

Merchandise trade deficit deteriorated in March and in fiscal year FY25; services surplus continued to improve

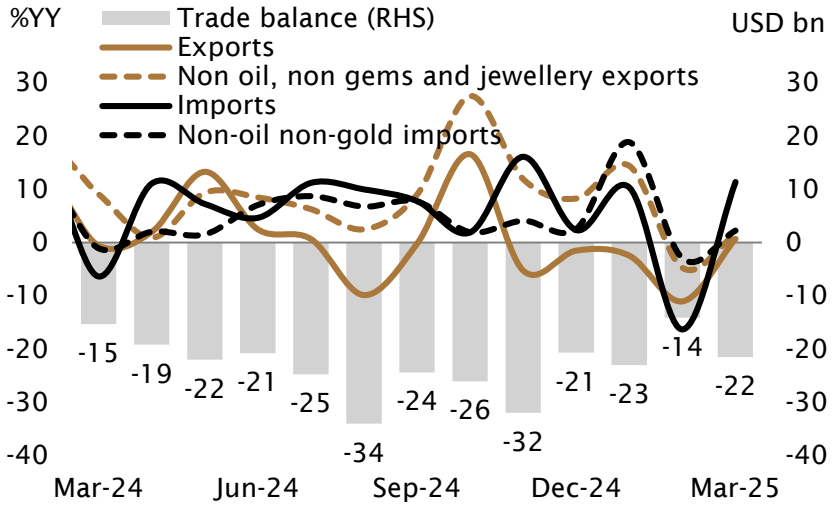
28 April, 2025

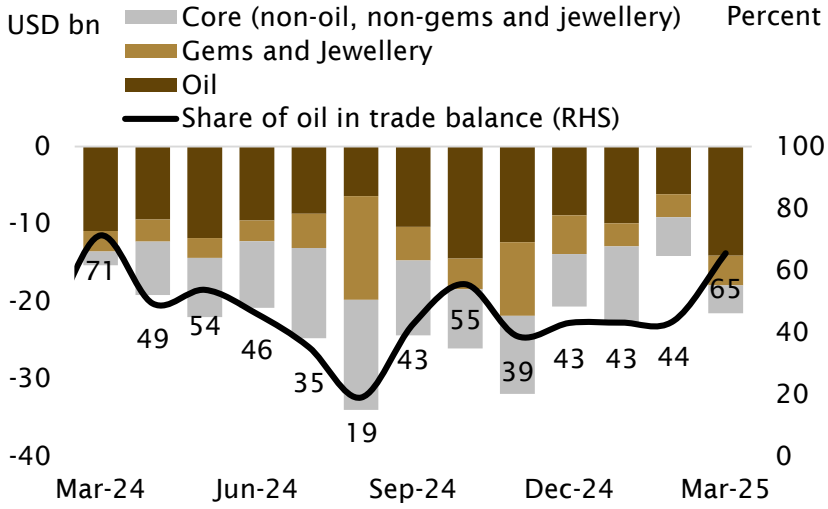
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Key takeaways

- In March, goods trade deficit deteriorated to USD21.5bn from 42-month low of USD14.1bn in February, as deficit worsened in non-core trade (oil, gems and jewellery). Petroleum trade deficit more than doubled from the previous month to USD14.1bn from USD6.2bn. Core trade deficit narrowed to USD3.6bn from USD5.0bn in February. Though services surplus improved in March to USD17.9bn from USD17.1bn in February, it could only partly offset the steeper goods trade deficit. As a result, total trade balance slipped to deficit of USD3.6bn in March after turning to surplus of USD3bn in February for the first time since May-2021.
- In the entire fiscal year FY25, merchandise trade deficit widened to USD283bn from USD241bn in FY24, with the sharpest deterioration in petroleum deficit to USD122bn from USD85bn in FY24. Services surplus increased to USD189bn from USD163bn in FY24. Despite deterioration in goods deficit by more than USD40bn in FY25 vis-à-vis FY24, total trade deficit deteriorated by only USD16bn to USD94bn in FY25 from USD78bn in FY24 due to the partial offset from services surplus.
- In its latest World Economic Outlook update, the IMF trimmed global growth forecasts for 2025 and 2026 to 2.8% and 3.0%, respectively, from 3.3% for both the years in the previous update in January. The escalation of trade tensions and rise in policy uncertainty prompted the agency to lower the outlook. The IMF also cut global trade volume forecast for 2025 by 1.5pp to 1.7% from 3.2% projected in January. For 2026, the estimate was lowered by 0.8pp to 2.5% from the forecast of 3.3% in January.

Merchandise trade deficit widened in March amid sharper gaps in non-core trade (petroleum, gems and jewellery)

