

Engineering Export-Import Monitor

SEPTEMBER 2022



Engineering The Future

EEPCINDIA
ENGINEERING THE FUTURE

ANALYSIS OF INDIAN ENGINEERING EXPORTS AND IMPORTS FOR SEPTEMBER 2022

OCTOBER 2022

Engineering exports recorded 1.15% year-on-year growth during the first half of FY 22-23

Trade Flow	Export figures (in \$ billion)					
	Sep-2021	Sep-2022	Apr- Sep 2021-22	Apr- Sep 2022-23	Sep-2022 over Sep-2021	Apr-Sep 2022-23 over Apr-Sep 2021-22
Engineering exports	9.42	8.40	54.52	55.15	-10.85%	1.15%
Overall exports	33.82	35.45	198.25	231.88	4.82%	16.96%
Share of engineering (%)	27.85%	23.69%	27.50%	23.73%	---	---

Source: Compiled from data by DGCI&S and Quick Estimates published by the Government of India

- *Engineering exports recorded year-on-year decline for the third month in a row to Sep 2022.*
- *Cumulative engineering exports for the first half of 2022-23 managed a meagre 1.15% y-o-y growth*
- *The 15% export duty on steel continued to weigh on engineering exports as India's iron and steel exports dropped by 61.9% in September 2022 on a y-o-y basis*
- *Cumulative decline in iron and steel exports for the first half of 2022-23 was 36.8% y-o-y*
- *Other factors which affected India's engineering export growth include slowdown in economic activities in some of India's top export destinations including China and EU*

HIGHLIGHTS

- ✚ Engineering exports from India conceded its third consecutive monthly decline on a year-on-year basis as it dropped by 10.85 percent to USD 8395.49 million in September 2022 from USD 9417.37 million in September 2021.
- ✚ Cumulative engineering exports however still managed to grow by 1.15 percent during the first half of fiscal 2022-23 as it inched up to USD 55145.41 million during Apr-Sep 2022-23 from USD 54518.41 million during the same period last fiscal.
- ✚ As per the Quick Estimates of Ministry of Commerce and Industry, Government of India, share of engineering in total merchandise exports was recorded at 23.69 percent in September 2022 while the share was 23.73 percent on a cumulative basis during the first half of 2022-23.
- ✚ 20 out of 34 engineering panels witnessed positive year-on-year growth in exports during September 2022 vis-a-vis the same month last fiscal. Major decline was witnessed in metal segment and railway transport equipment and parts.
- ✚ On a cumulative basis also, 26 out of 34 engineering panels recorded positive growth during Apr-Sep 2022-23 over the same period last fiscal.
- ✚ In terms of region, maximum growth in exports was witnessed in North America followed by Latin America and Oceania in cumulative terms.
- ✚ Top exporting destinations countries that witnessed positive growth during April-September 2022-23 were USA, Germany and Mexico whereas top destinations with negative export during the same month include UAE and Italy.
- ✚ In the first half of fiscal 2022-23, engineering exports achieved 43.42 percent of the USD 127 billion target set by the Government for the entire fiscal.

Overall Engineering Exports vs Engineering Exports Excluding Steel Segment

(Values in USD Million)

Trade Flow	Export in Sep 2021	Exports in Sep 2022	Growth (%)	Exports in Apr-Sep 2021-22	Exports in Apr-Sep 2022-23	Growth (%)
Overall engineering exports	9417.37	8395.49	-10.85	54518.41	55145.41	1.15
Engineering exports excluding iron and Steel	7195.61	7550.75	4.94	42091.72	47300.55	12.37

Source: DGCI&S, Govt. of India

Excluding the export of iron and steel, engineering exports recorded 4.94 percent year-on-year growth in September 2022 and 12.37 percent growth on a cumulative basis during April-September 2022-23.

