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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.

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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).

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Exports Fall for 3rd Straight Month on Low Demand

Economic Times

New Delhi, 15 August 2012: India's exports fell for the third successive month in July due to contracting demand in the EU and the US, sliding 14.8% to hit the lowest figure of $22.4 billion this fiscal. The decline in imports was less steep, down 7.61% to $37.9 billion, widening the trade deficit to $15.5 billion during the month.

"We were anticipating a contraction. But the July numbers are a cause of concern," Commerce Minister Anand Sharma said on Tuesday, after a review meeting with trade bodies including CII, Ficci, Assocham and Fieo.

Sharma, however, said that he hoped the situation would improve from October, as the incentives for exporters announced in June will start kicking in soon."There will be monthly trade facilitation meetings between the commerce secretary, DGFT, our regional DGFT offices and the export councils. We will be monitoring this very closely," Sharma said.

Commerce Secretary SR Rao said,"Weakening of global demand, especially in the EU and the US, which also happen to be India's biggest markets, has resulted in the fall in exports." The products that suffered the steepest decline in exports during the month include engineering goods, petroleum products, gems and jewellery, fruits and vegetables and iron ore.

The exports target of $350 billion for the entire fiscal will be a stiff challenge, Rao said.

"Given the hard realities, we will have to reassess tactical steps," Rao said, adding that the focus will be on reducing transaction costs and time.While the depreciating rupee has helped exporters to some extent, intense competition from other countries in a dampened market has forced them to reduce their prices. The majority of exporters have been forced to pass on their gains to buyers, Rao said.

Exports in April-July 2012 shrank by 5.06% to $ 97.6 billion compared with the year-ago period. Imports during the period declined by 6.47% to $ 153.2 billion. Trade deficit in April-July stood at $ 55.6 billion, slightly lower than $61 billion in the comparable period last year, but large enough to keep the government on its toes."We will do what it takes to ensure we do not lose ground. In fact, we want to gain ground (and narrow the deficit) by increasing exports," the secretary said.

Although oil imports went down by 5.54% in July, experts feel that rising global oil prices will put pressure on the oil import bill and the trade deficit in the coming months."With oil prices already above $110 per barrel, large ECB redemptions and rising FDI repatriation, we believe India's balance of payments remains on a razor's edge," pointed out research body Nomura.

The WTO has estimated global demand to decelerate to 3.7% in 2012, which is even lower than last year's slow growth of 5%, attributing to the global economy losing momentum due to a number of shocks, including the European debt crisis.

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Exporters alarmed as export sees double-digit drop

Nayanima Basu, Business Standard

27 August 2012, New Delhi: Exporters, who were banking on the foreign trade policy (FTP) announced this year, have started becoming jittery as merchandise goods' exports have fallen around 15 per cent in July.

The exporters, who were hailing the FTP, now want the government to do more as they believe what was announced in June is not enough.

They are now demanding that focus market scheme (FMS) — which offset high freight cost and other externalities — be expanded to traditional markets such as the US and Europe, and, the creation of a fund to help micro, small and medium exporters to gain access to unexplored markets.

Since the beginning of the financial year, exports have fallen for three consecutive months since May. However, the fall recorded in July was a steep 14.8 per cent — to $22.4 billion compared with $26.3 billion recorded in the same month last year. Imports dipped by 7.78 per cent to $37.9 billion against $41.1 billion, according to the provisional data released by the Ministry of Commerce and Industry.

The fall in July has been the sharpest since 35 months after exports contracted 23.59 per cent in August 2009. Exports also registered a fall of 4.16 per cent and 5.45 per cent in May and June respectively. Cumulatively, exports contracted 1.70 per cent in the first four months of this financial year.

"We need the right kind of intervention this time," said Sanjay Budhia, managing director and chairman, Patton Group, a Kolkata-based export house. "A double-digit drop in exports is a major cause of concern. It is not that our traditional markets have vanished, they are very much there."

He said the problem was India's exports are not priced competitively, unlike China's, which is offering products at "throwaway" prices owing to an all-time low demand in the domestic market.

Budhia, who is also the chairman of CII's National Committee on Exports and Imports, wants the government to bring India's traditional markets of US and Europe under FMS that would provide them incentives in marketing and selling their products aggressively. The sectors that witnessed the fall this time were some top-ranking ones, including engineering, and gems and jewellery.

Engineering goods had given a stellar performance in the last couple of financial years. In 2011-12, engineering exports reached $60 billion from $49.89 billion in 2010-11 and $33.73 billion in 2009-10. But engineering goods' exporters today doubt whether the gain can be sustained this financial year.

According to R Maitra, executive director of the Engineering Export Promotion Council (EEPC), the challenge this year would be to sustain the same level of growth. Engineering exports have fallen nine per cent during April-July.

"We cannot survive until and unless we get back our traditional markets of the US and Europe. Diversifying to newer markets is alright but these cannot match up to the European standards," Maitra said.

He also added that EEPC is now looking at East European countries — Poland, Czech Republic and Romania. Even though these countries had been heavily dependent on Germany and Italy, Maitra said, demand from India is increasing due to cheaper price offered by India, unlike Germany and Italy where there had been a huge price escalation.

The Federation of Indian Export Organisations (FIEO) has demanded for the establishment of an Export Development Fund with a corpus of 0.5 per cent of freight on board value to enable micro, small and medium enterprises exporters to aggressively enter the unexplored markets.

The exporters' body also said with government's intervention in lowering the cost of credit, exports can see a turnaround by October. But, it said even after two per cent interest subvention, cost of credit is too high in domestic markets.

Currently, big exporters can raise money outside India at six per cent. But in India the rate of interest even after subvention comes at around nine per cent, Ajay Sahai of FIEO said.

FTP for this year had extended interest subvention till this financial year-end, and expanded it to readymade garments and toys.

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WTO head confirms 2012 slowdown in world trade

AFP

Paris, August 30, 2012: Pascal Lamy, head of the World Trade Organization, confirmed on Thursday that growth in global trade would remain below four percent this year and urged governments against protectionism.

Annual growth in world trade has averaged six percent over the past 15 years, but this year "we will be below four percent," Lamy told France's BFM radio, blaming the slowdown on a sluggish world economy.

"The world has crossed this crisis without a protectionist tsunami, but there are preoccupying signs that the WTO is watching over closely," Lamy said.

In April, the WTO warned that world trade growth, which slowed in 2011 after a big rebound in 2010, would weaken again this year and grow by 5.6 percent in 2013.

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Euro crisis pulls down India's export growth to 35-month low

Business Standard

New Delhi, September 4, 2012, 00:20 IST Severe sluggishness in demand in Europe hit India's merchandise exports, which fell for the third consecutive month this financial year. Compared with $26.3 billion in the corresponding period last year, exports fell 14.8 per cent to $22.4 billion in July.

This was the steepest fall in 35 months (exports had declined 23.59 per cent in August 2009).

Imports, too, contracted for the third consecutive month, falling 7.78 per cent to $37.9 billion, against $41.1 billion in July last year.

Crude oil imports fell 5.52 per cent to $12.22 billion, while non-oil imports declined 8.57 per cent to $25.70 billion, indicating a sluggish industrial scenario in the domestic economy.

"Contraction in this segment (imports) points to a slowdown in industrial activity, as it indicates a fall in consumption expenditure, as well as imports that are export-linked," said D K Joshi, chief economist, CRISIL.

As the fall in exports was more than that in imports, the trade deficit widened to $15.5 billion in July, against $11.08 billion in the corresponding month last year, prompting Moody's Analytics senior economist Glenn Levine to term it a "monster trade deficit".

For the April-July period, exports declined 5.05 per cent to $97.6 billion, compared with $102.8 billion in the corresponding period last year, while cumulative imports fell 6.47 per cent to $153.2 billion, compared with $163.8 billion in the year-ago period.

The trade deficit for the April-July period stood at $55.5 billion, against $60.9 in the year-ago period. Last month, Commerce Secretary S R Rao had said the crisis in Europe was affecting India's external trade, and the current global outlook was contributing to woes.

Joshi said it would be difficult to meet the Commerce Department's target of $360 billion of exports this financial year. Rao, too, had said meeting the target would be difficult, though not impossible.

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Exports contract for fourth month in a row

Asit Ranjan Mishra, Mint

September 14, 2012, New Delhi: India's merchandise exports continued to fall in August for the fourth straight month on waning global demand, and its trade deficit widened, according to official data released on Thursday.

Exports contracted 9.7% in August to $22.3 billion (around Rs.1.2 trillion today) and imports shrank 5.08% to $38 billion, leaving a trade deficit of $15.7 billion during the month, the commerce department said.

The latest data, however, provided a "slight ray of hope" after a dramatic 14.8% shrinkage in exports in July, commerce secretary S.R. Rao said.

"I hope this will give us some confidence that we can make up," Rao said, adding that some sectors such as pharmaceutical, engineering and textiles were showing some signs of improvement.

The dismal overseas trade numbers came a day after the government said factory output stagnated in July, rising a miniscule 0.1% compared with the year-ago period, reinforcing evidence of an economic slowdown.

The fall in exports of engineering goods in August had been expected because of depressed global market conditions, according to AmanChadha, chairman of lobby group Engineering Export Promotion Council of India. Engineering exports declined 9.7% in August to $4.67 billion.

A recovery in merchandise exports is now expected as the US market is stabilizing, Rao said. Good monsoon rainfall will allow India to export more petroleum products as domestic demand would decline, according to him. "We will be watching for next couple of months for a clear trend to emerge."

In the five months to August, exports shrank 5.96% to $120 billion, while imports contracted 6.2% to $191.1 billion. The trade deficit declined to $71.1 billion from $76.2 billion a year ago.

There might be a turnaround from October, said M. Rafeeque Ahmed, president of industry grouping Federation of Indian Export Organizations. The cost of credit is still a cause of concern for the export sector and a general reduction in interest rates would benefit manufacturing as well as exports, Ahmed said.

The Reserve Bank of India is widely expected to hold its policy rate at its current level of 8% in its scheduled mid-quarter monetary policy review on Monday due to high inflation despite a sharp slowdown in industrial activity.

Wholesale price inflation for August, to be released on Friday, is expected to be higher than the 6.9% registered in July.

The composite leading indicators released by the Organisation for Economic Co-operation and Development (OECD), a club of developed countries, show a loss of momentum in emerging economies, including India.

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WTO cuts 2012 global trade growth outlook

AFP

21 September 2012, Singapore: The World Trade Organization on Friday slashed its 2012 global trade forecast to 2.5 percent from 3.7 percent, citing the eurozone debt crisis as a key factor behind the downgrade.

The sputtering US economy and a slowdown in China were other factors dragging down global trade, the Geneva-based body said.

"The global economy has encountered increasingly strong headwinds since the last WTO Secretariat forecast was issued," the WTO said in a press statement released in Singapore.

"Output and employment data in the United States have continued to disappoint, while purchasing managers' indices and industrial production figures in China point to slower growth in the world's largest exporter.

"More importantly, the European sovereign debt crisis has not abated, making fiscal adjustment in the peripheral euro area economies more painful and stoking volatility."

In April the WTO had warned that world trade growth, which slowed in 2011 after a big rebound in 2010, would weaken again this year.

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Trade deficit likely to fall 20% in FY13

Sharmistha Mukherjee, Business Standard

September 23, 2012, New Delhi: This financial year, India's trade deficit is likely to contract to about a fifth of the deficit in 2011-12, owing to a fall in gold imports.

Ajay Sahai, director general, Federation of Indian Export Organisations (FIEO), said, "Much of the gold was imported for creating assets in the last financial year. The stock market and the real estate sector were not doing well. Now, with the markets expected to perform better, gold imports are likely to decline at least 50 per cent by the end of the year."

In 2011-12, 969 tonnes of gold, valued at about $54 billion, were imported. Gold imports are estimated to decline by $25-30 billion in the current financial year. "This fall in gold imports would help contain trade deficit at $150 billion in the current financial year," Sahai said.

In the last financial year, imports of gold and petroleum had led to the trade deficit ballooning to a record $185 billion, or about 10 per cent of the gross domestic product.

With gold prices touching record levels in recent months and the government raising duties on importing the commodity, gold and silver imports fell about 46 per cent to $2.6 billion in August. Data with the Ministry of Commerce and Industry show these imports dropped 62.5 per cent to $16 billion in the first five months of the current financial year.

"While the import of silver may increase for industrial purposes, owing to the economic revival, gold imports have already dropped 38 per cent in the April-August period. The import of coal has also been under control. However, much would depend on the allocation of coal available domestically for power generation," Sahai said.

