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NITI Aayog

TRADE WATCH

QUARTERLY

THEMATIC ANALYSIS:
GEMS AND JEWELLERY

Oct-Dec (Q3) FY 2025-26

TRADE WATCH QUARTERLY, Quarterly Report for the FY 2025-26

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TRADE WATCH

QUARTERLY

Oct-Dec (Q3) FY 2025-26

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Foreword

Global trade is presently navigating a period of transition, shaped by evolving demand patterns, technological shifts, and the ongoing reconfiguration of supply chains. Recent developments in energy markets, not only crude oil but also LNG and LPG, have further accentuated these pressures, influencing production costs, inflation, and trade balances across economies. In such an environment, the ability to remain steady while adapting to change is critical for sustaining growth.

Against this backdrop, this edition of *Trade Watch Quarterly* provides a timely assessment of India's external sector. Despite a complex global environment, India's trade has continued to expand at a steady pace, supported by the resilience of services exports and improving performance in key manufacturing segments. The gradual rebalancing of global trade towards developing economies, alongside strengthening regional linkages, presents new opportunities. India is increasingly positioning itself within these emerging networks, while maintaining strong engagement with advanced markets.

The focus on the *gems and jewellery* sector highlights one of India's important export strengths, supported by skilled craftsmanship and established production clusters. At the same time, evolving consumer preferences, the growing presence of lab-grown diamonds, and shifts in global value chains underscore the need for greater value addition, technological upgradation, and market diversification to sustain competitiveness.

More broadly, the analysis points to the importance of strengthening domestic capabilities while remaining well integrated with global markets, with a focus on reducing critical dependencies, enhancing competitiveness, and improving trade facilitation.

I commend the efforts of the Economics & Finance-I team at NITI Aayog in bringing out this edition of *Trade Watch Quarterly*. I am confident that it will serve as a valuable resource for policymakers, industry, and researchers.

Suman K. Bery

New Delhi
April, 2026

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FOREWORD

The global trade environment continues to evolve amid shifting demand patterns, supply chain realignments, and periodic uncertainty in commodity markets, with the recent oil crisis exerting broad spillover effects on inflation, trade costs, and external balances. These developments reemphasis the importance of resilience, even as economies adapt to external shocks. India's experience in navigating such headwinds reflects its inherent strengths a diversified export base, strong services competitiveness, and calibrated policy responses which together position it well to sustain growth and leverage emerging opportunities in a reconfiguring global trade landscape.

Against this backdrop, the present edition of Trade Watch Quarterly provides a comprehensive assessment of India's external sector performance during Q3 FY26. The analysis reflects a steady expansion in overall trade, supported by resilient services exports and sustained momentum in select merchandise sectors. The growing role of services as a stabilising force, alongside gradual diversification in export destinations and products, points to an increasingly balanced and resilient trade structure.

A key thematic focus of this edition is the gems and jewellery sector, an area where India has long demonstrated global strength, particularly in diamond processing and jewellery manufacturing. The report highlights both the enduring advantages of the sector, rooted in skilled labour, cluster-based production, and strong export linkages. While export diversification has progressed, import dependence particularly in key raw materials and intermediate goods remains significant. Addressing such asymmetries through deeper integration into global value chains, strengthening domestic capabilities, and improving trade facilitation will be critical for enhancing long-term resilience.

I would like to acknowledge the valuable contributions of the Advisory Board and the Economic & Finance-I team at NITI Aayog in preparing this report. Their continued efforts in advancing evidence-based policy analysis remain instrumental in shaping India's trade and economic strategy.

Arvind Virmani

New Delhi
April, 2026

(Arvind Virmani)

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FOREWORD

Global trade in 2025 has continued to expand, even as the external environment remains uncertain and uneven. While growth has been uneven across regions, overall trade activity has held up, supported by continued demand and gradual adjustments in supply chains. At the same time, services trade has maintained a stronger momentum, particularly in digitally delivered segments, indicating a gradual shift in the composition of global trade. These trends point to a trade landscape that is adapting, rather than slowing, under evolving global conditions.

2. Against this backdrop, India's trade performance reflects steady progress. During April–December 2025, India's total merchandise and services trade expanded, with exports growing marginally faster than imports. While merchandise trade continues to be shaped by global demand conditions and domestic consumption, the sustained expansion in services exports has helped offset pressures from the merchandise deficit and supported overall external stability. Alongside traditional partners in North America and Europe, there is increasing momentum in regions such as Northeast Asia and Africa, indicating a more dispersed export footprint. This is also reflected in the declining trend in the Herfindahl-Hirschman Index (HHI) for exports, pointing to a steady improvement in diversification across both markets and products.

3. The thematic focus of this edition on the gems and jewellery sector highlights an important segment of India's export basket. India continues to hold a strong position in diamond processing, supported by established clusters and a large skilled workforce. At the same time, the sector remains dependent on imported raw materials and concentrated in a limited set of markets. Ongoing shifts, including the rise of lab-grown diamonds and changing consumer preferences, are influencing both demand patterns and the structure of global trade in this segment. Sustaining India's trade momentum will require continued efforts to enhance competitiveness and value addition. Improving logistics efficiency, reducing transaction costs, and strengthening integration into global value chains will be important. At the same time, expanding capabilities in higher-value manufacturing exports will remain central to ensuring a balanced and resilient trade framework.

4. I commend the team for their rigorous analysis and continued efforts in delivering timely and insightful assessments. I am confident that this edition will provide useful inputs for policy discussions and contribute to strengthening India's trade performance over the medium term.

Dated: 17th April, 2026

[Nidhi Chhibber]

Dr Pravakar Sahoo
Senior Lead, E&F I
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Government of India

Acknowledgement

Global trade continues to evolve in an environment marked by uncertainty, shaped by geopolitical developments, shifting supply chains, and changing demand patterns. While global goods trade recorded moderate growth during Q3 FY26, services trade maintained strong momentum. These developments underscore a global trade landscape that is adapting to both structural shifts and emerging risks, with increasing emphasis on resilience and diversification.

This edition of Trade Watch Quarterly reviews India's trade performance in Q3 FY26, highlighting evolving trade balances, and patterns of diversification. It highlights a divergence in trade patterns, with exports becoming more diversified across products and regions, while imports remain concentrated in a few critical sectors, highlighting the need for India to further diversify its import sources and strengthen domestic capabilities in key sectors to enhance resilience.

The thematic focus of this edition is the gems and jewellery sector, a key contributor to India's exports and employment. However, India's exports remain concentrated in a few products particularly cut and polished diamonds. The sector also continues to rely on imported raw materials such as gold and rough diamonds, alongside a concentration of exports in few markets. Going forward, there is significant potential to enhance value addition, diversify export markets, and strengthen the sector's overall competitiveness.

The analyses presented in this report aim to inform policy by providing a comprehensive assessment of trade trends and emerging structural shifts. I would like to express my sincere gratitude to Shri BVR Subrahmanyam, former CEO of NITI Aayog, for his visionary leadership and invaluable guidance during his tenure, and to Ms. Nidhi Chhibber, CEO of NITI Aayog, for her continued guidance and support. I also extend my thanks to the members of the Advisory Board and Dr. Ashwani Bishnoi for their valuable insights and contributions. I also commend the Economic & Finance-I team at NITI Aayog for their dedicated efforts in bringing out this edition of the Trade Watch Quarterly.

New Delhi
April 2026

Pravakar Sahoo

Pravakar Sahoo

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EXECUTIVE SUMMARY

Global trade remained resilient in 2025 despite persistent uncertainty, with goods trade recording around 8% year-on-year growth in Q3 FY 2025-26 (October–December), while services continued to expand at a faster pace, led by digitally delivered segments. Against this backdrop, India's total merchandise and services trade grew by 5.3% y-o-y during April–December 2025, reaching approximately $1.37 trillion with exports growth of 5.4%, slightly outpacing import growth of 5.2%. This was further supported by a robust y-o-y increase of 12.8% recorded in the services surplus.

India's merchandise export basket remains diversified led by electrical machinery, mineral fuels, nuclear reactors, gems and jewellery and iron and steel, with growth driven by smartphones, engineering goods, and vehicle exports. On the import front, the basket continues to be dominated by mineral fuels, gold, electrical machinery, and capital goods. Geographically, while traditional markets such as North America, particularly the US and Europe, led by the Netherlands, continued to anchor exports, emerging regions like Northeast Asia and East Africa are gaining importance, indicating gradual diversification. The share of trade with FTA partners has increased sixfold, rising from 4.6% in 2006 to 28.8% in 2024, with the majority of the FTAs with Asian partners indicating growing integration in the regional trade.

The analysis of trade concentration using the Herfindahl-Hirschman Index (HHI) further reinforces this divergence. India's exports have become increasingly diversified over time, with declining concentration in both products and regions. In contrast, imports remain relatively concentrated, particularly in mineral fuels and electronics. This highlights the need for strategic diversification of import sources and strengthening domestic production capabilities in critical sectors.

The thematic analysis of the Gems and Jewellery sector underscores both India's strengths and structural challenges. The sector commands a global market size of $378.1 bn excluding raw gold (HS 7108) in 2024. India's exports are valued at $29.5 bn, translating to a share of 7.8% in 2024, led by precious metal jewellery and unworked and unmounted diamonds. Precious metal jewellery and diamonds together account for 54.8% of global demand ($207.3 billion), with India exporting $26.7 billion, reflecting a strong 13% share. In contrast, across the remaining products (46.8% of demand, $170.8 billion), India's exports stand at $2.8 billion, translating to a much lower 2% share, highlighting significant export concentration.

Globally, the share of six of the ten HS-4-level products in this chapter has declined in world demand in 2024 as compared to their share in 2015, while three have recorded only marginal growth of less than 1%. Raw gold stands as an exception, registering a 14.6% increase in the same period. India's share has remained largely stagnant or declined across most of these products. Platinum, scrap and waste of precious metals, and silver are among the emerging segments recording a strong CAGR of 6-7% and collectively represent a world market size of $103 bn.

The sector remains an important contributor to the Indian economy, with a share of approximately 2.2% of total manufacturing output and 7% of GDP and employs about 50 lakh workers as of 2022–23. For India, gems and jewellery (HS 71) which includes raw gold is the third largest import item, dominated by raw materials, comprising

unwrought or semi-processed precious metals, particularly gold, whereas it is the fourth largest in the export basket, concentrated by cut and polished diamonds and gold jewellery. The export market for the chapter is also geographically concentrated, with the US, UAE, and Hong Kong together accounting for nearly 70–75% of total exports, which makes it pertinent to study given the current geopolitical environment.

India's Gems and Jewellery sector (HS 71) shows increasing export diversification but declining alignment with global demand, as reflected in the Trade Complementarity Index, which fell from 53.8 in 2001 to 25.1 in 2024. While exports have become more diversified, with a reduced dominance of diamonds and a rising share of jewellery, import dependence remains concentrated, particularly on gold. Overall, the sector needs further reorientation to better align with evolving global demand and strengthen competitiveness.

Interestingly, the leading exporters globally, such as Switzerland and Hong Kong, do not necessarily possess the raw materials required in the sector but have conducive policies related to financial trading, refining capabilities, and market access that have worked favourably over the years in strengthening their positions. The report also explores the policies that have contributed to the flourishing of these industries.

In India, the industry faces challenges related to access to finance, the availability of granular data on value addition and employment, and limited capabilities in designing low-carat jewellery. These constraints have, in turn, weighed on its export performance. Given India's comparative advantage in diamond and gold jewellery, the report presents a snapshot of its current position, along with a comparative analysis of leading domestic and international exporters, and outlines policy suggestions to strengthen its global standing in the sector.

HIGHLIGHTS

1. India's total merchandise and services trade grew steadily during April–December FY 2025-26, rising by about 5.3% year-on-year to $1.37 trillion, with a strong and rising services surplus helping offset the elevated merchandise trade deficit and stabilising the overall external balance.
2. Merchandise exports during Q3 FY'26 grew by 1.6% y-o-y to $110.48 bn and imports rose by 7.9% to $202.33 bn, services exports increased by 7.8% to $111.2 bn and imports rose by 2.8% to $53.7 bn.
3. Export composition remained unchanged from Q2 FY'26. Import composition was stable despite a persistent surge in fertiliser imports. Directionally, Spain replaced Singapore as the tenth leading export destination and Japan replaced Indonesia as the tenth largest import source.
4. Regionally, Northeast Asia recorded strong export growth of 33.5% during the quarter, driven by higher shipments to China and Hong Kong. For imports, West Africa rose sharply by 59.8% y-o-y, driven by natural pearls, fertilisers and cotton during the quarter.
5. Herfindahl-Hirschman Index (HHI) trends indicate India's exports have become more geographically and product-wise diversified, with Asia's share moderating from ~49% to ~40% alongside rising shares of Europe (~22%) and America (over 25%) during 2017-18 to 2024-25.
6. India's Trade Complementarity Index (TCI) with the world has improved at the HS-2 level driven by sectors like engineering goods, petroleum, chemicals, and electronics but remains stable at the HS-6 level, indicating selective rather than broad-based alignment, with persistent gaps in high-value and technology-intensive segments.
7. FTA partners have emerged as a key driver of India's trade integration, with their share in total trade rising sharply from 4.6% in 2006 to 28.8% in 2024, reflecting deeper economic linkages and expanding market access under trade agreements.
8. India continues to be a significant global player in the gems and jewellery sector (HS 71), especially in worked diamonds. Although including raw gold makes this category appear as the fifth-largest globally traded merchandise segment, with demand reaching $1.05 trillion, excluding raw gold provides a more accurate representation of the sector's core trade, with global demand estimated at $378 billion.
9. India's exports in 2024 (excluding raw gold) stand at $29.5 billion, accounting for a 7.8% share of the $378 billion global gems and jewellery market.
10. Diamonds (HS 7102) and gold jewellery (HS 7113) constitute the core of India's export basket, comprising over half of the overall world demand. In diamonds, India exhibits a strong RCA (Revealed Comparative Advantage) of 5.77, accounting for 16.9% ($12.3 bn) of global demand.
11. India's share in the global gems and jewellery exports (HS 71, including raw gold) declined from 6.1% in 2015 to 2.9% in 2024, even as global demand became increasingly concentrated in raw gold and weakened in segments such as unworked and unmounted diamonds.

12. India's gems and jewellery trade (including raw gold) is highly concentrated, with the US, UAE and Hong Kong accounting for about 73% of India's exports, and UAE, Switzerland and Hong Kong supply over 60% of imports.
13. Diamond and gold jewellery segments are being reshaped by evolving demographic and behavioural trends, with rising global preference for lower-carat gold presenting an opportunity for India to diversify its market focus while continuing to cater effectively to domestic demand.
14. The major challenges for exports are on account of seasonality of export demand from major markets, credit gap due to lack of trust from financial institutions, lack of integrated and granular data for the sector in national accounting and limited adaptability towards foreign market appetite for low-carat jewellery.
15. Strengthening the sector requires increased capacity utilisation of specialised clusters, targeted branding and promotion of GI products, inclusion of consignment exports for FTA duty benefits, improved data reporting, enhanced access to finance through credit guarantees and interest subvention, and the establishment of centres of excellence for skill development to support design, innovation, and value addition.

Contents

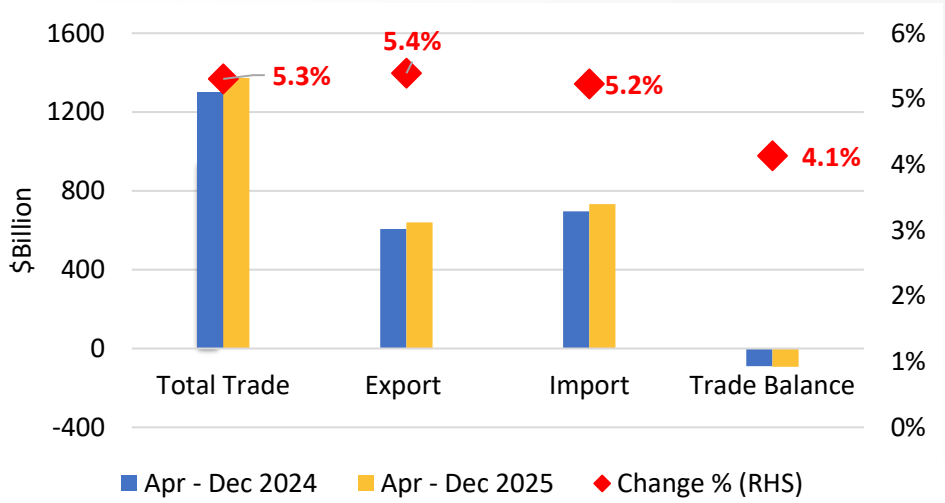
A.
INDIA'S TRADE ANALYSIS

A. India's Trade Analysis

Global trade in the year 2025 demonstrated resilience despite an uncertain macroeconomic environment, and global goods trade recorded a y-o-y growth of 8% in Q3 FY 2025-26 (October–December)[1]. At the same time, trade in services maintained strong momentum, driven in particular by the continued expansion of digitally delivered services, highlighting the growing importance of the digital economy in sustaining global trade growth.

