



FEBI Business Sentiment Survey 2025

EU Business in India

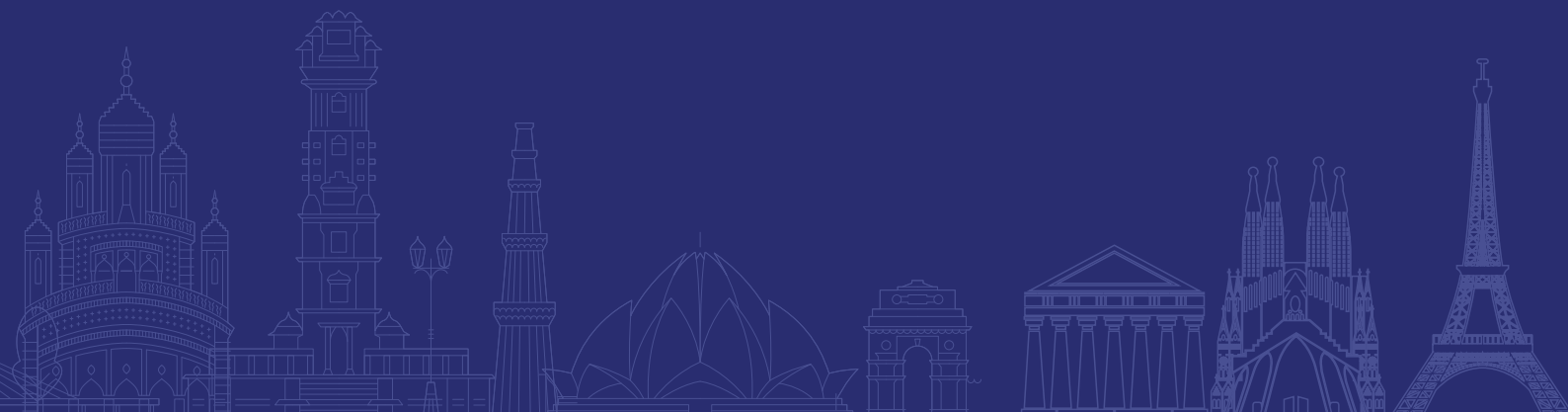


Table of Contents

List of Abbreviations	4
INTRODUCTION	5
1. INDIA'S MACROECONOMIC TRENDS	6
2. TRENDS IN EU-INDIA TRADE AND INVESTMENT RELATIONS	8
3. BUSINESS SENTIMENT OVERVIEW	10
Respondent Profile	10
India's Investment Outlook	11
Ease of Doing Business	13
EU-India Collaboration	14
Call for Action	16

List of Abbreviations

AI	Artificial Intelligence
AIS	Automotive Industry Standards
EU	European Union
FEBI	Federation of European Business in India
FTA	Free Trade Agreement
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GII	Global Innovation Index
IT	Information Technology
IP	Intellectual Property
NTBs	Non-Tariff Barriers
QCOs	Quality Control Orders
R&D	Research and Development
RBI	Reserve Bank of India
SMEs	Small and Medium-Sized Enterprises
TBT	Technical Barriers to Trade
TISI	Trade and Innovation Support in India



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Introduction

FEBI – Federation of European Business in India is the unified, independent, and influential voice of the European Businesses in India, bringing together companies and national bilateral chambers to strengthen the collective EU policy advocacy voice and acting as a credible intermediary between government and businesses.

The FEBI Business Sentiment Survey 2025, undertaken with the support of the Delegation of European Union to India and Bhutan's Trade and Innovation Support in India (TISI) project, provides an outlook and overview of evolving EU-India bilateral trade and investment ties as well as offers an insight into the opportunities and challenges faced by European businesses in India.

This survey covers issues such as market access, regulatory compliance, investment climate, and sector-specific trade barriers, among others, and provides first-hand industry perspectives and data-driven insights on the EU-India economic partnership.



