

Engineering Export-Import Monitor

JUNE 2023



Engineering The Future

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ENGINEERING TRADE ANALYSIS -JUNE 2023

India's engineering exports continued its decline in June 2023 for the third straight month in fiscal 2023-24 as it was recorded at USD 8.53 billion, approximately 11% less than the same month last fiscal. In cumulative terms too, the decline was around 7.45%. The decline was mainly due to the metal sector – result of falling global demand and prices. Export also dropped in some of India's major destinations including USA, EU countries and South Asia. According to the Quick Estimates of Department of Commerce, Government of India, share of engineering exports in India's total merchandise exports was 25.87 percent during Jun 2023 and 26.11 percent during April-Jun 2023-24.

Trade Flow	Export figures (in US\$ billion)				Growth	
	Jun-2022	Jun-2023	Apr- Jun 2022-23	Apr- Jun 2023-24	Jun-2023 over Jun-2022	Apr-Jun 2023-24 over Apr-Jun 2022-23
Engineering exports	9.58	8.53	28.97	26.81	-10.99%	-7.45%
Overall exports	42.28	32.97	120.98	102.68	-22.02%	-15.13%
Share of engineering	22.66%	25.87%	23.95%	26.11%	---	---
Service exports	26.92	27.12	76.09	80.03	0.74%	5.18%

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

HIGHLIGHTS

- ✚ The month of June 2023 saw third straight month of decline and first double-digit decline in engineering exports during the ongoing fiscal. During June 2023, the decline was higher at 10.99 percent as against 4.13 percent in May 2023. Engineering exports from India conceded year-on-year decline for the seventh month in a row starting from December 2022.
- ✚ During June 2023, engineering exports dropped to USD 8527.94 million from USD 9581.22 million in June 2022.

- Cumulative engineering exports declined by 7.45 percent to USD 26,813.33 million during April-June 2023-24 from USD 28,972.60 million during the same period last fiscal.
- According to the Quick Estimates of Department of Commerce, Government of India, share of engineering exports in India's total merchandise exports was 25.87 percent during Jun 2023 and 26.11 percent during April-Jun 2023-24.
- 17 out of 34 engineering panels witnessed positive year-on-year growth in June 2023, while remaining 17 panels witnessed negative growth in exports. Major engineering products like Iron and Steel, Products of Iron and Steel, most of the non-ferrous products including Aluminium, Zinc, Tin products barring Copper, Nickel & Lead products, Industrial machinery and parts, Two & Three wheelers, Auto Components and parts, Auto Tyres, Railway Transport and Hand tools witnessed decline in exports during June 2023 vis-à-vis June 2022.
- On cumulative terms 17 out of 34 engineering panels recorded positive growth during Apr-June 2023-24 over the same period last fiscal. Engineering panels that witnessed growth in exports include Copper and products, Pumps and Valves, Machine Tools, Electrical machinery and Equipment, Auto components/Parts, medical Device and Instruments, Other construction machinery, etc. Major decline was witnessed in 18 engineering panels including Iron & steel segment, Aluminium, Zinc, Nickel, Lead, Tin from Non-ferrous segment, Machinery for Dairy, Motor Vehicles and Two-three wheelers, Railway Transport, Bicycle parts and Hand Tools, etc.
- Region-wise, positive year-on-year growth was noted majorly in WANA, NE Asia and CIS. Regions witnessing drop in exports during June 2023 includes North America, ASEAN countries, EU countries, Sub Saharan Africa, South Asia, Latin America and Oceania.
- Country-wise, few top exporting destinations that witnessed positive growth during June 2023 were UAE (5.7% growth), Germany (1.4%), Saudi Arabia (96.4% growth), Singapore (25.2% growth), Korea Rep (17.5% growth), Russia (191%), whereas top destinations with negative export during the same period include USA (-12.5%), Italy (-16.1%), Indonesia (-68.6%), UK (-3.9%), Mexico (-22.5%), etc.

