SBI RESEARCH

India-US Trade Deal

18% tariff on goods trade is finally a reality!

India has almost the lowest tariff increase relative to pre tariff imposition compared to its neighbours…India's fuel import bill could even decline by $3bn in the event of shifting to Venezuela…discount of $10-12 could make the choice agnostic

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Global Reaction has been positive post the trade deal …

" We spoke about many things, including Trade, and ending the War with Russia and Ukraine." "He agreed to stop buying Russian Oil, and to buy much more from the United States and, potentially, Venezuela." – Trump

"So far, we haven't heard any statements from New Delhi on this matter" - Kremlin spokesman Dmitry Peskov on Russian oil

"We will see how the situation develops"- Deputy Prime Minister Alexander Novak

Strategic partnership with India remains "most important" – Kremlin officials

I think it's a very positive development. It lowers barriers and allows more and more trade and investments between partners. We are a part of this grand vision. We successfully concluded the negotiation with India, as EU. I think this will be a game-changer, both for India and for the EU," .-Antonio Enrico Bartoli, Ambassador of Italy to India

Note: The excerpts have been taken from various newspaper sources

Now India has one of the lowest tariff among Asian countries

- After month of negotiation and among heightened uncertainty India and US has announced trade deal last night
- As per the announcement India now face tariff rate of 18% significantly lower than the earlier imposed tariff rate of 50%
- With this tariff rate, India has now one of the lowest tariff among key Asian economies (even lower than the Vietnam which is US one of the major trading partners)
- **Indian exports have regained competitiveness vis-à-vis other major Asian exporters**

Major countries trade with US- Summary

	Tariff post negotiation	Share of Exports to recepient country in total US Export CY25 Till Nov	Share of Imports from partner country in total US Imports CY25 Till Nov	US Trade balance with country $ bn CY25 Till Nov
Bangladesh	20	0.1	0.3	-7
Cambodia	19	0.0	0.4	-14
China	37	4.9	9.2	-189
India	18	2.1	3.0	-53
Indonesia	19	0.5	1.0	-22
Japan	15	3.8	4.3	-58
Malaysia	19	1.3	1.7	-28
Philippines	19	0.4	0.5	-8
South Korea	15	3.1	3.6	-50
Taiwan	20	2.5	5.6	-127
Thailand	19	0.9	2.6	-64
Vietnam	20	0.7	5.6	-161
Laos	40	0.0	0.1	-2
Brazil	50	2.5	1.2	13
Canada	50	15.2	11.2	-47
Myanmar	40	0.0	0.0	-1
South Africa	30	0.3	0.5	-10
Pakistan	19	0.1	0.2	-2
UK	10	4.4	1.9	29
EU	15	19.0	18.7	-205
Switzerland	15	3.4	3.2	-34

Source: US international Trade administration, Reed Smith Tariff tracker 2,SBI Research

Broad macroeconomic impact of 18% US tariffs on India: India stands to gain post tariff increase compared to its neighbours even after the 18% imposition

