



# RUBIX COUNTRY INSIGHTS

## INDIA

This report is an update to the Rubix Country Insights: India, released in June 2025.

### Key Economic Indicators: Summary

| Indicator                                   | 2025  | 2026 (F) | 2027 (F) | 2028 (F) | 2029 (F) | 2030 (F) | Forecast |
|---------------------------------------------|-------|----------|----------|----------|----------|----------|----------|
| GDP, current prices (USD Trillion)          | 3.92  | 4.15     | 4.58     | 5.06     | 5.60     | 6.17     | ●        |
| Real GDP growth (%)                         | 7.6   | 6.5      | 6.5      | 6.5      | 6.5      | 6.5      | ●        |
| GDP per capita, current prices (USD)        | 2,680 | 2,810    | 3,070    | 3,370    | 3,700    | 4,050    | ●        |
| Inflation rate, average consumer prices (%) | 3.3   | 4.7      | 4        | 4        | 4        | 4        | ●        |
| General government gross debt (% of GDP)    | 84.1  | 83.4     | 82.5     | 81.7     | 80.6     | 79.5     | ●        |
| Current account balance (% of GDP)          | -0.9  | -2       | -1.6     | -1.5     | -1.5     | -1.7     | ●        |

Source: International Monetary Fund (IMF)

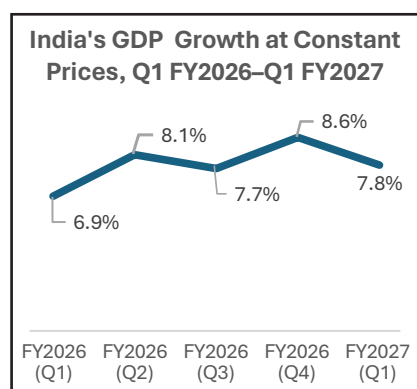
Note: The figures presented above are based on IMF data and may not correspond directly with similar data points cited elsewhere in this report based on Indian government sources, owing to differences in data definitions, methodology, reference periods, and estimation/forecast assumptions.

Note: The forecast icons are with reference to the respective indicator's impact on the country's economy. All figures are rounded off.

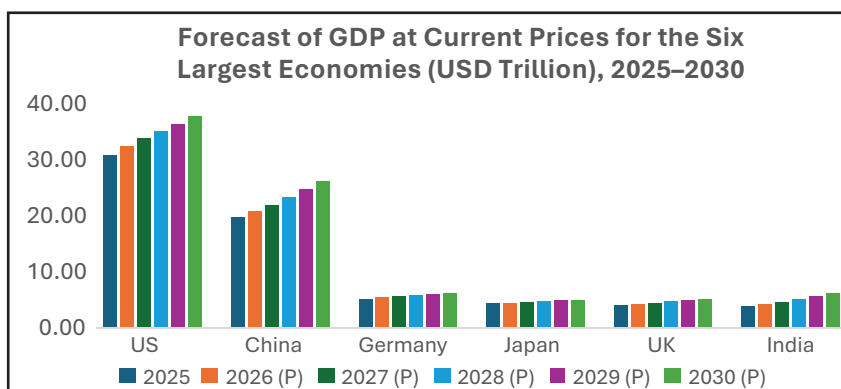
Note: ● = positive outlook; ● = negative outlook; ● = stable/unchanged

### Economic Update

#### India: Sixth-Largest Economy and Fastest-Growing Major Economy



Source: Ministry of Statistics & Programme Implementation (MoSPI)



Source: International Monetary Fund (IMF)

**Robust growth despite West Asia conflict:** India's real GDP growth (at constant 2022-23 prices) stood at 7.7% in FY2026, with quarterly growth strengthening from 6.9% in Q1 and 8.1% in Q2 to 7.7% in Q3 and 8.6% in Q4. The growth momentum continued into Q1 FY2027, with provisional real GDP growing by 7.8% year-on-year, compared to 6.9% in Q1 FY2026. The strong Q1 FY2027 performance was supported by robust domestic demand, investment, and exports, with manufacturing and electricity, gas, and other utilities growing by close to 9%, and services remaining a key growth driver. Key y-o-y growth indicators for Q1 FY2026-27 included 27% growth in IIP manufacture of electrical equipment (the highest growth among 30+ sectors), 25.8% growth in exports of goods and services, 18% growth in commercial vehicle sales, 29.7% growth in three-wheeler sales, and ~12% growth in financial, real estate, and professional services. The strong Q1 FY2027 growth performance shows the resilience of India's domestic demand, with consumption, public capex, and manufacturing providing a robust foundation for growth despite external shocks.

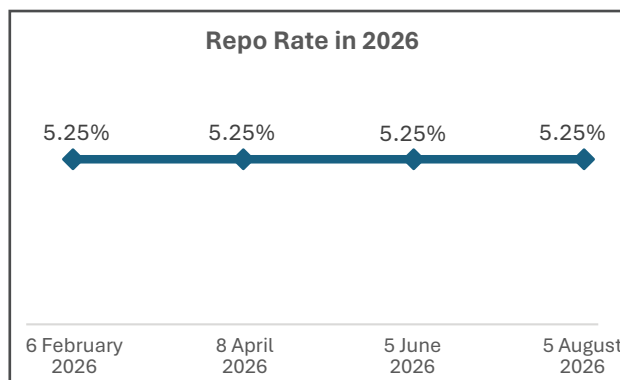
**Sixth largest economy:** According to estimates by the International Monetary Fund (IMF), India is currently the world's sixth-largest economy, with a nominal GDP (at current prices) of USD 3.92 trillion in 2025. India is projected to overtake the UK and Japan in 2027, becoming the world's fourth-largest economy, with GDP estimated at USD 4.58 trillion. By 2030, India's economy is projected to reach USD 6.17 trillion, potentially bringing it close to Germany to compete for the spot of the third-largest economy in the world.

**Note:** The IMF's economy rankings are based on nominal GDP (at current prices), converted into US dollars at market exchange rates. Consequently, the relative ranking of economies can change due to a combination of factors, including differences in economic growth, exchange-rate movements, inflation and prices, revisions to national accounts, and changes in the size and growth of other major economies. External geopolitical developments can also influence rankings indirectly by affecting economic growth, trade, investment, commodity prices, and exchange rates.

