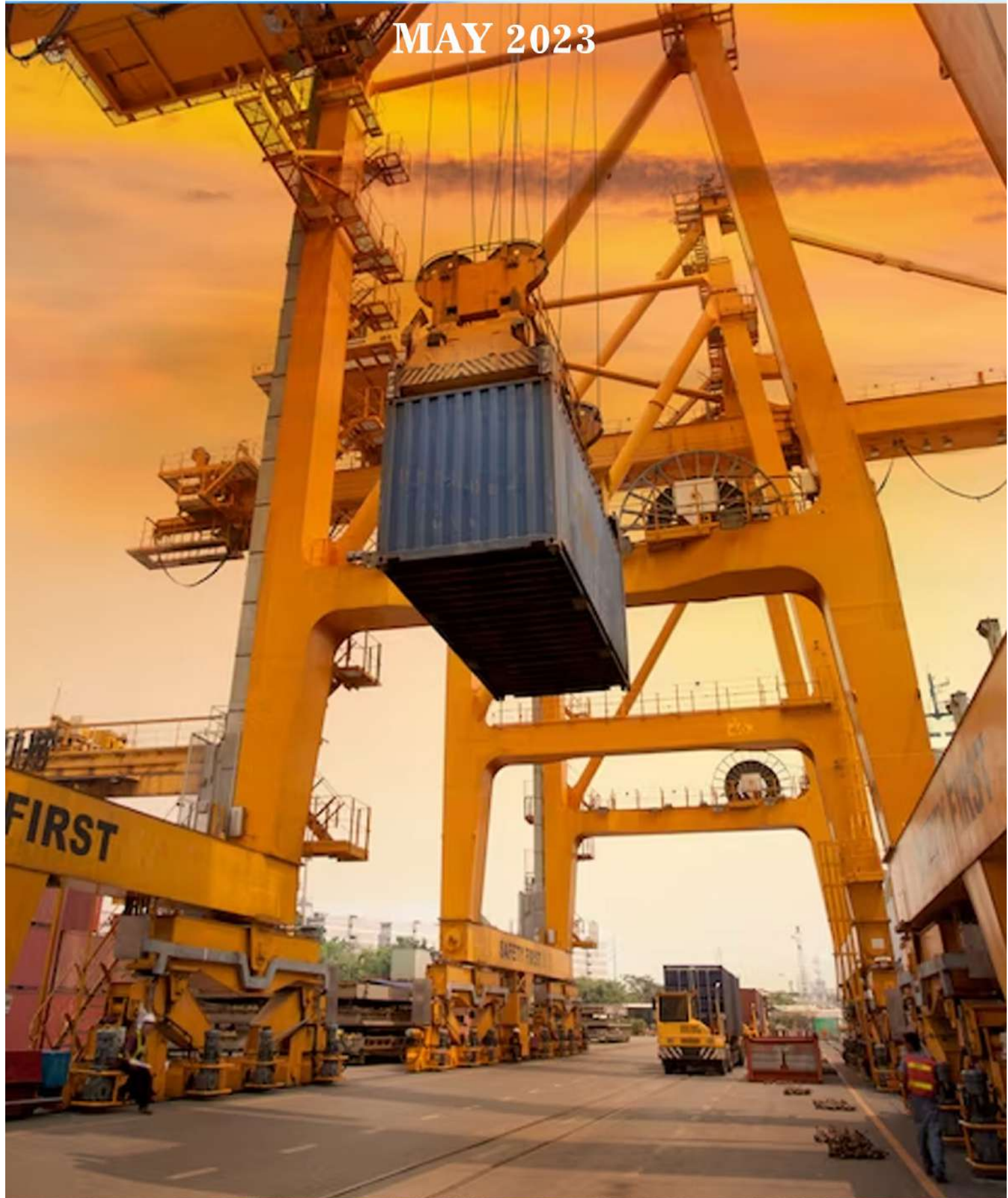


Engineering Export-Import Monitor

MAY 2023



Engineering The Future

EPCINDIA
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ENGINEERING TRADE ANALYSIS FOR MAY 2023

Engineering exports continued to declined in May 2023 but at a slower pace of 4.16%

