

### Important Vocab for the Editorial

1. **salutary** (adjective) – good, helpful/useful, beneficial, practical, valuable.
2. **consumer price index** (CPI) (noun) – it is defined as the change in the prices of a basket of goods and services that are typically purchased by specific groups of households. To put it simply, it tracks the prices of goods and services purchased by consumers.
3. **price stability** (noun) – no (drastic) change in the price of goods and services in an economy over a period of time. It implies avoiding both prolonged inflation and deflation.
4. **given** (preposition) – considering, taking into account, bearing in mind.
5. **volatile** (adjective) – unpredictable, turbulent, uncertain, inconstant.
6. **quinquennial** (adjective) – relating to something (survey) happening repeatedly at every five years.
7. **inflation** (noun) – simply meaning “cost of living”; an increase of price level of goods & services and vice versa decrease of currency value.
8. **monetary policy** (noun) – monetary policy refers to the use of monetary instruments under the control of the central bank to regulate magnitudes such as interest rates, money supply, and availability of credit with a view to achieving the ultimate objective of economic policy mentioned in the Reserve Bank of India Act, 1934.
9. **framework** (noun) – structure, system.
10. **monetary policy framework** (noun) – The amended RBI Act explicitly provides the legislative mandate to the Reserve Bank to operate the monetary policy framework of the country. The framework aims at setting the policy (repo) rate based on an assessment of the current and evolving macroeconomic situation; and modulation (change/variation) of liquidity conditions to anchor money market rates at or around the repo rate. Repo rate changes transmit through the money market to the entire the financial system, which, in turn, influences aggregate demand – a key determinant of inflation and growth. Once the repo rate is announced, the operating framework designed by the Reserve Bank envisages liquidity management on a day-to-day basis through appropriate actions, which aim at anchoring the operating target – the weighted average call rate (WACR) – around the repo rate. The operating framework is fine-tuned and revised depending on the evolving financial market and monetary conditions, while ensuring consistency with the monetary policy stance. The liquidity management framework was last revised significantly in April 2016.
11. **repo rate** (noun) – it is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds.
12. **reading** (noun) – analysis, account, explanation; indication, measurement.
13. **ceaseless** (adjective) – constant, continuous, unending/unrelenting.
14. **vigil** (noun) – vigilance, surveillance, close watch, monitoring.
15. **retail or consumer price index (CPI) inflation** (noun) – it is a measure of the total inflation within an economy, including commodities such as food and energy prices. The CPI monitors retail prices at a certain level for a particular commodity. The change in the price index over a period of time is referred to as CPI-based inflation or retail inflation.
16. **core inflation** (noun) – it is a measure of the total inflation within an economy, excluding commodities such as food and energy prices (which change frequently).
17. **accelerate** (verb) – increase, rise, advance.
18. **National Statistical Office (NSO)** (noun) – The Ministry of Statistics and the Department of Programme Implementation has two wings, one relating to Statistics and the other Programme Implementation. The Statistics Wing called the National Statistical Office (NSO) gives considerable importance to coverage and quality aspects of statistics released in the country. The statistics released are based on administrative sources, surveys and censuses conducted by the Center and State Governments and non-official sources and studies.
19. **basis point (BPS)** (noun) – a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). Used for measuring change in interest rate/yield.
20. **attributable** (adjective) – considered as an outcome/result caused by.
21. **base effect** (noun) – it relates to inflation in the corresponding period of the previous year, if the inflation rate was too low in the corresponding period of the previous year, even a smaller rise in the Price Index will arithmetically give a high rate of inflation now.
22. **relatively** (adverb) – comparatively, proportionately, somewhat, to a certain extent/degree.
23. **ease** (verb) – moderate, decrease, lessen, diminish, reduce, lower.
24. **pose** (verb) – constitute, present, create, cause (a problem or danger or risk).
25. **prognostication** (noun) – prediction, forecast, projection.
26. **pulses** (noun) – pulses are the term used for edible dry peas, beans, lentils, chickpeas & etc.
27. **edible oil** (noun) – cooking oil; the fat of plant, animal, or microbial origin, which is liquid at room temperature and is suitable for food use.
28. **borne out** past participle of **bear out** (phrasal verb) – confirm, validate, vindicate, justify/support (a claim).
29. **persist** (verb) – continue, carry on, keep going.
30. **disconcertingly** (adverb) – unsettlingly, disturbingly, worryingly.
31. **with respect to** (phrase) – concerning, regarding, relating to, with reference to.
32. **stick** (verb) – become fixed, remain in a static/fixed condition.
33. **deflation** (noun) – a decrease in the general price level of goods and services.
34. **offset** (verb) – even up, counterbalance, cancel out, equalize, neutralize.
35. **generalized** (adjective) – not specific or not specialized.
36. **pressure** (noun) – effect, impact; strain, stress, tension, burden.
37. **food inflation** (noun) – the condition of an increase in the wholesale price index of a necessary food item relative to the general index or the consumer price index (CPI) is referred to as food inflation. In layman’s language, it is basically the rise in the cost of an essential food item relative to the previous price.
38. **wane** (verb) – decrease, decline, diminish/dwindle gradually.
39. **considerably** (adverb) – greatly, very much, a lot.
40. **upshot** (noun) – result, consequence, repercussion, outcome/effect.
41. **beverage** (noun) – a drink, such as tea, coffee, liquor, beer, milk, juice, or soft drinks, usually excluding water.
42. **weight** (noun) – value; importance/significance.
43. **quicken** (verb) – speed up, accelerate, step up, hasten.
44. **worrisome** (adjective) – worrying, distressing/upsetting, troublesome.
45. **inflationary** (adjective) – tending to cause monetary inflation.
46. **trajectory** (noun) – track/course, route, path, direction, approach.
47. **reflect** (verb) – indicate, show, demonstrate, exhibit.
48. **rocket** (verb) – increase/rise rapidly, escalate, spiral upwards.
49. **preceding** (adjective) – previous, prior, earlier.
50. **freight carriage** (noun) – goods transporting vehicle.
51. **Brent crude** (noun) – a classification of crude oil produced from the oil platform in the North Sea of Northwest Europe. It is one of the three best known benchmark crude oils (the other two are ‘West Texas Intermediate’ and ‘Dubai’) against which other crude oils are priced. (Crude oil

