

Indian exports to benefit from elevated oil and commodity prices, says ADB

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India's trade deficit is expected to widen to 1.9% of GDP in FY 23.

Elevated oil and gas prices due to the ongoing Russia-Ukraine war may have put direct pressure on the rest of the world, but it can help boost India's exports this year. "Rising oil and commodity prices, as well as a depreciating [Indian rupee](#), may provide an impetus to exports, especially petroleum products and food products," according to the Asian Development Bank's 2022 outlook report published Wednesday. This will be helped by various schemes from the government, including the flagship Production Linked Incentive (PLI) scheme, the ADB added.

India reported record merchandise exports of \$418 billion in just-concluded financial year 2021-22. Exports touched \$40 billion for the first time in a single month, industry minister Piyush Goyal announced last week. Exports are expected to rise in the current fiscal as well; however economists expect the momentum to be hurt as a result of the ongoing conflict in Eastern Europe.

The ADB also expected the rising oil prices to likely increase India's import bill as well. Rising import bills will widen the trade deficit. The current account deficit, ie the difference between total goods and services exports and imports, will shrink to a forecast 1.9% of GDP in FY 2023, it added. The current account deficit is expected to widen to 2.8% of GDP in FY 2022. In terms of remittances, which also forms part of the current account, remittances are expected to strengthen, as India attracts inflows largely from Gulf countries, where economic activity should pick up on the strength of oil prices, the ADB said.

"Export growth will remain strong in FY2023 as some reform initiatives take effect, including production-linked incentive schemes and investments to improve logistics infrastructure. Import growth will ease on softer oil prices," the Philippines headquartered bank said.

In terms of overall economic growth, ADB sees India's economy to expand by 7.5 per cent in the financial year 2022-23 (FY23) and by 8 per cent in the following year. Like the rest of the world, growth is expected as the Russian invasion of Ukraine has heightened uncertainty and unsettled commodity markets. GDP in Asia will expand by 5.2 per cent in 2022 and 5.3 per cent in 2023. Russia war, US Federal Reserve policy tightening and fresh outbreak of COVID-19 cases remain key monitorable.