

# Exports contract for 4th straight month

## Imports decline 6.6% in May; trade deficit hits 5-month high

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New Delhi, 15 June

India's merchandise exports contracted for a fourth straight month in May as external demand remained muted due to a slowdown in its key markets, data released by the commerce department on Thursday showed.

Exports declined 10.31 per cent year-on-year to \$34.98 billion last month. Imports, on the other hand, fell 6.59 per cent to \$57.10 billion, witnessing contraction for a fifth consecutive month, amid cooling commodity prices as well as India's policy to "substitute" inbound shipments. This led to the trade deficit widening to a five-month high of \$22.12 billion in May.

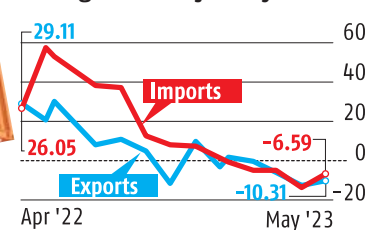
On a sequential basis, exports grew 0.7 per cent, while imports jumped nearly 14 per cent, the data showed.

Commerce Secretary Sunil Barthwal told reporters on Thursday that although "headwinds still continue" due to recession and slowdowns in many countries, he expected demand to pick

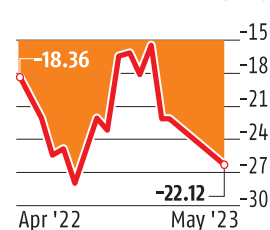


### TAKING STOCK

Trade growth trajectory In % YoY



Trade balance Value (\$ bn)



Source: Department of Commerce

up in major export destinations over a period of time.

He said India was also "closely watching" what other countries were doing, such as steps taken by western nations to tame inflation. "There's a slowdown in demand for finished and intermediate products. We are hoping that if inflation cools down in these countries and central banks keep the interest rate the same or

bring it down, then industrial activities will pick up, resulting in higher demand," he added.

Aditi Nayar, chief economist and head of research and outreach at ICRA, said that while lower commodity prices led to a contraction in merchandise imports in May, some key items such as iron and steel, machine tools, machinery, electronic goods, fertilisers and pharma witnessed an expansion year-on-year.

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ONGC at ₹8,335 crore and SBI at ₹5,740 crore.

The top five contributors are together paying ₹36,500 crore, accounting for 58 per cent of the government's dividends from the PSUs for the year.

## Exports...

She said the month of May tends to see higher imports of several items such as fertiliser, gold and fuels vis-a-vis April.

Non-petroleum and non-gems and jewellery exports, also known as core exports, contracted nearly 4 per cent in May to \$26.22 billion. Non-petroleum, non-gems and jewellery imports grew 1.6 per cent to \$35.88 billion.

Barthwal said that as part of the strategy to boost exports, the Centre was tapping the government's investment promotion agency Invest India and diplomatic missions abroad, as well as officials from commerce and industry department officials, to focus on 40 countries that accounted for 85 per cent of India's total exports.

Initially, there will be focus on 11 countries and eight-nine commodity groups. "We are talking about a twin strategy of export promotion and import substitution. Both industrial policy and trade policy would work in sync," he added.

India's merchandise exports witnessed contraction

in 17 of the 30 key sectors in May.

Major export items that dipped in May included petroleum products (-29.9 per cent), plastics and linoleum (-15.17 per cent), gems and jewellery (-12.5 per cent), engineering goods (-4.16 per cent), and cotton yarn (-11.75 per cent). Among sectors that experienced positive growth were electronic goods (73.96 per cent) and drug and pharmaceuticals (0.78 per cent).

Merchandise imports contracted in 16 of the 30 sectors, including coal (-16.88 per cent), crude petroleum (-5.97 per cent), precious stones (-31.62 per cent) and gold (-38.71 per cent).

EPEC India Chairman Arun Kumar Garodia said it had been a tough time for engineering goods manufacturers-exporters with demand from most key markets slowing down.

"Barring markets in Latin America, the WANA region, parts of Europe, and Oceania, most other markets have seen muted demand. Engineering goods exporters have been trying to penetrate new markets and hoping demand from top destinations will improve in times to come," Garodia said.

FIEO President A Sakthivel said he was hoping that exports would start showing better growth numbers starting July as things were expected to improve from Q3 of the calendar year.

