

SHUFFLING FEET: THE HINDU EDITORIAL ON FOREIGN TRADE AND POLICY RESPONSES

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India's goods exports, a key driver of its growth impulses and a major job creator, got off to a disappointing start in 2023. [Merchandise shipments fell 6.6%](#) year-on-year to \$32.91 billion in January. While this is the second month of contracting exports, the dip is more than double the 3% drop in December 2022 and marks a sharp 13.6% sequential decline. Along with an anticipated post-Christmas cooling off in demand, order books probably took a hit as much from actual slowing of economic activity as buyers' wary assessments about consumer confidence levels, with the new year kicking off amid a pall of gloom and doom on the global economic outlook. Engineering exports fell 10%; pharma products lost momentum as did 14 other products out of India's top 30 export items, including jewellery and textiles. The silver lining is that imports dipped too, bringing the goods trade deficit to a 12-month low of just \$17.75 billion, a far cry from the \$25-odd billion averaged in each of the previous six months and the record \$29.23 billion gap of September 2022. If this trend holds, India's current account deficit for 2022-23 may end up lower than the uncomfortable 3%-plus levels of GDP projected by most agencies.

Yet, the drop in imports during January suggests domestic demand growth is fading. While the year-on-year drop was just 3.6%, the \$50.66 billion import bill for January is the smallest in 18 months and 15.8% lower than December's revised \$60.2 billion figure. Only a part of this stepdown can be ascribed to lower commodity prices as non-oil, non-gold imports have fallen by a sharper 6.7% from January 2022 levels. The Commerce Ministry has argued that India's weaker trade balance this financial year has been driven by the "two-way effect" of a slowing world economy hurting exports and resilient domestic demand shoring up imports. That effect no longer seems to be at work. Finance Minister Nirmala Sitharaman has rightly flagged concerns about Indian exporters' prospects this year amid global slowdown fears. Her prescription that exporters keep closer tabs on developments in different markets to avoid being "demotivated" is also spot on. Amid the overall headwinds, trends are diverging in key markets. U.S. retail sales rebounded to grow faster than expected in January while Japan's trade deficit hit a record; more U.K.-based trading businesses now expect an uptick in turnover this March compared to those that expect a fall, as per a survey by its Statistics office. Industry bodies and the government must work in tandem to tap shrinking opportunities better and help exporters move across this river of uncertainty by feeling the pebbles along the way.

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