CURRENT AFFAIRS: 05&06.06.2026

The Vice President of India paid homage to the great freedom fighter, revolutionary, and Tamil scholar Varahaneri Venkatesa Subramaniam Aiyar (V. V. S. Aiyar) on his death anniversary (3rd June).

- **Early Life & Transition:** Born in Tiruchirappalli (2nd April 1881), he travelled to London in 1907 to study law but decisively shifted his path to become a committed revolutionary.
- **India House & Savarkar:** In London, he became a core member of **India House** (founded by **Shyamji Krishna Varma**) and worked closely with **Vinayak Damodar Savarkar** in the secret **Abhinav Bharat Society**, supporting revolutionary activities and facilitating the clandestine movement of arms into India.
- **Pondicherry Trio:** To evade British intelligence, he escaped to the French territory of **Pondicherry in 1910**, where he formed a formidable intellectual and revolutionary network alongside nationalist poet **Subramania Bharati** and spiritual leader **Aurobindo Ghosh**.
- **The Ashe Assassination (1911):** Historically recognized for his role as a mentor, he secretly provided arms training to the young revolutionary **Vanchinathan**, who subsequently assassinated the tyrannical British Collector of Tirunelveli, **Robert Ashe**.
- **Journalism & Mainstream Politics:** During World War I, he aligned closer to the **Indian National Congress**, edited the Tamil daily ***Desabhaktan***, and was ultimately imprisoned for **sedition in 1921**.
- **Nationalist Convictions:** Despite qualifying as a barrister, Aiyar refused the title as it required an oath of allegiance to the British Crown.
- **Ideological Shift:** Described by **Mahatma Gandhi** as a "fierce anarchist" in 1907, Aiyar later embraced the path of **Ahimsa (non-violence)**.
- **Literary Pioneer:** Widely regarded as the Father of the Tamil Short Story, he pioneered modern Tamil storytelling through his collection ***Mangayarkkarasiyin Kaadhal.***
  - His literary legacy is particularly associated with ***Kulathangarai Arasamaram***, a celebrated short story from this collection that is considered a landmark in Tamil literature.
- **Classical Translations:** He helped globalize Tamil literature by translating the **Thirukkural** and **Kamba Ramayanam** into English, and supervised the English translation of Savarkar's *The Indian War of Independence, 1857*.
  - Aiyar deeply admired **Kamban**, the renowned author of the **Kamba Ramayanam**, and regarded him as superior to classical Sanskrit poets **Valmiki** and **Vyasa**.
- **Biographies of Revolutionaries:** To inspire Indian youth, he authored Tamil biographies of global leaders like **Giuseppe Garibaldi, Guru Gobind Singh, and Napoleon.**
- **Nationalist Education:** Rejecting the British system, he established the **Bharadwaja Ashrama**, a Tamil Gurukulam in **Cheranmahadevi in 1922**, focused on cultural and vocational education.
- **Tragic End:** His life abruptly ended on 3rd June 1925 when he drowned in the Papanasam falls while attempting to save his daughter.

Russia delivers fourth squadron of AI-enabled S-400 air defence system

Three S-400 squadrons have already been inducted into service; the fourth has now arrived, following delays linked to the Russia-Ukraine conflict

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Recently, India has received the 4th squadron of the **Russia-made S-400 Triumf**, strengthening its long-range air defence network.

