

Topics - MINDS MAPS included (Daily current affairs 18th January 2025

- Target UPSC CSE Prelims 2025
- **The Indian Navy's Strategic Response in the Gulf of Aden and Red Sea**
- **Understanding the Ceasefire Agreement**
- **Economic Growth and Challenges in India**
- **Russia-Iran Strategic Partnership**
- **Las Luminarias**
- **India's economic growth**
- **Mains**



By saurabh Pandey



Target Mains -2025/26 -

Q ESSAY TOPIC → “You only live once, but if you do it right, once is enough.”

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Q. After lying dormant for 50 years, the Cumbre Vieja volcano on La Palma island, in Spain's Canary Islands, erupted, causing the evacuation of thousands of residents. The given volcano is located in which the following Country.

(Phys.Org)

- A) Russia**
- B) Italy**
- C) Philippines**
- D) Spain**

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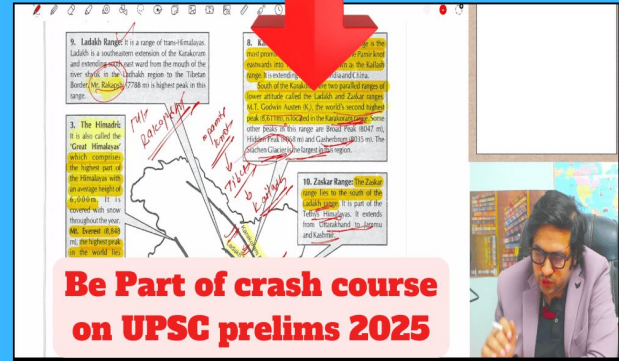
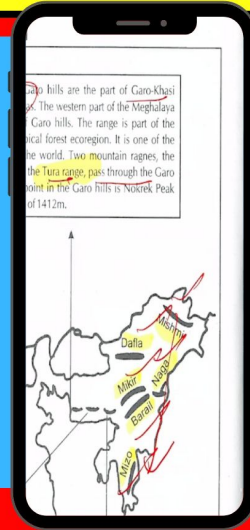
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Threats in Gulf of Aden and Red Sea could increase, says Defence Minister

The Hindu Bureau

NEW DELHI

Threats in the Gulf of Aden, Red Sea and in waters adjacent to the East African countries might increase and the Indian Navy is striving to boost its presence and keep the sea routes safe, Defence Minister Rajnath Singh said on Friday.

“India’s economic prosperity is linked to maritime security. It is, therefore, necessary to protect our territorial waters, ensure freedom of navigation, and keep sea routes, which are our maritime highways, safe,” Mr. Singh said. “In recent years, major naval powers have reduced their presence in the Indian Ocean Region, while the Indian Navy has increased it. There is a possibility of



Rajnath Singh views the display at a photo and painting exhibition organised by the Indian Navy in New Delhi on Friday. ANI

increase in threats in the Gulf of Aden, Red Sea and the sea areas adjacent to East African countries. In view of this, the Indian Navy is working towards increasing its presence further,” the Minister said, while addressing an event organised to commemorate 2024 as the ‘Year of Naval Civilians’.

Mr. Singh stressed that the military is surging forward with a big mandate and complex structure, and the civilian workforce, “soldiers without uniforms”, play a pivotal role as they work behind the scenes to provide significant strength to the troops. “In the broader perspective of national service, ev-

ery responsible civilian is a soldier without uniform and every soldier is a civilian in uniform,” he said.

In his address, Navy chief Admiral Dinesh K. Tripathi acknowledged the critical role naval civilians play in supporting the Navy’s operations by providing technical assistance, administrative management and logistics support. Their role is essential to the Navy’s combat readiness and operational success, he said.

The event began with a special photo and painting exhibition that displayed the artistic talents and achievements of naval civilians. The artwork depicted scenes of life at the workplace and various contributions of civilians in the operational support of the Navy.

Topic → Navigating Threats: The Indian Navy's Strategic Response in the Gulf of Aden and Red Sea

The Gulf of Aden and the Red Sea are increasingly becoming focal points of maritime threats that pose risks to international shipping and regional stability.

