

India: Services trade surplus outweighs goods trade deficit (at a 42-month low) in February

Bottom line: Services trade surplus, at ~\$18.5bn remained robust in February, and more than offset the goods trade deficit which declined sharply to a 42-month low of \$14.1bn in February (vs. \$23bn in January), as goods imports saw a broad-based decline. Sequentially, oil exports increased, while non-oil exports declined. Despite a sequential decline, electronic goods exports registered ~27% yoy growth largely driven by smartphone exports. With the January and February 2025 trade data, the overall trade balance (goods and services combined) is tracking below our Q1 CY25 forecasts. However, we keep our full year CY25 current account deficit forecast unchanged at 1.0% of GDP given risks to goods exports emanating from potential US reciprocal tariff-related policies on India.

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Key numbers:

Merchandise exports: -10.9% yoy in February (vs. -2.4% yoy in January)

Merchandise imports: -16.3% yoy in February (vs. +10.3% yoy in January)

Merchandise trade balance: -\$14.1bn in February (vs. -\$23.0bn in January)

Services exports: +23.6% yoy in February (vs. +12.0% yoy in January, revised from 24.3% yoy earlier)

Services imports: +8.7% yoy in February (vs. +12.6% yoy in January, revised from 22.8% yoy earlier)

Services trade balance: +\$18.5bn in February (vs. +\$18.0bn in January, revised from +\$20.3bn earlier)

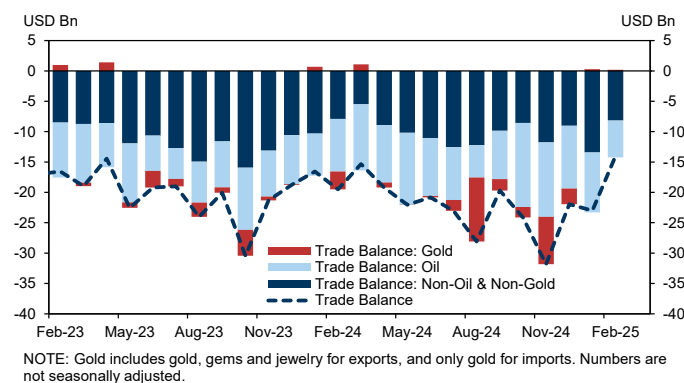
Main points:

- India's merchandise trade deficit declined sharply by ~\$9bn to \$14.1bn in February mainly driven by lower imports (21-month low) (Exhibit 1). The oil trade deficit narrowed by ~\$4bn to \$6.1bn in February as oil imports declined, while exports increased. However, in year-over-year (yoy) terms, both oil exports and imports contracted sharply by around 29% each.
- Sequentially, merchandise imports declined sharply by \$8.5bn (-14.3% mom s.a.), across the board. On the other hand, gold imports contracted sharply, both in sequential and yoy terms by 74% and 62% respectively.
- Merchandise exports came in at \$36.9bn (-3.1% mom s.a, \$36.4bn in January). Non-oil exports sequentially declined largely driven by engineering goods,

electronic goods and gems and jewellery exports ([Exhibit 2](#)). Despite the sequential decline, electronic goods exports registered a robust growth of 26.5% yoy likely driven by a surge in smartphone exports¹. Gems and jewellery exports contracted sharply by 20.7% yoy.

- Under services trade, exports rose by +23.6% yoy in February (vs. +12.0% yoy in January, revised lower from +24.3% yoy earlier), while imports increased by 8.7% yoy (vs. 12.6% yoy in January, revised lower from +22.8% yoy earlier) ([Exhibit 3](#)). Overall, the services trade surplus remained robust and increased marginally to \$18.5bn (vs. \$18.0bn in January, revised lower from \$20.3bn in the previous release). With the February print, services trade surplus more than offset the merchandise trade deficit by \$4.4bn, with the overall trade balance (goods and services combined) merchandise+services trade balance reaching an all-time high since 2011 (excluding June 2020, during the Covid-19 pandemic).
- With the January and February 2025 trade data, the over trade balance (goods and services combined) is tracking below our Q1 CY25 forecasts. However, we keep our full year CY25 current account deficit forecast unchanged at 1.0% of GDP given risks to goods exports emanating from potential US reciprocal tariff-related policies on India.

Exhibit 1: Merchandise trade deficit declined to a 42-month low in February on lower imports



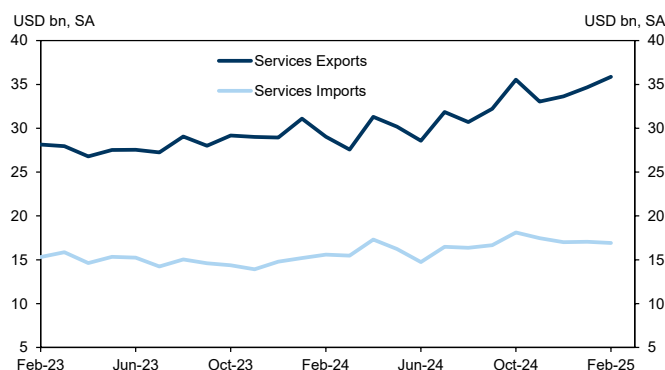
Source: CEIC, Goldman Sachs Global Investment Research

¹ As per media articles, smartphone exports increased to \$21bn (+54% yoy) in FY25 thus far (April 2024-February 2025).

Exhibit 2: Merchandise imports declined to a 21-month low in February

Key Trade Items	USD bn		YoY (%)		MoM S.A.		USD bn	CYTD (yoy)
	Feb-25	Jan-25	Feb-25	Jan-25	Feb-25	Jan-25	CYTD (Jan'25-Feb'25)	
Trade Balance	-14.1	-23.0	-28	39	-30	18	-37.0	
Oil	-6.1	-9.9	-30	42	-33	3	-15.9	
Non-oil	-8.0	-13.1	-26	36	-25	26	-21.1	
Exports	36.9	36.4	-11	-2	-3	1	73.3	-6.8
Oil	5.8	3.6	-29	-59	27	-11	9.4	-44.3
Non-oil	31.1	32.9	-6	14	-6	5	64.0	3.3
Engineering goods	9.1	9.4	-9	7	-5	-3	18.5	-1.1
Electronic goods	3.8	4.1	26	79	-14	31	7.9	49.2
Major Agriculture Exports	3.4	3.4	4	23	-9	1	6.8	12.8
Imports	51.0	59.4	-16	10	-14	8	110.4	-3.9
Oil	11.9	13.4	-30	-14	-15	-2	25.3	-21.9
Non-oil	39.1	46.0	-11	20	-12	10	85.1	3.3
Electronic goods	7.6	9.4	9	18	-7	7	16.9	13.7
Machinery, Electrical and Non Electrical	4.3	4.7	5	28	-3	1	9.1	16.0
Gold	2.3	2.7	-62	41	-74	-13	5.0	-37.6
Services trade balance	18.5	18.0	41	11	9	6	36.5	
Exports	35.0	34.7	24	12	3	3	69.8	17.5
Imports	16.6	16.7	9	13	-1	0	33.3	10.6

Source: CEIC, Goldman Sachs Global Investment Research

Exhibit 3: Services exports increased sequentially in February in seasonally adjusted terms

Source: CEIC, Goldman Sachs Global Investment Research

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