Trade Flow	Export figures (in US\$ billion)				Growth	
	May-2022	May-2023	Apr- May 2022-23	Apr- May 2023-24	May-2023 over May-2022	Apr-May 2023-24 over Apr-May 2022-23
Engineering exports	9.71	9.31	19.39	18.28	-4.16%	-5.71%
Overall exports	39.00	34.98	78.70	69.72	-10.31%	-11.41%
Share of engineering	24.90%	26.61%	24.64%	26.24%	---	---
Service Exports	25.13	25.30	49.17	51.14	0.68%	4.01%

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

HIGHLIGHTS

- + Engineering exports from India continued to decline for the second straight month in fiscal 2023-24 but the decline was slower at 4.16 percent year-on-year in May as against 7.26 percent in April. During May 2023, engineering exports dropped to USD 9,308.87 million in May 2023 from USD 9,713.43 million in May 2022.
- + Cumulative engineering exports declined by 5.71 percent to USD 18,284.26 million during April-May 2023-24 from USD 19,391.38 million during the same period last fiscal.
- + Steel continued to be the main spoilsport behind the decline in engineering exports. In fact, exports of base metals as a whole declined except copper. Substantial Drop in shipment to North America, Sub-Saharan Africa and EU was also attributed to the decline in overall engineering exports.
- + According to the Quick Estimates of Department of Commerce, Government of India, share of engineering exports in India's total merchandise exports during April-May 2023-24 was 26.24 percent.

- ✚ New fiscal saw no silver-lining for India's engineering exports as the month of May 2023 continued to see decline in exports, albeit at a slower pace of 4.16 percent year-on-year as against 7.26 percent in April 2023. Engineering exports from India conceded year-on-year decline for the sixth straight month starting from December 2022.
- ✚ Engineering exports during May 2023 dropped to USD 9,308.87 million in May 2023 from USD 9,713.43 million in May 2022.
- ✚ Cumulative engineering exports declined by 5.71 percent to USD 18,284.26 million during April-May 2023-24 from USD 19,391.38 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 during April-May 2023-24 was 26.24 percent.
- ✚ 16 out of 34 engineering panels witnessed positive year-on-year growth in May 2023, while remaining 18 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, Lead and Tin products barring Copper and Nickel products, Industrial machinery and parts, Motor Vehicles, Two & Three wheelers, Auto Tyres, Railway Transport and Hand tools witnessed decline in exports during May 2023 vis-à-vis May 2022.
- ✚ On cumulative terms 16 out of 34 engineering panels recorded positive growth during Apr-May 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 from Non-ferrous segment, Machinery for Dairy, Motor Vehicles and Two-three wheelers, Railway Transport, Bicycle parts and Project goods, etc.
- ✚ Region-wise, positive year-on-year growth was noted majorly in WANA, CIS and Oceania. Regions witnessing drop in exports during May 2023 includes North America, ASEAN countries, EU countries, Sub Saharan Africa and South Asia.
- ✚ Country-wise, few top exporting destinations that witnessed positive growth during May 2023 were UAE (31.9% growth), Germany (9.4%), Saudi Arabia (51.9% growth), Indonesia (232.7% growth) and Turkey (3.3% growth), whereas top destinations with negative export during the same period include USA (-19.6%), Italy (-15.1%), Singapore (-14.6%), Mexico (-18.8%).

