



# Merchandise trade deficit widened in April even as oil deficit narrowed from a record high in March

17 May, 2024

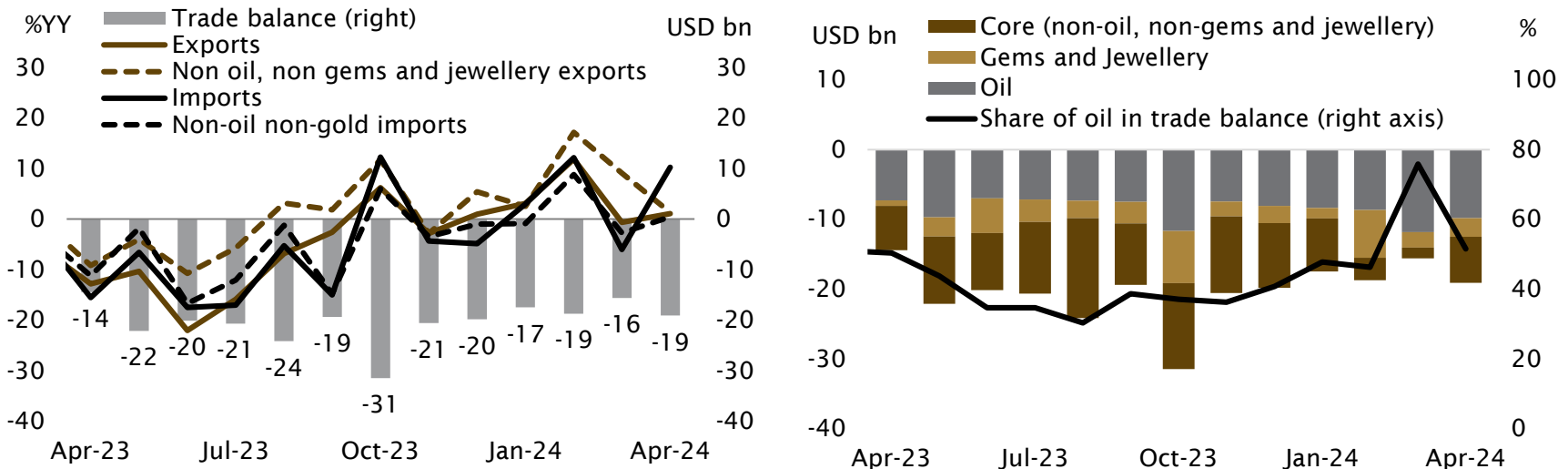




# Key takeaways

India's merchandise trade deficit widened to a four-month high at USD19.1bn in April from USD15.6bn in March, as imports grew at a faster pace than exports. Both imports and exports had contracted in March leading to a moderation in deficit to an 11-month low. The increase in exports and imports in April was driven by base effects amid month-on-month decline in both. The modest year-on-year increase in exports in April was driven by oil and core items, even as gems and jewellery exports remained in contraction for the fourth consecutive month. The rebound in imports was driven by both core and non-core items. The deficit on gems and jewellery widened, but narrowed in case of petroleum. Core trade deficit (non-oil, non-gems and jewellery) worsened to USD6.6bn from USD1.5bn in March. Services trade surplus moderated, as imports growth outpaced the increase in exports, so that overall trade deficit (goods plus services) deteriorated. Global trade is projected to recover in 2024 and more so in 2025, which can act as a tailwind for India's growth prospects. However, there are risks to watch out for amid the ongoing geopolitical tensions, volatility in commodity and financial markets driven by uncertainties around potential pivot towards easing by systemic central banks. Potential resurgence of trade wars among major economies could further cloud the outlook for world trade.

