

THE FISCAL FRONTIER

Issue 3 | April 2026



INSIGHT • ANALYSIS • PERSPECTIVE
Markets | Policy | Business | Innovation

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From the EDITOR'S PEN

Greetings!

Welcome to The Fiscal Frontier, April 2026, Issue 3, your trusted source for the latest insights, trends and strategies shaping the Economics world today. In each edition, we aim to provide our trusted readers with carefully curated articles and thought-provoking ideas brought to your kind attention by the students of G. D. Goenka Public School Dwarka.

We look forward to providing content that not only delivers value but also sparks new ideas and perspectives.

I feel immensely proud to pen this editorial and to express my sincere gratitude to all of those, who have made it possible for this newsletter to publish. It was an expedition full of activities and experiences filled with learning.

Ms. Sapna Kashyap
PGT Economics



Meet the EDITORIAL TEAM



Ms. Sapna Kashyap
PGT Economics



Ms. Meenakshi Verma
Economics Teacher



Anya Ghosh
(XII-A2)



Archisha Suri
(XII-C1)



Bhavya Bhardwaj
(XII-C1)

India's Journey as a \$5 Trillion Economy

—Archisha Suri, XII C1

India, a land of vast potential and incredible diversity, stood as the 10th largest economy in the world ten years ago, with a GDP of \$1.9 trillion. This ambitious country has now set its sights on becoming a \$5 trillion economy by 2027. India is one of the fastest growing major economies and is currently ranked as the world's sixth largest economy. Projections of growth, over the medium term, remain encouraging and optimistic for India. According to the latest report by the International Monetary Fund (IMF), India's GDP expanded by 66% between 2015 and 2025, reaching \$3.8 trillion. With such sustained growth, the transition to a \$5 trillion economy appears well within reach. The current structure of the economy and the emerging dynamics provide us grounds to target achieving 1 trillion dollar from agriculture and allied activities, 1 trillion from manufacturing and 3 trillion from services. Achieving this milestone would not only solidify India's position as a global economic powerhouse but also uplift the lives of its billion-plus population.

Government Initiatives

The government, under Prime Minister Narendra Modi, has now focused on quantum change, not incremental progress and it focused not only on growth, but on inclusive, sustainable and honest growth. Prime Minister Modi outlined the government's strategy of investing in human capital as the driving force of economic expansion. He emphasized three key pillars that will shape the next phase of India's growth—education, healthcare, and skill development.

The government is setting up a National Gene Bank to preserve plant genetic resources, ensuring food security for future generations. Beyond economic expansion, there is a heightened importance of preserving India's rich heritage. Under the Gyan Bharatam Mission, over 1 crore manuscripts will be digitized to create a National Digital Repository, allowing researchers worldwide to access India's historical knowledge base.

Agricultural Development

In agriculture the Government is aiming to reorient policy focus from being production-centric to becoming income-centric. The emphasis on incomes provides a broader scope towards achieving the needed expansion of the sector. The proposed Industrial Policy 2018 provides an overarching, sector-agnostic agenda for the enterprises of the future and envisions creating a globally competitive Indian industry that is modern, sustainable and inclusive. The Champion Services sector initiative is also under way to accelerate the expansion of select service sectors. The Working Group has accounted for these initiatives to achieve the overall target of a \$5 trillion economy.

Educational Innovation

India's education sector is undergoing a transformational shift with the implementation of the National Education Policy (NEP). The government has also expanded IITs, IIMs, and AIIMS institutions, making world-class education more accessible. To foster innovation, the government has approved a ₹1 lakh crore corpus fund for research and development, promoting technological advancements in artificial intelligence (AI), digital infrastructure, and automation. With over 3 crore youth trained since 2014, the government's focus on skill development has been pivotal. Prime Minister Modi highlighted the PM Internship Scheme, which aims to bridge the gap between academia and industry, ensuring that Indian graduates possess job-ready skills.

Employment & Industry Boost

To sustain rapid economic growth, Prime Minister Modi called upon industries to actively participate in employment generation and innovation. Infrastructure, tourism, and digital transformation were identified as key sectors poised to create millions of jobs. He emphasized that the tourism sector has the potential to contribute up to 10% of India's GDP. To harness this potential, the government has granted infrastructure status to tourism and hospitality sectors, boosting private investments. 50 key destinations to attract global tourists are currently being developed. Under initiatives like 'Heal in India' and 'Land of the Buddha,' the Government aims to position India as a global hub for wellness and cultural tourism.

Urban Planning & Real Estate Growth

Recognizing the growing urban population, Prime Minister Modi announced the allocation of ₹1 lakh crore under the Urban Challenge Fund to facilitate sustainable urbanization.

Technological Leap

With India emerging as the third-largest startup ecosystem in the world, the government is taking significant steps to promote entrepreneurship and technological innovation. The key budgetary allocations to drive digital transformation include:

- ₹500 crore allocated for AI-driven education and research.
- Establishment of a National Large Language Model to advance AI capacity.
- ₹1 lakh crore corpus to support startups and innovation.

Conclusion

With strategic investments in education, industry, technology, and human capital, India's economic trajectory is set to redefine global markets.

The message is clear: India is not just growing—it is preparing to lead.

FROM WAR TO WALLET: THE 2026 OIL SHOCK

-Bhavya Bhardwaj, XII CI



In today's interconnected world, wars are no longer confined to battlefields - they ripple across economies, affecting everyday life across the globe. The ongoing conflict between Iran and Israel in

2026 is a powerful example of this reality. What may seem like a distant geopolitical issue is directly influencing something as basic as the price of petrol. At the heart of this crisis lies oil - the lifeblood of modern economies. As tensions rise in the Middle East, global oil supply chains are under threat, especially through the strategically crucial Strait of Hormuz, through which nearly 20% of the world's oil supply passes, according to Reuters. This disruption has triggered what economists call an "oil shock", with consequences for both the global economy and countries like India.

What's Happening?

The Iran-Israel conflict has created uncertainty in global energy markets. Even the fear of supply disruption is enough to push oil prices higher as oil is a highly sensitive commodity, and any instability in the Middle East - one of the world's largest oil-producing regions - immediately affects prices. One major concern is the disruption of shipping routes. Attacks and blockades in key areas have already affected global trade routes and raised freight costs according to The Washington Post. As a result:

- Oil prices are rising sharply.
- Transportation and production costs are increasing.
- Global supply chains are becoming unstable.

