DAILY NEWSPAPER ANALYSIS

DATE - 19/11/2025

SOURCE
THE HINDU & INDIAN EXPRESS

CHANAKYA IAS ACADEMY
SECTOR 25 CHANDIGARH

SC recalls verdict rejecting green clearances

The majority 2-1 verdict upholds pleas in public interest; CJI says it would have 'devastating' effect

Justice Bhuyan records a sharp dissent, says court is backtracking for the sake of violators

In May, the court said retrospective clearances to regularise constructions were clearly illegal

Krishnadas Rajagopal
NEW DELHI

A three-judge Bench of the Supreme Court, in a majority judgment on Tuesday, recalled its May 16 verdict declaring the Centre's grant of *ex post facto* or retrospective environmental clearances (ECs) to building projects and constructions a "gross illegality" and an "anathema".

Chief Justice of India B.R. Gavai, who is retiring on November 23, said in his separate opinion that the May 16 judgment, if allowed to continue to operate, would have a "devastating effect" and "thousands of crores of Rupees would go to waste".

Justice K. Vinod Chandran backed his view, forming the majority on the Bench.

Justice Ujjal Bhuyan recorded a sharp dissent in his 97-page opinion. He termed the review judgment an "innocent expression of opinion" which overlooked the "very fundamentals of environmental jurisprudence".

The separate individual opinions of the Chief Justice and Justice Bhuyan clashed, with the latter saying he was pained to see the country's highest court "backtracking on sound environmental jurisprudence" for the sake of violators, even as the "deadly Delhi smog reminds us everyday about the hazards of pollution".

Justice Bhuyan was a member of the two-judge Bench, headed by the now-retired Justice A.S. Oka, which had delivered the May 16 judgment.

'Crafty drafting'

The May judgment had held that granting retrospective clearances in any form to regularise illegal constructions was clearly illegal. The court had struck down a 2017 notification and 2021 office memorandum (OM) of the Union government, which in effect recognised the grant of *ex post facto* ECs.

It had found the Centre guilty of "crafty drafting" to clear illegal constructions through retrospective ECs.

The two-judge Bench had concluded that the government was only protecting the illegal actions of project proponents who started building or operations in these illegal constructions without obtaining the prior EC mandated by environmental protection laws.

The Chief Justice reasoned that striking down retrospective ECs would lead to the demolition of multi-crore private and public projects either in use or under construction, employing hundreds.

Chief Justice Gavai questioned the need for demolition of these structures when they could continue by paying heavy penalties. Many projects, including an investment by the Steel Authority of India (SAIL), a 962-bed AIIMS hospital in Odisha, a greenfield airport in Karnataka, and the Central Armed Police Forces Institute of Medical Sciences in Delhi, were pending as a result of the May 16 judgment, he wrote. The CJI said judicial precedents of the court have held that *ex post facto* ECs cannot be declined with "pedantic rigidity".

Ex post facto approval should not be withheld only as a penal measure, he said, adding that projects can be cleared retrospectively in exceptional circumstances and not as a routine. The top judge asked himself the question of whether it would be in public interest to demolish all these projects and throw the money spent on them into the dustbin.

"The question, therefore, is whether such a modus operandi of demolition and re-construction would be in the larger public interest or would in fact be counter-productive to the public interest?" the CJI asked.

Justice Bhuyan dismissed the CJI's "dustbin" query, saying it was founded on erroneous logic. He said the "question" should be why the review judgment is so keen to "virtually prod" the Centre to grant *ex post facto* ECs to violators of the law.

'False narrative'

"It is unfortunate that a false narrative is being created pitting the environment against development... Environment law cannot countenance the notion of an *ex post facto* clearance. This is contrary to both the precautionary principle as well as the need for sustainable development," Justice Bhuyan observed.

Ecology and development are not adversaries, he stressed, adding that both were part of the Constitutional construct of sustainable development. Retrospective ECs, however, are an anathema – "a thing devoted to evil" – thrust on the environment, said Justice Bhuyan.

KEY HIGHLIGHTS

Context of the News

- A Supreme Court Bench recalled its May 16, 2024 judgment that termed ex post facto ECs "illegal."
- CJI Gavai + Justice Chandran (majority) held that continuing the old verdict would cause heavy economic losses and halt major public projects.
- Justice Bhuyan (dissent) argued retrospective ECs undermine environmental jurisprudence and precautionary principles.
- The May judgment had struck down 2017 Notification & 2021 OM that allowed retrospective ECs.

Key Points

- Majority view:
  - Demolishing major projects (AIIMS Odisha, SAIL, Karnataka airport) is not in public interest.
  - Ex post facto ECs may be allowed exceptionally, with strong penalties.
- Dissenting view:
  - Retrospective ECs violate precautionary principle and sustainable development.
  - Court should not "prod" the government to regularise violations.
- Earlier verdict accused Centre of legitimising illegal constructions.

Static Linkages

- Precautionary Principle – Vellore Citizens Case (1996).
- Sustainable Development – Article 21 jurisprudence.
- Polluter Pays Principle – NEP 2006, SC doctrine.
- EPA 1986 – legal basis of EIA notifications.
- Doctrine of Public Trust – SC in M.C. Mehta cases.
- Judicial Review – Articles 32, 136.

critical Analysis

Pros

- Prevents economic waste; protects public infrastructure.
- Ensures continuity of essential projects and employment.
- Allows compliance through penalties.

Cons

- Incentivises starting projects without prior ECs.
- Dilutes environmental safeguards.
- Weakens consistency of environmental jurisprudence.
- May reduce accountability of project developers.

Stakeholders

- Govt: Flexibility
- Industry: Relief
- Public/Environment groups: Concern over pollution & legal dilution

Way Forward

- Time-bound, transparent EC processes.
- Graded penalties linked to environmental harm.
- Strengthen EIA monitoring via tech & public participation.
- Post-facto ECs strictly exceptional.
- Establish independent Environmental Regulator.

CHANAKYA IAS ACADEMY

Kerala moves SC seeking SIR postponement citing staff shortage during local body polls

Krishnadas Rajagopal
NEW DELHI

The Kerala government has moved the Supreme Court seeking a direction to the Election Commission (EC) to defer the conduct of the special intensive revision (SIR) of the electoral rolls in the State.

In its petition, the State said the conduct of the "cumbersome" SIR process from November 4 to December 4 would coincide with the elections to the local bodies in Kerala. The simultaneous conduct of both exercises would not only strain human resource but also create an "administrative impasse" with no personnel left to take care of the day-to-day functioning of the government.

The government said the simultaneous conduct would be a "near-impossibility".

"The SIR is a huge exercise requiring deployment of 1,76,000 personnel from government and quasi-governmental services for election-related duties and a further 68,000 police and other security personnel. The SIR is also a comprehensive process with cumbersome procedure, requiring the services of additional personnel numbering 25,668. The pool of trained and election-experienced staff is finite, which constrains real-world deployment," the State submitted.

SIR's constitutionality

The State government made it plainly clear that it did not support the constitutionality of the SIR. It said the exercise was "not conducive to the democratic polity of the country."

