Indian Economy · GS - III

Examine how China's industrial performance influences global commodity markets. What are the implications of such dependence for India?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 28/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Chinese demand, commodity prices, global supply chains, copper, manufacturing, import dependence, economic vulnerability

Model Answer

China's position as a major manufacturing economy and consumer of industrial commodities gives its economic performance considerable influence over global commodity markets. Changes in Chinese industrial activity can affect demand, prices and international trade flows.

Channels of influence

1. **Industrial consumption:** China's manufacturing, construction and infrastructure sectors generate substantial demand for metals such as copper, aluminium and iron ore.
2. **Market expectations:** Economic stimulus, industrial profit growth and import trends influence investor expectations and commodity prices.
3. **Supply chains:** Changes in Chinese production and trade can affect the availability and cost of industrial inputs worldwide.
4. **Financial markets:** Currency movements, stock market conditions and investor sentiment can amplify commodity price fluctuations.

Implications for India

- Rising metal prices can increase input costs for power, electronics, automobiles and infrastructure.

- Price volatility can affect India's import bill and inflation.
- Strong Chinese demand may create opportunities for Indian commodity producers.
- Dependence on international suppliers exposes Indian industries to external disruptions.

Policy priorities

India should diversify import sources, strengthen domestic mineral exploration, promote recycling and develop strategic reserves for critical minerals. Greater resource efficiency and domestic manufacturing capabilities can reduce external vulnerabilities.

Thus, China's industrial performance demonstrates how economic developments in one major economy can transmit shocks across interconnected global markets. India needs resilient supply chains and diversified sourcing to manage these risks.

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