



# Israel – India

## Economic review



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Written by the Economic Department, Israel Export Institute  
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## Economic Indicators and trade data



### India

#### General Information

Capital:	New Delhi	Global Competitiveness Index Ranking (Out of 141):	68
Population (m):	1,405	Corruption Perceptions Index Ranking: (Out of 180):	86
Local Currency:	Indian rupee	Ease of Doing Business Ranking (Out of 190):	63
Exchange Rate (LCU:US\$) :	77	Economic Freedom Ranking (Out of 180):	121
Head of State:	President – Droupadi Murmu	Enabling Trade Ranking (Out of 136):	102
	Prime Minister – Narendra Modi		

Recent Economic Indicators	2019	2020	2021	2022
Real GDP Growth (% change YOY)	4.0	-7.3	9.5	6.7
GDP (Bn\$, current prices)	2,871	2,660	2,946	3,250
GDP per capita (\$, current prices)	6,991	6,510	7,314	8,079
Export of Goods & Services (Bn\$)	533	497	568	615
Import of Goods & Services (Bn\$)	606	512	601	653
Unemployment Rate (% yearly)	0.0	0.0	0.0	0.0
Inflation (Av)	6.7	4.9	5.5	4.9

#### Principal Export Destinations

United States 17%, United Arab Emirates 9%, China 5%

#### Principal Import Destinations

China 15%, United States 7%, United Arab Emirates 6%, Saudi Arabia 5%

#### Principal Export Commodities

refined petroleum, diamonds, packaged medicines, jewelry, cars

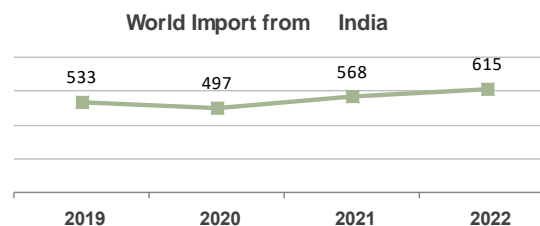
#### Principal Import Commodities

crude petroleum, gold, coal, diamonds, natural gas

#### The most problematic factors for exporting to India \*

- 1 High cost or delays caused by domestic transportation
- 2 Crime and theft
- 3 Corruption at the border
- 4 Tariffs and non-tariff barriers
- 5 Burdensome import procedures

#### Trade of Goods & Services (Bn \$)



\* World Economic Forum, Executive Opinion Survey



## Economic SWOT

### Strengths

- **India has a very large domestic market**, which should remain a significant source of support for domestic demand and rapid economic growth.
- **A vast supply of inexpensive but skilled labor allows the country to export a significant amount of services to the global economy.** More than half of the population is younger than 25 years old.

### Weaknesses

- Despite rapid economic growth, **India remains a very poor country.** At around USD 2,200 in 2021, India's GDP per capita was roughly a fifth of Mainland China's.
- About **two-thirds of the population still depend on farming for their livelihood**, which leaves the economy exposed to seasonal patterns. For example, periods of poor monsoon rains can lead to sudden and significant falls in rural incomes and consumption.
- **India runs chronic trade and fiscal deficits**, both of which are likely to persist. The government spends a significant part of its revenue on interest payments, subsidies, salaries, and pensions. This limits the amount of funds available for infrastructure improvements.

### Opportunities

- **India's emerging middle class will continue to drive demand for new goods and services.** A wealthier society, combined with tax reforms, will serve to boost revenue receipts, and relieve fiscal pressure.
- The government has implemented some tax reforms. Continued enhancements to the Goods and Services Tax scheme, implemented since July 2017, should help boost compliance and revenue collection.
- With labor costs in China rising quickly, **India may enjoy a manufacturing boom in the coming years as multinationals look to take advantage of a young, competitive workforce and major transport network improvements.** The government has been attempting to boost the competitiveness of Indian manufacturing as well, most notably through the national program known as 'Make In India'.

