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Export growth slackens for third month

Trade deficit falls to $11.98 billion from 56-month high in January

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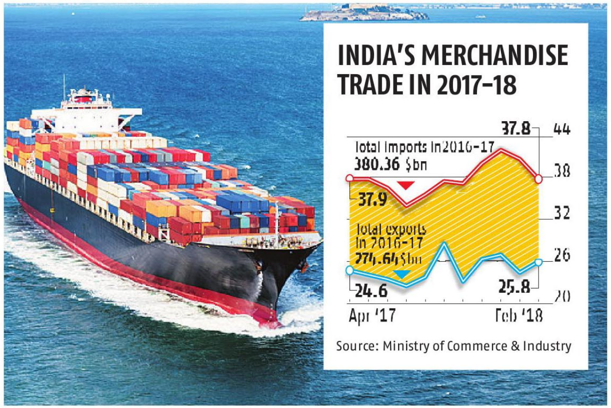
A contraction in major exchange earning sectors such as textiles and engineering goods meant that India's exports growth continued to slacken for the third straight month in February, with outbound shipments rising at 4.48 per cent, effectively half of January's 9.07 per cent growth rate.

A similar situation was seen in December 2017 as well when growth rate had halved to 12.4 per cent from November's 30.5 per cent.

February exports stood at $25.83 billion, taking the total export tally in the current financial year to $273.73 billion. As a result, the last month of the financial year would have to see at least $27 billion worth of exports for the country to hit the government's target of $300 billion worth of outbound trade. In February, of the 30 major product groups, 18 were in the positive territory, against 20 in January.

A sizeable chunk of India's major export segments saw a contraction in February. These include engineering goods, exports of which went down by 1.88 per cent after a 15.77 per cent rise in January. Also, the volatile segment of refinery products saw a slower growth of 27.44 per cent, down from the much higher 39.5 per cent growth rate in January. However, some products rose at a faster clip such as pharmaceuticals, exports of which grew 13.92 per cent after 8.6 per cent rise seen in December. Organic and inorganic chemicals also rose 30.41 per cent, marginally lower than the 33.6 per cent growth rate in the previous month.

A strong growth in imports continued in February, totalling at $37.81 billion. Imports rose 10.4 per cent in the month, lower than the high 26.10 per cent growth seen in the previous month. This makes the cumulative import bill for the first 11 months of the current financial year at more than $416 billion. The figures make it clear that India is set to overshoot the $380.36 billion import bill of the previous financial year.



However, the $11.98 billion worth of trade deficit in February was lower than the 56-month high of $16.3 billion in January. "The substantial cooling of the merchandise trade deficit in February 2018 comes as a relief, following a spike in the previous month. Nonetheless, the trade deficit in February 2018 printed considerably higher than the year-ago level," Aditi Nayar, principal economist at Icra, said.

In this financial year, the deficit has increased to $143.12 till February, against the $97.85 billion in the corresponding period in the previous year.

The deficit was fed by a huge rise in oil imports, which shot up 32.05 per cent to $10.91 billion. This was albeit lower than the 42 per cent jump in oil imports in January, after a similarly large 34.9 per cent rise in the previous month of December 2017.

However, gold imports continue to slip. In February, gold imports contracted by more than 16 per cent to $2.89 billion, following a similar contraction of 22.07 per cent in January.

Traders have blamed a continuing lack of liquidity due to tax refunds under the goods and services tax (GST) regime piling up and a strengthening rupee for the slackening pace of export growth. Even as the Prime Minister's Office has now stepped into the export refund mess, traders continue to complain about procedural bottlenecks in filing the GST.

Gems, jewellery exports fall in the aftermath of PNB scam

The sector saw exports contracting 5.14 per cent in February. "The pace of exports of gems and jewellery would take a cue from demand as well as the availability of funding for this sector in the aftermath of the fraud reported by PNB. However, lower exports would, in turn, dampen imports of gold and pearls, precious, and semi-precious stones," Nayar said.