

Trade deficit in Aug widens to 10-month high of \$30 b

RIISING GAP. Merchandise imports soar to over \$64 billion, exports fall to \$35 billion

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India's trade deficit widened to nearly \$30 billion in August as gold-led merchandise imports surged to over \$64 billion while merchandise exports declined to around \$35 billion, data released by Commerce & Industry Ministry showed.

Ballooning trade deficit has an impact on the rupee which closed at 83.75 against a dollar on Tuesday.

"Exports are facing huge challenges on current global circumstances," Commerce Secretary Sunil Barthwal said in a monthly briefing told reporters, in regard to the monthly trade data.

KEY FACTORS

Rising shipping costs and a slowdown in China coupled with recessionary trends in Europe and the US were also impacting exports, he said.

However, he tried to tone down concerns on widening trade deficit. "Trade deficit is not a matter of concern for emerging economies. China maintained larger trade deficit. There is a huge consumption demand coming from the economy, which is growing at double the rate of other countries," he said.

Trade data

		Aug-24	Aug-23
		(\$ billion)	
Merchandise	Exports	34.71	38.28
	Imports	64.36	62.3
Trade balance		(-) 29.65	(-) 24.02
Services*	Exports	30.69	28.71
	Imports	15.7	15.09
Trade balance		14.99	13.62
Total trade (Merchandise + Services)*	Exports	65.4	67
	Imports	80.06	77.39
Trade balance		-14.66	-10.39

*The data for August 2024 are an estimation, which will be revised based on RBI's subsequent release. Source: Commerce Ministry

India's merchandise exports in August declined 9.3 per cent to \$34.71 billion from \$38.28 billion in the year-ago month. Imports increased by 3.3 per cent to \$64.36 billion in August against \$62.3 billion a year ago. The trade deficit during the month under review ballooned to \$29.65 billion.

Services exports in August were estimated at \$30.69 billion, and imports at \$15.70 billion, compared with \$28.71 billion and \$15.09 billion, respectively, a year ago. India's total goods and services exports for the fiscal year 2023-24, which ended in March, stood at nearly \$776 billion while imports for the

same period were nearly \$855 billion.

GOLD IMPORTS

Meanwhile, data showed that gold imports surged more than doubled in August to a record high of \$10.06 billion, mainly on account of a drastic cut in customs duty and ongoing festive demand, import was \$4.93 billion in August last year. The precious metal accounts for over 5 per cent of the country's total imports.

Barthwal said the tariff rates on gold have been reduced drastically so that smuggling and other activities can come down. "And this is the time when jewellers

start stocking for their inventories to be sold in the festival season," he told reporters. In the Budget, the government slashed the duty from 15 per cent to 6 per cent.

However, gold imports, which have a bearing on the country's current account deficit (CAD), dipped by 4.23 per cent to \$12.64 billion during April-July 2024-25. A current account deficit occurs when the value of goods and services imported and other payments exceeds the value of the export of goods and services and other receipts by a country in a particular period.

Experts feel with the rise in import, there could be some impact on overall CAD. Aditi Nayar, Chief Economist with ICRA, says: "With the unexpectedly sharp widening in the merchandise trade deficit in August, we are apprehensive that the current account deficit will rise to 1.5-2 per cent of GDP in this quarter."

In 2023-24, India's gold imports surged by 30 per cent to \$45.54 billion. Switzerland is the largest source of gold imports, with about 40 per cent share, followed by the UAE (over 16 per cent) and South Africa (about 10 per cent).