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01

India's Macroeconomic Trends

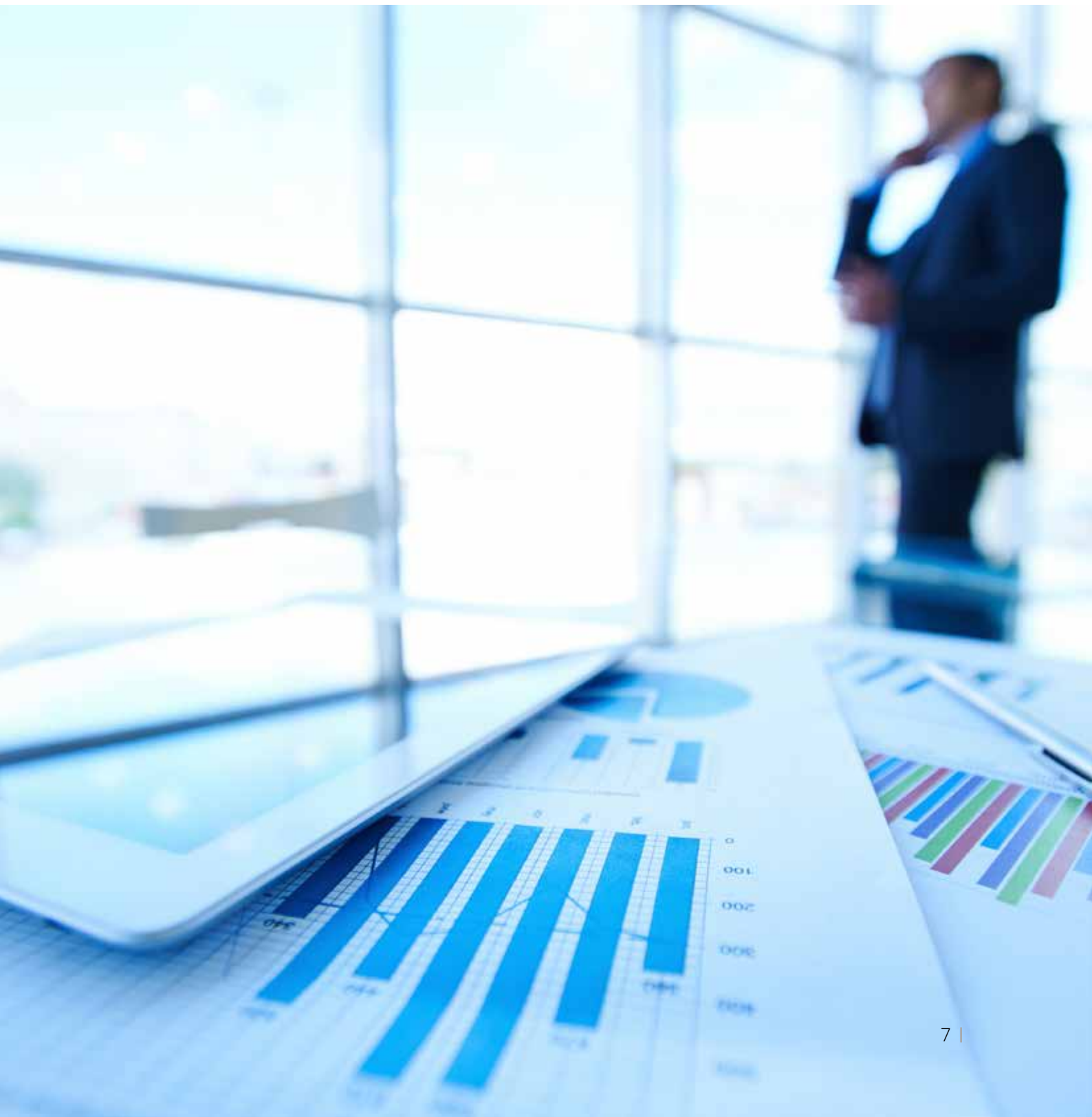
India, currently the fifth-largest economy in the world, is expected to become the third largest economy by 2030-31

As of 2024, India's nominal Gross Domestic Product (GDP) was approximately €3.7 Tn¹ and is expected to increase to €4 Tn by 2025. India's GDP is further expected to reach €6.2-6.7 Tn by 2030^{2,3}.

India has emerged as one of the fastest-growing major economies, with a projected growth rate of 6.5%⁴ in 2025 government interventions such as increased capital expenditure and low repo rates are major drivers of the economy forward⁵. Key sectors including services and manufacturing, particularly high-value-added industries like electronics and pharmaceuticals, are increasingly integrating into global supply chains.

India is emerging as a global innovation hub, as evidenced by improvements in the Global Innovation Index (GII). As of 2024, India is ranked 39th out of 133 economies and first among the 38 lower-middle-income economies, led by increased spending on research and development (R&D).

With a strong commitment to development, the *Viksit Bharat 2047 Initiative*, the Union Budget has allocated €11.4 Bn to the infrastructure sector⁷, marking remarkable progress in the physical, digital, and financial infrastructure.