India merchandise trade deficit widened in April amid higher growth in imports; oil deficit narrowed

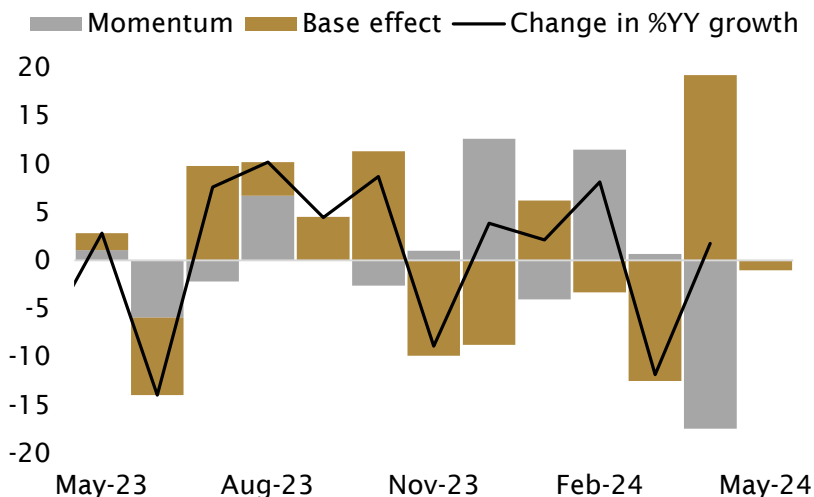




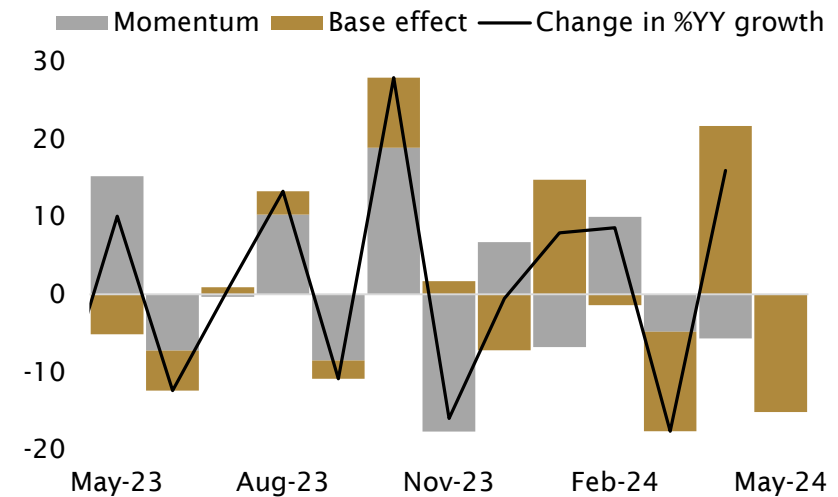
# Merchandise trade deficit widened in April even as oil deficit narrowed

- Merchandise trade deficit widened to USD19.1bn in April from USD15.6bn in March, as imports grew at a faster pace than exports. Imports increased 10.3%YY, while exports rose 1.1%. Both imports and exports had contracted in March leading to a moderation in deficit to an 11-month low. The increase in exports and imports in April was driven by base effects amid month-on-month decline in both. The sharp month-on-month drop of 16% in exports was in line with long-term trend for the month (2015-2023 average: -17.7%). The contraction in imports at 5.6% was shallow compared to the long-term trend for April (2015-2023 average: -12.1%).
- The growth in core exports (non-oil, non-gems and jewellery) eased to 1.3%YY in April from 9.1% in March and from the recent peak of 17.2% in February. Core imports rebounded to 1.8%YY in April after contracting 3.5% in March. As a result, core trade deficit widened to USD6.6bn in April from USD1.5bn in March.
- Both oil and gems and jewellery imports increased in April after declining in March. Petroleum imports were up around 20%YY, while gems and jewellery imports increased by 45.8%. Particularly, gold imports surged by over 200%, reflecting the increase in global gold prices. Petroleum exports grew 3.1%YY after falling by 35.4% in March, while gems and jewellery exports remained in contraction for the fourth consecutive month.
- Due to higher imports, the trade deficit on gems and jewellery widened to USD2.6bn from USD2.2bn in March. The deficit in petroleum trade narrowed to USD9.8bn from USD11.8bn in the previous month. The share of oil in trade deficit moderated to 52% from 76% in March.

