

Indo-China trade deficit hits 7-yr low

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Trade deficit with China narrowed to a seven-year low during the first 11 months of financial year 2020-21 as businesses in India continue to grapple with the Covid-induced disruption and subsequent lockdowns.

This is mainly due to robust double-digit growth in exports, coupled with contraction in imports.

Trade gap narrowed to \$39 billion in April-February (2020-21), compared to \$46.8 billion during the same period a year ago, and \$50.1 billion in 2018-19, official data show.

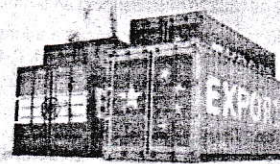
Steel companies, however, have a different story to tell. Top steel-makers in the country operated at full capacity by the second quarter of 2020-21. Exports contributed to a substantial part of their sales, mainly driven by demand from China.

India's exports to China have grown by 19.2 per cent in the aforementioned period to \$18.9 billion, even as the country's overall outbound shipments declined by 12.17 per cent. In fact, China's share in exports has been on a steady rise,

expanding to 7.23 per cent in 2020-21 from 3.44 per cent in 2015-16. China is also India's biggest trading partner.

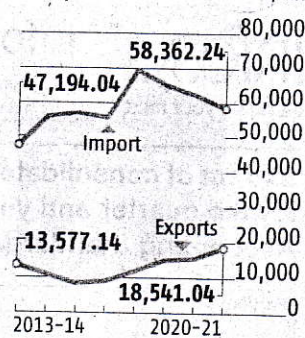
Meanwhile, imports from China have declined by 6.44 per cent compared to the overall decline of 22.18 per cent in the first 11 months of the fiscal. Despite the Aatmanirbhar Bharat push and a popular pitch to banish Chinese products, Beijing's share in imports have seen a rise, making up for 17 per cent of the total inbound shipments in FY21 compared to 13.85 per cent in 2018-19.

While shrinking trade deficit can also be attributed to lower imports, experts pointed out that this could also be due to low demand of capital goods and delay in revival of manufacturing activity. "Trade deficit with China has reduced partly due to lower imports and higher exports. Lower imports are due to lesser demand for capital goods from domestic industry. This trend will change once domestic manufacturing recovers," said Amitendu Palit, Senior Research Fellow, Institute of South Asian Studies, National University of Singapore.



BALANCING ACT

This is mainly on the back of a robust double-digit growth in exports



Source: Department of Commerce