

Oil surge hits trade balance

OUR BUREAU

Calcutta: India's merchandise trade deficit widened sharply in April as the ongoing conflict in West Asia pushed up global crude prices and inflated the country's import bill, adding pressure on the external account and the rupee.

Data released by the ministry of commerce and industry on Friday showed the merchandise trade deficit — the gap between imports and exports — rose to \$28.38 billion in April from \$20.6 billion in March.

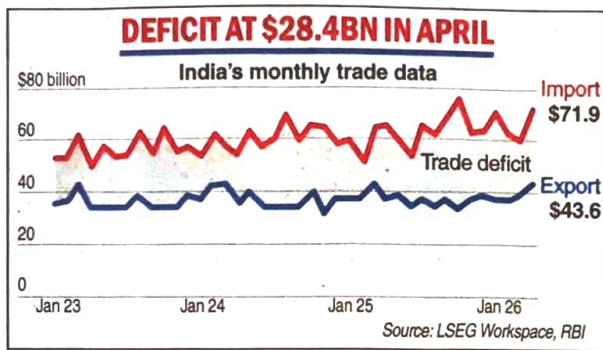
Merchandise exports during April stood at \$43.56 billion against \$38.28 billion in the same month last year, while imports rose to \$71.94 billion from \$65.38 billion a year ago.

A sharp increase in oil and gold imports contributed significantly to the widening gap. Oil imports climbed to \$18.62 billion in April compared with \$12.18 billion in March, while gold imports rose to \$5.63 billion from \$3.06 billion during the same period.

Commerce secretary Rakesh Agrawal said part of the increase in export value was due to rising global prices. "The positive growth in export value may also have some contribution from prices because prices of many things are going up," he said.

Economists, however, cautioned that stronger export growth may not be enough to offset the impact of elevated imports, particularly energy shipments.

Aditi Nayar, chief economist at Icria, said the widening trade deficit is likely to keep pressure on India's current account balance. She estimated the current account deficit for the current fiscal year at around 2 per cent of GDP,



more than double the level estimated for the previous year.

The wider trade imbalance also weighed on the rupee, which slipped to a record low and weakened beyond the 96-mark against the dollar after the release of the trade data.

The Indian currency has emerged among the weakest-performing Asian currencies so far in 2026 amid persistent external sector concerns.

When asked about the impact of the depreciating rupee on exports, Agrawal said exports continued to show resilience. "Till now it has been showing a positive trajectory, and the early signs from May also look positive," he said.

The government has also been encouraging exporters and importers to increasingly settle international trade in rupees to reduce dependence on foreign currencies. Agrawal, however, acknowledged that adoption of the mechanism remains at a nascent stage.

India's merchandise exports to the West Asian region fell 28 per cent year-on-year to \$4.16 billion in April from \$5.78 billion a year ago.

Imports from the region also declined 31.64 per cent to \$10.47 billion from \$15.32 billion in April last year.

The conflict involving Iran has disrupted movement through the Strait of Hormuz, a critical shipping route for global energy supplies. India, the world's third-largest crude oil importer, remains heavily dependent on oil shipments passing through the strategic waterway.

Government data showed India's crude oil basket averaged above \$114 a barrel in April, around 61 per cent higher than the average price during the previous financial year.

To cushion the economy from rising external pressures, the Centre has announced a series of emergency measures, including an increase in retail fuel prices for the first time in four years and tighter restrictions on gold imports to contain foreign exchange outflows and support the rupee.

Prime Minister Narendra Modi has also appealed to citizens to reduce fuel consumption and defer gold purchases for a year.

Agrawal said the higher duty on gold imports would help moderate domestic demand for the precious metal. He added that the government was also engaging with industry stakeholders to address issues exporters faced.

Hike in fuel prices

► FROM PAGE 1

Oil marketing companies (OMCs) such as IOC, Bharat Petroleum and Hindustan Petroleum had been reporting under-recoveries of ₹1,000 crore from the sale of petrol, diesel and LPG, with the government declining to raise retail prices in keeping with the surge in crude rates.

The average cost of crude oil for India has risen by over 50 per cent compared with the February figures, with the West Asia war choking the movement of petroleum cargo through the Strait of Hormuz, a key artery for oil shipments.

"Following the recent ₹3/litre fuel price hike, OMCs continue to face material under-recoveries. Prior to the price hike, under-recoveries were at around ₹13-15/litre for petrol and ₹17-18/litre for diesel," Mitra said in a note.

"Hence, it had been projected that almost ₹10 per litre retail hike would be needed to cover 50 per cent of under-recoveries. In this context, the current ₹3/litre increase remains below those estimates."

As of now, the rise is expected to modestly hit the consumer price index — a measure that tracks inflation at the retail level.

"We expect the fuel price hike to push up the average CPI inflation print by 25 bps (0.25 per cent) on an annualised basis," Aditi Nayar, chief economist at Icria, said.

"Since the hike was effected mid-month, this impact will be spread over the May and June 2026 CPI inflation prints.

We are now revising our forecast for May 2026 to 4.3 per cent from 4.1 per cent."

However, the wholesale price index (WPI), which measures inflation at the factory level, had already reached 8.3 per cent in April, the highest in three-and-a-half years, as a direct impact of the West Asia war.

"The current spike in WPI is directly linked to the West Asia conflict, with commodities and production processes impacted," credit rating agency Crisil said in a note.

Diesel accounts for about 40 per cent of India's total fuel sales, while petrol's share is more than 17 per cent. The modest increase is partly about containing inflation, already a major concern with a weak rupee breaching the ₹96-to-the-US-dollar mark for the first time on Friday and oil prices persistently staying above \$100 a barrel.

The country's balance of payments may stay in deficit for a third straight year, economists estimate.

While petrol and diesel prices have been raised after four years, the government has increased domestic LPG prices moderately (₹60 for a 14.2kg cylinder) and commercial gas prices astronomically (₹1,300 for a 19kg cylinder). It has also raised aviation fuel prices. On Friday, CNG prices in Delhi and Mumbai were also increased by ₹2 a kilo.

Export duty revised

India raised its export duty on petrol and cut those on diesel and aviation fuel. The duty on exports of petrol has been raised to ₹3 per litre while that on diesel has been cut to ₹16.5 per litre. Export duties on aviation fuel have been cut to ₹16 per litre.