200% spike in gold import drives trade deficit to $41.68 bn

Exports in Oct saw sharpest decline in 14 mths

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India's merchandise trade deficit widened to a record $41.68 billion in October, as gold imports trebled and outbound shipments registered their sharpest contraction in 14 months, according to data released by the commerce department.

Merchandise exports fell 11.8 per cent to $34.38 billion, an 11-month low, while goods imports grew 16.66 per cent to an all-time high of $76.06 billion.

Exports to the US fell 8.6 per cent to $6.3 billion in October, following the imposition of relatively high 50 per cent tariff on several Indian products. Exports to other key trade partners — the United Arab Emirates (-10.2 per cent), the Netherlands (-22.75 per cent) and the United Kingdom (-27.16 per cent) — also contracted.

The merchandise trade deficit had stood at $26.22 billion in October last year, and at 13-month high of $32.15 billion in September this year.

Gold imports surged 199.2 per cent year-on-year to $14.72 billion in October, fuelled by pent-up demand and the festival season. Silver imports rose sixfold to $2.72 billion, driven by increased shipments of plain silver from a free-trade agreement partner country, government officials said.

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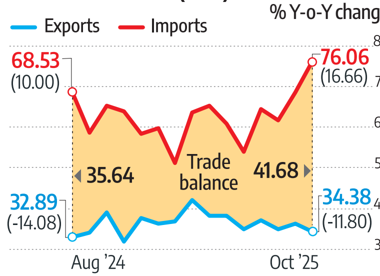
Import bill hits $76 bn

Merchandise trade ($ bn) Figures in brackets: % Y-o-Y change



Worst-performing export sectors

For October 2025	Value ($ bn)	% Y-o-Y change
Gems & jewellery	2.29	-29.5
Organic & inorganic chemicals	2.14	-21.02
Engineering goods	9.37	-16.71
Petroleum products	3.95	-10.51
Drugs & pharmaceuticals	2.49	-5.15

Source: Department of Commerce

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Services exports grew 11.9 per cent to $38.52 billion in October, while services imports rose 8.1 per cent to $18.64 billion, resulting in a surplus of $19.88 billion. The commerce department noted, however, that the services trade data for October is an "estimate" and will be revised based on the Reserve Bank of India's subsequent release. The overall trade deficit, combining both merchandise and services, climbed to $21.8 billion in October from $9 billion a year earlier.

Addressing mediapersons, Commerce Secretary Rajesh Agrawal said a 25 per cent reduction in gold import volumes over the first six months had contributed to the October surge as festival demand kicked in. "Because of high prices, probably, there was demand that was unfulfilled and the imports were low... That is one reason why we see a surge in gold imports (in October), leading to a surge in trade deficit," said Agrawal.

"There are two reasons for the fall in exports (in October) -- one is due to the high base effect as exports stood at $38.98 billion in October 2024. In the case of exports to the US, we have been able to hold the ground. In the month of October, the exports have fallen to $6.3 billion as compared to $6.9 billion last year. The silver lining: Exports (to the US) have grown from $5.8 billion in September," Agrawal told reporters.

Exports to Singapore dropped 54.8 per cent to $8.47 billion, which Agrawal said was mainly due to a decline in petroleum prices, adding that demand itself had not been a problem.

"Merchandise exports declined in October, amid a double-digit contraction in both oil and non-oil exports, although the latter was primarily driven by an adverse base as well as the holidays associated with the early onset of the festive season. While exports to the US declined by 8.6 per cent, reflecting the impact of the tariffs and penalties, those to other regions fell by a sharper 12.5 per cent, owing to the high base," said Aditi Nayar, chief economist at ICRA.

Non-petroleum and non-gems and jewellery exports, an indication of export health, dropped 10.15 per cent to $28.14 billion. Sectors contributing to the contraction included engineering goods (-16.71 per cent), drugs and pharmaceuticals (-5.15 per cent), organic and inorganic chemicals (-21.02 per cent) and readymade garments (-12.88 per cent). Gems and jewellery exports also fell sharply, by 29.5 per cent, while petroleum exports declined 10.5 per cent.

Over the April-October period, India's goods exports rose 0.6 per cent to $254.25 billion, while imports increased 6.4 per cent to $451.08 billion.

Among non-oil, non-gems and jewellery items, imports rose 8.1 per cent to $42.78 billion in October, driven by fertilisers, machinery, electronics and non-ferrous metals.

Nayar added that the trade deficit is expected to cool somewhat in November and December from the October peak, due to an anticipated sequential dip in gold imports and a modest pickup in exports after the festival season. "Nevertheless, the current account deficit appears set to widen materially to 2.4–2.5 per cent of GDP in Q3FY26 from the 1.8 per cent expected in Q2FY26," she said.

S C Ralhan, president of the Federation of Indian Export Organisations (FIEO), said the contraction in exports reflects the wider global economic slowdown, marked by geopolitical uncertainty, subdued demand across major markets and persistent volatility in commodity prices. "Despite such headwinds, Indian exporters have displayed resilience, even as elevated logistics costs and fluctuating input prices continue to challenge competitiveness," he added.

IPOs becoming exit vehicles for early investors: CEA

Nageswaran also cautioned against celebrating "wrong milestones" such as rising market capitalisation ratios or surging derivatives volumes, arguing that they do not reflect genuine financial sophistication and may instead risk diverting domestic savings away from productive investment.

"While we have succeeded in developing a sophisticated and robust capital market, imbibing some of the best practices from the developed world, although they may have abandoned them. But this may also have contributed in part to more of short-run earnings management optics because they are linked to executive compensation and market capitalisation increase, which also boost the value of stock and options, etc," said Nageswaran. All of this, he added, has played a role in inhibiting long-term financing and channelling ample cash reserves into financial instruments rather than real-world investment.

"So, there is a need for ambition, risk-taking and long-term investing, otherwise India will find itself falling short with respect to strategic resilience, let alone building strategic Indispensability in the world where we want to be one of the largest players in the coming years," he said.

Tuhin Kanta Pandey, chairman of the Securities and Exchange Board of India (Sebi), called for a more accommodative view on IPO structures. "The mix between primary and secondary components varies from one IPO to another. Many companies have already raised primary capital at an earlier stage, which is why existing investors often choose to exit during the IPO. There are also instances where companies raise fresh capital to fund greenfield projects. In my view, the capital market should accommodate all such objectives," said the Sebi chief during the event.

The chief economic advisor also emphasised that if capital continues to gravitate along geopolitical fault lines, external financing alone will be insufficient to meet the scale of India's development ambitions. "If India is to fulfil its aspirations, the primary drivers of financing must increasingly come from within. External capital can and should supplement our efforts, but the strategic burden must rest on domestic institutions. Uncertainty can only be blunted by institutional strength at home, and our financial sector must evolve into our most reliable source of stability," said Nageswaran.

He further warned that a potential bust in the AI boom, flagged by the International Monetary Fund in its global economic outlook, could mirror the severity of the dotcom crash, with any unwinding likely to slow economic recovery and deepen the consequences of capital misallocation.

"This should caution us against complacency. India cannot allow its financial sector to drift away from the real economy, nor can we afford vulnerabilities created elsewhere to spill over into our markets. Stability, resilience and alignment with