

Macroeconomics | Trade first cut

Shadows lengthening

April 2026

West Asia conflict deals a double blow to exports and imports

India's goods exports contracted 7.4% on-year to \$38.9 billion in March (vs 0.3% average growth in the three months ended February), partly due to a high base driven by frontloading of exports last year in anticipation of US tariff hikes.

The impact of the West Asia conflict was also clearly visible in the March trade data. The decline in exports was led by a 29.3% drop in gems and jewellery exports. It is noteworthy that the United Arab Emirates (UAE) has become India's top destination for gems and jewellery exports in recent times, surpassing the US.

Core¹ exports were down 7.5% on-year, reflecting a broad-based pressure on exports.

Petroleum exports, however, remained buoyant, clocking 5.7% on-year growth. This could partly be a reflection of the significant rise in crude oil prices (Brent at \$95.6/bbl in March vs \$70.7/bbl last year and \$68.0/bbl in February) and also a likely diversion of some petroleum exports to other Asian markets. For instance, India's exports to Singapore—the country's largest petroleum export destination after Netherlands and UAE—grew a massive 158.6% on-year in March, after consistently contracting for many months in a row. Exports to Malaysia also recorded a high 84.5% growth. The sharp contraction in oil imports, along with the growth in petroleum exports, led to India's oil trade deficit halving to \$7 billion in March from \$14.1 billion a year ago. Sequentially too, the oil trade deficit was lower compared with \$9.5 billion in February.

According to the latest available data, country-wise, India's exports to Saudi Arabia and UAE contracted a sharp 45.7% and 61.9% on-year, respectively, in March.

The impact of the West Asia conflict was also visible in India's imports, which contracted 6.5% on-year to \$59.6 billion in March (following an average double-digit growth of 18.4% in previous three months). This was led by a 35.9% decline in India's crude oil imports and a 17.8% decline in gems and jewellery imports (pearls, precious and semiprecious stones down 13.1%, while gold was down 31.6%).

India's fertiliser imports—of which West Asia is a key supplier—were also impacted as the growth slumped to a mere 2.2% on-year in March, compared with an average 26.1% growth in previous three months.

Country-wise, India's imports from Qatar, Saudi Arabia and UAE contracted 47.9%, 37.3% and 66.3% on-year, respectively, in March.

However, although imports from West Asia were impacted, India's imports from other geographies were buoyant, as reflected by the 10.2% on-year growth in core imports in March, compared with the 14% print in February.

¹ Core means goods excluding oil and gems & jewellery

Outside West Asia, India's exports to the US improved sequentially in March (\$8 billion vs \$6.6 billion in February), reflecting some positive impact of the progress on the trade deal between the two countries wherein US tariffs on India were slashed from 50% to 18% and subsequently to 10%. That said, uncertainties around the trade deal remain, and hence the future trajectory of India's exports to the US remains a monitorable.

