

INDIAN ECONOMY**Inflation in India: Key Takeaways from the Recent NSO Data**

In context: According to the latest National Statistical Office (NSO) data, India's retail inflation rate eased to 6.83% in August from a 15-month high of 7.44% in July 2023, mainly due to a slide in prices of food items, especially vegetables.

Meaning:

- ✓ Inflation is a rise in prices, which can be translated as the decline of purchasing power over time.
- ✓ The rate at which purchasing power drops can be reflected in the average price increase of a basket of selected goods and services over some period of time.
- ✓ The rise in prices, which is often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods.
- ✓ Inflation can be contrasted with deflation, which occurs when prices decline and purchasing power increases.

Types:

- ✓ The Consumer Price Index (CPI): The CPI is a measure that examines the weighted average of prices of a basket of goods and services at the consumer/retail level.
- ✓ The Wholesale Price Index (WPI): It measures and tracks the changes in the price of goods in the stages before the retail level.

Inflation targeting in India:

- ✓ The RBI Act 1934 provides a statutory and institutional framework for ensuring price stability while maintaining the objective of growth.
- ✓ The RBI Act was amended by the Finance Act 2016 to constitute a Monetary Policy Committee (MPC).
- ✓ The MPC will release the bimonthly Monetary Policy Report, for fixing the benchmark interest rate in India, bringing more transparency and accountability in fixing India's Monetary Policy.
- ✓ The current mandate of the MPC is to maintain 4% (+/-2%) annual inflation rate (CPI) and the committee is answerable to the Government of India if the inflation exceeds the range prescribed for three consecutive quarters.

Highlights of the Recent NSO Data:

- ✓ The retail inflation of 6.83% in August 2023 makes it the 4th instance of headline inflation staying higher than the upper limit of the target during this calendar year and the seventh such instance since August 2022.
- ✓ High inflation is being seen as a concern by policymakers.
- ✓ In its monetary policy review last month, the RBI had kept the key repo rate unchanged at 6.50% but had hiked the inflation projection from 5.1 to 5.4% for FY2024.
- ✓ In the Index of Industrial Production (IIP), manufacturing in absolute terms improved to 141.2 in July from 135 a year ago and 141.1 in the previous month.
- ✓ The worrisome area is the contraction of 2.7% yoy in consumer durables in July 2023 and reflective of the weakness and skewness in consumption demand.

Key Takeaways from the Recent NSO Data:**Consumer sentiments drop:**

- ✓ The consumer sentiment fell by 1.5% in August 2023, after rising every month since January 2023.
- ✓ This drop in sentiments can have a real impact on the economy and Indian businesses who are gearing up for making the best sales of the year in the forthcoming festive season.
- ✓ That's because one of the key constituents of consumer sentiment index - the consumers' intention to buy consumer durables (cars, TVs, etc.) - is witnessing a drop.
- ✓ It is not just the stagnation in perceived incomes that may be dragging sentiments, there's also been a rise in pessimism regarding future incomes.

Inflation expected to stay high:

- ✓ As per the RBI projection, inflation is expected to remain above 5% till the first quarter of 2024-25 and is likely to hit the 6.2% level in the ongoing quarter (July-September) - outside the RBI's comfort zone.
- ✓ While overall food inflation has moderated, the worrying aspect is the upward momentum in the food items like cereals, pulses and milk.
- ✓ There is risk of further upward pressure on food inflation given the skewed rainfall and low reservoir levels. The recent spike in global crude oil prices is also concerning.
- ✓ However, a comforting factor is that the continued deflation in the WPI will have a lagged impact on CPI inflation going forward.
- ✓ Also, the Central government announced a cut in cooking gas price by Rs 200/cylinder, which will benefit all the domestic LPG consumers and the beneficiaries under the Pradhan Mantri Ujjwala Yojana (PMUY).

India's GDP growth outlook:

- ✓ India's potential GDP growth rate has steadily come down from around 8% just before the Global Financial Crisis of 2008-09 to just 6% before the Covid pandemic.

