

INDIA

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India Economics

November Trade Deficit Remains over US\$6bn; Maintain our FY07 estimate of the deficit widening to US\$52.8bn v/s US\$39.6bn in FY06

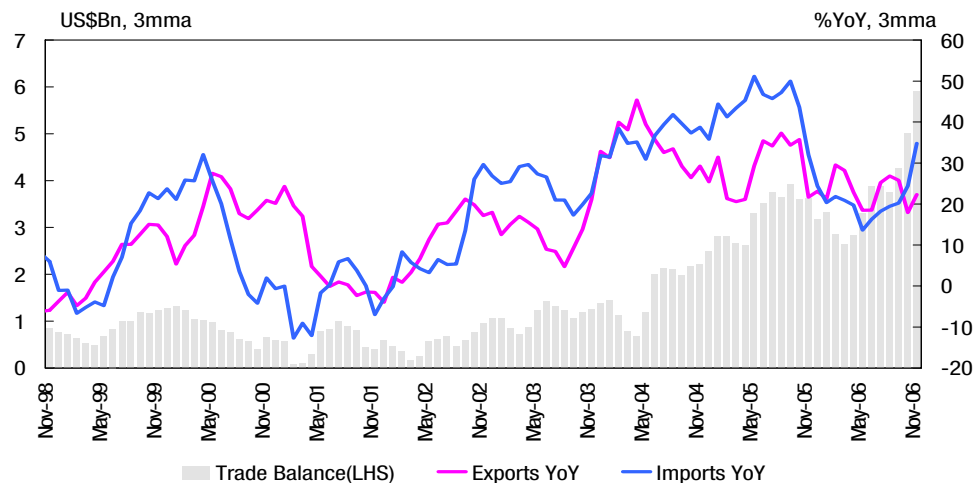
Nov Trade: Forecast and Actuals

	Actual	Citigroup Forecast	Previous Data 1	Previous Data 2
Nov Exports (% YoY)	33.6	30.3	11.4	21.9
Nov Imports (% YoY)	42.8	35.0	36.8	24.8
Nov Trade balance (US\$bn)	6.2	5.6	6.2	5.3

Source: Directorate General of Commercial Intelligence and Statistics

- **Nov trade deficit remains at US\$6bn:** Exports for November came in at US\$9.6bn, up 33.6%yoy while imports, led by oil and non-oil imports, were up 42%yoy to US\$15.8bn. Interestingly, oil imports posted growth of 75%yoy, despite easing oil prices, while non-oil imports remained high at 32% reflecting the buoyancy in the economy. This resulted in a trade deficit of US\$6.2bn
- **On a cumulative basis,** exports rose 24% during April-November to US\$79.5bn, while imports rose by 24%yoy to US\$115.6bn. As a result, the trade deficit widened to US\$36bn vs.US\$29bn during the same period last year
- **Maintain our full year estimates** of exports touching US\$120.7bn (20%) and imports up US\$173bn (33.3%) resulting in the customs trade deficit widening to US\$52.8bn in FY07 as compared to US\$39.6bn in FY06.
- **Maintain our rupee appreciation view:** Rising trend of trade deficits poses a challenge for India’s current account and its currency, but higher invisible inflows (software exports and remittances) coupled with strong capital inflows will limit the rise in the CAD to US\$16.6bn in FY07 or 1.8% of GDP and should keep the currency on the slow appreciation trend.

Trends in Exports, Imports (% YoY, 3mma) and Trade Balance (US\$bn, 3mma)



Source: DGCI&S

Disclosure Appendix

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