

COUNTRY SHOWING RESILIENCE AMID GEOPOLITICAL RISKS

India's manufacturing getting attractive to global investors: S&P

FE BUREAU
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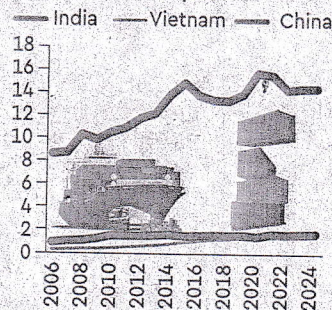
CONFIDENCE BOOSTER

WITH THE GLOBAL trade and cooperation environment evolving, India's manufacturing sector is increasingly becoming attractive to global investors, and the country is poised to maximise these opportunities, S&P Global said on Monday.

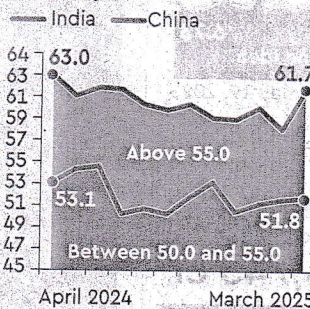
"India has made notable progress in enhancing its competitiveness and making its manufacturing sector more attractive to global investors. As economies adapt to evolving trade dynamics and tariff challenges, India can capitalise on this momentum for accelerated manufacturing growth and greater global supply-chain integration," it said. These comments could boost Indian industry's confidence and encourage global firms and fund houses to invest in India's manufacturing sector. The sector has made only partial headway in harnessing the potential for the China Plus One supply-chain opportunity. The share of manufacturing sector in the country's gross domestic product at constant prices has declined from 16.8% in FY18 to 15.7% in FY25 (second advance estimate). While in some sectors like electronics, especially smart phones, India has leaped ahead, concerns remain over the relatively low local value addition, while the labour-intensive manufacturing industries are stagnating.

In a report titled "India Forward: Transformative Perspectives", S&P said despite a slowdown in the real GDP growth, India remained the world's fastest-growing large economy. India's GDP growth is estimated to be around 6.5% in FY25 and is estimated to be 6.3-6.5% in FY26, compared with 9.2% in FY24, as heightened global trade tension and

% of total world merchandise exports



Manufacturing PMI output index



Sources: HSBC, Caixin, HCOB, au Jibun Bank, S&P Global Market Intelligence

uncertainties cast a spell on global growth. S&P said India has grown visibly in size, scale and international impact, over the past three decades and is on track to become the world's third-largest economy by FY31.

Beyond the near-term, changes in global trade policy would catalyse supply-chain diversification to the benefit of India. An analysis of S&P Global Market Intelligence's Strategic Opportunity Index (SOI) over time indicated that India has made notable progress in enhancing its competitiveness and making its manufacturing sector more attractive to global investors. "India is demonstrating strong resilience as it confronts unpredictable global market movement and geopolitical risk. As a leader on the global stage, it is a country worthy of everyone's attention," said Martina L Cheung, President & CEO, S&P Global.

S&P said India is not immune to the ongoing shift in global trade and tariff policies towards protectionism despite a moderate dependence on external trade for growth. The

country faces higher tariffs on exports to the United States, its largest export partner. The broader spillovers of heightened global trade and financial uncertainty may be more damaging to its growth in the near term. Private corporate investment may be particularly vulnerable to prolonged policy uncertainty.

"Beyond the initial negative impact, however, S&P Global Market Intelligence notes that increasing trade protectionism may catalyse supply-chain diversification, benefiting India. The threat of higher US tariffs on several Asian economies, including mainland China, Vietnam, Taiwan, Thailand and Bangladesh, could be leveraged to India's advantage to accelerate its manufacturing growth and increase its share in global exports," S&P said. India's share in global manufacturing exports has remained largely flat over the past decade, reaching only 1.8% in 2024. In contrast, its share in global service exports increased from 2.9% in 2014 to 4.3% in 2024.