

# India UNWRAPPED WEEKLY



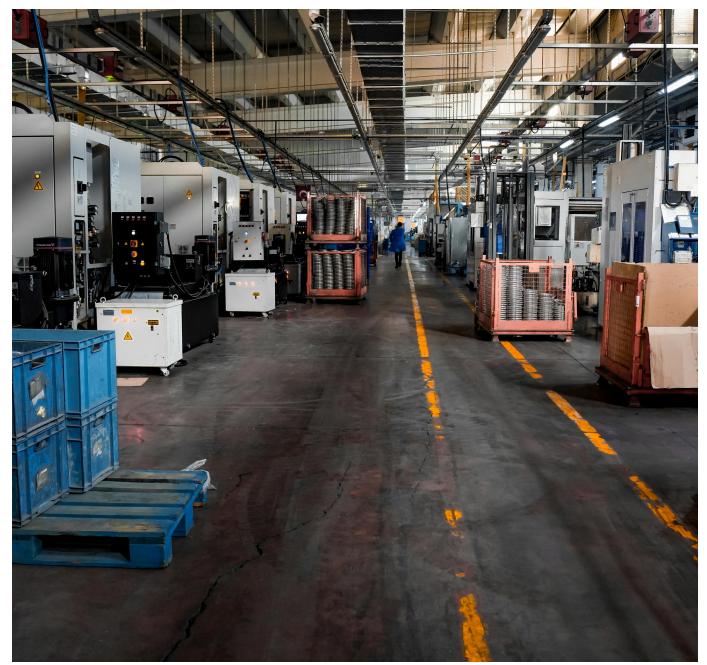
## NEWSFLASH

22<sup>nd</sup> December- 28<sup>th</sup> December

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## WHY MANUFACTURING HAS LAGGED IN INDIA?



India's slower industrialisation compared to China and South Korea is often linked to the underperformance of its manufacturing sector. Economist Arvind Subramanian uses the concept of "Dutch disease" to argue that high public sector wages drew labour away from manufacturing, raised domestic prices, and reduced competitiveness. However, critics question why manufacturing failed to adopt productivity-enhancing technologies despite high wages, suggesting over-reliance on cheap labour, limited technological upgrading, and uneven private-sector growth leading to inequality and stagnation.

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## CORE SECTOR GROWTH RISES TO 1.8% IN NOV; FOUR SECTORS STILL CONTRACT

The core sector growth of India increased by 1.8 per cent in November as compared to 0.7 per cent in October as per official data due to increase in the production of coal, cement, fertilisers and steel. Nonetheless, crude oil, natural gas, refinery products and electricity remained declining, pushing the general growth down with declining production in the country. Although the recovery is a positive change of a month over a month, core sector growth in the period of April-November was still modest, which is a sign of poor performance of major infrastructure industry.



## INDIA-NEW ZEALAND FTA: ZERO DUTIES, \$20 BILLION INVESTMENT BOOST



India and New Zealand signed a Free Trade Agreement (FTA) which is set to be signed in early 2011 that gives zero-duty access to 100 percent of Indian exports and opens approximately 70 percent of tariff spheres that encompass 95 percent of bilateral trade. The agreement enhances competitiveness of labour intensive industries, 5,000 temporary work visas and a promise of 20 billion investment and facilitate agricultural co-operation and provision of mobility.

## US ETHANOL EXPORTS TO INDIA LIKELY TO HIT A RECORD IN 2025

Based on high demand of ethanol in the fuel blending and industrial application, U.S. ethanol exports to India are projected to hit an all-time high in 2025. This boom indicates increase in demand of renewable fuels and the market size of ethanol in India is increasing. The export growth helps the U.S. producers of ethanol in the time of a slow and flat domestic demand and as such, the international markets are becoming critical. India has emerged as one of the major markets of U.S. ethanol, which has increased the total number of export.



## **OVER 6,200 GRIEVANCES REFUNDS OF ₹45 CRORE ADDRESSED BY NCH IN 8 MONTHS : DOCA**



The Department of Consumer Affairs said that the National Consumer Helpline (NCH) has settled more than 62,700 consumer grievances and helped consumers get refunds amounting to 45 crores between April 25 and December 26. The helpline is also functioning under the Consumer Protection Act, 2019, and offers redressal of pre-litigation in 31 industries, the highest number being complaints and the e-commerce industry. It has emerged as one of the primary available avenues of resolving disputes in time as consumers can make complaints in 17 languages through a number of avenues.

## **LANDMARK FREE TRADE MILESTONE IN 2025 INJECTS MOMENTUM BEHIND INDIA-UK TIES**

The long-awaited India-UK Free Trade Agreement (FTA) was signed in 2025, which became one of the milestones in the bilateral relations and put a new impulse into the economic cooperation. The agreement, which took place after a long period of talks, is expected to considerably empower trade, reduce tariffs, and reinforce investment and strategic connections between the two countries. It is part of the larger programme of Vision 2035 to expand co-operation beyond trade, such as education and innovation, and should boost the growth of the two economies and employment opportunities.



