COUNTRY RISK CATEGORY

3

OF 7

JUNLY 2026

India

COUNTRY ANALYST

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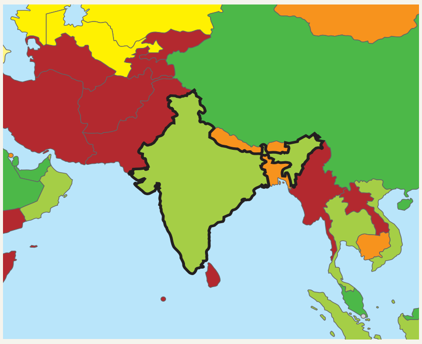
Basic facts (2025)

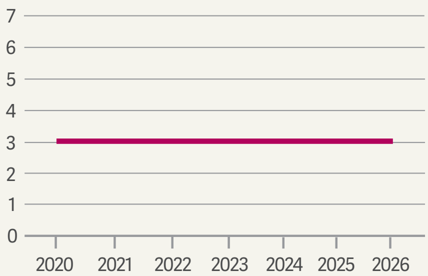
Population: 1 464million
GDP, nominal: USD 3 916 billion
GDP/capita: USD 2 675



0	1	2	3	4	5	6	7

The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

+ Strong growth potential supported by political stability and reform policies
+ Diversified economy with a large domestic market
+ Limited external debt and substantial foreign exchange reserves
+ Predominantly domestically financed public debt limits currency and refinancing risks

Weaknesses

– Weak public finances, with a high debt ratio and significant interest costs
– Challenging regulatory environment and mixed payment experience
– Exposure to climate and transition risks
– Geopolitical tensions with China and Pakistan

Resilient economy

With a population of 1.46 billion, of which 40 per cent are under the age of 25, India is the world's most populous country. With favourable growth prospects, India is expected to become the world's third-largest economy within the next two to three years. Growth is primarily driven by domestic demand. Private consumption accounts for approximately 60 per cent of GDP, while investment remains robust at around 30 per cent. On the production side, the services sector dominates.

The informal sector accounts for the majority of employment. Agriculture alone (16 per cent of GDP) employs over 40 per cent of the workforce. The economy is diversified, with strong global positions in IT, pharmaceuticals, steel, and petrochemicals. Nevertheless, the size of goods exports and manufacturing is relatively limited (both around 12–13 per cent of GDP), which, combined with limited natural resources, contributes to structural trade deficits.

However, India's export orientation is gradually increasing. For example, electronics exports are rising. More importantly, services exports (approximately 10 per cent of GDP), are expanding and moving up the value chain. India is becoming a global hub for global capability centres (GCCs) of multinational companies delivering digital services in a broad range of professional services such as consulting services, engineering and IT services, and research and development.

In recent years, services exports and remittances have structurally strengthened the current account, and the deficits remain moderate. As a result, the country's external position is strong, although net inflows of foreign direct investments (FDI) have been weaker over the past two to three years. Foreign exchange reserves cover approximately 70 per cent of the country's relatively low external debt (20 per cent of GDP). Reliance on oil and gas imports, together with persistent fiscal and current account deficits, constitutes vulnerabilities, but strong external buffers and a large, diversified economy provide resilience to external shocks.

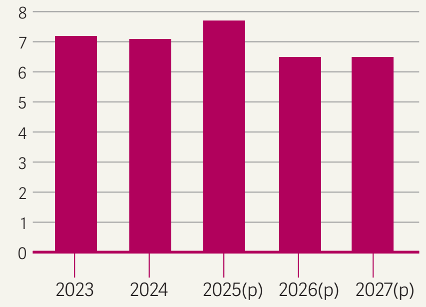
Political stability and reforms

Prime Minister Modi's government, led by the Hindu nationalist Bharatiya Janata Party (BJP), is in its third term (2024–2029). Following the electoral setback in 2024, when the BJP lost its parliamentary majority, subsequent successes in several state elections have strengthened its position. Together with its coalition partners, the BJP now controls 22 of India's 36 states and territories.

