

# Asia Economics Data Flash

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## India September trade: Sharp fall in export growth

**Merchandise exports growth fell sharply to 10.4% yoy in September**, compared to 26.9% yoy in the previous month and 31% yoy in April-August this year (see Exhibits 1 and 2). In value terms, exports fell to US\$13.7 billion from US\$16 billion in August. Sequentially, exports fell by 9.5% mom compared to a 4.0% mom fall in the previous month.

**Imports growth also declined to 43.3% yoy growth in September compared to 51.2% yoy growth recorded in August.** In value terms, imports fell to US\$24 billion from US\$30 billion in August. Growth in oil imports slowed to 57.1% yoy in September vs. 76.7% yoy in August, reflecting falling oil prices. Growth in non-oil imports softened a notch to 36.2% yoy vs. 39.6% yoy in August confirming the moderation in activity we have been seeing in other economic indicators such as the Purchasing Managers Index, port traffic, railway revenues and cellular subscriptions.

**The trade deficit narrowed to US\$10.6 billion** from a record US\$14 billion in August as growth in both exports and imports fell.

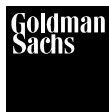
**Short-term weakness in the rupee (INR) to continue.** The sharp fall in September exports can partly be attributed to the volatile nature of monthly trade data. However, exports are likely to slow further as external demand continues to deteriorate. Although the impact of falling exports on the INR is likely to be offset somewhat by falling imports, pressure for the INR to weaken in the near term remains, not only due to portfolio outflows, but mainly due to corporates and banks swapping INR for USD to meet their international funding needs. Unless these pressures ease, further weakness of the INR is likely to continue in the near term.

Note: this is part of the series of data releases we cover for India, based on a comprehensive analysis of the key releases that drive Indian equity, rates and FX markets. Please see [August: No surprise](#), India Surprise Index Monthly Update, September 5, 2008 for more details.

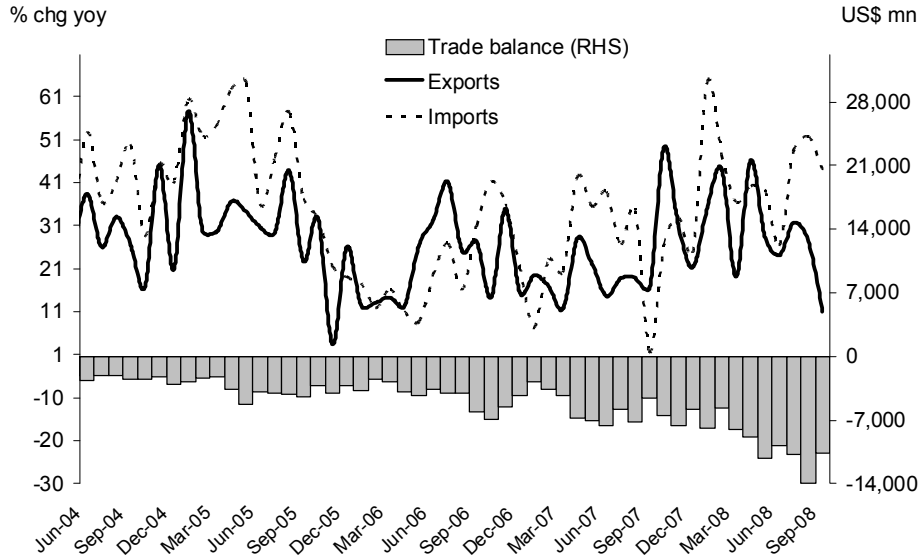
### Exhibit 1: India trade data

	Sep-08	Aug-08	Jul-08	Jun-08	May-08
<b>Exports</b>					
yoy %	10.4	26.9	31.2	23.5	27.6
mom sa %	-9.5	-4.0	9.5	-2.9	-7.4
<b>Imports</b>					
yoy %	43.3	51.2	48.1	25.9	38.7
mom sa %	-12.9	4.4	11.4	-1.9	-1.6

Source: Bloomberg, CEIC, Goldman Sachs Economics Research.



**Exhibit 2: The trade deficit narrowed as growth in both exports and imports fell**



Source: CEIC, Goldman Sachs Economics Research.

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