



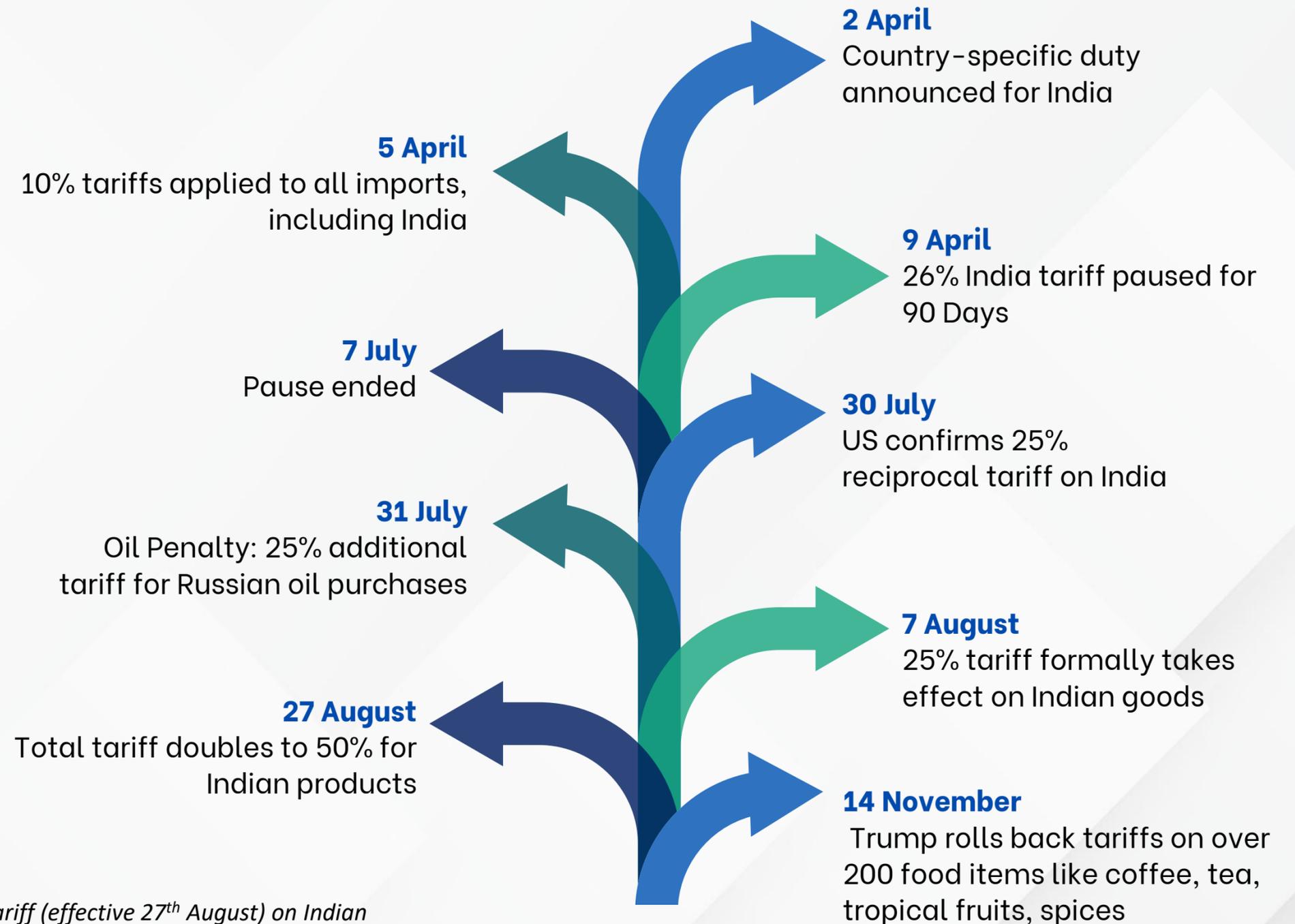
From disruption to diversification

India's path through 100 days of tariff shocks

TARIFFS

US tariffs on India: key milestones

- The US imposed a 25% tariff on Indian exports, effective August 7, 2025, escalating to a 50% tariff on most goods from August 27, 2025
- These tariffs target key Indian export sectors including textiles, gems and jewellery, marine products, and leather
- The 100 days of the US tariffs on India started from 7 August 2025. As of 15 November 2025, it marked 100 days since the US tariffs on India came into effect
- The 100-day period* has seen significant export contraction, job losses in affected sectors, and government efforts to mitigate economic fallout

