

October dialogue 5 Oct 26

Changing global political economy

Nanasaheb Patil M A Economics IAS

References

- Wall Street Journal
- New York Times
- Financial Times London
- Bloomberg News
- EPW Mumbai
- Project Syndicate
- I am grateful to various authors and their articles . All mistakes if any are mine .

Hurt
Someone
With truth.

But never
Make them
Happy
With a lie.



How nations develop

- Economic growth is the recent story of the last 150 years in human civilization.
- Only visionary leaders can promote growth : Lee Quan YEW ,Park and Deng.
- Educated and healthy workers are required to promote growth
- Economic growth is promoted by labour and capital but must be supported by R & D and technology .
- Not socialist nations but Only guided regimes have succeeded in the recent past 150 years : Japan, South Korea , Singapore Vietnam and China

How nations develop 2

- Urban centers are the engines of growth
- Urban centers move people upwards by promoting education, innovation and research .
- Roads and port carry the goods and export abroad .
- EXPORT platform is essential in the beginning ; no country develops on the domestic market .
- Huge support from govt is required : low interest , state support , development banks + selective business houses must be promoted

HINRICH-IMD

Sustainable Trade Index 2025

From benchmarking to strategic trade-offs

The Hinrich-IMD Sustainable Trade Index (STI) measures the ability of 30 economies to balance global trade with long-term economic, societal, and environmental priorities.

Rank	STI 2023	STI 2024	STI 2025	2025 STI Score	Rank
1	New Zealand	New Zealand	UK	100.0	1
2	UK	UK	New Zealand	97.0	2
3	Singapore	Australia	Australia	93.3	3
4	Hong Kong	Singapore	Singapore	90.0	4
5	Australia	Hong Kong	South Korea	87.2	5
6	South Korea	Japan	Hong Kong	83.8	6
7	Canada	South Korea	Japan	83.5	7
8	Japan	Canada	Canada	80.5	8
9	U.S.	U.S.	U.S.	79.5	9
10	Taiwan	Taiwan	Taiwan	77.9	10
11	Chile	Chile	Chile	67.7	11
12	Philippines	Thailand	Malaysia	64.3	12
13	Vietnam	Philippines	Philippines	61.7	13
14	Malaysia	Vietnam	Vietnam	58.4	14
15	Mexico	Malaysia	Thailand	58.2	15
16	China	China	China	57.5	16
17	Thailand	Mexico	Indonesia	56.3	17
18	Cambodia	Indonesia	Mexico	52.9	18
19	Indonesia	Cambodia	Cambodia	50.8	19
20	Ecuador	Peru	Sri Lanka	41.1	20
21	Peru	Ecuador	Peru	39.7	21
22	Laos	Laos	Ecuador	34.8	22
23	Bangladesh	India	India	33.2	23
24	India	Brunei	Brunei	31.7	24
25	Sri Lanka	Bangladesh	Laos	29.6	25
26	Brunei	Sri Lanka	Bangladesh	23.9	26
27	Pakistan	Myanmar	Pakistan	12.5	27
28	Papua N.G.	Pakistan	Papua N.G.	8.5	28
29	Myanmar	Papua N.G.	Russia	1.6	29
30	Russia	Russia	Myanmar	0.0	30

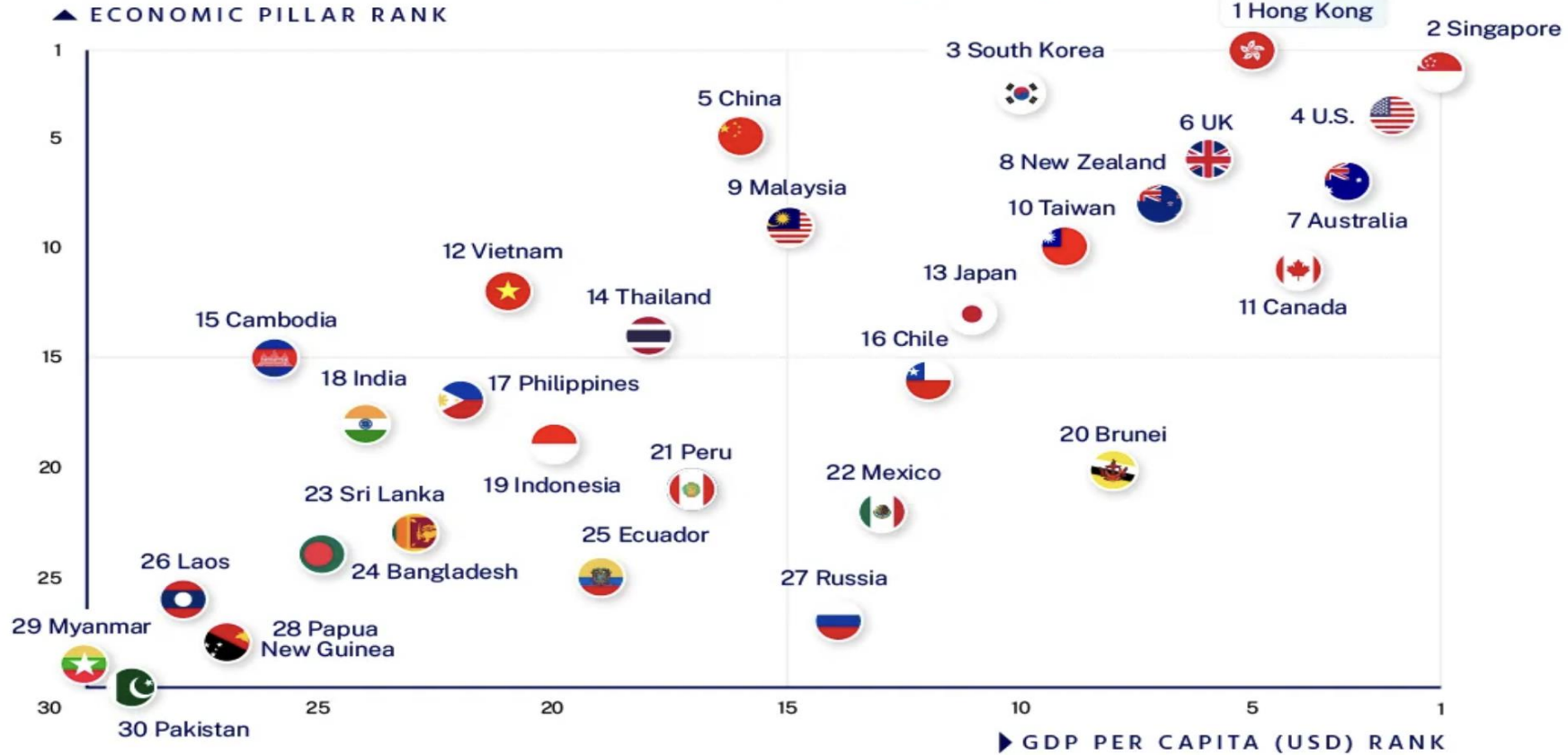
The rankings are determined by each economy's performance across **three core pillars of sustainability**, which are supported by 72 indicators.



Economic Pillar

THE ECONOMIC PILLAR measures an economy's ability to ensure and promote economic growth through international trade, including factors like openness to trade and government debt-to-GDP.

Despite its strengths, the U.S. saw its ranking weighed down by trade barriers and heavy debt obligations.

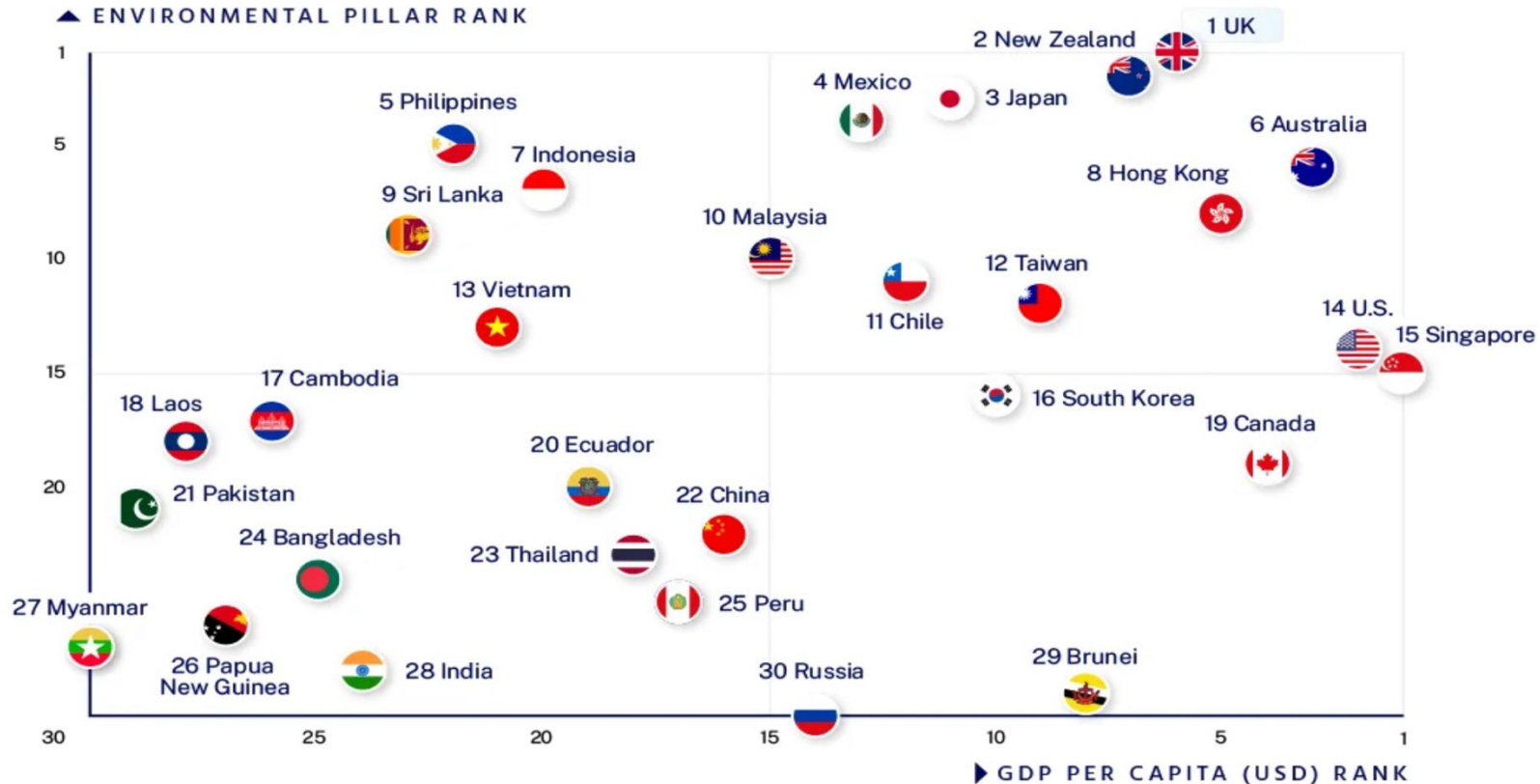




Environmental Pillar

THE ENVIRONMENTAL PILLAR measures an economy's commitment to mitigating its environmental impact and managing its natural resources, including factors like ecological footprint and CO₂ emissions per capita.

The correlation between the environmental pillar and GDP per capita rankings is weaker than the economic and societal pillar rankings.

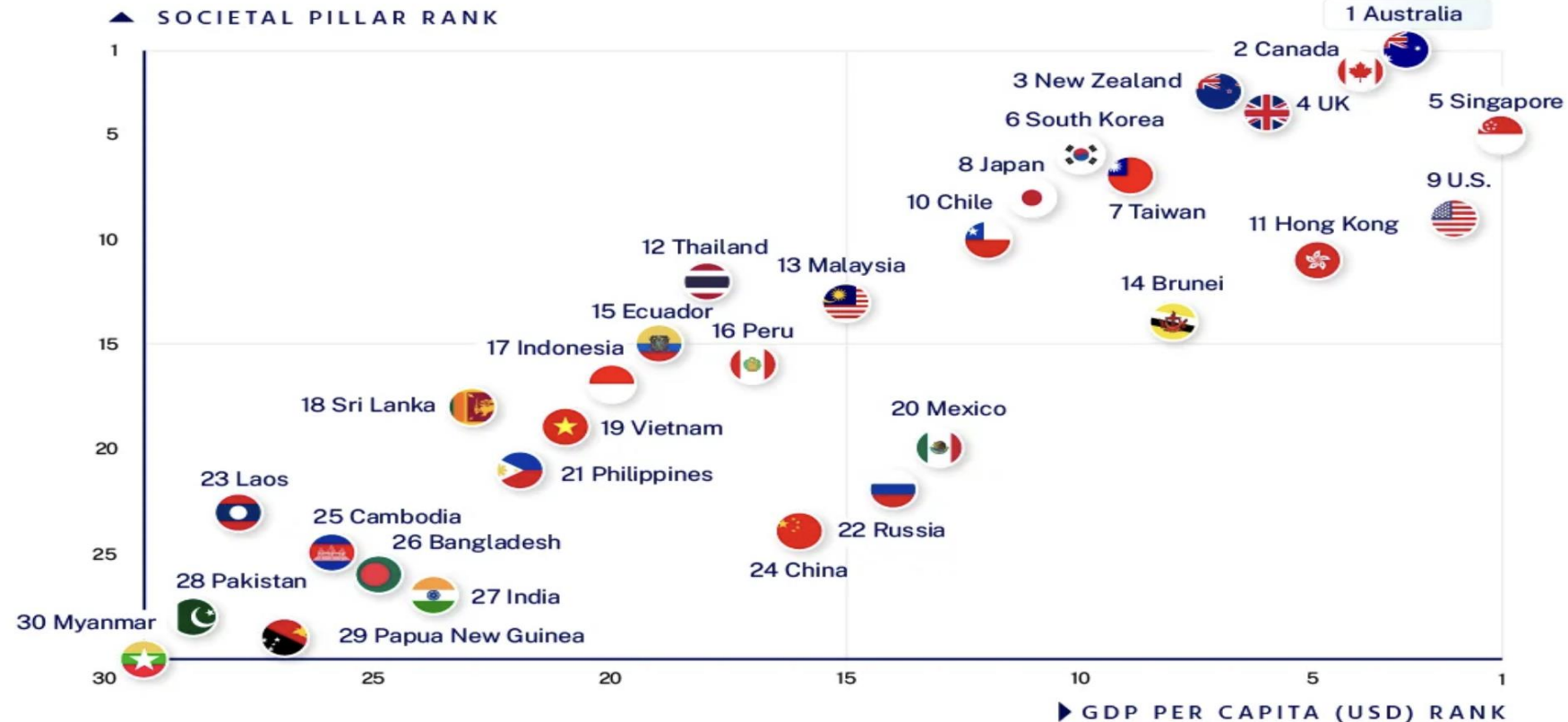




Societal Pillar

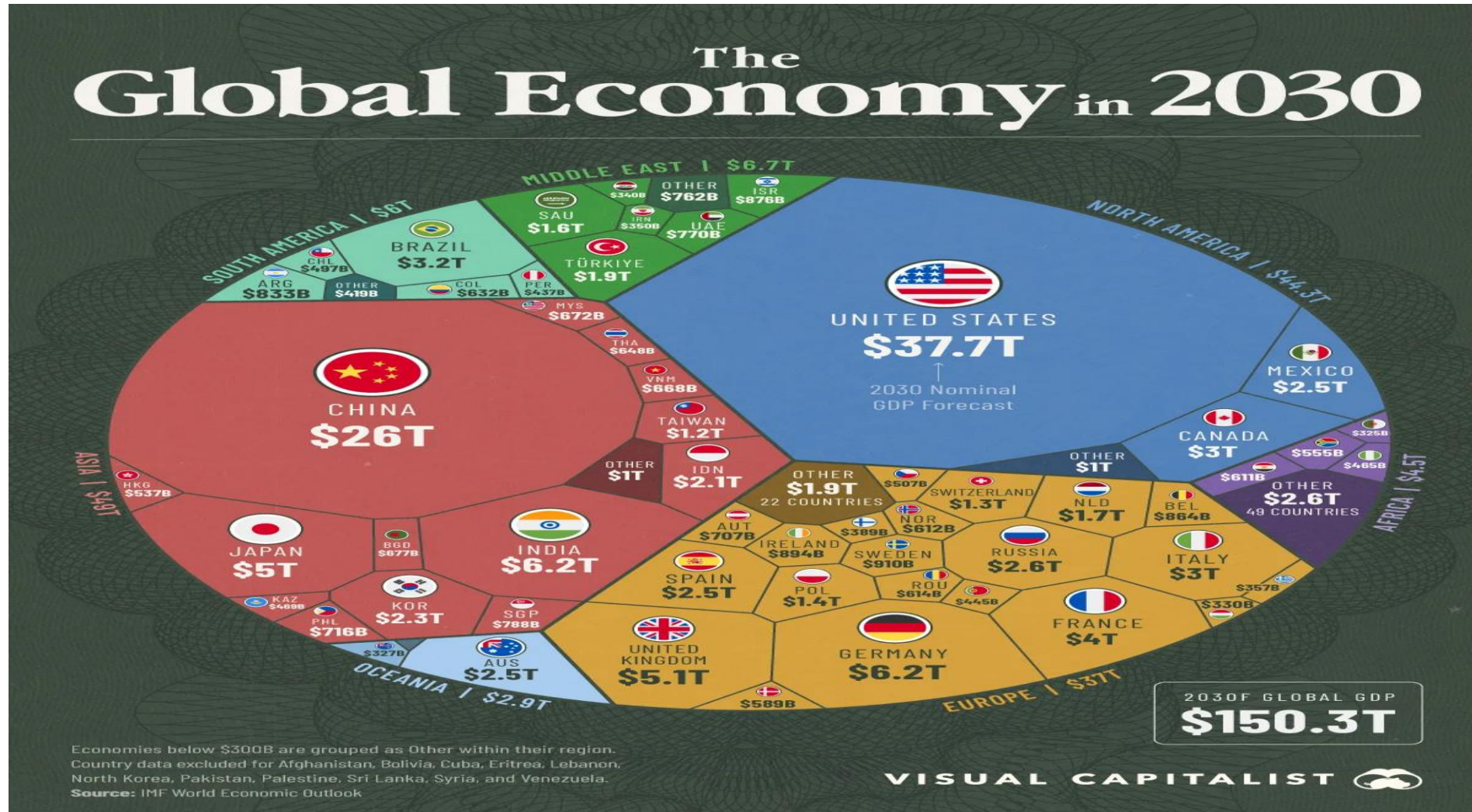
THE SOCIETAL PILLAR measures the development of human capital within an economy, including factors like uneven economic development and life expectancy.

Wealthier countries—including Australia, Canada, New Zealand, the UK, and Singapore—tend to have better developed social infrastructure.



Global economy

Global economy Current prices



THE WORLD'S **Top 50 Economies** BY GDP IN 2026

- North America
- Asia & Oceania
- Europe
- South America
- Middle East
- Africa

PROJECTED
GLOBAL GDP
\$123.6T



Figures rounded
Source: IMF, World Economic
Outlook October 2025



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Where Data Tells the Story



Global Income Levels

BY COUNTRY

GROSS NATIONAL INCOME
PER CAPITA (USD)

Low Income

<\$1,135

Lower-middle income

\$1,136-\$4,495

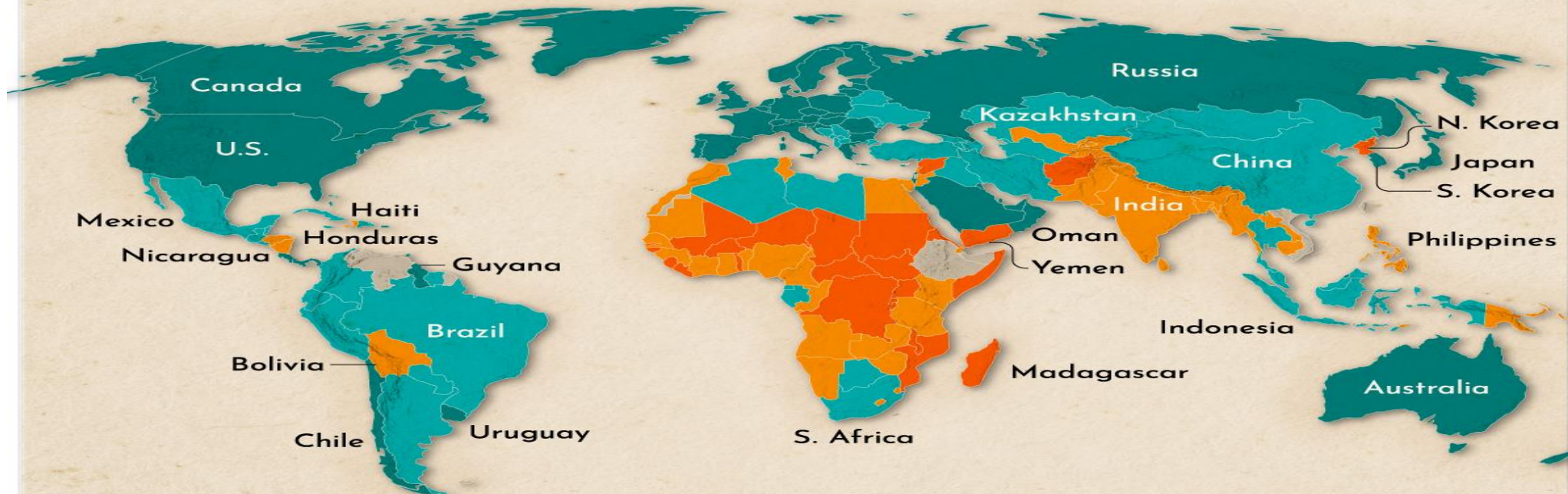
Upper-middle income

\$4,496-\$13,935

High income

>\$13,936

Not
Classified



Source: The World Bank Group

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Where Data Tells the Story



2025 Real GDP Growth Forecast



Source: IMF World Economic Outlook Oct 2025



\$124 Trillion

THE WORLD ECONOMY IN 2026



BY COUNTRY

FAMILIARITY
How well a nation is known

INFLUENCE
How much a nation is perceived to influence other nations



TOP 10 COUNTRIES BY SOFT POWER INDEX



Source: Brand Finance, Global Soft Power Index 2026

GDP (PPP)

\$206.9T

Global Total

Population

8.2B

Military Spending

\$2.7T

The G7's Global Footprint

in 2025

G7 Total

\$58.8T

28.4%

U.S. 14.7%

Japan 3.3%

Germany 3.0%

France 2.2%

UK 2.2%

Italy 1.8%

Canada 1.3%

783.4M

9.6%

U.S. 4.2%

Japan 1.5%

\$1.3T

49.3%

U.S. 36.2%

Japan 2.2%

Germany 3.2%

France 2.4%

UK 2.9%

Italy 1.4%

Canada 1.1%



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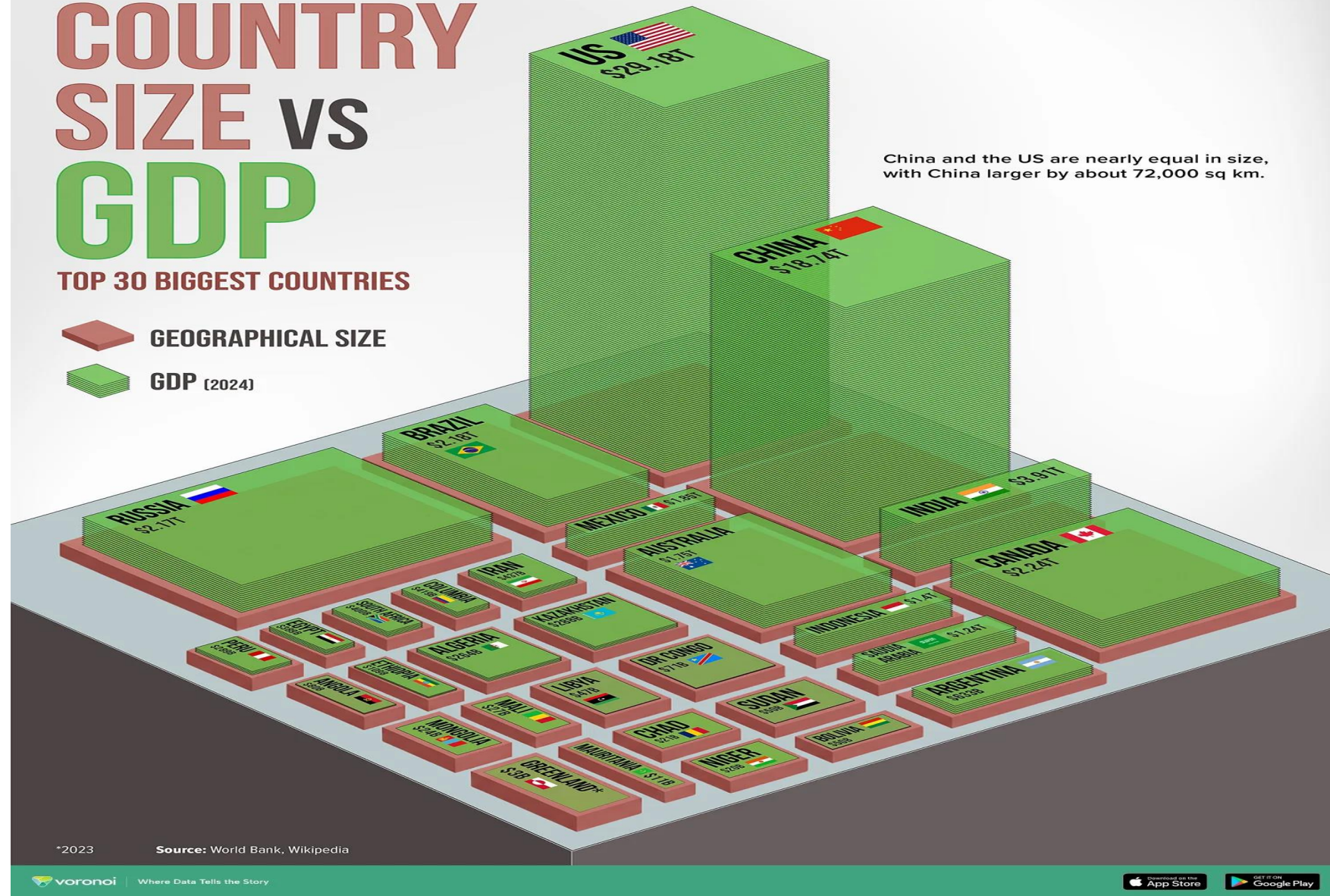
Where Data Tells the Story

GDP & Population figures are 2025 projections. Military Spending as of 2024.
Source: Our World in Data, UN, IMF



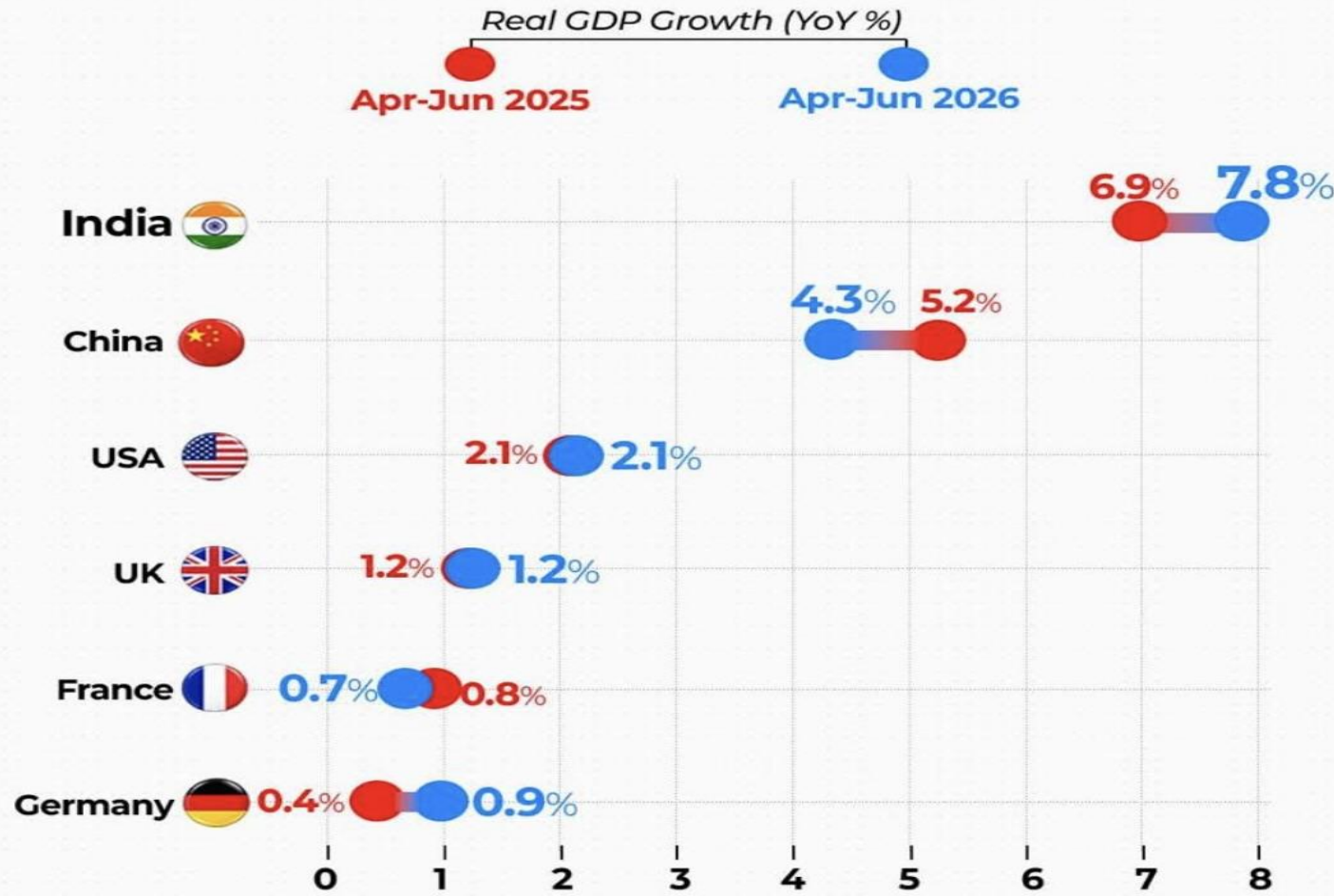
TOP 30 BIGGEST COUNTRIES

China and the US are nearly equal in size, with China larger by about 72,000 sq km.



