

Event Updates

Trade Balance



July 16, 2019

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Temporary shutdown of ONGC Mangalore Petrochemical Ltd and Jamnagar refinery for maintenance in June adversely impacted exports of petroleum products.

India's merchandise exports contracted for the first time in nine months in June while imports shrank first time in four months. Exports in June fell 9.71% YoY to \$25.01 billion while imports dipped 9.06% YoY to \$40.29 billion, leaving behind a trade deficit of \$15.28 billion during the month.

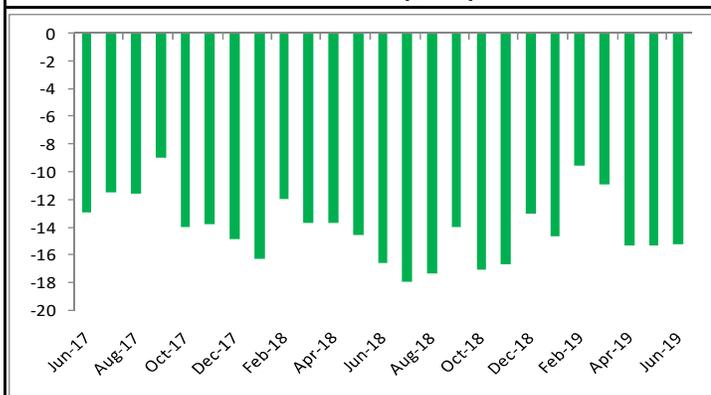
Temporary shutdown of ONGC Mangalore Petrochemical Ltd and Jamnagar refinery for maintenance in June adversely impacted exports of petroleum products. During June, petroleum exports declined 33% YoY while non-oil, non-gems and jewellery exports contracted by 4.86% YoY. Among other major items, exports of gems and jewellery (10.7%), readymade garments (-9.18%), chemicals (-8.17%) and engineering goods (-2.65%) also contracted.

The decline in exports is consistent with global trends along with a high base of last year. The Government is "pro-actively" pursuing an export promotion strategy, the ministry said in a statement.

During the month, oil imports declined 13.33% YoY to \$11.03 billion while gold imports rose 13% YoY to \$2.69 billion from the year earlier. The increase in customs duty on gold in the budget could dampen imports. Electronics goods, another major import item, saw a 1.66% YoY decline in June. Non-oil and non-gold imports fell 9% to \$26.5 billion, indicating weak domestic demand.

Outlook: Slowdown in domestic demand along with softer crude oil prices and hike in custom duties as announced in the Union Budget FY2020 are likely to have a negative impact on India's imports this year. However, the current environment is not very much encouraging for exports. The upside in exports appears difficult amidst the current global environment and without any major announcement to support exports in recent budget. Never the less, the commerce ministry is contemplating an export promotion scheme, along with a production-based support scheme, to boost Make in India as part of its 100-day action plan. The new export promotion scheme may replace the existing scheme, following the U.S. decision to challenge India's existing export subsidy schemes at the WTO.

Exhibit 1: Trade Balance Trend (\$ BN)



Source: Bloomberg

Exhibit 2: Trade Balance Table

	June-19	May-19	Apr 19
	\$BN	\$BN	\$BN
Exports	25.0	30.0	26.1
Imports	40.3	45.4	41.4
Oil Imports	11.0	12.4	11.4
Gold Imports	2.7	4.8	4.0
Non Oil Non Gold Imports	26.6	28.1	26.1
Trade Balance	-15.3	-15.4	-15.3

Source: Bloomberg

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