Overall Engineering Exports vs Engineering Exports Excluding Steel Segment

(Values in USD Million)

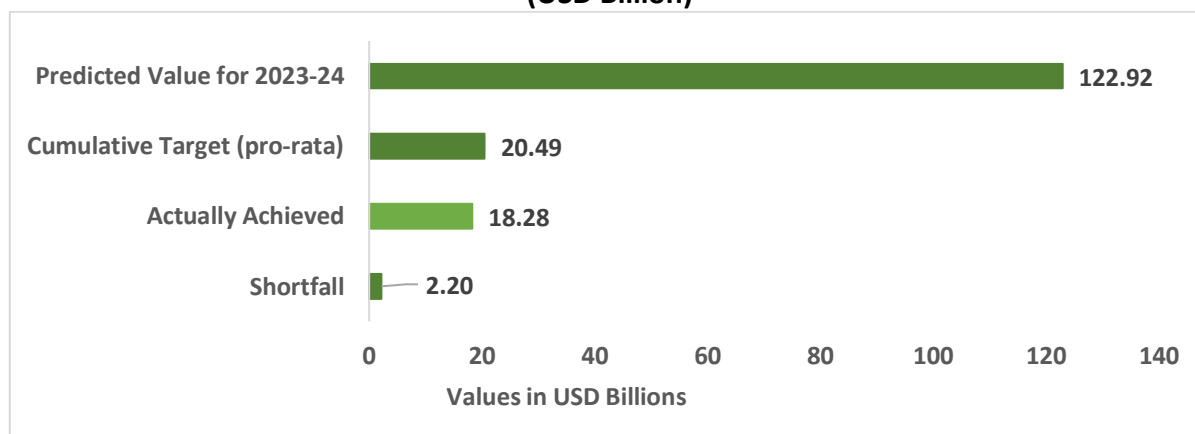
Trade Flow	Exports in May 2022	Exports in May 2023	Growth (%)	Exports in Apr-May 2022-23	Exports in Apr-May 2023-24	Growth (%)
Overall engineering exports	9713.43	9308.87	-4.16	19391.38	18284.26	-5.71
Engineering exports excluding Iron and Steel	7896.43	8078.54	2.31	15788.39	15724.10	-0.41

Source: DGCI&S, Govt. of India

Excluding the export of iron and steel, engineering exports recorded 2.31 percent year-on-year growth in May 2023 and only a marginal 0.41 percent decline during April-May 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-May 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	8975.40	-7.26
May	9713.43	9308.87	-4.16
April-May	19391.38	18284.26	-5.71

Source: DGCI&S, Govt. of India

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

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during May 2023 over May 2022 as well as in cumulative terms during April-May 2023-24 vis-à-vis April-May 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	May 2022	May 2023	Growth (%)	April-May 2022-23	April-May 2023-24	Growth (%)
U S A	1799.6	1446.6	-19.6%	3664.5	2847.6	-22.3%
U ARAB EMTS	430.0	567.1	31.9%	737.9	927.6	25.7%
ITALY	519.4	441.0	-15.1%	941.2	842.7	-10.5%
INDONESIA	159.9	531.8	232.7%	308.8	818.8	165.2%
GERMANY	320.9	351.2	9.4%	654.0	704.0	7.6%
SINGAPORE	385.8	329.5	-14.6%	830.3	626.1	-24.6%
SAUDI ARAB	213.5	324.3	51.9%	471.3	617.1	30.9%
U K	355.4	318.2	-10.5%	592.2	595.8	0.6%
MEXICO	333.4	270.9	-18.8%	573.4	522.4	-8.9%
KOREA RP	214.7	293.6	36.8%	412.5	506.3	22.7%
TURKEY	214.9	222.0	3.3%	456.6	496.5	8.7%
NEPAL	225.9	208.0	-7.9%	492.7	422.5	-14.2%
NETHERLAND	258.5	189.7	-26.6%	545.9	401.2	-26.5%
FRANCE	162.6	193.6	19.1%	294.5	377.9	28.4%
CHINA P RP	215.7	193.1	-10.5%	432.6	376.4	-13.0%
BANGLADESH PR	253.6	172.9	-31.8%	541.3	372.8	-31.1%
SOUTH AFRICA	241.0	177.7	-26.3%	430.7	353.8	-17.8%
BRAZIL	147.3	169.0	14.8%	287.0	343.3	19.6%
SPAIN	141.7	139.1	-1.9%	325.8	320.2	-1.7%
BELGIUM	280.6	162.0	-42.3%	542.8	300.6	-44.6%
JAPAN	140.0	120.0	-14.3%	286.0	298.1	4.2%
THAILAND	222.4	137.0	-38.4%	394.4	298.1	-24.4%
OMAN	51.7	95.0	84.0%	117.5	248.9	111.8%
POLAND	96.3	117.0	21.4%	181.7	243.9	34.2%
AUSTRALIA	96.2	112.9	17.4%	205.7	237.9	15.7%