India's merchandise and services trade performance recorded a 5.3% y-o-y increase during April–December 2025, supported by steady growth in both exports and imports. During this period, total trade reached $1373 bn. Exports witnessed a growth of 5.4%, reaching $640.30 bn, while imports grew by 5.2%, amounting to $732.57 bn between April–December 2025 (Fig 1).

Fig 1: Total Trade performance between Apr-Dec'25



Source: Department of Commerce, MoC&I, GOI

1. Merchandise and Services Analysis

In December 2025, merchandise exports recorded a moderate increase of 1.8%, reaching $38.47 bn, while imports witnessed a stronger growth of 8.8%, reaching $63.55 bn (Fig 2). India's total trade (merchandise and services) in Q3 FY 2025-26 grew by 5.6% y-o-y. In Q3 FY 2025-26, merchandise exports increased by 1.6% y-o-y to $110.48 bn, while imports rose by 7.9% reaching $202.33 bn (Fig 3). This resulted in a net merchandise trade deficit of $91.85 bn for the quarter.

1 https://documents1.worldbank.org/curated/en/099714403232699040/pdf/IDU-81203430-2cd3-4a58-bd54-af754b57fba1.pdf

Fig 2: Merchandise Trade (Monthly)

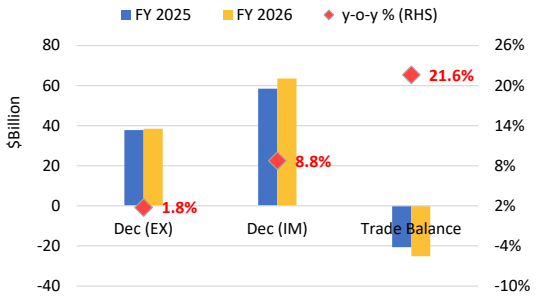
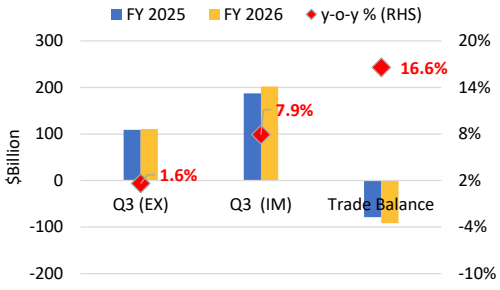


Fig 3: Merchandise Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

India's services exports for December 2025 stood at $41.8 bn, registering a strong y-o-y growth of 13.3%, while services imports increased by 7.4% reaching ~$19.1 bn (Fig 4). During Q3 FY 2025-26, services exports witnessed a robust annual expansion of 7.8%, reaching $111.2 bn and services imports rose moderately by 2.8% to $53.7 bn during the same period, resulting in a net services trade surplus of $57.5 bn (Fig 5). The combined balance of trade in goods and services recorded a net deficit of $34.35 bn for this quarter.

Fig 4: Services Trade (Monthly)

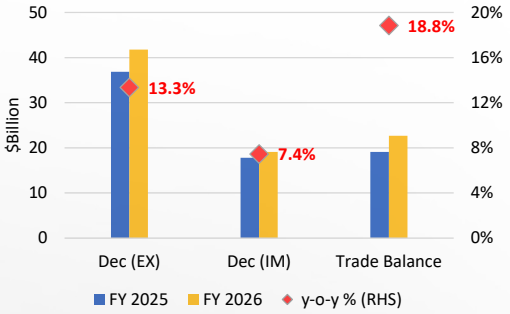
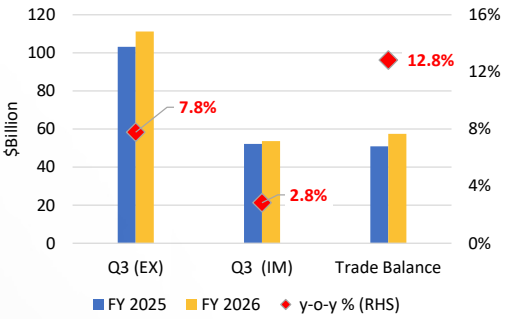


Fig 5: Services Trade (Quarterly)



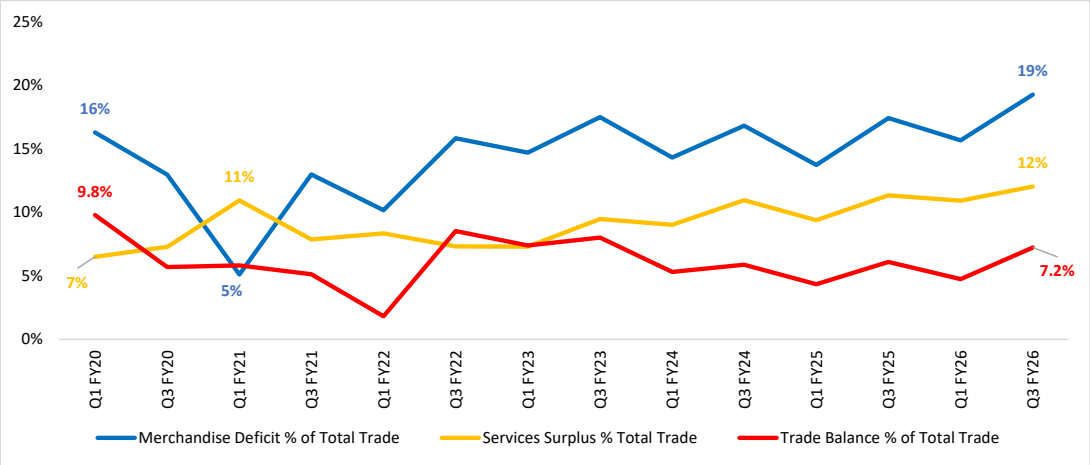
Source: Department of Commerce, MoC&I, GOI

2. Evolving Merchandise Deficit and Services Surplus Dynamics

The evolving composition of India's external trade reflects a gradual but clear shift towards a more services-driven balance, with both the merchandise deficit and the services surplus increasingly viewed relative to total trade (merchandise plus services). This broader lens provides a more integrated assessment of external sector dynamics, capturing the relative contribution of goods and services in shaping overall trade outcomes and macroeconomic stability.

At a granular level, monthly trends during FY2025–26 (April–December) reinforce the pattern of gradual rebalancing. The merchandise trade deficit, after a temporary spike to nearly $42.0 bn in October, moderated to around $25.1 bn by December, indicating a correction following short-term pressures. Meanwhile, the services surplus maintained a steady upward trajectory, increasing from $15.9 bn in April to $22.7 bn in December. This consistent expansion highlights the resilience and growing global competitiveness of India's services exports, particularly in IT and professional services, and their increasingly central role in stabilising the external account.

Fig 6: Quarterly Merchandise Deficit and Services Surplus Trend (Q1 FY20-Q3 FY26)



Source: Department of Commerce, MoC&I, GOI

A quarterly analysis based on this combined measure highlights both cyclical movements and structural shifts. The merchandise trade deficit, as a share of total trade, declined sharply from around 16% in Q1 FY2020 to about 5% in Q1 FY2021 amid pandemic-induced import compression, before rising again as the economy recovered. Since then, it has fluctuated within a moderate range, reaching around 19% in Q3 FY2026 after moving from about 16% in Q1 FY2026. This indicates a gradual re-emergence of deficit pressures in line with increasing domestic demand. In contrast, the services surplus, when measured as a share of total trade, has exhibited a steady upward trajectory, from about 6–7% in FY2020 to nearly 12% by Q3 FY2026, with relatively lower volatility (Fig 6).

The widening gap between the two, though still moderate in magnitude, underscores a structural trend wherein services are playing an increasingly important role in offsetting merchandise trade imbalances, even as goods trade remains sensitive to cyclical and external factors. The persistence of this divergence between goods and services trade is rooted in structural factors. India's increasing domestic demand continues to drive imports, which, while widening the merchandise deficit, also signals underlying economic strength rather than vulnerability. At the same time, India's global competitiveness in services, particularly in IT, business, and professional services, has ensured sustained export growth. Recent data indicate that services exports have continued to grow at a healthy pace, reinforcing their role as a key stabiliser of the current account. This reflects a deeper structural shift in India's trade composition, where services are increasingly compensating for deficits in merchandise trade.

Overall, the evolving trend underscores a positive narrative for India's external sector. As India continues to diversify its export base and enhance competitiveness in both manufacturing and high-value services, this dual trade structure is likely to provide greater resilience against global uncertainties. In this context, the trend reaffirms that while merchandise deficits remain an inherent feature of a fast-growing, over-populated economy, the sustained strength of services exports is effectively anchoring macroeconomic stability.

3. Compositional Analysis

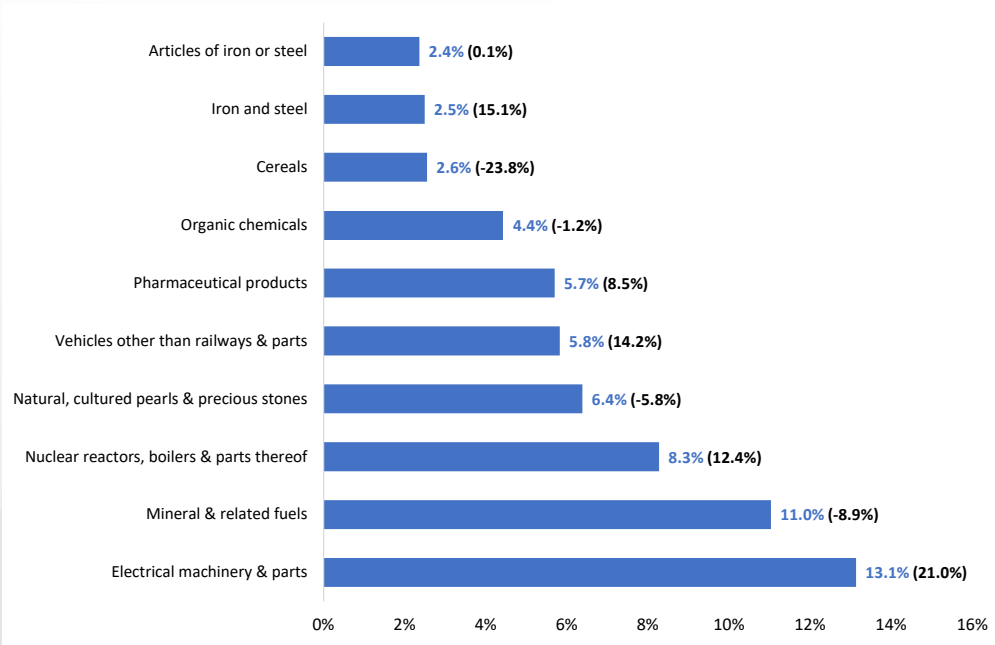
3.1 Merchandise Exports

In Q3 FY 2025-26, the leading[2] exports amounted to $68.7 bn marking a y-o-y increase of 4%. The leading commodities continued to be electrical machinery and parts (13.1% share), mineral and related fuels (11%), and nuclear reactors (8.3%). For Q3 FY 2025-26 y-o-y growth was recorded for all the top ten commodities with electrical machinery, iron and steel and vehicles recording strong y-o-y growth of 21.0%, 15.1% and 14.2% respectively (Fig 7).

Exports of electrical machinery recorded a sharp increase, supported by the sustained expansion in smartphone shipments. The surge in iron and steel exports, especially ferro-silico-manganese and flat-rolled products in coils (HS 720250 and 720838 respectively) was driven by European buyers increasing purchases to build inventories ahead of the introduction of a new carbon tax[3]. At the same time, merchandise exports from the automobile sector strengthened, driven by increased shipments of passenger vehicles.

Under nuclear reactors, boilers & parts thereof, exports recorded strong growth of 12.4%, driven by higher demand for watertube boilers with a steam production (HS 840211) and linear acting (cylinders), hydraulic power engines and motors (HS 841221).

Fig 7: Composition and Growth of Exports



Note: Y-o-y growth of the commodity in India's export for this quarter is mentioned in parenthesis

Source: Department of Commerce, MoC&I, GOI

2 Leading commodities are the top ten commodities with the highest value share in exports in the current quarter.

3 https://www.thehindu.com/business/Industry/india-will-support-steel-exports-hit-by-europes-carbon-tax-federal-secretary-says/article70612415.ece

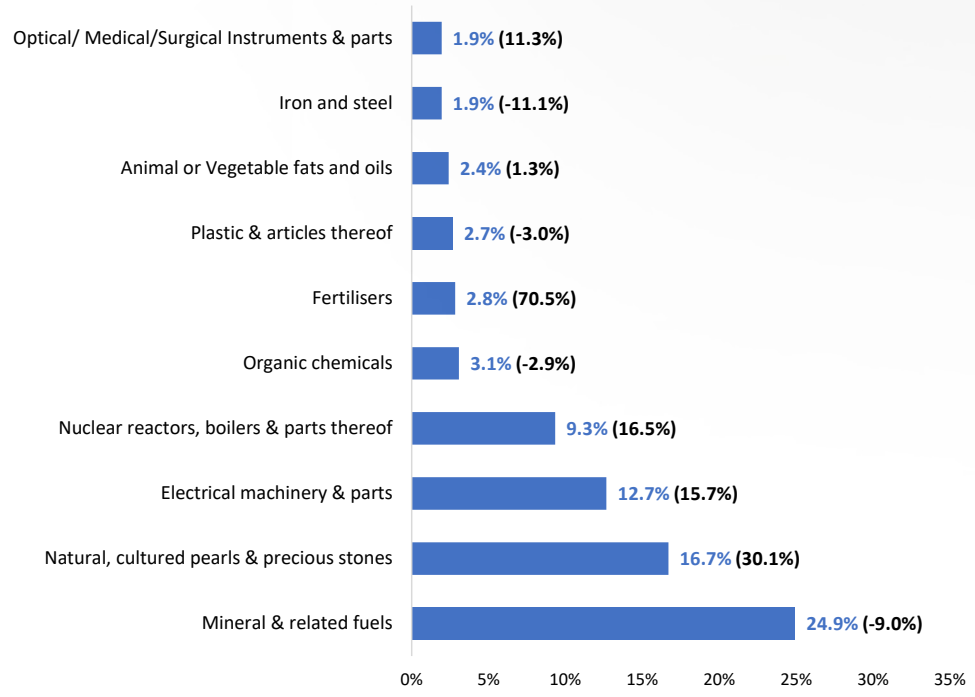
3.2 Merchandise Imports

In Q3 FY 2025-26, the leading[4] imports amounted to $158.7 bn marking a y-o-y increase of 7.4%. The imports continue to be led by mineral fuels (24.9% share), natural and cultured pearls (16.7%), electrical machinery (12.75%), and nuclear reactors (9.3%). (Fig 8)

In growth terms, fertilisers recorded a sharp y-o-y increase of 70.5% in Q3 FY 2025-26 over Q3 FY25, rising from $3.3 bn to $5.7 bn, due to increasing domestic demand. This growth was primarily driven by higher imports of DAP and urea. Imports of natural and cultured pearls also increased by 30.1% y-o-y, driven by festive demand and restocking amid strong demand for luxury goods. Electrical machinery recorded a 15.7% increase, led by rising imports of processors and controllers, smartphone components, and electronic integrated circuits.

In contrast, four product categories within the top ten imports for the quarter registered contractions. The steepest decline was observed in iron and steel, which fell by 11.1%, while the mildest contraction was recorded in organic chemicals at 2.9% .

Fig 8: Composition and Growth of Imports



Note: y-o-y growth of the commodity in India's imports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

4 Leading commodities are the top ten commodities with the highest value share in imports in the current quarter.

4. Trade Direction

4.1 Merchandise Exports

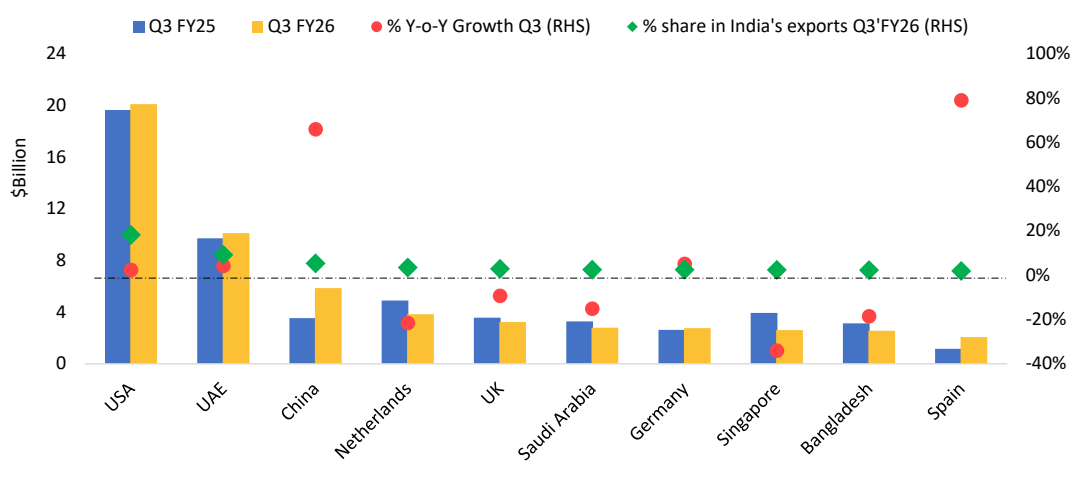
India's exports to its top markets[5] contributed around 50.5% of total exports in Q3 FY 2025-26, amounting to ~$55.8 bn, with a y-o-y increase of 0.8%. Spain entered the top ten export destinations during the quarter replacing Hong Kong in the previous quarter.

