

Macro Insights

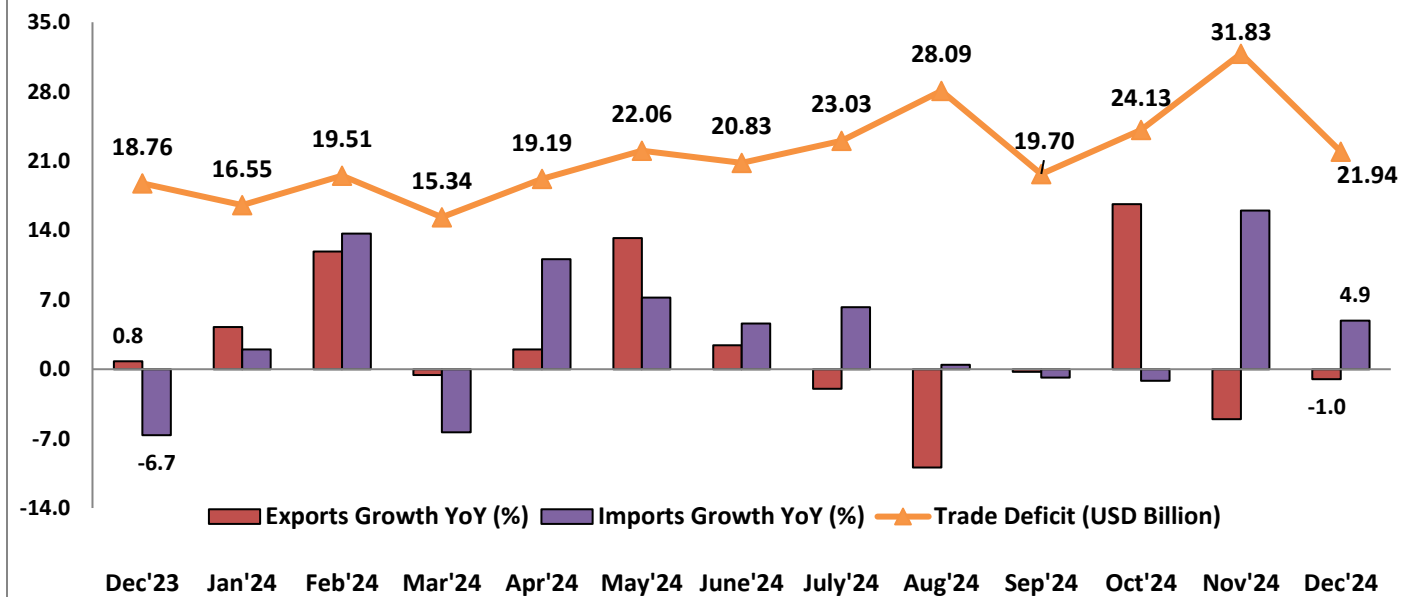
Highlights:

Trade Deficit Narrows to 3 Month Low of \$21.94 Billion on Back of Higher Exports

India's merchandise trade deficit narrowed sequentially to \$21.94 billion in Dec'24 from to \$31.83 billion in Nov'24 (revised), however it has increased on annual basis from \$18.76 billion in Dec'23.

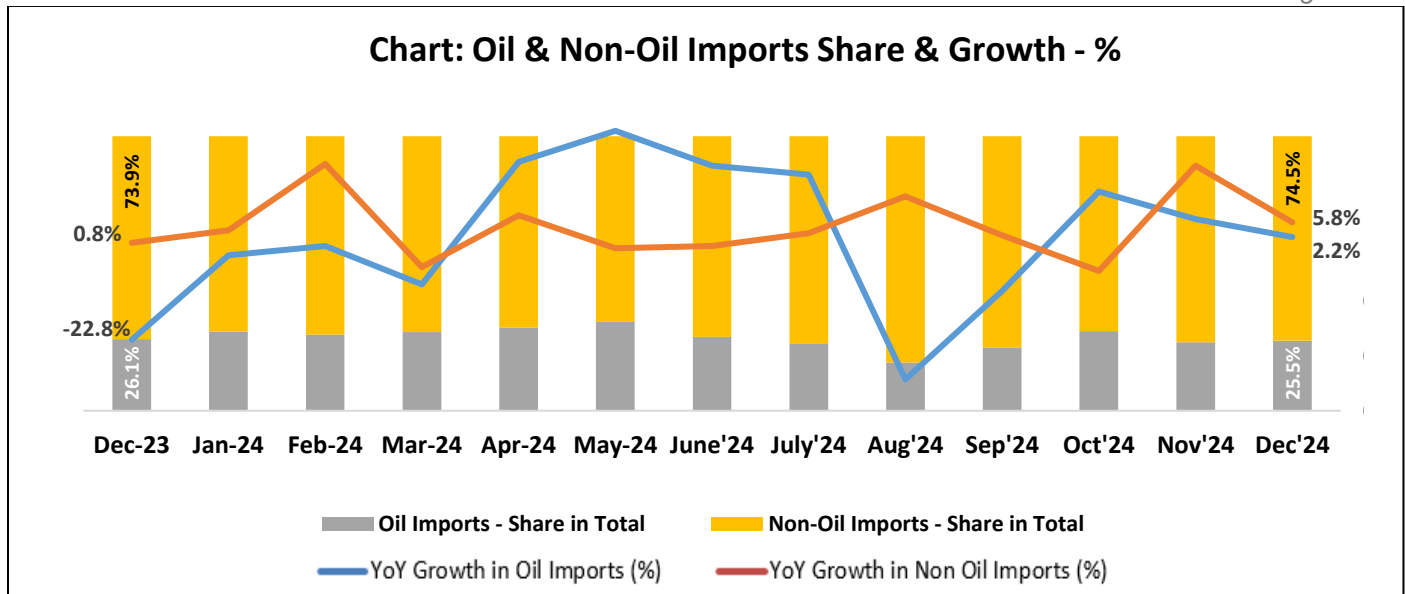
- Merchandise exports in Dec'24 rose to \$38.01 billion from \$32.04 billion in Nov'24. However, on YoY basis, it dropped by about 1.0% from \$38.39 billion in Dec'23.
- Major export drivers in Dec'24 were Electronic Goods, Engineering Goods, Rice, RMG of all Textiles and Cotton Yarn/Fabs./made-ups, Handloom Products.
- Non-oil exports showed resilience, growing 5.0% YoY to reach \$33.09 billion in Dec'24.
- Merchandise imports surged to \$59.95 billion in Dec'24, marking a 4.9% YoY increase from \$57.15 billion in Dec'23, though lower than \$63.87 billion recorded in Nov'24.

