

What is the meaning of the phrase 'substantial moderation'



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MODEL QUESTIONS

Directions (Q.No 1-10): Read the following passage carefully and answer the questions that follow.

Five years ago, any sign of weakness in the Rupee would have been the cue for RBI officials, ministers and sundry economic commentators to lash out at Indian households for their unreasonable and unpatriotic love for gold.

And it is true that gold imports had a big role to play in India's yawning trade deficit and precarious balance of payments position in 2013.

But as the Rupee has entered shaky territory again it is oil rather than gold that has been the hot topic of debate. There's good reason for this shift.

A break down of India's import bill suggests that gold is no longer the villain of the piece when it comes to exchange rate woes. In fact, data suggest that the Indian saver's love affair with gold may be well past its prime.

When India faced a run on the Rupee and a widening trade deficit in 2013, its annual gold import bill had topped \$50 billion for the second year running. Between FY10 and FY13, India saw consistently high demand for gold jewellery, bars and coins despite **galloping** global gold prices.

The bloated the country's gold import bill from about \$28 billion in FY10 to a record \$56 billion in FY12.

But gold imports have since seen **substantial moderation** from those excessive levels. In FY18, India's dollar outgo on gold imports amounted to just \$34 billion, having shrunk 40 percent from the peak six years ago. Lest you think this is an **aberration**, gold imports have hovered in a narrow range of \$27 billion to \$35 billion for five years now. Bullion accounted for nearly 12 percent of the country's import bill in FY12. But its contribution is now down to about 7 percent.

This explains why debates around the current account deficit no longer **obsess** over the yellow metal.

Trends in domestic demand, tracked by the World Gold Council, show that Indian consumers have been cutting back on the volume of gold purchases in the last five years. In the years from 2010 to 2012, consumers accumulated anywhere between 900 and 1,000 tonnes of bullion a year. Jewellery accounted for about two-thirds of this volume, with bars and coins making up a third.

In the last five years though, bar and coin demand has halved from 355 tonnes in 2012 to 164 tonnes in 2017. Jewellery demand, after rising from 595 tonnes to 662 tonnes between 2012 to 2015, has flat-lined, slipping back to

573 tonnes in 2017.

As a result, aggregate domestic demand for gold has fallen by 20 percent between 2012 and 2017.

So, what has made Indian consumers cold-shoulder their favorite asset? Several factors seem to be at play.

Indian gold buyers view bullion as much as an investment as an item of adornment. We all know that any investment is most sought-after when its returns are soaring. So it was with gold.

In the five years following the global financial crisis in 2008, gold churned out bumper returns for Indian investors who hoarded it, thanks to a global flight to safe-haven assets and a steadily depreciating Rupee.

With domestic gold holders earning a 20 percent plus return for five consecutive years until 2013, investment demand for the yellow metal sky-rocketed. Gold is also seen as a hedge against inflation and the runaway price-spike in this period also **stoked** demand.

But with the global stock and bond markets staging a recovery from 2013, and inflation flagging, gold began to lose its **mojo**. As the Rupee stabilized, domestic gold investments suffered three consecutive years of negative returns from 2015 to 2017, dousing investor interest. Purchases of bars and coins, which topped 340 tonnes in 2013, had crashed to 164 tonnes by 2017.

1. The author of the passage asserts that gold is no longer the villain of the piece when it comes to exchange rate woes. Then who is the real culprit?

