

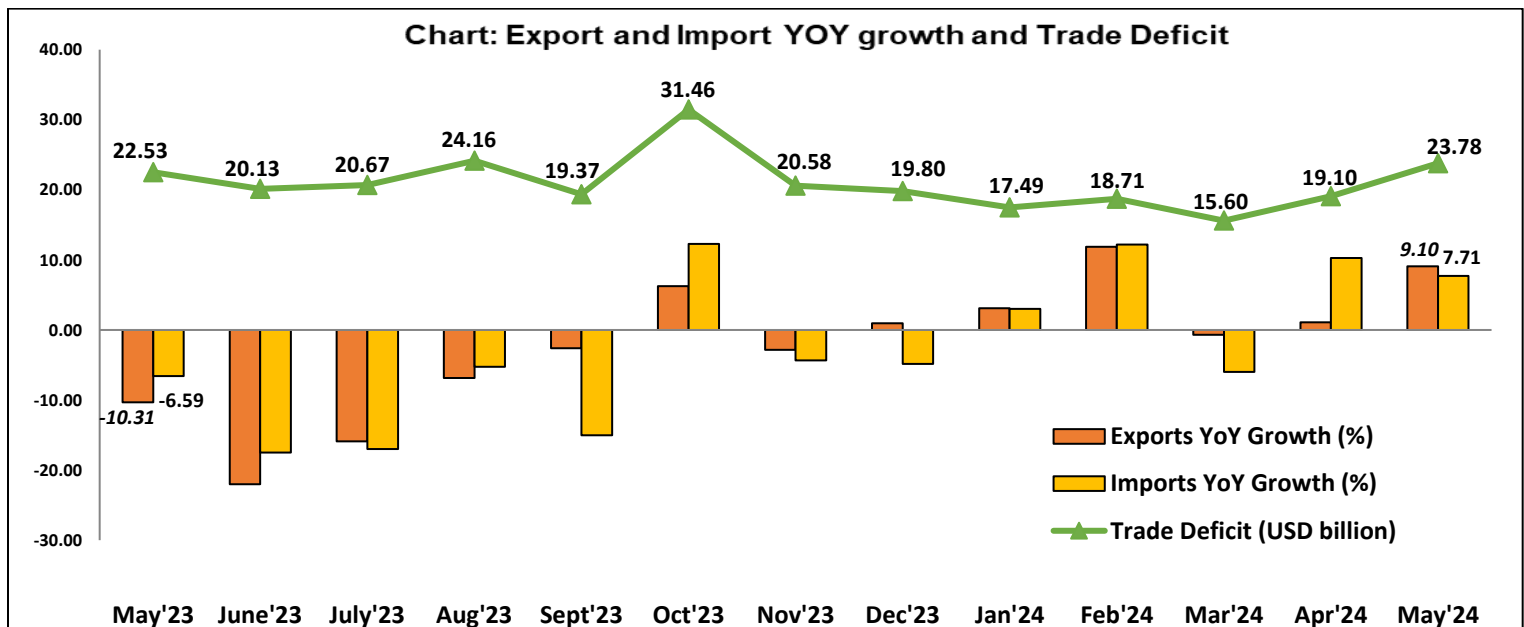
Macro Insights

Trade Deficit widens to \$23.78 billion

India's merchandise trade deficit increased from \$19.10 billion in Apr'24 and remained higher at \$23.78 billion in May'24 compared to \$22.53 billion in May'23.

Highlights:

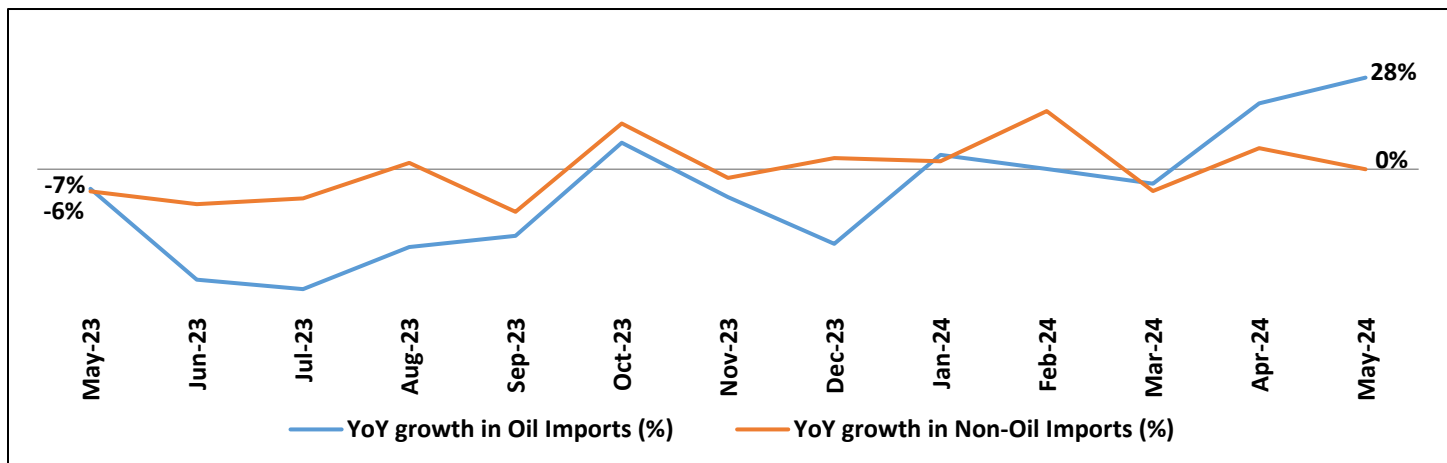
- ☞ Merchandise exports rose to \$38.13 billion from \$34.95 billion, up 9.10% YoY in May'24. Meanwhile Merchandise imports rose to \$61.91 billion from \$57.48 billion, up by 7.71% YoY in May'24.
- ☞ India's merchandise trade deficit hit a seven-month high of \$23.78 billion in May'24
- ☞ Both exports and imports expanded in May'24 for second consecutive month after contracting in March'24. This is the first time in the last twelve months where exports have expanded more than imports
- ☞ Non-oil imports remained stagnant at \$41.97 billion with 0.14% YoY rise. Non-Oil exports rose to \$31.36 billion with 7.77% YoY rise.



Month	Exports	Imports	Trade Deficit
May'23	34.95	57.48	22.53
May'24	38.13	61.91	23.78
YoY Growth (%)	9.10%	7.71%	5.55%

(\$ bn)

Chart: Import Growth % - Oil & Non-Oil



Insights:

- ✓ Despite exports growing faster than imports, the merchandise trade deficit surged to a seven-month high of \$23.78 billion in May'24. This was 5.5% higher than the deficit recorded in May'23, and 24.5% over April'24 trade gap of \$19.1 billion. This growth in Indian exports is notable amid geopolitical tensions and export curbs on foodstuffs such as rice to contain domestic inflation.
- ✓ India's merchandise exports saw a growth of 9.1% YoY with 20 out of the 30 key sectors exhibiting positive growth in May'24. Major sectors exhibiting highest YoY growth in May'24 include Coffee (64.23%), Tobacco (58.38%), Electronic Goods (22.97%), Meat, dairy & poultry products (22.95%), Fruits & Vegetables (20.75%) which is a good sign as most of these sectors are labour-intensive giving boost to employment.
- ✓ India's merchandise import saw a growth of 7.71% YoY. Under merchandise imports, 14 out of 30 key sectors exhibited negative growth in May'24. These include Project goods (-44.31%), Coal, Coke & Briquettes (-26.55%), Cotton Raw & Waste (-24.46%), Sulphur & Unroasted Iron (-20.92%), Fertilisers, Crude & manufactured (-20.42%), Leather & leather products (-20.05%).
- ✓ India, the world's third-biggest consumer of oil, imported \$19.94 billion in oil in May'24 compared to \$16.46 billion in April'24 and \$15.57 billion in May'23. The imports of precious metals (silver) increased by five times (YoY) to USD 138 million in May'24 due to increased demand from solar panels.
- ✓ Top 5 countries which saw an increase in exports in May'24 (YoY) were Malaysia (86.95%), Netherland (43.92%), UK (33.54%), UAE (19.43%) and USA (13.06%).
- ✓ Top 5 countries which saw an increase in imports in May'24 (YoY) were Angola (1274.95%), Iraq (58.68%), UAE (49.93%), Indonesia (23.36%) and Russia (18.02%).

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 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 May'24 Rupee stood at ₹83.45/\$, it fell to ₹83.52/\$ on 13th May and then recovered to ₹83.30/\$ at the end of May'24. Rupee is expected to moderate in near time owing to lower overall trade deficit (including services) and higher capital inflows of \$2 billion after the may review of Morgan Stanley Capital International (MSCI) bond index.

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
		May'23	May'24	
1	Coffee	113	186	64%
2	Tobacco	91	145	58%
3	Electronics goods	2,414	2,969	23%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		May'23	May'24	
1	Other cereals	104	19	-81%
2	Cashew	28	21	-26%
3	Oil Meals	151	113	-25%

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		May'23	May'24	
1	Silver	27	138	408%
2	Pulses	132	371	181%
3	Transport Equipment	2,341	3,087	32%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		May'23	May'24	
1	Project Goods	57	32	-44%
2	Coal, Coke & Briquettes	4,492	3,300	-27%
3	Cotton, Raw & Waste	58	44	-24%

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