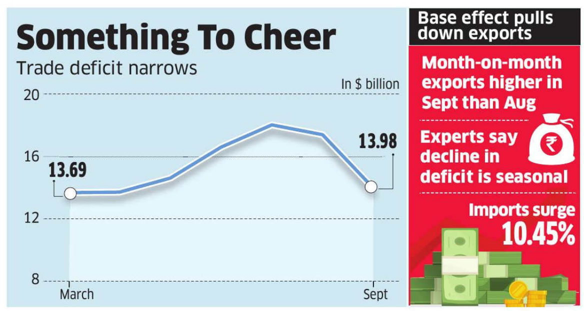
THE ECONOMIC TIMES

Tue, 16 Oct-18; Economic Times - Delhi; Size : 269 sq.cm.; Circulation:84027; Page : 13

Exports Fall 2.15% in Sept, Trade Gap at 5-Month Low



Trade deficit declines to $13.98 b from $17.39 b in August on slower growth in imports

Our Bureau

New Delhi: India's trade deficit declined to a five-month low in September even as exports contracted, providing some respite from the rising gap that has sparked concern about the current account deficit (CAD).

The gap between exports and imports, or trade deficit, declined to $13.98 billion in September from $17.39 billion in August following slower growth in imports.

Exports were pegged at $27.95 billion in September, down 2.15% from a year ago, while imports rose 10.45% to $41.9 billion, lowest in five months.

"Despite this (decline), as well as the measures unveiled so far by the government to curtail non-essential imports, we will not be surprised if the merchandise trade deficit rebounds above $17.5 billion in October 2018," said Aditi Nayar, principal economist ICRA.

India's CAD is seen at 2.8% of GDP this year against 1.9% last year. The concern over the CAD along with rising US interest rates has caused the rupee to depreciate sharply against the dollar.

The weaker rupee is expected to help exports. The government has raised import duties on some items in order to curb non-essential imports.

BASE EFFECT

The year-on-year decline in exports was largely due to the base effect of high exports last year in September. Month-on-month September exports were higher than $27.84 billion for August.

Calling this phenomenon a temporary one, commerce and industry ministry said September 2017 was "abnormally high growth month" of about 26% in dollar terms due to the imminent cut-off then for drawbacks at pre-GST rates.

"The overall exports in September were close to $28 billion, which is the minimum exports we are looking for each month so as to reach the milestone of $350 billion," said Ganesh Kumar Gupta, president, FIEO.

The major commodity groups that showed positive export growth over the corresponding month of last year are petroleum products (26.8%), organic & inorganic chemicals (16.9%), drugs & pharmaceuticals (3.8%), cotton yarn/fabrics/made-ups, handloom products (3.6%) and plastic & linoleum (28.2%).

The government said that exporters continue to be resurgent, with their realised incomes having gone up almost 10%.

October figures promise to be in line with the ongoing six-month trend, according to the statement.

However, there are some risks as well, the government said.

"Global recovery is fragile and there is some element of risk from threats such as confrontational trade stances that major countries have taken," commerce secretary Anup Wadhawan told media persons.

EEPC India chairman Ravi Sehgal said the rupee depreciation has not been of help in so far as the competitiveness of India's shipments is concerned.

"The effort is not to control imports but improve capacity utilisation and promote manufacturing- ...we are doing everything within our bound rates," Wadhawan said on the government's efforts to control imports in order to curb the current account deficit.