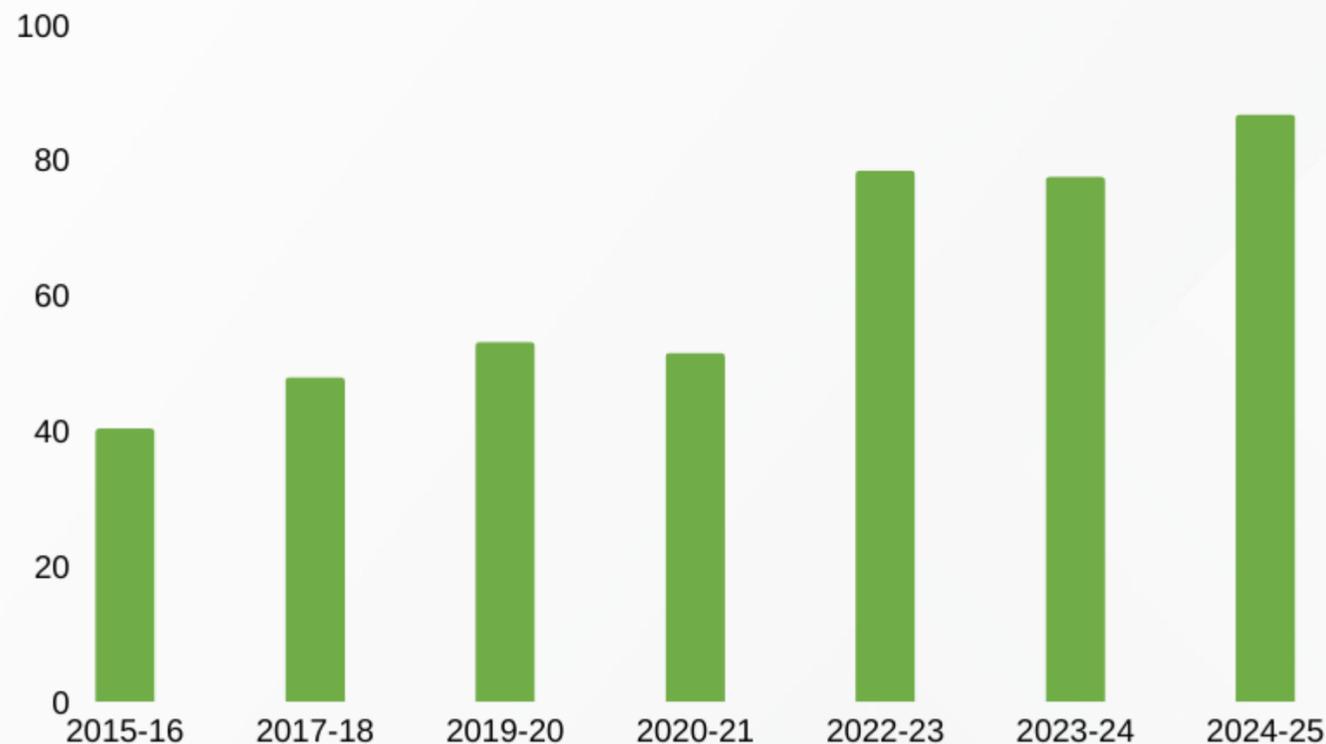


**100 days since the US administration announced an additional 25% tariff (effective 27th August) on Indian imports on 7th August.*

Overview of the US tariffs on Indian exports

- **India-US trade relations:** US is one of the India's largest trading partners (19.8% share in 2024-25)
- **Key reasons for tariff:** Trade imbalances, India's Russian oil purchases
- **Timeline of tariff hikes:** 10% (April 2025), 25% (Aug 2025), 50% (late August 2025)
- **Exempted sectors:** Pharmaceuticals, smartphones and energy
- **Critically impacted sectors:** Textiles, gems and jewellery, chemicals
- **Trade impact:** India's exports to the US declined sharply, from USD 8.8 billion in May 2025 to USD 6.3 billion in October 2025

India's exports to the US (USD billion) - Yearly



India's exports to the US (USD billion) - Monthly



Tariffs hit labor-intensive sectors: costs, jobs, and investments

The US tariffs have eroded the competitiveness of India's export-oriented sectors, like, textiles, gems & jewellery, and shrimp. Higher duties compared to competitors such as Vietnam and Bangladesh make Indian goods less appealing in the US, threatening jobs and causing declining orders in key hubs. The government is responding with support measures and pushing for export diversification to limit growth and employment losses



Export driven industries hit hard

Sectors most affected include textiles, gems and jewelry (especially in Surat), leather, marine products (notably frozen shrimp), and chemicals



