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NITI Aayog

TRADE WATCH

QUARTERLY

THEMATIC ANALYSIS:
AUTOMOTIVE EXPORTS

April - June (Q1 FY26)

TRADE WATCH QUARTERLY, Quarterly Report for the FY26

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Government of India
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TRADE WATCH

QUARTERLY

April-June (Q1) FY26

सुमन के. बेरी
उपाध्यक्ष
SUMAN K. BERY
VICE CHAIRMAN
Phones : 23096677, 23096688
Fax : 23096699
E-mail : vch-niti@gov.in

सत्यमेव जयते

Azadi Ka Amrit Mahotsav

भारत सरकार
नीति आयोग, संसद मार्ग
नई दिल्ली - 110 001
Government of India
NATIONAL INSTITUTION FOR TRANSFORMING INDIA
NITI Aayog, Parliament Street,
New Delhi - 110 001

Foreword

Global trade is undergoing a period of profound transformation, as demand patterns shift and production networks become increasingly specialised. In this changing environment, India is steadily consolidating its position by strengthening competitiveness, diversifying its trade profile, and enhancing resilience across sectors. A growing emphasis on quality, innovation and adaptability is enabling India to align more closely with global opportunities, while laying the foundations for inclusive and sustainable growth.

The edition of *Trade Watch Quarterly* captures this moment of transition with analytical clarity. While overall trade performance has remained broadly stable, the composition of trade is changing in significant ways. Services exports and technology-intensive manufacturing continue to gain strength, even as commodity-linked and labour-intensive segments confront a more challenging external environment. These developments point to structural shifts rather than temporary fluctuations, highlighting the need to align trade and industrial policy with evolving global demand.

This edition focuses on automotive exports, a sector positioned at the intersection of manufacturing scale, technological capability and global integration. Globally, the automotive industry is moving towards more fragmented and specialised production systems, where competitiveness depends not only on cost, but equally on reliability, standards and supply-chain efficiency. India's experience reflects these trends. Domestic scale has supported the development of capabilities in engine components and select vehicle segments, while electric vehicle manufacturing remains at an early yet rapidly evolving stage, characterised by rising demand for imported intermediates and technology-intensive inputs. Strengthening India's integration into global automotive value chains will require sustained improvements in logistics, standards compliance and input competitiveness.

I commend the Economics & Finance–I team at NITI Aayog for this analytically rigorous and forward-looking edition of the Trade Watch Quarterly. The insights offered will be of considerable value for policy formulation, industry strategy and informed public discourse on India's evolving role in global trade.

New Delhi
2nd January' 2026

Suman K. Bery

स्वच्छ भारत
एक कदम स्वच्छता की ओर

डॉ. अरविन्द विरमानी
Dr. ARVIND VIRMANI
सदस्य
MEMBER
Tel. : 011-23096673/6733
E-mail : member-niti@gov.in

सत्यमेव जयते

भारत सरकार
नीति आयोग, संसद मार्ग
नई दिल्ली - 110 001
Government of India
NATIONAL INSTITUTION FOR TRANSFORMING INDIA
NITI Aayog, Parliament Street,
New Delhi - 110 001

FOREWORD

India's trade engagement is being reshaped by structural shifts aimed at improving competitiveness, accelerating technological upgrading, and embedding Indian producers more firmly within global value chains. As global trade patterns adjust to geopolitical uncertainty and supply-chain reconfiguration, India's trade strategy is moving beyond an emphasis on volumes toward resilience, higher value creation, and durable export growth.

The current edition of *Trade Watch Quarterly* captures these evolving dynamics. India's trade performance in Q1 FY26 reflects a steady consolidation, with services exports continuing to anchor external stability and provide a growing surplus. In contrast, merchandise trade shows a gradual reorientation toward technology- and capital-intensive segments. The growing prominence of electronics, machinery, and chemicals signals a structural shift in India's export basket, even as traditional commodity- and labour-intensive sectors face global headwinds. The analysis of the creative economy further highlights India's emerging strength in skill-intensive, innovation-driven services, where it is already among the leading global players.

A key thematic focus of this edition is India's automobile industry, a sector with significant multiplier effects and strategic importance for industrial development. The report provides a nuanced assessment of India's position within global automotive value chains, highlighting both areas of competitive strength such as motorcycles, tractors, and auto components and segments where India's presence remains limited. It presents a forward-looking lens on where India stands, what opportunities lie ahead, and how to translate potential into sustained trade gains.

I take this opportunity to acknowledge Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, for his continued leadership and strategic guidance. I also extend my appreciation to the advisory board and the Economic & Finance-I team at NITI Aayog for their valuable contributions. Their work reflects a commitment to evidence-based policy and India's long-term objective of becoming a globally competitive, innovation-led export powerhouse.

New Delhi

January'2026

Arvind Virmani

(Dr. Arvind Virmani)

बी. वी. आर. सुब्रह्मण्यम
B.V.R. Subrahmanyam
मुख्य कार्यकारी अधिकारी
Chief Executive Officer

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भारत सरकार
नीति आयोग, संसद मार्ग
नई दिल्ली - 110 001
Government of India
National Institution for Transforming India
NITI Aayog, Parliament Street,
New Delhi - 110 001
Tel. : 23096576, 23096574
E-mail : ceo-niti@gov.in

FOREWORD

India's trade performance in the first quarter of FY26 (Apr-Jun) reflects growing resilience and structural strength amid a complex and evolving global environment. Total trade reached USD 439 billion during the quarter, recording a healthy year-on-year growth of 3.5%. Services exports once again emerged as a key growth engine, expanding by 10 per cent and reinforcing India's position as a competitive and reliable player in the global economy. High-technology and capital-intensive segments such as electronics, machinery, and chemicals continued to strengthen, reflecting India's deeper integration into global value chains and its evolving manufacturing capabilities.

A key highlight of this quarter is the expanding role of the creative economy in shaping India's trade profile. As global demand increasingly shifts toward innovation-driven and knowledge-intensive activities, India continues to strengthen its position in creative services such as software, research and development, and digital content. These segments are emerging as important engines of export growth, reflecting India's deepening capabilities in talent-driven and high-value activities.

This quarter's thematic focus on automotive exports provides timely insights into a sector that lies at the heart of India's industrial ecosystem. With global automotive trade exceeding USD 2 trillion, India's current share has scope for growth based on strong domestic capabilities. While exports of auto components have grown steadily and integration into global supply chains has improved, the analysis highlights constraints related to tariffs, scale, and limited participation in high-value segments. Addressing these challenges will be critical for enhancing competitiveness, especially as the global industry undergoes rapid technological shifts driven by electrification, digitalisation, and sustainability imperatives. India's policy priorities must focus on improving competitiveness, reducing trade costs, strengthening value-chain integration, and fostering innovation-led exports.

I commend the team for their rigorous analysis and continued efforts in delivering timely and insightful assessments. I am confident that this edition will contribute meaningfully to ongoing discussions on strengthening India's trade performance and long-term economic resilience.

Dated: 2nd January, 2026

[B.V.R Subrahmanyam]

स्वच्छ भारत
एक कदम स्वच्छता की ओर

डॉ. प्रभाकर साहू
कार्यक्रम निदेशक
Dr. Pravakar Sahoo
Programme Director
Economics and Finance - I

सत्यमेव जयते

भारत सरकार
नीति आयोग, संसद मार्ग,
नई दिल्ली -110 001
Government of India
National Institution for Transforming India
NITI Aayog, Parliament Street,
New Delhi-110 001
Tel. : 01123096741
E-mail : pravakar.sahoo@gov.in

Foreword

Global trade is undergoing a phase of reconfiguration, shaped by shifts in demand, technological change, and evolving production networks. Supply chains are becoming more fragmented and regionally diversified, while trade in intermediate goods, services, and knowledge-intensive products has expanded in importance. India's growth path is increasingly shaped by the changing role of trade as an instrument for structural transformation with developments across multiple fronts spanning from new trade agreements to domestic policy reforms aimed at strengthening export competitiveness.

This edition of *Trade Watch Quarterly* reviews India's trade performance in Q1 FY26 and presents a thematic assessment of automotive exports. Global automotive trade remains large and competitive, with demand concentrated in passenger vehicles and components, while production networks are becoming more modular and value-chain driven. India's automotive exports account for a small but growing share of global trade, with stronger performance in two-wheelers and select components compared to passenger vehicles.

At the same time, India's performance in the creative economy highlights its growing strength in skill-intensive and digitally enabled services. India has emerged as a leading exporter of creative services across software, R&D, design, and digital content, reflecting the depth of its talent base and expanding digital capabilities. As global trade increasingly shifts toward technology-driven activities, India is well-positioned to scale its creative services exports.

The insights in this edition aim to inform these policy pathways, while also providing a broader overview of export-import trends, sectoral shifts, and trade balances. As India navigates rapidly evolving global trade, this edition of Trade Watch Quarterly seeks to strengthen informed decision-making and reinforce India's position as a competitive global trading partner.

I take this opportunity to acknowledge the continued guidance of Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, and commend the Economic & Finance-I team at NITI for their dedicated efforts in producing this edition of the Trade Watch Quarterly.

Pravakar Sahoo

New Delhi
January'2026

Dr. Pravakar Sahoo

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EXECUTIVE SUMMARY

Global trade in goods and services maintained its momentum in April–June 2025, expanding by about 2.5% quarter-on-quarter. The upturn was driven mainly by developing economies and rising South–South trade, even as the United States trade performance weighed on the global average. Goods trade strengthened, with growth improving from around 2% to 2.5%, while services trade rebounded, turning positive after a contraction in the previous quarter.[1]

India's overall trade position in Q1 FY26 remained stable, with total merchandise and services trade reaching $439 bn, growing 3.5% y-o-y. Services continued to drive the expansion, with exports rising 10% and contributing to a large surplus of $48 bn. Goods exports declined 2.1% to $112 bn, reflecting low global demand and sector-specific disruptions, whereas imports grew marginally by ~5%, driven by higher demand for industrial inputs and technology-intensive goods.

India's trade performance in Apr–Jun 2025 reflects a structural shift, with high-tech and capital-goods segments driving resilience amid weakness in petroleum and labour-intensive exports. On the import side, a parallel reorientation toward electronics, machinery, and chemicals signals deeper integration into global value chains and ongoing manufacturing upgrading. Complementing these trends in goods trade, the analysis also highlights the rising importance of the creative economy in global trade, led by digitally delivered, skill-intensive services such as software, R&D, and digital content, whose export value now far exceeds that of creative goods. India stands out as a major global player in creative services, reflecting its strength in technology-enabled and innovation-driven activities.

The thematic focus of this quarter's edition is India's automotive exports, a sector with growing global relevance and integration into international value chains. Globally, the automotive import volume is valued at $2.2 trillion in 2024, with India contributing ~$30 bn in exports which accounts for 1.4% of the world demand. India's automotive exports reach a broad international footprint, with key destinations including Japan, Mexico, and various markets across Africa and Latin America. In global automotive demand, passenger vehicles accounts for about 71%, and India has captured around 1% of this market. In contrast, motorcycles represent roughly 3% of global demand, and India's export share in this segment is about 9%. This asymmetry highlights the need to reorient India's automotive export basket towards high-demand segments.

India's automotive industry has grown, with a primary focus on catering to the domestic market and a tariff regime that promotes domestic manufacturing and sales. While applied tariffs remain high and intra-industry trade is currently limited, export patterns reflect clear areas of specialisation, offering a strong base for future diversification and deeper integration into global automotive value chains. India's backward integration into global value chains has also improved, rising from 32% in 2015 to 46% in 2024. However, forward and two-sided linkages remain limited. The sector is gradually shifting from final-goods trade toward multi-stage, modular production, driven by imported intermediates and EV inputs, but deeper GVC integration will require a policy shift from protection toward lower input tariffs, improved logistics, and stronger alignment with standards.

1 https://unctad.org/system/files/official-document/ditcinf2025d8_en.pdf

To enhance competitiveness and global positioning, India needs strategic measures that include reducing tariffs, boosting two-way trade and cross-border platform participation, and reorienting production toward high-demand segments such as passenger vehicles. Strengthening quality standards, certification systems, and technology adoption, alongside fostering forward linkages in global supply chains, will be critical. Coupled with domestic market strength, these actions can help India scale high-quality production, broaden market diversification, and capture a larger share of global automotive trade.

HIGHLIGHTS

1. In Q1 FY26, India's goods and services exports reached $209 bn and imports $230 bn, each expanding by around 3–4% y-o-y, registering a combined deficit of $21 bn.
2. In Q1 FY26, exports increased to the USA, China, and Germany but declined to the Netherlands and the UK due to lower petroleum and smartphone shipments; On the import side, the share sourced from the top four partners increased from ~38% in Q4 FY25 to ~42% in Q1 FY26.
3. Technology-intensive sectors, electronics, machinery, and chemicals, now anchor India's trade performance. Electronics exports surged 47% y-o-y, lifting their share to over 11% of total exports, while machinery exports also grew by 11.1% during the quarter.
4. Creative services exports reached $1.5 trillion in 2023 (19% of global services trade), dominated by software and R&D, with India ranking fourth globally, highlighting its strong position and significant untapped potential in high-value digital creative exports.
5. Since 2015, India's share in the global automotive import market has remained broadly at around 1%, with export growth of 3.5% CAGR, slightly below the global average of 3.9% due to slower growth in high demand segments such as passenger vehicles, tractors and motorcycles.
6. While the global auto-components market grew modestly to $856 bn in 2024 (3% CAGR since 2015), India's exports nearly doubled from $8.2 bn to $16.9 bn, recording a faster 7% CAGR over 2015–24. This outperformance was driven by strong export growth in vehicle parts, rubber components, engine parts, and diesel engines, where India's export growth exceeded global import growth.
7. Germany, Mexico, the US, and China together account for $395 bn, or about 30%, of global automotive exports, with distinct specialisations by Germany in passenger vehicles and parts, by Mexico in other motor vehicles and tractors by China in motorcycles, commercial and special-purpose vehicles, and the US in rubber and engine components.
8. India shows low two-way trade in final vehicles, reflecting niche export specialisation, but records higher intra-industry trade in auto components, indicating growing integration into global production networks.
9. While global EV imports surged nearly 30 times between 2020 and 2024, India's participation remains negligible at ~0.1% of global exports and imports, underscoring a widening gap between global momentum and India's trade footprint.
10. India needs to enhance export competitiveness by rationalising incentives and correcting cost distortions, expanding export-linked financing for emerging markets, reducing inland and port logistics costs, and accelerating domestic production of critical inputs such as EV batteries.
11. India must deepen market access through targeted trade diplomacy and scheme recalibration by addressing non-tariff barriers via MRAs and customs cooperation, strategically leveraging FTAs and Lines of Credit in priority markets, and mid-course correcting PLI-AUTO to support scale, MSMEs, and non-EV segments.

