

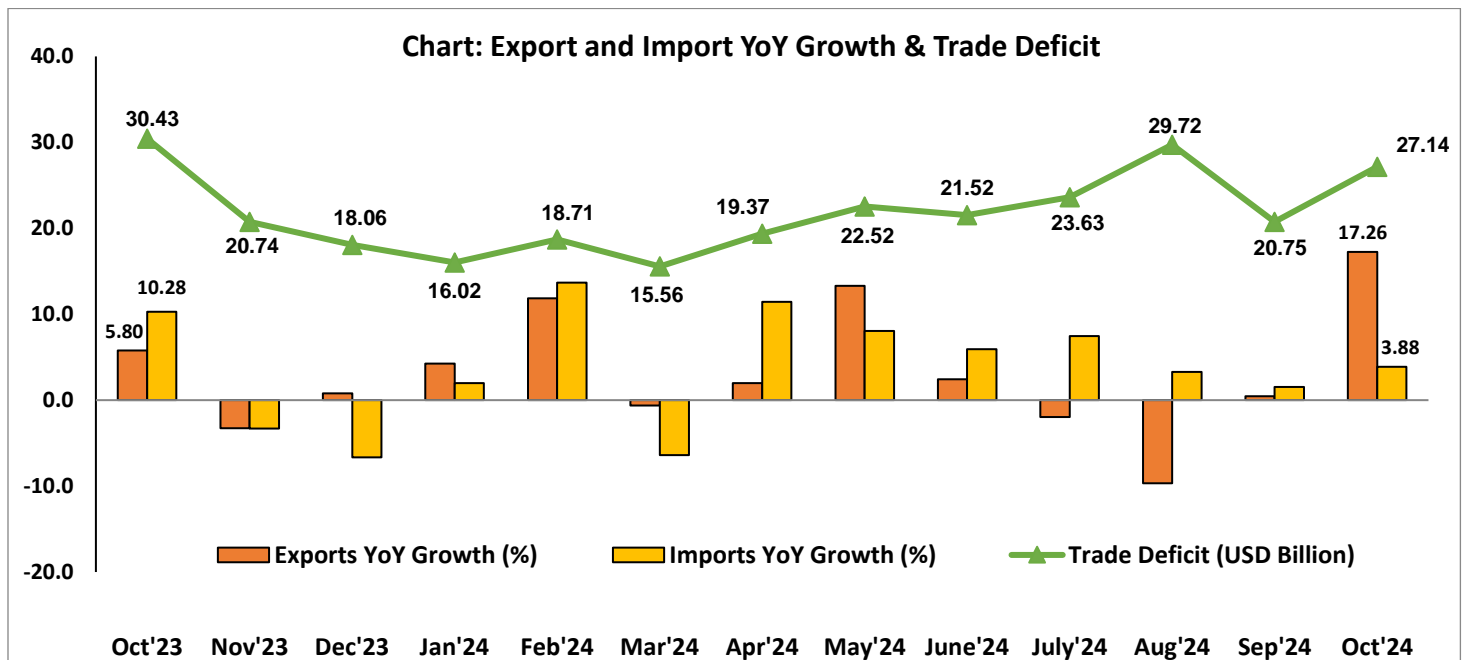
Macro Insights

Trade Deficit swelled to \$27.14 billion, exports growth surged to 28 months' high

India's merchandise trade deficit widened sequentially to \$27.14 billion in Oct'24 from \$20.75 billion in Sept'24, however it has decreased on annual basis from \$30.43 billion in Oct'23.

Highlights:

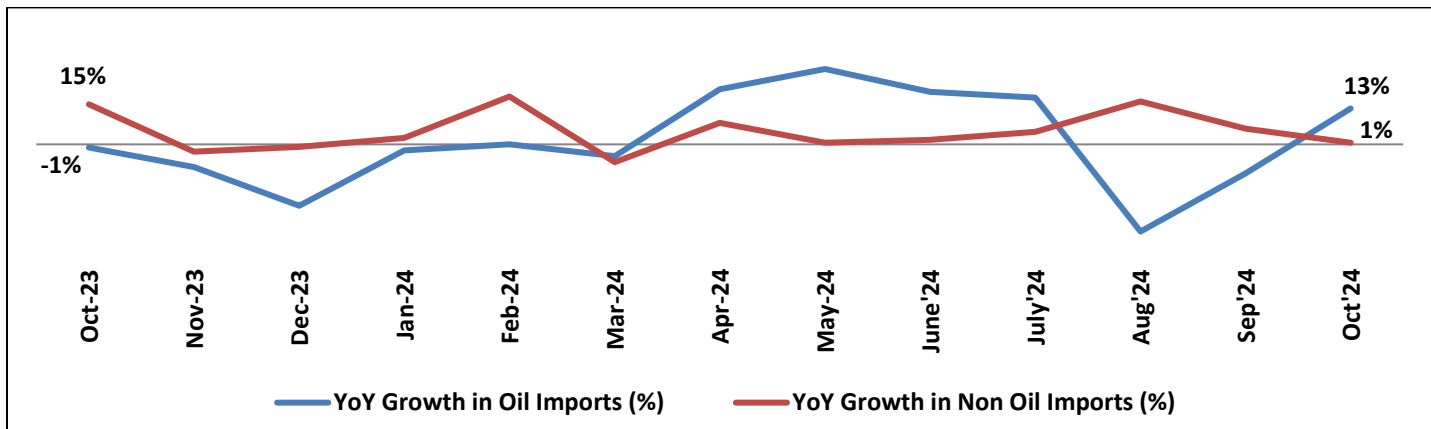
- Merchandise exports in Oct'24 surged by 17.3% YoY - the fastest growth in 28 months, reaching \$39.20 billion, up from \$33.43 billion in Oct'23.
- Merchandise imports also hit a record high of \$66.34 billion, rising 3.9% YoY from \$63.86 billion.
- Key export drivers included Engineering Goods, Organic and Inorganic Chemicals, Electronic Goods, Ready-Made Garments (RMG), and rice.
- Non-oil exports saw robust growth, reaching \$34.61 billion with a 25.6% YoY increase, while non-oil imports rose marginally by 0.7% YoY to \$48.04 billion.
- Petroleum product exports contracted by 22.1% YoY in October, falling to \$4.59 billion, driven by a continued decline in global crude oil prices.