Among the top ten export destinations, India recorded positive y-o-y growth in Q3 FY 2025-26 across five markets, with the strongest growth observed in Spain (79%), although total exports to the destination remain modest at $2.06 bn (Fig. 9). Export growth to Spain was driven by strong demand for refined petroleum products in southern Europe, particularly mid-distillates, alongside a broader reconfiguration of Europe's energy sourcing following EU restrictions on Russian fuel, which increased reliance on alternative suppliers such as India[6].

Other destinations posting strong growth include China, where exports expanded by 65.8%, driven by higher shipments of petroleum products, engineering goods, electronic goods, organic and inorganic chemicals, iron ore, and marine products. This pattern underscores India's expanding industrial capabilities and its growing role as a supplier of raw materials and intermediate goods to China's manufacturing sector[7]. Exports to Germany and the UAE also surged due to strong demand for engineering goods, electronics, and textiles, bolstered by strategic trade agreements like the CEPA with the UAE.

Contractions were observed in five destinations among the top ten. The sharpest declines in exports were to Singapore and the Netherlands, at 34% and 21.5%, respectively. Meanwhile, the UK, Saudi Arabia, and Bangladesh recorded declines of 9.3%, 15.1%, and 18.5%, respectively. The decline in exports to the Netherlands was primarily driven by a sharp drop in petroleum products, along with weakened demand for key commodities such as telecom instruments and electronic components.

Fig 9: India's exports to major destinations



Source: Department of Commerce, MoC&I, GOI

5 Top markets are the top ten markets with the highest value share in total exports for the current quarter.

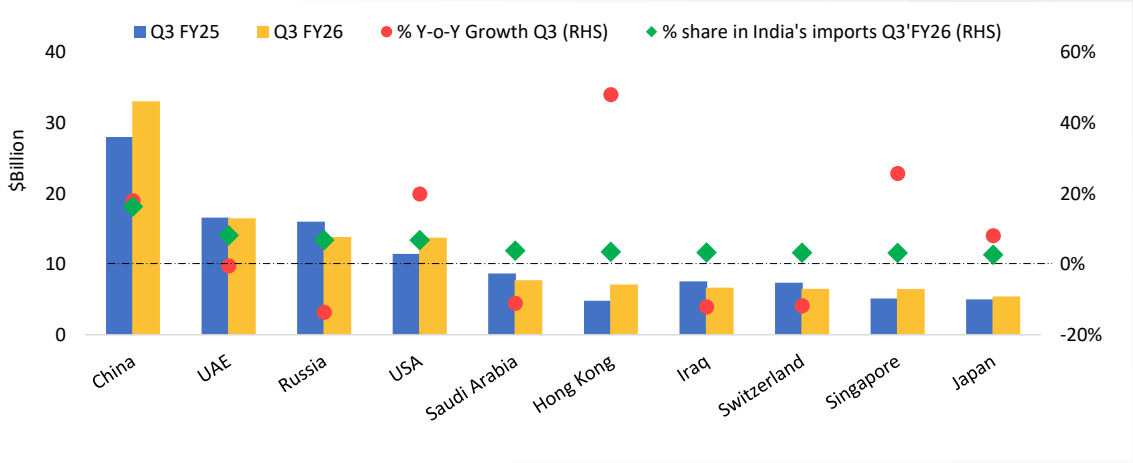
6 https://www.moneycontrol.com/news/business/spain-is-europe-s-new-hub-for-indian-petroleum-imports-soar-almost-46-000-13656471.html

7 https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=2175702&utm&reg=3&lang=2

4.2 Merchandise Imports

India's share of imports from its top[8] markets continued to account for around 60% of total imports in Q3 FY 2025-26, amounting to ~$117 bn. China, the UAE and Russia continued to remain the major markets with Hong Kong recording a sharp import growth of 48.1%. Japan entered the top ten import markets during the quarter replacing Indonesia in the previous quarter. Decline in y-o-y growth was recorded with five economies with the sharpest in Russia of 13.6% and the least with the UAE of 0.4% (Fig 10).

Fig 10: India's imports from major destinations



Source: Department of Commerce, MoC&I, GOI

Rising imports from Hong Kong were primarily driven by a surge in demand for precious stones and metals, including a significant jump in pearl stone imports. Imports from China increased due to a rise in fertiliser demand.

5. Regional Analysis

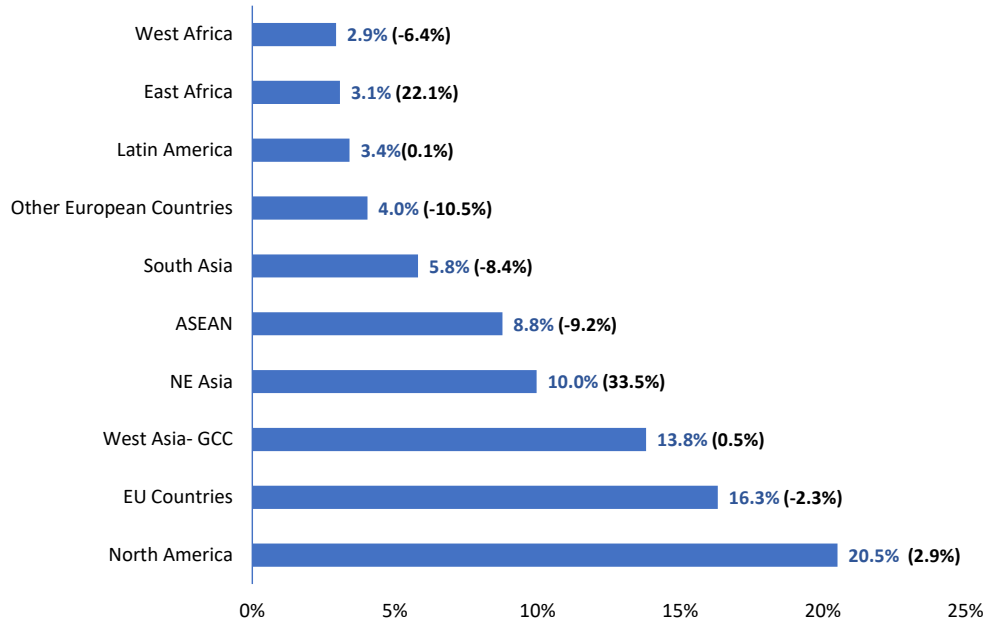
5.1 Merchandise Exports

India's exports to its top 10 export regions, accounted for 88.6% of its total exports in Q3 FY 2025-26, show a y-o-y increase of 1.4%. The top three regions recorded positive growth, with North America accounting for approximately a quarter of total exports during this quarter, recording a y-o-y growth of around 2.9%. EU countries, another major export destination, experienced a y-o-y growth of ~16%. Contractions were witnessed for five destinations within the top ten with the highest decline recorded in Other European countries at 10.5%. (Fig 11)

Northeast Asia witnessed strong growth during the quarter, largely supported by a surge in shipments from China and Hong Kong. At the commodity level, the increase was driven by higher exports of copper, electrical machinery, natural and cultured pearls, and cotton. Similarly, East Africa registered growth of about 22.1%, backed by increased exports to Djibouti, Kenya, and Tanzania.

8 Top markets are the top ten markets with the highest value share in total imports for the current quarter.

Fig 11: Region-Wise Export Composition and Growth



Note: y-o-y growth of the region in India's exports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

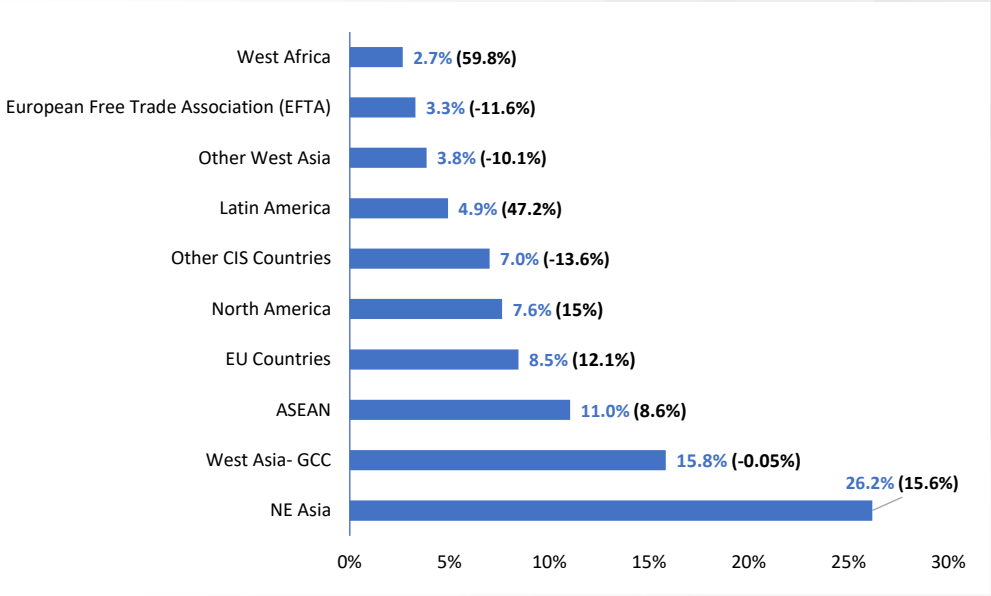
5.2 Merchandise Imports

India's Q3 FY 2025-26 imports registered an overall y-o-y growth of 8.2% to the top ten regions, reaching $183.9 bn this quarter. These regions collectively accounted for 90.8% of India's imports during the quarter. Six out of ten regions continued to experience positive y-o-y growth. India's imports mainly came from Asian countries, i.e., North East (NE) Asia, West Asia and ASEAN countries, together accounting for ~53% of total imports during the quarter. (Fig 12)

Strong growth was observed in West Africa, with imports rising from $3.3 bn to $5.3 bn during the quarter, driven by a sharp increase in shipments from Ghana and Burkina Faso. At the commodity level, the expansion was led by higher imports of natural and cultured pearls, fertilisers, and cotton. Latin America also recorded robust growth of around 47.21%, supported by increased imports of natural and cultured pearls. In contrast, imports from EFTA declined by 11.6%, primarily attributable to a reduction in gold imports.

The evolving regional composition of India's exports highlights the growing significance of emerging markets such as West Africa, East Africa, and NE Asia as important avenues for diversification. While traditional destinations like North America and the EU continue to account for a substantial share, the relatively faster growth observed in regions such as East Africa and the steady expansion in NE Asia indicate a gradual broadening of India's export footprint. On the import side, however, the concentration remains skewed towards regions such as NE Asia and West Asia–GCC, underscoring continued dependence on a few key geographies despite some growth in alternative regions like Latin America and Africa.

Fig 12: Region-Wise Import Composition and Growth



Note: y-o-y growth of the region in India's imports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

In this context, it becomes important to systematically assess whether such shifts are translating into a more diversified trade structure. The Herfindahl-Hirschman Index (HHI) is therefore employed to quantify the degree of concentration in India's trade across regions, enabling an evaluation of whether the increasing engagement with emerging markets is effectively contributing to diversification or if trade continues to remain concentrated in a few key geographies.

6. Herfindahl-Hirschman Index (HHI) Analysis of India's Trade Concentration

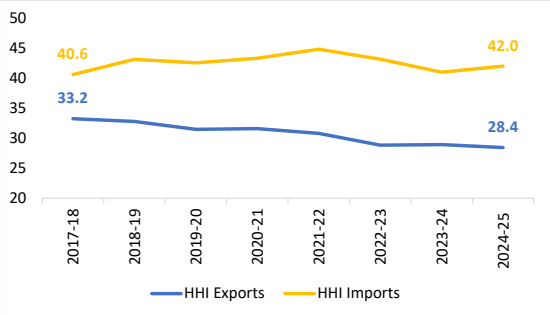
In an increasingly uncertain global environment marked by geopolitical tensions, supply chain disruptions, and the reconfiguration of trade networks, the degree of concentration in a country's trade assumes critical importance. The Herfindahl-Hirschman Index (HHI) serves as a useful indicator in this context, capturing the extent to which trade is dependent on a limited number of products and regions. A more diversified trade structure enhances resilience by reducing exposure to region and product-specific shocks, while higher concentration can amplify vulnerabilities, particularly in times of global instability.

The Herfindahl-Hirschman Index (HHI) for market concentration has been computed to assess the degree of concentration in India's trade across major regions, namely Europe, Africa, America, Asia, and CIS & Baltics and top ten traded products. The index is calculated as the sum of the squares of the share of each in total trade, thereby assigning a higher weight to regions with larger shares. The index is interpreted such that higher HHI values indicate greater concentration (and hence lower diversification), while lower values reflect a more diversified and evenly distributed trade structure.

The region-wise assessment of India's HHI trends over recent years reveals a divergence in the patterns of export and import concentration. On the export side,

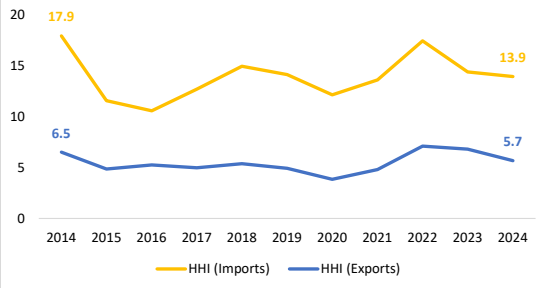
the index shows a steady decline, from about 33.2 in 2017–18 to 28.4 in 2024–25, indicating that India is gradually diversifying its export destinations. This suggests a broadening of market access and a reduced dependence on any single region. The regional composition of exports supports this trend, with the share of Asia moderating from nearly 49% to about 40%, and a corresponding increase in the shares of Europe (to around 22%) and America (to over 25%). Africa has also seen a modest rise. This shift reflects a more balanced geographical spread of exports, which strengthens India's ability to withstand demand shocks arising in specific regions.

Fig 13: Region wise HHI



Source: Department of Commerce, MoC&I, GOI, Author's Calculation

Fig 14: Product wise HHI



Source: ITC Trade Map, Author's Calculation

In contrast, region wise imports remain relatively concentrated, with the HHI staying elevated over the period. Despite some fluctuations, there is no clear and sustained movement towards diversification in sourcing. Asia continues to dominate India's import basket, consistently accounting for over 60% of total imports throughout the period. While there are marginal increases in imports from other regions, including Europe, America, and CIS & Baltics, these have not been sufficient to materially alter the overall concentration pattern. This persistence reflects dependencies in sectors such as energy, electronics, and for other intermediate goods, where supply chains remain closely tied to specific regions. (Fig. 13)

At the product level, HHI has been computed by summing the squares of the export and import shares of the top ten HS2 product categories for each year to assess concentration trends. For exports, the HHI declined moderately from about 6.5 in 2014 to 5.7 in 2024, suggesting a gradual increase in diversification over the decade. In the past 2–3 years, the index has shown a declining trend, suggesting a reduction in concentration after a temporary spike, and a movement towards a more balanced export basket. The composition of the top ten export products has remained largely stable, with around eight commodities consistently featuring over the past decade, with minor reshuffling. Notably, HS 71 (natural or cultured pearls, precious stones and metals) has seen a significant decline in share from 12.82% in 2014 to 6.76% in 2024 indicating reduced dominance. HS 62 (apparel, not knitted), which was consistently present in earlier years (2014-2019), no longer appears in the top ten in recent years, while HS 73 (articles of iron and steel) has entered the top 10 product basket in the last 2–3 years. Overall, the HHI values for goods exports remain in the lower range implying that India's exports are relatively diversified.

