

Business and Economic Research
16th October 2018



**Sep 2018 trade deficit lowest since Apr at USD 14 bn:
Explained by weaker imports, exports remain sluggish**

H1 trade deficit (USD 94.3 bn) at highest ever, exceeding 91 bn in FY13

India Sep '18 trade deficit at USD 14 bn: Imports of selected items at play, too early to say whether an impact of weaker INR

Monthly trade deficit improves USD 3.4 bn from ~USD 17-18 bn of past few months, but still up 49% YoY

- Mainly on account of fall in imports by USD 3.3 bn, imports marginally higher by 0.1 bn

Imports rise 10.9% YoY: Weaker imports of petro, machinery, transportation and coal, possibly on weaker INR

- Petro imports growth slows to 33.6% YoY to USD 10.9 bn, (42% rise in oil prices) on 0.9 bn fall MoM (lower volume)
- Gold imports up 51.5% YoY (low GST base), including silver and stones up 6.9% YoY, but down 0.2 bn MoM as higher pearls & stones imports (0.7 bn), and silver (0.1 bn) offset weaker gold
- Imports (ex petro & precious) up just 3.5% YoY, usual suspects: Electronics, chemicals and metals continue to grow, but weaker growth in machinery, transportation and coal, where MoM numbers fell
- H1 imports up 16.2%, with petro, machinery, electronics, and coal continuing to drive growth

Exports down 2.2% YoY: Contraction mainly on high base last year, with pent up GST constraints reversing

- Petro exports up 26.8% YoY (less than the rise in prices) and up 0.6 bn MoM
- Gems and jewellery exports down 21.7% YoY on high base caused by reversion of pent up GST constraints. Gems and jewellery exports rose 0.4 bn MoM
- Exports (ex petro and precious) down 2.5% YoY again partly on reversal of pent up GST constraints last year. Contraction seen in textiles, engineering goods, and rice, offsetting improvements in chemicals & pharma
- H1 exports up 12.5%, continuing to be driven by petro, engineering goods, drugs & pharma, & chemicals

Jul'18 services surplus was at USD 6.7 bn: Payments rose 47.9% YoY and receipts rose 33.3% YoY

Numbers imply FY19 CAD at around 2.7% of GDP, Slightly lower trade deficit owing to Sep numbers offset by higher oil price expectations

Weaker imports might be an impact of INR depreciation, though this may not be sustainable; exports remain weak

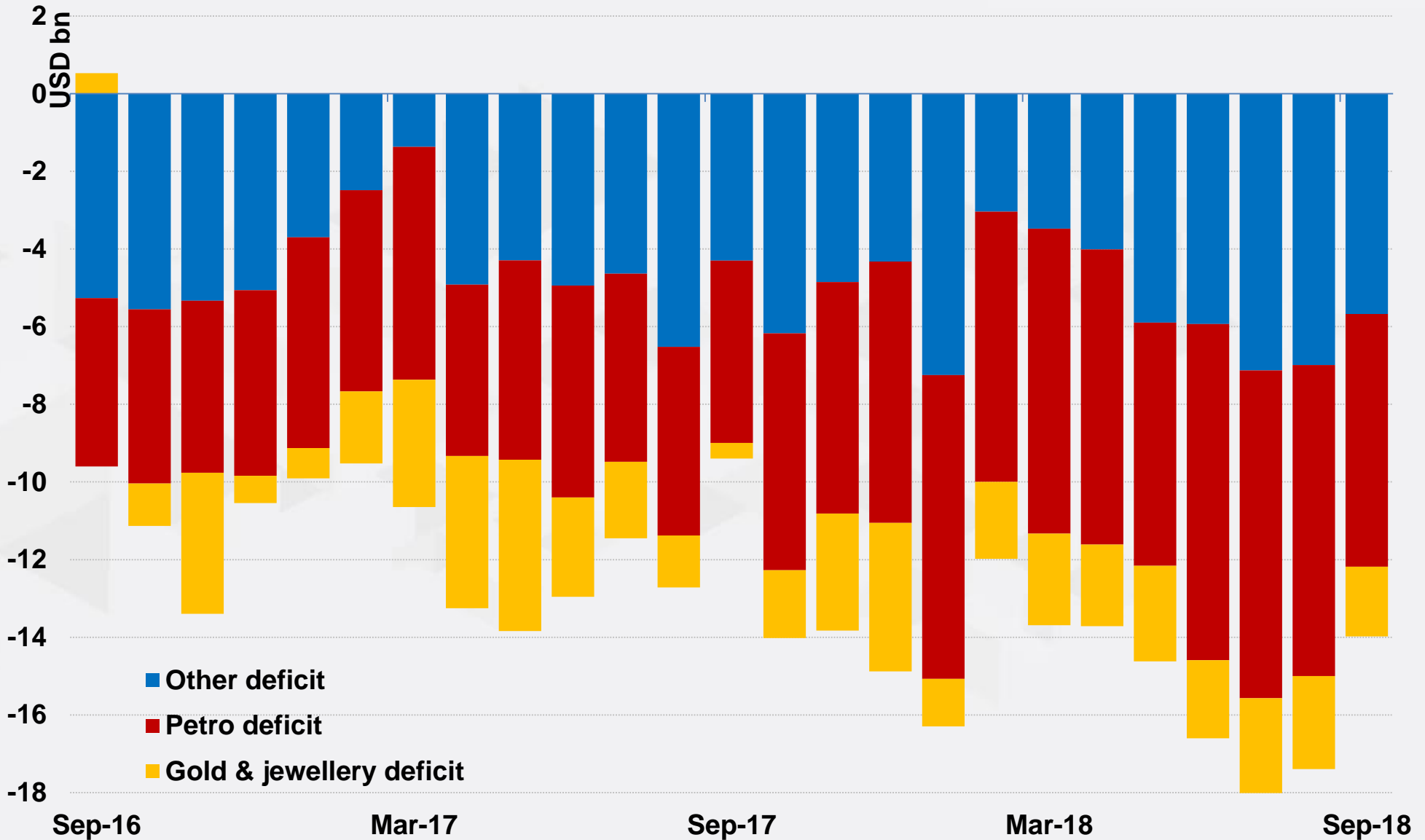
Though petro, machinery, etc. drive lower imports MoM, YTD increase is still significant

