

Services exports growth enters slow lane in FY24

Falls to 3-year low of 4.9%, but net services exports grow at 13.6%

ASIT RANJAN MISHRA

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After recording double-digit growth for two consecutive years, India's services exports decelerated in FY24 to a three-year low, with a modest increase of 4.9 per cent to \$341.1 billion, data released by the Reserve Bank of India showed.

However, net services exports grew at a robust pace of 13.6 per cent to \$162.8 billion as services imports contracted 2 per cent to \$178.3 billion during the financial year ended March 31.

Madan Sabnavis, chief economist at Bank of Baroda, said slower services exports growth may be attributed to base effect as well as lower demand due to just about stable growth in developed economies.

"This situation will remain stable in FY25, too, as the global economy, especially America and Europe, will just about remain stable in growth as high interest rates curbs demand," he said.

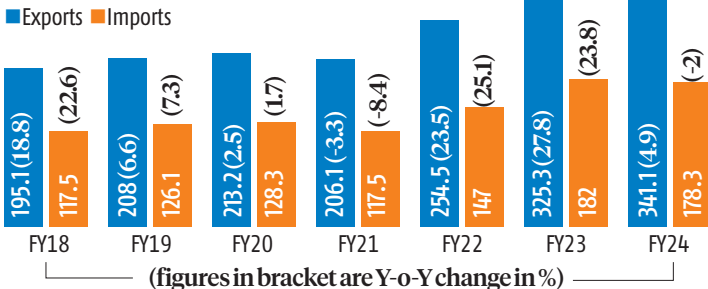
In FY24, merchandise exports had contracted 3.2 per cent to \$437.1 billion, leading to a trade deficit of \$240.2 billion, data released by the commerce ministry last month showed. However, a robust services trade surplus is expected to narrow down the current account deficit (CAD) in FY24 to around 1 per cent of GDP.

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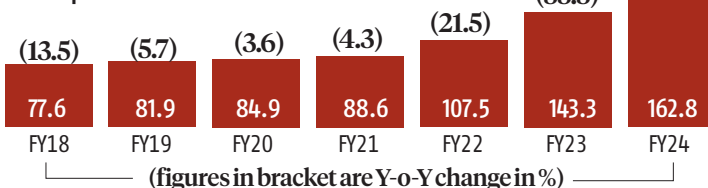


THE TREND

Services trade (in \$ bn)



Net exports



Source: RBI, BS Research

Electoral...

However, there are others who have shown willingness to enter difficult battles to protect family turf. In Himachal Pradesh's Mandi, Congress legislator Vikramaditya Singh has plunged himself into a tough contest against the BJP's Kangana Ranaut. It is a seat represented in the past by Vikramaditya's father, former Himachal CM Virbhadra, and his mother, Pratibha.

There also are some seats where family members are contesting against each other. Andhra Pradesh's Kadapa is witnessing a fight between cousins — the Congress' Y S Sharmila Reddy and the YSR Congress Party's (YSRCP's) Y S Avinash Reddy. Sharmila's father, Y S Rajasekhara Reddy and brother Y S Jaganmohan Reddy, have represented this seat in the past.

In Maharashtra's Baramati, incumbent Supriya Sule faces her sister-in-law Sunetra Pawar in a battle that could decide whether she or her cousin Ajit Pawar gets to inherit the mantle of Sharad Pawar.

There are also instances of incumbents switching parties when denied a ticket — Rahul Kaswan of Churu, for instance. His father Ram Singh Kaswan represented the seat on four occasions, as did Rahul Kaswan in 2014 and 2019, both as BJP candidates. For the 2024 Lok Sabha polls, Rahul is as a Congress candidate after the BJP denied him a ticket.

The Nehru-Gandhi family, as party sources pointed out, has had a closer association with the Rae Bareilly constituency than Amethi. The beginnings of the family's association with Amethi, however, was unfavourable. In his electoral debut in 1977, Sanjay Gandhi lost from Amethi, as did all other candidates of his party, including his mother. He, however, persisted with Amethi, winning in 1980. Later, Rajiv Gandhi won from Amethi in a bypoll, and again in 1984, 1989 and 1991. In 1999, Sonia Gandhi made her electoral debut by contesting from Amethi, in addition to Karnataka's Bellary, deciding later to retain Amethi and vacating the Bellary seat.

Services...

The latest round of RBI's survey of Professional Forecasters on Macroeconomic Indicators projects the CAD to GDP ratio at 1.2 per cent and 1.1 per cent for FY25 and FY26.

Gaura Sengupta, economist at IDFC First Bank, said slowdown in services export growth was countered by decline in services imports. "Balance of payment details indicate that the slowdown in services export growth was led by a decline in transport services and fall in software services and professional services. Meanwhile, the decline in services imports was due to contraction in transport services,"

she added.

For FY25, Dasgupta said services surplus was expected to remain on the stronger side with the rise of global capability centres (GCCs) supporting professional services exports. "However weakness in developed market growth, especially the US, is expected to weigh on software services exports. Overall we expect some moderation in services surplus in FY25," she said.

While software exports dominate India's services exports, "other business services" that includes exports by GCCs have seen a strong ramp-up recently, accounting for 25.4 per cent of the total services exports in the December quarter of FY24 from 24.1 per cent during the same period a year ago. During the same period, the share of software exports in overall services exports declined from 48.1 per cent to 46.2 per cent.

Nifty...

This was the index's highest close in two months. On Friday, FPIs sold shares worth ₹2,392 crore.

"At historic highs, there is always some nervousness and people watching over their shoulders to see who is rushing through the door. They want to book profits at the earliest sign of trouble. We have simmering tensions in the Middle East and rising US inflation," said UR Bhat, co-founder of Alphaniti Fintech.

"The only relief the market got this week from the Fed was that there won't be any hike in the interest rate. If interest rates continue to be high in the US, the FPI interest in emerging markets will continue to be at risk," said Bhat.

Over half of the decline in Sensex was contributed by RIL, L&T, and HDFC Bank.

"Moving forward, the ongoing results season will be detrimental for investors to align their portfolios. The market will also remain vigilant about the BoE policy and GDP data from the eurozone. We expect a degree of consolidation in the market due to expensive valuations and any election-led jitters," said Vinod Nair, head of research at Geojit Financial Services.

Adani stocks...

Other group firms (Adani Green Energy, Adani Power, Adani Ports & SEZ, Adani Wilmar, Adani Total Gas, and Adani Energy Solutions) in separate exchange filings also disclosed the receipt of similar notices "with regard to the transactions entered in the earlier years with certain parties, essentially, from a substance-over-form perspective."

None of the firms provided details of the allegations or names of the related-parties involved. Sebi has been probing the Adani group after a report by Hindenburg Research alleged violation of RPT norms, circumvention of minimum