

Excellent News on The Exports Front

Pace of growth in imports also moderating

Merchandise exports were resilient in November, recovering from a dip in the previous month. The broad-based recovery is reassuring with half the principal sectors posting year-on-year growth. The October contraction had raised fears of exports plunging, as high inflation in destination markets affects demand and interest rate tightening squeezes inventories. Yet, the underlying factors persist, and exports are on course to meeting the full-year target on spectacular showing earlier in the year when pandemic restrictions had diverted consumption from services to manufacturing. Resumption of contact-intensive services has reversed the trend, affecting merchandise exports, and imminent recession in major economies is affecting the growth outlook for technology services.

The pace of growth in imports also continued to moderate in November with energy prices and decelerating



domestic growth. This has a positive bearing on inflation control and interest rate management. Import demand is strong against the global scenario with 19 out of 30 principal categories posting growth during the month. The import picture improves when energy and jewellery are excluded, providing

a pointer to economic momentum. Support for imports is also emerging in accelerated infrastructure build-up as well as India's pivot to manufacturing exports. These themes could counteract any deceleration in domestic demand due to a global rise in borrowing costs.

Recovery in the merchandise trade balance eases pressure on services to close the gap. Deterioration in the current account balance is within manageable limits in respect to India's forex reserves. Given GoI's record in managing its post-Covid fiscal slippage, India can mitigate higher credit costs with public debt in line with the average for emerging economies. The rupee's guided descent can play into India's emergence as a manufacturing export hub as the world rejigs its supply chains. Enhanced trade facilitation has shown encouraging results. Further gains await through focused bilateral trade agreements.