

Intelligent Investment

# India Industrial Market Outlook 2026

REPORT

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**CBRE**





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# Foreword

We are pleased to present the **India Market Outlook 2026**, our premier market intelligence report delivering a distilled perspective on the nation's evolving real estate landscape. Anchored by data-driven rigour and institutional expertise, this publication aims to decipher the structural shifts and strategic trajectories defining the sector's current momentum.

India's economic landscape continues to be characterised by a resilient growth baseline and a disciplined fiscal framework, albeit increasingly tested by global volatility. While robust public capital expenditure sustains domestic momentum, systemic risks—particularly within energy markets—necessitate a calibrated outlook. In this environment, proactive trade diplomacy and strategic project de-risking could serve as vital buffers, providing the policy visibility essential for sustained investment.

The office sector is set to surpass the 1-billion-sq.-ft. threshold in 2026, driven by investment-grade supply and the expansion of GCCs into high-complexity R&D roles and product ownership. This multi-dimensional ecosystem is being redefined by a structural pivot towards AI-driven workforce strategies, where occupiers increasingly prioritise future-ready, high-performance environments to sustain long-term institutional growth.

Parallel to this, the industrial and logistics sectors are transitioning towards manufacturing-led growth and institutional-grade warehousing, bolstered by new-age automation and deepening in-city delivery networks. Simultaneously, the retail landscape is being reshaped by experiential flagship formats and destination malls, as investment-grade supply and high-street corridors drive the steady expansion of the organised footprint.

Notably, the residential sector is moving towards market equilibrium, led by premium demand and disciplined supply-demand parity. At the same time, structural REIT reforms and sustained investment momentum are accelerating institutional maturity, driving a resurgence in international capital and long-term equity inflows into India's real estate sector.

Collectively, these shifts underscore a market moving towards a sophisticated era of institutional-grade maturity. We trust this report will serve as a definitive framework for navigating the complexities of the 2026 landscape and informing your strategic capital objectives.

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01

# Economy

India's 2026 economic outlook is characterised by a resilient growth baseline and maturing fiscal framework, though this stability is increasingly being tested by ongoing global geopolitical volatility. While nominal GDP is projected to expand by 10.5% this fiscal, supported by a firm public capex outlay of INR 12.2 lakh crore, external pressures—particularly in global energy markets—pose a primary systemic risk. In this context, the government's continued focus on proactive trade diplomacy to secure preferential access to economies representing nearly three-quarters of global GDP, alongside project de-risking via credit support, could provide a vital strategic buffer and the policy visibility essential for sustained investment across sectors.

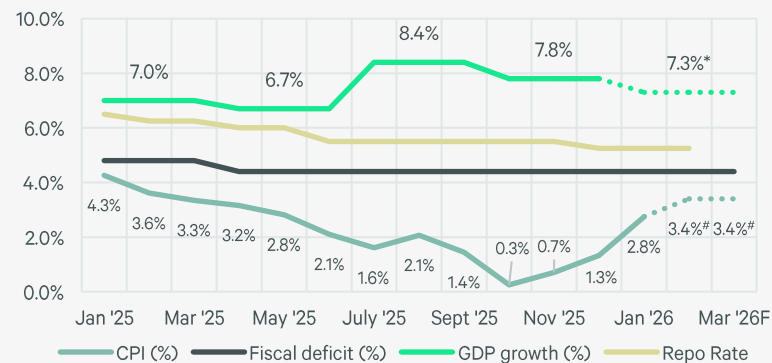
# India's Economy in 2025: A Brief Revisit

## Macro-stability: Sustaining momentum in a "Goldilocks" environment

India's economy in 2025 experienced a "Goldilocks moment"—a rare equilibrium of high growth and record-low inflation. Real GDP is estimated to have expanded by 7.4% in FY2026 (revised to 7.6% in February 2026)<sup>1</sup>, catalysed by a 9.3% surge in the services sector<sup>2</sup> and 7.0% growth across manufacturing and construction<sup>3</sup>. This resilience persisted despite a volatile global backdrop and structural softness in the Indian rupee, which depreciated by ~4% during 2025. Although announcements linked to the U.S.-India trade deal briefly strengthened the INR to 90 against the USD in early February 2026, recent geopolitical tensions have since outweighed those gains, pushing the currency back towards the 92-level as of March 2026.

Another defining trend in 2025 was the easing of inflation. Consumer Price Index (CPI) inflation fell to a historic low of 0.25% in October 2025, averaging ~2.1% in FY2026<sup>4</sup>. This environment provided the Reserve Bank of India the necessary headroom to implement cumulative repo rate cuts of 125 basis points, reducing the rate to 5.25% by December—a level maintained through February 2026. Fiscal consolidation also remained on track; the fiscal deficit is estimated at 4.4% of GDP for FY2026<sup>5</sup>, while the current account deficit narrowed to 0.8% in the first half of the current fiscal<sup>6</sup>.

**Figure 1.1: India's CPI, repo rate, fiscal deficit and GDP growth trends (January 2025-March 2026F)**



Source: MoSPI, RBI, Union Budget 26-27, CBRE Research, Q1 2026

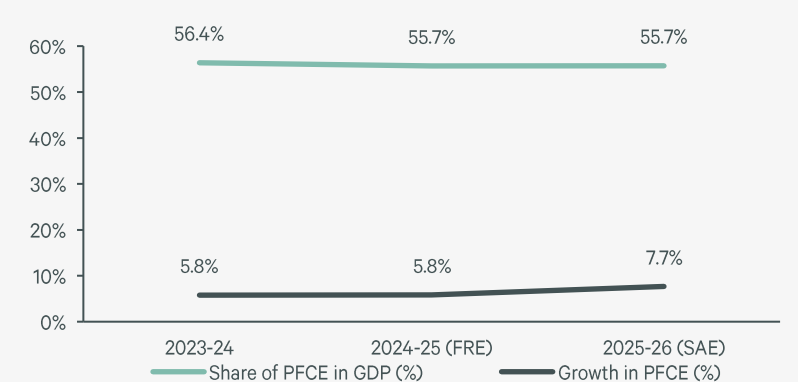
Source: 1. Reserve Bank of India's Monetary Policy Committee and NSO and MoSPI, February 2026, 2. April-September 2025 figures, Economic Survey 2025-26, January 2026, 3. Manufacturing and construction in the secondary sector have been estimated to achieve a growth rate of 7.0% at constant prices in FY2026, FAE, MoSPI, January 2026, 4. RBI MPC, February 2026, 5. Union Budget 2026-27, February 2026, 6. Economic Survey, January 2026, Note: India's CAD widened to 1.3% of GDP (USD 13.2 bn) in the October-December quarter of FY2026; 7. Union Budget 2025-26, February 2025, 8. The Ministry of Finance, September 2025; 9. Government's response in Rajya Sabha, February 2026, 10. Federation of Automobile Dealers Associations, January 2026 \*Note: The Q4 figure (7.3%) is a derived estimate based on the average required to align with the FY26 real GDP projection of 7.6%; #Note: Feb/Mar CPI (3.4%) are derived estimates calculated to align with the Q4 CPI projection of 3.2%.

