Crisil
a company of S&P Global

Macroeconomics | First cut

Exports decline afresh, imports surge, widening trade deficit

February 2025

Merchandise exports down 2.4% on-year, imports up 10.3%

India's merchandise exports fell for the third consecutive month, by 2.4% on-year to $36.4 billion in January, after a 1% decline in December 2024. The primary reason was oil exports skidding for the eighth straight month even as Brent crude oil prices slipped to $79.2 per barrel compared with $80.2 per barrel a year ago.

However, strong growth in gems and jewellery (15.9%) and core[1] exports (14.4%) cushioned the overall decline.

At the same time, merchandise imports continued to rise —10.3% on-year to $59.4 billion in January — following 4.9% gains in December, driven by strong growth in core and gems and jewellery imports. Gold imports surged 40.8%, though slower than 55.4% in December, as prices of the yellow metal rose amid global uncertainty (up 33.2% to $2,710/toz in January 2025 from $2,034/toz a year ago). The lower sequential growth reflected easing demand as the wedding and festive seasons ended. Core import growth surged to 20.4% on-year from 3.9% in December.

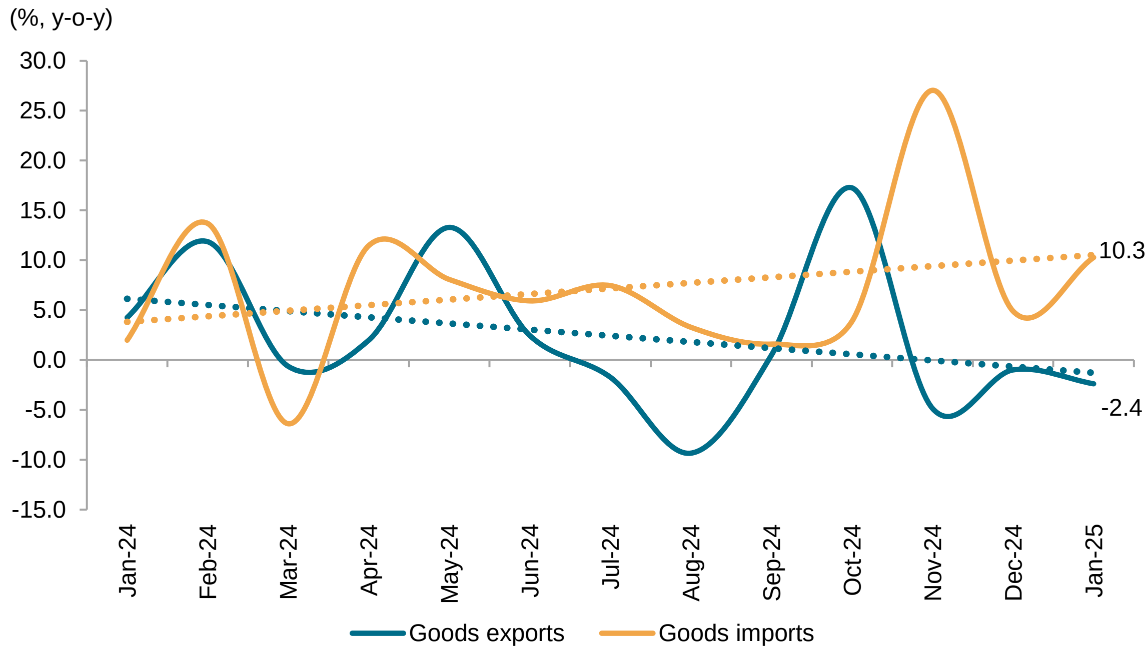
Merchandise trade deficit widened to $23 billion in January from $21.9 billion in December and $16.6 billion a year ago. The widening gap was also reflected by the rupee depreciating to 86.3/$ in January from 85/$ previous month.

Cumulatively, merchandise exports rose 1.4% to $358.9 billion during April-January this fiscal from $354 billion in the year-ago period. Cumulative imports grew faster, at 7.4%, to $601.9 billion from $560.3 billion. As a result, the trade deficit during the period widened to $243 billion from $206.3 billion.