- **About:** The S-400 Triumf, officially designated as **'Sudarshan' in Indian service**, is a **state-of-the-art long-range air defence system** procured from Russia to establish an impenetrable, multi-layered security umbrella over the nation's critical airspace.
  - It is developed by **Russia** and is widely considered one of the world's most advanced mobile **Surface-to-Air Missile (SAM)** systems.
- **Multi-Tiered Defence Network:** The system provides **layered air defence** using missiles with ranges of 40–400 km, capable of neutralizing a wide spectrum of aerial threats, including **stealth fighter jets, unmanned aerial vehicles (UAVs), and ballistic or cruise missiles**.
- **Simultaneous Engagement:** Equipped with advanced panoramic radar capabilities, the S-400 can simultaneously track up to **300 targets** and actively engage up to **36 threats at once** with exceptional precision.
- **India's Procurement Status:** India signed a **USD 5.43 billion deal in 2018** with Russia for five regimental systems. Three squadrons are already operational, the fourth has arrived, and the **fifth is expected in 2027**.
- **Operational Role:** The system forms a key part of India's **layered air defence architecture** along western and northern borders. It demonstrated operational effectiveness during **Operation Sindoor**, intercepting hostile drones and missiles.
- **AI-enabled Targeting:** Integrated with **AI-assisted decision-support systems** to help operators identify, classify, and prioritise aerial threats. **Final engagement decisions remain with the human operator.**
- **Indigenous Synergy:** The S-400 integrates seamlessly with India's existing networks, complementing the **DRDO**-developed **Ballistic Missile Defence (BMD)** system and parallel indigenous initiatives like **Project Kusha (Extended Range Air Defence System)** to counter the two-front threat from China and Pakistan.

Indian economy to remain resilient in FY27 despite West Asia conflict impact: RBI in Annual Report

"Growth prospects are supported by India's strong macroeconomic fundamentals, including robust domestic demand, relatively lower dependence on exports as a growth driver, and a stable policy environment," says Central Bank

The **Reserve Bank of India (RBI)** released its **Annual Report for 2025-26**. The central bank highlighted that the Indian economy is expected to remain resilient in the financial year **2026-27 (FY27)**, successfully navigating a challenging external environment characterized by the ongoing **West Asia conflict**, elevated energy prices, and global supply chain disruptions.

- **India's economy remains resilient despite global uncertainties**, with real GDP projected at **6.9% in 2026-27**, supported by strong domestic demand, fiscal consolidation, healthy banking and corporate balance sheets, rising services exports, and continued public investment.
- **Key risks stem from the West Asia conflict, higher energy prices, global inflation, and weather-related disruptions**, prompting the RBI and government to focus on strategic initiatives such as the Economic Stabilisation Fund (ESF), Bharat-VISTAAR, IndiaAI Mission, CBDC expansion, FTAs, and digital financial infrastructure to sustain long-term growth and stability.

What are the Key Highlights of the RBI Annual Report for 2025-26?

- **Domestic Growth and Output:** India maintained its position as one of the fastest-growing major economies, with real **Gross Domestic Product (GDP)** growth estimated at **7.3%** in 2025-26, revised upward from an initial projection of 6.5%.
  - The growth momentum in 2025-26 was driven by broad-based expansion across key sectors, with **Private Final Consumption Expenditure** growing by 7.7%, **Gross Capital Formation** by 6.5%, **Services Gross Value Added (GVA)** by 8.7%, and Manufacturing GVA registering a robust 11.5% growth its strongest performance in recent years.
  - Growth was supported by a revival in the **manufacturing sector, strong rural demand**, and a gradual recovery in urban consumption.
- **Inflation and Price Situation:** Average headline **Consumer Price Index (CPI)** for 2025-26 was revised progressively downward through the year from an initial projection of 4.0% to as low as 2.0% (as of December 2025).
  - The **Monetary Policy Committee (MPC)** noted that the significant decline in headline inflation was primarily driven by **volatile food prices**, while core inflation remained stable — limiting the scope for further aggressive easing.
  - **Core inflation** remained more stable, hovering around 4%, limiting further policy easing.
- **State of Government Finances:** The **Gross Fiscal Deficit (GFD)** for 2025-26 (Revised Estimates) came in at **4.4% of GDP**, down from 4.8% in 2024-25.
  - GFD for 2026-27 is **budgeted at 4.3% of GDP** continuing the downward trend from the pandemic peak of 9.2% in 2020-21.
  - **Gross tax revenue** grew 7.4%, driven by corporation tax and strong excise/customs duty collections.
  - **Non-tax revenue** recorded robust growth of **24.4%**, largely from higher-than-budgeted receipts.

