Opinion

SATURDAY, MARCH 23, 2019

HARD BREXIT LOOMS

Sebastian Kurz, Austrian Chancellor

If there isn't a majority then a hard Brexit will once again move a step closer. If a country is leaving the EU, then it would be more than just strange if they still took part in the European elections

Even Jet shutting down may not save Air India

Jet's falling market share taken by Indigo & SpiceJet while Air India's fell again, so be wary of Jet-Air India M&A talk

THOSE IN GOVERNMENT who are constantly looking for revival plans for loss-making PSUs—under various 'turnaround' specialists—would do well to look at how Air India has fared after large parts of the airline industry stopped functioning due to IndiGo grounding flights because of lack of pilots and Jet Airways coming close to shutting down. In February 2018, according to a news report in *The Times of India*, IndiGo had a market share of 39.9%, followed by Jet at 16.8% and Air India at 13.2%; SpiceJet was fourth with a share of 12.4%. A year later, in February 2019, IndiGo's market share had climbed to 43.4%, SpiceJet rose from 4th position to 2nd with a 13.7% market share while Air India remained at the 3rd slot, but with a reduced market share of 12.8%; nearly 90% of the fall in Jet's market share, to 11.4%, was grabbed by IndiGo and SpiceJet. A similar story, not surprising given the various factors constraining PSUs that no government has been able to fix, applies to telecom PSUs like MTNL and BSNL; despite so many telecom players being forced to shut down, even before the fresh RJio onslaught, both PSUs continued to lose market share.

And this is despite the thousands of crores of taxpayer bailouts these PSUs continue to get in order to protect their bloated/inefficient workforces. Worse, this access to free money has distorted the competitive environment and may even be responsible for the large losses made by private sector firms. Air India, as *Bloomberg Opinon* columnist David Fickling has pointed out, is a full-service carrier—like Jet Airways—but its ticket prices resemble those of a budget airline. Over the past few years, data from the Directorate General of Civil Aviation show that Jet's passenger yields are significantly higher than IndiGo's—as they should since the latter is a low-cost airline—but Air India's yields aren't very different. In 2017, for instance, Jet's yields were ₹4.4 per revenue passenger kilometre (RPK) versus ₹3.7 for IndiGo (18.9% higher) and ₹3.9 for Air India (just 5.4% higher than IndiGo); in 2014, in fact, while Jet's yield was ₹4.9 versus IndiGo's ₹4.5, that for Air India was even lower at ₹4.3. Had Air India not got the ₹32,809 crore it got since FY10, it would have shut down, and with overall fares rising as a result, other airlines would have done better.

In this context, it is also important that bankers, like SBI, don't consider the proposal, doing the rounds for a while, to merge Air India and Jet and then sell the combined package to a willing buyer; with Etihad wanting to offload its Jet stake to SBI at a huge discount, and SBI asking Naresh Goyal to exit the airline, the temptation to do this will be large. Apart from the fact that the history of M&A is chequered globally, central to the idea of the merger is the government absorbing a lot more of Air India's debt. If more of the debt had to be absorbed, as this newspaper has been arguing, it would have made the Air India sale a lot more attractive, so why link it to a merger with Jet. Indeed, absorbing the rest of the debt, beyond what the government had agreed to at the time of the privatisation process, would have equalled just 3-4 years of Air India's future losses, so it would have been a win-win. Ideally, RBI should enforce its rules and ensure Jet goes to the NCLT if a solution is not found within the requisite time frame. If a combined Jet-Air India makes as much sense as is being made out, a potential buyer can get Jet at a discount in NCLT and then make a bid for Air India. Neither the banks, nor the government—via the banks it owns—should try its hand at this complex deal.

No vacillating on vaccine

Yale-PennState study's findings need to be probed further

A NEW STUDY by researchers at Pennsylvania State University and Yale University, which highlights a temporal relation between some neuropsychiatric disorders and vaccination in a group of 6-15 year olds in the US, looks certain to pump up vaccine hesitancy, popularly known as the anti-vaccination movement. This is despite the researchers insisting that their findings warrant further investigation, and can't be construed as evidence of a causal role of vaccines in the aetiology of these conditions. But, the high-pitched anti-vaxx movement has already caused a measles crisis in the US and is listed by the WHO as a top global health threat. It has latched on to specious research and patently false inferences drawn from legitimate studies in the past; so, it is likely it will use the new study as ammunition, too. The study, published in the journal *Frontiers in Psychiatry*, opens up a new area of scientific enquiry. Thus, from a public health perspective, nations must collaborate on follow-up research.

The Yale-PennState study found that children diagnosed with neuropsychiatric disorders like anorexia nervosa, obsessive compulsive disorder, anxiety disorder and chronic tic disorder between 2002 and 2007, and matched with two control groups—control conditions being broken bones and open wounds—were more likely to have received vaccines in the previous 1-year period. About 10% of children with open wounds had received vaccinations, against 20% of those diagnosed with anorexia having received vaccines. Specifically, children with OCD were more likely to have received influenza vaccine within the preceding 3-, 6- and 12-month period, anorexia nervosa in the preceding 3- and 6-month period, anxiety disorder in the preceding 6- and 12-month period, and tic disorder, also, in the preceding 6- and 12-month period. While there were a high number of children with broken bones who had received vaccinations, this wasn't as high as the number of those with the neuropsychiatric conditions. These findings assume significance against a backdrop of reports of increased incidence of narcolepsy in some European countries following vaccination with AS03 adjuvanted H1N1 vaccine, and a three-fold increase in narcolepsy in China following the 2009 H1N1 pandemic as reported by studies. Cross-reactivity—in which antibodies prompted by a vaccine not only attack pathogen protein but also human proteins (manifesting as an autoimmune disorder)—has been reported in the case of the Pandemrix, the H1N1 vaccine. Now, studies show narcolepsy could be an autoimmune disorder, but the pathway leading to immune-related narcolepsy is not completely understood, as evidenced by a Stanford study on the increase in incidence of narcolepsy in Chinese patients of the 2009 pandemic, and other factors are believed to be involved, too. Also, if a vaccine is administered when inflammation, which can also be a trigger of autoimmune disorders, is present, it can have a deleterious effect on brain development, one of the study's authors told *Yale Daily News*. The Yale-PennState researchers have thus called for replication in a larger population-based sample, involving assessment of a variety of host factors, including the subject's genomic and epigenomic make-up, her microbiome, history of psychosocial stress, infections, and even vaccination history.

