

TRADE DEFICIT WIDENS TO \$26.9 BN

Exports shrink 16.7% in Oct

Shipments drop for the first time in 20 months

FE BUREAU
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MERCHANDISE EXPORTS DECLINED 16.7% on year in October, the first drop in 20 months and the worst slide since May 2020 when a nation-wide lockdown was imposed to contain the Covid outbreak.

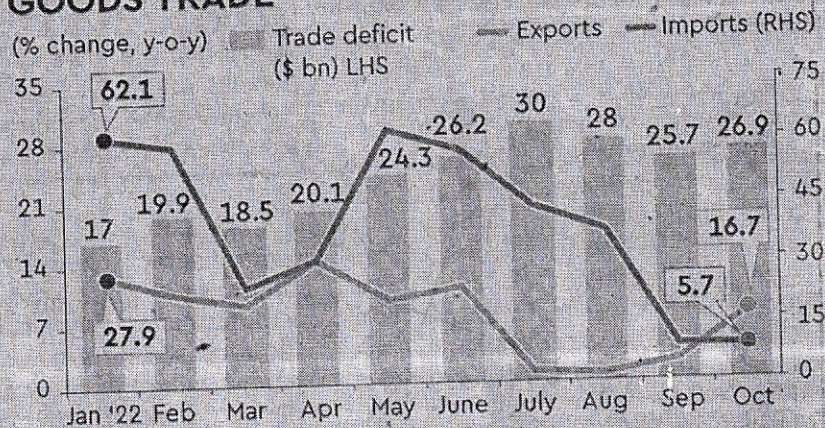
Official data released on Tuesday showed that exports dropped below the crucial \$30-billion mark for the first time since March 2021 to hit \$29.8 billion. Imports, however, rose 5.7%, to \$56.7 billion. Consequently, trade deficit inched up to \$26.9 billion in October from \$25.7 billion in the previous month; but it still remained lower than July's record level of \$30 billion.

The export decline in October was rather broad-based, as 24 of the 30 key segments—including petroleum products, engineering goods, gems and jewellery, textiles and garments, chemicals and pharmaceuticals—witnessed contraction, due to an economic slowdown in key markets that started to weigh down demand. However, the sustained rise in imports, albeit at a slower pace, suggests domestic consumption still remains stronger than in many parts of the world.

Briefing reporters, commerce secretary Sunil Barthwal said strong external headwinds are impacting consumption worldwide, which would have an impact on India's exports as well. The aggressive interest rate hikes by the US and Europe to tame runaway inflation there is also weighing down demand for merchandise globally, he suggested.

The secretary also said that certain export sectors, including pharmaceuticals, rely on imported inputs.

GOODS TRADE



Source: DGCIIS; ministry of commerce

For instance, industry executives said India sources 60-70% of its bulk drug requirements from China, which has resorted to lockdowns in several provinces from time to time to contain Covid, choking supplies of some of these inputs.

Some analysts, including ICRA chief economist Aditi Nayar, has also blamed fewer working days due to Diwali for the export debacle (Diwali last year was in November). The curbs on exports of select steel products, iron ore and non-basmati rice and the ban on those of wheat to ease domestic inflation have also contributed to the export decline. The World Trade Organisation (WTO) recently warned of a darkened 2023 and projected that global trade growth will drop to only 1% next year from 3.5% in 2022. This means export prospects for countries, including India, could remain subdued next year as well, according to analysts.

"We should not be depressed by the WTO forecast," Barthwal said. India's share is just 1.8% in the global merchandise trade and 4% in services trade. So, there is a huge potential to raise it, he added.

ICRA's Nayar said: "As of now, we expect some rebound in exports

and imports in November relative to October, although it may not be as strong as the trend seen between November and December of 2021, given the prevailing global demand concerns."

However, services exports are estimated to have risen 40% in October from a year before to \$28.6 billion. So, if both services and merchandise exports are included, overall exports in October hit \$58.4 billion, up 4% from a year before. Of course, the services data for October is an estimate and will be revised when the central bank releases these data next month.

Federation of Indian Export Organisations (FIEO) president A Sakthivel "is a reflection of the toughening global trade conditions facing demand slowdown on account of high inventories, rising inflation, economies entering recession, high volatility in currencies and geopolitical tensions". The drop in global commodity prices, too, weighed on export value.

EIPC India chairman Arun Kumar Garodia said, "The Ukraine war has been threatening to push major advanced economies into recession. India is not immune from the happenings in the world."