

Exports, imports shrink over 8% in February

Imports hit 18-month low as non-essentials curbed

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India's merchandise imports fell to an 18-month low in February, contracting for the third consecutive month as the government ramped up efforts to curb non-essential imports, even as exports shrank for a third time in five months amid slowing global demand.

Merchandise exports contracted 8.8 per cent to \$33.88 billion in February, while imports fell 8.2 per cent to \$51.31 billion, leading to a trade deficit of \$17.43 billion, showed the data released by the commerce department on Wednesday.

Commerce Secretary Sunil Barthwal said the government had been able to contain imports in February. "It is not simply statistical. There were several meetings which were taken by the commerce minister (Piyush Goyal) with various ministries where we looked at strategies to contain non-essential imports. Those steps are bearing fruit," he added.

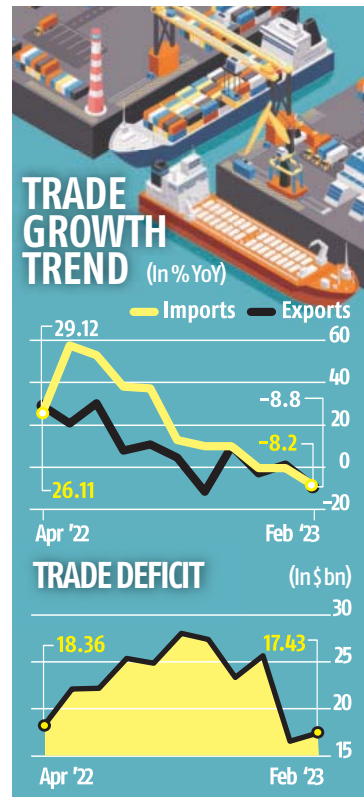
Barthwal said ministries were told to analyse import data and discourage non-essential imports. "If there is sufficient capacity [for a product] within the country

and it is still being imported, we are trying to educate that it can be substituted by domestically manufactured products. But of course, it will depend on the requirements of global value chains. We have decided on a principle. We are not looking at particular commodities," he said.

Rajani Sinha, chief economist at Care Ratings, said while the moderation in the trade deficit was a positive, it was mainly due to lower value of imports amid softening commodity prices. "In the months to come, import performance will remain crucial to gauge the pulse of domestic demand. Export slowdown is likely to aggravate further amid an uncertain global scenario," she added.

Under merchandise imports, 16 of the 30 key sectors witnessed contraction in February, led by gold (-44.9 per cent), fertilisers (-59.3 per cent), and crude oil (-4.27 per cent). Other major import items that dipped include vegetable oil (-2.48 per cent), chemicals (-5.5 per cent), pearls (-20.9 per cent), machinery (-2.5 per cent), and electronic goods (-11.1 per cent). Key sectors that saw growth were coal (8.9 per cent), plastic materials (6.5 per cent), iron and steel (16.46 per cent), and transport equipment (49.25 per cent).

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Source: Department of Commerce

tranche.

The second tranche will be given once states have spent at least 75 per cent of the first instalment.

Exports...

Merchandise exports witnessed annual contraction in 16 of the 30 key sectors last month. Key export items that dipped in February included chemicals (-12.34 per cent), engineering goods (-9.68 per cent), readymade garments (-12.1 per cent), petroleum products (-28.8 per cent). Among sectors that experienced growth included electronic goods (29.85 per cent), gems and jewellery (12.8 per cent), rice (11.75 per cent), and drugs and pharmaceuticals (4.72 per cent). Non-petroleum and non-gems & jewellery exports in February contracted 6.4 per cent in February.

Exports grew 7.6 per cent year-on-year to \$405.9 billion during April-February, while imports grew by 18.8 per cent at \$653.5 billion during this period, leading to a trade deficit of \$247.5 billion.

Engineering Export Promotion Council of India

Chairman Arun Kumar Garodia said the collapse of two US banks and negative growth in some European markets could dampen market sentiment and further hit demand, making 2023 a tough year for engineering goods manufacturers.

Barthwal said the export target setting exercise for the next financial year was on. "We are not doing only a trend-based exercise. We are looking at commodities, territories and countries," he added.

On payment mechanism for crude oil imports from Russia, Director General of Foreign Trade Santosh Kumar Sarangi said, "Payments are made in different currencies including the dollar, euro and dirham. There is no ban on using any convertible currency." Barthwal said the new foreign trade policy would be released by the end of the month. "For the last six months, we have been developing a new FTP. We have looked at various aspects of the FTP. We are aiming for \$1 trillion of merchandise exports and \$2 trillion of both merchandise and services exports," he said.