Against the backdrop of a rise in vaccine scepticism, a sane discussion on vaccines' safety is needed. Considering their role in controlling morbidity and mortality, and the limitations of the Yale-PennState research, this can only happen if further research is undertaken without jeopardising trust in vaccination programmes.

FindingHappiness

For a happy population, a country's absolute level of growth is not as important as the distribution of the fruits of this growth

INDIA RANKS 140th on the United Nation's latest World Happiness Report that assesses 156 countries, a decline of seven spots from the last edition of the survey. India was also amongst the five countries that experienced the highest decline since 2005-2008 in the index, along with Yemen, Syria, Botswana and Venezuela. India's South Asian neighbours ranked higher, with Pakistan pegged at 67, Bhutan at 95, Bangladesh at 125 and Sri Lanka at 130. The report, produced by the UN Sustainable Development Solutions Network, ranks the nations by how happy their citizens see themselves to be. Finland has topped the index of the happiest nations for the second consecutive year. The study based its findings on individuals' assessment of their lives in relation to the GDP per capita income, social support, healthy life expectancy, freedom, generosity and absence of corruption, factors which can be brought about through an equitable growth and distribution of income, something that Finland has achieved.

None of the world's major economic powerhouses made it to the top 10 as a result. Among them, the United Kingdom fared the best with a rank of 15 (from 18 last year). Germany went down from the 15th spot to the 17th. The United States dropped from the 18th to the 19th. Japan, Russia and China finished even further below, at 58 (down from 54th), 68 (down from 59th) and 93rd place (down from 86th), respectively. In general, absolute happiness levels have decreased worldwide despite continued economic growth. Therefore, even while growth can occur at a rapid pace, a rise in income inequality perhaps has a larger bearing on people's assessment of their own happiness. Besides the report describing the negative impacts, in terms of the reported happiness, increased screen-time is having on adolescents, especially in the US, general levels of happiness were also influenced by elections outcomes, with citizens demonstrably happier if their preferred candidate/party was voted into power.

ALL-ENCOMPASSING

THE CONSUMPTION AND EXTERNAL SECTOR SLOWDOWN IS SPILLING ONTO THE NON-FINANCIAL SERVICES AND INVESTMENT DEMAND AS WELL

Growth slowdown is spreading

SONAL VARMA & AURODEEP NANDI

Authors are research analysts with Nomura Holdings

CONSUMPTION INDICATORS CONTINUE to show endemic weakness, with auto sales slumping across passenger car, two-wheeler and tractor sales (the latter two being indicators of poor rural demand). Automakers are attributing this to a broader economic slowdown, consumer pessimism, high interest rates, and tight financial conditions from the shadow bank credit crisis. There are other telltale signs of consumption slowdown in weak rural wages, diesel consumption and cellular subscription.

Non-financial services have also slowed, with a sharp fall in commercial vehicles sales growth, although it could also be reflective of new norms introduced for axles of heavy and medium trucks. A slowdown is also observed in other transportation sectors, particularly in the aviation and railways sectors. Within financial services, there is a dichotomy between bank credit and deposit growth, the latter being unable to keep pace with the credit growth pickup. While much of the credit growth is limited to personal loans and credit to non-bank financial sector, the high credit-deposit ratio effectively throws a spanner in the transmission of RBI's rate cuts.

Industrial indicators have comparatively held up well, although we observed some weakness creeping into industrial production, including coal and electricity output growth. Rather inexplicably, PMI readings continue to be robust, although they are not robust indicators for signalling GDP growth.

Investment indicators remained broadly stable thus far, but capital goods production has fallen sharply in January and public capex continues to contract sharply as the government looks to limit fiscal deficit target slippage.

The year 2019 will remain an uncertain year for public capex owing to aggressive revenue assumptions in the budget. External sector indicators have deteriorated in February, with slowing export growth due to weaker global demand, and contracting core imports (non-oil, gold), reflective of weak domestic demand conditions and lagged effect of currency depreciation. Growth in visitor arrivals—another proxy for external demand—also continues to underwhelm.

The Nomura Composite Leading Index, which has a one-quarter lead over non-agricultural GDP growth, moderated to 99.9 in Q1 2019 from 100.1 in Q4 2018 and has consistently fallen from its peak in mid-2018. The moderation is due to the slowing external sector (visitor arrivals, non-oil imports), lower real M2 money supply growth and a weakening trend in industrial production. This further supports the view that a cyclical slowdown is well under way. Based on the Nomura Economic Surprise Index for India observations, the index does not signal any clear direction for economic data surprises over the coming months.

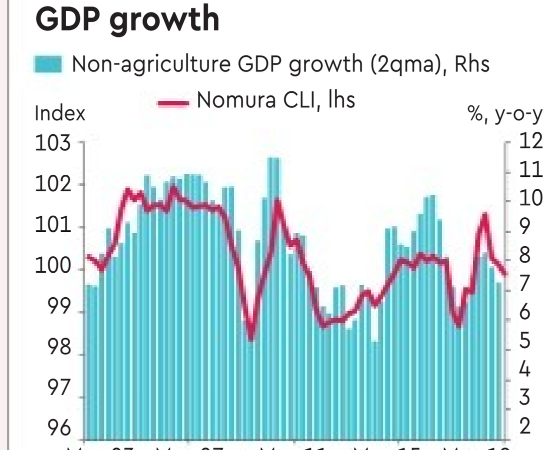
The latest GDP reading for Q4 reflected a dichotomy—while the slowdown was driven by government consumption, agriculture, and to some extent, private consumption, growth was supported by investment, industry, private services and net exports. The latest prints of concurrent indicators seem to suggest that Q1 will mimic Q4, but with deterioration also spreading to services, industrial and investment demand.

Expect GDP growth to slow further to 6.0-6.5% in H1 2019 and average 6.6% y-o-y in 2019 vs 7.3% in 2018. The slowdown is likely despite fiscal and monetary easing, which won't be enough to ward off growth headwinds. If this growth outlook is right, then there could be an inevitable knock-on effect on core inflation, which still remains sticky and high owing to a lagged pass-through of supply side shocks from H2 2018.

