Export momentum builds

India's opportunities in selective sectors



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Namrata Mittal
Chief Economist



Varnika Khemani
Economist

The global trade cycle has regained momentum after two weak years. Global exports expanded 7% in 2025 despite sharply higher US tariffs, supported by AI-related infrastructure demand. The recovery has strengthened further into 2026. But the rebound is highly concentrated. A few economies and select categories—telecom equipment, semiconductor components, wires and cables, IT hardware, gold and generic pharmaceuticals—are driving most of the gains, signalling a sector-specific upswing powered by the AI-hardware ecosystem.

India's 2025 headline export performance appeared weak due to lower refined petroleum shipments and refinery disruptions, yet underlying trends were healthier. Non-POL exports continued to grow, market share remained stable. Now 1H 2026 data show improvement across both POL and non-POL categories. India is not yet a major semiconductor producer but is gaining ground in adjacent AI-linked segments such as smartphones, wires and cables, electrical machinery, IT hardware. Apart from this, generic pharmaceuticals exports are also expanding both globally and from India.

Cyclical and structural tailwinds are also aligning with rupee depreciation against the renminbi and a new generation of trade agreements with large importers. High-frequency data shows momentum in metals, transport equipment, electronics and chemicals, even as labour-intensive sectors remain subdued.

Finally, on US tariffs, markets and businesses continue to second-guess the shifting regime imposed by the world's largest importer. For now, as Section 301 duties replace the earlier Section 122 framework, India seems likely to face tariff rates broadly in line with competing economies. Still, uncertainty around US tariff policy persists and merits close monitoring for its impact on firm-level competitiveness. For the moment, one can hope the worst is behind us — and that India is not singled out as the disproportionately disadvantaged partner again.

For investors, the opportunity is real but narrow. The beneficiaries are companies aligned with global manufacturing revival, AI infrastructure, supply-chain diversification and capex recovery—particularly electronics, wires and cables, pharmaceuticals, chemicals, metals, auto and auto ancillaries and select IT hardware. The broader trade cycle is improving, but the investment opportunity remains distinctly sectoral.

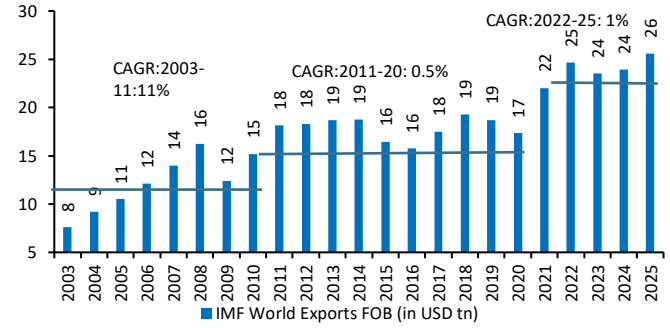
Global exports regain strength in 2025 and early 2026

The global trade backdrop has become noticeably more supportive since 2025, following two years of subdued activity. Global exports rose 7% in 2025, reaching US$26 trillion. That expansion came despite a near sixfold increase in US import tariffs, a development that, at first glance, should have dealt a significant blow to global trade momentum. The effective US tariff currently stands at 11.8%, although new effective rates are yet to unfold once Section 122 tariffs expire on 24 July 2026.

In retrospect, the rebound is not entirely surprising. Trade volumes had contracted in 2023 and was almost flat in 2024, leaving room for mean reversion. Some degree of front loading ahead of tariff uncertainty may also have played a role, alongside the early lift from accelerating artificial intelligence (AI) related infrastructure demand. What is more striking, however, is that the improvement has persisted into 2026.

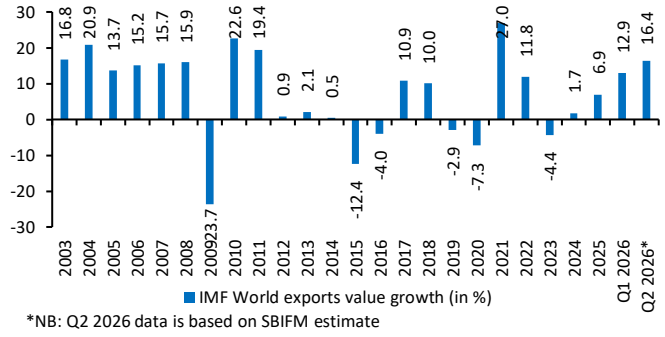
The strengthening in momentum became clearer in early 2026. In Q1 2026, global exports expanded 13% y o y, supported by both higher volumes and favourable price effects. Export volumes alone grew 7.3% y o y in this three-month window — the fastest pace since 2021. The momentum strengthened in Q2, with global exports value estimated to grow by 16% y-o-y.