EXPORT TARGET

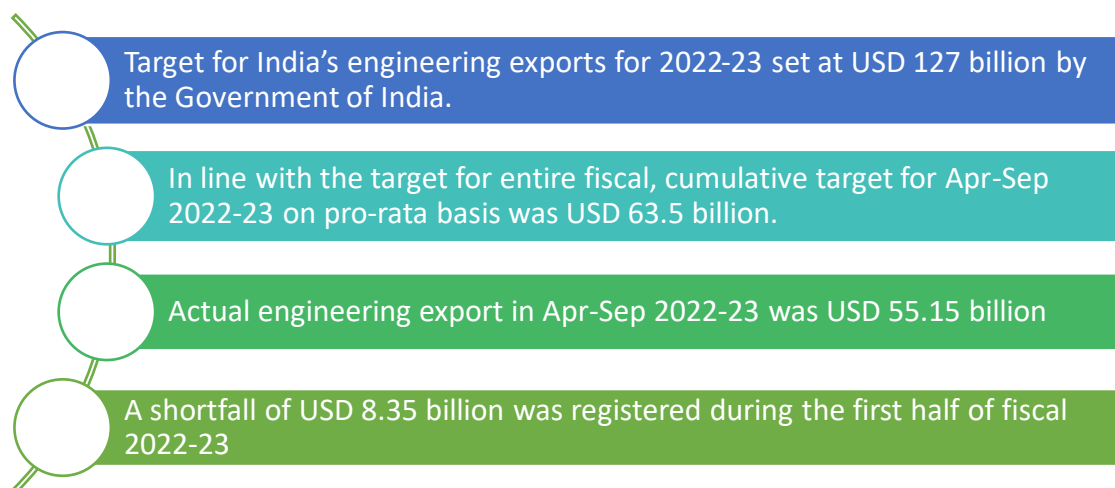
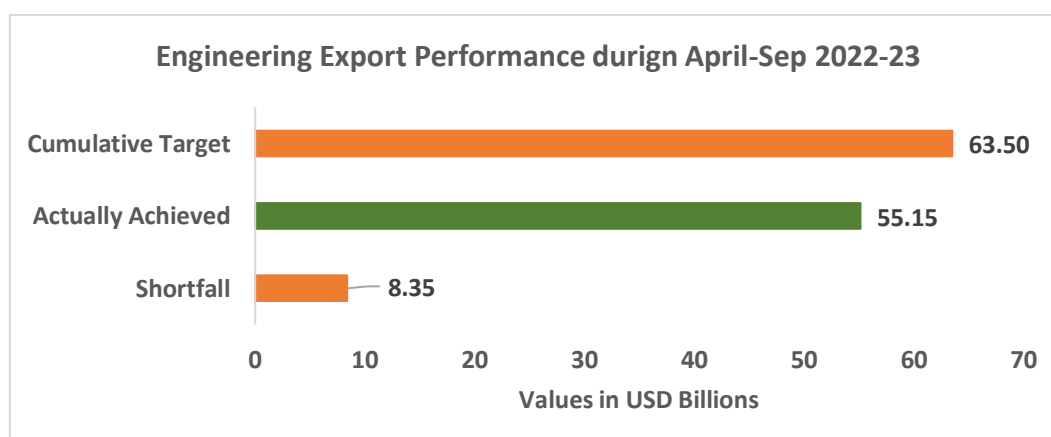


Fig1: Engineering Export Target V/S Actually Achieved in Apr-Sep 2022-23 (USD Billion)



ENGINEERING EXPORTS: MONTHLY TREND

The monthly engineering figures for 2022-23 vis-à-vis 2021-22 are shown below as per the latest DGCI&S estimates:

Table 1: Engineering Exports: Monthly Trend in 2022-23
US\$ million

Month	2021-22	2022-23	Growth (%)
April	7974.05	9678.20	21.37
May	8623.64	9713.75	12.64
June	9295.06	9582.90	3.10
April-June	25892.75	28974.85	11.90

Month	2021-22	2022-23	Growth (%)
July	9545.20	9367.67	-1.86
August	9663.09	8407.41	-12.99
September	9417.37	8395.49	-10.85
July-September	28625.66	26170.56	-8.58
April-September	54518.41	55145.41	1.15

Source: DGCIS, Govt. of India.

TOP 25 ENGINEERING EXPORT DESTINATIONS IN APRIL-SEPTEMBER 2022

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during September 2022 over September 2021 as well as in cumulative terms during April-September 2022-23 vis-à-vis April-September 2021-22. The data clearly shows that top 25 countries contribute more than 76% of total engineering exports.

Table 2: Engineering exports country wise

US\$ million

Countries	September 2021	September 2022	Growth (%)	April-September 2021-22	April-September 2022-23	Growth (%)
U S A	1391.57	1518.46	9.1%	7737.39	10017.66	29.5%
UAE	403.67	417.52	3.4%	2812.51	2475.94	-12.0%
ITALY	363.22	223.54	-38.5%	2358.54	2069.97	-12.2%
GERMANY	320.41	308.56	-3.7%	1825.18	1935.51	6.0%
MEXICO	335.85	219.04	-34.8%	1441.90	1890.38	31.1%
SINGAPORE	162.00	287.84	77.7%	1572.43	1831.37	16.5%
U K	351.09	217.89	-37.9%	1490.34	1669.56	12.0%
BANGLADESH	205.11	226.29	10.3%	1306.87	1501.78	14.9%
NETHERLAND	163.45	243.92	49.2%	876.95	1457.44	66.2%
SAUDI ARAB	150.57	227.31	51.0%	826.74	1337.14	61.7%
TURKEY	290.25	172.45	-40.6%	1661.75	1320.60	-20.5%
INDONESIA	157.75	144.24	-8.6%	1104.55	1302.86	18.0%
NEPAL	322.53	205.60	-36.3%	1695.71	1291.76	-23.8%
CHINA	572.96	203.61	-64.5%	3107.81	1257.55	-59.5%
SOUTH AFRICA	199.40	207.92	4.3%	1333.43	1209.05	-9.3%
KOREA RP	269.00	151.78	-43.6%	1435.03	1181.10	-17.7%

