Economic Intelligence Cell

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Macro Insights

Trade deficit dropped to a five-month low of 26.86 USD billion

The gap between imports and exports of goods stood at $26.86 billion in August 2026. It decreased from $27.22 billion in August 2025. It was recorded at $31.98 billion in July 2026.

Highlights:

- *Merchandise exports increased to $43.81 billion in August 2026 from $34.74 billion in August 2025, registering a YoY growth of 26.1%.*
- *Exports of non-petroleum products rose by 21.0% YoY to $37.00 billion, while petroleum product exports surged 63.3% YoY to reach $6.81 billion.*
- *Merchandise imports grew by 14.1% YoY to $70.67 billion in August 2026, largely driven by higher imports of crude oil and electronic goods.*
- *Gold imports dropped 57.8% YoY, even on sequential basis import value decreased to $2.30 billion in August'26 from $4.16 billion in July'26. Silver imports jumped by 127.06% YoY to $1.03 billion.*

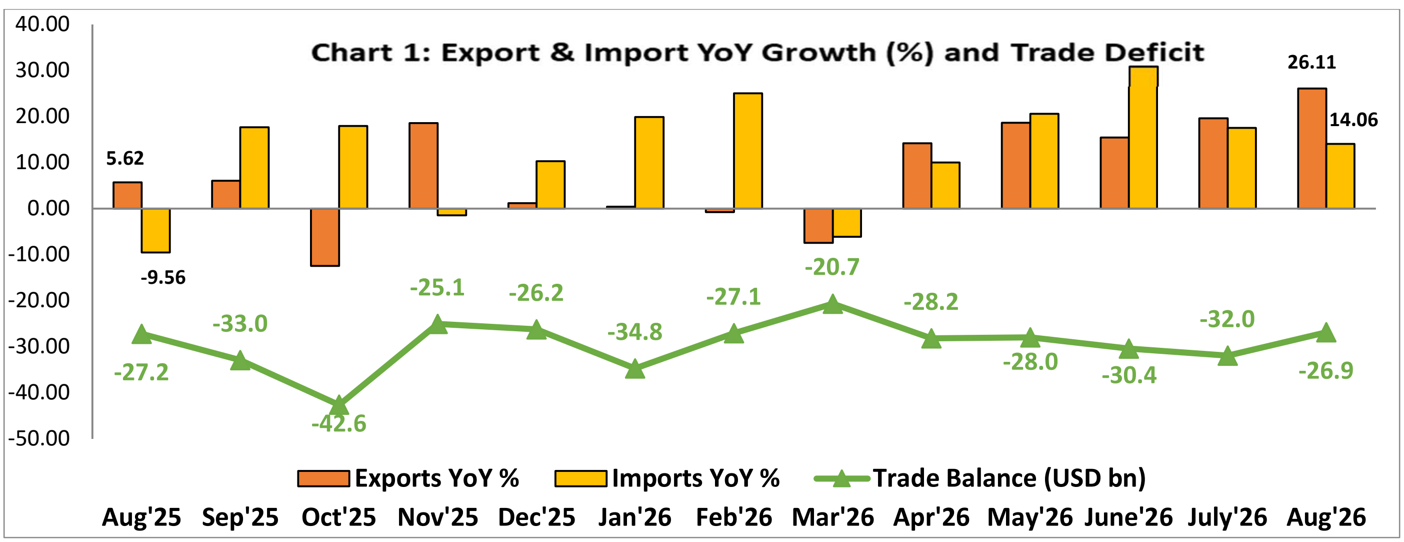
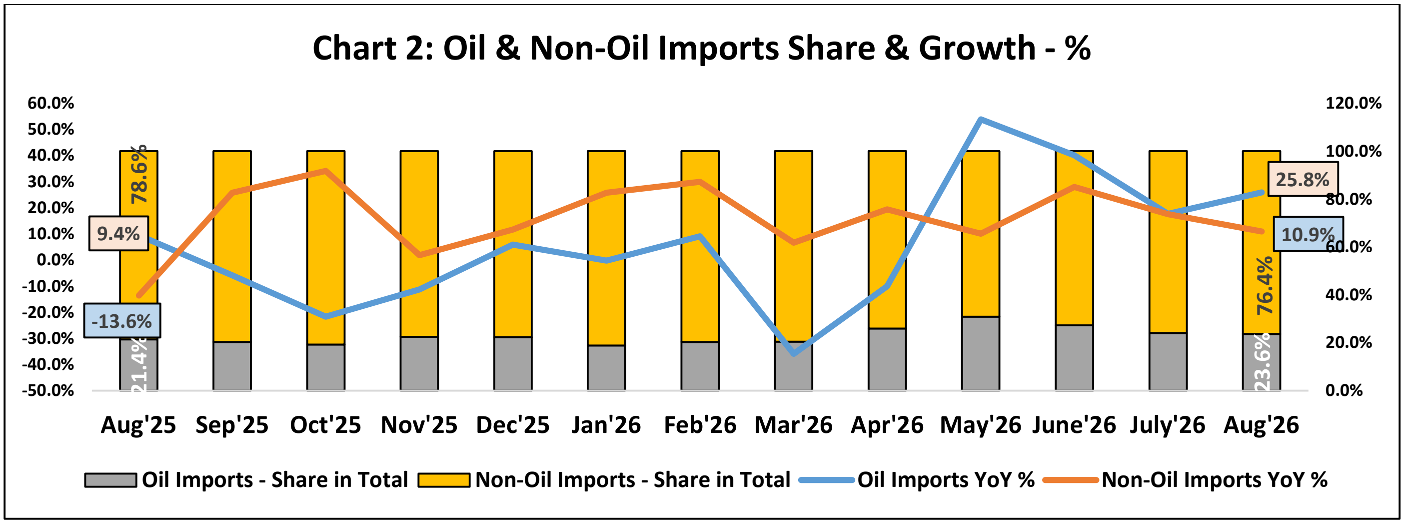


