# Trade Numbers

## Table of Contents

India’s exports grow slower than world average in Q1 ..... 3
Services export down 23% in April to $ 10.48 billion ..... 4
May exports down 4.16% due to global slump; 7.36% dip in imports ..... 5
Exports add to gloom, up 3% ..... 7
Exports slow down to 3.2 % in April ..... 9
Services exports growth at 4% as global uncertainties take toll ..... 10
Trade deficit can balloon to USD 262 bn this fiscal: Assocham ..... 12
Exports fall for the first time since 2009 ..... 14
Current account deficit may fall this year ..... 16
FY12 exports up 21% at $303.7 bn trade deficit at record $184.9 bn ..... 18
India's exports in volume grow fastest: WTO ..... 20
A new paradigm: How trade drives India story ..... 21
Exports grow a sluggish 4.3% in Feb ..... 22
‘Unproductive imports should be discouraged’ ..... 23
Exports reach $242.80 bn in 10 months of FY12 ..... 25
Exports rise 10% to $25.4 bn in Jan; imports up 20% ..... 26
India’s exports continue to stutter ..... 28
Trade data defies traditional view ..... 30
Government plans white paper on wrong export numbers soon ..... 32
November exports increase 3.87% ..... 34
Policy deficit ..... 36
Exports held out despite slowdown but outlook cloudy ..... 37
Copper inflated by $6.3 billion in unending exports mystery ..... 39
Export Grows 33.2% in April- November at US $ 192.7 billion: Commerce Secretary ..... 42
CBDT, DRI & ED Told to Probe Exports to Bahamas & Cyprus ..... 43
Q1 Exports: RBI data exceeds Commerce Ministry figures by $7.2 billion ..... 45
Strong exports bail out GDP growth in September quarter ..... 47

India’s exports grow slowest in two years ........ 49
Services exports dip in Sept ........ 51
Exports-IIP gap shows more data troubles ........ 52
Exports growth slows, rise 36.4% in September ........ 53
Sudden surge in India's exports to Bahamas raises doubts ........ 54
Exports up 36.3% in September ........ 56
Much more than meets the eye on recent surge in trade figures ........ 58
India August Exports Rise 44% ........ 60
Developing Asia's growth to slow: ADB ........ 61
WTO sees export growth slowing ........ 63
India Trade Gap Shrinks to 15-Month Low ........ 64
India's commercial services exports growth slows down: WTO ........ 66
India beats China in export growth rate: WTO ........ 68
Exports slide by 5.45 % in June ........ 69

# India’s exports grow slower than world average in Q1

Arvind Jayaram, Hindu Business Line

June 21, 2012: India’s export growth was below the world average in January-March, but imports rose faster than the increase seen globally.

The World Trade Organisation (WTO) has estimated that the country’s exports rose by 2.1 per cent to $78.64 billion in the first quarter of 2012. In contrast the country’s imports shot up at a faster pace of 21.8 per cent to $122.47 billion during the period, according to the global trade body’s ‘Quarterly World Trade Estimates’.

In contrast, global exports rose by 5.3 per cent to $4.46 trillion, while imports increased by just 5.4 per cent, to $4.54 trillion.

This was the slowest level of export growth seen in India during the past year. In January-March 2011, the country’s exports had shot up by 49.4 per cent.

They continued to register strong growth in the subsequent two quarters, surging by 37.5 per cent and 51.2 per cent, respectively. However, in the last quarter of 2011, the growth slowed to a disappointing 5.3 per cent.

*Lowest level*

Imports were also at their lowest level in four quarters during the January-March quarter. In the corresponding quarter of 2011, they had increased by 24.1 per cent. The value of imports shot up further by 34.1 per cent in Q2, 2011, but grew at a slower pace thereafter to 33.8 per cent and 29.1 per cent, respectively, in the last two quarters of the year.

India’s export performance outstripped the global average in the first three quarters of 2011, when outbound shipments worldwide rose by 22.6 per cent, 25 per cent and 22.3 per cent. The country only fell behind the rest of the pack in the fourth quarter of 2011, when global exports rose by 9.9 per cent.

However, the good performance was overshadowed by the sharp increase in India’s imports at a faster pace than the rest of the world.

Globally, imports rose by 22.4 per cent, 24.3 per cent, 20.3 per cent and 10.3 per cent during the four quarters of 2011.

[Back to Top]

# Services export down 23% in April to $ 10.48 billion

PTI

15 June, 2012,Mumbai: India's services export declined sharply to $ 10.48 billion in April, down 22.95 per cent from a month ago, RBI data showed today.

In March, the services exports were $ 12.89 billion. The RBI data included travel, transport, construction, insurance and pension services, financial services, charges for the use of intellectual property, telecommunications, computer and information services among the major components of the services sector exports.

Meanwhile, services imports during the month fell to $ 6.5 billion from $ 9.08 billion in March.

RBI releases the provisional monthly data on international trade in services with a lag of 45 days.

However, the data undergoes revision in the quarterly Balance of Payments (BoP) data. The October-December BoP data was released on March 30, 2012.

As per the provisional data of RBI, services exports in the last quarter of FY2011-12 stood at $ 35.14 billion. Services imports bill was at $ 23.16 billion.

India's services exports has been growing at an average yearly rate of 25 per cent in last 10 years, barring 2009-10 where it was down by nine per cent because of global recession and 2011-12, where growth was just four per cent, according to Services Export Promotion Council (SEPC).

"Yes there is a decline because the overall economy of the world is under negative pressure. The rupee depreciation against the US dollar has also affected the receipts," said Rajesh Sharma, director general, SEPC.

Services exports has recorded more than six-and-a-half- fold increase in 10 years from $ 20.76 billion in 2002-03 to $ 138 billion in 2011-12.

The services trade (exports and imports) stood at $ 220 billion in 2011-12, as per RBI data.

[Back to Top]

# May exports down 4.16% due to global slump; 7.36% dip in imports

Financial Express

15 June, New Delhi**:** India's exports contracted by 4.16% year-on-year to $25.68 billion in May, for a second time this year after a fall of 5.7% y-o-y in March, the result of a slowdown in the world economy and a consequent slump in demand from overseas markets. Imports too dropped, by a sharper pace of 7.36% y-o-y, to $41.9 billion, signalling a weaker domestic economy. As such, the trade deficit — the difference between exports and imports — narrowed to $16.3 billion in May from $18.5 billion a year ago.

Exports had risen slightly in April after a contraction in March. April's trade deficit was $13.9 billion. Imports of gold and silver fell even more drastically by 51% in May after the government doubled the customs duty on gold imports to 4% in April. Moreover, inward shipment of plant and machinery fell by 8% reflecting a sluggish capex.

Against the backdrop of an ambitious 20% growth target in exports for the current fiscal, announced in the recently released Foreign Trade Policy, the commerce ministry is “recalibrating its strategy” to find out a solution, commerce secretary SR Rao said. Contraction of demand in India's traditional markets, particularly in euro zone economies is hurting exports, Rao said, adding that “(We are) still not out of the woods... Bailing out of Greece and Spain is still work in progress”.

“We have also seen the IIP (index of industrial production) numbers. So you can correlate the reasons why exports have not done too well,” Rao said, implying that weaker industrial expansion was partially due to lower global demand. Industrial output growth was nearly flat at 0.1% in April.

Data released by the commerce ministry on Thursday showed exports contracted despite sharp depreciation in the rupee, that should have made domestic products more competitive. Exports growth had contracted 5.7% in March due to global developments but during the month imports had surged by 24.3% on account of high oil imports.

Decline in exports in May was particularly witnessed in top export commodities like petroleum products (-26.07%), engineering goods (-15.67%), gems and jewellery (-9%) and readymade garments (-15.82%). On the import front, gold and silver was down by about 51%, while plant and machinery dropped 8%. However, imports of crude oil was up 14%.

Global trade slowdown and deceleration in domestic manufacturing has contributed to contraction in exports. Many countries in the world are facing huge setback in exports and India is no exception to it, said Federation of Indian Export Organisations (FIEO) president M Rafeeque Ahmed. However, the growth shown by the apparel and pharmaceutical sectors, both dominated by MSMEs, is an encouraging sign and augurs well for other sector of exports. The softening of crude and metal prices also have their share in reduced value-wise exports of petroleum products, gems &jewellery and engineering.

“While next few months may be challenging, with stability in the euro zone, exports will be back on track in the next second half of the financial year, ensuring 15%-20% taking overall exports to over $350 billion,” he added.

[Back to Top]

# Exports add to gloom, up 3%

Business Standard

New Delhi June 02, 2012:A day after data showed India's growth in 2011-12 was the lowest in nine years, data on merchandise exports was also disappointing. Exports in April rose a mere 3.23 per cent to $24.45 billion, against $23.69 billion in April 2011, primarily owing to the euro zone crisis.

However, Commerce & Industry Minister Anand Sharma was hopeful of a 20 per cent rise in exports in the current financial year, compared to the previous one, even as he expressed concern over the poor health of the domestic economy and the challenges emanating from the developed world.

"I hope we stay on course for an annual increase of 20 per cent….We are going to implement a plan of action to help take India's exports to $500 billion by 2014. We know this would be challenging, given the deceleration in developed countries and the contraction and movement towards contraction in the euro zone, which has also adversely impacted trade as such," Sharma told reporters after the Board of Trade meeting held here on Friday.

The meeting of the Board of Trade, an advisory body on foreign trade to the government, was attended by Finance Secretary R S Gujral, Commerce Secretary S R Rao, Secretary in the Department of Industrial Policy and Promotion Saurabh Chandra, External Affairs Secretary (external relations) SudhirVyas, Textiles Secretary KiranDhingra and Director-General of Foreign Trade Anup K Pujari. Industry leaders, including ICICI Bank Managing Director and chief executive ChandaKochhar, ITC Chairman Y C Deveshwar, presidents of the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce and Industry and members of the export promotion councils, also attended the meeting.

Suggestions by the industry and exporters would be incorporated in the annual review of the Foreign Trade Policy (FTP) 2009-14, to be unveiled on June 5.

In April, imports rose 3.83 per cent to $37.94 billion, compared with $36.54 billion in the year-ago period. Imports of oil stood at $139 billion, a rise of 6.96 per cent over $130 billion in April 2011, while non-oil imports grew 2.11 per cent to $24 billion, compared with $23.53 billion in the year-ago period, according to data released on Friday.

As both exports and imports grew moderately, trade deficit rose slightly — 4.98 per cent to $13.49 billion in April, against $12.85 billion in the corresponding period of the previous year.

Sharma said his ministry and its finance counterpart were constantly discussing ways to chalk the incentive package to be doled out to exporters. He added the government was considering extending the interest subvention scheme to all export sectors.

"It is not only about incentives to exporters, we have to take a holistic view to ensure we remain competitive globally when it comes to India's exports….keep on increasing our share in world trade….It is important for India to have a sustained thrust on exports, given the challenges we face," he said.

In the FTP, the government is expected to focus on labour-intensive sectors. Prolonging the interest subvention scheme for a year is also on the agenda.

On the constant fall of the rupee against the dollar, Finance Secretary R S Gujral said, “Prima facie, depreciation in the rupee would tend to help exporters, in terms of higher realisation in rupee terms.…In the short term, contracts have already been signed at all-year rates. Due to this, their imports become more expensive. So, it does hurt them.”

Sharma said the depreciation in the rupee was being studied by the government, and he was hopeful of a “turnaround.”

**[Back to Top]**

# Exports slow down to 3.2 % in April

SujayMehdudia, Hindu

NEW DELHI, May 10, 2012: In an indication of tough times ahead, the Indian exports have been hit by the poor global economic conditions registering a growth of 3.2 per cent in April at $24.5 billion.

Significantly, imports also witnessed sharp deceleration resulting in trade deficit narrowing to $13.2 billion. The drop in the balance of trade (BoT) is expected to reduce pressure on the rupee which has lost value by about 15 per cent against the US dollar since September, 2011.

According to provisional figures released on Thursday by the Commerce Secretary, Rahul Khullar, exports in April, the first month of the fiscal 2012-13 amounted to $24.5 billion. Imports for the month grew by 3.8 per cent to $37.9 billion.

Speaking about the entire fiscal as a whole, Mr. Khullar said: "we should be lucky to get a growth rate of 10-15 per cent. The situation in Europe is disheartening. Export data shows there are serious demand problems and constraints in the Western markets.’’

Mr. Khullar said if deceleration in imports continues, the BoT pressure will be lower than last year and if it will stay at $13 billion for the remainder period of the year, then we will end the year with $156-160 billion. In 2011-12, the country's trade deficit jumped to $185 billion, highest ever in the history.

Reacting to the foreign trade data, Federation of Indian Exporters Organisation (FIEO) president, Rafeeque Ahmed said the impact of global contraction in trade is now being felt by India as well. The slowdown in new markets will be more obvious in next few months, he added.

He said the most disturbing news is the sharp decline in exports of labour intensive sectors like gems and jewellery (-25.7 per cent), readymade garments (-9 per cent), leather (3.2 per cent), electronics (5.4 per cent), plastics (2.7 per cent). "This will have serious implications on employment and may lead to sharp reduction in additional job creation and even layoffs,’’ he warned.

He urged the Government to devise suitable strategy to counter the export slowdown in the revised edition of the Foreign Trade Policy (FTP).

[Back to Top]

# Services exports growth at 4% as global uncertainties take toll

AsitRanjan Mishra, Mint

May 22, 2012, New Delhi: Global uncertainties, especially in the euro zone, have taken a severe toll on India's services sector. In the year ended March, services exports grew at the slowest pace in a decade, barring the crisis year of 2009-10. The single-digit growth pace was surprising as merchandise exports expanded at nearly 20% in the same year.

According to provisional Reserve Bank of India (RBI) data, services exports grew 4% to $137 billion (around Rs. 7.5 trillion today) in the last fiscal year, while services imports contracted 3.8% to $81.1 billion.

While the year started off well, with such exports registering a robust 24.9% growth in the first quarter, the second quarter saw a sharp slowdown to 4.1%. In the third quarter, they contracted 5.4% and remained flat in the fourth.

The central bank began releasing monthly data in April 2011 on trade in services with a lag of 45 days and at a more disaggregated level on a quarterly basis beginning in the first quarter of 2010-11.
The sector ranges from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI's classification includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services, among others.

