

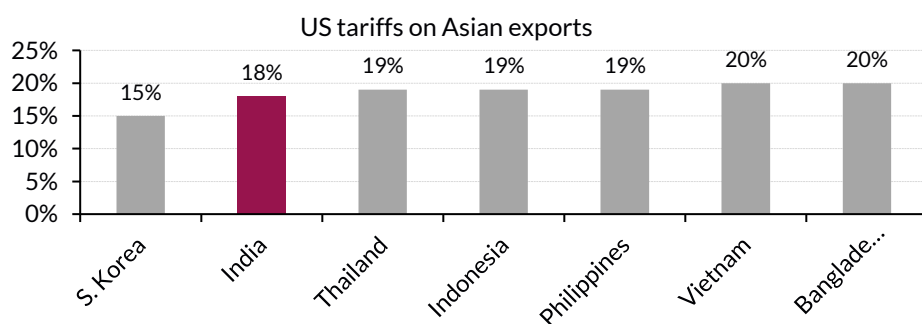
## US deal removes tariff disadvantage, to help sentiment on INR

India's tariff agreement with the US removes its earlier disadvantage versus peers (50% falls to 18%, which is at the lower end of the spectrum). While details are awaited, in our view, India is unlikely to have conceded much on agriculture. This deal raises India's export coverage under trade deals to ~70%. The economy had adjusted to 50% tariffs: overall exports were up (exempt sectors like electronics and pharma grew, commodities like shrimp diversified away from the US; sectors under 232 had no disadvantage), as was tech FDI. But this deal helps affected sectors (gems & jewellery, leather, plastics, ceramics and auto comps.) and non-tech FDI. Sentiment on INR should turn (as already visible).

**03 Feb 2026**

India Trade

### Exhibit 1: A deal with the US removes India's tariff disadvantage vs. Asia



Source: White House; Axis Bank Research

#### A tariff agreement with the US removes India's tariff disadvantage vs. peers

The US-India agreement on tariffs is only notionally better than Asian peers (18% is 1-2pp below Vietnam, Bangladesh and Indonesia; Korea/TW/JP are at 15% but are not really competitors and have committed investments; Fig 1) but clears the road for investments. While details are awaited, India is unlikely to have offered meaningful concessions on agriculture, in our view. With the tariff disadvantage removed, India's export coverage under trade agreements will rise to 70% (Fig 12), with high complementarity for the US ([link](#)). Together with the duty relaxations announced in the budget and QCO removals ([link](#)), this opens the Indian economy up further, with a positive impact on productivity.

#### Lower US tariffs should reverse the weakness in the worst affected sectors

Between Sep-Nov-2025, when US tariffs were 50%, overall export growth was stronger than over FY22-25 ([link](#)). However, sectors affected by the tariffs (gems & jewellery, leather, plastics, paper and ceramic/stones, Fig 8: 'Detriments' quadrant) had seen exports fall YoY. This should now reverse as lower tariffs are effective immediately. Exports of commodity sectors (agri & allied products like shrimps, metals and chemicals) had diversified away from the US and were growing YoY anyway, though US share fell ('Resistants'): they may see some gains too. This deal does not affect sectors under Section 232 (e.g. steel) that have the same tariffs for all countries, or those with exemptions (e.g. electronics or pharma; [link](#)).

#### Beyond trade, the negative sentiment on INR and investments could reverse

Even if the US Supreme Court invalidates IEEPA linked tariffs, the effective rate for India, through a mix of statutes, may not be very different from 18% ([link](#)). India's economy had adjusted to 50% tariffs: (i) total exports grew (transshipment; commodities diverting to other markets); and (ii) tech FDI sustained. But lower official tariffs will help build momentum for non-tech FDI as uncertainty is reduced. More than any meaningful rise in portfolio flows into debt/equity, the negative sentiment on INR should reverse (as early trends confirm).

