

India External Sector Watch

April 2017

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External Sector Summary

Trade

- Merchandise exports during April 2017 were valued at $ 24.6B which was 19.8% higher y-o-y. Export growth is showing revival after showing negative growth for prolonged period up to September 2016.
- Merchandise imports during April 2017 were valued at US $ 37.9B representing a growth of 49% y-o-y
- Oil imports during April 2017 were valued at US $7.4B , 30.1% higher than oil imports in the corresponding period last year
- The trade deficit for April 2017 was estimated at US $ 13.2B significantly higher than the deficit of $4.8B during April 2016

Currency

- The Indian Rupee continues to have much lower volatility than experienced by other EM currencies reflecting India's improving fundamentals and progress in reducing its external vulnerabilities.

External Commercial Borrowing

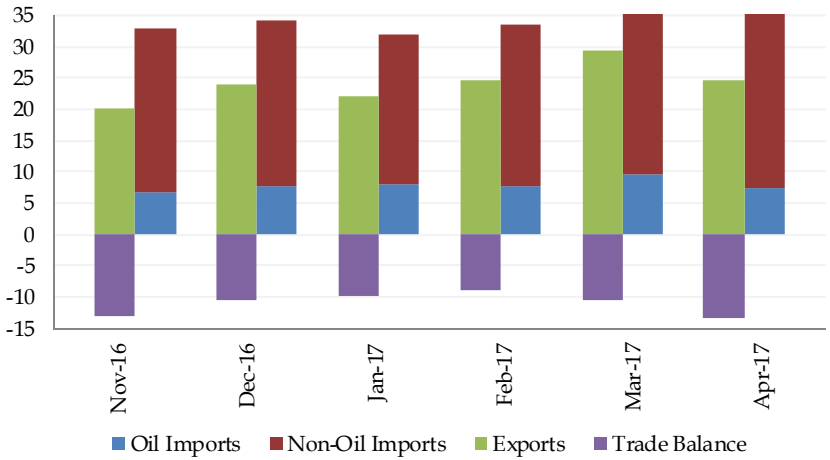
- During March 2017, ECBs totaled $1,697m while FCCBs totaled $0m compared with $1,510m and $00m for the same period the previous year
- In the next three months (May-Jun) $30mof ECB and $8.6m of FCCBs will mature

Foreign Investments

- Net FII debt investments during April 2017 were $3,147m compared with -$966m during the corresponding period last year while net FII equity investments equaled $367 compared with $1,267m same period last year
- Net FDI during March 2017 was $3,814m compared with $2,742m during same period the previous year

Trade: Export growth has recovered

Trade ($B)



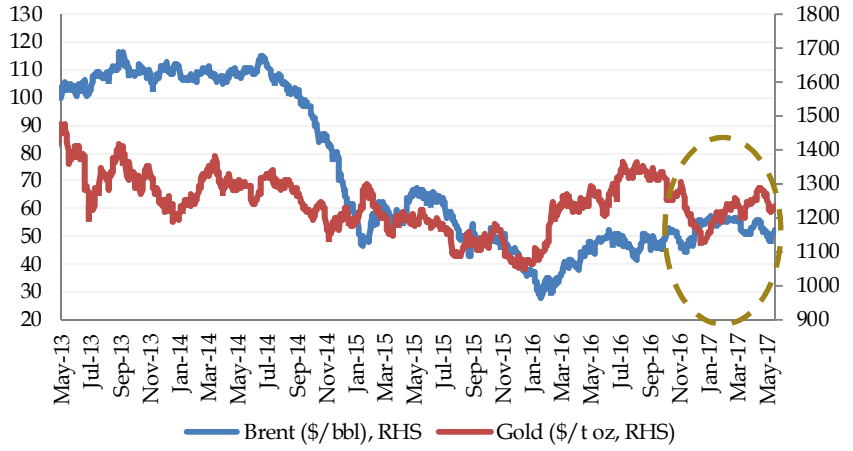
Top Imports ($M)