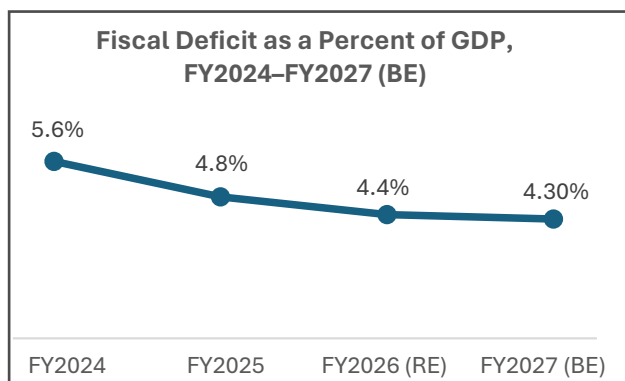
## Stable Macroeconomic Fundamentals Support India's Growth Momentum



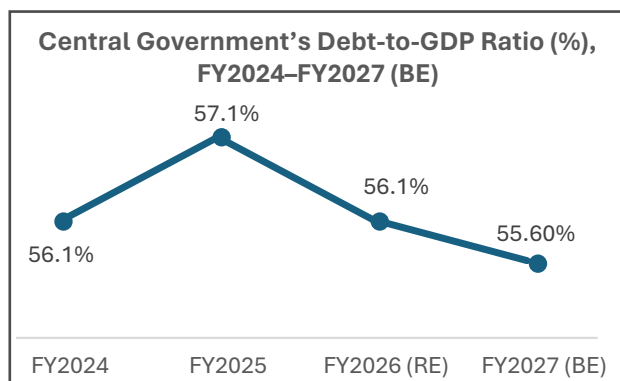
Source: Ministry of Statistics & Programme Implementation (MoSPI)



Source: Bajaj Finserv



Source: Union Budget 2026-27



Source: Ministry of Finance

Note: RE stands for Revised Estimates and BE stands for Budget Estimates (FY2026-27)

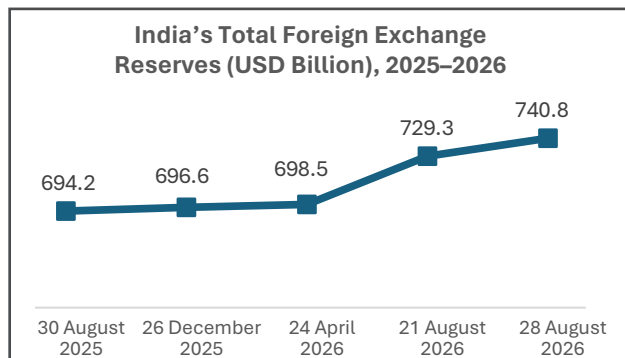
**Inflation edges higher amid food pressures:** Retail inflation rose to 4.45% in July 2026 from 4.38% in June, driven by food-price pressures, but remained within the RBI's 2%–6% tolerance band.

**Repo rate remains steady at 5.25%:** Despite the recent uptick in inflation, the RBI kept the repo rate unchanged at 5.25%, as inflation remains within the tolerance band and economic growth is resilient.

**Fiscal consolidation continues on track:** The fiscal deficit is projected to decline from 4.4% of GDP in FY2026 (RE) to 4.3% in FY2027 (BE), signalling continued fiscal consolidation.

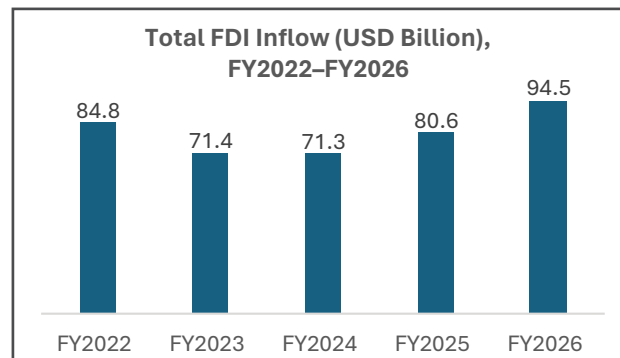
**Debt ratio estimated to decline further:** The Central Government's debt-to-GDP ratio is estimated to decline to 56.1% in FY2026 (RE), with the government targeting 50% ( $\pm 1\%$ ) by FY2031.

## Strong FX Reserves and FDI Inflows Strengthen India's External Position



Source: Reserve Bank of India (RBI)

Note: Includes foreign currency assets, gold, SDRs, and reserve position in the IMF. All figures are rounded off to the nearest decimal.



Source: Department for Promotion of Industry and Internal Trade

Note: Total FDI includes equity, reinvested earnings, and other capital. All figures are rounded off to the nearest decimal.

**Forex reserves reach a record high:** India's foreign exchange reserves climbed to a record USD 740.8 billion as of 28 August 2026, up 6.7% from USD 694.2 billion a year earlier, strengthening the country's external-sector buffer. This nine-consecutive-week growth has been supported by RBI measures announced in June to boost Dollar inflows. These include discounted hedging facilities for overseas borrowings by state-owned firms and banks and a free-of-cost hedging facility for banks raising overseas FX deposits. The RBI's special foreign-currency mobilisation schemes attracted USD 136.4 billion by August 31, 2026, including USD 127.2 billion through Foreign Currency Non-Resident (Bank) [FCNR(B)] deposits, USD 5.3 billion through overseas foreign-currency borrowings and USD 3.9 billion through external commercial borrowings, significantly strengthening the RBI's foreign-exchange capacity<sup>1</sup>.

**Robust FDI inflows signal investor confidence:** India received USD 94.5 billion in total Foreign Direct

Investment (FDI) inflows in FY2026, registering 17% growth over the previous year, while cumulative inflows reached USD 1.17 trillion from April 2000 to March 2026. In Q1 FY2027 (April–June 2026), gross FDI inflows stood at USD 30.7 billion, the highest quarterly inflow in at least 15 years, highlighting sustained investor interest<sup>2</sup>. The revised FDI framework, which came into effect on 1<sup>st</sup> May 2026, allows investors from countries sharing a land border with India, including China, to acquire non-controlling beneficial ownership of up to 10% through the automatic route, subject to applicable conditions. Following the change, India received 29 FDI proposals worth INR 48.95 billion (USD 511.5 million) from investors based in jurisdictions including Mauritius, the US, South Korea, Japan, Singapore, Luxembourg, and the Cayman Islands. The proposals span information technology, artificial intelligence, manufacturing, pharmaceuticals, data centres, and transport services, indicating growing interest in technology-intensive and strategic sectors<sup>3</sup>.