### Threats

- **India's dependency on oil imports is a key challenge.** This leaves both the current account deficit and inflation exposed during periods of sharp increases in global oil prices.
- **India is at risk of severe environmental problems.** Many of its cities' air and rivers are heavily polluted, raising questions about the sustainability of the economy's rapid growth.



According to IEI's estimations, total trade in goods and services between Israel and India grew by 40% in 2022 to a record scope of approx. 6 Bn\$.

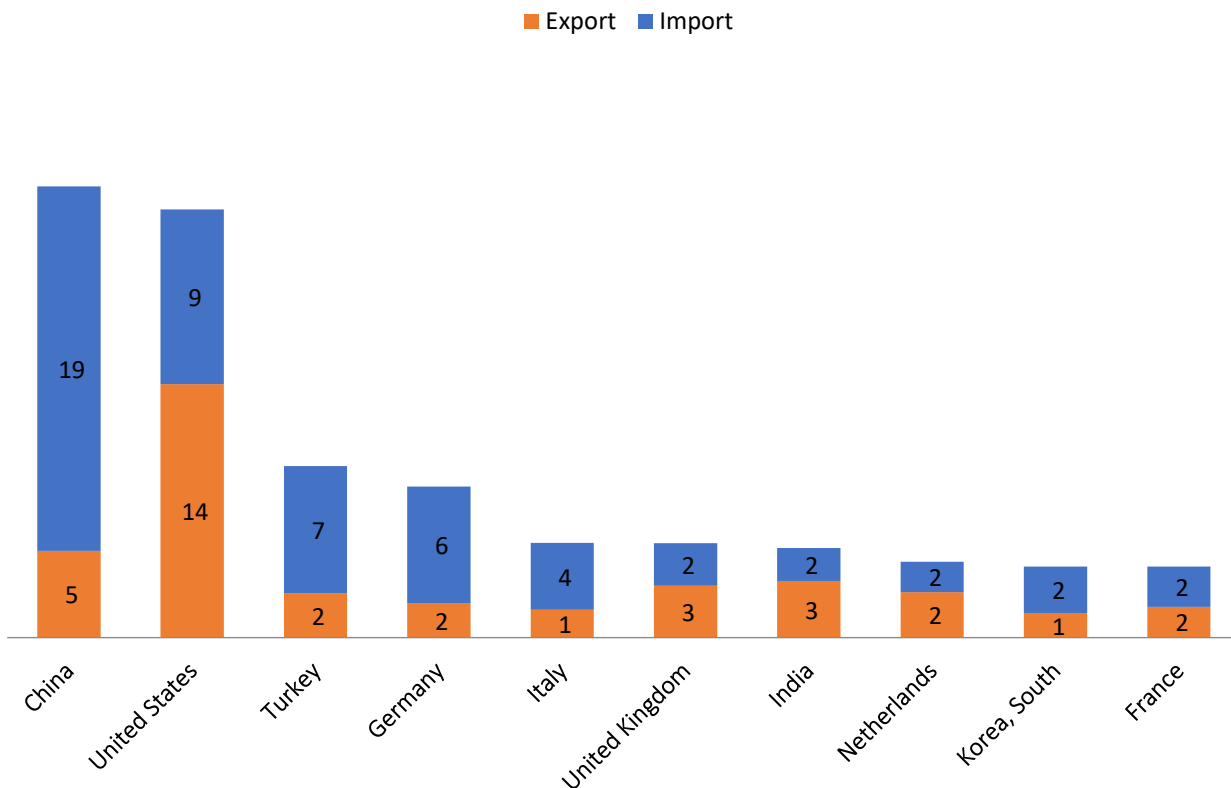
## Israel – India | Trade Relations<sup>1</sup>

Israel's trade relations with India are among its most substantial and important international trade relations. As of the end of 2022, India is ranked as the 7<sup>th</sup> largest trading country out of all the countries Israel trades with.

For Israel, India is the 3<sup>rd</sup> largest world export and the 2<sup>nd</sup> largest in Asia, as well as being its 12<sup>th</sup> largest trade import source and the 4<sup>th</sup> largest in Asia after China, South Korea, and Japan.

