

India's goods trade deficit widens to \$27 bn in October

India's foreign trade has been hit by weak demand in key markets and geopolitical tensions

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India's merchandise trade deficit widened to a two-month high in October, driven by a rise in imports, data released by the commerce ministry on Thursday showed.

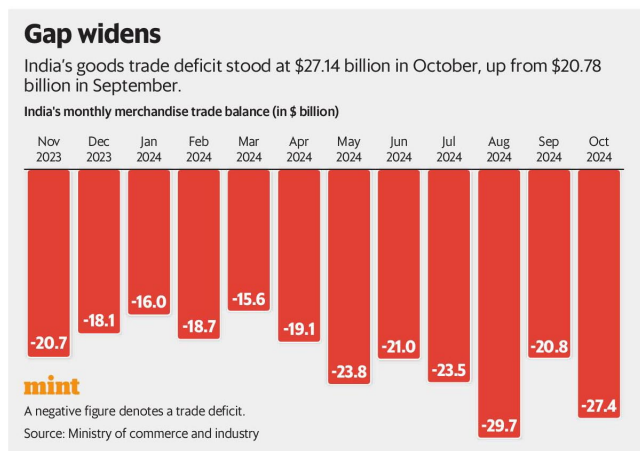
A year ago, the deficit stood at \$30.43 billion. Economists had expected the October trade deficit to be \$22 billion, according to a *Reuters* poll.

The goods trade deficit—the difference between exports and imports—stood at \$27.14 billion in October, up from \$20.78 billion in September. The deficit was \$29.65 billion in August, \$23.5 billion in July, \$20.98 billion in June, \$23.78 billion in May, and \$19.1 billion in April.

India's merchandise exports touched \$39.2 billion in October, up from \$34.58 billion in September and \$33.43 billion in October 2023. However, imports surged even more – to \$66.34 billion from \$55.36 billion in September and \$63.86 billion in October 2023.

The widening deficit underscores persistent challenges in balancing trade despite incremental growth in outbound shipments.

Services exports rose to \$34.02 billion in October from \$30.61 billion in September and \$28.05 billion in the year-ago period. They came in at \$30.69 billion in August, \$28.43 billion



in July, \$30.27 billion in June, \$30.16 billion in May, and \$29.57 billion in April.

Services imports also increased to \$17 billion in October from \$16.32 billion in September and \$13.46 billion a year ago. In August, services imports stood at \$15.7 billion, compared with \$14.55 billion in July, \$17.29 billion in June, \$17.28 billion in May, and \$16.97 billion in April.

The combined value of merchandise and services exports touched \$73.21 billion in October, up from \$65.19 billion in September and \$61.48 billion in the year-ago period. The

overall trade deficit, including both services and merchandise, fell to \$10.12 billion in October, down from \$15.85 billion in October 2023.

India's foreign trade has been affected by weak demand in major markets, geopolitical tensions and volatile commodity prices. Sluggish growth in India's key markets has lowered demand for exports while rising global fuel costs have increased expenses.

In April, the World Trade Organization (WTO) had forecast a recovery in global merchandise trade in 2024 following a weak 2023 that was marked by inflation and high energy

prices. The WTO expects trade volumes to grow by 2.6% in 2024 and 3.3% in 2025, though geopolitical risks remain.

Engineering goods, petroleum products, electronics, pharmaceuticals, chemicals and ready-made garments were key drivers of merchandise exports in April-October period, while major imports included crude oil, petroleum products, electronic goods and gold.

India's major export destinations during this period were the US, UAE, Netherlands, UK and Singapore. China, Russia, the UAE, US and Iraq remained the top suppliers, reflecting the country's dependence on oil imports.

"The merchandise trade data for October 2024 displayed divergent trends, with a sharp rise in the trade deficit in sequential terms, amid a sizeable moderation relative to October 2023," said Aditi Nayar, chief economist and head of research and outreach at Icra Ltd.

"One of the chief reasons underpinning the sequential rise in the trade deficit appears to be a jump in the volume of crude oil imports, as well as a festive season-led uptick in gold imports."

India's total exports are expected to rise above \$800 billion by FY25-end, trade secretary Sunil Barthwal said after the release of the latest monthly trade data.

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\$73.21 bn
Merchandise plus services exports value in October

\$61.48 bn
Year-ago value of merchandise and services export