AURTUS

ECONOMIC SURVEY 2026

Highlights

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Foreword

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The Indian Economic Survey presents a detailed analysis of our economy's performance during FY 2025–26, reaffirming that India stands for stability in a world that is increasingly complex, volatile, and uncertain. The Survey projects a growth trajectory of 6.8% to 7.2% for FY 2027, anchored in a strategic shift from traditional 'Import Substitution' to 'Strategic Indispensability'.

A prominent theme in the Survey is the government's continued progress toward a data-driven taxation mechanism. India has advanced from an enforcement-led model to one centred on data-driven compliance, supported by NUDGE - Non-intrusive Usage of Data to Guide and Enable - which aims to influence taxpayer behaviour rather than rely on enforcement or litigation. This transition has led to a widening of the tax base, with income tax returns filed rising to 9.2 crore in FY 2025.

The Survey also highlights the continued success of the Goods and Services Tax ('GST'). Under GST 2.0, gross GST collections reached INR 17.4 lakh crore in the first nine months of FY 2025 - 26 alone, reflecting 6.7% growth, while the registered taxpayer base expanded to over 1.5 crore.

Another important insight is the recognition of a long-standing challenge for multinational companies - the disconnect between transfer pricing and customs valuation. The Survey calls for greater coordination between these two regimes to reduce transaction costs and enhance certainty for investors.

In terms of financing, the Survey notes a shift in credit generation patterns. While bank credit grew moderately, financing from non-bank sources increased notably by 29.3% during April 2025 to November 2025. Gujarat International Finance Tec-City (GIFT IFSC) has strengthened its position as a global financial hub, with 38 IFSC Banking Units and cumulative transactions exceeding USD 142.98 billion.

India's rising prominence in global services is also underscored. Services exports touched an all-time high of USD 387.5 billion in FY 2025, generating a surplus of USD 188.8 billion. This performance is significantly driven by the growth of Global Capability Centres (GCCs), whose estimated revenue stands at USD 64.6 billion with a CAGR of nearly 10%.

Foreword

The maturation of India's Digital Public Infrastructure emerges as another defining feature. Tele-density has reached 86.76%, and 5G services are now available in 99.9% of districts across the country. Internet subscriptions have increased from 25.2 crore in 2014 to 101.78 crore by September 2025, while average monthly data consumption per wireless subscriber has surged from 61.66 MB in 2014 to 25.24 GB in 2025. The enormity and accessibility of this digital ecosystem create a clear competitive advantage for businesses operating in India.

The Survey also acknowledges the external challenges faced during FY 2025–26, including significant tariff shocks, particularly those imposed by the United States on Indian goods in April 2025. Nevertheless, India's continued efforts to negotiate trade agreements with the UK, Oman, the European Union, and New Zealand have helped diversify trade partnerships and bolster the domestic economy.

Quoting that the Indian economy is "running a marathon and sprinting simultaneously," the Economic Survey 2025–26 signals a decisive move toward a trust-based compliance architecture, a shift that is vital for facilitating mergers and acquisitions as well as foreign investment. At Aurtus, we remain committed to supporting organisations as they navigate India's complex yet robust growth journey.

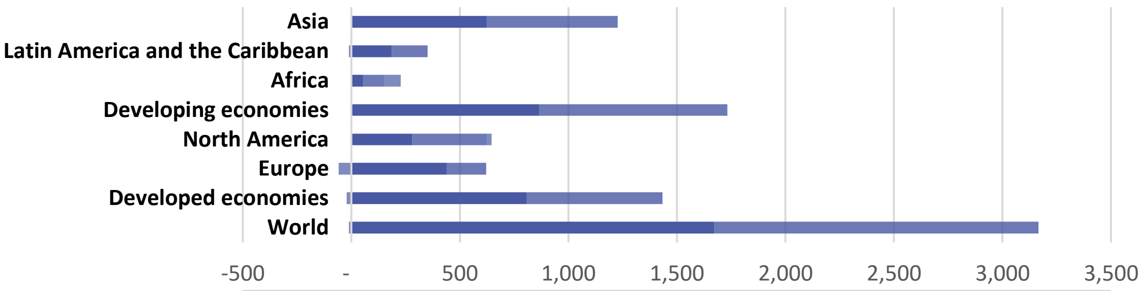
Economic Survey 2026

WE ARE AMIDST GLOBAL ECONOMIC UNCERTAINTY

Global economic uncertainty remains high compared to historical trends. This is due to fragmentation in geopolitical relationships and lower visibility on policy continuity.

- Policy uncertainty is high and **global FDI fell ~11% in 2024**, with a weak outlook. See the graph below.

Deteriorating FDI Inflows



	World	Developed economies	Europe	North America	Developing economies	Africa	Latin America and the Caribbean	Asia
2023 (USD bn)	**1,673**	**807**	**439**	**280**	**865**	**55**	**187**	**622**
2024 (USD bn)	**1,493**	**626**	**182**	**343**	**867**	**97**	**164**	**605**
Percent change (%)	**-11**	**-22**	**-58**	**23**	**0**	**75**	**-12**	**-3**

Source: Economic Survey 2025-26

- The Survey predicted that there is a 10-20% chance of a systemic shock - that may cause a repeat of the 2008 financial crisis in 2026. Financial and technological geopolitical stresses will promote one another.

- Demand from some export markets can be patchy; clients need diversified markets and products to avoid single-market shocks.

- Hence, building **'Plan B' liquidity** with internal buffers is crucial. Currency moves can be sudden when flows turn; hedging policies need to be clear and rule-based.

