

Macro Insights

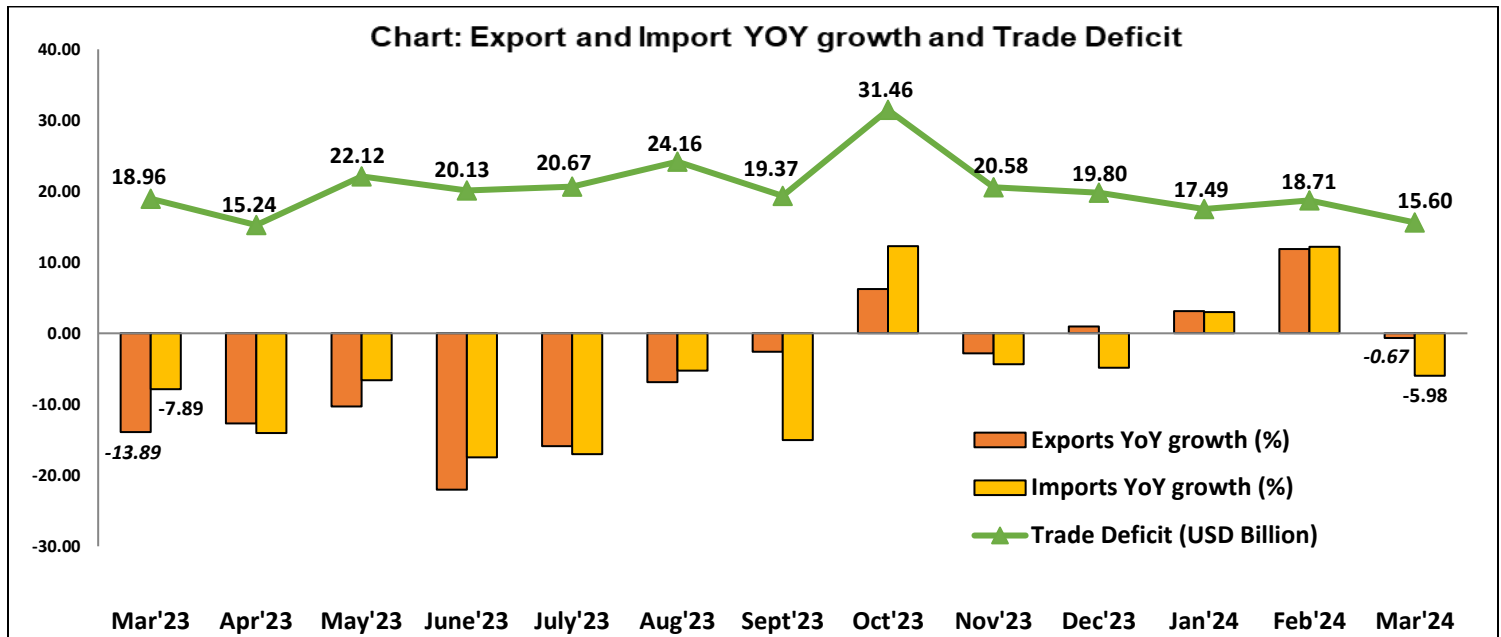
Trade Deficit falls to \$240.18 billion in FY'24

India's merchandise trade deficit decreased from \$264.90 billion in FY'23 to \$240.18 billion in FY'24.

For the month of March, India's merchandise trade deficit decreased from \$18.71 billion in Feb'24 and remained lower at \$15.60 billion in Mar'24 compared to \$18.96 billion in Mar'23.

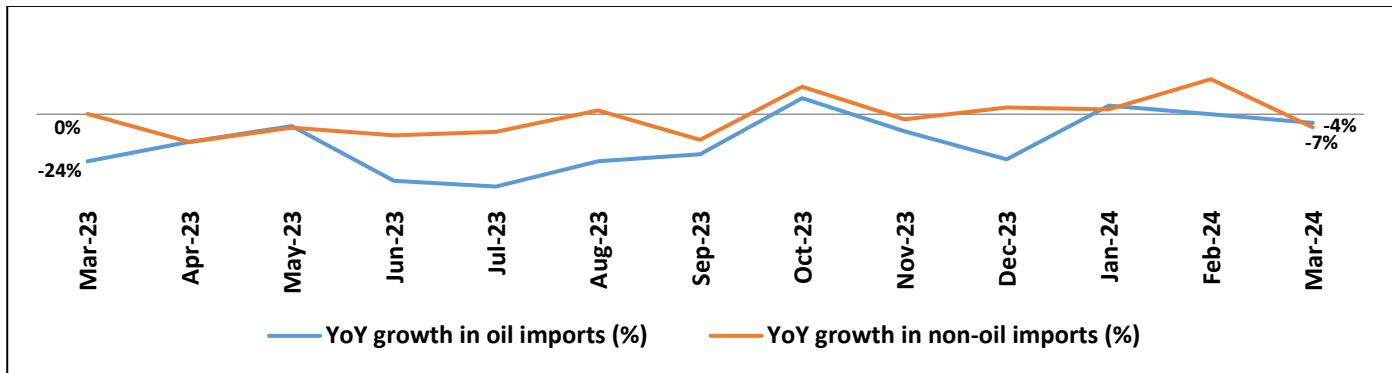
Highlights:

- Merchandise exports decreased from \$451.07 billion in FY'23 to \$436.02 billion, down 3.11% YoY. Meanwhile Merchandise imports decreased from \$715.97 billion in FY'23 to \$677.24 billion, down 5.41% YoY.
- For the month of March, merchandise exports fell to \$41.68 billion from \$41.96 billion, down 0.67% YoY. Meanwhile merchandise imports fell to \$57.28 billion from \$60.92 billion, down by 5.98 % YoY.
- Both exports and imports contracted after expanding for two consecutive months (YoY). In this FY both imports and exports expanded in only 3 months.
- Non-oil imports fell to \$40.05 billion with 7.12% YoY fall. Non-Oil exports rose to \$36.29 billion with 7.97% YoY rise.



Month	Exports	Imports	Trade Deficit
FY'23	451.07	715.97	264.90
FY'24	437.06	677.24	240.18
YoY Growth (%)	-3.11%	-5.41%	-9.33%

(\$ bn)

Chart: Import Growth % - Oil & Non-Oil


Insights:

- ✓ India's merchandise trade deficit contracted to \$240.18 billion in FY'24 from \$264.90 billion in FY'23. For the month of March trade deficit contracted to \$15.6 billion from \$18.96 billion in March'23.
- ✓ India's merchandise exports fell for the first time in four years in FY'24, hit by factors including geopolitical tensions and export curbs on foodstuffs such as rice to curb domestic inflation. While other cereals saw a 57% decline to \$518 million in exports, rice saw a 6.5% decline to \$10 billion. Petroleum product exports dropped 13.7% to \$84.1 billion, while ready-made clothing exports decreased 10% to \$14.5 billion. In FY'24, 17 out of the 30 key sector exhibited positive growth compared to FY'23. Sectors showing most positive growth were iron ore, electronics goods, tobacco, ceramic products and fruits & vegetables.
- ✓ The month of March witnessed the highest monthly merchandise exports in FY'24 at \$41.68 billion. In March'24, 17 out of the 30 key sector exhibited positive growth compared to Mar'23. Sectors showing the most positive growth were handicrafts, spices, coffee, chemicals and tobacco.
- ✓ India's merchandise imports fell about 5.41% YoY in FY'24 to \$677 billion, due to lower shipments of fertilisers, cotton and vegetable oil. 16 out of the 30 key sectors showed negative growth. Sectors showing most negative growth were raw cotton, fertilisers, iron pyrites, vegetable oil and pearls & precious stones.
- ✓ The month of March saw 5.98% YoY decline in imports with 18 of the 30 key sectors exhibiting a negative YoY growth. Sectors showing most negative growth were gold, newsprint, fertilisers, leather products & vegetable oil.

Views:

- ✓ In FY'24 the fall in exports was less than the fall in imports. Similarly exports in the month of march was the highest in this FY even though shipments from India to Europe faced a disruption owing to continued attacks in the Red Sea shipping route as it led to rerouting of the shipments and higher insurance cost.
- ✓ Higher Trade volume for March'24 was expected as WTO had predicted a 2.6% growth in 2024 after falling 1.2% in 2023. However, regional conflicts, geopolitical tensions and economic policy uncertainty pose substantial downside risks to global trade in 2024.
- ✓ Even when merchandise trade deficit is contracting merchandise imports remain higher than merchandise exports putting a downward pressure on Rupee. At the beginning of Mar'24 Rupee stood at ₹82.87/\$, it fell to hit all-time low of ₹83.37/\$ at end of Mar'24 on account of rising US bond yields. Rupee is expected to moderate in near time owing to lower trade deficit and higher capital inflows on

account of India's inclusion in MSCI bond index.

- ✓ Lower merchandise trade deficit helps in lowering of the Current Account Deficit (CAD). India faces a current account deficit because of a trade deficit; with a lower trade deficit in this FY and buoyant services trade, India's CAD is expected to be lower than 1% of GDP in FY'24 as compared to 1.98% of GDP in FY'23.

Top commodity groups exhibiting the most positive and negative growths YoY:

Exports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		FY'23	FY'24	
1	Iron Ore	1,798	3,914	118%
2	Electronic Goods	23,553	29,121	24%
3	Tobacco	1,213	1,450	19%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		FY'23	FY'24	
1	Other cereals	1,194	518	-57%
2	Jute Manufactured	438	339	-23%
3	Gems & Jewellery	37,957	32,707	-14%
Imports				
Commodity groups exhibiting positive growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		FY'23	FY'24	
1	Pulses	1,944	3,747	93%
2	Gold	35,016	45,543	30%
3	Dyeing/tanning/colouring materials	3,866	4,929	28%
Commodity Groups exhibiting negative growth				
Sl. No.	Commodities	(Values in Million USD)		% Change
		FY'23	FY'24	
1	Cotton (Raw & Waste)	1,439	599	-58%
2	Fertilisers	17,207	10,457	-39%
3	Sulphur & Unroasted Iron Pyrites	338	211	-38%

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