

# IMPACT OF 50% TARIFF ON INDIA: EXPOSURE AND PROSPECTS

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## Table of Contents

<b>Two Sides of the Tariff Coin: Risk Exposure and New Market Prospects</b>	<b>3</b>
<b>The Twofold Economic Shock .....</b>	<b>4</b>
<b>Identifying the Most Exposed Sectors .....</b>	<b>6</b>
<b>Strategic Roadmap for Exporters: Navigating the New Landscape .....</b>	<b>8</b>
<b>Preparing Your Business: How D&amp;B Can Help .....</b>	<b>10</b>

## TWO SIDES OF THE TARIFF COIN: RISK EXPOSURE AND NEW MARKET PROSPECTS

The U.S.'s decision to impose a 50% tariff on Indian imports marks a pivotal and abrupt turn in global trade dynamics. What began as a 25% tariff on August 7, 2025, has escalated with a further 25% increase taking effect on August 28, thrusting India's exporters and its broader economy into a state of heightened uncertainty. We highlight its twofold impact on India's energy and export sectors and outline a strategic roadmap for businesses to navigate this new, high-tariff environment.

### Relative Tariffs and Potential Add-ons

Country	April 2, 2025, Tariff (%)	August 7, 2025, Tariff (%)	Change (pps)
Japan	17	15	▼ 2
South Korea	27	15	▼ 12
Philippines	17	19	▲ 2
Malaysia	24	19	▼ 5
Pakistan	29	19	▼ 10
Indonesia	32	19	▼ 13
Thailand	36	19	▼ 17
Cambodia	49	19	▼ 30
Taiwan Region	32	20	▼ 12
Bangladesh	37	20	▼ 17
Sri Lanka	44	20	▼ 24
Vietnam	46	20	▼ 26
<b>India</b>	<b>26</b>	<b>50*</b>	<b>▲ 24</b>

Sector	Enacted Tariff Rate / Status	Effective Date
Steel & Aluminum (+ derivatives)	50% (raised from 25% in March)	June 4, 2025
Automobiles	25%	April 3, 2025
Auto Parts	25% (with U.S. credit offsets)	May 3, 2025
Copper & Copper-Intensive Derivatives	50%	August 1, 2025
Semiconductors	Proposed 100% tariff on imported semiconductors with TBD late 2025 some exceptions	
Pharmaceuticals & APIs	Investigation - up to 200% possible	TBD
Critical Minerals & Derivatives	Investigation initiated	TBD
Aircraft, Jet Engines & Parts	Investigation initiated	TBD
Medium/Heavy Trucks & Parts	Investigation initiated	TBD
Timber & Lumber	Investigation initiated	TBD

Note: \*25% tariff currently imposed, with a further 25% applicable from August 28; tariff scenario is subject to change

Source: The White House, Truth Social, and News Articles

The recent strains in U.S.-India trade relations reflect differing priorities rather than an outright breakdown. India's decision to maintain protections for its agriculture and dairy sectors – aimed at supporting millions of small farmers – was interpreted by the U.S. as limiting market access. Divergence also emerged over India's continued procurement of discounted Russian crude oil and defense equipment, a policy grounded in the country's energy security considerations but viewed in Washington as challenging its sanctions framework. Additional points of friction have arisen in sector-specific areas, such as price regulations on medical devices and discussions around potential tariffs on certain pharmaceutical exports, underscoring the complexity of reconciling the two countries' trade and strategic objectives.

## THE TWOFOLD ECONOMIC SHOCK

The new tariff regime will have a dual impact on the Indian economy, hitting both its energy import costs and its export competitiveness.

### 1. The Oil Import Conundrum: Inflation and Macroeconomic Instability

India, with an 82.8% crude oil import dependence, is particularly vulnerable to energy shocks. As the world's third-largest oil importer, any forced shift in its sourcing strategy carries significant financial implications. U.S. tariffs are designed to compel India to divert its oil purchases away from Russia, which currently accounts for approximately 36% of its total crude imports, valued at roughly USD52.7bn annually.

