

Merchandise trade deficit deteriorated to a new record of USD37.8bn in November from USD27.1bn in October

30 December, 2024

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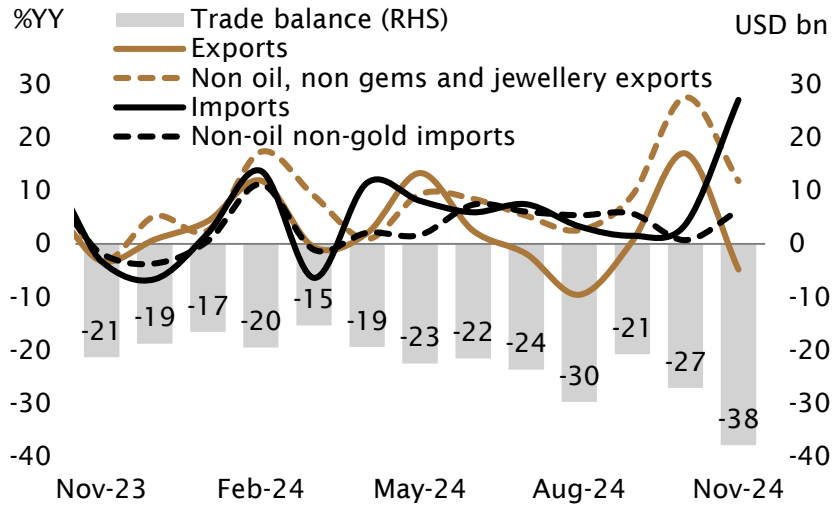
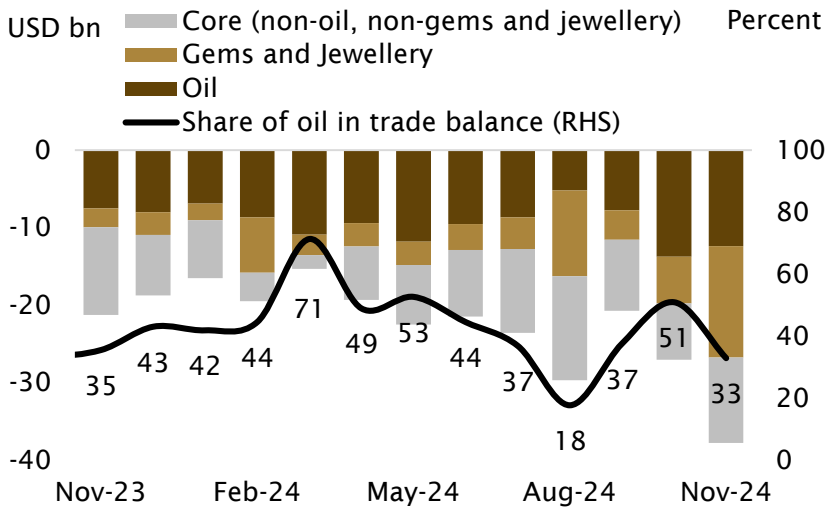
Key takeaways

- In November, merchandise trade deficit deteriorated to a record high of USD37.8bn from USD27.1bn in October. Most market surveys had indicated narrowing of deficit (Bloomberg survey: USD23bn). Exports fell month-on-month, while imports rose at a slower pace compared to October. Base effects were unfavorable, dragging down year-on-year exports growth and driving imports higher. Exports fell 4.8%YY after 17% growth in October, while imports surged 27%YY, compared to 3.6% growth in the previous month.
- Core trade deficit (non-oil, non-gems and jewellery) widened to USD11.0bn in November from USD7.3bn in the previous month, even as petroleum trade deficit narrowed to USD12.4bn from USD13.8bn. However, the main culprit for the marked deterioration in goods trade deficit was the gap in gems and jewellery trade that worsened to a fresh record of USD14.4bn from USD6.1bn in October. This could be mainly attributable to higher demand ahead of the festive and wedding season, and the duty cuts announced in July 2024.
- In November, services surplus rose to USD18bn from USD17bn in October and continued to improve on fiscal year-to-date basis (FYTD). During April-November, goods trade deficit was steeper at USD202bn vis-à-vis USD171bn in the same period in FY24, causing deterioration in the overall trade deficit.
- As per the latest update by UN trade and development (UNCTAD), global trade is on track to reach USD33trillion in 2024, up USD1trillion from 2023. However, the outlook for 2025 remains clouded by risks of trade tensions amid likely policy shifts by the US and the ongoing geopolitical woes.

Merchandise trade deficit deteriorated in November amid year-on-year surge in imports and decline in exports