Commodity Group	Apr-Mar 2016	Apr-Mar 2017(P)	%Growth	%Share
Pertoleum Crude & Products	82,944	86,866	5	23
Gems & Jewellery	56,509	53,816	-5	14
Electoronics Items	40,022	41,947	5	11
Chemicals & Related Products	36,888	33,658	-9	9
Machinery	33,217	32,987	-1	9
Base Metals	24,704	21,557	-13	6
Ores & Minerals	20,684	21,559	4	6
Agri & Allied Products	20,674	23,204	12	6
Transport Equipments	15,394	18,070	17	5
Plastic & Rubber Articles	13,761	14,019	2	4
Total	**381,007**	**382,741**	**0**	**100**

Top Exports ($M)

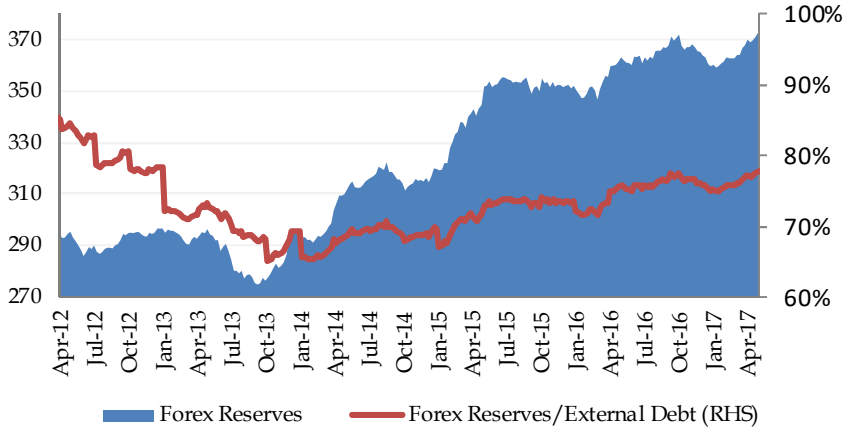
Commodity Group	Apr-Mar 2016	Apr-Mar 2017(P)	%Growth	%Share
Gems & Jewellery	39,283	43,551	11	16
Chemicals & Related Products	32,169	32,932	2	12
Pertoleum Crude & Products	30,583	31,622	3	11
Agri & Allied Products	24,522	24,657	1	9
Transport Equipments	21,336	23,144	8	8
Base Metals	18,498	21,985	19	8
Machinery	18,922	20,033	6	7
Plastic & Rubber Articles	6,416	6,463	1	2
Leather & Leather Manufactures	5,554	5,326	-4	2
Electoronics Items	5,690	5,687	0	2
Total	**262,290**	**276,547**	**5**	**100**