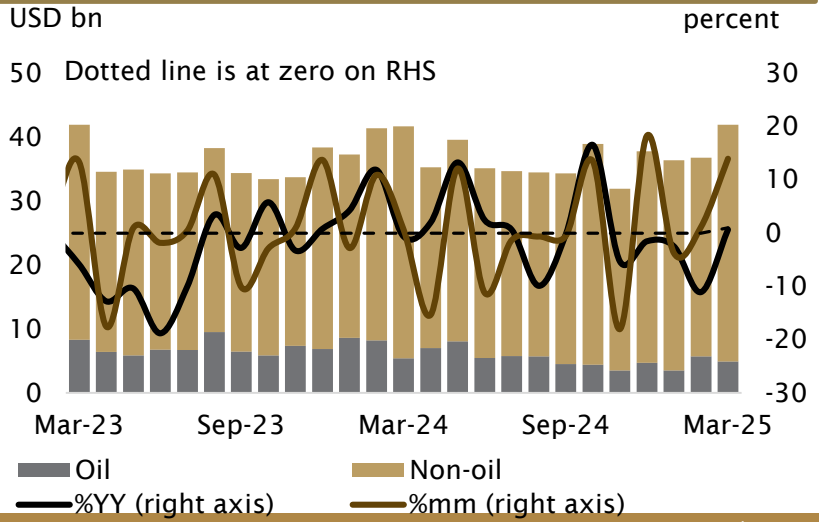




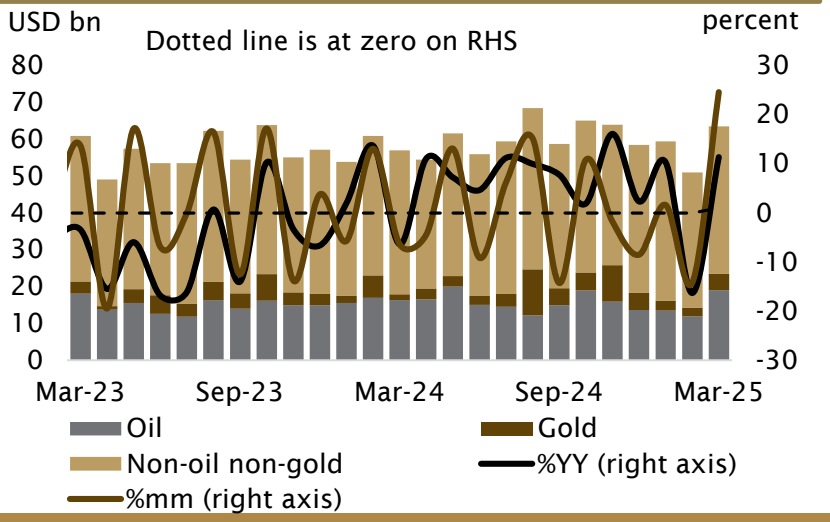
Merchandise deficit deteriorated, as balance worsened in oil, gold trade

- In March, goods trade deficit deteriorated to USD21.5bn from 42-month low of USD14.1bn in February. Base effects were unfavorable in case of both exports and imports, so that the rebound in March from double-digit year-on-year slump in February was tepid in case of exports at 0.7%YY and strong in imports at 11.4%. In sequential terms, exports and imports surged by 14% month-on-month and 25%, respectively.
- Core trade deficit (non-oil, non-gems and jewellery) narrowed to USD3.6bn from USD5.0bn in February. The year-on-year growth in both core exports and imports also rebounded in March after declining in February. Base effects were negative for both, but were more than offset by double-digit month-on-month gains.
- The deficit in gems and jewellery trade worsened to USD3.8bn from USD3.0bn in the previous month. Both exports and imports of gems and jewellery increased by double-digits month-on-month and also year-on-year amid positive base effects, with imports rising at faster rates than exports.
- In March, petroleum trade deficit more than doubled from the previous month and deteriorated to five-month high of USD14.1bn from USD6.2bn in February. Oil exports remained in year-on-year contraction for the tenth successive month, though at the shallowest pace in this period at 9.5%YY. Imports rose by 16.3% after declining for three straight months. Base effects were highly favorable in case of exports that slightly offset the negative month-on-month momentum. In case of oil imports, monthly momentum was the strongest in more than three years, and base effect further lifted year-on-year growth. The share of oil in merchandise trade deficit rose to the highest in a year at 65%.

Exports growth



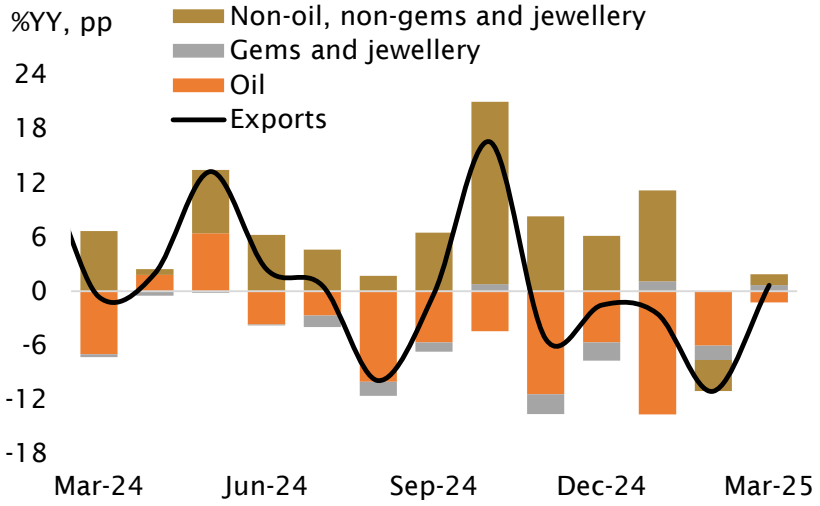
Imports growth



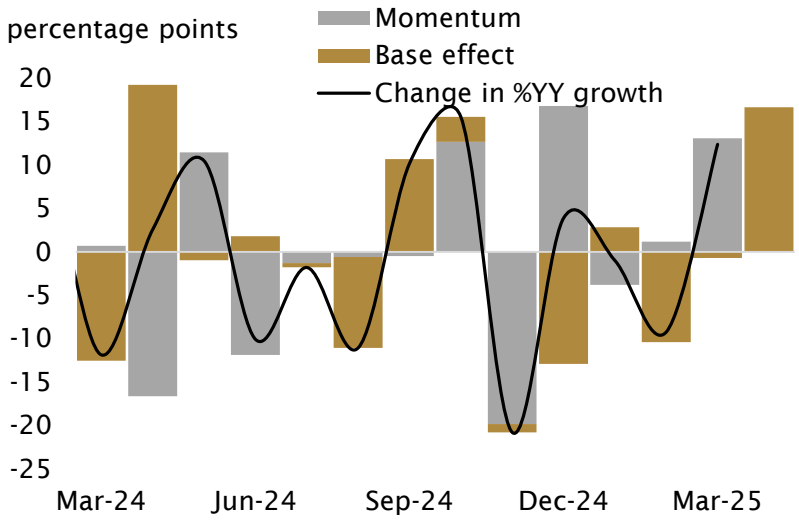
Goods exports rose year-on-year after declining for four straight months

- Goods exports were up 0.7%YY in March after falling for four straight months. The strong month-on-month gains more than offset mildly unfavorable base effect.
- In terms of year-on-year change, oil exports remained in contraction for the tenth straight month but at the shallowest pace in this period. Gems and jewellery exports rebounded by double digits after declining in February. Core exports rose after decreasing for four straight months, though at a tepid pace of sub-1%.
- Of the 30 main categories, exports rose year-on-year in 18 groups versus 13 in February. Within core exports, electronic goods, pharmaceuticals, marine products, and rice added to growth, while chemicals, engineering goods, handicrafts, and spices were laggards.
- Exports of gems and jewellery and core goods rose month-on-month, while those of petroleum fell.