- Pushing **market diversification** e.g. with ASEAN, Middle East, EU FTA channels. and shift mix to services where India is resilient could be beneficial.

India has decisively transitioned from post-pandemic recovery to a phase of *'Pushing the growth frontier'.* This is on account of some of the parameters below:

Key Macroeconomic Indicators in India

Sr. No.	Indicator	Value	Period	Details
1	Real GDP Growth	7.4%	FY 2026	Companies can view India as a low-volatility country for long term capital commitment.
2	Potential Growth Rate	6.8 to 7.2%	Medium Term	The key underlying factor is strong domestic demand.
3	Consumer Price Inflation	1.70%	April to Dec 2025	Preserves consumer purchasing power and prevents increasing input costs for manufacturers.
4	Fiscal Deficit	4.4%	FY 2026 (Target)	Standard & Poor's (S&P), Rating and Investment Information (R&I), Morningstar have improved India's sovereign debt ratings.
5	Forex Reserves	USD 701.4 Billion	January 2026	We have reserves that provide cover for 11 months of imports and 94% of external debt.
6	Effective Capex	4.0% of GDP	FY 2025	Public investment, especially in building industrial corridors has nearly tripled since FY 2020.
7	Gross NPA Ratio	2.20%	September 2025	Due to resilience of the banking sector in India and a stable credit environment.
8	Services Trade Surplus	USD 151.7 Billion	H1 of FY 2026	Services (IT, GCCs, and Consulting) now cover over 60% of the merchandise trade deficit
9	Gross FDI Inflows	USD 64.7 Billion	Apr-Nov 2025	Despite a global 11% decline in FDI, India remains a top destination for digital and high-tech greenfield projects.
10	Private Consumption	61.5% of GDP	FY 2026	The highest share since FY 2012 and attributed to rising consumption demand from the Indian middle class.
11	Rupee performance	6.5% Depreciation	Apr 2025 - January 2026	The INR weakened due to FPI outflows and trade uncertainty with the US. The Survey notes that the rupee is "punching below its weight".

Source: Economic Survey 2025-26

The Survey highlights that while India's size is significant, in terms of demographics, the **Lowy Institute's Power Gap Index** (where India scores -4.0) indicates that India is still operating below its full strategic potential.

- **Agriculture sector's significance for Inclusive Growth:** Agriculture (estimated **3.1%** growth) continues to show a stark divide: volatile crop growth versus the steady 5-6% expansion in Allied Sectors (livestock and fisheries). For FMCG and retail clients, the allied sectors provide rural demand stability, as they are less susceptible to the weather.

- **Industry sector's need to become more competitive:** The industrial sector is projected to grow at **6.2%**. The manufacturing's share in real terms is stable at 17-18%. However, there are persistent margin squeezes for manufacturers, where intermediate consumption costs rise faster than the final pricing. For example, steel, coal and cement are key inputs in manufacturing. However, the Survey highlights that 'negotiated shelter' i.e. protectionism in these upstream sectors acts as a tax on downstream export competitiveness.

- **Service Sector Continues to lead expansion:** The Services sector remains the primary engine, estimated at **9.1% growth**. The proliferation of Global Capability Centres (GCCs) has transformed the sector from cost-arbitrage to high-value innovation hubs.

- Currently, India's services sector contributes more than half of the Gross Value Added and serves as a major driver of exports and employment in the country. The sector has recorded average annual growth of around 7% - 8% year after year.

- In FY 2025, the services trade surplus increased to USD 188.8 billion, reaching the highest level ever recorded.

- **Twin Engines of Rural and Urban Demand:** Along with the services sector, domestic demand is a backbone, propelling the Indian Economy forward.

