

Macro Insights

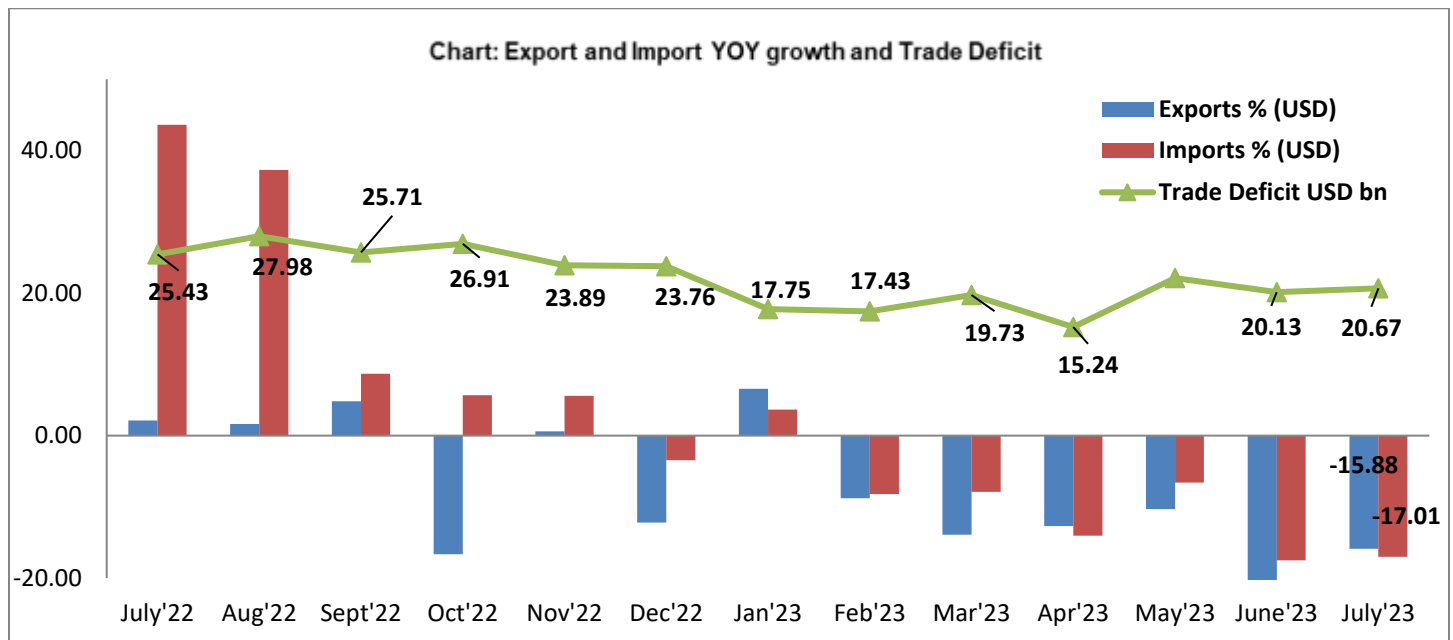
16th August 2023

Trade Deficit

India's merchandise trade deficit narrowed to \$20.67 billion in July'23 from \$25.45 billion in July'22 but widened from \$15.24 billion in April'23.

