Exports growth likely to slow down to 18%

Economy Bureau
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The Prime Minister's Economic Advisory Council has projected that the exports growth rate would slow down to 18% (in terms of US dollar) in 2007-08 from 21% last fiscal, thereby missing the commerce ministry's ambitious target of $160 billion target, by $13 billion, to touch only $147 billion.

However, exporters and trade experts peg the exports for the current fiscal at only $135 billion, mainly hit by a strong rupee.

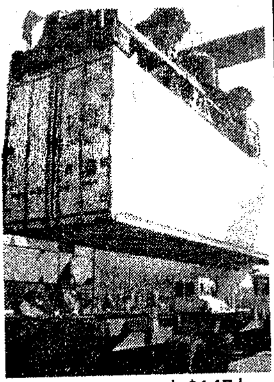
Surjit S Bhalla, managing director, Oxus Research and Investments, a New Delhi-based economic research organisation, says, "The growth rate of exports in rupee terms is close to 9% only. Therefore, the slow down to 18% that the government is talking about is actually a doubling in rupee terms. This calculation is hogwash and the forecast unrealistic. It is more of a political statement and has no basis on economics. Given the stupidity of the policies followed by the government, we would be lucky if we achieve a 10% export growth rate."

GK Gupta, president, Federation of Indian Export Organisations said: "We are likely to miss even this revised target. A strengthening rupee has accentuated our problems. Already we are losing out due to increasing transaction costs. At this rate, we will soon have single-digit growth rates." Exporters point out that with imports becoming more viable, trade deficit would cross $100 billion. In addition, most exporters have started to refocus in the domestic market.

The EAC said imports recorded 23% growth and touched $223 billion, thereby taking the trade deficit to $76 billion, a 35% increase from last fiscal. Earlier the government had announced a package for exporters hit by rupee appreciation, which includes interest rate relief, adjustment of duty drawback rates and reimbursement of export claims, which is likely to cost the exchequer Rs 1,400 crore a year.

The government has also relaxed monthly and quarterly ceilings of expenditure for deemed export benefits to enable the commerce ministry to meet the pending reimbursement claims.

MISSING TARGET



- Exports may reach $147 bn target against ministry's projection of $160 bn
- However, Re-hit exporters peg the figure for the current fiscal at just $135 bn
- Imports recorded 23% growth and touched $223 billion, taking the trade deficit to $76 billion