

PLI SCHEME HELPS

Financial Express Dec 31. 23

Electronics exports zoom 52% despite external turmoil

At \$16 bn, exports till Dec cross entire FY22 level, deficit to ease in FY23

BANIKINKAR PATTANAYAK
New Delhi, January 30

ELECTRONICS DESPATCHES JUMPED 52.4% on year until December this fiscal to a record \$16 billion, defying a contraction in many export segments in recent months, supported by the production-linked incentive (PLI) scheme for smart phones.

Official sources expect such exports to continue to perform well in the coming months and cross \$20 billion for the first time in FY23.

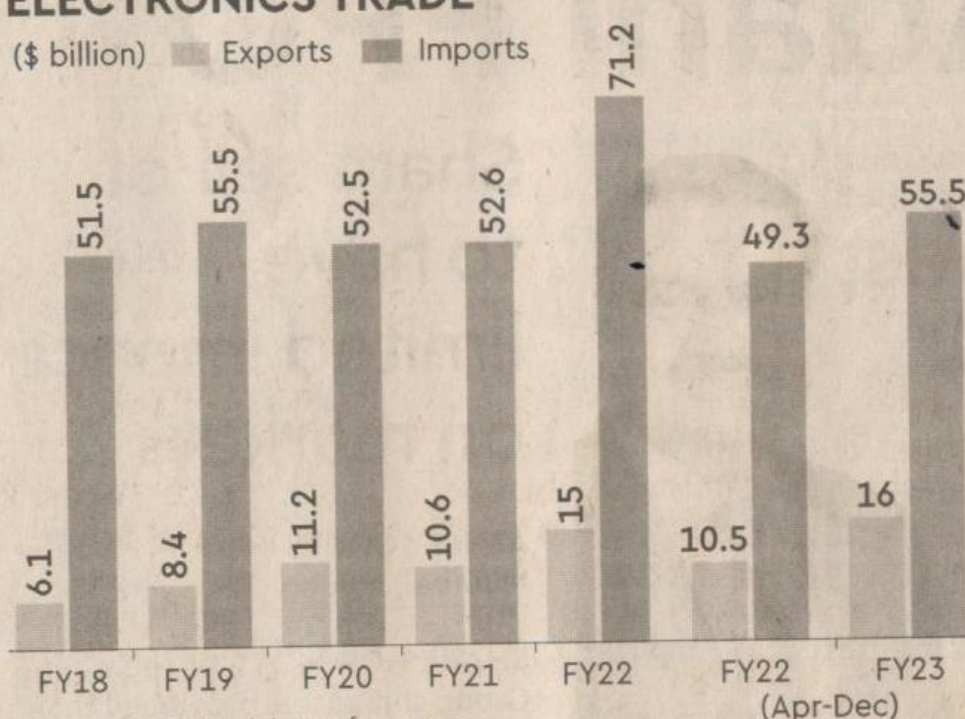
Elevated exports will somewhat drag down electronics trade deficit this fiscal from a record \$56.2 billion in FY22, the first annual reduction since FY20, although the deficit will still remain high, said the sources. Current account deficit in FY23 is projected to jump to 3-3.5% of GDP, against 1.2% a year before.

Growth in electronic exports remained way above that of 10.3% in the overall merchandise supplies until December this fiscal. In fact, electronics exports in the first nine months of FY23 have exceeded the level (\$15 billion) witnessed in the entire FY22. Meanwhile, electronics imports rose 12.6% to \$55.5 billion until December this fiscal.

Electronics have remained the

ELECTRONICS TRADE

(\$ billion) Exports Imports



Sources: DGCIS; ministry of commerce



The main contributors to this growth are the 3 Apple contract manufacturers — Foxconn, Pegatron and Wistron — and Samsung

until December.

As FE had recently reported, smartphone exports breached the ₹60,000-crore mark in the first nine months of this fiscal, having shot up by 100% from a year before. Apple has contributed nearly 50% of the ₹60,000-crore exports thus far.

The main contributors to this massive growth are the three Apple contract manufacturers — Foxconn, Pegatron (both located in Tamil Nadu) and Wistron (located in Karnataka) — and Samsung. The key export markets for smart phones are the UAE, Russia, the UK and The Netherlands.

Between April and December, exports of consumer electronics climbed 56.3% to \$0.9 billion, while those of electronics instruments and electronics components rose 26.7% and 33.1%, respectively, to \$3.1 billion and \$2.9 billion.

Computer hardware and peripherals exports rose 31.9% to \$375 million.