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02

Trends in EU-India Trade and Investment Relations

The EU is India's largest trading partner, accounting for approximately €124 Bn in goods trade in 2023, which represents 12.2% of India's total trade⁸.

This places the EU ahead of the United States (10.8%) and China (10.5%). India, in turn, is the EU's ninth-largest trading partner, accounting for 2.2% of total EU trade in goods in 2023, behind the United States (16.7%), China (14.6%), and the United Kingdom (10.1%). Between 2013 and 2023, EU-India trade in goods increased by approximately 90%. In 2024, India's exports to the EU increased by 6.08%, with petroleum products, telecom equipment, and electrical machinery accounting for 36% of total exports. However, India's imports from the EU fell by 10% in 2024, totalling \$38.02 Bn. Despite this decline, the EU remains a key supplier of industrial machinery for dairy, aircrafts and spacecraft components, telecom instruments, sophisticated technology, and high-value goods, accounting for 22% of India's entire import from the region.

Figure 1: EU-India trade partnership (€ Bn)

Source: Delegation of the European Union to India and Bhutan⁹

*The data for 2023 is from European Commission, Trade and Economic Security¹⁰

In services, EU-India bilateral trade has expanded significantly, reaching approximately €59.7 Bn in 2023, up from €30.4 Bn in 2020¹¹, driven by transport, telecommunications and IT, and other business services, which include architectural, engineering, and technical services; waste treatment and environmental remediation; agricultural and mining services; operating leasing services; and trade-related services, along with travel. Collectively, these sectors account for over 80% of the EU's service exports to India and more than 90% of its service imports from India.

The EU is the third largest contributor to India's FDI inflows. EU FDI accounted for €112 Bn in cumulative investments between April 2000 and September 2024, which represents 17% of total FDI inflows¹². Mauritius and Singapore are the leading investors in Indian economy, followed by the EU¹³. Among the EU member states, the Netherlands is the largest investor, contributing 45% of total EU FDI, followed by Germany and France. EU investments in India are diversified across manufacturing, renewable energy, financial services, and information technology, reflecting strong economic engagement in high-growth sectors, with over 6,000 European companies operating in India¹⁴.

FDI inflows from the EU are concentrated in a few states in India, with Maharashtra (€14.51 Bn), Gujarat (€7.01 Bn), and Karnataka (€6.31 Bn) emerging as the top recipients in 2024¹⁵. At a sectoral level, computer software and hardware attracted highest FDI (24.6%), followed by financial and business services (12.1%), automotive (11.9%), trade (7.7%), and construction and infrastructure (5.5%)¹⁶. This pattern of FDI highlights the EU's growing interest in India's expanding digital economy, industrial modernisation, and infrastructure development.

As India continues to enhance its business environment and trade policies, EU investors are expected to increase their presence, particularly in technology-driven and sustainable industries. The primary driver of these welfare gains would be the expansion of trade in goods and services, reinforcing the case for a comprehensive trade agreement.



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03

Business Sentiment Overview

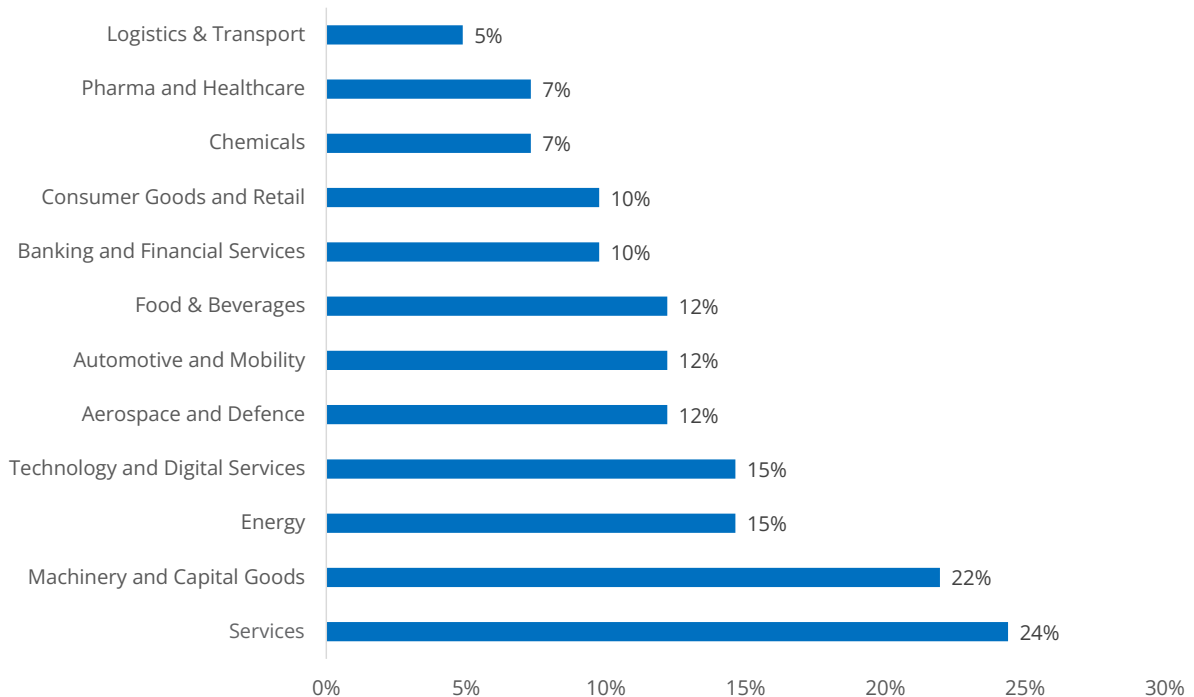
The Business Sentiment Survey of FEBI aims to assess the industry perspective of European companies operating in India.

