

Foreign Trade (April-January)

India's merchandise trade deficit narrowed to US\$ 205.5 in FYTD24 (Apr-Jan) from US\$ 229.4bn in the same period last year. On FYTD basis, exports have fallen by 4.9% and imports are down by 7%. Weaker oil prices have impacted both imports and exports of oil. Apart from this, export of gems & jewellery and chemicals has also dragged the overall export growth down. On the import side, apart from oil, non-oil-non-gold imports have been weak. Within this, capital goods, chemicals and coal imports have led the way. On the other hand, gold and electronic imports have picked up pace. Net services balance has improved in FYTD24, led by increase in export receipts and dip in import payments. We expect this trend to continue in the coming months as well. We expect CAD to come in at ~1% in FY24.

Trade balance: India's goods trade deficit eased to US\$ 17.5bn in Jan'24, from US\$ 19.8bn in Dec'23. This was due to sharper decline in imports than exports, on a sequential basis. With this, in 10 months so far in FYTD24 (Apr-Jan), our trade deficit is now at US\$ 205.5bn, lower by around 9% than US\$ 229.4bn during the same period in FYTD23.

Goods export: In Jan'24, export growth accelerated to 3.1% from 1% in Dec'23. This was owing to rebound in exports of oil (6.6% versus -17.6%) and agriculture & allied products (1.3% versus -1.6%). However, on FYTD basis (Apr-Jan), our export growth was down by (-) 4.9% in FYTD24, falling to US\$ 354bn as of Jan'24, compared with US\$ 372bn as of FYTD23 (+9.4%). Commodity-wise data shows that oil (-21.8% versus 60.1%), gems & jewellery (-14.9% versus -1.7%), and chemicals (-11.1% versus 5.6%) have contributed a significant drag to headline number. These three categories alone account of ~32% of the total exports. Another heavy weight item, engineering goods, which accounts for ~25% of total exports, has reported flat (0%) growth in FYTD24 so far, following (-) 3.7% decline last year. Agriculture and textiles have also recorded a poor performance this year. The segments which performed well are drugs and pharmaceuticals (8.1% versus 3%) and electronic goods have with 20.9% growth.

Table 1: Exports by major commodities

| Items | Share in FYTD24 (%) | FYTD23, US\$ bn | FYTD24, US\$ bn | FYTD23, % YoY | FYTD24, % YoY |
|---------------------------------|---------------------|-----------------|-----------------|---------------|---------------|
| Total Exports | | 372.1 | 354.0 | 9.4 | (4.9) |
| Engineering goods | 24.9 | 88.3 | 88.3 | (3.7) | 0 |
| Petroleum Products | 17.9 | 81.3 | 63.5 | 60.1 | (21.8) |
| Agriculture and allied products | 9.3 | 32.9 | 32.9 | 8.6 | (0.1) |
| Gems and jewellery | 7.6 | 31.6 | 26.9 | (1.7) | (14.9) |
| Textiles | 7.5 | 28.0 | 26.4 | (12.2) | (5.7) |
| Electronics | 6.4 | 18.8 | 22.7 | 51.8 | 20.9 |
| Organic and inorganic chemicals | 6.4 | 25.4 | 22.6 | 5.6 | (11.1) |
| Pharmaceuticals | 6.4 | 20.9 | 22.5 | 3.0 | 8.1 |

Source: CEIC, Bank of Baroda Research

Goods import: On the imports side, India's imports rose by 3% in Jan'24, after falling by (-) 4.9% in Dec'23, driven by jump in gold and oil imports. On FYTD basis, imports have been down by (-) 7% so far (Apr-Jan), following 21.7% jump in FYTD23 during the same period. This is mainly due to drop in oil (-16.8% versus 39.7%) and non-gold-non-oil imports (-5.4% versus 21%). Oil imports alone account for ~26% of total imports and the dip is mainly reflective of drop international crude oil prices (-16.3% in FYTD24 versus +30.2% in FYTD23). In case of non-oil-non-gold imports, the slowdown is led by capital goods (-5.6% versus 24.6%), chemicals (-17.5% versus 18.8%) and coal (-24.7% versus 77.9%). These three categories account for ~26% of total imports. On the other hand, items which have helped cushion the downward movement have been gold (+30.2% versus -27.9%) and electronic imports (16.7% versus 9.8%). Gold imports are up due to higher prices besides demand increasing.

Table 2: Imports by major commodities

| Items | Share in FYTD24 (%) | FYTD23, US\$ bn | FYTD24, US\$ bn | FYTD23, % YoY | FYTD24, % YoY |
|-----------------------------------|---------------------|-----------------|-----------------|---------------|---------------|
| Total Imports | | 601.5 | 559.6 | 21.7 | (7.0) |
| Oil | 25.9 | 174.5 | 145.2 | 39.7 | -16.8 |
| Gold | 6.8 | 29.1 | 37.9 | (27.9) | 30.2 |
| Non-oil-non-gold | 67.3 | 397.9 | 376.5 | 21.0 | (5.4) |
| --Electronic Goods | 20.8 | 64.4 | 75.2 | 9.8 | 16.7 |
| --Capital Goods | 14.3 | 68.1 | 64.3 | 24.6 | (5.6) |
| ---Machinery | 7.9 | 37.4 | 40.6 | 14.2 | 8.5 |
| --Chemicals and Related Products | 10.2 | 57.6 | 47.5 | 18.8 | (17.5) |
| --Coal | 5.8 | 43.2 | 32.5 | 77.9 | (24.7) |
| --Pearls and Precious Metals | 5.5 | 25.1 | 19.2 | 3.2 | (23.8) |
| --Organic and inorganic chemicals | 4.6 | 28.5 | 22.6 | 13.7 | (20.6) |
| --Non Ferrous Metals | 4.6 | 16.5 | 18.0 | 14.6 | 8.6 |
| --Iron and Steel | 4.3 | 18.8 | 20.1 | 32.4 | 6.7 |
| --Plastics | 4.0 | 19.5 | 18.8 | 17.6 | (3.5) |

Source: CEIC, Bank of Baroda Research

Services trade: Net services balance rose by US\$ 16.8bn in Jan'24 to reach US\$ 138bn in FYTD24 so far (Apr-Jan), up from US\$ 117.4 as of FYTD23. This is owing to 6.4% increase in services export receipts and 2.3% drop in import payments. As a result, services exports now stand at US\$ 284.7bn in FYTD24 versus US\$ 267.5bn, while imports are down to US\$ 146.6bn from US\$ 150.1bn in FYTD23. Compared with pre-pandemic period (FYTD19), exports are up by 67.2% and imports are up by 39.4%.

Outlook: With global growth pressures visible in Asia and Europe, our export growth is expected to remain under pressure in the coming months as well. In FY25, growth momentum in the US and our exchange rate versus the US\$ will be critical in determining the pace of growth of exports. Services exports may benefit from a weaker rupee. On the import side, as domestic demand improves, and volatility in oil prices remains due to ongoing geopolitical tensions in the Middle East, some pressure points will be visible at this end as well. Overall, we expect CAD to be in the range of ~1% in FY24.

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