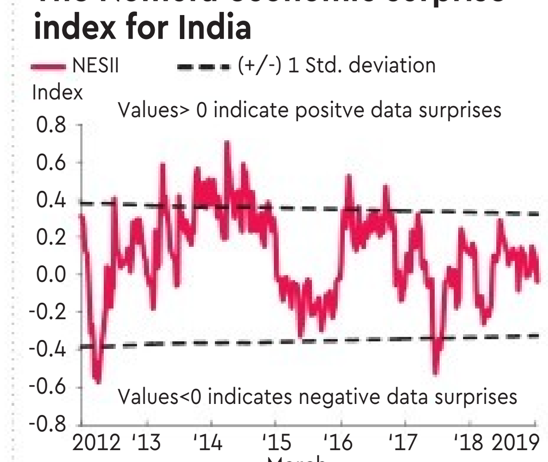
Inflationary pressures will remain capped this year, with headline inflation remaining sub-4% in 2019, below RBI's inflation target. The minutes for the Monetary Policy Committee's deliberations for the February policy amply articulate that it is ready to accommodate growth as long as inflation, particularly of food, remains benign. Expect both growth and inflation to undershoot RBI's projected path. Along with a benign global backdrop, this should provide more space for easing. Nomura also estimates that there will be a 25 bps rate cut at both April and June's policy meetings, which will result in a cumulative 75 bps worth of repo rate cuts in 2019.

Edited excerpts from Nomura's *Asia Insights, India* (March 21)

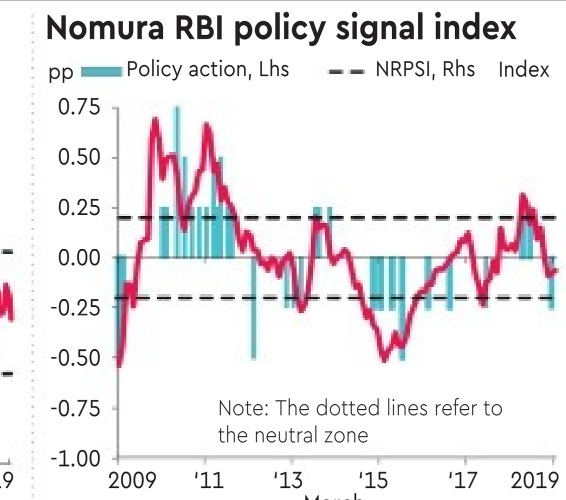
Nomura CLI and non-agriculture GDP growth



The Nomura economic surprise index for India



Nomura RBI policy signal index



Source: CEIC, Consensus survey and Nomura Global Economics

Revisiting smart city challenges

Most of the action plans are just replications of successful projects in large cities like Delhi, Bangalore, Ahmedabad, etc, which may not be appropriate for small and/or developing cities of the country

DEBALINA CHAKRAVARTY

Post-doctoral research fellow, economics group, IIM-Calcutta

THE FLAGSHIP MISSION of the ministry of housing and urban affairs, 'Smart City Mission', has released around ₹1,26,000 crore for its urban development projects till February 2019, which is expected to impact 7.33% of the total population and 24% of the urban population of the country. The opportunity to grow with the transformational changes under the mission is significantly high and the first 20 smart cities are growing fast, but with the rest of the cities, there are still some fundamental issues left to deal with.

The 100 smart cities are only 2.5% of the total number of cities and towns of the country and it is expected that the 100 cities will set an example for the remaining urban agglomeration in the future. In most of the smart cities, the development process is planned in some pockets of the cities. For instance, in Bhubaneswar, it is in and around the road—Janpath. So, is it possible to achieve economic growth as well as improve well-being by prioritising developmental strategies in regional pockets? It is expected that the pockets will generate spillover effects to the development process, but again the question arises of whether the urban agglomeration is capable of absorbing the smartness through new technologies. Building the capacity of individuals, communities and governance systems to adopt the social and economic transitions should be the topmost priority of the mission. Otherwise, development in regional pockets may infuse conflicts and issues of equity may arise with this kind of centralised development strategy. It may also cause migration to well-developed slum areas from the suburbs of the city when the city has a plan to redevelop its slum areas for improving the livelihood of the slum dwellers.

The mission was also expected to design a city-specific action plan according to the pressing needs of the city identified by the city dwellers. For instance, Bhubaneswar primarily needs a frequent mode of public transportation to provide connectivity with nearby towns, but the action plan started with the non-motorised mode of transportation for last-mile travel. Though it is a fact that non-motorised mode of transportation is a crucial aspect of the mission, which one should be the top-most priority in the current context? Most of the action plans are just replications of successful projects in large cities like Delhi, Bangalore, Ahmedabad, etc, which may not be appropriate for small and/or developing cities of the country. In Pune, for modal transport, there already exists CNG buses and a BRT system; a metro network is also in progress, and, yet, the city is procuring e-buses. The inclusion of the new transport mode may cause disruption in the transportation system as well as in the administrative process. The concern is the limited resources, including the corpus amount, skilled human resources and technologies which are to be used in priority areas to meet the needs of citizens.

> **Building the capacity of individuals, communities and governance systems to adopt social and economic transitions should be the topmost priority of the mission**

Under the public-private-partnership (PPP) investment approach of the mission, the Central government is ready to finance 20% of the projects on the condition that the state government will also invest in 40% of the cost of the project. The rest of the will come from private investment. Given that urbanisation is one of the prime developmental issues, most of our Indian states are not efficient enough to decide where and how to prioritise their public finance amongst core developmental issues including education, health or small- and medium-scale enterprises (SMEs) or for the city development missions of the state. Lack of synergy between the practical evidence, research and action plans are diverting resource allocation from the priority sectors, especially for the backward states of the country.

The mission could introduce some incremental actions along with planned transformational actions. Incremental actions could be considered as an extension of actions and behaviour that are already in place to reduce disturbances towards the mission purpose. Incremental actions, like the use of the battery operated electric rickshaws, at least for last-mile and short distance travel, car-pooling, etc, could actually enhance the capability of the system. Transformational actions are already in the strategic plan to change the fundamental attributes of the system in response to actual or expected impacts of the mission. For a holistic policy like the smart city mission, experts from different fields realise that a comprehensive understanding of the mission across all stakeholders is an urgent need to arrive at a common framework for the cities. Lack of identification of the needs, proper dissemination of information and inappropriate understanding may adversely affect the fundamental objective of the mission. If the citizens cannot identify their core needs and priorities, then their participatory decisions will divert the missions' principle objectives. The limited vision for the mission may cause a vicious circle of incapability especially for the smaller cities under the mission.

