INDIA'S TRADE PERFORMANCE - ECONOMY

NEWS: India's total trade deficit, counting both merchandise and services, widened in April 2025, compared to April last year, according to the latest data from the Ministry of Commerce and Industry.

WHAT'S IN THE NEWS?

Overall Trade Performance: April 2025

Total Trade Deficit Widened

- India's overall trade deficit (combined merchandise and services) stood at 8.65 billion USD in April 2025.
- This marks a significant increase from 5.77 billion USD in April 2024, indicating growing stress on the external trade balance.

Record High Total Exports

- For the financial year 2024–25, India's total exports (merchandise + services) reached 824.9 billion USD.
- This is the highest-ever annual export figure, registering a 6% growth over FY 2023–24, highlighting resilience in export sectors despite global uncertainties.

Merchandise Trade Performance

Merchandise Exports Grew Moderately

- Merchandise exports in April 2025 stood at 38.49 billion USD, showing a 9.1% year-on-year growth.
- This growth reflects a recovery in global demand for Indian goods, including engineering, pharmaceuticals, and textiles.

Merchandise Imports Rose Sharply

- Imports surged to 64.91 billion USD in April 2025, a 19.1% increase compared to April 2024.
- The sharp rise reflects strong domestic demand and preemptive stockpiling in sectors such as energy, electronics, and chemicals.

Widening of the Merchandise Trade Deficit

- The merchandise trade deficit expanded to 26.4 billion USD, up from 19.19 billion USD in April 2024.

- This large deficit contributed significantly to the overall trade imbalance.

Services Trade Performance

Strong Growth in Services Exports

- India's services exports were estimated at 35.31 billion USD, a 17% increase year-on-year.
- Growth was driven by robust demand for IT services, consulting, and financial services in global markets.

Moderate Rise in Services Imports

- Services imports increased to 17.54 billion USD, a 4.6% rise from the previous year.
- This included higher spending on freight, insurance, and business services.

Healthy Services Trade Surplus

- The services trade surplus stood at 17.77 billion USD, partially offsetting the merchandise trade deficit and supporting the overall current account balance.

Key Components of Merchandise Imports

Surge in Petroleum Imports

- Petroleum imports jumped 25.6% to 20.7 billion USD, driven by advance procurement and seasonal demand amid fluctuations in crude prices.

Sharp Rise in Chemical Material Imports

- Imports of chemical materials more than doubled to 2 billion USD, reflecting strong demand from the domestic manufacturing and pharma sectors.

Electronics Imports Accelerated

- Electronics imports rose 31% to 9.5 billion USD, reflecting growing domestic consumption, especially in consumer electronics and smartphones.

Moderate Increase in Gold Imports

- Gold imports increased 4.9% to 3.1 billion USD, possibly due to festival and wedding-season-related demand.

Spike in Metal and Mineral Imports

- Imports of metalliferous ores and minerals rose 77%, while non-ferrous metal imports grew 30%, driven by infrastructure, construction, and manufacturing activity.

Factors Behind the Widening Trade Deficit

Import Surge Outpaced Export Gains

- Merchandise exports grew by 9.1%, but were significantly outpaced by 19% growth in imports, resulting in a sharp increase in the trade gap.

Front-Loading of Trade Transactions

- Businesses accelerated imports and exports in anticipation of reciprocal US tariffs (initially effective April 9, later paused for 90 days).
- This "front-loading" caused temporary spikes in trade volumes, especially for sensitive products.

High Electronics and Energy Demand

- Strong domestic demand led to a surge in imports of electronics and energy products.
- Many electronics shipments were routed via air cargo, suggesting urgency in procurement.

Crude and Petroleum Inventory Buildup

- Seasonal inventory buildup and volatility in global oil prices led to increased petroleum imports.

Services Surplus Unable to Offset Goods Deficit

- Despite strong services performance, the large merchandise trade deficit remained dominant and weighed down overall trade balance.

External Cost Pressures and Geopolitical Issues

Rising Global Shipping and Insurance Costs

- Increased transportation and insurance costs globally have raised the landed price of imported goods, adding to import bills.

Geopolitical Tensions Affecting Trade Sentiment

- Regional trade disruptions and tensions with Pakistan created uncertainties that could deter investment and cross-border commerce, even if not the primary cause of the trade gap.

Country-wise Trade Dependencies

Heavy Import Dependence on Select Countries

- Imports from China rose 27% to 9.9 billion USD, mainly in electronics and intermediate goods.
- Imports from Russia increased 18% to 6.2 billion USD, largely comprising oil and fertilizers.
- Imports from the UAE surged 89%, nearly matching Russian imports, due to increased gold and petroleum trade.

Strategic Implications

- India's trade structure reveals continued dependence on a few key countries for critical goods, raising concerns about supply chain vulnerability and the need for diversification.

Source: https://www.thehindu.com/business/Economy/indias-trade-deficit-widens-to-865-billion-in-april-services-to-the-rescue-again/article69580060.ece