**"In the medium and long term, our balance of payments and our external sector will remain strong. There is no need to worry."**

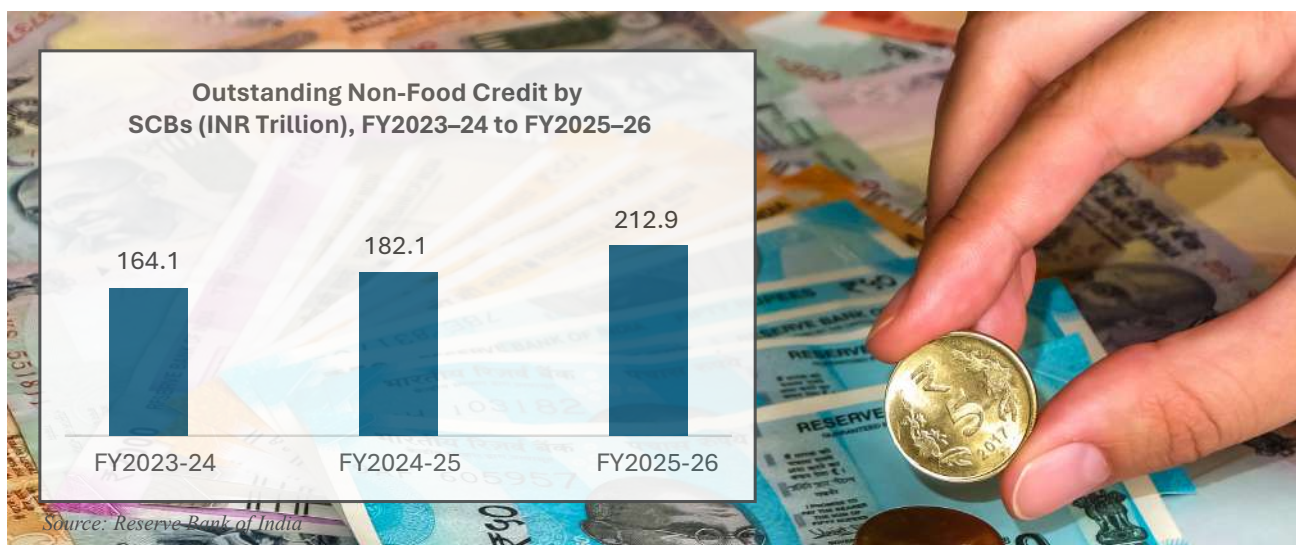
**Mr. Sanjay Malhotra,**  
Governor, The Reserve Bank of India

<sup>1</sup> Economic Times, September 2026

<sup>2</sup> The Hindu, August 2026

<sup>3</sup> Reuters, August 2026

## Services-Led Credit Growth Supports Economic Momentum



Non-food credit by Scheduled Commercial Banks (SCBs) expanded by 15.9% in FY2026 as per RBI estimates, accelerating from 10.9% in FY2025, with outstanding credit reaching INR 212.9 trillion as of 31 March 2026, reflecting broad-based credit demand and a resilient domestic economic environment. Credit growth was led by the services sector, followed by personal loans, agriculture and allied activities, and industry, with stronger credit uptake supporting investment, consumption, and overall economic activity.

- **Services:** Credit growth in the services sector accelerated to 19.0% in FY2026, from 12.0% in the

previous year, led by strong demand from NBFCs, trade, and commercial real estate; credit to NBFCs rose 26.6%.

- **Agriculture:** Credit to agriculture and allied activities grew by 15.6% in FY2026, up from 10.4% in the previous year, supported by sustained rural demand and improved access to formal credit.
- **Industry:** Industrial credit growth increased to 15.0% in FY2026, from 8.2% a year earlier, driven by stronger lending to MSMEs; **credit to micro and small industries grew by 32.7%**, while credit to medium industries expanded by 21.8%

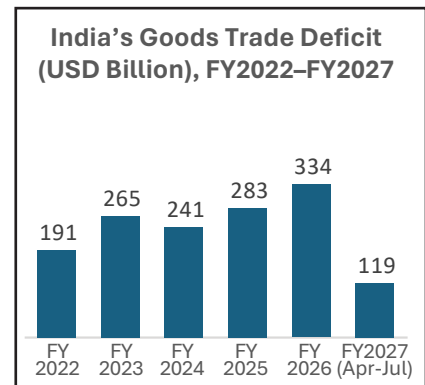
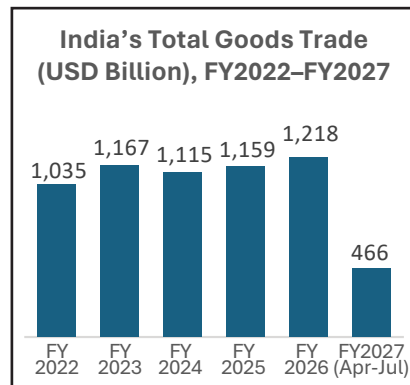
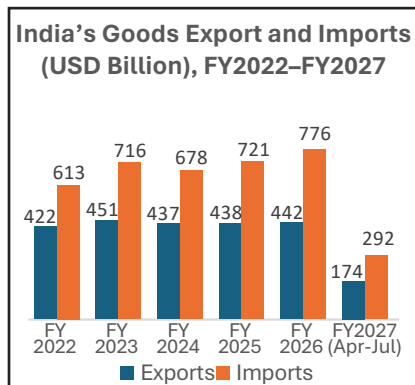
| Outstanding Credit by Scheduled Commercial Banks (SCBs) |                               |                               |                     |
|---------------------------------------------------------|-------------------------------|-------------------------------|---------------------|
| Major Segments of Non-Food Credit                       | FY2025<br>(as of 21 Mar 2025) | FY2026<br>(as of 31 Mar 2026) | Y-o-Y<br>Change (%) |
| I. Agriculture and Allied Activities                    | 22,87,060                     | 26,44,250                     | 15.6                |
| II. Industry (Micro and Small, Medium, and Large)       | 39,85,660                     | 45,84,304                     | 15.0                |
| (A) Micro and Small                                     | 7,98,473                      | 10,59,417                     | 32.7                |
| (B) Medium                                              | 3,63,245                      | 4,42,585                      | 21.8                |
| (C) Large                                               | 28,23,942                     | 30,82,303                     | 9.1                 |
| III. Services                                           | 50,93,565                     | 60,61,400                     | 19.0                |
| (A) Transport Operators                                 | 2,61,575                      | 2,86,807                      | 9.6                 |
| (B) Tourism, Hotels, and Restaurants                    | 83,366                        | 1,02,559                      | 23.0                |
| (C) Trade                                               | 11,84,550                     | 13,76,531                     | 16.2                |
| (D) Commercial Real Estate                              | 5,23,264                      | 6,27,117                      | 19.8                |
| (E) Non-Banking Financial Companies (NBFCs)             | 16,35,102                     | 20,69,732                     | 26.6                |
| IV. Personal Loans                                      | 59,71,696                     | 69,39,750                     | 16.2                |
| (A) Housing (Including Priority Sector Housing)         | 30,10,477                     | 33,55,963                     | 11.5                |

Source: Reserve Bank of India

Note: Credit outstanding is as on the last reporting Friday in March, as provided by the RBI.  
Selected non-food segments in terms of large value have been considered.

## Overall Cross-Border Trade Dynamics

**Merchandise (Goods) Trade: Double-Digit Export and Import Growth in Q1 FY2027 Despite West Asia Conflict**



Source: Ministry of Commerce and Industry

Note: All figures are rounded off to the nearest decimal. Total Trade = Imports plus Exports; Trade Deficit = Imports minus Exports.

