

# India macro round-up

21<sup>st</sup> November

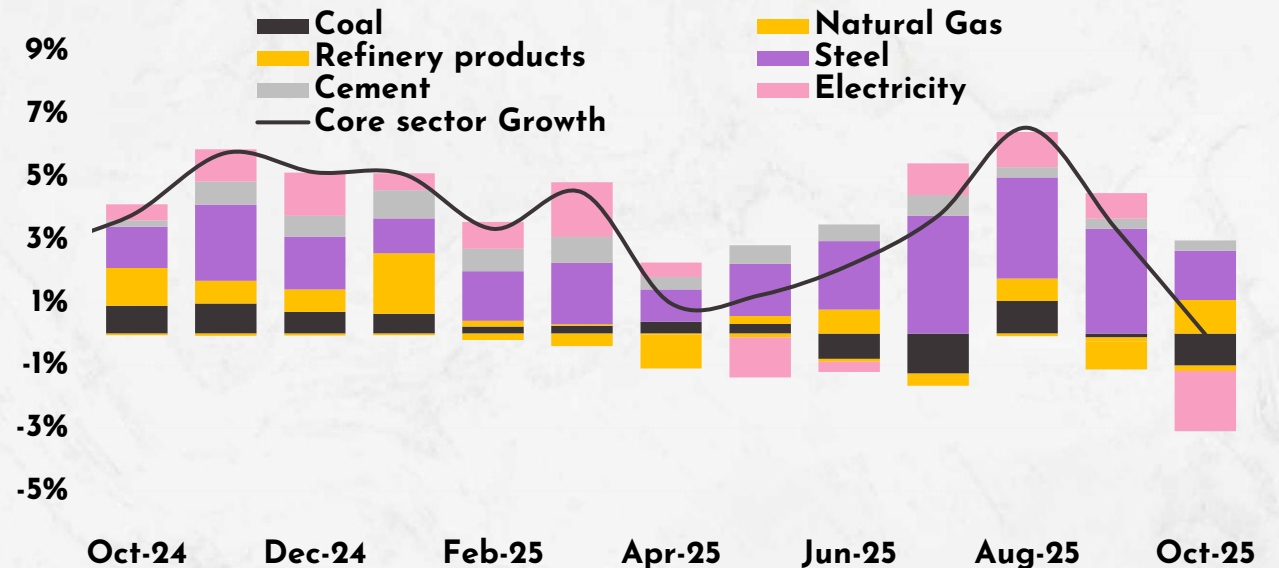
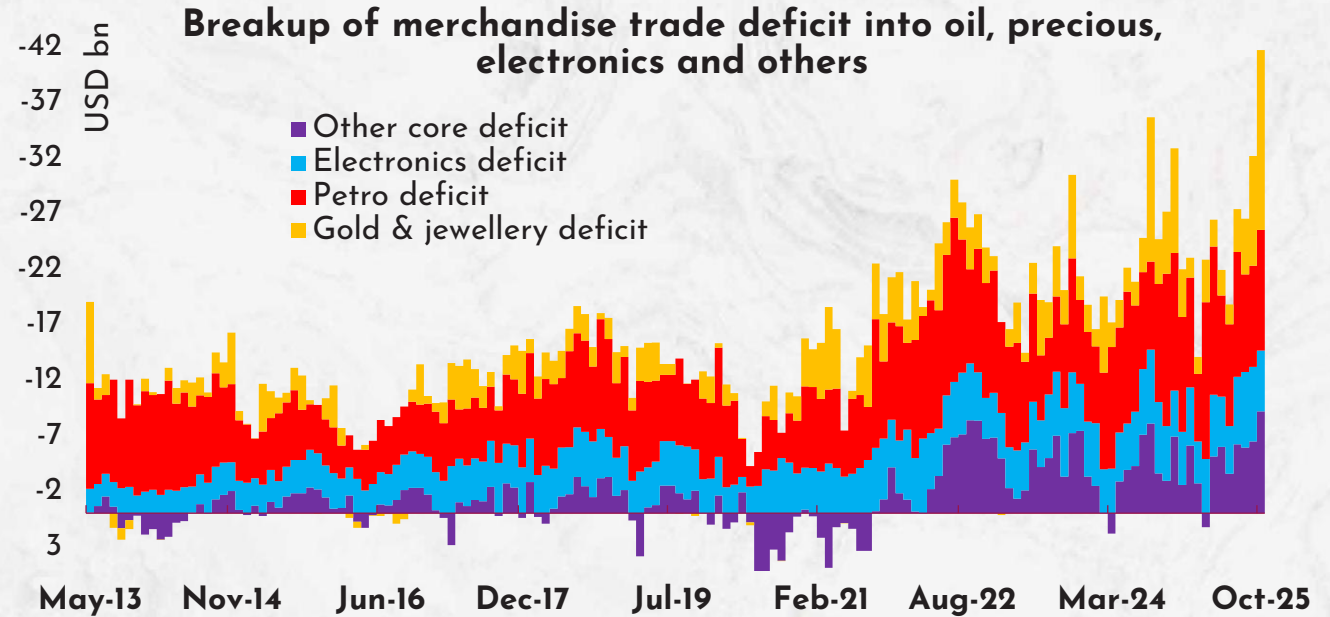
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# India Oct merchandise deficit at record high, eight-core sector IIP growth flat