- ✓ The potential GDP growth rate of an economy is the rate at which its GDP can grow without causing high inflation.
- ✓ The bump in India's GDP growth rates immediately after the pandemic hit year of 2020-21 is mainly because of a lower base.
- ✓ India's GDP growth is facing all kinds of headwinds such as a slowing global economy, high oil prices and climate change to name a few.
- ✓ Economists estimate that the Indian economy cannot grow more than 5% over the coming decade in a business-as-usual scenario.
- ✓ While a growth rate of 4% to 5% will still be attractive from a global perspective, it is not sufficient from the domestic perspective where millions of young Indians need jobs.

INTERNATIONAL RELATIONS

India – Saudi Arabia Relation:

In Context: Recently, India and Saudi Arabia have cooperated in various sectors such as energy, trade, and culture.

About India – Saudi Arabia Relations:

Political relations:

- ✓ The establishment of diplomatic relations in 1947 was followed by high-level visits from both sides.
- ✓ The historic visit of King Abdullah to India in 2006 was a watershed moment that resulted in the signing of the 'Delhi Declaration', imparting a fresh momentum to the bilateral relationship.
- ✓ Saudi Arabia and India signed the Riyadh Declaration to enhance the strategic partnership covering security, economic, defense, technology and political areas and joint combat of terrorism.

Economic Cooperation, Trade and Investment:

- ✓ India is the second largest trade partner of Saudi Arabia, while Saudi Arabia is the fourth largest trade partner of India.
- ✓ Saudi Arabia is currently India's second-largest supplier of crude oil (Iraq has been India's top supplier).
- ✓ India imports around 18% of its crude oil requirement and around 22% of its Liquefied Petroleum Gas (LPG) requirement from Saudi Arabia.
- ✓ India's imports from Saudi Arabia reached USD 34.01 billion and exports to Saudi Arabia were worth USD 8.76 billion.

Defense and security cooperation:

- ✓ AL – Mohed AL – Hindi is the maiden bilateral naval exercise between India and Saudi Arabia.
- ✓ Riyadh has largely shown an understanding of India's terrorism-related concerns, and has agreed to work with India in countering the global menace.

Cultural Relations

- ✓ India successfully participated as 'Guest of Honour' in the 32nd edition of the prestigious Saudi National Festival of Heritage and Culture in 2018.
- ✓ Yoga was announced as a 'sports activity' in Saudi Arabia.
- ✓ Haj pilgrimage is another important component of bilateral relations.

Indian Diaspora:

- ✓ The approximately 7 million strong Indian community is the largest expatriate community in the Kingdom.
- ✓ They send remittances of over US \$11 billion annually to India.

Challenges:

- ✓ The politics of the Middle East is complex and multidimensional so requires a collective and united effort.
- ✓ The Saudi Arabia-Turkey rivalry could create problems for India.
- ✓ Saudi Arabia-Iran Rivalry: India has close relations with both Saudi Arabia and Iran.
- ✓ However, India is yet to work out a way to balance its ties with Iran on the one hand and Saudi Arabia and the United States on the other.
- ✓ Hike in taxes: An astronomical hike in the 'expatriate dependent fee' or family tax, in Saudi Arabia is forcing thousands of Indians working in the kingdom to send their families back home.
- ✓ The Kafala system: The Kafala system requires all migrant workers to have a sponsor in the country where he or she is to work in order that a valid visa and residence permit may be issued.
- ✓ This practically places the migrant worker at the mercy of his or her employer, leading to his/her exploitation.

Way Forward: Economic Reform: Economic reform programs (Vision 2030) are underway in Saudi Arabia, for which it needs India's economic as well as technological assistance. Saudi Arabia plays an important role in India's energy security while India is a vital partner in Saudi Arabia's food security.