In August, coal imports rose to $1.7 billion, compared with $1.5 billion in the corresponding month last year.

Declining imports this year may lead to containing trade deficit in the current financial year. While this deficit widened marginally to $15.7 billion in August, for the April-August period, trade deficit fell to $71.1 billion, against $76.2 billion in the year-ago period. However, the contraction in the trade deficit came amid a fall in both exports and imports.

In the previous two financial years, the trade deficit had risen year-on-year, which shows a steep decline in demand abroad. The high trade deficit had, in turn, raised India's current account deficit, which includes net trade in services and net investment income, to a record 4.2 per cent of the gross domestic product.

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India may not achieve export target of $360 bn in FY13: FICCI

PTI

23 September, 2012, New Delhi: The exports target of $360 billion for the current fiscal is unlikely to be achieved due to the global demand slowdown, a survey said today.

The country's exporting community is not optimistic about a possible improvement in the overall export conditions over the next two quarters, according to Ficci's Export Survey.

"The government's export target of $360 billion for the year 2012-13 seems difficult to achieve," it said.

It added that rising cost of raw materials and weak demand from overseas are primary factors that are bothering members of the Indian export community.

According to the survey, raw material prices have gone up by 20-30 per cent in the last three years.

"India's external sector is once again amidst a difficult situation owing to the global economic scenario," it said, adding that majority of the survey participants said they foresee no change in the export conditions over the next six months.

About 65 per cent of about 80 participants said export conditions currently have deteriorated compared to the last six months of 2011-12.

India's exports plummeted by 9.7 per cent in August, a deceleration for the fourth consecutive month.

"In fact the participants didn't seem too optimistic about a possible improvement in the overall export conditions over the next two quarters," it added.

However, it said that market diversification of exports was yielding some positive results for Indian exporters.

Regions like Africa, Middle East, South East Asia and Latin American would see an improvement in demand in the next six months (July-December 2012), it said.

"Until now Europe and the US have been the primary export markets for India. The new strategy for India should be targeting other countries like Africa and Middle East to take the next leap forward," the survey said.

It also asked to diversify its product basket and emphasise more on exporting technology intensive goods.

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India emerges as top 25 leading exporters in world

PTI

October 3, 2012, Washington: India has emerged as one of the top 25 leading exporters in the world along with countries like Brazil Mexico and Malaysia, WTO chief Pascal Lamy has said.

"In addition to China, many new trading powers have emerged -- Brazil, India, Mexico and Malaysia are all in the top 25 leading exporters' table and all posted export growth of 15 per cent or better in 2011, "Lamy said at the Brookings Dialogue here.

He said developing countries' share has increased to about 50 per cent compared to around 33 per cent of the global trade in 2008.

Also trade as a share of the world GDP has risen from roughly 40 per cent in 1980 to around 60 per cent today.

However, Lamy said that increasing use of non-tariff measures by different countries are impacting trade. "...governments are implementing a variety of non-tariff measures which impact trade flows, sometimes profoundly," he said on October 1.

These measures are regulatory in nature and are aimed at protecting consumers' health and safety, he added.They include standards, testing and certification procedures.

"But removing these types of regulations is often neither desirable nor politically feasible," Lamy added. The challenge before the WTO and other multilateral organisations is to reduce such discrepancies so that they do not conflict and unnecessarily restrict trade, he said.

Besides, regional or bilateral preferential trading arrangements may include elements not covered by the WTO agreements such as social and environmental standards, recognition of standards or qualifications. "There is a danger that the regulatory elements of each accord may not only differ but clash, creating perhaps unintended but very real barriers to trade," Lamy said.

He emphasised the need for global co-operation to address these measures.

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Exports in September down 10.78%, trade deficit widest in 11 months

Amiti Sen, Economic Times

12 October 2012,New Delhi: India's exports contracted for the fifth straight month in September while imports rose marginally, pushing up the trade deficit to an 11-month high of $18.1 billion, official data released on Thursday showed.

Exports contracted 10.8% from a year ago to $23.7 billion, while imports rose 5.1% to $41.8 billion on a 31% rise in oil imports to $14.1 billion, the commerce ministry said in a statement.

"We are tracking the trade deficit levels carefully, as a high current account deficit could be detrimental for the country's balance of payments" an official told ET, adding, "This month's high deficit is worrying, but we have seen worse last fiscal."

Non-oil imports for the month showed a contraction of 4.5%, indicating that the economy was still struggling but rising crude consumption was worsening the trade deficit.

Record high trade deficit last fiscal had pushed up the current account deficit to 4.2% of GDP, but a sharp moderation in gold imports fuelled hopes that the gap would be lower, which was partly the reason the rupee has rallied smartly against the dollar over the last few months.

Although the trade gap has widened, some economists are hopeful of an improvement in the current account deficit. Citibank expects a current account deficit of 3.1% of GDP, its India economist RohiniMalkani said in a note to clients.

But trade experts don't see a rebound in exports, given the deteriorating outlook for the developed nations.

"The global economy is getting into further problem, which is clear from the latest scenario painted by the IMF," said BiswajitDhar, director-general for developing countries at Research & Information System. "The competitiveness of our exports depends on how much we can reduce transaction cost," Dhar added.

Exporters blame the fall in exports on the high cost of credit and the fluctuation in the rupee.

"The biggest worry is the appreciating rupee, which has risen 10% recently, and the high cost of funds," said A Sakthivel, a garments exporter who also chairs the Apparel Export Promotion Council.

Exports have dipped sharply this fiscal due to shrinking demand from the West, a major market for Indian goods, and other markets such as Japan and Korea. The sectors affected the most include engineering goods, petroleum products, gems and jewellery, drugs and pharmaceuticals, and readymade garments.

Exporters say the government should offer more incentives for them to remain competitive.
SP Agarwal, president of Delhi Exporters Association, said the government should not only give more incentives to small exporters but also put in place a mechanism to shield them against currency fluctuations.

"Earlier this year, we quoted lower price in foreign markets as the rupee was down against the dollar and the euro, and we needed to fight our competitors. Now that the rupee has strengthened, it will not be easy to convince our buyers to give us more," Agarwal said, adding, "Moreover, we are not even sure what prices to quote as the rupee is so volatile."

An expert from a Delhi-based research body said the government should consider cutting red tape to help the sector. "We have not heard much about the Scindia Committee report on transaction costs after it was released last year. It is time for the government to act on the suggestions," he said.

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World trade growth to rebound in 2013: Pascal Lamy

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13 October 2012: World Trade Organisation (WTO) expects trade growth to modestly rebound to 4.5% in 2013 with exports of developed and developing economies increasing by 3.3% and 5.7% respectively and imports increasing by 3.4% and 6.1% WTO Director General Pascal Lamy. It is clear that the world is still working its way out of the crisis he added. The global economic growth rates remain sluggish and global unemployment still remains far too high. New threats to food security are growing and questions about how to effectively address climate change remain. Just last month the WTO revised downwards its projections for trade growth in volumes from the Spring forecast of 3.7% growth to 2.5% which is a larger than expected downgrade.

There have been some recent positive signals regarding measures to reinforce the euro and boost growth in the United States but the fact remains that the European sovereign debt crisis has not yet retreated and this continues to have implications for fiscal adjustment in the peripheral euro area economies and in the developing country markets particularly those in Africa given their strong trade links with Europe. Output and employment data coming out of the United States continues to be below expectation while and industrial production figures in China point to slower growth in that economy. Given that China is the world's largest exporter this has far reaching implications for the global economic landscape. Even though it is expected that trade growth will rebound in the coming year.

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China & UAE grab US, EU share of India’s trade

KirtikaSuneja, Financial Express

22 October 2012, New Delhi: While global trade growth has plummeted in the aftermath of the economic crisis, India has managed to rather dramatically alter the pecking order of its key trading partners.

An FE analysis has revealed that China and UAE have grabbed the major share of India’s trade from the US and EU, conventionally the country’s largest partners.

The US’ share in India’s total export-import trade was the largest at 10.02% in 2007-08; the world's largest economy (considering Europe, sans the fiscal union, cannot be counted as a single economy), was India's biggest trading ally till that year but lost that status to the UAE in 2008-09. In the following year, China too pipped the US, which slipped to the third slot among India's trading partners. In 2011-12, China became India's largest partner.

Hit by a prolonged economic slump, the US doesn’t appear to be regaining its slot, while both the UAE (thanks to petroleum trade) and China have strengthened their position (see table).

Among other major countries, Saudi Arabia’s share in India’s total trade is receding. Even pacts couldn’t help trade with certain nations. Despite the comprehensive economic agreement that India signed with Singapore in 2005, trade between the two countries have only declined in relative terms since 2007-08, although the initial two years of the agreement were noted for some rise in trade and a reversal in the trend was seen in 2011-12.

On the other hand, trade with Switzerland has consistently gained momentum in the last five years. “The main factor for the decline in the share of most of the countries is due to a huge spurt in imports from China which jumped 40% in three years. With the UAE, the share has gone up as petroleum products and gems and jewellery are largely imported from the emirates,” explained Federation of Indian Export Organisations (FIEO) DG and CEO Ajay Sahai.

“Our exports were limited to a few markets before 2008, but this changed after we introduced the focus market schemes and offered duty credits. India’s exports now go to more countries. China has grabbed a large share because of its diversified markets and products schemes,” said a commerce ministry official. India’s total trade in goods grew from $415 billion in 2007-08 to $795 billion in 2011-12.

In fact, the ministry plans to double India’s merchandise exports from $246 billion in 2010-11 to $500 billion in 2013-14 through an aggressive product promotion strategy for high-value items.

“At the core of the market strategy is to retain presence and market share in traditional markets, move up the value chain in providing export products in developed markets and open up new vistas, both in terms of markets and new products,” says a strategy paper on the shift in trade away from the US.

Though there is no drop in absolute numbers, experts opine that India’s overall trade with its traditional partners has not kept pace with that of other countries as the former are still reeling under recessionary pressures.

In absolute terms, trade with the US has steadily increased and India's exports have moved from $19.5 billion in 2009-10 to $34.7 billion in 2011-12. “No country should keep its eggs in one basket and we are also encouraging exporters to diversify their markets,” added Sahai.

“Unfortunately, the slowdown in global trade in 2012 has impacted emerging economies besides the advanced economies, which was not the case in 2008-09. Therefore, we are facing a slowdown in global trade,” said an industry expert.

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Exports fall sixth month in a row in October; trade deficit at 12 month high

Economic Times

13 November 2012, New Delhi: India's exports fell for the sixth straight month in October while imports rose marginally, pushing the trade deficit to a 12-month high and prodding the government to say fresh incentives for the industry could be announced soon.

October exports fell 1.63% from a year ago to $23.24 billion, while imports rose 7.37% to $44.20 billion, data released by the commerce department on Monday showed.

India's trade gap widened to $20.96 billion from $18.1 billion in September as overall imports rose on the back of higher crude oil purchases. Oil imports accelerated to 31.6% year-on-year in October to $14.78 billion.

"The Directorate General of Foreign Trade will conclude its analysis of various export sectors in the next two days, after which a report will be submitted to the commerce minister," commerce secretary S R Rao told reporters, adding, "The department will then decide whether there is a need to fine-tune this year's trade policy and if specific steps need to be taken to improve export performance."

The dismal performance on the exports front was largely due to shrinking demand from the West, a major market for Indian goods.

According to industry executives, the commerce ministry is likely to announce sops for the gems and jewellery, pharmaceuticals, auto components and leather sectors. The textile and engineering goods sectors, which have been hit the hardest by the downturn, could also qualify for additional doles, they said.

In June, Commerce Minister Anand Sharma had announced aRs 1,600-crore package for exporters of labour-intensive products.

For the April-October period, exports dropped 6.18% to $166.92 billion and imports shrank 2.66% to $277.13 billion, increasing the trade deficit to $110.2 billion. "World trade is continuously contracting. Our integration with world trade has increased, so any ripple worldwide will impact India's trade," Rao said.

Some exporters, however, feel that the decline will bottom out soon, as the fall in October exports is marginal as compared with that over the past months.

"We are hopeful that sectors such as leather, garments, tea, sugar and coir, which have shown an increase in the industrial data for September, will also translate into higher imports, and the country would start experiencing export growth from next month," said M Rafeeque Ahmed, president of the Federation of Indian Export Organisations.

But experts rule out a turnaround until global conditions improve.

