

# Economy

## External Sector

May 15, 2025

### Goods trade deficit widens in April

The goods trade deficit in April widened from March levels to US\$26.4 bn, led by a sharp fall in non-oil exports. The services trade surplus remained broadly steady at ~US\$18 bn. We maintain our FY2026 CAD/GDP estimate at 1% (FY2025E: 0.7%), factoring in uncertainties from tariff and trade-related policies. We remain wary of risks from geopolitical tensions and global monetary policy cycles.

### Exports in April remain steady

Exports in April increased 9.0% yoy to US\$38.5 bn (March: US\$42.0 bn) (see Exhibits 1-2). The sequential drop was led by lower non-oil exports, while oil exports increased by 51% (see Exhibits 3-5). Compared to March levels, non-oil exports in April were weighed down mostly by engineering goods along with electronic goods and chemicals (see Exhibit 6). Compared to April 2024, non-oil exports rose by 10.1%.

### Sharp jump in imports in April

Imports in April increased by 19.1% yoy to US\$64.9 bn (March: US\$63.5 bn) (see Exhibits 1-2). Sequentially, oil imports rose and non-oil imports fell marginally (see Exhibits 3-5). Within non-oil imports, the fall was the most in gold imports (gold prices were sequentially higher in April 2025), offset by the rise in the rest of non-oil import products, keeping non-oil imports flat overall (see Exhibit 6). The trade deficit widened to US\$26.4 bn.

### Services trade surplus remains high

The services trade surplus in April at US\$17.8 bn marginally moderated from March's upwardly revised print of US\$18.1 bn (March's surplus as per the initial release was at US\$17.9 bn) (see Exhibit 7). For now, we continue to pencil in a modest increase in services trade surplus in FY2026 over FY2025.

### External balance remains comfortable, though uncertainty continues

In FY2026E, we estimate CAD/GDP at 1% and BOP deficit at US\$3.6 bn in our base scenario of an average crude price of US\$70/bbl. We note that a US\$5/bbl decline in crude prices can lower CAD/GDP by 20 bps (see Exhibit 8). We assume the goods trade deficit to expand moderately from FY2025 levels but the external sector to remain manageable given a strong services trade surplus and moderate capital inflows. However, we remain wary of risks from (1) uncertainties from tariff policies and consequent impact on trade flows and (2) adverse impact on capital flows due to a weak global growth outlook as well as investment outlook, geopolitical tensions and global monetary policy cycles. We expect USD-INR to remain in a wide range of 83-88 in FY2026E, as the RBI continues to manage large volatilities while letting the INR adjust to market forces.

### Summary of key macro metrics for India

|                                       | 2023  | 2024  | 2025E | 2026E |
|---------------------------------------|-------|-------|-------|-------|
| <b>Real economy</b>                   |       |       |       |       |
| Real GDP growth (%)                   | 7.6   | 9.2   | 6.5   | 6.0   |
| Nominal GDP growth (%)                | 14.0  | 12.0  | 9.9   | 9.5   |
| CPI Inflation (avg., %)               | 6.7   | 5.4   | 4.6   | 3.5   |
| <b>Public finance</b>                 |       |       |       |       |
| Center's GFD/GDP (%)                  | 6.4   | 5.6   | 4.7   | 4.2   |
| <b>Monetary policy</b>                |       |       |       |       |
| Repo Rate (% eop)                     | 6.50  | 6.50  | 6.25  | 5.00  |
| SDF Rate (% eop)                      | 6.25  | 6.25  | 6.00  | 4.75  |
| CRR (% eop)                           | 4.5   | 4.5   | 4.0   | 4.0   |
| <b>External sector</b>                |       |       |       |       |
| Current Account Balance (% of GDP)    | (2.0) | (0.7) | (0.7) | (1.0) |
| Brent crude oil price (avg., USD/bbl) | 95.4  | 82.9  | 78.9  | 70.0  |
| USD/INR (avg.)                        | 80.3  | 82.8  | 84.6  | 86.6  |

Source: CEIC, Bloomberg, RBI, Kotak Economics Research estimates

### Quick Numbers

April exports at US\$38.5 bn; imports at US\$64.9 bn; trade deficit at US\$26.4 bn