GLOBAL GROWTH: INDIA LEADS MAJOR ECONOMIES

India's Q1 growth outpaces China and other major economies



Source: MoSPI/PIB, China NBS, BEA, ONS, Eurostat

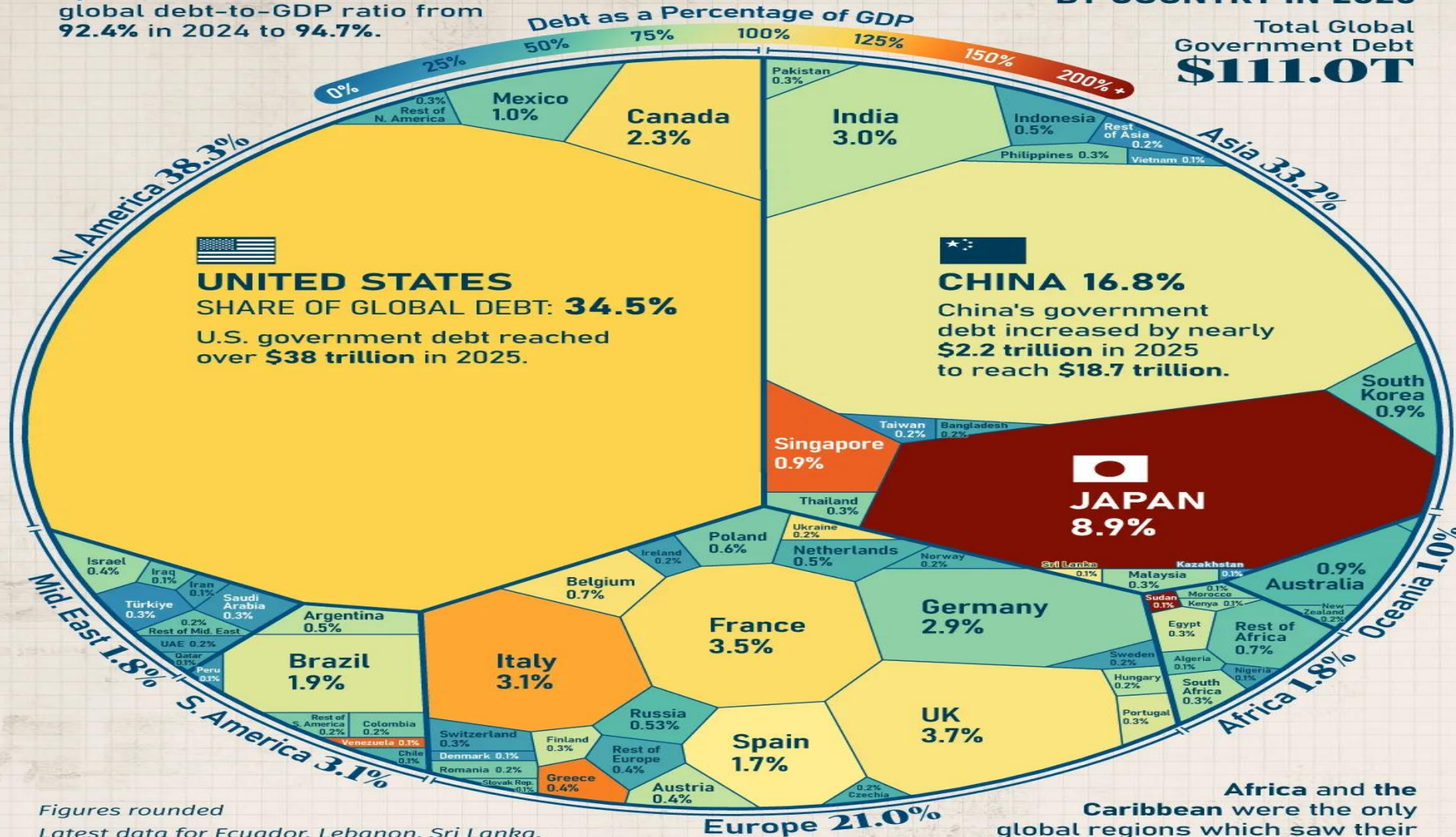
Graphic: Ankita Tiwari & Manjeet Shah

A World of Debt

Global government debt grew by **\$8.3 trillion** in 2025, and the global debt-to-GDP ratio from **92.4%** in 2024 to **94.7%**.

SHARE OF GLOBAL DEBT BY COUNTRY IN 2025

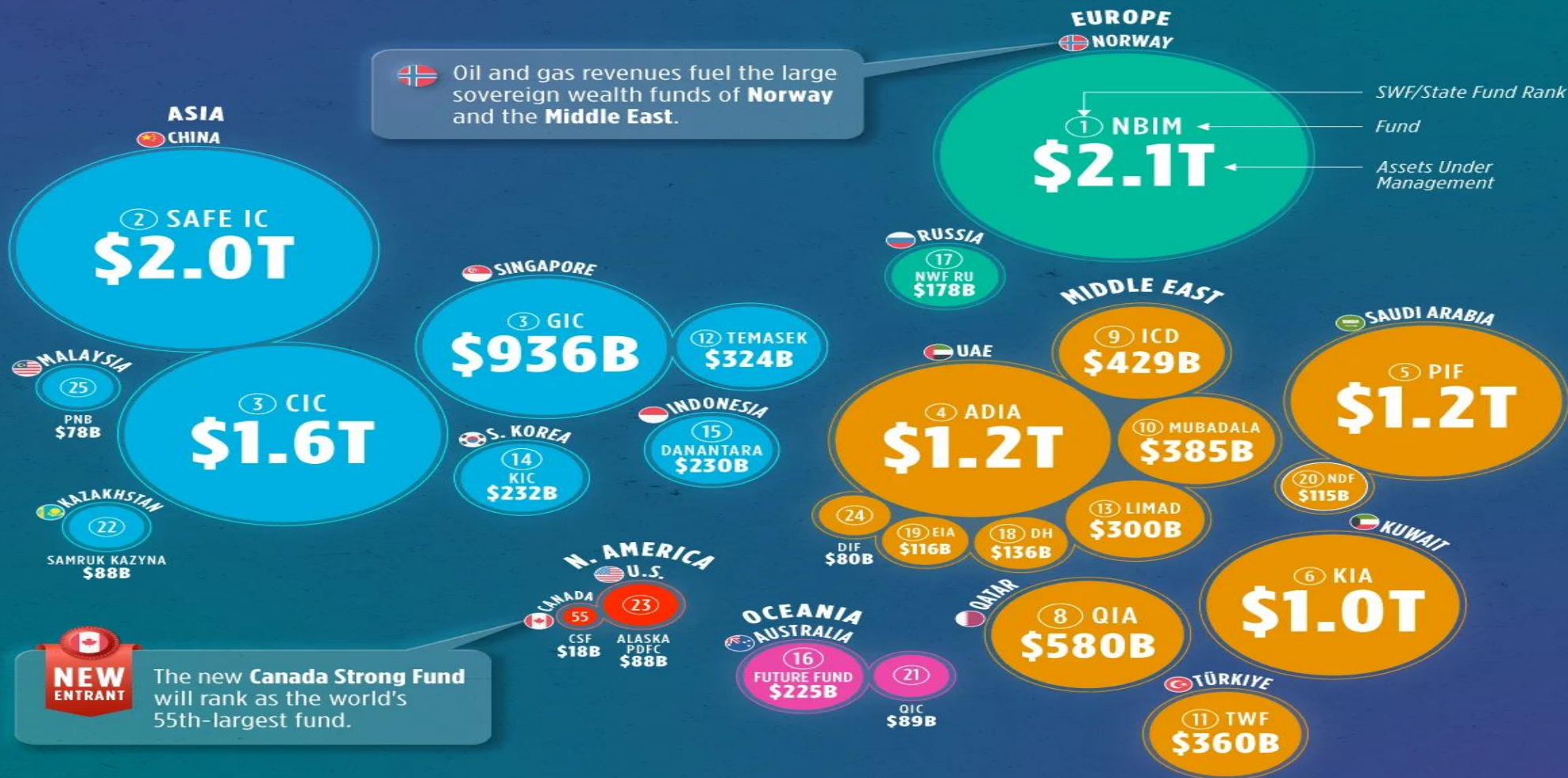
Total Global Government Debt
\$111.0T



Figures rounded
Latest data for Ecuador, Lebanon, Sri Lanka, Venezuela, West Bank and Gaza, and Zambia as of 2024.

Africa and the Caribbean were the only global regions which saw their debt to GDP decrease since 2024.

THE LARGEST SOVEREIGN WEALTH FUNDS



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Where Data Tells the Story



Latest data available as of April 2026.
Sources: Global SWF, Government of Canada



COUNTRIES THAT GREW THEIR WEALTH THE MOST SINCE 2020



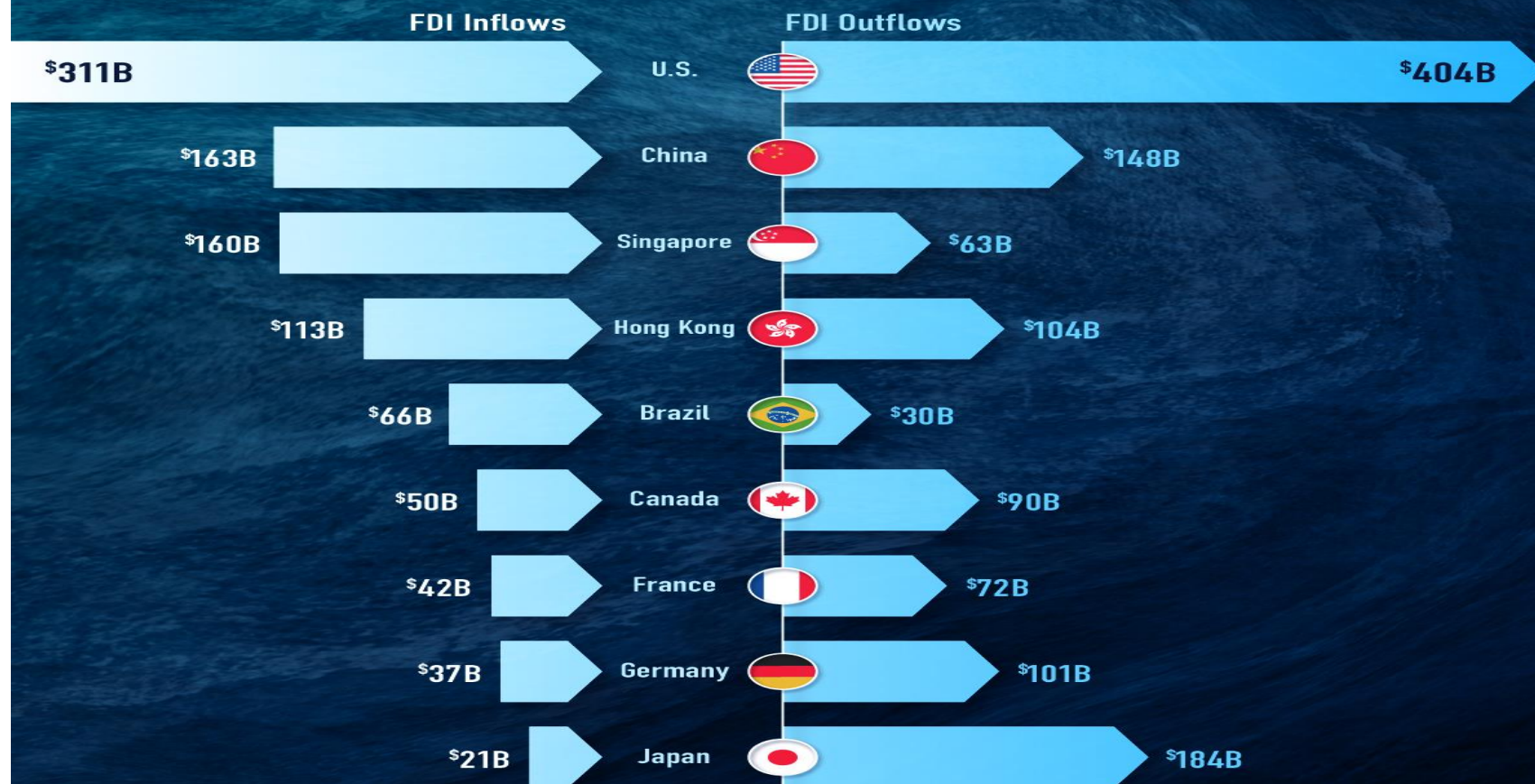
GDP per Capita (2020-2025)			% Increase ▲		
1	Liechtenstein	\$67.7K		Guyana	351%
2	Ireland	\$42.9K	Liechtenstein's currency is the Swiss Franc (up 20% against the USD since 2020), strengthening its GDP per capita gains in USD terms.	Georgia	135%
3	Macao	\$37.8K		Kyrgyz Republic	120%
4	Iceland	\$35.9K		Armenia	110%
5	Singapore	\$33.1K		Türkiye	108%
6	Luxembourg	\$29.2K		Albania	106%
7	U.S.	\$25.1K		Venezuela	103%
8	Switzerland	\$24.9K		Macao	102%
9	Guyana	\$24.4K		Bulgaria	100%
10	Norway	\$23.6K		Haiti	99%
11	Qatar	\$20.5K		Montenegro	99%
12	Netherlands	\$19.6K		Burundi	98%
13	San Marino	\$19.6K		Tajikistan	92%
14	Malta	\$17.4K		Maldives	91%
15	Aruba	\$17.1K		Serbia	89%

Macao's post-pandemic reopening in 2023 led to a tourism surge, as visitor arrivals rose 24% YoY in 2024 and gaming exports 22%.

Source: IMF World Economic Outlook Oct 2025



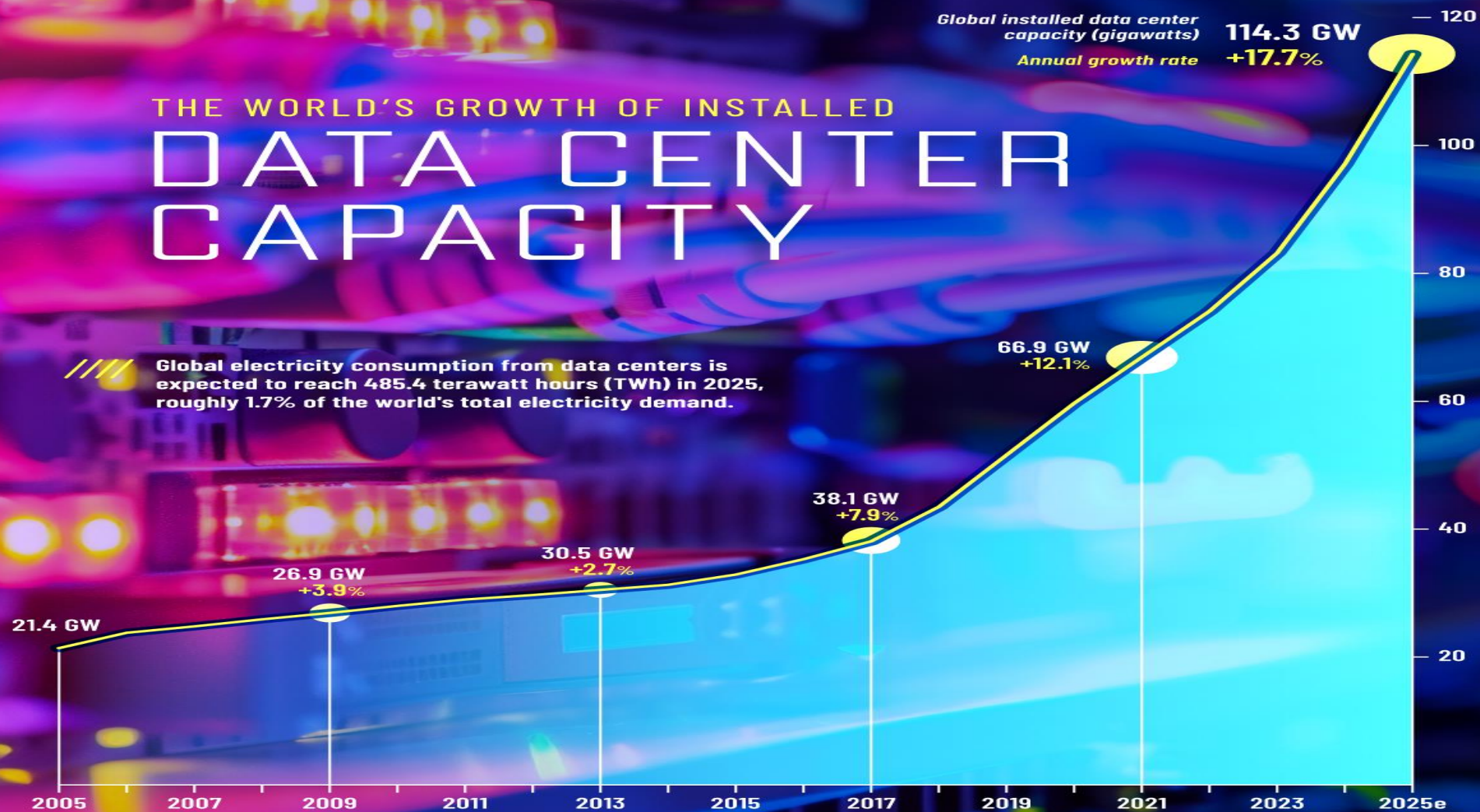
FOREIGN DIRECT INVESTMENT *Inflows & Outflows*



Source: Citigroup - Data as of 2023

THE WORLD'S GROWTH OF INSTALLED DATA CENTER CAPACITY

Global electricity consumption from data centers is expected to reach 485.4 terawatt hours (TWh) in 2025, roughly 1.7% of the world's total electricity demand.



Source: IEA

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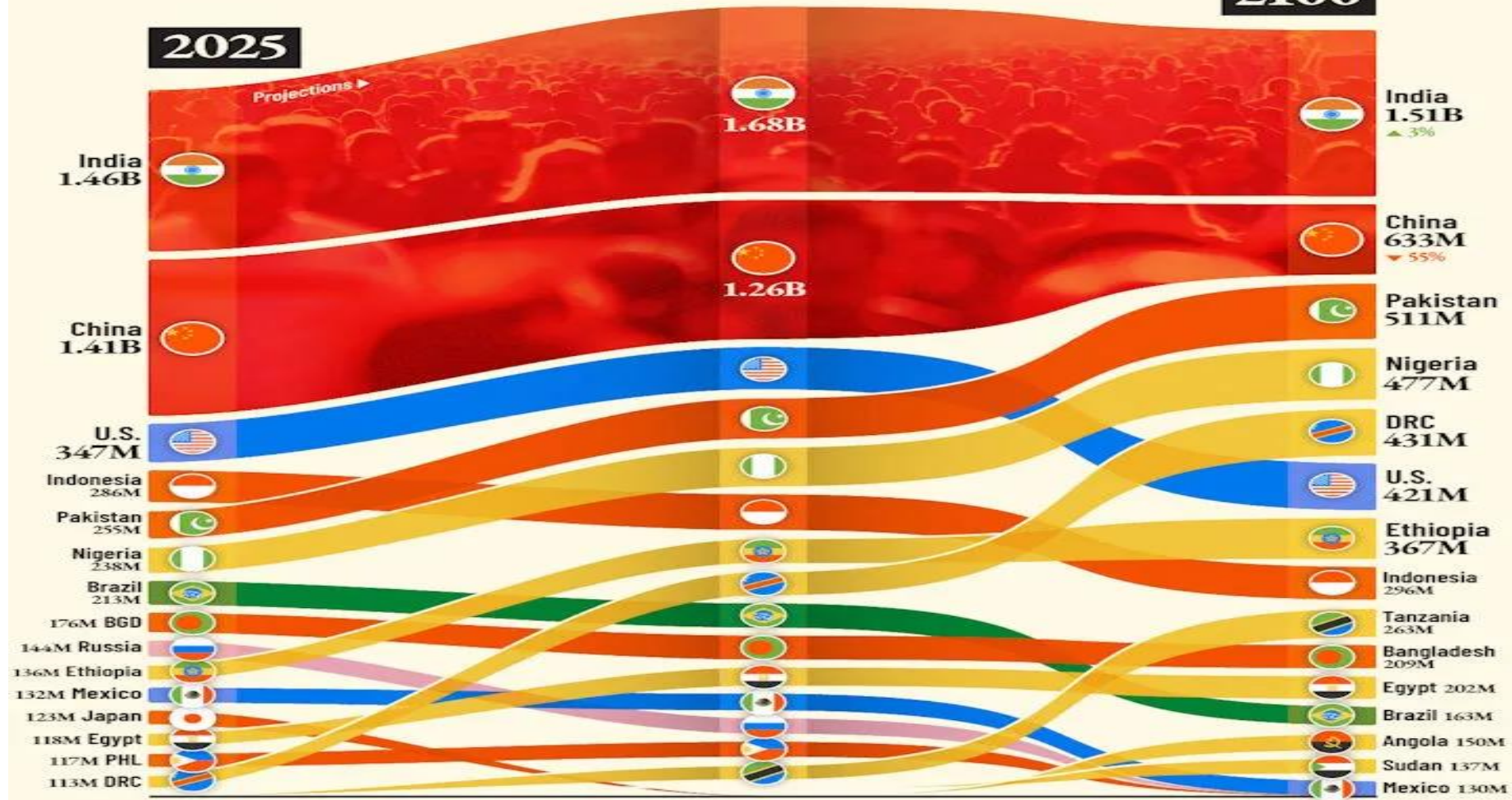
Most Populous Countries in

2050

2100

2025

Projections ▶

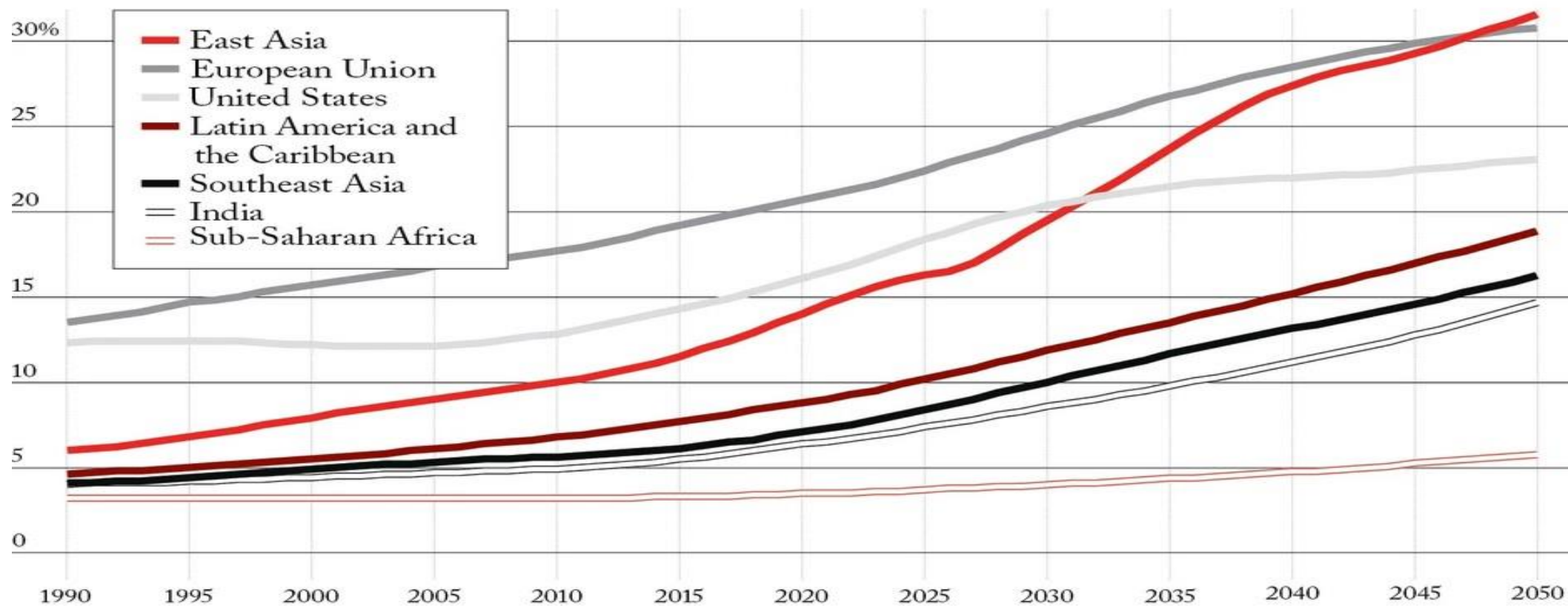


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All figures are estimates as of July 1st, and rely on current assumptions about birth, death and migration rates. Source: UN World Population Prospects

THE AGING WORLD

Percentage of population 65 and older, selected regions and countries, 1990–2050

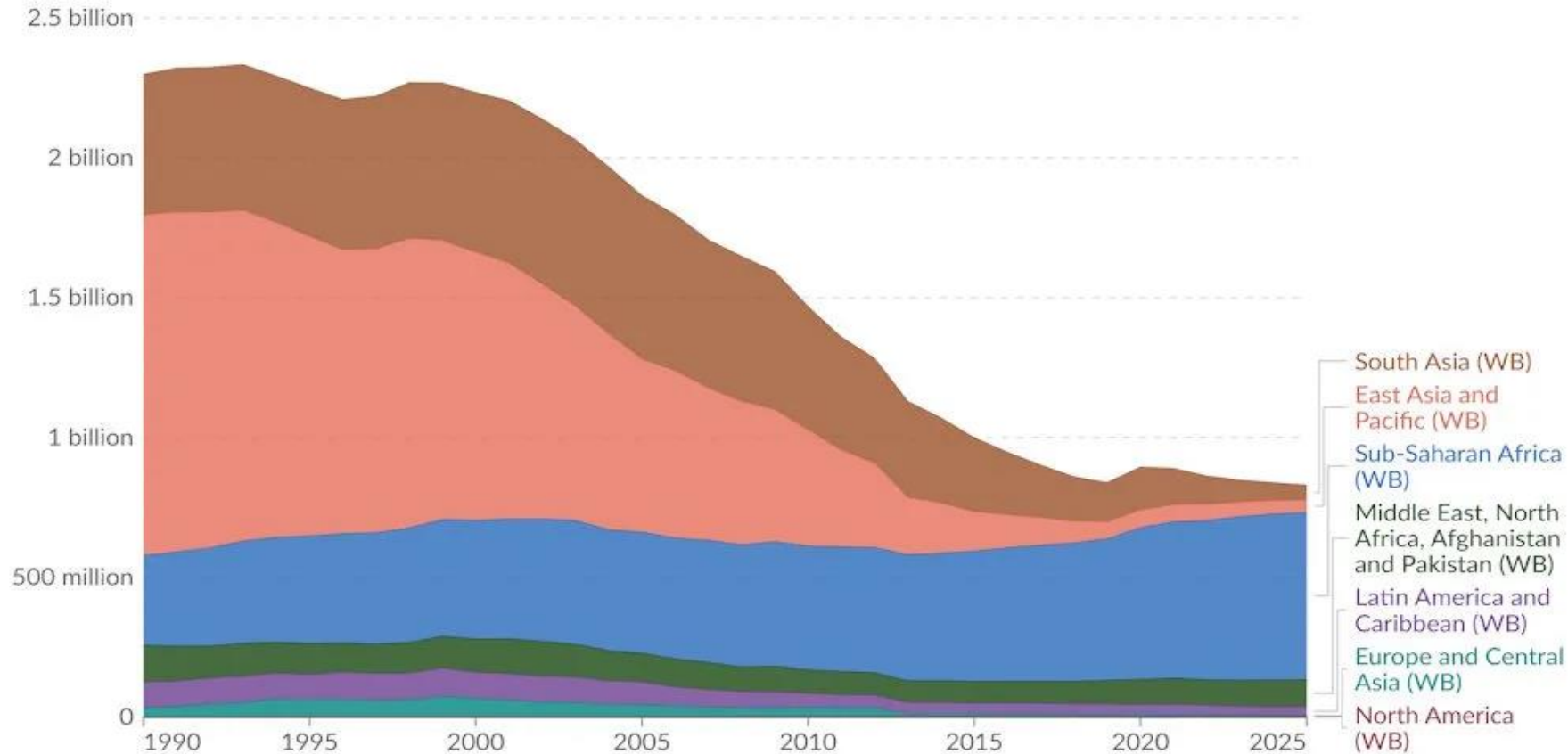


Source: United Nations, Department of Economic and Social Affairs, Population Division.

Total population living in extreme poverty by world region

Our World
in Data

Extreme poverty is defined as living below the International Poverty Line¹ of \$3 per day. This data is adjusted for inflation and differences in living costs between countries.



Data source: World Bank Poverty and Inequality Platform (2025)

OurWorldinData.org/poverty | CC BY

Note: This data is expressed in international-\$² at 2021 prices. Depending on the country and year, it relates to income (measured after taxes and benefits) or to consumption, per capita³.

TOP 10 most congested cities in the world



■ Average Travel Time/10 km
■ Time Lost Per Year
■ Average Speed

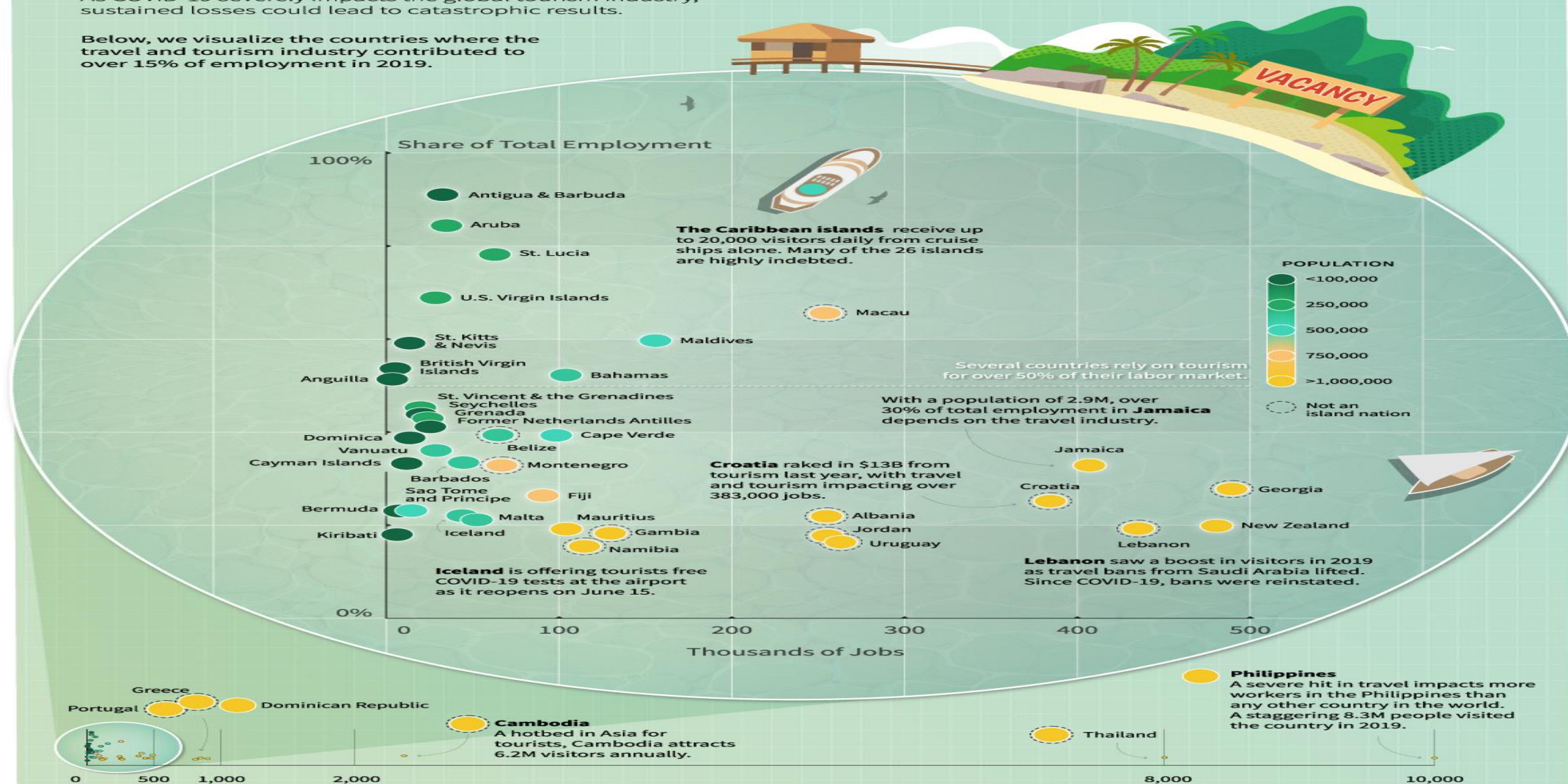
Our cities



The Countries Most Reliant on Tourism

As COVID-19 severely impacts the global tourism industry, sustained losses could lead to catastrophic results.

