

Goods trade deficit narrowed in June; India-US talks in a limbo even as Aug 1 deadline pause on reciprocal tariffs nears

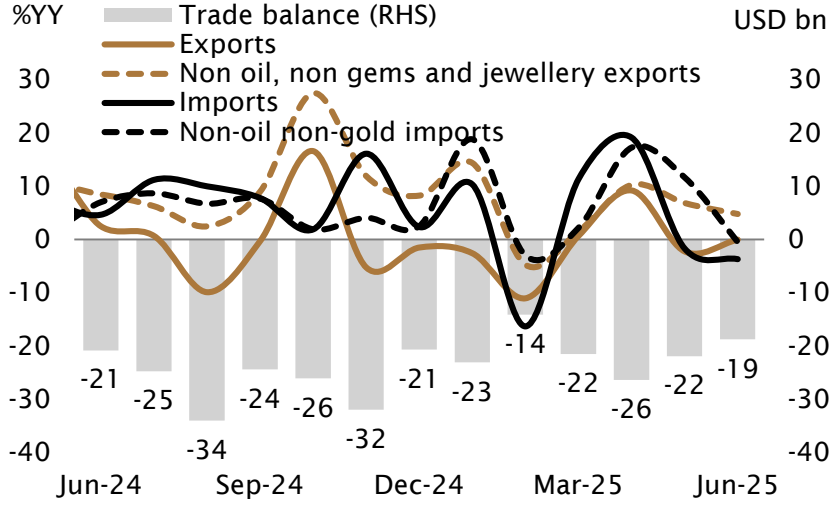
29 July, 2025

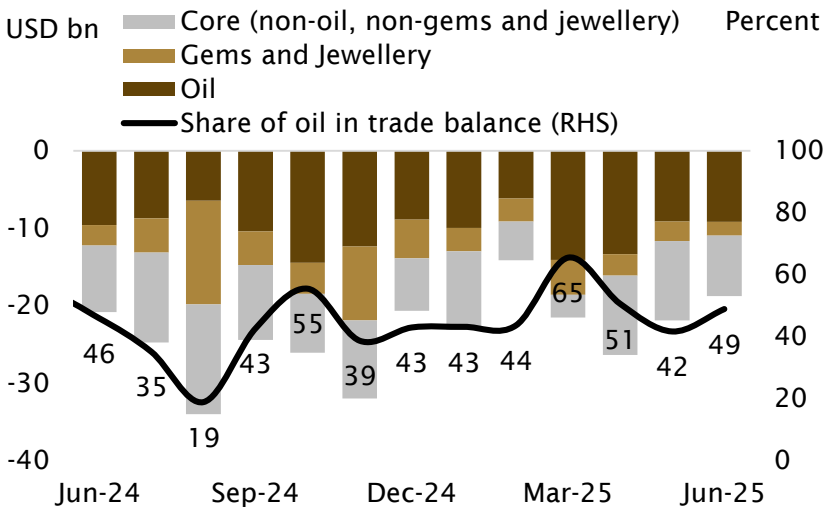
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Key takeaways

- In June, goods deficit narrowed to four-month low of USD18.8bn from USD21.9bn in May. Both exports and imports fell month-on-month, with imports declining at a sharper rate than exports. Despite positive base effects, both exports and imports stayed in year-on-year contraction for second straight month.
- The deficit in core (non-oil, non-gems and jewellery), and gems and jewellery trade shrunk, while it widened mildly in petroleum trade. The surplus from services trade eased for third straight month in June to USD15.3bn from USD16.7bn in May. Tracing the moderation in goods deficit, total trade deficit narrowed to USD3.5bn in June from USD5.2bn in May.
- In fiscal year-to-date (FYTD) terms, goods trade deficit widened to USD67bn from USD62bn in FYTD FY25, while services surplus improved to USD50bn from USD40bn in Apr-Jun FY25. Accordingly, total trade deficit narrowed to USD17bn versus USD22bn in Apr-Jun FY25.
- Even as India and the UK officially signed a trade deal that was in the works for more than three years, trade talks between India and the US remain in a limbo due to issues concerning access to India's farm and diary sectors, and also reportedly over one-sided tariffs that have been agreed upon by certain economies in recent trade deals with the US. The current 10% baseline US tariff across economies will be reset to 26% for India post August 1, which marks the expiration of extended deadline pause on the US reciprocal tariffs.

Goods deficit narrowed to the lowest in four months in June amid moderation in core, and gems and jewellery deficit