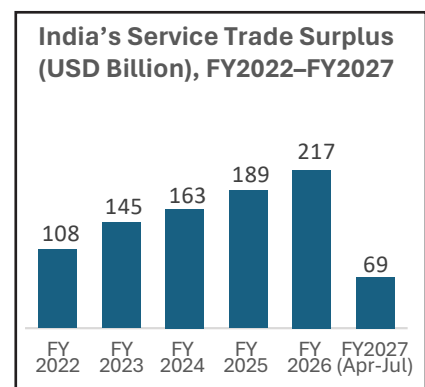
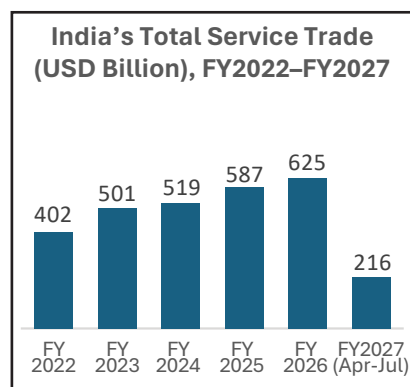
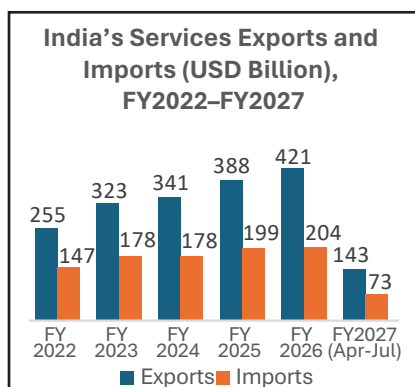
**Flat export growth in FY2026, strong recovery in the first four months of FY2027:** Merchandise exports in FY2026 stood at USD 442 billion, registering just 0.9% growth over the previous year and remaining broadly flat. However, despite the West Asia conflict that started on 28<sup>th</sup> February 2026, merchandise exports grew 17% between April and July FY2027 compared to the corresponding period of the previous year.

**Moderate import growth in FY2026, faster growth in the first four months of FY2027:** Merchandise imports stood at USD 776 billion in FY2026, up by 7.6%, while imports rose by 19.3% between April and July FY2027 despite geopolitical tensions.

**Total goods trade crossed USD 1.2 trillion in FY2026:** Total merchandise trade crossed USD 1.2 trillion in FY2026, reaching USD 1,218 billion (USD 1.2 trillion) and growing by 5.1% over FY2025; between April and July FY2027, total merchandise trade increased by 18.4% compared to the corresponding period of the previous year.

**Double-digit widening of trade deficit:** The merchandise trade deficit widened from USD 283 billion in FY2025 to USD 334 billion in FY2026, an increase of around 18%, and rose a further 22.7% between April and July FY2027 compared to the corresponding period of FY2026.

### Services Trade: Healthy Export Growth in FY2026 Supports a Strong Services Surplus



Source: Ministry of Commerce and Industry

Note: All figures are rounded off to the nearest decimal. Total Trade = Imports plus Exports; Trade Deficit = Imports minus Exports.

**Stable 8%+ export growth in FY2026 and in the first four months of FY2027:** Services exports in FY2026 stood at USD 421 billion, registering 8.5% growth over the previous year. With the same momentum in FY2027, services exports stood at USD 143 billion during April–July FY2027 and recorded 8.8% growth compared with the corresponding period of the previous year.

**Slower import growth in FY2026, faster growth in the first four months of FY2027:** Services imports stood at USD 204 billion in FY2026, registering 2.5% growth. The growth rate quadrupled as services imports stood at USD 73 billion from April to July FY2027 and recorded 10% growth compared to the corresponding period of the previous year.

**Total services trade crossed USD 600 billion in FY2026:** Total services trade crossed USD 600 billion in FY2026, reaching USD 625 billion and growing by 6.4% over FY2025; from April to July FY2027, total services trade rose by 9.2% compared to the corresponding period of the previous year.

**Healthy double-digit trade surplus growth in FY2026:** The services trade surplus widened from USD 189 billion in FY2025 to USD 217 billion in FY2026, an increase of around 14.8%, and rose by 7.5% between April and July FY2027 compared to the corresponding period of FY2026

## Overall Product-wise Trade Dynamics

### Telecom Exports Rise as Petroleum and Diamond Exports Decline in FY2026

| Top 5 Products Exported by India (in Value Terms) |                         |                  |                  |                                 |
|---------------------------------------------------|-------------------------|------------------|------------------|---------------------------------|
| HS Code                                           | Product                 | FY2025 Share (%) | FY2026 Share (%) | Y-o-Y Change in Value Terms (%) |
| 2710                                              | Petroleum products      | 14.3             | 12.0             | -15.31                          |
| 8517                                              | Telecom equipment       | 5.9              | 7.6              | 30.48                           |
| 3004                                              | Pharmaceutical products | 5.0              | 5.0              | -0.73                           |
| 7113                                              | Jewellery articles      | 2.9              | 3.0              | 5.71                            |
| 7102                                              | Diamonds                | 3.1              | 2.8              | -9.56                           |

Source: Ministry of Commerce and Industry.

Note: All figures are rounded off to the nearest decimal.

**India's export basket saw a notable shift in FY2026:** telecom equipment emerged as the strongest-performing major product, with exports rising 30.5% and its share increasing from 5.9% to 7.6%. In contrast, petroleum product exports declined by 15.3%, reducing their share from 14.3% to 12.0%. Pharmaceutical exports remained broadly stable, while jewellery exports increased by a moderate 5.7%. Diamond exports declined by 9.6%, due to continued weakness in the global diamond trade. Overall, the data indicates growing importance of technology-intensive exports alongside continued softness in traditional export categories such as petroleum and diamonds.

**India Leads Europe's Diesel Supply Despite Crude Constraints in FY2027 (as of August 2026):** The West Asia conflict and Hormuz blockade have persisted for over six months, while historically low US and ARA gasoil inventories have pushed Atlantic Basin refiners to operate aggressively. Despite disruptions elsewhere, the Bab-el-Mandeb route used by India to ship diesel to Europe has remained largely unaffected, enabling India to account for 60% of diesel transiting the route in August 2026<sup>4</sup>. This highlights the strategic role of Indian refiners, which process large volumes of imported crude into higher-value refined products for global markets, despite India importing over 88% of its oil requirements. While India holds a clear lead at present, experts predict a sharp drop in diesel exports as domestic refineries run low on crude oil stocks.

