



# POLICY PULSE

A MONTHLY NEWSLETTER

-----  
AUGUST 2025  
VOL. 7 ISSUE 07

# IN THIS ISSUE

## ECONOMY SNAPSHOT

Global Economy 3

Indian Economy 4

WORLD TRADE UPDATES 6

FTAS/ BILATERALS 7

## POLICY AND REGULATORY NEWS

EU Delays Battery Due Diligence Rules by Two Years 9

UK Enacts Product Regulation and Metrology Act 2025 9

# GLOBAL ECONOMY

Global growth is projected at 3.0% in 2025 and 3.1% in 2026, with inflation easing but still above pre-pandemic norms.

## Regional Outlook

- United States: Growth is expected at 1.9%, with inflation likely to remain above target into 2026.
- Euro Area: Growth is expected at 1.0%, with momentum uneven across member states.
- Japan: Growth is expected at 0.7%, with weak domestic demand and ongoing price pressures.
- United Kingdom: Growth is expected at 1.2%, with gradual disinflation
- China: Growth is expected at 4.8% in 2025, moderating to 4.2% in 2026.
- India: Growth is expected at 6.4% on an FY basis (roughly ~6.7% on a CY-2025 basis), supported by a more benign external backdrop.
- Latin America & the Caribbean: Growth is expected at 2.2%, with tighter financing conditions still a headwind.
- Sub-Saharan Africa: Growth is expected at 4.0%, aided by disinflation and improving supply conditions
- Middle East & Central Asia: Growth is expected at 3.4%, with outcomes sensitive to energy prices and geopolitics.
- Emerging Europe: Growth is expected at 1.8%, with gradual recovery in domestic demand.

(Real GDP, annual percent change)	2024	2025	2026
<b>World Output</b>	<b>3.3</b>	<b>3.0</b>	<b>3.1</b>
<b>Advanced Economies</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>
United States	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Germany	-0.2	0.1	0.9
France	1.1	0.6	1.0
Italy	0.7	0.5	0.8
Spain	3.2	2.5	1.8
Japan	0.2	0.7	0.5
United Kingdom	1.1	1.2	1.4
Canada	1.6	1.6	1.9
Other Advanced Economies	2.2	1.6	2.1
<b>Emerging Market and Developing Economies</b>	<b>4.3</b>	<b>4.1</b>	<b>4.0</b>
<b>Emerging and Developing Asia</b>	<b>5.3</b>	<b>5.1</b>	<b>4.7</b>
China	5.0	4.8	4.2
India	6.5	6.4	6.4
<b>Emerging and Developing Europe</b>	<b>3.5</b>	<b>1.8</b>	<b>2.2</b>
Russia	4.3	0.9	1.0
<b>Latin America and the Caribbean</b>	<b>2.4</b>	<b>2.2</b>	<b>2.4</b>
Brazil	3.4	2.3	2.1
Mexico	1.4	0.2	1.4
<b>Middle East and Central Asia</b>	<b>2.4</b>	<b>3.4</b>	<b>3.5</b>
Saudi Arabia	2.0	3.6	3.9
<b>Sub-Saharan Africa</b>	<b>4.0</b>	<b>4.0</b>	<b>4.3</b>
Nigeria	3.4	3.4	3.2
South Africa	0.5	1.0	1.3
<b>Memorandum</b>			
Emerging Market and Middle-Income Economies	4.3	4.0	3.9
Low-Income Developing Countries	4.0	4.4	5.0