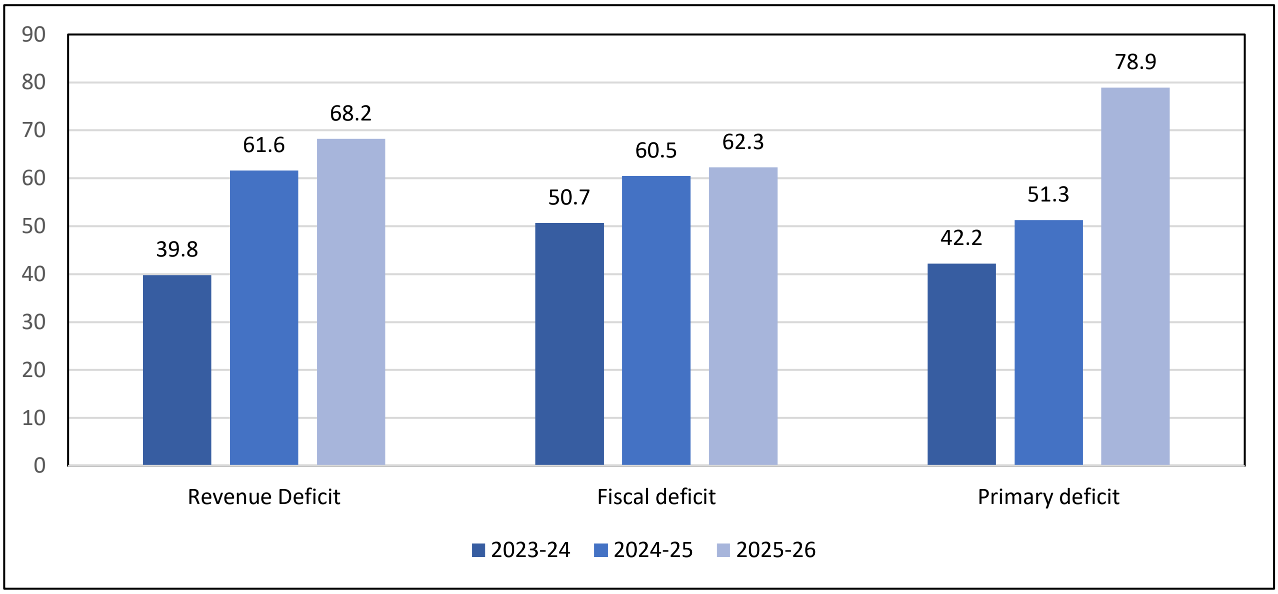
Indicators of Domestic Demand

Sr. No.	Indicator	Growth (Q3 FY 2026)	Trend
1.	Two-Wheeler Sales	+16.9%	Strong rural recovery.
2.	Three-Wheeler Sales	+14.0%	Last-mile connectivity demand.
3.	Domestic Air Traffic	+5.3%	Sustained travel demand.
4.	FMCG Rural Volume	+7.7%	Steady consumption of essentials.

Source: Economic Survey 2025-26

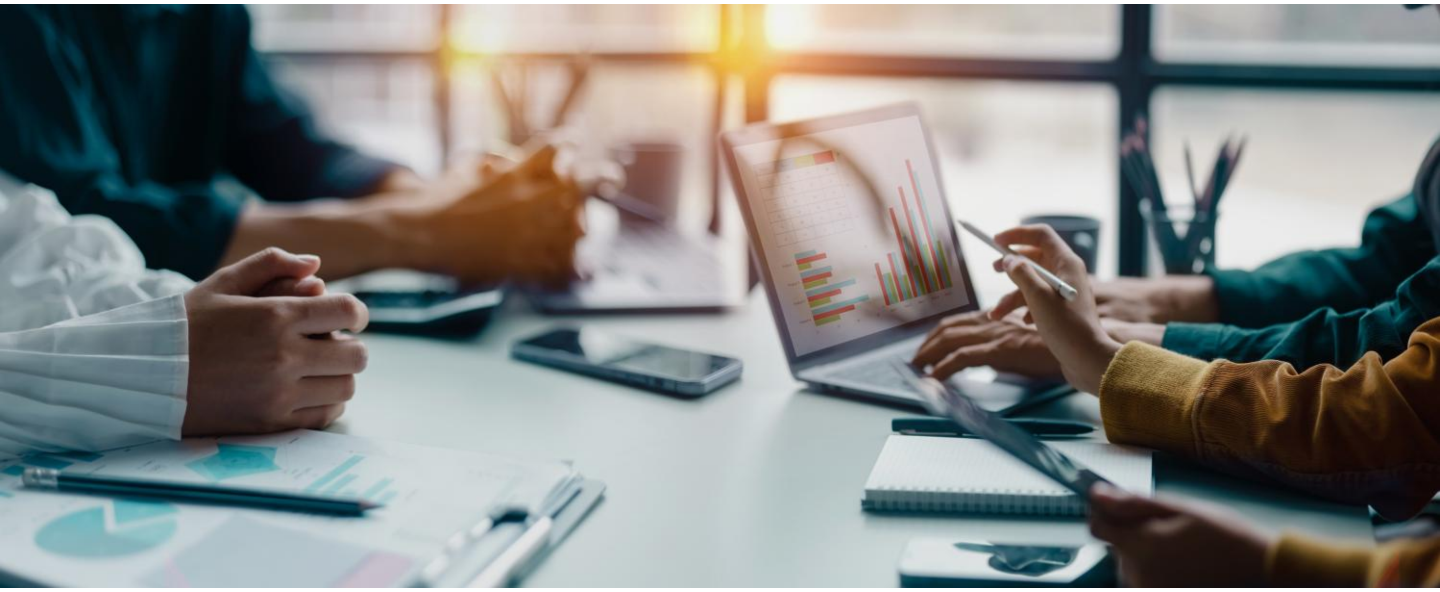
As of November 2025, the revenue deficit has reached 68.2% of the budget estimate for FY 2026, while the fiscal deficit stands at 62.3% of the estimated figures, indicating that the Central Government is on track to achieve its budgeted deficit target for the year.

India's Deficit indicators reflect prudent fiscal management



Source: Economic Survey 2025-26

Continuous improvement in credit ratings: The global markets have validated this trajectory through a sequence of credit rating upgrades in 2025: **Morningstar**, **Standard & Poor's (S&P)**, and **Rating and Investment Information Inc (R&I)**. Notably, S&P's move from 'BBB-' to 'BBB' marks India's first upgrade from a major agency in nearly two decades, fundamentally compressing the risk premium for international capital and reducing sovereign bond yield spreads.