This leads to cost-push inflation, where the cost of producing goods increases, and businesses pass this cost on to consumers.



Impact on Global Economy

1. Rising Inflation

As oil becomes more expensive, so does everything that depends on it - transport, electricity, and manufacturing. This leads to higher prices globally, reducing consumers' purchasing power.

2. Risk of Economic Slowdown

Higher production costs reduce business profits and investment. Countries may experience slower economic growth, and in extreme cases, stagflation - high inflation combined with low growth.

3. Disruption of Global Trade

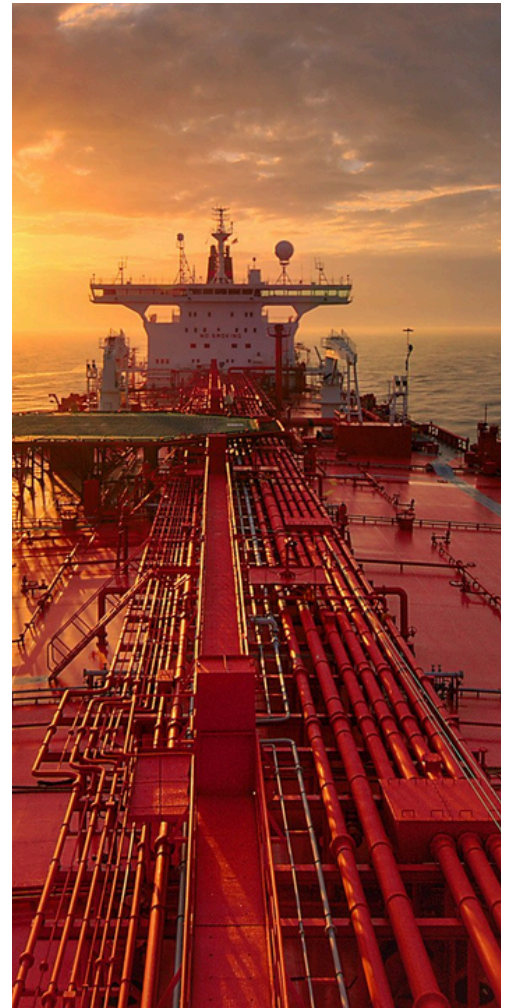
With shipping routes under threat, the movement of goods becomes more expensive and slower. This affects not just oil, but also food, raw materials, and industrial products.

The Real Life Impact

The most important takeaway is that this conflict is not just about international politics - it directly affects people's daily lives.

- Higher petrol prices mean increased travel costs
- Rising food prices affect household budgets
- Businesses may cut jobs or raise prices

In simple terms, a war thousands of kilometres away ends up affecting the "wallet" of every individual.



The Way Forward

To reduce such risks in the future, India can:

- Diversify oil import sources
- Invest in renewable energy (solar, wind)
- Promote electric vehicles
- Build strategic oil reserves

These steps can help reduce dependence on unstable regions.

Conclusion

The 2026 Iran-Israel conflict highlights the deep connection between geopolitics and economics. A disruption in oil supply does not just affect global markets—it impacts inflation, growth, trade, and everyday life, especially in developing countries like India.

Ultimately, this crisis teaches an important lesson: in a globalised world, no economy is isolated. Events in one region can quickly spread across the globe, turning a distant war into a local economic challenge.



The Middle Class Squeeze: Adaptable Vs Replaceable

-Anya Ghosh, XII A2

People today are working harder than ever yet feeling the most insecure. Traditionally, in economic theory and otherwise, effort was linked with upward mobility—invest in education and get a degree, build human capital, and reap a stable income. But now, the rules that guaranteed stability are breaking. People are left wondering if the degrees that they took huge loans for and dedicated years to are going to be completely useless in 10 years from now. It raises the question about what skills are actually going to stay in demand. What determines relevance now?

The core of this insecurity ties back to the structural shift in how the labour markets value skills and the changing nature of human capital itself. Earlier, skills were like long-term assets—they held value over time and educational investments had relatively predictable outcomes. Jobs followed a more linear path, where stability and gradual growth were expected. That predictability is fading. Now, certain skills depreciate much faster. The demand for routine and pattern-based work is in decline while adaptive and problem-solving roles are desired (for instance, automation in sectors like data entry or basic accounting, and even AI tools beginning to handle routine coding tasks).

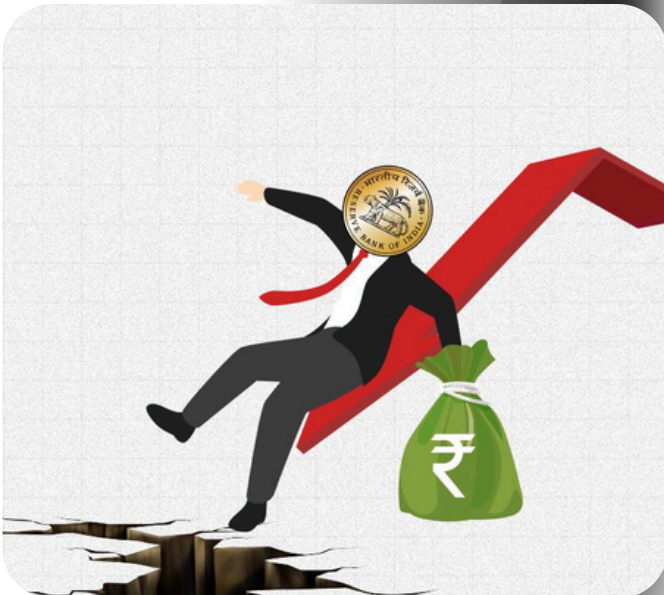
This shift is not random—it reflects what economists describe as skill-biased technological change, where technological progress increases demand for adaptable, high-skill workers while reducing the value of routine labour. At the same time, productivity has continued to grow, but wages have not kept pace for many workers, creating a productivity-wage gap. Globalization reinforces this pattern, with routine tasks often offshored to lower-cost labour markets while higher-value roles remain concentrated. Together, these shifts don't just change jobs—they change who benefits from economic growth.

