

# Trade deficit hits 1-yr low; exports, imports contract

## Exports dropped in 19 of 30 sectors in January

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New Delhi, 15 February

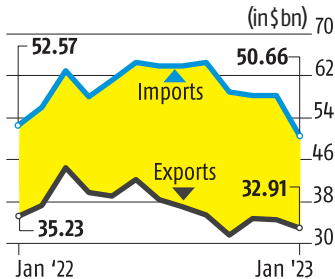
India's trade deficit in January hit its lowest in a year at \$17.75 billion, as both merchandise exports and imports contracted for the second consecutive month amid tepid external demand and a sharp decline in gold imports.

Merchandise exports dropped 6.5 per cent year-on-year (YoY) to \$32.91 billion last month following a slowdown in demand from key developed economies due to monetary policy tightening and high inflation, data released by the commerce and industry ministry showed on Wednesday. On a sequential basis, the decline was 4.5 per cent.

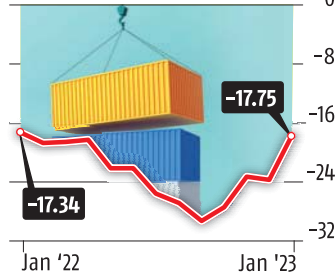
Imports contracted 3.6 per cent YoY to \$50.66 billion. The decline was sharper on a sequential basis at 13 per cent. This was due to a combination of factors such as the government's curbs on non-essential imports, weak domestic demand, and easing commodity prices.

## DECLINING TREND

India's merchandise trade



Trade balance (in \$bn)



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Source: Department of Commerce

FROM PAGE 1

## Trade deficit...

Gold imports, which signifi-

cantly contribute to the widening of the current account deficit (CAD), declined 70.7 per cent to \$697 million. Amid rising risks to external demand, the government is concerned

about the CAD, bringing the focus back on curbing non-essential imports such as gold.

Commerce Secretary Sunil Barthwal, however, said a drop in imports was a “good signal”. It indicated that the ‘Make in India’ programme was succeeding, he added.

During the April-January period, exports grew 8.5 per cent to \$369.25 billion, while imports rose 21 per cent to \$602.20 billion on a cumulative basis.

Barthwal told reporters that the government was optimistic that the cumulative growth momentum would continue despite strong global headwinds.

“The overall export growth (merchandise plus services) in the current financial year is about 17.33 per cent. The main engine behind this export growth is the services sector, which has been growing at a historically high growth rate of about 30 per cent,” he said.

Aditi Nayar, chief economist at ICRA, said the lower oil import bill sequentially had pulled down the trade deficit. “This will help in reducing the current account deficit in the March quarter. We believed that while the CAD peaked in Q2 (July-September), it is expected to moderate sequen-

tially in Q3 (October-December) and Q4 (January-March),” she added.

India’s merchandise exports witnessed annual contraction in 19 out of 30 sectors in January. Key export items that witnessed a decline in January include gems and jewellery (19.28 per cent), drugs and pharmaceuticals (2.62 per cent), chemicals (4.57 per cent), engineering goods (9.8 per cent) and readymade garments (3.48 per cent).

Among sectors that experienced growth include electronic goods (55.54 per cent) and petroleum products (8 per cent).

Non-petroleum and non-gems and jewellery exports, also known as core exports, fell 8.12 per cent in January to \$25.35 billion. Core imports contracted nearly 4 per cent to \$33.56 billion.

A Sakthivel, president of the Federation of Indian Export Organisations (FIEO), said that though the coming months are going to be challenging, unless both global economic growth and geopolitical situation improves drastically. “However, we will be on course to cross the previous year’s export target quite easily, touching almost \$440-445 billion with growth of over 4-5 per cent this fiscal year,” he added.



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SOLUTION TO #3897

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Easy:



Solution tomorrow

### HOW TO PLAY

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