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INFLATION FALLS TO 4-MONTH LOW IN DECEMBER

ECONOMIC DEVELOPMENT

CONTEXT: Food inflation has slightly eased to 8.4% in November, down from 9.04% the previous month, though certain essential items have experienced more pronounced price increases. Inflation in edible oils and fats has reached a 33-month high. Meanwhile, Consumer Price Inflation for the third quarter of 2024-25 averages at 5.63%, just below the RBI's projected 5.7%.

Subtle relief

Consumer price rise eased to a 4-month low of 5.22% in December 2024, on a marginal dip in food inflation



Overall Inflation:

- Retail inflation eased to a four-month low of 5.22% in December, down from 5.5% in November.
- Food inflation declined marginally to 8.4% from 9.04% in November (NSO data).

Urban and Rural Inflation:

- Urban inflation fell to 4.6% in December, from 4.9% in November.
- Rural inflation stood at 5.8%, slightly below November's 5.95%.

Quarterly Inflation:

- Consumer Price Inflation (CPI) averaged 5.63% in Q3 of 2024-25, marginally below the RBI's 5.7% projection.

Food Inflation Details:

- Moderated from October's 15-month high of 10.9%.

- Edible oils and fats saw a 33-month high inflation of 14.6%.
- Vegetables inflation eased to 26.6%, but prices of peas and potatoes rose sharply.
- Cereals inflation: 6.5% in December, down from 6.9% in November.
- Pulses inflation: 3.8%, the lowest in over two years.

Non-Food Inflation:

- Personal care inflation eased to 9.7% (from 10.4% in November).
- Health inflation rose slightly to 4.05%.

State-Wise Inflation:

- Seven states reported inflation over 6%, led by Chhattisgarh (7.63%).
- Delhi recorded the lowest inflation at 2.5%.

Challenges for Rate Cuts:

- Elevated food prices remain a key obstacle for interest rate cuts.
- Monthly changes: CPI dropped by 0.56%, and the Consumer Food Price Index (CFPI) fell by 1.5% in December.

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PRIME MINISTER INAUGURATES Z-MORH TUNNEL IN J&K; REMAINS SILENT ON STATEHOOD

ECONOMIC DEVELOPMENT

CONTEXT: Prime Minister Narendra Modi inaugurated the strategic Z-Morh tunnel in Sonamarg, Ganderbal, on Monday but refrained from specifying a timeline for restoring statehood to Jammu and Kashmir. He emphasized that the new network of roads and railways in the Union Territory has strengthened its connectivity with New Delhi.



- **Inauguration of Z-Morh Tunnel:**
 - PM Narendra Modi inaugurated the 6.5-km Z-Morh tunnel in Sonamarg, Ganderbal, ensuring year-round access to the region.
 - Built at a cost of ₹2,700 crore, the tunnel connects Kashmir to Ladakh, benefiting Kargil and Leh residents.
- **Acknowledgment of Workers:**
 - Modi praised the workers for their dedication despite harsh weather and risks, including the October 20, 2024, militant attack that claimed seven lives at the construction site.
- **Infrastructure Projects in J&K:**
 - Highlighted major connectivity initiatives worth ₹42,000 crore, including:
 - Chenab bridge and Udhampur-Srinagar-Baramulla railway link.
 - Katra-Delhi expressway, national highways, and ring roads.
 - 14 additional tunnels similar to Z-Morh.
 - Declared J&K as becoming one of India's most connected regions, enhancing tourism.
- **Vision for Development:**
 - Reiterated the goal of "Viksit Bharat" (Developed India), emphasizing J&K's progress as critical to national development.
 - Assured citizens that promises would be fulfilled at the "right time."
- **Statehood Demand:**
 - Former Chief Minister Omar Abdullah urged Modi to restore statehood, citing trust built after fair Assembly elections in J&K.
 - PM Modi remained non-committal, stating, "Every promise has its time."

STRUCTURAL SHIFTS OR PRICE MOVES? CHINA'S DIVIDED COMMODITY IMPORTS

INTERNATIONAL RELATIONS



CONTEXT: The raw data for the world's biggest buyer of natural resources suggests that parts of the economy are performing solidly, but others are struggling; however, the main challenge in analysing China's commodity imports is separating temporary factors from changes that mark a long-term trend.

China's 2024 Commodity Imports: Key Highlights Mixed Performance Across Commodities

- Record imports of iron ore, coal, and natural gas.
- Decline in crude oil imports.