## Rebound in domestic consumption aided by tax concessions

Domestic demand fuelled India's growth momentum in 2025, catalysed by the Union Budget 2025-26's landmark income tax reforms and the subsequent GST 2.0 rationalisation. By raising the effective zero-tax threshold to INR 12 lakh (inclusive of rebates), the government exempted nearly 10 million additional taxpayers, significantly boosting middle-class disposable income<sup>7</sup>. The GST 2.0 regime further amplified the impact in September 2025 by shifting a vast array of daily essentials and mass-market goods to the 5% slab (down from 12% and 18%)<sup>8</sup>. Consequently, the nation's private final consumption expenditure (PFCE) is projected to have expanded by 7.0% in FY2026, hitting 61.5% of GDP—the highest share since FY2012 (adjusted to 55.7%<sup>1</sup> following the February 2026 GDP rebasing to the 2022-23 base year, as reflected in Figure 1.2).

The resurgence in consumption was further supported by a recovery in rural demand, underpinned by a favourable monsoon and a 3.6% agricultural GVA growth<sup>9</sup>. High-frequency indicators reinforced this trend: UPI transactions reached INR 230 lakh crore during April-December 2025<sup>9</sup>, while two-wheeler sales in CY2025 touched 2.03 crore<sup>10</sup>, reflecting broad-based consumption momentum spanning both urban and rural markets.

**Figure 1.2: India's PFCE trends (FY2024-FY2026F)**



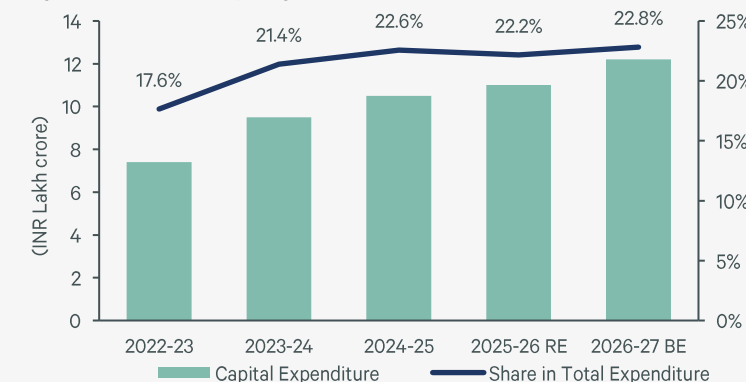
Source: MoSPI, CBRE Research, Q1 2026

## Strategic infrastructure push through public capex

Throughout 2025, the government maintained a strong emphasis on capital expenditure to bridge investment gaps and modernise national infrastructure. The public capex outlay for FY2026 reached ~INR 11.2 lakh crore<sup>5</sup>, with funds directed towards the creation of productive assets.

This sustained capex push, representing nearly 3.1% of GDP<sup>5</sup>, served as a key catalyst for the construction sector's robust performance during the year. By enhancing multi-modal connectivity under the PM Gati Shakti framework, the government also aims to reduce logistics costs and incentivise greater private-sector participation across the manufacturing and warehousing sectors.

**Figure 1.3: India's capex growth trends (FY2023-FY2026F)**



Source: Budget 2026-27, CBRE Research, Q1 2026

# Top Trends Expected to Shape India's Economic Trajectory in 2026

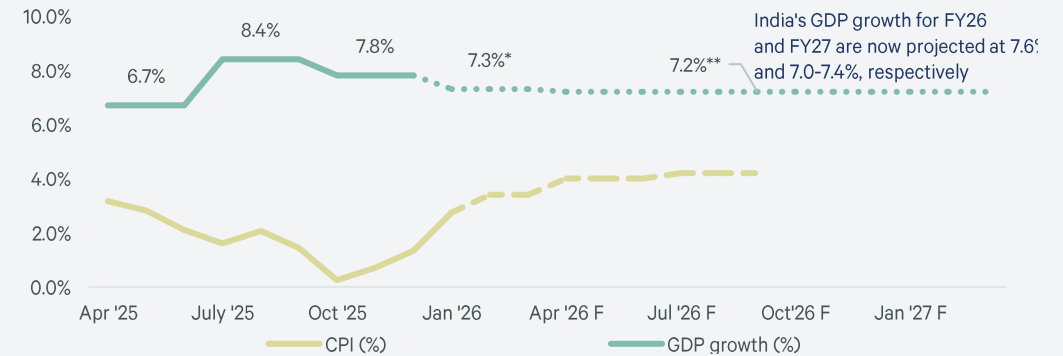
## 01 Fiscal prudence and the growth baseline

The Union Budget 2026-27 reinforces a trajectory of fiscal discipline, with FY2027 nominal GDP projected to grow by 10.5%<sup>1</sup>. This outlook is supported by a strong near-term momentum, as real GDP growth reached 7.8% in Q3 FY2026 (refer to Figure 1.4), lifting the full-year estimate to 7.6%<sup>2</sup>. Consequently, the real GDP growth baseline for FY2027 is now positioned at 7.0-7.4% range, surpassing initial Economic Survey projections of 6.8-7.2%<sup>3</sup>. In tandem, the RBI MPC (February 2026) adjusted its CPI inflation forecast to 4.0% for Q1 FY2027, reflecting a modest upward adjustment while remaining within the target band<sup>4</sup>. Central to this stability is the government's commitment to a 4.3% fiscal deficit target for the next financial year, with a further glide path to 3.8% by FY2028. This is further supported by a gradual decline in the central government's debt-to-GDP ratio, projected at 55.6% for FY2027 and a medium-term target of 50.0% by FY2031<sup>1</sup>. This fiscal roadmap aims to reduce the sovereign interest burden, thereby securing the long-term capital necessary for sustained public infrastructure investment.

