

Trade Deficit in Jun'24 clocked in line with our expectations

- Merchandise Trade Deficit narrowed moderately in Jun'24 to \$21.0 bn vis-a-vis \$23.8 bn in May'24, majorly led by shrinking gold imports. (Please refer our report '[Trade Data & WPI June'2024](#)')
- Oil deficit was the prime driver as it narrowed on slip in oil prices as they stabilized at close to \$85/bbl. In our view, the spike in deficit in May'24 was attributed to lead-lag effects as oil prices touched c.USD 90/bbl in April.
- Gold deficit saw marginal deterioration on the back of sharper fall in exports vis-à-vis imports post festive season.
- Meanwhile, NONG deficit widened on negative seasonality on the back of segments like machinery along with metals and coal.

Narrowing in trade deficit in Jun'24 majorly led by oil

- As noted above, we had estimated a narrowing in oil deficit in Jun'24 after it widened sharply last month.
- According to S&P Global Commodity Insights, India likely procured 5.33 mbpd of crude oil in the current month, compared to 5.22 mbpd during May 2024. Russian oil imports in June were 7.2% higher sequentially to multi-month highs and accounted for as much as 45% share in India's oil imports, highest in 13 months.
- Gold deficit saw marginal deterioration in June by c.\$0.2bn vis-à-vis May'24 as exports saw a sharper drop vis-a-vis imports. We estimate that gold import volume eased somewhat to 37 tonnes in Jun'24 vs 42 tonnes last month. In the coming months, we see gold deficit staying subdued before festive season kicks in from end September.
- Non-oil non-gold (NONG) deficit also saw seasonal deterioration even as commodity prices corrected lower in June. The trade deterioration was primarily led by sub-segments like agri, machinery, along with textiles, handicrafts & leather.

C/A Balance likely switched back to deficit in Apr-June qtr

- Services trade balance remained in surplus staying close to \$13bn and way below the record high levels above \$16 bn clocked in Dec'23 and Jan'24.
- More importantly, in Jun'24, the total trade deficit (goods and services combined) switched back to single digits to \$8bn from \$10.8bn last month.
- On a quarterly basis, the current account (C/A) balance saw a seasonal switch back to a deficit in Q1-FY25 from a likely surplus in Q4-FY24.

Our FY25 C/A deficit forecast remains at 0.9%; oil prices a key risk on watch

- For FY25, our forecast of 0.9% of GDP C/A deficit still remains in place however there is risk from higher commodity prices especially oil given our assumption of annual average oil price of \$85/b. Oil prices have cooled recently however any upsurge on geopolitical tensions may weigh on C/A deficit.
- Sensitivity of C/A deficit to oil prices stays high with every \$10/b move in oil price affecting annual C/A balance by close to \$15 bn. Hence if oil prices settle at c.\$95/b, C/A deficit may be closer to 1.5% of GDP in FY25.

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Fig. 1: Current A/C deficit likely narrowed in June'24 (in \$ mn)

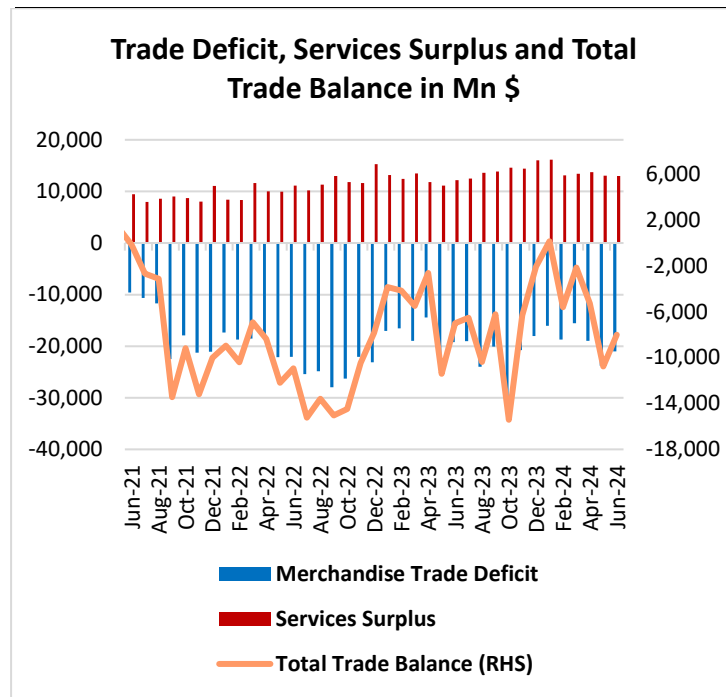


Fig. 2: Both Exports & Imports moderated on a m-o-m basis (in \$ mn)