As part of its policy advocacy efforts, FEBI seeks to provide a comprehensive analysis of the evolving EU-India economic relationship. It focuses primarily on business expectations of EU firms in India in the context of strong economic partnership between the EU and India.

Respondent Profile

The survey was conducted among FEBI member companies across 11 sectors, covering business outlook, market access, regulatory challenges and investment climate, alongside business expectations from the EU-India FTA.

Figure 2: Sectoral distribution of respondents



Source: Business Outlook Survey by FEBI 2025

*N size, total number of respondents = 51

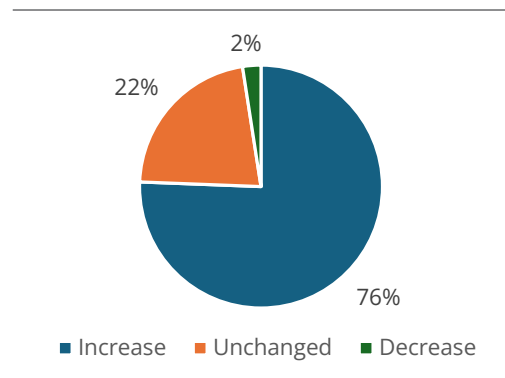
These employ over 3 hundred thousand workers at their headquarters and manufacturing operation units across India.

India's Investment Outlook

India's robust macroeconomic outlook is reflected in strengthening confidence among EU businesses, with **95% of respondents anticipating growth in their operations over the next two years.**

While 22% plan to maintain their current investment levels, 76% of EU firms surveyed aim to increase their investments compared to pre-2025 levels (Fig. 3).

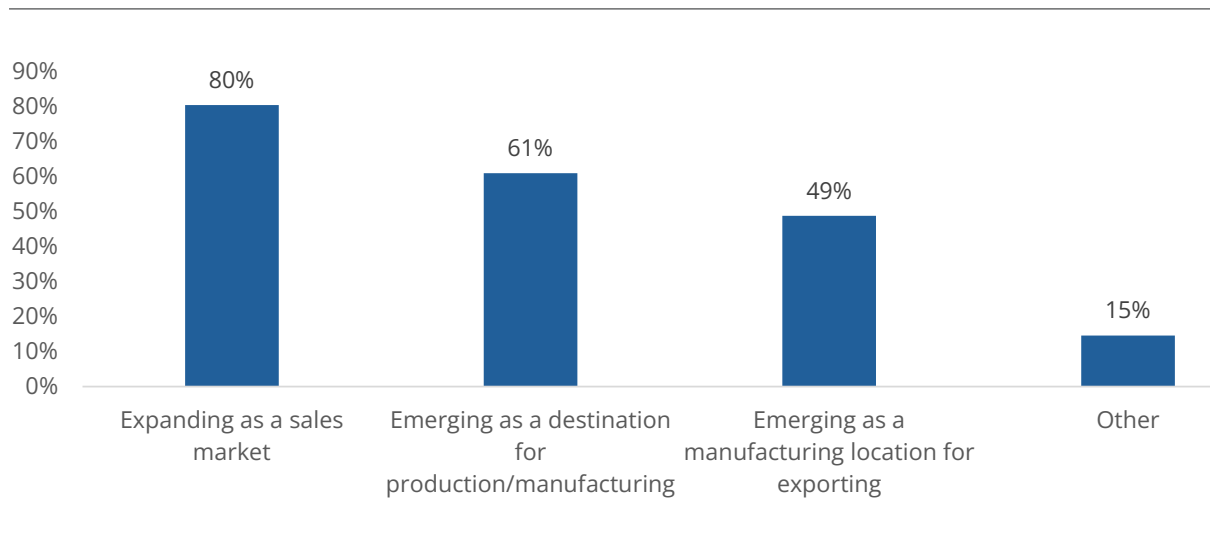
Figure 3: Investment Plans in India for the next 2 years



