

## TRADE

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**Exports and imports moderate in Jan'22**

India's trade deficit in FYTD22 has surged to US\$ 154.8bn from US\$ 73.6bn in FYTD21. This has been due to higher imports led by revival in domestic activity and higher commodity prices. Exports too have remained buoyant at US\$ 338bn in FYTD22, and are likely to exceed the government's target of US\$ 400bn in FY22. However, rising oil prices (above ~US\$ 90/bbl currently) are likely to inflate the oil import bill. This will put pressure on trade deficit and INR.

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**Export pace weakens in Jan'22:** India's exports moderated to US\$ 34.5bn in Jan'22 (25.3% YoY) from a record-high of US\$ 37.8bn in Dec'21 (38.9%). Oil exports moderated more than non-oil exports. In FYTD22 (Apr-Jan), India's exports have increased at a solid pace of 47.8% to US\$ 338bn, compared with a decline of 13.4% in the same period last year. Improvement in global demand has contributed to the strong export performance. Oil exports have risen sharply by 150% in FYTD22 compared with a dip of 44.4% in FYTD21. In comparison, non-oil exports have risen by 38% compared with a decline of 8.6% in FYTD21. Within non-oil exports, significant improvement can be seen in the exports of gems and jewellery (62.9% in FYTD22 versus -29.3% in FYTD21), textiles (46.9% versus -9.2%), engineering goods (50.8% versus 0.8%) and chemicals (33.2% versus 7.1%). On the other hand, exports of agricultural products (14.6% from 17.5%) and drugs and pharmaceuticals (0.5% from 28.8%) has decelerated. *Compared with FY20, India's exports have increased at a robust pace of 28% during Apr'21-Jan'22.*

**Imports elevated:** Imports growth too moderated to an 11-month low of 23.6% in Jan'22 from 38.5% in Dec'21. While oil and gold imports dipped in Jan'22, non-oil-non-gold imports were broadly stable. On FYTD22 basis, imports have increased by 63% compared with a decline of 25.4% in FYTD21. In the same period, gold imports have increased by 94.1% versus a decline of 15.5% in FYTD21. It must be noted that gold prices declined by 1.9% in FYTD22 compared with an increase of 27.9% in FYTD21. Oil imports too have increased sharply by 97.3% after declining by 42.3% in FYTD21. Oil prices on an average were up 78.6% in FYTD22 compared with a decline of 34.5% in the same period last year. Non-oil-non-gold imports have also done well and risen by 50.1% in FYTD22 as domestic demand improved. The increase was broad-based. Maximum improvement can be seen in imports of coal (83.5% compared with -30.5% in FYTD21). *This can be attributed to higher coal prices amidst the global energy crisis and higher domestic demand as the economy opened up.* Even imports of edible oil imports have shown a sharp jump of 74.4% in FYTD22 (from 12.7%) due to high global prices. Further, imports of pearls and precious stones (75.2% from -24.9%) and ores and minerals (99.6% from -16.4%) have also shown improvement. Capital goods imports too have shown pickup and increased by 26% in FYTD22 compared with a decline of 26.4% in FYTD21. Within this, imports of machinery and transport equipments have improved. On the other hand, imports of project goods has continued to decline. In comparison, imports of machinery at 39.9% has remained muted. It must be noted that the government has announced measures to boost domestic production of capital goods by raising import duties on some equipment and machinery in the Union Budget.

**Trade deficit:** India's trade deficit is tracking higher at US\$ 154.8bn in FYTD22 compared with US\$ 73.6bn in FYTD21 as imports have risen at a faster pace than exports. Oil imports have almost doubled to US\$ 125bn from US\$ 63bn in FYTD22 led both by higher prices as well as improved demand as the economy revived. With oil prices now hovering above US\$ 90/bbl, import bill is likely to remain elevated. **We estimate that a US\$ 10/bbl increase in oil prices will increase oil imports by ~US\$ 2-3bn/month.** This will have an adverse impact on the trade deficit and hence USD/INR.



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