FY25 trade deficit with China close to $100 bn amid dumping concerns

US remains India's largest trade partner

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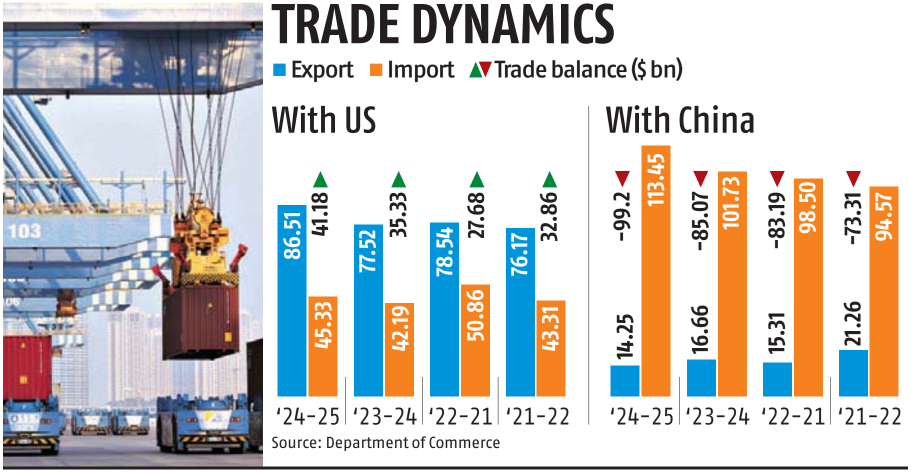
India's trade deficit with China neared $100 billion in FY25, amid escalating concerns of dumping, data released by the commerce department on Wednesday showed.

Chinese imports rose by 11.5 per cent to $113.45 billion, while outbound shipments to the neighbouring country saw 14.5 per cent contraction to $14.2 billion. As a result, the trade deficit with China widened to $99.2 billion in FY25 from $85 billion a year ago. The sharp rise in imports from China has sparked fresh concerns amid the intensifying trade war between Washington and Beijing. Both the countries are slapping more than 100 per cent tariffs on each other. The Indian government fears that escalating costs in the American market may prompt exporters — particularly from countries like China — to divert their shipments to India. This could potentially trigger a surge in imports and put pressure on domestic industries.



Even during March, imports from China grew by a fourth at $9.67 billion, while exports declined by nearly 3 per cent to $1.5 billion.

The surge in imports from China was led by a rise in electronic goods, electric vehicle batteries, solar cells, and key industrial inputs.

Ajay Srivastava, former trade ministry official and founder of Delhi-based think tank Global Trade Research Initiative (GTRI) said that the government's production-linked incentive (PLI) scheme — that aims to make India a manufacturing powerhouse — is fuelling import growth due to their heavy reliance on imported components.

"What's more alarming is that India's exports to China fell 14.5 per cent to $14.2 billion — lower than they were in FY14, when the rupee was significantly stronger. These numbers are a wake-up call. India needs to fix its internal manufacturing gaps and invest in deep industrial capabilities," Srivastava said.

The data further showed that India's exports to the US jumped 35 per cent to $10.1 billion in March. It was mainly due to the front-loading of shipments in anticipation of America's imposition of reciprocal tariffs from April 9, which has been temporarily paused. This was a key factor behind the marginal 0.7 per cent growth in merchandise exports in March, which reached nearly $42 billion despite global uncertainties.

During March, imports from the US saw 9.6 per cent growth at $3.7 billion, resulting in a trade surplus of $6.4 billion. In FY25, imports grew by 7.4 per cent to $45.3 billion.

The US was India's largest trade partner not only for March but also during FY25, followed by China.

Other countries

Data released by the commerce department showed that during March, outbound shipments to six of top 10 export destinations — United Arab Emirates (UAE), The Netherlands, China, Singapore, Saudi Arabia and Bangladesh — contracted.

Exports to Singapore witnessed the sharpest contraction at -44.3 per cent, followed by Saudi Arabia -18.5 per cent, UAE at -15 per cent, Netherlands at -15 per cent, Bangladesh at -14.8 per cent and China at -2.9 per cent.

Apart from the US, exports to countries that saw positive growth include the United Kingdom (8.4 per cent), Germany (4.3 per cent) and Australia (70.8 per cent).

During March, India's overall imports witnessed 11.4 per cent growth at $63.5 billion.

This was led by a jump in inbound shipments from five of the top 10 import destinations — China, the US, UAE, Saudi Arabia and Singapore.

India's import dependency went down for countries such as South Korea (-1 per cent), Switzerland (-4.5 per cent), Indonesia (-7.4 per cent), Iraq (-16.4 per cent) and Russia (-1.3 per cent).