FY2025 exports at US\$402 bn; imports at US\$705 bn; trade deficit at US\$303 bn

April services surplus at US\$17.8 bn; FY2025 services surplus at US\$189 bn

Baseline estimate of CAD/GDP in FY2026 at 1.0%

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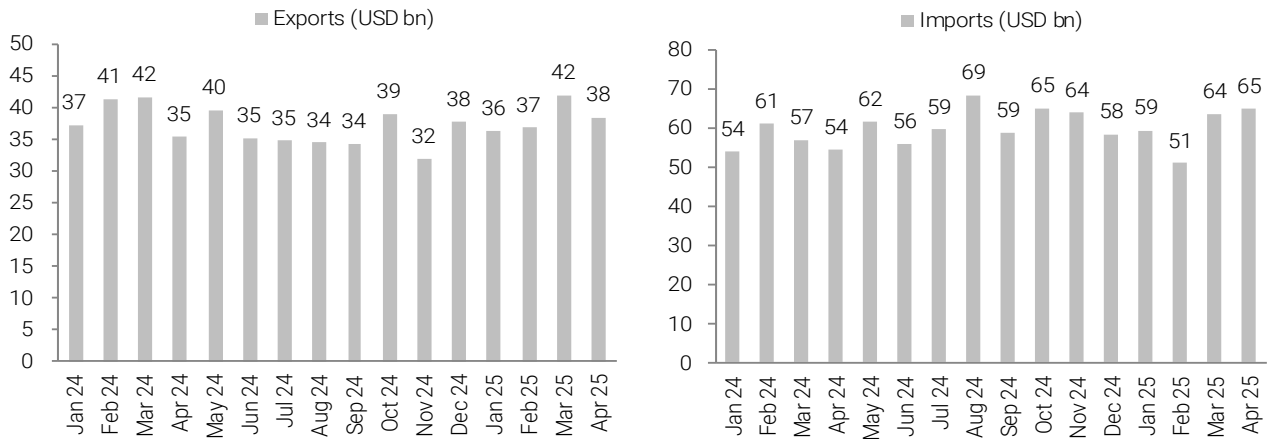
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## Exports fell while imports rose in April

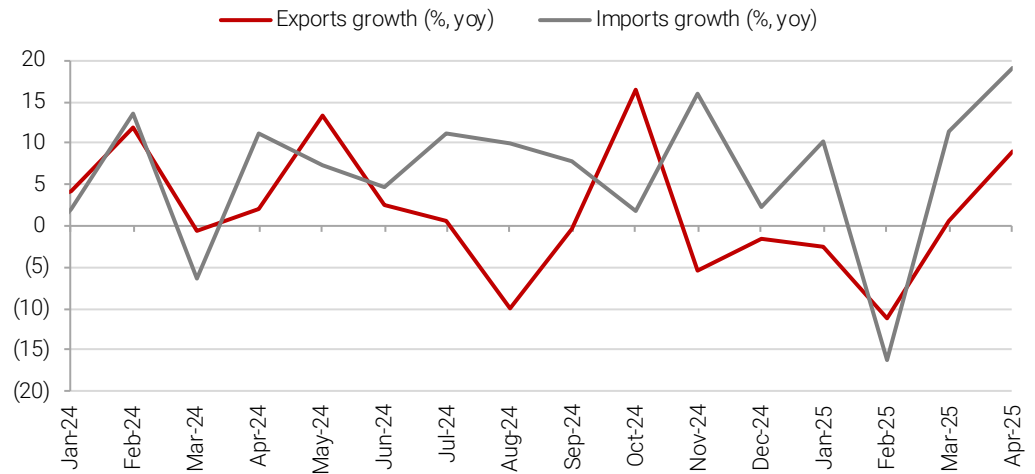
Exhibit 1: Trend in imports and exports (US\$ bn)



