

## US Fed's delicate dance, RBI's task ahead

The US Federal Reserve chose to keep interest rates unchanged Wednesday, noting that “uncertainty around the economic **outlook** has increased”. The target **range** for the federal funds rate **remains** at 4.25 to 4.5 per cent. While the central bank **signalled** the possibility of two interest rate cuts during the course of this year, Chairman Jerome Powell **struck a note of** caution, saying, “We’re not going to be in any hurry to move.” He also said that the “current policy **stance** is well-positioned to **deal with** the risks and uncertainties we face... (and that) the right thing to do is to wait here for greater clarity about what the economy is doing”.

The **projections** released by the Fed, which **point towards** slower economic growth, higher inflation and unemployment, **underline** the challenging environment in which the central bank is operating. In December, (median) projections of GDP growth in 2025 stood at 2.1 per cent. In the latest meeting, these were revised down to 1.7 per cent. **Alongside**, inflation is now expected to **pick up**, touching 2.7 per cent, up from the earlier **assessment** of 2.5 per cent. And the unemployment rate is expected to **inch** upwards to 4.4 per cent, from 4.3 per cent earlier. In recent weeks, fears have been **voiced** of a deeper economic **slowdown**. **Sentiment** has weakened and there is **considerable** uncertainty over how US President Donald Trump’s **policies**, especially on tariffs, **deficits** and **immigration**, **will play out**, and their impact on the broader economy. The **issue** of **reciprocal tariffs**, to be effective from April 2, **is weighing** heavy. This uncertainty will impact household and firm spending. In February, The Conference Board’s consumer confidence index fell to 98.3, while the uncertainty index of the St Louis Fed has been **edging** upwards. Powell **echoed** the sentiment, saying that there is “just really high uncertainty. What would you write down?” (when making projections). “I mean it’s just... really hard to know how this is going to **work out**.” The Atlanta Fed’s GDPNow model has **pegged** US GDP growth **at** -1.8 per cent in the first quarter of 2025 (seasonally adjusted annual rate as on March 18).

Trump was quick to **criticise** the Fed’s policy stance. He posted on a social media platform Wednesday: “The Fed would be MUCH **better off** CUTTING RATES as US tariffs start to **transition** (ease!) their way into the economy. Do the right thing.” While Powell has **sought** to **assert** the Fed’s independence, the pressure from Trump is unlikely to **abate**. In an increasingly uncertain global environment, there may well be external **considerations** to **factor in**, but monetary policy in India should be **driven** by the domestic growth-inflation **dynamics**.

[Practice Exercise]

- Red/blue coloring of words in the sentence indicates subject verb relationship; where ‘red’ denotes ‘subject’ and ‘blue’ denotes ‘verb’.