While disaggregated data for the fourth quarter will be available on 30 June, data till the third quarter shows software services exports growth declined to 9.4% in the third quarter from 21.3% in the first quarter. Non-software miscellaneous services contracted 34% in the third quarter, while it grew 24.4% in the first quarter. Other key services export sectors such as travel and transportation decelerated, but still grew at robust rates of 14.4% and 23.4%, respectively, in the third quarter.
Services are critical to India's economic well-being as they constitute more than half the country's gross domestic product (GDP), having risen from a 33.5% share in 1950-51 to 56.3% in 2011-12. In terms of size, software is a key category, accounting for 41.7% of total services exports in 2010-11.

The numbers are lower than expected, said Kunal Kumar Kundu, India general manager and senior economist at Roubini Global Economics. "This means services sector GDP growth in 2011-12 could be worse than expected," he added.

Indian IT and business process outsourcing services lobby group Nasscom estimates that onsite and offshore software exports grew 16.3% to $69.6 billion, said Som Mittal, its president.
Nasscom has projected a growth rate of 11-14% for the current year, which may be too optimistic, according to companies and analysts. Nasscom will review its growth projection in October when more industry data is available, he said.

“International companies are cautious about taking decisions,” Mittal said. “However, they need us more than before to change their business model. But obviously, the uncertain global environment will impact us.”

The Economic Survey for 2011-12 said the outlook for the services sector in the domestic economy is linked to its prospects externally. “While software services exports have continued to be steady, the unfolding events in the euro area could lead to some sluggishness in this sector,” it said. “The fair-weather business services exports, which have already shown signs of deceleration, may not get better.”

Rupee depreciation may help Indian software companies at a relative level, Kundu said. “However, with European countries opting for austerity measures, it will not help Indian software companies,” he said. India needs to take a different approach to boost services exports, said LalitBhasin, chairman of the Services Export Promotion Council. “It is easier to sell goods abroad because people need them on a daily basis. You need to constantly upgrade and promote your service offerings. You cannot keep selling what is outdated and not demanded now,” he added.

The overall trend in the economy affects the services export sector more than manufacturing. “There has to be a proper economic climate,” Bhasin said. “Foreign direct investment is not being allowed in many sectors. No development is taking place except in some sectors like healthcare and hospitality. The education sector has almost stagnated and nothing much is happening in the entertainment sector.”

While the commerce ministry regularly updates its foreign trade policy and sets yearly targets for merchandise export growth, it hardly gives any guidance or announces measures to boost services export growth. Former commerce secretary Rahul Khullar had said earlier this month that merchandise exports may grow at around 10-15% in 2012-13.

The government and the commerce department need to come up with concrete steps to promote services trade, Bhasin said. “We have told them the industry does not need any lip service,” he said. “What it needs is focused measures and separate strategies for each services sector.”

Commerce minister Anand Sharma has said he will announce the annual supplement to the foreign trade policy on 5 June.

Kundu said sops won’t be enough to boost services exports. “The current trend reflects the overall global dynamics. The worst in Europe is yet to come. I don’t think the government can do much. In the current global environment, one cannot do much by planning,” he said.

[Back to Top]

# Trade deficit can balloon to USD 262 bn this fiscal: Assocham

PTI

New Delhi, May 14,2012: Contrary to some conservative projections, industry body Assocham today said it expects India's trade deficit to increase sharply by over 40 per cent to USD 262 billion in the current fiscal in the face of exports facing headwinds in the western markets.

If the trade scenario unfolds, as per the Assocham projections, the rupee would come under further pressure. The Indian currency has already lost over 20 per cent against the US dollar in the last one year.

"Out of different possible scenarios..., the most likely would be one where imports grow by 25 per cent and exports increase by about 15 per cent. This would leave the country with a balance of trade (BoT) deficit of USD 262 billion," Assocham President RajkumarDhoot said.

In such a scenario, exports would grow up to USD 348 billion but imports would sharply increase to USD 610 billion.

The chamber came out with these numbers, days ahead of Commerce and Industry Minister Anand Sharma taking a meeting of all the export promotion councils to assess the export prospects in a difficult global market.

The Commerce Ministry would then fix the export target for the fiscal 2012-13. It is also expected to provide some sops to the exporters in the forthcoming annual review of the country's Foreign Trade Policy.

In 2011-12 fiscal, India's merchandise imports totalled USD 488 billion against exports of USD 303 billion, leaving a trade gap of USD 185 billion.

High crude oil prices and rising gold and silver imports contributed to 32 per cent import growth in the last fiscal.

Import on these two counts itself was a whopping USD 217 billion, accounting for over 44 per cent of the country's total import bill.

Against the backdrop of weak recovery in the US economy and continuing troubles in the European markets, the crude oil imports would continue to remain the biggest import item this fiscal, Dhoot, who is also (RajyaSabha) Member of Parliament, said.

Besides, he said that country's social habit in terms of gold being one of the biggest purchases during the marriages is not going to change overnight, even though the middle class families find it hard to

manage.

While gold imports dropped 33 per cent year-on-year in April this fiscal to USD 3.1 billion, the period saw strike by jewellers against excise levy on unbranded jewellery. They kept imports on hold. Bullion imports pick up after Monsoon.

With weak outlook for merchandise exports, the country would look up to the services exports for retrieving the balance of payment (BoP) situation, the chamber said.

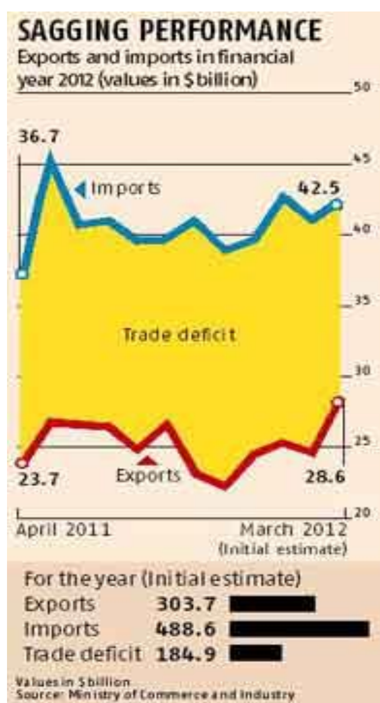
**[Back to Top]**

# Exports fall for the first time since 2009

Business Standard

New Delhi May 2, 2012: Exports fell for the first time since the 2009 global financial crisis in March this year, as demand weakened in the US and Europe. Exports dropped 5.7 per cent to $28.6 billion from the same period a year earlier.

Commerce Secretary Rahul Khullar warned in January that exporters in India faced a “difficult year”, pointing to economic and financial weakness in the European Union, India’s largest trade partner.




The current account deficit was $19.6 billion in the December quarter, higher than $9.7 billion a year earlier.

Rising global oil prices pushed up import bills for the country, which buys 80 per cent of its oil from overseas. The deterioration in the current account deficit is expected to pile pressure on the rupee, which fell nearly 16 per cent against the dollar in 2011.

Imports rose 24.3 per cent to $42.6 billion in March, government data showed on Tuesday. Oil imports rose 32.5 per cent to $15.8 billion. The trade deficit was $13.9 billion. Exports rose an annual 21 per cent to $303.7 billion for the financial year 2011-12, while imports rose 32.2 per cent to $488.6 billion, figures released by the trade ministry also showed. The trade deficit for the full financial year was $184.9 billion.

Economists warned against reading too much into monthly figures and suggested any dim interpretation should not overlook the fact exports surpassed the target of $300 billion in 2011-12 even as the world was crawling on the path of economic recovery.

The scenario in the US and the euro zone impacted engineering exports, as they fell 19 per cent short of the target of $72 billion set for the last financial year and only reached $58.2 billion.

MadanSabnavis, chief economist, CARE Ratings, said, “One should not look at the monthly numbers, as exports were very volatile throughout the year. Instead, the cumulative figures give an overall picture of an impressive performance.”

CRISIL Chief Economist D K Joshi said the negative export growth in March was the result of a high base effect, as in March 2010-11, exports performed well.

Khullar said the year-on-year growth was irrelevant. “Comparison should be done on a month-on-month basis. The export market had effectively collapsed from September in the previous financial year... The

first six months were almost schizophrenic, while the remaining six months saw a marked deceleration," he said.

In fact, the merchandise exports reached $303.7 billion in 2011-12, a rise of 21 per cent over $251.1 billion in 2010-11. The government had set a target of $300 billion of exports for the last financial year. "Looking at the situation in Europe and China, India may not be able to achieve 20 per cent growth in the next fiscal but we surely can target a 15 per cent growth," added Sabnavis.

"In the first half of 2011-12, the engineering exporters were getting a good number of orders, but in the second half there was weak demand from western markets like the US and Europe," said an official of the Engineering Export Promotion Council (EEPC), under the Ministry of Commerce.

The US and Europe together account for over 60 per cent of India's total engineering exports. The ministry, in a strategy paper, has set a target of $125 billion for engineering exports for 2013-14. The overall export target has been set at $500 billion by then.

**[Back to Top]**

# Current account deficit may fall this year

IndivjalDhasmana, Business Standard

*Services exports, remittances could help narrow it in 2012-13*

New Delhi May 4, 2012**:** The country's current account deficit (CAD) is likely to remain under pressure this financial year, too, as merchandise exports are not expected to match the 21 per cent growth seen in 2011-12.

Even so, the deficit may come down a bit as a percentage of gross domestic product (GDP) this financial year compared to the last one. Imports, too, may not witness the 32.15 per cent growth registered in 2011-12 and improvement in the conditions in the United States might lead to services exports doing better, according to analysts. Besides, strong Gulf economies may continue to result in robust remittances from overseas Indians, they add.

The CAD may fall anywhere between three and 3.6 per cent of the GDP in 2012-13, against 3.5-4 per cent expected for the last financial year, say economists.

To finance such a high CAD for another year, capital inflows have to be very high, they say, adding government needs to clear the air on the General Anti-Avoidance Agreement Rule (GAAR) to attract investments from foreign institutional investors.

CAD, which is trade deficit together with a balance in services trade besides remittances and some investment income, was at unprecedented level of four per cent of GDP in the first nine months of last financial year against 3.3 per cent in the corresponding period of 2010-11.

"It is likely to remain in the range of 3.5-4 per cent of GDP for the whole of last fiscal," according to Crisil chief economist D K Joshi.

On the other hand, CARE Ratings chief economist MadanSabnavis pegs CAD at 3.7-3.9 per cent of GDP for 2011-12.

While Joshi says CAD this financial year is likely to be 3.6 per cent of GDP, Sabnavis pegs it at 3-3.5 per cent. "CAD will continue to be under pressure this financial year, though it might improve a bit from 3.7-3.9 per cent expected for FY12," Sabnavis said.

The first nine months of 2011-12 saw a rise in the trade deficit to $132.3 billion—that means just over $43 billion in every quarter on an average. But, trade deficit for the full year rose to $184.92 billion, which means over $48 billion in every three months on an average. It means trade deficit rose in the last three months, and if economists are expecting lower CAD for the whole 2011-12 year than for the first nine months, then services exports should neutralise this higher trade deficit.

The surplus in services trade stood at $34.1 billion in the first nine months of FY12.

But, more than CAD, it is trade deficit that is worrying Joshi as it stands at 10 per cent of GDP in the last financial year against around three per cent even in the balance of payments crisis period of 1991-92.

Joshi expects CAD to be at 3.6 per cent of GDP this financial year. The merchandise exports, he says, will register "just single to low double-digit growth" in the ongoing financial year. Sabnavis, however, expects merchandise exports to grow by 10-15 per cent this financial year, as the US is showing signs of revival even as Europe is not recovering.

He expects the growth in trade deficit to be not as high as in the last financial year, as gold imports might come down, though there is no certainty over oil imports despite international prices not showing a spurt this fiscal so far.

In 2011-12, India's trade deficit grew to $184.9 billion from $118 billion in 2010-11. Commerce Secretary Rahul Khullar had listed petroleum and gold as the main catalysts behind this. "In these, imports were higher by about $69 billion compared to 2010-11 and that almost entirely accounts for the rise in the trade deficit in 2011-12," he added.

Sabnavis also expected services growth to do better since the US is recovering. However, Infosys co-chairman S Gopalakrishnan had earlier said that services exports growth would remain muted in the next three-five years because of a slow recovery in the US and problems in the Euro zone.

Besides, remittances will continue to be strong this financial year as well. That will not allow CAD to deteriorate further, Sabnavis says, pointing to a strong recovery in the Gulf region and in the US.

According to a World Bank report, weak rupee and robust economic activities in the Gulf region resulted in India receiving the highest amount of remittances among developing countries at $63.7 billion from nationals working overseas in 2011.

In fact, India got marginally more remittances than China, which received $62.5 billion. Though the prudential level of CAD is below three per cent for developing countries like India, a more important question is whether there are sufficient capital inflows to finance CAD.

Sabnavis says that while FDI flows will remain strong this fiscal as well, investments by FIIs need to be wooed by addressing their fears on GAAR. External commercial borrowings would also remain robust this fiscal, but they also raise the debt level, he adds.

During the first three quarters of 2011-12, there was a net drawdown of reserves (on a BoP basis) to the extent of $ 7.1 billion mainly due to a widening of the current account deficit compared to a net accretion of $11 billion recorded in the corresponding period of the previous year.

**[Back to Top]**

# FY12 exports up 21% at $303.7 bn trade deficit at record $184.9 bn

Business Standard

*Current account deficit may balloon to 4% of GDP*

New Delhi, April 20, 2012 : Merchandise exports reached $303.7 billion in 2011-12, a rise of 21 per cent over $251.1 billion in 2010-11, while imports stood at $488.6 billion, rising 32.1 per cent compared with $369.8 billion in the previous financial year. Thus, though exports surpassed the government's target of $300 for 2011-12, the surge in imports led to the highest-ever trade deficit of $184.9 billion, and this is expected to raise the current account deficit (CAD) to four per cent of the gross domestic product, against the forecast of 3.6 per cent by the Prime Minister's Economic Advisory Council.

Swelling of the trade deficit to record levels was primarily attributed to a huge surge in the import of petroleum products and gold. "What has primarily driven trade deficit is petroleum and gold. In these, imports were higher by about $69 billion, compared to 2010-11, and that almost entirely accounts for the rise in the trade deficit from $118 billion in 2010-11 to $185 billion in 2011-12," Commerce Secretary Rahul Khullar said, while releasing the initial numbers.

The official data on foreign trade would be released on May 2.

Exports in March topped $28.7 billion, the highest monthly figure in the entire previous financial year. Ironically, this was a 0.71 per cent fall compared to March 2010, when exports stood at $30.9 billion. Imports in March stood at $42.6 billion, propelling the trade deficit to $13.9 billion.