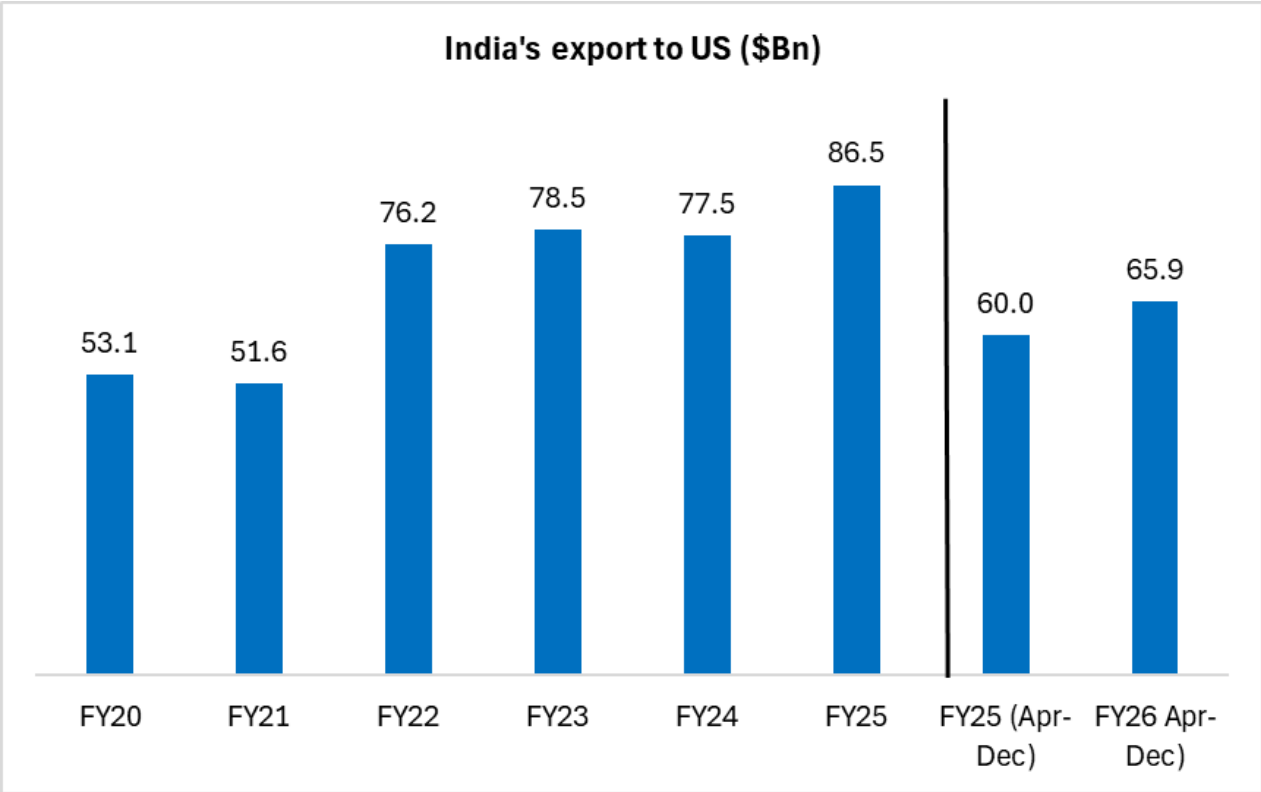
- The major export sectors that will be positively impacted by this potential deal include the following
  - Gems and jewellery
  - Leather and leather products
  - Textiles
  - Chemicals
  - Sea foods
  - Engineering export
- The USD/INR pair is trading at ₹90.27 per dollar, appreciating by over Re 1 post the deal
- Inflation impact is minimal form the energy sourcing point of view
- **Importantly, traction in exports could only be an upside post the deal as Indian exports even with 50% tariff has almost matched a hypothetical no tariff scenario**

India's Export summary with US		
	($ Bn)	**Tariff(%)**
Apr'24 to Dec'24	60.0	3.8
Apr'25-Dec'25	65.9	50.0
YoY% in Export	9.7	NA
United States Product MFN Simple Average Tariff from India		3.8
Applied Tariff after trade deal		18
Difference		**14.2**
Source: Ministry of Commerce and Industry, WITS, SBI Research		