LETTERS TO THE EDITOR

Digital norms

Security and customisation ought to be a continuous process in order to enhance user experience and curtail the risks posed by evolving phishing techniques, hack attempts and malware and ransomware definitions. That said, the accountability of owners should be ascertained with a greater consistency to encourage business ethics and enforce adherence to content management, information and financial security and data encryption norms. Directives require tech giants to comply with data localisation norms and licence the right to reproduce copyrighted material on their platforms. Recurring deviations call for a standardisation across diktats in order to promote awareness and serve consumer interests. Design of products based on requirements defined, gathered and analysed in-house, and lacking inputs from a known/dedicated user base during the ideation phase create a barrier and lead to operational and behavioural non-flexibility

— Girish Lalwani, Delhi

World water day

A few decades back, nobody would have imagined that water would one day be sold. Who knows, in the future, even pure unpolluted air may be sold. Water is the oil of 21st century and many wars of the century may be fought over water as it is unevenly distributed across the globe. Water is a universal solvent, but one wonders when people will dissolve their differences over water and resolve issues amicably before it reaches a boiling point. One wonders whether inter-linking rivers will solve India's water crisis or lead to more disputes. Benjamin Franklin said 'When the well is dry, we know the worth of water'. Let us save this God's gift to mankind and conserve every single drop of water as every drop counts

— TS Karthik, Chennai

●Write to us at feletters@expressindia.com

Regd. No: DL -21048/03-05. R.N.I. No.26750/74. Printed and Published by R.C. Malhotra on behalf of The Indian Express (P) Limited and printed at The Indian Express (P) Limited Press, A-8, Sector-7, Noida - 201301 and published at The Indian Express (P) Limited, Mezzanine Floor, Express Building, 9 & 10, Bahadur Shah Zafar Marg, New Delhi-110002. Phone: 0120-6651500, Fax: 0120-4367933. (Cover price: Patna: Mon-Fri ₹6, Sat ₹9, Sun ₹11; Raipur: Mon-Fri ₹7, Sat ₹10, Sun ₹10)
Chairman of the Board: Viveck Goenka, Managing Editor: Sunil Jain, Deputy Managing Editor : Shobhana Subramanian* (*Responsible for selection of News under the PRB Act)

Winning the war on undernutrition

India is still grappling with the institutional causes of stunting, wasting and underweight. Therefore, attempting to engineer a reduction in undernutrition in India without confronting the root cause is likely to be a hollow attempt

PHALASHA NAGPAL

The author is Young Professional, Economic Advisory Council to the Prime Minister, NITI Aayog, Government of India. Views are personal

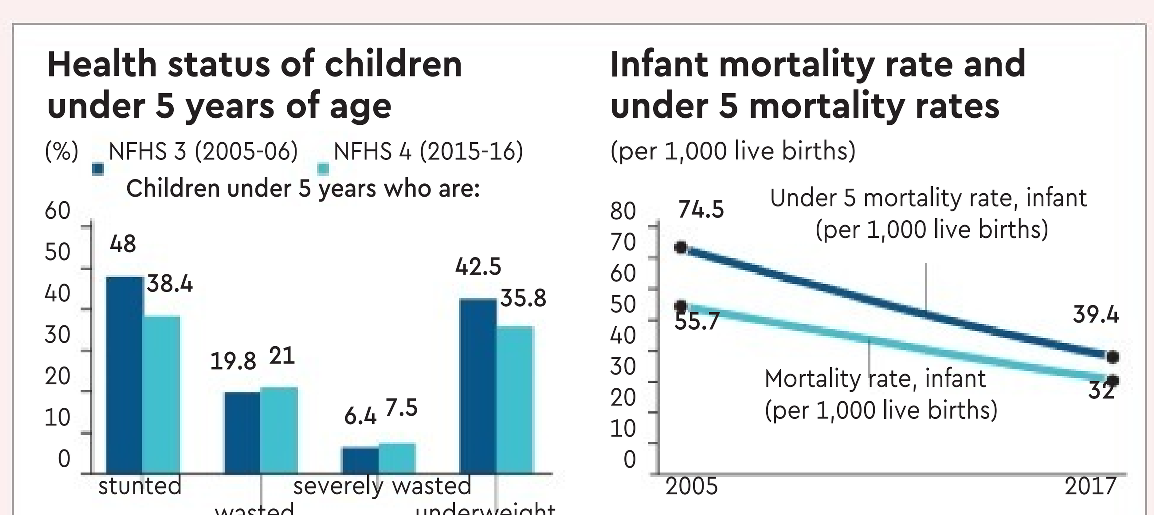
ILLUSTRATION: ROHNIT PHORE

THE RECENT LAUNCH of the government's food fortification programme and Poshan Abhiyaan brings our attention to the incidence of undernutrition in India, which takes the form of stunting (low height-for-age), wasting (low weight-for-height) and underweight (low weight-for-age) through the interaction of these three indices—height, weight and age. Data on undernutrition for children under the age of five from the National Family Health Survey (NFHS) of 2005-06 and 2015-16 illustrates some worrying trends, even though, as opposed to macroeconomic indicators, social development indicators change gradually over a relatively longer period of time in response to policy interventions. Accordingly, the results of these interventions are reflected with a lag. That being said, there is no denying the fact that the incidence of undernutrition in children in India is high.

But any attempt to understand these trends in isolation, without looking at other variables that are inextricably linked to undernutrition, is likely to be misleading. Thus arises the need to backtrack and study the root causes of undernutrition and its interplay with other variables—from a more holistic, rational and analytical vantage point.

First, let's talk about undernutrition. Its incidence in children, who belong to the most vulnerable segment of the population, is a robust indicator of the nutritional status of any country. Given its impact on children's cognitive and mental development, the effects of acute undernutrition are most pronounced for them. As shown in the accompanying graphic, the proportion of children under five years of age in the stunted and underweight category has witnessed a marginal decline in the previous decade. On the other hand, the statistics on wasting and severe wasting present an even more abysmal trend—displaying a relative increase for both categories during the same period. Now, let's consider the trends of other social indicators like infant mortality rate (IMR) and under-five mortality rate (U5MR).