However, the State government, represented by advocate C.K. Sasi, said the main thrust of the current challenge was not the legality of the SIR, but its timing.

Point of view: Kerala says the simultaneous conduct of the SIR and the local body polls will be a 'near-impossibility'. THULASI KAKKAT

The government said undertaking the SIR would affect the smooth conduct of the local bodies' election. There are 1,200 local self-government institutions (LSGIs) in Kerala, made up of 941 grama panchayats, 152 block panchayats, 14 district panchayats, 87 municipalities, and six Corporations. There are 23,612 wards in total.

The petition highlighted the constitutional mandate under Articles 243-E and 243-U as well as a statutory mandate under Section 38 of the Kerala Panchayat Raj Act and Section 94 of the Kerala Municipality Act to conduct election to the LSGIs within five years. Thus, the process of elections including voting, counting, and declaration of result to the LSGIs in the State must be in accordance with the constitutional and statutory mandate, to be completed before December 21, the petition noted.

The Kerala State Election Commission has decided to conduct elections to the LSGIs in the State on December 9 and 11.

KEY HIGHLIGHTS

Context of the News

- Kerala has moved the Supreme Court seeking postponement of the Special Intensive Revision (SIR) of electoral rolls.
- SIR (Nov 4–Dec 4) clashes with Local Self-Government Institution (LSGI) elections scheduled on Dec 9 and 11.
- State claims simultaneous conduct will overburden personnel and hinder LSGI election deadlines under Articles 243-E & 243-U (5-year mandate).

Key Points

- SIR requires 1.76 lakh staff, 68,000 security personnel, and 25,668 additional staff.
- Kerala argues the trained pool is limited; both exercises together would cause "administrative impasse."
- State questions SIR's constitutionality, but the current plea only targets its timing.
- Kerala has 1,200 LSGIs and 23,612 wards; elections must be completed before 21 December.

Static Linkages

- Art. 243-E/243-U → Tenure of Panchayats & Municipalities.
- Art. 243-K/243-ZA → State Election Commissions' powers.
- Art. 324 → ECI powers on electoral rolls.
- RPA 1950 → Basis for roll preparation.
- Kerala Panchayat Raj Act (Sec 38) & Municipality Act (Sec 94) → Electoral roll provisions.

Critical Analysis

Pros

- Prevents administrative overload.
- Helps maintain quality of both SIR and elections.
- Ensures timely conduct of LSGI elections.

Concerns

- May be seen as interference with ECI's autonomy.
- Delay can affect accuracy of future electoral rolls.
- Sets precedent for States seeking deferrals.

Stakeholders

- State Govt: Feasibility, staffing.
- EC/SEC: Mandate to maintain rolls & conduct elections.
- Judiciary: Must balance mandates.

Way Forward

- Create a nationally aligned SIR calendar.
- Build a larger trained electoral workforce.
- Adopt tech-enabled roll updating (privacy-compliant).
- Strengthen Centre–State coordination for election scheduling.
- Use phased SIR to reduce logistical load.

CHANAKYA IAS ACADEMY

Time to sort out India's cereal mess

T. Ramakrishnan

It is a case of paradoxes — India has huge stocks of rice, and also imports large quantities of pulses and oilseeds despite being one of the world's largest producers

The recent controversy in Tamil Nadu over paddy procurement during the short-term *kuruvai* season has only strengthened the need for a relook at the procurement system of foodgrains as a whole. In this case – as in many States – the Tamil Nadu Civil Supplies Corporation (TNCSC), which procures paddy on behalf of the Food Corporation of India (FCI), found itself in a spot because of time overruns and charges of corruption. One of the reasons cited is the rise in the coverage of the crop during the season, by about two lakh acres, which was known as early as mid-August. This is because farmers feel it is a safe bet to grow paddy rather than other crops due to minimum assured returns.

Paddy procurement data

The glut is not restricted to Tamil Nadu. Going by the data of the Union Ministry of Consumer Affairs, Food and Public Distribution, the procurement of paddy (in terms of rice) all over the country was nearly 119.86 lakh tonnes as on October 31, 2025 compared to 82.08 lakh tonnes on the corresponding day last year. In the last three years, with regard to rice and wheat, the quarterly opening stock position, as on October 1, was consistently higher than what is prescribed under the norms for the central pool. In the case of rice, the quantity is at least two times more than the requirement. In October this year, the stock was 356.1 lakh tonnes against the norm of 102.5 lakh tonnes.

Compared to wheat, rice is still abundant, if one goes by the Union government's data for the last three years on procurement and offtake under the National Food Security Act (NFSA) and other schemes. Between April 2022 and March 2025, the procurement of rice at the all-India level hovered around 525 lakh tonnes-547 lakh tonnes every year, whereas annual offtake under the Public Distribution System (PDS) was in the range of 392 lakh tonnes- 427 lakh tonnes.

Significantly, in the case of wheat, the utilisation under the PDS exceeded the quantity of procurement in two of the last three years (barring 2024-25). At the same time, it must be noted that the Union government spends around ₹2 lakh crore every year in food subsidy.

While, on the one hand, the country is grappling with surplus stocks of rice, on the other it is incurring a huge expenditure in the import of pulses and oilseeds, which are two essential commodities that are central in every Indian household. Ironically, in the case of pulses, India is the largest producer in the world – 252.4 lakh tonnes in 2024-25. The two years, from 2023-24, saw a substantial fall in the procurement of notified pulses at minimum support prices (MSP) through agencies which included the National Agricultural Cooperative Marketing Federation of India.

Edible oil imports

According to the annual report of the Union Ministry of Agriculture and Farmers Welfare for 2024-25, the country imported edible oil (₹1.2 lakh crore) and pulses (₹30,000 crore) during 2023-24. In the case of edible oil, about 55% of the demand is met only through imports. Needless to say, the Russia-Ukraine war, which began in February 2022, is a factor that contributed to the steep rise in the cost of edible oil imports which was around ₹82,000 crore in 2020-21, though the quantity imported remained between 135 lakh tonnes-157 lakh tonnes a year in the last six years.

Ironically, the country's production of oilseeds, since 2014, crossed the 400-lakh-tonne mark only once, despite there being no large change in the area covered, which was around 25 million hectares. For about 25 years, experts and the media have been holding the government's decision in the 1990s to allow the import of cheaper edible oil responsible for the adverse effect on domestic production. Yet, the response to counter the impact has not been adequate.

The situation raises a fundamental question: whether the country, in the name of ensuring food security, is following a sustainable policy of procurement at least with regard to rice. It also raises other pertinent questions. Is paddy cultivation being encouraged at the cost of crop rotation? Also, why is it that the country's efforts to improve pulse and oilseed production have not been spectacular unlike in the case of paddy and wheat about 55 years ago? And, should India continue to have the existing arrangement of one or the other central agency in the procurement, storage, transportation and allocation of foodgrains in bulk to the States?

The authorities may protest, if any study is conducted with regard to leakage in the PDS (which was originally meant for managing food supplies during scarcity), as they did about a year ago when an Indian Council for Research on International Economic Relations (ICRIER) report had stated that there was about a 28% loss of rice and wheat during distribution. It is also well known that the system is far from perfect.

