

TRADE

02 June 2021

Non-oil-non-gold imports resilient over 2 years

India's trade deficit fell to US\$ 6.3bn from US\$ 15.2bn in Apr'21 led by decline in gold and oil imports and higher exports. Over a 2-year period, exports have risen by 8%. While imports have fallen by 17.5% (due to gold), non-oil-non-gold imports have fallen by only 3% over a 2-year horizon. Thus implying domestic economic activity has been far more resilient in the second wave than the first when imports had fallen by 55% (Apr-May'20). We expect trade deficit at US\$ 157bn in FY22 (US\$ 100.1bn in FY21).

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Exports holding ground: As per preliminary data, India's exports rose to US\$ 32.2bn in May'21 (67.4% YoY) from US\$ 30.6bn in Apr'21 (195.7%). Notably, exports have increased by 8% even over a 2-year period (Since May'19). Over the same time period, non-oil exports are up by 8.1% (at US\$ 26.9bn) and oil exports have risen by 7% (at US\$ 5.3bn). Within non-oil exports, engineering goods (16.1%), drugs and pharma (11%) and chemicals (6.3%) have risen the most over 2-year horizon. On the other hand, gems and jewellery has fallen 13.4%. With rebound in global economic activity, we expect export growth to remain resilient in the coming months as well.

Imports moderated: India's imports moderated to US\$ 38.5bn in May'21 from US\$ 45.7bn in Apr'21. This still implies an increase of 68.5% over May'20. However, over a 2-year horizon, imports have declined sharply by 17.5% (US\$ 46.7bn in May'19). Over the same horizon, oil imports have dipped by 24.9%. Gold imports too have moderated to US\$ 0.7bn in May'21 from US\$ 4.8bn in May'19. Non-oil-non-gold imports have eased only by 3% over a 2-year horizon. Within this, transport equipment has seen a sharp decline by 50.8% followed by leather (37.1%). However, imports of vegetable oil (75.1%) and precious stones (33.7%) have increased.

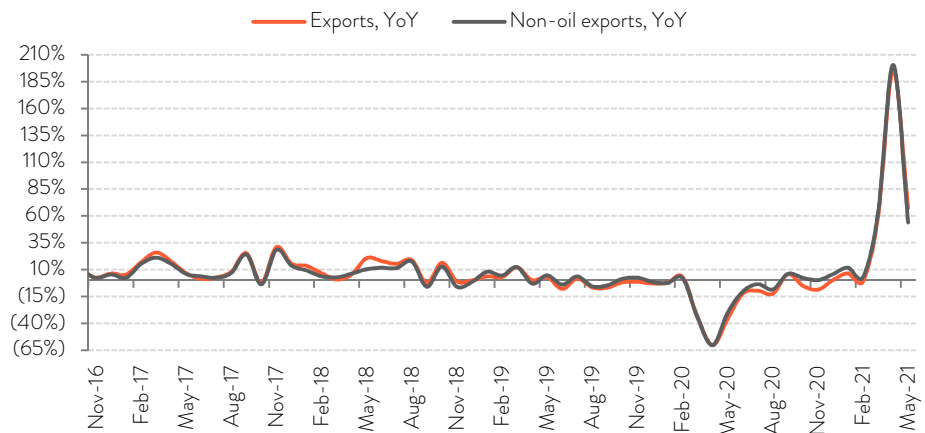
Trade deficit narrows: India's trade deficit narrowed to US\$ 6.3bn in May'21 from US\$ 15.1bn in Apr'21 led by lower gold and oil imports. On a MoM basis, non-oil-non-gold imports are at a similar level. We expect oil, gold and non-oil-non-gold imports to increase once the economic activity resumes. At the same time, exports are likely to fare well as global demand remains strong. As a result, we expect trade deficit to widen to US\$ 157bn in FY22 from US\$ 100.1bn in FY21. Rising Covid-19 cases in India and higher oil prices remain a key risk to our view.

KEY HIGHLIGHTS

- Exports rose to US\$ 32.2bn (67.4% YoY) in May'21 from US\$ 30.6bn (195.7%) in Apr'21.
- Imports moderated to US\$ 38.5 (68.5% YoY) in May'21 versus US\$ 45.7bn in Apr'21.
- Oil imports remain elevated at US\$ 9.45bn in May'21.
- Trade deficit narrowed to US\$ 6.3bn from US\$ 15.1bn in Apr'21.

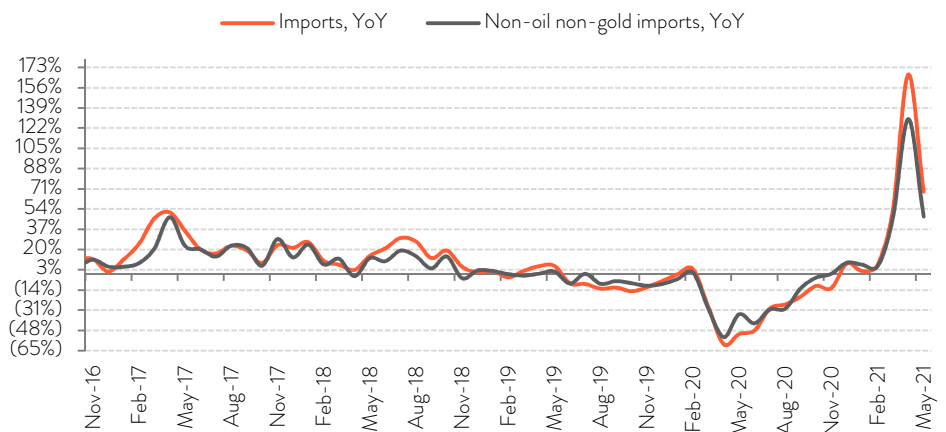


FIG 1 – EXPORT GROWTH NORMALISING



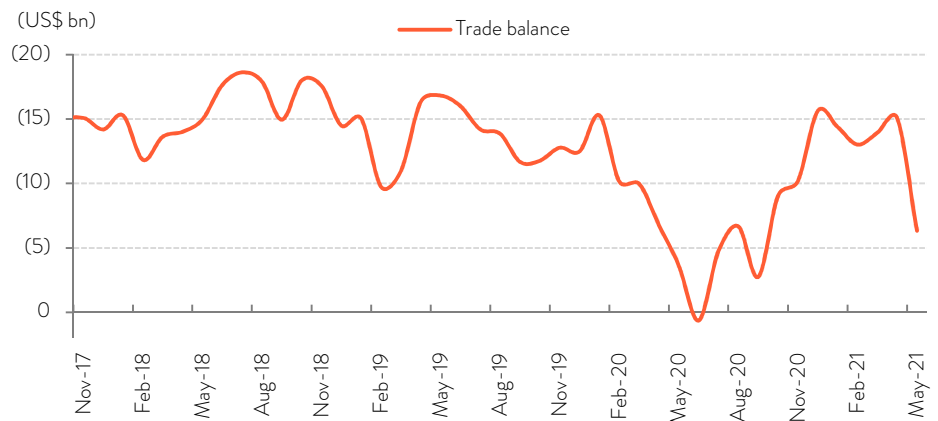
Source: CEIC, Bank of Baroda Research

FIG 2 – IMPORT GROWTH SHOWING MODERATION



Source: CEIC, Bank of Baroda Research

FIG 3 – TRADE DEFICIT NARROWS



Source: CEIC, Bank of Baroda Research

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