Selected Commodity Prices

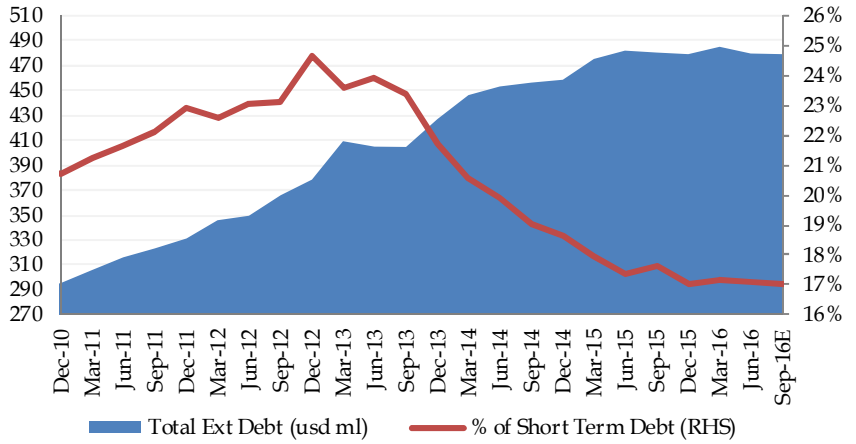


Forex Reserves: RBI's foreign currency swaps have been unwound

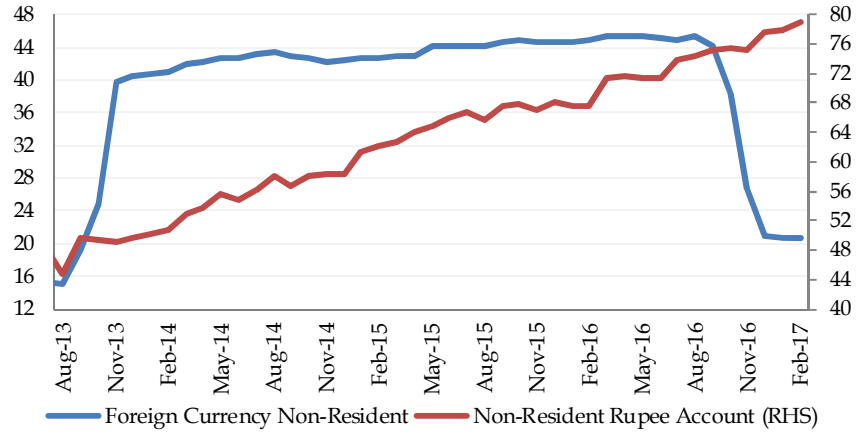
Foreign Exchange Reserves ($B)



External Debt ($B)



NRI Deposits Outstanding ($B)

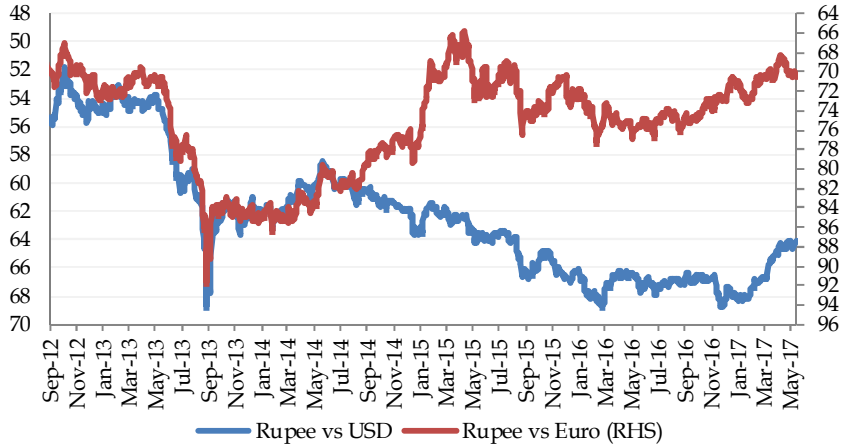


RBI Foreign Exchange Intervention ($M)

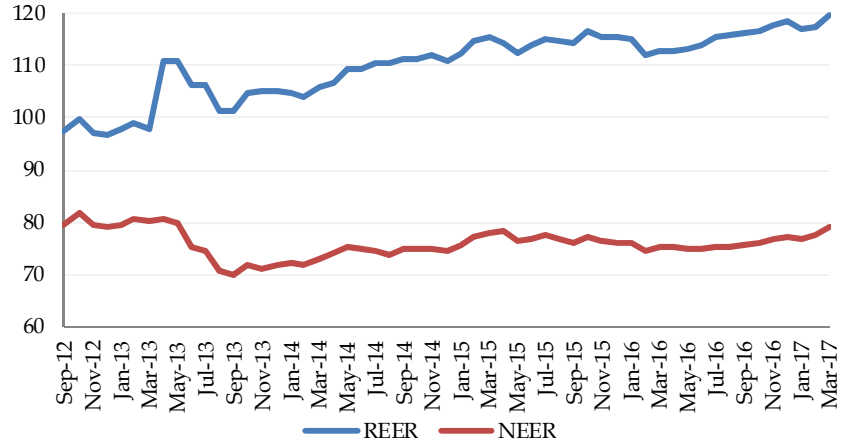
Period	RBI Gross Sale $	RBI Gross Purchase of $	RBI Net Purchase of $	Outstanding Forward Sales (-)/Purchase (+)
Mar-17	1,486	5,024	3,538	10,835
Feb-17	1,011	2,201	1,190	2,842
Jan-17	1,749	1,335	-414	501
Dec-16	4,534	4,997	463	586
Nov-16	21,845	19,127	-2,718	2,944
Oct-16	9,966	9,548	-418	5,632
Last 12 Months	**59,413**	**71,764**	**12,351**	

