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GLOBAL ECONOMY

GDP Growth Trends

The global economy showed resilience through 2024 but is entering 2025 on a weaker footing. World GDP growth for 2025 is now projected at roughly 3% or slightly lower, down from earlier forecasts, as policy uncertainty and trade tensions intensify. The OECD's March outlook forecasts global growth slowing to 3.1% in 2025 (from 3.2% in 2024), while the IMF's latest projections (accounting for new tariffs) have been downgraded to about 2.8%. In short, the world economy is expanding at a modest pace that is below the historical average, with significant regional divergence.

Advanced economies are expected to see sluggish growth as post-pandemic rebounds fade.

- The **United States**' growth is forecast to be around 2.2% in 2025 before downshifting in 2026. The U.S. momentum has been solid but showed cracks: a rush of imports (ahead of tariff hikes) caused an unexpected GDP contraction (-0.3% annualised) in the first quarter. The
- The **Euro Area** is near stall speed—projected at only about 1.0% growth in 2025, as high energy costs and tighter financial conditions weighed on demand. Eurozone GDP managed a 0.4% quarterly gain in Q1, but growth remains subdued going forward.
- **Japan** faces headwinds from weaker global trade; its fiscal 2025 growth is forecasted below 1% as external demand softens. In contrast, emerging markets generally outpace advanced economies.
- **China's government** set a ~5.0% GDP growth target for 2025, and India is expected to grow around 6.5% – one of the fastest rates – buoyed by domestic demand. Overall, emerging-market growth is in the mid-3% range, helping support global activity. However, these outlooks are clouded by uncertainties around trade and policy.

Regional trends:

- In the U.S., consumer spending had been resilient (growing ~1.8% despite the Q1 GDP dip) and unemployment was low, but business sentiment soured amid tariff fears.
- Europe's growth has been hobbled by weak manufacturing and exports, though services and labour markets have increased.
- China's economy is in a gradual recovery mode post-pandemic – industrial output grew ~5.9% year-on-year in early 2025 – but export prospects are dimmer given slower global trade. Many emerging economies (e.g. Mexico, Brazil) are navigating a delicate balance of taming inflation while sustaining growth.

INDIAN ECONOMY

GDP Performance

India’s real GDP growth has moderated to more sustainable levels in FY 2024–25. In the October–December 2024 quarter (Q3 FY 2024–25), GDP grew by 6.2% year-on-year (YoY), accelerating from 5.6% YoY in the previous July–September quarter.

For the full fiscal year 2024–25, the National Statistical Office (NSO) estimates real GDP growth at 6.5%, a slight upward revision from 6.4% in the first advance estimate. This marks a comedown from the 9.2% growth recorded in 2023–24, as the initial rebound from the COVID shock abated.

Moreover, economic momentum has been steady – for instance, seasonally adjusted output rose an estimated 1.6% quarter-on-quarter in Q3 (Oct–Dec 2024), up from 1.4% in Q2, indicating a modest pickup in activity. Key growth drivers include private consumption (especially aided by a rebound in rural demand) and public infrastructure spending, while manufacturing and mining have seen some weakness. Overall, India remains one of the fastest-growing major economies in early 2025.

Foreign Exchange Reserves

India’s foreign exchange reserves had risen to very comfortable levels by the end of March 2025, reflecting strong external buffers. As of early April 2025, total forex reserves stood at about USD 676.3 billion—one of the highest levels on record.

The build-up in reserves over the past year has been aided by a surplus in services trade and robust remittances, which helped offset a wider merchandise trade deficit. Net capital inflows have been mixed – foreign direct investment remained solid, while portfolio flows were modest – but overall balance of payments dynamics have allowed the RBI to accumulate reserves.

At US$676 billion, India’s reserves position as of March 2025 underscores the economy's external stability. It gives confidence that the country can meet its external financing needs and handle currency volatility. The RBI has stated it will use these reserves to curb excess volatility in the rupee.

