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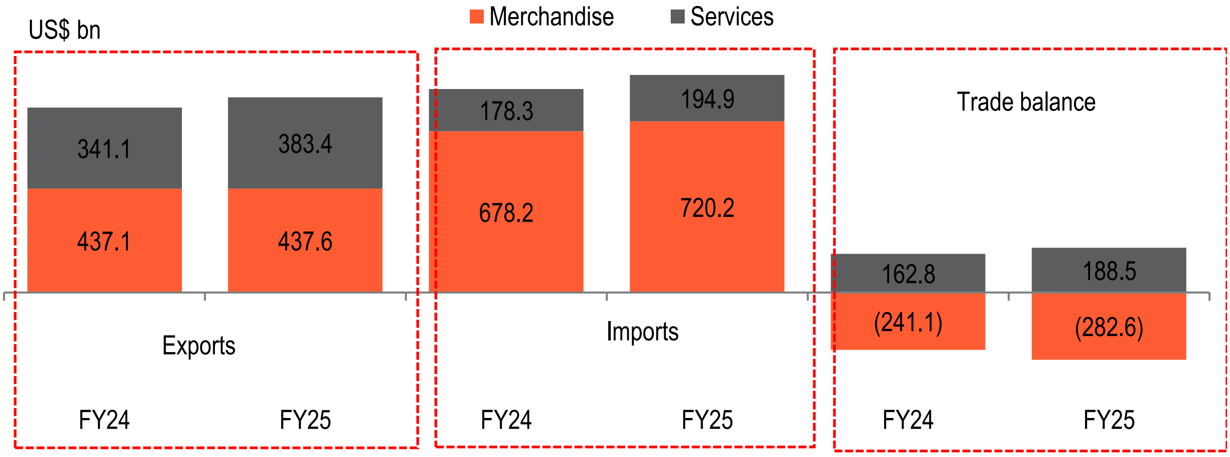
India's Foreign Trade: FY25

India's merchandise trade deficit expanded in FY25 to US$ 283bn compared with US$ 241bn in FY24. This was led by a pickup in gold imports. Services surplus expanded, as services exports rose at a faster pace than imports. Commodity wise, while exports of engineering and electronic goods picked up, gems and jewellery and organic and inorganic chemicals continued to lag. Non-oil-non-gold imports rose from a year ago, suggesting buoyancy in domestic demand. Overall, we expect a CAD of ~1% of GDP in FY25. For the current year, tariff related uncertainty is likely to weigh on exports even though the actual impact might be muted. Lower global commodity prices are positive for India's external position. Taking this into account, we expect a CAD of 1.2-1.5% of GDP in FY26.

Trade performance in Mar'25: India's exports recorded a growth rate of 0.7% in Mar'25, after declining by 0.6% in the same period last year. However, import growth picked up much sharply to 11.4% compared with a decline of 6.4% in Mar'24. As a result, trade deficit widened to US$ 21.5bn in Mar'25 versus US$ 15.3bn in Mar'24.

Trade performance in FY25: India's merchandise exports rose by 0.1% in FY25 to US$ 437bn, after declining by 3.1% in FY24. Import growth was recorded at 6.2% compared with a drop of 5.3% in the same period last year. Services exports rose at a pace of 12.9% in FY25, (4.8% in FY24). Services imports also noted a pickup and rose by 10.5% in FY25, following a 2.1% decline in FY24. Services surplus expanded to US$ 188.5bn in FY25 compared with US$ 162.8bn in FY24. Overall, India's trade deficit (merchandise+services) stood at US$ 94.3bn in FY25 versus US$ 78.4bn in FY24.

