

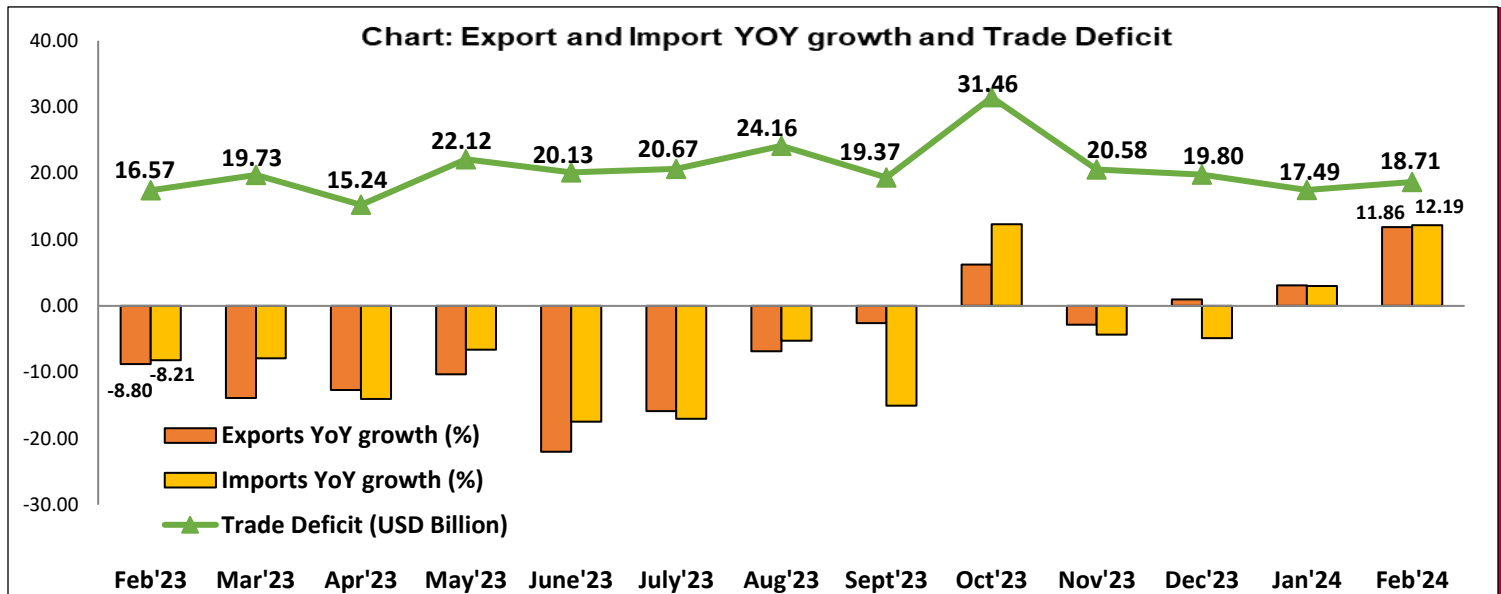
Macro Insights

Trade Deficit widens to \$18.71 billion

India's merchandise trade deficit increased from \$17.49 billion in Jan'24 and remained higher at \$18.71 billion in Feb'24 compared to \$16.57 billion in Feb'23.

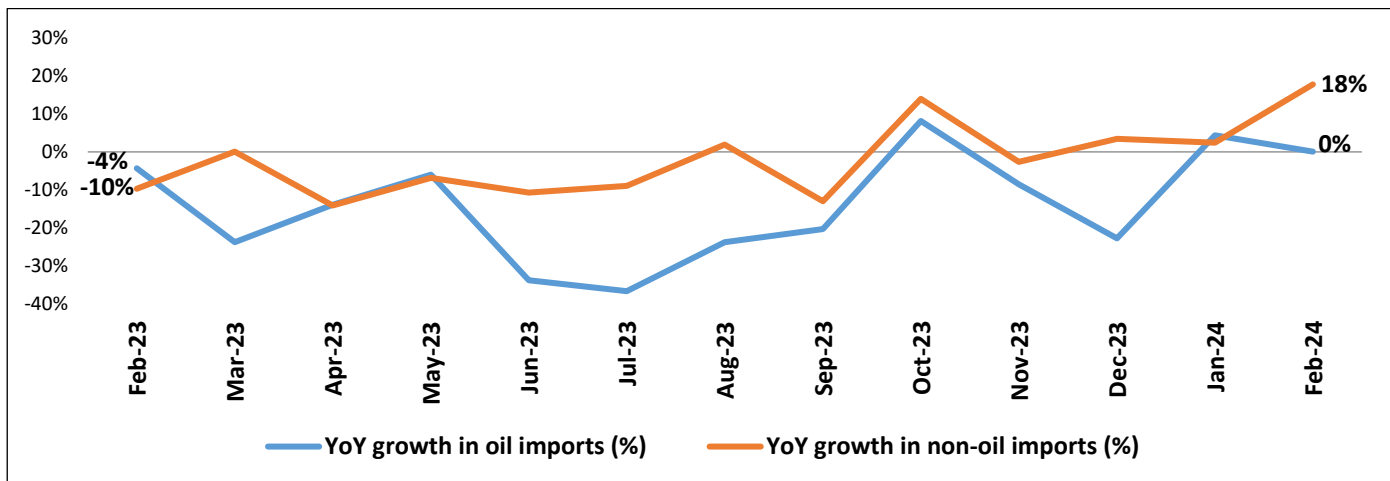
Highlights:

