

EXIMIUS: EXPORT ADVANTAGE

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Unlocking Africa's Sustainable Growth: India's Role and Opportunities

– *Alfiya Ansari, Deputy Manager*
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Africa is at a critical juncture in its development journey. With a growing population, vast natural resources, and a youthful demographic, the continent has the potential to become a major global economic engine. Over the past two decades, Africa's economy has grown steadily, averaging 4.2% between 2000 and 2023. In 2024, real GDP growth stands at 3.2% and is projected to increase to 3.9% by 2025, driven by economic reforms and improved macroeconomic management. However, this pace of growth still falls short of the 7% annual threshold recommended by development experts, including the African Union (AU) and the United Nations Economic Commission for Africa (UNECA), to meaningfully reduce poverty and achieve the Sustainable Development Goals (SDGs).

India, with its long-standing ties and developmental philosophy rooted in mutual growth and solidarity, has emerged as a key partner in Africa's journey towards inclusive and sustainable development. India's expanding trade and investment footprint across the continent reflects a deepening partnership focused on infrastructure development, agriculture, healthcare, digital transformation, and clean energy.

India-Africa Trade Dynamics: Deepening Economic Ties

India-Africa bilateral trade has seen consistent growth over the past decade. In 2015, total trade stood at US\$ 59.4 billion, and by 2024, it had expanded to US\$ 83.4 billion, with India maintaining a trade surplus of US\$ 3.3 billion. India's exports surged from US\$ 25.6 billion in 2015 to US\$ 43.4 billion in 2024, reflecting growing demand for Indian manufactured goods, pharmaceuticals, and cereals across African markets.

While Indian exports primarily include mineral fuels, cereals, pharmaceuticals, transport vehicles, and machinery, imports from Africa are dominated by crude oil, natural gas, precious stones, gold, and agricultural commodities. In 2024, mineral fuels accounted for 43.5% of India's total imports from Africa while gold and precious stones made up over 20% of India's imports (US\$ 8.2 billion). Fertilizer imports also saw substantial growth, reaching over US\$ 1 billion—highlighting Africa's growing role in India's food security and industrial strategy.

South Africa remains India's largest trading partner in Africa, both as an export destination and a source of imports. Other major partners include Nigeria, Angola, Tanzania, Kenya, and Egypt. Notably, countries like Togo and Djibouti also recorded high trade surpluses for India, reflecting diversified engagement across the continent.

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Investment Relations: India's Expanding Presence

From April 2010 to March 2025, Indian companies invested over US\$ 62 billion in Africa. Mauritius accounted for an overwhelming 86.3% share due to its advantageous tax regime and the India-Mauritius Double Taxation Avoidance Agreement (DTAA). Beyond Mauritius, investment flows have grown in countries like Mozambique, South Africa, Kenya, and Tanzania, particularly in financial services, manufacturing, and transport.

These investments have supported industrialization, infrastructure development, and financial inclusion across the continent. Mozambique has emerged as a key destination for agriculture and mining investments, while South Africa remains a strategic economic partner and gateway to the broader Southern African market.

However, African FDI into India remains limited, aggregating US\$ 179.7 billion between 2000 and 2024, again mostly routed via Mauritius. This reflects the need for more direct capital flows from African enterprises and sovereign wealth funds into India, especially in priority sectors like healthcare, fintech, and energy.

Innovative Financing for Sustainable Development

Africa's development aspirations, including those outlined in the AU's Agenda 2063 and the SDGs, hinge on its ability to mobilize long-term capital. The African Development Bank (AfDB) estimates that the continent requires around US\$ 495.6 billion annually until 2030—17% of its GDP—for transformational development. Key priorities include infrastructure (especially roads), education, energy, and research.

While multilateral institutions such as the World Bank and IMF have traditionally provided significant funding, access to affordable capital remains constrained by high borrowing costs, debt risks, and geopolitical volatility. In 2022, external financial flows to Africa declined sharply to US\$ 174.9 billion, and Africa's share of global climate finance was a mere 4.5%.

To bridge this financing gap, Africa needs a blend of traditional and innovative financing approaches:

- **Blended finance models** can crowd in private capital by de-risking high-impact investments with concessional funds. Rwanda's issuance of a sustainability-linked bond, backed by the World Bank, illustrates the potential of such instruments.
- **Tripartite financing**—involving African countries, GCC sovereign funds, and India—can unlock mutual benefits in sectors like food security, infrastructure, and agriculture. India, with its expertise and developmental approach, can provide technology, capacity building, and project finance.
- **Green finance and conservation-based credits** present further opportunities. Models like the Zimbabwe-UAE carbon credit deal offer templates for India to invest in African conservation while generating environmental returns.
- **Debt-for-climate swaps** are emerging as a compelling mechanism, enabling countries to repurpose debt service

payments for climate adaptation projects. India could pioneer such arrangements with African partners, aligning its global climate commitments with its development cooperation goals.

- **Thematic bonds**—green, blue, social, and gender bonds—are also gaining momentum. Nigeria, Morocco, Seychelles, and AfDB have all issued such instruments, showing how capital markets can be harnessed for inclusive and sustainable development.

India-Africa Development Partnership: A Pillar of South-South Cooperation

India's development partnership with Africa is rooted in principles of mutual respect, local ownership, and shared goals. This partnership has been institutionalized through the India-Africa Forum Summits (IAFS), the Focus Africa initiative, and robust Lines of Credit (LOCs) administered by India Exim Bank. India also offers extensive capacity-building through the Indian Technical and Economic Cooperation (ITEC) Programme and scholarships.

During the COVID-19 pandemic, India reaffirmed its solidarity by supplying affordable medicines and vaccines. Initiatives like the Pan-African e-Network and development of local pharmaceutical capacity have strengthened healthcare cooperation.

India and Africa also collaborate in global platforms. Notably, under India's G20 presidency in 2023, the African Union was granted permanent membership—signaling India's support for a more inclusive global order. Africa's active participation in the International Solar Alliance (ISA) and the Coalition for Disaster Resilient Infrastructure (CDRI) further deepens this partnership. Looking forward, following are the five priority pillars to be anchored to scale trade to US\$ 200 billion by 2030:

Infrastructure Development

Africa's infrastructure deficit remains a major bottleneck to growth. The continent requires US\$ 130–170 billion annually in infrastructure investments, with a financing gap of around US\$ 100 billion. Sectors such as power, transport, water, and ICT are especially underfunded.

India has supported numerous infrastructure projects in Africa—from railways in Ghana to solar electrification in Burkina Faso and IT parks in Mozambique—through LOCs, grants, and technical expertise. India's emphasis on demand-driven, locally owned projects ensures alignment with African priorities.

Going ahead, India seeks to encourage joint ventures, public-private partnerships, and African participation in its Duty-Free Tariff Preference (DFTP) scheme, thereby promoting inclusive and sustainable infrastructure-led growth.

Agriculture and Agro-Processing

Agriculture remains the backbone of many African economies. However, low productivity and post-harvest losses continue to hamper food security. India's experience from its Green

Revolution, including improved seeds, irrigation, and cooperatives, offers valuable lessons.

Areas for collaboration include contract farming, seed development, mechanization, cooperative models (e.g., AMUL), agro-processing, and market access. India's innovations in low-cost irrigation, digital platforms like e-NAM, and small-farm machinery are especially relevant.

By investing in cold chains, logistics, and agri-R&D, India and Africa can unlock value-added agriculture and rural employment. Joint research in climate-resilient farming and sustainable practices will be critical in this regard.

Healthcare and Pharmaceuticals

India's role as the "pharmacy of the world" has significantly benefited Africa. Generic medicines from India have improved access to treatments for HIV, malaria, and tuberculosis. Telemedicine initiatives and training programs have expanded healthcare reach.

Indian pharma companies are setting up manufacturing units in African countries, contributing to local capacity. There is further scope to scale these investments and promote local drug production.

Joint research on neglected tropical diseases, collaboration in digital health, and expansion of telemedicine can help transform Africa's healthcare landscape. The African Continental Free Trade Area (AfCFTA) provides a platform to scale such efforts regionally.

Digital Economy and Innovation

Digital public infrastructure (DPI) has been a cornerstone of India's inclusive development. Aadhaar, UPI, and DigiLocker have enabled financial inclusion and efficient public service delivery.

India is now sharing its DPI model with African countries to help build foundational digital systems, reduce transaction costs, and promote innovation. UPI-style platforms can enhance intra-African payments, and open APIs can drive growth in fintech, insurance, and credit access.

Public-private partnerships, regulatory cooperation, and skills development will be key to replicating India's digital success in Africa. The partnership aligns with AfCFTA's vision of a unified digital economy.

Energy and Sustainability

India and Africa are natural allies in the global energy transition. Africa holds 30% of the world's mineral reserves, essential for green technologies. India's growing capabilities in renewables, green hydrogen, and electric mobility make it a strategic partner.

