POLICY PULSE

A MONTHLY NEWSLETTER

APRIL 2026
VOL. 8 ISSUE 04

IN THIS ISSUE

ECONOMY SNAPSHOT

Global Economy 3

Indian Economy 5

WTO UPDATES 8

FTAS/ BILATERALS 9

POLICYAND REGULATORY NEWS

Maharashtra Renewable Energy and Energy Storage Policy 2025–26 to 2035–36: Scaling Clean Power and Grid Flexibility 11

Arunachal Pradesh Industrial Development and Investment Policy, 2025: Promoting Sustainable Industrialisation 12

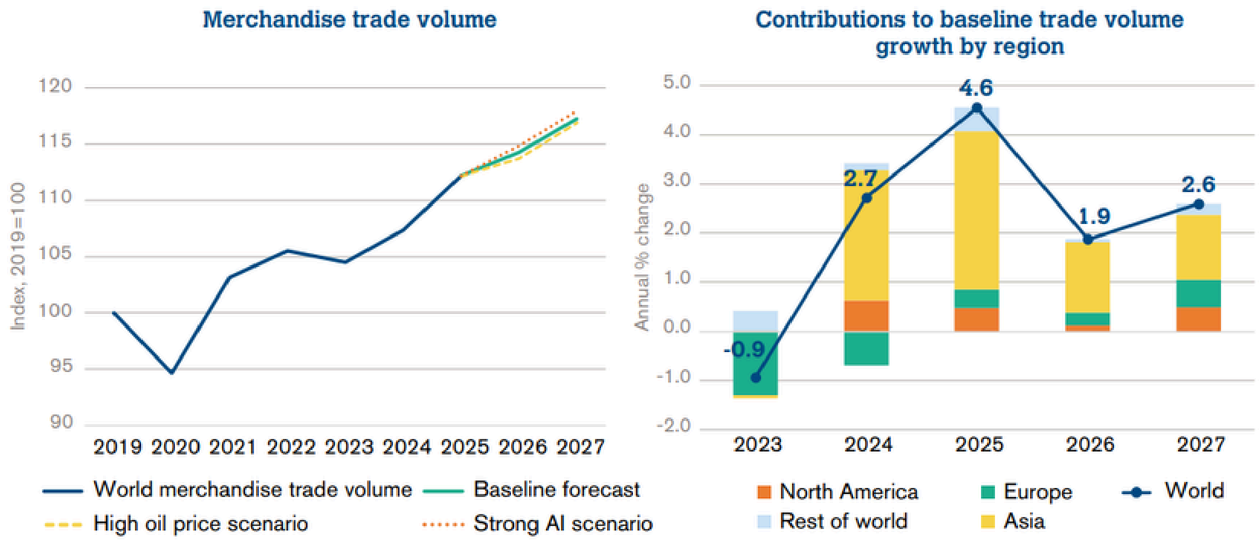
Gujarat Science, Technology and Innovation Policy 2026–31: Strengthening the State's Innovation Ecosystem 12

GLOBAL ECONOMY

Global Growth Remains Positive, Though Momentum Moderates

Global economic activity continued to expand during March 2026, but the pace of growth remained uneven across regions. The J.P. Morgan Global Composite PMI for March stayed above the 50-mark, indicating continued expansion in global private-sector output, although growth conditions varied across major economies. Manufacturing activity improved in several Asian and European economies, while services continued to support overall global demand. However, business confidence remained cautious as firms faced higher input costs, geopolitical risks and uncertainty around trade and energy prices.

The WTO's March 2026 Global Trade Outlook projected global merchandise trade volume growth to remain positive, supported by resilience in Asian exports and rising trade in AI-enabling goods. The report noted that, prior to the escalation of Middle East tensions, global GDP growth was expected at around 2.8% in both 2026 and 2027 at market exchange rates. This suggests that while the global economy remained on a growth path, the expansion was exposed to downside risks from geopolitical instability, energy-market volatility and policy uncertainty.



