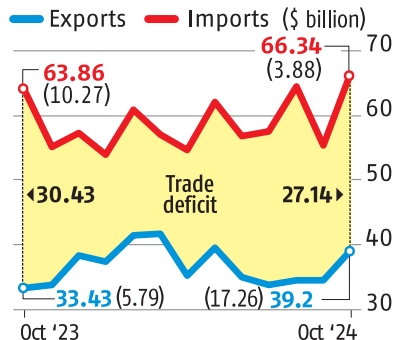


Exports surge 17% in Oct, fastest pace in 28 months



TRADE MAP

Figures in brackets indicate Y-o-Y chg (%)



Source: Department of Commerce

Trade deficit widens to \$27 bn as imports hit a high

SHREYA NANDI

New Delhi, 14 November

India's merchandise exports grew at the fastest pace in 28 months in October, witnessing double-digit growth of 17.3 per cent year-on-year (Y-o-Y) to touch \$39.2 billion, due to inventory build-up in the Western countries ahead of the Christmas season.

However, the imports hit an all-time high of \$66.34 billion in October, growing at 3.9 per cent, leading to a widening of the trade deficit, or the gap between imports and exports, to \$27.1 billion from \$20.8 billion in September, data released by the commerce department on Thursday showed.

On the brighter side, non-petroleum and non-gems and jewellery exports, an indication of a clearer parameter of exports' health and domestic manufacturing, grew 27.7 per cent to touch \$31.36 billion in the previous month.

Exports growth was driven by higher demand for items such as engineering goods (39.4 per cent), chemicals (27.35 per cent), electronic goods (45.7 per cent), readymade garments (35.1 per cent) and rice (85.8 per cent).

On the other hand, exports of petroleum products, with a 12 per cent share in India's export basket, continued to contract in October (-22.1 per cent) at \$4.6 billion due to sustained decline in global crude oil prices.

Commerce secretary Sunil Barthwal said exports performance this year will be better than last year and if the trend continues, India will be able to export goods and services worth \$800 billion during this financial year.

"October is also the time when inventory build-up happens for Christmas sales. Prima facie, what I feel is that this Christmas sales looks better than last year," Barthwal said.

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FOOD PRICES
PUSH WPI
INFLATION TO
4-MONTH HIGH

INDIA-US
TRADE BEYOND
REGIME CHANGE,
SAYS COMMERCE
SECRETARY

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Exports growth driven by demand for engineering goods, chemicals

Commerce Secretary Sunil Barthwal added, “Perhaps that is also reflecting that we are able to contribute more in terms of exports to these countries.”

Federation of Indian Export Organisations (Fieo) president Ashwani Kumar said an impressive double-digit growth in merchandise exports, amid continuing global economic uncertainties is an encouraging sign of revival, although volatility in crude and metal prices have also played a key role in increasing the value of exports to some extent.

“The rising tensions between Israel-Iran has continuously led to logistical challenges with regard to international trade getting impacted as most of our trade to Europe, Africa, Commonwealth of Independent States and the Gulf region are happening through the Red Sea route prompting buyers to have little large inventories,” Kumar added.

On a cumulative basis, during April-October, exports saw 3.2 per cent growth at \$244.5 billion while imports grew 5.7

per cent at \$416.9 billion leading to a trade deficit of \$164.65 billion during the same period.

“Our strategy of focusing on certain sectors, countries are perhaps now yielding results. Our manufacturing competitiveness, which is coming due to focus on the PLI (Production Linked Incentive) scheme, is yielding results. Ultimately, a country’s exports are an extension of its manufacturing competitiveness,” Barthwal said.

The jump in imports in October was led by shipments of items such as crude oil (13.3 per cent), electronic goods (6.8 per cent), vegetable oil (50.9 per cent), machinery (8.7 per cent), non-ferrous metals (26.1 per cent), into the country.

Non-petroleum and non-gems and jewellery imports grew at a faster pace of 5.3 per cent as compared to overall imports of items. Gold imports continued to remain high at \$7.14 billion, despite a 1 per cent year-on-year contraction in October.

Aditi Nayar, chief economist and

head of research and outreach at Icra, said the merchandise trade data for October displayed divergent trends, with a sharp rise in the trade deficit in sequential terms, amid a sizable moderation relative to October last year.

“One of the chief reasons underpinning the sequential rise in the trade deficit appears to be a jump in the volume of crude oil imports, as well as the festive season-led uptick in gold imports. Looking ahead, we expect the current account deficit to ease to 1.2 per cent of GDP in the ongoing quarter (Q3) from an estimated 1.8 per cent of GDP in Q2FY25, and settle around 1 per cent of GDP for the year (FY25) as a whole,” she added.

Services exports saw 21.3 per cent growth at \$34 billion in October, while services imports witnessed 26.3 per cent rise to \$17 billion, resulting in a surplus of \$17 billion. The services trade data for October, however, is an “estimate”, which will be revised based on the RBI’s subsequent release.