

The Current Outlook for Indian Exports

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Abstract: The outlook for Indian exports in 2016/17 is expected to remain weak due to continued moderation in growth in China and the general slowdown in emerging markets economies. Low commodity prices and a global slowdown, driven by faltering Chinese economy, is all set to take exports to their lowest in five years in 2015-16. This in turn could derail the recovery process. With exports getting affected and domestic demand subdued, capacity utilisation levels for key sectors will take time to improve, which will delay the recovery process of companies. India's major requirement use to be food grains and other goods in import with fast industrialization, the composition of India's imports goods changed and needed chemicals, fertilizers and machinery which were required to meet the developmental requirements of country. In the composition of export; country sells agricultural products such as tea, spices, and other raw materials. However, with the industrialization of the financial system, compositions of exports changed. Currently, India exports products such as machinery chemicals and marine products. This may enhance the fiscal condition of India.

Keywords: Export growth in India, foreign trade, GDP, the industrialization, fiscal condition of India.

1. INTRODUCTION

Export means the transferring of any good from one country to another country in a legal way for the purpose of trade. Export goods are provided to the foreign consumers by the domestic producers.

Indian Exports:

A History The history of Indian exports is very old. During ancient times India exported spices to the other parts of the world. India was also famous for its textiles which were a chief item for export in the 16th century. Textiles and cotton were exported to the Arab countries from Gujarat. During the Mughal era India exported various precious stones such as ivory, pearls, tortoise stones etc. But during the British era, Indian exports declined as the East India Company took control of foreign trade.

❖ Markets:

Though India has seen some product diversification in its export basket, it has not expanded significantly in the two big markets-Africa and Latin America. India's business with South Asian countries is also negligible. This region has not been integrated with the global economy, though political and economic initiatives have been taken in the recent past in this direction.

❖ Leading Export Items of India:

In the past ten years, Indian exports have grown at a rate of nearly 22%. Some commodities have enjoyed faster export growth than others. Some of India's main export items are cotton, textiles, jute goods, tea, coffee, cocoa products, rice, wheat, pickles, mango pulp, juices, jams, preserved vegetables etc. India exports its goods to some of the leading countries of the world such as UK, Belgium, USA, China, Russia etc.

❖ Restriction on the Exports of Items:

However there are some restrictions on the export of goods. Under sub section (d) of section 111 and sub section (d) of section 113, any good exported or attempted to be exported, contrary to any prohibition imposed by or under the customs act or any other law is liable for confiscation.

❖ The Opportunity:

It is very clear that Indian exports have still not achieved their true potential and there exists immense opportunities for expanding the basket of India's exports. With a strategic attention on the new markets that are evolving due to free trade, India is witnessing a boom in both manufacturing and services.

❖ Problems of the Indian Export Sector:

There are few problems which need to be solved before India makes a mark for itself in the export sector. The Indian goods have to be of superior quality. The packaging and branding should be such that countries are interested to export from India. At the same time India must look for potential market to sell their goods. The government should frame policies which gives boost to the exports.

OBJECTIVES OF THE STUDY:

1. To understand globalization of India's trade.
2. To study the outlook for Indian exports
3. To extensive market research in order to assess the best options and reduce risk.
4. To understand what's the present Indian trade-off.

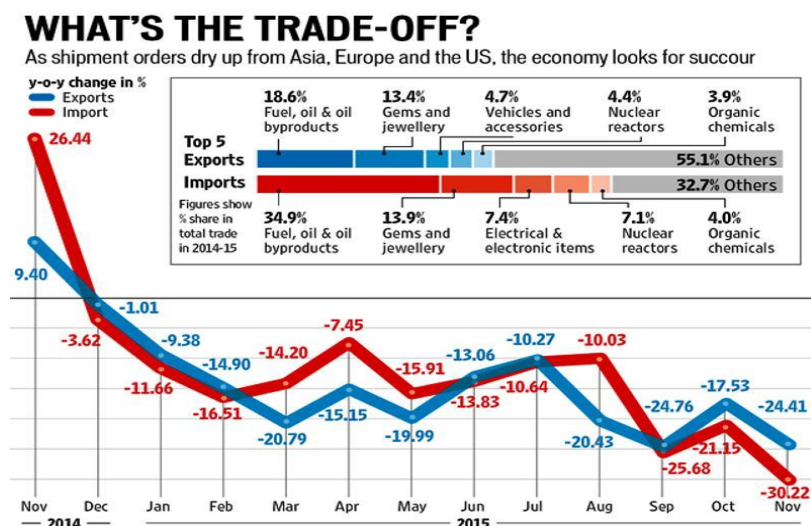
2. METHODOLOGY

The research is based on secondary data. It's an exploratory & descriptive in nature. The secondary data is collected from review of past researches and other reports.

