

# FOREIGN TRADE – FEB’24

## Trade deficit widened; services exports at an all-time high

**Merchandise trade deficit widened in Feb’24 as imports grew faster than exports. Services trade balance continues to be on an upwards trajectory driven by strong exports while imports growth moderates.**

**Trade deficit widened due to faster growth in imports.** In February 2024, merchandise exports surged by 11.9% y/y to \$41.4 billion, led by robust growth in non-oil exports. Imports increased by 12.2% y/y, notably driven by a significant 17.8% rise in non-oil imports. Overall merchandise deficit widened to \$18.7 bn.

**Services surplus continues to make all time highs.** Services exports continued to climb, reaching \$32.2 billion in Feb '24, up 17.3% y/y and 3.6% m/m, while Jan '24 figures were revised down to \$31 billion. Services imports saw moderate growth of 2.8%, with Jan '24 figures revised down to \$14.9 billion.

**Electronics and plantation exports up; gold demand driving imports.** Quick estimates indicate robust export growth, particularly in electronics, up 24% FYTD compared to the previous year. Plantation exports, fueled by record-high coffee exports, also saw strong growth, while handicrafts benefited from a low base. Jewelry imports surged due to high demand for gold and silver, while project goods experienced a sharp contraction in Feb '24.

**Global trade improved in Dec’23; cautions outlook ahead.** Corroborating with the Baltic dry index, CPB trade volumes data suggested an uptick in global trade data, although ahead the first two months of 2024 are likely to witness a slowdown.

**Rupee to take support on low current account deficit.** Data for Feb’24 further affirms our previously held view on strong support for INR moving ahead. YTD, the merchandise trade deficit is lower than last year while services surplus has been strong. This along with strong capital flows bodes well for the rupee with the CAD to GDP likely lower than 1% in the current fiscal.

All figures in \$ bn.

Merchandise Trade Balance	
Current	Previous
-18.7	-16.5

Merchandise Export	Merchandise Import
41.4	53.4

Services Trade Balance	
Current	Previous
16.8	16.2

Services Export	Services Import
32.2	15.4

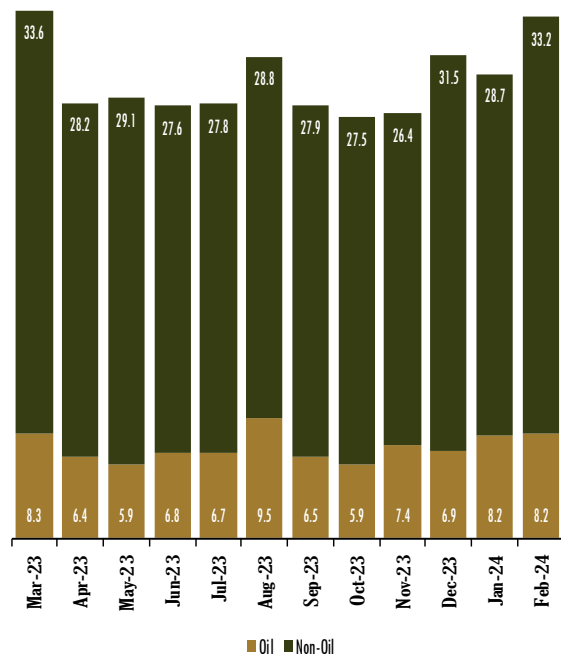
Sujan Hajra | Chief Economist | Raj Singh | Economist | Sweta Jain | Research Analyst



