

Edible oil imports bill up 34% in 2021-22 season

Our Bureau
Bengaluru

The country's edible oil import bill has gone up by 118 per cent during the 2021-22 oil season (November-October) compared with the 2019-20 season. Data available from the Solvent Extractors' Association of India (SEA) showed the value of imported edible oil at ₹1.56 lakh crore during the 2021-22 season compared with ₹1.17 lakh crore in 2020-21, an increase of 34 per cent.

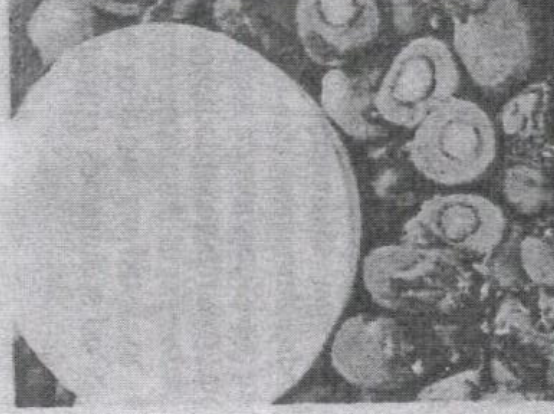
The edible oil import bill was ₹71,625 crore in the 2019-20 season. This means the value of edible oil import went up by 118 per cent between 2019-20 and 2021-22. BV Me-

hta, Executive Director of SEA of India, said the rupee was at ₹81.35 against the dollar as on November 10, which made edible oil imports a little expensive.

UP AGAIN IN Q4

India imported 140.3 lakh tonnes (lt) of edible oil during the 2021-22 against 131.3 lt in 2020-21, a growth of 6.85 per cent. India imported 131.8 lt of edible oil in 2019-20.

Mehta said the import gradually increased in the first two quarters and slowed down in the third quarter. However, it increased in the fourth quarter after Indonesia lifted its ban on palm oil exports, resulting in a sharp decline in international prices. These

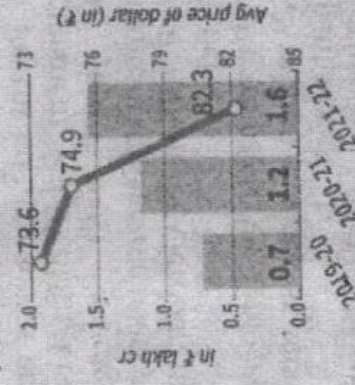


Palm oil import dropped to 79.15 lt in the oil year 2021-22

factors boosted buying from India. In fact, India imported a maximum of 43.34 lt of edible oil during the fourth quarter of the 2021-22 season against

Surge in shipments

Edible oil import bill during oil years (Nov-Oct)



in ₹ lakh cr

Avg price of dollar (in ₹)

Source: SEA of India

36.07 lt (Q1), 29.35 lt (Q2), and 31.52 lt (Q3).

The opening stock of edible oils was 17.23 lt as on November 1, 2021. However, the

opening stock was at 24.55 lt on November 1, 2022. Mehta said India needs about 19 lt of edible oil per month. She said that the country is currently operating at 40 days stock and said this is the highest inventory held by India.

Import of RBD palm oil increased to 18.4 lt during 2021-22. The increase was the cost of the reduction of port of CPO (crude palm oil).

In absence of a lesser source of sunflower oil in the previous year, the import of soybean oil jumped to 41.7 lt during the oil year 2021-22 against 28.7 lt in 2021-22.

Import of sunflower oil was pegged at 19.44 lt during oil 2021-22 against 18.94 lt in 2020-21.