Contents

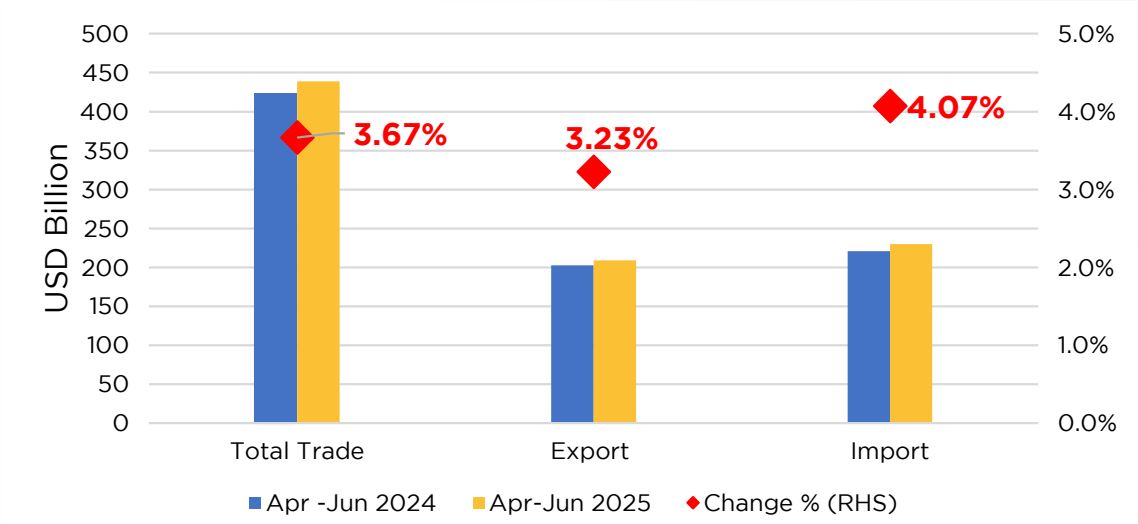
A.
INDIA'S TRADE ANALYSIS

A. India's Trade Analysis

Global goods trade continued to expand despite elevated trade policy uncertainty. The volume of global merchandise trade, measured by the average of exports and imports, expanded by 4.3% y-o-y in Apr-Jun 2025. Nearly half of this growth was driven by AI-related goods, such as semiconductors, servers, and telecommunications equipment, which recorded a 20% y-o-y increase in value. Asia emerged as a key contributor, with robust export growth in AI-linked products aligning with the global surge in investment across the artificial intelligence sector.[1]

India's merchandise and services trade performance remained steady between Apr-Jun 2025, supported by resilient export demand in key sectors such as engineering goods, pharmaceuticals, and IT services, alongside stable import flows of energy and intermediate goods that sustained production and supply chains. During this period, total trade reached $439 bn, marking a y-o-y growth of approximately 3.5%. Both exports and imports also grew by around 3-4% each, with exports reaching $209 bn and imports at $230 bn during April–June 2025. (Fig 1)

Fig 1: Trade performance in Q1 FY 26



Source: Department of Commerce, MoC&I, GOI

1. Merchandise and Services Analysis

During the quarter, monthly merchandise exports averaged $37.2 billion and imports averaged $60.1 billion. In June, exports stood at $35 billion, reflecting a marginal 1.3% moderation, while imports declined by 3.4% to $54 billion. (Fig 2) However, India's total trade (merchandise + services) in Q1 FY26 was up 3.7% y-o-y, with services trade up 7% and merchandise trade up 2%. In Q1 FY26, merchandise exports declined by 2.1% y-o-y to $112 bn, and imports rose marginally by ~5% reaching $180 bn. (Fig 3)

1 https://www.wto.org/english/news_e/news25_e/stat_07oct25_e.htm

Figure 2: Merchandise Trade (Monthly)

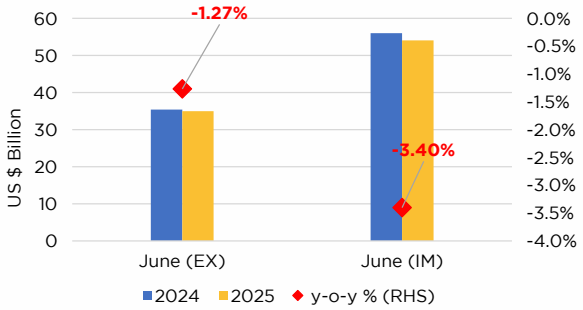
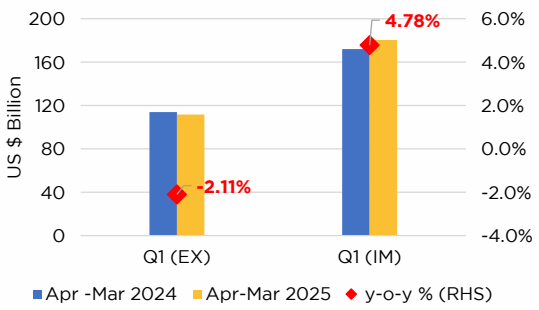


Figure 3: Merchandise Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

India's services exports for June'25 stood at $32 bn, registering a strong y-o-y growth of 12%, while services imports increased by 5% reaching ~$16 bn. (Fig 4). During Q1 FY26, services exports witnessed a robust annual expansion of 10%, reaching $97 bn and services imports rose marginally by 1.56% to $49.5 bn during the same period, resulting in a net services trade surplus of $48 bn. (Fig 5) The combined balance of trade in goods and services registered a net deficit of $21 bn for this quarter.

Figure 4: Services Trade (Monthly)

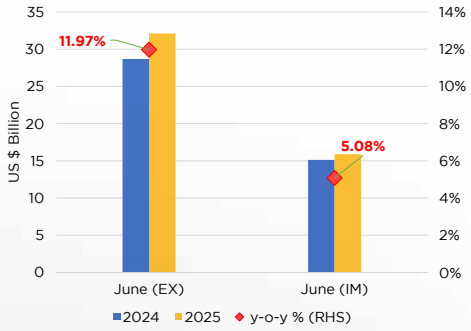
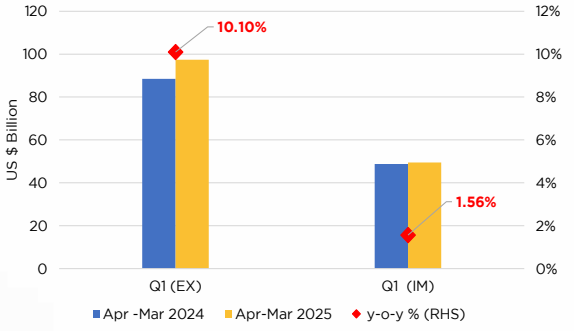


Figure 5: Services Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

2. Compositional Analysis

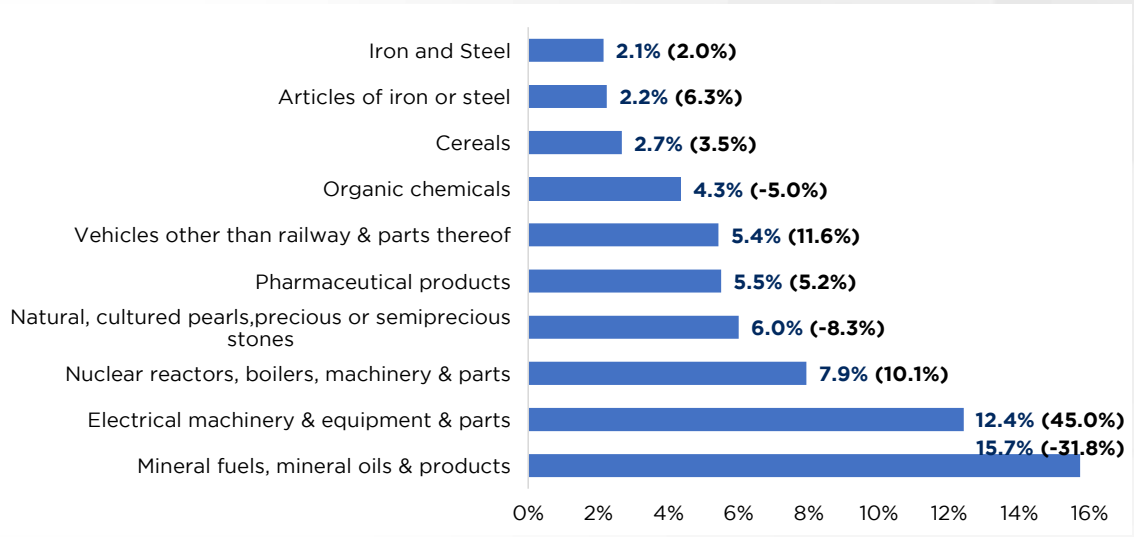
2.1 Merchandise Exports

In Q1 FY26, the leading[2] exports amounted to $71 bn marking a y-o-y decline of 3.6%. The leading commodities continued to be mineral fuels (15.7% share), electrical machinery and equipment (12.4%), and nuclear reactors (7.9%). The top ten categories are the same as in Q1 FY25. However, significant y-o-y declines were observed in specific sectors; most notably, mineral fuels and related products, which fell by ~32%, and natural and cultured pearls, which dropped by 8.3% but with the exception of electrical machinery which experienced a strong growth of 45%. (Fig 6)

Exports of electrical machinery surged, driven by the sharp rise in smartphone shipments.[3] In contrast, exports of mineral fuels declined, primarily due to reduced petroleum exports to Netherlands, US and UAE. Exports of natural and cultured pearls, particularly diamonds, were also adversely affected. This decline is linked to multiple factors, including growing competition from lab-grown diamonds and higher tariff pressures in the United States which is one of India's key export destinations.[4]

2 Leading commodities are the top ten commodities with the highest value share in exports.
3 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2175702
4 https://www.careratings.com/uploads/newsfiles/1758532474_Diamond%20Industry%20-%20CareEdge%20Report.pdf

Fig 6: Composition and Growth of Exports



Note: y-o-y growth of the commodity in India's export for this quarter is mentioned in parenthesis

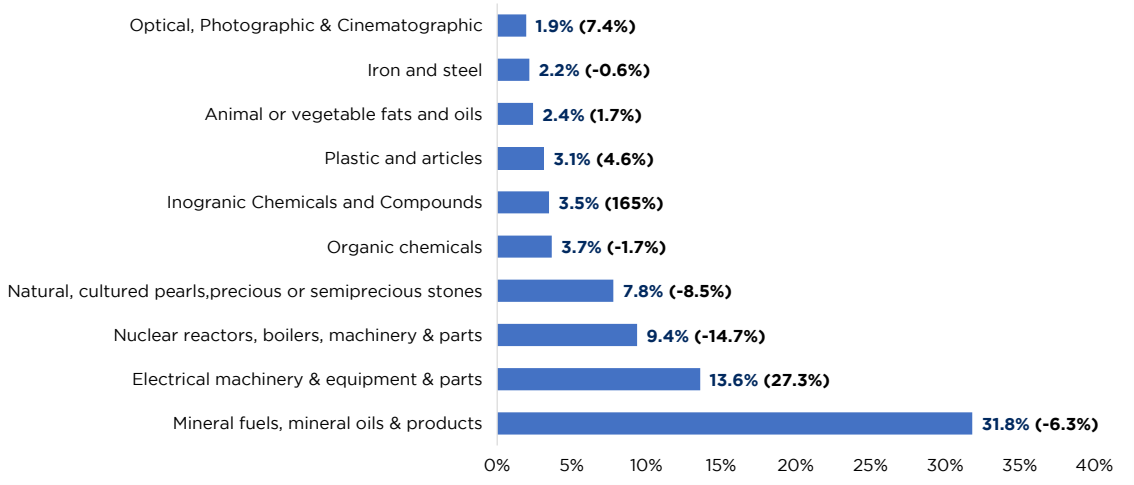
Source: Department of Commerce, MoC&I, GOI

2.2 Merchandise Imports

In Q1 FY26, the leading[5] imports amounted to $143 bn marking a y-o-y increase of 5%. The imports continue to be led by mineral fuels (31.8% share), electrical machinery (13.6%), natural and cultured pearls (9.4%), and nuclear reactors (7.8%). Among the top ten import categories, inorganic chemicals replaced aircraft, spacecrafts, and their parts, compared to the Q1 FY26. The overall increase in imports was driven by significant y-o-y growth of 165% in inorganic chemicals ($2.4 bn to $6.3 bn), 27.3% in electrical machinery and 14.7% in nuclear reactors. (Fig 7)

Under inorganic chemicals, imports surged sharply in Q1 FY26, driven by a 700% y-o-y increase in gold compounds (HS 2843). These compounds are primarily used in electronics and circuit board manufacturing, as well as in chemical research. Similarly, imports of electrical machinery increased, driven by higher demand for circuits, processors, and lithium-ion components.

Fig 7: Composition and Growth of Imports



Note: y-o-y growth of the commodity in India's imports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

5 Leading commodities are the top ten commodities with the highest value share in imports.

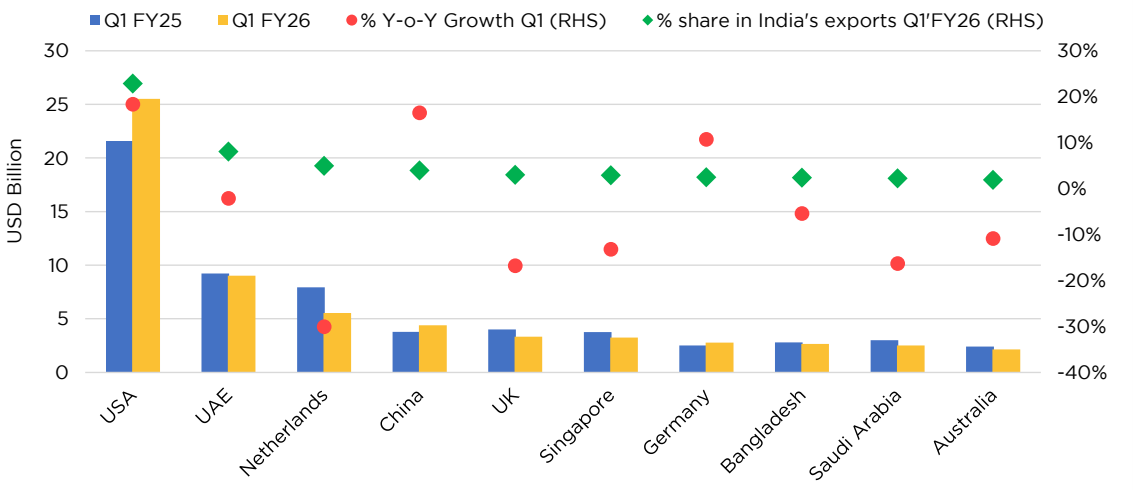
3. Trade Direction

3.1 Merchandise Exports

India's exports to its top markets[6] including the USA, UAE, Netherlands, China and UK, remained steady, collectively contributing around 42% of total exports in Q1 FY26, amounting to ~$48 bn, witnessed a marginal y-o-y increase of 3%. The sustained concentration in a few markets highlights the importance of maintaining scope for diversification across a wider range of destinations.

Among the top ten export destinations, India registered positive growth with three countries (Fig 8). The exports to USA saw a y-o-y increase of 18.3%, while exports to China and Germany increased by 16.5% and 10.7% respectively, in the same period. Exports to the Netherlands recorded a y-o-y decline of 30%, falling to $5.5 bn from $7.92 bn last year, primarily due to lower shipments of petroleum products and smartphones. Exports to the UK also fell from $4 bn to $3.3 bn, largely driven by reduced petroleum and smartphone exports.

Fig 8: India's exports to major destinations



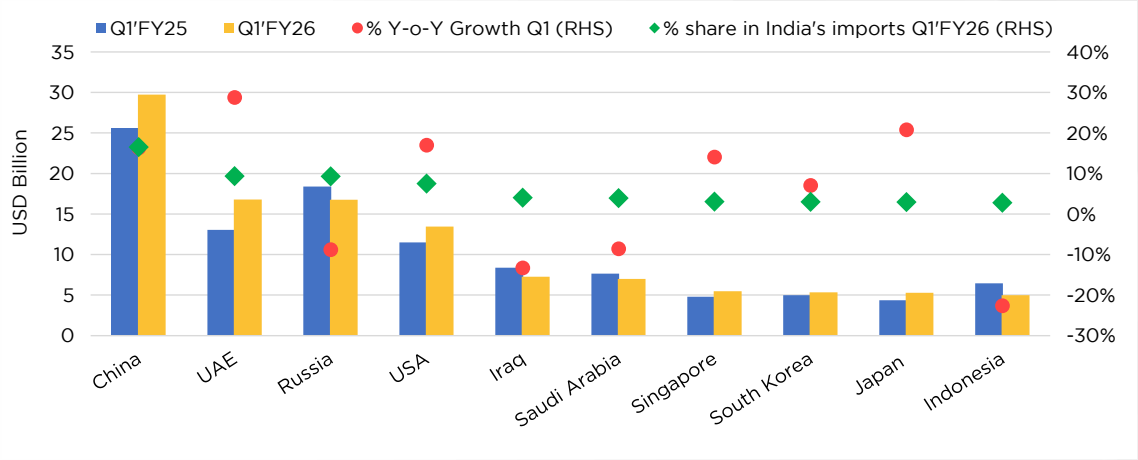
Source: Department of Commerce, MoC&I, GOI

3.2 Merchandise Imports

India's share of imports from its top[7] markets - China, UAE, Russia, USA increased, contributing around 43% of total imports in Q1 FY26 from 39% in Q1 FY25, amounting to ~$76.7 bn. In Q1 FY26, India recorded significant y-o-y import growth, with notable increases from UAE (28.7%), China (16.3%), USA (16.9%) and Singapore (14%). However, import growth declined with Iraq (-13.3%), Russia (-8.7%) and Saudi Arabia (-8.50%). (Fig 9)

6 Top markets are those that account for the top 10 shares of total exports in Q1 FY26.
7 Top markets are those that account for the top 10 shares of total imports in Q1 FY26.