India Oct merchandise deficit was at an all-time high of USD 41.7bn. This was driven by a sharp rise in imports of gold & other precious metals for the second consecutive month. In addition, the exports witnessed a moderation across the segment - likely on weak global demand or dumping by China ? **Despite 50% tariffs on Indian goods continuing, the share of overall exports to the US edged higher.**

A widening of trade deficit will likely put pressure on the current account deficit in absence of a sustainable pickup in services exports. This may further weigh upon balance of payments financing if the FPI flows do not pickup markedly. Markets continue to watch developments around trade negotiations between India and the US - this may decide the pace of depreciation in INR and broad market sentiment in the near term.

The chart below shows sector wise contribution for the eight-core sector IIP (which forms 40% weight in the IIP). Oct witnessed a flat growth on a YoY basis - held back by negative contribution from electricity (on account of fewer working days (given local festivities) as well as on unseasonal rains in select parts of the country).





# Merchandise trade deficit summary table: Demand for precious metals continues, exports down across sectors

Imports	Oct-25	Sep-25	ΔOct-25	Apr-Oct FY26	Apr-Oct FY25	Δ Apr-Oct FY26
Petro & products	14.79	14.03	0.76	106.93	111.35	(4.41)
Gold, Silver & Stones	18.48	12.72	5.76	57.88	49.67	8.22
Imports ex petro & precious	42.78	41.77	1.01	285.39	264.22	21.17
Of which, Electronics	9.57	9.82	(0.25)	65.73	56.45	9.27
Total	76.06	68.53	7.53	450.21	425.24	24.97

Exports	Oct-25	Sep-25	ΔOct-25	Apr-Oct FY26	Apr-Oct FY25	Δ Apr-Oct FY26
Petroproducts	3.95	4.96	(1.01)	35.36	39.52	(4.16)
Gems & Jewellery	2.29	2.84	(0.55)	16.49	17.19	(0.70)
Exports ex petro & precious	28.14	28.59	(0.46)	203.61	194.22	9.39
Of which, Engineering goods	9.37	10.11	(0.74)	68.72	67.58	1.14
Of which, Electronics	4.08	3.12	0.97	26.30	19.07	7.22
Of which, Chemicals	2.14	2.38	(0.24)	16.68	16.79	(0.11)
Of which, Pharma	2.49	2.62	(0.13)	17.86	17.06	0.80
Total	34.38	36.38	(2.01)	255.46	250.93	4.53

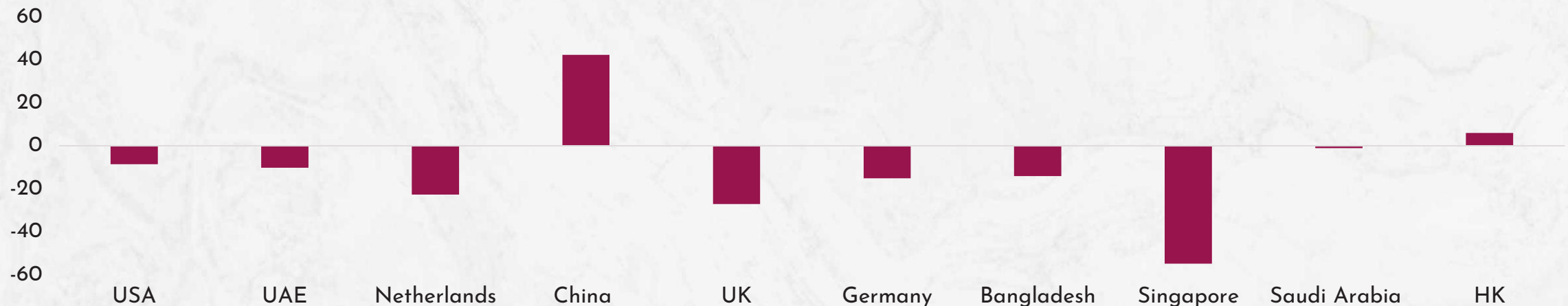
Source: Ministry of trade and commerce, SWL

# Despite moderation in overall exports, the share of US in India's exports edged higher. The month witnessed steep fall in exports to Singapore, UK, Germany and Bangladesh

India merchandise exports to USA



YoY% change in country-wise exports in Oct-25



Source: Ministry of Commerce & Industry, SWL

# INR hits record low, OMO purchases pickup; DXY gains with treasury yields, hawkish FOMC minutes

Indian rupee touched a lifetime low level of 89.48 on Friday - this was said to be on account of weak risk conditions. In addition, the RBI was said to be on sidelines allowing the INR to depreciate to this level. Some participants also believe this could be on account of limited liquidity in the global markets.