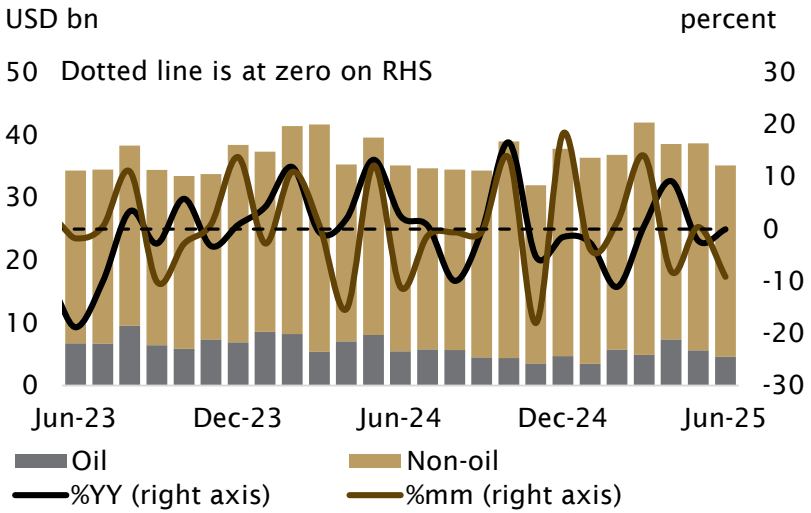




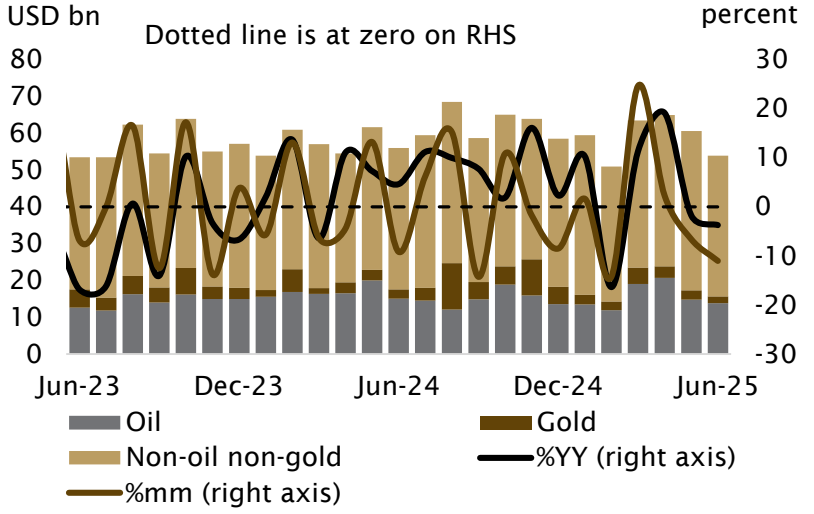
Merchandise trade deficit narrowed to the lowest in four months in June amid month-on-month fall in both imports and exports

- In June, goods trade deficit narrowed to four-month low of USD18.8bn from USD21.9bn in May. Both exports and imports fell month-on-month, with imports decreasing at a sharper rate than exports. Despite positive base effects, exports and imports stayed in year-on-year contraction for second straight month. The decline in exports eased to (-)0.1%YY from (-)2.3% in May, while it steepened in imports to (-)3.7%YY from (-)1.7%.
- Core trade deficit (non-oil, non-gems and jewellery) also moderated to USD7.8bn from USD10.3bn in May. Positive base effects in both core exports and imports were offset by sequential contraction, more so in case of core imports that fell at a quicker pace month-on-month than core exports. The year-on-year growth in both core exports and imports eased compared to the previous month.
- The deficit in gems and jewellery trade narrowed to the lowest in more than two years at USD1.8bn from USD2.5bn in May. Both exports and imports posted sequential contraction for the third straight month and year-on-year declines for the second straight month; each to the extent of 20% - 30% in June.
- Petroleum trade deficit widened mildly to USD9.2bn from USD9.1bn in May. Both exports and imports posted year-on-year and sequential declines for the second straight month but at slower pace than in the previous month. Positive base effects partly cushioned the month-on-month decreases, enabling moderation in year-on-year contraction. In case of both month-on-month and year-on-year changes, exports fell at sharper rates than imports. The share of petroleum in overall goods trade deficit rose to 49% from 42% in May.

Exports growth



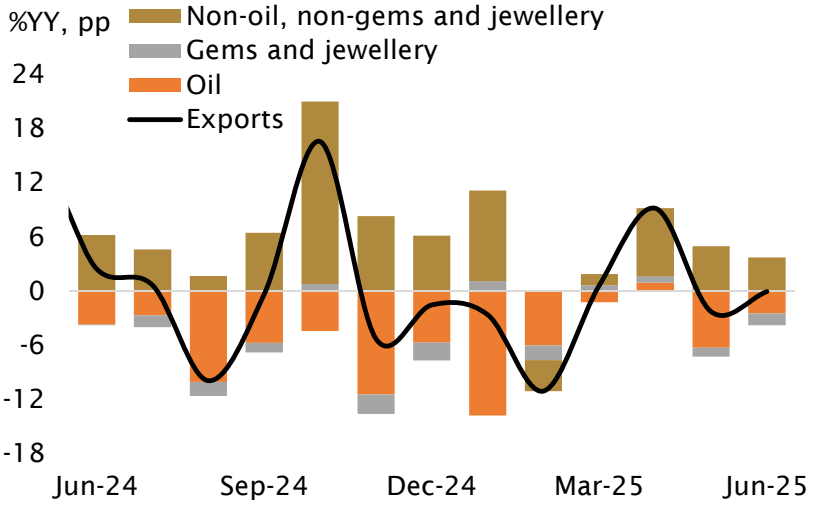
Imports growth



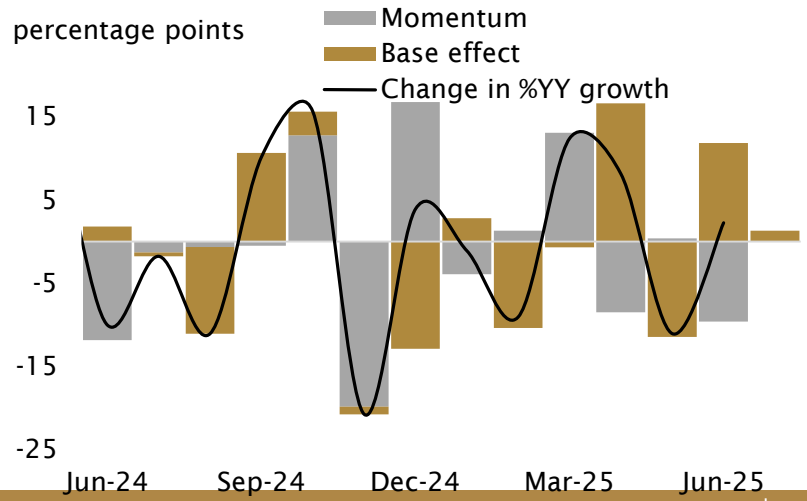
The year-on-year decline in exports eased from May; core exports growth moderated but stayed positive for fourth straight month

- Goods exports fell for second straight month in June but at shallower pace of (-)0.1%YY, compared to (-)2.3% in May. Base effect was favorable that partly cushioned the month-on-month decline in exports.
- Exports of petroleum, and gems and jewellery stayed in double-digit year-on-year contraction for second straight month, though the extent of decline halved in case of oil exports and sharpened in case of gems and jewellery exports. Core exports increased for fourth straight month, but at a slower pace than in May.
- Of the 30 categories, exports fell year-on-year in 14 groups, up from 13 in May. Within core exports, iron ore, cotton and handloom products, and tobacco were laggards. Pharmaceuticals, electronic and engineering goods, marine products, etc. added to exports growth.
- Exports of all three main groups of oil, gems and jewellery, and core goods fell month-on-month.