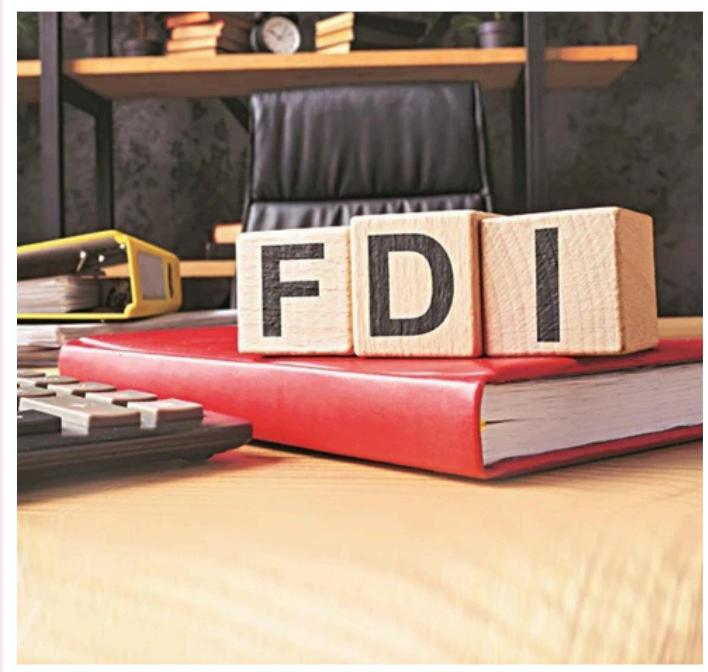
## RUSSIAN OIL IMPORTS IN INDIA WILL FALL BY 18% IN JAN-OCT 2025, US IMPORTS WILL SKYROCKET BY 83%



India slightly decreased its reliance on Russian crude, but 32% of the total imports in the period were comprised of Russian oil, a decrease of 4 percent per annum. At the same time, the value of crude imports increased by 83.3 percent to 7.8 billion US dollars, and imports in the UAE grew by 8.7 percent to 12.5 billion US dollars. EU sanctions however struck a major blow on petroleum exports with imports to major destinations recording steep falls in Europe, Asia and the US.

## NET FDI INFLOW TO INDIA ALMOST DOUBLES TO \$6.2 BN IN APRIL- OCTOBER: RBI DATA

RBI statistics revealed that net foreign direct investment (FDI) into India leaped to as much as \$6.2 billion dollars in the April-October last year and reversed an outflow of \$8.5 billion dollars in April- October the previous year. This improved due to lower repatriation and higher equity inflows. It was a big investment by manufacturing, financial services and communication sectors. In spite of the uncertainties in the global environment, the stable macroenvironment and future growth in India favoured the increased inflows in foreign investments during the period.



## RBI TO INFUSE ₹3 TRILLION LIQUIDITY VIA OMOs, BUY-SELL SWAP AFTER RUPEE DEFENCE



To alleviate chronic liquidity tightness the Reserve Bank of India (RBI) intends to inject close to ₹3 trillion into the banking system by a combination of open market operations (OMOs) and the purchase-sell forex swaps. The liquidity crunch has been occasioned by advance tax outlays, high government cash balances and the low capital inflows. The actions are intended to infuse long-term liquidity, stabilise overnight and short-term money markets, facilitate the growth of bank credit and to provide a smooth transmission of the monetary policy, particularly in end-year funding strains.

## ADD DOUBLE DEFLATION, NEW GDP SERIES TO ENHANCE ESTIMATES OF INFORMAL SECTOR

India intends to revise its GDP series by both purchasing the double deflation approach and the inclusion of more data on the informal sector, which has nearly 45 percent of GDP and over 80 percent of the employment. There will be a separate deflation of output and input prices to determine real value added at a more precise estimation. It also will utilize updated surveys and administrative data and will maximize the accuracy, transparency and international comparability of the GDP estimates of India.



## CHINA BEGINS GRANTING LICENSES TO INDIAN IMPORT OF RARE EARTH MAGNETS



China has started giving export licences in rare earth magnets to India that will ease the supply of vital industries like electric vehicles, electronics and renewable energy. The action is after the previous restrictions that interfered with global supply chains and impacted the Indian manufacturers who rely on the Chinese imports. EV motors and wind turbines require rare earth magnets, and the licences should offer short-term relief, but India is still concerned with diminishing long-term import reliance.

## INDIA WILL MISS ITS TARGET OF \$1 TRILLION EXPORT IN FY26

Global economic slowdown is likely to make India fail to achieve its \$1 trillion export target in FY26 because demand in major markets is projected to be low in the future, as per GTRI. Export of merchandise is strained by low growth in the US and Europe with service export alone possibly not filling the gap. Rising protectionism, geopolitical tensions, and supply chain disruptions are slowing export growth, making the target difficult to achieve in the near future.





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