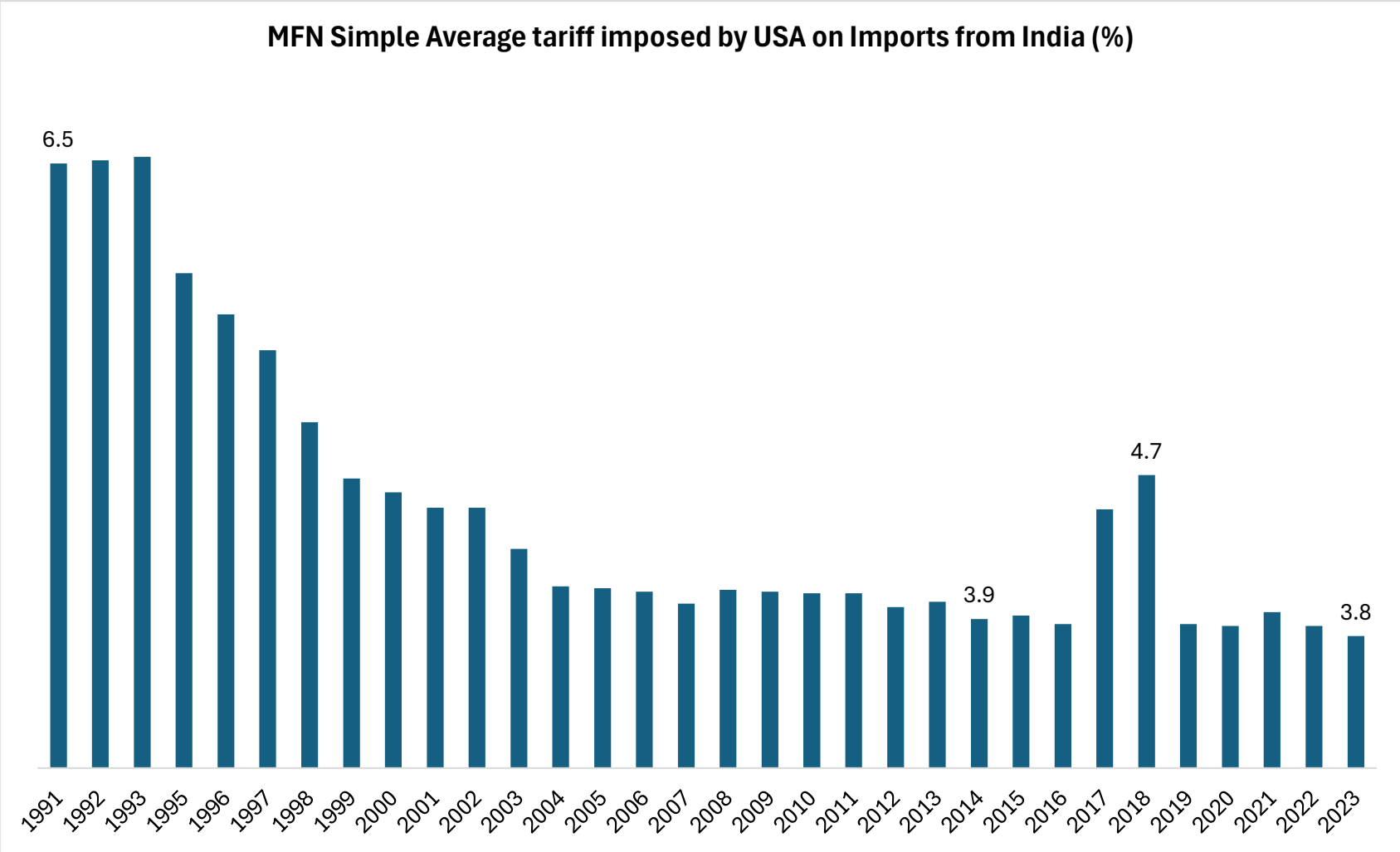
Country Wise Tariff by US on major Asian countries			
	MFN Simple Average Tariff 2023(%)	**Current Rate(%)**	**Post tariff increase**
Bangladesh	6.3	20	13.7
China	3.6	37	33.4
Indonesia	4.2	19	14.9
Malaysia	3.2	19	15.9
Philippines	4.1	19	14.9
Thailand	3.9	19	15.1
Vietnam	3.7	20	16.3
Source: WITS, SBI Research			

India-US: Current Trade Dynamics show trade infact has not slowed down…even after 50% tariff imposition….