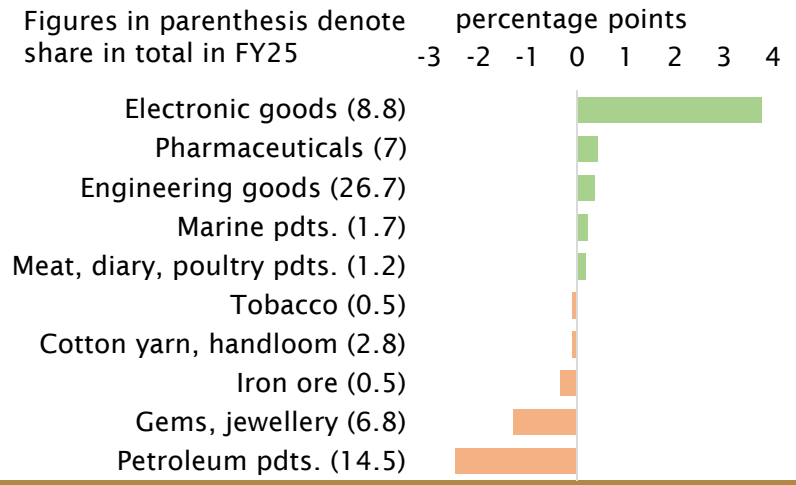
Contribution to exports growth – June 2025



Positive base effect partly offset negative m-o-m change



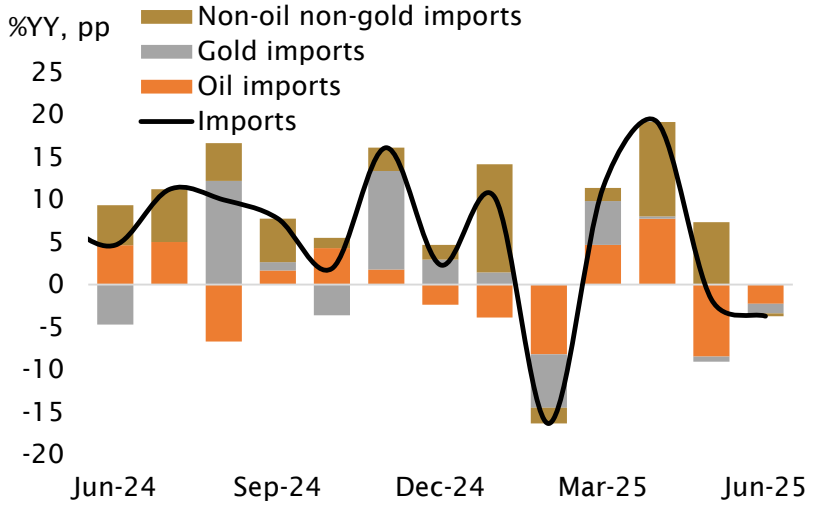
Contribution to exports growth – June 2025



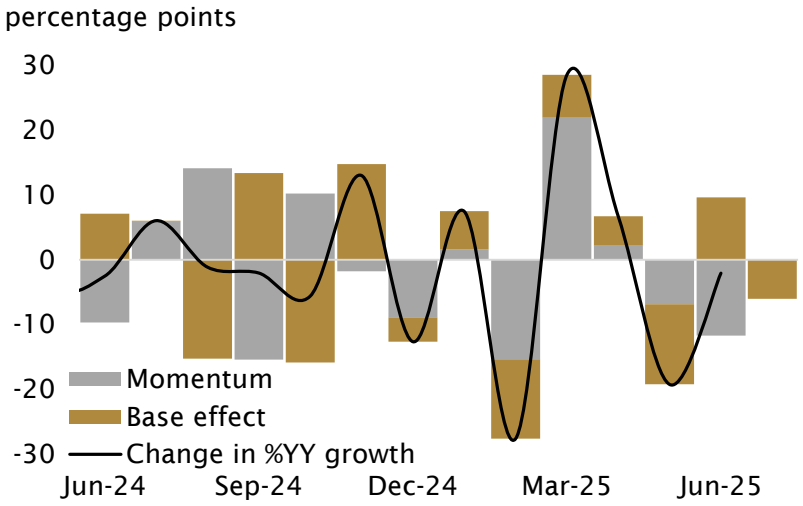
The year-on-year contraction in imports steepened in June; core imports (non-oil, non-gold) fell after growing for three months

- Goods imports fell for second straight month in June and at a steeper rate of (-)3.7%YY versus (-)1.7% in May. Base effect was unfavorable in keeping growth in check but was more than offset by sharp sequential decline.
- Imports of both oil and gold remained in year-on-year contraction for second straight month in June. The pace of decrease eased to a third from May in case of oil imports, while it almost doubled for gold imports. Core imports (non-oil, non-gold) fell after growing for three straight months amid sharp monthly decline.
- Of the 30 major groups, imports fell year-on-year in 17 versus ten in May. Within core imports, coal and briquettes, and transport equipment were laggards, while electronics and chemicals added to growth.
- Imports of all three main categories of oil, gold, and core goods fell month-on-month.