Fig 9: India's imports from major destinations



Source: Department of Commerce, MoC&I, GOI

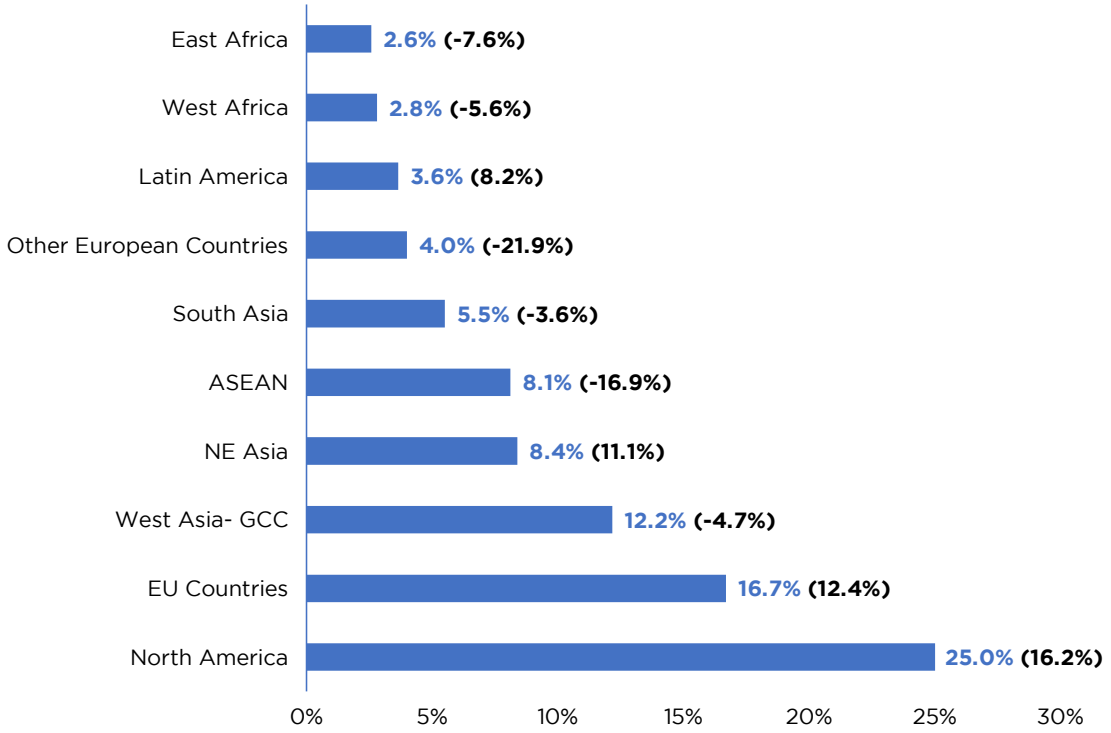
Gold compounds and petroleum primarily drove rising imports from the UAE. Gold compounds, which were previously not imported from the UAE, have now made the UAE one of the top import sources, surpassing Japan, which was previously the leading supplier. Imports of petroleum oils and oils obtained from bituminous minerals have also increased sharply. From China, the surge was concentrated in the 'other' subcategories under HS 85, particularly codes 851779 (circuit boards-parts) and 854239 (electronic integrated circuits-other). In the case of Iraq, while imports of petroleum oils declined, imports of mineral fuels in gaseous form and petroleum bitumen rose. Notably, crude soybean oil sourcing from Iraq has also begun. Imports from Russia, however, declined due to lower petroleum oil inflows.

4. Regional Analysis

4.1 Merchandise Exports

India's exports to its top 10 export regions, which accounted for 89% of its total exports in Q1 FY26, declined 2% y-o-y. North America remains India's largest export market, accounting for approximately a quarter of total exports during this quarter, with y-o-y growth of around 16%. The USA accounts for 90% of this growth. EU countries, another major export destination, experienced a y-o-y decline of ~12%, primarily from the Netherlands, France, and Italy. A similar decline was recorded in the GCC region, due to reduced exports to the big markets like UAE, Saudi Arabia, Qatar and Kuwait. The steepest drop came from ASEAN countries, driven by Singapore, Malaysia, and Indonesia. Exports to Northeast Asia increased by 11%, led by higher exports to China, South Korea, Hong Kong and Japan. (Fig 10)

Fig 10: Region-Wise Export Composition and Growth



Note: y-o-y growth of the commodity in India's exports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

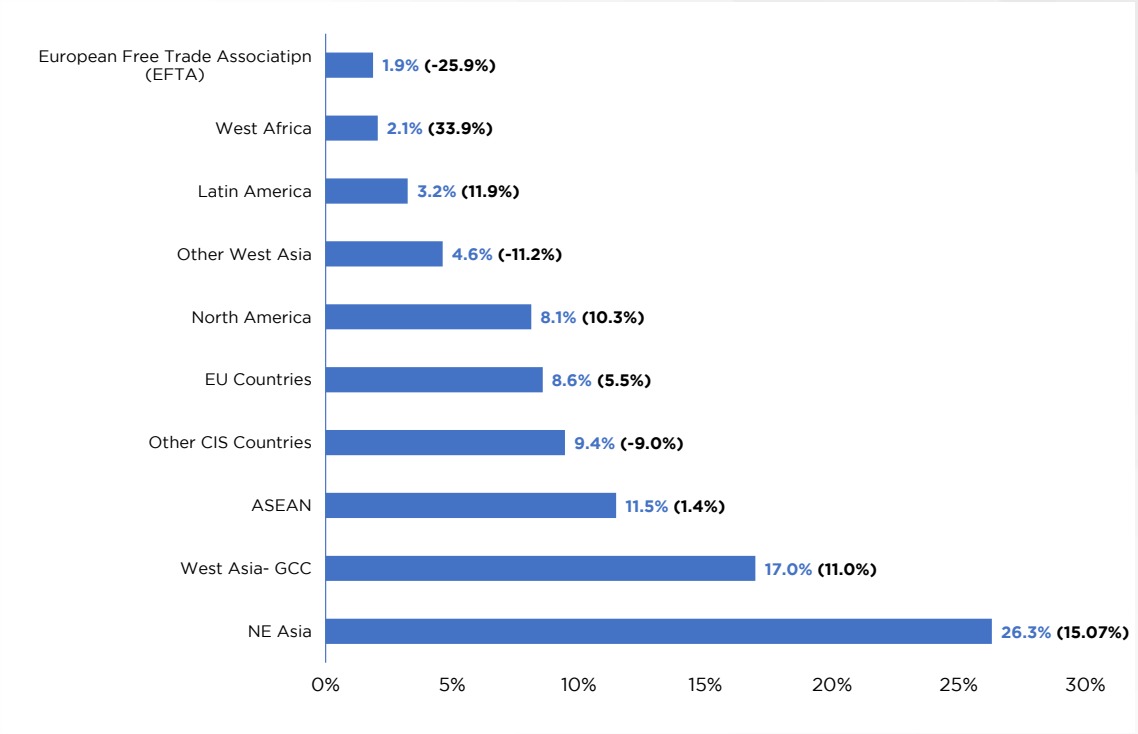
4.2 Merchandise Imports

India's Q1 FY26 imports registered an overall growth of 6% to the top ten regions, reaching $167 bn this quarter. Seven out of ten regions continue to experience positive y-o-y growth. India's imports mainly came from North East (NE) Asia, West Asia (GCC), ASEAN, accounting for ~55% of total imports during the quarter. (Fig 11)

The West Asia–GCC region, holding a 16.97% share, also recorded robust y-o-y growth of 11.0%, supported by higher imports from the UAE and Saudi Arabia, which together account for nearly four-fifths of regional imports. Moderate expansion was also observed in North America (10.3%), Latin America (11.9%), and the EU (5.6%).

Conversely, imports from certain regions witnessed a contraction. Other CIS (Commonwealth of Independent States) countries declined by 9%, while Other West Asia and EFTA (European Free Trade Association) saw sharper drops of 11.2% and 26%, respectively. Imports from ASEAN, which constitute 11.47% of India's total, showed only a 1.4% increase. Despite these mixed trends, India's overall import basket in Q1 FY26 reflected strong momentum in industrial inputs, energy needs, and technology goods, signalling sustained domestic investment activity and production demand.

Fig 11: Region-Wise Import Composition and Growth



Note: y-o-y growth of the commodity in India's imports for this quarter is mentioned in parentheses

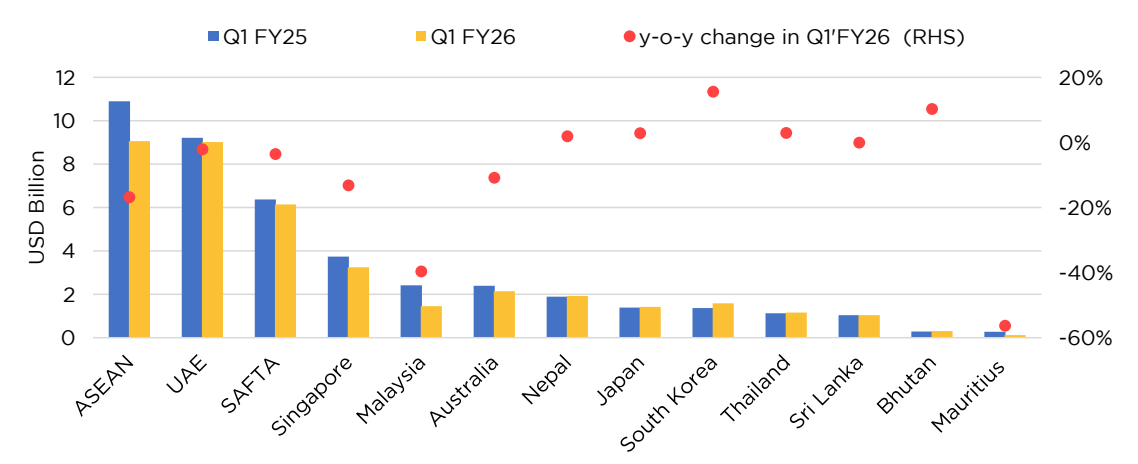
Source: Department of Commerce, MoC&I, GOI

5. Merchandise Trade with FTA Partners

India's trade performance with its Free Trade Agreement (FTA) partner countries in Q1 FY26 reflected a widening trade deficit, as imports grew faster than exports. Total imports from FTA partners increased by 10% y-o-y, reaching $65.3 bn, while exports declined by 9% to $38.7 bn, resulting in a trade deficit of $26.7 bn, up 59.2% from a year ago.

India's shipments to FTA countries contracted, exports to ASEAN, the largest FTA export partner, fell by 16.9%, while Malaysia (-39.7%), Singapore (-13.2%), and Australia (-10.9%) also witnessed sharp declines. UAE, India's second-largest FTA export destination, saw a modest 2.1% dip, whereas exports to South Korea (15.6%), Japan (2.8%), Thailand (2.9%), and Bhutan (10.2%) recorded marginal gains. (Fig 12)

Fig 12: Exports- FTA Partners

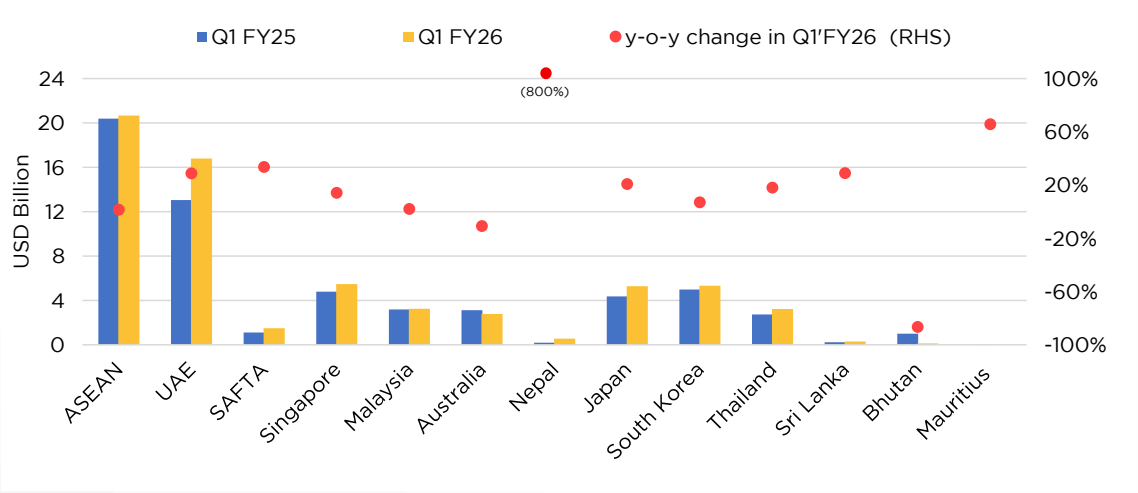


Source: Department of Commerce, MoC&I, GOI

The rise in imports was led by strong growth from the UAE (28.7%), SAFTA countries (33.6%), Japan (20.8%), and Thailand (18.1%) and Singapore (14.1%), reflecting higher inflows of energy products, machinery, and intermediate goods. Imports from Nepal also surged by 180.5%, albeit on a low base, while ASEAN registered moderate increases of 1.4%. In contrast, imports from Australia (-10.9%) and Bhutan (-86.6%) fell. (Fig 13)

The overall contraction in FTA exports, coupled with stronger import growth, suggests a demand recovery skewed toward imported inputs and energy products rather than export-oriented manufacturing, highlighting the need for deeper value-chain integration and competitiveness within India's existing FTAs.

Fig 13: Imports- FTA Partners

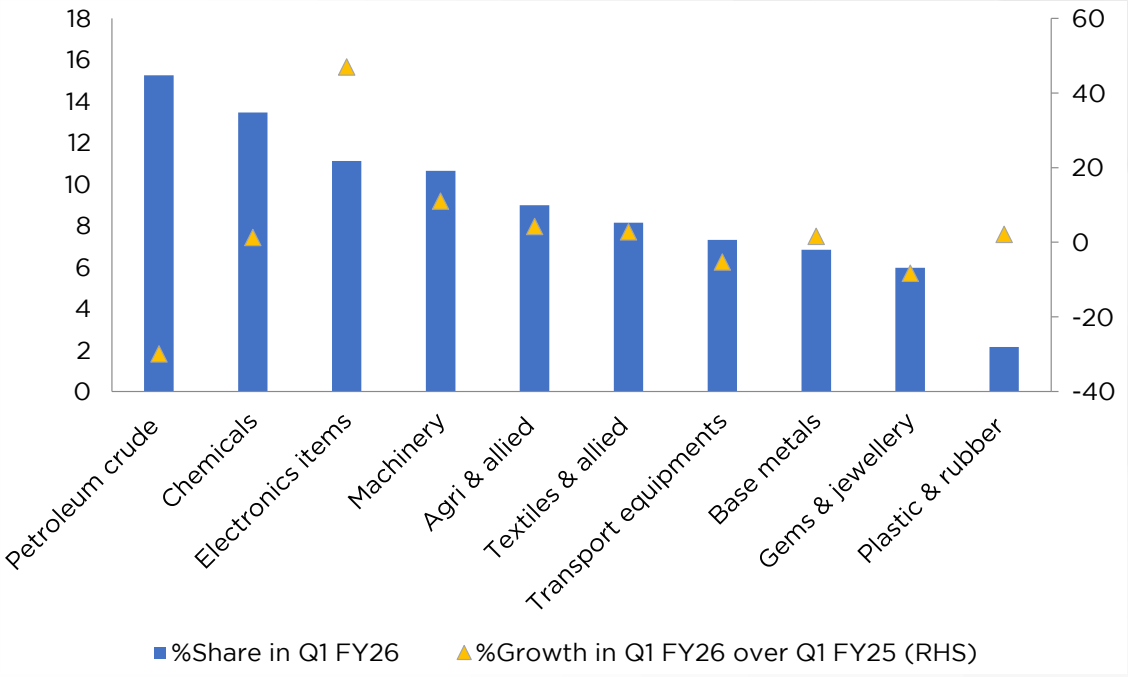


Source: Department of Commerce, MoC&I, GOI

6. Sectoral Merchandise Trade Dynamics

India's export performance in Apr–Jun 2025 shows a clear structural divergence, while headline growth was weighed down by a steep 29.9% decline in petroleum exports, the rest of the export basket exhibited resilience and even strong expansion in key sectors. Electronics emerged as the standout performer, rising 47% y-o-y and increasing its share to over 11% of total exports, reflecting deeper integration into global electronics supply chains. Machinery also recorded healthy growth of 11.1%, further strengthening the technological and capital-goods component of India's export profile. Traditional sectors such as chemicals, agriculture, textiles, plastics, and base metals registered modest but stable growth, indicating a broad, though moderate, recovery in global demand. (Fig 14)

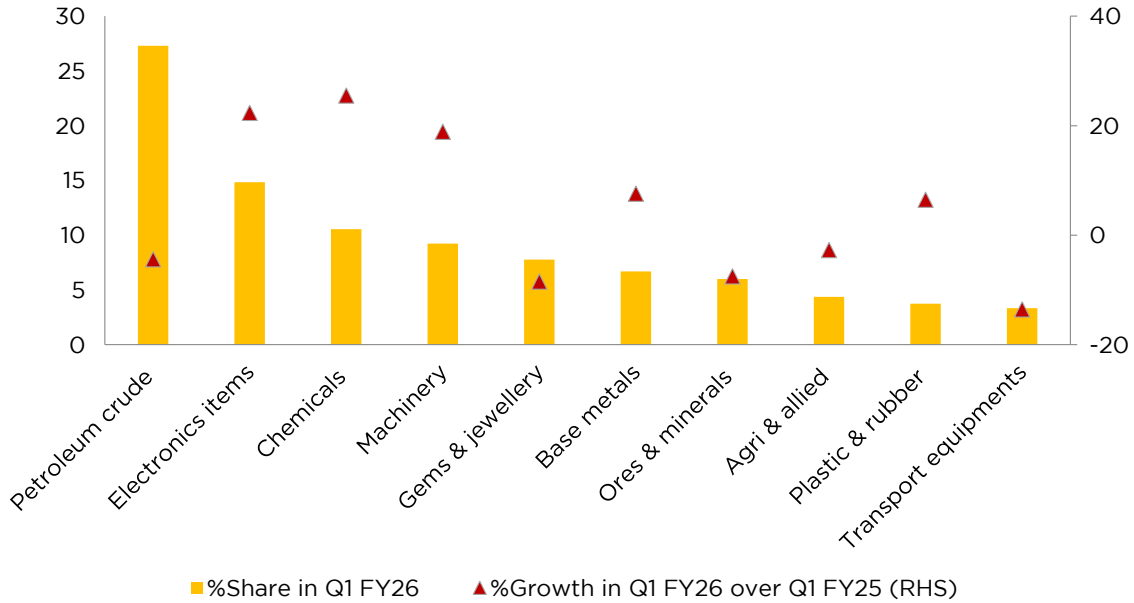
Fig 14: Sector wise contribution in India's exports in Q1 FY 26 and YoY Growth



Source: Department of Commerce, MoC&I, GOI

At the same time, stress persists in specific employment-intensive segments. Gems & jewellery contracted by 8.3%, and transport equipment fell by 5.3%, reflecting weak external demand, price corrections, and stronger competition in key markets. Taken together, the quarterly trend highlights a dual-speed export landscape, with high-tech manufacturing driving momentum, while commodity-linked and labour-intensive sectors face headwinds. Importantly, the fall in petroleum's share has improved the overall diversification of the export basket, suggesting a gradual shift toward higher-value products and reduced dependence on volatile commodity cycles. This pattern is mirrored on the import side as well. India's import basket in Q1 FY26 reflects a parallel rebalancing toward technology- and industry-linked inputs, even as traditional commodity imports showed a mild correction.