Overall Engineering Exports vs Engineering Exports Excluding Steel Segment (Values in USD Million)

Trade Flow	Exports in June 2022	Exports in June 2023	Growth (%)	Exports in Apr- Jun 2022-23	Exports in Apr- Jun 2023-24	Growth (%)
Overall engineering exports	9581.22	8527.94	-10.99	28972.60	26813.33	-7.45

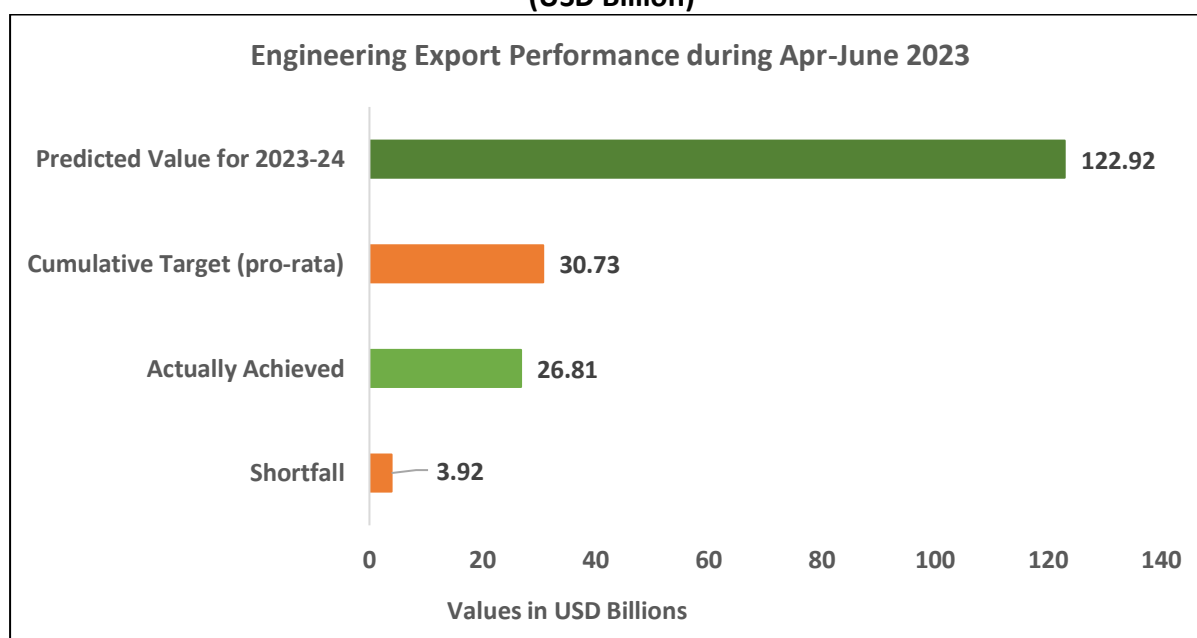
Trade Flow	Exports in June 2022	Exports in June2023	Growth (%)	Exports in Apr- Jun 2022-23	Exports in Apr- Jun2023-24	Growth (%)
Engineering exports excluding Iron and Steel	8147.39	7581.16	-6.95	23935.78	23309.35	-2.62

Source: DGCI&S, Govt. of India

Excluding the export of iron and steel, engineering exports recorded a lower 6.95 percent year-on-year decline in Jun 2023 and 2.62 percent decline during April-Jun 2023. This shows that steel plays a spoilsport in the downfall of engineering exports.

EXPORT TARGET

Fig1: Predicted Value of Engineering Export V/S Actually Achieved during April-Jun 2023 (USD Billion)



ENGINEERING EXPORTS: MONTHLY TREND

The monthly engineering figures for 2023-24 vis-à-vis 2022-23 are shown below as per the latest DGCI&S estimates:

Table 1: Engineering Exports: Monthly Trend in 2023-24

US\$ million

Month	2022-23	2023-24	Growth (%)
April	9677.95	8973.36	-7.28
May	9713.43	9312.03	-4.13
June	9581.22	8527.94	-10.99

Month	2022-23	2023-24	Growth (%)
April-June	28972.60	26813.33	-7.45

Source: DGCI, Govt. of India

TOP 25 ENGINEERING EXPORT DESTINATIONS IN APRIL-JUNE 2023-24

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during June 2023 over June 2022 as well as in cumulative terms during April-June 2023-24 vis-à-vis April-June 2022-23. The data clearly shows that top 25 countries contribute 75.9% of total engineering exports.