- US share in India's exports reached 20% in FY25 and in FYTD 26



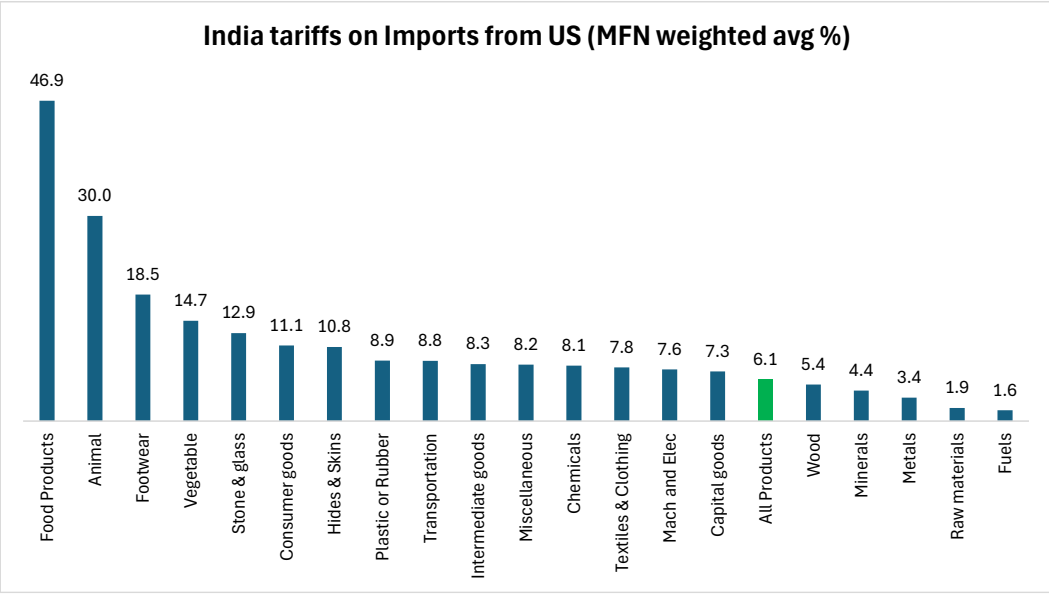
USA tariffs on imports from India has reduced over the years

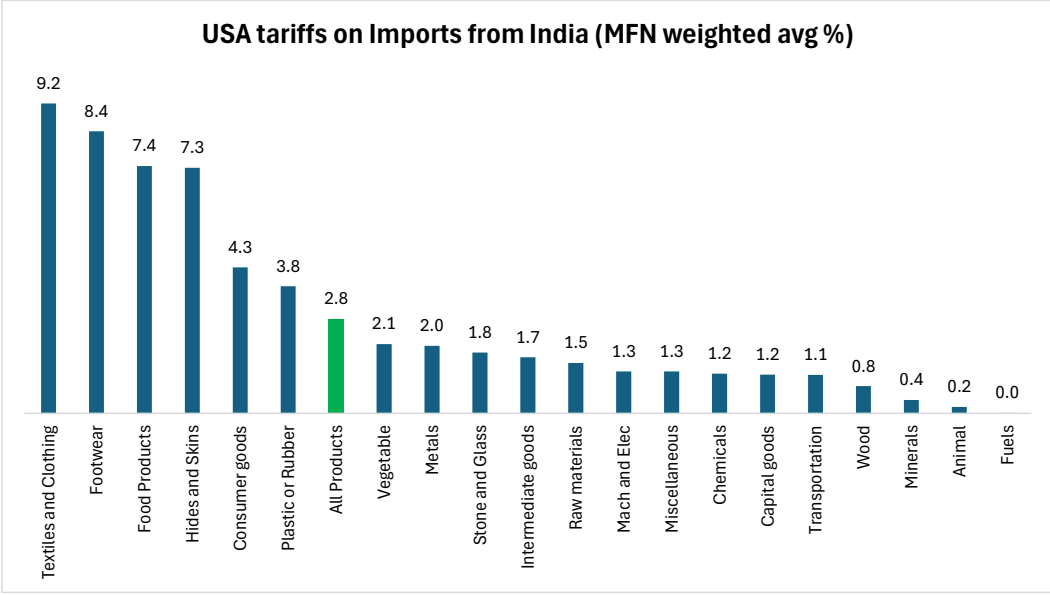


Source: WITS

India imposes higher tariffs on Food Products, Animal & Footwear imports from USA; USA imposes higher tariff on textiles, footwear imports from India

