

# US tariffs threaten to derail India's economic ascent: Goldman Sachs

**TRADE JOLT.** This could siphon off 0.3 percentage points from India's annualised GDP growth, says report

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A major setback to India's economic ambitions looms as US President Donald Trump slaps another 25 per cent *ad valorem* duty on Indian goods effective August 27. With this, the total tariff imposed will go up to 50 per cent. This could siphon off 0.3 percentage points from India's annualised GDP growth, casting a shadow over the nation's buoyant economic trajectory, according to a report by brokerage firm Goldman Sachs.

This is over and above the 0.3 pp impact previously estimated from the April 2025 tariff round.

With India's exports to the US constituting roughly 4 per cent of its GDP, the new tariffs strike at the heart of a critical trade relationship.

In FY25, India exported



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Key exports include electronics at \$15.9 billion, while imports of the same were at \$3.4 billion. In case of chemicals, exports were \$15.1 billion against imports of 3.9 billion. Textile exports were at \$11.1 billion against imports that were just \$0.5 bil-

lion. Gem and jewellery and pharmaceutical exports were \$10 billion and \$9.8 billion, respectively. Other items included machinery, metals, crude oil, agriculture items, transport and plastic.

The additional *ad valorem* duty will not apply to commodities included in Section 232 of the Trade Expansion Act of 1962. "We estimate

the total effective US tariff on Indian imports would be around 32 pp after all exemptions," the report mentioned.

## TANGIBLE THREAT

Drawing on OECD data and goods export demand elasticity of -0.5 from an IMF study, Goldman Sachs analysts underscore the tangible threat to India's export-driven sectors that include textiles, pharmaceuticals and technology.

A demand elasticity of 0.5 indicates that the demand for a product is inelastic. This means a change in price will lead to a proportionally smaller change in the quantity demanded.

Beyond direct losses, the spectre of trade-related uncertainty could further erode investor confidence and economic momentum.

"We had previously estimated a potential direct im-

pact of around 0.3 percentage points (annualised) to India's real GDP growth following President Trump's surprise announcement of 25 per cent tariff on Indian imports. If the new additional duty (including exclusions) is enforced, then that would constitute a potential incremental drag of around another 0.3 percentage points (annualised). This estimate is based on India's goods exports exposure of roughly 4 per cent of GDP to US final demand and goods export demand elasticity of 0.5," the report mentioned.

The report pulls no punches, warning of downside risks to India's growth projections for 2025 and 2026. The report has, however, not revised forecast, pinning hopes on a three-week window for diplomatic maneuvering to soften the blow.