

## Economics

1 July 2010 | 5 pages

# India Macro Flash

## May Exports and Imports Rise More Than 35% YoY; Trade Deficit Up US\$11.3bn

- Latest trends in trade** — Exports in May were US\$16.1bn, up 35% yoy, while imports came in at US\$27.4bn, up 38.5%, led by oil imports at US\$8.8bn (+67%) and non-oil imports (+32.2%). This resulted in the trade deficit coming in at US\$11.3bn, similar to the trend last month. On a cumulative basis, the trade deficit during Apr-May was up US\$21.7bn v/s US\$14.5bn in the same period last year. (*Commodity composition of trade is available only till Feb10.*)
- Domestic trends in line with regional trends** — Like other Asian economies (except Singapore), the export growth momentum for May has surprised on the upside<sup>1</sup>. The impact from the Euro area sovereign credit crisis has been limited so far, and largely confined to translation losses from the weaker Euro, rather than lower trade volumes.
- Base effect likely to wear out from Sept onwards** — While our numbers have incorporated sub-par growth in the G3, given the base effect we expect a sharp moderation in growth trends post September.
- Expect trade deficit to widen to US\$123bn in FY11** — Based on the RBI's recently released BoP data, and the upturn seen in non-oil imports, we expect India's customs trade deficit to widen to US\$123bn in FY11 from US\$102.1bn in FY10. This incorporates (a) export growth averaging 16.6%, (b) imports at 18% with average crude prices for the Indian basket at US\$78/bbl. (*See <https://www.citigroupgeo.com/pdf/SAP37730.pdf> for detailed BoP forecasts.*)

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Figure 1. May Trade – Snapshot (US\$bn, %)

	May-10	%YoY	April-May		FY11E	% YoY
			FY11	FY10		
Exports	16.1	35.1	33.0	24.3	205.8	16.6
Imports	27.4	38.5	54.7	38.9	328.9	18.0
Oil	8.8	66.7	16.9	10.0	100.9	18.0
Non-oil	18.6	32.2	37.8	28.8	228.0	18.0
<b>Trade Balance</b>	<b>-11.3</b>		<b>-21.7</b>	<b>-14.5</b>	<b>-123.1</b>	

 Source: DGCI&S, CIRA Estimates
 

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

<sup>1</sup> For details pls see the latest Asian Monthly Econ Outlook at <https://www.citigroupgeo.com/pdf/SAP37633.pdf>

# Charting Trends in Trade

Figure 2. Trends in Exports and Imports (%YoY, 3mma)

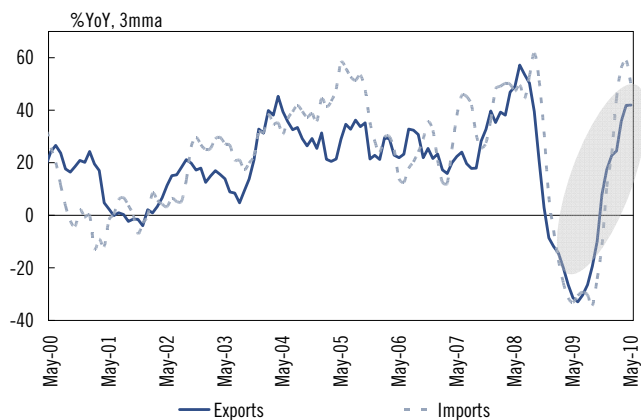


Figure 3. Trends in Trade (US\$bn, 3mma)

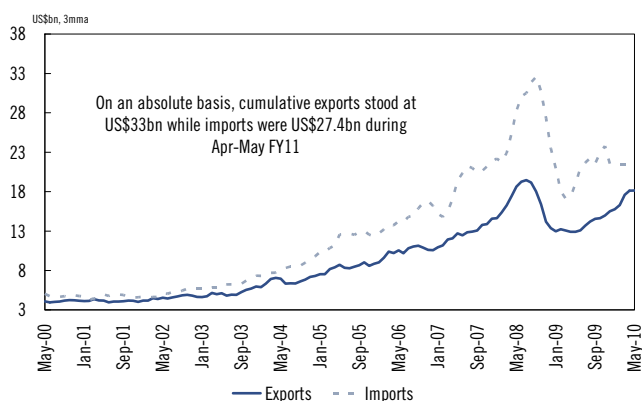


Figure 4. Trends in the Trade Deficit (US\$bn)

