Annexure-I

Note on Recent Political-Economic Developments

The recent period has been a period of drastic geopolitical changes. Undoubtedly, the heroic resistance of Iran against the US-Israel aggression has introduced a new dimension in world politics. If Iran had been conquered by the USA without any resistance, the imperialist aggression over the peoples of the Global South would have become more horrific. The brazen surrender of the Modi Government to US imperialism and its notorious alliance with Israel has created difficulties for the people of India. Even the US restricted India from getting cheaper fuel from Russia.

The blockade of the Strait of Hormuz has already triggered a major global energy shock. The International Energy Agency (IEA) has warned that nearly 20% of global LNG supply has been disrupted, pushing gas prices in Asia and Europe to their highest levels since 2023, while oil market instability forced the coordinated release of around 400 million barrels from strategic reserves in March 2026 to stabilise prices. IEA Executive Director Fatih Birol described the situation as potentially "the largest energy crisis we have ever faced."

The World Bank projected a 24% rise in energy prices and a 31% increase in fertilizer prices in 2026, while oil prices are expected to average around $86 per barrel. These developments have sharply increased fuel, transport, electricity, and food prices across the world, worsening the cost-of-living crisis for workers and poor people.

Simultaneously, inflation has risen globally while wage growth has remained stagnant. Stagflation is accelerating in major economies like the US and Germany. The IMF has projected slower global growth of around 3.1% in 2026 along with renewed inflationary pressure. In India and many developing countries, rising fuel and food prices are directly reducing real wages and purchasing power.

Another major development has been the acceleration of militarisation and defence spending. Rising military expenditure is significantly increasing public debt and fiscal deficits worldwide. As governments divert public resources toward war preparations and strategic competition, social spending on health, education, food subsidies, and employment programmes faces increasing pressure.

At the same time, corporations across sectors are intensifying automation and AI-driven restructuring in their desire to increase profitability amid slowing growth. However, the combined free cash flow of the four "Hyperscalers" – Amazon, Alphabet, Microsoft, and Meta – is set to hit the lowest level since 2014. Once the AI bubble bursts, it will create massive ripples across economies. Along with this, layoffs, precarious employment, labour informalisation, and work intensification have expanded globally. This new round of rapid technological displacement is weakening workers' bargaining power.

Overall, the current global situation reflects a deepening crisis of capitalism marked by war-driven inflation, growing inequality, militarisation, debt instability, and attacks on labour rights. The contradiction between enormous global wealth concentration and worsening insecurity for workers has sharpened further. These conditions are likely to intensify labour unrest, strikes, and coordinated struggles of workers and peasants across countries against austerity, privatisation, and corporate domination.

In this situation, PM Modi's "moral appeal for restraint and austerity" is, in reality, an acceptance of India's deepening economic vulnerabilities under global instability. The statements of representatives of the Indian bourgeoisie like Mahindra Group CEO and MD Anish Shah and Kotak Bank founder Uday Kotak, along with the reaction of the stock exchanges, clearly show capital's fear, panic, as well as desperation.

India's economic growth model remains structurally dependent on imported energy, volatile global finance, and suppressed domestic consumption. The present crisis is therefore not simply external in origin. The war has only exposed contradictions already embedded within India's neoliberal capitalist trajectory.

The rupee recently fell to a record low near ₹96 per US dollar amid rising oil prices and capital outflows. The Reserve Bank of India has been intervening by selling dollars from its forex reserves to slow the fall, but this is only a temporary measure because reserves are finite and continuous intervention steadily drains them. India's forex reserves have already fallen from a record high of about $728.5 billion in February 2026 to around $690.7 billion by May 2026, largely due to RBI dollar sales and external pressures. Since India imports nearly 85% of its crude oil needs, prolonged high oil prices sharply increase dollar demand and weaken the rupee further.

This has created immediate pressure on India's external account. Recent IMF projections estimate that India's current account deficit (CAD) may continue to rise over the next few years and approach 1.6% of GDP by 2027, amounting to nearly $81 billion. India remains heavily dependent on imported crude oil, fertilisers, electronics, machinery, and industrial intermediates. Petroleum imports continue to dominate the import bill, while gold imports constitute nearly 85–90% of the non-oil trade deficit in some quarters. As global oil prices rise, the combined pressure of higher import costs and rupee depreciation threatens both the fiscal deficit and the balance of payments.

India's merchandise trade deficit remains persistently negative. The economy is temporarily cushioned by "invisible" earnings – software exports, remittances, and business services. India's invisible surplus stands close to 7.88% in the estimates presented, partially offsetting a merchandise deficit of around 9.18%. However, this itself reveals the distorted structure of Indian capitalism. Instead of developing broad-based industrialisation rooted in domestic demand, India's neoliberal model increasingly depends on service exports and global capital flows.

Industrial activity itself remains uneven and fragile. Despite periodic growth in infrastructure, electronics assembly, and capital-intensive manufacturing, employment generation remains extremely weak. The Index of Industrial Production (IIP) has repeatedly shown volatility, while capacity utilisation in manufacturing has remained below levels necessary for sustained private investment expansion. The celebrated "Make in India" strategy has failed to produce labour-intensive industrialisation on the scale required. Growth has become concentrated in sectors that generate profits without generating mass employment.

