

April 15th, 2025

India's Trade Deficit Widens to \$21.54 Bn in Mar'25

- ✓ Merchandise trade deficit widens to \$21.54 bn in Mar'25 from a three-year low of \$14.05 billion in February due to Imports increasing from \$50.96 bn in Feb'25 to \$ 63.51bn in March 2025.
- ✓ On a yearly basis, imports rose by 10.88% in Mar'25, while exports rose by 0.70%.
- **In imports:**
 - ✓ Gold imports were \$4.46 bn in Mar'25 compared to \$2.33 bn in the previous month and on a yearly basis the growth was 192.1% in March and 27.4% for the whole of FY25. The rising import bill is attributable to gold price increasing by 37.7% in FY25 despite imports being lower by 5% in terms of tonnage.
 - ✓ Oil imports increased by 72% on a monthly basis and for the entire FY25 import bill went up by 5.7% despite Brent crude price averaging below \$70 per barrel in the latter half of the fiscal. This is due to higher import volumes which surged by 19.4% as per latest data available for the first 10 months. Lower discounts on Russian crude also contributed to higher oil imports.
 - ✓ Non-petroleum non gems and jewellery imports were \$37.7 bn in Mar'25 compared to \$35.6 bn in Mar'24 and for the entire FY25 non petroleum non gold imports were \$453,6 bn against \$424.6bn in FY24 which is a growth of 6.8%:
- **In Exports:**
 - ✓ Oil exports contracted by 9.09% monthly in Mar'25 and 9.49% over Mar'24. For the whole of FY25 oil exports declined by 27.4% which is attributable to fall in demand due to lower growth in major economies and fall in prices.
 - ✓ Non-oil exports increased by 19.7% in Mar'25 over the previous month and for FY25 as a whole, exports of non-oil products increased by 7%

Trade deficit widened to \$282.83.06 Bn in FY25 compared to \$241.14 Bn in FY24. India's foreign trade has been hit by weak demand in major markets, geopolitical tensions, volatile commodity prices, and reciprocal tariff actions threatened by the US across the globe.

The decline in exports has happened despite Rupee weakening in fiscal 2025 and shows the impact of subdued global demand on our exports. It also signifies lack of traction in our manufacturing competitiveness. The Production Linked Incentive schemes have not been able to bring about the desired momentum to manufacturing that continues to languish at 15-17% of GDP over the past decade.

Including goods and services, total trade deficit is expected to widen to \$94.3 bn in FY25 compared to \$74.3bn in FY24.

Services exports are expected to have grown by 5.6% to \$820.9 bn in FY25 over the previous fiscal.

Growing trade deficit with China a major concern

- ✓ During April-March 2025 India's trade deficit with China widened to \$99.2bn which is an all-time high. Imports from China increased 11.5% to \$13.5 bn led by demand for electronic goods, EV batteries, solar cells and industrial inputs, which are major sectors where our dependency on China is high.
- ✓ Exports to China declined by 14.5% recording just 14.2 bn which is even below FY2014 levels despite Rupee weakening by 37.7% from 62.12 to 85.5 to the Dollar during this period, much more than Yuan depreciation of 17.4%.
- ✓ As US has imposed 245% reciprocal tariffs on China there is a high possibility of China increasing the prices of their exports to India to compensate lost market share in the US which will further widen India-China trade deficit. Possibility of China dumping their products in India also looms large suppressing profitability of domestic corporates.
- ✓ The PLI schemes envisaged to promote exports could have actually contributed to rising imports of inputs and raw materials for manufacturing finished products.