IMPLEMENTATION OF LABOUR CODES WILL BE KEY IN SUPPORTING FORMAL EMPLOYMENT

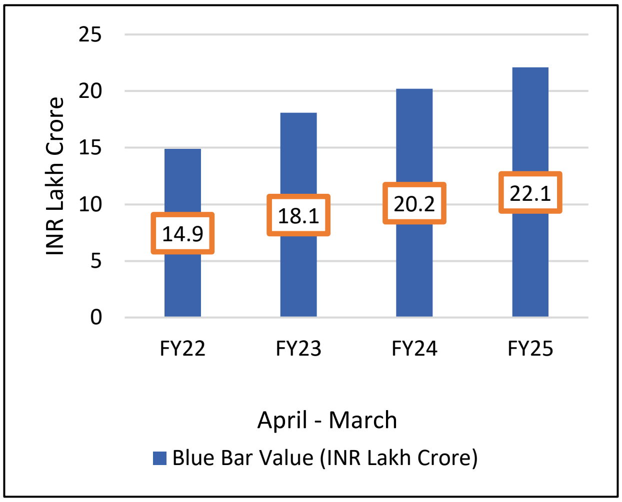
The Survey highlights the four labour codes in India: 1) The Code on Wages, 2019 2) The Industrial Relations Code, 2020 3) The Code on Social Security, 2020, and 4) The Occupational Safety, Health and Working Conditions Code, 2020. These four codes consolidate 29 central labour laws into four, effective from 21 November 2025. These codes aim to simplify regulations, expand social security to gig workers, ensure minimum wages, and improve safety standards. According to the Survey, the transition to the new Labour Codes is expected to **reduce the unemployment rate (UR) to 1.9–2.9%** and generate nearly **77 lakh new jobs**. Some features of the labour codes that the economy Survey emphasizes on are as follows:

- **Flexibility:** The Codes allow women workers to work from home (Section 59(5), CSS 2020) after availing of maternity benefits.
- **Night Shifts:** Women are now legally permitted to work night shifts across all jobs, provided employers ensure mandatory safety measures and obtain consent.
- **Formalisation:** Mandatory appointment letters for all workers and a "Single Window" for pan-India registration are expected to significantly increase formalisation in the economy.
- **Social Security:** Aggregators are now required to contribute **1–2% of their annual turnover** (capped at 5% of worker payouts) to a dedicated social security fund.
- **Welfare:** The Survey advocates for **minimum hourly or task-based wages** for gig workers to bridge the gap between regular and gig work.

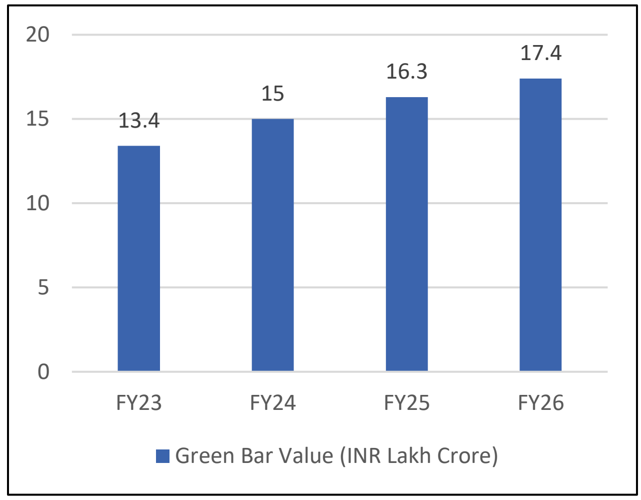
GOODS AND SERVICES TAX (GST) PROVIDES REVENUE STABILITY AMIDST ONGOING REFORM

GST has played a stabilising role by strengthening Government revenues, deepening formalization, and reinforcing the Government's reform intent.

Gross GST Revenue



YoY Growth in GST



Source: Economic Survey 2025-26

- Gross GST collections have reached an all time high. Gross GST revenue during April-December 2025 stood at **INR 17.4 lakh crore**, recording a **YoY growth of 6.7%.**
- **Corporate Tax Collections:** Estimated at **INR 9.80 lakh crore for FY 2025** (Revised Estimates) and budgeted at **INR 10.82 lakh crore for FY 2026**.
- In parallel, high-frequency indicators suggest robust transaction volumes, with cumulative e-way bill volumes during **April-December 2025 growing by 21%YoY.**

- **GST 2.0’s radical overhaul**: The Survey signals a transition to **GST 2.0**, described as the most "radical overhaul" since 2017. This involves aggressive rate rationalization. At a national level, tax is no longer merely a matter of procedural filing. It is about data patterns that trigger algorithmic interventions.

- **GST as a means of strengthening economic momentum:** Recent trends in high-frequency indicators, including higher e-way bill generation, improved Purchasing Managers’ Index (PMI) readings for manufacturing and services, robust UPI transactions, indicate a strengthening economic momentum during September-December 2025, following the implementation of GST reforms.

- **Simplification and greater clarity:** A new, simplified **Income-tax Act, 2025** is set to be implemented from 01 April 2026, aiming to halve the length of the current law and provide structural clarity. This aligns with the government's push for deregulation and reducing the compliance burden.

- **Non-Resident Certainty:** Income from the purchase of goods in India for export is clarified to be outside the "Significant Economic Presence" (SEP) ambit. Additionally, a presumptive taxation regime with an effective tax rate of **<10%** has been introduced for non-residents supporting domestic manufacturing.

- **Behavioral Compliance**: **Non-intrusive Usage of Data to Guide and Enable (‘NUDGE’)** uses large-scale data analytics to identify potential non-compliance and prompt corrective action before formal enforcement begins. The tax department now uses gentle prompts and data analytics to encourage voluntary compliance. For example, the **Foreign Asset Campaign** successfully nudged ~25,000 taxpayers, leading to the declaration of over INR 29,000 crore in foreign assets.

- **Growing need for transfer pricing:** Aggregate corporate profits of listed companies have increased from approximately **INR 2.5 trillion in FY 2021** to **INR 7.1 trillion in FY 2025**. This rise in profitability underscores the growing importance of robust Transfer Pricing (TP) compliance to ensure India retains its fair share of tax on these profits.

- **High-Value Services:** Services exports are shifting from low-end BPO to high-value 'digitally deliverable services' comprising professional consulting. Thus, clients must re-evaluate intercompany agreements as traditional cost-plus models may no longer suffice.

