

By:

 Kanika Pasricha
kanika.pasricha@unionbankofindia.bank

 Akash Deb
akash510@unionbankofindia.bank
Fig 1: We revise our FY25 C/A deficit forecast to 1.2% of GDP from 0.9%

Monthly Avg (USD bn)	FY25 (pre)	FYTD25	FY25 (post)
Goods trade balance	-21.1	-25.3	-23.7
Services trade surplus	14.0	14.9	15.6
Remittances	7.9	8.8	8.3
Investment outflows	-3.9	-4.2	-4.2
C/A balance	-3.1	-5.8	-4.0

Source: UBI Research

Trade Deficit in Nov'24 shocked market expectations

- **Merchandise Trade Deficit** clocked to all-time high levels of \$37.84bln in Nov'24 vis-a-vis our estimate of \$25.12bln (Market consensus: \$23.9bln). One-offs in Trade data have started to become frequent this year which is a cause for concern. In October, it was oil while in November, gold was the key driver of trade data shocker. (Refer our report: [Data Preview: Trade Data & WPI Nov'24](#))
- In terms of sub-segments, apart from gold, we saw some widening in non-oil non-gold sub segment as well (led by bulky machinery imports) even as lower oil prices helped via narrowing in oil deficit.
- On a MoM basis, trade deterioration was led by fall in exports by c.\$ 7bln to \$ 32bln (-5% YoY) while imports edged up by \$ 3bln MoM to record high \$ 70bln (27% YoY). This is primarily seen in exports of Non Oil Non Gold (\$ 5bln MoM on a combination of price and volume effects) while impact was relatively lower in oil (probably mainly price effect) and gold (likely volume effect).

Overall trade deficit also clocked record levels despite strong services surplus

- Interestingly, while goods deficit was at record highs, services trade surplus also clocked record levels (for 2nd consecutive month) at USD 17.99bln in Nov'24 vis-à-vis \$17.22bln a month ago. This is a positive surprise in a slowing global economy and is likely to have a salutary effect on FY25 C/A dynamics.
- Total trade deficit (goods and services combined) also clocked record high levels of \$19.85bln.

Trade in Nov'24: Gold deficit widened to all-time highs; NONG deficit also inched up

- **Gold deficit** widened to all-time highs in Nov'24 after cooling off in last few months before the start of festival season. Gold imports in volume spiked to an estimated c.175 tonnes in November and have totaled to 630 tonnes during Apr-Nov'24 V/s 568 tonnes same period last year. Hence, more than the volume effect, price effect (global prices up 27% YoY) is playing a strong role in gold deficit dynamics. While gold customs duty cut (15% to 6%) in budget boosted demand, a spike post Diwali was unforeseen. In our view, more than duty cut, gold demand has been led by a spike in investment demand for gold as investors consider portfolio diversification amid global uncertainty under Trump 2.0 (US election results were announced on 6th Nov'24). In fact, gold ETFs have seen a massive surge in inflows this year (assets under management, AUM, up 64% YoY during Jan-Nov'24). Nevertheless, gold prices are hovering at near record levels (avg \$2655/oz in Nov'24 up from avg \$2692/oz a month ago). As per media reports, despite the duty cut, the practice of importing gold via unofficial channels has also persisted via neighboring borders. Nevertheless, we see the spike in gold imports as a one-off and do not see it sustaining in the coming months despite favourable seasonal effects.
- **Oil Deficit:** As noted above, we had estimated a narrowing in oil deficit in Nov'24 amid fall in global Brent crude oil prices after deficit spiked to unforeseen levels last month. However, as per media reports, import volumes were probably at 4-month highs in Nov'24, climbing 6.8% from Oct'24, amid robust domestic fuel demand and higher refinery activity in the country. As per market analytics firm Kpler, India imported 4.7mbpd in Nov'24 vis-à-vis 4.4mbpd a month ago. This momentum aligns with the country's peak festival and agricultural cycles. Oil deficit also faced widening pressure from a slip in exports of petroleum products (down 12% YoY) to 1.29mbpd, driven by a significant fall in the supply to Europe.
- **Non-Oil Non-Gold (NONG) deficit** widened on a MoM basis to \$11.03bln vis-à-vis \$7.85bln a month ago. Post festive season was over, November saw an unusual widening in NONG deficit. Sub-segment wise data shows that MoM widening in NONG deficit was majorly explained by bulky machinery sub-segment (c.933%) which turned from huge surplus of \$2.34bln in Oct'24 to a deficit of \$0.28bln and chemicals (c.37%) followed by significant fall in surplus in Agri (c. 39%) and textiles (c.21%). Interestingly, electronics was the sole segment contributing to trade improvement in Nov'24. Going forward, commodity prices remain on watch while lump machinery imports may correct in coming months.

We revise our FY25 C/A deficit forecast to 1.2% of GDP from 0.9% post trade data shocker

- While we expect the one-offs in trade deficit to correct in the coming months, yet the adverse impact seen FYTD leads to revise our FY25 C/A deficit at 1.2% of GDP from 0.9% earlier.
- In our view, subdued commodity prices especially for oil, along with recent spike in services exports to record levels is likely to support C/A dynamics. 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.

