

## Update on India's Merchandise Trade

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**India's merchandise trade deficit  
narrowed in Aug 2025; CAD to widen  
materially in Q2 FY2026 vis-à-vis Q1**

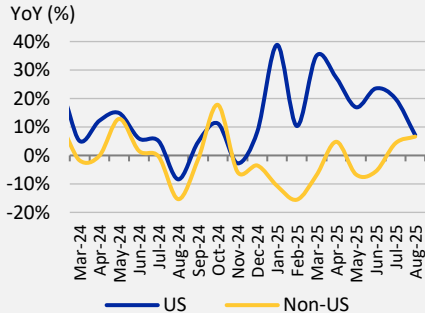
**SEPTEMBER 2025**





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**EXHIBIT: Trends in India's goods exports to the US and non-US regions**



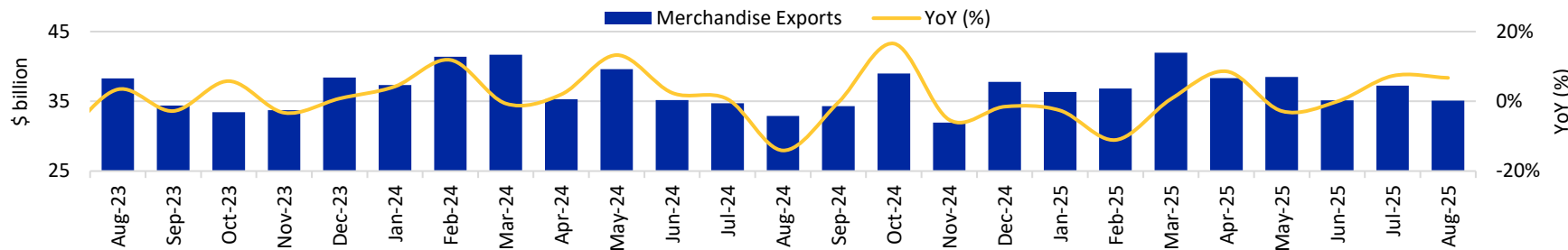
Source: Ministry of Commerce and Industry, Gol; ICRA Research

India's merchandise exports rose by a healthy 6.7% year-on-year (YoY) to \$35.1 billion in August 2025, even as such imports fell by a sharp 10.1% to \$61.6 billion in the month. Consequently, the merchandise trade deficit (MTD) printed at \$26.5 billion in August 2025, significantly lower than the year ago level of \$35.6 billion, which had been driven by an unusual surge in gold imports. However, it exceeded the average of \$23.7 billion seen during April-July 2025. Notably, the pace of expansion in India's exports to the US slowed to ~7% in August 2025 from ~25% in the first seven months of 2025 with the onset of the 50% tariffs by the US. This is also likely to weigh on exports to the US materially in September 2025, pushing up the trade deficit for the month. Overall, ICRA expects the current account deficit (CAD) to enlarge to \$11-14 billion in Q2 FY2026 from \$2.4 billion in Q1 FY2026.

- India's merchandise exports rose in August 2025, while such imports contracted:** India's merchandise exports saw a healthy YoY growth of 6.7% to \$35.1 billion in August 2025, boosted by both non-oil (+6.8%) and oil (+6.5%) shipments, amid a favourable base. In contrast, merchandise imports contracted by a sharp 10.1% YoY in August 2025, driven by lower gold (-56.7%; high base), and non-oil non-gold (-2.2%) imports.
- Trade deficit narrowed to \$26.5 billion in August 2025:** The merchandise trade deficit narrowed to \$26.5 billion in August 2025, compared to the sizeable \$35.6 billion seen in August 2024, while remaining higher than the average of \$23.7 billion seen during April-July FY2026. The YoY dip in the deficit in August 2025 was entirely driven by the non-oil segment (-\$17.7 billion from \$27.7 billion), while the oil deficit (to -\$8.8 billion from -\$7.9 billion) widened slightly.
- Outlook:** The average MTD for July-August 2025 is pegged at \$26.9 billion, significantly higher than the average monthly levels of \$22.5 billion seen during Q1 FY2026, which is likely to lead to a widening in the CAD to \$11-14 billion (1.3% of GDP) in the ongoing quarter. Interestingly, the growth in India's exports to the US slowed to 7.1% in August 2025 from ~25% in January-July 2025, as the 25% penalties over and above the 25% reciprocal tariffs came into effect at the end of the month. The penalty is likely to drive down exports to the US materially in the ongoing month, which should lead to a dip in overall exports, while also pushing up the trade deficit. At present, ICRA believes that CAD/GDP may surpass ~1.0% of GDP in FY2026, if the 50% US tariff rate prevails till end-March 2026.