Table2: Engineering exports country wise

US\$ million

Countries	June 2022	June 2023	Growth (%)	April-June 2022-23	April-June 2023-24	Growth (%)
USA	1658.3	1450.7	-12.5%	5322.8	4301.5	-19.2%
UAE	486.5	514.2	5.7%	1224.4	1441.3	17.7%
Italy	372.8	313.0	-16.1%	1314.0	1155.5	-12.1%
Germany	327.6	332.0	1.4%	981.6	1036.6	5.6%
Saudi Arabia	188.9	371.1	96.4%	660.3	988.2	49.7%
Indonesia	458.4	144.0	-68.6%	767.1	962.8	25.5%
Singapore	238.4	298.5	25.2%	1068.6	924.9	-13.5%
UK	255.5	245.5	-3.9%	847.7	841.3	-0.8%
Mexico	380.9	295.3	-22.5%	954.4	817.8	-14.3%
Korea RP	217.3	255.3	17.5%	629.8	761.6	20.9%
Turkey	228.4	197.1	-13.7%	685.0	693.7	1.3%
Nepal	192.2	195.3	1.6%	684.9	617.8	-9.8%
Bangladesh	290.4	217.7	-25.1%	831.7	590.5	-29.0%
China	229.8	184.0	-20.0%	662.4	560.7	-15.4%
Netherland	219.2	154.2	-29.7%	765.1	555.4	-27.4%
South Africa	164.6	176.2	7.1%	595.3	529.6	-11.0%
France	197.5	140.4	-28.9%	491.9	518.3	5.4%
Brazil	169.4	154.8	-8.6%	456.4	498.1	9.1%
Japan	152.9	148.8	-2.7%	438.9	446.9	1.8%
Thailand	188.9	138.5	-26.7%	583.3	436.6	-25.1%
Spain	144.4	115.6	-19.9%	470.2	435.9	-7.3%

Countries	June 2022	June 2023	Growth (%)	April-June 2022-23	April-June 2023-24	Growth (%)
Belgium	176.6	122.6	-30.6%	719.4	423.2	-41.2%
Australia	100.5	101.0	0.4%	306.2	338.8	10.7%
Russia	40.2	116.9	191.1%	89.7	337.4	276.3%
Malaysia	107.1	141.1	31.7%	441.5	326.1	-26.1%
Total engineering exports to top 25 countries	7186.77	6523.72	-9.2%	21992.58	20540.61	-6.6%
Total engineering exports	9581.2	8527.9	-11.0%	28972.6	26813.3	-7.5%
Share % of Top 25 destinations	75.0%	76.5%		75.9%	76.6%	

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

The following table depicts region wise India's engineering exports for April-June 2023-24 as opposed to April-June 2022-23

Table 3: Region wise engineering exports in April-June 2023-24 vis-à-vis April-June 2022-23