Imports of electronics were driven by a 9.6% rise in electronic components to \$18.3 billion until December this fiscal, while purchases of consumer electronics climbed 40.2% to \$5.7 billion.

Imports of electronics instruments and telecom instruments rose 21.1% and 12.7%, respectively, to \$8 billion and \$12.1 billion.

Business Line at 31.1.23

'Leather, footwear exports to hit \$6.b this fiscal, exceed govt target'

Our Bureau
Chennai

The Indian leather and footwear sector estimates exports of nearly \$6 billion in the current fiscal as against \$5 billion in the previous year as there is a good growth momentum, according to Sanjay Leekha, Chairman, Council for Leather Exports.

"Our target is to reach around \$14 billion exports by 2030," he told news persons while announcing the 36th India International Leather Fair will be held in Chennai from February 1 to 3.

Exports of leather, leather products and footwear have registered a 'substantial' growth this fiscal, reaching \$4.25 billion during April to December. With a huge growing global market, the



Sanjay Leekha, Chairman, Council for Leather Exports, at a press meet VELANKANNI RAJ B

opportunity is good for the industry. Buyers are looking at an alternative to China and India is well positioned to capitalise on this opportunity. "Buyers are looking at India as a major and reliable supplier of value added products," he said.

"In the last two years, the industry suffered huge losses due to the Covid pandemic. However, we bounced back

strongly and achieved the pre-Covid levels. We will do better than the government's target," he added.

FLAGSHIP EVENT

Commenting on the annual international leather fair, which will be held in the city after a gap of two years due to the pandemic, Leekha said it would have on display the entire range of products relating to the leather industry. This includes raw material, finished products, machinery, chemicals and components.

The fair will be a platform not only for sourcing but also understanding the latest trends in technologies. Over 400 domestic and overseas companies are expected to participate in the event. The fair will also have exhibitors from 16 countries, including China, Brazil, France, Germany and Italy, he said.

Business line at 31.1.23.

Tiruppur knitwear exporters flag concerns over Q4 export order trend

G Balachandrar
Chennai

Despite improvements in new orders from key markets, the current quarter is unlikely to bring any big cheer for knitwear exporters in Tiruppur, says an industry body.

Exporters say there was a contraction in demand in key markets such as the US and the European Union during the December 2022 quarter despite year-end buying such as for Thanksgiving day, Christmas, and New year.

In Q3, the overall decline was about 19 per cent at about \$975 million for knitwear exports from Tiruppur.

"The order placement is gradually increasing and January 2023 has also seen some increases. But those are not promising and we feel that the declining trend would continue in Q4 also," S Sakthivel, Executive Secretary, Tiruppur

Exporters Association told *businessline*.

In dollar terms, knitwear exports from Tiruppur declined by 10.1 per cent to \$393 million when compared with \$437 million in December 2021. Overall, knitwear exports from India fell 2.9 per cent to \$737 million during the last month as against \$759 million in December 2021.

The declining trend for Tiruppur exporters started in August 2022 as an impact of the Russian-Ukraine war. Tiruppur accounts for about 55 per cent of knitwear exports from India.

INFLATION, WAR IMPACT

"High inflationary conditions and recessionary trends in key markets of the US and EU kept the textile and apparel demand subdued in 2022, especially the latter half. Volume growth in most of the markets remained in the negative to nil zone, with market size in-

crease happening due to higher product costs," according to Varun Vaid, Business Director, Wazir Advisors, a management consulting firm.

China has continued to lose its share in the global textile and apparel exports due to the rising cost of manufacturing and geo-political shifts. Bangladesh and Vietnam emerged as the highest gainers, successfully catering to global fashion buyers looking for supply base diversification.

In its outlook for March 2023 quarter, leading textile company Arvind has said that the US/EU markets are seeing a lower-than-expected slowdown, though wholesale buying is yet to pick up.

The company's denim and garments exports dropped in Q3 FY23 as customers continued to postpone purchases.

As dwindling orders have caused some financial stress for exporters in Tiruppur, the industry has requested the

Central government to increase interest subvention provided under the Interest Equalization Scheme (IES).

"What we are expecting is that there would be some positive announcements in the ensuing Budget and a support is given by increasing the interest benefit under IES from 3 per cent to 5 per cent to protect the garment exporting sector, particularly MSMEs," said Sakthivel.

Business Line dt. 1.2.23.