"The year-on-year growth is irrelevant. Last year was a boom period for exports. Comparison should be done on a month-on-month basis. The export market had effectively collapsed from September in the previous financial year….The first six months were almost schizophrenic, while the remaining six months saw a marked deceleration," Khullar said.

On the outlook for the current financial year, Khullar said exports would face a slowdown, while imports might taper slightly, as he expected petroleum prices and the consumption of gold to moderate. "The silver lining in the cloud is hopefully, while our import bill may increase this year, it would not increase 40 per cent compared to 2011-12. In 2012-13, there would be some rein on gold imports," he said, while maintaining trade deficit had become a major "cause of worry" for the government.

RupaNitsure, chief economist, Bank of Baroda, said, "Such a trade deficit is definitely very concerning. But the problem is there is no way we can contain this rising trade deficit. Some of the items that have propelled the trade deficit are crucial for our economy and cannot be controlled by domestic factors. The rise in the CAD could have been managed if foreign inflows were robust. This financial year is going to be extremely difficult for India's external sector."

Khullar said it was high time nodal ministries such as those of coal, fertilisers and agriculture addressed policy issues to reduce the dependence on imports. Imports of coal, fertilisers and edible oil have added an additional $16 billion to the country's import bill.

M Rafeeque Ahmed, president, Federation of Indian Export Organisations, said there was "very little scope of maneuvering", as far as controlling trade deficit was concerned. To boost exports in 2012-13, Ahmed said the government should lower credit rates, provide interest subvention and rebate state and local taxes.

**[Back to Top]**

# India's exports in volume grow fastest: WTO

PTI

New Delhi, April 12: India recorded exports growth of 16 per cent in 2011, the fastest in the world in volume terms during last year, even as the global trade expansion slowed to five per cent, according to the WTO report.

"India had the fastest export growth among major traders in 2011, with shipments rising 16.1 per cent. Meanwhile, China had the second-fastest export growth of many major economy at 9.3 per cent," the World Trade Organisation (WTO) said.

However, the WTO economists forecast further slowing down of world trade in 2012 to 3.7 per cent as the downside risks remain high. "We are not yet out of the woods," WTO Director General Pascal Lamy said.

These risks include a steeper than expected downturn in Europe, financial contagion related to the sovereign debt crisis, rapidly rising oil prices and geopolitical risks.

India, also emerged as the second-fastest importer after China growing at a pace of 6 per cent in 2011.

While, Indian exports increased the fastest in the world in volume terms, in terms of dollar realisation the growth has been slowing sharply since August 2011, according to Commerce Ministry data.

In their report, the WTO economists said the weak import demand from the Europe and US would adversely affect the emerging and developing countries like India.

The US and European Union together account for nearly 35 per cent of India's exports of USD 245.9 billion in 2010-11, as per India's trade data.

"The outlook for world trade darkened in recent months as the euro sovereign debt crisis threatened to undermine global growth. The agreement on a debt restructuring plan for Greece has provided some respite for governments, but at least a mild recession in the European Union may now be looming, with negative consequences for global trade and output," the WTO said.

In the 3.7 per cent world trade volume growth in 2012, two per cent increase is estimated for developed nations and 5.6 per cent for developing economies (including the Commonwealth of Independent States).

On the import side, the WTO is projecting 1.9 per cent growth for developed countries and 6.2 per cent for developing economies and CIS.

[Back to Top]

# A new paradigm: How trade drives India story

TNN

Mar 16, 2012: International trade now accounts for nearly 53% of the gross domestic product (GDP), pointing to increased integration with the global economy, which is not limited to the stock market and the banking system alone.

The country has come a long way from the days when export-import was looked down upon. In 2004-05, global trade accounted for 37% of the GDP. It is the rapid growth in shipments in and out of the country, driven by lower customs duty, which has spurred this sharp growth.

India's share in global trade is now near the 2% mark, compared to a mere 0.7% in 2000. While higher trade means that you get your favourite cheese in the neighbourhood departmental store and the latest television set next door, there is a flip side too. If the global economy trembles, local companies are hit.

As a result, the survey warns that software exports and tourism - which are part of services exports - and gems and jewelleryconsignments could be hit due to problems in the Eurozone and the slow recovery in the US. But with government pushing exporters to diversify the markets that they sell to and the products that they ship, the impact has been softened.

The recent thrust towards Latin America, for instance, has helped. So have the free trade agreements with blocs such as the Association of South East Asian Nations whose share in total trade increased from 33.3% in 2000-01 to 57.3% in the first half of 2011-12 , while that of Europe and America fell from 26.8% to 19%. "This has helped India weather the global crisis emanating from Europe and America," the survey said.

The rise of other trading partners has pushed the US to the third slot. US has been displaced by UAE as India's largest trading partner, followed by China, since 2008-09. In the first six months of the current financial year, however, China overtook the UAE to be the top trading partner. There has been a gradual shift in India's manufactures exports from labour-intensive sectors like textiles, leather and manufactures, handicrafts, and carpets to capital and skill-intensive sectors.

*Bullion import widens gap*

Increasing trade deficit on the back of significant growth in gold and silver imports in the country is becoming a cause of concern for the government. The Economic Survey 2011-12 highlighted the growing imbalance in trade, with increase in gold and silver imports being major contributors.

Gold and silver imports stood at $50 billion in 2011-12.

[Back to Top]

# Exports grow a sluggish 4.3% in Feb

Indian Express

New Delhi, Mar 10, 2012: With sluggish global demand continuing to dent export growth in February, the Commerce Ministry has said it will struggle to meet the export target set for the current fiscal year. Consequently, the trade deficit — the export-import gap — projected for the full year has also been revised upwards.

Commerce secretary Rahul Khullar on Friday said the trade deficit for 2011-12 could be $175 billion to $180 billion as against the estimate of $160 billion provided at the beginning of the financial year. It amounted to $104 billion in 2010-11. “Over the last five months, there has been a very large ballooning of the balance of trade deficit,” he said.

A higher trade deficit could lead to a further widening of the current account deficit, which in turn would hurt the Indian rupee. Khullar had earlier projected the CAD to touch an eight year high of 3.5 per cent of the GDP in the current fiscal.

While exports grew at a sluggish 4.3 per cent year-on-year to $24.6 billion in February, imports rose by 20.6 per cent to $39.8 billion, the commerce secretary said citing provisional data. The trade deficit for February stood at $15.2 billion.

But thanks to the robust global demand in the first half of the fiscal, exports registered a healthy increase of 21.4 per cent to $267.4 billion during April to February 2011-12. Imports grew by 29.4 per cent to $434.2 billion during the 11-month period, taking the trade deficit to $166.8 billion.

But with demand for Indian exports in major markets like the US and European nations low, the government may fall a little short of meeting the full year export target of $300 billion. “You are within striking distance of $300 billion, but you might not actually make it,” Khullar said, adding that total exports could amount to $292-$298 billion in the current fiscal.

Total exports in 2010-11 surged past the $200 billion target to amount to $246 billion as demand for engineering goods, oil products and textile soared.

[Back to Top]

# ‘Unproductive imports should be discouraged’

Remya Nair, Livemint

*Short-term debt, higher commercial borrowings drive India’s external debt to $326.6 billion in first half of this fiscal*

Mar 15, 2012: New Delhi: India should discourage unproductive imports such as gold and consumer durables to check the country’s rising current account deficit, the finance ministry said in its annual Economic Survey.

The survey for 2011-12, which was presented in Parliament on Thursday, also expressed concern over the impact of the liberalization of the external commercial borrowing (ECB) policy on India’s external debt situation.

India’s current account deficit increased to 3.7% of gross domestic product (GDP) in the second quarter of the current fiscal from 3.5% in the first quarter, indicating progressive deterioration. In the first six months of the current fiscal, the nation’s external debt rose $20.2 billion to $326.6 billion, as of 30 September.

The increase was driven by higher commercial borrowings and short-term debt, which together accounted for more than 80% of the increase in external debt during the period.

“High trade and current account deficits, together with high share of volatile FII (foreign institutional investor) flows, are making India’s balance of payments vulnerable to external shocks,” the survey said. “A trade deficit of more than 8% of GDP and current account deficit of more than 3% are a sign of growing imbalance in the country’s balance of payments.”

India is the world’s largest importer and consumer of gold. After fuel, gold is the most imported commodity, contributing to more than 13% of India’s imports in the first half of the current fiscal. India in January decided to link the import duties on gold and silver to the prices of these commodities, a move aimed at curbing gold imports.

“Gold imports are unproductive and lead to a substitution of financial savings with physical savings,” said D.K. Joshi, chief economist at rating company Crisil Ltd. “But stopping gold imports may only encourage smuggling.”

Though the rupee’s depreciation against the dollar in the past few months has improved the competitiveness of India’s exports, the euro zone crisis is expected to further slow exports in the coming months, the survey said. This, coupled with only a slight moderation in international oil and gold prices, is expected to further widen the country’s trade deficit, it said.

“Exports are likely to grow slowly in the coming months. On the other hand, import growth may only moderate with oil prices still above the $100 per barrel mark and gold prices still at a high of $1,745 per

troy ounce as on 8 December 2011," the survey said. India's trade deficit in April-January 2011-12 was at an all-time high of $148.7 billion, according to government data.

The survey also pointed out the need to improve the share of foreign direct investment in total capital flows to reduce reliance on volatile short-term capital flows. "When the global environment is uncertain, financing of the current account deficit will always be a problem due to the reliance on volatile capital flows," said Joshi.

India's current account deficit is expected to cross 3.5% of GDP in the current fiscal, according to economists.

"In 2012-13 also, current account deficit is expected to be around 3.5%. But if economic growth picks up, this could go up further as imports will increase," Joshi said.

The survey also suggested the need for a more aggressive approach to check volatility of the Indian currency. "Such volatility impairs investor confidence and has implications for corporate balance sheets and profitability in case of high exposure to ECBs when currency is depreciating," it said.

The survey has also warned that an increase in overseas borrowings by companies will increase the debt service burden and affect the profitability of borrowers, and lead to a potential balance of payments crisis.

ECBs nearly doubled to $10.6 billion in the first half of the current fiscal from $5.6 billion a year earlier.

"An important reason India emerged largely unscathed from the global crisis of 2008 is the strict ECB policy that places all-in-cost, end-use and maturity restrictions on foreign borrowings by corporates. The liberalization of ECB policy, as a result, has to keep in view the need to maintain sustainable levels of external debt ratios." The Reserve Bank of India had liberalized the ECB policy last year by increasing the borrowing and all-in-cost ceiling limits, which include the rate of interest, other fees and expenses in foreign currency.

"A problem with servicing debt only surfaces when the overall economic environment is not good and exposes the vulnerability of the corporate sector," Joshi said. The survey advocated building up the country's foreign exchange reserves when the economy sees good capital inflows. India's foreign exchange reserves covered 95.4% to the country's total external debt on 30 September, compared with 99.5% on 31 March.

**[Back to Top]**

# Exports reach $242.80 bn in 10 months of FY12

Business Standard

*Target of $300 bn this financial year within reach*

New Delhi Mar 2, 2012:Total merchandise exports in the first 10 months of the financial year through January reached $242.80 billion, triggering hopes of meeting the government's target of $300 billion for the whole year. On the other hand, cumulative imports stood at $391.45 billion, widening the trade deficit to $148.67 billion, the government said on Thursday.

In January, exports rose by 10.10 per cent to reach $25.34 billion, compared to $23.02 billion in the same month last financial year, while imports topped $40.10 billion, up 20.25 per cent from $33.35 billion in 2010-2011, according to data released by the ministry of commerce and industry. In November and December, the exports growth had fallen to single digits year-on-year.

This is for the second time that exports have registered a month-on-month increase, since it started falling July onwards due to a weak demand in Europe and US markets. Last month, while releasing the initial estimates, Commerce Secretary Rahul Khullar had said exports would now continue to rise with the effect of rupee's depreciation kicking in, the bulk of which happened in November last year.

Moody's Analytics said export cooled through the final quarter of 2011, though rebounded a little in January, helped by the cheaper rupee. "Imports continue to grow solidly, mirroring the Indian economy that is still growing at a decent clip, while the global economy struggles," it said in a note.

In January, crude oil imports surged by 26.78 per cent at $123.25 billion, as against $9.72 billion in the same month last year. All the same, total crude oil import during April-January reached $117.91 billion — up 38.33 per cent from $84.93 billion in the corresponding period of 2010-2011. Rising crude oil prices due to Iran-US stand-off could have some adverse impact in the remaining two months. Non-oil imports in January reached $27.78 billion, which was 17.56 per cent higher than non-oil imports of $23.63 billion in January 2011. Total non-oil imports so far stood at $273.54 billion rising by 25.71 per cent from $217.60 billion in the last financial year.

[Back to Top]

# Exports rise 10% to $25.4 bn in Jan; imports up 20%

Business Standard

*Balance of trade for 2011-12 could be minus $160-165 bn, says commerce secretary*

New Delhi, Feb 10: Exports in January rose 10.1 per cent to $25.4 billion after dismal, single-digit growth in November and December. The growth in January was primarily due to depreciation in the rate of the rupee during October and November, the impact coming with a lag.

Imports rose 20.3 per cent to $40.1 billion, leaving a trade deficit of $14.7 billion.

Taking the January numbers into account, total exports during the first 10 months of the current financial year stood at $242.8 billion, up 23.5 per cent over the corresponding period of the previous financial year. Imports also surged 29.4 per cent to $391.5 billion in the April-January period, resulting in a trade deficit of $148.7 billion.

"In January, we can see imports are slowly coming down as the exchange rate kicks in, and imports are likely to decline further. I think this deceleration of imports in February will be more pronounced in February. At this rate, I am hopeful we might reach the target of $300 billion in exports and imports at $460 billion for the entire financial year, while the balance of trade could reach $160-165 billion," commerce secretary Rahul Khullar said, while releasing the initial trade numbers for January. The official data would be out on March 1.

He said the current account deficit (CAD) — the trade deficit excluding the deficit in trade in services and a few other items — for this financial year would stand at 3.5 per cent of the gross domestic product (GDP), the highest since the 1991 balance of payment crisis. During the first half of this financial year, the CAD stood at $32.7 billion, 3.6 per cent of the GDP.

Khullar also ruled out any incentive package for exporters in the coming Budget in the wake of the demand slowdown in the traditional markets of Europe and the US, which has severely hit Indian exports.

"We have a tight fiscal and inflationary situation at the moment. The situation in 2012-13 is going to be worse," he said, adding imports might remain buoyant due to the high prices of crude oil, fertilisers and vegetable oil. Machinery and electronic imports would come down further in the coming months, as the bulk of it goes to the European markets, he said. However, the import of crude oil and fertilisers would continue to grow.

