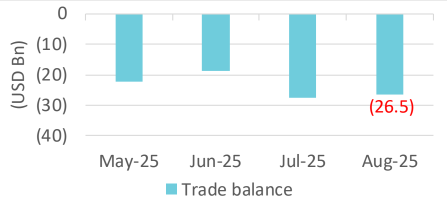
EXTERNAL TRADE

nuvama institutional equities

MACRO MUSINGS

GDP GROWTH



Trade deficit remains elevated

August trade deficit narrowed modestly, but remains quite elevated at USD26.5bn (USD27.4bn in July) while ex-oil deficit widened further to USD17.7bn from USD16.1bn in July. Highlights: i) core exports (ex-oil) held steady at 8% YoY (3mma), aided by a low base; ii) electronics exports (36% YoY on 3mma) outperformed while the labour intensive exports such as textiles lagged (1% YoY on 3mma); and iii) core imports (ex-oil) decreased -3% YoY in August from 6% in July.

Looking ahead, the impact of tariffs is likely to weigh on exports in the coming months. However, subdued domestic demand should keep even imports under check. Accordingly, we reckon the trade deficit would remain steady/narrow marginally over the coming months.

Core trade deficit widens

India's overall goods trade deficit narrowed modestly, but still remains quite elevated at USD26.5bn (versus USD27.4bn in July) while ex-oil deficit widened further to USD17.7bn in August from USD16.1bn. The super core (ex oil, gold) also stayed elevated at USD14.6bn. Gold trade deficit nearly doubled to USD3.1bn in August compared with July while oil trade deficit narrowed to USD8.8bn from USD11.2bn. Within core category, electronics imports continued to weigh heavily with trade deficit in this segment expanding further to USD6.8bn in August versus USD6.1bn in July, whereas other sectors registered broadly stable deficit levels.

Exports recovery remains muted

Merchandise exports decreased to 6.7% in August from 7.3% YoY in July. On a trend basis, however, the overall export growth increased to 4.6% YoY in August from 1.3% in July, aided by a low base. Core exports (excluding oil) remained largely stable at 7.8% YoY, aided by a weak base too. Within categories, electronics exports sustained robust momentum, soaring 36% YoY on a 3mma basis. In contrast, labour-intensive segments lost traction: textiles exports slowed sharply to 0.8% YoY from 3.4% while RMG decelerated to 1% YoY in August from 6% in July.

Imports dip as demand momentum slows

Imports contracted sharply, falling to -10.1% YoY in August from 8.6% growth in July. Even on 3mma, imports weakened, slipping to -2.1% YoY in August from 1.1% in July. Core imports (ex oil) too fell to -3% from 6% in July on 3mma with a broad-based slowdown across categories. Machinery goods imports decreased to 10% in August from 17% in July while electronics imports fell to 10% from 15% in July.

Tariff impact to weigh on export outlook

Overall, the trade deficit for August remains elevated. Looking ahead, the tariff impact is likely to weigh on exports in coming months, clouding the near-term outlook. At the same time, subdued domestic demand should help keep imports under check. Accordingly, we reckon the trade deficit shall remain steady or narrow marginally in the coming months.

Kapil Gupta
Kapil.Gupta@nuvama.com

Prateek Parekh
Prateek.Parekh@nuvama.com

Tanisha Gupta
Tanisha.Gupta@nuvama.com

DISCLAIMER

Analyst Certification:
The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons
This research report is a product of NWML, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by NWML only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, NWML has entered into an agreement with a U.S. registered broker-dealer, Nuvama Financial Services Inc. (formerly Edelweiss Financial Services Inc.) ("NFSI"). Transactions in securities discussed in this research report should be effected through NFSI.

Disclaimer for U.K. Persons
The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the “Order”); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons
This research report is a product of NWML, which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by NWML only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

NWML is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) NWML is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) NWML's head office or principal place of business is located in India; (iii) all or substantially all of NWML's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against NWML because of the above; and (v) the name and address of the NWML's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons
In Singapore, this report is being distributed by Nuvama Investment Advisors Private Limited (NIAPL) (Previously Edelweiss Investment Advisors Private Limited ("EIAPL")) (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to NIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact NIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Disclaimer for Hong Kong persons
This report is distributed in Hong Kong by Nuvama Investment Advisors (Hong Kong) Private Limited (NIAHK) (Previously Edelweiss Securities (Hong Kong) Private Limited (ESHK)), a licensed corporation (BOM -874) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to Section 116(1) of the Securities and Futures Ordinance “SFO”. This report is intended for distribution only to “Professional Investors” as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors.” Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The report also does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of any individual recipients. The Indian Analyst(s) who compile this report is/are not located in Hong Kong and is/are not licensed to carry on regulated activities in Hong Kong and does not / do not hold themselves out as being able to do so.

INVESTMENT IN SECURITIES MARKET ARE SUBJECT TO MARKET RISKS. READ ALL THE RELATED DOCUMENTS CAREFULLY BEFORE INVESTING.

Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

Digitally signed by ABNEESH KUMAR ROY
DN: c=IN, o=Personal, pseudonym=Msg9fxP7wyHcUJj8U9hqnElitaBp7XDX, 2.5.4.20=e648fc28137c6fa4c0e6296c524ee518d54fd4f7ba4be4d07cb750c531c68e2c, postalCode=400098, st=Maharashtra, serialNumber=7370c9de10fb28bbf7cbc6f71afe3cfe848fa7245a8d681629dc3093fb2a8ea9, cn=ABNEESH KUMAR ROY
Date: 2025.09.15 21:08:15 +05'30'
Adobe Acrobat version: 2025.001.20693