

GLOBAL MANUFACTURING UNDERGOING STRATEGIC REALIGNMENT

*India Emerges as a Key Beneficiary
of Supply Chain Diversification*



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ASSOCHAM Global Research and Strategy Centre

Global Manufacturing Undergoing Strategic Realignment

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I. Introduction

The COVID-19 pandemic changed the way businesses around the world operate. Factory shutdowns, shortages of raw materials and components, rising freight costs, and geopolitical tensions exposed the risks of relying heavily on a few manufacturing destinations. As a result, companies have increasingly started to diversify their production networks through strategies such as China+1, nearshoring and friendshoring to build more resilient supply chains.

These developments have raised the need to understand if the global manufacturing growth really becoming more diversified, and if yes, which countries are benefiting from this shift?

To examine this, the present analysis covers the world's ten largest manufacturing economies based on the latest Manufacturing Value Added (MVA). These include China, the United States, Germany, India, the Republic of Korea, Italy, Mexico, the Russian Federation, France and the United Kingdom (Table 1). Together, these economies account for around 65 per cent of global manufacturing output and can provide a good representation of changing global manufacturing trends.

Table 1: Manufacturing Value Added of the World's Top Manufacturing Economies (USD bn)

Country Name	2005	2015	2025	CAGR (2025 over 2015)
World	7845.55	12420.16	17601.08	3.55
China	733.65	3202.51	4822.73	4.18
United States	1692.92	2123.24	2896.50	3.15
Germany	572.01	689.75	889.63	2.58
India	131.04	327.82	532.92	4.98
Republic of Korea	253.54	428.23	513.52	1.83
Italy	289.50	263.20	382.77	3.82
Mexico	165.87	240.52	366.08	4.29
Russian Federation	119.80	168.84	349.77	7.55
France	266.24	252.06	319.34	2.39
United Kingdom	269.47	276.43	307.30	1.06

Source: World Bank, FRED

Using manufacturing growth data, the study compares the performance of these economies during the pre-pandemic period (2016–2019) and the post-pandemic realignment phase (2022–2025). The pandemic year (2020) and the rebound year (2021) have been excluded from the comparative analysis to avoid distortions arising from the unprecedented contraction in global manufacturing activity during the pandemic and the sharp recovery that followed. Annual manufacturing growth data for the selected economies are presented in Appendix Table AI.

The performance of each country has been analysed against the global manufacturing growth average to assess whether economies have strengthened or weakened their relative manufacturing activity in the evolving geopolitical disruptions. The analysis seeks to identify emerging manufacturing leaders, economies losing momentum and the broader shift in direction of global supply chains.

II. Comparative Assessment of Manufacturing Growth

To assess how manufacturing performance has evolved following the pandemic, average manufacturing growth rates were calculated for two periods- the pre-pandemic phase (2016–2019) and the post-pandemic realignment phase (2022–2025). Again, the pandemic year (2020) and the rebound year (2021) have been excluded to avoid temporary distortions in the overall economic activity.

In addition to comparing average manufacturing growth across countries, each country's performance is measured using the global manufacturing growth average as the benchmark. This allows us to distinguish between changes driven by global manufacturing trends and changes reflecting improvements or weakening in a country's relative manufacturing performance.

Table 2 below presents the average manufacturing growth for both periods along with the corresponding gap vis-à-vis the world average. A positive gap indicates that a country's manufacturing sector grew faster than the global average, while a negative gap indicates relatively weaker performance against the world average.

Table 2: Comparative Manufacturing Growth Performance pre- and post-Pandemic

Country	Pre-Pandemic (2016-19)		Post-Pandemic (2022-25)	
	Country Average	Gap vs world	Country Average	Gap vs world
China	6.79	2.40	-0.07	-2.26
United States	4.08	-0.31	3.81	1.62
Germany	2.05	-2.34	2.63	0.44
India	3.44	-0.95	4.15	1.96
Republic of Korea	2.39	-2.00	0.30	-1.89
Italy	2.75	-1.64	3.54	1.35
Mexico	5.51	1.12	7.77	5.58
Russian Federation	14.24	9.85	10.86	8.67
France	2.48	-1.91	4.52	2.33
United Kingdom	1.55	-2.84	2.72	0.53