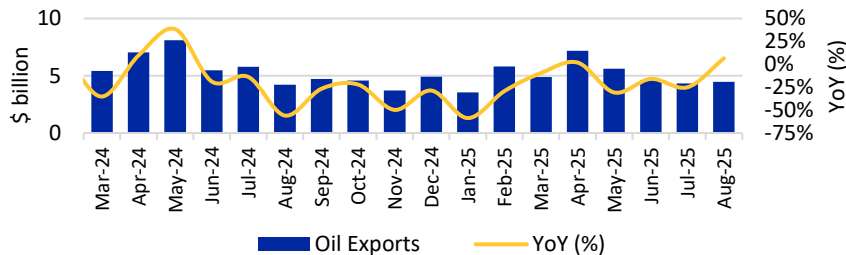
# India's merchandise exports rose by 6.7% YoY in August 2025, boosted by both non-oil and oil segments, amid a low base

**EXHIBIT: India's merchandise exports rose by a healthy 6.7% YoY to \$35.1 billion in August 2025, aided by a low base (-14.1% in August 2024); moreover, such exports were up by 7.0% during July-August FY2026 after the tepid 1.7% uptick seen in Q1 FY2026, led by the 10.3% increase in the non-oil segment**



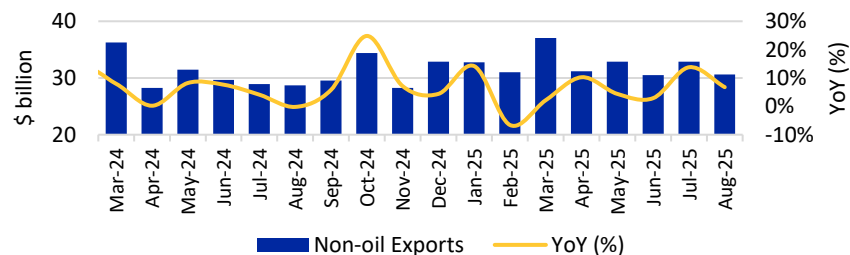
Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: Oil shipments rose by 6.5% YoY to \$4.5 billion in August 2025, while also exceeding the July 2025 levels by 3.2%; however, such exports were 11.8% YoY lower during July-August FY2026 (-15.6% YoY in Q1)**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

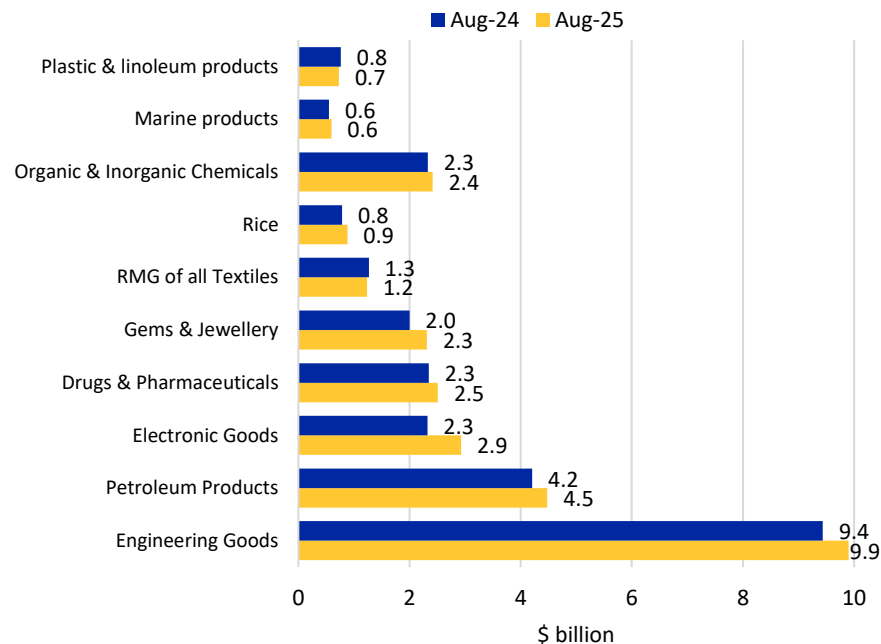
**EXHIBIT: Additionally, non-oil exports rose by 6.8% YoY to \$30.6 billion in August 2025 (-6.9% MoM); they recorded a robust expansion of 10.3% YoY in July-August FY2026 (+5.7% in Q1)**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

