

TRADE

03 May 2021

Trade deficit widens

India's trade deficit expanded to US\$ 15.2bn in Apr'21 from US\$ 13.9bn in Mar'21. Oil and non-oil-non-gold imports rose by 132% and 129% respectively. Exports also rose by 197% on the back of gems and jewellery and engineering goods. Exports are likely to see further traction as global economy rebounds from the pandemic. Imports may increase with a lag after restrictions in India ease. We expect trade deficit to increase to US\$ 170bn in FY22. INR to trade in the range of 73-75/USD. Rising Covid-19 cases and oil prices are a risk.

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Exports rebounding: As per preliminary data, India's exports rose by 197% in Apr'21 (US\$ 30.2bn) on a low base since exports had fallen by 60.9% in Apr'20. In Mar'21, exports rose by 60%. All segments of exports recorded positive growth with non-oil exports increasing by 201% in Apr'21 after increasing by 62.3% in Mar'21. Exports of gems and jewellery rose the most at 84x (79% in Mar'21) and engineering goods at 235% (71% in Mar'21). Oil exports were also higher at 171% versus 27% in Mar'21.

Imports tracking higher: India's import rose by 166% in Apr'21 (US\$ 45.5bn) compared with an increase of 54% in Mar'21 on the back of a low base of a decline of 60% in Apr'20. Gold imports rose to US\$ 6bn in Apr'21 from negligible levels in Apr'20. Oil imports rose by 132% in Apr'21 from 2% in Mar'21. Non-oil-non-gold imports also accelerated by 129% in Apr'21 from 47% in Mar'21. Imports of electronic goods (increase of 214% from 77% in Mar'21), transport equipment (171% versus decline of 33% in Mar'21) and machinery, electrical & non electrical (114% versus 60% in Mar'21) rose the most. However imports of silver (89%) and pulses (42%) declined.

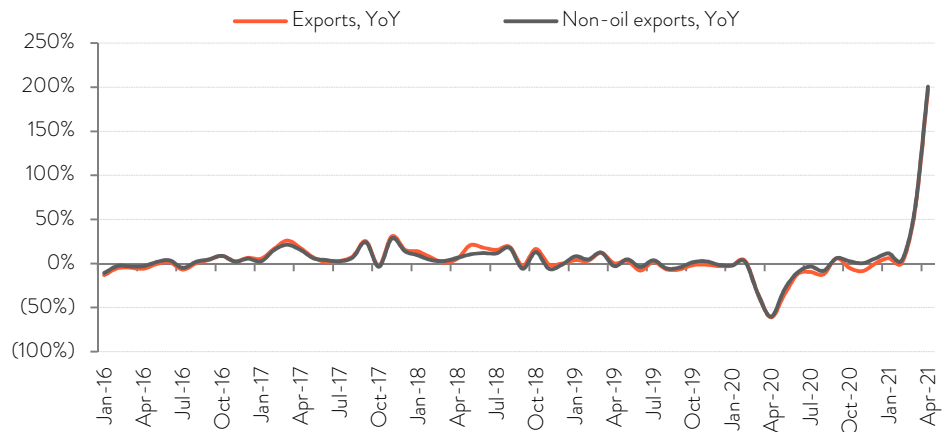
Trade deficit widens: India's trade deficit widened for the third straight month to US\$ 15.2bn from US\$ 13.9bn in Mar'21 led by a broad-based pickup in imports. Exports are likely to fare better with an improvement in growth prospects of major trade partners such as US and Europe. Rising Covid-19 cases and restrictions are likely to keep imports in check in Q1FY22. However, with a gradual normalisation beginning in Q2FY22, we expect imports to pickup. As a result, we expect trade deficit to widen to US\$ 170bn in FY22 from US\$ 100.1bn in FY21. We expect INR to trade in a range of 73-75/USD in FY22. Rising Covid-19 cases in India and higher oil prices are a key risk to our view.

KEY HIGHLIGHTS

- Exports jump by 197% in Apr'21 from an increase of 60% in Mar'21.
- Imports rise by 166% in Apr'21 after increasing by 54% in Mar'21. Gold imports remain elevated to US\$ 6bn in Apr'21.
- Trade deficit widens to US\$ 15.2bn from US\$ 13.9bn in Mar'21.

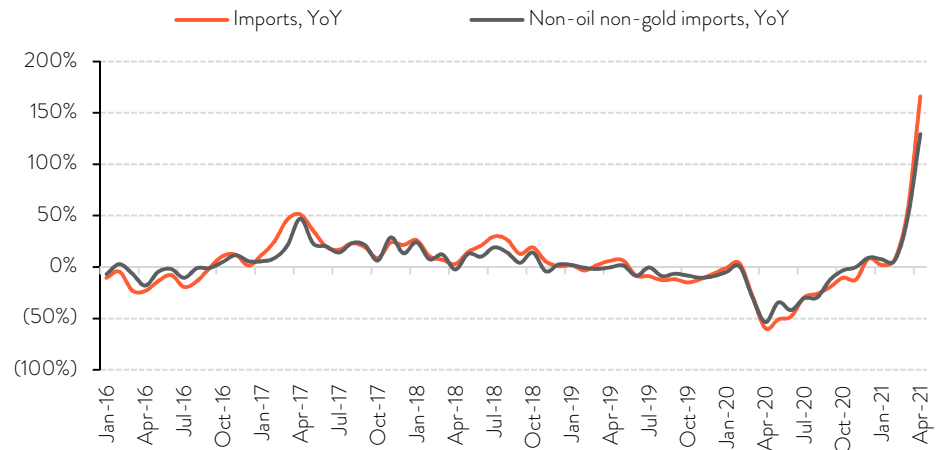


FIG 1 – EXPORT GROWTH RECOVERING



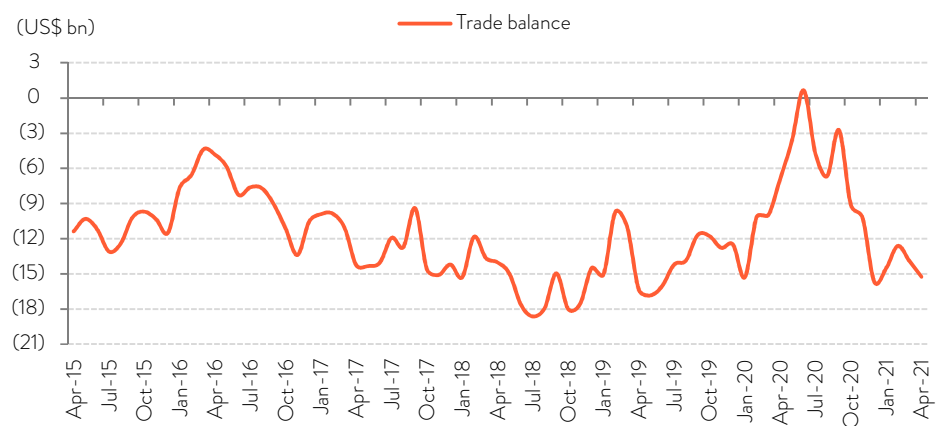
Source: CEIC, Bank of Baroda Research

FIG 2 – IMPORT GROWTH TOO SHOOTING UP



Source: CEIC, Bank of Baroda Research

FIG 3 – TRADE DEFICIT WIDENS FURTHER



Source: CEIC, Bank of Baroda Research

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