Source: CEIC, Kotak Economics Research

## Exports and imports both expanded over last year in April

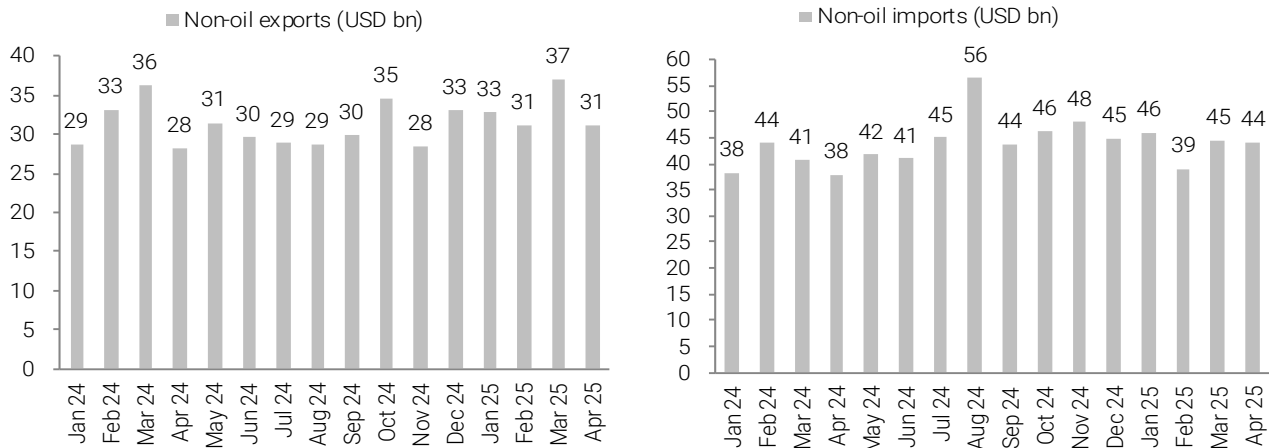
Exhibit 2: Trend in export growth and import growth (%)



Source: CEIC, Kotak Economics Research

## Non-oil exports and imports both fell from March levels

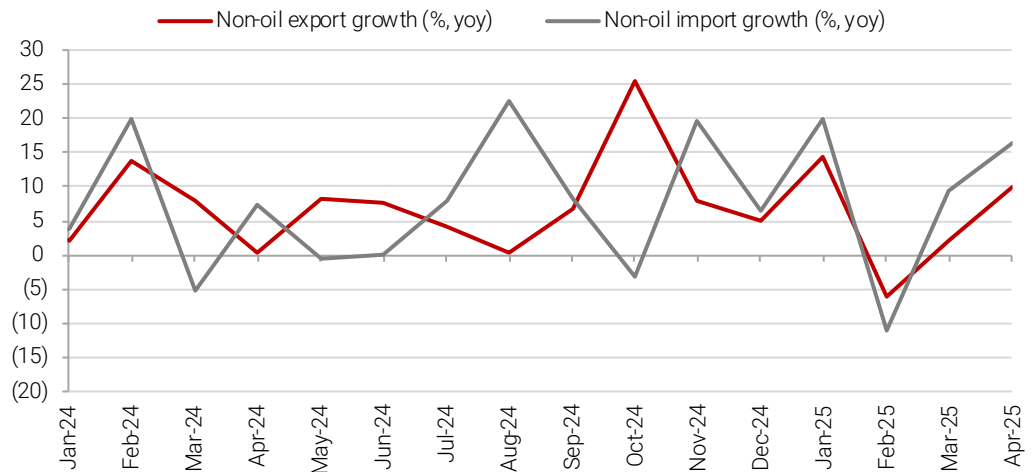
Exhibit 3: Trend in non-oil imports and non-oil exports (US\$ bn)



Source: CEIC, Kotak Economics Research

## Non-oil exports and imports both expanded in April

Exhibit 4: Trend in non-oil export growth and non-oil import growth (%)