Source: IMF

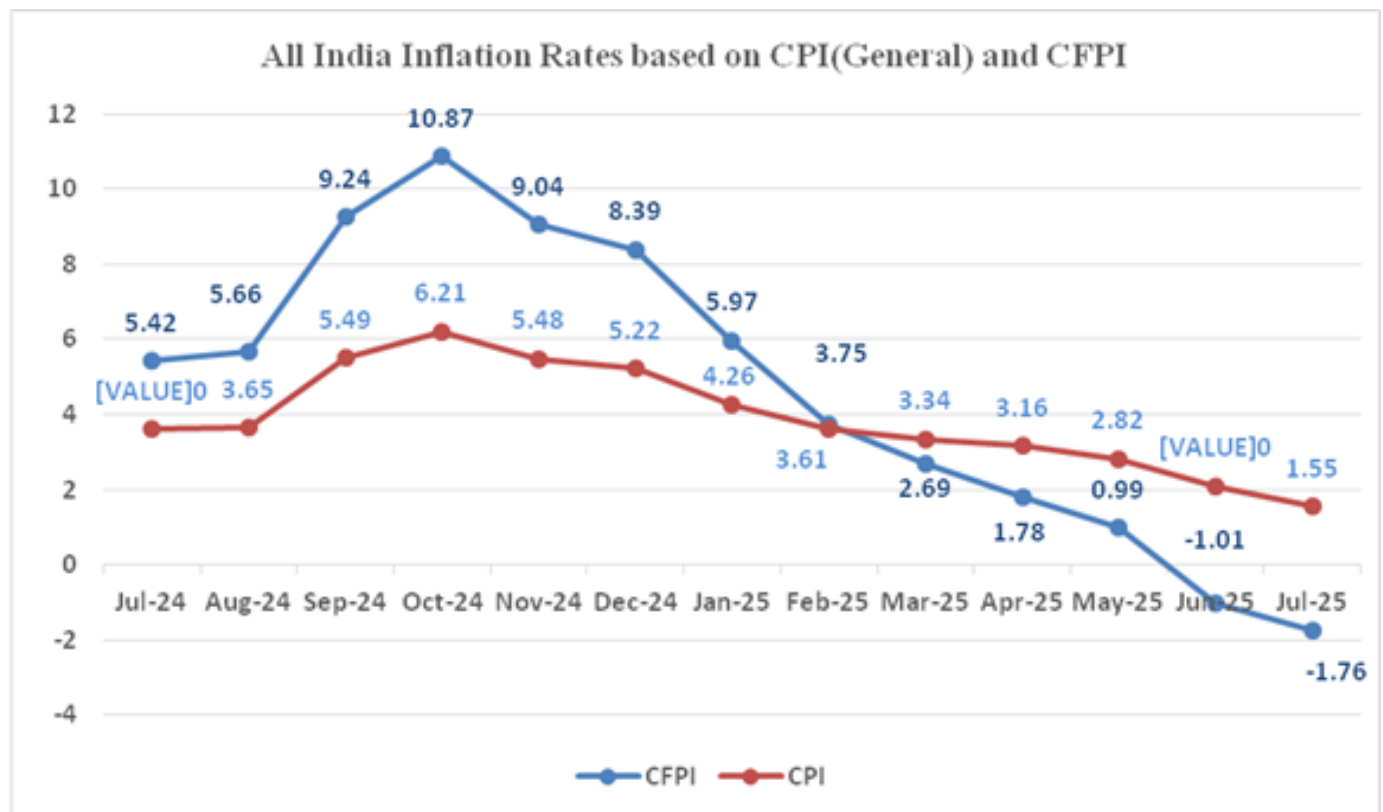
# INDIAN ECONOMY

## Momentum intact, risks higher.

The Monthly Economic Review, Department of Economic Affairs, states that domestic demand is keeping growth steady, while global protectionism, particularly new U.S. tariffs, poses broader knock-on risks, even if the immediate impact on Indian exports appears limited.

### Inflation

India's headline CPI cooled to 1.55% YoY, the lowest since June 2017, helped by a favourable base and a sharp easing in food prices. The All-India CFPI (food) was -1.76%, with rural at (-)1.74% and urban at -1.90%; rural and urban headline CPI printed 1.18% and 2.05%, respectively. MoSPI also notes softer momentum in pulses, vegetables, cereals, transport & communication, and sugar. On the wholesale side, WPI inflation was -0.58% YoY in July (food articles, mineral oils, crude, basic metals down), even as the overall WPI index rose 0.39% MoM; the WPI Food Index inflation stayed negative at (-)2.15%.



Source: PIB

# INDIAN ECONOMY

## Trade Performance: April – July 2025

India's trade performance in mid-2025 reflects steady momentum across both merchandise and services. During April–July 2025, cumulative exports (merchandise + services) rose to US\$277.63 billion, marking a 5.23% increase over the same period in 2024 (US\$263.83 billion), while imports climbed by 4.25% to US\$308.91 billion, narrowing the trade deficit slightly to US\$31.28 billion.

