

INDIA ATTAINS \$400BN EXPORTS MARK, BUT TRADE DEFICIT REMAINS A CONCERN

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NEW DELHI : Led by a sharp jump in exports of engineering and electronic goods, India's merchandise exports grew 37% over the previous year to surpass the \$400 billion mark for the first time within a financial year, union commerce and industry Minister Piyush Goyal said during a press conference on Wednesday.

Goyal said that the export target of \$400 billion was met nine days in advance and was significantly higher than the previous high of \$330 billion came during 2018-19. He added that it is an important milestone for Atmanirbhar Bharat and that the target was achieved by breaking every silo between the government and the industry. He added that states have started playing an important role in boosting exports.

According to government data, India's merchandise imports jumped to a record \$589 billion owing to the rising oil prices, while exports till March 21 stood at \$400.8 billion.

Economists, however, cautioned that rising economic uncertainty from the Russia-Ukraine conflict could worsen the trade deficit and widen the current account deficit going forward as international oil prices are likely to remain elevated, while supply-side bottlenecks and rising freight costs could hurt exports.

"Engineering goods exports nearly jumped 50% over last year, electronic goods also jumped 41% last year. A huge jump was seen in the agricultural exports and non-basmati rice, wheat and marine products led the growth," Santosh Kumar Sarangi, Director General of Foreign Trade (DGFT) said during the press conference.

"We also drew up the very elaborate product country matrix. Even the smallest of countries very rarely left during the exercise. Over 200 countries were targeted and the states were taken along. We identified places where we had lost market and worked on them," Sarangi said.

"Boosting exports is no longer just the job of the central government. Today Uttar Pradesh appointed a trade minister as they are recognizing their role," Goyal said.

An official who did not want to be named said that in some areas commodity prices hike has played a role but there is evidence that exports have risen despite stable prices and in some cases despite a decline in prices.

The official said that export items that showed a rise in volumes but not in value included agricultural commodities such as rice and motor vehicles.

"High commodity prices are embedded in export numbers and this has magnified the export figures," ICRA Chief Economist Aditi Nayar said, adding that the base effect is very high. She further said that exports could rise by a 5% rise in FY23 over FY22.

Goyal said that the meeting of the export target was a result of detailed strategy as the Department of Commerce disaggregated the \$400 billion target in terms of regions and countries as well as commodity groups.

Former chief statistician Pronab Sen said that India could see exports rising in the coming months and much will depend on the value of the rupee. If the depreciation of the rupee continues the exporters will benefit and foreign portfolio investors could move their money elsewhere as Fed rates have already started rising.

“The value of imports is also going up and hence the trade deficit largely because of the higher oil prices but I suspect much of it is to do with trade restrictions from China. The value of imports tends to jump when we try to import from elsewhere,” Sen added.

The agriculture sector also contributed to exports, especially during the pandemic, with India emerging as a major global supplier of food or essential agriculture products., the commerce ministry said in a statement.

“Agriculture exports buoyancy is driven by commodities such as rice (both basmati and non-basmati), marine products, wheat, spices and sugar, among others, recording the highest ever agricultural products export in 2021-22,” the statement said.

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