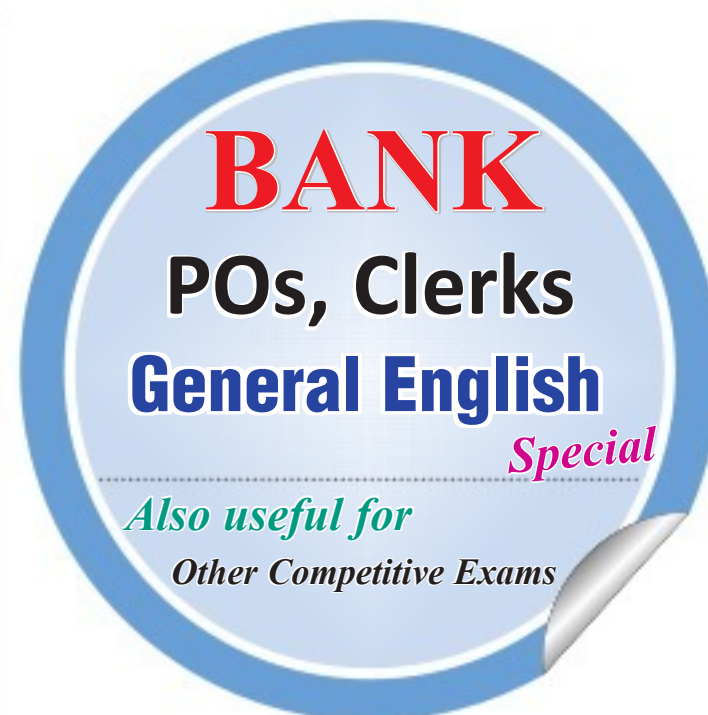
- Major steps of economic reforms taken by the incumbent government.
- Price hike of crude oil in global market and its impact of Indian economy.
- Exemption of petrol and diesel from GST
- All (1), (2) and (3)
- Only (1) and (2)

2. What is the meaning of the phrase 'substantial moderation' as used in the passage?

- Remarkable downward trend
- Noticeable upward movement
- Either upward or downward trend
- Only A 2) Only B 3) Only C 4) None of these 5) Other than those given as options

3. What was the impact of Indian households' unreasonable and unpatriotic love for gold in 2013 on Indian economy?

- Due to excessive demand by Indian household the government earned huge revenue through taxation resulting in improvement in Indian economy.
- The unreasonable demand of gold by Indian household gave rise to a situation of trade deficit.
- As a result of excessive demand of gold in Indian bullion market the



balance of payments position improved.

- Only A 2) Only B 3) Only C 4) Both A and B 5) All A, B and C

4. Find the incorrect statement on the basis of the given passage.

- Bullion accounts for about 7 per cent of the country's import bill as of now.
- The consistent high demand for gold jewellery, bars and coins bloated the country's gold import bill to a record \$56 billion in FY12.
- As per the observation of the World Gold Council, Indian consumers showed heightened inclination towards purchase of yellow metal in the last five years.
- Between 2012 to 2017 the aggregate domestic demand for gold has come down by 20 percent.
- None of the above

5. Why did people prefer to invest in gold rather than in other class of investments during the period following the global financial crisis in 2008 till 2013? Answer on the basis of the given passage.

- Because gold gave attractive returns on its sale
- Because the investment in gold was seen as a hedge against inflation
- Because of easy liquidity of gold
- Only (1) and (2)
- All (1), (2) and (3)

Directions (Q.No 6-8): Choose the word which is MOST SIMILAR in meaning to the word printed in bold as used in the passage.

6. **Obsess**

- Repulse 2) Dominate 3) Exude 4) Distract 5) Rely

7. **Stoked**

- Slumped 2) Declined 3) Surged 4) Supplied 5) Relied

8. **Mojo**

- Poison 2) Price 3) Junk 4) Life 5) Charm

Directions (Q.No 9-10): Choose the word which is MOST OPPOSITE in meaning of the word printed in bold as used in the passage.

9. **Galloping**

- Jumping 2) Running 3) Speedy 4) Halted 5) Flying

10. **Aberration**

- Conformity 2) Peculiarity 3) Delusion 4) Weirdness 5) Deviation

Directions (Q.No 11-15): Read each sentence to find out whether

there is any grammatical or idiomatic error in it. The error, if any, will be in one part of the sentence, the number of that part is the answer. If there is "No error", the answer is 5. (Ignore errors of punctuation, if any).