Exhibit 1: Global exports improve in 2025 after a subdued performance in 2023-2024



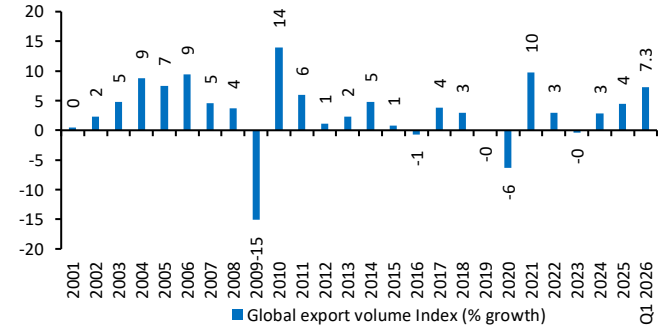
Source: Bloomberg, SBIFM Research

Exhibit 2: Global export growth strengthened to 7% in 2025 (in value terms) and to an estimated 15% in 1H26



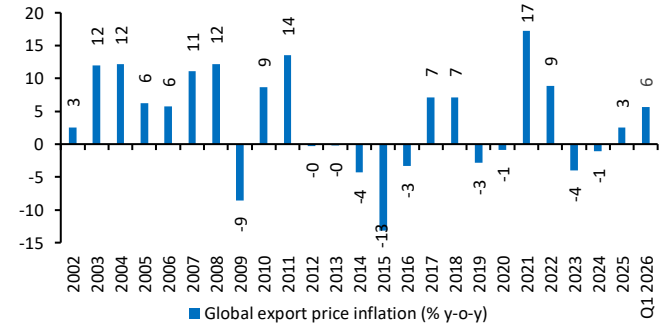
Source: Bloomberg, SBIFM Research

Exhibit 3: Export volumes growth at 7.3% y-o-y Q126; Strongest since 2021



Source: Bloomberg, SBIFM Research

Exhibit 4: Exports grew beyond price effects: ~7% value growth vs 2.5% inflation



Source: Bloomberg, SBIFM Research

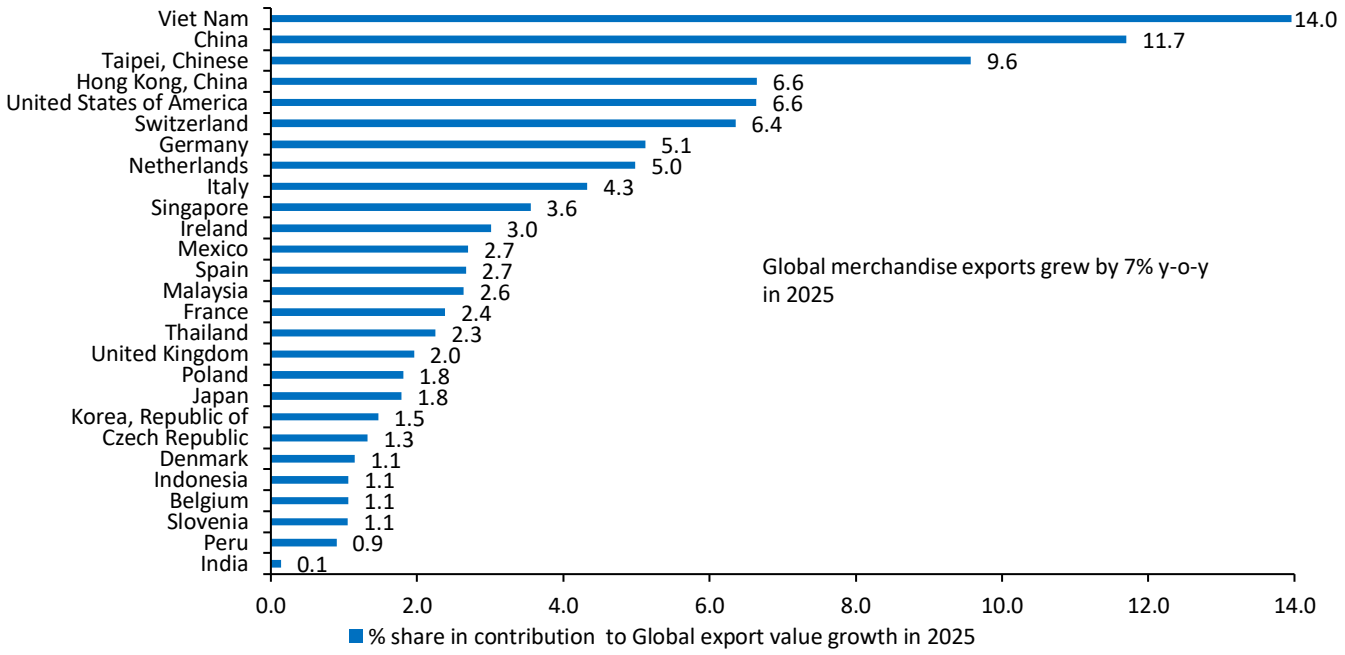
AI hardware ecosystem at the core of global export growth

The surge in global outbound shipments in 2025 was notably concentrated across a narrow group of economies and product lines. Five countries- Vietnam, China, Hong Kong, the US and Taiwan- together accounted for almost 60% of the incremental increase in global exports. The sectoral picture was equally tight. Seven product categories, led by telecom equipment, semiconductor components, wires and cables, IT hardware, gold and generic pharmaceuticals, contributed over 60% of total export gains. Excluding these export heavy sectors, global shipments grew by only 3% in 2025, underscoring how much of the recovery was anchored in a small set of industries.