'As exports slowed down, local demand bolstered steel sector'

Abhishek Law

New Delhi

While steel export is expected to "remain subdued" because of a global slowdown, the Economic Survey 2022-23 released on Tuesday said the Centre's thrust on infrastructure projects, pick-up in construction activities, and demand from real estate and automobile sectors augur well for domestic demand.

The survey pointed out that iron and steel exports moderated in the first eight months of the current fiscal "owing to a slowdown in the global economy, particularly in Europe and China," and also due to a levy in "export duty to enhance domestic availability".

A report by the Ministry of Steel said, for April-December

period, export of finished steel was 4.74 million tonnes, down 54 per cent, while imports increased 27 per cent to 4.4 mt.

GLOBAL VOLATILITY

According to the Survey, the volatile international commodity prices and supply disruptions in raw materials "can weigh on industrial growth in the wake of new disruptions at the global level".

"The strength and duration of the recovery in commodity prices will be a function of many factors, such as the pace of China's economic recovery and growth outlook in North America and Europe. Notwithstanding such open questions, industrial output in India should continue to grow steadily based on resilient domestic demand," the Survey said.

According to the survey, in April-December of the current fiscal, steel sector's cumulative production was 88 mt and consumption 86 mt. This was higher than the corresponding period when production was 85 mt and consumption 80 mt.

DOMESTIC DEMAND

"The growth in finished steel production is aided by double-digit growth in consumption (11 per cent on a y-o-y basis), bolstered by a pick-up in the infrastructure sector significantly driven by increased Capex of the government," it stated. The (PLI for manufacture of speciality steel saw 67 applications, from 30 companies that were selected, and attract a committed investment of ₹42,500 crore. The scheme aims at increasing capacity by almost 26 mt.

Business Line 24.1.2.23.

Data Patterns working with SAAB for joint development of products for exports

M Ramesh
Chennai

Data Patterns is working with Swedish MNC, SAAB, for joint-development of products, with an eye on the export markets, the company's Chairman and Managing Director, Srinivasagopalan Rangarajan, told a press conference today. He said that the company would like to similarly work with other international companies.

Chennai-headquartered Data Patterns (India) Ltd produces a range of electronic products for defence and space applications, such as radars and electronics on-board the satellites and launch vehicles. All the products sold by the com-

pany have been developed in-house, Rangarajan said.

At present, a little less than 10 per cent of Data Patterns' ₹310 crore (2021-22) turnover came from exports. But the world market is growing. "We are looking at some approach where we can jointly build some systems, build IP together," Rangarajan said.

In collaboration with SAAB, Data Patterns has an electronic warfare demo system, "partly developed by us, partly by them," he said.

DOMESTIC MARKET UP

He observed that the Indian market was "exploding", thanks to the government's emphasis on local purchase. Earlier, the Ministry of Defence was buying only subsystems, but now it is open

Rangarajan said that the company had competence in providing stealth capabilities to aircraft, even against low frequency radars. Typically, stealth capabilities against a high frequency (1 GHz) radar are obtained by giving the aircraft a coat of paint that can absorb the radar waves, but it doesn't work for low frequencies (200-300 MHz). For these you need to employ other tricks to be invisible, such as "increase the bandwidth of power levels," he said.

In a recent investor presentation, the company had said that it closed December 2022 with a order book of ₹880 crore. On the NSE today, Data Patterns' share closed at ₹1,409, up ₹116.90 (9.05 per cent) above the previous close.



Srinivasagopalan Rangarajan,
CMD, Data Patterns BIJOY GHOSH

to buying 'fully-built' systems. However, once Indian companies develop capabilities to produce full systems, they have the overseas market too. "Build world-class systems and export," Rangarajan said.

Answering a question,

Ukraine will continue to weigh on year. But it's not enough. There are to remain contractionary, and some

Financial Express dt. 1.2.23.

CONTROLS OVER SECURITY CONCERNS

Biden moves to halt US exports to Huawei

China foreign ministry opposes move, says against trade rules

KAREN FREIFELD, ALEXANDRA ALPER & STEPHEN NELLIS
January 31

THE BIDEN ADMINISTRATION has stopped approving licences for US companies to export most items to China's Huawei, according to three people familiar with the matter.

Huawei has faced US export restrictions around items for 5G and other technologies for several years, but officials in the US Department of Commerce have granted licences for some American firms to sell certain goods and technologies to the company.

Qualcomm in 2020 received permission to sell 4G smartphone chips to Huawei.

A Commerce Department spokesperson said officials "continually assess our policies and regulations" but do not comment on talks with specific companies.

Huawei and Qualcomm declined to comment.