# Electronic and engineering goods were key drivers of growth in non-oil shipments in August 2025 and during 5M FY2026

**EXHIBIT: Electronic goods (+26%), gems and jewellery (+16%) and engineering goods (+5%) saw robust YoY expansion in August 2025, accounting for nearly ~71% of the absolute uptick in non-oil exports**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

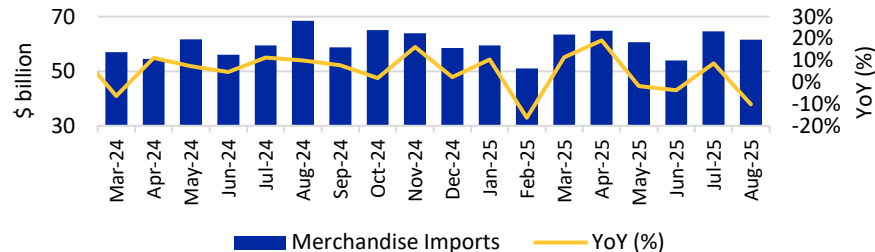
**EXHIBIT: During April-August 2025, exports were up by a muted 2.5%, with the YoY growth in electronic goods, pharma and engineering products partly offsetting the moderation in petroleum exports**

\$ billion	Apr-Aug 2024	Apr-Aug 2025	YoY (%)
<b>Exports - Total</b>	<b>179.6</b>	<b>184.1</b>	<b>2.5%</b>
Engineering Goods	46.5	49.2	5.8%
Petroleum Products	32.3	26.1	-19.4%
Electronic Goods	13.6	19.1	40.7%
Drugs & Pharmaceuticals	11.9	12.8	7.3%
Gems & Jewellery	11.1	11.4	2.2%
RMG of all Textiles	6.4	6.8	5.8%
Rice	4.4	4.7	6.4%
Organic & Inorganic Chemicals	11.8	11.9	0.8%
Marine products	2.8	3.2	16.0%
Plastic & linoleum products	3.6	3.7	1.1%
Others	35.2	35.4	0.7%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

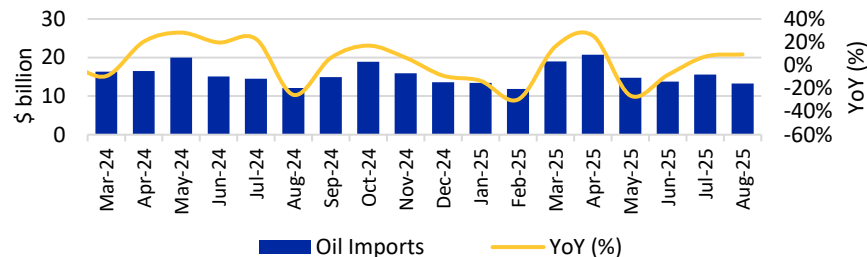
# Merchandise imports fell by ~10% YoY and ~5% MoM in August 2025, largely led by gold and non-oil non-gold items

**EXHIBIT: India's merchandise imports fell by a sharp 10.1% YoY in August 2025 (-4.6% MoM); such imports were 1.4% lower in July-August FY2026 (+4.2% in Q1)**



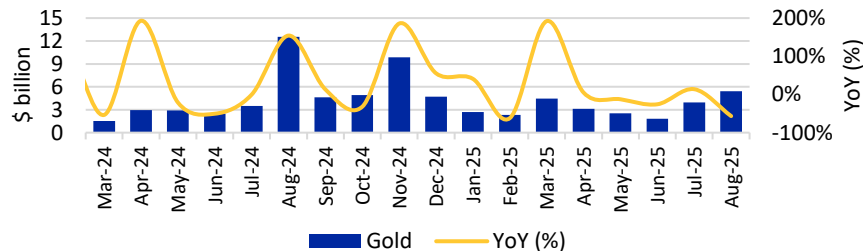
Source: Ministry of Commerce and Industry, Gol; CMIE; ICRA Research