Investments: Saudi investment of around \$100 billion is in the pipeline in areas ranging from energy, refining, petrochemicals and infrastructure to agriculture, minerals and mining. It is one of the largest consumers of hydrocarbons in the world and this makes India an attractive investment destination for the world.

Countering Militias: Saudi Arabia appears to have limited experience in countering threats from groups like Houthi militias. This is an area where India's expertise in fighting such threats could be imparted to the Saudi side, by enhancing joint military training programs.

PRELIM FACTS

1. The asteroid Dinkinesh

In context: NASA's Lucy probe has obtained its first photographs of the main belt asteroid Dinkinesh, kicking off a 12-year journey.

Concerning the Dinkinesh asteroid:

- ✓ The LINEAR survey detected it in 1999.
- ✓ Dinkinesh is a slow rotator with a light-curve amplitude that is quite large.
- ✓ It's an S-type asteroid, which indicates it's mostly silicates with a little metal.
- ✓ It will be the Lucy mission's first fly-by target on November 1, 2023, during its journey to the Trojan Clouds.
- ✓ Lucy's high-resolution camera, the Lucy Long Range Reconnaissance Imager (L'LORRI instrument), made the observations.
- ✓ The Lucy Mission's Most Important Facts
- ✓ In 2021, NASA launched it from the Cape Canaveral Space Force Station in Florida.
- ✓ It is a 12-year mission that will conduct close surveys of nine of Jupiter's Trojans as well as two main belt asteroids.
- ✓ It is the first spacecraft deployed to investigate the Trojan asteroids, which orbit the Sun in the same orbit as Jupiter.
- ✓ It recently photographed the asteroids Eurybates, Polymele, Leucus, and Leucus.

2. TRIFED's Artisanal Treasures

In context: The G20 Summit featured a stunning display of India's rich tribal heritage and craftsmanship, coordinated and displayed by TRIFED (Tribal Cooperative Marketing Development Federation of India), Ministry of Tribal Affairs.

TRIFED's Artisanal Treasures:

- ✓ Longpi Pottery: Named after the hamlet of Longpi in Manipur, the Tangkhul Naga tribes develop this remarkable pottery technique.
- ✓ Longpi, unlike most potters, does not use a wheel.
- ✓ All shaping is done by hand and with the use of moulds.
- ✓ Longpi's distinctive grey-black cooking pots, sturdy kettles, charming bowls, mugs, and nut trays, some with beautiful cane handles, are trademarks.

Chhattisgarh Wind Flutes:

- ✓ The 'Sulur' bamboo wind flute, curated by the Gond Tribe of Bastar in Chhattisgarh, stands out as a unique musical instrument.
- ✓ It makes tunes by a simple one-handed whirl, unlike traditional flutes.
- ✓ Aside from music, the 'Sulur' has practical reasons, such as warding off animals and guiding livestock through forests.
- ✓ Gujarat Hangings is curated in Dahod, Gujarat, by the Bhil & Patelia Tribe.
- ✓ They feature mirror work, zari, stones, and beads, changing to fit modern trend while maintaining tradition.
- ✓ Rajasthan Artistry Glass Mosaic Pottery depicts the mosaic art style in lampshades and candle holders that are painstakingly created. They emit a kaleidoscope of colors when illuminated, bringing vibrancy to any space.
- ✓ Meenakari: The Mughals introduced the method of adorning metal surfaces with bright mineral compounds. Delicate motifs are etched onto metal, forming grooves into which colors can nestle. Each color is burned separately, resulting in beautiful, enamel-adorned pieces. Metal Ambabari Craft: It is curated by the Meena Tribe and incorporates enamelling, a time-consuming process that elevates metal adornment. It now includes metals other than gold, such as silver and copper.