## Vocabulary

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| <p>1. <b>Delicate</b> (adjective) – Precarious, Sensitive, Fragile, Tenuous, Vulnerable नाजुक</p> <p>2. <b>Outlook</b> (noun) – Forecast, Perspective, Expectation, Prognosis, Viewpoint दृष्टिकोण</p> <p>3. <b>Signal</b> (verb) – Indicate, Suggest, Hint, Show, Point to संकेत करना</p> <p>4. <b>Strike a note of</b> (phrase) – Express, Convey, Indicate, Suggest, Imply ज़ोर देना</p> <p>5. <b>Stance</b> (noun) – Position, Approach, Attitude, Standpoint, Posture रुख</p> <p>6. <b>Deal with</b> (phrasal verb) – Address, Manage, Handle, Tackle, Confront सुलझाना</p> <p>7. <b>Projection</b> (noun) – Forecast, Estimate, Prediction, Outlook, Calculation पूर्वानुमान</p> <p>8. <b>Point towards</b> (phrase) – Indicate, Suggest, Hint, Signal, Direct इशारा करना</p> <p>9. <b>Underline</b> (verb) – Emphasize, Highlight, Stress, Accentuate, Reinforce जोर देना</p> <p>10. <b>Alongside</b> (adverb) – Simultaneously, Concurrently, Together, Side by side, In parallel साथ-साथ</p> <p>11. <b>Pick up</b> (phrasal verb) – Increase, Rise, Accelerate, Improve, Recover बढ़ना</p> <p>12. <b>Assessment</b> (noun) – Evaluation, Analysis, Appraisal, Judgment, Review मूल्यांकन</p> | <p>13. <b>Inch</b> (verb) – Creep, Edge, Crawl, Move slowly, Advance धीरे-धीरे बढ़ना</p> <p>14. <b>Voice</b> (verb) – Express, Articulate, State, Declare, Utter व्यक्त करना</p> <p>15. <b>Slowdown</b> (noun) – Decline, Deceleration, Downturn, Slump, Recession मंदी</p> <p>16. <b>Sentiment</b> (noun) – Mood, Feeling, Attitude, Opinion, Emotion भावना</p> <p>17. <b>Considerable</b> (adjective) – Significant, Substantial, Notable, Sizeable, Large काफी</p> <p>18. <b>Deficit</b> (noun) – Shortfall, Gap, Deficiency, Lack, Shortage घाटा</p> <p>19. <b>Immigration</b> (noun) – Migration, Settlement, Relocation, Movement, Influx आप्रवासन</p> <p>20. <b>Play out</b> (phrasal verb) – Unfold, Develop, Evolve, Progress, Happen घटित होना</p> <p>21. <b>Reciprocal</b> (adjective) – Mutual, Corresponding, Equivalent, Exchange, Bilateral पारस्परिक</p> <p>22. <b>Tariff</b> (noun) – Duty, Tax, Levy, Charge, Impost शुल्क</p> <p>23. <b>Weigh</b> (verb) – Burden, Press, Load, Oppress, Influence भार डालना</p> <p>24. <b>Edge</b> (verb) – Creep, Inch, Move gradually, Advance, Progress धीरे-धीरे बढ़ना</p> |
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25. **Echo** (verb) – Reflect, Repeat, Mirror, Resonate, Parrot गूँजना
26. **Work out** (phrasal verb) – Resolve, Solve, Develop, Plan, Calculate हल करना
27. **Peg** (verb) – Fix, set, determine, establish निर्धारित करना
28. **Criticise** (verb) – Condemn, Blame, Censure, Disapprove, Attack आलोचना करना
29. **Better off** (phrasal verb) – Advantageous, Improved, Fortunate, Preferable, Beneficial बेहतर स्थिति में
30. **Transition** (noun) – Change, Shift, Transformation, Conversion, Evolution परिवर्तन
31. **Seek** (verb) – Search for, try to find, look for, pursue, quest प्रयास करना
32. **Assert** (verb) – Declare, Affirm, Maintain, State, Insist दृढ़ता से कहना
33. **Abate** (verb) – Decrease, Diminish, Lessen, Subside, Ease कम होना
34. **Consideration** (noun) – Factor, Aspect, Element, Thought, Concern विचार
35. **Factor in** (phrasal verb) – Include, Incorporate, Consider, Account for, Take into account शामिल करना
36. **Drive** (verb) – Propel, Push, Motivate, Spur, Encourage प्रेरित करना
37. **Dynamic** (noun) – Interaction, Relationship, Process, Mechanism, Evolution गतिशीलता

### Summary of the Editorial

1. **US Fed Holds Rates Steady:** The US Federal Reserve kept interest rates unchanged at 4.25-4.5%, citing increased economic uncertainty.
2. **Cautious Stance:** Fed Chairman Jerome Powell emphasized a cautious approach, stating the central bank is not in a hurry to cut rates and will wait for greater economic clarity.
3. **Possible Rate Cuts:** The Fed signaled the possibility of two rate cuts in 2024, but no immediate action is planned.
4. **Economic Projections:** The Fed revised down its 2025 GDP growth projection to 1.7% (from 2.1%) and raised inflation expectations to 2.7% (from 2.5%).
5. **Rising Unemployment:** The unemployment rate is expected to increase slightly to 4.4% in 2025, up from 4.3%.
6. **Economic Slowdown Fears:** Concerns about a deeper economic slowdown persist, with weakening consumer sentiment and uncertainty over Trump's policies.
7. **Impact of Trump's Policies:** Tariffs, deficits, and immigration policies under Trump are creating economic uncertainty, affecting household and firm spending.
8. **Consumer Confidence Decline:** The Conference Board's consumer confidence index fell to 98.3 in February, reflecting weaker sentiment.
9. **Uncertainty Index Rising:** The St. Louis Fed's uncertainty index has been increasing, highlighting the unpredictable economic environment.
10. **Atlanta Fed's GDPNow Model:** The model predicts a -1.8% GDP growth rate for the first quarter of 2025, indicating potential economic contraction.
11. **Trump's Criticism:** President Trump criticized the Fed's stance, urging rate cuts to counter the impact of tariffs and boost the economy.
12. **Fed's Independence:** Powell reaffirmed the Fed's independence, but political pressure from Trump remains a challenge.
13. **Global Uncertainty:** The Fed must navigate an increasingly uncertain global environment, which could influence its policy decisions.
14. **India's Monetary Policy:** The Reserve Bank of India (RBI) should focus on domestic growth-inflation dynamics rather than external factors when setting monetary policy.
15. **Balancing Act:** Both the US Fed and RBI face the challenge of balancing economic growth, inflation, and external pressures in a volatile global landscape.