Through the ISA, India has supported solar projects across 30 African countries. India's mini-grids, solar water pumps, and rural

electrification projects have enhanced energy access in remote areas.

There is vast potential for collaboration in green hydrogen, responsible mineral processing, and climate finance. India's capital and technology, combined with Africa's resources, can shape a new energy architecture based on sustainability and equity.

India Exim Bank: Bridging Development with Finance

India Exim Bank has been a key enabler of the India-Africa partnership. Through LOCs, buyer's credit, project finance, and capacity-building programs, the Bank has supported Indian companies in delivering infrastructure, healthcare, energy, and agriculture projects across Africa.

Its role extends beyond financing—it helps design solutions that are demand-driven, development-oriented, and commercially viable. This strategic engagement fosters inclusive growth and creates long-term opportunities for both India and Africa.

Release of India Exim Bank Study during the 10th APD 2025



India Exim Bank's study titled 'Unlocking Africa's Sustainable Growth: India's Role and Opportunities' was released during the 10th Africa-India Partnership Day (AIPD) 2025 programme held in Abidjan, Côte d'Ivoire on May 28, 2025, by Dr. Rajesh Ranjan, Ambassador of India to the Republic of Côte d'Ivoire, Mr. Lancine Diaby, Director General, Ministry of Finance, Government of Côte d'Ivoire, Ms. Knudsen Mette, Executive Director, AfDB, Mr. Vivek Saraswat, General Manager & Board Member, TATA Africa Côte d'Ivoire and Ms. Harsha Bangari, Managing Director, India Exim Bank.

India Exim Bank organised the AIPD programme as part of the events associated with the Annual Meetings of the African Development Bank Group (AfDB). The theme of this year's AIPD, 'Mobilising Capital: India's Role in Catalysing Africa's Sustainable Growth', underscores the growing strategic and economic synergy between India and Africa in the pursuit of inclusive and sustainable development. ■

Promoting Exports from the MSME Sector

– Jahanwi Singh, Chief Manager
Neha Raman, Manager

The Micro, Small, and Medium Enterprises (MSME) sector in India serves as a backbone of the economy, as also the bedrock of entrepreneurship and innovation in the country. MSMEs contribute significantly to various facets of the economy, including employment generation, economic output and exports. As per the latest information from the Ministry of MSME, Govt. of India, the gross value added (GVA) in the MSME sector accounted for nearly 29.6% of India's GDP in 2023-24. As per data from the Ministry of MSME, there are 3.79 crore registered MSMEs on the Udyam Portal in India, as on June 26, 2025.

Exports by MSMEs

MSMEs serve as crucial drivers of exports, contributing substantially to India's foreign exchange earnings. Many MSMEs engage in export-oriented activities, leveraging their competitive advantages in terms of low-cost production, niche expertise, and innovative solutions to access international markets.

MSMEs are key contributors to India's exports. As per data from the DGCIS, exports by Udyam-registered MSMEs with a valid IEC status is estimated at US\$ 127.6 billion during 2023-24, accounting for share of 29.2% of India's total merchandise exports during the year¹. This excludes indirect exports through merchant traders who source products from MSMEs. Accordingly, overall contribution of MSMEs to exports, including direct and indirect exports, is likely to be higher. As per the Ministry of MSME, Government of India (GOI), exports by MSMEs have seen substantial growth, contributing 45.7% to exports in 2023-24. MSME exports have risen from ₹3.95 lakh crore in 2020-21 to ₹12.39 lakh crore (~ US\$ 144 billion) in 2024-25. In line with the growth in export value, the number of exporting MSMEs has also surged, increasing from 52,849 in 2020-21 to 1,73,350 in 2024-25.

Composition of Exports

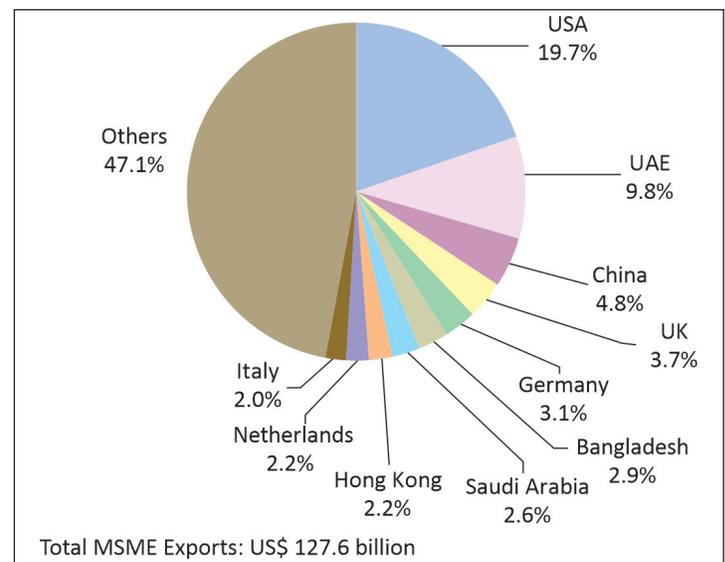
Gold and other precious metal jewellery accounted for the largest share in total exports by MSMEs estimated at 6.2% in 2023-24. Other top exported products by MSMEs, include pearl, precious, semiprecious stones (share of 4.9%), marine products (4.3%), readymade garments (RMG) of cotton including accessories (4.1%), products of iron and steel (3.6 percent), and basmati rice (3.6%), among others.

¹ This data is based on the active Udyam status of the MSMEs and valid IEC status.

Direction of Exports

In terms of direction of exports, the USA was the top destination for MSME exporters in India, accounting for a share of 19.7% in total MSME exports during 2023-24, followed by UAE (share of 9.8%), China (4.8%), the UK (3.7%), and Germany (3.1%), among others.

Exhibit 1: Direction of Exports by MSMEs (2023-24)



Source: DGCIS, Ministry of MSME, Exim Bank Research

State-level Exports

State-level analysis of exports data indicates that Gujarat is the largest state of origin for MSME exports from India, accounting for a share of 21% in total MSME exports in 2023-24, followed by Maharashtra (share of 19.2%), Tamil Nadu (9.8%), UP (8%), and Haryana (7.5%), among other states. It is noteworthy that while the top three states for MSME exporters remain the same as those for overall exports from India, the exports are more diversified in case of MSMEs. The cumulative share of the top three exporting states was nearly 50% in case of MSME exports in 2023-24, as compared to their share of 56.1% in overall exports during the same period.

Challenges for MSMEs in Exporting

Exim Bank's analysis highlights that only 1% of Udyam-registered MSMEs are currently exporting. This highlights the substantial untapped export potential in the sector. However, MSMEs face a myriad challenges that hinder their growth and sustainability.

Results of the Survey of MSMEs

With the objective of understanding the needs of the MSME sector and identifying the key obstacles faced by them, Exim Bank conducted a survey of MSMEs across various industries. As per the survey, lack of information on export opportunities is one of the major challenges faced by Indian MSMEs in exports, with 51.4% of the respondents considering this as a challenge. Lack of relationship with foreign distributors, agents and customers is another hindrance for Indian MSMEs in realising the export potential, with 49.5% of respondents considering this as a challenge. MSMEs also reported significant difficulties in marketing their products internationally (44.9% of respondents), which is essential for gaining visibility and finding customers. Around 43% of respondents also faced challenges in obtaining the necessary financial support for exports. Navigating the complex regulatory frameworks of different export markets can also be a barrier, with nearly 28% of the respondents highlighting challenges in complying with regulations in export markets.

Select Strategies for Enhancing Exports from MSME Sector

Focus Products and Markets for Diversification of MSME Exports

Analysis of MSME's export patterns indicates a significant concentration on resource-intensive and low value-added products in MSMEs' exports basket. For instance, only 3 out of the top 10 products (non-oil) exported by MSMEs in FY24 were high value-added/ high technology intensive products, while the rest were either resource-intensive or low value-added goods. In contrast, 6 out of 10 top non-oil exported products from India were high value-added/ high technology intensive products during the same period. Enhancing production capacities in higher value-added products would be crucial for a substantive increase in exports from the MSME sector and imparting resilience to India's exports basket. Some of the segments identified for product diversification are lab grown diamonds, organic aquaculture, processed cereal products, spice oleoresins, biosimilar, synthetic textiles and technical textiles, strategic and defence electronics, parts and components for electric vehicles, among others.

Besides, an analysis of the share of MSMEs in India's non-oil exports to major markets also indicates that several of India's key destinations for non-oil exports remain under-tapped by MSMEs. These include destinations such as the USA, Saudi Arabia, Hong Kong, the Netherlands, Italy, Singapore, Belgium, among others. There is substantial scope for MSMEs to enhance their exports in these top markets.

