

Engineering Export-Import Monitor

DECEMBER 2022



Engineering The Future

EEPCINDIA
ENGINEERING THE FUTURE

ANALYSIS OF INDIAN ENGINEERING EXPORTS AND IMPORTS FOR DECEMBER 2022

JANUARY 2023

Engineering exports conceded double digit year-on-year decline in December 2022 due to unfavourable base effect

Trade Flow	Export figures (in US\$ billion)				Growth	
	Dec-2021	Dec-2022	Apr- Dec 2021-22	Apr- Dec 2022-23	Dec-2022 over Dec-2021	Apr-Dec 2022-23 over Apr-Dec 2021-22
Engineering exports	10.31	9.08	82.32	79.83	-11.89%	-3.03%
Overall exports	39.27	34.48	305.04	332.76	-12.21%	9.09%
Share of engineering (%)	26.25%	26.34%	26.99%	23.98%	---	---

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

HIGHLIGHTS

- ✚ Engineering exports from India crossed USD 9 billion for first time after July 2022 but conceded 11.89% year-on-year decline due to high statistical base.
- ✚ Cumulative engineering exports during April-December 2022-23 declined by 3.03% year-on-year.
- ✚ The 15% export duty on steel continued to weigh on engineering exports. While Exports of Iron and Steel declined by 53 percent in December 2022 year-on-year, the decline was around 43 percent on a cumulative basis.
- ✚ Recent withdrawal of the export duty on selected steel items is expected to restore the exports of Iron and Steel in the coming months.
- ✚ Other factors impacting India's engineering export growth include economic slowdown in some of India's top export destinations including China and EU.

- ✚ Indian engineering exports reached USD 9 billion mark for the first time after July 2022, however, the growth remained negative. The pace of decline also accelerated to 11.89 percent year-on-year. An unfavourable base effect, i.e., sudden rise in shipment of engineering products from India in December 2021 made this decline look so high.
- ✚ Engineering exports in December 2022 was recorded at USD 9,081.90 million as against USD 10,307.54 million in December 2021.
- ✚ Cumulative engineering exports for April-December 2022-23 also conceded 3.03 percent decline over the same period last fiscal as it dropped to USD 79,831.56 million from USD 82,324.23 million in April-December 2021-22.
- ✚ As per the quick estimates of Department of Commerce, Government of India, the share of engineering exports to total merchandise exports from India was 26.34 percent in December 2022 while for cumulative engineering exports during April-December 2022-23, the share was 23.98 percent.
- ✚ 23 out of 34 engineering panels witnessed positive year-on-year growth in exports during December 2022 vis-a-vis the same month last fiscal. Engineering products like Iron and Steel and Non-ferrous metals like Copper, Aluminium, Lead and Tin, Other products like Machine Tools, Two –Three wheelers, Bicycle parts, Auto Tyres and Hand tools witnessed decline in exports during December 2022 vis-à-vis December 2021.
- ✚ On a cumulative basis 21 out of 34 engineering panels recorded positive growth during Apr-Dec 2022-23 over the same period last fiscal. Major decline was witnessed in iron & steel segment, non-ferrous segment, Two-three wheelers, Bicycle parts, Ship and Boats and Project goods.
- ✚ 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-December 2022-23 were USA, Germany and Mexico whereas top destinations with negative export during the same month include UAE and Italy.
- ✚ During the first nine months of fiscal 2022-23, engineering exports achieved 62.86 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 Dec 2021	Exports in Dec 2022	Growth (%)	Exports in Apr-Dec 2021-22	Exports in Apr-Dec 2022-23	Growth (%)
Overall engineering exports	10307.54	9081.90	-11.89	82324.23	79831.56	-3.03
Engineering exports excluding Iron and Steel	8617.91	8291.24	-3.79	64702.01	69751.74	7.80

Source: DGCI&S, Govt. of India

Excluding the export of iron and steel, engineering exports still recorded 3.79 percent year-on-year decline in December 2022 but witnessed 7.80 percent growth on a cumulative basis during April-December 2022-23.