The message is unambiguous: the current phase of global trade expansion is increasingly driven by sector specific dynamics, with the AI hardware ecosystem sitting at its core.

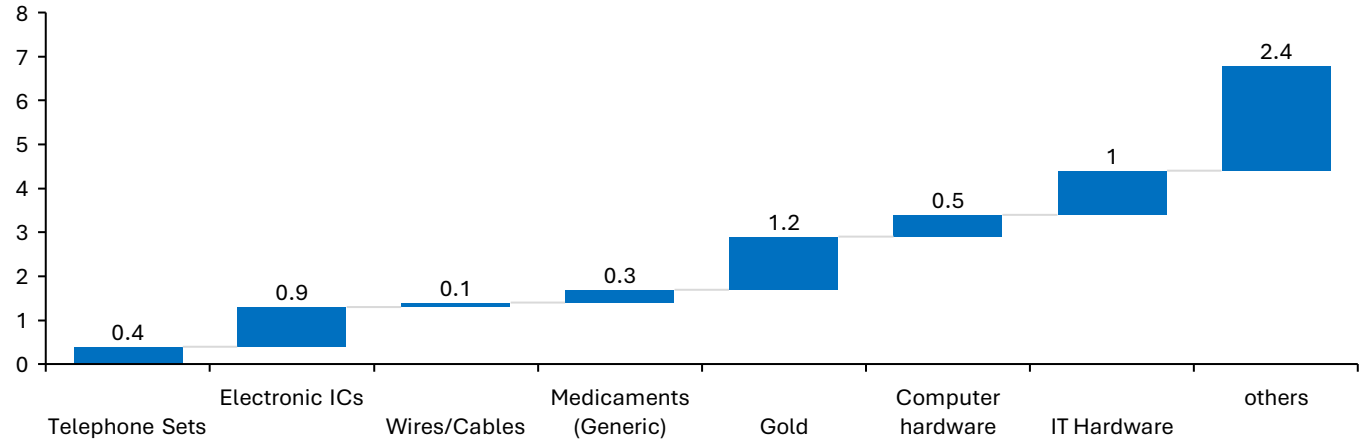
On the import side, however, the pattern was more diffuse. Higher US import demand accounted for barely 10% of the improvement in global trade flows in 2025. A broader group of economies—including China, Switzerland, the UK, Germany, Taiwan, Spain, Vietnam and Italy—collectively generated another 50% of the uplift. This divergence offers a useful insight. While export growth is being powered by a concentrated cluster of countries specialising in a few fast-growing product categories, the underlying demand for these goods is widely distributed. Put simply, supply is clustered, but consumption remains geographically broad based.

Exhibit 5: Vietnam, Taiwan, and China led the 2025 global export rally — India was a clear laggard



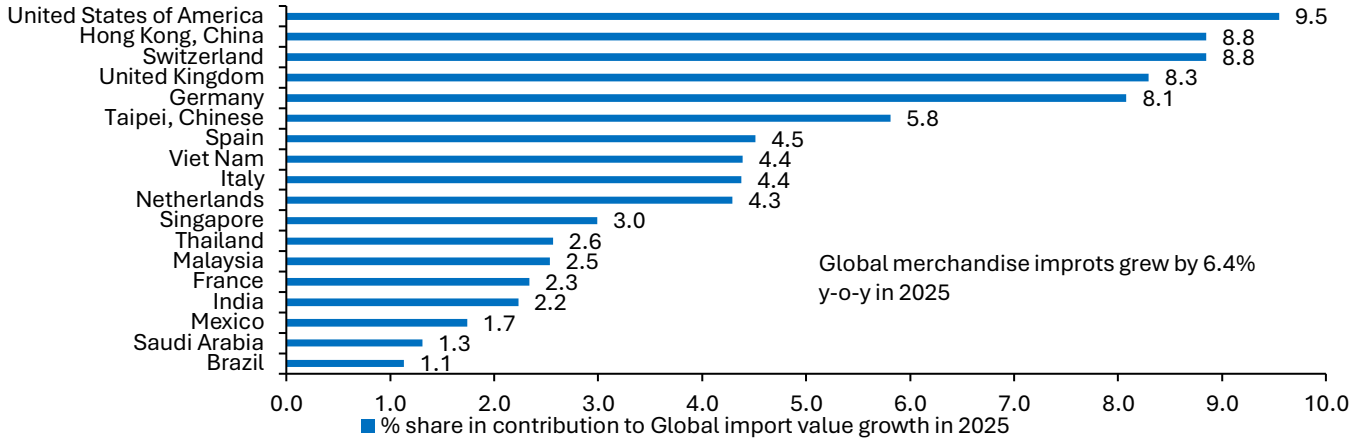
Source: ITC Trade Map, SBIFM Research; NB: Vietnam is 14%. It means 14% of 7% growth in 2025 came from Vietnam export growth and so on.