- The merchandise exports totalled US\$149.20 billion (up 3.07%), driven by strong growth in engineering goods, electronic goods, gems & jewellery, drugs & pharmaceuticals, and organic & inorganic chemicals.
- Top 5 export destinations, in terms of change in value, exhibiting positive growth in April–July 2025 vis-à-vis April–July 2024 are the USA (21.64%), China (19.97%), the UAE (4.62%), Kenya (64.05%) and Germany (14.37%).
- Products like fruits and vegetables, pulp & waste paper, fertilisers, etc, drive the import growth.
- Top 5 import sources, in terms of change in value, exhibiting growth in April–July 2025 vis-à-vis April–July 2024 are China P Rp (13.06%), UAE (17.67%), Ireland (302.8%), U S A (12.33%) and Hong Kong (36.87%).
- On the services front, exports surged to US\$128.43 billion (up 7.86%), generating a robust services surplus of US\$63.53 billion.
- In July alone, total exports stood at US\$68.27 billion (up 4.52%) and imports at US\$79.99 billion (up 6.07%), resulting in a monthly trade deficit of US\$11.72 billion



Source: PIB

## **WTO Council for Trade in Goods Tackles New and Ongoing Concerns**

At the WTO Council for Trade in Goods, 36 active trade concerns were reviewed, including a new issue raised by Australia on India's cotton bale certification rules and Korea's complaint on UK steel safeguards. Members also highlighted barriers across critical minerals, EVs, food products, and textiles, while the US tariffs under Section 232 dominated debate. The EU, India, Japan, and the UK argued these duties amount to safeguards, while the US insisted, they fall under national security, exempt from Safeguards Agreement obligations.



Several members, including Canada, the EU, and Norway, warned that such unilateral actions erode trade predictability and strain global supply chains. The meeting also discussed ways to improve the Council's functioning, with proposals for a sharper focus, enhanced transparency, and the use of digital tools for notifications.



### India–EU Resolve Digital Trade Differences in FTA Talks



India and the European Union have reached an in-principle agreement on the digital trade chapter of their Free Trade Agreement (FTA) negotiations. This marks a major step forward, covering critical areas such as cross-border data flows, e-contracts, privacy, e-invoicing, and paperless trade. The agreement aims to ensure a secure, open, and trustworthy digital environment for businesses and consumers across both regions.

Alongside digital trade, progress has also been made in chapters on customs and trade facilitation, transparency, regulatory standards, and intellectual property. However, challenges remain in sustainable development provisions, particularly regarding labour and environmental commitments, where differences persist over the binding enforceability of these commitments. Both sides also exchanged market access offers for goods and services in the latest round.

### Türkiye and the UK Conclude First Round of FTA Talks



*Source: Türkiye Today*

The negotiations on an upgraded Türkiye–UK Free Trade Agreement (FTA) outlined a broad agenda aimed at deepening bilateral economic ties. The updated FTA will provide new market openings in agricultural products and include comprehensive provisions for services trade, with a specific focus on financial services (including Islamic finance), healthcare, and audiovisual sectors. Negotiators also emphasised steps to facilitate investment, ensure mutual recognition of geographical indications, and promote SME participation.

Beyond market access, the talks underscored commitments to innovation, consumer protection, and women's economic empowerment, while integrating sustainability into trade through environmental and labour provisions. Both sides agreed to simplify customs procedures, utilising both traditional and digital channels to streamline trade flows. Framed as productive and forward-looking, the discussions mark a step towards a modern, comprehensive FTA.

## **Asia's Business Leaders Unite on Trade, Green Growth, and Innovation**

The 14th Asian Business Summit brought together 12 leading regional economic organisations at a time of rising global protectionism and slowing growth, with the IMF revising Asia's 2025 forecast to 4.5% from 5.1%. During the summit, business leaders reaffirmed their commitment to defending a rules-based, free, and open economy by expanding and deepening EPAs and FTAs across Asia to boost trade and resilience. They stressed the need for faster implementation of RCEP through tariff reductions and broader coverage, supported high-standard accessions to the CPTPP, and proposed a China–Japan–Korea FTA with stronger liberalisation measures. The statement also called for WTO reform, including restoration of the dispute settlement mechanism, streamlining consensus processes, and incorporation of new agreements on trade facilitation and e-commerce.

