



# India External Sector Watch

November 2017





# External Sector Summary

## Trade

- Merchandise exports during November 2017 were valued at \$ 26.2B which was a 30.6% higher y-o-y. This was on the back of continued growth over the last thirteen months.
- Merchandise imports during November 2017 were valued at US \$ 40.01B representing a growth of 19.6% y-o-y
- Oil imports during November 2017 were valued at US \$9.5B , 39.1% higher than oil imports in the corresponding period last year
- The trade deficit for November 2017 was estimated at US \$ 13.8B higher than the deficit of \$13.4B during November 2016

## Currency

- The Indian Rupee continues to have much lower volatility than experienced by other EM currencies reflecting India's improving fundamentals and progress in reducing its external vulnerabilities.

## External Commercial Borrowing

- During October 2017, ECBs totaled \$3,099m while FCCBs totaled \$991m compared with \$1,471m and \$0m for the same period the previous year
- In the next three months (Dec-Feb) \$100m of ECB and \$0m of FCCBs will mature

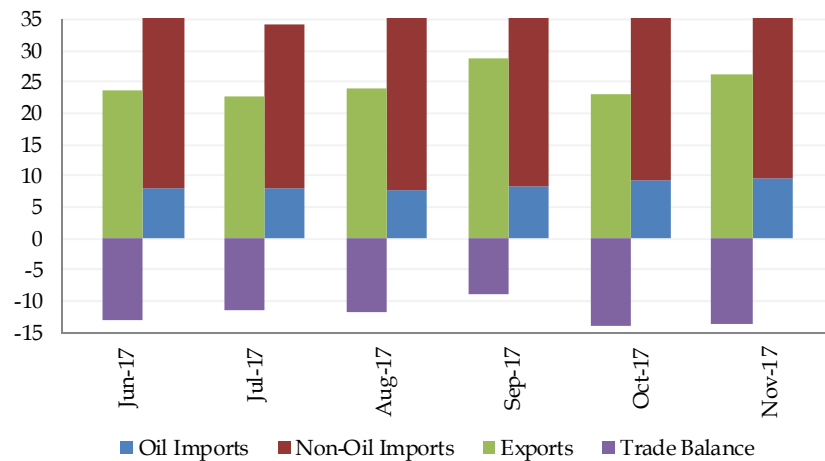
## Foreign Investments

- Net FII debt investments during November 2017 were \$82m compared with -\$3,098m during the corresponding period last year while net FII equity investments equaled \$3,037 compared with -\$2,689m same period last year
- Net FDI during October 2017 was \$2,212m compared with \$5,854m during same period the previous year



# Trade: Deficit remains stable in November

Trade (\$B)



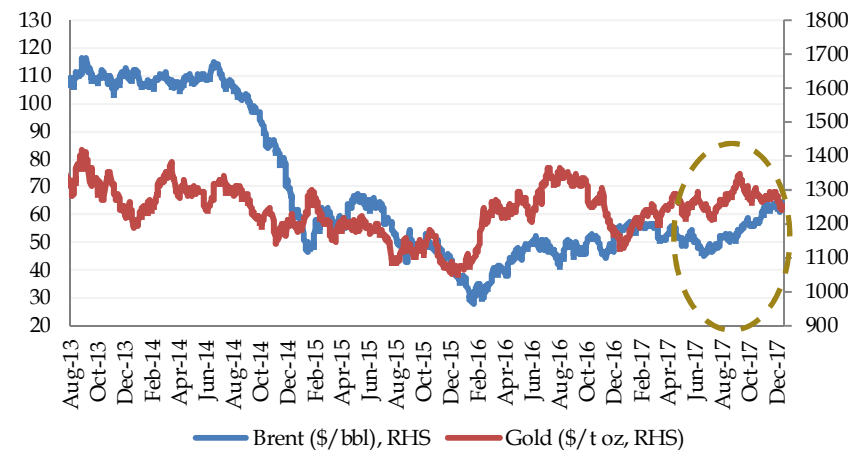
Top Exports (\$M)