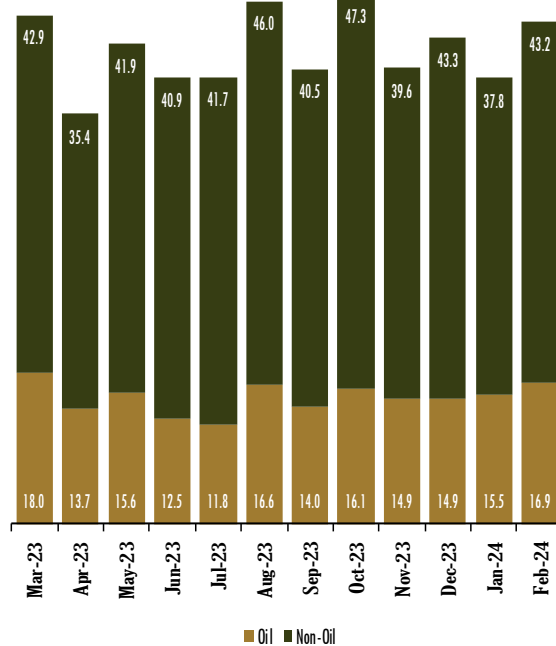
# TRADE DEFICIT IMPROVES ON ACCOUNT OF LOWER IMPORTS

Merchandise exports grew by 11.9% y/y in Feb'24 to an eleven-month high of \$41.4 bn. This was driven by non-oil exports which expanded strongly by 13.7% while growth in oil exports moderated. Imports, on the other hand expanded at a faster rate of 12.2% y/y with non-oil imports jumping by a whopping 17.8%, an eighteen-month high, thanks to strong growth in gold imports which was up 134% y/y. Overall, trade deficit widened to \$18.7 bn as imports expanded faster than exports.

