Export contraction narrows in Sep; govt sees 'green shoots'

Outbound shipments fall 2.6%; imports decline 15%

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The government on Friday claimed signs of revival in India's outbound shipments as contraction of goods exports narrowed to 2.6 per cent in September and the commerce department revised the August exports data upwards, leading to a 3.9 per cent growth from the 6.9 per cent contraction estimated earlier.

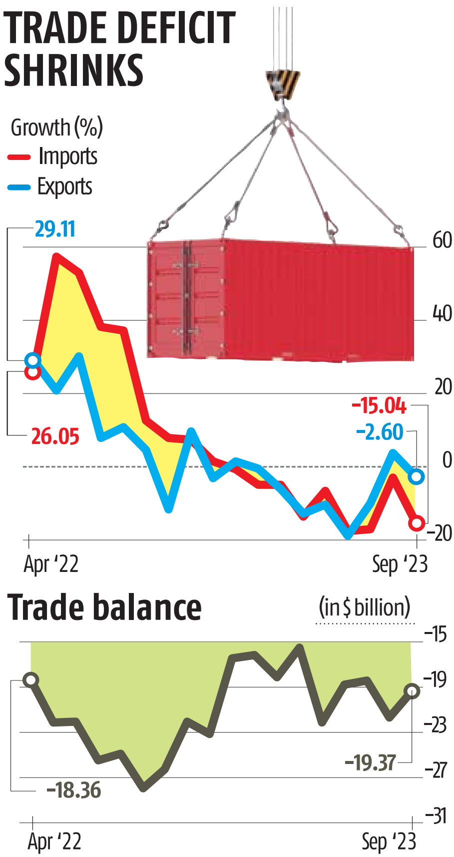
According to the data released by the commerce department, imports in September contracted at a faster pace than exports, at 15 per cent, leading to a narrowing of the trade deficit to $19.4 billion during the month.

Commerce Secretary Sunil Barthwal said the government believed that September's data was signalling the beginning of "optimism". "There are greenshoots. For the remaining six months (in FY24), there should be positive growth in our exports...The weekly trend in October is positive," Barthwal said in a media briefing.

A Sakthivel, president, Federation of Indian Export Organisations (FIEO), said with both the US Federal Reserve and the UK central bank pausing interest rates, the exports demand was expected to rebound from October onwards. "Further, with the economic outlook for Asia and the Pacific remaining upbeat, demand may pick up from these regions and countries also," he added.

Aditi Nayar, chief economist at ICRA, said the narrower-than-expected trade deficit augured well for the current account deficit for the September quarter, although it was expected to enlarge vis-à-vis the June quarter level. "Crude oil price volatility amid geopolitical tensions remains a risk to the CAD outlook for H2," she said. On the impact of the Israel-Hamas conflict, Barthwal said the government was in a "wait and watch mode". "We're concerned. There should be no escalation of the conflict, because then it would have an impact (on trade)." Turn to Page 6

TRADE DEFICIT SHRINKS



Source: Department of Commerce

INDIA-UK FTA TALKS AT ADVANCED STAGE, SAYS COMMERCE SECY 6

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E-commerce festival...

Earlier, Flipkart and Amazon reported that a significantly high number of customers thronged their shopping platforms at the start of their mega festival sales events. While Flipkart's TBBD, which will run until October 15, garnered 91 million customer visits until Day 1, Amazon India's month-long GIF generated a record 95 million customer visits in the first 48 hours.

E-commerce firm Snapdeal said it is expecting 30-40 per cent year-on-year growth during the festival period.

SoftBank-backed e-commerce company Meesho said it was "delighted by the exceptional response" to its flagship Mega Blockbuster Sale. The company said that tier-II, tier-III, and tier-IV cities/towns accounted for 70 per cent of orders.

E-commerce retailers are expected to garner sales worth ₹90,000 crore this festival season, 18 to 20 per cent higher than last year, according to another report by Redseer. This shall be driven by about 140 million shoppers who are expected to be transacting online at least once during the festival month.

Exports contraction...

While shipping costs and insurance premiums are the first to get hit in such situations, the impact can be assessed only when data comes in, government officials said.

While merchandise exports have been witnessing contraction since February, August has now become an outlier due to revision in data. The commerce department also revised the August imports data upwards to $60.1 billion from the $58.6 billion estimated earlier. This led to a narrowing of imports contraction in August to 2.9 per cent from 5.2 per cent estimated previously.

The revision in data occurs mainly due to 'reconciliation' of revenue and commerce department data, because of which the final data often comes with a lag. While minor revision in data is common, government officials said the large changes in data can be attributed to upward revision of petroleum and electronic goods' exports and downward revision in items such as chemicals.

Government officials attributed the sharp contraction in imports in September to a combination of factors such as a decline in petroleum prices, tepid demand as well as the government's import substitution measures with production-linked incentive (PLI) scheme.

On the brighter side, non-petroleum and non-gems and jewellery exports, also known as core exports, reversed their trend of contraction and grew 1.8 per cent in September to $24.78 billion.

India's merchandise exports witnessed contraction in 18 of the 30 key sectors in September. Key export items that dipped in September include petroleum products (-10.6 per cent), gems and jewellery (-16 per cent), ready-made garments (-11.2 per cent), organic and inorganic chemicals (-15.2 per cent). After months of growth, electronics exports contracted 3.7 per cent in September.

Among key export sectors that experienced growth include engineering goods (6.8 per cent) and drugs and pharmaceuticals (9 per cent).

Merchandise imports contracted in 20 of the 30 key items including coal (-33.4 per cent), crude petroleum (-20.3 per cent), precious stones (-22.5 per cent). On the other hand, after witnessing contraction for around a year, gold imports grew 6.9 per cent to $4.11 billion, mainly due to the upcoming festival season.

Services exports saw 0.5 per cent growth at $29.37 billion in September, while services imports witnessed an 8.3 per cent increase at $14.91 billion, resulting in a surplus of $14.46 billion.

The services trade data for September, however, is an 'estimation', which will be revised based on the Reserve Bank of India's (RBI's) subsequent release.

Last week, the World Trade Organization (WTO) more than halved its growth projection for world merchandise trade volume for 2023 to 0.8 per cent growth compared to the 1.7 per cent forecast in April due to a continued slump in goods trade. However, the world trade body marginally increased its forecast for goods trade for 2024 to 3.3 per cent from 3.2 per cent estimated earlier.

G20 finance ministers...

Sitharaman said under the Brazilian G20 presidency, discussions on crypto currencies would come up in three areas -- monitoring progress; cross-border activities and information sharing; and looking beyond G20 jurisdictions and FSB membership.

"Specific legislative arrangements of the countries concerned will have to be worked out --- (there will be arrangements) across countries, between countries in a macro sense, and in individual countries and the measures that they would want to take," she added.

The IMF-FSB synthesis paper had said crypto assets should not be granted official recognition or legal tender status while arguing against a blanket ban on activities linked to crypto assets, holding that such a move could be costly as well as technically demanding to enforce.

Central banks should avoid holding crypto assets in their official reserve because they pose a risk to monetary and global financial stability, according to the synthesis paper.

Stressing the need for an unambiguous tax treatment of crypto assets, it has advised countries to safeguard monetary sovereignty.

The report had said policymakers should guard themselves against excessive capital flow volatility by taking steps such as clarifying the legal status of crypto assets. As for emerging markets and developing economies, the report said they might face amplified macro-financial risks from crypto assets due to a less developed tax framework, a large unbanked population, and larger cross-border transaction costs.