

Business Line dt.5.7.22

Goods exports rise to \$37.94 b in June

Trade deficit zooms to a record \$25.63 b as imports rise 51.02 per cent to \$63.58 b

OUR BUREAU

New Delhi, July 4

India's goods exports rose 16.78 per cent in June (year-on-year) to \$37.94 billion, led by sectors that include petroleum products, electronic goods, gems and jewellery and ready-made garments, according to preliminary trade data released by the Commerce & Industry Ministry.

Trade deficit, however, expanded to a record \$25.63 billion during the month, with imports increasing by a steep 51.02 per cent to \$63.58 billion. Increase in imports was fuelled by items such as petroleum, gold, electronics, coal and chemicals.

Rise in exports in June was not spread across all

major sectors, with some items such as engineering goods, pharmaceuticals, yarn, fabric and made-ups, and plastic and linoleum posting a decline.

Ukraine war

Some exporters fear the slowdown in world economy, largely due to the Russia-Ukraine war, may have started dampening global trade.

"In the wake of negative spillover of the war, engineering goods export has been affected. This has reflected in the latest monthly trade data, with engineering exports declining 1.57 per cent year-on-year in June to \$9.14 billion compared to \$9.29 billion in June 2021," said Mahesh De-



Exporters have called for a push to value-added goods, step-up in container manufacturing, and development of a world-class Indian shipping line

sai, Chairman, EEPIC India. Non-petroleum exports in June increased 5.53 per cent to \$30.12 billion, which indicates that export growth in sectors other than petroleum has been moderate.

Import of non-petroleum products registered a growth of 36.36 per cent to \$42.84 billion in June 2022.

Goods export in April-June increased 22.22 per cent to \$116.77 billion. Im-

port of goods in the first quarter rose 47.31 per cent to \$187.02 billion. Trade deficit in the first quarter was \$70.25 billion.

"Though the government has announced a slew of measures to support exports, there is a need to further push value-added exports, augment container manufacturing and develop an Indian shipping line of global repute," said A Sakthivel, President, FIEO.

FIEO demands

Increasing the validity of RoSCTL and RoDTEP scrips (schemes for remission of input duties) to 24 months and linking transferability with realisation, extending RoDTEP to EOUs, SEZ, and Advance Authorisation and expanding usages of RoDTEP and RoSCTL scrips are some of the other demands made by FIEO.

Business Line dt. 6.7.22

Parboiled rice turns pricey, lifts exports of broken

Indian prices are still competitive against Pakistan, Thailand by over \$40/tonne

SUBRAMANI RA MANCOMBU

Chennai, July 5

The demand for Indian broken rice has increased after prices of parboiled rice surged over the past 10 days after the Centre raised the minimum support price (MSP) for paddy for the current crop year and Bangladesh cut the import duty on rice, according to exporters.

For the current crop year that began on July 1, the Centre has fixed the MSP at ₹2,040 a quintal — up ₹100 from last crop year. On June 22, Bangladesh cut the import duty

on rice to 25 per cent from 62.5 per cent. "Parboiled prices for exports have increased to \$380-390 a tonne now from around \$350 before Bangladesh lowered the Customs duty. This has resulted in some buyers like some from Djibouti seeking broken white rice instead of parboiled," said VR Vidya Sagar, Director, Bulk Logix.

Chinese demand

Despite the hike in prices, Indian parboiled rice is the most competitive in the global market. According to the Thailand Rice Exporters Association data, Indian parboiled rice is at least \$40 a tonne lower than Pakistan's offering.