Source: ASSOCHAM's calculations using data from World Bank and FRED

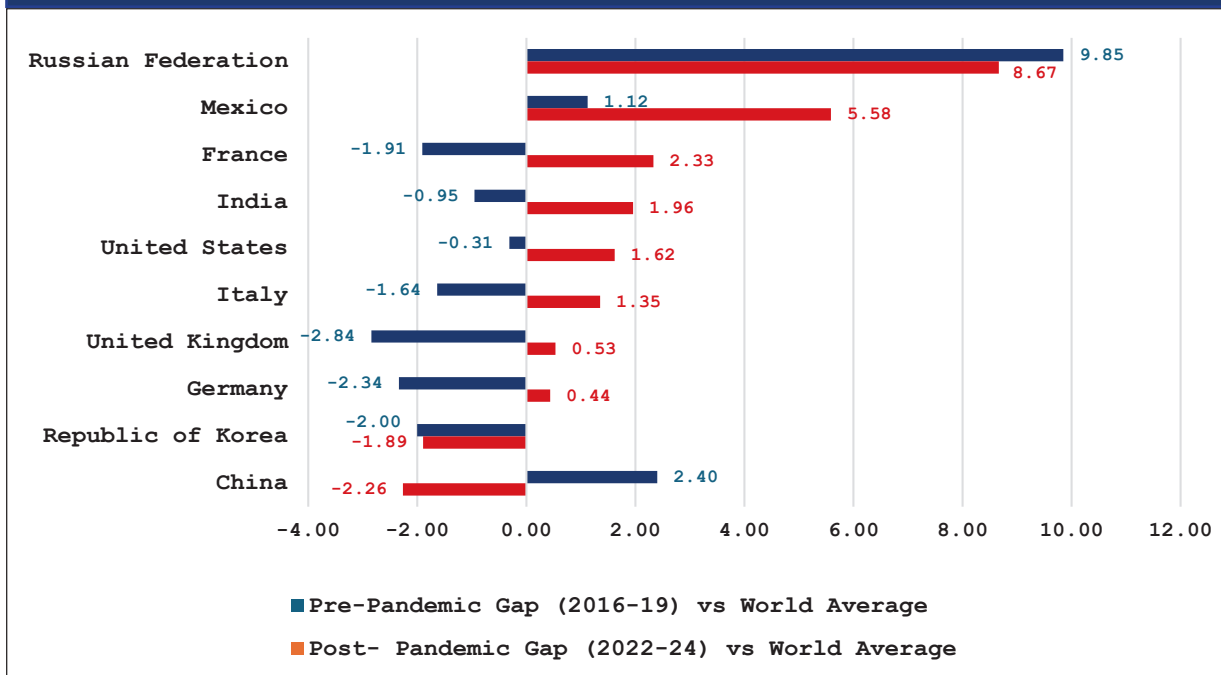
Note: World average manufacturing growth was 4.39% during 2016–2019 and 2.19% during 2022–2025

The summary statistics reveal significant changes in manufacturing performance across major economies. Before the pandemic, China, Mexico and the Russian Federation recorded manufacturing growth above the global average, while most advanced manufacturing economies including Germany, France, Italy, United Kingdom, United States as well as India remained below the global benchmark.

The post-pandemic period presents a different picture. India, the United States, France, Italy, Germany and the United Kingdom all improved their position relative to the global average, indicating a broader distribution of manufacturing growth across countries. Mexico continued to outperform the global benchmark and strengthened its relative position further, while China moved from above-average (2.40% vs 4.39%) to marginally below-average manufacturing growth (2.26% vs 2.19%). Although China continues to be the world's largest manufacturing economy, this shift suggests that new manufacturing growth is increasingly being shared across by number of countries rather than remaining concentrated in a single economy.