Countries	May 2022	May 2023	Growth (%)	April-May 2022-23	April-May 2023-24	Growth (%)
Total engineering exports to top 25 countries	7480.9	7283.4	-2.6%	14721.2	14100.5	-4.2%
Total engineering exports	9713.4	9308.9	-4.2%	19391.4	18284.3	-5.7%
Share % of Top 25 destinations	77.0%	78.2%		75.9%	77.1%	

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

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

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

US\$ million

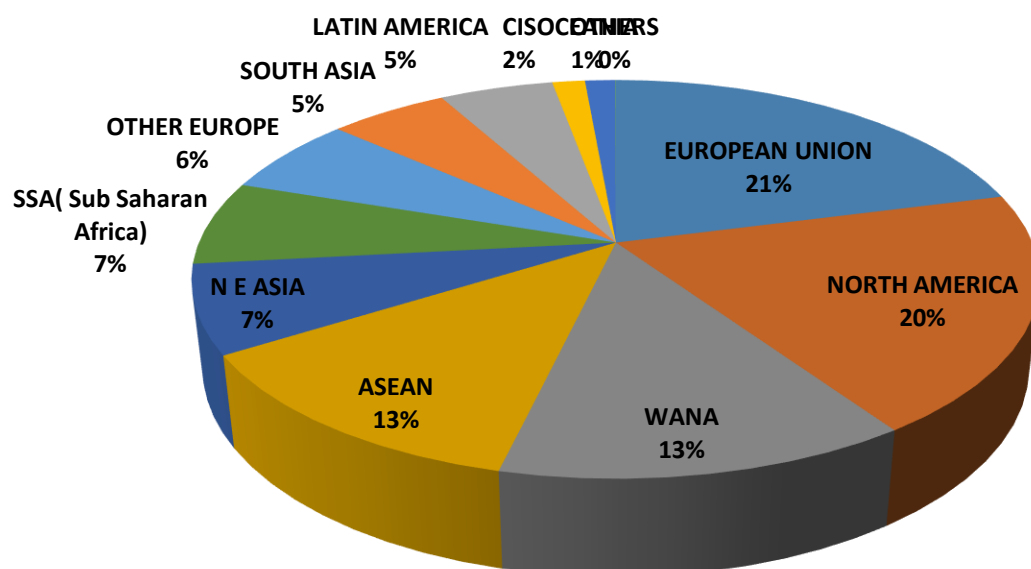
Regions	May 2022	May 2023	Growth (%)	April-May 2022-23	April-May 2023-24	Growth (%)
EUROPEAN UNION	2041.0	1910.6	-6.4%	4129.3	3837.1	-7.1%
NORTH AMERICA	2287.2	1811.7	-20.8%	4540.7	3555.8	-21.7%
WANA	1041.3	1319.2	26.7%	2011.2	2425.8	20.6%
ASEAN	1078.5	1229.0	14.0%	2303.3	2274.0	-1.3%
N E ASIA	648.5	673.5	3.9%	1308.7	1306.7	-0.1%
SSA(Sub Saharan Africa)	764.3	609.6	-20.2%	1483.0	1249.6	-15.7%
OTHER EUROPE	621.1	571.4	-8.0%	1126.0	1167.3	3.7%
SOUTH ASIA	569.6	482.4	-15.3%	1217.7	989.6	-18.7%
LATIN AMERICA	497.6	465.1	-6.5%	958.2	948.3	-1.0%
CIS	51.7	114.1	120.5%	76.3	272.1	256.7%
OCEANIA	110.7	120.3	8.7%	230.3	253.7	10.2%
OTHERS	1.9	2.1	11.7%	6.7	4.2	-37.8%
Grand Total	9713.4	9308.9	-4.2%	19391.4	18284.3	-5.7%