Commodity Group	Apr-Oct 2016	Apr-Oct 2017(P)	%Growth	%Share
Gems & Jewellery	26,602	24,655	-7	15
Chemicals & Related Products	18,724	20,377	9	12
Pertroleum Crude & Products	17,186	20,012	16	12
Base Metals	10,777	15,436	43	9
Agri & Allied Products	13,560	15,353	13	9
Transport Equipments	12,789	13,342	4	8
Machinery	11,582	13,269	15	8
Plastic & Rubber Articles	3,655	4,101	12	2
Electronics Items	3,283	3,350	2	2
Leather & Leather Manufactures	3,154	3,179	1	2
<b>Total</b>	<b>155,344</b>	<b>169,349</b>	<b>9</b>	<b>100</b>

Top Imports (\$M)

Commodity Group	Apr-Oct 2016	Apr-Oct 2017(P)	%Growth	%Share
Pertroleum Crude & Products	46,788	55,787	19	22
Gems & Jewellery	26,451	43,672	65	17
Electronics Items	22,806	29,787	31	12
Machinery	20,370	22,961	13	9
Chemicals & Related Products	18,541	21,544	16	8
Ores & Minerals	10,846	16,925	56	7
Base Metals	12,414	15,484	25	6
Agri & Allied Products	12,202	14,048	15	5
Plastic & Rubber Articles	8,335	9,854	18	4
Transport Equipments	10,145	8,133	-20	3
<b>Total</b>	<b>209,835</b>	<b>257,800</b>	<b>23</b>	<b>100</b>

