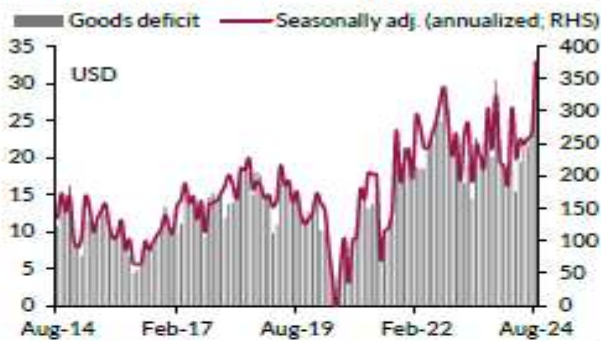


## Macro Watch

### One-off Surge in Gold Imports Overstates Trade Deficit

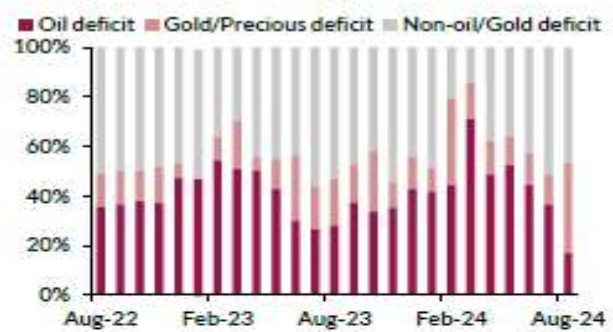
- In Aug-24, India's goods trade deficit widened to US\$ 30 Bn (+ \$6 Bn YoY); a record high gold deficit (\$11 Bn) offset a steady core and a lower oil deficit. As implied gold import surplus (62T) recedes, the deficit should normalize.
- Exports were weak for a second month (-9% YoY) and imports growth slowed (+3.3% YoY); but growth in non-oil/non-gold imports and exports such as engineering/electronics, cushions against a negative growth impact.
- Services surplus remained steady at 15 Bn (+10% YoY); the 12M services surplus of \$169 Bn & other invisible inflows of \$56 Bn can offset \$ 225 bn goods deficit; normalizing gold imports and weak oil prices should also keep CAD in check.

**Exhibit 1 - Trade deficit widened to \$30 Bn in Aug-24; annualized deficit at \$ 374 Bn likely overstated**



Source: Commerce Ministry, Axis Bank Research

**Exhibit 2 - Share of gold deficit was higher than usual in overall goods deficit, offsetting a lower oil deficit**



Source: Commerce Ministry, Axis Bank Research

**Exhibit 3 - Non-oil/non-gold exports grew YoY**



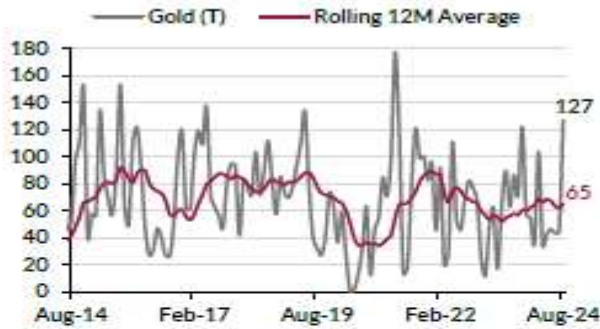
Source: Commerce Ministry, Axis Bank Research

**Exhibit 4 - YoY imports growth largely gold-driven**



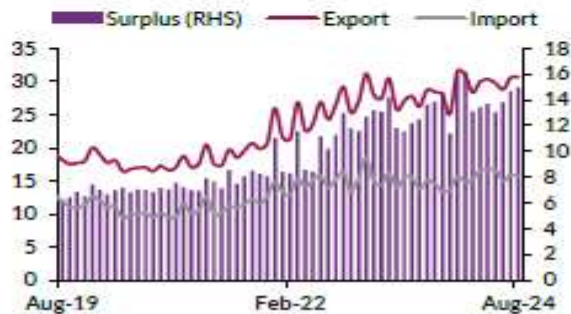
Source: Commerce Ministry, Axis Bank Research

**Exhibit 5 - Gold import volumes suggest an implied imported surplus of 62T (127 - 65) above trend in Aug**



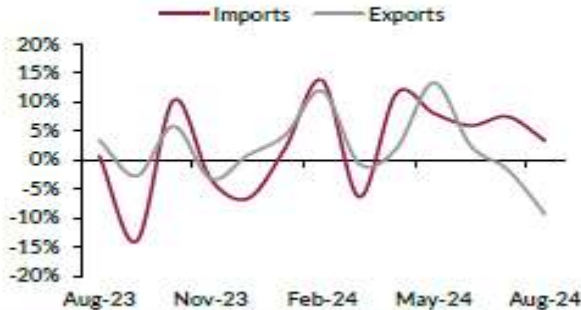
Source: Commerce Ministry, Axis Bank Research

**Exhibit 7 - Services surplus, together with remittances and repatriation, can offset \$225 bn of goods deficit**



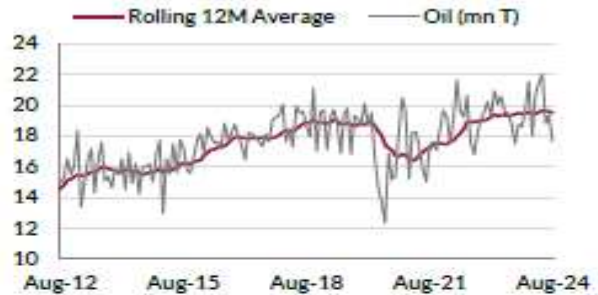
Source: Commerce Ministry, Axis Bank Research

**Exhibit 9 - YoY exports fell for two months straight; imports growth has slowed too**



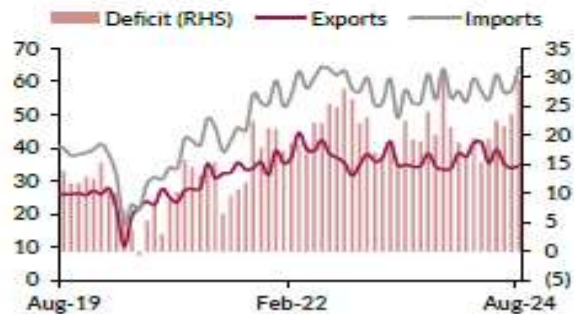
Source: Commerce Ministry, Axis Bank Research

**Exhibit 6 - Apr-Aug (FY to date) oil import volumes have been steady**



Source: Commerce Ministry, Axis Bank Research

**Exhibit 8 - Goods trade balance should normalize with gold volumes returning to trend and weak oil prices**



Source: Commerce Ministry, Axis Bank Research

**Exhibit 10 - Electronics net imports are still rising but at a slower pace**



Source: Commerce Ministry, Axis Bank Research

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