

Macroeconomics | **FIRST CUT**

Chequered outing

December 2024

Exports decline 4.9%, while imports rise 27% on-year in November

India's merchandise exports failed to sustain October's gains, contracting 4.9% on-year in November from a remarkable 17.3% on-year growth (the fastest in 28 months) in the previous month. At \$32.1 billion, export growth was pulled down by a slide in the exports of gems and jewellery (down 26.3% on-year) and oil (down 49.8%). However, core¹ exports grew 11.8%, though they were slower than the 27.7% reported in October.

Brent crude oil prices averaged \$74.4 per barrel in November, compared with \$75.7 in October, reflecting weakness in oil exports. Moreover, the benefits from discounted Russian oil imports seem to be waning.

Gems and jewellery drive import growth

For the first time this fiscal, merchandise imports grew in double digits on-year (27%) to \$69.95 billion in November. A 234.3% surge in gems and jewellery imports may have boosted import growth. Gold imports rebounded from a 1.4% contraction in the previous month and rose 331.4% on-year. The increase was on the back of booming demand courtesy the festive and wedding seasons and higher gold prices (up 33.6% on-year in November to \$2,651/troy oz vs \$1,984/troy oz in November 2023). Silver imports grew 36% from -74.8% in October. Conversely, core import growth was almost stable at 6.1% vs 5.3% on-year growth in the previous month.

Accordingly, merchandise trade deficit widened to an all-time high of \$37.8 billion in November from \$21.3 billion in November 2023 and \$27.1 billion in October 2024.

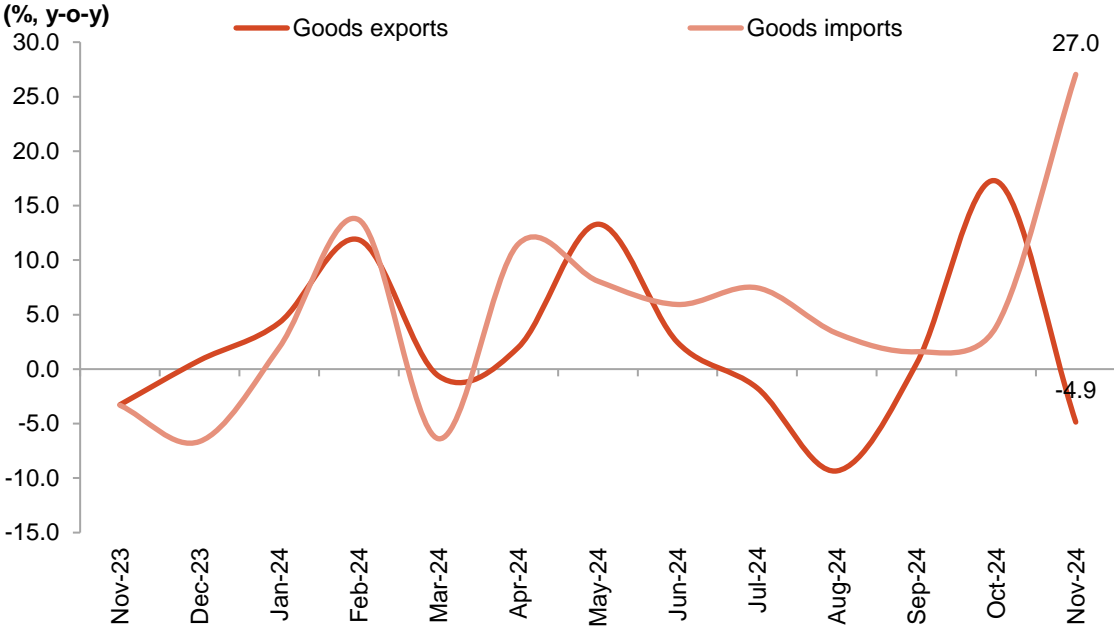
Cumulatively, merchandise exports rose 2.2% to \$284.3 billion during April-November from \$278.3 billion in the year-ago period. Cumulative imports grew faster, at 8.4%, to \$486.9 billion from \$449.2 billion. As a result, the trade deficit during the period widened to \$202.5 billion from \$171 billion.

Services exports grew 22.3% on-year in October² from 14.6% in September. Consequently, the services trade surplus rose to \$17.1 billion in October compared with \$14.6 billion in October 2023 and \$16.1 billion in September 2024.

¹ Non-oil and non-gold

² The latest data released by the RBI for the services sector is for October 2024

Imports grew, while exports tanked in November



Source: Ministry of Commerce and Industry, CEIC, CRISIL

Data highlights

- After a sharp 25.6% on-year growth in non-oil exports last month, growth slowed to 7.7% on-year in November
- Key export sectors such as gems and jewellery (-26.3% vs 8.8%), organic and inorganic chemicals (-4.1% vs 27.4%) and petroleum products (-49.7% vs -22.1%) contracted. Meanwhile, growth in the exports of drugs and pharmaceuticals (1.1% vs 8.2%), engineering goods (13.7% vs 39.4%) and readymade garments (9.8% vs 35.1%) slowed compared with October
- Exports of other labour-intensive sectors also slowed on-month – carpets (2.4% vs 16.8%), leather and leather products (0.7% vs 12.3%), ceramic products and glassware (-6.5% vs -6.1%) and handicrafts (-1.7% vs 32.7%)
- That said, agricultural exports were resilient in November. Cashew (23.6% vs 7.2%), marine products (17.8% vs 3.9%), meat, dairy and poultry products (21.4% vs 7.7%), rice (95.2% vs 85.8%), tea (15% vs 9.3%) and tobacco (50.5% vs 34.3%) saw higher growth compared with the previous month. However, there was a slowdown in the exports of fruits and vegetables (-5.4% vs 15.9%), coffee (16.3% vs 32.4%) and spices (6.1% vs 30.9%)
- Within the import sectors, pearls, precious and semi-precious stones (-3.3% vs -29.5%), coal, coke and briquettes (-29.3% vs -28.3%) and iron and steel (-28.6% vs 0.7%) were in the negative. Meanwhile, imports of raw cotton saw the highest growth (457.8% vs 248.2%). Vegetable oil imports maintained a strong 87.9% growth, compared with 50.9% in the previous month. The growth in edible oil imports was mostly driven by an increase in the shipments of crude sunflower and soybean oil³.

Outlook

This fiscal started on a promising note, with merchandise exports growing steadily in the first quarter. However, this momentum was short-lived, as exports contracted in the second quarter. There was a brief resurgence in October, marked by robust export growth, but this was followed by a contraction in November.

Geopolitical uncertainties, including the proposed tariff hikes by the Donald Trump government, continue to pose risks.

Growth in imports so far has surpassed exports this fiscal, causing the trade deficit to widen. This will be a monitorable, especially because the United States has announced tariff hikes on Chinese imports (and more could follow after Trump assumes office as the president). Coupled with the slowdown in the Chinese economy, this is triggering aggressive exports from there to the Asian markets, including India.

The higher merchandise trade deficit thus bears watching.

The surplus in services trade and robust remittances flow provide some comfort and should help keep the current account in the safe zone.

³ The Solvent Extractors Association of India (2024, December). *Import of Vegetable Oils – Nov.' 2024 – Up by 40% Jumped in Import of Soybean and Sunflower Oil Sharp Increase in RBD Palmolein*. <https://seaofindia.com/import-of-vegetable-oils-nov-2024-up-by-40jumped-in-import-of-soybean-and-sunflower-oil-sharp-increase-in-rbd-palmolein/>

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