

# Trade deficit at 7-mth high on rising imports

Exports recover, up 9% in May

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India's merchandise trade deficit widened to a seven-month high of \$23.78 billion in May due to burgeoning imports, particularly of petroleum, vegetable oils, and transport equipment.

The data released by the commerce department on Friday showed merchandise exports grew 9.13 per cent to \$38.13 billion while imports rose 7.7 per cent to \$61.91 billion.

Petroleum products, which constitute nearly 32 per cent of India's imports, grew 28 per cent to \$19.95 billion.

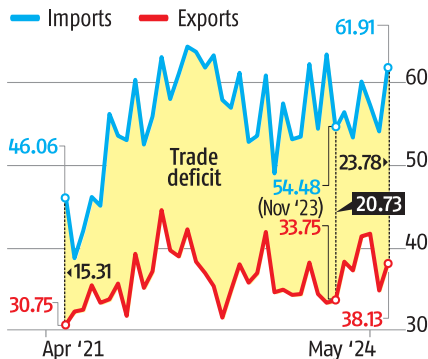
Union Commerce Secretary Sunil Barthwal said the trade deficit was not "bad" if it was accompanied by steady inflows of foreign direct investment and foreign exchanges.

"When your economy is growing faster than the world (economy), then there will be higher demand for imports and higher charge on domestic production. So you will have less exportable surplus because most of the imported items will get into domestic (market) ... it will depend upon two factors — import substitution and the rate of economic growth," he added.

Apart from petroleum products, items that

## WIDENING GAP

Merchandise trade (Value in \$ bn)



SOURCE: Department of Commerce

drove import growth include transport equipment (31.88 per cent), silver (408 per cent), vegetable oils (27.5 per cent), and pulses (181 per cent).

On export, Barthwal expected the positive growth trend to continue.

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of the world's biggest tower companies, also counts India's second biggest telecom firm, Bharti Airtel, as a shareholder. It has nearly 220,000 towers, with services also including providing power, space and green technology for tower equipment.

Private equity giant KKR and Canadian fund CPPIB were also investors in Indus, but sold their entire stakes in February.

Block deals, where investors sell shares in stock markets, have become increasingly popular in India as the market has surged to record highs.

In March, British American Tobacco sold a part, 3.5 per cent, of its 29 per cent stake in Indian tobacco firm ITC for around \$2 billion.

For the March 2024 quarter, Indus' net profit rose 20 per cent to \$221 million, while its revenue stayed flat at \$860 million, according to regulatory filings.

## Trade deficit...

"It's a good omen after the new government has joined that our (merchandise) exports have grown ... more than \$3 billion (in terms of value) in one month. This is a reflection of the fact that inflation in major advanced economies has slowed. With inflationary pressures coming down in advanced countries, there will be higher purchasing power ... this will raise demand for (their) imports," Barthwal said.

Export growth was driven by demand for petroleum products (15.75 per cent), engineering goods (7.39 per cent), electronic goods (22.97 per

cent) as well as textiles (9.84 per cent).

Exports other than petroleum and gems and jewellery, an indication of a clearer parameter of the health of outbound shipments, saw a moderate growth rate of 8.8 per cent year-on-year at \$28.6 billion.

Aditi Nayar, chief economist at ICRA, said the merchandise trade deficit widened due to a jump in net oil imports.

"In sequential terms, 71 per cent of the enlargement in the merchandise trade deficit in May 2024 relative to April 2024 was driven by the net oil balance, with a sharp rise in volumes amid some cooling in prices. With the merchandise trade deficit enlarging by \$6 billion in April-May 2024 relative to the year-ago months, we expect the current account deficit to rise to 1.5 per cent of gross domestic product (GDP) in this quarter from 1.1 per cent of GDP in Q1 FY2024," Nayar said.

Services exports saw 11.7 per cent growth at \$30.16 billion in May while services imports saw 8.8 per cent increase to \$17.28 billion, resulting in a surplus of \$12.88 billion.

The services trade data for May, however, is an "estimate", which will be revised based on the Reserve Bank of India's subsequent release.

Federation of Indian Export Organisations President Ashwani Kumar expects exports to show better growth numbers with improved demand in the European Union, the United Kingdom (UK), West Asia, and the United States, which has given a boost to order bookings by over 10 per cent and has come as a sign of recovery for labour-intensive sectors of exports.

"Addressing the West Asian geopolitical situation and Red Sea crisis challenges by ensuring availability of marine insurance and rational increase in freight charges is essential. The sector also needs easy and a low cost of credit, marketing support and conclusion of some of the free-trade agreements with the UK, Peru, and Oman soon," he

## Hyundai...

The South Korean automaker's Indian arm had around ₹17,741 crore in cash and garnered a profit after tax (PAT) of approximately ₹4,654 crore on a revenue of around ₹59,761 crore in FY23, according to data from Capitaline.

The company's PAT doubled in five years, from ₹2,124 crore in FY18, despite a decline during the pandemic year of FY21 (₹1,847 crore).

HMIL's investment plans include ₹6,000 crore for the newly-acquired plant from General Motors in Talegaon and ₹26,000 crore in Tamil Nadu over the next 10 years to expand production, develop a components ecosystem, electric vehicle manufacturing, charging infrastructure, and skill development.

In 2023-24, HMIL sold 614,717 passenger vehicles in India, achieving 8.3 per cent year-on-year growth, according to Society of Indian Automobile Manufacturers (SIAM) data. With a 14.6 per cent share of the domestic market, the South Korean carmaker is the second-largest player in India, following Maruti Suzuki, which held a 41.7 per cent market share in FY24.

In January this year, CRISIL gave HMIL's long-term debt a top rating of AAA.

"HMIL's established presence in the domestic PV market is underpinned by the strong position of the Grand i10 Nios, Aura, and i20 in the compact car segment and Creta, Venue, Alcazar and Tucson in the SUV segment," it mentioned.

It further said: "HMIL's credit profile is expected to remain stable over the medium term, backed by its healthy and established market position in domestic and export markets PV markets, good demand for PVs, especially SUVs, good operating efficiencies.

Its financial risk profile is also expected to remain robust, supported by healthy cash flow generating ability and solid liquidity position."

