

## Analysts Predict U.S. Tariffs Could Trim India's GDP Growth



A new 25% tariff imposed by the United States on a wide range of Indian exports, coupled with a potential "penalty" for India's trade with Russia, is expected to shave off a significant portion of India's economic growth. Economic analysts and brokerage houses are forecasting that this new trade measure could reduce India's Gross Domestic Product (GDP) growth by up to 0.4 percentage points. The tariffs, which went into effect on August 1, target key sectors and could pose a considerable challenge to India's export-driven industries.

The new tariff regime, announced by the U.S. President Donald Trump comes after a period of trade negotiations between the two nations. It places India at a disadvantage against several of its Asian competitors, such as Vietnam and Indonesia, which face lower tariff rates. The move is a significant departure from previous trade policies and directly impacts India's largest export market. In the 2024-25 fiscal year, the U.S. accounted for nearly 20% of India's total merchandise exports.

Economists from various institutions have weighed in on the potential impact. Rajani Sinha, Chief Economist at CareEdge Ratings, stated that the tariffs, combined with the unspecified penalty, could result in a 0.3-0.4 percentage point drag on India's GDP. While acknowledging that India's economy is largely driven by domestic demand, which may offer some resilience, she noted that the tariffs would still pose a headwind. A statement from HSBC also suggested that at these tariff rates, India's GDP growth could be directly shaved by 0.3 percentage points if the burden is split between producers and consumers.

The sectors most likely to be affected by the tariffs include labor-intensive industries like gems and jewelry, textiles, pharmaceuticals, and automobiles. The increased duties could make Indian goods less competitive in the U.S. market and potentially lead to a decrease in export orders. The Indian government has responded by stating that it is studying the implications and will take all necessary steps to safeguard national interests. As trade negotiations are expected to continue, the final impact on India's economy will depend on whether a new, more favorable trade deal can be reached in the coming months.