

Macro Insights

15 September 2022

India's trade deficit jumped to \$27.98 billion in August 2022 from \$11.71 billion in Aug'21

Ministry of Commerce & Industry has released the monthly statistics on India's foreign trade for the month of August 2022. India's trade deficit jumped to \$27.98 billion in August 2022 from \$11.71 billion in August 2021. Exports grew by 1.62% YoY to \$33.92 billion and imports grew by 37.28% YoY to \$61.90 billion in August 2022



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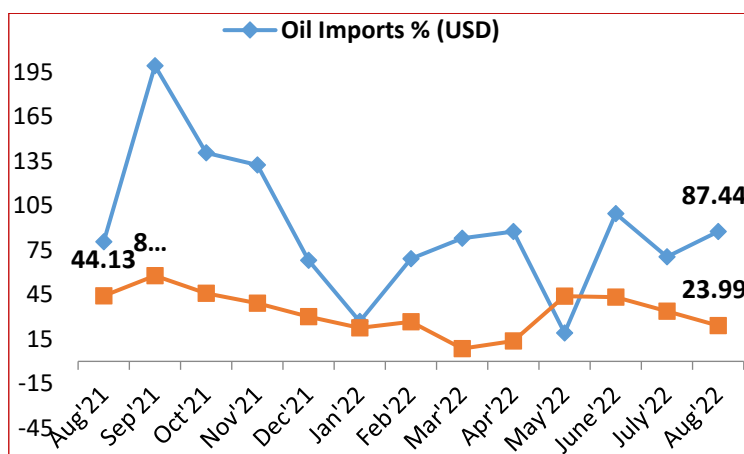
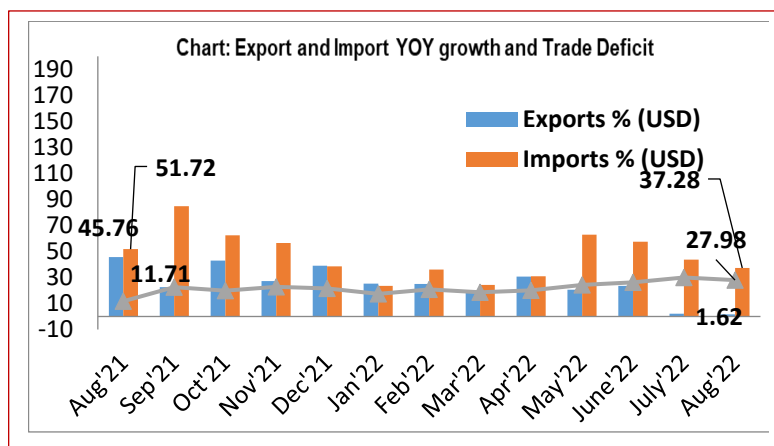
Exports grew by 1.62% YoY to \$33.92 billion



Rupee is expected to remain under pressure. Going ahead the dollar index is expected to see a further uptick owing to rate hikes and rupee is expected to trade between 78.5-81 against the US Dollar in near term

Highlights:

- India's Trade Deficit showed an increase and widened to the level of \$27.98 billion up 138.88 percent year-on-year in August 2022 driven by high inflation among all economies, resulting in tepid demand.
- Merchandise exports grew to \$33.92 billion, up 1.62 per cent year-on-year in August 2022. Meanwhile Merchandise imports grew to \$61.90 billion, up by 37.28 per cent year-on-year in August 2022. It was the sixth consecutive month when imports are more than \$60 Billion.
- Import grew substantially in major commodity groups like coal, coke and briquettes to \$4.5 billion (133.64%), chemicals to around \$3 billion (43%), and vegetable oil to nearly \$2 billion (41.55%)
- The export growth being driven by high demand for petroleum products to \$5.71 billion (22.76%), Chemicals to \$2.53 billion (13.47%) and pharma to \$2.14 billion (6.76%)



Views:

- The trade deficit during the first five months of this fiscal widened to \$124.52 billion against \$53.78 billion during the year-ago period.
- Export of engineering, gems and jewellery, ready-made garments of all textiles, and plastic showed a negative growth over previous year.
- High Non-petroleum and non-gems and jewellery imports in August 2022 shows strong domestic demand which will create pressure on current account deficit. CAD is expected to widen to 5.0% of GDP in Q2FY23 and around 3% of GDP in FY23.
- Although August'22 trade deficit shows moderation on month-on-month basis driven by lower oil trade deficit, but is still at high level which is unsustainable. Rupee is expected to remain under pressure. Going ahead the dollar index is expected to see a further uptick owing to rate hikes and rupees expected to trade between 78.5-81 against the US Dollar in near term

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