VeK
POLICY ADVISORY & RESEARCH

POLICY PULSE

A MONTHLY NEWSLETTER

OCTOBER 2026
VOL. 8 ISSUE 08

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GLOBAL ECONOMY

Global Growth Holds Up, but Energy Shocks and Geopolitical Risks Cloud the Outlook

The global economy has continued to withstand successive shocks better than initially anticipated, but September 2026 assessments point to mounting inflationary pressures and increasing downside risks. The OECD's *September 2026 Interim Economic Outlook* projects global GDP growth at **2.9% in 2026 and 3.0% in 2027**, raising its 2026 forecast from 2.8% and lowering its 2027 projection from 3.1%.[1] The impact of the Middle East conflict has been cushioned by substantial oil inventories, additional supplies from outside the Gulf, alternative transport routes and government support measures. Continued investment in artificial intelligence (AI) has also supported production, trade and economic activity. However, the recovery remains vulnerable to renewed energy disruptions and persistent uncertainty.

Energy markets have emerged as a critical source of risk. S&P Global's September outlook reported that Brent crude had moved above **US$100 per barrel**, while European gas prices had risen by more than 30% since late July. Higher crude and refined-product prices, together with capacity constraints in refining, are increasing business costs and threatening to prolong inflation. The OECD also cautioned that rising agricultural commodity prices, partly reflecting extreme weather, could add to pressure on household purchasing power. These developments complicate monetary policy decisions and could constrain consumption and investment, particularly in energy-importing economies.

Growth prospects remain uneven across economies. Countries benefiting from AI-related investment and technology-intensive production are relatively better positioned, while energy-importing economies face higher import bills, weaker real incomes and greater external vulnerability. Trade policy uncertainty is an additional concern: continuing changes in tariffs and export restrictions are disrupting supply chains and complicating business investment decisions. The OECD also highlighted rising long-term interest rates and fiscal risks, which could tighten financial conditions and amplify economic shocks.

The balance of risks therefore remains tilted towards weaker growth. Prolonged disruption to Middle Eastern energy supplies, further trade fragmentation, weather-related supply shocks and disappointing returns on AI investment could undermine the outlook. Conversely, sustained energy-market stabilisation, resilient technology investment and stronger international cooperation could support recovery.

Overall, September developments suggest that global growth remains resilient, but its sustainability increasingly depends on energy security, predictable trade policies and the capacity of economies to absorb geopolitical and financial shocks

Global Trade Shifts: Winners, Losers and Emerging Market Trends

The data indicate that the United States and China remained the largest markets for the selected product, although import and export trends varied considerably across economies. On the import side, US imports increased from $308.7 billion in April to $344.9 billion in August, while China's imports rose from $274.1 billion to $282.4 billion. Hong Kong recorded

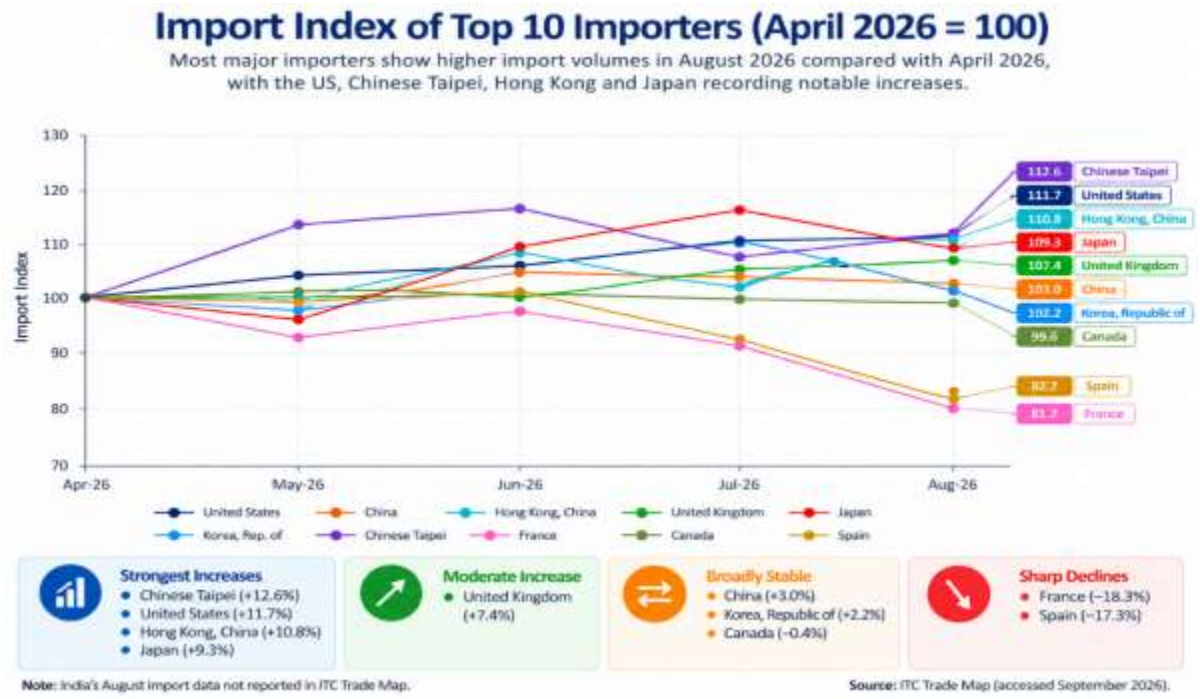
[1] OECD, https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-september-2026_f751d02b-en.html

a recovery to $111.9 billion in August, while UK imports increased steadily to $ 92.0 billion. Japan and Korea experienced month-to-month fluctuations, with August imports at $70.2 billion and $63.5 billion, respectively. Chinese Taipei improved to $60.4 billion, whereas France and Spain registered notable declines to $59.0 billion and $40.7 billion. Canada's imports remained broadly stable at around $52 billion.