Business Line dt 16.11.22

Exports contract 16.6% in Oct for first time this fiscal

DOUBLE-WHAMMY. Imports rise 5.7 per cent to \$56.69 b fuelled by petrol and fertilisers

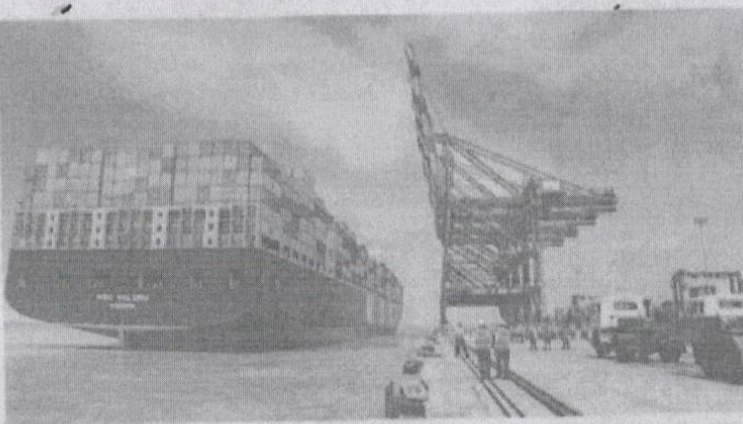
Our Bureau
New Delhi

India's goods export contracted for the first time this fiscal, falling 16.6 per cent in October 2022 to \$29.78 billion (year-on-year), with shipments of most major items such as petroleum, gems and jewellery, engineering goods, chemicals, textiles and pharmaceuticals, taking a hit.

Imports increased 5.7 per cent to \$56.69 billion in October 2022, propelled by a sharp rise in petroleum and fertiliser imports, resulting in a 50 per cent rise in the trade deficit to \$26.91 billion per quick estimates released by the commerce and industry ministry for October on Tuesday.

JUST A SEASONAL BLIP?

While weakening global demand for goods due to high inventory, rising inflation, currency volatility, and the continued war in Ukraine is a major reason behind the lacklustre export performance, Commerce Secretary Sunil Barthwal said that Dussehra and Diwali celebra-



YAWNING GAP. Trade deficit in April-Oct 2022 nearly doubled to \$173.46 b against \$94.16 b in the same period last year

tions during October this year may have also contributed as workers went on leave for the festivities. In 2021, Diwali was celebrated in November.

"This may be a seasonal blip. We will assess whether this is a trend that will persist after looking at how November trade numbers turn out," Barthwal said at a press briefing on Tuesday.

He pointed out that the WTO had reduced global trade growth forecasts to 1 per cent in 2023 and the IMF had downgraded GDP growth projections, and these needed to be watched.

However, there were re-

gions that were expected to perform better than others, such as North America, the Middle East, Latin America, and parts of Africa, where the exporters should focus, Barthwal added.

'FOCUS ON LIQUIDITY'

Goods export in April-October 2022 increased 12.55 per cent to \$263.35 billion. Most of the growth happened in the first quarter of the fiscal year, as since July, export growth has started slowing down. Goods imports during the seven-month period rose 33.12 per cent to \$436.81 billion. The trade deficit in

April-October 2022 nearly doubled to \$173.46 billion against \$94.16 billion in the same period last year.

Exporters' body FIEO suggested that in the current situation, the focus should be on providing liquidity at a competitive cost to the export sector, and therefore, the RBI may consider opening an export credit refinance facility for banks. This would encourage banks to lend to the export sector with refinancing from the RBI at the repo rate, the FIEO said in a statement.

"Since the interest rates have moved upward and are now higher than the pre-Covid level, there is a strong case to restore the interest equalisation support to 5 per cent and 3 per cent respectively, as existed prior to the Covid period," it said.

In 2021-22, Indian exports touched an all-time high of \$421 billion, growing over 40 per cent, but because of the global uncertainty, the Commerce Ministry is yet to share a target for the current fiscal year. Officials had said earlier that the possibility of attaining exports worth \$450-460 billion was being looked at.

