

Topic 1: The worst may be over: On economic numbers

The economy is showing positive signs though a turnaround is some distance away

The latest set of economic numbers released this week sends across mixed signals about the health of the economy. Core sector growth, which measures the output of eight major infrastructure sectors of the economy, went into negative territory for the first time in over four years in August as five out of the eight sectors constituting the index shrank in size. Overall growth in these sectors dropped to -0.5% in August in contrast to the same month last year when core sector growth stood at a much stronger 4.7% and July this year when it was 2.7%. The coal sector witnessed the worst fall, contracting 8.7% year-over-year in August, while steel, fertilizer and refinery products saw positive growth. These dismal numbers suggest that the economy is still some distance away from posting a strong revival in growth and it may be too soon to predict a definite turnaround. However, other high-frequency data on the economy suggest that the worst might be over. Vehicle registrations have witnessed a strong comeback in September as discounts ahead of the upcoming festival season have managed to spur sales. Further, although car and tractor companies continue to witness a drop in sales compared to last year, their rate of contraction has begun to slow down. A return to the sales levels witnessed last year, however, will require a stronger rebound in the overall economy.

Other macroeconomic indicators that could potentially tie the hands of the government as it tries to tackle the slowdown have also shown signs of improvement. The government has limited its borrowing in the first half of the year to ₹4.42 lakh crore, which is in line with its initial borrowing plan in order to achieve the fiscal deficit target of 3.3% for the year. The current account deficit at the end of the first quarter of the current financial year has narrowed to 2%, from 2.3% at the end of Q1 last year, thanks to higher service sector exports. The result of the various stimulus plans that have been announced by Finance Minister Nirmala Sitharaman over the last few weeks and the Reserve Bank of India's spree of rate cuts beginning in February will be seen over the next few months and quarters. It is doubtful, however, whether these reform measures, even if they manage to reverse the slowdown, will be enough to boost growth over the 8% mark anytime soon. The Economist Intelligence Unit, for instance, predicts GDP growth to be just over 5.2% this fiscal. The corporate tax cut last month was an important structural reform that could significantly boost animal spirits in the economy. More such reforms, however, will be needed to permanently lift India's growth trajectory.

WORD		MEANING	SYNONYMS
DISMAL	ADJECTIVE	Causing a mood of gloom or depression	Dingy, Dim, Dark, Gloomy, Sombre, Dreary
REVIVAL	NOUN	An improvement in the condition, strength, or fortunes of someone or something	Improvement, Rallying, Picking Up, Betterment
SPUR	VERB	Give an incentive or encouragement	Motivate, Inspire, Stimulate, Encourage
STIMULUS	NOUN	A thing that arouses activity or energy in someone or something; a spur or incentive	Spur, Stimulant, Encouragement, Impetus

SPREE	NOUN	A spell or sustained period of unrestrained activity of a particular kind	Unrestrained Bout, Orgy
TRAJECTORY	NOUN	The path followed by a projectile flying or an object moving under the action of given forces	Course, Route, Path, Track, Line, Orbit

Topic 2: Difficult compromise: On Austria's snap election

In Austria, the conservatives will have to seek common ground with political rivals

Sunday's snap election has ensured the return of Sebastian Kurz of the conservative Austrian People's Party (ÖVP) as Austrian chancellor. The previous government led by Mr. Kurz collapsed in May over a corruption scandal involving his coalition partner, the far-right Freedom Party (FPÖ). But the more important question is whether Vienna's centre-right party is ready to jettison the xenophobic right in its bid to form a new government. The answer would depend on how Mr. Kurz, known to be ideologically flexible, plays his cards in the coming weeks. Foremost, an alliance between Austria's two mainstream parties and the biggest in these elections, ÖVP and the Social Democratic party (SPÖ), is almost ruled out. Neither is any longer animated by the idea of a grand coalition between them, no matter that circumstances warrant such pragmatism among centrist parties. That leaves Mr. Kurz the option to explore a three-way alliance among ÖVP and two smaller parties from Sunday's polls — the Greens and the pro-business liberal NEOS. The Greens may have good reason to use the opening, given the chance it affords them to build on the popular support their counterparts gained from the European elections in May. Any positive movement in this regard cannot, however, be assumed given the fraught nature of such negotiations.

Instructive is the case of the so-called Traffic Light coalition talks in 2017, among German social democrats, liberals and the Greens that dragged on for months before the current government was installed in Berlin. On the other hand, it would be awkward for Mr. Kurz to revisit the alliance with the anti-immigrant FPÖ, especially after the latter lost over a third of its 2017 vote share in Sunday's poll. That tie-up broke down after revelations that the former vice-chancellor and FPÖ leader had tried to hand control of a media house to a Russian oligarch for campaign support. After its poor showing, one view is that it should sit in the opposition. Another view is that under a new leader, the FPÖ is well placed to return to negotiations with the conservatives. Crucial to a reading of this scenario is also Mr. Kurz's past embrace of FPÖ's Islamophobia, prior to the 2017 elections. Given the fragmentation of the polity, coalition talks have been deadlocked for months in many European countries, warranting a second mandate even before the legislature met. Mr. Kurz may have to work with the FPÖ in order to break any impasse. He may well calculate that the far-right would be more pliant inside the government than in the opposition. In this fluid scenario, the best that can be expected of Mr. Kurz is an earnest attempt to find common ground among parties otherwise in competition. That is the recent lesson from Rome, where populists and the centre-left struck a difficult compromise.

WORD		MEANING	SYNONYMS
JETTISON	VERB	Throw or drop (something) from an aircraft or ship.	Remove, Offload, Discharge
XENOPHOBIC	ADJECTIVE	Having or showing a dislike of or prejudice against people from other countries.	
IDEOLOGICALLY	ADVERB	In a way that relates to ideas or an ideology,	

		especially of a political or economic nature.	
PRAGMATISM	NOUN	An approach that evaluates theories or beliefs in terms of the success of their practical application.	Expediency, Exploitation, Taking Advantage
CENTRIST	ADJECTIVE	Having moderate political views or policies.	
FRAUGHT	ADJECTIVE	Causing or affected by anxiety or stress.	Anxious, Worried, Upset, Distraught
AWKWARD	ADJECTIVE	Not smooth or graceful; ungainly.	Clumsy, Ungainly, Uncoordinated, Maladroit,
REVELATION	NOUN	A surprising and previously unknown fact that has been disclosed to others.	Disclosure, Surprising Fact, Divulgence, Declaration
ISLAMOPHOBIA	NOUN	Dislike of or prejudice against Islam or Muslims, especially as a political force.	
IMPASS	NOUN	A situation in which no progress is possible, especially because of disagreement; a deadlock.	Deadlock, Dead End, Stalemate, Checkmate, Stand-off
POPULIST	NOUN	A person, especially a politician, who strives to appeal to ordinary people.	

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