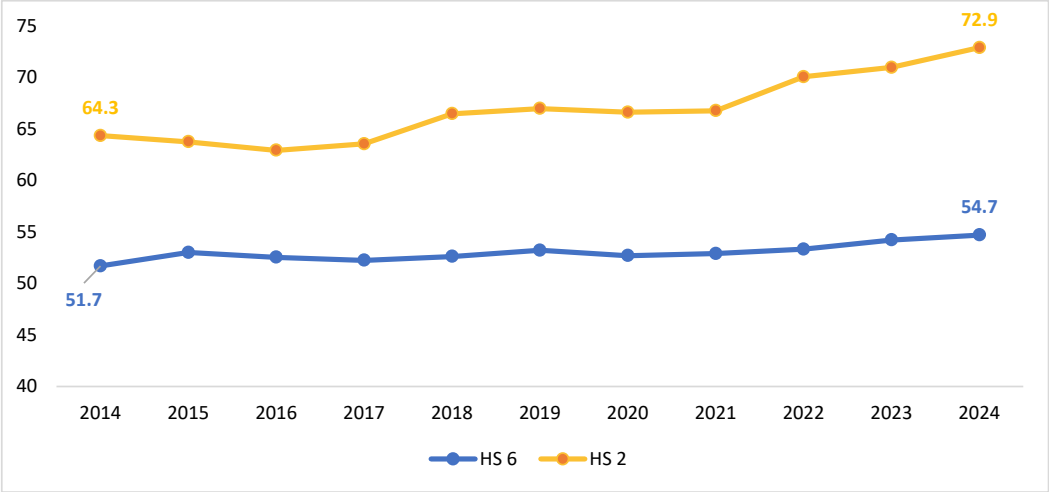
For imports, the HHI declines from around 17.9 in 2014 to 13.9 in 2024, indicating some degree of diversification over the decade; however, the index remains consistently higher than that for exports, pointing to a concentrated import basket. The composition of the top 10 import products has remained broadly stable over the decade, with limited reshuffling. The composition is dominated throughout by HS 27 (mineral fuels and oils), which retains a disproportionately large share ranging from about 25–38%, underscoring India's continued dependence on energy imports. HS 71 (natural or cultured pearls, precious stones and metals) also remains a key import category. HS 85 (electrical machinery and equipment) has seen its share nearly double, from about 6.95% in 2014 to 12.09% in 2024. HS 88 (aircraft, spacecraft, and parts thereof) has entered the top 10 product basket in the past 2 years. Overall, while some diversification is evident, the relatively high HHI levels suggest structural dependence on a few critical import categories, making import concentration an important aspect from trade resilience and economic security perspectives (Fig. 14).

The contrasting trajectories of exports and imports highlight an asymmetry in India's trade diversification process, with clear progress on the export front alongside continued import concentration. Strengthening alternative sourcing channels and gradually reducing overdependence on specific regions and products will be key to enhancing resilience. At the same time, sustaining the momentum of export diversification will remain critical for ensuring stable and broad-based growth, while also reinforcing India's integration with a wider set of global markets.

Against this backdrop, it is important to assess not just the extent of diversification, but also the degree to which India's export basket aligns with global demand patterns. The Trade Complementarity Index (TCI) provides a useful measure in this regard, capturing how closely a country's export profile matches its trading partners' import demand. Computed using product-level trade data at HS-2 and HS-6 level, the index compares the share of each product in a country's exports with its share in global imports, with the aggregated and normalised differences yielding a value between 0 and 100. Values closer to 100 indicate a higher degree of complementarity, implying stronger alignment with global demand. In India's case, at HS2 level the TCI with the world has shown a steady increase over the period 2014–2024, rising from about 64.3 to 72.9. This upward trend suggests that India's export composition has been progressively aligning with global demand, particularly in sectors such as engineering goods (including machinery and transport equipment), refined petroleum products, chemicals, and certain segments of the electronics sector. This is consistent with empirical evidence suggesting that higher trade complementarity enhances export potential by enabling countries to align more closely with prevailing global demand patterns[9].

9 https://www.sciencepublishinggroup.com/article/10.11648/j.jwer.20180702.11

Fig 15: India's Trade Complementarity Index with the World at HS 6 and HS 2 (2014-2024)



Source: ITC Trade Map, Author's Calculation

At a more disaggregated level of HS 6 digit, India's TCI remains relatively stable over the period 2014–2024, moving from about 51.7 to 54.7, indicating that while alignment has strengthened, it remains selective and uneven across individual products. The relatively moderate level of the index at the product level suggests that gains are concentrated in specific product lines within sectors such as chemicals, engineering goods, and petroleum products, rather than being broad-based. The index also provides an indication of potential 'natural trading partnerships', where stronger alignment can support sustained export expansion[10].

At the same time, gaps persist in high-value and technology-intensive segments, including advanced electronics, semiconductors, and sophisticated machinery, as well as in certain labour-intensive sectors like textiles and apparel, where global demand remains strong but India's export share has not expanded proportionately. Overall, while India's export basket is becoming increasingly attuned to global demand patterns, there remains significant scope to enhance competitiveness across a wider range of products. Going forward, India needs to deepen export diversification and strengthen capabilities in both high-value and labour-intensive sectors to achieve a more comprehensive and balanced alignment with global demand. (Fig 15)

7. Growing Role of FTA Partners in India's Merchandise Trade

Over the past two decades, the nature of international trade has shifted from the exchange of final goods to increasingly fragmented production processes spread across countries, with nearly 70% of trade being linked to global value chains (GVCs), where intermediate goods, components, and services cross borders multiple times before reaching final consumers[11]. Free Trade Agreements when negotiated prudently provide the framework that enables smoother cross-border movement of intermediate inputs and coordination across production networks enabling gains from access to technology, facilitating specialised production, and improved integration with the global economy[12]. FTAs are associated with strong, positive

10 https://www.mdpi.com/2071-1050/16/2/582

11 https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/11/trade-policy-implications-of-global-value-chains_f182d1f5/4989ef9e-en.pdf

12 World-Development-Report-2020-Trading-for-Development-in-the-Age-of-Global-Value-Chains.pdf

trade creation and have thus emerged as one of the most powerful instruments for accelerating economic growth and enhancing competitiveness.

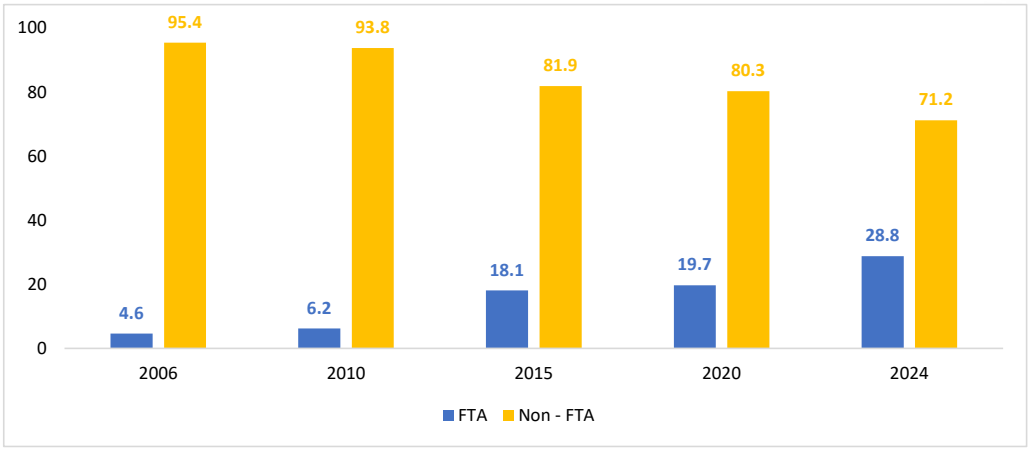
Over the past two decades, India's trade has progressively shifted towards FTA partner countries[13], reflecting deeper economic integration and expanding trade linkages. The share of trade with FTA partners has increased significantly from 4.6% in 2006 to 28.8% in 2024, indicating a more than six-fold rise. In contrast, the share of non-FTA partners has steadily declined from 95.4% to 71.2% over the same period.

India has signed 13 FTAs with various countries and regions, including Japan, South Korea, ASEAN, SAFTA, Mauritius, United Arab Emirates, and Australia. The timeline of agreements shows a steady progression from early partnerships such as Sri Lanka (2000) and Singapore (2005) to more recent agreements like the UAE and Australia in 2022, demonstrating a strategic push to widen trade engagement. Majority of these agreements are with Asian countries signifying India's strength in the regional value chains.

India's ongoing trade policy reflects a clear strategic push towards expanding and deepening its FTA network. India is actively negotiating or advancing trade agreements with key partners including United States, Israel, Gulf Cooperation Council, Canada, and Mexico, while also reviewing and upgrading existing agreements such as with ASEAN. These negotiations aim to enhance market access, facilitate the seamless flow of goods and services, and strengthen investment linkages across regions. For instance, the proposed India–GCC FTA is expected to promote trade, attract investments, and generate employment, while discussions with Canada target scaling bilateral trade to around $50 billion by 2030[14].

This expanding pipeline of trade agreements signals India's transition towards a more outward-oriented and integration-driven trade strategy. By forging partnerships across advanced and emerging economies, India is positioning itself more firmly within global production networks and value chains.

Fig 16: Share of FTA and Non-FTA Partners in India's Total Trade



Source: ITC Trade Map, Author's Calculation

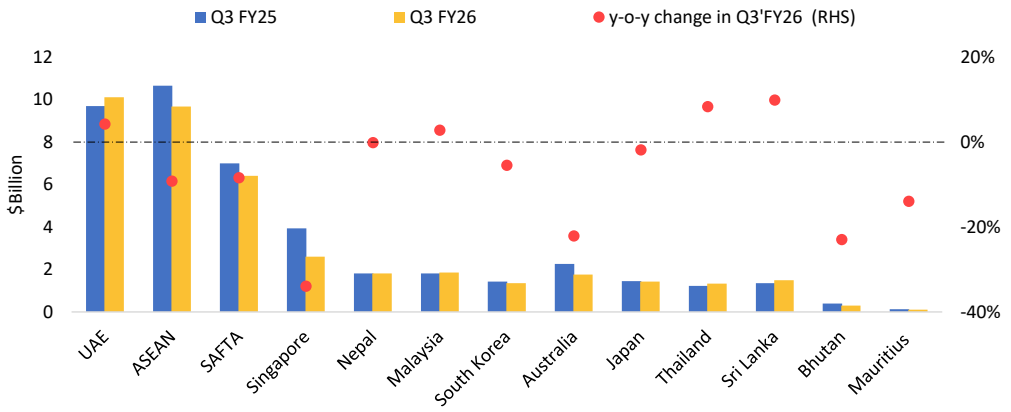
13 Countries/regions included in the analysis by year: 2006 (Thailand, SAFTA); 2010 (Thailand, SAFTA, ASEAN, South Korea); 2015 (ASEAN, Singapore, Malaysia, South Korea, Thailand, Japan, Sri Lanka, SAFTA); 2020 (ASEAN, Singapore, Malaysia, South Korea, Thailand, Japan, Sri Lanka, SAFTA); 2024 (ASEAN, UAE, Singapore, Australia, Malaysia, South Korea, Thailand, Japan, Sri Lanka, Mauritius, SAFTA).

14 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2233417&reg=3&lang=1

India's exports with its Free Trade Agreement (FTA) partner countries in Q3 FY 2025-26 stood at $40.26 bn, reflecting a decline of 7% y-o-y, indicating some moderation in export performance across key partner countries. In contrast, total imports from FTA partners increased by 6% y-o-y, reaching $70.98 bn during the quarter.

In India's export shipments to FTA countries, the contraction was led by Singapore (-34.0%), followed by declines in Australia (-22.2%), Bhutan (-22.9%) and Mauritius (-14.0%). Partially offsetting these declines, exports recorded growth to Thailand (8.3%), Sri Lanka (9.9%), UAE (4.2%), and Malaysia (2.8%) (Fig 17).

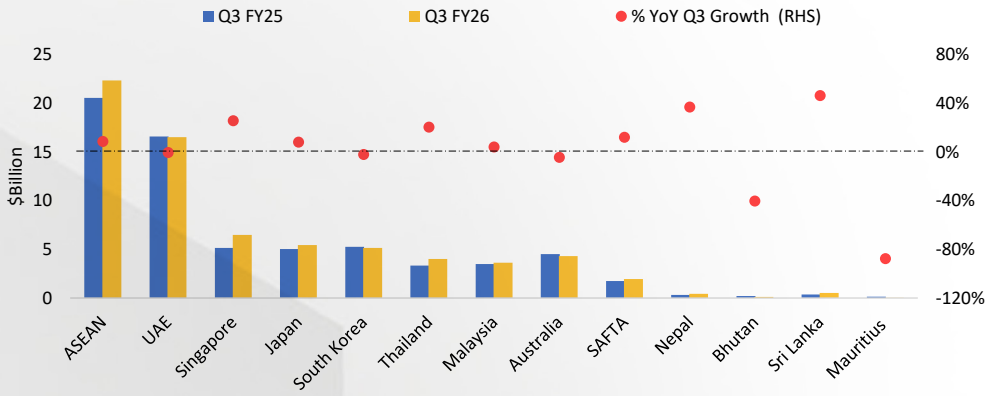
Fig 17: Exports- FTA Partners



Source: Department of Commerce, MoC&I, GOI

Imports from FTA partners increased from $66.75 bn to $70.98 bn, registering a growth of 6% y-o-y, driven by higher inflows from ASEAN (8.6%), Singapore (25.8%), Japan (8.1%), Thailand (20.5%), Malaysia (4.1%), and SAFTA (12.1%). Imports declined from Australia (-4.4%), South Korea (-2.1%), UAE (-0.4%), Bhutan (-40.4%), and Mauritius (-87.6%) (Fig 18).

Fig 18: Imports- FTA Partners



Source: Department of Commerce, MoC&I, GOI

B.
THEMATIC ANALYSIS: GEMS AND JEWELLERY

B. Thematic Analysis: Gems and Jewellery

1. Overview

India's gems and jewellery sector remains a critical pillar of the labour-intensive manufacturing ecosystem, with a share of approximately 2.2% in total manufacturing output and 7% of the GDP in 2022–23[15]. India is also the second-largest consumer of gold jewellery[16] which is also reflected in its strong import demand of raw gold. In 2024, India ranked as the 8th largest exporter and 7th largest importer globally for HS 71 (including raw gold). The import basket is dominated by raw materials, comprising unwrought or semi-processed precious metals and unworked stones, consistent with India's role in processing and value addition. In terms of export destinations, there is an acute concentration of exports from India to the US, UAE and Hong Kong.

India is also the home to world's largest cutting and polishing centre in Surat, also known as India's 'Diamond City'. There are over 5,000 cutting and polishing factories, ranging from family-run businesses to many of the diamond industry's biggest players[17] . The product captured under HS 7102 (Unworked and unmounted diamonds) continues to dominate the global export basket, accounting for nearly half of exports; however, its share has declined over the past decade. The sector is labour-intensive, providing employment to over 50 lakh workers[18]. It has a strong output multiplier (total increase in economy-wide output resulting from a unit increase in final demand for a sector's output) of 4.03, higher than various other sectors[19]. Alongside its economic importance, the industry retains strong cultural linkages[20], supported by region-specific design traditions.

Globally, gems and jewellery (HS 71) account for 4.3% of total merchandise trade, with an estimated value of $1.05 trillion which includes raw and semi-processed gold, making it the fifth largest traded segment in 2024. It comprises gold, precious and semi-precious metals, jewellery and related articles, diamonds, other precious and semi-precious stones, and coins and legal tender. The sector is highly concentrated, with gold, gold jewellery, and diamonds together constituting 85.4% of global demand in 2024. However, excluding raw gold, the segment represents a global market size of $378.1 bn with India commanding a share of 7.8% with an export value of $29.5 bn in 2024.

The sector is currently navigating a phase of heightened uncertainty. Geopolitical developments in West Asia and ongoing discussions around the India–US trade agreement remain relevant, given their importance for India's trade flows. The Middle East accounted for 18% of India's total diamond exports during the first nine months of the current fiscal year. In addition, nearly 68% of India's rough diamond imports originate from the UAE and Israel, driven by the concentration of auction activity in the region[21].

15 https://www.pib.gov.in/PressReleasePage.aspx?PRID=1799277&reg=3&lang=2
16 https://www.ibef.org/industry/gems-and-jewellery-presentation
17 https://www.igi.org/world-diamond-cutting-center-shifts-to-dual-output/
18 https://gjepc.org/emailer_gjepc/19-1-2026/Making-G&J-clusters-Exportable.pdf
19 https://www.ncaer.org/wp-content/uploads/2020/10/1640083808NCAER_Report_Cluster_Mapping_Oct_2020.pdf
20 Diamonds are often considered a classic example of a Veblen good, where higher prices can increase their desirability rather than reduce demand. Interestingly, as per a De Beers survey in 2022, Indians desire for natural diamond jewellery has risen and for gold jewellery has fallen between 2019 and 2022 unlike China or the US which has recorded an increase.
21 https://www.crisilratings.com/en/home/our-analysis/reports/2026/03/middle-east-uncertainties-direct-trade-lng-dependent-and-crude-linked-sectors-could-bear-brunt-of-prolonged-disruption.html

At the same time, certain structural changes are becoming visible. Diamond prices have moderated in recent periods, reflecting evolving consumer preferences, including a gradual shift towards lab-grown diamonds and greater emphasis on sustainability. China, the world's second-largest market for diamond jewellery, has seen demand decline since the pandemic due to economic pressures and shifting consumer preferences. Additionally, sanctions on Russia, a major diamond producer, have had some impact on established supply chains[22]. The segment is also susceptible to seasonal demand fluctuations[23]. For example, demand in the US and EU is highest during November-December. In the remaining months, demand for gems and jewellery is lower, which affects the efficient use of labour and infrastructure, especially in units located in Special Economic Zones (SEZs).

These trends indicate a gradual shift in the sector, with increasing diversification in products and markets, alongside growing attention to technology and sustainability considerations. At the same time, certain supply-side dependencies and external risks continue to shape trade outcomes.