Figure1: Heavy-weight export items recorded contraction

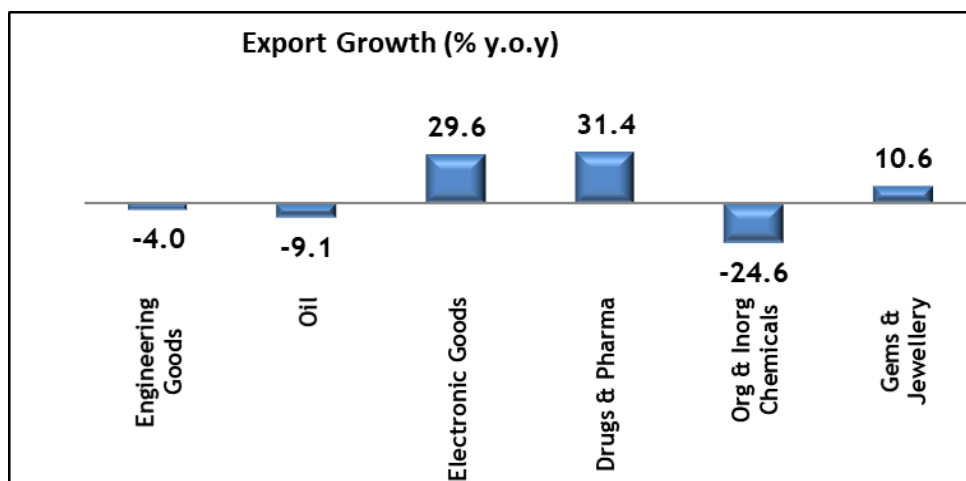
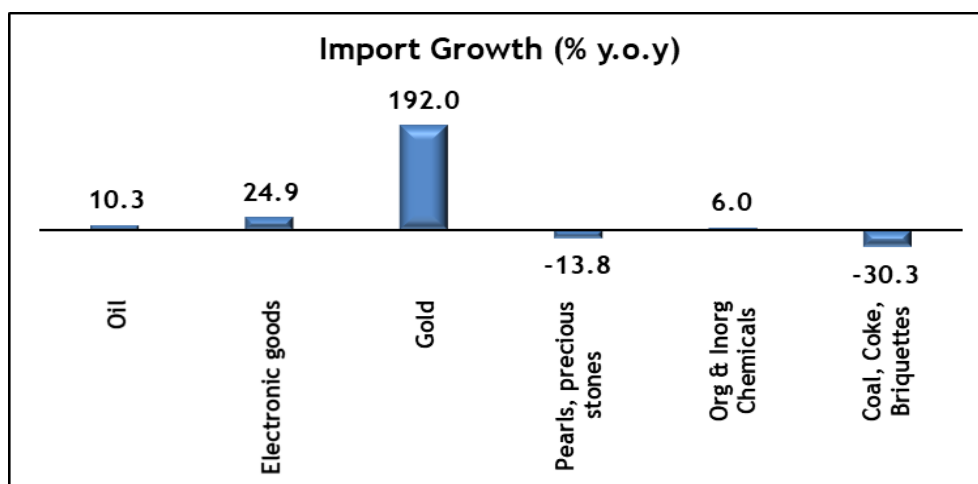


Figure 2: Gold Import recorded strong growth in Mar'25



➤ Implications

- ✓ The only way to bridge trade deficit IS through export competitiveness which is possible through skilling of labor especially in handling tools and machinery. China has sustained its manufacturing prowess not just through low-cost labor but also due to the availability of skilled manufacturing workforce.
- ✓ Rupee depreciation as an export boosting strategy has very limited impact and could actually end up widening trade deficit further by increasing the import bill.
- ✓ Though we boast of a services trade surplus this needs to be sustained through path braking innovations in hardware and software rather than incremental improvements.
- ✓ The trend of declining exports could continue if global growth slow down persists and the tariff war gets protracted.
- ✓ Due to lower growth in key destinations cutting down of discretionary spends may lead to squeeze in margins of IT majors who derive 80% revenues from advanced economies like US and Europe.
- ✓ Declining exports leads to slower accretion to forex reserves which lowers import cover of our forex.