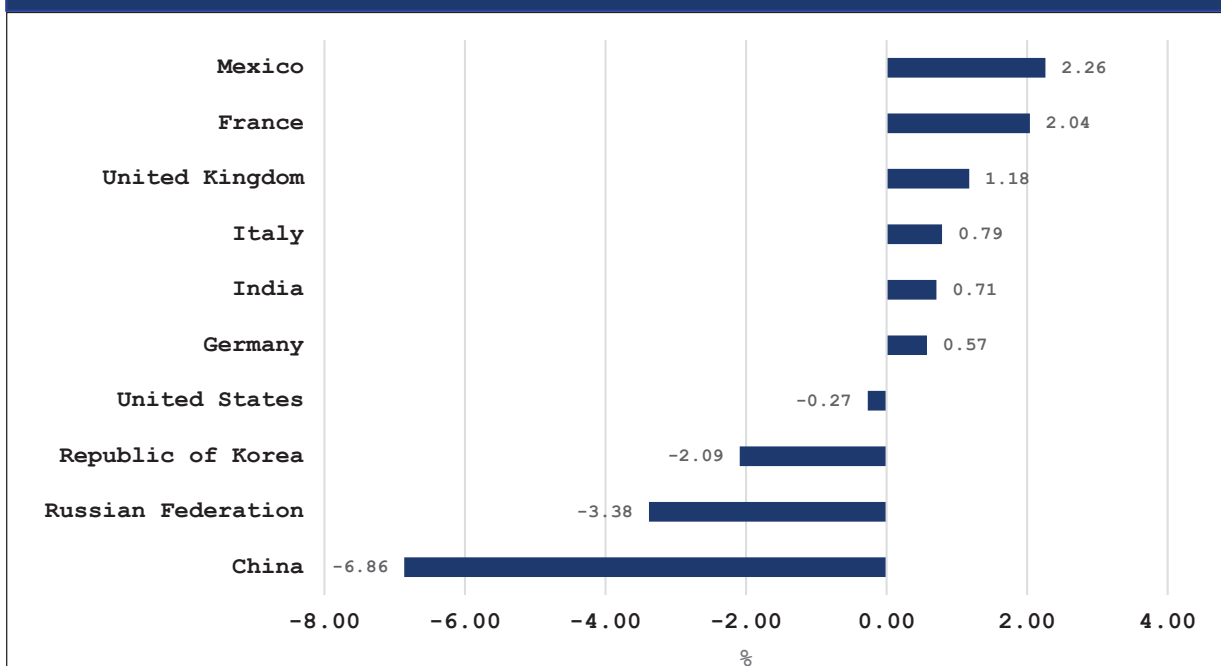
The following figures, figure 1 and figure 2, present a pictorial representation of these findings by examining changes in relative manufacturing performance, manufacturing growth momentum and the broader realignment of global manufacturing after the pandemic.

Figure 1: Manufacturing Performance Relative to the World Average
(Country average minus world average (%))



Source: World Bank, FRED

Figure 2: Manufacturing Winners and Losers from Supply Chain Realignment
(Difference between Post and pre pandemic average)



Source: World Bank, FRED

The comparative analysis indicates that the post-pandemic period has been characterised by a gradual diversification of manufacturing growth across major economies. Figures 1 and 2 present this transition from two perspectives. While Figure 1 compares each country's manufacturing growth relative to the global average, Figure 2 captures the change in manufacturing growth momentum between the pre-pandemic and post-pandemic periods. Figure 1 below shows that-

- prior to the pandemic, China was among the strongest manufacturing performers, recording growth well above the global average.
- Mexico and the Russian Federation also outperformed the global benchmark, whereas countries such as India, the United States, Germany, France, Italy and the United Kingdom recorded manufacturing growth below the world average.
- Post-pandemic, India moved from below the global average to almost two percentage points (1.96%) above it, while the United States, France, Italy, Germany and the United Kingdom also improved their relative manufacturing performance.
- Mexico further strengthened its position over the global average, reflecting continued expansion of manufacturing activity in the country.
- In contrast, China moved from outperforming the global benchmark to marginally underperforming it, indicating a moderation in manufacturing growth relative to other major economies.

Further, the changes in manufacturing growth momentum is measured in Figure 2-

- Mexico recorded the largest improvement among the countries analysed, followed by France, the United Kingdom, Italy and India. These gains suggest that manufacturing growth is increasingly being shared across a broader group of economies.
- On the other hand, China experienced the sharpest decline in manufacturing momentum, while Korea and the Russian Federation also recorded slower growth relative to their pre-pandemic performance.

Taken together, the findings do not suggest a shift away from China as the world's leading manufacturing economy. Rather, they indicate that new manufacturing investment and production are becoming more geographically diversified. This is consistent with the growing adoption of supply-chain strategies such as China+1, nearshoring and friendshoring, as firms seek to improve resilience, reduce concentration risks and enhance supply-chain flexibility.

