

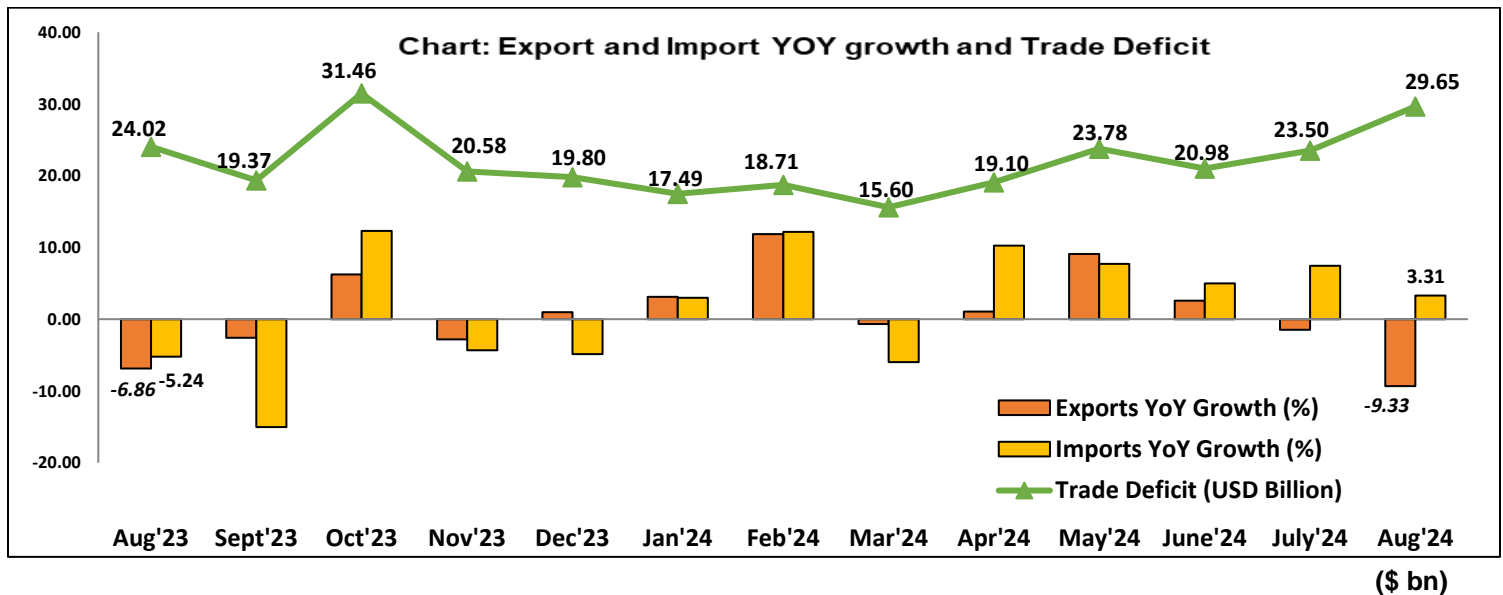
# Macro Insights

## Highlights:

### Trade Deficit widens to \$29.65 billion

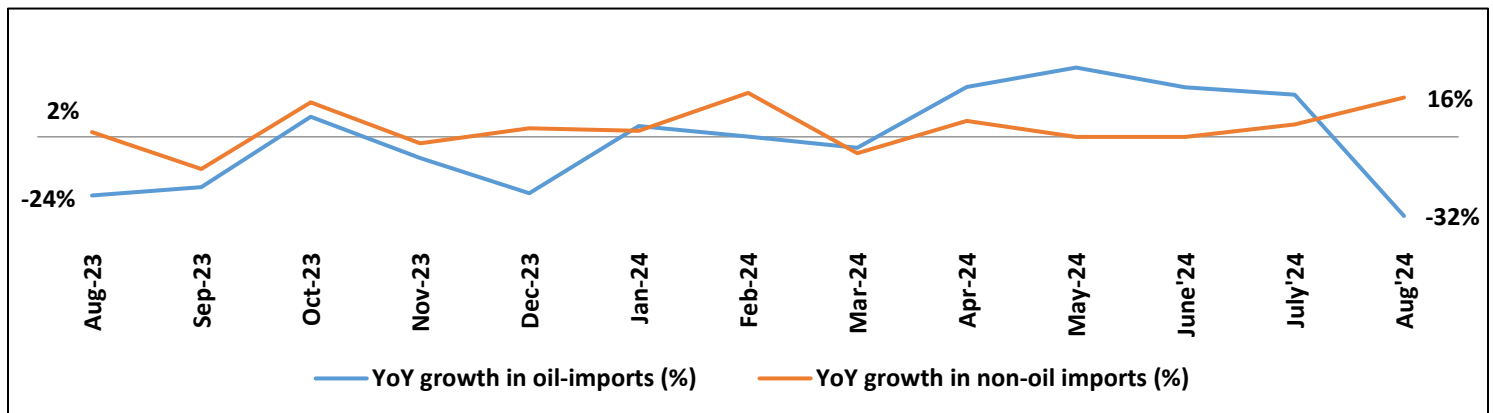
India's merchandise trade deficit increased from \$23.50 billion in July'24 and remained higher at \$29.65 billion in Aug'24 compared to \$24.02 billion in Aug'23.

