

India-UK trade and financial flows

**FTA between India and UK
expected to boost bilateral trade
and financial flows**

May 2025





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India's trade surplus with the UK experienced mild growth over the past decade.

The concessions outlined in the FTA are anticipated to enhance trade significantly.

India's trade surplus with the UK has grown marginally over the past decade. The Free Trade Agreement (FTA) signed in May 2025 between India and the UK is expected to significantly enhance the bilateral trade relationship. With the FTA, 99% of Indian exports are expected to face zero duty, thereby enhancing export opportunities across various sectors, including textiles, metals, agricultural products, electrical and electronic products, sports goods and leather. Additionally, under the FTA, 90% of Indian imports will benefit from reduced or zero tariffs, providing cost advantages to Indian consumers in sectors such as precious and other metals, automobiles, pharmaceuticals, alcoholic beverages and cosmetics.

In the realm of services trade, India stands to gain from the UK's commitments under the FTA in sectors such as IT/ITeS, financial services, professional services, other business services, and educational services.

Regarding financial flows, the UK contributes significantly to India's Foreign Direct Investment (FDI) equity inflows, Foreign Portfolio Investors - Assets Under Custody (FPI-AUC), and remittances. The FTA is expected to ease professional mobility and exempt Indian workers from social security payments for three years – this will further boost these remittances.

There is also a notable presence of corporate entities in each other's countries. The FTA is anticipated to bring considerable benefits to Indian corporates operating in the UK and vice versa.



Merchandise trade

- Merchandise trade between India and the UK increased at a CAGR of 1% between FY2015 and FY2024, with imports increasing at a CAGR of 6%, compared to exports at a CAGR of 4%.
- The UK's share in total Indian merchandise exports (FY2024) stood at 3%. However, UK exports are significant for India across more than 50 product categories, including textiles, metals, agricultural products, electrical and electronic products, sports goods, and leather. The UK's share in total Indian merchandise imports was 1% in FY2024. UK imports are significant for India for ~13 product categories, including precious and other metals, automobiles, textiles, pharmaceuticals, alcoholic beverages, cosmetics, etc.
- Simultaneously, India's share in the UK's total imports and exports pie stood at ~2%. The import of Indian textiles and agricultural products and the export of certain metals to India are significant for the UK.

FTA to strengthen trade, financial flows and investment connections



Services trade

- Total software services export (part of total services export) increased by ~10% over the past decade; however, exports to the UK rose by a higher ~12% during the same time.
- India will benefit from the FTA commitment from the UK in services such as IT/ITeS, financial services, professional services, other business services and educational services.



FDI, FPI and remittances

- The UK is the sixth largest country for FDI equity inflows to India, contributing ~5% of the total pie.
- The UK's share in the overall pie of FPI-AUC was ~5% as of March 2025. It is the sixth largest country, contributing to FPI AUC for India.
- It is also one of the largest countries for India's migrant stock and remittances. The proposed easing of professional mobility and exemption of Indian workers from social security payments for three years, is expected to increase migration and remittances in future.



Corporate presence

- There are 971 Indian companies operating in the UK, with combined revenues of ~\$90 billion. Cumulatively, the Indian entities employed more than 1 million people. Many UK-based companies have a significant presence in India in sectors such as manufacturing, pharmaceuticals, and consumer goods.
- The FTA is anticipated to bring considerable benefits to Indian corporates operating in the UK and vice-versa.



Bilateral agreements and Memorandum of Understanding (MoU)

- The political ties between the UK and India have been strengthened by official dialogues, agreements and cooperations at the ministerial level to improve cooperation, collaboration and investment.



Trade and financial flows

Free Trade Agreement between India and UK signed in May 2025

On May 6, 2025, India and the UK finalised the FTA, which entails trade liberalisation, tariff concessions, employment opportunities, resilient supply chains, sustainable and inclusive economic growth for both countries. Key highlights of the FTA are:

Trade and services

- 90% of Indian imports from the UK will face reduced tariffs or zero tariffs. Indian consumers may benefit from reduced costs on such UK goods
- 99% Indian exports to benefit from zero duty, opening export opportunities for number of sectors
- Significant boost to trade in services, with FTA commitment from the UK in services such as IT/ITeS, financial, professional, other businesses and educational services

Employment

- The FTA is designed to generate high-quality employment.
- Increased exports and market access will drive job creation in various sectors and services.

Green energy

- The FTA will promote and facilitate trade in environmental goods and services and encourage transition to clean energy.

