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GLOBAL ECONOMY

Global Growth Outlook Remains Stable but Uneven

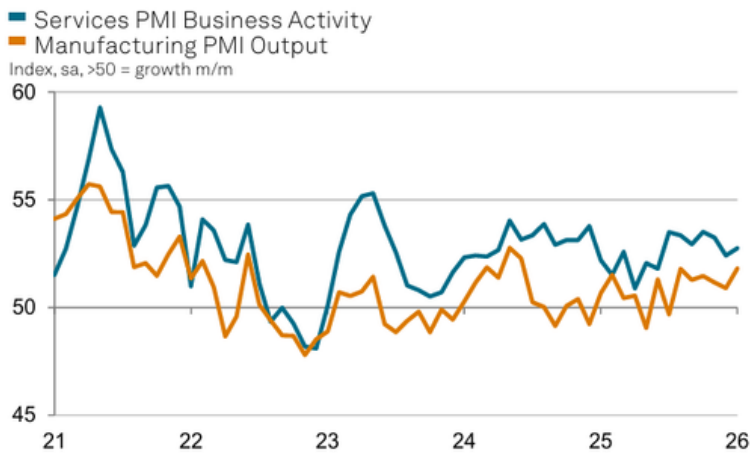
Global economic activity entered 2026 with a broadly stable but uneven outlook. The IMF's January 2026 World Economic Outlook Update projected global growth at 3.3% in 2026 and 3.2% in 2027, broadly similar to the estimated 3.3% growth in 2025. The IMF noted that technology investment, private-sector adaptability, accommodative financial conditions and fiscal/monetary support were helping offset trade-policy uncertainty and other headwinds.

However, other global assessments pointed to a softer medium-term growth path. The UN's World Economic Situation and Prospects 2026 projected global output growth at 2.7% in 2026, slightly below the estimated 2.8% in 2025, before improving to 2.9% in 2027. The report highlighted that growth remained uneven across regions, with relatively stronger momentum in parts of Asia and the United States, while Europe and many developing economies continued to face constraints from weak demand, debt pressures and climate-related risks.

The World Bank's January 2026 Global Economic Prospects also flagged a weaker long-term growth environment, noting that global growth has shifted to a slower pace since the pandemic. The report warned that, if current forecasts materialise, the 2020s could become the weakest decade for global growth since the 1960s, limiting job creation and poverty reduction in several developing economies.

Global Private-Sector Activity Improves at the Start of 2026

High-frequency indicators showed a modest improvement in global private-sector activity in January 2026. The J.P. Morgan Global Composite PMI Output Index rose to 52.5 in January, indicating continued expansion in global output as new orders and employment improved. Since a PMI reading above 50 indicates expansion, the data suggested that global activity remained positive at the start of the year.



Manufacturing conditions also improved. The J.P. Morgan Global Manufacturing PMI showed that global manufacturing business conditions strengthened at a modest but faster pace in January. Global manufacturing production rose at the joint-fastest pace since June 2024, reflecting improvement across a wider group of economies. However, input prices increased at the quickest pace in three years, suggesting that cost pressures remained a key risk for producers.

INDIAN ECONOMY

India's Economic Activity Remains Broadly Resilient

India's economy remained resilient at the start of 2026, supported by domestic demand, industrial activity and continued expansion in manufacturing and services. The RBI's January 2026 Bulletin noted that the state of the economy provided grounds for optimism, with GDP estimates for FY 2025–26 indicating that India would remain among the fastest-growing major economies. It also observed that global growth had remained resilient in 2025 despite elevated uncertainty, although external risks remained relevant for India.

Inflation remained favourable in December 2025, based on data released in January 2026. All-India CPI inflation stood at 1.33% in December 2025, compared with 0.71% in November 2025 and 5.22% in December 2024. Rural inflation was 0.76%, while urban inflation was 2.03%. Food inflation remained negative, with the Consumer Food Price Index at -2.71%, helping keep overall inflation low.

Wholesale price pressures were also contained, although they showed signs of firming. WPI food inflation moved from -2.60% in November 2025 to 0.00% in December 2025, while the WPI Food Index increased from 195.0 to 196.0 during the same period. This indicated that food-price disinflation was easing, though broader inflation conditions remained comfortable.