Incentivise crop diversification

To wean paddy-growing farmers from the cereal, crop diversification can be tried out after carrying out area-specific market studies of demand and supply with the involvement of every stakeholder. . One reason why farmers have not taken to diversification in a big way is uncertainty about success if there is a crop switch. Their apprehension can be allayed only by offering financial support and proper guidance. As it is clear that the country is producing more rice than required, the government should allow farmers to freely export rice and not resort to restrictions in a knee-jerk manner.

Many a time, primary procurers of agricultural products are in the dark about the suppliers. For instance, *papad* manufacturers getting to tie-up directly with farmers who raise blackgram or have the means to do so, will result in a win-win situation for both. If such farmers are able to organise themselves as farmers producers' organisations (FPOs), the results will be more durable. The Centre and the States can facilitate such an arrangement.

As an institution, FPOs are still in a nascent stage. Their services can be tapped by the authorities for a range of purposes – educating farmers about soil health; sensitising them to go in for crop diversification; preparing the groundwork for market studies, and establishing the supply chain.

As in West Bengal, FPOs can be utilised for paddy procurement to reduce the load on existing players. Self-help groups and cooperative societies should also be encouraged more in this respect. Wherever required, all such new entrants should be covered under capacity building programmes.

Changes in such a complex system cannot happen overnight but a beginning can be made. It is time that agriculture experts, farmers, food security specialists, policy makers and planners collectively deliberated on ways to plug the loopholes in the system, if not reform it.

ramakrishnan.t@thehindu.co.in

Static Linkages

- MSP decided by CACP; benefits concentrated regionally.
- Buffer Stock Norms under Dept. of Food & Public Distribution.
- Green Revolution legacy → cereal-centric agriculture.
- Continuous cereal cultivation → soil degradation, groundwater stress.
- NFSA: PDS coverage 75% rural, 50% urban.
- Crop diversification promoted under DFI, NMSA.

KEY HIGHLIGHTS

Context of the News

- Tamil Nadu faced controversy in kuruvai paddy procurement due to delays, corruption charges, and unexpected rise in cultivation (~2 lakh acres).
- Reflects larger issues in India's procurement–PDS system, especially oversupply of rice and continued dependence on imports of pulses and edible oils.

Key Points

- National paddy (rice) procurement touched 119.86 lakh tonnes (Oct 2025) vs 82.08 lakh tonnes in 2024.
- Central pool rice stock: 356.1 lakh tonnes vs norm 102.5 lakh tonnes—over 3× the requirement.
- Wheat PDS offtake exceeded procurement in 2 of the last 3 years.
- ₹2 lakh crore annual food subsidy burden.
- Imports (2023–24): Edible oil ₹1.2 lakh crore, Pulses ₹30,000 crore; 55% edible oil demand met through imports.
- Oilseed area static (~25 million ha), production rarely crosses 400 lakh tonnes.
- ICRIER estimates 28% leakage in rice–wheat distribution.
- MSP-centric procurement continues to incentivise paddy over diversification.

Critical Analysis

Pros

- Ensures food security & stable farmer incomes.
- Supports NFSA obligations and stabilises prices.

Concerns

- Excess rice stocks, high fiscal cost.
- Heavy import dependence for pulses/oilseeds.
- Distorted cropping patterns favouring paddy.
- Significant PDS inefficiencies and leakages.
- Weak procurement infrastructure for pulses/oilseeds.
- Underutilised FPOs/SHGs.

Stakeholder Views

- Farmers rely on paddy for assured returns.
- Government faces fiscal & storage pressures.
- Consumers need stable pulse/oil prices.

Way Forward

- Shift procurement focus to pulses & oilseeds.
- Guarantee procurement + insurance to push diversification.
- Allow predictable rice exports during surpluses.
- Strengthen FPOs/SHGs for decentralised procurement.
- End-to-end digital PDS to curb leakages.
- Promote region-appropriate cropping & soil-health initiatives.

Unpacking the global 'happiness' rankings

Souryabrata Mohapatra
is an Assistant Professor of Economics in the School of Liberal Arts, IIT Jodhpur, Rajasthan

Ankita Sharma
is a Full Professor of Psychology in the School of Liberal Arts and Coordinator of Rekhi Happiness Group, IIT Jodhpur, Rajasthan

Suman Dhaka
is an Assistant Professor of Psychology in the School of Liberal Arts, IIT Jodhpur, Rajasthan

Why is Finland the happiest country in the world for the eighth year in a row while India languishes at 118? How can Pakistan, which is struggling with political instability and recurring International Monetary Fund (IMF) bailouts score higher than India, the world's fastest-growing major economy? What does this really say about how we define "happiness"?

The World Happiness Report 2025, by the Wellbeing Research Centre at Oxford, again places Finland, Denmark, Iceland and Sweden at the top. India's score is 4.389 of 10, averaging 124 over the years; Pakistan is 109. The contrast seems puzzling against the economic and social realities of both nations.

India, with a $3.7 trillion GDP, is the world's fifth-largest economy; Pakistan's $375 billion GDP is barely 10% of that. India's digital economy is booming, and its infrastructure is expanding, whereas Pakistan survives on repeated bailouts. Yet, Pakistan appears "happier"?

Is happiness an economic measure, a perceptual one, or a proxy for something else?

The mirage of metrics

The report relies on the Gallup World Poll's Cantril Ladder, where people rate their lives from 0 to 10, linked with six variables – GDP per capita, social support, life expectancy, freedom, generosity and corruption perception. But perceptions are slippery.

Societies with low expectations often report higher happiness because people adapt to hardship. In vibrant democracies such as India, rising aspirations and constant media scrutiny can lower perceived satisfaction even as well-being improves. When citizens expect better governance or cleaner cities, dissatisfaction reflects higher expectations, not misery.

That paradox explains why the United States has fallen to 24 despite record wealth, while the Nordic nations with high taxes but deep social trust dominate.

The report itself admits that "belief in community kindness" and social trust predict happiness better than income.

India's challenge, then, is not growth but connection. Nearly 19% of young adults globally say they have no one to rely on – up 39% since 2006. With migration and digital life reshaping relationships, Indians too face shrinking real-world networks and expanding virtual ones – prosperity without proximity.

Dissatisfaction, for instance, could reflect higher expectations, and not misery

The politics of perception

Critics note that global indices rest on perception-based biases. A 2022 paper by the Economic Advisory Council to the Prime Minister (Sanjeev Sanyal and Aakanksha Arora) showed that indices such as Freedom House and V-Dem depend on small, opaque pools of western "experts". Their subjective views skew results.

A one-party state may appear freer simply because dissent is absent; media-controlled regimes look "stable" because citizens voice fewer complaints. Democracies, by contrast, are penalised for openness. The World Happiness Report risks repeating that error – valuing calm conformity over democratic cacophony. India's low score may reflect self-critical awareness – a maturing democracy unwilling to be complacent.

India's rank has swung between 94th and 144th in a decade. The best phase came in 2022 with post-COVID-19 pandemic recovery and welfare programmes such as Pradhan Mantri Garib Kalyan Yojana. The worst was in 2012 amid corruption scandals and slowdown. But happiness rarely tracks fiscal performance. Studies show that social trust, fairness and community matter far more.