The import index, with April 2026 set at 100, shows that US import demand strengthened by 11.7% between April and August, followed by Hong Kong (+10.8%), the UK (+7.4%) and Chinese Taipei (+12.6%). Japan and Korea remained above their April baseline despite easing from July, while France and Spain fell sharply to 81.7 and 82.7, respectively. China's import index stood at 103.0, indicating modest growth.

On the export side, China retained its leading position, with exports increasing from $357.5 billion in April to $ 401.4 billion in August. The US also remained a major exporter, recovering from $197.5 billion in July to $ 204.7 billion in August, although still below April's $ 218.0 billion. Hong Kong's exports remained relatively resilient at $101.6 billion, while Korea recorded $98.2 billion. Chinese Taipei showed a strong recovery to $82.9 billion, whereas Japan declined to $63.2 billion. France and the UK experienced significant contractions, with exports falling to $48.7 billion and $ 42.4 billion, respectively. Thailand's exports increased gradually to $35.0 billion, while Canada remained broadly stable at $ 53.1 billion.

The export index highlights Chinese Taipei (+21.8%), Korea (+14.6%), China (+12.3%) and Thailand (+10.8%) as the strongest performers relative to April. In contrast, France (−21.6%) and the UK (−12.4%) recorded the steepest declines. Overall, the data point to divergent market conditions, with Asian exporters gaining momentum while several Western markets experienced weaker export performance. India's August trade data were not available in ITC Trade Map, limiting direct comparison with the other economies.



GLOBAL ECONOMY

Global Inflation Risks Intensify as Energy and Commodity Prices Surge

The global inflation outlook deteriorated further in September 2026 as renewed energy-price increases intensified cost pressures across the world economy. The IMF's October *World Economic Outlook*, published after September, projects global headline inflation at **4.7% in 2026**, before easing to **4.1% in 2027**. The IMF identifies energy-importing economies outside technology value chains as particularly vulnerable to the combined effects of higher energy costs and weaker growth. These projections suggest that the disinflation process remains vulnerable to geopolitical and supply-side shocks.[2]

September commodity-price data provide further evidence of mounting pressure. According to UNCTAD, year-on-year growth in its Commodity Price Index accelerated from **27.4% in August to 38.8% in September**. Fuel-price growth surged from 29.8% to **57.1%**, while agricultural raw-material prices increased from 14.5% to 17.1%. Food-price growth also accelerated, from 6.8% to **8.0%**. In contrast, growth in prices of minerals, ores and metals moderated from 31.8% to 21.6%.[3]

The World Bank's September commodity data reinforce the energy-driven nature of the shock. Its energy price index rose **25.7% month-on-month**, led by a 21.2% increase in crude oil prices and a 15.3% rise in natural gas prices. Non-energy commodity prices increased more moderately, by 1.3%, although food prices rose 3.8%. These developments are likely to raise transportation, electricity, fertiliser and manufacturing costs, with the effects spreading through domestic supply chains.[4]

[2] IMF, https://www.imf.org/en/publications/weo/issues/2026/10/13/world-economic-outlook-october-2026
[3] UNCTAD, https://unctadstat.unctad.org/insights/theme/242
[4] The World Bank Blog, https://blogs.worldbank.org/en/opendata/energy-prices-surged-in-september--non-energy-prices-edged-up-pi

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Overall, September developments indicate that energy and commodity volatility could prolong global inflationary pressures and complicate monetary-policy decisions. For emerging markets such as India, the principal risks include higher imported energy costs, exchange-rate pass-through and increased transport and production expenses. The extent of the impact will depend on the duration of supply disruptions, movements in exchange rates and the degree to which higher input costs are passed on to consumers.

Regional Divergence Persists as US and Euro Area Activity Strengthens

The global economic landscape remained uneven in September 2026, with business activity strengthening across several advanced economies while growth prospects and momentum continued to vary across emerging markets. S&P Global's September assessment described global conditions as resilient but increasingly exposed to risks from rising energy prices, tighter financial conditions and geopolitical uncertainty. Its September flash Purchasing Managers' Index (PMI) surveys showed the combined output index for the US, euro area, Japan and UK rising to 55.7 from 54.3 in August—the strongest expansion since March 2022. However, the improvement was driven primarily by the US, which recorded a marked acceleration in both manufacturing and services. The euro area also strengthened, while Japan's expansion slowed and the UK remained the weakest performer among the four economies. The euro area Composite PMI rose to 53.1 in September from 52.0 in August, its highest level since April 2023.

The divergence remains evident across Asia. Technology-related exports, semiconductor demand and investment in artificial intelligence continue to support parts of the region, although this momentum is not uniform. S&P Global's September Asia-Pacific outlook highlighted the supportive role of technology exports and generally resilient domestic demand, while noting that China's growth remains constrained by weak household demand, a struggling property sector and subdued private investment. Its September global outlook also identified higher energy prices as a growing risk to the regional outlook. These developments suggest that technology-intensive manufacturing and export-oriented economies may continue to outperform economies more exposed to weak domestic demand, energy imports and tighter financial conditions.

India remains one of the faster-growing major emerging economies. In its September outlook, S&P Global revised its 2026 growth estimate for India upward by 0.3 percentage points to 6.5%, reflecting stronger-than-expected activity in the first quarter of the current fiscal year. However, higher energy prices, potential inflationary pass-through and uncertainty surrounding global trade remain important risks. Global trade continues to show a pronounced regional imbalance: UN Trade and Development's Global Trade Update reported that East Asia was the main engine of global trade growth in the first quarter of 2026, supported by strong import and export performance in China and the Republic of Korea. Trade in other Asian subregions contracted, highlighting the uneven distribution of gains from global trade expansion.