**EIC and Gold Imports Rise as Energy Imports Decline in FY2026:** India's import basket witnessed a shift in FY2026, with crude oil, coal, and petroleum gas imports declining by 5.8%, 9.5%, and 9.9%, respectively, while imports of gold and Electronic Integrated Circuits (EICs) increased by 24.1% and 23.0%. The decline in energy imports was supported by record expansion in renewable-energy capacity and higher domestic coal production, strengthening energy security and reducing the dependence on imported fuels. India added a record 51 GW of renewable energy capacity in FY2026, including 44.6 GW of solar capacity, marking a robust expansion in clean energy<sup>5</sup>. In the coal sector, captive and commercial mines achieved a major milestone, with production reaching 210.46 MT as of March 31, 2026, registering 10.22% YoY growth from 190.95 MT in FY2025<sup>6</sup>. Gold imports increased amid strong investment demand, elevated gold prices and geopolitical uncertainty, while resilient jewellery and wedding-related demand also supported imports. Meanwhile, the rise in imports of EICs reflects the growing demand for electronic components amidst the expansion of India's electronics manufacturing and semiconductor ecosystem.

**Gold Imports Rose in FY2027 Q1, but May Moderate Ahead:** India's gold-bar imports rose 47.1% to USD 11.01 billion between April and June 2026, despite the increase in import duty from 6% to 15% and higher international gold prices. Imports from the UAE surged 124.8% to USD 3.14 billion,

<sup>4</sup> Financial Express, September 2026

<sup>5</sup> ET Energy World, April 2026

<sup>6</sup> Ministry of Coal, April 2026

lifting its share of India's quarterly gold imports from 18.7% to 28.5%. The UAE accounted for nearly half of the USD 3.53 billion increase in India's gold import bill, emerging as a principal driver of the rise<sup>7</sup>. The surge comes despite Prime Minister Narendra

Modi's September 1 appeal to Indians to avoid unnecessary gold purchases. Industry estimates forecast gold imports to decline by around 15% in September, signalling weaker demand ahead of the festive season.

| Top 5 Products Imported by India (in Value Terms) |                                |                  |                  |                                 |
|---------------------------------------------------|--------------------------------|------------------|------------------|---------------------------------|
| HS Code                                           | Product                        | FY2025 Share (%) | FY2026 Share (%) | Y-o-Y Change in Value Terms (%) |
| 2709                                              | Crude Oil                      | 19.8             | 17.4             | -5.84                           |
| 7108                                              | Gold                           | 8.0              | 9.3              | 24.1                            |
| 8542                                              | Electronic Integrated Circuits | 3.4              | 3.9              | 23                              |
| 2701                                              | Coal                           | 4.1              | 3.4              | -9.5                            |
| 2711                                              | Petroleum Gas                  | 4.1              | 3.4              | -9.9                            |

Source: Ministry of Commerce and Industry  
Note: All figures are rounded off to the nearest decimal.

## Overall Country-wise Trade Dynamics

### The US Remains India's Largest Export Market Despite Tariff Uncertainty

| Top 5 Export Destinations for India (in Value Terms) |                  |                  |                                 |
|------------------------------------------------------|------------------|------------------|---------------------------------|
| Country                                              | FY2025 Share (%) | FY2026 Share (%) | Y-o-Y Change in Value Terms (%) |
| USA                                                  | 19.77            | 19.78            | 0.92                            |
| UAE                                                  | 8.37             | 8.46             | 1.97                            |
| China                                                | 3.26             | 4.41             | 36.62                           |
| Netherlands                                          | 5.20             | 3.96             | -23.12                          |
| UK                                                   | 3.32             | 3.05             | -7.60                           |

Source: Ministry of Commerce and Industry Figures rounded off to the nearest decimal

The US remained India's largest export destination in FY2026, accounting for approximately 19.8% of total exports, unchanged from FY2025, while exports increased marginally and remained nearly flat by 0.9% to USD 87.3 billion. Despite considerable changes in US tariff policy, including the additional 10% Section 301 tariff imposed from 24 July 2026, the US continued to be India's largest export market. The additional tariff applies to around 55% of India's exports to the US, while

45% remain outside its scope due to product-specific exemptions<sup>8</sup>. India and the US continue to negotiate a Bilateral Trade Agreement, with tariff and market-access issues under discussion. Meanwhile, China recorded the strongest growth among the top five destinations, with India's exports rising 36.6% and its share increasing from 3.3% to 4.4%. This growth was driven particularly by petroleum products (HS code 2710), whose share of India's overall exports to China increased from 9% in FY2025 to 13% in FY2026, and telecom/telephone equipment (HS code 8517), whose share rose from 3% to 12%.

India has also emerged as a key petrol supplier to Russia, exporting nearly 1 million barrels of gasoline between July and August 2026 as Ukrainian drone strikes disrupted Russian refinery operations and triggered domestic fuel shortages. Indian refiners, alongside suppliers from Turkey and Morocco, helped bridge the resulting supply gap, demonstrating how India is diversifying its export markets and capturing opportunities arising from supply disruptions in other economies<sup>9</sup>.

### China Strengthens Import Dominance as the US Gains Strategic Importance

China remained India's largest import source in FY2026, with its share of total imports rising from approximately 15.7% to 17.0%, while imports increased by 16.0% year-on-year. The UAE and Saudi Arabia remained important import partners, accounting for approximately 8.2% and 4.0% of India's imports, respectively, with import values growing modestly by 0.8% and 2.2%. Russia remained India's largest

| Top 5 Countries India Imports From (in Value Terms) |                  |                  |                                 |
|-----------------------------------------------------|------------------|------------------|---------------------------------|
| Country                                             | FY2025 Share (%) | FY2026 Share (%) | Y-o-Y Change in Value Terms (%) |
| China                                               | 15.73            | 16.97            | 16.02                           |
| UAE                                                 | 8.79             | 8.24             | 0.77                            |
| Russia                                              | 8.85             | 7.14             | -13.24                          |
| USA                                                 | 6.33             | 6.89             | 17.16                           |
| Saudi Arabia                                        | 4.18             | 3.97             | 2.22                            |

<sup>7</sup> Cable News Network LP, LLLP (CNN), News18, September 2026

<sup>8</sup> Ministry of Commerce, July 2026

<sup>9</sup> Times of India, August 2026

crude oil supplier, but its share of India's crude oil imports in value terms declined from 35% in FY2025 to 30% in FY2026, contributing to the decline in Russia's overall import share from 8.8% to 7.1%. In contrast, imports from the US increased by 17.2%, raising its share from 6.3% to 6.9%. The US is also emerging as an increasingly important supplier of petroleum gases to India: the share of liquefied propane (HS code 271112) increased in India's imports from the

US from 0% in FY2025 to 7% in FY2026, while that of liquefied butanes (HS code 271113) increased from 1% to 7%, reflecting India's diversification of LPG sourcing and the growing role of the US in meeting India's petroleum-gas requirements. Further, the US continued its acceleration as it emerged as the largest supplier of LPG and LNG, accounting for nearly 51% and 38%, respectively, of India's imports in August 2026<sup>10</sup>.