Historically, childbirth has been dangerous for both women and infants, despite largely preventable causal factors. But, in the recent years, the government has made major strides in healthcare—in terms of budget allocation, healthcare schemes and health outcomes. Accordingly, sustained efforts towards addressing some of the significant causal factors of high IMR have resulted in its consistent decline from 55.7 (2005) to 32 (2017), as shown in the graphic. First, according to the NFHS data, the percentage of institutional deliveries has nearly doubled from 38.75% (2005-06) to 78.9% (2015-16) through the support of initiatives such as Janani Suraksha Yojana. Second, interventions in neonatal (in the first 28 days of birth) and post-neonatal healthcare (from the first 28 days of birth to one year) like improved breastfeeding practices have also played a pivotal role in bringing down child mortality. Furthermore, with the launch of path-breaking government schemes such as the National Rural Health Mission and the Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCH+A) strategy, we are inching closer to the Sustainable Development Goals (SDGs) target of our commitment to end preventable deaths of infants and mothers by 2030.



Source: NFHS 3 and NFHS 4; World Development Indicators, World Bank, 2017

However, one must understand that protecting infants from mortality begins even before they are born—it can be achieved by administering requisite prenatal care interventions. And in the case of India, prenatal maternal health and nutrition are yet to receive adequate attention.

Meanwhile, the commensurate decline in U5MR has taken place at a visibly faster pace than IMR—this seems very promising. U5MR for India is now almost at par with the global average of 39—potentially owing to the strides in immunisation coverage and other factors. According to UNICEF India, another significant cause of U5MR is acute undernutrition, accounting for 38% of the deaths. The declining trend of U5MR is, therefore, indicative of some progress in reducing undernutrition in children, coupled with more significant government initiatives such as child immunisation and Swachh Bharat Abhiyan (for sanitation and hygiene). To state it simply, at its nascent stages, the government policy on children's health has prioritised the survival of children at birth and beyond the threshold of age five—and has achieved appreciable results, particularly in the recent years. The next logical step would involve shifting focus of government policy towards tackling the incidence of undernutrition, especially among surviving children—first 'survive' and then 'thrive', as advocated by the World Health Organisation (WHO).

On one hand, IMR and U5MR are declining, and on the other hand, the burden of undernutrition in children in absolute numbers is on the rise, or is slowly declining. When looked at together, there is a logical flow explaining the interplay of these trends.

A lower IMR and U5MR means that the total population of surviving children has increased in absolute numbers. As a consequence, the total proportion of undernourished children has also increased in absolute numbers.

So, what then explains this apparent increase in under five undernutrition?

The government policy has focused on significant causal factors of IMR and U5MR, like postnatal healthcare ensuring higher survival rate of children. However, other important factors like nutritional status of adolescent girls (future mothers) and prenatal nutrition have received scant attention. Nutritional status runs in a viscous intergenerational cycle with adolescent girls with poor nutritional status later becoming undernourished pregnant women, who, in turn, are likely to give birth to children who are stunted, wasted or underweight. As a result, the high number of undernourished mothers are likely to give birth to undernourished children. In fact, according to the NFHS-4 report, children born to women with low body mass index (BMI less than 18.5 kg/m2) have a higher likelihood of being stunted, wasted or underweight. Therefore, the central argument is simple. First, the higher survival rate of children, due to declining IMR and U5MR, has resulted in a higher population of children. Second, the relatively poor nutritional status of pregnant women has resulted in the birth of undernourished children. These two factors taken together potentially have a high explanatory power with respect to the overall increase or relatively lagged decline in the incidence of undernutrition (stunting, wasting and underweight) in children.

Undoubtedly, India is still grappling with the institutional causes of stunting, wasting and underweight. Therefore, attempting to engineer a reduction in undernutrition in India without confronting the root cause is likely to be an illusory/hollow attempt. As per the balanced growth path theory, for growth to be sustainable, all key economic variables must move at the same pace. In the social development context, now that the survival of children is being taken care of, there is a need to design policy intervention with an all-encompassing focus on bringing down the incidence of undernutrition in adolescent girls, pregnant women and young children. This would ensure that IMR, U5MR, and the incidence of stunting, wasting and underweight simultaneously start declining.

DATA DRIVE

Exports pinch

EXPORTS IN FEBRUARY grew 2.4% year-on-year (y-o-y), lower than 3.8% in January and imports grew 9.75% in February. For the period April to February FY19, while exports grew 8.9% y-o-y to $298 billion dollar, imports too, grew 7.3% to $464 billion.

