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Passage No. 118

Directions: Read the passage and answer the questions that follow:

On the surface, the world economy remains on a steady trajectory. Many developed economies are operating close to their full potential with unemployment rates at historical lows.

Yet, headlines do not tell the whole story. Beneath the surface, a worrisome picture of the world economy emerges. The newly released World Economic Situation and Prospects for 2019 illustrates how rising economic, social and environmental challenges hamper progress towards the United Nations Sustainable Development Goals. There are many risk factors that could inflict significant damage on longer-term development prospects. Over the past year, trade policy disputes have escalated, and financial vulnerabilities have increased as global liquidity tightens.

Should such a downturn materialise, the prospects are **grim**. Global private and public debt is at a record high, well above the level seen in the run-up to the global financial crisis. Interest rates remain very low in most developed economies, while central bank balance sheets are still bloated. With limited monetary and fiscal space, policymakers around the globe will struggle to react effectively to an economic downturn. Given waning support for multilateral approaches, concerted actions — like those implemented in response to the 2008-09 crisis — may be difficult to arrange.

Even if global growth remains **robust**, its benefits do not reach the places they are needed most. Incomes will stagnate or grow only marginally this year in parts of Africa, Western Asia, Latin America and the Caribbean. Many commodity exporters are still grappling with the effects of the commodity price collapse of 2014-16. The challenges are most acute in Africa, where per capita growth has averaged only 0.3% over the past five years. Given rapid population growth, the fight against poverty will require faster economic growth and dramatic reductions in income inequality.

Most importantly, the transition towards environmental sustainability is not happening fast enough. The nature of growth is not compatible with holding the increase in the global average temperature to well below 2°C above pre-industrial levels. In fact, the impacts of climate change are becoming more widespread and severe. The frequency and intensity of extreme weather events are increasing, damaging vital infrastructure and causing large-scale displacement. The human and economic costs of such disasters fall overwhelmingly on low-income countries.

Many of the challenges are global in nature and require collective and cooperative policy action. Withdrawal into nationalism and unilateral action will only pose further setbacks for the global community, especially for those already in danger of being left behind. Instead, policymakers need to work together to address the weaknesses of the current system and strengthen the multilateral framework.

Questions:

1. Which of the following is true about central banks in the developed world?

- I. The balance sheets of central banks have shrunk.
- II. Debt levels have declined to a record low.
- III. Interest rates are very low.

- A. Only III B. Only I and II C. Only II and III D. Only I and III
E. None of the above

2. Which of the following is/are main challenges as highlighted in the World Economic Situation And Prospects for 2019 report?

- I. Increase in global liquidity flows.
- II. Lack of progress to reduce inequality.
- III. Decrease in gender diversity at workplace.

- A. Only I B. Only III C. Only I and II D. Only II and III
E. None of the above

3. Which of the following is an antonym of the word **robust?**

- A. Robot B. Courage C. Vigorous D. Frail E. Both B and D

4. Which of the following is a synonym of the word **grim?**

- A. Serious B. Gloomy C. Sombre D. Dingy E. All of the above

5. What are the possible ways in which the situation mentioned in the passage can be tackled?

- I. Have national level plans.
- II. Take action multilaterally.
- III. Focus on strengthening the current system.

- A. Only II B. Only III C. Only I and II D. Only II and III
E. None of the above

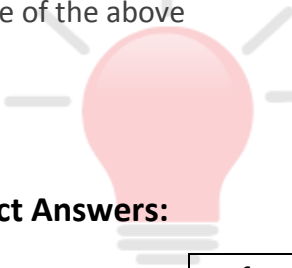
6. Which of the following indicate that the growth pattern is not environmentally sustainable?

- I. There has been a rise in temperature levels across the globe above 2°C.
- II. There has been a rise in extreme weather events.
- III. The weather impact can be felt uniformly across the world.

- A. Only II B. Only III C. Only I and II D. Only I and III
E. All of the above

7. Which of the following is true about commodity exporters as mentioned in the passage?

- A. They have benefited a lot from the global recession of 2008.
- B. Exports became expensive for developed nations.
- C. They are responsible for exports reaching the lesser developed part of the world.
- D. They were acutely affected by the 2014 price collapse of commodities.
- E. None of the above



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Correct Answers:

1	2	3	4	5	6	7
A	E	D	E	D	C	D

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Explanations:

1. Refer to: '**Global private and public debt is at a record high**, well above the level seen in the run-up to the global financial crisis. **Interest rates remain very low in most developed economies, while central bank balance sheets are still bloated.** With limited monetary and fiscal space, policymakers around the globe will struggle to react effectively to an economic downturn.'

As per the highlighted fragments, only III is correct. I and II are opposite of what has been mentioned in the passage.

Hence, option A is correct.

2. Refer to: 'newly released World Economic Situation and Prospects for 2019 illustrates how rising economic, social and environmental challenges hamper progress towards the United Nations Sustainable Development Goals. **There are many risk factors that could inflict significant damage on longer-term development prospects.** Over the past year, **trade policy disputes have escalated, and financial vulnerabilities have increased as global liquidity tightens.'**

I is opposite to what the passage states while II and III have not been mentioned in the passage.

None of the options are correct.

Hence, option E is correct.

3. **Robust:** Strong and healthy; vigorous.

As per the meaning above, option C is a synonym while options A and B are irrelevant.

Frail means *weak/fragile* and is the opposite of robust.

Hence, option D is correct.

4. **Grim:** Very serious or gloomy/ unattractive or forbidding.

Eg: His grim expression.

All of the words above mean the same as grim and are synonyms.

Hence, option E is correct.

5. Refer to: '**Many of the challenges are global in nature and require collective and cooperative policy** action. Instead, policymakers need to **work together to address the weaknesses of the current system and strengthen the multilateral framework.**'

As per the fragments highlighted above, both II and III are correct while I is opposite of what the passage states.

Hence, option D is correct.

6. Refer to: 'The **nature of growth is not compatible with holding the increase in the global average temperature to well below 2°C above pre-industrial levels.** In fact, the **impacts of climate change are becoming more widespread and severe. The frequency and intensity of extreme weather events are increasing, damaging vital infrastructure and causing large-scale displacement.**'

III is opposite to what has been mentioned in the passage.

I and II are both correct and can be seen above.

Hence, option C is correct.

7. Refer to: 'Incomes will stagnate or grow only marginally this year in parts of Africa, Western Asia, Latin America and the Caribbean. **Many commodity exporters are still grappling with the effects of the commodity price collapse of 2014-16.**'

As per the fragments highlighted, option D is the best match. Option A is opposite of what is needed while the rest are absurd.

Hence, option D is correct.

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