

Prabhu calls for meeting to discuss trade deficit, rupee volatility

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Worried over the rupee depreciation against the US dollar and the growing trade deficit, Commerce and Industry Minister Suresh Prabhu has convened a meeting of top officials from key Ministries and Departments to look for viable solutions.

Secretaries and other senior officials from the Ministry of Petroleum and Natural Gas, Department of Economic Affairs, Ministry of Coal, Ministry of Electronics and IT, Department of Industrial Policy & Promotion, Department of Pharmaceuticals and Ministry of Steel will attend the meeting to be chaired by Prabhu on Thursday.

"Although our exports are on the rise, a widening trade deficit due to higher imports is worrying. The pressure on the rupee is also making things tough both for importers as well as exporters," a government official told *BusinessLine*.

The Commerce Ministry is



Suresh Prabhu, Commerce and Industry Minister

already working on a strategy to boost exports in key areas in coordination with line ministries.

"While boosting exports is key to checking trade deficit, one has to look at ways to also lower imports through import substitution. Moreover, the falling rupee is making things tough for importers and exporters who hedged their risks," the official added.

Uncertainty for exporters

According to the Engineering Export Promotion Council, an unstable rupee exacerbates uncertainty for the exporters as any real impact on exports

gets muted due to several factors such as all-round depreciation of currencies of all the emerging markets, and increase in raw material costs for the export consignment.

Although rate of growth in exports is over 16 per cent in the April-August 2018-19 period, the government wants to increase it to a higher trajectory to make a dent in the rising trade deficit which crossed \$80 billion in the first five months of the fiscal compared to \$67 billion in the same period last year.

The meeting is also likely to focus on ways to check imports further. Last week, the Finance Ministry raised import duties on 19 items including air-conditioners, refrigerators, washing machines, footwear, jewellery, furniture fittings and tableware, in a bid to check their imports.

"The government is open to the possibility of identifying more products where duties could be raised without hurting domestic units or flouting multilateral rules," the official added.