

Macro Insights

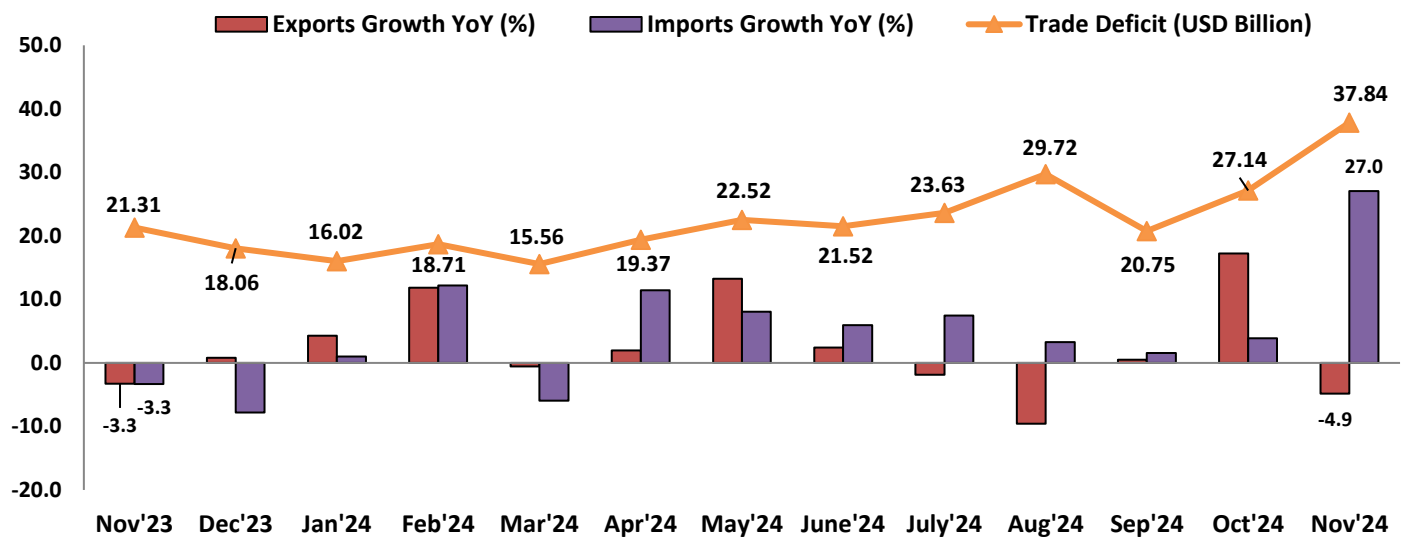
Highlights:

Trade Deficit Soars to a Record \$37.84 Billion as Imports Hit 27-Month High

India's merchandise trade deficit expanded to a record \$37.84 billion in November 2024, up from \$27.14 billion in October 2024 and \$21.31 billion in November 2023.

- Merchandise exports in Nov'24 shrank by 4.9% YoY, dropping to \$32.11 billion from \$33.75 billion in Nov'23. The drop was primarily driven by sharp contractions in petroleum products (-49.7% YoY) & gems & jewelry (-26.3% YoY) exports.
- However, non-oil exports showed resilience, growing 7.7% YoY to reach \$28.40 billion in Nov'24.
- Merchandise imports surged to a record \$69.95 billion in Nov'24, marking a 27.0% YoY increase from \$55.06 billion in Nov'23.
- This spike was driven by an all-time high in gold imports, which soared to \$14.86 billion (+331.4% YoY), alongside steady growth in oil imports, up 7.9% YoY to \$16.11 billion in Nov'24.

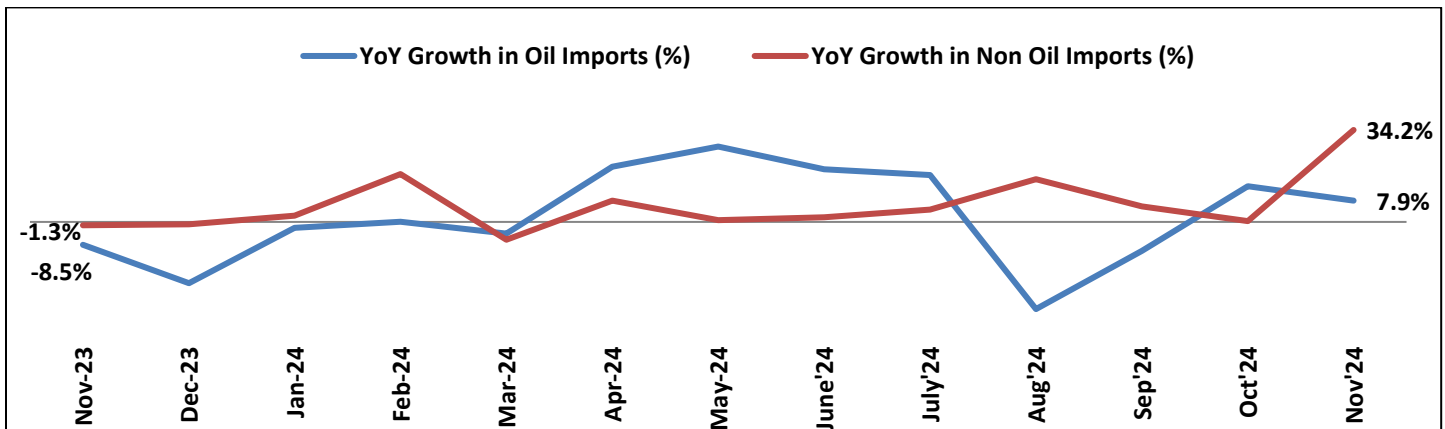
Chart: Export and Import YoY Growth & Trade Deficit



