GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF COMMERCE
LOK SABHA
UNSTARRED QUESTION NO. 1493
ANSWERED ON 28/07/2026

MERCHANDISE TRADE DEFICIT IN INDIA

1493. SHRI DEEPENDER SINGH HOODA

Will the Minister of **COMMERCE AND INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

(a) the details of India's merchandise trade deficit during the last twenty years, including current year, year-wise;
(b) whether the Government considers the present level of merchandise trade deficit sustainable in view of India's exports and imports and if so, the justification therefor;
(c) if not, the reasons for persistent trade deficit and the major factors contributing thereto; and
(d) the steps taken by the Government to reduce trade deficit and promote self-reliance in domestic production to reduce import dependence?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्यमंत्री (श्री जितिन प्रसाद)
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)

(a) India's merchandise exports expanded nearly three-and-a-half times over the last twenty years, with exports rising to US $ 441.75 billion in FY 2025-26 from US $ 126.41 billion in FY 2006-07. Similarly, import also expanded due to increase in domestic demand and manufacturing capabilities from US$ 194.81 Bn to US$ 776.01 Bn in 2025-26.

Year	Exports (US $ Bn)	Imports (US $ Bn)	Trade Balance (US $ Bn)
FY 2006-07	126.41	194.81	-68.39
FY 2007-08	163.13	251.65	-88.52
FY 2008-09	185.30	303.70	-118.40
FY 2009-10	178.75	288.37	-109.62
FY 2010-11	249.91	369.77	-119.86
FY 2011-12	306.06	489.33	-183.27
FY 2012-13	300.47	490.74	-190.27
FY 2013-14	314.49	450.20	-135.71
FY 2014-15	310.34	448.03	-137.69
FY 2015-16	262.29	381.01	-118.72
FY 2016-17	275.85	384.36	-108.50
FY 2017-18	303.53	465.58	-162.05
FY 2018-19	330.08	514.08	-184.00

FY 2019-20	313.36	474.71	-161.35
FY 2020-21	291.81	394.44	-102.63
FY 2021-22	422.00	613.05	-191.05
FY 2022-23	451.07	715.97	-264.90
FY 2023-24	437.17	674.00	-236.83
FY 2024-25	437.70	721.20	-283.50
FY 2025-26	441.75	776.01	-334.27
FY 2025-26 (Apr–June)	111.57	180.31	-68.75
FY 2026-27 (Apr–June)	129.58	216.17	-86.60

Source: DGCIS, TIA Portal

(b) and (c) India's merchandise trade deficit must be understood within the broader context of its external sector and the structural features of a fast-growing, investment-driven economy. While the country has consistently recorded a merchandise trade deficit, India's external sector remains resilient and sustainable, supported by strong services exports, robust remittance inflows, stable capital flows, and adequate foreign exchange reserves.

The deficit primarily reflects the import requirements of a rapidly expanding economy rather than structural imbalances. A large share of India's imports is productive in nature, directly contributing to domestic manufacturing capabilities, infrastructure creation, and export competitiveness. Key imports include crude oil, capital goods, electronic goods, machinery, fertilizers, and other intermediate inputs—all essential for manufacturing, industrial expansion, infrastructure development, and energy security. These imports enhance India's productive capacity and long-term growth potential, rather than being consumption-driven liabilities.

Thus, the merchandise trade deficit is best seen as a by-product of India's development stage, investment needs, and energy dependence. Despite the deficit, the overall external sector remains stable, underpinned by strong fundamentals that ensure sustainability and resilience in the face of global uncertainties.

At the same time, India's exports have demonstrated remarkable resilience despite a challenging global environment marked by geopolitical tensions, supply chain disruptions, inflationary pressures and subdued external demand. India recorded highest-ever exports in FY 2025-26 reaching a record US$ 863.1 billion, with merchandise exports reaching US$ 441.8 billion and services exports expanding further to US$ 421.3 Bn. The substantial surplus generated through services exports acts as an important buffer to the merchandise trade deficit and contributes significantly towards maintaining the sustainability of India's external sector.

(d) The Government has adopted a comprehensive strategy aimed at achieving the twin objectives of reducing critical import dependence by strengthening domestic manufacturing capabilities while simultaneously expanding exports through improved competitiveness, market access and deeper integration with global value chains.

To promote exports, the Government is implementing the Foreign Trade Policy (FTP), 2023, which focuses on export diversification, market access, ease of doing business, digitalisation and integration into global value chains. India has also significantly expanded its trade engagement and currently has 19 active Free Trade Agreements, with eight major FTAs signed or concluded since 2021, providing enhanced preferential access to major global markets.

Institutional initiatives such as the Export Promotion Mission, Districts as Export Hubs, Trade eConnect, the Trade Intelligence and Analytics (TIA) Portal, electronic Certificates of Origin, and customs modernisation are strengthening export competitiveness, improving market intelligence, facilitating compliance and enabling exporters, particularly MSMEs, to access new international markets.

Simultaneously, the Government is strengthening domestic manufacturing capabilities through improvements in infrastructure, logistics and the business ecosystem. Initiatives such as PM Gati Shakti National Master Plan, the National Logistics Policy, digitalisation of customs processes through SWIFT, and improvements in trade facilitation are reducing logistics costs and enhancing industrial competitiveness.

To reduce strategic import dependence, the Government is also promoting domestic capacity creation in critical sectors, encouraging technology adoption and innovation, strengthening supply chain resilience, diversifying import sources for essential commodities such as crude oil, fertilisers and critical minerals, and accelerating investments in renewable energy and other emerging sectors.

These measures are aimed at progressively improving India's export competitiveness, strengthening domestic production capabilities, reducing vulnerabilities arising from external shocks and ensuring sustainable long-term growth of the external sector.

*****