Bloomberg and the Financial Times earlier reported the move.

Chinese foreign ministry spokesperson Mao Ning said that China opposes the United States abusing an overly broad notion of national security to suppress Chinese firms unreasonably.



EARLIER ACTION

■ American officials placed Huawei on a trade blacklist in 2019 restricting most US suppliers from shipping goods and technology

■ But US officials granted licences for the export of some products. Suppliers to it got licences worth \$61 billion from April through November 2021

The move "goes against the principles of the market economy and rules of international trade and finance, hurts the confidence the international community has in the US business environment and is blatant technological hegemony," Mao said during a press conference in Beijing on Tuesday.

One person familiar with the matter said US officials are creating a new

formal policy of denial for shipping items to Huawei that would include items below the 5G level, including 4G items, Wifi 6 and 7, artificial intelligence, and high-performance computing and cloud items.

Another person said the move was expected to reflect the Biden administration's tightening of policy on Huawei over the past year. Licences for 4G chips that could not be used for 5G, which might have been approved earlier, were being denied, the person said.

Toward the end of the Trump administration and early in the Biden administration, officials had still granted licences for items specific to 4G applications.

American officials placed Huawei on a trade blacklist in 2019 restricting most US suppliers from shipping goods and technology to the company unless they were granted licences. Officials continued to tighten the controls to cut off Huawei's ability to buy or design the semiconductor chips that power most of its products.

But US officials granted licences that allowed Huawei to receive some products. For example, suppliers to Huawei got licences worth \$61 billion to sell to the telecoms equipment giant from April through November 2021.

In December, Huawei said its overall revenue was about \$91.53 billion, down only slightly from 2021 when US sanctions caused its sales to fall by nearly a third. — REUTERS

'We can no longer have two quality norms for India, foreign markets'

bl. interview

Amity Sen
New Delhi

Budget 2023-24, in a way, is growing on nine years of implementation of some of the finest public service programmes, says Commerce & Industry Minister Piyush Goyal. In an interview with *businessline*, Goyal explains the nitty-gritty and what the Budget means for the domestic industry. Excerpts:

Can you help us understand the rationale behind the Customs duty rejig on certain items?

I must compliment the Finance Ministry because they have gone into a great level of detail while assessing the Customs Duties. It is not as if vested interests ask for something and it gets done. The effort has been to see item-by-item where we need to promote domestic manufacturing, where we have capacities which are lying un-

utilised and which can help us give more jobs and economic activity. The industry helps us understand which sectors we can be competitive in; and there are a few sectors where we are not competitive. In those sectors, imports will continue. Also a lot of capital goods have been given encouragement to come in duty-free right now.

The effort is to ensure that our domestic manufacturing ability can have a quality impact and we can align ourselves with world class qualities. Goods produced in India can no more have two markets — Indian market and export market. India has to change the mindset of quality culture. It has to start preparing itself to make one quality goods.

The Economic Survey mentioned how the global climate is not really conducive for exports and growth can be flat in the next fiscal. So, where do you think the push will come for exports in this Budget?



Budget of ₹1,97,000 crore is already there for the (PLI) scheme... It doesn't need to go through a budgetary process again. There are many in the pipeline which will come through the Cabinet

PIYUSH GOYAL
Commerce and Industry Minister

Well, we'll have to look at it sectorally. Clearly, the international situation is challenging. Despite that we continue to be at about 8-9 per cent growth (till now) in merchandise exports in the current year. This is phenomenal considering that global trade is growing barely 1 per cent. We continue to have almost a 20 per cent growth in

services, which is a big credit to our talented young boys and girls, and particularly, our IT sector.

The Budget also reflects that tourism is another area where this government's focus is giving us rich dividends. Many of you may be aware that tourism provides the maximum number of jobs for every rupee invested. And you saw the focus on tourism being presented in the Budget today also. As many as 50 tourist spots are going to be made truly world class and focus will be to upgrade those locations.

This Budget in a way is growing on nine years of implementation of some of the finest public service programmes and how those can help us meet the aspirations of a new India. The Gati Shakti Mission is a shining example.

Are you satisfied with the provisions for Gati Shakti in the Budget?

Our Finance Minister has approved ₹75,000 crore for 100 critical last mile connectivity

projects (in the overall ₹10-lakh crore), which will help us in that small little bit which is left out and because of which lakhs of crore in other infrastructure is sub-optimally used. So, if you create a 10 km last mile between a port and a national highway, port utilisation increases, National Highway transportation increases, speed of transport of goods increases and logistics cost comes down. That helps the economy, manufacturing, exports and the entire ecosystem. So, the PM's thinking is always very holistic.

