

RESEARCH

BOB Economics Research | Trade

Imports accelerate, exports dip

SUMMARY

India Economics: Trade

India's trade deficit narrowed to US\$ 12.9bn in Feb'21 from US\$ 14.5bn in Jan'21. Exports contracted by 0.3% (6.2% in Jan'21). Gems and jewellery and engineering exports decelerated the most. Imports picked up to 7% from 2% in Jan'21. Rising oil prices and normalization of domestic economic activity implies oil and non-oil imports should remain buoyant thus pushing trade deficit to US\$ 172bn in FY22 from less than US\$ 100bn in FY21. Higher remittances and foreign inflows should give support to INR.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
GAIL	Buy	160
Petronet LNG	Buy	330
TCS	Buy	3,710
Tech Mahindra	Buy	1,130

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Greenply Industries	Buy	195
Laurus Labs	Buy	480
Transport Corp	Buy	330
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.42	1bps	35bps	25bps
India 10Y yield (%)	6.21	(2bps)	30bps	(14bps)
USD/INR	73.55	(0.1)	(0.8)	(1.1)
Brent Crude (US\$/bbl)	63.69	(3.7)	14.0	22.7
Dow	31,536	1.9	5.2	18.1
Shanghai	3,551	1.2	2.0	19.5
Sensex	49,850	1.5	7.7	30.7
India FII (US\$ mn)	26 Feb	MTD	CYTD	FYTD
FII-D	(117.4)	(985.9)	(1,484.2)	(5,577.8)
FII-E	(1,118.8)	3,015.6	4,993.8	34,969.6

Source: Bank of Baroda Economics Research

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TRADE

02 March 2021

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Exports dip: Preliminary data shows that India's exports fell by 0.3% in Feb'21 after a 6.2% increase seen in Jan'21. This was led by sharp decline in exports of gems and jewellery (11.2% versus 1.3% drop in Jan'21) and engineering goods (2.6% versus increase of 18.8% in Jan'21). Oil exports fell by 27.1% versus decline of 32.1% in Jan'21. Non-oil exports eased significantly to 3.6% from 11.6% in Jan'21. Exports of drugs and pharma products and chemicals too slowed a tad bit in Feb'21. During FYTD21, exports have fallen by 12% (1.8% decline in FYTD20). Exports to Middle East & Africa and Europe have fallen the most. Only exports to China have registered positive growth.

Gold imports remain buoyant: India's imports accelerated to 7% in Feb'21 compared with an increase of 2% in Jan'21. Oil imports contracted at a slower pace of 16.6% in Feb'21 versus decline of 27.7% in Jan'21. Gold imports rose by 123.9% in Feb'21 to US\$ 5.3bn versus an increase of 154.7% in Jan'21 to US\$ 4bn. Non-oil-non-gold imports moderated to 6.1% versus 7.5% in Jan'21. Imports of coal (28.1%) and transport equipment (23%), declined the most. On the other hand, electronic imports (37.8% versus 17.4%) and chemicals (37.6% versus 16%) saw the maximum increase.

Trade deficit narrows: India's trade deficit narrowed to US\$ 12.9bn in Feb'21 from US\$ 14.5bn in Jan'21 even as imports picked up. Exports were weak. However, a synchronized global recovery and government's PLI scheme should bode well for exports going forward. However, rising oil prices imply (up by 21.3% in CYTD21) oil imports are likely to remain on the higher side. Non-oil-non-gold imports may also continue to grow as domestic economic activity stabilizes. As a result, trade deficit is likely to expand to US\$ 172bn in FY22 compared with US\$ 96bn in FY21. Foreign inflows and services receipts are likely to make up for the higher deficit. This should support INR. Rising global yields and higher oil prices remain a key risk to our view.

KEY HIGHLIGHTS

- Exports decline by 0.3% in Feb'21 compared with a 6.2% increase in Jan'21.
- Imports rise by 7% in Feb'21 versus an increase of 2% in Jan'21
- Trade deficit narrows to US\$ 12.9bn in Feb'21 versus US\$ 14.5bn in Jan'21.



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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