## 02 Strategic trade breakthroughs amidst heightened global uncertainties

India's 2026 economic outlook is shaped by a strategic expansion of its trade network, even as heightened geopolitical volatility weighs on the domestic growth trajectory. Renewed tensions in the Middle East—primarily involving Iran, Israel, and the U.S.—have reintroduced significant uncertainty into global energy markets<sup>##</sup>. With roughly 20% of the world's oil and gas supply transiting the Strait of Hormuz, supply-chain disruptions remain a key systemic risk for India's energy-sensitive economy. Against these external pressures, the country's proactive trade diplomacy could emerge as a critical institutional buffer. The India-U.S. Interim Trade Agreement, ratified in February 2026, has successfully de-escalated bilateral frictions. Following a U.S. Supreme Court ruling that invalidated broad emergency tariffs, a subsequent Section 122 proclamation introduced a temporary 15% global import surcharge<sup>5</sup>; importantly, the framework preserves zero-duty treatment for USD 10.03 billion of identified Indian industrial exports<sup>6</sup>, providing essential policy predictability for key sectors, including textiles and electronics. This diplomatic momentum is mirrored globally. In January 2026, India concluded a landmark Free Trade Agreement with the EU-27, granting preferential access to 99% of shared trade value. Alongside the India-UK Comprehensive Economic Thoroughfare Agreement (slated for April 2026) and the Australia ECTA, these agreements potentially secure preferential market access to economies representing approximately 70% of global GDP<sup>7</sup> (refer to Figure 1.5). India's investment landscape reflects these diverging forces of regional risk and structural opportunity. While the country's FDI inflows experienced notable volatility in 2025-26—largely driven by increased profit repatriation—foreign institutional investors (FIIs) recorded a net equity outflow of ~INR 1.6 lakh crore<sup>9</sup>. As global uncertainties continue to test market resilience, these treaty-based frameworks are expected to anchor investor sentiment by providing the policy visibility necessary for long-term capital commitments.

Figure 1.4: India's GDP and CPI inflation forecast (FY2026-FY2027F)

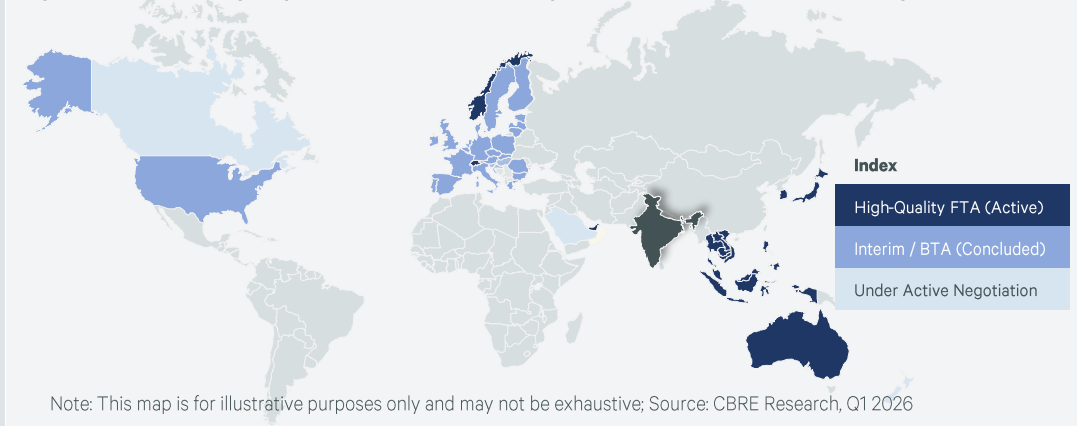


Source: NSO, MoSPI, and RBI MPC, CBRE Research, Q1 2026

\*Note: The Q4 figure (7.3%) is a derived estimate based on the average required to align with the FY26 real GDP projection of 7.6%.

\*\*Note: On 27 February 2026, India's Chief Economic Advisor revised the country's FY27 GDP growth forecast to 7.0-7.4% range. The 7.2% figure represents the average of that projection range. #Note: Feb/Mar CPI (3.4%) are derived estimates calculated to align with the Q4 CPI projection of 3.2%.

Figure 1.5: India's ongoing and recent trade deals give potential access to ~70% of global GDP



Note: This map is for illustrative purposes only and may not be exhaustive; Source: CBRE Research, Q1 2026

Source: 1. Union Budget 2026-27, February 2026; 2. NSO & MoSPI, February 2026 (under new measurement framework with base year revised to 2022-23); 3. Chief Economic Adviser, 27 February, 2026; 4. RBI MPC, February 2026; 5. After the U.S. Supreme Court invalidated previous emergency tariffs on 20 February 2026, the White House invoked Section 122. A 15% surcharge now serves as the baseline for non-exempt imports; 6. PIB, GoI, February 9, 2026; 7. Statement by India's commerce minister noting that the country has secured market access to 70% of global GDP, largely under zero-duty conditions. This follows the conclusion of nine FTAs in the last three years covering 38 countries—including the 27-nation EU, four-nation EFTA, UK, Australia, New Zealand, and the U.S.—alongside existing arrangements with the Japan, South Korea, and ASEAN nations. PIB, 12 February 2026; 8. The RBI Annual Report (May 2025) confirms that while gross FDI reached USD 81 bn in FY2025, net FDI was moderated by USD 51.5 bn in repatriation and disinvestment, characterising the phase as a sign of investment cycle maturity rather than a dilution of investment appeal; 9. NSDL, December 2025. ##Note: Global energy market conditions remain fluid amid evolving geopolitical developments in West Asia. Policy responses and transitional arrangements around crude supply chains—including temporary waivers for shipments already in transit—underscore the dynamic nature of energy security, considerations and supply adjustments.

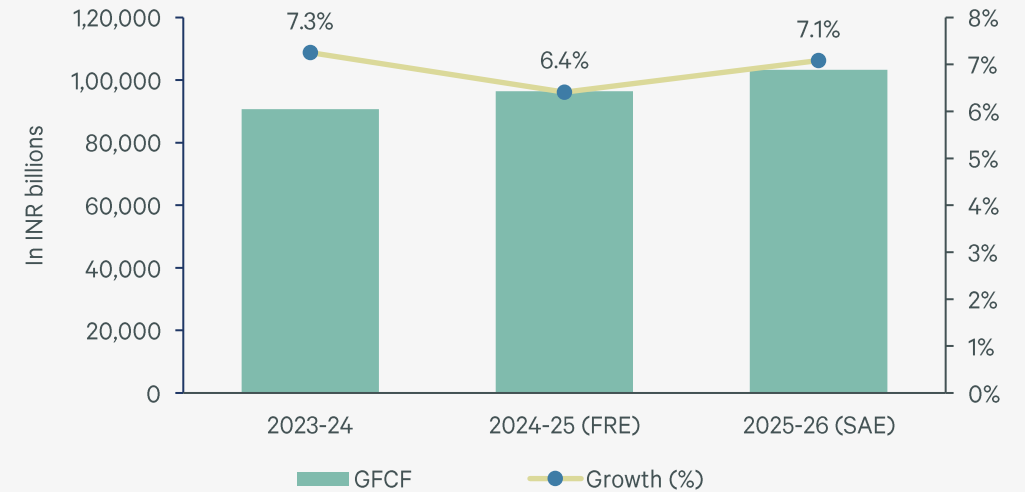
# Top Trends Expected to Shape India's Economic Trajectory in 2026