(\$ billion)

Month	Exports	Imports	Trade Deficit
Nov'23	33.75	55.06	-21.31
Nov'24	32.11	69.95	-37.84
YoY Growth (%)	-4.9%	27.0%	77.6%

Chart: Import Growth % - Oil & Non-Oil



Insights:

- ✓ In Nov'24, Merchandise exports growth fell (4.9%) while imports picked up (27.0%) on YoY basis, resulting in an all-time high trade deficit of \$37.84 billion. It was significantly higher on both sequential (Oct'24 - \$27.14 billion) and year-on-year basis (Nov'23 - \$21.31 billion).
- ✓ The high trade deficit was primarily driven by a sharp rise in gold imports (+331.3% YoY) and significant declines in exports of petroleum products (-49.7% YoY) and gems & jewelry (-26.3% YoY). However, growth in electronics exports (+54.7% YoY) and engineering goods (+13.8% YoY) provided support to non-oil exports (+7.7% YoY).
- ✓ In merchandise imports, 23 out of 30 key sectors showed positive YoY growth in Nov'24, with Cotton Raw & Waste, Gold, and Vegetable Oil recording the highest increases.
- ✓ Meanwhile, in merchandise exports, 9 out of 30 key sectors exhibited negative growth with Iron Ore (-70.9%), Oil Meals (-50.8%) and Petroleum Products (-49.69%) witnessing steepest declines.
- ✓ India's Oil imports growth has seen some moderation to 7.9% (YoY) on account of lower global crude prices in Nov'24, while growth in non-oil imports (34.2%) picked up sharply.
- ✓ Gold imports more than tripled, reaching a record high of \$14.86 billion in Nov'24, up from \$3.45 billion a year ago, driven by higher prices and resilient consumption & investment demand.

Views:

- ✓ The significant rise in India's trade deficit in Nov'24 is likely to exert pressure on the Current Account Deficit (CAD) for FY25 and the Indian Rupee (INR). However, the resilience of non-oil merchandise exports & strong growth in services exports, provides a mitigating factor for these key indicators.
- ✓ Merchandise exports, including oil, are expected to regain momentum in the coming months, driven by the stable economic performance of advanced economies, particularly the United States. Nevertheless, the evolving policy stance of the new U.S. administration, coupled with ongoing geopolitical tensions & risks, presents continued challenges to both global & domestic trade dynamics.
- ✓ The Indian Rupee has come under significant pressure, recently touching a record low of 84.87 against the U.S. dollar. The strength of the dollar index, along with an elevated trade deficit, is expected to maintain downward pressure on the INR.
- ✓ Despite proactive foreign exchange management by the RBI, the INR is anticipated to remain relatively less volatile than its emerging market counterparts. The INR is projected to trade within the range of 85-85.5/USD in the near term. At the same time, India's CAD is likely to exceed 1% of GDP mark by the end of FY25.

- ✓ However, the CAD is expected to remain manageable, buoyed by robust non-oil exports, a strong services export sector, and stable remittance inflows. Nonetheless, significant Foreign Portfolio Investment (FPI) outflows in recent months (approx. \$14.0 billion in Oct-Nov'24) are likely to impact 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
		Nov'23	Nov'24	
1	Rice	586	1143	95%
2	Electronic Goods	2241	3468	54%
3	Tobacco	120	180	50%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Nov'23	Nov'24	
1	Iron Ore	360	105	-71%
2	Oil Meals	150	74	-51%
3	Petroleum Products	7390	3718	-50%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Nov'23	Nov'24	
1	Cotton Raw & Waste	31	171	458%
2	Gold	3445	14860	331%
3	Vegetable Oil	1003	1885	88%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Nov'23	Nov'24	
1	Leather & leather products	99	58	-42%
2	Coal, Coke & Briquettes, etc.	3369	2382	-29%
3	Iron & Steel	2495	1781	-29%

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