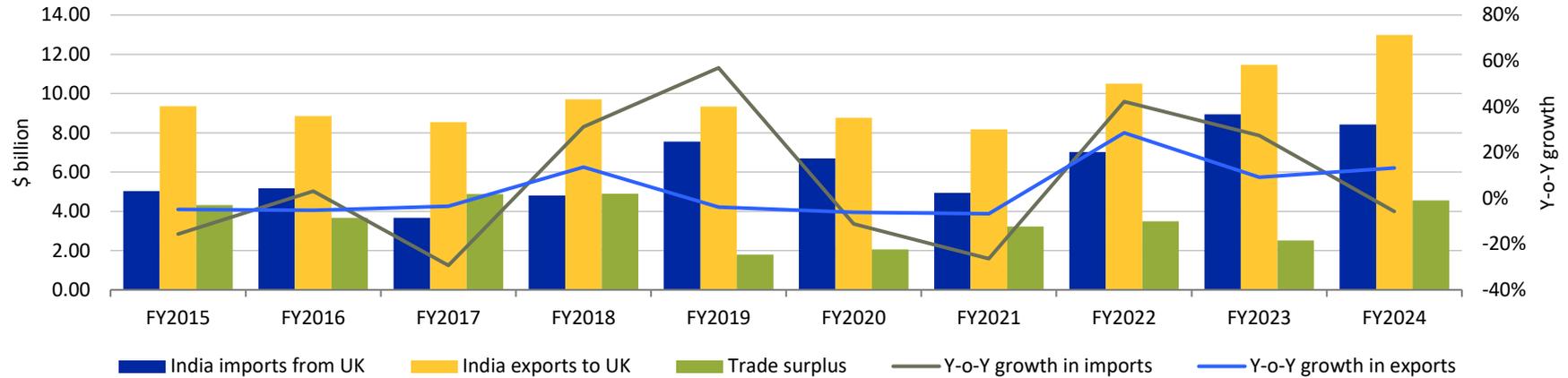
Others

- It also covers regulatory practices, transparency for ease of doing business, addressing non-tariff barriers etc.

This FTA is a comprehensive and forward-looking agreement aimed at deepening trade and investment ties across a range of sectors, including goods, services and technology. **However, the detailed tariff reduction schedules, rules of origin, quantum of the import quotas, services covered and nature of commitments thereon, etc., are awaited.**

India's trade surplus with UK has grown marginally over the past decade; tariff concessions under FTA are expected to improve overall trade

EXHIBIT: Merchandise trade between India and UK



Source: Ministry of Commerce and Industry; ICRA Research

- Merchandise trade between India and the UK increased at a CAGR of 1% between FY2015 and FY2024, with imports increasing at a CAGR of 6% compared to exports at a CAGR of 4%. The trade surplus has increased marginally to \$ 4.5 billion in FY2024 from \$ 4.3 billion in FY2015.
- UK's share in the total Indian merchandise imports was ~1% for the past decade, whereas its share in the total Indian merchandise exports was ~3% for the past decade.
- Tariff concessions on imports as well as exports are expected to improve the bilateral trade between the countries.

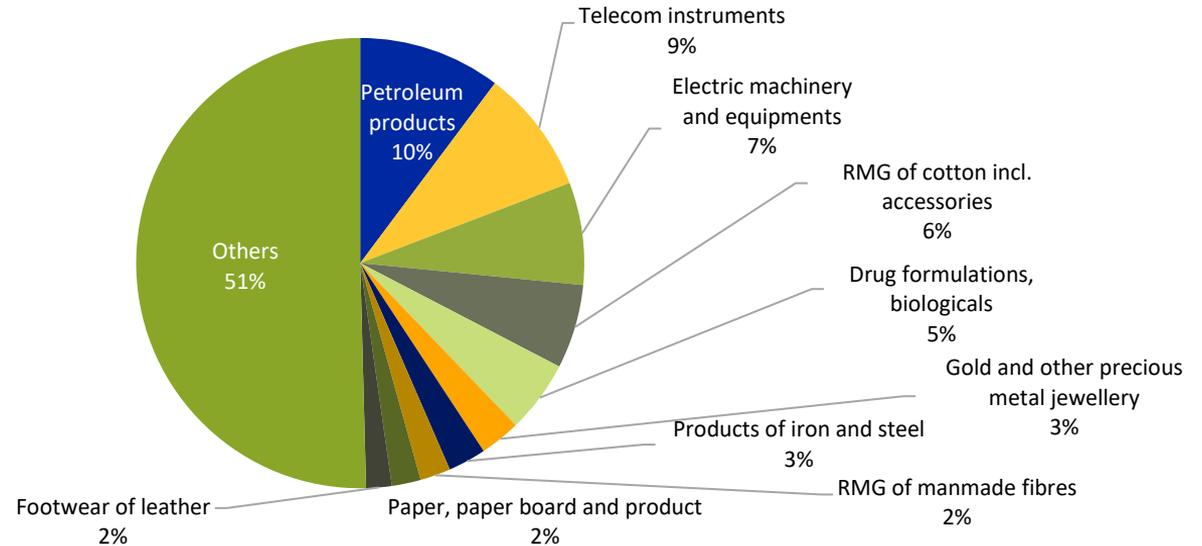
99% Indian exports to benefit from zero duty