- **Block Period Framework:** The introduction of a three-year Arm's Length Price (ALP) block period offers a window for multinationals to restructure intercompany pricing with greater certainty, reducing litigation risks.

- **Indigenization Tiers:** The government has introduced a tiered framework for indigenization. 'Tier 1 Non-Negotiable' sectors (e.g., power electronics, pharmaceutical ingredients) will receive demand assurance and time-bound support. Thus, Transfer Pricing policies for manufacturing clients in these sectors must account for government incentives and subsidies, ensuring they are accurately reflected in the cost base.

- **Call for a Collaborative Framework:** The Survey has flagged the lack of coordination between transfer pricing rules under income-tax law and customs valuation under customs law as a key structural bottleneck for India's manufacturing-led growth and deeper integration into global value chains, calling for a move towards a converged and collaborative framework between the two.

- **Strong outlook for M&A:** The Survey states that the deal-making landscape in India is experiencing a surge in Mergers and Acquisitions (M&A) driven by energy security, manufacturing expansion, and robust domestic growth. The total deal value has risen **37% YoY to USD 26 billion** through the first three quarters of 2025.The focus should be on strategic, long-term investments rather than just volume.

- **Insolvency and Bankruptcy Code:** The Insolvency and Bankruptcy Code (IBC) continues to be a major driver for distressed M&A and corporate restructuring. The IBC mechanism has matured, with recoveries hitting INR 3.6 lakh crores. The recovery rate through the IBC process has improved to **36.6%** in FY 2025, up from 28.3% in FY 2024. The focus is now on reducing admission delays to prevent asset value erosion.

- **Megadeals & AI:** Activity is concentrated in large, strategic transactions ('megadeals'). Investors are prioritizing 'Strategic Indispensability' - assets that are critical nodes in global value chains.

- **Private Equity (PE):** After a two-year descent, Indian PE is finding balance. There is a 'flight to quality', with investors focusing on sectors like healthcare, renewable energy, and advanced manufacturing.

- **Private Credit:** There is a structural shift in financing, with private credit increasingly funding deals, driving convergence between banking and asset management.

High Growth Sectors for M&A Deals

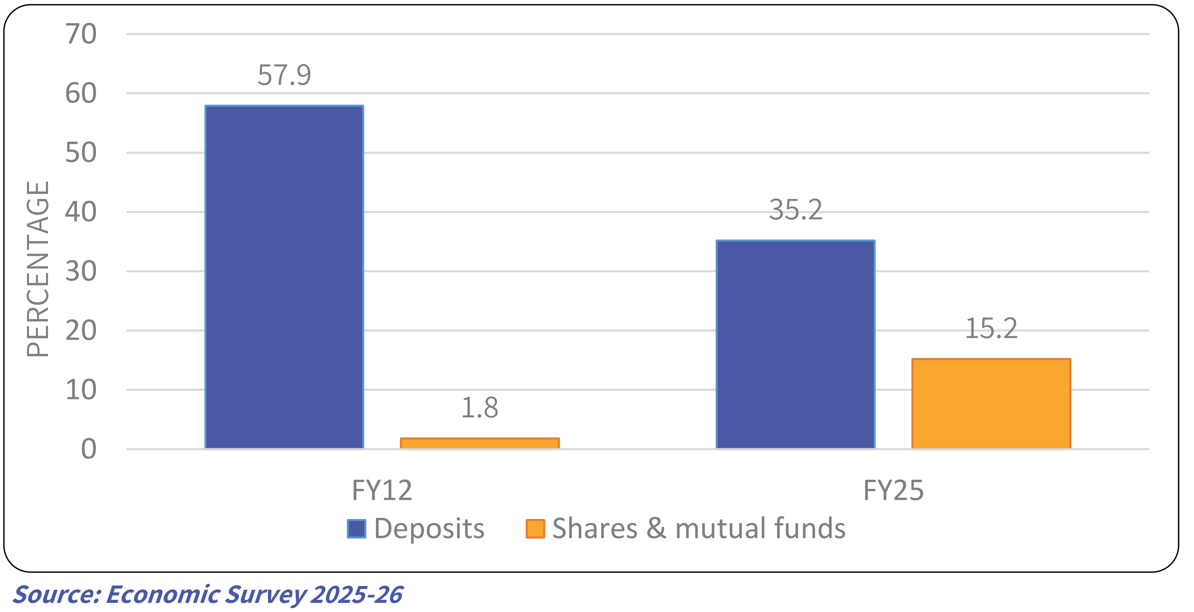
Sr. No.	Sector	M&A Driver	Details
1.	Financial Services	Inbound Investment	The largest foreign investments are flowing into banking and NBFCs (e.g., IHC's USD 1 billion investment in Samman Capital).
2.	Technology & AI	Capability-driven deals	Technology dominates deal volume (119 transactions in Q3 2025). The Survey anticipates a surge in deals focused on acquiring AI capabilities.
3.	Infrastructure	Asset Monetisation	Significant M&As are occurring in renewables, green energy, and EV infrastructure as India aims for 500 GW of clean energy by 2030.
4.	Life Sciences	Strategic/PE Inflows	Steady investor confidence in healthcare and pharmaceuticals, with USD 2.5 billion in deals recorded in Q3 2025.

Source: Economic Survey 2025-26

The Survey documents a decisive shift in Indian household savings from traditional physical assets (like gold and real estate) and simple bank deposits toward capital market instruments.