Pressures from an uncertain and volatile global environment, combined with the BJP's strengthened mandate, is providing renewed momentum to the pro-growth reform agenda pursued over more than a decade. Macroeconomic stability has benefited from a strengthened policy framework, including inflation targeting, a more flexible exchange rate, deficit ceilings at both federal and state levels, and improved fiscal transparency.

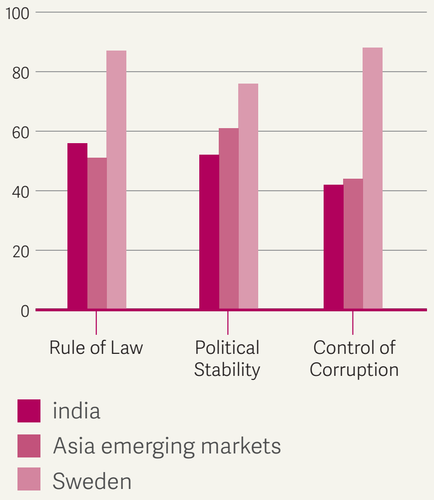
A national value-added tax (GST) has strengthened the tax base and facilitated intra- state trade, while tax reductions for companies and households have been implemented. Sustained prioritisation of infrastructure investment has the

Real GDP growth (constant prices, % per annum)



Source: IMF WEO, Macrobond

Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

Swedish export to India

	MSEK
2025	21 614
2024	21 972
2023	18 877
2022	17 238
2021	11 522

Source: SCB

EKN:s exposure

	MSEK
Guarantees	11 069
Offers	447

potential to structurally increase the growth potential and reduce inflationary pressures. Reforms in the banking sector and the insolvency framework have contributed to stronger balance sheets in the corporate and banking sectors. Gradual liberalisation of capital flows and regulations is pursued to attract portfolio and direct investment.

In recent years, India has also adopted a more open stance towards bilateral free trade agreements, partly in response to increased trade policy uncertainty. Since 2022, India has concluded several trade agreements, notably with the EU — India's largest trading partner — as well as with the United Kingdom and Australia. Negotiations are ongoing with the United States and the Gulf states.

This policy direction is likely to contribute to a more open and trade-oriented economy, supporting medium term growth prospects. Expanding public digital infrastructure is enabling rapid digitalisation, which is critical to modernising and formalising the Indian economy. It has also facilitated the strengthening of social safety nets for parts of the population, supporting political stability.

However, reform efforts have not yet succeeded in reversing the trend of subdued growth in formal employment and private sector investment. This may partly reflect challenges associated with a large public sector and a complex federal political system, where reforms take time and can be difficult to implement nationwide. This represents a key challenge, as India needs to create more formal and productive jobs for its young and growing workforce, while growth has become increasingly capital-intensive over the past decade and the challenges posed by automation are expected to intensify.

Conflicts test resilience

India's economy has demonstrated significant resilience over the past five years. Despite multiple external shocks, including higher commodity prices following the invasion of Ukraine in 2022–2023 and uncertainty surrounding US trade policy, including tariffs temporarily rising up to 50 per cent on India during 2025, GDP growth averaged 7.4 per cent during 2021–2025, while inflation remained moderate.

This resilience strengthens the economy's ability to manage pressures arising from the conflict in the Middle East. The Indian economy has strong links to the Gulf region, primarily through substantial imports of commodities, particularly fossil fuels and fertilisers. The region is also important for India's remittance inflows.

Projections remain subject to a fair degree of uncertainty, reflecting lingering questions over the durability of a prospective peace agreement between the United States and Iran, In a baseline scenario where the conflict subsides and supply chains gradually normalise during the year, GDP growth for fiscal year 2026 (ending March 2027) is expected to ease to around 6.5 per cent, while inflationary pressures increase and the external position weakens somewhat. Increased expenditures for subsidies of fuel and fertilisers are likely to slow, but not halt, the ongoing fiscal consolidation.

Public finances remain the country's main macroeconomic weakness. The debt ratio—public debt relative to GDP—which rose sharply during the pandemic, is declining gradually but will remain high at just over 80 per cent in the coming years, while interest payments absorb around one quarter of government revenues. However, as over 90 per cent of debt is domestic, denominated in local currency, and long-term liquidity and exchange rate risks are manageable.