Exporters have urged the government to reduce the cost of credit for all export sectors. They have also demanded a provision of interest subvention of more than three per cent to bring down the export credit to seven per cent. According to M Rafeeque Ahmed, president, Federation of Indian Export

Organisations, the trade deficit might balloon to $170 billion, as crude prices are moving northward and imports of gold and silver rise.

“Indian exports have always been demand-driven. The situation is only going to worsen now, as the world economy continues to remain unhealthy and the government here is now focused on fiscal consolidation. The subsidy bill has already overshot. So, all these factors do not spell well for exports, as far as giving any incentive is concerned,” said Rupa R Nitsure, chief economist, Bank of Baroda.

During the April-January period, the export of engineering products rose 21 per cent to $49.7 billion, petroleum products $48.9 billion, gems and jewellery $37 billion and ready-made garments $10.9 billion. In the imports segment, petroleum products reached a whopping $117.9 billion, gold and silver $50 billion, machinery 28.8 billion and electronic goods $27.8 billion.

**[Back to Top]**

# India’s exports continue to stutter

SujayMehdudia , Hindu

New Delhi, January 16, 2012: The after-shocks of the economic slowdown in the U.S. and the impact of the debt crisis in the eurozone continue to weigh on India's overseas shipments that continued to grow at a slow pace of 6.7 per cent in December at $25 billion on year-to-year basis.

Notwithstanding the continued slide in exports, the government expressed the hope that it would be able to achieve the $300 billion target set for the current fiscal.

*Trade deficit*

Exports in December were higher than in November, when overseas shipments grew by just 3.8 per cent. In sharp contrast, imports grew at a faster pace of 19.8 per cent year-on-year to $37.8 billion in December, translating into a trade deficit of $12.8 billion, Commerce Secretary Rahul Khullar said here.

During April-December this fiscal, exports aggregated $217.6 billion, a year-on-year growth of 25.8 per cent. From a peak of 82 per cent in July, export growth slipped to 44.25 per cent in August, 36.36 per cent in September and 10.8 per cent in October. “If you get $80 billion exports in the remaining quarter (January-March, 2012), you are looking at close to $300 billion. And imports may touch about $460 billion,” Mr. Khullar said.

During the first three quarters of the current fiscal, imports were up by 30.4 per cent at $350.9 billion. The trade deficit stood at $133.3 billion during the period. “If the current situation continues and exports pick up during the next three months, you are looking at a trade deficit in the neighbourhood of $155-160 billion. Exports, by all major sectors, are doing well,” he said.

During April-December, 2011, engineering and petroleum exports were up by 21.6 per cent and 55 per cent, respectively, at $45.3 billion and $43.9 billion. Other sectors that registered healthy growth include gems and jewellery (38.5 per cent), ready-made garments (23.7 per cent), electronics (21.1 per cent), drugs (21.5 per cent), marine products (32.2 per cent) and plastics (43 per cent). “Even today, exports have grown, taking into account all the corrections that have been made, all the deceleration that has taken place. At this rate, you are looking at a growth rate of 20 per cent during the fiscal. It could be more,” he said.
During the first three quarters of 2011-12, petroleum imports were up by 40.4 per cent at $105.6 billion. Other sectors which registered growth include gems and silver (53.8 per cent), machinery (27.7 per cent), electronics (21.1 per cent), chemicals (23 per cent), coal (62 per cent), fertilizers (35 per cent), vegetable oil (55 per cent) and iron and steel (12.1 per cent).

On the export target of $500 billion by 2013-14, he said if demand did not improve in Europe and the U.S. in the coming months, it would be difficult to achieve the target.

“The year 2012 is going to be very difficult, it's too uncertain at this point of time. There are uncertainties prevailing in euro land and in the U.S.,” he said.

Responding to the export figure for April-December 2011, FIEO President M. Rafeeque Ahmed said that while 25.8 per cent growth in first nine months looked impressive but the same was much less than 33.2 per cent growth achieved in first eight months of the current fiscal and pointed to challenging times ahead.

He said that percentage growth in respect of most of the sectors had also come down at the disaggregated level. “However, with still three months to go, we would be able to achieve over $280 billion in 2011-12.”

**[Back to Top]**

# Trade data defies traditional view

Nayanima Basu, Business Standard

*Weak currency does not help exporters, say economists*

New Delhi Jan 23, 2012: A number of economists are pointing to India's trade data to argue that, contrary to traditional teaching that exports thrive when the rupee depreciates, it is now the other way round. Meaning, exports would thrive when the rupee appreciates.

They say exporters on Sunday rely heavily on imported inputs, so depreciation does not really augur well for them.

During the first eight months of 2011-12 (April-November), total exports were $192.7 billion, while cumulative imports reached $309.5 bn. Exports had been falling on a month-on-month basis from July, with the slowing demand for Indian goods in the US and European markets.

The month-on-month growth rate of exports from July to August, August to September, September to October and October to November was (all negative) 7.9 per cent, 3.7 per cent, 5.1 per cent and one per cent, respectively.

Simultaneously, the rupee had been depreciating against the dollar. Since July, it fell 22 per cent, from Rs 43.95 to Rs 53.72 till December.
Experts are saying exchange rate policy should not aim at export promotion alone, but balance both export and import growth. This would help export-oriented firms to achieve more and with greater efficiency.

"Recent exchange rate depreciation has not really resulted in a rise in exports; rather, the contrary has happened. Exports have indeed slowed. In other words, the impact of the exchange rate on exports appears to pass through imports. This we term import-led export behaviour.

Hence, one can argue that exchange rate depreciation could have a negative impact on exports through a rise in cost, and worsen competitiveness through costlier technology imports," said N R Bhanumurthy, senior economist, National Institute of Public Finance and Policy.

AshimaGoyal, professor at the Indira Gandhi Institute of Development Research, says a large fraction of exports depend on imports, especially on universal intermediaries like crude oil.

"As our export basket has diversified and become more skill-intensive, they compete on quality and not only on low price, so depreciation is not necessary. A stronger rupee allows a non-inflationary rise in wages, thus helping workers get more benefits from growth. However, it is important that the real exchange rate remain competitive, since we have a current account deficit."

Exporters have also rejected the traditional theory that a falling rupee helps in boosting export revenues.

“There is a perception that rupee depreciation gives exporters tremendous advantage. We forget there is an import parity cost involved and sourcing of raw materials become expensive when the rupee falls. The realisation is only in terms of value addition and margins when the rupee depreciates,” said Sanjay Budhia, managing director, Patton Group, and chairman of the
Confederation of India Industry’s national committee on exports and imports.

“Export rise depends on demand and not on the exchange rate. Depreciation of the rupee has very little effect. Given the slowdown, it is unlikely that demand for exports will be high. The current depreciation of the rupee is nothing but a result of speculative attacks,” said RupaRegeNitsure, chief economist at Bank of Baroda.

**[Back to Top]**

# Government plans white paper on wrong export numbers soon

AmitiSen, ET Bureau

16 Jan, 2012,NEW DELHI: The government is considering bringing out a white paper on what went wrong with the exports numbers that were revised down $9 billion for the first seven months of the fiscal.

A panel, which includes chief economic advisor KaushikBasu, director general of foreign trade AnupPujari and chief statistician TCA Anant, felt there was need to clear the air and restore data credibility.
"We are looking at the possibility of coming out with a paper that would point out where all accounting goof-ups happened that led to the considerable over-estimation in export figures," a commerce department official told ET.

Some big data errors in recent times and high volatility in industrial growth have undermined the credibility of the data put out by the government, prompting some to take the official numbers with a pinch and others to disregard them completely and rely on alternate sources.

The white paper will be prepared by the directorate general of foreign trade.

The 46% growth in exports in April-October despite a near recession like situation in Europe and anemic growth in the United States has led to speculation that shipments were being massively over invoiced to bring back black money becuase of the rising global pressure on tax havens to come clean.

The steadily declining manufacturing growth that plunged to negative 6% in October did not help things. Last month, the commerce department added fuel to the fire when it disclosed a $9-billion over-reporting of export numbers in the April-October 2011 period.

There was suspicion that the exports number were revised down after the authorities discovered over-invoicing.

"It may be a good idea to be transparent and disclose where we erred rather than allow people to speculate and draw all sorts of conclusions about our integrity," the official explained.

Senior officials from the DGFT, the DGCI&S (which collates data for the commerce department), the Customs department and the statistics department and statisticians from the Indian Statistical Institute, met in Kolkata last week to scrutinise trade data and see exactly where things had gone wrong.

"We discovered that it was a genuine mistake of omissions and wrong counting, which we need to avoid in the future. The data that flowed to the DGCI&S was faulty and the department in turn reported those wrong numbers," the official said.

It is the Customs department that collects the data when shipments leave the country from ports and airports and the DGCI&S gets its data from customs officials.

"It was not a mistake of wrong entries, but of entire categories wrongly counted," the official explained.

A Delhi-based trade expert felt this may not be enough as the exercise will not match physical exports with flows and it was time for the Reserve Bank of India to step forward and provide data on exports receipts.

"The RBI code given for receiving payments more or less matches with the Importer Exporter Code given by the DGFT for carrying out exports. It is therefore not difficult to check at a later point of time if payments received by exporters were in tune with the shipments made," the expert said.

The RBI collects data on the basis of foreign exchange realization, but when it comes to presenting balance of payments, it mentions DGCI & S data.

While the two sets of data may not be strictly comparable on a month-to-month basis because payment flows for exports take time, it is possible to match payments to shipments on the basis of RBI code issued to exporters.

The RBI, too, had revised down its first quarter numbers by $7 billion on December 30, to bring it in line with DGCI&S numbers.

**[Back to Top]**

# November exports increase 3.87%

Business Standard Reporter

January 3, 2012, New Delhi: Imports surge 24.6% over the year, confirming worries on trade deficit and year's targets.

Owing to the ongoing crisis in the euro zone and limping recovery in America, the rate of growth of merchandise exports from India in November came down to single-digits, at $22.3 billion, which is 3.9 per cent higher from the $21.5 billion in the same month of 2010-11. Imports, on the other hand, grew 24.6 per cent to $35.9 billion over the $28.8 billion in November last year.

Total export during April-November reached $192.7 billion, rising 33.2 per cent from the $144.7 billion during the corresponding period of 2010-2011. With three months left for the financial year to end, the government's target of achieving $300 billion of export by March 31 seems unachievable.

"We would be able to reach $275 billion by the end of this fiscal. The trade deficit would not be less than $150 billion in 2011-12. The government should provide export finance at a concessional rate of not more than seven per cent for micro, small and medium companies and nine per cent for large business houses," said Ramu S Deora, president, Federation of Indian Export Organisations (FIEO).

The rupee has depreciated 16 per cent against the dollar since August. But this has not helped propel exports, mainly because of an increase in prices of inputs. "With the abnormal increase in the cost of inputs and packaging material, our exports are day by day becoming uncompetitive, nullifying the scope of margins offered by the rupee depreciation," Deora added.

Economists says the trend is unlikely to change in the near term. Europe, the US and Japan together account for 30-35 per cent of our exports. Newer markets haven't helped much in pushing growth, as

they're themselves not in a comfortable zone. So, offering incentives to exports meant for the Latin American, Southeast Asian and African markets have not helped much in growth. "The second half is going to see a weakening of exports due to the crisis in the European markets. The target of $300 billion is not possible this year. Our imports are unlikely to come down until oil and other commodity prices decline," said D K Joshi, chief economist, Crisil India.

The scenario on the trade deficit looks alarming. Last month while releasing the initial export numbers, commerce secretary Rahul Khullar said it may be $155-160 billion by the end of this financial year. The trade deficit during April-November was $116.8 billion, compared to $93 billion in the same period last year.

A ballooning trade deficit was also responsible in impacting the current account deficit (CAD), according to a Goldman Sachs report. During the quarter ending September, the CAD widened to 3.7 per cent of gross domestic product from 3.4 per cent of GDP in the previous quarter.

[Back to Top]

# Policy deficit

Business Line (The Hindu)

*A weak rupee can boost export competitiveness and encourage firms to consider domestic manufacturing options, as opposed to blindly resorting to imports.*

4 January 2012: In 2010, India had the world's third largest merchandise trade deficit, at $ 107 billion, behind only the US ($ 691 billion) and the UK ($ 154 billion). This ranking might change for the worse when the World Trade Organisation (WTO) comes out with the next edition of its International Trade Statistics. The reason is India's latest trade deficit – the gap between its goods exports and imports – for April-November. At $ 116.84 billion, it is well over a quarter more than the $ 93 billion for the corresponding eight months of 2010-11. The Commerce Ministry sees the deficit touching $ 160 billion for the whole of 2011-12 – though this figure pertains to the fiscal ending March 31, whereas the WTO data is for the calendar year. Either way, it would mean the country closing in on, if not overtaking, the UK for the No. 2 slot.

Of course, there is nothing new or unmanageable about trade deficits per se, as far as India goes. Unlike China, Russia and many other emerging economies, the country has a humungous services exports profile, with its net earnings from software, remittance transfers, tourism and other 'invisibles' significantly offsetting deficits on the merchandise trade account. As a result, the consolidated current account deficits (CAD) have been kept at levels that could be financed through such external capital inflows that the economy handle. Even in 2010-11, for example, a $131 billion trade deficit was reduced to a CAD of $46 billion, which, in turn, was more than plugged through net capital flows of $ 62 billion. The current fiscal, however, has seen a widening of both the trade deficit and CAD, alongside a drying up of inflows. During April-September, the CAD stood at $ 32.7 billion, working out to almost 3.6 per cent of GDP. That makes it worse than even the 3 per cent level in the crisis year of 1990-91. The only difference is that the Reserve Bank of India's (RBI) foreign exchange reserves of over $ 300 billion today can cover some eight months of imports, compared with less than 3.5 months in March 1991.

Given this background, what are the policy options available? Well, not much in the short term, even while one must commend the RBI for not draining away its forex reserves in a futile intervention to defend the rupee. A weak rupee, if anything, should help boost export competitiveness and encourage firms to seriously consider domestic manufacturing options, as opposed to blindly resorting to imports. It would also put some necessary brakes on imports. But that requires the Government allowing the higher import costs – especially on oil or fertilisers – to be passed on to consumers, so as to rationalise consumption. In the long run, the CAD has to be brought down to more sustainable levels, just as the domestic policy environment must be conducive enough for the country to attract capital flows.

[Back to Top]

# Exports held out despite slowdown but outlook cloudy

IANS

25 Dec, 2011, NEW DELHI: Despite the global downturn and major fluctuation in the value of the rupee, India's merchandise exports logged a robust rise during 2011 with experts attributing this to the government's focus on product and market diversification.

