Economic Intelligence Cell
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Macro Insights

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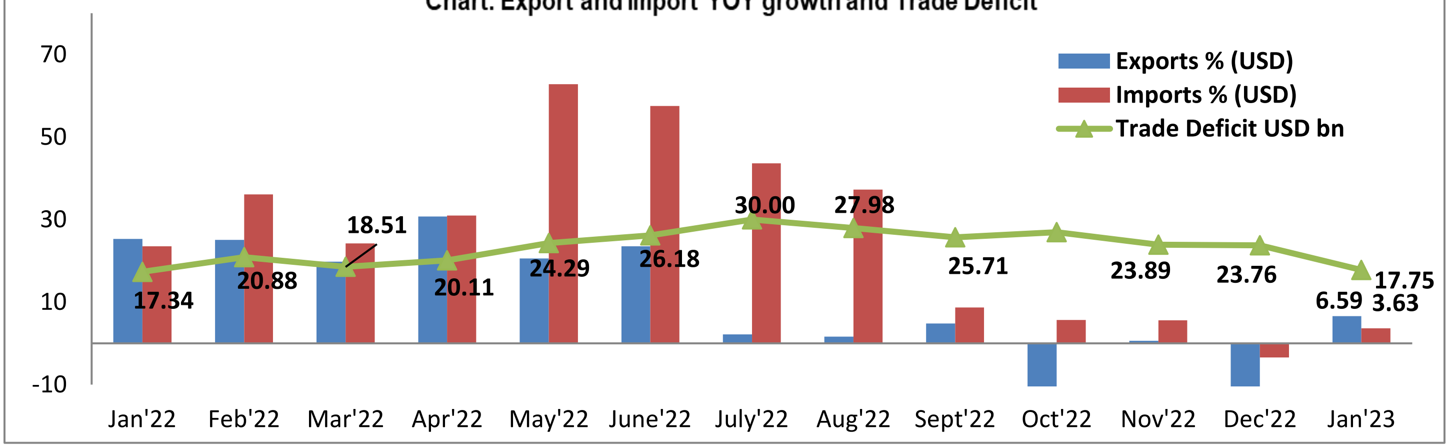
Trade Deficit

Despite global headwinds, political turmoil and recessionary trends in major economies during April'22-January'23, merchandise exports recorded a growth.

Highlights:

- *Merchandise exports declined to $32.91 billion, down 6.5% year-on-year in January 2023, which was lowest in the year. Meanwhile Merchandise imports also declined to $50.66 billion, down by 3.6 % year-on-year in January 2023.*
- *The trade deficit during the first ten months of this fiscal widened to $232.95 billion against $153.78 billion during the year-ago period.*
- *During April'22-January'23, exports stood at $369.25 billion witnessing 8.5 % growth & imports stood at $602.20 billion witnessing 21 % growth.*
- *India's merchandise exports showed YoY decline in 19 of 30 sectors, such gems and jewellery (19.28 %), drugs and pharmaceuticals (2.62 %), chemicals (4.57 %), engineering goods (9.8 %) and readymade garments (3.48 %).*
- *India's merchandise exports showed YoY increase majorly in electronic goods (55.54 %) and petroleum products (8 %).*
- *Non-petroleum and non-gems and jewellery exports contracted 8.12% in January 2023 from a year before to $25.35 Billion.*

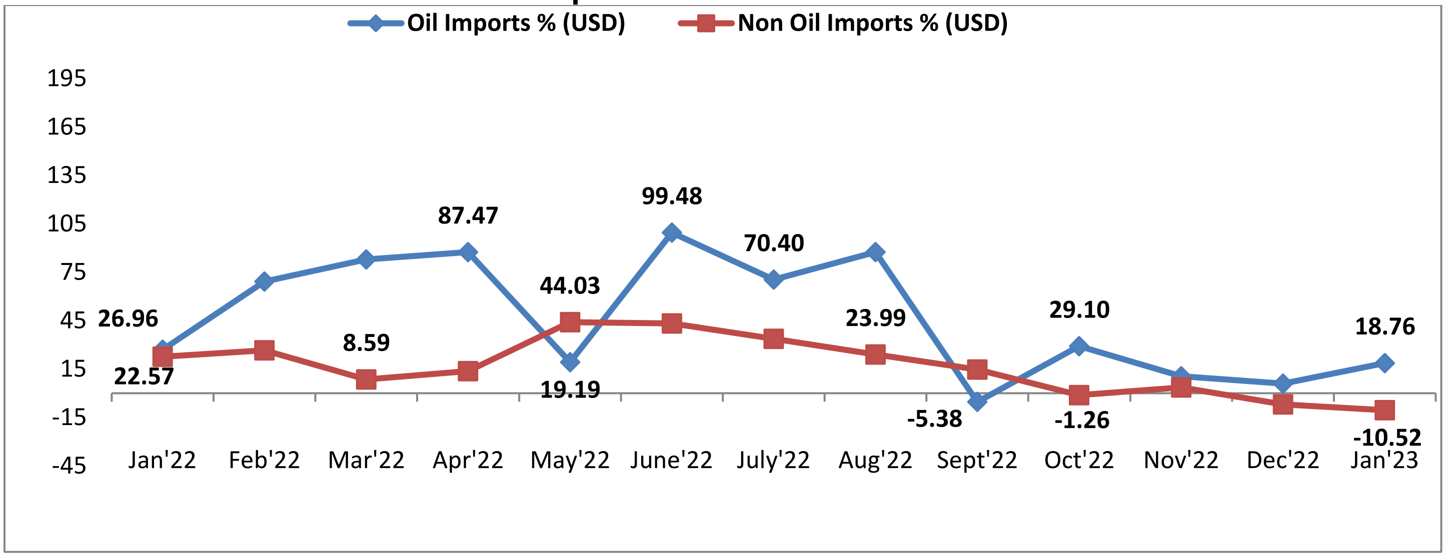
Chart: Export and Import YOY growth and Trade Deficit



($ bn)

Month	Exports	Imports	Trade Deficit
Jan'22	35.23	52.57	-17.34
Jan'23	32.91	50.66	-17.75
YoY Growth (%)	-6.59%	-3.63%	2.36%

Chart: Import Growth % - Oil & Non-Oil



Views:

- ✓ The export and import growth has stalled due to slowdown in economy of India's major trading partners i.e. USA & Euro Zone.
- ✓ Despite global headwinds, political turmoil and recessionary trends in major economies during April'22-January'23, merchandise exports recorded a growth. Trade deficit was also pulled down by lower oil import bill in January 2023.
- ✓ During Janurary'23, a dip in exports is due to slowdown in demand from key developed economies due to monetary policy tightening and high inflation.
- ✓ The decline in imports was due to factors such as government's curbs on non-essential imports, weak domestic demand, and easing commodity prices.
- ✓ Widening of the current account deficit (CAD) is a concern amid increasing import of non-essential items like gold. The CAD is expected to be at 2.8% of GDP for current FY due to narrowing merchandise trade deficit and widening service trade surplus.
- ✓ The USD v/s INR is trading in the range of Rs 81-83 and is expected to continue in this range for next 3-4 months.

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