Source: CEIC, Kotak Economics Research

## Trade deficit widened in April from March

Exhibit 5: Trend in exports, imports and trade balance (US\$ bn)

|                                                     | Apr-25        | Mar-25        | Apr-24        | Apr-25 / Apr-24 (%) | Apr-25 / Mar-25 (%) |
|-----------------------------------------------------|---------------|---------------|---------------|---------------------|---------------------|
| Exports                                             | 38.5          | 42.0          | 35.3          | 9.0                 | (8.3)               |
| Imports                                             | 64.9          | 63.5          | 54.5          | 19.1                | 2.2                 |
| <b>Trade balance</b>                                | <b>(26.4)</b> | <b>(21.5)</b> | <b>(19.2)</b> |                     |                     |
| Oil exports                                         | 7.4           | 4.9           | 7.0           | 4.8                 | 51                  |
| Oil imports                                         | 20.7          | 19.0          | 16.5          | 26                  | 9                   |
| <b>Oil trade balance</b>                            | <b>(13.3)</b> | <b>(14.1)</b> | <b>(9.5)</b>  |                     |                     |
| Non-oil exports                                     | 31.1          | 37.1          | 28.3          | 10.1                | (16.1)              |
| Non-oil imports                                     | 44.2          | 44.5          | 38.0          | 16.3                | (0.7)               |
| <b>Non-oil trade balance</b>                        | <b>(13.1)</b> | <b>(7.4)</b>  | <b>(9.7)</b>  |                     |                     |
| Non-oil non-electronics exports                     | 27.4          | 32.5          | 25.6          | 7.0                 | (15.7)              |
| Non-oil non-electronics imports                     | 34.9          | 35.1          | 30.9          | 13.0                | (0.4)               |
| <b>Non-oil non-electronics trade balance</b>        | <b>(7.5)</b>  | <b>(2.6)</b>  | <b>(5.3)</b>  |                     |                     |
| Non-oil non-gems & jewelry exports                  | 28.6          | 34.2          | 26.0          | 10.0                | (16.3)              |
| Non-oil non-gems & jewelry imports                  | 39.3          | 37.8          | 33.3          | 18.1                | 4.0                 |
| <b>Non-oil non-gems &amp; jewelry trade balance</b> | <b>(10.7)</b> | <b>(3.6)</b>  | <b>(7.3)</b>  |                     |                     |

Source: CEIC, Kotak Economics Research

## Rise in imports and exports both driven by oil

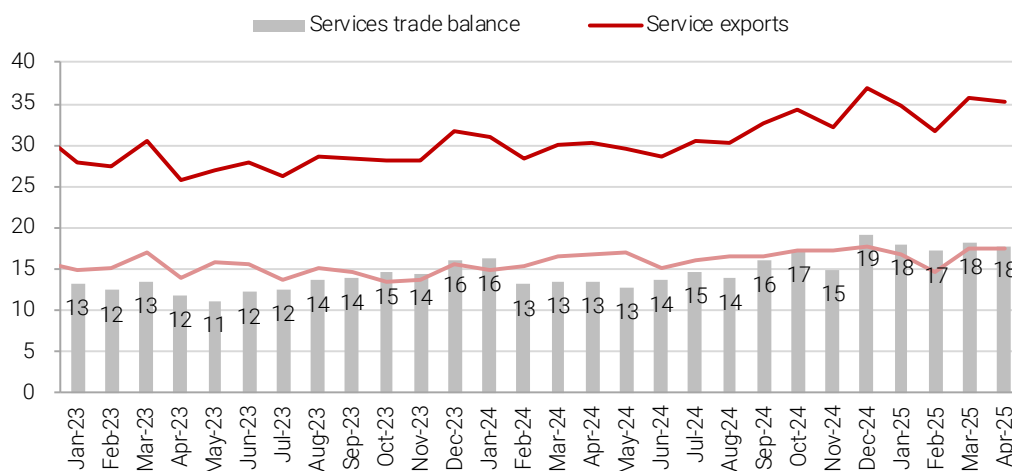
Exhibit 6: Comparison of exports and imports (US\$ bn)

