Increasing Trade Deficit in India

Why in news?

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Ministry of Commerce and Industry stated that India’s trade deficit has increased.

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What is trade deficit?

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- A trade deficit is an economic measure of international trade in which a country's imports exceeds its exports.
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- A trade deficit represents an outflow of domestic currency to foreign markets.
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- It is also referred to as a negative balance of trade (BOT).
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- Trade Deficit = Total Value of Imports – Total Value of Exports
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What is the status of India’s trade deficit?

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- The Trade deficit of India for February 2018 was estimated at $11,979.21 million, 25.8 per cent higher than the $9,521.73-million deficit reported during February 2017.
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- Exports from the country rose 4.48 per cent in dollar terms during February this year compared to the same month of the last fiscal.
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- But, in rupee terms, export growth was flat with a mere 0.27 per cent rise, reflecting a dip in value of the Indian currency.

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What is the reasons behind the increasing trade deficit?

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- In recent years there is an increase in imports of petroleum, crude & products, electronic goods, machinery, electrical & non-electrical, pearls, precious & semi-precious stones and coal, coke & briquettes among others.
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- India’s crude oil import bill during February 2018 stood at $10,194.33 million, 32.05 per cent higher than the import bill of February 2017 on the back of a recovery in crude prices.
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- This is also because the Global crude oil prices have increased 17.90 per cent in February 2018 compared to February 2017.
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What are the implications for India?

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- For India economic growth is on the back of higher exports of petroleum products, organic and inorganic chemicals, drugs and pharmaceuticals, rice and electronic goods.
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- Exports during February 2018 has increased when compared during February 2017.
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- But increasing deficit had weakened Indian currency, as the pace of overall exports has slowed down in February 2018 which is distressing.
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- It is even more disconcerting that Indian exports faltering when the global economy is on an uptick.
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Source: Business Line

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