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पत्र सूचना कार्यालय
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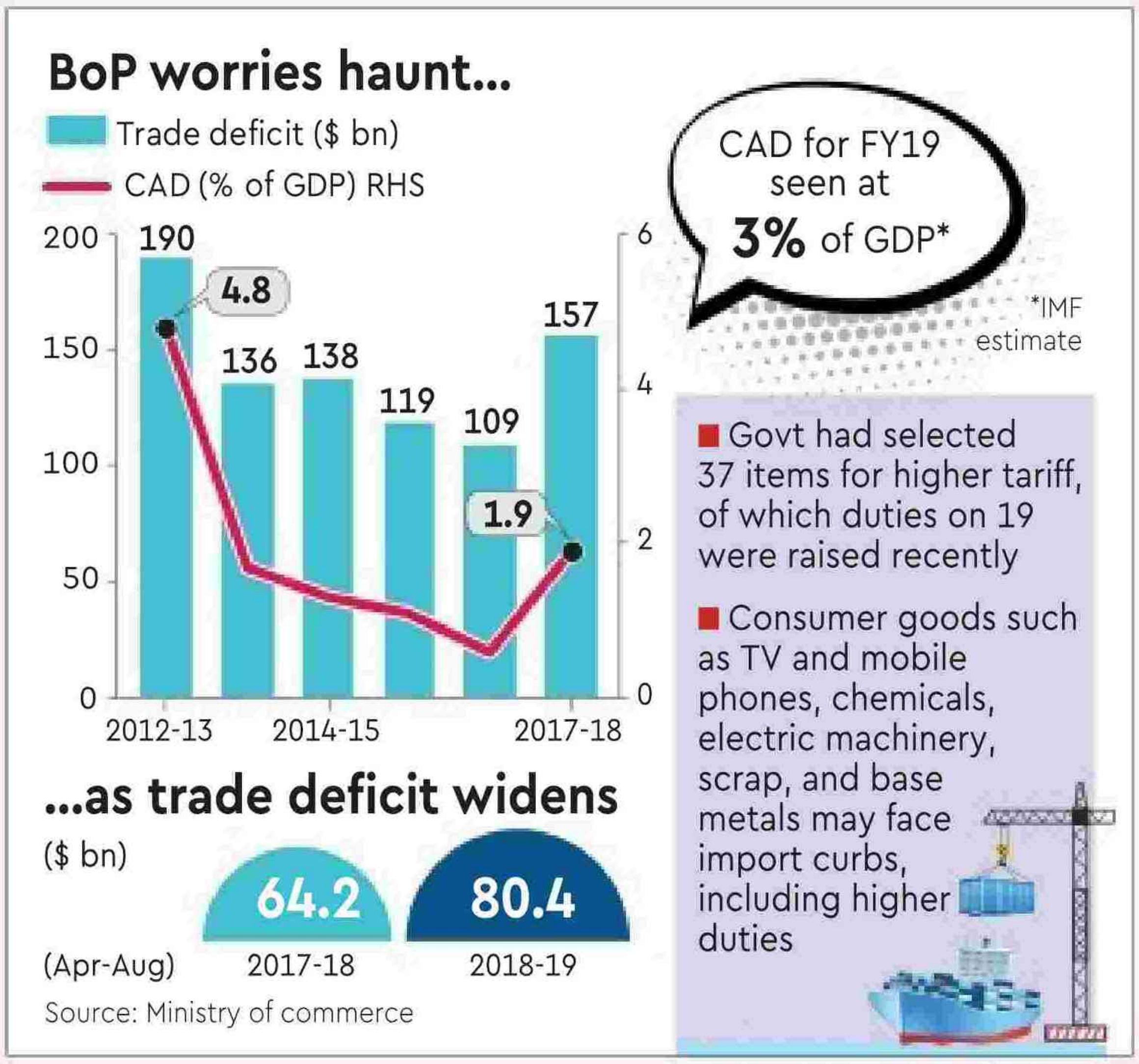
STEMMING RUPEE SLIDE

Fresh import curbs soon to trim CAD

PMO to convene meeting shortly; target items may include consumer goods, chemicals, scrap, base metals



FE BUREAU
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THE PRIME MINISTER'S Office (PMO) will soon hold a meeting on trimming merchandise imports from overseas, as the government prepares for a second round of curbs, including higher tariffs, on "non-essential imports" to cut the current account deficit (CAD) and contain its negative impact on the rupee, official sources told *FE*. Although the list of items for higher import tariffs is yet to be finalised, the curbs could cover around a dozen-and-a-half commodities, including certain consumer goods (such as TV and mobile phones), chemicals, electric machinery, scrap, minerals and base metals like aluminium.

Of the 37 items that the government had identified earlier, import duties were raised on 19 last month, one of sources said.

The PMO meeting could focus on the rest of the items, apart from discussing ways to shore up local production and exports. Finance minister Arun Jaitley will likely attend the meeting. Any duty hike, however, will be fully compliant with the country's commitment to the World Trade Organization, said the sources.

Analysts have already expressed scepticism about the efficacy of last month's duty hike, saying at ₹86,000 crore, purchases of these items accounted for only 2.5% of total merchandise imports and 0.5% of nominal GDP in 2017-18.

Purchases of certain items from overseas saw a massive jump this fiscal.

For instance, between April and July, imports of electric machinery surged 44%, machine tools 43%, ship, boat and floating objects 36%, ferrous scrap 34% and aluminium 32%. The import value of each of these items was above $1 billion. Even coal imports jumped 28% to $11 billion up to July.

The move to curb imports comes amid fears that elevated trade deficit, caused mainly by a spurt in global oil prices, will jeopardise the country's current account balance.

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Stemming rupee slide: Fresh import curbs soon to trim CAD

The International Monetary Fund on Tuesday warned that India's CAD may rise to 3% of its GDP in FY19, worse than 2.6-2.8% forecast by many analysts and much above the 1.9% level recorded in the last fiscal.

Given that foreign portfolio investors continue to pull out of the Indian markets amid an emerging market sell-off, triggered partly by the US interest rate hike, the rupee has been under pressure. According to a Bloomberg survey of 10 analysts, the rupee, which has been depreciating for six straight months in the longest stretch of slide since 2002, is seen hitting 75 per dollar by the end of 2018. Already, it has emerged as Asia's worst-performing currency, having shed around 14% against the greenback in 2018; it settled at 74.12.

Already, a panel under commerce and industry minister Suresh Prabhu has asked as many as 15 ministries/departments, which oversee around 80% of India's imports, to chalk out specific plans urgently to substitute certain imports through higher local production.

The items on which the government raised import duties by up to a maximum of 10 percentage points last month included aviation turbine fuel, gold jewellery, semi-processed diamonds, air-conditioners, refrigerators, washing machines (up to 10 kg), footwear, certain car tyres and plastic products.