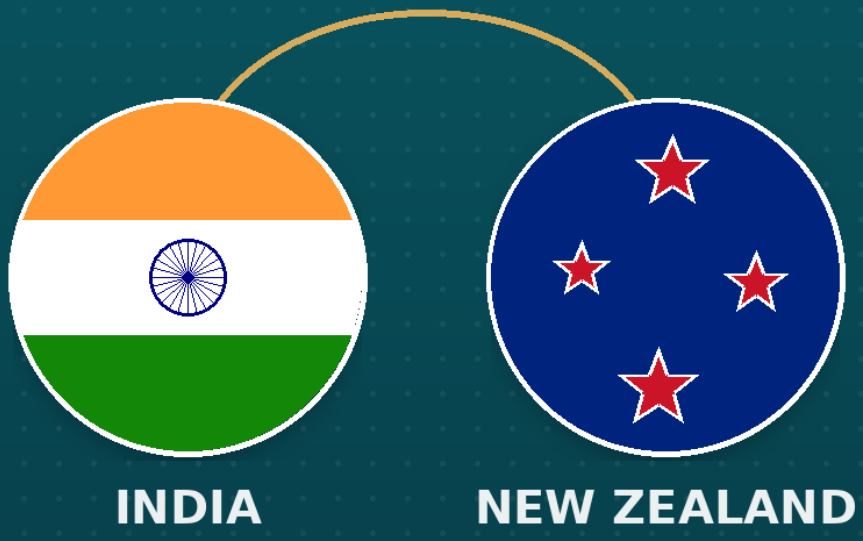
BRICKWORK™ RATINGS

INDIA–NEW ZEALAND FTA

Zero-duty from day one: implications for India's economy, sectors and credit ratings



October 2026

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Key takeaways

The agreement is in force; the hard part-implementation-begins now.

The India-New Zealand free trade agreement entered into force on 20 October 2026, the day this report was finalised, with the date chosen to coincide with Vijaya Dashami. It was signed on 27 April 2026 and cleared ratification in both capitals by 21 September, after New Zealand's parliament passed the implementing legislation on 17 September by 93 votes to 29. From today, every tariff line covering 100% of India's goods exports to New Zealand is duty-free, while New Zealand's exporters gain immediate duty-free entry on 57% of their shipments to India, rising towards 95% of trade value as concessions phase in. The announcement risk is now behind the market; what matters from here is utilisation, not ratification.[1]

The direct trade at stake is small; the signalling and template value is large.

Two-way merchandise trade was only about USD 1.16 billion in FY26, and India's own exports to New Zealand actually fell to USD 567 million from USD 711 million a year earlier. Against that base, even a doubling of trade adds little to India's USD 800-billion-plus export economy. The deal's weight for Indian credit therefore lies less in the tariff lines it clears than in what it demonstrates: a comprehensive, services-and-investment-inclusive agreement closed in nine months while talks with the European Union, Oman and others run in parallel. For investors and policymakers it reads as proof of execution more than as a growth engine.[2]

The quiet wins—regulation, inputs and mobility—matter more than the tariff headline.

For most Indian exporters New Zealand's tariffs were already modest, peaking near 10%. The provisions that genuinely move the needle are structural. Recognition of inspection reports from the US FDA, the EMA, the UK MHRA and Health Canada removes duplicate approvals for pharmaceutical and medical-device firms; duty-free access to New Zealand wood, coking coal and metal scrap lowers input costs for construction, paper and recycling; and services access across roughly 118 sub-sectors, 5,000 skilled-worker visas and uncapped student mobility opens a longer-dated channel for IT and professional-services revenue and for remittances.

Table 1:
Five things that change on day one

1	**Tariffs flip to zero for India.** All 8,284 of New Zealand's tariff lines, covering 100% of India's exports, become duty-free immediately; India's own concessions on 57% of New Zealand's exports take effect now and the rest phase in over up to ten years.
2	**Pharma clears a regulatory hurdle, not just a tariff.** New Zealand now accepts inspection approvals from the US FDA, EMA, UK MHRA and Health Canada, cutting duplicate audits and shortening time-to-market for Indian drug and device makers, worth more than the duty saved.
3	**Inputs get cheaper for domestic industry.** Zero duty on New Zealand wooden logs, coking coal and metal scrap lowers landed input costs for construction, paper, steel and recycling, a margin tailwind that is easy to overlook.
4	**Services and mobility open a long-dated channel.** Commitments across about 118 sub-sectors, 5,000 temporary-employment visas, 1,000 working-holiday places a year and uncapped student mobility with post-study work rights build a people-and-services pipeline that compounds slowly.
5	**Protections held, but new frictions appear.** Dairy, sugar, edible oils and most meat stay excluded; in exchange, New Zealand apples, kiwifruit and Manuka honey enter India under quotas with minimum prices and seasonal windows, and benefits now hinge on rules-of-origin compliance.