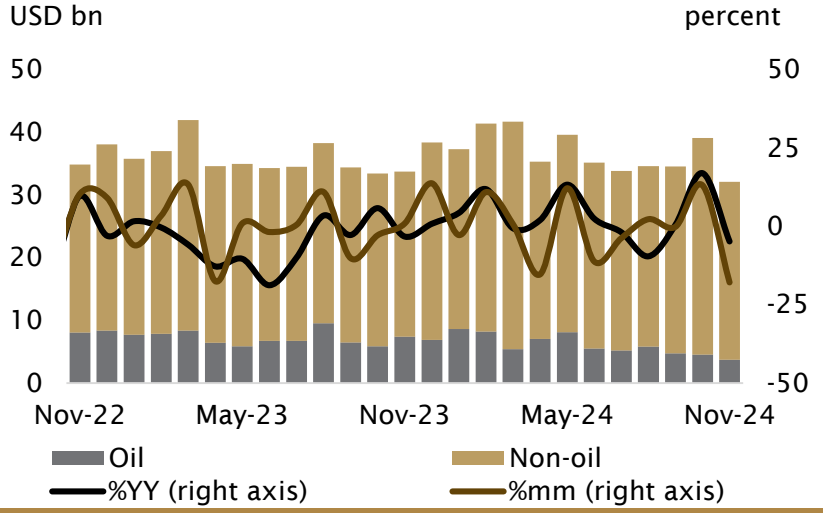




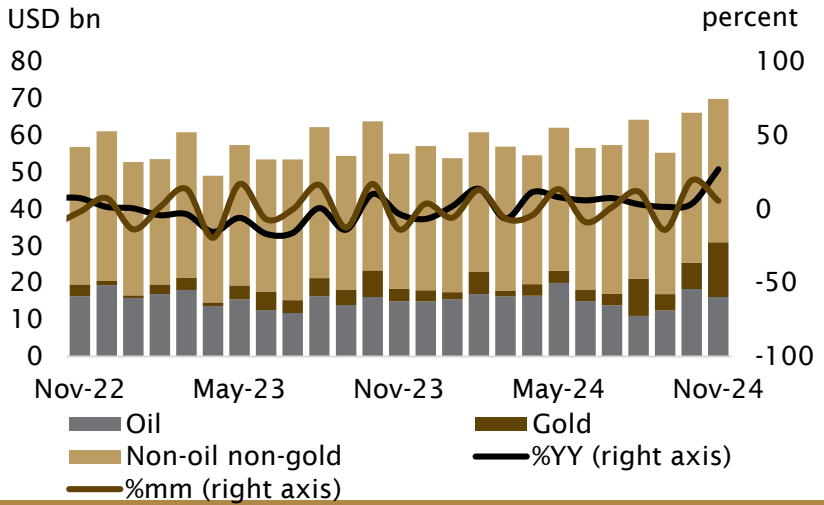
Goods trade deficit worsened due to core, gems and jewellery trade gap

- In November, goods trade deficit deteriorated to a record high of USD37.8bn from USD27.1bn in October. Exports fell month-on-month, while imports rose at a slower pace compared to October. Base effects were unfavorable, dragging down year-on-year exports growth and driving imports growth higher. Exports fell 4.8%YY after 17% growth in October, while imports surged 27%YY, compared to 3.6% growth in the previous month.
- Core trade deficit (non-oil, non-gems and jewellery) widened to USD11.0bn from USD7.3bn in October. Both core exports and imports fell month-on-month, with exports declining at a steeper pace than imports. In terms of year-on-year change, core exports growth stayed in double digits but eased compared to October amid negative monthly momentum. Despite month-on-month decline, core imports grew at a faster year-on-year pace compared to October due to base effects.
- The deficit in gems and jewellery trade worsened to a fresh record of USD14.4bn in November from USD6.1bn in October. Exports fell month-on-month, while imports surged. In year-on-year terms, exports declined, as negative monthly momentum offset favorable base effects. Imports rose due to sequential momentum and base effects.
- Petroleum trade deficit narrowed to USD12.4bn in November from USD13.8bn in October amid month-on-month decline in both exports and imports. In terms of year-on-year change, exports contracted for the sixth straight month, with the decline in November being the sharpest since end-2020, and dragged down by unfavorable base effects. The year-on-year growth in oil imports remained positive but eased compared to October. The share of oil in trade deficit moderated to 33% from 51% in October.

