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Macroeconomics | First cut

Exports remain tepid

April 2025

Rising imports widen trade deficit

India's merchandise exports grew 0.7% on-year to $41.97 billion in March from $41.69 billion in the year-ago period amid the ongoing trade tensions. However, the impact of reciprocal tariff announcements will be clearer in next month's data.

Oil exports slumped for the 10th consecutive month in March, contracting 9.5% on-year, compared with a 29.3% contraction in February, as prices fell. Brent crude slipped to $72.6 per barrel from $85.4 per barrel a year ago and $75.2 per barrel in February.

That said, core exports grew 1.5% on-year, following a 4.7% contraction the previous month. Exports of gems and jewellery, too, grew 10.6% on-year, compared with a 20.7% contraction in February.

In the core category, drugs and pharmaceuticals registered a strong growth (31.4% on-year, likely reflecting some surge in US demand in anticipation of the tariff hike). Exports of agriculture and allied products such as fruits and vegetables grew 8.6% in March vs 0.9% in February. Meat, dairy and poultry products were up 16.6% vs 6.7% and marine products logged 28.6% vs 3.4%.

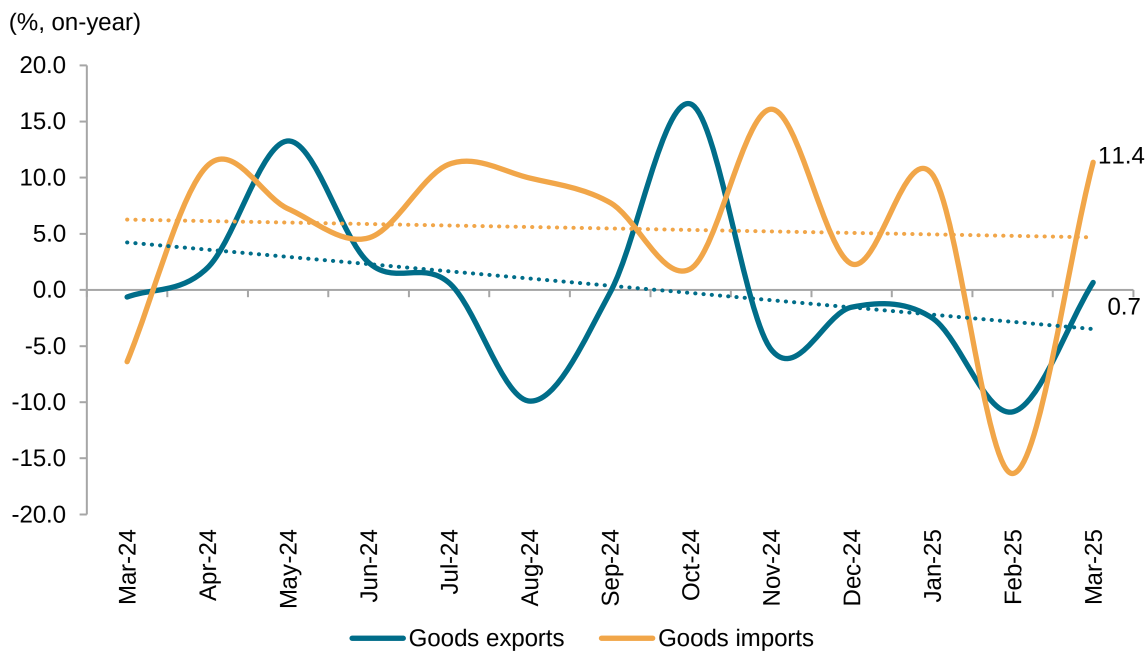
While the growth in overall exports of goods remained almost static, merchandise imports galloped 11.4% on-year to $63.51 billion in March from $57.03 billion a year ago. Growth in gems and jewellery (39.4% vs -59.8%) and oil (16.3% vs -29.6%) imports remained the primary reason for the increase in import growth. Core import growth was 5.3%, up from 3.1% growth the previous month.

As a result, merchandise trade deficit widened to $21.54 billion in March compared with $14.05 billion in February and $15.3 billion a year ago.

Cumulatively, merchandise exports remained almost flat at $437.07 billion in fiscal 2025 compared with $437.42 billion in fiscal 2024. Cumulative imports, on the other hand, increased 6.2% to $720.24 billion from $678.21 billion. As a result, trade deficit in fiscal 2025 widened to $282.82 billion from $241.14 billion.

Services exports maintained their momentum by logging 11.6% on-year growth in February (vs 12% in January), while services imports contracted 4.8% (vs 12.6% growth). Consequently, services trade surplus rose to $17.1 billion in February, compared with $13.1 billion in the year-ago period.

Imports outpace exports in March



Source: Ministry of Commerce and Industry, CEIC, Crisil

Highlights

- Non-oil export growth picked up 2.2% on-year in March (vs a 6.3% contraction in February), led by a 10.6% growth in gems and jewellery exports
- In the core exports category, drugs and pharmaceuticals displayed a strong growth of 31.2% vs -1.5%, while engineering goods contracted 3.9% vs -8.6%. Organic and inorganic chemicals remained flat at -24.5%, while growth in readymade garments was stable at 4%
- Exports of other labour-intensive categories displayed positive growth — carpets (6.5% vs 4.9%), leather and leather products (3.5% vs -1.5%), and cotton yarn, fabrics and made-ups (2.2% vs -4.4%). Meanwhile, there was a decline in the export of ceramic products and glassware (-4.6% vs -11.3%) and handicrafts (-53.3% vs -28.2%)
- Agricultural exports grew in March, compared with the previous month — meat, dairy and poultry products (16.6% vs 6.7%), fruits and vegetables (8.6% vs 0.9%), and marine products (28.6% vs 3.4%). Meanwhile, growth in rice exports eased (7.6% vs 13.2%). Exports growth of cashew contracted 12.6% vs 11.6%
- Gold imports increased 192.1% in March (vs 62% contraction the previous month), partly reflecting a 38.2% on-year increase in gold prices to $2,983/toz from $2,158/toz in March last fiscal, and also as a result of a low base. Imports of pearl, precious and semi-precious stones declined 13.8% (vs a 41.6% contraction in February). Meanwhile, growth in electrical and non-electrical machinery stood at 12.1%, compared with 5.3% in February

Outlook

Export of goods remained almost flat in fiscal 2025, compared with the previous fiscal. Given the reciprocal tariff announcements by the US, exports may continue to face headwinds in the near term.

On the other hand, imports rose, causing the trade deficit to widen. The US' steep tariff hike on Chinese goods and the expected slowdown in their economy will trigger aggressive Chinese exports to other Asian markets, including India.

The merchandise trade deficit, thus, bears watching this fiscal as well.

That said, the surplus in services trade and robust flow of remittances provide a cushion and should keep the current account in the safe zone. We project current account deficit at 1% of the gross domestic product in fiscal 2025 and 1.3% in fiscal 2026.

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