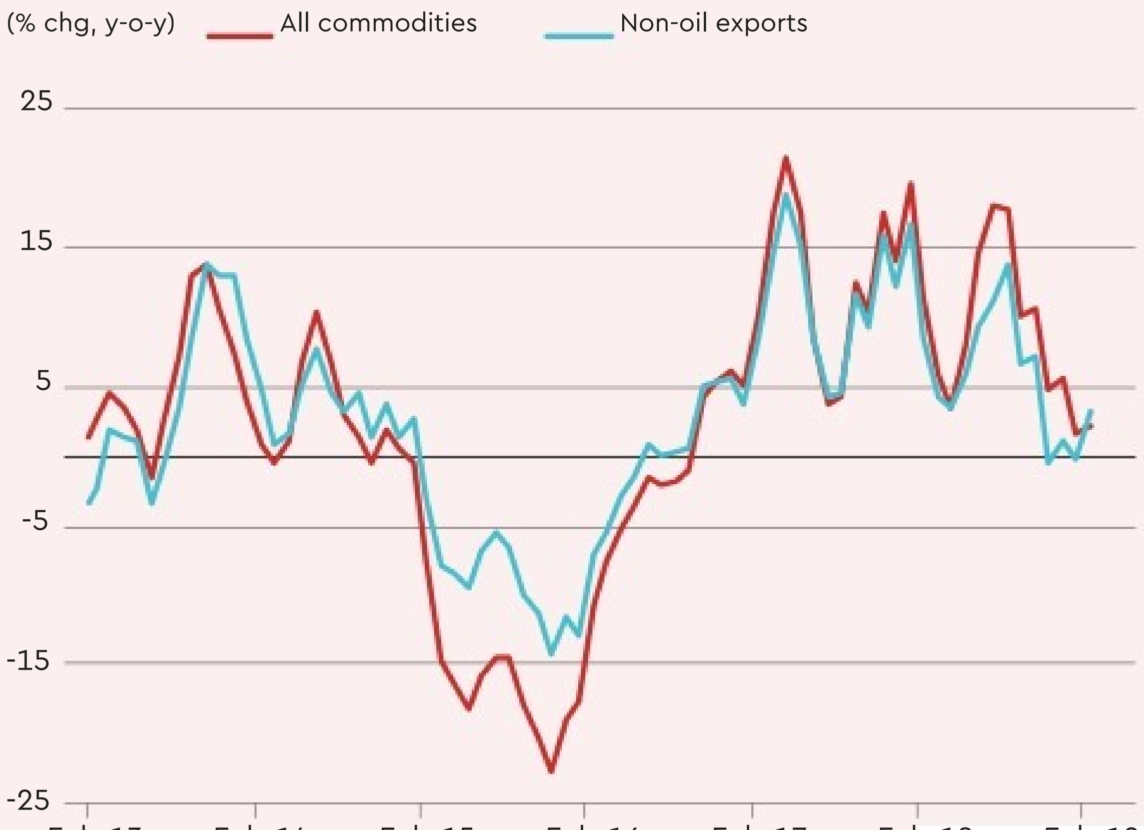
Trade deficit, which declined from $126 billion in FY15 (April-Feb) to $97.9 billion dollar in FY17 same period, rose to $148 billion in FY18 to $165.6 billion in FY19 (April to Feb). Trade deficit has a bearing on the current account deficit and balance of payments which gets reflected in the fundamentals that affect the exchange rate.

Going ahead, trade deficit is expected to rise as exports could slow further owing to weak global demand. Further, oil deficit is likely to be higher in ensuing months. However, lower non-oil and gold imports because of weak domestic demand could partially offset some of the rise in trade deficit.

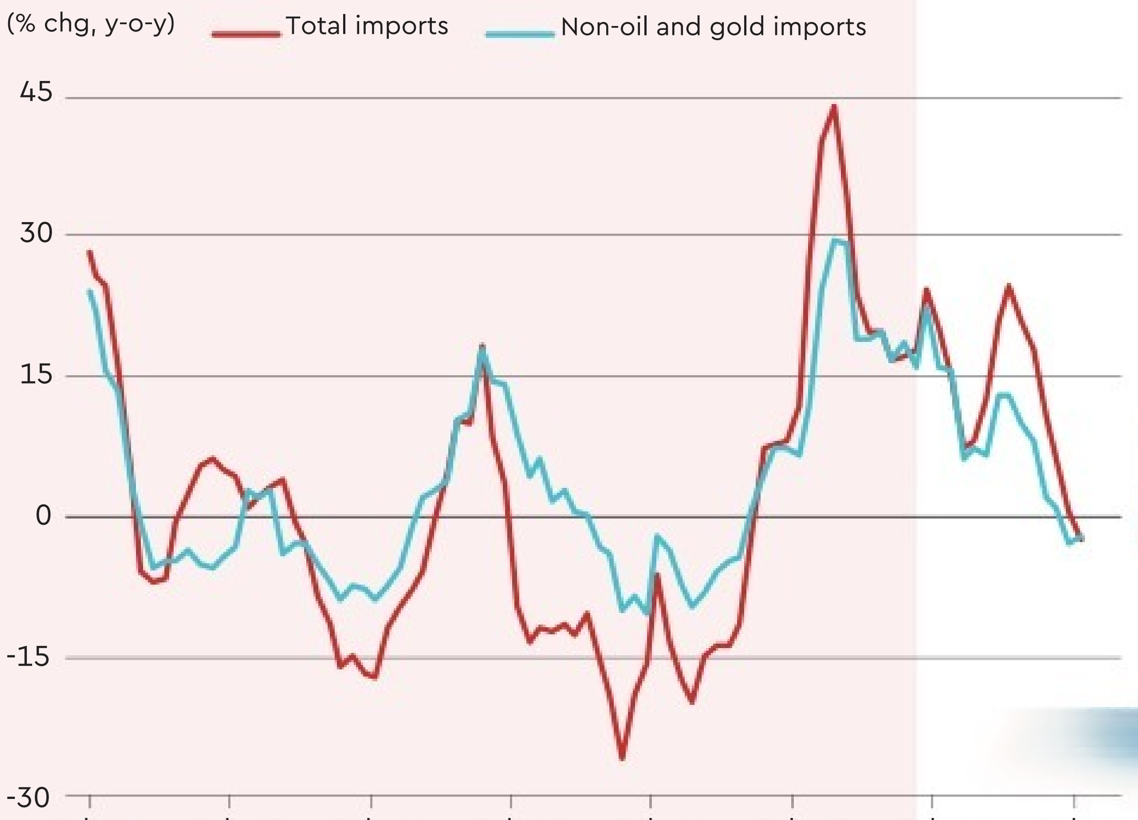
India's bulk of exports are still to Asia. However, the share has fallen from 48.7% in FY15 to 47.6% in FY19 (till Feb). The gain has been more to America which rose from 18.9% in FY15 to 21% in FY19 (till Feb).

The US is the leading country for Indian exports with 16% share in our total exports. So, any development on the side of Generalized System of Preferences (GSP) or other trade actions by the government on imports from India will have a bearing on our exports as it involves around $44 billion of exports.