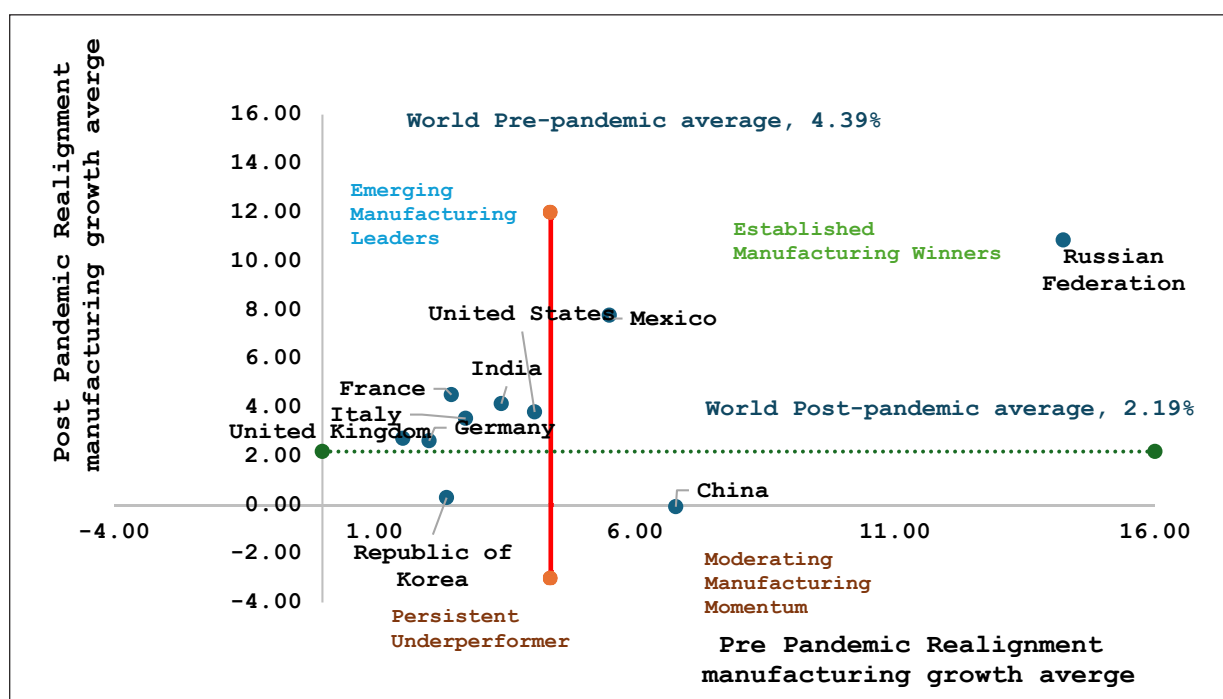
III. Global Manufacturing Realignment: Emerging Patterns

India Emerges as a Key Beneficiary of Supply Chain Diversification

The manufacturing realignment matrix in Chart 3 provides a consolidated view of how countries have performed before and after the pandemic. The chart identifies two notable trends.

Figure 3: Global Manufacturing Realignment Matrix: Manufacturing Growth Before and After the Pandemic

World average manufacturing growth: 4.39% (2016–19) and 2.19% (2022–25)



Source: ASSOCHAM's calculations using data from World Bank and FRED

1. Mexico and Russia continue to occupy the position of established manufacturing winners, having recorded above-average manufacturing growth both before and after the pandemic. Mexico's performance reflects the growing importance of nearshoring and North American supply chain integration.
2. India along with France, Germany, Italy and the United Kingdom fall within the category of emerging manufacturing leaders, reflecting stronger post-pandemic manufacturing performance relative to its pre-pandemic position. This transition reflects the broader diversification of global manufacturing as firms increasingly seek to reduce concentration risks and build more resilient production networks.

India's improving position can be attributed to growing supply chain diversification, rising investor interest under China+1 strategies, expanding domestic demand, improvements in logistics and infrastructure, and targeted policy support through initiatives such as the Production Linked Incentive (PLI) schemes.

3. China presents a contrasting picture. Although it remains the world's largest manufacturing hub, it is the only major economy in the analysis that moved from above-average manufacturing growth before the pandemic to below-average growth in the post-pandemic period. This reflects the gradual diversification of manufacturing activity as incremental investment and new production capacities are increasingly being distributed across multiple economies rather than a decline in China's overall manufacturing importance.