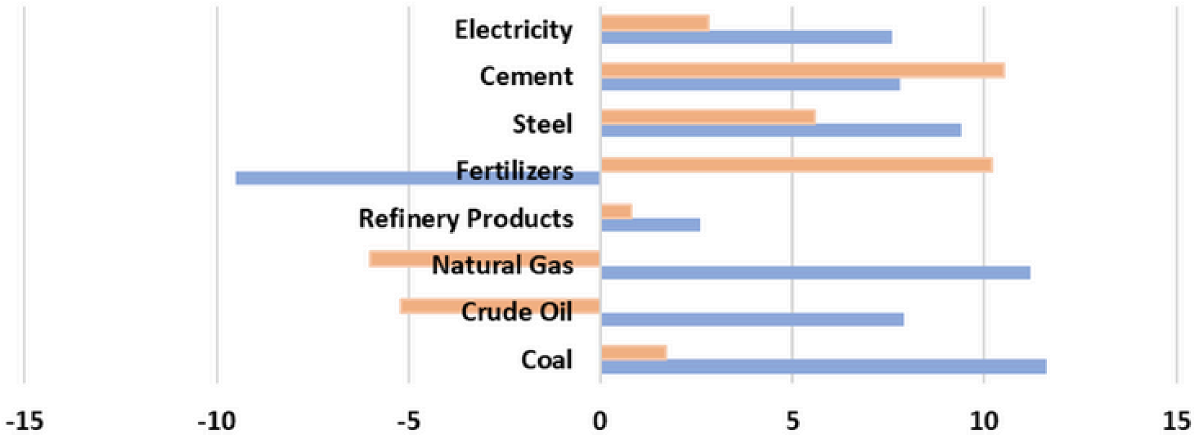
Items (in USD Million)	As of 7 Mar	As of 14 Mar	As of 21 Mar	As of 28 Mar
1 Total Reserves	653966	654271	658800	665396
1.1 Foreign Currency Assets	557282	557186	558856	565014
1.2 Gold	74325	74391	77275	77793
1.3 SDRs	18210	18262	18240	18176
1.4 Reserve Position in the IMF	4148	4431	4429	4413

Source: RBI

Performance Index of Eight Core Industries (ICI)

The cumulative growth Index of Eight Core Industries (ICI) from April – February 2024-25 stands at 4.4%. In February 2025, ICI experienced an increase of 2.9% compared to February 2024, with positive growth recorded in Coal, Refinery production, Fertilizer, Steel, Electricity and Cement. The ICI, which comprises Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products, and Steel, accounts for 40.27% of the Index of Industrial Production (IIP).

Production Comparsion February'24 vs February'25



	Coal	Crude Oil	Natural Gas	Refinery Products	Fertilizers	Steel	Cement	Electricity
Feb'25	1.7	-5.2	-6	0.8	10.2	5.6	10.5	2.8
Feb'24	11.6	7.9	11.2	2.6	-9.5	9.4	7.8	7.6

Source: Ministry of Commerce and Industry

WORLD TRADE UPDATES

WTO Agriculture Committee Advances Transparency Measures

During the WTO Committee Meeting on Agriculture, members adopted two significant decisions to enhance transparency and support food security efforts. These decisions are part of ongoing efforts to strengthen the global agricultural trading system and address the challenges developing countries face.

Source: WTO

The first decision focuses on improving the notification process for domestic support measures in agriculture. By streamlining the reporting requirements, the WTO aims to ensure that all members, especially developing and least-developed countries, can effectively share information about their agricultural policies. This increased transparency is expected to facilitate better monitoring and compliance with WTO rules.

The second decision pertains to the implementation of the 2013 Bali Ministerial Decision on public stockholding for food security purposes. Recognizing the importance of food security, especially in vulnerable regions, the WTO members agreed to continue discussions on finding a permanent solution to the challenges posed by public stockholding programs. These programs are crucial for many countries to maintain food reserves and stabilise domestic markets.

In addition to these decisions, the committee reviewed various trade policies and discussed food security and technology transfer. These dialogues are essential for fostering cooperation among members and ensuring that agricultural trade contributes to global food security and sustainable development.

India and the EU explore an Early Harvest Agreement

India and the European Union are set to hold the 11th round of negotiations for their proposed FTA from May 12 to 16 in New Delhi. Amid global trade uncertainties, both sides are considering an "early harvest" approach to expedite the agreement by focusing on core trade issues. This strategy aims to liberalise select goods and services tariffs while deferring more complex matters for later discussions.

The upcoming talks will address key sectors such as market access, services, investment, and government procurement. Notably, the EU advocates for significant tariff reductions on automobile imports, a proposal that has met resistance from Indian automakers concerned about domestic industry impacts.

EU–UAE Begin FTA Talks with Green Hydrogen as Key Focus

The European Union and the United Arab Emirates have officially launched negotiations for a Comprehensive Economic Partnership Agreement (CEPA)placing green hydrogen, renewable energy, and critical raw materials at the centre of the pact.