Long-term climate challenges

India is among the more exposed economies in Asia to climate change and transition risks. This is driven in part by demographic pressures, particularly regarding water management, as well as the importance of agriculture, with nearly two-thirds of the population dependent on it for their livelihoods.

Despite a significant expansion of renewable energy capacity, coal-fired power — based on domestic coal resources — is expected to continue to dominate electricity generation (approximately 70 per cent in 2025–2026). Industrial policy expansion plans for the steel sector, the world's second largest, are also expected to rely heavily on coal-based technologies. This strategy risks increasing transition costs.

In the ND-GAIN Index, which measures countries' vulnerability to climate change and their capacity to manage related risks, India ranks 111th out of 181 countries (2023). The impacts of climate change are difficult to quantify, but the frequency of extreme weather events appears to be increasing, as do variations in the critical monsoon rains. This contributes to volatile food inflation, which risks exacerbating poverty. Over the longer term, estimates from the Asian Development Bank (2024) suggest a potential GDP loss of 10–15 per cent by 2050 compared with scenarios without further climate change.

Business environment

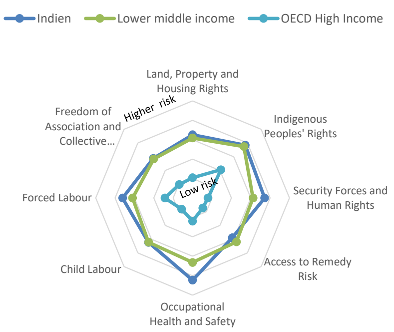
India's business environment remains complex but is gradually improving through reform processes aimed at enhancing India's competitiveness. Investments in infrastructure and logistics networks are integrating the large domestic market and reducing high energy and logistics costs. Rapid digitalisation — supported by a steady increase in internet users (over 70 per cent of the population in 2025) and expanding public digital infrastructure — underpins these reforms.

In recent years a key focus of the reform agenda has been "ease of doing business" reforms, aimed at streamlining the complex web of laws, regulations, and administrative processes in order to reduce the regulatory burden on companies. This includes digitalisation of government interactions, more efficient customs and tax procedures, and recent reforms to rationalise labour market legislation.

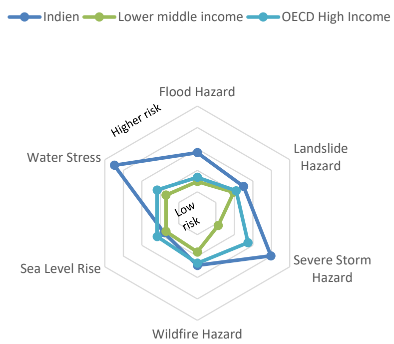
These reforms are reflected in indices measuring the investment and business climate. In the World Bank's Logistics Performance Index, improved results indicate that infrastructure investments are beginning to yield results. In the World Bank's Worldwide Governance Indicators (WGI), India's performance in economic governance has improved over the past decade and is now slightly above the average for emerging and developing economies in Asia.

From EKN's credit perspective, key aspects of the business environment include predictability and quality of regulations affecting debtors' operations, as well as the legal framework affecting creditors' rights. In both dimensions, India performs slightly above the regional average in the WGI. Nevertheless, the

Riskprofile Human Rights



Riskprofile Physical climate risks and natural disasters



The foregoing chart information was obtained from Verisk Maplecroft* regulatory environment remains complex, with extensive bureaucracy at multiple levels. Also, the fact that India's in the midst of a phase of rapid transformation does in itself entail challenges in implementing new reforms. There are also examples of government actions with significant sectoral impact, such as retroactive tax claims in the telecommunications sector in 2020 and in the mining sector in 2024.

India's constitutional framework, which assigns states full or shared responsibility in key areas such as labour regulation, land use, and electricity supply, contributes to significant variation in the business environment across states. The central government encourages states to improve the local business climate and promotes institutional competition, for example through a comparative "Investment Friendliness Index". However, weaknesses in the finances and transparency of states and related entities complicate the assessment of such counterparties.