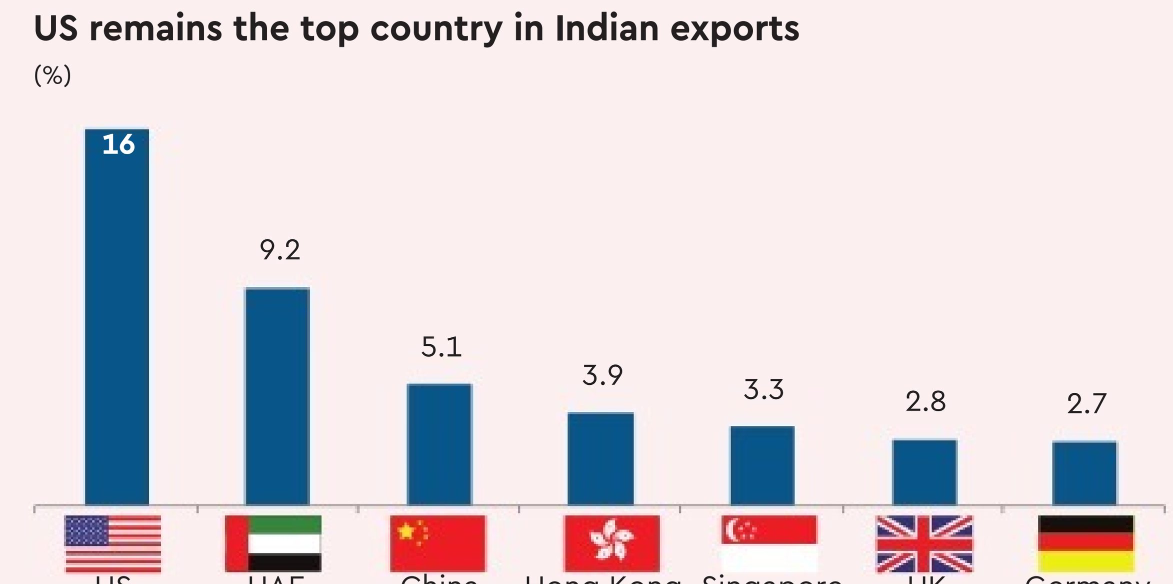
Exports growth remains flat



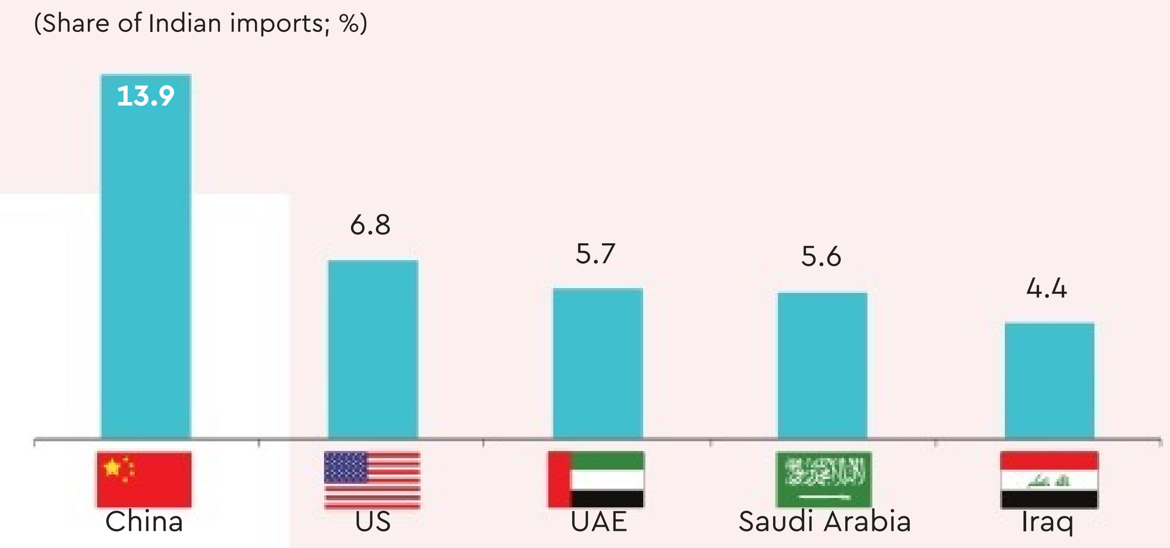
Sharp decline in total imports' growth



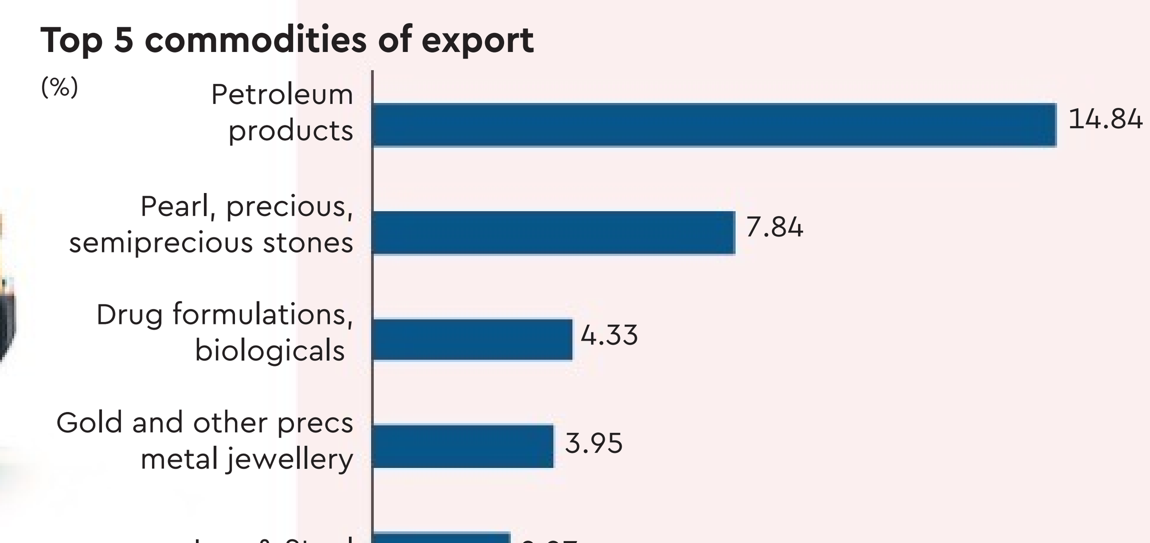
US remains the top country in Indian exports