Source: WTO

Energy Price Shock Raises Inflation Risks

Commodity markets became more volatile in March 2026, particularly after the escalation of tensions in the Middle East. Crude oil prices rose sharply during the month, with Brent trading above USD 100 per barrel in late March and reaching around USD 111 per barrel on 30 March 2026. The sharp rise in oil prices increased concerns over renewed inflationary pressures, higher transport costs and external-balance pressures for energy-importing economies.

The OECD's March 2026 Interim Economic Outlook also warned that higher energy prices would prolong inflation pressures. It projected G20 inflation at 4.0% in 2026, around 1.2 percentage points higher than previously expected, before easing to 2.7% in 2027 as energy pressures moderate. This indicates that the disinflation path across major economies may be slower than earlier expected, especially if oil and gas prices remain elevated.

GLOBAL ECONOMY

Regional Divergence Continues Across Major Economies

Growth conditions across advanced economies remained mixed. The United States continued to expand, but signs of moderation were visible in private-sector activity, while the euro area remained vulnerable to weak demand and energy-price pressures. The WTO outlook noted that global trade growth was supported by Asian export resilience, including strong export performance from China, Singapore, Chinese Taipei and Thailand during the previous year. This reinforced Asia's role as a key driver of global goods trade even as demand conditions in advanced economies remained uneven.

Emerging markets continued to show divergent trends. Several Asian economies benefited from manufacturing resilience, services activity and trade linkages in technology-related goods. However, economies with higher dependence on imported energy or external financing faced greater pressure from the March oil shock. The rise in energy prices also increased risks for inflation management, fiscal balances and current account positions in developing economies.

INDIAN ECONOMY

India's economy remained broadly resilient during March 2026, supported by strong domestic demand, services activity and continued investment momentum. The Department of Economic Affairs' Monthly Economic Review – March 2026 noted that India's economic activity remained robust up to February 2026, although the outlook became more uncertain due to geopolitical developments in West Asia, which disrupted energy and logistics channels and tightened global supply conditions.

The RBI's March 2026 Bulletin also highlighted that the second advance estimates of GDP for FY 2025–26 pointed to sustained resilience in the Indian economy, with high-frequency indicators continuing to signal healthy activity. However, the emerging external environment created risks through higher crude prices, logistics disruptions and inflationary pressures, making external stability an important watchpoint for the coming months.

Manufacturing and Services Remain in Expansion Mode

India's private-sector activity remained strong in February and early March, led by both manufacturing and services. The HSBC India Manufacturing PMI rose to 56.9 in February 2026, up from 55.4 in January, marking a four-month high and indicating a continued strengthening in factory activity. The improvement reflected stronger output, new orders and business confidence, showing that manufacturing remained a key driver of India's near-term growth momentum.

Services activity also remained robust. The HSBC India Services PMI release of 4 March 2026 showed that the Composite PMI rose to 58.9 in February, reflecting the fastest pace of private-sector activity growth in three months. The services sector continued to benefit from strong demand conditions, while business confidence improved as firms expected stronger market opportunities.