The main reason for this isn't just that new technology is replacing jobs, but that it is reshaping what the market values. When tasks can be automated or replicated, the advantage no longer comes from what you know, but how quickly you can adapt. In that sense, human capital is no longer something you build and rely on for decades—it needs to be constantly updated. And that is where the insecurity begins.





It's important to note that the feeling of insecurity isn't just reserved for those who are unemployed. Stability today isn't just about having a job, it's about whether that job can actually sustain a certain standard of living. With rising costs of housing, education, and everyday essentials, incomes that once felt sufficient are starting to feel stretched (for example, rising urban rents in cities like Mumbai or Delhi, alongside increasing private education costs). In economic terms, while nominal income may be increasing, real income—the actual purchasing power, often can't keep up.



This is where the pressure on the middle class becomes clearer. Earlier, continuous income and long-term planning felt sufficient. But with expenses rising faster than income, this plan starts to crumble. Financial stability seems like this fragile illusion; easier to lose than to build. So even if someone isn't being replaced in the labour market, their financial position is still under pressure.

What this ultimately points to is a different kind of divide—one that goes beyond traditional income inequality. It's less about how much people earn, and more about how well they're able to remain relevant in a changing labour market. Those who can continuously update their skills and respond to shifting demand are able to maintain their position, while others face the risk of their skills becoming obsolete.



This doesn't necessarily mean that jobs are disappearing altogether, but that the returns to certain skills are becoming more uncertain. You can still invest in education, follow a stable path, and yet find that the payoff is not what it once was. Over time, this creates a divide where adaptability begins to determine economic security, quietly reshaping who is able to remain within the middle class and who begins to move out of it.

The real risk, then, isn't poverty—it's becoming irrelevant in a system that no longer guarantees stability.

Visual INSIGHT

India's Strategic Oil Imports: Russia vs Middle East Dynamics



Balancing Cost & Risk

India weighs discounted Russian oil against geopolitical uncertainties in the Middle East.

Illustration by: Mukund Priya, XII H



INDIA'S OIL STRATEGY: Russia Vs Middle East

-Advik Sharma, XII H

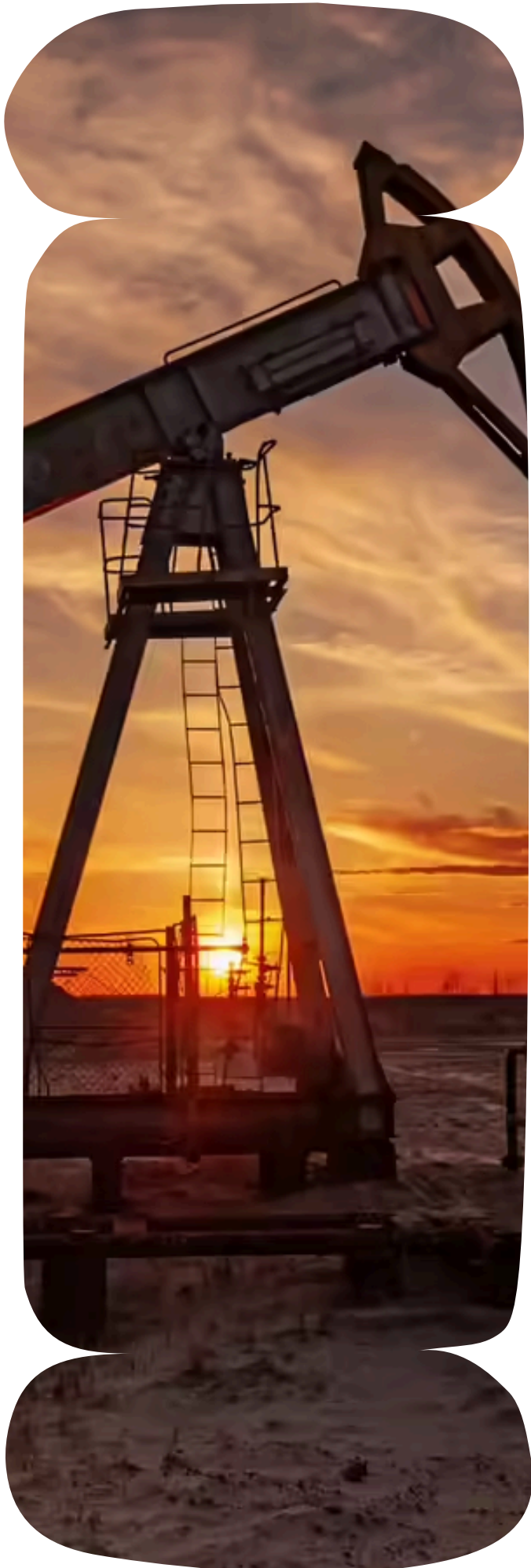
Energy is the lifeblood of a growing economy, and for a country like India, securing a steady and affordable oil supply is a constant priority. Every rise in fuel prices or disruption in supply chains directly affects industries, transport, and household budgets. In recent years, India's oil import strategy has undergone a noticeable shift, with new players like Russia emerging alongside traditional suppliers from the Middle East. This evolving balance reflects both economic needs and changing global politics.

For decades, the Middle East has been India's primary source of crude oil. Countries such as Saudi Arabia, Iraq, and the United Arab Emirates have consistently supplied a large share of India's energy needs. These nations offer geographical proximity, well-established trade relationships, and reliable long-term contracts. Even today, a significant portion of India's oil imports - often around 50-60% - comes from this region.

However, global events have reshaped this traditional pattern. The conflict in Ukraine and the resulting Western sanctions on Russia created a new opportunity for India. With fewer buyers in Europe, Russia began offering crude oil at heavily discounted prices. For a price-sensitive country like India, this was difficult to ignore. As a result, imports from Russia surged dramatically, at times making it India's largest single oil supplier, accounting for over 30% of total imports.

This shift is not just about economics - it is also about strategy. Buying discounted Russian oil helps India reduce its import bill, which is crucial for managing inflation and maintaining economic stability. Cheaper crude allows refiners to lower costs and, in some cases, even export refined products at competitive prices. In a global market where oil prices can fluctuate sharply, such cost advantages make a significant difference.





