

Exports at 4-yr high, but bullion imports widen trade deficit

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India's merchandise exports rose 13.8 per cent year-on-year in April to a four-year high of \$43.56 billion, according to the commerce ministry data released on Friday, despite supply-chain disruptions linked to the crisis in West Asia. Still, the trade deficit widened to a three-month high of \$28.38 billion as imports surged 10 per cent year-on-year to a six-month peak of \$71.94 billion, driven by rising inflows of gold and silver.

Commerce Secretary Rakesh Agrawal attributed the export growth to higher commodity prices and Indian industry's efforts to diversify markets. Exports to China and

Singapore witnessed a sharp uptick, but trade with the United Arab Emirates (UAE) came under pressure because of the ongoing blockade of the Strait of Hormuz.

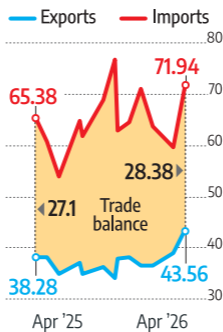
Petroleum products and electronic goods were the main drivers of export growth in April. Petroleum product exports rose 34.7 per cent from a year earlier to \$9.59 billion, while electronic goods exports climbed 40.3 per cent to \$5.18 billion.

On the import side, gold shipments jumped 81.7 per cent to \$5.63 billion in April, while silver imports more

than doubled to \$411.06 million. The sharp increase is likely to have prompted the government's decision earlier this week to more than double the import duties on the two precious metals. Turn to Page 9 ▶

Gap expands

India's merchandise trade (\$ billion)



Source: Commerce dept

and support OMCs.

According to a research report by State Bank of India, the latest fuel price increase could reduce OMC under-recoveries by around ₹52,700 crore, equivalent to nearly 15 per cent of the sector's estimated FY27 losses.

The report, however, cautioned that any further depreciation in the rupee could offset these gains by raising the effective import cost of crude oil. "Our calculations show that, even an additional depreciation of ₹2 in the rupee (from FY27 current average at ₹94) raises the effective crude oil price pushing the landed import cost which fully offsets the gains from the current fuel price hike," it said.

Gaura Sen Gupta, chief economist at IDFC First Bank, said the increase in fuel prices would add about 12 basis points to headline consumer price inflation (CPI), factoring in only the direct impact. "May CPI inflation is estimated at nearly 3.9 per cent, incorporating the fuel price hike. Full-year FY27 CPI inflation is expected to average 4.9 per cent, factoring in both the increase in fuel prices and second-round effects," she said.

Exports at 4-yr high, trade deficit widens

Following the duty increase on gold, Agrawal said he expected imports of the yellow metal to decline in the coming months. "Consumption-based usage of gold should go down due to the duty hike," he told reporters on Friday. The commerce ministry estimated services exports at \$37.24 billion in April, up 13.4 per cent year on year. Services imports were estimated at \$16.66 billion, slightly below \$16.91 billion in April 2025, leaving India with an estimated services trade surplus of \$20.58 billion. The Reserve Bank of India is expected to release final services trade data later this month.

The impact of supply-chain disruption stemming from the conflict in West Asia was visible in India's trade with the United Arab Emirates, with both exports and imports declining by more than 30 per cent in April. India's crude oil imports, most of which pass through Strait of Hormuz, also fell 10 per cent to \$18.63 billion.

The US remained India's largest export destination in April, although exports rose only marginally to \$8.48 billion from \$8.38 billion a year earlier. Imports from the US fell 4.7 per cent to \$5.27 billion.

Exports to Singapore recorded an unexpected surge, nearly trebling to \$3.20 billion in April. Merchandise exports

Megha Arora, director at India Ratings & Research, said the combined impact of the fuel and milk price increases could raise CPI inflation by around 42 basis points. "The actual impact on CPI inflation is likely to be higher as the fuel price increase will affect CNG prices, transportation, freight, the e-commerce industry, and diesel users, coastal fish farmers and aquaculture farmers," she said.

Higher diesel prices are also expected to increase pressure on the farm sector by raising operational and mechanisation costs across the agricultural cycle. "Diesel powers more than 60 per cent of farm mechanisation activities, and overall cultivation expenses are projected to rise by 6-10 per cent," said Vinod Goyal, chief executive officer at Agricare Corporation.

"Fuel price increases are immediately passed on by equipment owners to farmers. Hiring rates for tractors, rotavators and tillers are expected to rise, adding an estimated burden of ₹400-600 per hour for essential ploughing operations," he added.