Export growth: Base effect not supportive in May



Import growth: Base effect to be favorable in May

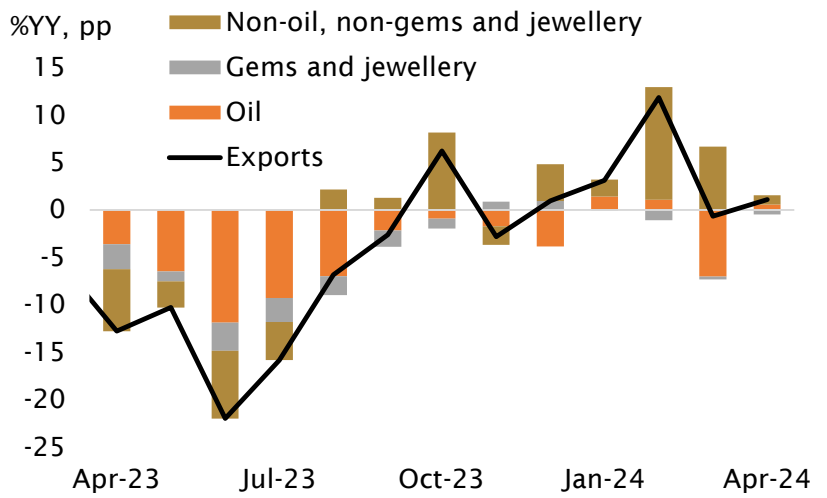




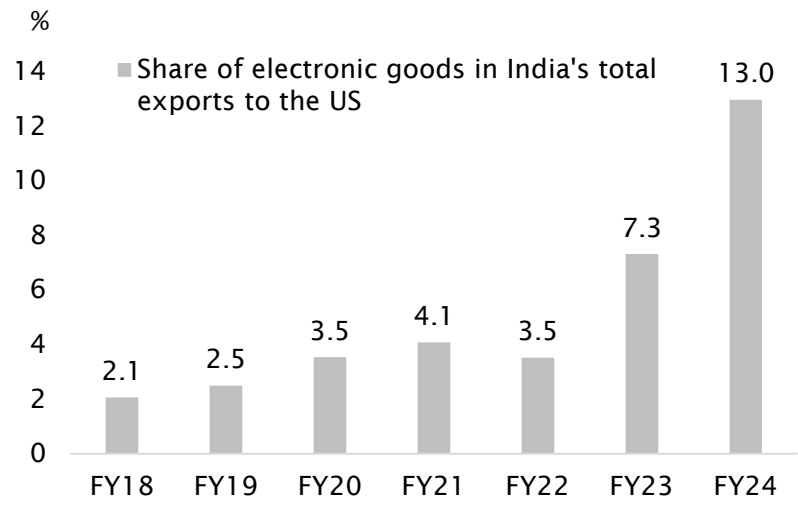
# Petroleum, core categories enabled modest exports growth in April

- The modest increase in exports in April following a mild decline in March was driven by oil and core items, even as gems and jewellery exports remained in contraction.
- Within core exports, electronic goods, chemicals, drugs and pharmaceuticals contributed the most to growth during the month. Engineering goods, constituting one-fourth of total exports, fell after increasing for four consecutive months. Iron ore, marine products and oil meals also dragged down exports. Of the 30 main export categories, exports fell in 17, up from 13 in March.
- As per economy-wise data till March 2024, exports to the UAE contributed the most to India's export growth in FY24, even as India continue to export the most to the US, with share in total exports at 17.7%. Exports to the UAE were dominated by gold and jewellery, while electronic goods, particularly smartphones, dominated exports to the US.