Fig.2: Overall trade deficit back in double-digits in Nov'24 (in \$ mn)

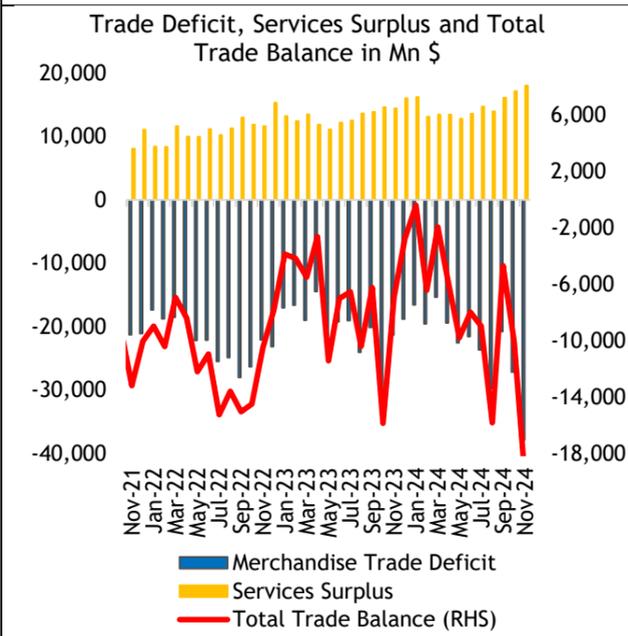


Fig.3: Imports picked up at a faster pace MoM versus exports in Nov'24 (in \$ mn)



Fig.4: Trade deterioration led by Gold and NONG yet Oil capped impact (in \$ mn)

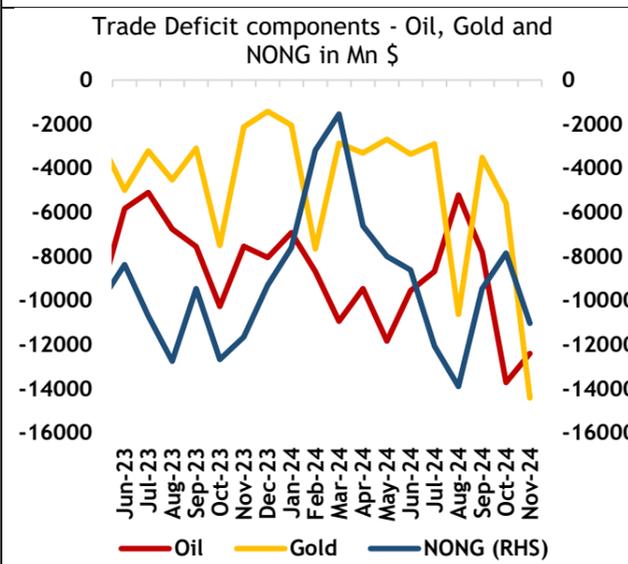


Fig.5: Wider NONG deficit led by machinery and chemicals while electronics provided support (in \$ mn)

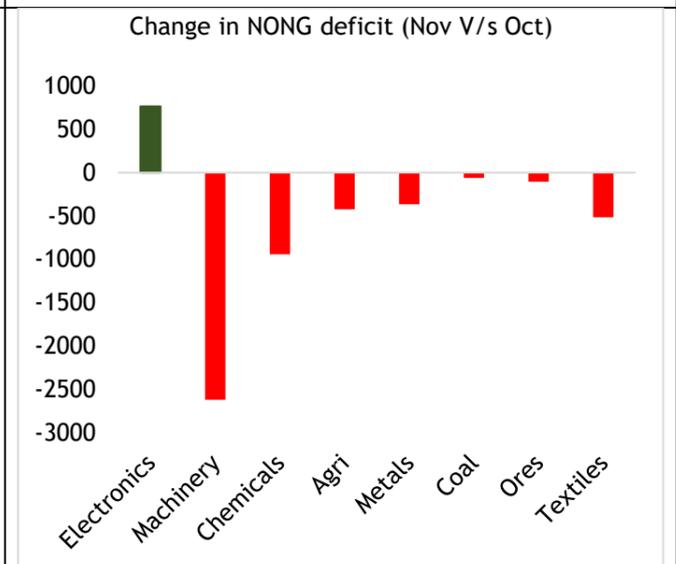


Fig.6: Data Table (monthly average trade deficit)

USD bln	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	56.5	-19.9	-8.0	-3.5	-8.4
Apr-24	35.3	54.7	-19.4	-9.5	-3.3	-6.6
May-24	39.6	62.1	-22.5	-11.8	-2.7	-8.0
Jun-24	35.2	56.7	-21.5	-9.6	-3.4	-8.6
Jul-24	33.8	57.5	-23.6	-8.7	-2.9	-12.1
Aug-24	34.6	64.3	-29.7	-5.2	-10.6	-13.9
Sep-24	34.6	55.3	-20.7	-7.8	-3.5	-9.5
Oct-24	39.2	66.3	-27.1	-13.7	-5.6	-7.9
Nov-24	32.1	70.0	-37.8	-12.4	-14.4	-11.0

Source: CEIC and UBI Research

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

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