Against this backdrop, the following sections examine the trade dynamics of India's gems and jewellery sector in greater detail. The analysis covers product-wise and market-wise trends, assesses the extent of concentration in trade patterns, and highlights emerging areas such as lab-grown diamonds and new export destinations. It also outlines key areas for policy focus to support value addition and improve the sector's overall trade performance.

2. Mapping the Global Trade Profile

The gems and jewellery segment has been examined at the HS-4 level under chapter 71 for 2024 in this section. It includes a wide range of products comprising precious metals, precious and semi-precious stones and jewellery.

The segment represents a world demand of $378.1 bn, excluding raw gold (HS 7108), with India exporting $29.5 bn, accounting for a 7.8% share. The nine major products which includes precious metal jewellery, stones and diamonds in the segment collectively account for over 97% of this demand totaling to about $366.4 tn. The top two products i.e, precious metal jewellery and diamonds together account for 54.8% of global demand amounting to $207.3 bn, with India's collective exports in these two products at $26.7 bn. This translates to a relatively strong share of 13% in world demand reflecting its competitiveness in diamonds and precious metal jewellery. In contrast, across the remaining products, which constitute 46.8% of global demand and amount to $170.8 bn, India's exports to the world at $2.8bn in these products translates to a share of 2%, indicating a high degree of export concentration.

22 https://www.mckinsey.com/industries/metals-and-mining/our-insights/the-diamond-industry-is-at-an-inflection-point
23 https://icrier.org/pdf/ES/ES_CAN-NON-FISCAL-INCENTIVES.pdf

Table 1: Comparison of India's Trade Profile for Gems and Jewellery, 2024

Code	Product label	World Import	Product Share in Total World Imports of the Segment	India's Export	India's export share in World demand	India's Import	India's RCA	Top Exporter and Value	Top Exporter's RCA
'7113	Jewellery made of gold or other precious metals	$122.4	32.4%	$12.3	10.0%	$3.4	3.53	Italy ($15.8)	0.99
'7102	Unworked and unmounted diamonds	$84.9	22.5%	$14.4	16.9%	$17.7	5.96	UAE ($15.6)	1.41
'7110	Platinum and related precious metals (palladium, rhodium, etc.)	$44.0	11.6%	$0.1	0.2%	$2.7	0.05	South Africa ($9.9)	1.73
'7106	Silver in raw or semi-processed form	$32.8	8.7%	$0.4	1.3%	$5.8	0.46	Hong Kong ($4.4)	1.03
'7112	Scrap and waste containing precious metals	$33.2	8.8%	$0.1	0.3%	$0.0	0.11	USA ($7.6)	1.76
'7115	Other articles made of precious metals	$24.6	6.5%	$0.0	0.0%	$0.0	0.00	USA ($1.15)	0.36
'7103	Loose precious and semi-precious gemstones (excluding diamonds)	$10.3	2.7%	$0.5	4.5%	$0.7	1.57	USA ($3.2)	2.39
'7117	Imitation jewellery	$7.8	2.1%	$0.1	1.8%	$0.0	0.63	China ($4.5)	4.43
'7118	Coins and legal tender	$6.4	1.7%	$0.2	2.9%	$0.0	1.04	Germany ($1.2)	1.45
	Total for top products	**366.4**		**28.0**	**7.7%**	**30.3**			
	Total (Segment)*[24]	**378.1**		**29.5**	**7.8%**	**31.6**			

Note: Values in $bn

Source: ITC Trade Map

24 Raw gold (HS 7108) is excluded from the segment in the table. When included the world imports for this category amounts to $1.05 trillion. However, it has not been included in the analysis as it does not capture high value-added segments appropriately.

India's exports in this segment, excluding raw gold, stood at $29.5 billion, accounting for a global share of 7.8%. Including raw gold (HS 7108), India ranks as the 8th largest exporter and 7th largest importer globally under HS 71.

Unworked diamonds (HS 7102) and precious metal jewellery (HS 7113) constitute the core of India's export basket. In diamonds, India exhibits a strong Revealed Comparative Advantage[25] (RCA) of 5.96, accounting for 16.9% ($14.4 bn) of global demand, despite also being a significant importer of rough stones ($17.7 bn). This reflects India's central role in the global cutting and polishing segment. The diamond industry, however, experienced a decline in prices after prices peaked in March 2022[26].

Similarly, in precious metal jewellery, India holds a notable export share of 10%, with an RCA of 3.53, outpacing its competitors' RCA, which is the leading exporter globally. Demographic and behavioural changes continue to affect both industries rapidly[27]. The shift towards lower-carat gold is gaining traction, now accounting for approximately 40–45% of the market[28]. A similar trend is observed in the diamond segment, where demand is increasingly shifting towards lab-grown diamonds which were initially increasingly utilised for industrial applications[29].

In contrast, segments such as platinum group metals (HS 7110) and silver (HS 7106) show limited export competitiveness, with RCAs well below unity and continued import dependence. For instance, platinum imports stand at $2.7 bn, while exports remain marginal. However, globally there is a strong growth in the demand for platinum, silver and precious metal scrap. These items collectively account for $103.5 bn, translating to a share of 10%. India's demand for platinum is largely driven by domestic jewellery demand[30].

India demonstrates moderate competitiveness in select niche segments, including coloured gemstones (HS 7103) and coins (HS 7118), where RCAs exceed unity, though their contribution to overall trade remains limited due to small market size (Table 1).

Overall, India is competitive in four of the top ten segments with an RCA greater than one. In HS 7108, a segment accounting for almost two-thirds of the entire demand, the most demanded product is raw gold. Despite China, Russia and Australia accounting for the highest gold mines in the world[31], Switzerland, UAE and UK are the top exporters with Switzerland alone accounting for one-third of refined gold worldwide[32]. On the other hand, the UAE is a preferred destination for gold due to its strong trade links with African countries for sourcing raw gold. In addition, favourable logistics also play a key role in make it commercially viable[33]. The two leading product segments globally, namely gold jewellery and unworked and unmounted diamonds, have been analysed in detail.

25 A country is said to have a revealed comparative advantage (RCA) in a given product i when its ratio of exports of product i to its total exports of all products exceeds the same ratio for the world as a whole. If RCA takes a value greater than unity, the country has a revealed comparative advantage in that product.

26 https://www.idexonline.com/diamond_prices_index

27 https://shantigold.in/wp-content/uploads/2025/01/Industry-Report-on-Indian-Gems-and-Jewellery.pdf

28 https://www.gold.org/goldhub/research/jewellery-demand-and-trade-india-gold-market-series/17660

29 https://www.mckinsey.com/industries/metals-and-mining/our-insights/the-diamond-industry-is-at-an-inflection-point

30 https://gjepc.org/solitaire/indias-growing-appetite-for-platinum-jewellery-drives-global-demand/

31 https://www.gold.org/goldhub/data/gold-production-by-country

32 https://www.snb.ch/public/asset/en/www-snb-ch/publications/research/economic-notes/2025/economic_note_2025_04/publications0_en/economic_note_2025_04.pdf

33 https://gulfnews.com/business/markets/how-the-uae-became-the-worlds-second-largest-hub-for-gold-trade-1.500143644

2.1 Mapping the Global Trade Profile in Precious Metal Jewellery

The precious metal jewellery segment (HS 7113) accounts for 32.4% of global demand, with total imports valued at $122.4 billion. Within this, India emerges as a strong player, with exports of $12.3 billion and imports of $3.4 billion, resulting in a clear trade surplus making India a net exporter.

Table 2: Comparison of India's Trade Profile for Precious metal Jewellery, 2024

Product code	Product label	World Imports	Share of Products in Total World Imports of the Segment	India's Global Exports	India's export share in World demand	India's Imports	Top Exporter & Value	India's Top Export Destination (% share in export of the product)
'711319	Articles of jewellery and parts thereof, of precious metal (other than silver)	$113.5	92.7%	$11.1	9.8%	$2.9	UAE	UAE (45.5%)
'711311	Articles of jewellery and parts thereof, of silver	$8.5	6.9%	$1.2	13.8%	$0.4	Thailand	Hong Kong (52%)
'711320	Articles of jewellery and parts thereof, of base metal clad with precious metal	$0.4	0.3%	$0.0	0.2%	$0.0	USA	USA (85.2%)
	Total (HS 7113)	**122.4**		**12.3**	**10%**	**3.4**		

Note: Values in $bn

Source: ITC Trade Map

The segment is heavily concentrated in articles of precious metal (excluding silver) and constitutes 92.7% of global demand, which is primarily gold and platinum-driven. India's export basket mirrors this structure, with $11.1 billion in exports from this category alone, accounting for 9.8% of global demand. Despite this strong presence, India trails leading exporters such as the UAE, suggesting constraints in scaling up value capture in premium segments, potentially due to limitations in branding, product differentiation, and limited orientation toward specialisation in low-carat jewellery.

Silver jewellery, while accounting for only 6.9% of global demand, represents a relatively stronger niche for India. With exports of $1.2 billion and a 13.8% global share, India demonstrates competitive strength in this segment, driven by traditional craftsmanship. However, the limited size of this market constrains its overall contribution to export growth. Overall, India's export structure is aligned with global demand patterns, with a strong surplus position.

2.2 Mapping the Global Trade Profile in Unworked and Unmounted Diamonds

The diamonds segment (HS 7102) accounts for 22.5% of global jewellery-related demand, with global demand valued at $84.9 billion. India exports $14.4 billion while importing $17.7 billion, resulting in a trade deficit at the aggregate level. This also reflects India's role as a processing hub, where large volumes of rough diamonds are imported, processed, and re-exported.

Table 3: Comparison of India's Trade Profile for Unworked and Unmounted Diamonds, 2024

Product code	Product label	World Imports	Share of product in total category	India's Global Exports	India's export share in World demand	India's Imports	Top Exporter & Value	India's Top Export Destination (% share in export of product)
'710239	Diamonds, worked, but not mounted or set (non-industrial)	$57.16	67.3%	$13.70	24.0%	$11.4	India ($13.7)	USA (35.6%)
'710231	Non-industrial diamonds unworked or simply processed	$26.13	30.8%	$0.66	2.5%	$5.90	UAE ($ 9.7)	UAE (50.7%)
'710210	Diamonds, unsorted	$0.85	1.0%	$0.00	0.0%	$0.18	Canada ($0.5)	South Africa (83.2%)
'710221	Industrial diamonds unworked or simply processed	$0.57	0.7%	$0.01	1.1%	$0.17	Angola ($1.5)	Belgium (18.3%)
'710229	Industrial diamonds, worked, but not mounted or set	$0.17	0.2%	$0.00	0.0%	$0.00	Cambodia ($0.5)	Italy (90%)
	Total (HS 7102)	**84.9**		**14.4**	**14%**	**17.7**		

Note: Values in $bn

Source: ITC Trade Map

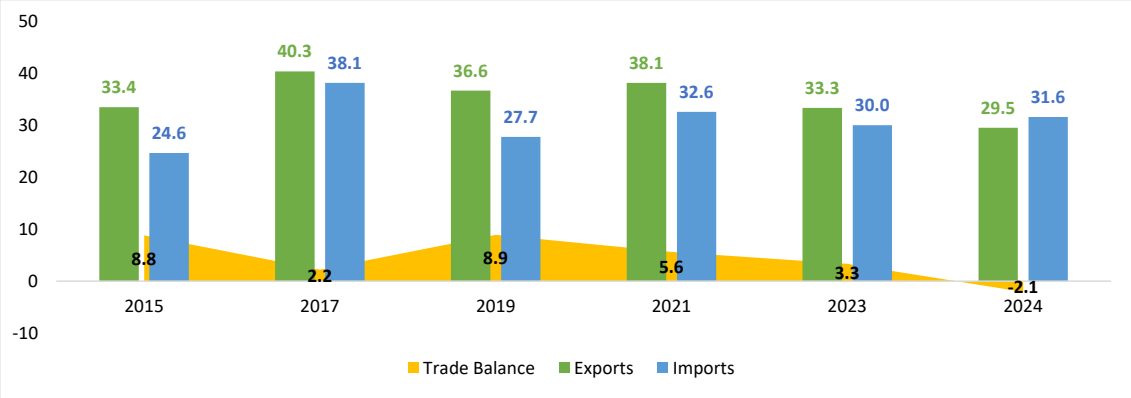
The segment is dominated by worked, non-industrial diamonds, which constitute 67.3% of global demand ($57.2 billion). India is the leading exporter in this category, with exports of $13.7 billion and a 24% share of global demand. This highlights India's strong comparative advantage in cutting and polishing, supported by established clusters and skilled labour. In contrast, in unworked or simply processed non-industrial diamonds (30.8% of global demand), India's export share is only 2.5%,

while imports are significant at $5.9 billion. This indicates dependence on external suppliers, such as the UAE, Hong Kong, and Belgium, for raw inputs. Similarly, in unsorted and industrial diamond categories, India's export footprint is negligible, with global leadership concentrated in countries like Canada and Angola.

3. Mapping India's Trade Profile

In the context of shifting global demand dynamics and rising reliance on imported inputs, India's total trade in the segment (excluding raw gold) stood at $61.1 bn in 2024, with exports at $29.5 bn and imports at $31.6 bn, resulting in a deficit of $2.1 bn. Over the past decade, starting 2015, exports in this segment have contracted at a CAGR of –1%, while imports have grown at 3% annually, leading to a steady expansion of the trade deficit and a reversal from earlier surplus positions. The widening deficit has been largely driven by increased imports of silver, platinum, and diamonds in 2024, reflecting sustained domestic demand and reliance on imports for inputs. At the same time, India's export basket remains highly concentrated, with diamonds accounting for 46% of exports (cut and polished) in 2024, though this share has declined from 53% in 2015, indicating some diversification but continued reliance on a narrow set of products (Fig. 19).

Fig 19: India's Exports and Imports of Gems and Jewellery (2015 to 2024)



Note: Values in $bn and the values above exclude raw gold (HS 7108)

Source: ITC Trade Map

A comparison of the top five products in the world demand and India's export basket at HS 6 reveals that India's value addition is concentrated in gold and diamonds. Globally, raw gold dominates import demand (52.9%), followed by semi-processed gold and jewellery (Fig. 20A). India's exports are heavily concentrated in cut and polished diamonds (45.9%) and gold jewellery (37.2%) (Fig. 20 B). Nearly half of India's gems and jewellery exports are concentrated in cut and polished diamonds, primarily towards the US, Hong Kong, and the UAE.

Just like the rest of the world, India imports significant quantities of raw gold, processes it, and re-exports it in terms of gold jewellery exports[34]. This reflects India's comparative advantage in labour-intensive processing, design, and craftsmanship, especially in diamond cutting and jewellery manufacturing.

34 https://www.iima.ac.in/sites/default/files/2025-04/WP%20No.2025-04-02.pdf

Fig 20.A: World demand basket, 2024 (83%)

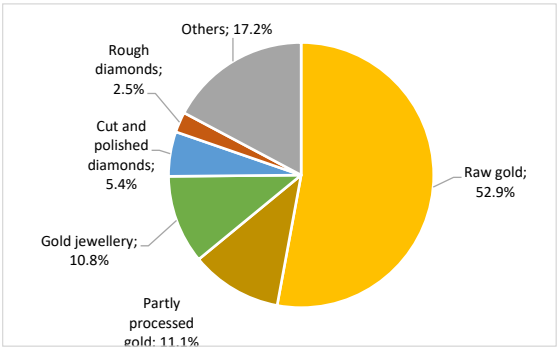
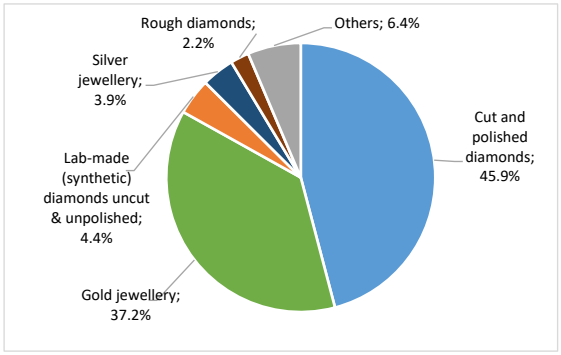
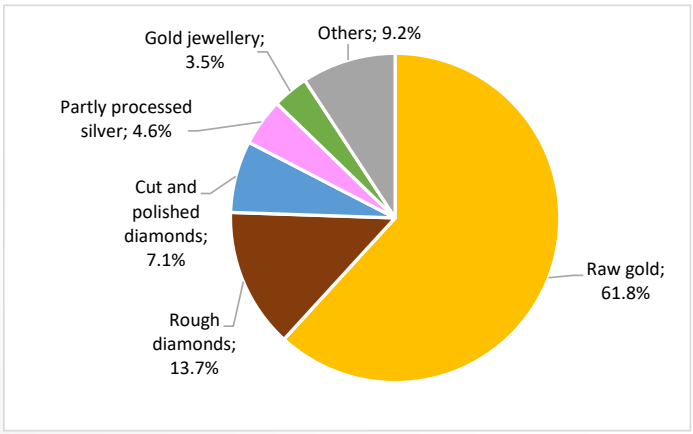


Fig 20.B: India's export basket, 2024 (93%)



Source: ITC Trade Map

Fig 21: India's import basket (90.8%)



On the other hand, lab-grown diamonds account for a small share (4.4%) of exports, despite India contributing around 15% to global production [35]. Demand for lab-grown diamonds stems not only from their prices (despite being 80% cheaper in some instances)[36] but also due to their low environmental impact (Fig 20.B). Compared to natural diamonds, they use less water, emit fewer greenhouse gases and do not involve human rights abuse which is often found in mining for natural diamonds. These factors make them appealing.

