

Macro Insights

16th November 2023

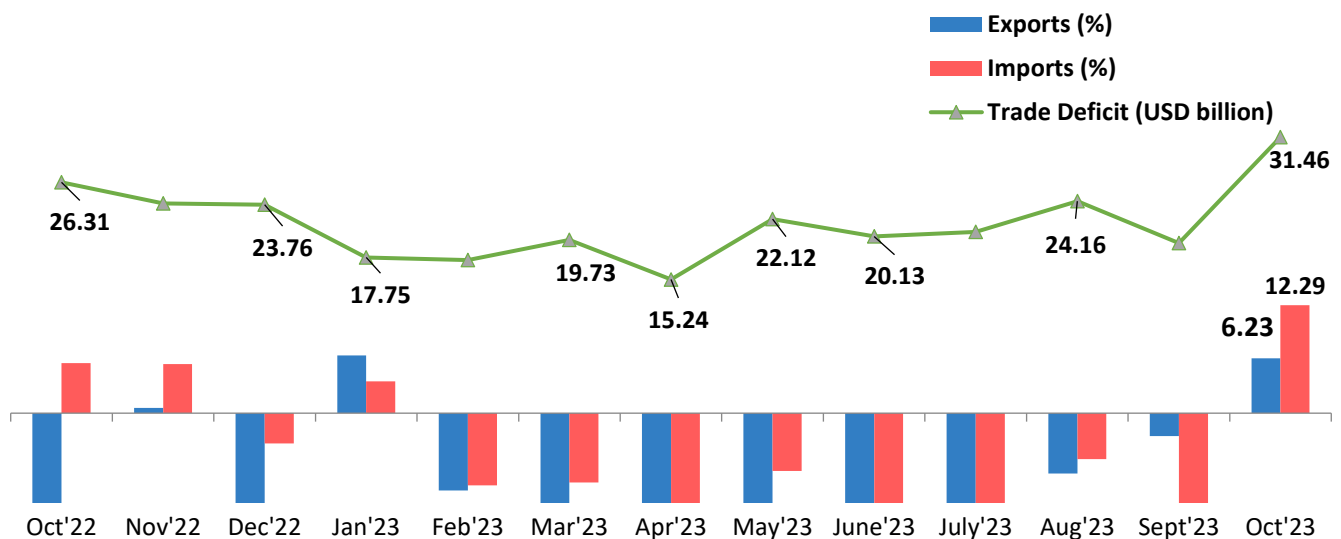
Trade Deficit rises to \$31.46 billion

India's merchandise trade deficit increased sharply from \$19.37 billion in Sept'23 and remained higher at \$31.46 billion in Oct'23 compared to \$26.31 billion in Oct'22.

Highlights:

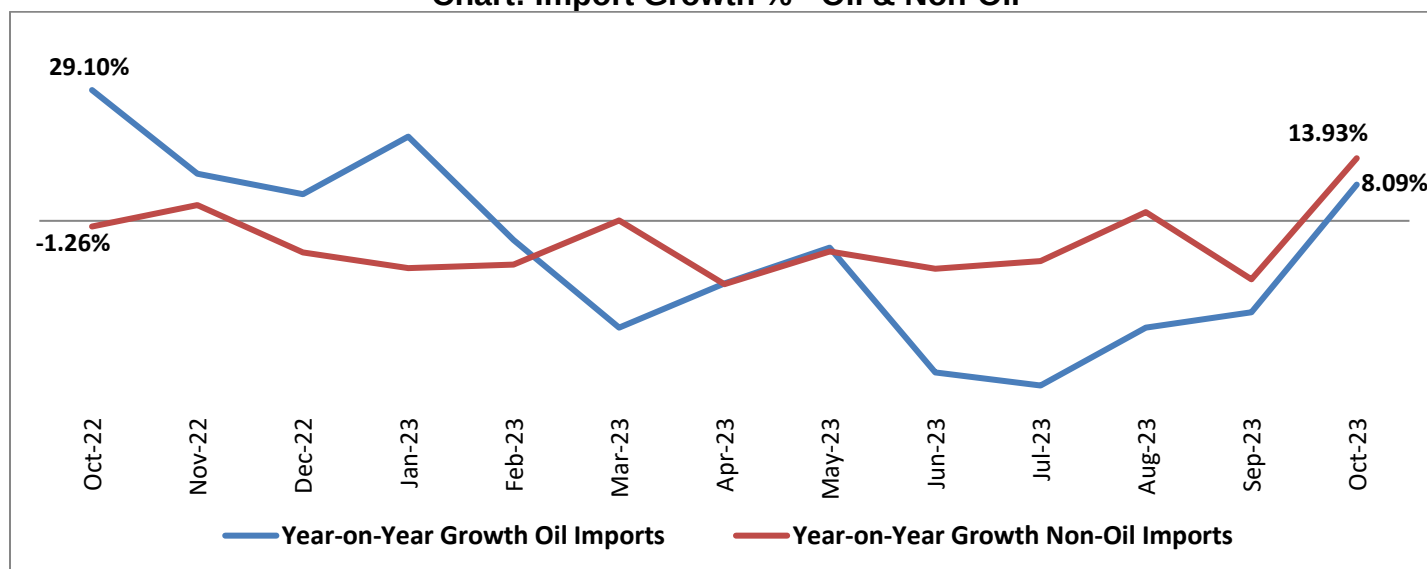
- Merchandise exports rose to \$33.57 billion, up 6.2% year-on-year in October 2023. Meanwhile Merchandise imports also rose to \$65.03 billion, up by 12.3 % year-on-year in October 2023.
- Both exports and Imports expanded after eight consecutive months of contraction.
- During April'23 to Oct'23, Merchandise exports contracted to \$244.89 billion, down 7% year-on-year. Meanwhile during the same period, Merchandise imports also declined to \$391.96 billion, down by 8.95% YoY.
- Non-oil exports rose to \$27.56 billion with 8.93% YoY rise.

Chart: Export and Import YOY growth and Trade Deficit



(\$ bn)

Month	Exports	Imports	Trade Deficit
Oct' 22	31.60	57.91	26.31
Oct' 23	33.57	65.03	31.46
YoY Growth (%)	6.23	12.29	19.57%

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ Both Exports & Imports grew after falling for eight consecutive months indicating growth revival in Indian as well as world economy.
- ✓ Major contributors to export growth in October 2023 include Drugs & Pharmaceuticals, Engineering Goods, and Electronic Goods. Agricultural exports continue to grow in October 2023.
- ✓ Imports grew at a higher pace than exports putting a downward pressure on rupee. Rupee hit an all-time low of Rs. 83.35/\$ on 10/11/2023. The rupee is expected to depreciate for next few months amid rising US bond yield. 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 10.5 months of import.
- ✓ Increasing trade deficit will adversely affect India's Current Account Deficit (CAD) which was already 1.1% of GDP in Q1 FY24. Recent spike in oil prices will further weaken CAD which is expected to be 1.8% of GDP this Financial Year.
- ✓ WTO has 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.

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