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-May 2023-24



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of May 2023 vis-à-vis May 2022 as well as the cumulative exports for **April-May 2023-24 vis-à-vis April-May 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	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Iron and Steel	1817.0	1230.3	-32%	3603.0	2560.2	-29%
Products of Iron and Steel	794.4	760.4	-4%	1635.6	1591.3	-3%
Sub Total	2611.4	1990.7	-24%	5238.6	4151.5	-21%

Source: DGCI&S

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

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Copper and products	127.4	180.0	41%	278.5	373.8	34%

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Aluminium and products	889.9	664.5	-25%	1795.6	1288.2	-28%
Zinc and products	162.3	80.8	-50%	304.0	172.8	-43%
Nickel and products	14.1	16.6	18%	75.2	30.3	-60%
Lead and products	43.4	41.2	-5%	101.9	80.5	-21%
Tin and products	0.5	0.5	-4%	1.2	1.1	-8%
Other Non-Ferrous Metals	62.9	55.1	-12%	131.7	116.9	-11%
Sub Total	1300.4	1038.7	-20%	2688.2	2063.7	-23%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Industrial Machinery like Boilers, parts, etc.	77.3	55.3	-28%	129.4	112.8	-13%
IC Engines and Parts	308.1	281.1	-9%	575.5	581.3	1%
Pumps of all types	107.7	110.5	3%	206.4	234.0	13%
Air condition and Refrigerators	138.9	137.5	-1%	266.8	273.0	2%
Industrial Machinery for dairy, food processing, textiles etc.	707.7	616.1	-13%	1447.6	1279.3	-12%
Machine Tools	57.0	57.0	0%	117.9	123.3	5%
Machinery for Injecting moulding, valves and ATMs	175.9	199.6	13%	339.9	408.6	20%
Sub Total	1572.6	1457.2	-7%	3083.4	3012.2	-2%

Source: DGCI&S

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

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Electrical Machinery	877.7	999.9	14%	1789.2	1951.9	9%

Source: DGCI&S

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

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Motor Vehicle/cars	732.9	618.0	-16%	1405.3	1294.5	-8%
Two and Three Wheelers	271.5	213.1	-22%	519.5	417.3	-20%
Auto Components/Part	578.2	605.2	5%	1157.5	1214.7	5%
Auto Tyres and Tubes	270.9	231.4	-15%	538.5	459.1	-15%
Sub Total	1853.6	1667.6	-10%	3620.8	3385.6	-6%

Source: DGCI&S

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

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Aircrafts and Spacecraft parts and products	106.5	113.2	6%	231.0	228.0	-1%
Ships Boats and Floating products and parts	332.2	812.5	145%	627.0	1135.7	81%

Source: DGCI&S

Table 4g. Trend in exports of other engineering products

US\$ Million

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Medical and Scientific instruments	157.8	223.4	42%	331.1	409.4	24%

Product panels	May 2022	May 2023	Growth	April-May 2022-23	April-May 2023-24	Growth
Railway Transport	34.2	23.4	-31%	75.6	51.1	-32%
Hand Tools & Cutting Tools	82.6	72.8	-12%	169.2	150.9	-11%
Bicycle & Parts	31.3	31.1	-1%	69.3	60.6	-13%
Cranes Lifts & Winches	61.8	68.8	11%	118.0	133.4	13%
Office Equipment	18.8	28.0	49%	34.3	58.4	70%
Other Construction Machinery	186.4	236.4	27%	354.1	456.4	29%
Prime Mica & Mica Products	2.4	3.3	35%	5.3	7.2	37%
Project Goods	0.13	0.42	225%	0.28	0.76	172%
Other Rubber Product Except Footwear	135.3	138.9	3%	274.9	269.1	-2%
Other Misc. Items	388.5	442.1	14%	3888.1	4216.8	8%