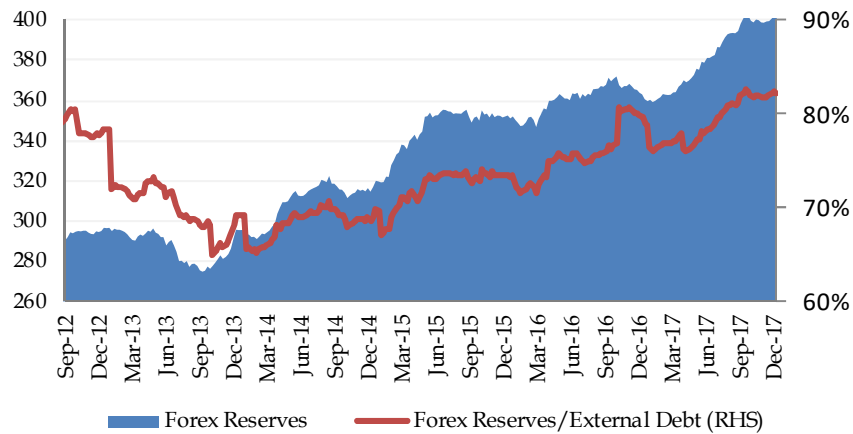
Selected Commodity Prices



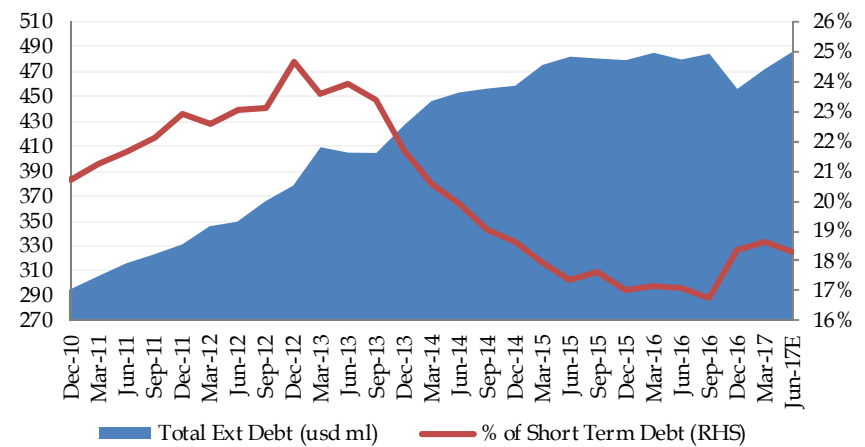


# Forex Reserves: RBI net purchases continue

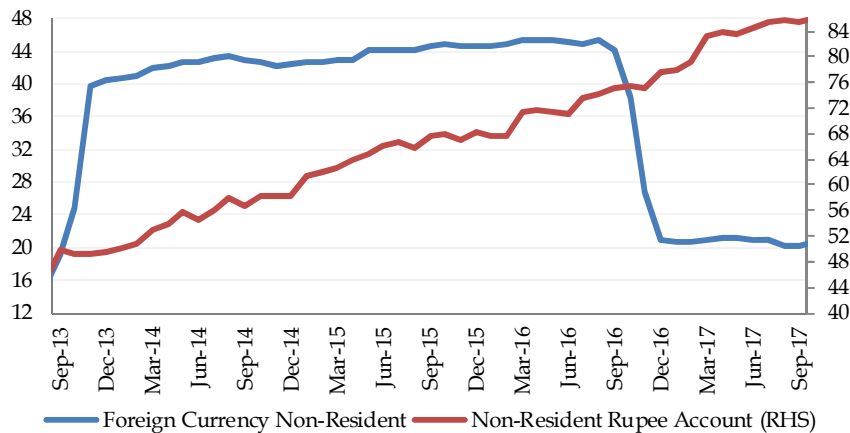
Foreign Exchange Reserves (\$B)



External Debt (\$B)



NRI Deposits Outstanding (\$B)



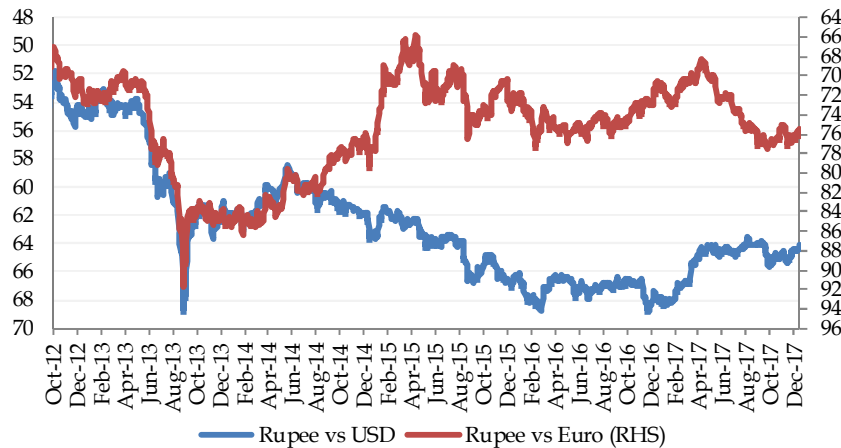
RBI Foreign Exchange Intervention (\$M)

Period	RBI Gross Sale \$	RBI Gross Purchase of \$	RBI Net Purchase of \$	Outstanding Forward Sales (-)/Purchase (+)
Oct-17	1,058	1,910	852	31,374
Sep-17	2,529	3,788	1,259	31,131
Aug-17	1,330	4,556	3,226	32,823
Jul-17	1,940	4,893	2,953	26,450
Jun-17	1,680	4,971	3,291	17,081
May-17	2,014	7,020	5,006	13,601
<b>Last 12 Months</b>	<b>42,361</b>	<b>61,573</b>	<b>19,212</b>	

