



**TATHASTU**  
Institute Of Civil Services

# DAILY CURRENT AFFAIRS

**13<sup>rd</sup> NOVEMBER, 2024**



**TATHASTU**  
Institute Of Civil Services

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1. **FOOD PRICES SPUR INFLATION TO 6.2%**
2. **IN BAKU BREAKTHROUGH, COP CLEARS CARBON CREDIT TRADE**
3. **A MIXED REPORT CARD FOR THE IMEC- INDIA- MIDDLE EAST- EUROPE ECONOMICS CORRIDOR**

**FOOD PRICES SPUR INFLATION TO 6.2%**

# Food prices spur retail inflation to 6.2% in Oct.

Figure hits 14-month high after a 10.9% rise in food prices; vegetable prices bounce up from 36% in September to 42.2% in October, the highest in 57 months; food inflation crosses 11% in urban areas; edible oil prices shoot up 9.5%, highest in nearly two years; pulses inflation eases to 7.4% after 17 months of double-digit rise; spices prices drop 7%

**Vikas Dhoot**  
NEW DELHI

**A** 10.9% spike in food prices lifted India's retail inflation to a 14-month high of 6.2% in October, from 5.5% in September, with prices of vegetables and edible oils escalating at a sharp pace not seen in recent years.

October's price rise pace marked a breach of the Reserve Bank of India's (RBI's) upper tolerance limit for inflation, with rural India facing a sharper uptick of 6.7%, while urban consumers encountered an inflation of 5.6%, scotching any hopes of an interest rate cut from the RBI in its December monetary policy review.

Rural food prices were 10.7% higher, while food

inflation in urban India was even higher at 11.1% this October, with prices rising nationally at the fastest clip since July 2023.

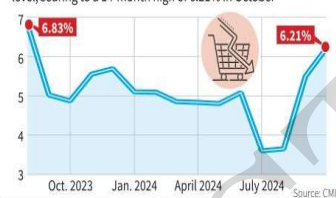
Vegetables inflation bounced up from 36% in September to a 57-month peak of 42.2% in October, while edible oil prices shot up 9.5%, the highest spike in nearly two years, from about 2.5% in the previous month.

Fruit prices also hardened by 8.4%, although pulses inflation eased to 7.4%, after 17 months of double-digit rise in prices. Spices prices dropped 7%. In October, households also faced a sharp 11% rise in the costs of personal care and effects, up from 9% in September.

Terming the pace of consumer price inflation

## Sharp spike

Retail inflation breached the Reserve Bank's upper tolerance level, soaring to a 14-month high of 6.21% in October



(CPI) shocking, Bank of Baroda chief economist Madan Sabnavis said food inflation has spread to oils, and the basket of cereals, pulses, fruits, vegetables and oils are the problem areas.

**'No December rate cut'**  
"Inflation may recede albeit gradually for cereals

and pulses but will take longer for vegetables. Core inflation also has upward bias with personal care products showing higher inflation as input costs are transmitted," he pointed out, stressing that this will ensure that a December rate cut is out of consideration.

The RBI had projected

## Modest 3.1% rise in industrial production

**NEW DELHI**  
India's industrial output returned to positive trajectory with an uptick of 3.1% in September, from its first contraction in 21 months this August, led by a 3.9% growth in manufacturing. **» PAGE 12**

an average inflation of 4.8% for the October to December quarter or the third quarter (Q3) of 2024-25, before declining to 4.2% in the final quarter. However, for that arithmetic to hold after October's CPI spike, price rise would have to soften to about 4.1% through this month and December.

Core inflation, which excludes food and energy prices, also saw a mild rise from September's estimated 'nine-month high of 3.8%, but remained under 4% for the 11th successive month, economists reckoned.

## Global prices

"The surge in edible oil inflation in October was driven by a steep 27% rise in global prices due to supply disruptions in Southeast Asia. Though non-food inflation remains benign around 3%, the recurring flare-up in food inflation has kept headline inflation elevated and creates an upside risk to the inflation trajectory - restricting the easing in monetary policy," said CRISIL's chief economist Dharmakirti Joshi.

Mr. Joshi expects the RBI's Monetary Policy Committee to cut rates towards the end of 2024-25, with food inflation likely to recede due to the healthy kharif sowing and fresh stocks of vegetable prices entering the market.

"High food inflation in October 2024 is mainly due to increase in inflation of vegetables, fruits and oils and fats," the National Statistical Office said, while noting a "significant decline in inflation" in pulses, eggs, sugar, and spices.

Compared to September, the CPI rose 1.3%, with a slightly higher uptick of 1.42% in rural India.

