Control Inflation

- In India, inflation is controlled by two authorities; **Financial Ministry by Fiscal Policy** and **Reserve Bank of India (through Monetary Policy Committee) by Monetary Policy**.

- Fiscal Policy is the way which, the government makes a change in tax regime to control inflation.
- In times of inflation, the direct taxes are raised and indirect taxes are reduced. By this way, money circulation in the economy is reduced.

Monetary Policy

- Monetary policy is the method by which, Monetary Policy Committee of RBI, determines the rate of interest in the market.

Repo and Reverse Repo Rate

- Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Here, the central bank purchases the security.
- Reverse repo rate is the rate at which the RBI borrows money from commercial banks within the country.

Bank Rate

- Bank Rate is the rate charged by the RBI for lending funds to commercial banks.

Marginal Standing Facility (MSF)

- MSF is a window **for scheduled banks to borrow overnight from the RBI** in an emergency situation when interbank liquidity dries up completely.
- Under interbank lending, banks lend funds to one another for a specified term.

Monetary Policy Committee (MPC)

- Monetary Policy Committee (MPC) is instituted under **Section 45ZB of RBI Act, 1934 constituted by Central government.**
- MPC is **tasked with framing monetary policy** using tools like repo rate, reverse repo rate, bank rate and CRR.
- The **recommendations of MPC are binding on RBI.**
- In India, Monetary policy is **based on Headline CPI Inflation.**
- RBI has to **organise at least four meetings of the MPC** in a year. (More meetings can be held if the RBI Governor is of that opinion).
- Usually, MPC meets 6 times a year. But in FY20, it had an extra meeting in view of pandemic and the urgent need to assess the current and evolving macroeconomic situation

- As per the provisions of the RBI Act, out of the six Members of Monetary Policy Committee, **three Members are from the RBI and the other three Members of MPC are appointed by the Central Government.**
- **Governor of RBI acts as the ex-officio chairman of MPC.**
- The Members of the Monetary Policy Committee, **ineligible for reappointment** is appointed by the Central Government shall hold office for a **period of four years**, with immediate effect or until further orders, whichever is earlier.
- Quorum for the MPC is **4 members.**
- Decisions are based on majority with each one having a vote. **RBI governor will not have a VETO power, but will have a casting vote in case of a tie.**