

Imports Eclipse Exports Growth, Fuel CAD Fears

Our Bureau

New Delhi: Led by petroleum products, electronic goods, and gems and jewellery, India's merchandise exports in June grew 23.52% to \$40.13 billion but a sharper rise of 57.55% in imports widened the trade deficit to a record \$26.18 billion.

The trade deficit was \$9.6 billion in June and economists expect it to rise to a record \$250 billion or 7.3% of GDP this fiscal.

Data released by the commerce and industry ministry on Thursday showed imports at \$66.31 billion in June, led by silver, petroleum, coal, and gold. As per preliminary data released earlier this month, merchandise exports had grown 16.8% on-year.

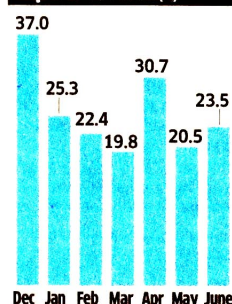
"Imports of petroleum, crude and their products are now \$21.3 billion compared to \$10.6 billion a year ago. This is because demand is inelastic," said an official.

As per the official, restrictions on wheat exports have impacted overall outbound shipments though the full impact would be visible in the July numbers. In the first quarter of the ongoing fiscal, the merchandise trade deficit widened to \$70.8 billion from \$31.42 billion a year ago.

Exports of petroleum products were up 119.03% in June and those of electronics rose 60.7%. Outbound shipments of cotton yarn, plastics and handi-

TRADE WORRIES

Exports Growth (%)



Carpet, cashew, handicraft, plastic, cotton yarn, iron ore exports contract

crafts shrank. Among imports, petroleum, crude & products were up 99.48% while silver rose 6,540% year-on-year in June.

"Though the overall exports in the first quarter of FY23 have grown by around 25%, the export performance of non-petroleum and non-gems and jewellery has slowed down to 13.8%," said Prahalathan Iyer, chief general manager-research and analysis at India Exim Bank.

However Iyer said the silver lining is that non-petroleum and non-gems and jewellery im-

Widening Gap

Trade deficit (\$bln)



FY23 trade deficit seen at \$250 bln, or 7.3% of GDP

CAD likely to be \$100 bln or 3% of GDP



ports have grown at 34.8% in the first quarter of FY23, which signifies that the slowdown is only temporary.

Aditi Nayar, chief economist at ICRA, said that the correction in commodity prices has softened the current account deficit (CAD) outlook for the ongoing quarter, even though export growth may undergo a slowdown amidst a weaker outlook for the global economy. "We foresee modest downsides to our FY23 CAD forecast of \$105 billion or 3% of GDP," Nayar said.



KEY IMPORTS Growth (%)

Silver	6,540.1
Coal, Coke, Briquettes	260.6
Gold	182.8
Petroleum, Crude & products	99.5

KEY EXPORTS Growth (%)

Petroleum products	119.0
Electronic goods	60.7
Readymade garments	49.8
Leather products	38.6

Bank of Baroda in a note said that the June trade data implies CAD of almost \$100 billion or 3% of GDP and a widening CAD along with persistent FPI outflows will weigh on the INR going forward.

The Federation of Indian Export Organisations sought further push to value-added exports, augment container manufacturing, develop an Indian shipping line of global repute and increase in validity of RoSCTL and RoDTEP scrips to 24 months.