US\$ million

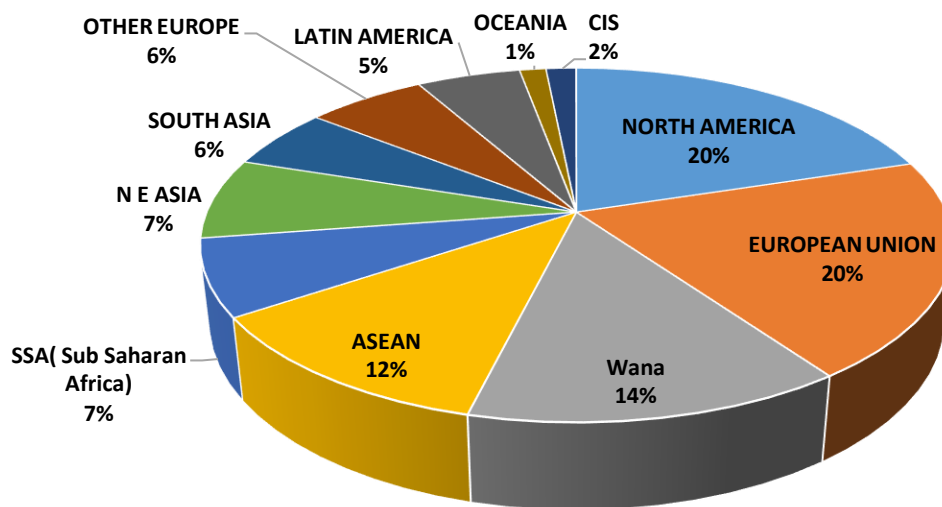
Regions	June 2022	June 2023	Growth (%)	April-June 2022-23	April-June 2023-24	Growth (%)
North America	2167.1	1852.2	-14.5%	6707.8	5411.3	-19.3%
European union	1804.7	1512.9	-16.2%	5934.0	5350.4	-9.8%
West Asia and North Africa (WANA)	1136.1	1259.7	10.9%	3147.3	3684.8	17.1%
ASEAN	1247.2	874.8	-29.9%	3550.5	3149.0	-11.3%
N E Asia	674.0	677.2	0.5%	1982.7	1984.3	0.1%
Sub Saharan Africa (SSA)	711.6	630.1	-11.4%	2194.6	1879.3	-14.4%
Other Europe	527.2	478.6	-9.2%	1653.2	1645.9	-0.4%
South Asia	569.9	506.9	-11.0%	1787.5	1496.5	-16.3%
LAC	572.4	481.3	-15.9%	1530.7	1430.4	-6.5%

Regions	June 2022	June 2023	Growth (%)	April-June 2022-23	April-June 2023-24	Growth (%)
CIS	54.6	142.5	161.2%	130.8	412.0	214.9%
Oceania	113.2	109.6	-3.2%	343.4	363.3	5.8%
Others	3.4	2.2	-36.4%	10.0	6.2	-37.9%
Grand Total	9581.2	8527.9	-11.0%	28972.6	26813.3	-7.5%

Source: DGCI&S

Note: 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-June 2023-24



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of June 2023 vis-à-vis June 2022 as well as the cumulative exports for **April-June 2023-24 vis-à-vis April-June 2022-23**. These are indicated in the tables below

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

US\$ Million

Product panels	June 2022	June 2023	Growth	April- June 2022-23	April- June 2023-24	Growth
Iron and Steel	1433.8	946.8	-34%	5036.8	3504.0	-30%
Products of Iron and Steel	841.4	765.7	-9%	2477.0	2356.9	-5%
Sub Total	2275.2	1712.5	-25%	7513.8	5860.9	-22%

Source: DGCI&S

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

US\$ Million

Product panels	June 2022	June 2023	Growth	April- June 2022-23	April- June2023-24	Growth
Copper and products	140.1	161.2	15%	418.7	535.0	28%
Aluminium and products	804.2	575.6	-28%	2599.8	1864.5	-28%
Zinc and products	131.1	68.5	-48%	435.1	241.3	-45%
Nickel and products	9.7	15.7	61%	85.0	46.0	-46%
Lead and products	27.1	47.7	76%	129.0	128.2	-1%
Tin and products	2.0	1.3	-36%	3.2	2.4	-26%
Other Non-Ferrous Metals	66.8	58.5	-12%	198.4	175.3	-12%
Sub Total	1180.9	928.4	-21%	3869.1	2992.7	-23%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery

US\$ Million

Product panels	June 2022	June 2023	Growth	April- June 2022-23	April- June2023-24	Growth
Industrial Machinery like Boilers, parts, etc.	40.1	70.9	77%	169.5	184.8	9%
IC Engines and Parts	309.2	288.2	-7%	884.6	869.3	-2%
Pumps of all types	111.2	118.5	7%	317.6	354.1	12%
Air condition and Refrigerators	143.2	144.5	1%	410.0	415.8	1%
Industrial Machinery for dairy, food processing , textiles etc.	773.0	641.0	-17%	2220.6	1918.7	-14%
Machine Tools	56.9	60.4	6%	174.9	183.7	5%
Machinery for Injecting moulding, valves and ATMs	185.5	203.2	10%	525.5	613.2	17%
Sub Total	1619.2	1526.6	-6%	4702.6	4539.7	-3%

Source: DGCI&S

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

US\$ Million

Product panels	June 2022	June 2023	Growth	April-June 2022-23	April-June 2023-24	Growth
Electrical Machinery	989.5	938.9	-5%	2778.7	2888.5	4%