Fig 15: Sector-wise contribution in India's imports in Q1 FY 26 and YoY Growth



Source: Department of Commerce, MoC&I, GOI

Petroleum imports, which account for the largest share at 27.3%, contracted by 4.4%, driven by softer global crude prices, improved refining efficiencies, and moderation in domestic demand. In contrast, three major categories, electronics (22.3%), chemicals (25.5%), and machinery (18.9%), registered strong double-digit growth, signalling continued expansion in domestic manufacturing capacity. Together, these categories now account for more than 34% of total imports, underscoring India's deeper integration into global value chains for high-tech and intermediate goods. Meanwhile, several resource- and labour-intensive segments such as gems & jewellery (–8.5%), ores & minerals (–7.5%), transport equipment (–13.6%), and agri products (–2.7%) witnessed contraction, indicating softer domestic demand. Overall, the Q1 FY26 import profile points to a structural shift toward intermediate and capital goods that enable domestic production and technological upgrading, reinforcing the broader transformation visible on the export side. Alongside traditional trade, the growth of the creative economy underscores the increasing role of intangible, innovation-driven exports in India's trade landscape, as discussed in the following section. (Fig 15)

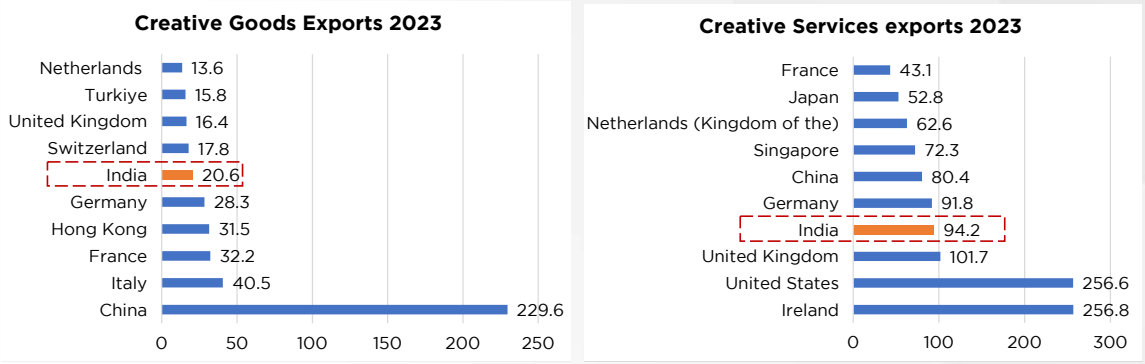
7. Creative Economy[8]

Alongside the expansion of digitally delivered services, the creative economy has emerged as an increasingly important component of global trade, spanning software, gaming, audiovisual media, publishing, advertising, and other design- and culture-based industries. Built on human creativity and digital innovation, these sectors generate high-value exports, support nearly 50 million jobs worldwide, and strengthen countries' technological and innovation capabilities. As global demand shifts toward intangible assets and technology-enabled content, their trade relevance has grown rapidly.

UNCTAD's Creative Economy Outlook 2024 highlights this shift, showing that creative-services exports rose to $ 1.5 trillion in 2023, more than double the value of creative goods exports, and now account for 19% of global services trade, up from about 12% a decade ago. At the same time, the market remains concentrated, with the top 10 economies accounting for 73% of global creative services exports. Ireland and the United States lead globally, followed by the United Kingdom, India, and Germany, even as developing economies, particularly India, China, and Singapore, have continued to strengthen their presence, reflecting shifting comparative advantages in digital content and ICT-enabled creative industries.

8 https://unctad.org/publication/creative-economy-outlook-2024

Fig 16 & 17: Top 10 economies Creative Services and Goods exports 2023 ($bn)



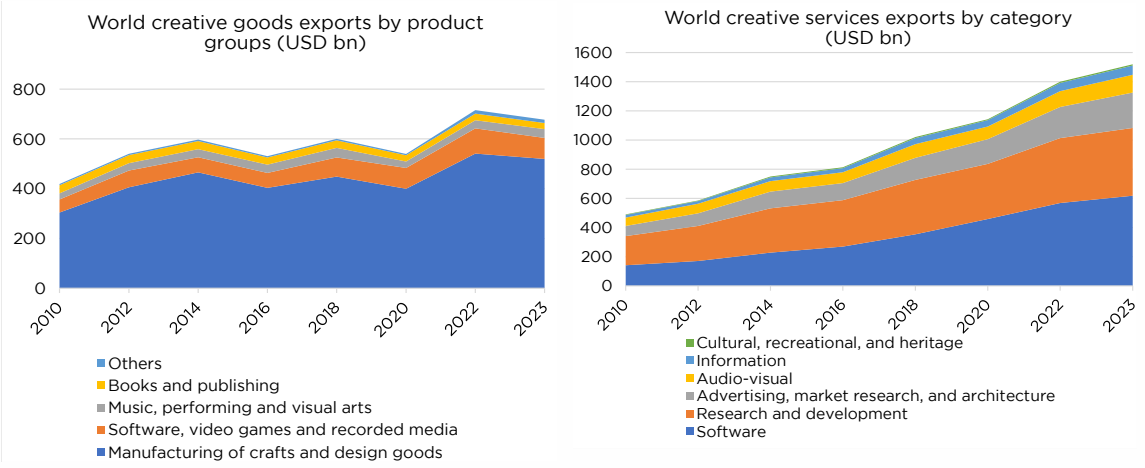
Source: UNCTAD

India ranks modestly in creative goods exports ($20.6bn) but performs far more strongly in creative services ($94.2bn), ranking fourth globally. This contrast highlights India's core strength in skill-intensive, digital, and innovation-driven creative activities rather than in the manufacturing of physical creative goods. With its creative sector valued at $35 bn and exports growing 20% in 2023, India remains well-positioned to expand its role in the rapidly evolving global creative economy.

World Creative Economy exports by category

Creative Services: The most exported creative services in 2023 were software services (40.8%) and research and development (30.5%), followed by advertising, market research, and architecture (15.9%), audiovisual services (8.0%), information services (4.1%), and cultural, recreational, and heritage services (0.6%). Developed economies continue to lead global creative-services trade, accounting for the overwhelming majority of exports. However, this dominance has been slowly diminishing as developing economies expand their capabilities. Over the past decade, their share in global creative-services exports has steadily increased, signalling a gradual but meaningful rise in participation and competitiveness.

Fig 18 & 19: World creative services and goods exports by category, ($bn)



Source:UNCTAD

Creative Goods: In 2023, global creative goods exports continued to be dominated by crafts and design goods, which historically account for about 76–77% of total creative goods exports and remained the largest category at over $ 519 n. Software, video

games and recorded media followed at nearly $85 bn, while music, performing and visual arts-related goods and books and publishing stayed relatively small at roughly $35 bn and $25 bn, respectively. Within crafts and design goods, interior design products hold the largest share, followed by jewellery, fashion accessories and toys. Developed economies continue to lead in books, publishing and arts-related goods. In contrast, developing economies dominate exports of craft and design goods, as well as software, video games, and recorded media products.

India's performance within the global creative economy highlights considerable untapped potential. While its creative goods exports remain modest, India is already a major player in creative services, particularly software, R&D, design, and digital content, which are also the fastest-growing segments globally. With a large pool of creative and tech talent, strong digital infrastructure, and rapidly expanding media and design industries, India is well-positioned to capture a significantly larger share of global creative-services exports.

B.
THEMATIC ANALYSIS: AUTOMOTIVE EXPORTS

B. Overview

The automotive industry, encompassing both vehicles and components, remains one of the most critical pillars of the economy due to its substantial contribution to growth, employment generation, and extensive cross-sectoral linkages. Automobiles account for the fourth-largest share of global merchandise exports. Together, the automotive and components sectors account for ~$2.2 trillion of global demand in 2024.

At the global level, the automotive industry remains a major contributor to the world economy and employment. The car industry accounts for around 6% of gross value added by manufacturing or around 1% of global GDP directly in 2024, with its broader economic footprint including indirect effects raising total contribution to about 3% of global GDP.[9]

Automotive production also drives substantial demand for key industrial materials, representing roughly 6% of global steel demand and 17% of global aluminum demand, underscoring the sector's deep linkages across the global manufacturing base. Major producers including China, the European Union, Japan, South Korea and the United States together account for around 80% of the direct value added in global car manufacturing, and in many major economies, every dollar of automotive output generates roughly $0.7 of additional value added in the wider economy.[10]

For Germany, a long-established leader in the automotive industry, the sector remains one of the country's largest and most important industries, contributing substantially to economic output and employment. In 2024, Germany's automotive sector directly employed about 773,000 workers and contributed roughly 5% of value-added GDP. The country produced around 4 million passenger cars, most of which were exported, while a dense supplier base with 85% medium-sized firms generating nearly 70% of value added anchoring the production ecosystem. [11,12]

Across major automotive economies, the sector is a core driver of output, employment and industrial linkages. Japan's automotive industry contributes around 3% of GDP, directly supports about 900,000 jobs (over 5 million livelihoods including indirect employment), and accounts for roughly 14% of domestic steel demand, underscoring strong multiplier effects.[13] In South Korea, automobiles and auto parts make up about 14% of total exports, making the sector the country's largest manufacturing employer and a key node in global value chains.[14] In the United States, the automotive sector contributes close to 5% of GDP (around $1.2 trillion), supports over 10 million jobs, and generates significant spillovers, each dollar of vehicle manufacturing creates over $4 in wider economic activity while remaining a major source of industrial R&D and manufacturing competitiveness. [15,16]

9 https://www.iea.org/reports/what-next-for-the-global-car-industry?
10 https://www.iea.org/reports/what-next-for-the-global-car-industry?
11 https://www.gtai.de/en/invest/industries/mobility/automotive-industry
12 https://gitnux.org/german-car-industry-statistics/
13 https://www.reuters.com/business/autos-transportation/trump-auto-tariffs-take-aim-pillar-asian-economies-national-pride-2025-03-27/
14 https://www.reuters.com/business/autos-transportation/trump-auto-tariffs-take-aim-pillar-asian-economies-national-pride-2025-03-27/
15 https://www.autosinnovate.org/posts/press-release/auto-innovators-data-driven-report-release
16 https://www.cargroup.org/publication/contribution-of-the-automotive-industry-to-the-economies-of-all-fifty-state-and-the-united-states/

In India, the automobile sector supports around 30 million jobs (direct and indirect)[17], reflecting its multiplier effect across industries accounting for roughly 15% of domestic steel demand and nearly 50% of natural rubber consumption, while also driving growth in electronics, IT services, glass, textiles, and leather industries. India has also emerged as the world's largest market for gas-based buses and three-wheelers, with CNG adoption expanding across public and private fleets.[18]

Over the past decade, policy reforms, targeted fiscal incentives, and infrastructure developments have strengthened India's position as a global automotive hub. The industry has fostered innovation and technology adoption, and driven greater localisation and value addition, thereby contributing to both economic growth and industrial sustainability. Despite its multiplier effects, India's share in global demand for the automobile sector has remained stagnant at 1% over the past decade, whereas in components, there has been a marginal increase from ~1.2% to 2%. The industry's cluster-based structure reinforces the importance of integration within value chains to enhance competitiveness and efficiency. In India, the production units are agglomerated in four major states namely Tamil Nadu, Maharashtra, Gujarat and Haryana. Despite notable progress, India's participation in global value chains remains at around 3%[19].

The analysis offers a comprehensive view of the automotive sector by mapping global demand, identifying India's supply position, and outlining its role in the value chain. It also provides comparative insights across these dimensions, along with additional perspectives on related trends. India's automotive sector continues to expand its production base, supported mainly by domestic demand, while export performance remains mixed across segments. Passenger and commercial vehicles remain primarily domestically driven, with limited exports. Two-wheelers have a higher export base but still rely heavily on local demand. Three-wheeler exports have also declined due to weaker global demand and a shift toward electric mobility at home.

On the import side, the sector remains relatively insulated, with limited dependence on fully built vehicles from abroad. The broader trend shows a gradual rise in domestic localisation, supported by policy incentives and supply chain strengthening, which has reduced reliance on imported inputs in several segments. Overall, India's automotive industry remains strongly domestic-oriented. Export growth is selective and uneven, indicating that the sector's integration into global markets is progressing but not accelerating uniformly across vehicle categories.

1. Mapping the Trade Profile of the Automobile Exports

Automotive exports consist of two broad segments: finished vehicles[20] and auto components[21] and their relative contribution to trade has evolved over time. Global demand for automobiles, measured by imports, increased from $937 bn in 2015 to $1.3 trillion in 2024, reflecting an average annual growth of about 4% over the period.

17 https://heavyindustries.gov.in/sites/default/files/2024-01/_loksabhaquestions_annex_1711_as396.pdf

18 https://www.siam.in/uploads/filemanager/SIAM-Annual-Report-24-25.pdf

19 https://www.niti.gov.in/sites/default/files/2025-06/Automotive%20Industry%20Powering%20India's%20participation%20in%20GVC_Non%20Confidential.pdf

20 This category includes HS codes 8701–8705, 8709–8713, 8715–8716, covering tractors, passenger vehicles, goods transport vehicles, special purpose vehicles, motorcycles, bicycles, and related carriages.

21 This category includes HS codes comprising products in 40, 84, 87 covering rubber, engines and other parts and accessories of different vehicles.

Against this backdrop, India's automobile exports expanded from $9.4 bn to $13.2 bn, registering a compound annual growth rate of 3.5%. In contrast, exports of auto components grew much faster, nearly doubling from $8.2 bn to $16.9 bn, indicating a shift in India's export profile towards automotive components. Across both sectors, India's share remains modest indicating untapped potential.

Table 1 provides an overview of global demand and India's trade position across various automobile categories. The top three products namely; passenger vehicles, motor vehicles and tractors account for over 91% of the world demand. Passenger vehicles dominate, accounting for over 71% of this demand. India's export share remains between 0.7–1% across the top products. India exhibits higher export shares in select niche segments. In motorcycles, India commands a higher share of global demand close to 9% supported by robust growth in both world demand and India's exports. In tractors, India accounts for over 1.5% of global demand, reflecting its established competitiveness in this category, although export growth has moderated in recent years. These segments highlight areas where India has achieved greater scale and market presence relative to larger vehicle categories.

On the import side, India's finished vehicle imports have grown faster than exports, with a CAGR of about 7% from 2015 to 2024, indicating rising domestic demand for select vehicle categories. Imports are concentrated in passenger vehicles and niche segments, reflecting consumer preferences and technology-intensive models rather than broad-based dependence on foreign supply.

Overall, India's export performance varies considerably across product categories. India's strengths are more pronounced in tractors and motorcycles. In contrast, passenger and goods vehicles continue to be dominated by established exporters such as Germany, Mexico and China, underscoring the scope for further expansion and diversification of India's finished vehicle export basket.