- Merchandise exports rose to \$41.40 billion from \$37.01 billion, up 11.86% YoY in February'24. Meanwhile Merchandise imports rose to \$60.11 billion from \$53.58 billion, up by 12.19 % YoY in February'24.
- Both exports and Imports expanded for 2nd consecutive months. This is only the 3rd month in this financial year where both exports and imports exhibited a positive growth.
- Non-oil imports rose to \$43.22 billion with 17.77% YoY rise. Non-Oil exports rose to \$33.17 billion with 13.71% YoY rise.
- During April'23 to Feb'24, Merchandise exports contracted to \$394.99 billion, down 3.45% YoY. Meanwhile during the same period, Merchandise imports also declined to \$620.19 billion, down by 5.32% YoY.



Month	Exports	Imports	Trade Deficit
Feb'23	37.01	53.58	16.57
Feb'24	41.40	60.11	18.71
YoY Growth (%)	11.86%	12.19%	12.91%

(\$ bn)

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ India's merchandise trade deficit widened to \$18.71 billion in Feb'24 from \$17.49 billion in Jan'24.
- ✓ India's export was highest in this FY and saw a healthy growth of 11.86% YoY. This growth is remarkable amid global slowdown and uncertainty (especially the Red sea crisis). Major contributors to export growth in Feb'24 include Engineering Goods, Electronic Goods, Organic & Inorganic Chemicals, Drugs & Pharmaceuticals and Petroleum Products, which is a good sign as most of these sectors are labour-intensive giving boost to employment creation in the country.
- ✓ Agricultural exports continue to grow in Feb'2024 --Tobacco (58.24%), Meat, Dairy & Poultry Products (37.83%) & Oilseeds (37.71%).
- ✓ Exports increased even though shipments from India to Europe faced a disruption owing to continued attacks in the Red Sea shipping route as it led to rerouting of the shipments and higher insurance cost.
- ✓ Under merchandise imports, 13 out of 30 key sectors exhibited negative growth in February 2024. Growth in imports was fueled by precious metals (gold and silver) and agricultural commodities such as pulses.
- ✓ During the April-February 2023-24 period, India's top export destinations were UAE, Singapore, Netherlands, China, United Kingdom, Saudi Arab and South Africa. Among the import sources, Russia stood at the top followed by Switzerland, China and Korea.
- ✓ The merchandise trade deficit during Apr'23-Feb'24 stood at USD 225.20 Billion compared to USD 245.94 Billion during Apr'22-Feb'24, registering a decline of 8.43 percent.
- ✓ Higher Trade volume for Feb'24 was expected as WTO had predicted a 3.3% global trade in 2024 up from 0.7% predicted for 2023.
- ✓ Imports grew at a higher pace than exports putting downward pressure on Rupee. At the beginning of Feb'24 Rupee stood at ₹82.95/\$, it fell to ₹83.08/\$ by mid-month and recovered

to Rs.82.92/\$ at end of Feb'24. Rupee is expected to moderate owing to lower trade deficit and higher investments on account of inclusion of India in MSCI bond index.

- ✓ Lower merchandise trade deficit helps in lowering of the Current Account Deficit (CAD). India faces a current account deficit because of a trade deficit; with a lower trade deficit in the 11 months of this FY and buoyant services trade, India's CAD is expected to be lower around 1% of GDP in FY'24 as compared to 1.98% of GDP in FY'23.

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
		Feb'23	Feb '24	
1	Handicrafts	115.34	215.66	87%
2	Tobacco	70.69	111.86	58%
3	Electronic Goods	1936.54	2997.94	55%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Feb'23	Feb'24	
1	Other cereals	116.89	21.02	-82%
2	Oil Meals	226.75	170.87	-25%
3	Mica, Coal & Other Ores	472.03	399.48	-15%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Feb'23	Feb'24	
1	Silver	12.94	1725.47	13224%
2	Gold	2630.34	6150.31	134%
3	Pulses	188.5	397.11	111%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Feb'23	Feb'24	
1	Project goods	320.94	32.5	-90%
2	Sulphur & Unroasted Iron Pyrites	26.69	11.75	-56%
3	Fertilisers, Crude & manufactured	679.92	450.68	-34%

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