EXPORT TARGET

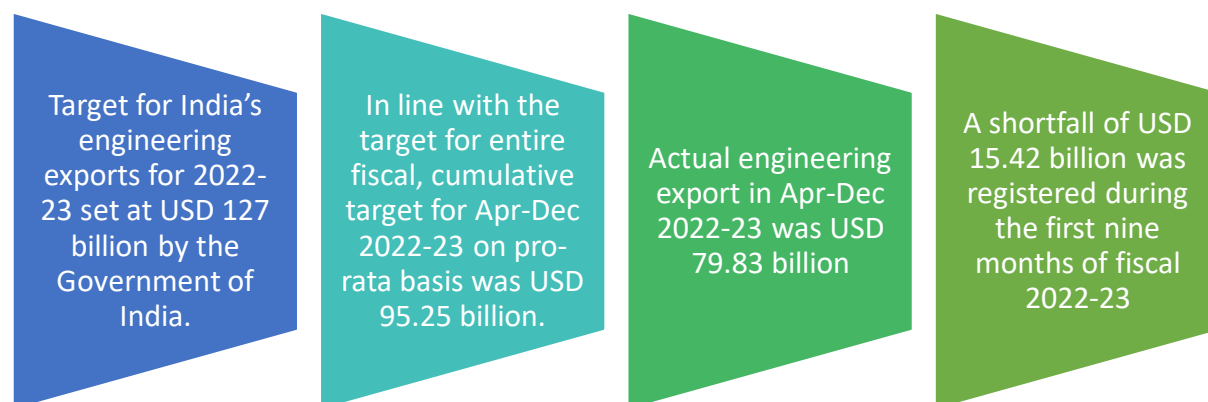
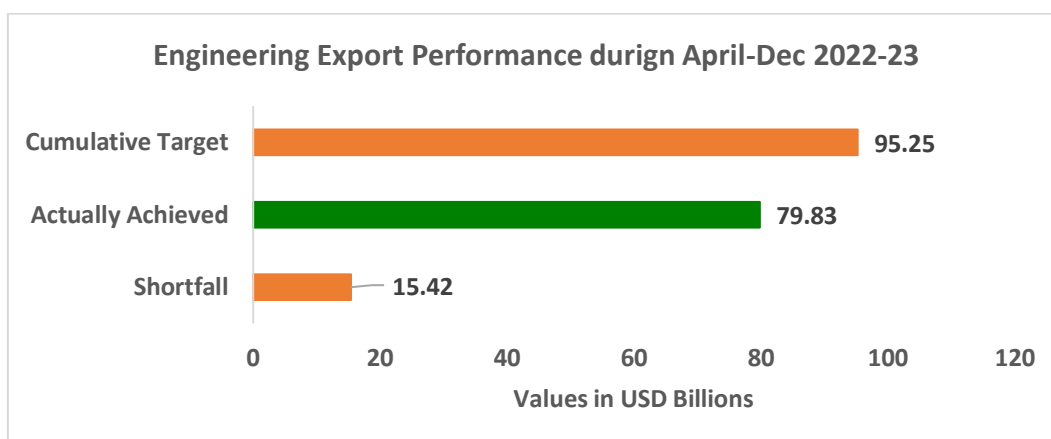


Fig1: Engineering Export Target V/S Actually Achieved in Apr-Dec 2022-23 (USD Billion)



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	9678.13	21.37
May	8623.64	9713.72	12.64
June	9295.06	9582.00	3.09
April-June	25892.75	28973.86	11.90
July	9545.20	9369.02	-1.85
August	9663.09	8406.63	-13.00
September	9417.37	8344.72	-11.39
July-September	28625.66	26120.38	-8.75
October	9401.21	7550.79	-19.68
November	8097.06	8104.63	0.09
December	10307.54	9081.90	-11.89
October-December	27805.81	24737.33	-11.04
April-December	82324.23	79831.56	-3.03

Source: DGCI&S, Govt. of India.