- The UK's share in the total Indian merchandise exports was ~3% in FY2024.
- Top 10 Indian exports to the UK by value include petroleum products, telecom instruments, electric machinery and equipment, textiles, drug formulations, precious metals jewellery, iron & steel products and footwear.

EXHIBIT: Top 10 exports to the UK by value (FY2024)

99% Indian exports to benefit from zero duty opening export opportunities for number of sectors like -

- Textiles
- Marine products
- Leather
- Footwear
- Sports goods and toys
- Gems and jewellery
- Engineering goods
- Auto parts and engines
- Organic chemicals



Source: DGCI&S, Ministry of Commerce and Industry; ICRA Research

At present, UK's share is significant for India for over 50 export categories; FTA expected to open export opportunities for other categories

- Exports to the UK form a major share (i.e. UK's share is greater than or equal to 5%) in total exports for India for more than 50 product categories.

EXHIBIT: Product categories for which exports to the UK formed a major share (>=5%) in total exports of India (by value)

Textile

Category	The UK's share
Woollen yarn, fabrics, madeups etc.	21%
RMG of silk	14%
RMG of wool	11%
RMG of manmade fibres	10%
RMG of cotton incl. accessories	9%
Leather & leather manufactures	9%
Readymade garments	9%
Floor covering of jute	7%
RMG of other textile materials	7%
Jute manufacture including floor coverings	6%
Leather garments	6%
Jute hessian	5%
Other textile yarn, fabric madeups articles	5%
Natural silk yarn fabrics madeups	5%

Metals

Category	The UK's share
Nickel, products made of nickel	13%
Other non ferrous metal and products	13%
Other precious and base metals	8%

Agri

Category	The UK's share
Processed fruits and juices	6%
Mollases	6%
Milled products	6%
Cereal preparations	6%
Other jute manufactures	6%
Floriculture products	6%
Processed vegetables	5%
Tea	5%
Fresh fruits	5%
Marine products	2%

Engineering /electronic goods, auto comp

Category	The UK's share
Electronic goods	5%
Other misc. engineering items	5%
Electronics instruments	5%
Machinery & instruments	5%
Cranes, lifts and winches	5%
Auto components	2%

Others

Category	The UK's share
Sports goods	16%
Saddlery & harness	13%
Footwear of leather	12%
Optical items (incl. lens etc)	11%
Paper, paper board and product	10%
Cashewnut shell liquid	10%
Books, publications and prntng	8%
Paper/wood products	8%
Leather goods	8%
Processed minerals	8%
Handicrafts excluding handmade carpets	8%
Other construction machinery	7%
Telecom instruments	7%
Packaging materials	7%
Granite, natural stone and products	7%
IC engines and parts	6%
Handloom products	6%
Organic and Other miscellaenious chemicals	6%
Plywood and allied products	5%
Aircraft, spacecraft and parts	5%
Carpet handmade	5%

