

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

# Week 112

## QUESTION 1

With reference to India's agricultural trade, consider the following statements:

1. India's agriculture exports decreased in 2024-25 from the preceding fiscal year ended March 2024.
2. India agricultural imports have increased in 2024-25 over 2023-24.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## QUESTION 2

Food and fuel inflation are largely driven by:

1. Rainfall
2. Temperature
3. Production policies of major petroleum exporting nations
4. Weather-related phenomena affecting crop output.

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 1, 2 and 4 only
- (c) 3 and 4 only
- (d) 1, 2, 3 and 4

### QUESTION 3

Consider the following statements:

1. The credit-to-deposit ratio of scheduled commercial banks (SCBs) marginally decreased during 2024-25.
2. The gap between credit and deposit growth narrowed, with banks continuing to increase their term deposit rates to mobilise deposits to bridge the funding gap.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## QUESTION 4

With reference to the Carbon Border Adjustment Mechanism (CBAM), consider the following statements:

1. It seeks to put a tariff of up to 85 per cent on carbon intensive products such as iron, steel and aluminium.
2. It was first proposed by the World Trade Organisation.

Which of the statements given above are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## QUESTION 5

Which of the following oilseeds are covered under the minimum support prices (MSP)?

1. Niger
2. Groundnut
3. Sunflower
4. Soyabean

Select the correct answer using the codes given below:

- (a) 2 and 3 only
- (b) 2, 3 and 4
- (c) 1, 2, 3 and 4
- (d) 3 and 4 only

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## Answers and Explanations

## QUESTION 1

With reference to India's agricultural trade, consider the following statements:

1. India's agriculture exports decreased in 2024-25 from the preceding fiscal year ended March 2024.
2. India agricultural imports have increased in 2024-25 over 2023-24.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## 1.Explanation

- ✓ India's agricultural exports increased 6.4% to \$51.9 billion in 2024-25, up from \$48.8 billion in the previous fiscal year, which ended March 2024. This was in contrast to the nearly flat 0.1% increase in the value of its overall goods exports, from \$437.1 billion in 2023-24 to \$437.4 billion in 2024-25. Hence, statement 1 is not correct.
- ✓ However, the value of imports was far higher. While total merchandise imports increased by 6.2% between 2023-24 and 2024-24 (from \$678.2 billion to \$720.2 billion), agriculture imports increased by 17.2%. Hence, statement 2 is correct.
- ✓ All of this comes as India is negotiating trade agreements with the United States and the European Union, both of which want tariff reductions and increased market access for their agricultural exports.
- ✓ Therefore, option (b) is the correct answer.

## QUESTION 2

Food and fuel inflation are largely driven by:

1. Rainfall
2. Temperature
3. Production policies of major petroleum exporting nations
4. Weather-related phenomena affecting crop output.

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 1, 2 and 4 only
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- (d) 1, 2, 3 and 4

## 2.Explanation

- ✓ Between February 8, 2023 and February 6, 2025, the Reserve Bank of India (RBI) kept its key short-term 'repo' lending rate for banks unchanged at 6.5%.
- ✓ During the roughly two-year period (February 2023 to January 2025), inflation based on the official consumer price index (CPI) averaged 5.2% year on year. The consumer food price index (CFPI) rose even higher, to 7.6%.
- ✓ At the same time, the so-called core inflation rate, which removes food and fuel goods from the CPI when calculating yearly price increases, was only 4.1%. Many cited the comparatively low 'core' inflation as sufficient rationale for the RBI's monetary policy council to lower interest rates.
- ✓ Food and fuel inflation is primarily driven by supply-side factors such as rainfall, temperature, and other weather-related phenomena affecting food output, as well as geopolitical developments and production policies in key petroleum exporting countries.
- ✓ Therefore, option (d) is the correct answer.

### QUESTION 3

Consider the following statements:

1. The credit-to-deposit ratio of scheduled commercial banks (SCBs) marginally decreased during 2024-25.
2. The gap between credit and deposit growth narrowed, with banks continuing to increase their term deposit rates to mobilise deposits to bridge the funding gap.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

### 3.Explanation

- ✓ During the year 2024-25, the credit-to-deposit ratio of scheduled commercial banks (SCBs) grew modestly as bank credit growth exceeded deposit growth. Hence, statement 1 is not correct.
- ✓ However, the credit-to-deposit growth ratio has reduced, with banks continuing to raise term deposit rates in order to mobilise deposits and bridge the funding gap. Hence, statement 2 is correct.
- ✓ SCBs saw further improvement in asset quality, as seen by lower gross NPA (GNPA) and net NPA (NNPA) ratios, as well as a continuing fall in the slippage ratio. The provision coverage ratio (PCR) and profitability metrics, such as return on asset (ROA) and return on equity (ROE), were strong, although the net interest margin (NIM) weakened.
- ✓ Therefore, option (b) is the correct answer.

## QUESTION 4

With reference to the Carbon Border Adjustment Mechanism (CBAM), consider the following statements:

1. It seeks to put a tariff of up to 85 per cent on carbon intensive products such as iron, steel and aluminium.
2. It was first proposed by the World Trade Organisation.

Which of the statements given above are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

## 4.Explanation

- ✓ India's goods exports worth at least \$775 million to the UK continue to face the risk of higher duties under its Carbon Border Adjustment Mechanism (CBAM) despite the conclusion of a Free Trade Agreement (FTA) earlier this month.
- ✓ CBAM, a policy first proposed by the European Union and later adopted by the United Kingdom, attempts to impose a 35 per cent tax on carbon-intensive items such as iron, steel, and aluminium. Hence, statements 1 and 2 are not correct.
- ✓ During discussions, India sought to win an exception for MSMEs from the CBAM policy after exporters informed the Ministry of Commerce and Industry that they were unable to meet the policy's stringent data requirements. Exporters were also concerned that complying with the carbon tax would compromise manufacturers' confidential trade data.
- ✓ The UK official confirmed that CBAM was not included in the India-UK FTA, stating that these types of measures are typically not included in such agreements.

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- ✓ Arguing that CBAM is not WTO-compliant, India had also proposed a 'rebalancing mechanism' which would require UK to compensate Indian industries for losses incurred due to the policy.
- ✓ Therefore, option (d) is the correct answer.

## QUESTION 5

Which of the following oilseeds are covered under the minimum support prices (MSP)?

1. Niger
2. Groundnut
3. Sunflower
4. Soyabean

Select the correct answer using the codes given below:

- (a) 2 and 3 only
- (b) 2, 3 and 4
- (c) 1, 2, 3 and 4
- (d) 3 and 4 only

## 5.Explanation

- ✓ The Centre announced minimum support prices (MSP) for 14 crops for the 2025-26 Kharif Marketing Season (KMS), with moong seeing the lowest and ragi the highest increase.
- ✓ In recent years, the government has promoted millet crops such as ragi and jowar, declaring them as Shree Anna. Ragi accounts for only 0.51 percent of the country's gross cropped area and is primarily farmed in Karnataka, Tamil Nadu, and Maharashtra. Maharashtra, Karnataka, Rajasthan, Tamil Nadu, and Uttar Pradesh are the major jowar-producing states.
- ✓ Among oilseeds, the MSP for niger seed has been established at Rs 9,537 per quintal, 9.41% more than the previous season, and soyabean (yellow) at Rs 5,328 per quintal, 8.91% higher. The MSP for groundnut and sunflower seeds has increased by 7% and 6%, respectively.
- ✓ Therefore, option (c) is the correct answer.