Source: Business Sentiment Survey by FEBI 2025

EU businesses increasingly see India as a key driver of overall growth, with 80% viewing it as an expanding sales market, 61% recognizing it as an emerging hub for production, and 49% as a location to manufacture for exports (Fig 4).

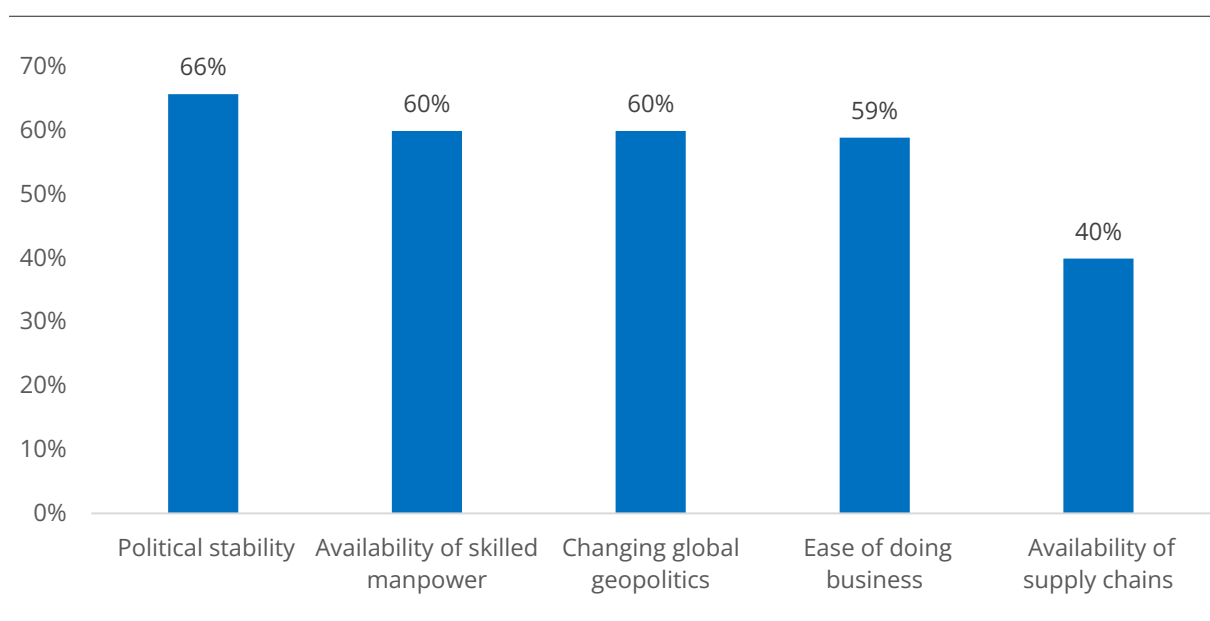
Figure 4: Direction of Future Growth in India



Source: Business Sentiment Survey by FEBI 2025

Investment decisions are driven by India’s strong political stability (66%), confidence in its position amid evolving global geopolitics (60%), and the availability of a skilled workforce (60%). Most respondents (59%) find the ease of doing business in India increasingly favourable, reflecting confidence in the country’s business environment (Fig. 5)