Services exports grew 16.5% on-year in December (vs 13.9% in November), whereas services import growth moderated to13.8% from 26%, latest Reserve Bank of India data shows. Consequently, services trade surplus was $19.1 billion in December, compared with $16 billion in the year-ago period and $14.8 billion in the previous month.

[1] *Non-oil and non-gold*

Import growth strong, exports continue to contract



Source: Ministry of Commerce and Industry, CEIC, Crisil

Data highlights

- Non-oil exports grew 14.5% on-year in January (vs 5% in the previous month). This was partly on account of the 15.9% pick-up in gems and jewellery exports (albeit on a low base), compared with a 26.5% contraction in December
- Within the non-oil, non-gold category, i.e. core exports, the drugs and pharmaceuticals (21.5% vs 0.6%) and electronic goods (79% vs 35.1%) categories grew the fastest. Growth in engineering goods and readymade garments, while healthy, eased to 7.4% (from 8.3% in the previous month) and 11.5% (from 12.9%), respectively. Meanwhile, organic and inorganic chemical exports have been declining for three months in a row, contracting 1.9% in January after falling 2.9% in previous month
- On a positive note, exports of other labour-intensive sectors clocked strong growth — carpets (18% vs 9.1%), cotton yarn, fabrics and made-ups (16.4% vs 12%), leather and leather products (6.4% vs 4.3%), ceramic products and glassware (10.4% vs 8%), and handicrafts (19.5% vs 14.9%)
- Agricultural exports such as meat, dairy and poultry products (35.7% vs 17.9%) also picked up. That said, growth was weaker in certain categories, including cashew (6.9% vs 45.7%), fruits and vegetables (0.8% vs 3.8%), marine products (8% vs 15.8%), and rice (44.6% vs 64%)
- Among the import categories, pearl, precious and semi-precious stones imports declined 29.1% (vs a drop of 42% previous month) while oil imports contracted 13.5% (vs 2.2% growth). Gold imports growth eased to 40.8% on-year from 55.4% last month. Growth in electrical and non-electrical machinery rose to 27.8% on-year from 11.7% in the previous month, reflecting the pick-up in government capex investment momentum

Outlook

The export performance has been volatile this fiscal. After growing steadily in the first quarter, merchandise exports contracted in the second. They rebounded briefly in October 2024 but have since declined each month till January.

Geopolitical uncertainties, including the tariff hikes proposed by the Donald Trump administration in the US, continue to pose risks.

Imports have outpaced exports so far, this fiscal, causing the trade deficit to widen. The US's proposed blanket tariff hike on Chinese goods, coupled with the expected slowdown in the Chinese economy, will trigger aggressive exports from there to other Asian markets, including India.

The higher merchandise trade deficit, thus, bears watching.

That said, the surplus in services trade and robust flow of remittances provide some comfort 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.

Analytical contacts

Dharmakirti Joshi
Chief Economist, Crisil Ltd
dharmakirti.joshi@crisil.com

Adhish Verma
Senior Economist, Crisil Ltd
adhish.verma@crisil.com

Meera Mohan
Economic Analyst, Crisil Ltd
meera.mohan@crisil.com

Media contacts

Ramkumar Uppara
Media Relations
Crisil Limited
M: +91 98201 77907
ramkumar.uppara@crisil.com

Roma Gurnani
Media Relations
Crisil Limited
M: +91 70662 92142
roma.gurnani1@ext-crisil.com

Sanjay Lawrence
Media Relations
Crisil Limited
M: +91 89833 21061
sanjay.lawrence@crisil.com

About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence.

Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

Headquartered in India, Crisil is majority owned by S&P Global.

Founded in 1987 as India's first credit rating agency, our expertise today extends across businesses: Crisil Ratings, Crisil Intelligence, Crisil Coalition Greenwich and Crisil Integral IQ.

Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East, setting the standards by which industries are measured.

For more information, visit Crisil.com

Connect with us: LinkedIn | Twitter