(Inputs from Asit Ranjan Mishra & Sanjeeb Mukherjee)

to China increased 27 per cent to \$1.77 billion in April. China also remained India's largest source of imports, with shipments rising 20.9 per cent to \$11.97 billion.

India's cumulative exports stood at \$80.80 billion in the first month of FY27, a year in which the government is targeting total exports of \$1 trillion. According to Agrawal, the government is relying on the implementation of recently concluded trade agreements, along with support for exporters under the Export Promotion Mission, to achieve the target.

The commerce department would work with exporters to deliver export growth of 10-15 per cent this year, Agrawal said. "In the uncertain global environment, supply chains normally get recalibrated. We will work with our exporters to see if our quest to diversify to new markets can become part of that shift in supply chains," he added.

Meanwhile, Federation of Indian Export Organisations President S C Ralhan stressed the need for continued policy support for exporters, stable logistics supply chains and greater market-access initiatives to sustain export momentum in the coming months. "The growth in merchandise

exports in April demonstrates the underlying strength and adaptability of Indian

exporters amid an increasingly uncertain global trade environment," Ralhan said.

Rupee slumps past 96/\$ tracking crude, dollar index

With elevated crude oil prices, Barclays revised the current account deficit (CAD) forecast to 1.8 per cent of gross domestic product (GDP), and estimated balance of payment (BoP) deficit at \$50 billion for financial year 2026-27 (FY27).

The domestic currency came under pressure as the dollar index rose to 99.30, against the previous day's 98.51. The dollar index measures the strength of the greenback against a basket of six major currencies.

Brent crude oil prices also climbed to around \$109 per barrel, against previous day's 105.50 per barrel, amid escalating geopolitical tensions and uncertainty surrounding the US-Iran conflict. India's merchandise trade deficit widened in April, as imports rose faster than exports, adding to concerns over the country's external position.

"There is constant outflow, which is putting pressure on the rupee, with crude oil price and dollar index inching up," said a dealer at a state-owned bank. "There was RBI intervention, which helped the rupee settle below 96 per dollar," he added.

Foreign investors have net sold ₹2 trillion worth of domestic equities since the onset of the West Asia conflict, whereas they have net sold ₹924 crore worth of debt during the same period, NSDL data showed. Meanwhile, foreign portfolio investors (FPIs) have net sold ₹10,466 crore worth of government securities (G-Secs) under the fully accessible route (FAR) during the same period, according to data from the Clearing Corporation of India Limited (CCIL).

The rupee has been the worst-performing Asian currency in 2026, depreciating 6.35 per cent. Since April, the Indian unit has fallen 1.21 per cent.

A report by State Bank of India (SBI) said the benefits to oil companies after the ₹3 hike in fuel prices will be wiped out if the rupee depreciates by ₹2

more.

"The ₹3 per litre increase provides an estimated benefit of around ₹477 per barrel to oil companies (OMCs)... However, even an additional depreciation of ₹2 in the rupee raises the effective crude oil price, pushing the landed import cost, which fully offsets the gains from the fuel price hike," the report said.

Market participants said the RBI was likely intervening intermittently through state-run banks to smoothen volatility in the currency market, although pressure on the rupee remains elevated due to the sharp rise in oil prices and sustained dollar demand from importers. Policy measures from the regulator or the government could provide temporary support to the rupee, and the Indian unit touching the 100/\$ mark in the near term cannot be ruled out.

"Any intervention measure from the regulator or the government could provide temporary support to the rupee, but in the absence of fresh triggers, the currency may stabilise around the 96-96.25 per dollar levels. The risk of the rupee touching 100 per dollar cannot be ruled out entirely, though assigning a timeline to such a move would be speculative," said the treasury head of a private bank.

Bond yields may also harden further with oil companies increasing pump prices of petrol and diesel, which would exert pressure on inflation. "Given elevated crude oil prices, inflation risks, and the potential fiscal impact, the benchmark 10-year bond yield could move towards 7.25 per cent if oil prices remain high, while 6.85 per cent may act as the lower end of the range in case of a rally," the person quoted above added.

Bond market participants said that the cutoff yield at the weekly government bond auction was higher than expected, which further pushed the benchmark yield higher.

India, UAE sign pacts on LPG, strategic oil reserves

However, the pipeline has the capacity to transfer only 1.5-1.8 million barrels of oil per day.

The UAE's crude oil production capacity stands at 4.85 million barrels per day, though actual production is around 3.4 million barrels per day. The country intends to raise output following its exit

from the Organisation of Petroleum Exporting Countries (Opec) and Opec+. India consumes around 5.5 million barrels of oil daily.

During the visit, India and the UAE also signed a framework agreement on a strategic defence partnership, under which the two sides agreed to