- Weighted average MFN tariffs imposed by India on imports from the USA is 6.1%, with higher tariffs on Food Products, Animal & Footwear. These 3 account for less than 1% of total imports from the USA
- Meanwhile, USA imposes weighted average MFN tariffs of 2.8% on India, with higher tariffs on Textiles & Clothing, Footwear, Food Products and Hides and Skins. **Thus the Trade deal will benefit such sectors**

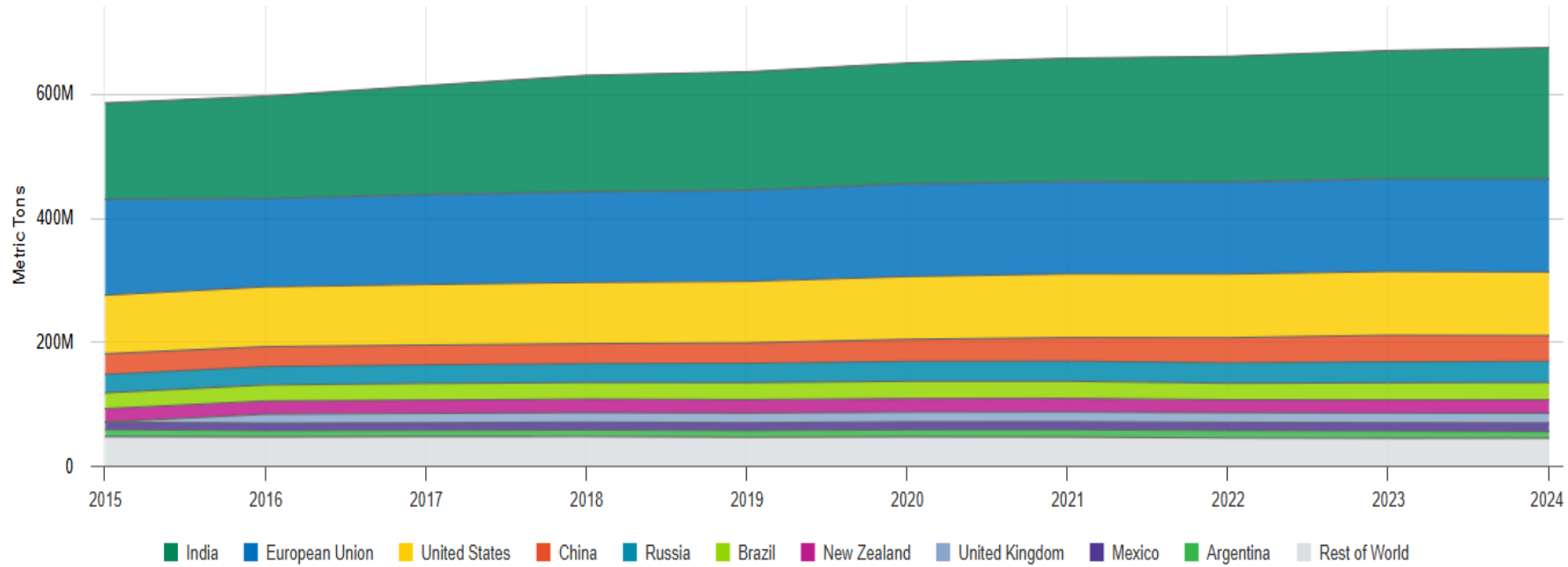




Source: WITS, 2023

India has Trumped Global Biggies in Milk production between 2015-2024……hence it is important to protect the sector

10 Year Average MY 2015-2024	10-Year Compound Average Growth	2023/2024 Production	2024/2025 Production	Year over Year % Change
636.95 Million *Metric Tons*	**1%** *MY 2015-2024*	**669.57 Million** *Metric Tons*	**674.25 Million** *Metric Tons*	**0.70%**