THE OUTLOOK FOR INDIAN EXPORTS -2016/17:

The outlook for Indian exports in 2016/17 is expected to remain weak due to continued moderation in growth in China and the general slowdown in emerging markets economies, which will dampen Indian exports to China and other emerging markets. Furthermore, oil prices are expected to remain weak in 2016, which will continue to depress Indian refined petroleum product export prices. However bright spots for Indian exports are expected to be the US and EU where economic growth is expected to show some moderate upturn

Indian exports in December 2015 fell by 14.75 per cent year-on-year, while for the fiscal year to date from April to December 2015; exports fell by 18.06 per cent year-on-year. The overall decline reflects a number of factors, including the slump in world commodity prices, which is impacting Indian commodity-related export values for key exports such as petroleum products as well as other commodities such as iron ore. In the global financial crisis in 2008/09, global exports were also hit hard by severe recessions in the US and EU, but world commodities rebounded quickly due to the very large Chinese economic stimulus package, which boosted Chinese demand for key commodities.



Low commodity prices and a global slowdown, driven by faltering Chinese economy, is all set to take exports to their lowest in five years in 2015-16. This in turn could derail the recovery process. With exports getting affected and domestic demand subdued, capacity utilisation levels for key sectors will take time to improve, which will delay the recovery process of companies. Rating agency Crisil blames India's focus on Asia, which accounts for almost 50% of total goods exported, as the primary reason for the decline. It is more than the combined share of Europe and the US at 31.8%. During April-October period of the current fiscal year, India's exports to Asia declined nearly 19% and that to Europe by 11.2%. And, as cheaper Chinese goods flood the world market, India's export competitiveness will also take a hit.

❖ From which countries are demand for Indian goods shrinking considerably and why?

A number of major Indian export industries have seen significant declines in exports, including commodity exports such as iron ore and copper, due to falling world prices for metals commodities, as well as a slump in the value of petroleum product exports, due to the collapse in world oil prices. Other sectors that have been impacted include exports of engineering goods as well as jewellery exports. However, not all segments of Indian exports have been so badly impacted, since exports of services have shown a much more moderate decline for the past six months compared to the same period a year ago.

❖ What impact will this export contraction have on the Indian economy?

Indian exports accounted for around 15.6 per cent of GDP in 2014/15. While this is significant, India's export sector accounts for a much smaller share of GDP than many East Asian economies such as South Korea, Taiwan, Malaysia or Singapore. Therefore, India's vulnerability to weaker external demand is relatively low compared to many other Asian industrial economies. While the large fall in exports will have negative effects on industrial production and employment, the impact on GDP is limited since imports have also fallen sharply due to lower oil prices; hence the contribution of net exports to GDP is actually improving. Lower oil prices have slashed the cost of imports, resulting in India's net exports position improving. The trade deficit for April-December 2015/16 was estimated at \$99.2 billion, which is significantly better than the deficit of \$111.7 billion during April-December 2014/15.

❖ From a policy perspective, what should India do to spur exports and sentiment?

The Modi government has been pursuing a very positive policy of trying to attract global foreign direct investment into manufacturing in India through the 'Make in India' policy. This is expected to boost foreign investment into building production facilities in India, including for export. This is an important medium-term strategy for boosting Indian manufacturing exports. However the Indian government must play a much more dynamic role in boosting Indian international competitiveness. At present, India ranks 130 out of 189 countries on the World Bank Ease of Doing Business 2016 Index. Clearly it is hard for India to be competitive while its business regulations and regulatory environment are so uncompetitive. The Modi government needs to push India substantially higher on the World Bank Index over the next three years, to at least above 100. Over the long-term in the next decade, India needs to aim at reaching a ranking of above 80 on this Index.