"Exports are driven by external demand. If growth is slowing down everywhere, including the EU, the US and China, as a country India can do very little about it," said Sunil Sinha, senior economist at Crisil. "The slight improvement is largely due to the festive season and is likely to be temporary." The government's efforts to diversify exports beyond the traditional Western markets would not change the situation immediately, he added.

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Services exports shrink 7.6% on declining demand

AsitRanjan Mishra, Livemint

15 November 2012, New Delhi: India’s services exports have started to shrink, on top of declining demand in the overseas markets for its merchandise in the face of recession in Europe and faltering economic recovery in the US, reinforcing concerns about the government’s ability to bridge the widening current account deficit.

Net services exports shrank 7.6% to $28 billion in the first half of the fiscal (April-September), data released by the Reserve Bank of India (RBI) on Thursday show. The merchandise trade deficit widened to $48 billion during the same period, from $40.4 billion in the year-ago period, as exports fell and imports rose.

India runs up a deficit with the rest of the world in merchandise trade in most fiscal years, with the gap being partially met by a surplus in services trade. The declining net services exports and a widening merchandise trade deficit pose a new challenge for the government, which is struggling to boost slowing economic growth.

In the year ended 31 March, the trade deficit, mostly the outcome of an increase in gold imports, led to a current account deficit equal to 4.2% of the country’s gross domestic product (GDP).
RBI, in a note published on 12 November, said the falling merchandise exports, coupled with the declining surplus in services trade over the medium term, is likely to leave the current account deficit too wide for comfort.

The current account deficit “financing pressures can re-emerge in the face of event risks, although the recent policy measures announced by the government have helped boost portfolio inflows for now,” RBI said.

Finance minister P. Chidambaram said recently that the government hopes the current account deficit will fall to 3.7% of GDP this fiscal. He said a substantial part of the $70.3 billion required to finance the deficit will be met through foreign direct investments, foreign institutional investments and external commercial borrowings.

Services exports won’t provide any help in narrowing the trade deficit at a time when merchandise exports are also contracting, said MadanSabnavis, chief economist at CARE Ratings.
Sabnavis, however, expects the deficit to remain below 4% of GDP in 2012-13.

India’s services exports range from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI’s classification of service exports includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services.

Services are critical to India’s economic well-being as they constitute more than half the country’s GDP. The share of services in the GDP has risen from 33.5% in 1950-51 to 56.3% in 2011-12.

In terms of size, software is a key category, accounting for 41.7% of the total services exports in 2010-11. 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.”

While the commerce ministry regularly updates its foreign trade policy and sets yearly targets for merchandise export growth, forecasts for the services sector or measures to boost its exports are a rarity.

According to the World Trade Organization, India ranked sixth in exports of commercial services in 2011 with a 3.6% global share. In services imports, it ranked seventh with a 3.4% global share.

In contrast, India ranked 19th for its share of merchandise exports, contributing 1.6%; it ranked 13th in its share of merchandise imports with 2.5%.

RBI, in its annual report released in August, cautioned that the falling comfort level from services exports means that current account deficit risks will persist this year.

“Software exports are likely to moderate as global IT spending is expected to be lower. Major software exporters have already made steep downward revisions in their guidance on expected revenue during the year,” the central bank said.

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India ranks seventh in global services trade by WTO

Economic Times

18 November 2012, New Delhi: India has been ranked by the World Trade Organisation (WTO) as the seventh largest player in the global services trade with value of exports and imports aggregating $ 261 billion in 2011.

With exports at $ 137 billion and imports at $ 124 billion, India is among the five countries among the top ten players which ended the year 2011 with a surplus of trade in commercial services, according to a WTO report.

The Indian economy is mainly driven by services with the sector contributing over 55 per cent of the country's Gross Domestic Product (GDP).

The US lived up to its reputation of a global powerhouse of commercial services with exports of $ 581 billion, far exceeding its imports of $ 395 billion, the report noted.

Though Germany was ranked as the second biggest player in the global services trade, it had more of imports than exports with a deficit of $ 36 billion. Its exports of services were $ 253 billion while imports aggregated to $ 289 billion in 2011, it said.

China which runs a big surplus in merchandise trade had a deficit in the services with imports exceeding exports by $ 54 billion.

"The value of world exports of commercial services rose by 11 per cent in 2011 to $ 4,170 billion, exceeding pre-crisis levels of $ 3,850 in 2008," the report said.

While Europe showed signs of recovery, with annual growth of 11 per cent in 2011, Asian economies saw their growth rate halved compared with 2010, mainly due to slower growth in transportation services and other commercial services, it added.

The report also noted that services supplied by US majority-owned foreign affiliates to China and India proved more resilient to the global crisis than exports of cross border services.

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Losing steam: Global trade growth is set to slow down again, thanks to recession in Europe and a slump in the US and China

Rajesh Rai, India Business Journal

4 December 2012: A continuous slowdown in demand in major markets of the world is expected to hit global trade severely this year. The World Trade Organization (WTO) has downgraded its 2012 forecast for global trade expansion to 2.5 per cent from 3.7 per cent. The WTO has also scaled back its 2013 estimate to 4.5 per cent from the earlier 5.6 per cent.

The volume of world trade as measured by the average of exports and imports only managed to grow 0.3 per cent in the second quarter of 2012 compared with that of the first or 1.2 per cent at an annualised rate. The trade slowdown in the first half of 2012 was driven by an even stronger deceleration in imports of developed countries and by a corresponding weakness in the exports of developing economies.

"The WTO now expects world merchandise trade volume to grow by 2.5 per cent in 2012 (down from 3.7 per cent in April)," the world body adds. On the export side, it anticipates a 1.5 per cent increase in developed economies' trade, down from 2 per cent, and a 3.5 per cent expansion for developing countries, down from 5.6 per cent. "On the import side, we foresee nearly stagnant growth of 0.4 per cent in developed economies (down sharply from 1.9 per cent) and a more robust 5.4 per cent increase in developing countries (down from 6.2 per cent)," the WTO forecasts.

Woes in 2011

Global trade rebounded after its collapse in the recession. Trade expansion slowed from 13.8 per cent in 2010 to 5 per cent last year, missing a 2011 forecast of 5.8 per cent. The world trade is not yet out of the woods, notes WTO Director-General Pascal Lamy.

In 2011, developed economies exceeded expectations, while developing ones did worse than anticipated. The US economy saw exports growing by 7.2 per cent in 2011 after rising by 15.4 per cent a year earlier. Exports from the EU grew by 5.2 per cent compared with 11.5 per cent in 2010.

The fastest-growing regions were West Asia at 4.9 per cent; the Commonwealth of Independent States, which includes most former Soviet republics, 4.6 per cent; and South and Central America, 4.5 per cent. China, the world's biggest exporter, again outpaced the rest of the world last year at 9.3 per cent, but that was a far cry from the 28.4 per cent jump it achieved in 2010.

Now, several indicators of export activity are flashing red as Europe's recession, anaemic US growth and the slowing Chinese economy damp exports worldwide. Europe is the epicentre of the weakness radiating through the global economy. Chinese exports to the European Union - until last year its largest export market - have fallen by 5 per cent so far this year through August.

Weak exports have exacerbated a slowdown in China's domestic economy, which economists project will grow around 7.5 per cent this year. This would be the weakest annual expansion since 1990.

Fragile conditions

More than three years have passed since the trade collapse of 2008-09, but the world economy and trade remain fragile. The further slowing of trade expected in 2012 shows that the downside risks remain high.

Economic prospects have brightened in the United States and Japan as labour conditions improve in the former and business orders pick up in the latter. But these positives will provide only partial relief from the earlier negatives, notes the WTO.

"In an increasingly interdependent world, economic shocks in one region can quickly spread to others. Recently-announced measures to reinforce the euro and boost growth in the United States are therefore extremely welcome," notes MrLamy. However, he adds: "But more needs to be done. We need a renewed commitment to revitalise the multilateral trading system, which can restore economic certainty at a time when it is badly needed. The last thing the world economy needs right now is the threat of rising protectionism."

The multilateral body points out that the global economy has encountered increasingly strong headwinds. Output and employment data in the US have continued to disappoint, while purchasing managers' indices and industrial production figures in China point to slower growth in the world's largest exporter. More importantly, the European sovereign debt crisis has not abated, making fiscal adjustment in the peripheral eurozone economies more painful and stoking volatility.

Critical times

Risks to the forecast will remain mostly on the downside as long as financial uncertainty in Europe remains elevated. Besides, other events can also intrude to produce worse outcomes for trade, including a "hard landing" for the Chinese economy or geopolitical tensions.

However, there is also some upside potential if the European Central Bank's recently announced bond-purchasing programme has an immediate salutary effect on the EUs' import demand. "In this case, we might see slightly faster growth in the fourth quarter and for 2012 as a whole, but possibly less growth in 2013 as the reversion to recent trends would be weaker," the WTO adds.

The growth of world trade in the first half of 2012 is less than what traditional econometric models will predict, given current rates of growth in the Gross Domestic Product. A similar trend had occurred during the trade collapse of 2008-09, which accompanied the global financial crisis and may be related to issues such as access to trade finance or, in the case of the sovereign debt crisis, the re-introduction of exchange rate risk into peripheral eurozone economies. Meanwhile, policy-makers are hoping that there is no repeat of the 2008 crisis.

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Exports fall for 7th month in Nov

Business Standard Reporter

New Delhi, 12 December 2012: Slackening demand abroad triggered a contraction of exports for a seventh straight month in November, with outbound shipments declining 4.2 per cent to $22.3 billion against $23.3 billion in the same month last year, prompting the government to assure exporters of more incentives coming for them. In fact, exports fell faster than the 1.7 per cent in the previous month, belying expectations that the deceleration in shipments would come down.

“It (incentive package) will hopefully come by the end of the week. We are waiting for final confirmation from the ministry of finance. We are trying to give a fillip to sectors which contribute most to exports’ performance,” said Commerce Secretary S R Rao, while releasing the data.

The data showed that imports, however, increased 6.4 per cent to $41.6 billion during the month compared to $39.1 billion, pushing the trade deficit to $19.3 billion against $15.8 billion in November 2011.

Rafeeque Ahmed, President, Federation of Indian Export Organisations, said, “With the slowdown in global trade, pricing has become a key issue and extension of some fiscal benefit by the government will help exporters to factor these in their prices to procure such orders, which are being lost by them, either for wafer-thin margins or for a loss.”

Cumulatively, between April and November this year, exports registered a fall of six per cent to $189 billion, while imports recorded a decline of only 1.6 per cent at $318.7 billion. Consequently, the trade deficit rose to $129.5 billion, higher than the $122.6 billion reported in the same period last year. This could dash the initial optimism of the commerce department, that the trade deficit would be lower this year against the $185 billion in 2011-12.

Earlier, imports also contracted till August, so the deficit was under control. However, now even the trade deficit has started rising, which would aggravate the current account deficit (CAD), projected to come down to 3.6 per cent of GDP this year by the Prime Minister’s Economic Advisory Council, against 4.2 per cent in 2011-12.

MadanSabnavis, chief economist, CARE Ratings, said, “CAD is likely to end close to four per cent of GDP, higher than the targeted 3.6 per cent.” If indeed CAD rose to four per cent, it would be a consecutive year when it remained higher than even in the balance of payments crisis period, when it stood at three per cent. However, the two situations are also dramatically different, as India now has forex reserves of $294 billion, against a meagre amount at the time of the BoP crisis.

“It is unlikely that exports will recover in the coming months, given the recession in the Euro zone and recovery slowing in the US on concerns of the fiscal cliff,” Sabnavis said. He said there might be a marginal recovery in outbound trade, only because exports declined in the later months of 2011-12.

Within imports, oil was 16.8 per cent higher at $14.5 bn in November, while non-oil imports were up slightly by 1.5 per cent to $27 bn. Cumulatively, oil imports were up 10.8 per cent at $110.1 bn in the first eight months of this year, while non-oil declined 7.1 per cent to $208.6 bn. So, there is partial recovery in non-oil imports, aa glimmer of hope on industrial revival. "With the improvement in industrial growth, non-oil imports are likely to go up, along with oil imports putting pressure on the trade deficit and thereon on CAD," Sabnavis said.

Rao said the increased demand in petroleum products was distressing. Crude oil imports continue to be very high, he admitted.

GDP in America grew 2.7 per cent in the third quarter of this year, the fastest since late 2011. The Euro zone, on the other hand, was in recession.

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Exports may fall USD 40 bn short of govt target: FIEO

PTI

New Delhi, 14 December 2012: India's exports may touch USD 320 billion during the current fiscal as against the target of USD 360 billion due to the global demand slowdown, Federation of Indian Export Organisations (FIEO) today said.