The move follows a high-level discussion between EU Commission President Ursula von der Leyen and UAE President Sheikh Mohamed bin Zayed Al Nahyan, signalling deeper strategic cooperation aligned with both parties' climate and economic diversification goals.

Source: H2 View

The agreement is expected to boost trade in goods, services, and investment while enhancing green hydrogen supply chains—crucial to the EU's Net Zero targets. The CEPA offers UAE a platform to diversify beyond oil, attract clean tech investment, and strengthen its role as a regional energy and logistics hub. With the EU already the UAE's second-largest trading partner, the pact promises greater market access, reduced tariffs, and expanded innovation flows, further solidifying bilateral economic ties.

FTAS/ BILATERALS

Korea Revives FTA Talks with Mexico to Strengthen Auto Exports

Korea announced plans to resume FTA negotiations with Mexico, aiming to support its automobile industry by leveraging tariff-free access to the U.S. through the USMCA. Korean firms like Kia, Hyundai, and Hankook have already established manufacturing units in Mexico to benefit from low labour costs and favourable rules of origin under the trade pact. This comes amid rising U.S. tariffs on non-domestic car imports, making Mexico an increasingly strategic base for Korean automakers

FTA talks between Korea and Mexico have been stalled since 2008 due to concerns about trade imbalances. However, recent shifts in global trade dynamics have created a more favourable environment, with Korea targeting an agreement by early next year. A deal could reduce tariff burdens, expand Korea's FTA network—currently covering 82% of its trade—and boost exports to Central and South America, where Korea exported over US$29 billion in 2023.

POLICYAND REGULATORY NEWS

INDIA

Madhya Pradesh unveils policy on medical infrastructure and private participation

The Madhya Pradesh Health Sector Investment Promotion Policy 2025, launched in March 2025, aims to transform the state's healthcare landscape by attracting private investments and enhancing medical infrastructure. The policy focuses on establishing multi-speciality and super-speciality hospitals, particularly in underserved districts, to bridge the tertiary care divide and ensure equitable healthcare access. Additionally, it emphasizes the development of regional medical hubs and the upskilling of local medical professionals to meet the state's healthcare aspirations.

To incentivize private sector participation, the policy offers a range of fiscal benefits, including capital subsidies, interest subsidies, and support for land acquisition.

These measures are designed to encourage investments in healthcare facilities, medical education institutions, and related infrastructure. The policy also aims to foster innovation and the adoption of advanced medical technologies, thereby improving the overall quality of healthcare services in the state.

This strategic initiative aligns with Madhya Pradesh's broader vision to position itself as a leading destination for healthcare investments in India. By strengthening its healthcare ecosystem, the state seeks to improve public health outcomes, generate employment opportunities, and stimulate economic growth. The policy reflects the government's commitment to building a resilient and inclusive healthcare system that caters to the needs of all its citizens.

Goa Unveils E-Waste Management Policy 2024

In a bid to tackle the mounting challenge of electronic waste, the Government of Goa has launched its E-Waste Management Policy 2024, formulated by the Goa Waste Management Corporation (GWMC) in collaboration with Toxics Link.

The policy aims to create a robust ecosystem for the safe collection, transportation, dismantling, and recycling of e-waste, ensuring alignment with India's E-Waste (Management) Rules, 2022. With growing reliance on electronic devices, Goa's move reflects an essential step toward minimising environmental hazards and promoting responsible disposal practices.

The policy clearly defines the roles of key stakeholders, including producers, consumers, dismantlers, recyclers, and urban local bodies (ULBs). It mandates Extended Producer Responsibility (EPR) compliance from manufacturers, encourages consumers to use formal e-waste collection centres, and seeks active participation from ULBS to support grassroots implementation. Notably, the policy seeks to formalise and integrate the informal e-waste handling sector, which has historically operated without regulatory oversight, often causing environmental damage.

To support implementation, the policy outlines several enabling measures, such as developing collection and recycling infrastructure, public awareness campaigns, and training programs for safe handling and segregation of e-waste. It also proposes incentives to encourage user participation and supports technology-based solutions for tracking and monitoring. With this policy, Goa sets a precedent for other states to adopt comprehensive, inclusive, and enforceable e-waste strategies.