Industrial Activity Strengthens, Supported by Manufacturing and Core Sectors

Industrial activity improved sharply in December 2025, as reflected in data released in January 2026. India's Index of Industrial Production recorded growth of 7.8% in December 2025, showing stronger momentum compared with earlier months. The release also indicated that the next IIP data for January 2026 would be released in March, making December the latest official IIP reading available for the February newsletter cycle.

Core infrastructure activity also remained positive. The Index of Eight Core Industries increased by 3.7% year-on-year in December 2025, with positive growth recorded in cement, steel, electricity, fertilisers and coal. These sectors are important because they account for a significant share of industrial-sector demand and influence downstream activity in construction, power, manufacturing and capital goods.

The manufacturing sector continued to expand in January 2026. The HSBC India Manufacturing PMI rose from 55.0 in December 2025 to 55.4 in January 2026, indicating stronger improvement in manufacturing conditions. The PMI remained above its long-run average, supported by new orders and continued output growth, although it came in below the flash estimate.

Domestic Momentum Remains Supportive, While External Risks Need Monitoring

India entered February 2026 with a supportive domestic macroeconomic environment. Low retail inflation, positive industrial production, expansion in core sectors and continued manufacturing growth provided a favourable base for near-term economic activity. The combination of stable prices and resilient demand also created room for businesses to plan investment and production with greater confidence.

However, the external environment remained a key watchpoint. Global growth projections remained mixed across agencies, and the World Bank highlighted a structurally slower global growth environment. This could affect India through weaker export demand, softer global investment flows and continued uncertainty in trade-sensitive sectors.

Australia Launches Safeguard Investigation on Fabricated Structural Steel

Australia notified the WTO Committee on Safeguards that it initiated a safeguard investigation on imports of fabricated structural steel on 23 January 2026. The investigation was referred to the Productivity Commission, Australia's competent authority for safeguard inquiries, and concerns products under tariff subheadings HS 7308.10 and 7308.90. If the Productivity Commission determines that the conditions for safeguard action are met, it will submit recommendations to Australia's Treasurer, with the final report due within 10 months of initiation.

The investigation was initiated following an application from Australia's domestic industry. According to Australia's WTO notification, imports of fabricated structural steel increased by 38.7%, from 389,169 tonnes in 2020 to 539,649 tonnes in 2024. Import penetration also rose from 15% of domestic supply in 2020–21 to 26% in 2022–23, while import unit prices were reportedly 50–70% lower than the global average price between 2020 and 2023. Australia also cited global steel overcapacity and trade defence measures by third countries as possible factors behind the import surge.

This development is relevant for steel exporters because safeguard investigations can lead to temporary import restrictions, additional duties or quota-based measures if serious injury is established.

WTO Members Consider China's Request for Panel on India's Battery and EV Incentive Schemes

At a WTO Dispute Settlement Body meeting on 27 January 2026, members considered China's request to establish a dispute panel against India concerning measures in the automotive

and renewable energy technology sectors.

The dispute, registered as DS642, relates to Indian incentives for the production of advanced chemistry cell batteries, automobiles, auto components and electric vehicles.



China argued that the measures are trade-restrictive and discriminatory and claimed that they violate India's obligations under WTO agreements. China and India had held consultations on 25 November 2025 and 6 January 2026, but the consultations did not resolve the dispute. India blocked China's first request for panel establishment, which is permitted under WTO procedures at the first DSB consideration stage.

For India, the case is significant as it concerns policy tools used to build domestic capacity in batteries, EVs and auto components.

TESSD Group to Finalise Environmental Sustainability Package for MC14

WTO members participating in the Trade and Environmental Sustainability Structured Discussions (TESSD) advanced work on an environmental sustainability package for the 14th Ministerial Conference. The January 2026 discussions focused on finalising documents for MC14, including a communiqué, an overarching document and outcome documents from the TESSD working groups.

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WTO search material notes that the package reflected technical work undertaken by 79 WTO member co-sponsors participating in the discussions.