Reduced export competitiveness

The 50% tariffs imposed on over half of India's US-bound exports have substantially eroded price competitiveness. Indian exporters now face higher costs than competitors from countries with lower tariffs, reducing India's market share in the US



Decline in investments

Uncertainty around tariff continuity and export demand has made investors cautious, particularly in sectors heavily exposed to the US market, leading to delays or cancellations of investment in expanding export capacities



Fall in employment

Tariffs have caused job losses and reduced work hours particularly in small and medium enterprises engaged in textile, garment manufacturing, gems and jewelry, and marine exports. These sectors employ millions of workers, many in informal or low-wage positions, making the social impact severe

Exports have declined across categories

India's exports are affected under three tariff categories: 1) tariff-free, 2) subject to uniform global tariffs, and 3) facing punitive 50% tariffs

The sharp decline in tariff-exempt exports is both alarming and counterintuitive. Despite facing zero U.S. duties, these sectors have recorded the steepest fall, underscoring vulnerabilities beyond tariff pressures.

Category A: Tariff-free products*

- Smartphones: Down from USD 2.29 billion (May 2025) to USD 884.6 million (September 2025)
- Pharmaceuticals: Down from USD 745.6M in May 2025 to USD 628.3M in September 2025
- Both are flagship sectors and PLI scheme beneficiaries.

Category B: Uniform tariff sectors*

- Export value declined by 16.7%, from USD 0.6 billion in May 2025 to USD 0.5 billion in September 2025.
- Key sectors include metal & auto parts, aluminum, iron & steel, and copper.
- The impact is more correlated to the US industrial slowdown than loss of Indian competitiveness as all countries face similar tariffs.

Category C: 50% India-specific tariffs*

- Export value fell by 33%, from USD 4.8 billion in May 2025 to USD 3.2 billion in September 2025.
- Key sectors include gems & jewellery, solar panels, textiles & garments, chemicals, marine & seafood and agriculture & processed foods.

*All the export values refer to India's export to the US.

Indian exporters pivot to new markets amid tariff shock

India's exporters have effectively tapped new markets to offset losses from steep US tariffs imposed in 2025. Following the tariff hikes, India diversified exports to alternative regions and sectors, achieving early successes. This strategic pivot mitigates risks and enhances India's export sustainability amid ongoing US tariff challenges. Despite gains, some sectors still heavily depend on the US; thus, further diversification and market development are critical for sustained export resilience.

- Indian exporters are rapidly shifting focus to alternate markets in Asia, Europe, and the Middle East following the steep 50% US tariff hike
- Cotton readymade garment exports rose to UAE, France, and Japan even as shipments to the US fell by 25% year-on-year in September 2025
- Marine product exports to the US declined by 26.9% year-on-year in September 2025 but surged over 60% to China, Vietnam, and Thailand, displaying successful market diversification
- Export diversification helped overall merchandise exports rise 6.7% year-on-year to USD 36.38 billion in September 2025, mitigating US market challenges
- Government efforts and bilateral talks support expanding exports beyond the US to reduce dependency and trade risk
- Early shifts to multiple global markets help reduce dependence on the US and increase export resilience
- Diversification is critical to sustaining India's export growth as US tariffs remain high and market uncertainties persist

India's multi-pronged strategy to counter US tariff

India is showing its multi-pronged approach to safeguard its export economy from punitive US tariffs while seeking longer-term stable trade relations and global market expansion.

TRADE DIVERSIFICATION THROUGH FTAs

India expedited negotiations and signed Free Trade Agreements (FTAs) like the India-UK Comprehensive Economic & Trade Agreement and the India-EFTA Trade & Economic Partnership Agreement to reduce dependence on the US market by opening access to lucrative alternative markets with zero or reduced tariffs

TRADE NEGOTIATIONS

India engaged the US in ongoing trade talks seeking a bilateral trade agreement and tariff rollbacks, aiming for a resolution in late 2025. Despite US-imposed tariffs linked to India's energy policy (notably imports of Russian oil), India maintained its strategic autonomy while pushing for recalibration of trade terms.

