

Macro Insights

17th January 2023

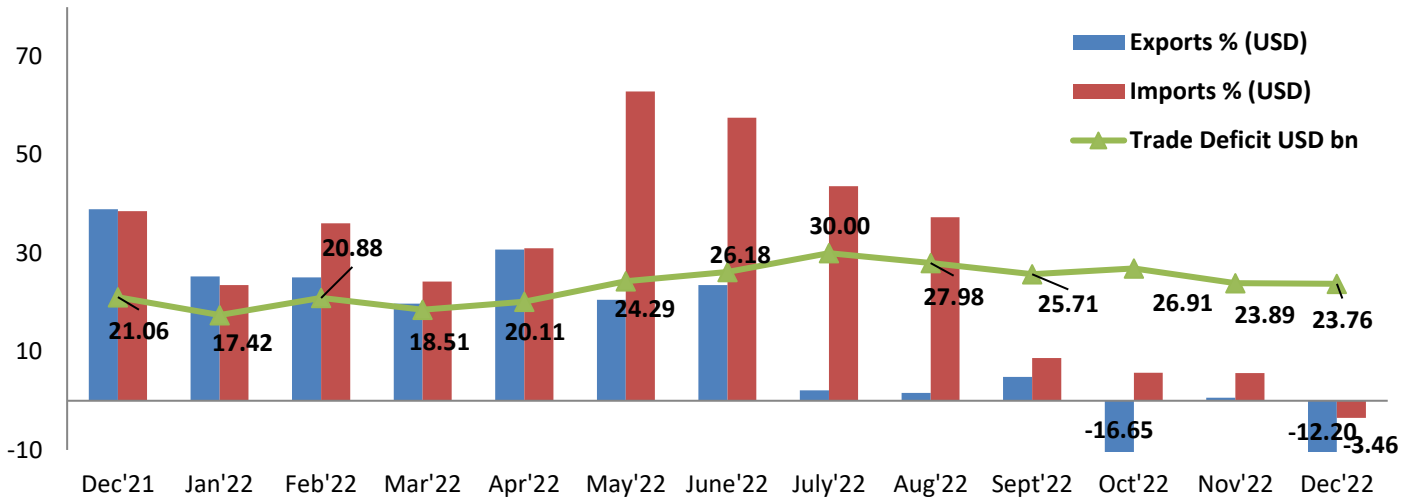
Trade Deficit

India's Merchandise trade deficit jumped to \$23.76 billion in December 2022 from \$21.06 billion in December 2021. Exports declined by 12.20% YoY to \$34.48 billion and imports declined by 3.46% YoY to \$58.24 billion in December 2022.

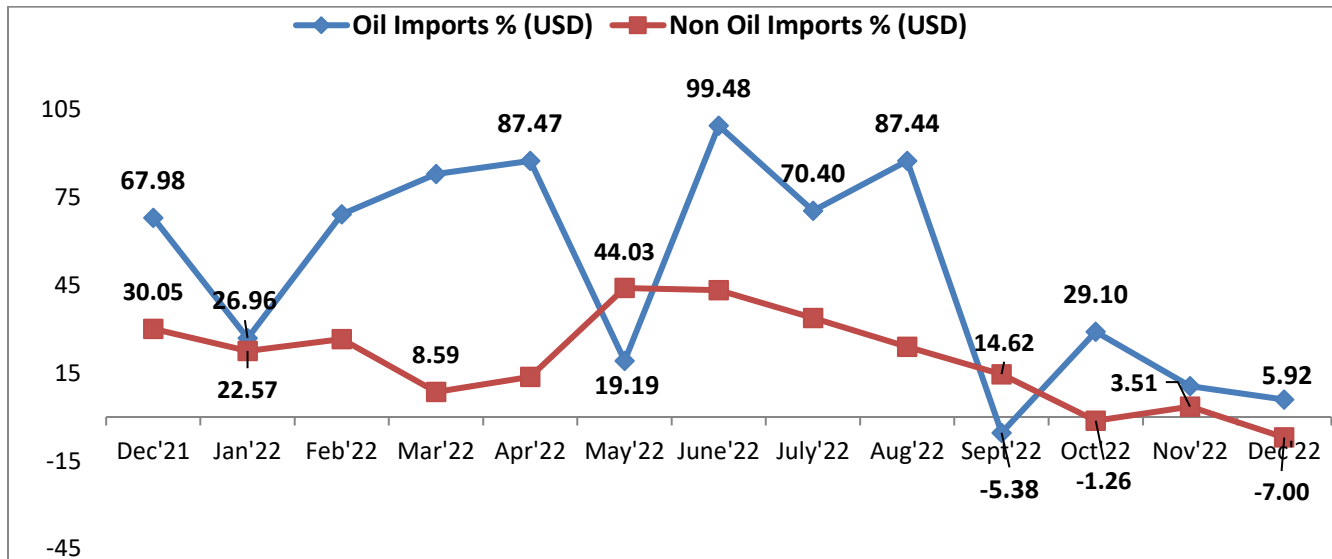
Highlights:

- Merchandise exports declined to \$34.48 billion, down 12.20% year-on-year in December 2022, which was the second contraction in 3 months. Meanwhile Merchandise imports also declined to \$58.24 billion, down by 3.46 per cent year-on-year in December 2022.
- The trade deficit during the first Nine months of this fiscal widened to \$218.94 billion against \$136.46 billion during the year-ago period, but was still lower than the all-time high of \$30 billion in July'22.
- During April'22-December'22, exports stood at \$332.76 billion witnessing 8.8 per cent growth.
- India's merchandise exports showed YoY growth in only 11 of 30 sectors, such as readymade garments, electronic goods, tea, fruits and vegetables, and rice. High-value products -- petroleum products, gems and jewellery, pharmaceuticals, chemicals, engineering goods -- witnessed export contraction.
- Non-petroleum and non-gems and jewellery exports contracted 8.5% in December 2022 from a year before to \$27 Billion.

Chart: Export and Import YOY growth and Trade Deficit



(\$ bn)			
Month	Exports	Imports	Trade Deficit
Dec'21	39.27	60.33	-21.06
Dec'22	34.48	58.24	-23.76
YoY Growth (%)	-12.20%	-3.46%	12.82%

Chart: Import Growth % - Oil & Non-Oil


Views:

- ✓ A dip in exports is due to slowing external demand amid slowdown in demand from key markets in the wake of aggressive rate hikes by major central banks, high volatility in currencies, geopolitical tensions and base effect with second highest exports of \$ 39.3 billion in the month of December'21. Despite recessionary conditions, India has been able to maintain a good level of exports for textile products.
- ✓ India's current account deficit (CAD) widened to \$36.4 billion in the September quarter i.e 4.4% of GDP, which was an all-time-high in absolute terms. It is likely that CAD might have reached it's peak during September'22 quarter and it is expected to moderate to \$25-29 billion each in the subsequent two quarters as trade deficit moderates from the record level of almost \$84 billion in the September quarter.
- ✓ Rupee is expected to remain in the range of 81.50-82.50/\$1 following weakness in the dollar index after US inflation cooled in December amid strengthened hopes of the Federal Reserve reducing the size of rate hikes.

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