## West Asia Conflict's Impact on India's Trade with Major West Asian Countries

### Double-Digit Decline in Overall Trade with Major West Asian Economies

| India's Exports to Major West Asian Countries |                                                   |                                                   |              | India's Imports to Major West Asian Countries     |                                                   |              |
|-----------------------------------------------|---------------------------------------------------|---------------------------------------------------|--------------|---------------------------------------------------|---------------------------------------------------|--------------|
| Country                                       | Q1 FY2026:<br>April–June<br>2025<br>(USD Million) | Q1 FY2027:<br>April–June<br>2026<br>(USD Million) | Change (%)   | Q1 FY2026:<br>April–June<br>2025<br>(USD Million) | Q1 FY2027:<br>April–June<br>2026<br>(USD Million) | Change (%)   |
| Bahrain                                       | 148.5                                             | 67.3                                              | -54.6        | 178.2                                             | 14.3                                              | -92.0        |
| Iran                                          | 349.0                                             | 149.4                                             | -57.2        | 96.4                                              | 890.3                                             | 823.5        |
| Iraq                                          | 885.3                                             | 317.4                                             | -64.1        | 7,258.2                                           | 334.4                                             | -95.4        |
| Kuwait                                        | 444.2                                             | 206.7                                             | -53.5        | 2,024.0                                           | 317.0                                             | -84.3        |
| Oman                                          | 1,100.1                                           | 1,369.1                                           | 24.5         | 1,495.3                                           | 4,811.3                                           | 221.8        |
| Qatar                                         | 364.9                                             | 177.7                                             | -51.3        | 3,100.8                                           | 778.2                                             | -74.9        |
| Saudi Arabia                                  | 2,505.3                                           | 2,535.3                                           | 1.2          | 7,108.0                                           | 7,560.7                                           | 6.4          |
| UAE                                           | 9,018.6                                           | 7,950.8                                           | -11.8        | 16,793.0                                          | 15,023.0                                          | -10.5        |
| <b>Total</b>                                  | <b>14,815.8</b>                                   | <b>12,773.7</b>                                   | <b>-13.8</b> | <b>38,053.9</b>                                   | <b>29,729.1</b>                                   | <b>-21.9</b> |

Source: Ministry of Commerce and Industry

Note: All figures are rounded off to the nearest decimal. Countries are arranged in alphabetical order.

The West Asia conflict, which began on 28 February 2026, and disruptions around the Strait of Hormuz significantly affected India's trade with several major regional partners, particularly Bahrain, Iran, Iraq, Kuwait, and Qatar, during Q1 FY2027 (April–June 2026), compared to Q1 FY2026 (April–June 2025).

- Overall, India's exports to major West Asian countries declined 13.8% YoY to USD 12.8 billion during Q1 FY2027.
- Exports declined sharply to Bahrain, Iran, Iraq, Kuwait, and Qatar, falling by 54.6%, 57.2%, 64.1%, 53.5%, and 51.3%, respectively, while exports to the UAE also declined 11.8%.
- Saudi Arabia was an exception, with India's exports increasing by 1.2% and imports rising by 6.4%, supported in part by alternative supply routes that

enabled Saudi crude exports to bypass the Strait of Hormuz, including the East–West pipeline to Yanbu on the Red Sea.

- Overall, India's imports from major West Asian countries declined by 21.9% YoY to USD 29.7 billion, with particularly steep declines from Iraq, Bahrain, Kuwait, and Qatar.
- Imports from Iran increased by 823.5%, although this exceptionally high growth partly reflects the low base of USD 96.4 million in Q1 FY2026.

Overall, the analysis indicates that the conflict disrupted India's trade with several Hormuz-dependent markets, while alternative supply routes and diversification of trade and energy sources helped cushion the impact. With the conflict still in progress, India's trade flows are likely to remain exposed to disruptions in the region, particularly

<sup>10</sup> Times of India, September 2026

across energy and other Hormuz-dependent sectors, highlighting the importance of strengthening supply-chain resilience and diversifying sourcing partners.

## West Asia Conflict Accelerates Product Diversification in India's Supply Chains

The West Asia conflict has disrupted trade flows and exposed India's dependence on the region for critical imports and export markets. A comparison of Q1 FY2027 (April–June 2026) with Q1 FY2026 (April–June 2025) indicates a notable shift in India's supplier and destination mix, with several non-West Asian countries gaining importance across key commodities.



| HS Code | Product                    | Category | Q1 FY2026: April–June 2025<br>(USD Million)<br>Major Countries              | Q1 FY2027: April–June 2026<br>(USD Million)<br>Major Countries                                   |
|---------|----------------------------|----------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| 2709    | Crude oil                  | Import   | Russia (32%), UAE (10%), Saudi Arabia (12%), USA (10%), Iraq (18%)          | Russia (40%), UAE (14%), Saudi Arabia (11%), Oman (5%), Venezuela (4%), Brazil (1%)              |
| 2710    | Refined petroleum products | Import   | Russia (55%), South Korea (11%), UAE (9%), Singapore (6%), Oman (3%)        | Russia (41%), South Korea (9%), Oman (9%), UAE (8%)                                              |
| 2711    | Petroleum gases            | Import   | Qatar (36%), UAE (26%), USA (7%), Kuwait (6%)                               | USA (31%), Oman (13%), Nigeria (13%), UAE (13%), Angola (8%), Qatar (4%)                         |
| 3102    | Nitrogen fertilisers       | Import   | Russia (31%), Oman (27%), Qatar (13%), China (10%), Saudi Arabia (6%)       | Egypt (22%), Russia (15%), Algeria (10%), China (9%), Oman (8%), Nigeria (8%), Georgia (8%)      |
| 3105    | Mixed fertilisers          | Import   | Saudi Arabia (40%), Russia (27%), Morocco (10%), China (12%), Jordan (4%)   | Russia (25%), Saudi Arabia (24%), Morocco (13%), China (8%), Jordan (6%), USA (6%), Egypt (6%)   |
| 2903    | Halogenated hydrocarbons   | Import   | China (32%), Qatar (23%), Japan (18%), USA (8%)                             | China (50%), Japan (17%), USA (10%), Indonesia (6%), Germany (4%), South Korea (4%)              |
| 1006    | Rice                       | Export   | Saudi Arabia (10%), Iran (8%), UAE (5%)                                     | Saudi Arabia (9%), Jordan (7%), Benin (6%)                                                       |
| 0202    | Frozen meat                | Export   | Egypt (14%), Vietnam (14%), Malaysia (12%), Indonesia (9%), UAE (9%)        | Egypt (15%), Vietnam (14%), Malaysia (12%), Saudi Arabia (8%), Jordan (8%)                       |
| 0910    | Spices                     | Export   | USA (10%), Bangladesh (14%), UAE (10%), Morocco (4%)                        | USA (12%), Bangladesh (10%), UAE (6%), Morocco (5%)                                              |
| 8703    | Automobiles                | Export   | South Africa (17%), Mexico (15%), Saudi Arabia (15%), Japan (10%), UAE (6%) | South Africa (16%), Mexico (13%), Japan (9%), Saudi Arabia (8%), Spain (6%), Chile (4%), UK (3%) |
| 7113    | Gems and jewellery         | Export   | UAE (52%), USA (20%), Hong Kong (5%), UK (3%), Singapore (4%)               | UAE (41%), USA (25%), Hong Kong (11%), UK (4%), Singapore (4%)                                   |

Source: Ministry of Commerce and Industry

Note: All figures are rounded off to the nearest decimal.

