Economic Intelligence Cell
- Ayesha Bhati, Economist

Macro Insights

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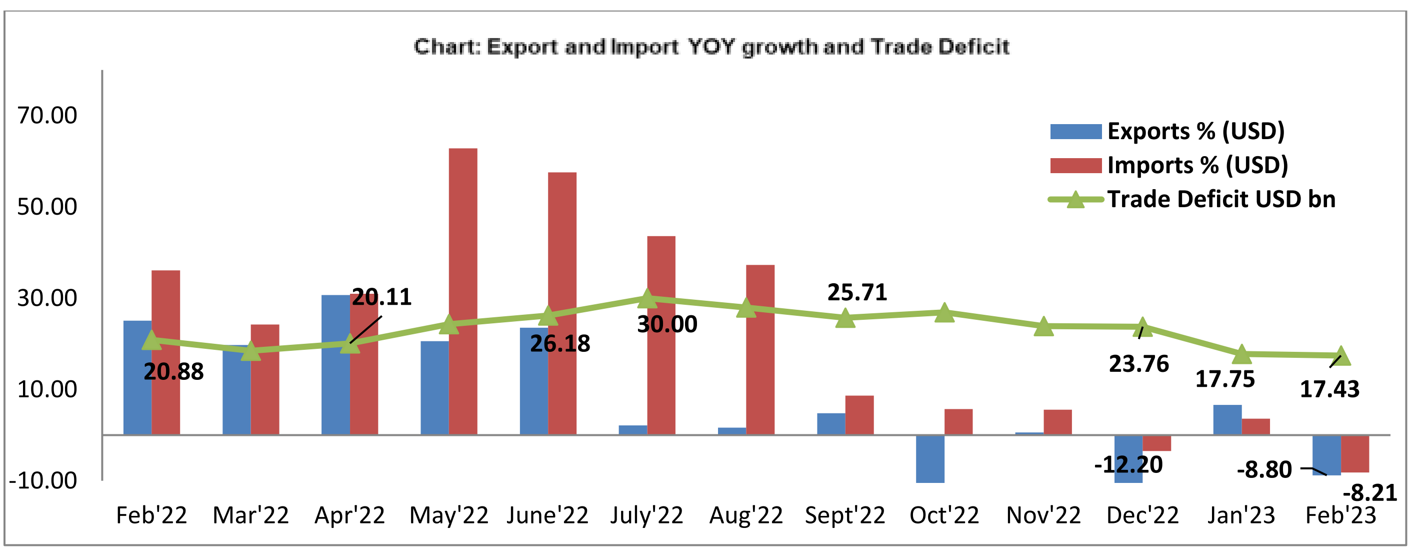
Trade Deficit

India's merchandise exports declined for the consecutive third month due to the slump in global demand and imports fell to 18-month low in February'23 owing to the government's efforts to curb non-essential imports leading to the lowest since January 2022 trade deficit of $17.43 billion.

Highlights:

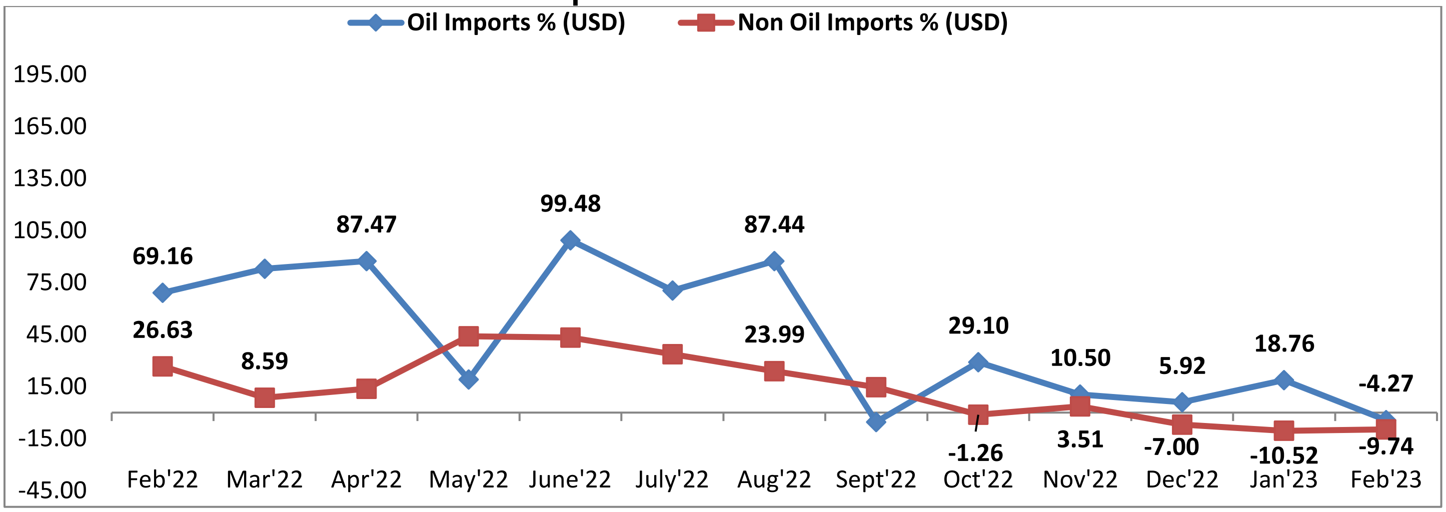
- *Merchandise exports declined to $33.88 billion, down 8.8% year-on-year in February 2023. Meanwhile Merchandise imports also declined to $51.31 billion, down by 8.21 % year-on-year in February 2023.*
- *The trade deficit during the first eleven months of this fiscal widened to $247.53 billion against $172.53 billion during the year-ago period.*
- *During April'22-February'23, exports stood at $405.94 billion witnessing 7.55 % growth & imports stood at $653.47 billion witnessing 18.82 % growth.*
- *India's merchandise imports showed YOY decline in 16 of 30 key sectors, such gold (-44.9 per cent), fertilizers (-59.3 per cent), and crude oil (-4.27 per cent), vegetable oil (-2.48 per cent), chemicals (-5.5 per cent), pearls (-20.9 per cent), machinery (-2.5 per cent), and electronic goods (-11.1 per cent).*
- *Non-petroleum and non-gems and jewellery exports contracted 6.4% in February 2023 from a year before to $25.36 Billion.*



($ bn)

Month	Exports	Imports	Trade Deficit
Feb'22	37.15	55.90	-18.75
Feb'23	33.88	51.31	-17.43
YoY Growth (%)	-8.80%	-8.21%	-7.04%

Chart: Import Growth % - Oil & Non-Oil



Views:

- ✓ Despite the economy's high dependence on imported oil and never ending demand for gold amongst Indian Consumers, gold imports saw deep contraction of 44.9% to $2.63 billion.
- ✓ The US, European Union, China, and the UK together accounted for around 40 per cent of the total exports from India during the first 10 months of the current financial year. As the external environment is facing a slowdown, exports are expected to decline further in the coming months.
- ✓ The collapse of two US banks and negative growth in some European markets could dampen market sentiment and further hit demand, making 2023 a tough year for engineering goods manufacturers.
- ✓ The CAD is expected to be within the parameters of viability i.e around 2.8% of GDP for current FY due to narrowing merchandise trade deficit and widening service trade surplus.
- ✓ The USD v/s INR is trading in the range of Rs 81-83 and is expected to continue in this range for next 3-4 months. Downside risk for the rupee are that the Fed may keep rates higher than expected, India's exports may suffer if the slowdown in developed nations deepens into a sustained recession and in the event of any uncertainty in the global market the funds have the tendency to move towards safe heaven. However, India’s fundamental are strong footing to overcome any downside risk.

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