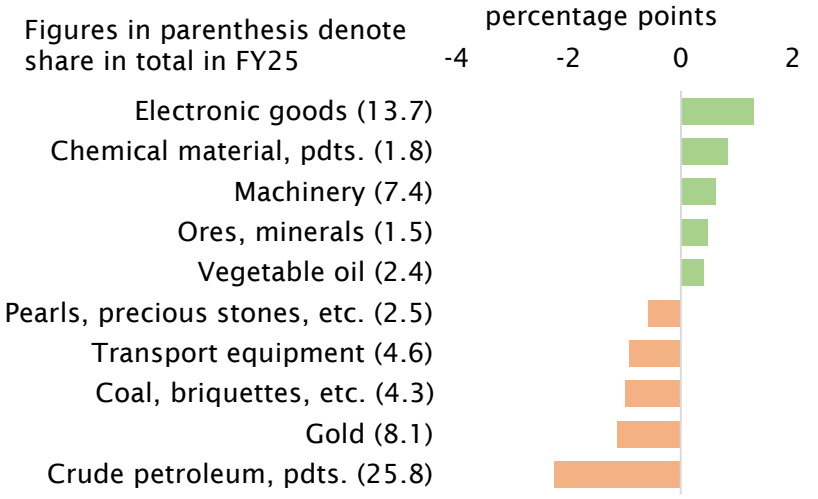
Contribution to imports growth – June 2025



Sequential decline kept y-o-y imports in contraction



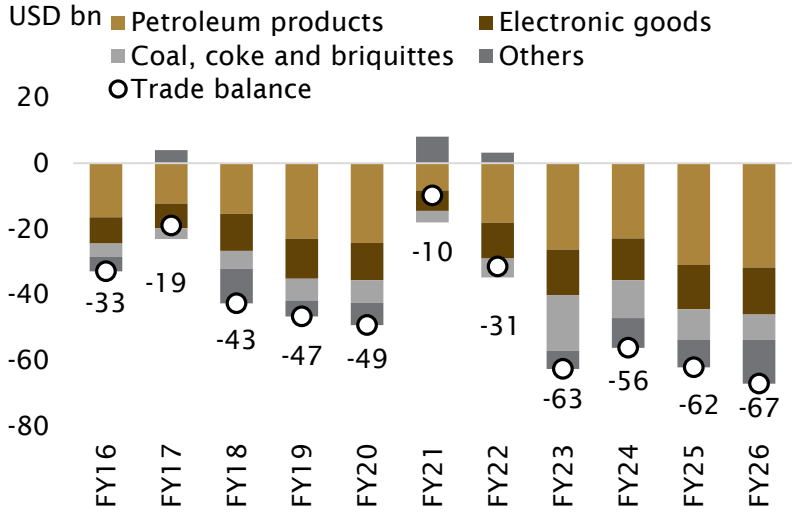
Contribution to imports growth – June 2025



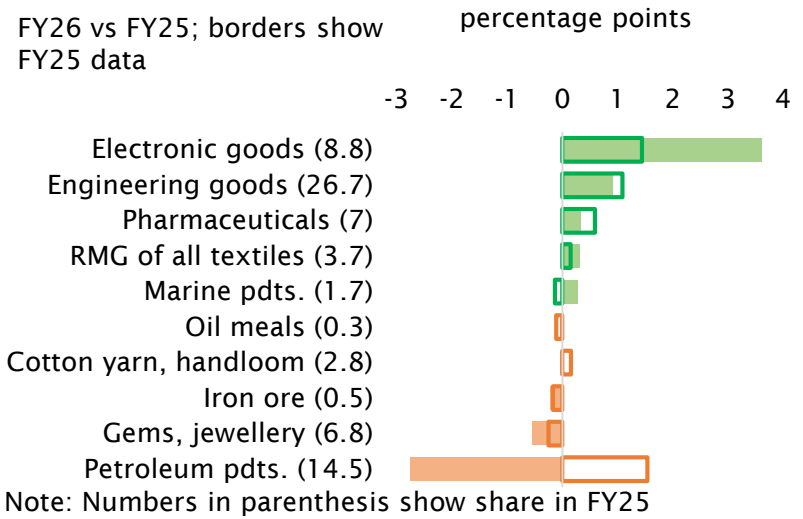
Goods trade deficit widened in Apr-Jun FY26 vs the same period in previous fiscal years; y-o-y exports growth lagged that of imports

- On fiscal year-to-date basis (FYTD), the year-on-year growth in both exports and imports remained lower than in the same period of FY25. Exports growth was below that of imports, so that trade deficit widened to USD67bn from USD62bn in FYTD FY25. Exports growth moderated to 2.1%YY from 5.9%. Imports growth eased to 4.2%YY from 7.6% in Apr-Jun FY25.
- Electronic goods were key contributors to exports and imports growth but to lesser extent than in FYTD FY25. Similarly, petroleum products were among major laggards in both exports and imports growth, a reversal from the trend in FYTD FY25.
- In case of exports, the contribution of engineering goods and pharmaceuticals moderated. Gems and jewellery, iron ore dragged growth. In case of imports, chemicals and machinery added more to growth.