The TESSD work focuses on four broad areas: trade-related climate measures, environmental goods and services, circular economy and circularity, and subsidies with environmental effects and trade impacts. The initiative is designed to improve understanding of how trade policy can support environmental objectives while keeping the process open, transparent and inclusive. WTO material also noted that post-MC14 efforts are expected to focus on areas where TESSD can add value, including deepening understanding of trade and environmental issues.

This development shows that sustainability is becoming a more formal part of WTO-level trade discussions. For businesses, this may have implications for future product standards, circular economy requirements, environmental goods and services, climate-related trade measures and subsidy transparency. Exporters in sectors such as engineering goods, electrical equipment, clean technologies, chemicals, packaging and energy-intensive manufacturing should monitor this track closely, as sustainability-linked trade rules may increasingly influence market access and compliance requirements.

FTAS/ BILATERALS

India–Chile CEPA talks reach advanced stage with focus on market access and critical minerals



India and Chile are in the final stages of negotiating a social security agreement aimed at facilitating investments and movement of professionals between the two countries. At the same time, CEPA negotiations have reached an advanced stage, with both sides working to fix dates for the fifth and possibly final round.

The CEPA negotiations cover more than 20 chapters and go beyond trade in goods. The agreement is expected to include investment, development cooperation and technology transfer, making it a broader economic partnership framework rather than a narrow tariff-focused agreement.

Key negotiating areas included are market access, critical minerals, investment, development cooperation, technology transfer, and social security arrangements for professionals.

India and Chile began formal CEPA negotiations in May 2025. The fourth round concluded in December 2025, and intersessional work is currently underway. Market access and critical minerals remain among the most sensitive and strategically important areas in the talks.

For India, the agreement is relevant to its broader strategy of diversifying trade partnerships in Latin America and securing access to critical minerals. For Chile, the CEPA could deepen economic engagement with

one of the world's fastest-growing large economies and support greater investment and professional mobility.

Kenya and UAE seal CEPA to boost agriculture and trade cooperation



Kenya and the United Arab Emirates have signed a Comprehensive Economic Partnership Agreement, marking the UAE's first trade agreement with a mainland African country. The deal positions Kenya as a strategic gateway for trade, investment and technology cooperation between Africa and the Gulf region. It is currently before Kenya's Parliament for ratification.

The CEPA is expected to remove tariff and non-tariff barriers, ease customs procedures and promote cooperation in industrialisation, digital trade and services. Agriculture has emerged as a major focus area, with Kenya seeking UAE support for livestock development, agricultural digitisation, skills development and extension services.

Key focus areas include:

- Digitisation of agriculture through the Kenya Agricultural Digital Information Centre.
- Skills development through agricultural and animal-health training institutions.
- Improved extension services to support farmers.
- Greater market access for Kenyan agricultural exports.
- Infrastructure investment to reduce post-harvest losses.

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The UAE is Kenya's second-largest source of imports and sixth-largest export destination. Kenya exports tea, meat, fruits, vegetables and flowers to the UAE, while importing petroleum products, chemicals and machinery. Once ratified, the CEPA is expected to strengthen Kenyan export value chains and reinforce Kenya's role as a regional trade and investment hub.

Nigeria-UAE CEPA Opens New Market Access and Investment Pathways

Nigeria and the United Arab Emirates have signed a Comprehensive Economic Partnership Agreement (CEPA) aimed at expanding market access, encouraging investment flows, and strengthening Nigeria's role as a trade gateway into Africa. The agreement was signed on the sidelines of Abu Dhabi Sustainability Week and reflects the UAE's continued effort to deepen economic partnerships with key emerging markets.

Under the agreement, the UAE will eliminate tariffs on more than 7,000 Nigerian products, giving Nigerian exporters duty-free access to a major Gulf market. Covered products include fish and seafood, oil seeds, cereals, cotton, pharmaceuticals, and chemicals. In addition, tariffs on machinery, vehicles, electrical equipment, apparel, and furniture will be phased out over three to five years, supporting Nigeria's export-diversification and industrialisation agenda.



The CEPA also includes provisions beyond goods trade. Nigerian firms will be able to establish operations in the UAE through corporate entities, branches, and subsidiaries, improving their ability to access Gulf and wider Middle Eastern markets. The agreement also provides mobility benefits, allowing Nigerian business visitors to enter the UAE for up to 90 days within a year, while managers, executives, and specialists can relocate under renewable three-year arrangements.

