

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

# Week 106

## QUESTION 1

With reference to the Rare Earth Elements, consider the following statements:

1. These are crucial for manufacturing high-value goods in defence and clean energy.
2. The United States dominated rare earth elements, supplying 85 to 95 per cent of the world's demand.
3. Gadolinium (Gd) and holmium (Ho) are considered Rare Earth Elements.

Which of the statements given above are correct?

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

## QUESTION 2

With reference to the domestic digital payment transactions, consider the following statements:

1. Digital payments in India grew with a year-on-year (YoY) transactional volume growth of 42 per cent in FY 2023–24.
2. While UPI dominates small and mid-value transactions, credit cards and EMIs are increasingly used for big-ticket purchases.
3. More than half of all domestic digital payment transactions in 2024 were credit-driven.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

### QUESTION 3

India is exploring faster trade deals in the form of an 'early harvest' trade agreement with:

- (a) United Kingdom
- (b) World Trade Organisation
- (c) Australia
- (d) European Union

## QUESTION 4

With reference to India's exports in 2024-25, consider the following statements:

1. India's goods exports remained almost flat during FY 2024-25.
2. India maintained a healthy surplus in services trade during FY 2024-25.

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 5

With reference to the bear market, consider the following statements:

1. A bear market is when a stock index increases at least 20% from its last low.
2. A bear market is similar to a market correction.
3. A bear market takes place when investors are more motivated to sell than to buy stocks.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

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## Answers and Explanations

## QUESTION 1

With reference to the Rare Earth Elements, consider the following statements:

1. These are crucial for manufacturing high-value goods in defence and clean energy.
2. The United States dominated rare earth elements, supplying 85 to 95 per cent of the world's demand.
3. Gadolinium (Gd) and holmium (Ho) are considered Rare Earth Elements.

Which of the statements given above are correct?

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

## 1.Explanation

- ✓ China placed limitations on the export of seven “rare earths” on April 4, shortly after US President Donald Trump imposed tariffs on the majority of the country’s trading partners earlier this month.
- ✓ These components are critical for producing high-value goods, such as defence and clean energy, as well as common items like cellphones and electronic displays. Hence, statement 1 is correct.
- ✓ Since the 1990s, China has had unmatched supremacy in rare earths, delivering 85 to 95 percent of global demand. Hence, statement 2 is not correct.
- ✓ Rare Earth Elements or Rare Earth Metals are a set of 17 chemical elements in the periodic table — cerium (Ce), dysprosium (Dy), erbium (Er), europium (Eu), gadolinium (Gd), holmium (Ho), lanthanum (La), lutetium (Lu), neodymium (Nd), praseodymium (Pr), promethium (Pm), samarium (Sm), scandium (Sc), terbium (Tb), thulium (Tm), ytterbium (Yb), and yttrium (Y). All have similar chemical properties and appear silver-coloured. Hence,

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- ✓ statement 3 is correct.
- ✓ REEs are used to create electric vehicles and wind turbines as part of the “clean energy” movement, but their mining process causes severe environmental damage. Rare earth ores, for example, contain arsenic and cadmium, which are permitted to circulate freely during the refining process. These elements can endanger human health and contaminate water supplies.
- ✓ Therefore, option (c) is the correct answer.

## QUESTION 2

With reference to the domestic digital payment transactions, consider the following statements:

1. Digital payments in India grew with a year-on-year (YoY) transactional volume growth of 42 per cent in FY 2023–24.
2. While UPI dominates small and mid-value transactions, credit cards and EMIs are increasingly used for big-ticket purchases.
3. More than half of all domestic digital payment transactions in 2024 were credit-driven.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None



## 2.Explanation

- ✓ According to a survey analysing transaction data from over 20,000 merchants, nearly one-third of all domestic digital payment transactions in 2024 will be credit-driven, aided by credit cards or interest-bearing EMIs (equated monthly payments). Hence, statement 3 is not correct.
- ✓ UPI has transformed digital payments, accounting for 65% of total transactions. While UPI dominates small and mid-value transactions, credit cards and EMIs are becoming more popular for large-ticket purchases, with education, healthcare, and auto ancillary sectors experiencing significant rise in digital credit use, according to the survey. Hence, statement 2 is correct.
- ✓ Digital payments in India continue to increase, with a year-on-year (YoY) transactional volume growth of 42% in FY 2023-24, which is expected to triple in FY 2028-29. Hence, statement 1 is correct.