Strengthening Marketing and Branding Efforts

One of the most pressing concern for MSMEs is marketing. Unlike large enterprises that can allocate substantial budgets to marketing and branding activities, MSMEs often operate on

tight financial margins with limited marketing budgets. Digital marketing offers a cost-effective way for MSMEs to reach a broad audience and compete with larger enterprises. However, nearly 11.9% of MSMEs in the survey indicated inadequate knowledge about this. For strengthening marketing and branding efforts, the GOI could consider consolidation of the market access initiative (MAI) and Market Development Assistance (MDA) schemes, making it exclusively available for MSMEs. The GOI could also consider expanding the scope of the consolidated scheme to include brand building activities, creation of marketing materials etc.

Alleviating Financing Related Challenges for MSMEs

Analysis of Exim Bank's Survey indicates that nearly 53% of the respondent MSMEs found it challenging to obtain financing for their businesses from the banking sector. Majority of the respondent MSMEs found high interest rates as the topmost challenge in securing financing. Besides high interest rates, some of the other key challenges faced by MSMEs in securing financing included lack of collateral, complex application process, lack of awareness about products and lack of proper documents. To address these challenges, the GOI could consider expanding the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for medium enterprises, creating awareness about credit support options like CGTMSE and GST Sahay App, among others.

Leveraging e-Commerce for Enhancing MSME Exports

For leveraging e-commerce, strategies such as promotion of GI products through e-commerce platforms, expanding the International Tracked Packet Service (ITPS) to cover more countries, promoting Open Network for Digital Commerce (ONDC), addressing regulatory complexities, and tailored financing solutions for e-commerce exporters could help augment exports from MSME sector. Additionally, the Government of India could also consider promoting Indian products with Geographical Indications (GI) through e-commerce by collaborating with leading e-commerce platforms.

Conclusion

MSMEs play a vital role in India's exports, contributing around 29.2% of merchandise exports in 2023-24. Despite their importance, MSMEs face several challenges in participating in exports, including lack of information, difficulty in building relationships with foreign distributors, marketing challenges, financial constraints, and regulatory compliance issues. Addressing the challenges faced by MSMEs requires a holistic approach with interventions targeted at supporting marketing efforts, bridging financing gaps, bolstering export capacity, strengthening of support programmes and institutions, and promoting innovative modes such as e-commerce. ■

Strengthening India's Economic Engagements with Peru

– Srejita Nandy, *Manager*
Siddharth Nema, *Deputy Manager*

Macroeconomic Overview of Peru

Peru, officially designated as the Republic of Peru, is one of the most dynamic economies in Latin America. Peru is one of the richest countries in the world in terms of natural resources, endowed with minerals such as gold, silver, copper, zinc, lead and iron, and reserves of oil and natural gas. In 2024, the Peruvian economy recovered from the previous year's recession, with an estimated growth of 3%. After a sustained disinflationary trend that started in 2023, inflation remains within the Central Reserve Bank of Peru (Banco Central de Reserva del Perú or BCRP)'s 1-3% target range in most of 2024, supported by a decline in international oil and agricultural commodity prices.

Trade and Investment Relations

India and Peru maintain strong bilateral economic relations, characterized by healthy cooperation across sectors, including healthcare, pharmaceuticals, energy, mining, textiles, agriculture, science and technology, defence, space, ICT and capacity building, among others.

India's Merchandise Trade with Peru

In 2023, India was the fourth largest export destination of Peru, following China, the US, and Canada. At the same time, India was the 11th largest source of imports for Peru, with China and the US holding the top two positions respectively. Since 2016, bilateral trade has been dominated by India's imports from Peru, which comprise 75.2% of the total trade in 2023. India's imports from Peru witnessed a significant jump in 2021 reaching US\$ 2.6 billion from US\$ 1.4 billion the previous year and eventually touching US\$ 2.8 billion by 2023, essentially driven by gold, copper ores, silver and ferrous waste and scraps. India's exports to Peru have seen a moderate increase over the past decade, rising from US\$ 754.6 million in 2014 to US\$ 916.3 million in 2023.

In 2023, vehicles other than railway or tramway (HS-87) dominated India's exports to Peru with a share of 30.8%, amounting to US\$ 282.4 million, followed by cotton, pharmaceutical products and machinery and mechanical appliances. India's imports from Peru are concentrated in pearls, precious stones and metals (HS-71), which accounted for 86.5% of its imports from Peru. At a more disaggregated level, major imports under HS-71 include gold, including gold plated with platinum, unwrought, for non-monetary purposes (HS-710812).

India-Peru Bilateral Trade in Services

According to the most recent data available, India's services exports to Peru stood at US\$ 227 million in 2021, whereas its

services imports from Peru stood at US\$ 175 million. India's services trade balance with Peru remains in surplus for most of the period under consideration, except for two years, viz. 2017 and 2018. India's export basket mainly comprises telecommunication, computer and software services (37%), followed by transport (26.4%), and other business services (23.3%). India's services imports from Peru are largely dominated by transport (52.6%), other business services (18.9%), and travel services (7.4%).

India's Bilateral Investment Relations with Peru

Bilateral foreign direct investment (FDI) flows have been relatively modest between India and Peru. During the period of April 2000 to December 2024, Peru's FDI equity inflows into India stood at US\$ 3.8 million mainly into sectors including beverages, mining and drilling, mining services, and industrial lubricants, among others. During the same period, India's FDI outflows to Peru stood at US\$ 28 million into diverse sectors including mining, information technology (IT), automobiles, pharmaceuticals, and transportation.

Aligning India's Exports with Peru's Import Demand

The analysis identifies potential items of exports which could be targeted by Indian exporters. To identify the products based on their export competitiveness in Peru, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level by calculating their Normalised Revealed Comparative Advantage (NRCA) and mapping them against the average annual growth rate (AAGR) of global imports of Peru for all products. The quadrants are drawn by comparing the overall AAGR of global imports of Peru for all products during 2019-2023 (which was 5.9%), to the NRCA of India's exports to Peru during the same period. This exercise aims to identify products whose imports in Peru over the period 2019-2023 have performed better than the overall imports of Peru for all products during this period, implying that the share of such products in Peru's import basket has witnessed an increase, and mapping them with products in which India has comparative advantage. At 6-digit HS Code, with minimum exports of US\$ 0.1 million from India to Peru, 625 products have been identified representing a combined export value of US\$ 903.1 million (98.6% of India's exports to Peru in 2023), while the total imports by Peru for the same products stood at US\$ 20.5 billion in 2023 (39.2% of Peru's global imports in 2023).

Out of the 625 items at the HS 6-digit level, 290 items belonged to the category of the *Product Champions*. The combined exports of these items from India to Peru were US\$ 603.5 million in 2023, representing approximately 65.9% of India's exports to Peru. The study highlights that in the short term, it is important to strengthen the existing products in the category of Product Champions to harness the full potential for the products which are already showing robust growth in Peru, where India's exports also hold a comparative advantage.

The *Underachievers* segment consisted of 136 items, with India's exports to Peru worth US\$ 45.3 million for these products. These products constitute 4.9% of India's total exports to Peru. These are the product items in which import demand in Peru is rising, but India does not have the required competitiveness in the export of these items. Concerted efforts could be made to develop capacities in products in the Underachievers category, which will help in meeting the demands of Peru more competitively. In the medium to long run, efforts and investments could be enhanced in the Underachievers category products to develop capacities.

Barriers in India-Peru Goods and Services Trade

According to the latest WTO report, Peru's average most favoured nation (MFN) applied tariff on agriculture commodities stood at 2.8%, and 2.3% for non-agricultural products. Peru has done unilateral import tariff reductions, which had led to an average MFN tariff of just 2.3% and trade weighted average of 1.7% in 2023, considered as one of the lowest among WTO Members.

Tariff on Peru's Imports from India

In the current analysis, the tariff at a 6-digit HS code is considered, using TRAINS based WITS data for the year 2022. For the simple average of the effectively applied tariff (AHS) by Peru on imports from India, there are 2,063 tariff lines (at 6-digit HS code) that have effectively applied tariff rate of 0%, which amounted to total imports of US\$ 507.6 million in 2022, and this corresponds to 42.8% of the total imports of Peru from India in 2022. There are 582 tariff lines under the 5-10% bracket and 326 lines under 11% effectively applied tariff rates, amounting to a combined 6.1% share in total imports.

Tariff on India's Imports from Peru

There are only 11 tariff lines (at 6-digit HS code) on which India imposes the effectively applied tariff of 0%, imports for which amounts to US\$ 0.1 million in 2022. There are 124 tariff lines under 1-10% AHS, with imports value of US\$ 354.5 million and 14.2% share in India's imports from Peru. There are 326 tariff lines, amounting to US\$ 2.1 billion under the 10%-20% effectively applied tariff, which corresponds to 85.4% of India's imports from Peru in 2022.

