

Trade data frames challenge in time of war

THE YEAR 2025-26 was full of turmoil. Beginning with the imposition of reciprocal tariffs by US President Donald Trump and ending with the conflict in West Asia, global trade faced significant disruptions. It was also a year in which China recorded a trade surplus of \$1.2 trillion (2025) as the export behemoth charged ahead despite Trump's trade wars. India, too, faced uncertainty on several fronts, even as it finalised trade agreements, as with the UK and the EU, and reached an agreement with the US. In this year of unpredictability, merchandise exports for the full year stood at \$441.78 billion, only marginally higher than the year before.

Disaggregated data shows that most labour intensive sectors such as gems and jewellery, textiles and leather, fared poorly during the year. The electronic goods segment stood out — exports were just shy of \$48 billion, driven by smartphones. The impact of Trump's tariffs, the Iran war, and the blockage of the Strait of Hormuz is visible in the data. Exports to the US barely rose during the year, while those to West Asia, which accounts for a significant share of India's trade basket, collapsed in March. As many as 24 out of 30 export categories contracted during the month. Exports to the region fell by 57.95 per cent in the month, dragging down overall goods exports by 7.4 per cent. Imports were down by 51.64 per cent. Within the region, exports to the UAE were down 61.93 per cent, and those to Saudi Arabia by 45.67 per cent.

These trade disruptions will be seen in the month of April as well. But to what extent they continue will depend on talks between Iran and the US, and the movement of cargo through the Strait of Hormuz. Oil prices remain elevated. Brent crude is currently trading at around \$95.8 per barrel. India's crude basket, which comprises Sweet grade (Brent dated) and Sour grade (Oman and Dubai average), was around \$110 per barrel as on April 15. Higher oil prices, if sustained, will have implications for the current account deficit — a \$10 per barrel increase in price is estimated to increase the deficit-to-GDP ratio by around 30-40 basis points as per ICRA. In the current scenario, financing this may prove challenging.