Defence Minister Rajnath Singh emphasized the importance of maritime security for India's economic prosperity, stating that the Indian Navy is poised to enhance its presence in these critical waters to ensure safety and freedom of navigation.

Current Maritime Threat Landscape

The maritime domain around the Gulf of Aden and the Red Sea is fraught with peril, including piracy, armed conflict, and geopolitical tensions.

Increased Piracy Incidents: Reports indicate a resurgence of piracy activities, especially from groups operating in the region, threatening commercial vessels.

Geopolitical Tensions: The ongoing conflict involving the Houthis and other factions in Yemen has led to hostile actions against shipping, exacerbating the security dilemma in the area.

Recent naval confrontations and threats highlight the urgency for a robust maritime strategy. The Indian Navy is thus responding proactively to these evolving challenges.



Indian Navy's Strategic Enhancements

In response to the unfolding security landscape, the Indian Navy has ramped up its operations in the Gulf of Aden and Red Sea.

Deployment of Naval Assets: The Indian Navy has stationed guided-missile destroyers in the region, enhancing its capability to respond swiftly to threats.

Collaborative Efforts: The Navy is actively engaging in joint exercises and collaboration with other naval forces, including those of the US and allied nations, to bolster maritime security.

This strategic enhancement aims to establish a formidable presence that deters piracy and ensures safe passage for commercial shipping lanes

What are the primary threats in the Gulf of Aden?

The major threats include piracy, armed conflict, and geopolitical tensions.

How is the Indian Navy increasing its presence in the region?

By deploying naval assets and engaging in collaborative exercises with other nations.

What role do naval civilians play in the Indian Navy's operations?

They provide logistical, technical, and administrative support essential for operational success.

Why is maritime security crucial for India's economy?

It ensures safe passage for trade routes vital for economic prosperity.

What recent incidents have raised concerns in the Red Sea?

Conflicts involving the Houthis and attacks on commercial shipping.

How does India collaborate with other nations for maritime security?

Through joint exercises and strategic partnerships with allied naval forces.

What strategies are being implemented to combat piracy?

Increased naval presence and international collaboration.

How does naval presence affect freedom of navigation?

A robust naval presence deters threats, ensuring secure navigation.

What is the significance of the Year of Naval Civilians?

It acknowledges the critical contributions of civilian roles in supporting naval operations.

How can civilians contribute to national service?

By providing essential services and support that strengthen military capabilities.

The multiple layers of the Gaza ceasefire

Just days before the swearing-in of United States President-elect Donald Trump, and a few hours before outgoing President Joe Biden gave his final address to the American people on January 15, 2025, Israel and Hamas announced that the long-elusive ceasefire agreement over Gaza had been struck. The state of Qatar, long stuck in between as a mediator, said the deal was to take effect from January 19, 2025, a day before Mr. Trump takes charge. An exchange of Israeli hostages and Palestinian prisoners is at the centre of this arrangement.

The deck and the cards

The news of the agreement saw Palestinians in Gaza take to the streets in celebration, having faced death and destruction at the hands of the Israeli military whose response to the October 7, 2023 terror attack went on for over 15 months even as political deadlocks continued. In a statement, Hamas has highlighted that the movement “dealt with all responsibility and positivity, based on its responsibility towards our patient and steadfast people in the honorable Gaza strip, by stopping the Zionist aggression against them and putting an end to the massacres and war of genocide to which they are being subjected”.

In Washington DC, Mr. Trump and Mr. Biden reportedly worked in unison to deliver the deal even as both tried to lap up the credit. For Mr. Trump, who previously demanded that such a deal be reached before his presidency, this was a marketable advertising of renewed American strength as promised in his election campaign. For Mr. Biden, it is an attempt to salvage legacy.