"Broken rice is in demand from China and South-East Asia too. Enquiries from South-East

Surging ahead

Rice variety	Price (₹/tonne f.o.b.)
WHITE RICE	
Thailand 5% broken	426
Vietnam 5% broken	418-422
India 5% broken	335
Pakistan 5% broken	398-402
Thailand 25% broken	422
Vietnam 25% broken	403-407
India 25% broken	328-332
Pakistan 25% broken	384-388
PARBOILED	
Thailand parboiled 100% std	443
Pakistan 5% broken	421-425
India 5% broken	380-390

Source: Thailand Rice Exporters Association and Traders

Asia are a tad lower in view of broken rice prices ruling higher than last year. China is buying broken rice but it could slow its purchases from next month as its crop is set to arrive," said M

Madan Prakash, President, Agri Commodities Exporters Association (ACEA).

According to the US Department of Agriculture (USDA), China's imports will continue at a record pace for feed purposes.

Better \$ realisation

"Almost 100 per cent of broken rice consignments are currently heading to China. Prices are gaining due to higher US dollar realisation," said Delhi-based exporter Rajesh Paharia Jain.

Though Bangladesh has opened up its market for more imports through the duty cut, the USDA said purchases from India, its main supplier, would be weak. Still, it projects India's rice exports at 22 million tonnes (mt) this calendar year.

The Food and Agriculture Organisation (FAO) said though prices of rice increased for the fifth consecutive month in the global market in May, Indian rice was competitive as the arrivals from the Rabi harvest continued.

"India is competitive since Indian exporters sell at \$20-30 a tonne discount," Jain said.

'No replacement'

BV Krishna Rao, President, The Rice Exporters Association of India (TREA), said broken white rice cannot replace parboiled in Africa. "Barring Senegal and Ivory Coast, no other African country buys broken rice. Even if broken rice rules higher than other varieties, they will buy this variety as they are used to it," he said.

He said parboiled rice prices generally tend to vary between \$360 and \$390 depending on whether it was the peak or lean arrival season. "Prices have been behaving this way over the last 5-7 years," he said.

Rice prices have also gained on the increase in MSP for the current crop year. "The rise in MSP has resulted in open market prices increasing sharply," said Bulk Logix's Sagar.

"Broken rice prices are ruling higher because in the domestic market it is being diverted as poultry feed," said ACEA's Prakash.

According to the Agricultural and Processed Food Products Export Development Authority (APEDA), rice exports in April were lower at 135 mt against 1.68 in April last year.

Business Line dt.6.7.22

Mobile phone imports fell 33% in FY22: Crisil

'India has become self-sufficient on consumption front'

AYUSHI KAR

Bengaluru, July 5

Thanks to the production-linked incentive scheme for mobile phones, India's mobile imports decreased 33 per cent year-on-year in FY22, according to a research report by credit rating firm Crisil. Dependency on China reduced to 60 per cent from 64 per cent in FY21, and is expected to fall further in the medium term.

With a rise in production, import of electronic components essential for mobile assembling/manufacturing also increased 27 per cent year-on-year. The Crisil



report noted that with the domestic output rising, India has become largely self-sufficient on the consumption front, even as mobile consumption increased by 15-20 per cent during FY22.

Crisil estimates that Indian consumption will reach ₹3.5-lakh crore to ₹4-lakh crore in 2024, as the mobile life cycle reduces and financing options become more replete. However, the report also noted that the

rising domestic output was unable to bolster India's export position globally.

Due to the support of the PLI scheme, export of mobile phones increased by 56 per cent year-on-year, and are expected to touch 1-lakh crore to 1.2 lakh crore over fiscal 2023 and 2024. However despite of the significant gains in exports, Crisil notes that India's share in global exports continues to be minuscule, with China and Vietnam continuing to meet the bulk of global demand.

"India's exports largely comprise low-end mobile phones, priced below ₹10,000. But major markets, such as US, Hong Kong and Japan, import mobile phones priced upwards of ₹15,000 because of their high

capita per income, which boosts affordability, and established 5G coverage which lags in India," the report noted.

5G smartphones

Furthermore, with 5G deployment just on the horizon, the share of 5G smartphones in India continues to be low due to the high price of the handset, according to the report. Crisil noted that the sale of 5G smartphones constituted only 15-20 per cent of the overall handset sales in fiscal 2022.