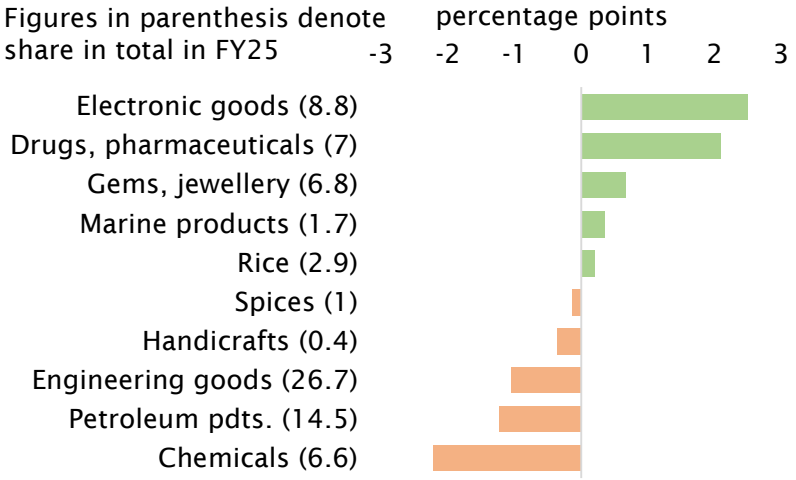
Contribution to exports growth – March 2025



Goods exports rose y-o-y amid strong monthly gains



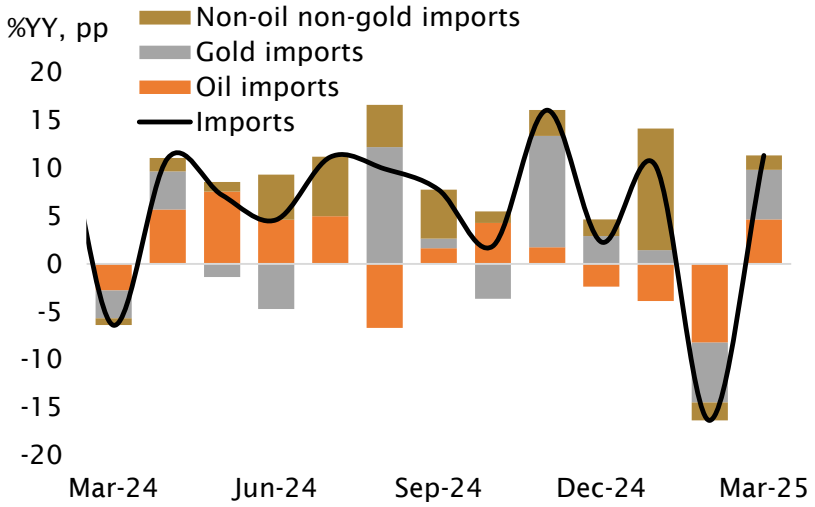
Contribution to exports growth – March 2025



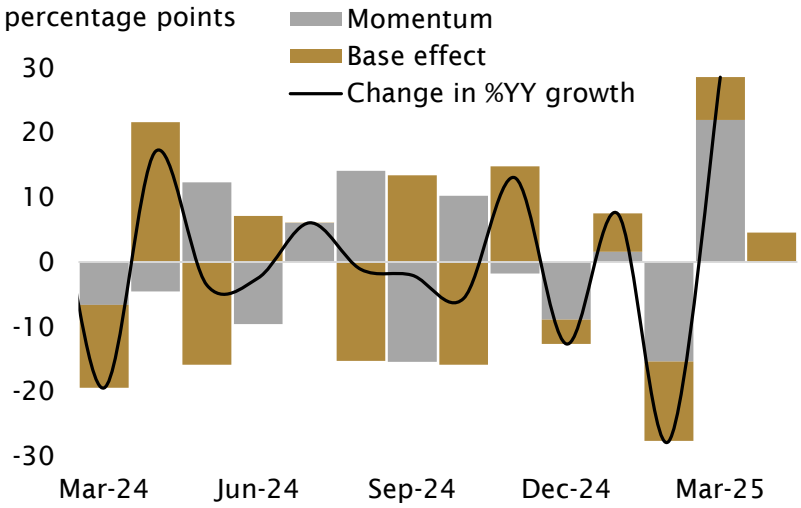
Imports rebounded year-on-year amid gains in oil, gold, and core groups

- After declining at the steepest rate in 20 months in February, the year-on-year imports growth rebounded by double digits in March, aided by month-on-month momentum and base effect.
- In terms of year-on-year change, the three major groups of petroleum, gold and core imports increased after declining in February, with gold imports surging the most, followed by oil and core imports.
- Of the 30 major categories, imports increased in 22 groups, up from 18 in the previous month. Within core imports, electronic goods, machinery, and chemicals contributed the most to year-on-year growth, while coal, briquettes, etc; transport equipment; pearls and precious stones; and project goods were laggards.
- Imports of all key categories – core goods, petroleum, and gold – increased month-on-month.