The European Union & the European Free Trade Agreement from an Indian Perspective

India's engagement with Europe has traditionally been shaped through two principal frameworks: the European Union (EU) and the European Free Trade Association (EFTA). While the EU represents a political and economic union of 27 member states pursuing deep integration, EFTA is a trade-focused bloc comprising four non-EU countries: Switzerland, Norway, Iceland, and Liechtenstein. Both entities are significant to India's trade and investment strategy but offer divergent opportunities, obligations, and dynamics. This article explores the distinctions between the EU and EFTA from an Indian perspective, analysing their trade models, strategic relevance, and implications for India’s economic and geopolitical interests.

Trade Agreement Approach

The EU’s trade agreements are characterised by their comprehensive and regulatory nature. Any trade pact with the EU goes beyond market access, including provisions on intellectual property rights (IPR), competition policy, labour standards, environmental regulations, and sustainable development. This makes EU FTAs complex, time-intensive, and often politically sensitive. For instance, negotiations between India and the EU—ongoing since 2007—have faced repeated deadlocks over contentious issues like data adequacy, government procurement, and tariffs on automobiles and wines.

In contrast, EFTA’s approach is more pragmatic and focused primarily on trade in goods and services, investment promotion, and limited regulatory harmonisation. The India-EFTA Trade and Economic Partnership Agreement (TEPA), signed in March 2024, exemplifies this model. The agreement avoids prescriptive non-trade issues and centers on facilitating business, technology transfers, and investment. For India, this made negotiations faster and the outcomes more predictable.

Economic Complementarity and Trade Composition

From an economic standpoint, the EU is India’s third-largest trading partner and a significant source of FDI and technology transfer, especially in the automobile, pharmaceutical, green energy, and aerospace sectors. However, the EU’s insistence on high environmental and labour standards presents market access challenges for Indian exporters, particularly in MSME-dominated sectors.

EFTA’s economy is smaller, but its members are high-income, innovation-driven economies. Switzerland alone accounts for over 95% of India-EFTA trade. The TEPA deal aims to mobilise US$100 billion in FDI from EFTA nations over the next 15 years. Key sectors include precision manufacturing, banking, pharma, and clean technology. For India, the economic complementarity lies in leveraging Swiss R&D and Norwegian clean energy expertise, while offering a large consumer base and cost-efficient manufacturing.

Investment Linkages and Market Access

The EU's investment framework is undergoing reforms, particularly after several EU countries terminated Bilateral Investment Treaties (BITs) with India. The EU is now seeking a unified investment protection agreement, which has delayed progress and added layers of complexity. For India, aligning with the EU's investment protection standards implies more rigorous commitments, including investor-state dispute settlement mechanisms.

EFTA's investment posture is more flexible. The TEPA provides for liberalised FDI inflows and institutional mechanisms for investment facilitation without demanding binding arbitration or stringent compliance. This aligns with India's preference for calibrated liberalisation while attracting high-quality capital.

Regulatory Environment and Ease of Doing Business

The EU's single market involves harmonised rules and standards, which benefit businesses operating across multiple EU nations. However, this uniformity also means that trade partners must comply with high and often evolving regulatory thresholds. For Indian exporters, this needs higher compliance costs, especially under the EU's Carbon Border Adjustment Mechanism (CBAM) and evolving sustainability regulations.

While maintaining high standards, EFTA countries are open to mutual recognition of conformity assessments and standards. The TEPA reflects a commitment to simplifying customs procedures, encouraging digital trade, and promoting collaboration on regulatory matters. This pragmatic approach better aligns with India's current industrial readiness and regulatory capacity.

Conclusion

India's engagement with the EU and EFTA reflects two distinct strategic approaches. The EU offers scale, institutional depth, and geopolitical leverage, but requires alignment with complex regulatory regimes and non-trade commitments. EFTA provides a quick, investor-friendly alternative that aligns well with India's priorities of attracting capital and fostering innovation without excessive conditionalities.

Rather than viewing them as substitutes, India should pursue a dual-track strategy. With the EU, India must invest in regulatory capacity and long-term alignment for broader strategic gains. With EFTA, India should operationalise the TEPA to its full potential and use it as a template for similar deals with other high-tech economies. Both pathways are crucial for India's aspiration to become a global manufacturing and knowledge hub while safeguarding its strategic autonomy and developmental imperatives.

VeK is a policy advisory and research firm, distinguished by data-driven approach to analyse policy and regulatory developments in India and globally.

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