

India: A Sleeping Catalyst Amidst a Market Pause

In a world awash with headline risks, political posturing, and a blurred line between noise and substance, the hunt is on for the next true catalyst. And quietly, almost under the radar, India may be positioning itself as exactly that.

To recap: during the first Trump administration, India largely flew under the radar in the tariff wars dominated by headlines on China, Europe, and NAFTA (renegotiated by Trump as USMCA) partners. But it wasn't totally spared - labelled the "tariff king" and a "big abuser," India faced mounting pressure to open up its markets, particularly in sectors like technology, agriculture, and energy.

Fast forward to the second Trump administration, and those trade negotiations have resurfaced with a renewed vengeance. Although the US put a stay on proposed tariffs – the 90-day pause following 'Liberation Day' announced 2 April and taking effect 9 April – the deadline date of 9 July has continued to loom over tariffs discussions, including speculation on what the full effect would look like should a trade deal not be forthcoming. India's stock market has quietly corrected 15–16% since its September 2024 highs, bringing valuations back towards its 10-year average.

With the second Trump administration causing chaos across markets for securities, but also commodities, goods and services, India's willingness to recalibrate its own tariffs has assumed a particular urgency. India has increased imports of US oil and LNG sourced from terminals primarily in the Gulf Coast and Texas, regions that sit firmly within Republican-controlled states. This is a smart play that does more than just diversify energy supply; it deepens trade interdependence in politically advantageous ways under a second Trump term.

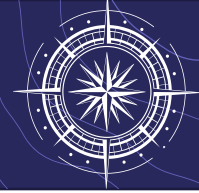
Manufacturing Momentum: Apple Bets Big on India

Amid ongoing adjustments to global supply chains sparked predominantly by the Trump administration focus on bilateral trade deals, it is clear that high value-add manufacturing has benefitted. The precise latest data may be fluid – reflecting the ongoing shifts in supply chains – but there are estimates that India's share of iPhone manufacturing has surged from around 12-16% in 2023 to 20-25% by mid-2025. The majority are still made in China, but the OEM suppliers such as Foxconn are investing significant amounts in India to ramp up shipments, particularly to the US market. This flags up both India's rising credibility as a manufacturing centre, and acceptance by Apple of the challenges and risks around scale and efficiency required to establish a long-term strategic partnership with India.

Some analysts have gone further, suggesting Apple may source up to 60% or more of its smartphone units globally from the country – subject to the direction of tariff policy. Alphabet recently announced a similar shift in phone production to India, suggesting that the Indian government's Production-Linked Incentive (PLI) scheme is proving effective. These decisions reflect both supply chain pragmatism and growing confidence in India's execution capabilities. Trump-era tariffs, and any other potential reintroductions are only likely to accelerate this migration, assuming India continues to strike sensible trade agreements.

India's Structural Strength Runs Deep

Perhaps the most powerful, and underappreciated, structural force is India's expanding middle class. McKinsey Global Institute once projected that India's middle class would grow from just 5% of the population in 2007 to over 40% by 2025, transforming the country into the world's fifth-largest consumer market. Whilst the exact figure in 2025 may fall just short – current estimates place it closer to 35% - the direction and magnitude of change have proven largely true. India's consumer economy has been fundamentally reshaped, with the middle class expanding not just in size, but in spending



power. Private consumption accounts for more than 60% of India's GDP, aligning India with more developed economies, and the momentum is far from fading.

This consumption-driven model is a key pillar of India's macroeconomic resilience. With inflation moderating, the rupee stabilising, and the Reserve Bank of India maintaining a disciplined policy approach, India's growth engine remains domestically powered. Unlike many emerging markets, India is not overly reliant on exports. Instead, it draws strength from a young, urbanising population whose rising aspirations are fuelling sustained demand across core sectors – from financials and automobiles to health care and digital infrastructure.

Healthcare deserves special mention. With a CAGR of over 20% since 2016, India's healthcare sector has emerged as a major contributor to both GDP and job creation, employing nearly 5 million people. Increased government spending and policy incentives like PLI are fuelling growth. Private providers are now expanding into Tier 2 and Tier 3 cities, offering investors exposure to a sector with long-term structural tailwinds.

EM Price, Developed Market Quality

What really sets India apart now is the excellent long term growth visibility as well as reasonable valuations given the opportunity. Whilst US tech multiples stretch higher and China contends with temperamental sentiment and lingering uncertainty, India offers a cleaner, more balanced risk-reward. Investors are effectively paying EM prices for near-developed market quality.

All of this positions India not just as an attractive opportunity, but as a strategic outlier in a world full of crowded trades and uncertain bets. Its unique geopolitical neutrality – a rare partner to both East and West – enhances its relevance in an era defined by supply chain realignment and friend shoring. With valuations reset, fundamentals intact, and structural growth drivers still accelerating, India stands ready. The market may be on pause for now, but when momentum returns, India is well-placed to lead – not follow.



Biography

Rob Brewis | Investment Manager



Rob is a Director of Aubrey, and Investment Manager of the Global Emerging Markets Strategy. He joined the firm in 2014.

An engineering graduate from Cambridge University, Rob began his career in 1988 at Thornton Management in London. Then he spent ten years in Hong Kong as an Asian fund manager with Credit Lyonnais International Asset Management. This company was later bought by Nicholas Applegate and then Colonial First State, where Rob ran the North Asian investment team as well as managing the Asian Special Situations Fund and a number of single country funds investing in India, Pakistan, Indonesia and Thailand.

He then went on to co-found emerging markets investment boutique BDT Invest LLP in London in 2000. Whilst at BDT, Rob co-managed a number of emerging market portfolios as well as the BDT Asian and Oriental Focus Funds.

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