Table 1:

Trends in Indian Exports - Top 20 Commodities (Value in USD Bn)															
Commodity	Share (%)	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	y-o-y% growth in Mar-2025
Engineering Goods	25.79%	11.28	8.67	9.99	9.39	9.04	9.44	9.82	11.26	8.90	10.84	9.42	9.08	10.82	-4.0%
Oil	11.68%	5.39	6.62	6.78	5.52	5.23	5.96	4.74	4.59	3.72	4.92	3.56	5.81	4.90	-9.1%
Electronic Goods	10.87%	3.52	2.65	2.97	2.82	2.81	2.33	2.07	3.43	3.47	3.58	4.11	3.79	4.56	29.6%
Drugs & Pharma	8.77%	2.80	2.43	2.30	2.47	2.31	2.35	2.57	2.62	2.16	2.49	2.59	2.47	3.68	31.4%
Gems & Jewellery	6.90%	2.62	2.26	2.76	2.25	1.84	2.00	2.82	3.25	2.07	2.13	3.00	2.53	2.90	10.6%
Org & Inorg Chemicals	6.84%	3.80	2.50	2.31	2.29	2.27	2.37	2.36	2.72	1.99	2.45	2.35	2.23	2.87	-24.6%
Ready Made Garments	3.65%	1.47	1.20	1.36	1.29	1.28	1.27	1.11	1.23	1.12	1.46	1.61	1.53	1.53	4.0%
Rice	2.81%	1.10	0.95	1.00	0.85	0.83	0.79	0.69	1.05	1.14	1.43	1.37	1.19	1.18	7.6%
Cotton Yarn/Fab	2.66%	1.09	0.95	1.01	0.96	0.97	1.01	1.05	1.05	0.87	1.05	1.04	0.98	1.12	2.2%
Plastic & Linoleum	1.92%	0.79	0.67	0.76	0.70	0.73	0.76	0.79	0.81	0.70	0.78	0.73	0.68	0.81	1.6%
Marine Products	1.61%	0.53	0.49	0.58	0.56	0.57	0.55	0.63	0.81	0.76	0.72	0.54	0.51	0.68	28.6%
Spices	1.24%	0.58	0.41	0.36	0.32	0.34	0.34	0.33	0.38	0.32	0.37	0.34	0.43	0.52	-9.6%
Coal, Mica	1.23%	0.48	0.34	0.39	0.42	0.36	0.37	0.37	0.44	0.34	0.49	0.47	0.50	0.52	7.3%
Meat, dairy & poultry	1.15%	0.42	0.32	0.38	0.31	0.46	0.43	0.43	0.45	0.45	0.51	0.52	0.45	0.48	16.6%
Fruits & Vegetables	1.13%	0.43	0.29	0.30	0.25	0.28	0.28	0.28	0.32	0.29	0.33	0.30	0.41	0.48	10.8%
Man-made Yarn/Fabs	1.04%	0.44	0.37	0.41	0.38	0.41	0.42	0.42	0.44	0.35	0.42	0.43	0.40	0.44	-0.8%
Ceramic products	0.85%	0.37	0.34	0.36	0.32	0.32	0.32	0.32	0.36	0.30	0.37	0.33	0.30	0.36	-4.6%
Leather & pdts	0.85%	0.34	0.30	0.36	0.39	0.41	0.41	0.36	0.37	0.33	0.37	0.38	0.33	0.36	3.5%
Cereal preparations	0.67%	0.27	0.25	0.26	0.25	0.25	0.27	0.26	0.28	0.22	0.26	0.26	0.26	0.28	3.4%
Coffee	0.63%	0.19	0.14	0.19	0.20	0.10	0.15	0.16	0.12	0.10	0.10	0.12	0.18	0.26	39.2%
Grand Total Exports	92.30%	41.68	35.30	39.59	35.16	33.81	34.48	34.31	39.00	32.04	38.01	36.43	36.91	41.97	0.7%

Table 2:

Trends in Indian Imports - Top 20 Commodity (Value in USD Bn)															
Commodity	Share (%)	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	yoy% growth in Mar-25
Oil	29.93%	17.23	16.46	19.95	15.05	13.87	11.02	12.54	18.30	16.11	15.27	13.43	11.89	19.01	10.3%
Electronic goods	14.84%	7.55	7.05	7.15	7.70	8.66	8.92	8.47	8.35	7.62	8.34	9.36	7.57	9.43	24.9%
Elec & non-elect Machinery	7.33%	4.16	3.79	4.15	4.09	4.47	4.97	4.53	4.63	4.49	4.70	4.73	4.32	4.65	12.0%
Gold	7.05%	1.53	2.95	2.92	2.48	2.57	8.64	3.30	4.68	9.84	4.70	2.69	2.34	4.48	192.0%
Transport equipment	4.02%	2.75	2.14	3.09	2.00	1.89	2.59	2.29	2.25	2.60	2.79	2.68	2.61	2.55	-7.2%
Org & Inorg Chemicals	3.56%	2.13	2.21	2.55	2.48	2.51	2.62	2.43	2.39	2.30	2.32	2.54	2.04	2.26	6.0%
Coal, Coke, Briquettes	3.54%	3.23	3.10	3.30	2.94	2.99	2.79	2.30	2.35	2.38	1.95	2.69	2.06	2.25	-30.3%
Pearls, precious stones	3.37%	2.49	1.66	1.91	1.81	1.33	1.31	1.61	1.38	0.96	1.27	1.23	1.28	2.14	-13.8%
Non-ferrous metals	3.32%	1.86	1.78	2.07	2.31	2.23	2.37	2.12	2.33	2.12	1.75	1.94	1.79	2.11	13.2%
Artificial resins, plastic	2.96%	1.76	1.70	1.89	1.91	2.02	2.21	1.87	2.05	1.93	1.79	1.72	1.57	1.88	7.0%
Iron & Steel	2.80%	1.63	1.57	1.70	1.80	1.93	2.26	2.00	2.15	1.78	1.87	2.20	1.57	1.78	9.3%
Chemical & Pdts	1.98%	0.87	0.91	0.95	0.96	0.98	1.03	0.93	1.05	0.99	1.13	1.35	1.25	1.26	44.9%
Vegetable Oil	1.94%	1.07	1.34	1.45	1.42	1.87	1.57	1.13	1.53	1.88	1.32	1.38	1.20	1.23	15.6%
Professional instrument	1.29%	0.75	0.63	0.64	0.67	0.74	0.69	0.66	0.74	0.74	0.77	0.68	0.63	0.82	8.9%
Metalliferous ores	1.25%	0.76	0.58	0.97	0.87	0.84	1.08	0.84	1.06	0.86	1.14	1.25	0.83	0.79	4.2%
Medicinal & Pharma	1.17%	0.68	0.68	0.76	0.71	0.74	0.75	0.65	0.79	0.79	0.83	0.79	0.70	0.74	9.0%
Fertilisers	0.97%	0.52	0.60	0.94	0.75	0.68	0.54	0.78	1.32	1.35	1.21	0.84	0.60	0.62	19.2%
Wood & Pdts	0.83%	0.53	0.46	0.54	0.55	0.57	0.65	0.61	0.66	0.61	0.62	0.66	0.52	0.53	0.2%
Machine tools	0.77%	0.41	0.40	0.45	0.45	0.47	0.49	0.47	0.47	0.45	0.54	0.54	0.43	0.49	19.0%
Pulses	0.69%	0.57	0.41	0.37	0.37	0.29	0.32	0.43	0.60	0.49	0.51	0.76	0.49	0.44	-23.4%
Total Imports	93.60%	57.28	54.50	61.65	55.99	56.84	62.57	54.00	63.13	63.86	59.95	59.42	50.96	63.51	10.9%

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