

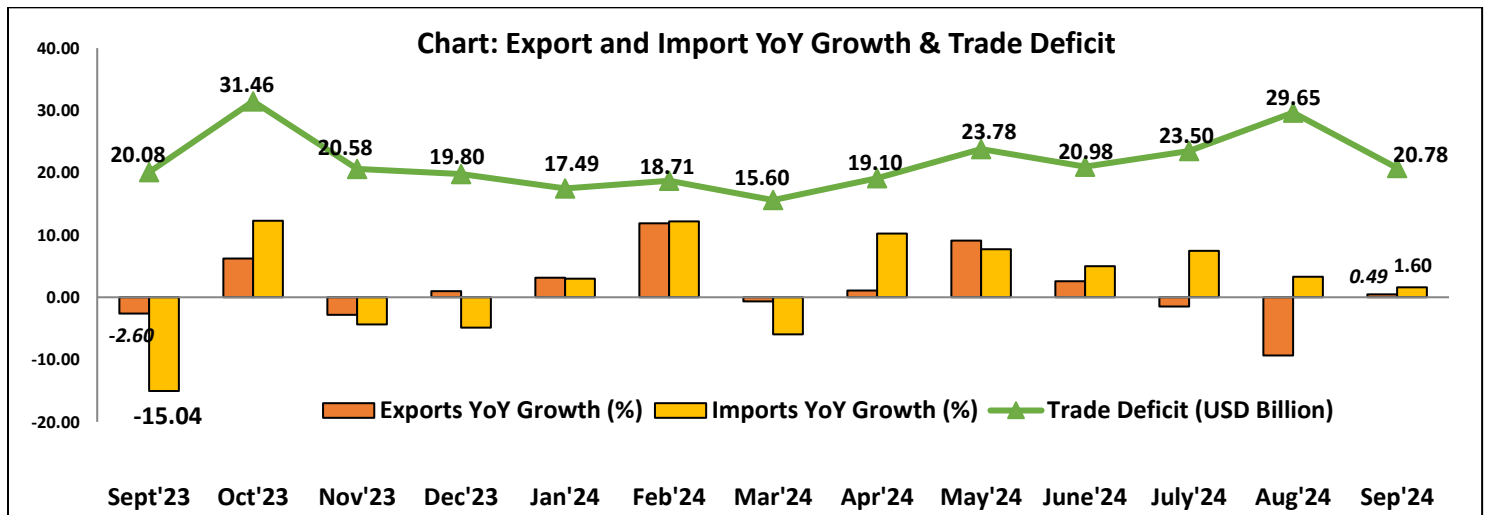
Macro Insights

Highlights:

Trade Deficit narrowed to five-month low to \$20.78 billion

India's merchandise trade deficit narrowed sequentially to \$20.78 billion in Sept'24 from to \$29.65 billion in Aug'24, however it has increased on annual basis from \$20.08 billion in Sept'23.

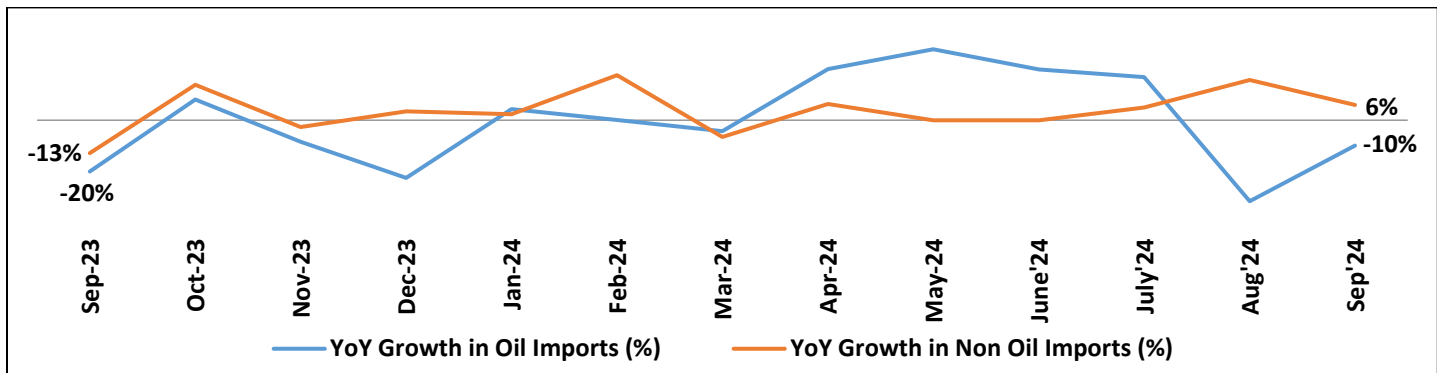
- Merchandise exports saw a marginal rise of 0.49% (YoY) to \$34.58 billion in Sept'24 from \$34.41 billion in Sept'23. Meanwhile merchandise imports rose to \$55.36 billion from \$54.49 billion, up by 1.60% YoY in Sept'24.
- Engineering Goods, Organic & Inorganic Chemicals, Plastics & Linoleum, Pharmaceuticals, and Ready-Made Garments (RMG) were the key export drivers in Sep'24.
- The Cumulative merchandise exports in the first half of FY25 (Apr-Sept'24) stood at \$213.22 billion, up 1.02% from \$211.08 billion in Apr-Sept'23.
- Non-Oil exports rose to \$29.85 billion with 6.80% YoY growth. Non-oil imports rose to \$42.82 billion with 5.78% YoY growth.



