Trade deficit eases to $21.94 bn as gold imports fall

Exports in Dec contract 1%

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New Delhi, 15 January

India's merchandise trade deficit narrowed to $21.94 billion in December, down from a record $31.86 billion in November, as gold imports halved to $4.7 billion, according to commerce department data released on Wednesday.

The data showed merchandise exports contracted by 1 per cent year-on-year to $38.01 billion in December amid ongoing geopolitical tensions.

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Significantly, electronics exports rose 35.11 per cent to a 24-month high of $3.58 billion in December 2024.

Meanwhile, imports grew 4.9 per cent year-on-year to $59.95 billion but fell by 6 per cent vis à vis November's revised figure of $63.86 billion.

The import data figure for the April-November 2024 period also saw a downward revision of $17.5 billion to $469.3 billion, from $486.8 billion. The corrections primarily affected gold import data, which was revised downward by $11.7 billion for the period, alongside reductions in silver and electronics imports.

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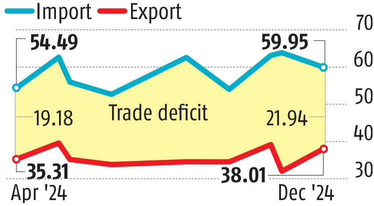
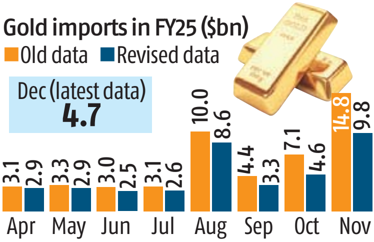
TRADE METER

Merchandise trade (in $ bn)



Source: Department of Commerce

Gold imports in FY25 ($bn)



Source: Directorate General of Commercial Intelligence and Statistics

Cumulative merchandise exports rise 1.6% in Apr-Dec

In November alone, gold imports were slashed by $5 billion to $9.8 billion following the discovery of a calculation error caused by double-counting shipments stored in warehouses.

Last week, the commerce department said that data revision was necessitated due to the "migration of data transmission mechanism" from National Securities Depository Limited (NSDL) — which captures special economic zone (SEZ) data — to the Indian Customs Electronic Gateway (ICEGATE).

Commerce Secretary Sunil Barthwal said that a standard operating procedure is being developed to improve coordination between the commerce and revenue departments and ensure more accurate data reconciliation.

The government is still reviewing trade data, and the process is expected to be completed by next month, said another official. The revisions could have implications for key macroeconomic indicators, including the current account deficit (CAD) and gross domestic product (GDP).

Gold imports remained elevated in December, rising 55 per cent year-on-year to $4.7 billion. Aditi Nayar, chief economist and head-research & output at ICRA, noted that a Customs duty cut earlier this financial year was the reason for more than half the rise in the trade deficit.

Other import categories also recorded increases, with electronics up 9.6 per cent, petroleum products rising 2.2 per cent, machinery up 11.75 per cent, organic and inorganic chemicals increasing 7.59 per cent, and vegetable oil imports surging 18.61 per cent.

"The sequential dip in the trade deficit in December, coupled with the sharp downward revision for the previous month due to rectified gold import values, is expected to result in a relatively favourable CAD for Q3FY25," Nayar said. "We now estimate the CAD to print at 2.0 per cent of GDP for the quarter and around 1 per cent of GDP for FY25."

On the export front, petroleum shipments fell by 28.6 per cent year-on-year to $4.9 billion, while gems and jewellery exports plummeted by 26 per cent to $2.5 billion. However, other key sectors showed growth: Engineering goods rose 8.35 per cent, drugs and pharmaceuticals were up 0.63 per cent, electronics surged 35.11 per cent, and readymade garments increased 12.89 per cent.

Non-petroleum and non-gems and jewellery product exports (core exports) together grew 8 per cent to $30.9 billion.

For the April-December period, cumulative merchandise exports rose 1.6 per cent to $321.71 billion, while imports climbed 5.1 per cent to $532.48 billion.

In the services sector, exports grew by 3.2 per cent year-on-year to $32.66 billion in December, while imports rose by 11.9 per cent to $17.5 billion, leaving a services trade surplus of $15.16 billion. However, December's services trade data remains provisional and will be revised following Reserve Bank of India updates.