In the year 2015, India total milk production stood close to 155.5 million Tonne (EU 154.6 MT & US 94.6 MT)… By 2024, India's share had swelled to 211.7 MT (growth of ~36%), while EU (incl. Britain) grew to 165.9 MT and the US 102.5 MT

Oil Imports from Russia… from miniscule before 2020 to >30% in 2025…Merey 16 sourced from Venezuela has clear positives

- India turned to purchasing Russian oil sold at a discount (capped: $60 per barrel), to ensure its energy security, after Western countries-imposed sanctions on Moscow and shunned its supplies over its invasion of Ukraine in Feb 2022
- Consequently, Russia's share has increased to 35.1% in FY25 and it is now the biggest oil importer for India
- The success of deal rest on India sourcing crude from other countries and not Russia
  - Volume of Russian oil sourced declined in 2025
- **The substitution of Russian crude by Merey 16 has clear positives for domestic economy as private and PSU oil refineries can exploit the heavy crude discount**
  - Heavy crude discounts in range $10-12 can make good the Russian discount, ensuring commercial viability
- **This implies trade deal will not affect the domestic inflation after sacrificing the Russian discount**

India's Oil Import from Other Countries: Year-wise Top 15 Countries

Sl. No	Country	FY20	Country	FY23	Country	FY25	Country	FY26 (Apr-Nov)
1	IRAQ	22.2	IRAQ	20.7	RUSSIA	35.1	RUSSIA	32.4
2	SAUDI ARAB	19.8	RUSSIA	19.1	IRAQ	19.1	IRAQ	17.6
3	U ARAB EMTS	10.6	SAUDI ARAB	17.9	SAUDI ARAB	14.0	SAUDI ARAB	13.6
4	NIGERIA	8.7	U ARAB EMTS	10.4	U ARAB EMTS	9.7	U ARAB EMTS	11.1
5	VENEZUELA	5.9	U S A	6.3	U S A	4.6	U S A	8.1
6	U S A	4.8	KUWAIT	4.9	KUWAIT	2.8	NIGERIA	3.3
7	KUWAIT	4.7	NIGERIA	3.7	ANGOLA	2.5	KUWAIT	2.9
8	MEXICO	3.2	ANGOLA	2.0	NIGERIA	2.2	ANGOLA	2.2
9	ANGOLA	2.6	MEXICO	1.8	COLOMBIA	1.3	EGYPT A RP	1.4
10	RUSSIA	1.7	OMAN	1.6	MEXICO	1.1	OMAN	1.0
11	MALAYSIA	1.6	BRAZIL	1.2	VENEZUELA	1.0	QATAR	1.0
12	ALGERIA	1.6	QATAR	1.2	BRAZIL	0.9	COLOMBIA	1.0
13	QATAR	1.3	TURKEY	1.1	OMAN	0.8	BRAZIL	0.7
14	EGYPT A RP	1.1	COLOMBIA	1.0	QATAR	0.7	LIBYA	0.5
15	BRAZIL	1.1	MALAYSIA	0.8	KOREA RP	0.7	MALAYSIA	0.4
Memo: Share in %								
Top 5 Share		67.2		74.4		82.6		82.8
Top 10 Share		84.2		88.5		92.4		93.6
Top 15 Share		90.9		93.6		96.6		97.2

Source: SBI Research, Ministry of Commerce and industry

If not Russia… then where could India look to Replace Russian Oil?

