

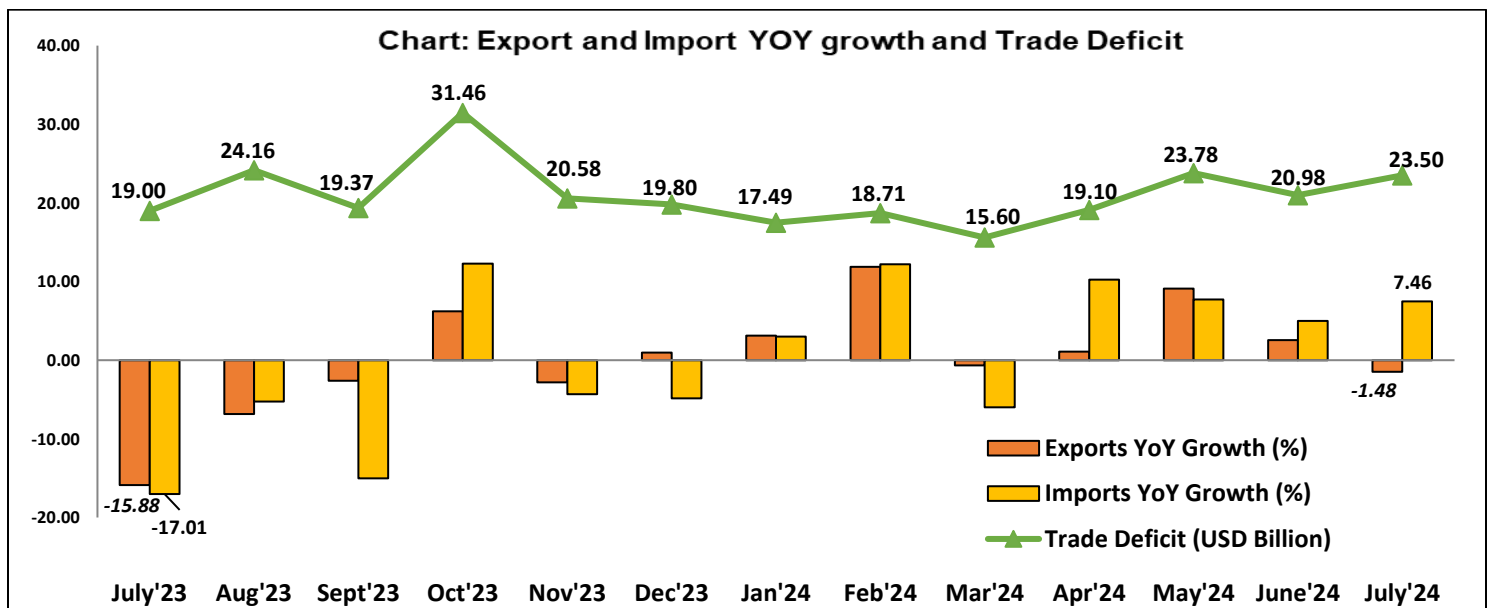
Macro Insights

Highlights:

Trade Deficit widens to \$23.50 billion

India's merchandise trade deficit increased from \$20.98 billion in June'24 and remained higher at \$23.50 billion in July'24 compared to \$19.00 billion in July'23.

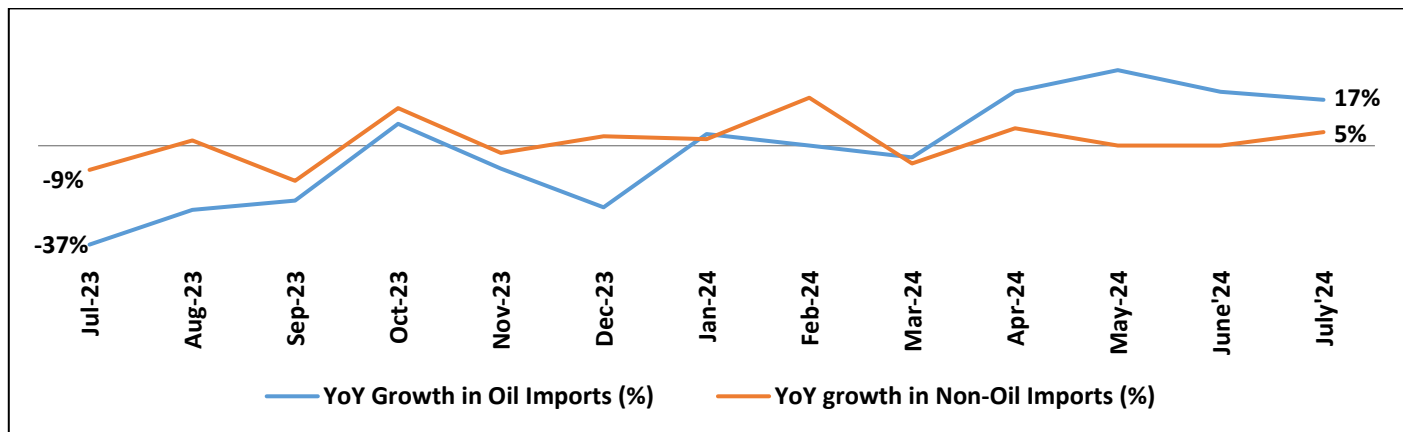
- Merchandise exports fell to \$33.98 billion from \$34.49 billion, down 1.48% YoY in July'24. Meanwhile merchandise imports rose to \$57.48 billion from \$53.49 billion, up by 7.46% YoY in July'24.
- India's merchandise trade deficit rose to \$23.50 billion in July'24 after falling to \$20.98 billion in June'24
- This is the first time in last 12 months where exports fell but imports rose.
- Non-oil imports rose to \$43.61 billion with 4.66% YoY rise. Non-Oil exports rose to \$28.75 billion with 3.53% YoY rise.