Crude Oil

- 2024 imports: 553.42 million metric tons (11.04 million barrels/day), down 2.1% from 2023.
- Decline attributed to:

- Rise of New Energy Vehicles (NEVs), capturing over 50% market share.
- Increased use of LNG-powered trucks reducing diesel demand.
- High crude prices (Brent crude above \$70/barrel for most of 2024).
- Refiners scaling back purchases due to perceived high prices.

Natural Gas

- Imports rose nearly 10% to 131.69 million tons (LNG and pipeline).

Iron Ore

- Record imports of 1.236 billion tons, up 4.9% (57.5 million tons) from 2023.
- Lower prices drove purchases, with a 28% price drop over the year.
- Much of the extra iron ore went into stockpiles (port inventories increased to 146.85 million tons from 114.5 million in 2023).
- Crude steel output declined by 2.7% in the first 11 months of 2024.

Coal

- Record imports of 542.7 million tons, up 14.4% from 2023.
- Boosted by:
 - Lower hydropower generation.
 - Increased electricity demand.
 - Competitive seaborne coal prices, especially from Indonesia and Australia.

Copper

- Modest increase in unwrought copper imports by 3.3% to 5.68 million tons.
- Reflects slow growth momentum in the economy, with strength in New Energy Vehicles and solar panels offset by weakness in residential construction.

Economic Insights

- China's mixed commodity imports suggest structural shifts and sector-specific challenges.
- Record imports in some areas were driven by lower costs, while declining crude imports reflect a move towards renewable energy and price sensitivity.

JEFF BEZOS'S SPACE COMPANY CALLS OFF DEBUT LAUNCH OF MASSIVE ROCKET IN ELEVENTH HOUR

SCIENCE AND TECHNOLOGY

CONTEXT: Blue Origin called off the debut launch of its massive new rocket early on Monday because of technical trouble.



- The countdown was halted, and the rocket's fuel was drained.
- Blue Origin has not announced a new launch date, stating more time is needed to resolve the issue.
- The test flight had already been delayed by rough seas, which posed risks to landing the first-stage booster on a floating platform.
- The mission aimed to carry a prototype satellite into orbit.
- New Glenn, named after astronaut John Glenn, is five times taller than Blue Origin's New Shepard rocket.
- Jeff Bezos, founder of Blue Origin, participated in the countdown from Mission Control near NASA's Kennedy Space Center.
- Bezos expressed determination, saying, "We will pick ourselves up and keep going," despite the setback.



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A 'DEGREE' OF STAND-OFF PREVAILS ALONG THE LAC, SAYS ARMY CHIEF

SCIENCE AND TECHNOLOGY



- Army Chief General Upendra Dwivedi stated that a "degree" of stand-off exists along the Line of Actual Control (LAC), describing the situation as "sensitive but stable."
- General Dwivedi empowered all Corps Commanders to handle issues related to patrolling and grazing at the ground level, aiming for military-level resolutions.
- He emphasized that efforts are being made to harmonize relations between India and China, including discussions on the resumption of Kailash Mansarovar yatra and trade points.
- In response to a question about a potential understanding with China regarding the Yangtse area in Arunachal Pradesh, General Dwivedi confirmed

approval for such measures at the military level.

- Regarding disengagement in Depsang and Demchok, General Dwivedi stated that two rounds of verification patrolling have been completed by both sides.
- He clarified that there is no "buffer zone," but rather "temporary moratoriums" where both sides avoid common areas to reduce potential violence.
- Trust between India and China, especially after April 2020, needs redefinition, with discussions to restore calm and rebuild trust.
- On the situation along the Line of Control with Pakistan, General Dwivedi stated that the ceasefire agreement from February 2022 holds, but terrorism and infiltration attempts persist.
- India has deployed 15,000 additional troops in 2024, leading to reduced violence and the neutralization of 73 terrorists, 60% of whom were from Pakistan.
- General Dwivedi praised the people of Jammu and Kashmir for showing a decrease in violence, with nearly 60% voter turnout in recent elections.
- On the Siliguri corridor (Chicken's neck) and Chinese infrastructure near Doklam, he highlighted it as India's strongest point, facilitating force congregation from all sides.
- Responding to concerns over the performance of women officers as Commanding Officers, he stressed that the letter should not have been leaked and an inquiry is underway. He praised women officers for their maturity, consideration, and excellence.
- Regarding the controversy over the 1971 painting, General Dwivedi described the new one as reflecting India's civilizational heritage and modern technology, aiming to connect with newer generations.



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