Overall, September evidence points to resilient but increasingly differentiated global growth, rather than a synchronised slowdown. The US and euro area recorded stronger business activity, while Japan and the UK showed more subdued momentum and emerging-market performance remained varied. AI-related investment, semiconductor demand and technology exports continue to provide important support, particularly in the US and parts of Asia. At the same time, renewed energy-price pressures, geopolitical tensions, trade fragmentation and rising sovereign yields are increasing the risk of tighter financial conditions and renewed inflation. Regional divergence is therefore likely to remain a defining feature of the global economic outlook through the remainder of 2026.

INDIAN ECONOMY

Indian Economy – Resilient Growth Amid Mounting Inflationary Pressures

India's economic activity remained resilient through September 2026, supported by strong industrial production, expanding exports and sustained tax collections. However, rising inflation and a widening merchandise trade deficit have increased the risks to the near-term outlook. The Reserve Bank of India's August 2026 monetary policy review had raised its FY2026–27 real GDP growth projection to 6.7% from 6.6%, while lowering its CPI inflation forecast to 5.0% from 5.1%, and retained the repo rate at 5.25%. The latest available GDP data showed real GDP growth of 7.8% in Q1 FY2026–27, compared with 6.9% in the corresponding quarter of the previous year. These figures provide a strong starting point for the year, although the effect of rising energy costs and global uncertainty will be important to monitor.

Recent high-frequency indicators point to continued industrial and domestic economic activity. The Index of Industrial Production grew by **8.0% year-on-year in August 2026**, up from 6.7% in July. Manufacturing expanded by 9.0% and electricity and gas supply by 12.3%, while mining and quarrying contracted by 5.6%. Gross GST collections also remained buoyant, reaching approximately **Rs. 2.03 lakh crore in September**, a 14.7% increase over September 2025. Domestic GST revenue rose by more than 10%, while collections from imports increased by around 26%. Labour-market indicators were broadly stable: the labour force participation rate stood at 55.5% in September, the worker population ratio at 52.7%, and the unemployment rate remained at 5.0%. Together, these indicators suggest that industrial activity, tax revenues and labour-market participation continued to provide support to the economy.

External trade recorded strong merchandise export growth, although imports increased more rapidly in value terms. Merchandise exports rose by **23.04% year-on-year to US$44.40 billion in September**, supported by electronic goods, petroleum products, engineering goods and chemicals. Merchandise imports reached US$74.61 billion, taking the merchandise trade deficit to US$30.21 billion, compared with US$26.86 billion in August. Total exports of goods and services were estimated at US$80.75 billion, while total imports were estimated at US$94.05 billion. For April–September FY2026–27, combined exports were estimated at US$476.20 billion, up 13.84% year-on-year. The export performance is encouraging, but the widening merchandise deficit underscores India's exposure to energy and other import costs.

Inflation emerged as a more significant concern in September. Consumer price inflation increased to **5.54%**, from 4.83% in August, while food inflation accelerated to 7.74% from 5.97%. Wholesale price inflation rose more sharply to **11.39%**, compared with 9.92% in August. Fuel and power inflation increased to 25.85%, while food inflation under the wholesale price index reached 8.66% and manufactured-products inflation rose to 9.76%. The widening gap between retail and wholesale inflation indicates that cost pressures are building across the production chain. If sustained, higher energy, transport and input costs could squeeze business margins and eventually feed into consumer prices, complicating the policy trade-off between supporting growth and containing inflation.

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Overall, September 2026 data point to a resilient Indian economy, with stronger industrial output, robust GST collections and healthy merchandise export growth. However, accelerating retail and wholesale inflation, together with a wider merchandise trade deficit, makes the outlook more challenging than the August assessment suggested. The key near-term priorities are to sustain domestic demand and export competitiveness while containing imported inflation and monitoring the pass-through of higher input costs to businesses and households

Manufacturing Rebounds, While Services Growth Remains Moderate

India's manufacturing and services sectors both expanded in September 2026, with manufacturing recording a notable recovery after the slowdown in August. The HSBC India Manufacturing PMI rose to **55.1 in September from 52.8 in August**, reaching a seven-month high. Stronger domestic and export demand supported new orders and output, while factory production recorded its sharpest expansion in four months. Employment also resumed growing after a marginal decline in August. The improvement suggests that the manufacturing slowdown was not sustained, although geopolitical uncertainty and softer international demand in some markets remain risks to the outlook.[5]

The services sector also strengthened, though at a more measured pace. The HSBC India Services PMI Business Activity Index increased to **55.2 in September from 54.1 in August**, marking a three-month high. Improved domestic demand and stronger new business supported activity, particularly in financial, consumer and digital services. However, services employment growth eased, while the expansion in new export business slowed to its weakest pace in nearly three years. Input-cost inflation moderated to a ten-month low, providing some relief to service providers, but business confidence remained relatively subdued.

The improvement across both sectors lifted the HSBC India Composite PMI Output Index to **55.9 in September from 54.3 in August**, indicating the fastest monthly expansion in private-sector output since June. Nevertheless, the average composite reading for the July–September quarter was the weakest since early 2022, suggesting that the September recovery has not fully reversed the broader moderation in momentum during the quarter. The contrast between stronger manufacturing output and more moderate services growth also highlights the importance of sustaining domestic demand while improving export performance.

Overall, September indicators point to a recovery in manufacturing and a modest strengthening in services, rather than a uniform acceleration across the economy. Stronger factory orders, output and renewed hiring are encouraging, while resilient domestic demand continues to support services. However, slower export-order growth, subdued business confidence and geopolitical uncertainty remain constraints. Sustaining the recovery will depend on stronger investment, stable input costs and continued growth in both domestic and external demand.

