

Chairman's Pen



My dear fellow exporters,

The 2008-09 exports figures have been released by the Ministry of Commerce & Industry, Government of India. India's cumulative value of exports for the period April-March, 2008-09 was US\$ 168.70 billion (Rs.766,935 crore) as against US\$ 163.13 billion (Rs.655,863 crore) registering a growth of 3.4 per cent in Dollar terms and 16.9 per cent in Rupee terms over the same period last year. Exports during March, 2008-09 were valued at US\$ 11,516 million which was 33.3 per cent lower than the level of US\$ 17,254 million during March, 2008. In rupee terms, exports touched Rs.58,997 crore, which was 15.3 per cent lower than the value of exports during March, 2007-08.

India's imports during March, 2008-09 were valued at US\$ 15,561 million representing a decrease of 34.0 per cent over the level of imports valued at US\$ 23,574 million in March, 2007-08. In Rupee terms, imports decreased by 16.2 per cent. Cumulative value of imports for the period April-March, 2008-09 was US\$ 287.76 billion (Rs.1305503 crore) as against US\$ 251.65 billion (Rs.10,12,312 crore) registering a growth of 14.3 per cent in Dollar terms and 29.0 per cent in Rupee terms over the same period last year. The Trade Deficit for April- March, 2008-09 was estimated at US\$ 119.05 billion which was higher than the deficit at US\$ 88.52 billion during April-March, 2007-08.

With regard to engineering sector, EEPC India estimates based on the above data suggests that India's export of engineering goods recorded a growth of about 13.72 percent in dollar terms in 2008-09 over 2007-08. Export of engineering goods from India in 2008-09 touched US\$ 37.85 billion. In Rupee terms, India's export of engineering goods were valued at Rs.173801.7 crores during 2008-2009 which is 29.77% higher than the value of export Rs 133926.23 crore during 2007-08. It may be mentioned that India's engineering exports growth rate in dollar terms was 37.13 percent in 2006-07; 25.63 percent in 2007-08 and has now dropped to a paltry 13.72 percent in 2008-09 on account of global economic slowdown. In contrast, in Rupee terms, engineering exports grew by 40.23 percent in 2006-07; 11.64 percent in 2007-08 and 29.77 percent in 2008-09. The fall in 2007-08 was largely due to the nearly 15 percent appreciation of the Rupee vis-à-vis the US dollar.

The above trend in engineering exports does indicate certain crucial factors: for instance, a sound domestic and external environment is a sine qua non for high export growth. 2006-07 is a good example where the engineering export growth, be it USD or INR were both above 35 percent. This apart, the role of the exchange is also crucial. An overvalued exchange rate on account of sharp increases in foreign inflows can damage export competitiveness considerably and dollar growth can be maintained only at the cost of very low or zero profit margins, as was the case in 2007-08.

Yours sincerely,

(AMAN CHADHA)