In Finland, people believe a lost wallet will be returned – a proxy for institutional trust. In India, governance unevenness erodes that confidence, though local and familial trust remain strong. The COVID-19 lockdown exposed this: millions returned to villages not only for work loss but because community bonds offered the security absent in cities. Such informal trust, ignored by global metrics, sustains resilience.

The report's behavioural framework also carries the WEIRD bias – Western, Educated, Industrialised, Rich and Democratic. It privileges institutional trust that is typical of individualistic societies and overlooks collective trust networks in countries such as India, where family and community are the real safety nets.

Even so, institutional trust is evolving. Campaigns around mental health, workplace wellbeing and inclusion mark a cultural shift. Programmes such as Tele-MANAS (Tele Mental Health Assistance and Networking Across States) and Mind India place emotional resilience on the policy map. Happiness, once dismissed as a luxury, is now a governance concern.

Aspirations to empathy

To climb the happiness ladder, India must pair economic ambition with empathy infrastructure – investing not only in GDP but also in GNH (Gross National Happiness) through three pathways. First, rebuild social capital. Create community spaces, shared meals and inter-generational ties. The report finds that household size and belief in community kindness significantly raise happiness.

Second, restore institutional trust. Simplify citizen-state interactions. When public services – from ration cards to railway tickets – work transparently, trust follows.

Third, recognise mental health as economic policy. Productivity gains mirror psychological wellbeing. The World Health Organization (WHO) estimates that every $1 spent on mental health yields $4 in returns – an investment no economy should ignore. As *The Pursuit of Happyness* reminds us, happiness is not something we possess. It is something we pursue. India's restlessness – its debates, innovations and demands for better lives – may be the clearest sign of wellbeing. Less satisfaction does not mean unhappiness. It signals ambition.

If rank 118 means that Indians still seek cleaner air, fairer governance and fuller lives, perhaps the nation is not unhappy but just unfinished, still chasing a truer idea of happiness.

The views expressed are personal

KEY HIGHLIGHTS

Context of the News

- WHR 2025 places Finland, Denmark, Iceland, Sweden at the top.
- India ranks 118, Pakistan ranks 109.
- Report uses Gallup Cantril Ladder to measure life satisfaction.
- Raises a key question: Does happiness reflect economic growth or social perception?

Key Points

- Nordic countries score high due to strong social trust, low corruption, reliable services.
- India has strong GDP but low perceived satisfaction because expectations are rising.
- Societies with lower expectations often report higher happiness, affecting developing nations' rankings.
- WHR notes community kindness and social trust matter more than income.
- India has strong family support, but weak institutional trust and growing urban isolation.
- Perception-based indices can create biases against open democracies.

Static Linkages

- SDG 3: Good Health and Well-being relates to happiness.
- Easterlin Paradox: more income does not always increase happiness.
- Article 47: State duty to improve public health and living standards.
- Social Capital Theory: closer communities → higher well-being.
- Bhutan's GNH: alternative development model focusing on happiness.
- NITI Aayog's MPI: includes quality-of-life indicators.

Critical Analysis

Pros

- Captures factors beyond income.
- Highlights importance of trust, fairness, mental health.
- Encourages holistic development.

Cons / Concerns

- Perception-driven, not fully objective.
- WEIRD bias—favors Western individualistic societies.
- Democracies appear less "happy" due to open criticism and high aspirations.
- India's strong family networks are not fully counted.

Stakeholder Views

- Government: rankings have western bias.
- Citizens: dissatisfaction may reflect ambition, not unhappiness.
- Researchers: call for culturally sensitive indicators.

Way Forward

- Build Social Capital: community spaces, shared activities, stronger neighbourhood networks.
- Improve Institutional Trust: simpler services, transparent delivery, faster grievance redressal.
- Mental Health Priority: expand Tele-MANAS, counselling in schools and workplaces.
- Create India-specific Well-being Index: include family support, cultural bonds, social resilience.

Excessive dependence

A structural shift in India's trade portfolio is essential

India's record goods trade deficit in October ($41.68 billion) follows a sequential build-up from September ($32.15 billion), reflecting a disturbing turn in its external trade landscape. The shock from the U.S.'s tariffs has been largely responsible – a full 50% levy that came into effect in August – at a time when the U.S. had become India's largest single export market (since about 2018-19). But the main cause of the 11.8% year-on-year (YoY) drop in goods exports to $34.38 billion ($38.98 billion in October 2024) and the precipitous rise in imports lies in a record surge in precious metal inflows. Gold imports nearly tripled from last October ($4.92 billion) and inbound silver rose more than fivefold. This suggests that the bullion surge is not merely seasonal but also a hedge against growing economic uncertainty. The rupee's weakening from about ₹85.6 to a dollar in April to around ₹88.4 to a dollar in October, and the net foreign portfolio outflow in September (leading into a recovery in October) further corroborate the hedging. What is troubling about October's merchandise data is the steep fall in exports of labour-intensive sectors such as textiles and apparel – cotton yarn and handlooms 13.31%; man-made yarn 11.75%; readymade garments 12.88%, and engineering goods 16.71%. The U.S. has been the largest market for these sectors for some years now. Overall exports to the U.S. declined by 9% YoY in October.

The import surge in goods value is partly explained by the depreciating rupee but also strongly suggests the increased use of cheaper imported intermediate goods to keep finished exports competitive, rather than domestic sourcing. The detailed HS-chapter breakdown of imports by commodity and source country will elucidate this further. Meanwhile, the Centre has stepped in with export-promotion initiatives, for ₹25,060 crore over six years, and the Reserve Bank of India has announced relief measures for exporters hit by tariff headwinds. Nonetheless, it is too early to conclude that this shift is structural rather than an immediate reaction to a major external shock. Rerouting of exports, new market access and supply-chain realignment take months if not years. The record October deficit may yet prove to be a blip, particularly if the India-U.S. Bilateral Trade Agreement is concluded swiftly and tariffs are rolled back. The steep drop in Russian imports (-27.73%) and a concurrent rise in U.S. imports (13.89%), suggest an attempt to assuage American concerns of a widening trade deficit, and to reduce Russian crude inflows. Even if the overall deficit persists, despite a thaw in U.S. relations, that would only point to a structural shift in India's trade portfolio. While painful in the short term, such a shift may ultimately be desirable, as India's heavy dependence on the U.S. export market has now exposed it to both diplomatic and economic vulnerability.

KEY HIGHLIGHTS

Context of the News

- India saw a record trade deficit of $41.68 bn (Oct 2025) due to:
  - U.S. 50% tariff shock (from August).
  - Sharp fall in exports + surge in bullion imports.
- Labour-intensive exports hit; rupee weakened; hedging and portfolio outflows increased.
- Govt + RBI announced export-support measures; structural shift still unclear.