There has been a lot of buzz around PLI schemes' extension but nothing was announced in this Budget.

A budget of ₹1,97,000 crore is already there for the scheme. As and when other PLI schemes get approved, the Cabinet is empowered to approve it. It doesn't need to go through a budgetary process again. There are many in the pipeline which will come through the Cabinet.

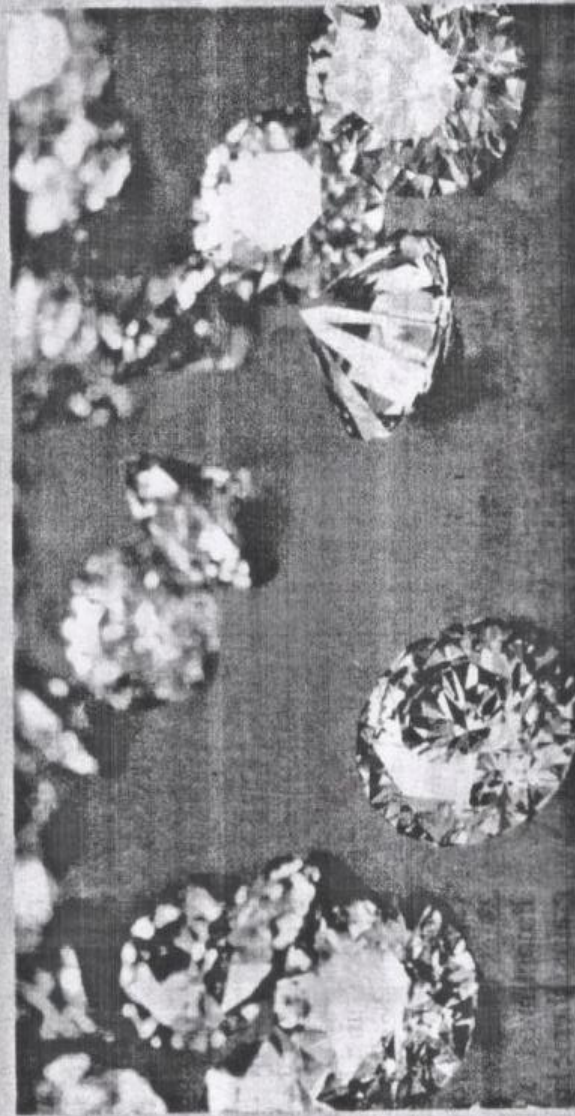
Customs duty rejig to support local production, export competitiveness

Amity Sen
Meenakshi Verma Ambwani
New Delhi

To push domestic manufacturing and promote export competitiveness, the Budget has rejigged Customs duties for some products, bringing it down for inputs such as electronic parts, certain chemicals and lab grown diamond seeds while raising it for some others such as electric kitchen chimney, automobiles and toys to correct inversion and protect local players.

Customs duties have been reduced on items such as pecan nuts, inputs for aquatic feed, seeds for lab-grown diamonds, specified capital goods for manufacture of lithium-ion cell for use in battery of electrically operated vehicles, parts for manufacture of camera module of cellular mobile phones and manufacture of open cell of TV panels and chemicals for manufacture of parts of connectors and pre-calcined ferrite powder.

To boost local production further, the Centre has removed duty on camera lenses and its inputs and parts for manu-



MAKE IN INDIA PUSH. Customs duties have been reduced on items such as pecan nuts, inputs for aquatic feed, seeds for lab-grown diamonds, among others ISTOCKPHOTO

facturing camera modules of cellular mobile phones. Basic Customs duty has also been removed on inputs used to manufacture parts of connectors (Palladium Tetra Amine Sulphate).

'RIGHT DIRECTION'

Pankaj Mohindroo, Chairman, India Cel-

lular & Electronics Association said, "These steps will have no significant impact on the final product price but are generally in the right direction. The cost impact on mobile phone's Bill of Material (BoM) will be 0.16 per cent to 0.19 per cent."

"To further deepen domestic value ad-

dition in manufacture of mobile phones, I propose to provide relief in Customs duty on import of certain parts and inputs like camera lens and continue the concessional duty on lithium-ion cells for batteries for another year," Sitharaman noted in her Budget speech.

RAISING DUTY

Items where customs duties are being raised include toys and toy parts (excluding electronic toys), vehicles, bicycles, electric kitchen chimney, compounded rubber, silver, silver dore, articles of precious metals such as gold, silver, and platinum and cigarettes.

