24 What do you understand from trade deficit? Discuss the effects of trade deficit on Indian market. GS-

Trade deficit the value of imports that exceeds the value of exports of a country in a given period.

India's trade deficit. It moderated to 36% from \$108 billion to \$64 billion. Also, the merchandise trade deficit improved from \$23 billion in December 2022 to \$19.8 billion in December 23.

Trade deficit brings favourable and challenging effects to markets.

Favourable effects

In the last year's comparison, the export of engineering goods increased by 10%. Mainly caused due to the robust performance of our micro small medium enterprise. The increase in exports is the direct ~~raze~~ effect of the outcomes of the Atma Nirbhar package and production linked incentive schemes.

Agricultural products such as cereals, vegetables, oil seeds also registered good growth benefitting 60% of population.

Unfavourable effects

Increase in trade deficit may cause job losses as companies profits are eroded leading to a twin balance sheet problems. The exchange rate takes a toll and Rupee value depreciates making imports expensive.

A trade deficit is like catching a falling knife, both increase and decrease in deficits must be used with financial soundness to reduce cascading effects.