Certain products with high to moderate dependence on major West Asian countries have been selected.



- **Crude Oil Imports: New Suppliers Gain Share**

In Q1 FY2027, Oman, Venezuela, and Brazil emerged as additional suppliers with 5%, 4%, and 1% shares, respectively, while UAE, Saudi Arabia and Iraq's combined share declined from 40% to 30% from Q1 FY2026 to Q1 FY2027. However, Russia's share increased from 32% to 40%, limiting overall diversification as it continued its dominance, accounting for 45% of India's crude oil supplies in August 2026<sup>11</sup>.

- **Petroleum Gas Imports: The US Emerges as a Key Supplier**

In Q1 FY2027 (April–June 2026), the US emerged as the largest supplier of petroleum gases, with its share rising from 7% in Q1 FY2026 to 31%. In value terms, it increased from USD 482 million in Q1 FY2026 to over USD 2 billion in Q1 FY2027, recording 379% growth. Qatar's share fell from 36% to 4% and the UAE's share from 26% to 13%, indicating significant diversification away from West Asian suppliers.

<sup>11</sup> Times of India, September 2026

- **Nitrogen Fertiliser Imports: Egypt Emerges as Leading Supplier**

In Q1 FY2027, Egypt emerged as the largest supplier, accounting for 22% of imports, after not featuring as a supplier in Q1 FY2026. Meanwhile, Oman, Qatar, and Saudi Arabia's combined share declined from 46% to 16%, indicating greater diversification away from West Asian suppliers.

- **Rice Exports: Jordan emerges as the Second Largest Destination**

In Q1 FY2027, Saudi Arabia remained India's largest West Asian rice market, with its share declining marginally from 10% to 9%, while Jordan emerged with a 7% share, indicating a shift in India's export-market mix within West Asia.

- **Gems and Jewellery Exports: UAE Dependence Declines**

In Q1 FY2027, the UAE's share of India's gems and jewellery exports declined from 52% to 41%, while the US' share increased from 20% to 25% and Hong Kong's from 5% to 11%, indicating greater diversification of export markets beyond West Asia.

“Non-Hormuz sourcing has risen to approximately 70% of crude imports, up from 55% before the conflict began. India sources crude from 40 countries, against 27 in 2006-07; this structural diversification, built through sustained policy over successive years, has given us options that other nations now find themselves without.”

**Shri Hardeep Singh Puri,**

Honourable Union Minister for Petroleum and Natural Gas

## Snapshot of Key Developments and Their Impact

| Key Developments                                                      | Impact    |           |            |
|-----------------------------------------------------------------------|-----------|-----------|------------|
|                                                                       | 1–2 years | 3–5 years | 6–10 years |
| GST 2.0 simplifies tax structure, boosts consumption and compliance   | High      | High      | High       |
| India expands market access through new FTAs                          | High      | High      | High       |
| 100% FDI in insurance opens sector to greater foreign investment      | High      | High      | High       |
| India eases FDI rules for countries sharing land borders              | High      | High      | High       |
| Tax incentives aim to accelerate India's data centre growth           | High      | High      | High       |
| Semicon 2.0 strengthens India's semiconductor manufacturing ecosystem | High      | High      | Medium     |
| India eases foreign investment rules to deepen capital markets        | High      | High      | Medium     |

### GST 2.0 Simplifies Tax Structure, Boosts Consumption and Compliance

GST 2.0, implemented from September 22, 2025, simplified the GST regime to a two-slab structure of 5% and 18%, with a 40% demerit rate for select goods and services<sup>12</sup>. The reform lowered taxes on a wide range of consumer, agricultural, healthcare, labour-intensive, and industrial products, while exempting individual life and health insurance policies, supporting household savings and consumption. Gross GST collections stood at INR 19.8 trillion from October 2025 to July 2026, compared to INR 18.8 trillion in the corresponding period a year earlier, registering 5% growth. The simplified structure is expected to improve compliance, ease of doing business, and cash flows, while supporting domestic consumption and demand.

### India Expands Market Access Through New FTAs

India signed major trade agreements with the UK in July 2025, Oman in December 2025, and New Zealand in April 2026, while negotiations for the India–EU FTA concluded in January 2026. The India–UK CETA provides duty-free access for nearly 99% of Indian exports, with both countries targeting a doubling of bilateral trade to USD 100 billion by 2030. The India–Oman CEPA provides Oman with zero-duty access on 98.08% of tariff lines, covering 99.38% of India's exports, while India has offered liberalisation on 77.79% of its tariff lines. The India–New Zealand FTA provides duty-free access to 100% of Indian exports and includes a USD 20 billion investment commitment from New Zealand in India over 15 years. The India–EU FTA, although yet to be implemented, provides preferential access across 97% of EU tariff lines, covering around 99.5% of bilateral trade value, with more than 99% of Indian exports expected to gain preferential access to the EU market. Overall, the FTAs are expected to expand India's export market access, improve the competitiveness of Indian

products, attract investment, and support employment, particularly in labour-intensive sectors, while helping India diversify its global trade base.

### 100% FDI in Insurance Opens Sector to Greater Foreign Investment

The government raised the FDI limit in the insurance sector from 74% to 100% in December 2025. This is expected to attract greater foreign capital, strengthen competition, and improve insurance penetration, which stood at 3.8% of GDP in 2024, according to the Swiss Re Institute<sup>13</sup>. India's general insurance industry grew 9% YoY in FY2026, with Gross Direct Premium Income (GDPI) reaching INR 3.36 trillion, according to Boston Consulting Group's General Insurance Sector Round Up<sup>14</sup>. The life insurance industry also recorded strong growth, with New Business Premium (NBP) rising 15.7% YoY to INR 4.60 trillion in FY2026, according to the Insurance Regulatory and Development Authority of India (IRDAI)<sup>15</sup>. The higher FDI limit could support additional investment, product innovation, and wider insurance coverage, helping India address its relatively low insurance penetration.

