

## RESEARCH

### BOB Economics Research | Trade

Non-oil-non-gold imports fall sharply

## SUMMARY

### India Economics: Trade

India's trade deficit in Nov'19 rose to US\$ 12.1bn versus US\$ 11bn in Oct'19 led by higher gold and oil imports. Non-oil-non-gold imports contracted at the sharpest pace in 43-months due to weak domestic demand. Non-oil exports are showing some improvement. Thus we expect trade deficit to fall to US\$ 161bn in FY20 (FYTD20 at US\$ 110bn) from US\$ 180bn in FY19. This will result in CAD of 1.2% of GDP (2.1% in FY19). This along with strong FDI/ FPI inflows explain the strength in INR which in our view is likely to continue.

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## TOP PICKS

### LARGE-CAP IDEAS

Company	Rating	Target
<a href="#">Cipla</a>	Buy	570
<a href="#">ONGC</a>	Buy	210
<a href="#">Petronet LNG</a>	Buy	400
<a href="#">Reliance Industries</a>	Buy	1,670
<a href="#">TCS</a>	Add	2,230

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	2,290
<a href="#">Future Supply</a>	Buy	680
<a href="#">Greenply Industries</a>	Buy	210
<a href="#">Laurus Labs</a>	Buy	480
<a href="#">PNC Infratech</a>	Buy	245

Source: BOBCAPS Research

## DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.89	10bps	(5bps)	(102bps)
India 10Y yield (%)	6.78	1bps	21bps	(63bps)
USD/INR	70.84	0	0.9	1.2
Brent Crude (US\$/bbl)	64.20	0.8	3.2	4.5
Dow	28,132	0.8	1.6	14.4
Shanghai	2,916	(0.3)	0.2	10.7
Sensex	40,582	0.4	0.6	12.9
India FII (US\$ mn)	11 Dec	MTD	CYTD	FYTD
FII-D	78.4	(233.0)	4,011.8	3,467.1
FII-E	54.2	(6.6)	13,365.8	6,520.6

Source: Bank of Baroda Economics Research

## BOBCAPS Research

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## TRADE

13 December 2019

**Non-oil-non-gold imports fall sharply**

India's trade deficit in Nov'19 rose to US\$ 12.1bn versus US\$ 11bn in Oct'19 led by higher gold and oil imports. Non-oil-non-gold imports contracted at the sharpest pace in 43-months due to weak domestic demand. Non-oil exports are showing some improvement. Thus we expect trade deficit to fall to US\$ 161bn in FY20 (FYTD20 at US\$ 110bn) from US\$ 180bn in FY19. This will result in CAD of 1.2% of GDP (2.1% in FY19). This along with strong FDI/ FPI inflows explain the strength in INR which in our view is likely to continue.

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**Deceleration in exports eases:** Contraction in India's export growth eased to (-) 0.3% in Nov'19 from (-) 1% in Oct'19 led by 20.6% increase in pharma products (12.6% in Oct'19), 6.3% jump in engineering goods (1.2% in Oct'19) and 2.5% increase in chemicals (0.9% in Oct'19). On the other hand, gems & jewellery at (-) 8.1% in Nov'19 (6% in Oct'19) and textile products (-4%) contributed negatively. In FYTD20, exports have contracted by (-) 2.1% vs increase of 10.9% in FYTD19. Region wise, exports to Asia-Pacific (ex-China) and Europe continue to contract. We expect export growth to remain muted in light of subdued global demand in CY20.

**Non-oil-non-gold imports fall further:** Imports contracted for the 6th straight month at (-) 12.7% in Nov'19 compared with (-) 16.3% in Oct'19. Gold imports edged up to 6.6% in Nov'19 versus 4.7% in Oct'19. Oil imports contracted at a slower pace of (-) 18.2% versus (-) 31.7% in Oct'19 as oil prices were higher by 5% (MoM). Notably, non-oil-non-gold imports contracted at the sharpest pace in the last 43-months at (-) 12% compared with (-) 10% in Oct'19. Capital goods (-21.8%), ores and minerals (-32.5%) and iron and steel (-26.2%) declined the most. Imports of pearls and precious metals (24.8%) and agricultural products (11%) increased the most.

**Trade deficit is tad bit higher:** India's trade deficit widened to US\$ 12.1bn from US\$ 11bn in Oct'19 due to higher gold and oil imports. Trade deficit in FYTD20 is now at US\$ 110bn compared with US\$ 133.8bn in FYTD19 as imports (-7.9%) have shrunk at a faster pace than exports (-2%). While lower oil prices have helped (oil imports are lower by US\$ 12bn), non-oil-non-gold imports (-6.2%) too have remained sluggish due to slowdown in domestic demand. This is likely to persist even in Q4FY20. Hence, we expect FY20 trade deficit at US\$ 161bn (5.5% of GDP) from US\$ 180.3bn in FY19.

**KEY HIGHLIGHTS**

- Export growth at (-) 0.3% versus (-) 1% in Oct'19.
- Imports decline by (-) 12.7% compared with (-) 16.3% in Oct'19.
- Trade deficit widens to US\$ 12.1bn versus US\$ 11bn in Oct'19.



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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