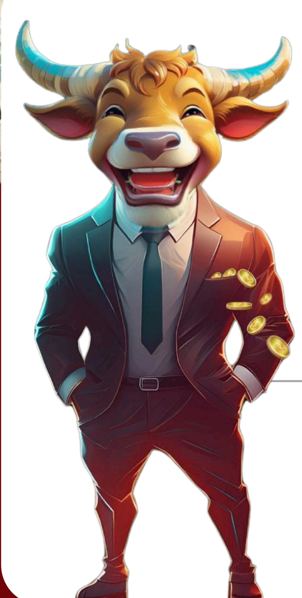
India UNWRAPPED WEEKLY



NEWSFLASH

3rd November- 9th November

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INDIA AND NEW ZEALAND SEEK 'WIN-WIN' TRADE TIES WITH LONG-TERM VISION

India and New Zealand are working towards the early conclusion of a balanced Free Trade Agreement (FTA), with recent talks marking the fourth round. Both nations are committed to a 20-year "win-win" partnership, aiming to boost the modest USD 1.75 billion bilateral trade. Agriculture, aerospace, defence, and technology are prioritized for cooperation. India's Commerce Minister emphasized the commitment to protecting sensitive sectors like dairy and MSMEs. The deal seeks to deepen investment and connectivity, with direct flights planned by 2028. This agreement is crucial for strengthening the overall strategic partnership.

INDIA CPI INFLATION LIKELY FELL TO MULTI-YEAR LOW OF 0.48% IN OCTOBER:

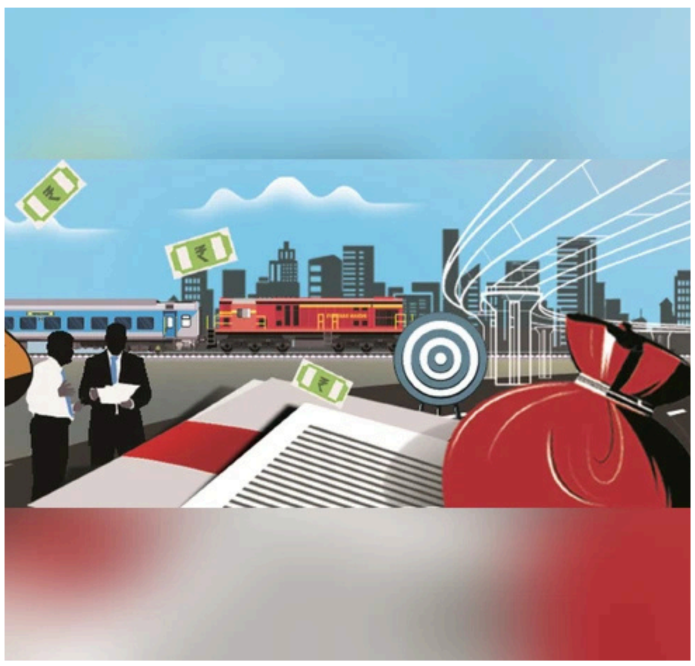
India's CPI inflation is expected to have plummeted to a multi-year low of 0.48% in October, a significant drop from 1.54% in September, based on a Reuters poll of economists. This sustained cooling is largely driven by double-digit declines in vegetable prices for six months and favorable base effects. With inflation well below the Reserve Bank of India's target, the central bank is widely expected to cut interest rates next month. However, experts warn that risks remain, citing potential supply shocks from unseasonal rainfall and new government import duties on pulses.

MSME EXPORTERS MAY GET 2-3.5% INTEREST RELIEF

India is preparing a revamped, targeted Interest Subvention Scheme (IES) offering 2-3.5% interest relief exclusively to Micro, Small, and Medium Enterprise (MSME) exporters for the next five years. This move is intended to counter the significant tariff disadvantages, particularly the 50% additional tariffs imposed by the US, which heavily affect labour-intensive sectors like textiles, garments, and leather. The previous IES, which offered a 3% subsidy to all exporters, ended in December 2024. The new scheme's support levels will vary across sectors to make exports more competitive and bridge the gap in credit costs.

ROAD, RAIL AND DEFENCE LEAD FY26 CAPEX SURGE; OVERALL SPEND AT 52%

Overall capital expenditure (capex) in April-September FY26 surged by 40% to ₹5.8 trillion, reaching 52% of the Budget Estimate. Road Transport & Highways (63%) and Railways (57%) led the spending. However, some ministries lagged significantly. The Department of Science and Technology utilized zero of its (₹20,096) crore allocation. Petroleum & Natural Gas and Economic Affairs utilized only 2% of their capex in H1. Despite slower revenue growth, the government remains confident of meeting the 4.4% fiscal deficit target.



PM MODI TO LAUNCH RS 1 LAKH CRORE FUND TO BOOST PRIVATE-SECTOR R&D IN AI

Prime Minister Narendra Modi inaugurated the Emerging Science & Technology Innovation Conclave (ESTIC) 2025. He launched a ₹1 lakh crore Research Fund to boost private sector R&D and finance high-risk, high-impact projects. Modi also announced the Anusandhan National Research Foundation to strengthen academic research. He positioned India as a technology pioneer, citing ISRO's recent GSAT-7R launch. ESTIC 2025 focuses on 11 thematic areas, including AI and space technology, with over 3,000 experts.

