

Amid China slowdown, its imports from India drop 35% in April-Aug

Value declines to \$6.8 bn despite 17.1% increase in shipment volumes

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Amid a slowdown in economic activity in China, India's exports to its northern neighbour dropped 35 per cent to \$6.8 billion during April-August period at a time the country's overall exports rose 17.1 per cent. China became India's fourth largest export destination during the period, slipping from the second position during the same period a year ago.

Multiple shocks have hit China's economy, including the drag on consumption from the zero-Covid policy, the prolonged impact of the property sector downturn and declining export demand, all of which have slowed down economic activity.

While exports of petroleum products such as naphtha to China rose 81 per cent to \$1.2 billion during April-July due to elevated crude oil prices, shipments of organic chemicals (-38.3 per cent), iron ore (-78.5 per cent) and aluminium products (-84.2) saw sharp decline, disaggregated data available on Commerce Ministry website showed. However, China increased its imports of non-Basmati rice (141.1 per cent) and marine products (18.7 per cent) during the period. A cut in steel output in China has also led to sharp dip in iron ore exports from India.



On the other hand, imports from China were up 28 per cent during April-August at a time when India's overall imports grew 45.6 per cent, leading to a trade deficit of \$37.1 billion in the first five months of FY23.

India's rising trade deficit with China—the highest with any country — has been a cause for concern. “The growth of trade deficit with China could be attributed to two factors: narrow basket of commodities, mostly primary, that we export to China and market access impediments for most of our agricultural products and the sectors where we are competitive in, such as pharmaceuticals, IT/ITeS, etc. Our predominant exports have consisted of iron ore, cotton, copper, Aluminium and diamonds/ natural gems.

Over time, these raw material-based commodities have been over-shadowed by Chinese exports of machinery, power-related equipment, telecom equipment, organic chemicals, and fertilizers. We continue to engage the Chinese side for addressing market access issues,” the Indian Embassy in China explains on its website.

China's economy is bracing for more pain as Chengdu's lockdown, the sixth largest city in the country's west, damaged business and consumer activity in the area and hurt sentiment more broadly. The hit to global production and shipping from China's strict Covid lockdown policies have also set back recovery in global supply-chain activity.

Moody's last week lowered its growth

forecasts for China for both 2022 and 2023 to 3.5 per cent and 4.8 per cent, respectively, down sharply from 8.1 per cent in 2021.

July trade data showed a surge in China's trade surplus to a record \$101.26 billion, up from \$97.4 billion in June. “China's recovery beyond 2023 will depend on knock-on effects on other sectors resulting from troubles in the property sector and measures by authorities to stabilize it, and the impact on households' balance sheets and their consumption-saving decisions. A strong revival of domestic consumption demand, alongside the increased infrastructure spending that the government is already undertaking, will be key to sustaining a solid recovery,” Moody's said.

TOP EXPORTS TO CHINA

| | April-July FY22 | FY23 (\$ million) | YoY growth (%) |
|--------------------|-----------------|-------------------|----------------|
| Petroleum products | 653.29 | 1,181.69 | 80.9 |
| Marine products | 444.99 | 528.37 | 18.7 |
| Organic chemicals | 606.43 | 373.87 | -38.3 |
| Non-basmati rice | 145.73 | 351.39 | 141.1 |
| Iron ore* | 1,396.69 | 300.16 | -78.5 |
| Iron and steel | 482.15 | 139.94 | -71.0 |
| Aluminium products | 457.28 | 72.41 | -84.2 |

*For April-June period; Source: Commerce ministry