**EXHIBIT: Imports of crude petroleum and products saw a YoY growth of 9.4% in August 2025 (-15% MoM); such imports rose by 8% YoY in July-August FY2026 after contracting by 4.4% in Q1**



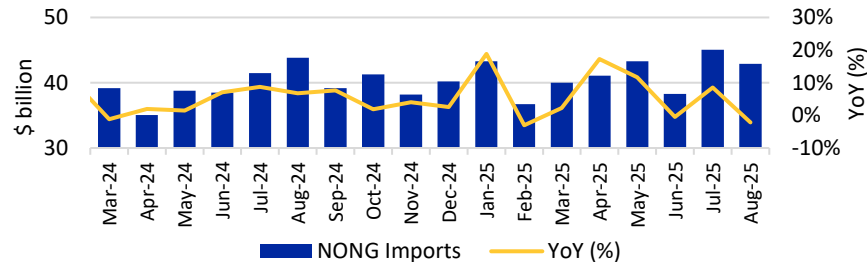
Source: Ministry of Commerce and Industry, Gol; CMIE; ICRA Research

**EXHIBIT: Gold imports fell by a sharp 57% YoY in August 2025, given the elevated base (+154% in August 2024); however, they surged to a 9-month high of \$5.4 billion (in value terms), aided by festive demand**



Source: Ministry of Commerce and Industry, Gol; CMIE; ICRA Research

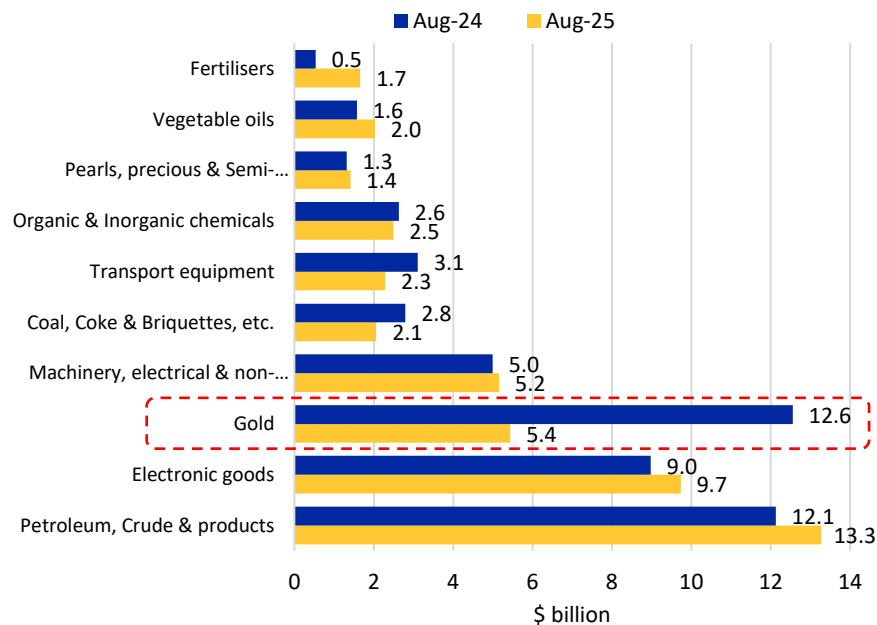
**EXHIBIT: Non-oil non-gold (NONG) imports contracted by 2.2% YoY and 5% MoM; however, they were 3.0% YoY higher during July-August FY2026 (+9.3% in Q1)**



Source: Ministry of Commerce and Industry, Gol; CMIE; ICRA Research

# YoY decline in merchandise imports in August 2025 was largely driven by gold, chemicals, transport equipment

**EXHIBIT: The YoY decline of \$6.9 billion in August 2025 was led by imports of gold, transport equipment, chemicals, etc., which offset the expansion seen in imports of electronic goods, electrical and non-electrical machinery, etc.**



Source: Ministry of Commerce and Industry, Gov; CMIE; ICRA Research

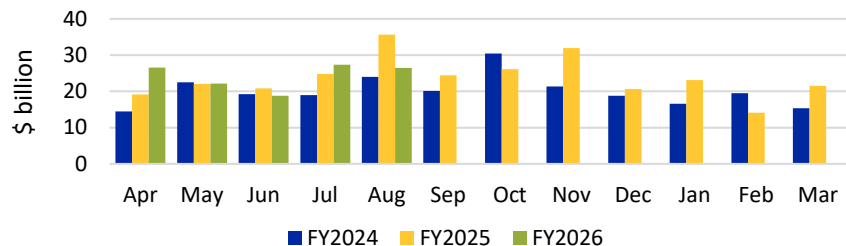
**EXHIBIT: Imports were up by \$6.4 billion YoY during April-August 2025, driven by electronic goods, machinery, etc., even as gold, coal, oil, and chemical imports trailed the year ago levels during this period**