The joker in this geopolitical deck is Israel's Prime Minister Benjamin Netanyahu. Amidst misplaced perceptions that Mr. Trump would allow Mr. Netanyahu a longer leash to continue his military operations in Gaza unabated, opinion prevailed that anyone but Mr. Biden would be good for both stemming the ongoing conflicts and



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Despite the complexities, the international community must play its role by pushing for the sustainability of this deal

reigning in Israel's military posturing. It is in all likelihood not a coincidence that the Israeli leadership agreed to the deal – which, in parallel with Hamas, it has scuttled many times – to send a message of partnership and resolve to Mr. Trump.

Why Mr. Netanyahu would go out of the way to court Mr. Trump, even after the Israeli leader was invited by the Republicans to address a joint session of Congress in July 2024, is a question that has a simple answer. Mr. Trump prioritises personality over policy. Agreeing to this deal with Hamas is offering Mr. Trump a victory at potentially big domestic costs for Mr. Netanyahu. For long, Mr. Netanyahu has maintained that only a complete victory over Hamas is acceptable. With this deal, he becomes an Israeli Prime Minister who has cut a political settlement with the arch foe, but without a complete elimination of Hamas.

On Hamas and Israel

There is no doubt that Hamas and also Hezbollah in Lebanon have had their capacities diminished over the past year after leadership decapitation operations conducted by Israel.

Simultaneously, outgoing U.S. Secretary of State Antony Blinken has also said that assessments show that Hamas has recruited as many new militants as it has lost. The lack of a political track acting as insurance for the ceasefire remains a concern. Hamas is expected to continue to be in control of Gaza in the time to come as barely any movements have taken place to reorganise Palestinian politics in a way where the group can be brought under a wider and more mainstream Palestinian-led political ecosystem.

Hamas, by itself, will remain steadfast in its ideology against Israeli security and sovereignty, while Hamas and Israel continue to remain on the same page against a two-state solution, despite a global push for this being the only viable option

available for lasting peace.

The prevailing situation of this status quo, despite the ceasefire, can be leveraged by Mr. Netanyahu in case Hamas resumes attacks against Israeli territories and populations. In such a situation, Mr. Netanyahu will be able to approach Mr. Trump from a vantage point, having agreed to the Hamas deal. A return to retaliatory tactics at this juncture will in all likelihood come with the full support of Mr. Trump, manoeuvring the Israeli position back to one of strength – like one it enjoyed under Mr. Biden. Previously, Mr. Trump has publicly stated that there would be ‘hell to pay’ for Hamas if Israeli hostages, which includes American citizens, are not released.

Gaza and its rebuilding

Beyond the political intricacies of this ceasefire arrangement, the most important deliverable would be that of critical aid to the people in Gaza as food and medical shortages surpassed criticality a long time ago. Beyond the aid front, the rebuilding of Gaza may yet be a premature discussion until alternative political mechanisms are envisioned within the Palestinian fold. This is where the Arab powers have an opportunity to exert influence, and seek a remoulding, a re-shaping, and a revitalisation of the Palestinian Authority to better equip Palestinian politics as a core stakeholder for a challenging future, where the much sought-after two-state solution remains a distant reality.

Finally, the international community must also play its role to push for the sustainability of this deal. The future of West Asian prosperity, newer geo-economic architectures such as the India-Middle East-Europe Economic Corridor, a potential expansion of the Abraham Accords, and even the radicalism of a Saudi Arabia-Israel normalisation, ultimately hinges on this momentum. At the end of the day, the management of regional geopolitical fissures by regional powers will determine all outcomes.

Topic → Understanding the Ceasefire Agreement

The ceasefire agreement, announced just days before the inauguration of President-elect Donald Trump, took effect on January 19, 2025. This pivotal moment was facilitated through extensive negotiations, with Qatar playing a crucial role as a mediator.

Timeline of Events:

January 15, 2025: Outgoing President Joe Biden delivers his final address.

January 19, 2025: Ceasefire agreement takes effect.

Key Players:

President-elect Donald Trump: Seeking to showcase American strength.

Outgoing President Joe Biden: Aiming to salvage his legacy.

Hamas: Committed to ending hostilities in Gaza for the sake of its people

Reactions from Gaza and Beyond

The announcement of the ceasefire sparked celebrations among Palestinians in Gaza, who had endured relentless hardships during the conflict.

