

News monitored for: JM Financial

Export curbs may widen trade deficit in FY23

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A combination of factors like the export curbs imposed by the government on agricultural commodities and metals, and a continued rise in the prices of crude oil, natural gas and coal is likely to worsen the country's trade deficit in the current fiscal (FY23).

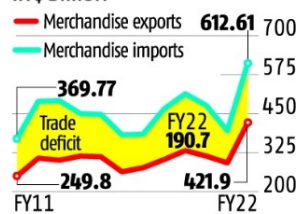
The country's trade deficit hit a record high of \$190.7 billion in the last fiscal year (FY22), up 85.8 per cent year-on-year (YoY) from \$102.6 billion, surpassing the previous high of \$190.3 billion in FY13. The country's imports were up 55.3 per cent YoY to \$612.6 billion last fiscal.

"While the prices of India's key imports such as crude oil, natural gas, thermal coal and fertiliser remain high, the export of agriculture commodities and industrial metals could decline due to a mix of export restrictions and lower prices," says Dhananjay Sinha, managing director (MD) and chief strategist, JM Institutional Equity.

Last month, the government banned the export

TRADE SCAN

Trends in India's foreign trade and trade deficit



Source: Ministry of Commerce

Top commodity exports and imports in FY22

Commodity	Value of exports (\$ bn)	YoY growth (%)	Commodity	Value of imports (\$ bn)	YoY growth (%)
Iron & Steel	22.9	88.9	Crude oil & pet coke	135.4	101.9
Other industrial metals	14.0	75.7	Coal & lignite	32.9	96.0
Cereals	12.9	27.4	Natural gas	26.4	68.9
Cotton	10.8	70.7	Edible oil & fats	19.4	71.2
Sugar	5.1	61.6	Fertilisers	12.8	85.7

of wheat, and put severe restrictions on sugar export. The government followed it up by imposing an export duty of 15 per cent on steel in a bid to discourage its exports and lower prices in the domestic market.

The buzz in the market is that the government

may put export restrictions on rice and cotton as well in the coming weeks if inflation remains high.

Restricted commodities such as wheat, sugar and iron were the key drivers of merchandise exports in FY22.

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Exports...

According to India Ratings & Research India, merchandise imports are expected to grow to \$182.9 billion in first quarter of the fiscal year from \$168.1 billion in the last quarter of the last fiscal (Q4FY22).

In the same period, exports are expected to inch up to \$112.5 billion from \$11.3 billion in Q4FY22. As a result, the trade deficit is expected to grow to \$70.4 billion in Q1FY23 from \$56.8 billion in the fourth quarter of FY22.

"This is due to normalisation of domestic economic activities, steep levels of commodity prices and inflated freight and transportation costs," writes Sunil Kumar Sinha, principal economist at India Ratings & Research.

Iron and steel were India's third-biggest export commodity in FY22 at nearly \$23 billion, up 88.9 per cent YoY.

It accounted for 5.4 per cent of the total merchandise exports in FY22 and 8.3 per cent India's overall merchandise exports last fiscal. India's total exports were up 44.6 per cent YoY last fiscal year.

The exports of petroleum products (\$68.6 billion) and gems & jewellery (\$39.3 billion) exceeded the exports of iron & steel, but India remains a net import of both crude oil and precious stones and precious metals. In contrast, India is a net exporter of steel.