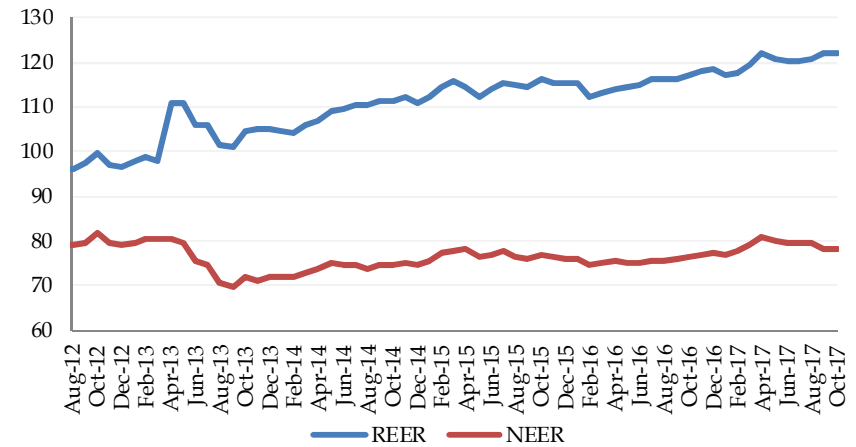


# Currency Picture: INR continues to be overvalued on a REER basis

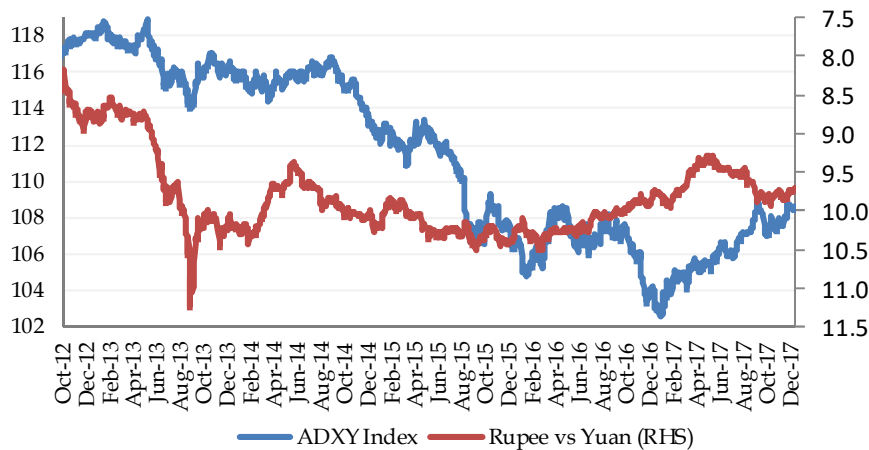
Rupee Performance



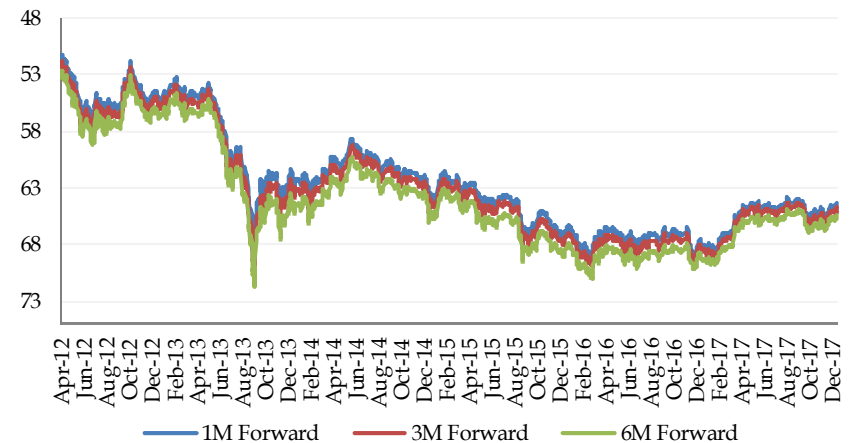
Real and Nominal Effective Exchange Rate