TOP 25 ENGINEERING EXPORT DESTINATIONS IN APRIL-DECEMBER 2022

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

Table 2: Engineering exports country wise

US\$ million

Countries	December 2021	December 2022	Growth (%)	April-Dec December 2021-22	April-December 2022-23	Growth (%)
U S A	1713.4	1588.9	-7.3%	12293.8	14441.1	17.5%
UAE	562.9	456.3	-18.9%	4244.2	3609.3	-15.0%
GERMANY	365.4	348.0	-4.8%	2786.8	2893.1	3.8%
ITALY	284.6	259.6	-8.8%	3174.8	2845.9	-10.4%
MEXICO	292.5	298.5	2.0%	2148.4	2628.6	22.4%
SINGAPORE	138.9	202.8	46.1%	2061.2	2497.0	21.1%
U K	272.3	243.2	-10.7%	2222.3	2354.4	5.9%
SAUDI ARABIA	212.7	259.1	21.8%	1348.3	2102.2	55.9%
TURKEY	334.1	340.8	2.0%	2415.9	2062.5	-14.6%
NETHERLAND	164.3	166.7	1.4%	1300.0	2042.0	57.1%
BANGLADESH	296.0	166.5	-43.7%	2073.0	2016.4	-2.7%
CHINA	440.7	233.2	-47.1%	4622.0	1982.0	-57.1%
INDONESIA	186.4	193.0	3.6%	1633.7	1856.1	13.6%
SOUTH AFRICA	211.2	273.2	29.4%	1929.6	1828.7	-5.2%
NEPAL	336.0	170.5	-49.3%	2630.5	1752.0	-33.4%
THAILAND	247.1	189.5	-23.3%	1827.0	1660.2	-9.1%
KOREA RP	386.6	159.6	-58.7%	2312.3	1643.5	-28.9%
FRANCE	157.9	207.5	31.4%	1258.9	1537.6	22.1%
VIETNAM	189.5	177.0	-6.6%	2014.1	1484.6	-26.3%
BRAZIL	209.8	189.8	-9.5%	1364.8	1436.1	5.2%
BELGIUM	106.9	95.5	-10.7%	1873.7	1371.3	-26.8%
JAPAN	163.8	145.4	-11.2%	1330.9	1265.0	-4.9%
MALAYSIA	118.5	226.5	91.2%	1105.8	1215.4	9.9%
CANADA	86.4	100.8	16.6%	798.3	1095.0	37.2%
AUSTRALIA	135.2	124.1	-8.2%	921.0	1041.5	13.1%

Countries	December 2021	December 2022	Growth (%)	April-Dec December 2021-22	April-December 2022-23	Growth (%)
Total engineering exports to top 25 countries	7613.1	6816.1	-10.5%	61691.3	60661.4	-1.7%
Total engineering exports	10307.5	9081.9	-11.9%	82324.2	79831.6	-3.0%
Share % of Top 25 destinations	73.9%	75.1%		74.9%	76.0%	

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

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

Table 3: Region wise engineering exports in April-December 2022 vis-à-vis April-December 2021
US\$ million

Regions	December 2021	December 2022	Growth (%)	April-December 2021-22	April-December 2022-23	Growth (%)
NORTH AMERICA	2092.3	1988.2	-5.0%	15240.5	18164.7	19.2%
EUROPEAN UNION	1805.5	1546.9	-14.3%	15557.1	14978.7	-3.7%
ASEAN	954.5	1072.6	12.4%	9418.1	9498.7	0.9%
WANA	1288.5	1132.5	-12.1%	9073.0	9324.3	2.8%
SSA(Sub Saharan Africa)	796.3	834.3	4.8%	6418.2	6436.6	0.3%
N E ASIA	1132.3	611.3	-46.0%	9586.2	5546.0	-42.1%
SOUTH ASIA	761.9	503.9	-33.9%	6071.8	4946.7	-18.5%
OTHER EUROPE	666.8	616.2	-7.6%	5069.8	4728.5	-6.7%
LATIN AMERICA	529.7	536.7	1.3%	3899.4	4428.0	13.6%
OCEANIA	147.2	135.4	-8.1%	1016.5	1138.1	12.0%
CIS	126.2	102.7	-18.6%	949.5	622.4	-34.5%