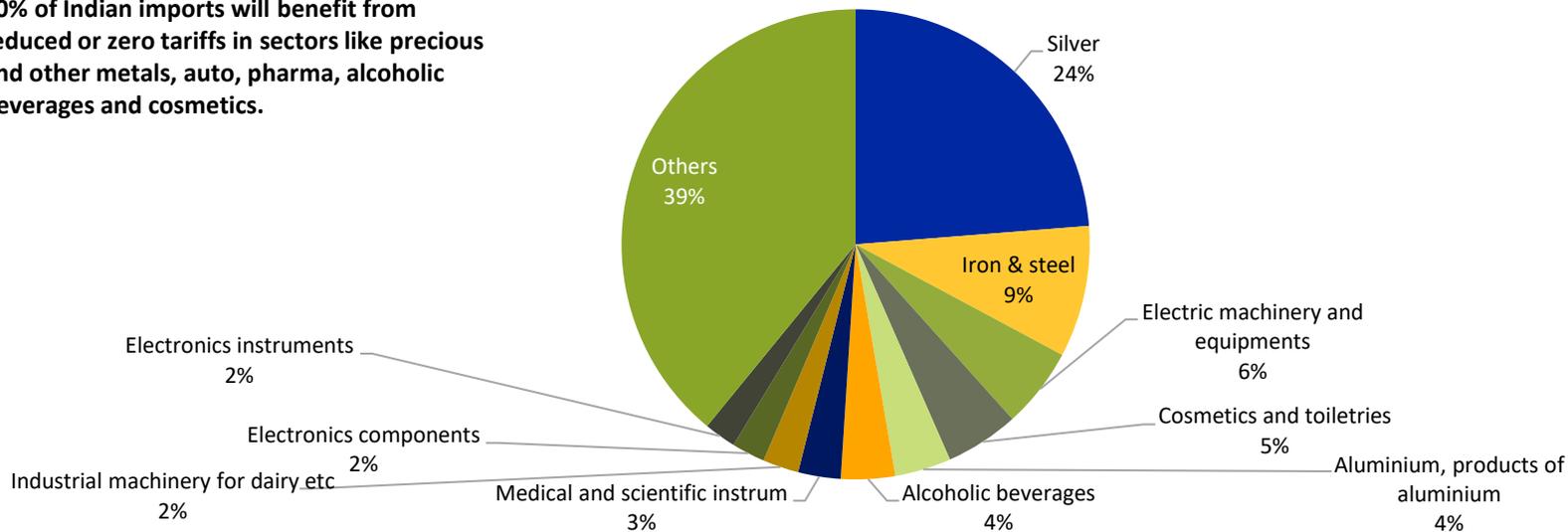
Source: DGCI&S, Ministry of Commerce and Industry; ICRA Research

90% of Indian imports from UK will benefit from reduced or zero tariffs

- The UK's share in total Indian merchandise imports was ~1% in FY2024.
- The top 10 imports from the UK by value include silver, iron and steel, electric machinery and equipment, cosmetics and toiletries, aluminium and products, alcoholic beverages, medical / scientific instruments, electronic goods etc.

EXHIBIT: Top 10 imports from UK by value (FY2024)

90% of Indian imports will benefit from reduced or zero tariffs in sectors like precious and other metals, auto, pharma, alcoholic beverages and cosmetics.



Source: DGCI&S, Ministry of Commerce and Industry; ICRA Research

UK's imports are significant for India in 13 categories; more categories may be added as cost advantages benefit Indian consumers under FTA

- UK's imports are significant for India for many sectors like precious and other metals, automobiles, pharmaceuticals, textiles, alcoholic beverages and cosmetics etc.
- Imports from the UK form a major share (i.e. UK's share is greater than or equal to 5%) in total imports for India for 13 product categories listed below.

EXHIBIT: Product categories for which imports from UK formed a major share (>=5%) in total imports of India (by value)

Precious metals

Category	The UK's share
Other precious and base metals	43%
Silver	37%

Metals

Category	The UK's share
Graphite, explosives and accessories	6%
Nickel, products made of nickel	5%
Aluminium, products of aluminium	5%

Auto

Category	The UK's share
Motor vehicle/cars	16%

Pharma

Category	The UK's share
Surgical	5%

Textile

Category	The UK's share
Leather garments	5%

Others

Category	The UK's share
Alcoholic beverages	24%
Books, publications and printing	20%
Handcrfs(excl.handmade crpts)	19%
Cosmetics and toiletries	16%
Paper board & manufactures	5%

Under the FTA, 90% of Indian imports from the UK will benefit from reduced or zero tariffs benefiting sectors like:

- Whisky, gin** (Whisky and gin tariffs will decrease from 150% to 75% initially, and to 40% over a decade)
- Automotive** (Automotive tariffs will drop from over 100% to 10% under a tariff rate quota system),
- Medical devices**
- Cosmetics**
- Aerospace components**
- Lamb, salmon**
- Electrical machinery**
- Soft drinks, chocolate, and biscuits**

Indian exports not significant for UK, except for certain metal, paper products

- India's share in the UK's merchandise exports (2024) to the world is ~2%.
- Precious stones and metals, nuclear reactors, boilers, metals, pharmaceuticals, beverages, aircraft, spacecraft, electrical and electronic equipment comprise the top 10 Indian exports to the UK.

- Exports of certain metals, pulp of wood, vegetable fibre, fertiliser and rubber to India account for a significant share of the total world exports for those products.

