

# Macro Insights

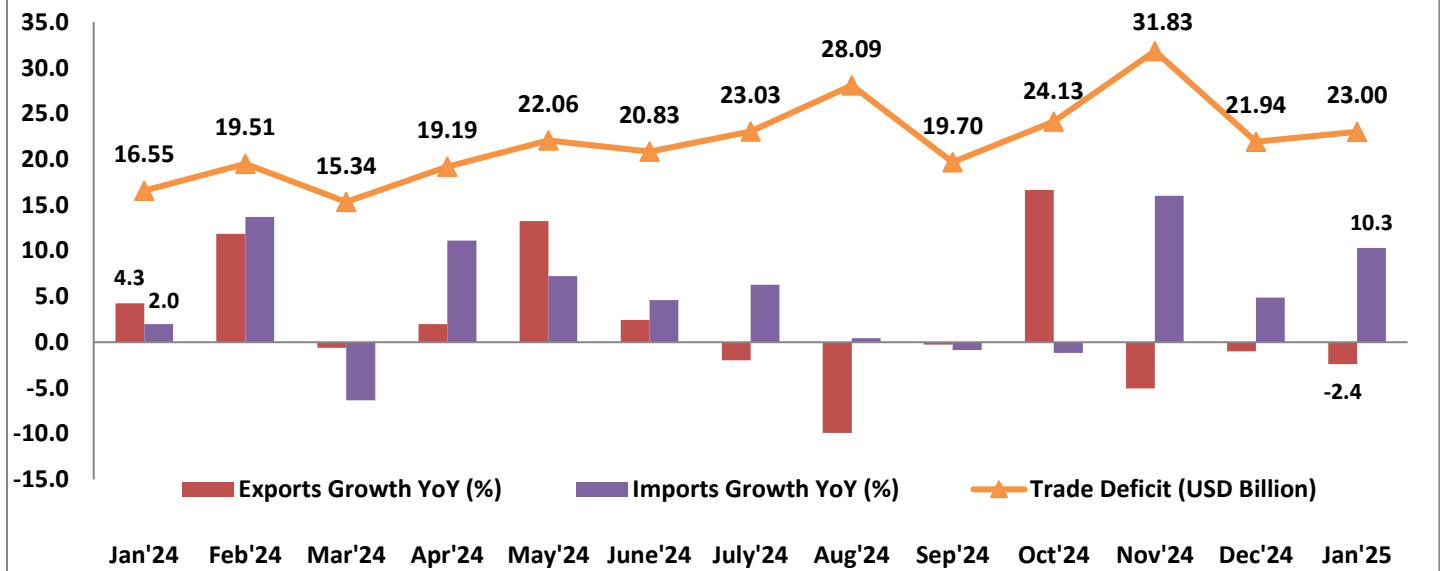
## Highlights:

### Trade Deficit Widens to \$23 Billion as Exports Dip & Imports Remaining Steady

India's merchandise trade deficit widened to \$23.0 billion in January 2025, up from to \$21.94 billion in December 2024 and \$16.55 billion in January 2024.

- Merchandise exports fell for the third consecutive month in Jan'25 by 2.4% YoY to \$36.43 billion, largely due to a 58.7% YoY decline in petroleum and crude product exports.
- However, Non-petroleum exports showed resilience, increasing 14.5% to \$32.86 billion in Jan'25, driven by Electronic Goods, Engineering Goods, Drugs & Pharmaceuticals, Rice, and Gems & Jewellery.
- Meanwhile, Merchandise imports increased by 10.3% to \$59.42 billion in Jan'25, led by increased inbound shipments of electronic goods, gold, non-ferrous metals, iron & steel, and chemicals, among others.