Trade deficit widened Apr-Jun FY26 vs previous years

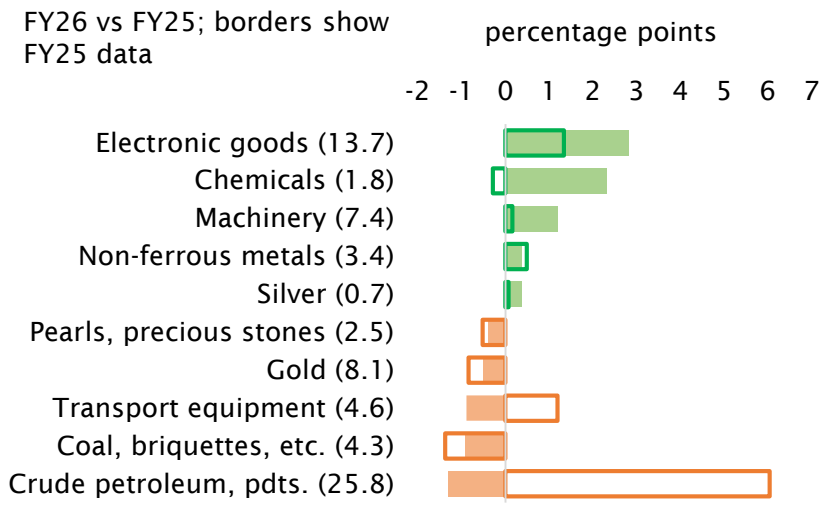


Contribution to %YY exports growth – Apr-Jun



Note: Numbers in parenthesis show share in FY25

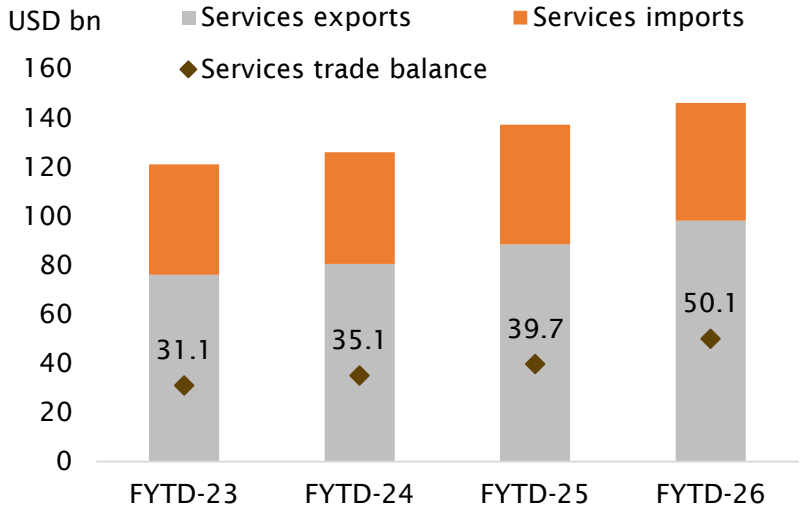
Contribution to %YY imports growth – Apr-Jun



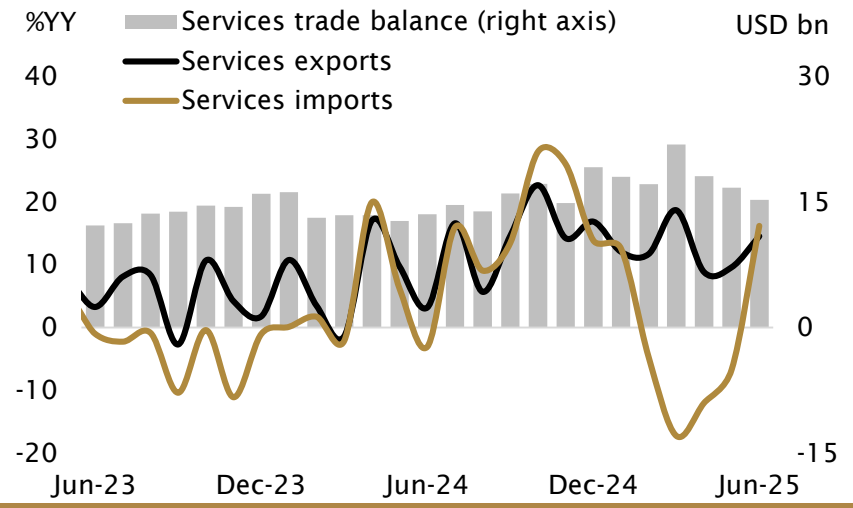
After falling y-o-y for four months, services imports growth surpassed exports; lower goods deficit drove narrowing of total trade deficit

- In FYTD terms, services surplus improved to USD50.1bn from USD39.7bn in Apr-Jun FY25. Exports growth improved to 10.9%YY from 9.8% in the same period of FY25. Imports fell 1.4%YY, compared to 7.2% growth in Apr-Jun FY25.
- In June, services surplus eased for third straight month to USD15.3bn from USD16.7bn in May. Exports rose month-on-month after falling for two months, while imports grew by double digits at the sharpest pace in 1.5 years.
- In terms of year-on-year change, both exports and imports posted double-digit growth, aided by monthly momentum and favorable base effects. Imports rose after falling for four straight months, and growth exceeded that of exports. Exports growth improved for second straight month.
- Total trade deficit narrowed to USD3.5bn in June from USD5.2bn in May, tracing the moderation in goods deficit amid lower services surplus. In FYTD terms, total deficit was lower at USD17bn versus USD22bn in Apr-Jun FY25.

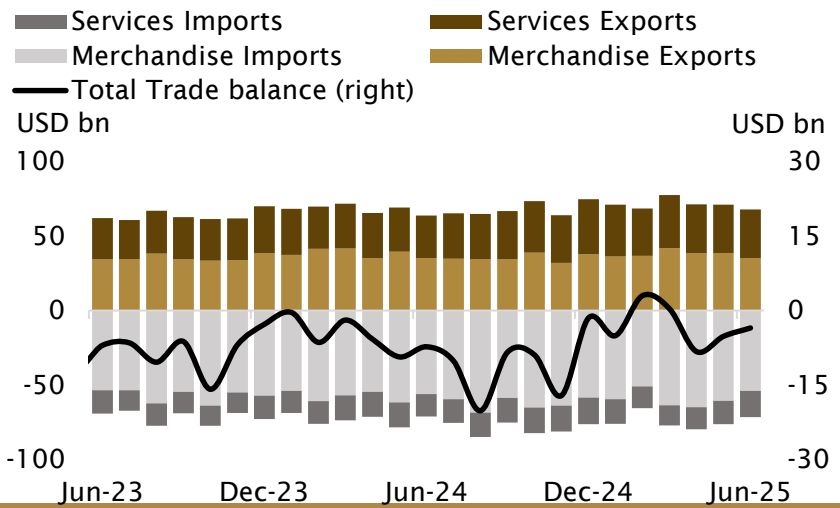
Services surplus continued to improve FYTD FY26