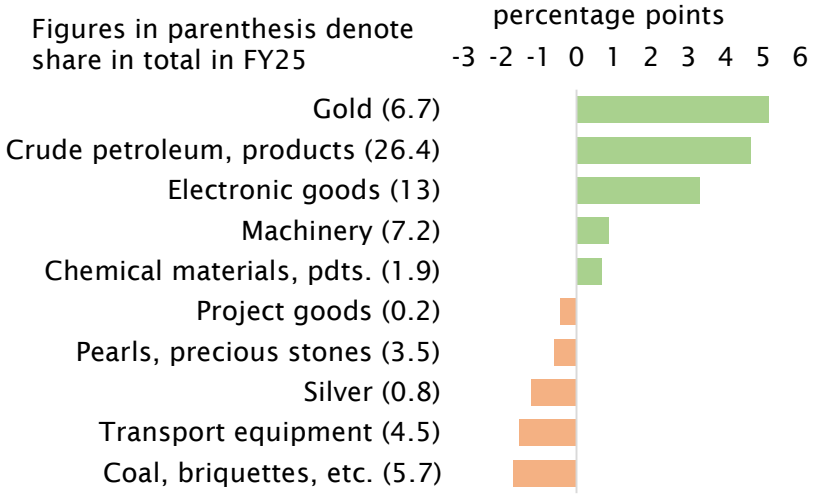
Contribution to imports growth – March 2025



Base effect, monthly gains drove y-o-y import growth



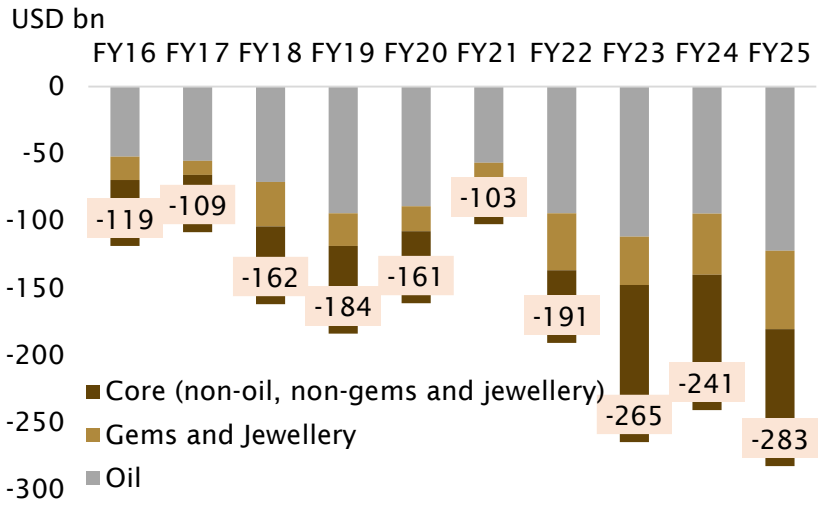
Contribution to imports growth – March 2025



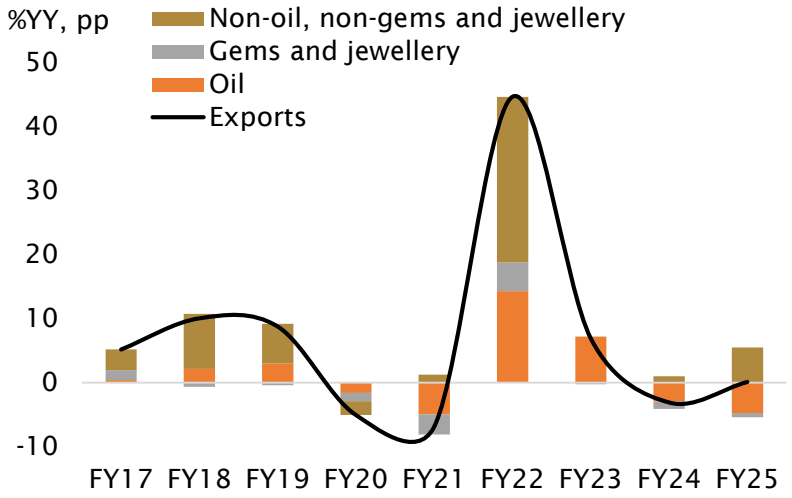
Goods deficit deteriorated in FY25 amid higher imports across key groups

- In FY25, exports and imports rebounded after declining in FY24. Exports grew mildly by 0.1%YY versus 3.1% decline in FY24. Imports grew 6.2% after falling 5.3% in FY24. The deficit widened to USD283bn from USD241bn in FY24, with the steepest deterioration in oil to USD122bn from USD85bn in FY24. The gap in gems and jewellery trade widened to USD59bn from USD46bn. The deficit in core goods worsened mildly but remained higher than in gems and jewellery at USD102bn versus USD101bn in FY24.
- Exports growth was supported by core goods amid declines in oil and gems and jewellery exports. Oil exports fell 24.6%, steeper than the drop of 13.7% in FY24. Gems, jewellery exports remained in contraction for the third year at 8.8% versus 13.8% in FY24. Imports were up across key groups. Oil imports rose 3.9% after falling in FY24. Gold imports grew 27.4%, compared to 30.1% in FY24.

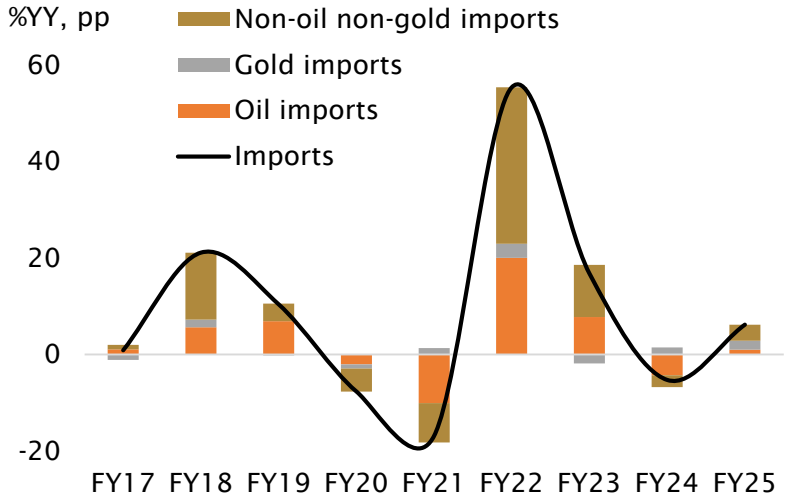
Goods trade deficit deteriorated in FY25 vs FY24