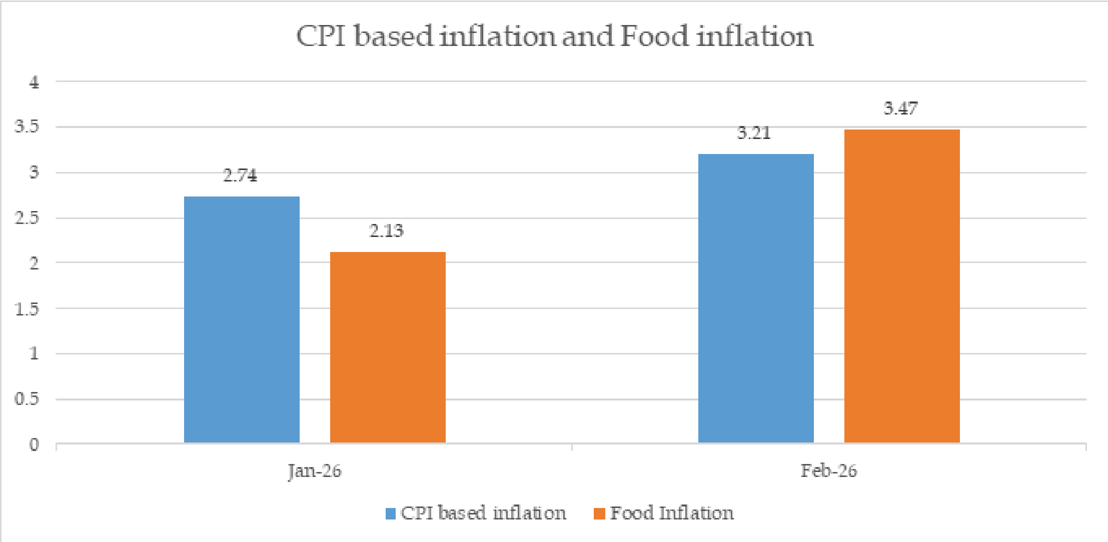
However, early March indicators showed some moderation. The HSBC Flash India PMI Composite Output Index fell from 58.9 in February to 56.5 in March, reflecting the weakest expansion in several months. The release noted that the Middle East war, unstable market conditions and inflationary pressures weighed on growth, while input costs and selling prices increased sharply.

Inflation Remains Moderate but Shows Signs of Firming

Retail inflation remained within the RBI's tolerance band, but price pressures began to firm. The official CPI release issued on 12 March 2026 showed that February 2026 CPI inflation stood at 3.21%, up from 2.74% in January 2026. Rural inflation was 3.37%, while urban inflation stood at 3.02%, indicating that price pressures were still relatively contained but had started rising from the previous month.

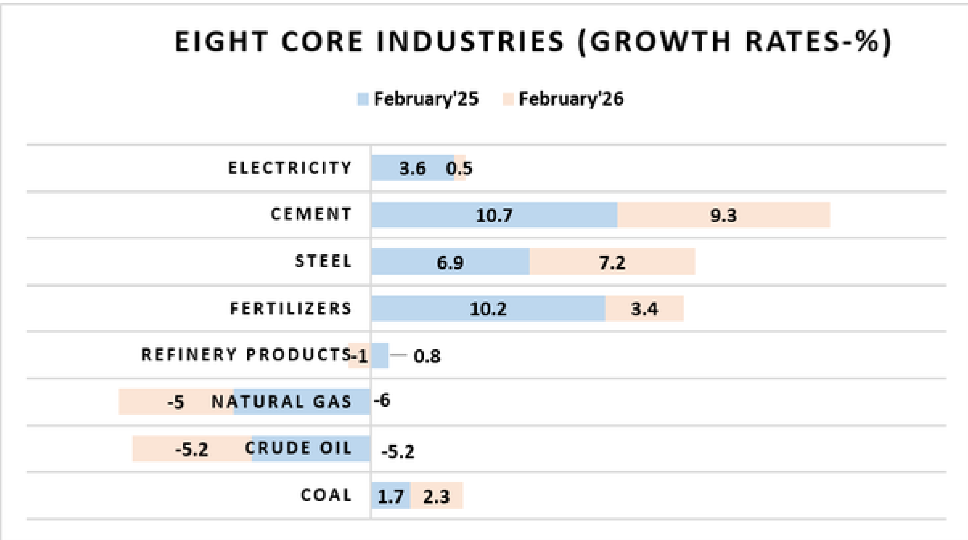
Wholesale inflation also reflected mild cost pressures. The WPI release issued on 16 March 2026 showed that the WPI Food Index inflation increased to 1.85% in February 2026, while the Food Index declined from 194.2 in January to 192.9 in February. This suggests that food prices remained manageable at the wholesale level, although external shocks from energy and logistics disruptions posed upside risks to input costs.

INDIAN ECONOMY



Industrial and Core Sector Activity Supports Growth

Industrial activity remained positive, with the latest official data available in March showing continued expansion. The Index of Industrial Production release issued on 30 March 2026 showed that IIP grew by 5.2% year-on-year in February 2026, compared with 4.8% in January 2026. Within this, manufacturing grew by 6.0%, mining by 3.1%, and electricity by 2.3%, indicating that manufacturing was the strongest contributor to industrial growth.



