

## TRADE

04 January 2022

**Exports and imports at record high**

India's trade deficit narrowed from a record high of US\$ 22.9bn in Nov'21 to US\$ 22bn in Dec'21, as exports rose at a faster pace than imports. Non-oil exports (pharma, jewellery) and non-oil-non-gold imports (electronic goods, chemicals) surged. Trade deficit in FYTD22 is tracking above pre-pandemic level, led by a recovery in domestic demand and higher commodity prices. We expect this trend to continue in Q4FY22. Thus, we expect trade deficit at US\$ 180bn and CAD at 1.5% of GDP in FY22.

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**Exports at all-time high:** As per preliminary data, India's exports rose to a record high of US\$ 37.3bn in Dec'21 (+37% YoY) from US\$ 30bn (+27.2%) in Nov'21. This was driven by sharp jump in non-oil exports (27.3% versus 18.1%), while oil exports eased (140.2% versus 145.3%). Within non-oil exports, exports of drugs and pharma products (3.8% versus -7%), gems and jewellery (15.8% versus -11.1%) rebounded sharply. Export of rice also picked up (29% versus 17%), while that of chemicals slowed (26% versus 32.5%). Oil exports too moderated as international oil prices eased from 84% in Nov'21 to 49% in Dec'21. Over a 2-year horizon, exports are up 37.6% in FYTD22, supported by both oil (54.8%) and non-oil exports (34.9%).

**Imports surge further:** Imports rose sharply to a historic high of US\$ 59.3bn in Dec'21 (38.1% YoY) from US\$ 52.9bn in Nov'21 (56.6% YoY). This was led by a steep increase in non-oil-non-gold imports to US\$ 38.7bn (record-high) from US\$ 34bn in Nov'21. Within this, imports of pearls and precious stones, electronic goods and chemicals showed improvement. Imports of capital goods such as machinery and transport equipment also showed traction. Oil imports also rose to US\$ 15.9bn in Dec'21 from US\$ 14.7bn in Nov'21, led by higher import volumes. Gold imports also picked up marginally to US\$ 4.7bn from US\$ 4.2bn in Nov'21. Imports in FYTD22 are 21.2% above the pre-pandemic level, led by gold (64.8%). Non-oil-non-gold imports have also risen by 18% in the same period.

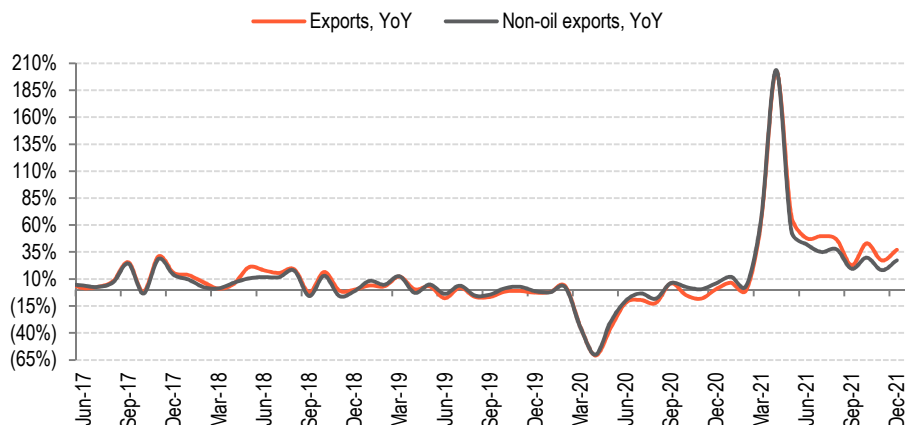
**Trade deficit remains elevated:** After expanding to a record high of US\$ 22.9 in Nov'21, India's trade deficit narrowed to US\$ 22bn in Dec'21 as exports rose sharply than imports. Exports have risen to US\$ 301.3bn in FYTD22, and are likely to cross the government's target of US\$ 400bn. Imports have been tracking higher at above US\$ 50bn for four straight months now led by a recovery in demand as well as higher commodity prices. The trend is likely to continue even in Q4FY22 despite the threat of third Covid-19 wave. Hence, we expect trade deficit to rise to ~US\$ 180bn in FY22 from US\$ 102.2bn in FY21. Some of the rise in trade deficit is likely to be offset by higher remittances and software receipts. Overall, we estimate current account deficit of 1.5% of GDP in FY22, from a surplus of 0.9% of GDP in FY21.

