

## TRADE AND GOVERNMENT STIMULUS MEASURES

15 May 2020

### Exports plunge by 60.3%, FM announces agri stimulus

The FM today announced third tranche of 10% stimulus focused on agri sector. Agri infra got a big boost with an allocation of Rs 1tn. Notably, FM also announced reforms for kick-starting investments in agri supply chains. At the same time, exports and imports have plunged by 60.3% and 58.6%. Both are expected to remain muted as global and domestic demand have been impacted by lockdowns. Notably, lower oil prices are a big positive for India and make us believe that INR should revert back to 73/\$ by Mar'21.

Sameer Narang

Aditi Gupta | Sonal Badhan

chief.economist@bankofbaroda.com

**Exports plunge sharply:** Exports fell further in Apr'20 by 60.3% versus 34.6% decline in Mar'20. Apart from domestic lockdown, sharp reduction in global demand also contributed to the decline. The sharpest decline was seen in gems & jewellery (98.6%), textiles (87.5%) and engineering goods (64.8%). Pharma exports were flat. With global demand faltering and recession foreseen, exports will remain muted in the near-term.

**Imports too decline:** Imports fell to the lowest on record at US\$ 17.1bn in Apr'20 (decline of 58.6%) versus US\$ 31.2bn in Mar'20. Oil imports fell by 59.1% due to lower oil prices and decline in volumes. Non-oil-non-gold imports plummeted by 53.6% due to lockdown restrictions. The decline was led by pearls and precious stones (99.9%), electronics (62.7%) and capital goods (50.3%). Lower oil prices imply imports too are expected to remain subdued.

**Current account surplus in FY21:** India's trade deficit narrowed to a 4-year low of US\$ 6.8bn in Apr'20 versus US\$ 9.8bn in Mar'20. We expect a current account surplus in FY21 because of which we believe INR should revert to 73/\$ by the end of the financial year.

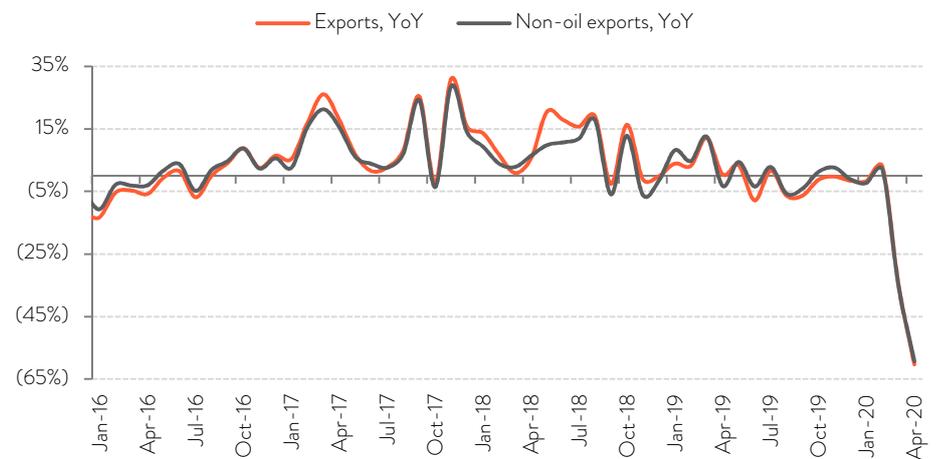
**Tranche 3 dedicated to agri sector:** Government today announced stimulus measures worth Rs 1.55tn focusing on agri sector. Total stimulus now stands at Rs 17.75tn (8.9% of GDP). Agri infra got a big boost today with an allocation of Rs 1tn. This will go a long way in improving agri productivity as we have seen in dairy sector. Apart from this, fisheries: Rs 200bn and animal husbandry: Rs 150bn have received additional amount to boost employment and exports. FM also announced a set of measures to remove structural rigidities such as change in Essential Commodities Act and inter-state barriers. This will allow more investment in supply chain in the farm sector.

#### KEY HIGHLIGHTS

- Exports and imports contract sharply in Apr'20 amidst lockdown restrictions.
- Trade deficit contracts, likely to remain subdued in FY21.
- Government announces third tranche of stimulus measures focussing on agriculture and allied activities.

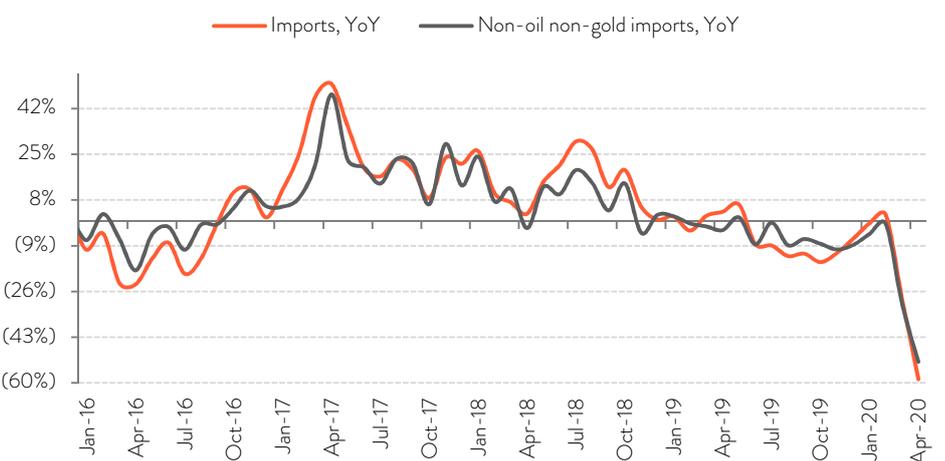


**FIG 1 – EXPORT GROWTH DIVES FURTHER**



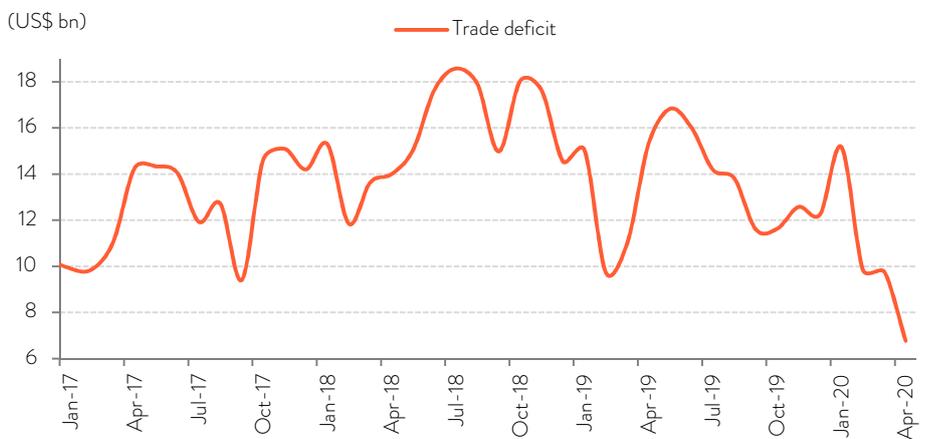
Source: CEIC, Bank of Baroda Research

**FIG 2 – SIMILAR TREND VISIBLE IN IMPORTS**



Source: CEIC, Bank of Baroda Research

**FIG 3 – TRADE DEFICIT NARROWS TO A 4-YEAR LOW IN APR'20**



Source: CEIC, Bank of Baroda Research

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.in](http://www.bankofbaroda.in)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)