## 03 Capex expansion: Urban integration and capital de-risking

The country's economic outlook continues to be fuelled by a sustained emphasis on infrastructure-led development, as reflected in the Union Budget 2026-27, which proposes an increase in public capital expenditure to ~INR 12.2 lakh crore, accounting for ~3.1% of GDP for FY2027<sup>1</sup>. These allocations support initiatives such as lowering India's logistics costs and strengthening its economic corridors, including seven high-speed rail connections identified in the Budget. A pillar of this fiscal strategy is the City Economic Region (CER) framework, designed to harness the shared potential of linked urban centres through seamless infrastructure networks. This programme is supported by a proposed allocation of INR 5,000 crore per CER over five years via a reform-linked "challenge" mechanism. Furthermore, the Union Cabinet has approved an INR 1 lakh crore Urban Challenge Fund to catalyse investments through market-led financing, with central assistance covering up to 25% of project costs, contingent on mobilising private or alternative capital<sup>2</sup>.

To further accelerate private sector participation, recent policy measures have also pivoted towards de-risking mechanisms and credit support structures, seeking to make projects more financially attractive and secure for private investors. Such initiatives align with a broader upward trend in macroeconomic data, which shows India's gross fixed capital formation (GFCF) grew by an estimated 7.1% in FY2026<sup>3</sup> (refer to Figure 1.6). The momentum was bolstered by the previous Budget's (2025-26) provision of INR 1.5 lakh crore in 50-year interest-free loans to states—a long-tenor capital support scheme that expanded the capacity of state and local authorities to deliver infrastructure. By combining these established fiscal foundations with newer market-linked urban investment schemes, the government aims to create a more resilient, de-risked environment for large-scale capital deployment.

Figure 1.6: Increasing share of GFCF (FY2024-FY2026F)



Source: MoSPI, CBRE Research, Q1 2026

## 04 Stronger bank balance sheets and capital market deepening

India's financial sector enters 2026 with one of its strongest balance sheet positions in decades, supported by asset quality improvement and steady credit expansion. Gross non-performing assets (NPAs) were at multi-year lows of about 2.15% as of September 2025<sup>4</sup>, based on the RBI's stability assessments, while outstanding credit by scheduled commercial banks has increased by 14.5% Y-o-Y as of December 2025<sup>5</sup>. A visible shift underway is the greater use of market-based funding channels alongside traditional bank lending, helping in diversifying sources of capital for corporates and infrastructure projects.

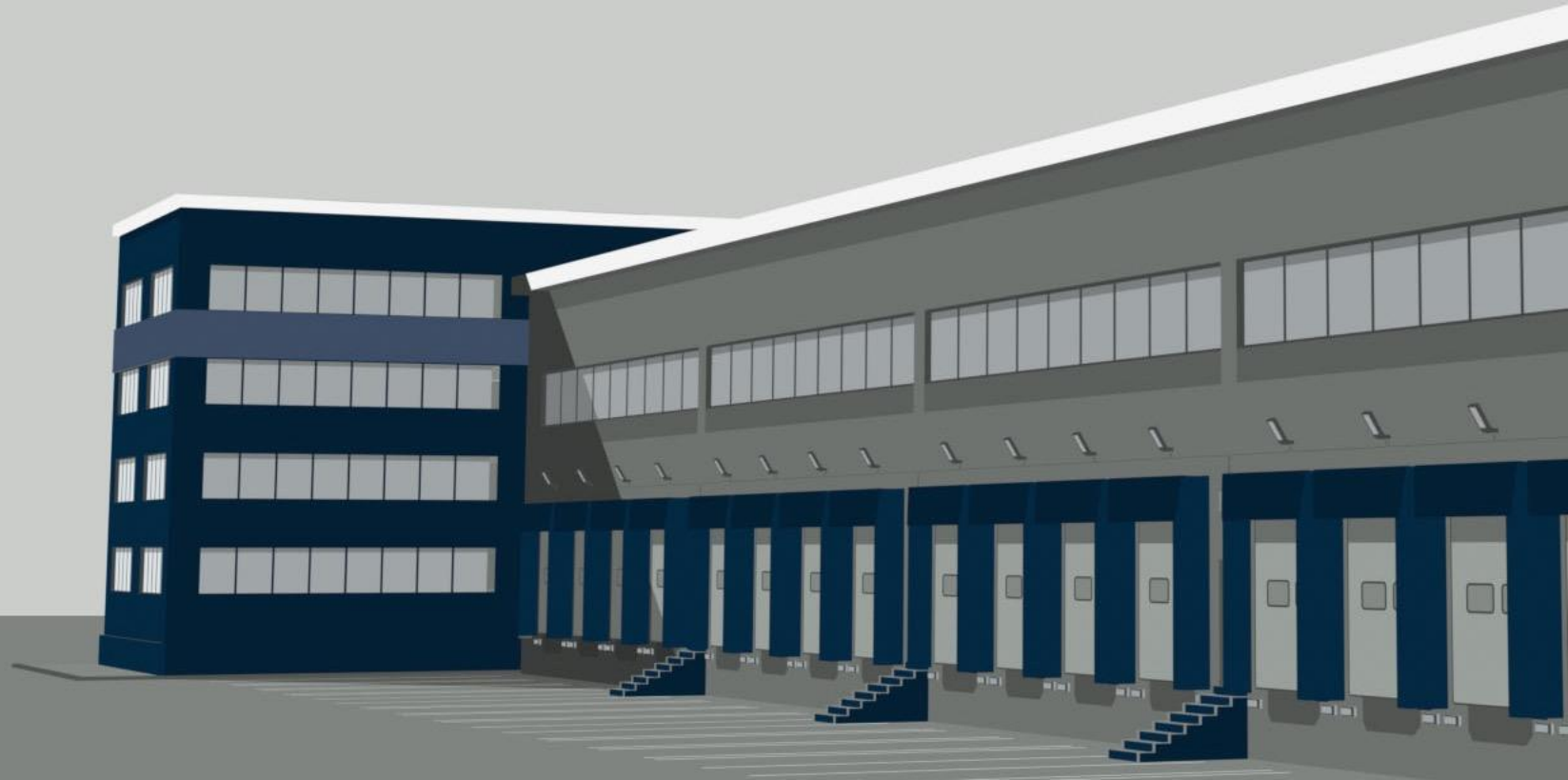
Policy measures in the Union Budget 2026-27 also aim to deepen these markets; for instance, the introduction of Total Return Swaps (TRS) on corporate bonds facilitates institutional risk distribution and improves bond market liquidity. Further maturing the landscape, the Securities Market Code, 2025 (currently under Parliamentary Standing Committee review) seeks to consolidate fragmented legacy laws into a unified framework<sup>6</sup>. These structural reforms, alongside the proposed rationalisation of FEMA rules<sup>7</sup>, are intended to simplify cross-border capital flows and sustainably lower the cost of capital across the economy.