Imports	Sep-18	Aug-18	Δ Sep-18	H1 FY19	H1 FY18	Δ H1 FY19	USD bn.
Petro & products	10.91	11.83	(0.92)	69.73	46.95	22.78	
Gold, Silver & Stones	5.54	5.71	(0.17)	33.96	35.95	(2.00)	
Imports ex petro & precious	25.47	27.69	(2.22)	154.68	137.39	17.29	
Of which, Coal, Ores & Metals	5.29	5.75	(0.46)	33.41	27.49	5.91	
Machinery & transportation	4.46	5.78	(1.32)	29.80	24.54	5.26	
Of which Electronics	5.69	5.58	0.11	30.42	26.66	3.77	
Total	41.93	45.24	(3.30)	258.36	220.29	38.07	

Exports do not yet show impact of INR depreciation: H1 improvements partly on GST related low base

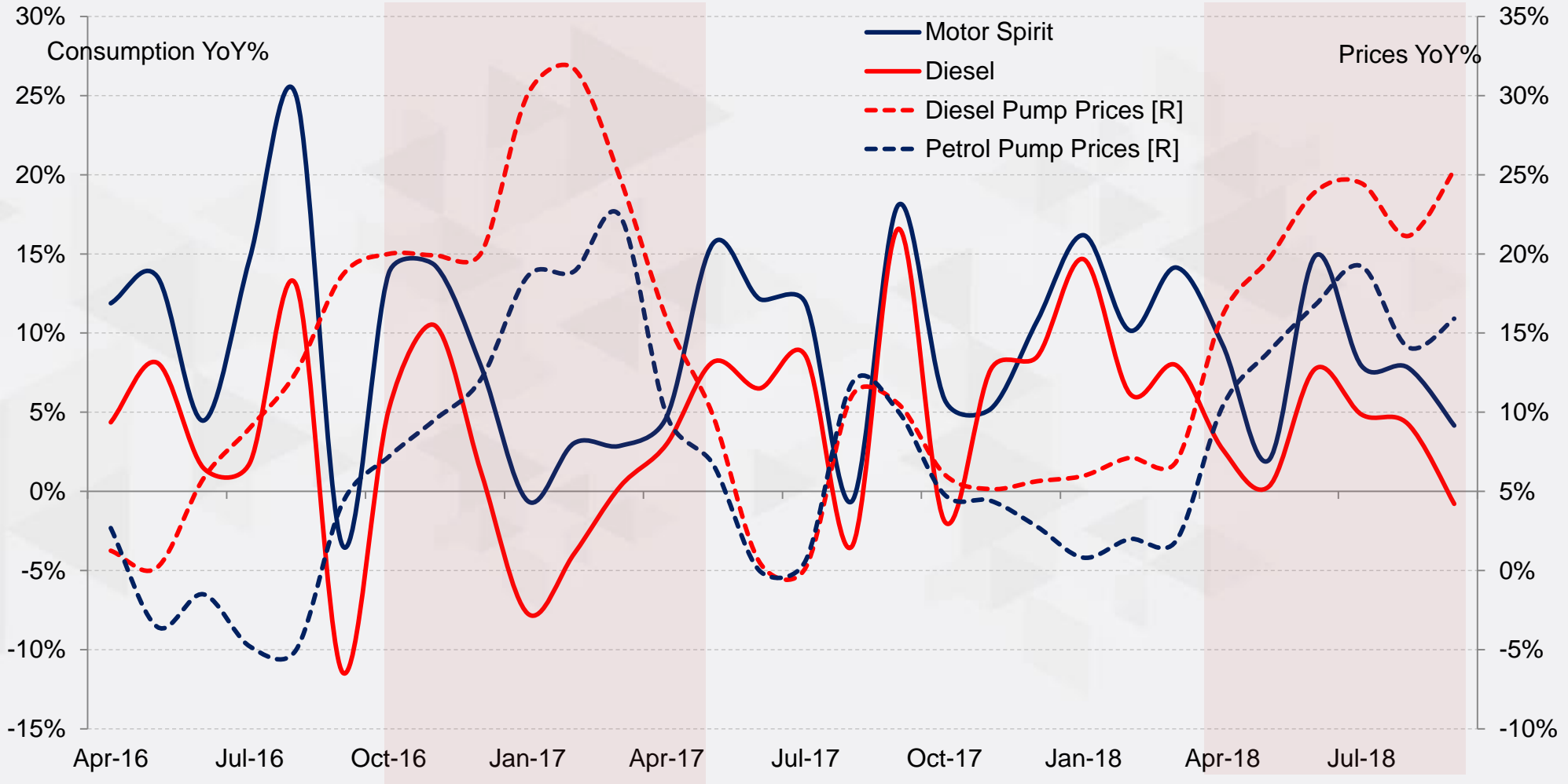
Exports	Sep-18	Aug-18	Δ Sep-18	H1 FY19	H1 FY18	Δ H1 FY19	USD bn.
Petroproducts	4.40	3.82	0.58	24.24	17.55	6.70	
Gems & Jewellery	3.75	3.32	0.43	20.75	21.35	(0.60)	
Exports ex petro & precious	19.80	20.70	(0.90)	119.05	107.78	11.26	
Of which, Engineering goods	7.00	7.24	(0.24)	41.64	37.31	4.33	
Of which, Textiles	2.49	2.82	(0.34)	15.99	16.46	(0.47)	
Of which, Pharma	1.66	1.69	(0.03)	9.51	8.29	1.22	
Total	27.95	27.84	0.11	164.04	146.68	17.36	
Deficit	13.98	17.39	-3.42	94.32	73.61	20.71	