India had recorded the highest ever export of USD 307 billion in the last fiscal. The prevalent economic crisis in the developed economies is hitting India's exports. "The target of USD 360 billion is likely to elude us. Going by the present trend, we may end up with exports between USD 300 - USD 320 billion in the current fiscal," FIEO President Rafeeque Ahmed told reporters here.

During the April-November this fiscal, the country's shipments have shrunk by 5.95 percent to USD 189.2 billion. He also said present forecasts point to a difficult 2013 as uncertainties are looming large on the European Union which will have its bearing on every country.

"The world trade forecast for 2013 is definitely better than 2012 but still is not very encouraging," he said. Talking about the country's exports region-wise, he said while exports to EU went down by 9.6 percent in April-October 2012 over the same period last year, exports to ASEAN, North East Asia declined substantially. "Contrary to popular perception, India's exports to North America went up by 12.5 percent during April-October 2012 over the corresponding period in 2011 thanks largely to substantial growth in Exports to the US," he added.

India's exports to North and Latin America increased to USD 24.6 billion and USD 8 billion during the first seven months of the fiscal from USD 21.8 billion and USD 7.23 billion respectively in the same period last year, he said. Exports to Africa and CIS region grew by 11.12 percent and 19.45 percent to USD 15.24 billion and USD 2 billion respectively during the period. While, exports to ASEAN, Europe and Asia declined by 19.4 percent, 9.5 percent and 2.5 percent to USD 17 billion, USD 30.7 billion and USD 83.3 billion respectively during April-October 2012.

Ahmed asked the government to provide support to exporters to boost the country's shipments. "The long-term strategy for promoting exports would be to support export of high technology items, branded products and moving up the value chain in respect of all product categories," he said.

On rupee, he said that the volatility in rupee will continue on account of rising trade deficit and erratic inflows. "Rupee will strengthen only if we see massive inflows through FDI route," he added.

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Global slowdown may dampen export growth prospects in 2013

PTI

New Delhi, 28 December 2012: Indian exports, which were hit by global slowdown last year, are likely to remain sluggish during 2013 as well due to challenging economic conditions in western economies, though policymakers have drawn a strategy to diversify exports.

The year started on a double-digit growth for exports, but gradually declined and finally entered the negative territory in May.

In January 2012, outbound shipments grew by 10 per cent before contracting by about 5 per cent in May, with no major turnaround since then.

The government's effort to diversify from the traditional markets of the US and Europe yielded positive results but dependence on the western economies have led to decline in the country's overall merchandise shipments. These two markets account for about one-third of India's exports.

Although India's exports surpassed the USD 300-billion mark and reached USD 307 billion during 2011-12, the country's trade deficit also touched an all-time high of USD 185 billion in the period.

During January-November 2012, the trade gap has widened to USD 175.5 billion compared to USD 146.9 in the comparable period last year.

For government, it is a major cause of concern, as widening trade gap directly impacts current account deficit (CAD) and domestic currency. CAD stood at 3.9 per cent of GDP in the April-June quarter.

Due to the global demand slowdown, India's exports during the current fiscal are likely to barely cross USD 300 billion against the ambitious target of USD 360 billion for the current fiscal.

According to the Commerce Secretary S R Rao, any ripple worldwide will impact India's commerce as the country's integration with the global trade has reached a high level.

Slowing global output growth has led the World Trade Organisation (WTO) to cut its 2012 forecast for world trade expansion to 2.5 per cent from 3.7 per cent and to scale back the 2013 growth estimate to 4.5 per cent from 5.6 per cent.

"In an increasingly interdependent world, economic shocks in one region can quickly spread to others," WTO Director General Pascal Lamy has said.

Federation of Indian Export Organisations (FIEO) has said the year 2012 had been difficult for exporters. "Domestic issues like poor infrastructure, increasing transactions cost and some procedural hurdles are huge challenges for exporters," FIEO President Rafeeq Ahmed said.

Sharing similar views, Rakesh Mohan Joshi, internal trade expert and Professor with India’s prestigious Indian Institute of Foreign Trade (IIFT) said the ballooning trade deficit poses serious challenges to the government.

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Current account deficit widens to 5.4 % in Q2

Special Correspondent, Hindu

Mumbai, 31 December 2012: The Reserve Bank of India (RBI), on Monday, said that the Current Account Deficit (CAD), as a proportion of gross domestic product (GDP), during the second quarter (July to September) of 2012-13 increased to 5.4 per cent from 4.2 per cent in the second quarter of the previous year.

“Notwithstanding a reasonable increase in net services receipts, net invisibles earnings could finance only a lower proportion of trade deficit as net ‘primary and secondary’ income flows were relatively smaller. Consequently, the CAD worsened to $22.3 billion in the second quarter of 2012-13 from $16.4 billion in the preceding quarter and $18.9 billion in the second quarter of 2011-12,” the RBI said in its report on developments in India’s Balance of Payments (BoP) position.

Surge in inflows

Despite the surge in net inflows during the quarter under review led by foreign direct investment (FDI) and portfolio investment, there was a marginal draw-down of reserves by $0.2 billion, mainly due to the higher level of current account deficit.

On a BoP basis, merchandise exports recorded a decline of 12.2 per cent (year-on-year) as against an increase of 45.3 per cent during corresponding quarter of 2011-12. Similarly, imports registered a decline of 4.8 per cent (year-on-year) as against an increase of 38.1 per cent.

Steeper decline in exports than that in imports led to the widening of trade deficit to $48.3 billion during the period under review from $44.5 billion during the corresponding quarter of the previous year. However, in this period, net services receipts recorded a rise of 11.4 per cent (year-on-year), led by software, construction, information services, business services.

Net receipts under secondary income (private transfers) recorded a moderate increase of 2.9 per cent during the quarter and were partly offset by the net outflow under primary income (investment income). In the half-year period ended September 2012, CAD was higher at $38.7 billion against $36.3 billion in the same period of the previous year. As a proportion of GDP, CAD rose sharply to 4.6 per cent in the first-half of 2012-13 from 4 per cent in the the previous year “reflecting slowdown in GDP and a significant depreciation in rupee.”

Net inflows under the financial account were lower during April-September 2012 over the corresponding period of the previous year, mainly due to decline in FDI, external commercial borrowings (ECBs) and banking capital.

“Moderation in capital inflows coupled with continued elevated level of CAD led to only a marginal accretion of $0.4 billion in foreign exchange reserves during April-September 2012,” the RBI added.

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Exports contract for 8th month in Dec

Business Standard

New Delhi, 12 January 2013: Contraction in global demand hit Indian exports for the eighth consecutive month, with outbound shipments falling 1.9 per cent to $24.9 billion in December against $25.4 billion in the corresponding period of FY12.

Imports, however, increased 6.3 per cent to $42.5 billion last month, widening the trade deficit by 20 per cent to $17.7 billion in December 2012, compared to $14.7 billion in the year-ago period.

While oil imports rose 23.5 per cent to $14.4 billion, non-oil imports declined marginally by 0.9 per cent to $28.1 billion, indicating industrial production still remained low in December after a 0.1 per cent contraction in November.

Cumulatively, exports declined 5.5 per cent to $214 billion in the April-December period, compared to $226.5 billion in the corresponding period in the last financial year.

Imports contracted 0.7 per cent to $361 billion, compared to $364 billion over the period. As such, trade deficit rose seven per cent to $147 billion against $137 billion.

The growing trade deficit has put pressure on India's current account deficit (CAD), which increased to an all-time high of 5.4 per cent of gross domestic product (GDP) in the July-September quarter. Rafeeque Ahmed, president of the Federation of Indian Export Organisations (FIEO), said, "The trade deficit has already touched $147 billion and may cross $200 billion in FY13. Such a high deficit will put pressure on the current account and add to volatility of the rupee."

However, the silver lining is that import of gold, one of the main contributors to the rise in trade deficit, declined 15 per cent in the first nine months of the financial year.

However, oil imports, another key factor in the rising CAD, rose 12.1 per cent to $125 billion in April-December, constituting 35 per cent of India's total imports.

"While imports of four of the top five import commodities declined in the first nine months of the financial year, import of crude and petroleum products increased," said Director-General of Foreign Trade AnupPujari.

However, the pace of contraction of exports has slowed down, raising hopes that these would pick up in the last quarter of this financial year.

Commerce Secretary S R Rao said, "All sectors have slightly improved except for textiles in December. With the incentive package coming into effect from January this year, we are hopeful that the exports' performance would improve."

Rao conceded that it would be difficult to achieve the target of $360 billion in exports with just three months to go in the current financial year.

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World commercial services exports swung into decline in the third quarter of 2012

Thai News

24 January 2013: According to preliminary estimates by the WTO and UNCTAD, in the third quarter of 2012, world exports of commercial services shrank by 2 %, as compared with the same quarter last year. Preliminary figures (balance-of-payments basis, current prices) indicate the sharp drop in services exports in Europe (-7%), while the services trade growth also slowed, but remained positive in North America (2%) and Asia and Oceania (4%).

World trade estimates are aggregated from individual reporters' quarterly balance-of-payments statistics taken from the IMF and Eurostat, supplemented with estimates for missing data, as well as national sources.

Quarterly figures may not add up to annual figures published elsewhere in WTO or UNCTAD statistical publications or online databases.

Quarterly data are released every three months.

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After 8 months of fall, exports up in Jan

Business Standard

New Delhi**,** 14February 2013**:** After declining for eight consecutive months, merchandise exports rose 0.8 per cent to $25.6 billion in January, compared with $25.4 billion a year ago, official data showed today. The data provided hope to policymakers that exports would improve in February and March, too.

Imports rose 6.1 per cent to $45.6 billion in January, against $43 billion in the corresponding month last year, widening the country's trade deficit to $20 billion. After narrowing to $17.7 billion in December 2012, the deficit rose 13.8 per cent year-on-year, as imports of petroleum, as well as other products, rose.

For the April-January period, exports declined 4.9 per cent to $239.7 billion, while imports rose 0.01 per cent to $406.9 billion; the trade deficit stood at $167.2 billion, against $154.9 billion in the year-ago period. It remains to be seen whether the trade deficit for the entire financial year exceeds the record $185 billion in 2011-12. That financial year, the high trade deficit had led to a record current account deficit (CAD) of 4.2 per cent of gross domestic product (GDP).

The rise in exports was despite the International Monetary Fund (IMF) cutting growth projections for India's two largest trading partners, the Euro zone and the US, for 2013. While the forecast for Euro zone was cut by 0.3 percentage points to (-) 0.2 per cent, that for the US was lowered by 0.1 percentage points to two per cent.

"I hope with exports growing marginally in January, we can narrow the trade gap at the close of the financial year," Commerce Minister Anand Sharma said, after launching the national summit of the National Association of Software and Services Companies in Mumbai today.

However, Federation of Indian Export Organisations President M Rafeeque Ahmed said the trade deficit for this financial year would exceed $200 billion.

In January, the rise in exports was aided by the basic chemicals, engineering goods, textiles and gems and jewellery segments. Exports of basic chemicals rose 8.1 per cent, petroleum products 6.6 per cent, engineering goods 0.7 per cent and gems and jewellery 0.6 per cent, Commerce Secretary C S Rao told reporters.

The engineering goods and gems &jewellery segments had seen exports fall in the previous months.

Rice, tobacco and oil mill exports rose in January. Among bulk sectors, drugs and pharmaceuticals registered high growth in exports.

Rao said he hoped the incentive package for exporters, effected in January, would help the country's exports "improve significantly" in the coming months.

In January, oil imports rose 6.91 per cent to $15.90 billion. In December, these had contracted to $14.42 billion. Non-oil imports increased 5.71 per cent to $29.68 billion, providing hope the economy might be recovering. As the government didn't disclose the break-up of imports, it was difficult to gauge whether gold was exerting pressure on imports. To curb gold imports, the government has already raised customs duty on branded gold from four per cent to six per cent.

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Exports target may be missed

The Hindu

Mumbai, 20 February 2013: India is likely miss the exports target of $350 billion it had set for 2012-13, according to Union Minister for Commerce, Industry & Textiles Anand Sharma.

"Exports will instead be around $300 billion for the fiscal year ending March 2013. The year 2012 was full of turmoil owing to the euro crisis. This impacted Indian exports adversely," he said on the sidelines of a conference organised by the Confederation of Indian Industry (CII),

Responding to a query as to the biggest challenge in India, the minister said, "the real challenge for India and the biggest opportunity are one and that is of job creation and skills training. It has to be not just a wish but a national concern, a national effort and a national priority."