In 2022 the scope of trade between Israel and India increased by 52%. The scope of trade between the two countries is expected to increase over the coming years.

### India is Israeli's 7<sup>th</sup> largest trading partner | Top 10 Countries



<sup>1</sup> Unless stated otherwise, the data for import and export of goods is excluding diamonds and categorized by country of origin. Source: IHS Markit. Processing and analysis: Economics Department, Israel Export Institute.

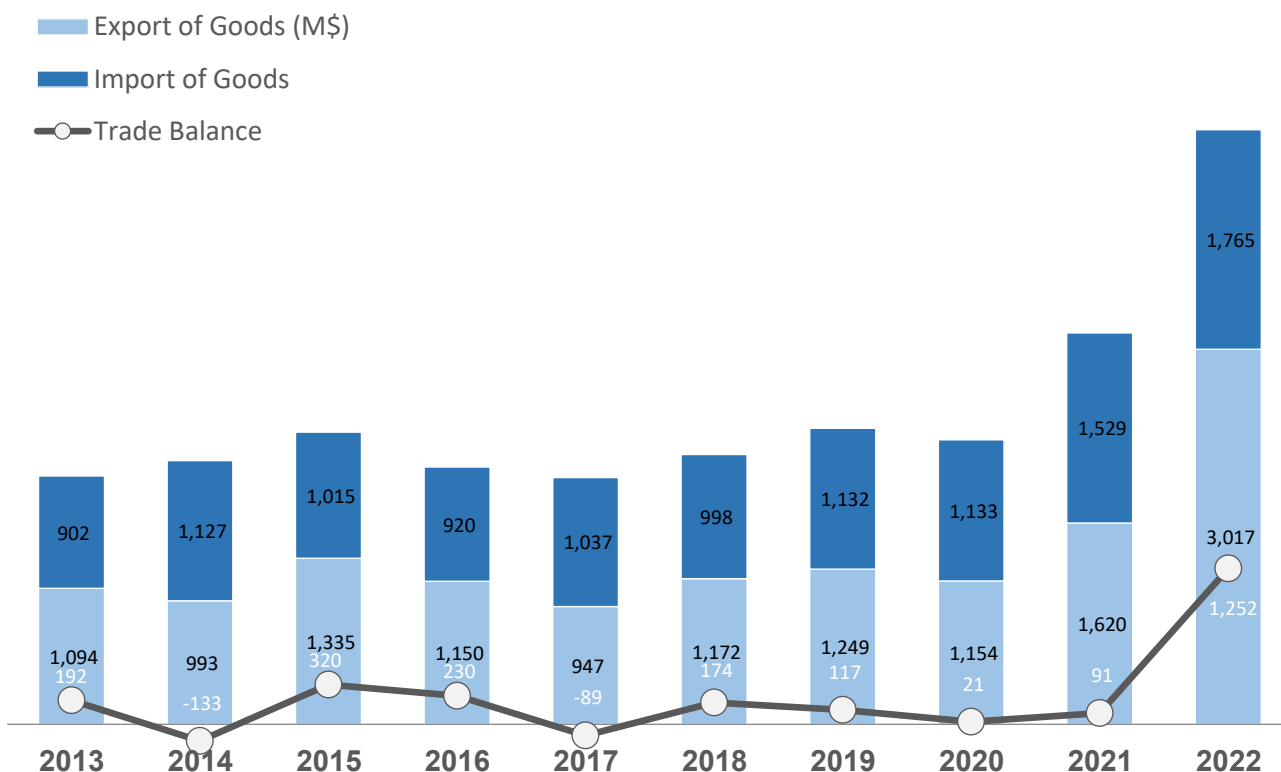


The scope of trade between Israel and India for 2022 amounted to 4.8 billion dollars, an increase of around 1.6 billion dollars in 2021. In 2018-2019, a growth of around 10% was seen in the annual scope of trade. After a moderate decrease in 2020 (-4%), In 2021-2022, 45% annual average growth was recorded.