Exhibit 6: These seven categories account for 63% of global trade growth in 2025



Source: ITC Trade Map, SBIFM Research

Exhibit 7: Global import growth was broad-based across economies in 2025



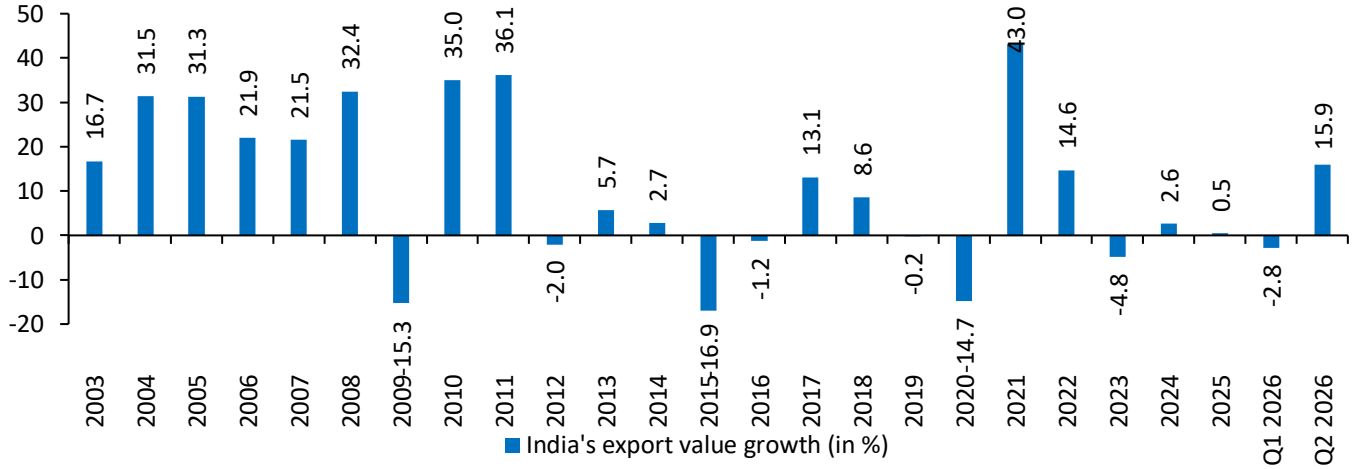
Source: ITC Trade Map, SBIFM Research

A shift beneath the surface of India's export performance

India's aggregate export performance in 2025 appeared subdued, with headline growth weak (0.5% in 2025) and a marginal loss of global market share (from 1.85% in 2024 to 1.74% in 2025). Yet the aggregate numbers obscure a more nuanced underlying trend. Much of the weakness stemmed from a sharp decline in refined petroleum exports. A few large refineries—because of their association with Russian crude under sanction—were unable to operate at full export capacity. Several others faced maintenance shutdowns, further restricting outward shipments. As a result, overall exports grew only 0.5% in 2025. However, non-petroleum oil and lubricants (non-POL) exports rose 5%, following a 7% expansion in 2024—still below global export growth but markedly stronger than the headline print would suggest. Stripping out petroleum related products, non-POL export market share has remained broadly stable in the 1.50–1.55% range in recent years.

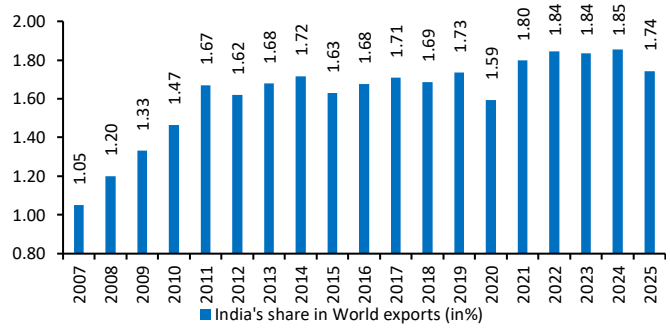
Encouragingly, early data for 2026 indicates a turn in momentum. In Q2 2026, India's exports have expanded by around 16% (in line with estimated 16.4% global export growth in Q2 26), with improvements visible in both POL and non-POL categories. For the first half of 2026, total exports have risen 6.4%, supported by 13.5% growth in POL and a 5.3% increase in non-POL shipments.

