The trade data for September shows:

- India's merchandise export growth declined by 2.6% in Sep'23, after increasing by 3.9% in Aug'23. Decline in imports exacerbated to 15% in Sep'23 versus a decline of 2.8% in Aug'23. Trade deficit moderated to US$ 19.4bn from US$ 21.7bn in Aug'23.
- In H1FY24, exports are lower by 8.8% compared with an increase of 16.9% in the same period last year. Within this, while oil exports have declined by 17.5%, non-oil exports have held up better and declined by only 6.3%.
    - Amongst major commodities, exports of gems and jewellery (-24.3%), chemicals (-15.8%) and textiles (-8.6%) have shown the maximum decline in H1FY24.
- Imports have declined by 12.2% in H1FY24, compared with an increase of 35.7% in H1FY23.
    - Within imports gold imports have shown traction and increased by 9.8% in H1FY24 compared with a decline of 15.2% in the same period last year. Interestingly, gold prices are also higher by around 8% this year. Demand for gold is likely to pick up further due to the start of the festive season.
    - Non-oil-non-gold imports, a proxy for domestic demand have remained weak and declined by 10% in H1 against a 35.7% increase last year. This could be attributed to lower global commodity prices.
    - Amongst major commodities, imports of coal (-36.7%), pearls and precious stones (-25.9%), organic and inorganic chemicals (-25.2%) and vegetable oils (-23.3%) has declined the most in H1FY24.
- Trade deficit in H1FY24 is lower at US$ 115.9bn compared with US$ 140.8bn in the same period last year as imports have declined at a faster rate than exports. Average monthly run-rate of trade deficit is also lower at US$ 19.3bn compared with US$ 23.5bn in the same period last year.
- On the service side, export receipts have increased by 5.6% even as import payments have shown a 1.5% decline.
- Surplus on account of services is hence higher at US$ 75.7bn in H1FY24, compared with US$ 65.5bn in H1FY23.
- Overall India's external position remain comfortable with the strain from lower goods exports being offset by resilient services exports.
- Combined trade deficit (goods+services) is lower which is positive for India's external position and balance of payments.
- While goods exports are unlikely to pick up materially over the next half of the year, this will be offset by higher net services exports. Services

exports should get support from stronger than expected growth momentum in the US.

- While the war in Middle-East poses some risk, particularly if it spills over to the commodity prices i.e. higher oil prices, the impact so far has been muted. We do not expect this to change. Hence, the risk seems limited as of now.
- Overall, we continue to expect CAD in a comfortable at ~1.6% of GDP in FY24.