- **Capital expenditure** remained steady at 3.1**%** of GDP in 2025-26 (RE) and is budgeted to grow **11.5%** in 2026-27.
- The **Centre's debt-to-GDP ratio** is budgeted to decline to 55.6**%** in 2026-27.
- **State Finances:**
  - States had budgeted a GFD of 3.3% of GDP for 2025-26.
  - The **16th Finance Commission (FC-XVI)** retained states' share at 41% of the divisible tax pool and introduced a new criterion (states' contribution to GDP (weight: 10%)) to recognise states' role in national growth.
  - Post-devolution revenue deficit grants have been discontinued to strengthen fiscal discipline.

- **India's External Sector:**
  - **Merchandise Trade:** The **merchandise trade deficit widened** to **USD 333.2 billion** in 2025-26 from USD 282.5 billion the prior year.
    - **Petroleum products, gems & jewellery, and rice** saw export contractions.
    - In a major trade shift, **China overtook the US** as India's largest trading partner in 2025-26.
    - India signed trade agreements with the **UK (CETA), Oman (CEPA), and New Zealand (FTA)**; FTA negotiations with the **EU were also concluded** in January 2026.
  - **Services & Remittances:** Net services exports grew **15.3% (y-o-y)** during April-December 2025.
    - **Software and business services** accounted for 77.8% of services exports.
    - **Workers' remittances** posted robust growth of **10.1% (y-o-y)** during April-December 2025. The average cost of sending USD 200 to India stood at **5.3%** - below the global average of 6.4% but still above the **SDG target of 3% by 2030.**
  - **Current Account & Capital Flows:** The **Current Account Deficit (CAD)** was contained at **USD 30.2 billion (1.1% of GDP)** during April-December 2025.
    - **Net Foreign Direct Investment (FDI)** improved to USD 7.7 billion; India ranked **second globally** in greenfield FDI announcements (after the US).
  - **Foreign Exchange Reserves: Foreign exchange reserves** declined on a BoP basis by **USD 30.8 billion** (April-December 2025) as capital flows fell short of CAD.
    - Forex reserves provided a cover of approximately **11 months of merchandise imports** and stood at around **90% of total external debt** at end-December 2025.
    - The external debt-to-GDP ratio remained contained at **20.4%**, and key vulnerability indicators stayed within comfortable ranges.

- **Monetary Policy and Banking Performance:**
  - **Repo Rate Actions:** The MPC cut the policy **repo rate** by a **cumulative 100 bps** during 2025-26, bringing it to **5.25%**.
    - The stance was changed from neutral to accommodative in April 2025, before reverting to neutral in June 2025.
  - **Liquidity Management:** The **Cash Reserve Ratio (CRR)** was reduced by **100 bps in a staggered manner** (September–November 2025) to 3.0% of **Net Demand and Time Liabilities (NDTL)**, injecting ~Rs 2.5 lakh crore of durable liquidity.
  - **Credit Offtake:** Bank credit expanded in **double digits** and was largely broad-based, led by services and retail sectors.

- **Policy Transmission: Weighted average lending rates (WALRs)** on fresh and outstanding rupee loans of scheduled commercial banks declined by **95 bps and 78 bps** respectively during 2025-26, in response to the cumulative 100 bps repo rate reduction.

- **Labour Market:** Labour market conditions are expected to improve with the full implementation of the **Four Labour Codes,** supported by stronger domestic demand and higher productivity.
  - Credit to micro and small enterprises grew by 33.1%, reflecting targeted financial support to employment-intensive sectors and boosting job creation.

Ministry of Commerce & Industry

Azadi Ka Amrit Mahotsav

Base Year of Wholesale Price Index Revised from 2011–12 to 2022–23

Revised Wholesale Price Index and New Producer Price Indices Scheduled for Release on June 15

Revised WPI Series with Expanded Coverage, Renewable Energy Inclusion and Improved Methodology to Strengthen Price Measurement

The **Office of Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT),** has announced the **revision of the Base Year of the Wholesale Price Index (WPI) from 2011–12 to 2022–23**, alongside the historic introduction of a new **Producer Price Index (PPI)** framework scheduled for launch on **15th June 2026**.

What are the Key Highlights of WPI (Base Year 2022–23)?