Core infrastructure activity also remained supportive. The Index of Eight Core Industries release issued on 20 March 2026 reported that the final growth rate for January 2026 stood at 4.7%, while cumulative growth during April–February 2025–26 was 2.9%. This indicates continued momentum in infrastructure-linked sectors, which remain important for demand in steel, cement, electricity, engineering goods, construction materials and capital equipment.

INDIAN ECONOMY

External Risks Rise from Energy and Logistics Disruptions

India's external risk environment became more challenging in March 2026 as tensions in West Asia affected energy and logistics channels. The Department of Economic Affairs noted that disruption around the Strait of Hormuz is particularly important because the route handles around one-fifth of global seaborne oil trade, along with significant volumes of LNG and fertilisers. For India, this raised risks through higher crude oil prices, shipping delays, freight costs and uncertainty in energy-linked imports.

The pressure was visible in trade conditions. March trade data showed that India's merchandise exports declined by 7.4% year-on-year, while merchandise imports fell by 6.5% year-on-year, reflecting the impact of the West Asia crisis on trade flows. ICRA noted that India's merchandise trade deficit narrowed to a nine-month low of USD 20.7 billion in March 2026, partly because crude petroleum and product imports declined by 35.9% year-on-year to a 13-month low of USD 12.2 billion, likely due to reduced volumes amid high international prices and shipping disruptions.

Despite these risks, India had important buffers. Domestic activity remained supported by manufacturing, services and infrastructure demand, while inflation stayed within the RBI's tolerance band. India's foreign exchange reserves also remained strong at USD 709.8 billion for the week ending 13 March 2026, providing over 11 months of import cover and covering around 95% of external debt outstanding as of end-September 2025. The key policy challenge will be to manage imported inflation, exchange-rate pressures and logistics disruptions while sustaining domestic demand and investment momentum.

WTO UPDATES

WTO Members Adopt Interim Pathway for E-Commerce Agreement

A key MC14 outcome was the adoption of a pathway by 66 WTO members to bring the WTO Agreement on Electronic Commerce into force. These members account for around 70% of global trade, making the initiative significant for the future governance of digital trade. The agreement is expected to establish baseline rules for digital trade, including areas such as paperless trading, electronic transactions, e-contracts and improved regulatory predictability for businesses operating across borders.

The interim pathway reflects both progress and continuing divisions within the WTO. While participating members are moving ahead with implementation, broader WTO-wide consensus remains difficult, particularly on issues such as the customs duty moratorium on electronic transmissions, policy space for developing countries, digital infrastructure gaps and regulatory autonomy. The approach therefore signals a growing tendency for members to advance trade rules through flexible or plurilateral arrangements where full consensus is not immediately possible.

This development is important for companies engaged in cross-border e-commerce, digitally enabled services, online payments, electronic documentation, logistics platforms and MSME export channels. Over time, stronger digital trade disciplines could reduce transaction costs and improve predictability, but developing economies will continue to emphasise the need for capacity-building, digital inclusion and safeguards for domestic regulatory priorities.

Canada Initiates Safeguard Investigation on Certain Vegetable Goods

Canada notified the WTO Committee on Safeguards that the Canadian International Trade Tribunal initiated a global safeguard investigation on 16 March 2026 concerning certain vegetable goods. The products (HS Chapters 0710 & 2005) covered include frozen and canned corn, peas, green beans, wax beans, mixed vegetables, beans and chickpeas across retail, food service, industrial and bulk formats. Fresh or dried vegetables, ready-to-eat meals where vegetables are not the primary component, and products substantially altered into purees, powders, juices, spreads, dips or pastes are excluded.

The investigation was initiated following a recommendation by Canada’s Minister of Finance. Canada stated that the investigation is based on concerns that imports of certain vegetable goods may have increased in quantity due to tariff concessions and unforeseen developments in global trade, including possible trade diversion caused by import restrictions adopted or considered by other WTO members. Canada also indicated that these imports may be causing or threatening serious injury to domestic producers.

