Demand for outbound shipments from India continued to rise, with merchandise exports estimated at $32.21 billion in May, up 67.39 per cent year-on-year (YoY), and 7.93 per cent as compared with May 2019.

Exports grew 5.15 per cent on a sequential basis. The YoY growth can be attributed to a weak base due to the disruption caused by the nationwide lockdown last year.

However, compared with the pre-pandemic period and April 2021, the latest data released by the government indicates recovery in external demand. The growth was driven by a rise in demand for engineering goods, petroleum products, gems and jewellery, pharmaceuticals and iron ore.

Preliminary data released by the commerce and industry ministry showed that merchandise exports in the first two months of the fiscal year was $62.84 billion, up 12.44 per cent compared to April-May 2019. Exports were not immediately affected by imposition of the lockdown across various states to contain the devastating resurgence of Covid-19 from April this year. Exporters said that the impact of the lockdown in several states this year was limited, unlike last year when the nationwide lockdown was far more stringent.

India’s merchandise imports declined to a six-month low in May at $38.53 billion, as state-specific curbs amid the second wave hurt domestic consumption.

Imports grew 68.54 per cent YoY. On a sequential basis, imports were down 18.66 per cent, and fell 17.47 per cent as compared to May 2019. According to Aditi Nayar, chief economist at ICRA, considerable moderation in merchandise imports in May, as compared to April, is on account of a drastic fall in gold imports, as well as a decline in oil imports, with state curbs hitting mobility.

Trade deficit hit an eight-month low and narrowed to $6.32 billion, as compared to $15.1 billion in April and $16.84 billion in May 2019. However, it grew 74.69 per cent YoY from $3.62 billion in May 2020 due to the disruption caused by the lockdown last year.

“A predominant 63 per cent of the decline in trade deficit in May 2021, relative to April 2021, was on account of the collapse in gold imports, with the balance led by a narrower oil deficit,” Aditi Nayar, chief economist at ICRA, said.

She added that collapse in gold imports can also be attributed to the large inventory built up since the budget.