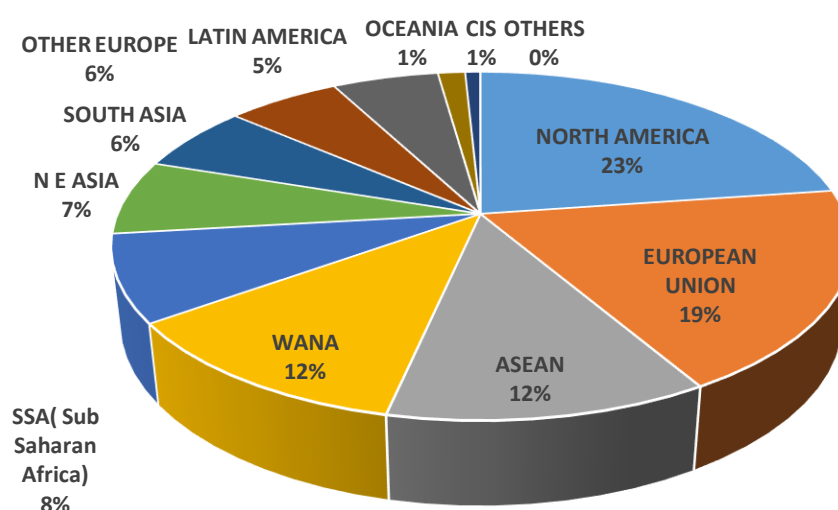
Regions	December 2021	December 2022	Growth (%)	April-December 2021-22	April-December 2022-23	Growth (%)
OTHERS	6.4	1.3	-80.3%	24.0	18.9	-21.2%
Grand Total	10307.5	9081.9	-11.9%	82324.2	79831.6	-3.0%

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-December 2022



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of December 2022 vis-à-vis December 2021 as well as the cumulative exports for **April-December 2022-23 vis-à-vis April-December 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	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Iron and Steel	1689.6	790.7	-53%	17622.2	10079.8	-43%
Products of Iron and Steel	826.7	928.7	12%	6267.1	7338.9	17%
Sub Total	2516.4	1719.4	-32%	23889.3	17418.7	-27%

Source: DGCI&S

Table 4b. Trend in exports of Non-Ferrous Metals and Products
US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Copper and products	253.8	182.4	-28%	1884.6	1263.6	-33%
Aluminium and products	1372.0	683.0	-50%	7458.2	6868.4	-8%
Zinc and products	106.8	111.5	4%	655.0	1011.5	54%
Nickel and products	8.4	11.6	39%	68.5	155.3	127%
Lead and products	58.9	47.3	-20%	371.9	303.6	-18%
Tin and products	1.6	1.0	-39%	14.0	8.5	-39%
Other Non-Ferrous Metals	72.5	64.5	-11%	594.4	582.1	-2%
Sub Total	1874.0	1101.4	-41%	11046.6	10193.0	-8%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery
US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Industrial Machinery like Boilers, parts, etc.	53.1	72.6	37%	448.9	495.3	10%
IC Engines and Parts	292.3	330.7	13%	2416.6	2737.1	13%
Pumps of all types	112.3	133.4	19%	915.6	990.8	8%
Air condition and Refrigerators	137.7	149.5	9%	1024.8	1194.3	17%
Industrial Machinery for dairy, food processing, textiles etc.	769.3	779.6	1%	5873.9	6471.7	10%
Machine Tools	71.9	56.8	-21%	504.2	512.5	2%
Machinery for Injecting moulding, valves and ATMs	203.4	229.8	13%	1411.1	1721.8	22%