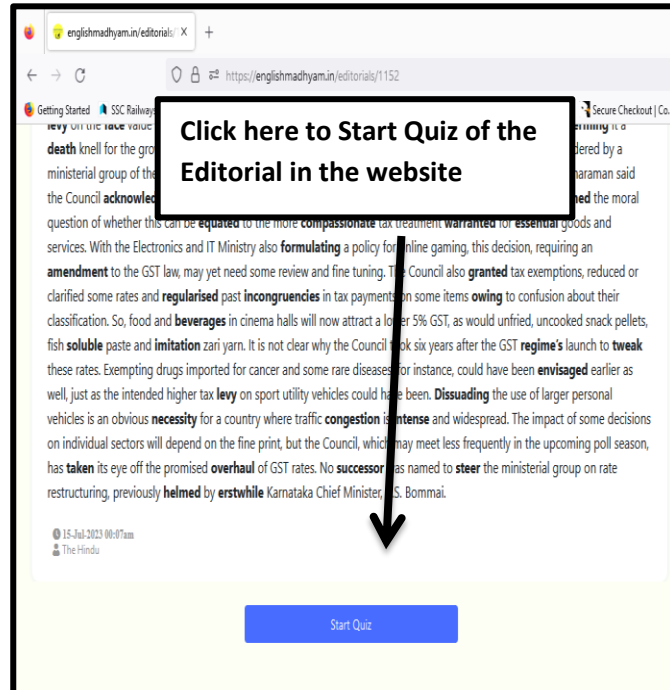
now attract a lower 5% GST, as would unfried, uncooked snack **pellets**, fish-**soluble** paste and **imitation** zari **yarn**. It is not clear why the Council took six years after the GST **re-tweak** these rates. Imported for cancer diseases, for **instance**, **envisaged** earlier as with intended higher tax **levies** on vehicles could have been. **Dissuading** the use of larger personal vehicles is an obvious **necessity** for a country where traffic **congestion** is **intense** and **widespread**. The impact of some decisions on individual sectors will depend on the fine **print**, but the Council, which may meet less frequently in the upcoming poll season, has **taken** its eye off the promised **overhaul** of GST rates. No **successor** was named to **steer** the ministerial group on rate **restructuring**, previously **helmed** by **erstwhile** Karnataka Chief Minister, B.S. Bommai.

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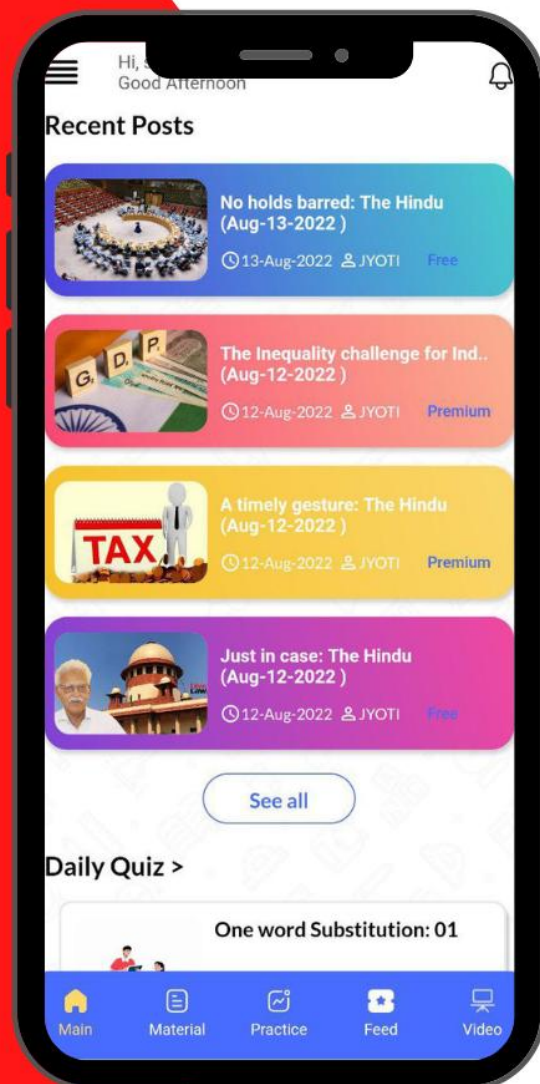
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