

# Dip in demand from China, Italy may have hit exports

India's merchandise exports contracted 3.5% to \$33.6 bn in September

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Dip in external demand from countries such as China, Bangladesh and Italy is driving down India's merchandise exports. That could have led to exports contraction in September for the first time in 19 months.

Disaggregated data available till August showed, among top 50 export destinations of India, shipments contracted to 19 and 17 economies in July and August respectively. In contrast, exports had declined only to 6 among the top 50 destinations in June.

Economic slowdown in China and its zero-Covid policy has led to 35.6 per cent contraction in India's exports in April-August period. S&P last week slashed its growth forecast for China to 2.7 per cent from 3.3 per cent for 2022.

Among other countries to which cumulative exports have contracted during April-August period include Singapore (-22 per cent), Hong Kong (-15.15 per cent), Japan (-6.8 per cent), Vietnam (-19.7 per cent), Poland (-5.2 per cent) and Russia (-24.4 per cent).

In August, exports started shrinking to key economies such as the United Kingdom (-3.35 per cent), Saudi Arabia (-10.7 per cent), Germany (-4.4 per cent) and South Korea (-16 per cent).

September trade data released late on Monday showed, India's merchandise exports contracted 3.5 per cent to \$33.6 billion while merchandise imports decelerated substantially to grow 5.4 per cent to \$59.3 billion, leading to a trade deficit of \$22.7 billion.

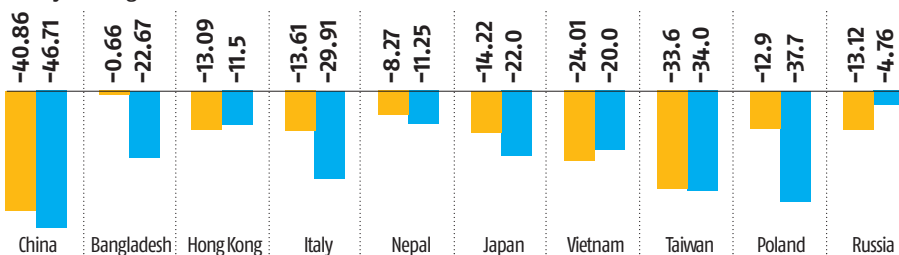
Non-petroleum exports in September contracted 7.25 per cent to \$26.5 billion while non-petroleum imports grew 10.7 per cent to \$43.75 billion.

QuantEco research in note

## TOP 10 COUNTRIES BY EXPORT CONTRACTION

(YoY in %)

July August

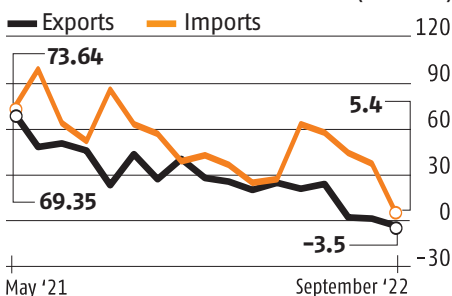


Source: Commerce Ministry



## SHRINKING EXPORTS

(YoY in %)



Source: Commerce Ministry

said India's exports are facing adverse spillovers from weakening of global demand on account of rapid tightening of global financial conditions and persistence of heightened geopolitical uncertainty. "This (contraction in exports in September) portends a significant loss of momentum, also corroborated by the sequential contraction of 3.8 per cent month-on-month- this marks the third consecutive sequential decline in exports," it added.

During the first half (April-September) of the financial year FY23, India's merchan-

dise exports grew 15.5 per cent to \$229 billion while imports rose 37.9 per cent to \$378.5 billion, leading to a trade deficit of \$149.5 billion.

In September, export of engineering goods, organic and inorganic chemicals, pharmaceuticals, readymade garments, cotton yarn and rice contracted while export of petroleum products, gems and jewellery, electronic goods and marine products increased.

Similarly, during the month, imports of petroleum products, electronic goods, gold, precious stones, chemi-

cals, vegetable oil while import of machinery, transport equipment, coal, and iron and steel increased.

The World Trade Organisation (WTO) in its latest goods trade barometer pointed to stagnating global trade growth. The volume of world merchandise trade plateaued with year-on-year growth slowing to 3.2 per cent in the first quarter of 2022, down from 5.7% in the fourth quarter of 2021. WTO has projected 3 per cent growth in volume of global merchandise trade in 2022 compared to 9.8 per cent growth in 2021.

## TRADE DEFICIT

(in \$ bn)

Month	Trade Deficit (\$ bn)
May '21	10.97
Jun '21	13.81
Jul '21	10.97
Aug '21	13.30
Sep '21	22.59
Oct '21	19.73
Nov '21	22.91
Dec '21	21.68
Jan '22	17.42
Feb '22	20.88
Mar '22	18.51
Apr '22	20.07
May '22	24.30
Jun '22	26.20
Jul '22	31.02
Aug '22	28.00
Sep '22	26.70

Source: Commerce Ministry