"To rectify inversion of duty structure and encourage manufacturing of electric kitchen chimneys, the basic customs duty on electric kitchen chimney is being increased from 7.5 per cent to 15 per cent and that on heat coils for these is proposed to be reduced from 20 per cent to 15 per cent," the FM said.

Following the increase in customs duties on doors and bars of gold and platinum earlier this fiscal, the FM said. She proposed to increase the duties on articles made from them to enhance the duty differential.

Reducing the basic Customs duty on parts of open cells of TV panels to 2.5 per cent from 5 per cent will promote value addition in manufacture of televisions, she added. "This will really help the domestic TV manufacturing industry to scale up and compete with the global brands," said Avneet Singh Marwah, Director and CEO, Super Plastronics Pvt Ltd.

"The move will accelerate manufacturing and enable sales growth," said Eric Braganza, President, Consumer Electronics And Appliances Manufacturers Association.

Exempting basic Customs duty on denatured ethyl alcohol will support the ethanol-blending programme and facilitate the country's endeavour for energy transition, the FM said. The proposed exemption in basic customs duty on

Business Line 08.2.2.23.

Duty-free Li-ion cell gear import to aid EVs

GREEN DRIVE. Will lead to localised battery production, reduce cost of EVs, lead to speedy adoption of e-mobility

Aroosa Ahmed
Mumbai

The move to exempt capital goods used to manufacture lithium-ion batteries from Customs duty will lead to localised battery production, reduced cost of electric vehicles and a speedy adoption of electric mobility.

In a boost to the EV ecosystem, the country will see 60 per cent of lithium batteries for transport vehicles being supplied locally by 2027.

"Even if cell plants start coming on stream under the PLI scheme over the next two years, we will see them supplying to at least half of the market," said Hemal Thakkar, Director-Consulting, Crisil Market Intelligence and Analytics.

FASTER ADOPTION

"The reduction of indirect taxes from 21 per cent to 13 per cent as well as exemption of Customs duty on capital goods and machinery required for the making of lithium-ion cells will lead to faster adoption of EVs. Further, the push for the scrapping policy will support the overall growth of the entire automobile sector," said Jeetender Sharma, MD and founder of Okinawa Autotech.



ECO-FRIENDLY. In a boost to the EV ecosystem, the country will see 60 per cent of lithium batteries for transport vehicles being supplied locally by 2027

EV registrations in the country touched the 1-million mark in 2022.

Companies selling EVs said lithium-ion battery prices have been volatile during the December quarter. "The emphasis on increased infrastructure spends and support for lithium-ion battery manufacturing will be a great multiplier for the industry overall," said Sudarshan Venu, MD, TVS Motor Company.

Industry experts believe that the decrease in Customs duty will reduce the price of EVs. "With a focus on electrification, relaxation on import duties of lithium-ion batteries will help in price reduction of electric vehicles, thus making it affordable for the masses," said Manish Raj Singhan, President, Federation of Automobile Dealers Associations.



Green mobility, in particular electric mobility, is likely to get a further boost with two measures, among others, indicated in the Budget.

Finance Minister Nirmala Sitharaman said adequate funds have been provided to scrap old vehicles of the Central government, and the Centre will also extend support to States to replace their old vehicles and ambulances.

"The announcement will not only help the environment and reduce fossil fuel consumption but will also generate demand for new vehicles," said Vikram Gulati, Country Head and Executive Vice-President, Toyota Kirloskar Motor.

ADDITIONAL DEMAND

Industry representatives said the allocation of adequate funding will create additional demand for small and medium commercial vehicles, thereby generating more job opportunities. "The scrapping policy will not only provide impetus to demand new vehicles, but it will also enable the



creation of an ecosystem for the scrapping of vehicles," said Suman Jagdev, Partner — Industrial Goods & Services, Praxis Global Alliance.

However, Satyakam Arya, MD & CEO, Daimler India Commercial Vehicles, said a more specific mention of the continuity of

the scrapping policy would have given a direction to the industry, not just for preparing to replace phased-out vehicles with new ones but also to encourage the proliferation of scrapping companies to expand their businesses.

While the proposed move will spur some demand for passenger vehicles including cars, SUVs and other vehicles, a good portion of this demand is likely

Higher FAME II allocation, scrapping of old govt vehicles may spur EV sales

to come for battery-powered vehicles given the increased thrust of government organisations to contribute to zero-emission objectives.