\$ billion	Apr-Aug 2024	Apr-Aug 2025	YoY (%)
<b>Imports - Total</b>	<b>300.1</b>	<b>306.5</b>	<b>2.1%</b>
Petroleum, Crude & products	78.1	78.1	-0.1%
Electronic goods	39.6	46.3	17.1%
Gold	24.4	16.9	-30.7%
Machinery, electrical & non-electrical	21.5	24.6	14.6%
Coal, Coke & Briquettes, etc.	15.1	12.2	-19.5%
Transport equipment	14.4	12.9	-9.8%
Organic & Inorganic chemicals	12.4	12.3	-0.9%
Pearls, precious & Semi-precious stones	8.0	7.9	-2.2%
Vegetable oils	7.7	8.2	7.5%
Fertilisers	3.5	5.4	53.0%
Others	75.5	81.7	8.3%

Source: Ministry of Commerce and Industry, Gov; CMIE; ICRA Research

# MTD eased to \$26.5 billion in August 2025 vis-à-vis year ago levels; CAD to rise to \$11-14 billion in Q2 FY2026 from \$2.4 billion in Q1

**EXHIBIT: India's MTD narrowed to \$26.5 billion in August 2025 from \$35.6 billion in the year ago period; however, it exceeded the monthly average of \$23.7 billion seen in April-July FY2026**



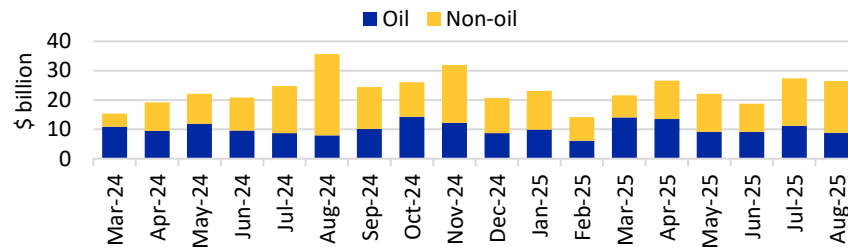
Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: The MTD aggregated to \$122.4 billion during April-August 2025, higher than \$120.5 billion in the year ago period, entirely led by the oil segment**

\$ billion	Apr-Aug 2024	Apr-Aug 2025	YoY (%)
<b>Trade deficit</b>	<b>120.5</b>	<b>122.4</b>	<b>1.6%</b>
---Oil deficit	45.8	52.0	13.6%
---Non-oil deficit	74.7	70.4	-5.8%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: The non-oil deficit compressed (-\$17.7 billion in August 2025 vs. -\$27.7 billion in August 2024; amid a sharp dip in gold imports), while the oil deficit (-\$8.8 billion vs. -\$7.9 billion) enlarged in August 2025**

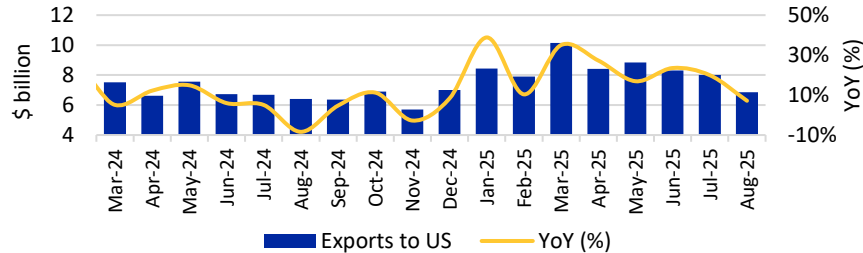


Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

- Given the sharp widening in the merchandise trade deficit during July-August 2025, ICRA projects the CAD to enlarge to \$11-14 billion (1.3% of GDP) in Q2 FY2026 from \$2.4 billion (0.2% of GDP) in Q1 FY2026.
- At present, ICRA believes that the CAD/GDP could surpass ~1.0% if the 50% US tariffs continue till end-March 2026, which would lead to a YoY decline in merchandise exports.