Source: DGCI&S

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-May 2023-24 vis-à-vis April-May 2022-23. 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-May 2022-23	April-May 2023-24	Growth
Iron and Steel	ITALY	518.2	443.9	-14%
	NEPAL	211.5	178.8	-15%
	SPAIN	111.8	149.3	34%
	BELGIUM	262.7	140.0	-47%
	U S A	444.9	132.9	-70%
Products of Iron and Steel	U S A	537.5	448.2	-17%
	SAUDI ARAB	43.78	80.62	84%
	UAE	61.4	80.0	30%
	GERMANY	85.81	71.41	-17%

Product panels	Top 5 nations	April-May 2022-23	April-May 2023-24	Growth
	INDONESIA	7.17	60.83	748%
Industrial Machinery	U S A	630.4	599.8	-5%
	GERMANY	156.0	167.3	7%
	THAILAND	180.4	129.1	-28%
	CHINA	148.9	126.7	-15%
	UAE	101.8	125.2	23%
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	SOUTH AFRICA	280.6	199.6	-29%
	SAUDI ARAB	116.5	170.3	46%
	MEXICO	195.2	158.1	-19%
	INDONESIA	44.1	150.1	240%
	UAE	70.9	65.7	-7%
Non-Ferrous metals	KOREA RP	232.6	253.6	9%
	U S A	303.8	227.8	-25%
	SAUDI ARAB	44.3	195.1	341%
	JAPAN	73.7	101.0	37%
	NETHERLAND	247.6	99.6	-60%
Electrical Machinery and Components	U S A	626.1	408.8	-35%
	SINGAPORE	65.6	178.6	172%
	U K	95.8	132.5	38%
	GERMANY	91.8	126.8	38%
	FRANCE	53.5	117.6	120%
Aircrafts and Space crafts	U S A	71.80	68.22	-5%
	FRANCE	31.57	30.08	-5%
	SINGAPORE	42.31	20.38	-52%
	U K	16.91	17.76	5%
	TURKEY	4.23	13.08	209%
Ships, Boats and Floating Structures and parts	INDONESIA	9.6	384.6	
	SINGAPORE	453.6	254.4	-44%
	UAE	57.2	253.3	343%
	OMAN	0.0	163.8	
	SRI LANKA	3.2	37.7	
Auto Components (including Auto Parts and Auto Tyre)	U S A	422.33	374.42	-11%
	GERMANY	87.08	88.09	1%
	BRAZIL	92.67	84.98	-8%

Product panels	Top 5 nations	April-May 2022-23	April-May 2023-24	Growth
	TURKEY	61.31	80.91	32%
	MEXICO	61.65	70.80	15%

Source: DGCI&S

- ✚ Italy, Nepal and Spain were the top three importers of Indian Iron and Steel during April-May 2023-24 whereas USA, Saudi Arab and UAE were the top three importers of India's 'Products of Iron & Steel' during the same period as compared to April-May 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-May 2023-24. Germany and Thailand were the two immediate followers of USA constituting 6% and 4% share respectively in terms of India's total global exports of industrial machinery.
- ✚ South Africa, Saudi Arabia and Mexico were top three importers of India's Automobiles during April-May 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-May 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-May 2023-24 in India's total global exports of the product followed by UK and Turkey.
- ✚ Indonesia, Singapore, UAE became the largest importer of ships, boats and floating structures followed by Oman and Sri Lanka. While for the auto components' product group, USA remained the top importer in April-May 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 91 % 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-May 2022-23

US\$ Million

Top States	Cumulative Export April-May 2022-23	Cumulative Export April-May 2023-24	Growth%(vis-à-vis April-March 2022-23)	%Share in India's Eng. Export (April-March 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: DGCI&S

- *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-May 2023-24 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%

Region	May 2022 (\$Mn)	May 2023 (\$Mn)	Growth%	Total Exports April-May 2022-23 (\$Mn)	Total Exports April-May 2023-24 (\$Mn)	Growth%
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 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 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 month of fiscal 2023-23 saw engineering exports growth and manufacturing output growth moved in opposite direction as while the former witnessed slower decline, the later resulted a downturn from growth to decline.