EXHIBIT: Top 10 exports to India by value (2024)

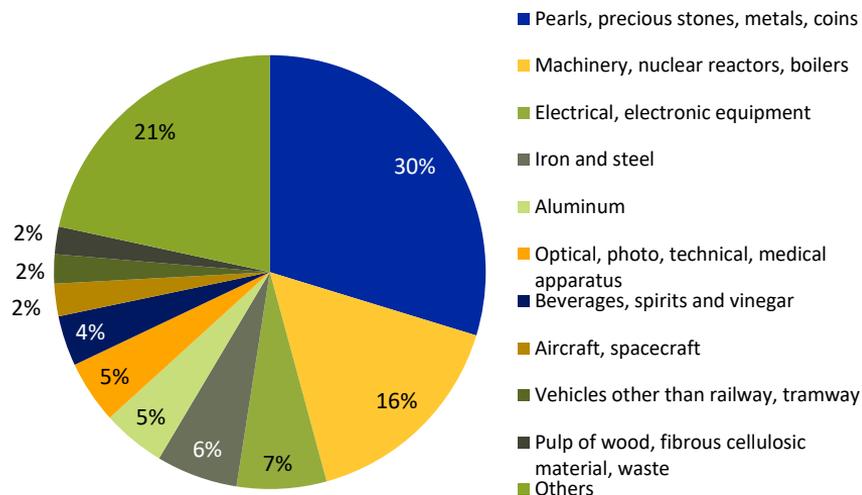


EXHIBIT: Product categories for which exports to India form a major share (>=5%) in total exports of UK (by value)

UK's exports to India	India's share in UK's total exports
Pulp of wood, fibrous cellulosic material, waste	23%
Aluminum	11%
Iron and steel	7%
Copper	7%
Lead	6%
Zinc	5%
Vegetable textile fibers not specified elsewhere, paper yarn, woven fabric	6%
Fertilisers	6%
Rubbers	5%

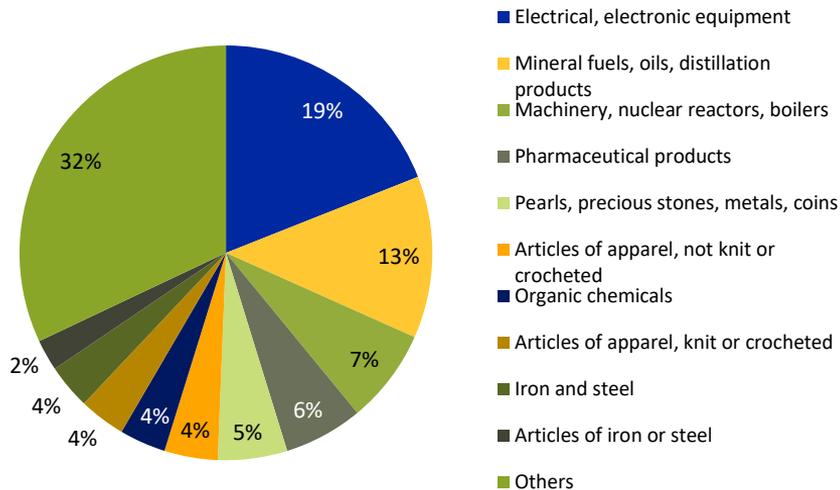
Metals

Source: United Nations Comtrade database, Industry, ICRA Research

Indian imports of textile, agri products are significant for UK

- India's share in the total UK merchandise imports (2024) stood at ~2%.
- Electrical and electronic equipment, minerals, nuclear reactors, boilers, pharma, precious stones and metals, textile, chemicals and metals comprise the top 10 Indian imports to the UK.

EXHIBIT: Top 10 imports from India by value (2024)