At the same time, India has been careful not to abandon its long-standing relationships with Middle Eastern countries. Nations like Saudi Arabia and the UAE remain key partners, not only in oil supply but also in investments, infrastructure, and energy cooperation. These countries provide stability and reliability, which are essential in times of global uncertainty. Moreover, their proximity ensures lower transportation costs and quicker delivery compared to more distant suppliers like Russia.

There are also logistical differences between the two sources. Oil from the Middle East typically travels shorter distances and often passes through critical routes like the Strait of Hormuz. While this makes transportation faster, it also exposes supplies to geopolitical risks in the region. On the other hand, Russian oil usually takes longer routes and involves more complex shipping arrangements, sometimes including transfers between vessels. This can increase costs and risks, even if the crude itself is cheaper.

Another important factor is payment and diplomacy. Transactions with Russia have required alternative payment mechanisms due to sanctions, adding complexity to trade. Meanwhile, dealings with Middle Eastern countries are smoother and backed by decades of trust and cooperation. India must therefore balance immediate economic gains with long-term strategic relationships.

For the Indian economy, this dual approach offers both opportunities and challenges. On one hand, diversification of suppliers reduces dependence on any single region, improving energy security. On the other hand, it requires careful management of geopolitical relationships, especially as global powers closely watch India's energy decisions. Maintaining neutrality while securing national interests is a delicate task.

Looking ahead, India's strategy is likely to remain flexible. Rather than choosing between Russia and the Middle East, the country is adopting a balanced approach - buying from wherever it gets the best combination of price, reliability, and strategic advantage. This reflects a broader shift in global energy markets, where traditional alliances are evolving, and economic pragmatism often takes centre stage.

In the long run, however, India recognizes that true energy security lies beyond oil imports. The country is investing heavily in renewable energy, electric mobility, and energy efficiency to reduce dependence on fossil fuels. As these efforts grow, the relative importance of oil imports - whether from Russia or the Middle East - may gradually decline.

In conclusion, India's oil import strategy today is shaped by both necessity and opportunity. While the Middle East continues to offer stability and strong partnerships, Russia provides cost advantages in a changing global landscape. By carefully balancing these two sources, India is not only meeting its immediate energy needs but also strengthening its position in an increasingly complex and competitive world.

India's Growth Paradox: The Job Gap

-Shaurya Chaudhary, XII C1

As we navigate through 2026, the Indian economy presents a fascinating, yet puzzling, picture. On one hand, our GDP growth is the envy of the world, comfortably cruising at over 7%. On the other hand, headlines are dominated by a "Graduate Paradox." For a Class 12 Economics student, this isn't just news—it's a live case study in Human Capital Formation and Structural Transformation.



The Road Ahead: From degrees to skills

To turn our Demographic Dividend into an economic goldmine rather than a "demographic disaster," the focus must shift.

- **Vocational Training:** Strengthening the link between ITIs and actual manufacturing hubs.
- **Fiscal Stimulus for MSMEs:** The RBI recently doubled the collateral-free loan limit to ₹20 lakh to encourage small-scale entrepreneurship.
- **Labor-Intensive Growth:** Encouraging sectors like textiles, leather, and food processing that can absorb the rural workforce moving away from farms.

CONCLUSION

As future economists, it's important to remember that a "healthy" economy isn't just about high numbers on a spreadsheet; it's about ensuring that every graduate has a seat at the table of prosperity.



The 7% Success Story

According to the latest Economic Survey 2025-26, India has maintained its position as the fastest-growing major economy.

- **Fiscal Consolidation:** The government has successfully brought the Fiscal Deficit down to 4.4%, a massive leap toward macroeconomic stability.
- **Tamed Inflation:** Unlike the post-pandemic years, CPI (Consumer Price Index) inflation has been anchored around 3-4%, thanks to the RBI's "Neutral" monetary stance and healthy agricultural output.

However, behind these "Macro" victories lies a "Micro" struggle: Jobless Growth.

The Graduate Paradox

Recent reports, including the State of Working India 2026, highlight a stark reality: while the national unemployment rate is a manageable 4.9%, the unemployment rate for young graduates (aged 15-25) has touched nearly 40%.

Why is this happening?

1. **The "Missing Middle":** In our textbooks, we read about the three sectors. Traditionally, labor moves from Agriculture to Manufacturing and then to Services. India, however, "skipped" the manufacturing stage. Our growth is driven by the Services Sector, which requires high-skilled labor (AI, FinTech, Data Science), leaving general degree holders in a lurch.
2. **The Skill Mismatch:** There is a significant gap between what we learn in the classroom and what the 2026 job market demands. While tertiary enrollment has risen to 28%, only a fraction of graduates are considered "industry-ready" for the new AI-driven economy.
3. **Disguised Unemployment:** Agriculture still employs nearly 45% of the workforce but contributes less than 16% to the GVA (Gross Value Added). This indicates low productivity and hidden unemployment.



TRADE BARRIERS: THE US-INDIA INDUSTRIAL EQUATION

- SHIVAM SHASHWAT TIWARI, XII C1



‘The year 2025 marked a turning point in global trade’

In April, the US under President Donald Trump announced sweeping "reciprocal" tariffs on dozens of nations. For India, the impact was acute. The total tariff on most Indian exports to the US climbed to 50% — combining a 10% baseline duty, a 25% reciprocal tariff announced in April, and an additional 25% penalty tied to India's continued purchase of Russian crude oil. To put this in context, India and Brazil now face the highest tariff rates among major US trade partners — higher than even China at 30% and Vietnam at 20%.

‘The industries that hit hardest’

are those that rely most on American consumers. The US accounts for nearly 28% of India's textile and garment exports, making it one of the most critical markets — with over \$10.5 billion in exports in FY25 alone. The gems and jewellery sector faces an equally grim picture. In cities like Surat and Tirupur — employment hubs for lakhs of skilled workers — face the very real threat of mass layoffs. One major Agra-based footwear exporter described the tariffs as "an absolute shock" warning that some product lines would simply become unviable overnight.

‘Not every sector is suffering, however’

—India's pharmaceutical industry stands as a notable exception. India supplies roughly 40% of the generic drugs consumed in the United States, making Indian pharma too critical to American healthcare to be penalised. Pharmaceutical exports worth \$10.5 billion remain protected under strategic exemptions. Smartphones and electronics have similarly been spared, being recognised as India's growing role in global supply chains.