Mr. Sharma said the share of manufacturing in India's gross domestic product (GDP), currently at 16 per cent, should go up to 25-26 per cent in a decade to create a minimum of 100 million skilled jobs. The national manufacturing policy announced earlier is a key instrument to achieve this, he said.

"With a large number of poor people, we can ill afford an economic downturn," he said, adding that it was necessary to go back to a higher growth rate of around 9 per cent per annum. "High growth is not an option but an imperative. The issue has a social dimension and if we do not create jobs, the social cost will be unbearable."

Mr. Sharma also pointed out that the trade deficit with China was a matter of concern. "We are seeking more access for our industries, particularly in the information technology industry in China and their public healthcare system for our pharmaceutical industry." He said that with the recent visits of the French President and the British Prime Minister, "the world is looking at us, and we must assume global leadership in the 21 century."

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Economy's structural rigidity, global crisis key factors behind trade gap

Indivjal Dhasmana & Nayanima Basu, Business Standard

New Delhi, 23February 2013**:** The structural and cyclical problems of India's economy, besides subdued demand overseas, widened the country's trade deficit to a record $153 billion (Rs 8.3 lakh crore) in the first nine months of the current financial year, over 11 per cent higher than $137 billion in the corresponding period last year, official data showed.

The rise in trade deficit was not as high as over 78 per cent in April-December 2011-12, but it represented continuous pressure on India's trade even over a high base.

Exporters' body Federation of Indian Export Organisations (FIEO) expects trade deficit to reach $195-200 billion in 2012-13 against $185 billion in the previous financial year. Already till January, trade deficit has widened to over $167 billion against $155 billion in the year-ago period, data by the Commerce Department revealed.

While oil and gold imports are blamed for high trade deficit, overall merchandise imports marginally went up 0.36 per cent to $365 billion in April-December 2012 against $364 billion in the corresponding period last year. In fact, merchandise exports put pressure on trade deficit much more, as these contracted 6.47 per cent to $211.5 billion against $226 billion due to slackening demand overseas.

Exports saw pressure coming from ores and minerals, whose outbound shipments declined 34 per cent to $3.9 billion against $6 billion over the period due to restrictions on mining. Of these, exports of iron ore came down 63.6 per cent to $1.2 billion during April-December from $3.3 billion a year ago.

High value-added engineering goods, which have the highest 19.33 per cent share in India's exports, contracted 5.7 per cent to $41 billion against $43 billion as global recovery fails to take a solid move towards recovery. Among engineering goods, iron and steel bar rod declined 22 per cent to $827 million from $1.06 billion.

Petroleum products, which till recently had the highest share in India's exports, fell close to five per cent to $40 billion against $42 billion, also due to low demand in the advanced world. Its share in exports stood at 18.86 per cent in the first nine months of the current financial year, second to engineering products.

Gems and jewellery exports declined 11 per cent to $31 billion against $35 billion. It has the third highest share in exports at 14.6 per cent. Recently, a gems and jewellery association blamed the hike in customs duty on gold for strangulating India's gems and jewellery exports.

However, chemicals and related products that had 14.6 per cent share in exports rose 14.6 per cent to $31 billion during April-December, compared with $29 billion in the previous corresponding period.

Even as agriculture and allied products exports rose 30 per cent to $24 billion from $18.65 billion, those of pulses declined 20.21 per cent due to fall in production.

Leather and leather products saw exports contracting 2.43 per cent to $3.54 billion from $3.62 billion. The products constituted the lowest 1.86 per cent of India's exports, but are a crucial item from the point of view of the numbers of labourers employed. Similarly, other labour-intensive products like textiles and handicrafts, too, declined. However, carpets rose 13.48 per cent to $721 billion against $635 billion.

Imports and oil

So far as imports are concerned, oil still constituted India's largest demand from overseas countries. Its imports rose 12.81 per cent to touch $125 billion against $111 billion in the first nine months of the current and the previous financial years, respectively.

"International oil prices were not as elevated as was earlier. Had it been at the level of $147 a barrel, the trade deficit would touch $250 billion in 2012-13," FIEO director general Ajay Sahai said.

Usually, non-oil imports are considered to be good for economic activities, but here their components become all important. Non-oil imports declined 5.1 per cent to $240 billion in the nine months against $253 billion.

Gold, another important item to pressure imports, fell 14.71 per cent along with silver to $39 billion against $46 billion. It constituted close to 11 per cent of India's exports.

While the government has raised customs duty on gold to six per cent from four per cent in December, gold still remained a lucrative option, given high inflation and not-so-robust real estate markets and other financial instruments in terms of appreciation, explained an analyst.

Cement, though constituting a small portion of 0.02 per cent in India's imports, were up 34.43 per cent at $71 million against $53 million. Imports of cement, however, signify expansion of activities in the economy, particularly infrastructure sector that propels growth.

As sugarcane production is expected to fall this crop year (July 2012 to June 2013), sugar imports rose a 992 per cent to $366 million against $33.56 million. The government has estimated sugarcane production to be 334.54 million tonnes (mt) in 2012-13 crop year against 361 mt in the last season.

India has always been deficient in oilseed and this year's further shortfall led to an increase in imports of these primary products by 128 per cent to $23 million from $10 million and edible oils by 16 per cent to $8.60 billion from $7 billion. Oilseeds production was pegged at 29.47 mt in the current crop year against 29.8 mt in 2011-12 and 32.48 at in 2010-11.

Pulses imports rose 22.75 per cent to $1.73 billion against $1.4 billion. This was even as pulses production was pegged slightly higher at 17.58 mt against 17.09 mt. The Reserve Bank of India has time and again pointed to structural rigidity in this regard. Basically, while production of protein items have been on the rise, the supply is not increasing at the proportional rate.

For the first 10 months of the current financial year, exports declined in eight months. It revived slightly by posting a growth of 0.82 per cent in January 2013 year-on-year. "Except for China, others are not growing at a robust pace," an economist said.

According to the latest world economic update by the International Monetary Fund, emerging and developing economies grew 5.1 per cent in 2012 against 6.3 per cent in 2011. Even developing Asia, where China and India — the two drivers of growth — are included, expanded just 6.6 per cent in 2012 against eight per cent in 2011.

Exports this year would not be able to touch even the last year's figure of $304 billion, forget the target of $360 billion set by the commerce department.

In 2013-14 and 2014-15, pressure on trade deficit would also come from some $85 billion of power equipment, orders for which have been already placed. "The orders are particularly placed with China," Sahai said, adding the actual delivery would be spread in 2014 and 2015.

The rising trade deficit is a matter of concern for India since it is the largest part of the current account deficit (CAD). High CAD requires large capital inflows and at times of global slowdown capital flows usually dry.

India's CAD had reached an all-time high of 4.2 per cent of GDP in 2011-12. For the first half of the current financial year, it had already touched 4.6 per cent of GDP. Sahai projects it to be at 5.1 per cent for the whole of 2012-13. If that happens, CAD would really become a major policy concern.

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Share of exports in India's overall GDP rises to 17.7% in FY12
PTI

New Delhi, 6 March 2013: The share of merchandise exports in the country's GDP has increased from 13.9 per cent in 2009-10 to 17.7 per cent in 2011-12, Parliament was informed today.

In a written reply to the RajyaSabha, Minister of State for Commerce and Industry D Purandeswari said that exports have always played an important role in the economic development of most countries.

"This is evident even in Indian case from the continuous upward movement of percentage share of merchandise exports in the overall GDP of India from 13.9 per cent in 2009-10 to 16 per cent in 2010-11 and 17.7 per cent in 2011-12," she said.

She also said that as per the WTO trade statistics, India's share in the total global exports has also been increasing since 2007.

In 2007, 2008, 2009, 2010 and 2011, the country's share in the total global exports stood at 1.07 per cent, 1.21 per cent, 1.31 per cent, 1.48 per cent and 1.67 per cent respectively.

"The long term vision of the government is to make India a major player in world trade and assume a role of leadership in international trade organisations commensurate with India's growing importance," the Minister said.

During April-January period, overseas shipments declined by 4.86 per cent to USD 239.6 billion.

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Indian exports rise 4.25% in February

Asit Ranjan Mishra, Livemint

New Delhi, 11 March 2013: India's merchandise exports grew for a second consecutive month in February by an annual 4.23% to $26.26 billion (around Rs.1.43 trillion) after contracting for eight months in a row.

Exports are looking up and the trend is expected to continue as shipments to Europe have increased and the US market continues to do well, according to Commerce Secretary S.R. Rao.

"Most heartwarming is that sectors which have the largest weightage, such as engineering, have started doing better," Rao said. "Textiles and refined petroleum exports have arrested the slide and are making up for the deficit."

In the first 11 months of the financial year to 31 March, engineering exports were down 3% to $51 billion. Other sectors that performed well include rice, oil meals, pharmaceuticals and chemicals.

To revive exports and tackle India's widening current account deficit, Finance Minister P. Chidambaram has promised to announce a slew of measures through the forthcoming supplement to the foreign trade policy. The current account shortfall in the July-September period rose to a record 5.4% of the country's gross domestic product.

Rao said the commerce ministry is engaged in wide-ranging discussion with various stakeholders, and a policy will be announced by the end of this month, including measures to revive special economic zones, whose fortunes have been fading after the government imposed minimum alternative tax and withdrew other incentives.

In December, the commerce ministry widened and extended the 2% interest subsidy on bank loans for labour-intensive sectors to specific engineering industry sub-sectors such as iron and steel, and electrical transformers, till 31 March 2014 to boost exports.

Until now, the subsidy has been available to sectors such as handicraft and handlooms, carpets, ready-made garments, processed agriculture products, sports goods and toys, apart from small-scale industries. The World Trade Organization has projected global trade to expand 4.5% in 2013, while export demand from developing countries will rise only 3.3% during the year.

Imports in February increased 2.6% to $41.18 billion, leaving a trade deficit of $14.92 billion. While oil imports continued to expand at 15.45% to $15.1 billion, non-oil imports contracted 3.57% to $26 billion. Gold imports, which have been pushing the trade deficit, fell 7.6% to $52.4 billion in the 11 months to February. In the same period, exports shrank 4% to $265.95 billion, while imports grew marginally by 0.25% to $448.04 billion.

India has a trade deficit with 83 countries, which contributed $227 billion, but a surplus with 152 countries contributing $60 billion till January, according to Anup K. Pujari, Director General of Foreign Trade.

The revival in February shows Indian exports are responding to positive global developments, said Rafeeque Ahmed, president of lobby group Federation of Indian Export Organisations.

“However, since we are much away from our targets fixed for 2012-13, we need to revisit our strategy for imparting competitiveness to exports while simultaneously pursuing aggressive marketing to realize better exports in 2013-14,” Ahmed said.

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WTO scales down global trade forecast to 3.3 pc for 2013

PTI

New Delhi, 10 April 2013: Faced with the slow recovery and fears of increasing protectionism, the WTO today scaled down the forecast for the global trade growth rate to 3.3 per cent from 4.5 per cent for this year, a development which does not augur well for India.

Slowing global trade according to experts will make it difficult for India to tide over the problems concerning widening current account deficit.

"World trade growth fell to 2 per cent in 2012, down from 5.2 per cent in 2011, and is expected to remain sluggish in 2013 at around 3.3 per cent as the economic slowdown in Europe continues to suppress global import demand," a World Trade Organisation (WTO) statement posted on its website said.

WTO Director-General Pascal Lamy said the events of 2012 should serve as a reminder that the structural flaws in economies that were revealed by the crisis have not been fully addressed, despite important progress in some areas.

"Repairing these fissures needs to be the priority for 2013," Lamy added.

It said that improved economic prospects for the US in 2013 should only partly offset the continued weakness in the EU, whose economy is expected to remain flat or even contract slightly this year according to consensus estimates.

China's growth should continue to outpace other leading economies, cushioning the slowdown, but exports will still be constrained by weak demand in Europe. As a result, 2013 looks to be a near repeat of 2012, with both trade and output expanding slowly, it said.

"As long as global economic weakness persists, protectionist pressure will build and could eventually become overwhelming. The threat of protectionism may be greater now than at any time since the start of the crisis, since other polices to restore growth have been tried and found wanting," Lamy said.

In September 2012, the WTO had forecast that the world trade would expand by 4.5 per cent in 2013.

Further, it said that developing countries and the Commonwealth of Independent States collectively raised their output by 4.7 per cent in 2012. India recorded a 5.2 per cent increase.

