

ECONOMY

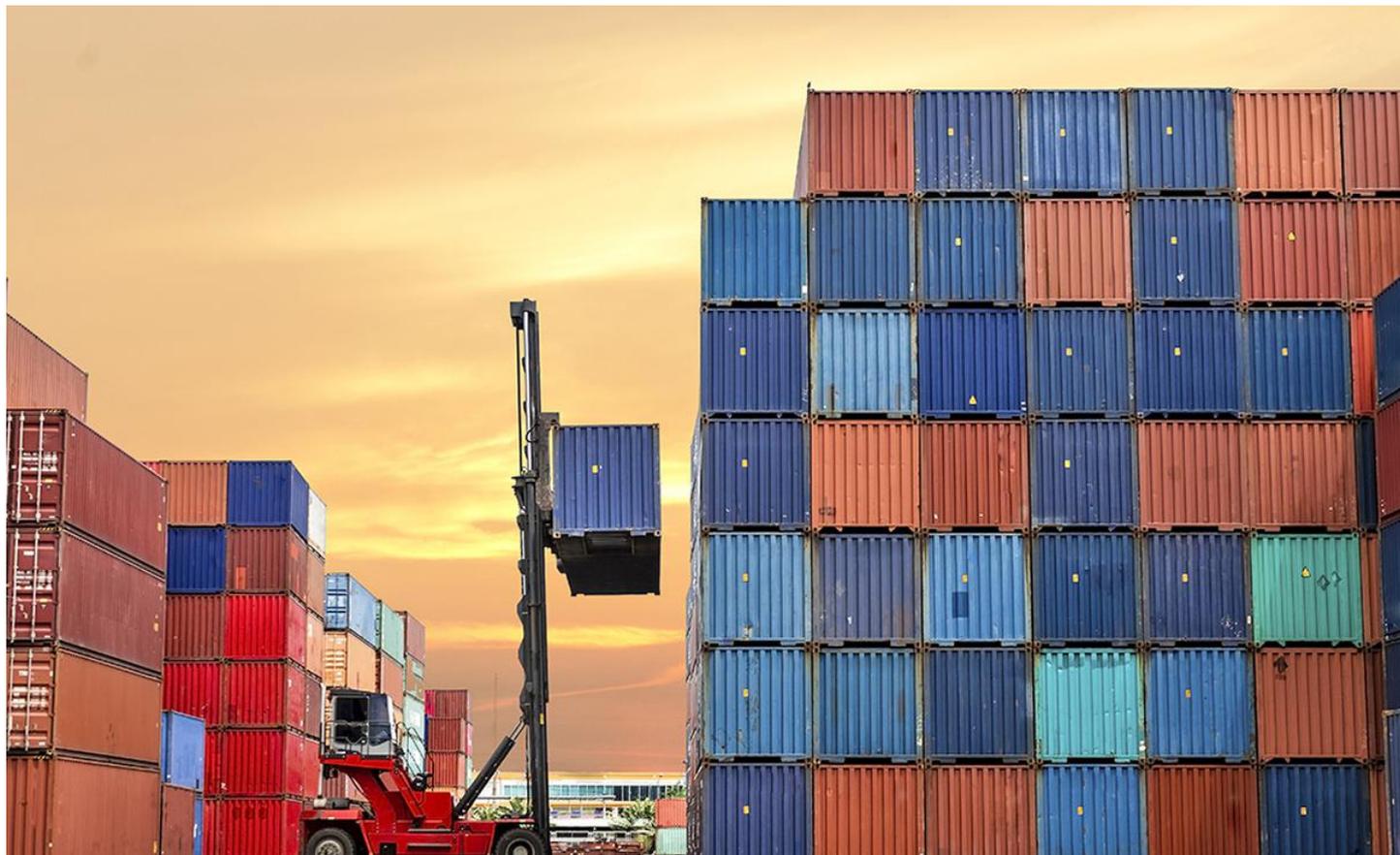
Exports growth slows further in August

The Hindu Bureau

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India's merchandise exports grew 1.6% in August to \$33.92 billion, still a nine-month low, while imports jumped 37.3% from August 2021 levels to \$61.9 billion.

The trade deficit in August is at \$27.98 billion, lower than the \$28.7 billion estimated earlier this month, but almost 139% higher than a year earlier and still the second-highest on record after the \$30 billion goods trade deficit this July.

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These numbers reflect an improvement from earlier estimates that had indicated a 1.15% contraction in the value of outbound shipments in August. Preliminary trade data for July had also showed a 0.8% dip in exports which was later revised to a 2.1% uptick.

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Commerce Secretary

Imports were above \$60 billion for sixth month in a row, with coal imports more than doubling from a year ago to cross \$4.5 billion in August while petroleum imports nearly doubled from \$9.4 billion in August 2021 to \$17.7 billion last month.

Gold imports dropped 46.7% to \$3.5 billion in August from \$6.7 billion a year ago, but Silver imports saw an alarming 4,318% jump from a mere \$15.5 million last year to \$684.3 million this August.

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On the export front, engineering goods, one of the fastest growing sectors in recent months, reported a 14.2% dip in shipments to little over \$8.2 billion in August. Several employment-intensive sectors, including handicrafts and handlooms, carpets, gems and jewellery and readymade garments reported declines in exports.

Rating firm Crisil said the export growth rates in July and August reflect ‘a steep fall’ from the 27% growth in the first quarter of 2022-23 and attributed the slide to two reasons.

“One, India’s major exports destinations – the United States (US), United Kingdom (UK), and European Union (EU) – are battling economic slowdown on account of supply

slowing due to tough Covid restrictions and the property market crisis. Two, the low base effect of the previous year is wearing off,” it emphasised in a note on September 14.

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“Contrary to general perception, the Rupee’s 8.1% depreciation over the past year (as on September 7) is not providing much competitiveness for exports as currencies of most countries are depreciating more steeply,” the Federation of Indian Exporters’ Organisations (FIEO) said on September 14.

“Therefore, there is a need to provide some other fiscal or non-fiscal support to help exports in this scenario,” FIEO emphasised.

“The continued weakness in exports amid heightened risks to global growth prospects is concerning,” said Rajani Sinha, chief economist at CARE Ratings.. “The narrowing of trade deficit in August to \$28 billion from a record high of \$30 billion in the previous month is mainly due to a sequential fall in imports rather than the ideal scenario of higher export growth relative to imports,” she added.

Earlier this month, Commerce Secretary B.V.R. Subrahmanyam had said that though exporters’ order books were full, there was a growing tendency among global buyers to seek deferrals in shipments of orders already placed.

He had also cited the measures taken by the government to rein in inflation (such as restrictions on wheat, rice and atta exports) as deterrents for some items’ outbound trade. Iron ore exports fell by a sharp 90.8% during August, while rice exports grew 43.6% to cross a billion dollars.

EEPC India chairman Mahesh Desai said the engineering exports body had given suggestions to the government to boost engineering exports and hoped for ‘quick policy action’ to mitigate challenges. “The proposals include cheaper export finance for micro, small and medium enterprises, roll-back of export duty on selected steel items, and a clear set of guidelines for rupee trade with Russia,” he added.

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