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Trade gap at record \$31 billion as exports slide after 19 months

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yam said, adding that overseas companies restricted taking deliveries in anticipation of a drop in demand. "In textiles, some buyers have booked orders but not taken deliveries as they want to exhaust stocks," he said.

Economists expect the current account deficit to double to over 3% of GDP in FY23 from 1.2% last year.

"The current account deficit is likely to have crossed \$30 billion in the June quarter, equivalent to 80% of the full-year figure for FY22. Lower commodity prices should temper the trade deficit going ahead, although the strength of merchandise and services exports in the face of the global slowdown fears remains crucial," said Aditi Nayar, chief economist at rating company ICRA Ltd.

Subrahmanyam added that the free trade agreements with the UAE and Australia would contribute significantly to India's export growth.

The trade data pertains to the month when the government hiked import duty on gold to rein in a widening current account deficit and arrest the rupee's record decline against the dollar. It also introduced export tariffs on petroleum products and windfall taxes on crude production to improve domestic supplies, cut the need for imports, and lower the import bill. These are revised every fortnight based on global prices.

Brent crude price has started easing and fell below \$100 on Tuesday, down from \$111 per barrel at the beginning of the month. Petroleum imports

surged 70% in value terms in July to \$21.1 billion from a year earlier. Coal imports nearly tripled to \$5.17 billion but were lower than the \$6.76 billion reported in June.

Gold imports declined by 44% to \$2.37 billion in July and were also lower than the \$2.74 billion in June. The Centre hiked the import duty on gold from 10.75% to 15% amid a spike in yellow metal imports, with shipments exceeding 100 tonnes during these months.

The non-oil, non-gems and jewellery imports, which signify industrial activity in the economy, stood at \$38.44 billion in July, growing 43% from a year earlier.

As for exports, engineering goods declined by 2.54% in July to \$9.2 billion. Drugs and pharmaceuticals exports declined by 1.37% during the month to \$2.11 billion. Gems and jewellery and ready-made garments

exports also reported a 5.21% and 0.63% contraction, respectively. Petroleum products exports fell 7.7% during the month due to export restrictions.

Subrahmanyam said the decline in exports to Russia and Sri Lanka also contributed to the exports slowdown and said trade settlement in rupees would help increase exports to Russia. "Exports to Russia collapsed by half, and Sri Lanka exports vanished. Rupee trade with Russia to increase exports of tea, coffee, pharma, chemicals, textile, leather, and telecom products. About \$8-9 billion in additional trade is expected in the next two months with Russia and Sri Lanka," he said.

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