Improvement in trade deficit mainly driven by petro and others

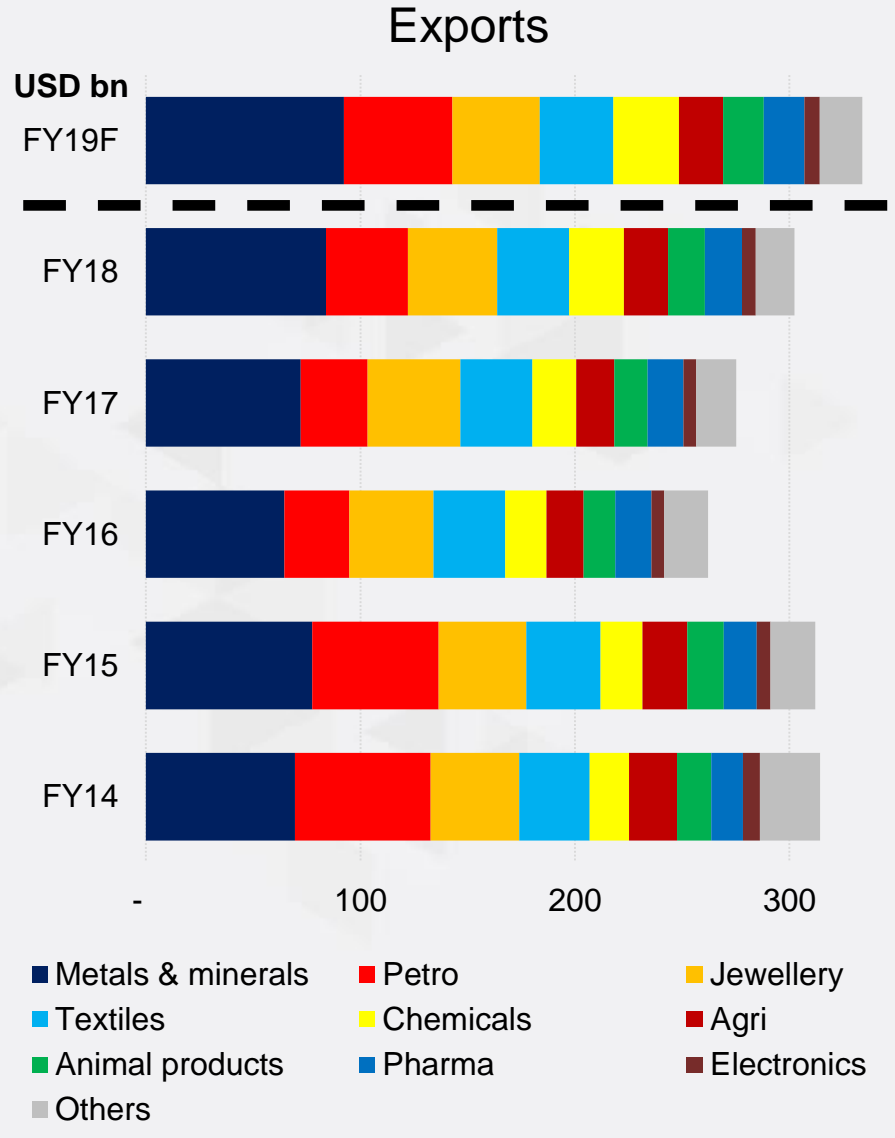
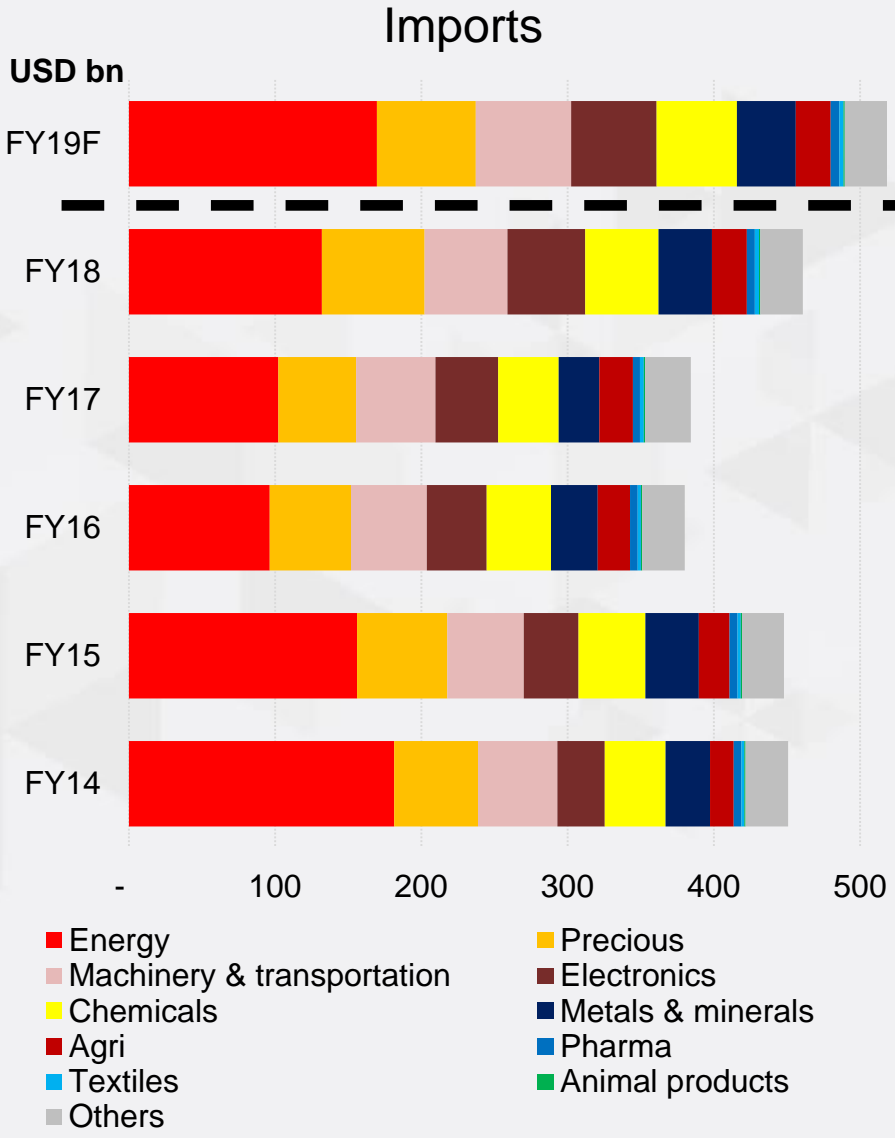


There is some evidence to suggest that steep rise in prices can hurt consumption trends

Shaded areas represent periods of sustained rise in pump prices

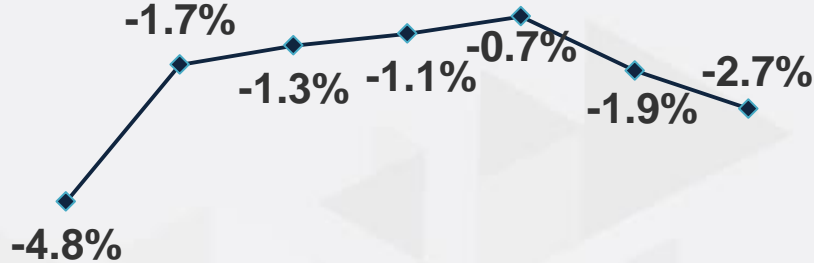


Imports now well in excess of FY14 levels (before oil fall), but exports have not caught up

