

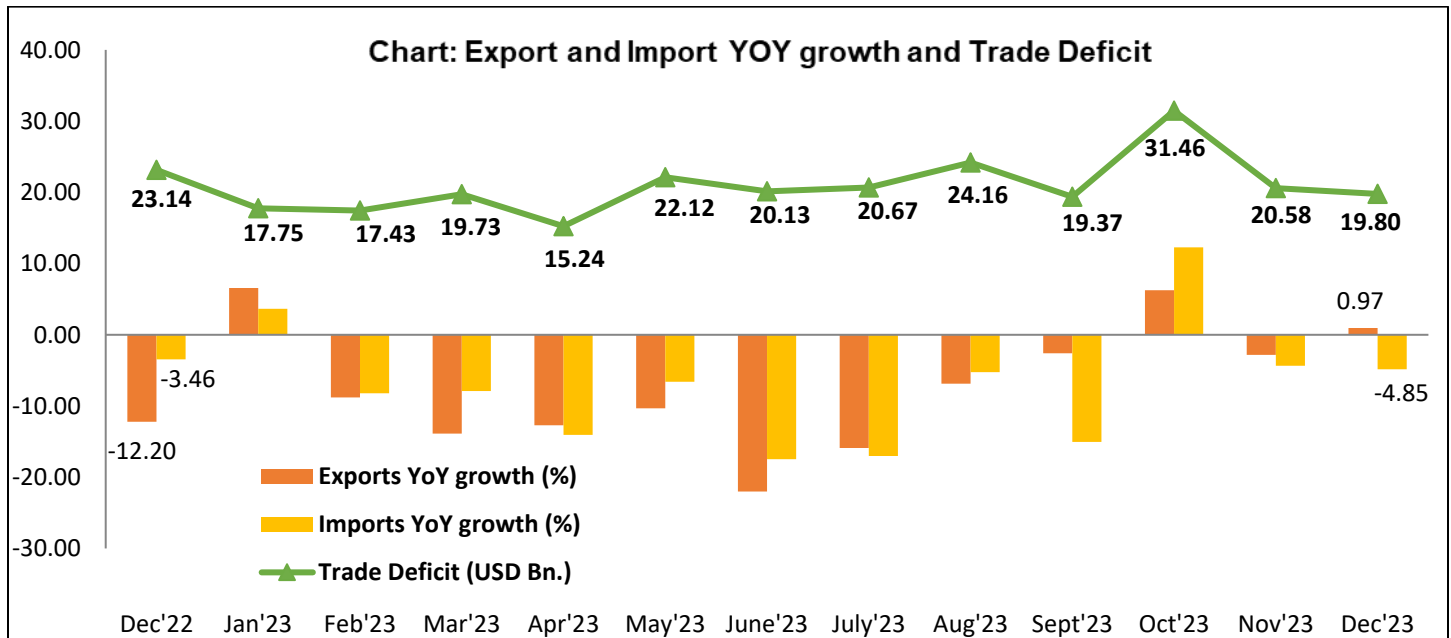
Macro Insights

Trade Deficit narrows to \$19.8 billion

India's merchandise trade deficit reduced slightly from \$20.58 billion in Nov'23 and remained lower at \$19.8 billion in Dec'23 compared to \$23.14 billion in Dec'22.

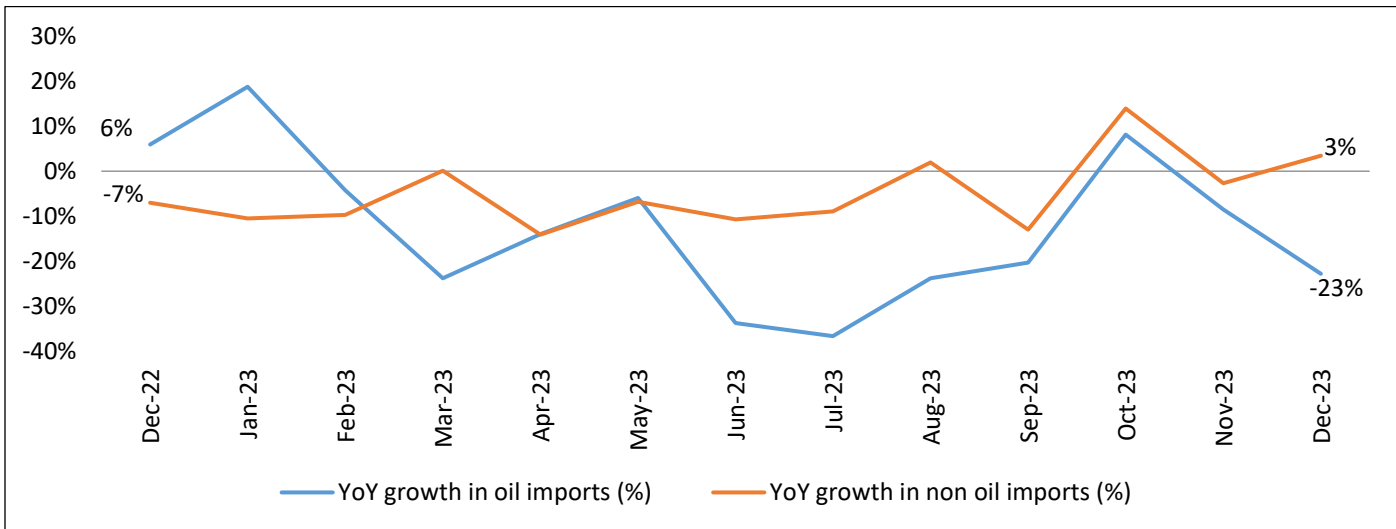
Highlights:

- Merchandise exports rose slightly to \$38.45 billion from \$38.08 billion, up 0.97% YoY in December'23. Meanwhile Merchandise imports fell to \$58.25 billion from \$61.22 billion, down by 4.87 % YoY in December'23.
- Imports contracted for 2nd consecutive month after rising in October'23 (Owing to festivity) following 8 consecutive months of contraction.
- Non-oil exports rose to \$31.57 billion with 6.19% YoY rise. Non-Oil imports rose to \$43.31 billion with 3.44% YoY fall.
- During April'23 to Dec'23, Merchandise exports contracted to \$317.12 billion, down 5.70% YoY. Meanwhile during the same period, Merchandise imports also declined to \$505.15 billion, down by 7.93% YoY.



Month	Exports	Imports	Trade Deficit
Dec'22	38.08	61.22	23.14
Dec'23	38.45	58.25	19.80
YoY Growth (%)	0.97	-4.85	-14.43%

(\$ bn)

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ India's merchandise trade deficit narrowed slightly to \$19.80 billion in December'23 from \$20.59 billion in November'2023 due to narrowing imports and expanding exports.
- ✓ India's export saw a healthy growth amid global slowdown and uncertainty, Major contributors to export growth in December 2023 include Engineering Goods, Iron Ore, Gems & Jewellery, Electronic Goods and Drugs & Pharmaceuticals.
- ✓ Agricultural exports continue to grow in December 2023 -- tobacco (38.94 per cent), meat, dairy & poultry products (29.76 per cent) and spices (27.68 per cent)
- ✓ The merchandise trade deficit during April-December 2023 is USD 188.02 Billion compared to USD 212.34 Billion during April-December 2022, registering a decline of (-) 11.45 percent.
- ✓ Lower Trade volume for Nov'23 was expected as WTO had downgraded its forecast for growth in world trade in 2023 from 1.7% predicted in April to 0.7%. Trade growth is expected to pick up in 2024 as WTO predicts a 3.3% global trade growth in 2024.
- ✓ Red sea shipping route fallout (attacks by Houthis, a rebel group in Yemen, on commercial ships travelling through the Red Sea to use Suez Canal) is expected to be visible in India's January's trade data as 80% of India's export to Europe passes through Red sea. Due to attacks on ships, insurance premium are going to rise and will adversely impact India's trade in the near term.
- ✓ Imports slowed at a higher pace than exports easing downward pressure on rupee posed by Oct'23 trade deficit. Rupee hit an all-time low of Rs. 83.39/\$ on 13/12/2023 and recovered to 83.11/\$ by end of December'23. Rupee is expected to moderate owing to lower trade deficit and higher FPI investments. Steady growth in forex reserves helps in curbing exchange rate volatility and reinforces the INR's stability. India's forex reserves are adequate to cover 11 months of import.

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
		Dec'22	Dec'23	
1	Iron Ore	156.8	573.33	265.64
2	Tobacco	93.19	129.48	38.94
3	Meat, Dairy & Poultry products	331.06	429.58	29.76
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'22	Dec'23	
1	Other cereals	169.54	25.27	-85.09
2	Jute	38.56	24.95	-35.30
3	Petroleum Products	8349.95	6879.43	-17.61

Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'22	Dec'23	
1	Gold	1179.86	3026.01	156.47
2	Cotton Raw & Waste	17.56	29.47	67.82
3	Electronic Goods	6331.79	9403.31	48.51
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		Dec'22	Dec'23	
1	Sulphur and unroasted Iron Pyrites	30.44	9.75	-67.97
2	Transport Equipment	4643.7	2084.53	-55.11
3	Vegetable Oil	1825.48	1109.72	-39.21

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