- Merchandise exports fell to \$34.71 billion from \$38.28 billion, down 9.33% YoY in Aug'24. Meanwhile merchandise imports rose to \$64.36 billion from \$62.30 billion, up by 3.31% YoY in August'24.
- India's merchandise trade deficit rose to a 10-month high of \$29.65 billion in Aug'24. Exports fell YoY but imports rose YoY following the last month's trend.
- Non-oil imports rose to \$53.34 billion with a 15.93% YoY rise. Non-Oil exports rose marginally to \$28.76 billion with 0.07% YoY rise.
- Imports of Gold increased by 104% YoY in Aug'24 while imports of silver increased by 727% YoY in Aug'24.



Month	Exports	Imports	Trade Deficit
Aug'23	38.28	62.30	24.02
Aug'24	34.71	64.36	29.65
YoY Growth (%)	-9.33	3.31	23.44%

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



**Insights:**

- ✓ Imports grew while exports fell leading to a widening merchandise trade deficit of \$29.65 billion in Aug'24 from \$24.02 billion in Aug'23. This was 23.44% higher than the deficit recorded in Aug'23, and 26.17% higher than July'24 trade deficit of \$23.50 billion.
- ✓ India's merchandise exports saw a decline of 9.33% YoY. Under merchandise exports, 19 out of 30 key sectors exhibited positive growth in Aug'24. Exports of readymade garments increased by 12% to USD 1268 million in Aug'24 owing to increasing orders after political turmoil in Bangladesh. Petroleum products which is the second largest export item after engineering goods saw a decline of 38% YoY due to tepid demand especially from Europe region and fall in international crude oil prices over the last month.
- ✓ India's merchandise import saw a growth of 3.31% YoY. Under merchandise imports, 18 out of 30 key sectors exhibited positive growth in Aug'24. Imports of precious metals increased sharply with imports of gold rising by 104% YoY and imports of silver rising by 727% YoY in Aug'24. Imports of precious metals increased owing stocking of inventories by jewelers to be sold during the coming festive season along with reduction in gold import duty from 15% to 6%.
- ✓ In Aug'24, India's top 20 export destinations accounted for 68% of total exports with USA (18.9%) having the largest share followed by UAE (8.3%) and Netherlands (5.6%). Top 5 export destinations showing positive growth in value compared to Aug'23 are Kenya (105.7%), Russia (44.6%), Netherland (28.9%), Brazil (27.1%), and U K (14.6%)
- ✓ In Aug'24, India's top 20 import destinations accounted for 79% of total exports with China (16.8%) having the largest share followed by UAE (9.9%) and Switzerland (6.1%). Top 5 import sources demonstrating increased value compared to Aug'23 are Oman (274.95%), UK (124.55%), Switzerland (80.45%), UAE (72.7%) and China (15.55%).

**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.

- ✓ Merchandise imports remain higher than merchandise exports putting a downward pressure on Rupee. At the beginning of Aug'24 Rupee stood at ₹83.72/\$ and then closed at ₹83.87/\$ at the end of Aug'24. Rupee is expected to moderate in near time owing to expectation of a 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>				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Aug'23	Aug'24	
1	Coffee	89	151	70%
2	Tobacco	153	206	34%
3	Spices	282	336	19%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Aug'23	Aug'24	
1	Other cereals	36	12	-66%
2	Iron Ore	222	101	-55%
3	Petroleum Products	9541	5957	-38%
<b>Imports</b>				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Aug'23	Aug'24	
1	Silver	159	1316	727%
2	Gold	4939	10060	104%
3	Leather & leather products	69	118	71%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Aug'23	Aug'24	
1	Dyeing/tanning/colouring materials	1000	419	-58%
2	Chemical material & products	2200	1032	-53%
3	Pearls, precious & Semi-precious stones	2026	1310	-35%

**Disclaimer:** The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/ figures represented in the note and shall not be held liable for the same in any manner whatsoever.

**For any feedback or valuable suggestions: Reach us at [eicsmead@pnb.co.in](mailto:eicsmead@pnb.co.in)**

Follow our Official Page: [www.pnbindia.in](http://www.pnbindia.in)