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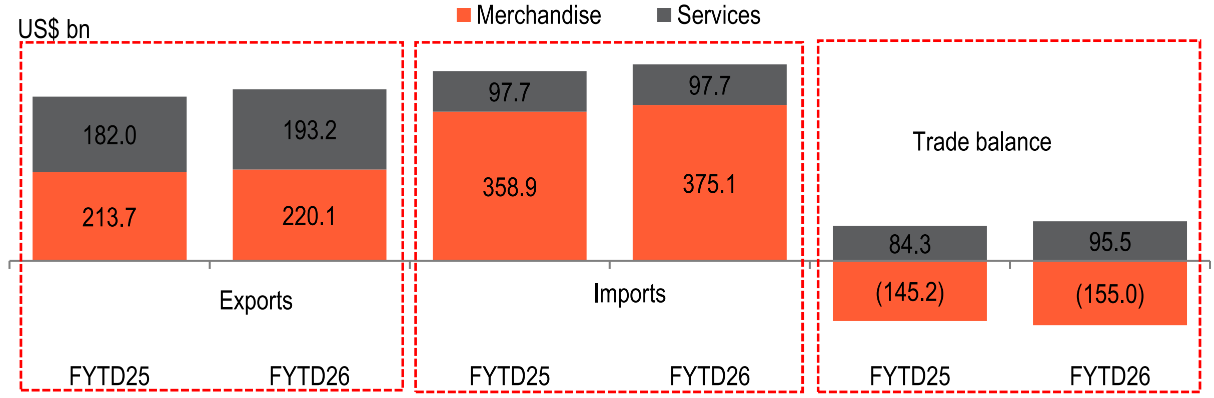
India's Foreign Trade: FYTD26

India's export growth remained resolute at 6.8% in Sep'25 compared with a decline of 1% in Sep'24, supported largely by a continued acceleration in electronics exports. Import growth decelerated as gold and oil imports were lower. On a positive note, non-oil-non-gold imports have shown traction this year. However, as growth in imports continued to outpace exports, trade deficit widened. On a FYTD basis as well, the picture is similar. Despite headwinds, both merchandise and services exports have shown traction, which is a positive. Import growth is likely to be higher in the second half of the year due to seasonal factors. Even so, we expect the CAD to remain contained at around 1.2-1.5% of the GDP in FY26. On the funding side, FPI inflows have been elusive even as FDI inflows have shown signs of recovery. This should aid the rupee further. We expect a trading range of 87.5-88.5/$ for the rupee in the near term.

Trade performance in Sep'25: India's exports recorded a steady growth of 6.8% in Sep'25, after increasing by a similar pace of 6.7% in Aug'25. Import growth accelerated to 16.7% in Sep'25, following a decline of 10.1% in the previous month. In value terms, imports rose to US$ 68.5bn, the highest level on record, driven by a surge in gold and non-oil imports. As a result, the merchandise trade deficit expanded to US$ 32.2bn-an 11-month high, compared with US$ 26.5bn in Aug'25.

Trade performance in FYTD26: India's merchandise exports have increased by 3% in FYTD26 compared with an increase of 1.2% in the same period last year. In comparison, import growth has been lower this year at 4.5% compared with 9% in FYTD25. On the services side, services exports rose at a lower rate of 5.2% this year, after increasing by 12% in the same period last year. However, a decline in services imports (-2.2% in FYTD26 versus +12.4% in FYTD25) helped to cushion the impact on services balance. In fact, services surplus increased to US$ 95.5bn in FYTD26, compared with US$ 84.3bn in the same period last year. Overall, India's trade deficit (merchandise+services) was largely steady at US$ 59.5bn in FYTD26 versus US$ 60.9bn in FYTD25, despite an unfavourable external environment.