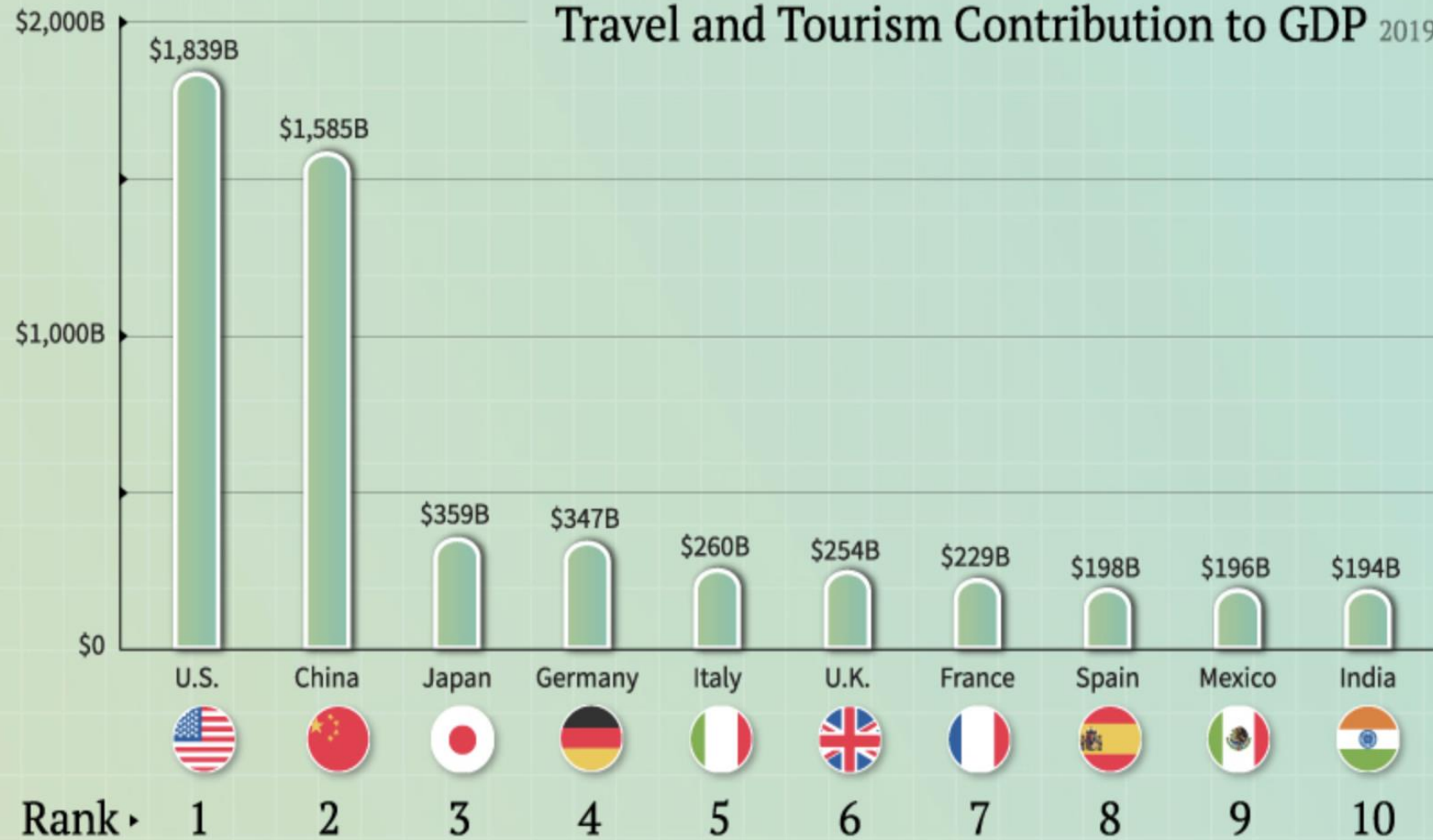
Below, we visualize the countries where the travel and tourism industry contributed to over 15% of employment in 2019.



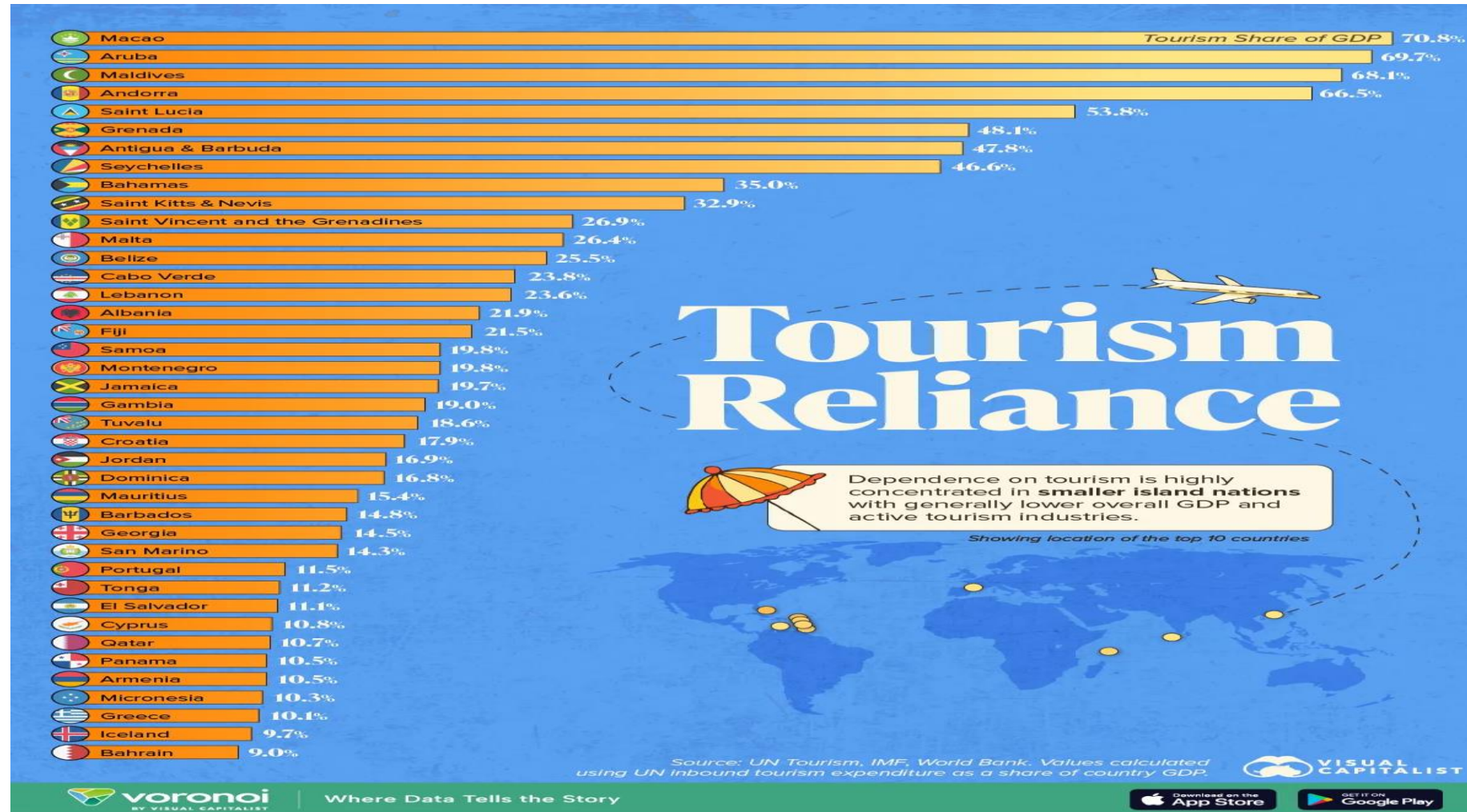
Worldwide, the tourism industry contributed \$8.9T to GDP in 2019—equal to **10.3% of total global GDP**.

However, as global travel bans and lockdown orders remain in place, the long-term implications are unclear.

Travel and Tourism Contribution to GDP 2019

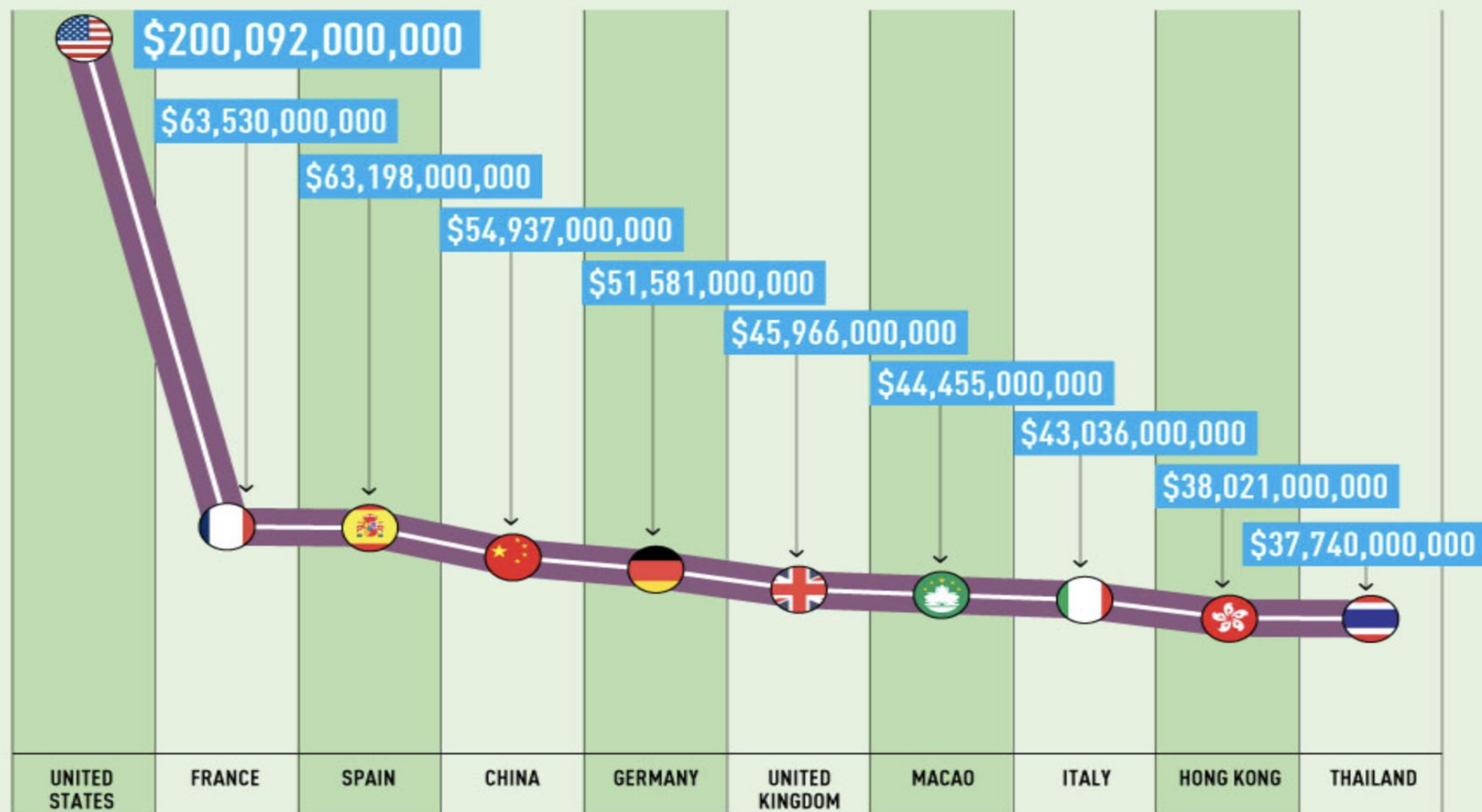


Global Tourism reliance



howmuch net

INTERNATIONAL TOURISM RECEIPTS IN U.S. DOLLARS, TOP 10⁽³⁾



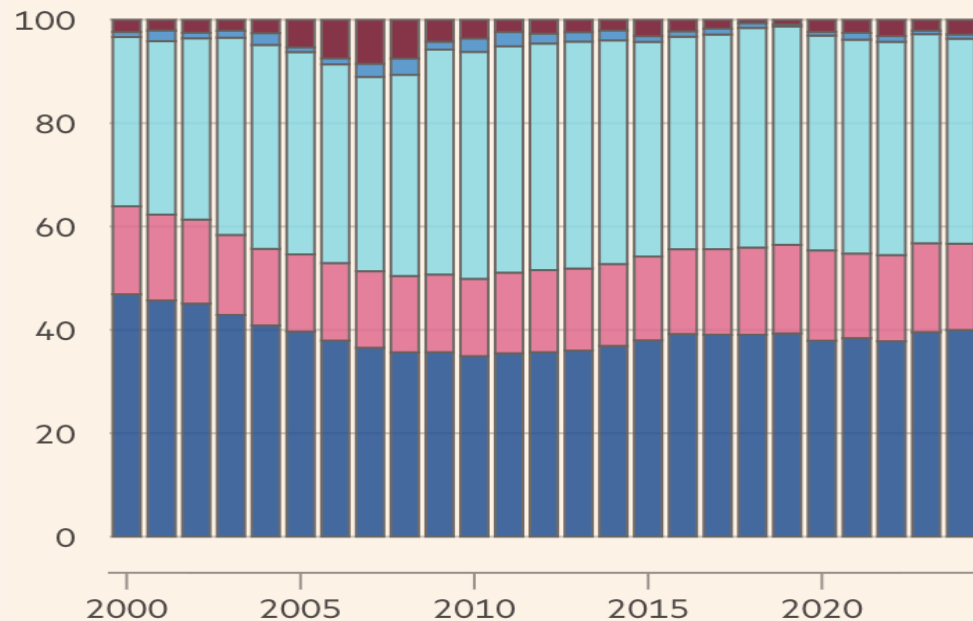
USA vs China

China is an investment power, while the US is a consumption power

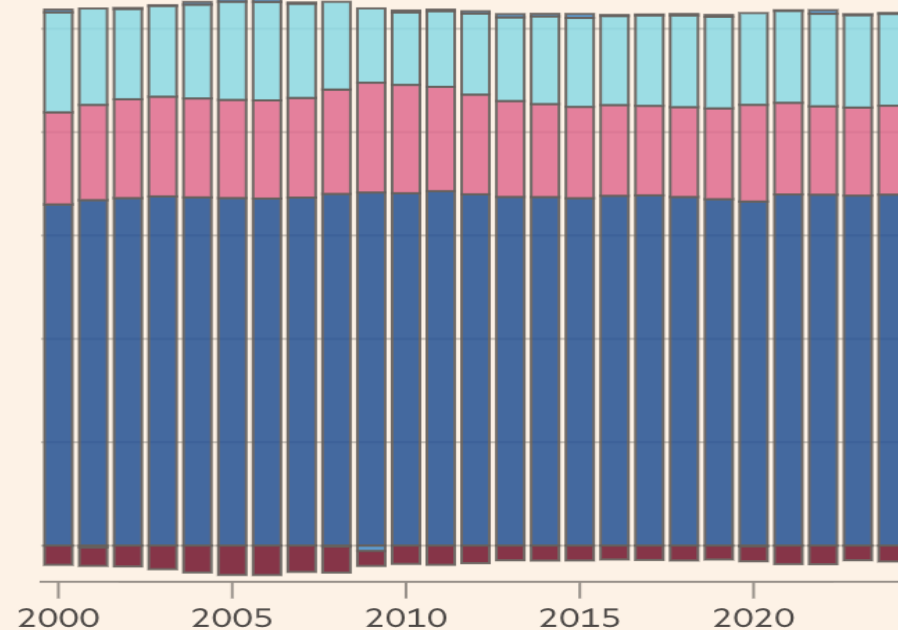
Share of GDP (%)

Household consumption Government consumption Fixed investment Stocks Net exports

China



US



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Source: FRED, National Bureau of Statistics of China

USA : NEW stand who has excess capacity and exporting

- USA unemployment is directly related to exports from countries subsidizing them .
- USA cannot continue free trade based on deindustrializing it .
- USA initiated a new approach : Excess capacity
- Reciprocal trade Tou take my exports and I take your imports
- My enemy must your enemy also : Ban on imports from Russia .
- USA will not allow another China to help to emerge ungrateful countries , becoming illiberal economies .
- Muslim extremism should be managed and nobody be allowed in USA .

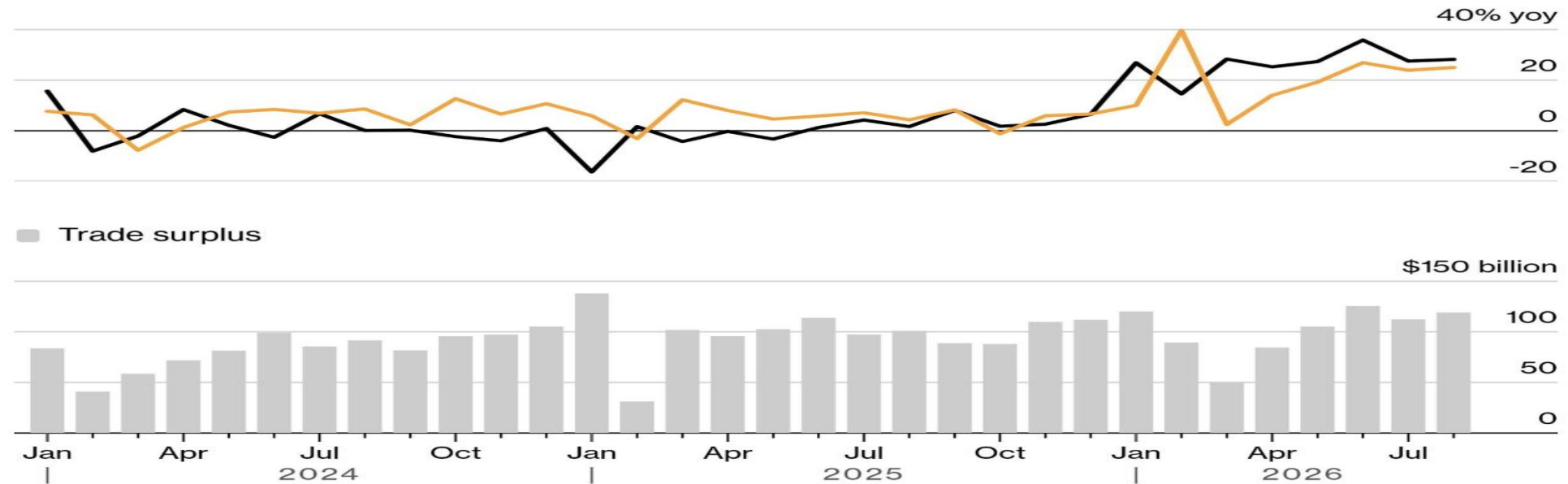
China : unstoppable force

Unstoppable Force

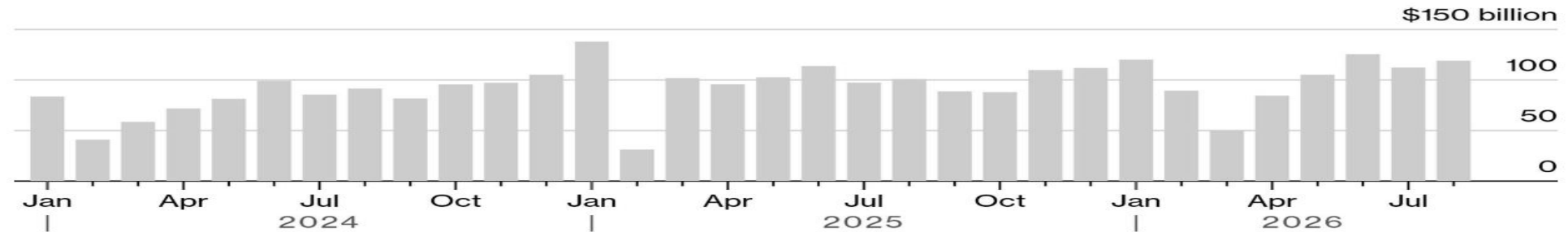
Unstoppable Force

China's exports continue to surge, aided in part by the global boom in AI

Exports Imports



Trade surplus



Source: China Customs

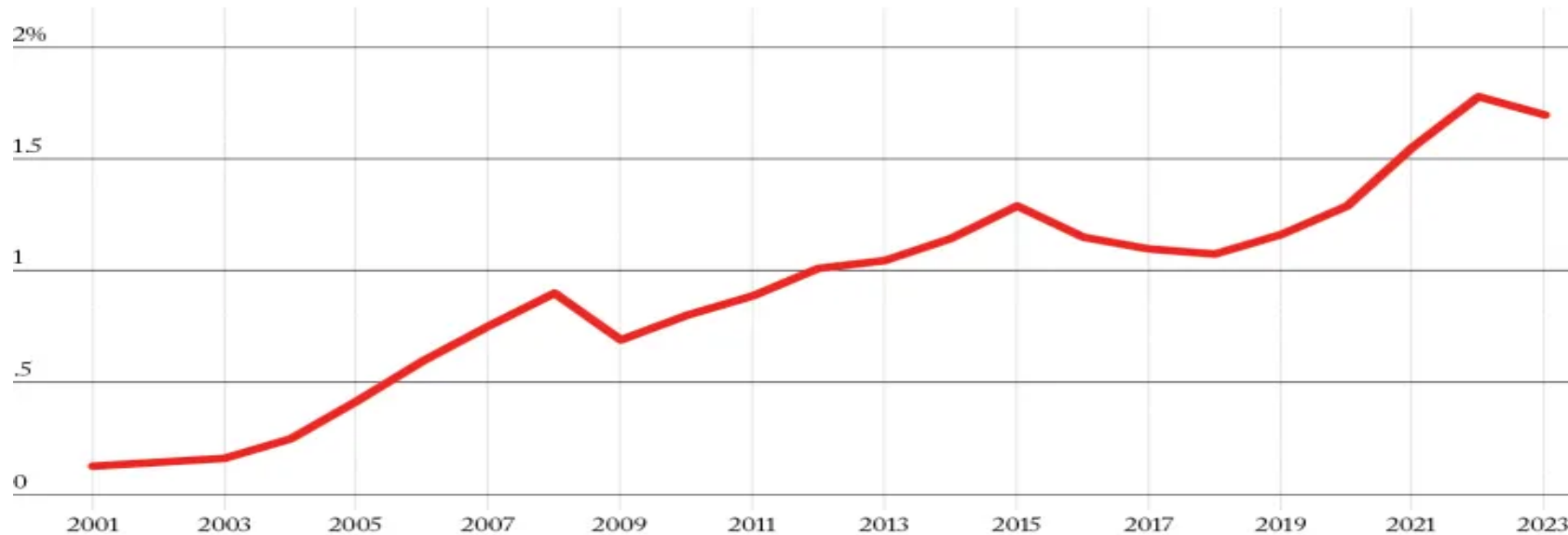
Source: China Customs

Bloomberg

China manufacturing share of Global GDP

SPARE CHANGE

China's manufacturing surplus as a share of global GDP

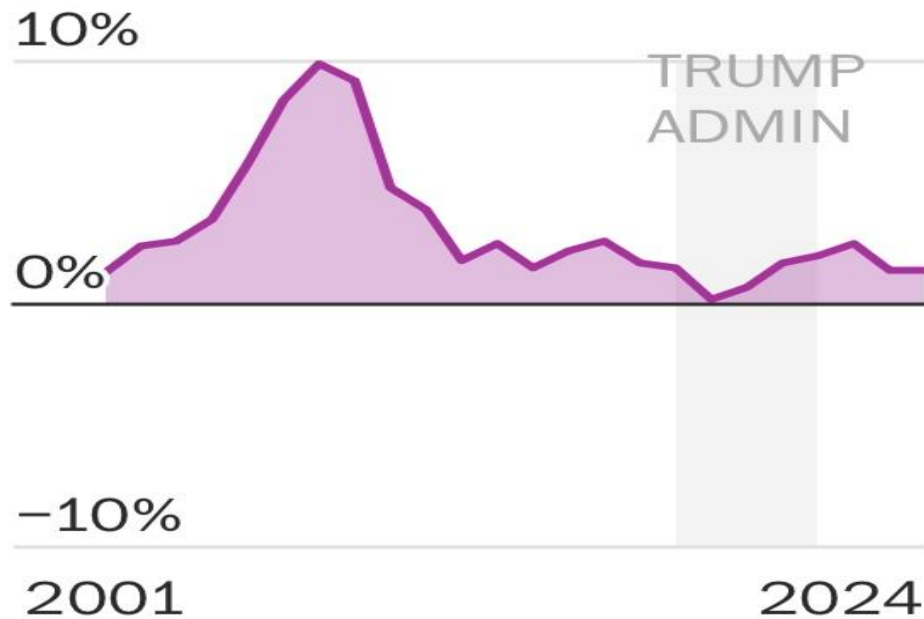


Source: UN Comtrade Database.

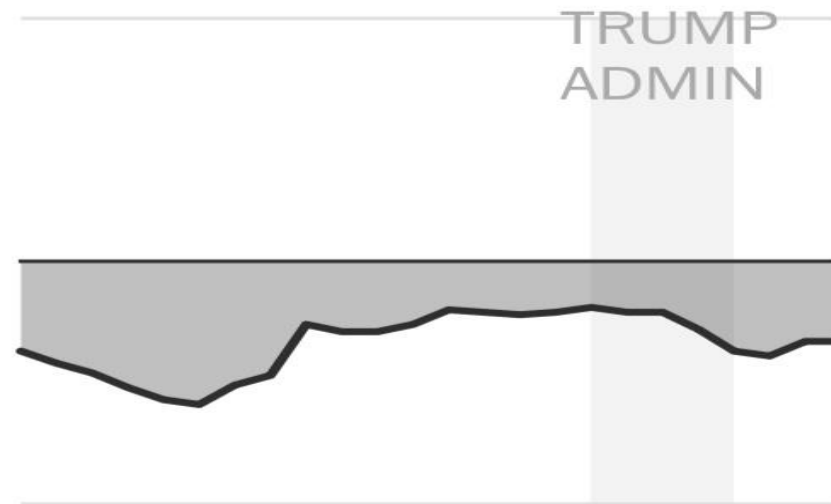
Unbalanced Trade: China runs a surplus while U.S. posts a deficit

Annual trade surplus or deficit for as percentage of GDP

China



United States



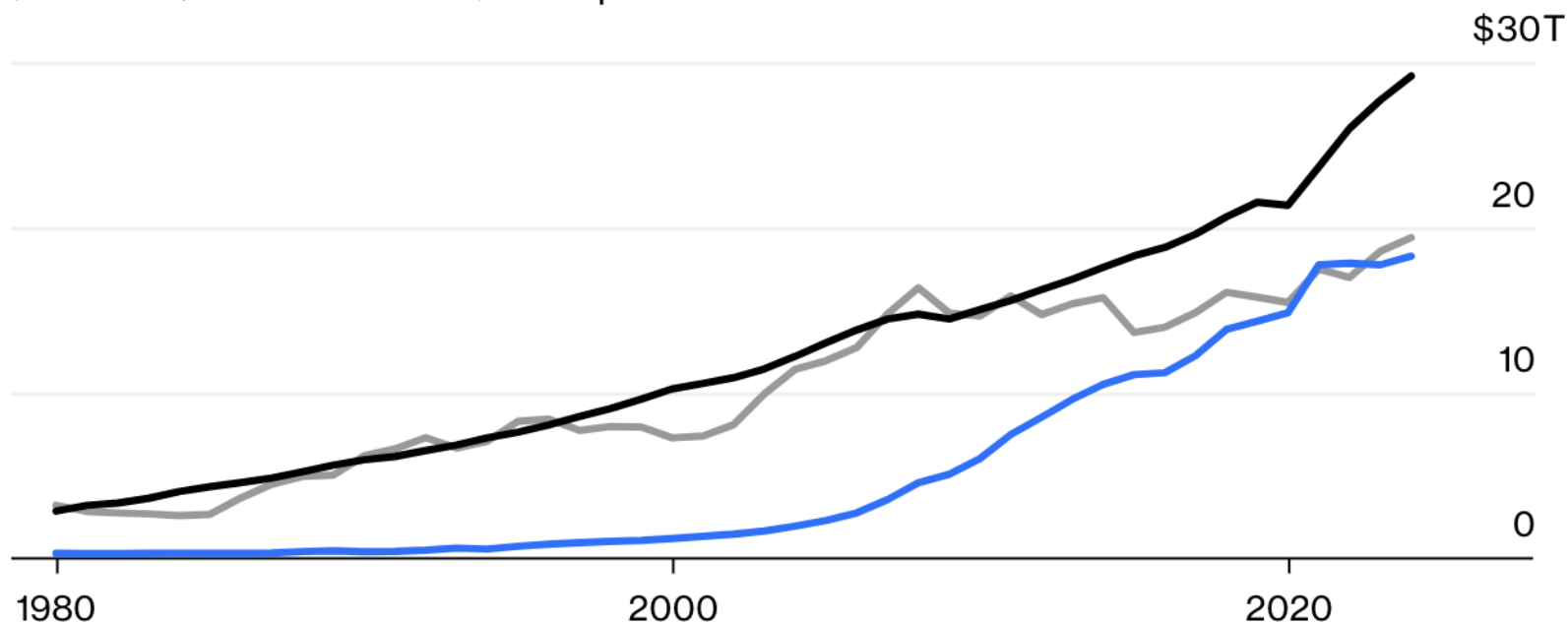
Source: [International Monetary Fund](#)

DAVID J. LYNCH / THE WASHINGTON POST

America's Economy Still Leads the World

Over the last half decade, the US has pulled away from both of its two largest competitors in terms of GDP

China / United States / European Union



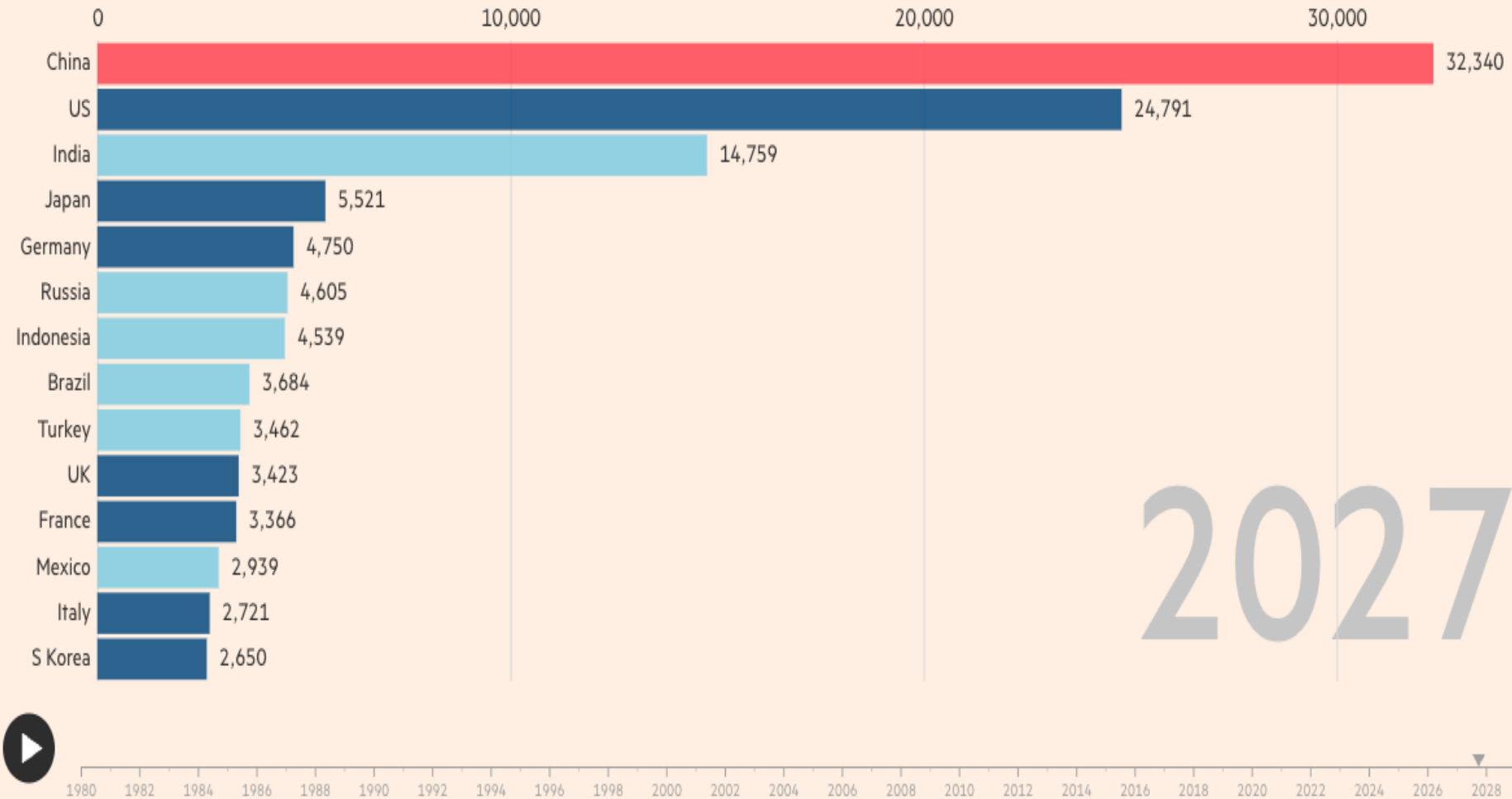
Source: International Monetary Fund

Note: 2024 figures are projected.

China's rise to become the largest economy in the world in PPP terms

Ranking of real GDP at purchasing power parity, 1980 to 2023, with IMF forecasts to 2029. (\$bn in 2017 values)

China Advanced Other emerging & developing



Global society is getting illiberal ruled by technocrats

- Techno feudalism
- Democratic recession



Techno platforms dominate the global power

**Techno-feudal giants worldwide
have upended the state-corporation
balance**

***The West would like to believe that
oligarchs exist only in Russia, but
that isn't***

As geopolitical fragmentation grows,
Big Tech giants are amassing
unprecedented influence, making
corporate power increasingly difficult
for governments to restrain.