Source: DGCI&S

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

US\$ Million

Product panels	June 2022	June 2023	Growth	April-June 2022-23	April-June 2023-24	Growth
Motor Vehicle/cars	740.7	743.8	0%	2146.0	2038.1	-5%
Two and Three Wheelers	272.6	225.4	-17%	792.1	642.7	-19%
Auto Components/Part	602.6	602.5	0%	1760.1	1816.8	3%
Auto Tyres and Tubes	286.8	211.2	-26%	825.4	670.3	-19%
Sub Total	1902.7	1782.9	-6%	5523.5	5167.9	-6%

Source: DGCI&S

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

US\$ Million

Product panels	June 2022	June 2023	Growth	April-June 2022-23	April-June 2023-24	Growth
Aircrafts and Spacecraft parts and products	105.3	132.0	25%	336.3	365.6	9%
Ships Boats and Floating products and parts	409.4	349.4	-15%	1036.4	1484.9	43%

Source: DGCI&S

Table 4g. Trend in exports of other engineering products

US\$ Million

Product panels	June 2022	June 2023	Growth	April- June 2022-23	April- June2023- 24	Growth
Medical and Scientific instruments	180.9	199.3	10%	512.0	609.3	19%
Railway Transport	32.0	23.5	-27%	107.7	74.6	-31%
Hand Tools & Cutting Tools	78.2	72.6	-7%	247.4	223.7	-10%
Bicycle & Parts	34.9	27.7	-21%	104.2	88.2	-15%
Cranes Lifts & Winches	63.6	73.8	16%	181.6	207.2	14%
Office Equipment	22.5	24.6	9%	56.9	83.0	46%
Other Construction Machinery	192.6	221.4	15%	546.7	678.6	24%
Prime Mica & Mica Products	2.6	3.4	30%	7.9	10.6	35%
Project Goods	0.26	0.30	17%	0.54	1.06	98%
Other Rubber Product Except Footwear	148.6	131.9	-11%	423.5	401.0	-5%
Other Misc. Items	342.7	378.7	11%	1023.8	1135.9	11%

Source: DGCI&S

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-June2023-24 vis-à-vis April-June2022-23. 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- June 2022-23	April- June2023- 24	Growth
Iron and Steel	Italy	703.7	575.2	-18%
	Nepal	279.2	268.7	-4%
	UAE	336.5	196.9	-41%

Product panels	Top 5 nations	April- June 2022-23	April- June 2023- 24	Growth
	Belgium	357.7	181.7	-49%
	Spain	169.1	170.8	1%
Products of Iron and Steel	USA	806.57	675.82	-16%
	UAE	96.98	118.97	23%
	Saudi Arabia	63.11	109.18	73%
	Germany	128.05	107.52	-16%
	Italy	71.76	81.94	14%
Industrial Machinery	USA	964.8	904.7	-6%
	Germany	238.4	253.3	6%
	China	221.5	186.6	-16%
	UAE	170.1	185.8	9%
	Thailand	263.3	185.3	-30%
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	Saudi Arabia	178.8	326.7	83%
	South Africa	364.6	301.9	-17%
	Mexico	291.3	279.7	-4%
	Indonesia	81.7	173.0	112%
	UAE	116.6	118.0	1%
Non-Ferrous metals	Korea rp	362.0	382.1	6%
	USA	428.5	337.8	-21%
	Saudi Arabia	66.7	275.4	313%
	Malaysia	242.0	171.1	-29%
	Italy	206.4	127.8	-38%
Electrical Machinery and Components	USA	886.9	615.0	-31%
	Singapore	106.6	236.8	122%
	UK	148.5	185.1	25%
	Germany	139.8	181.6	30%
	France	130.8	143.3	10%
Aircrafts and Space crafts	USA	110.29	107.12	-3%
	France	50.85	54.15	6%
	Singapore	51.03	27.66	-46%
	UK	26.41	26.84	2%
	Turkey	5.25	24.97	376%
Ships, Boats and Floating	UAE	110.6	398.5	260%