Rupee Performance



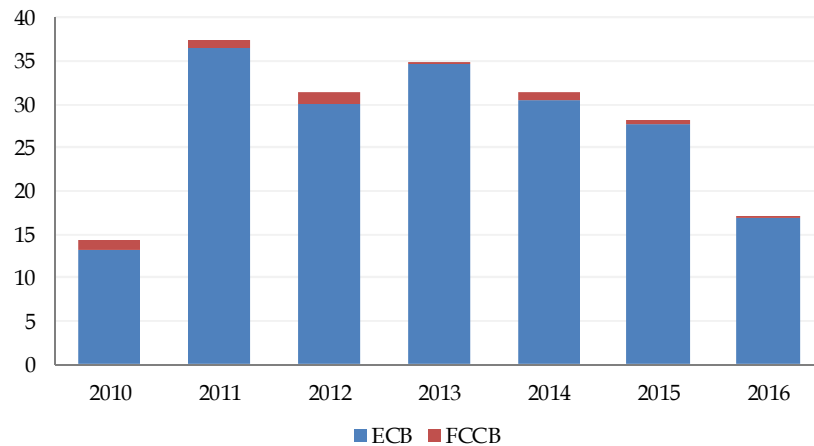
Rupee Forwards



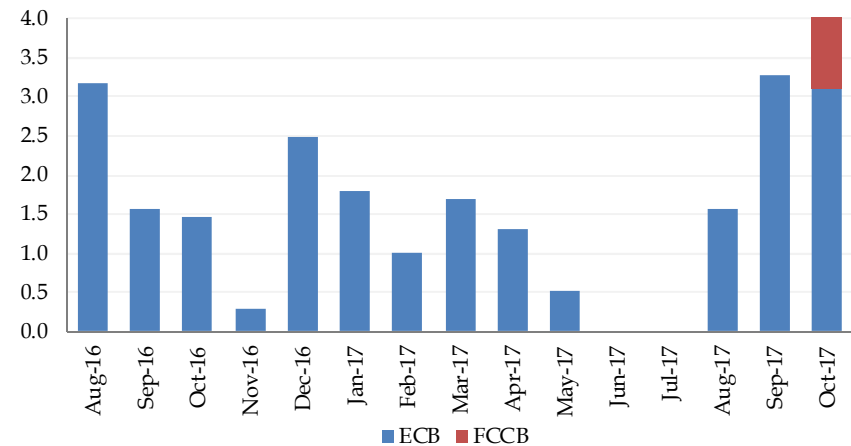


# External Commercial Borrowings: Maturities manageable

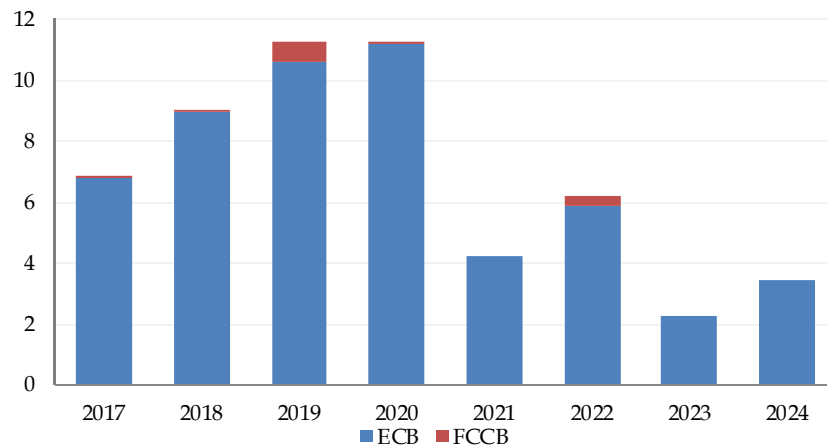
ECB/FCCB Issuances (\$B)



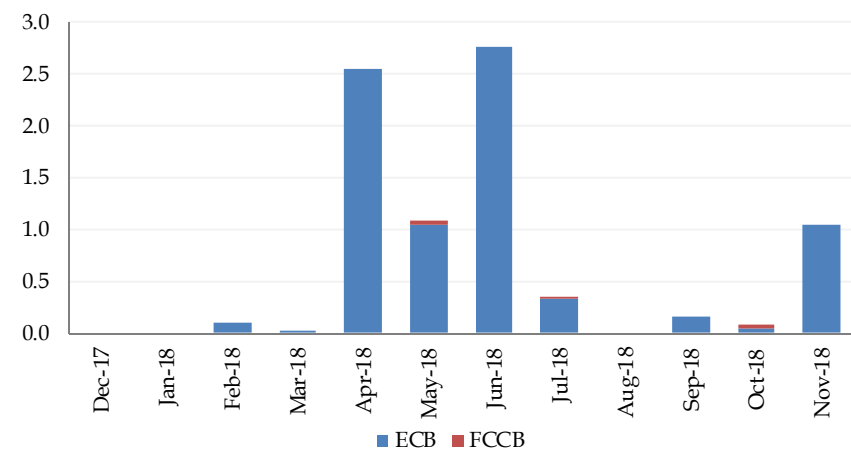
ECB/FCCB Issuances (\$B)