India's exports contract for 1st time in 2 years

Decline 17% to \$29.78 bn in Oct; imports moderate

SHIREYA NANDI

New Delhi, 15 November

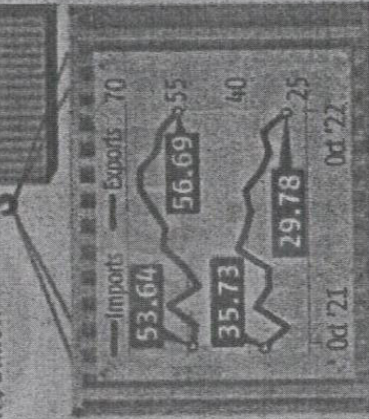
India's merchandise exports contracted for the first time in two years, in October, as slowing external demand amid recession fears in the West started impacting shipments from the country, further exacerbated by a higher number of holidays during the festival month.

The exports declined 16.65 per cent in October to \$29.78 billion, the data released by the commerce department showed on Tuesday. Imports, on the other hand, moderated to the lowest level in eight months, growing at 5.7 per cent to \$56.69 billion last month. This resulted in a trade deficit of \$26.91 billion, which remained above the \$25-billion mark for a fifth straight month, according to the data.

It was in November 2020 when exports contracted last time, by 8.74 per cent. During October, 24 out of the 30 key export items showed contraction, while only six — electronic goods, rice, tea, oil seeds, oil meals, and tobacco — witnessed growth, the data showed. Contraction in key commodity groups

SLOWDOWN SHADOW

In \$ billion



Key commodities that showed export decline in Oct 2022 (in %)

Engineering goods	-21.26
Gems & jewellery	-21.56
Petroleum products	-11.28
Organic & inorganic chemicals	-16.44
Drugs & pharma	-9.24

Source: Department of Commerce

such as engineering goods (-21.3 per cent), gems and jewellery (-21.6 per cent), chemicals (-16.4 per cent), and ready-made garments (-21.2 per cent) dragged down the overall exports. Turn to Page 7

FROM PAGE 1

Exports...

Non-petroleum, non-gems and jewellery exports — considered to be core exports — declined by 20.4 per cent to \$26.25 billion in October.

Commerce Secretary Sunil Barthwal pointed out that both global as well as domestic factors had had an impact on India's exports. He also pointed out the "heavy impact" of the festival season.

"Tightening of monetary policy in most of the developed world — Europe, the US and elsewhere — puts less money in the hands of the public. Therefore, consumption slows down. These are going to be tough times for us. There will be a lot of headwinds for us, and this will impact our exports too," said Barthwal.

Aditi Nayar, chief economist at ICRA, said a moderation in exports and imports on a sequential basis in October was driven by a larger number of holidays in the festival season. On a cumulative basis, the growth in exports was 12.55 per cent during the first seven months of the financial year (April-October). In terms of value, exports had peaked at \$42 billion in the month of March. After June, outbound shipments gradually started declining, with geopolitical tensions affecting demand.

A Sakthivel, president of the Federation of Indian Export Organisations, said the coming months would be quite challenging unless both global eco-

Exports Fall 16.7% Y-o-Y in October

Softer 5.7% rise in imports to \$56.7b prevents large spike in trade deficit

Our Bureau

New Delhi: India's merchandise exports dropped 16.7% in October from a year earlier, dragged down by a fall in shipments of engineering goods, textiles and petroleum products amid a deepening global slowdown.

The peak festive season falling earlier in October also slowed shipments as workers went on leave, experts said.

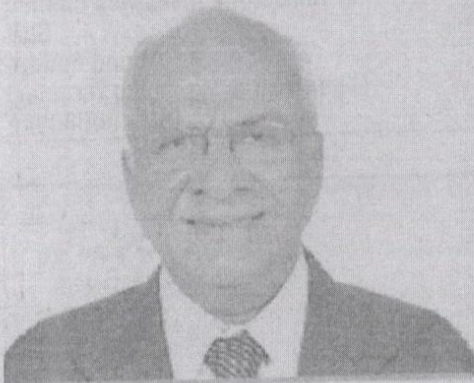
Exports dropped to \$29.8 billion in October from \$35.7 billion a year ago, data released by the commerce department Tuesday showed.