Key Points

- Exports down 11.8% YoY to $34.38 bn; U.S. exports down 9%.
- Gold imports tripled, silver up 5× → safe-haven demand.
- Rupee weakened from ₹85.6/$ → ₹88.4/$.
- Import rise driven by costlier currency + cheaper foreign intermediates.
- Russian imports -27.7%, U.S. imports +13.8%.
- Govt launched ₹25,060 cr export-promotion package; RBI gave tariff relief steps.
- India–U.S. trade talks may soften tariff pressures.

Static Linkages

- Trade deficit → Current Account Deficit.
- Currency depreciation & J-curve effect.
- Gold imports and CAD relationship (Eco Survey).
- WTO principles on tariffs and market access.
- Labour-intensive sectors and employment link.

Critical Analysis

Pros:

- Encourages export diversification.
- May strengthen India–U.S. ties.
- Intermediates help maintain export competitiveness.

Cons:

- Higher CAD, rupee pressure, imported inflation.
- Labour-intensive job losses.
- Dependence on U.S. exposes India to external shocks.
- Rising intermediate imports weaken domestic value chains.

Way Forward

- Fast-track India–U.S. trade deal.
- Boost domestic supply chains & reduce import reliance.
- Diversify export markets (EU, ASEAN, Africa).
- Strengthen export credit, MSME capacity.
- Broaden rupee settlement mechanisms.

CHANAKYA IAS ACADEMY

Bad tidings

The problems with India's mines are deep and structural

Sonbhadra is a name that indicates wealth and good tidings. As a part of a region straddling Uttar Pradesh, Chhattisgarh, Bihar, Jharkhand and Madhya Pradesh – arguably India's richest in terms of mineral resources though not in human development – this district in Uttar Pradesh is also India's energy capital. It is home to some 6,000 MW of coal plant capacity – nearly half of all of Tamil Nadu's. On Saturday, a stone quarry collapsed over nearly a dozen workers in Obra in the district. The death toll is mounting even as hopes are still alive that some may have survived. The State government has ordered a three-tier probe by the district administration, the police and the mining department. An FIR has been filed against the quarry owner alleging negligence of safety protocols. But if there were indeed violations, what was the government doing? State disaster response workers reached the site from Mirzapur, making a case for their local stationing in an area that has over a dozen stone quarries and other mines such as coal along the Vindhyas-Kaimur hill range. Questions have been raised about the level of safety training of workers and them having adequate safety gear.

But the problems are deeper and structural. Opposition allegations of rampant illegal quarrying are not fanciful stuff. Stone quarries represent the lowest end of mining, and often the least safety conscious. Stone quarry contractors are often small-time operators. Ideally, micro geological studies need to be done to plan the cutting. These studies will clearly flesh out the weak joints and fracture lines on hill slopes where cutting should be avoided. The government may do broad and general geological studies at the macro level before leasing the blocks. But once contracts are given out, micro studies, say at the square kilometre level, are rarely done by the individual contractors. It is just luck that there are not many more accidents, geologists point out. Blasting design is a science that accurately assesses the size and throw of explosives needed and, therefore, at what distance the explosives should be set off. But explosive size and distance are often just rule of thumb decisions. Such open mines need to be benched – small horizontal plateaus cut along the slope of a hill. This ensures safety and decreases chances of a wholesale quarry collapse, as in Obra. Investigators will need to find out to what extent these basic measures were followed not just at the site but across the region. Ironically enough, some of the best minds and technologies are available at IIT (ISM) Dhanbad. Whether there is political will to leverage them fully in the area is the bigger question.

KEY HIGHLIGHTS

Context of the News

- A stone quarry collapsed in Obra, Sonbhadra (UP), killing and trapping workers.
- Sonbhadra is part of India's mineral-rich belt and hosts ~6,000 MW coal capacity.
- State govt ordered a three-tier probe; FIR filed for safety violations.
- Concerns over delayed disaster response, inadequate safety gear, and possible illegal quarrying.

Key Points

- Region has multiple stone and coal mines across Vindhyas–Kaimur hills.
- No local disaster response base, slowing rescue operations.
- Micro-geological surveys rarely done despite being essential.
- Unsafe blasting and lack of benching increased collapse risk.
- Contractors are small, under-regulated, and often bypass scientific norms.

Static Linkages

- MMDR Act, 1957 – State role in mining leases & regulation.
- NDMA guidelines on industrial/mining disasters.
- EIA 2006 – safety, environmental management, mine closure norms.
- Occupational Safety & Health Code, 2020 – worker safety provisions.
- Geology basics – slope stability, fracture/joint systems.

Critical Analysis

Positives

- Quick FIR and multi-level inquiry.
- Public scrutiny pushing accountability.

Challenges

- Weak monitoring after lease approval.
- Illegal mining & political–contractor nexus.
- Lack of scientific blasting and benching.
- Workers' poor training and safety compliance.
- No decentralised disaster-response setup.

Stakeholders

- Workers: unsafe, informal work.
- Govt: revenue vs safety dilemma.
- Local communities: environmental threats.
- Experts: long-ignored scientific warnings.

Way Forward

- Mandatory micro-geological mapping before mining.
- Set up local SDRF units in mining belts.
- Enforce benching, blasting norms, PPE.
- Tech-based monitoring (drones, sensors).
- Engage IIT (ISM) Dhanbad for periodic audits.
- Transparent, digital mining compliance dashboards.
- Worker insurance & social security (E-Shram, PM-SBY).

CHANAKYA IAS ACADEMY

Between US and Saudi Arabia, Israel is the elephant in the room

RAJA MANDALA

BY C RAJA MOHAN

SAUDI CROWN Prince Mohammed bin Salman's (MbS) visit to Washington this week marks an inflexion point in the evolution of US-Saudi relations and raises hopes for a radical transformation of the Middle East. Eighty years ago, Prince Mohammed's grandfather and the founder of the modern Saudi kingdom, Abdulaziz ibn Saud, met Franklin Roosevelt aboard the USS Quincy in February 1945, as the US President returned from the Yalta Conference.

Even as he sketched out the post-war political order in Europe, Roosevelt also laid the foundations of the US-Saudi partnership that became central to America's Middle East strategy and the global hydrocarbon system. Washington's assured access to Saudi oil was matched by strong American security guarantees to the House of Saud.

Roosevelt and Abdulaziz differed sharply on how to address Jewish aspirations for a homeland in Palestine. The Saudi monarch insisted that the solution must lie in Europe, not Arab lands. Yet, for eight decades, Riyadh and Washington did not allow their differences over Palestine to overwhelm a mutually advantageous strategic partnership.

The meeting between MbS and President Trump this week is about rebooting that partnership through a new and far-reaching grand bargain. The agenda goes well beyond oil to focus on building a broad-based economic and technological relationship, strengthening bilateral security cooperation, and reordering the Middle East.

For MbS, the visit is also about securing valuable American support for his own looming succession. King Salman, now 89, is frail and has long delegated day-to-day governance to his son. Saudi successions have rarely been straightforward. This one is especially delicate: King Salman broke with the traditional practice of passing the throne horizontally among the sons of Abdulaziz and instead concentrated power vertically in the hands of his own son.

MbS has sidelined most potential rivals within the royal family, but he must still ensure that nothing disrupts the establishment of a durable "Salman line" within the House of Saud. American endorsement could be critical.

