

## TRADE

13 April 2022

**Record-high exports**

India's trade deficit narrowed to US\$ 18.5bn in Mar'22 from US\$ 20.9bn in Feb'22 as exports rose at a much faster pace than imports on a MoM basis. In FY22, exports have increased by 42.8%, while imports have increased by 55.4%. Oil imports have increased by 93.1%, reflecting a sharp recovery in oil prices. With global commodity prices continuing an upward momentum, import bill is likely to remain elevated even in FY23. We expect CAD at 2.5% of GDP. Higher oil prices remain a key risk.

**Aditi Gupta**

chief.economist@bankofbaroda.com

**Exports touch record-high in Mar'22:** India's exports rose to a historic-high of US\$ 42.2bn in Mar'22 from US\$ 34.6bn in Feb'22. In FY22, exports have risen to US\$ 416.3bn, surpassing the government's target of US\$ 400bn and well above US\$ 291.6bn in FY21. On a YoY basis, exports increased by 42.8% in FY22 compared with a decline of 6.9% in FY21. This was led by a sharp jump in oil exports (144% in FY22 versus decline of 37.5% in FY21). Non-oil exports too rose by 32.9% in FY22 from a decline of 2.3% in FY21. Within this, exports of gems and jewellery (50.2% versus decline of 27.3% in FY21), engineering goods (45% versus decline of 2.6% in FY21) and textiles (41.2% versus decline of 13.4% in FY21) showed maximum improvement. On the other hand, exports of drugs and pharmaceuticals moderated to 0.7% from 18% in FY21. Overall, compared with pre-pandemic period (FY20), exports have posted a solid increase of 32.9% in FY22.

**Imports too accelerate:** Reflecting the impact of higher commodity prices, India's imports rose to a fresh record-high of US\$ 60.7bn in Mar'22 from US\$ 55.4bn in Feb'22. Imports have increased to US\$ 609bn in FY22 (55.4% rise on a YoY basis), from US\$ 392bn in FY21. Oil imports rose by 93.1% in FY22 compared with a dip of 36.7% in FY21. Notably, oil prices increased by 74.4% in FY22, on a YoY basis. Gold imports too surged to US\$ 46.2bn in FY22 (33.6% increase) compared with US\$ 34.6bn in FY21. Even non-oil-non-gold imports saw a steep increase of 46.7% in FY22 following a decline of 13% in FY21. Apart from higher commodity prices, a part of the increase can also be attributable to improved demand as the economy recovered. Improvement was seen across the board, with coal (94.9% in FY22 versus decline of 27.6%), ores and minerals (92.9% in FY22 versus decline of 8.9%) and vegetable oils (71.5% in FY22 versus 14.7% in FY21) showing maximum traction. Imports of capital goods too recovered to 32.5% in FY22 after declining by 20.2% in FY21. Electronic imports rose by 35.3% in FY22 compared with a decline of 0.3% in FY21. Imports are now higher by 28.3% compared with pre-pandemic levels, led by gold (63.8%) imports. Non-oil-non-gold imports are higher by 26.7%, while oil imports too are higher by 22.2% over a 2-year period.

**Trade deficit narrows:** India's trade deficit narrowed to US\$ 18.5bn in Mar'22 from US\$ 20.9bn in Feb'22 as exports (+US\$ 7.7bn) increased at a faster pace than imports (+US\$ 5.3bn MoM). However, at US\$ 192.7bn in FY22 (6.1% of GDP), India's trade deficit is almost double the level seen in FY21 (US\$ 100.4bn). It must be noted that a large part of the increase in trade deficit can be traced to higher oil imports. In fact, India's oil deficit has jumped to US\$ 96.7bn in FY22 from US\$ 56.9bn in FY21. With oil prices continuing to trade above ~US\$ 100/bbl, import bill is likely to remain elevated. For FY23, we expect CAD at 2.3% of GDP assuming oil prices at US\$ 100/bbl. However, higher oil prices remain a key risk to our view. We estimate that a US\$ 10/bbl increase in oil prices, leads to a US\$ 14-15bn (0.4% of GDP) rise in trade deficit. This will also put pressure on INR. However, buoyant remittances and services receipts are likely to provide some relief.



## 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.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

chief.economist@bankofbaroda.com