

A 'Ray of Hope' seen in India's exports

Dr. S P Sharma, Chief Economist, PHD Chamber**

Ms. Rashmi Taneja, Senior Research Officer, PHD Chamber

Abstract

India's exports decelerated around 16% during the period April-August 2015. All the top 10 export destinations posted a negative growth, Saudi Arab (-49.7%), Singapore (-30.70%), China (-20%), Bangladesh (-16.4%), Germany (-10.3%), Hong Kong(-6.4%), UAE (-4.8%), Sri Lanka (-4.73%), UK (-3.83%), USA (-3.82%). Of the top 100 destinations of India's exports 68 countries have posted a negative growth ranging from 10% to over 50%. Notwithstanding the deceleration in overall exports momentum, there are economies where India has posted good growth trajectory. Of the top hundred export destinations, 32 economies have posted a positive growth ranging from 2% to over 50% including Australia, Canada, Norway, Bahrain, Iraq, Czech Republic, Chili, Ghana and Afghanistan, among others. The country's several labour intensive products have shown positive growth including handicrafts (18.6%), jute (18.17%), ceramic products (9.84%), carpet (6.3%), tea (5.3%), readymade garments (5%) and spices (0.64%), among others. However, several export items including iron ore (-76%), petroleum products (-49.5%), oil meals (-35.3%), oil seeds (-23%), marine products (-17.4%), rice (-16.5%), meat, dairy and poultry products (-16%) have registered a negative growth during April-August 2015.

1. India's Foreign Trade: Present Scenario

The Central Government under the New Foreign Trade Policy (2015-20) set an objective of increasing India's exports of merchandise and services from US\$466 billion in 2013-14 to approximately US\$900 billion by 2019-20 and to raise India's share in world exports from 2% to 3.5%. However, India's exports have witnessed a negative growth rate during the last eight months in a row. On an average exports declined by around (-) 15% from December 2014 to August 2015 (**Table -1**).

Table -1 India's foreign trade (in US\$bn)

| Months | Exports (in US\$bn) | % Exports growth (y-o-y) |
|--|---------------------|--------------------------|
| Dec-14 | 25.3 | -3.77 |
| Jan-15 | 23.8 | -11.19 |
| Feb-15 | 21.5 | -15.02 |
| Mar-15 | 24 | -21.06 |
| Apr-15 | 22.05 | -13.96 |
| May-15 | 22.34 | -20.19 |
| Jun-15 | 22.08 | -15.82 |
| Jul-15 | 23.13 | -10.3 |
| Aug-15 | 21.2 | -20.66 |
| <i>Source : PHD Research Bureau, Compiled from Ministry of Commerce and Industry</i> | | |

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In the light of decelerating exports continuously, PHD Research Bureau of PHD Chamber recently conducted an analysis to assess the present scenario of India's exports as also the outlook of India's exporters towards the future perspective of India's exports. For this, the Research Bureau interacted with a number of small, medium and large exporters across several sectors including agro and food processing, auto components, drugs & pharmaceuticals, engineering goods, FMCG, Textile and apparel among others.

1.1 Sector-wise exports

Sector-wise exports of almost all major commodities viz. iron ore, petroleum products, oil meals, oil seeds, marine products rice etc. have shown a decline during April-August 2015 (**Table- 2**). Exports of Iron-ore have shown the highest fall at (-) 76%, followed by Petroleum products at around (-) 50%, oil meals at (-) 35%, oil seeds at (-) 23%, marine products at (-) 17% and rice at (-) 16.5% during the same period. Exports of many other products viz. meat, dairy & poultry products, electronic goods, minerals, engineering goods, organic and inorganic chemicals, have registered a fall ranging from (-) 16% to (-) 9%.

In addition, plastics , leather and leather products, fruits and vegetables, tobacco, manmade yarn, cashew and gems and jewellery, coffee and cotton yarn have also witnessed negative growth of around (-)8% to (-)1% during April-August 2015. In view of the current dismal scenario on the exports front, the target set before the exporters is indeed challenging.

