

India's rising exports could boost GDP by 1%

Projection may be too optimistic and premature, say economists

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Betting big on India's exports which have grown nominally in the on-going fiscal after two years of continuous decline, the Survey has projected that it could increase Gross Domestic Product (GDP) by 1 per cent in the next fiscal year.

"Given the high elasticity of Indian real export growth to global GDP, exports could contribute to higher growth next year, by as much as 1 percentage point," the Survey pointed out.

India's exports appear to be recovering, based on an uptick in global economic activity. This is expected to continue in the aftermath of the US elections and expectations of a fiscal stimulus, the Survey said.

The optimism exuded in the Survey, however, is not shared by some economists who feel

that it is pre-mature. "With US President Donald Trump striking hard on H1B visas and outsourcing and the confusion surrounding Brexit, there is growing uncertainty in the international market. There are going to be serious head-winds on this and one has to wait and watch," said trade expert Biswajit Dhar from the Jawaharlal Nehru University.

Dhar said that Indian companies doing business in the US are facing a lot of uncertainty and some were talking in terms of moving to other countries. "It is not easy to do so. The kind of outsourcing business that you get from the US, you don't get anywhere else," he said.

IMF update

According to the Survey, the IMF's January update of its World Economic Outlook fore-



Nascent signs A strong export recovery will have broader spillover effects on investments. REUTERS

cast projecting an increase in global growth from 3.1 per cent in 2016 to 3.4 per cent in 2017, with a corresponding increase in growth for advanced economies from 1.6 per cent to 1.9 per cent, augured well for India's exports.

There are some nascent signs of a global rebound in the last two quarters, the survey said,

adding that a strong export recovery would have broader spillover effects to investment.

India's exports declined 1.3 per cent and 15.5 per cent in 2014-15 and 2015-16 respectively mostly due to a fall in global demand. The trend of negative growth was reversed somewhat during 2016-17 (April-December), with exports regis-

tering a growth of 0.7 per cent to \$198.8 billion from \$197.3 billion in 2015-16 (April-December).

On the flip side, the net services surplus declined in the first half of the on-going fiscal, as software service exports slowed and financial service exports declined, the Survey stated.

Net private remittances declined by \$4.5 billion in the first half of 2016-17 compared to the same period of 2015-16, weighed down by the lagged effects of the oil price decline, which affected inflows from the Gulf region.

Steeper contraction in imports, compared to exports, during the first half of 2016-17 led to a sharp decline in trade deficit. Despite slowing services exports, the decline in merchandise trade deficit helped improve the position of net exports of goods and non-factor services in the national accounts.