

Services trade surplus bounces back in Sept qtr

Grows 26.6% after falling to a three-quarter low in Q1

ASIT RANJAN MISHRA

New Delhi, 1 November

India's services trade surplus bounced back in the September quarter of 2023-24 (FY24), growing 26.6 per cent after falling to a three-quarter low in June, data released by the Reserve Bank of India (RBI) showed.

In the September quarter, services exports hit \$83.4 billion, while imports eased to \$43.4 billion, leading to a services trade surplus of \$40 billion. While services exports remained at the same level as a year ago, services imports were the lowest in six quarters.

In the first half (April-September) of FY24, services exports grew 5.1 per cent to \$164 billion, while services imports contracted 1.9 per cent to \$88.9 billion, leading to 14.7 per cent growth in services trade surplus of \$75.1 billion.

In contrast, during the first half of FY24, merchandise exports contracted 8.8 per cent to \$211.4 billion while merchandise imports shrank 12.2 per cent to \$327 billion leading to a trade deficit of \$115.6 billion. Overall, India's net exports or the difference between imports and exports of both goods and services stood at \$40.5 billion in the first half of FY24 compared to \$75.3 billion during the same period a year ago.

Net exports are considered a proxy for current account deficit (CAD). CAD data, released by the RBI on a quarterly basis, also factors in private transfer receipts. This mainly represents remittances by Indians employed overseas, along with net exports.

Morgan Stanley, in a report released last month, said it expects the CAD to remain below 2 per cent of the gross domestic product (GDP) in FY24. "For India, a current account deficit of 2-2.5% of GDP is considered well within the comfort range — it can be funded by steady state flows," it added.

India's services exports range from information technology to services provided by doctors and nurses abroad.

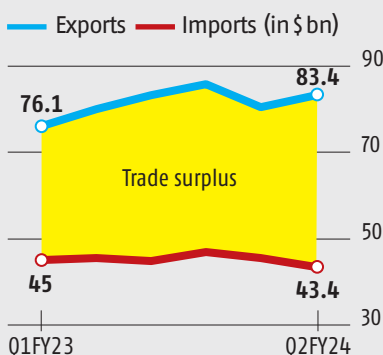
While the RBI doesn't release monthly disaggregated services exports data, its classification of services exports released along with the balance of payment data includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, personal, cultural, and recreational services, and other business services.

While software exports dominate India's services exports, exports of "other business services" have seen a strong surge recently due to the mushrooming of global capability centres. This category includes legal services; accounting, auditing, bookkeeping, and tax consultancy services; management consulting, managerial, and public relations services; and advertising, market research, and public opinion polling services.



ILLUSTRATION: BINAY SINHA

UPWARD TREND



According to World Trade Organization (WTO) classification, India's services exports comprise other commercial services (80.4 per cent), transport (12.2 per cent), travel (6.9 per cent) and goods related services (0.5 per cent). In contrast, the composition of India's services imports includes other commercial services (45 per cent), transport (43.8 per cent), travel (10.4 per cent) and goods related services (0.7 per cent).

India's share in world services exports stood at 4.38 per cent in 2022 while its share in world services imports at 3.82 per cent. India rose to the seventh position in the ranking of services traders in 2022, boosted by exports of computer services, according to the WTO data.