|                                 | Apr-25      | Mar-25      | Apr-24      | Apr-25 / Apr-24 (%) | Apr-25 / Mar-25 (%) |                                            | Apr-25      | Mar-25      | Apr-24      | Apr-25 / Apr-24 (%) | Apr-25 / Mar-25 (%) |
|---------------------------------|-------------|-------------|-------------|---------------------|---------------------|--------------------------------------------|-------------|-------------|-------------|---------------------|---------------------|
| <b>Exports</b>                  | <b>38.5</b> | <b>42.0</b> | <b>35.3</b> | <b>9.0</b>          | <b>(8.3)</b>        | <b>Imports</b>                             | <b>64.9</b> | <b>63.5</b> | <b>54.5</b> | <b>19.1</b>         | <b>2</b>            |
| Oil exports                     | 7.4         | 4.9         | 7.0         | 4.8                 | 51                  | Oil imports                                | 20.7        | 19.0        | 16.5        | 26                  | 9                   |
| <b>Non-oil exports</b>          | <b>31.1</b> | <b>37.1</b> | <b>28.3</b> | <b>10.1</b>         | <b>(16)</b>         | <b>Non-oil imports</b>                     | <b>44.2</b> | <b>44.5</b> | <b>38.0</b> | <b>16.3</b>         | <b>(0.7)</b>        |
| Engineering goods               | 9.5         | 10.8        | 8.5         | 11.3                | (12.1)              | Electronic Goods                           | 9.3         | 9.4         | 7.1         | 31                  | (2)                 |
| Electronic goods                | 3.7         | 4.6         | 2.6         | 40                  | (19)                | Machinery                                  | 4.7         | 4.7         | 3.8         | 23.2                | 0.4                 |
| Drugs and pharmaceuticals       | 2.5         | 3.7         | 2.4         | 2.4                 | (32)                | Gold                                       | 3.1         | 4.5         | 3.0         | 5                   | (31)                |
| Gems and jewelry                | 2.5         | 2.9         | 2.3         | 10.7                | (13.7)              | Coal, coke, and briquettes                 | 2.7         | 2.2         | 3.1         | (12)                | 20.5                |
| Organic and inorganic chemicals | 2.3         | 2.9         | 2.5         | (9.1)               | (21)                | Transport equipment                        | 2.6         | 2.6         | 2.7         | (3.2)               | 1.7                 |
| RMG of all textiles             | 1.4         | 1.5         | 1.2         | 14.4                | (10.4)              | Organic and inorganic chemicals            | 2.4         | 2.3         | 2.2         | 10.8                | 8.3                 |
| Rice                            | 1.1         | 1.2         | 1.0         | 13.6                | (8.2)               | Non ferrous metals                         | 2.3         | 2.1         | 1.8         | 30.0                | 10                  |
| Cotton yarn, fabrics, etc.      | 1.0         | 1.1         | 0.9         | 1.7                 | (13.9)              | Artificial resins, plastic materials, etc. | 1.9         | 1.9         | 1.7         | 14.1                | 3                   |
| Plastic and linoleum            | 0.7         | 0.8         | 0.7         | 4.6                 | (13.7)              | Iron and steel                             | 1.8         | 1.8         | 1.6         | 12.5                | (0.9)               |
| Marine products                 | 0.6         | 0.7         | 0.5         | 18                  | (13.8)              | Vegetable oils                             | 1.2         | 1.2         | 1.3         | (8)                 | (0.2)               |
| Others                          | 6.0         | 6.9         | 5.6         | 5.9                 | (13.9)              | Others                                     | 12.2        | 11.9        | 9.8         | 23.9                | 2.4                 |

Source: CEIC, Kotak Economics Research

## Services surplus in April steady at March levels

Exhibit 7: Trend in services exports and imports (US\$ bn)



Source: CEIC, Kotak Economics Research

**We expect CAD/GDP at 0.7% in FY2025E and 1% in FY2026E**
**Exhibit 8: India's balance of payments, March fiscal year-ends, 2019-26E (US\$ bn)**

