



Current Affairs of the Day

GS Paper II

- Japan expresses concerns to China on Hong Kong, Uighurs

GS Paper III

- Flexible inflation targeting working well, says FinMin
- 'Less-industrialised States lead power demand recovery'
- Manufacturing PMI dips to 7-month low



Japan expresses concerns to China on Hong Kong, Uighurs

Japanese Foreign Minister expressed strong concerns to his Chinese counterpart about Chinese incursions into territorial waters, the situation in Hong Kong and the human rights situation of China's Uighur minority.

Highlights:

1. China's extensive territorial claims in the East and South China Seas have become a priority issue in an increasingly testy Sino-U.S relationship and are a security concern for Japan.
2. China claims a group of uninhabited Japan-controlled islets, called the Senakaku in Japan and Diaoyu in China. The issue has plagued bilateral relations for years.

Flexible inflation targeting working well, says FinMin

The flexible inflation targeting monetary policy regime has been successful in leashing the inflation rate within a range along with providing a favourable environment for economic growth, the finance ministry said, explaining its decision to stick to the same 'tried and tested' model.

Highlights:

1. The government last week retained the 4% inflation target with upper and lower tolerance bounds of 6% and 2% respectively, adopted first in 2016, for the five-year period from April 2021 to March 2026.
2. While the repo rate dipped from 6.5% in October 2016 to 4% by March 2021, headline inflation averaged 3.9% during this period compared with 7.5% during 2013-16, the ministry pointed out.
3. The flexible inflation targeting led to a decline in price fluctuations halved the volatility of core inflation and moderated the median inflation expectations of urban households over a one-year ahead horizon.
4. Volatility in the interest rate and exchange rate also decreased during 2017-20, the ministry said in its monthly economic report for March.
5. Until the pre-COVID period, there was only one occasion [Q4 of 2019-20] when inflation exceeded the upper tolerance level. The breach was due to a



sharp spike in food inflation [9.7%] on a combination of adverse developments, i.e., the late withdrawal of the monsoon, unseasonal rains and associated supply disruptions.

‘Less-industrialised States lead power demand recovery’

India’s annual power demand fell for the first time in at least 35 years in 2020/21.

Highlights:

1. India’s less industrialised States have led a recovery in electricity demand that began in September last year, a Reuters analysis of government data showed.
2. Power use in less industrialised States such as Bihar and Chhattisgarh in the East, and Uttar Pradesh and Punjab in the North, grew at more than 10% each compared with the previous year.
3. High agri consumption: All these States — which have high agricultural and residential power consumption — consumed more electricity than in the previous year, though India’s annual power demand fell for the first time in at least 35 years in 2020/21.
4. The imposition of COVID-19 lockdowns resulted in a fall in electricity consumption for six straight months through August, but consumption has since risen for seven consecutive months, with usage in March rising at the fastest pace in 11 years.
5. Industries and offices account for half the country’s annual electricity consumption. More industrialised States such as Maharashtra, Tamil Nadu and Gujarat witnessed a decline in annual electricity use during 2020/21, according to an analysis of the federal electricity grid regulator POSOCO’s daily load despatch data.
6. Power demand growth in Maharashtra and Tamil Nadu have lagged the national average in the last seven years, but consumption in Gujarat has grown faster than the national average during that period, government data shows.
7. During the latest quarter, electricity consumption grew 7.3% in Maharashtra, India’s most industrialised state. However, Tamil Nadu — where a large number of major automakers are located — saw its electricity consumption fall 2.8%.



Manufacturing PMI dips to 7-month low

IHS Markit: Tighter curbs amid the COVID-19 resurgence suggest factories could be in for a tough April:

Highlights:

1. India's factory activity grew at its weakest pace in seven months in March as renewed lockdowns to curtail a resurgence in COVID-19 cases dampened domestic demand and output, a private survey showed, forcing firms to cut headcount again.
2. Last week, the Indian government advised States to try and control the rapid spread of the virus. Tighter restrictions on activity suggest factories could be in for a tough April.
3. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, declined to a seven-month low of 55.4 last month from February's 57.5 but remained above the 50-level separating growth from contraction for an eighth straight month.

While predictions that the vaccination programme will curb the disease and underpin output growth in the year ahead meant that business confidence remained positive, growing uncertainty over the near-term outlook due to a rise in COVID-19 cases dragged sentiment to a seven-month low.