

## TRADE

03 April 2021

**Non-oil imports surge**

India's trade deficit expanded to US\$ 14.1bn in Mar'21 from US\$ 12.6bn in Feb'21 led by sharp rebound in gold (+584%) and non-oil-non-gold (+46%) imports. While imports increased by 52.9%, exports rose by 58.2% on the back of gems, engineering and pharma products. Rising domestic demand and higher oil prices imply trade deficit is likely to increase to US\$ 180bn in FY22. This along with relatively weaker EM currencies implies INR is likely to see a depreciating bias rather than the appreciating bias seen recently.

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**Exports bounce back:** Preliminary data shows that India's exports jumped by 58.2% in Mar'21, after showing 0.7% increase in Feb'21. In Mar'20, exports had fallen by 34.3%. The rebound in exports is led by gems & jewellery (+75.6% versus -11.2% in Feb'21), engineering goods (+70.3% versus -2.4%) and pharmaceutical products (47.4% versus 14.7%). Overall, non-oil exports recorded 62.3% jump versus 3.5% increase in Feb'21. In FY21, exports were down by 7.3% following 5.1% drop in FY20.

**Imports back on track:** India's imports increased by 52.9% in Mar'21 compared with an increase of 7% in Feb'21. In Mar'20, imports fell by 28%. The uptick in imports is led by gold imports which skyrocketed by 584.2% in Mar'21 to US\$ 8.4bn compared with an increase of 124% in Feb'21 to US\$ 5.3bn. In FY21, gold imports have now increased by 22%. Non-oil-non-gold imports too showed a large increase of 46.3% in Mar'21 versus 6.1% in Feb'21. Electronic goods (76.6%) and machinery, electrical & non electrical (59.9%) imports rose the most. Silver (90.2%) and transport equipment (32.7%) led the decline. Oil imports also saw a marginal increase of 1.2% in Mar'21 versus a decline of 16.6% in Feb'21. In FY21, imports are down by 18% after a 7.7% drop in FY20.

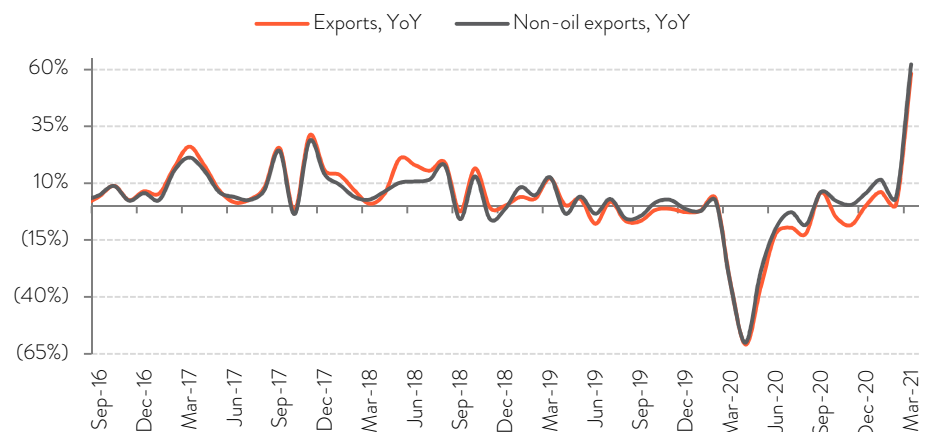
**Trade deficit widens:** India's trade deficit widened to US\$ 14.1bn in Mar'21 from US\$ 12.6bn in Feb'21 as imports accelerated. Both gold and non-oil-non-gold imports rose. The latter signifies normalisation of domestic economic activity. This along with higher oil prices (+23% in CYTD21) implies India's trade deficit is likely to expand to US\$180bn in FY22 compared with US\$ 99.3bn in FY21. EM currencies are also relatively weak with RMB (-0.6% in CYTD21), RUB (-2.9%), Real (-8.9%) and IDR (-3.4%). US\$ has been stronger (+3.4%). The backdrop of rising trade deficit and weaker EM currencies implies INR is likely to be weaker than stronger.

**KEY HIGHLIGHTS**

- Exports jump by 58.2% in Mar'21 compared with a 0.7% increase in Feb'21.
- Imports rise by 52.9% in Mar'21 versus an increase of 7% in Feb'21
- Trade deficit widens to US\$ 14.1bn in Mar'21 versus US\$ 12.6bn in Feb'21.

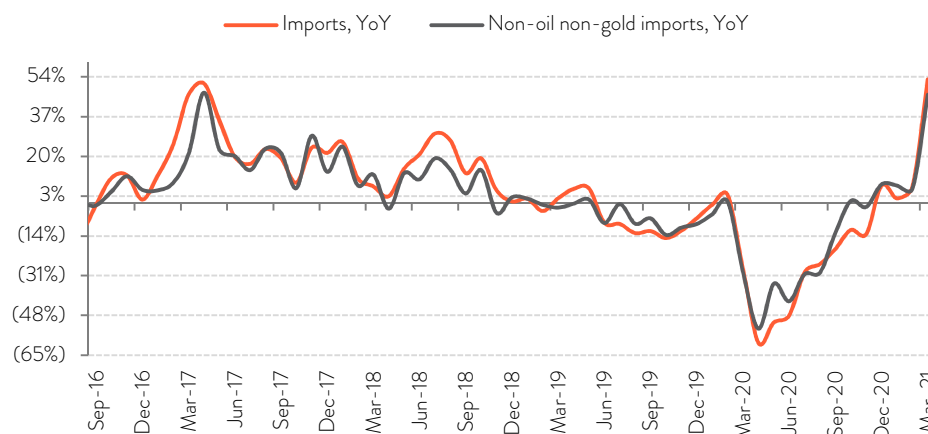


**FIG 1 – EXPORTS GROWTH RECOVERS**



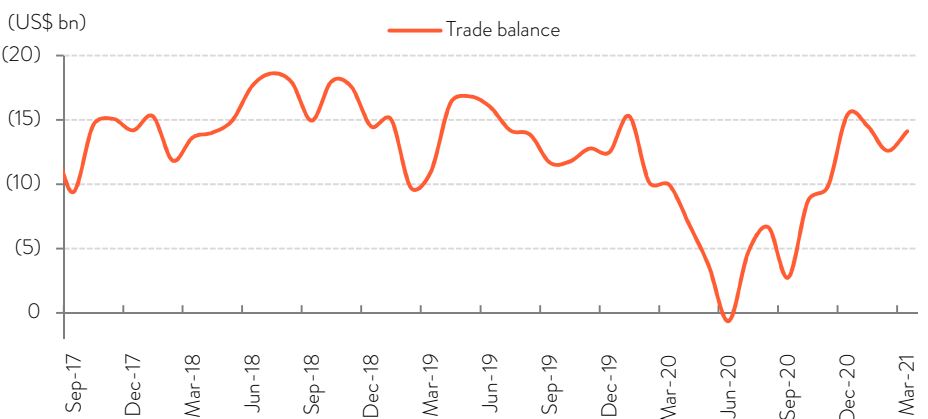
Source: CEIC, Bank of Baroda Research

**FIG 2 – IMPORT GROWTH TOO SHOOTING UP**



Source: CEIC, Bank of Baroda Research

**FIG 3 – TRADE DEFICIT WIDENS AGAIN**



Source: CEIC, Bank of Baroda Research

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