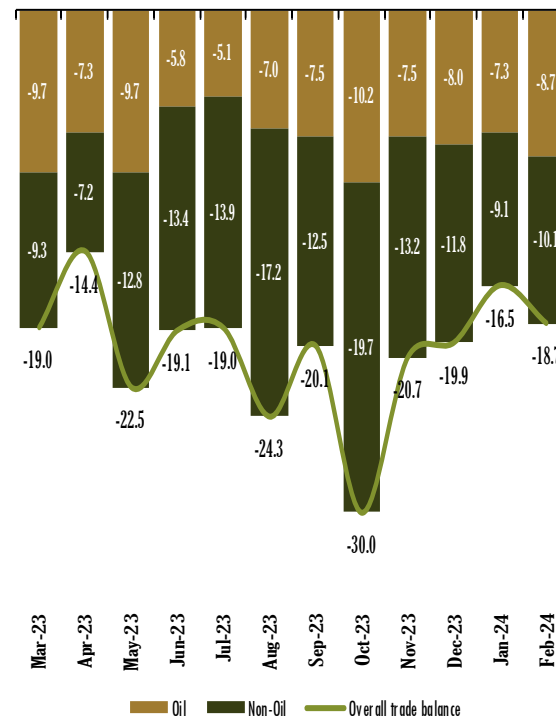
Merchandise exports, \$bn



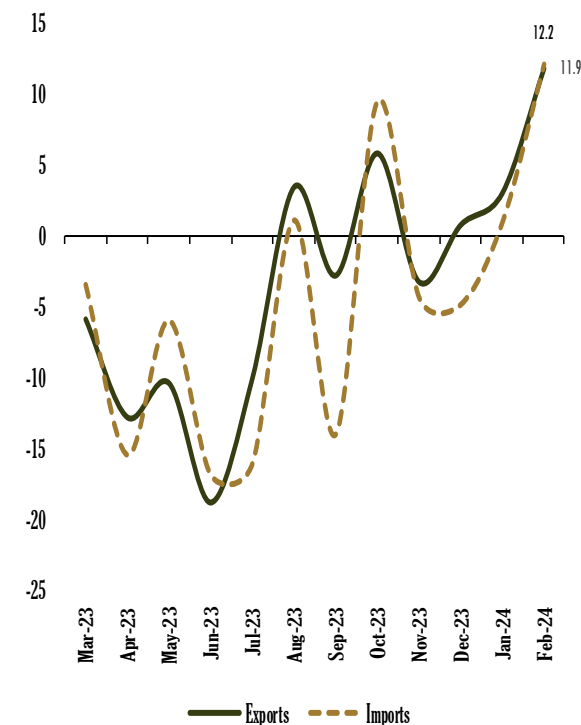
Merchandise imports, \$bn



Merchandise trade balance, \$bn



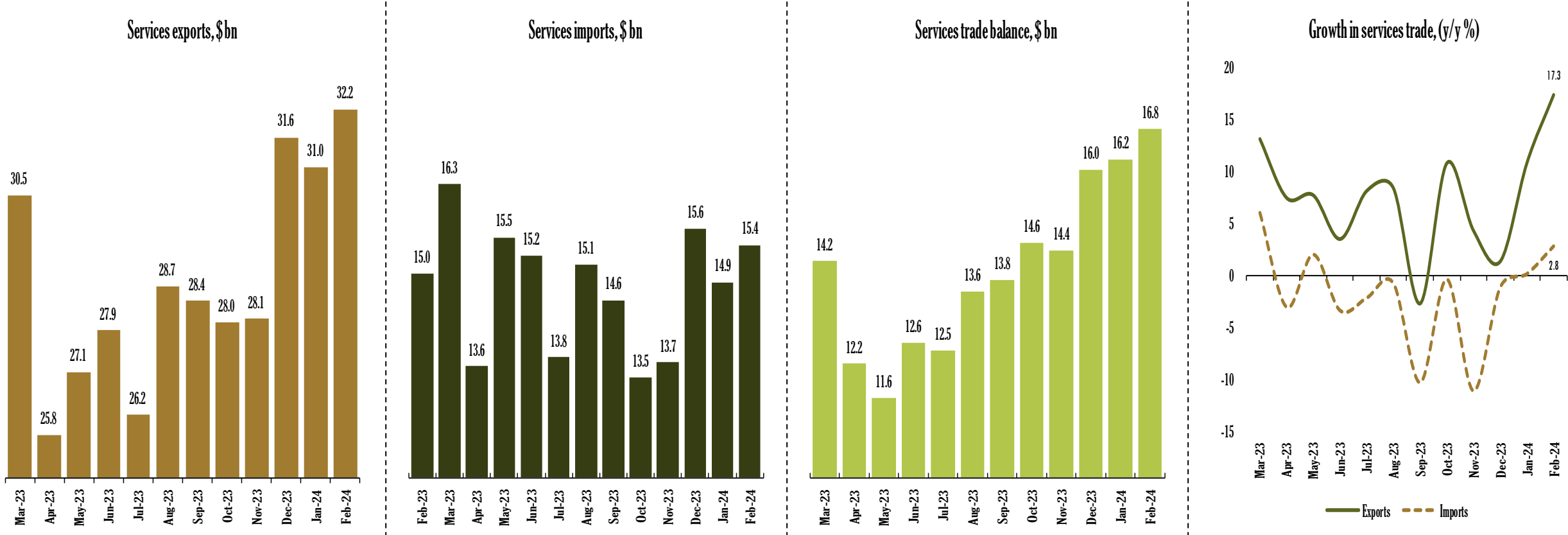
Growth in merchandise trade, (y/y %)





# SERVICE EXPORTS AT ALL TIME HIGH

Services exports took another notch up to \$32.2 bn, up 17.3% y/y and 3.6% m/m while the figures for Jan'24 were revised downwards to \$31 bn. Services imports on the other hand observed a relatively moderate growth of 2.8% along with a strong downwards revision in the provisional figures for Jan'24 to \$14.9 bn (\$16.1 bn previously). Combined, surplus in services expanded further to an all time high of \$16.8 bn. FYTD, total surplus in services has been \$154.2 bn, higher by 18.8% compared to the same period last fiscal.