3. Hindi Diwas Hindi Diwas:

- ✓ Hindi Diwas Hindi Diwas or the National Hindi Day is celebrated every year in India on September 14 to mark the day of adoption of Hindi as the official language by the Constituent Assembly of India in 1949.
- ✓ Hindi, written in the Devanagari script, was adopted as the official language of the Republic of India on 14th September, 1949.
- ✓ Besides Hindi, English is the other official language (Article 343 of the Constitution). Officially, the first Hindi Day was celebrated on September 14, 1953.
- ✓ Hindi is an eighth schedule language of the 22 officially recognized Indian languages. Article 351 pertains to 'Directive for development of the Hindi language.'

4. C-295 Transport Aircraft

In Context: Indian Air Force takes delivery of the first C-295 Transport Aircraft in Spain.

Details:

- ✓ The CASA C-295 (now Airbus C295) is a Medium Tactical Transport Aircraft that was designed and initially manufactured by the Spanish aerospace company CASA.
- ✓ During 2021, it was agreed that, as a part of a larger purchase, a batch of 40 C-295s would be license-manufactured in India by Tata Advanced Systems Limited.
- ✓ It is capable of carrying up to nine tonnes of payload or as many as 71 troops at a maximum cruise speed of 260 kts.
- ✓ Adding to its flexibility is the capability of being equipped for the air-to-air refueling of fixed-wing aircraft and helicopters.
- ✓ Beyond its use as a tactical transporter, the C-295 is capable of performing a wide variety of missions effectively. These included parachute and cargo dropping, electronic signals intelligence (ELINT), medical evacuation (MEDEVAC), and maritime patrol.
- ✓ The C295 cruises at altitudes up to 30,000 ft., while also retaining excellent low-level flight characteristics. It has remarkable short take-off & landing (STOL) performance from unpaved, soft, and sandy/grass airstrips.
- ✓ The C295 is the perfect “workhorse” offering unique versatility and proven reliability for the needs, of military forces, governments and non-governmental agencies – today and tomorrow

5. **e-Courts Mission Mode Project**

In Context: The Government has recently, approved the e-Courts Mission Mode Project Phase -3 as part of the National e-Governance Plan.

Background:-

- It is a part of the National e-Governance Plan.
- It will span for four years with a financial outlay of seven thousand 210 crore rupees.
- About e-Courts Mission Mode Project:-
- Launched:2007.
- Ministry: Ministry of Law & Justice.
- E-Courts Project is a mission-mode project undertaken by the Department of Justice, Government of India.
- **Objective:** to provide designated services to litigants, lawyers, and the judiciary by universal computerization of district and subordinate courts in the country and enhancement of ICT enablement of the justice system.
- **Implementation:** The e-Courts project is being implemented in association with the e-Committee Supreme Court of India and the Department of Justice.
- The project is aimed at providing the necessary hardware and software application to enable courts to deliver e-services, and the judiciary to be able to monitor and manage the functioning of courts.
- It is a Central Sector Scheme.
- The e Committee of the Supreme Court has been overseeing the implementation of the e Courts Project, conceptualized under the “National Policy and Action Plan for Implementation of Information and Communication Technology (ICT) in the Indian Judiciary-2005”.
- The Chairperson of the e Committee is Dr Justice Dhananjaya Y Chandrachud, Judge, Supreme Court of India.

Phases:-

- Phase I: It was implemented during 2011-2015.
- Phase II: It was started in 2015 under which various District and subordinate courts have been computerized.
- Draft vision document for Phase III aims for: (Phase III of the eCourts Project) Digitization of court processes.

Advantages:-

- Faster justice (Digitization of Court Records)
- Clearing pendency which is around 3.27 crore cases before Indian courts.
- Reduce long delays and difficulties for ordinary litigants.
- Building people’s trust in the judiciary.

Challenges:-

- Technical Challenges: Complex process that involves upgrading existing technology and infrastructure.
- Cybersecurity Risks.
- Equity Concerns: The digitization of courts can exacerbate existing disparities in access to justice for marginalized communities, particularly those without access to technology.
- Preservation of Records: Digitizing records poses challenges for preserving historical records

ANSWER WRITING

Q. How does the distribution of natural vegetation affect the location of timber industries around the world? Give suitable examples.