Services Trade Restrictiveness Index

As per the OECD, the STRI database records regulations in force, and does not consider preferential agreements. Peru is among the top 20 economies with the best regulatory performance in 2023 with relatively low STRIs, while India is ranked 43rd. Among the major sectors in Peru, broadcasting services have the highest STRI value of 0.60 against the world average of 0.29.

A comparison of India's STRIs with that of Peru reveals India's STRIs are significantly higher compared to Peru in the case of rail freight transport, legal and accounting services. However, Peru is also restrictive in broadcasting, air transport, maritime transport and logistics as the STRI for these remain above the world average in 2023. Also, in comparison to India, Peru is more restrictive in the case of computer services, engineering services, road freight transport, sound recording services, logistics (freight forwarding) and broadcasting.

Key Recommendations and Way Forward

India and Peru share a growing economic partnership, driven by complementary trade interests and investment opportunities. India and Peru have a unique opportunity to strengthen their economic relationship by leveraging their respective strengths across key areas.

India and Peru have complementary agricultural strengths, creating opportunities for trade and collaboration in best practices. India has made significant advancements in renewable energy, positioning itself as a global leader in solar and wind power. Collaborations in renewable energy could lead to increased bilateral trade in renewable fuels especially hydrogen-based, while integrating both the countries into global clean energy markets. India, the fourth-largest automobile market globally, has established a strong presence in small passenger vehicles and two-wheelers, with exports exceeding 4.5 million units in 2023. Indian firms can cater to both urban and rural markets by exporting low-cost vehicles and collaborating in EV production. To strengthen trade ties, Indian companies could enter into long-term mineral supply contracts with Peruvian firms, ensuring a stable and diversified source of raw materials. India and Peru have an opportunity to collaborate in tourism promotion through joint marketing efforts, including showcasing their iconic landmarks, ancient civilizations, vibrant festivals, and diverse landscapes, to create attractive travel packages for international tourists.

India's digital public infrastructure (DPI) offers immense potential for collaboration, particularly in financial technology and digital governance. The recent agreement between NPCI International and the Central Reserve Bank of Peru to develop a UPI-like real-time payments system in Peru is a landmark initiative. By adopting India's digital payment ecosystem, Peru can enhance financial inclusion and improve transaction efficiency. Moreover, given India's expertise in digital identity (Aadhaar), public procurement (ONDC), and e-governance, cooperation in these areas can significantly boost Peru's digital economy. ■

India's Export Performance during 2024-25

– Jahanwi Singh, Chief Manager
Neha Raman, Manager

Background

In the recent times, trade has been an important driver of economic growth, both globally and in India. In 2024, for the first time since 2017, global trade growth outpaced global output growth¹. India mirrored this trend, with net exports contributing positively to GDP growth during 2024-25. In fact, India's exports growth has remained consistently higher than global export growth rates over the past five years. In 2024, while global exports (merchandise and services combined) grew by nearly 4%, India's exports (merchandise and services combined) recorded a higher growth rate of 6.3% y-o-y. Consequently, India became the 8th largest exporter of services in 2024, with share of 4.3% in global services exports, up from being the 9th largest in 2019. Meanwhile, India's position in merchandise exports also improved, making India the 17th largest merchandise exporter in 2024, with share of 1.8% in global merchandise exports, up from being the 18th largest in 2019.

During 2024-25, India's total exports reached an all-time high of US\$ 824.9 billion, recording a y-o-y growth of 6%, up from US\$ 778.1 billion during 2023-24. While traditionally, a significant share of India's exports have been resource-intensive manufactures such as petroleum products and gems and jewellery, during 2024-25, the momentum in India's exports has been led by non-oil and non-gems and jewellery exports, as well as services exports, which recorded robust y-o-y growth rates of 7.0% and 13.6%, respectively.

Merchandise Export Scenario

During 2024-25, India's overall merchandise exports recorded a modest growth, reaching US\$ 437.4 billion as compared to US\$ 437.1 billion in the previous year, witnessing y-o-y growth of nearly 0.1%. The growth in exports was primarily driven by a strong performance in product categories such as electronic goods, which witnessed a robust y-o-y growth of 32.5%, as also other high-value added products such as project goods (y-o-y growth of 21.7%), transport equipment (19.9%), machinery (9.9%) and plastic and rubber articles (9.5%) and sports goods (8.0%), among others. Besides these, several agro-product categories such as plantation and agri and allied products also recorded healthy export growth during 2024-25 (Table 1).

In terms of direction of exports, the USA was the largest destination for India's merchandise exports during 2024-25, with estimated exports of US\$ 86.5 billion, and a share of 19.8% in India's overall merchandise exports during the year. The UAE was the second

largest destination for India's exports, with estimated exports of US\$ 36.6 billion and a share of 8.4% during 2024-25. Besides the USA and the UAE, some of the other major destinations for India's merchandise exports in 2024-25 included the Netherlands (share of 5.2%), the UK (3.3%), China (3.3%), Singapore (3.0%) and Saudi Arabia (2.7%), among others (Exhibit 1).

Table 1: Products with High Export Growth from India during FY25

Commodity	2023-24 (US\$ Million)	2024-25 (US\$ Million)	% Growth	% Share
Electronics Items	29,122.9	38,578.2	32.5	8.8
Plantation	2,119.0	2,738.3	29.2	0.6
Project Goods	2.6	3.2	21.7	0.0
Transport Equipment	29,600.5	35,498.0	19.9	8.1
Machinery	40,877.3	44,934.9	9.9	10.3
Plastic & Rubber Articles	8,944.2	9,789.6	9.5	2.2
Sports Goods	370.6	400.1	8.0	0.1
Agri & Allied Products	38,197.0	40,968.4	7.3	9.4
Optical, Medical & Surgical Instruments	3,860.0	4,096.6	6.1	0.9
Textile & Allied Products	34,431.8	36,442.3	5.8	8.3
Others	9,550.1	10,010.4	4.8	2.3
Chemicals & Related Products	58,564.0	60,875.2	4.0	13.9
Leather & Leather Manufactures	4,467.9	4,577.4	2.5	1.1
Marine Products	7,372.0	7,405.0	0.5	1.7
Total	4,37,072.0	4,37,415.9	0.1	100.0

Source: Ministry of Commerce and Industry, Government of India; Exim Bank research

It is interesting to note that while traditional markets such as the USA, China, the UK and several EU countries continue to remain important for India's exports, there are several developing countries and newer geographies, with which India's economic partnership in terms of exports has strengthened over the recent years. In FY 2024–25, India's exports to several new and non-traditional markets registered double-digit growth. These include African countries such as Benin, Côte d'Ivoire, Cameroon, and Guinea, and also newer European markets like the Czech Republic, Sweden, and Austria². Going forward, such diversification could bolster India's linkages with other developing and emerging markets and enable India to expand its global footprint. ■

¹ WTO (2025), Global Trade Outlook April 2025

² Trade Statistics, Ministry of Commerce and Industry

India's Two-Wheeler Industry: Opportunities Ahead

– Srejita Nandy, *Manager*
Aishwarya Jagtap, *Officer*

The Indian automobile industry is one of the fastest growing sectors with a turnover of about US\$ 240 billion¹ and contributes approximately 6% to India's national GDP. India's two-wheeler industry, a key segment of the automobile sector, is among the largest globally. Two-wheelers account for around 77% of the motor vehicles manufactured in India given their strong domestic demand, affordability, and utility, especially in rural areas.

Production, Sales and Exports (in volume terms)

Production – India produced close to 24 million two-wheelers in 2024-25 registering a 11.3% annual growth over 2023-24. The two-wheeler production outpaces other vehicle production in India due to its demographic features along with rising middle-class population.

Sales – The domestic sales of the two-wheeler segment were recorded at 19.6 million nos. in 2024-25, a 9.1% annual growth over 2023-24. Rural demand stayed strong during 2024-25 on the back of a normal monsoon and an increase in minimum support prices in 2023-24. Urban demand for two wheelers stayed steady during the year due to stable interest rates and higher disposable income.

Exports – Robust overseas demand for two-wheelers was evidenced by sales clocking 4.2 million units in 2024-25, an annual growth of 21.4%, driven by recovery in emerging markets. According to CMIE, overseas demand for two wheelers will continue to grow in 2025-26. India makes a great import destination for countries due to factors such as low production costs and export promotion incentives to manufacturers.

International Trade

India was the fourth-largest exporter of two wheelers in terms of value, accounting for a share of 7.5% in 2024. China has expanded its share in global two-wheeler exports from 25.5% in 2019 to 34.3% in 2024, whereas India's share has increased by just 0.5 percentage points in 2024, as compared to 2019.