Exports growth



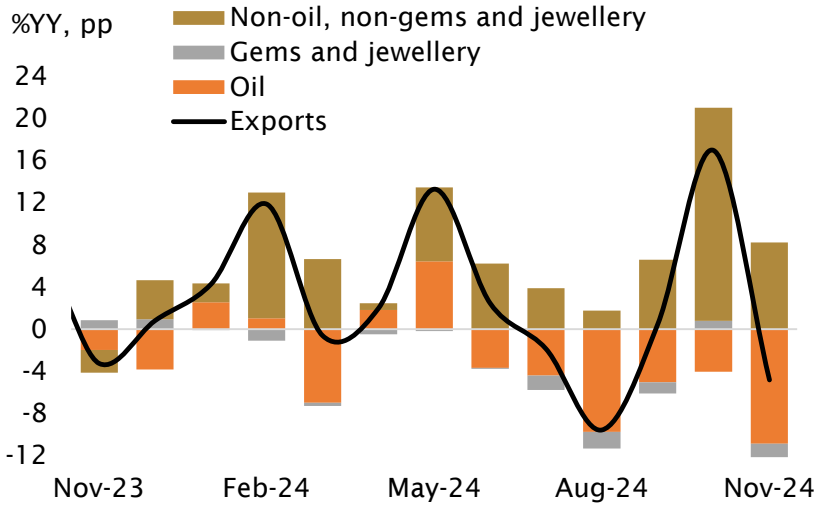
Imports growth



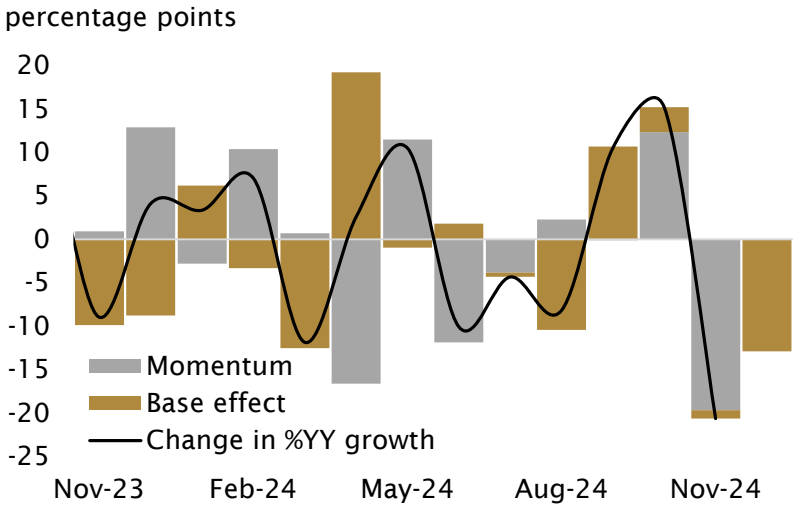
Exports fell year-on-year due to decline in oil, gems and jewellery exports

- After increasing for two straight months, merchandise exports fell year-on-year in November due to month-on-month decline and unfavorable base effects.
- In terms of year-on-year change, oil exports remained in double-digit contraction for the sixth consecutive month, with the decline in November being the sharpest since end-2020. Gems and jewellery exports fell, while core exports stayed in expansion, albeit at a slower pace than in October.
- Of the 30 main categories, exports decreased year-on-year in nine groups, up from five in October. Within core exports, iron ore, chemicals, and oil meals were among laggards, while electronic and engineering goods, and rice contributed strongly to growth.
- Exports of all three major groups – petroleum, gems and jewellery, and core – fell month-on-month.

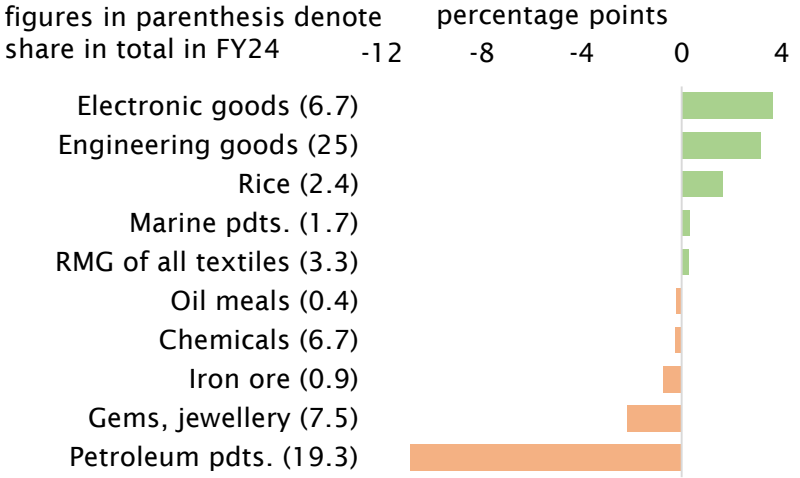
Contribution to exports growth – November 2024



Exports fell y-o-y due to m-o-m decline, base effects



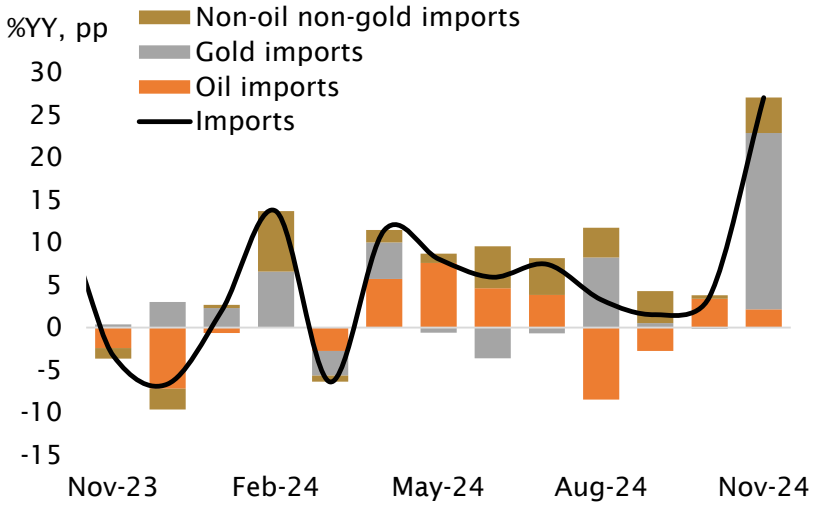
Contribution to exports growth – November 2024



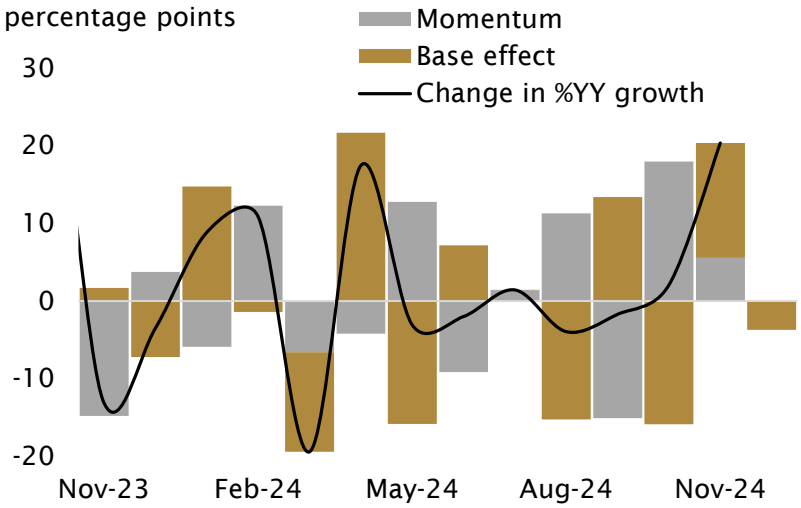
Gold imports lifted overall import growth to the highest in over two years