**The Cost of Diversion:** As of August 2025, International Brent crude trades at USD66.10 per barrel, while Russian Urals crude is priced at USD62.82 per barrel, establishing a baseline differential of USD3.28 per barrel. However, this current narrow spread understates the potential cost impact of large-scale diversification. Historical patterns during periods of supply disruption suggest that massive shifts in sourcing patterns typically create market premiums. A diversion of Russian imports would likely trigger demand pressure on alternative suppliers, particularly from the U.S. and Saudi Arabia, potentially adding a market premium of USD2-3 per barrel above the current differentials. We have considered a medium-term scenario, where we estimate that a 50% diversion of Russian oil imports would result in an additional annual cost of around USD2.1bn.

## Cost Impact Calculation for 50% Diversion Scenario

### Baseline Parameters:

- Russian crude imports: USD52.70bn in 2024
- 50% diversion value: USD26.35bn
- At current Urals pricing (USD62.82/barrel): 419.50m barrels annually
- Effective price differential (including demand premium): ~USD5.00 per barrel

**Economic Impact:** The 50% diversion scenario would generate additional annual costs around USD2.1bn, representing a 1.5% increase in India's total crude oil import bill estimated at approximately USD140bn in 2024.

**Inflationary and Fiscal Implications:** The Reserve Bank of India (RBI, the central bank) has estimated that a 10% increase in global crude oil prices can push domestic retail inflation up by 20bps. The estimated 4-6% price increase from oil diversion could thus contribute an additional 8-12bps to headline inflation. This inflationary pressure would cascade through the economy, affecting transportation, manufacturing, and household purchasing power. Beyond inflation, a surge in oil import costs would sharply elevate India's current account deficit-to-GDP ratio and put significant pressure on fiscal balances. This would complicate the RBI's monetary policy decisions, especially as headline inflation is already projected to rise above 4% in early 2026.

## 2. The Direct Hit to Exporters: Margin Pressures and Supply Chain Reconfiguration

The second impact is a direct one on India's exporters. The 50% tariff effectively raises the cost for U.S. importers, forcing them to make a difficult choice: absorb the higher cost, ask Indian suppliers to take a hit on their margins, or divert their sourcing to other, lower-tariff countries.

### The Supplier Landscape: A Detailed Look

Dun & Bradstreet's Supplier Analytics Data provides a granular view of the vulnerability within the supply chain:

- **Breadth of Exposure:** Our data suggests that 32,122 Indian suppliers have a relationship with U.S. businesses. Of these, 23,000 are Tier 1 (T1) suppliers, meaning that they have a direct relationship with U.S. importers.
- **Concentrated Risk:** The data reveals a significant concentration of risk among suppliers with a small number of customers. 4,300 suppliers have a single U.S. customer, making them extremely vulnerable to a loss of business. Another 9,100 have fewer than 10 U.S. customers.

- **High-Value Suppliers:** The tariffs pose a direct threat to a significant portion of India's top exporters. There are 965 suppliers with over USD1m in exports to the U.S., with the majority being T1 and critical suppliers.
- **U.S. Corporate Dependence:** From the U.S.'s perspective, 12,089 U.S. corporates are supplied by India, with 7,117 having direct (T1) suppliers. This mutual dependence highlights that the tariffs are a double-edged sword, potentially disrupting U.S. supply chains as well.