"Contributing to the slow growth in Asia were India and Japan, where exports declined by 0.5 per cent and 1 per cent, respectively," it added.

During the April-February period, India's exports declined by 4 per cent to USD 265.95 billion. Imports during the period grew by a mere 0.25 per cent to USD 448 billion, leaving a trade deficit of USD 182.1 billion.

Current Account Deficit (CAD), which is the difference between inflow and outflow of foreign currency, has touched a historic high of 6.7 per cent of the GDP in quarter ending December.

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Exports show signs of recovery

The Hindu

New Delhi, 18 April 2013: Exports continued to post growth for the third consecutive month, rising by 6.97 per cent in March.

There was, however, a decline in export of 1.76 per cent at $300.6 billion in 2012-13.

Exports in March stood at $30.8 billion compared to $28.8 billion in the same month of the previous year. Imports dipped by 2.87 per cent to $41.16 billion in March, leaving a narrowed trade deficit of $10.31 billion from $13.5 billion in March last year. In January, it had widened to $20 billion, the second highest figure ever in a month.

During 2012-13, the trade deficit widened to $190.91 billion from $183.3 billion in the previous fiscal. Commerce Secretary S.R. Rao said exports were gradually picking up. He expressed hope that the current trend would continue.

“Export performance has started picking up. For March, the export performance has picked by a slightly robust figure as compared to the previous two months. We do expect this trend to continue. I should assume a minimum of 10 per cent growth if the current trend continues,” he told reporters after the release of the new Foreign Trade Policy supplement here.

Mr. Rao said the trade deficit had come down slightly which was good.

“Given a very weak performance for a major part of the year, I think in the last 3-4 months, we really covered a good deal of ground. This may not be sufficient, but certainly there is progress in exports,” he said.

During 2012-13, imports grew by 0.44 per cent to $491.48 billion. Crude oil imports in March 2013 declined by 16.56 per cent to $13.32 billion. Non-oil imports in March increased by 5.41 per cent to $27.83 billion, but during 2012-13, it dipped 3.62 per cent to $322.23 billion.

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Shift in trade pattern as Europe takes backseat

The Financial Express

New Delhi, 24 April 2013: The pattern of the country's merchandise trade is going through a structural shift, according to an analysis by the Prime Minister's Economic Advisory Council (PMEAC).
The analysis revealed that over a six-year period from 2006-07 to 2012-13, the share of traditional destinations, such as Europe and North America, in India's total trade (exports and imports) declined, while that of Latin America, Africa and Asia went up.

In its latest review of the economy, the PMEAC also raised concerns over exports to Asean member countries Japan and South Korea falling despite New Delhi inking a free-trade agreements (FTA) with them.

PMEAC chairman C Rangarajan said controlling the current account deficit (CAD) was the government's main concern in the medium term, while, in the short term, capital flows need to be encouraged by procedural easing and removal of restrictions in certain areas. The CAD is estimated to be $94 billion (5.1% of the GDP) in 2012-13 and could touch $100 billion (4.7% of the GDP) in 2013-14.

Blaming high gold, oil and coal imports for the high CAD, the report listed out several measures to contain it at around $90-95 billion (4.2-4.4% of GDP) in 2013-14 and further to 3-3.5% of the GDP in the next fiscal.

These include containing gold imports by $5 billion, so that it does not exceed $40 billion in 2013-14. Producing more domestic coal would help bring down thermal coal imports by $2-3 billion in 2013-14 and price reform would ensure net oil imports to be lower by $2-3 billion.

However, Rangajaran said reducing oil dependence will be difficult as imports of the commodity will increase as the economy grows. He mooted encouraging more capital flows and making financial instruments more attractive to wean away people from gold.

As per the review, during 2006-07 to 2012-13, the share of Europe in India's external trade fell 4.2 percentage points to 17.9% as well as that of North America (including US and Canada) slipped by 2 percentage points to 9.2%.

However, the share of Africa in India's total trade went up by 2.2 percentage points to 16.5%, that of Latin America up by 2.2 percentage points to 5.1%, and the rest of Asia by 2.7 percentage points to 56.4%.

A closer look solely at India's merchandise exports shows that the share of European Union has declined from 21.2% to 17% during the six-year period, in line with the economic difficulties in the region.

The share of North America in India's exports also fell from 16.2% to 14.1% during this period, in which there was a drop of two percentage points in exports to the US.

Meanwhile, thanks to the market diversification strategy adopted by exporters and government's incentives, exports to Latin America have rose from 3% to 4.6%.

The council also said exports to Africa rose steadily during the period. The share of exports to the GCC area in West Asia went up from 13% to 17%. On the other hand, exports to Northeast Asian markets have fallen 2.1 percentage points mostly in China & Hong Kong [(–) 1.7 percentage points] and South Korea

[(–) 0.5 percentage points]. It noted that the drop in exports to China is partly due to the near cessation of India's iron ore exports, which were mostly to China.

It said India’s exports to Asean countries fell nearly 12% in 2012-13, which is a matter of concern. “This was a rapidly growing market in the previous two years and is a region where we have entered into FTA and have a range of common interests and logistic advantages,” it pointed out. Exports to Japan and South Korea also fell. “We have FTA arrangements with Japan and South Korea and it seems that there is considerable potential which remains to be developed. This must be seen as a near term challenge — from the facilitation side by government, and as a business proposition for industry,” the report added.

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Happy trade tidings for India?

Biswajit Dhar, Livemint

6 May 2013: Finally, there seems to be some good news on the merchandise trade front. After declining for most of the previous fiscal, exports from India moved into positive territory in the last quarter. In the first nine months of 2012-13, the major cause of concern was the steady decline in exports, down by almost over 5% as compared with the previous year. However, a pick up in exports since January this year has not only reversed the declining trend, it has also played a part—together with a perceptible slowdown of import growth—in preventing another large expansion in the trade deficit. As compared with a steep 56% increase during 2011-12, provisional figures available from the department of commerce indicate that deficit on the merchandise trade account increased by less than 4% during 2012-13. The reining in of trade deficit could help tamp down current account deficit (CAD) to gross domestic product (GDP) ratio from the alarming 6.7% during the third quarter of the previous fiscal to around 5% according to recent predictions of the Reserve Bank of India (RBI). At the same time, RBI has sounded a note of caution as the expected level of CAD will remain twice the sustainable level.

The decline in India's exports reflects ongoing uncertainties in the global economy. According to recent estimates provided by the International Monetary Fund (IMF), the global economy expanded by 3.2% in 2012, well below the 4% growth registered a year earlier. The emerging market and developing economies contributed to this decline, growing by just 5% as against 6.4% a year earlier. These findings are hardly unexpected given that China's GDP growth was below 8%; off the 9% plus rate recorded in the preceding year, coupled with the slowing of the Indian economy. The advanced economies too saw a setback in the hesitant recovery that they had seen in 2011; witnessing an average growth of just 1%. The larger economies in the Association of South East Asian Nations (Asean), Indonesia, Malaysia, Philippines, Thailand, Vietnam, were the only exceptions, having recorded higher growth rates that were well above 6%. IMF predicts that this scenario will continue in 2013, particularly because of the sluggish growth of the emerging market and developing economies.

Were Indian exporters able to exploit the markets in the relatively faster growing economies and to stamp their presence? Available figures allude to the singular inability of the exporters to exploit the expanding markets, more so in the previous fiscal. It is clear that together with the government, the exporters will have to put in place strategies which help in repositioning Indian products in the dynamic regions of the world.

India's inability to penetrate the Chinese market should be one of the key concerns for policymakers. Although the Chinese economy has started cooling since last year, it nonetheless remains the fastest growing economy whose dependence on the global economy for inputs is quite considerable. In recent months, China has shown an increasing tendency for imports: in March this year, China recorded a trade deficit of nearly $900 million, with imports surging by over 14% from a year earlier.

In 2012-13, India's exports to the world's second largest economy fell by more than a quarter, triggered by the steep fall in iron ore exports. This was caused primarily by the judicial ban on illegal mining in Karnataka and Goa. As a result, China has dropped off as India's third largest exports destination for the first time since 2005. China also lost its position as the second largest trading partner, falling behind the US. The decline in exports to China was so sharp that it negated a modest decline in India's imports. As a result, India’s already precarious trade imbalance with China has aggravated further; in the last fiscal, the $21.6 billion trade deficit was more than 1.6 times India’s exports to its neighbour.

The most worrisome aspect of India’s export performance is its dismal performance in the Asean region where exports fell by more than 10% during the previous year. The concerns are twofold. The first is that this region was among the very few that recorded higher growth in 2012, and India’s inability to exploit these expanding markets is, therefore, quite inexplicable. This dismal export performance is even more confounding given that India’s exports had increased by more than 43% a year earlier. The second and the more significant source of concern is that Indian exporters have preferential market access in these economies, following the implementation of the India-Asean free trade agreement (FTA). Expectations were that this FTA would allow India to exploit these fast-growing economies better and that this region would emerge as a major destination for India’s exports. However, several years after the implementation of FTA, the share of India’s exports absorbed by this region has hardly moved beyond 10%.

The experience with other FTA partners such as Japan and Korea is hardly different. The share of these North East Asian countries‟ in India’s total exports has remained range-bound to 14-16% over the past several years before it came down to around 13% in 2012-13. With both Japan and Korea, registering higher than trend rate of GDP growth in 2012, exports from India should have performed better than they eventually did.

BiswajitDhar is director general at Research and Information System for Developing Countries, New Delhi.

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Services PMI falls for third straight month in April

The Financial Express

New Delhi, 7 May 2013: Indian services growth eased dramatically during April as new orders came in at a much slower pace, prompting firms to rein in hiring plans, a business survey showed on Monday. The HSBC Services Purchasing Managers' Index, based on a survey of around 400 companies, fell to 50.7 last month, its lowest since October 2011 and the weakest reading in the current expansion cycle. The index had stood at 51.4 in March.

It was the third straight month of decline, and took the index dangerously close to the 50 mark that separates growth from contraction.

Services make up almost 60 percent of Asia's third largest economy and a slowdown does not augur well for the country, coming after data last week showed manufacturing activity also lost steam.

The new business index, which rose to an 18-month high in January, fell for the third straight month to 52.6, its lowest since November 2011, from 53.3 in March."Activity in the service sector decelerated further in April led by slower growth in new business. This led to a slowdown in employment growth," said Leif Eskesen, economist at survey sponsor HSBC.

Strong overseas demand for Indian services has taken a hit from the ongoing downturn in the euro zone, its main trading partner, which could add to exporters' problems and slow new outsourcing deals for Indian software companies. Indeed, firms were less optimistic about the future in April, with the business expectations index falling from March's three month high. A similar survey last week showed India's factories lost momentum in April as output grew at its weakest pace in over four years.

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Govt pares exports target to $325 bn

ENS Economic Bureau

New Delhi, 9 May 2013: Moderation in demand and shaky recovery in the developed markets have forced the government to scale down the export target. The exports target for 2013-14 is $325 billion as against $360 billion in 2012-13, Parliament was informed on Wednesday.

"Government has set an export target of $325 billion for the year 2013-14," minister of state for commerce and industry D Purandeswari said in a written reply to the RajyaSabha.

The economic slowdown in major markets like the US and Europe impacted India's export adversely last fiscal.

The country's exports fell for the first time in three years by 1.8 per cent to stand at $300.6 billion taking the trade deficit to a record high level of $191 billion.

Declining exports also adversely impacted the current account deficit which widened to 6.7 per cent of GDP in the third quarter of the last fiscal.

The Reserve Bank of India (RBI), estimates the CAD for 2012-13 to be around 5 per cent of the GDP, on the back of modest improvement in exports in the last few months.

"As per provisional figures, export registered an increase of 0.8 per cent for the month of January after a continuous fall during May, June, July, August, September, October, November and December 2012," Purandeswari said.

The government had, however, refrained from fixing a target when it announced its foreign trade policy on April 18 this year.

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Exports rise in April, but gold imports widen trade deficit

Amiti Sen, Business Line (The Hindu)

New Delhi, 13 May 2013: India's goods exports grew for the fourth straight month in April at 1.68 per cent to $24.16 billion, but gold imports more than doubled during the month widening the trade deficit.

"The sharp rise in gold imports was not expected. Fall in gold prices could account for some increase in imports as it neutralises the increase in import duties, but it cannot explain such strong growth. The Government is doing something about it," Director-General of Foreign Trade AnupPujari said addressing a press conference on Monday.

