

India's exports shrink 0.3% to \$21.5 billion in August

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India's merchandise exports marginally contracted by 0.3% to \$21.5 billion in August for the second consecutive month after expanding for the first time in 19 months in June.

Data released by the commerce ministry showed imports shrank 14.1% to \$29.2 billion in August leading to a trade deficit of \$7.7 billion during the same month.

During the month, oil imports fell 8.5% to \$6.8 billion while non-oil imports fell 15.6% to \$22.4 billion.

The government's earlier target of \$900 billion in the export of goods and services by 2020, raising the country's share in world exports to 3.5% from 2% now, looks more daunting.

The Economic Survey released before the budget in February said even though India's long-run potential gross domestic product (GDP) growth is 8-10%, its actual growth in the short run will also depend upon global growth and demand.

"After all, India's exports of manufactured goods and services now constitute about 18% of GDP, up from about 11% a decade ago," it added.

The Economic Survey said one tail risk scenario India must plan for is a major currency re-adjustment in Asia in the wake of a similar adjustment in China as such an event would spread deflation around the world.

"Another tail risk scenario could unfold as a consequence of policy actions—say, capital controls taken to respond to curb outflows from large emerging market countries, which would further moderate the growth impulses emanating from them," it added.