### India Eases FDI Rules for Countries Sharing Land Borders<sup>16</sup>

In March 2026, the Union Cabinet eased FDI guidelines for investments from countries sharing a land border with India, providing greater clarity on beneficial ownership and facilitating non-controlling investments of up to 10% under the automatic route. Investments in specified manufacturing sectors, including capital goods, electronic components, polysilicon, and ingot-wafers, will receive decisions within 60 days. The reforms are expected to boost FDI inflows, facilitate technology access, strengthen domestic value addition, and integrate Indian firms with global supply chains, while improving ease of doing business.

<sup>12</sup> Press Information Bureau of India, September 2026

<sup>13</sup> Reuters, December 2025

<sup>14</sup> HT Digital Streams Limited, Mint, August 2026

<sup>15</sup> ET BFSI, May 2026

<sup>16</sup> Press Information Bureau of India, March 2026

### **Tax Incentives Aim to Accelerate India's Data Centre Growth<sup>17</sup>**

The Union Budget 2026–27 proposed a tax holiday until 2047 for foreign companies providing global cloud services using data-centre infrastructure located in India, subject to serving Indian customers through an Indian reseller. The measure is aimed at attracting global cloud and data-centre investments, strengthening India's digital infrastructure and supporting the growing demand for cloud and AI services. Where data-centre services are provided by a related Indian entity, a 15% safe-harbour margin on costs has also been proposed, providing greater tax certainty to investors.

### **Semicon 2.0 Strengthens India's Semiconductor Manufacturing Ecosystem<sup>18</sup>**

The Union Cabinet approved Semicon 2.0 in July 2026, with a substantial INR 1.27 trillion outlay to build a comprehensive semiconductor design and manufacturing ecosystem in India. The programme focuses on six pillars, including chip design, semiconductor equipment and materials, fabs, Assembly, Testing, Marking, and Packaging/ Outsourced Semiconductor Assembly and Test (ATMP/ OSAT), R&D and talent development, with the first semiconductor fab expected to be commissioned in 2028. Under Semicon 1.0, 12 manufacturing units

with cumulative investments of over INR 1.64 trillion had already been approved, while three units had commenced commercial production. Semicon 2.0 is expected to attract further investment, strengthen domestic supply-chain resilience, and position India as a global semiconductor design and manufacturing hub.

### **India Eases Foreign Investment Rules to Deepen Capital Markets<sup>19</sup>**

In June 2026, the government eased rules to facilitate greater foreign investment in Indian equities and government securities, while attracting more stable, long-term foreign capital. Individual Persons Resident Outside India (PROIs) can now invest in listed Indian companies through the Portfolio Investment Scheme, with the individual limit raised from 5% to 10% and the aggregate limit for all individual PROIs increased from 10% to 24%. The government also expanded the Fully Accessible Route (FAR) for FPIs to include 15, 30, and 40-year government securities and eligible Sovereign Green Bonds, while removing certain investment restrictions. Interest and capital gains earned by Foreign Portfolio Investment (FPIs) on government securities (G-Sec) investments have also been exempted from income tax from April 1, 2026, improving India's attractiveness to global investors.

## **Outlook**

### **Strong Fundamentals and FTAs Reinforce India's Growth Momentum**

India's economic outlook remains positive, supported by resilient domestic demand, public capital expenditure, improving manufacturing activity, and relatively easier monetary conditions.

Going ahead, as per Union Finance Minister Smt. Nirmala Sitharaman, India is expected to sustain a GDP growth of 7% or more in FY2027<sup>20</sup>. Fiscal consolidation is expected to continue, with the Central Government's debt-to-GDP ratio estimated to decline to 56.1% in FY2026 (RE), while the government is targeting 50% ( $\pm 1\%$ ) by FY2031. The fiscal deficit is also projected to moderate from 4.4% of GDP in FY2026 (RE) to 4.3% in FY2027 (BE), creating greater fiscal space over the medium term to sustain spending on infrastructure, capital expenditure, and other growth-enhancing investments, while supporting macroeconomic stability. On the external front, India

has signed FTAs with Oman, the UK, New Zealand, and the EU, creating opportunities for greater market access, export diversification, and investment. Bilateral goods trade with these four partners collectively amounted to approximately USD 176 billion in FY2026, underscoring the substantial trade base that could benefit from reduced tariffs, improved market access, and stronger economic integration under these agreements. These FTAs, together with continued public investment and structural reforms, could strengthen India's export competitiveness and support deeper integration into global value chains. Overall, resilient domestic demand, fiscal consolidation, infrastructure investment, and expanding access to international markets are expected to underpin India's medium-term growth, although global trade uncertainties, commodity prices and geopolitical risks remain key downside factors.

<sup>17</sup> DD News, February 2026

<sup>18</sup> Press Information Bureau of India, July 2026

<sup>19</sup> Ministry of Finance, June 2026

<sup>20</sup> Business Standard, August 2026

| Date           | Credit Rating Agency                  | Rating                                                                                                                                                  | Rationale                                                                                                                                                                             |
|----------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 2026 | Japan Credit Rating Agency Ltd. (JCR) | Upgrade of India's Long-Term Foreign Currency and Local Currency Issuer Ratings by one notch from 'BBB+' to 'A-', while maintaining the stable outlook. | The upgrade reflects India's robust economic growth, effective policies supporting long-term growth, and a stronger and more resilient financial system.                              |
| August 2026    | Fitch Ratings, Inc.                   | Affirmation of Long-Term Issuer Default Ratings (IDRs) at BBB- with a Stable Outlook and its Short-term IDRs at 'F3'.                                   | The rating reflects the country's strong growth outlook, external resilience, and improving policy credibility supporting stronger credit fundamentals and declining government debt. |
| August 2026    | S&P Global Ratings                    | Affirmation of the country's sovereign ratings at "BBB/A-2" with a "stable" outlook.                                                                    | The ratings reflect a stable outlook, citing policy stability and strong infrastructure investment.                                                                                   |

Source: Japan Credit Rating Agency Ltd., Fitch Country Ratings, S&P  
Note: Sovereign credit ratings assigned during 2026 have been considered.

## ABOUT RUBIX

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has also received the prestigious ET BFSI Exceller Award two times in a row: in 2023 for its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking' and in 2024 for the Rubix Risk Scoring Model.

Rubix has been appointed as India's first Validation Agent for the Legal Entity Identifier (LEI) by Legal Entity Identifier India Ltd, the Local Operating Unit accredited by the Global Legal Entity Identifier Foundation (GLEIF), Switzerland.

The Rubix ARMS™ and Early Warning System (EWS) platforms and their suite of reports, products and services are based on Rubix's extensive database of structured and unstructured data aggregated from over 120+ sources, customised predictive analytics and proprietary technology.

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