

READING COMPREHENSIONS_9

Read the passage carefully and answer the questions given below it. Certain words/phrases are given in bold to help you locate them while answering some of the questions.

India's external debt profile appears similar to that of other major market economies. But its short term external debt stock is now higher than countries such as Brazil and Russia (in terms of percentage of GDP), according to TaimurBaig and KaushikDatta, economists at Deutsche Bank. India's share of short term debt relative to the stock of total external debt is also higher than other emerging market economies, with the exception of Turkey, they say.

Though short term debt was **contained** in FY 14, it was largely due to a slowdown in imports and may again rise once there is a rebound in growth and imports pick up. Some economists point out that since GDP is expressed in dollar terms, a weak rupee translates into a lower GDP number and hence, a lower ratio could be misleading.

However, the composition of long term debt which is **reckoned** to be durable and 'safe' is also worrisome. While the share of almost risk free sovereign, multilateral and bilateral credit has reduced significantly over the years, it is private corporate sector debt and 'retail' component in terms of NRI deposits that has swelled over the years. **Proceeds** from the FCNR (B) swap and overseas borrowing schemes were, in fact, the main contributors to the \$31.2 bn increase in external debt in FY 14, which were facilitated by the Reserve Bank to stabilise the Indian currency.

"NRI deposits do not pose material risks (as they are generally rolled over). But the increase in the share of external commercial borrowings exposes the domestic corporate sector significantly to external shocks, including adverse exchange rate movements," says SamiranChakrabarty, Chief India Economist, Standard Chartered Bank. Every year about \$20 bn is scheduled for repayment. The amount may not seem alarming, but the risk arises if there is a global liquidity **squeeze**.

The recent trouble in Iraq has added another dimension to external sector woes, which is that the reduction in trade deficit in FY 14 may reverse again. "Already struggling with a record low growth, high inflation, a weak currency, low manufacturing growth and possibility of sub-normal monsoon, the threat of oil supply shock and the resultant increase in prices add to the risks faced by the country, which could hamper India's

envisaged improvement in economic growth in FY 15,” say Madan Sabnavis and Kavita Chacko of Care Ratings. If crude price risks persist, the current account deficit, which was contained in 2013-14, could deteriorate further and also add to pressure on the rupee. Care Ratings has projected a CAD for the year at 2.5% of GDP, assuming stable crude oil prices and a recovery in industrial production. Higher persistent crude prices would upset this calculation.

1. Which of the following statements is contrary to the facts mentioned in the given passage?
 - a) In FY 14, short term debt was contained due to slowdown in imports.
 - b) Short term debt is directly proportional to the quantum of imports.
 - c) A weak rupee translates into a lower GDP number
 - d) Private corporate sector debt has decreased over the years
2. What is/are the reasons of the author being apprehensive about India's improvement in economic growth in FY 15?
 - a) The recent Iraq crisis may lead to reduction in trade deficit in the current financial year
 - b) The possibility of sub-normal monsoon
 - c) High inflation and low manufacturing growth
 - d) All of the above
3. Choose the word/group of words which is most similar in meaning to the word/group of words printed in bold as used in the passage.

Contained

- a) Neglected
 - b) Accomodated
 - c) Controlled
 - d) Excluded
4. Choose the word/group of words which is most similar in meaning to the word/group of words printed in bold as used in the passage.

Reckoned

- a) Nullified
- b) Abandoned
- c) Started
- d) Considered

5. Choose the word/group of words which is most similar in meaning to the word/group of words printed in bold as used in the passage.

Envisaged

- a) Anticipated
- b) Amazed
- c) Doubted
- d) Discarded

6. Choose the word/group of words which is most opposite in meaning of the word/group of words printed in bold as used in the passage.

Proceeds

- a) Profit
- b) Outgo
- c) Income
- d) Interests

7. Choose the word/group of words which is most opposite in meaning of the word/group of words printed in bold as used in the passage.

Squeeze

- a) Congestion
- b) Crunch
- c) Restraint
- d) Release

1. Option D

2. Option D

3. Option C

4. Option D

5. Option A

6. Option B

7. Option D