Currency Picture: INR continues to be overvalued on a REER basis

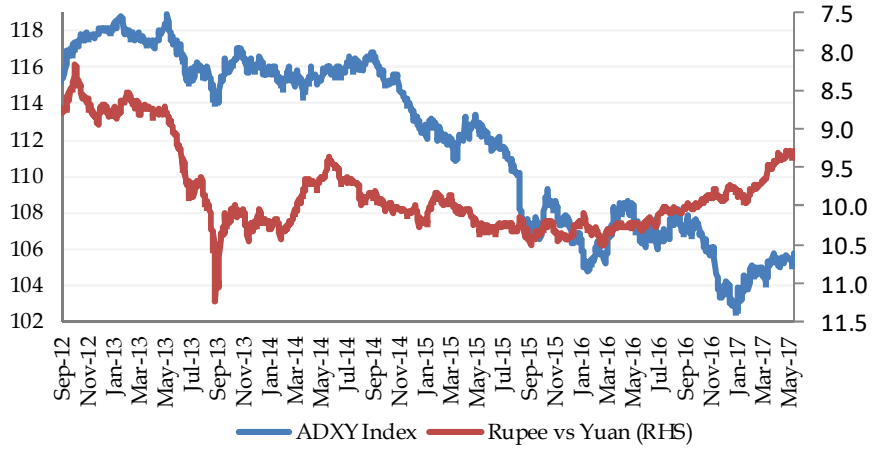
Rupee Performance



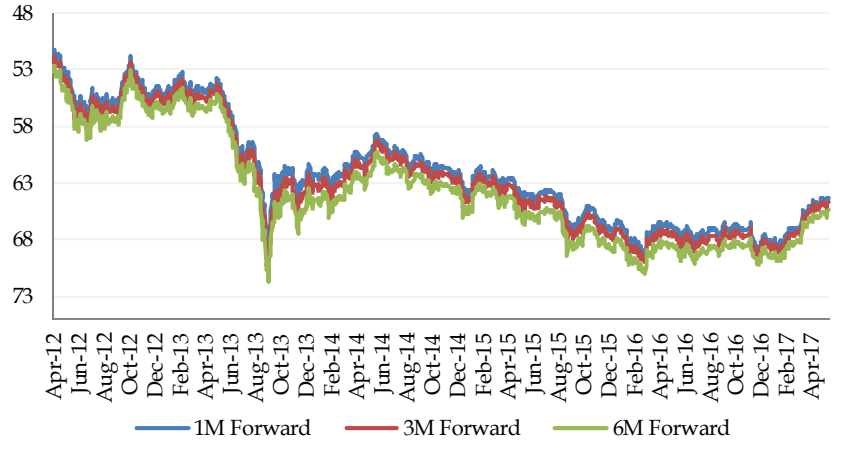
Real and Nominal Effective Exchange Rate



Rupee Performance

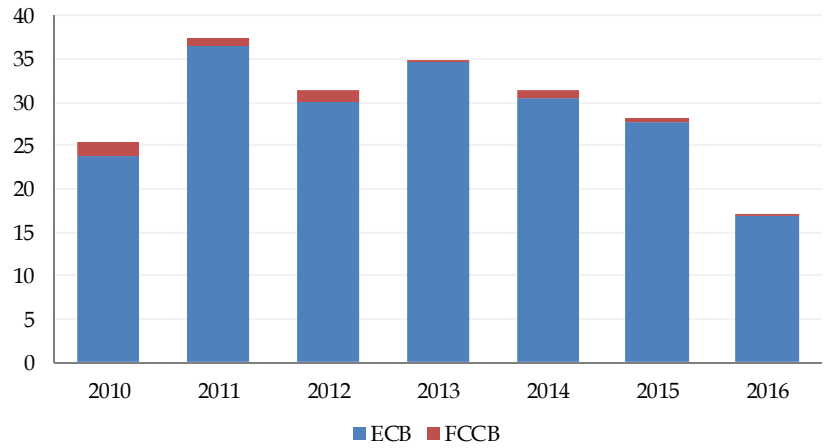


Rupee Forwards



External Commercial Borrowings: Maturities manageable

ECB/FCCB Issuances ($B)



