

## India's Slowing Exports

### Why in news?

*India's exports declined about 16.7% in October 2022 compared with the year-earlier period. This is the first slide reported since February 2021.*

*October imports rose at a much milder pace than earlier, most likely because of softening commodity prices worldwide, and trade deficit widened by as much as 50%.*

### How is the export sector faring?

- Engineering goods, which have lent a strong shoulder to India's goods exports in recent years, slid 21%.
- The reasons for the slowdown is attributed to,
  1. High inflation in developed regions,
  2. Falling demand in China,
  3. Slowdown in the EU and the U.S., and
  4. The Russia-Ukraine war.
- The Commerce Ministry pointed out that for October 2022, a decline of \$2 billion worth of exports was seen in steel and allied products.
- This highlights the fact that the government had levied an export duty on these products to help increase local availability and hence temper local prices. The government has since removed this duty.
- The Ministry also highlighted that in the month of Diwali every year, workers tend to take leave, thus impacting output.

### What about other exporting nations?

- Export-dominated Vietnam recorded a 4.5% growth in exports from a year earlier to \$29.18 billion amid 'sustained foreign demand'.
- Similarly, exports by the Philippines grew 20% in October.
- China is an outlier this year because of stringent lockdowns that are impacting manufacturing output, though lockdowns are being eased currently following protests against restrictions.

### Is domestic demand enough?

- The monthly Finance Ministry review (October) admits a slowing export scenario but emphasises that domestic demand will carry through.
- The report states that the global slowdown is driven by a 'confluence of high inflation,

rising borrowing costs and geopolitical tensions', but cites local demand as being 'resilient'.

- It also expects a re-invigorated investment cycle which will spur growth and job creation in the coming days.
- Interestingly, the Ministry says that inflation has been driven up more by local factors, including higher food prices, than imported reasons.
- Those pressures are set to reduce thanks to easing international commodity prices and the arrival of Kharif crop.

*Retail inflation has been consistently above 7% the past few months, but stood at 6.8% in October 2022. Consumer inflation eased to 5.88% for November 2022.*

### **What are the other positive factors?**

- In the monthly report, the Ministry pinned hope on the fact that the last month saw the lowest sign-ons this year for the MGNREGS.
- It is hoping that a spike in tractor sales in September and October 2022 reflects improved sentiment.
- One seemingly positive signal for the economy is the **private sector capital expenditure is on track** to touch six lakh crore this fiscal.
- Private capex typically depends on loans from the banking system.
- There have been reports of banks scrambling to gather deposits, with managers and their teams walking the streets announcing deposit rates to help mobilise funds for credit growth.
- Whether this credit growth is due to inflation and low base effect from last year, remains to be seen over the coming months.

### **Reference**

[The Hindu Explained | Why are India's slowing exports a cause for concern?](#)