- **Expansion of the WPI Basket:** To better reflect modern economic realities, the total number of items tracked in the WPI basket has been significantly expanded from **697 to 957 items**.
- **Inclusion of Renewable Energy:** Reflecting India's green energy transition, **Solar and Wind energy**, alongside **Nuclear Electricity**, have been officially integrated under the 'Electricity' Group.
- **Structural Reorganization of Energy Tracking: Crude Petroleum and Natural Gas** have been shifted out of the **'Primary Articles'** category and consolidated into the **'Fuel and Power'** group for a more coherent and integrated structure.
- **Methodological Shift to Gross Value of Output (GVO):** The derivation of weights has been upgraded to utilize **Gross Value of Output (GVO)**, representing domestic production from a producer's perspective, replacing the older **Net Traded Value (GVO + Imports – Exports)** methodology used in the 2011–12 series.
- **Advanced Statistical Computation:** The elementary indices will now be calculated using a short-term, **chain-based formulation method** instead of a long-term formulation, while missing data will be resolved using the **'Targeted Mean Imputation' method** rather than the outdated 'Carry-forward' approach.
- **Introduction of the PPI Framework:** The new series will simultaneously release the **Output Producer Price Index (OPPI)**, a **Trial Input Producer Price Index (IPPI)** (initially restricted to the manufacturing sector on an experimental basis), and a quarterly **Service Producer Price Index (Service PPI)** covering seven essential sectors: **Banking, Securities Transaction, Insurance, Management of Pension Funds, Railways, Air (Passenger), and Telecom**.

- **Divergent Pricing Valuation Principles:** The **WPI, Output PPI, and Service PPI are compiled based on the 'Basic Price'** (which explicitly **excludes Net Tax and Trade & Transport Margins**), whereas the **Input PPI is compiled using the 'Purchaser's Price'** since industries source inputs directly from the market.

Wholesale Price Index (WPI)

- **About**: The **Wholesale Price Index (WPI)** is a key macroeconomic indicator used to measure the average change in the prices of goods traded in bulk at the wholesale level.
- **Key Features:**
  - **Goods-Based Index:** WPI measures price changes only in **physical goods** and excludes services such as healthcare, education, and telecom.
  - **First Point of Sale:** It captures prices at the **wholesale or producer level**, making it an important indicator of supply-side inflation.
  - **Base Year:** The revised WPI series uses **2022–23 as the base year (100)** for measuring price changes.
- **Major Components of WPI:**
  - **Manufactured Products (Highest Weight):** Includes processed foods, textiles, chemicals, machinery, metals, and other manufactured goods.
  - **Primary Articles:** Covers raw and unprocessed items such as food grains, vegetables, oilseeds, and minerals.
  - **Fuel & Power:** Comprises energy products like coal, petroleum products, natural gas, and electricity.
- **Significance of WPI:**
  - **Corporate Contracts:** Used in price escalation clauses to adjust payments in long-term contracts and infrastructure projects based on changes in wholesale prices.
  - **Policy Formulation:** Helps the government design fiscal and trade measures to manage inflation and supply-side pressures.
  - **GDP Deflator:** Assists in converting **nominal GDP into real GDP** by accounting for the impact of inflation.

What is the Producer Price Index (PPI)?

- **About: Producer Price Index (PPI)** measures the average change over time in the prices received by domestic producers for goods and services they sell.
  - It tracks inflation from the **producer's or seller's perspective**, capturing price changes before they reach consumers.
  - While the **Consumer Price Index** measures what consumers pay, **PPI** measures what manufacturers and service providers receive.
  - PPI serves as an early indicator of inflationary pressures and helps assess how input costs are transmitted to final product prices.
- **Pillars of the PPI Framework:**
  - **Input PPI:** Measures the change in prices of the raw materials, goods, and services that industries *purchase* to manufacture their final products. (e.g., The cost of steel, rubber, and electricity for a car manufacturer).
  - **Output PPI:** Measures the change in the prices industries *receive* for the final goods and services they produce. (e.g., The factory price of the finished car).
  - **Service PPI:** Specifically tracks the price changes in the **service sector,** which makes up over 50% of India's GDP but was completely ignored by the old WPI.