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Sub Total	1640.0	1752.3	7%	12595.1	14123.6	12%

Source: DGCI&S

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

US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Electrical Machinery	907.9	978.8	8%	7270.9	8090.4	11%

Source: DGCI&S

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

US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Motor Vehicle/cars	790.7	870.1	10%	5522.0	6489.3	18%
Two and Three Wheelers	268.8	225.2	-16%	2214.6	2164.2	-2%
Auto Components/Part	637.6	653.0	2%	5048.9	5445.4	8%
Auto Tyres and Tubes	282.4	244.8	-13%	2147.1	2301.3	7%
Sub Total	1979.5	1993.1	1%	14932.6	16400.2	10%

Source: DGCI&S

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

US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Aircrafts and Spacecraft parts and products	106.8	107.6	1%	836.0	1064.8	27%

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Ships Boats and Floating products and parts	150.3	203.4	35%	2801.5	2559.3	-9%

Source: DGCI&S

Table 4g. Trend in exports of other engineering products

US\$ Million

Product panels	December 2021	December 2022	Growth	April-December 2021-22	April-December 2022-23	Growth
Medical and Scientific instruments	154.7	191.6	24%	1261.9	1635.2	30%
Railway Transport	27.9	28.9	3%	308.7	292.2	-5%
Hand Tools & Cutting Tools	93.1	83.6	-10%	734.8	723.1	-2%
Bicycle & Parts	41.6	34.7	-17%	337.4	299.9	-11%
Cranes Lifts & Winches	53.9	81.9	52%	478.7	591.1	23%
Office Equipment	23.6	24.1	2%	152.2	218.1	43%
Other Construction Machinery	203.5	237.4	17%	1554.6	1775.3	14%
Prime Mica & Mica Products	2.2	2.3	4%	25.8	20.8	-20%
Project Goods	0.11	0.25	141%	3.35	1.90	-43%
Other Rubber Product Except Footwear	151.2	152.9	1%	1256.7	1300.2	3%
Other Misc. Items	380.8	388.3	2%	2837.9	3124.0	10%

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-December 2022-23 vis-à-vis April-December 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-December 2021-22	April-December 2022-23	Growth (%)
Iron and Steel	ITALY	1688.6	1234.6	-27%
	UAE	1175.2	841.0	-28%
	U S A	659.0	786.6	19%
	NEPAL	1045.5	672.4	-36%
	BELGIUM	1245.6	533.6	-57%
Products of Iron and Steel	U S A	1863.34	2409.01	29%
	GERMANY	330.60	361.71	9%
	UAE	303.41	320.05	5%
	U K	320.07	255.40	-20%
	CANADA	166.16	242.08	46%
Industrial Machinery	U S A	2373.4	2865.1	21%
	THAILAND	787.4	762.8	-3%
	GERMANY	630.6	702.9	11%
	CHINA	636.0	593.7	-7%
	BANGLADESH	435.5	529.6	22%
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	SOUTH AFRICA	868.6	1110.6	28%
	MEXICO	840.7	912.2	9%
	SAUDI ARABIA	387.8	698.1	80%
	UAE	279.4	393.4	41%
	COLOMBIA	288.7	368.0	27%
Non-Ferrous metals	U S A	1010.6	1274.4	26%
	KOREA RP	1420.3	967.4	-32%
	NETHERLAND	195.7	846.7	333%
	MALAYSIA	176.4	578.4	228%
	CHINA	2130.6	550.9	-74%
Electrical Machinery and Components	U S A	2083.1	2173.4	4%
	U K	358.1	482.4	35%