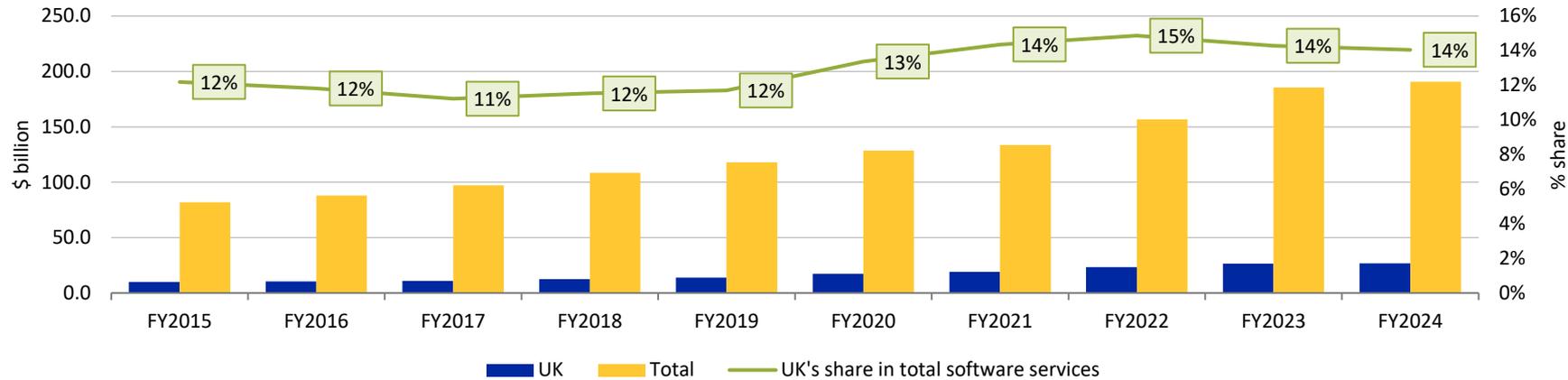
Source: United Nations Comtrade database, Industry, ICRA Research

EXHIBIT: Product categories of imports from India that form a major share (>=5%) of total UK imports (by value)

UK's imports from India	India's share in UK's total imports	
Vegetable textile fibers not specified elsewhere, paper yarn, woven fabric	20%	Textile
Silk	17%	
Wool, animal hair, horsehair yarn and fabric	12%	
Cotton	11%	
Special woven or tufted fabric, lace, tapestry	11%	
Carpets and other textile floor coverings	11%	
Other made textile articles, sets, worn clothing	10%	
Articles of leather, animal gut, harness, travel good	7%	
Articles of apparel, not knit or crocheted	7%	
Articles of apparel, knit or crocheted	5%	
Manmade staple fibre	5%	Agri
Lac, gums, resins	12%	
Vegetable plaiting materials, vegetable products	11%	
Cereals	9%	
Coffee, tea, mate and spices	8%	
Iron and steel	8%	
Ceramic products	7%	
Organic chemicals	6%	
Salt, sulphur, earth, stone, plaster, lime and cement	6%	
Stone, plaster, cement, asbestos, mica or similar materials	5%	
Footwear, gaiters and the like,	5%	

UK's share in India's software services exports has risen over past decade; India to benefit from UK's services export commitment in FTA

EXHIBIT: Software Services Exports

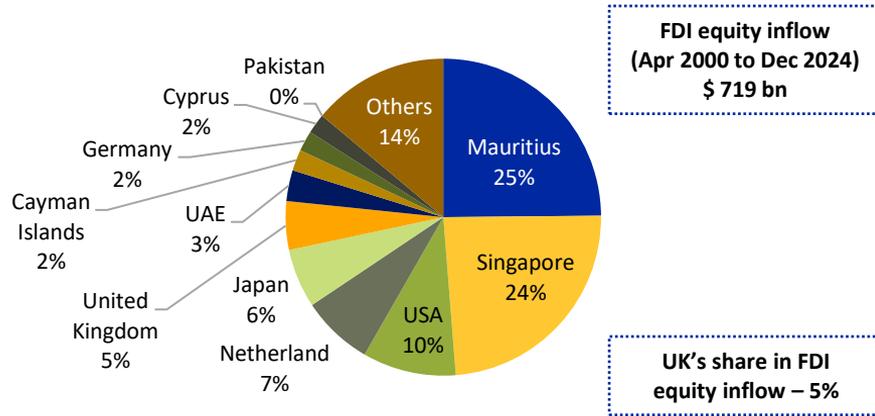


Source: Reserve Bank of India (RBI), ICRA Research

- According to the RBI data, total software services export (part of total services export) increased by ~10% over past decade; however, exports to the UK rose by a higher ~12% during the same period, boosting the UK's share in total services exports.
- Under the [FTA](#) signed in May 2025, India will benefit from the UK's commitment in services such as IT/ITeS, financial services, professional services, other business services and educational services, opening up new opportunities and jobs. India has secured significant commitments on digitally delivered services for Indian service suppliers, especially in professional services such as architecture and engineering, computer related services and telecommunication services.