- **Equity Culture:** There has been a 'democratisation' of equity culture. The share of individual investors in aggregate equity market ownership has risen to **18.8%** by September 2025. Household equity wealth is estimated to have increased by approximately **INR 53 lakh crore** between April 2020 and September 2025.
- **Mutual Funds & SIPs:** Systematic Investment Plans (SIPs) have become a preferred route for wealth accumulation, with average monthly inflows surging seven-fold from under INR 4,000 crore in FY17 to over **INR 28,000 crore** in FY 2026 (April-November).

Comparison between FY 2012 and FY 2025 in the shift of Financial Composition of Savings



Source: Economic Survey 2025-26

- **Key Implication:** Wealth planning portfolios must now account for this structural shift. The traditional reliance on bank fixed deposits is declining (share down from over 58% in FY12 to around 35% in FY 2025), necessitating a more robust asset allocation strategy that balances equity exposure with risk management.
- **Asset Class Specifics - Real Estate:** The sector has entered a 'sustained upcycle', with housing loans rising to over **11% of GDP**. This suggests real estate remains a viable asset class for wealth preservation, supported by policy reforms like RERA and digitization of land records
- **Asset Class Specifics - Gold:** While households still hold gold, its role is evolving. The Survey notes that global uncertainty led to a rise in gold prices, reinforcing its status as a hedge against volatility. However, the broader trend is moving toward financial assets.
- **Asset Class Specifics - Debt Markets:** The corporate bond market remains 'underdeveloped' (16-17% of GDP) compared to equities. Retail participation in debt securities is limited.

GIFT City has shown a strong growth momentum, with over 1,034 domestic and international entities registered across various categories as of 30 November 2025.

- Within a year, GIFT City has moved up nine places in the Global Financial Centres Index (GFCI), reaching a rank of 43 out of 120 financial centres. Within the fintech specific ranking, GIFT City improved by ten places, reflecting progress made through a dedicated regulatory framework for fintechs, academic partnerships and innovation centres

Progress card of major financial operations performed at GIFT city

Financial Operations in GIFT City	Achievements
Banking & Credit Operations	38 IFSC Banking Units with USD 100+ billion assets; USD 142. 98 billion cumulative transactions.
Capital Markets & Debt	Monthly turnover USD 88+ billion; cumulative derivatives trades USD 1,351 billion; debt listings USD 66+ billion, including USD 15+ billion ESG securities
Specialised Financial Services	33 aircraft lessors (303 aviation assets) and 34 ship lessors (28 vessels) address India's leased fleet dependency.
Bullion Trading	The India International Bullion Exchange has been operational since July 2022, with 185 qualified jewellers and a vault capacity of 151 tonnes of gold and 930 tonnes of silver.
Fund Management & Insurance	194 Fund Management Entities managing 310 schemes; USD 26.30 billion commitments; 52 insurance entities registered.

Source: Economic Survey 2025-26

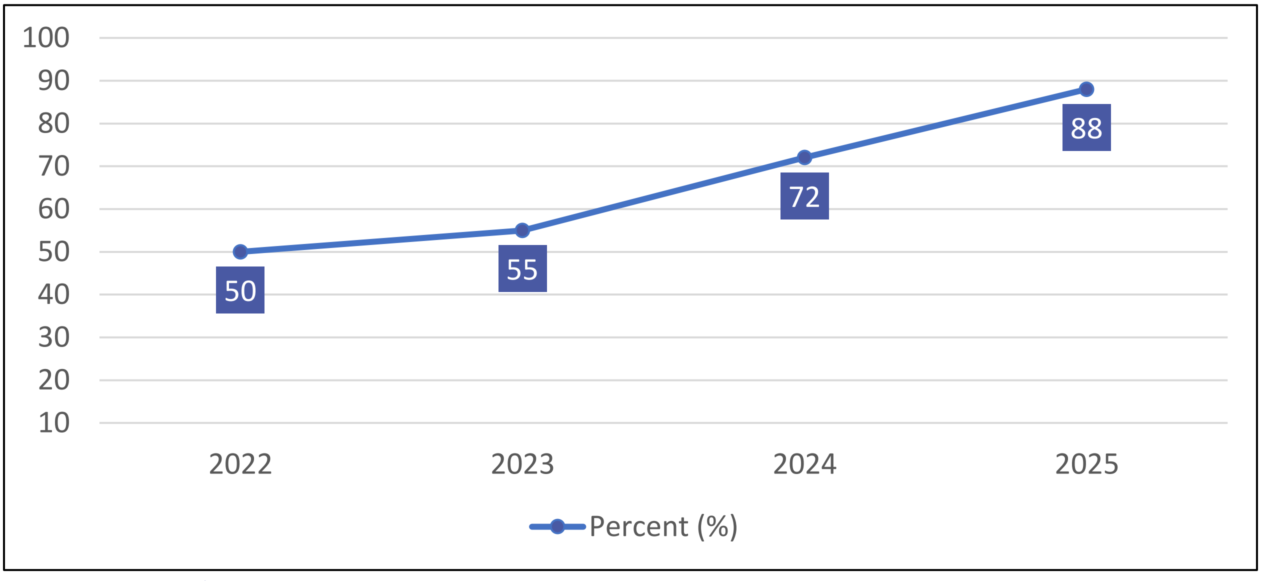
- In June, Sri Lanka's DFCC Bank listed Sri Lankan Rupee 2.5 billion in green bonds on the NSE International Exchange — the first listing by a foreign corporation on a GIFT IFSC exchange, signaling the centre's emergence as a regional capital-raising hub.

- The Foreign Currency Settlement System (FCSS), launched in October 2025, enables the local settlement of foreign-currency transactions between IFSC banking units without routing them through overseas correspondent banks. The FCSS operates on a real-time or near real-time basis, substantially reducing settlement times while enhancing transaction security and cost-effectiveness. This infrastructure positions GIFT City for future innovation in cross-border payments.