However, the Consumer Food Price Index (CFPI) was up 2.6%, with rural and urban areas facing the same spike in costs.

## Retail Inflation @ 6.2 %

- ❖ **A 10.9% spike in food prices** lifted India's retail inflation to a 14-month high of 6.2% in October, from 5.5% in September, with **prices of vegetables and edible oils escalating** at a sharp pace not seen in recent years.
- ❖ This price rise pace marked a breach of the Reserve Bank of India's (RBI's) upper tolerance limit for inflation.
- ❖ **RBI's inflation-targeting framework:**
  - RBI aims to keep **retail inflation**, measured by the Consumer Price Index (CPI), within a range of **4% ± 2%**.
  - If inflation exceeds 6% or drops below 2% for **three consecutive quarters**, it is considered a breach, prompting the RBI to provide an explanation and suggest corrective measures.
- ❖ Rural areas experienced higher inflation at 6.7% compared to 5.6% in urban areas.
- ❖ Food Inflation-
  - Food inflation hit **11.1% in urban areas and 10.7% in rural areas**, with **vegetable prices soaring by 42.2%**, the highest in 57 months.
  - Edible oil prices rose 9.5%, with fruits also increasing by 8.4%.





- ❖ Core inflation (excluding food and energy) rose slightly from September but remained below 4% for the 11th consecutive month.
- ❖ High global edible oil prices, driven by supply issues in Southeast Asia, contributed to the inflation spike.

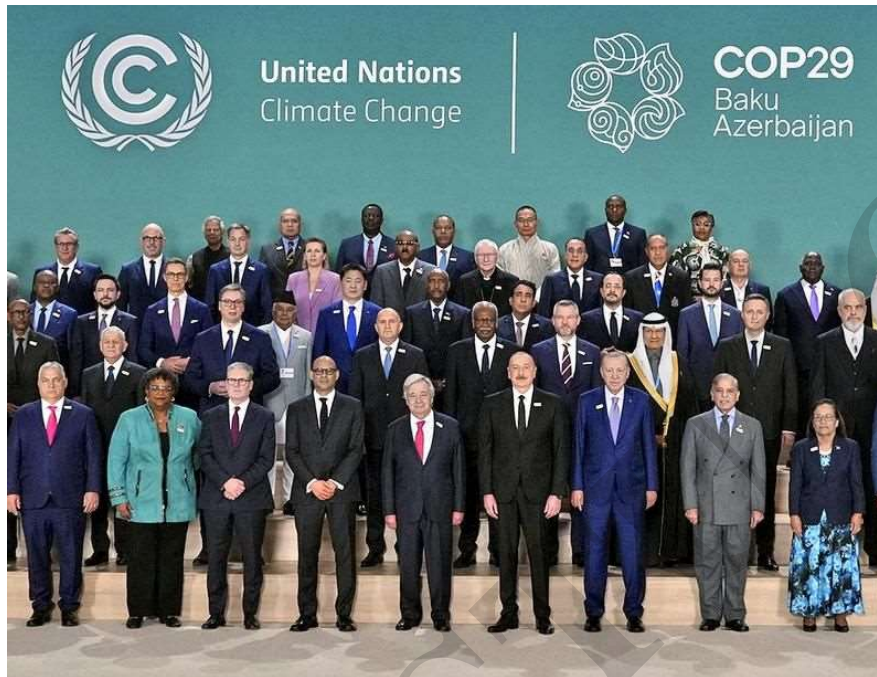
### Key Concepts- Inflation

- ❖ Inflation is the general increase in the prices of goods and services in an economy over time, leading to a decrease in purchasing power.
- ❖ **Types of Inflation:**
  - **Demand-Pull Inflation:** Caused by high demand in the economy that outpaces supply, leading to price increases.
  - **Cost-Push Inflation:** Arises when the costs of production (e.g., labor, raw materials) increase, which producers pass on to consumers through higher prices.
- ❖ **Measures of Inflation:**
  - **Consumer Price Index (CPI):** Measures the average change in retail prices of goods and services consumed by households. It is the **primary measure used to assess inflation in many countries.**
  - **Wholesale Price Index (WPI):** Measures changes in the prices of goods at the wholesale level, often used as an indicator of future retail inflation.
  - **Producer Price Index (PPI):** Reflects the average changes in prices received by domestic producers for their output.

