

India UNWRAPPED WEEKLY



NEWSFLASH

29th December- 04th January

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INDIA'S INDUSTRIAL OUTPUT GROWTH HITS 2-YEAR HIGH ON MANUFACTURING AND MINING

India's industrial output surged to a two-year high of 6.7% in November 2025, marking the strongest growth since late 2023, driven by robust manufacturing and mining activity that offset a slight contraction in electricity production. This sharp acceleration from the prior month highlights a broad-based rebound in factory output and economic resilience amid shifting demand patterns and festive season momentum, suggesting strengthening industrial momentum heading into 2026.



IMPORT OF RUSSIAN OIL HITS 3-YEAR LOW IN DEC AMID TIGHTER WESTERN SANCTIONS

India's crude oil imports from Russia fell to a three-year low in December, as Indian refiners adopted a cautious approach following stricter U.S. and EU sanctions on Russia's energy exports. Although Russian suppliers offered deeper discounts to attract buyers, imports still declined sharply compared to November. State-run Rosneft and private major Lukoil remained the key suppliers, albeit with reduced volumes. At the same time, Indian refiners diversified their sourcing by increasing crude oil purchases from West Asian producers to ensure supply stability.



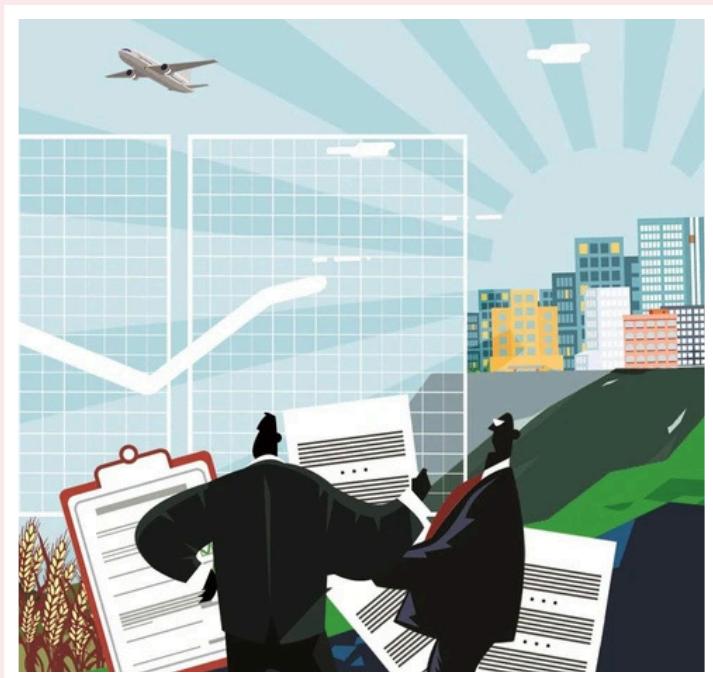
INDIA'S HOUSEHOLD DEBT RISES TO 41.3% OF GDP, ABOVE FIVE- YEAR AVERAGE



India's household debt rose to 41.3% of GDP by the end of March 2025, exceeding the five-year average of around 38%. The increase has been largely driven by a surge in consumption-oriented loans, reflecting higher spending on housing, vehicles, and personal consumption. Despite this rise, India's household debt remains relatively low compared to other emerging market economies, indicating manageable leverage levels.

LOW INFLATION, FTAS AND GDP GROWTH AMID US TARIFFS

India's economy showed notable resilience in 2025 despite heightened global uncertainty, supported by easing inflation, steady GDP growth, and expanding trade linkages. Moderating price pressures offered policy space, while multiple free trade agreements improved long-term export prospects. At the same time, rising US tariffs and a weakening rupee emerged as key external challenges. Even so, strong domestic demand and fiscal discipline helped sustain growth momentum. Looking ahead, maintaining economic stability will hinge on a recovery in global demand, enhanced export competitiveness.



AUSTRALIA TO REMOVE TARIFFS ON ALL INDIAN EXPORTS FROM JANUARY 1



Australia's move to eliminate tariffs on 100 per cent of Indian exports from January 1 under the ECTA represents a significant boost to bilateral trade. Duty-free access will improve the competitiveness of Indian products, especially in labour-intensive sectors such as textiles, chemicals, and gems and jewellery. The decision is expected to raise export volumes, deepen market access, and further strengthen India–Australia economic relations. It also aligns with India's broader strategy of leveraging trade agreements to promote export.

GOVT ROLLS OUT ₹7.3K CR SCHEMES TO BOOST MSME FINANCING OVER SIX YEARS

Coal production and dispatches from captive and commercial mines increased during December and the third quarter, strengthening India's domestic energy supply. Higher output reflects improved operational efficiency and rising industrial demand. Increased coal availability can help reduce import dependence, ease supply constraints, and support power generation. This development is significant for energy security, especially as demand from manufacturing and infrastructure sectors remains strong. Sustained growth in domestic coal output will be crucial to maintaining price stability.