Table 1: Comparison of India's Trade Profile for the Automobile Exports, 2024

Code	Product label	World Imports	Product Share in World De-mand	India's Exports	India's Imports	India's export share in World demand	CAGR World Imports (2015-24)	CAGR India Exports (2015-24)	CAGR India Imports (2015-24)	Major Exporter and Vol-ume
'8703	Passenger Vehicles (<=10 persons)	977.0	71.3%	7.0	0.66	0.7%	3.6%	2.6%	11.2%	Germany (174.5)
'8704	Motor vehicles (goods)	197.2	14.4%	1.4	0.07	0.7%	5.1%	6.1%	7.9%	Germany (63.8)
'8701	Tractors	70.8	5.2%	1.1	0.02	1.6%	3.9%	1.2%	-7.7%	Mexico (10.6)
'8711	Motorcycles	36.4	2.7%	3.2	0.07	8.7%	7.2%	5.9%	4.3%	China (14.5)
'8716	Trailers and semi-trailers	33.5	2.4%	0.2	0.06	0.6%	3.7%	14.8%	3.7%	China (6.6)
'8702	Commercial Vehicles (>10 persons)	21.6	1.6%	0.2	0.01	0.8%	3.2%	-4.6%	-1.9%	China (5.4)
'8705	Public Transport (>10 persons)	16.0	1.2%	0.1	0.06	0.3%	4.4%	1.7%	7.4%	Germany (4.5)
'8707	Special purpose motor vehicles	10.1	0.7%	0.0	0.18	0.4%	2.0%	8.4%	4.0%	China (1.4)
'8712	Other vehicles (>= 10 persons)	8.0	0.6%	0.1	0.01	0.8%	-0.6%	4.4%	-16.5%	China (2.7)
	Total	**1370.7**		**13.2**	**1.1**	**1.0%**	**3.9%**	**3.5%**	**7.0%**	

Source: ITC Trade Map
Note: Values in $bn

2. Mapping the Trade Profile of the Auto Components Exports

The auto component exports considered in this analysis are present across HS 40, 84, 85 and 87, together constituting 11 product groups, which represent a global demand of $856 bn. These components comprise of spare parts, engines and rubber components among others. Specifically, vehicle parts (HS 8708) dominate global demand, accounting for over 53% of total world imports, followed by tyres, engine parts, and engines.

The global market for auto components grew to $856 bn in 2024 at a CAGR of 3% from $667 bn in 2015. India's exports in this category doubled during the same period from $8.2 bn to $16.9 bn, registering a CAGR of about 7% between 2015 and 24. While this growth reflects an improvement in competitiveness, India's share in

world demand remains at 2%, underscoring its relatively modest pace of integration in components exports.

Table 2: Comparison of India's Trade Profile for Auto Components Exports, 2024

Product code	Product label	World Imports	Product Share in World Demand	India's Exports	India's export share in World demand	India's Imports	Major Exporter and Volume
8708	Vehicle parts (cars, buses, trucks, tractors)	451.1	52.7%	7.5	1.7%	6.2	Germany (64.3)
4011	New pneumatic tyres, of rubber	101.9	11.9%	3.0	2.9%	0.5	China (22.2)
8409	Engine parts	74.5	8.7%	1.6	2.2%	1.5	Germany (14)
8407	Petrol engines	53.5	6.2%	0.5	0.9%	0.3	USA (7.9)
8408	Diesel engines	47.7	5.6%	1.3	2.7%	0.6	USA (7.9)
8412	Other mechanical engines and motors	30.4	4.1%	0.6	1.8%	0.6	USA (4.3)
4016	Articles of vulcanised rubber	35.0	3.5%	0.7	1.9%	0.5	Germany (4.6)
8714	Motorcycle and bicycle parts	23.8	2.8%	1.1	4.5%	0.5	China (9.8)
8511	Engine electrical parts (starter motors, spark plugs, alternators)	22.8	2.7%	0.4	1.8%	0.4	China (3.5)
4009	Rubber pipes and hoses, with or without connectors	12.7	1.5%	0.3	2.0%	0.1	China (1.6)
4012	Used or retreaded tyres, solid tyres, and rubber tyre parts	2.9	0.3%	0.1	2.8%	0.0	Sri Lanka (0.45)
	Total	**856.3**		**16.9**	**2.0%**	**11.1**	

Source: ITC Trade Map
Note: Values in $bn

Germany, United States, and China continue to dominate automobile components markets. Germany leads in vehicle parts and engine components, the US in engines and mechanical motors, and China in two-wheeler parts and engine electricals.

India's export presence is relatively higher in select categories such as motorcycle and bicycle parts (4.5%), new pneumatic tyres (2.9%), diesel engines (2.7%) and engine parts (2.2%). These segments reflect areas where India is more integrated into the components value chain, supported by scale in domestic production and cost competitiveness.

India's imports of components, at $11 bn is concentrated in technology-intensive categories such as engines, electrical parts, and specialised rubber products. This

pattern points to reliance on foreign suppliers for certain critical inputs, particularly in the vehicle parts and accessories category (HS 8708).

Across this product basket, global demand expanded steadily over 2015–24, while India's exports grew faster than world imports with notable gains in vehicle parts, diesel engines, engine parts, and motorcycle and bicycle components. Export growth has been uneven, with expansion in diesel engines and other mechanical motors, but declining performance in petrol engines.

India's export performance in auto components is strong and improving. To raise its market share above 2%, India must transition toward higher-value components, EV supply chains, precision engineering, and global OEM-linked production, while improving domestic scale and supply-chain efficiency.[22] (Table 2)

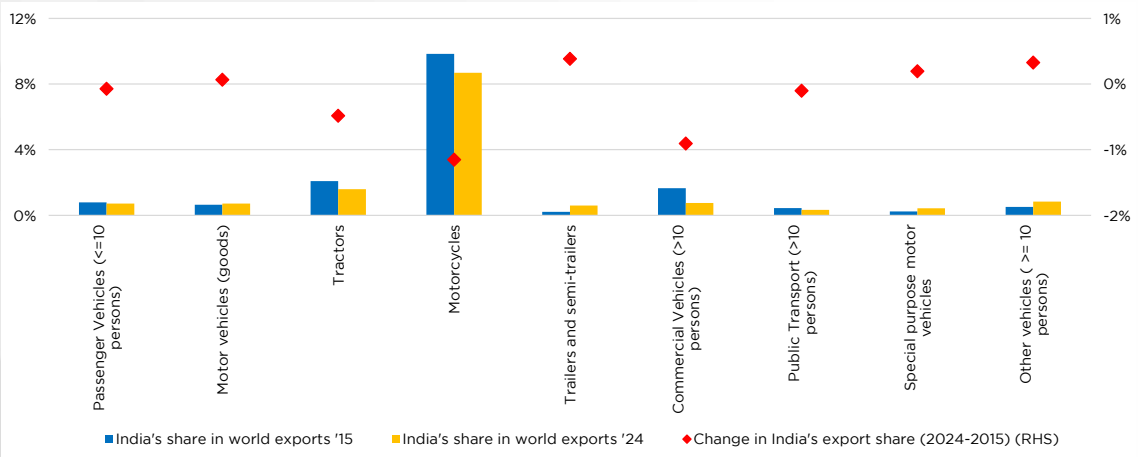
3. Change in share in the Automotive Industry over the years (2015-24)

The global automobile market expanded strongly between 2015 and 2024, with world imports of passenger vehicles rising from $684 bn to $977 bn, and goods vehicles from $120 bn to $197 bn. The world's import basket for automobile has remained broadly unchanged over the past decade with passenger vehicles and motor vehicle goods (HS 8703, 8704) accounting for over four-fifths of world demand.

In terms of India's position, it's export share has broadly remained unchanged in passenger vehicles and public transport vehicles. In the remaining categories, India has marginal changes in segments such as tractors and motorcycles, trailers and semi-trailers and special-purpose vehicles.

In large-volume categories, India's global export share declined in tractors from 2.1% to 1.6%, in motorcycles from 9.8% to 8.7%, and in commercial vehicles for passenger transport from 1.7% to 0.8%. In contrast, India gained export share in smaller and more specialised segments, including goods vehicles (from 0.6% to 0.7%), trailers and semi-trailers (from 0.2% to 0.6%), special purpose motor vehicles (from 0.2% to 0.4%), and other vehicle categories (from 0.5% to 0.8%). This suggests that India has improved competitiveness in niche automobile products. (Fig 20)

Fig 20: Change in India's share for the Automobile in World exports (2015-2024)

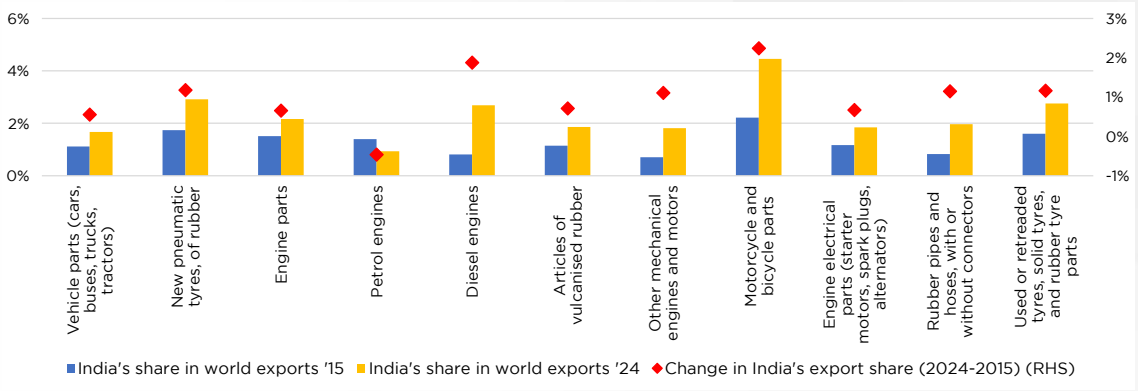


Source: ITC Trade Map

22 https://www.niti.gov.in/sites/default/files/2025-06/Automotive%20Industry%20Powering%20India%E2%80%99s%20participation%20in%20GVC_Non%20Confidential.pdf

Across the eleven auto-component product categories, global demand has also remained unchanged, with vehicle parts, rubber types and engine parts continuing to account for over three-fourths of component demand. India recorded an increase in global export share in 10 products between 0.6 and 2.2% during 2015-24, with a decline observed only in petrol engines (–0.5%).

Fig 21: Change in India's share for the Auto Components in World exports (2015-2024)



Source: ITC Trade Map

World imports of vehicle parts increased from $349 bn to $451 bn, tyres from $75 bn to $102 bn, and engine parts from $62 bn to $75 bn. India's export share rose in large markets such as vehicle parts (1.1% to 1.7%), new pneumatic tyres (1.7% to 2.9%), and engine parts (1.5% to 2.2%). Gains were also recorded in diesel engines (0.8% to 2.7%) and motorcycle and bicycle parts (2.2% to 4.5%), alongside smaller improvements across rubber-based and electrical components. (Fig 21)

Overall, it shows India's comparatively higher integration into global value chains for auto components, but not in finished vehicle segments.

4. Mapping Global Demand and India's Export Footprint in Key Automotive Segments

This overview presents a consolidated picture of global demand patterns, India's export orientation, and the competitive landscape across major auto vehicles and auto components. By mapping India's principal export destinations alongside the leading global exporters and the largest importing markets, the analysis offers a comparative lens for understanding India's positioning in global value chains relative to the major exporters.

Table 3: Mapping Auto Vehicles Demand and Supply for Top Exported Products, 2024

HS Code-Prodcut	World Imports (2024) ($bn)	India's Top Export Destinations (% share)	Major Global Exporters (Share in World Exports %)	Top Importers of Auto Vehicles (%)
8703- Motor cars and other motor vehicles for the transport of <10 persons	977.0	Saudi Arabia (17.3), South Africa (16.2), Mexico (12.6)	Germany (18.4), Japan (11.3), China (9.5)	USA (22.5), Germany (7.3), UK (5.8)
8704- Motor vehicles for the transport of goods	197.2	Saudi Arabia (18.4), South Africa (13.1), Indonesia (8.9)	Mexico (22.2), Germany (14.4), China (7.5)	USA (24.2), Canada (10.1), UK (5.6)
8701- Tractors (other than tractors of heading 8709)	70.8	USA (22.8), Brazil (7.9), Mexico (7.1)	Mexico (14.4), USA (11.4), China (10)	USA (22.1), Canada (7.5), France (5.8)
8711- Motorcycles	36.4	Mexico (12.5), Colombia (10.7), Nigeria (5.8)	China (34.2), Germany (8.1), Japan (7.8)	USA (11), Germany (7.3), France (5.8)

Source: ITC Trade Map

Motor Cars and Vehicles for Transport of <10 Persons (HS Code 8703): Global demand is concentrated in this segment, with the USA, Germany, and the UK emerging as the top importers. Germany, Japan, and China dominate world exports, supplying high-quality and technologically advanced vehicles primarily to the US and European markets. India's exports, however, remain focused on Saudi Arabia, South Africa, and Mexico, markets that value competitive pricing and durable mid-range models. To build deeper presence in premium markets, India must upgrade safety features, expand EV-ready platforms, and strengthen brand visibility.

Motor Vehicles for the Transport of Goods (HS Code 8704): Mexico, Germany, and China lead global exports in this segment, supplying to the USA, Canada, and the UK, markets driven by logistics, construction, and industrial demand. India's shipments are primarily directed toward Saudi Arabia, South Africa, and Indonesia, where demand is expanding due to infrastructure growth. To capture a larger global share, India must strengthen capabilities in fuel-efficient commercial vehicles, improve CBM (condition-based maintenance) technologies, and enhance reliability standards.

Tractors (HS Code 8701): Global exports are dominated by Mexico, the USA, and China, which supply to high-consuming agricultural markets such as the USA, Canada, and France. India's exports, mainly to the USA, Brazil, and Mexico, benefit from competitive pricing and robust performance in diverse terrains. With rising global demand for sustainable farm equipment, India can tap into new opportunities by expanding electric and hybrid tractor models, and offering bundled maintenance services.

Motorcycles (HS Code 8711): China, Germany, and Japan dominate global exports, targeting the USA, Germany, and France as key markets. India's export base is shifting toward Mexico, Colombia, and Nigeria, reflecting strong demand for affordable, fuel-efficient two-wheelers. To strengthen competitiveness, India should expand its presence in Latin America and Africa, develop mid-capacity models for Western

markets, and explore EV opportunities for two-wheelers. Participation in global automotive fairs and collaboration with regional distributors can enhance brand reach and product acceptance.

Table 4: Mapping Auto Components Demand and Supply for Top Exported Products, 2024

HS Code-Product	World Imports (2024) ($bn)	India's Top Export Destinations (% share)	Major Global Exporters (Share in World Exports %)	Top Importers of Auto Components (%)
8708- Parts and accessories for tractors, motor vehicles for the transport of >= 10 persons	451.2	USA (29.1), Turkiye (6.8), Mexico (6.7)	Germany (14.2), China (12.5), USA (10)	USA (20), Germany (10.1), Mexico (7.6)
4011- New pneumatic tyres, of rubber	101.9	USA (17.2), Germany (5.8), Brazil (5.4)	China (22.1), Thailand (7.3), Germany (5.8)	USA (19.6), Germany (8), France (4.8)
8409- Engine parts	74.5	USA (29.4), UK (9.1), Germany (6.2)	Germany (18.7), China (12.7), USA (7.7)	USA (15.6), Germany (8.8), Mexico (5.8)
8407- Petrol engines	53.5	Indonesia (18.3), Türkiye (13.9), Bangladesh (11.2)	USA (14.6), Germany (11.9), Mexico (7.8)	USA (22.8), Mexico (9.2), Germany (8.9)

Source: ITC Trade Map

Parts and Accessories for Tractors and Motor Vehicles (HS Code 8708): The USA, Germany, and Mexico account for a major share of global imports, reflecting their roles as both consumption and assembly hubs. Germany, China, and the USA dominate exports, mainly catering to mature automotive value chains. India's export basket is anchored by the USA, Türkiye, and Mexico, signalling strong integration into aftermarket supply chains. Scaling precision manufacturing, investing in tooling and electronic components, and aligning with global Tier-1 suppliers can help India move into higher-value segments.

New Pneumatic Tyres (HS Code 4011): Global demand is concentrated in the USA and Germany, while China dominates exports, followed by Thailand and Germany, reflecting strong cost advantages and OEM linkages. India's exports are largely US-oriented, aligning with the world's largest importing market, but penetration into premium, OEM-driven European segments remains limited.

Engine Parts (HS Code 8409): This technology- and quality-intensive segment is driven by demand in the USA, Germany, and Mexico, with global exports dominated by Germany and China. India's exports are primarily US-oriented, with limited exposure to the UK and Germany, indicating a focus on aftermarket and selective OEM supply chains. Expanding into higher-value segments will require stronger testing infrastructure, certification, and consistent precision manufacturing.

Petrol Engines (HS Code 8407): Global demand in this segment remains significant, with the USA and Germany dominating both exports and imports, reflecting high technological intensity. India's exports are concentrated in emerging and price-sensitive markets such as Indonesia, Türkiye, and Bangladesh, indicating a comparative advantage in cost-efficient internal combustion engine platforms rather than advanced engine technologies.

