



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

Trade Deficit Falls on Surging Merchandise Exports

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The significant fall in India's overall trade deficit in November 2025 to \$6.6 billion is a key economic indicator reflecting an improvement in the balance of trade, driven primarily by a surge in merchandise exports.

Analysis of the Data

- **Trade Deficit Fall:** The overall deficit (including merchandise and services) plummeted by over 61% compared to the previous year/month.
- **Merchandise Exports Surge:**
 - Merchandise exports saw a strong growth of nearly **19.4%** in November 2025, reaching the highest November figure in over a decade.
 - Key drivers of export growth include **engineering goods, electronics, gems and jewellery, and drugs and pharmaceuticals**.
 - Crucially, exports to the **U.S.** grew significantly, suggesting Indian exporters are adjusting to and absorbing the impact of recently imposed higher tariffs.
- **Merchandise Imports Moderation:**
 - Imports saw a slight moderation, mainly due to a sharp fall in **gold imports** (which had previously surged in October due to the festive season).
- **Services Trade Surplus:** Services exports continued to grow, contributing a healthy surplus to the overall trade balance.
- **Balance of Payments (BoP):** A narrowing trade deficit (especially due to strong exports) reduces the pressure on the Current Account Deficit (CAD), positively impacting the overall Balance of Payments.
- **Economic Resilience:** The data indicates resilience and competitiveness in key Indian export sectors despite global economic slowdown and protectionist measures (like US tariffs).
- **Policy Impact:** Suggests a positive impact from government initiatives aimed at boosting exports and domestic manufacturing.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477** / Whatsapp : **09710729833**