Countries	September 2021	September 2022	Growth (%)	April-September 2021-22	April-September 2022-23	Growth (%)
THAILAND	193.95	179.12	-7.6%	1202.08	1159.51	-3.5%
FRANCE	157.77	302.47	91.7%	815.84	1141.94	40.0%
BELGIUM	150.97	96.58	-36.0%	1492.62	1035.69	-30.6%
VIETNAM	263.94	227.52	-13.8%	1421.84	997.01	-29.9%
BRAZIL	156.05	176.23	12.9%	868.19	960.78	10.7%
JAPAN	165.39	139.25	-15.8%	800.85	834.14	4.2%
CANADA	105.96	102.14	-3.6%	523.79	800.20	52.8%
MALAYSIA	64.15	88.81	38.4%	796.76	731.21	-8.2%
SPAIN	146.71	83.25	-43.3%	789.28	716.88	-9.2%
Total engineering exports to top 25 countries	7063.73	6371.37	-9.8%	41298.40	42127.02	2.0%
Total engineering exports	9417.37	8395.49	-10.9%	54518.41	55145.41	1.2%
Share % of Top 25 destinations wrt total engg exports	75.0%	75.9%		75.8%	76.4%	75.0%

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

The following table depicts region wise India's engineering exports for April-September 2022 as opposed to April-September 2021

Table 3: Region wise engineering exports in April-Sep 2022 viz-a-viz April-Sep 2021

US\$ million

Regions	September 2021	September 2022	Growth (%)	April-September 2021-22	April-September 2022-23	Growth (%)
NORTH AMERICA	1833.4	1839.6	0.3%	9703.1	12708.2	31%
EUROPEAN UNION	1727.6	1618.0	-6.3%	10758.6	10690.9	-1%

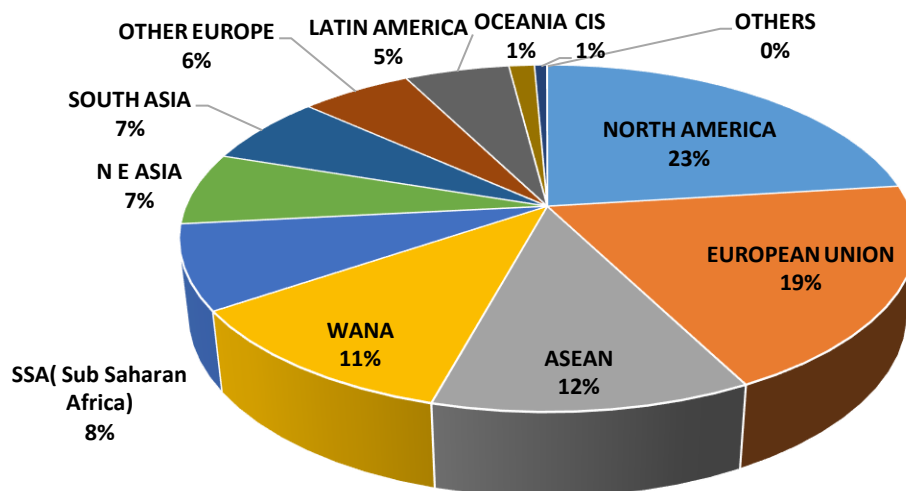
Regions	September 2021	September 2022	Growth (%)	April-September 2021-22	April-September 2022-23	Growth (%)
ASEAN	914.6	1006.6	10.1%	6627.2	6509.8	-2%
WANA	978.2	1024.3	4.7%	5851.6	6212.1	6%
SSA(Sub Saharan Africa)	732.8	675.2	-7.9%	4189.2	4330.2	3%
N E ASIA	1143.8	558.4	-51.2%	6323.6	3734.9	-41%
SOUTH ASIA	712.6	542.4	-23.9%	3860.7	3607.7	-7%
OTHER EUROPE	670.5	420.4	-37.3%	3414.0	3205.7	-6%
LATIN AMERICA	496.5	495.1	-0.3%	2553.8	3033.7	19%
OCEANIA	95.6	132.9	39.0%	621.9	738.6	19%
CIS	110.7	80.7	-27.1%	605.1	358.2	-41%
OTHERS	1.1	1.8	57.7%	9.6	15.5	62%
Grand Total	9417.4	8395.5	-10.9%	54518.4	55145.4	1.2%

Source: DGCI&S

Note: *Figures have been rounded off.

