

Macro Insights

15th July 2023

Trade Deficit

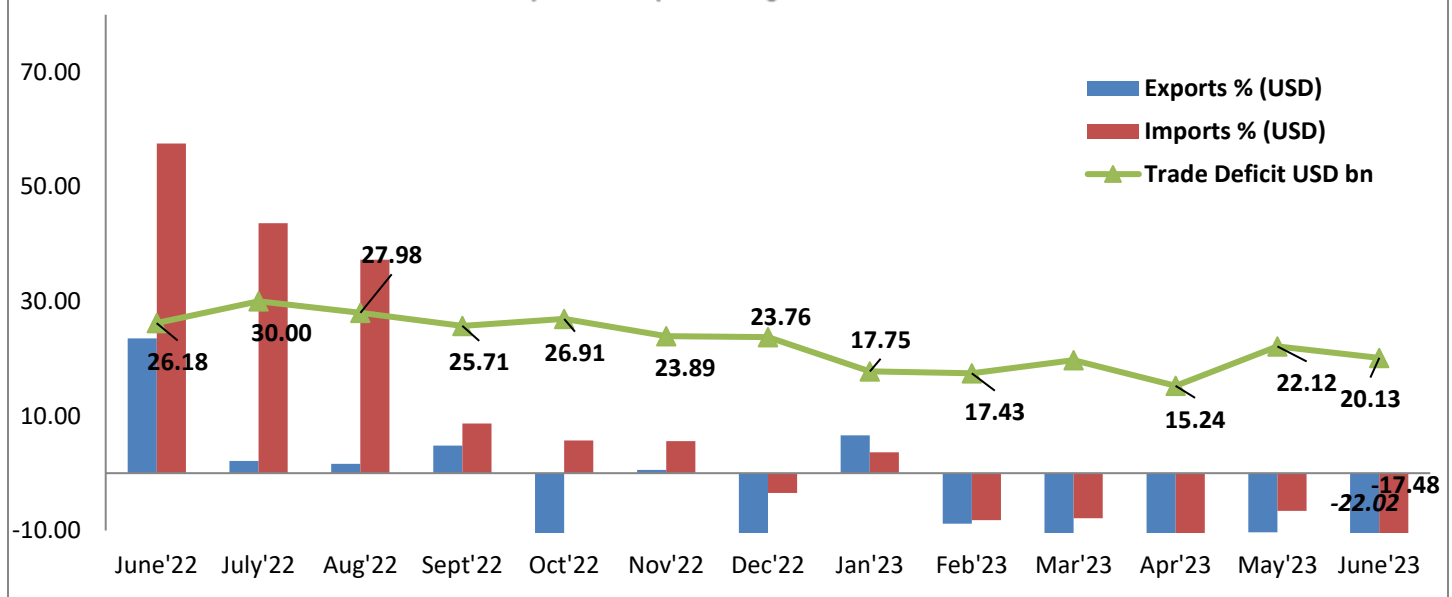
India's merchandise trade deficit narrows to \$20.13 billion in June'23 from \$22.12 billion in May'23.

Highlights:

- Merchandise exports declined to \$32.97 billion, down 22.02% year-on-year in June 2023. Meanwhile Merchandise imports also declined to \$53.10 billion, down by 17.48 % year-on-year in June 2023.
- This is the fifth consecutive month of a contraction in exports and imports, respectively.
- Exports of non-petroleum products and non-gems and jewellery products contracted 10.73 per cent in June'23 to \$25.13 billion. Their imports also declined to \$33.28 billion, contracting 14.51 per cent.