Introduction: Timber products are environmentally superior to other variants made from metals, plastics and cement as these are recyclable, energy efficient and reduce greenhouse gases. Existing forest policies, laws and national forestry programmes in various countries across the world were revised to promote sustainable forest management, biodiversity conservation, and to restrict uncontrolled timber logging. India is an importer of timber and this import is growing fast to meet the domestic demand and export of value added timber products. While timber imports are liberalized, the exports of unprocessed logs are prohibited as conservation measures to protect India's forests.

Natural Vegetation & Timber Industries:

- ✓ Timber is one among the various flora-based products that is harvested from the forests.
- ✓ Timber is directly dependent on the natural vegetation, many other plants and fungi support the growth of timber. It includes the forest management and diversity of biological material.
- ✓ Natural vegetation provides a base for the growth of timber.
- ✓ Although it may be impossible to determine the aggregate social value of these products, the global economic benefits of timber are much higher.

Factors Influencing Location of Timber Industries:

- ✓ **Raw Material:** Industries keen to develop near the sources of raw material. For instance, in the timber industry wooden logs are processed in the sawmill, significant weight loss occurs. Barely 40% is used and the rest discarded as waste. This reduced the cost of transportation of raw material. The nature of raw material also has a bearing on the location.
- ✓ **Energy:** The energy resource is also very crucial in the establishment of timber industries, as it uses mill operation, continuous power supply is very essential. . Similarly, the electro- metallurgical and electro-chemical industries, being power intensive, have been located where electricity is easily available.
- ✓ **Transport:** Transport is required for carrying raw materials to manufacturing units and finished products to the market. The earliest timber industries developed near the port towns of Kolkata, Mumbai and Chennai, since these ports were linked with rail and road to the hinterland. This infrastructure for transport was further developed after independence.
- ✓ **Labour:** The availability of both unskilled and skilled, or technically qualified manpower, is an important factor in the location of industries. Unskilled labour is easily available in urban locations due to large rural-urban migration. One characteristic feature of the labour factor is its mobility.
- ✓ **River:** The timber industries which heavily depend on water, for one purpose or the other. Naturally, these units are located at places where water is easily available. The timber industries are located near rivers and streams because Logs are very bulky and awkward to transport. Rivers provide a cheap and convenient mode of transport. E.g. Myanmar, the teak logs are floated down the Irrawadi River up to Yangon and then exported.
- ✓ **Market:** High demand and a satisfactory purchasing power give impetus to industrial development. Government policies facilitate expansion of the market and, thus, of the industry. Market may be local, national or international.
- ✓ **New Factors in a Changed Situation:** With scientific and technological advancement, the constraining geographical factors have not remained rigid. Therefore, new factors have come into play which include skilled managerial services, availability of capital and financial resources and export potential of products.
- ✓ **Government policies:** The government policies seek to promote regional parity by locating the industry in backward regions. Government policies also seek to check environmental degradation and to reduce congestion.

Examples:

- ✓ In Myanmar, the teak logs are floated down the Irrawaddy River up to Yangon and then exported.
- ✓ In Canada, lumbering is a large-scale organized activity because the Softwood is easy to chop. Also in coniferous forests, trees of the same species are concentrated in particular areas.
- ✓ In the winter season, the snow-covered Jungle surface helps to move logs to rivers.
- ✓ The forests are comparatively less dense than in tropical areas, this makes it easy to access.
- ✓ These forests are close to economically developed regions, where demand for wood is higher e.g. USA for newsprint paper.

Conclusion: There are multiple factors influencing localization of timber industries. The analysis from negative binomial regression analysis reveals that the geographical location for logs storage and transportation is affecting the primary timber mills localization, while a number of primary mills and secondary mills are affected by the locations of raw materials supplies. Hence, long-term measures in sustainable forest management are particularly relevant to developing regions, as the base of timber industries.