- In November, the monthly momentum in imports eased from the previous month, but base effects lifted year-on-year growth to the highest in over two years.
- Gold imports rose at a faster month-on-month pace compared to October due to the festive and wedding season demand but was lower than the surge in August. Base effects drove the year-on-year growth in November to the highest since mid-2022. The year-on-year growth in oil imports eased from the previous month, but improved in case of core imports. In terms of monthly change, oil and core imports fell.
- Of the 30 major categories, imports rose year-on-year in 23 groups, higher than 20 in October. Within core imports, electronics, vegetable oil, machinery added to growth. Imports of coal, briquettes, etc; iron and steel; and transport equipment were among laggards.

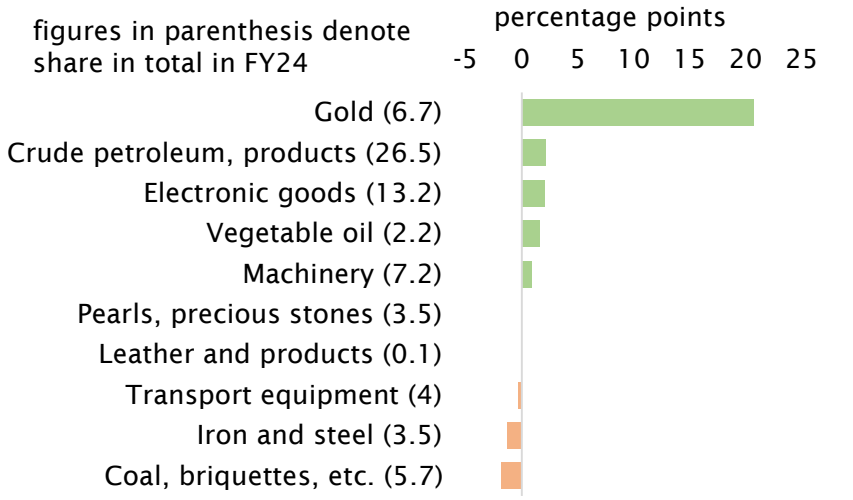
Contribution to imports growth – November 2024



Base effects, monthly momentum drove import growth



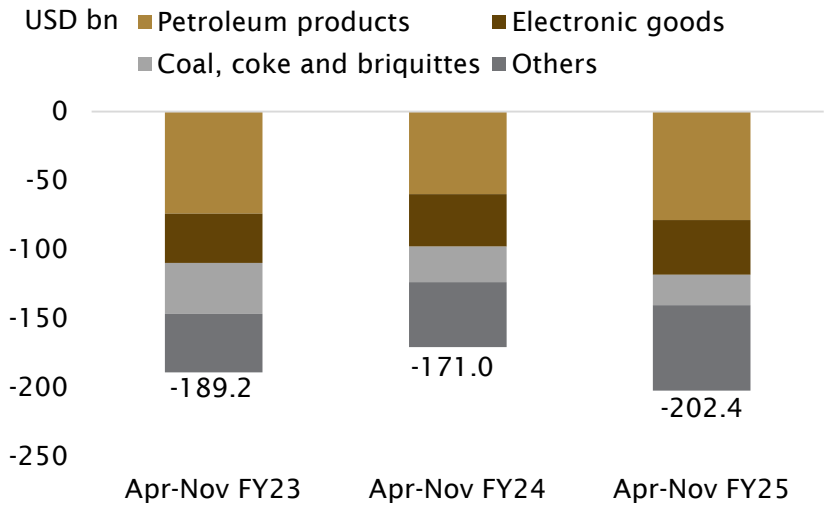
Contribution to imports growth – November 2024



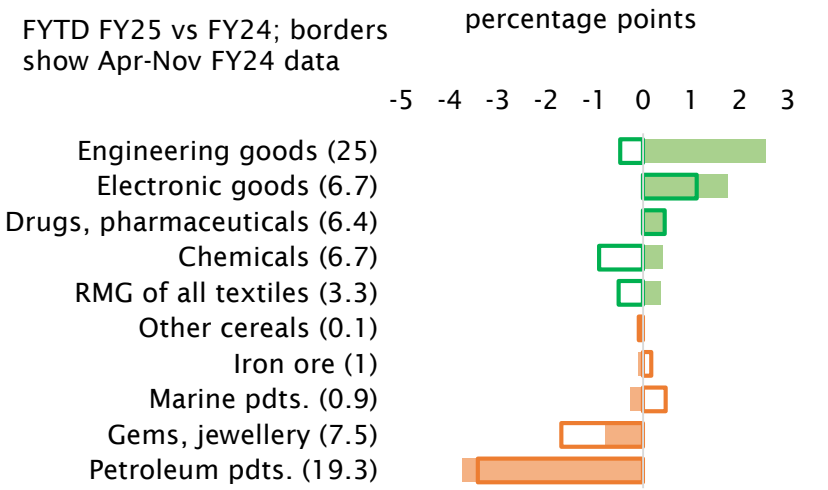
Goods trade deficit widened in Apr-Nov FY25 vs same period in FY23, FY24