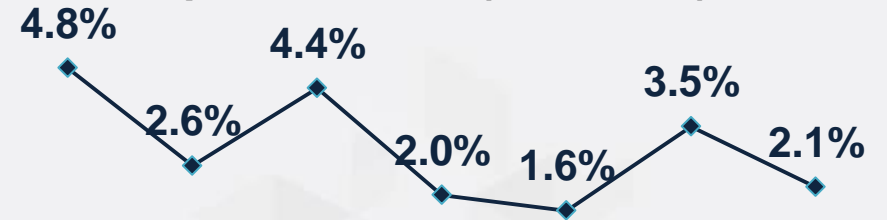


Though Sep trade numbers bring down CAD, this has been offset by higher expected oil prices; remains at 2.7% of GDP

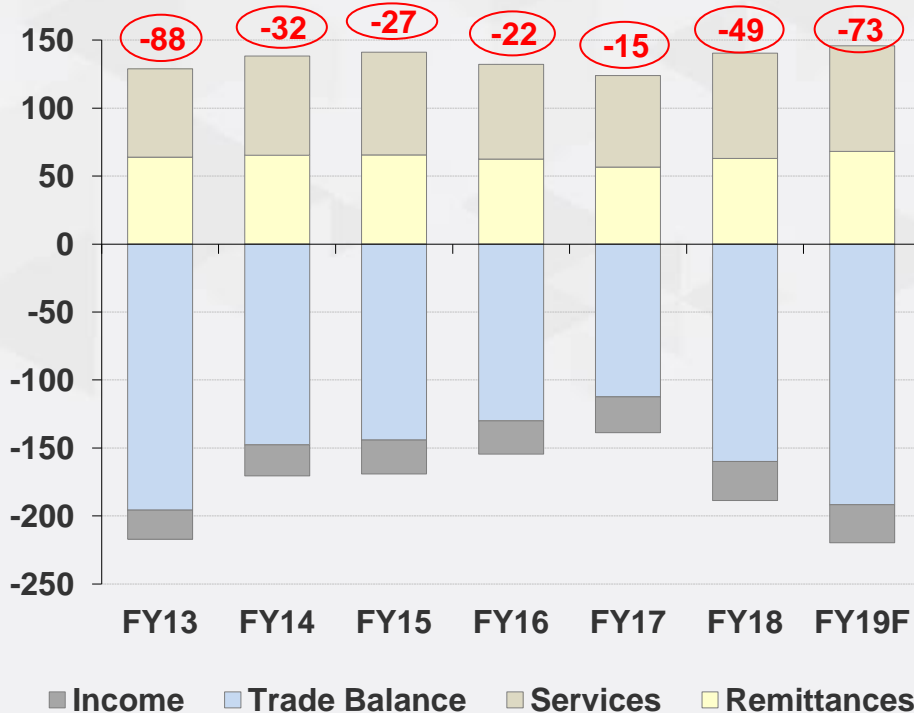
Current Account (% of GDP)



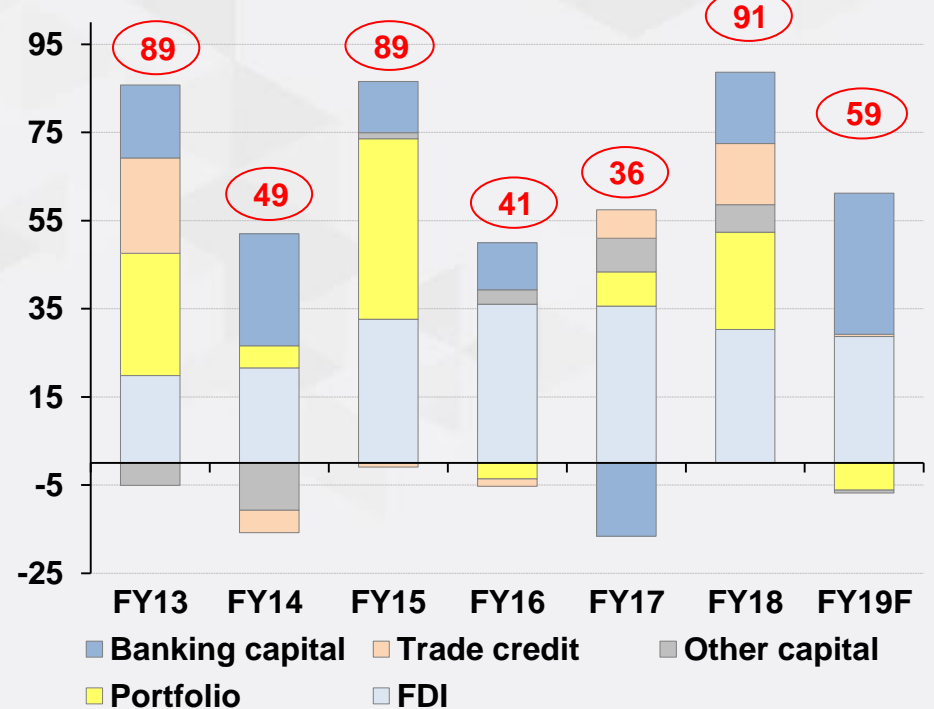
Capital Account (% of GDP)