MCQs

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|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Consider the following statements with respect to Ayushman Bhav campaign</p> | <p>1. The campaign aims to deliver healthcare services to the last mile of India by adopting multi-ministerial approach.</p> |
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2. It is an umbrella campaign comprising Ayushman Apke Dwar 3.0, Ayushman Mela and Ayushman Sabha.
3. Seva Pakwada is an initiative under the campaign to ensure the attainment of essential health services for every individual.
How many of the statements given above are correct?
a) Only one b) Only two
c) **All Three** d) None of these
2. Recently, CASA C-295 was in the news. What is it?
a) Submarine
b) Light Combat Helicopter
c) **Medium Tactical Transport Aircraft**
d) Fighter-Bomber Aircraft
3. Consider the following statements about Overnight Index Swap
 1. It is a derivative instrument where returns under a fixed rate asset are swapped against a pre-determined published index
 2. The primary purpose of an OIS is to manage interest rate risk.
 Choose the correct statements:
a) 1 only b) 2 only
c) **Both 1 and 2** d) Neither 1 nor 2
4. Consider the following statements about Lucy Mission
 1. It is a 12-year mission which will take close observations of nine of Jupiter's Trojans.
 2. It is a joint initiative of NASA and ESA
 3. Trojan asteroids are a group of asteroids that share Jupiter's orbit around the sun.
 How many of the statements given above are correct?
a) Only one b) Only two
c) **All three** d) None of these
5. Consider the following statements about India-Saudi Arabia Strategic Partnership Council
 1. The council will be headed by the Prime Minister of India and Crown Prince Mohammed.
 2. The council will meet twice in one year.
 3. India is the fourth country with which Saudi Arabia has formed such a strategic partnership, after the UK, France and China.
 How many of the statements given above are incorrect?
a) Only one b) Only two
c) All three d) **None of these**
6. With reference to the recently developed lab-grown human embryo model, consider the following statements:
 1. The model was created using a combination of stem cells and chemicals.
 2. The model was able to spontaneously assemble into different types of cells that form the fetus and its supporting structures.
 3. The model was intended to be used for pregnancy and implantation.
How many of the above statements are correct?
a) Only one b) **Only two**
c) All three d) None of these
7. Consider the following statements regarding Know India Programme.
 1. Know India Programme is an orientation programme for elder generation in Persons of Indian Origin (PIOs) conducted with a view to promote awareness on different facets of life in India and the progress made by India in various fields.
 2. It is the initiative of the Ministry of External Affairs
 Which of the above statements is/are correct?
a) 1 only b) **2 only**
c) Both 1 and 2 d) Neither 1 nor 2
8. Considered the following statement regarding Hindi Diwas Hindi Diwas.
 1. The National Hindi Day is celebrated every year in India on September 14.
 2. The day of adoption of Hindi as the official language by the Constituent Assembly of India in 1949.
 Which of the above statements is/are correct?
a) 1 only b) **2 only**
c) Both 1 and 2 d) Neither 1 nor 2
9. Consider the following statements regarding Carbon Border Adjustment Mechanism (CBAM):
 1. It is an initiative of the G20 to impose a carbon tax on non-environmentally sustainable products.
 2. India is a signatory to the CBAM mechanism.
 3. The Emissions Trading System is the only mechanism under the Kyoto Protocol that involves developing countries, or non-Annex I countries.
 How many of the above statement/s is/are correct?
a) Only one b) Only two
c) All three d) **None of these**
10. With reference to inflation in India, consider the following statements:
 1. As part of its fiscal policy, the Reserve Bank of India is responsible to ensure a stable inflation rate in India.
 2. GDP deflator shows the increase in the value of Gross Domestic Product due to increase in inflation in between the period base year and the current year.
 3. Investment in the economy is boosted by inflation in the short-run.
 Which of the statements given above is/are correct?
a) 2 only b) 1 and 3 only
c) **2 and 3 only** d) 1,2 and 3