FTAS/ BILATERALS

India inks ToR with Philippines to launch trade pact negotiations

India has signed the Terms of Reference (ToR) with the Philippines, formally initiating negotiations for a preferential trade agreement (PTA) aimed at strengthening bilateral economic ties.

The ToR establishes the framework and scope of discussions, marking the first step toward a structured trade agreement between the two countries. Under the proposed PTA, tariff reductions will apply to a select range of goods, facilitating more competitive and affordable trade.

The move is part of India's broader strategy to expand its global trade footprint and deepen engagement with key partners in the Indo-Pacific region. The Philippines, a member of ASEAN, already participates in the ASEAN-India trade agreement, which is currently under review.

Bilateral trade between the two countries has shown mixed trends, with India's exports to the Philippines rising to about $2.16 billion in 2024–25, while imports declined during the same period.

Overall, the initiative signals growing momentum in India's trade negotiations pipeline, as it continues to pursue new agreements to diversify markets, strengthen supply chains, and enhance economic cooperation across regions.

EU and Australia finalise landmark FTA with major gains in agriculture and critical minerals

Australia and the European Union have concluded negotiations on a long-awaited free trade agreement, marking a breakthrough after nearly eight years of talks.

The deal, which had faced delays due to disagreements over agricultural market access, is expected to eliminate tariffs on almost all goods and expand cooperation across services, investment, digital trade, government procurement, and intellectual property. It aims to improve market access, streamline regulations, and strengthen supply chain resilience between the two partners.

EU officials highlighted significant gains for the bloc's agricultural sector, noting that tariffs on products such as wine, chocolate, confectionery, ice cream, and various processed foods will drop to zero immediately upon implementation. More sensitive products like cheese will see tariffs phased out over three years. The EU already enjoys a €2.3 billion agrifood trade surplus with Australia.

Bilateral trade is substantial, with EU exports to Australia reaching €37 billion in goods and €28 billion in services in 2024. The European Commission estimates the agreement could boost trade by up to one-third over the next decade.

The deal also secures improved access for the EU to Australia's critical minerals and includes incentives for European investment in mining and refining—seen as key to reducing dependence on Chinese supply chains. In addition, Australia has agreed to raise the threshold for its luxury car tax by nearly 50%, benefiting European automakers.

The agreement reflects a broader strategic alignment, strengthening economic ties while supporting diversification of trade and resource partnerships in an evolving global landscape.

South Korea and Mongolia accelerate CEPA talks with focus on critical minerals

South Korea and Mongolia are stepping up efforts to fast-track negotiations for a Comprehensive Economic Partnership Agreement (CEPA), aimed at strengthening trade, investment, and supply chain cooperation.

Mongolia's rich reserves of critical minerals, including copper, molybdenum, and rare earth elements, position it as a key partner for South Korea's supply chain diversification strategy.

In an official statement, Trade Minister Kwon highlighted that Mongolia represents both an emerging market for Korean businesses and a strategic partner for resource cooperation, reaffirming Seoul's commitment to accelerating CEPA negotiations.

The proposed agreement is expected to cover trade in goods and services, investment facilitation, and broader economic collaboration, while supporting South Korea's efforts to secure stable access to essential raw materials.

POLICY AND REGULATORY NEWS

Maharashtra Renewable Energy and Energy Storage Policy 2025–26 to 2035–36: Scaling Clean Power and Grid Flexibility

Maharashtra has issued its Renewable Energy and Energy Storage Policy 2025–26 to 2035–36 to guide grid-connected renewable energy and energy storage development over the next decade. The policy responds to rising electricity demand driven by industrialisation and urbanisation, while aligning the state with India's national targets of 500 GW non-fossil capacity by 2030 and net-zero emissions by 2070. Maharashtra had reached 31.3 GW of renewable energy capacity by January 2026, while its total utility generation capacity stood at around 60.6 GW, with nearly 50% from renewable sources.