- On a fiscal year-to-date basis (FYTD-Apr-Nov), exports and imports increased year-on-year after declining in the same period of FY24. Exports grew 2.2%YY versus 6.7% decline in FYTD FY24. Imports rose 8.3%YY, compared to 7.8% decrease. In FYTD terms, the trade deficit was steeper in FY25 vis-à-vis FY24 and FY23.
- Engineering goods added the most to exports growth, more than reversing the trend in the same period of FY24. The contribution of pharmaceuticals, electronics remained strong. Chemicals and textiles also added to growth after declining in FYTD FY24. Petroleum products and gold jewellery remained a drag.
- Gold added the most to imports growth in FYTD FY25. Electronics contributed strongly to imports, reversing the trend in FYTD FY24. The contribution of oil to imports growth was similar to that in FYTD FY24.

Trade deficit widened in Apr-Nov FY25 vs Apr-Nov FY24

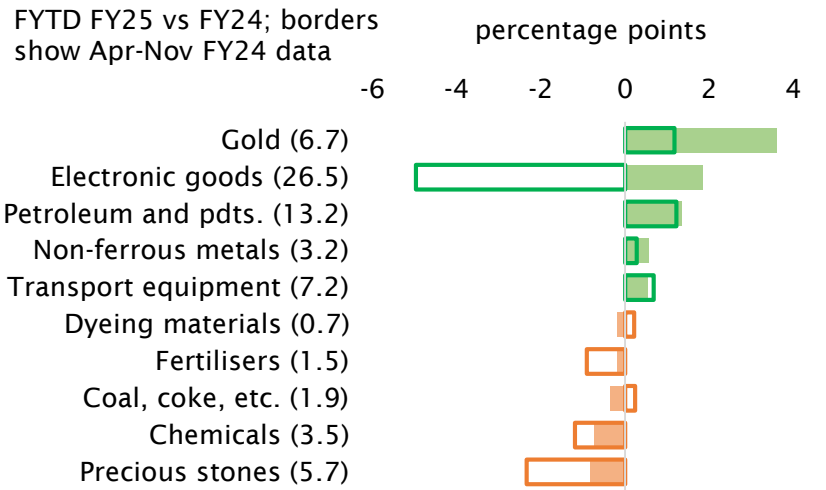


Contribution to %YY exports growth



Note: Numbers in parenthesis show share in FY24

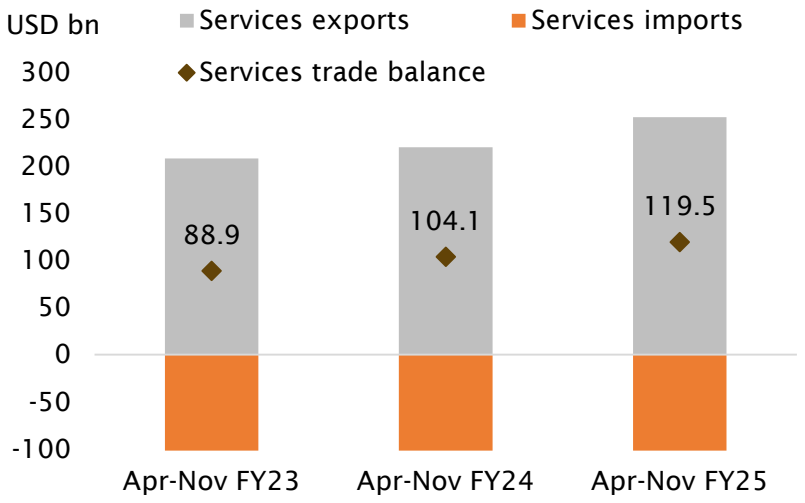
Contribution to %YY imports growth



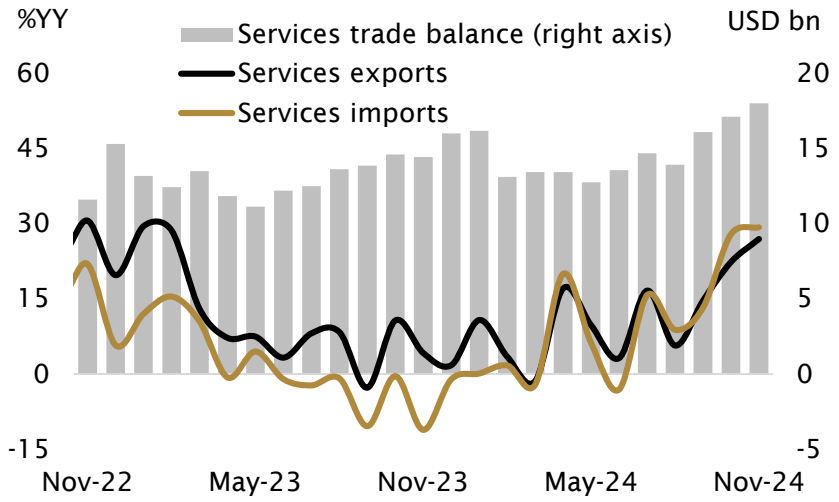
Services trade surplus improved further in November and on FYTD basis

- In fiscal year-to-date terms (FYTD-April-November), services trade surplus improved to USD119.5bn from USD104.1bn in the same period of FY24. Both exports and imports grew over 14%YY. In FYTD FY24, exports were up 5.6%YY, while imports had declined 2.9%.
- In November, services surplus rose to USD18bn from USD17.1bn in October. The month-on-month growth in both exports and imports eased compared to October, and exports growth continued to outpace imports.
- In terms of year-on-year change, both services exports and imports growth improved from October, as monthly momentum offset mildly unfavorable base effects.
- Despite higher services surplus, deterioration in goods deficit led to steeper total trade deficit of USD19.8bn versus USD10.0bn in October. In FYTD FY25, total deficit widened to USD82.9bn from USD66.9bn in FYTD FY24.