India's import basket reflects a dependence on external sourcing, driven in part by limited exploration of domestic natural resource endowments, as well as relatively underdeveloped trading and processing ecosystems compared to global hubs such as the UAE and Switzerland. Imports are dominated by raw gold, which accounts for nearly two-thirds, and rough diamonds, which account for over one-fifth of imports. Most of these rough diamond imports are processed in Surat and Mumbai[37] (Fig. 21).

The performance of India's Gems and Jewellery sector (HS 71) reflects important structural shifts in both global alignment and domestic trade patterns over time. The Trade Complementarity Index (TCI) for Gems and Jewellery (HS 71) at the HS 4-digit level highlights a significant decline in the alignment between India's

35 https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826136&reg=3&lang=2
36 https://www.mckinsey.com/industries/metals-and-mining/our-insights/the-diamond-industry-is-at-an-inflection-point
37 https://gjepc.org/emailer_gjepc/19-1-2026/Making-G&J-clusters-Exportable.pdf

exports and global import demand, falling from 53.8 in 2001 to 25.1 in 2024. While India historically enjoyed strong comparative alignment, driven largely by its dominance in diamond cutting and polishing, this complementarity has weakened over time. The decline reflects a combination of shifting global demand patterns, increased competition from other processing hubs, evolving value chains, and a growing preference for higher-value and branded jewellery segments, where India's export basket is relatively less positioned. As a result, despite remaining a key player in select segments, the sector's export structure is now less aligned with current global demand, underscoring the need to reorient towards higher value-added and design-driven exports (Fig. 22).

Fig 22: TCI for Gems and Jewellery at HS 4

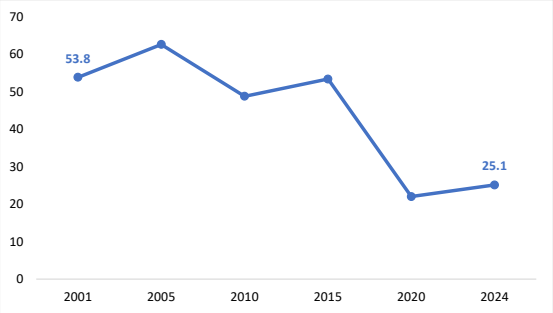
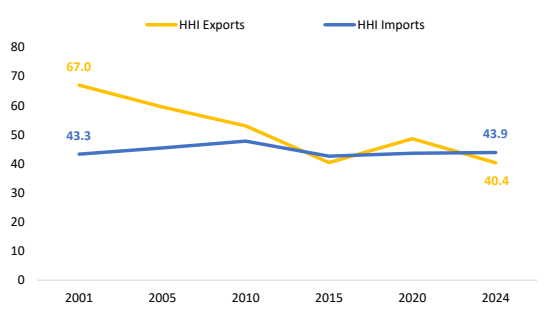


Fig 23: HHI for India's Gems and Jewellery



Source: ITC Trade Map, Author's Calculation

At the same time, product-level concentration trends present a more nuanced picture. The Herfindahl–Hirschman Index (HHI) for exports shows a sharp decline from 67.0 in 2001 to 40.4 in 2015, with this level sustained through 2024. This reflects a decline in concentration alongside a gradual diversification of the export basket. It is reflected in the changing export composition: the share of diamonds (HS 7102) has declined significantly from about 80% to around 50%, while jewellery (HS 7113) has increased markedly from 16% to 41%, emerging as a key driver of exports. In contrast, import concentration has remained largely unchanged, with HHI stable at around 43–44, and continued dominance of gold imports (HS 7108), whose share has risen from about 49% to around 62%, highlighting persistent dependence on a narrow set of inputs (Fig. 23).

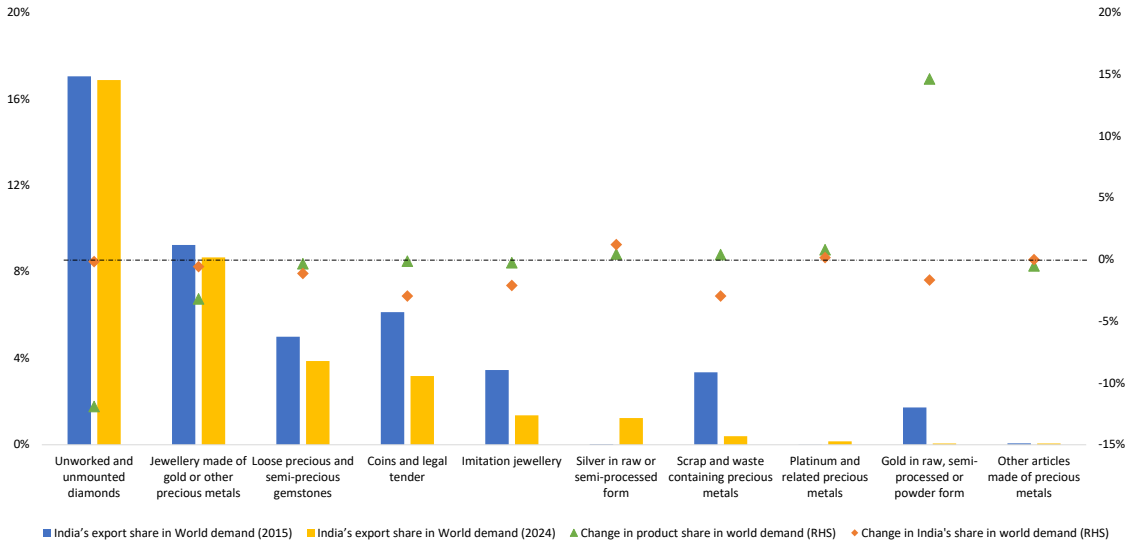
Overall, while India has made notable progress in diversifying and upgrading its export basket, the weakening trade complementarity highlights the need for deeper structural transformation to better align with evolving global demand and strengthen competitiveness across higher-value segments.

4. Change in share in the Gems and Jewellery Exports over the years (2015-24)

Between 2015 and 2024, India's global trade share in this sector has seen a marked decline, falling from 6.1% to 2.9% when raw gold is included, and from 12% to 7.8% when excluded. This decline has been driven primarily by a sharp fall in India's exports of diamonds, along with a reduction in share across most product categories, barring two segments that have recorded only marginal gains of around 0.2–1.2%.

During this period, the global gems and jewellery market has also witnessed an increasing concentration of demand in raw gold whose share in world demand rose sharply from 48.6% to 63.2%, an increase of 14.6%. In contrast, the other nine products within the segment have either witnessed a marginal increase of less than one percent or a decline. Unworked and unmounted diamonds (including cut and polished diamonds), a segment in which India holds a global share of around 17%, have witnessed a sharp 11.9% decline (Fig. 24).

Fig 24: India's Changing Share in Global Demand for Gems and Jewellery (2015-24)



Source: ITC Trade Map

India's dominance in diamonds remained largely stagnant despite a shrinking global market, while its share in jewellery exports declined moderately from 9.2% to 8.7%, suggesting weakening competitiveness in value-added segments. Although there were marginal gains in smaller segments such as silver and platinum, these were insufficient to offset losses elsewhere. Additionally, India experienced sharp declines in lower-value segments such as imitation jewellery, scrap, and coins. Overall, the data points to a structural misalignment, wherein India is losing ground in its traditional export strengths.

5. Mapping Global Demand and India's Export Footprint in Gems and Jewellery

The trade structure of India's gems and jewellery sector reveals a high degree of concentration across both products and partner countries for both exports and imports. For the entire sector (including raw gold), India's top export destinations are the US, UAE and Hong Kong, together constituting 73% of gems and jewellery exports. The US is India's leading destination and accounted for almost one-third of demand. UAE accounts for a little over one-fourth and Hong Kong at 17% in 2024. On the import front, UAE, Switzerland and Hong Kong together supply over 60% of our demand with UAE alone supplying 30.6% of our demand.

In raw gold (HS 7108), India's exports are overwhelmingly directed toward Switzerland (73%) and select hubs such as Thailand and the UAE, reflecting its role in refining-linked trade networks. However, global exports are dominated by Switzerland, the UAE, and the UK, while major import demand is dispersed across the UAE, Switzerland,

and China, indicating that India remains peripheral in this high-value segment. In contrast, in jewellery (HS 7113), India is more integrated into consumer markets, with exports concentrated in the UAE (41.2%) and the USA (28.3%), though it faces strong competition from Italy and the UAE in global exports. In diamonds (HS 7102), India retains a relatively strong position as a leading exporter with a 16.9% share, supplying primarily to the USA and Hong Kong, even as it also emerges as the largest importer, underscoring its role in processing and re-exporting. The global diamond demand landscape is concentrated in a few key consumer markets, led by the United States, China, and India, with the Gulf region and Japan completing the top five. Demand patterns vary significantly across regions in terms of market maturity and product preferences. While mature markets such as the US and Japan exhibit relatively stable demand with a preference for larger, high-value stones, emerging markets like China and India show stronger growth in demand, particularly for smaller-sized diamonds driven by affordability considerations and evolving consumer segments [38].

Table 4: Mapping Global Demand and India's Export Footprint in Top Gems and Jewellery Segment

HS Code	Product	World Imports ($ bn)	India's Top Export Destinations (% share)	Major Global Exporters (Share in World Exports %)	Top Importers (%)
'7108	Gold in raw, semi-processed or powder form	673.4	Switzerland (73%), Thailand (18.5%), UAE (18.5%)	Switzerland (18%), UAE (12.1%), UK (10.2%)	UAE (15.6%), Switzerland (15.6%), China (15.3%)
'7113	Jewellery made of gold or other precious metals	122.4	UAE (41.2%), USA (28.3%), Hong Kong (9.5%)	Italy (11.2%), UAE(11.1%), Switzerland (9.6%)	Hong Kong (15%), UAE (13.7%), USA (11.9%)
'7102	Unworked and unmounted diamonds	84.9	USA (34%), Hong Kong (24.5%), UAE (13.6%)	UAE (18.4%), India (16.9%), USA (14.6%)	India (20.8%), USA (18.1%), UAE (17.2%)
'7110	Platinum and related precious metals (palladium, rhodium, etc.)	44.0	Switzerland (62.1%), USA (13%), Italy (7%)	South Africa (23%), UK (12.8%), USA (11.7%)	USA (15.8), China (12.6%), UK (10.4%)
'7106	Silver in raw or semi-processed form	32.8	UK (75.4%), UAE (19.2%), USA (3.3%)	Hong Kong (12.9%), China (11%), UK (10.5%)	India (17.6%), USA (15.5%), UK (13.3%)

Source: ITC Trade Map

In smaller segments such as platinum (HS 7110) and silver (HS 7106), India's exports are narrowly concentrated in a few destinations, while global supply is dominated by resource-rich or trading hub economies such as South Africa, the UK, and Hong Kong. (Table 4)

Overall, the pattern highlights India's dependence on a select set of export markets, its strength in process-driven segments like diamonds, and its weak integration into high-value segments where global trade is dominated by a few specialised hubs.

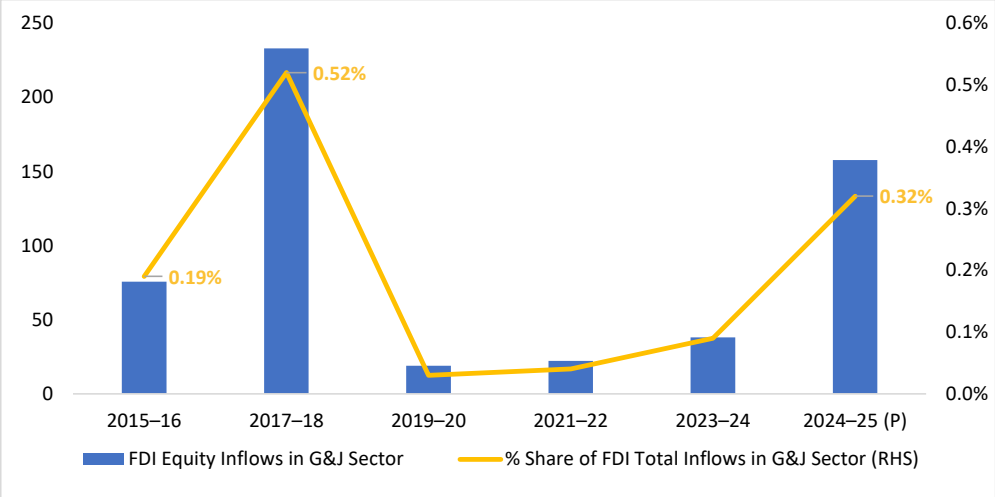
38 https://web-assets.bcg.com/87/88/44ce24b646969ef49aa5a9c4b8b6/bcg-the-future-of-the-natural-diamond-industry-may.pdf

Over the last decade nearly 90% of India's jewellery exports have flowed to just five major markets: namely, the UAE, the US, Hong Kong, Singapore and the UK[39].

6. Assessing Foreign Investment[40] Trends in Gems and Jewellery

FDI inflows into India's gems and jewellery (G&J) sector have remained volatile over the past decade, accounting for a small share of total FDI inflows. While overall FDI equity inflows into India increased from $40 bn in 2015–16 to around $50 bn in 2024–25 (provisional), the G&J sector attracted only a marginal portion, with its share fluctuating between 0.02% and 0.52%. The sector witnessed a brief peak in 2017–18, when inflows reached $233 million (0.52% share), followed by a sharp and sustained decline during 2018–19 to 2021–22, with inflows dropping to $13.8 million and shares nearing 0.02%. Cumulative equity FDI inflows into the sector during this period amounted to $0.73 billion, out of total FDI inflows to India of $481.5 billion, translating to a share of approximately 0.2% over 2015–2024.

Fig 25: Foreign Direct Investment Flows in Gems and Jewellery (2015-24)



Note: Values in $bn

Source: Gems &Jewellery Association Analysis[41]

Although there has been a gradual recovery since 2022–23, culminating in a notable rise to $157.7 million (0.32%) in 2024–25, the overall magnitude remains modest relative to the size and export potential of the sector. This trend suggests limited investor confidence and points to structural challenges, including low value addition, regulatory constraints, and heavy reliance on imported raw materials. Overall, the persistently low share of FDI indicates that the G&J sectors potential in attracting investments has not been fully leveraged (Fig. 25).

39 https://www.gold.org/goldhub/research/jewellery-demand-and-trade-india-gold-market-series/17663

40 Foreign Direct Investment comprises of the sum of Equity Inflow, Reinvested Earnings and Other Capital, we have analyzed only FDI Equity Inflow. FDI Equity Inflow forms the major component.

41 https://gjepc.org/pdf/market_reports/FDI-Inflows-in-Gem-and-Jewellery-Sector-April'2024-Mar'2025.pdf

India's Position in Gold Refining and Evolving Dynamics in the Diamond Industry

India's industrial trajectory demonstrates its ability to build globally competitive sectors, as seen in petroleum refining and diamond processing, while also highlighting the challenges that persist in emerging areas such as gold refining. Today, India is the fourth-largest petroleum refining hub globally, with an installed capacity of over 258 million tonnes per annum[42], a position achieved through sustained policy support, targeted investments, and a long-term focus on self-sufficiency. Similarly, the diamond industry has leveraged labour-intensive processing strengths, scale efficiencies, and a skilled workforce to establish global dominance, handling nearly 90% of the world's diamonds and accounting for around 75% of global turnover by value. These successes indicate strong underlying capabilities; however, the transition to becoming a gold-refining hub remains constrained by a mix of structural, policy, and operational constraints.

Unlike established global hubs such as Switzerland[43] and the UAE, which benefit from favourable policy regimes, large-scale operations, and deep integration with international markets, India's gold refining ecosystem continues to face multiple bottlenecks. Domestic gold mining output remains negligible at around 1–2 tonnes annually[44], compared to consumption levels of 800–1000 tonnes[45], resulting in a heavy reliance on imports. Historically, the duty structure has not sufficiently incentivised refining, with only a narrow differential between doré[46] and refined gold. While a modest advantage existed between 2013 and 2016[47], subsequent duty rationalisation under GST and post-2021[48] adjustments shrank margins for refiners[49], leading to closures. At the same time, capacity remains fragmented, while the number of refineries increased from fewer than five in 2013 to about 33 in 2021, most remain small operations under 50 tonnes annually, limiting economies of scale. Global integration is also constrained by limited international accreditation, with only one London Bullion Market Association-accredited refinery, restricting access to global financial markets and reducing India's ability to position itself within international supply chains[50]. These challenges are compounded by financial and operational constraints, including high working capital requirements, limited access to capital, regulatory complexities, and informal operations. Countries like Switzerland and Hong Kong are top gold exports, with estimates stating that Switzerland alone refines 70% of the world's gold[51] and this

42 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2096817&reg=3&lang=2

43 https://www.niti.gov.in/sites/default/files/2019-06/Report_GoldMarket.pdf

44 https://mines.gov.in/admin/download/67b48dd05215b1739886032.pdf

45 The New Indian Express; World Gold Council (Extracted from Statista; https://www.statista.com/statistics/896708/india-gold-demand-volume-annual/?srsltid=AfmBOorNGinAWNZVovubcteIljm3-gAhPscUYoPF4g03mMWPXMUxVHWS)

46 Gold from mines is produced as doré which is the alloy generally consists of a mix with silver and other metals which is further refined to gold of different forms and purity.