The export of goods to India in 2022, jumped by **approximately 85%** to a scope of 3 billion dollars. The import of goods also increased last year at a substantial rate of **around 15%** to a scope of 1.8 billion dollars.

The average weight of trade export is higher than the weight of import, at 54% compared to 46% respectively<sup>2</sup>. Between 2018 and 2020, the net export in the trade balance gradually decreased to a low of 21 million dollars in 2020 as a result of a combination of some degree of reduction in exports along with an increase of imports. However, 2022 shows a significant increase in the net export, reaching approximately 1.3 billion dollars due to the leap in exports. The overall goods trade volume with India grew to a record scope, reaching 4,783 million dollars.

### Record in 2022 | Trade of Goods between India and Israel (in USD Millions)



<sup>2</sup>According to trade averages for 2013-2022.



## Export of goods to India

Exports to India are characterized by significant year-to-year fluctuations. These fluctuations stem from the composition of the export, the type of products and the goods that are exported to the country. A prominent example of this would be the demand for electrical machinery and optical equipment. Another example was the sharp rise in Pharmaceuticals and Aircrafts exports that was reflected in 2022.

In 2020 a fall of around 8% was seen in the export, **but 2021-2022, as stated, saw a significant recovery in exports, increasing by 40% and 85% compared to the previous period and reaching a record high of 3 billion dollars in 2022.**

### India's share in Israeli export to Asia grew to 21% in the past year | 2013-2022



**India is currently Israel's 2<sup>nd</sup> largest export destination in Asia<sup>3</sup>.** From 2013 onwards the trend of exports to India out of the total exports to Asia remained at a stable rate of around 12%. As a result of the significant rise in exports in 2022, **India's portion of exports in Asia grew to 21%.**

In comparison, **India's portion as an export destination for Israel in relation to the rest of the world remained moderate in the last 10 years (an average of 2.5%) and reached a maximum of 4.8% in 2022.**