UK is the sixth largest contributor to FDI and FPI

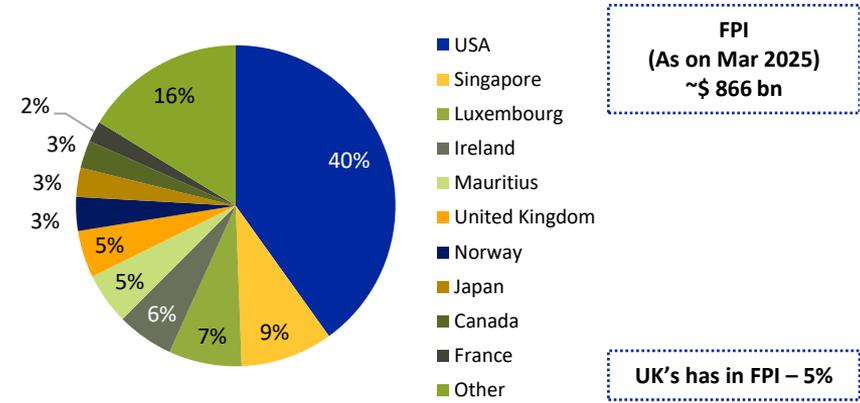
EXHIBIT: Foreign Direct Investment (FDI) – Equity inflow – from April 2000 to December 2024



Source: Department of Industrial Policy and Promotion (DIPP), ICRA Research

- UK is the sixth largest country for FDI equity inflows to India, contributing ~5% of the total pie.
- Since April 2000, the UK has contributed \$ 36 billion towards the total FDI equity inflow.

EXHIBIT: Foreign Portfolio Investors – Assets under custody (FPI AUC)

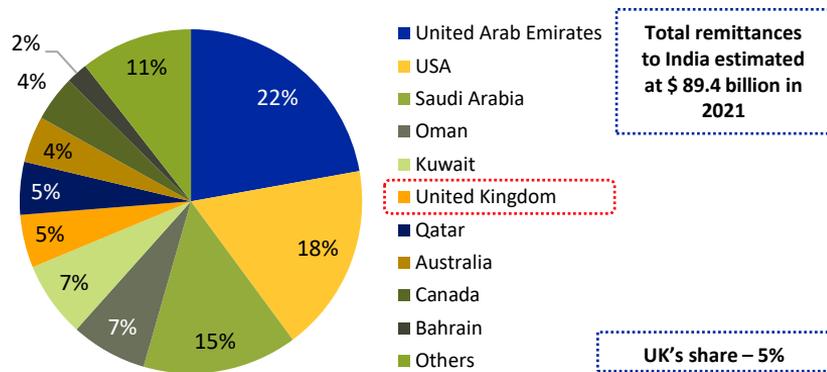


Source: National Securities Depository Limited (NSDL), ICRA Research

- UK's share in the overall pie of FPI was ~5% as of March 2025. It is the sixth largest country, contributing to the FPI AUC for India.
- As of March 2025, the UK has contributed \$ 40 billion towards the total FPI AUC.

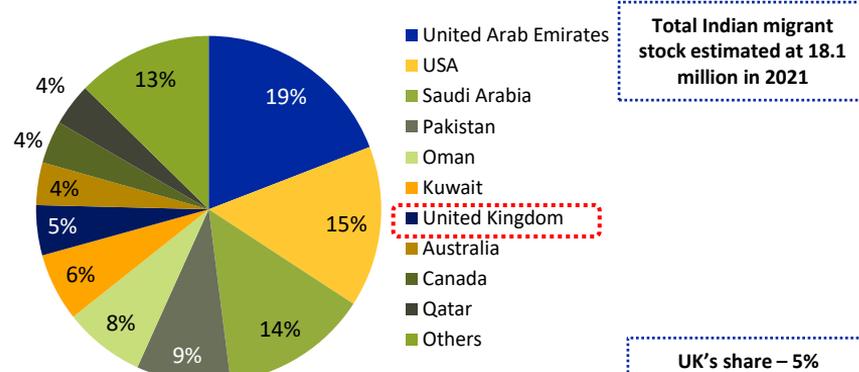
UK is one of the largest destinations for migrant stock and remittances; FTA eases professional mobility, may improve migration and remittances in future

EXHIBIT: Share of countries in remittances to India in 2021 (%)



Source: KNOMAD; ICRA Research

EXHIBIT: India's migrant stock across countries (%)



Source: KNOMAD; ICRA Research

- As per the World Bank's KNOMAD database, the UK is the seventh largest destination for Indian migrants.
- The recent FTA eases mobility for professionals, including contractual service suppliers; business visitors; investors; intra-corporate transferees; partners and dependent children of intra-corporate transferees with right to work; and independent professionals like yoga instructors, musicians and chefs. This is expected to increase the migration in coming years.
- The exemption under FTA for Indian workers, who are temporarily in the UK, and their employers from paying social security contributions in the UK for a period of three years will lead to savings for Indians working in the UK.
- India is estimated to have received remittances worth \$ 4.5 billion from the UK in 2021, which is ~5% of the total remittance inflow of \$ 89.4 billion received during the year. Moreover, this was 13.2% of the total remittance flow out of UK to the world.