However, they predict that sales will pick up substantially in late 2023 due to the festive season. Overall, between 2017 and 2022, smartphone sales in India surged from 113 million handsets to 161 million.

WayCool's premium fresh fruits brand enters tier-2, 3 markets

OUR BUREAU

Mangaluru, July 6

L'exotique, the premium fruits brand from WayCool Foods (a food and agritech platform), has announced its entry into tier-2 and tier-3 regions in the country.

As the first step in this direction, the brand has partnered with 20 franchises from across the country, with plans to expand further its franchise network by adding a total of 100 partners by the end of FY23, a company statement said. L'exotique offers an assortment of fruits, including apple, orange, kiwi, dragon fruit, grapes, and berries, sourced from the orchards and groves of 10 different countries. Amrit Bajpai, Chief Operating Officer of WayCool Foods, said the company sees great potential, especially in the tier-2 and tier-3 markets, with new franchise partners adding strength to WayCool's growing business and customers looking for healthy snacking alternatives.

Business Line dt. 7.7.22

Centre extends duty-free cotton imports till October 31

Decision in view of delay in sowing, textile industry's demand

OUR BUREAU

Ahmedabad, July 6

The Centre has extended the window for duty-free imports of cotton by a month, amidst delayed monsoon in some of the growing regions. In a notification issued on Monday, the Centre has extended the deadline to import raw cotton until October 31, 2022, from the earlier deadline of September 30, 2022.

The decision comes as a relief for the textile and yarn industries, who would be able to source cheaper cotton for an extended period of one month.

Notably, the industry had been demanding duty-free import of cotton until December 31 amidst spiralling domestic



Industry has urged the govt to remove cotton from the list of commodities traded on the commodity exchanges

prices. But the government seems to have also considered the interests of the growers, who would harvest the crop by end of October or early November.

India's cotton crop arrival starts around October-November. An extended window till December would have hampered the domestic prices and hurt the cotton farmers. But a moderate relaxation in the

deadline until October 31 is likely to protect the interests of both the stakeholders - the industry and the farmers.

The cotton import duty was imposed at the rate of 11 per cent in February 2021, when prices of the fibre hovered at around ₹44,500 per candy (of 356 kg each).

But in April this year, the Centre had allowed duty-free imports after the historic run of domestic prices to record levels of ₹1 lakh per candy of ginned cotton on lower crop projections. The prices, however, have softened by about 10 per cent in the recent weeks, tracking global sentiment.

ICE Cotton Futures for the October contract were quoted at 101 US cents per pound (₹63,350 a candy) on Tuesday. The contract had hit a peak of 140 cents on May 17 amidst a global supply crunch of the fibre. India imports cotton from large growers such as Brazil, the US and Egypt.

Basmati export unit value realisation tops \$1,000/t in April-May, but volume slips

20 per cent jump in value on high demand; prices likely to be firm till September



PRABHU DATTA MISHRA

New Delhi, July 7

Helped by lower production and a rise in overall global commodities prices after the Russia-Ukraine war, India's Basmati rice exports increased 13 per cent in value to \$698 million during the first two months of the current fiscal. The per-unit value realisation rose to a six-year high, topping \$1,000 a tonne.

The volume of shipments was lower, though. The buoyancy in Basmati prices in export markets is likely to continue un-

til September, by when there will be an indication about the size of the next crop, experts said.

Estimates of the next crop will be known by September

Buoyant sentiments

There is a jump of 20 per cent in export unit value realisation to \$1,019/tonne during April-May against \$846/tonne in the year-ago period, according to official data. But shipments have dropped (in terms of volume) by 6 per cent to 6.86 lakh tonnes (lt). "Current marketing season

(October-September) opened with firm demand sentiments for Basmati, which was later influenced by macro factors in order to move FOB prices up. This trend will continue in the short term even if non-tariff barrier distorts the trade," said S Chandrasekaran, a trade policy analyst.