On the other side, a few products viz. handicrafts, jute, ceramic products, drugs and pharmaceuticals, carpet, tea, readymade garments and spices have registered a positive export growth of 19% , 18% 10%, 9.65% , 6.27%, 5.3% , 4.92% and 0.64% during April-August 2015(**Table -3**).

Table - 2 India's products registering negative exports growth April - August 2015 (in %)

| Commodity | April-August 2014 (US\$million) | April - August 2015 (US\$million) | % Growth | Destinations |
|--------------------------------|---------------------------------|-----------------------------------|----------|---|
| Iron Ore | 298.37 | 72.54 | -75.69 | USA, UAE, China, Germany, S.Africa |
| Petroleum Products | 27461.96 | 13880.21 | -49.46 | USA, UAE, Singapore, Saudi Arab, Japan |
| Oil Meals | 451.25 | 291.97 | -35.3 | Korea, Bangladesh, Vietnam, Nepal, Thailand, Pakistan, Japan, Indonesia |
| Oil seeds | 639.81 | 494.03 | -22.78 | Korea, USA, Taiwan, Germany, Russia, Iran, Israel, Netherlands |
| Marine Products | 2208.9 | 1825.13 | -17.37 | USA, Vietnam, Japan, UAE, China, Singapore, Spain |
| Rice | 3175.09 | 2648.91 | -16.57 | USA, UAE, Saudi Arab, Iran, UK, Oman |
| Meat, dairy & poultry products | 2020.82 | 1705.78 | -15.59 | UAE, Saudi Arab, Algeria, Malaysia, Vietnam, Egypt |
| Electronic Goods | 2679.46 | 2351 | -12.26 | USA, UAE, Germany, UK, China, Hong Kong |

| | | | | |
|--|----------|----------|--------|---|
| Mica, Coal & Other Ores, Minerals including processed minerals | 1720.57 | 1510.24 | -12.22 | UAE, Saudi Arab, Malaysia, Thailand, Egypt |
| Engineering Goods | 29830.27 | 27076.87 | -9.23 | USA, UAE, Sri Lanka, UK, Singapore, Germany, China |
| Organic & Inorganic Chemicals | 5969.87 | 5423.81 | -9.15 | USA, China, Saudi Arab, Malaysia, Korea, Germany, Singapore |
| Plastic & Linoleum | 2603.55 | 2381.24 | -8.54 | Turkey, Italy, Nepal, Pakistan, China, USA, UAE, Bangladesh |
| Leather & leather products | 2657.16 | 2435.16 | -8.35 | USA, Germany, UK, Italy, UAE, Denmark |
| Fruits & Vegetables | 896.38 | 827.83 | -7.65 | UAE, UK, Saudi Arab, Netherlands, Nepal, Sri Lanka, Malaysia, Qatar, Bangladesh |
| Tobacco | 366.66 | 339.19 | -7.49 | USA, UAE, Belgium, Netherlands, Turkey, Germany |
| Man-made Yarn/Fabs./made-ups etc. | 2174.35 | 2023.09 | -6.96 | China, Hong Kong, Bangladesh |
| Cashew | 347.64 | 328.82 | -5.41 | USA, UAE, Saudi Arab, Japan, Netherlands |
| Gems & Jewellery | 16412.89 | 15854.46 | -3.4 | USA, UAE, Hongkong, Belgium, Singapore, Japan, |
| Cotton Yarn/Fabs./made-ups, Handloom Products etc. | 4340.54 | 4246.7 | -2.16 | USA, Bangladesh, Sri Lanka, UK, UAE |
| Coffee | 364.97 | 363.34 | -0.45 | Germany, Italy, USA, Turkey |

Source : PHD Research Bureau, compiled from Ministry of Commerce and Industry, Government of India

Several external reasons viz. slow recovery in USA, persistent slowdown in EU, loss in momentum of exports, fall in global crude oil prices and devaluation of currency by China amongst others are observed to be major causes of fall in India's exports in recent months. Various domestic constraints eg. high transaction cost, lack of quality infrastructure, access to timely and adequate finance, complex tax structure, congestion at ports have been considered as major deterrents to India's exports for the last many years.