INDIA CAN SAVE \$1 BN IN CRUDE IMPORTS BY REPLACING 10% DIESEL WITH LNG



India could save about \$1 billion a year on crude oil imports by replacing 10 % of diesel use in transport with liquefied natural gas (LNG), says a Petroleum and Natural Gas Regulatory Board (PNGRB) study. Switching diesel vehicles like buses and heavy trucks to LNG also promises roughly ₹14,000 crore in annual consumer savings and could grow India's LNG transport market significantly by 2030, reducing reliance on imported oil.

CHINA'S FINANCE MINISTRY SAYS FISCAL POLICIES WILL BE MORE 'PROACTIVE' IN 2026

China's finance ministry said its fiscal policies will be more proactive in 2026, focusing on boosting domestic demand, consumption, investment, innovation and the social safety net. The measures aim to revive confidence amid a property-led slowdown and reduce reliance on exports. Beijing targets about 5% economic growth next year and plans to expand spending on healthcare, education and rural-urban integration to support broader development.



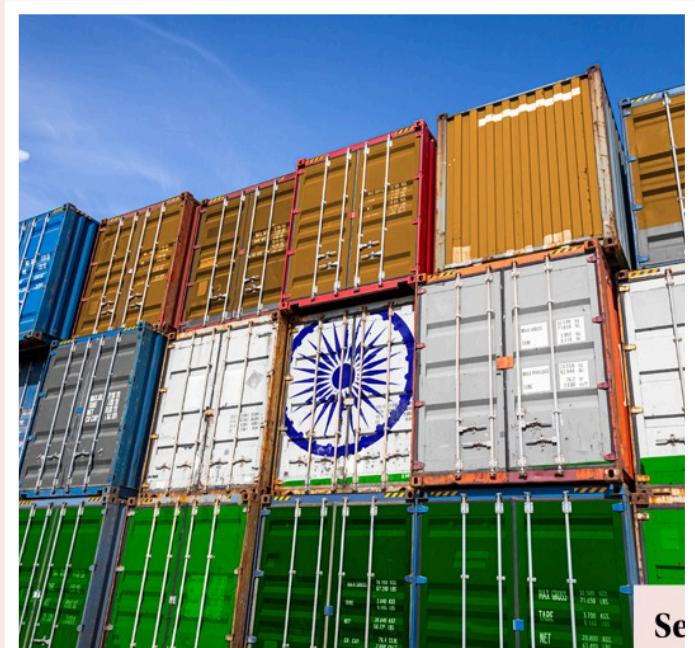
CENTRE LIKELY TO CUT DEBT-TO-GDP RATIO TO AROUND 55% IN FY27: REPORT



The Centre is likely to target reducing India's debt-to-GDP ratio to around 54.5–55% in FY27, down from an estimated 56.1% in FY26, signalling a moderate and calibrated fiscal consolidation strategy rather than aggressive tightening. Final decisions will depend on the GDP growth outlook once the first advance estimates for FY26 are released in January. Under the new framework, the debt-to-GDP ratio has become the primary fiscal anchor, replacing the fiscal deficit, with a long-term aim of reaching 50% by FY31.

FROM UK FTA TO US TARIFF DUELS: WHAT 2025 REVEALED ABOUT INDIA'S TRADECRAFT

In 2025, India pursued an active trade strategy, signing an FTA with the UK, finalising a pact with New Zealand, and concluding a CEPA with Oman to expand market access and investment. The EFTA deal also took effect with big investment pledges. At the same time, negotiations continued with the US and EU, with tariff disputes shaping talks, and India is exploring further agreements, including with the GCC and Eurasian bloc.



INDIA, RUSSIA MOVE TOWARDS MORE BALANCED, DIVERSIFIED ECONOMIC TIES IN 2025



In 2025, India and Russia actively worked to make their economic relationship more balanced and diversified, moving beyond traditional defence and energy trade. During Russian President Vladimir Putin's December visit to New Delhi, both sides unveiled a five-year economic roadmap to strengthen partnerships, address India's trade deficit, and expand cooperation in new sectors. They also emphasised joint ventures, technology transfer, and production localisation, aiming to broaden bilateral trade and investment cooperation.

INDIA OVERTAKES JAPAN TO BECOME WORLD'S FOURTH LARGEST ECONOMY

India has officially overtaken Japan to become the world's fourth-largest economy, with a nominal GDP of around \$4.18 trillion, marking a defining milestone in its growth story. The economy is currently in a "Goldilocks" phase, characterised by high growth, controlled inflation, and easing unemployment. Strong domestic demand, manufacturing expansion, and policy stability are driving momentum, positioning India to challenge Germany for the third spot in the coming years.





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