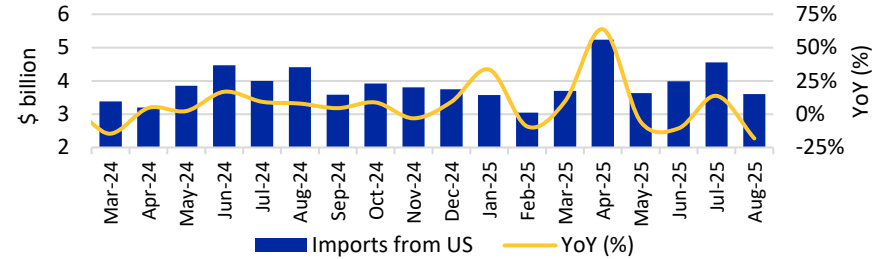
# India's shipments to the US dipped in August 2025, following the frontloading seen in 7M CY2025; penalties to weigh on exports in September 2025

**EXHIBIT: The growth in India's exports to the US eased to 7.1% in August 2025 (\$6.9 billion) from over 20% during January-July 2025 (avg. of \$8.6 billion in 7M CY2025 aided by frontloading), as penalties came into effect at month-end**



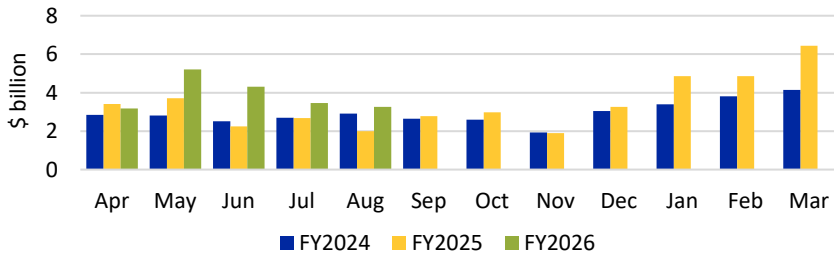
Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: India's imports from the US also witnessed a setback, contracting by 18.2% YoY to \$3.6 billion in August 2025, as against a sharp uptick of 13.8% YoY to \$4.6 billion in July 2025 (vs. avg. of \$4.0 billion during Jan-Jul 2025)**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: Amid greater sequential fall in exports vis-à-vis imports, India's trade surplus with the US narrowed to \$3.3 billion in August 2025 from \$3.5 billion in July 2025, while exceeding the \$2.0 billion surplus in August 2024**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: With a sharper rise in India's exports to the US (+18.1%) during 5M FY2026 vis-à-vis imports (+8.5%), trade surplus with the US surged during this period**

(\$ billion)	Apr-Aug 2024	Apr-Aug 2025	YoY (%)
Exports – A	34.2	40.4	18.1%
Imports – B	19.9	21.6	8.5%
<b>Trade Balance (A-B)</b>	<b>14.3</b>	<b>18.8</b>	<b>31.3%</b>

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

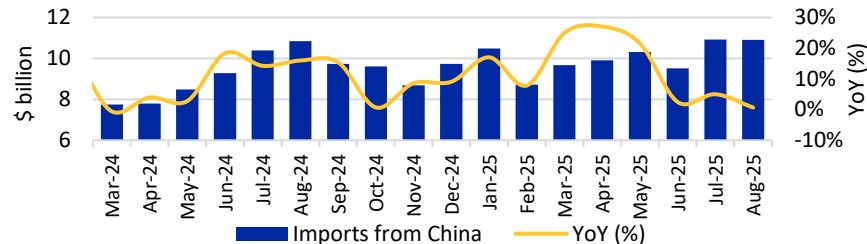
# India's imports from China remained elevated in August 2025; trade deficit with the country widened during 5M FY2026 compared to year ago levels

**EXHIBIT: India's exports to China continued to record double-digit growth, up by ~22% YoY in August 2025 (low base: -23.2% in August 2024); nevertheless, its share in India's total exports remained low at 3.5%**