Source: 1. Union Budget 2026-27, February 2026. 2. PIB, February 2026; 3. NSO and MoSPI, February 2026; 4. RBI's Trends and Progress Report, December 2025. 5. Economic Survey 2025-26, January 2026. 6. The Securities Markets Code, 2025, following its introduction in December 2025, proposes to consolidate three legacy acts (SEBI Act 1992, SCRA 1956, and Depositories Act 1996) into a unified, principle-based framework. This "Super Code" is designed to enhance protection for India's over 12-crore unique investors and introduces a statutory Securities Market Ombudsperson with quasi-judicial powers to pass binding compensation awards, formalising the existing grievance redressal mechanism. 7. Recent RBI notifications, specifically the FEMA (Export and Import of Goods and Services) Regulations, 2026 and updates to the Non-Debt Instrument (NDI) framework, have transitioned foreign investment rules towards a principle-based regime. Key rationalisations include greater flexibility in valuation methodologies—moving away from rigid pricing caps towards internationally accepted standards—and eased requirements for downstream investments and reporting, aimed at reducing regulatory friction for inbound equity capital.

# 02

# Industrial

India's industrial sector navigated a period of measured caution in 2025, amidst evolving global trade dynamics and tariff recalibrations. As supply chains realign and new strategic trade partnerships solidify, focus is shifting towards the sector's next phase of manufacturing-led growth. In this section, CBRE Research contextualises major 2025 milestones while analysing the policy shifts, trade agreements, and infrastructure initiatives poised to shape India's industrial ecosystem in 2026 and beyond.



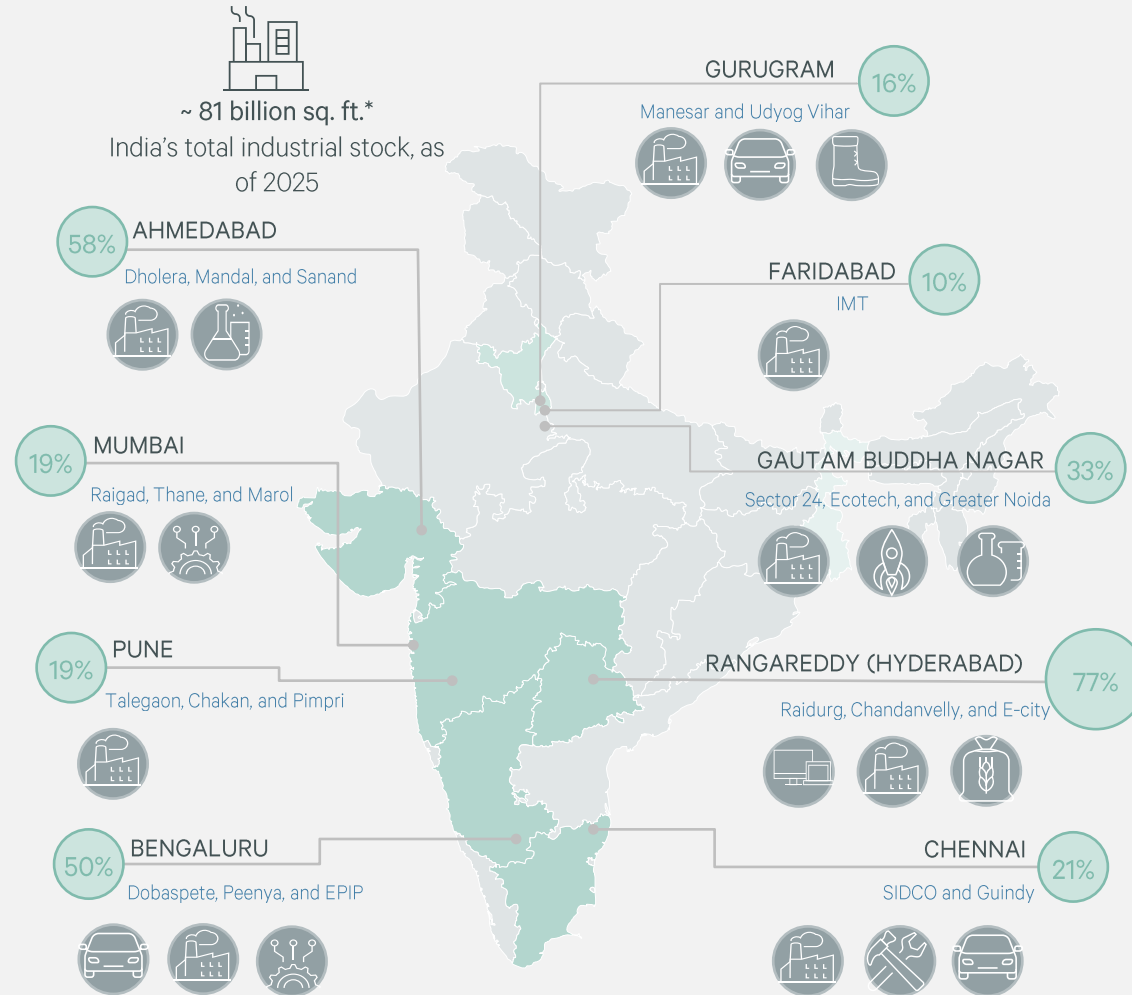
# Industrial Market Performance in 2025: A Brief Revisit

In 2025, India's industrial ecosystem reflected both the scale and geographic spread of manufacturing activity across key regions. Industrial land banks remained concentrated in leading markets and established industrial corridors, supported by sectoral clusters spanning engineering, chemicals, textiles, automotive, and other manufacturing industries, offering a clear snapshot of the country's core manufacturing base and the spatial alignment of industrial development.