Corruption remains a challenge. In Transparency International's Corruption Perceptions Index 2025, India ranks 91st out of 180 countries. The result is a slight improvement from 2024 and broadly in line with the regional average (94).

Regarding the legal framework, the Insolvency and Bankruptcy Code (IBC, 2016) is a key reform. A time-bound insolvency process handled by specialised courts is intended to lead to faster resolution and higher recovery rates. In practice, however, proceedings have taken considerably longer than stipulated, and court backlogs remain significant. The framework appears more favourable to financial creditors than to suppliers, and domestic financial creditors appear to have certain advantages in restructuring negotiations. Another challenge is the underdeveloped market for distressed assets, which complicates valuation.

Nevertheless, the IBC framework is being gradually improved. To strengthen recovery in liquidation cases, the Insolvency and Bankruptcy Board of India (IBBI) has introduced a centralised electronic auction platform to increase transparency in asset sales. In 2026, an additional reform package was introduced to accelerate insolvency processes.

Evaluations of the IBC indicate several positive trends. The threat of liquidation appears to have increased incentives for debtors to settle with creditors before cases reach court, and the share of insolvency cases ending in liquidation is declining. This is positive, as liquidation typically results in lower recovery rates than restructuring. Recovery rates in restructuring cases are reported to average around 35 per cent.

EKN's experience, although somewhat dated, indicates that legal processes are lengthy and recovery rates may be low, particularly for foreign creditors or in the absence of collateral.

For Swedish exporters, the regulatory environment is considered challenging. India has long pursued import substitution policies aimed at promoting domestic manufacturing. The past decade has been characterised by higher tariffs on intermediate and capital goods, complex import regulations, and an increasing use of non-tariff barriers such as local standards requirements, known as Quality Control Orders (QCOs). These have often been introduced with limited consultation, short implementation timelines, and long licensing delays.

Recognition that such policies constrain India's competitiveness and integration into global value chains has led authorities over the past year to begin recalibrating policy, including rationalising tariffs and QCOs. Together with the trade agreement with the EU, this shift may over time improve conditions for Swedish exporters and investors.

In its business assessments, EKN considers the risk of adverse impacts on human rights. The focus is on potential impacts arising from the operations in which exported goods are used. Key issues include working conditions, child and forced labour, excessive use of force by security forces, indigenous rights, and land rights. According to Maplecroft's human rights index, India is close to the average for comparable countries but shows somewhat higher risks in occupational health and safety, forced labour, and the conduct of security forces. At the same time, risks related to access to remedy are somewhat lower.

EKN's policy

EKN classifies India in country risk class 3 (on a scale from 0 to 7). Standard risk assessment applies to all categories of counterparties. This means there are no predefined restrictions on the issuance of guarantees, and transactions are assessed on their own merits without specific requirements or conditions.

EKN's commitment and experience

EKN's exposure amounts to approximately SEK 11 billion and is dominated by telecommunications. In addition, there are transactions in sectors such as power, medical technology, and construction equipment. Between 2021 and 2025, EKN issued guarantees for approximately 180 transactions involving around twenty exporters, totalling SEK 29.7 billion. One large telecommunications transaction accounted for over 90 per cent of this volume. Of the remaining just over SEK 2 billion, around twenty SMEs and trading companies accounted for nearly 70 per cent. Approximately 75 per cent of transactions had a credit tenor of less than one year.

EKN's payment experience is mixed. Payment delays are common. For guarantees issued during 2021–2025, delays were reported in approximately 20 per cent of transactions, with an average duration of 96 days. However, none of these guarantees resulted in claims.

Including late payment interest in contracts is deemed advantageous, as EKN's experience shows that supplier credits with low penalty interest tend to be deprioritised.

For guarantees issued prior to 2019, EKN has paid claims of approximately SEK 850 million over the past 15 years. Losses are concentrated in a small number of transactions and represent less than two per cent of EKN's total guarantee volume for India during this period. Recovery rates in these cases have, however, been low.