

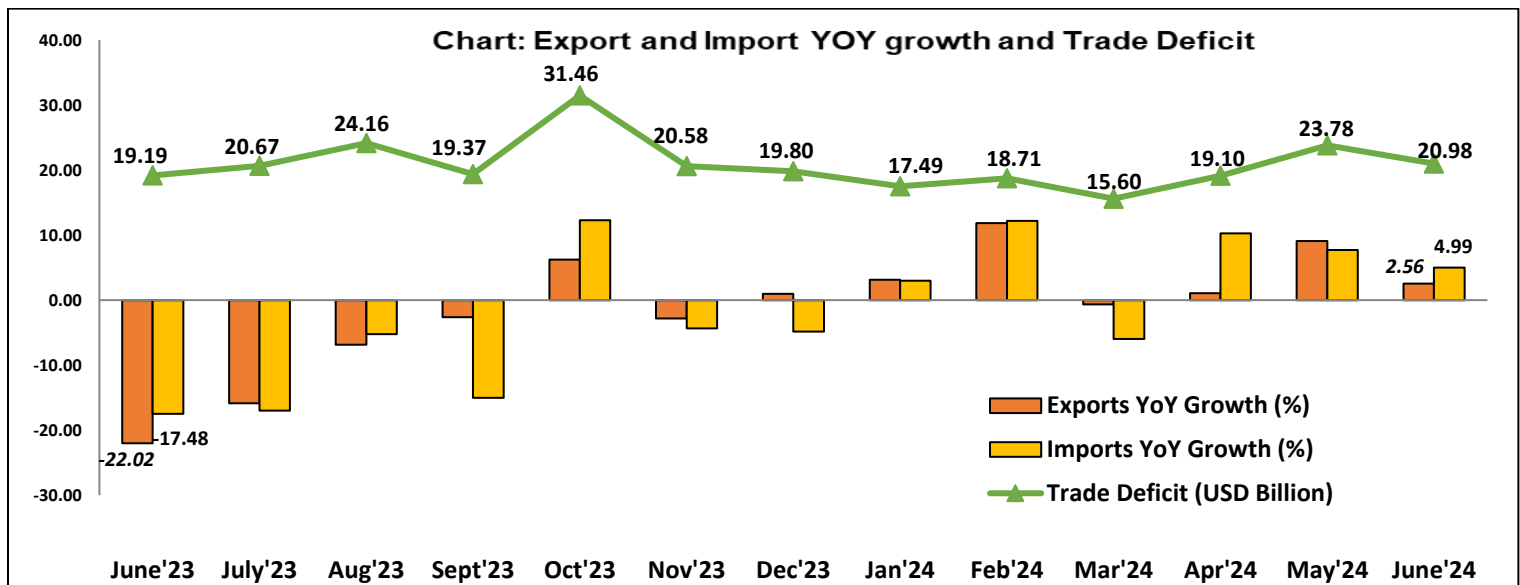
## Macro Insights

### Trade Deficit narrows to \$20.98 billion

India's merchandise trade deficit decreased from \$23.78 billion in May'24 but remained higher at \$20.98 billion in June'24 compared to \$19.19 billion in June'23.

### Highlights:

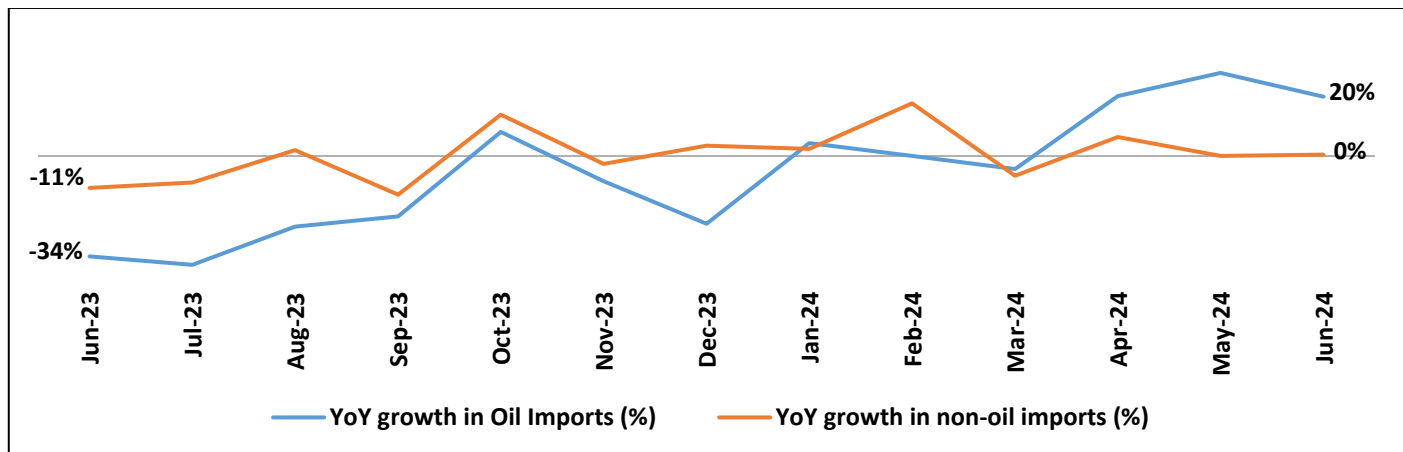
- Merchandise exports rose to \$35.20 billion from \$34.32 billion, up 2.56% YoY in June'24. Meanwhile merchandise imports rose to \$56.18 billion from \$53.51 billion, up by 4.99% YoY in June'24.
- India's merchandise trade deficit fell to \$20.98 billion in June'24 from a seven-month high of \$23.78 billion in May'24
- Both exports and imports expanded in June'24 for third consecutive month after contracting in March'24.
- Non-oil imports remained stagnant at \$41.13 billion with 0.49% YoY rise. Non-Oil exports rose to \$29.68 billion with 7.65% YoY rise.