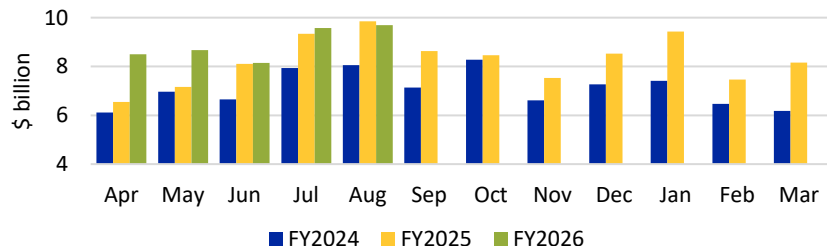
Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: Even as India's imports from China rose by a tepid 0.7% YoY in August 2025, in value terms these stood at an elevated \$10.9 billion, resulting in higher share in total imports at ~18% (avg. 15% in CY2023-24)**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: Consequently, India's trade deficit with China rose to \$9.7 billion in August 2025 - the highest level in CY2025 so far; this is only slightly lower than the peak of \$9.8 billion seen in August 2024**



Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

**EXHIBIT: During April-August 2025, India's trade deficit with China enlarged to \$44.6 billion from \$41.0 billion during April-August 2024; this was equivalent to ~36% of India's overall MTD and ~63% of its non-oil deficit**

(\$ billion)	Apr-Aug 2024	Apr-Aug 2025	YoY (%)
Exports – A	5.8	7.0	19.8%
Imports – B	46.8	51.6	10.2%
<b>Trade balance (A-B)</b>	<b>41.0</b>	<b>44.6</b>	<b>8.8%</b>

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

# Annexure A.1: India's merchandise exports by country

Table A.1: Trends in India's merchandise exports by country

	FY2024 (\$ billion)	FY2025 (\$ billion)	YoY (%)	Share in FY2025 (%)	Apr-Aug 2024 (\$ billion)	Apr-Aug 2025 (\$ billion)	YoY (%)	Share in Apr-Aug 2025 (%)
<b>World</b>	<b>437.1</b>	<b>437.7</b>	<b>0.1%</b>	<b>100.0%</b>	<b>179.6</b>	<b>184.1</b>	<b>2.5%</b>	<b>100.0%</b>
USA	77.5	86.7	11.8%	19.8%	34.2	40.4	18.1%	21.9%
UAE	35.6	36.7	2.9%	8.4%	14.3	15.3	6.5%	8.3%
Netherlands	22.4	22.7	1.5%	5.2%	11.2	9.1	-18.5%	4.9%
China	16.7	14.3	-14.4%	3.3%	5.8	7.0	19.8%	3.8%
UK	13.0	14.6	12.1%	3.3%	6.3	5.7	-8.9%	3.1%
Germany	9.8	10.5	7.2%	2.4%	4.2	4.7	11.7%	2.5%
Bangladesh	11.1	11.4	2.9%	2.6%	4.4	4.5	3.4%	2.4%
Saudi Arabia	11.6	11.8	1.8%	2.7%	4.6	4.1	-12.6%	2.2%
Singapore	14.4	13.0	-10.2%	3.0%	5.6	4.9	-12.9%	2.7%
Australia	7.9	8.6	8.3%	2.0%	3.6	3.2	-10.5%	1.7%
Others	217.1	207.6	-4.4%	47.4%	85.4	85.4	-0.1%	46.4%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

## Annexure A.2: India's merchandise exports by major commodities

Table A.2: Trends in India's merchandise exports by commodity

	FY2024 (\$ billion)	FY2025 (\$ billion)	YoY (%)	Share in FY2025 (%)	Apr-Aug 2024 (\$ billion)	Apr-Aug 2025 (\$ billion)	YoY (%)	Share in Apr-Aug 2025 (%)
<b>World</b>	<b>437.1</b>	<b>437.7</b>	<b>0.1%</b>	<b>100.0%</b>	<b>179.6</b>	<b>184.1</b>	<b>2.5%</b>	<b>100.0%</b>
Engineering Goods	102.9	109.6	6.6%	25.0%	46.5	49.2	5.8%	26.7%
Petroleum Products	84.2	63.3	-24.8%	14.5%	32.3	26.1	-19.4%	14.2%
Electronic Goods	31.0	40.9	32.0%	9.3%	13.6	19.1	40.7%	10.4%
Drugs & Pharmaceuticals	27.9	30.5	9.5%	7.0%	11.9	12.8	7.3%	6.9%
Gems & Jewellery	32.7	29.9	-8.8%	6.8%	11.1	11.4	2.2%	6.2%
RMG of all Textiles	14.5	16.0	10.2%	3.7%	6.4	6.8	5.8%	3.7%
Rice	10.4	12.5	20.1%	2.9%	4.4	4.7	6.4%	2.6%
Organic & Inorganic Chemicals	9.6	10.1	5.9%	2.3%	11.8	11.9	0.8%	6.5%
Marine products	7.4	7.4	0.5%	1.7%	2.8	3.2	16.0%	1.7%
Plastic & linoleum products	6.3	6.9	10.5%	1.6%	3.6	3.7	1.1%	2.0%
Others	110.4	110.6	0.2%	25.3%	35.2	35.4	0.7%	19.2%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

