

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

Week 104

QUESTION 1

With reference to the India-Chile trade ties, consider the following statements:

1. Chile is India's largest trading partner in South America.
2. The exports from India to Chile were higher than the imports from Chile to India in 2024.
3. India majorly imports lithium from Chile.

How many of the statements given above are correct?

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

QUESTION 2

With reference to the Fully Accessible Route (FAR) bonds, consider the following statements:

1. It allows foreign investors unrestricted access to invest in these bonds with investment caps.
2. It was introduced by the RBI in 2022 to increase foreign participation in India's bond market.

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 3

With reference to the Gold Monetisation Scheme, consider the following statements:

1. It was launched in 2015.
2. The maximum period for gold to be deposited under this scheme is 20 years.
3. Recently, the government discontinued medium- and long-term deposits under the Gold Monetisation Scheme.
4. The minimum deposit allowed was 100 gm.

How many of the statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

QUESTION 4

Which of the following countries levies reciprocal tariffs on its trading partners?

- (a) France
- (b) China
- (c) Russia
- (d) United States

QUESTION 5

Consider the following statements:

1. Statement 1: India's consumption and discretionary spending have faced headwinds in recent years, with private consumption growth slowing from 11 per cent in the pre-Covid (2017–19) period to around 8 per cent post-Covid (2022–24).
2. Statement 2: This decline is driven by higher inflation and a stagnation of real wages.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement 1 and Statement 2 are correct and Statement 2 is the correct
- (b) Both Statement 1 and Statement 2 are correct and Statement 2 is not the correct
- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

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Answers and Explanations

QUESTION 1

With reference to the India-Chile trade ties, consider the following statements:

1. Chile is India's largest trading partner in South America.
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How many of the statements given above are correct?

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

1.Explanation

- ✓ India and Chile are preparing to start talks on a Comprehensive Economic Partnership Agreement (CEPA) with an emphasis on essential minerals.
- ✓ Chile, home to the world's greatest stocks of lithium and copper — crucial inputs for electric vehicle (EV) batteries — is an important player in the global critical minerals supply chain.
- ✓ Chile is India's fifth largest commercial partner in South America, with bilateral trade expected to reach \$3.8 billion in 2024, up from \$1.5 billion in 2020, according to a Ministry of External Affairs (MEA note). Hence, statement 1 is not correct.
- ✓ In 2024, India's exports reached \$1.2 billion, while Chile's imports were \$2.6 billion. Hence, statement 2 is not correct.
- ✓ Copper ores and concentrates, unprocessed copper, and copper scrap account for more than half of Chile's exports to India, with molybdenum ores and concentrates following closely behind. Because lithium-ion battery manufacturing in India is still in its infancy, it does not import lithium from Chile. Hence, statement 3 is not correct.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 2

With reference to the Fully Accessible Route (FAR) bonds, consider the following statements:

1. It allows foreign investors unrestricted access to invest in these bonds with investment caps.
2. It was introduced by the RBI in 2022 to increase foreign participation in India's bond market.

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

2.Explanation

- ✓ Despite strong selling in the Indian stock market, foreign portfolio investors (FPIs) have made considerable investments in Indian bonds, pumping about Rs 51,730 crore (roughly \$6 billion) via the Fully Accessible Route (FAR) since January of this year.
- ✓ FAR bonds are government securities that have been certified as fully accessible, allowing international investors to invest in them without investment caps. Hence, statement 1 is not correct.
- ✓ The RBI implemented this channel in March 2020 to encourage foreign participation in India's bond market. Hence, statement 2 is not correct.
- ✓ FAR was introduced to give non-residents unlimited access to certain G-secs that were previously subject to FPI constraints. While FPI bond investment was expected to surge as global firms included Indian bonds to their indices, the government and the Reserve Bank of India (RBI) acted cautiously, excluding long-term government assets with 14- and 30-year maturities from

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- ✓ FAR. The decision appears to have been made in response to speculation about more uncontrolled FPI inflows, which could lead to future uncertainties and hazards.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 3

With reference to the Gold Monetisation Scheme, consider the following statements:

1. It was launched in 2015.
2. The maximum period for gold to be deposited under this scheme is 20 years.
3. Recently, the government discontinued medium- and long-term deposits under the Gold Monetisation Scheme.
4. The minimum deposit allowed was 100 gm.