Exhibit 8: India's exports growth recovers to 16% y-o-y in Q2 2026 vs. 0.5% in 2025



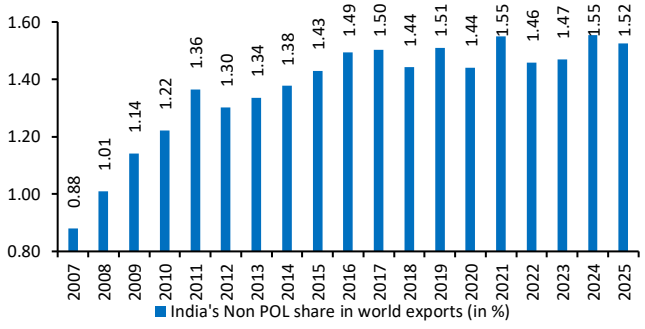
Source: CMIE Economic Outlook, SBIFM Research; NB: These are calendar year growth

Exhibit 9: India's share of global exports slipped in 2025



Source: Bloomberg, CMIE Economic Outlook, SBIFM Research

Exhibit 10: India's Non-POL market share steady in 2025



Source: Bloomberg, CMIE Economic Outlook, SBIFM Research

India's positioning in the AI-hardware ecosystem

Even though India does not yet manufacture advanced semiconductor chips, it has established a meaningful presence across several other hardware segments linked to the AI build out. Its relative success in scaling smartphone production—supported by the Production Linked Incentive (PLI) scheme and deeper localisation of the value chain—has been a key differentiator. India's share in global mobile phone exports has risen from negligible levels in 2018 to about 5% by 2025. Over the same period, India has also doubled its global market share in wires and cables. While other IT hardware categories remain modest contributors, their shares have held steady, with exports broadly tracking global growth.

At a wider category level, India has tripled its share in electrical machinery and equipment—an umbrella segment that captures many allied components feeding into AI infrastructure creation. This progress has come despite India's near absence in semiconductor chip fabrication.

Beyond AI related hardware, India continues to outperform global trade in generic pharmaceuticals. Conversely, it has not benefited from the surge in global gold demand, even though gold was among the top contributors to global export expansion last year.

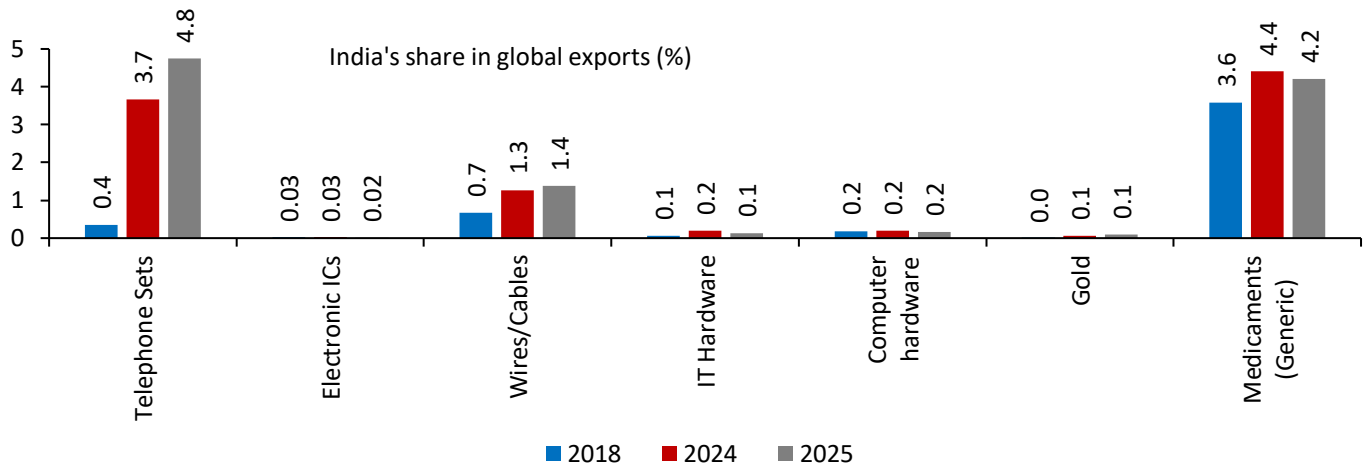
In aggregate, India's combined share across these high growth export segments has risen from roughly 5% in 2018 to about 11% in 2025. Put differently, India is not being left out of the global AI manufacturing cycle; rather, it is participating through adjacent product categories, even if it remains lower in the hierarchy of direct beneficiaries.