INDIA'S FOREX RESERVES FALL BY $5.6 BILLION TO $689.7 BILLION IN WEEK END

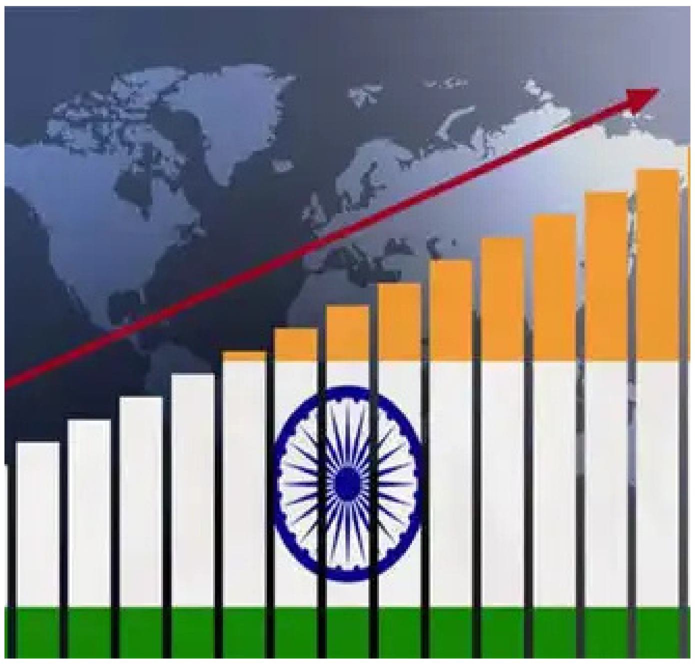
India's forex reserves registered a decline of $5.623 billion, settling at $689.733 billion for the week ended October 31, according to the RBI. This drop was also reflected in the overall reserves, which fell by $6.925 billion. The Foreign Currency Assets (FCA), the largest component, decreased by $1.957 billion. Crucially, the value of gold reserves also declined significantly by $3.81 billion. In contrast, India's reserve position with the IMF increased by $164 million to $4.772 billion in the reporting week.

CHINA SUSPENDS 24% TARIFFS ON US GOODS FOR ONE YEAR, BUT RETAINS IMPORT DUTY ON A KEY PRODUCT

China confirmed on November 5, 2025, that it is suspending retaliatory tariffs on most US goods but will conspicuously retain a 13% tariff on soybean imports, citing alternative sources. The full 24% tariff will be removed for one year, providing some relief. The US reciprocated by cutting tariffs on fentanyl imports from China to 10% and extended the trade truce. China committed to purchasing 12 million metric tonnes of US soybeans by the end of 2025, a large, time-bound purchase.

INDIA'S ECONOMIC GROWTH PROJECTED ABOVE 6.8% AMID POSITIVE MOMENTUM

Chief Economic Advisor V. Anantha Nageswaran is confident India's economic growth will exceed 6.8% for the current financial year, a revision from the previous 6.3-6.8% range. The upward trend is fueled by strong consumption following GST rate cuts and income tax relief. Q1 GDP growth was already 7.8%. A positive resolution of the Bilateral Trade Agreement (BTA) with the US could further boost growth. Currently, the US has imposed a steep (50%) tariff on Indian goods, citing continued Russian oil imports and trade barriers.



OCTOBER SERVICES PMI AT 58.9: GROWTH EASES TO FIVE-MONTH LOW

India's services Purchasing Managers' Index (PMI) eased to a five-month low of 58.9 in October. While domestic demand remained strong, the rate of expansion in new business slowed. Nevertheless, the sector anticipates future growth. Conversely, the manufacturing PMI surged to a five-year high of 59.2 in the same month. This robust expansion was primarily fuelled by strong domestic demand, positive effects from GST 2.0 reforms, and increased technology investments. Input costs for services firms increased at the slowest rate in 14 months, offering some relief. Both sectors remain well above the neutral 50.0 mark.

INDIA TO CUT RUSSIAN OIL IMPORTS IN A BIG WAY?

Indian oil refiners, including Reliance Industries Ltd, Mangalore Refinery and Petrochemicals Ltd, and HPCL-Mittal Energy Ltd, plan to significantly reduce or halt direct imports of Russian crude from late November 2025. This move is due to new US sanctions targeting Russian suppliers Rosneft and Lukoil. The refiners will diversify sourcing from the Middle East, US, Latin America, and West Africa. A sharp drop in Russian imports is expected in December, followed by a gradual recovery in 2026.

RURAL CONSUMPTION OUTSHINES URBAN DEMAND AS INCOME GROWTH

Rural consumption is outpacing urban demand, leading India's consumption recovery, according to a Motilal Oswal report titled "Rural Rules, Urban Follows." This strong momentum is driven by income growth, credit expansion, better rainfall, higher wages, and stable MSPs. Rural consumption grew 7.7% year-on-year in 2QFY26, a 17-quarter high. Urban demand, expected to firm up during the festive quarter with discretionary spending like jewelry, remains subdued. MOFSL maintains its real GDP growth forecast at 6.8% in FY26.

US GOVERNMENT SHUTDOWN BECOMES LONGEST EVER, COSTS ECONOMY $15 BN WEEKLY

The current US government shutdown is now the longest in the nation's history, with mounting economic costs. Economists estimate the stalemate is costing the national economy up to $16 billion per week. Hundreds of thousands of federal employees are without pay. The CBO warns the continuing closure could reduce fourth-quarter GDP growth by up to 2 percentage points. Crucial programs like SNAP and Head Start face severe disruption.

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