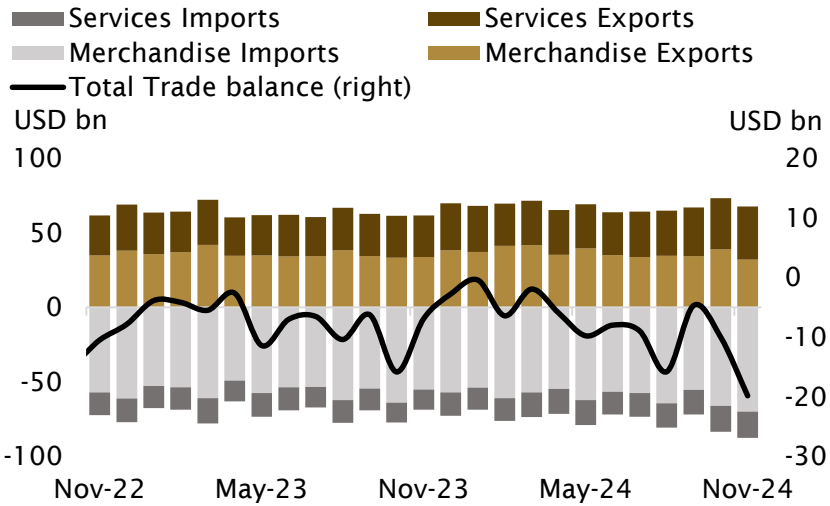
Services surplus continued to improve FYTD FY25



Services trade surplus improved further in November



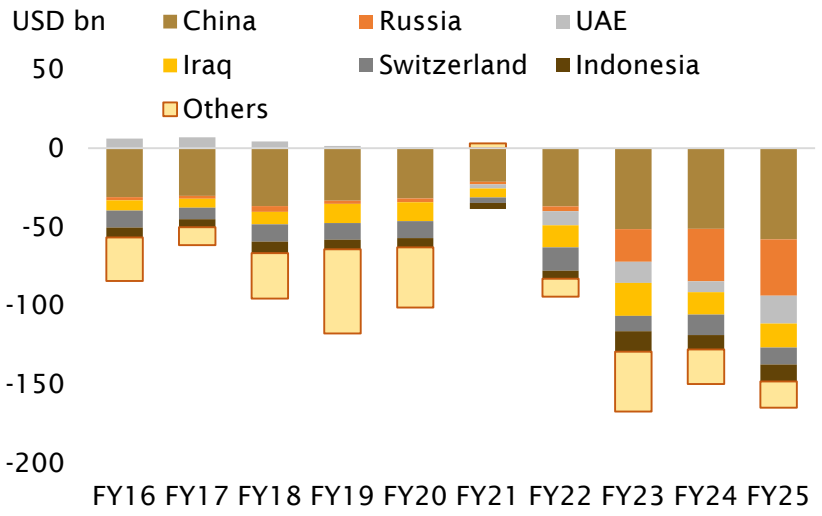
Total trade deficit worsened on monthly and FYTD basis



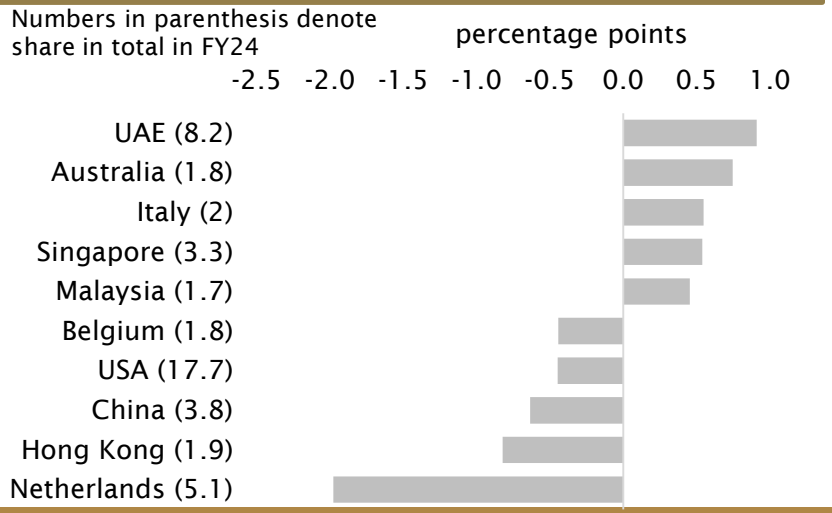
Merchandise trade deficit remained the widest vis-à-vis China in Apr-Oct

- Detailed data till October shows that on fiscal year-to-date basis, India's trade deficit remained the steepest vis-à-vis China, followed by Russia. The increase in deficit versus the same period in FY24 was the largest vis-à-vis the UAE amid a surge in gold imports. Computer hardware, industrial machinery, and telecom instruments were among major imports from China, while petroleum and fertilizers were main imports from Russia.
- Initial data for November shows that imports from the UAE and Switzerland added the most to growth, even as China topped the list in terms of share. In case of exports, UAE and Australia added the most to growth, though the share remained the largest to the US.
- Till October, gold was the main import from Switzerland. Gold and precious metals were major exports to the UAE, while electronic components, cotton fabrics, and pharmaceuticals remained key exports to the US.