He said the average export price realisation started this season at \$890/tonne in November 2021 and reached \$1,021/tonne in May 2022 (up 15 per cent in seven months), whereas in the previous season it started with \$805/tonne in November 2020 and was \$842/tonne in May 2021 (up 4.6 per cent).

Echoing similar outlook, Vijay Setia, a former president of All India Rice Exporters Association, said in the event of a supply crunch this had to have happened. Last year, there was a

massive reduction in the production of Pusa 1121 and Pusa 1509 basmati varieties, which make for the bulk of India's basmati rice exports, he said. "Exporters had also slowed their sales after realising that the lower production was pushing prices up. Currently, Pusa 1151 paddy is selling at about ₹40,000/tonne, which is a record for basmati. This buoyancy may continue for the next two months as everyone is eagerly waiting to know the next crop size," Setia said.

Industry sources said about 2-2.5 lt of basmati rice exports got contracted for Iran last month which buoyed the sentiments. Even in local markets, basmati rice which used to be sold at ₹40/kg currently commands a price of close to ₹60/kg, a huge 50 per cent jump, traders said.

Business Standard dt. 5.7.22

Trade gap widens to record \$25.6 bn

June imports surge to \$63.58 bn, led by crude oil

ASIT RANJAN MISHRA

New Delhi, 4 July

India's merchandise trade deficit surged to a new high of \$25.6 billion in June amid slowing demand for Indian exports and rising imports of gold, coal and crude oil. Exports grew 16.8 per cent year-on-year to \$38 billion in June while imports jumped 51 per cent to \$63.6 billion, according to the preliminary data released by the commerce ministry on Monday.

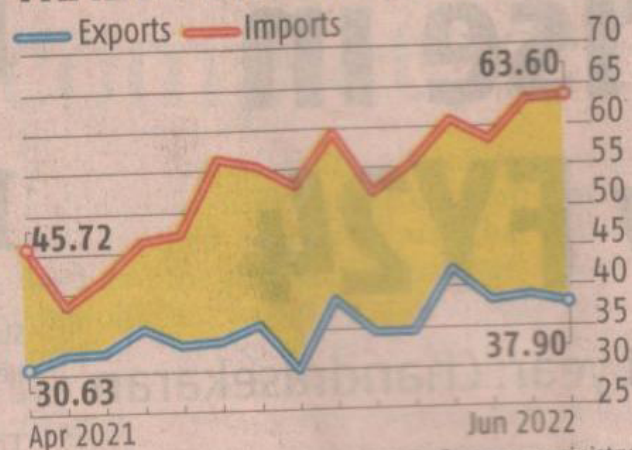
India's traditional high dependence on crude oil led to its imports soaring 94.2 per cent in June to \$20.7 billion. Continuing fetish of Indians for gold amid a downward spiral of the equity market meant gold imports rose 169 per cent to \$2.6 billion during the month. Amid a slow increase in domestic coal production, the government's directive to power generation companies to blend domestically produced coal with 10 per cent imported coal led to a 248 per cent jump in coal imports to \$6.4 billion.

Aditi Nayar, chief economist at ICRA Ltd, said the widening merchandise trade deficit was worrying with a sequential dip in exports and a rise in the non-gold imports relative to May. "With a steady uptick in the size of the merchandise trade deficit over the course of the quarter, we expect the current account deficit (CAD) to more than double to \$30 billion in Q1 FY23 from the modest \$13 billion in the previous quarter. However, robust services surpluses will partly absorb the shock. We expect the CAD to print in the range of \$100-105 billion in FY23," she said.

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TRADE PERFORMANCE (\$bn)



Source: Commerce ministry

WORRYING SURGE

- India's trade deficit in Q1 FY23 rose 124% YoY to \$70 billion
- FPI outflows, rising trade deficit have put downward pressure on the rupee
- Experts see CAD more than doubling to \$30 billion in Q1 FY23 versus \$13 billion in Q4 FY22

Windfall tax, new export, import duties may fetch exchequer over ₹1 trn

Business Standard dt. 8.7.22

Likely to boost elbow room for additional govt capital expenditure; experts see net estimated gains of 0.2-0.3% of GDP on fiscal revenues

SACHIN P MAMPATTA
Mumbai, 7 July

The government's new levies could help balance the Budget and leave room for more money to be spent on infrastructure like roads.