How many of the statements given above are correct?

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3.Explanation

- ✓ Following sovereign gold bonds, the Centre has closed another gold-related plan, the Gold Monetisation plan (GMS), despite a surge in gold prices. According to a notice from the Ministry of Finance, medium- and long-term deposits under the Gold Monetisation Scheme will be discontinued on March 26. Hence, statement 3 is correct.
- ✓ The Gold Monetisation Scheme was implemented in November 2015 to make idle gold productive. It allowed customers to sell or deposit their gold with banks, allowing it to enter the formal economy and reduce the country's gold imports, thus lowering the current account deficit. Hence, statement 1 is correct.
- ✓ GMS was a revamped version of an older Gold Deposit Scheme. It consisted of three components:
 - ✓ (1) Short-term bank deposit (1-3 years);
 - ✓ (2) Medium-term government deposit (5-7 years); and
 - ✓ (3) Long-term government deposit (12-15 years). Hence, statement 2 is not correct.
- ✓ The minimum deposit was 10 gm of raw gold. There was no maximum deposit under the system. Hence, statement 4 is not correct.
- ✓ Therefore, option (b) is the correct answer.



QUESTION 4

Which of the following countries levies reciprocal tariffs on its trading partners?

- (a) France
- (b) China
- (c) Russia
- (d) United States

4.Explanation

- ✓ US President Donald Trump announced a 26% reciprocal tariff on India, which is lower than the 34% imposed on China and 46% on Vietnam, both of which are major exporters to the US and key competitors in the American market.
- ✓ India's tariffs were also lower than those of other Asian neighbours, including 36% on Thailand and 32% on Indonesia—countries that have received significant investment from China and are progressively integrating with the Chinese supply chain.
- ✓ However, India's duties were greater than those placed on Japan (24%), South Korea (25%), Malaysia (24%), the European Union (20%), and the United Kingdom (10%). Notably, Trump proposed 32% tariffs on Taiwan, a major semiconductor manufacturing hub.
- ✓ Reciprocal tariffs are determined using the tariff rate required to balance bilateral trade imbalances between the United States and each of its trading partners.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 5

Consider the following statements:

1. Statement 1: India's consumption and discretionary spending have faced headwinds in recent years, with private consumption growth slowing from 11 per cent in the pre-Covid (2017–19) period to around 8 per cent post-Covid (2022–24).
2. Statement 2: This decline is driven by higher inflation and a stagnation of real wages.

Which one of the following is correct in respect of the above statements?

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- (c) Statement 1 is correct but Statement 2 is incorrect.
- (d) Statement 1 is incorrect but Statement 2 is correct.

5.Explanation

- ✓ Even though India has emerged as a key e-commerce market, with the sector growing to around \$60 billion in gross merchandise value (GMV) and boasting the world's second-largest online shopper base, growth in this segment last year was halved to 10-12 percent, compared to historical growth rates of 20 percent, according to a report by Flipkart and Bain & Company.
- ✓ India's consumption and discretionary expenditure have encountered headwinds in recent years, with private consumption growth dropping from 11% pre-Covid (2017-19) to roughly 8% post-Covid (2022-24), according to the research. Hence, statement 1 is correct.
- ✓ "This decline is caused by rising inflation and stagnant real wages. The stress in consumption is visible in e-retail growth in 2024 of 10-12 percent, compared to past growth rates of more than 20%," it stated. Hence, statement 2 is correct.
- ✓ However, recent fiscal and monetary policy initiatives are likely to generate a resurgence in e-retail growth, particularly from the festive season of 2025, as the consumption cycle recovers, according to the analysis.

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- ✓ Both Statement 1 and Statement 2 are correct and Statement 2 is the correct explanation for Statement 1.
- ✓ Therefore, option (a) is the correct answer.