Headline Inflation	Core Inflation
Headline inflation is the total inflation in an economy, reflecting the overall change in the prices of goods and services within a given period. It includes <b>all items in the consumer basket</b> , such as food, fuel, energy, and other goods, without excluding volatile items.	Core inflation <b>excludes volatile items</b> like <b>food and fuel prices</b> to provide a clearer view of the underlying inflation trend.
<b>Deflation and Disinflation:</b> <ul style="list-style-type: none"> <li>❖ <b>Deflation:</b> A sustained decrease in the general price level, which can lead to economic stagnation as consumers delay purchases.</li> <li>❖ <b>Disinflation:</b> A slowdown in the rate of inflation, indicating that prices are rising but at a slower pace.</li> </ul>	<b>Inflation Targeting:</b> <ul style="list-style-type: none"> <li>❖ A <b>monetary policy framework</b> where <b>central banks set an explicit inflation target</b>, aiming to keep inflation within a specified range. In India, the <b>RBI targets inflation at 4% ± 2%.</b></li> </ul>



## IN BAKU BREAKTHROUGH, COP CLARS CARBON CREDIT TRADE



- ❖ Countries at Baku for **COP29** have voted to approve a long-awaited agreement to establish a **global carbon market**.
- ❖ It will **enable countries to trade carbon credits**—certified reductions of carbon emissions.
- ❖ The price of these carbon credits will be influenced by emission caps set by countries.

### Article 6 of the Paris Agreement:

- ❖ Provides two mechanisms for trading carbon:
  1. **Bilateral trades between countries** (Article 6.2) and
  2. **Global carbon market** (Article 6.4).
- ❖ Discussions at COP29 have focused on issues:
  1. Authenticity of carbon credits
  2. Transparency in Origin
  3. **Accounting rules**
- ❖ UN supervisory body **proposing standards for carbon removal and project assessment**.
- ❖ **However**, some concerns remain — especially around the **accounting rules**.
- ❖ For example, if a company in a developed country funds an afforestation project in a developing country, *who claims the carbon credit?*
- ❖ *How they should be recorded for Nationally Determined Contributions (NDCs).*



**A MIXED REPORT CARD FOR THE IMEC**

# A mixed report card for the IMEC

In September 2023, the ambitious transcontinental India-Middle East-Europe Corridor (IMEC) was announced on the sidelines of the G20 summit in New Delhi. The proposed corridor is expected to reduce the transit time between its eastern and western nodes by 40%, and costs by 30%, compared to transportation via the Suez Canal. These numbers may vary as the actual benefits may end up being on the lower side, but there is no denying that the new corridor, once operational, will be a game changer for the international maritime trade. Therefore, it is important to understand how the idea has shaped since its announcement and what lies ahead of it.

**Progress on both ends**

Over the past year, various challenges have delayed progress on the project. The announcement of the corridor came with much optimism. However, this did not last long, as the very premise which led to the conception of this idea, namely, the normalisation of Arab-Israel relations, came to a sudden halt with the escalation of the conflict between Israel and Palestine on October 7 last year. This crisis engulfed the whole of West Asia for the larger part of the year, which put the corridor on the back-burner. As a result of the temporary pause, two key stakeholders, Saudi Arabia and Jordan, have not been able to make any progress on the project. Though it may be argued that the official relations between Arab countries and Israel won't impact completion of work on the ground, the two governments, which will have to work closely with the Israeli establishment for the project, would not want the optics and its geopolitical dimension. Therefore, implementation on the northern part of the corridor, which is mostly in West Asia, is going to move slowly until the ongoing escalation subsides.



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Implementation on the northern part of the corridor is going to move slowly until the West Asian conflict subsides, while progress is faster on the eastern leg connecting the UAE and Indian ports

On the eastern leg of the corridor connecting the United Arab Emirates (UAE) and Indian ports, things are moving forward at a relatively fast pace. The economic relations of the two countries are on a northward trajectory, which is also reflected in the increasing bilateral trade numbers. Post the signing of the Comprehensive Economic Partnership Agreement (CEPA) in 2022, bilateral trade has grown from \$43.30 billion in 2020-21 to \$83.64 billion in 2023-24 (a staggering 93%). Another important feature of the growing bilateral trade is the diversification of the trade basket between the two countries, which is reflected in the growing non-oil trade. The non-oil trade between India and the UAE grew from \$28.67 billion in 2020-21 to \$57.81 billion in 2023-24. This represents a healthy shift from an Indian perspective, considering that most of these commodities will be transported further west and north through the IMEC, thereby improving India's export share in the larger region.

Beyond amplifying trade volumes, the two countries are also working on the standardisation and facilitation of trade processes. Recently, India and the UAE launched the Virtual Trade Corridor. This will be an integral part of the IMEC, aimed at the reduction of administrative processes and time, reduction of logistics and transportation costs, and ease of doing trade. The streamlining of trade processes would not only serve bilateral relations, but also pave the way and provide a working model for other countries involved in the IMEC to develop similar frameworks for cross-border trade facilitation.