- With the high cost of capital identified as a structural outcome of current account deficits, GIFT City has matured into a vital hub for financial intermediation. The Survey highlights that GIFT City should be evaluated for foreign currency settlement and treasury operations. GIFT city helps navigate domestic capital constraints and manage the 'risk premium' typically paid to global capital.

The economic Survey quotes McKinsey & Co's study of 1993 firms where 88% of organisations surveyed in 2025 reported that they are utilising AI in at least one of their business functions. Of those using it, 31% are in the process of scaling its application across the organisation, while 7% have already fully deployed and integrated AI.

Use of AI for at least one business function by respondents' organisation



Source: Economic Survey 2025-26

Based on these insights, the government advocates for a pragmatic, 'bottom-up' strategy regarding Artificial Intelligence (AI). Specifically, it advocates for:

- **Strategic Approach: 'Bottom-Up':** The Survey argues that pursuing 'frontier scale' models (like massive Large Language Models) is resource-inefficient for India due to constraints in capital, computing capacity, and energy.

- **Application-Led Innovation:** The focus should be on 'application-specific, small models' tailored to sectoral needs (e.g., agriculture, health, governance). These models are computationally efficient and can run on local hardware like smartphones.

- **Frugal AI:** The Survey highlights 'frugal AI's' success stories, such as AI-enabled thermal imaging for breast cancer screening, landslide alert systems in the Himalayas, and the *Bhashini* initiative for language translation, which align scale with inclusion.

- **Open Source:** India should leverage open-source and 'open-weight' models to reduce dependence on foreign proprietary systems and lower entry barriers for domestic developers.

- **Public Good Infrastructure:** The Survey proposes an **'AI-OS' initiative**, where the sovereign acts as a shareholder to turn AI into a public good, similar to the UPI and Aadhaar models. This would involve pooling data centre capacity and creating shared platforms for open-source AI coordination

GLOBAL CAPABILITY CENTRES (GCCs) ARE THE GROWTH ENGINE

India’s GCC ecosystem is evolving from support functions to ‘value multipliers’. In the context of increasing use of AI, essentially, we are not back-offices anymore but aiming to be thought leaders.

- **Scale:** GCC revenue is estimated at USD 4.6 billion (FY 2024), growing at nearly 10% CAGR.
- **Scope:** Expansion into Tier-2/3 cities and a shift to complex R&D and cybersecurity.
- **Structuring:** The "Build-Operate-Transfer" (BOT) model remains relevant, but hybrid structures are emerging.
- **Location:** Tier 2 cities are becoming India’s next GCC growth hubs, providing access to skilled talent and lower infrastructure costs

Established GCC Powerhouses in India

Sr. No.	GCC Hub	Approximate Scale	Specialisation
1.	Bengaluru	~870 Centres	Deep tech, AI/ML, product engineering, BFSI.
2.	Hyderabad	~550 Centres	Cloud computing, pharmaceuticals, fintech, platforms.
3.	Pune	~360 Centres	Engineering R&D (ER&D), automotive, SaaS.
4.	Chennai	~300 Centres	Manufacturing, logistics, BFSI, shared services.
5.	Delhi NCR	~270 Centres	Software product development, travel-tech, fintech.

Source: Economic Survey 2025-26

There is a shift in thinking from trade openness to making India a 'strategic indispensability'. India aims to leverage trade agreements to diversify export destinations and integrate into Global Value Chains (GVCs).

Snapshot of India's trade negotiations and agreements with various countries

Partner Country / Bloc	Agreement & Status	Key Features & Concessions	Strategic Implications for Clients
United Kingdom	India-UK CETA (Comprehensive Economic and Trade Agreement) ***(Concluded in July 2025)***	• Services Access: Market access across 137 sub-sectors. • Social Security: A "Double Contribution Convention" eliminates dual social security payments for employees on assignment up to 36 months. • Mobility: Mutual Recognition Agreements (MRAs) in nursing, accountancy, and architecture.	• Cost Savings: Clients with mobile workforces (IT, Consultancy) will save significantly on compliance costs (estimated savings of USD 500 million annually for firms). • Talent Mobility: Easier deployment of skilled professionals (nurses, accountants, architects) to the UK market.
Oman	India-Oman CEPA (Comprehensive Economic Partnership Agreement ***(Signed in Dec 2025)***	• Goods: Duty-free access for 99.38% of India's exports; immediate tariff elimination on 97.96% of tariff lines. • Investment: Allows 100% FDI by Indian companies in major service sectors in Oman. • Services: Commitments in 127 sub-sectors including computer, R&D, and health services.	• Market Gateway: Clients can use Oman as a strategic entry point for goods and services into the wider Middle East and Africa markets. • Expansion: Indian service firms can set up wholly-owned subsidiaries in Oman, bypassing previous local ownership restrictions.
EFTA (Switzerland, Norway, Iceland, Liechtenstein)	India-EFTA TEPA (Trade and Economic Partnership Agreement) ***(In force - Oct 2025)***	• Investment: Binding commitment of USD 100 billion investment into India. • Services: Opens access via digital delivery and commercial presence . • Mobility: MRAs in nursing, chartered accountancy, and architecture.	• Capital Access: Clients seeking high-value investments should target EFTA-based funds committed to the Indian market. • Tech & Services: Opportunities for IT, audio-visual, and educational service providers to export digitally to high-income EFTA markets.