**Key highlights**

- Exports rise to a historic high of US\$ 37.3bn in Dec'21 from US\$ 30bn in Nov'21.
- Import also surge to a record-high of US\$ 59.3bn in Dec'21 from US\$ 52.9bn in Nov'21.
- Trade deficit narrows marginally to US\$ 22bn in Dec'21 from US\$ 22.9bn in Nov'21.

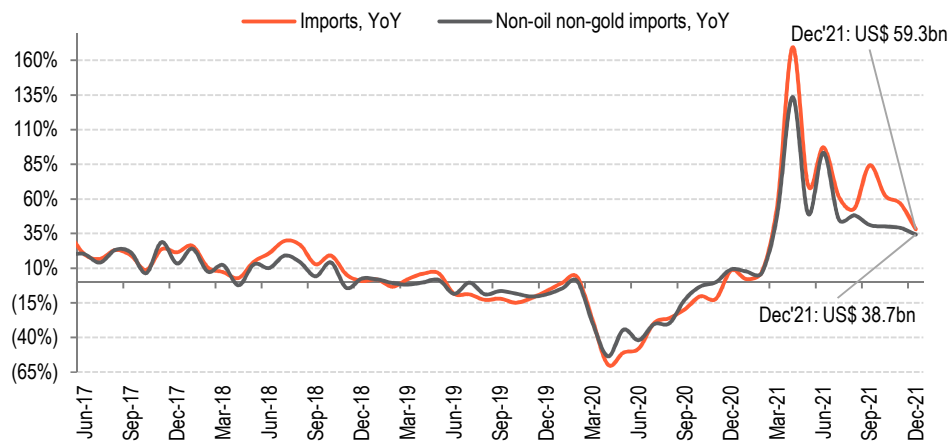


**Fig 1 – Exports surge to a record-high**



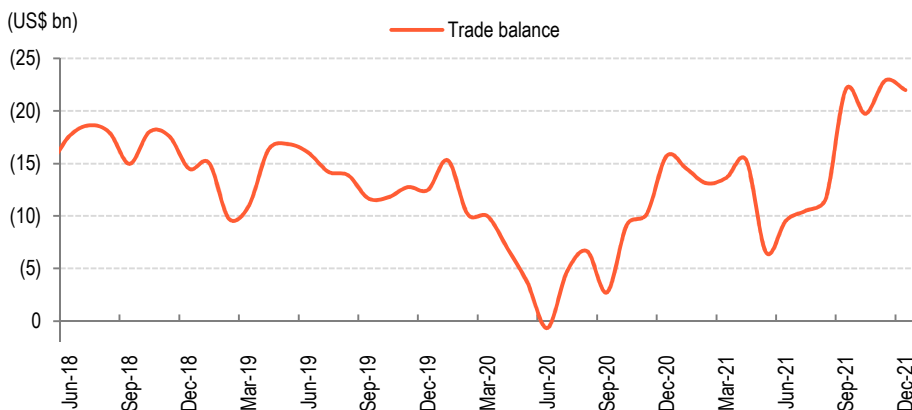
Source: CEIC, Bank of Baroda Research

**Fig 2 – ...similar trend in imports**



Source: CEIC, Bank of Baroda Research

**Fig 3 – Trade deficit narrows marginally in Dec'21**



Source: CEIC, Bank of Baroda Research

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