EXPORT FINANCE AND MSME SUPPORT

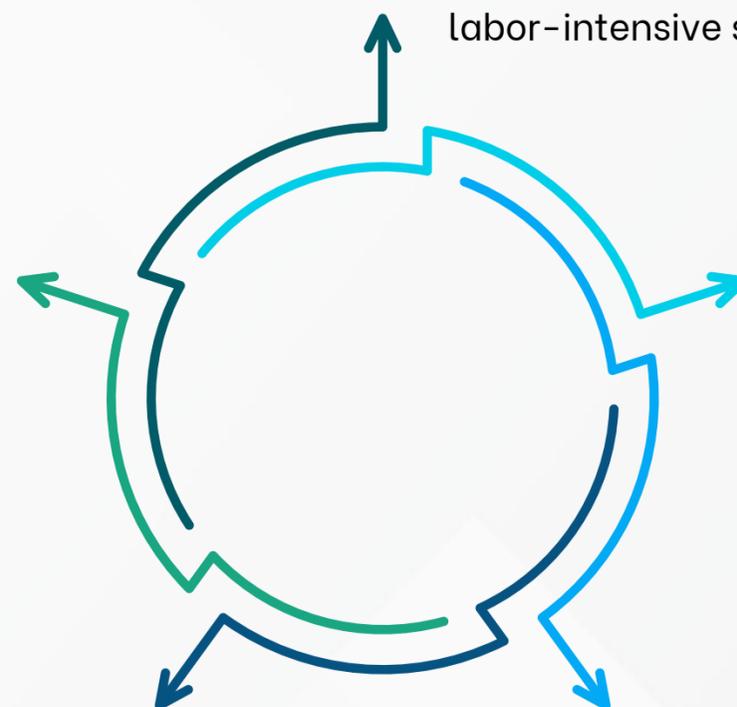
Measures include enhancing interest equalization schemes, fast-tracking duty remission, and introducing emergency credit lines for Micro, Small & Medium Enterprises (MSMEs) to address liquidity crunches and safeguard employment in labor-intensive sectors heavily affected by tariffs.

EXPLORE NEW MARKETS

India's response to US tariffs includes a strategic export diversification plan targeting nearly 50 new markets beyond the US to reduce dependency and mitigate tariff impacts. Key policy recommendations for the government involve expanding and deepening commercial relationships with countries such as the UAE, EU nations, Japan, South Korea, Australia, and others.

SUPPORT FOR LABOUR-INTENSIVE SECTORS

Offering support to the textiles, apparel, gems and jewellery, leather, and footwear sectors, which are the most affected, through measures such as subsidies, export promotion initiatives, and improved access to major domestic buyers like government agencies and large retailers, can help sustain market presence and protect employment.



US tariff relief on agriculture: gains for farmers and exporters

- The United States (US) announced the rollback of reciprocal tariffs on over 200 products
- This decision is expected to benefit Indian farmers and exporters
- Agricultural products, including coffee, tea, tropical fruits, fruit juices, cocoa, spices, bananas, oranges, tomatoes, beef, and certain fertilizers, have been excluded from the reciprocal tariff system that took effect on 2 April, according to a White House Executive Order issued on 12 November
- The exemption gives Indian agriculture a more level playing field, particularly in premium, specialty, and value-added segments, where price pressures are acute and demand from U.S. retailers remains strong
- These tariff rollbacks have also sent a positive signal for ongoing U.S.-India trade negotiations, possibly reducing trade frictions exacerbated by earlier duties