Major Global earthquake :Capitalism becomes financial capitalism

- Capitalism has undergone extreme makeovers at least twice since the late nineteenth century.
- Its first major transformation, from its competitive guise to oligopoly, occurred with the second industrial revolution, when electromagnetism ushered in the large networked corporations and the megabanks necessary to finance them. Ford, Edison, and Krupp replaced Adam Smith's baker, brewer, and butcher as history's prime movers. The ensuing boisterous cycle of mega-debts and mega-returns eventually led to the crash of 1929, the New Deal, and, after World War II, the Bretton Woods system – which, with all its constraints on finance, provided a rare period of stability.
- butcher, capitalism's new protagonists were Goldman Sachs, JP Morgan, and Lehman Brothers.

No multiparty elections;
core democratic freedoms
are absent.

Multiparty elections exist, but they are not free or fair and key freedoms are limited.

Free and fair multiparty elections
with basic political rights and
civil liberties protected.

Electoral democracy with strong checks and balances, rule of law, and equal rights.

Democratic



Regime classifications follow the V-Dem Institute's Regimes of the World (RoW) framework for 2024. Source: V-Dem Institute



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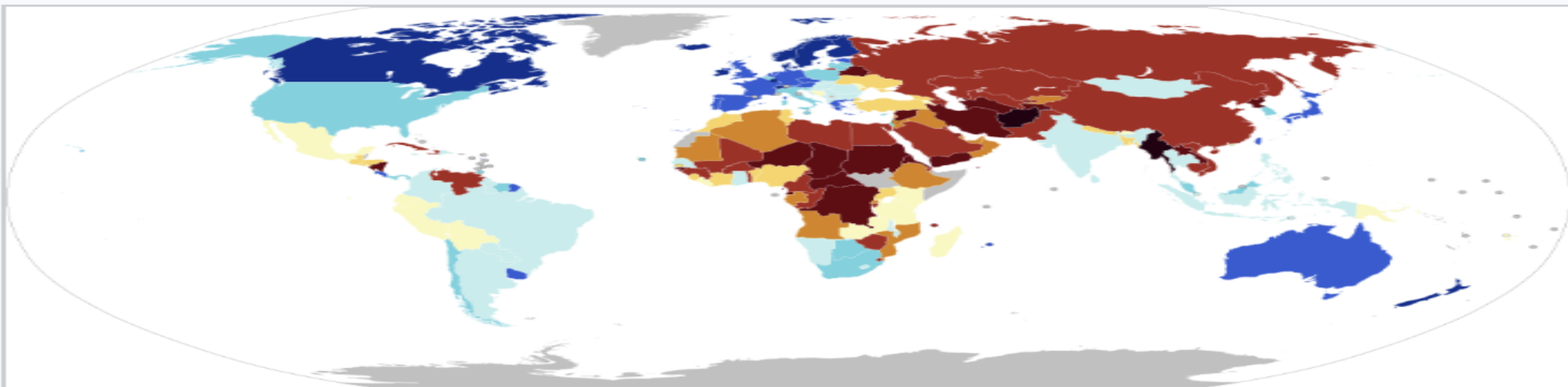
Democratic recession



Political regimes 25

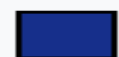
By regime type (2025)^[7]

Type of regime ⇅	Score ⇅	Countries		% world population ⇅
		Number ⇅	Percent ⇅	
Full democracies	 9.00–10.00	26	15.5%	6.6%
	 8.00–8.99			
Flawed democracies	 7.00–7.99	48	28.7%	38.4%
	 6.00–6.99			
Hybrid regimes	 5.00–5.99	32	19.1%	15.7%
	 4.00–4.99			
Authoritarian regimes	 3.00–3.99	61	36.5%	39.2%
	 2.00–2.99			
	 1.00–1.99			
	 0.00–0.99			



The 2025 **Economist Intelligence Unit** *Democracy Index* map 

**Full
democracies**



9.00–10.00

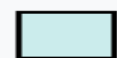


8.00–8.99

**Flawed
democracies**

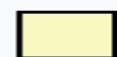


7.00–7.99

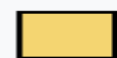


6.00–6.99

**Hybrid
regimes**



5.00–5.99



4.00–4.99

**Authoritarian
regimes**



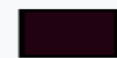
3.00–3.99



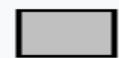
2.00–2.99



1.00–1.99



0.00–0.99



No data

Techno feudalism

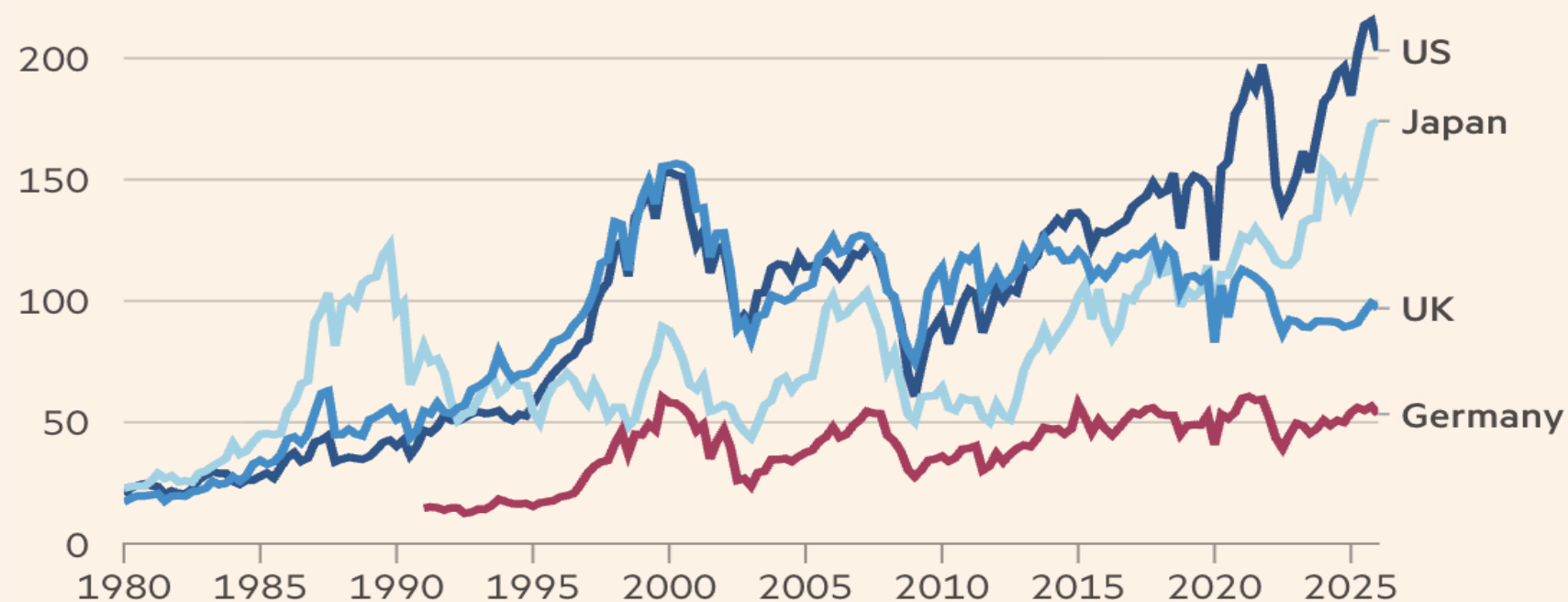
- The end of Bretton Woods in 1971 unleashed capitalism's second transformation. As America's growing trade deficit became the world's provider of aggregate demand – sucking in the net exports of Germany, Japan, and, later, China – the US powered capitalism's most energetic globalization phase, with a steady flow of German, Japanese, and, later, Chinese profits back into Wall Street financing it all.
- To play their role, however, Wall Street functionaries demanded emancipation from all of the New Deal and Bretton Woods constraints. With deregulation, oligopolistic capitalism morphed into financialized capitalism. Just as Ford, Edison, and Krupp had replaced Smith's baker, brewer, and butcher, capitalism's new protagonists were Goldman Sachs, JP Morgan, and Lehman Brothers.

Technology is making human labour and human society irrelevant

- AI is becoming the operating software of the world.
- AI Robotics is making the human labour relevant , it will be a social disaster if people are not employed and sit at home .
- It will cause a feeling of not belonging to a nation , can lead to a restless society having no social value .
- The government may pay Basic Income to the citizens but the free incomes without labour will lead to loss of self esteem .
- The recent free payments in South Korea are producing a young generation which is reckless in destroying youth in very objectionable pursuits of life .
- If AI becomes all powerful and beyond control , the human society will be lost

The 'Buffett ratio' has reached exceptional heights in the US

Stock market value as a % of GDP

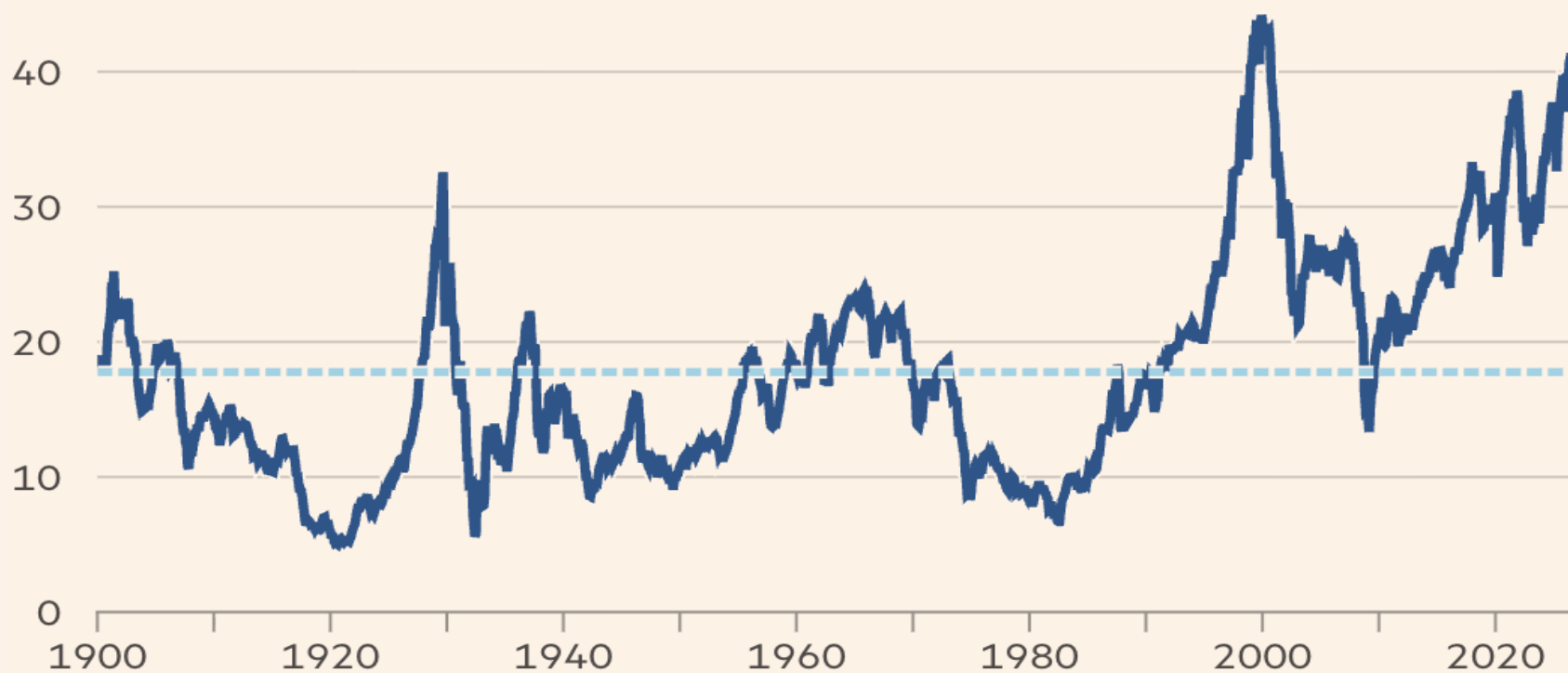


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Source: LSEG; FT calculations • Value of Datastream Total Market indices divided by GDP. Japan uses a different GDP series from 1994 onwards

US stocks have reached historically extreme valuations

■ Cyclically adjusted price-earnings ratio on US stocks (%) ■ Mean, 1881-2026



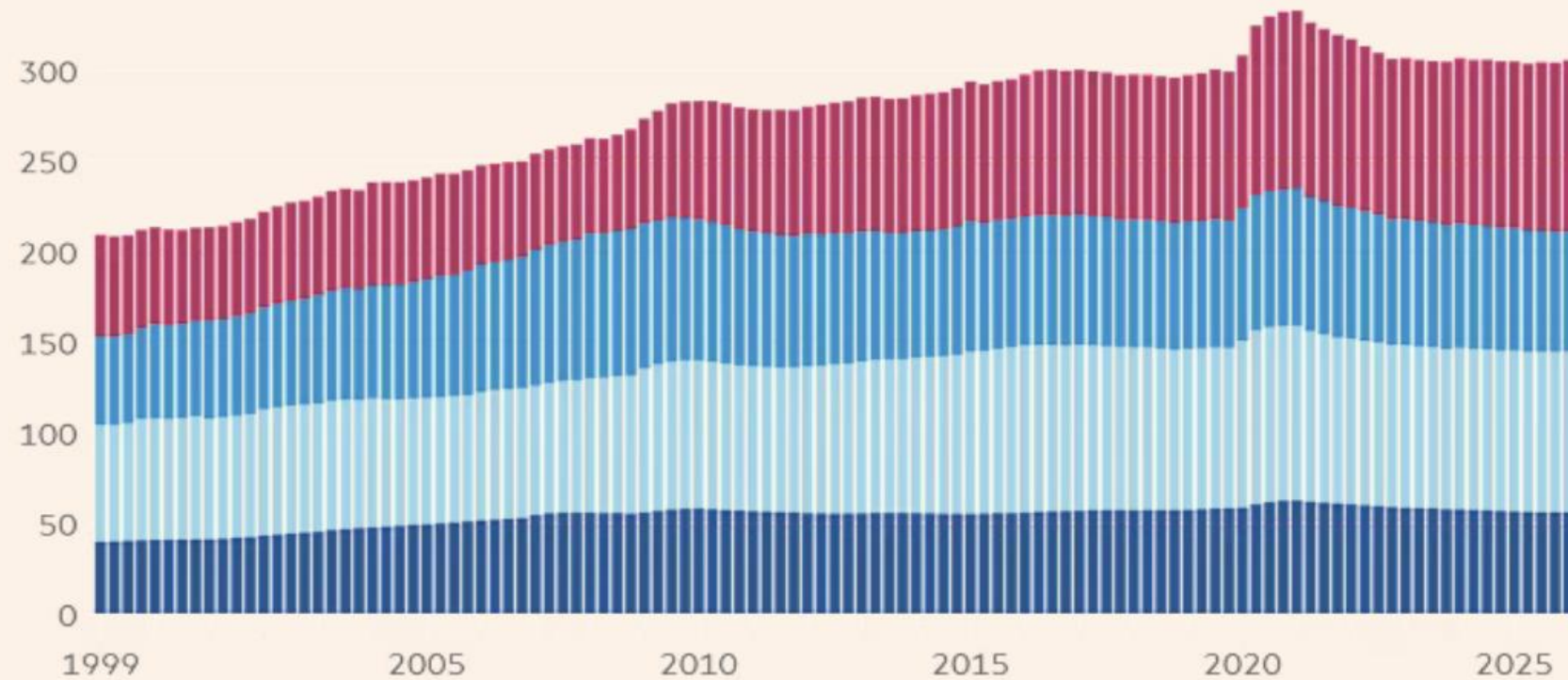
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Source: Robert J Shiller

Global gross indebtedness is very close to its recent peaks

Global debt, by sector, as a % of GDP

Households Non-financial corporates Financial corporates Government

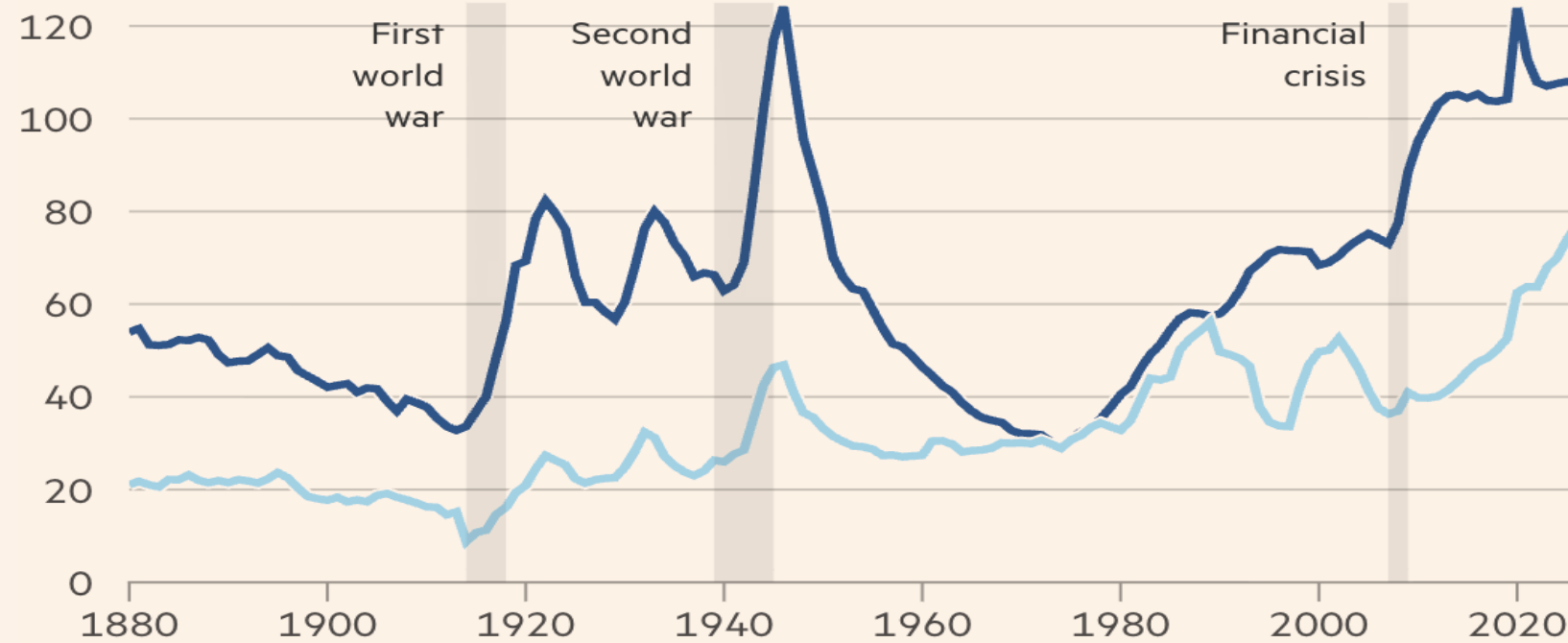


Source: Institute of International Finance

General government debt has reached historically high levels

General government debt as a % of GDP

■ Advanced economies ■ Emerging market economies



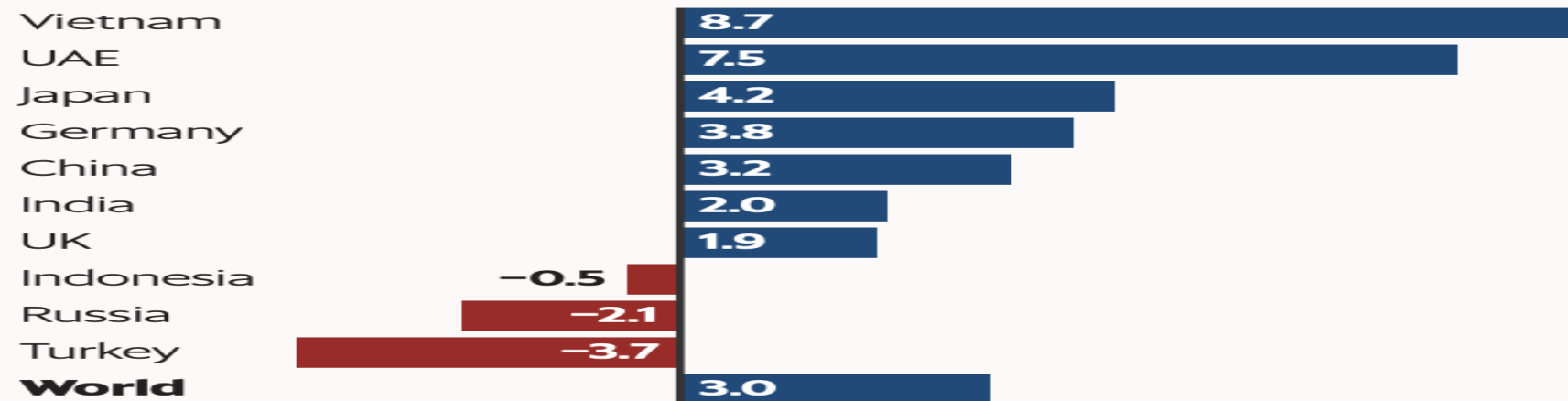
Source: IMF • 1880-2020: based on sample of 25 advanced & 27 emerging economies weighted by GDP at purchasing power parity. Updated since 2020 using IMF WEO

Globalisation has not disappeared

Globalisation: not disappeared

Globalization has largely deepened even as some economies turned inward

Change in the Globalization Index* between 2010 and 2023, select economies



*Measures economic, social and political dimensions of globalization, combining indicators of both actual cross-border flows and policies that enable such integration. The US has not been shown because the index currently extends only to 2023 and therefore does not capture the latest tariff increases.

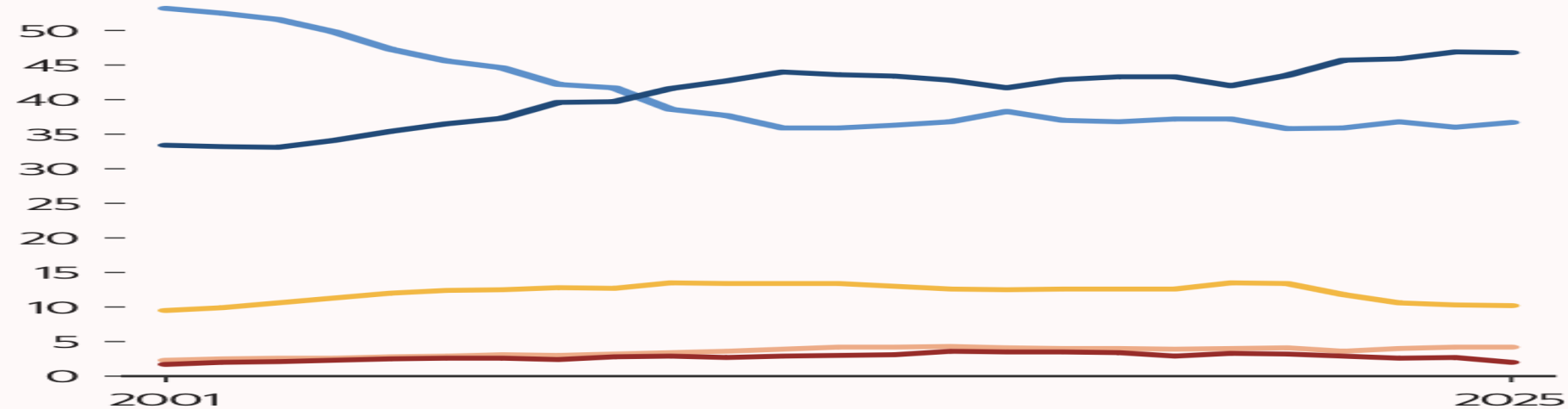
Source: KOF Swiss Economic Institute • [Get the data](#)

Geopolitical fragmentation

Geopolitical fragmentation is reshaping trade partnerships but not reversing integration

Share of total international goods flows between/within blocs (in %)

- With unaligned economies
- Within US bloc
- Between blocs
- Within China bloc
- Between US and China



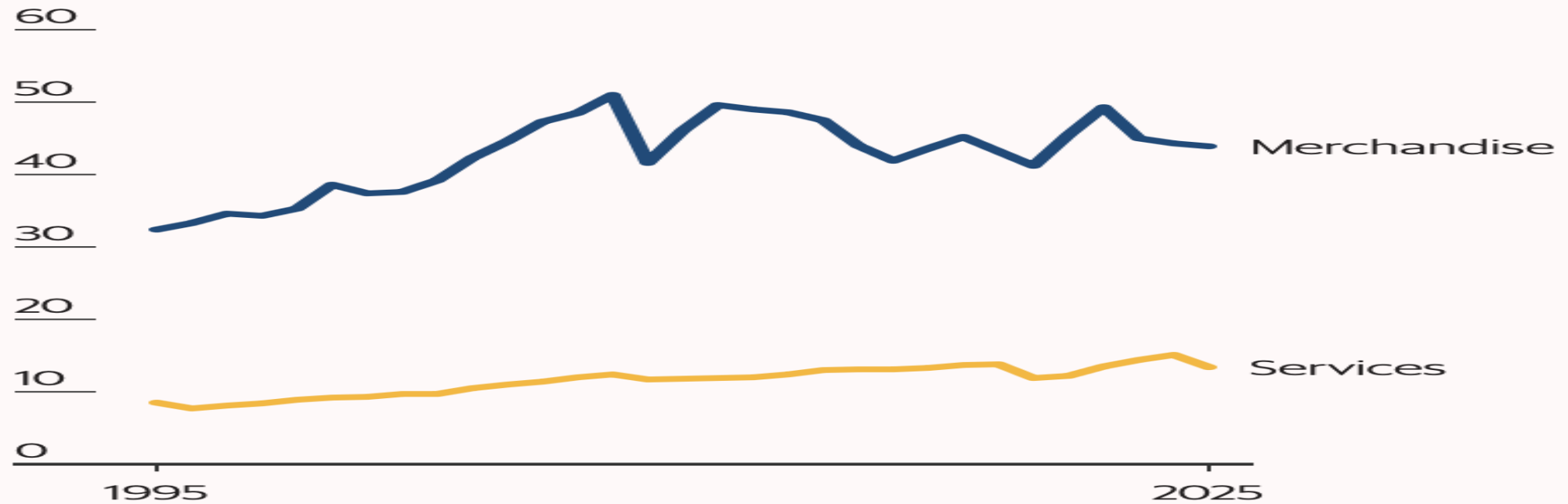
Data for 2025 are forecasts.

Source: DHL Global Connectedness Tracker • [Get the data](#)

Globalisation : services gain ground

Services have continued to gain ground, while goods trade has lost momentum

Global trade as % of world GDP

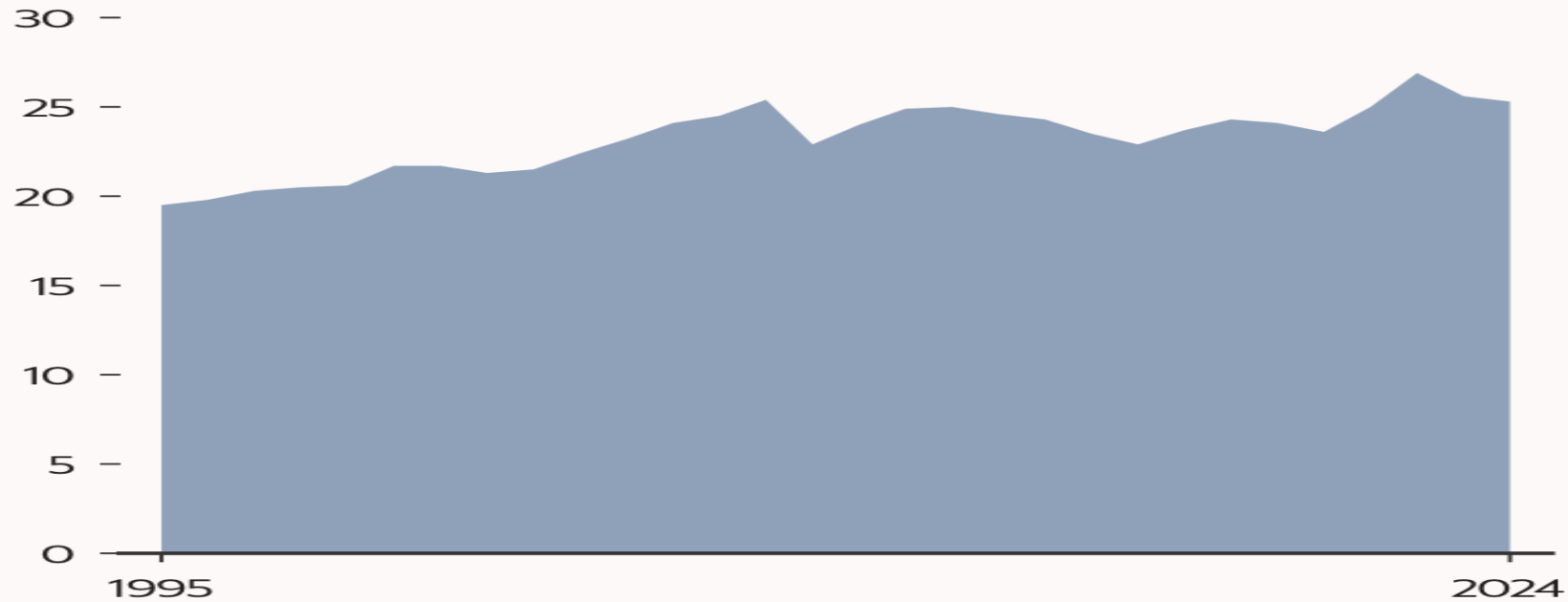


Source: World Bank • [Get the data](#)

Globalisation : exports with foreign inputs

Rising foreign inputs in exports show production remains globally integrated

Share of foreign value added in gross exports (in %)



Data for 2023 and 2024 are forecasts.