The policy aims to significantly increase low-cost, eco-friendly renewable energy and storage in Maharashtra's electricity sector. It is built around six strategies: long-term renewable energy targets, hybrid projects and storage, transmission and land availability, consumer choice, ease of doing business, and institutional strengthening. The policy will remain effective up to 31 March 2036 and applies to grid-connected renewable energy and energy storage projects, including wind, solar, hydro, biomass, hybrid renewable energy and recognised storage technologies.

A major target under the policy is to procure 65% of Maharashtra's electricity demand from renewable energy by FY 2035–36. The state expects electricity demand to rise from about 202 BU in FY 2024–25 to 350–360 BU by FY 2035–36, requiring around 100 GW of renewable capacity and about 100 GWh per day of storage capacity. Distribution companies will also be required to procure energy storage capacity equivalent to at least 10% of their demand by FY 2035–36. The policy further proposes mandatory storage integration for renewable projects above 100 kW seeking connectivity from April 2026, beginning with storage equivalent to 50% of renewable capacity for two hours.

The policy also supports rooftop solar, open access, captive renewable procurement, renewable energy industrial zones, grid-connected BESS, wind repowering and institutional reforms. Maharashtra had 5 GW of rooftop solar capacity as of January 2026, while open access and captive consumption reached 7,763 MU in FY 2023–24, with nearly 90% through the captive route. These provisions are expected to create opportunities for solar, wind, storage, grid equipment, transmission systems, power electronics, forecasting tools and industrial decarbonisation solutions.

POLICYAND REGULATORY NEWS

Arunachal Pradesh Industrial Development and Investment Policy, 2025: Promoting Sustainable Industrialisation

Arunachal Pradesh has notified the Industrial Development and Investment Policy, 2025, effective from 1 April 2025. The policy replaces the earlier 2020 framework and aims to promote industrialisation while preserving the state's ecology and heritage. Its objectives include improving the investment climate, supporting local entrepreneurship, encouraging manufacturing and services, promoting exports, developing industrial infrastructure, supporting ODOP and GI products, and creating employment through skill development.

The policy is anchored in Arunachal Pradesh's strategic economic strengths, including its large geographic area of 83,743 sq. km, forest cover of 79.33%, borders with Myanmar and Bhutan, and estimated hydropower potential of about 58,000 MW. The policy also highlights improving connectivity through tunnels, airports, road expansion and industrial estates, including 9 identified operational industrial areas and 9 industrial estates.

A key feature of the policy is its incentive package. Eligible new industrial units can receive 100% reimbursement of stamp duty and registration fees for land in government industrial estates, parks and growth centres. Capital investment incentives are provided at 50% of eligible investment, with additional support for priority sectors and units employing local skilled workers. The policy also provides green incentives, including 50% reimbursement for renewable-energy-based technologies up to ₹25 lakh, support for wastewater recycling, pollution control devices and e-load carriers. Power subsidies are also provided for manufacturing units, including ₹2 per unit for MSMEs and ₹1 per unit for large industrial consumers for five years, subject to specified limits.

Gujarat Science, Technology and Innovation Policy 2026–31: Strengthening the State's Innovation Ecosystem

Gujarat has updated its Science, Technology and Innovation framework to deepen the role of research, innovation and advanced technologies in economic development. The policy aims to position science and technology at the centre of social, industrial and developmental priorities, with a focus on converting academic research into products, services and practical solutions. It also seeks to strengthen applied research, build a strong scientific talent pool, promote entrepreneurship and support emerging industrial sectors. The Gujarat Council on Science and Technology will act as the coordinating agency for operationalising the policy.

The policy identifies several priority technology areas, including artificial intelligence and robotics, biotechnology, polymers and specialty materials, nanotechnology, IoT solutions, energy storage, waste treatment, pollution abatement and sustainable habitat. It also highlights sectoral applications in agriculture, health, education, industry, dairy, animal husbandry, fisheries and aquaculture. From an industry perspective, the policy is expected to support R&D-led manufacturing, technology transfer, innovation infrastructure, patent creation and stronger academia-industry collaboration, particularly in sectors where Gujarat already has industrial depth such as chemicals, pharma, engineering, materials and emerging clean technologies.

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: info@vekpolicy.com
Website: www.vekpolicy.com