

Exporters see bright spots amid global headwinds

Say India is better placed, even as exports decline

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India's merchandise exports witnessed a 1.15 per cent year-on-year (YoY) decline in August, following a slowdown in external demand for engineering goods, textiles, gems and jewellery, as well as plastic products, preliminary trade data from the commerce department showed.

Industry officials and experts said geopolitical risks triggered by the Russia-Ukraine conflict are weighing on India's exports, which recovered from the Covid-19 pandemic shock and consistently remained robust for over a year.

Weak demand from India's some of the biggest export markets, such as China, the European Union, and the United States, due to a slowdown in these regions and high inflation, as well as export restrictions on some commodities, resulted in the deceleration of goods exports. Barring the gems and jewellery segment, the decline in the value of exports was driven by a fall in prices of steel, cotton yarns, and plastic, they said.

"The trend that we are witnessing is that we are receiving orders for low-value products because of high inflation. Going ahead, we may see a little impact on the value of these products but volumes exported will remain intact. Stable volumes will have a positive impact on employment and job creation," said Ajay Sahay, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO).

Vipul Shah, chairman, Gem and Jewellery Export Promotion Council (GJEPC), said the slight decline in gem and jewellery exports in the past two months is due to Covid restrictions in Hong Kong. Gems and jewellery exports fell 4 per cent in August to \$3.29 billion.

"Overall exports to the UAE have been on the upswing after the India-UAE Comprehensive Economic Partnership Agreement and exports of plain gold jewellery to the Middle Eastern markets increased by 29 per cent in July. We keenly look forward to the free-trade agreement with the UK; industry will also get to reap the benefits of the India-Australia Economic Cooperation and Trade Agreement. We expect growth in the coming months, especially from the Western markets, due to festive demands and the upcoming holiday season," Shah said. Engineering exports, which comprise a fourth of the value of total goods exported from India, witnessed the sharpest deceleration in August, falling 14.59 per cent YoY to \$8.25 billion.

Outbound shipments declined to a 13-month low of \$33 billion in August, against \$33.38 billion last year. On a sequential basis, exports fell 9 per cent from \$36.27 billion in July but grew 17.1 per cent YoY during April-August to \$192 billion on a cumulative basis.

Commerce Secretary B V R Subrahmanyam on Saturday said that given the current global scenario, India is not in an uncomfortable position. However, there are headwinds related to what can happen to developed nations and the Christmas orders. "Exporters' order books are full but the orders are get-



EXPORTS OF TOP 10 KEY COMMODITIES IN AUGUST*

Commodity	Value (\$ million)	Share (%)	Growth (%)
Engineering goods	8,253.47	25.01	-14.59
Petroleum products	4,901.81	14.87	5.42
Gems & jewellery	3,292.64	9.98	-4.08
Organic and inorganic chemicals	2,528.68	7.66	13.35
Drugs and pharma	2,141.64	6.49	6.61
Electronic goods	1,727.46	5.24	50.68
RMG of textiles	1,232.7	3.74	-0.42
Rice	1,032.48	3.13	42.32
Cotton yarn/fabs/handloom products, etc	881.86	2.67	-32.32
Plastic and linoleum	744.43	2.26	-1.47
Total	6,253.54	81.05	-1.53
Total exports	32,996.71	100	-1.15

*These 10 commodity groups cover 81% of total exports in August 2022
Source: Department of Commerce

ting delayed in terms of execution. They have not been asked to ship. That uncertainty is there," he said.

While there is a moderation in demand for textile products because of recessionary trends in major developed nations, an industry official said India may be able to make up for this amid the challenging situation in Sri Lanka and Bangladesh -- India's biggest competitors in this space. Disruption in these competitor nations has also affected external demand for raw materials, such as cotton yarns, the official said.

"There's an economic crisis going on in Sri Lanka; Bangladesh has a fuel crisis, while Pakistan is facing massive floods. India has its own raw material, which is still intact. We will make up for the loss by the end of the year," said Apparel Export Promotion Council (AEPC) Chairman Narendra Goenka.

India exported apparel worth \$1.32 billion in August, down 0.42 per cent YoY. On a cumulative basis (April-August), outbound shipments witnessed a growth of nearly 18 per cent.