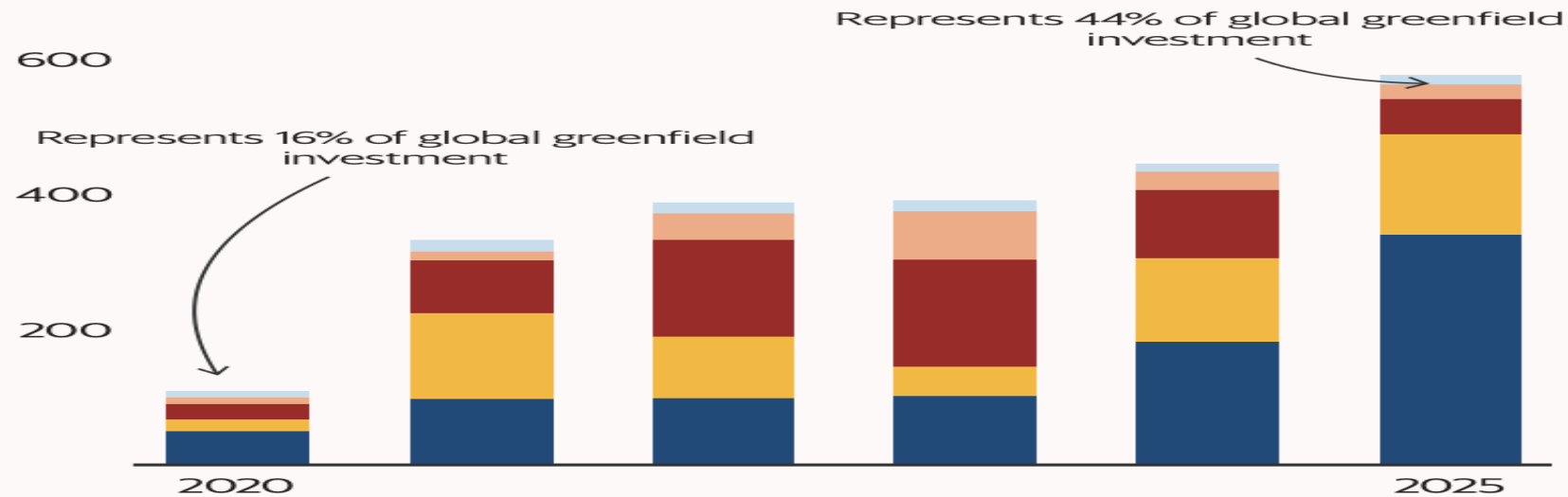
Source: Organization for Economic Co-operation and Development • [Get the data](#)

FDI Going to new sectors like AI

Foreign capital is increasingly moving towards strategic sectors such as AI, semicon

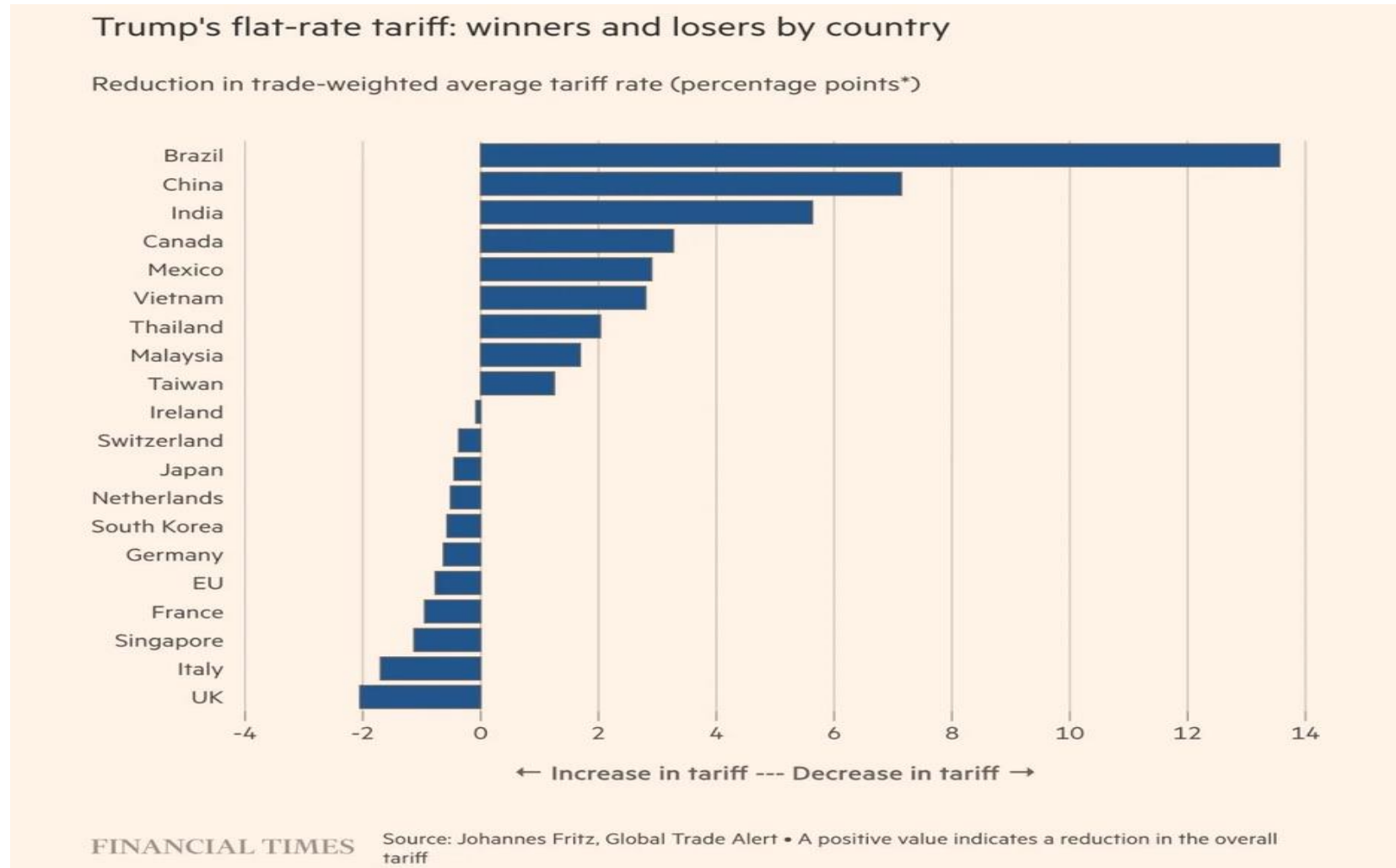
Announced greenfield global investment in strategic sectors (in \$ billion)

- AI infra and related tech
- Semiconductors
- Energy transition tech and services
- Critical minerals
- Other advanced and sensitive tech



Source: UN Trade and Development • [Get the data](#)

USA Trade policy



Countries Most Dependent on CHINESE IMPORTS



Based on the share of a country's total goods imports that come from China.

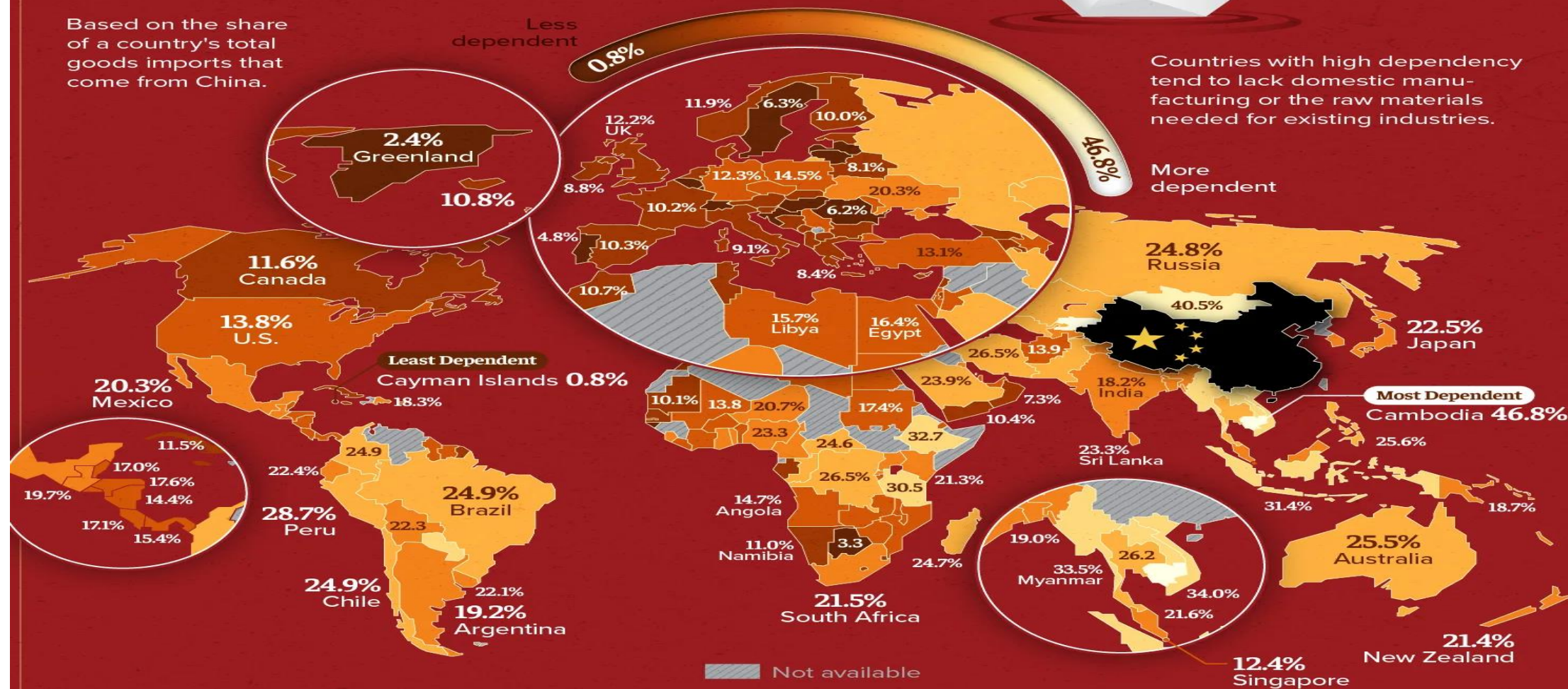
Countries with high dependency tend to lack domestic manufacturing or the raw materials needed for existing industries.

More dependent

Less dependent

0.8%

46.8%





IRAN USA ISRAEL WAR



Iran conflict

- IT has no end .USA is practically defeated by Iran USA has never been so helpless in its entire history .
- It is religious war .
- It is irony of history : Islam Christianity and Judaism are Abrahamic religions originating from the same family .
- Since the First World war , the conflict continues endlessly .
- Abraham Accord stopped conflict with the Sunni nations but the Shia Iran remains the arch enemy of Israel . The groups promoted by Iran are very powerful : Hamas have caused havoc with Israel , the Hezbullas are very troublesome and the Houthis in Yemen are very skillful and ferocious . The Saudis are in real trouble due to constant attacks on petroleum refineries .



Iran's oil and gas fields. Before the Hormuz crisis, China was buying almost all of Iran's oil exports.
(Photo: Wikimedia Commons)





The Strait of Hormuz has become a focal point in the Middle East conflict

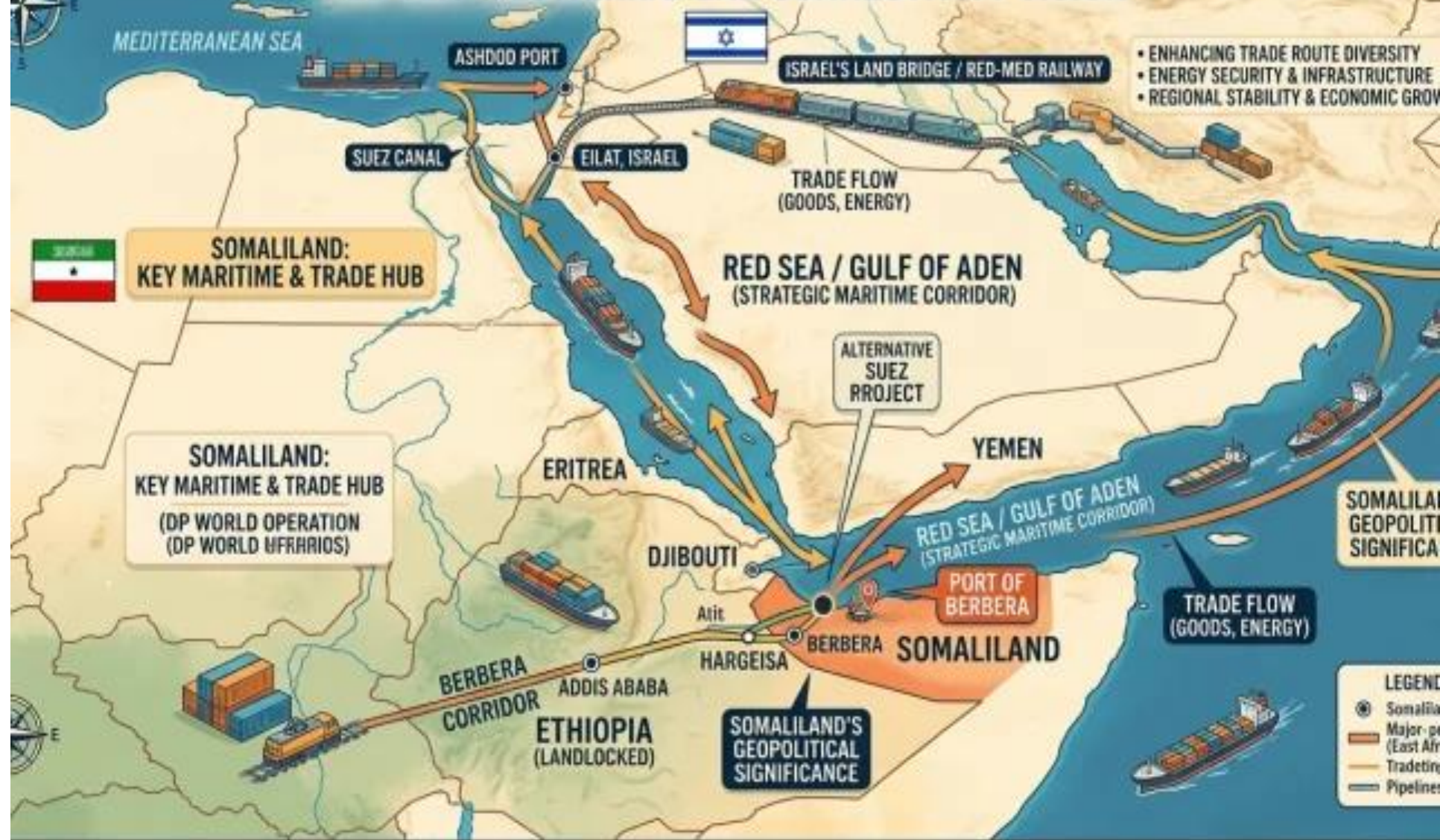
Strikes from Feb 28 to 2.20pm GMT Mar 25 2026

◆ Iran strikes

⚓ Port

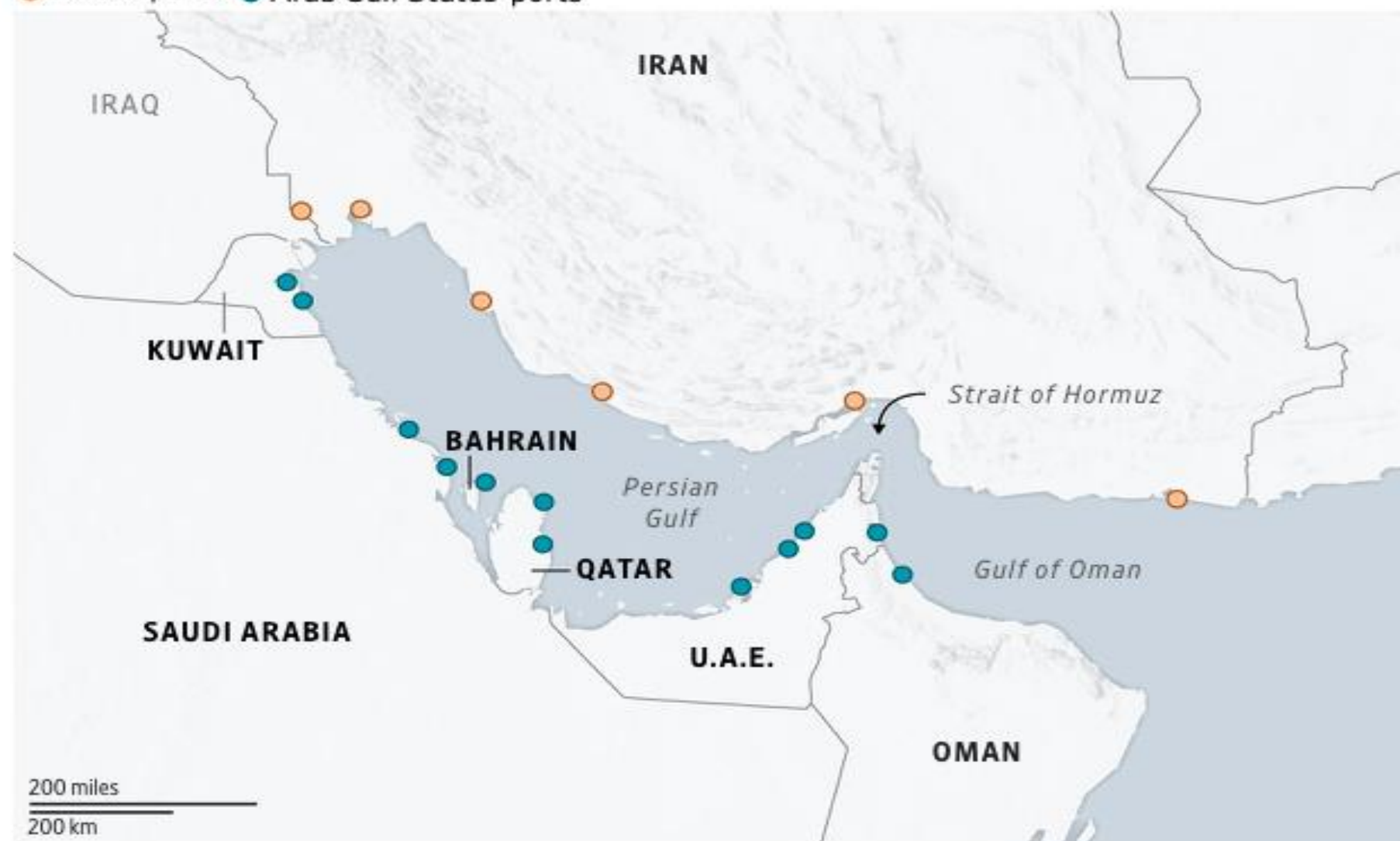


SOMALILAND IN ISRAEL'S RED SEA-MEDITERRANEAN CONNECTIVITY VISION



Major ports in the Persian Gulf

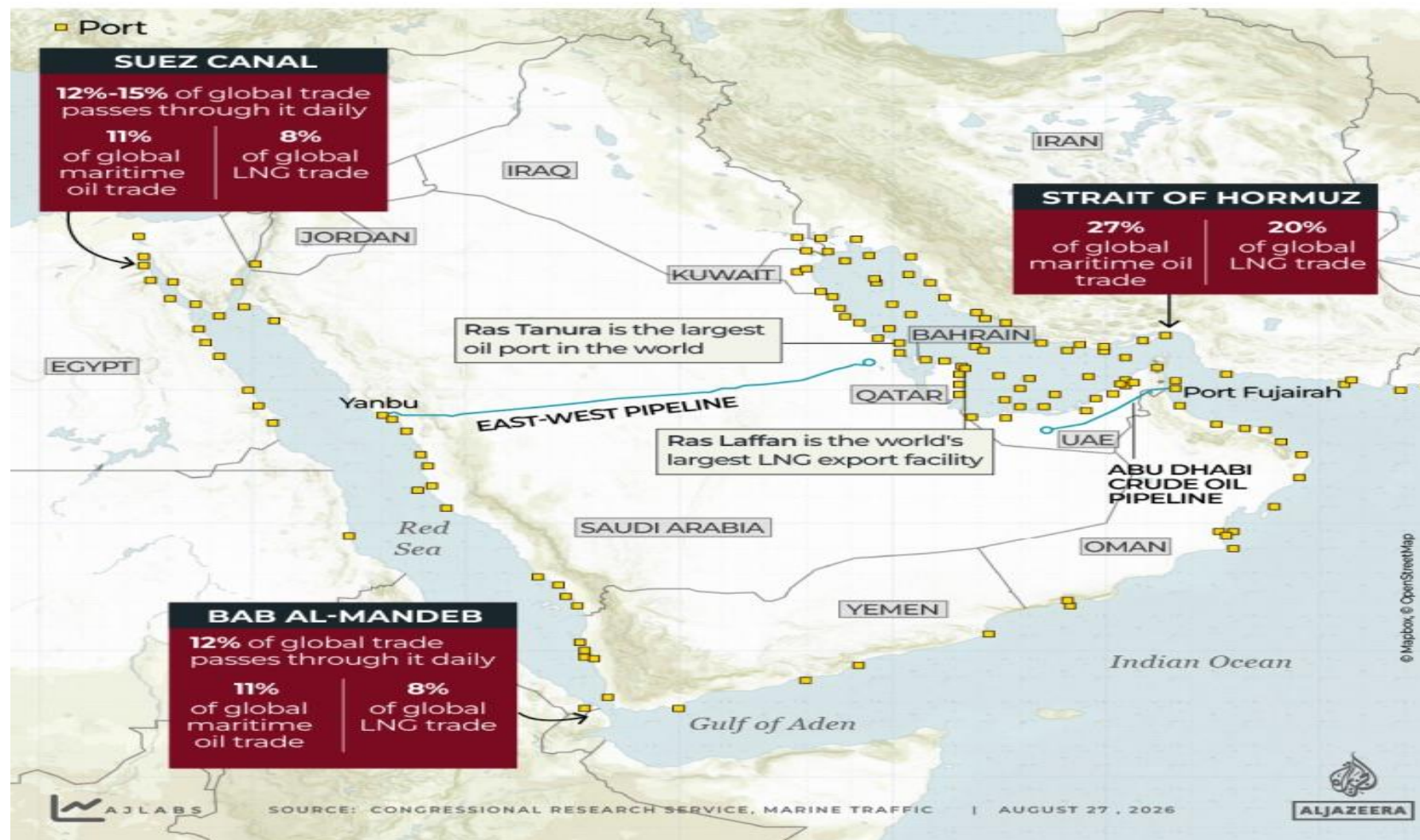
● Iranian ports ● Arab Gulf States' ports

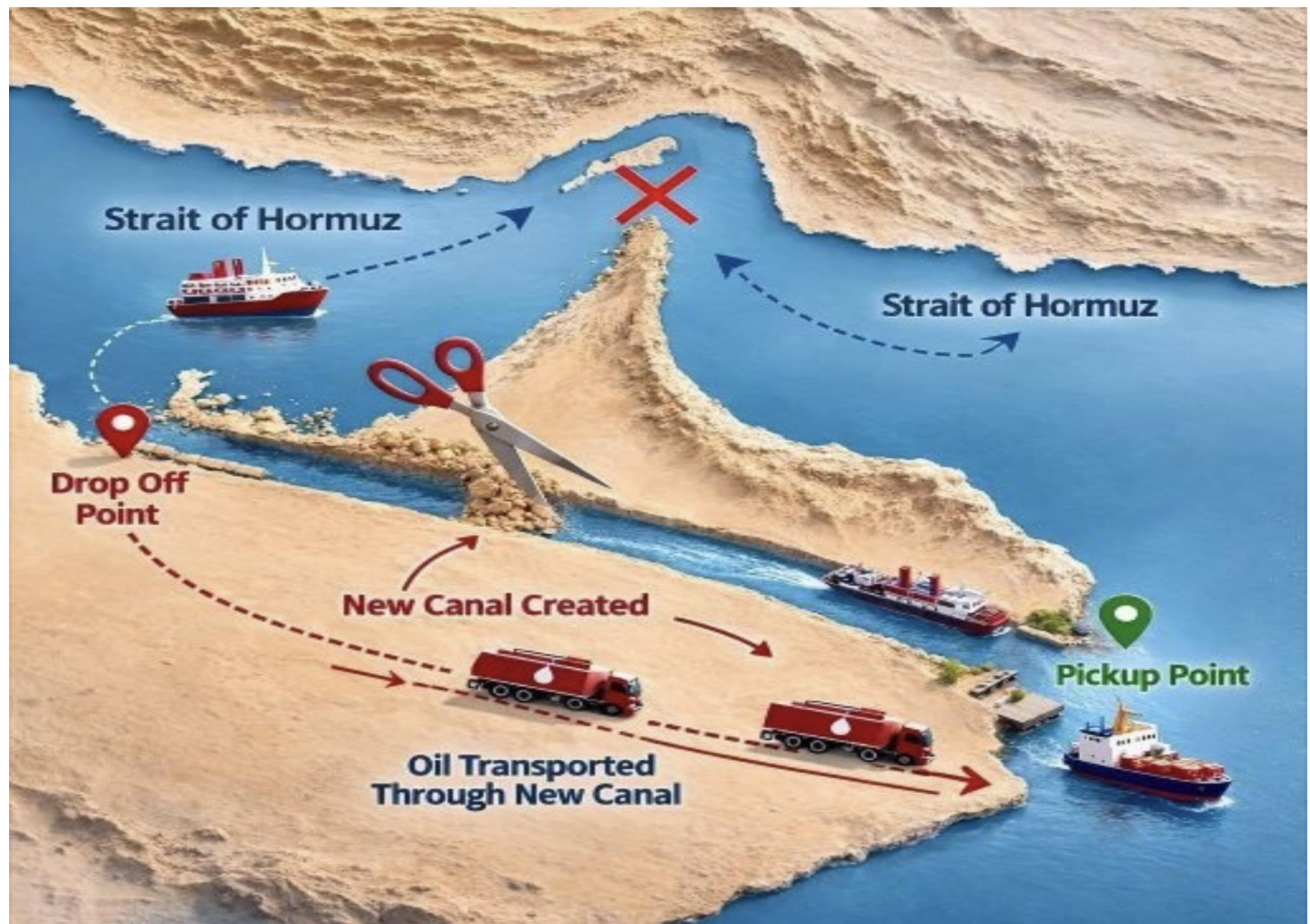


Source: World Port Index
Daniel Kiss/WSJ

The Middle East's shipping problem

Nearly all Gulf and Red Sea energy passes through three narrow waterways. Hormuz has been largely shut since February, while Bab al-Mandeb and Suez remain below normal levels.





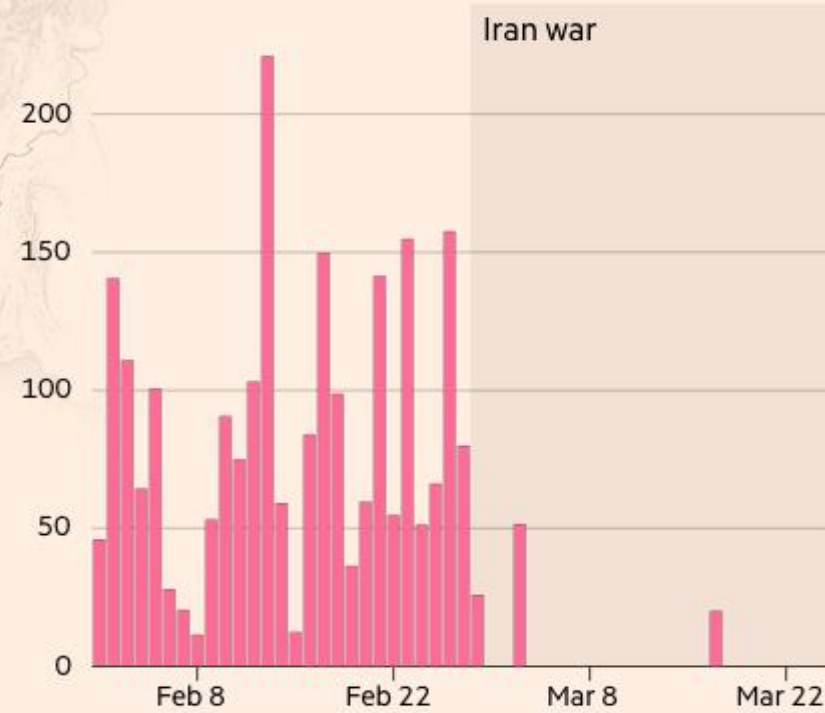
The Gulf hosts major fertiliser producers, but exports via the Strait of Hormuz have collapsed

Fertiliser assets based in the Gulf, by type

■ Nitrogen ■ Phosphate



Daily fertiliser exports from Gulf countries transiting through the Strait of Hormuz (kilotons)



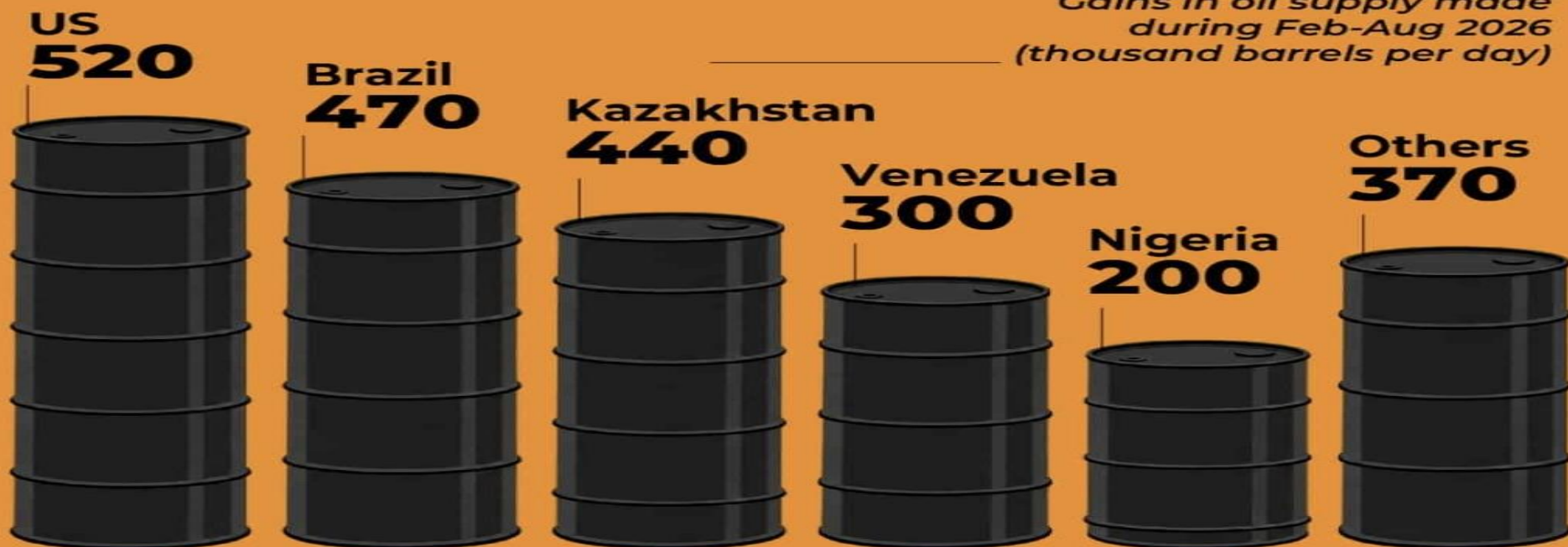
Source: CRU; Kpler

WHO REPLACED LOST GULF OIL DURING THE IRAN WAR?