**Table - 3 India's products registering positive wise growth
April- August 2015 in (%)**

| Commodity | April-August 2014 (US\$million) | April -August 2015 (US\$million) | % Growth | Destinations |
|-------------------------------------|---------------------------------|----------------------------------|----------|--|
| Handicrafts excl hand made carpets | 544.79 | 645.82 | 18.54 | USA, UAE, UK, France, Malaysia, Australia, Spain |
| Jute mfg. including floor coverings | 154.87 | 183.01 | 18.17 | USA, UK, Germany |
| Ceramic products | 683.20 | 750.42 | 9.84 | Turkey, Iran, Venezuela, Brazil and United Arab Emirates |
| Drugs and Pharmaceuticals | 6516.15 | 7144.65 | 9.65 | USA, Germany, China, Japan, Bangladesh, Belgium |
| Carpet | 576.99 | 613.17 | 6.27 | USA, Germany, UAE, UK |

| | | | | |
|---------------------|---------|---------|------|---|
| Tea | 262.91 | 276.84 | 5.3 | USA, UAE, UK, Germany, Japan |
| RMG of all textiles | 7075.85 | 7423.86 | 4.92 | USA, UK, UAE, Germany, France |
| Spices | 1065.9 | 1072.76 | 0.64 | USA, China, UK, UAE, Malaysia, Thailand |

Source : PHD Research Bureau, compiled from Ministry of Commerce and Industry

1.2 Country-wise exports

The analysis pertaining to country-wise exports shows that of the top 100 exports destinations, India's exports growth in more than 50% countries (68) have registered a decline during April-August 2015. Five countries viz. Angola, Brazil, Jordan, Mauritius, Saudi Arab and Yemen have recorded decline in exports growth rate of more than 50%.

Around 26 countries viz. China, Singapore, Egypt, Netherlands, South Africa, Vietnam, Turkey, Korea, Kenya, Indonesia, Tanzania, Taiwan, Tunisia, Oman, Iran, Uruguay, Panama, Malawi, Lebanon, Ukraine, Portugal, Pakistan, Russia, Switzerland, Finland and Ecuador have registered a negative exports growth between 20% to 50%.

Around 20 countries viz. Germany, Bangladesh, Japan, Belgium, Malaysia, Italy, Nepal, Israel, Nigeria, Poland, Algeria, Benin, Zambia, Sweden, Myanmar, Togo, Romania, Mozambique, Greece, Philippines, Denmark have marked a negative exports growth rate between 10 to 20%. Rest of the 15 countries has registered an exports growth rate less than 10%. **(Table -4)**

Table - 4
India's export destinations registering negative exports growth rate (%)
April- August 2015

| Negative Exports growth rate | Countries | Commodities |
|------------------------------|--|---|
| More than 50% | Brazil, Mauritius, Yemen, Jordan, Saudi Arab, Angola | |
| More than 20% | China, Singapore, Egypt, Netherland, South Africa, Vietnam, Turkey, Korea, Kenya, Indonesia, Tanzania, Taiwan, Tunisia, Oman, Iran, Uruguay, Panama, Malawi, Lebanon, Ukraine, Portugal, Pakistan, Russia, Switzerland, Finland, Ecdor | Petroleum products, Drugs and Pharmaceuticals, Gold and Other Precious metals, RMG cotton, products of iron and steel, iron and steel, cotton, yarn, organic chemicals, |
| More than 10% | Germany, Bangladesh, Japan, Belgium, Malaysia, Italy, Nepal, Israel, Nigeria, Poland, Algeria, Benin, Zambia, Sweden, Myanmar, Togo, Romania, Mozambique, Greece, Philippines, Denmark | auto components, electrical machinery, marine products, etc. |
| Less than 10% | USA, UAE, Hong Kong, U K, Sri Lanka, France, Thailand, Spain, Qatar, Colombia, Hungry, Morocco, Austria, Sri Lanka, Congo | |
| Top 10 | Saudi Arab (-49.77) Singapore (-30.7%), China (-20.08%), Bangladesh (-16.36%) , Germany (-10.31%) , UAE (-4.8%) , Hong Kong(-6.39%), Sri Lanka (-4.73%), UK (-3.83%) , USA (-3.82%), | |

