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## Trade deficit gallops past the \$24 bn mark — highest ever



Global trade growth is anticipated to slow to 4% in 2022 as the war in Ukraine further disrupts global value chains, a World Bank report had said. Photo: Mint

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**Ravi Dutta Mishra**

Higher global fuel prices led to India's import bill to rise by 62.83% year-on-year to \$63.22 billion, while exports rose 20.55% to \$38.94 billion.

India's merchandise trade deficit ballooned to its highest-ever mark of \$24.29 billion in May, driven by a surge in gold imports during the Akshaya Tritiya festival, adding to the already-high energy import bill amid the Russia-Ukraine war.

Exerting more pressure on the domestic currency, the trade deficit widened to \$24.69 billion in May from \$20.11 billion in April. Official data showed that surging commodity prices kept merchandise imports above \$60 billion for the third month in a row.

"India witnessed a record trade deficit in May 2022, as exports continued to moderate for the last three months on a sequential basis. A sharp rise in gold imports in May has also contributed to the rise in the trade deficit," said Rajani Sinha, chief economist with CARE Ratings.

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“Going forward, the trade deficit is likely to widen further as exports moderate with global growth slowing and imports remain high due to high commodity prices. With the widening of trade deficit, we estimate CAD at around 3% in FY23,” Sinha added.

Imports in May grew 62.83% to come in at \$63.22 billion compared to a 20.55% rise in exports to \$38.94 billion. While petroleum and crude oil imports jumped 102.72% to \$19.2 billion, coal, coke and briquettes imports increased to \$5.5 billion.

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Trade deficit

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Expressing concern over rising import bills, the Federation of Indian Export Organisations (FIEO) said that there is a need to “rationalize” exports of raw materials and push value-added exports, while augmenting container manufacturing. It asked for logistics support for the sector looking at “higher freight cost”.

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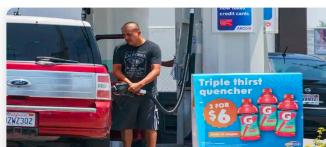
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Besides, exports of chemicals rose 17.35% to \$2.5 billion in May. Similarly, shipments of pharma and ready-made garments grew 10.28% and 27.85% to \$2 billion and \$1.41 billion.

“The mild sequential dip in non-oil exports amid a sharp jump in gold imports widened India’s merchandise trade deficit to a massive \$24 billion in May 2022. Based on the expectation that gold imports may reduce after the Akshaya Tritiya season, the trade deficit may demonstrate some moderation in the current month,” Aditi Nayar, chief economist, ICRA said.

Global trade growth is anticipated to slow to 4% in 2022 as the war in Ukraine further

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Non-petroleum and non-gems and jewellery exports in May 2022 stood at \$27.16 billion, up 13.10% over \$24.02 billion in May 2021. On the other hand, imports under the same category came in at \$34.79 billion in May this year, registering a growth of 31.66% over May 2021.

“Supply disruptions from the pandemic and the war in Ukraine have led to a spike in commodity prices comparable to the oil shocks of 1973 and 1979-80. Intensifying geopolitical tensions could further disrupt economic activity, generate policy uncertainty and, if persistent, lead to fragmentation in global trade, investment, and financial systems,” the World Bank report said.

The report warned that additional adverse shocks would increase the possibility that the global economy will experience a period of stagflation reminiscent of the 1970s, with low growth and high inflation.

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