Equally important for MbS is strong US backing for his sweeping Vision 2030 agenda. At the heart of his ambition is the transformation of Saudi Arabia from an extractive state into a diversified, globally competitive economy and a more open society.

MbS is driving an unprecedented restructuring — building new industries in technology, tourism, entertainment, logistics, and green energy; opening social space long policed by conservative clergy; empowering women; promoting "moderate Islam", and constructing giga-projects like the NEOM city. Critics point to his coercive methods and curbing of dissent; supporters see the long-overdue drive towards modernisation.

In a turbulent region, MbS also seeks solid security assurances from Washington. With the US Senate opposed to a formal defence treaty, Riyadh is pursuing an intergovernmental agreement with the Trump administration. Saudi Arabia wants access to advanced weapons systems — including the F-35 — greater technology transfer, and a pathway to building domestic defence-industrial capabilities.

Civil nuclear cooperation is another priority. Atomic accord with America is not just about diversifying the kingdom's energy sources, but also a symbolic parity with regional rival Iran that has built a vast nuclear programme.

Artificial intelligence is central to MbS's vision of a post-oil future. He wants to make Saudi Arabia a global AI hub by investing in massive data-centre capacity, attracting leading US AI firms, funding frontier research, and embedding AI across government, defence, health, and logistics.

MbS also wants Washington to acknowledge Saudi Arabia's new self-image as a rising regional and global actor. He has shed the famously passive Saudi foreign policy of the past and is determined to step out as a consequential player in the Middle East and beyond.

For the US, Saudi Arabia remains an indispensable partner. Washington needs Riyadh's cooperation in stabilising the Middle East and retaining US primacy. More immediately, Trump wants Saudi recognition of Israel and the expansion of the Abraham Accords.

Obstacles, though, abound. Riyadh insists on a "credible pathway" to Palestinian statehood as a precondition. While the bar MbS has set is low, Prime Minister Benjamin Netanyahu faces intense pressure from his far-right coalition partners to avoid any gesture toward Palestinian statehood. Trump, meanwhile, is pressing Netanyahu to show some flexibility.

A Saudi-Israel normalisation and expanded Abraham Accords could herald a different political architecture for the Middle East

This week also brought a significant diplomatic boost for Washington. The UN Security Council's November 17 resolution on Gaza essentially endorses the US-drafted plan for ending the conflict through international oversight, humanitarian stabilisation, and a phased political transition. It calls for a powerful International Stabilisation Force — made up largely of peacekeepers from Muslim states.

A new "Board of Peace" will serve as Gaza's interim administration, with authority eventually transferable to a reformed Palestinian Authority. The resolution gestures toward a "credible pathway" to Palestinian self-determination, signalling future statehood without offering immediate guarantees. The resolution passed with Russia and China abstaining is a clear sign that Trump is having his way in the Middle East, at least for now.

A Saudi-Israel normalisation and expanded Abraham Accords could herald a different political architecture for the Middle East. India, which has good relations with both Israel and Saudi Arabia and is a strong supporter of the Abraham Accords, can only benefit from the normalisation of ties between Tel Aviv and Riyadh and participation in a new era of peace and prosperity in the Middle East.

Yet Israel's reluctance to concede even minimally on Palestinian statehood, and the resistance of its supporters in Washington to any American grand bargain with MbS, means expectations of a dramatic breakthrough must be tempered.

The writer is contributing editor on international affairs for The Indian Express and a distinguished professor at the Motwani-Jadeja Institute of American Studies, Jindal Global University, Delhi

KEY HIGHLIGHTS

Context of the News

- MbS's visit to Washington signals a major reset in US–Saudi ties.
- Focus on a new strategic bargain: defence pact, nuclear cooperation, AI, technology, and Saudi–Israel normalisation.
- Comes after a new UNSC Gaza resolution and push to expand Abraham Accords.
- MbS seeks US support for succession and Vision 2030.

Key Points

- US–Saudi ties rooted in the 1945 FDR–King Abdulaziz oil-security pact.
- New agenda:
  - US defence agreement + access to F-35s.
  - Civil nuclear deal for energy diversification and Iran parity.
  - Collaboration in AI, data centres, and defence-tech.
- US goal: Saudi recognition of Israel & Middle East stabilisation.
- UNSC Nov 17 resolution:
  - Plan for Gaza stabilisation force of Muslim countries.
  - "Credible pathway" for Palestinian self-determination.
- Main hurdle: Israeli domestic opposition to concessions.

Static Linkages

- India's energy security reliant on Gulf crude.
- Abraham Accords (2020) – US-facilitated normalisation with Israel.
- Civil nuclear cooperation guided by IAEA safeguards & 123 Agreements.
- US defence transfers regulated by ITAR.
- Gulf reshaping affects India's diaspora & remittances.

Critical Analysis

Pros

- Potential for stable regional order.
- Boost to Saudi economic diversification.
- Strengthens anti-Iran balance.
- Enhances global energy and tech cooperation.

Cons

- Israeli coalition's resistance to concessions.
- US Congressional hesitation on defence pact.
- Risk of nuclear competition in region.
- Human rights concerns in Saudi Arabia.

Stakeholders

- US: Maintain influence, expand Abraham Accords.
- Saudi: Security guarantees, tech access, Vision 2030.
- Israel: Wants ties but resists statehood concessions.
- India: Gains in energy, trade, IMEC corridor.

Way Forward

- Create realistic roadmap for Palestinian statehood.
- Ensure nuclear cooperation under strict IAEA oversight.
- Build inclusive regional security frameworks.
- Strengthen India–Saudi cooperation in clean energy & tech.

CHANAKYA IAS ACADEMY

Madvi Hidma's death leaves Maoist rank-and-file rudderless

MP NATHANAEL

WITH THE killing of the most-wanted Maoist leader, Madvi Hidma, in operations launched by the anti-Naxal Greyhounds of the Telangana Police at Maredumilli forest in Alluri Sitarama Raju district, the nation heaves a sigh of relief. After decades of suffering, the Maoist menace is nearing its end. While there are still four months before we reach the March 31, 2026, deadline set by Home Minister Amit Shah, we will hopefully start the new year without the burden of Maoism.

The surrender of 258 Maoists, including some of its top leaders at Gadchiroli and Jagdalpur in mid-October, has had a cascading effect, with many Maoists coming forward and laying down arms to join the mainstream. The trend of mass surrenders and killing of several Maoists including their top leaders and arrest of many more in back-to-back operations launched by the Central Reserve Police Force (CRPF) Battalions, the Commando Battalion for Resolute Action (COBRA), Border Security Force, Indo-Tibetan Border Police, Chhattisgarh police and its District Reserve Guards, point towards the debilitating impact on the Maoist leadership. With Hidma's death, the Maoist ranks are rudderless. They have two options: Surrendering or getting killed in operations.

Hidma, born in Puvarti village of Sukma in 1981, had spread a reign of terror in the Bastar division by leading attacks on the security forces. He won the confidence of the Maoist rank and file with his strategic planning and leadership. His intelligence network helped him evade the dragnet of security forces while inflicting heavy casualties on them. His young age and enthusiasm, coupled with a high degree of personal discipline, catapulted him to command the People's Liberation Guerrilla Army. Soon, he joined the Central Committee, which was then dominated by leaders from Telangana and Andhra Pradesh.