Source: DGCI&S; **Myanmar has been included in ASEAN and not in South Asia, since ASEAN is a formal economic grouping.

Fig 2: Region-wise shares of India's engineering exports during April-September 2022



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of September 2022 vis-à-vis September 2021 as well as the cumulative exports for **Apr-September 2022-23 vis-à-vis Apr-September 2021-22**. These are indicated in the tables below

Table 4a. Trend in exports of iron and steel and its products

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Iron and Steel	2221.8	844.7	-62%	12426.7	7844.9	-37%
Products of Iron and Steel	726.8	806.5	11%	3911.4	5019.4	28%
Sub Total	2948.6	1651.2	-44%	16338.1	12864.2	-21%

Source: DGCI&S

Table 4b. Trend in exports of Non-Ferrous Metals and Products

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Copper and products	182.0	154.4	-15%	1273.0	832.6	-35%
Aluminium and products	905.9	649.0	-28%	4493.8	4755.1	6%
Zinc and products	23.3	84.5	263%	388.5	706.5	82%
Nickel and products	10.1	10.6	5%	47.2	113.9	141%
Lead and products	36.0	29.0	-20%	238.6	207.6	-13%
Tin and products	1.5	0.8	-43%	9.6	6.5	-33%
Other Non-Ferrous Metals	69.7	68.7	-1%	386.5	397.6	3%
Sub Total	1228.5	997.0	-19%	6837.3	7019.8	3%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Industrial Machinery like Boilers, parts, etc.	73.9	58.4	-21%	311.0	348.2	12%
IC Engines and Parts	288.4	297.1	3%	1624.7	1835.7	13%
Pumps of all types	112.6	113.2	1%	608.9	650.3	7%
Air condition and Refrigerators	125.0	126.2	1%	651.6	814.7	25%
Industrial Machinery for dairy, food processing, textiles etc.	683.2	694.6	2%	3784.5	4367.1	15%
Machine Tools	56.0	50.8	-9%	319.8	349.0	9%
Machinery for Injecting moulding, valves and ATMs	161.3	198.5	23%	887.1	1110.9	25%
Sub Total	1500.3	1538.8	3%	8187.5	9475.9	16%

Source: DGCI&S

Table 4d. Trend in exports of Electrical Machinery and Equipment

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Electrical Machinery	811.8	891.9	10%	4792.4	5395.2	13%

Source: DGCI&S

Table 4e. Trend in exports of Auto and auto parts

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Motor Vehicle/cars	669.1	717.2	7%	3496.1	4276.8	22%
Two and Three Wheelers	241.0	214.2	-11%	1478.2	1517.2	3%
Auto Components/Part	582.4	608.5	4%	3353.2	3638.4	9%

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Auto Tyres and Tubes	247.4	244.8	-1%	1380.7	1599.4	16%
Sub Total	1739.9	1784.7	3%	9708.2	11031.7	14%

Source: DGCI&S

Table 4f. Trend in exports of aircraft, spacecraft and parts and ships, boats and floating structures

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Aircrafts and Spacecraft parts and products	96.1	228.5	138%	508.8	784.8	54%
Ships Boats and Floating products and parts	25.7	189.2	637%	2378.5	1980.0	-17%

Source: DGCI&S

Table 4g. Trend in exports of other engineering products

US\$ Million

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Medical and Scientific instruments	151.9	179.2	18%	832.8	1047.7	26%
Railway Transport	40.9	26.4	-35%	199.2	203.3	2%
Hand Tools & Cutting Tools	86.3	81.3	-6%	474.5	497.9	5%
Bicycle & Parts	40.2	34.2	-15%	221.4	203.6	-8%
Cranes Lifts & Winches	56.4	65.3	16%	305.7	386.1	26%
Office Equipment	20.1	29.4	47%	97.2	140.6	45%
Other Construction Machinery	199.8	208.1	4%	945.1	1155.5	22%