The year also saw Pakistan extend "most-favoured nation" status to India, even as two comprehensive economic partnership agreements ( CEPA) were signed with Malaysia and Japan, bringing the number of such pacts with countries or regional fora to 11.

Merchandise exports that account for 22 percent of the country's gross domestic product, rose by an impressive 33.2-percent at $192.7 billion during the first eight months of this fiscal, exceeding the official target.

Now the government and industry hope that the fiscal year will end in March with the country logging at least 20 percent annual growth to top $300 billion, against $246 billion in the previous year.

"So far the overall growth in our exports has been quite impressive given the global economic situation. Market diversification has helped keep the growth momentum," said Ramu S. Deora, president, Federation of Indian Export Organisations (FIEO).

"The third quarter is not going to be good. Exports growth will fall to a single digit. But things are likely to improve in the fourth quarter," Deora told IANS, hoping the overall situation for the fiscal year as a whole will be satisfactory.

His concern emanated from growth in exports slumping to just four percent in November, the slowest in almost two years. The growth was 10.8 percent in October and 36.3 percent in the previous month.

Minister of State for Commerce JyotiradityaScindia said the government's strategy of product and market diversification will minimise the impact of uncertainties in Europe, the US and Japan which traditionally accounted for over 60 percent of exports.

As part of the market diversification programme, the government promoted exports to some non-traditional markets like Africa and Latin America. On the other hand, petroleum and engineering goods led the exports growth in terms of products, along with jewellery.

Yet, widening trade deficit remained a matter of concern. India's imports rose to $309.5 billion during the April-November period due mainly to crude, gold and silver, leading to a trade deficit of $116.8 billion in eight months.

Considering the current trend, total trade deficit in 2011-12 is likely to surpass the $150 billion mark, experts maintain. In 2010-11, trade deficit had declined to $94.6 billion from $109.6 billion in the previous year.

The recent weakness in the rupee, which depreciated almost 20 percent against the US dollar since July, also pushed up the import bill, especially of petroleum products, gold and silver.

Deora said volatility of the rupee which pushes import costs was a matter for concern.

"Most of our exports are dependent on imports of some items. Like gems and jewellery is dependent on imported gold, silver and stones. Similarly, export of petroleum, chemical and engineering goods are also heavily dependent on imports of raw materials."

Following are the highlights of India's foreign trade in 2011:

- Export target set at $300 billion for 2011-12 against $246 billion logged last fiscal

- Target to boost exports to $500 billion by 2013-14

- April-November exports rose 33.2 percent to $192.7 billion

- Trade deficit widened to $116.8 billion and may cross $150 billion

- Imports also surged to $309.5 billion April-November

- Asia, Africa and Latin America named focus markets for exports

- Focus products cover pharma, electronics, auto, engineering, electronics and aerospace industries

[Back to Top]

# Copper inflated by $6.3 billion in unending exports mystery

Rishi Shah & John Samuel Raja D, ET Bureau

Dec 26, 2011, NEW DELHI: Earlier this month, the government admitted to overstating export numbers for the first seven months of 2011-12 by $9 billion because of computation errors and said it would review the data. While it is rechecking, it may want to review the 2010-11 export numbers too. ET probed deeper into the astonishing 80% increase in engineering exports for that year, and found no explanation for the highest increase by category - 350% - in copper.

In value terms, that is $6.3 billion - increase to $8.1 billion, from $1.8 billion - of unexplained copper exports. Higher copper prices don't fully explain it as that increase in 2010-11 was only 33%. So, ET went top-down and knocked on each of the four links in the copper chain, but neither data nor officials could justify this sharp rise. Not copper manufacturers, not makers of an essential input, not traders, not even the government.

When we showed data on copper exports to Shakeel Ahmed, chairman and MD of Hindustan Copper, he said: "There has been some mis-reporting in data, knowingly or unknowingly."
As per the commerce ministry website, 781,000 tonnes of refined copper was exported in 2010-11. But, asks Ahmed: "How could so much be exported when India's entire production that fiscal was an estimated 650,000 tonnes?"

Emails and calls to AnupPujari, the director-general of foreign trade, who heads the body that looks after trade policy formulation, went unanswered. An October 10 report by Kotak Institutional Equitiesthat analysed overall export data alludes to the possibility of money laundering.

Its authors, Sanjeev Prasad, SunitaBaldawa and Amit Kumar, write: "Given limited available data, we are cautious about drawing definitive conclusions...(but) some reports have alleged that some individuals may have been compelled to bring back funds through the 'official' route by over-invoicing exports or even resorting to fraudulent exports."

*STOP 1: ENGINEERING EXPORTS BODY*

To make sense of the copper export numbers, our first stop was the Engineering Exports Promotion Council (EEPC), a body set up by the ministry of commerce and industry to drive engineering exports.

Suranjan Gupta, senior joint director, attributes the spike in copper exports to a policy change. In February 2010, the government increased the incentive for Indian copper refiners to import scrap copper, process it and export it.

*Value-addition norms eased*

The government reduced the minimum value-addition requirement for copper cathodes (essentially sheets) and wires made from scrap copper to 8%, from 15% earlier. So, if an Indian refiner imported $100 of scrap copper, the earlier policy mandated a minimum finished-product price of $115 for it to be exported. This was now reduced to $108. Gupta says "it is likely" that Indian companies imported scrap copper in large quantities, converted it into sheet and wire, and exported those to China in a big way. China consumes about one-third of the world's copper production. According to Gupta, in 2010-11, China faced a 40% deficit in copper products.

The same year, he adds, India's scrap copper imports increased by 161% and its exports of copper sheets to China rose 917%. Ruling out suggestions of over-invoicing, Gupta says: "We should be celebrating the role of our exporters rather than blaming them for over-invoicing." However, the ministry of commerce trade data for that period does not support Gupta's assertion. That data shows a 77% increase in imports of copper waste and scrap - to $625 million, from $352 million. Even at a minimum of 15% value addition, the older norm, $8 billion of exports seems far out.

*STOP 2: SCRAP COPPER IMPORTERS*

ET asked four active traders, based in Mumbai and Punjab, if there was a spike in scrap copper imports. "There is no surge in demand for scrap copper," says Suresh Mehta, director in Mumbai-based Asha Mercantile Private Limited. "In fact, it's only declining. I have stopped importing scrap copper, and others too are either importing at the same level or trying to opt out of copper."

Traders, say Mehta, are struggling to cope with the spike in copper prices, which means they need more money to buy the same amount of copper. In the past five years, he says, the price of scrap copper has jumped from $2,200 per tonne to $7,300 per tonne. According to Mehta, in 2010-11, the rise in price of scrap copper was relatively muted - from 370 per kg in March 2010 to 450 per kg in March 2011.

*STOP 3: INPUT PROVIDERS*

Another way to ascertain whether copper smelting in large numbers has occurred or not is to check the demand for borax, or boric acid. There are many ways in which copper can be smelted and using borax is one such. If the volume of copper smelting increased by more than 300%, the demand for borax should have increased too. There are two listed companies that sell boron products in India: Borax Moraji Limited and Indo-Borax & Chemicals Limited. There's no estimate in India for the market size of boron products, but two industry officials said these two were the largest.

According to the annual report of Indo-Borax & Chemicals, "boron materials are not found in India. The basic inputs have to be essentially imported". Indo-Borax's revenues increased by 15% in 2010-11, while Borax Moraji posted a 6% rise. The annual reports of both the companies attribute the growth primarily to higher prices. Borax Moraji, which is the bigger of the two, registered a volume growth of 0.3%. Officials of both companies could not be reached for comments.

*STOP 4: COPPER MANUFACTURERS*

Lastly, we asked producers if they produced more. Public sector undertaking Hindustan Copper has a monopoly in copper mining. However, its annual production of 3.6 million tonnes of iron ore meets about 4% of domestic requirement. With 1% copper content, it takes 100 tonnes of ore to make 1 tonne of finished copper.

In other words, Hindustan Copper's 3.6 million tonnes of ore can produce 36,000 tonnes of finished metal - about 5% of 2010-11 production. Thus, copper refiners such as Sterlite Industries (India) and Hindalco - the two biggest - rely on copper imports to meet demand. It's not known how much ore or scrap copper they imported. However, numbers on their copper sales are available. Let alone a spike, these show a fall in production in 2010-11. Sterlite, India's largest producer, posted a 9% drop in production of copper cathode and a 5% fall in copper rods.

[Back to Top]

# Export Grows 33.2% in April- November at US $ 192.7 billion: Commerce Secretary

Ministry of Commerce Press Release

12 Dec 2011, New Delhi: India's export for the month of November 2011 is US $ 22.3 billion. Imports for the same period are US $ 35.9 billion. Balance of trade for the month of November is US $ (-) 13.6 billion. April- November 2011 cumulative exports are US $ 192.7 billion, registering the growth of 33.2%. Cumulative imports for the same period is US $ 309.5 billion, registering the growth of 30.2%. Balance of trade for the April- November 2011 is US $ (-) 116.8 billion.

During April-November 2011, the following sectors have done well viz., petroleum & oil products exports US $ 39.5 billion registering the growth of 62.3%; engineering (US $ 40.7 billion) which registered the growth of 22.3% % over the last year. cotton fabs made ups 13.7% (US $ 4.4 billion); electronics 17% (US $ 5.83 billion); readymade garments 28% (US $ 8.4 billion); basic chemicals registered the growth of 34% (US $ 6.7 billion), drugs 21% (US $ 7.9 billion); gems &jewellery 56.5% (US $ 30.1 billion).

As regards to imports during April-November 2011, the growth estimates on the following sectors are: POL 42.7%% (US $ 94.1 billion); gold and silver 56% (US $ 41.4 billion); machinery 27% (US $ 22.8 billion); electronics  21% (US $ 22.3 billion); Vegetable oil 55% (US $ 6.7 billion); iron & steel  8% (US $ 7.7 billion); fertilizer 17% ( US  $ 6.6 billion); coal 61%  (US $ 11.3 billion); organic & inorganic chemicals 23% (US $ 12.5 billion); ores and scraps (US $ 8.7 billion) registering the growth of 41%.

[Back to Top]

# CBDT, DRI & ED Told to Probe Exports to Bahamas & Cyprus

Economic Times

12 December 2011: The finance ministry has asked three of its investigating arms to probe all exports to tax havens Bahamas and Cyprus, an official in the ministry told ET on the condition of anonymity. The ministry is concerned about the sudden surge in exports to the tax havens and has asked the agencies to ascertain whether the exports are genuine, said the official, who declined to be identified given the sensitivity of the matter.

A communication asking for a co-ordinated probe was sent from the revenue department to the Central Board of Direct Taxes (CBDT), the Directorate of Revenue Intelligence (DRI) and the Enforcement Directorate (ED).

In the last two years, exports to Bahamas, a so-called tax haven, from India have surged from $2.2 million in 2008-09 to $2.2 billion in 2010-11. The sudden increase in exports has raised suspicions that a chunk of the transactions could be fraudulent. The revenue department has asked the agencies to verify the transactions since it has come to light that in some cases, the export figures do not match the inward in port figures of the two tax havens, an official in one of the agencies told ET. He declined to specify how many such transactions have come to light, stating that the investigations were sensitive and at a preliminary stage. The agency has written to the concerned countries for more detailed information on its imports from India to as part of its investigations, he said.

Concerns have been raised within the government on whether these transactions are a way of bringing back black money into the country through export over-invoicing. This happens by billing the overseas buyer several times more than the actual worth of the goods. In many cases, the so-called overseas buyers are shell companies or do not exist.

The Bahamas is one of the jurisdictions to have signed a tax information exchange agreement with India. Some of the others include Bermuda, Isle of Man, British Virgin Islands and Cayman Islands. Countries signing such a pact are required to share information if the other country has reasonable ground to believe that there has been a tax offence.

For the last few months, analysts have questioned India's export numbers which have shown robust growth at a time the US and Europe the two biggest markets are facing slowdown. While some have attributed this to inept data handling, a recent report by Kotak Institutional Equities Research has harped on the possibility of black money inflow.

The report, authored by Sanjeev Prasad, SunitaBaldawa and Amit Kumar, draws no definitive conclusions , but said, "We can attribute some part of these gaps to data limitations but the large difference between official data and our observations begs a better and more sophisticated explanation."

It highlights how export data of major engineering companies, including automobiles and metals, does not match the steep increase in official export numbers. For instance, according to official data, engineering exports grew 79% year on-year in 2010-11 while the export numbers compiled from figures reported by engineering companies that in BSE 500 show a mere 11% increase. This gap could be as much as $28 billion and if this cannot be explained as a miracle export story of small, unsung companies, then the data mismatch casts a shadow on the GDP growth, according to the Kotak report.

On Friday, the government admitted it accidently inflated this year's export figures by $9 billion. The cause of this was a glitch in the computer system that collates the trade data, Commerce secretary Rahul Khullar said. The commerce secretary also said that growth rates for individual sectors were also distorted. For example, the performance of the engineering goods sector had been exaggerated because certain shipments had been incorrectly classified while exports of petroleum products had been underestimated. The ministry had consistently emphasised that the data released each month was provisional, and it had been open about concerns that the figures were unreliable.

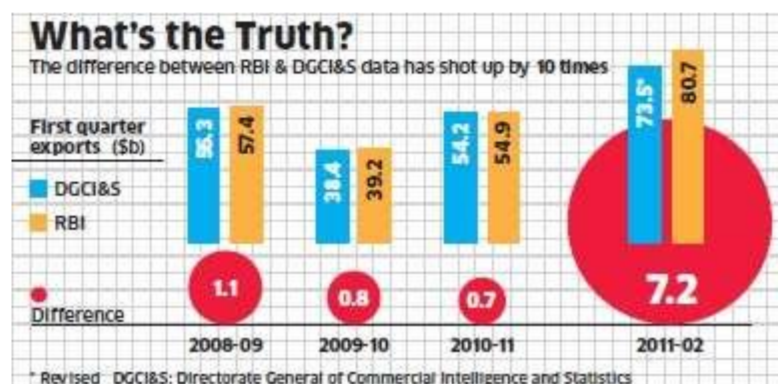
**[Back to Top]**

# Q1 Exports: RBI data exceeds Commerce Ministry figures by $7.2 billion

DeepshikhaSikarwar&AmitiSen, ET Bureau

15 December 2011, NEW DELHI: The recent downward revision of the country's export figures has created a $7.2-billion difference between the shipment data collected by the commerce department and the export income inflows compiled by the Reserve Bank of India (RBI) during the same period, posing another uncomfortable riddle for the government and raising the possibility of a second round of data revision.