‘India's response has been firm, not reactive’

Rather than immediate retaliation, the government pursued diplomacy. India's commerce minister declared that India would not "bow down" and would focus on attracting new markets. This measured approach paid off — negotiations brought the effective tariff rate down to 18% for most Indian goods, a significant de-escalation from the 50% peak.





‘The scale of disruption is staggering’

The Indian government estimates the tariffs will impact \$48.2 billion worth of exports, with officials warning that new duties could make shipments to the US commercially unviable — triggering unemployment and slower economic growth. Since exports to the US account for roughly 17% of India's total exports and about 2.2% of its GDP, the ripple effects touch every corner of the economy.

‘The crisis also carries a silver lining’

It has forced India to reckon with a long-overdue truth: over-dependence on a single market is a vulnerability. India has actually gained a competitive edge in 22 key export sectors amid the tariff shifts, as other nations face steeper barriers.

CONCLUSION

US tariffs on India are more than a bilateral dispute — they signal a world moving away from multilateral cooperation toward transactional, nation-first bargaining. For India, this is both a test and an opportunity. The challenge is not just to survive the storm, but to emerge from it stronger, more diversified, and more self-reliant.

India has always found its footing in adversity. This time should be no different.



HOW THE RBI CONTROLS INFLATION

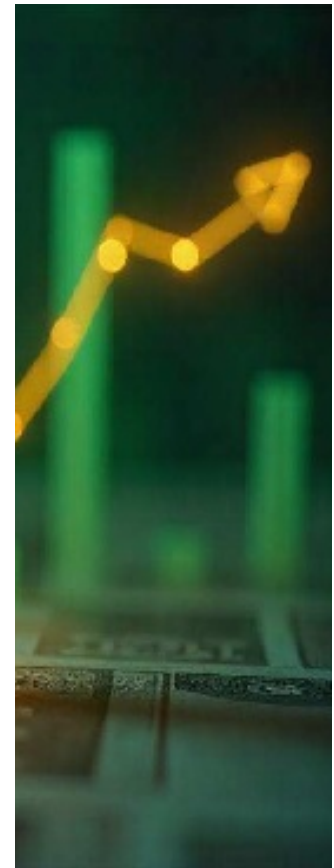
-Bhoomi Dhama, XII-H

What is inflation? I am sure we are all well-versed with this strange word. Whether in everyday conversations or at family gatherings, it often comes up with a hint of concern. But what does it actually mean? In this article, we will explore inflation and understand how it is regulated in an economy like ours.

Have you ever noticed the price of your favourite chocolate going up by a few rupees? That's exactly what this apparently simple yet concerning term refers to. Inflation is the rise in the general price of goods and services in an economy.



Having understood what inflation is, the next question that arises is—why does it occur? One of the main reasons for it is an increase in demand. When a product is in high demand, more people want to buy it. Sellers, aware of this, often raise prices because they know consumers are willing to pay more for the same good. This increase in prices which is driven by higher demand is one of the basic ways in which inflation occurs. When the prices of goods rise, but people's incomes remain the same, their real income decreases. In other words, they are able to purchase less with the same earnings. This reduction in purchasing power may make it difficult for many to afford even basic necessities. At the same time, it can also lead to stagnation of economic growth, as people end up cutting back on spending. At this point, it becomes clear why this term is often mentioned with an undertone of fear. To tackle this challenge, the RBI (Reserve Bank of India) employs a variety of tools. Let's have a look at two of these tools.



The primary tool used by the RBI to curb inflation is the repo rate. The repo rate is the interest rate at which banks and financial institutions borrow money from the RBI. When this rate is increased, borrowing becomes more expensive for banks. As a result, they either borrow less and, in turn, lend less to the public or increase the interest rate on loans. This reduces the amount of money circulating in the economy, thereby lowering demand. A fall in demand is accompanied by a reduction in prices, thereby curbing inflation. This very strategy was employed by the RBI recently when it raised the repo rate from 4% to 6.5% in response to rising inflation driven by global factors such as high fuel prices and post-pandemic demand between May 2022 and February 2023. The objective was to make borrowing more expensive and reduce excess liquidity in the economy. When inflation is under control, but the economy is struggling with low growth or high unemployment, the RBI may implement a reduction in the repo rate. A reduction in the repo rate makes loans cheaper, encouraging businesses to invest in the economy. Another tool used is the reverse repo rate. This is the interest rate that the RBI offers to banks for depositing their surplus funds with it. When the RBI increases the reverse repo rate, banks are encouraged to deposit more money with the RBI rather than lending it out to the public. This reduces liquidity and leads to a decline in demand, which ultimately helps lower the prices of goods and services.

Despite how effective the repo rate might seem on paper, the real world throws a few curveballs. Inflation caused by supply-side issues, such as disruption in supply due to crop failure or fuel shortages, cannot be fully regulated by monetary policy. Furthermore, a hike in the repo rate does not lead to lowering inflation overnight. The economy requires time to adjust to new rates. Sometimes, the financial institutions may fail to deliver fresh interest rates readily, which may water down the efforts of the RBI. Financial institutions take time to adjust their rates, and it takes even longer for consumers and businesses to change their borrowing and spending behaviour accordingly. This lag means inflation responses can take a few months to become noticeable. To conclude, inflation is a phenomenon that must be intricately regulated to ensure economic stability of the country. The RBI plays a crucial role in this process by using an array of monetary tools such as the repo rate and reverse repo rate to manage liquidity and in turn control price levels. While these measures may not yield instant results, they remain pivotal in maintaining balance and stabilizing economic growth in the long run.



-Sharanya,
XII- C2

India: THE NEXT FACTORY?

However, significant challenges remain. Infrastructure limitations, regulatory complexities, and skill gaps continue to hinder efficiency. Additionally, competition from countries like Vietnam and Bangladesh—which offer lower costs and smoother export processes—poses a challenge to India's ambitions.



The China+1 strategy presents a significant opportunity for India to strengthen its position in global supply chains. At its core, this shift reflects how economies respond to uncertainty and opportunity, reminding us that behind global trade patterns lie human decisions shaped by perception, risk, and adaptation.

“In today’s interconnected world, relying on a single economic giant is no longer a strategy—it is a risk.”