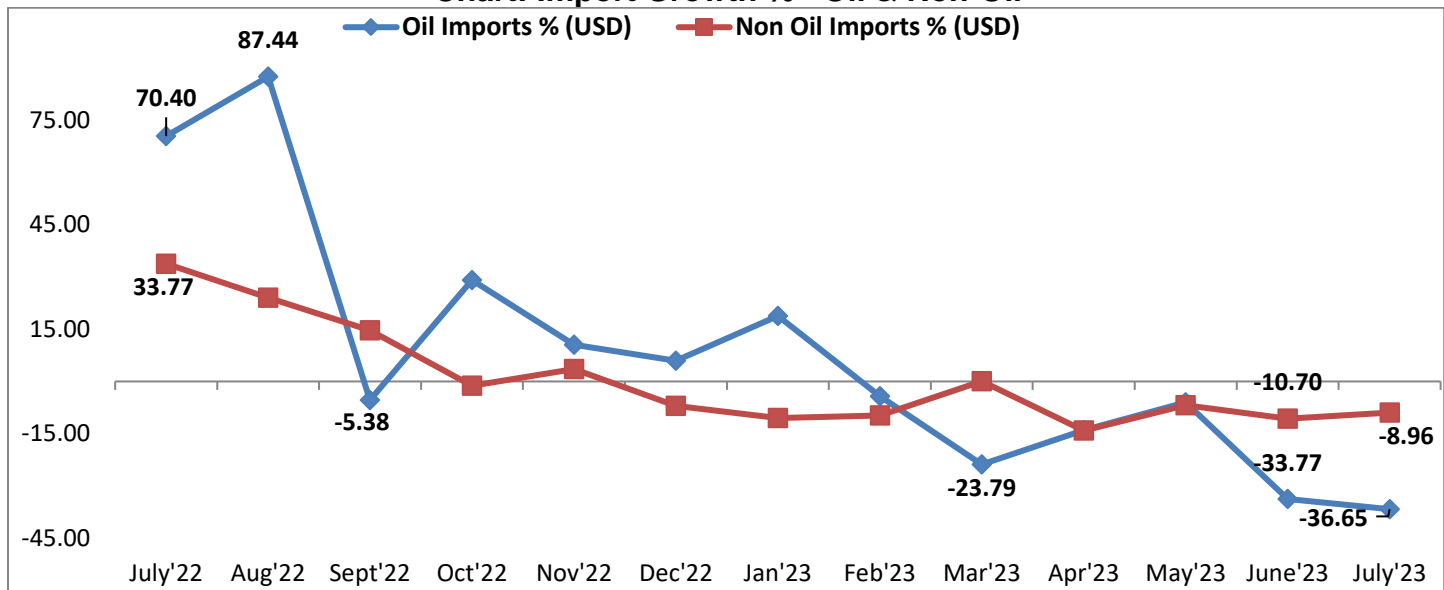
Highlights:

- Merchandise exports declined to a nine month low of \$32.25 billion, down 15.88% year-on-year in July 2023. Meanwhile Merchandise imports also declined to \$52.92 billion, down by 17.01 % year-on-year in July 2023.
- This is the sixth consecutive month of a contraction in both exports and imports.
- Exports of non-petroleum products and non-gems and jewellery products contracted 5.73% in July'23 to \$25.35 billion. Their imports also declined to \$35.65 billion, contracting 7.53%.
- Non oil exports remained stable at 8.96% YOY decline as compared to YOY decline of 10.70%



(\$ bn)

Month	Exports	Imports	Trade Deficit
July'22	38.34	63.77	-25.43
July'23	32.25	52.92	-20.67
YoY Growth (%)	-15.88%	-17.01%	-18.72%

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ July'23 was the third consecutive month when the trade deficit was beyond \$20 billion and is further expected to remain the same in the coming quarters also as external demand continued to remain sluggish due to factors including slowdown and high inflation in developed economies.
- ✓ Exports witnessed the sharpest contraction in three years, although the July'23 decline is also due to the base effect.
- ✓ We expect the current account deficit to be maintained at 1.2-1.5% of GDP for FY'24, though high crude oil prices pose an upside risk.
- ✓ Crude oil prices have crossed \$85/barrel range due to production cuts by OPEC+ and export cuts by many countries. We expect crude oil prices to be in the range of 86-89\$/barrel by the end of 2023.
- ✓ The forex reserves at RBI at around \$600 billion are at comfortable levels. We expect the rupee to trade in the same range for next few months owing to the RBI's likely intervention through forward contracts and futures. Rupee is not expected to depreciate beyond USD/INR 83-84.

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