

Trump orders may not impact Budget, say economists

RUCHIKA CHITRAVANSHI

New Delhi, 22 January

A slew of sweeping executive orders signed by US President Donald Trump on the first night of his second presidency is unlikely to have a huge impact on the Budget as the government has factored in the broad policy action, according to economists.

The economists, however, say that the impact of some of the measures on global inflation could play on the mind of Finance Minister Nirmala Sitharaman ahead of presenting the Budget on February 1.

Trump on Monday laid out a protectionist 'America First Trade Policy', which includes imposing global "supplemental tariffs" to address "unfair and unbalanced trade". He also threatened a 100 per cent tariff on Brics nations, comprising India, if the bloc attempted to reduce its reliance on the US dollar for foreign trade.

Economists said that the government had largely anticipated the policy action on tariffs in November when the election results came out. The Budget-making exercise, therefore, has taken into account possible implications.

"So far, no details have come out for the Budget to make any modifications. If there is concern around import duties, then the government has to do a balancing

act on making domestic players competitive and integrating with the global value chain," said Rajani Sinha, chief economist, CareEdge.

Sinha said she did not expect the finance minister to announce any sharp reduction in import duty and take a calibrated approach to bring down input costs.

"There is nothing India-specific that has been announced by Trump on tariffs. As far as climate or health-related issues go, India would not withdraw on its long-term commitments regardless of what the Trump regime has said," said Vivek Kumar, economist, QuantEco Research.

According to a Bloomberg report, India is evaluating options ranging from a trade deal, cutting tariffs, and importing more goods from the US if Trump follows through on threatened trade action.

Trump has announced the US will impose 25 per cent tariffs on imports from Mexico and Canada from February 1. "The restrictions may impact the labour supply from countries like Mexico and push the wages up which would increase prices. This could impact commodity prices, which the government would have taken note of in the Budget," said Madan Sabnavis, Chief Economist, Bank of Baroda.

Govt had largely anticipated the policy action on tariffs in Nov when the election results came out, they say