- (1) It is amazing how concern for / (2) the common man and the inconvenience caused to them / (3) has suddenly become / (4) a huge issue for the Opposition. / (5) No error
- (1) Casting aspersions on the suitability / (2) of Donald Trump as president of the United States/ (3) amounts to disrespecting / (4) the American people's verdict. / (5) No error
- (1) While Modi continues his harangue, / (2) some BJP members are behaving like Nero/ (3) playing the fiddle / (4) while Rome burnt. / (5) No error
- (1) For India to remain a constitutional democracy / (2) we need a Supreme Court that operates/ (3) as an effective check on majority / (4) legislative and executive power. / (5) No error
- (1) The Indian embassy in Beijing has now asked / (2) the government to consider extending / (3) the March 31 deadline for NRI / (4) as many cannot travel to India before then. / (5) No error

Directions (Q.No 16-20): In the following questions, a sentence has been given with some of its parts in bold. To make the sentence grammatically and idiomatically correct, you have to replace the bold part with the correct alternative given below. If the sentence is correct as it is, give (5) as your answer (i.e, No correction required.)

- Those with ears to the ground can hear the buzz of a movement that **are in way in** rural UP.
1) is on the way in
2) is towards the way of
3) is way of 4) is underway in
5) No correction required
- Legalising betting will curtail the influence of unethical elements **on the** sports.
1) of the 2) in the
3) over 4) against
5) No correction required
- Researchers have found that **learning by doing** practice tests, a strategy known as retrieval practice, can protect memory against the negative effects of stress.
1) learning by giving
2) learning by taking
3) learning by making

- 4) learning by having
5) No correction required
- Growth of digital economy has given rise to hackers and fraudsters who take advantage of the weak **links to** the internet.
1) links of 2) links in
3) links from 4) link attached to
5) No correction required

- Because of the higher prices, many buyers of Indian Pepper **has switched to** Indonesia and Vietnam.
1) have switched over to
2) switched over to
3) had switched into
4) have to switched to
5) No correction required

Directions (Q.No 21-23): Below in each question some parts of a sentence are given. Find the part of the sentence which is not really contributing to the main theme of the sentence and rearrange the remaining parts of the sentence to make a meaningful and grammatically correct sentence. If the given sentence is correct as it is then choose (5). If the sequence is the one which is not given then choose option (4) as your choice.

- The two adventurous economic disruptions (A) / And approved rating (B) / Made him the darling of (C) / Bestowed Modi the mantle of a socialist messiah and (D) / The underprivileged (E).
1) EDCA 2) ABDE 3) ADCE
4) None of these
5) NO correction required
- A de facto majoritarian state is in existence (A) / whereby critiquing the BJP is tantamount to treason, (B) / Criticising the government is equivalent to sedition (C) / A new language has been invented (D) / And questioning the establishment is downright blasphemous. (E)
1) ABED 2) DBCE 3) CABD
4) None of these
5) NO correction required
- Amid a looming threat of stringent US sanctions (A) / Has requested an extra one million barrels of oil from the National Iranian Oil Co. (NIOC) (B) / Agreed to provide almost free shipping to Indian refiners in 2018 / 19, an incentive that significantly reduces the landed cost of Iranian oil (C) / Indian state refiner Bharat Petroleum Corp. (D) / For June, two industry sources said. (E)
1) DBEA 2) ADBE
3) ADCB
4) None of these
5) NO correction required

KEY

- 2 2) 1 3) 2 4) 3 5) 4
6) 2 7) 3 8) 5 9) 4 10) 1
11) 2 (Replace 'them' with 'him')
12) 5
13) 4 (Replace 'burnt' with 'burns')
14) 3 (Replace 'majority' with 'majoritarian')

- 3 (Replace 'NRI' with 'NRIs')
16) 4 17) 5 18) 2 19) 2 20) 1
21) 3 ('B' does not contribute to the main theme of the sentence)
22) 2 ('A' does not contribute to the main theme of the sentence)
23) 2 ('C' does not contribute to the main theme of the sentence)