



India's Trade Dynamics

[Source: IE](#)

Why in News?

India's [Exports](#) to the US hit a record **USD 86.51 billion**, boosted by **front-loading shipments** amid tariff fears, while [Imports](#) from China surged to **USD 113.45 billion**, signaling growing reliance on China and shifting global trade dynamics.

What are the Key Factors Driving India's Trade Performance?

- **Front-Loading Strategy:** The sharp increase in exports can largely be attributed to **exporters rushing** to dispatch shipments ahead of the anticipated **reciprocal tariff hikes** that came into effect in April.
- **Demand and Market Penetration:** India's **export share** in key markets such as the **US** and the **UK** rose by **13.73%** and **14.31%**, respectively, indicating stronger demand and improved market penetration.
- **Sectoral Rise in Export:** A major contributor to this growth was the [electronics sector](#), which saw a **32% rise** in exports driven primarily by booming **smartphone shipments** taking the total to **USD 38 billion**.
 - Coffee exports surged by **40%** to reach **\$1.8 billion**. This sharp rise was supported by global supply disruptions caused by drought and high temperatures in Brazil, one of the world's top coffee producers.
- **Services Exports:** It grew by **12.45%**, reaching **USD 383.51 billion** during **FY25**. With services imports standing at **USD 195.95 billion**, India maintained a healthy surplus in its services trade.

India's Trade Scenario:

- **Total Export:** Reached **USD 820 billion** in FY 2024-25, an increase of **5.5-6%** over FY 2023-24.
 - **Merchandise exports** are estimated at **USD 395.63 billion** for April-February 2025, with full-year projections around **USD 438 billion**.
- **Total Imports:** Estimated at **USD 915 billion** for FY 2024-25, up 6.9% from **USD 675.44 billion** (merchandise) in FY 2023-24, reflecting higher commodity prices and demand.
 - **Services exports** recorded **USD 354.90 billion** for April-February 2025, with a full-year estimate of **USD 382-383 billion**, reflecting a robust **12% growth** from **USD 341.1 billion** in FY 2023-24.
- **Trade Deficit:** Estimated at **USD 94 billion** for FY 2024-25, lower than **USD 238.3 billion** in FY 2023-24 due to import moderation and services export growth.

What is the Sectoral Performance of India's Trade Basket?

- **Key Export Sectors:**
 - India's export basket is led by petroleum products. In 2023, India exported **USD 55.8 billion**

of Refined Petroleum, making it the **3rd largest exporter of Refined Petroleum** in the world.

- Engineering goods, **contributing 25%**, have seen strong growth, while electronics, particularly smartphones, have grown by **151%** since FY 2020.
- **Spices and agricultural products** continue to be significant, with India exporting **225 spice products to over 180 countries**.

▪ **Key Import Sectors:**

- India's import basket is heavily dominated by **crude oil and petroleum products**, accounting for **32%** of imports, reflecting the country's **more than 80% reliance** on imported energy.
- Gold imports surged significantly in April 2024 due to cultural demand, while electronics and machinery make up 11.7% of imports, essential for the manufacturing sector.

What are the Key Measures to Address India's Trade Deficit?

Read more: [India's Trade Deficit as an Opportunity](#)

UPSC Civil Services, Previous Year Question (PYQ)

Prelims

Q. With reference to Balance of Payments, which of the following constitutes/constitute the Current Account? (2014)

1. Balance of trade
2. Foreign assets
3. Balance of invisibles
4. Special Drawing Rights

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 and 3
- (c) 1 and 3
- (d) 1, 2 and 4

Ans: (c)

Q. Which of the following constitute Capital Account? (2013)

1. Foreign Loans
2. Foreign Direct Investment
3. Private Remittances
4. Portfolio Investment

Select the correct answer using the codes given below:

- (a) 1, 2 and 3
- (b) 1, 2 and 4
- (c) 2, 3 and 4
- (d) 1, 3 and 4

Ans: (b)

Mains

Q. Craze for gold in Indians has led to surge in import of gold in recent years and put pressure on balance of payments and external value of rupee. In view of this, examine the merits of Gold Monetization scheme. (2015)

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