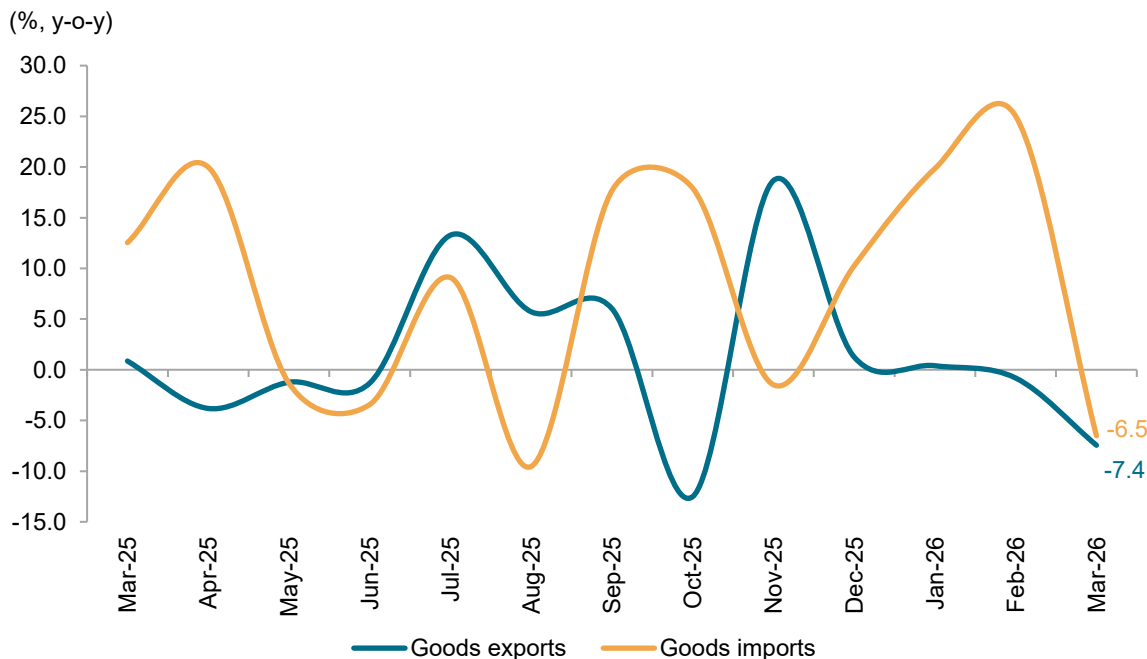
Cumulatively, in fiscal 2026, India's goods exports rose a marginal 0.9% on-year to \$441.8 billion. However, imports grew 7.4% to \$774.9 billion. As a result, trade deficit widened to \$333.1 billion from \$282.8 billion in fiscal 2025.

Preliminary estimates show that India's services exports recorded a mild contraction (-1.2% on-year) in March. However a greater contraction in imports (-3.0%) meant that the services trade surplus still rose (to \$18.2 billion from \$18.1 billion in March 2025 and \$17.8 billion in February 2026).

In the base case, under the assumption that exports benefit from US tariff relaxations, and crude prices rise to an average of \$75-80/bbl, we expect the current account deficit (CAD) to widen to 1.5% of GDP in fiscal 2027 vs a projected 0.8% of GDP in fiscal 2026. If oil price were to rise to \$82-87/bbl, which is our alternate case and looks plausible now, then the CAD could rise to 2.0% of GDP. A healthy services trade surplus should restrict the upside to CAD. The ongoing West Asia conflict and its duration and scale will be critical to monitor. Elevated uncertainties and subdued global growth—in the case of supply shocks—could weigh on exports despite some expected tailwind from reduced US tariffs.

Meanwhile, imports face a significant upside risk from sustained higher energy and commodity prices in case the conflict is prolonged. Together, these factors may weigh on goods' trade deficit this fiscal.

Both exports and imports took a hit in March



Source: Ministry of Commerce and Industry, CEIC, Crisil

Highlights

- Exports of rice—a majority of which is shipped to West Asia—were down 15.4% on-year in March. Despite being a staple and essential commodity, the contraction in rice exports clearly shows the disruption in supply chain and logistics in the region. In addition, meat, dairy and poultry products, which hitherto demonstrated high-double-digit growth, contracted 3.1% in March
- The pressure on agricultural exports was quite broad-based, barring 'other cereals' that recorded 108.2% on-year growth and have been one of the few agricultural commodities that have performed consistently well in recent times
- Pressure also seems to be building up in electronics exports, which have been the flag bearer of India's export performance of-late. In March, electronics exports contracted for the first contraction in 30 months (down 3.3% on-year). Although a high base effect was at play in March, recent trends suggest export growth may be losing thrust after their stellar performance in calendar year 2025
- Labour-intensive sectors continued to reel under pressure. Textile (cotton yarn, fabrics, madeups, handloom products, etc.) contracted 10.3%, Manmade yarn, fabrics, madeups, etc were down 13.3%, while readymade garments contracted 19%. Leather exports were also down in double digits (-14.4%)

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