Month	Exports	Imports	Trade Deficit
June'23	34.32	53.51	19.19
June'24	35.20	56.18	20.98
YoY Growth (%)	2.56%	4.99%	9.33%

(\$ bn)

**Chart: Import Growth % - Oil & Non-Oil**



**Insights:**

- ✓ Despite imports growing faster than exports, the merchandise trade deficit fell from a seven-month high of \$23.78 billion in May'24 to \$20.98 billion in June'24. This was 9.33% higher than the deficit recorded in June'23, and 11.77% lower than May'24 trade deficit of \$23.78 billion.
- ✓ India's merchandise exports saw a growth of 2.56% YoY. Under merchandise exports, 19 out of 30 key sectors exhibited positive growth in June'24. These include Coffee (70.02%), Tobacco (37.71%), Iron Ore (24.66%), Electronic Goods (16.91%) and Cereal Preparations & Processed Items (15.43%). This growth in Indian exports is notable amid geopolitical tensions and export curbs on foodstuffs such as rice to contain domestic inflation.
- ✓ India's merchandise import saw a growth of 4.99% YoY. Under merchandise imports, 9 out of 30 key sectors exhibited negative growth in June'24. These include Gold (-38.66%), Fertilisers, (-36.44%), Sulphur & Unroasted Iron Pyrites (-30.55%), Cotton Raw & Waste (-26.16%) and Chemical Material & Products (-22.3%),
- ✓ India, the world's third-biggest consumer of oil, imported \$15.05 billion in oil in June'24 compared to \$19.94 billion in May'24 and \$12.58 billion in June'23. The imports of precious metals (silver) increased by nearly five times (YoY) to USD 211 million in June'24 due to increased demand from solar panels.
- ✓ In June 2024, the top 5 export destinations showing significant positive growth in value compared to June 2023 are the USA (5.98%), United Arab Emirates (13.81%), Malaysia (93.82%), Bangladesh (25.2%), and Tanzania (59.13%).
- ✓ In June 2024, the top 5 import sources demonstrating increased value compared to June 2023 are the United Arab Emirates (48.15%), China (18.37%), Russia (18.57%), Indonesia (23.22%), and the USA (10.65%).

**Views:**

- ✓ India's economy has been growing more than 7% in the last four years and the rising trade deficit is not a sign of concern as India's economic growth is fueling higher domestic demand that outpaces export growth, leading to a widening trade deficit.
- ✓ India's merchandise trade is expected to rise as WTO had predicted a 2.6% growth world trade volume in 2024 after falling 1.2% in 2023. However, regional conflicts, geopolitical tensions and economic policy uncertainty pose substantial downside risks to global trade in CY 2024 but Indian exports have shown resilience amid the current uncertain economic scenario marred by global conflict.

- ✓ Merchandise imports remain higher than merchandise exports putting a downward pressure on Rupee. At the beginning of June'24 Rupee stood at ₹83.06/\$, it fell to ₹83.58/\$ on 21<sup>st</sup> June and then recovered to ₹83.40/\$ at the end of June'24. Rupee is expected to moderate in near time owing to lower overall trade deficit (including services) and higher capital inflows over the coming months after Indian government's bond inclusion in JPMorgan Government Bond Index-Emerging Markets (GBI-EM) on 28<sup>th</sup> June'2024.

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

<b>Exports</b>				
<b>Commodity groups exhibiting positive growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		June'23	June'24	
1	Coffee	116	197	70%
2	Tobacco	119	164	38%
3	Iron Ore	198	246	25%
<b>Commodity Groups exhibiting negative growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		June'23	June'24	
1	Other cereals	84	19	-78%
2	Oil Seeds	135	110	-19%
3	Petroleum Products	6757	5521	-18%
<b>Imports</b>				
<b>Commodity groups exhibiting positive growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		June'23	June'24	
1	Silver	44	211	377%
2	Pulses	217	367	69%
3	Non- Ferrous metal	1,566	2,312	48%
<b>Commodity Groups exhibiting negative growth</b>				
Sl. No.	Commodities	(Values in Million USD)		% Change
		June'23	June'24	
1	Gold	4,996	3,065	-39%
2	Fertilisers	1,187	754	-36%
3	Sulphur & Unroasted Iron Pyrites	30	21	-31%

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