Figure 5: Factors affecting investment decisions of EU businesses in India

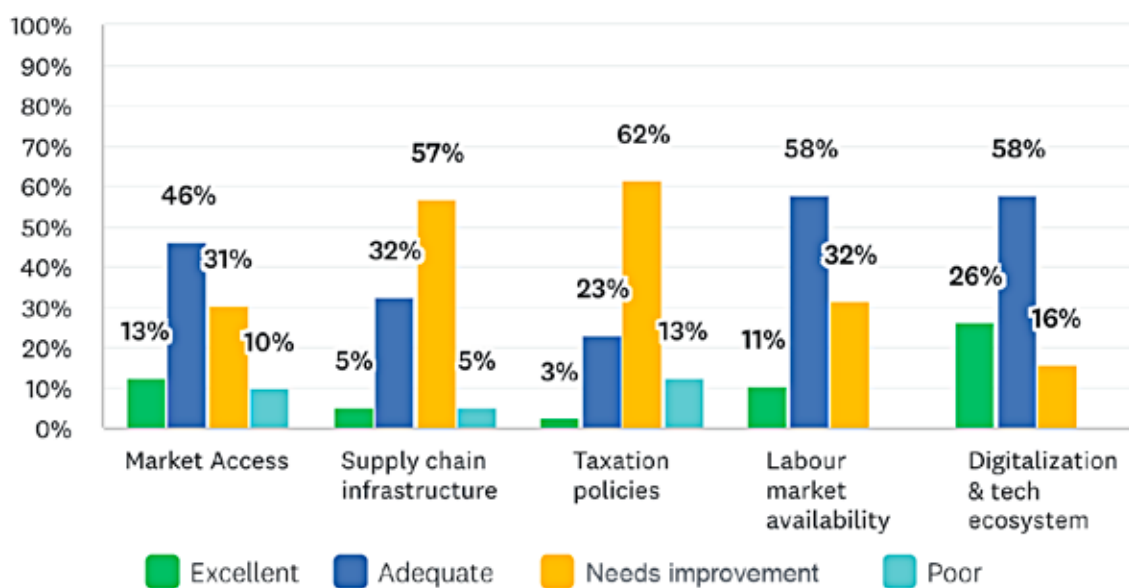


Source: Business Sentiment Survey by FEBI 2025

Ease of Doing Business

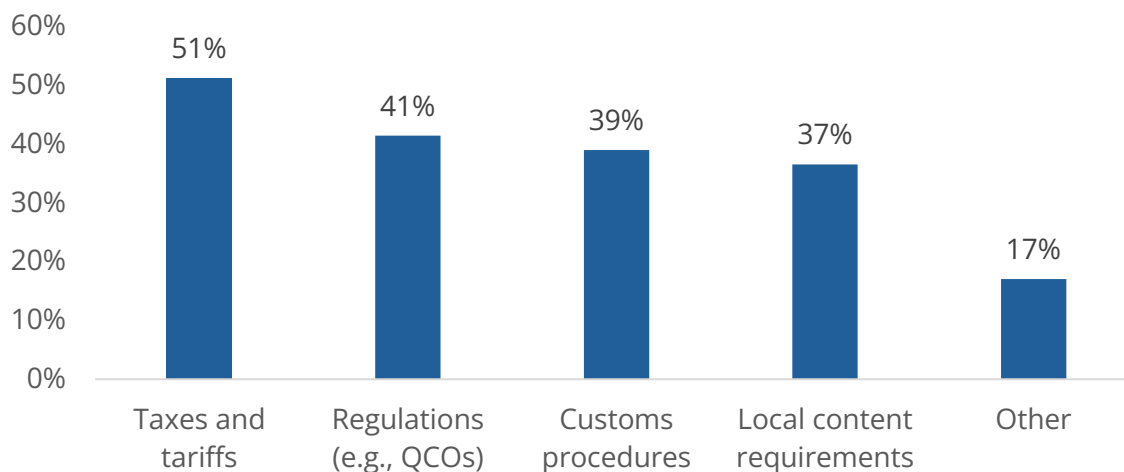
83% of respondents rate India’s digital and technology ecosystem as excellent or adequate (Fig. 6), highlighting the country’s advancements in digital infrastructure, e-governance, and tech-driven services, and 69% express confidence in the availability of skilled labor, recognizing India’s strong talent pool, particularly in engineering, IT, and manufacturing. However, India’s supply-chain infrastructure and taxation policies remain 2 challenging areas for EU Businesses in India. More than 60% of respondents expressed the need for improvements in the supply chain and around 75% for taxation.

Figure 6: Perception of Key Operating Conditions in India



Even amidst favorable investment plans, EU businesses in India encounter multiple challenges, with taxes and tariffs being the most significant, affecting 51% of respondents. Quality Control Orders (QCOs), complex customs procedures, and local content requirements are among other barriers faced by businesses.

