

Exports rise 17.5% in February, trade deficit at a five-month low

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India's merchandise exports expanded at a sterling double-digit rate in February, growing for the seventh consecutive month and signalling a turnaround in global demand for Indian goods.

Data released by the commerce ministry showed exports grew 17.48% to \$24.5 billion in February while imports rose 21.76% to \$33.4 billion in the same month, thus leading to a trade deficit of \$8.9 billion, the lowest in five months.

During the same month, China's exports dropped 1.3% and imports soared 38.1%.

Non-petroleum and non-gems and jewellery exports in February grew 20.15% while imports of the same items grew 2.16% during the same month.

The commerce ministry said the global Brent crude and gold prices increased 67.14% and 2.89%, respectively in February quoting World Bank commodity price data.

Except drugs and pharmaceuticals that contracted 4.1% in February, export of most of the key commodities such as gems and jewellery (2.31%), chemicals (11.27%), engineering goods (47.33%), ready-made garments (5.05%) and petroleum products (27.57%) showed significant improvement in shipments.

Imports of key items such as coal (32.87%), petroleum (60.02%), chemicals (22.47%), pearls and stones (8.98%), electronic goods (12.21%) and gold (147.6%) picked up while those of iron and steel (-12.7%), machinery (-28.84%) and transport equipment (-15.75%) contracted.

The revival in growth of services exports in January was outweighed by an even faster expansion in services imports, as a result of which the surplus shrank for the ninth month in a row, by 10%.

Aditi Nayar, principal economist at rating agency ICRA Ltd, said she expects higher imports of crude oil and gold to widen the Indian current account deficit to around \$30 billion in 2017-18 from around \$20 billion in 2016-17. "While merchandise exports may rise by 5-6% in 2017-18, partly led by the higher value of commodity-intensive exports, global trends do not augur well for a significant improvement in the services trade surplus and remittances in 2017-18."

The World Trade Organization's latest World Trade Outlook Indicator released on Tuesday suggests global trade growth will continue to rise moderately in the first quarter of 2017 after having strengthened in 2016's final quarter.

The WTO trade forecast issued on 27 September last year foresaw world merchandise trade growth of 1.7% in 2016 and growth between 1.8% and 3.1% in 2017.