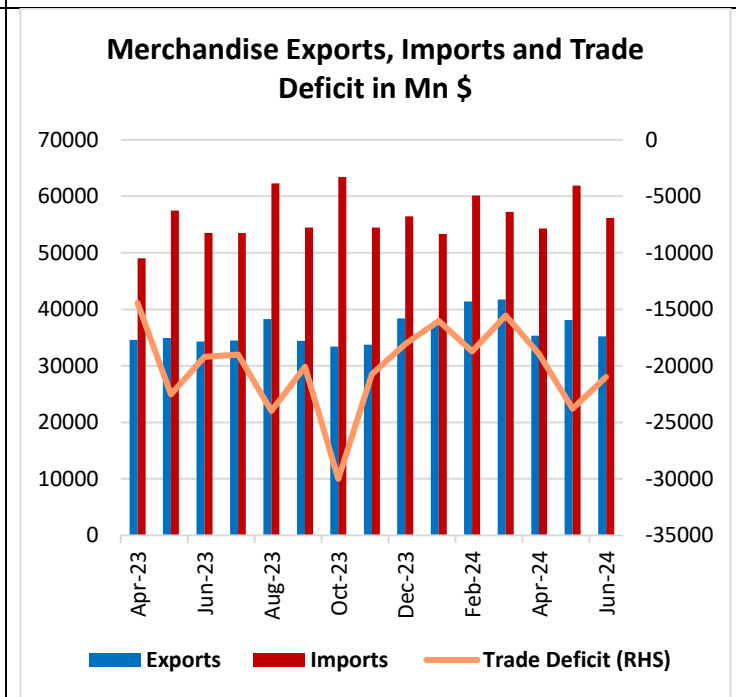


Fig. 3: Trade improvement in June'24 led by oil deficit (in \$ mn)

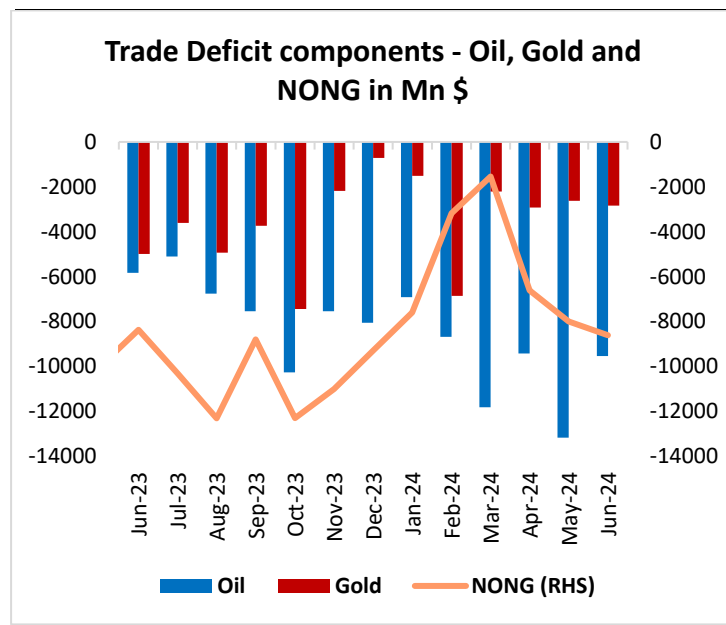


Fig. 4: NONG deficit widened in June despite lower commodity prices on negative seasonality (monthly avg NONG Trade Balance in \$ mn)

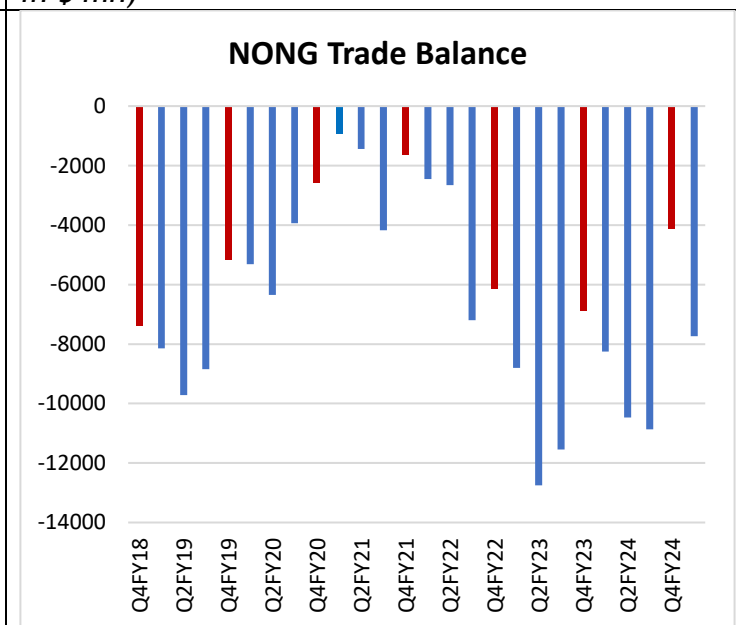


Fig. 5: Data Table (monthly average trade deficit)

USD bn	Exports	Imports	Trade deficit	Oil deficit	Gold / jewellery deficit	Non-oil non-gold deficit
FY20	26.1	39.6	-13.5	-7.4	-1.5	-4.5
FY21	24.3	32.9	-8.6	-4.7	-2.2	-2.3
FY22	35.2	51.1	-15.9	-7.9	-3.4	-4.6
FY23	37.6	59.7	-22.1	-9.3	-2.8	-10.0
FY24	36.4	56.3	-19.9	-8.0	-3.5	-8.4
Apr-24	35.3	54.3	-19.0	-9.4	-2.9	-6.6
May-24	38.1	61.9	-23.8	-13.2	-2.6	-8.0
Jun-24	35.2	56.2	-21.0	-9.5	-2.8	-8.6

Source: CEIC and UBI Research

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