

# Macro Insights

23<sup>rd</sup> November 2022

## Trade Deficit

India's Merchandise trade deficit jumped to \$26.91 billion in October 2022 from \$17.91 billion in October 2021. Exports declined by 16.65% YoY to \$29.78 billion and imports grew by 5.69% YoY to \$56.69 billion in October 2022.

## Highlights:

- ☞ Merchandise exports declined to \$29.78 billion, down 16.65% year-on-year in October 2022 for the first time in nearly 20 months. Meanwhile Merchandise imports grew to \$56.69 billion, up by 5.69 per cent year-on-year in October 2022.
- ☞ Non-petroleum and non-gems and jewellery exports contracted 16.94% in October 2022 from a year before to \$21.72 Billion. It is also seen as the worst monthly slide since May 2020.
- ☞ The trade deficit during the first Six months of this fiscal widened to \$173.43 billion against \$94.16 billion during the year-ago period.
- ☞ Exports sector as a whole recorded negative growth. Of the commodity groups exhibiting negative growth prime were Gems and jewellery declining by 21.56%, engineering by 21.26%, petroleum products by 11.28%, ready-made garments of all textiles by 21.16%, chemicals by 16.44%, pharma by 9.24%, marine products by 10.83%, and leather by 5.84%.

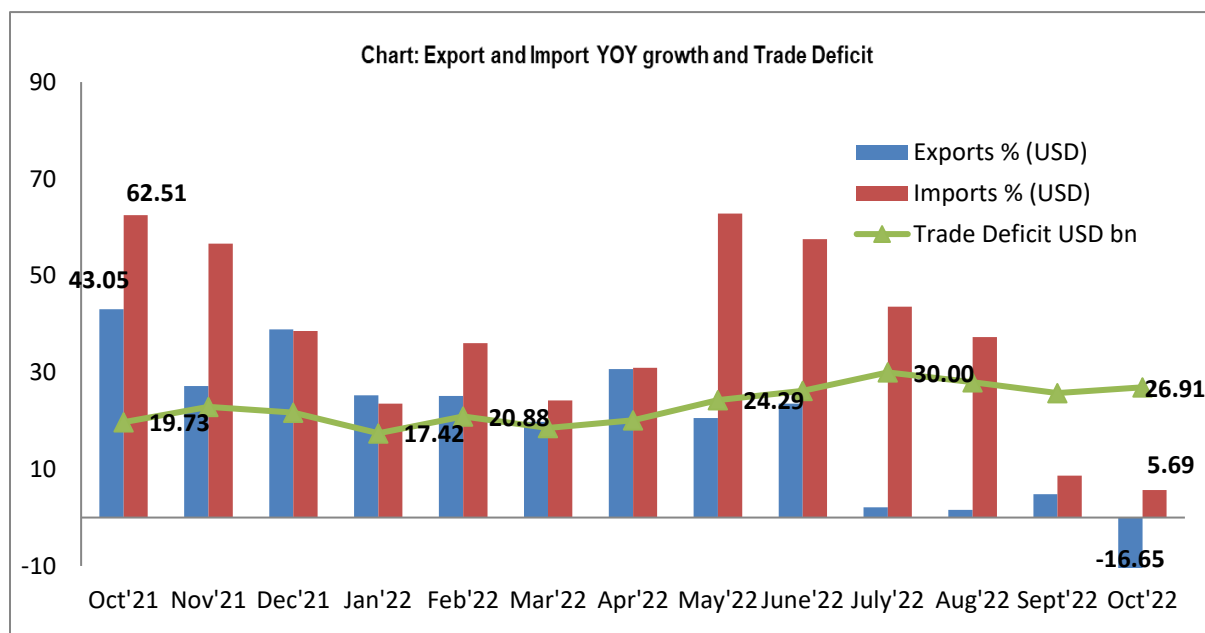
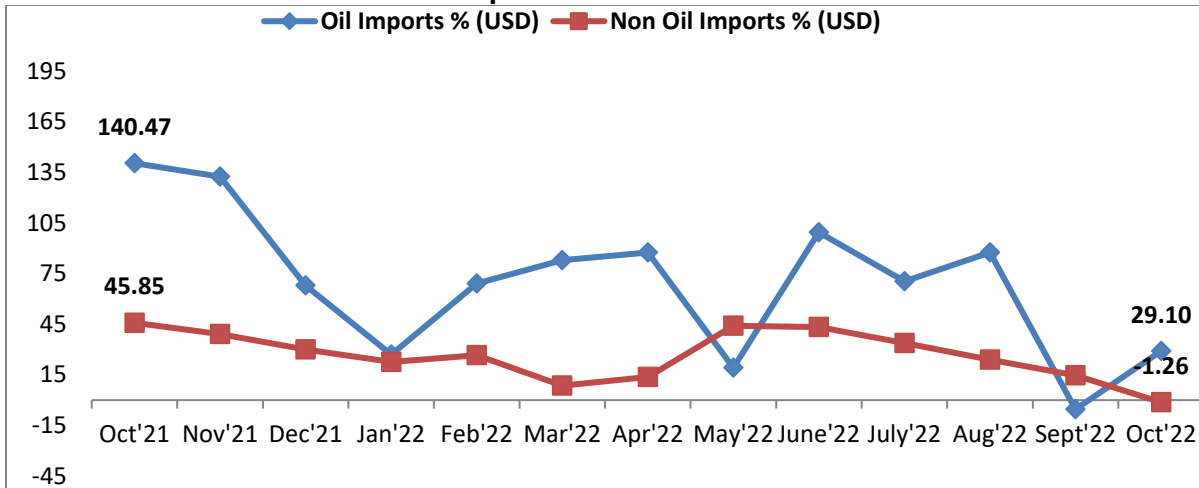


Chart: Import Growth % - Oil & Non-Oil



### Views:

(\$ bn)

Month	Exports	Imports	Trade Deficit
October'21	35.73	53.64	-17.91
October'22	29.78	56.69	-26.91
YoY Growth (%)	-16.65%	5.69%	50.25%

- ✓ A dip in exports could accelerate in coming months since several developed economies are expected to fall into recession over this year. Global trade volume is projected to contract sharply from 10.1% in 2021 to 4.3% in 2022 and 2.5% in 2023.
- ✓ Rising Current Account deficit and currency depreciation against the dollar pose challenges. While a rebounding domestic economy is resulting in higher imports, moderating global demand is causing exports to slow.
- ✓ The US dollar's unrelenting rise and global inflation are causing exports to slow. Record trade deficit is expected to push India's CAD to \$35-40 billion in Q2 FY23 i.e 4.2%-4.8% of GDP and around 3.0%-3.2% of GDP in FY23.
- ✓ Rupee has fallen around 9% on year-to-date basis. Widening CAD will also put pressure on Rupee. USD/INR is projected to be around 81-83 by the end of FY'23

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