Overall, the data underscore India's expanding presence in global automotive trade, particularly to emerging markets, alongside strong integration with the US market.

At the same time, the continued dominance of Germany and China in technology-intensive segments points to persistent capability gaps. Taken together, the evidence highlights the importance of scaling quality manufacturing, broadening market diversification, strengthening quality and certification ecosystems, and sustaining policy support to consolidate India's position within global automotive value chains and maintain export momentum.

Global Automotive Success Stories: Policy and Structural Drivers

The global automobile industry has several distinct success stories that illustrate how countries can rise to market leadership through different pathways. Germany, Japan, Mexico, China and South Korea each stand out as major players, but for very different reasons. Taken together, these cases show that there is no single route to industrial leadership; instead, complementary policies and capabilities, industrial strategy, global integration, and selective support for technology and firms can create export-oriented, resilient automotive sectors. These lessons offer valuable insights for India, which can adapt them to its own institutional context and priorities.

I. Legacy Automotive Leaders: Germany and Japan

- **Deep Industrial Ecosystems and Supplier Integration:** Germany and Japan built dense, highly coordinated automotive ecosystems marked by close OEM–supplier relationships. Germany's Mittelstand-driven supplier base and Japan's keiretsu-style networks enabled co-development, quality control, and continuous incremental innovation across the value chain.
- **Workforce Development and Skill Alignment:** Both countries invested heavily in aligning human capital with industry needs. Germany's dual vocational education and training system institutionalised apprenticeships linked directly to firm requirements, while Japan fostered firm-based skill formation and lifetime employment practices that supported tacit knowledge accumulation.
- **Manufacturing Excellence and Process Innovation:** Japan pioneered lean manufacturing and just-in-time systems through the Toyota Production System, while German firms focused on precision engineering and advanced manufacturing processes. These approaches delivered global productivity advantages and strong reputations for reliability and quality.
- **Sustained R&D and Technology Leadership:** High and consistent R&D investment underpinned leadership in powertrains, vehicle safety, advanced materials, and production technologies. Germany's automotive firms remain among the world's largest R&D spenders, while Japan established early leadership in hybrid technologies through long-standing fuel-efficiency standards.

II. Emerging Automotive Powers: China, Mexico, and South Korea

- **Strategic Use of Scale, Trade, and Market Access:** China used its vast domestic market to generate demand pull and achieve rapid industrial scaling. Mexico leveraged geographic proximity and preferential access under USMCA to integrate deeply into North American supply chains. South Korea combined export orientation with diversification across the US, EU, and Asian markets to reduce dependence on any single destination.
- **State-Led Capability Building and Policy Sequencing:** China focused on joint-venture requirements and localisation mandates to facilitate technology transfer in early stages. South Korea supported national champions such as Hyundai and Kia through R&D, strategic investments. Mexico focused less on indigenous technology and more on creating an attractive, predictable environment for global OEM investment.
- **Large Domestic Market:** China's automobile industry has also benefited from the sheer scale of its domestic market, one of the largest in the world, which consistently absorbs over 30 million vehicle sales annually. This large and stable home demand has enabled manufacturers to achieve economies of scale, invest in technology especially EVs and build globally competitive cost structures.
- **Targeted Incentives and Cost Competitiveness:** Mexico reinforced competitiveness through lower labour costs and duty-free import regimes for intermediates (IMMEX Program), reducing production costs for export manufacturing. China and South Korea deployed targeted fiscal incentives, tax breaks, and financing support, particularly during periods of global demand volatility, to stabilise output and exports.
- **Focus on New Technologies and Future Mobility:** China gave decisive push into electric vehicles, batteries, and critical minerals through New Energy Vehicle (NEV) plan. South Korea adopted a technology-neutral but future-oriented approach, expanding support for EVs, hybrids, hydrogen vehicles, and autonomous mobility through enhanced subsidies and emergency support for parts suppliers. These steps helped sustain export momentum amid tariff pressures and market slowdowns.
- **Cluster Development and Ecosystem Support:** All three countries supported geographic concentration of automotive activity. China fostered large-scale industrial clusters linked to battery and EV ecosystems; Mexico developed regional automotive hubs supported by logistics and industrial parks; South Korea reinforced integrated domestic supply chains to support rapid scaling and innovation diffusion.

5. Assessing Automotive Performance through Units Sold

In contrast to earlier value-based export analyses, unit-level analyses of production, sales, and exports offer a complementary perspective. This unit-based assessment provides a clearer picture of volumes, scale efficiency, and market penetration, particularly relevant for the automotive sector, where variations in product prices and technological content can distort value-based comparisons.

Table 5: India's domestic consumption and exports for vehicle units sold FY21 vs FY25

	2020-21		2024-25		CAGR (2020-2024)		Exports/Production	
Category	**Production**	**Exports**	**Production**	**Exports**	**Production**	**Exports**	**2020-21**	**2024-25**
Passenger Vehicles	3.42	0.66	5.06	0.77	8.1%	3.1%	19.3%	15.2%
Commercial Vehicles	0.76	0.06	1.03	0.08	6.4%	6.0%	8.0%	7.8%
Three Wheelers	1.13	0.50	1.05	0.31	-1.5%	-9.4%	44.3%	29.2%
Two Wheelers	21.03	3.52	23.88	4.20	2.6%	3.6%	16.7%	17.6%
Quadricycles	0.01	0.01	0.01	0.01	1.3%	4.4%	85.1%	99.0%
Grand Total	**26.35**	**4.75**	**31.03**	**5.36**	**3.3%**	**2.5%**	**18.0%**	**17.3%**

Source: SIAM Statistics
Note: Volume in mn units

The data comparing production and export performance across vehicle categories between FY20 and FY24 reveals a moderate recovery in India's automotive sector following the pandemic-induced slowdown.

Overall, total vehicle production rose from 26.35 million units in 2020–21 to 31.03 million units in 2024–25, marking a CAGR of 3.3%. Exports increased from 4.75 million to 5.36 million units, growing 2.5% annually. Among the five segments examined, two-wheelers have recorded positive growth in both production and exports. While the three segments, namely passenger vehicles, commercial vehicles, and two-wheelers, have shown an overall increase in production, the three-wheeler segment has experienced a decline in both exports and domestic production.

Passenger vehicles show the highest production growth at 8.1%, driven by a sharp rebound in domestic demand, with sales rising by about 2 million units. However, exports grew at only 3.1%, and the export-to-production ratio declined from 19.3% to 15.2%, indicating that most incremental output was absorbed domestically rather than through external demand. Despite having the third-largest automotive market, India has one of the lowest numbers of registered cars per 1000 people at 44, compared to China at 251 and South Korea at 422.[23]

23 https://www.ibef.org/news/india-may-outpace-china-in-car-sales-growth-says-moody-s-ratings Among the top ten car manufacturers by domestic sales volume, India features only two domestically owned firms i.e. Tata Motors and Mahindra & Mahindra while the remaining positions are occupied by foreign-owned subsidiaries or joint ventures. By contrast, China's top ten includes at least five domestically owned manufacturers, and Japan's top ten consists entirely of Japanese firms for 2024.

Commercial vehicles also recorded solid growth, with production and exports rising at similar rates (6.4% and 6% respectively). Export intensity remained nearly constant, around 8%, suggesting stable external demand. In contrast, three-wheelers contracted, with production falling marginally and exports declining sharply by 9.4% annually. The export-to-production ratio dropped from 44.3% to 29.2%. Two-wheelers, the largest segment, exhibited modest production and export growth (2.6 and 3.6%, respectively). The export share of production remained broadly stable, increasing slightly from 16.7 to 17.6%. Quadricycles, though a negligible segment in absolute terms, show high export intensity; nearly all units produced are exported, highlighting their niche role in India's export portfolio. (Table 5)

6. Intra-Industry Trade Analysis

To assess India's positioning in global automotive value chains and benchmark it against leading automobile producers, this analysis examines not only the scale of trade but also its underlying structure. By jointly analysing imports, exports, applied tariffs, and the Grubel–Lloyd intra-industry trade (IIT)[24] index, the table helps distinguish between protected, one-way export specialisation and deeper two-way integration within cross-border production networks. The analysis covers four major automobile product groups: passenger vehicles, goods vehicles, tractors, and motorcycles for India, Germany, China, and South Korea, which together account for 93.5% of global automobile demand in 2024.

India's trade in finished vehicles is characterised by comparatively high applied tariffs and low IIT, indicating a protected domestic market combined with export specialisation rather than a two-way model exchange. Tariffs exceed 80–100% for passenger vehicles and motorcycles, while IIT remains below 20% across most categories, suggesting limited integration into cross-border vehicle platforms.

Table 6: Comparison of Intra-Industry Trade with Select Economies for Automobiles, 2024

HS code	Product	India				Germany				China				South Korea			
		Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT
'8701	Tractors	0.02	1.1	8.3%	3%	3.6	10.7	3.0%	50%	0.2	7.4	6.2%	7%	0.3	0.8	3.9%	53%
'8703	Passenger Vehicles (<=10 persons)	0.6	6.9	103.9%	17%	72.6	175.8	3.5%	58%	38.3	90.2	30.8%	60%	12.1	68.3	4.5%	30%
'8704	Motor vehicles (goods)	0.07	1.4	32.8%	9%	9.9	12.3	4.8%	89%	0.6	13.9	15.1%	9%	0.6	1.8	5.2%	49%
'8711	Motorcycles	0.07	3.2	81.0%	4%	2.8	3.4	2.2%	89%	0.4	14.5	37.3%	5%	0.4	0.01	4.5%	5%

Source: ITC Trade Map
Note: Values in bn dollars

24 The value is computed as follows: IIT = 1- (|Xi-Mi|/Xi+Mi), where Xi denotes the exports of the respective product and Mi denotes the imports of the respective product.

In contrast, Germany and South Korea exhibit low tariffs and high IIT, reflecting dense two-way trade in differentiated vehicles and deep participation in global production networks. China imposes moderate tariffs but relatively higher IITs on passenger vehicles, consistent with its dual role as both a large exporter and importer of vehicle models. Overall, India's automobile exports appear driven by cost competitiveness and domestic value chains, rather than by integration into globally fragmented vehicle production. (Table 6)

Table 7: Comparison of Intra-Industry Trade with Select Economies for Auto Components, 2024

HS code	Product	India				Germany				China				South Korea			
		Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT	Imports	Exports	Applied Tariff	IIT
8708	**Vehicle parts**	6.2	7.5	12.4%	90%	45.4	64.4	1.2%	83%	21.2	56.7	10.1%	54%	5.2	18.8	4.5%	43%
4011	**New pneumatic tyres, of rubber**	0.2	2.9	9.8%	13%	8.1	5.8	1.4%	84%	0.8	22.2	11.3%	7%	1.1	3.4	2.8%	51%
8409	**Engine parts**	1.5	1.6	11.2%	97%	6.6	14.0	0.9%	64%	3.3	9.5	4.4%	51%	1.3	3.3	4.4%	56%
8407	**Petrol engines**	0.3	0.5	11.4%	75%	4.7	6.4	0.00	84%	0.8	3.4	10.7%	41%	1.2	1.5	4.3%	89%

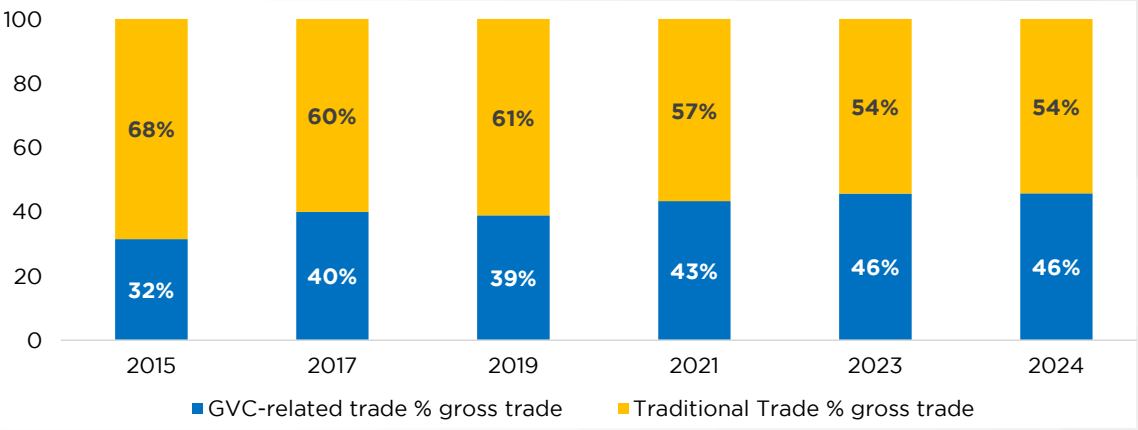
Source: ITC Trade Map
Note: Values in $ bn

A contrasting pattern emerges in auto components. India records very high IIT in several component categories, notably vehicle and engine parts, two highly demanded products worldwide, despite moderate tariff protection and a relatively small global export share. Germany and South Korea display high IIT alongside low tariffs, reflecting advanced, technology-intensive supply chains. China combines scale with moderate IIT, reinforcing its position as a manufacturing hub. For India, the evidence suggests meaningful integration into global automotive value chains at the component level, though primarily at mid-chain positions, rather than technological or platform leadership. (Table 7)

7. India's presence in the Global Value Chain for Automobile

India's automobile sector has seen a steady rise in its participation in global value chains (GVCs) over the past decade. GVC-related trade as a share of gross trade increased from 32% in 2015 to 46% by 2024, with the sharpest gains occurring after 2020. This increase reflects deeper integration with international production networks, driven by higher sourcing of intermediate components, growing export orientation, and linkages with global manufacturers.

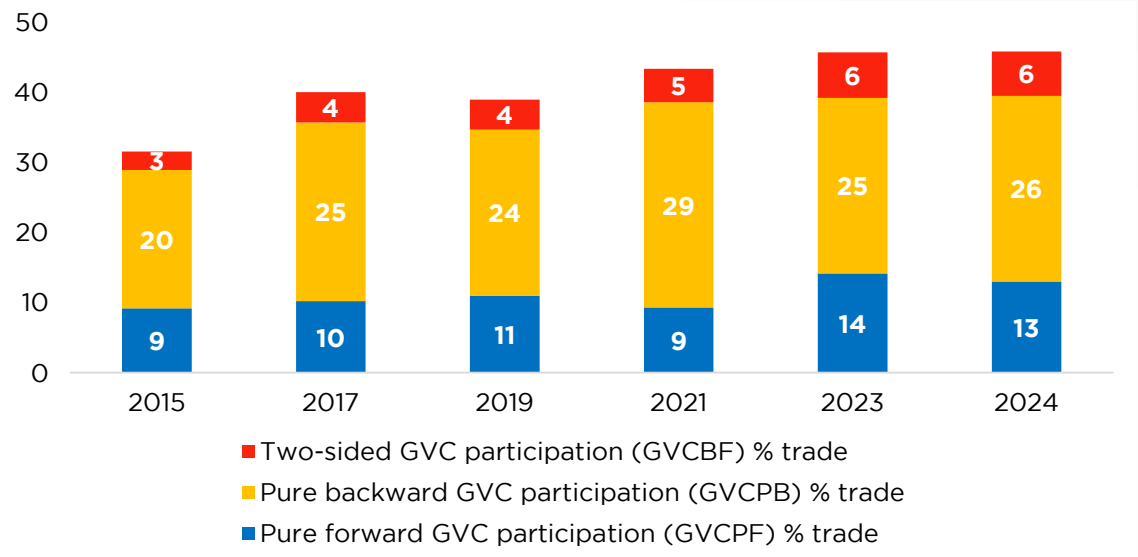
Fig 22: Components of India's Gross Trade for Automobile



Source: WITS

In contrast, traditional trade, which is largely characterised by end products, fell from 68% in 2015 to 54% in 2024. The declining share of traditional trade indicates a structural shift in the sector towards more fragmented, multi-stage production processes rather than purely final-goods trade. The period after 2020 shows this transition most clearly, coinciding with a rise in both auto component imports and the export of assembled vehicles and components. (Fig 22)

Fig 23: Components of India's GVC Trade for Transport Equipment



Source: WITS

India's automobile sector has experienced a gradual deepening of global value chain (GVC) integration across all major channels: forward, backward, and two-sided participation between 2015 and 2024.

Pure backward GVC participation, which reflects India's use of imported intermediates in its automobile production, has remained the dominant mode of integration. It increased from 20% in 2015 to 26% in 2024, with a peak of 29% in 2021–22. This pattern is consistent with India's expanding reliance on foreign components particularly electronics, high-precision parts, and EV-related inputs as production volumes and

model complexity have increased. The rise in backward linkages aligns with India's broader integration into regional and global supply networks, supplemented by multinational OEM localisation and the China-plus-one shift.

Pure forward GVC participation, measuring India's export of intermediates used in other countries' production processes, also shows a mild upward trend from 9% in 2015 to about 13% in 2024, with the highest increase occurring after 2021. Although forward participation remains lower than backward participation, the upward trend reflects the steady growth of India's auto-component export base, especially in forgings, casting parts, engine components, and wiring harnesses.