India's Trade: India's exports in the two-wheeler segment amounted to US\$ 3.2 billion in 2024, up from US\$ 2.1 billion in 2019, registering a CAGR of 7.1%. On annual basis, exports

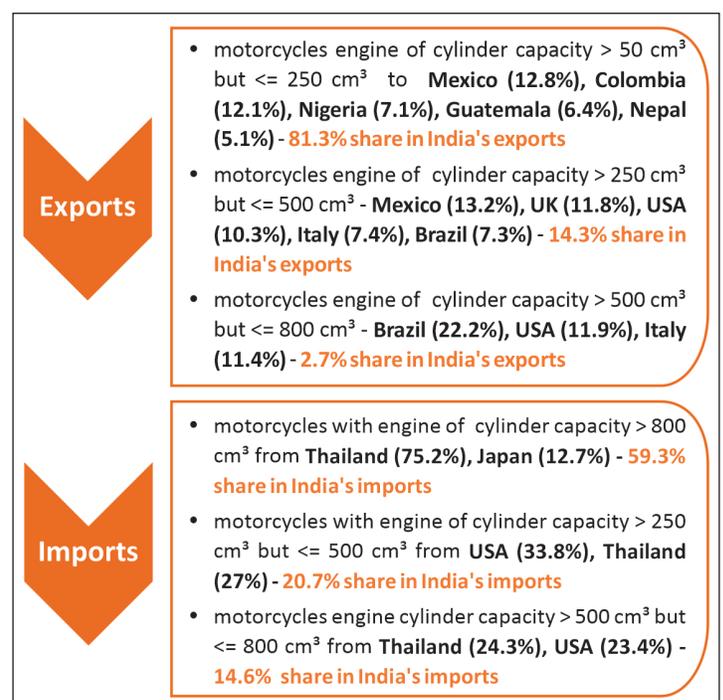
registered a growth of 20.8% over US\$ 2.6 billion in 2023. It may be worth mentioning that India has managed to almost double its share of two-wheelers exports in value terms from 28% in 2019 to 44% in 2024 in Latin America, to emerge as the second largest exporter after China.

Export value of India's two-wheelers in value terms has declined from 31% in 2019 to 23% 2024 in Africa's import basket, with China replacing India as the largest supplier in 2020. India's share has also reduced from 38% to 22% in Asia's import basket due to increased competition from Indonesia, Thailand and Vietnam.

India imports high performance motorcycles from Thailand which has emerged as a hub for Japanese manufacturers like Honda, Yamaha, Suzuki, and Kawasaki. India imports mainly motorcycles of reciprocating internal combustion piston engine of a cylinder capacity > 800 cm³ (HS 871150) from Thailand at duty free rates, because of its Free Trade Agreement.

India also has significantly slashed customs duties on high-end motorcycles from 100% to 70% effective from May 1, 2025, which may result in higher imports from other countries like Japan, US and UK.

Product-wise India's Trade in Two-wheelers



Source: ITC Trade Map; India Exim Bank Research

¹ Revolutionizing Mobility: The Make in India Auto Story, Ministry of Commerce and Industry, March 2025

India has a strong presence in some high import growth markets like Mexico, UAE, Argentina, and Guatemala as a major exporter of two wheelers. However, India's presence in major global import markets remains limited. The following table illustrates the potential markets with high import growth in the two-wheeler segment from 2019 to 2024 exceeding world import CAGR of 6%. India does not feature among the top two suppliers of two wheelers to any of these countries.

Select High Import Growth Markets of Two Wheelers

Countries	Imports (US\$ MN)	CAGR (2019-2024)	India's Share in Country's Two-wheeler Imports	Major Import Sources (%)
USA	3994.3	8%	2%	China (24%), Japan (22%)
Türkiye	1018.1	49%	10%	China (26%), Vietnam (19%)
Austria	992.7	12%	4%	Germany (36%), Italy (21%)
Russia	476.2	23%	2.6%	China (51%), Japan (11.5%)
Poland	347.5	23%	1.1%	China (30.9%), Japan (13%)
Czech Republic	288.8	7%	1.9%	Germany (14%), China (13.6%)
Greece	280.1	16%	1.6%	China (32%), Italy (23%)
Malaysia	273.6	11%	5%	Indonesia (32%), Thailand (25%)
Portugal	256.9	8%	0.2%	Spain (60%), China (9.5%)
Morocco	220.8	13%	0.6%	China (75%), Japan (7.2%)
World	37436.3	6%	-	-

Source: ITC Trade Map; India Exim Bank Research

Government Initiatives

Production Linked Incentive Scheme

The Production Linked Incentive¹ (PLI) scheme for Automobile and Auto components approved by the Government on

¹ PLI Scheme for Automobile and Auto Component Industry, Ministry of Heavy Industries

September 15, 2021 proposes financial incentives to boost domestic manufacturing of Advanced Automotive Technology (AAT) products and attract investments in the automotive manufacturing value chain. AAT two-wheelers are also eligible for incentives under the scheme ranging from 13% to 18% on determined sales value. As of November 25, 2024, five two-wheeler Original Equipment Manufacturers (OEMs) are approved under the scheme.

Faster Adoption and Manufacturing of (Hybrid) & Electric Vehicles (FAME-India)

The Faster Adoption and Manufacturing of (Hybrid) & Electric Vehicles in India² (FAME-India) Scheme was launched to promote electric mobility through demand incentive for electric vehicles. The first phase of the scheme was initially approved for a period of 2 years, commencing from April 1, 2015. After successful implementation of the scheme, the second phase - FAME-II was launched in 2019 with an outlay of ₹ 11,500 crore to provide incentives for electric vehicles including two, three, four wheelers, electric buses and EV public charging stations (PCS). As of October 31, 2024, a total of 16.15 lakh EVs have been incentivized, which include 14.27 lakh e-2 wheelers.

PM E-DRIVE Scheme

The 'PM Electric Drive Revolution in Innovative Vehicle Enhancement³ (PM E-DRIVE) Scheme' was launched to provide impetus to the green mobility & development of EV eco-system in the country. The scheme has an outlay of ₹10,900 crore over a period of two years from April 2024 to March 2026. The scheme aims to incentivize approximately 2.4 million electric two-wheelers (e-2Ws). In the FY25, a total of 1.14 million electric two-wheelers (e-2W) were sold, reflecting a 21% increase compared to 9.4 lakhs units sold in FY 2023-24.

Conclusion

To enhance its export prospects, India should try and explore some of the major import growth markets highlighted above, where opportunities are significant. With import tariff rates for high-end two wheelers from UK and USA expected to further go down, India needs to strategically negotiate these to encourage foreign investment, technology transfer, and innovation, to increase domestic value addition and gain a larger global market share. ■

² 16.15 lakh electric vehicles incentivised under FAME- II scheme, Ministry of Heavy Industries, Jan 2025

³ PM E-Drive Scheme, Ministry of Heavy Industries, April 2025

Update on IMF World Economic Outlook April 2025

- **Viswanath Jandhyala**, *Asst. General Manager*
Alfiya Ansari, *Deputy Manager*

The global economy is navigating a precarious moment following years of unprecedented shocks. Although growth remained stable through 2024, and is now projected to weaken further in 2025 due to a sharp escalation in trade tensions. The International Monetary Fund (IMF) has replaced its usual baseline forecast with a “reference forecast” based on developments up to April 4, 2025, including sweeping new tariffs imposed by the US and the initial responses from its trading partners. These measures have introduced significant uncertainty and complexity into the global economic landscape.

On April 2, 2025, the US implemented near-universal tariffs, raising effective tariff rates to levels not seen in over a century. These included 20% tariffs on Chinese imports, 25% tariffs on steel and aluminum, 25% tariffs on goods from Mexico and Canada, and 10% tariffs on Canadian energy imports. Additional tariffs targeting the auto sector and country-specific goods followed, with a dramatic increase to 145% on Chinese imports announced on April 9. These actions have prompted retaliatory measures from other nations, intensifying trade tensions and policy uncertainty.

Under the reference forecast, global growth is expected to decline to 2.8% in 2025 and 3.0% in 2026, down from 3.3% for both years as projected in the January 2025 World Economic Outlook Update. This represents a cumulative downgrade of 0.8% points and falls significantly below the historical average of 3.7% recorded between 2000 and 2019. Advanced economies are projected to grow at a modest 1.4% in 2025. In the US, growth is expected to slow to 1.8%, a 0.9% point reduction from earlier forecasts, driven by heightened policy uncertainty, trade disruptions, and weakening demand. The euro area is forecasted to grow at 0.8%, reflecting a slight downgrade of 0.2% points.

Emerging market and developing economies are also expected to experience slower growth, with projections of 3.7% in 2025 and 3.9% in 2026. Countries most affected by the recent trade measures, such as China, are facing significant downward revisions. India is projected to grow at 6.2% and 6.3% in 2025 and 2026 respectively. Inflation is anticipated to decline more gradually than previously expected, with global headline inflation projected at 4.3% in 2025 and 3.6% in 2026. Advanced economies are likely to see upward revisions in inflation, while emerging markets may experience slight downward adjustments.