Inflationary Pressures Intensify in September 2026

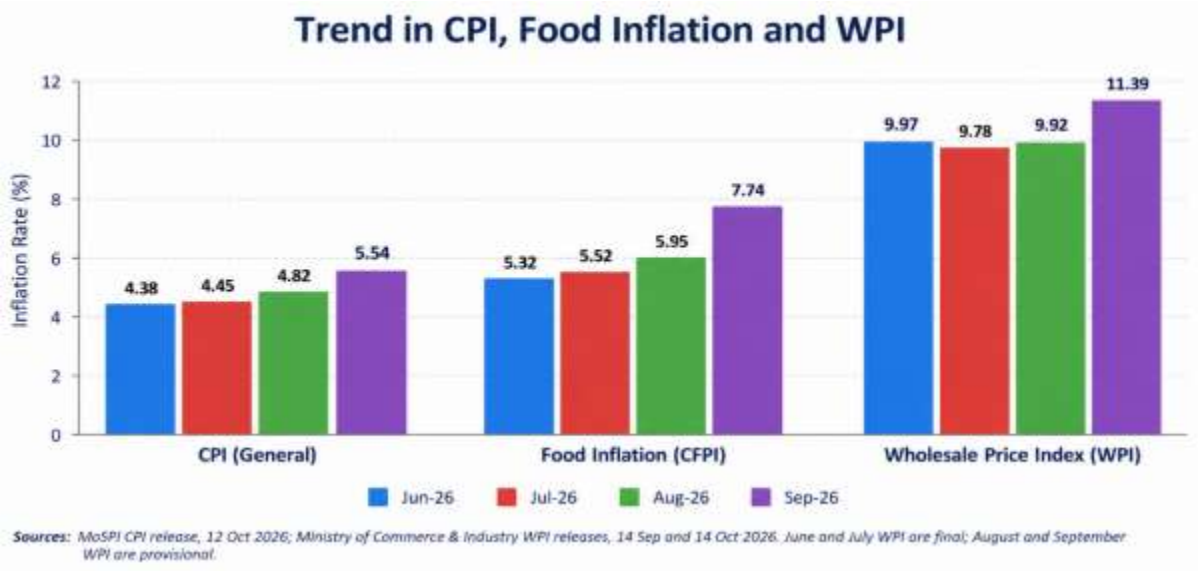
India's inflation trajectory changed significantly in September 2026, with consumer price inflation, food inflation and wholesale price inflation all increasing. Consumer Price Index (CPI)

[5] HSBC India Manufacturing PMI, https://www.pmi.spglobal.com/Public/Home/PressRelease/aa80d52b28f344aa8a681e5ffb3fa679

inflation rose from 4.38% in June and 4.45% in July to 4.83% in August and **5.54% in September**. The increase brought retail inflation closer to the Reserve Bank of India's upper tolerance limit of 6%, although it remained within the permitted band. The trend indicates that the earlier period of relatively moderate consumer price increases has given way to renewed inflationary pressure.

Food inflation, measured by the Consumer Food Price Index (CFPI), accelerated more sharply. It increased from 5.32% in June to 5.52% in July and 5.97% in August, before rising to **7.74% in September**. Food inflation was higher in rural areas, at 8.06%, than in urban areas, at 7.18%. This acceleration is particularly significant because food accounts for a substantial share of household expenditure, especially among lower-income groups. Rising food prices can therefore erode purchasing power, affect consumption patterns and increase pressure for wage adjustments.

Wholesale Price Index (WPI) inflation presents a more pronounced concern. It stood at 9.97% in June, eased to 9.78% in July, and edged up to 9.92% in August before surging to **11.39% in September**. The September increase was broad-based: fuel and power inflation reached 25.85%, manufactured-products inflation rose to 9.76%, and inflation in primary articles increased to 8.67%. Wholesale food inflation also accelerated to 8.66%. Higher prices of mineral oils, crude petroleum and natural gas, coal, basic metals, chemicals, textiles and electrical equipment contributed to the increase. These trends point to substantial cost pressures across production and supply chains.



Sources: MoSPI CPI release, 12 Oct 2026; Ministry of Commerce & Industry WPI releases, 14 Sep and 14 Oct 2026. June and July WPI are final; August and September WPI are provisional.

The comparison of the three indices highlights an important distinction. CPI captures price changes experienced by households, CFPI isolates the food component of consumer inflation, and WPI reflects price movements at the wholesale level. The fact that WPI inflation is substantially higher than CPI inflation suggests that businesses are facing significant upstream cost pressures that may not yet have been fully passed on to consumers. If these pressures persist, they could reduce corporate margins, raise production and distribution costs and contribute to further retail price increases.

Overall, September 2026 data signal a broadening of inflationary pressures, led by food and energy-related costs. The rise in CPI poses a challenge to household purchasing power, while accelerating CFPI increases the burden on food budgets. The sharp increase in WPI raises the risk of further cost pass-through to retail prices. Monitoring food supplies, energy prices and input costs will be essential to assess whether September marks a temporary spike or the beginning of a more persistent inflationary phase.

India's Core Sector Growth Moderates to 4.8% in August 2026

India's core sector recorded year-on-year growth of **4.8% in August 2026**, moderating from 5.0% in July, according to provisional estimates released by the Ministry of Commerce and Industry on 21 September 2026. Despite the moderation, the sector maintained positive momentum, supported primarily by cement, electricity and iron ore. Cumulative growth during April–August 2026 stood at **4.3%**, compared with 2.4% in the corresponding period of the previous year.[6]

Cement and Electricity Lead Sectoral Growth

Cement production registered the strongest expansion, increasing by **12.5%** year-on-year in August, followed by electricity generation at **11.6%**. Iron ore production grew by 5.5%, steel by 3.4%, and refinery products by 2.6%. The performance of cement and electricity points to continued activity in construction, infrastructure and power generation, while growth in iron ore and steel reflects positive momentum in parts of the industrial supply chain. These sectoral trends, however, do not by themselves establish the extent of demand across the wider economy.