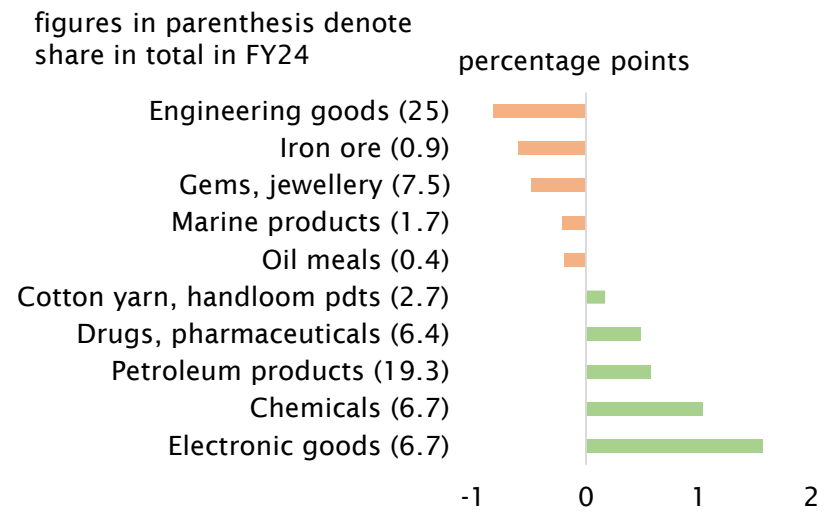
Contribution to exports growth - April 2024



Electronic goods replaced pharma's top share in FY23



Contribution to exports growth - April 2024

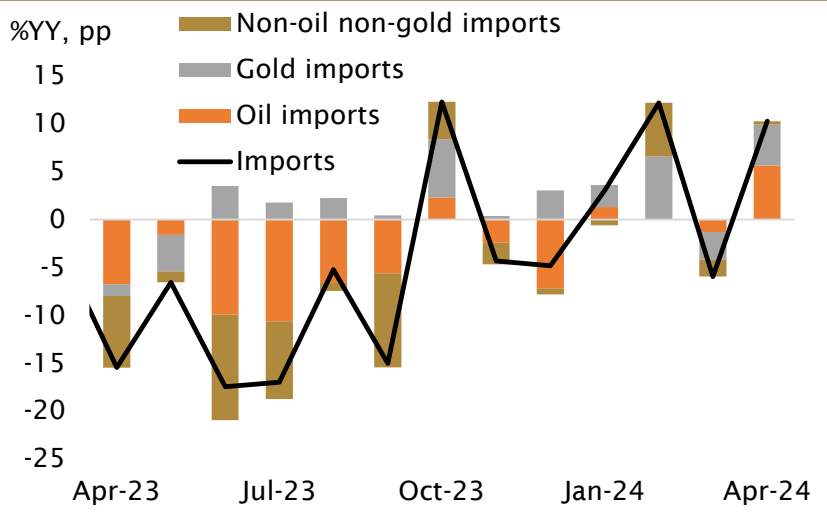




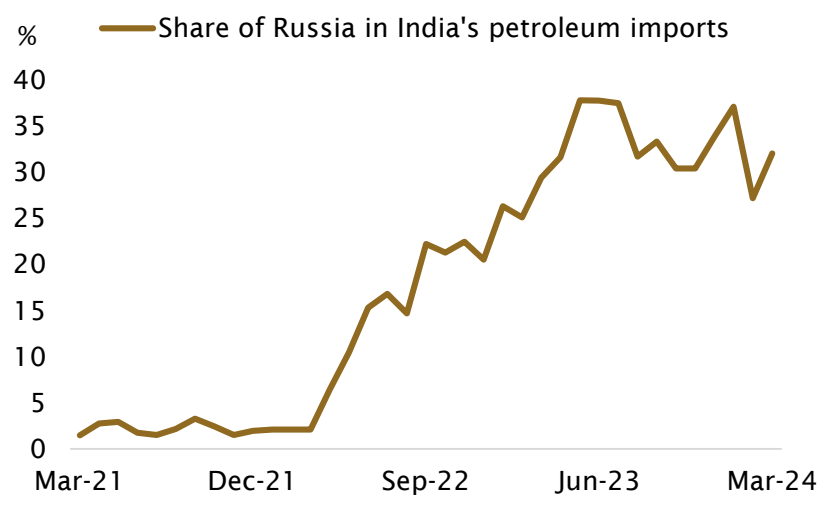
# Gold, petroleum drove most of import growth in April

- In April, the rebound in imports was driven by both core and non-core items of petroleum and gold. The rise in core imports was modest, while gold and oil imports surged.
- Within core imports, electronic goods, pulses, vegetable oil added the most to growth. Imports of pulses have been increasing for 14 straight months now, while the rebound in vegetable oil imports after more than a year probably reflected the increase in global prices. Among other items, imports of machinery and coal, briquettes, etc.; declined. Of the 30 major groups, imports fell in 14 vs. 18 in March.
- In FY24, India's continued to import the most from China, with its share in total imports at around 15%, up from 14% in FY23. Russia replaced the UAE and the US to occupy the second spot in import share due to higher oil imports. As of Mar-24, India's oil imports from Russia stood at USD4.2bn, up from USD343.3mn in Mar-22.