Source: BWR Research.

[1] New Zealand Ministry of Foreign Affairs and Trade, New Zealand–India Free Trade Agreement: timeline of negotiations, updated 20 October 2026; New Zealand Parliament, India (Free Trade Agreement) implementing legislation, third reading, 17 September 2026 (passed 93–29).

[2] Ministry of Commerce and Industry, Government of India, bilateral trade data, as compiled by Dezan Shira & Associates (India Briefing), 2026.

For credit, the near-term rating impact is negligible; the gains are selective and slow.

By itself the agreement changes no borrower's operating conditions enough to move a rating today. Its credit signal is selective: a modest positive for labour-intensive export clusters that can comply with rules of origin, a clearer one for pharmaceutical exporters, and an input-cost easing for construction and recycling. The USD 20 billion investment headline is a facilitation target, not a binding commitment, and it sits against a near-zero base of New Zealand direct investment into India, so we treat it as optionality, not as a cash flow to underwrite. Box 1 records the core facts of the agreement and the trade relationship it enters.

Box 1:
The India–New Zealand FTA at a glance

Signed / in force	Signed 27 April 2026 in New Delhi; entered into force 20 October 2026
Negotiation	Relaunched 16 March 2025; concluded 22 December 2025 in nine months; five formal rounds
Tariff coverage	New Zealand: 100% of 8,284 lines to zero on day one. India: ~70% of lines, ~95% of trade value; 57% of New Zealand exports duty-free now, rising to ~95% as phased
Investment target	USD 20 billion of facilitated investment into India (a target, not a binding commitment)
Mobility	5,000 temporary-employment visas; 1,000 working-holiday places a year; uncapped students with 3-4 year post-study work rights
Trade target	Double two-way trade to about NZ$7 billion by 2030 under the Roadmap to 2030
India's exclusions	Dairy, sugar, edible oils, most meat and key farm commodities

Source: PIB, Government of India; Ministry of Foreign Affairs & Trade and New Zealand Trade & Enterprise; BWR Research.

The agreement in context

Years in the making, closed in nine months

Earlier talks were revived and wrapped up in just nine months.

India and New Zealand first explored a trade agreement between 2010 and 2015, holding ten rounds before pausing the effort as India focused on the regional RCEP process, which it later chose to leave in 2019. The two sides returned to the table on 16 March 2025, moved briskly through five formal rounds, and concluded the agreement on 22 December 2025, an unusually quick nine months for a comprehensive, multi-chapter deal. Signature followed on 27 April 2026 and entry into force on 20 October 2026. The speed is itself the story: it shows an Indian trade policy that is now ready to close deals, not just open them.[3]

A small but lopsided and, lately, shrinking relationship

Bilateral trade is tiny, and India's exports to New Zealand fell in FY26.

Merchandise trade between the two countries was about USD 1.16 billion in FY26, down from USD 1.30 billion in FY25. The composition is revealing: India's exports actually contracted to USD 567 million from USD 711 million, while imports from New Zealand held at USD 589 million. India mainly ships pharmaceuticals and made-up textiles to New Zealand and buys back wood, iron and steel, and wool. In short, the agreement arrives just as trade was slipping, which is why both governments present it as reviving the relationship rather than simply building on it.

Table 2:
India's merchandise trade with New Zealand (USD million)

Financial year	India's exports to New Zealand	India's imports from New Zealand
FY24	538	335
FY25	711	587
FY26	567	589
Top items, FY26	Pharmaceuticals; made-up textile articles	Wood and wood articles; iron and steel; wool

Source: Ministry of Commerce & Industry, Government of India, as compiled by Dezan Shira & Associates (India Briefing); BWR Research.

The latest piece in a fast-widening FTA map

New Zealand is the newest in a run of deals reshaping India's trade posture.

The agreement is best seen as part of a wider push. It sits alongside India's trade deals with the UAE and Australia, its partnership with the EFTA bloc (which comes with its own USD 100 billion investment pledge), its FTA with the United Kingdom, and advanced talks with the European Union. New Zealand adds a gateway to the Pacific and Oceania. For banks and investors, the direction matters more than any single deal: India is building a network of preferential trade access, and together these deals lower the country risk tied to its export-focused borrowers, even when each one is small on its own.