Figure 7: Barriers to trade that have impacted operations



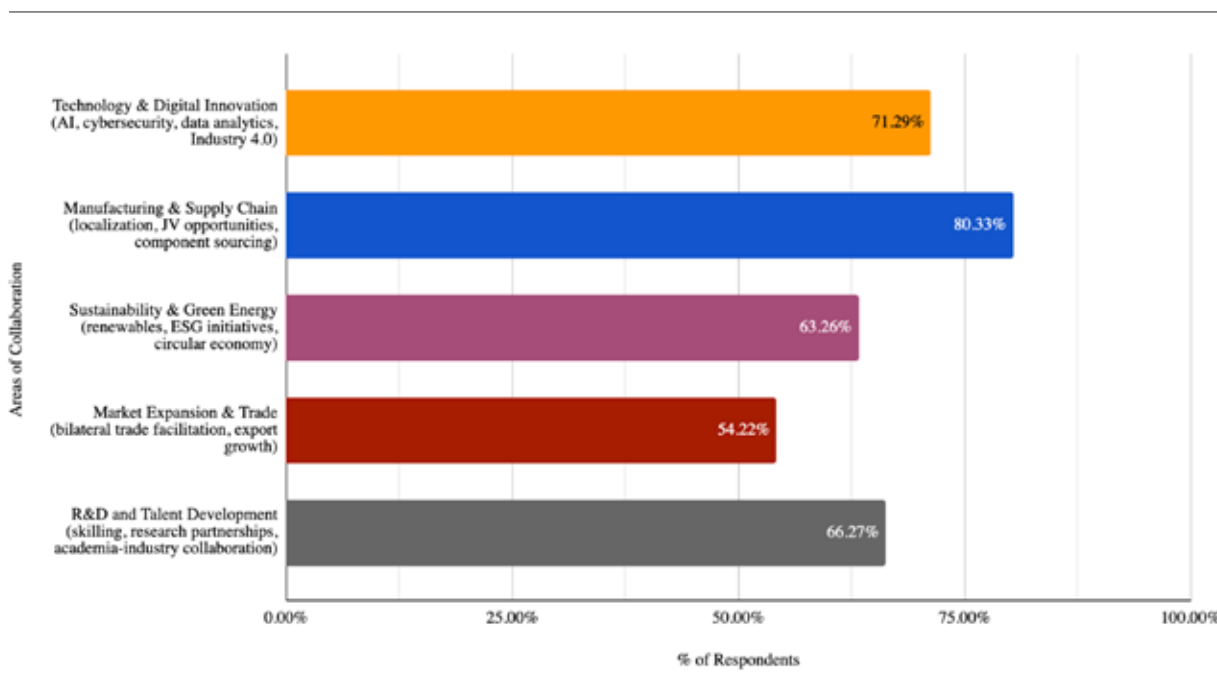
Source: Business Sentiment Survey by FEBI 2025

The FEBI Business Sentiment Survey highlights that digital trade landscape also presents challenges to EU operations, with data localisation rules and a lack of interoperability in digital standards restricting seamless transactions. Furthermore, complex visa and work permit processes hinder talent mobility, affecting workforce availability. Weak intellectual property enforcement, the prevalence of counterfeit goods, and insufficient protection of confidential data add to the risks faced by EU businesses.

EU-India Collaboration

80% of the EU Businesses see collaboration opportunities between EU and India in manufacturing and supply chain. Other significant promising areas include Technology, Sustainability and Research. (Fig. 8)

Fig. 8: Key areas of collaboration

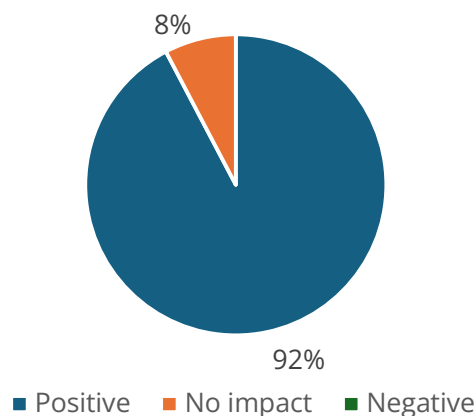


Source: FEBI Business Sentiment Survey

The EU-India FTA is expected to create a favorable business environment, ensuring a level playing field for EU companies in India, with 92% of respondents anticipating a positive impact.

Among them, 72% plan to increase their investment in India within the next two years, demonstrating strong confidence in the agreement’s success.