Product panels	Top 5 nations	April-December 2021-22	April-December 2022-23	Growth (%)
	GERMANY	456.7	481.0	5%
	FRANCE	331.7	468.8	41%
	SINGAPORE	272.2	355.9	31%
Aircrafts and Space crafts	U S A	296.39	336.38	13%
	FRANCE	136.25	138.71	2%
	SINGAPORE	58.3	99.5	71%
	U K	78.51	83.54	6%
	GERMANY	47.50	74.47	57%
Ships, Boats and Floating Structures and parts	SINGAPORE	590.7	993.9	68%
	SRI LANKA	127.9	358.7	181%
	UAE	1001.5	353.4	-65%
	INDONESIA	246.3	343.1	39%
	U K	0.0	184.4	
Auto Components(including Auto Parts and Auto Tyre)	U S A	1616.1	1871.8	16%
	BRAZIL	339.5	419.1	23%
	GERMANY	413.2	380.1	-8%
	BANGLADESH	367.5	359.8	-2%
	TURKEY	286.8	315.9	10%

Source: DGCI&S

- ✚ Italy, UAE and USA were the top three importers of Indian Iron and Steel during April-December 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-December 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-December 2022-23. Thailand and Germany were the two immediate followers of USA constituting 5% share each 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-December 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-December 2022-23 whereas USA, UK and Germany

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-December 2022-23 in India's total global exports of the product followed by UK and Germany.

✚ Singapore, Sri Lanka and UAE became the largest importer of ships, boats and floating structures followed by Indonesia and UK. While for the auto components' product group, USA remained the top importer in April-December 2022-23 followed by Brazil, Germany and Bangladesh.

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 91.1% of India's exports is contributed by the listed 12 states. Within this 50.1 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

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

US\$ Million

Top States	Cumulative Export April-December 2021-22	Cumulative Export April-December 2022-23	Growth%(vis-à-vis April-Dec 2021-22)	%Share in India's Engg Export (April-Dec 22-23)	Remark
Maharashtra	16518.44	16,414.2	-1%	20.7%	91.1% share covered by top 12 states
Tamil Nadu	11178.6	13,152.2	18%	16.6%	
Gujarat	10017.99	10,059.5	0%	12.7%	
Odisha	7863.16	6,019.9	-23%	7.6%	
Haryana	4486.02	4,669.0	4%	5.9%	
Andhra Pradesh	4600.43	4,189.3	-9%	5.3%	
Karnataka	5593.57	4,229.3	-24%	5.3%	
Uttar Pradesh	3572.82	3,588.8	0%	4.5%	
West Bengal	3150.76	2,671.3	-15%	3.4%	
Rajasthan	2089.89	2,588.3	24%	3.3%	
Delhi	2398.22	2,438.8	2%	3.1%	
Punjab	2128.67	2,031.6	-5%	2.6%	

Source: DGCI&S

India'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 37.4 percent share. It is followed by the Southern region, Northern region and Eastern region respectively

Table 7: Region wise exports from India

Value in US\$ million

Region	December - 21 (\$Mn)	December - 22 (\$Mn)	Growth%	Total Exports Apr'21 - December '21 (\$Mn)	Total Exports Apr'22 - December '22 (\$Mn)	Growth%
EASTERN REGION	1589.53	934.82	-41%	14191.05	10653.34	-25%
NORTHERN REGION	2041.07	1846.91	-10%	15316.25	15972.24	4%
SOUTHERN REGION	2679.79	2710.71	1%	23209.84	23520.91	1%
WESTERN REGION	3397.36	3558.47	5%	28903.28	28986.8	0%
Total	9707.75	9050.9	-7%	81620.42	79133.3	-3%

Source: NIRYAT portal

Note: The total engineering exports given in the above table is taken from NIRYAT and may not tally with the total engineering exports as given by DGCI&S

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, August, September and October 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 month of September 2022 saw decline in engineering exports moderated and manufacturing output came back to growth path but In October 2022, decline in engineering exports accelerated and manufacturing output declined once again. The month of November 2022 exactly resembled September 2022 as engineering exports declined at a much slower pace and manufacturing output came back to growth path.