India's total industrial stock stood at **~81 billion sq. ft.** (refer to Figure 2.1), with around **12.9 billion sq. ft. of vacant land available** for future deployment<sup>1</sup>. Land parcels were largely concentrated in a few states—Gujarat, Andhra Pradesh, and Maharashtra together accounted for nearly half of the total stock—highlighting their industrial prominence. Key cities, including Ahmedabad, Mumbai, Pune, Bengaluru, Gurugram, and Chennai, continued to play a strategic role in supporting India's manufacturing and logistics network.

- Mixed industry
- Chemicals
- Electronics Hardware
- Automobile
- Leather
- Biotechnology
- IT & ITeS
- Food Processing
- Defence & Aerospace manufacturing
- Metals

**Figure 2.1: Industrial stock concentration across India's tier-I markets (2025)**

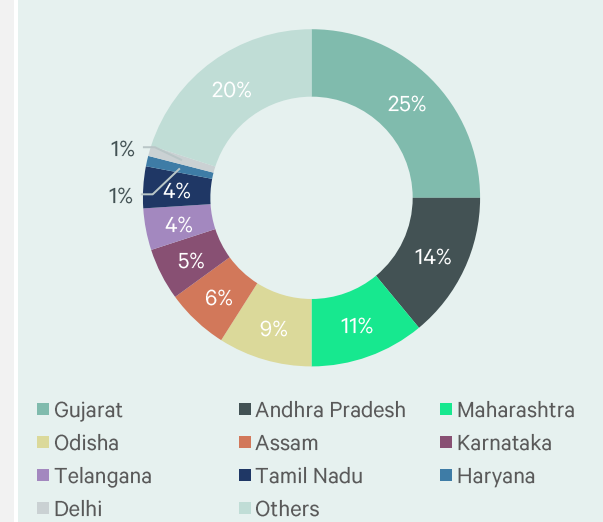


Source: 1. India Industrial Land Bank; CBRE Research, Q1 2026

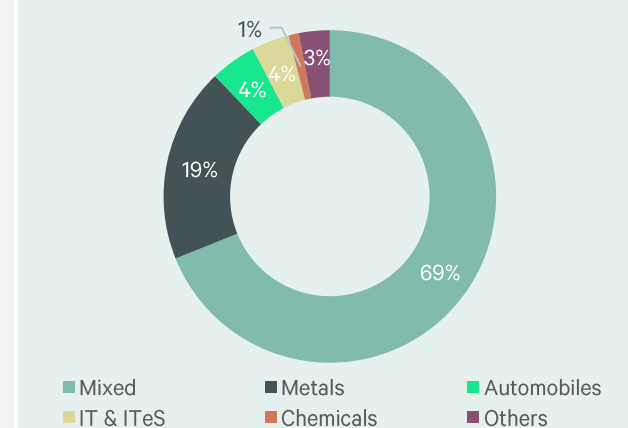
Note: The percentage indicates each city's share of the total state-wide stock

The analysis presented herein excludes integrated townships, housing, and residential developments. Additionally, industrial areas smaller than 50 acres have been excluded from the dataset

**Figure 2.2: State-wise split of industrial parks**



**Figure 2.3: Sectoral split of industrial parks**



Source: India Industrial Land Bank, CBRE Research, Q1 2026

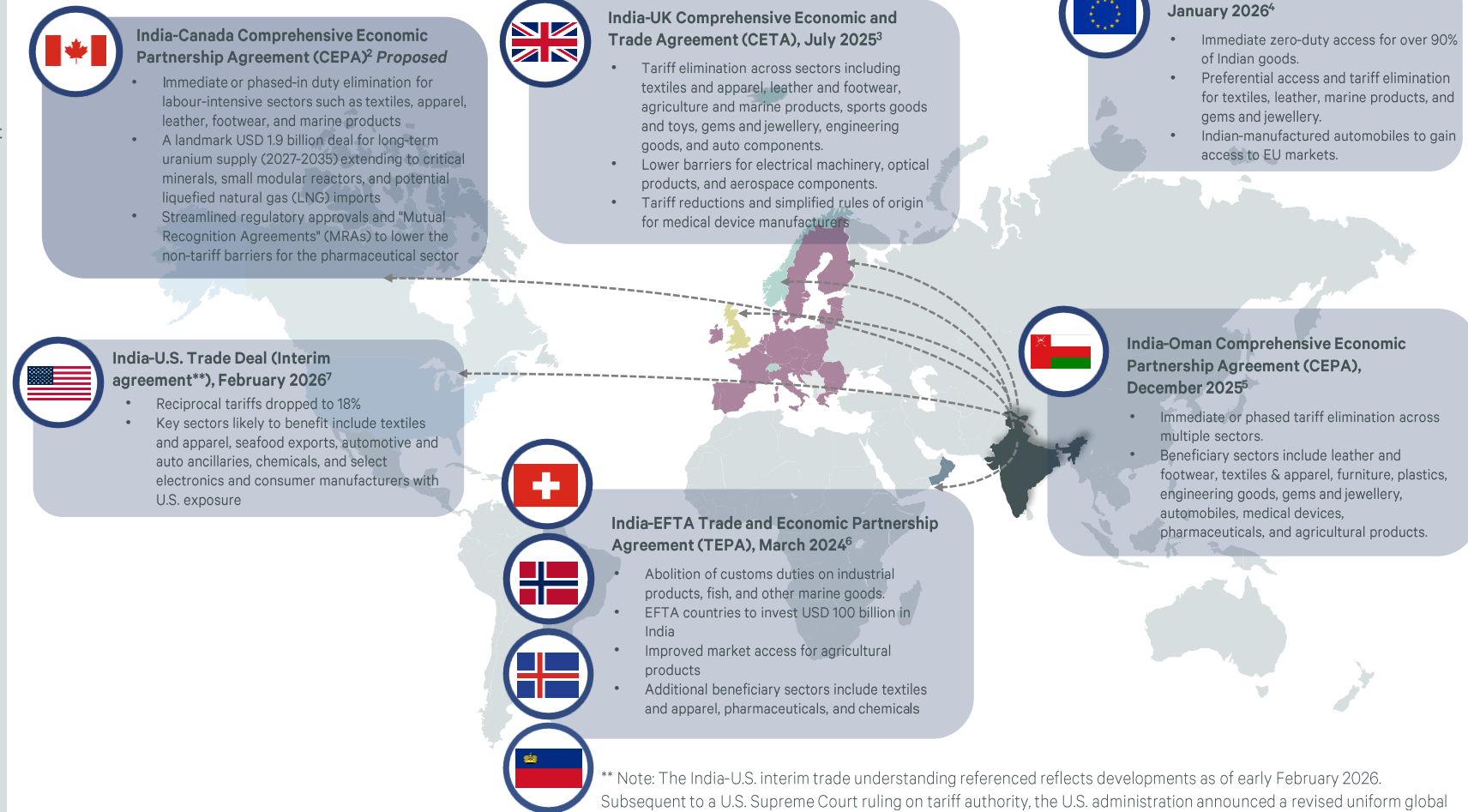
# Top Trends Expected to Shape India's Industrial Sector in 2026

