

## TRADE

15 May 2019

**Oil and gold imports rise**

India's trade deficit widened to US\$ 15.3bn in Apr'19 from US\$ 10.9bn in Apr'19 as gold (54% YoY) and oil (9%) imports increased. Exports were relatively muted at US\$ 26bn (0.6%). Non-oil-non-gold imports continued to moderate as domestic demand remains weak. Capital goods imports contracted. The recent uptick in trade deficit is in-line with backdrop of weak export growth and relatively higher imports as oil and gold prices remain elevated. We expect trade deficit to rise to US\$ 196bn in FY20 from US\$ 183bn in FY19.

**Sameer Narang**

+91 22 6698 5713

chief.economist@bankofbaroda.com

**Sonal Badhan**

sonal.badhan@bankofbaroda.com

**Aditi Gupta**

Aditi.gupta@bankofbaroda.com

**Exports decelerate:** India's export growth decelerated to 0.6% in Apr'19 from a 5-month high of 11% in Mar'19. The deceleration in exports is led by decline in gems and jewellery sector at (-) 13.4%, followed by engineering goods at (-) 7%. Cotton yarn and man-made fibres too reported a contraction on YoY basis. On the other hand, oil exports increased by 30.7%. Given the global backdrop of worsening growth, exports are likely to remain muted for now.

**Imports inch up:** India's imports rose by 4.5% in Apr'19 compared with an increase of 1.4% in Mar'19. The acceleration in imports is led by higher oil and gold imports which rose by 9.3% and 54% respectively. Non-oil-non-gold imports remained lukewarm at (-) 2.2% in Apr'19. Capital goods imports declined by (-) 5.5% in Apr'19. So was the case with agri imports at (-) 9.9%. Electronic goods imports rose by 4% compared with an increase of 8.9% in FY19. With a cyclical slowdown underway in India we believe non-oil-non-gold imports are likely to remain muted.

**IMD says monsoon to arrive on 6 June:** The Indian Meteorological department (IMD) today released its forecast for onset of monsoon today which says that onset of monsoon is likely to be delayed to June 6, 2019 compared with May 29 last year. IMD believes monsoon will be normal this year while Skymet a private forecaster says it will be below normal.

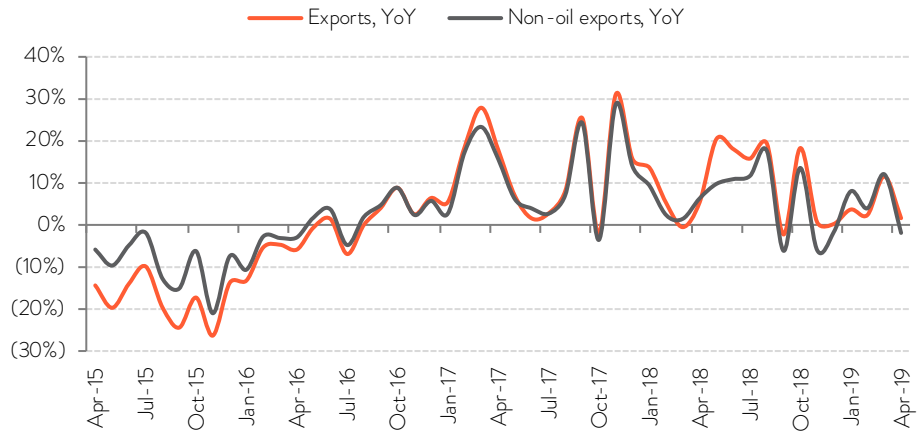
**Trade deficit to increase in FY20:** The uptick in trade deficit in Apr'19 is on track as trade deficit in FY20 is likely to widen to US\$ 196bn from US\$ 183bn in FY19. The increase will be led by higher oil imports and muted exports as global economy slows down. While Indian economy is also slowing down, it will still grow much faster than pace of global expansion. In addition, the US-China trade war is not good for exports and global growth outlook.

**KEY HIGHLIGHTS**

- Export growth decelerated to 0.6% in Apr'19 from 11% in Mar'19.
- Imports rose by 4.5% in Apr'19 versus 1.4% in Mar'19.
- Trade deficit widened to US\$ 15.3bn in Mar'19 from US\$ 10.9bn in Mar'19.

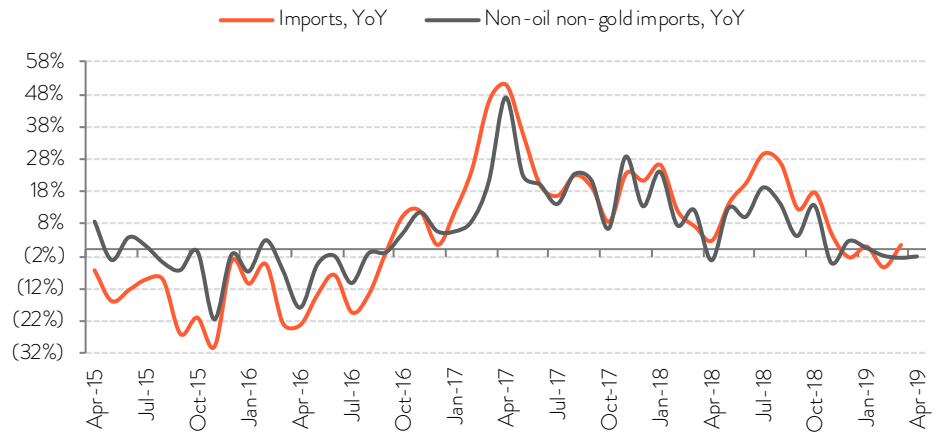


**FIG 1 – EXPORT GROWTH DIPS AGAIN**



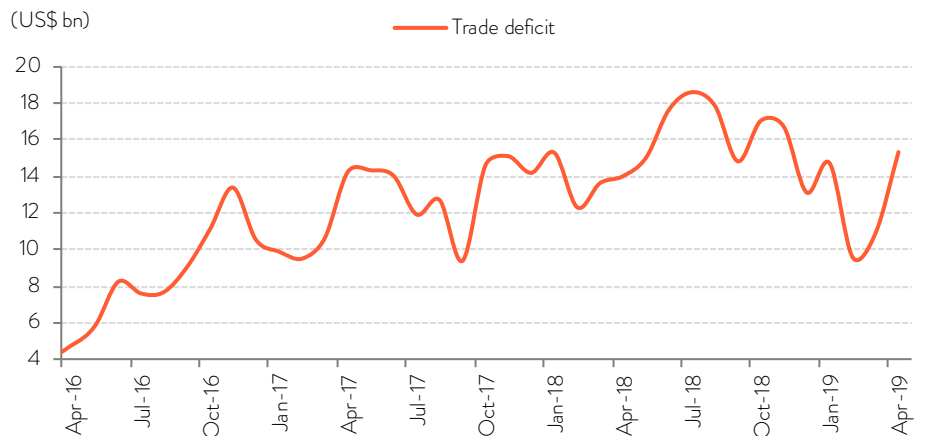
Source: CEIC, Bank of Baroda Research

**FIG 2 – IMPORTS INCH UP**



Source: CEIC, Bank of Baroda Research

**FIG 3 – TRADE DEFICIT WIDENS SHARPLY IN APR'19**



Source: CEIC, Bank of Baroda Research

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For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5713

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)