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
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	3.09	12.9

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
July 2022	-1.85	3.1
August 2022	-13.00	-0.5
September 2022	-11.39	2.2
October 2022	-19.68	-5.9
November 2022	-0.09	6.1
December 2022	-11.89	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during December 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 December 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
September	73.56	80.23	9.07	Depreciation	0.84	Depreciation
October	74.92	82.34	9.90	Depreciation	2.63	Depreciation
November	74.50	81.81	9.82	Depreciation	-0.64	Appreciation
December	75.37	82.46	9.41	Depreciation	0.79	Depreciation

Rupee depreciated month-on-month once again vis-à-vis the US Dollar in December 2022 while year-on-year depreciation also continued – After registering its first monthly gain of the year over the US Dollar in November 2022, rupee depreciated month-on-month once

again in December 2022 as it dropped below 82 per USD. Year-on-year depreciation also continued at 9.41 percent in December 2022. However, the Indian currency may recover in 2023 as inflows in equity and debt are expected due to economic slowdown and apprehended recession in major developed regions.

Fig 3: Trend of Rupee vis-a-vis US dollar from April 2020 (Monthly Average Rate of FBIL has been considered)

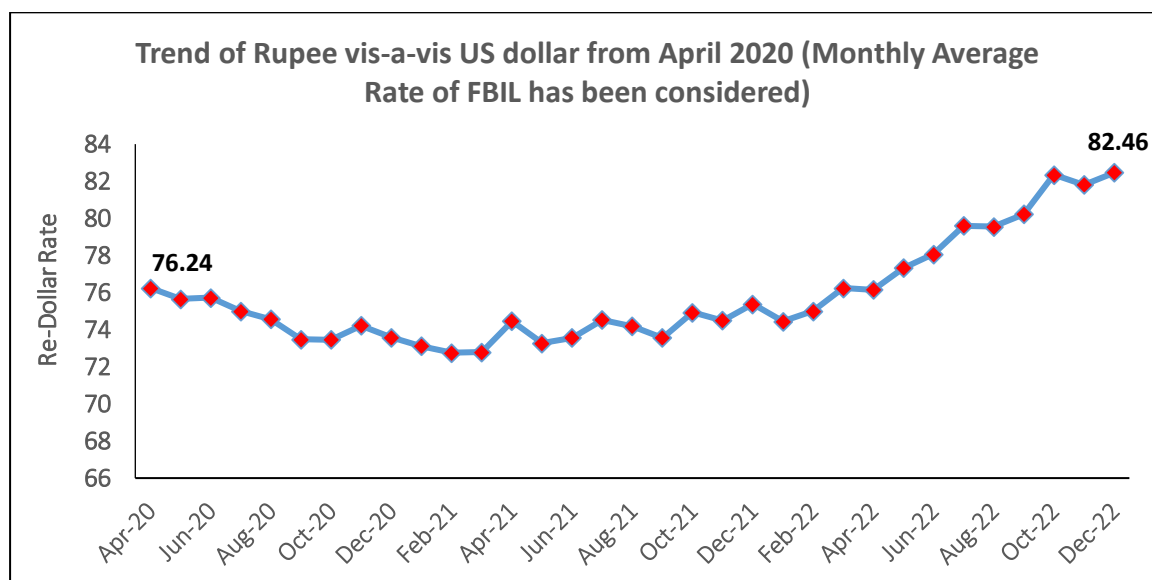


Table 10: USD-INR monthly average exchange rate in 2021-22
(As per latest data released by FBIL)

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

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month- on-Month Change (%)	Direction
Month	2020-21	2021-22				
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

