India's Trade Data

Why in news?

The latest trade data released by the Ministry of Commerce and Industry show a small increase in exports growth (32 billion dollars) and a fall in imports growth (56 billion dollars) in November 2022.

What does the trade data indicate on exports?

- **Exports -** Exports grew by 0.6% over November 2021.
- This November's performance appears better because last year, Diwali was in November and that resulted in fewer working days and, as a result, lesser exports.
- It is over that smaller base that exports have grown by less than a percentage point.
- **Reason for decline in exports** - The bulk of the decline in India's growth rate is being contributed by the fall in volumes exported.
- Across the world, economies, especially those of India's biggest trading partners such the US and European countries, are either in recession or struggling to grow.
- This, in turn, implies a fall in demand for Indian goods that reflects in weaker exports growth.

What about India's imports?

- **Imports** - Imports grew by 5.4% over November 2021.
- The decline in imports growth has been more a balanced effect of declines in volume and prices.
- **Fall in imports growth** - It suggests that India's domestic demand is weakening as the effect of a tighter monetary policy (Higher interest rates and their drag on overall consumption and investment demand)

China is India's second biggest trading partner after the United States.

What about the trade deficit?

- **Trade deficit** – A trade deficit occurs when a country's imports exceed its exports during a given time period.
- It is also referred to as a **negative balance of trade (BOT).**
- India's trade deficit during April to November stood at 196 billion dollars.
- **Impact of trade deficit** - A trade deficit implies that Indians need dollars more than the rest of the world needs rupees for the trades to settle.
- As such, a trade deficit puts pressure on the rupee's exchange rate against the dollar

(presuming that all imports require payment in US dollars).
- Persistently high trade deficits tend to weaken the rupee's exchange rate.
- Higher trade deficit will push up India's current account deficit (which includes the trade in goods as well as services).

References

1. The Indian Express | What trade data show
2. Live Mint | Non-essential imports on watch