## 01 New Free Trade Agreements (FTAs) set to power India's industrial growth cycle

Following recent volatility in global trade and tariff regimes, India has accelerated its FTA strategy, positioning itself as a competitive manufacturing hub through a series of high-profile trade agreements. These frameworks aim to expand export access, attract foreign investment, and diversify supply chains, while strengthening manufacturing competitiveness across key production hubs. Major implications for the industrial sector include:

- Global value chain integration:** The India-EU FTA and UK-India CETA improve access to major consumer markets while reducing duties on high-tech machinery and intermediate goods. This could enable Indian MSMEs to upgrade capabilities and supply high-precision components to European aerospace and automotive leaders. Tariff certainty may also encourage global brands to diversify supply chains towards manufacturing hubs such as Tiruppur, Surat, and Pune, which offer production costs estimated to be 15-20% lower than competing locations.
- Institutionalisation of FDI through investment pledges:** These agreements provide greater regulatory certainty for foreign investors, encouraging long-term capital deployment in sectors such as green energy and medical technology. An investment commitment of USD 100 billion over 15 years under the India-EFTA and TEPA has been earmarked for high-tech manufacturing capacity, including precision engineering (Switzerland) and green energy (Norway)<sup>1</sup>.
- Capex relief:** FTAs are expected to lower production costs and ease capital expenditure requirements for manufacturers. For capital-intensive sectors, the removal of tariffs on precision tools and advanced machinery could accelerate MSME-led technological upgrades and support industrial expansion.

Figure 2.4: Key trade agreements signed during 2024-2026 and their sectoral implications



\*\* Note: The India-U.S. interim trade understanding referenced reflects developments as of early February 2026. Subsequent to a U.S. Supreme Court ruling on tariff authority, the U.S. administration announced a revised uniform global tariff framework. Bilateral trade discussions remain ongoing, and implementation modalities continue to evolve.

Source: 1: Ministry of Commerce and Industry, March 2024; 2. Proposed India-Canada Comprehensive Economic Partnership Agreement, Reuters, March 2026; 3. India-UK Comprehensive Economic and Trade Agreement (CETA) Alert, EY, July 2025; 4. EU-India Free Trade Agreement, HSBC Global Research, January 2026; 5. The Oman-India Comprehensive Economic Partnership Agreement will enter into force soon, PwC, January 2026; 6. India-EFTA Economic Partnership Agreement, EY, March 2024; 7. Fact Sheet: The United States and India Announce Historic Trade Deal, February 2026, The White House

# Top Trends Expected to Shape India's Industrial Sector in 2026

- Narrowing trade deficit through diversification:** By diversifying sourcing across partners such as the EU, UK, and EFTA, India has moderated import dependence on critical components while strengthening supply-chain resilience through a broader geopolitical footprint. This diversification is already reflected in recent trade outcomes. Between November 2024 and November 2025, India's total exports rose from USD 64.05 billion to USD 73.99 billion, registering 15.52% growth, while imports remained broadly stable at USD 80.63 billion<sup>1</sup>. As a result, the trade deficit narrowed sharply by 61.07%, from USD 17.06 billion to USD 6.64 billion<sup>2</sup>.
- Supporting PLI schemes:** FTAs also reinforce the effectiveness of India's PLI programmes by linking domestic manufacturing capacity with global demand. While PLI schemes incentivise firms to build production capabilities in-country, FTAs expand market access for these goods across major trading partners. For example, manufacturers can import specialised European components, assemble finished products domestically, and export them back to the EU with a 0% tariff<sup>3</sup>.
- Export surge in manufacturing:** Lower tariff barriers in developed markets are already contributing to stronger export performance across manufacturing sectors. India recorded USD 437.7 billion in merchandise exports in FY2025<sup>4</sup>, the highest on record. As additional trade agreements take effect, export growth across key sectors is likely to gain further traction over the coming decade (refer to Figure 2.5). Notably, the India-UK trade pact alone is projected to increase bilateral trade by about 28% by 2027<sup>5</sup>. As additional trade deals take effect, export-oriented manufacturing sectors are likely to witness sustained momentum over the coming decade.

While India's export trajectory remains positive, the ongoing West Asia crisis has introduced energy and logistical risks which could affect activity across various industrial segments. Supply chain disruptions to limestone and gypsum imports may lead to a slowdown in cement manufacturing, potentially impacting construction activity, while the country's gems and jewellery hubs might face shortages of rough diamonds. Furthermore, surging freight costs and transit delays could strain global retail supply chains, potentially impacting the textiles and apparel sector.

Figure 2.5: Sectoral export trajectory across key industries benefitting from trade agreements (2019, 2025, and 2030)

Industry	Export Value (USD million, 2019)	Export Value (USD million, 2025)	Trade agreements supporting export growth	Projected export value by 2030 (USD million, CAGR %)
 Textiles and apparel	~35,500	~33,660	U.S., UK, EU Oman, EFTA, Canada	~100,000 (24%)
 Leather and footwear	~5,900	~5,150	UK, EU, Oman, Canada	~10,000 to 14,000 (22%)
 Pharmaceuticals	~16,240	~23,700	U.S., UK, EU, Oman, EFTA, Canada	~65,000 (22%)
 Gems and Jewellery	~38,600	~27,685	UK, EU, Oman	~75,000 (22%)
 Automobiles and Ancillaries	~17,400	~22,960	U.S., EU, UK, Oman	~60,000 (21%)
 Chemicals	~28,600	32,190	U.S., UK, EU, EFTA	~80,000 to 90,000 (21%)
 Agricultural and Allied Products	~35,000	~49,500	U.S., UK, EU, Oman, EFTA, Canada	~100,000 (15%)

Source: Ministry of Commerce and Industry, NITI Aayog, Council for Leather Exports (CLE), April 2025; Ministry of Textiles, August 2025, CBRE Research, Q1 2026; CAGR calculated for the period between 2025 and 2030