Product panels	Top 5 nations	April- June 2022-23	April- June2023-24	Growth
Structures and parts	Indonesia	269.6	396.0	47%
	Singapore	511.6	382.7	-25%
	Oman	0.0	163.8	
	USA	0.9	52.5	
Auto Components (including Auto Parts and Auto Tyre)	USA	647.39	557.49	-14%
	Germany	128.67	128.98	0%
	Brazil	141.27	126.49	-10%
	Turkey	94.29	121.30	29%
	Mexico	96.88	109.59	13%

Source: DGCI&S

- ✚ Italy, Nepal and UAE were the top three importers of Indian Iron and Steel during April-June 2023-24 whereas USA, UAE and Saudi Arab were the top three importers of India's 'Products of Iron & Steel' during the same period as compared to April-June 2022-23.
- ✚ USA was the largest importer of Indian 'Industrial machinery' constituting 20% share in India's total global exports of industrial machinery during April-June 2023-24. Germany and China were the two immediate followers of USA constituting 6% and 4% share respectively in terms of India's total global exports of industrial machinery.
- ✚ Saudi Arabia, South Africa and Mexico were top three importers of India's Automobiles during April-June 2023-24 in India's global exports respectively over the same period last fiscal.
- ✚ South Korea, USA and Saudi Arabia were the top three importers of India's Non-ferrous metals and products' during April-June 2023-24 whereas USA, Singapore and 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-June 2023-24 in India's total global exports of the product followed by UK and Turkey.
- ✚ UAE, Indonesia and Singapore became the largest importer of ships, boats and floating structures followed by Oman and USA. While for the auto components' product group, USA remained the top importer in April-June 2023-24 followed by Germany, Brazil and Turkey.

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 almost 90.2 % of India’s exports is contributed by the listed 12 states. Within this 50.3 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

Table 6:Top state wise engineering export performance –April-May2023-24

US\$ Million

Top States	Cumulative Export April-May 2022-23	Cumulative Export April-May 2023-24	Growth%(vis-à-vis April-May 2022-23)	%Share in India's Eng. Export (April-May 2023-24)	Remark
Maharashtra	3781.5	3871.1	2%	21.2%	90.02 % share covered by top 12 states
Tamil Nadu	2856.4	2610.5	-9%	14.3%	
Gujarat	2279.6	2268.7	0%	12.4%	
Odisha	1807.0	1249.4	-31%	6.8%	
Andhra Pradesh	1061.9	1221.5	15%	6.7%	
Haryana	1078.7	1171.8	9%	6.4%	
Karnataka	1131.1	1170.7	4%	6.4%	
Uttar Pradesh	867.8	719.4	-17%	3.9%	
Delhi	534.8	630.0	18%	3.4%	
West Bengal	770.3	554.4	-28%	3.0%	
Rajasthan	640.0	552.1	-14%	3.0%	
Punjab	464.3	449.4	-3%	2.5%	

Source: NIRYAT portal

- *Top 12 states constitute over 90.02% of India’s engineering Exports*
- *Major negative growth witnessed in states like Tamil Nadu, Gujarat, Odisha, Uttar Pradesh, West Bengal, Rajasthan, Punjab, Madhya Pradesh, etc during April-May2023-24 compared to same period last fiscal.*
- *Maharashtra being the highest state in terms of Engineering Goods exports is leading by 658.110 million from Tamil Nadu (Second Highest State) for the period of Apr'23 - May'23.*

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 33.6 percent share. Tamil Nadu from the Southern Region has improved its export performance and it ranked second after Maharashtra, Gujarat and Odisha respectively

Table 7: Region wise exports from India

Value in US\$ million

Region	May 2022 (\$Mn)	May 2023 (\$Mn)	Growth%	Total Exports April-May 2022-23 (\$Mn)	Total Exports April-May 2023-24 (\$Mn)	Growth%
Eastern region	1754.0	1083.8	-38.2%	3269.1	2205.1	-32.5%
Northern region	1846.1	1849.1	0.2%	3749.6	3855.5	2.8%
Southern region	2771.0	2953.5	6.6%	5459.4	5461.6	0.0%
Western region	3560.0	3423.4	-3.8%	6638.9	6773.5	2.0%
Total	9931.1	9309.9	-6.3%	19117.0	18295.6	-4.3%

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 DGCIS

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 while in fiscal 2022-23, as many as 10 out of 12 months saw engineering exports and manufacturing output moved in the same direction.