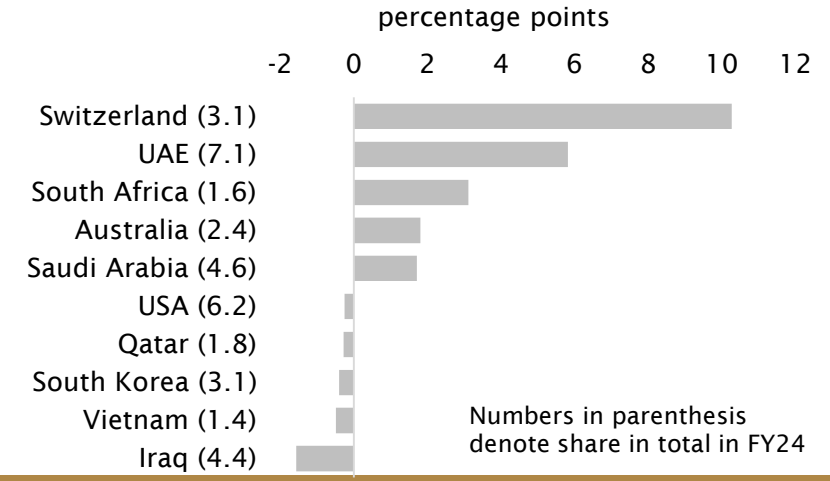
Trade deficit by economy – fiscal year-to-date (Apr-Oct)



Contribution to year-on-year export growth – Nov 2024



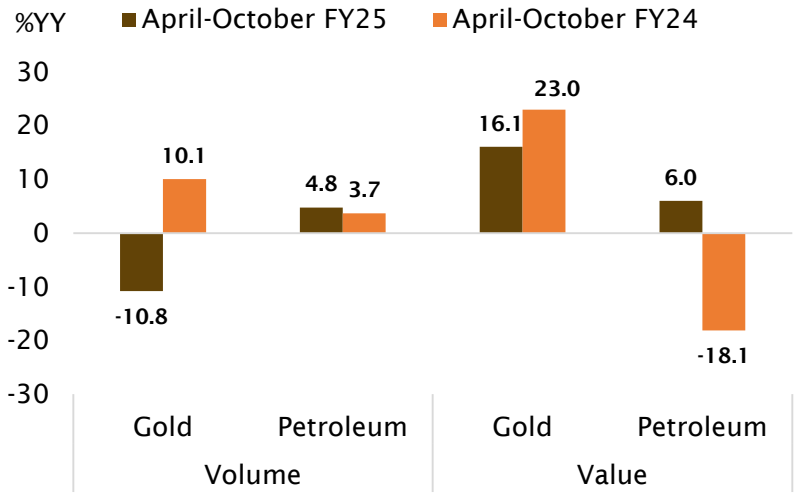
Contribution to year-on-year import growth – Nov 2024



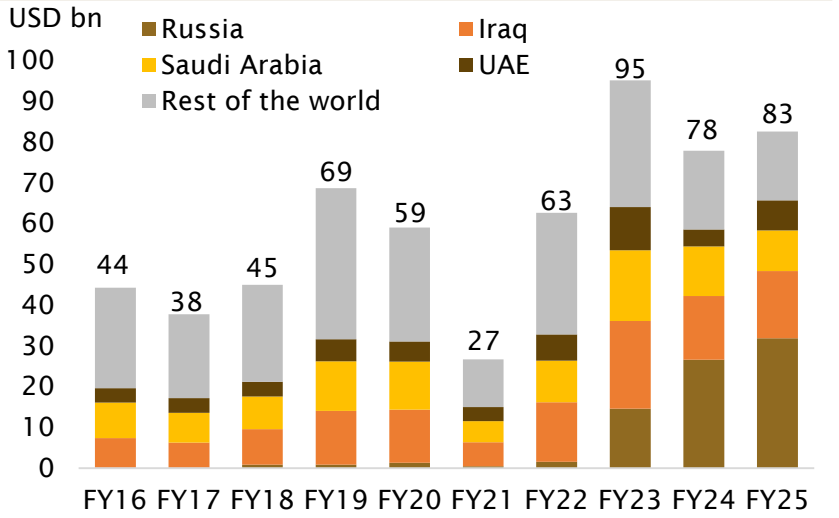
In Apr-Oct FY25, most oil imports were from Russia, gold from the UAE

- On fiscal year-to-date basis (FYTD), crude oil imports in Apr-Nov amounted to around USD123bn, up 7%YY. Detailed data till October shows that imports from Russia continue to dominate and have displaced Iraq as the largest exporter of oil to India as per FYTD data for FY24 and FY25. Russia accounted for 39% of India's crude oil imports in FYTD-FY25, up from 2% in FYTD-FY22.
- In Apr-Nov, India's gold imports rose to USD49bn from USD33bn in the same period of FY24. Data till October shows that most gold imports were from the UAE versus FYTD-FY24, when the major share was from Switzerland.
- In terms of value, gold and crude oil imports are higher year-on-year FYTD (Apr-Oct). There is an increase in crude oil import volume, though gold import volume is lower, reflecting the impact of rise in global gold prices that have lifted values despite the decline in volume.