However, in 2024, the penetration of the security forces into Abhujhmad became his Waterloo. Displaced from Abhujhmad, he had to seek shelter in the forests of the Karregutta hills at the Chhattisgarh-Telangana border. Again, a massive operation, resulting in the death of 31 Maoists, reportedly forced him out of the caves. He escaped to neighbouring Telangana. The Greyhounds got wind of his presence. Operations were launched to nab him, and finally, he was killed in the encounter.

With the last of the top leaders eliminated, many of the remaining Maoists might surrender and join the Rehabilitation to Rejuvenation programme initiated by the Chhattisgarh Chief Minister Vishnu Deo Sai. Cafeterias have been opened where the surrendered Maoists are employed after being trained by the government. They could also join the police forces, start businesses, for which the government is providing them with skill training.

Today, CRPF personnel have reasons to exult over the near-end of Maoists, as a large number of personnel have laid down their lives combating Maoists, particularly in Chhattisgarh.

The writer is Inspector General of Police (Retd), CRPF

Hidma, born in Puvarti village of Sukma in 1981, had spread a reign of terror in the Bastar division by leading attacks on the security forces. He won the confidence of the Maoist rank and file with his strategic planning and leadership

KEY HIGHLIGHTS

CONTEXT OF THE NEWS

- Telangana's Greyhounds killed top Maoist leader Hidma in Alluri Sitarama Raju district.
- Major boost toward the Union Home Ministry's goal of ending LWE by March 2026.
- Recent mass surrenders (258 cadres) in Gadchiroli & Jagdalpur show weakening Maoist structure.
- Joint operations by CRPF, COBRA, BSF, ITBP, State Police have severely disrupted leadership.
- Chhattisgarh's Rehabilitation to Rejuvenation programme is absorbing surrendered cadres.

KEY POINTS

- Hidma, PLGA commander and Central Committee member, led major attacks for decades.
- Security forces' deeper operations in Abhujhmad forced his displacement.
- A major operation killing 31 Maoists in 2024 weakened his network.
- With leadership collapse, more cadres likely to surrender.
- Rehabilitation includes skill training, cafeteria jobs, and induction into police forces.

STATIC LINKAGES

- Fifth Schedule tribal governance and administrative gaps in LWE belts.
- Forest Rights Act 2006 implementation challenges.
- Role of CRPF as the lead counter-insurgency force.
- Security–development strategy from Expert Group Report (2008).
- Police Modernisation and intelligence coordination through MAC/SMAC.

CRITICAL ANALYSIS

Pros

- Major weakening of Maoist hierarchy.
- Better Centre–State coordination.
- Faster progress of roads, telecom, banking in LWE zones.

Challenges

- Risk of splinter groups.
- Persistent tribal grievances: land, displacement, lack of services.
- Need to balance force with community trust.
- Forest terrain still offers insurgent mobility.

WAY FORWARD

- Accelerate development & tribal rights implementation (FRA, PESA).
- Strengthen Gram Sabhas and district administration.
- Enhance rehab incentives and long-term livelihood support.
- Use drones, mapping tech, and sustained police presence.

CHANAKYA IAS ACADEMY

A Gaza resolution cannot exclude Israel

AFTER THE US-brokered ceasefire took effect in Gaza on October 10, ending the two-year-long war between Israel and Hamas, one of the main points of contention has been the prospect of an independent Palestinian state. Momentum gathered when, at its 80th session, the UN General Assembly on September 12 endorsed a declaration calling for "tangible, time-bound, and irreversible steps" towards a two-state solution. At the time, the US voted against it. On Monday, the UN Security Council, in a 13-0 vote, approved US President Donald Trump's plan for Gaza, which incorporates his 20-point proposal and envisions a "Board of Peace". The resolution is noteworthy for several reasons.

First, UNSC resolutions are legally binding under international law. Second, it places the US — isolated at the UN on the Palestine question until now — at the centre of the post-war process. Third, it outlines a framework for an armed International Stabilisation Force (ISF) in Gaza and the creation of a governing authority that is neither Israel nor the Palestinian Authority (PA), one that would operate without Israeli approval, which would be a clear break from the past. Finally, the resolution notes that, contingent on the reform of the PA and Gaza's reconstruction, conditions "may finally be in place for a credible pathway to Palestinian self-determination and statehood". That an administration in Washington has invoked the phrase "Palestinian self-determination and statehood" is a significant step towards the ultimate goal: Securing the sovereignty of the Palestinian people and security for the region.

Israel and Hamas have already objected to the resolution. The latter has rejected what it calls an "international guardianship mechanism" and has refused to disarm (a key component of the ISF mandate). Meanwhile, the far-right members of Israeli PM Benjamin Netanyahu's coalition have lashed out, prompting him to backtrack: "Our opposition to a Palestinian state on any territory has not changed" — a clear point of divergence with the resolution drafted by Israel's principal ally. The US and Arab states must work together to implement the resolution for Gaza's beleaguered people, but if Israel and Hamas refuse to cooperate, then Trump's peace plan will not move forward.

KEY HIGHLIGHTS

Context

- A US-brokered ceasefire between Israel and Hamas took effect in Gaza.
- UNSC (13–0 vote) approved the US President's 20-point Gaza plan, creating a "Board of Peace".
- Resolution proposes an International Stabilisation Force (ISF) and a new governing authority for Gaza.
- Mentions a possible pathway to Palestinian self-determination and statehood.
- Israel and Hamas have opposed key elements of the plan.

Key Points

- UNSC resolutions are binding under international law (UN Charter Art. 25).
- US shifts from isolation to central role in post-war governance.
- ISF to secure Gaza during transition; Hamas rejects disarmament.
- New Gaza authority to operate without Israeli approval.
- Israel reiterates no Palestinian state position; Arab states back reconstruction roadmap.

Static Linkages

- UNGA resolutions = non-binding; UNSC = binding.
- Statehood criteria: Montevideo Convention (territory, population, government, external relations).
- Past frameworks: Oslo Accords, Arab Peace Initiative, Abraham Accords.
- Stabilisation Forces vs Peacekeeping: former may work in coercive environments.

Critical Analysis

Pros

- First US-backed reference to Palestinian statehood in years.
- Creates an internationally supervised pathway for security + reconstruction.
- ISF may reduce militant influence and stabilise the region.

Concerns

- Israel's open rejection stalls political progress.
- Hamas refuses disarmament → undermines ISF mandate.
- New governing authority may face legitimacy crisis among Palestinians.
- Regional actors (e.g., Iran-backed groups) may escalate tensions.

Way Forward

- Ensure inclusive Palestinian representation.
- Set clear timelines for reconstruction & reforms.
- Establish monitored disarmament roadmap.
- Strengthen humanitarian access and ceasefire mechanisms.
- Create a secure, transparent Gaza Reconstruction Fund.