Non-Gulf
producers
pumped an
extra 2.3 mb/d
to offset lost
Gulf supply

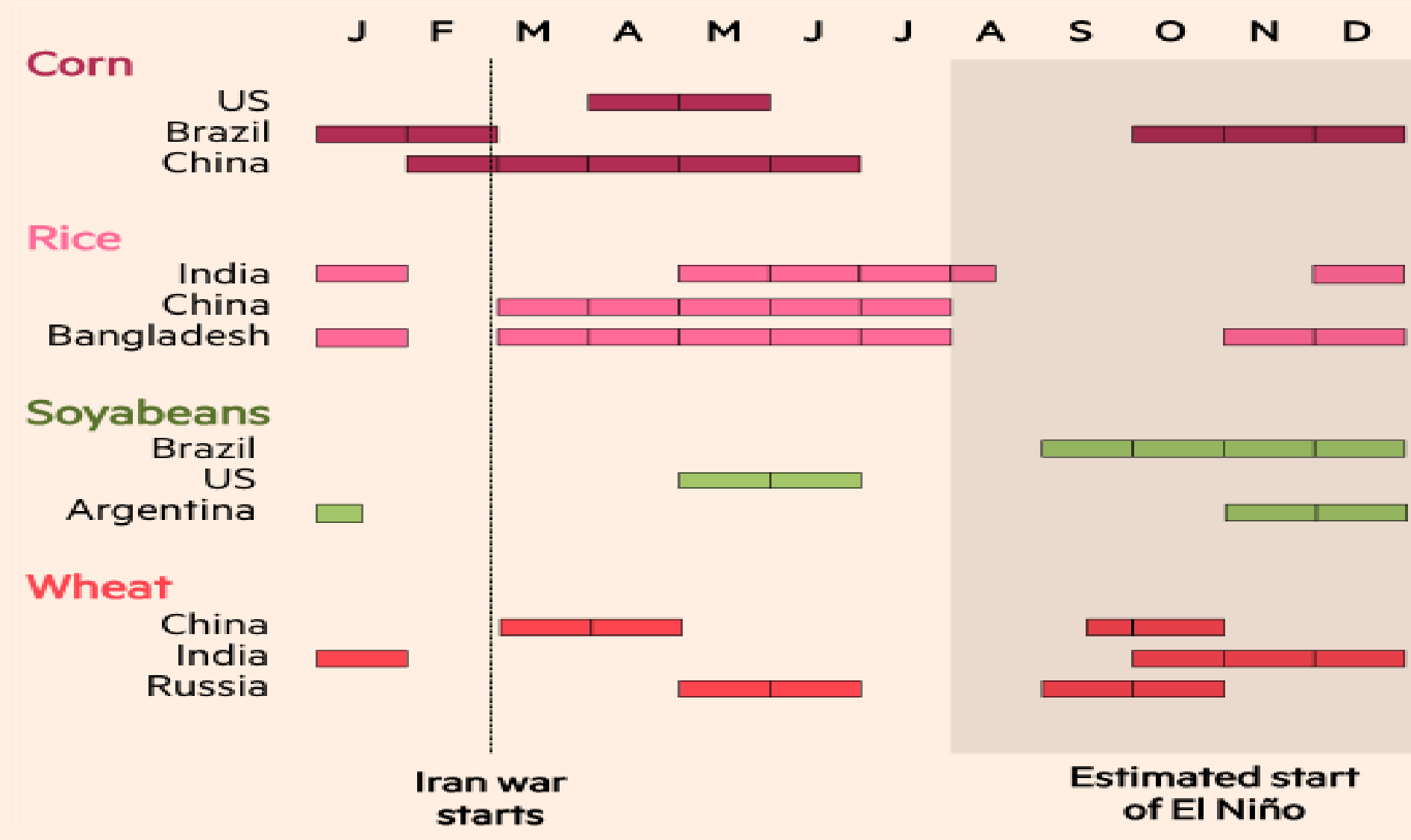
Total
~**2.3**
mb/day

Gains in oil supply made
during Feb-Aug 2026
(thousand barrels per day)



seasons for the world's top crops

Planting seasons for major exporters of four key commodities



THE WORLD'S TOP FERTILIZER EXPORTERS



RUSSIA

23.2M TONNES
2024 FERTILIZER EXPORTS



CANADA

14.4M



MOROCCO

12.2M



CHINA

10.1M



USA
6.4M



SAUDI ARABIA
5.6M



ISRAEL
2.8M



OMAN
1.6M



OTHER AMERICAS
2.3M



QATAR
2.5M



OTHER M. EAST
1.4M



GERMANY
3.1M



BELGIUM
1.8M



NORWAY
1.6M



POLAND
1.1M



BELARUS
2.4M



NETHERLANDS
2.2M

OTHER EUROPE
4.9M



EGYPT
1.9M



ALGERIA
1.8M



LAOS
1.6M

OTHER ASIA-PACIFIC
5.0M



NIGERIA
1.4M



OTHER AFRICA
0.8M



MALAYSIA
1.1M

Iran War Threatens to Boost Fertilizer Costs

Middle East granular urea prices have rallied this year



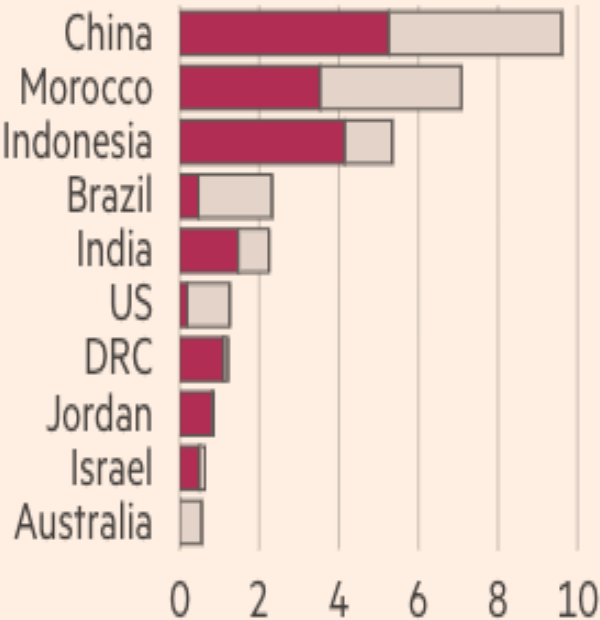
Sources: Green Markets, Bloomberg

Some of the world's top importers of fertiliser depend significantly on the Gulf

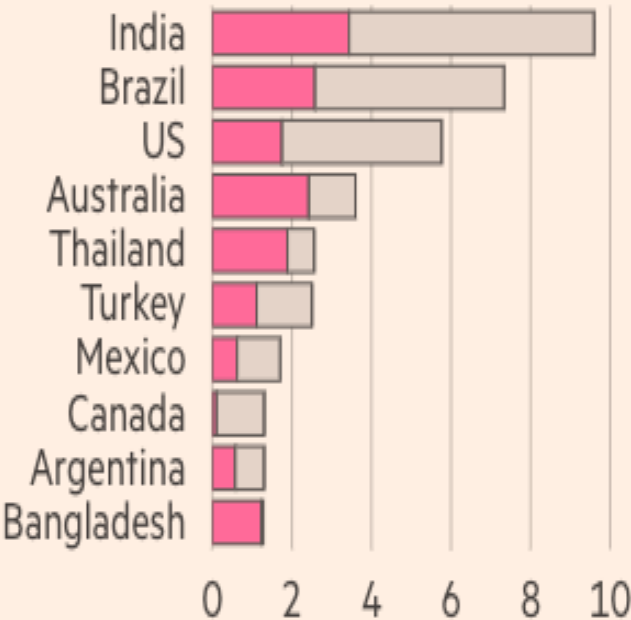
Top 10 sulphur, urea and ammonia importers in 2025 by source of supply, mn tonnes

■ Middle East supply ■ Other supply

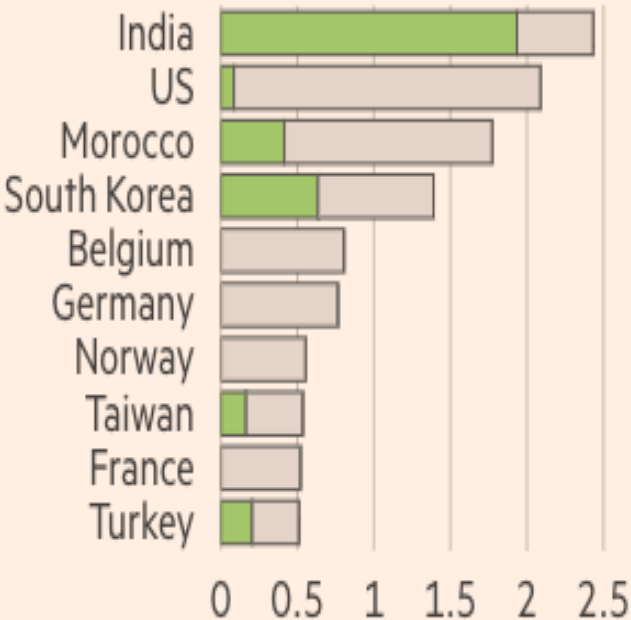
Sulphur



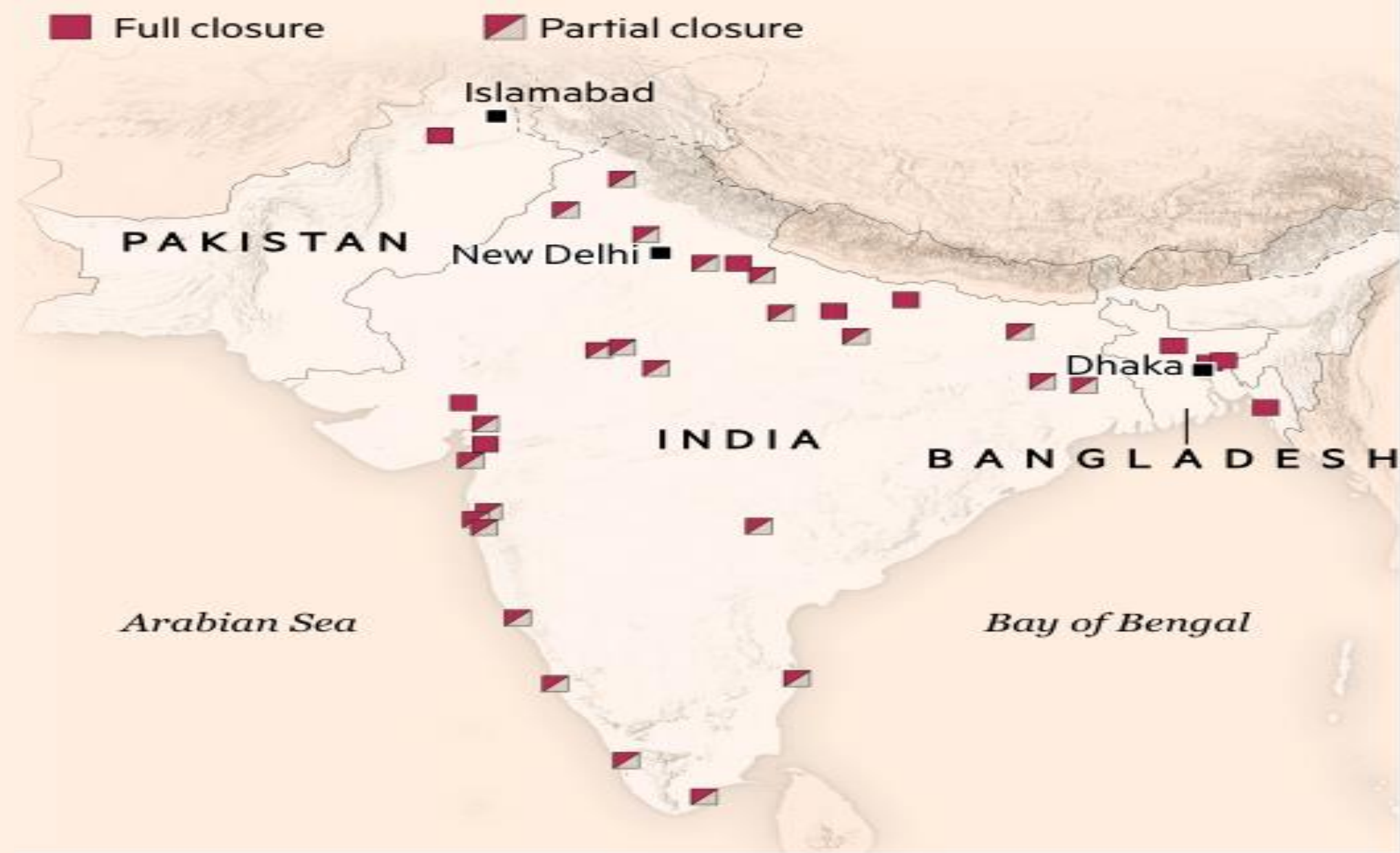
Urea



Ammonia



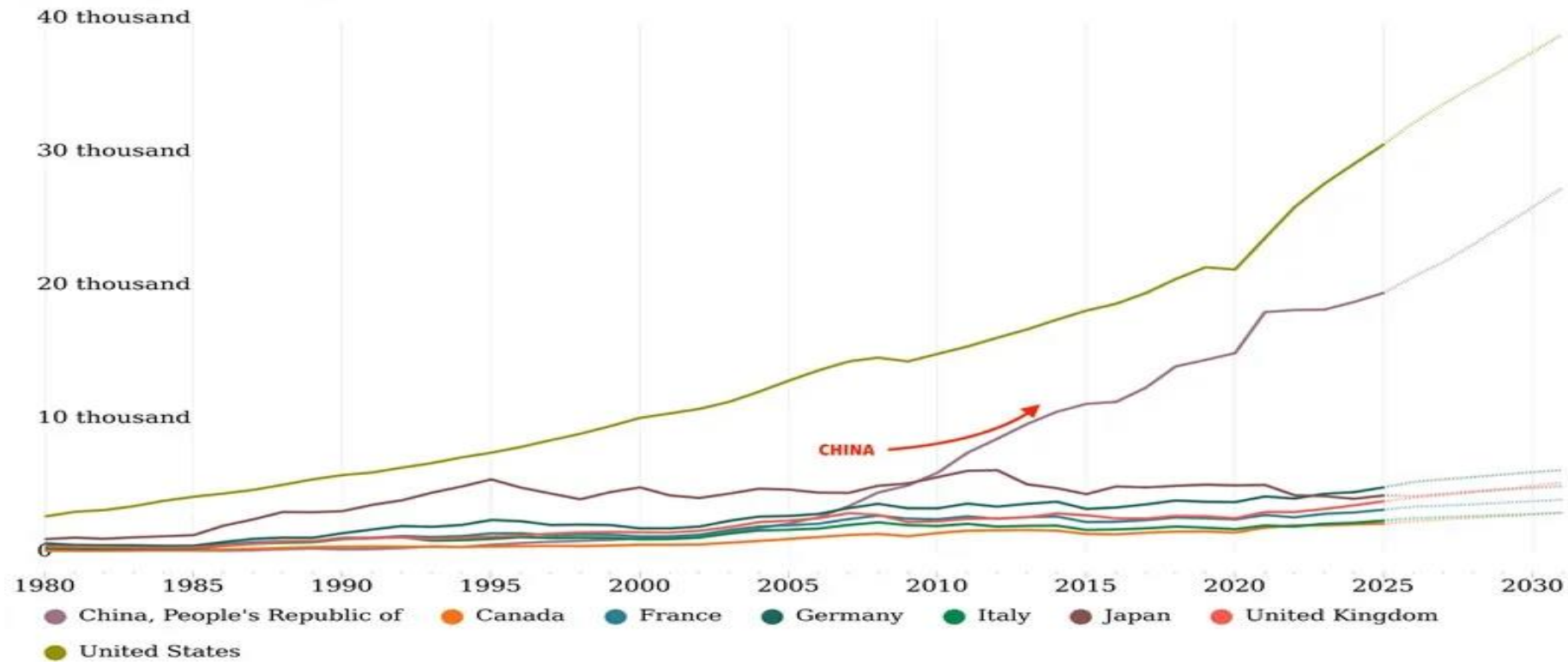
Reported ammonia and urea plant closures in March 2026



Global economy

IMF DataMapper

GDP, current prices (Billions of U.S. dollars)

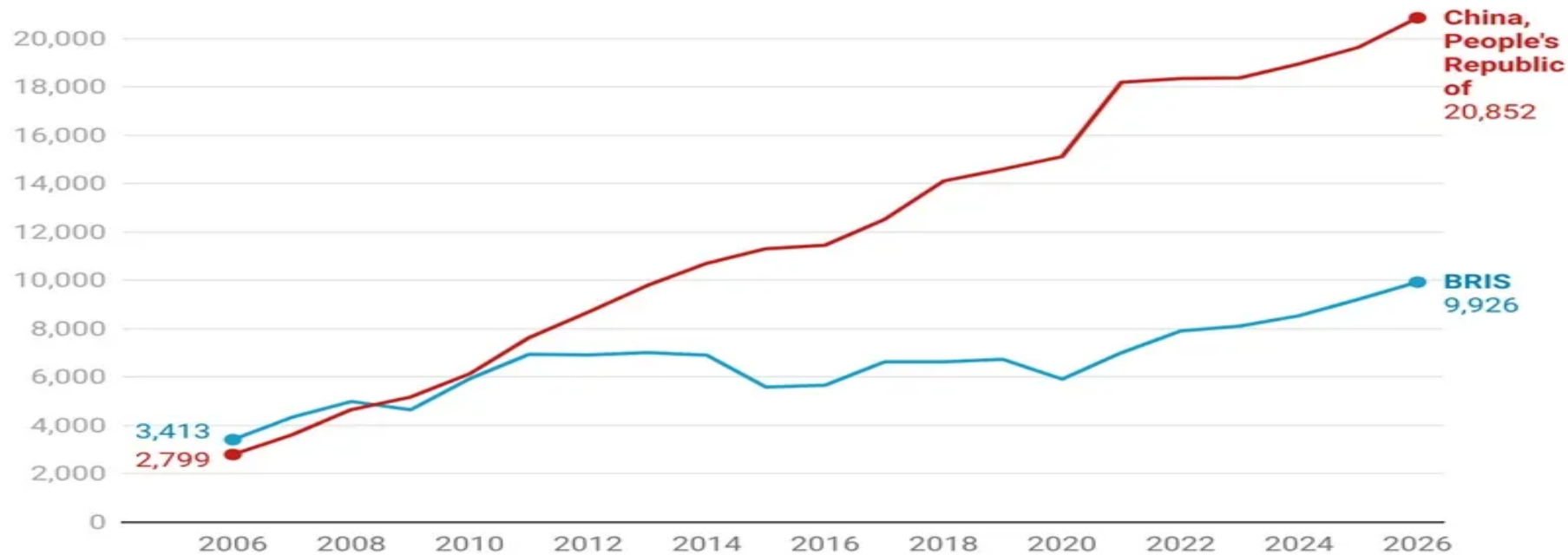


©IMF, 2026, Source: World Economic Outlook (April 2026)

Global economy BRICS and BRIS

BRICS and the dragon in the room

GDP in billions of US dollars



BRIS is BRICS minus China

Chart: Udit Misra • Source: IMF • Created with Datawrapper

China its size dwarfs others

BRICS 2006 to 2026: Size of China's economy dwarfs others

GDP in Billion of US dollars

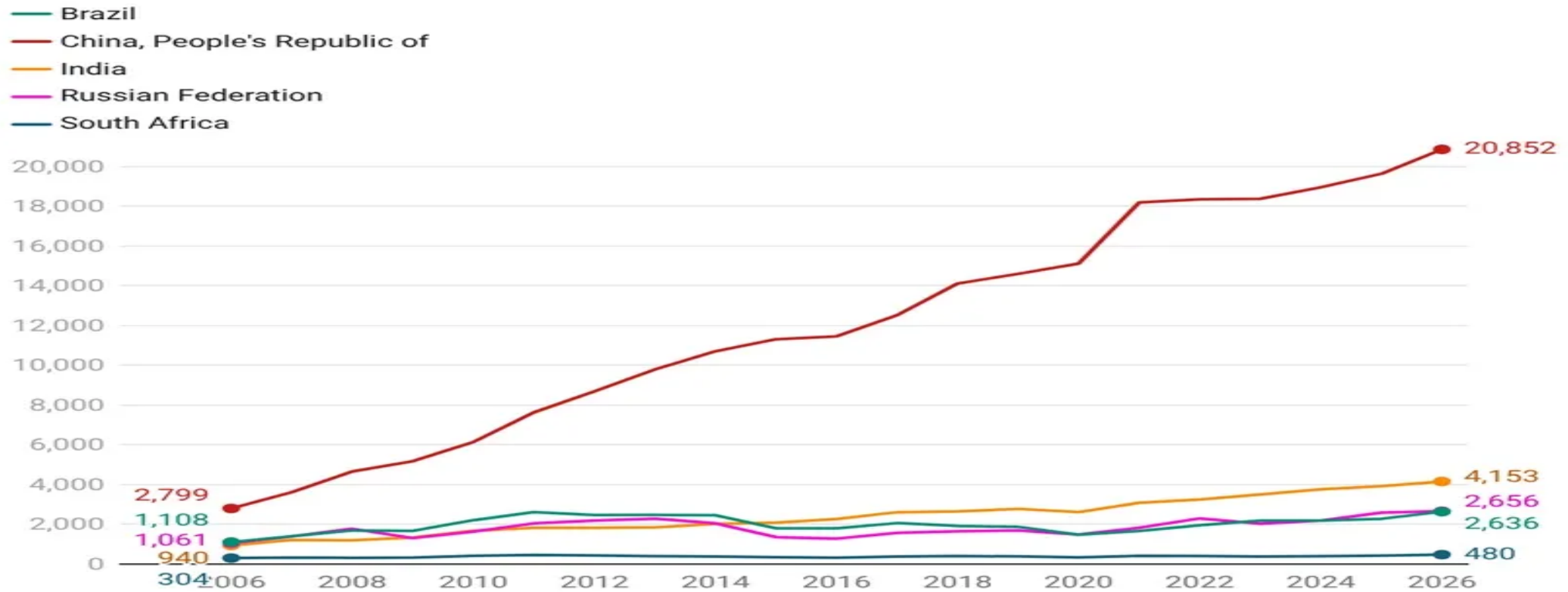


Chart: Udit Misra • Source: IMF • Created with Datawrapper

Global economy BRICS GDP per person

China's GDP per capita: From second last to second best

In US dollars

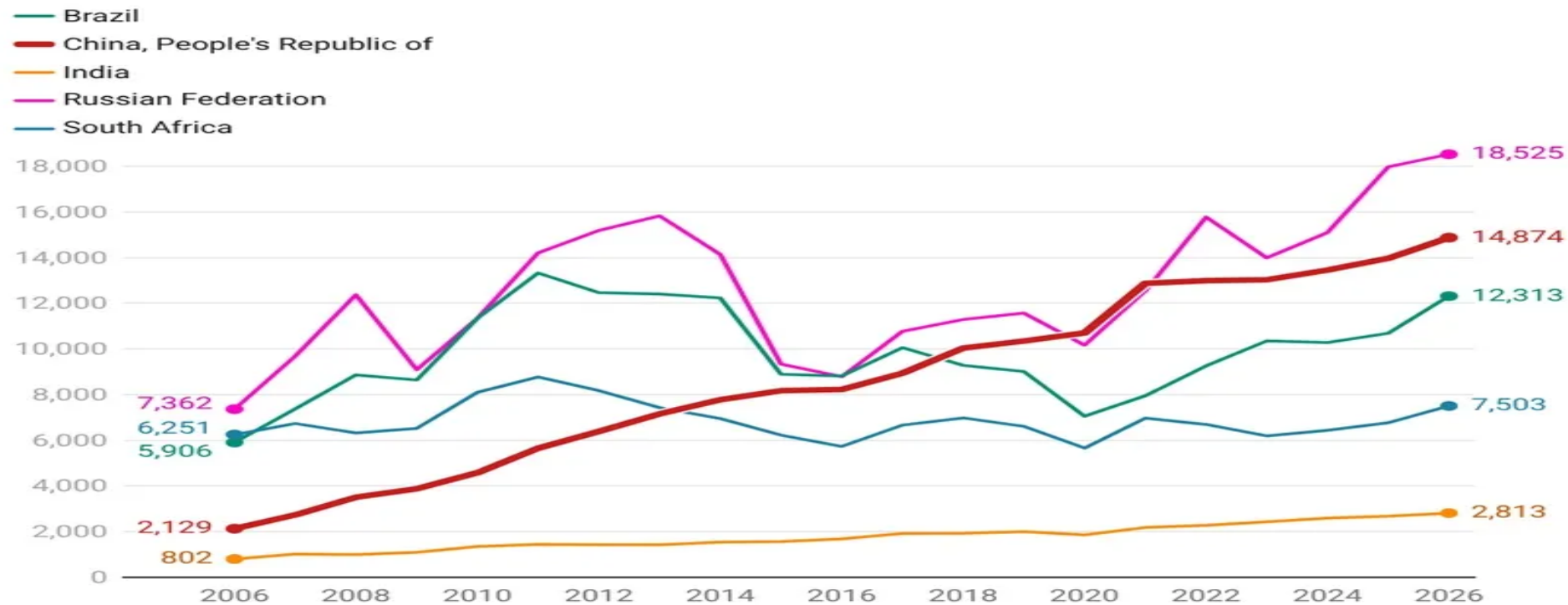


Chart: Udit Misra • Source: IMF • Created with Datawrapper

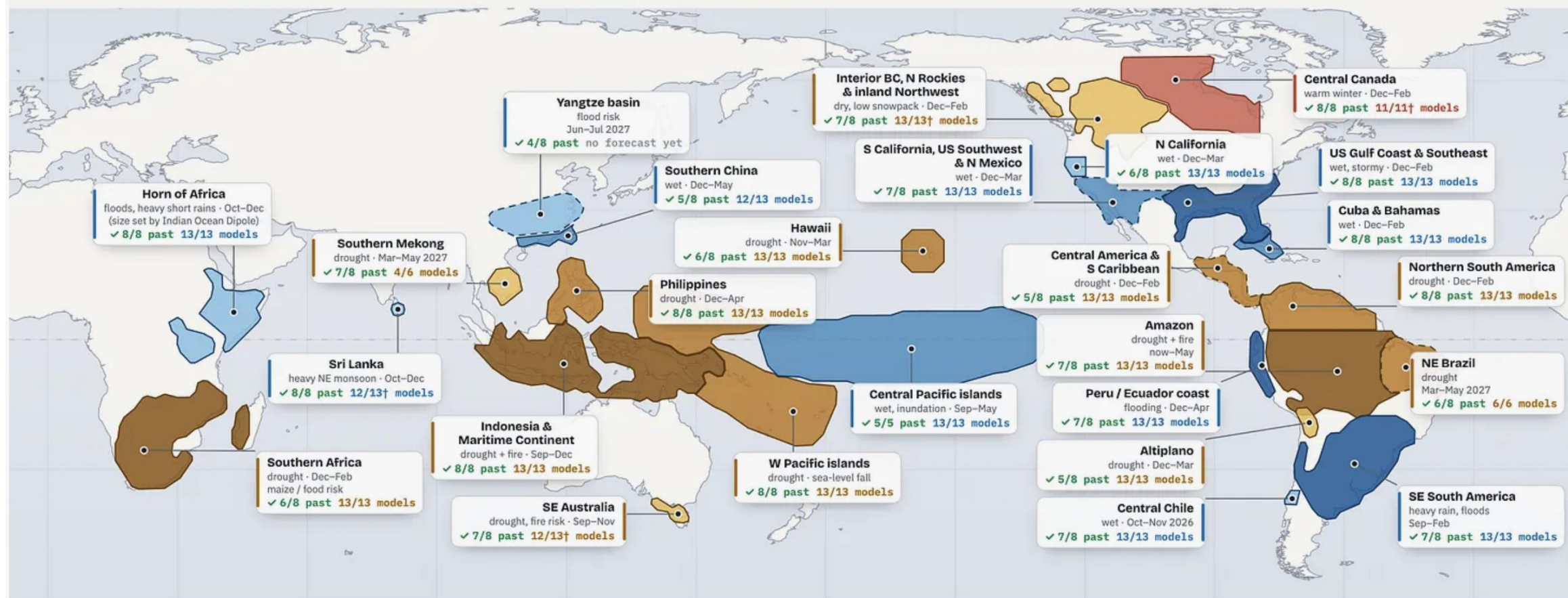
Fertilizer Plants Are Clustered Around the Persian Gulf



El Nino Indian Monsoon 2026

Where the biggest impacts are expected

Shading shows confidence from the teleconnection literature and the observed record. Each label gives how many of the **8 strong El Niños since 1957** went the expected way (✓ past) and how many of this year's **13 seasonal forecast models** agree (NMME + Copernicus C3S, Sep 2026 start).



Drier

Wetter

high → medium confidence

underperformed in a recent strong event

warm winter

† region drawn where this year's models agree, so its model count is high by construction

95-96%

chance 2027 is the warmest year on record

CO₂

growth well above trend

Coral reefs

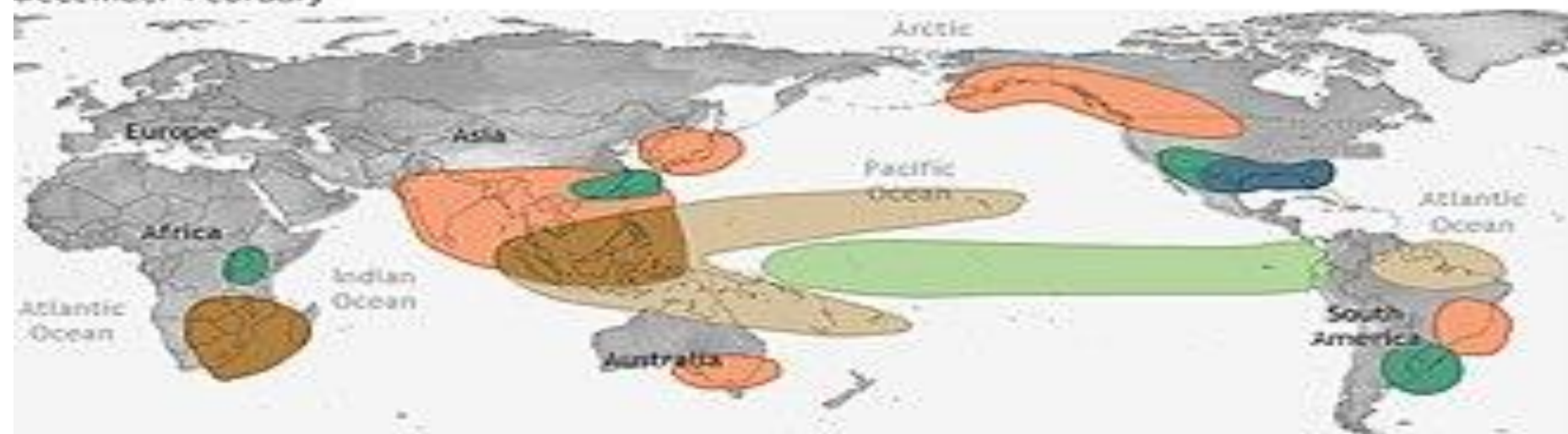
widespread bleaching risk

Crops

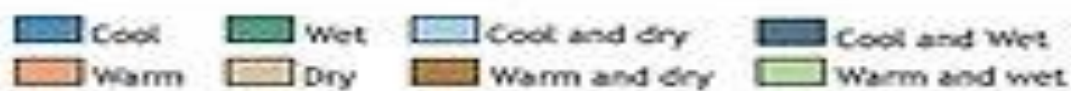
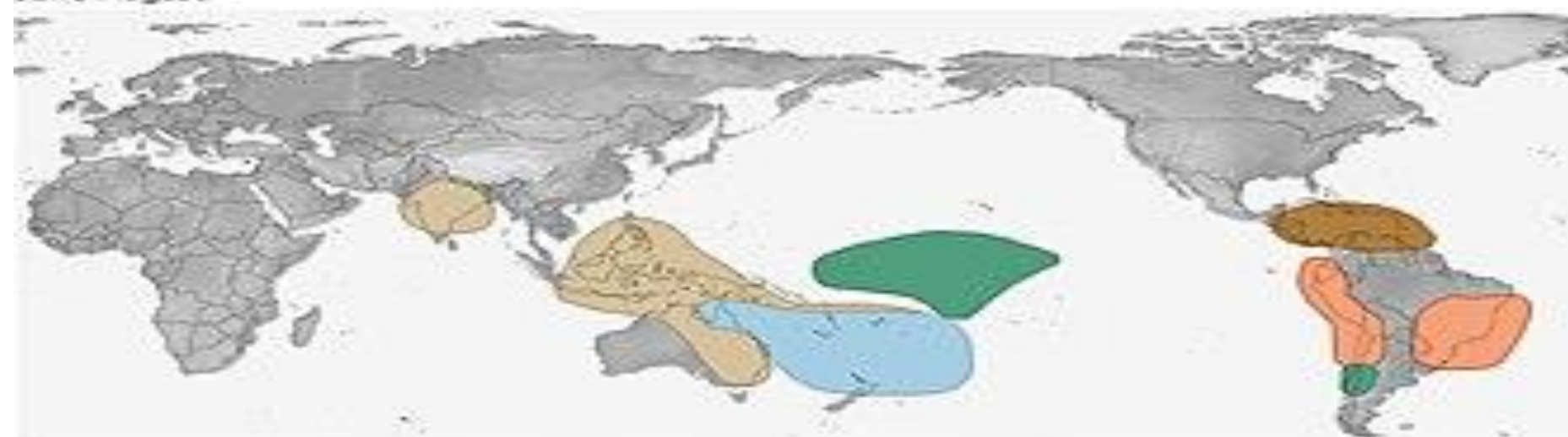
risk of crop failures in several breadbaskets at once

