

Exports shrink 6.9% in Aug; trade deficit hits 10-month high

Govt assures 'greenshoots' are clearly visible

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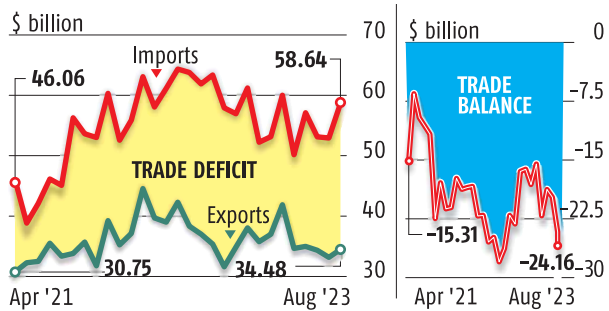
New Delhi, 15 September

India's merchandise exports contracted for a seventh consecutive month in August, declining 6.9 per cent year-on-year to \$34.48 billion, owing to weak external demand, data released by the commerce department showed on Friday. The government, however, said that exports had started "stabilising" and "greenshoots" were clearly visible.

The merchandise trade deficit, or the gap between exports and imports, on the other hand, widened to a 10-month high of \$24.16 billion in August as higher crude oil prices and robust domestic demand led to a nearly 11 per cent jump in imports on a sequential basis.

Imports stood at \$58.64 billion last month, down 5.2 per cent year-on-year. While exports and imports have been declining since the beginning of 2023, the pace of contraction has slowed July onwards, the data showed.

Commerce Secretary Sunil Barthwal said a high base of last year also affected the contraction in exports. While falling commodity prices this year impacted the value of exports, they remained positive in terms of volume, he added.



Source: Department of Commerce

₹ SETTLES NEAR ALL-TIME CLOSING LOW

FOREX RESERVES DECLINE \$5 BN TO \$594 BN

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"Pessimism is turning into optimism now as greenshoots are clearly visible. The industry said their export orders were better and they were also optimistic about export order books. This month (in August),

at least last month's (July's) story is repeating. This means that there's an improvement in terms of the global exports scenario," Barthwal said in a media briefing.

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On the brighter side, non-petroleum and non-gems and jewellery exports, also known as core exports, reversed their trend of contraction and grew 3.2 per cent in August to \$26 billion. Barthwal said that going ahead, firming oil prices might impact commodity prices, which, in turn, could impact exports.

Aditi Nayar, chief economist at ICRA, said that with the monthly merchandise trade deficit prints averaging much higher during July-August vis-à-vis April-June 2023, India's current account deficit is likely to widen in Q2FY24 from \$10-12 billion expected in Q1FY24.

Merchandise exports witnessed contraction in 15 out of the 30 key sectors in August. Key export items that dipped in August included petroleum products (-30.61 per cent), gems and jewellery (-21.94 per cent), readymade garments (-8.15 per cent), and organic and inorganic chemicals (-18.83 per cent). Among key sectors that experienced growth included electronic goods (26.29 per cent) and engineering goods (7.73 per cent). Merchandise imports contracted in 15 of the 30 sectors, including coal (-43.47 per cent), crude petroleum (-23.76 per cent), and precious stones (-15.82 per cent). On the other hand, after witnessing contraction for around a year, gold imports grew 38 per cent to \$4.9 billion, mainly due to the festival season. Federation of Indian Export Organisations President A Sakthivel said exports would start showing better growth numbers.