After more than a year since the IMEC was announced, we see an uncertain western part of the corridor trying to navigate through the conflict and a committed eastern part that is forging new linkages to ready itself for the new maritime order.

Further, given the one-year progress and the situation on the ground, it is clear that only the connectivity aspect of the IMEC initiative is gaining some traction at the moment. Other elements of the corridor, including clean energy export, undersea fiber-optic cables and pipelines, energy grid linkages, telecommunication lines, and clean energy technology cooperation, will have to wait till the situation in West Asia normalises. Therefore, the countries on the eastern part of the corridor should use this time to develop their capacity to improve connectivity among them.

**What India can do**

India, especially, can use this time to prepare its ports, develop specific economic zones along the connectivity nodes, and improve its domestic logistics for seamless integration with the IMEC. There is a need to improve the digital footprint in the domestic logistics landscape, which will help reduce logistics time and costs, thereby making Indian exports more competitive. Further, the corridor, as ambitious as it may be, is just the means. The actual benefits will be seen only if India can improve its integration in the global value chains. With IMEC, India aims to position itself as a global supply chain alternative. This can only happen if the country takes steps towards enhancing its manufacturing competitiveness.

Finally, it is time to push for the IMEC secretariat, which can make the structure and working of the IMEC more organised. For starters, the secretariat can work on developing the framework for streamlining the cross-border trade processes and empirical evidence-based research on benefits accruing to participating countries. This would help countries in the neighbourhood of the corridor to better understand the project. This may end up generating interest, which could result in them joining it.

- ❖ **India- Middle East- Europe Economics Corridor**
- ❖ In September 2023, the **India-Middle East-Europe Corridor (IMEC)** was announced at the **G20 summit** to reduce transit time and costs between Asia and Europe, aiming to rival the **Suez Canal's route**.

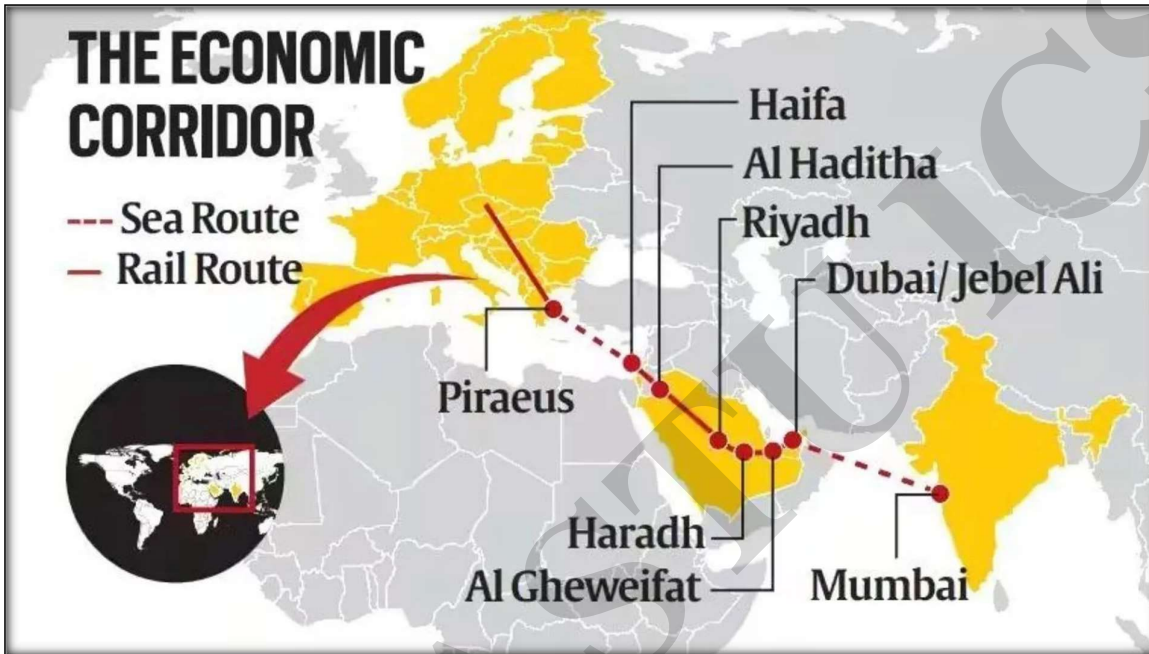
**India- Middle East- Europe Economics Corridor**

- ❖ A connectivity project to enhance trade among **India, the Arabian Peninsula, the Mediterranean region and Europe**.
- ❖ **A mix of infrastructure:** ports, railways, roads, sea lines and pipelines



**Background:**

- ❖ MoU was signed during the G-20 summit by India, USA, Saudi Arabia, the United Arab Emirates (UAE), France, Germany, Italy, Jordan and the EU.
- ❖ Later , Israel and Greece joined the project.



