

March 2013

# CRISIL EconomyFirstCut

## Trade: Trade deficit falls to its lowest since June 2012

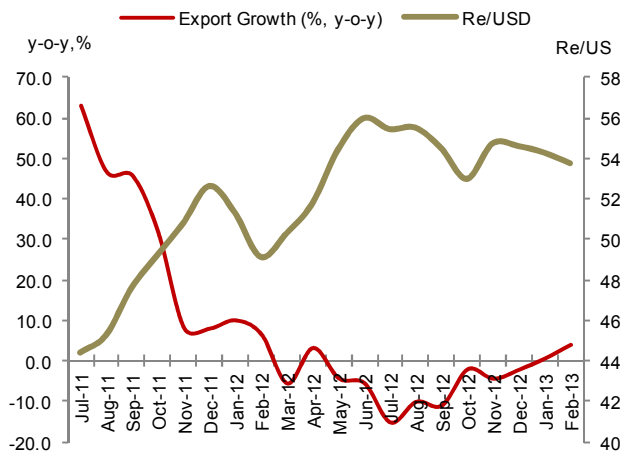
India's exports recorded a growth of 4.2 per cent on a y-o-y basis in February 2013. It is the first time since February last year that exports have grown at this pace. Improvement in the external environment particularly in the US and to some extent in Eurozone economies helped exports to recover. On the other hand, imports valued at US\$ 41.2 billion grew at a slower rate of 2.6 per cent. This helped in containing the trade deficit at US\$ 14.9 billion in February 2013 as against US\$20.0 billion in January 2013, a decline of 25.4 per cent. A lower trade deficit will ease the pressure on India's ballooning Current Account Deficit (CAD).

On a cumulative basis, exports during Apr-Feb 2012-13, stood at US\$ 265.9 billion, down 4.0 per cent on y-o-y basis. Imports at US\$ 448.0 billion, however, grew by 0.25 per cent during the same period. As a result, trade deficit for Apr-Feb 2012-13 grew at 7.2 per cent on a y-o-y basis and stood at US\$ 182.1billion

While, non-oil imports for the period of Apr-Feb 2012-13 contracted by 5.0 per cent, the oil import bill was 11.9 per cent higher than the corresponding period last year. Lower non-oil import is a reflection of both – a slowdown in domestic GDP growth as well as weakening of rupee which makes imports expensive.

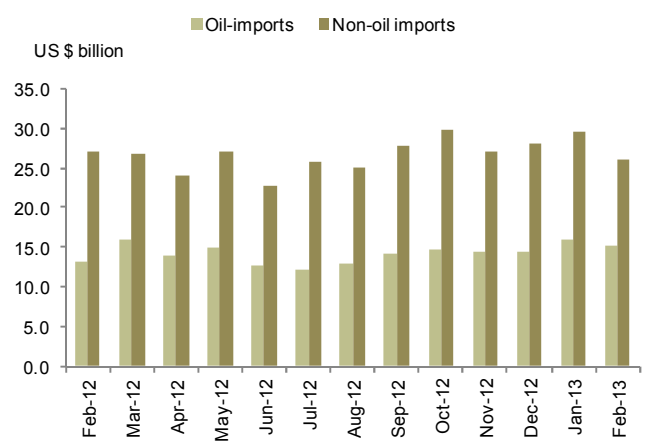
**CRISIL Research's View:** CRISIL expects merchandise exports to recover further in 2013 due to an improved global economic outlook and government's efforts to support exports. The FM in his budget speech stated that very soon a new trade policy will be announced to boost exports. On the other hand, lower crude oil prices coupled with the deregulation of diesel prices is likely to keep the oil import bill under check. Therefore, trade/current account deficit as a percentage of GDP is not expected to widen further in 2013-14.

Figure 1: Export growth and Re/USD exchange rate



Source: Ministry of Commerce & Industry, CRISIL Research

Figure 2: Oil and Non-oil Imports



Source: Ministry of Commerce & Industry, CRISIL Research



**Table 1: India's Trade Performance:**

Items	Feb-12	Nov-12	Dec-12	Jan-12	Feb-13	April-February	
						FY 12	FY 13
Merchandise Trade (US\$ billion)							
Exports	25.2	22.3	24.9	25.6	26.3	277.1	265.9
Imports	40.1	41.6	42.5	45.6	41.2	446.9	448.0
Oil Imports	13.1	14.5	14.4	15.9	15.1	139.0	155.6
Non-oil Imports	27.0	27.1	28.1	29.7	26.0	307.9	292.5
Trade Balance	-14.9	-19.3	-17.7	-20.0	-14.9	-169.8	-182.1

**Source: Ministry of Commerce & Industry**

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