



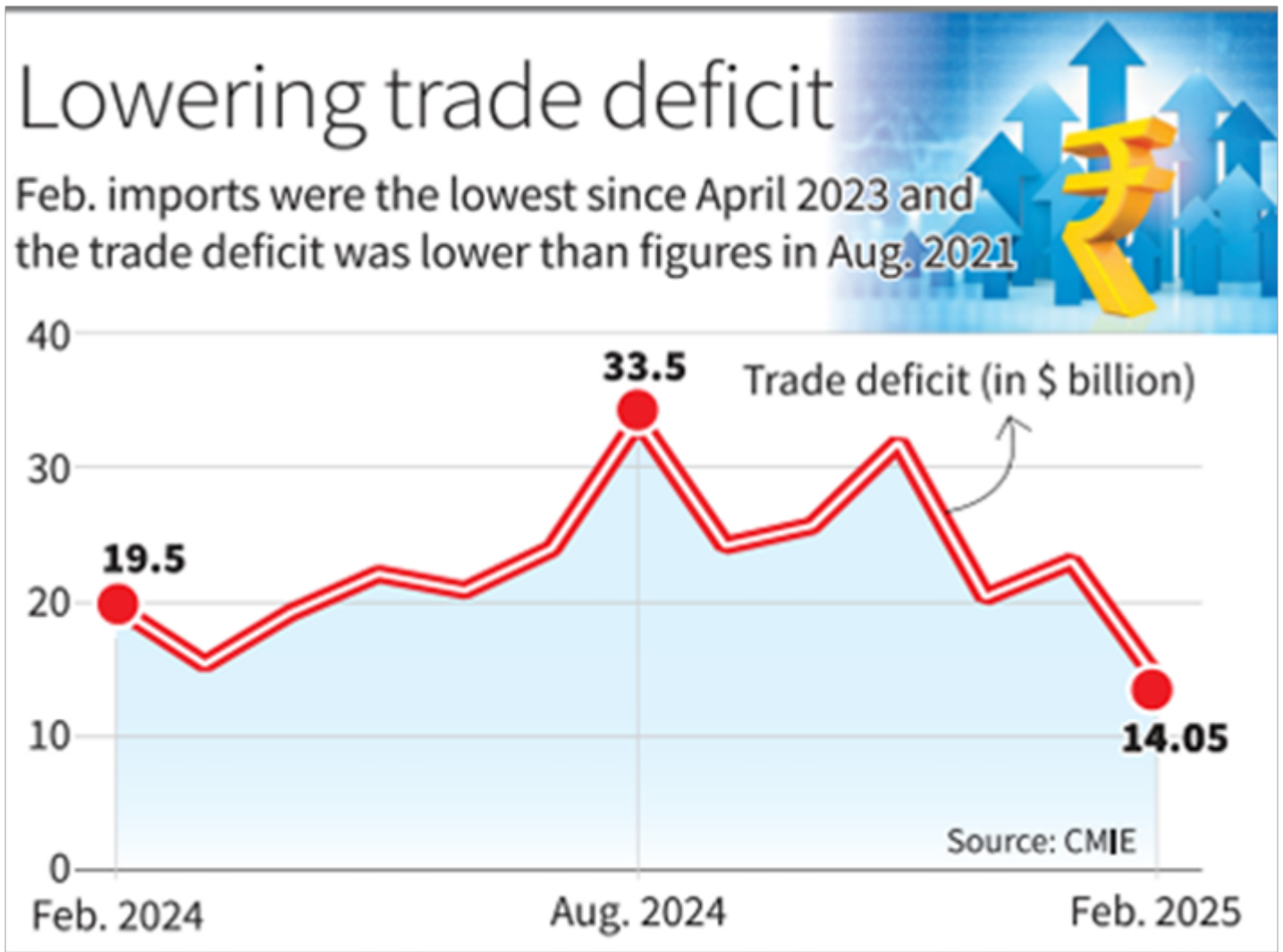
KAMARAJ IAS ACADEMY
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India's goods trade deficit at 42 month low, following dip in gold and crude oil imports

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Context

India's goods trade deficit was down to a 42-month low of \$14.05 billion as imports of gold, silver and crude dipped in February, show data from the Commerce and Industries Ministry. The difference between import and export of goods was \$22.9 billion in January. In February 2024, the merchandise trade deficit stood at \$19.5 billion



Trade Deficit

A nation's trade deficit occurs when the **value of its imports of goods and services exceeds the value of its exports over a specific period.**

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In other words, a country experiences a trade deficit when it **buys more from other countries than it sells to them**. This is also referred to as a negative balance of trade.

While a trade deficit can pose challenges, strategic measures to **boost exports, reduce import dependence, and diversify the economy** can help manage and mitigate its impacts.

Causes of India's Trade Deficit

High Import Dependence:

1Energy Needs: Heavy reliance on **imported crude oil and coal**.

2Consumer Goods: Rising demand for imported consumer electronics, machinery, and luxury goods.

Export Constraints:

1Limited Product Diversification: Dependence on a **narrow range of export commodities**.

2Global Market Access: **Trade barriers and competition** in global markets can limit export growth.

Economic Growth:

1High Domestic Consumption: Rapid economic growth and **urbanization increase demand for imported goods**.

Currency Valuation:

1. Rupee Depreciation: A **weaker rupee can make imports more expensive**, worsening the trade deficit.