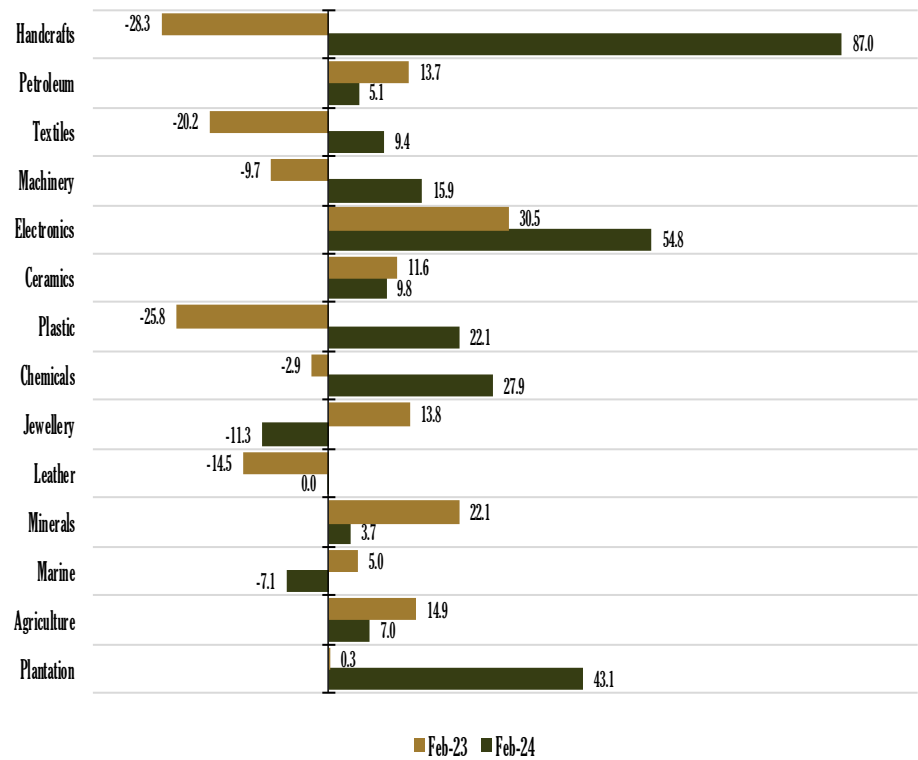




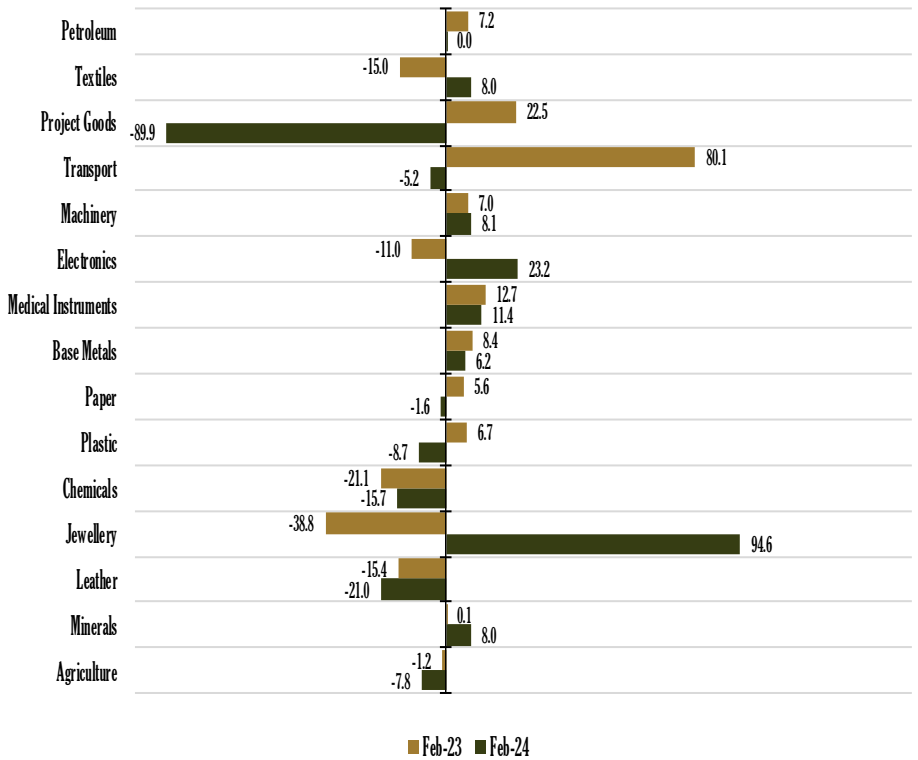
# ELECTRONICS AND COFFEE EXPORTS UP; STRONG GOLD DEMAND DRIVING IMPORTS

Quick estimates for select segments suggest strong growth in exports being led by electronics which is up 24% FYTD compared to the same period last year. Other components like plantation too posed strong growth due to coffee exports being at all time highs, while the growth in handicrafts had more to do with a weak base. On the imports front, jewelry imports shot up due to strong demand for gold and silver. Project goods on the other hand contracted sharply in Feb'24.

