Covid-19 impact: Exports dip 60% in Apr, iron ore, pharma only bright spots

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Overall exports from the country plummeted 60.3 per cent during April 2020, hit by the nationwide lockdown and trade restrictions imposed by other nations amid the Covid-19 crisis.

A study by CARE Ratings notes that iron ore and pharmaceuticals are the only commodities among the 30 major export items that registered growth in April. Outbound iron ore shipments rose 17.5 per cent in the wake of weakening domestic demand, while pharma exports witnessed a muted growth of 0.25 per cent.

Apart from exports, imports too, tumbled 58.7 per cent in April, with all major import products seeing a contraction.

The dip in imports led to the narrowing of the trade deficit to a 5-year low of $6.76 billion during April. The current account deficit eased to 0.2 per cent of the GDP during Q3FY20 compared with 2.7 per cent in the
corresponding period of FY19 largely on account of lower deficit and rise in net services receipts.

“Rupee strengthened marginally during the month by 0.7 per cent to Rs 75.68 per dollar in May 2020 compared with a month ago level. Weakness in the US dollar with improved risk appetite among the investors, subdued global crude oil prices and partial inflows of FPIs supported the currency during the month. However, concerns over global growth and the US-China trade relations limited the upside to the rupee. Foreign exchange reserves increased in May 2020 to $490 billion”, the study noted.

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In May 2020, FPIs remained net sellers in Indian markets with outflows amounting to $1,022 million during the month. The debt segment (including Debt Voluntary Retention Route or VRR) witnessed outflows amounting to $2,583 million while the inflows in the equity segment amounted to $1,560 million in May 2020. Investors’ exit from emerging markets in the expectation of a deeper global recession led to outflows from the markets. However, towards the end of month, FPI inflows increased due to balancing of portfolios to adjust for the new MSCI (Morgan Stanley Capital International) index.

Also, during May 2020, the Sensex fell by 3.8 per cent on month on month basis. Globally, concerns over the US and China trade relations, disappointment among the market participants over the stimulus package announced by the government, rising Covid-19 cases domestically leading to extension of lockdown till May 31 and weak macroeconomic data weighed on investor sentiment.

However, a rate cut by the Reserve Bank of India (RBI), return of FPI inflows in the country towards the end of month and the gradual opening up of global economies and developments over vaccine for the coronavirus curtailed the overall decline in the index.