The outlook comes with downside risks. The continuation or escalation of the trade war, coupled with elevated policy uncertainty, could further suppress both short and long-term growth. Financial markets are vulnerable to asset repricing, foreign

exchange volatility, and capital flow disruptions, particularly in economies already grappling with debt distress. These dynamics could lead to broader financial instability and damage the international monetary system. Demographic changes, including a shrinking foreign labour force, pose additional challenges to potential growth and fiscal sustainability. The lingering effects of the recent cost-of-living crisis, combined with limited policy space and bleak medium-term prospects, could trigger social unrest in various regions.

Emerging market economies, which have shown resilience in recent years, could find it increasingly difficult to manage high debt levels under unfavorable global financial conditions. Low-income countries, facing reduced international development assistance, may be forced into significant fiscal adjustments, with immediate consequences for growth and living standards. On a more optimistic note, a de-escalation of current tariff levels and the establishment of new trade agreements could restore clarity and stability, potentially lifting global growth.

To navigate these challenges, the IMF emphasizes the need for clarity, coordination, and resilience in policymaking. Countries must work together to foster a stable and predictable trade environment, facilitate debt restructuring, and address shared global challenges. At the same time, domestic policy and structural imbalances must be addressed to ensure internal economic stability. This will help rebalance growth-inflation trade-offs, rebuild policy buffers, and reinvigorate medium-term growth prospects while reducing global imbalances.

Central banks face the difficult task of fine-tuning monetary policy to achieve their mandates and maintain price and financial stability amid increasingly complex trade-offs. Targeted interventions may be necessary to mitigate disruptive foreign exchange volatility, as outlined in the IMF’s Integrated Policy Framework. Macroprudential tools should be activated to contain the buildup of financial vulnerabilities and provide support during stress events. Restoring fiscal space and placing public debt on a sustainable path remain critical priorities. This requires credible medium-term fiscal consolidation plans that balance the need for essential spending with long-term sustainability.

In conclusion, the global economy is at a pivotal moment. The path forward demands coordinated international action, sound domestic policies, and a renewed commitment to structural reform. Only through such efforts can countries hope to restore stability, foster inclusive growth, and build resilience against future shocks. ■

The Quarter That Was

Contributed by: **Corporate Communications Group**

India Exim Bank Signs Asian Development Bank's Confirming Bank Agreement

Export-Import Bank of India (India Exim Bank) and the Asian Development Bank (ADB) signed a Confirming Bank Agreement (CBA) under ADB's Trade and Supply Chain Finance Program (TSCFP). The Agreement was executed on the sidelines of the 58th ADB Annual Meeting in Milan, Italy on May 6, 2025.

India Exim Bank forecasts India's merchandise exports to amount to US\$ 113.7 bn and Non-oil exports to amount to US\$ 99.2 bn for Q1 (April-June) of FY2026

India Exim Bank forecasts India's total merchandise exports to amount to US\$ 113.7 billion, witnessing a year-on-year (y-o-y) growth of 3.3%, while non-oil exports are forecast to amount US\$ 99.2 billion, with a y-o-y growth of 10.9%, during Q1 (April-June) of FY26. Non-oil and non-gems and jewellery exports are forecast to amount US\$ 88.1 billion, with a y-o-y growth of 7.3%, during Q1 (April-June) of FY26.

A 1% Increase in REER Could Boost India's Exports by 1.07% in the Long Run: Exim Bank Study

India Exim Bank's study indicates that a 1% increase in REER (indicating appreciation of the Indian Rupee) translates into a 1.07% increase in India's real exports to the world. While conventional wisdom suggests that currency depreciation boosts exports by making goods more competitively priced in global markets, the counterintuitive finding of the study suggests that a weaker rupee may not necessarily deliver the anticipated boost to Indian export growth. This is because of the high import dependence of India's manufacturing, particularly in export-oriented sectors.

Exim Bank's corporate loan book records 31% y-o-y growth

India Exim Bank's results for the financial year 2024-25 were adopted by the Board on Friday, May 9, 2025. Key highlights of the Bank's performance during 2024-25 are as under:

Business Performance

The Bank reported significant growth across key business performance parameters, reflecting the commitment to support India's trade and investment, and developmental priorities of partner countries. Reflecting India's strong growth story and the increased credit demand, the Bank sanctioned fresh loans aggregating ₹ 1,39,871 crore. The loan portfolio grew by 18% in FY25, driven by strong growth in sectors such as clean and renewable energy, automotive, engineering goods, pharmaceuticals, and telecommunications. The Bank also witnessed

growth in strategically important sectors mainly e-mobility, high-tech, and aerospace. In terms of the Non-Performing Assets (NPAs), with the improvement in asset quality, the Gross NPAs declined from 1.94% as on March 31, 2024 to 1.71% as on March 31, 2025, and the Net NPAs declined from 0.29% as on March 31, 2024 to 0.14% as on March 31, 2025. The Provision Coverage Ratio increased from 96.83% to 98.26%.

Policy Business

As on March 31, 2025, the Bank has a portfolio of 293 GOI-supported LOCs with credit commitments aggregating US\$ 27 billion. These LOCs are supporting socio economic development in partner countries, while facilitating access to new markets and opportunities for Indian companies. As on March 31, 2025, 965 contracts valued at nearly US\$ 16 billion have been covered under LOCs.

Commercial Business

During FY 2024-25, the Bank extended ₹ 1,33,888 crore for building export capacities, enhancing export competitiveness and supporting globalisation efforts of Indian companies. The corporate loan book recorded a growth of 31% during the year, while maintaining strong asset quality. The Bank supported 89 project export contracts valued at ₹ 56,853 crore in 35 countries, propelling India's project exports to new heights. Further, 14 corporates were sanctioned funded and non-funded assistance aggregating ₹4,641 crore for part financing their overseas investments in 8 countries. So far, the Bank has provided finance to 713 Joint Ventures/Wholly Owned Subsidiaries, set up by 518 Indian companies in 78 countries.

Hon'ble Finance Minister Highlights Key Policy Measures to Promote Export-led Growth at Exim Bank's Trade Conclave

Smt. Nirmala Sitharaman, Hon'ble Minister of Finance and Corporate Affairs, Government of India, addressed India Exim Bank's Trade Conclave on the theme 'Building Export-led Growth for Viksit Bharat' on June 24, 2025, in New Delhi. In her keynote address, the Hon'ble Finance Minister outlined major steps taken by the Government to empower Indian exporters and foster export-led growth. Firstly, there has been significant investments in transport and logistics, which is improving supply chain efficiency and global competitiveness. Secondly, MSMEs are being supported through key initiatives such as revision in definition of MSMEs, Udyam registration, revamp of Credit Guarantee Schemes, TReDS, and Exim Bank's Ubharte Sitaare Programme. Under the Ubharte Sitaare Programme, Exim Bank has extended financial support of ₹ 1,522 crore, including 7 equity investments, to 85 entities identified as future champions. ■

India Exim Bank Lines of Credit

Contributed by: **Lines of Credit Group**

The Government of India (GOI), with a view, inter-alia, to promote India's trade and economic relations with developing countries in particular, launched the India Development Initiative (IDI), later renamed as the Indian Development and Economic Assistance Scheme (IDEAS), through General Budget for fiscal year 2003-04. The scheme attempts to promote India's strategic, political and economic interest abroad by positioning it as an emerging economic power, investor country and partner for developing countries, with sharing India's development experience through - capacity building and skills transfer, trade, and infrastructure development. The Bank, as a policy institution, serves as the financing instrument for the LOCs extended to overseas countries under the IDEA scheme.

The latest IDEAS guidelines have been revised and effective from March 31, 2022. Under the revised IDEAS guidelines, the Concessional Financing Scheme (CFS) of GOI, has been subsumed under the scheme; wherein GOI may provide concessional financing to any Borrowing Government or an entity owned or controlled by the Borrowing Government to support Indian Entities bidding for strategically important overseas infrastructure projects, if the said Indian entity succeeds in getting contract for the execution of a project tendered by such foreign entity. The strategic importance of a project to be eligible for this financing will be decided by GOI, on a case-to-case basis.

Since 2003-04, the LOCs extended to sovereign governments or their nominated agencies are being routed by the GOI, through Export-Import Bank of India (India Exim Bank). India Exim Bank extends LOCs to sovereign governments, overseas financial institutions, regional development banks and government nominated entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India. While the GOI decides about the recipient of the LOC, the amount and terms of the LOC and the purpose thereof; the LOCs are funded, operated and monitored by India Exim Bank as the operating vehicle of the GOI.