The first two months of fiscal 2023-23 saw engineering exports growth and revised manufacturing output growth moved in the same direction. While the former witnessed slower decline, the later continued to move along the 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 2022

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
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	2.0
October 2022	-19.68	-5.8
November 2022	0.09	6.7
December 2022	-11.60	3.6
January 2023	-9.76	4.0
February 2023	-9.73	5.9
March 2023	-7.49	1.2
April 2023	-7.28	5.2
May 2023	-4.13	5.7
June 2023	-10.99	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during June 2023 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 June 2023, 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. The following table clearly depicts the short-term trend:

Table 9: USD-INR monthly average exchange rate in 2023-24 vis-à-vis 2022-23

(As per latest data released by FBIL)

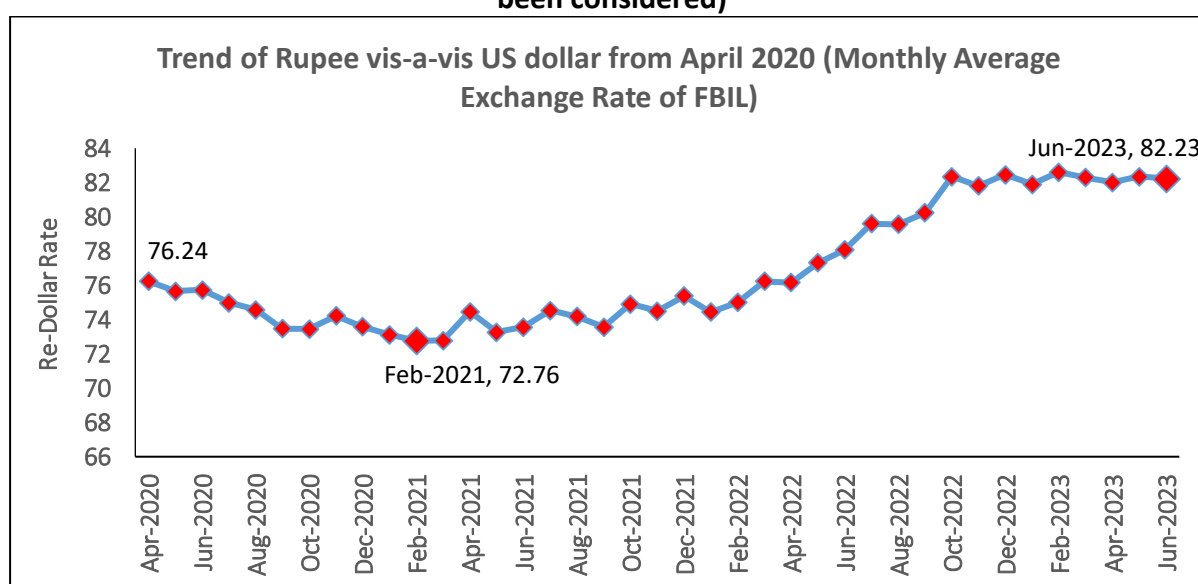
Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2022-23	2023-24				
April	76.17	82.02	7.68	Depreciation	-0.33	Appreciation
May	77.32	82.34	6.49	Depreciation	0.39	Depreciation
June	78.04	82.23	5.37	Depreciation	-0.13	Appreciation

Depreciation of Rupee vis-à-vis the US Dollar continued on a year-on-year basis during June 2023 following the strengthening of the latter in the international market as Rupee depreciated by 5.37 percent during June 2023. However, rupee strengthened over the month with 0.13 percent appreciation. Rupee may recover going forward in 2023 as inflows in equity and debt are expected due to economic slowdown and apprehended recession in major developed regions.