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
July 2022	-1.85	3.1
August 2022	-13.00	-0.5
September 2022	-11.39	2.0

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
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	5.6
March 2023	-7.49	1.2
April 2023	-7.26	-4.7
May 2023	-4.16	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during May 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 May 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)

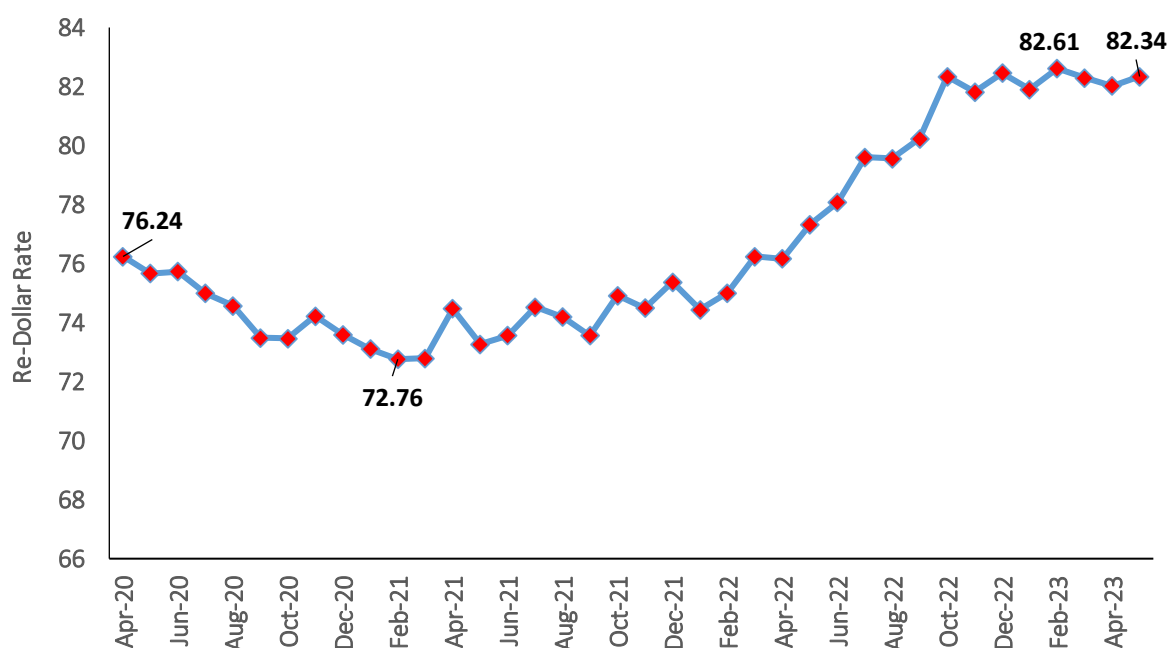
Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2022-23	2023-24				
April	76.17	82.02	7.68	Depreciation	-0.33	Appreciation
May	77.32	82.34	6.49	Depreciation	0.39	Depreciation

Depreciation of Rupee vis-à-vis the US Dollar continued on a year-on-year basis during May 2023 following the strengthening of the latter in the international market as Rupee depreciated by 6.49 percent during May 2023. Depreciation of rupee was also seen on a month-on-month basis this time by 0.39 percent. 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)