1. Ministry of Commerce and Industry, December 2025; 2. Crafted in India, Delivered Globally: Exports Powered by Trade Agreements, Press Information Bureau, December 2025; 3. India-EU Free Trade Agreement, January 2026; 4. Economic Survey of India, 2025-26; 5. Mr. Garv & Dr. Renu Verma, From Trade Gains to Regional Growth: Development Implications of the India-UK FTA (2025), Pg. 143-147, Journal of Applied Bioanalysis, July 2025

# Top Trends Expected to Shape India's Industrial Sector in 2026



## 02 Budget 2026-27 poised to drive India's shift towards industrial depth

Following are the key implications emerging from recent Budget announcements, which are expected to accelerate manufacturing capacity creation and support the expansion of new industrial parks across key states:




### SCALING MANUFACTURING

-  **Electronics component boost:** Outlay under the Electronics Components Manufacturing Scheme has nearly doubled to ~USD 4.4 billion (INR 40,000 crore) from ~USD 2.52 billion (INR 22,919 crore), aimed at strengthening domestic value addition in smartphones and IT hardware.
-  **ISM 2.0:** Building on the India Semiconductor Mission (ISM) 1.0, the government has launched ISM 2.0 to develop semiconductor equipment and materials, promote full-stack Indian intellectual property (IP), and strengthen supply chains through industry-led research and training.
-  **Biopharma SHAKTI:** The programme has been launched with an outlay of ~USD 1.1 billion (INR 10,000 crore), alongside a nationwide network of 1,000 accredited clinical trial sites and three new NIPERs (National Institute of Pharmaceutical Education and Research).
-  **Chemical parks:** A new scheme proposes three dedicated chemical parks under a cluster-based 'plug-and-play' model to reduce import dependence in the chemicals sector.
-  **Container manufacturing:** A ~USD 1.1 billion (INR 10,000 crore) allocation over five years aims to build a globally competitive domestic ecosystem for container manufacturing.
-  **Integrated textile programme:** A five-part initiative, including the National Fibre Scheme and the Textile Expansion and Employment Scheme, aims to modernise traditional clusters and improve export competitiveness.
-  **Mega textile parks:** New textile parks have been proposed with a focus on technical textiles and value-added manufacturing.
-  **Ship repair ecosystem:** The creation of integrated ship-repair ecosystems, specifically in inland hubs such as Varanasi and Patna.

### STRENGTHENING MSMEs

-  **SME Growth Fund:** Creation of a ~USD 1.1 billion (INR 10,000 crore) fund to provide equity for high-potential MSMEs and enable their scale-up into national manufacturing champions.
-  **Corporate Mitras:** Professional institutions such as ICAI and ICSI will train a cadre of 'Corporate Mitras' in tier-II and III cities to support MSMEs with compliance and governance requirements.

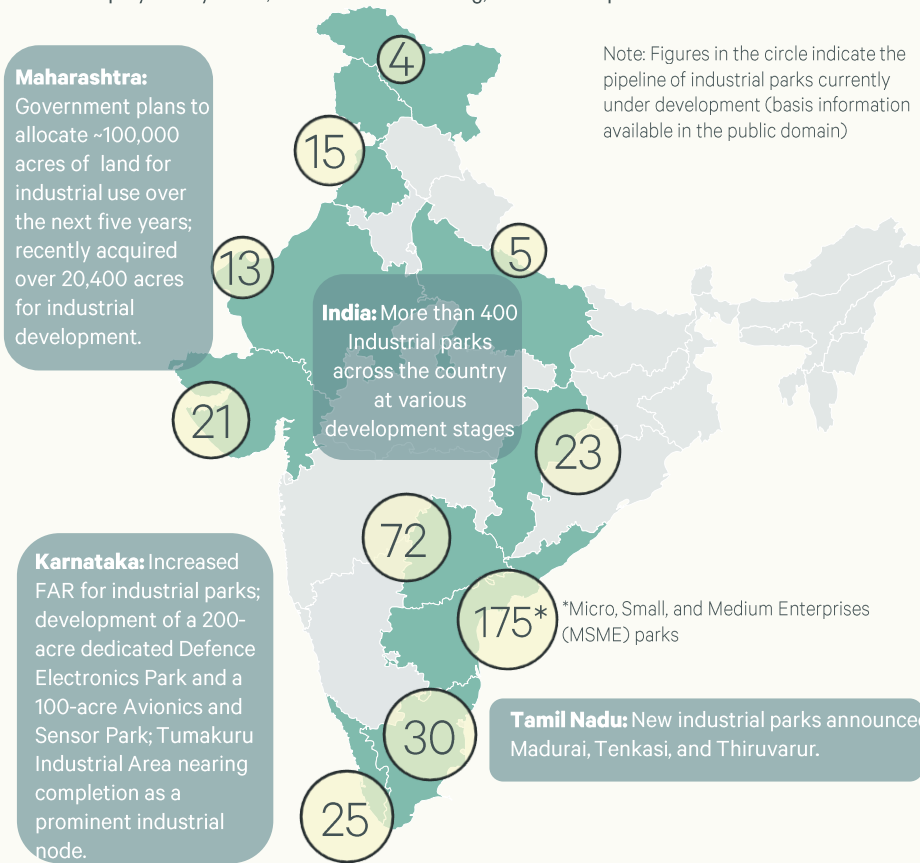
### MODERNISING INFRASTRUCTURE AND LOGISTICS

-  **Legacy cluster rejuvenation:** A new scheme targets the revival of 200 legacy industrial clusters through infrastructure upgrades and technology modernisation.
-  **Critical mineral corridors:** Rare-earth corridors are proposed in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu to support domestic mining and processing of minerals critical to high-tech manufacturing.
-  **Freight corridor and waterways:** A new Dedicated Freight Corridor (DFC) will connect Dankuni (West Bengal) to Surat (Gujarat). Additionally, 20 National Waterways will be operationalised within five years, while the Coastal Cargo Promotion Scheme aims to increase the share of inland waterways and coastal shipping to ~12% by 2047.

Source: Budget 2026-27, Ministry of Finance, February 2026

## 03 New industrial parks set to secure India's supply chain

In the wake of the Union Budget 2026-27 and several state-level industrial policies, multiple states have announced major plans for industrial parks, targeting 'plug-and-play' ecosystems, hi-tech manufacturing, and sector-specific clusters.



Source: Maharashtra MIDC & CMO Review Meetings, February 2026; Karnataka Industries Ministry Policy Briefings, February 2026; UPITEX 2026 Industrial Expo Announcements; Telangana State Budget; Publicly available information

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