A softer 5.7% rise in imports to \$56.7 billion prevented a large spike in the trade deficit that widened to \$26.9 billion from \$25.6 billion in September.

**MGNREGS
WORK IN
OCT LOWEST
IN FY23**

»» PAGE 14

'Export incentives available on payments received through SVAs'



CHATROOM

T N C RAJAGOPALAN

The RBI's AP (DIR) Circular no. 10 dated July 11, 2022, allows settlement of international trade transactions in INR through Special Vostro Accounts (SVAs). Later, various provisions of the FTP and HBP have been amended, bringing the relevant provisions in sync with the RBI Circular. How will exporters be affected by these changes, especially in regard to availing the incentives?

First, export invoicing in INR is already allowed but the payment must come through Vostro Accounts maintained by foreign banks with a bank in India. Second, trade with Nepal, Bhutan and Myanmar in INR is covered by special arrangements. Third, settlements of trade transactions with

some neighbouring countries are made through the Asian Currency Union. Fourth, as far as my knowledge goes, no foreign bank has yet opened SVAs with any bank in India.

However, this may happen soon, especially to facilitate transactions with Russia. You will then be able to invoice in INR for exports to Russia with a specific provision in the contract that the payment must be made through the SVA of a particular Russian bank with a particular Indian bank.

The Commerce Ministry has issued notification no. 33/2015-20 dated September 16, 2022, allowing receipt of payments through SVA against exports. Its notification no. 43/2015-20 dated November 9, 2022, allows payments received through SVAs to be counted for recognition as an Export House and fulfillment of export obligation against advance authorisations.

It also says that where you import against payment through SVA, receipt of payment for re-export of the same goods must be received through SVA. DGFT Public Notice no.35 dated November 9, 2022, allows payments received through SVAs to be counted towards discharge of export obligation against EPCG authorisations.

Notification no. 76/2021-Cus(NT)

dated September 23, 2021, says that duty credit allowed under the RoDTEP scheme is subject to realisation of sales proceeds within the period allowed by the RBI.

It does not say how the sales proceeds must be realised. Similarly, Section 75 of the Customs Act, 1962, and the Customs and Central Excise Duties Drawback Rules, 2017, only say that the sales proceeds must be realised. So, the entitlements of RoDTEP and Drawback will be available against payments received through SVA also.

Refunds due to zero-rated exports under GST laws will not be affected if you get payments through SVA, because Rule 96B of the CGST Rules 2017 only requires you to realise the sales proceeds, and Rule 96A (ii) of the Rules allows payments in INR, where permitted by RBI.

Rule 53 of the SEZ Rules, 2006, requires realisation in freely convertible currency against exports for calculating NFE. Para 6.10(a) of the HBP talks only about FOB value of exports for calculating NFE. So, payments received through SVA will enter the NFE calculations for EOUs, but not for SEZs. For supplies to SEZ units or developers, deemed exports and exports to Nepal, Bhutan and Myanmar, the present position will continue.

TRADE DEFICIT WIDENS TO \$26.9 BN

Exports shrink 16.7% in Oct

Shipments drop for the first time in 20 months

FE BUREAU

New Delhi, November 15

MERCHANDISE EXPORTS DECLINED 16.7% on year in October, the first drop in 20 months and the worst slide since May 2020, when a nation-wide lockdown was imposed to contain the Covid outbreak.