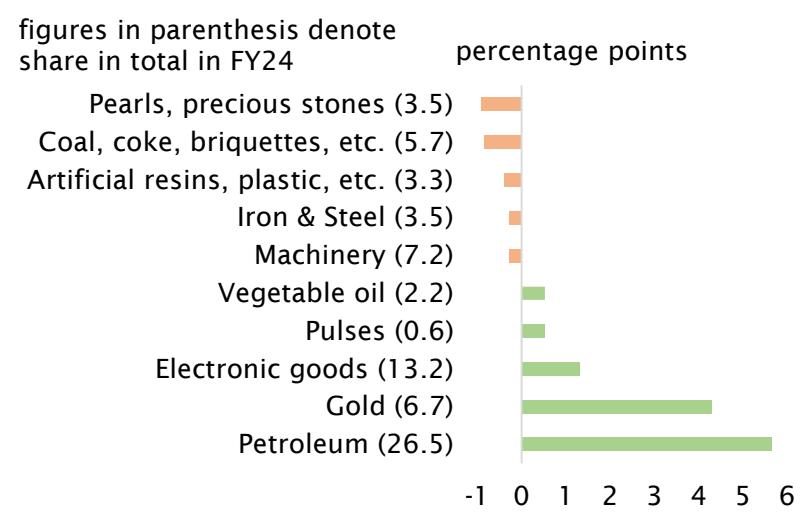
Contribution to imports growth - April 2024



