Exports rise 3.7% in Jan amid global slowdown

Trade deficit rises to $14.7 bn; gold imports surge 38.16 per cent

INDIVJAL DHASMANA
New Delhi, 15 February

Although at three-month high, exports rose barely 3.74 per cent in January as major foreign exchange earners such as engineering goods and refinery products either registered subdued growth or contraction in their outbound shipments.

This is because of a slowdown in global growth, which has been hit by a trade war between the two economic giants — US and China.

Exports have remained lacklustre in the previous two months as well — growing by 0.80 per cent in November and 0.30 per cent in December.

The muted growth could be gauged from the fact that exports had increased by over 17 per cent in October.

Exports rose 9.52 per cent in the first nine months of the current financial year to $271.8 billion. Though there was no official target, government officials were hopeful of hitting the $350-billion mark this financial year. That looks impossible now but last year's figure of $303.5 billion could be surpassed.

Likewise, imports also remained almost flat, growing by just 0.01 per cent in January. The only solace here was that inbound shipments had slightly recovered from a decline of 2.44 per cent in December.

As such, trade deficit rose to $14.73 billion in January from $13.08 billion in December, which was the lowest in the current financial year so far. However, it was lower than November's figure — $16.67 billion.

"Spin off effect due to a global tariff war has continuously been impacting the country's trade, both imports and exports," said Federation of Indian Export Organisations (FIEO) president Ganesh Kumar Gupta.

He urged the government to tap opportunities created by the trade war by getting credit flow augmented, increasing tax deduction for R&D and raising budgetary support for marketing and export infrastructure.

Declining oil prices helped India save foreign exchange through decline in imports, but it also marred the chances of earning the very same dollars through exports.

In fact, the latter was much more affected by softening oil prices. Exports of refined products declined 19 per cent, while import of crude and related products declined 3.59 per cent. If we take away petroleum products, imports in fact rose 1.43 per cent in January.

Gold imports rose by whopping 38.16 per cent in the month.

Non-oil non-gold imports contracted 0.76 per cent in January against a decline of nearly two per cent in December.

These had fallen five per cent in November. This implied that domestic demand for imported goods is on a downward swing and this may have repercussions for industrial growth.

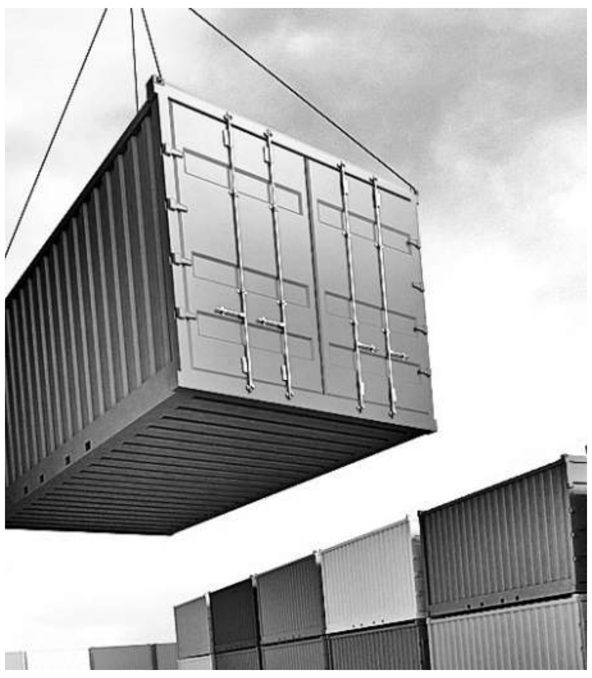
The index of industrial production (IIP) struggled to rise to 2.4 per cent in December from 0.3 per cent in November. This was the second month in a row that the factory production expansion was below 5 per cent.

Similarly, non-petroleum and non gems and jewellery exports rose 8.17 per cent in January.

As many as 22 out of the 30 major product groups saw a rise in exports in January. However, many saw just marginal growth. For instance, engineering goods, which earned one-fourth of foreign exchange through exports, rose just 1.07 per cent.

However, drugs and pharmaceuticals saw 15.2 per cent rise in exports, while organic and inorganic chemicals grew 15.56 per cent.

Besides petroleum, transport equipment, pearls, precious and semi-precious stones as well as vegetable oils saw huge decline in imports by 21.43 per cent, 36.51 per cent and 19.8 per cent, respectively.