The agreement is significant as it combines tariff liberalisation with investment, business establishment, and mobility provisions. For Nigeria, it offers a clearer pathway to expand non-oil exports and attract UAE investment into productive sectors. For the UAE, it strengthens commercial ties with Africa's largest economy and supports its position as a logistics, investment, and re-export hub linking Africa, the Gulf, and global markets.

EU-Ecuador Conclude Negotiations on Sustainable Investment Facilitation Agreement

The European Union and Ecuador have concluded negotiations on a Sustainable Investment Facilitation Agreement (SIFA), marking the EU's first agreement of this kind with a Latin American country. The agreement is intended to promote EU investment in Ecuador by improving regulatory predictability, reducing administrative barriers, and creating a more transparent and investor-friendly business environment.

Unlike a conventional trade agreement, the SIFA focuses on investment facilitation rather than tariff liberalisation. It seeks to simplify investment authorisation procedures, improve access to information on investment-related measures, strengthen stakeholder consultations, and establish focal points to improve communication between investors and public authorities. These measures are expected to benefit both EU and Ecuadorian

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investors by making the investment framework easier to navigate.

A key feature of the agreement is its strong sustainability orientation. The SIFA includes commitments on labour rights, environmental protection, implementation of ILO standards, the Paris Agreement, and responsible business conduct. It also includes a dedicated annex on sustainable energy and raw materials, both of which are priority areas for EU investors and Ecuador's economic development strategy.



The agreement also builds on existing EU-Ecuador economic ties. EU foreign direct investment stock in Ecuador reached €8.2 billion in 2023, with investment concentrated in construction, business services, transport, storage and communications, and manufacturing. The EU will also support Ecuador through an €8 million project aimed at improving the investment climate and supporting the country's energy transition.

The political conclusion of negotiations marks the end of the negotiating phase. The European Commission and Ecuador will now proceed with their respective internal procedures for formal signature and conclusion.

POLICY AND REGULATORY NEWS

Tamil Nadu Deep Tech Startup Policy 2025–26

Tamil Nadu released the Tamil Nadu Deep Tech Startup Policy 2025–26 to strengthen the state’s position as a leading hub for advanced technology and innovation. The policy supports startups, innovators, academic institutions, R&D centres, incubators, accelerators and industry labs working in deep-tech areas such as artificial intelligence, robotics, semiconductors, biotechnology, aerospace, defence, clean technology and advanced manufacturing.



The policy sets five-year targets, including support for 100 deep-tech startups, mobilisation of ₹100 crore in public and private investment, 10 technology-transfer or licensing deals, 25% annual growth in patent filings by deep-tech startups, and training of more than 10,000 students and professionals. It also proposes an annual departmental budget of ₹5 crore for pilot deployment, field validation and scale-up of deep-tech solutions.

The policy focuses on strengthening R&D infrastructure, improving access to patient capital, supporting intellectual property creation, promoting industry-academia

collaboration and enabling public and private procurement of indigenous deep-tech solutions. It reflects Tamil Nadu’s shift toward research-led industrial development and supports the state’s broader ambition of becoming a USD 1 trillion economy.

Andhra Pradesh Cluster Development Program Policy

Andhra Pradesh launched the Andhra Pradesh Cluster Development Program Policy, also known as APCDP, under the Industries & Commerce Department. The policy aims to strengthen existing MSME clusters by creating shared industrial infrastructure and improving access to common manufacturing, testing, design, packaging, R&D and quality-certification facilities.



Under the programme, the state plans to establish 45 Common Facility Centres across existing MSME clusters. These centres are expected to support groups of enterprises operating in similar sectors or locations by reducing the need for each MSME to make separate investments in expensive machinery and testing infrastructure. The cluster-based approach is intended to improve productivity, product quality and competitiveness of small manufacturers.

The APCDP is part of Andhra Pradesh’s broader industrial development strategy to support MSMEs, promote local manufacturing and improve industrial infrastructure at the cluster level. By providing shared facilities and technical support, the policy can help smaller enterprises upgrade production processes, meet certification standards and improve their ability to participate in domestic and export supply chains.



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