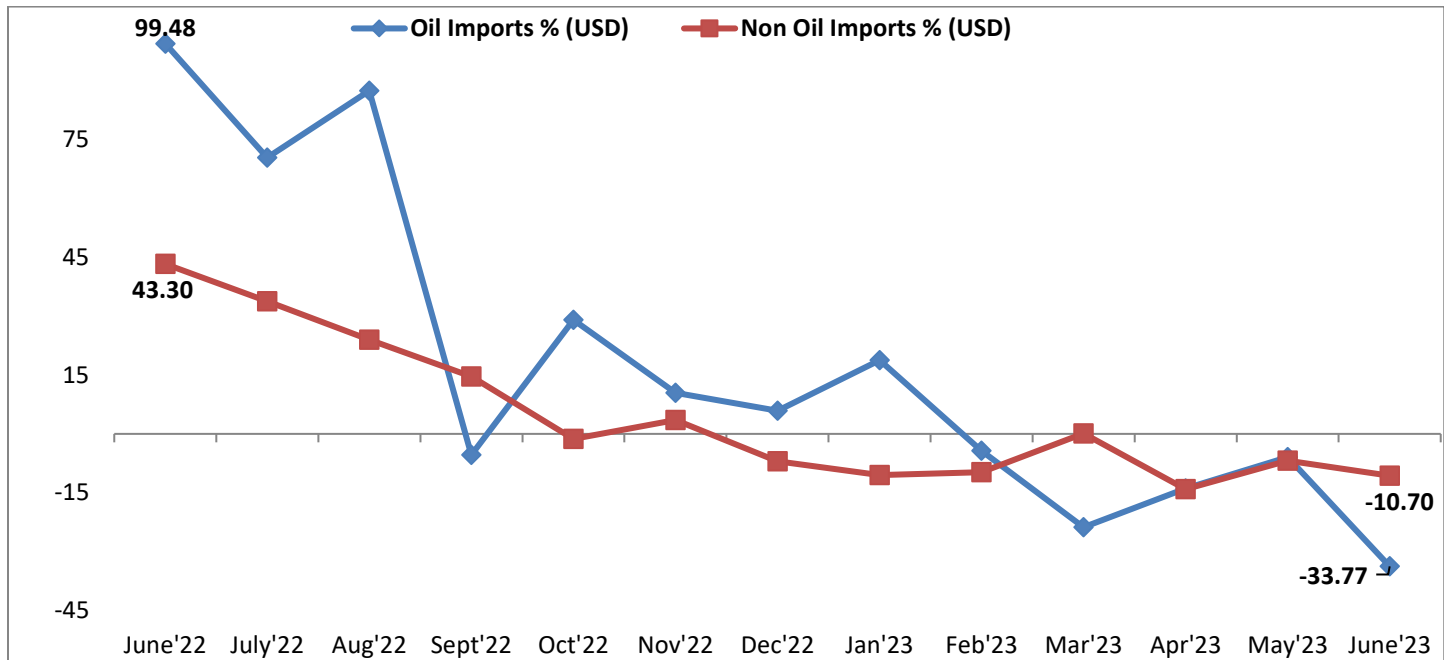


Chart: Export and Import YOY growth and Trade Deficit



(\$ bn)

Month	Exports	Imports	Trade Deficit
June'22	42.28	64.35	-22.07
June'23	32.97	53.10	-20.13
YoY Growth (%)	-22.02%	-17.48%	-8.79%

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ The weakening of global growth and trade is expected to both weaken and strengthen the stability of India's external sector.
- ✓ CAD narrows sharply to 0.2% of GDP in Q4'FY23 from 2% in Q3'FY23 due to reduction in merchandise trade deficit and buoyant service exports. We expect the current account deficit to narrow considerably in FY'24 to 1.2 – 1.5% of the GDP.
- ✓ Crude oil prices remained range bound around US\$ 75 per barrel in June and US\$77 per barrel in the first half of July, weighed down by slowing demand. We expect crude oil prices to be in the range of 79-82\$/barrel by the end of 2023 owing to concerns over demand amid a weak economic outlook.
- ✓ The forex reserves at RBI at around \$593.19 billion are at comfortable levels. We expect the rupee to trade in the same range for next few months and is not expected to depreciate beyond 83-84Rs. per dollar.

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