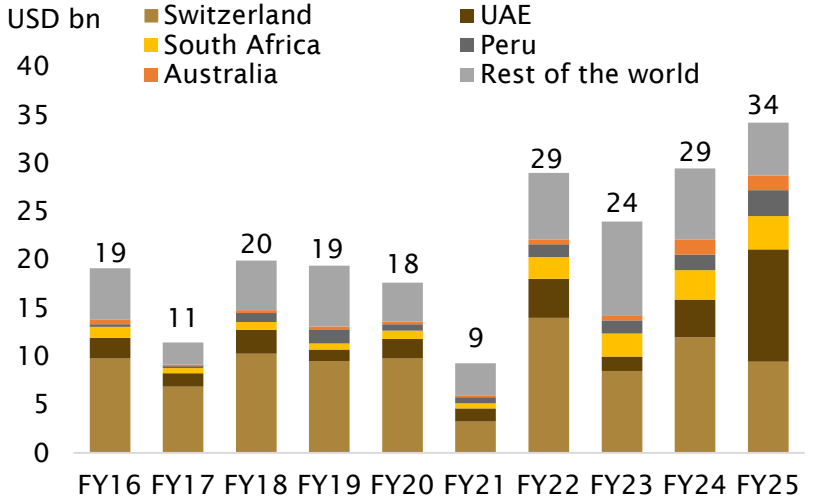
Despite high gold import value, volumes are down y-o-y



Crude petroleum imports by economy – April-October



Gold imports by economy – April-October



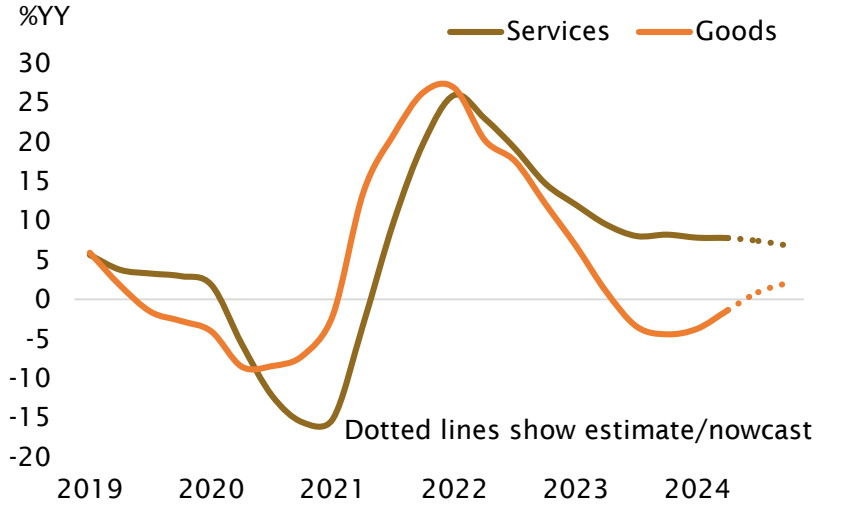
Global outlook uncertain amid trade tension risks, geopolitical woes

- As per the latest update from UN trade and development (UNCTAD), global trade is on track to reach USD33trillion in 2024, up USD1 trillion from 2023. Trade has been driven by services, while goods trade growth has been slower. During July-September, developed economies drove global trade growth, while emerging market economies struggled. Among sectors, trade was led by information and communications technology (ICT) products and apparel.

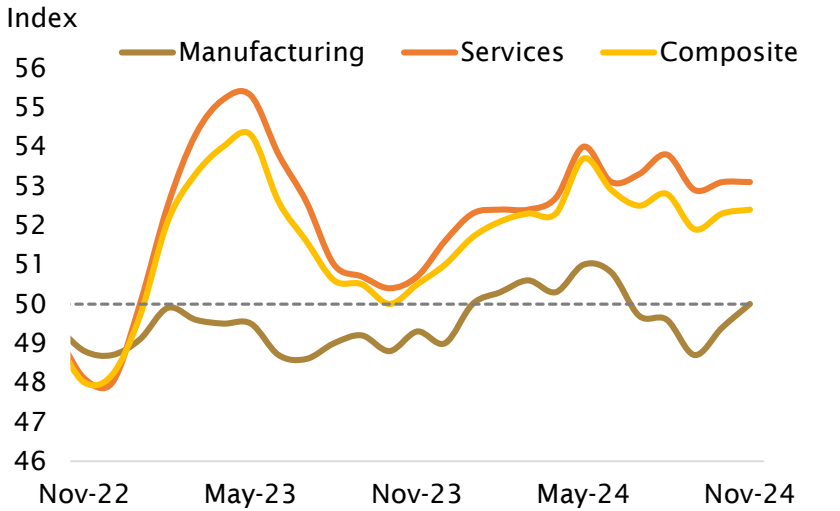
- Globally, the services sector continues to outperform the manufacturing segment, as post-pandemic recovery in the latter remains sluggish. This weakness is evident in manufacturing PMI for advanced economies such as the US, Eurozone, Japan and the UK. The rebound in manufacturing PMI for emerging market economies in recent months has been led by Asia amid apparent front-loading of export orders ahead of expected US tariff hikes, even as domestic policy support is lifting economic activity in China.

- The outlook for 2025 remains clouded by risks of trade tensions amid likely policy shifts and the ongoing geopolitical woes. Post the US Presidential election outcome, trade policy uncertainty in the US has increased, with potential spillovers for global trade prospects.

Global trade in goods and services



Global PMI – Manufacturing recovery remains sluggish



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