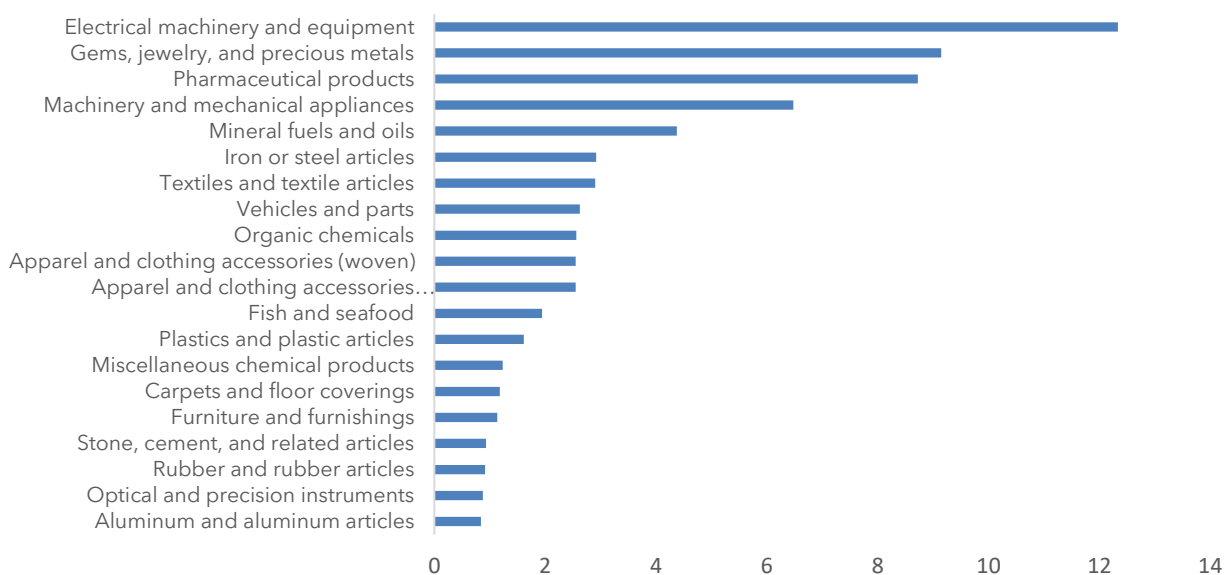
This data underscores the reality for business owners: the tariffs are not an abstract policy but a tangible threat to thousands of specific supplier-customer relationships.

## IDENTIFYING THE MOST EXPOSED SECTORS

Out of India's total merchandise exports of USD79.4bn to the U.S. in 2024, approximately 56.0% will be impacted by the 50.0% tariff rate. The impact is uneven, hitting some sectors harder than others. Labor-intensive exports – gems and jewelry, textiles, and apparel – face a sudden loss of cost competitiveness in one of their largest markets, threatening market share to rivals such as Bangladesh and Vietnam. Electronics assembly, a pillar of India's supply chain diversification strategy, could also lose its cost advantage if tariffs erode margins. Pharmaceuticals face a potentially larger blow: the U.S. is reviewing generic drug imports under a separate investigation, with proposals floating for punitive hikes as high as 200%. This would disrupt India's dominance as a low-cost supplier to the U.S. healthcare system and threaten a crucial export revenue stream.

The following chart shows the breakdown of India's exports to the U.S. by sector at a two-digit HS Code level, based on UN COMTRADE data.