(\$ billion)

Month	Exports	Imports	Trade Deficit
Oct'23	33.43	63.86	30.43
Oct'24	39.20	66.34	27.14
YoY Growth (%)	17.3%	3.9%	(10.8%)

Chart: Import Growth % - Oil & Non-Oil



Insights:

- ✓ Merchandise exports grew robustly (17.3%) compared to imports (3.9%) on YoY basis, resulting in trade deficit of \$27.14 billion in Oct'24. It was higher on sequential basis (Sept'24 - \$20.75 billion) but lower compared to a year earlier (Oct'23 - \$30.43 billion).
- ✓ The widening trade deficit sequentially was primarily driven by higher oil imports (up 46.4% MoM) and gold imports (up 62.2% MoM). However, the record-high merchandise exports, supported by a 25.6% increase in non-oil exports, contributed to a narrower trade deficit compared to Oct'23.
- ✓ In merchandise imports, 10 out of 30 key sectors exhibited negative growth in Oct'24 with Coal, Coke & Briquettes, Pearls, precious & Semi-precious stones, and Silver witnessing higher than 25% fall.
- ✓ Meanwhile, in merchandise exports, 26 out of 30 key sectors exhibited positive growth in Oct'24 with top 5 categories are Rice (85.8%), Electronic Goods (45.7%), Engineering Goods (39.4%), Jute Mfg. (37.0%), and Ready-made garments (35.1%).
- ✓ India's Oil imports growth has picked up to 13.3% (YoY) on account of high crude prices in Oct'24, while growth in non-oil imports (0.7%) has seen some moderation for consecutive months.
- ✓ Gold imports remaining high at \$7.13 billion (-1.4% YoY) in Oct'23 driven by strong festive & wedding season demand.
- ✓ Non-oil exports reached \$34.61 billion (up 25.6%) in Oct'24, while non-oil, non-gems, and jewelry exports rose by 27.7% to \$31.36 billion. This growth underscores stronger export performance and the resilience of domestic manufacturing.

Views:

- ✓ India's robust export growth amid global economic fragmentation & challenges in the current fiscal is encouraging. The 10.0% rise in the trade deficit during April-October 2024 (\$164.7 billion compared to \$149.7 billion in the same period last year) reflects strong domestic demand driven by economic growth, rather than a cause for concern.
- ✓ Merchandise exports are expected to maintain strong momentum, supported by better-than-anticipated economic performance in advanced economies, particularly the US. Additionally, the government's focus on the Production Linked Incentive (PLI) scheme is showing positive results. However, geopolitical uncertainties & risks remain significant challenges to global and domestic trade.
- ✓ Merchandise imports continue to exceed exports, exerting downward pressure on the rupee, which recently breached the 84.4/\$ mark. The currency has remained under pressure over the past month,

primarily due to FPI outflows, the impact of U.S. election results, and China's economic stimulus measures. However, the INR has performed relatively better compared to other Asian peers.

- ✓ Going forward, the rupee is projected to trade in the 84-85/\$ range in the near term, while India's current account deficit (CAD) is likely to remain manageable at approximately 1% of GDP, driven by strong export growth (including services) and stable remittance inflows. However, substantial FPI outflows lately are expected to impact the India's balance of payments (BoP) position.

Top commodity groups exhibiting the most positive and negative growths YoY:

Exports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Oct'23	Oct'24	
1	Rice	566	1051	86%
2	Electronic Goods	2358	3435	46%
3	Engineering Goods	8078	11259	39%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Oct'23	Oct'24	
1	Iron Ore	211	148	-30%
2	Petroleum Products	5885	4586	-22%
3	Other cereals	25	21	-17%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Oct'23	Oct'24	
1	Cotton Raw & Waste	37	128	248%
2	Sulphur & Unroasted Iron Pyrites	24	38	61%
3	Pulp and Waste paper	150	234	56%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Oct'23	Oct'24	
1	Silver	1314	332	-75%
2	Pearls, precious & Semi-precious stones	1949	1375	-29%
3	Coal, Coke & Briquettes, etc.	3286	2355	-28%

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