Last week, the government lowered the April-October export numbers by $8.8 billion to $171 billion from $179.8 billion, citing human and computer errors for the original overstatement.




This revision, which largely pertained to the April-June quarter, had come after doubts were raised about excessively rosy export data in the backdrop of a global economy that was slowing down rapidly. But the discrepancy that has now arisen between the commerce department and Reserve Bank data could cause further embarrassment to the government.

The central bank's data is considered to be more reliable as it is based on actual payment basis. The government may, therefore, have to restate the revised figures again or find a plausible explanation to rule out the possibility of exports mispricing to bring back black money.
"The concerned officials are looking at the exports numbers again," said a government official, adding that another revision was possible. Unlike the first round, this time the revision will have to be in the upward direction if the export data has to be reconciled with the RBI figures.

A senior commerce department official said he would not read too much in the variance in data. "There is always a time lag between physical exports and payments. The money that is getting remitted this month could account for exports that happened last month or five months back.

There is no study available that would link remittances to exports that take place," Director General of Foreign Trade AnupPujari told ET.

But the $7.2-billion difference is starkly out of sync with earlier trends. In the last couple of years, the difference in the exports numbers compiled by the RBI and the commerce department has been less

than $1 billion in the first quarter. "Variation in the data is very wide... there seems to be some indication of overinvoicing," said AbheekBarua, chief economist, HDFC Bank.

[Back to Top]

# Strong exports bail out GDP growth in September quarter

ManasChakravarty, Livemint

December 1, 2011: The gross domestic product (GDP) numbers for the September quarter show that growth was driven by private consumption on the one hand and exports on the other. Investment demand fell off a cliff during the quarter. Unfortunately, though, with the slowdown in global growth, exports are unlikely to be strong in future, making the Indian economy rely slowly on consumption as its driver of growth. Moreover, the data show that private consumption growth too has been decelerating, thus leaving its sole growth engine sputtering.

**SIGNS OF SLOWING?**

Consumption growth slows, exports rise while investment collapses

| | Year-on-year growth (in %) | | |
|---|---|---|---|
| | Growth in PFCE | Growth in GFCF | Growth in exports |
| Q2FY11 | 8.9 | 11.9 | 10.7 |
| Q3FY11 | 8.6 | 7.8 | 24.8 |
| Q4FY11 | 8.0 | 0.4 | 25.0 |
| Q1FY12 | 6.3 | 7.9 | 24.3 |
| Q2FY12 | 5.9 | -0.6 | 27.4 |

PFCE: private final consumption expenditure
GFCF: gross fixed capital formation
Source: Central Statistics Office

During the September quarter, the main driver of GDP growth continued to be private consumption. Growth in private final consumption expenditure (PFCE) accounted for 49.7% of the incremental growth in GDP at market prices (after adjusting for discrepancies). But then consumption has always been the prime growth driver—in fact during the June quarter it accounted for as much as 64.4% of incremental growth.

In the September quarter, the next big driver of growth has been the external sector (exports minus imports). Export growth went up 27.4% compared with the year-ago period, while import growth was a muted 10.9%. The net result was that the external sector contributed a huge 37.5% of the incremental GDP growth in the quarter.

The third large sector of the economy—capital expenditure—contracted during the quarter from the year-ago period. Gross fixed capital formation (GFCF), therefore, contributed a negative 2.9% to GDP growth. Total investment demand fared a bit better, with increase in inventory contributing 0.8% and growth in valuables accounting for 8.7% of incremental GDP.

The trouble is that the contribution of the external sector is likely to shrink considerably in future. The world economy is slowing and the uncertainty over Europe is likely to drag on. The OECD recently reduced its forecast for growth in the developed economies. China too is likely to see slower growth. All this is going to affect exports—indeed year-on-year growth in exports slowed appreciably in October.

Now consider the year-on-year (y-o-y) growth in the other sectors. PFCE grew 5.9% in the September quarter, compared with 6.3% in the June quarter. So consumption demand, although still relatively strong, is cooling off. Consider also the trend in y-o-y PFCE growth (although these numbers are on the back of the old IIP series) : 8.9% in the second quarter of 2010-11, 8.6% in the third quarter and then a drop to 8% in the fourth quarter. It's pretty clear that consumption growth is decelerating slowly and steadily.

In the next few quarters, therefore, exports will no longer be an engine of growth, capital formation has already started to contract and the biggest driver of growth, private consumption, is rapidly losing steam. Given these trends, we could see a sharp fall in GDP growth rates in future.

The saving grace, however, is good growth in agriculture. But then growth in agriculture was pretty high even in the second half of FY11, so the base effect will not be very helpful.
Talking of base effects, it's worth pointing out that the drop in GDP growth from 7.7% in the June quarter to 6.9% in the September quarter is worse than it looks, simply because growth was lower at 8.4% in Q2 of FY11, compared with 8.8% in Q1. GDP growth for Q2 of FY11 has also been revised down from 8.9% to 8.4%, but then that's because of the new IIP series. On the other hand, it's also true that one reason for the decline in overall GDP growth is the lower growth in agriculture. Agricultural growth was 3.2% compared with 5.4% in the corresponding quarter last year. Non-agricultural GDP growth was in fact 7.3% during the September 2011 quarter.

That's because services growth remained strong in Q2, although there has been a deceleration under the "trade, hotels, transport and communications" head. But "financing, insurance, real estate and business services" showed accelerating growth in spite of a higher base. It is doubtful, however, whether the strength in services will continue. The HSBC India Services PMI has been below 50 in September and October, which means the services sector has been contracting (compared to the previous month). Indeed, if we go by the PMI data, manufacturing has improved a bit in October, while services have deteriorated.

Manufacturing growth has fallen to just 2.7% on a base of 7.8% growth in the corresponding quarter of FY11. In the June quarter, manufacturing growth was 7.2% on top of 10.6% growth in the June quarter of FY11. The deceleration in manufacturing growth has accordingly been very sharp.

Finally, a word about inflation. The GDP numbers can also be used to gauge the level of inflation in the entire economy by comparing the numbers at current prices with those at constant prices. The difference is the inflation rate. Since the wholesale price index (WPI) data do not take inflation in services into account, the GDP deflator is a better measure of inflation. According to this measure, inflation was 9.1% during the September quarter, compared to 9% in the June quarter.

**[Back to Top]**

# India's exports grow slowest in two years

AsitRanjanMishra,Livemint

9 November, New Delhi: India's merchandise exports growth slumped to its lowest level in two years in October, confirming fears that the crisis in the euro zone and the slow recovery of the US economy have impacted demand for Indian goods.
Trade deficit in the month also rose to a four-year high as high commodity prices boosted India's imports bill.

Indian exports grew 10.8% in October from a year earlier to $19.9 billion (around Rs. 98,300 crore), the lowest in the last two years, according to data released by commerce secretary Rahul Khullar on Tuesday.
Imports grew 21.7% because of rising prices of crude oil and other commodities to $39.5 billion, leaving a trade deficit of $19.6 billion—the highest ever in any month in the past four years.

During the first seven months of the current fiscal year, exports have gained 46% while imports rose 31%. Exports in the April-October period now total $179.8 billion. Union commerce minister Anand Sharma has set an export target of $300 billion for the year to 31 March.

"The slowdown in exports is across the board," Khullar said. "It will be a difficult autumn. The picture will not be rosy for the next six months."

The ballooning trade deficit is worrying, Khullar said. "At this rate, it may touch $150-160 billion this fiscal."

India's exports growth had so far shown unexpected buoyancy in recent months, despite the economic slowdown in developed economies and rising global uncertainty. While the official explanation was that the diversification of India's exports to developing countries had helped, analysts had expressed doubts over the accuracy of the trade data.

The export numbers now seem more realistic, given the overall global economic scenario, according to D.K. Joshi, chief economist at credit rating companyCrisil Ltd. Joshi said annual exports growth this fiscal may slow to 15%, from 41% in 2010-11, and it may be difficult for the government to achieve the target.

Joshi said the rising trade deficit will add to the current account deficit worry. "The current account deficit may still remain below 3% of gross domestic product, unless software exports slow down sharply," he said.

The upside risks to the current account deficit have increased owing to a slowing global economy and debt-related stress in the euro area, the Reserve Bank of India had said in its half-yearly macro economic analysis. It had also cautioned that the slowdown in advanced economies may weigh on India's exports in subsequent months.

“The crisis in the euro zone will spread in the next couple of months, impacting exports in ensuing months,” said Ramu S. Deora, president of the Federation of Indian Export Organisations.
Meanwhile, further confirming that the domestic economy is slowing, provisional data released by the finance ministry showed indirect tax collections in October contracting by 2.5% to Rs. 30,278 crore. A cut in customs and excise duties on oil products in June led to the lower accruals. Central excise collections contracted 5.3% while customs collections were down by 11.6% during the same month.

[Back to Top]

**Services exports dip in Sept**
BS Reporter

Mumbai November 16, 2011: Reflecting the adverse effect of global economic uncertainty, India's services exports dipped in September to $11.2 billion from $11.9 bn in August.
It was $10.4 bn in July. The Reserve Bank of India began releasing monthly data on trade in services only this financial year. Hence, comparable data for the same month in 2010-11 is not available to capture the trend.

The imports, payments for services, also declined to $6.8 bn in September from $6.9 bn in August. Imports for July were $5.9 bn.

The growth in services receipts and payments remained moderate during the first quarter as compared with that recorded in Q1 of 2010-11. These were also lower as compared to the preceding quarter, according to the RBI.
Some sectors, such as information technology (IT) are facing challenges in the global economy. IT exports have a large share in the services trade. There is also moderation in domestic economic activity.The data on services trade (exports and imports) is reflecting what is happening in the real economy.

Merchandise exports, after growing at an impressive speed for much of the first half, have are also begun to show signs of moderation.

[Back to Top]

**Exports-IIP gap shows more data troubles**
SMRITI SETH, ET Bureau

Nov 3, 2011,NEW DELHI: India's recent phenomenal growth in exports is not consistent with industrial output numbers, shows an ET study, reinforcing fears of economists and policymakers that the country's data gathering mechanism is becoming increasingly unreliable.

While July's industrial growth fell to a 21-month low of 3.84%, exports during that month grew at 72% in rupee terms. In August, export growth was 40% while industrial output rose 4.04%.
An ET analysis of the latest disaggregated trade data shows exports of machines and instruments grew 65% during the first two months of this fiscal while their production in the comparable category of machines and equipments declined 1% and 6% during April and May, respectively.

"These figures obviously don't make any sense. The IIP growth needs to be at least 7% higher if the export growth is correct," said PronabSen, principle advisor, Planning Commission. "The only explanation is either the export or the IIP numbers are wrong."

In July, Reserve Bank governor too raised an alarm over the sharply varying macroeconomic data, including those on growth, which could lead to taking the wrong call on the economy.

The IIP and export data sets for April and May threw up a similar pattern in the case of other products. Exports of textiles, rubber and paper and wood products grew at 22%, 55% and 45% even though their production declined. Rating agency CRISIL's recent study estimates that 28% of machines and equipment and 41% of textiles produced are exported.

Economists say though high inflation could be responsible for bloating the nominal export growth, the inconsistency between IIP and export numbers is still not explained.

"Inflation can't explain these export growth numbers because price rise in these categories was not very high," said BiswajitDhar, director of think tank RIS.

Wholesale inflation in machine and machine tools was 2.8% in 2010-11 and for rubber, wood and textiles it was 6.6%, 3.9% and 12%, respectively. Experts are divided over the source of the discrepancy. While most believe the export numbers to be exaggerated, some officials believe the problem is with the IIP figures.

"Even after accounting for all caveats, there's some part of exports which is unexplained, given trends in global imports, and there might be an element of over-reporting," said Saugata Bhattacharya, chief economist with Axis Bank.

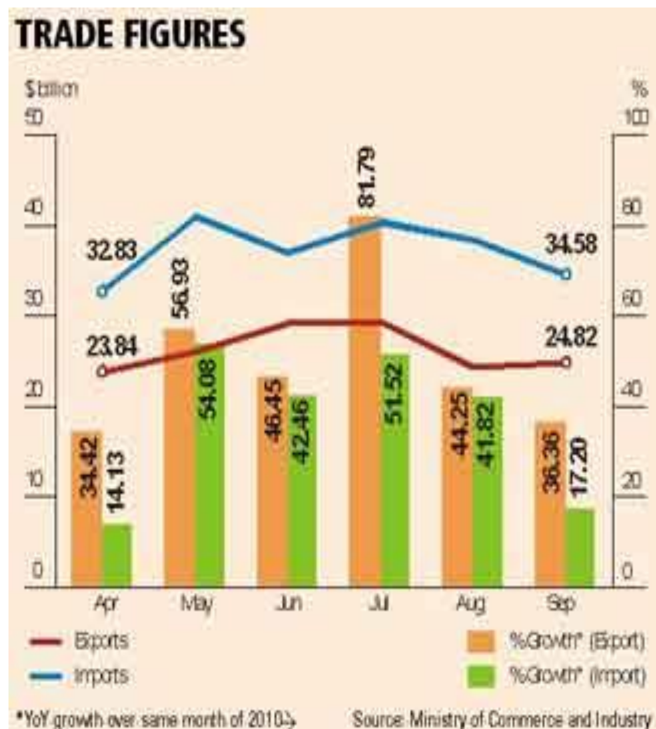
Slow growth, both globally and in India, makes the high export growth numbers less credible, economists believe. The US and Singapore, India's second and third largest export destinations respectively, grew 1.3% and 0.9% in the Apr-June quarter. India's GDP growth also slowed in April-June to 7.7%.

[Back to Top]

**Exports growth slows, rise 36.4% in September**
Business Standard

New Delhi, November 2: India's merchandise exports grew 36.4 per cent in September, reaching $24.8 billion from $18.2 bn a year before. However, this is a much lower rise than the previous two months. In July, exports grew 81.8 per cent; in August, these rose 44.2 per cent.
Imports in September rose 17.2 per cent to $34.6 bn, against $29.5 bn in the same month last year.

The cumulative growth rate of exports during April-September this year was 52.1 per cent, at $160 bn compared to $105.2 bn in the corresponding period of 2010-11, according to data released on Tuesday by the ministry of commerce and industry.