The China+1 strategy is driven by multiple factors, including rising labour costs in China, trade tensions with the United States, and disruptions experienced during the COVID-19 pandemic. Beyond economics, such decisions are also influenced by risk perception and the tendency to avoid overdependence after uncertainty, reflecting how behavioural factors shape global strategies.

India’s growing importance stems from several advantages. Government initiatives like Make in India and Production Linked Incentive (PLI) schemes further strengthen its position by encouraging domestic production and attracting foreign investment. At the same time, India’s expanding middle class creates strong internal demand, making it attractive not just as a production base but also as a consumer market.

Currently, manufacturing contributes around 16–17% to India’s GDP, compared to nearly 27–28% in China. Increasing this share will require sustained policy efforts, improved infrastructure, and workforce development. Ultimately, India’s success will depend not only on economic reforms but also on how effectively businesses and institutions adapt to change.

USA-Israel-Iran War: Impact On India

-Ria, XII-C2

The war has affected our daily life in many ways, especially because of rising fuel prices. It has disturbed the global oil supply through the Strait of Hormuz, which is an important route for oil transport. Because of this, oil prices have increased a lot, and since India imports most of its oil, petrol, diesel, LPG, rising prices have made the same highly expensive. Transport costs have also increased, which affects almost everything. In some places, there are long LPG queues and even shortages. Even black market prices have gone up. Some restaurants have started using other fuels like wood, which can make food more expensive. Food prices are rising because transport has become costly, and fertilizer supply is also affected, making farming expensive.

This leads to inflation, where the cost of living increases but salaries do not increase much, so people are not able to save money. Businesses are also facing problems as their costs have increased, which slows down growth and reduces job opportunities. Many Indians working in Gulf countries are coming back home, which stops the money they used to send home and increases job competition in India. Travel has also become expensive because flights take longer routes to avoid risky areas. The value of the rupee may fall due to higher oil imports, making imported goods like electronics and medicines more costly. Lastly, people may panic and buy extra petrol and LPG, which can create shortages making the situation worse. India must devise a strategic plan, to prevent fall in GDP and continue its growth as the fastest economy.



Global Supply Chain Destruction

-Arham Oswal, XII-A1

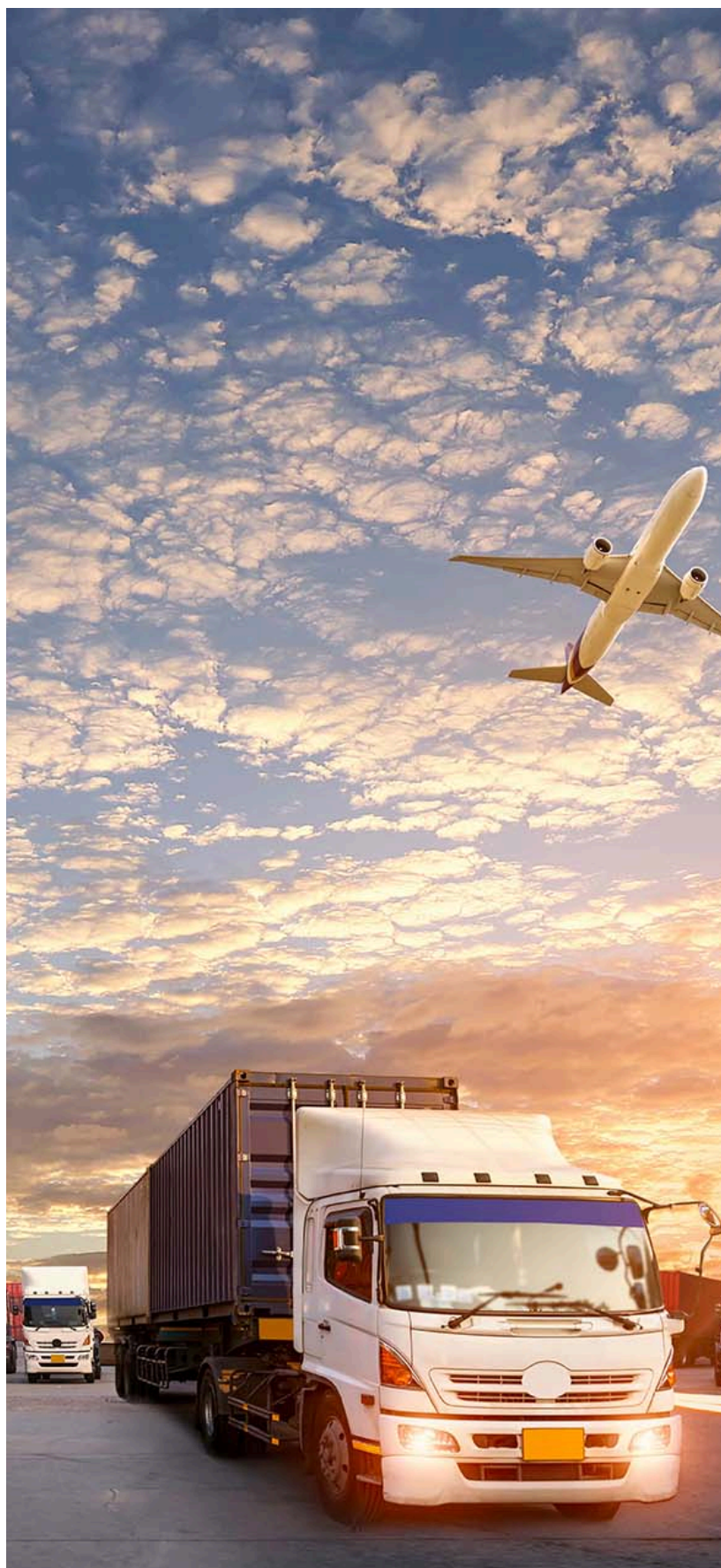
Global supply chain disruption refers to unexpected events that interrupt the smooth movement of goods and services, leading to delays, rising costs, and strained customer relationships. While early tensions like the US- China trade conflict in 2018 created initial friction, the major breakdown began in early 2020 with the COVID-19 pandemic. Lockdowns in China halted production, and as the virus spread globally, manufacturing and logistics systems collapsed simultaneously.