Services imports growth surpassed exports in June



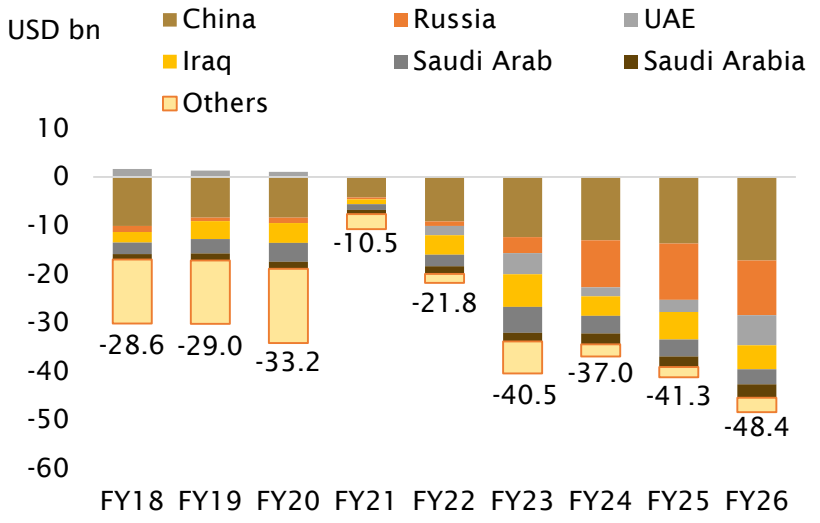
Trade deficit narrowed in June amid lower goods deficit



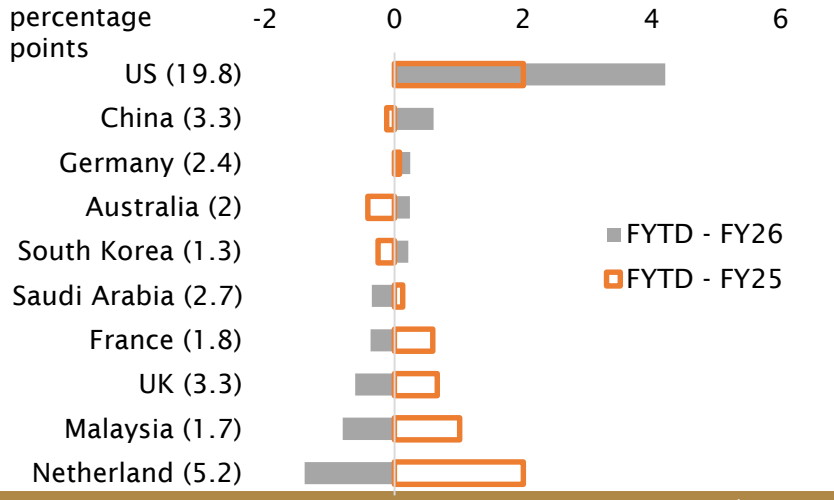
Merchandise trade deficit remained the widest vis-à-vis China in Apr-May FY26

- Data across economies is available till May and shows that India's trade deficit remained the steepest vis-à-vis China, followed by Russia. The y-o-y increase in deficit was the largest vis-à-vis the UAE and China amid higher imports of oil, gold, chemicals and products (UAE), and electronic parts and telecom instruments (China).
- Initial data till June shows that China topped the list of contributors to imports in Apr-Jun, with growth doubling to 16%YY in FYTD FY25. Imports from Russia, Iraq and Saudi Arabia fell. Detailed data till May shows that crude oil imports from these economies declined year-on-year and has been replaced by higher imports from the US.
- The US added the most to India's exports growth in Apr-Jun FY26, with its share in total exports rising to 23% from 19% in FYTD FY25. China, Germany and Australia contributed to exports growth in FYTD-FY26, while exports to Netherlands, Malaysia, the UK and France fell.

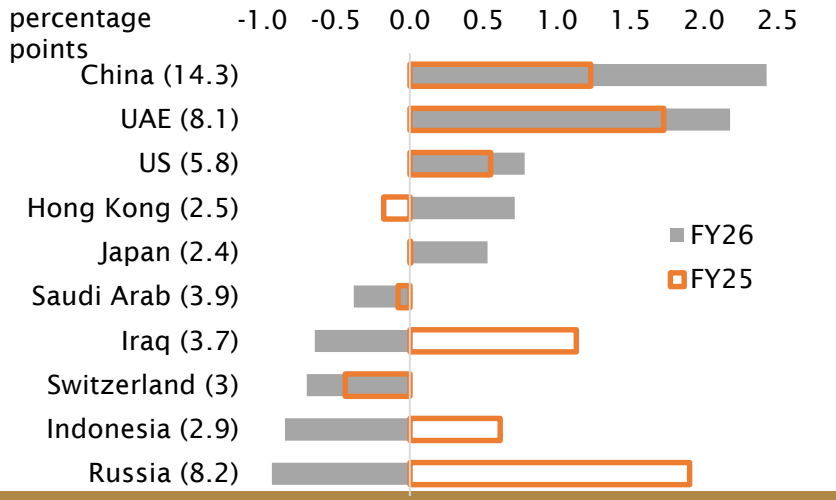
Trade deficit by economy – fiscal year-to-date (Apr-May)



Contribution to y-o-y export growth – Apr-Jun FY26



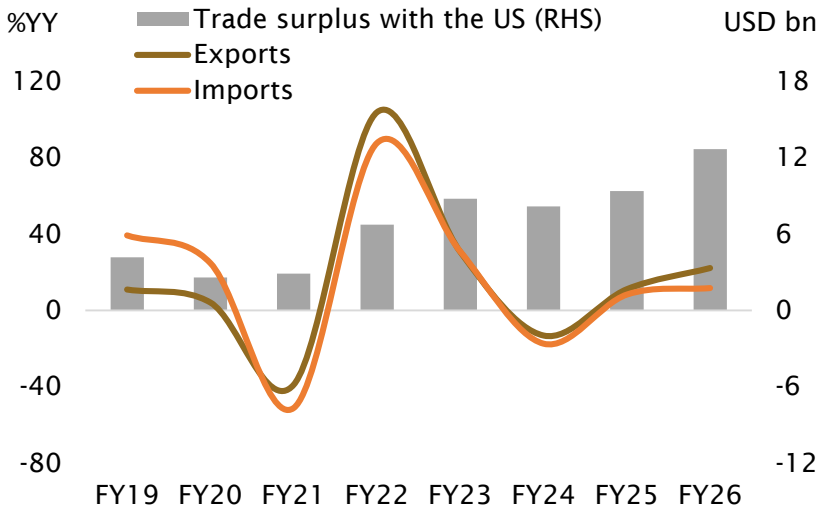
Contribution to y-o-y import growth – Apr-Jun FY26