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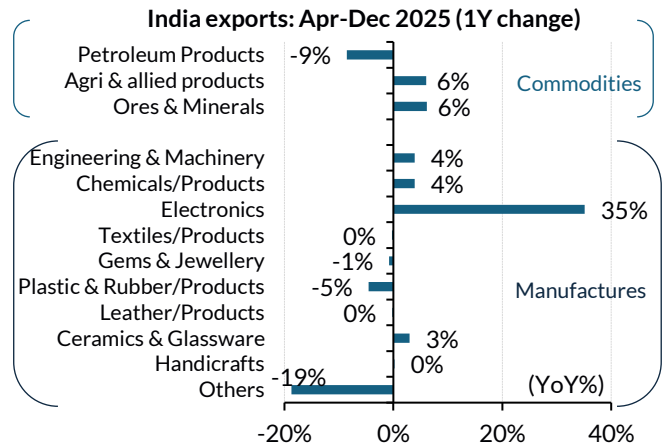
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**Exhibit 2: Apr-Dec 2025: India's exports (US \$331Bn) split by manufactures (75%) and commodities (25%)**



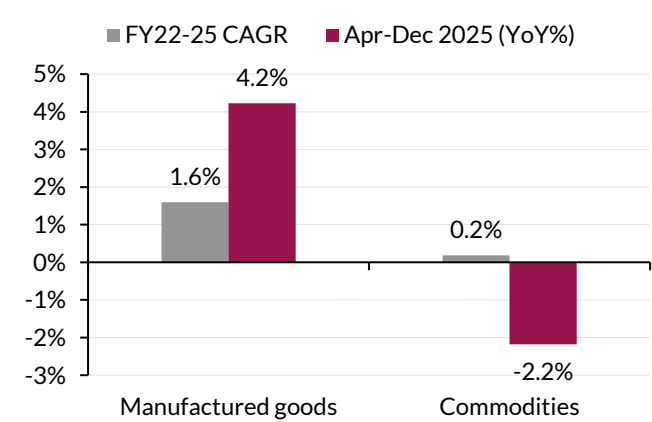
Source: DGCI; Axis Bank Research

**Exhibit 3: Petrochem, small manufactures fell YoY; engineering goods, chemicals and electronics grew YoY**



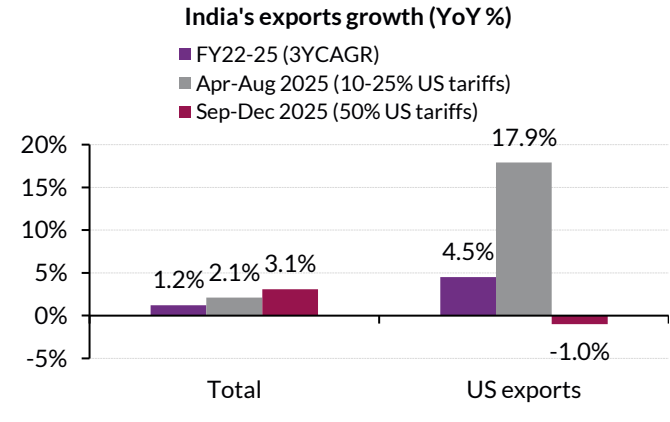