Product panels	September 2021	September 2022	Growth	April-September 2021-22	April-September 2022-23	Growth
Prime Mica & Mica Products	1.7	2.2	28%	19.0	15.0	-21%
Project Goods	0.08	0.43	464%	1.37	1.25	-9%
Other Rubber Product Except Footwear	140.0	137.4	-2%	825.9	871.0	5%
Other Misc. Items	328.9	350.4	7%	1845.2	2071.8	12%

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-September 2022-23 vis-à-vis April-September 2021-22. We have taken the major panels and computed the top importers to get an idea of the current trade pattern. (Tables 5)

Table 5: Export of Different Panels
US\$ Million

Product panels	Top 5 nations	April-September 2021-22	April-September 2022-23	Growth (%)
Iron and Steel	ITALY	1381.9	1030.4	-25%
	UAE	679.4	653.7	-4%
	U S A	412.5	642.3	56%
	NEPAL	679.5	521.5	-23%
	BELGIUM	1093.2	457.5	-58%
Products of Iron and Steel	U S A	1117.43	1644.68	47%
	GERMANY	215.55	248.17	15%
	UAE	199.85	210.32	5%
	U K	212.74	174.79	-18%
	CANADA	99.72	172.54	73%
Industrial Machinery	U S A	1522.7	1928.0	27%
	THAILAND	531.4	552.3	4%
	GERMANY	408.3	473.8	16%
	CHINA	423.5	407.4	-4%
	BANGLADESH	265.4	367.1	38%
	SOUTH AFRICA	567.9	727.1	28%
	MEXICO	594.4	594.9	0%

Product panels	Top 5 nations	April-September 2021-22	April-September 2022-23	Growth (%)
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	SAUDI ARAB	228.7	419.8	84%
	COLOMBIA	191.1	277.1	45%
	UAE	167.4	238.1	42%
Non-Ferrous metals	U S A	596.3	880.4	48%
	KOREA RP	857.6	678.3	-21%
	NETHERLAND	152.4	641.9	321%
	MEXICO	246.3	512.3	108%
	CHINA	1442.9	325.5	-77%
Electrical Machinery and Components	U S A	1346.4	1547.2	15%
	FRANCE	199.5	314.9	58%
	U K	228.5	302.7	32%
	GERMANY	299.8	288.8	-4%
	SINGAPORE	174.6	228.0	31%
Aircrafts and Space crafts	U S A	187.3	227.9	22%
	FRANCE	91.5	212.8	133%
	SINGAPORE	35.7	73.6	106%
	GERMANY	28.7	53.4	86%
	U K	51.1	52.5	3%
Ships, Boats and Floating Structures and parts	SINGAPORE	488.4	785.3	61%
	INDONESIA	246.3	335.7	36%
	SRI LANKA	38.3	260.6	579%
	UAE	828.1	232.6	-72%
	U K	0.0	184.4	
Auto Components(including Auto Parts and Auto Tyre)	U S A	1058.1	1290.6	22%
	BRAZIL	217.1	286.8	32%
	BANGLADESH	224.9	275.3	22%
	GERMANY	285.8	255.4	-11%
	MEXICO	184.4	197.0	7%

Source: DGCI&S

🇮🇹 Italy, UAE and USA were the top three importers of Indian Iron and Steel during April-September 2022-23 whereas like the previous month USA, Germany and UAE were the top three importers of India's 'Products of Iron & Steel' during the same period as compared to April-September 2021-22.

- ✚ USA was the largest importer of Indian 'Industrial machinery' constituting 20% share in India's total global exports of industrial machinery during April-September 2022-23. Thailand and Germany were the two immediate followers of USA constituting 6% and 5% share consecutively in terms of India's total global exports of industrial machinery.
- ✚ South Africa, Mexico and Saudi Arabia were top three importers of India's Automobiles during April-September 2022-23 in India's global exports respectively over the same period last fiscal.
- ✚ USA, South Korea and Netherland were the top three importers of India's Non-ferrous metals and products' during April-September 2022-23 whereas USA, France, UK were the three top importers of Indian Electrical Machinery & Components during the same period.
- ✚ USA, France and Singapore were the top three importers of India's 'Aircrafts and Spacecrafts' during April-September 2022-23 in India's total global exports of the product followed by Germany and UK.
- ✚ Singapore, Indonesia and Sri Lanka became the largest importer of ships, boats and floating structures followed by UAE and UK. While for the auto components' product group, USA remained the top importer in April-September 2022-23 followed by Brazil, Bangladesh and Germany.