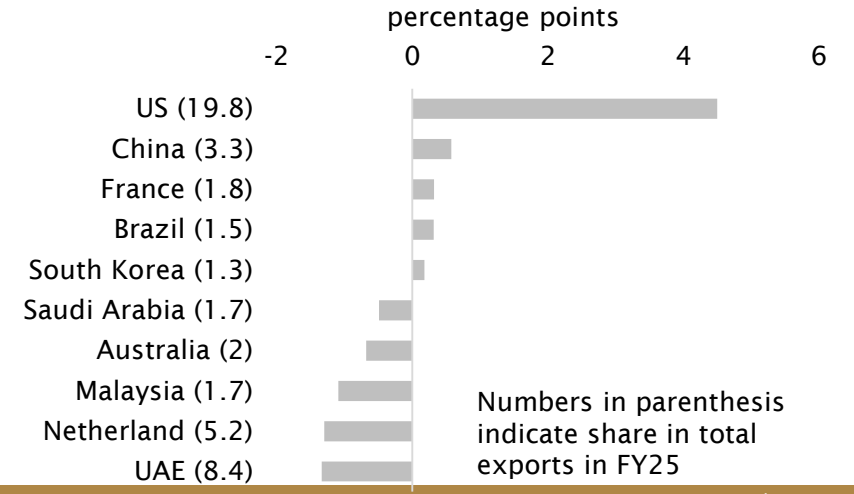
Goods trade surplus vis-à-vis the US increased year-on-year in Apr-Jun FY26; exports growth doubled

- Initial data till June shows that goods trade surplus vis-à-vis the US rose to USD12.7bn from USD9.4bn in Apr-Jun FY25. During this period, exports growth doubled to 22%YY and was higher than imports growth that improved to around 12%YY from 8% in Apr-Jun FY25.
- The US and China added the most to exports growth in June, while the UAE and Netherlands dragged exports.
- In June, Hong Kong and Singapore added the most to imports growth, though China continued to top the list in terms of share at about 18%. The fall in imports from Russia, the UAE and Iraq mostly reflected low oil imports.
- Data till May shows that exports of telecom instruments to the US surged around 175%YY FYTD, while that of pharmaceuticals were almost flat. Electronic parts were among key imports from Hong Kong and Singapore, though combined total was less than imports of electronic parts from China.

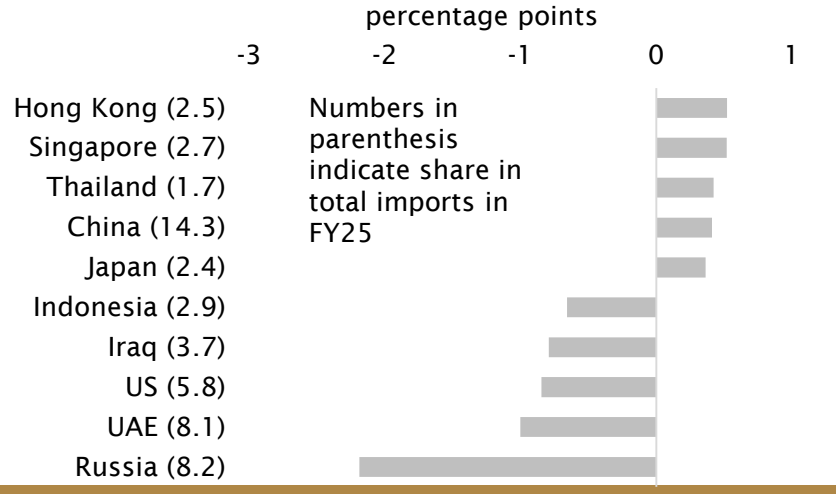
Trade surplus with the US – fiscal year-to-date (Apr-Jun)



Contribution to year-on-year export growth – Jun 2025



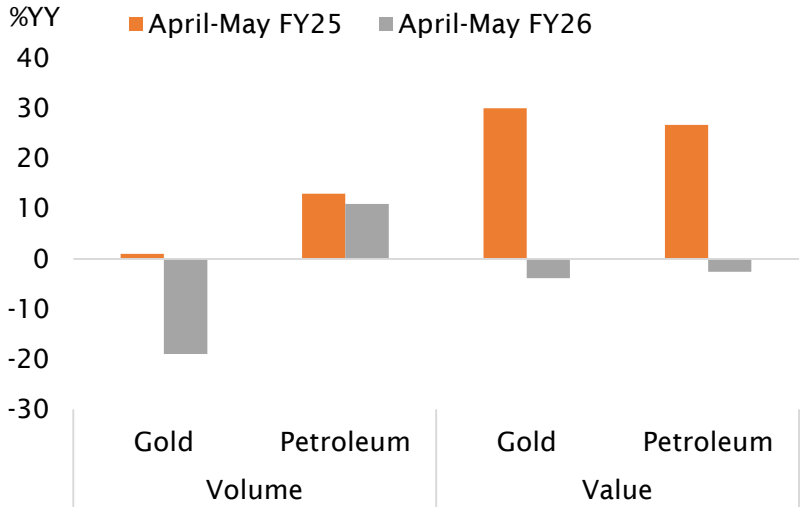
Contribution to year-on-year import growth – Jun 2025