Source: Economic Survey 2025-26

Snapshot of India's trade negotiations and agreements with various countries

Partner Country / Bloc	Agreement & Status	Key Features & Concessions	Strategic Implications for Clients
European Union	India-EU FTA ***(Concluded, awaiting ratification)***	• Focus: Expanding market access for India's labour-intensive manufactured exports. • Integration: Enabling deeper integration with Europe's technological and manufacturing capabilities.	• Manufacturing Exports: Clients in textiles, leather, and apparel should prepare for duty-free or reduced-duty access to the EU. • Tech Upgradation: Facilitates technology transfer and joint ventures with European manufacturing firms.
New Zealand	India-New Zealand FTA ***(Negotiations Concluded Dec 2025)***	• Focus: Broadening trade relationship (Specific details on concessions pending final text release).	• Diversification: Offers an alternative market for goods and services, reducing reliance on traditional partners.
United States	Bilateral Negotiations ***(Ongoing)***	• Tariff Relief: Exemption of over 200 agricultural and food products from elevated tariffs. • Strategic: Ongoing dialogue to resolve market access issues despite high reciprocal tariffs.	• Agri-Business: Immediate relief for clients exporting spices, tea, and processed foods, restoring price competitiveness. • Risk Management: While negotiations continue, clients must remain cautious of high effective tariff rates (50%) on other merchandise.
Israel	Bilateral Investment Treaty (BIT) ***Signed***	• Focus: Investment protection and promotion.	• Investor Confidence: Provides legal certainty for clients engaging in cross-border investments between India and Israel, particularly in tech and defense.

Source: Economic Survey 2025-26

Through the abovementioned trade negotiations and agreements, it is clear that India has actively pursued a diversified trade strategy to sustain export momentum amidst global uncertainty.

Concluding Remarks

NAVIGATING CHALLENGES TO LEVERAGE INDIA'S POTENTIAL

- **Paradox of 2025** is that India's strongest macroeconomic performance in decades has collided with a complex, volatile, uncertain, global system. India must choose to build resilience, innovate relentlessly, rather than seek quick fixes to visible, short-term pressures.

- **India's growth engine** anchored in services, domestic demand, and improved fiscal stewardship is well positioned for FY 2027 and beyond. As regulatory frameworks modernize, tax systems simplify, and digital and financial ecosystems deepen, the operating environment becomes more conducive for global companies expanding or consolidating their India footprint.

- **A move towards 'Disciplined Swadeshi':** Economic Survey 2026 calls for integrating operations into the government's three-tiered strategy: (1) protect critical vulnerabilities (2) build economically viable capabilities, and (3) move toward becoming an **indispensable node** in global value chains.

- **Shift from "Cost Arbitrage" to "Quality Arbitrage":** The Survey explicitly warns that protectionism without productivity is a trap. The government's revocation of indiscriminate Quality Control Orders (QCOs) signals a move towards globally aligned standards.

- **Client-support** can be provided for integrating into India's services ecosystem, adapting to GST 2.0, navigating labour code implementation, managing entity/tax compliance, and leveraging GIFT City for cross-border structures.

- **Critical data-points** for your 2026 strategy, based on the Economic Survey include:
  - **7.4% Real GDP Growth:** Projected for FY 2026, making India the world's fastest-growing major economy for the fourth consecutive year.
  - **61.5% Consumption Share:** Private Final Consumption Expenditure is at its highest share of GDP since 2012, indicating a powerful domestic demand engine.
  - **$701.4 Billion Reserves:** A massive liquidity cushion covering **11 months of imports**.
  - **1.7% Inflation:** Multi-year lows during April–December 2025 provide a conducive environment for cost management.
  - **7% Potential Growth:** India's medium-term growth potential has been structurally upgraded from 6.5%.

- In conclusion, **India's macroeconomic strength and reform momentum position it for sustained growth**. The journey towards *Viksit Bharat* is not a government project alone; it requires a 'Social Contract' where the private sector views itself as a trustee of national wealth and nation building.

Abbreviation	Meaning
ALP	Arm’s Length Price
BOT	Build–Operate–Transfer
CEPA	Comprehensive Economic Partnership Agreement
CETA	Comprehensive Economic and Trade Agreement
CSS 2020	Code on Social Security 2020
EFTA	European Free Trade Association
ER&D	Engineering Research & Development
ESG	Environmental, Social and Governance
FCSS	Foreign Currency Settlement System
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
FTA	Free Trade Agreement
FY	Financial Year
GCC	Global Capability Centres
GDP	Gross Domestic Product
GFCI	Global Financial Centres Index
GIFT City	Gujarat International Finance Tec-City
GST	Goods and Services Tax
IBC	Insolvency and Bankruptcy Code
IFSC	International Financial Services Centre
INR	Indian Rupee
M&A	Mergers & Acquisitions
MRA	Mutual Recognition Agreement
NBFC	Non-Banking Financial Company
NUDGE	Non-intrusive Usage of Data to Guide and Enable
PMI	Purchasing Managers’ Index
QCO	Quality Control Order
R&D	Research & Development
RBI	Reserve Bank of India
RE	Revised Estimates

Abbreviation	Meaning
RERA	Real Estate Regulation Act
SASCI	Special Assistance to States for Capital Expenditure
SDR	Special Drawing Rights
SEP	Significant Economic Presence
SIP	Systematic Investment Plan
SME	Small & Medium Enterprise
TBT	Technical Barriers to Trade
TEPA	Trade and Economic Partnership Agreement
TP	Transfer Pricing
UPI	Unified Payments Interface
UR	Unemployment Rate
USD	United States Dollar
WPI	Wholesale Price Index

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