47 Between 2013 and 2016, India had a higher duty on bullion (10%) than on doré (8–9%), giving refiners a 1–2% advantage. After 2016, this gap narrowed as doré duties were adjusted to 8.75% in Export Free Zones and 9.35% in the Domestic Tariff Area. The 2017 GST further removed the EFZ advantage, reducing the duty differential to around 0.65%.

48 With the introduction of GST in 2017, the additional EFZ advantage was removed, leaving a much smaller and uniform duty differential of about 0.65%. Post 2021, The difference in import duty rates between refined bullion (10.75%) and gold dore (10.09%) remained at 0.66%.

49 https://www.phdcci.in/wp-content/uploads/2024/09/Framework-to-Strengthen-Indias-Gold-Processing-Industry-A-Step-in-Building-Gold-Self-Reliance.pdf

50 https://www.niti.gov.in/sites/default/files/2019-06/Report_GoldMarket.pdf

51 https://asmp.swiss/en/swiss-industry/

position is the result of the top refineries and role in finance[52]. Similarly, Hong Kong is the primary conduit for gold flows in and out of China along with being a centre for financial trading in Western markets[53].

At the same time, while India's diamond sector remains structurally strong, it is increasingly being shaped by evolving global demand and supply dynamics. India continues to dominate the global diamond processing segment, handling nearly 90% of the world's diamonds and accounting for around 75% of global turnover by value.[54] This structural advantage is supported by established cutting and polishing capabilities, scale efficiencies, and availability of labour supply. At the same time, the industry operates within a demand landscape heavily concentrated in the United States, which accounts for over half of global diamond consumption, making it a key anchor for long-term demand stability[55]. On the demand side, evolving consumer preferences are emerging as a critical structural driver. The rising influence of Gen Z consumers, expected to contribute nearly 30% of global luxury consumption by 2030, is reshaping the market[56]. This cohort places greater emphasis on sustainability, innovation, and brand visibility, influencing how natural diamonds are positioned relative to alternatives. In parallel, the slowdown in China's luxury consumption, the second largest retail markets, marks a structural shift, reflecting both post-pandemic income uncertainty and changing attitudes towards discretionary spending[57].

From a supply perspective, the natural diamond industry faces inherent structural constraints. Primary supply, driven by mining, is increasingly limited as several major mines approach the end of their operational life cycles. The concentration of production is dominated by Russia[58], followed by Botswana, Angola, Canada, South Africa, and Congo adds to supply-side vulnerabilities. New exploration and mine development remain capital-intensive and time-consuming, limiting the pace of supply expansion[59]. The growing presence of lab-grown diamonds introduces a sustained competitive pressure. While their penetration remains relatively low in India, they have gained significant traction in key consumer markets such as the United States. This reflects a broader transition in consumer acceptance of alternatives. In response, global industry stakeholders have undertaken coordinated efforts such as the Luanda Accord, aimed at promoting natural diamonds and sustaining demand[60].

In this context, India's experience underscores both opportunity and transition: while its proven strengths in large-scale industrial development and value-added processing provide a strong foundation, addressing structural and policy constraints will be critical to diversify exports, enhance competitiveness, and move up the value chain.

52 https://www.spmi.swiss/the-role-of-switzerland-in-the-precious-metals-sector
53 https://sbma.org.sg/media-centre/publication/crucible/hong-kong-gold-exchange-bridging-heritage-and-innovation-in-asias-precious-metals-market
54 https://www.ibef.org/blogs/india-s-sparkling-future-the-rise-of-lab-grown-diamonds
55 https://gjepc.org/solitaire/the-future-of-the-diamond-industry-navigating-challenges-and-opportunities/
56 https://gjepc.org/solitaire/redefining-desire-how-the-jewellery-consumer-is-evolving/
57 https://www.thediamondpress.com/post/china-s-diamond-inventory-dump
58 Alrosa, De Beers and Rio Tinto together account for over 60% of global diamond mining with Alrosa and De Beers each controlling about 25% of the market. (https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/2697228)
59 https://web-assets.bcg.com/87/88/44ce24b646969ef49aa5a9c4b8b6/bcg-the-future-of-the-natural-diamond-industry-may.pdf
60 https://gjepc.org/solitaire/gjepc-signs-historic-luanda-accord-that-commits-1-of-rough-sales-revenue-to-global-natural-diamond-marketing/

- Gold refining remains constrained by import dependence, weak duty incentives, fragmented scale, and limited global integration, restricting its emergence as a competitive hub.
- The diamond sector, though globally dominant, faces pressures from concentrated demand, shifting consumer preferences, and rising competition from lab-grown alternatives alongside tightening natural supply.
- Gold refining requires a stable doré–refined duty differential, development of large-scale integrated refineries, and stronger global integration through accreditation, IFSC linkages, and improved financing access.
- Sustaining competitiveness in the diamond sector will depend on market diversification, stronger branding and traceability, moving up the value chain, and a dual strategy for lab-grown and premium natural diamonds.

7. Lab-Grown Diamonds (LGDs): Emerging Segment within India's Gems & Jewellery Sector

Lab-grown diamonds (LGDs) are emerging as a technology-driven, high-growth segment within India's gems and jewellery sector, particularly amid weakening natural diamond demand. Globally, the lab-grown diamond jewellery market is expected to rapidly rise to $ 15 bn by 2035[61]. Produced using advanced technologies such as Chemical Vapour Deposition (CVD) and High-Pressure High Temperature (HPHT), LGDs are chemically, physically, and optically identical to natural diamonds, making them a viable substitute in both jewellery and industrial applications.[62] India's strong position is anchored in its legacy advantage, processing nearly 90% of the world's diamonds, which has enabled it to transition from a polishing hub to an emerging producer and innovator in LGDs[63].

India's LGD segment has scaled up rapidly, supported by rising global demand for affordable and sustainable luxury products. The domestic LGD market is estimated at around ₹3,452 crore (~$400 million) in FY2025 and is projected to grow to ₹5,179 crore (~$600 million) by FY2028, reflecting a CAGR of ~14%. On the production side, India produced over 3 million lab-grown diamonds in 2023, accounting for more than 15% of global output, underscoring its growing importance in the global value chain[64]. However, recent export trends indicate moderation due to global price corrections and demand slowdown. While volumes continue to expand, export values have come under pressure, reflecting a shift toward a volume-driven, lower-margin trade structure[65].

This suggests a structural shift in global diamond demand, in which LGDs are increasingly serving as substitutes rather than complements to natural diamonds. Beyond their use in jewellery, lab-grown diamonds are increasingly utilised in

61 https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1901713&reg=3&lang=2

62 https://indextb.com/files/2024/2/8db09639-7041-499b-892b-7fddb1f11880_Manufacturing%20of%20Lab%20Grown%20Diamonds.pdf

63 https://www.ibef.org/blogs/india-s-sparkling-future-the-rise-of-lab-grown-diamonds

64 https://www.ibef.org/blogs/india-s-sparkling-future-the-rise-of-lab-grown-diamonds

65 https://gjepc.org/news_detail.php?news=gem-jewellery-exports-at-us-23-19-billion-remain-stable-in-april-2025-january-2026-india-us-trade-agreement-framework-brings-relief-and-sets-stage-for-recovery-gjepc-1

advanced technology applications, including computer chips, satellites, and 5G networks, owing to their ability to operate efficiently under extreme conditions and at higher speeds with lower power consumption than silicon-based materials. Their unique properties also make them valuable across a wide range of sectors, including defence, optics, thermal management, and medical technologies, highlighting their expanding industrial relevance. However, this shift is also associated with greater price volatility and lower margins, thereby altering the sector's traditional value dynamics.

India has established itself as a leading global player in LGDs, driven by its cost competitiveness, skilled workforce, and cluster-based manufacturing ecosystem. The country's advantage lies in midstream capabilities, cutting, polishing, and processing, combined with growing domestic production capacity. However, the sector remains import-dependent for critical inputs such as CVD reactors and diamond seeds, limiting domestic value addition and exposing the industry to supply chain vulnerabilities.

The Government of India has already recognised lab-grown diamonds (LGDs) as a technology-driven segment and has taken steps to build domestic capabilities. The Union Budget 2023–24 announced a ₹242 crore research grant for setting up the India Centre for Lab-Grown Diamonds (InCent-LGD) at IIT Madras, aimed at developing indigenous technology, including reactors and diamond seeds, to reduce import dependence and strengthen upstream value addition[66]. In addition, the extension of duty-free imports for LGD seeds and sawn diamonds until March 2028 is a pragmatic measure taken in Union Budget 2026-27. It helps contain input costs, supports production and export growth, and reinforces a rapidly expanding segment in which India already holds a strong global position, thereby strengthening the long-term outlook for the industry[67].

On the regulatory side, the Bureau of Indian Standards (BIS) has introduced standardised terminology with the new BIS standard (IS 19469:2025) which aligns India's diamond industry with international norms by adopting a modified version of ISO 18323:2015. Specifically, it clearly defines categories such as natural diamonds, laboratory-grown diamonds, treated stones, and imitations, while mandating precise and non-misleading nomenclature. It restricts the use of the term "diamond" to natural stones and requires full disclosure for lab-grown and treated diamonds using approved terminology[68]. These standards also align it with the global ISO 18323.

Alongside 100% FDI allowance and export promotion support[69], these measures reflect a coordinated policy approach focused on R&D, cost competitiveness, and market credibility, aimed at positioning India as a key player in the global LGD value chain.

Despite strong growth potential, the LGD segment faces several structural challenges, including price volatility, declining unit values, and high exposure to global demand cycles. The increasing commoditisation of lab-grown diamonds has put pressure on margins, even as production scales up. Additionally, the sector remains import-

66 https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=1901713&reg=3&lang=2

67 https://www.indiabudget.gov.in/doc/cen/dojstru1.pdf

68 https://gjepc.org/solitaire/bis-standards-align-with-global-consumer-protection-guidelines-for-diamonds/#:~:text=The%20Bureau%20of%20Indian%20Standards%20(BIS)%20has,diamond%22%2C%20or%20%22LGD%22%20shall%20not%20be%20used

69 https://www.ibef.org/blogs/india-s-sparkling-future-the-rise-of-lab-grown-diamonds

dependent for critical inputs such as CVD reactors and diamond seeds, limiting domestic value addition and exposing the industry to supply chain vulnerabilities. External factors such as tariff uncertainties and demand fluctuations in key markets further add to the sector's risk profile.

Going ahead, the sector's sustainability will depend on strengthening domestic capabilities amid rising global price pressures and demand uncertainty. With lab-grown diamond prices witnessing significant correction and exports facing volatility in key markets, there is an increasing need to move beyond a purely cost-driven model towards technology-led competitiveness. Developing indigenous capabilities in critical areas such as reactor manufacturing and seed production can help reduce external dependencies and improve value realisation. At the same time, enhancing certification standards and product differentiation will be essential to counter commoditisation and maintain export margins. Creating a more structured and accessible production ecosystem can also support industry consolidation, entry of efficient firms, and job creation, enabling India to sustain its global leadership while adapting to the evolving dynamics of the LGD market.

Key Success Factors of India's Leading Gems and Jewellery Clusters [70,71,72]

India's gems and jewellery (G&J) sector has grown in a highly cluster-driven and regionally concentrated manner, with a few states emerging as clear leaders. Gujarat – Surat has emerged as the world's largest diamond cutting and polishing hub, while Maharashtra – Mumbai dominates trade, finance and exports. Similarly, Rajasthan – Jaipur has built a competitive advantage in coloured gemstone processing and handcrafted jewellery exports while emerging centres such as Telangana – Hyderabad are growing through modern manufacturing investments. Key drivers behind the growth of India's Gems and Jewellery are:

- **Large Cluster Ecosystems and MSME-led Industrial Depth:** The growth of India's G&J sector has been driven by dense geographic clustering that enables scale efficiencies, specialised labour and strong supplier networks. Surat hosts thousands of diamond cutting and polishing units and supports livelihoods for millions, with women forming nearly 60% of the workforce (around 2.8 lakh workers). Similarly, Mumbai has developed a deep industrial ecosystem with over 7,000 MSMEs engaged in jewellery manufacturing, processing and trade.
- **Export Leadership and Institutional Trade Infrastructure:** India's leading clusters are strongly export-oriented and supported by global trading platforms. The Bharat Diamond Bourse strengthens India's role in global diamond trading and price discovery, while the Surat Diamond Bourse is expected to generate over 1.5 lakh jobs and enhance domestic value retention. In coloured gemstones, Jaipur contributes around 17.5% of India's total gems and jewellery exports, including about 90% of Meenakari jewellery exports and around 60% of Kundan jewellery exports, highlighting strong niche export competitiveness.

70 https://rising.rajasthan.gov.in/gems-and-jewellery

71 https://maitri.maharashtra.gov.in/gems-and-jewellery-2/

72 https://economictimes.indiatimes.com/industry/cons-products/fashion-/-cosmetics-/-jewellery/from-rough-to-radiance-surats-diamond-industry-that-powers-millions/articleshow/129603358.cms?from=mdr

- **Processing Capacity, Skilled Workforce and Heritage-based Specialisation:** Cluster success reflects a combination of traditional craftsmanship and organised industrial production. Jaipur processes more than 300 varieties of precious and semi-precious gemstones through a structured ecosystem of around 112 operational factories, enabling product diversification and sustained export growth. Large-scale mechanised jewellery manufacturing is also expanding in export zones such as Santacruz Electronics Export Processing Zone, supporting productivity and quality standardisation.
- **Logistics Connectivity, Industrial Corridors and Market Access Advantage:** Efficient transport infrastructure and proximity to export gateways reduce transaction costs for high-value goods. Rajasthan benefits from strong logistics integration through the Delhi–Mumbai Industrial Corridor and connectivity to major export ports such as Jawaharlal Nehru Port, strengthening trade mobility for gemstone and jewellery clusters.
- **Policy Support, SEZ-led Manufacturing and Emerging Diversification Opportunities:** Government-supported infrastructure has facilitated organised production and investment inflows. The Hyderabad Gems Special **Economic** Zone in Hyderabad hosts around 75–100 manufacturing units along with training facilities, supporting export-oriented growth. Across clusters, future expansion is expected in lab-grown diamonds, synthetic gemstones, customised fashion jewellery and design-led branded exports, indicating a shift towards higher value addition.

8. Industry Insights[73] on Key Constraints Affecting India's Gems and Jewellery Trade Performance

India's gems and jewellery (G&J) sector is a key export driver, contributing significantly to India's total merchandise exports and employing over 5 million people. While India retains global leadership in diamond processing, the sector continues to face structural constraints across value addition, trade facilitation, financing, infrastructure, and institutional support, limiting its ability to scale and move up the global value chain. The key industry concerns are outlined below:

(i) **Limited Value Addition and Fragmented Industry Structure:** The sector remains largely unorganised and MSME-driven, limiting economies of scale, formalisation, and productivity gains. Industry stakeholders highlighted that exports remain concentrated in low- to mid-value segments, with insufficient focus on design, branding, and high-value product categories. Additionally, slow adaptation to evolving global demand constrains diversification. There is a need to build domestic capabilities in emerging categories experiencing strong global demand, including lightweight and low-carat jewellery, luxury smart jewellery, synthetic gemstones, and imitation jewellery. This structure restricts India's ability to capture higher margins within the global value chain, with value addition remaining significantly lower compared to global leaders such as Italy. As a result, despite strong volumes, India's share in high-value jewellery exports remains limited, undermining overall export competitiveness and resilience to shifts in demand.

73 A stakeholder knowledge-sharing session was held to gather industry insights on challenges and strategies for boosting India's global competitiveness in the gems and jewellery sector.

(ii) **Inadequate Evolution as a Global Trading Hub:** India has not fully leveraged its processing strength to emerge as a global trading hub for diamonds and gemstones. Regulatory ambiguities in Special Notified Zone (SNZ) operations, limited participation of foreign mining companies and global tender houses, and lack of tax competitiveness vis-à-vis hubs like Dubai and Antwerp constrain trading activity. This results in high-value activities such as aggregation, pricing, and trading continuing to take place outside India, leading to value leakage and limiting India's role to processing rather than full value chain integration. Consequently, India is unable to maximise gains from global supply chain realignments despite handling a dominant share of diamond processing.

(iii) **Constraints in Trade Policy and FTA Utilisation:** Existing Free Trade Agreements (FTAs), including CEPA-type arrangements, are not adequately aligned with sector-specific requirements, particularly for consignment-based exports, which are not included in the FTA for duty exemptions, hampering the G&J trade. Delays in duty drawback refunds and lack of clarity in export benefit eligibility further affect liquidity for exporters. Given the sector's high export orientation, these constraints reduce its ability to respond to global demand fluctuations and limit effective utilisation of preferential market access. In a competitive global environment, delays in refunds and policy misalignment translate directly into cost disadvantages and reduced export competitiveness.