Geoeconomic implications?	Geopolitical implications?
<ul style="list-style-type: none"> <li>❖ Economic integration → economic interdependence → help bridge divides → peace in the Middle East.</li> </ul>	<ul style="list-style-type: none"> <li>❖ A competitor to the BRI: By US, Europe and India</li> <li>❖ A preparation for a post-oil economy by Gulf Countries</li> <li>❖ It will capitalize on the existing trade routes: Only missing infrastructure is to be built.</li> </ul>

**Challenges:**

1. **Arabian Gulf : not manufacturing hubs:** freights will be costlier if they remain empty.
2. **Three big economies in the Middle East (Türkiye, Egypt and Iran) are left out:** BRI is more economically incentivised.
3. **Already there exist routes (Bab El-Mandeb → Suez Canal):** Why need another?
4. **Costly project:** Route includes Saudi Arabia’s barren deserts : No economic depth to sustain the project.



## A mixed report card for the IMEC

### ❖ Key Concern:

- Delayed progress, particularly on the western leg of the corridor in West Asia. The Israel-Palestine conflict in October 2023 paused key stakeholders, Saudi Arabia and Jordan, from moving forward on this part due to regional instability.

### ❖ Any Progress? : Conversely, the **eastern leg**, linking the **UAE and Indian ports**, has seen **substantial progress**.

- Bilateral trade between India and the UAE surged by 93% following the **2022 Comprehensive Economic Partnership Agreement (CEPA)**, with non-oil trade more than doubling.

### ❖ However, the **corridor's broader goals**—

- Including clean energy export,
- Undersea fiber-optic cables,
- Energy grids, and
- Telecommunication infrastructure
  - **Remain on hold** until stability returns to West Asia. In the interim, eastern corridor countries should bolster connectivity and infrastructure to optimize IMEC's future impact.

### ❖ For India, this preparation includes

- Modernizing its ports,
- Developing economic zones, and
- Enhancing digital and logistics systems to lower costs and improve integration with global value chains.

## Question:

**Q.1 What is the need of IMEC when India already has invested in Chabahar Port in Iran and is part of the International North-South Transportation Corridor (INSTC)? Explain.**

**Answer:**

### Introduction:

- Brief of IMEC.
- Make a Rough map showing IMEC, Chabahar Port and INSTC.
- Mention that they serve different strategic purposes and address distinct geopolitical and economic objectives.

### How?

1. **Enhanced Connectivity:** It connects India to the southern Eurasian landmass while Chabahar and INSTC connect it to the northern Eurasia.
2. **Diversification of Trade Routes:** INSTC and Chabahar Port projects are vulnerable to geopolitical uncertainties, particularly involving Iran facing sanctions.
3. **No choke points:** It promises connectivity to Europe without choke points of Bab al-Mandab and the Suez Canal.
4. **Energy Security:** Mega offshore gas fields in the Eastern Mediterranean are an additional attraction.





5. **Strategic Alliances:** Key strategic partners in the Middle East and Europe, enhancing India's geopolitical influence.

**Conclusion:**

- ❖ It complements the existing trade and connectivity routes rather than being a replacement.

**Q.2 Consider the following statements regarding the India-Middle East-Europe Economic Corridor (IMEC):**

1. The IMEC is aimed at enhancing economic connectivity by establishing a new trade route that bypasses the Suez Canal, connecting India with the Middle East and Europe.
2. The IMEC project includes multiple infrastructure components such as railways, energy pipelines, and digital connectivity.
3. A key factor hindering progress on the western part of the IMEC is the ongoing Israel-Palestine conflict.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2, and 3

**Q.3 Economic growth is usually coupled with (UPSC- 2011)**

- (a) Deflation
- (b) Inflation
- (c) Stagflation
- (d) Hyperinflation

**Q.4 In India, which one of the following is responsible for maintaining price stability by controlling inflation? (UPSC- 2022)**

- (a) Department of Consumer Affairs
- (b) Expenditure Management Commission
- (c) Financial Stability and Development Council
- (d) Reserve Bank of India

**Q.5 With reference to inflation in India, which of the following statements is correct? (UPSC- 2015)**

- (a) Controlling the inflation in India is the responsibility of the Government of India only
- (b) The Reserve Bank of India has no role in controlling the inflation
- (c) Decreased money circulation helps in controlling the inflation
- (d) Increased money circulation helps in controlling the inflation