Source: DGCI; Axis Bank Research

**Exhibit 4: In Apr-Dec 2025, YoY growth in manufactured exports (4.2%) above FY22-25 CAGR**



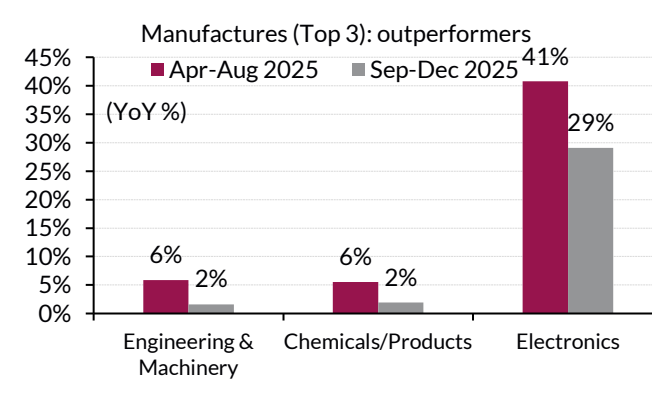
Source: DGCI; Axis Bank Research

**Exhibit 5: India's exports growth to the US could return after a brief tariff-disruption**



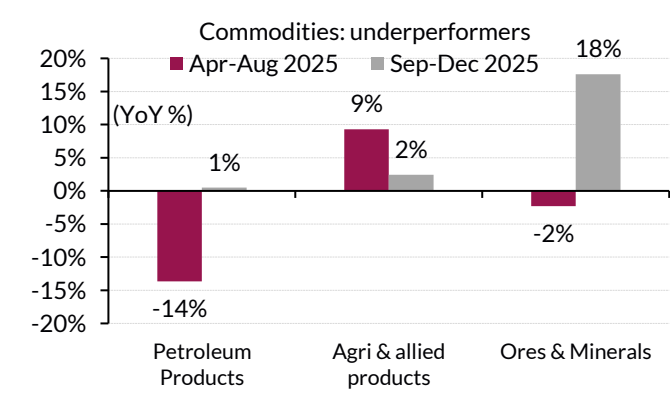
Source: DGCI; Axis Bank Research

**Exhibit 6: Top 3 manufactures (52% of exports) grew positively under the two US tariff regimes of 2025**

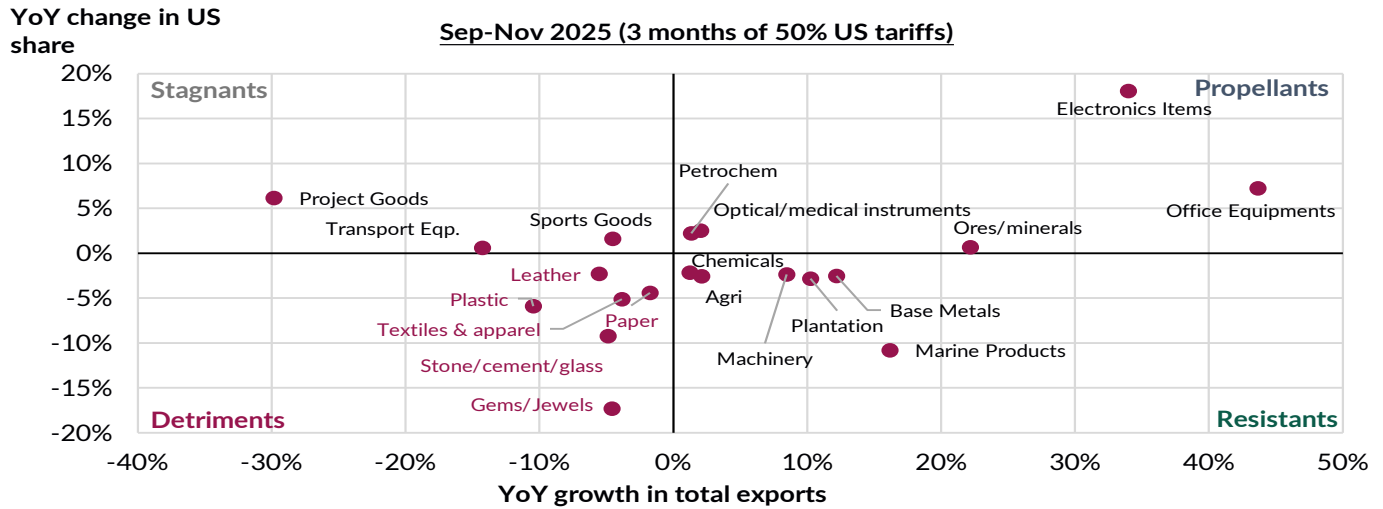


