15 February, 2023

Foreign trade in first 10 months

Merchandise exports in January 2023 were $ 32.91 bn as against $ 35.23bn in 2022. Imports were $ 50.66 bn, compared with $ 52.57 bn in January 2022. Merchandise exports for the period April-January 2022-23 were $ 369.25 bn ($ 340.28 bn) while imports were $ 602.20 bn as against $ 494.06 bn in the previous year. Growth in exports was 8.5% for this period while imports increased by 21.9%. The merchandise trade deficit for April-January 2022-23 was estimated at $ 232.95 bn as against $ 153.79 bn in April-January 2021-22.

Non-petroleum and non-gems & jewellery exports during April-January 2022-23 was $ 259.06 bn, compared with $ 257.36 bn in April-January 2021-22 while non-petroleum, non-gems & jewellery (gold, silver & precious metals) imports were $ 364.29 bn in April-January 2022-23 compared with $ 301.76 bn in April-January 2021-22. The latter can be linked to demand from industry and hence related to the level of economic activity in the country.

The table below gives the composition of exports for the 10-monhts period.

Table 1: Composition of exports: April-January

Exports	Share in total (%)	Apr-Jan: FY22 $ bn	Apr-Jan FY23 (% growth)
Engineering Goods	23.9	88,271	-3.7
Petroleum Products	21.3	78,577	54.8
Gems & Jewellery	8.6	31,610	-1.7
Organic & Inorganic Chemicals	6.9	25,403	5.6
Drugs & Pharmaceuticals	5.6	20,847	3.0
Electronic Goods	5.1	18,778	52.0
RMG of all Textiles	3.6	13,335	5.2
Cotton Yarn/Fabs./ Handloom etc.	2.4	9,044	-28.7
Rice	2.4	8,981	16.4
Plastic & Linoleum	1.9	7,055	-13.6
Marine Products	1.9	6,872	3.1
Total exports		**3,69,249**	**8.5**

Source: PIB

The top 5 commodities accounted for almost 67% of total exports. Of these, engineering and gems and jewellery witnessed negative growth primarily due to lower demand with the global economy witnessing low growth. This will be a concern area for us in FY24 too when a large part of the global economy moves into a recession. Negative growth was also witnessed in the categories of readymade garments and cotton yarn which together have a share of 6% in total. Here India faces exports from other countries like Bangladesh, Pakistan, and Vietnam besides confronting a slowdown in the western nations which will be associated with lower demand for imports. Vibrant growth of above 50% was witnessed in case of petroleum products which are directed mainly to the Gulf countries (post refining crude oil) and electronic items

Imports have grown at a higher rate owning to mainly higher demand from industry which had recovered in some industries post the covid induced lockdown. They were also affected in the upward direction when the war caused prices to spiral. However, in the last 4-5 months prices have come down lowering thus the value of imports. This holds for both oil and non-oil imports.

Table 2: Profile of Imports for 10 months period April-January

Imports	Share in total (%)	Apr-Jan: FY22 $ bn	Apr-Jan FY23 (% growth)
Petroleum, Crude & products	29.6	1,78,454	42.9
Electronic goods	10.7	64,447	9.8
Coal, Coke & Briquettes, etc.	7.2	43,166	78.0
Machinery, electrical & nonelectrical	6.2	37,467	14.3
Gold	4.8	29,085	-27.9
Organic & Inorganic Chemicals	4.7	28,516	13.8
Pearls, precious & Semi-precious stones	4.2	25,151	3.2
Transport equipment	3.7	22,518	30.6
Artificial resins, plastic materials, etc.	3.2	19,479	17.5
Iron & Steel	3.1	18,806	32.4
Vegetable Oil	3.0	18,103	13.9
Non-ferrous metals	2.7	16,526	14.4
Fertilisers, Crude & manufactured	2.6	15,715	44.9
Chemical material & products	1.7	10,149	8.6
Total imports		**6,02,196**	**21.9**

Source: PIB

Crude continues to have the highest share in imports at around 30% followed by electronics with 10.7%. A significant part of the electronics imports are assembled and exported too. Coal is the third most important import followed by machinery and gold.

Interestingly all the major commodities mentioned in this table have witnessed an increase in imports with only gold being the exception where they came down. A reason for decline could be the depreciating rupee which increased the rupee value.

Prospects for trade would be driven by two sets of factors. With the world economy slowing down the demand for imports in general will slow down thus impacting our exports growth. The China factor however can turn things the other way, though presently the pace of recovery is uncertain. On the other hand growth of 6-6.5% in India will necessitate higher growth in imports which will push up the bill. On the positive side benign commodity prices will work to our advantage. On the whole however, the trade deficit will remain elevated.

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