Gold imports during the month rose 138 per cent to $7.5 billion from $3.1 billion in April 2012.
With an improvement in the US economy and rise in exports to new markets such as Latin America, Africa and CIS, the Commerce Department has set an export target of $325 billion for 2013-14 which will be about eight per cent higher than $300.6 billion in 2012-13.

Exports last year had declined 1.6 per cent as a slowdown in the European economy had shrunk demand. Imports increased by a marginal 0.44 per cent to $491.48 billion creating a trade deficit of $190.91 billion.

While exports had bounced back into positive territory in January this year, the growth decelerated a bit in April. Items that contributed to rise in exports in April, albeit marginal, include gems & jewellery, rice, ready made garments, cotton and marine products.

Engineering goods, which is one of the top export items, posted a decline of 8.6 per cent.

"The export incentives announced last month will start showing results in some time," said Commerce Secretary S.R. Rao.

Imports during April increased 10.96 per cent to $41.95 billion, while trade deficit increased 21 per cent to $17.78 billion. "We are concerned about the growing trade deficit and the Government will come up with steps to contain it," Rao said.

He said that gold imports in future would also depend on how the economy shapes up and whether people find better investment avenues or not.

Increase in imports was also posted in metals & scrap, organic & inorganic chemicals, wood & wood products and non-ferrous metal.

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India's net services exports recover in second half of FY13

Asit Ranjan Mishra, Livemint

16 May 2013: India's net services exports recovered in the second half of the year ended 31 March from a contraction in the first six months to grow by 20.4% in 2012-13, easing the pressure on the country's record current account deficit.

Rising gold imports largely increased the current account deficit to 6.7% of gross domestic product (GDP) in the quarter ended December.

The deficit may moderate to 4.7% of GDP in 2013-14 from a projected 5.1% in the previous year, the Prime Minister's economic advisory council has predicted, advocating measures to encourage capital inflows to finance around $100 billion of the gap in the current fiscal year.

In the months between April and September, net services exports contracted 1.1% to $28 billion, with slower growth in exports and rise in imports. Net services exports, however, jumped by 45.4% to $34.9 billion in the second half between October and March.

The improving services exports will help in bridging the trade deficit gap, according to Crisil chief economist D.K. Joshi.

A surplus on account of India's services exports has been a cushioning factor for financing a large part of the merchandise trade deficit in recent years. During 2006-07 to 2011-12, surplus in services exports on average financed around 38% of merchandise trade deficit.

However, with a record $191 billion merchandise trade deficit in 2012-13, net services exports of $63 billion will be able to finance 33.8% of the trade deficit. In 2011-12, net services exports financed only 30.1% of the $183.3 billion trade deficit.

With merchandise exports picking up, softening gold and crude oil prices, Joshi said the current account deficit is expected to be around 4.5% of GDP in 2013-14, adding that financing of this level of shortfall will not be a problem with global risks reducing and central banks infusing additional liquidity into the system.

India's services exports expanded at 4.7% to $143.5 billion in 2012-13 compared to a contraction of 1.76% in merchandise exports to $300.6 billion. Services imports contracted 1.7% to $80.5 billion in the financial year ended 31 March, while merchandise imports marginally increased by 0.44% to $491.5 billion.

Merchandise trade data released by the commerce ministry showed export growth slowed to 1.68% in April after growing 6.97% in March while imports grew 10.96%, the highest in more than a year. The ministry has set an export target of $325 billion for the current fiscal year against $300.6 billion achieved in the previous year. The commerce ministry announced a series of fiscal measures in the annual

supplement to the trade policy released in April to boost exports, which is expected to have a positive impact starting May.
India's services exports range from information technology (IT) to services provided by Indian doctors and nurses abroad. RBI" s classification of service exports includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services. In terms of size, software is a key category, accounting for 43.7% of the total services exports in 2011-12.

The finance ministry's annual economic survey presented just before the budget said downward risks to export of services persist as global economic conditions remain less conducive. Researcher Gartner Inc.has projected that worldwide IT spending will increase by 4.2% in 2013 to $3.73 trillion.

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Exporters bet on better FY14

Nayanima Basu & Indivjal Dhasmana, Business Standard

New Delhi, 10 May 2013: There is optimism on export growth this year among those involved in the trade and experts are betting on a revival in demand in some of the newer markets and the older ones.

The government is projecting a 10 per cent growth after the unsatisfactory performance in 2012-13 but quite a few exporters are less conservative. In FY13, exports fell 4.4 per cent to $300.6 billion, pulled down mainly by engineering goods, manmade textiles and apparel. There is hope on these fronts this year.

“North America is recovering," said A Sakthivel, chairman, Apparel Export Promotion Council. “Our order book positions are better and we are receiving positive feedback of US economic revival, the biggest destination for Indian clothing exports. In the case of the EU (European Union), we are keeping our figure crossed, as recovery is very slow, especially in the 17 countries of the Euro zone. We are exploring new markets, trying to penetrate where India has signed Free Trade Agreements (FTA) and Preferential Trade Agreements, as these markets give us duty-free access.”

Last month, while announcing the stimulus package for exporters in the annual supplement to the Foreign Trade Policy 2009-2014, commerce secretary S R Rao had said exports might rise by 10 per cent in FY14 over FY13. However, exporters are confident of a rise of 20-25 per cent, at $360-365 bn.

“This would be because of change in the direction of trade,” averred Ajay Sahai, director general, Federation of Indian Export Organisations. “We have reduced our dependence on Europe over the years, a part of the globe which is struggling to revive. Besides, the US is improving. Also, our recently signed CEPA (Comprehensive Economic Partnership Agreements) and FTAs will help.”

In the March quarter of 2012-13, exports registered positive month-on-month growth for those three months, rising 0.8 per cent, 4.2 per cent and seven per cent, respectively, after outbound shipment had contracted for eight months in a row. According to the Prime Minister‟ s Economic Advisory Council, exports should continue this positive run in FY14, due to a rise in export of gems and jewellery, pharmaceuticals, chemicals and agricultural products. It did warn, though, that this was not certain.Besides, the PMEAC notes, exports from India are undergoing a shift in terms of destination, expected to support the positive growth outlook. Some of the significant changes are a decline in the share of Europe to less than 18 per cent (April-January 2013) from 21 per cent in 2006-07 and North America to 9.2 per cent during April-January 2013 from 11 per cent in 2006-07. The share of Africa increased to 17 per cent (April-January 2013) from 14 per cent in 2006-07; Latin America grew from three per cent to five per cent.

“The traction this year is definitely going to come from the newer markets. I think the target of 10 per cent is slightly aggressive. We feel exports this fiscal will increase within the range of three to five per cent and traction is going to come from the US and, to some extent, the Euro zone,” said JyotinderKaur, economist, Housing Development Finance Corporation. “The trade balance situation still looks grim but considering the narrowing of the gold and fuel import bill, we expect it to be around 10 per cent of the GDP.”

According to rating agency CRISIL, exports should recover slightly on account of the measures announced by the government last year under the Foreign Trade Policy, coupled with an improved global economic outlook.

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India probably world's 3rd largest economy: OECD

PTI

London, 30 May 2013: India has probably surpassed Japan to become the world's third largest economy after the US and China, Paris-based think-tank OECD said today even as it lowered the country's economic growth projection for 2013 to 5.3 per cent. "China will likely pass the United States as the world's largest economy in the next few years and India has probably recently surpassed Japan to be third largest," said the OECD Economic Outlook report. Until around 2020, China is set to have the highest growth rate among major countries, but could be then surpassed by India, it further said. OECD also said that by early 2030s, the BRIICS' (Brazil, Russia, India, Indonesia, China and South Africa) combined GDP should roughly equal that of the OECD (based on current membership), compared with just over half that of OECD now. "Between now and 2060, GDP per capita is seen to increase more than 8-fold in India and 6-fold in Indonesia and China," it added. The Organisation for Economic Cooperation and Development (OECD), which in November had projected India to grow at 5.9 per cent in 2013, cautioned that structural bottlenecks in the country could further constrain investment and growth potential. "GDP growth is projected to rise gradually over the next two years... Significantly more growth would be forthcoming if structural bottlenecks were swept away by fundamental structural reforms," the report said. Looking ahead, it said India is likely to improve growth to 6.7 per cent next year, after having logged a decade's low of 3.8 per cent in 2012. OECD said the world real GDP is projected to increase by 3.1 per cent this year and by 4 per cent in 2014. Across OECD countries, GDP is projected to rise by 1.2 per cent this year and improve to 2.3 per cent in 2014. Growth in non-OECD countries will rise by 5.5 per cent this year and 6.2 per cent in 2014. In the US, activity is projected to rise by 1.9 per cent this year and by a further 2.8 per cent in 2014, OECD said. GDP in the euro area is expected to decline by 0.6 per cent this year and then rebound by 1.1 per cent in 2014. Japan's GDP is expected to grow by 1.6 per cent in 2013 and 1.4 per cent in 2014, it added. Talking about India's neighbour China, OECD forecast that its economy would grow 7.8 per cent this year, down from a previous estimate of 8.5 per cent. Referring to India, it also said the fiscal tightening and the new fiscal consolidation roadmap are "welcome and should allow monetary policy to be eased further".

On-going efforts to better target household transfers are commendable although further progress is needed, OECD said. It further said that with inflation projected to decline, the Reserve Bank of India could ease monetary policy provided the government sticks to its fiscal consolidation plans.

"The large Current Account Deficit may, however, make it difficult to cut interest rates significantly," it said. However, subsidies could be better targeted and more revenues could be raised in a less distorted way, it added**.**

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Exports dip 1.1% in May; trade deficit at seven-month high

The Indian Express

New Delhi, 18 June 2013: India's exports declined 1.1 per cent to $24.51 billion in May from a year earlier, on persistent weakness in the European markets. Exports had grown during the last four months, data from the commerce ministry, released on Monday, showed.

Gold exports declined due to restrictions on its trading from special economic zones (SEZ). Gold imports, however, continued to surge, witnessing almost 90 per cent growth year-on-year, though slower than the 138 per cent surge recorded in April.

Overall imports during the month rose 7 per cent to $44.65 billion, widening the trade deficit to a seven-month high of $20.1 billion during the month as against $16.9 billion in May 2012.

Commerce secretary SR Rao said that the high trade deficit is a result of the high imports of gold and silver. "As far as trade deficit is concerned, it is very worrisome... It is largely contributed by heavy imports of gold and silver," Rao said.

The commerce ministry had issued a notification on April 26, restricting gold trading in special economic zones (SEZs). The notification, which was effective May 1, has impacted overall export growth. Due to the restrictions, gold exports from SEZs declined by $800 million during the month.

Import of gold and silver, however, stood at $8.3 billion as against $4.4 billion during the same month last fiscal. During April-May, it grew by 109 per cent to $15.88 billion as against $7.56 billion during the corresponding year-ago period.

Gold imports have been a cause of grave concern for the government as it has been putting pressure on the current account deficit, which hit an all-time high of 6.7 per cent of GDP in the December quarter last fiscal. To rein in the demand for gold, the government recently hiked the import duty on gold to 8 per cent, doubling it in a span of six months. The RBI has also taken steps to curb the demand for gold. The widening current account deficit has been pressurising the rupee, which depreciated sharply to about 6 per cent in current quarter, sliding to an all-time low of 58.98 on June 11.

The depreciation while making imports expensive, has not helped exports as expected, especially in sectors like pharmaceutical and gems and jewellery, which have high import component.

Director general of foreign trade Anup Pujari said, "We in the commerce ministry are looking for a stable exchange rate... rupee fluctuation is not good for business... we need a stable rupee".

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Services exports in April up 22% at $12.84 bn

PTI

Mumbai, 16 June 2013: India's services exports in April 2013 stood at $12.84 billion, up 22.5 per cent over $ 10.48 billion reported in corresponding period of last fiscal, according to data released by Reserve Bank of India.

According to the data, during 2012-13 fiscal the services receipt amounted to $133.43 billion while imports of services were valued at $80.49 billion during 2012-13 (April-March). The services sector contributes about 55 per cent to the country's Gross Domestic Product. And it has emerged as a prominent sector in terms of its contribution to national and states' incomes, trade flows, FDI inflows and employment.

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

The monthly data on services are provisional and generally undergo revision when the Balance of Payments (BoP) data is released on a quarterly basis.

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Let's get proactive on boosting exports

The Economic Times

20 June 2013: The figures for May reveal that India's trade deficit has worsened further, what with exports declining and imports — notably of gold — rising.