Two-sided GVC participation, representing simultaneous export and import of intermediate products, has risen from 3% in 2015 to 6% in 2024, indicating deeper cross-border fragmentation of production. The sharp increases after 2020 point to both manufacturers' diversification of sourcing strategies and greater participation in multi-stage production networks. This shift mirrors the automotive industry's global transition toward modular production, electronics-heavy vehicle architectures, and globally dispersed supplier ecosystems. (Fig 23)

8. Foreign Investment[25] Trends in the Automobile Industry

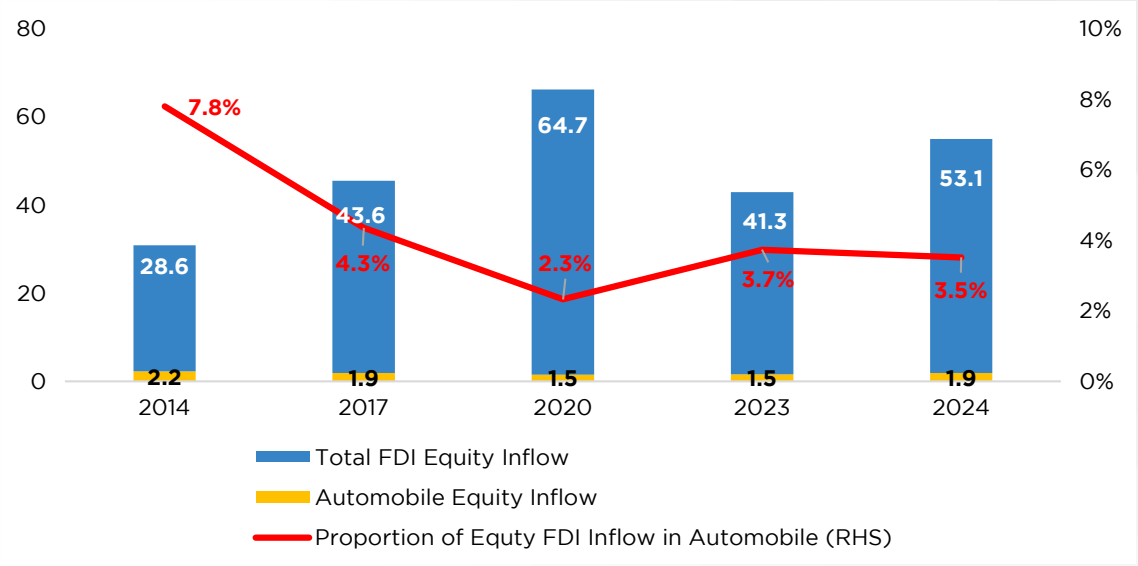
Globally, FDI in global value chain (GVC)- intensive manufacturing industries have remained steady in 2024. Investments here are driven by projects focused on EVs. The number and aggregate value of greenfield project announcements in the automotive sector have increased marginally from 732 projects valued at $60 bn in 2022 to 942 projects valued at $85 bn in 2024. However, this industry is also undergoing supply chain restructuring due to the emerging tariff landscape.[26]

The automotive industry continues to be an important contributor to global greenfield activity. It accounts for one of the top ten industries in terms of value of greenfield investments as well as the number of projects for 2024.[27] In India, foreign direct investment for the automobile sector was relaxed in 2000, when 100% FDI was permitted through the automatic route. The automobile sector remains among the key industries in which domestic producers retain a substantial share of the domestic market across multiple vehicle segments.[28]

Foreign equity inflows into India's automobile sector have remained relatively stable in absolute terms over the past decade but have declined as a share of total FDI, falling from about 7.8% in 2014 to 3–4% in recent years. This trend reflects a broader structural shift in India's FDI composition, with inflows increasingly directed toward technology-intensive and service-oriented sectors such as software, business services, and telecom. As total FDI has expanded, particularly in digital and high-growth segments, automobile inflows have not kept pace, due to localisation norms and the focus of manufacturers on domestic production and sales.

25 Foreign Direct Investment comprises of the sum of Equity Inflow, Reinvested Earnings and Other Capital, we have analyzed only FDI Equity Inflow. FDI Equity Inflow forms the major component.
26 https://unctad.org/system/files/official-document/wir2025_en.pdf
27 https://unctad.org/system/files/official-document/wir2025_en.pdf
28 https://isid.org.in/wp-content/uploads/2023/01/WP255.pdf

Fig 24: FDI Trends in the Automobile Industry



Source: CEIC
Note: Values in bn dollars

The automobile industry's capital-intensive nature, exposure to global supply chain disruptions, and an ongoing technological transition toward electric mobility have also shaped investor behaviour. Exports as a percentage of sales as per data from SIAM has remained stable between 17-18% throughout 2019-20 to 2024-25 indicating an acute focus on domestic markets.

Heightened global uncertainty, tighter financial conditions, and evolving risk assessments have encouraged foreign investors to prioritise more scalable, lower-risk sectors. At the same time, rising localisation, reinvestment of earnings by established players, and policy incentives under schemes such as PLI may have reduced the need for large new equity infusions. Together, these factors explain why the sector's proportional contribution to India's FDI landscape has moderated even as its strategic importance and production footprint continue to expand. (Fig 24)

9. Technology Transition: EVs & Future Mobility

The global electric vehicle (EV) market has expanded rapidly over the past five years, with battery-electric vehicles (HS 870380) emerging as one of the fastest-growing automotive trade categories. World imports rose sharply from USD 4.6 billion in 2020 to around USD 150 billion in 2024, reflecting a decisive global shift away from internal combustion engines towards cleaner, high-efficiency mobility systems in line with net-zero commitments.

India's EV exports increased from $1.2 mn in 2020 to $84 mn in 2024, showing high growth but still accounting for about 0.1% of global exports ($145 bn). On the import side, India sourced $211 mn worth of EVs in 2024, also about 0.1% of global imports, indicating a limited presence in both directions. India's trade balance in EVs has remained negative throughout, widening from –$1.1 mn in 2020 to –$170.5 mn in 2024. This reflects India's rising domestic adoption needs and import dependence for high-end electric cars and specific components. (Fig 25)

Fig 25: India's EV Exports Vs Imports

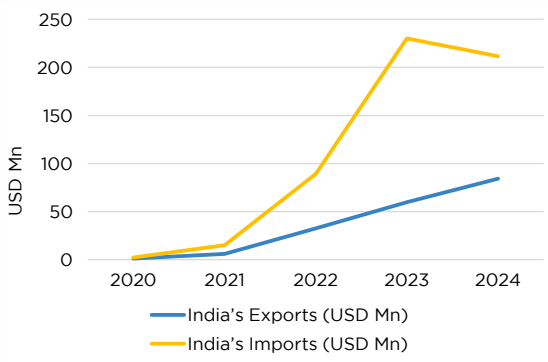
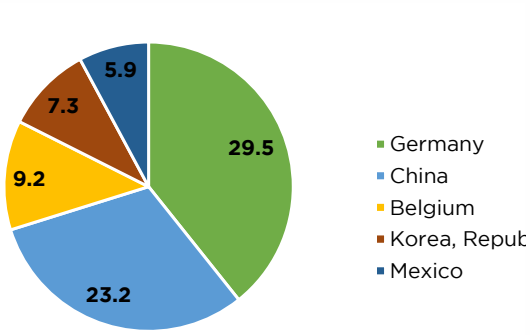


Fig 26: Top Global EV Exporters, 2024



Source: ITC Trade Map
Note: value shows % share in total

The global EV export market is highly concentrated. China and Germany together account for ~50% of world EV exports, supported by deep manufacturing ecosystems, advanced battery industries, high R&D spending, and strong brand presence. China's vertical integration across the entire electric vehicle supply chain, from mining to EV manufacturing, has enabled it to retain its global dominance in this sector.[29] Emerging hubs like Belgium and Mexico have also strengthened their position due to favourable logistics, charging-ready infrastructure, and integration into major automotive supply chains. On the import side, the USA, UK, Belgium Germany, and France constitute the world's largest EV buyers (~ 48%). These markets demand high-quality, feature-rich EVs, a segment where India's presence is minimal today but could evolve as domestic capabilities deepen. (Fig 26)

Fig 27: India's EV Exports Destinations, 2024

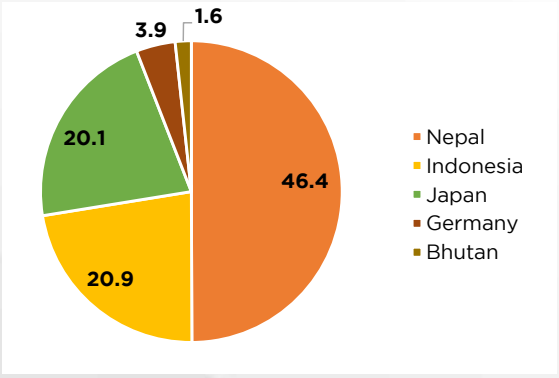
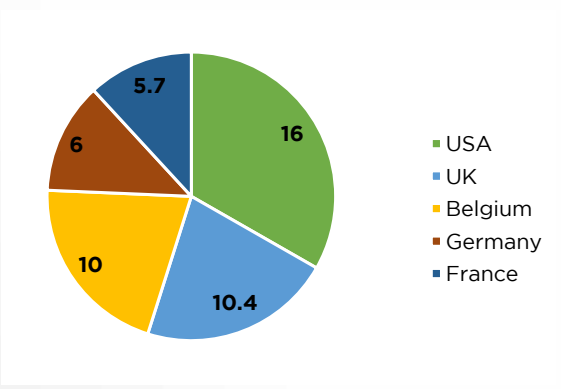


Fig 28: World's EV Exports Destinations, 2024



Source: ITC Trade Map
Note: value shows % share in total

India's EV trade shows a clear difference between exports and imports. On the export side, India mainly sells small and affordable EVs, with neighbouring countries continuing to be major buyers, Nepal alone has taken a large share for many years (46.4% in 2024). Newer Asian markets like Indonesia (20.9%) and Japan (20.1%) have also started to feature, along with smaller shipments to developed countries. (Fig 27 and 28)

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On the import side, India still depends heavily on more advanced EV-producing countries. Germany remains the top source, largely due to high-end car imports, while China's share rose to 24.1% in 2024 because of both components and competitively priced vehicles. The US, Sweden and the UK also contribute smaller shares. Overall, India tends to export lower-value models while importing higher-spec vehicles and key components, reflecting the stage of development of its EV manufacturing ecosystem. India's heavy dependence on imported battery-manufacturing equipment and advanced technologies has direct implications for its trade competitiveness and long-term positioning in the global EV value chain. Without domestic capabilities in high-precision machinery and next-generation battery technologies, India remains locked into the lower end of the global supply chain, exporting largely assembled products while importing the most value-intensive components. This structural gap limits India's ability to scale exports of high-value battery cells, packs, and power electronics, especially as global leaders consolidate their dominance through tight technology control and vertically integrated supply chains. As international markets increasingly shift toward advanced chemistries and stringent quality standards, India risks losing ground unless it builds domestic capability in manufacturing equipment, testing infrastructure, and process innovation. Strengthening these capabilities, through targeted FDI, technology partnerships, and dedicated equipment-testing centres, is essential for India to move up the value chain, reduce import dependence, and position itself as a credible exporter in the global EV and battery ecosystem.[30]

10. Recent Developments in India's Trade Policies: Key Updates for the Automobile Sector

- **Automotive Mission Plan 2047 (AMP 2047)[31]:** Launched by the Ministry of Heavy Industries, this is an industry-led strategic roadmap that aims to make the Indian automotive industry globally competitive by setting concrete targets for growth, exports and technological advancement. AMP 2047 brings together stakeholders: OEMs, auto-component makers, policymakers and research agencies and constituted seven expert sub-committees to draft a comprehensive plan with milestone goals for the years 2030, 2037 and 2047.
- **GST Rationalisation[32]:** India's GST rationalisation in September 2025 marks a landmark reform for the automobile sector. By reducing tax rates across vehicles and components, the government aims to boost affordability, demand, MSME growth, and global competitiveness.
    - **Two-Wheelers (≤350cc):** GST cut from 28% to 18%, making bikes more accessible for rural and semi-urban households, farmers, gig workers, and youth.
    - **Small Cars:** GST reduced from 28% to 18%, encouraging first-time buyers and expanding mobility in smaller towns.
    - **Large Cars:** GST rationalised to a flat 40% with no cess, simplifying taxation and allowing full Input Tax Credit (ITC).
    - **Auto Components:** Majority reduced to 18%, lowering manufacturing costs and supporting MSMEs in tyres, batteries, glass, steel, plastics, and electronics.

30 Unlocking Supply Chains for Localizing Electric Vehicle Battery Production in India, IISD
31 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2154131
32 https://www.pib.gov.in/FactsheetDetails.aspx?Id=149276

  - » **Tractors (<1800cc):** GST cut from 12% to 5%; parts like tyres, tubes, hydraulic pumps reduced from 18% to 5%.
  - » **Commercial Goods Vehicles (trucks, vans):** GST reduced from 28% to 18%, lowering freight costs, improving logistics efficiency, and enhancing export competitiveness.
  - » **Buses:** GST reduced from 28% to 18%, making public transport more affordable, encouraging fleet expansion, and reducing congestion/pollution.

- **Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI)[33]:** The Ministry of Heavy Industries (MHI) notified detailed guidelines under SPMEPCI. Under this scheme, approved applicants (global or domestic automakers) importing completely built-up electric 4-wheelers (with CIF value ≥ $35,000) will be eligible for a reduced customs duty of 15% for five years from the date of approval. This requires applicants to invest a minimum of Rs. 4,150 crore and to achieve a minimum domestic value addition (DVA) of 25% at the end of the third year and 50% at the end of the fifth year. This landmark initiative aligns with India's national goals of achieving Net Zero by 2070, fostering sustainable mobility.
- **Production Linked Incentive (PLI) Scheme for Automobile and Auto Components[34]:** The Government notified this scheme on 23 September 2021 for the Automobile and Auto Component Industry in India for enhancing India's manufacturing capabilities for Advanced Automotive Technology (AAT) products with a budgetary outlay of INR 25,938 Crore. The scheme proposes financial incentives to boost domestic manufacturing of AAT products with a minimum 50% Domestic Value Addition (DVA) and attract investments in the automotive manufacturing value chain.
- **Faster Adoption and Manufacturing of Electric Vehicles in India (FAME India) Phase II[35]:** Launched in April 2019 with a total outlay of ₹10,000 crore, the scheme supports EV adoption by subsidising electric 2-wheelers, 3-wheelers, and 4-wheelers (over 8.3 lakh EVs supported so far) and expanding charging infrastructure through the sanctioning of 4,400+ public charging stations, while also complementing GST reductions and PLI incentives to accelerate India's transition to clean mobility.
- **PLI Scheme for Advanced Chemistry Cell (ACC)[36]:** The Government, on 12 May 2021, approved the PLI Scheme for the manufacturing of ACC in the country with a budgetary outlay of INR 18,100 Crore. The scheme aims to establish a competitive domestic manufacturing ecosystem for 50 GWh of ACC batteries.
- **PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM EDRIVE) Scheme[37]:** Approved in October 2024 with a financial outlay of ₹10,900 crore seeks to accelerate EV adoption and develop India's EV manufacturing ecosystem by offering demand incentives for e-2-wheelers, e-3-wheelers, e-buses, e-ambulances, e-trucks, and by funding charging-station infrastructure and testing-facility upgrades. of vehicle testing agencies.