Contribution to %YY exports growth



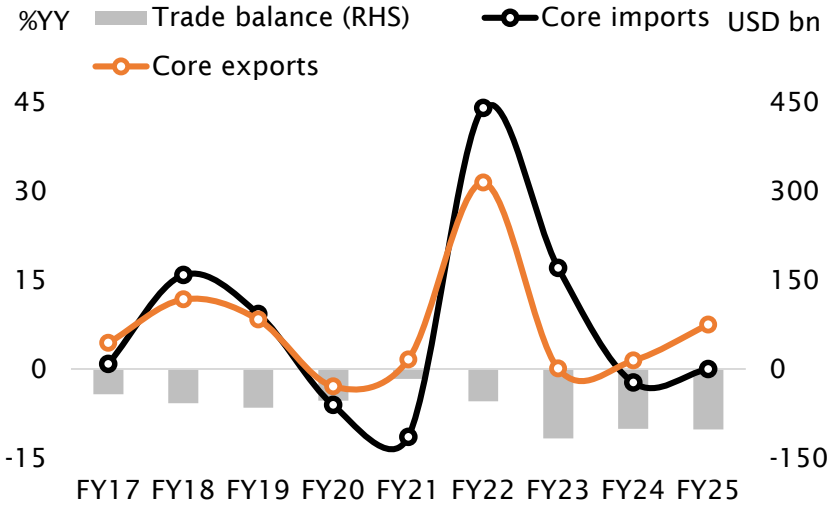
Contribution to %YY imports growth



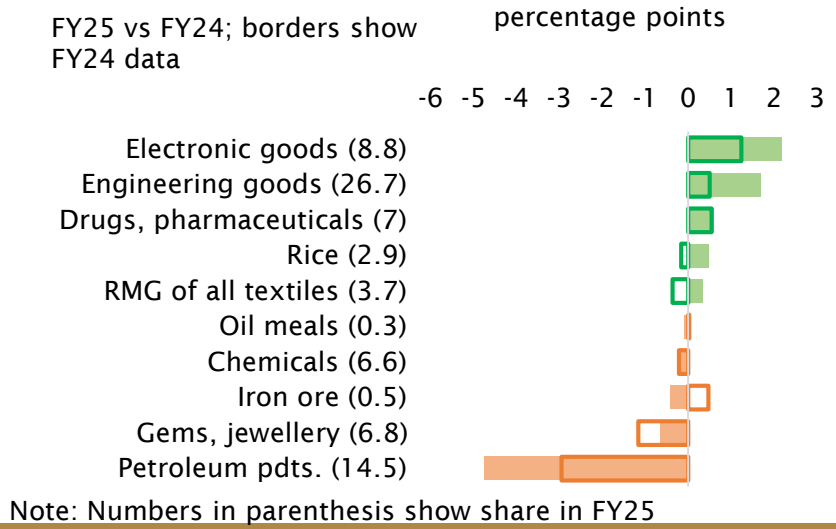
Core trade deficit widened mildly in FY25 amid higher exports growth

- Among the three major groups of oil, gems and jewellery and core goods, the deterioration in core deficit was the mildest at USD1bn, though the gap remained wider than in case of gems and jewellery. Core imports were flat vis-à-vis FY24, though higher than exports value at USD423bn. In FY24, core imports had declined 2.3%. Core exports growth improved to 7.5%YY to USD344bn from 1.4% increase in FY24.
- With export categories, engineering and electronic goods, and pharmaceuticals continued to add the most to growth, while the non-core items of petroleum, and gems and jewellery remained major laggards.
- In case of imports, gold and electronics added the most to growth, while coal, briquettes, etc., and pearls and precious stones continued to drag down imports. Petroleum product imports rose after falling in FY24.

Core trade deficit widened mildly in FY25 vs FY24

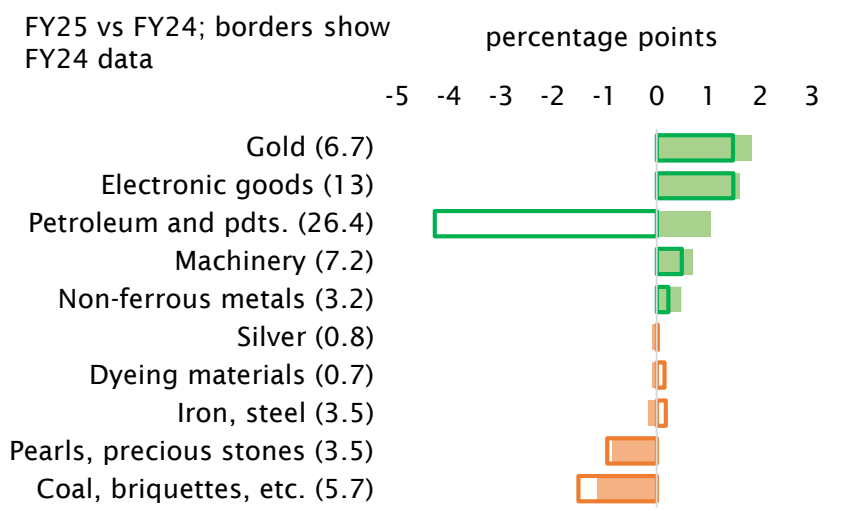


Contribution to %YY exports growth – FY24 vs FY25



Note: Numbers in parenthesis show share in FY25

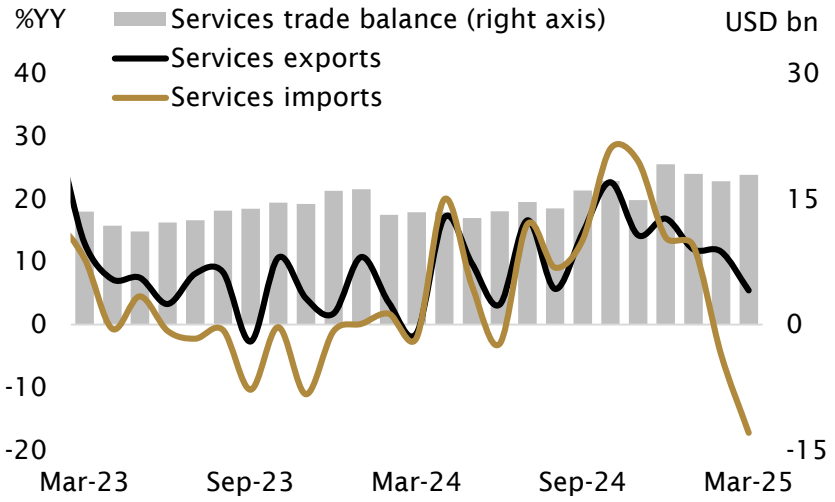
Contribution to %YY imports growth – FY24 vs FY25