How base effect, bullion price shaped CPI inflation

India's retail inflation rate fell to a record low 0.25% in October. But there are several moving parts under the headline number

Siddharth Upasani
New Delhi, November 18

INDIA'S HEADLINE inflation rate, as measured by the Consumer Price Index (CPI), has been below the Reserve Bank of India's (RBI) medium-term target of 4 per cent for nine months in a row and fell to a record low of just 0.25 per cent in October.

Whether this will lead to the RBI's Monetary Policy Committee (MPC) cutting the policy repo rate further in December 2025 or February 2026 will depend a lot on how India's interest rate-setters interpret the underlying inflation data.

That is because there is plenty that explains how inflation has fallen so low and could have been even lower.

First, there is the impact of the Goods and Services Tax (GST) cuts that came into effect on September 22. Economists estimate that companies have yet to pass on the full benefit of the tax cut to consumers, and this will be reflected in the inflation data for November, which will be released on December 12.

Then there is the base effect, which was highly favourable not just in October but has been for much of 2025. But just how favourable has the base been for CPI inflation?

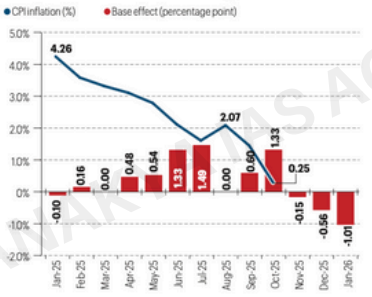
Base impact

According to calculations by *The Indian Express*, the favourable base effect in October was 133 bps — the joint second-strongest in 15 months. This means that headline retail inflation was 133 bps lower last month compared with September, only because of how consumer prices moved in October 2024— and they had moved up very sharply.

Inflation is the percentage change in prices in a month compared with the same month last year. As such, the year-ago price is the denominator to calculate prices this year. If the prices last year were high, then that means the denominator is high, which exerts a downward force on the inflation rate this year.

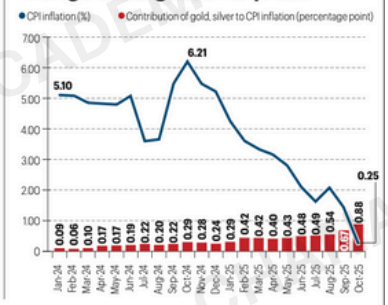
In other words, if consumer prices in October had not changed at all from their September levels — they rose 0.15 per cent month-on-month — the favourable base effect would have dragged down CPI inflation even lower to 0.1 per cent.

•How base effect is driving CPI inflation*



*NOTE: BASE EFFECT ABOVE ZERO IS FAVOURABLE, BELOW ZERO IS UNFAVOURABLE

•Rising share of gold, silver prices



SOURCE: MOSPI, THE INDIAN EXPRESS CALCULATIONS

The opposite holds true when prices are either stable or declining in the year-ago period: the base effect is unfavourable and exerts upward pressure on the inflation rate. And the base effect is going to be rather unfavourable in the coming months and will peak in January 2026 before turning somewhat favourable again in mid-2026. This is why the RBI sees average CPI inflation rising to 4.5 per cent in April-June 2026 from 1.7 per cent in July-September 2025.

But this is the overall base effect — and the overall effect depends heavily on the base effect of the food index, which makes up 39 per cent of the CPI. For the Consumer Food Price Index, the favourable base effect was an even larger 256 bps in October. This helped pull down retail food inflation to a record low of (-)5.02 per cent. With the food base effect turning unfavourable starting in November, food inflation should start moving up.

Should we exclude bullion?

Currently, CPI inflation is calculated by looking at price changes for 299 items; two of these items are gold and silver. Why? Because the consumption basket of households, which is what the CPI reflects, includes gold and silver. So, if gold and silver prices rise or fall, they influence the headline number.

Key Points

Inflation is the percentage change in prices in a month compared with the same month last year.

•

If the prices last year were high, then that means the denominator is high, which exerts a downward force on the inflation rate this year.

But it takes wild swings in the price of one or two items for them to exert control over the headline inflation number because any item makes up only a small portion of the CPI. Gold and silver, for instance, together make up just 1.19 per cent of the entire CPI.

The problem, of course, is that gold and silver prices have risen astronomically in recent times.

In fact, CPI inflation for both gold and silver has been in double digits for each of the last 20 months, over which period it has averaged 29 per cent and 25 per cent, respectively. In October, retail gold prices surged 57.83 per cent and those of silver 62.36 per cent.

But should monetary policy really be bothered with gold and silver inflation? What happens to the headline retail inflation rate when you exclude these two items from the CPI? According to calculations by *The Indian Express*, CPI inflation in October would have been in negative territory: (-)0.63 per cent, to be precise.

What does all this mean for the RBI and the MPC, which is scheduled to meet on December 3-5? One, the base effect has been favourable so far, but will now turn negative, leading to a rise in inflation. Two, inflation would be even lower if not for the global rise in gold and silver prices.

At the same time, the GST rate cuts have and are still reducing prices and inflation. However, price cuts may not last for too long. According to economists at QuantEco Research, price cuts are already being withdrawn partially on online portals such as Amazon.

"For a list of products short-listed, the median price reduction post GST cut was 16.4 per cent. Of this, nearly 6.3 per cent has been reversed so far — pronounced for medium and low prices items," they said in a note last week. Tellingly, they added that these partial price reversals in the online sphere "could get replicated in offline sales too, given competitive pricing".

KEY HIGHLIGHTS

Context of the News

- CPI inflation has stayed below RBI's 4% target for 9 months, dropping to 0.25% in Oct 2025.
- Driven by GST cuts (22 Sept 2025), strong base effects, and –5.02% food inflation.
- Base effects turn unfavourable from Nov, peaking Jan 2026 → inflation to rise.
- Debate over repo rate cut in upcoming MPC meets.
- Bullion inflation distorting CPI: Gold +57.83%, Silver +62.36%.

Key Points

- Oct inflation extremely low due to 133 bps favourable base effect.
- Food base effect high (256 bps), pulling food inflation negative.
- Removing gold & silver → CPI becomes –0.63%.
- GST cuts not fully passed on; more disinflation likely in Nov.
- 6.3% of GST-related price cuts reversed online.

Static Linkages

- CPI = Laspeyres index, released by NSO.
- Inflation targeting: 4% ± 2% under Monetary Policy Framework.
- Food weight in CPI: ~39%.
- MPC: 6 members, decides repo rate.

Critical Analysis

Pros

- Supports purchasing power & consumption.
- Provides room for accommodative policy.
- GST cuts temporarily stabilise prices.

Cons

- Disinflation is mostly statistical, not structural.
- Food inflation likely to rebound.
- Bullion-led distortions complicate policy signalling.
- Partial reversal of GST cuts reduces disinflation gains.

Stakeholder View

- RBI: Must look beyond headline CPI; consider core and expectations.
- Govt: Gains politically but risks revenue loss.
- Consumers: Benefit now; vulnerable later.

Way Forward

- Focus on core inflation for policy decisions.
- Improve GST pass-through compliance.
- Update CPI weights using fresh consumer survey.
- Strengthen food supply chains to curb volatility.
- Avoid premature rate cuts before base normalises.