

TRADE

03 May 2021

Trade deficit widens

India's trade deficit expanded to US\$ 15.2bn in Apr'21 from US\$ 13.9bn in Mar'21. Oil and non-oil-non-gold imports rose by 132% and 129% respectively. Exports also rose by 197% on the back of gems and jewellery and engineering goods. Exports are likely to see further traction as global economy rebounds from the pandemic. Imports may increase with a lag after restrictions in India ease. We expect trade deficit to increase to US\$ 170bn in FY22. INR to trade in the range of 73-75/USD. Rising Covid-19 cases and oil prices are a risk.

Sameer Narang

+91 22 6698 5713

chief.economist@bankofbaroda.com

Aditi Gupta

aditi.gupta3@bankofbaroda.com

Jahnvi

jahnvi@bankofbaroda.com

Exports rebounding: As per preliminary data, India's exports rose by 197% in Apr'21 (US\$ 30.2bn) on a low base since exports had fallen by 60.9% in Apr'20. In Mar'21, exports rose by 60%. All segments of exports recorded positive growth with non-oil exports increasing by 201% in Apr'21 after increasing by 62.3% in Mar'21. Exports of gems and jewellery rose the most at 84x (79% in Mar'21) and engineering goods at 235% (71% in Mar'21). Oil exports were also higher at 171% versus 27% in Mar'21.

Imports tracking higher: India's import rose by 166% in Apr'21 (US\$ 45.5bn) compared with an increase of 54% in Mar'21 on the back of a low base of a decline of 60% in Apr'20. Gold imports rose to US\$ 6bn in Apr'21 from negligible levels in Apr'20. Oil imports rose by 132% in Apr'21 from 2% in Mar'21. Non-oil-non-gold imports also accelerated by 129% in Apr'21 from 47% in Mar'21. Imports of electronic goods (increase of 214% from 77% in Mar'21), transport equipment (171% versus decline of 33% in Mar'21) and machinery, electrical & non electrical (114% versus 60% in Mar'21) rose the most. However imports of silver (89%) and pulses (42%) declined.

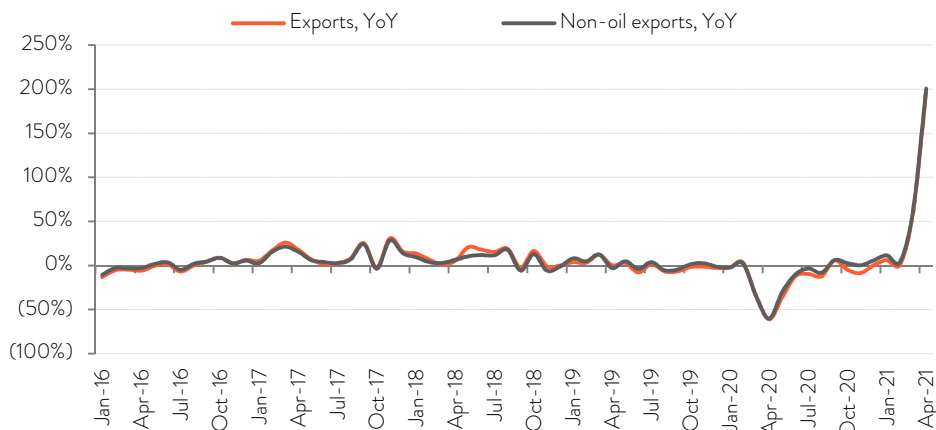
Trade deficit widens: India's trade deficit widened for the third straight month to US\$ 15.2bn from US\$ 13.9bn in Mar'21 led by a broad-based pickup in imports. Exports are likely to fare better with an improvement in growth prospects of major trade partners such as US and Europe. Rising Covid-19 cases and restrictions are likely to keep imports in check in Q1FY22. However, with a gradual normalisation beginning in Q2FY22, we expect imports to pickup. As a result, we expect trade deficit to widen to US\$ 170bn in FY22 from US\$ 100.1bn in FY21. We expect INR to trade in a range of 73-75/USD in FY22. Rising Covid-19 cases in India and higher oil prices are a key risk to our view.

KEY HIGHLIGHTS

- Exports jump by 197% in Apr'21 from an increase of 60% in Mar'21.
- Imports rise by 166% in Apr'21 after increasing by 54% in Mar'21. Gold imports remain elevated to US\$ 6bn in Apr'21.
- Trade deficit widens to US\$ 15.2bn from US\$ 13.9bn in Mar'21.

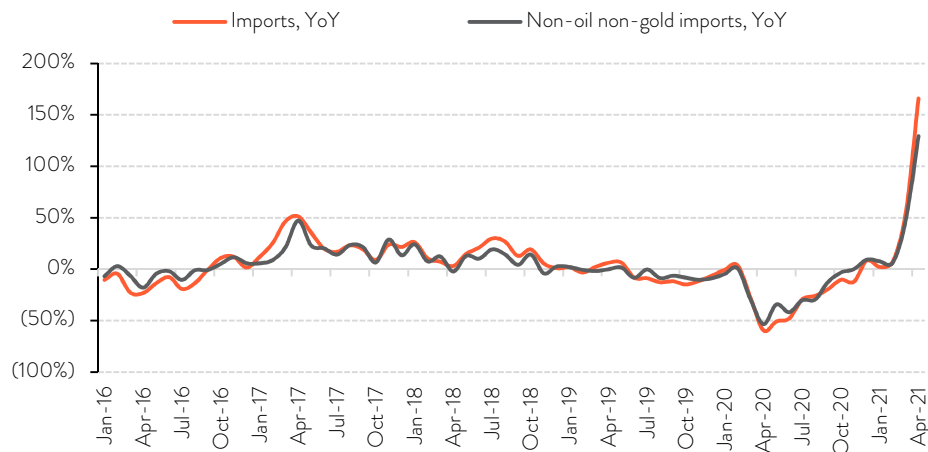


FIG 1 – EXPORT GROWTH RECOVERING



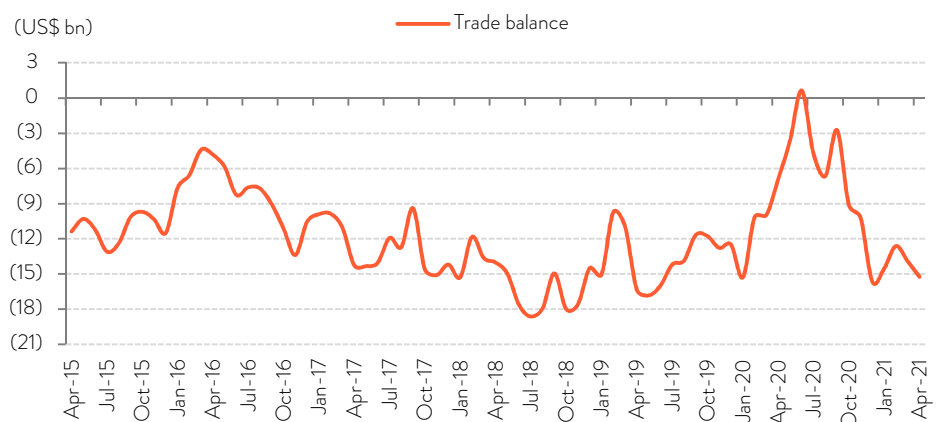
Source: CEIC, Bank of Baroda Research

FIG 2 – IMPORT GROWTH TOO SHOOTING UP



Source: CEIC, Bank of Baroda Research

FIG 3 – TRADE DEFICIT WIDENS FURTHER



Source: CEIC, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.in



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

+91 22 6698 5713

chief.economist@bankofbaroda.com