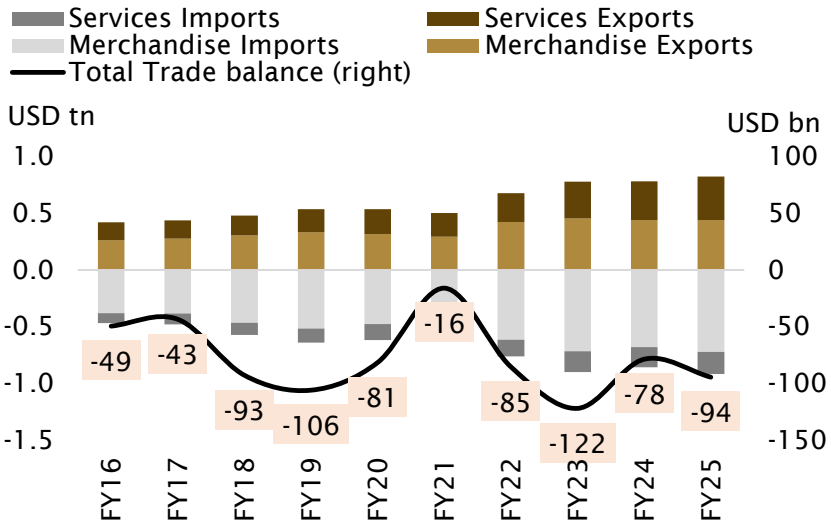
Improvement in services surplus continued to partly offset goods deficit

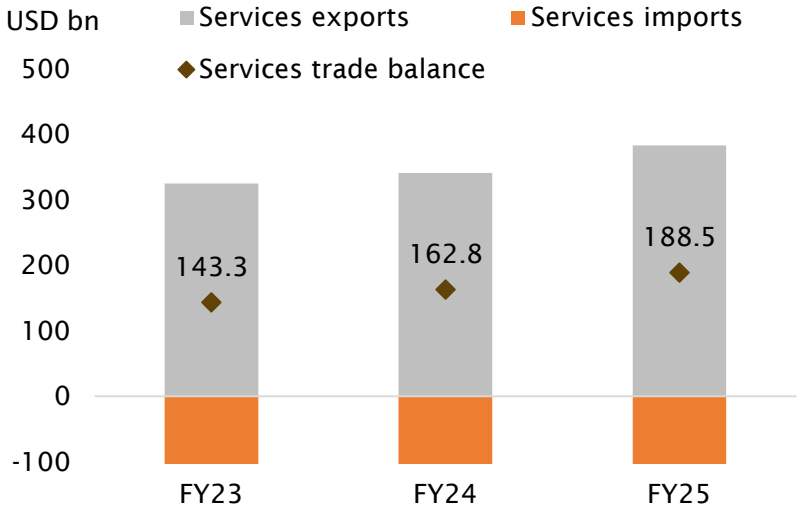
- In March, services surplus improved to USD17.9bn from USD17.1bn in February. Imports slumped year-on-year, while exports growth eased amid negative base effects for both. Exports were flat month-on-month, while the pace of decline in imports eased. Amid higher services surplus and steeper goods deficit, total trade balance slipped to deficit of USD3.6bn in March after turning to surplus of USD3bn in February for the first time since May-2021.
- For the fiscal year FY25, services surplus increased to USD189bn from USD163bn in FY24. Exports growth improved to 12.4%YY from 4.8% in FY24, and was higher than imports growth of 9.3%. In FY24, services imports had declined 2.1%. Despite deterioration in goods deficit by more than USD40bn in FY25 vis-à-vis FY24, total trade deficit deteriorated by only USD16bn to USD94bn in FY25 from USD78bn in FY24 due to higher services surplus.

Services trade surplus improved further in March



Deterioration in goods deficit dragged down overall trade gap, even as services surplus continued to improve in FY25





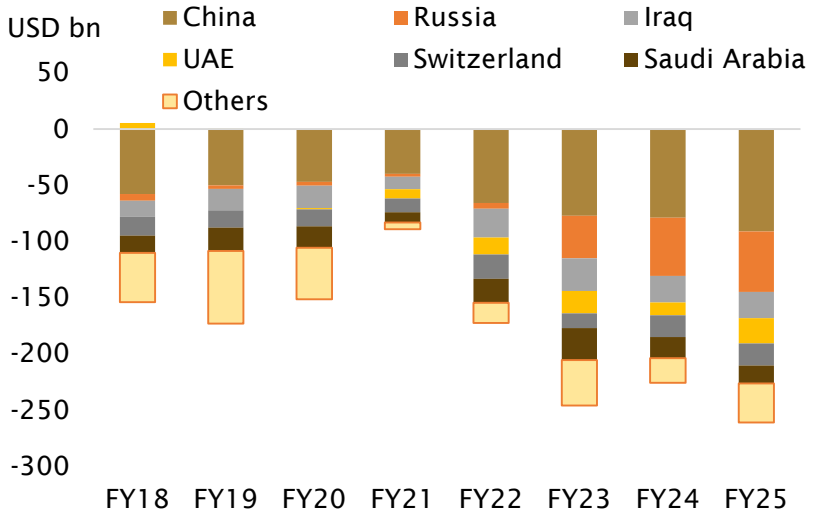
Merchandise trade deficit remained the widest vis-à-vis China in Apr-Feb

- Detailed data till February shows that on fiscal year-to-date basis, India's trade deficit remained the steepest vis-à-vis China (USD91bn), followed by Russia (USD54bn). The increase in deficit versus the same period in FY24 was the largest vis-à-vis China, followed by the UAE.

