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Exports shrink 9.3% in Aug, trade deficit at 10-mth high

Shipments to China fall 22.4%, while imports jump 15.5% to $10.8 bn

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New Delhi, 17 September

India's trade deficit widened to a 10-month high of $29.7 billion in August as imports hit a record high of $64.4 billion on doubling of gold inflows, and exports contracted for the second month in a row to $34.7 billion due to softening of oil prices and muted global demand.

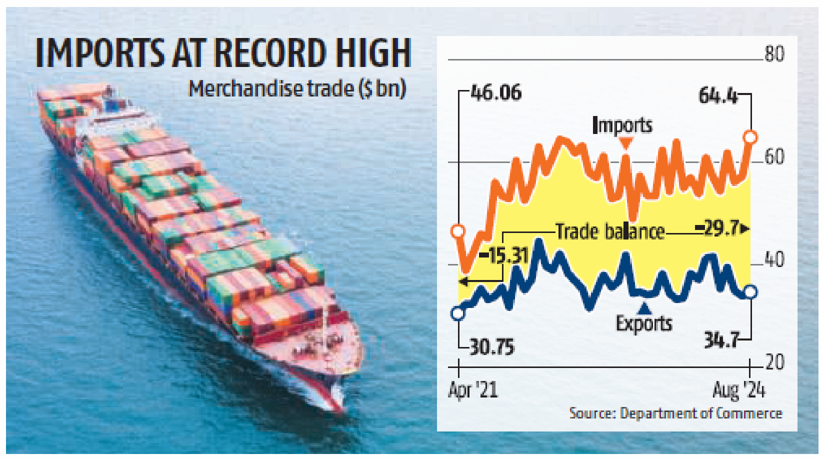
Merchandise exports contracted 9.3 per cent to $34.7 billion in August. Other factors that affected merchandise exports included a slowdown in China, falling petroleum prices, recession in advanced economies and transportation- and logistics-related challenges.

"In the current global situation, exports have been a huge challenge... there is a slowdown in China, and recession is persisting in Europe and the US. Transportation cost because of trade routes getting diverted from Suez Canal to Cape of Good Hope is an issue, which is persisting," Commerce Secretary Sunil Barthwal told reporters on Tuesday.

While imports grew 3 per cent on-year, gold imports touched $10 billion in August due to factors such as stocking ahead of the festive season, falling global prices, as well as due to the yellow metal's import duty cut from 15 per cent to 6 per cent in July.

Petroleum products, which have more than 17 per cent share in total exports, contracted 37.5 per cent in August at $5.95 billion. Apart from petroleum, gems and jewellery saw massive contraction of 23 per cent at 1.9 billion in August.

"With the unexpectedly sharp widening in the merchandise trade deficit in August, we are apprehensive that the current account deficit will rise to 1.5-2 per cent of GDP in this quarter (Q2FY25)," Aditi Nayar, chief economist at ICRA, said.



Non-petroleum and non-gems and jewellery exports, an indication of a clearer parameter of exports' health, grew 2.4 per cent at $26.76 billion. Sectors that saw growth were engineering goods (4.36 per cent), electronic goods (7.85 per cent), drugs and pharmaceuticals (4.67 per cent), and textiles (11.88 per cent).

Apart from gold, other items that saw high imports include coal (8.88 per cent), electronic goods (12.78 per cent), and non-ferrous metals (22 per cent). On the other hand, imports of petroleum and crude products contracted by nearly a third to $11 billion during the same month, data released by the commerce department showed.

According to Barthwal, widening of the trade deficit was not a matter of concern in the case of emerging economies like India.

Federation of Indian Export Organisations (FIEO) President Ashwani Kumar said that ongoing international trade disruptions along with drop in crude and metal prices have also played a key role in bringing down the value of exports.

"Some of the exporters have diverted to the domestic market as profitability in exports has taken a hit with a sharp rise in international freight (both ship and air). Had it not been for these trade disruptions led by logistical challenges such as lack of shipping space, irregular shipping schedule, ships skipping Indian ports and declining commodity prices, merchandise exports would have recorded growth," he said.

Services exports saw 6.9 per cent growth at $30.69 billion in August, while services imports witnessed 4 per cent rise to $15.7 billion, resulting in a surplus of $14.9 billion. Services trade data for August, however, is an "estimate", which will be revised based on the Reserve Bank of India (RBI)'s subsequent release.