Public Sentiment:

Joyous gatherings and demonstrations in Gaza.

Expressions of hope for a more peaceful future.

Israeli Leadership's Response:

Prime Minister Netanyahu's cautious optimism.

Concerns over Hamas's continued influence in the region

Political Implications for Israel and Hamas

This ceasefire presents complex political challenges for both Israel and Hamas.

Netanyahu's Position:

Balancing national security concerns with international expectations.

Navigating the domestic political landscape amidst criticism.

Hamas's Future:

Continued control over Gaza despite military setbacks.

Ongoing ideological opposition to Israeli policies.

The Path Forward: Aid and Rebuilding Gaza

Beyond the political ramifications, the humanitarian crisis in Gaza demands immediate attention.

Urgent Aid Needs:

Food and medical supplies are critically low.

International support is essential for effective relief efforts.

Rebuilding Initiatives:

Discussions on reviving the Palestinian Authority.

Long-term strategies for sustainable development.

'To fix economy, boost consumption'

Reserve Bank of India officials moot monitoring of sticky food inflation and its 'second order effects', pin hopes on rekindling private capex through improved disposable incomes for people amid an 'anything but ordinary' global economy

Vikas Dhoot
NEW DELHI

One way to revive the animal spirits amid India's tripping economic growth is to boost consumption, senior Reserve Bank of India (RBI) officials said on Friday, noting that private capex is yet to show any visible signs of pick-up while government capex has slipped.

While they identified investment and manufacturing as the biggest drags on growth in an assessment of the economy, RBI officials, including the now former Deputy Governor Michael D. Patra, reckoned that the



Feeling the pinch: The middle class is pinning hopes on relief from food inflation and higher disposable incomes, RBI officials said. PTI

time is “apposite to rekindle the animal spirits, create mass consumer demand and trigger a boom in investment”.

“The middle class is pinning hopes on relief from

food inflation and hence higher disposable incomes, especially the urban segment,” they said in the RBI bulletin. While December's 5.22% inflation print was driven by “win-

ter easing of prices when the earth offers up a rich bounty of fruits and vegetables”, the bulletin article said food inflation “continues to remain high, with key products” seeing high double digits inflation.”

“The stickiness in high food inflation, in an environment of firming rural wages and corporate salary outgoes, warrants careful monitoring of second order effects,” it said.


Weighing in tangentially on the threat posed by quick commerce and e-tailers to mom-and-pop stores, the article said private final consumption is the brightening spot in the


economy, driven by e-commerce and q-commerce among which fostering competition is better than being restrictive.


The global economy is shaping up to be ‘anything but ordinary’ in 2025, and disinflation can be expected to be uneven, limiting monetary policy easing space. While disinflation would bring relief for households with severely stretched finances, they said the inflation battle is “entering a new phase with fresh upside threats on the horizon – the weaponisation of uncertainty – and the future path of interest rates is becoming hazy.”


Topic → Economic Growth and Challenges in India


Key Economic Concerns


 **Economic Growth Concerns:** Senior RBI officials emphasize the need to boost consumption to revive India's slowing economic growth, as private capital expenditure shows no signs of recovery while government spending has decreased.


 **Investment and Manufacturing Issues:** Investment and manufacturing are identified as significant obstacles to economic growth, necessitating a rekindling of consumer demand and investment.

 **Food Inflation Impact:** The middle class is hopeful for relief from food inflation, which remains high, particularly affecting disposable incomes in urban areas.

 **Monitoring Inflation Effects:** The RBI warns of the persistent high food inflation and its potential second-order effects, especially in light of rising rural wages and corporate salary expenditures.

 **Rise of E-commerce:** Private final consumption is improving, driven by e-commerce and quick commerce, suggesting that fostering competition is more beneficial than imposing restrictions on these sectors.

 **Global Economic Outlook:** The global economy is expected to be unpredictable in 2025, with disinflation likely to be uneven, complicating monetary policy adjustments.

 **Interest Rate Uncertainty:** The future trajectory of interest rates is unclear, as the inflation battle enters a new phase with emerging threats and uncertainties.