The total additional amount collected by the new levies is likely to be around ₹1 trillion, according to estimates by global financial services group Jefferies and the Mumbai-based Emkay group. The government is likely to raise between ₹40,000 crore and ₹50,000 crore from new

taxes on crude oil production; petroleum product export duties are likely to bring in around ₹40,000 crore, and the gold import duty is expected to net ₹20,000 crore, according to Jefferies data (see chart 1).

The government imposed duties on



REVENUE BOOST

Expected revenue in FY23 (in ₹ trn)

Gold imports

0.2

Crude oil production

0.4

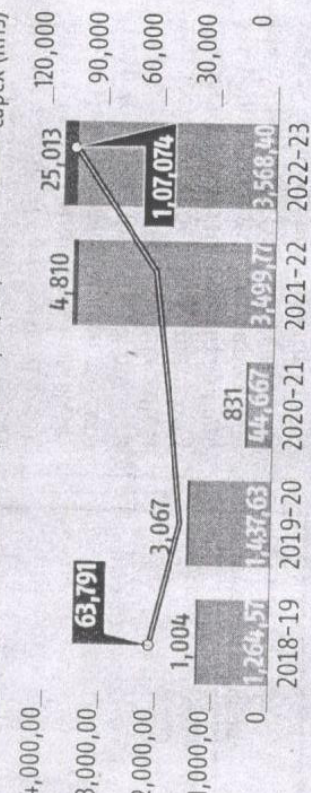
Petro product exports duty

0.4

Note: Crude oil production taxes are expected to draw in ₹0.4-0.5 trillion. The lower end of the estimate has been used in the chart. Source: Jefferies India

HIGHER CAPEX

Revenue receipts ■ Non-debt capital receipts (LHS)



Note: The data is for the first two months of FY23 and corresponding periods in previous years. Source: Controller General of Accounts

gold amid a surge in imports that had 107 tonnes coming in during the month of May. Money sent abroad to buy gold can worsen the situation with respect to the deficit between what India earns and spends abroad — called the current account deficit in economics. It also

by lead economist Madhavi Arora. She added that an ad valorem tax that moves in proportion to the underlying value may have been useful as it would automatically adjust prices in a volatile crude oil market.

"Overall, we assume net estimated gains of 0.2-0.3 per cent of GDP on fiscal revenues," it said.

The government's earnings from tax and non-tax sources (called revenue receipts) was up 1.96 per cent for the first two months of the financial year 2022-23 (FY23), compared to the corresponding period in FY22. The previous year had anomalies because of the pandemic. A comparison with FY20, which would cover April and May 2010,

imposed taxes on crude production amid windfall gains from high international prices; as well as on exports of products like petrol and diesel.

The moves on crude and petroleum could have a fiscal impact equal to 0.4 per cent of India's gross domestic product,

according to a July 4 'Fiscal Accounts' note from Emkay Global Financial Services. Around half of this may be used to fund oil marketing companies' under-recoveries. A windfall tax may also affect the government's income from public sector oil companies, suggested the note

General of Accounts. The corresponding figure in FY20 was ₹47,703.

The latest round of taxes may help boost the elbow room available for additional capital expenditure

according to a July 6 strategy report from the Jefferies group, authored by equity analysts Mahesh Nandurkar and Abhinav Sinha. It noted that tax collections were up 29 per cent in the first two months, even as goods and services tax numbers showed a 13 per cent growth rate.