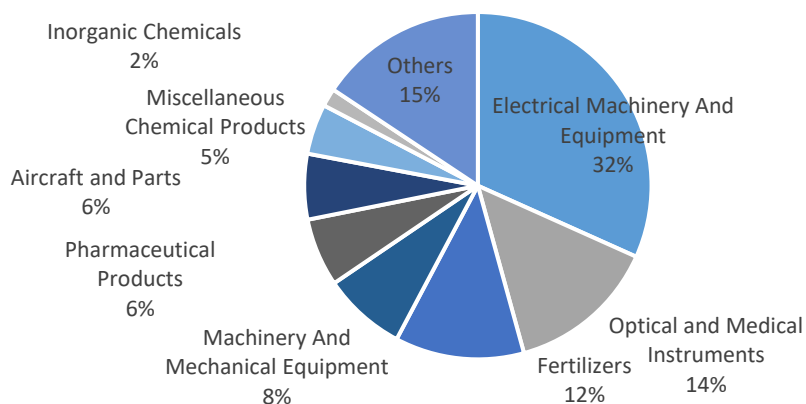
<sup>3</sup>After China



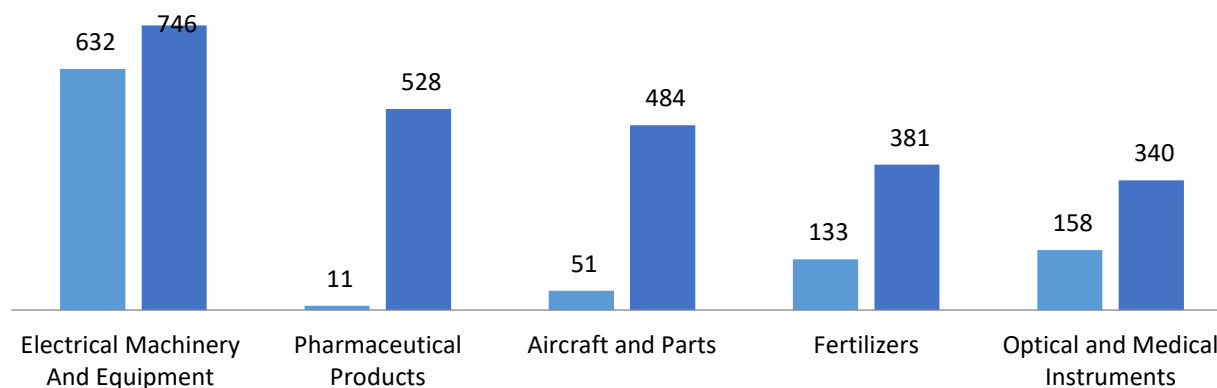
The principal export to India is **machinery and electrical equipment**, accounting for around one-third of the average annual scope of export over the last 6 years. Other principal export sectors are **optical and medical equipment** (approx. 14%), **fertilizers** (approx. 12%) and **machinery and mechanical equipment** (approx. 8%). These four sectors make up around 73% of Israel's total exports to India<sup>4</sup>.

The increase seen in 2022 arises primarily from increased demand for goods in the aforementioned sectors and new deals in pharmaceuticals and Aircraft industry. The export of **machinery and electrical equipment** saw an increase of approximately 20% compared to the previous year, amounting to a total of 746 million dollars. This sector has followed a trend of ongoing growth and the scope of export to India in this sector has doubled in the past 4 years. The export of **Pharmaceutical Products** totaled by 528 million dollars and **Aircraft and parts** 484 million dollars. **Fertilizers** has grown by approx. 190% to a scope of 381 million dollars; the export of **optical and medical equipment** saw an increase of around 116% to a scope of approx. 340 million dollars. In contrast, a decrease was seen in the export of **machinery and mechanical equipment** at a rate of around 9% to a scope of approx. 130 million dollars.

### Exports to India by sector share | Average of the years 2017-2022



### Top 5 sectors exports to India | 2022 compared to 2021, In USD millions



<sup>4</sup> According to the average of exports between 2017 and 2022

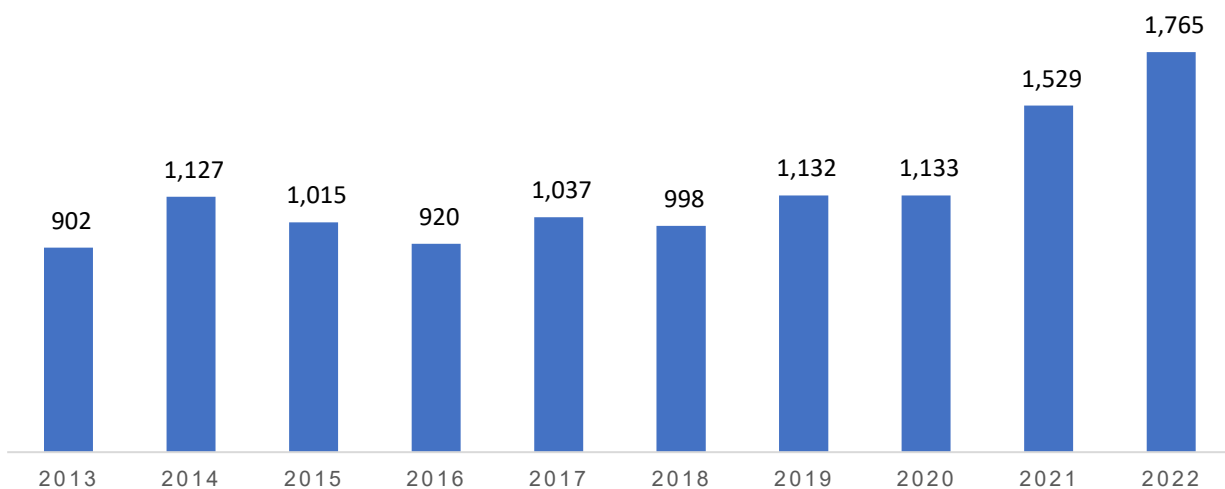


## Import of goods from India

As mentioned, India is one of Israel's main import countries. As of 2022, it is the fourth largest among the countries of origin in Asia and 12<sup>th</sup> of all countries of origin for the import of goods into Israel.