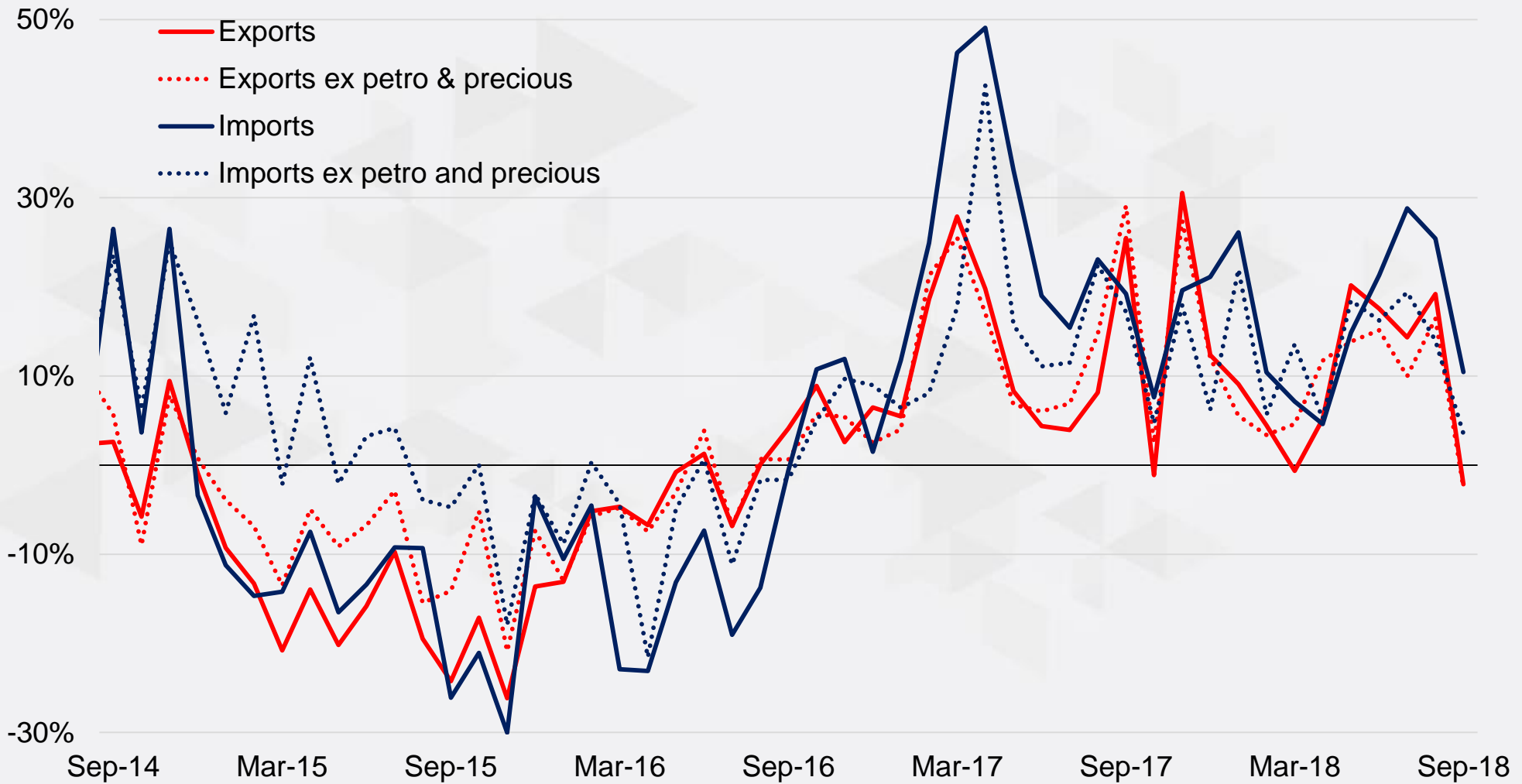
Net Current Account Flows (\$ Bn)