"Weakening of commodity prices comes as a relief for India's twin deficit worries. Recent fiscal action

Govt slaps curbs on export of wheat flour, related products

SANJEEB MUKHERJEE

New Delhi, 7 July

The government has restricted the export of wheat flour and other related products, such as maida, rava (samo-lina), wholemeal atta and resultant atta. All exporters will need to seek prior permission from an inter-ministerial committee on export of wheat before undertaking any outbound shipment. The Centre had banned the export of wheat in May.

According to a Directorate General of Foreign Trade notification issued on July 6, the curbs will come into force from July 12. Until July 12, those shipments will be allowed where loading on the ship had started before July 6 or the consignments were handed over to the customs department before the notification was issued.

However, unlike wheat, there has been no outright ban on the export of wheat flour and related products.

The curbs have been imposed despite some stabilisation in wheat flour prices since May 13, when wheat export was banned.

Some trade sources said exports were being curbed to ensure that fly-by-night operators and those in the market to make fast money did not export unusually high volume of

EXPORT SPREE



SIGNS OF STABILITY

Retail price of wheat flour (₹/kg)

July 06, '22	34
1 month ago	34
1 year ago	30
% change	0 (1 month), 13.33 (1 year)

Note: The figures are approximate and rounded off to the next decimal
Source: Department of Consumer Affairs

wheat flour to bypass the ban on wheat export. "Wheat flour export will now be under control. Earlier the flour export was at a peak. However, atta (wheat flour) prices have already softened, even before the ban, and now they might go down further. But it will be for a short time because the coming festival season and stopping of open market sale of wheat by the central government will keep prices supported. The fundamentals of demand and supply still support wheat and atta prices," Rahul Chauhan, commodity analyst at iGrain India told *Business Standard*.

Meanwhile, exporters of wheat products in small consumer packs of 5 and 10 kilograms have approached the commerce ministry to allow them to

export without any curbs.

"Since, this segment of exporters have built this business in a close network with overseas buyers, if there is any restriction in export of such commodities, it will be a big disaster," some of the small exporters said. They said around 75,000 tonne of wheat flour and related products are annually exported in small pack sizes.

According to the food ministry, India exported 95,167 tonnes of wheat flour (atta) in April 2022, which stood at around 26,000 tonnes in April 2021, a jump of almost 267 per cent.

In FY22, India exported a record of over 7 million tonnes of wheat, worth around \$2.12 billion, which in value terms was 274 per cent more than the same period last year.

EXPORTS RISE 16.8%; IMPORTS 51%

Trade Deficit Jumps to Record \$25.63b in June

Fuels concerns of a weaker rupee, bigger current account deficit

Our Bureau

New Delhi: India's trade deficit swelled to a record \$25.63 billion in June driven by imports of petroleum, coal and gold, and slow exports, raising concerns about a further slide in the rupee and a bigger current account deficit (CAD).

Official data released on Monday showed that India's merchandise exports in June rose 16.8% on-year to \$37.9 billion, slower than 20.5% in May, while imports rose at a faster 51% to \$63.58 billion. The trade deficit in June 2021 was \$9.61 billion.

"Given the global headwinds and dollar strength, coupled with the rising trade deficits, the INR may well weaken to 80-81/USD in Q2," according to Aditi Nayar, chief economist at ICRA.

Ahead of the release, the Indian currency closed at 78.95 to the dollar on Monday.

The trade deficit during the first three months of this fiscal year widened to \$70.25 billion from \$31.42 billion in the year-ago period, according to data released by the commerce and industry ministry.

"As recession in the developed world is reducing demand for



global goods exports, the WTO has already reduced its forecast and that is being reflected in Indian exports. Because of high dependence of India on oil imports, it has led to trade deficit rising," said India Ratings and Research chief economist DK Pant. "We expect the CAD at 3% of GDP but more worrying is the balance of payments deficit at \$45-50 billion," Pant told ET.

The falling rupee is expected to expand the trade deficit further since a weaker domestic currency makes imports costlier. It will also make imports expensive, adding to inflationary pressures. Export growth moderated due to the base effect, some correction in commodity prices and global growth concerns. Imports exceeded expectations, led by crude and coal, underscoring India's import dependence and vulnerability to fuel price movements, Nayar said.