Chart: Export and Import YoY Growth & Trade Deficit



Month	Exports	Imports	Trade Deficit
Dec'23	38.39	57.15	-18.76
Dec'24	38.01	59.95	-21.94
YoY Growth (%)	-1.0%	4.9%	

(\$ billion)



Insights:

- ✓ In Dec'24, Merchandise exports growth fell marginally (1.0%) while imports grew (4.9%) on YoY basis, resulting in a trade deficit of \$21.94 billion (bn). It was lower than deficit of \$31.83 bn in Nov'24 (revised), but higher than deficit of \$18.76 bn recorded in Dec'23.
- ✓ The deficit is contributed by higher gold & silver imports (+62.1% YoY) and declining exports of Petroleum products (-28.6% YoY), Gems & Jewellery (-26.5% YoY) and chemicals (-2.93% YoY).
- ✓ However, growth in export commodities like electronics (+35.1% YoY) & engineering goods (+8.35% YoY) provided some cushion to non-oil (+5.1% YoY) & overall exports.
- ✓ Other merchandise export drivers (with growth >20%) in Dec'24 include Cereals (67.9%), Rice (64.0%), Jute Mfg. (51.6%), Cashew (45.7%), Coffee (36.9%), Tobacco (24.0%), Mica, Coal & Other Ores, Minerals Including Processed Minerals (23.4%).
- ✓ In merchandise imports, 20 out of 30 key sectors showed positive YoY growth, with Cotton Raw & Waste, Sulphur & unroasted iron pyrites, Silver & Gold recording the highest increases.
- ✓ Meanwhile, in merchandise exports, 6 out of 30 key sectors exhibited negative growth with Iron Ore (-74.1%), Petroleum products (-28.6%), Gems & Jewellery (-26.5%) and Oil meals (-23.9%) witnessing steepest declines.
- ✓ Oil & Non-Oil imports growth (YoY) has seen moderation to 2.2% & 5.8% in Dec'24 from 6.5% & 19.5% in Nov'24, respectively on account of cooling global crude prices and slower growth in non-oil and non-gold and silver imports due to rising exchange rate.
- ✓ Gold imports in Dec'24 remained elevated at \$4.70 bn due to sustained prices and resilient demand, though declined significantly from an all-time high of \$9.84 bn (revised downward) in Nov'24.

Views:

- ✓ India's trade deficit in Q4 FY25 will remain in focus due to concerns arising from the new US administration and their shift towards an aggressive tariff and inward looking stance. This is particularly concerning as the US is India's largest export market. Although, India could have some leverage in the negotiations based on the strong ties built during the previous term of president elect.

- ✓ The current moderation in India's trade deficit, driven by a sequential decline in December and a downward revision of November's figures, is expected to ease pressure on the country's Current Account Deficit (CAD) and the Indian Rupee in the Q3 of FY25. Thus, the CAD is likely to remain around 1% of GDP mark in the FY25 (in the Apr-Sep'24 (H1FY25) it remained stable at 1.2% of GDP).
- ✓ In addition, the reversal of Foreign Portfolio Investment flows in December, with inflows reaching \$3.1 bn after outflows of approx. \$14.0 bn in Oct-Nov, is likely to provide a cushion for India's Balance of Payments (BoP) position.
- ✓ On the currency front, the Indian Rupee has come under significant pressure in the last one month, touching a record low of 86.6 (14th Jan'25) against the US Dollar. Further weakness is expected due to a stronger US Dollar, but it is still projected to outperform other emerging market currencies.

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
		Dec'23	Dec'24	
1	Other cereals	25	43	68%
2	Rice	871	1428	64%
3	Jute manufacturing including floor covering	25	38	52%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'23	Dec'24	
1	Iron Ore	574	149	-74%
2	Gems & jewellery	2898	2130	-27%
3	Oil Meals	183	139	-24%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'23	Dec'24	
1	Cotton Raw & Waste	30	143	385%
2	Sulphur & unroasted iron pyrites	10	37	284%
3	Silver	136	422	211%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'23	Dec'24	
1	Coal, Coke & Briquettes, Etc.	3452	1953	-43%
2	Pearls, Precious & Semi-Precious Stones	2193	1272	-42%
3	Iron & Steel	2297	1870	-19%

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