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EXECUTIVE INTELLIGENCE BRIEF

Europe–India Fashion & Textile Trade Outlook 2026

A Trade Assessment in the Context of the EU–India Free Trade Agreement

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A Prologue Market Intelligence Publication

2026 · www.prologuet.com

Preface and Scope

This paper assesses the Europe–India fashion and textile trade relationship in the context of the EU–India free trade agreement: industrial complementarity, the current state of trade, the effect of the agreement, the relationship in both directions, and the institutional functions that support it. Italy — the European Union's largest fashion-manufacturing economy and India's leading European partner in the sector — is taken as the lead worked example throughout, but the analysis applies across the major European fashion economies.

Historical and reported figures are drawn from official and public sources, which are cited. Forward estimates, projections, and growth rates represent Prologue Research estimates, developed from public data and the firm's own analysis. The paper is intended for brands, manufacturers, investors, and the trade-promotion organisations that work with them. Monetary figures are reported in the source currency.

A note on method. Quantitative reported figures are stated as published by the cited source. Where the paper presents an estimate, projection, or qualitative positioning, this reflects the firm's analysis and is indicative; such figures are identified as estimates.

Contents

1. Summary

1.1 Trade between Europe and India in fashion and textiles is modest relative to the size of the two industries, long constrained by tariffs and transaction costs. Within it, the India–Italy flow is the largest single national component and the clearest illustration of the wider pattern.

1.2 The conclusion of the EU–India free trade agreement on 27 January 2026 alters the picture. By removing duties across a large share of tariff lines — textiles, leather, and footwear among the earliest liberalised — it converts a duty-burdened, episodic trade into a duty-free channel operating in both directions, and lowers the cost of arrangements that combine European design with Indian manufacture.

1.3 Three observations follow. First, the relationship is genuinely two-directional: India supplies craft, capability, and capacity to European industry, while Europe supplies machinery, premium inputs, and finished brands to the Indian market. Second, the complementarity is structural — the two industries are strong in different parts of the value chain — so the scope for exchange is large and durable. Third, with policy no longer the binding constraint, the remaining constraints are informational and institutional: connection, qualification, and coordination.

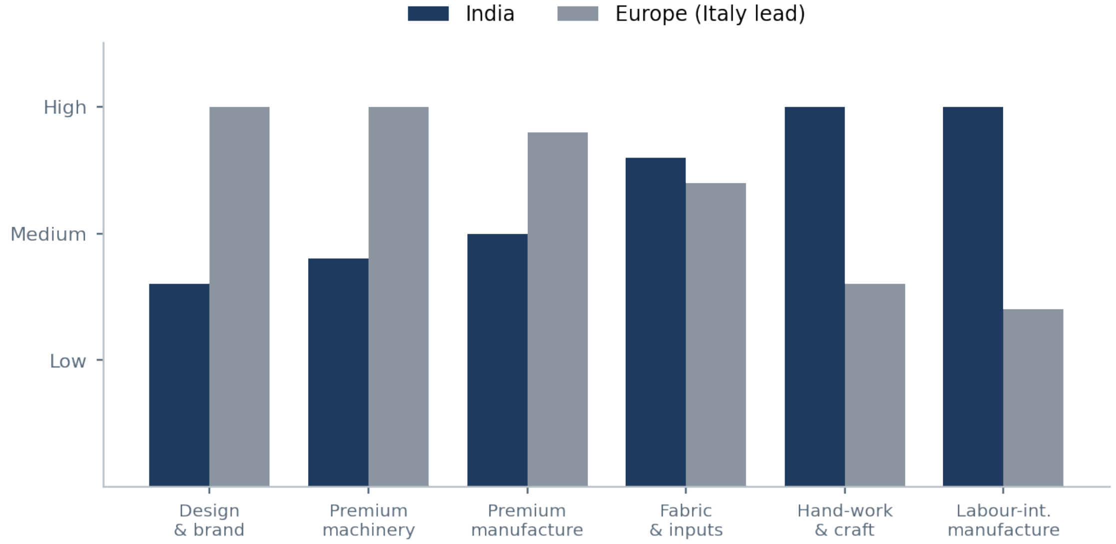
2. Industrial Complementarity

2.1 Europe's fashion and textile industry — Italy foremost, with France, Germany, and Spain significant — is concentrated in design, brand, premium manufacture, and advanced machinery. It holds design authority and country-of-origin standing, but its manufacturing capacity is limited and costly in the labour-intensive stages of the value chain.