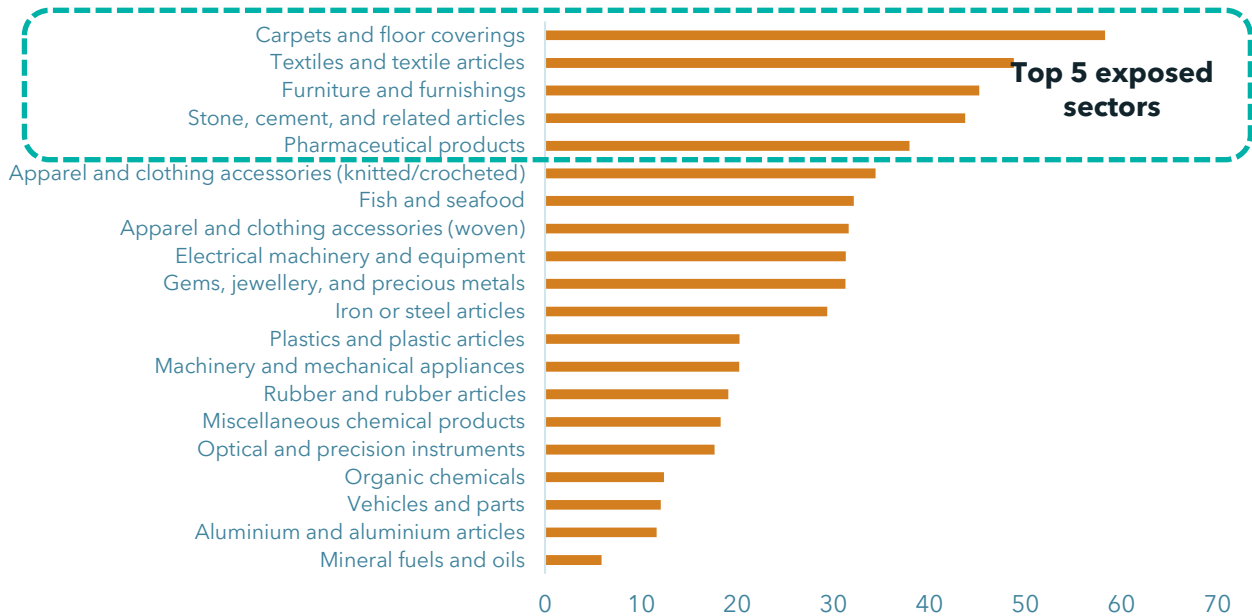
India's exports to the U.S., USD bn



Source: UN COMTRADE 2024

However, a more telling measure of vulnerability is the share of a sector's total global exports that go to the U.S. This metric reveals which industries are most dependent on the U.S. market. The ranking shifts dramatically when viewed through this lens, as shown in the chart below.

India's exports to the U.S., share of total exports



Source: UN COMTRADE 2024

Based on this analysis, the five most exposed sectors are:

1. **HS Code 57: Carpets and floor coverings**
2. **HS Code 63: Textiles and textile articles**
3. **HS Code 94: Furniture and furnishings**
4. **HS Code 68: Stone, cement, and related articles**
5. **HS Code 30: Pharmaceutical products**

While some sectors such as pharmaceuticals (HS Code 30) and electronics (HS Code 85) have main sub-components that are currently exempt, the looming threat of high tariffs under separate investigations (e.g., Article 232 for pharmaceuticals, with proposals for tariffs as high as 200%) means they must be considered high-risk categories.

## STRATEGIC ROADMAP FOR EXPORTERS: NAVIGATING THE NEW LANDSCAPE

With cost pressures mounting and market access at risk, Indian businesses cannot afford to be passive. A proactive, multi-pronged strategy is essential.

### 1. Diversifying to High-Potential Alternate Markets

An immediate priority for exposed businesses is to pivot their focus to alternative export destinations. For each of the five most exposed sectors, seven major markets emerge as the next-largest buyers – Germany, the UK, Australia, the Netherlands, the UAE, France and Canada. These should be the subject of India's broad strategic focus in search of alternative markets.

To identify the most promising markets for each affected sector, we apply the following metrics. We have considered the below data from the importing country's perspective, with the period under consideration starting from 2019 to capture the shifting supply chains post-Covid.

- **Import growth from the world (CAGR 2019-24):** Measures the overall expansion of the target country's import demand, indicating the size and growth momentum of the market.
- **Import growth from India (CAGR 2019-24):** Tracks whether the target country is sourcing more from India over time, reflecting India's competitiveness in that market.
- **Change in India's share of imports to total (2019-24):** Captures the pace at which India's market share is growing or declining relative to competitors, highlighting shifts in trade relationships.
- **Bilateral or multilateral trade agreements:** Evaluates whether existing treaties can facilitate easier market access through lower tariffs, harmonized standards, or preferential treatment.

Countries are ranked on each of the above parameters, and the average rank is used to prioritize those with the strongest potential for India's most-exposed exports.

Top Export Market Opportunities					
Product Category	1	2	3	4	5
 Carpets & Floor Coverings	 Sweden SE	 Australia AU	 Canada CA	 United Kingdom GB	 Germany DE
 Textiles & Textile Articles	 Saudi Arabia SA	 United Kingdom GB	 Spain ES	 Germany DE	 Canada CA
 Furniture & Furnishings	 United Kingdom GB	 Germany DE	 France FR	 Canada CA	 Netherlands NL
 Stone, Cement & Related	 UAE AE	 Germany DE	 United Kingdom GB	 France FR	 Canada CA
 Pharmaceutical Products	 South Africa ZA	 Nigeria NG	 United Kingdom GB	 Australia AU	 Germany DE