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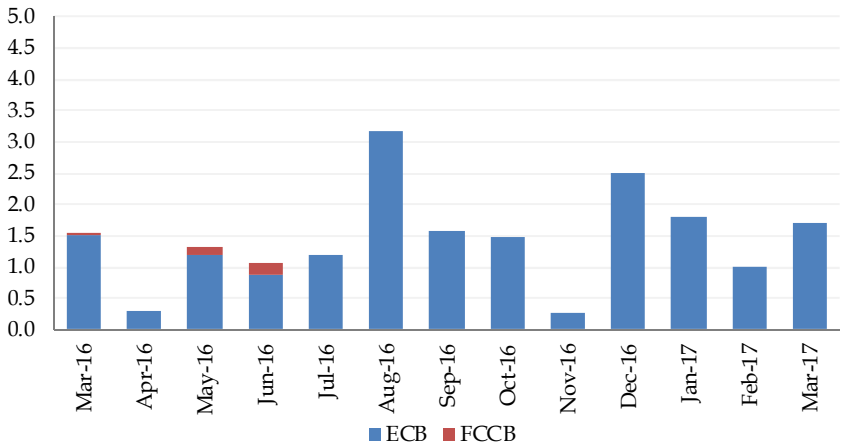
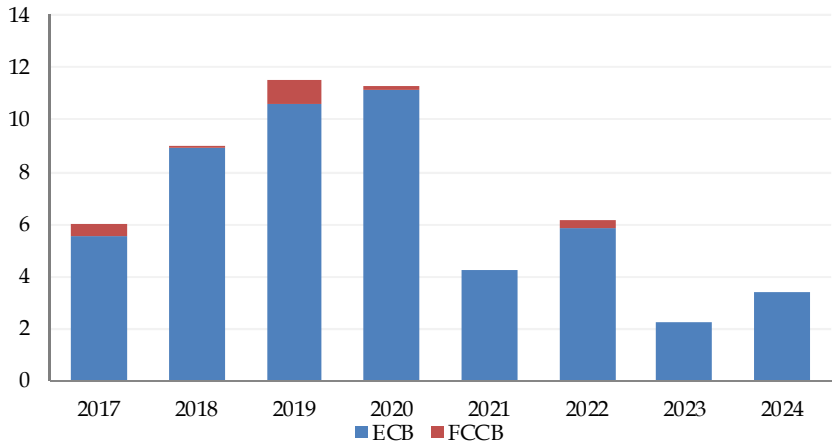
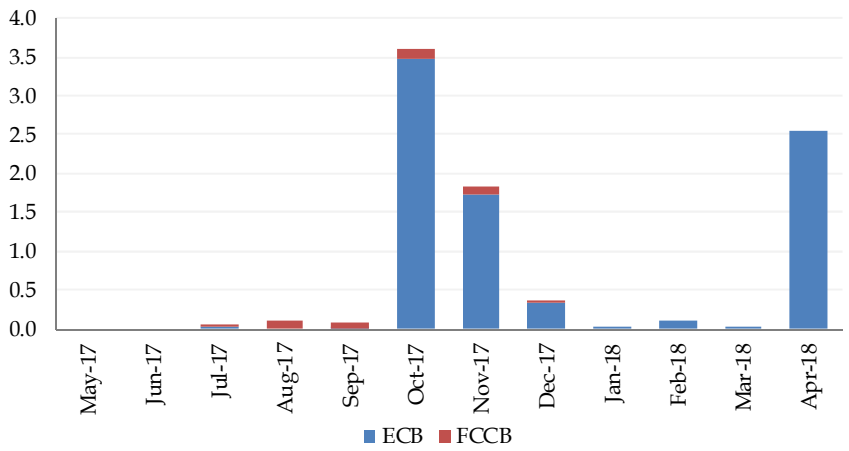


ECB/FCCB Maturity Profile ($B)