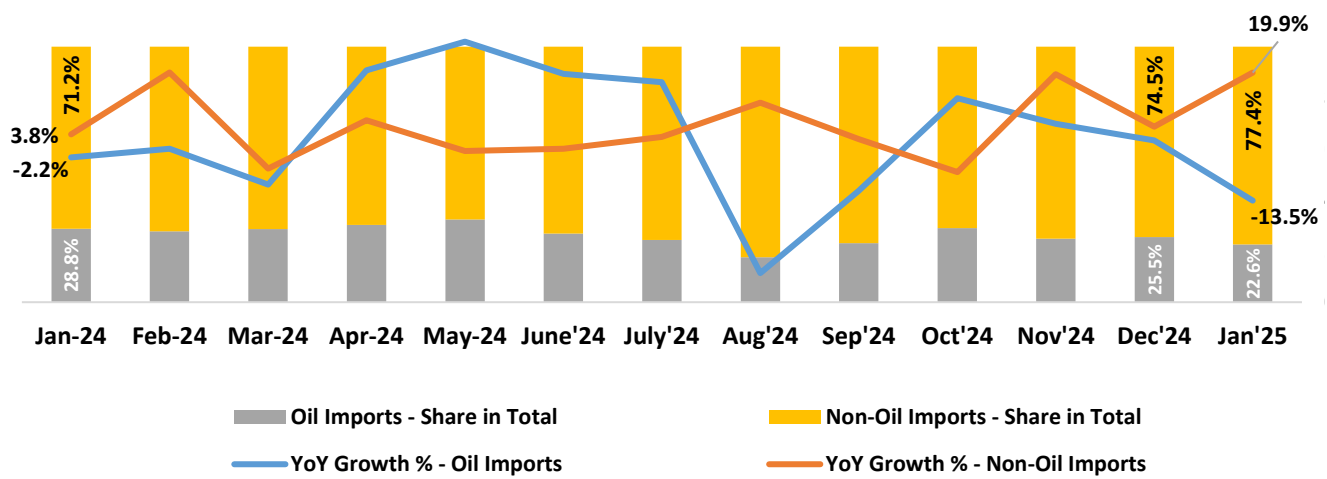
Chart 1: Export & Import YoY Growth (%) and Trade Deficit



(\$ billion)

Month	Exports	Imports	Trade Deficit
Jan'24	37.32	53.88	16.55
Jan'25	36.43	59.42	23.00
YoY Growth (%)	-2.41	10.29	

**Chart 2: Oil & Non-Oil Imports Share & Growth - %**



### Insights:

- ✓ In Jan'25, merchandise exports decreased by 2.4% YoY, while imports increased by 10.3% YoY, leading to a trade deficit of \$23.0 billion (bn). This trend has persisted for the third consecutive month.
- ✓ The deficit is mainly due to a significant drop in petroleum products exports (-58.7% YoY) and higher non-oil imports (+19.9% YoY).
- ✓ However, non-oil exports (+14.5% YoY, highest in the past 3 months) remained resilient, leading the overall exports. Major drivers include electronics (+79.0% YoY), engineering goods (+7.4% YoY), Drugs & Pharmaceuticals (+21.5% YoY), Rice (+44.6% YoY), and Gems & Jewellery (+15.9% YoY).
- ✓ India's oil imports contracted by 13.5% YoY in Jan'25. Consequently, their share in total imports fell to 22.6% in Jan'25 (from 28.8% in Jan'24), while non-oil imports gained.
- ✓ Gold imports increased by 40.8% YoY to \$2.69 billion in Jan'25, driven by higher international gold prices.

### Views:

- ✓ India's cumulative trade deficit stands at \$243 bn (+17.7% YoY) from Apr-Jan'25. This is not a cause for concern, as the trade surplus in services and steady remittances are expected to maintain Current Account Deficit (CAD) within manageable limit of approximately 1.0% of the GDP in FY25.
- ✓ Moreover, India's exports have shown resilience on back of Non-oil exports that have grown by 7.9% YoY from Apr-Jan'25, marking the highest growth in the past three years, despite geopolitical conflicts and tariff challenges. This demonstrates the strength of India's trade policies and the strong demand for Indian goods in the global market.
- ✓ Going forward, merchandise trade will remain in focus due to reciprocal tariff concerns arising from the US government. This is particularly concerning as the US is India's largest export market (\$68.47 bn from Apr-Jan'25 ~ 19.1% of total exports).
- ✓ The stronger dollar has impacted the Indian Rupee (INR) and trade deficit in Jan'25. As the INR has depreciated by ~1.4% against the USD in 2025 so far, affecting the trade deficit in short run.

**Top commodity groups exhibiting the most positive and negative growths YoY:**

<b>Exports</b>				
<b>Commodity groups exhibiting positive growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Jan'24	Jan'25	
1	Other cereals	14	28	103%
2	Electronic goods	2294	4105	79%
3	Tobacco	106	168	59%
<b>Commodity Groups exhibiting negative growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Jan'24	Jan'25	
1	Iron Ore	585	163	-72%
2	Petroleum & crude products	8615	3562	-59%
3	Oil Meals	174	103	-41%
<b>Imports</b>				
<b>Commodity groups exhibiting positive growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Jan'24	Jan'25	
1	Cotton Raw & Waste	20	122	520%
2	Pulses	309	756	145%
3	Sulphur & unroasted iron pyrites	12	27	136%
<b>Commodity Groups exhibiting negative growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Jan'24	Jan'25	
1	Project goods	229	119	-48%
2	Pearls, Precious & Semi-Precious Stones	1729	1226	-29%
3	Coal, coke & briquettes, etc.	3176	2693	-15%

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