2.2 India's industry is larger in employment and output but differently composed. It is deep in fibre, yarn, fabric, hand-work, and labour-intensive manufacture, with a vast craft base and rising quality-volume capability, but comparatively thin in global brand and design authority. The two industries are therefore strong in different parts of the same value chain.

2.3 The overlap between the two is limited, and the scope for exchange correspondingly large. Figure 1 sets out the firm's assessment of relative strength by value-chain stage, with Italy taken as the lead European case.

Figure 1. Assessed relative strength of the Indian and European (Italy-lead) industries, by value-chain stage



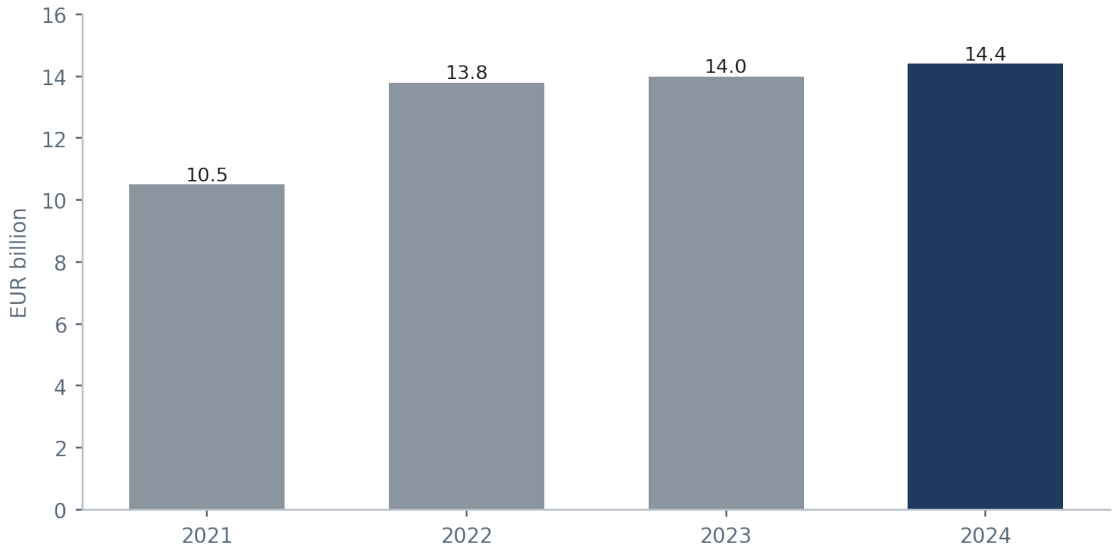
Note: Prologue Research assessment; qualitative and indicative. European strength is represented by Italy as the lead case.

2.4 The pattern is consistent across stages. Where one industry is strong, the other is comparatively weaker — the signature of a complementary rather than competitive relationship, and the structural basis for two-way trade.

3. The Current State of Trade

3.1 India's textile and apparel exports to the European Union were around USD 7.6 billion in 2024–25, within a substantial two-way merchandise trade. The India–Italy flow is the largest single national component: bilateral merchandise trade between India and Italy was approximately EUR 14.4 billion in 2024, of which Indian exports to Italy accounted for some EUR 9.0 billion, and cumulative Italian direct investment in India exceeds USD 4 billion.[1] Figure 2 shows the bilateral trade, as the lead European example.

Figure 2. India–Italy bilateral merchandise trade, the lead European flow (EUR billion)



Note: Embassy of India, Rome. Italy is the largest single national component of EU–India trade in the sector.

3.2 The fashion and textile component is not separately reported in a single official series, but its principal flows are identifiable and run in both directions: Indian apparel, leather, and craft to Europe; European machinery, premium fabric, and finished branded product to India. The pattern holds across the major European markets, with Italy the deepest.