In 2022, the import of goods from India reached a record of 1.8 billion dollars, around 15% higher than the record registered in 2021. This increase stems mainly from a rise in imports of **organic chemicals, Electrical Machinery and Equipment, ceramic products, and Pharmaceutical Products**. The increase during 2021-2022 denotes a break from the trend of relative stability in the scope of import of goods (excluding diamonds) from India in 2013-2020 with a scope of around 1 billion dollars a year.

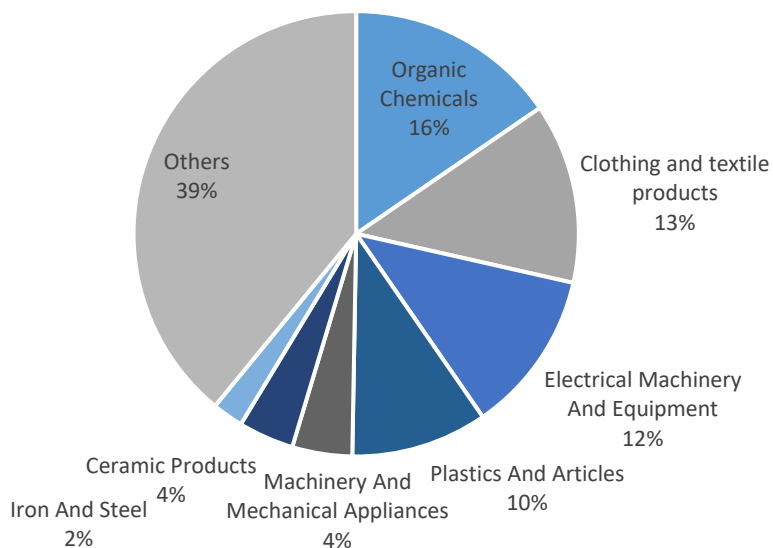
### Import of goods from India | 2013-2022, M\$



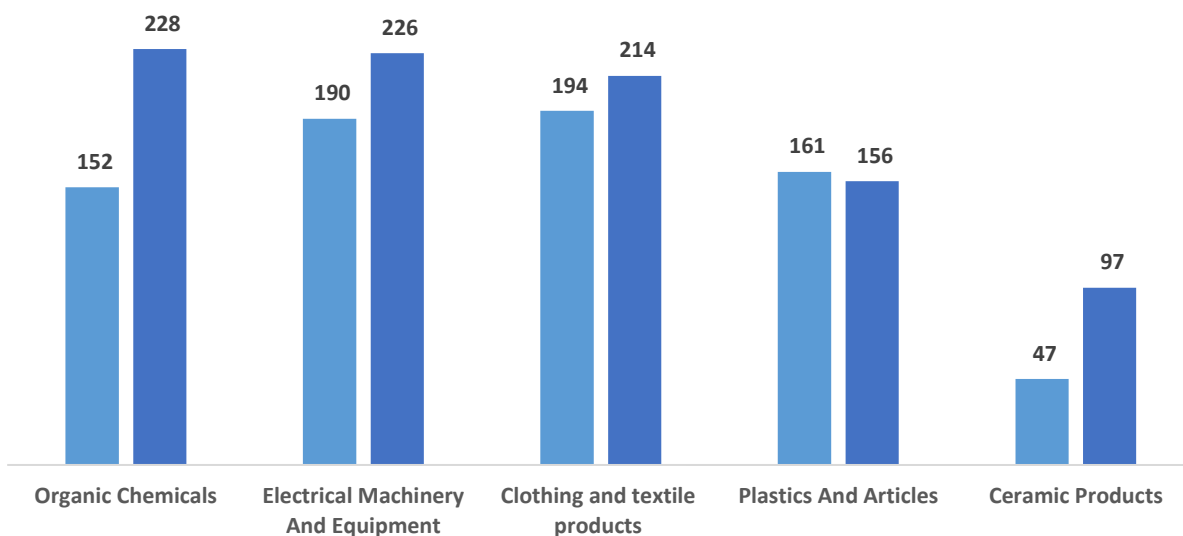
The past 5 years have seen an increase of approx. 115% in the import of **Electrical Machinery and Equipment** to a scope of 226 million dollars. The import of **clothing and textile products** increased by around 66% to a total of approx. 215 million dollars, a rise of around 73% in the import of **plastic and its products** to a scope of approx. 156 million dollars. By contrast, the import of **organic chemicals** fell by around 14% to a scope of approx. 230 million dollars.