Under the LOCs, India Exim Bank reimburses up to 100% value of contract on FOB/CFR/CIF/CIP basis to the Indian exporters. Goods and services (including consultancy services) for minimum 75% of the value of the contracts covered under these loans must be sourced from India (relaxation of 10% may be considered on a case-to-case basis). LOCs have enabled India to demonstrate its project execution capabilities in the emerging markets and have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. LOCs also help to create the requisite political goodwill for India in the beneficiary countries besides promoting India's political, strategic and commercial interests while projecting India's growing economic strength as well as its willingness to contribute to infrastructure development and capacity building in the recipient developing countries. The Indian exporters obtain payment of eligible value from India Exim Bank, without being exposed to risk on the buyer or the buyer's country, against negotiation of shipping documents / provision of services (as per approved payment terms).

As on June 26, 2025, the Bank has extended 291 LOCs, covering 62 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US\$ 26.98 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services.

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Success Story

India Exim Bank's Government of India supported Line of Credit of US\$ 500 million to the Government of Bangladesh

India Exim Bank has extended a Government of India supported LOC of US\$ 500 million to the Government of Bangladesh for defence related procurement. The credit agreement was signed on April 11, 2019.

Project Details:

Tata Advanced Systems Ltd (TASL) has been supplying defence equipment of strategic importance to over 25 countries that meet every challenge of the Military, Paramilitary, Homeland Security & Provincial Police forces.

Under this LOC, a contract was signed for supply of 11 Mine Protective Vehicles between TASL and Directorate General Defence Purchase, Government of Bangladesh which was included under the LOC on December 07, 2023. These vehicles are specialized armored vehicles designed to protect personnel from explosive devices. The total cost of the Project towards supply of these vehicles is US\$ 3.8 million. The mentioned Project was successfully completed on November 25, 2024.

Country Scan

Contributed by: **Research & Analysis Group**

Chile



Chile, is open economy with strong macroeconomic fundamentals, however, it faces risks from trade and geopolitical tensions. Real GDP is projected to grow by 2.8% in 2025, driven by expanding mining, front-loaded exports, government spending, and private consumption fueled by rising real wages. Easing interest rates and an improvement in the business environment is likely to support private investment, though increased trade protectionism poses a downside risk. Annual inflation, at 4.4% in May, is expected to remain above the central bank's 2-4% target for most of 2025. This is attributed to price hikes and currency volatility stemming from US trade policy uncertainty. The Chilean peso (Ps) experienced volatility after the November 2025 the US election, strengthening to Ps938.88:US\$1 after a temporary pause in US tariffs. While expected to remain broadly stable in the near term as US trade policy uncertainty eases, the peso faces a very high risk of renewed volatility due to the unpredictable nature of future US trade policy. Chile is forecast to maintain a sizeable trade surplus, being the world's largest copper and second-largest lithium producer. High commodity prices and increased private investment in the critical minerals sector could boost production and exports, attracting foreign direct investment and fuelling growth.

Vietnam



Vietnam is one of Asia's fastest-growing economies. The real GDP growth is projected to moderate to 5.5% in 2025 from 7.1% in 2024, primarily due to rising US protectionism impacting Vietnam's export-reliant economy. Despite a temporary reprieve from US tariff pauses, vulnerability to higher tariffs remains. Inflation is projected to moderate to an average of 2.9% in 2025 from 3.6% in 2024, aided by softer global commodity prices and China's deflationary trend. However, elevated logistics costs and rising service sector prices could keep core inflation above pre-pandemic levels. The Vietnamese dong (D) is expected to weaken against the US dollar, reaching D26,580:US\$1 by the end of 2025 from D25,386:US\$1 in 2024, driven by political risks and global trade instability. The central bank is likely to manage a gradual depreciation. The current account surplus is expected to narrow. While export growth is likely to see a near-term boost from front-loaded shipments due to the US tariff pause, a more assertive US trade policy later in 2025 could likely lead to stricter trade policies and increased US imports by Vietnam, slowing export growth significantly in 2026-27. Despite the services account being in deficit, growth in tourism and telecommunications could contribute to a gradual narrowing.

Nigeria



Nigeria, one of Africa's largest economies and a key oil exporter within OPEC, is projected to grow by 3.6% in 2025, slightly up from 3.4% in 2024, driven by strong remittance inflows that continue to support household incomes and consumption. The economy has shown notable resilience amid global and regional challenges, maintaining steady GDP growth despite triple shocks—soaring inflation, sharp exchange rate depreciation, and high interest rates. The current account is estimated to be 2.1% of the GDP in 2025 whereas inflation, which surged to an estimated 33.2% in 2024 due to structural reforms, naira devaluation, rising fuel prices, and black-market volatility, is expected to ease to 20.4% in 2025. Nonetheless, depreciation of the naira, projected at NRS 1,601:US\$1 in 2025, alongside falling real incomes, continues to pose significant risks to political and social stability in a country marked by deep ethno-religious divides. Compounding these issues is Nigeria's growing vulnerability to climate change, with weather-related disruptions increasingly affecting agriculture and coastal communities. Total public-sector debt is estimated at 47% of GDP in 2025 which raises concerns over contingent liabilities, particularly from struggling state-owned enterprises in the sugar, railway, and energy sectors, burdening state finances and weakening fiscal resilience.

Guyana



Guyana, Latin America's fastest-growing economy, has rapidly transformed since commencing crude oil production in 2019. By early 2024, output surged to 645,000 barrels per day, making it the third-fastest growing non-OPEC oil producer. The oil boom has significantly boosted GDP, which is expected to grow by 10.3% in 2025, following a remarkable average growth of 40.8% over the past five years. This economic expansion has attracted foreign investment and spurred government-led reforms, with increased spending on infrastructure, education, and healthcare, supported by the private sector. However, challenges such as racial tensions, weak institutions, and an ongoing territorial dispute with Venezuela pose risks to sustained growth. Inflation is projected to edge up to 3.6% in 2025, driven by high import prices and rapid expansion. The government aims to contain inflation through targeted tax cuts, subsidies, and tight monetary policy. Guyana's oil boom is expected to significantly impact the external balance. The current account surplus is estimated at 25.8% of GDP in 2024, narrowing to 8.9% in 2025 before widening to 14.9% in 2026, primarily due to fluctuations in oil export revenues. The Guyanese exchange rate is at G\$208.5: US\$1 and there is very little movement in the exchange rate between the Guyanese and U.S. dollars. ■

Currency Currents

Contributed by: Treasury & Accounts Group

New Zealand Dollar - NZD

NZ\$ The New Zealand dollar is a fairly new entrant to the world currency market, as it was only introduced in 1967. Before the advent of the NZ dollar, the official currency of New Zealand was, since 1840, the New Zealand pound, with 1 pound = 20 shillings and 1 shilling = 12 pence.

New Zealand's economic recovery from a 2024 recession gathered pace in the first quarter as the central bank lowered interest rates and exports surged. This growth is powered by robust domestic demand, particularly in manufacturing, construction, and professional services. Despite the optimism, the RBNZ might pause its rate cuts in July amid this economic uptick. Still, three anticipated 25 basis point cuts could occur by October if conditions soften again.

The NZD/USD correction has been holding above a previous resistance, now turned support at 0.5990, which is also coincident with the ascending trendline resistance from the May 22 lows. The 4-hour chart is showing hesitation, but the Relative Strength Index (RSI) remains within positive territory, above the 50 level. If this support holds, bulls will remain in control, with the 0.6050 resistance on focus. Further decline beyond 0.5990, on the contrary, would add pressure towards 0.5925 and 0.5890.

The closing rate of US\$/NZD as on June 18, 2025 was NZD 1.6587 per US\$.

Israeli Shekel - NIS

NIS Shekel is monetary unit of Israel, divided into 100 agorot. Israel's current monetary system, based on the New Israeli Sheqel (NIS), was established in 1985, when the old sheqel was replaced at a rate of 1,000 old sheqalim to 1 new sheqel. With Israel fighting on at least two fronts, the country's finances and economy are strained. To compensate for some of this financial strain, the government has increased taxes.

Earlier, the Israeli shekel suffered widespread selling, along with some government bonds and equity markets across the Middle East after Israeli-Iran conflict. Options traders are bracing for the Israeli shekel to experience wilder moves than at any time since the start of the Gaza war in 2023. However, the shekel is currently about 10% stronger than it was before the Hamas attacks on October 7, 2023, defying worsening geopolitics and stress on Israel's fiscal balance from higher war spending. Those gains have coincided with a 5% loss in the broad dollar index over that period. Israel's shekel jumps sharply and stocks and bonds gain in the later weeks, as investors began to look beyond the escalating conflict with Iran and shape a more favourable long-term risk assessment for the country's assets.

The closing rate of US\$/ILS as on June 18, 2025 was ILS 3.4803 per US\$.

Hongkong Dollar - HKD

HK\$ The Hong Kong Dollar (HKD), divided into 100 cents, is the currency of Hong Kong SAR and is managed by the Hong Kong Monetary Authority (HKMA). Recently, the HKD has weakened against the US dollar due to falling local interest rates, leading to increased demand for the US currency. Although the 42-year-old currency peg remains stable, its relevance is being questioned as Hong Kong's economy becomes more integrated with China, and global trade faces challenges.

