



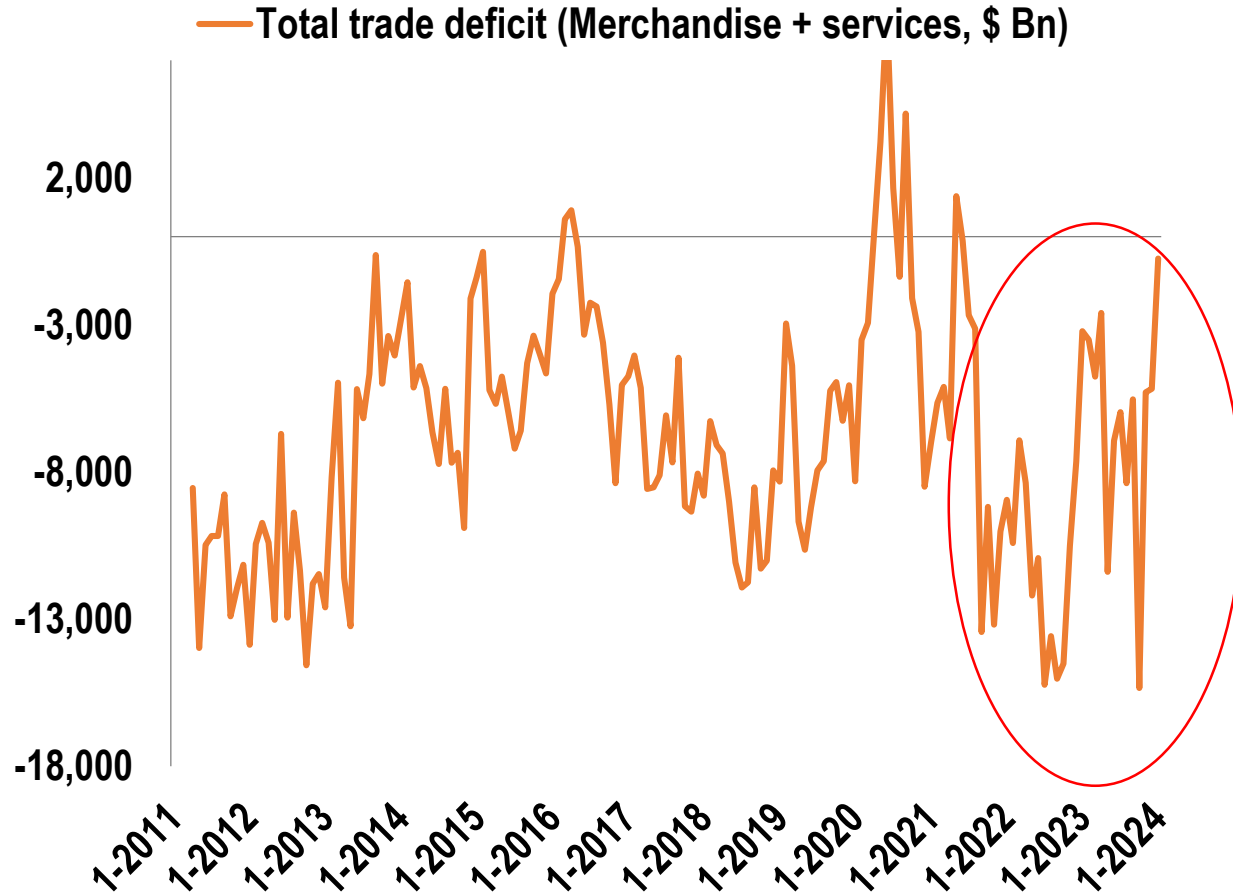
**Trade deficit narrowed to
lowest in c.2 ½ years**