By mid-2020, demand shifted sharply from services to goods, overwhelming limited shipping capacity and causing container shortages. The situation worsened during 2021-2022 due to a “perfect storm” of factors, including port congestion, labor shortages (especially truck drivers), semiconductor shortages affecting key industries, and additional disruptions like the Suez Canal blockage, the Russia-Ukraine war, and further lockdowns in China.

These disruptions significantly impacted industries. Automotive and electronics sectors faced production delays due to chip shortages, while retailers experienced empty shelves and higher transportation costs. Pharmaceuticals struggled with shortages of essential ingredients, and manufacturers dealt with delayed raw materials and increased operational costs.

The broader consequences included rising inflation and inefficiencies due to poor supply chain visibility. To build resilience, companies are adopting strategies such as diversifying suppliers, investing in digital technologies like AI and IoT, and maintaining higher inventory levels instead of relying solely on just-in-time systems.

Looking ahead, supply chains are expected to become more resilient and flexible, with companies diversifying suppliers, adopting technologies like AI and IoT, and maintaining higher inventories. There will likely be a shift toward regionalization and reduced dependence on single markets, aiming to better withstand future global shocks.



Visual INSIGHT



Global Shocks, Local Strain

Rising oil prices, conflicts, and a strong dollar push the rupee down, squeezing households.

Illustration by: Mukund Priya

XII-C2

THE FALLING RUPEE

—Ayaan Varma, XII-C1



INTRODUCTION

Before we get into why the rupee is depreciating, let us start simple. What is a currency? Currency is a fiat system that governments instilled to serve as the medium of exchange. It is the tangible form of money comprising paper notes and coins or more recently digital balance. Over the past few months, you must have noticed that petrol prices seem to creep up every few weeks, or foreign brands cost significantly more. One of the hidden reasons is the depreciation of the Indian Rupee.

IMPORTANT CONCEPTS

To understand the crisis in detail we will have to take a slight detour and understand the idea of depreciation, devaluation, and appreciation. These three terms are often confused with each other, but mean quite differently. Depreciation and appreciation are naturally found in the market, it is in relation to the demand for the currency, it rises or falls based on trade, investments, and global events. Devaluation on the other hand is deliberately done by the government to lower the value of its currency. Think of depreciation as a slow leak in the balloon while devaluation as purposely letting air out of the balloon.

HISTORY OF THE INDIAN RUPEE

~ 1947 (Independence):-

3 INR was equal to 1 USD. The rupee started strong as India gained independence.

~ 1966 (Wars with China & Pakistan):-

Two costly wars drained reserves. Rupee devalued by 57% overnight, to ₹7.50 per USD.

~1991 (Economic Crisis):-

Trade deficits and political chaos pushed India to the brink. Rupee fell to INR 17-19 per USD but, the crisis unlocked economic liberalisation.

~2013 (Taper Tantrum):-

US Fed slowed stimulus. Foreign capital fled India. Rupee crashes to INR 68 per USD. India was branded one of the "Fragile Five."

~2022–2023 (Russia-Ukraine War):-

Global inflation surged. Dollar strengthened. Rupee breaches to INR 83 per USD for the first time.

WHY DOES THE RUPEE KEEP FALLING?

~Trade Deficit:-

India imports more than it exports. This creates a never-ending demand for USD, which weakens the INR.

~Foreign Capital Outflow:-

When global uncertainty rises, Foreign Portfolio Investors pull money out of Indian stocks and bonds, convert rupees back to dollars, and move it elsewhere. This sudden outflow puts downward pressure on the rupee.

~Global Uncertainty:-

Wars, currency conflicts, and rising inflation make the investors nervous. During uncertain times, they flock to havens like the USD gold, pulling out their capital out of risky markets like India.

RBI REFORMS

1. CAC:-

Capital account credibility allows the free, unrestricted conversion of local currency into foreign assets and vice-versa. The RBI follows a partial CAC system to ensure stability and protecting the rupee from global volatility. While trade related transactions are free, the RBI restricts capital flows like overseas investments and large loans.

2. NET OPEN POSITION:

It is the measure of bank's total exposure to foreign exchange risk. The RBI drastically tightened the NOP. Previously, banks could hold up to 25% of their total capital but, now they are capable to hold 100 million a day. This forces the banks to sell the dollars and buy the rupee to meet the limit.

3. NON-DELIVERABLE FORWARD:

The RBI has barred banks from offering NDF contracts. This was designed to break the loop, where traders profited from the price difference between Indian and overseas markets, which was putting extra pressure on the rupee.

Conclusion

The Indian rupee has fallen from INR 3 in 1947 to over INR 93 today. The reasons are the Gulf war disrupting oil supplies, US tariffs hurting exports, the Russia-Ukraine war keeping prices volatile, and global investors fleeing to safe havens like the dollar and gold. The RBI is taking measures like tightening the Net Open Position and promoting Sovereign Gold Bonds which stabilize the rupee.

The rupee will remain in constant pressure if the conflicts go on. At present, we see an impact on our favourite brands, but if things go south, even necessities could become unaffordable (like LPG these days). That is why during the times of conflicts we should live prudently.

The Role of Utility in Choices

-Jahaan Dhingra, XI-C1

In the study of Economics, one of the most important questions is: how do consumers decide what to buy? Every day, people make choices—what to eat, what to wear, or how to spend their money. These decisions are not random; they are guided by a concept known as utility.



Utility refers to the satisfaction or pleasure a consumer derives from consuming a good or service. In simple terms, it answers the question: "How happy does this product make me?" For example, if you enjoy eating pizza, each slice gives you a certain level of satisfaction. That satisfaction is your utility. The word UTILITY can be further classified in two ways. First, TOTAL UTILITY (TU); This is the overall satisfaction a consumer gets from consuming a certain quantity of goods. Example: Eating 3 slices of pizza gives you a total level of happiness. Second, MARGINAL UTILITY (MU); This is the additional satisfaction gained from consuming one more unit of a good. Example: The happiness you get from eating one extra slice of pizza. One of the key principles in microeconomics is the Law of Diminishing Marginal Utility. It states that as a person consumes more units of a good, the additional satisfaction from each extra unit gradually decreases. Example:

- First slice of pizza → very satisfying
- Second slice → still good
- Third slice → less enjoyable
- Fourth slice → maybe you don't want it at all

Now the question arises that how consumers make choices? the answer to this question is that Consumers aim to maximize their total utility, but they face two main constraints:

- Limited income
- Unlimited wants

So, they make decisions by comparing:

- The utility they get from a product
- The price they have to pay

A rational consumer will spend money in a way that gives them the highest satisfaction per unit of money.