Exhibit 11: India outpaced global growth in smartphones and cables; was absent in semiconductors and gold; depicts in line growth in various IT Hardware and other electrical equipment

HS code	Product	% share in incremental world export growth in 2025	Y-o-y (%)					
			Global			India		
			2023	2024	2025	2023	2024	2025
85	Electrical machinery and equipment and parts thereof	29	-4	4	14	22	24	34
8517	Telephone sets, incl. smartphones and other telephones for cellular networks or for other wireless networks	6	-4	2	18	43	41	53
8542	Electronic integrated circuits; parts thereof	13	-12	10	21	-55	26	-11
8544	Wires and Cables	2	3	3	16	17	9	25
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	28	2	9	17	7	11	11
8471	Automatic data-processing machines and units thereof*	15	-8	29	48	45	146	2
8473	Parts and accessories (other than cover, carrying cases and the like) suitable for use solely or principally with machines**	6	-19	31	68	-14	15	36
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, imitation jewellery	20	1	11	33	-15	-11	0
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured or in powder form	17	11	26	46	-1	373	140
30	Pharmaceutical products	5	-1	8	10	8	10	11
3004	Medicaments (Generic)	4	1	5	13	8	11	8

Source: ITC Trade Map, SBIFM Research; NB: *refers to IT Hardware, **refers to computer hardware

Exhibit 12: India gains world export share in smartphones, wires and cables and generic pharmaceuticals



Source: ITC Trade Map, SBIFM Research

A shifting backdrop to India–US trade dynamics

The US decision to impose retaliatory tariffs in 2025 placed India in one of the most disadvantaged positions globally, second only to Brazil. This outcome ran counter to early expectations that India would emerge relatively insulated in the tariff confrontation. Yet, despite these unfavourable conditions, India's exports to the US remained resilient, expanding by 14% in 2025. The strength was almost entirely driven by continued shipments of telecom instruments, which grew 16% during the year.

Crucially, telecom and pharmaceutical products were exempt from the tariff hikes. These categories helped cushion overall export performance, even as traditional sectors such as textiles and gems & jewellery experienced notable weakness.

With the US Supreme Court subsequently ruling most of these tariffs unconstitutional, and the two countries agreeing on an interim trade deal while negotiations toward a fuller Bilateral Trade Agreement continue, the tariff overhang has eased meaningfully. That said, the issue of US tariffs is still mired with layers of uncertainty.

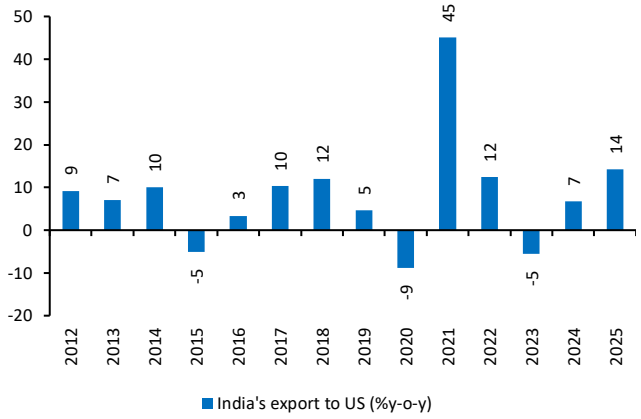
A fresh layer of uncertainty has emerged following recent developments in the United States' tariff regime. The present Section 122 tariff is set to expire on 24 July 2026. The US administration has pivoted toward a more durable enforcement framework centred on Section 301 and Section 232 investigations. The most immediate implication for exporters is the forthcoming forced labour related Section 301 tariffs, expected to impose duties of 10–12.5% on imports from nearly 60 countries, including India. India is likely to face 10% tariff rate as US-India labour related discussion progresses positively[1]. This is at par with other nations compared to 2025 scenario when India was at a relative disadvantage.

A parallel Section 301 investigation into excess industrial capacity, covering 16 countries, is progressing more slowly but signals the possibility of additional targeted actions later in the year. The US has also finalised a 25% tariff on Brazilian imports under a separate investigation, reinforcing the shift toward a more legally resilient and sector-specific tariff architecture.

For India, the near-term risk is not one of broad-based market access loss, but rather heightened compliance scrutiny and the possibility of incremental duty pressure on select product categories. Still, compared with the now-defunct IEEPA structure—which had generated significant unpredictability—the new framework is more transparent and provides clearer signals for exporters to adapt. Taken together, these measures do not materially alter our medium-term export outlook, but they warrant close monitoring as they may influence firm-level competitiveness in affected sectors.

1. https://www.whitehouse.gov/presidential-actions/2026/07/actions-by-the-united-states-in-the-investigations-under-section-301-of-the-trade-act-of-1974-of-the-acts-policies-and-practices-of-60-economies-related-to-the-failure-of-each-economy-to-impose-and/)

Exhibit 13: India's exports to US jump 14% in 2025



Source: CMIE Economic Outlook, SBIFM Research

Exhibit 14: US export growth driven by telecom; tariffs dragged textiles & gems/jewellery exports

India's exports to US	% pt contribution to growth		
	2023	2024	2025
Total	-5	7	14
Agricultural & allied products	-0	1	-0
Manufactured goods	-5	9	15
Chemicals & related products	-0	2	1
Engineering goods	-3	2	1
Ferrous and non-ferrous metals	-1	0	1
Machinery & instruments	-1	1	1
Transport equipment	-0	0	-0
Electronic goods	6	3	16
Telecom instruments	4	3	16
Textiles (excluding readymade garments)	-1	1	-0
Readymade garments	-1	1	0
Other manufactured goods	-5	-0	-4
Gems & jewellery	-4	-1	-3