4. The Effect of the Trade Agreement

4.1 Negotiations on the EU–India free trade agreement concluded on 27 January 2026, after nearly two decades.[2] The agreement provides for the immediate elimination of duties across a large share of tariff lines, with textiles, leather, and footwear among the sectors receiving early liberalisation — a direct benefit to the fashion and textile corridor.

4.2 For the relationship, the agreement has two effects. The first is on cost: it removes the duty that Indian product carried into the European market, improving margin and supporting longer-term supply arrangements. The second, and larger, is structural: by removing the duty differential between European-designed and Indian-manufactured product, it lowers the cost of arrangements that combine the two, shifting the relationship from trade toward integration.

4.3 The agreement does not, in itself, cause integration to occur; it removes an obstacle. Whether the opportunity is realised depends on connection and coordination between European and Indian industry — which is where institutional support and advisory engagement become decisive.

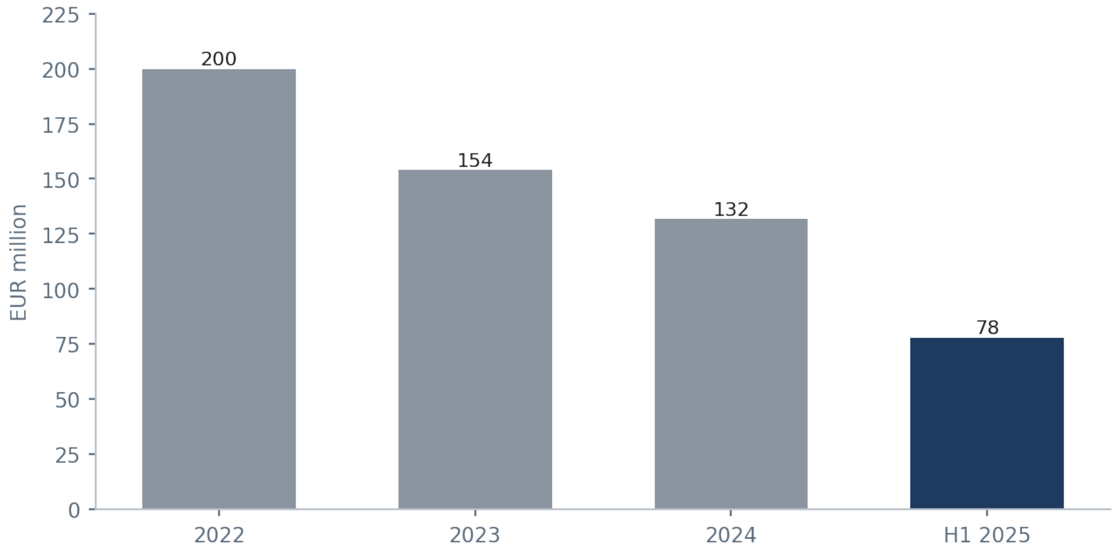
5. India as a Supplier to European Industry

5.1 The first direction of the relationship concerns India's function as a supplier to European fashion and textile industry — sourcing, manufacture, and craft capability that complement European design and brand.

5.2 India's distinctive contribution lies less in cost than in capability. Its depth in hand embroidery, handloom, artisanal leather, and natural-fibre production corresponds precisely to the stages where European design creates value but European manufacturing capacity is limited or costly. The relationship is complementary, and the trade agreement improves its economics.

5.3 The clearest quantitative evidence of a deepening relationship runs in the other direction — in machinery — and Italy is the leading European supplier. Italian textile machinery exports to India were approximately EUR 132 million in 2024, rising about 51 per cent year on year in the first half of 2025, making India one of the fastest-growing markets for the sector.[3] Figure 3 shows the trajectory, as the lead European example.

Figure 3. Italian textile machinery exports to India, the lead European example (EUR million)



Note: Italian figures per ACIMIT. The 2025 figure covers the first half of the year.

5.4 This flow merits attention beyond its value. Machinery exports represent an investment in future capacity: European equipment installed in Indian mills raises the quality and environmental performance of Indian output, strengthening India as a supplier to, and collaborator with, European industry. The relationship is self-reinforcing.