is the raw natural resource that is extracted from the earth and refined into products such as gasoline, jet fuel, diesel and other petroleum products).

52. [surge](#) (verb) – rise or increase suddenly.
53. [in the wake of](#) (phrase) – as a result of, in the aftermath of, as a consequence of.
54. [portent](#) (noun) – sign/indication, forecast, prediction.
55. [cogently](#) (adverb) – clearly, logically, convincingly.
56. [lay out](#) (phrasal verb) – outline, draw up, formulate.
57. [regime](#) (noun) – system.
58. [Report on Currency and Finance \(RCF\)](#) (noun) -The Report on Currency and Finance (RCF) has a long and chequered history, intertwined with that of the Reserve Bank of India (RBI) itself and the Indian economy. It was first published in 1937, covering the years 1935-36 and 1936-37. The theme of the current Report is "Reviewing the Monetary Policy Framework" which assumes topical relevance in the context of the review of the inflation target by March 2021 against the backdrop of structural changes in the macroeconomic and financial landscape that have prompted several central banks to undertake policy framework reviews. The period of study in this report is from October 2016 to March 2020 commencing with the formal operationalisation of the flexible inflation targeting (FIT) framework in India but excluding the period of the COVID-19 pandemic in view of data distortions.
59. [laser-focused](#) (adjective) – paying attention to something (a single activity) intensely (to the exclusion of everything else).
60. [front and centre](#) (phrase) – in the front line; in the most prominent position.
61. [quinquennium](#) (noun) – a period or cycle of five years.
62. [dilute](#) (verb) – weaken, diminish, reduce, decrease, lessen.
63. [purported](#) (adjective) – alleged, supposed, claimed, professed.
64. [bid](#) (noun) – attempt, effort, endeavour/try.
65. [perilous](#) (adjective) – dangerous, risky, precarious, insecure, life-threatening.
66. [secure](#) (verb) – obtain, acquire, gain, get.
67. [objective](#) (noun) – aim, intention, purpose, target, goal.

## Salutary reminder: On Consumer Price Index

### Policymakers must focus on maintaining price stability given the volatile food and fuel costs

With just over two weeks left to the March 31 deadline for the government and RBI to complete the quinquennial review of the current inflation target under the monetary policy framework, the latest Consumer Price Index (CPI) reading provides a salutary reminder for policymakers to maintain a ceaseless vigil over price stability. [Retail inflation, measured by the CPI](#), accelerated to a three-month high of 5.03% in February, data released by the National Statistical Office on Friday showed. The jump of almost 100 basis points from January's 4.06%, while partly attributable to a base effect given that price gains had relatively eased in February 2020, is a clear signal that food and fuel costs continue to pose a threat to broader price stability in the economy. Specifically, the RBI's early February prognostication of continuing pressures in the prices of pulses and edible oils has been borne out by the last two months' CPI data. Inflation of both essential food products has persisted in the double digits during the period, and in the case of the latter, accelerated disconcertingly to 20.8% last month. Price gains with respect to two other key sources of protein, meat and fish and eggs, also remain stuck above 11%. And the deflation in vegetable costs, which had helped offset the generalised pressure in food inflation, also waned considerably in February to minus 6.7% from minus 15.8% in January. The upshot was that food and beverages as a combined category, with a weight of 54.2% in the CPI, witnessed an almost 160 basis points quickening in inflation to 4.25% last month, from January's 2.67%.

Another equally worrisome source of inflationary pressure is the continuing upward trajectory in the prices of petroleum products. Transport and communication, which directly reflect these prices, saw inflation rocket by more than 200 basis points to 11.4% in February, from 9.3% the preceding month. Diesel, the main fuel for freight carriage, is now hovering around ₹85 per litre in many parts and will most certainly feed into the costs of everything requiring to be transported. Brent crude oil futures have surged by close to 40% in the three-month period through March 11 in the wake of output cuts by major oil producing nations, another worrying portent for inflation. With the RBI's own researchers having so cogently laid out the case for persisting with the current flexible inflation targeting regime of ensuring that price gains stay within the 2% to 6% band in the central bank's first Report on Currency and Finance in eight years, policymakers must stay laser focused on keeping price stability front and centre of their fresh framework for the next quinquennium. Any effort to dilute the focus in a purported bid to prioritise growth, risks putting the economy on a perilous path that may secure neither objective.