Source: DGCI; Axis Bank Research

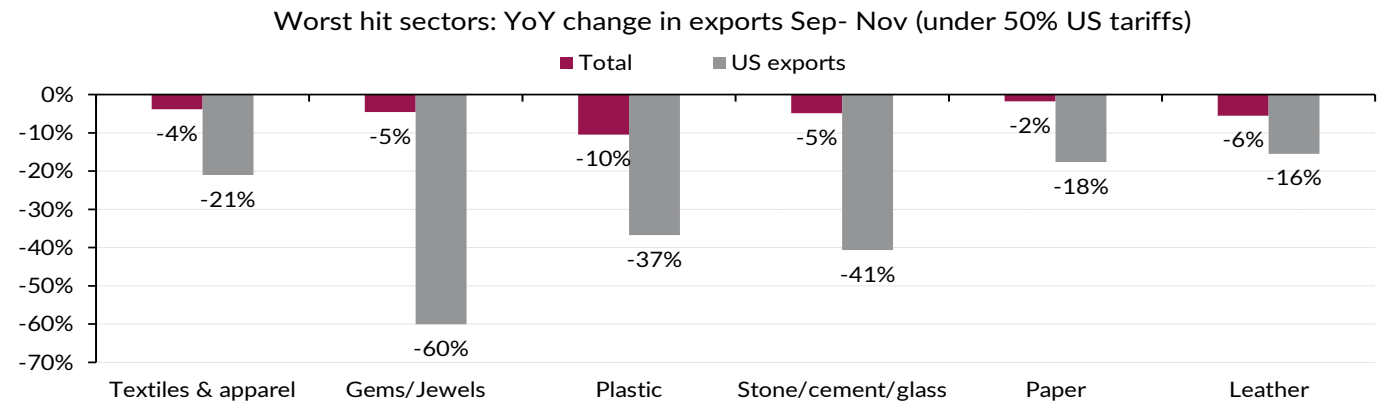
**Exhibit 7: Petrochem dragged down commodities exports early in the year; recovery now underway**



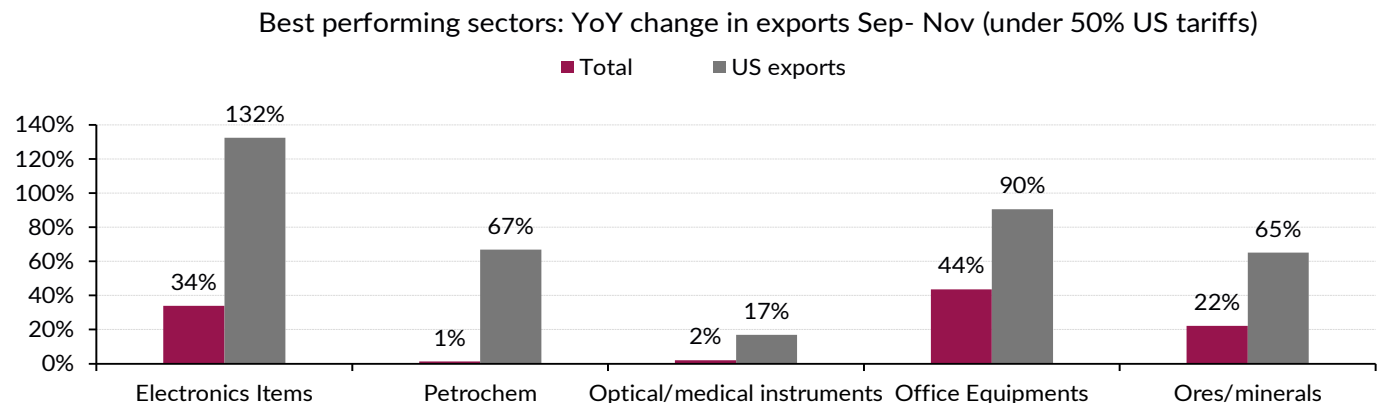
Source: DGCI; Axis Bank Research

**Exhibit 8: US tariffs hit textiles & apparels, gems/jewellery, leather and plastics; electronics, office equipment and ore/minerals led growth**