IV. Policy Way Forward ---

The analysis suggests that India has strengthened its manufacturing position in the post-pandemic period. While several policy reforms have already laid a strong foundation, the next phase should focus on scaling up these initiatives, improving implementation and leveraging India's inherent strengths to attract greater manufacturing investment.

- a. **Build globally competitive manufacturing ecosystems:** India has taken important steps to strengthen its manufacturing base through initiatives such as the Production Linked Incentive (PLI) schemes, the National Industrial Corridor Development Programme and the recently announced BHAVYA Scheme. Going forward, the focus should be on timely implementation, faster approvals and creation of integrated manufacturing ecosystems that enable firms to scale efficiently and become globally competitive.
- b. **Improve logistics and industrial infrastructure:** Significant progress has been made through initiatives such as PM Gati Shakti, Dedicated Freight Corridors, industrial corridors and plug-and-play industrial parks. The next phase should focus on completing these projects on schedule, improving last-mile connectivity and reducing logistics costs so that Indian manufacturers can compete more effectively in global markets.
- c. **Strengthen domestic supply chains and value addition:** While India has become an attractive manufacturing destination, increasing domestic value addition remains equally important. Developing stronger supplier ecosystems, encouraging MSMEs to integrate with large manufacturers and reducing dependence on imported components in strategic sectors will make India's manufacturing sector more resilient.
- d. **Continue improving the ease of doing business:** India has made considerable progress in improving the business environment through digitalisation, faceless approvals and regulatory reforms. Continued efforts to simplify compliances, reduce regulatory uncertainty, speed up approvals and ensure policy stability will further improve investor confidence and reduce the cost of doing business.

- e. **Promote technology-led manufacturing:** As global manufacturing becomes increasingly technology-driven, greater investment in automation, digital manufacturing, artificial intelligence, research and development, and Industry 4.0 technologies will help Indian firms move up the value chain and improve productivity.
- f. **Leverage Free Trade Agreements to expand manufacturing exports:** India's expanding network of Free Trade Agreements presents an opportunity to integrate more deeply with global value chains. Aligning domestic manufacturing capabilities with new export opportunities, particularly in sectors where India has emerging strengths, will help attract investment and strengthen India's position as a global manufacturing hub.

V. Conclusion

The analysis shows that the post-pandemic period has changed the global manufacturing landscape. While traditional manufacturing hubs continue to play an important role, manufacturing growth is now being shared across a larger number of countries as companies look for more resilient and diversified supply chains.

India has improved its manufacturing performance relative to the global average and is emerging as an important destination for new manufacturing investment. Continued reforms to improve infrastructure, logistics, ease of doing business, technology adoption and integration with global value chains will be important for sustaining this momentum and strengthening India's position in the global manufacturing ecosystem.



APPENDIX

Table A1: Growth Rate of Manufacturing Value Added (%)

Country	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
World	0.57	6.83	7.19	-0.87	-3.08	17.56	0.02	1.28	1.56	5.89
China	-1.54	9.74	11.79	-1.16	0.33	26.31	-1.79	-3.96	1.81	3.65
United States	-1.18	4.51	6.26	1.47	-5.32	11.55	6.85	5.56	2.28	0.55
Germany	4.67	4.79	6.16	-4.80	-4.50	10.77	-4.84	12.26	-2.36	5.44
India	6.14	14.45	1.01	-5.14	-1.01	20.56	-4.84	7.56	6.02	7.85
Korea, Rep.	1.46	10.34	5.66	-8.84	-2.93	13.74	-6.48	-1.51	6.30	2.87
Italy	5.14	5.52	7.48	-4.73	-7.63	21.25	-3.34	10.72	0.32	6.47
Mexico	-8.12	8.64	5.65	2.25	-12.75	21.23	14.90	16.51	0.34	-0.65
Russian Federation	-11.52	29.75	9.62	3.35	-8.87	20.04	25.48	-12.03	9.38	20.60
France	-0.37	3.20	6.11	-1.87	-9.28	10.21	-3.66	14.85	1.27	5.62
United Kingdom	-10.58	-1.26	7.01	-1.11	-4.22	12.77	-9.21	11.08	4.74	4.29

Source: ASSOCHAM's calculations using data from World Bank and FRED

NOTES



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