Economic Intelligence Cell

- Ayesha Bhati, Economist

Macro Insights

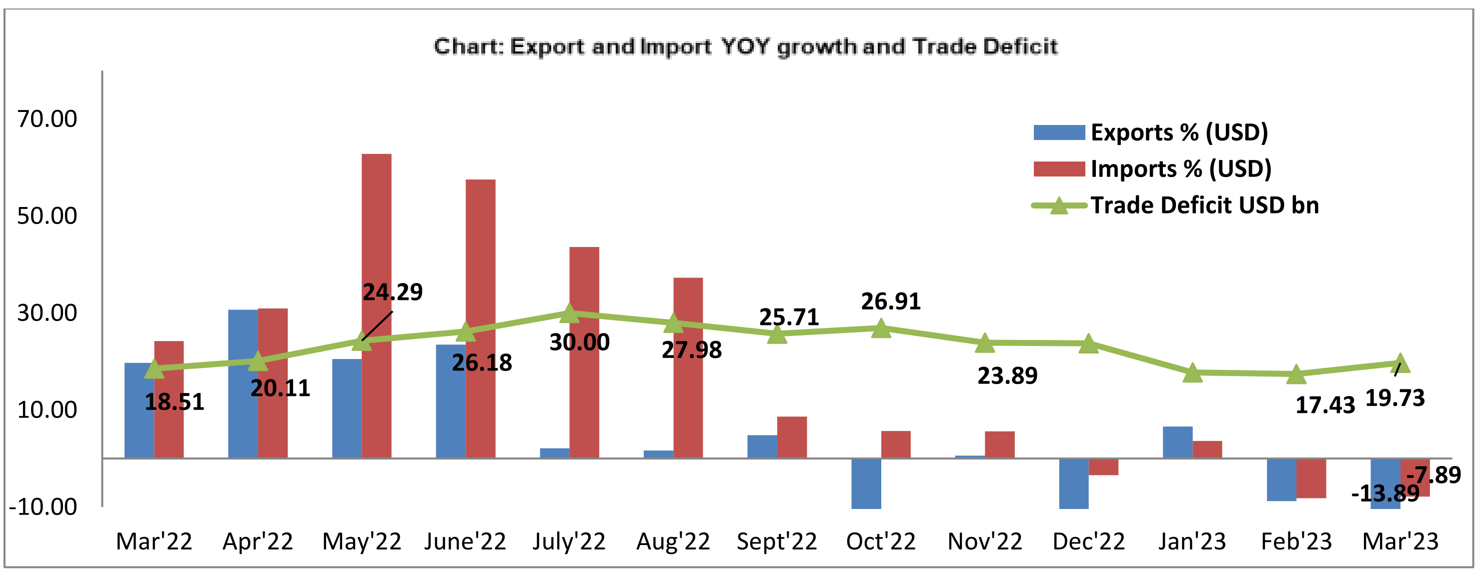
17th April 2023

Trade Deficit

India's merchandise trade deficit widened to highest ever mark of $266.78 billion with an increase of 39.63% during FY'22-23. During the same period, exports increased by 6.03% while imports increased by 16.50%.

Highlights:

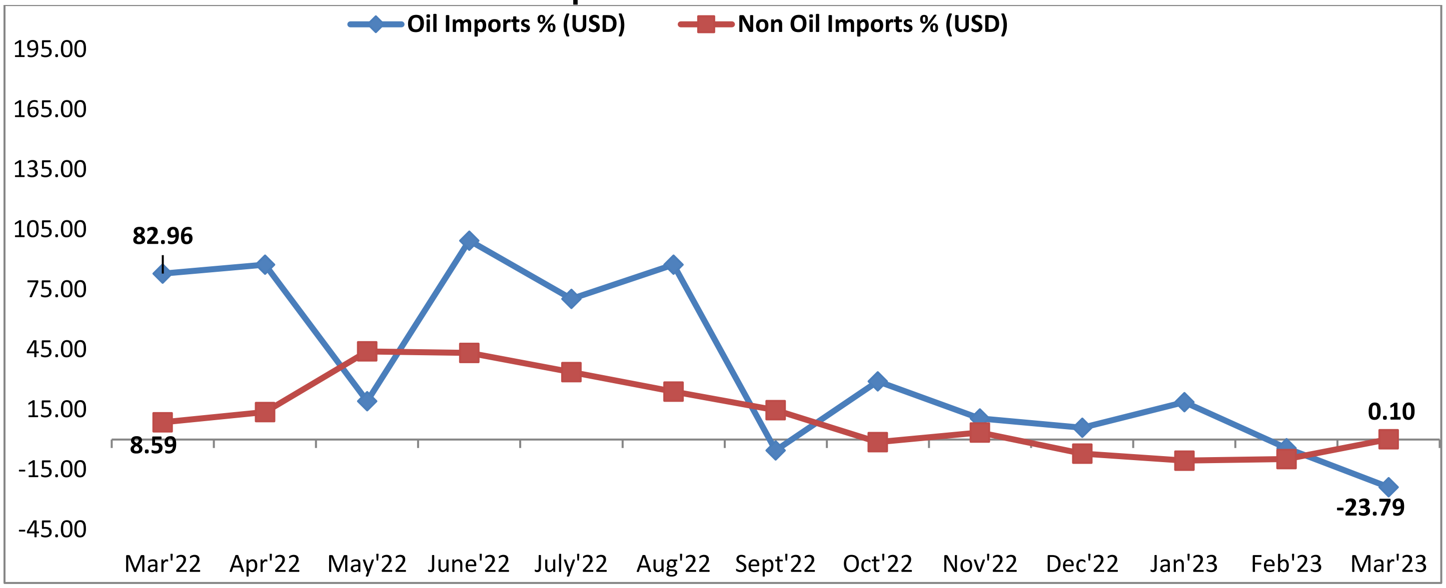
- *Merchandise exports declined to $38.38 billion, down 13.89% year-on-year in March 2023. Meanwhile Merchandise imports also declined to $58.11 billion, down by 7.89 % year-on-year in March 2023.*
- *The trade deficit during this fiscal widened to $266.78 billion against $191.05 billion during the year-ago period.*
- *During April'22-March'23, exports stood at $447.46 billion witnessing 6.03% growth & imports stood at $714.24 billion witnessing 16.50 % growth.*
- *Thirteen of 30 key merchandise export sectors saw positive growth in March 2023. These include oil meals, oil seeds, electronic goods, coffee, iron ore, etc*
- *Under merchandise imports, 14 out of 30 key sectors exhibited negative growth in March 2023. These include sulphur and unroasted iron pyrites, fertilisers, silver, electronic goods etc.*
- *Non-petroleum and non-gems and jewellery exports contracted 2.5% in March 2023 from a year before to $30.20 Billion.*



($ bn)

Month	Exports	Imports	Trade Deficit
Mar'22	44.57	63.09	-18.52
Mar'23	38.38	58.11	-19.73
YoY Growth (%)	-13.89%	-7.89%	6.53%

Chart: Import Growth % - Oil & Non-Oil



Views:

- ✓ Imports from Russia jumped 370% during the year, as India imported cheaper crude oil owing to sanctions due to the war with Ukraine.
- ✓ Exports are expected to come under pressure in the current financial year as economic activity and global demand is slumping. The degree of contraction will depend upon manufacturing Sector and GDP Growth. Further, this will also lead to a contraction in imports.
- ✓ The rise in deficit also weakened the rupee and eroded forex reserves. Due to increased inflation and interest rates, India's foreign exchange reserves have declined. But despite that Rupee is one of the best-performing Asian currencies. Rupee is expected to strengthen due to weakening of US Dollar.
- ✓ India's Current Account Deficit has narrowed to $18.2 billion or 2.2% of GDP in the October to December quarter (Q3FY23) from 4.4% of the GDP during September'22 Quarter. CAD is further expected to decline in 1.8% during FY'24.
- ✓ The Reserve Bank of India has also paused its tightening cycle to assess the impact of its rate increases so far and support the economy.

For any feedback or valuable suggestions: *Reach us at* ***eicsmead@pnb.co.in***

Follow our Official Page

www.pnbindia.in