A key driver of the rate plunge was HKMA's record liquidity injection early May, when a selloff in the US dollar drove Hong Kong's currency to hit the strong end of its HK\$7.75 to HK\$7.85 band. The intervention has led to a fourfold increase in the city's interbank liquidity pool. Meantime, the low rates are also a reflection of anaemic corporate demand for loans, as the city continues to battle its way out of a post-pandemic slump.

The Hong Kong dollar may weaken soon due to the carry trade, with Citigroup estimating a liquidity drain of HK\$70-100 billion from official intervention, potentially raising short-term rates to 2-3% and affecting the currency value to around 7.82-7.83.

The closing rate of US\$/HKD as on June 18, 2025 was HKD 7.8499 per US\$.

US Dollar - US\$

US\$ The US dollar influences every aspect of investment strategy—from the economic outlook to return expectations, to valuations, earnings models and, more directly, currency risk. Now, for the first time in years, U.S. stocks, bonds and the dollar have sold off together—a rare signal that investor confidence in the US market leadership is shifting. The dollar's longstanding overvaluation is beginning to unwind, which could result in a 10%–20% decline against major peers such as the euro and Japanese yen over the medium term. However, this is not a breakdown in the dollar, but it is a reset.

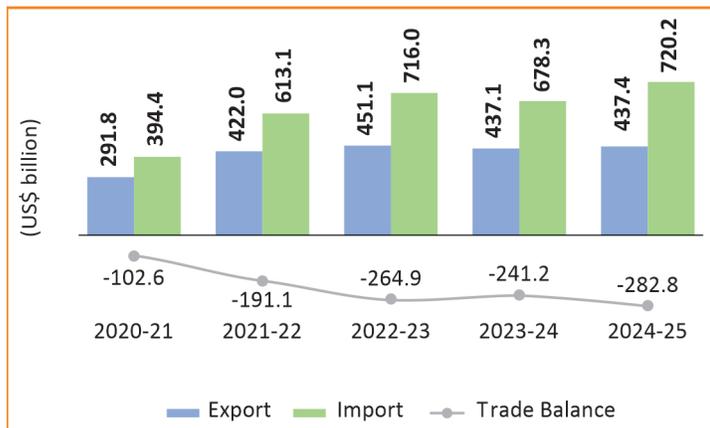
The positive outlook of the US is supported by President Trump's proposed tax cuts and deregulation, which are expected to bolster business and consumer confidence. However, potential tariffs, tighter immigration policies leading to labour supply constraints and weaker domestic demand, as well as the lagging effects of high interest rates pose downside risks, limiting growth momentum. Concerns over President Donald Trump's tariff plans have weighed heavily on sentiment, dragging expectations for the US economy down. So far this year, the benchmark USD index has also plunged 8.8%.

The closing rate of US\$/INR as on June 18th, 2025 was INR 86.4725 per US\$. ■

Snippets on Indian Economy

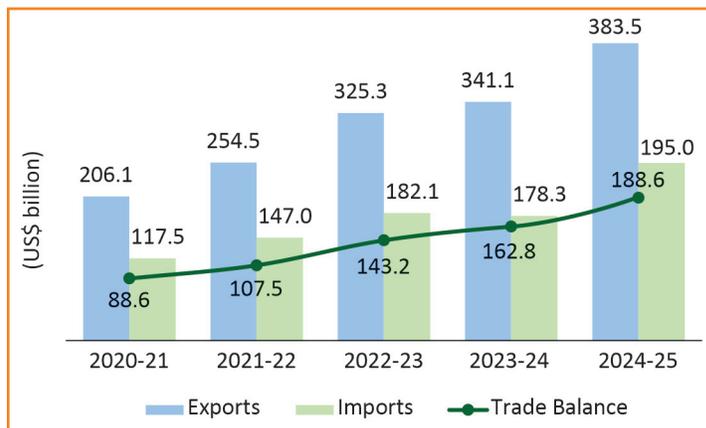
Contributed by: Research & Analysis Group

India's Merchandise Trade



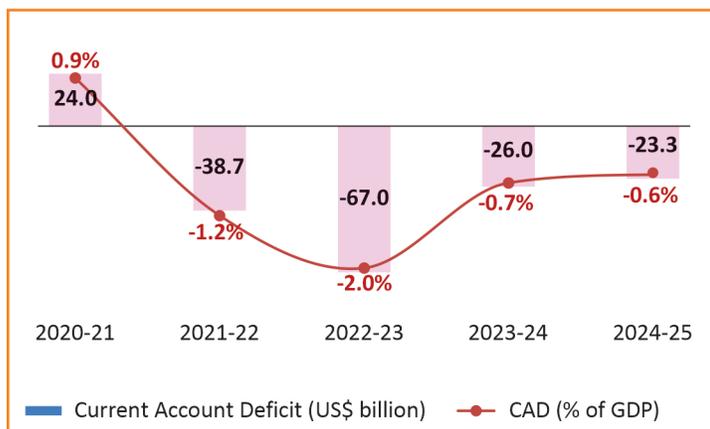
Source: Ministry of Commerce and Industry, Government of India

India's Services Trade



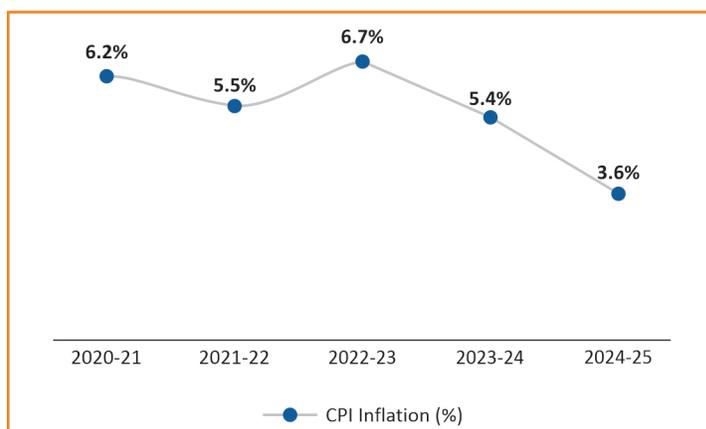
Source: Ministry of Commerce and Industry, Government of India

Current Account Deficit



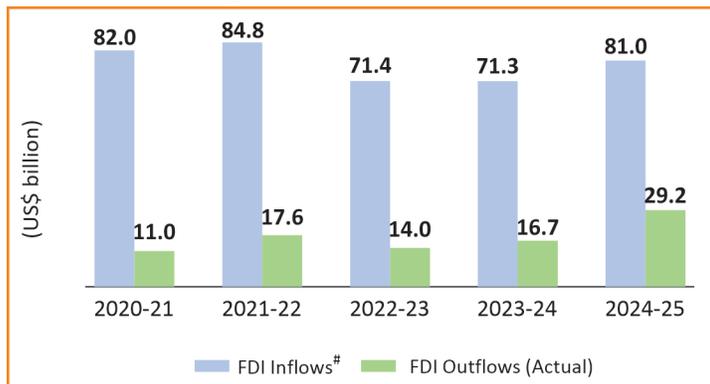
Source: Reserve Bank of India

Consumer Price Inflation



Source: MOSPI

Foreign Direct Investment Flows

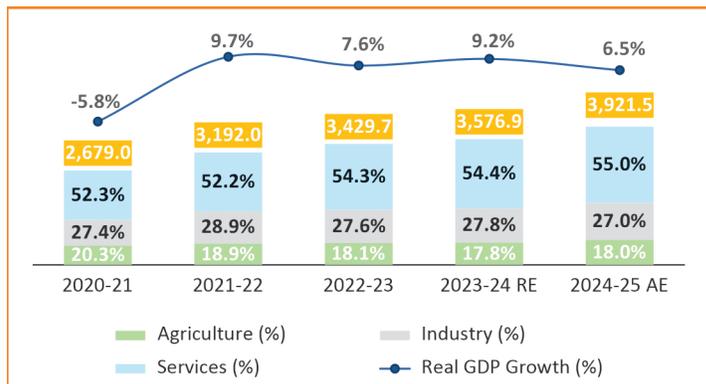


Note: * - FDI Outflows reflect actual figures and include equity, loans and guarantees invoked

- FDI Inflows include equity, re-invested earnings and other capital

Source: RBI and Ministry of Finance, Government of India

India's Economic Growth



Note: Figures in yellow boxes represent Nominal GDP in US\$ billion;

Sectoral percentage figures represent respective sectoral shares in the GDP.

RE-Revised Estimate; AE-Advance Estimates

Source: Institute of International Finance & Ministry of Statistics and Programme Implementation, Government of India