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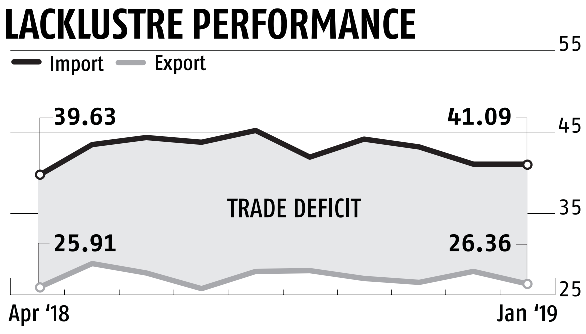

Source: Ministry of Commerce & Industry

High cost of credit worries exporters as growth space shrinks

SUBHAYAN CHAKRABORTY
New Delhi, 15 February

As global trade forecasts increasingly hold out dimmer prospects of growth, irritants such as the high cost of credit, continuing liquidity crunch, and operational difficulties remained among the top complaints of exporters at the last Board of Trade meet of the current regime.

The Board of Trade is a periodic meet of senior officials of key ministries including finance and agriculture, all major trade and industry bodies, export promotion councils (EPCs) and industrialists to evaluate the exports sector.

According to the World Trade Organization, global trade entered a tough phase in the second half of 2018 and is expected to slow further in 2019.

Oil prices are expected to remain below $60 a barrel while prices of metal are expected to weaken, reducing overall trade growth.

Multiple EPCs pointed out this coincided with the recent Reserve Bank of India data showing a credit decline of over 50 per cent, underlining severe gaps in export credit. As compared to China and South Korea, where the cost of credit is 3.7-4 per cent, Indian exporters have to pay a cost of 6-7 per cent, said Sanjay Budhia, chairman of the Confederation of Indian Industry's National Committee on EXIM.

Budhia called for interest subvention to be extended across the board to all exporters and not just micro, small and medium enterprises (MSMEs) and the tax rate should be in the range of 4-5 per cent.

On the other hand, tariffs introduced since the beginning of 2018 have affected about 12 per cent of imports of US goods, 6.5 per cent of imports of Chinese goods, and about 2.5 per cent of the global goods trade, the Federation of Indian Export Organisations (FIEO) said.

The interest equalisation scheme may be extended to all sectors and at least to all agri commodities, FIEO President Ganesh Kumar Gupta said.

While in the April-December period of the current financial year, exports to the US grew by over 11 per cent and those to China rose by 35 per cent, contraction in global imports is expected to affect India's exports performance, he added.

Operational hurdles

Exporters reiterated their demand for the e-wallet mechanism, which is being planned since the goods and services tax kicked in, and want it to go online on April 1. Or else, exporters should be provided an exemption from the GST on domestic procurement as was available in the pre-GST regime, they said.

Exporters said the input tax credit refund mechanism should be made online to save transaction time and cost.

"The single-biggest reason we are not able to export more is that the high domestic steel price is making our products uncompetitive in global markets. It is ironical that the second-largest steel maker in the world, at 106 million tonnes, finds it difficult to provide just 1 per cent, or, 1 million tonne, to the MSME sector at international prices," Engineering Exports Promotion Council Chairman Ravi Sehgal said.

Sehgal expressed concern about arbitrary freight charges by shipping lines. Outbound shipments are carried by foreign registered shipping lines, which charge extra fees to the extent of ₹2-3 per dollar on ocean freight.

RBI heat on YES Bank for disclosure

Regulator says private lender violated rules by revealing nil divergence report

NIKHAT HETAVKAR
New Delhi, 15 February

The Reserve Bank of India (RBI) has warned YES Bank that it might face regulatory action for allegedly violating a confidentiality clause by disclosing a nil divergence report. In a letter to the private lender, the regulator said the bank had violated regulatory guidelines in the press release where it had made this disclosure last week.

"Nil divergence is not an achievement to be published and is only compliance with the extant Income Recognition and Asset Classification norms," said the RBI's letter.

The central bank said it viewed the disclosure of only one part of the Risk Assessment Report (RAR) as a deliberate attempt to mislead the public. The RAR also identified several lapses and regulatory breaches in various areas of the bank's functioning, it said.

YES Bank's stock soared 30 per cent on Thursday after it announced that the RBI had observed nil divergences for the year. The bank filed the above RBI letter with the exchanges on Wednesday after market hours.

"The RAR was marked 'confidential', and no part of the report or the information was to be revealed except for the information in the form and manner of disclosure prescribed by the regulations," said the RBI.

Earlier, the RBI had found divergence of ₹4,176 crore in the bank's reported gross non-performing assets (NPAs) for 2015-16 and ₹6,355 crore for 2016-17.

The RBI in October had refused to give incumbent Chief Executive Officer (CEO) Rana Kapoor an extension for his term. The bank is currently in the midst of a transition

Last month, the bank announced that Ravneet Singh Gill, managing director of Deutsche Bank, will succeed Kapoor and join the bank by March 1, 2019. The bank's Non-executive, Non-independent Director Ajai Kumar is currently serving as the interim CEO.

The bank's stock closed at ₹218.70 on Friday, down by 1.04 per cent from previous close.