Exports stare at hard March; US, Europe orders disappear

After a sudden growth in February, exports are fast heading towards a lengthy period of contraction as buyers cancel major shipments in foreign exchange (forex) earning sectors, fear exporters.

“We expect contraction in March. With major economies continuing to see sharp rise in cases, the cumulative fall in demand would spill over into April, causing a bigger contraction,” Ajay Sahai, director general of the Federation of Indian Export Organisations, said.

A string of order cancellations by major clients in the US and Europe — two major centres of the coronavirus outbreak — is expected to massively hit sectors like engineering goods and apparel. More than 40 per cent of India’s engineering exports land up in both markets, while Indian apparel is already under threat from cheaper Bangladeshi and Vietnamese alternatives in their primary export destination of Europe.

“This industry needs immediate relief in terms of faster clearance of banking and packing credit, late realisation of export bills, and raising of advance limit to 25 per cent without any collateral to ease working capital constraints,” A Sakhivel, chairman, Apparel Export Promotion Council, said.

Also, there should be no penalty on advance forex booking and deferment of equated monthly instalments by six months to start with, he added.

Exports had caught a rare breather in February, rising after six months, leading to hopes of a recovery period beginning soon. But, policymakers are not convinced. “Last month, exports gained over a low base. Also, global oil prices spiked, allowing India to pull in more receipts from the sale of refined petroleum,” a government trade expert said.

Policy delay

As a result, total exports again run the risk of missing the government’s internal target of $350 billion. India’s total outbound trade tally stood at $331 billion in 2018-19. It was the first time that exports remained above $300 billion for two consecutive years.

On the other hand, the government is gearing up to announce the extension of the current five-year foreign trade policy (FTP) by six months, sources said. Commerce and Industry Minister Piyush Goyal is likely to announce the same on Tuesday. The updated FTP was expected to go live from April 1.