

# Imports surge as demand picks up

A strong rupee and base effect also play a role

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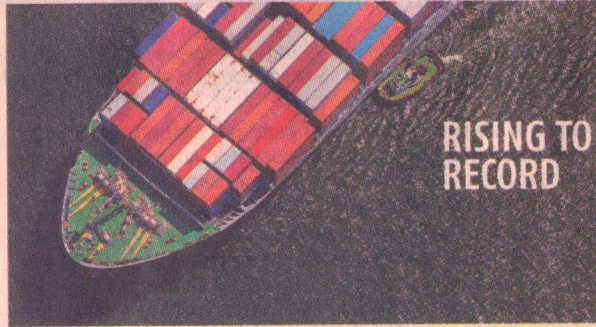
Latest trade data showed that imports grew by a staggering 49 per cent in April. What is equally surprising is that excluding oil and gold, imports rose by 44 per cent in April. Moreover, the rate of growth of non-oil, non-gold imports has accelerated over the past few months. Imports of these items had grown by 4.2 per cent in January, 4.8 per cent in February and 19.8 per cent in March.

What explains this rise? As

economists look at non-oil, non-gold imports for signals about domestic demand, does this trend signal a sustainable pick-up in domestic demand?

Economists say that while part of the sharp rise in imports in April 2017 can be attributed to the base effect, imports (excluding oil and gold) had recorded a double-digit contraction in April 2016, a pick-up in domestic demand and the recent strengthening of the rupee have also played a part in higher imports.

The latest trade numbers



reveal a broad-based uptick in domestic demand across all segments. Data show that imports of capital goods such as machinery, electrical and non-electrical grew by 37.4 per cent, while those of transport

equipment grew by 30.1 per cent. Similarly, imports in the consumption segment such as of electronic goods rose by 74.1 per cent, while those of commodities such as coal and non-ferrous metals grew by 94.9

Imports (excluding oil and gold)

(% YoY)

Oct '16	1.9
Nov '16	9.6
Dec '16	4.4
Jan '17	4.2
Feb '17	4.8
Mar '17	19.8
Apr '17	44.0

Source: Ministry of Commerce

per cent and 35.9 per cent, respectively. "Import growth in April 2017 was fairly broad-based, with both consumption and industrial segments seeing an uptick," says Aditi Nayar, principal economist at Icria.

Others concur. "International prices were benign during this period. So one can say that the rise in imports reflects higher demand during this period," says Madan Sabnavis, chief economist at CARE Ratings.

"The pick-up in imports, particularly capital goods, signals a rebound in demand with ongoing remonetisation. However, it is possible that the recent strength in the rupee has also played a role in boosting imports," said Sonal Verma and Neha Saraf, economists at Nomura in a research note.

But economists remain sceptical whether this uptick marks the beginning of a secular upward trend.