ECB/FCCB Maturity Profile (\$B)



ECB/FCCB Maturity Profile (\$B)

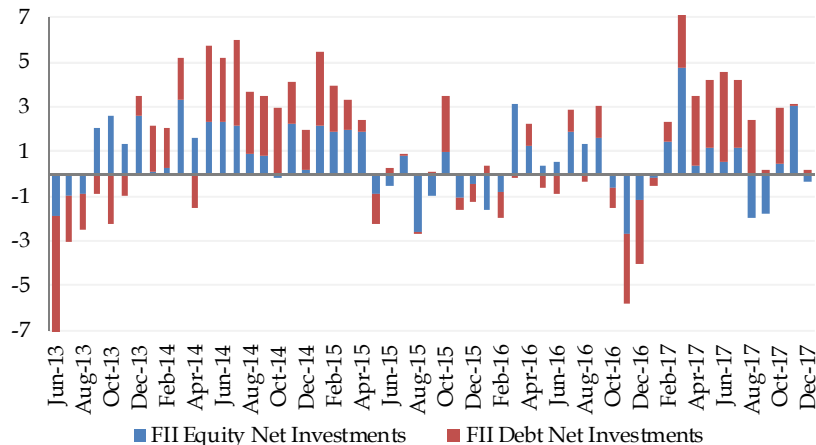




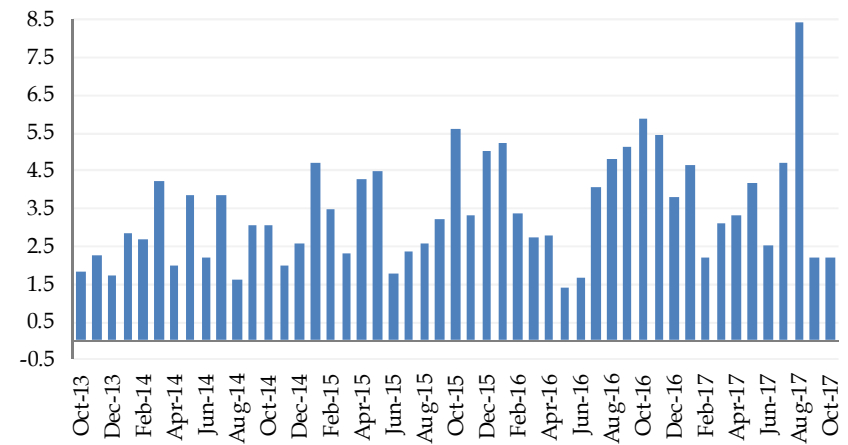


# Foreign Investment: FDI inflows remain robust

FII Investments (\$B)



Net FDI investments (\$B)



## Conclusions

- India's trade deficit moved down slightly on the back of higher export growth performance. India's overall external position has improved significantly over the last two years which has reduced its vulnerability to external shocks. Reflecting this improvement the current account deficit for Q2FY18 came in at 1.2% of GDP.
- India continues to benefit from a number of developments which has put it in a better position to deal with a rise in global risk aversion and other geopolitical developments. India has steadily built its foreign exchange reserves to comfortable levels while at the same time reducing the share of short term debt as a share of total external debt. However we still believe the level of foreign exchange hedging by Indian companies needs improvement to limit forex risks.
- This improvement has now been supplemented with sustained improvement in export growth. India has shown ten consecutive months of positive export growth until September after a prolonged period of declines. Export growth should remain robust as external demand has improved and the government continues to encourage exports through various export promotion measures. In addition Indian's services exports remain resilient despite various challenges.
- Although the trade deficit is higher than its recent lows we believe external risks remain balanced and we expect the CAD to continue to remain manageable. Export growth has remained robust despite a strong Rupee. As the domestic liquidity situation is stabilizes the RBI will have more flexibility in managing Rupee volatility in the medium term. Meanwhile the stable currency continues to attract FII inflows into Indian debt as it presents an attractive carry opportunity.

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Thank You





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