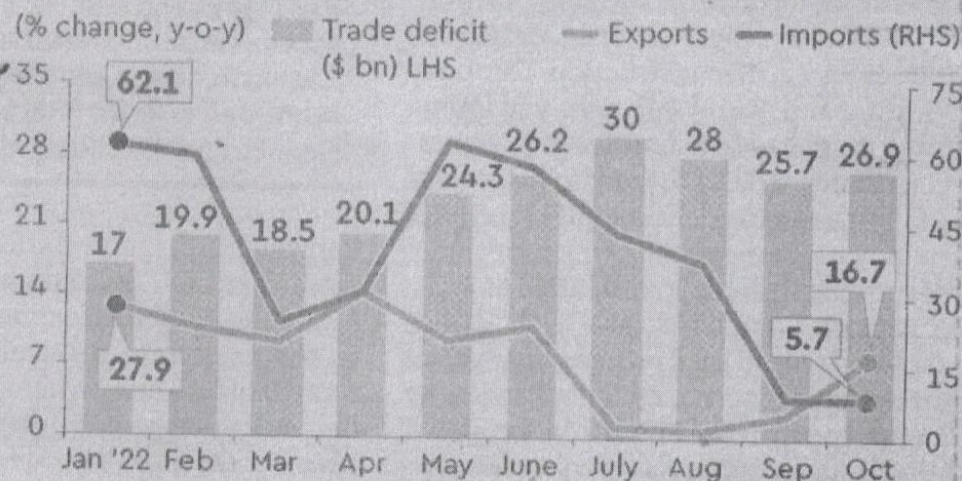
Official data released on Tuesday showed that exports dropped below the crucial \$30-billion mark for the first time since March 2021 to hit \$29.8 billion. Imports, however, rose 5.7%, to \$56.7 billion. Consequently, trade deficit inched up to \$26.9 billion in October from \$25.7 billion in the previous month; but it still remained lower than July's record level of \$30 billion.

The export decline in October was rather broad-based, as 24 of the 30 key segments—including petroleum products, engineering goods, gems and jewellery, textiles and garments, chemicals and pharmaceuticals—witnessed contraction, due to an economic slowdown in key markets that started to weigh down demand. However, the sustained rise in imports, albeit at a slower pace, suggests domestic consumption still remains stronger than in many parts of the world.

Briefing reporters, commerce secretary Sunil Barthwal said strong external headwinds are impacting consumption worldwide, which would have an impact on India's exports as well. The aggressive interest rate hikes by the US and Europe to tame runaway inflation there is also weighing down demand for merchandise globally, he suggested.

The secretary also said that certain export sectors, including pharmaceuticals, rely on imported inputs.

GOODS TRADE



Source: DGCIIS; ministry of commerce

For instance, industry executives said India sources 60-70% of its bulk drug requirements from China, which has resorted to lockdowns in several provinces from time to time to contain Covid, choking supplies of some of these inputs.

Some analysts, including ICRA chief economist Aditi Nayar, has also blamed fewer working days due to Diwali for the export debacle (Diwali last year was in November). The curbs on exports of select steel products, iron ore and non-basmati rice and the ban on those of wheat to ease domestic inflation have also contributed to the export decline. The World Trade Organisation (WTO) recently warned of a darkened 2023 and projected that global trade growth will drop to only 1% next year from 3.5% in 2022. This means export prospects for countries, including India, could remain subdued next year as well, according to analysts.

"We should not be depressed by the WTO forecast," Barthwal said. India's share is just 1.8% in the global merchandise trade and 4% in services trade. So, there is a huge potential to raise it, he added.

ICRA's Nayar said: "As of now, we expect some rebound in exports

and imports in November relative to October, although it may not be as strong as the trend seen between November and December of 2021, given the prevailing global demand concerns."

However, services exports are estimated to have risen 40% in October from a year before to \$28.6 billion. So, if both services and merchandise exports are included, overall exports in October hit \$58.4 billion, up 4% from a year before. Of course, the services data for October is an estimate and will be revised when the central bank releases these data next month.

Federation of Indian Export Organisations (FIEO) president A Sakthivel "is a reflection of the toughening global trade conditions facing demand slowdown on account of high inventories, rising inflation, economies entering recession, high volatility in currencies and geopolitical tensions". The drop in global commodity prices, too, weighed on export value.

EEPC India chairman Arun Kumar Garodia said, "The Ukraine war has been threatening to push major advanced economies into recession. India is not immune from the happenings in the world."