After China, India imported the most from Russia in FY24



Contribution to imports growth - April 2024



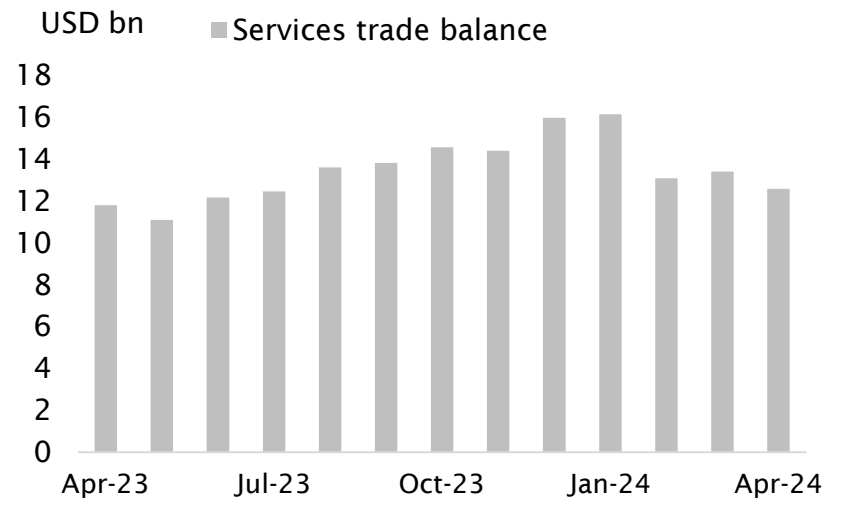




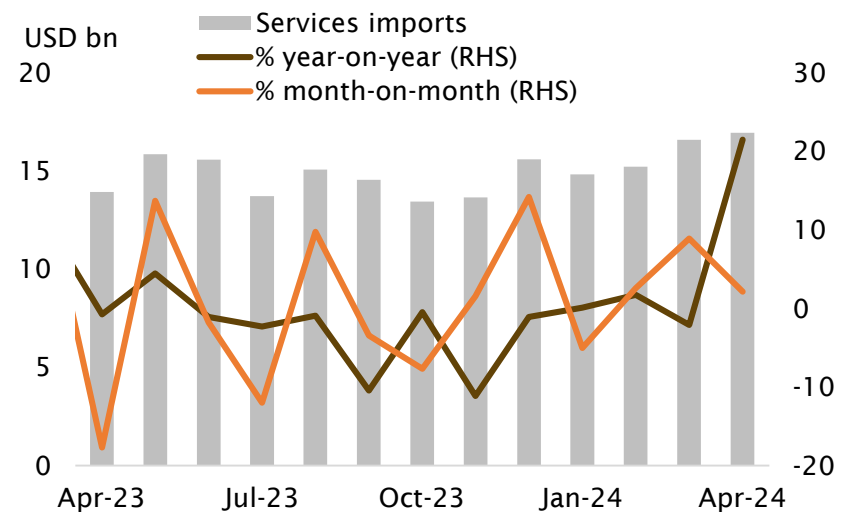
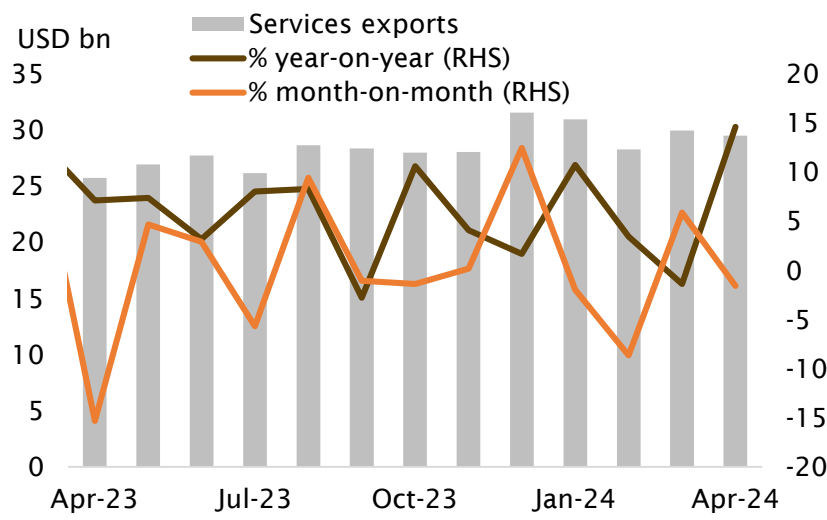
# Services trade surplus eased in April as imports growth outpaced exports

- Services trade surplus moderated to USD12.6bn in April from USD13.4bn in March, as imports growth outpaced the increase in exports. Imports rose 21.6%YY, while exports grew 14.7%. Both imports and exports had declined in March by 2.1% and 1.4%, respectively. The month-on-month momentum eased in both exports and imports, though it stayed positive in case of imports.
- With the widening of merchandise trade deficit and moderation in services trade surplus, overall trade deficit (goods plus services) deteriorated to USD6.5bn from USD2.2bn in March. Both total exports and imports posted growth in year-on-year terms, with imports growth (12.8%) above that of exports (6.9%). In terms of month-on-month change, both total exports and imports fell, with exports (-10.0%) falling at a steeper rate than imports (-3.8%).

Services trade surplus moderated in April



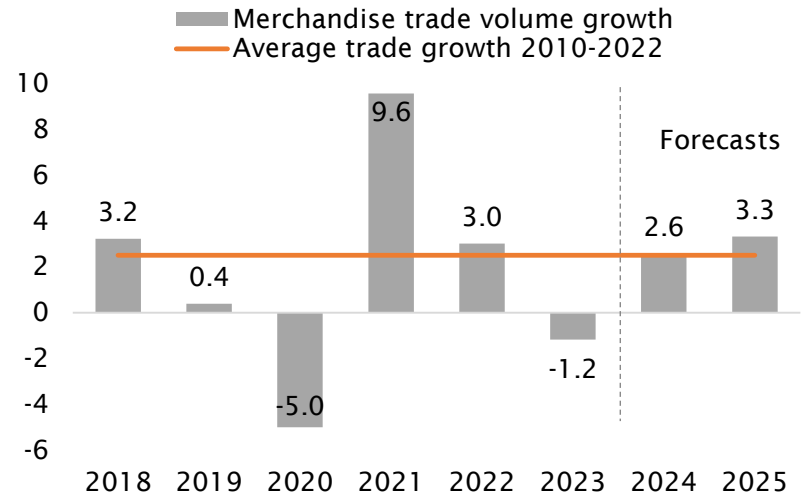
Both services exports and imports grew year-on-year in April; exports fell month-on-month while import growth eased