Figure 1: India's trade performance in FY25



Source: CEIC, Bank of Baroda Research

Exports of major commodities: Within exports, oil exports declined sharply by 24.5% in FY25 following a 13.7% decline in FY24. On the other hand, oil exports increased by 6% in FY25 versus a decline of 0.2% last year. In terms of major commodities, exports of engineering goods rose by 6.7% in FY25, registering an improvement from 2.1% growth recorded last year. Exports of electronic goods noticed a sharp increase of 32.5% in FY25 building up on an increase of 23.6% in FY24. This was led by a sharp increase in exports of smartphones from India supported in turn by government's PLI push. Exports of drugs and pharmaceuticals rose at a steady pace of 9.3% in FY25 (9.7% in FY24). On the other hand, exports of gems and jewellery contracted further by 8.9%, after declining by 13.8% in FY24. Muted demand in key markets have been cited as main reason for the decline. Similarly, exports of organic and inorganic chemicals have also seen a sustained decline in the last 2 years, amidst subdued global demand. On the other hand, with the government lifting the ban on exports of rice in Sep'24, rice exports witnessed a sharp increase in H2. For FY25, rice exports increased by 19.7% versus a decline of 6.5% last year.

Table 1: Exports by major commodities

Items	Share in exports	FY24, US$ bn	FY25, US$ bn	FY25, % YoY
Engineering goods	26.7	109.3	116.7	6.7
Oil	14.2	84.1	64.3	-24.7
Electronic goods	8.8	29.1	38.6	32.5
Drugs and pharmaceuticals	7.0	27.8	30.5	9.4
Gems and jewellery	6.8	32.7	29.8	-8.9
Chemicals	6.6	29.4	28.7	-2.3

Source: CEIC, Bank of Baroda Research

Imports of major commodities: Within imports, oil imports increased at a modest pace of 3.9% in FY25, after declining by 14.7% last year. On the other hand, there was a sharp increase in gold imports which increased by 27.4%, after increasing by 30.1% in FY24. Higher gold prices and increased demand can explain the surge. Non-oil-non-gold imports, a barometer for domestic demand, rose by 3.8% in FY25 compared with a decline of 3.7% in FY24. Within this, imports of electronic goods continued to increase at a robust pace of 12.4%, following a 13.7% increase last years. Capital goods imports increased, led by imports of machinery and transport equipment. On the other hand, imports of coal and iron and steel declined in FY25. Imports of pearls and precious stones also continued to witness noticeable decline, dropping by over 20% this year.

Table 2: Imports by major commodities

Items	Share in imports	FY24, US$ bn	FY25, US$ bn	FY25, % YoY
Oil	25.4	178.7	185.8	3.9
Electronic Goods	13.7	87.9	98.7	12.4
Gold	8.8	45.5	58.0	27.4
Machinery	7.4	48.9	53.5	9.6
Coal	4.3	38.9	31.1	-20.0
Transport equipment	4.1	30.7	33.2	7.9
Organic and inorganic chemicals	4.0	26.7	28.4	6.5
Iron and Steel	3.1	23.7	22.6	-4.6
Pearls and Precious Metals	2.5	23.8	18.0	-24.4

Source: CEIC, Bank of Baroda Research

Outlook: The widening of merchandise trade deficit in FY25, reflects a pickup in imports, largely gold imports. In fact, in FY25 gold imports increased by over to US$ 12bn. This reflected a pickup in gold prices which increase by close to 30% on a YoY basis. On the other hand, oil imports increased only marginally helped by lower oil prices. Going ahead, US tariff related uncertainty is likely to weigh on exports. The temporary relief of 90 days is likely to provide some relief. However, reports that the US is considering tariffs on pharma imports, which had been exempted so far can weigh on India's performance. With the government working at a brisk pace to finalise the free trade agreement with the US by the end of the year, any shock to India's exports to the US is likely to be only transitory. Further, services exports have so far been kept outside the purview of US protectionism which is a positive for India. However, a protracted slowdown in growth in the US, due to the higher tariffs, can impinge on services exports. However, there are opportunities for India to enhance its integration into global value chains and explore alternate export destinations. Overall, the trade scenario looks increasingly uncertain, amidst a tumultuous global trading environment. On the positive side, the recent slide in oil prices will help contain the increase in trade deficit. Global commodity prices should also see a correction in case the trade-war intensifies which will impact global demand. Based on this, we expect CAD at ~1% of GDP in FY25, and 1.2-1.5% in FY26.

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