Exports from India fell 0.79 percent year-on-year to USD 22.2 billion in May of 2016, the least decline in 18 months. Exports in India averaged 4592.85 USD Million from 1957 until 2016, reaching an all time high of 30541.44 USD Million in March of 2013 and a record low of 59.01 USD Million in June of 1958. Exports in India is reported by the Ministry of Commerce and Industry, India.

“The threat of competition from cheaper Chinese imports” actually hit trade in 2015, said Dhananjay Sinha, head, institutional research of Emkaiy Global Financial Services.

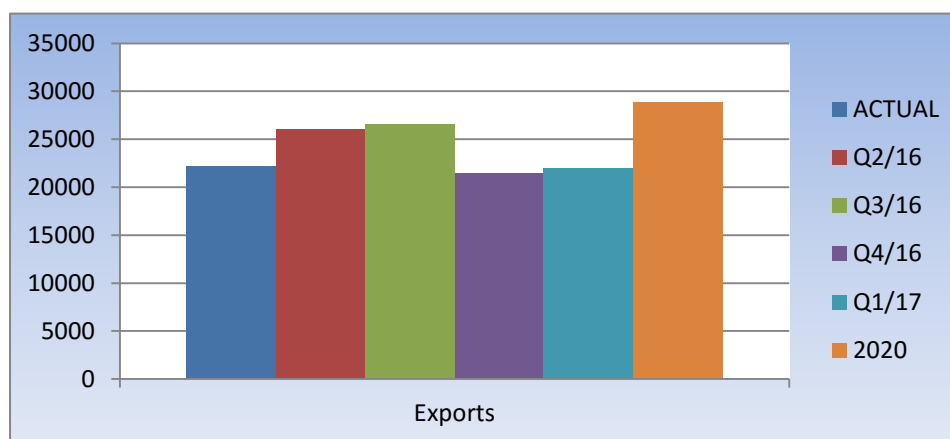
According to rating agency Crisil, India should look at other regions, especially Africa, to boost shipments. Focus on projects like Make in India, which can help revive domestic demand, can also counter falling exports, said Gokul Chaudhri, leader, direct tax, BMR & Associates LLP. The government, though, is optimistic. “There is no crisis in India on the export front and while there is a need for caution, there is no need for alarm,” the commerce ministry said recently. But if numbers are anything to go by, the Centre sure has its task cut out for 2016.

The International Monetary Fund (IMF) has slightly cut projections for India's economic growth to 6.3% for 2015-16 against 6.4% made in October last year, while retaining the forecast for the current financial year at 5.6%. In its World Economic Outlook Update, IMF pegged the country's growth rate at 6.5% for 2016-17.

On a different growth parameter, it projected India's economy to grow faster than China's by 2016-17. This methodology includes indirect taxes in gross domestic product and is called GDP at market prices. On this methodology, India would grow at 6.5% in 2016-17 and China by 6.3% in 2016. However, time period is not strictly comparable as China's growth is for a calendar year and India's for a financial year (April-March).

Exports in India is expected to be 26000.00 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate Exports in India to stand at 21994.96 in 12 months time. In the long-term, the India Exports is projected to trend around 28847.48 USD Million in 2020, according to econometric models

FORECAST	Actual	Q2/16	Q3/16	Q4/16	Q1/17	2020
EXPORT	22171	26000	26500	21435	21995	28847



3. CONCLUSION

It is summarized that foreign trade has significant function in the fiscal development of any nation. India has made strong foreign trade policies and reformed these from time to time with the process of globalisation and liberalization. Since 1991, India's foreign trade considerably transformed. India's major exports include manufacturing and engineering goods. India has good trading relations with all developed countries in the world. More than fifty percent of India's total export trade is with Asia and ASEAN region and about sixty percent of India's total imports is with the same countries. India's wealth previously was agricultural economy. India's major requirement use to be food grains and other goods in import with fast industrialization, the composition of India's imports goods changed and needed chemicals, fertilizers and machinery which were required to meet the developmental requirements of country. In the composition of export; country sells agricultural products such as tea, spices, and other raw materials. However, with the industrialization of the financial system, compositions of exports changed. Currently, India exports products such as machinery chemicals and marine products. This may enhance the fiscal condition of India.

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