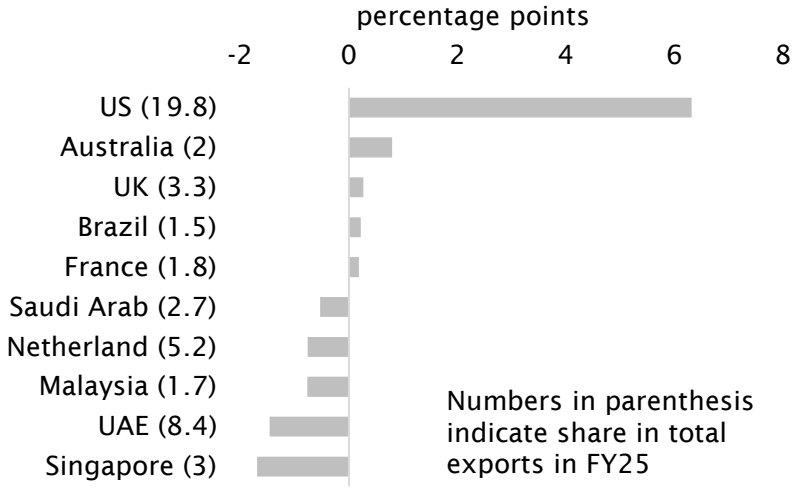
- Initial data for March shows that imports from the UAE and China contributed the most to year-on-year growth. But for fiscal year FY25, China (15.8% versus 15.0% in FY24) and Russia (~9% in FY24, FY25) continued to top the list in terms of share in India's imports totaling almost one-fourth of the total.

- In case of exports, the US and Australia added the most to growth in March but for fiscal year FY25, share of India's exports was the largest to the US (19.8% versus 17.7% in FY24) and the UAE (8.4% versus 8.2% in FY24).

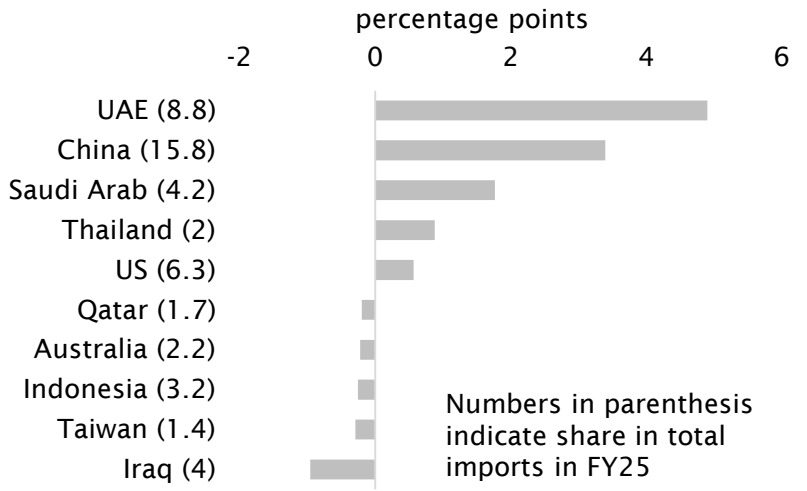
Trade deficit by economy – Apr-Feb FYTD



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



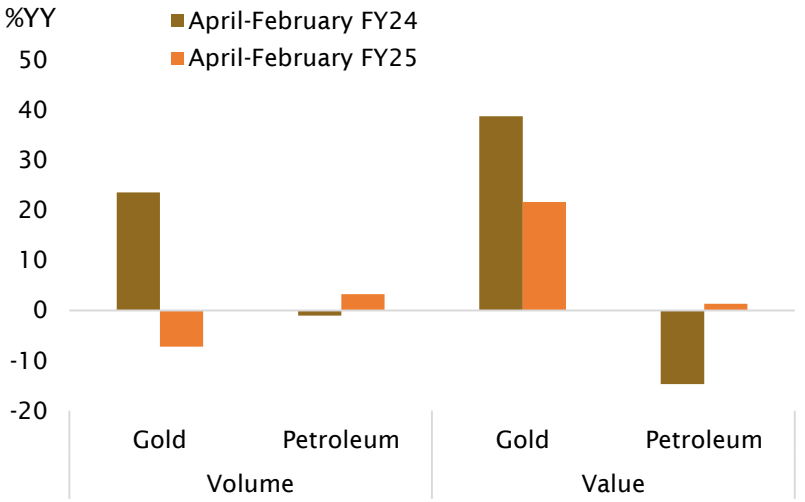
Contribution to year-on-year import growth – Mar 2025



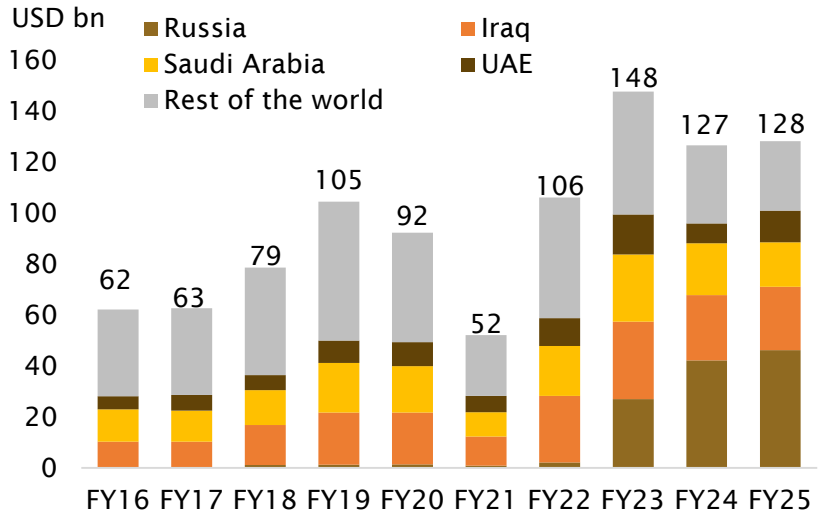
In Apr-Feb FY25, most oil imports were from Russia, gold from Switzerland

- In Apr-Feb FY25, crude oil imports totalled USD128bn, up 1.3%YY. Russia continued to constitute over one-third of India's oil imports for the second straight year. In fact, Russia's share rose to 36% in Apr-Feb FY25 from 33.4% in Apr-Feb FY24. India also imported more oil this year from the UAE and the US, and lowered imports from Iraq and Saudi Arabia, though in terms of share, the latter cumulatively accounted for another one-third share.
- In Apr-Feb FY25, gold imports rose 22%YY to USD54bn. One-third of imports were from Switzerland, though the share eased from 39% in Apr-Feb FY24. In the same period, share of imports from UAE rose to 26% from 17%.
- Though gold import volume is down year-on-year, value has risen amid rise in global prices on safe haven demand. Conversely, muted global growth outlook amid ongoing trade wars has dragged down crude oil prices.