Quick estimates of selected export segments (y/y %)



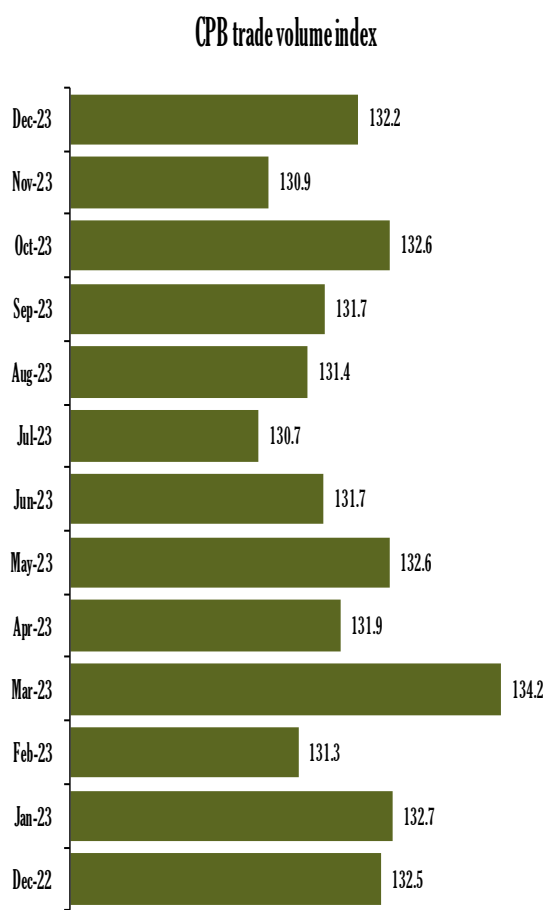
Quick estimates of selected import segments (y/y %)