Energy and Fertiliser Output Remain Areas of Concern

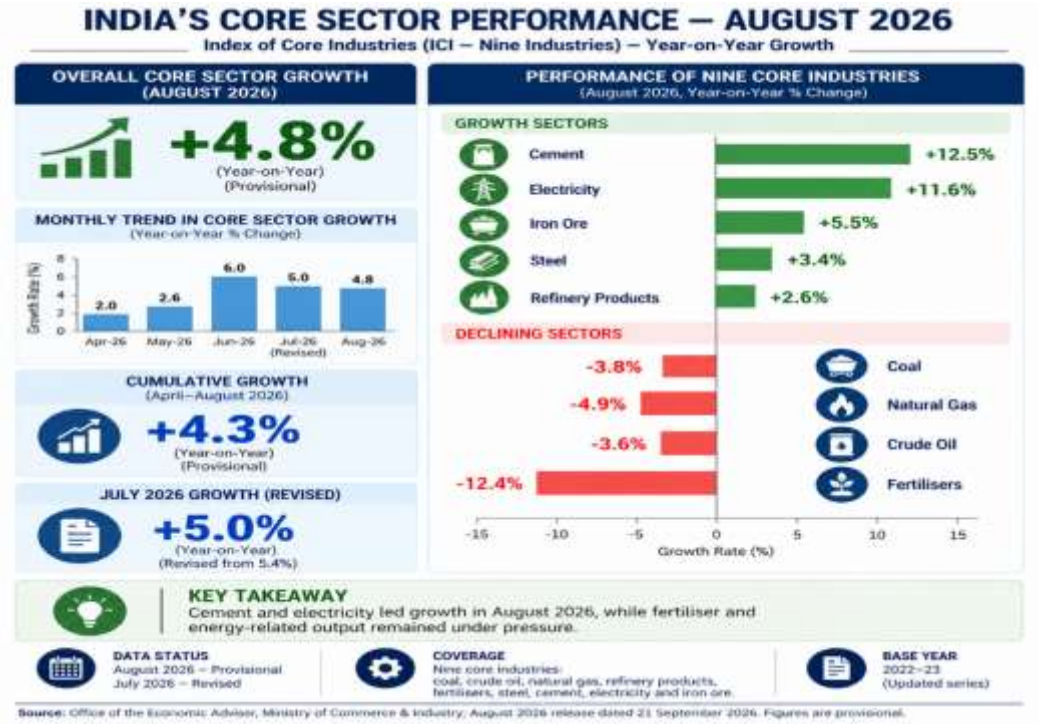
Four industries recorded contractions in August. Coal production declined by **3.8%**, natural gas by 4.9%, crude oil by 3.6%, and fertiliser production by 12.4%. The sharp fall in fertilisers was particularly notable, while declining output in coal, gas and crude oil indicates continuing weakness in key energy-related segments. These contractions partly offset the gains in cement, electricity and iron ore, contributing to the moderation in overall core-sector growth.

Cumulative Performance Shows Improvement

The April–August growth rate of 4.3% was substantially higher than the 2.4% recorded in the same period of the previous year. This suggests an improvement in the aggregate performance of core industries during the first five months of FY2026–27. However, the monthly moderation in August and the uneven performance across sectors indicate that the recovery remains mixed rather than broad-based.

The July figures were also revised: the year-on-year growth rate was finalised at **5.0%**, down from the provisional estimate of 5.4%. This revision underlines the importance of distinguishing provisional monthly estimates from finalised data when assessing industrial trends.

[6] PIB, https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=2313043&reg=48&lang=1



Outlook and Implications

The core sector remains an important indicator of industrial activity because its constituent industries supply essential inputs for infrastructure, manufacturing, transport and energy. Continued strength in cement and electricity is encouraging, but sustained momentum will also depend on a recovery in energy-related production and fertilisers. The coming months' data will help establish whether the recent growth pattern can be maintained and whether expansion becomes more evenly distributed across industries.

Overall, India's core-sector performance remains positive, with cumulative growth improving over the previous year. Nevertheless, the August results highlight a divergence between strong infrastructure-linked activity and persistent weakness in several energy and fertiliser segments. The figures are provisional for August and are based on the updated Index of Core Industries series with 2022–23 as the base year, which covers nine industries, including iron ore.

India Witnesses a Decline in Foreign Exchange Reserves

As per the RBI data, India's foreign exchange reserves declined significantly during the week ended 25 September 2026, falling by US$18.34 billion to US$747.56 billion, compared with the preceding week. The decline was primarily driven by reductions in foreign currency assets and gold reserves, indicating a substantial weekly contraction in the country's external reserve holdings.

Key movements in reserves

Total foreign exchange reserves declined by Rs. 1,78,698 crores during the week, equivalent to US$18,343 million. Foreign currency assets fell by US$15.57 billion, while gold reserves declined by US$2.59 billion. Smaller reductions were also recorded in Special Drawing Rights (SDRs) and the reserve position with the International Monetary Fund (IMF).

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Analysis of the trend

Foreign currency assets: These accounted for the largest share of the weekly decline, decreasing by US$15.57 billion to US$615.41 billion. Foreign currency assets are influenced by valuation changes in non-US dollar currencies and securities, as well as foreign exchange operations. The supplied data do not establish the relative contribution of these factors.

Gold reserves: Gold holdings declined by US$2.59 billion to US$108.70 billion. Such changes in the reported dollar value of gold reserves can reflect fluctuations in international gold prices and valuation effects, as well as changes in holdings.

SDRs and IMF reserve position: SDR holdings declined by US$97 million, while the reserve position in the IMF fell by US$86 million. Their contribution to the overall decline was comparatively small.

Position relative to March 2026 and September 2025

Despite the sharp weekly fall, total reserves remained US$56.45 billion above their end-March 2026 level and US$47.32 billion higher than a year earlier, based on the supplied figures. This suggests that the weekly decline should be assessed in the context of the broader reserve position rather than viewed in isolation.