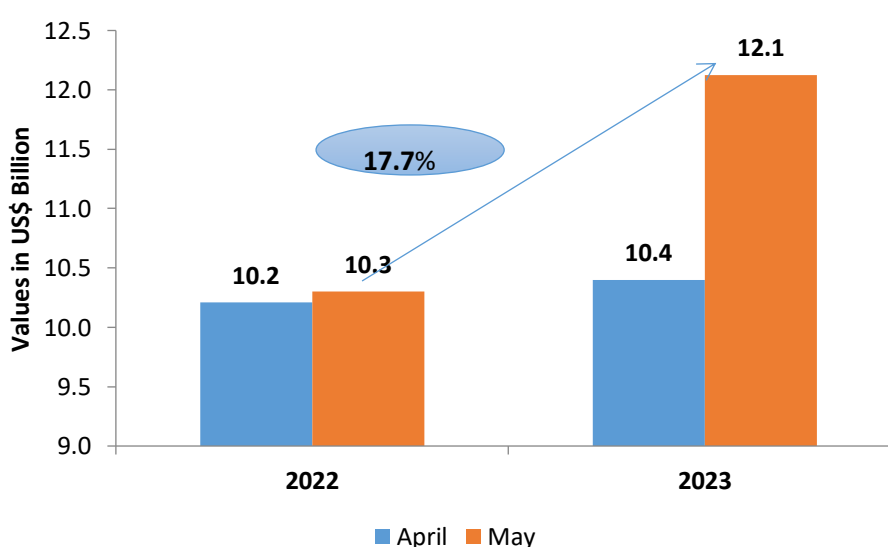


ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during May 2023 were valued at US\$ 12123.5 million compared to US\$ 10298.9 million in May 2022 registering a positive growth of 17.7 percent in dollar terms. Barring Transport equipment all the other engineering panels witnessed an increase in import during May 2023 compared to May 2022.

The share of engineering imports in India's total merchandise imports in May 2023 was estimated at 21.2 percent, higher than that of May 2022 which was estimated at 16.8%. The figure below depicts engineering imports **for May 2023 compared to May 2022**.

Fig 4: Monthly Engineering Imports for May 2023 vis-a-vis March 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
Engineering Export	9.0	9.3
Engineering Import	10.4	12.1
Trade Balance	-1.4	-2.8

Source: DGCI&S, EEPC India Analysis

CONCLUSION

India's engineering exports, which experienced robust growth in 2022-23, have now shown a declining trend due to the high base of the previous year and a slowdown in global merchandise exports in 2023. This decline can be attributed to ongoing geopolitical tensions and the tightening of monetary policies, which have sparked recessionary fears and resulted in reduced consumer spending across advanced nations.

Following the pattern of India's overall merchandise exports, the decline in engineering exports has persisted for the second consecutive month. In May 2023, there was a year-on-year decline of approximately 4.2% in India's engineering exports. Even in cumulative terms, the export performance during the first two months of the current fiscal year remained subdued, with a decline of 5.7%. The traditional engineering destinations for India, such as the USA (experiencing a 19.6% decline) and European countries, have been the major contributors to this downfall. Exports to the EU declined by 6.4%.

The decline in exports to the USA is primarily driven by a sharp drop in domestic demand, accompanied by fears of an impending recession. Europe continues to grapple with the crisis stemming from the Russia-Ukraine conflict. Furthermore, neighboring South Asian economies like Bangladesh and Sri Lanka have imported significantly less from India compared to the previous year, primarily due to energy and debt crises. However, it is noteworthy that there has been a positive export trend in North East Asia after a prolonged period of decline. Additionally, exports to two of India's newest trade agreement partners, the UAE and Australia, increased in May 2023.

Globally, trade is expected to remain subdued in the coming months. According to a recent UN report, the baseline scenario predicts that the volume of global trade in goods and services will grow by 2.3% in 2023, slightly higher than the previous forecast of near-zero growth. Meanwhile, the government of India has set a target of achieving USD 300 billion in engineering exports by 2030. To attain this milestone, constant support from the government in terms of export facilitation is essential. While we appreciate the government's introduction of the mechanism for trade in INR (Indian Rupee), there is a need for greater clarity regarding the associated rules and regulations. It is also crucial to deepen cooperation with African and Latin American countries to diversify our exports. To this end, we require additional assistance from Indian Missions in these countries.

