Macroeconomics | First cut

Exports contract again, imports growth slows

January 2025

Merchandise exports decline 1% on-year, while imports increase 4.9%

India's merchandise exports fell 1% on-year to $38.01 billion in December 2024 — after shrinking 4.8% in the previous month — driven by gems and jewellery (-26.5%) and oil (-28.6%).

That said, core[1] export growth of 8.3%, though lower than 11.8% in the previous month, arrested the decline. Within the core category, export growth was strong for readymade garments, ores and minerals, handicrafts, and coffee.

The contraction in merchandise exports for the second consecutive month led to average growth of -3.3% on-year in the third quarter of this fiscal.

Brent crude oil prices averaged $73.8 per barrel in December — down from $77.9 per barrel a year ago — which may have contributed to the decrease in oil exports.

While merchandise exports contracted, merchandise imports increased 4.9% on-year to $59.95 bn led by the gems and jewellery category (19.6% growth on-year). In this category, gold imports grew 55.4% and silver imports jumped 211%.

On the other hand, core import growth decelerated to 3.9%, from 6.1% in the previous month.

Merchandise trade deficit widened to $21.9 billion in December from $18.8 billion in the year-ago period but narrowed from $32.8[2] billion in the previous month.

The latest Reserve Bank of India (RBI) data shows that services exports grew 13.9% on-year in November (vs 22.3% in October), while services imports rose 26% (vs 27.9%). Consequently, services trade surplus stood at $14.8 billion (stable vs $14.4 billion in the year-ago period and down from $17.1 billion in the previous month).

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[1] *Non-oil and non-gold*

Crisil
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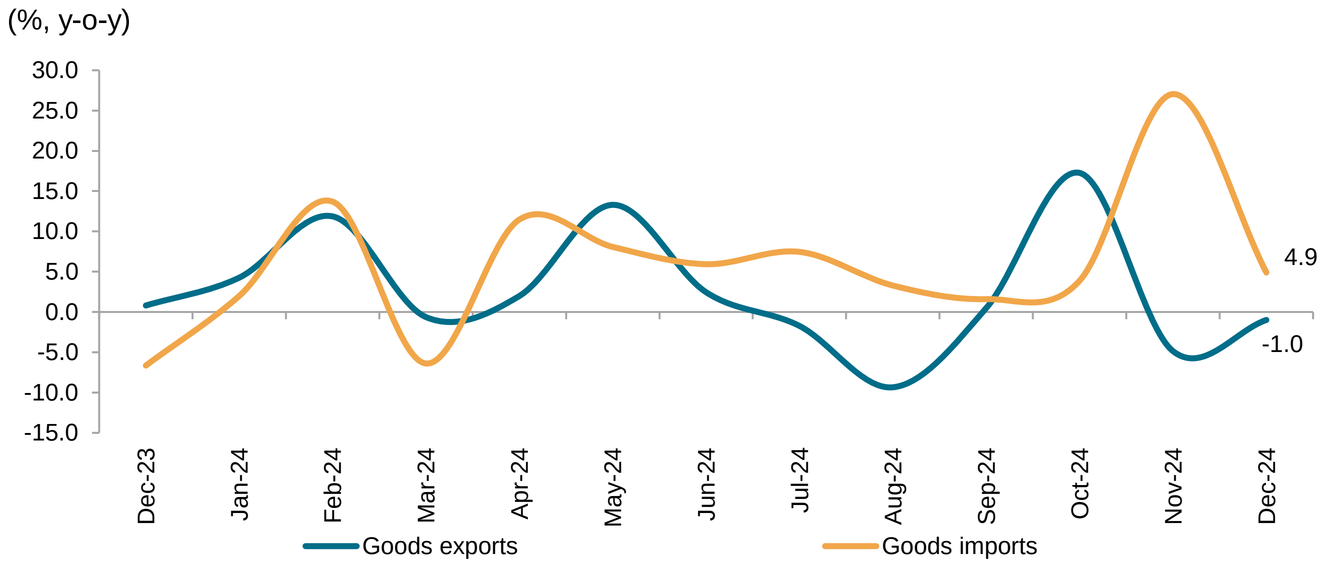
Import growth slows in December, exports contract



Source: Ministry of Commerce and Industry, CEIC, Crisil

Data highlights

- Non-oil exports grew 5% on-year in December (vs 7.8% in the previous month)
- Among the core export categories, growth in drugs and pharmaceuticals (0.6% vs 1.1%) and engineering goods (8.3% vs 13.7%) slowed for the second consecutive month. Meanwhile, organic and inorganic chemicals (-2.9% vs -4.1%) and gems and jewellery (-26.5% vs -26.3%) contracted. That said, growth was strong in readymade garments (12.9% vs 9.8%), ores and minerals (23.4% vs -9.8%), and coffee (36.9% vs 16.3%)
- Exports of other labour-intensive sectors picked up — carpets (9.1% vs 2.4%), cotton yarn, fabrics, made-ups, etc. (12% vs 2%), leather and leather products (4.3% vs 0.7%), ceramic products and glassware (8% vs -6.5%), and handicrafts (14.9% vs -1.7%)
- Agricultural exports also recorded strong growth, with higher growth in cashew (45.7% vs 23.6%) and fruits and vegetables (3.8% vs -5.4%) and healthy growth in marine products (15.8% vs 17.8%), meat, dairy and poultry products (17.9% vs 21.4%), and rice (64% vs 95.2%)
- Among the import categories, chemical materials and products (34.5% vs 17.3%), dyeing, tanning and colouring materials (8% vs -5.3%), and organic and inorganic chemicals (7.6% vs 6.5%) grew the highest. Meanwhile, pearl, precious and semi-precious stones (-42% vs -3.3%), iron and steel (-18.6% vs -28.6%), and coal, coke and briquettes (-43.4% vs -29.3%) contracted

Outlook

Export performance has remained volatile this fiscal. After steady growth in the first quarter, merchandise exports contracted in the second quarter. They experienced a brief resurgence in October 2024 but declined in both November and December.

Geopolitical uncertainties, including the proposed tariff hikes by the Donald Trump administration, continue to pose risks.

Imports have outpaced exports so far, this fiscal, causing the trade deficit to widen. This is a monitorable, especially in view of the proposed steep tariff hikes on Chinese goods by the incoming United States President. Coupled with the expected slowdown in the Chinese economy, this will trigger aggressive exports from there to the Asian markets, including India.

The higher merchandise trade deficit, thus, bears watching.

That said, surplus in services trade and robust remittances flow provide some comfort and should keep the current account in the safe zone.

Analytical contacts

Dharmakirti Joshi
Chief Economist, Crisil Ltd
dharmakirti.joshi@crisil.com

Adhish Verma
Senior Economist, Crisil Ltd
adhish.verma@crisil.com

Meera Mohan
Economic Analyst, Crisil Ltd
meera.mohan@crisil.com

Media contacts

Ramkumar Uppara
Media Relations
CRISIL Limited
M: +91 98201 77907
ramkumar.uppara@crisil.com

Roma Gurnani
Media Relations
Crisil Limited
M: +91 70662 92142
roma.gurnani@ext-crisil.com

Sanjay Lawrence
Media Relations
Crisil Limited
M: +91 89833 21061
sanjay.lawrence@crisil.com

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