- Besides Russia, India buys oil from Iraq - its top supplier before the war in Ukraine followed by Saudi Arabia - and the UAE
- Indian refiners mostly buy oil from Middle Eastern producers under annual deals with the flexibility to request more supply every month. Since US's sanctions, the refiners have bought crude from the United States, Middle East, West Africa, and Azerbaijan.
- India has diversified its sources of supply to about 40 countries with more supply is coming onto the market from Guyana, Brazil and Canada
- Before war, India was purchasing other countries like Middle East and Africa, etc. So, India may shift to the traditional middle eastern producers under annual deals with the flexibility to request more supply every month

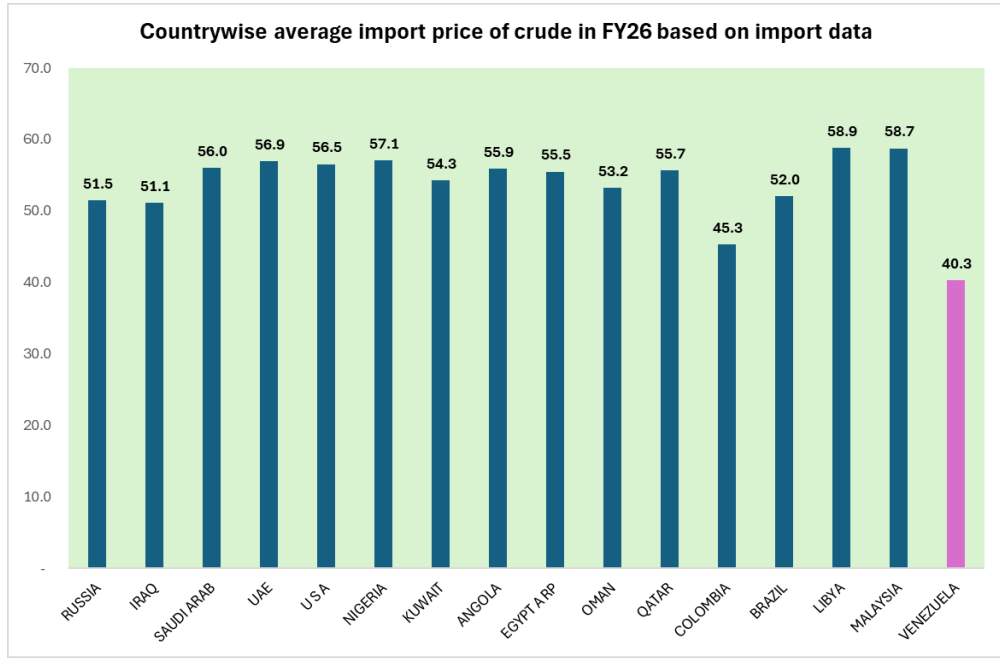
India's fuel import bill could even decline by $3bn in the event of shifting to Venezuela… discount of $10-12 could make the choice agnostic

- Cost of shifting from Russia to Venezuelan heavy crude is function of multiple factors
  - Level of discount on heavy crude vis-à-vis brent
  - Time /insurance cost of shipping from Venezuela which is has distance of 5 times for India via-a-vis Middle East and two times vis-a-vis Russia
  - Domestic capacity to process heavy crude and cost for technology changes if any
- We therefore feel transition matrix of the import basket will have multiple combinations
- Based on brute force scenario preserving past trends is analyzed
  - Options considered: Import from Russia cut to zero and shifted to Venezuela
  - Benefit: approx. $3 billion per year
- **However, the current Venezuelan heavy crude is at $51 per barrel as per Oil Price, and keeping in mind the any end of hostility in Ukraine may compress the current discount from Russia**
- **To make choice indifferent a discount in the range $10-12 is being considered**

Country-wise Oil Imports (in MMT)

Country	FY22	FY23	FY24	FY25	FY26 P	FY27 P (Sce 1)	FY27 P (Sce 2)
RUSSIA	4	51	83	88	75	40	0
IRAQ	56	51	50	49	50	60	60
SAUDI ARAB	39	39	33	33	33	40	40
UAE	22	22	14	22	30	40	40
US	20	15	8	11	30	40	40
KUWAIT	14	12	7	7	10	15	15
NIGERIA	15	8	5	5	8	15	15
ANGOLA	3	4	4	6	6	10	10
VENEZUELA	-	-	2	3	3	35	75
OTHERS	46	35	28	25	25	10	10
TOTAL	**220**	**237**	**231**	**245**	**270**	**305**	**305**

Source: SBI Research; P: SBI Projections



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