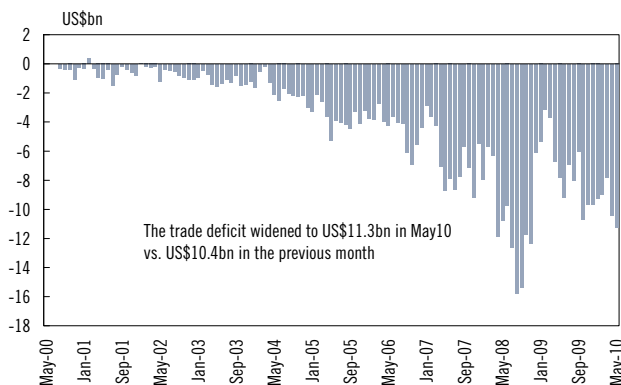


Figure 5. Trends in Non-Oil Imports (%YoY, 3mma)

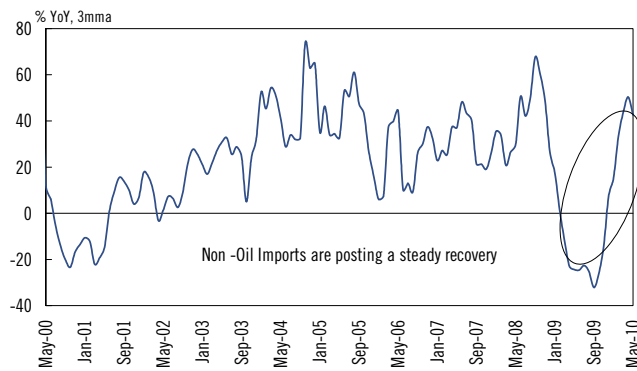


Figure 6. Trends in Oil Imports and Oil Prices (%YoY, 3mma; US\$/bbl)

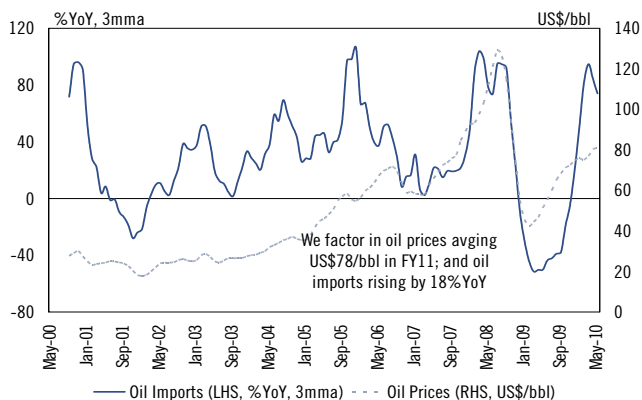
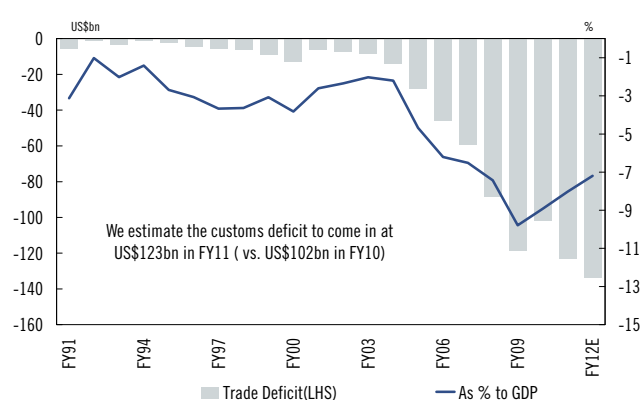


Figure 7. Annual Trends in the Customs Trade Deficit (US\$bn, % GDP)



Source: DGCI&S, CIRA, Bloomberg

Source: DGCI&S, CIRA, Bloomberg

## Appendix A-1

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