

Exports Becoming Less Vulnerable to Global Demand Fluctuations



New Delhi: India's exports are becoming less vulnerable to changes in world demand and to changes in relative prices, the office of Chief Economic Adviser (CEA) said in a collection of essays released Thursday. It also said that there has been a "progressive rise" in the export of high-value goods and an increase in manufacturing global value chain (GVC) participation.

Noting that India's trade basket is sensitive to changes in world GDP and relative prices, it said: "Trade elasticities estimated for India's exports during 1991-2022 show that for a percentage increase in world GDP, India's exports have grown by 4.92%".

They also show that for a percentage increase in relative prices, exports have declined by 1.15%. Over the years, there has been a shift in the composition of export baskets from labour-intensive products (e.g., textiles) to capital- and skill-intensive ones (e.g., engineering goods and jewellery). As per the essay, the competitiveness of complex product exports has improved with time. Complex product categories such as chemicals, machinery, transportation, electrical, and fuels have shown an improvement in their revealed comparative advantage¹³⁷ over the past decade. "Concomitantly, the share of these export categories has increased from 37% a decade ago (in 2012) to 47% in 2022," it said. On the rise in the export of high-value goods and an increase in manufacturing GVC participation, it said that such a shift has come in handy amidst the evolving global trade scene.

"This shift has been catalysed by an ecosystem created through a series of comprehensive measures undertaken both in the manufacturing as well as foreign trade space by the government," CEA's office said. —Our Bureau