ALLOCATION DOUBLES

The Budget has almost doubled the allocation under phase-II of the FAME India scheme, which provides incentives to buyers of electric vehicles in the form of an upfront reduction in the purchase price. This scheme commenced on April 1, 2019, and will expire on March 31, 2024, with a total funding support of ₹10,000 crore for five years. For FY24, the allocation is ₹5,172 crore as against ₹2,898 crore in FY23.

Industry experts are of the view that higher allocations under the scheme will accelerate EV sales at a time its adoption is gathering pace across categories. The electric two-wheeler category is expected to be the major beneficiary of the scheme.

As of December 7, 2022, as many as 7.45 lakh EVs were supported by way of demand incentive amounting to about ₹3,200 crore.

Business Line Feb. 2. 23

Import duty change to make cars, EVs costlier

S Ronendra Singh
New Delhi

Electric vehicles (EVs) and imported vehicles will now become dearer as the Budget has increased the rate of Customs duties.

For vehicles (including EVs) in semi-knocked down (SKD) form, the rate has been revised from 30 per cent (+3 Social Welfare Surcharge or SWS) to 35 per cent (+Nil SWS) now. SWS is calculated at the rate of 10 per cent on the aggregate of duties, taxes and cesses that are levied and collected under section 12 of the Customs Act, 1962.

Similarly, for completely built units (CBU), other than with cost, insurance and freight (CIF) more than \$40,000 or with engine capacity more than 3000cc for petrol-run vehicle and more than 2500cc for diesel-run vehicles, or with both, the duty has been increased to 70 per cent (+Nil SWS) from 60 per cent (+6 SWS) earlier.

Similarly, for electrically operated vehicle in CBU form, other than with CIF value more than \$40,000, the duty has been increased to 70 (+Nil SWS) per cent from 60 per cent (+6



NO MAJOR IMPACT. Since Mercedes-Benz India locally manufactures most of its models, this will not affect 95% of its models, said its MD Santosh Iyer REUTERS

SWS). "The change in basic custom duties is going to impact the pricing of some of our select cars like the S-Class Maybach and select CBUs like GLB and EQB, making them dearer. However as we locally manufacture most of our models, this will not affect 95 per cent of our portfolio," Santosh Iyer, Managing Director and CEO, Mercedes-Benz India, said.

INVERTED DUTY

The higher import duty is expected to make imported EVs more expensive for consumers, thereby increasing demand for

domestically produced ones, said Amit Maheswari, Tax Partner at AKM Global.

"However, the GST rate in India on EVs is currently set at 5 per cent and the rate for lithium-ion batteries, which is an essential component of EVs, is 18 per cent. This results in an inverted duty structure, where the key input for the manufacturing of EVs is taxed at a higher rate than the end product which creates a disadvantage for domestic manufacturers, making it more challenging for them to compete with imported EVs," he added.

Jahanwi Singh
Neha Raman

In 2022, trade continued to be at the vanguard of economic resilience, both globally and in India. According to the Unctad, despite the multitude of global headwinds during the year, global trade in goods is expected to reach record levels of \$25 trillion in 2022, registering an increase of 10 per cent as compared 2021.

Along the same lines, the momentum in India's merchandise exports also continued in 2022, recording a double-digit y-o-y growth of 13.7 per cent to reach an estimated \$449.7 billion during the year.

THE NEGATIVES

Quarterly analysis of the data indicates that the y-o-y growth in global trade has moderated in each of the quarters in 2022. However, per Unctad, the global trade volumes have continued to increase during the year, indicative of resilient global demand.

As against the global trend, India's merchandise exports have witnessed sharper moderation in the recent period. After two quarters of strong growth in 2022, India's merchandise exports in dollar terms recorded marked deceleration in the third quarter, followed by a decline in the fourth quarter of the year. In rupee terms, growth in India's merchandise exports was stronger than in dollar terms and remained positive in fourth quarter; but this was on account of the consistent depreciation during the year.

The slowdown in the latter half of 2022 can be partly attributed to the decline in commodity prices, both fuel and non-fuel. The impact of declining commodity prices is evident from the fact that nearly half of India's exports in value terms recorded a growth during Q3-2022, but a remarkable two-third of India's exports witnessed positive volume growth during the same period.

Most commodity prices have eased since June 2022, owing to the decelerating global growth. International prices of metals including steel, copper, aluminium, zinc, lead and tin also dropped steadily in the second half of 2022, though they continue to remain above the pre-Covid levels.