Summary: RBI officials stress the importance of boosting consumption to address India's economic slowdown, highlighting challenges like high food inflation and the evolving landscape of e-commerce

Russia, Iran sign treaty to deepen ties in the face of Western curbs

Associated Press
MOSCOW

Russian President Vladimir Putin and his Iranian counterpart, Masoud Pezeshkian, signed a broad cooperation pact on Friday as their countries deepened their partnership in the face of stinging Western sanctions.

Russian and Iranian officials say the “comprehensive strategic partnership treaty” covers all areas — from trade and military cooperation to science, education and culture.

Mr. Putin praised the deal as a “real breakthrough, creating conditions for the stable and sustainable development of Russia, Iran and the entire region.”

He said the amount of trade and economic cooperation was still insufficient, voicing hope the new treaty will help expand them. He said the countries are trying to re-

solve technical obstacles to advance planned projects to ship Russian natural gas to Iran and build transport corridors to Iranian ports in the Gulf.

Mr. Pezeshkian said the projects are feasible, adding that experts were working to resolve the remaining obstacles.

His visit came ahead of Monday’s inauguration of President-elect Donald Trump, who has pledged to broker peace in Ukraine and take a tougher stance on Iran, which is grappling with growing economic problems and other challenges, including military setbacks in its sphere of influence across West Asia.

Kremlin spokesman Dmitry Peskov dismissed any link with Trump’s inauguration, saying the signing had been planned long ago.

Welcoming Mr. Pezeshkian as they sat down for talks, Mr. Putin said the new treaty will “give an ad-



Common interests: Vladimir Putin, right, and Masoud Pezeshkian at the Kremlin on Friday. AP

ditional impulse to practically all areas of our cooperation.”

Mr. Pezeshkian, who met Mr. Putin for the third time since coming to power in July, said the documents form a “solid foundation for our forward movement.”

“We do consider our relations with you as vital, sensitive and strategic, and we are on this path strongly,” he said.

The Iranian President emphasised that countries in the region should resolve their own problems themselves, adding in an apparent reference to the U.S. that the presence of outside forces will only exacerbate tensions and destabilize the situation.

“They come from another side of the world to make chaos in the region,” he said. “These ties will defuse their plot,

definitely.”

Russia’s ties with Iran have grown closer after Mr. Putin sent troops into Ukraine in February 2022. Ukraine and the West have accused Tehran of providing Moscow with hundreds of drones for use to attack Ukraine, which Moscow and Tehran have denied.

Last year, Iran joined the BRICS bloc of developing economies and Mr. Pezeshkian attended its summit, which was hosted by Russia in Kazan.

Russia and Iran, which had troubled relations in the past, developed cordial ties after the collapse of the Soviet Union in 1991, with Moscow emerging as a key trade partner and supplier of weapons and technologies for Tehran, which has faced bruising international sanctions.


Russia built Iran’s first nuclear plant that was launched in 2013 and is building two more nuclear reactors there.


Russia was part of the 2015 deal between Iran and six nuclear powers offering sanctions relief for Tehran in exchange for curbing its atomic program, and the Kremlin offered political support to Iran when the U.S. unilaterally withdrew from the agreement during Trump’s first term.


Russia and Iran also pooled their efforts to shore up Bashar al-Assad’s government during Syria’s civil war, but failed to prevent his downfall last month after a lightning offensive by the opposition. Mr. Assad and his family fled to Russia.


Tehran increasingly needs Moscow’s assistance as it faces economic woes and stinging setbacks across its sphere of influence in West Asia. The troubles could deepen after Mr. Trump returns to the White House with his policy of “maximum pressure” on Iran.

Russia-Iran Strategic Partnership

 Comprehensive Partnership: Russia and Iran have signed a broad cooperation pact, enhancing their strategic partnership amid Western sanctions.

 Trade Expansion Goals: President Putin emphasized the need to increase trade and economic cooperation, aiming to resolve technical obstacles for projects like shipping Russian natural gas to Iran.

 Military and Technical Cooperation: The treaty encompasses military cooperation, science, education, and cultural exchanges, marking a significant step in bilateral relations.