Analysts expect significant moderation in growth of exports and imports with the slowing of demand, particularly from European markets, which account for a fifth of the country's total exports. "Both exports and imports, especially non-oil imports, are likely to moderate due to the crisis in the euro zone and other markets. We expect growth rates in exports to come down significantly by the end of this fiscal," said DeepaliBhargava, chief economist, Espirito Santo Securities. Export growth is set to slow further in the coming months, confirms a report from Moody's Analytics.

Total imports during April-September were $233.5 bn, up 32.4 per cent from the $176.4 bn in the same period of 2010-11. Import of crude oil during this period was $70.3 bn, about 42 per cent higher than the $49.4 bn last year, while non-oil imports reached $163.2 bn from the $126.9 bn during April-September 2010-11.
"Export growth rates might come down to single digits, as the Asian markets are also witnessing a demand slowdown, besides the developed markets. The decline by the end of this year is going to be sharper," said D K Joshi, chief economist, Crisil India.

Union Commerce Secretary Rahul Khullar had earlier said exports would increase but the period of high growth rates was gone and there is bound to deceleration towards the end of the financial year.

Oil imports in September reached $9.2 bn, an increase of 14.6 per cent from the $8 bn in the same month last year. Import of non-oil items in the month grew 18.2 per cent to reach $25.4 bn.

The balance of trade in September was a negative $9.8 bn. For April-September, it was a negative $73.5 bn from the $71.2 bn in the same period of 2010-2011.
"The situation on the trade deficit is alarming. It may touch $150 bn by the end of 2011-12, which is of much concern for all of us," said Ramu S Deora, president, Federation of Indian Export Organisations.

[Back to Top]

**Sudden surge in India's exports to Bahamas raises doubts**
SMRITI SETH, ET Bureau

Oct 21, NEW DELHI: An amazing surge in India's exports to the Bahamas has stoked the lingering suspicion that a slice of the country's trades is sham transactions done to bring back money stashed in secret accounts with offshore banks.

In just two years, exports to the Bahamas — best known as a tax haven — have shot up from $2.2 million in 2008-09 to $2.2 billion in 2010-11, according to commerce department data. The number in no way matches the data on the Bahamas' global imports, which according to UNCTAD — the global trade and investments monitoring agency — was $2.8 billion in 2010.

According to the CIA data base, India has only a 7.5% share in the Bahamas' imports, which works out to about $200 million in 2010. The wide gap, some think, is more than sloppy statistics. "This is just a way of bringing black money back into the economy when it needs to be converted into white money and used for other purposes such as investments," said an economist on the committee appointed by the government to suggest ways to curb black money.

This happens through export 'over-invoicing', which boils down to billing the overseas buyer $10 million for cargo that may be worth just $10,000. In such transactions, the buyer may be fictitious, or a shell or front company of the Indian exporter. It's a ploy to bring back undisclosed money under the garb of cross-border trade. BiswajitDhar, a trade expert and director-general of RIS, a think tank, felt the government should be looking at these indicators of black money. "They should also look at a detailed list of exporters... I'm sure some of them are fictitious," he said.

The Bahamas is one of the jurisdictions to have signed a tax information exchange agreement with India. Some of the others include Bermuda, Isle of Man, British Virgin Islands and Cayman Islands. As per the information exchange pact, the countries are required to share information if the other country has reasonable ground to believe that there has been a tax offence. Under the circumstances, Indian residents holding money in banks in Nassau, the capital of the Bahamas, may think it's safer to either move their money to another destination or bring it back to India.

*Difficult to Explain Jump*

Nassau is a favourite tax haven for many wealthy Americans. While the Bahamas, a nation of 29 islands, is also a transshipment point, it's difficult to explain the sudden jump in exports from India. During April-December 2010, India's exports to the Bahamas were up 217% to $1.6 billion from the year-ago period. For the last few months, analysts have raised eyebrows on India's export numbers. More so, at a time the US and Europe — the two biggest markets — are facing slowdown. While some have attributed this to inept data handling, a recent report by Kotak Institutional Equities Research has harped on the possibility of black money inflow. The report, authored by Sanjeev Prasad, SunitaBaldawa and Amit Kumar, draws no definitive conclusions, but said, "We can attribute some part of these gaps to data limitations but the large difference between official data and our observations begs a better and more sophisticated
explanation."

It highlights how export data of major engineering companies, including automobiles and metals, does not match the steep increase in official export numbers. For instance, according to official data, engineering exports grew 79% year-on-year in 2010-11 while the export numbers compiled from respective figures reported by BSE 500 show a mere 11% increase. This gap could be as much as $28 billion. If this cannot be explained as a miracle export story of small, unsung companies, then the data mismatch casts a shadow on the GDP growth. Some like SajjidChinoy, JPMorgan's India economist, feels the concern relating to "over-invoicing" of exports could be overblown. Chinoy, who compared the official export figures with port traffic data, recently told The Economist magazine that the "conspiracy theories are flimsy".

But Nisha Taneja, who specialises in international trade at the Indian Council for Research and International Economic Relations, said the large discrepancy (in the data on export to the Bahamas) is a clear indicator of black money, even though more investigation is needed. The biggest component of India's exports to the Bahamas in 2010-11 was mineral fuels, at $1.9 billion, according to government data.

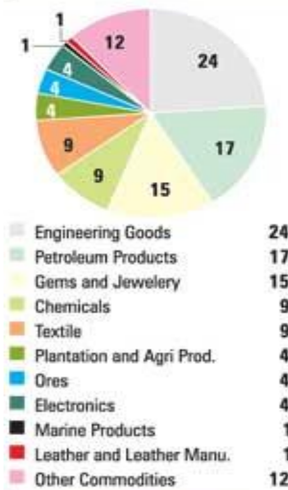
Experts say the government should improve its monitoring mechanisms to ensure lawful shipment of goods, economists believe. "In order to curb the flow of black money through the overinvoicing route, the government should ensure that the value of exported goods on paper matches the actual value," said Abhijit Das, director of the WTO centre at the IIFT. "This would require stepping up of efforts by customs authorities," he said.

Ajay Sahai, director-general of the Federation of Indian Export Organisations, said it is unlikely that formal channels could be used misused to this extent. "I don't think this difference can be attributed to black money. It could be because of different accounting mechanisms used by the Bahamas."

**[Back to Top]**

**Exports up 36.3% in September**
Business Standard

New Delhi October 13, 2011: Exports continued to shine amid slowing down of other sectors of the economy, though pace of growth has decelerated in September due to external headwinds.




The government strategy to look for newer markets and change the composition of exports has paid off, as exports grew 36.3 per cent to $24.8 billion in September year-on-year, blunting the impact of slowdown in the Euro zone and the United States.

However, the growth in September was a five-month low. India's exports now constituted much more of engineering, electronic and petroleum products than traditional items like textiles.

Also, the share of the European Union and North America combined has come down by 10 percentage points to 30 per cent in India's exports between 2004-05 and 2010-11.
"The good run continues, though there are clear signs of slowdown... It is clear that there is deceleration in growth... This is the surest sign of times to come. That is telling you what is going to happen in future," commerce secretary Rahul Khullar said.

Imports on the other hand, grew by 17.2 per cent in September, the lowest in five months. In absolute numbers, they stood at $34.6 billion.

For the first six months, exports grew 52.1 per cent to $160 billion compared to the corresponding period of last financial year, and imports by 32.4 per cent to $233.5 billion.
Interestingly, imports of gold and silver rose by a whopping 80 per cent to $31.1 billion during April-September, which Khullar attributed to asset switching. "People are moving out of cash and switching to gold," he said.

Even after factoring slowdown in major advanced economies, Khullar was pretty sure the target of $300 billion of exports for this financial year will be in the striking range.

"At this point of time, I will say the best estimate is in the neighbourhood of $290 billion to $300 billion and that is taking into account bad news available," he said.

However, widening balance of trade may cause a problem at the time when there are signs of slackening demand elsewhere.

Trade deficit stood at $73.5 billion in the first six months, which is quite a high number, according to Khullar.

On a pro-rata basis, it means $147 billion trade deficit this financial year. But, Khullar said growth in imports would come down much faster than exports in the remaining period of this financial year.

He did not agree to the view that in the current situation when India is not recording such a slow growth rate as other countries, imports will grow much faster due to the needs of the economy than exports. Tax collections do corroborate Khullar's this since customs duty, mop up was just 7.2 per cent in September and 19.4 per cent in the first six months of this financial year, clearly showing decelerating tax numbers.

However, Federation of Indian Export Organisations said the trade deficit number was huge and may touch $150 billion by the end of 2011-12, "which is a matter of concern".

Khullar said in the event of slackening foreign capital inflows, there should not be high trade deficit, as it might widen current account deficit, which would be difficult to finance.

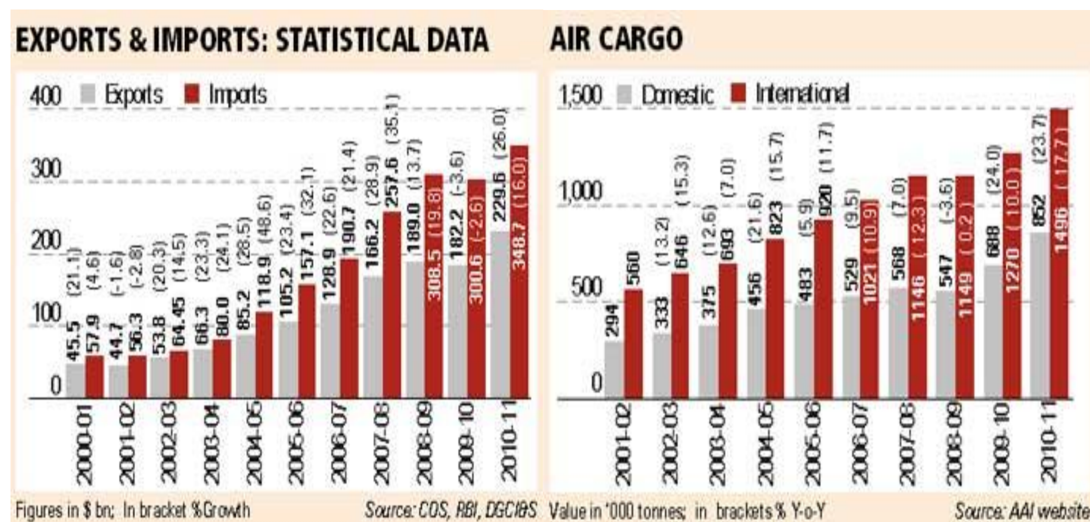
[Back to Top]

**Much more than meets the eye on recent surge in trade figures**
NayanimaBasu, Business Standard

New Delhi October 3, 2011: The surge in merchandise exports in the year so far has baffled many, as exporters continue to battle severe infrastructure bottlenecks and procedural problems.

Total exports from India were $229.6 billion in 2010-2011 from $45.5 bn in 2000-01, up 405 per cent. Imports soared to $348.7 bn last year from $57.9 bn in 2000-01, a growth of 502 per cent. However, the growth in shipments, of exports and imports, was to 849.9 million tonnes in 2010-2011 from 368.5 mt in 2000-01, up only 130.6 per cent.

Experts say the main reason behind the contrasting figures is the volatility in commodity prices, coupled with increase in export of high-value items in branded segments, that now fetch higher prices than earlier.




Also, since 2008, Indian exports have changed direction drastically, away from Western markets to the faster growing economies of Asia, the Gulf, Africa and Latin America.

“India has become more sensitive to Asian demand, with the share of exports to developing Asia accounting for 19.5 per cent of exports in 2010, from 10.7 per cent in 2000. Nominal exports are a function of price and volume.

While the monthly trade data are in nominal terms, the port or cargo data are in volume terms. The growth in exports in terms of revenue earned was due to a combination of both market diversification and a rise in prices,” said Rajeev Malik, senior economist, CLSA Singapore.
The share of shipments to advanced economies dropped to 45.2 per cent of all exports in 2010 from 64.6 per cent in 2000. Over the same period, the share of exports bound for developing economies increased to 54 per cent from 32.2 per cent, says CLSA.

Apart from the jump in share of petroleum products in total exports, said Malik, there’d been an impressive increase in the share of engineering goods, especially transport equipment.

Exports of engineering goods also include several items which are sensitive to global commodity prices, with an effect on export revenue.

A Citibank report says the shares of crude oil products, gold, silver and precious stones have increased in total imports. On crude oil, India imported 163 million tonnes in 2010-11 from 111.5 mt in 2006-07. The oil bill was $105 bn in 2010-11 from around $60 bn in 2006-07. The report said imports, led by oil, would expand the trade deficit to $159 bn in 2011-12 from $119.1 bn last year.

*More reasons*

“The growth rates come with a lag. The growth we see now are of exports made months in advance. These high growth rates will not be sustained,” Union commerce secretary Rahul Khullar told Business Standard.

“At present, we can see a major inflation impact on our export basket, coupled with portfolio impact. Our export composition has undergone major change. In imports, gold and capital goods bloated our import bill, besides crude oil,” averred AjitRanade, chief economist, Aditya Birla Group.

In the coming months, he said, withdrawal of the Duty Entitlement Pass Book (DEPB) scheme, which neutralises domestic taxation effects for exporters, might have a negative impact.

“Nowadays, a lot of exports that are taking place have high price volatility, such as iron ore, sugarcane and other food products,” said L Radhakrishnan, chairman, Jawaharlal Nehru Port Trust.

Presently, engineering and petroleum goods account for 42 per cent of India’s exports from 14 per cent in 2000-01, superseding textiles, agriculture goods and minerals. A major shift can also be seen in the destination markets.

“India’s exports had been surging because a lot of the high-value products such as gems and jewellery and auto components have gone into the branded segments, fetching more price. The rise was also due to the spike in commodity prices. More, the Middle East has proved a high-value market, while Chinese markets are responsible for more volume. Besides, the currency had a major role to play, as the rupee underperformed compared to other currencies in Asia,” said AbheekBarua, chief economist, HDFC Bank.

Ramu S Deora, president of the Federation of Indian Export Organisations and chairman of All India Shippers Council, said exporters still face massive difficulties due to a weak infrastructure in terms of bad roads, delay in container shipments from cities to ports and other hassles related to delay in toll gates and custom checkpoints.

“Exports are registering robust growth rates due to rise in the prices of some commodities in recent years and not because of growth in volume, which had not seen much growth. There is bound to be a slowdown. More, with the expiration of DEPB, exporters are rushing consignments to avail the benefits. The government should immediately announce an all-India drawback rate to sustain such high level of growth,” Deora said.

**[Back to Top]**

**India August Exports Rise 44%**
Mukesh Jagota, Wall street Journal

9 September 2011, NEW DELHI: India's merchandise exports grew in August from a year earlier but the volume shrank 17% from the previous month, and the expansion pace may decelerate further due to global economic uncertainties.