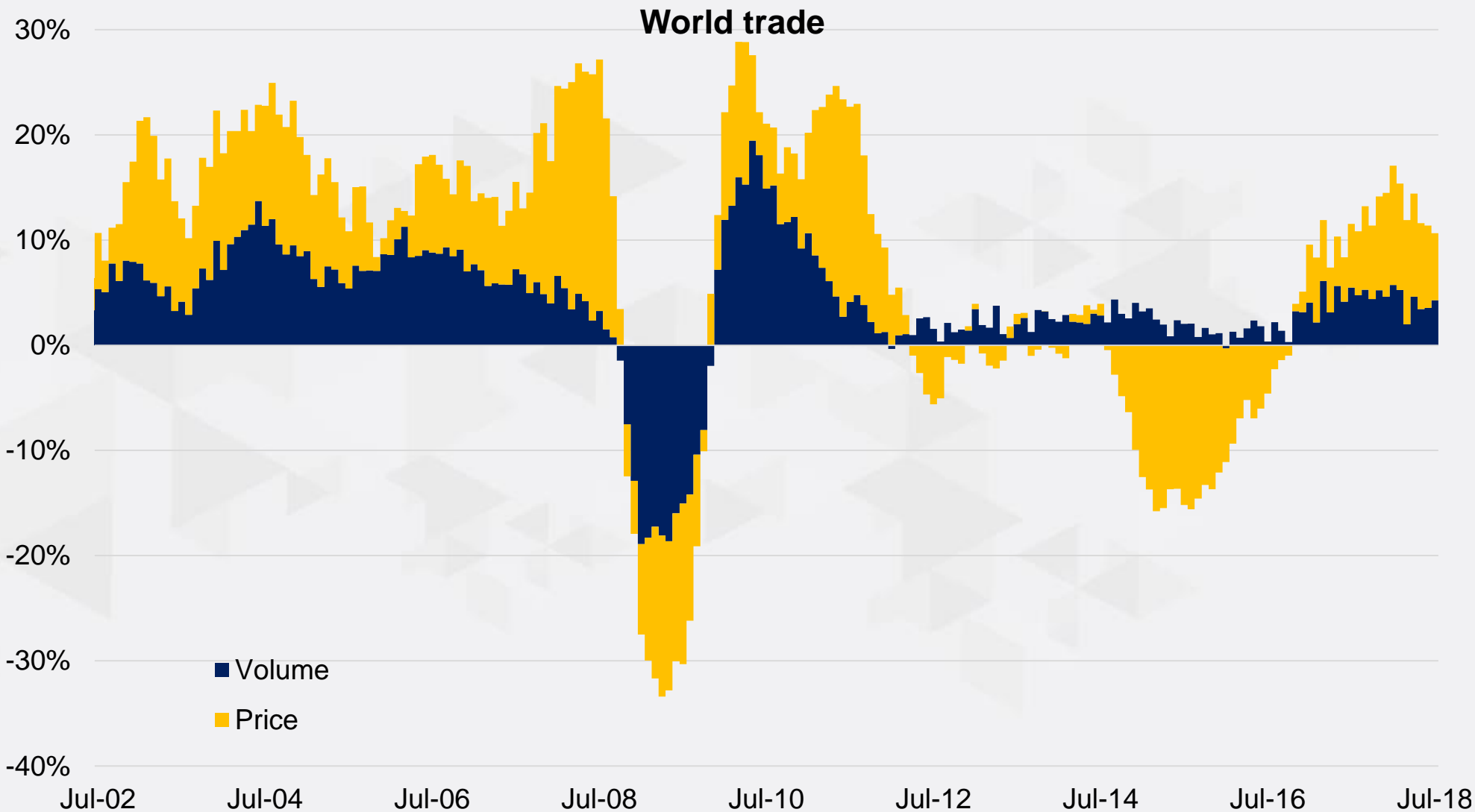
Net Capital Flows (\$ Bn)



Contraction in exports driven by spike in Sep 2017 on pent up exports held back by GST