15th February, 2024

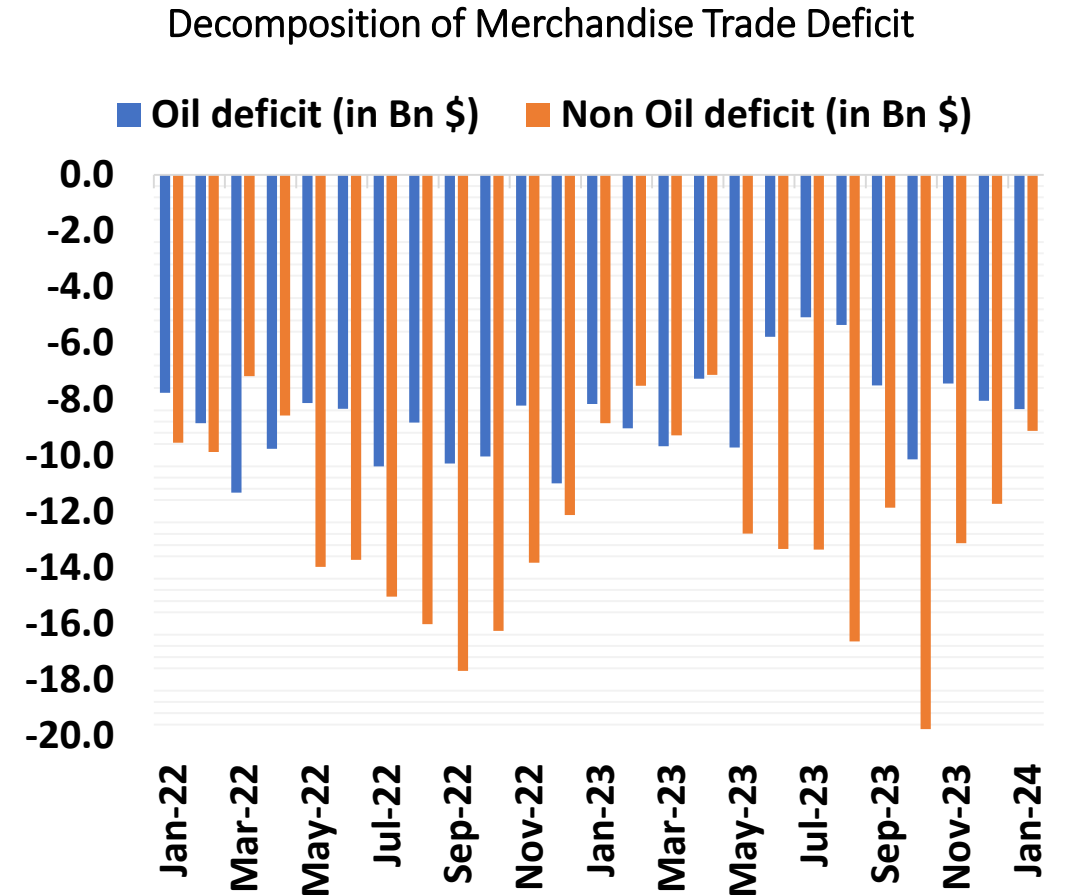
Trade Deficit narrowed despite Red Sea crisis

- ❖ India's merchandise trade deficit for January 2024 stood at \$17.49 bn, vis-a-vis \$19.80 bn in December 2023. Meanwhile, services trade surplus jumped to record highs of \$16.75 bn in January 2024.
- ❖ Hence, total trade deficit (Merchandise + Services) sharply slipped to \$0.74 bn in January, lowest since June 2021 (second covid wave period).
- ❖ Interestingly, trade Deficit narrowed despite the ongoing shipping concerns along the Red Sea route, with merchandise exports to India's major destinations are not severely impacted. Also, despite growth concerns in advanced economies, services trade surplus spiked to record levels.
- ❖ In terms of drivers of trade deficit, non-oil non-gold and gold led the improvement in trade dynamics while oil deficit saw some deterioration.
- ❖ Oil deficit marginally widened by \$0.3bn MoM on uptick in average oil prices to \$81/bbl in January vs \$77/bbl last month. Given the high trade sensitivity to oil prices, we are keeping a close watch.
- ❖ Gold deficit showed a surprising drop during festive/marriage season probably on price effects. Going forward, widening pressure on gold deficit likely to persist till April/May.
- ❖ Non Oil Non Gold deficit narrowed by c.\$1.6bn MoM to lowest since April 2023, led by electronics (explains c.70% of MoM change). Also, textiles, Metals, Coal and Chemicals were key contributors.
- ❖ Going forward, trade deficit is expected to see moderation with positive seasonality in the last quarter of the fiscal.

Trade deficit slipped to lowest since June 2021



Non-oil segment drove narrowing in trade deficit



USD bn	Exports	Imports	Oil Imports	Gold Imports	Trade deficit	w/w Oil deficit	Gold/ jewellery deficit	Non oil Non gold deficit
Apr-23	34.6	49.1	13.7	3.9	-14.4	-7.3	-1.4	-5.7
May-23	35.0	57.5	15.6	6.0	-22.5	-9.7	-3.1	-9.7
Jun-23	34.3	53.5	12.5	7.7	-19.1	-5.8	-5.2	-8.2
Jul-23	34.5	53.0	11.8	5.5	-18.4	-5.1	-3.1	-10.3
Aug-23	38.4	60.4	15.0	7.1	-22.0	-5.4	-4.3	-12.3
Sep-23	34.5	53.8	14.0	6.3	-19.4	-7.5	-3.1	-8.8
Oct-23	33.5	63.5	16.2	10.4	-29.9	-10.1	-7.5	-12.3
Nov-23	33.9	54.5	14.9	4.9	-20.6	-7.4	-2.1	-11.0
Dec-23	38.5	58.3	14.9	5.3	-19.8	-8.1	-2.4	-9.3
Jan-24	36.9	54.4	16.6	4.1	-17.5	-8.4	-1.5	-7.6

Thank You !

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