### Goods from India by sector share | Average of the years 2017-2022



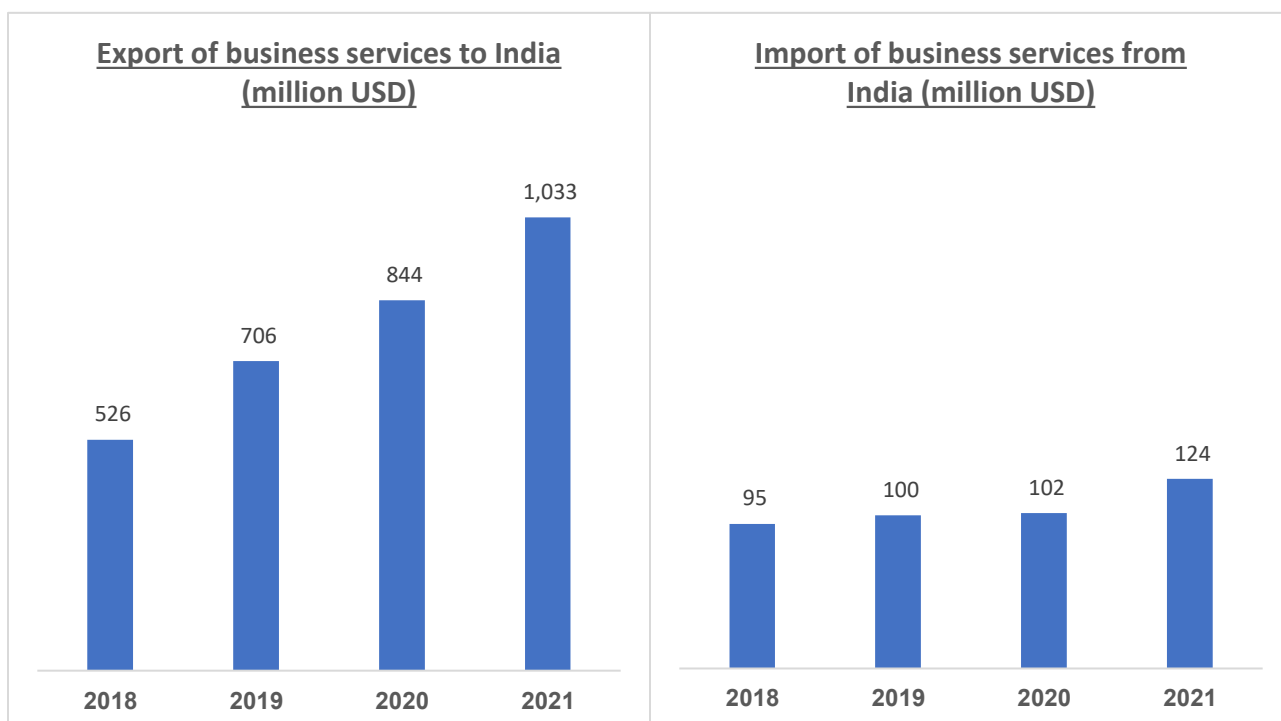
### Top 5 sectors in goods import | 2022 compared to 2021, In USD millions





## Import and export of business services between Israel and India

When it comes to outsourced business services between Israel and India (import and export), **an ongoing increasing trend could be seen in the past few years. As of 2021, India is ranked as the 4<sup>th</sup> largest destination for the export of services from Israel and 10<sup>th</sup> out of the countries from which Israel imports business services (data has yet to be published for 2022).**



