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Headlines:

- India–New Zealand FTA to Come into Force
- Supreme Court Orders Fresh Probe into 2012 Karnataka Rape-Murder Case
- Malacca–Singapore Model for Resolving the Strait of Hormuz Crisis
- India's EV Transition: Two- and Three-Wheelers Lead, Cars Lag
- India Joins Partners for Multilateralism (P4M) Initiative



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1. 2026 Southwest Monsoon Ends with 12.6% Rainfall Deficit

GS Paper: GS-I – Geography | GS-III – Agriculture, Environment & Disaster Management

Why in News?

The 2026 Southwest Monsoon ended with rainfall 12.6% below the Long Period Average (LPA). At 759.4 mm, it recorded the lowest seasonal rainfall since 2015. The IMD has also forecast below-normal rainfall for October as the Southwest Monsoon withdraws and the Northeast Monsoon sets in.

Key Highlights

- India received 759.4 mm rainfall against the LPA of 868.6 mm, equivalent to about 87% of LPA.
- This was the lowest monsoon rainfall since 2015.
- The East and Northeast region received 1,017.1 mm, marking its driest monsoon since systematic records began in 1901.
- The regional variation highlights how national rainfall averages can conceal significant spatial disparities.
- Despite deficient rainfall, 77 low-pressure-system days were recorded against the normal of 57, providing some rainfall support.

El Niño and Monsoon Variability

- The strengthening El Niño was an important factor influencing monsoon conditions.
- However, Indian monsoon variability is governed by multiple ocean-atmospheric processes, including:
 - ENSO
 - Indian Ocean Dipole (IOD)
 - Madden-Julian Oscillation (MJO)
 - Land-atmosphere interactions
 - Intra-seasonal variability
- Thus, El Niño does not automatically imply a deficient Indian monsoon.

Implications for India

- **Agriculture:** Greater vulnerability of rain-fed Kharif crops and rural incomes.
- **Water security:** Lower rainfall can affect reservoir replenishment and groundwater recharge.
- **Energy:** Potential implications for hydropower generation.
- **Economy:** Agricultural output can influence food prices, rural demand and growth.
- **Disaster Management:** Prolonged rainfall deficits can increase drought vulnerability.

Transition to Northeast Monsoon

- The Southwest Monsoon is withdrawing during October, marking the transition towards the Northeast Monsoon.
- The Northeast Monsoon is particularly important for Tamil Nadu, coastal Andhra Pradesh and parts of Kerala and Karnataka.
- Therefore, October–December rainfall will be important for regional agriculture, reservoirs and water availability.

2. India-EFTA TEPA: From Trade to Technology and Investment Partnership

GS Paper: GS-II – International Relations | GS-III – Economy & Environment

Why in News?

- The India-EFTA Trade and Economic Partnership Agreement (TEPA) entered into force on 1 October 2025, creating a framework for deeper trade, investment, employment and technology cooperation between India and the four European Free Trade Association (EFTA) countries—Iceland, Liechtenstein, Norway and Switzerland.

Key Features

- EFTA offered concessions on 92.2% of tariff lines, covering 99.6% of India's exports to EFTA.
- India offered concessions on 82.7% of tariff lines, covering 95.3% of EFTA exports.
- EFTA states committed to increase FDI stock in India by \$100 billion over 15 years and facilitate 1 million direct jobs.
- TEPA links trade liberalisation with investment, employment and technology cooperation.

Emerging Areas of Cooperation

- **Geothermal Energy:** Icelandic expertise in direct-use geothermal heat can support applications in India's Himalayan regions, including agriculture.
- **CCUS:** Cooperation can strengthen India's carbon-capture ecosystem and support the Net Zero 2070 target.
- **Green Methanol:** Captured industrial CO₂ combined with green hydrogen can support low-carbon fuel production.
- **Fisheries:** Icelandic expertise in cold chains, seafood processing and utilisation of fish by-products can enhance India's value addition and exports.

Strategic Significance

- **Technology Transfer:** Promotes cooperation beyond conventional merchandise trade.
- **Energy Security:** Opens avenues for clean-energy technologies.
- **Arctic Cooperation:** Iceland can complement India's Arctic research and engagement.
- **Market Diversification:** Provides greater access to high-income European markets and potential integration into European value chains.

Challenges

- Non-tariff barriers and technical standards may restrict market access.
- Converting investment commitments into actual FDI and jobs requires effective implementation.
- Indian MSMEs may face greater competition from technologically advanced firms.

Way Forward

- Implement investment commitments through time-bound projects.
- Promote technology partnerships and joint R&D in green technologies.

- Integrate Indian MSMEs into EFTA-European value chains.
- Improve standards harmonisation and ease of doing business.

3. Industrial Growth Strengthens on Manufacturing and Domestic Demand

GS Paper: GS-III – Indian Economy, Industry & Infrastructure

Why in News?

- India's Index of Industrial Production (IIP) grew by 8% in August 2026, continuing the strong industrial momentum seen during the first five months of FY 2026–27.

Key Highlights

- IIP growth during April–August 2026 stood at 6.8%, indicating sustained industrial momentum.
- **IIP covers three sectors:** Manufacturing, Mining and Electricity.
- **Manufacturing:** Grew by nearly 9% in August; averaged 7.6% during April–August.
- **Electricity:** Recorded 12.3% growth in August.
- **Construction goods:** Grew by 6.4%, indicating continued construction and infrastructure activity.
- **Consumer durables:** Registered 11.1% growth, suggesting improving domestic demand, particularly ahead of the festive season.
- Consumer non-durables also returned to growth after contracting in July.