On sustainability, the summit emphasised promoting green transformation through diverse pathways, acknowledging Asia's reliance on fossil fuels while endorsing solutions such as co-combustion of ammonia and hydrogen, cleaner fuels like LNG and biofuels, and the adoption of CCUS technologies. These approaches, the statement urged, should be integrated into national Green Transformation (GX) plans and complemented by regional collaboration through the Asia Zero Emissions Community (AZEC), including platforms for sharing emissions data and expertise in climate disaster prevention.

Further highlighted the importance of fostering innovation, particularly through “human-centered AI” that safeguards rights while driving growth, alongside interoperable frameworks to advance Data Free Flow with Trust (DFFT). Business leaders called for maintaining the moratorium on e-commerce duties, bolstering cybersecurity standards, and creating favourable conditions for start-ups through simplified investment regulations, streamlined administration, and supportive fiscal policies.

Finally, the summit emphasised the importance of strengthening Asia's workforce capacity by urging investments in human capital and the adoption of inclusive policies that empower women and minorities. It recommended enhanced academic and professional exchange programs, easier residency and licensing rules, mutual recognition of qualifications, and broader adoption of social security agreements to facilitate skilled mobility across the region. Together, these measures position Asia as a resilient, innovation-driven engine of global growth.



### EU Delays Battery Due Diligence Rules by Two Years

The EU Battery Regulation, adopted in 2023, introduced strict due diligence requirements for companies placing batteries on the EU market. These rules were designed to strengthen sustainability and transparency in global supply chains, covering the sourcing of raw materials, human rights compliance, and environmental standards.

On 18 July 2025, the Council of the EU adopted a law to “*stop the clock*” on these obligations. The due diligence rules, initially scheduled to take effect on 18 August 2025, will now apply from 18 August 2027. The move addresses industry concerns about limited readiness, particularly delays in accrediting third-party verification bodies.



As part of the decision, the European Commission must publish implementation guidelines by July 2026, giving businesses a year to align their processes. The postponement forms part of the Omnibus IV simplification package, reflecting the EU's broader effort to reduce compliance burdens for companies, particularly SMEs, while keeping sustainability goals on track.

This delay provides companies with much-needed breathing space to establish effective due diligence systems and adapt supply chain practices without facing immediate penalties.

By pushing back the timeline, the EU aims to ensure businesses, especially small and medium enterprises, are better prepared to meet compliance requirements in a structured and cost-effective manner.

At the same time, the upcoming Commission guidelines in 2026 will provide clarity on how these obligations should be implemented, reducing uncertainty and enabling companies to make informed adjustments to their sourcing and reporting practices. The two-year extension is also intended to safeguard competitiveness, ensuring that sustainability measures progress in balance with industry readiness.

### UK Enacts Product Regulation and Metrology Act 2025

The UK has introduced the Product Regulation and Metrology Act 2025, which received Royal Assent. The Act creates a new legal framework for regulating product safety and measurement standards in the post-Brexit landscape. While it does not impose immediate obligations, it grants the government broad powers to introduce future rules through secondary legislation.



A key highlight of the Act is its expanded scope. For the first time, the law explicitly covers intangible products such as software, AI systems, and connected digital services, alongside traditional physical goods. This change reflects the growing importance of digital components in product safety and performance. However, specific categories such as food, medicines, fertilisers, plant and animal products, aircraft, and military equipment remain outside the Act's remit.

The framework also prepares for future regulation of online marketplaces, ensuring platforms may be required to take greater responsibility for product safety and compliance. It empowers the government to regulate product design, testing, labelling, and metrology standards, while providing enforcement tools such as recalls, fines, and even criminal penalties for non-compliance.

By consolidating fragmented rules and introducing flexibility, the Act positions the UK to respond more effectively to emerging technologies while remaining aligned, where possible, with international and EU standards.



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

B-92, South City-I,  
Sector-30, Gurugam,  
Haryana – 122001

For Further Information, Please Contact:

**Saloni Goyal**  
**Lead Associate**  
**Mobile: +91 85880 36912**

**Email:** [team@vekpolicy.com](mailto:team@vekpolicy.com)

**Website:** [www.vekpolicy.com](http://www.vekpolicy.com)



Disclaimer: The Policy Pulse is a monthly newsletter published by RV-VeKommunicate LLP. The information and opinions contained in this Newsletter have been compiled from sources believed to be reliable and in good faith. While all efforts have been made to compile accurate information, VeK or its employees, affiliates, shall not be in any way responsible for any damage that may arise to any person from any inadvertent error in the information or omissions contained in the Newsletter.