Most services exported to India (98%) are **professional services in the software industry; auxiliary services in the production of computers; computer programming and consultation services; and scientific research and development.**

The main services imported from India are **outsourcing services for Israeli software companies as well as scientific and technical services.**

**Segmentation of export of business services to India** | In USD thousands

Year/field	Computer programming and consultation and other services	Selected professional, scientific, and technical services, and management and support services for offices and businesses	Computer manufacturing auxiliary services	Total business services
2018	478,588	18,141	12,040	526,465
2019	657,175	18,374	12,152	705,724
2020	793,546	19,419	12,581	844,040
2021	971,255	25,468	14,844	1,033,491
Portion of total exported services	93%	3%	2%	

**Segmentation of import of business services to India** | In USD thousands

Year/field	Computer programming and consultation and other services	professional, scientific, and technical services, and management and support services for offices and businesses	Computer manufacturing auxiliary services	Scientific research and development	Total business services
2018	30,218	20,535	16,291	7,373	94,807
2019	34,428	20,917	16,595	7,475	100,426
2020	34,841	21,105	16,984	7,564	101,847
2021	42,651	25,735	20,555	9,256	124,235
Portion of total imported services	34%	21%	17%	8%	

Source: Israel Central Bureau of Statistics

Processing and analysis: Economics Department, Israel Export Institute

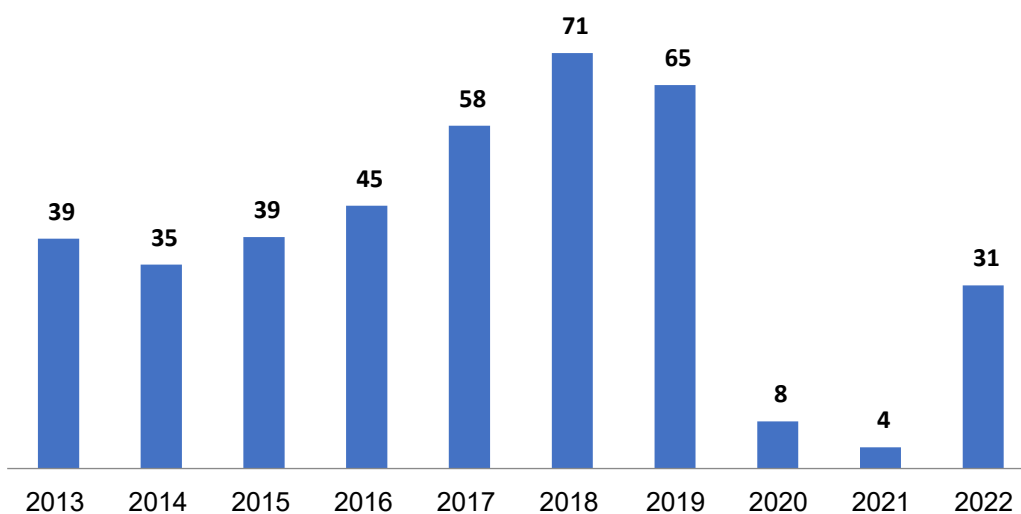


## Tourism from India

Between the years 2014 and 2019, a substantial increase was seen in tourism from India, with numbers doubling from 35,000 to around 71,000. Due to the covid-19 pandemic, 2020 and 2021 were low years for incoming tourism in Israel, and accordingly this was the case for incoming tourism from India.

**Global tourism showed signs of recovery in late 2022.** In 2022, the number of Indian tourists was around 31,000 – approximately 1% of the total number of tourists visiting Israel (which stood at a total of around 2.9 million) and around 16% of the number of tourists from Asia (around 190 million).

### Tourists arriving in Israel from India | 2013-2022, No. of tourists in thousands



Source: Israel Central Bureau of Statistics

Processing and analysis: Economics Department, Israel Export Institute