- **Key Characteristics of PPI:**
  - **Factory-Gate Prices:** PPI measures price changes at the first point of sale, when goods leave the factory or producer.
  - **Based on Basic Prices:** It excludes indirect taxes (**GST)**, trade margins, and transportation costs, reflecting only production costs and producer margins.
  - **Includes Services:** Unlike WPI, PPI covers both **goods and services**, enabling inflation tracking in sectors such as banking, telecom, aviation, and insurance.
- **India's Shift to PPI:** In alignment with **International Monetary Fund (IMF)** recommendations and global best practices, WPI will be completely discontinued after a five-year transition window, completely replacing it with the **Producer Price Index (PPI) framework to give users adequate time to modify price escalation clauses.**
- **Significance:**
  - **Removes the "Tax Illusion":** WPI included indirect taxes. If the government raised taxes on a product, the WPI would spike, creating the illusion of inflation even if the actual cost of producing the good hadn't changed. **PPI fixes this by using the Basic Price.**
  - **Removes Imported Inflation Bias:** WPI included the prices of imported goods at the wholesale level.
    - PPI strictly measures **domestic production**, giving the **Reserve Bank of India (RBI)** and the government a much clearer picture of the health of domestic industries.
  - **The Global Standard:** Advanced economies (like the US, UK, and European Union) use PPI. Adopting it makes India's inflation data directly comparable on the global stage.

Parameter	Consumer Price Index (CPI)	Wholesale Price Index (WPI)	Producer Price Index (PPI)
Measures	Prices paid by consumers	Wholesale prices of goods	Prices received by producers
Level	Retail level	Wholesale level	Factory-gate level
Services Included	Yes	No	Yes
Imports Covered	Yes	Yes	No (Domestic output only)
Published By	National Statistical Office (NSO), MoSPI.	Office of Economic Adviser (OEA), DPIIT.	Office of Economic Adviser (OEA), DPIIT.
Key Use	RBI's inflation targeting	GDP deflator, contract escalation	Supply-side inflation tracking
Structure	Single index	Single goods-based index	Input PPI & Output PPI

Practice MCQs for Revision

1. Who is known as the "Father of the Indian Labour Movement"?

(A) B.P. Wadia
(B) N.M. Joshi
(C) N.M. Lokhande
(D) Lala Lajpat Rai

2. The Bombay Mill-Hands Association was established in:
(A) 1875
(B) 1881
(C) 1890
(D) 1920

3. Which Act provided legal recognition to trade unions in India?
(A) Factories Act, 1881
(B) Trade Disputes Act, 1929
(C) Trade Unions Act, 1926
(D) Industrial Relations Code, 2020

4. The first modern trade union of India was:
(A) AITUC
(B) Bombay Mill-Hands Association
(C) Madras Labour Union
(D) INTUC

5. AITUC was formed in:
(A) 1918
(B) 1920
(C) 1926
(D) 1947

6. Who was the first President of AITUC?

(A) Jawaharlal Nehru
(B) B.P. Wadia
(C) N.M. Joshi
(D) Lala Lajpat Rai

7. Which labour federation was formed by the Congress Party in 1947?
(A) HMS
(B) BMS
(C) INTUC
(D) CITU

8. Which Labour Code introduced a 60-day notice period for strikes?

(A) Code on Wages, 2019
(B) OSH Code, 2020
(C) Social Security Code, 2020
(D) Industrial Relations Code, 2020

9. Consider the following statements:

1. Trade Unions Act, 1926 granted legal recognition to trade unions.
2. AITUC was formed to represent India at the ILO.
3. BMS was formed by the CPI(M).

(A) 1 and 2 only
(B) 2 and 3 only
(C) 1 and 3 only
(D) 1, 2 and 3

10. Consider the following pairs:

1. · JNPT – Largest Container Port
2. Kolkata Port – Riverine Port
3. Kamarajar Port – First Corporatized Major Port

How many pairs are correctly matched?

(A) One only
(B) Two only
(C) All Three
(D) None

Q. No.	Correct Answer
1	(C) N.M. Lokhande
2	(C) 1890
3	(C) Trade Unions Act, 1926
4	(C) Madras Labour Union
5	(B) 1920
6	(D) Lala Lajpat Rai
7	(C) INTUC
8	(D) Industrial Relations Code, 2020
9	(A) 1 and 2 only
10	(C) All Three