

External Sector

July 24, 2019

Source: *PIB, Economic Survey 2018-19*

- **As per WTO, World trade growth slowed down to 3 per cent in 2018 from 4.6 per cent in 2017. Reasons:**
 - Introduction of new and **retaliatory tariff measures.**
 - Heightened **US-China trade tensions.**
 - Weaker global economic growth.
 - **Volatility in financial markets** (WTO).
- In Indian rupee terms growth rate of exports increased owing to depreciation of the rupee while that of imports declined in 2018-19.
- **Net capital inflows moderated** in April-December of 2018-19 despite robust foreign direct investment (FDI) inflows, outweighed by withdrawals under portfolio investment.
- India's External Debt was US\$ 521.1 billion at end-December 2018, 1.6 percent lower than its level at end-March 2018.
- **The key external debt indicators reflect that India's external debt is not unsustainable.**
- The **total liabilities-to-GDP ratio**, inclusive of both debt and non-debt components, **has declined from 43 per cent in 2015 to about 38 per cent at end of 2018.**
- The share of foreign direct investment has risen and that of net portfolio investment fallen in total liabilities, reflecting a transition to more stable sources of funding the current account deficit.
- The **Indian Rupee** traded in the range of 65-68 per US\$ in 2017-18 but **depreciated to a range of 70-74 in 2018-19.**
- The income terms of trade, a metric that measures the purchasing power to import, has been on a rising trend,

possibly because the growth of crude prices has still not exceeded the growth of India's export prices.

- **The exchange rate in 2018-19 has been more volatile than in the previous year, mainly due to volatility in crude prices, but not much due to net portfolio flows.**
- Composition of India's exports and import basket in 2018-19(P):
 - Exports (including re-exports): INR23, 07,663 Cr.
 - Imports: INR35, 94,373 Cr.
 - **Top export items** continue to be Petroleum products, precious stones, drug formulations, gold and other precious metals.
 - **Top import items** continue to be Crude petroleum, pearl, precious, semi-precious stones and gold.
 - **India's main trading partners** continue to be the **US, China, Hong Kong, the UAE and Saudi Arabia.**
- India has signed 28 bilateral / multilateral trade agreements with various country/group of countries. In 2018-19,
 - **Exports** to these countries stood at US\$121.7 billion accounting for 36.9 per cent of India's total exports.
 - **Imports** from these countries stood at US\$266.9 billion accounting for 52.0 per cent of India's total imports