Month	Exports	Imports	Trade Deficit
Sept'23	34.41	54.49	20.08
Sept'24	34.58	55.36	20.78
YoY Growth (%)	0.49%	1.60%	3.49%

HY FY25	Exports	Imports	Trade Deficit
Apr-Sept'23	211.08	330.32	119.24
Apr-Sept'24	213.22	350.66	137.44
YoY Growth (%)	1.02%	6.16%	15.26%

Chart: Import Growth % - Oil & Non-Oil



Insights:

- ✓ Merchandise imports grew faster (1.60%) than exports (0.49%) on YoY basis resulting in widening of trade deficit to \$20.78 billion in Sept'24 from \$20.08 billion in Sept'23. However, it was 29.92% lower than the deficit (\$29.65 billion) recorded in Aug'24, and the steepest sequential fall since Nov'23.
- ✓ In merchandise imports, 10 out of 30 key sectors exhibited negative growth in Sept'24 with Dyeing/Tanning/Coloring Mtrls., Vegetable Oil and Pearls, Precious & Semi-Precious Stones sectors witnessing higher than 20% fall.
- ✓ Meanwhile, in merchandise exports, 23 out of 30 key sectors exhibited positive growth in Sept'24. These include Coffee (74.75%), Tobacco (50.9%), Handicrafts Excl. Hand Made Carpet (48.09%) Plastic & Linoleum (28.32%), Spices (26.66%) and Rice (24.93%).
- ✓ India's Oil imports growth has slightly moderated to 6% (YoY) in Sept'24 from 16% (YoY) in Aug'24 on account of fall in crude prices, while non-oil imports have seen recovery in Sept'24 after a sharp fall in the last month, though remaining in the negative zone.
- ✓ Gold imports remaining high (6.9% YoY growth in Sept'24) due to strong domestic demand and rising global prices. India's stronger growth compared to the global peers is driving imports.
- ✓ On the export front, non-oil exports have showed a YoY growth of 6.8% to \$29.85 billion and Non-oil & Non-Gems & Jewellery exports registered an increase of 9.1% to Sept'24, despite the geo-political tensions and slowing global economy.
- ✓ Cumulatively in the first half of FY25 (April-Sept'24), engineering goods accounted for the highest share of 26.4% in total merchandise exports followed by petroleum products (17.1%), Electronics (7.34%), Pharmaceuticals (6.8%), Chemicals (6.6%) and Gems & Jewellery (6.5%) with the US, the UAE, the Netherlands, the UK and China being the top 5 export destinations.

Views:

- ✓ India's economic growth has remained strong post-pandemic and is anticipated to post a robust growth of 7-7.2% in the current fiscal year as well. The rising trade deficit (+15.26% in first half of FY25) 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 (\$137.4 bn in HY FY25 vis-à-vis \$119.2 bn in HY FY24).
- ✓ India's merchandise trade is expected to rise as consumer sentiment and spending in advanced economies majorly the US is seen improving in this fiscal. However, heightened geopolitical tensions, geo-economic fragmentation and volatile oil prices pose substantial downside risks to global & domestic trade going forward.

- ✓ Merchandise imports remain higher than merchandise exports putting a downward pressure on Rupee that has breached the 84/\$ mark lately. At the beginning of Sept'24 Rupee stood at ₹83.9/\$ and then showed strength to rise ₹83.75/\$ at the end of Sept'24 but since 1st Oct'24 it has weakened on account of (i) West Asia conflict heating up, (ii) China's major economic stimulus and (iii) US economy's growth resilience attracting FPI's interest.
- ✓ Going forward, Rupee is expected to hover around 84/\$ mark in the near term owing to lower overall trade deficit (including services). Additionally, higher capital inflows in the coming months owing to inclusion of Indian bonds in the Bloomberg EM bond index along with RBI's \$700+ billion strong forex reserves will help in defending the rupee.

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
		Sept'23	Sept'24	
1	Coffee	90	158	75%
2	Tobacco	137	206	51%
3	Handicrafts Excl. Hand Made Carpet	122	180	48%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Sept'23	Sept'24	
1	Iron Ore	223	94	-58%
2	Other Cereals	26	16	-37%
3	Petroleum Products	6458	4735	-27%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Sept'23	Sept'24	
1	Cotton Raw & Waste	40	134	236%
2	Silver	107	326	205%
3	Sulphur & Unroasted Iron Pyrites	17	41	146%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Sept'23	Sept'24	
1	Dyeing/Tanning/Colouring Mtrls.	515	382	-26%
2	Vegetable Oil	1473	1131	-23%
3	Pearls, Precious & Semi-Precious Stones	2058	1613	-22%

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