|                                | 2019          | 2020          | 2021         | 2022          | 2023          | 2024          | 2026E         |               |               |               |
|--------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                |               |               |              |               |               |               | 2025E         | Oil@60        | Oil@65        | Oil@70        |
| <b>Current account balance</b> | <b>(57.3)</b> | <b>(24.7)</b> | <b>23.9</b>  | <b>(38.8)</b> | <b>(67.1)</b> | <b>(26.1)</b> | <b>(28.1)</b> | <b>(26.1)</b> | <b>(34.9)</b> | <b>(43.6)</b> |
| GDP                            | 2,705         | 2,835         | 2,674        | 3,167         | 3,345         | 3,638         | 3,913         | 4,186         | 4,186         | 4,186         |
| <b>CAB/GDP (%)</b>             | <b>(2.1)</b>  | <b>(0.9)</b>  | <b>0.9</b>   | <b>(1.2)</b>  | <b>(2.0)</b>  | <b>(0.7)</b>  | <b>(0.7)</b>  | <b>(0.6)</b>  | <b>(0.8)</b>  | <b>(1.0)</b>  |
| Trade balance                  | (180)         | (158)         | (102)        | (189)         | (265)         | (245)         | (287)         | (286)         | (295)         | (303)         |
| <b>Trade balance/GDP (%)</b>   | <b>(6.7)</b>  | <b>(5.6)</b>  | <b>(3.8)</b> | <b>(6.0)</b>  | <b>(7.9)</b>  | <b>(6.7)</b>  | <b>(7.3)</b>  | <b>(6.8)</b>  | <b>(7.0)</b>  | <b>(7.2)</b>  |
| <b>- Exports</b>               | <b>337</b>    | <b>320</b>    | <b>296</b>   | <b>429</b>    | <b>456</b>    | <b>441</b>    | <b>446</b>    | <b>397</b>    | <b>400</b>    | <b>402</b>    |
| - oil exports                  | 47            | 41            | 26           | 67            | 97            | 84            | 64            | 55            | 58            | 60            |
| - non-oil exports              | 291           | 279           | 270          | 362           | 359           | 357           | 382           | 342           | 342           | 342           |
| <b>- Imports</b>               | <b>518</b>    | <b>478</b>    | <b>398</b>   | <b>619</b>    | <b>721</b>    | <b>686</b>    | <b>732</b>    | <b>683</b>    | <b>694</b>    | <b>705</b>    |
| - oil imports                  | 141           | 131           | 83           | 162           | 209           | 179           | 186           | 148           | 160           | 171           |
| - non-oil imports              | 377           | 347           | 316          | 457           | 512           | 508           | 546           | 534           | 534           | 534           |
| - gold imports                 | 33            | 28            | 35           | 46            | 35            | 46            | 63            | 58            | 58            | 58            |
| <b>Invisibles (net)</b>        | <b>123</b>    | <b>133</b>    | <b>126</b>   | <b>151</b>    | <b>198</b>    | <b>219</b>    | <b>258</b>    | <b>260</b>    | <b>260</b>    | <b>260</b>    |
| - Services                     | 82            | 85            | 89           | 108           | 143           | 163           | 188           | 191           | 191           | 191           |
| - software                     | 78            | 85            | 90           | 110           | 131           | 142           | 160           | 160           | 160           | 160           |
| - non-software                 | 4             | 0.3           | (1)          | (2)           | 12            | 21            | 29            | 30            | 30            | 30            |
| - Transfers                    | 70            | 75            | 73           | 80            | 101           | 106           | 125           | 125           | 125           | 125           |
| - Income (net)                 | (29)          | (27)          | (36)         | (37)          | (46)          | (50)          | (55)          | (56)          | (56)          | (56)          |
| <b>Capital account</b>         | <b>54</b>     | <b>83</b>     | <b>64</b>    | <b>86</b>     | <b>59</b>     | <b>90</b>     | <b>18</b>     | <b>40</b>     | <b>40</b>     | <b>40</b>     |
| Capital account/GDP (%)        | 2.0           | 2.9           | 2.4          | 2.7           | 1.8           | 2.5           | 0.4           | 1.0           | 1.0           | 1.0           |
| Foreign investment             | 30            | 44            | 80           | 22            | 23            | 54            | 4             | 13            | 13            | 13            |
| <b>- FDI</b>                   | <b>31</b>     | <b>43</b>     | <b>44</b>    | <b>39</b>     | <b>28</b>     | <b>10</b>     | <b>4</b>      | <b>8</b>      | <b>8</b>      | <b>8</b>      |
| <b>- FPI</b>                   | <b>(1)</b>    | <b>1</b>      | <b>36</b>    | <b>(17)</b>   | <b>(5)</b>    | <b>44</b>     | <b>0</b>      | <b>5</b>      | <b>5</b>      | <b>5</b>      |
| <b>- Equities</b>              | <b>3</b>      | <b>(0)</b>    | <b>39</b>    | <b>(16)</b>   | <b>(6)</b>    | <b>25</b>     | <b>(17)</b>   | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| <b>- Debt</b>                  | <b>(4)</b>    | <b>1</b>      | <b>(0)</b>   | <b>2</b>      | <b>1</b>      | <b>19</b>     | <b>17</b>     | <b>5</b>      | <b>5</b>      | <b>5</b>      |
| Banking capital                | 7             | (5)           | (21)         | 7             | 21            | 41            | (6)           | 12            | 12            | 12            |
| - NRI deposits                 | 10            | 9             | 7            | 3             | 9             | 15            | 16            | 15            | 15            | 15            |
| Short-term credit              | 2             | (1)           | (4)          | 20            | 7             | (1)           | 15            | 5             | 5             | 5             |
| ECBs                           | 10            | 23            | (0)          | 8             | (4)           | (0)           | 12            | 5             | 5             | 5             |
| External assistance            | 3             | 4             | 11           | 5             | 6             | 7             | 5             | 5             | 5             | 5             |
| Other capital account item     | 1             | 18            | (2)          | 24            | 7             | (12)          | (12)          | —             | —             | —             |
| E&O                            | (0)           | 1             | (0)          | —             | (1)           | 0             | —             | —             | —             | —             |
| <b>Overall balance</b>         | <b>(3.3)</b>  | <b>59.5</b>   | <b>87.3</b>  | <b>47.5</b>   | <b>(9.1)</b>  | <b>63.7</b>   | <b>(10.6)</b> | <b>13.9</b>   | <b>5.1</b>    | <b>(3.6)</b>  |
| <b>Memo items</b>              |               |               |              |               |               |               |               |               |               |               |
| Average USD/INR                | 69.9          | 70.9          | 74.2         | 74.5          | 80.3          | 82.8          | 84.6          | 86.6          | 86.6          | 86.6          |
| Average Brent (US\$/bbl)       | 70.0          | 60.9          | 44.8         | 80.0          | 95.4          | 82.9          | 78.9          | 60.0          | 65.0          | 70.0          |