The contradiction becomes even sharper when viewed through the lens of consumption. We need to underline that the Indian economy is yet to fully recover from the pandemic shock, which came while the ripples of the 2008 crisis were still present. Modi's appeal for austerity comes at a time when mass consumption is already under severe stress. Household consumption expenditure has weakened significantly over the past decade. Fuel consumption trends illustrate the uneven class character of the so-called economic recovery: aviation turbine fuel consumption recovered much faster than diesel consumption, indicating recovery driven by upper-income mobility rather than broad-based productive expansion. Diesel demand, more closely tied to freight transport, agriculture, and working-class economic activity, has recovered far more slowly.

At the same time, household financial distress has intensified. RBI data show household debt rising to nearly 42% of GDP – historically unprecedented levels. Much of this increase is concentrated in unsecured personal loans and consumption borrowing rather than productive investment. Simultaneously, net household financial savings have sharply declined, falling close to 5% of GDP from levels above 7–8% in previous years. Inflation in food, fuel, housing, healthcare, and education has steadily eroded real incomes. Large sections of workers and the lower middle classes increasingly rely on debt merely to sustain everyday consumption.

The Modi Government has now started attacking the middle and upper strata of the working class. Since the pandemic, India's neoliberal model has been largely driven by the consumption of this section of the population. Since the pandemic, the income share of this section has fallen and stagnated, not even reaching the pre-pandemic level. Further imposition of austerity measures on this section will further erode India's consumption market, pushing the economy towards a deeper crisis. Meanwhile, while working people are urged towards sacrifice, corporate profitability has continued to surge. Large conglomerates in energy, infrastructure, telecommunications, logistics, and finance continue recording record earnings. Tax concessions, privatisation, labour flexibilisation, and production-linked subsidies have further transferred public resources toward corporate capital.

Accumulation in India today increasingly depends on suppressing labour costs, weakening labour protections, informalisation, and the loot and plunder of national and natural assets. But this simultaneously displaces people and weakens mass purchasing power, restricting the domestic market necessary for stable industrial expansion. The result is a crisis of underconsumption combined with rising overaccumulation of capital.

Under these conditions, austerity becomes the political language through which the burden of crisis is sought to be shifted onto the working population. Workers are asked to consume less while corporations continue to accumulate more. Public welfare expenditure faces compression while incentives to capital expand. The state increasingly manages this contradiction not only economically but politically – through growing authoritarianism, repression of labour struggles, surveillance, and criminalisation of dissent. This, in essence, is a furtherance of the neo-fascist project.

Modi's austerity speech therefore symbolises more than concern over temporary global turbulence. It reflects the growing inability of India's neoliberal growth model to sustain itself without demanding continuous sacrifice from workers and ordinary people.

It is certain that the deepening crisis will pave the way for sharper class contradictions and generate greater social conflicts. The heroic rise of non-regular workers in Northern and Central India clearly signifies the criticality of the situation. The rising upsurges, though mostly spontaneous, have created enthusiasm among workers across the country. With the deepening of the crisis, especially the crisis of LPG, workers will continue to be pushed below subsistence levels. Thus, such ripples of upsurge will continue to emerge and will not remain limited to the NCR region alone.

Amidst these developments, India underwent crucial Assembly elections in four states and one Union Territory. Undoubtedly, the election results have been a setback for the working class and the people in general. We have lost our last bastion – the LDF Government of Kerala. Despite exemplary pro-people development, the LDF Government could not be retained in the given complex global and national situation. It will be a harder task for the working class of Kerala to protect and advance its interests against the anti-worker UDF Government.

On the other hand, the BJP, with rabid communalisation and atrocious use of all state machinery including the ECI, has taken over West Bengal. Immediately after winning, the BJP Government started demolishing slums, attacking minorities and progressive voices, banning cow slaughter, and dismantling the land-ceiling acts. There will be an onslaught of state-sponsored corporate economic aggression, attacks on people, and rogue communalisation. Assam continues under a BJP Government, while the secular progressive Government of Tamil Nadu has been replaced. However, the new TVK-led government also appears to be taking secular positions.

It was widely expected that the BJP would implement the labour codes immediately after its victory in West Bengal. We have entered into a new labour regime where even minimum legal protections have been withdrawn. We have to reorient and redefine our work to become capable of confronting this situation.

Certainly, the global crisis is intensifying; it is pushing the Indian economy into a severe crisis from energy to fertiliser and food. The Modi Government wants to shift the burden of the crisis by imposing austerity measures, withdrawing protective labour laws, and imposing unbridled exploitation on the working people of India. The loot of national assets, land, and natural resources, even of the pristine Nicobar Islands, exposes the desperation of this Government. Harsh state repression and rabid communalisation are the only weapons left in the hands of the neo-fascists.

We need to take up this challenge bravely, consolidate our organisation, protect our unions, revitalise our union committees, engage all our members in movemental activities, patiently take our politics to the workers, and thus expand our organisation. We must remain visible on the streets at every moment. Let us prepare ourselves to take up this challenge and activise our entire federation in that line of action - as desired by our 10th conference.