Table: Merchandise Exports and Imports

($ billion)

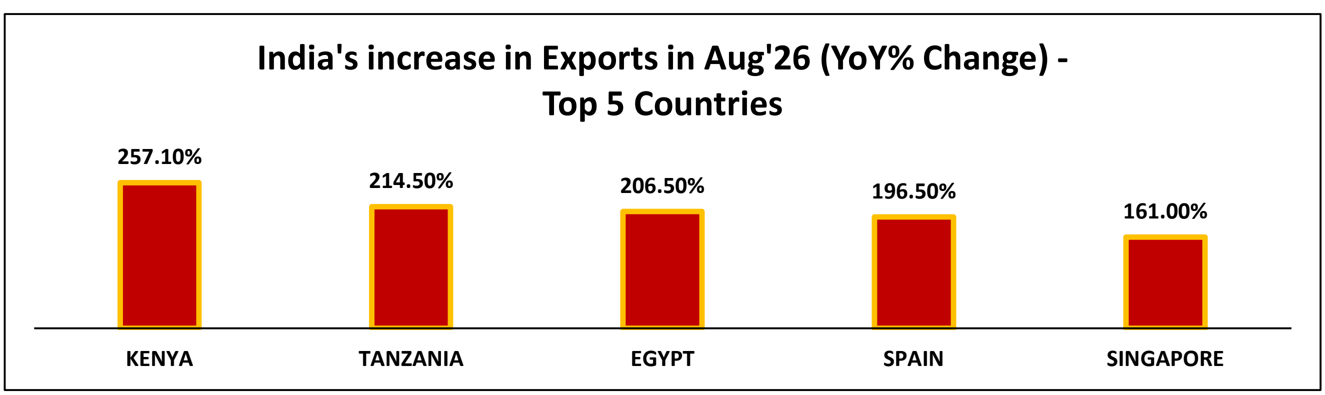
Month	Exports	Imports	Trade Balance
Aug'25	34.74	61.96	**-27.22**
July'26	44.24	76.22	**-31.98**
Aug'26	43.81	70.67	**-26.86**
YoY Growth (%)	**26.1%**	**14.1%**	

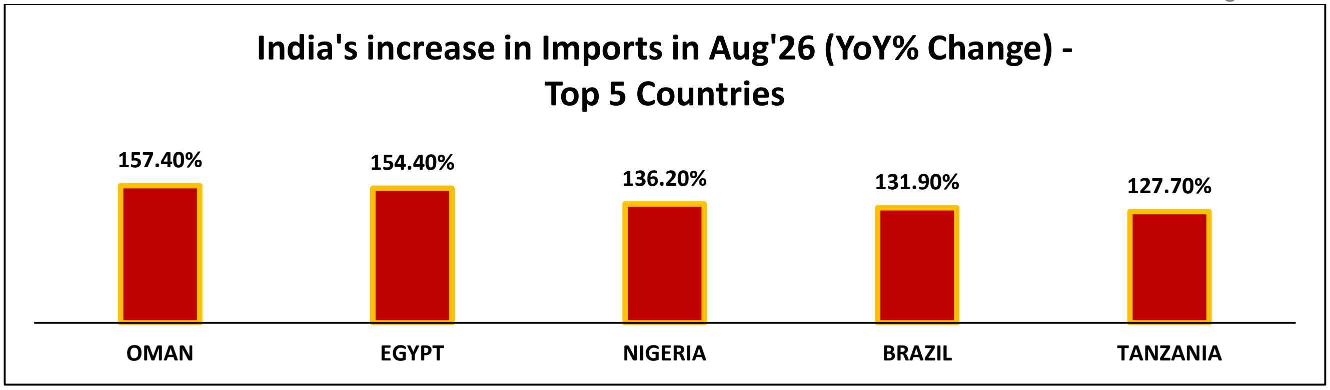
Source: Department of Commerce, Ministry of Commerce & Industry



Insights:

- ✓ The share of oil imports within merchandise imports declined to 23.6% in August 2026 from 24.0% in the previous month. Correspondingly, the share of non-oil imports increased to 76.4% from 76.0% during the same period. On cumulative basis, the share of oil imports increased to 26.3% during Apr–Aug FY’27, from 25.4% in the corresponding period last year.
- ✓ Out of the 30 major commodity groups, 18 registered a YoY increase in exports. Major drivers of merchandise export growth include Electronic Goods, Petroleum Products, Engineering Goods, Organic & Inorganic Chemicals, Cotton Yarn/Fabs./made-ups, and Handloom Products. Despite persistent geopolitical tensions in West Asia, India’s exports remained resilient reflecting exporters’ adaptability to the changing global economic environment and the success of ongoing market diversification efforts.
- ✓ Out of the 30 major commodity group, 21 showed a YoY increase in imports. Major commodities among non-oil imports which recorded a growth in August 2026 were Sulphur & Unroasted Iron Pyrts, Project goods & Silver. Major commodities that saw decline were Gold, Pulp & Wastepaper and Iron & Steel.
- ✓ Services exports are estimated to reach $38.87 billion in August 2026 as compared to $31.19 billion in August 2025 while estimated services imports increased to $21.42 billion from $15.59 billion a year earlier.





Views:

- ✓ India's merchandise exports rose 26.1% year-on-year to $43.81 billion in August'26, the strongest growth in four years. Shipments to the United States, China, Singapore, Malaysia and South Africa all recorded healthy gains, pointing to genuine market diversification rather than a single-market recovery.
- ✓ The merchandise trade deficit narrowed to $26.86 billion from $31.98 billion in July'26, driven by a $5.55 billion fall in the import bill. The largest single contributor was gold, where imports fell to $2.30 billion from $4.16 billion in July'26. Oil accounted for a further $1.60 billion as Russian crude purchases retreated from July's record levels on tighter availability and competing demand from other buyers.
- ✓ Higher electronics imports continue to reflect robust domestic demand and increased procurement of intermediate inputs for manufacturing, with electronic goods now among the fastest-growing export lines. Imports of fertilizers, pulses and raw cotton remained elevated on sowing-season requirements. The sharp rise in sulphur imports, the feedstock for sulphuric and phosphoric acid, signals a build-up of domestic phosphatic fertilizer production ahead of the rabi season, while the surge in project goods points to ongoing capital formation in infrastructure and industrial capacity.
- ✓ External sector risks remain manageable. A rising services surplus, with services exports at $38.87 billion in August against $31.19 billion a year earlier, continues to absorb a substantial part of the goods deficit. RBI's June 2026 measures, comprising the concessional FCNR(B) swap window, have mobilised substantial dollar inflows and rebuilt reserve buffers. The cumulative merchandise deficit for the first five months of FY'27 nevertheless remains wider than a year earlier, leaving the trade balance sensitive to crude price.
- ✓ Two things will shape the outlook in the coming months. The first is the India-EU agreement, whose draft went to the EU Council on 11 September. If it stays on track, it will give Indian exporters preferential access to a market roughly as large as the US. The second is the discount on Russian crude, since other buyers are now competing for the same barrels and any narrowing of the discount will feed into the oil import bill. Alongside these, rising utilisation of the agreements already in force offers considerable headroom for growth. As exporters build familiarity with certificate of origin procedures; UK testing and traceability requirements, and as facilitation support reaches smaller firms, the benefits of existing agreements should come through over the coming quarters.

Major commodities exhibiting the most positive and negative growth (YoY%) in Aug'26:

Exports (Non POL*)				
Major Commodities exhibiting positive growth				
Sl. No.	**Commodities**	**(Values in Million USD)**		**% Change**
		Aug'25	**Aug'26**	
1	**Iron Ore**	67	152	**126.30%**
2	**Electronic Good**	2926	5553	**89.82%**
3	**Meat, dairy & poultry products**	506	694	**37.08%**
Major Commodities exhibiting negative growth				
Sl. No.	**Commodities**	**(Values in Million USD)**		**% Change**
		Aug'25	**Aug'26**	
1	**Oil Meals**	99	51	**-48.14%**
2	**Other cereals**	23	16	**-31.69%**
3	**Jute Mfg. including Floor Covering**	34	28	**-19.37%**

Imports (Non POL)				
Major Commodities exhibiting positive growth				
Sl. No.	**Commodities**	**(Values in Million USD)**		**% Change**
		Aug'25	**Aug'26**	
1	**Sulphur & Unroasted Iron Pyrts**	27	220	**700.31%**
2	**Project goods**	23	101	**337.90%**
3	**Silver**	452	1026	**127.06%**
Major Commodities exhibiting negative growth				
Sl. No.	**Commodities**	**(Values in Million USD)**		**% Change**
		Aug'25	**Aug'26**	
1	**Gold**	5439	2298	**-57.75%**
2	**Pulp & Waste Paper**	173	149	**-13.83%**
3	**Iron & Steel**	2020	1784	**-11.69%**

** POL - Petroleum, Oil and Lubricants*

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