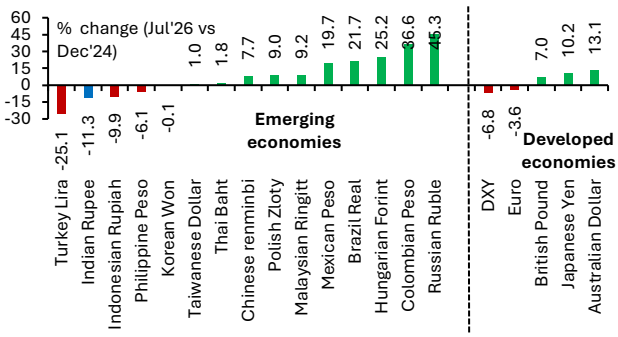
Source: CMIE Economic Outlook, SBIFM Research

Currency competitiveness: INR depreciation as a tailwind

India's export outlook is also benefiting from the recent depreciation of the rupee. Since 2025, the INR has weakened nearly 18% against the Chinese renminbi. In real effective exchange-rate (REER) terms, the rupee is now broadly aligned with the RMB for the first time in 4 years — a significant shift after years in which India was among the more expensive Asian currencies.

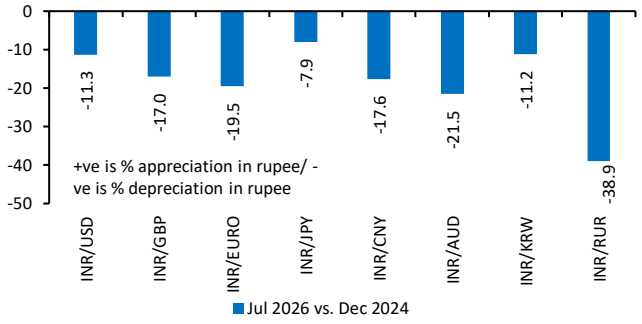
This adjustment is particularly relevant in sectors where India competes with China: pharmaceuticals, chemicals, metals, auto components, and wires and cables. In a supportive global demand environment, these currency tailwinds could amplify export momentum across these segments.

Exhibit 15: Indian rupee is a relative underperformer



Source: Bloomberg, SBIFM Research; NB: Data till 21st Jul'26

Exhibit 16: INR weakened against major trading partner countries boosting export competitiveness



Source: Bloomberg, SBIFM Research; NB: Data till 21st Jul'26

Trade agreements: expanding market access

Near-term optimism about India's exports is supported by three cyclical forces: a recovering global trade cycle, India's improving sectoral presence, and enhanced competitiveness through INR depreciation. Beyond these, policymakers are laying long-term foundations through a new generation of trade agreements.

India has entered a more assertive phase of trade diplomacy, concluding eight major agreements since 2021 — including the India–EU FTA (2026), India–Mauritius CECPA (2021), India–UAE CEPA (2022), India–Australia ECTA (2022), India–EFTA TEPA (2024), India–Oman CEPA (2025), India–UK CETA (2025) and India-New Zealand FTA (2025). Together with newly signed Bilateral Investment Treaties with Israel, Uzbekistan, Brazil and Kyrgyzstan, these agreements significantly widen India's strategic engagement.

The India–Mauritius CECPA serves as a bridge to African markets despite modest bilateral trade levels. The India–UAE CEPA represents India's first major trade pact with a Middle Eastern partner and includes provisions on digital trade and government procurement. India's exports to the UAE registered growth of 24% in 2022, 5.3% in 2023 and 14% in 2024.

The India–Australia ECTA has opened new export opportunities in textiles, processed foods and electronic components. The India–EFTA TEPA brings a binding investment commitment of US$100 billion and one million direct jobs over 15 years. Meanwhile, the India–UK CETA provides duty-free access on 99% of India's tariff lines, with clear gains for textiles, agriculture, chemicals, engineering goods and IT services. The India–New Zealand FTA expands market access for horticulture, marine products, dairy alternatives and specialised food processing. The India–EU FTA helps address India's earlier tariff disadvantage relative to regional competitors.

Collectively, these agreements mark a strategic pivot. Earlier FTAs were largely concluded with export-competitive economies. The more recent ones are with developed markets — structurally large importers — which materially enhances India's medium-term export prospects. Still, these agreements act as enablers: sustained export growth will depend on India's ability to deepen value chains, expand manufacturing and strengthen competitiveness.