Heightened imports can, of course, lead to much economic gain, but a persistent trade deficit needs to be addressed (and corrected) with proactive policy.

The data show that imports from tiny Switzerland have shot up an eyepopping 128% in April (over the like period last year), making it the top country of import, well ahead of China.

The figures seem questionable and call for a proper scrutiny, along with a medium-term plan to change the scenario of persistent trade deficits with our main trading partner, China. There is much scope to press for improved trade access.

But the latest trade figures also point at structural weaknesses in our international trade. Now the single biggest item in value terms in India's merchandise exports are petroleum products, but these are highly import-intensive, with quite minimal value-addition and thus hold little upside for export growth.

More important, for the next biggest item, engineering goods, which account for about 19% share of exports, the monthly figures show a markedly declining growth trend. The same is the case for textiles, which make up about 9% of the export basket.

We clearly need to strategise policy to boost competitive advantage in such high potential sectors like engineering goods, textiles and transport equipment. Other segments like pharmaceuticals and fine chemicals hold much potential.

But the biggest opportunity may well be in electronic goods, which account for barely 2% of our export share, about the same as ore and minerals. What is required is vision to chalk out and implement an eco-system that steps-up manufactures and boosts productivity in tandem. It would pay rich dividends, for years.

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CAD moderates to 3.6% of GDP in Q4 FY13

The Financial Express

Mumbai/New Delhi, 28 June 2013: Helped by a lower merchandise trade deficit and somewhat strong showing in software exports, India's current account deficit (CAD) moderated to $18.1 billion or 3.6% of the gross domestic product (GDP) in fourth quarter of 2012-13. Despite the record CAD of 6.7% of GDP in the previous quarter, the full-year deficit could therefore be contained at $87.8 billion or 4.8% of GDP, a bit lower than official and independent forecasts, although still a record high. With net capital flows of $89.2 billion, $3.8 billion was added to the country's forex reserves in the year after financing the CAD. But a surge in gold imports in April and May and a flattening out of export growth (April-May growth was just 0.2%) could precipitate a higher CAD in the current quarter, analysts said. They also saw a plateauing of the growth witnessed in recent years of net invisibles ,private remittances which could put pressure on the current account for a few quarters to come even as threat of capital outflows persisted. Net portfolio capital outflows, including equity and debt flows, have been over $6.5 billion since May 22. The country might also have to face dollar outflows through repayment of its debt. Economists warned that the short-term debt stock of the country is rising and rolling over these debt is becoming more difficult as yields across global markets have been on the rise. One positive for India on the capital flows front, however, is that due to the lower-than-expected US growth data for March quarter, the Federal Reserve could now delay its pullback on bond purchases. RBI.s decision to release the better-than expected Q4 balance of payments data a day earlier than scheduled, and that too before the close of market hours, was obviously aimed at calming the exchange rate market following the rupee's fall to a fresh all-time low of 60.71/$ on Wednesday. The moderation in the CAD helped the rupee gain to 60.28/$. Surplus in the capital account stood at $89.2 billion in 2012-13, the highest since 2007-08 when it hit a record $108 billion and much higher than $67.8 billion in 2011-12. Of the two non-debt creating inflows, FDI and portfolio equity, the former was lower in 2012-13 (net inflow of $19.8 billion) compared with the previous year ($22.1 billion) while the latter was somewhat robust at $23.3 billion. Net portfolio investment in equities had steadily increased in the year from a deficit in Q1 (negative $1.65 billion) to $9.6 billion in Q4. Net portfolio capital flows (including both equity and debt flows) in the year were higher than the Prime Minister's economic advisory council projection of $23.7 billion at $26.9 billion, and significantly above $17.2 billion in the previous year. Flows had increased marginally to $11.3 billion in January-March from $9.8 billion in the previous quarter. Net invisibles, which includes net services exports, remittances and net investment income (which has conventionally been negative given that inbound investments surpass outflows), saw a decline to $107.5 billion in 2012-13 from $111.6 billion in 2011-12. A 6% growth in exports and a muted growth in imports along with a $2-billion dip in gold imports to $15.8 billion helped narrow down the trade deficit to $45.6 billion in January-March. The country's exports of services remained steady at $16.96 billion while private transfers saw a marginal improvement to $15.3 billion from $15.1 billion in the previous quarter. "While it is comforting that that CAD has moderated to 3.6% of GDP in Q4 FY13 from 4.4% in Q4 FY12 and a much higher 6.7% in Q3 FY13, this moderation was due to a narrowing of trade deficit. Trade deficit has deteriorated during April-May 2013 sharply and if the decline in net invisibles in Q4 FY13 also continues, current account will remain high in Q1 FY14," said Mathew Joseph of FORE School of Economics, Delhi. A key worry is the onerous repayment obligations with regard to trade credit. "In our view, financing the current account deficit this year will be the key challenge, as not only are there risks from lower portfolio inflows, but debt inflows such as short-term trade credit also suggest caution, said Sonal Varma, India economist at Nomura Securities.

During 2013-14, around $70 billion worth of short-term debt is due for repayment. Out of this, $21 billion is forex loans of companies and $49 billion is volatile non-resident deposits. Further, trade credit worth $86.79 billion is also due during 2013-14. Typically, a large part of the trade credit is rolled over. Abheek Barua, chief economist at HDFC Bank, said that the notion that trade credit can be easily and is usually rolled over is now getting challenged. I don't think that we can assume trade credit would get rolled over. Short-term debt stock is indeed a worry," he said. The RBI will need to keep aside 60% of its forex reserves to repay the short-term debt of the country. Forex reserves were about $290 billion last week. In the first three months of 2013-14, the country has seen foreign fund inflows of a measly $145 million and consequently the rupee has plummeted to an all-time low. "As global liquidity tightens, large quantum of capital inflows needed to finance the CAD puts the external sector at risk and exposes the rupee to larger volatility" said Crisil in a note. The fall in January-March CAD could well be a brief respite until debt repayments make the path for the rupee difficult. Crisil said "The dip in CAD in Q4FY13, we believe, is temporary and CAD will rise to settle at 4.5% of GDP for FY14. Financing CAD is a bigger challenge this year. For one, global liquidity will be stretched if the US recovery continues and as Federal Reserve starts winding up its bond purchase program in 2013-end. And second, with much weaker growth prospects vis-a-vis other emerging markets, India's attractiveness as an investment destination is waning."

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India’s balance of payment gains may not last

Ravi Krishnan, Mint

27 June 2013: The improvement in the balance of payments seen in the March quarter is likely to be short-lived. Yes, the current account deficit narrowed in the three months ended March to 3.6% of gross domestic product, but data for the current quarter suggest that the trend might not continue. The prime reason for the seeming improvement in March was the decline in the trade deficit. Merchandise exports grew 5.9% over a year ago and imports fell 1%, owing to a decline in non-oil, non-gold imports. That category continues to fall, but high gold imports pushed up the trade deficit for April and May. Yes, gold imports might very well come down from June onwards because of new central bank strictures, but will exports hold up? Exports, where growth was already weak, declined 1% in May. While a falling rupee is expected to boost exports in theory, note that the local currency is not the only one to fall. A second point here is that the fall in non-oil, non-gold imports is a reflection of the weakness in the Indian economy. Lower growth expectations will further crimp foreign portfolio flows, adding pressure on the current account deficit. The sheen of the trade deficit improvement was taken off by a 7.7% decline in invisibles income from a year ago. Software exports remained almost flat while private remittances fell by 6.3%. Like in the past three quarters, capital flows were sufficient to finance the current account deficit, but there are clear signs of a slowdown and questions about the quality of this money. The $20.5 billion surplus in the capital account, although greater than a year ago, is the smallest in three quarters.

True, there was an improvement in foreign direct investment, but there was a decline in portfolio flows (primarily the debt component), non-resident deposits and more net repayment of loans by banks. Loans jumped by almost 3.5 times, driven not only by increasing external commercial borrowings but also a spike in short-term trade credit. Overall loans totalled $9.2 billion, almost half the capital inflows for the quarter. That, plus a larger outflow of investment income in the current account (up almost 18%) indicates the dangers of an increasing external debt pile, of which a quarter is short-term debt. That is all the more worrying in the current risk-off environment where rolling over of such debt might prove difficult and add to pressures on capital flows. In any case, with the US Federal Reserve indicating that it will turn off the tap soon, foreign portfolio inflows have slowed to a trickle in the current quarter. Thus, even in the event of the current account deficit moderating a bit, the bigger challenge this financial year lies in its funding. That is the reason why the rupee remains weak.

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Exports from SEZ up by 31% to Rs 4.76 lakh cr in 2012-13

PTI

New Delhi, 28 June 2013: Exports from special economic zones (SEZs) grew by about 31% year-on-year to Rs 4.76 lakh crore during 2012-13. Shipments from these zones stood at Rs 3.65 lakh crore in 2011-12. Out of 389 SEZs notified, 170 are operational, Export Promotion Council for EOUs and SEZs (EPCES) said in a statement. It said that these exports are helping in reduction of the widening current account deficit (CAD). CAD, which is the difference between the outflow and inflow of foreign currency, touched a record high of 4.8% of GDP in 2012-13 on rising gold and oil imports. During 2012-13, SEZs have attracted a total of Rs 2.36 lakh crore investment and provided direct employment opportunities to over 11 lakh people, it added. However, it said inconsistent tax policy, especially with the introduction of minimum alternate tax (MAT) and dividend distribution tax (DDT), has discouraged investors. "If the income tax benefit is not given to SEZ developers and units, the growth of sector will remain a dream not fulfilled," it said. The council hoped that the Finance Ministry will revisit the tax provisions related to SEZ on the back of declining Gross Domestic Product (GDP) growth and escalating CAD. Further, it said in order to gather more investment in the zones, EPCES would organize road-shows in countries like the US, Dubai, Indonesia and Africa in the coming months. "The objective of the road-Shows is to convey positive signals to the international investment community. During these shows, EPCES will organise conferences and buyer-seller meets," it said.

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Trade deficit narrows to $12.2 billion in June

The Hindu

New Delhi, 13 July 2013: A sharp dip in import of gold and silver in June brought down the trade deficit $12.2 billion even as exports registered a decline of 4.56 per cent during the month.

Gold and silver imports dipped to $2.45 billion in June from $8.4 billion in the previous month. However, when compared to the same month in last fiscal, imports grew by 22.8 per cent.

In May, the trade deficit had widened to a record seven-month high of $20.1 billion. "The decline in gold and silver imports can be attributable to the steps taken by the government, especially by the Reserve Bank of India, in May and June. It is mainly due to that impact that lower imports of gold took place in June,'' Director-General of Foreign Trade (DGFT) Anup Pujari told reporters here.

In fact, imports declined marginally by 0.37 per cent to $36 billion during the month. Exports stood at $23.79 billion against $24.9 billion in June, 2012.

Oil imports during the month grew by 13.74 per cent to $12.76 billion ($11.22 billion). Non-oil imports declined by 6.7 per cent to $23.2 billion.

Petroleum exports too grew by 4.42 per cent to $4.34 billion from $4.15 billion in June, 2012.

During April-June, exports were down by 1.41 per cent at $72.45 billion. However, imports during the same period were up by 5.99 per cent at $122.6 billion. The trade deficit touched $50.18 billion during the quarter.

Federation of Indian Export Organisations President Rafeeque Ahmed said there was need to make manufacturing competitive to support exports, and address the rising trade deficit.

"Augmenting manufacturing is the need of the hour to address rising trade deficit,'' he added.

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World services exports grew by 4% in the first quarter of 2013, as Europe's exports continued to recover

UNCTAD Web Release

23 July 2013: According to preliminary estimates by the WTO and UNCTAD, in the first quarter of 2013, world exports of services grew by 4%, as compared with the same quarter of the year before. The estimates keep pointing to a recovery of global services exchanges.

The drop of international trade in services in the middle of 2012 was primarily caused by weaker exports of European economies, which are now regaining strength (3% growth). Preliminary figures (balance-of-payments basis, current prices), indicate that the global increase in services trade observed thus far this year was also sustained by Asia and Oceania (5%) and Northern America (4%).

On the annual level, in 2012, world total services trade expanded by 2%, despite the dwindling of the European services exports, which cover some 45% of the global market. Developing countries, which now account for 30% of the world exports, showed a steady progress (8% rise). LDCs recorded a 4% increase in services exports last year. The figure may appear modest compared to their' performance in 2011 with 19% rise, or the growth rates observed for the LDCs before the global financial crisis, which stood at some 25%, revealing the potential of services sector for improving economic situation of these countries.

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