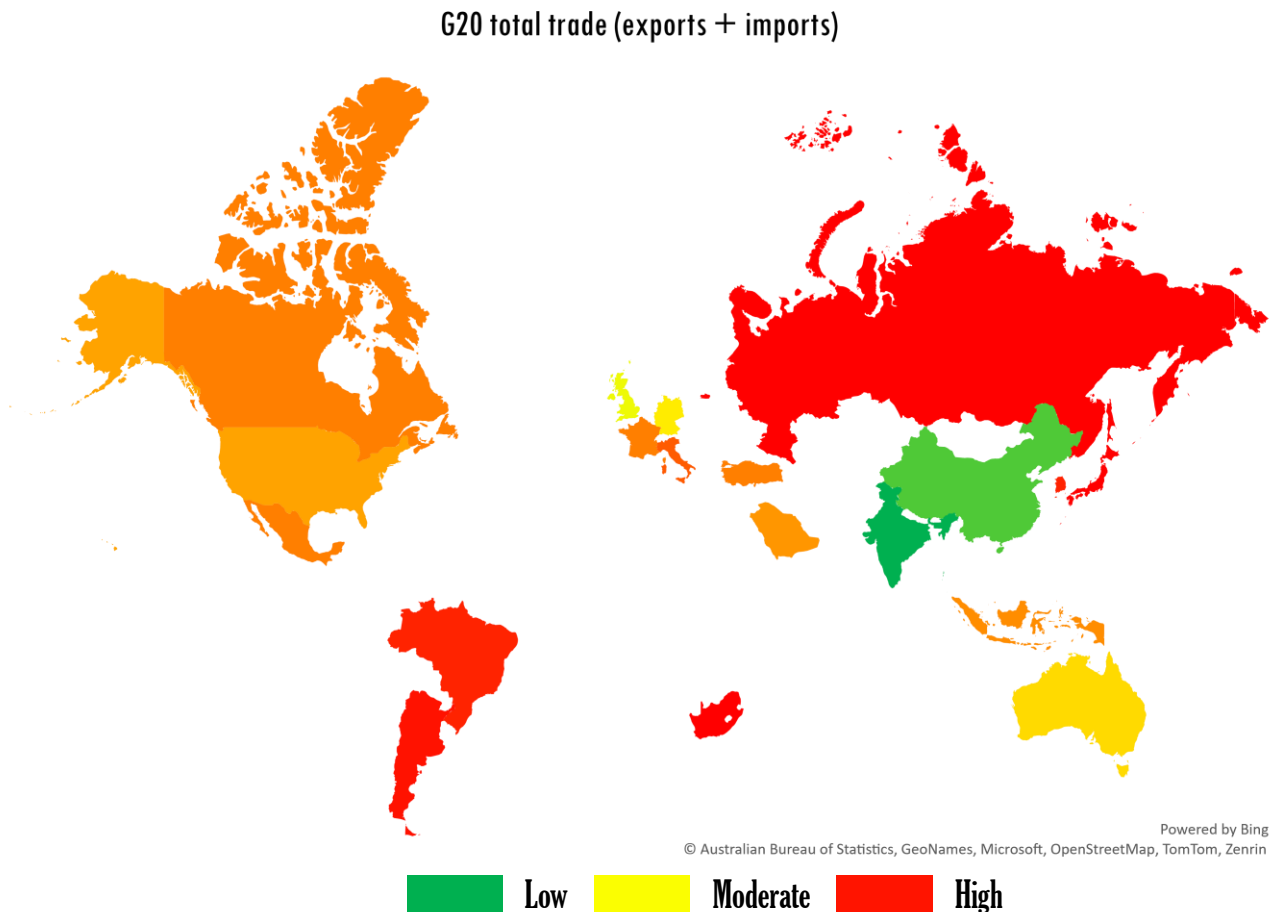
# GLOBAL TRADE IMPROVED; LIKELY SLOWDOWN AHEAD

Trade volume index suggested an improvement in global trade in Dec'23 by 1% after having contracted in Nov'23. The improvement over Nov'23 was broad based with imports in advanced economies, led by Japan and US increasing by 1.3%. Imports in emerging economies including China, Africa and Middle East and Latin America too increased. On the exports front, growth was observed in US, Japan and advanced Asia. The above data corroborates with Baltic dry index which improved in Dec'23 but there on contracted significantly indicating a likely slowdown in trade in the first two months of 2024.



G20 y/y trend in merchandise trade

Country	Imports	Exports
Australia	-1.6	9.6
Argentina	-14.3	-7.2
Brazil	2.4	16.3
Canada	-4.9	-7.4
China	0.2	2.3
EU	-20.3	-9.1
France	-11.6	-3.7
Germany	-6.8	3.7
India	12.2	11.9
Indonesia	15.8	-9.4
Italy	-13.5	-0.2
Japan	-9.8	11.9
Mexico	-1.0	-1.5
Russia	-4.8	-28.2
Saudi Arabia	-7.1	-9.7
South Africa	-5.2	3.5
South Korea	-13.1	4.8
Turkey	-22.0	3.5
United Kingdom	-8.3	12.8
United States	-0.3	-2.9



Shading based on current inflation rate relative to average trend for the country. Maps used here are for general illustration only and are not intended to be used for reference purposes. The representation of political boundaries does not necessarily reflect the position of the Government of India on international issues of recognition, sovereignty or jurisdiction



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Compliance officer-Deepak Kedia, email id - [deepakkedia@rathi.com](mailto:deepakkedia@rathi.com), Contact no. +91 22 6281 7000.

Grievance officer-Madhu Jain-email id- [grievance@rathi.com](mailto:grievance@rathi.com), Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097. Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.