

Trade deficit at record \$31 bn, exports slide after 19 months

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India's trade deficit swelled to a record \$31.02 billion in July, as imports of goods surged despite curbs and merchandise exports contracted for the first time in 20 months.

July merchandise exports declined by 0.76% from a year ago to \$37.24 billion, while imports grew 44% to \$66.26 billion during the month because of high commodity prices and a weak rupee, data released by the ministry of commerce and industry showed on Tuesday. As a result, the trade deficit—the gap between exports and imports—tripled from the \$10.63 billion reported in July last year.

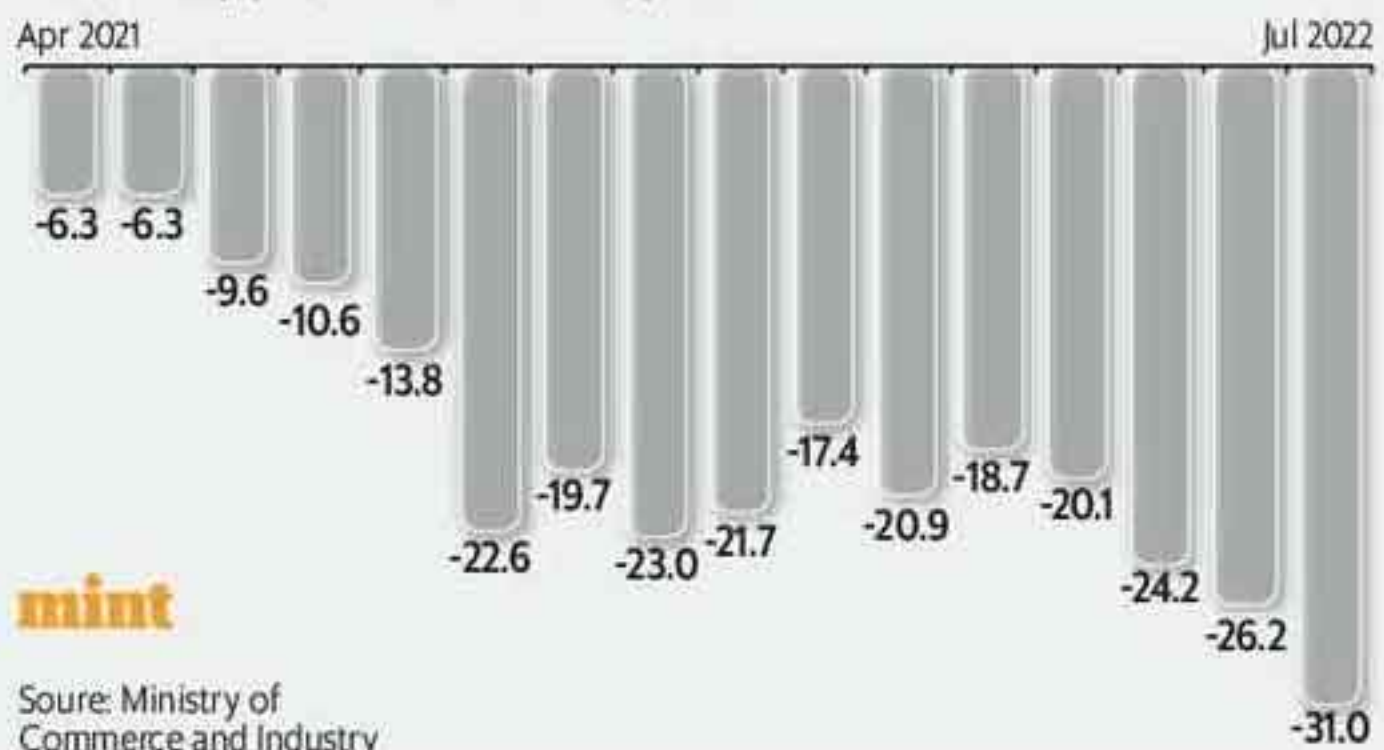
The widening deficit is likely to exert pressure on rupee, which has been appreciating against the dollar in the past few days after touching a lifetime low of 80.16 two weeks ago. However, cooling commodity and energy prices on fears of a recession may temper any sharp depreciation of the rupee.

While imports are expected to moderate on the back of easing commodity prices, a recession in the US and European markets may hurt exports, economists said.

However, in a press briefing on Tuesday, commerce secretary B.V.R. Subrahmanyam

Widening worries

Trade deficit swelled to a record \$31.02 billion in July because of high commodity prices and a weak rupee.



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said India's exports are on course to touch \$470-480 billion in the current fiscal and may reach \$500 billion with a further push.

Key export sectors, including engineering, gems and jewellery, petroleum, pharma, ready-made garments, and cotton yarn, recorded a decline in July because of dampening demand in western markets. Other factors that may affect exports include India's restrictions on selling wheat, steel, iron and petroleum products overseas.

Overall exports reported a 12% sequential decline in July from \$40.13 billion in June.

"Exports are down because the government made a conscious decision to constrain exports in some segments," Subrahman-

Rupee stages comeback as FPIs return

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The rupee strengthened to 78.49 against the dollar on Tuesday to reach its strongest level in a month, buoyed by lower crude prices and the return of foreign portfolio investors (FPIs) to the Indian mar-

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