Significance for the Economy

- **Manufacturing:** Sustained growth can support investment, employment, exports and productivity.
- **Domestic demand:** Higher consumer-durables production suggests improving consumption momentum.
- **Infrastructure:** Strong electricity and construction-goods output indicates continued economic and infrastructure activity.
- **Growth:** Sustained industrial expansion can contribute to overall GDP growth and private investment.

IIP vs Index of Core Industries

- **IIP:** Broader measure of industrial output covering Mining, Manufacturing and Electricity.
- **Index of Core Industries (ICI):** Tracks eight major infrastructure industries and serves as an important indicator of industrial activity.
- Convergence between the two indices can provide a stronger indication of underlying industrial momentum.

New IIP Series

- The current IIP series uses 2022–23 as the base year, replacing 2011–12.

- It incorporates an updated item basket, revised weights, additional data sources and improved methodology, making it more representative of India's contemporary industrial structure.

Challenges

- Sustaining industrial growth amid input-cost pressures and global uncertainties.
- Ensuring higher output translates into employment, productivity and investment.
- Improving competitiveness of MSMEs within manufacturing value chains.

Way Forward

- Boost manufacturing competitiveness through technology and productivity improvements.
- Support MSMEs with credit, infrastructure and market access.
- Deepen domestic value chains and reduce critical import dependence.
- Promote investment and employment-intensive industrialisation.

4. Rising Household Debt: Financing Today Against Tomorrow

GS Paper: GS-III – Indian Economy, Banking & Financial Stability

Why in News?

- RBI estimates placed household debt at 45.5% of GDP in September 2025, up from 39.2% in March 2021. The rise in personal loans, credit cards and digital credit has renewed attention on the composition and sustainability of household borrowing.

Key Trends

- **Household debt:** 45.5% of GDP in September 2025, compared with 39.2% in March 2021.
- **Net financial savings:** Increased to around 6% of GDP in 2024–25, from 5.2% in 2023–24.
- **Borrowing pattern:** Housing and productive loans coexist with growing personal, consumer and unsecured credit.
- **Digital lending:** Instant loans, credit cards and Buy Now, Pay Later (BNPL) have reduced transaction costs and improved access to formal credit.

Key Point: Rising household debt does not by itself imply a collapse in household savings; net financial savings have shown some recovery.

Why Does the Composition Matter?

- **Asset-building credit:** Housing and education loans can create assets or human capital and generate future income.
- **Productive credit:** Business loans can support investment, entrepreneurship and employment.
- **Consumption credit:** Personal loans and credit cards can smooth consumption but may increase repayment vulnerability when incomes are uncertain.

Macroeconomic Implications

- **Aggregate Demand:** Credit-supported consumption can stimulate economic activity in the short term.
- **Household Vulnerability:** Rising debt-servicing obligations can reduce disposable income and make consumption sensitive to interest rates and employment conditions.
- **Financial Stability:** Rapid growth in unsecured credit can increase credit risks for banks and NBFCs if repayment capacity weakens.

Challenges

- Uneven income growth and employment insecurity.
- Risk of household over-indebtedness.
- Risks of mis-selling, excessive interest/fees and unregulated or illegal digital lending.

Way Forward

- Strengthen responsible lending and borrower protection.
- Improve financial literacy and transparency in digital credit.
- Promote productive and asset-building credit.
- Strengthen household income security to reduce dependence on debt-financed consumption.

5. India's EV Transition: Rising Adoption, Uneven Infrastructure

GS Paper: GS-III – Environment, Energy, Infrastructure & Indian Economy

Why in News?

- India's transition towards Electric Vehicles (EVs) is gaining momentum. During April–August 2026, EVs and hybrids accounted for around 12.7% (16.5 lakh) of nearly 1.29 crore vehicle registrations.

Note: The “alternative fuels” category includes EVs as well as fuels such as CNG/LPG; therefore, it should not be treated as an EV-only indicator.

Key Trends

- **Leading States/UTs:** Kerala, Delhi, Karnataka, Odisha and Telangana recorded 15% or more EV/hybrid shares among major States/UTs.
- **Three-wheelers:** Electric three-wheelers are an important driver of EV registrations in several States, particularly Telangana, Assam, Bihar, West Bengal and Uttar Pradesh.
- Excluding three-wheelers, the EV/hybrid share in new registrations falls to below 5%, highlighting differences across vehicle segments.
- **Charging infrastructure:** Availability and utilisation of public charging stations vary substantially across States.

Infrastructure Gap

- **Karnataka:** Around 1 public charging location per 144 registered EVs.
- **Assam:** Around 1 per 997 registered EVs.

- **Urban concentration:** A large share of charging facilities is concentrated around major cities, creating rural–urban and inter-State infrastructure disparities.

Significance

- **Decarbonisation:** Supports reduction in transport-sector emissions and fossil-fuel dependence.
- **Energy transition:** EV adoption shifts transport energy demand from petroleum to electricity, making grid capacity, renewable-energy integration and smart charging increasingly important.
- **Economic opportunities:** Promotes battery manufacturing, charging infrastructure, electronics and new mobility services.
- **Policy support:** Initiatives such as PM E-DRIVE, State EV policies and charging-infrastructure programmes are supporting the transition.

Challenges

- Uneven charging infrastructure and urban concentration.
- High upfront cost of EVs and battery replacement concerns.
- Dependence on critical minerals and battery supply chains.
- Need for adequate grid capacity, renewable electricity and battery recycling.

Way Forward

- Expand charging infrastructure in high-adoption and underserved regions.
- Integrate EV charging with renewable energy and smart-grid systems.
- Promote domestic battery and critical-mineral value chains.
- Strengthen battery recycling and circular-economy frameworks.