

Slow exports growth takes trade deficit to record high of \$23 bn

INDIVIAL DHASMANA

New Delhi, 1 December

Trade deficit touched a record high of \$23.27 billion in November as exports growth slowed faster than imports, following holidays in the festive month.

This may have repercussions on the current account balance, which was in surplus at 0.9 per cent of GDP, in the first quarter of the current fiscal year.

The current account balance is widely expected to turn into a deficit at around one per cent of GDP during 2021-22.

Exports growth fell to 26.49 per cent in November from 43.05 per cent in the previous month. Imports also grew at a slower pace of 57.18 per cent from 62.51 per cent during this period.

In absolute terms too, exports fell drastically to \$29.88 billion in November. It is the lowest in nine months. This was largely due to a huge fall in export growth of high-value exchange earners. They include engineering goods, petroleum products and gems and jewellery.

For instance, export of engineering goods expanded at just 27 per cent in November against 51 per cent in the previous month. This was followed by petroleum products that saw a fall in exports growth to 12.79 per cent in November from 240 per cent in October. Similarly, gems and jewellery exports growth decelerated to 8 per cent from 44 per cent growth during this period.

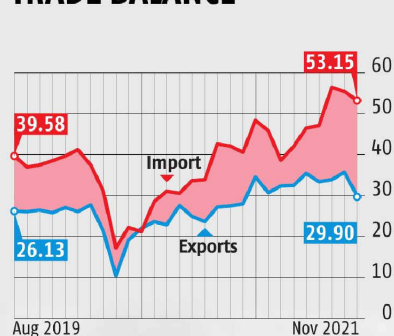
Export of non-oil, non-gems and jewellery products fell to 22 per cent in November against 28 per cent in the previous month.

"The holidays in the festive season have substantially dented the momentum in merchandise exports in November 2021, bringing them down to the lowest level of FY22. We are cautiously optimistic that the exports momentum will revive, although the uncertainty engendered by the Omicron variant poses a concern regarding the immediate outlook," Aditi Nayar, chief economist at ICRA, said.

As festivals ended around the first week of November, growth in import of gold fell to eight per cent in November from 104 per cent in the previous month. Similarly, the highest imported item — petroleum — saw imports expanding by a less pace of 27.6 per cent in November from 140 per cent in the previous month.

Imports of non-oil, non-gems and jewellery products rose by 41.5 per cent in November, which

TRADE BALANCE (In \$ bn)



Source: Ministry of Commerce & Industry



was a bit higher than 40.14 per cent in October. This means that demand in the economy is strong despite taking hits in the overseas market.

Exports grew 50.7 per cent at \$262.46 billion in the first eight months of the current fiscal year. Imports, on the other hand, rose 75.39 per cent to \$384.44 billion. This widened the trade deficit to \$121.98 billion, a whopping 171 per cent rise over the previous year's figure.