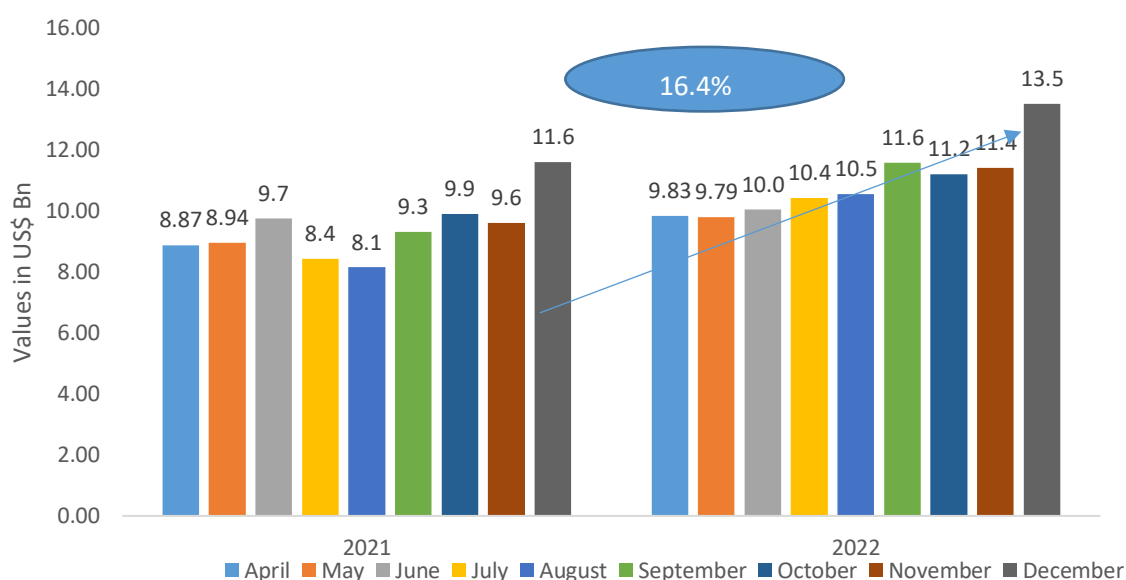
Source: FBIL, EEPC Research

ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during December 2022 were valued at US\$ 13455.9 million compared to US\$ 11622.4 million in December 2021 registering a positive growth of 15.8 percent in dollar terms. Barring non-ferrous metals all other engineering panels witnessed an increase in import during December 2022 compared to December 2021.

The share of engineering imports in India's total merchandise imports in December 2022 was estimated at 23.1 percent, higher than that of December 2021 which was estimated at 19.3%. The figure below depicts engineering imports for December 2022 compared to December 2021.

Fig 4: Monthly Engineering Imports for December 2022 vis-a-vis December 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 9 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	Oct	Nov	Dec
Engineering Export	9.6	9.8	9.7	9.6	8.4	8.4	7.5	8.1	9.1
Engineering Import	9.8	9.8	10.7	10.4	10.5	11.6	11.2	11.4	13.5
Trade Balance	-0.2	0.0	-1.0	-0.8	-2.1	-3.2	-3.7	-3.3	-4.4

Source: DGCI&S, EEPC India Analysis

CONCLUSION

India's engineering exports have suffered year-on-year decline for the sixth straight month and the pace of decline also accelerated in the month of December 2022 after a marginal year-on-year decline in the previous month. Base effect has played a role here. During November 2022, a low statistical base reflected a marginal year-on-year growth while in December 2022, despite of the engineering exports reached USD 9 billion for the first time after five months, a high statistical base reflected a higher year-on-year decline as engineering exports from India witnessed a sudden surge to USD 10.31 billion in December 2021.

As per recent reports, the global trade is also expected to remain subdued in the first half of 2023. As per estimations by S&P Global, global trade may decline by 1.9% and 1.4% in the first and second quarters of 2023 respectively. However the same report also indicates that global trade will recover in the later part of the year. Therefore there is some positive news for India in the coming months. Till then there are certain factors about which India should be cautious about – the protective duty structure in EU, withdrawal of EU GSP and EU's Carbon Border Adjustment Mechanism are expected to have some transformational impact on India's presence in global supply chains. As India is negotiating an FTA with EU, these issues need to be discussed and we have also highlighted the same with the Government. All in all since the pandemic global trade has indicated dynamic trends hence it is important that we prepare ourselves for the coming days while adopting a cautious approach.