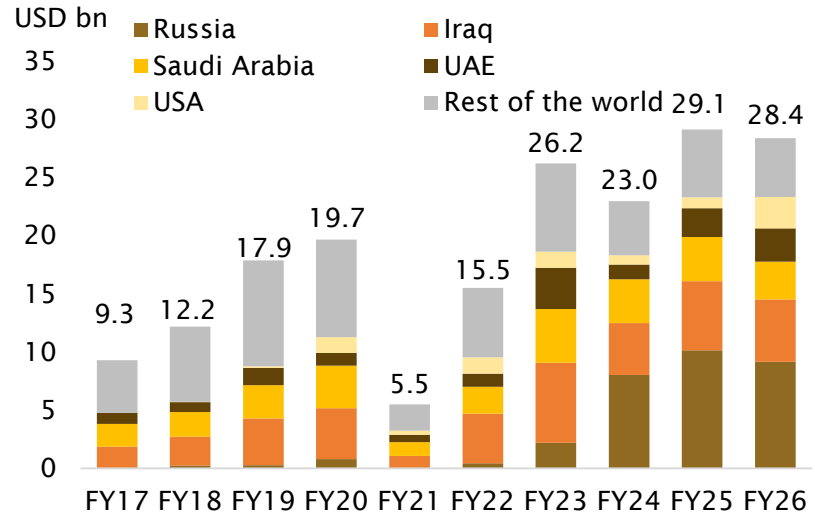
In Apr-May, oil imports fell year-on-year amid low prices but volume growth stayed positive; higher gold prices led to fall in import volume

- In Apr-May FY26, crude oil imports fell 2.6%YY versus 26.8% growth in FYTD FY25. Russia continued to top the list of economies in terms of share in India's oil imports at 32%, though it marked moderation from 35% in FYTD FY25. The share of imports from Iraq and Saudi Arabia also eased mildly, while it rose from the UAE and the US. The increase in share of oil imports from the US was notable at 10% from 3% in Apr-Jun FY25.
- In Apr-May FY26, gold imports were down 3.8%YY at USD5.6bn, compared to 30.1% growth in FYTD FY25. The share of gold imports from Switzerland and South Africa moderated, while imports increased from the UAE, Hong Kong, the US, Australia, and Ghana.
- Gold import volume growth fell in Apr-May FY26 amid higher year-on-year prices. At the same time, lower crude oil prices kept volume growth positive in FYTD FY26.

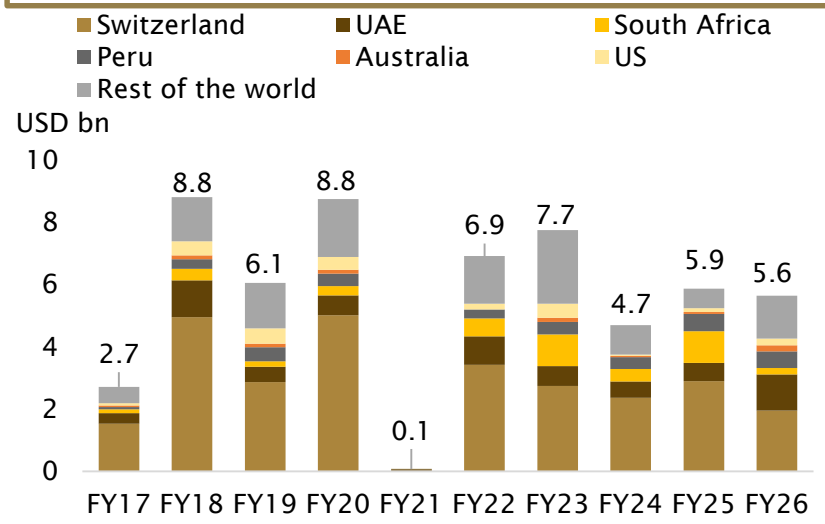
Gold and oil imports – value versus volume (Apr-May)



Crude petroleum imports by economy – (Apr-May)



Gold imports by economy – (Apr-May)



Stalemate continues over India-US trade talks even as extended deadline pause on reciprocal tariffs nears

- **US trade situation:** The extended pause on US reciprocal tariffs is set to expire on August 1. Before the updated deadline, only China and the UK had managed to sign some sort of interim or truce deals with the US. In recent weeks, official reports indicate that the US has signed trade deals with Japan and Indonesia, and media articles also suggest similar deals with Vietnam and the Philippines. However, there is some critique over one-sided deals, with the US imposing tariffs on goods entering its economy but US goods receiving access to certain economies at zero tariffs. Also, reports suggest that economies such as Vietnam would face transshipping tariffs, in case goods circumnavigate certain economies to enter the US territory.

- **India-US trade deal:** Trade talks between the two economies remain in a limbo due to issues concerning access to India's farm and diary sectors, and also reportedly over one-sided tariffs that have been agreed upon by certain economies in recent trade deals with the US. The current 10% baseline US tariff across economies will be reset to 26% for India post the deadline on August 1. The existing sectoral tariffs across economies will also remain applicable on auto and parts (25% imposed on March 26), and steel and aluminum (raised to 50% from 25% on June 3).

- **India-UK trade deal:** India and the UK officially signed a trade deal that was in the works for more than three years. The deal is expected to benefit India's labor intensive sectors such as footwear, clothing, jewellery, and food. It is also slated to benefit services sector professionals vis simplified visa procedures. The deal is likely to increase UK's exports to India of items such as whisky, cosmetics, medical devices, machinery, etc. The agreement will allow British firms access to India's government procurement market for contracts providing various goods and services.

- Some of the other policy-related highlights are noted below:
  - India is currently negotiating free trade agreements with multiple economies including the EU, New Zealand, Oman, Peru and Chile.
  - In another development, the US administration has signed first-ever legislation on stablecoins, named the GENIUS Act (Guiding and Establishing National Innovation for US Stablecoins Act). Among its many features, the "Act requires 100% reserve backing with liquid assets like US dollars or short-term Treasuries and requires issuers to make monthly, public disclosures of the composition of reserves."

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