Exporters' Order Books Shrink on Global Inflation, Inventory Pileup

Offtake slows for cotton yarn, ready-made garments, leather goods and handicraft

Kirtika.Suneja@timesgroup.com

New Delhi: Order books of Indian exporters have begun shrinking as inventories pile up in key export destinations on low demand. Order books have shrunk 15-20% for leather and footwear, while in yarn, volumes have witnessed a sharp 70% fall.

High inflation in the US and the EU slowed take off for cotton yarn, ready-made garments, leather goods and handicrafts, impacting the pace of India's exports in June, which rose 16.8% on-year at \$37.9 billion, slower than 20.5% in May.

"The clients in the US are doing cautious buying as their budgets are tight due to high interest rates. While orders had increased last two years, we expect a 15-20% decline now," said Rafeeq Ahmed, chairman of Farida Group, one of India's largest shoe manufacturers and exporters, which is a vendor to overseas firms such as Adidas, Clarks, Marks & Spencer, Debenhams and Bally Shoes.

Exports of yarn, fabric, madeups

and handloom products have shrunk 22.54% in June.

"Our cotton prices are higher than international prices and domestic demand has vanished because of stagflation. The order book for yarn is down 70-80% and for fabric is 30-40% lower as against a few months ago," said Sanjay Jain, chairman of ICC National Textile Committee.

Order books have shrunk 15-20% for leather and footwear, while in yarn, volumes have witnessed a 70% fall

Slow retail sales in the US and the EU have delayed the orders for ready-made garments while yarn exports have come to a standstill, exporters said.

"Larger retail chains are delaying their purchases because of which the orders that were to be picked up in April, have been postponed to October. Our MSMEs are bearing the brunt of this impact," said a Delhi-based exporter of ready-made garments.

Industry representatives said that the pressure on order books

Under Pressure



due to lower demand will also compress prices in the future.

"Pent up demand led to high exports last year but that trend will be difficult to maintain unless the inventory liquidates. Buyers place their orders for September during this period but that volume has halved," said one representative.

As per Rakesh Kumar, director general, Export Promotion Council for Handicrafts, overbuying has happened in the US and the EU because of clubbing of containers at the buyers' ports earlier this year. "There are excess quantities and

orders are slow but we expect them to recover in the coming quarters. Demand from Eastern Europe, Latin America and Middle East is likely and the FTAs with the UAE and Australia will benefit us," Kumar said.

While the impact on industrial exports is expected to come with a lag, EEPIC India chairman Mahesh Desai said the negative spillover of the Russia-Ukraine war has reached engineering goods exports, which declined 1.57% year-on-year in June to \$9.14 billion as compared to \$9.29 billion in June 2021.

OUTBOUND SHIPMENTS HAD HIT A RECORD \$422 BN IN FY22

Export growth to falter in FY23 on external troubles

African nations' move to limit imports to conserve forex a fresh risk

BANIKINKAR PATTANAYAK
New Delhi, July 6

FEARS OF ECONOMIC recession in key markets such as the US and the EU, persistent supply-chain woes and a recent drop in fresh orders have threatened to derail India's dream run in the export sector, one of the bright spots in the economy in the aftermath of the Covid pandemic, according to exporters and senior industry executives.