(iv) **High Cost of Finance and Limited Credit Access:** The sector continues to face high capital costs and limited access to formal finance, particularly for MSMEs. Collateral requirements, lenders' risk perceptions, and low penetration of credit guarantee schemes constrain credit flow, despite the sector's scale and export contribution. Given the industry's working-capital-intensive nature and long export cycles, these financing constraints significantly impact liquidity, increase reliance on informal credit channels, and raise overall production costs. This undermines competitiveness, particularly against countries offering lower-cost financing and export support mechanisms.

(v) **Gaps in Raw Material Access and Cost Competitiveness:** Access to key raw materials such as gold, platinum, and rough diamonds remains fragmented and costly. Limited access to duty-free inputs, restrictive eligibility under mechanisms like IIBX (India International Bullion Exchange), and the absence of efficient replenishment systems increase procurement costs, especially for smaller exporters. These constraints directly impact cost competitiveness, as global hubs such as Dubai provide seamless and cost-efficient access to raw materials. Higher input costs reduce export margins and discourage scaling, particularly for MSMEs operating in cluster-based ecosystems.

(vi) **Skill Gaps and Limited Movement Up the Value Chain:** Despite a large workforce, the sector faces shortages in advanced skills such as Computer-Aided jewellery Design (CAD)-based jewellery design, product development, gemmology, diamond grading, precision stone setting, and modern manufacturing techniques (e.g., casting, laser finishing). There are also gaps in quality assurance, hallmarking, branding, and export marketing. Weak industry–academia linkages and limited exposure to global design trends further constrain upskilling. As a result, India remains strong in cutting and polishing but lags in design-led and high-value segments, limiting its ability to move up the value chain.

(vii) **Infrastructure Gaps and Need for Integrated Cluster Development:** Although India has established clusters and Special Economic Zones (SEZs)[74], the absence of integrated, world-class infrastructure, including logistics, testing facilities, and design ecosystems, continues to affect efficiency. Major issues include issues regarding the need to utilise idle capacity, amendments related to the restrictions on subcontracting from DTA firms and the free movement of goods (sale of excess stock to DTA, B2B, B2C approvals etc)[75].

(viii) **Ease of Doing Business and Regulatory Bottlenecks:** Procedural complexities across agencies such as Customs and DGFT, including delays in clearances and lack of uniformity in processes, continue to affect operational efficiency[76]. Limited appraisal capacity, gaps in skilled manpower, inadequate handling infrastructure, and weak coordination among stakeholders further disrupt the delivery process. In a sector where speed and reliability are critical, these bottlenecks increase transaction costs and reduce India's attractiveness as a sourcing and trading destination, particularly for time-sensitive export orders.

(ix) **Data Gaps and Weak Policy Monitoring Framework:** The sector suffers from a lack of integrated and granular data, with key datasets on production, trade, and consumption fragmented across institutions. G&J is currently subsumed under "Other Manufacturing" in national accounts, limiting visibility of its actual contribution to GVA and employment. This constrains evidence-based policymaking, real-time monitoring, and targeted interventions. In the absence of reliable data, policy design remains reactive rather than strategic, affecting long-term sectoral planning and competitiveness.

9. Way Forward

The analysis highlights that while India's gems and jewellery sector has strong foundational advantages in processing, scale, and employment, its global competitiveness remains constrained by limited value addition, weak integration into global trading ecosystems, and structural inefficiencies across finance, infrastructure, and policy frameworks. With global demand shifting towards design-led, lightweight, and high-value segments, aligning the sector with evolving market trends, improving cost competitiveness, and strengthening institutional support will be critical for India to enhance its global market share and move up the value chain. The following priority actions are recommended:

(i) **Drive Value Addition, Diversification, and Global Positioning:** India must transition from volume-driven exports to value-led growth by strengthening design, branding, and product diversification. Despite strong processing capabilities, the sector remains concentrated in mid-value segments, while high-value markets are dominated by countries such as Italy. Promoting design-led manufacturing, cluster-based R&D, and global branding initiatives (including

74 As of 2022, there are a total of 270 operational SEZs, of this 4 belong to gems and jewellery which account for over 1.5% of the total operational SEZs. However, increasingly the exports from Domestic Tariff Area (DTA) have been on a rise as compared to SEZs. DTA's share has increased from 79.9% in 2015-16 to 81.13% in 2022-23. (https://gjepc.org/assets/pdf/SEZs_Gjepc_booklet_11_3_2025_Final.pdf, https://icrier.org/pdf/ES/ES_CAN-NON-FISCAL-INCENTIVES.pdf)

75 https://seepz.gov.in/uploads/176192261969O4ce3b21ae9_GJEPC%20website.pdf

76 Ecommerce is another area with potential for exports, however logistical roadblocks such as custom inspection delays and high shipping costs continue to hamper its potential. https://seepz.gov.in/uploads/176192261969O4ce3b21ae9_GJEPC%20website.pdf

cluster-specific GI tag) can enhance value realisation and align exports with emerging demand segments such as lightweight and fashion jewellery.

(ii) **Develop an Integrated Global Trading Ecosystem:** To capture higher value within the supply chain, India needs to evolve into a competitive trading and distribution hub. This requires regulatory clarity for Special Notified Zones (SNZ) operations, expanded participation of global mining companies and brokers, and alignment of taxation frameworks with global hubs**.**

(iii) **Strengthen Trade Facilitation, Raw Material Access, and Cost Competitiveness:** Improving export competitiveness requires addressing cost and supply-side constraints simultaneously. This includes aligning FTAs with sector-specific requirements (such as consignment exports), streamlining duty drawback and refund mechanisms, and ensuring timely clearances. At the same time, broadening access to IIBX, operationalising replenishment schemes, and enabling efficient raw-material supply channels are essential to reducing input costs and enhancing margin competitiveness, particularly for MSMEs.

(iv) **Expand Financial Access and Reduce Cost of Capital:** Given the sector's working capital intensity, improving access to affordable finance is critical. Expanding collateral-free lending through strengthened credit guarantee mechanisms, introducing targeted interest subvention, and promoting alternative instruments such as export factoring and supply chain finance can ease liquidity constraints. These measures are essential to reduce dependence on informal credit and support the scaling of MSMEs.

(v) **Invest in Skills, Technology, and Cluster Infrastructure:** Enhancing productivity and moving up the value chain requires simultaneous investments in skills, technology, and infrastructure. Establishing Centres of Excellence, promoting industry–academia collaboration, and enabling global exposure can strengthen design and manufacturing capabilities. In parallel, developing integrated jewellery parks with plug-and-play infrastructure, modern testing facilities, and improved logistics connectivity will reduce operational inefficiencies and support scale.

(vi) **Improve Ease of Doing Business and Strengthen Data Systems:** Simplifying regulatory procedures across Customs and DGFT, ensuring uniform implementation, and streamlining re-import/export processes are critical to reducing transaction costs in a time-sensitive export sector. Additionally, creating a robust data ecosystem through the separate identification of G&J in national accounts, integrated datasets, and dedicated data governance mechanisms will enable evidence-based policymaking and more effective sectoral monitoring.

C.
POLICY AND GEOPOLITICAL HIGHLIGHTS

C. Policy and Geopolitical Highlights

1. Global Trade–Related Policy Updates

- **Iran–US–Israel Conflict & Strait of Hormuz Crisis:** Since late February 2026, tensions between Iran, the U.S., and Israel have disrupted the Strait of Hormuz, through which nearly 20% of global oil supply transits daily, raising concerns over global energy security[77]. Increased naval activity, targeted strikes, and security risks have led to declining tanker movements and rising insurance premiums for shipping, disrupting trade flows. As a result, crude oil prices surged beyond $100 per barrel, before retracing, inflationary pressures and highlighting vulnerabilities in energy-importing economies[78].
- **Energy Market Shock & Global Trade Slowdown Risks:** Missile strikes on key energy infrastructure across the Gulf region have increased supply uncertainties, pushing oil prices higher. Higher energy costs are raising transportation and production costs globally, reducing trade volumes and industrial activity. Multilateral institutions have warned that sustained energy price increases could slow global GDP growth and weaken trade recovery, particularly for developing economies dependent on energy imports[79].
- **Security & Strategic Dialogue Intensification:** The Munich Security Conference 2026 highlighted growing geopolitical fragmentation, cyber risks, and the weakening of multilateral cooperation frameworks. Discussions emphasized the increasing overlap between security and economic policymaking, with countries prioritizing supply-chain resilience, strategic autonomy, and technology controls. This reflects a broader shift toward security-driven economic policies, including trade related alignments, industrial policy interventions, and digital sovereignty measures[80].

2. India's Trade[81] Policy Developments

- **Impact of West Asia Crisis on India's Trade & Economy:** The Gulf region accounts for ~12% of India's total exports and imports [82], with the UAE (exports: 7.5%; imports: 6.1%) and Saudi Arabia (exports: 2.36%; imports: ~3.9%)[83] as key partners. Crucially, UAE acts as a major re-export hub that connects Indian trade to markets across West Asia, Africa, and Europe. Energy remains a key component, with ~33% of mineral fuel imports sourced from the Middle East. Similarly, fertilisers (~36% import dependence) and precious stones and metals[84] (~32%) highlight reliance on the region. Industrial linkages are also present through organic chemicals (12.7%) and plastics (11.3%). However, non-POL import susceptibility remains relatively limited and concentrated, with the UAE accounting for ~7.4%, Saudi

77 https://www.eia.gov/todayinenergy/detail.php?id=65504
78 https://www.worldbank.org/en/research/commodity-markets
79 https://www.imf.org/en/Publications/WEO
80 https://securityconference.org/en/publications/munich-security-report/
81 The events includes the latest developments in India's trade recorded till the release of the publication
82 ITC Trade Map
83 Ministry of Commerce and Industry
84 A substantial share of this trade is routed through the UAE, which functions as a global re-export and trading hub. The UAE aggregates supply from primary producers such as African countries and Russia, and redistributes it to major consuming and processing markets, including India. As such, the UAE operates as a critical node in the global value chain for gems and jewellery, implying that India's exposure is partly logistical and financial (hub-dependent) rather than purely origin-based.

Arabia ~1.3%, and all other West Asian countries individually contributing less than 1%, indicating that broader manufacturing supply chains face lower direct disruption risks. At the same time, sectors such as gems and jewellery show high trade linkage with UAE hubs (~30–36% trade share), but their reliance on air cargo (~85–90%) reduces direct maritime vulnerability while still exposing them to indirect cost pressures. Imports remain dependent on the Gulf for inputs such as energy, fertilisers, and petrochemicals, while exports rely on the region both as a destination market (e.g., gems and jewellery exports to UAE ~36.5%) and as a transit hub. This highlights the importance of the region in supporting trade flows, including import supply chains, export realisation, and trade financing channels. Connectivity with West Asia also supports India's access to Central Asia through established trade corridors and transit routes. Overall, the region plays a key role in supporting India's trade flows, supply chains, and market access.

- **India–GCC Trade Negotiations:** Developments in West Asia have influenced the pace of progress on the proposed India–GCC Free Trade Agreement (FTA), reflecting the link between regional conditions and trade diplomacy. The Gulf region is an important partner for India for energy imports, exports, and remittances, with a significant share of trade routed through this region [85]. The Middle East accounts for a large share of India's energy imports and overseas workforce linkages. The ongoing engagement on the FTA indicates efforts to expand market access, support trade diversification, and strengthen export growth.
- **RoDTEP Rate Restoration:** The Government of India has restored RoDTEP (Remission of Duties and Taxes on Exported Products) rates and value caps to the levels prevailing as on February 22, 2026, with effect from February 23 to March 31, 2026, superseding the earlier notification that had reduced rates by 50%. This timely intervention reaffirms the commitment to ensuring full remission of embedded taxes for exporters, thereby supporting cost competitiveness and easing pressures on export-oriented sectors. The decision has also been accompanied by an extension of the scheme for a further six months (April–September 2026) with the same rates and value caps, providing medium-term policy certainty and continuity. The measure is expected to provide immediate relief, enhance exporter confidence, and ensure continuity in trade operations, reflecting a responsive and facilitative approach to sustaining India's export momentum in a dynamic global evironment [86].

3. Commodity Price Trends

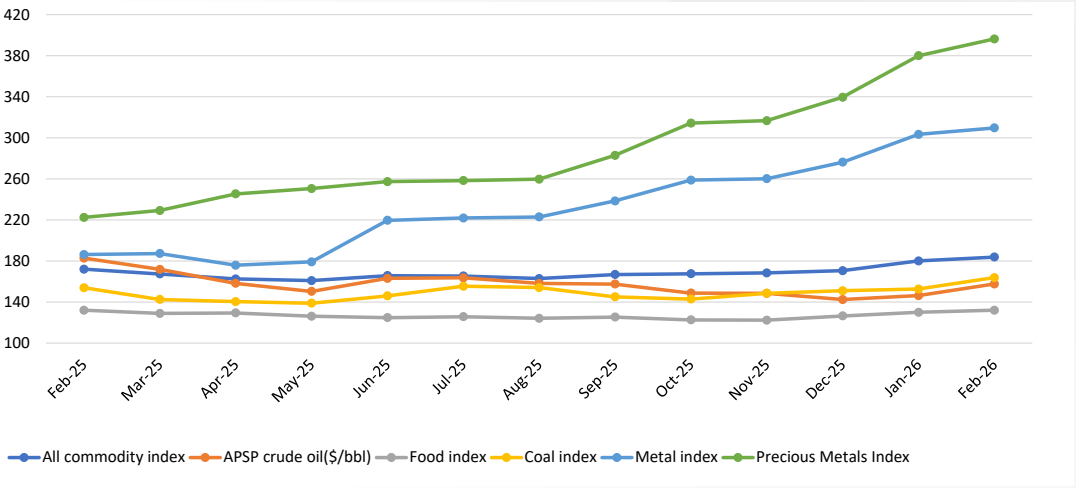
In early 2026, global commodity markets turned modestly bullish compared with the last quarter of 2025, with the all-commodity index moving to a higher level. The uptick was supported by firm gains in precious metals and a recovery in industrial metals, which outweighed still-moderate energy prices. Heightened geopolitical tensions, particularly around U.S.–Iran developments and broader Middle East risks, increased uncertainty over energy supply routes and boosted safe-haven demand, pushing gold and other precious metals higher. Industrial metals also firmed on improving demand

85 https://www.thehindu.com/news/national/west-asia-troubles-to-delay-indias-fta-talks-with-gcc-countries-and-israel/article70762045.ece

86 https://www.dgft.gov.in/CP/?opt=notification

expectations and supply-side constraints, while food prices remained broadly stable. Although crude oil prices remained relatively range-bound, rising geopolitical risk premia and improving sentiment across metals contributed to an overall strengthening in the aggregate commodity index compared with Q4 2025.

Fig 26: Price indices across key commodity indices



Source: IMF

Crude oil prices showed renewed strength and elevated volatility in early 2026 relative to Q4 2025, reflecting rising geopolitical risk premiums, particularly linked to U.S.–Iran tensions and potential disruptions in Middle East shipping routes. Volatility has been amplified by concerns over disruptions in the Strait of Hormuz and precautionary stockpiling, even as underlying supply remains adequate. Coal prices remained relatively stable with an upward bias. Overall, energy markets contributed to higher uncertainty and a mildly firmer commodity outlook, with fuel price risks skewed to the upside.

Food prices remained broadly stable in the first two months of 2026 but carry upside risks linked to energy market volatility. Rising crude oil prices increase transportation, fertilizer, and input costs, which can transmit into food inflation if geopolitical tensions persist. Additionally, elevated energy and fertilizer costs linked to Middle East tensions pose risks to global food security and inflation if disruptions intensify[87]. As a result, while food prices remain contained, rising fuel prices could push food inflation higher in the near term.

Industrial metals strengthened modestly in early 2026 compared with the previous quarter, contributing to the higher all-commodity index. Demand linked to infrastructure spending, electrification, and energy transition technologies supported copper, aluminum, and nickel prices, even as global growth remained uneven. Tight inventories and supply constraints in key mining regions impacted adversely, while improving manufacturing expectations added to the bullish undertone. However, gains remained moderate relative to precious metals.

87 https://www.spglobal.com/energy/en/news-research/latest-news/agriculture/031326-middle-east-war-impacts-global-food-security-over-fertilizer-fuel-and-freight-issues

Precious metals continued to outperform in early 2026 and were the primary driver of the higher all-commodity index[88]. Gold prices rose amid safe-haven demand, weaker dollar expectations, and geopolitical uncertainty, with recent trading showing gold rising steadily alongside gains in silver and platinum. Central bank purchases and hedging against macroeconomic risks further supported prices. The continued strength in precious metals, combined with volatile energy markets, imparted a mildly bullish tone to the overall commodity complex despite mixed performance across other segments (Fig 26).

88 https://www.bis.org/publ/qtrpdf/r_qt2603a.htm

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Notes

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