Bilateral agreements and corporate presence

Bilateral agreements to improve cooperation, collaboration and investment

The political ties between the UK and India have been strengthened by official dialogues, agreements, cooperations at the ministerial level. The major bilateral ties are listed below:

India UK Joint Economic and Trade Committee (JETCO)	<ul style="list-style-type: none">▪ The JETCO was established on January 13, 2005 to develop a strategic economic relationship.▪ JETCO has been conceived as a business-driven institutional framework to enhance bilateral trade and investment and is structured to meet annually under the leadership of the Minister of Commerce and Industry (CIM) from India and the Secretary of State (SoS) for Business and International Trade from the UK.
India-UK Economic and Financial Dialogue (EFD)	<ul style="list-style-type: none">▪ The India UK Economic and Financial Dialogue (EFD) was established on February 4, 2005.▪ The objective of the Dialogue is to strengthen the financial and economic relationship between India and the UK. The Dialogue discusses sustainable economic development, structural reforms including of financial systems and markets, improving regulatory frameworks and international development.
Financial Markets Dialogue (FMD)	<ul style="list-style-type: none">▪ In July 2021, the first Financial Markets Dialogue (FMD) was established to share expertise, experiences and deepen collaboration between the financial sectors of both countries. The FMD covered progress in banking, insurance, and capital markets sectors, and discussed opportunities for future cooperation to grow bilateral financial services trade.
India-UK Financial Partnership (IUKFP)	<ul style="list-style-type: none">▪ Launched in July 2014, this partnership focuses on development of corporate bond market, mutual sharing of expertise on financial sector and market regulation, enhancing financial training and qualification, financial inclusion, cross border provision of financial and insurance services, pensions, internationalisation of the Rupee and infrastructure funding.
India UK CEOs Forum	<ul style="list-style-type: none">▪ The India UK CEO's Forum was launched on July 2010, during the visit of the then Prime Minister of the UK, David Cameron, to India, with the objective of making recommendations to Governments for increasing the level of bilateral trade and investment between the two countries.

Source: Indian Embassy in Islamabad, Ministry of External Affairs, ICRA Research

Significant corporate presence in both countries; FTA expected to bring considerable benefits

As per the CII-Grant Thornton '[India meets Britain](#)' Report 2024, there are 971 Indian companies operating in the UK, with combined revenues of almost \$ 90 billion. Cumulatively, such entities employed more than 1 million people.

Indian Banks in the UK:

- The presence of Indian banks in the UK began in 1921 with the Imperial Bank, which is currently the State Bank of India UK.
- Bank of India was the first Indian bank to open its branch in Manchester in 1962. Since then, Indian banks have assisted in strengthening the business and commercial relationship between India and the UK.
- Indian banks currently operating in the UK are: State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India, Axis Bank Ltd, ICICI Bank and HDFC.

Indian companies in the UK:

- From Tata's purchase of Tetley Tea and Jaguar Land Rover in the UK to steel and mining giant ArcelorMittal, Indian companies have strengthened their presence in the UK.
- Major Indian corporates present in the UK, prominent among them, include the TATA Group, Vedanta, Infosys, Wipro, HCL, Bharti Global, Mahindra, TVS Group, Hero, Apollo Tyres, Reliance Entertainment, ITC Infotech, Ranbaxy, Ola etc.

- Many UK-based companies have a significant presence in India, with some operating as subsidiaries and others having partnerships or joint ventures.
- Key sectors include IT, manufacturing, pharmaceuticals, and consumer goods.
- Notable companies include –
 - Vedanta Limited (a UK-based subsidiary),
 - Hindustan Unilever,
 - GlaxoSmithKline (GSK) Pharmaceuticals,
 - PwC - a UK-based professional services network,
 - HSBC - a UK-based banking and financial services company with a significant presence in India,
 - Diageo - a UK-based international drinks company with operations in India,
 - Wipro Digital - a digital services and consulting company founded as a division of Wipro Limited, a multinational corporation based in India, with a UK presence.

The FTA is anticipated to bring considerable benefits to Indian corporates operating in the UK and vice versa.



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