## Annexure A.3: India's merchandise imports by country

Table A.3: Trends in India's merchandise imports by country

	FY2024 (\$ billion)	FY2025 (\$ billion)	YoY (%)	Share in FY2025 (%)	Apr-Aug 2024 (\$ billion)	Apr-Aug 2025 (\$ billion)	YoY (%)	Share in Apr-Aug 2025 (%)
<b>World</b>	<b>678.3</b>	<b>720.3</b>	<b>6.2%</b>	<b>100.0%</b>	<b>300.1</b>	<b>306.5</b>	<b>2.1%</b>	<b>100.0%</b>
China	101.7	113.5	11.6%	15.8%	46.8	51.6	10.2%	16.8%
UAE	48.1	63.5	32.2%	8.8%	24.2	26.4	9.2%	8.6%
Russia	61.2	63.8	4.3%	8.9%	28.0	26.5	-5.5%	8.6%
USA	42.2	45.3	7.4%	6.3%	19.9	21.6	8.5%	7.0%
Saudi Arabia	31.4	30.1	-4.1%	4.2%	11.5	12.4	7.7%	4.0%
Iraq	30.0	28.9	-3.7%	4.0%	12.0	11.2	-6.4%	3.7%
Hong Kong	20.5	19.8	-3.4%	2.7%	7.4	9.2	24.0%	3.0%
Japan	17.7	18.9	6.9%	2.6%	7.7	8.9	15.6%	2.9%
Singapore	21.2	21.3	0.5%	3.0%	8.8	9.7	9.9%	3.2%
Indonesia	23.4	22.8	-2.8%	3.2%	10.7	8.7	-17.9%	2.9%
Others	281.0	292.4	4.1%	40.6%	123.2	120.4	-2.3%	39.3%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research

# Annexure A.4: India's merchandise imports by major commodities

Table A.4: Trends in India's merchandise imports by commodity

	FY2024 (\$ billion)	FY2025 (\$ billion)	YoY (%)	Share in FY2025 (%)	Apr-Aug 2024 (\$ billion)	Apr-Aug 2025 (\$ billion)	YoY (%)	Share in Apr-Aug 2025 (%)
<b>World</b>	<b>678.3</b>	<b>720.3</b>	<b>6.2%</b>	<b>100.0%</b>	<b>300.1</b>	<b>306.5</b>	<b>2.1%</b>	<b>100.0%</b>
Petroleum, Crude & products	178.8	185.7	3.9%	25.8%	78.1	78.1	-0.1%	25.5%
Electronic goods	91.0	102.6	12.7%	14.2%	39.6	46.3	17.1%	15.1%
Gold	45.6	57.9	27.1%	8.0%	24.4	16.9	-30.7%	5.5%
Machinery, electrical & non-electrical	48.4	52.8	9.1%	7.3%	21.5	24.6	14.6%	8.0%
Coal, Coke & Briquettes, etc.	38.9	31.1	-20.1%	4.3%	15.1	12.2	-19.5%	4.0%
Transport equipment	24.9	26.5	6.6%	3.7%	14.4	12.9	-9.8%	4.2%
Organic & Inorganic chemicals	21.1	22.8	7.6%	3.2%	12.4	12.3	-0.9%	4.0%
Pearls, precious & semi-precious stones	23.8	18.0	-24.4%	2.5%	8.0	7.9	-2.2%	2.6%
Vegetable oils	14.9	17.3	16.5%	2.4%	7.7	8.2	7.5%	2.7%
Fertilisers	10.5	10.2	-2.2%	1.4%	3.5	5.4	53.0%	1.7%
Others	180.6	195.4	8.2%	27.1%	75.5	81.7	8.3%	26.7%

Source: Ministry of Commerce and Industry, GoI; CMIE; ICRA Research



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