 Regional Stability Focus: Pezeshkian highlighted the importance of regional countries resolving their own issues, criticizing external forces for exacerbating tensions.



Historical Context: The partnership has evolved since the collapse of the Soviet Union, with Russia becoming a key ally for Iran, especially in military and nuclear technology.



Geopolitical Implications: The agreement comes as Iran faces economic challenges and potential increased pressure from the U.S. under a new administration.



Support in Conflict Zones: Both nations have collaborated in supporting the Assad regime in Syria, although recent events have challenged their efforts.

Summary: Russia and Iran have solidified their strategic partnership through a comprehensive cooperation pact, focusing on trade, military, and regional stability amid external pressures

Key Aspects of the Partnership

Comprehensive Partnership: A broad cooperation pact has been signed to enhance strategic ties.

Trade Expansion: Emphasis on increasing trade and resolving technical obstacles.

Military Cooperation: Includes military, science, education, and cultural exchanges.

Regional Stability: Focus on regional countries resolving their own issues.

Historical Context: Evolution of partnership since the Soviet Union's collapse.

Geopolitical Implications: Agreement amid economic challenges and U.S. pressure.

Conflict Zone Support: Collaboration in supporting the Assad regime in Syria



Through the flames: A horse is led through a bonfire during the traditional 'Las Luminarias' festival in honour of San Antonio Abad (Saint Anthony), the patron saint of animals, in San Bartolomé de Pinares, west of Madrid, on Thursday. AFP

Topic → Las Luminarias



- 🎉 Las Luminarias is a traditional festival celebrated in Spain.
- 🔥 The festival involves lighting bonfires and candles, creating a vibrant atmosphere.
- 🌙 It typically takes place during the night, enhancing the visual spectacle.
- 🕯️ Participants often carry torches or lanterns as part of the celebration.
- 🎵 The event may include music and dancing, contributing to the festive spirit.
- 🏞️ Las Luminarias is often associated with local customs and community gatherings.
- 📅 The festival usually occurs in winter, marking a significant cultural event in the region.

Summary: Las Luminarias is a vibrant night festival in Spain featuring bonfires, torches, and community celebrations

India's real growth rate and the forecast

The First Advance Estimates (FAE) of National Accounts for 2024-25 show a real GDP growth of 6.4% and a nominal GDP growth of 9.7%. These numbers have fallen short of the Reserve Bank of India's revised growth estimate of 6.6% for real GDP, as in its December 2024 monetary policy statement and 10.5% for nominal GDP growth as in the 2024-25 Union Budget presented in July 2024.

The annual growth of 6.4% can be seen as consisting of 6% growth in the first half and 6.7% growth in the second half. There is, thus, a clear improvement expected over the Q2 growth of 5.4%. The sharp fall in 2024-25 annual GDP growth from that of the previous year at 8.2% is seen only in the case of GDP. With respect to Gross Value Added (GVA), this difference, between 7.2% and 6.4%, is much less. On the GVA side, it was the manufacturing sector which suffered a sharp fall in sectoral growth from 9.9% in 2023-24 to 5.3% in 2024-25.

Growth prospects for 2025-26

The Gross Fixed Capital Formation rate at constant prices has ranged between 33.3% and 33.5% during 2021-22 to 2024-25. Thus, it appears to have stabilised around 33.4%. It is expected to continue at this level in 2025-26. The average Incremental Capital Output Ratio (ICOR) has been marginally higher than 5 in recent years. Assuming ICOR to be 5.1 in 2025-26, we may consider a 6.5% real GDP growth to be realistic.

There may not be much change in the global economy even though Donald Trump's assumption of office may create more uncertainty. India will have to largely depend on domestic demand.

In particular, the Government of India has to ensure that there is no relaxation in its investment expenditure. In fact, the slightly lower



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Over the next five years, the best that India may hope for is a steady real GDP growth rate of 6.5%

growth in 2024-25 is largely linked to the slowdown in the Government of India's investment growth which has remained negative at (-)12.3% even after eight months into the fiscal year.