ENGINEERING EXPORTS – STATE-WISE ANALYSIS

State wise engineering export performance

The table below indicates the exports from top Indian states. It is evident from the table that over 91% of India's exports is contributed by the listed 12 states. Within this 48.7 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

Table 6: Top state wise engineering export performance - April-September 2022-23

US\$ Million			
Top States	Cumulative Export April-September 2022-23	Share %	Remark
Maharashtra	10,996.44	20.3%	91% share covered by top 12 states
Tamil Nadu	8,604.84	15.89%	
Gujarat	6,756.15	12.47%	
Odisha	4,412.35	8.15%	
Haryana	3,176.80	5.86%	
Andhra Pradesh	3,144.43	5.81%	

Top States	Cumulative Export April-September 2022- 23	Share %	Remark
Karnataka	2,936.53	5.42%	
Uttar Pradesh	2,518.31	4.65%	
West Bengal	1,990.30	3.67%	
Rajasthan	1,768.23	3.26%	
Delhi	1,522.34	2.81%	
Punjab	1,382.25	2.55%	

Source: DGCI&S

Region wise engineering exports

In terms of region, western region which includes industrial states like Maharashtra and Gujarat is the front runner in terms of exports with over 35 percent share. It is followed by the Southern region, Northern region and Eastern region respectively

Table 7: Region wise exports from India till September 2022

Value in US\$ million

Region	April - 22	May- 22	June- 22	July- 22	Aug-22	Sep-22	April- September 2022-23	Share % (w.r.t April- September 2022-23)
Eastern Region	1515.1	1754.0	1424.6	1194.6	1060.78	989.19	7938.02	14.7%
Northern Region	1903.5	1846.1	1745.5	2006.4	1673.09	1636.7	10811.43	20.0%
Southern Region	2688.4	2771.0	2837.8	2980.7	2434.42	2261.11	15973.39	29.5%
Western Region	3078.9	3560.0	3187.9	3540.1	3146.61	2929.73	19443.28	35.9%
Grand Total	9185.9	9931.1	9195.7	9721.9	8314.9	7816.73	54166.12	

 Note: DGCI&S state wise data available till September 2022

CORRELATION BETWEEN MANUFACTURING PRODUCTION AND ENGINEERING EXPORTS

Engineering sector is an important component of the broader manufacturing sector and the share of engineering production in overall manufacturing output is quite significant. As exports generally come from what is produced within a country, some correlation between

manufacturing production growth and engineering export growth should exist. We briefly looked at the trend in manufacturing growth as also engineering export growth to see if they move in tandem. It may be mentioned that manufacturing has 77.63% weightage in India's industrial production.

Engineering export growth and manufacturing output growth moved in the same direction in as many as nine out of twelve months in each of the fiscal years 2019-20 and 2020-21. During fiscal 2021-22, engineering export growth and manufacturing growth moved in the same direction in seven out of twelve months.

The first month of fiscal 2022-23 saw both engineering export growth and manufacturing output growth moved in the same direction with accelerating growth for both over the month, but May 2022 saw lower engineering export growth and higher manufacturing growth. Then, June, July and August 2022 once again saw them moving in same direction. While growth of engineering exports slowed down in June, turned negative in July 2022 and continued to decelerate in August, manufacturing growth also continued to slowdown in June and July 2022 and turned negative in August 2022.

The link between these two may not be established on a monthly basis, but a positive correlation may be seen if medium to long term trend is considered.

Table 8: Engineering exports growth vis-à-vis manufacturing growth from April 2020

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
April 2020	-63.05	-66.6
May 2020	-22.17	-37.8
June 2020	-5.18	-17.0
July 2020	10.56	-11.4
August 2020	-7.01	-7.6
September 2020	4.09	0.4
October 2020	-5.01	4.5
November 2020	-8.37	-1.6
December 2020	-0.93	2.7
January 2021	16.66	-0.9
February 2021	-4.94	-3.4
March 2021	67.75	28.3
April 2021	236.85	196.0
May 2021	50.21	32.1
June 2021	51.00	13.2
July 2021	42.57	10.5
August 2021	58.63	11.1

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
September 2021	35.11	4.3
October 2021	51.76	3.3
November 2021	37.28	0.3
December 2021	47.42	0.6
January 2022	25.63	1.9
February 2022	35.49	0.2
March 2022	19.72	1.4
April 2022	21.37	5.6
May 2022	12.64	20.7
Jun 2022	3.10	13.0
July 2022	-1.86	3.0
August 2022	-12.99	-0.7
September 2022	-10.85	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during September 2022 and what was the recent trend in Re-Dollar movement? In order to get a clearer picture of the recent Re-Dollar trend, not only we took the exchange rate of September 2022, but also considered monthly average exchange rate of Rupee vis-à-vis the US Dollar for each month of fiscal 2022-23 as well as 2021-22 as mere one month figure does not reflect any trend. However, the following table clearly depicts the short-term trend:

Table 9: USD-INR monthly average exchange rate in 2022-23 vis-à-vis 2021-22

(As per latest data released by FBIL)

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2021-22	2022-23				
April	74.47	76.16	2.27	Depreciation	4.63	Depreciation
May	73.27	77.32	5.53	Depreciation	1.52	Depreciation
June	73.56	78.07	6.14	Depreciation	0.98	Depreciation
July	74.53	79.60	6.80	Depreciation	1.95	Depreciation
August	74.18	79.56	7.25	Depreciation	-0.05	Appreciation

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2021-22	2022-23				
September	73.56	80.23	9.07	Depreciation	0.84	Depreciation

Rupee for the first time on record ended a month below 80 per US Dollar level in September 2022 and registered 0.84 percent depreciation over the month. The year-on-year depreciation was alarming at 9.07 percent. Rupee even crossed 81 mark on an intraday basis during the month. Hawkish stance of the US Federal Reserve with a hint of interest rate tightening in the near term made dollar dearer in the international market and rupee dropped against the greenback.

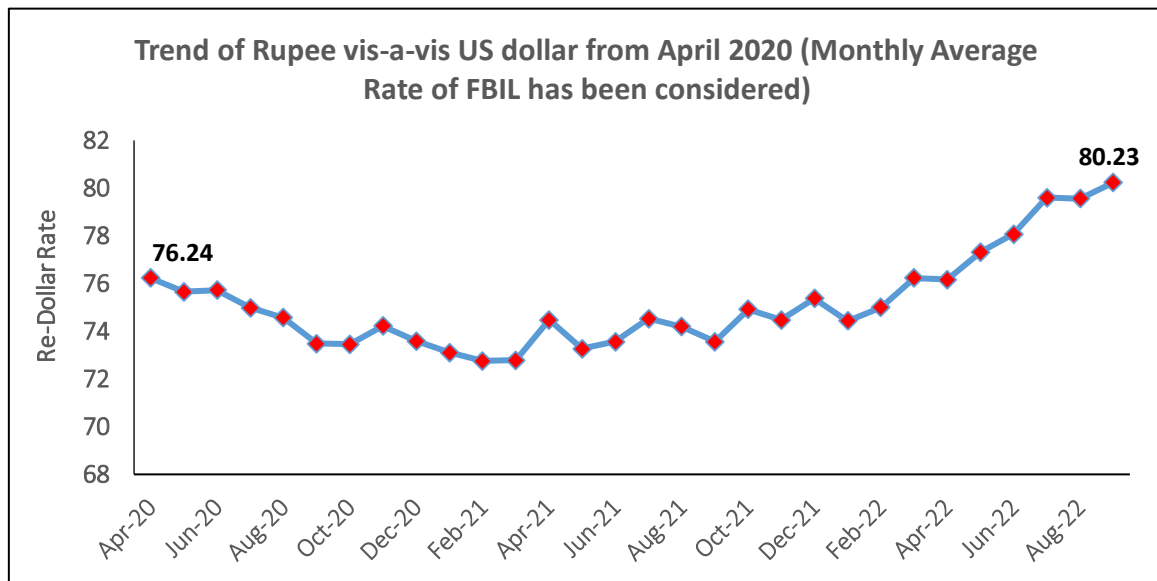
Table 10: USD-INR monthly average exchange rate in 2021-22
(As per latest data released by FBIL)

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2020-21	2021-22				
April	76.24	74.47	-2.32	Appreciation	2.31	Depreciation
May	75.66	73.27	-3.16	Appreciation	-1.61	Appreciation
June	75.73	73.56	-2.87	Appreciation	0.40	Depreciation
July	74.99	74.63	-0.48	Appreciation	1.45	Depreciation
August	74.67	74.19	-0.64	Appreciation	-0.59	Appreciation
September	73.48	73.56	0.11	Depreciation	-0.85	Appreciation
October	73.46	74.92	1.99	Depreciation	1.85	Depreciation
November	74.22	74.47	0.34	Depreciation	-0.60	Appreciation
December	73.59	75.37	2.42	Depreciation	1.21	Depreciation
January	73.11	74.44	1.82	Depreciation	-1.23	Appreciation
February	72.76	75.00	3.08	Depreciation	0.75	Depreciation
March	72.79	76.24	4.74	Depreciation	1.65	Depreciation

Source: FBIL, EEP Research

Fig 3: Trend of Rupee vis-a-vis US dollar from April 2020

(Monthly Average Rate of FBIL has been considered)