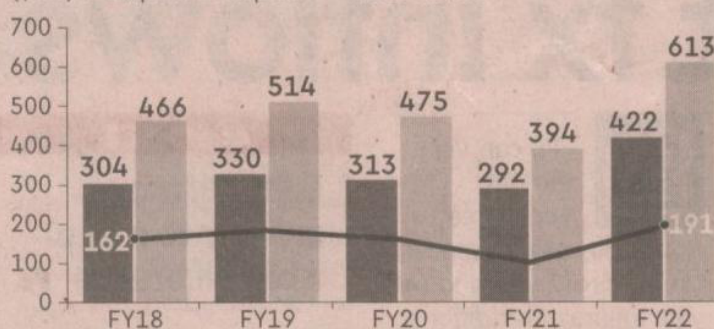
Importantly, some countries in Africa have started to cut down on imports of discretionary imports to conserve their forex reserves at a time when the US interest rate hike has spurred a capital flight from developing economies, they added. On top of these, crisis-ridden Nepal and Sri Lanka have restricted imports to a bare minimum. These, too, could potentially put a leash on India's export momentum, said the exporters.

The US and the EU together accounted for 33% (or \$141 billion) of India's exports in FY22. Similarly, exports to Nepal and Sri Lanka were to the tune of \$15.4 billion last fiscal and shipments to Egypt and Ethiopia stood at \$4.4 billion.

Exporters that FE spoke to said outbound shipments will

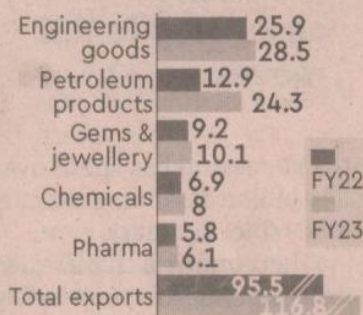
Prospects turn grim

(\$ bn) ■ Export ■ Import — Trade deficit



Key segments see decent export growth...

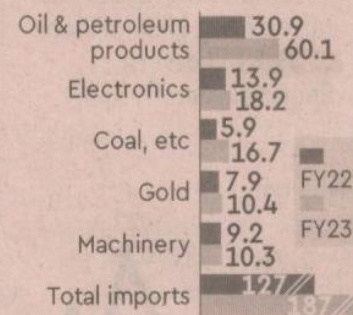
(\$ bn, April-June period)



Source: DGCIIS/Ministry of commerce

...but imports have grown dramatically

(\$ bn, April-June period)



still rise, although the pace of growth will likely decelerate to 10-15% in FY23 from 45% in the previous year (albeit on a contracted base), unless the Ukraine war de-escalates swiftly. Exports had hit a record \$422 billion in FY22, far exceeding the earlier peak of \$330 billion, on the back of an industrial resurgence in advanced economies, which is now faltering.

Curbs or outright ban on a number of items, including steel, iron ore, petroleum products and wheat, will also impinge on export prospects.

Sectors ranging from textiles, gems & jewellery and transport equipment to plastics to rubber products are facing a slowdown in export orders, said the exporters.

Ajay Sahai, director general and chief executive of apex exporters' body FIEO, said: "With major economies facing recession, demand will take a hit and it's bound to impact new orders. In some segments, such as steel and cotton yarn, demand has already come down. Unless the geo-political situation improves drastically, we may not see major improve-

ment in export growth, especially on a high base."

Importantly, growth in core exports (excluding petroleum and gems and jewellery) slowed down to 4% in June from 8.6% in May and 19.9% in April.

Meanwhile, the surge in imports, witnessed since the second quarter of FY22, is expected to continue unabated, as a global price rise in commodities ranging from crude oil to coal and fertiliser, has substantially inflated the import bill, likely causing trade deficit to soar past last year's record \$191 billion in FY23. Already, trade deficit in the first quarter of FY23 touched a fresh peak of \$70.3 billion.

The World Trade Organization in April slashed its merchandise trade volume growth forecast for 2022 to 3% from its previous prediction of 4.7%. It also expects only 3.4% growth in 2023. There are apprehensions that that global trade body may further trim its forecasts. This will impact India's export prospects as well.

Raja Shanmugham, president of the Tirupur Exporters Association that represents the country's largest garment cluster, said the flow of orders from the US and the EU has already started waning. "For the buyers in the US, the fear is mostly around high inflation. In the EU, apart from the recession, the fears of low gas supply, among others (a fall-out of the Ukraine war), are contributing to the fall in orders."