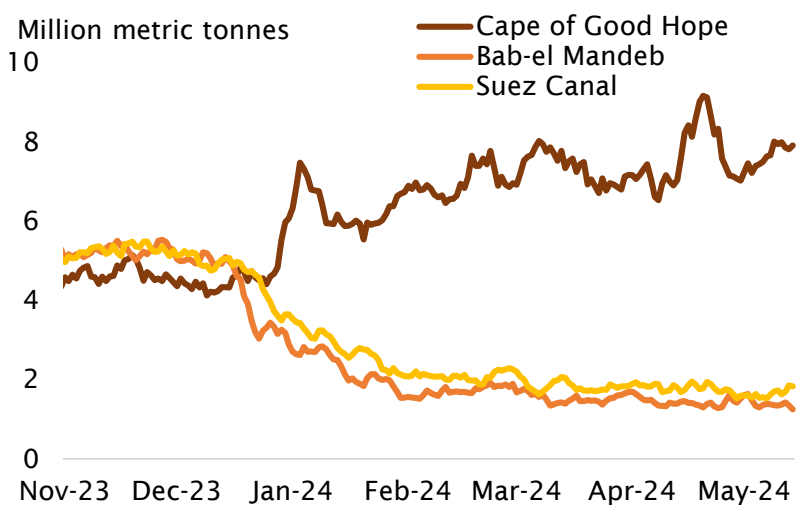
# Risks to 2024 outlook remain despite expected recovery in global trade

Global trade expected to recover in 2024 and 2025

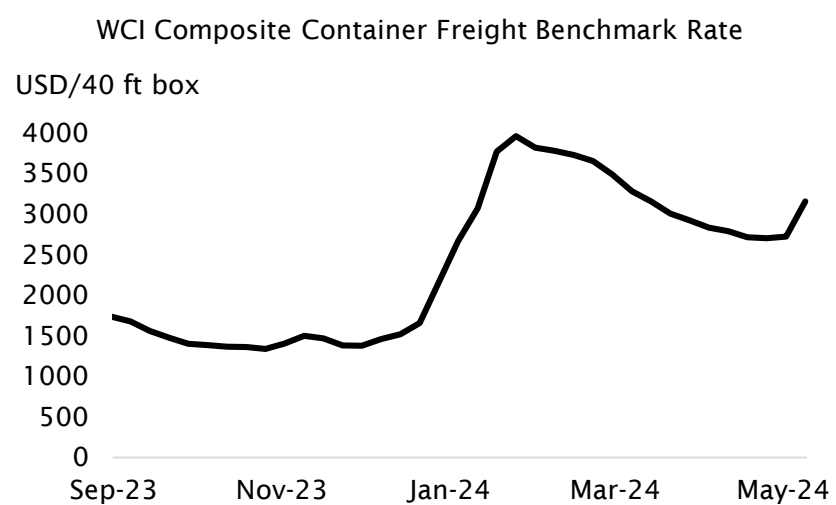


- As per WTO's latest outlook, global merchandise trade is expected to recover in 2024 and 2025, following a contraction in 2023. This bodes well for India's external sector outlook. But there are risks to watch out for.
- The attacks on commercial ships in the Red Sea that started in October 2023 have resulted in rerouting of vessels resulting in longer transit times, higher shipping and insurance costs. New flashpoints of geopolitical tensions are adding to volatility and uncertainty to trade flows. Freight rates are rising again after moderating from recent peaks. The flickers of resurgence in trade wars between major global economies could further cloud the outlook for world trade.

Continued disruption to transit trade volumes



Global freight charges on the rise again





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