

Exports see sharpest decline in three years

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India's merchandise exports in June contracted the most in more than three years as external demand ebbed because of an economic slowdown and high inflation in developed countries.

Exports fell 22 per cent year-on-year (YoY) to \$32.97 billion last month – their sharpest decline since May 2020, when contraction was 35 per cent, data released by the department of commerce showed on Friday. Experts partially attributed the fall in exports to a high base effect.

Merchandise imports, on the other hand, stood at \$53.1 billion last month, a decline of 17.6 per cent – the worst since September 2020. On a sequential basis, the decline was 7 per cent, indicating that imports are being affected by cooling commodity prices.

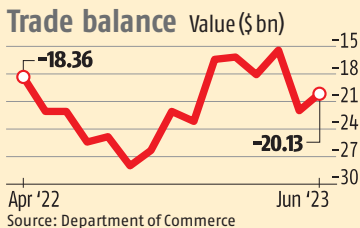
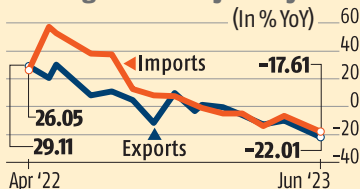
The sharp contraction in India's outbound and inbound shipments resulted in the easing of the trade deficit to \$20.13 billion from \$22.06 billion a year ago, according to the data.

Commerce Secretary Sunil Barthwal told reporters in New Delhi that there were several reasons for the decline in trade, including a slowdown in key economies such as North America and Europe. "There is a slowdown in terms of GDP [gross domestic product] growth. There are also inflationary pressures in these economies due to the lingering impact of supply chain disruptions, as well as the Ukraine-Russia conflict," Barthwal said.

"The world is in a twin dilemma of slowdown and inflationary pressure, which is affecting manufacturing activities, which, in turn, is impacting trade," he said.

TAKING STOCK

Trade growth trajectory



Source: Department of Commerce

▶ FOREX RESERVES RISE \$1.23 BILLION TO \$596.28 BILLION

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However, exporters expect a turnaround from the July-September quarter onwards, and are hopeful that the inventory pile-up will reduce and orders will pick up, he said.

Merchandise exports witnessed contraction in 21 of the 30 key sectors in June. Key export items that declined included petroleum products (-47.51 per cent), gems and jewellery (-35.6 per cent), engineering goods (-10.99 per cent), cotton yarn (-1.21 per cent), and organic and inorganic chemicals (-26.65 per cent), the data showed.

The sectors that witnessed growth included electronic goods (45.36 per cent), pharmaceuticals (5.13 per cent), and handicrafts (5.14 per cent).

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“Most of the sub groups of exports reported a YoY contraction in June, reflecting an unpalatable combination of lower demand and commodity prices. In absolute terms, petroleum products accounted for half the fall in exports in June 2023 relative to June 2022,” said Aditi Nayar, chief economist & head - research & outreach, ICRA. “The key outlier was electronic goods, with a robust 45 per cent expansion in exports in June 2023,” Nayar added. Non-petroleum and non-gems and jewellery exports, also known as core exports, contracted 10.7 per cent in June to \$25.13 billion. Non-petroleum, non-gems and jewellery imports grew 1.6 per cent to \$35.88 billion.

Merchandise imports contracted in 21 out of the 30 sectors. These included coal (-47.61 per cent), crude petroleum (-33.77 per cent), precious stones (-24.46 per cent), among others. On the other hand, after witnessing contraction for nearly a year, gold imports grew 82.38 per cent to \$4.99 billion.

Engineering Export Promotion Council of India Chairman Arun Kumar Garodia said that a downward trend in engineering exports during June was on expected lines, as demand from key markets remained muted. “It will be too early to expect the world economy to make a strong rebound and propel the exports of Indian engineering exports, but the medium and long-term outlook remains strong,” he said.