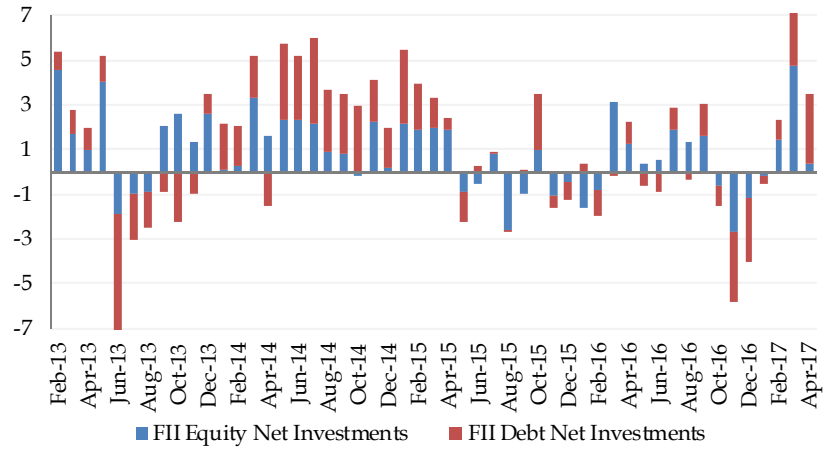


ECB/FCCB Maturity Profile ($B)

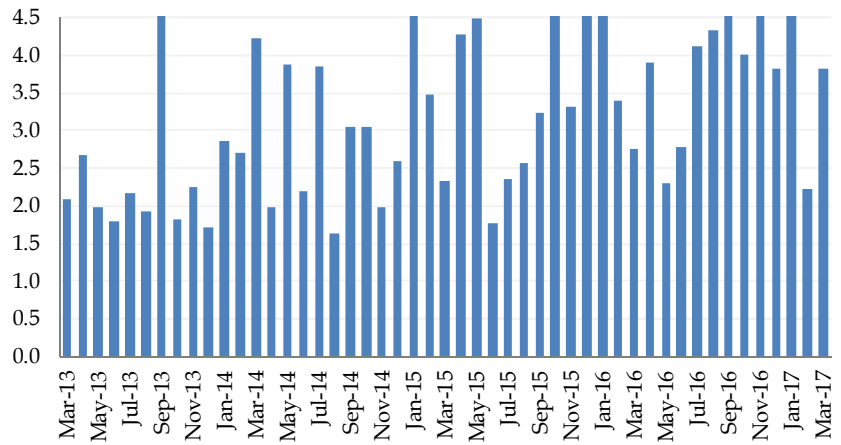


Foreign Investment: FII inflows have accelerated

FII Investments ($B)



Net FDI investments ($B)



Conclusions

- India's trade deficit widened in April on the back of increased imports however the strong export growth performance has also continued. Overall India's external position has improved significantly over the last two years which has reduced its vulnerability to external shocks. Reflecting this improvement the current account deficit for H1 FY17 came in at 0.3% of GDP a significant improvement over the last several years.
- India has benefited from a number of developments which has put it in a better position to deal with the current rise in global risk aversion and other geopolitical developments. India has steadily built its foreign exchange reserves to comfortable levels while at the same time reducing the share of short term debt as a share of total external debt. However the level of foreign exchange hedging by Indian companies needs improvement to limit forex risks.
- This improvement has now been supplemented with the recent improvement in export growth. India has shown seven consecutive months of positive export growth after a prolonged period of declines.
- Despite the recent uptick in the trade deficit we believe external risks remain balanced and we expect the CAD to continue to remain manageable. The Rupee has appreciated to four year highs post the recent state assembly elections. While the RBI may not desire such a rapid appreciation its ability to intervene aggressively is limited as it is wary of increasing domestic liquidity through its intervention given that the banking system is already awash with surplus liquidity. The RBI is currently attempting to tackle the liquidity surplus problem which should give it more flexibility in managing Rupee volatility in the medium term. Meanwhile the stable currency continues to attract FII inflows into Indian debt as it presents an attractive carry opportunity.

Rates and Credit Research
Binyam Taddese
+91 22 42245037
binyam.taddese@trustgroup.in

Institutional Sales
Pranav Inamdar
+91 22 40845031
pranav.inamdar@trustgroup.in

Head of Equity
Naren Shah
+91 22 42245074
naren.shah@trustgroup.in

FII Sales
Sandeep Bagla
+91 22 42245143
sandeep.bagla@trustgroup.in

Thank You

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Trust Group

109/110, 1st Floor, Balarama, Bandra Kurla Complex, Bandra (E), Mumbai -400 051, Maharashtra.

Ph: +91 22 4084 5000 • Fax: +91 22 4084 5052 • www.trustgroup.co.in