[3] Al Jazeera, "India and New Zealand conclude free trade agreement", 22 December 2025; New Zealand Ministry of Foreign Affairs and Trade, negotiation timeline, 2026.

What the agreement delivers

Goods: a clean sweep for India, phased access for New Zealand

India gets 100% duty-free lines from day one; New Zealand's access phases in.

From entry into force, New Zealand eliminates duties on all 8,284 of its tariff lines, covering 100% of India's exports. India's offer is more measured: concessions on about 70% of its lines, covering roughly 95% of current bilateral trade, with 57% of New Zealand's exports duty-free at once and the rest phased over up to ten years. India kept its sensitive farm products out of the deal, including dairy, sugar, edible oils and most meat. This gap is on purpose: India gave New Zealand wide access while still protecting its own farmers.

Services, investment and mobility: the long game

The services and investment chapters are where the compounding value sits.

New Zealand has opened about 118 services sub-sectors, with most-favoured-nation treatment across roughly 139, covering IT, professional services, education and construction. For people, the deal offers 5,000 temporary-employment visas for skilled Indians, 1,000 working-holiday places a year, uncapped student mobility, and post-study work rights of three years for STEM graduates and four for doctoral scholars. The headline USD 20 billion investment target, aimed at renewable energy, digital services, infrastructure and innovation, is ambitious: cumulative New Zealand investment in India is still well under USD 100 million.[4]

Commitment tracker

What is live today, what phases in, and what is still only a promise.

Table 4 ranks the main commitments by status and credit relevance, separating what delivers from day one from what still depends on later action.

Table 3:
Commitment tracker: what is in force, what phases in, and what it means for credit

Area	What was agreed	Status	Next step	Credit relevance
Goods tariffs	100% duty-free for Indian exports to New Zealand; India phases its own cuts	In force	Monitor utilisation vs MFN fallback	**Medium**
Pharma regulation	Recognition of US FDA, EMA, UK MHRA and Health Canada inspections	In force	First approvals under new regime	**High**
Input access	Zero duty on timber, coking coal, metal scrap	In force	Pass-through to input costs	**Medium**
Services and mobility	~118 sub-sectors opened; 5,000 skilled visas; student mobility	In force	Take-up by IT and professional services	**Medium**
Investment	USD 20 billion facilitation target into India	Pending	Project pipeline and first inflows	**Low for now**
Geographical indications	GI protections to be finalised within 18 months	Phasing	Legal amendments by ~April 2028	**Low**
Agriculture TRQs	Apples, kiwifruit, Manuka honey under quota, minimum price, seasonal windows	In force	Administration and dispute handling	**Low**

Status: In force = effective from 20 October 2026; Phasing = scheduled; Pending = intent without a binding timetable.

Source: PIB, Government of India; MFAT; BWR Research.

A short calendar will show whether implementation keeps pace with the headlines.

Few commitments carry hard dates, but a handful of events over the next eighteen months will show whether the agreement is being used: the first shipments cleared under FTA preference rather than MFN rates; the first joint-committee review within twelve months; an early investment pipeline across FY27 and FY28; the geographical-indication protections, due by around April 2028; and the first use of the seasonal quotas on apples, kiwifruit and honey.

[4] Press Information Bureau, Government of India, India–New Zealand FTA chapters on services, investment and mobility, 2026; New Zealand direct investment data, Dezan Shira & Associates (India Briefing), 2026.

Macroeconomic implications for India

Negligible at the aggregate, real at the margin

The deal barely moves GDP, but it reshapes specific flows.

At roughly USD 1.2 billion, two-way trade is far too small to register in India's national accounts, and nothing in the agreement changes that near term. The macro relevance is narrower and more specific: a modest, favourable shift in the terms on which labour-intensive clusters export; a small easing of imported input costs; and, potentially, an investment and remittance channel that is immaterial today but could matter if it scales. For policymakers the value is strategic positioning; for the macro forecaster it is a rounding error.

The balance of payments and the rupee

Investment is the only channel large enough to matter, and it is aspirational.

The one line item that could move the balance of payments is the USD 20 billion investment target. Set against cumulative New Zealand direct investment into India of under USD 100 million through 2021 and annual inflows of only a few million dollars, that figure implies a step-change of several orders of magnitude. We therefore treat it as optionality rather than a base case: if even a fraction converts into greenfield or infrastructure projects, it supports the capital account and, at the margin, the rupee; if it does not, nothing is lost that the economy was relying on. Remittance gains from expanded mobility are real but small.[5]

Illustrative scenarios to 2030

Our base case sees the deal as mildly positive and slow-burning.