Likewise, agricultural prices have also dipped with the FAO Food Prices Index witnessing nine consecutive months of decline in 2022. Prices of petroleum products have also eased in the second

Given the volatility in global commodity prices, India must move towards exporting more value-added and high-technology goods



MOHAMMED YOUSUF

Exports in 2022: The good and the bad

TRADE THRUST. Despite slowing in H2, exports have become more broad-based and tapped new markets

half of 2022 due to falling crude oil prices. As a large share of India's merchandise exports are from the resource-intensive sectors, the declining commodity prices had a dampening effect on India's exports.

The slowdown can also be attributed to the subpar performance in some traditional sectors and markets. In several traditional areas of competence such as drug formulations, gems and jewellery and engineering goods, growth in exports remained rather modest.

Further, India's exports to some of its top partner countries like the US, the UK and China recorded a relatively tepid growth when compared to the growth in the overall imports by these countries.

THE POSITIVES

The growth in India's merchandise exports has been broad-based as more than 90 per cent of India's merchandise exports basket in value terms witnessed a y-o-y rise in exports in 2022. In the non-petroleum segment, several products such as electronics,

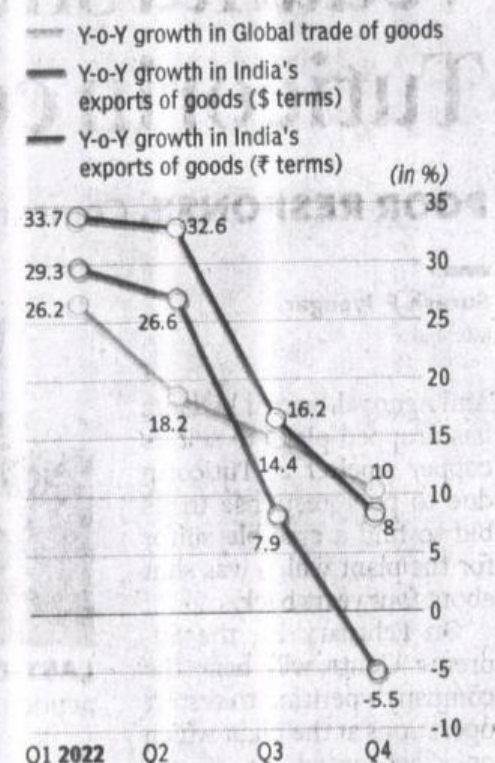
agricultural products, processed foods, leather and leather manufactures, select chemicals, and readymade garments, among others, have posted robust double-digit growth during the year.

Electronic goods, in particular, registered a remarkable y-o-y export growth of 45.3 per cent, fuelled by the enabling environment engendered by government initiatives such as the Phased Manufacturing Programme and the Production Linked Incentive scheme. Exports of electronic goods in 2022 were nearly 3.5 times their levels in 2017.

India has also been able to expand its footprint in non-traditional markets like the regions of Latin America and Caribbean, and Africa, recording impressive double-digit growth rates during Q1-Q3 2022, which were substantially higher when compared to the growth in import demand by these regions during the same period.

Trends also indicate that India has been able to capitalise on China+1 strategy in some regions, particularly

Trade trends



Source: UNCTAD, DGCI&S, India Exim Bank Research

the EU. India's merchandise exports to the EU registered remarkable y-o-y growth rate of 31.3 per cent, much higher than the overall growth in the EU's imports during Q1-Q3 2022 at 19.6 per cent. Alongside, the EU's imports from China declined by (-) 26.3 per cent, indicative of the growing diversification of import sources for the EU, away from China, and towards India.

Forging new partnerships for enhancing trade resilience has also been a key theme for India in 2022. Substantial opportunities have opened up for Indian companies with the India-UAE CEPA and the India-Australia ECTA. It is noteworthy that during May-November 2022, India's exports to UAE recorded a growth of 14.6 per cent, greater than the growth in India's overall merchandise exports during this period.

The salience of trade agreements is likely to continue for India's trade during 2023 as well, with concerted efforts underway for negotiation of FTAs with partners like the Gulf Cooperation Council, the UK, the EU, and Canada, among others.

THE WAY AHEAD

Going forward, maintaining resilience in exports despite weakening global demand sentiments and easing commodity prices would hinge on reorienting India's exports basket towards higher value added and high technology sectors, which are less prone to cyclical downturns.

The government's Foreign Trade Policy needs to focus on these sectors, and complement other key initiatives like the PLI scheme, to infuse a new vitality to India's export growth story.

The writers are economists with India Exim Bank. Views expressed are personal