Figure 1: India's trade performance in FYTD26



Source: CEIC, Bank of Baroda Research | Note: FYTD-Apr-Sep

Exports of major commodities: Within exports, oil exports have continued to decline amidst a sustained drop in oil prices. In FYTD26, oil exports are down by 16.4%, following a decline of 12.2% in FYTD25. On the other hand, non-oil exports have done reasonably well to increase by 7% this year, compared with a moderate increase of 4.5% in the same period last year. In terms of major commodities, exports of electronics goods have continued to register double digit growth. In FYTD26, electronic exports have increased at a solid pace of 42%, after increasing by 19.7% last year, supported by government's PLI scheme. Notably, the US is a major destination for India's electronic exports, and the sector is currently exempted from the higher US tariffs, which can explain the sharp surge. On the other hand, exports of drugs and pharmaceuticals have moderated a tad. Exports of gems and jewellery have shown some recovery to increase by 1.8%, following a decline of 10.7% in FYTD25. A part of the increase can be explained by higher gold prices. Exports of agricultural products has also been higher at 8.5% in FYTD26, compared with an increase of 1.4% in FYTD25, led by higher exports of rice, and meat and dairy products.

Table 1: Exports by major commodities

Items	Share in exports	FYTD25, US$ bn	FYTD26, US$ bn	FYTD26, % YoY
Engineering goods	27.0	56.3	59.3	5.4
Oil	13.9	36.6	30.6	(16.4)
Electronic goods	10.1	15.6	22.2	41.9
Gems and jewellery	6.5	13.9	14.2	1.8
Drugs and pharmaceuticals	7.0	14.4	15.4	6.5
Chemicals	6.6	14.1	14.2	0.8

Source: CEIC, Bank of Baroda Research |Note: FYTD-Apr-Sep

Imports of major commodities: On a FYTD basis, there has been a significant moderation in imports, led by a decline in oil and gold imports. In fact, after increasing by 10.8% last year, oil imports have declined by 1% this year. This can be explained by lower oil prices (on an average oil prices are lower by 16% this year between Apr-Sep'25). At the same time, gold imports have declined by 8.7% this year, as higher gold prices have impinged on demand prospects. On the other hand, non-oil-non-gold imports are higher than last year, indicating a healthy domestic demand environment. Within this, improvement was visible in the imports of electronics goods, machinery, ores and minerals and vegetable oils. On the other hand, imports of pearls and precious stones, organic and inorganic chemicals and iron and steel, contracted in FYTD26.

Table 2: Imports by major commodities

Items	Share in imports	FYTD25, US$ bn	FYTD26, US$ bn	FYTD26, % YoY
Oil	24.6	93.1	92.1	(1.0)
Electronic goods	15.0	48.1	56.2	16.8
Machinery	7.9	26.1	29.6	13.7
Gold	7.1	29.0	26.5	(8.7)
Transport equipment	3.9	16.9	15.6	(7.9)
Organic and inorganic chemicals	3.9	14.8	14.6	(1.5)
Coal	3.8	17.4	14.1	(19.0)
Iron and steel	3.0	11.3	11.1	(1.4)
Pearls and precious metals	2.6	9.7	9.7	(0.6)

Source: CEIC, Bank of Baroda Research |Note: FYTD-Apr-Sep

Outlook: India's trade deficit is tracking higher in FYTD26, compared with last year. While exports are higher than last year, import growth continues to outpace the growth in exports which explains the widening of the deficit. Within imports, non-oil-non-gold imports have shown a pickup which coincides with an improvement in demand conditions. This is likely to continue supported by festive demand. Gold imports are also likely to be higher in H2 due to seasonal demand. However, some respite is likely to come from lower oil prices which are expected to remain at current levels, amidst expectations of oversupply. Export growth has also held up well, with signs of possible diversification to other markets. In fact, India's exports to other Asian partners such as China, Hong Kong and South Korea have been higher than last year, both in terms of growth as well as a proportion of total exports. Similarly, exports to European countries such as Spain and Germany too have shown significant traction this year. This is a huge positive and should support exports growth in the rest of the year as well. In terms of invisibles, the position is expected to remain largely steady. This suggests that India's current account deficit is expected to remain largely in check at ~1.2-1.5% of the GDP in FY26. Progress on US-India trade talks will be a crucial factor to monitor going forward.

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