Source: DGCIS; Axis Bank Research

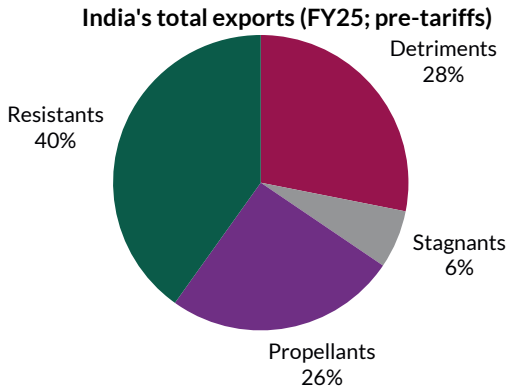
**Exhibit 9: In Sep-Nov 2025, gems & jewellery exports to the US fell 60% YoY**


Source: DGCIS; Axis Bank Research

**Exhibit 10: In Sep-Nov 2025, electronics exports to the US rose 132% YoY**


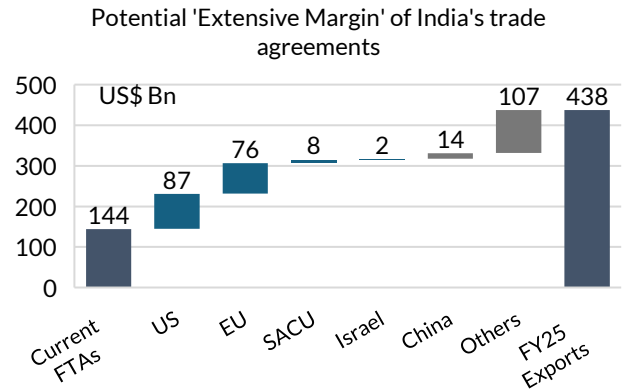
Source: DGCIS; Axis Bank Research

**Exhibit 11: By value, worst hit sectors were 28% of India's exports to the world (pre 2025 US tariffs)**



Source: DGCIS; Axis Bank Research

**Exhibit 12: Trade deals with EU and the US will take India's exports coverage under a trade deal to 70%**



Source: DGCIS; Axis Bank Research

**Exhibit 13: India's goods exports stagnant since FY23**



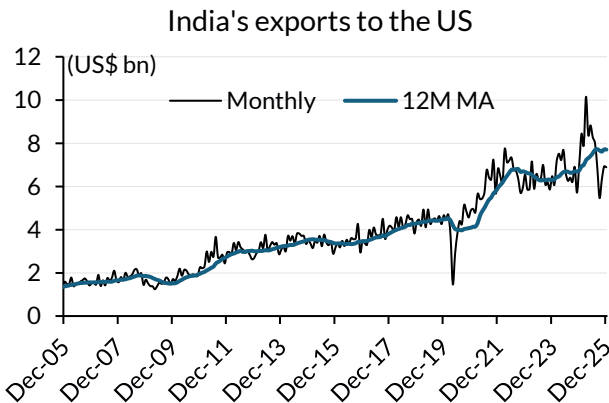
Source: DGCIS; Axis Bank Research

**Exhibit 14: Exports of manufactures above 2022 peak**



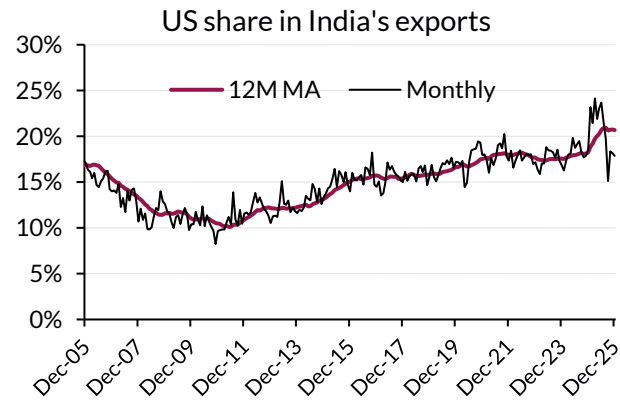
Source: DGCIS; Axis Bank Research

**Exhibit 15: In Dec-2025, exports to the US were stable at -2% YoY and -1% MoM...**



Source: DGCIS; Axis Bank Research

**Exhibit 16: ...US share in India's exports is at 18%, now back to Nov-2024 (the pre-frontloading) level**



Source: DGCIS; Axis Bank Research

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