Overall, India's foreign exchange reserves experienced a notable contraction in the week ended 25 September 2026, primarily due to the decline in foreign currency assets, followed by gold reserves. Nevertheless, reserves remained above both their end-March 2026 and year-earlier levels. Continued monitoring of weekly movements is important for assessing external-sector resilience and the reserve buffer available to manage external payment obligations and potential volatility in currency markets.

WTO UPDATES

WTO Report Emphasises Services Export Promotion for Developing Economies

A joint WTO–UN Economic Commission for Latin America and the Caribbean report examined how developing economies can strengthen services exports. It draws on country experiences, including India, and stresses the importance of integrating export promotion with skills development, investment attraction, regulatory reform, digital infrastructure and private-sector coordination.

The WTO noted that global services exports reached US$9.6 trillion in 2025, accounting for a record share of almost 28% of global trade on a balance-of-payments basis. Digitally delivered services have also expanded rapidly.

Why it matters: India can draw on these findings to strengthen its services export strategy, particularly by connecting market access with professional skills, digital trust, investment and firm-level competitiveness.

WTO Dispute Panel Agreed to Review the EU's Carbon Border Adjustment Mechanism

The WTO Dispute Settlement Body agreed to establish a panel following Russia's request to examine the European Union's Carbon Border Adjustment Mechanism (CBAM) package and an alleged export subsidy linked to the EU Emissions Trading System. Russia argued that the measures create trade barriers for covered imports and confer a competitive advantage on certain domestic industries. The EU maintained that its measures are consistent with WTO rules.

India was among the WTO members that reserved third-party rights to participate in the proceedings.

Why it matters: The dispute is relevant to exporters facing carbon-related requirements in the EU, including Indian producers of steel, aluminium and other emissions-intensive goods. The panel process may contribute to the broader debate over how climate measures interact with WTO commitments; the decision to establish a panel does not itself determine whether the measures violate WTO rules.

WTO Study Examines Stablecoins in International Trade

The WTO Secretariat released a study examining how stablecoins—digital assets designed to maintain a stable value against a reference asset—could facilitate cross-border trade payments. Their potential advantages include faster settlement, lower transaction costs and greater payment transparency, particularly for businesses facing difficulties accessing conventional international payment systems.

The study also highlights the need for appropriate regulation, interoperable payment infrastructure and international cooperation to address risks and support secure, inclusive adoption.

Why it matters: Digital payment innovations could reduce transaction frictions for exporters, including smaller businesses, although their benefits depend on the regulatory and financial infrastructure in destination markets.

World Trade Report 2026 Highlights the Gains from Trade Reform

The WTO's World Trade Report 2026: A Critical Juncture for the World Trading System examines the economic consequences of strengthening or weakening multilateral trade cooperation. Its scenarios suggest that a strengthened multilateral framework could raise global GDP by approximately 2.9% and global exports by 17.9% by 2050, relative to the baseline. The report warns that geopolitical fragmentation or reliance on a network of free trade agreements in place of broader multilateral cooperation could carry substantial economic costs.

Why it matters: The report reinforces the importance of WTO reform, predictable market access and rules that can adapt to digital trade, industrial policies and changing geopolitical conditions.

FTAs/ BILATERALS

FTA Progress: Key Developments in August 2026

1. *Progress in India–US Bilateral Trade Agreement*

India and the United States continued negotiations on the proposed Bilateral Trade Agreement (BTA) during September 2026, with both sides indicating progress towards an interim arrangement. On 9 September, India's Commerce Secretary described the deal as largely finalised, although some issues remained unresolved. India emphasised the need for preferential tariff treatment to ensure that Indian exporters remained competitive relative to suppliers from other countries. Meanwhile, uncertainty surrounding US tariff policies and the Section 301 process complicated the timing of the agreement.

The proposed interim agreement is intended to improve market access, reduce tariffs on selected products, address non-tariff barriers and strengthen supply-chain cooperation, while providing a pathway towards a more comprehensive BTA.

As of 30 September 2026, the BTA remained under negotiation. Although progress was reported, no signed agreement or confirmed entry-into-force date had been announced.

2. India–Canada FTA Negotiations Advance, with Both Sides Targeting Conclusion by Year-End

India and Canada made further progress in negotiations for a Comprehensive Economic Partnership Agreement (CEPA) during September 2026. The key milestone was the conclusion of the fourth round of negotiations, held in New Delhi from 14 to 19 September. Both countries reaffirmed their commitment to expedite discussions and work towards concluding the agreement by the end of 2026.

Furthermore, on 18–19 September, Canada's Minister of International Trade, Maninder Sidhu, met India's Commerce and Industry Minister, Piyush Goyal, in Mumbai, alongside the two countries' chief trade negotiators. The discussions focused on advancing the CEPA and strengthening bilateral trade and investment. Canada confirmed that four rounds of negotiations had been completed, with trade officials expected to continue working to narrow outstanding differences. India's Commerce Secretary also indicated that two chapters had been concluded, although the governments had not publicly identified all completed chapters or released a comprehensive account of the remaining negotiating issues.

3. India-South Africa sign Terms of Reference for a PTA

India and South Africa took steps towards strengthening bilateral economic relations in September 2026, with the proposed Preferential Trade Agreement (PTA) emerging as an important area of cooperation. According to The Tribune report published on 9 September, the Terms of Reference (ToR) for negotiations had been signed, paving the way for discussions on improved market access and expanded bilateral trade. Bilateral trade was reported at US$18.01 billion.

The proposed agreement could create opportunities across minerals, manufacturing, agriculture, food security, fertilisers, services and skilled manpower. These areas offer scope to deepen trade and investment ties, diversify commercial partnerships and strengthen cooperation between Indian and South African businesses. The issue was highlighted at the India–South Africa Business Forum, organised by the Confederation of Indian Industry (CII) and South Africa's Department of Trade, Industry and Competition (DTIC) on the sidelines of the BRICS Summit in New Delhi.

