

Exports decline to the lowest in nine months in November

Supply bottlenecks, rising covid cases in Europe cast a shadow on India's outbound shipments

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India's merchandise exports fell to the lowest level in nine months in November as supply bottlenecks and rising covid-19 cases in Europe cast a shadow on India's outbound shipments.

Preliminary data released by the commerce ministry showed merchandise exports hit \$30 billion, while merchandise imports stood at \$53 billion, leading to a trade deficit of \$23 billion in November. In October, exports had clocked a record high of \$35.47 billion.

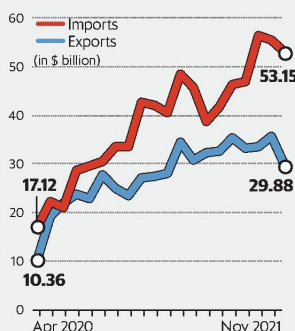
During April-November, exports stood at \$262.4 billion and imports at \$384.4 billion, resulting in a trade deficit of \$122 billion. The commerce ministry has set a merchandise exports target of \$400 billion for FY22 and \$500 billion for FY23.

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

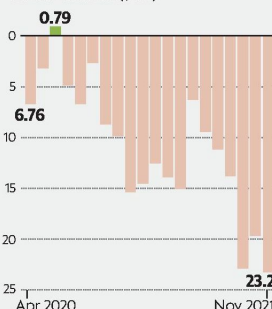
The value of non-petroleum and non-gems and jewellery exports was

Trade deficit increases

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Trade deficit (\$ bn)



Source: Commerce ministry

\$23.7 billion in November, while identical imports stood at \$32 billion during the month. Engineering goods continued to contribute a robust 27% of exports while the share of petroleum

9.7% in October.

Among imports, items such as crude oil and coal picked up pace in November compared to October, while import of electronic goods and gold dipped during the same period.

The United Nations Conference on Trade and Development on Tuesday said the positive trend for international trade in 2021 is largely the result of the strong recovery in demand

because of the easing of pandemic restrictions, economic stimulus packages, and increases in commodity prices. However, the forecast for 2022

remains very uncertain because of slowing economic recovery, disruptions in logistics networks, and increases in shipping costs, global semi-conductor shortages, and geopolitical factors, among others.

The World Trade Organization (WTO) has upgraded its forecast for global merchandise trade volume to an increase of 10.8% in 2021 from the 8% increase projected in March this year following last year's slump, which bottomed out in the second quarter of 2020. "Due to a lower base, year-on-year growth in the second quarter of 2021 was 22%, but the figure is projected to fall to 10.9% in the third quarter and 6.6% in the fourth quarter, in part because of the rapid recovery in trade in the last two quarters of 2020. Reaching the forecast for 2021 only requires quarter-on-quarter growth to average 0.8% per quarter in the second half of this year, equivalent to an annualized rate of 3.1%," WTO said.

The International Monetary Fund in October said despite temporary disruptions, trade volumes are expected to grow almost 10% in 2021, moderating to about 7% in 2022, in line with the projected broader global recovery. "Trade growth is projected to moderate to about 3.5% over the medium term. The overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services more generally. Travel restrictions and lingering fears of contagion are likely to weigh on cross-border tourist activity until virus transmission declines durably," it said.

GROWING MARGINS

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THE govt has set a merchandise exports target of \$400 bn for FY22 and \$500 bn for FY23.

IN Oct, exports had clocked a record high of \$35.47 bn, while imports stood at \$55.37 bn

exports declined to 12.8% in November from 14.7% in October. Gems and jewellery exports also dipped sharply, contributing only 8% in November against