

TRADE

02 November 2021

Exports improve, trade deficit lower

India's trade deficit narrowed from a record high of US\$ 22.6bn in Sep'21 to US\$ 19.9bn in Oct'21 owing to higher exports. Oil exports rose the most. Non-oil exports also fared well. Imports moderated, led by oil imports. However, non-oil-non-gold imports continue to show resilience and rose further to US\$ 35.8bn in Oct'21. Imports are likely to expand further going forward as economic activity recovers. We expect CAD at 1.2% of GDP in FY22 from a surplus of 0.9% of GDP in FY21.

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Exports rebound: As per preliminary data, India's exports jumped to US\$ 35.5bn in Oct'21 compared with US\$ 33.4bn recorded in Sep'21. On a YoY basis, exports rose sharply by 42.3% versus 22.6% in Sep'21. This was driven by higher oil prices pushing oil exports higher (231.6% in Oct'21 versus 47.9% in Sep'21). Non-oil exports were also up by 29.6% versus 19.1%. Growth was led by higher exports of engineering goods (50.7% versus 36.8%), gems and jewellery (44.2% versus 19.7%) and chemicals (41.9% versus 29.7%). Exports of drugs and pharma contracted for the second consecutive month in Oct'21 (0.9% versus 8.4%). Over a 2-year horizon, exports have remained resilient and risen by 26% in FYTD22. While oil exports have risen by 35.8%, non-oil exports have also posted an increase of 24.2% in the same period.

Imports slow: After rising to a record high of US\$ 56.4bn in Sep'21 (84.8% YoY), India's imports moderated to US\$ 55.4bn in Oct'21 (62.5%). Oil imports moderated to US\$ 14.4bn (140.5%) from US\$ 17.4bn in Sep'21 (199.3%). Gold imports remained steady at US\$ 5.1bn in Oct'21. Non-oil-non-gold imports accelerated further to US\$ 35.8bn in Oct'21 from US\$ 33.8bn in Sep'21 supported by festive demand. Within this, imports of coal (118.9%), chemicals (67.6%) and electronics (23.1%) showed upward momentum. In FYTD22, over a 2-year horizon, imports have increased by 15.7%, led by a surge in gold imports (64.8% higher) and oil imports (16%). Non-oil-non-gold imports are also higher by 11.1%.

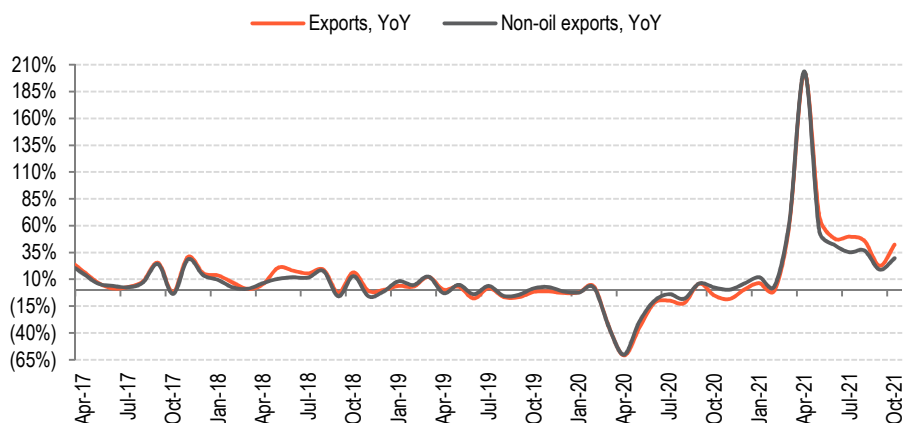
Trade deficit narrows: India's trade deficit narrowed from a record high of US\$ 22.6bn in Sep'21 to US\$ 19.9bn in Oct'21. On a sequential basis, exports picked up and imports slowed down. Going forward, imports are likely to remain elevated on the back of recovery in domestic economic activity and higher global commodity prices (including oil). This is likely to push import bill upwards. However, exports have remained resilient and look set to meet government's target for FY22 (58% till Oct'21). Overall we expect, India's trade deficit to expand to US\$ 175bn in FY22 from US\$ 102.2bn in FY21. CAD is likely to remain contained at 1.2% of GDP in FY22, supported by software and remittance receipts. A slowdown in global growth and higher oil prices remain key risks to our view.

Key highlights

- Exports rise by 42.3% in Oct'21 from 22.6% in Sep'21.
- Import growth moderates to 62.5% in Oct'21 from 84.8% in Sep'21.
- Trade deficit narrows from a record high of US\$ 22.6bn in Sep'21 to US\$ 19.9bn in Oct'21.

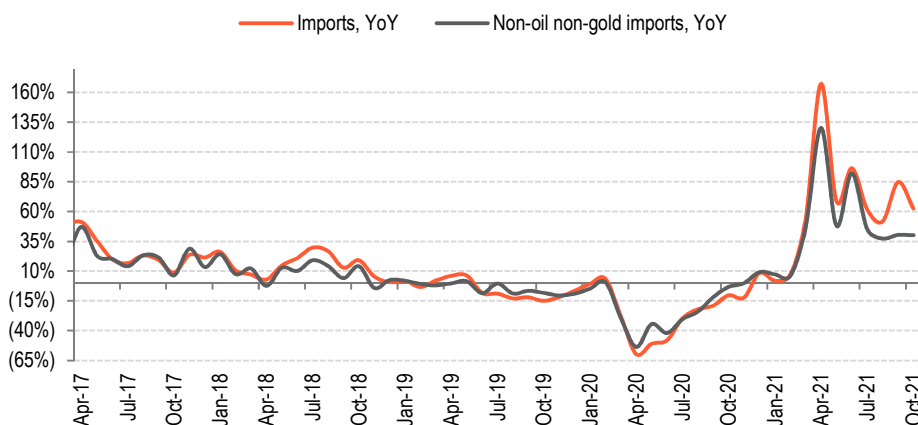


Fig 1 – Exports improve in Oct'21



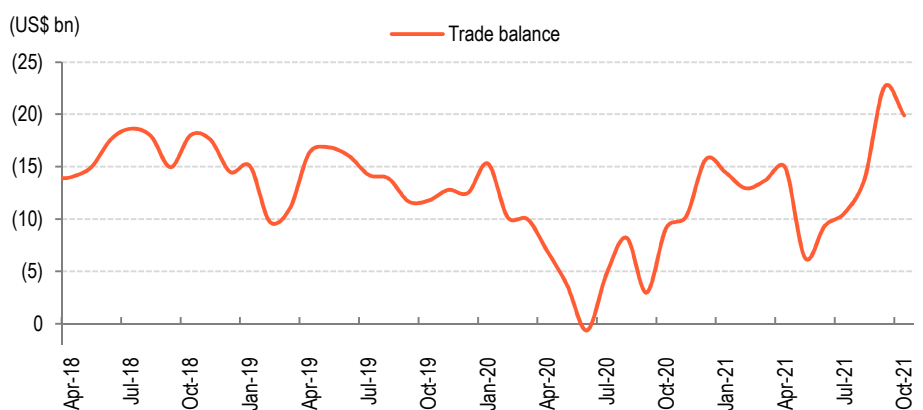
Source: CEIC, Bank of Baroda Research

Fig 2 – Imports moderate



Source: CEIC, Bank of Baroda Research

Fig 3 – Trade deficit narrows



Source: CEIC, Bank of Baroda Research

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