With a lower nominal GDP growth in 2024-25 of 9.7% as compared to the budgeted nominal GDP growth of 10.5%, the budgeted Gross Tax Revenue (GTR) of ₹38.4 lakh crore may not be realised if the budgeted buoyancy of 1.03 is maintained. As per Controller General of Accounts (CGA) data, GTR growth for the first eight months was 10.7%. If this growth is maintained for the remaining months also, the realised buoyancy would be about 1.1, which is higher than the budgeted buoyancy. In such a case, tax revenue shortfall will be minimal. In other words, any revenue constraint or likely pressure on fiscal deficit would not constrain the government's ability to achieve its capital expenditure target of ₹11.1 lakh crore.

Reason for the dip

However, after the first eight months, the level of the Government of India's capital expenditure has remained limited to ₹5.14 lakh crore, that is 46.2% of the Budget target. In the remaining four months, the Government of India's capital expenditure may be accelerated. It may still fall well short of the target. This has been the main reason for the dip in overall real GDP growth in 2024-25.

Going forward in 2025-26, the Government of India will have to continue to rely on an accelerated capital expenditure growth which can be kept at least at 20% on the revised estimates for 2024-25. Sustained government capital expenditures can have a favourable effect on private investment. The size and the pattern of investment expenditure of the government

should be designed to accelerate private investment as well.

Medium- to long-term growth prospects

Over a period of next five years, the best that India may hope for is a steady real GDP growth rate of 6.5%. This is in line with the International Monetary Fund's real GDP growth projection for the Indian economy, as in its October 2024 release, which is at 6.5% over the period 2025-26 to 2029-30. This real GDP growth may be accompanied by an implicit price deflator (IPD)-based inflation of about 4% which can give a nominal GDP growth in the range of 10.5%-11%. In years in which global conditions improve and the contribution of net exports to GDP growth becomes significant, real GDP growth may touch even 7%. If a real growth of around 6.5% and a nominal growth in the range of 10.5%-11% are maintained over the long run with an average exchange rate depreciation of 2.5% per annum, India should be able to reach a per capita GDP level consistent with a developed country status in the next two and half decades. But the task is not going to be easy. It will be hard to grow at 6.5% as the base keeps on increasing. In fact, in the earlier years, the growth rate will have to be higher. But, at present, the potential rate of growth appears to be 6.5%. However, it can change.

In the light of a potential growth rate of 6.5%, the achievement of 6.4% in 2024-25 should not be considered as disappointing. In fact, the achievement of 8.2% in 2023-24 should be considered as a flash in the pan. The current year's growth rate of 6.4% as in the first advance estimates should be seen in the context of India's potential growth rate.

Topic → India's economic growth

In the dynamic landscape of India's economy, the recent dip in GDP growth has raised eyebrows and sparked discussions. Currently, India's GDP growth rate stands at 6.4%, a significant decline from previous years.

One of the main culprits behind this downturn is the government's capital expenditure, which has only reached ₹5.14 lakh crore, or a mere 46.2% of the budget target. This article delves deep into the reasons for this decline and explores the implications for future growth.

Reasons for the Recent GDP Dip

The recent downturn in India's GDP can be attributed to several factors, with government capital expenditure at the forefront.

Limited Capital Expenditure:

For the first eight months of the fiscal year, the government struggled to meet its capital expenditure targets.

With only 46.2% of the budget aimed for capital projects utilized, the impact on overall economic growth has been palpable.

Impact on GDP Growth:

The sluggish pace of government spending has a ripple effect on private investment.

When public projects falter, private sector confidence wavers, leading to decreased investment and slower economic expansion.

The Role of Government Capital Expenditure

The role of government capital expenditure cannot be overstated in the quest for sustainable economic growth.

Current Capital Expenditure Levels:

The government must accelerate its spending, aiming for at least a 20% increase based on revised estimates for 2024-25.

Such an increase is imperative to stimulate private investment and bolster overall GDP growth.

Future Projections:

Sustainable capital expenditures can have a favorable effect on private investment.

The government's investment strategy needs to be tailored to not only meet immediate targets but also to foster an environment conducive to long-term growth.