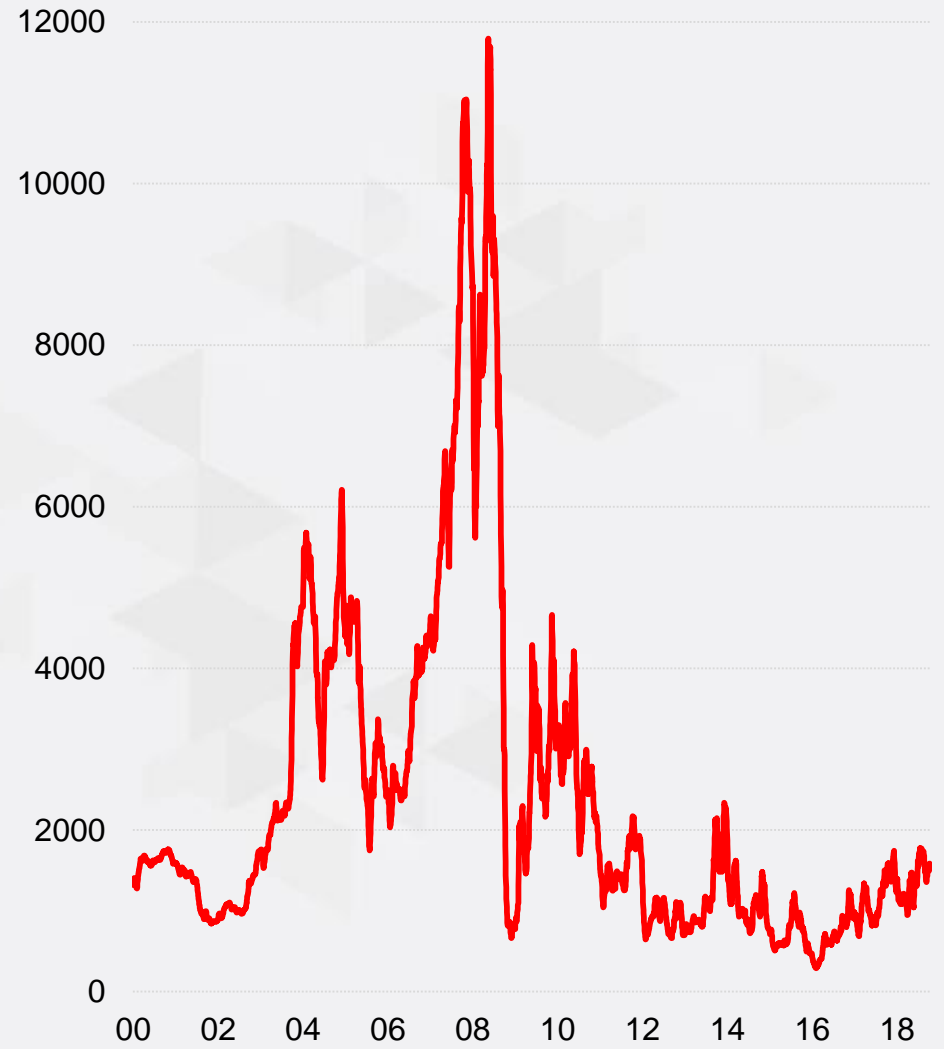
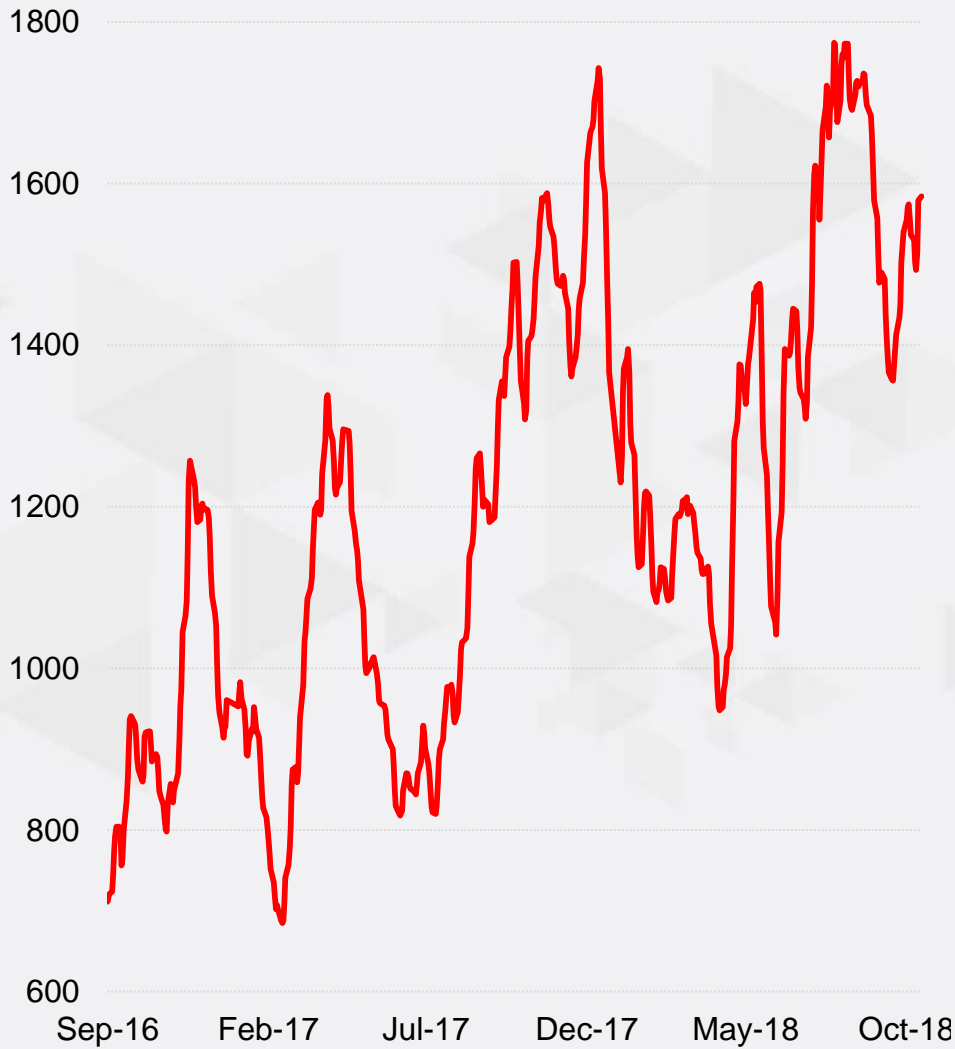


Global trade currently growing at a good pace comparable to YTD India exports, barring the Sep slowdown



Source: CPB World Trade Monitor

Shipping demand (Baltic Dry Index) has risen steadily since 2016, but remains at low levels historically



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