33 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2133258
34 https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/mar/doc2025325526201.pdf
35 https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1942506
36 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2114919
37 https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=153264&ModuleId=3&reg=3&lang=1

11. Industry Insights on Strengthening India's Automotive Trade Performance

India's automotive sector has emerged as a global manufacturing hub, supported by scale, engineering capabilities, and a strong domestic market. However, despite robust production growth, particularly in passenger vehicles, two-wheelers, and components, export performance has shown signs of stagnation across several markets. Discussions with industry stakeholders[38] highlighted a range of structural, policy, and market-access constraints that continue to limit India's ability to scale automotive exports and deepen integration into global value chains. The biggest challenge is that almost every country seeks to become an automobile manufacturer and exporter because of the industry's strong job-creation potential; however, this proliferation limits manufacturers' ability to achieve scale economies, thereby constraining exports. The key insights and recommendations emerging from the consultation are summarised below:

i. Addressing Export Incentive Gaps and Financing Constraints

While automotive exports recorded growth in 2024, existing export support mechanisms remain inadequate. Current RoDTEP rates were noted to be insufficient to offset embedded taxes and logistics costs, especially in price-sensitive markets. Export competitiveness is further constrained by limited access to affordable export finance, particularly in developing markets where retail and distributor financing plays a critical role in driving vehicle sales. Stakeholders emphasised the need to enhance RoDTEP rates, revise duty drawback structures, and strengthen banking support for automotive export financing, including through region-specific financing solutions.

ii. Managing Market Access Barriers and Non-Tariff Measures

A key constraint to export expansion is the rise in non-tariff barriers (NTBs) across developed and developing markets. Indian exporters face diverse regulatory checks, quarantine norms, and documentation requirements, resulting in higher compliance costs and delays. Examples include stringent vehicle quarantine regulations in Australia, customs-related bottlenecks in Sri Lanka despite localisation mandates, and varying regulatory standards across ASEAN economies. Industry highlighted the need for greater government-to-government engagement to address these barriers, including negotiating Mutual Recognition Agreements (MRAs), improving customs cooperation, and ensuring smoother re-import processes for components required for testing and root-cause analysis.

iii. Strategic Engagement with Key and Emerging Markets

India's export push needs to be recalibrated toward neighbouring and emerging markets such as Sri Lanka, Nepal, Africa, and Latin America, where significant untapped demand persists. While markets like Sri Lanka and Nepal remain critical for Indian exports, rapid EV adoption in Nepal and competition from Chinese EVs pose new challenges. Similarly, changes in Mexico's tariff structure, now favouring local manufacturing over imports, have reduced export opportunities for India. There is a need for proactive trade diplomacy,

38 A stakeholder knowledge-sharing session was held to gather industry insights on challenges and strategies for boosting India's global competitiveness in the automotive sector.

including structured dialogues with Mexico and Indonesia, expansion of FTAs with African and Latin American economies, and greater use of Lines of Credit (LoCs) to support vehicle and bus exports, particularly in Africa.

Fast-tracking the India–US Free Trade Agreement can help improve market access for Indian exports and enhance business predictability across the two markets.

iv. Reassessing the Design and Coverage of the PLI-AUTO Scheme

The current design of the PLI-AUTO Scheme presents certain limitations, particularly its strong focus on electric vehicles and high domestic value-addition thresholds. While the scheme aims to promote localisation and advanced technologies, the 50% domestic value-addition requirement and eligibility thresholds may constrain the participation of startups and smaller firms, potentially leading to segmentation within the industry. As a result, investment momentum, especially in pure EV segments, has remained limited. A mid-course review of the scheme could help broaden its coverage, consider the inclusion of non-EV segments, and recalibrate eligibility norms to support a more inclusive and investment-friendly framework.

v. Cost Competitiveness, Logistics, and Scale Constraints

High logistics costs, both inland and port-related, continue to pose a significant constraint on export competitiveness and on achieving economies of scale. Inefficiencies in transportation from manufacturing clusters to ports, combined with elevated shipping costs, erode margins and weaken India's competitive position relative to global peers. India's logistics cost currently stands at ~8% of GDP[39].

Cost disadvantages are further amplified for critical inputs, particularly batteries, where reliance on imported lithium-ion cells significantly raises FOB prices compared to competitors benefiting from integrated supply chains and state support. Addressing these constraints requires targeted interventions to reduce logistics costs, strengthen domestic supply chains for critical inputs, and enable scale-driven cost efficiencies.

vi. Quality Standards, Branding, and Global Positioning

Indian automotive products are increasingly recognised for quality and reliability; however, the proliferation of low-priced, substandard imports continues to distort markets and undermine fair competition.

Strengthening domestic quality and regulatory standards, alongside stricter enforcement against dumping and non-compliant imports, is therefore essential. In parallel, reviving and strengthening Indian Brand Equity Foundation (IBEF) can play a central role in improving India's global branding and market visibility by positioning "Made in India" as a credible and competitive label, supported by stronger and more coordinated participation in international trade fairs and a more proactive role for Indian embassies in facilitating linkages with distributors, dealers, financiers, and strategic partners in overseas markets.

39 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2195125&reg=3&lang=2

vii. Limited Domestic Manufacturing of EV Battery Components

India's EV battery ecosystem remains largely assembly-oriented rather than manufacturing-led. While cell and battery pack production has begun, critical inputs such as cathode and anode materials, electrolytes, separators, and refined lithium, cobalt, nickel, and manganese remain predominantly imported from China. This dependence constrains domestic value addition, limits supply chain resilience, and poses a structural challenge to scaling India's EV manufacturing competitiveness. Even with the existing PLI, the cost disadvantage for manufacturers remains high. Importing is still the preferable for Indian manufacturers due to cost differences.

viii. Rise of Counterfeit Products in the Auto Components Markets

The automotive industry faces a growing challenge from counterfeit components, which poses serious risks to road safety, consumer confidence, and legitimate businesses. As per the ASPA–CRISIL Report (2022), nearly 50% of the automotive parts market[40], including critical components such as brakes, suspension systems, transmission parts, and consumables, is exposed to counterfeiting. Of this, around 20–25% is estimated to consist of fake products. The report also notes that counterfeiters increasingly replicate authenticity features, such as genuine part stickers, enabling them to sell fake components at lower prices. disrupts the formal supply chains of authorised manufacturers and suppliers, affecting their market shares in foreign markets.

ix. Need for Research and Development (R&D) benefits

Strong R&D is critical for Indian auto firms to enhance global competitiveness, as global peers outperform them by 3.1 times in R&D intensity and 29.8 times in patents per USD billion revenue.[41] Indian firms typically generate fewer patents and publications per unit of revenue, underscoring the need to strengthen their focus on innovation and intellectual property. Lower R&D intensity limits the development of advanced technologies (e.g., EV powertrains, ADAS, connected mobility) needed for global competitiveness.

12. Way Forward

The deliberations highlight that India's automotive sector stands at a critical juncture: while production capabilities and domestic demand remain strong, export growth is constrained by policy design gaps, cost disadvantages, and evolving global trade dynamics. Sustaining export momentum will require a coordinated strategy that aligns incentives, market access, financing, and branding with long-term competitiveness. The following priority actions are recommended:

i. Industrial Policy and Domestic Capability Building

- **Upgrade Quality, Branding, and Global Outreach:** Strengthen regulatory standards to curb low-quality imports, improve India's branding at global platforms, and align embassy KRAs (Key Result Areas) with export promotion objectives to support sustained market penetration.

40 https://www.motorindiaonline.in/from-fake-to-fatal-building-trust-with-advanced-anti-counterfeit-technologies/
41 https://www.fast-india.org/wp-content/uploads/2024/06/Automobile_Sectoral_Brief.pdf

- **Strengthen Technology Transfer:** Foreign joint ventures can equip the automotive industry to cater to the growing and changing demand of the industry. China's experience shows how targeted foreign joint ventures can accelerate technology upgrading, quality improvements, and global market access in auto components. Partnerships like Wanxiang–BorgWarner have enabled the domestic company to produce turbochargers used in high-end cars like Ford Mustang, illustrating how tech transfer can help domestic firms move into high-value segments.[42]

ii. Export Competitiveness and Cost Structure

- **Strengthen Export Financing:** Rationalise RoDTEP and duty drawback rates and expand tailored export financing solutions, particularly for emerging and developing markets where retail credit is a key demand driver.
- **Reduce Logistics and Input Cost Disadvantages:** Focus on lowering inland and port logistics costs, while accelerating domestic manufacturing of critical inputs such as batteries to improve price competitiveness in global markets.

iii. Market Access and Trade Facilitation

- **Deepen Trade Diplomacy and Market Diversification:** Leverage FTAs with USA & Mexico for securing stable market access, Lines of Credit and embassy-led facilitation to expand presence in Africa, Latin America, and neighbouring markets, while addressing tariff and regulatory challenges in key destinations like Mexico and ASEAN economies.
- **Non-Tariff Barriers as a Binding Constraint:** Enhance government-to-government engagement to negotiate MRAs, streamline regulatory compliance, and reduce market-specific NTBs that raise costs for Indian exporters.
- **Recalibrate the PLI-AUTO Framework:** Undertake a mid-course evaluation to broaden scheme coverage beyond EVs, ease eligibility thresholds for startups and MSMEs, and ensure that localisation goals are aligned with domestic demand realities.

42 https://www.niti.gov.in/sites/default/files/2025-06/Automotive%20Industry%20Powering%20India's%20participation%20in%20GVC_Non%20Confidential.pdf

C.
POLICY AND GEOPOLITICAL HIGHLIGHTS

C. Policy Highlights

1. Global Trade–Related Policy Updates

- **ASEAN and China sign upgraded free-trade pact ("FTA 3.0"):** On 28 October 2025, ASEAN and China signed an upgraded free-trade agreement ("FTA 3.0"). The pact expands beyond tariff reductions to include digital trade, green economy cooperation, and supply-chain facilitation. The upgrade comes amid rising trade tensions with the United States, reflecting China's strategy to consolidate regional trade ties and position ASEAN–China as an alternative trade hub. A more integrated Asia–ASEAN supply-chain bloc may reorient global trade flows, reduce dependency on Western supply chains, strengthen resilience, and create new opportunities for aligned firms and countries.
- **U.S. exempts reciprocal tariffs on over 200 agricultural products:** On 14 November 2025, the White House issued an executive order exempting hundreds of agricultural goods, including coffee, tea, tropical fruits, cocoa, and beef, from the broad reciprocal tariffs introduced earlier in 2025. These moves, alongside new reciprocal trade frameworks with ASEAN and Latin American partners, signal a shift toward protectionist yet selective liberalisation. The dual approach, assertive tariff imposition coupled with targeted exemptions, underscores how U.S. trade policy is being used as a geopolitical lever to secure supply chains, incentivise reshoring, and rebalance trade deficits.
- **Mexico's Tariff Hike Threatens non-FTA partners exports:** Mexican Senate has approved a bill which will impose higher MFN tariffs of 5–50% from January 2026 on imports from non-FTA partners, including India, China, Brazil and several other countries covering over 1,450 tariff lines. The move, aimed at protecting domestic industry and correcting trade imbalances, is expected to hurt Indian exports such as automobiles, auto components, chemicals, and electronics, with the auto sector to be acutely affected. India has engaged Mexico diplomatically, seeking concessions while reserving the right to take counter-measures. The development has intensified momentum to fast-track India–Mexico FTA negotiations to insulate trade from future tariff shocks.

2. India's Trade Policy Developments

- **New Export Promotion Mission (EPM) with ₹ 25,060 crore outlay[43]:** The government's Cabinet approved a six-year Export Promotion Mission worth ₹ 25,060 crore to support exporters, especially in labour-intensive and affected sectors (textiles, leather, gems & jewellery, engineering goods, marine products).
- **Credit & export-credit relief via Reserve Bank of India (RBI)[44]:** In response to global trade headwinds and export stress, the RBI extended export-credit timelines, increasing the maximum credit period for pre-shipment and post-shipment export credit from 270 days to 450 days (for credits disbursed up to March 31, 2026).

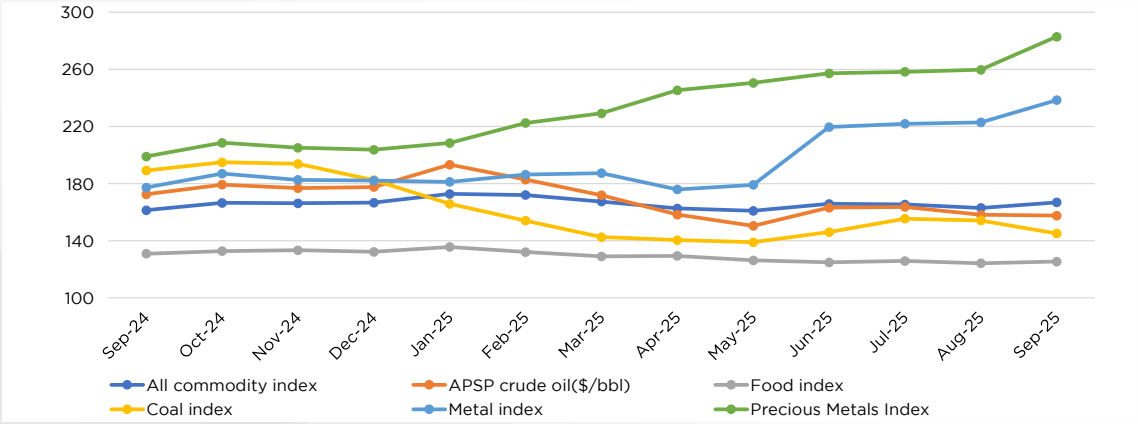
43 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2189383
44 https://fieo.org/mailFiles/1763273613_RBI_Relief_Measures_14-11-25.pdf

- **RoDTEP Scheme Extension, Alignment & Restoration[45]:** DGFT extended RoDTEP benefits for DTA, AA, SEZ and EOU units up to 31 March 2026, aligned the rates with the amended Customs Tariff Schedule effective 1 May 2025, and restored RoDTEP support for exports manufactured by AA, SEZ and EOU units from 1 June 2025, with updated rates/HS codes reflected in Appendices 4R/4RE.
- **India–EFTA Trade & Economic Partnership Agreement (TEPA)[46]:** India's TEPA with EFTA took effect on 1 October 2025, committing $100 bn in investments and 1 million direct jobs over 15 years, offering extensive tariff liberalisation (EFTA: 92.2% lines; India: 82.7%) while safeguarding sensitive sectors, and expanding market access in manufacturing, technology, sustainability and digitally delivered services supported by MRAs.

3. Commodity Price Trends

From September 2024 to September 2025, global commodity movements reflect a transition from demand-driven weakness to a broad-based recovery shaped by monetary easing, supply adjustments, and shifting geopolitical pressures. The all-commodity index stabilised after its September 2024 low as global growth prospects improved and inventory restocking began in early 2025. The crude oil index continued to decline through mid-2025 after peaking in Jan'25 at 193.26 and has declined since then. Throughout 2025, oil prices trended downward as persistent trade-policy frictions and worries about oversupply weighed on the market, interrupted only by brief spikes driven by geopolitical disruptions. Oil consumption is expected to be stable across advanced economies but will moderate due to the adoption of electric and hybrid vehicles in China. India, which continues to be a major contributor to the growth, is expected to drive the demand for LPG, gasoline, diesel and naphtha. [47]

Fig 29: Price indices across key commodity indices



Source: IMF

Food prices experienced mild softening as favorable harvests in major producers and normalized Black Sea grain flows improved global availability. Food prices are expected to further decline throughout 2025 on account of record-high production worldwide for maize, rice, soybeans and wheat during the 2023-24 season.[48] Coal prices fell sharply in early 2025, driven by declining power-sector use in Europe and

45 https://www.dgft.gov.in/CP/?opt=RoDTEP
46 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2177724&reg=3&lang=2
47 https://blogs.worldbank.org/en/opendata/oil-market-glut--surging-output-and-sluggish-demand-pressure-pri
48 https://blogs.worldbank.org/en/developmenttalk/the-commodity-markets-outlook-in-eight-charts0

China and rising renewable penetration. However, throughout 2026 and 2027, coal consumption is expected to be stable due to rising demand from India and China, which will offset the declining demand in the European Union and the United States.[49]

Metals saw the highest recovery: after subdued levels in late 2024, prices surged from early 2025 on the back of renewed construction demand, higher green-technology consumption of copper, nickel and aluminium. September particularly saw an uptick in the index value on account of China's stimulus package. Prices are expected to remain stable for the rest of 2025, with a slight decline by 3% in 2026 as industrial activity recovers.[50]

Precious metals rose steadily throughout the period as global interest rate cuts, heightened geopolitical risks, and central bank gold purchases supported safe-haven demand. Gold is poised to set new highs next year, supported by safe-haven demand and continued central-bank purchases. Silver is also expected to strengthen further, driven by rising industrial use, particularly from renewable energy applications, alongside safe-haven interest. At the same time, constrained supply is likely to continue supporting platinum markets. Even so, the outlook remains highly uncertain. A renewed surge in geopolitical tensions or increased policy uncertainty could push gold above current forecasts. In contrast, weaker industrial activity could weigh on silver and platinum, bringing their prices below baseline projections.[51] (Fig 29)

49 https://blogs.worldbank.org/en/opendata/global-coal-markets-at-a-crossroads--soft-demand--resilient-sup
50 https://blogs.worldbank.org/en/developmenttalk/the-commodity-markets-outlook-in-eight-charts0
51 https://blogs.worldbank.org/en/opendata/when-uncertainty-rises--gold-rallies

Contributors	
Pravakar Sahoo	Programme Director, NITI Aayog
Amit Verma	Director, NITI Aayog
Nalina Sofia	Director, NITI Aayog
Jyotika Nagvanshi	Deputy Director, NITI Aayog
Mala Parashar	Consultant-I, NITI Aayog
Pooja Teotia	Consultant-I, NITI Aayog
Apica Sharma	Consultant-I, NITI Aayog
Abhilasha Manda	Consultant-I, NITI Aayog
Salome Sara Philips	Young Professional, NITI Aayog
Riya Jindal	Young Professional, NITI Aayog
Kavya Rao	Young Professional, NITI Aayog
Nikita Gondolay	Young Professional, NITI Aayog
Kruthi Raj	Young Professional, NITI Aayog

सत्यमेव जयते

NITI Aayog