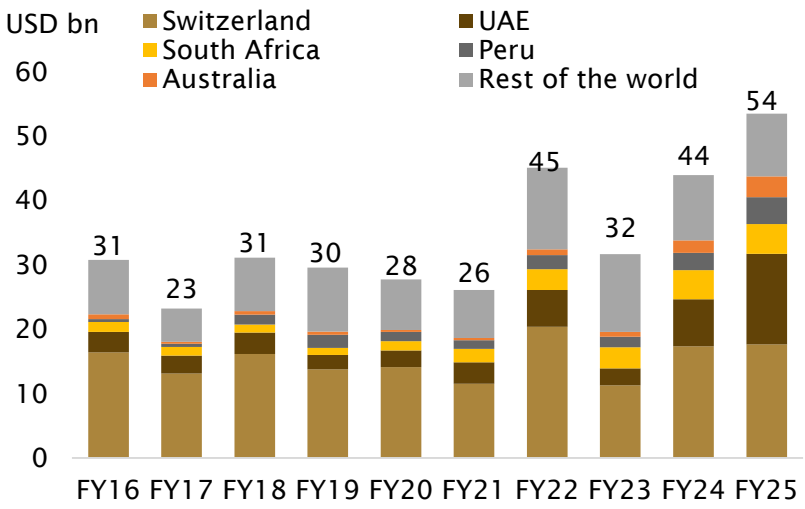
Gold import value up on higher prices; reverse for oil



Crude petroleum imports by economy – April-February



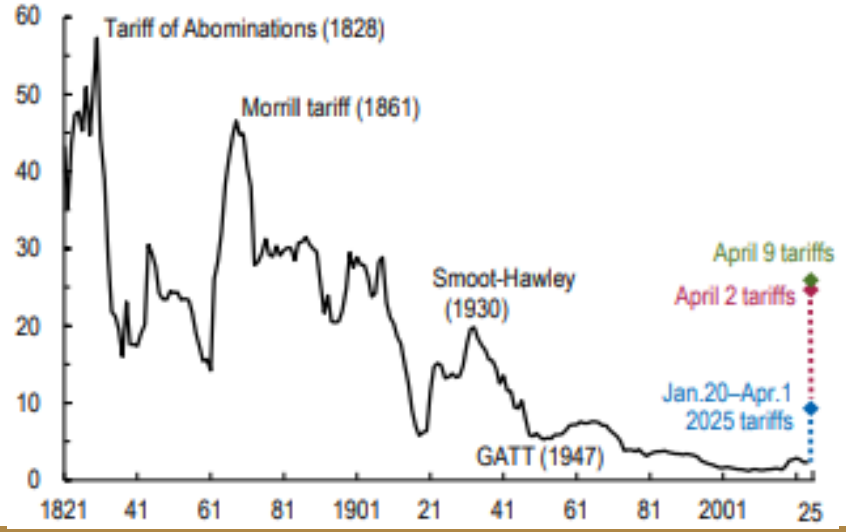
Gold imports by economy – April-February



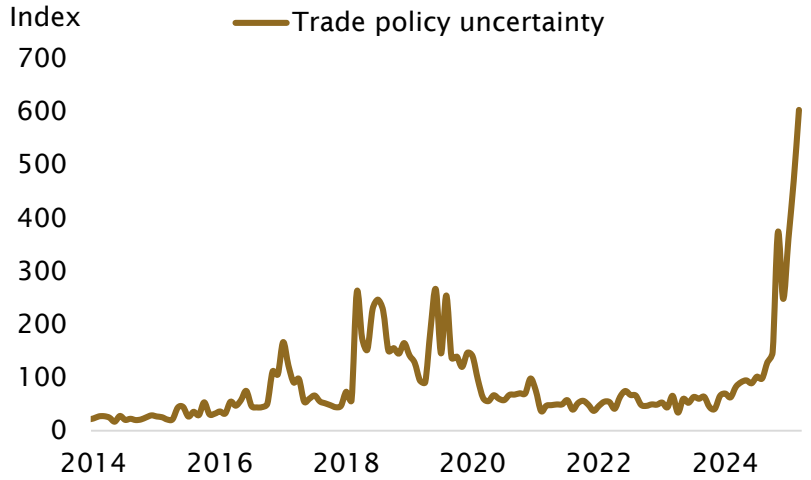
Global tariff wars to weigh on growth prospects in the near-term

- In its latest World Economic Outlook update, the IMF trimmed global growth forecasts for 2025 and 2026 to 2.8% and 3.0%, respectively, from 3.3% for both the years in the previous outlook update in January. The escalation of trade tensions and rise in policy uncertainty prompted the IMF to lower the growth outlook. The agency also cut global trade volume forecast for 2025 by 1.5pp to 1.7% from 3.2% projected in January. For 2026, the estimate was lowered by 0.8pp to 2.5% from the forecast of 3.3% in January.
- The IMF noted that unlike in the previous century, higher US tariffs could be a key source of economic upheaval due to higher degree of economic and financial integration. The agency has called for prudence, clarity and increased collaboration as policy prescription. Both monetary and fiscal policy makers across economies will have a role to play to stabilize their domestic economies, with responses tailored to their specific circumstances and exposures to the tariff wars. The IMF has also cautioned that globally financial conditions could tighten further as financial markets react to risk-off sentiments, and also noted that "in the medium term, the dollar may depreciate in real terms if tariffs translate into lower productivity in the US tradables sector, relative to its trading partners." Importantly, the IMF noted that though there is some merit to the perception in many advanced economies that globalization has unfairly displaced domestic manufacturing jobs, the share of manufacturing in output has been stable, indicating that technological progress and automation could be driving the decline in share of manufacturing in employment.

US effective average tariff rate on all imports (percent)



US trade policy uncertainty continues to rise



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