Allianz Global Investors

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India Briefing

The business of influence: India's creator economy

Please find below our latest thoughts on India:

- October encapsulated many of the forces behind the India equity market's subdued performance in 2026 to date: elevated oil prices, higher US bond yields, and a stronger US dollar.
- By late October, the market was down around 15% year-to-date in USD, despite India's economy having expanded by 6.7% year-on-year in the June quarter.[1]
- This divergence is a reminder that strong economic growth does not immediately translate into strong equity market returns.
- Against this backdrop, foreign investors have withdrawn more than USD 30 billion from Indian equities in 2026, well above the USD 17 billion redeemed during the whole of 2025.[2]
- While unwelcome, this does not signal a loss of confidence in India's longer-term prospects.
- Rather, US 10-year Treasury yields above 5% have raised the opportunity cost of investing in Indian equities (and emerging market equities more broadly), while the global AI boom has drawn capital towards the semiconductor-heavy markets of Taiwan and South Korea.
- Currency weakness has added to the pressure. The rupee is down roughly 6.5% year-to-date vs. the US dollar. To contain inflation and currency pressures, the Reserve Bank of India (RBI) raised its policy repo rate by 25 basis points to 5.5% early in the month, its first rate hike since February 2023.[2]
- The RBI also acted directly on the currency by opening a special dollar window for state-owned oil companies to ease spot market demand and by tightening rules on currency derivatives trading to curb speculative hedging.
- An important counterweight to the weakness has been the influence of domestic investors. Robust mutual fund contributions, insurance flows, and systematic investment plans (SIPs) have more than offset the foreign selling.
- Yet domestic support cannot sustain indefinitely without earnings growth. After several years in which expanding valuation multiples provided a powerful tailwind to returns, we expect corporate earnings delivery to increasingly influence the next stage of the market cycle.
- Indeed, companies able to demonstrate durable earnings growth, including select health care, industrial, defence, automotive, and digital platform businesses, have generally been rewarded more consistently than the broader market.

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[1] Allianz Global Investors, 26 October 2026. HSBC, India GDP: Buoyant momentum, narrowing gaps, 30 August 2026.
[2] HorizonDesk, "Indian Stock Market in October 2026: RBI Rate Hike, FPI Exodus and a Weak Rupee Test Sensex and Nifty," 14 October 2026.

- October marks the beginning of the September-quarter reporting season. About 49 MSCI India companies have reported earnings, and the results look healthy thus far: 39% beats, 34% misses, and 26% inline results.[3]
- This highlights that India's market correction has occurred alongside an economy that continues to grow rapidly and businesses that continue to deliver decent growth. Unlike previous downturns driven by domestic imbalances, many of this year's pressures have originated externally.
- In this environment, it's easy to overlook some of the longer-term changes taking place beneath the market that are expected to have a meaningful impact on equity returns.
- One key development is India's increasing connectivity to the global economy. Manufacturing supply chains are moving to India. Electronics, semiconductors, pharmaceuticals, autos, and renewable energy equipment are important beneficiaries.
- At the same time, India's trade architecture is becoming much more global. Over the past year or so, India has concluded or advanced trade agreements with the EU, UK, New Zealand, Oman, and other partners.
- US Secretary of State Marco Rubio visited India just last week, indicating that an India-US trade deal could be finalised soon, with negotiations down to technical details and scope for better tariff rates. This happened after the US waived tariffs on large buyers of Russian oil, including India.
- A more subtle but revealing indicator of India's growing global influence is its consumers and creators. A large, smart, young constituency with mobile-first habits makes India a critical market for companies to test what's "hot" and what's not.
- For example, 40% of royalties earned by Indian artists on Spotify come from listeners outside India. This is on top of the 150 million monthly active users in India out of Spotify's 788 million global customer base.[4]
- On Coursera, meanwhile, Indians are enrolling in courses at a reported rate of 12 every minute, and around 13,000 of the platform's 100,000 content creators are based in India.[5]

Figure 1: Influence of creators (monetised content creator with >1,000 followers) on the Indian consumer



Source: BCG, From Content to Commerce: Mapping India's Creator Economy, May 2025.

- While these examples may seem marginal, we believe the broader context matters for long-term investors.
- Greater differentiation between companies places renewed emphasis on fundamental research, balance sheet strength, management quality, and the sustainability of earnings growth.
- India's structural growth story has not disappeared. Investors are just being selective about where to invest and the valuations that they are prepared to pay.

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[3] Goldman Sachs, India Weekly Kickstart, 23 October 2026.
[4] Moneycontrol, "India offers 'tremendous opportunity' for growth, says Spotify co-CEO amid monetisation push," 23 October 2026.
[5] Moneycontrol, "India leads GenAI enrolments on Coursera, with sign-ups doubling to 12 a minute: Global enterprise head Anthony Salcito," 16 October 2026.

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