Figure 9: Expected Impact of India-EU FTA



Source: Business Sentiment Survey by FEBI 2025

Proposed inclusions for EU-India FTA

1. Tariff & Non-Tariff Barrier Reductions

- Eliminate or significantly reduce customs duties on goods (e.g., textiles, automotive, sustainable products)
- Streamline or remove Quality Control Orders (QCOs), BIS certifications, and other non-tariff barriers

2. Regulatory Harmonization & Standards

- Mutual recognition of standards and certifications, with alignment to international norms (e.g., UN regulations in automotive).
- Simplify labelling, testing, and import procedures, ensuring consistency and predictability for EU businesses.

3. Investment Protection & Fair Dispute Resolution

- Establish a robust Investment Protection Agreement (IPA) with appropriate dispute mechanisms.
- Provide legal certainty, protection against expropriation, and enforceable rulings for EU investors.

4. Digital Trade & Data Flows

- Facilitate cross-border digital transactions without data localization constraints
- Ensure consumer protection, cybersecurity, and interoperability of digital standards.

5. Sustainability & Labour Provisions

- Encourage responsible business conduct, sustainable production incentives, and cooperative approaches to ESG objectives.

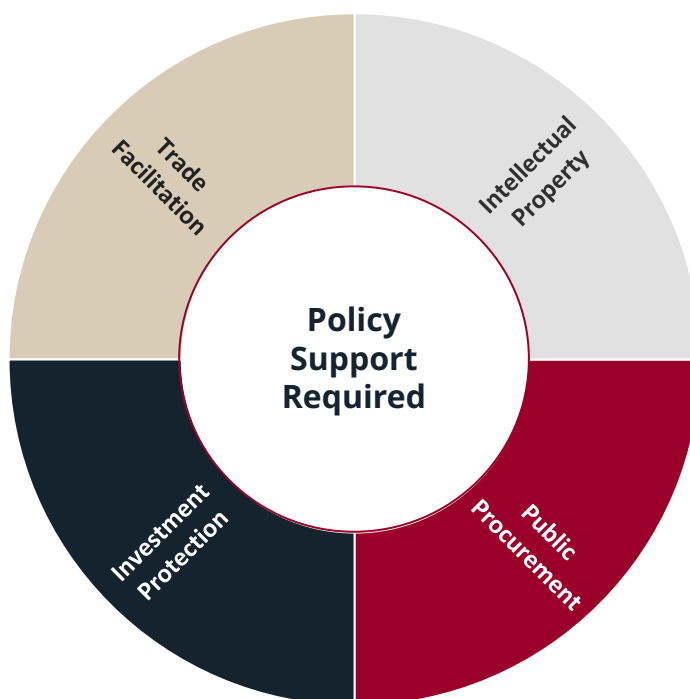
Support from FEBI

EU Businesses consider FEBI as a crucial policy advocacy partner, facilitating regulatory navigation and market access. 90% seek FEBI's support in engaging with key stakeholders, including the government, EU Delegation, and industry leaders, while 83% look for assistance in sector-specific initiatives such as targeted roundtables and working groups. Members have also expressed that FEBI could support in providing key intelligence to promote innovation and growth of EU Businesses in India.

Call for Action

To deepen EU-India economic ties, both partners must address key areas requiring bilateral cooperation. Strengthening investment protection, intellectual property rights, trade facilitation, and public procurement will create a more stable, transparent, and competitive business environment. Targeted policy actions in these areas will enhance investor confidence, foster innovation, and unlock new trade and investment opportunities.

Figure 10: Policy Support required



Source: FEBI 2024 and Business Sentiment Survey by FEBI 2025

Investment protection demands consideration to promote a stable and safe investment climate, and establish an efficient dispute resolution process. This will encourage greater foreign direct investment to achieve an even deeper partnership.

Strengthening intellectual property rights and enforcement measures will protect innovation and encourage R&D. This required harmonising intellectual property policies to allow better trade and investment flows.

Trade facilitation by working towards harmonising trade regulations and standards to ensure seamless movement of goods and services. This will especially help small and medium-sized enterprises (SMEs) access new markets and compete globally.

Finally, **Public procurement** is a key area with significant potential for growth. It provides valuable opportunities for businesses and hence enhance competition and strengthen economic cooperation.



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- ⁷ Press Information Bureau, Union Budget 2025-25
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- ⁹ Delegation of the European Union to India and Bhutan
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- ¹² Factsheet on FDI inflow from April 2000 to Sept 2024. Department for Promotion of Industry and Internal Trade (DPIIT). 2024
- ¹³ EU India – A Broad Economic and Trade Relationship, 2024
- ¹⁴ EU Trade Relations with India, European Commission
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- ¹⁶ European Union (EU 27) – India Trade Updates July 2024. International Economics Consulting LTD. 2024



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