Table 6 sets out three illustrative paths, anchored on how fully the agreement is used. In the base case trade roughly doubles by 2030 in line with the official roadmap, export utilisation rises gradually, and investment inflows stay modest - useful, not transformational. The upside turns on investment conversion and services take-up; the downside on rules-of-origin bottlenecks that leave exporters on MFN rates despite the deal.

Table 4:
Illustrative scenarios for the agreement to 2030

	Base case	Upside	Downside
Two-way trade by 2030	Roughly doubles, near the NZ$7 billion roadmap target	Exceeds target as services scale	Stalls near current levels
Export utilisation of preferences	Rises gradually as MSMEs adapt	High; rules of origin mastered quickly	Low; MFN fallback persists
New Zealand investment realised	Modest; a fraction of the USD 20 billion target	Several billion in energy and digital projects	Negligible; target stays on paper
Net credit impact	Mildly positive, sector-specific	Positive for exporters and recipients of FDI	Neutral; headline without substance

Source: BWR Research illustrative scenarios.

[5] Cumulative and annual New Zealand direct investment into India, Department for Promotion of Industry and Internal Trade (DPIIT) and Dezan Shira & Associates (India Briefing), 2026.

Sectoral implications

Where the gains concentrate

Labour-intensive exporters and pharma gain most; farmers are shielded.

The clearest beneficiaries are clusters that combine labour intensity with price-sensitive export markets: textiles and apparel in Tiruppur and the north, leather and footwear in Agra, Kanpur and Tamil Nadu, gems and jewellery in Gujarat, engineering goods, and marine products from Andhra Pradesh and Kerala. New Zealand's tariffs of up to 10% on these goods fall to zero today, giving textile and leather exporters immediate price parity with Bangladesh and Vietnam; pharmaceuticals gain faster regulatory clearance on top of duty removal. On the other side, India's exclusion of dairy, sugar, edible oils and most meat means the farm economy faces little new import competition; the pressure, where it exists, falls on New Zealand's dairy lobby, not on Indian producers.

Sector heatmap

Near-term direction reflects utilisation; the medium term reflects investment and services.

Table 8 maps the credit direction we expect by sector. Over the next six months direction is set by how quickly exporters can claim preferences; over one to three years it is set by whether services access and investment facilitation deliver.

Table 5:
BWR sector heatmap: credit direction and its drivers

Sector	Main driver	0–6 months	1–3 years	What we watch
Textiles and leather	Zero tariffs; labour intensity	▲ Positive	▲ Positive	Rules-of-origin utilisation
Pharmaceuticals	Regulatory recognition	▲ Positive	▲ Positive	Pace of first approvals
Engineering and autos	Tariff removal; input costs	► Neutral	▲ Positive	Order flow from New Zealand buyers
Construction and recycling	Cheaper timber, coal, scrap	▲ Positive	► Neutral	Pass-through of input savings
IT and professional services	Services access; mobility	► Neutral	▲ Positive	Visa take-up and contract wins
Agriculture (ex-dairy)	Tea, spices, processed foods	► Neutral	► Neutral	Quota administration

Note: direction is a sector credit view, not a rating action.

Source: BWR Research.

Pressure points and opportunities

For India the risks are administrative, not competitive.

Because India excluded its sensitive farm sectors, there is little risk of an import surge harming domestic producers; the bilateral safeguard and rebalancing mechanisms provide further cover. The real constraints on realised benefit are internal: whether MSMEs can meet rules-of-origin documentation, whether port and certification processes keep pace, and whether the tariff-rate quotas on New Zealand horticulture are administered without dispute. The opportunity, conversely, is for banks and NBFCs to finance export clusters that now have a cleaner, duty-free route to a developed market.

The credit rating lens

By itself the deal changes few ratings; its credit signal is selective and indirect.

The agreement binds companies to nothing, so on its own it changes no borrower's operating conditions enough to prompt a rating action today. What it does is tilt the odds for specific exposures. It is a modest positive for labour-intensive export MSMEs that can comply with rules of origin, a clearer one for pharmaceutical exporters whose approvals speed up, and an input-cost easing for construction, paper and recycling. We see no material negative for Indian credits, given the farm exclusions and safeguard clauses.

Who benefits, who is unaffected

The gains are concentrated; most rated issuers are untouched.