4. EAEU–UAE Free Trade Agreement to Enter into Force on 6 October 2026

The Free Trade Agreement between the Eurasian Economic Union (EAEU) and the United Arab Emirates (UAE) is scheduled to enter into force on 6 October 2026, following completion of the ratification and notification

procedures, as announced by Eurasian Economic Commission (EEC) Trade Minister Andrei Slepnev in August. The agreement was signed in Minsk on 27 June 2025. It covers the UAE and the five EAEU members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

The agreement provides for tariff liberalisation across a broad range of goods. The announcement indicated trade liberalisation for more than 85% of goods, with preferential access covering over 95% of bilateral trade between Russia and the UAE. The agreement also establishes rules and cooperation mechanisms covering customs procedures, e-commerce, technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights and government procurement.

5. UK–GCC Negotiations on FTA Achieve Progress in September

The United Kingdom signalled its readiness to sign a Free Trade Agreement (FTA) with the Gulf Cooperation Council (GCC) within weeks. UK Minister of State for Trade Anas Sarwar stated that negotiations had concluded in May 2026 and that the agreement was awaiting signature, followed by the domestic procedures required for entry into force. The GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

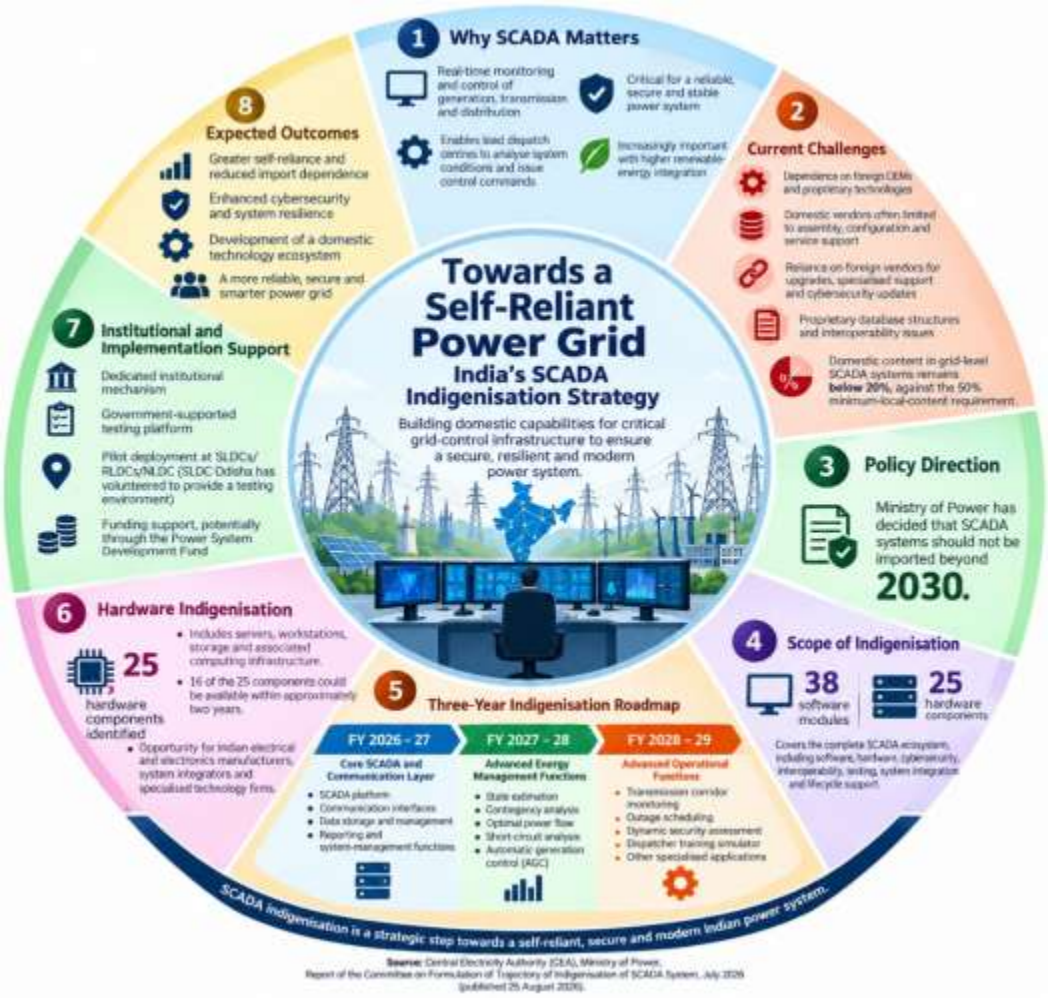
The proposed agreement is expected to strengthen trade in goods and services, improve market access and support investment. According to UK government estimates, it could increase bilateral trade by 19.8% in the long run, equivalent to an additional US$20.96 billion annually. It is also expected to remove tariffs faced by UK exporters worth approximately US$784 million annually, based on current trade, including US$486 million from the first day of implementation.

POLICY AND REGULATORY NEWS

India's SCADA Indigenisation Strategy – A Move Towards a Self-Reliant Power Grid

India is preparing to indigenise critical Supervisory Control and Data Acquisition (SCADA) systems used for real-time monitoring and control of its electricity grid. The Central Electricity Authority (CEA), following the Ministry of Power's direction that SCADA systems should not be imported beyond 2030, has developed a phased roadmap for FY2026–27 to FY2028–29. The roadmap covers **38 software modules and 25 hardware components**, with the objective of reducing dependence on foreign technology and building domestic capabilities in grid-control infrastructure.