Exports climbed 44.2% from a year earlier to $24.3 billion, coming off an 82% on-year expansion in July, Commerce Secretary Rahul Khullar said at a news conference. Shipments increased thanks mainly to increased demand for engineering goods and chemicals.

Imports in August jumped 41.8% from a year earlier to $38.4 billion, widening the trade deficit to $14.1 billion from $11.1 billion in July.

Mr. Khullar warned that export growth is likely to stutter in coming months as traditional strongholds--the U.S. and EU--continue to hobble in economic uncertainties. The global jitters could have a knock-on effect on other markets, such as in South America and Southeast Asia, which are increasingly emerging as attractive destinations for Indian exports.

"Exports will fall more in September and October," Mr. Khullar said, adding that the government may offer some stimulus to exporters to cushion them against any sharp decline in demand.

"It is better to kick in now with some action, and the earlier it comes the better," he added.
Mr. Khullar didn't specify the steps the government may offer to exporters, who are already reeling under high credit costs and raging inflation.

Data from the HSBC Purchasing Managers' Index for August showed the pace of new orders for Indian manufacturers decelerated to the slowest in 29 months as export orders contracted at the sharpest rate since the series was started.

However, for the first five months of this fiscal year that started April 1, exports grew 54.2% from a year earlier to $134.5 billion, keeping hopes alive that India can manage to meet its full-year export aim of $300 billion. Imports grew 40.4% from a year earlier to $189.4 billion in the same period.

"Imports are not slowing down as much as exports, and if that trend continues then we have a problem," Mr. Khullar said.

[Back to Top]

**Developing Asia's growth to slow: ADB**
AFP

HONG KONG, September 14, 2011 - Asia's developing economies will post slower-than-expected growth this year and next as key trading partners reduce orders due to worries about the global economy, a report said Wednesday.

However, the region will continue to see strong expansion as it makes up for lost exports to the developed world by increasing trade with neighbouring economies, the study by the Asian Development Bank added.

The bank said the region's economies would expand 7.5 percent this year, down from its 7.8 percent forecast in April, while 2012 would also see 7.5 percent growth, down from a previous 7.7 percent estimate.

Slower demand in the US and Europe "continues to cast a cloud over the region," said the Manila-based bank, adding that export growth in leading economies, including trade powerhouse China, had slowed "substantially."

"At the same time, strong domestic consumption and expanding intra-regional trade are helping to underpin still solid growth levels (in developing Asia)," said Changyong Rhee, the bank's chief economist.

"Since the onset of the global recovery, the growth in exports to (China) from several Asian economies has been stronger than their exports to the rest of the world."

The share of regional trade among Asia's largest economies increased to 47 percent in the first half of 2011, up from 42 percent in 2007, the report said.

"Asian economies are becoming more resilient to external shock," Rhee told a press briefing in Hong Kong Wednesday, describing the lowered forecast as a "slight modification, not a huge drop."

The bank's latest forecast had excluded advanced economies falling into a so-called double dip recession, but Rhee added that "at this point the chance is growing."

The bank also warned that rising prices "remain a threat to many economies" with developing Asia's inflation rate expected to average 5.8 percent this year, up from 5.3 percent forecast in April, it added.

Regional inflation should then cool to 4.6 percent in 2012 as commodity prices fall "but central banks will still need to keep a close watch and may need to take remedial action," the ADB said.

Concerns about hot money flooding the region have eased as capital flows slowed in recent months, but there was a risk of an upsurge when advanced economies bounce back and debt markets settle, the report said.

"Capital has so far been flowing into the region at a manageable pace, but global economic uncertainty means policy makers should be prepared for greater volatility in capital flows," the report said.

The bank also warned that leaders would have to focus on the region's demographic landscape with

young populations "growing older very rapidly, which will put many economies under pressure" in the coming decades.

"It is unprecedented in world history...the speed (of Asia's ageing population) is really high," Rhee said.

The bank's report looked at 44 jurisdictions stretching from the former Soviet states of Central Asia to some Pacific islands, but excluded developed countries such as Japan, Australia and New Zealand.

East Asia -- including Hong Kong, China, South Korea, and Taiwan -- remains the key economic driver for developing Asia, the report said, with growth forecast at 8.1 percent this year. That would fall to 8.0 percent in 2012 as China's economic engine slows, it added.

Inflation-hit South Asia will see its economies expand 7.2 percent this year -- with prices forecast to rise 9.1 percent -- while the region's India-led growth would hit 7.7 percent in 2012, it said.

Southeast and Central Asia's growth forecasts were also lowered "slightly" to 5.4 percent and 6.1 percent respectively for 2011, and 5.6 percent and 6.6 percent next year, the ADB said,

In the Pacific, resource-rich Papua New Guinea, Timor Leste and the Solomon Islands would push the region's growth to 6.4 percent this year, slowing to 5.5 percent next year.

[Back to Top]

# WTO sees export growth slowing

Agence France Presse

21 November 2011: The World Trade Organisation said Monday in its annual report that the worsening outlook for the global economy has led to slower growth in exports.

"The outlook for the global economy has worsened considerably in recent months," said the report, with WTO chief Pascal Lamy calling for renewed efforts to break down trade barriers.

"Global activity is slowing down. ... World trade has grown more slowly than expected in recent months," the report said.

The report confirmed a downward revision of its forecast for world export growth in 2011 to 5.8 percent from an earlier estimate of 6.5 percent.

Developed economies' exports are now expected to rise by 3.7 percent rather than 4.5 percent, and those from developing countries by 8.5 percent instead of 9.5 percent.

"In a context of greater economic uncertainty and rising global risks, it is all the more important that the process of global trade opening continues," Lamy said.

WTO members have been labouring for a decade over further trade liberalisation in the Doha round of talks, with industrialised and developing nations failing to agree on the level of cuts on industrial goods tariffs and agriculture subsidies.

The report noted a growing perception that trade protectionism is gaining ground in some parts of the world, but said fewer restrictive measures had been introduced over the past year.

While developing countries should continue to see strong trade growth in the coming months, the report warned that "even the most dynamic developing economies would still find themselves strongly affected by another global recession."

It noted that developing countries had accounted for more than half of the growth in the value of trade since the global economic crisis began.

[Back to Top]

# India Trade Gap Shrinks to 15-Month Low

Mukesh Jagota and Anant Vijay Kala, Wall Street Journal

July 13, New Delhi: India's trade deficit narrowed sharply for a second month in June to its smallest in 15 months, as lower crude oil prices helped bring down the import bill, raising hopes of continued improvement in the country's trade balance.

The trade deficit was $10.3 billion during the month, down from $14.4 billion a year earlier.
Exports in June fell 5.5% from a year earlier to $25.1 billion, while imports declined 13.5% to $35.4 billion, Anup Pujari, director-general of foreign trade, said at a press briefing.

The data will offer comfort to authorities who have been concerned about the trade gap, which widened sharply over the past year due to heavy imports. That had stoked concerns over a worsening balance-of-payment situation and weighed heavily on the Indian rupee, which has weakened about 10% against the U.S. dollar since April and hit successive record lows in recent months.

India's trade deficit widened 56% to $184.9 billion in the last fiscal year ended March 31.

Sonal Varma, an economist at Nomura, said in a research note that the rupee's depreciation is starting to shrink the non-oil import bill and is helping bring down gold imports.

As the effects of the rupee's decline plays out, she said she expects the current account deficit to narrow to around 3% of gross domestic product in the fiscal year ending March 2013, from the record high of 4.2% in preceding fiscal year.

The deficit had ballooned as weakening demand for Indian products amid the ongoing economic troubles in Europe hurt exports, even as the country's import bill remained high due to strong demand for gold and the country's heavy dependence on imported crude oil.

However, easing global crude oil prices and recent steps by the government to encourage exports are expected to help improve the situation.

Trade Secretary S.R. Rao said at the briefing the results of the recent government measures will be visible in the next two to three months.

The government last month announced a 100 billion rupee package to encourage exports, especially by small enterprises that are usually the worst hit during a demand slowdown.

As part of the package, it extended by a year to March 2013 an import tax waiver on some capital goods. It also extended a 2% interest subsidy on loans to handloom and handicraft exporters and to some other small and medium enterprises.

Mr. Rao said global demand remains weak due to the lingering economic troubles.

The government, therefore, has been pushing exporters to tap new markets in South Asia, Africa and other regions to help offset the demand slowdown.

As a result, India's trade balance is expected to improve despite the tough global conditions, Mr. Rao said.
This fiscal year's trade gap will be lower than last year's, Mr. Rao said.

India's April-June trade deficit narrowed to $40 billion from $46 billion a year ago as imports during the three months fell 6.1% to $115.3 billion, outstripping weaker exports, which fell 1.7% to $75.2 billion. April-June crude oil imports--the country's largest import--stood at $41.5 billion while gold and silver imports stood at $9.4 billion.

[Back to Top]

# India's commercial services exports growth slows down: WTO

PTI

July 15, New Delhi: India's commercial services exports grew by six per cent in the first quarter of 2012, down sharply from 27 per cent in the year-ago period, the World Trade Organisation (WTO) and UNCTAD have said in a report.

However, this was much better than the worldwide commercial services exports growth rate of 3 per cent in the the quarter ended March 31, 2012, found the preliminary estimates for the period by the WTO and UNCTAD (United Nations Conference for Trade and Development).

According to experts, the growth rate declined largely because of global economic slowdown and the country needs to focus on increasing its global competitiveness in the commercial services exports, which mostly includes software services in case of India.

In the previous quarter, October-December 2011, India's commercial services exports had declined by five per cent, but managed to return to positive trajectory in Q1 of 2012.

"Economic slump in the US and Europe is the main reason for this low growth. The other reason include countries like China and Philippines are emerging as stronger players in the services sector," Rakesh Joshi, an international trade expert with India's prestigious Indian Institute of Foreign Trade (IIFT) said. Joshi said that without enhancing the country's competitiveness in the global market "we will have more problems both in goods and services exports".

India's commercial services imports grew by five per cent in the first quarter of 2012, down from 14 per cent in the year-ago period, the report said.

According to the RBI data, the country's services exports declined marginally by 3.3 per cent to USD 22.54 billion in the first two months of this fiscal.

The services exports during April-May 2011 were at USD 23.3 billion.

Export earnings were also affected as the information technology companies, which accounts for a major chunk in the services export, had to offer discounts to their clients due to rupee depreciation, an expert said.

The rupee has fallen by around 20 per cent against the US dollar from a year ago.

Software, business and financial services, communication services, travel, transportation, insurance are some of the major services that are exported.

[Back to Top]

# India beats China in export growth rate: WTO

PTI

New Delhi, July 29, 2012: India has overtaken China in exports growth rate recording an increase of 16.1% in 2011, topping the list of all major trading countries in the world, says a WTO report. "India had the fastest export growth among major traders in 2011, with shipments rising 16.1 per cent. Meanwhile, China had the second-fastest export growth of any major economy at 9.3% ," World Trade Report 2012 of WTO said.

In 2010, China topped the list with shipment growth rate of 28.4%, while India recorded an increase of 22%.According to experts, the Indian government's and exporters endeavour of diversification of export markets have benefitted the country's shipments.

"Mainly the diversification of markets to Middle East countries, South East Asia and China have yielded good results for Indian exports," Director of the country's prestigious Indian Institute of Foreign Trade (IIFT) K T Chacko said.

Federation of Indian Export Organisations (FIEO) president Rafeeq Ahmed also said market and product diversification strategy have yielded positive results.

After the economic slowdown in the India's traditional export markets - the US and Europe, the government had extended incentives to exporters to explore new markets, including in regions like Latin America and Africa.

In 2011, world merchandise trade volume grew by 5%, while "Asia's 6.6% increase led all regions", the report said.

Further, it said that in commercial services exports, the European Union tops the chart with $789 billion worth of shipments, 24.8% of the world total.It was followed by the US ($578 billion, 18.2%), China ($182 billion, 5.7%), India ($148 billion, 4.7%) and Japan ($143 billion, 4.5 %).

The EU, it said, also becomes the leading importer ($639 billion, 21.1% of the world total), followed by the US ($391 billion, 12.9%), China ($236 billion, 7.8%), Japan ($165 billion, 5.4%) and India ($130 billion, 4.3%).

However, the report has put India, Indonesia and Argentina among the main countries imposing maximum non-tariff measures."The recent increase in restrictive measures is attributable to a number of developments, including stricter import controls and licensing requirements in some countries, as well as import prohibitions imposed on some Japanese goods following the Fukushima nuclear accident in March 2011," it said.

[Back to Top]

# Exports slide by 5.45 % in June

The Hindu

New Delhi, August 1, 2012: With the slowdown in the U.S., eurozone, China and Japan continuing, Indian exports have come under tremendous pressure for the second consecutive month with shipments declining by 5.45 per cent in June to $25 billion.

*Trade deficit*

Handicrafts, jute, tea and cashew accompanied by coffee were some of the items hit by the decline in exports. Similarly, imports also witnessed a sharp fall of 13.46 per cent at $35.37 billion against $40.8 billion in June 2011, resulting in a narrowing of the trade deficit to $10.3 billion for the month.

The decline in the country's shipments comes amid India's economic growth slipping to a nine-year low of 6.5 per cent in 2011-12, and subdued industrial output in the first two months of the current fiscal. "The contraction in global demand and deceleration in manufacturing are primary reasons for decline in exports," President of the Federation of Indian Export Organisations (FIEO), Rafique Ahmed, said in a statement here.

According to official data released by the Commerce Ministry, exports during the April-June quarter of 2012-13 dipped by 1.7 per cent to $75.2 billion, from $76.5 billion in the same period last fiscal. Commerce Secretary S. R. Rao has already stated that markets in the Eurozone, the U.S., China and Japan are still not showing healthy growth, and these are indications of global recession.

For instance, imports during the first quarter of this fiscal dipped by 6.10 per cent to $115.25 billion from $122.74 billion in the April-June period of last fiscal. Trade deficit during the quarter stood at $40 billion. Top exporting commodities during the April-June quarter included rice, which increased by 104 per cent, iron ore (40 per cent), oil meal (38 per cent) and spices (35 per cent).

In value terms, exports of petroleum products ($12.9 billion), engineering goods ($14.6 billion), gems and jewellery ($10 billion) and pharmaceutical and readymade garments, too, showed strong growth. Imports of petroleum products touched $41.5 billion during April-June 2012. Other importing sectors which registered growth include gems and silver ($9.4 billion), machinery ($8.5 billion) and electronics ($7.1 billion).

[Back to Top]