EL NIÑO CLIMATE IMPACTS

December-February



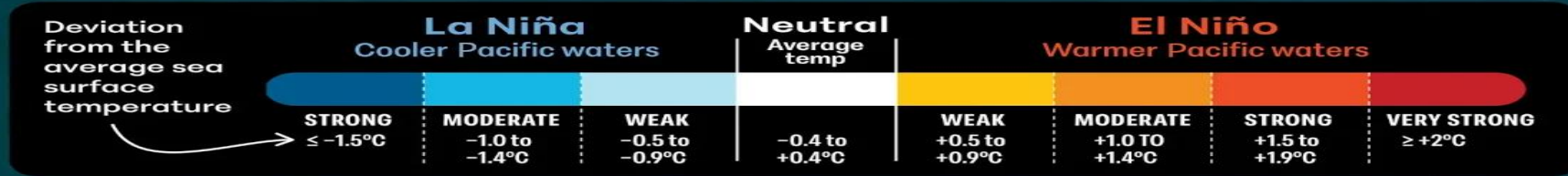
June-August



THE El Niño CYCLE

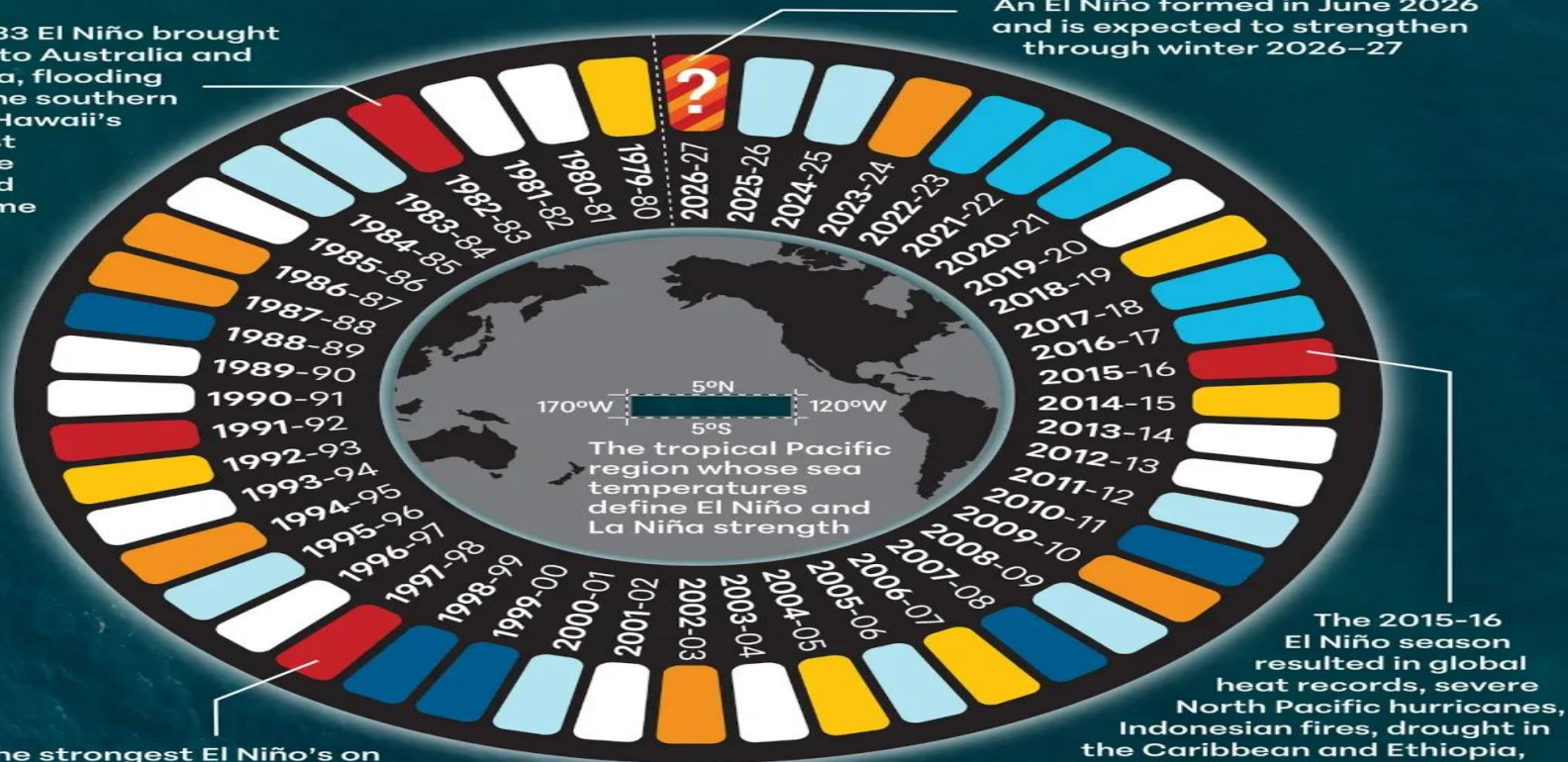
1979 -
2026

El Niño is an oscillating climate pattern of warming and cooling sea-surface temperatures in the tropical Pacific that shifts global weather patterns



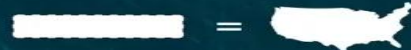
The '82-83 El Niño brought drought to Australia and Indonesia, flooding across the southern US, and Hawaii's strongest hurricane on record at the time

An El Niño formed in June 2026 and is expected to strengthen through winter 2026-27



One of the strongest El Niño's on record, '97-98 brought floods, droughts, and fires to multiple continents, while record ocean heat killed an estimated 16% of the world's coral reefs

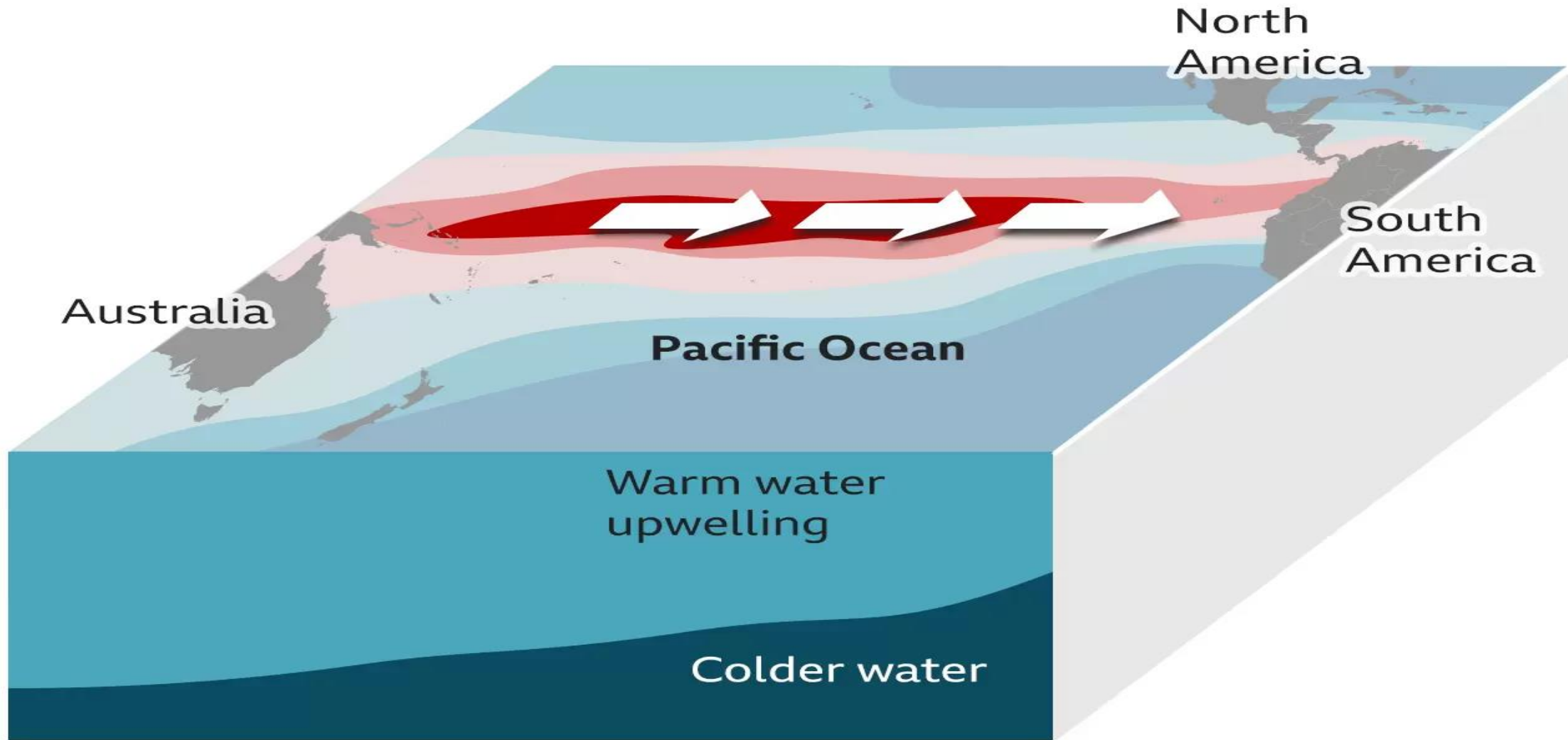
The 2015-16 El Niño season resulted in global heat records, severe North Pacific hurricanes, Indonesian fires, drought in the Caribbean and Ethiopia, and the largest annual rise in atmospheric CO₂ on record



The Niño ocean region is roughly equal in area to the contiguous US

El Niño ocean temperature conditions

Warmer surface water further east than normal



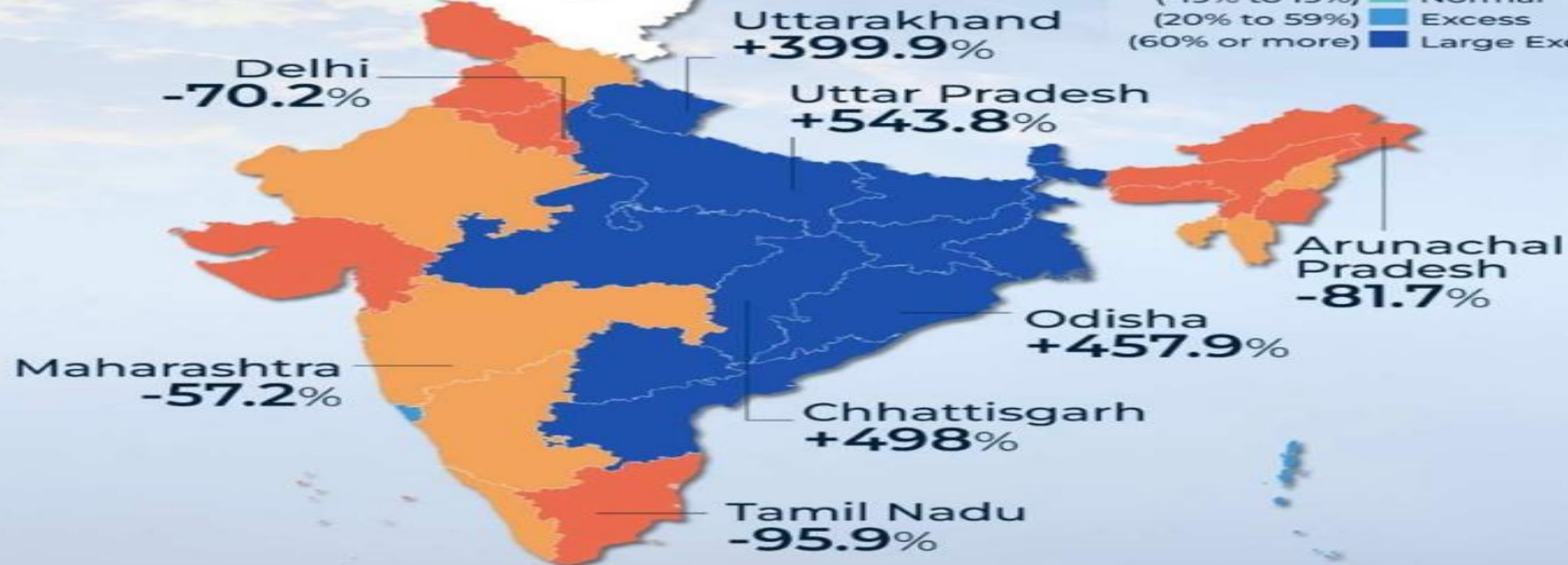
BAY DEPRESSION REDRAWS INDIA'S RAINFALL MAP

The Bay of Bengal depression drenched central India, while western and southern regions remained rain-deficient

NDTV
Datafy

Rainfall departure (September 23 - 28, 2026)

(-100%)	No Rain
(-99% to -60%)	Large Deficient
(-59% to -20%)	Deficient
(-19% to 19%)	Normal
(20% to 59%)	Excess
(60% or more)	Large Excess



Source: India Meteorological Department
Graphic: Mudita Singh & Ankita Tiwari

China Shock

China shock

- China shock 1 : the primary consumer goods production
- China shock 2 : the dominance in electronic goods , the rare earth magnates , Evs , the EV battery technologies ,the solar technologies and the recent advance AI .
- China is global economic super power , has overtaken USA in 2014 by IMF PPT criteria .
- It is not open to any technology sharing .
- Very surprising as China did copy pasting Western technologies and advanced so far .
- USA has got shock as it expected China to become democratic state.

China shock : Strategic leader like Deng

- Development banks , Low interest rates and liberal subsidies and undervalued domestic currency .
- China introduced market economy : the colour of cat is not essential as long as the the cat kills the rats .
- It developed the cities and ports , the Singapore model influenced the the architect of China Shri Deng .
- The export first abroad as the domestic economy does not possess purchasing power in the first phase .
- Education and health was looked after very well to supply skilled labour .

Countries Most Dependent on CHINESE IMPORTS

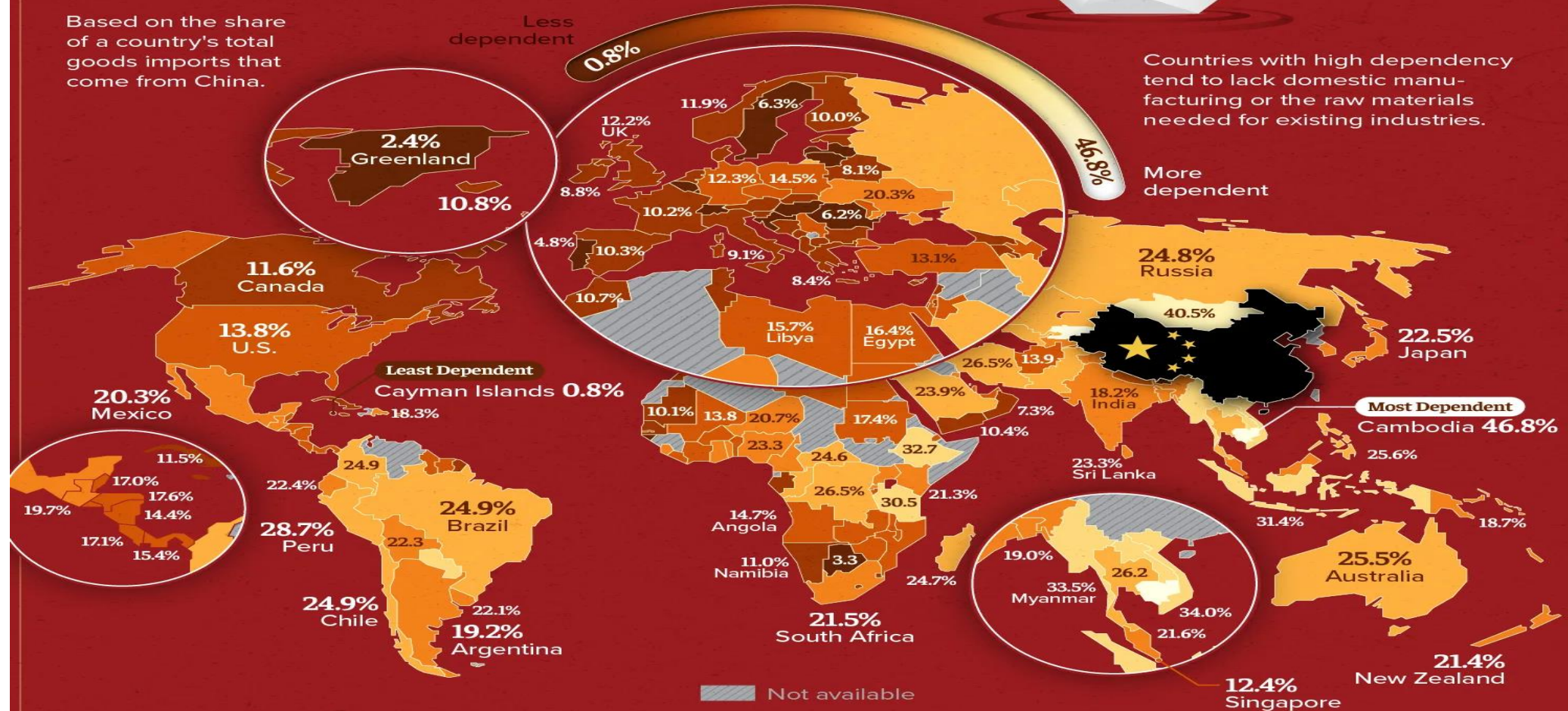


Based on the share of a country's total goods imports that come from China.

Less dependent

Countries with high dependency tend to lack domestic manufacturing or the raw materials needed for existing industries.

More dependent



STEEL PRODUCTION

BY COUNTRY 2024



CHINA
1.0B
TONNES



INDIA | 149.4M T



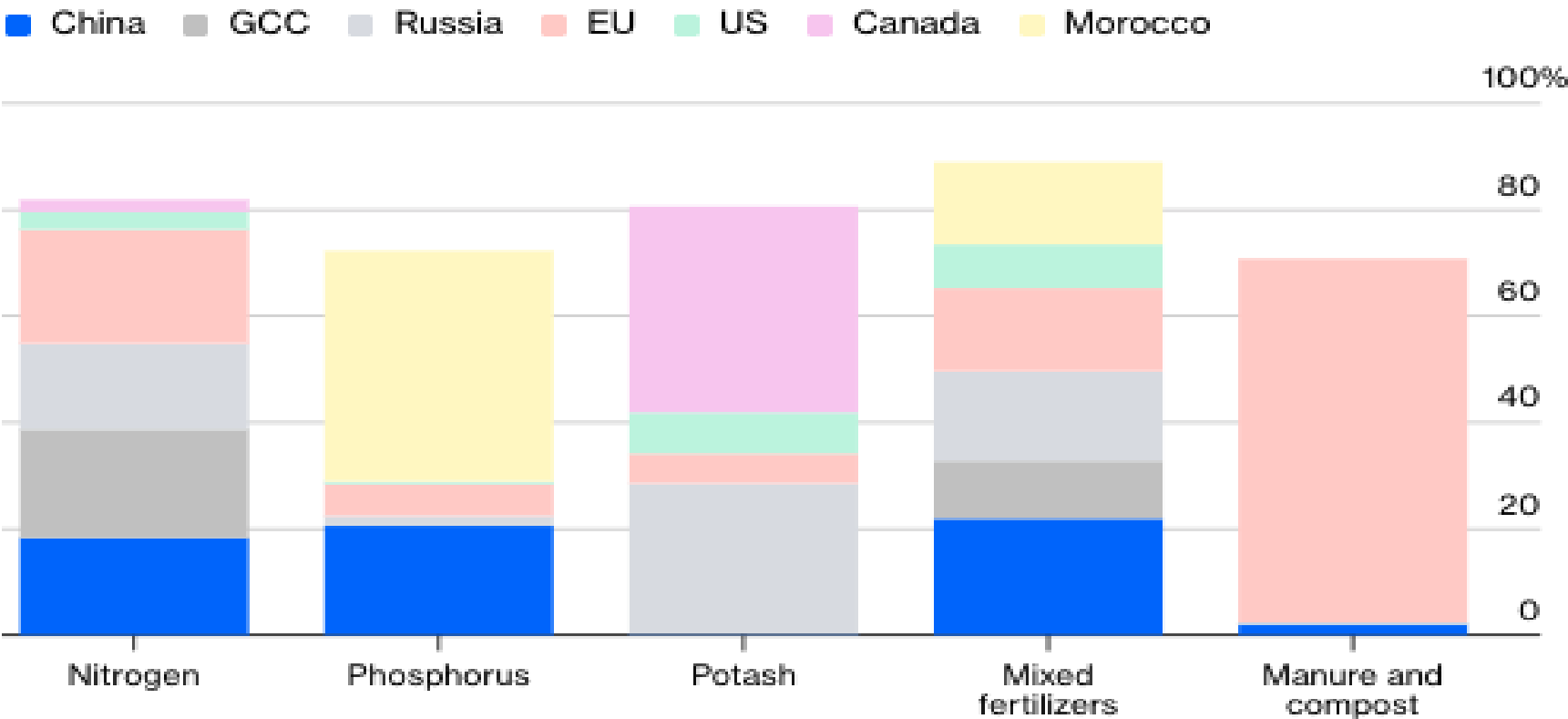
JAPAN | 84.0M T



U.S. | 79.5M T

Bumper Harvest

China accounts for a fifth of nitrogen and phosphate fertilizer exports

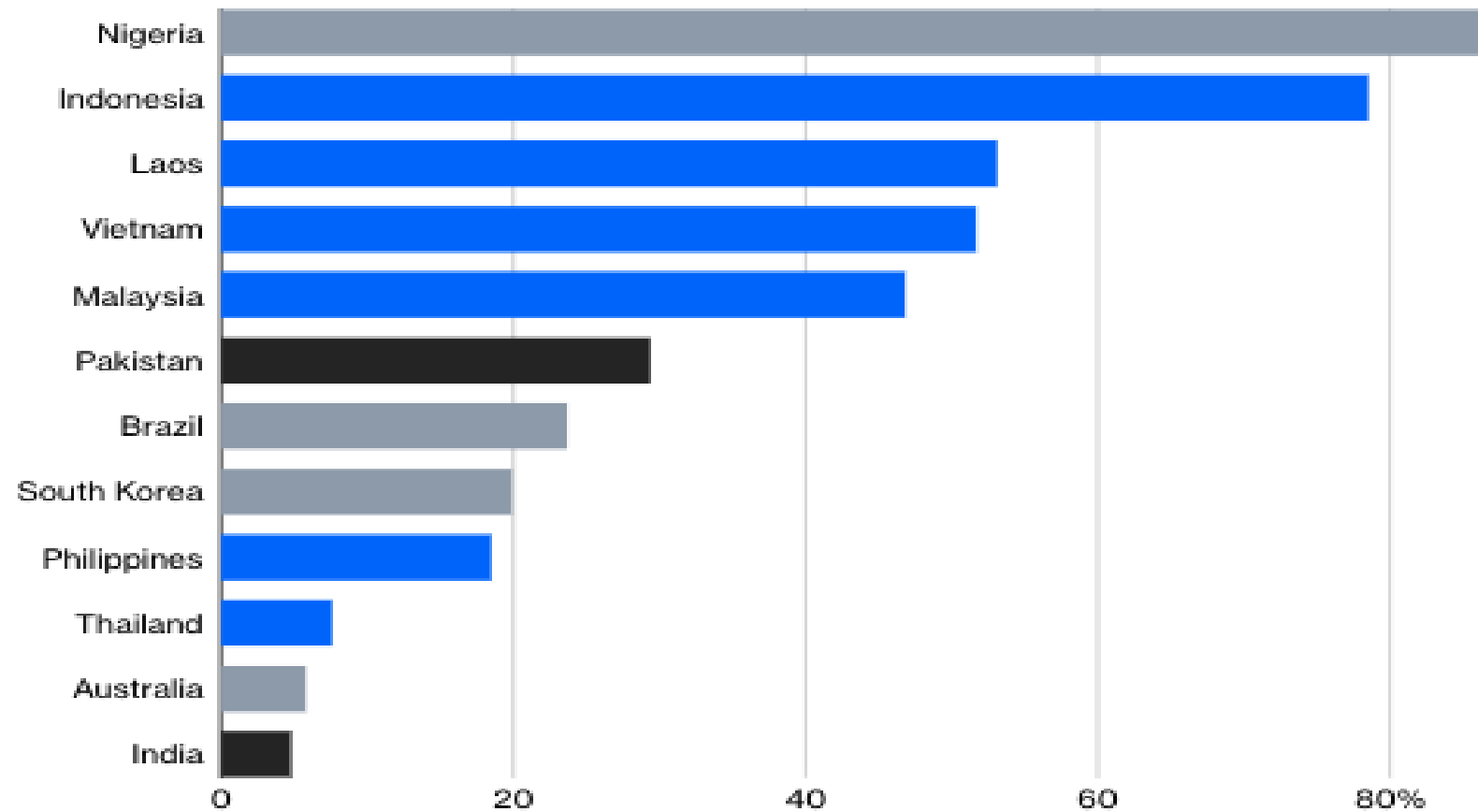


Source: International Trade Centre

Gas Giant

China has a large share in many countries' nitrogen fertilizer imports

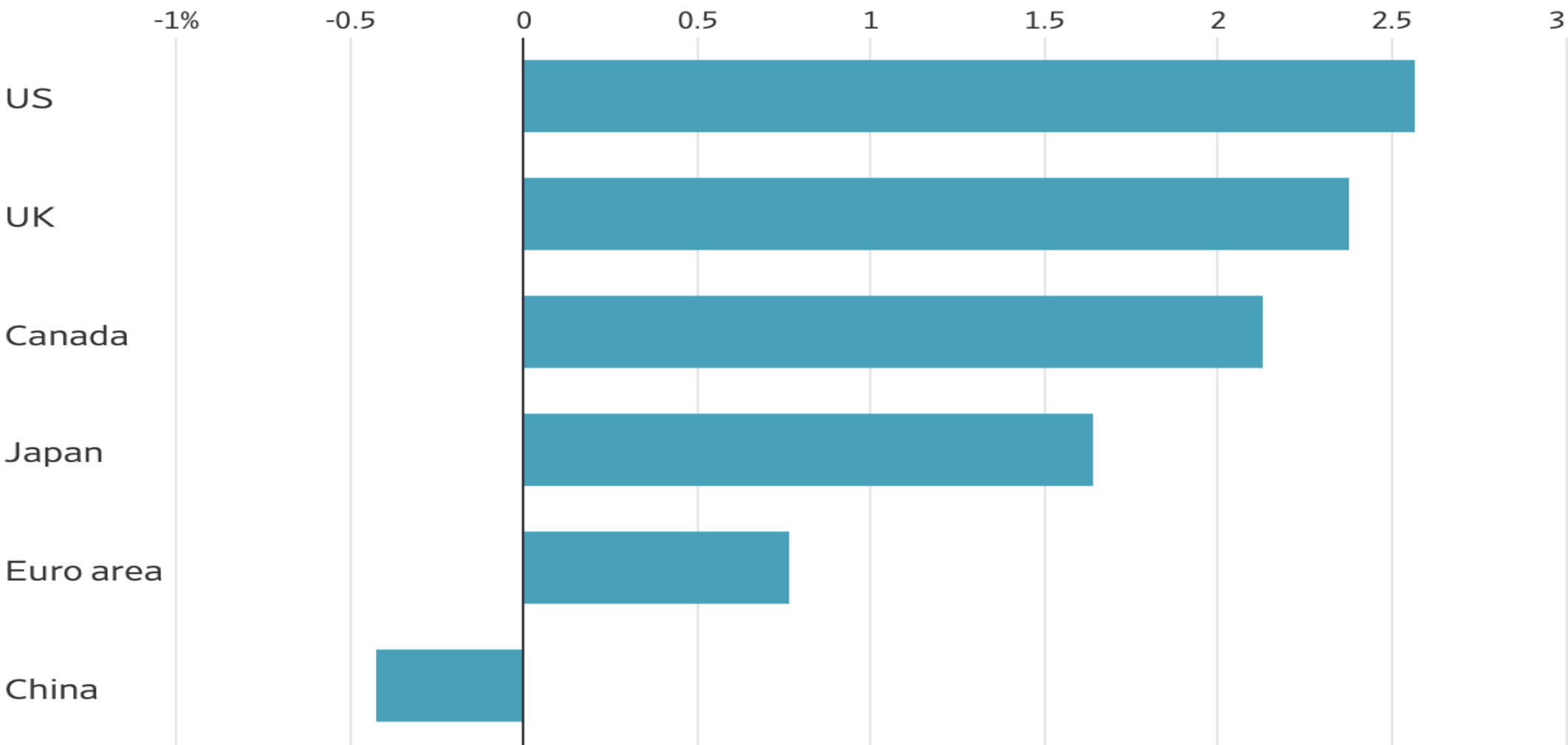
■ Southeast Asia ■ South Asia ■ Other



Source: International Trade Centre

Nothing to be proud of

Retail sales volume, year/year change



Note: China, U.S. are August; Canada is June; all others, July
Source: JPMorgan (China), Haverview (all others)

Why Is Manufacturing in China So Cheap?



Labor Cost Differential

Setup, deburring, inspection, finishing, packaging



Supplier Density

Material sourcing, tooling, outside processes



Scale

Fixed cost per part



Vertical Integration

Vendor markups and coordination delays



Incentives and Infrastructure

Tax, land, utilities, logistics

Chinese economy : perverse aspects

- Under valued currency to promote exports for last 30 years .
- Practical no personal income tax .
- Very regressive consumption tax lowering the consumption and increasing savings .
- No proper labour market : Hukou allows to work where you are born only few labourers allowed to the cities .
- You cannot sell food in open market but only to the state government .
- Heavy subsidies to promote exports .
- No large scale imports are allowed , no tariff barriers are very many .

China shock 1 (Prof Brad Setser)

- In 2002, there was a big jump in China's exports. At the time, it was mostly in relatively low-end manufactured goods: furniture, household appliances, clothing.
- I think there was a sense, in the U.S., that these were not the industries of the future.
- But I think what China Shock 1.0 academic literature shows is, even though these weren't the industries of the future, they were still employing a meaningful number of Americans, often in the South, often in the Midwest.
- The China Shock is how that has impacted the local — not national — labor markets that had the most overlap with China. And this has a short-run negative effect on parts of the economy.
- When the local factory closes down, local real estate prices turn down, and the people who sell lunches to the factory workers have fewer people to sell to. So it becomes a generalized downturn in those communities.
- That was clearly underestimated. And then people have done all sorts of further studies, which correlate the areas that have the most exposure to the Chinese export wave to deaths of despair to political realignments

China shock tolerable or acceptable

- China's integration into the global economy was more or less inevitable, and that the negotiated terms of entry into the W.T.O. provided a reasonable framework for China's entry and full integration into the global economy — that trade was fundamentally good, that there would be shifts across industries. People would leave their jobs in import-competing parts of the economy but generally move to exporting parts of the economy or into the services sector — and that we had a fairly flexible labor market.
- And by the way, integration was seen as a positive force for China's political development. It might lead to some forms of liberalism within China. It might moderate China's global ambitions.

China shock 1

- **if China wants to make cheap goods for Americans, people like low prices, and they like low inflation.**
- The industries that were going to China were not the source of top, cutting-edge technology at the time and not generating a lot of high-wage jobs.
- So there was, indeed, a sense that consumers would benefit, and did benefit, from cheap goods, and the adjustment would not threaten the core strengths of the American economy, that was the belief.
- China's explosion of exports lowered the price of manufactured goods.

China shock 2

(BRAD SETSER NYT Interview)

- The start of China Shock 2.0 is exactly after the collapse of China's property market in 2021.
- Xi Jinping gets concerned that there's too much investment in property — probably rightly so — that there were empty buildings piling up. He introduces a “three red lines” policy, which sort of restricts finance for the property sector. It succeeds too well, and the property market basically tanked.
- In order to offset the economic impact of this fall, Xi more or less gives the banking system guidance to lend, to finance, a new wave of manufacturing investment, and particularly manufacturing in more cutting-edge sectors — electric vehicles being the leading example.
- In general, it's investment in any sector where China has import dependence.
- Imports stop growing. This is one of the key factors around the second China Shock. Normally, the imports would grow with domestic demand. Chinese imports basically aren't growing.
- The U.S. share of global output has been remarkably constant over the last 40 years. China's rise, though extraordinary, has statistically come at the expense of the other Group of 7 countries.

CHINA Shock 2

- The most coherent way of defining the concern about Chinese overcapacity is a set of sectors where China produces more than its domestic market can absorb.
- And where, globally, China is adding capacity in a sector that, in aggregate, already has more capacity than there is global demand.
- So in batteries, for example. China's ability to make batteries is a multiple of current global demand. So there's just no scope for anyone else to enter the market.
- The concern in a sector like autos, where there is overcapacity globally, is that there are more auto factories in Europe and in the U.S. with capacity than there is demand. So many factories are operating at low levels of capacity or being underused.

China shock 2

(BRAD SETSER NYT Interview Aug 26)

- And there's overcapacity in China. A lot of Chinese factories are not being fully used, and China is adding to its capacity. So China has the ability to make 55 million cars, which is well over half, close to two-thirds, of world demand.
- And that is growing. And so, China's expansion necessarily means the exit of capacity elsewhere, when there's already spare capacity.
- If an industry suddenly goes away, you have all the China Shock 1.0-type effects: Communities that grew up around building cars will just kind of disappear.
- Now in the China Shock 2.0, you're not going to be moving to an export sector, because no one is exporting to China. So you're going to move to, necessarily, a services sector. You're going to become less focused on producing traded goods.

China shock : Currency manipulation

- Factor 1 : A country that has an undervalued currency. You can quantify that, and so, you look for a surplus that's bigger than you would expect, given the underlying characteristics of the economy.
- Factor 2 is government or quasi government intervention in the foreign currency market. So it's not just the outcome of differences in monetary policy. There's a government with its finger on the foreign exchange market, buying currency to hold the currency down.
- China met both of those definitions, unambiguously, from 2003 to 2012. There was a political decision not to call them a manipulator. Now, during the latter part of that period, they were letting their currency appreciate, so they're kind of correcting the undervaluation, which was part of the reason they weren't named.
- China is now back through its state banks buying a lot of foreign currency in the market — 50 billion a month, 600 billion a year.
- So there's a much clearer case that China is manipulating now than there was in the past. Trump hasn't taken an interest in this.

Indian economy its journey

- India's economic progress since liberalisation has been modest relative to global peers, the analysis shows.