Source: PHD Research Bureau, compiled from Ministry of Commerce and Industry

Amongst the top 10 India's exports destinations Saudi Arab has registered the highest decline in exports growth rate at (-) 50% followed by Singapore (-) 30%, China (-) 20%, Bangladesh (-) 16.36% , Germany (-) 10%, UAE (-) 4.8%, Hong Kong (-) 6.39%, UK (-) 3.83%, USA (-) 3.82% and Sri Lanka (-) 4.73%.

The analysis shows that of the 100 top exports destinations 32 countries have registered a positive exports growth (**Table -5**). 8 Countries viz. Iraq, Norway, Bahrain, Gibraltar, Czech Republic , Malta, Cote D Ivoire, Zimbabwe have registered a positive growth of more than 50%. While, 5 countries viz. Australia, Afghanistan, Somalia, Djibouti and Congo Dem Republic have registered a positive exports growth between 20 to 50%. 5 countries Chile, Argentina, Guinea, Bhutan have registered a positive growth rate between 10 to 20%.

Rest of the 14 countries Mexico, Canada, Kuwait, Sudan, Ethiopia, Peru, Ghana, Senegal, Uganda, Ireland, New Zealand, Slovenia, Cameroon and Madagascar witnessed an exports growth less than 10%. However, there is no nation amongst top 10 export destinations which has shown a positive exports growth during the said period.

Table - 5
India's export destinations registering positive exports growth rate (%)
during April-August 2015

| Positive Exports growth rate | Countries | Products |
|------------------------------|--|---|
| More than 50% | Iraq, Norway, Baharain, Gibraltar, Czech Republic , Malta, Cote D Ivoire, Zimbabwe, | Petroleum products, Drugs and Pharmaceuticals, Gold and Other Precious metals, RMG cotton, products of iron and steel, iron and steel, cotton, yarn, organic chemicals, auto components, electrical machinery, marine products, etc |
| More than 20% | Australia, Afghanistan, Somalia, Djibouti, Congo D Rep. | |
| More than 10% | Chile, Argentina, Guinea, Bhutan, Guatemala, | |
| Less Than 10% | Mexico, Canada, Kuwait, Sudan, Ethiopia, Peru, Ghana, Senegal, Uganda, Ireland, New Zealand , Slovenia, Cameroon, Madagascar | |
| Amongst Top 10 | NIL | |

Source: PHD Research Bureau, compiled from Ministry of Commerce and Industry

Conclusions & Suggestions

Overall, it is found that India's exports are decelerating in general with almost all the major economies including its traditional exports destinations. However, there is a ray of hope as exports with many developing economies are moving in a good positive trajectory. There is a room to enhance exports and penetrate more and more in these markets. Few suggestions to enhance India's exports are (1) More market intelligence (2) Commercial desks in our embassies/high commissions should be galvanized and made more pro active (3) Virgin areas to be tapped. Explore Latin America. Upcoming countries like Peru, Colombia, and Bolivia are taking keen interest in India (4) ITPO and EPCs should jointly hold more trade fairs/ one to one business meetings (5) Exports drive and 'Make in India' should be complimentary i.e. more

stress to be given on manufacturing exports. Foreign business houses to be encouraged to have buy-back arrangements with Indian manufactures. In exports 100% FDI should be encouraged. As a trial measure a 5 year tax holiday may be allowed in the forthcoming budget and (6) Consultancy Development Centre (CDC) in FIEO needs to be strengthened. Many foreign entities are taking keen interest in infrastructure development, where we have unutilized expertise. Our embassies could help our service exporters entering foreign markets under PPP model.