SCADA systems are essential for monitoring substations, managing electricity flows and enabling load dispatch centres to respond to changing grid conditions. However, dependence on foreign technology providers can create challenges relating to proprietary systems, software upgrades, cybersecurity updates, interoperability and lifecycle support. The report notes that domestic content in grid-level SCADA systems remains below the applicable 50% minimum-local-content requirement, with some estimates placing it below 20%. The proposed initiative therefore seeks to move beyond local assembly towards domestic technological ownership and development capability.



Three-Year Indigenisation Roadmap

The programme follows a phased approach. **FY2026–27** will focus on core SCADA platforms, communication interfaces, data storage, reporting and system-management functions. **FY2027–28** will address advanced Energy Management System applications, including state estimation, contingency analysis, optimal power flow and automatic generation control. **FY2028–29** will cover specialised operational functions, such as transmission corridor monitoring, outage scheduling, dynamic security assessment and dispatcher training simulators. The Committee estimates that 36 of the 38 software modules can be developed or made available within approximately 36 months, while 16 of the 25 identified hardware components could be available within around two years.

Institutional Support and Industry Opportunities

The CEA Committee has recommended a dedicated institutional mechanism, a government-supported testing platform, pilot deployments at State, Regional and National Load Despatch Centres, and financial support potentially through the Power System Development Fund. It has proposed both a nomination model involving an experienced government organisation and a consortium-based approach bringing together public-sector entities, domestic technology firms and specialised institutions. SLDC Odisha has volunteered to provide a testing environment.

The roadmap could create opportunities for Indian electrical and electronics manufacturers, software developers, cybersecurity companies, communication technology providers, system integrators and testing laboratories. Its success will depend on reliable performance, interoperability, cybersecurity validation, sustained research and development funding, specialised technical skills and procurement arrangements that enable indigenous systems to progress from pilot projects to commercial deployment.

Overall, SCADA indigenisation represents a strategic opportunity to strengthen India's technological self-reliance, cybersecurity and grid modernisation. Timely implementation of the roadmap, supported by effective coordination among the government, utilities, research institutions and industry, will be essential to develop a sustainable domestic ecosystem for critical power-system technologies.

NITI Aayog Report – Key Sectors to Position India as a Global Manufacturing Hub

NITI Aayog's study, Key Sectors to Position India as a Global Manufacturing Hub, presents a strategic framework for strengthening India's manufacturing capabilities and supporting its ambition of becoming a global manufacturing hub by 2047. The study assesses 62 manufacturing sectors and identifies 12 priority sectors with high relative attractiveness: automobiles, chemicals, capital goods, electronics, pharmaceuticals, defence and drones, food processing, textiles, steel, leather and footwear, telecom equipment, and solar photovoltaic (PV) manufacturing. Volume I provides detailed assessments of four sectors—chemicals, textiles, telecom and network equipment, and solar PV manufacturing.

Manufacturing accounted for approximately 17.5% of India's gross value added (GVA) and supported around 1.85 crore jobs in FY2022. India's share of global manufacturing value added increased from about 1.5% in 1995 to 3.2% in 2023, indicating progress but also substantial scope to expand its global manufacturing presence. The study highlights

manufacturing's potential to generate employment, raise productivity, strengthen domestic value addition and deepen India's integration into global value chains.

Sectoral Priorities

The four sectors examined in detail represent different dimensions of India's manufacturing opportunity:

- Chemicals: Improve feedstock availability, reduce dependence on imported high-value inputs, strengthen downstream production and develop integrated chemical clusters.
- Textiles: Modernise manufacturing and processing, improve cotton productivity, expand the man-made fibre ecosystem, upgrade skills and strengthen MSME competitiveness.
- Telecom and network equipment: Deepen localisation of components and critical technologies, strengthen research and development, build skilled manpower and promote export-oriented manufacturing.
- Solar PV manufacturing: Develop upstream capabilities in polysilicon and wafers, expand R&D and testing infrastructure, establish integrated manufacturing clusters and diversify export markets.

Structural Constraints and Global Lessons

The study identifies high logistics costs, infrastructure and power-reliability gaps, limited access to technology and finance among MSMEs, fragmented supply chains and insufficient

value addition as major constraints. MSMEs account for more than 95% of manufacturing units, but technology gaps, compliance costs and limited access to capital can restrict their ability to scale and participate in global production networks.

International experience from China, Vietnam, South Korea and other manufacturing economies demonstrates the importance of industrial clusters, infrastructure, investment, technology acquisition, workforce skills, policy continuity and access to international markets. The report emphasises that manufacturing transformation depends on a coordinated package of interventions rather than isolated incentives.

Policy Priorities and Way Forward

The study points to five broad priorities for India's manufacturing strategy:

- Deepen domestic value addition by strengthening production of critical inputs, components and higher-value products rather than relying primarily on assembly.
- Develop integrated manufacturing ecosystems through industrial clusters, reliable power, transport connectivity, logistics facilities and common testing infrastructure.
- Strengthen technology and skills through R&D, technology partnerships, automation, digitalisation and industry–academia collaboration.
- Integrate export development into industrial policy by improving market access, diversifying export destinations and helping firms meet international standards.
- Improve coordination between the Centre and States on land, infrastructure, approvals, workforce development and investment promotion.

The report also stresses that production incentives should help build sustainable industrial capabilities rather than become an end in themselves. Policy support should evolve from initial capacity creation towards supplier development, technology upgrading, productivity improvements and globally competitive production.

Conclusion

NITI Aayog's study provides a structured framework for strengthening India's manufacturing competitiveness by 2047. Its central message is that increasing production capacity must be accompanied by deeper domestic value addition, stronger supply chains, technological upgrading, skilled manpower and export-market development. Effective implementation will require coordinated action by Union ministries, State Governments, industry associations, manufacturers, financial institutions and research institutions. A sustained focus on these priorities could support higher investment, employment generation, export growth and deeper participation in global value chains.

VeK is a policy advisory and research firm that works towards turning data into clear insights on policy and regulatory developments in India and worldwide.

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