### Concise Analysis of Key Markets:

- Carpets & Floor Coverings (HS 57):** India's USP lies in artisanal, sustainable, hand-knotted, and hand-tufted products. Germany and Sweden stand out for their strong import growth and appetite for premium eco-certified, fair-trade goods. Australia and Canada, with favorable trade pacts and design-conscious consumers, provide stable, high-value niches. Indian exporters can differentiate on heritage craftsmanship and ethical sourcing, reducing pure price competition.
- Textiles & Textile Articles (HS 63):** Saudi Arabia and the UAE offer expanding, high-income markets with rising hospitality and tourism sectors driving demand for premium bed linens, home textiles, and ethnic wear. India's competitive edge in quality cotton and blended fabrics, coupled with existing trade goodwill, allows for a premium positioning. Targeting hotel chains and luxury real estate projects could anchor long-term demand.
- Furniture & Furnishings (HS 94):** Germany and the UK present sustained demand for handcrafted, custom wooden furniture. The market is shifting towards sustainable materials and low-carbon production – an area where India can lead with reclaimed wood and low-volatile-organic-compound (VOC) finishes. Niche branding (such as heritage carpentry and bespoke design) can offset freight and compliance costs.
- Stone, Cement & Related Products (HS 68):** The UAE's construction boom offers immediate scale for granite and marble slabs, while Germany and

the UK show stable growth in value-added products, such as finished tiles and countertops. Certifications for sustainability and precision cutting can open doors to high-margin architectural projects.

- **Pharmaceutical Products (HS 30):** South Africa and Nigeria's fast-growing demand for affordable generics aligns with India's scale and price advantage. In developed markets such as the UK and Australia, the opportunity lies in specialty generics, biosimilars, and supply chain dependability – areas where Indian firms can deepen partnerships before competitors fill the gap.

## 2. Implementing Strategic Mitigation Tactics

Beyond market diversification, businesses must adopt innovative strategies to mitigate the impact of tariffs.

- **Diplomatic and Lobbying Efforts:** The government's strategy is focused on seeking sector-specific exemptions from the U.S., particularly for industries such as generic pharmaceuticals and diamond cutting, where U.S. supply chains are highly dependent on Indian inputs. Businesses should actively engage with industry associations to support these efforts.
- **Deepening Domestic Value Chains:** Tariffs present an opportunity to accelerate the Make in India initiative but with renewed focus on upstream inputs. By building capacity in tariff-insulated inputs such as textile fibers, specialty chemicals, and semiconductor packaging, India can reduce its future exposure to similar trade shocks.
- **Product Differentiation:** For high-risk export categories, a viable strategy is to pivot away from mass-market, price-sensitive products and instead develop niche, high-margin offerings for the U.S. market. These premium products can better absorb the tariff costs, allowing exporters to compete on quality and unique value rather than price alone.

## PREPARING YOUR BUSINESS: HOW D&B CAN HELP

The new tariff regime is not a temporary blip but a structural shift that demands a strategic, data-driven response. Business owners should move from reactive cost absorption to proactive supply chain reconfiguration. This involves four critical steps:

**1. Quantify Your Exposure:** The first step is to model the precise impact of the tariffs on your business. This requires granular data on your supply chain, extending beyond Tier 1 suppliers to understand where costs will truly emerge. Tools such as Dun & Bradstreet's [Supply Chain Evaluation Tool](#) can help in this regard by illuminating how dependencies on specific products or countries could impact your costs.

**2. Seek Alternative Suppliers:** Diversifying your supplier base is no longer optional but a strategic imperative. The search for alternatives must be a balanced process, considering not only cost structures but also compliance standards, technical capabilities, and regulatory familiarity. Dun & Bradstreet provides access to a vast network of over 580m global entities, with [D&B Risk Analytics - Supplier Intelligence](#) allowing businesses to shortlist viable partners and build resilient supply networks.

**3. Accelerate Onboarding, De-risk Early:** When onboarding new suppliers, speed is essential to avoid delays but so is diligence. Hidden vulnerabilities, such as opaque corporate structures or links to politically exposed persons, can lead to compliance breaches. [D&B Risk Analytics - Compliance Intelligence](#) allow businesses to quickly screen entities against watch lists and uncover beneficial ownership, ensuring that you can onboard new suppliers efficiently while mitigating risk from day one.

**4. Monitor Continuously:** The risks posed by today's volatile environment are not static. Ongoing monitoring of supplier performance and risk profiles is crucial. With [D&B Risk Analytics - Supplier Intelligence](#) that provides proactive monitoring and real-time alerts, businesses can detect early warning signs of disruption and maintain long-term operational stability.

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