Month	Exports	Imports	Trade Deficit
July'23	34.49	53.49	19.00
July'24	33.98	57.48	23.50
YoY Growth (%)	-1.48%	7.46%	23.68%

(\$ bn)

Chart: Import Growth % - Oil & Non-Oil



Insights:

- ✓ Imports grew while exports fell, merchandise trade deficit widened to \$23.50 billion in July'24 from \$20.98 billion in June'24. This was 23.68% higher than the deficit recorded in July'23, and 12.01% higher than June'24 trade deficit of \$20.98 billion.
- ✓ India's merchandise exports saw a decline of 1.48% YoY. Under merchandise exports, 18 out of 30 key sectors exhibited positive growth in July'24. These include Meat, Dairy & Poultry Products (56.18%), Tobacco (39.9%), Electronic Goods (37.31%), Oil Meals (22.01%), Tea (21.79%).
- ✓ India's merchandise import saw a growth of 7.46% YoY. Under merchandise imports, 11 out of 30 key sectors exhibited negative growth in July'24. These include Project Goods (-73.06%), Pearls, Precious & Semi-Precious Stones (-32.85%), Fertilisers (-31.00%), Dyeing/Tanning/Colouring Materials (-29.03%), Chemical Material & Products (-26.9%), Gold (-10.65%).
- ✓ India, the world's third-biggest consumer of oil, imported \$13.87 billion in oil in July'24 compared to \$15.05 billion in June'24 and \$11.82 billion in July'23. The imports of precious metals (silver) increased more than five times (YoY) to USD 166 million in July'24 due to increased demand from solar panels.
- ✓ In July 2024, the top 5 export destinations showing significant positive growth in value compared to July 2023 are Tanzania (53.14%), Netherland (29.18%), Mexico (25.91%), Singapore (14.28%) and USA (3.15%).
- ✓ In July 2024, the top 5 import sources demonstrating increased value compared to July 2023 are the UAE (84.87%), Qatar (34.61%), Russia (22.56%), Indonesia (15.05%) and China (13.05%).

Views:

- ✓ India's economy has been growing more than 7% in the last four years and the rising trade deficit is not a sign of concern as India's economic growth is fueling higher domestic demand that outpaces export growth, leading to a widening trade deficit.
- ✓ India's merchandise trade is expected to rise as WTO had predicted a 2.6% growth world trade volume in 2024 after falling 1.2% in 2023. However, regional conflicts, geopolitical tensions and economic policy uncertainty pose substantial downside risks to global trade in CY 2024 but Indian exports, despite falling marginally in July'2024, have shown resilience amid the current uncertain economic scenario marred by global conflict.

- ✓ Merchandise imports remain higher than merchandise exports putting a downward pressure on Rupee. At the beginning of July'24 Rupee stood at ₹83.40/\$ and then continued falling to ₹83.74/\$ at the end of July'24. Rupee is expected to moderate in near time owing to lower overall trade deficit (including services) and higher capital inflows over the coming months after Indian government's bond inclusion in JPMorgan Government Bond Index-Emerging Markets (GBI-EM) on 28th June'2024.

Top commodity groups exhibiting the most positive and negative growths YoY:

Exports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		July'23	July'24	
1	Meat & Dairy	292	456	56%
2	Tobacco	105	147	40%
3	Electronic Goods	2045	2808	37%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		July'23	July'24	
1	Other cereals	66	12	-81%
2	Cashew	27	20	-26%
3	Petroleum Products	6716	5228	-22%
Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		July'23	July'24	
1	Silver	31	166	439%
2	Leather & Leather products	74	147	100%
3	Pulses	206	294	43%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		July'23	July'24	
1	Project goods	61	16	-73%
2	Pearl, precious & semi-precious stones	1980	1330	-33%
3	Fertilisers	991	683	-31%

Disclaimer: The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/ figures represented in the note and shall not be held liable for the same in any manner whatsoever.

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in

Follow our Official Page: www.pnbindia.in