Expected positive impact

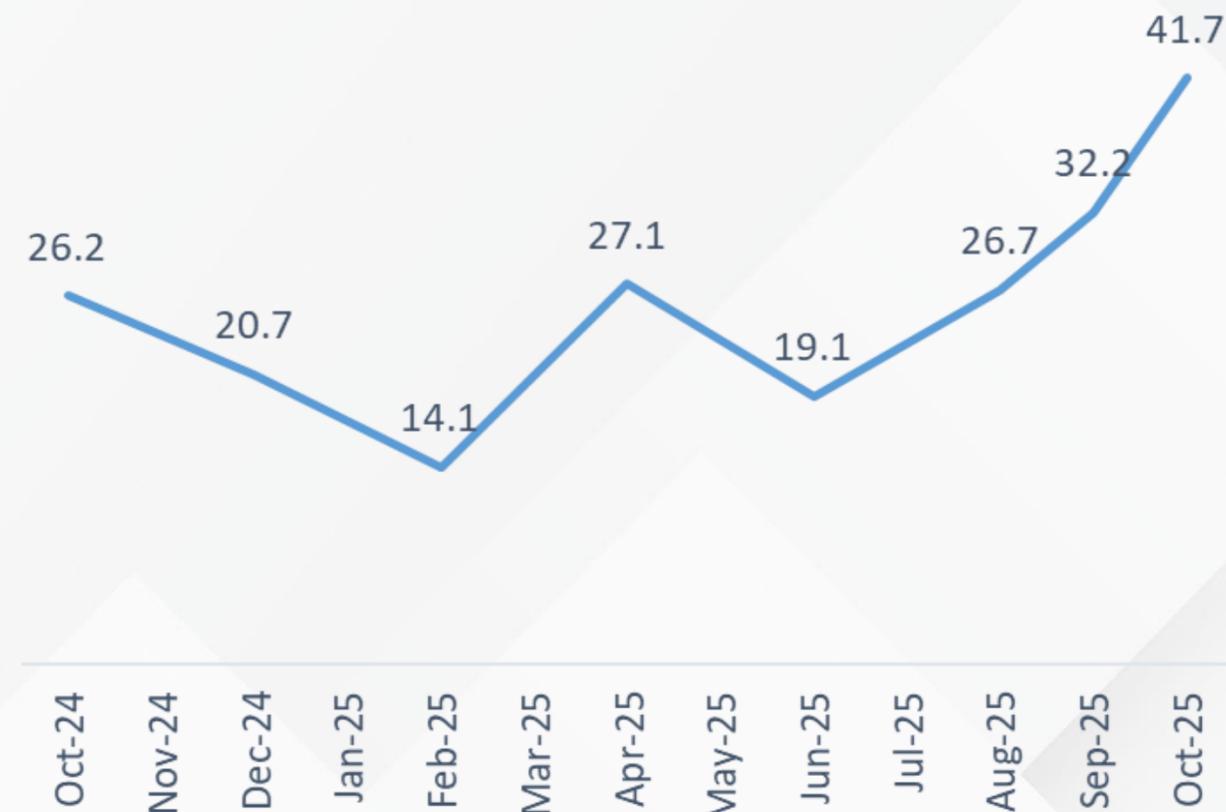
- The exemptions cover products worth ~USD 1 billion of India's annual agricultural exports to the US, including high-value categories like spices, tea, coffee, processed foods, fruits, nuts, and edible roots.
- This accounts for around 40% of India's USD 2.5 billion total agricultural exports to the US in 2024.
- With tariffs rolled back, Indian exporters can expect improved profit margins, potentially higher export volumes, and expansion of their market share in the US.
- The tariff relief provides a level playing field vis-à-vis other competitors like Latin America and ASEAN countries, who benefited earlier from lower tariffs, thus supporting India's export prospects in labor-intensive and agro-processed goods.

India trade deficit hits record high in October 2025

- India saw highest-ever trade deficit of USD 41.7 billion in October 2025.
- This widening deficit was driven largely by a dramatic surge in gold imports, which nearly tripled to USD 14.72 billion.
- India's exports to the United States also declined by around 8.7% y-o-y to USD 6.3 billion in October 2025, reflecting the impact of tariffs and a global slowing demand environment.
- While the US tariff exemptions on some Indian agricultural products may provide relief and marginally improve export competitiveness in certain sectors, broader trade dynamics, including high import demand (notably for precious metals like gold) and declining merchandise exports, especially to the US., are currently driving a larger trade deficit for India.
- Despite the widening merchandise deficit, India's services exports remained strong, rising almost 12% y-o-y to USD 38.5 billion in October 2025.
- In conclusion, the sharp rise in India's trade deficit in October was driven primarily by an unprecedented surge in bullion imports (gold and silver), a notable fall in exports amid US tariff pressures and global demand weakness, and stronger demand for industrial imports—together resulting in the largest monthly trade deficit on record.

India's highest ever trade deficit highlights ongoing pressures in merchandise trade despite tariff exemptions, with imports outpacing exports largely due to precious metals, and exports to the U.S. still constrained. Services exports provide some cushion, but reversing the overall deficit will need broader export growth and import management strategies beyond agricultural tariff adjustments alone.

India's trade deficit (USD billion)



Source: Ministry of Commerce and Industry, Government of India

Outlook: negotiations, resilience, and strategic trade realignment

Current status of negotiations

First phase of the bilateral trade agreement (BTA) focused on reciprocal tariffs and market access is near closure

Strategic impact

Balanced tariff reductions and trade facilitation expected to boost exports and investor confidence

Protection for sensitive Indian sectors

India safeguards farmers, fishermen, and micro, small, and medium enterprises (MSMEs) within the agreement, ensuring sensitive domestic industries are not negatively impacted

Key outcomes and goals

Resolution expected to reduce or remove punitive tariffs on Indian goods

Key sectors

Tariffs targeted key sectors like agriculture, textiles, and machinery, impacting Indian exporters

Outlook

India signals readiness to wait for a favourable deal rather than rush into agreement. The projected economic impact of the 50% US tariff on Indian exports is reportedly estimated to reduce India's GDP growth by around 0.5%.

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