Rating sensitivity is highest where export revenue to New Zealand, or imported New Zealand inputs, is a meaningful share of the business, a small set of mid-market exporters and input-intensive manufacturers. For the large, domestically oriented issuers that dominate rated portfolios, the agreement is immaterial. The practical implication is that analysts should look through the macro headline and test exposure case by case rather than apply a blanket view.

Financial sector and structured finance

The lending opportunity is in export-cluster and trade finance, not in the deal itself.

For banks and NBFCs the agreement is less a credit event than a business-development prompt. Duty-free access improves the economics of export-oriented MSMEs in textiles, leather, gems and engineering, which supports demand for working-capital, trade-finance and receivables facilities, and strengthens the collateral behind export-linked securitisations. Assessing these small exporters increasingly on transaction data, GST returns, bank statements and invoice payment behaviour, rather than on audited accounts alone would let lenders extend the benefit of the deal to firms that are otherwise thin-file.

BWR credit watchlist

Six indicators would prompt a closer look at exposed portfolios.

Table 9 lists the thresholds we will track. They are triggers for analysis, not rating actions.

Table 6:
BWR credit watchlist: indicators and review triggers

Indicator	Current reading	Review trigger	Why it matters
Export preference utilisation	Unmeasured (day one)	**Low uptake after 2–3 quarters**	Signals rules-of-origin bottlenecks
New Zealand investment inflows	Near zero historically	**No pipeline by FY28**	Tests the USD 20 billion target
Bilateral trade trend	~USD 1.2 billion, soft	**Continued decline**	Questions the growth thesis
GI finalisation	Pending (18-month clock)	**Slippage past April 2028**	Legal uncertainty for GI goods
Horticulture quota disputes	Not yet operating	**Disputes over quotas or prices**	Non-tariff friction risk
Rupee and input costs	Stable	**Sharp input-cost or FX moves**	Offsets or amplifies tariff gains

Source: Ministry of Commerce & Industry, Government of India; Reserve Bank of India; MFAT; BWR Research.

The BWR view: beyond the headlines

Five readings that deserve a second look

What the agreement changes, and what it does not.

The preceding chapters described what the agreement delivers; this one asks what it actually changes. Table 10 tests five common readings against the evidence.

Table 7:
Common readings of the agreement and the BWR view

Common reading	The BWR view
"A major boost to India's exports."	Directionally right, materially small. Bilateral trade is ~USD 1.2 billion and India's exports to New Zealand fell in FY26; the gain is real but immaterial to national exports.
"USD 20 billion of investment is coming."	A target, not a commitment. Against a near-zero base it is aspirational; treat any inflow as upside, not as a cash flow to underwrite.
"The tariff cuts are the main prize."	The regulatory and input-cost wins matter more. Pharma inspection recognition and duty-free inputs outweigh tariffs that were already modest.
"Indian farmers are exposed."	Largely protected. Dairy, sugar, edible oils and most meat are excluded, and safeguard and rebalancing clauses add cover.
"The deal is self-executing."	Utilisation is the binding constraint. Rules-of-origin compliance, quota administration and the GI clause will determine how much benefit is realised.

Source: BWR Research.

Action points for market participants

First test exposure; then position for the slower-burning gains.

The agreement rewards preparation over reaction. The priority is to identify genuinely exposed names, then to position for the services, investment and mobility channels that accrue over years.

Table 8:
Action points for market participants

Participant	What to do now
Banks	Map export-cluster exposure (textiles, leather, gems, engineering); build trade-finance and working-capital propositions for duty-free exporters; watch rules-of-origin readiness.
NBFCs	Target MSME exporters in benefiting clusters; use GST and transaction data to extend receivables and invoice finance to thin-file firms.
Investors	Treat the USD 20 billion target as optionality; favour pharma and labour-intensive exporters with the capacity to comply and scale.
Corporates and exporters	Invest early in rules-of-origin documentation and certification; do not assume preferences apply automatically.
Policymakers	Ease utilisation—certification, ports, MSME outreach; finalise the GI clause on time; use the deal as a template for the EU and other talks.
Media and analysts	Separate the signalling value from the trade value; the story is execution and template, not a near-term export surge.

Source: BWR Research.

What would change our view

Utilisation and investment are the swing factors; watch them, not the headline.

India delivered the agreement at speed; the question now is conversion. Three developments would turn our measured view more positive: credible evidence that exporters are claiming preferences rather than defaulting to MFN rates; a real investment pipeline that gives the USD 20 billion figure substance; and timely resolution of the GI clause and the horticulture quotas. Conversely, persistent rules-of-origin bottlenecks or an investment target that stays on paper would confirm the agreement as a strong signal with a modest balance sheet.

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