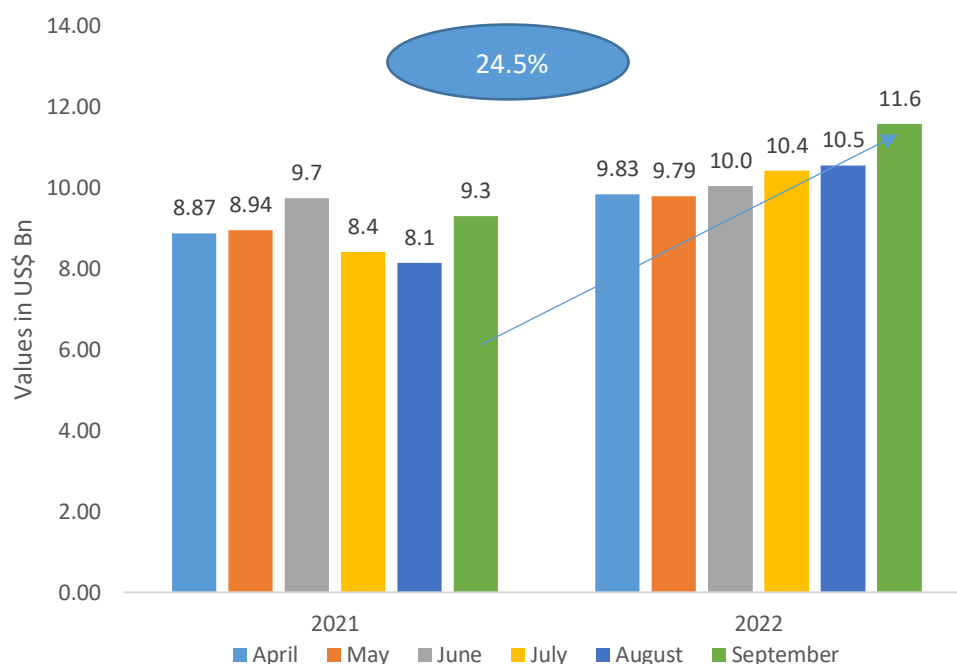
Source: FBIL

ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during September 2022 were valued at US\$ 11578.3 million compared to US\$ 9302.9 million in September 2021 registering a positive growth of 24.5 percent in dollar terms. Barring medicinal & pharmaceutical products and machine tools all other engineering panels like iron & steel, non-ferrous metals, machinery, electrical & non-electrical, transport equipment, and professional instrument witnessed an increase in import during September 2022 compared to September 2021.

The share of engineering imports in India's total merchandise imports has dropped further during September 2022 in comparison to September 2021 which has been estimated at 18.7%. The figure below depicts engineering imports **for September 2022 compared to September 2021.**

Fig 4: Monthly Engineering Imports for September 2022 vis-a-vis September 2021



Source: EEPC India analysis

TREND IN ENGINEERING TRADE BALANCE

We now present the trend in two way yearly trade for the engineering sector for the first six months of fiscal 2022-23 depicted in the table below:

Table 11: Monthly Trend in Engineering Trade Balance for the current FY
(US\$ Billions)

Trade Flow	Apr	May	June	July	Aug	Sep
Engineering Export	9.6	9.8	9.7	9.6	8.4	8.4
Engineering Import	9.8	9.8	10.7	10.4	10.5	11.58
Trade Balance	-0.2	0.0	-1.0	-0.8	-2.1	-3.2

Source: DGCI&S, EEPC India Analysis

CONCLUSION

Since the last month, India's engineering exports is experiencing a downward trend. In September 2022, engineering exports recorded a 10.85% fall where as in cumulative terms that is April-September 2022, engineering exports exhibited a meagre rise of only 1.15%. This decline can be majorly explained by the falling steel exports – in September alone exports of iron and steel came down by more than 60% and in cumulative terms the drop was more than 30%. Further observations indicate that, if we exclude iron and steel from total engineering exports there is a positive growth of 4.94% in September 2022 and in cumulative terms that growth is around 12%. Therefore fall in iron and steel exports can be indicated as a prime

factor behind the fall in engineering exports. This has been a direct result of the 15% export duty on iron and steel products which was applicable since May 21st 2022. This has particularly impacted the stainless steel segment. The drop in steel exports has impacted India's potential in various key markets including Europe, North East Asia, Africa, etc. EEPIC India has requested the government to look into the export duty especially on stainless steel segment since these are major export products for India, mainly produced by MSMEs and also have low domestic demand. This is important given that India has set an ambitious target to achieve USD 127 billion by end of the fiscal 2022. We firmly believe that resolving this issue would go a long way in taking Indian engineering exporters towards the above target.