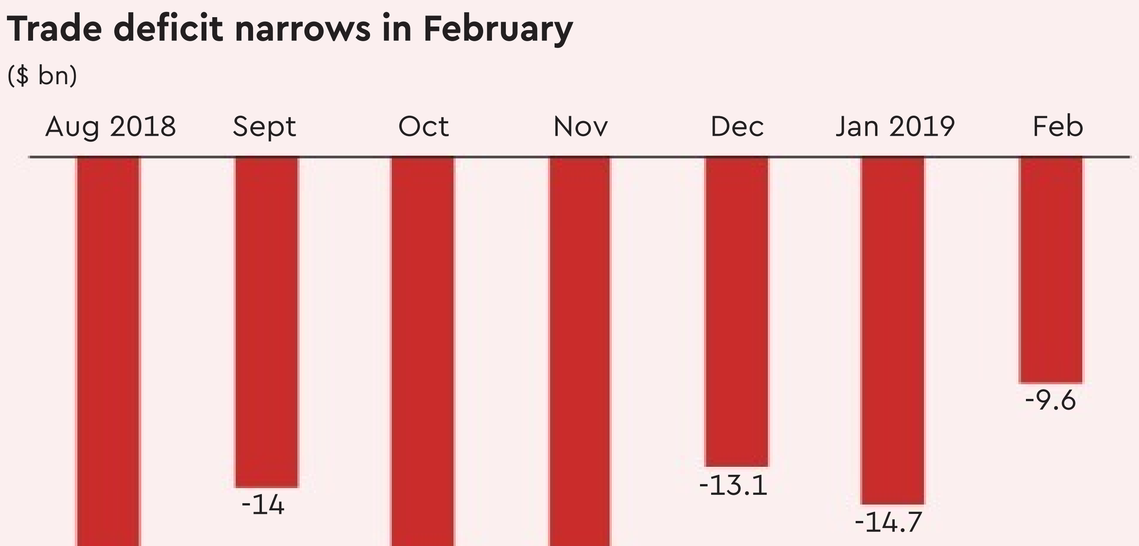
China is the major country for Imports



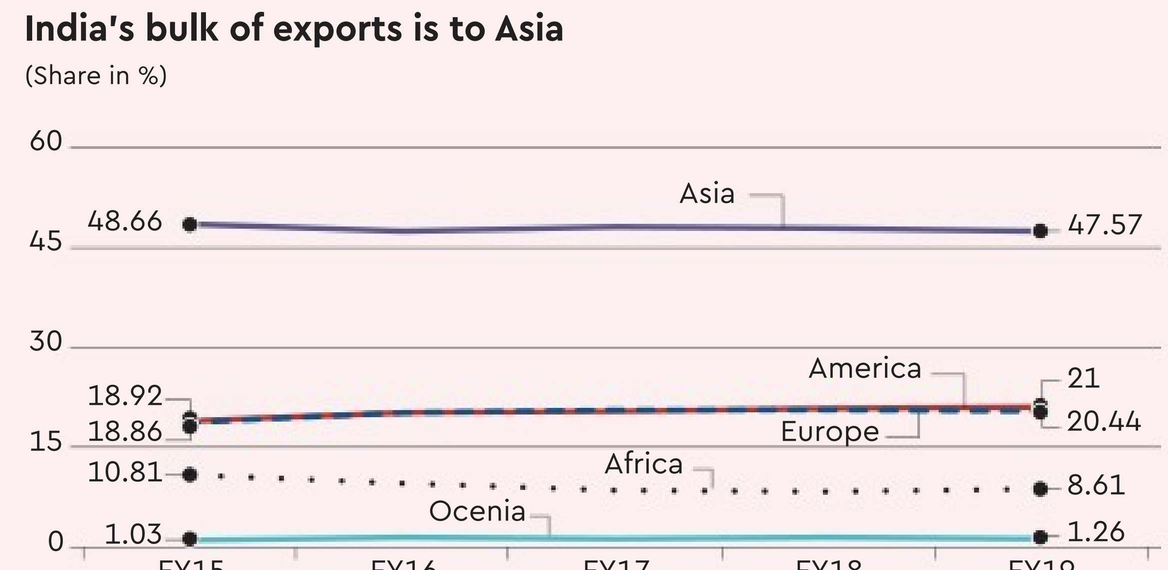
Top 5 commodities of export



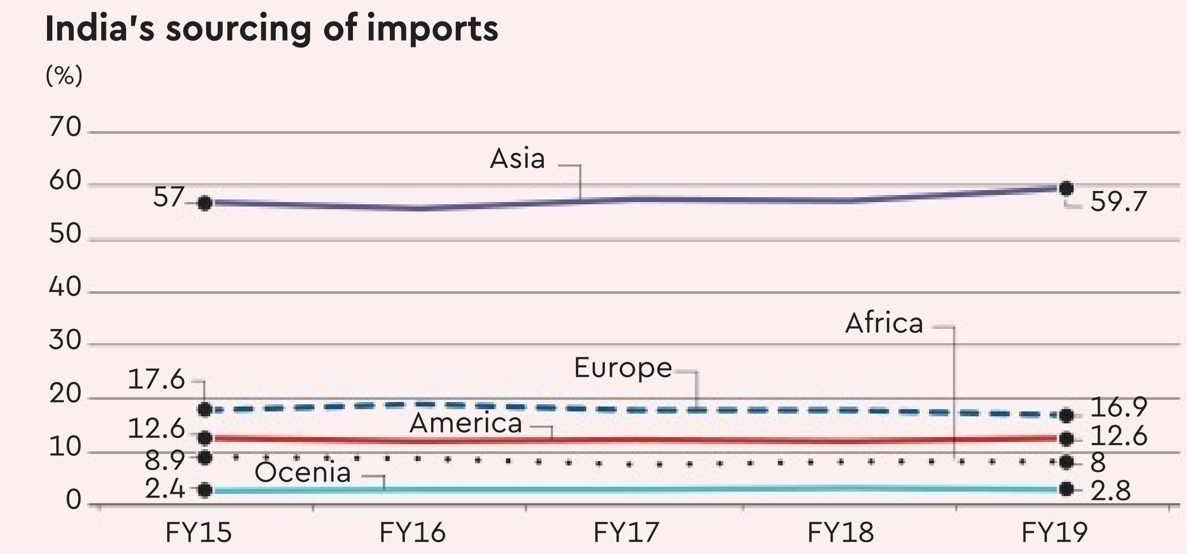
Trade deficit narrows in February



India's bulk of exports is to Asia



India's sourcing of imports



Source: Ministry of commerce