

Services exports see 12% growth at \$27.17 bn in July

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The value of goods exported from India fell to a nine-month low at \$32.25 billion in July, witnessing a 15.9 per cent contraction as external demand continued to remain sluggish due to factors including a slowdown and high inflation in developed economies.

Exports witnessed the sharpest contraction in three years, although the sharp decline in July can also be attributed, to some extent, to a high base.

Imports also contracted by 17 per cent to \$52.92 billion in July. However, on a sequential basis, the decline was 0.3 per cent, as shown by data shared by the Department of Commerce on Monday.

The decrease in the value of goods imported into the country also reflects the cooling of commodity prices as well as the government's policies to substitute inbound shipments.

The trade deficit narrowed to \$20.67 billion in July from \$25.45 billion a year ago but widened from \$18.76 billion in June.

On the brighter side, services exports witnessed 12 per cent growth at \$27.17 billion in July. Services imports grew at a relatively slower pace, at 5.6 per cent, reaching \$14.85 billion, resulting in a surplus of \$12.32 billion.

The Department of Commerce, however, clarified that the services trade data for July is an "estimation" and will be revised based on the subsequent release by the Reserve Bank of India (RBI).

The latest data for the services sector released by the RBI is for June 2023.

Commerce Secretary Sunil Barthwal told reporters that most countries are showing very negative export growth, which, when compared to the fall in India's exports, is "not much".

He exuded confidence that despite the global headwinds, an uptick in exports will still occur compared to last year when export growth was robust. The decline in imports can also be accounted for by the way the production-linked incentive scheme is being implemented in the country, he added.

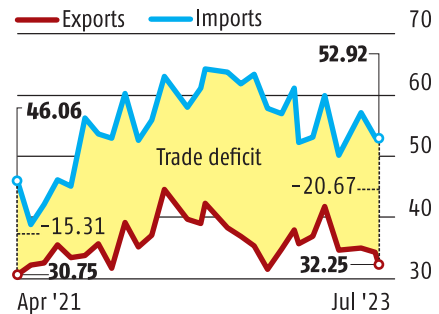
Non-petroleum and non-gems and jewellery exports, also known as core exports, contracted by 5.7 per cent in July, reaching \$25.35 billion. Non-petroleum, non-gems and jewellery imports contracted by 7.5 per cent, amounting to \$35.65 billion.

Aditi Nayar, chief economist at ICRA, said that the merchandise trade deficit printed in line with expectations in July 2023, with the year-on-year decline in commodity prices



RIDING THE WAVE

Merchandise trade (\$ billion)



Services trade

	(\$ bn)	Growth (%)
Exports	27.17	11.9
Imports	14.85	5.6
Trade balance	12.32	

Source: Department of Commerce

compressing both exports and imports, as well as the trade deficit.

"On a positive note, non-oil exports remained steady, even as lower oil exports dampened the overall shipments in July 2023 relative to the previous month. Based on the available trends, we expect the current account deficit to widen to \$11-13 billion in the first quarter of 2023-24 (FY24) and further to \$15-17 billion in second quarter of FY24," Nayar said, adding that the monthly trade deficit is likely to remain above the \$20 billion mark in the next couple of months.

India's merchandise exports witnessed contraction in 19 of the 30 sectors in July. Key export items that dipped in July include petroleum products (minus 43.66 per cent), gems and jewellery (minus 29.72 per cent), engineering goods (minus 6.62 per cent), readymade garments (minus 17.37 per cent), organic and inorganic chemicals (minus 3.01 per cent).

Among the key sectors that experienced positive growth were electronic goods (13.09 per cent) and cotton yarn (6.62 per cent).