Exhibit 17: Bilateral Trade agreements post COVID

#	Details	Partner nation	Concluded in:
1	India-EU FTA	European Union	Feb-26
2	India-New Zealand FTA	New Zealand	Dec-25
3	India Oman CEPA	Oman	Dec-25
4	India- UK CETA	UK	Jul-25
5	India EFTA TEPA	Iceland, Liechtenstein, Norway, and Switzerland	Mar-24
6	India Australia ECTA	Australia	Jun-22
7	India UAE CEPA	UAE	Mar-22
8	India Mauritius CECPA	Mauritius	Apr-21

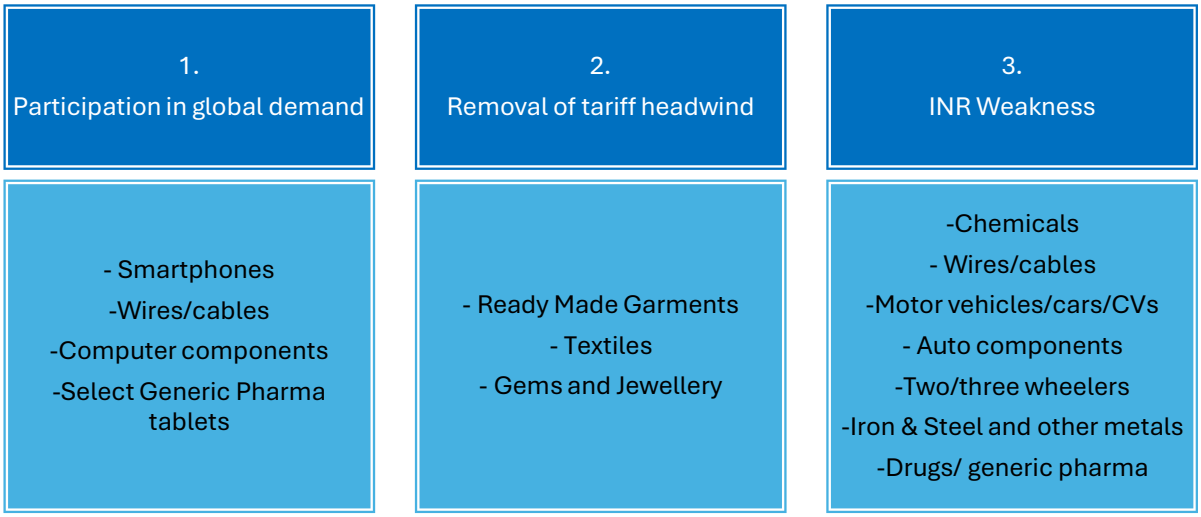
Source: https://www.commerce.gov.in/?target_lang=en#/international-trade/trade-agreements, SBIFM Research

High-frequency trends: What do latest data show?

Based on the three near-term cyclical triggers and one long term trigger, we identified sectors that could benefit from each of these catalysing forces. For instance, the AI hardware cycle and global trade expansion is benefitting and could continue to benefit India's smartphones (though recent fall in demand due to memory chips issue), wires and cables, other related electrical component, IT hardware and generic pharma.

Logically, labour intensive sectors (textiles, footwear, gems and jewelleries and readymade garments) should benefit from free trade agreement and easing US tariff hurdles. Rupee weakness has historically come to benefit chemicals, wire and cables, auto and auto anc., metals and pharmaceuticals.

Exhibit 18: Sectors likely to benefit from the three near-term cyclical triggers



Source: SBIFM Research

A scan of recent monthly export data suggests that several of the cyclical and structural themes are already playing out. Metals, transport equipment, electronics, and chemicals are exhibiting consistent growth in both value and volume terms. Certain niche segments are also registering exceptionally strong expansion, hinting at emerging pockets of strength. In contrast, traditional labour-intensive sectors such as textiles, footwear and gems & jewellery continue to lag despite policy support and improved market access.

A notable feature of recent data is the relative strength of export expansion compared with import substitution. While some categories show declining imports, the dominant trend appears to be outward looking competitiveness rather than inward protection — a positive signal for India's external account dynamics.

Investment Implications: A Sectoral Opportunity

The evolving export landscape carries clear implications for corporate performance. Firms positioned within the high growth segments of global trade, including wires and cables, pharmaceuticals, electronics and IT hardware, are recording strong revenue momentum.

The resurgence in global trade is also closely aligned with the global capex cycle. Historically, gross capital formation correlates strongly with global export growth. A strengthening capex cycle therefore raises the prospect of an inflationary boom favouring industrial metals and mining sectors.

Conclusion

India is participating in the global export up-cycle through select high-growth, high-competitiveness sectors. Although overall export growth in 2025 was weighed down by declines in mineral fuels — especially reduced diesel exports to the EU — India recorded significant gains in smartphones, wires and cables, electronics, auto components and generic pharmaceuticals.

As global manufacturing and capex cycles still appear to have some room to run, near-term global recession risks appear muted. At the same time, a more competitive INR is supporting export momentum, making India's goods export outlook increasingly constructive. For equity investors, the opportunity set remains sector-specific, favouring industries aligned with global demand, technology adoption and deeper manufacturing capabilities.

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