- ✓ India's digital payments revolution is changing financial possibilities, allowing customers to spend wisely, plan better, and dream greater. As UPI and flexible financing choices become more widely available, individuals that properly use these tools to support inclusive growth and financial resilience will benefit in the future.
- ✓ Therefore, option (b) is the correct answer.

### QUESTION 3

India is exploring faster trade deals in the form of an 'early harvest' trade agreement with:

- (a) United Kingdom
- (b) World Trade Organisation
- (c) Australia
- (d) European Union

### 3.Explanation

- ✓ With trade tensions causing an urgency for trade diversification, India is looking into speedier trade arrangements, such as an 'early harvest' trade agreement with the European Union that focusses on fundamental trade concerns.
- ✓ In trade terminology, an early harvest agreement between two trading partners assists governments in identifying specific products for tariff liberalisation while Free Trade Agreement (FTA) negotiations are ongoing. India had already signed a similar early harvest or mini-trade agreement with Australia, and it is currently negotiating a broader trade agreement.
- ✓ Therefore, option (d) is the correct answer.

## QUESTION 4

With reference to India's exports in 2024-25, consider the following statements:

1. India's goods exports remained almost flat during FY 2024-25.
2. India maintained a healthy surplus in services trade during FY 2024-25.

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

## 4.Explanation

- ✓ Concerns over reciprocal duties beginning on April 2 appear to have led to a front-loading of shipments in March, with total exports to the US reaching an all-time high of \$86.51 billion in 2024-25.
- ✓ According to provisional trade data issued by the Commerce Ministry, imports from China increased to a record high of \$113.45 billion in the previous fiscal year.
- ✓ In March alone, Indian exporters exported goods worth more than \$10 billion to the United States, a 35% increase over March of the previous year. Overall, goods exports stayed steady.
- ✓ The report showed that goods exports were flat at \$437.42 billion in FY25, compared to \$437.07 billion the previous year. Hence, statement 1 is correct.
- ✓ In contrast, services exports increased by 12.45%, hitting \$383.51 billion from \$341.06 billion in the previous fiscal year. India maintained a solid services trade surplus in FY25, with imports at \$195.95 billion. Hence, statement 2 is correct.
- ✓ Therefore, option (c) is the correct answer.

## QUESTION 5

With reference to the bear market, consider the following statements:

1. A bear market is when a stock index increases at least 20% from its last low.
2. A bear market is similar to a market correction.
3. A bear market takes place when investors are more motivated to sell than to buy stocks.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

## 5.Explanation

- ✓ Global stock markets continued to fall as US President Donald Trump showed no indications of backing down from the massive tariffs he promised.
- ✓ A bear market occurs when a stock index falls at least 20% from its previous peak level. There is nothing official regarding the decision. The term is simply a shortened method of expressing that the stock index has dropped. Hence, statement 1 is not correct.
- ✓ A bear market is the inverse of a bull market, which occurs when a stock index rises at least 20% from its previous low.
- ✓ A bear market differs from a market correction, which occurs when there is a 10% or more loss. Hence, statement 2 is not correct.
- ✓ A bear market (or any form of market collapse) occurs when investors are more eager to sell than buy equities. There could be a variety of reasons for this. These include a poor or declining economy, the expectation of an economic slowdown, or investor perceptions that the market is

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- ✓ overheated and prices are excessively high. Warfare, oil supply shocks, and other non-economic events can all frighten investors, causing the market to fall. Hence, statement 3 is correct.
- ✓ Therefore, option (a) is the correct answer.