The concept of utility provides a simple yet powerful way to understand consumer behavior. It shows that every purchase decision is driven by the desire to maximize satisfaction within limited resources. By applying ideas like marginal utility and consumer equilibrium, we can better understand not only economic theory but also the choices we make in our daily lives.

THE ECONOMY'S TOUGHEST QUESTIONS

-Jaanya Sharma XI-C1

All economies face the same challenge in that there are limited resources such as land, labour and capital but human wants are endless. As such, no economy will ever be able to produce all that human beings would wish to have. This forms the core challenges in an economy.

First, there is a challenge of what to produce in which the decision relates to selection of goods and services to produce and the quantities. Because of scarcity, any production decision leads to forgone opportunities in that more of one product leads to reduced production of another. Economies must therefore make decisions regarding the type of goods and their amount.

Secondly, there is a question of how to produce. It entails making production decisions based on whether an economy is labourabundant or capital-abundant. The choice is made based on relative prices, and in the case where an economy is abundant in labour like India, producers opt for labour-intensive processes.

Thirdly, for whom to produce is another economic problem concerned with the allocation of goods and services. This economic problem solves the issue of the recipients of the produced goods. With different levels of income possessed by people, the affordability of goods varies from person to person. In most economic systems, goods are allocated depending on the purchasing power of individuals.

These central issues mostly stem from the following: Scarcity of resources, human wants being limitless, and that resources have multiple uses. The moment you choose to use your resource in a certain way, you cannot use it for any other activity. Thus, the idea of opportunity cost arises; you have to forego one option for the other.

To conclude, the central issues of economics demonstrate the significance of making proper decisions. Wise utilization of resources could contribute towards enhancing the standard of living and promoting economic growth.



Visual INSIGHT



Peace Pays, War Costs

*Economic growth thrives in stability,
while war drains wealth and futures.*

Illustration by: Rianna Mahajan

ECONOMICS – AS I SEE IT

A Short Poem By: Rishia Suri, XI-CI

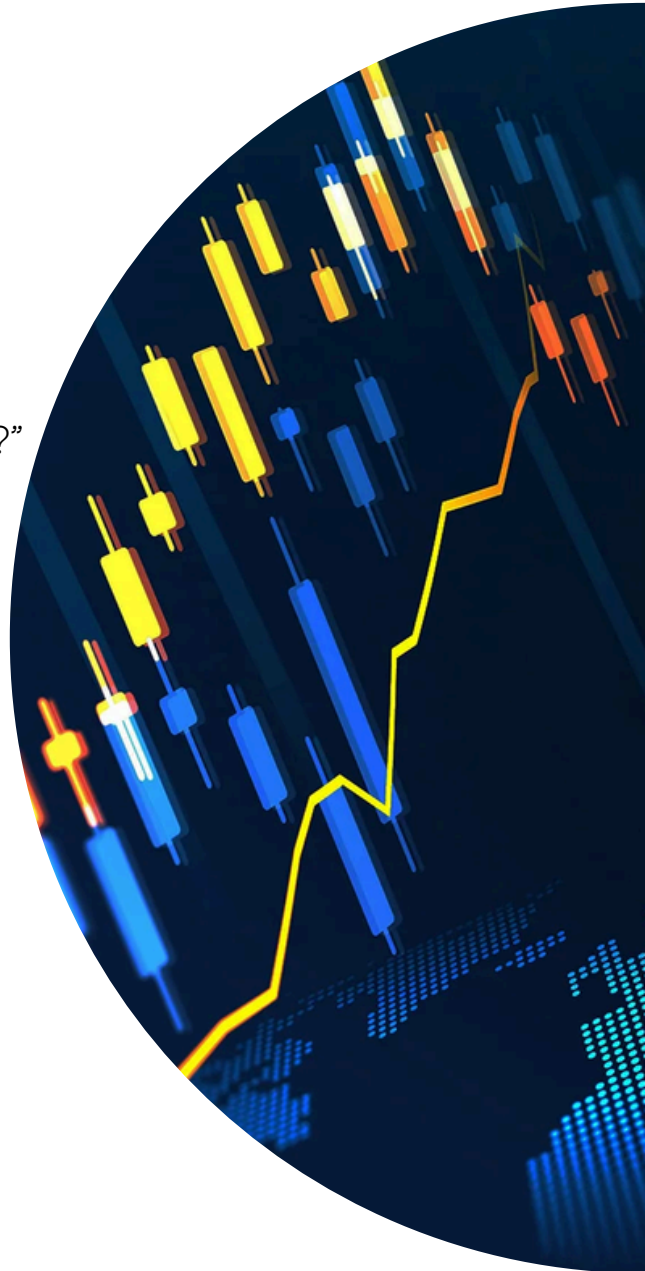
What is economics? I pause and define,
Not mountains or rivers or landforms in line—
But choices we make with resources so few,
And how we decide what to give up or do.

I see it in markets that rise and that fall,
In demand and supply shaping prices for all.
In profits and losses, in risks people take,
In every small trade and each deal that we make.

Opportunity cost whispers, “What will you choose?”
For every gain comes something to lose.
Scarcity reminds us there’s never enough,
Yet people stay hopeful, determined and tough.

In firms that produce and consumers who buy,
In wages we earn and ambitions we try.
Sometimes there’s growth, sometimes despair,
When inequality shows life isn’t always fair.

But through productivity, effort, and care,
We build better outcomes we all can share.
For economics, to me, is clear to see—
It’s life in motion, shaping you and me.



Epilogue REFLECTIONS

Thank you for exploring this edition of our Economics Department newsletter.

We hope it not only informed you but also inspired you to look at the world through a more analytical and curious lens. Economics is everywhere—from the choices we make to the systems that shape our future—and understanding it empowers you to think deeper and smarter.

Stay curious.

Keep questioning.

And never stop uncovering the stories behind the numbers.

The power of economic thinking is in your hands.

-Economics Department