Table 10: 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
January	74.44	81.90	10.02	Depreciation	-0.68	Appreciation
February	75.00	82.61	10.15	Depreciation	0.87	Depreciation
March	76.24	82.29	7.94	Depreciation	-0.39	Appreciation

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

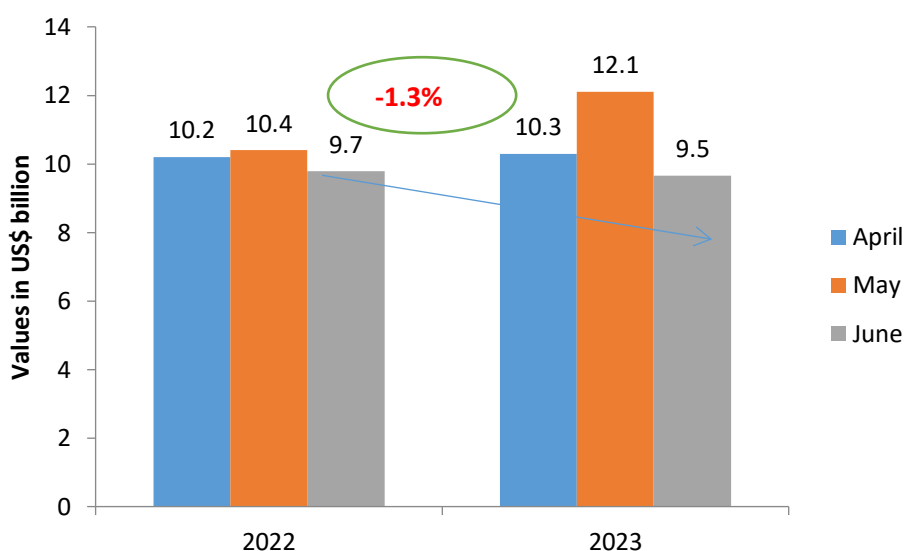


ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during June 2023 were valued at US\$ 9526.7 million compared to US\$ 9688.87 million in June 2022 recording a negative growth of 1.7 percent in dollar terms. Iron & Steel and Professional instrument, Optical goods, etc. witnessed an increase in import during June 2023 compared to June 2022. While Non-ferrous metals, Machine tools, Machinery, electrical & nonelectrical and Transport equipment recorded a decline in imports during June 2023.

The share of engineering imports in India's total merchandise imports in June 2023 was estimated at 18 percent, higher than that of June 2022 which was estimated at 15%. The figure below depicts engineering imports **for June 2023 compared to June 2022**.

Fig 4: Monthly Engineering Imports for June 2023 vis-a-vis June 2022



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 complete fiscal 2022-23 depicted in the table below:

Table 11: Monthly Trend in Engineering Trade Balance for the current FY 2023-24
(US\$ Billions)

Trade Flow	Apr	May	June
Engineering Export	9.0	9.3	8.5
Engineering Import	10.4	12.1	9.7
Trade Balance	-1.4	-2.8	-1.2

Source: DGCI&S, EEPC India Analysis

CONCLUSION

India's engineering exports continued to face year-on-year decline even in the month of June 2023. Considering the latest data, India's engineering exports declined by almost 8% in the first three months of the current fiscal. The analysis points out to the fact that it is the metal sector which has been the most significant contributor to the decline. This has been a result of weakening global demand. Latest news have indicated that global demand for steel weakened further with slower offtake from China's construction sector. At the same time excess supply from China has kept strict check on steel prices. Similar concerns including the banking crisis in US have also affected the demand and price of copper, aluminium, lead and zinc. It is also reflecting in India's export performance which indicated a sharp decline in exports to some of India's major partners including USA, EU countries and China. Situation is expected to further worsen with the implementation of CBAM regulations by the EU. Debt crisis has also led to decline in exports to South Asia, India's immediate neighbourhood. In such a situation it is important for India to diversify its markets. Globally, there is a growing trend of "friendshoring" which indicates diversification of trade towards political ally. Also, several companies and economies are considering a China plus policy in the aftermath of COVID. It is an opportunity for India to diversify especially to non-traditional markets of Africa and Latin America. This can be done by pursuing comprehensive FTAs in these regions. The usefulness of comprehensive FTAs have been proven by the latest FTAs with UAE and Australia. India's exports to both countries have increased since the signing of the FTAs. We feel that more comprehensive FTAs with potential partners will be a right step for India to achieve its goal of USD 2 trillion exports by 2030.