Source: RBI, Kotak Economics Research estimates

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**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

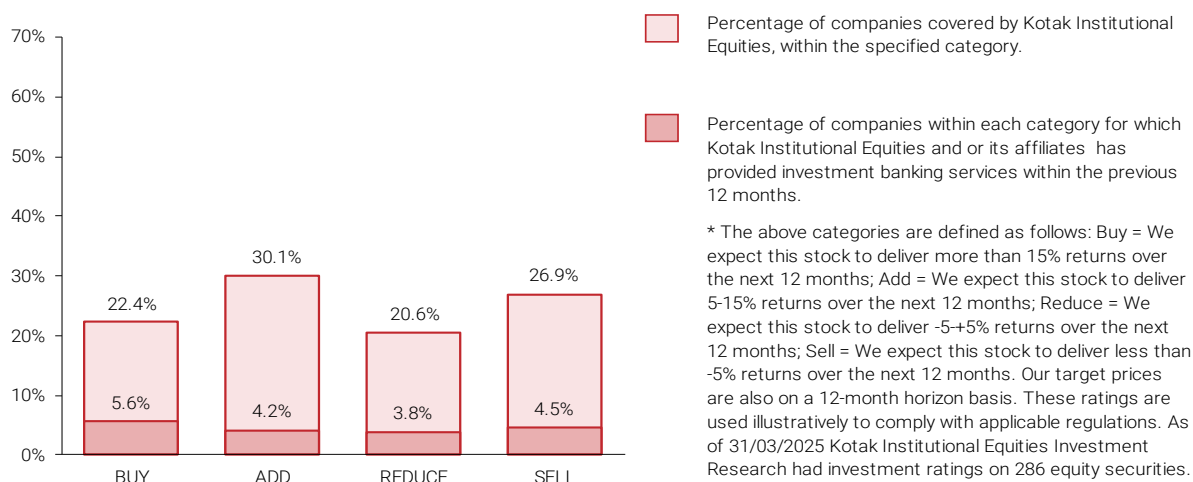
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Our Fair Value estimates are also on a 12-month horizon basis.

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Source: Kotak Institutional Equities

As of March 31, 2025

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