6. Europe as a Supplier to the Indian Market

6.1 The second direction concerns the Indian market for European product — finished brands, premium inputs, and the country-of-origin proposition. India's luxury and premium market is expanding from a low base at a pace that warrants European attention.

6.2 Prologue Research estimates the Indian luxury market at approximately USD 18 billion in 2024, and projects that it may approach USD 80 billion by 2030 on present trends, supported by an affluent population the firm estimates will expand from around 60 million toward 100 million. These are Prologue Research estimates and are indicative of direction. The timing is consequential: India's market is expanding as growth in other large luxury markets has moderated.

6.3 The composition of the market is relevant to European industry. Demand is concentrated among consumers under 40, substantially mediated through digital channels, responsive to engagement with Indian craft and occasion, and concentrated in a small number of metropolitan markets with secondary cities emerging online.

6.4 The principal asset European houses hold in this market is the standing of their country-of-origin brands — made-in-Italy foremost, with made-in-France and the broader made-in-Europe designations carrying comparable weight in their categories. Unlike most cost or manufacturing advantages, this standing cannot be replicated by competitors and does not erode with scale, though it must be established in the market before competitors define the category.

7. The Institutional Framework

7.1 With the trade agreement concluded, the binding constraints on the relationship are no longer policy but connection, qualification, and coordination — informational and institutional problems.

7.2 The relationship benefits from established institutional frameworks, including bilateral strategic action plans and dedicated market-support measures — the India–Italy Joint Strategic Action Plan for 2025–29 being a leading example — and the trade-promotion organisations, bilateral chambers, and export- and investment-promotion bodies active across the major European markets.

7.3 Four functions appear most material, set out in Table 1.

Table 1. Institutional functions supporting the corridor

Function	What it addresses	Beneficiary
Sourcing facilitation	Cluster and partner identification	European buyers
Technology linkage	Machinery–manufacturer matching	Both directions
Market-entry support	Partner and channel navigation	European brands
Design–craft collaboration	Co-creation brokerage	Both directions

Source: Prologue Research.

7.4 Each of these is a programme a trade-promotion organisation or adviser can operate, and each is more effective when informed by current, cluster- and partner-level intelligence than when left to chance introductions.

8. Risks and Sensitivities

8.1 Several factors qualify the assessment. The implementation and ratification timetable of the trade agreement, and the pace at which duty reductions take effect, condition the cost benefit. The luxury-market projection is a Prologue estimate sensitive to consumption growth, currency movement between the euro, dollar, and rupee, and the pace of channel development.

8.2 On the supply side, competition for Indian craft and manufacturing capacity is rising as other sourcing markets diversify toward India, and quality and compliance variance across a fragmented base remains an execution risk. None of these alters the structural complementarity, but each conditions the rate and distribution of the gains.

9. Concluding Observations

9.1 The Europe–India fashion and textile relationship is at a point of transition. The trade agreement removes the constraint that has held it below its potential, and the structural complementarity that makes it valuable is durable. Italy, as the deepest single relationship, illustrates what the wider European corridor can become.

9.2 The relationship is unusual in being genuinely reciprocal. India stands to gain capability, technology, and market access; Europe stands to gain capacity, craft, and a fast-growing market for its brands and country-of-origin standing. Few trade relationships offer both sides so much in different directions.

9.3 On present trends, the relationship is likely to deepen regardless. The question is which firms and institutions position early and deliberately, and which leave the gains to be defined by others. That is a question of connection and judgement — and the one this paper, and Prologue's advisory work, is intended to inform.

[1] Embassy of India, Rome — India–Italy bilateral trade and investment statistics, 2024 (cited as the lead European national flow).
[2] European Commission and Government of India — joint statement on conclusion of EU–India free trade negotiations, 27 January 2026.
[3] Association of Italian Textile Machinery Manufacturers (ACIMIT) — export data, 2024 and first half 2025.

This paper has been prepared by Prologue. Reported figures are stated as published by the cited public and official sources; market-size figures represent Prologue Research estimates developed with reference to a range of public, official, and industry sources and to the firm's own analysis. Correspondence: business@prologuet.com.