BAJAJ MUTUAL FUND

WORD ON THE STREET

THE RUPEE's SILVER LINING

A softer rupee may support India's export competitiveness as global supply chains continue to diversify beyond China.

A weaker rupee is often associated with higher import costs. However, it may also make Indian exports more competitive globally. Combined with resilient manufacturing and the **China+1 shift**, this may support India's position in global trade as well as support its long term growth story.

EXPORT MOMENTUM REMAINS STRONG

Merchandise Exports (June 2026)	**US$40.41 bn**
Merchandise Export Growth (YoY)	**15.5%**
Total Exports (Goods + Services, June 2026)	**US$73.45 bn**
Q1 FY27 Merchandise Exports (Apr-Jun 2026)	**US$129.32 bn**
Q1 FY27 Growth (YoY)	**15.9%**

India exported US$129.3 billion of merchandise goods during Q1 FY27, reflecting continued momentum in merchandise exports.

THE RUPEE'S COMPETITIVE EDGE

A softer currency may improve export pricing by making Indian goods relatively more price competitive in overseas markets.

India REER (June 2026)
91.26

INR depreciation vs USD (12M)
~9.8%

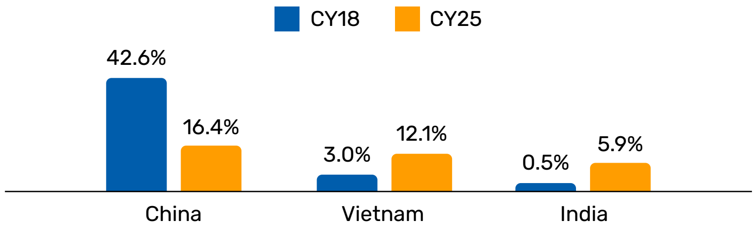
A lower Real Effective Exchange Rate (REER) generally indicates stronger export competitiveness.

Source: RBI (REER - June 2026), FBIL; USD/INR - 19 Aug 2026

CHINA+1 IS BECOMING REALITY

The shift in global supply chains is increasingly visible in trade data.

US ELECTRONICS IMPORT SHARE (%)



China's share of US electronics imports fell from 42.6% in CY18 to 16.4% in CY25, while India's share rose from 0.5% to 5.9%.

US$25 bn
India's smartphone exports to the US reached US$25 billion.

108%
CAGR in smartphone exports to the US.

12 x
Increase in India's share of US electronics imports from 0.5% in CY18 to 5.9% in CY25.

WHERE THE NEXT OPPORTUNITY LIES

India's export share remains well below China's across several manufacturing categories, highlighting meaningful headroom for future growth.

Sector	India Share (%)	China Share (%)	Deviation in Share (%)
Electrical Machinery	2.2%	24.3%	22.1%
Textiles & Clothing	5.0%	25.0%	20.1%
Machinery & Appliances	1.1%	14.8%	13.8%
Transportation	0.9%	6.2%	5.3%
Plastic or Rubber	1.3%	12.5%	11.2%
Miscellaneous	0.6%	18.5%	17.9%
Hides and Skins	3.9%	29.7%	25.8%
Wood	0.8%	8.7%	7.9%
Footwear	1.7%	28.4%	26.7%

Note: Share in major FTA partner imports (EU, US, UK, GCC, Canada and UAEvt)

KEY INSIGHTS

- India's share is lower than China's in all 9 categories shown.
- 7 of the 9 categories have a share gap of more than 10%.
- India supplies just 1.9% of major FTA partner imports, versus China's 11.1%

Full implementation of ongoing FTAs can unlock an estimated **US$65-70 bn** per year in additional merchandise exports.

KEY TAKEAWAY

India's export story is shifting from cyclical recovery towards structural opportunity. A competitive rupee, the China+1 transition and an expanding FTA network may provide a constructive backdrop for India's next phase of export led growth.

Sources: Avendus Spark Research, Internal Analysis | Data as on 19th August 2026 | As per latest data available