Medium to Long-Term Growth Prospects

Looking ahead, the medium to long-term growth prospects for India appear cautiously optimistic.

Projected Growth Rates:

The International Monetary Fund (IMF) projects a steady real GDP growth rate of around 6.5% over the next five years.

This aligns with the potential growth rate, considering global economic conditions and domestic policies.

Factors Influencing Growth:

The implicit price deflator (IPD) suggests an inflation rate of about 4%, which could lead to a nominal GDP growth of 10.5% to 11%.

Improved global conditions and a rise in net exports can further enhance GDP growth, potentially reaching up to 7% in favorable years.

Challenges to Sustained Growth

While the future holds promise, several challenges must be addressed to maintain a growth rate of 6.5%.

Increasing Base Effects:

As the GDP base continues to increase, sustaining a 6.5% growth rate will become more challenging.

The initial years may require even higher growth rates to compensate for the larger economic base.

Global Economic Factors:

Unpredictable global economic conditions can significantly impact domestic growth.

External shocks, trade dynamics, and geopolitical tensions can all disrupt the anticipated growth trajectory.

Investment Climate:

A conducive investment climate is essential for attracting both domestic and foreign investments.

Policies that promote ease of doing business and ensure regulatory stability will be crucial.

Conclusion

The interplay between government capital expenditure and GDP growth is complex yet pivotal. While the current dip in growth rates raises concerns, understanding the underlying factors offers a clearer picture of the economic landscape.

By strategically increasing capital expenditure and fostering a favorable investment climate, India can navigate the challenges ahead and work towards achieving its economic potential.

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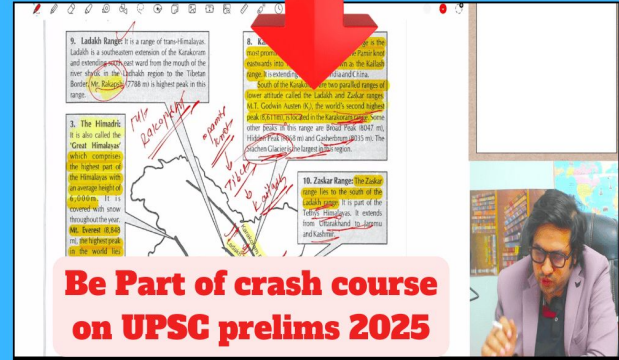
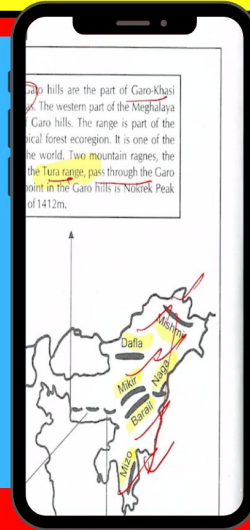
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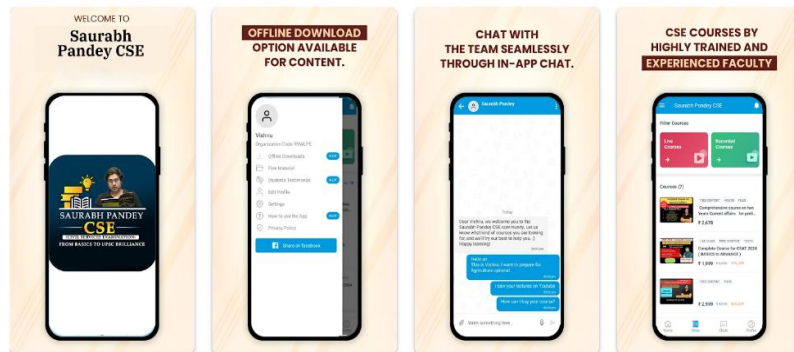
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Q. After lying dormant for 50 years, the Cumbre Vieja volcano on La Palma island, in Spain's Canary Islands, erupted, causing the evacuation of thousands of residents. The given volcano is located in which the following Country.

(Phys.Org)

- A) Russia**
- B) Italy**
- C) Philippines**
- D) Spain**

Ans: D

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