India : its structural weakness

- India has no proper grade coal .
- It is deficient in rare earth minerals
- India has no oil and gas .
- India's farming is dependent on South West monsoon which has become erratic : less rainy days , large dry spells , very concentrated rainfall . Also the the major dams are rainfed .
- India has no fertiliser deposits : potash and phosphate .It has no gas so it cannot produce urea .
- Its young population educated upto 8 th standard compared to China , Vietnam with 12 th standard .
- The Govt R& D expenditure is low , very poor by the private sector also .
- Our business houses are family enterprises with the mercantilist orientation .
- India has no Alibaba Tencent like in China , it has hardly any industrial house investing LLM in AI .

Indian economy

How to judge its performance

- The most important : Has it created enough jobs for the youth by exploiting the Demographic Dividend ?
- Whether it is able to eradicate the farm distress leading to suicides ?
- Second is whether it has achieved self sufficiency in sensitive sectors like defence , semiconductors , rare earth magnate , aircraft engine , battery , renewable energy , the scientific innovation , the global brands the fertilizer and the energy ?
- Third is the strategy to manage the global natural risks like climate change and loss of bio diversity .
- How to tackle the rising Bi polarity where India gets neglected by USA and is threatened by China ?
- Who is responsible for the India's present pathetic position that it has landed in a mess?

Indian economy (1 OCT 26 BS)

Beyond the output

Growth metrics from FY20 to FY25 (in % Y-o-Y)

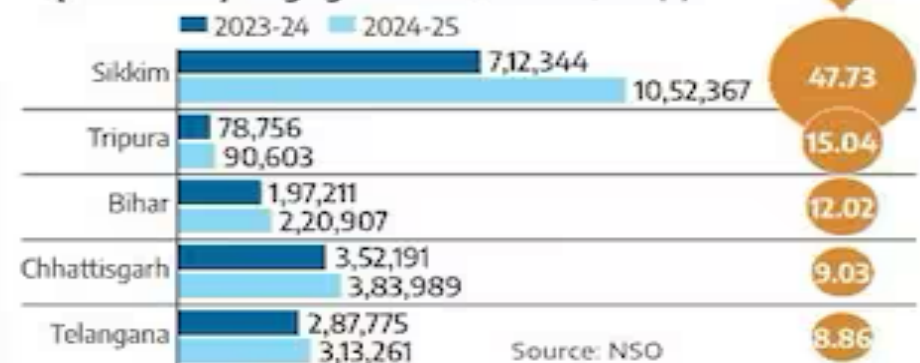
Metric ■ Gross fixed capital formation
■ Fixed capital per person engaged ■ Output per worker
■ Wages per worker ■ Profit per factory



Top 5 states by worker productivity in FY25

State	Output (₹ tm)	People engaged	Output per worker (₹ cr)
Odisha	5.41	381,862	1.42
Sikkim	0.35	27,086	1.29
Chhattisgarh	3.43	311,996	1.1
Jharkhand	2.58	249,198	1.04
Gujarat	27.98	2,726,813	1.03

Top 5 states by wage growth Emoluments/TPE (₹)

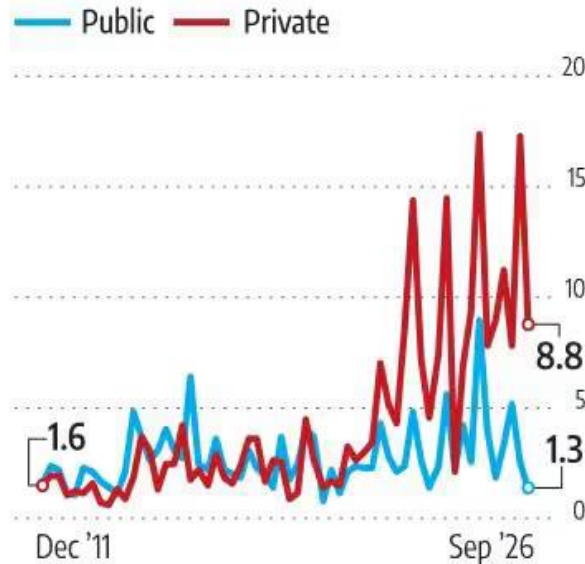


Source: NSO

INDIAN economy (1 Oct 26 BS)

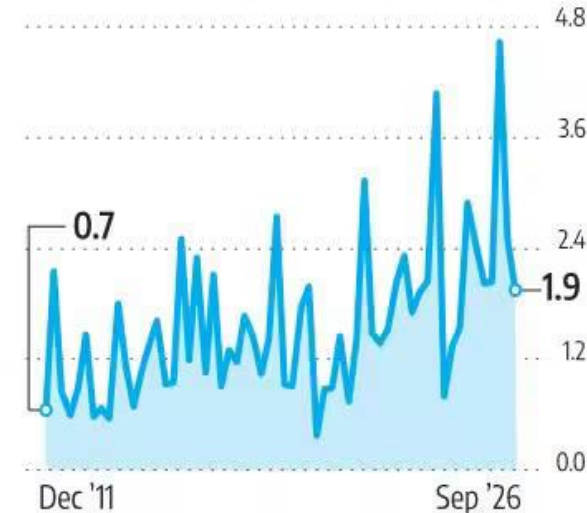
Widening gap

Investment projects announced (₹ trn)



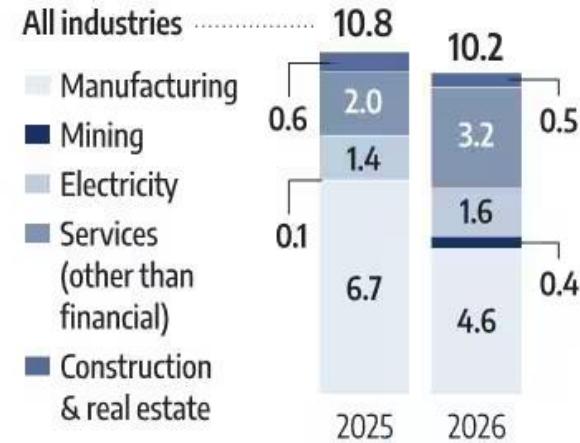
Lower completion rates

Investment projects completed (₹ trn)



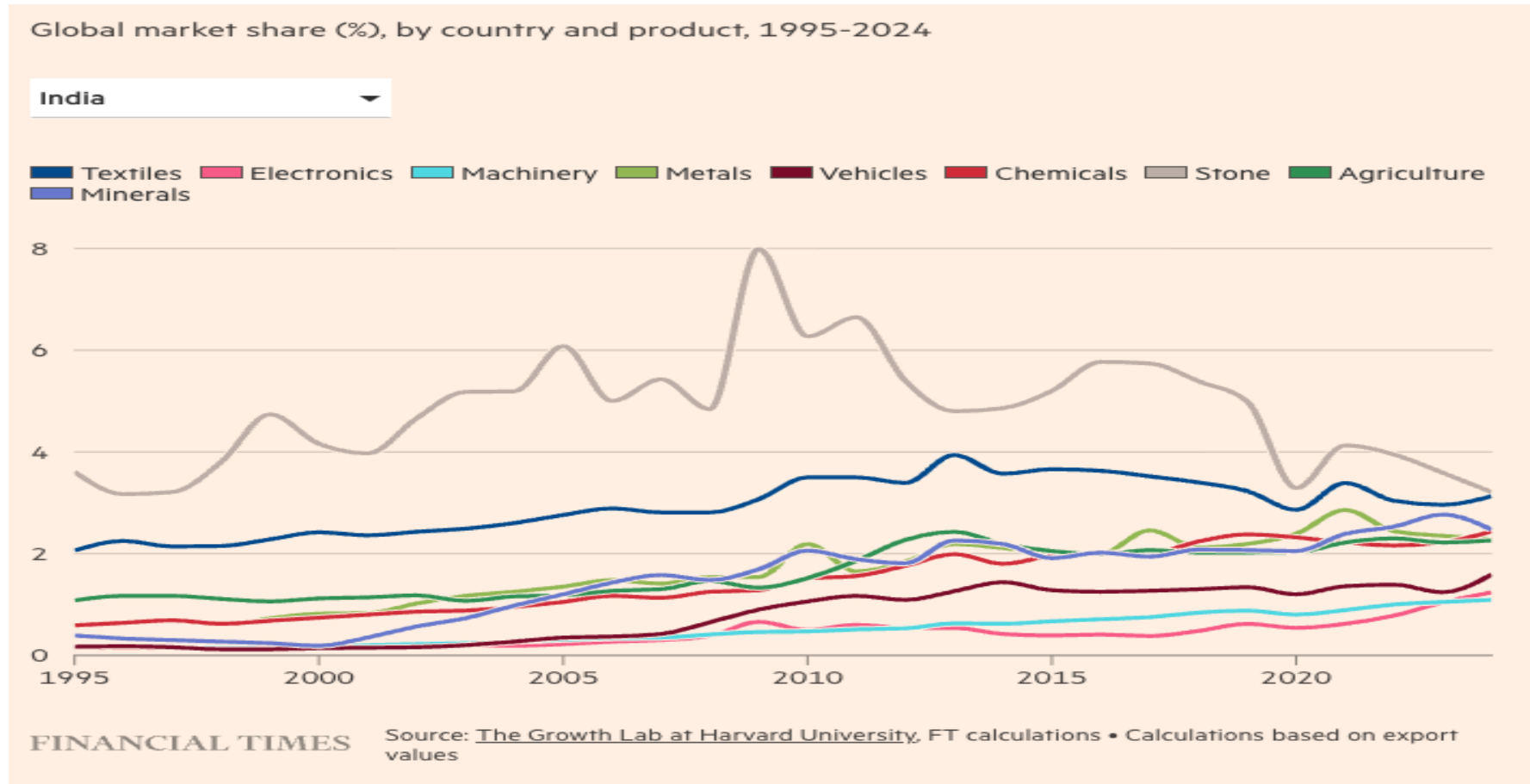
Manufacturing down over 30%

Investment projects announced by sector in September (₹ trn)

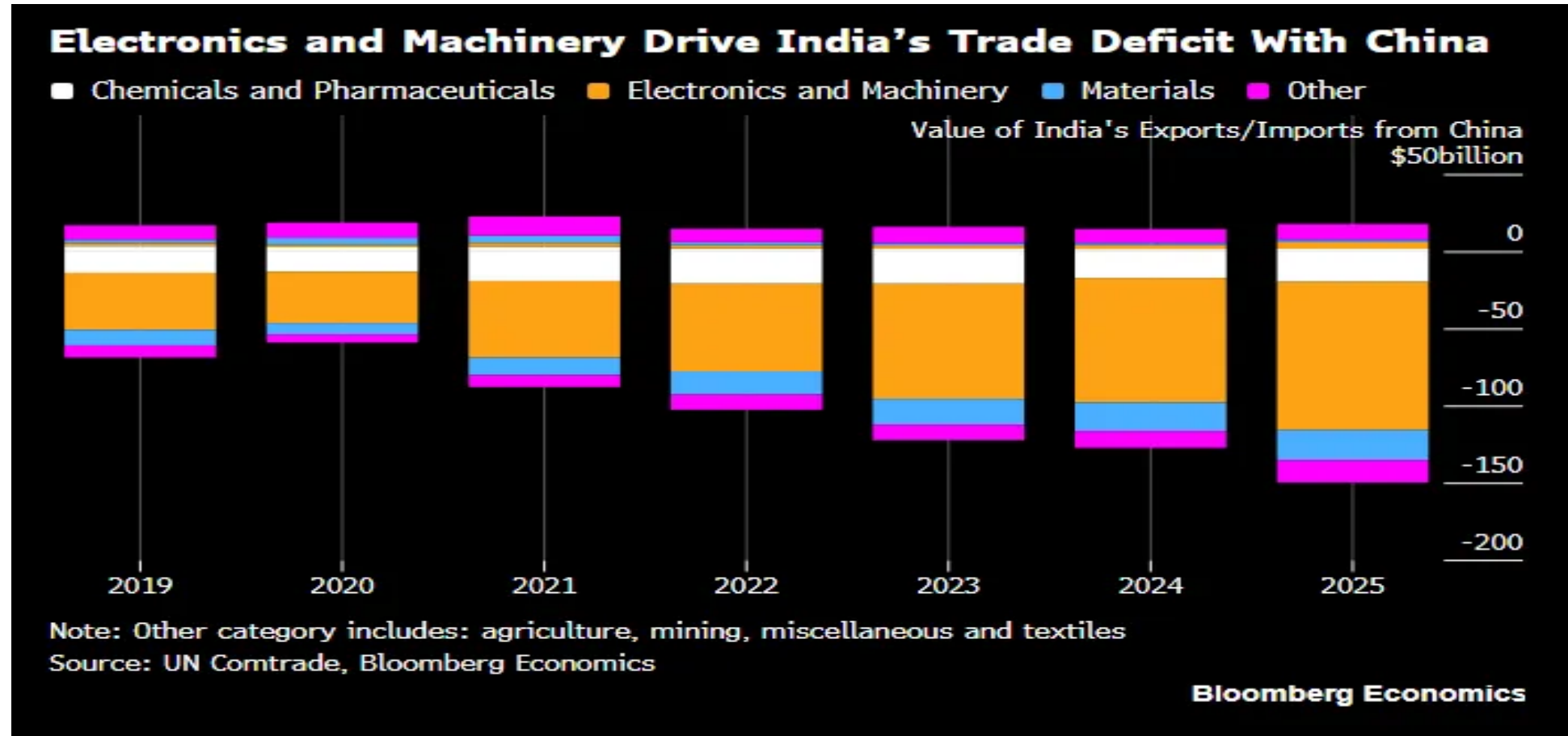


Note: Data is subject to revision; Source: CMIE

India : Global share in trade

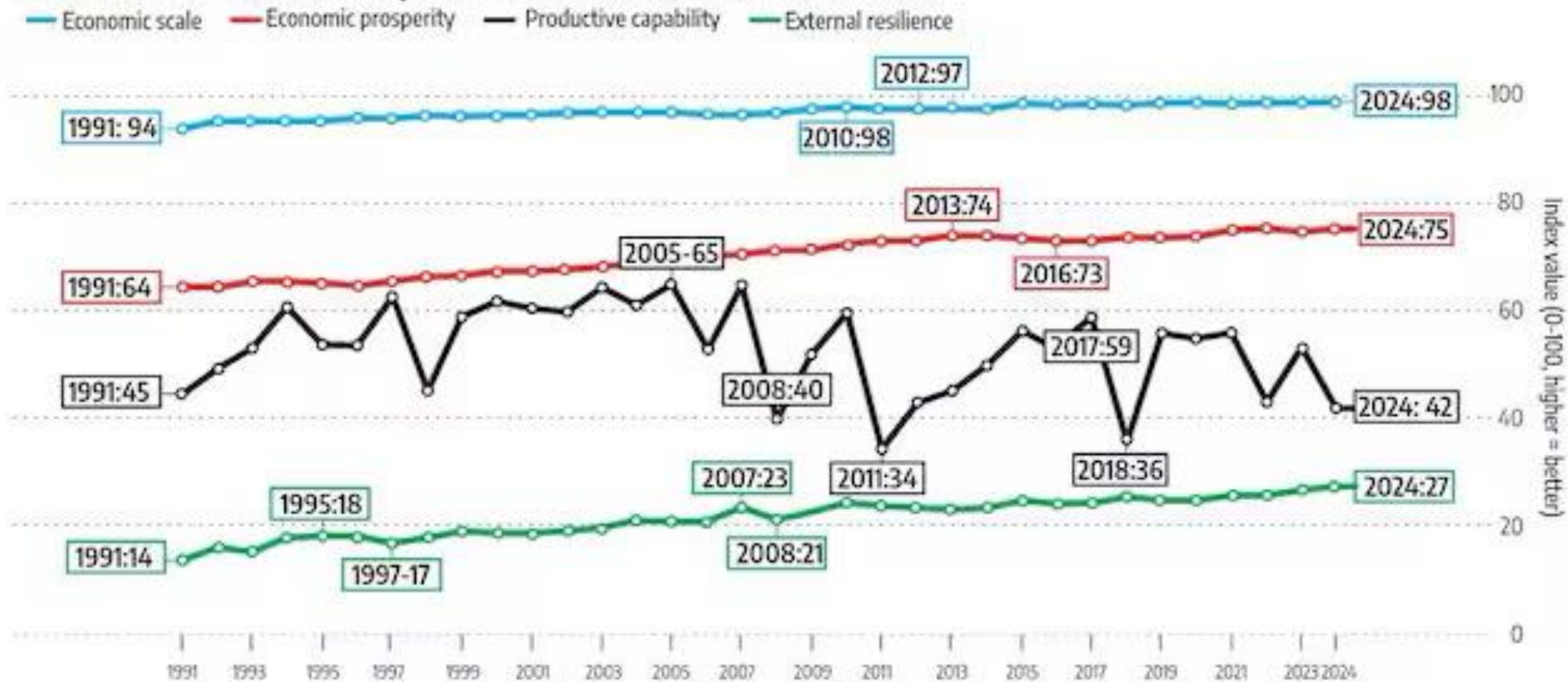


India trade



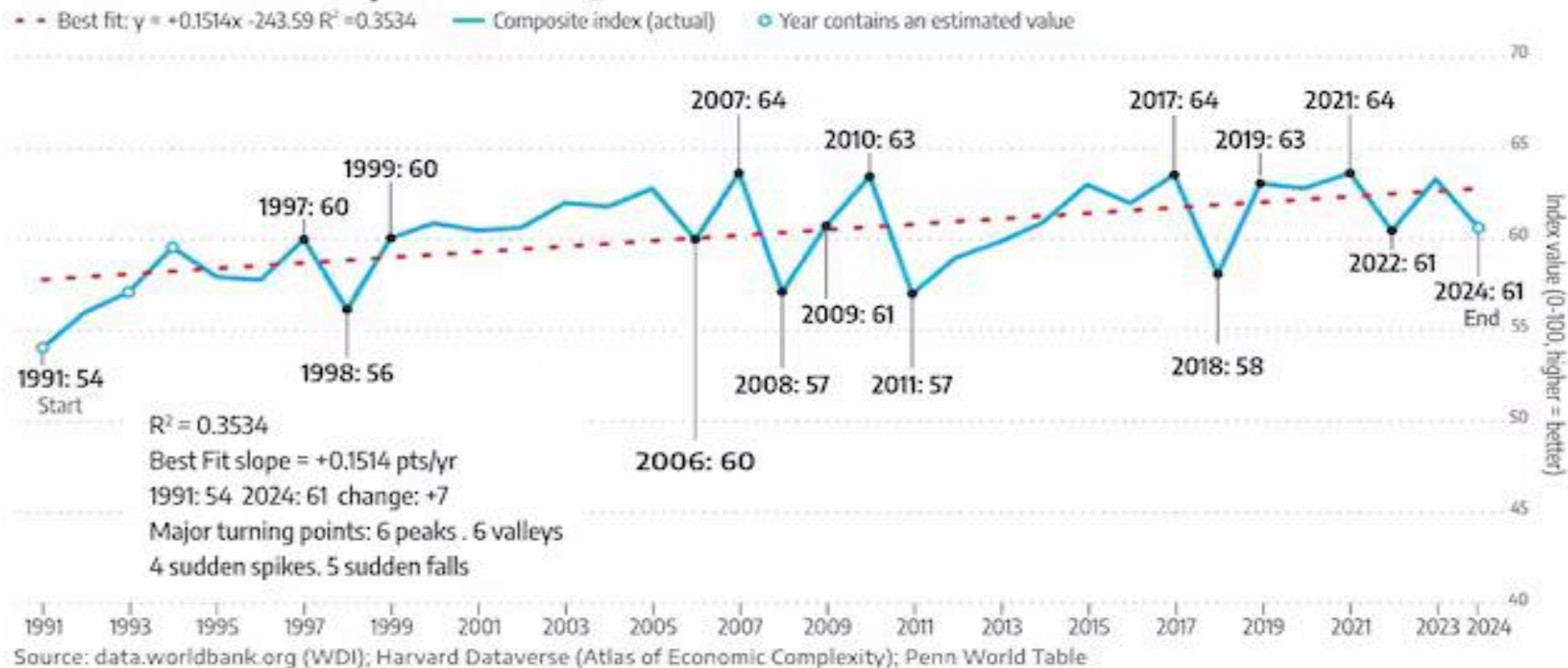
Indian economy Composite Index (2 oct 26 BS)

Exhibit 1: India's four pillars. Sub-indices, 1991-2024



Indian economy Composite Index (BS 2 Oct 26)

Exhibit 2: India Composite Index, 1991-2024



India its global status Recent views by Ministers

“The country had “decades of high growth” ahead and a demographic profile capable of supporting that growth.

India may not have to follow the traditional industrialisation path taken by earlier economies.

“the US had “deliberately become a lonelier power” as part of a chosen change in its posture.

The rise of China as the second major feature of the changing global order, pointing to the increasingly sharp competition between the two powers.

The competition today, not limited to these two countries, has led to a weaponization of any leverage that any country has.

And that competition coexists with the complexity of interdependence,”

Shri Jaishankar Min for Foreign Affairs India . 4 Oct 26 Munich Meet

Indian economy : its resilience

Shri Mishra Pri Secy to PM

- **India's economic resilience lies in domestic capability, diversification and openness,**
- the nature of economic risk has changed significantly, with the world increasingly confronting not merely calculable risks but uncertainty that cannot be reliably assigned probabilities. The pandemic, geopolitical conflicts, supply-chain disruptions, trade restrictions and rapid technological changes, he said, have brought this distinction into sharp focus.
- He observed that geography, which technology was once thought to have made less relevant, has returned to the centre of economic decision-making.
- Disruptions to shipping routes can affect energy prices thousands of kilometres away, while the concentration of critical minerals and their processing creates new vulnerabilities. The clean energy transition, he added, also brings new forms of strategic dependence that need to be addressed. Kautilya Enclave 3 Oct 26

India : Resilient economy

- Resilience is not a choice between self-sufficiency and globalisation. “The more rational approach lies between the two: domestic capability where vulnerability is strategic; diversification where concentration is risky; and openness wherever global integration strengthens productivity and competitiveness.”
- “It has to mean the ability to remain open to the world without becoming excessively vulnerable to it.” The energy security, critical minerals, strategic industrial capabilities and diversification of external economic relationships as important elements of India’s response.
- Dr. Mishra stressed that resilience must be accompanied by productivity and competitiveness. Building domestic capability, he said, should not mean replacing imports at any cost, but creating capabilities that are competitive, scalable and ultimately capable of serving global markets. He cited the transformation underway in electronics, semiconductors, pharmaceuticals and other strategic sectors.

Our cities



Indian economy : FM 5 th Kautilya Conclave 3rd Oct 26

- Private investment must drive the next phase of the economic cycle as India seeks to sustain growth and build resilience against a more uncertain global economic environment, Finance Minister Nirmala Sitharaman said on Saturday. She called for greater private capital expenditure as well as higher spending on research and development (R&D).
- “Private investment must now lead the cycle, including in research and innovation,” Sitharaman said at the Kautilya Economic Conclave organised by the Ministry of Finance.
- India’s R&D expenditure currently stands at 0.83 per cent of gross domestic product (GDP), compared with 2.7 per cent in Organisation for Economic Co-operation and Development (OECD) economies, while the private sector accounts for only 36 per cent of the country’s total R&D expenditure.

India missed the globalization train in 1978
India had not constructed a platform for the train to stop



Indian economy

- India lost the opportunity in 1978 when our GDP was better than China .
- We lost our way as we fell in love with socialism .
- No socialist country has prospered in the recent past 150 years .
- China is not socialist but a pure market economy .
- Russia is very poor nation : its GDP is not even equal to the income of the New York city .
- Only yesterday the Russian autocrat Mr Putin got help from the Russian oligarchs to finance the budget .

Indian economy

- India lost the globalisation train as it had no platform .
- India did not promote labour intensive manufacturing and create employment to the surplus labour from agriculture .
- It resulted in heavy dependence on farming leading to underemployment and agriculture becoming parking lot for young people .
- This resulted in declining farm holdings leading to lower incomes for farm families .
- Taken together with rain dependent farming the situation has led to the farm income deficits and worst scenarios like suicides .

China shock

- India cannot catch the train now as East Asian Tigers and China have produced enormous capacity to supply basic good and higher goods to the global market .
- India cannot promote manufacturing as there are hardly any areas where it can compete with China : the scale and lower costs .
- The world economy has witnessed the automation and the rise of robots making lower demand for labour .
- The India economy will have to explore the new frontiers in manufacturing to create wealth and employment .
- The economy has not able to handle the demographic dividend properly .

Farming the future

- Indian economy may not be able to compete with China in many sectors in the near future .
- Farming has to be promoted as we have hardly any choices .
- Hence the nation must create jobs in farming and become the farm exporter to the world .
- The areas include the horticulture , poultry ,dairy products , animal husbandry.
- The massive urbanization offers immense opportunity to supply dairy , vegetables and fruits .
- The proper cool chain with cold storages near the cities may be planned .

Skilling and reskilling our youth

- New technologies come and destroy old jobs but create new opportunities . This creative destruction .
- As the AI is spreading fastly as general technology , the Govt must plan AI technicians .
- The robots and drones are spreading , hence we must train our village young people in these technologies .
- The EVs are spreading the country side as well as urban areas must train youth to tackle maintenance .

Inviting tourists

- This sector is neglected by us .
- The tourism offers high income and has high employment potential .
- The Konkan has immense coastal line , braced with good roads to the beaches with the decent hotels can create enormous wealth in the area .
- It is a tragedy that the Konkan road from Mumbai is not completed for the last 18 years .
- The mangoes pomegranates and cashew can emerge as major exports if the Dighi and Jaigad ports are linked properly with the Western Maharashtra .

India tourism

- Government estimates put tourism's contribution at 5.22 per cent of gross domestic product (GDP) in 2023-24, supporting, directly and indirectly, 84.6 million jobs, which account for about 13.3 per cent of employment in the economy.
- The World Travel and Tourism Council estimates that spending by domestic visitors reached \$203 billion, or roughly ₹17.7 trillion, in 2025, accounting for 86 per cent of India's travel and tourism spending and growing more than 10 per cent year-on-year.
- India needs to promote foreign tourists it is shame that our tourist numbers are low in relation to Maldives Sri Lanka Vietnam

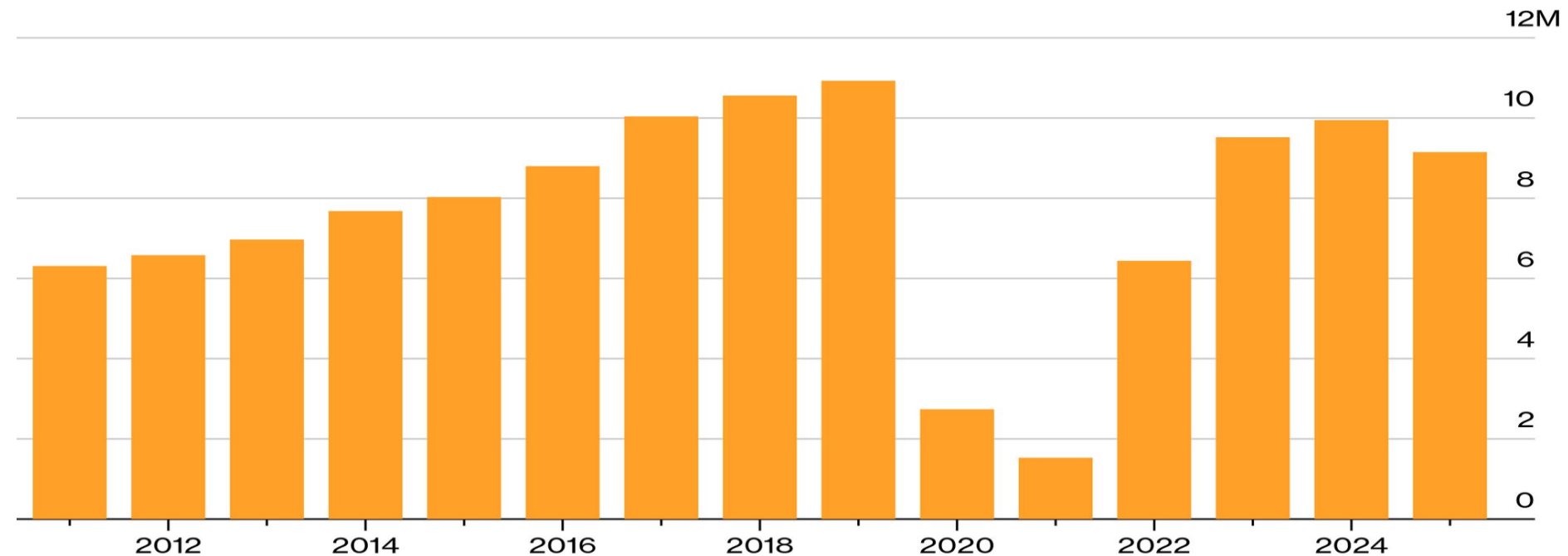
Tourism

- India must aggressively promote health tourism as the health system abroad are insufficient . India has good manpower and hospital infrastructure .
- Panchakarma has become a major tourist attraction in Kerala and Karnataka
- As far the foreign tourist arrivals are concerned , the factors like the cleanliness on beaches, the criminal gangs overtaking the beaches , the indecent attitude towards foreign female tourists require immediate attention .
- Our cities are awful , filthy and not tourist friendly

India tourism

A Travel Destination With Fewer Visitors

Foreign tourist arrivals in India



Sources: India Bureau of Immigration figures compiled in Table 2.2.5 of the India Ministry of Tourism's India Tourism Data Compendium 2025 (2011-2024); India Ministry of Tourism dashboard (2025)

Bloomberg

India depends on imports from China 1

- China supplied at least 80 per cent of India's imports across 71 electronics product lines in 2025-26, with reliance concentrated in core components such as motors, cables and switching equipment rather than finished goods, according to a new study released on the eve of the BRICS Summit.
- The study revealed that the number of such product lines has risen from 44 in 2018-19 to 71 in 2025-26, depicting an increase of more than 60 per cent.
- India's trade deficit with China is structural rather than cyclical, remaining concentrated in the same major HS chapters over time and continuing to widen.
- Chinese firms' reluctance to transfer battery technology to Indian companies and Beijing's continued restrictions on rare earth magnet exports are pushing automakers and component makers to seek alternatives to Chinese technology and supplies.

India trade with China 2

- The scale of that imbalance is substantial. India's overall trade deficit with China reached \$112.1 billion in 2025-26, of which electrical machinery alone accounted for \$43.1 billion — roughly 38 per cent of the total.
- Lithium-ion batteries emerged as a key pressure point. India's imports have more than doubled since 2021-22 to \$3.9 billion, with China's share climbing to 83.6 per cent, crossing the 80 per cent dependence threshold for the first time in 2025-26. The sharp increase highlights lithium-ion batteries as an emerging area of strategic dependence for India's electronics and electric mobility ecosystem.
- China supplied 48.9 per cent of India's semiconductor imports, even after its share fell from around 64 per cent a year earlier.

Indian economy future industries 25 30

- The NITI Aayog report also identifies telecom equipment , chemicals, textiles and solar PV among the sectors where India could strengthen its position in global manufacturing.
- Each has a sizeable domestic base, but the report points to opportunities to move into higher-value segments and deepen integration with global supply chains.
- Domestic telecom and network equipment (TANE) market was worth around \$25 billion in FY25 and could nearly double to \$50 billion by FY32, growing at about 10 per cent annually.
- Chemicals: Shift towards higher-value products .India's chemicals industry was valued at \$200-220 billion in FY25, making it the world's sixth-largest chemicals industry and accounting for 3-3.5 per cent of the global market.

Indian economy Future industries 25 30

- Textiles: Focus on apparel and technical textiles. Textiles remain one of India's biggest employment-intensive manufacturing sectors, providing jobs to more than 45 million people. India was the sixth-largest exporter of textiles and apparel in FY25, with a 4.1 per cent share of the global market.
- Textile exports reached \$37.7 billion in FY25, leaving a significant gap to meet the government's target of \$100 billion by FY30.
- Solar PV: Build a deeper supply chain . India's solar manufacturing capacity has expanded sharply, with solar module capacity reaching 100 GW by August 2025, up from less than 3 GW in 2014. Solar cell capacity reached 25 GW by March 2025, compared with less than 1.2 GW in 2014.
- However, India remains heavily dependent on imports for key inputs. While modules, cells, and some wafers are produced domestically, polysilicon import dependence is close to 100 per cent, while dependence on imported wafers is above 90 per cent. The country also relies on imports for more than 60 per cent of its cell supply and more than 40 per cent of its module supply after accounting for exports.