This led sovereign yields to rise on account of sharp depreciation in local currency. Additionally, yields remained elevated following hawkish FOMC minutes. Members differed strongly around the need to cut rates in its Dec policy meeting - this led probability of a Dec rate cut sharply lower (as per CME Fed watch tool).

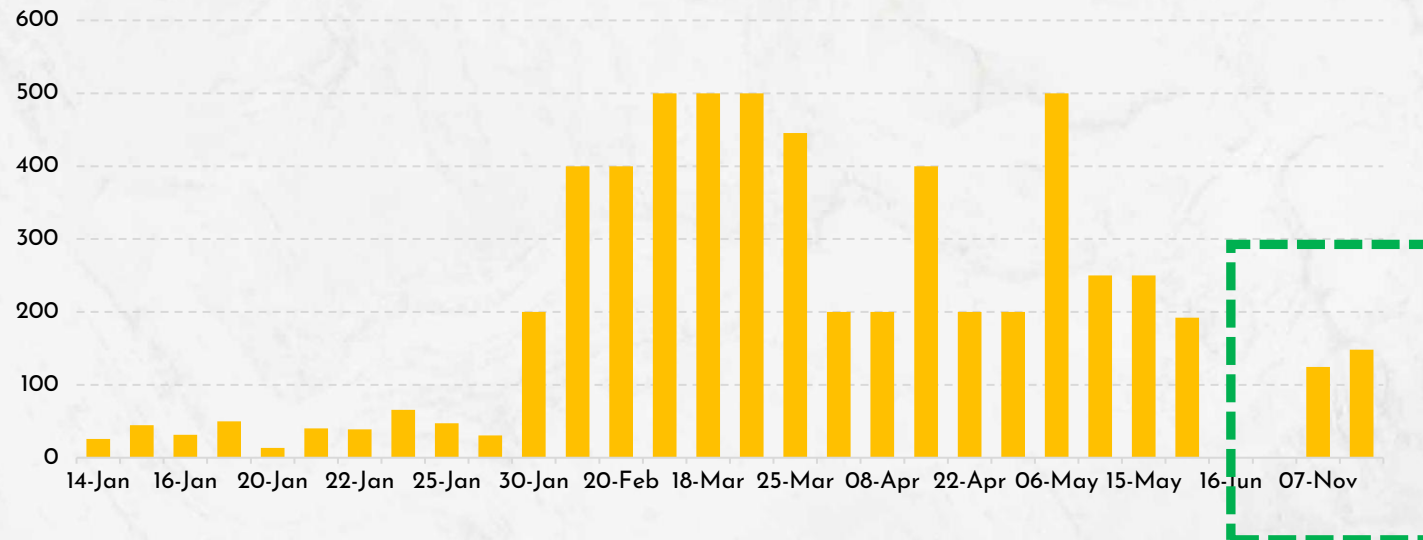
RBI's liquidity operations showed pickup in secondary market purchases via open market operations - this was along expected lines.

On the global front, US data were good as seen in fading job loss momentum (ADP payrolls survey), rising home builders' confidence, strong hiring in Sep'25 (BLS nonfarm payrolls) along with better-than-expected wage growth. Eurozone consumer confidence weakened, and UK industrial activity were soft. The USD gained in the week - tracking a rise in the treasury yields along with continued sell-off in AI.

Spot INR



OMO purchases by RBI (both primary & secondary) INR bn





India's merchandise deficit widened to an all-time high with continuing rise in imports of gold & other precious metals ahead of festival and wedding season. This, in absence of a sustainable pickup in services exports may put pressure upon the current account deficit in the near term.

India's core sector output (which forms 40% of the IIP basket) witnessed flat growth in Oct. Fewer working days on festivities along with unseasonal rains in parts of the country impacted electricity generation in this.

The local equities started the week on a strong note on optimism around Q2 FY26 earnings, though this momentum faded later in the week with global risk-off and worries around AI. Additionally, hawkish FOMC minutes and doubts around a rate cut in the Dec meeting also weighed.

The local bond yields edged higher with global benchmarks as well as on a sharp depreciation in INR. The currency hit an all-time low on Friday amid anecdotes of limited RBI intervention and tight global liquidity.

Globally, treasury yields gained with good US data as seen in upbeat employment gains, rising home builders' confidence, strong services PMI and hawkish FOMC minutes.

Markets watch global flash PMIs along with India Q2FY26 GDP in the forthcoming week. The real GDP growth is expected to print stronger, with continuing softer deflator. This will set the tone for Dec RBI MPC meeting in the backdrop of record low inflation.

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