

## TRADE

15 March 2022

**Exports stable; Imports rebound**

India's trade deficit in Feb'22 widened to 3-month high of US\$ 20.9bn from US\$ 17.4bn in Jan'22. Sequentially, imports (+US\$ 3.5bn) rose faster than exports (+US\$ 0.1bn). Except gold imports, both oil and non-oil-non-gold imports picked up pace. Apart from recovery in domestic demand, higher commodity prices are also inflating the import bill. Exports at US\$ 374bn in FYTD22, are closer to exceeding government's target of US\$ 400bn in FY22. Continuous rise in oil prices has put downward pressure on INR.

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**Exports steady in Feb'22:** India's export growth was broadly stable in Feb'22 at 25.1% (US\$ 34.6bn) compared with 25.3% (US\$ 34.5bn) in Jan'22. Amongst the major commodities, exports of only engineering goods (32% versus 24.1%) and gems & jewellery (18% versus 13.6%) accelerated. Apart from this, exports of chemical products (25.4% versus 25.8%), oil (88.1% versus 95.2%), textiles (21.9% versus 26.7%) and agri products (0% versus 5.6%) moderated. Exports of pharma products continued to contract for the second month in a row now (-1.8% versus -1.1%). On a FYTD basis (Apr-Feb), export performance is robust at US\$ 374.1bn (+63.6%), setting the stage for crossing government's US\$ 400bn target for FY22 in Mar'22. Strong rebound in global demand has helped the case. In comparison, exports were at US\$ 228.7bn (-21.6%) last year and US\$ 291.8bn (-1.9%) in FYTD20. In FYTD22, oil exports (177.2% versus -49.2%) have jumped far more than non-oil exports (52.5% versus -17.4%). Within non-oil exports, significant improvement was seen in textiles, engineering goods, gems & jewellery and chemical products. Exports of only drugs and pharmaceuticals has decelerated.

**Imports bounce back:** Import growth rebounded to 36.1% in Feb'22, following moderation in Jan'22 (23.5%). While gold imports dipped in Feb'22, oil imports picked up sharply. Non-oil-non-gold imports too accelerated. Within non-oil imports, coal (117% versus 39.5%), project goods (83% versus 11%), pearls & precious metals (32.9% versus 6%) and ores and mineral (103.1% versus 91.1%) imports rose the most. Oil imports were up by 69.3% versus 26.9% in Jan'22. This was mainly owing to spike in international crude prices (US\$ 101/bbl by the end of Feb'22 versus US\$ 91/bbl at the end of Jan'22). On the other hand, gold imports fell for the second consecutive month in Feb'22, by 9.6%, following 40.5% decline in Jan'22. On FYTD22 basis, imports have increased by 81.3% compared with a decline of 31.8% in FYTD21. In the same period, gold imports have increased by 117.1% versus a decline of 22.9% in FYTD21. It must be noted that gold prices declined by 1.5% in FYTD22 compared with an increase of 26.5% in FYTD21. Oil imports too have increased sharply by 122.3% after declining by 47.4% in FYTD21. Oil prices on an average were up 75.3% in FYTD22 compared with a decline of 31.2% in the same period last year. Non-oil-non-gold imports have also done well and risen by 66% in FYTD22 as domestic demand improved. The increase was broad-based. Maximum improvement can be seen in imports of coal (86.5% compared with -30.3% in FYTD21) and ores & minerals (99.9% versus -13.4%), owing to higher international commodity prices and recovery in domestic demand as Covid-19 restrictions ease.

**Trade deficit widens:** India's trade deficit is tracking higher at US\$ 174.2bn in FYTD22 compared with US\$ 73.6bn in FYTD21 as imports have risen at a faster pace than exports. Oil imports have more than doubled to US\$ 141bn from US\$ 63bn in FYTD22 led both by higher prices as well as pick up in domestic demand. With oil prices now hovering near US\$ 110/bbl, import bill is likely to increase sharply. According to our estimates, a US\$ 10/bbl increase in oil prices increases oil imports by ~US\$ 1-1.5bn/month. We thus expect pressure on trade deficit and USD/INR to remain.



**Fig 1 – Commodity-wise trade**

(US\$ bn)	FYTD19	FYTD20	FYTD21	FYTD22
<b>Total Exports</b>	<b>297</b>	<b>292</b>	<b>229</b>	<b>374</b>
<b>Total Imports</b>	<b>470</b>	<b>443</b>	<b>302</b>	<b>548</b>
<b>Trade balance</b>	<b>(173)</b>	<b>(151)</b>	<b>(74)</b>	<b>(174)</b>
<b>Growth in Major Exports (YoY)</b>				
-Agriculture and allied products	(2.4)	(6.0)	8.0	13.0
-Textiles	1.1	(3.2)	(17.4)	44.0
-Engineering goods	5.0	(1.2)	(8.1)	48.8
-Drugs and pharmaceuticals	10.8	11.5	15.5	0.3
-Gems and jewellery	(3.5)	(8.1)	(33.7)	57.6
-Oil	22.8	(8.9)	(44.1)	139.5
-Chemicals	20.5	2.5	(3.8)	32.5
<b>Growth in Major Imports (YoY)</b>				
Vegetable oils	(17.4)	0.6	11.4	72.6
Coal	17.9	(13.4)	(30.3)	86.5
Ores and minerals	(13.8)	(31.5)	(13.4)	99.9
Pearls and precious metals	(21.3)	(12.7)	(22.2)	69.0
Chemicals and related products	20.5	(6.4)	(3.8)	53.8
Organic and inorganic chemicals	18.3	(12.0)	(8.1)	55.2
Plastics	9.4	(4.6)	(13.9)	54.8
Iron and steel	21.2	(9.7)	(26.2)	48.5
Non-ferrous metals	17.8	(9.6)	(16.3)	55.3
Electronic goods	9.8	(3.0)	(5.3)	34.0
Capital goods	17.9	(2.6)	(24.6)	22.6
Machinery	17.4	2.4	(25.1)	36.7
Transport equipment	17.6	(9.5)	(22.9)	(2.2)
Project goods	4.6	(6.6)	(24.0)	(8.5)
Machine tools	32.9	(6.5)	(28.6)	39.0
Agriculture products	(23.7)	4.1	9.9	59.8

Source: CEIC, Bank of Baroda Research

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