

Engineering Export-Import Monitor

JULY 2023



Engineering The Future

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ENGINEERING TRADE ANALYSIS - JULY 2023

India's engineering exports continued to decline for the fourth month in fiscal 2023-24 as it dropped by 6.62% to USD 8.75 billion in July 2023 from USD 9.37 billion in July 2022. The decline was mainly due to drop in exports of Iron & Steel and Aluminium coupled with falling global demand due to recession-like situation in major developed regions. Export also dropped in India's major destinations including North America, EU, ASEAN and South Asian region. According to the Quick Estimates of Department of Commerce, Government of India, share of engineering exports in India's total merchandise exports was 24.26 percent during July 2023 and 26.11 percent during April-July 2023-24.

Trade Flow	Export figures (in US\$ billion)				Growth	
	Jul-2022	Jul-2023	Apr- Jul 2022-23	Apr- Jul 2023-24	Jul-2023 over Jul-2022	Apr-Jul 2023-24 over Apr-Jul 2022-23
Engineering exports	9.37	8.75	38.34	35.57	-6.62%	-7.24%
Overall exports	38.33	32.25	159.32	136.22	-15.86%	-14.50%
Share of engineering	24.44%	27.12%	24.07%	26.11%	---	---
Service exports	24.26	27.17	100.35	107.93	12.00%	7.55%

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

HIGHLIGHTS

- ✚ The month of July 2023 saw fourth straight month of decline in engineering exports during the ongoing fiscal but pace of decline moderated to single digit once again from a double digit year-on-year decline in June 2023. Engineering exports from India conceded year-on-year decline for the eighth month in a row starting from December 2022.
- ✚ During July 2023, engineering exports dropped by 6.62 percent to USD 8747.76 million from USD 9367.92 million in July 2022.

- ✚ Cumulative engineering exports declined by 7.24 percent to USD 35,565.29 million during April-July 2023-24 from USD 38,340.52 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 24.26 percent during July 2023 and 26.11 percent during April-July 2023-24.
- ✚ 14 out of 34 engineering panels witnessed positive year-on-year growth in July 2023, while remaining 20 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, Hand tools and Mica products witnessed decline in exports during July 2023 vis-à-vis July 2022.
- ✚ On cumulative terms, 16 out of 34 engineering panels recorded positive growth during Apr-July 2023-24 over the same period last fiscal. Engineering panels that witnessed growth in exports include Copper and products, Pumps, Lead and products, Machine Tools, Aircraft & spacecraft, 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, Tin from Non-ferrous segment, Machinery for Dairy, Motor Vehicles and Two-three wheelers, Railway Transport, Bicycle parts, Ship & floating structure and Hand Tools, etc.
- ✚ Region-wise, positive year-on-year growth in July 2023 was noted majorly in CIS, WANA and NE Asia. Regions witnessing drop in exports during July 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 July 2023 were Germany (2.0%), Saudi Arabia (73.7% growth), Korea Rep (2.9% growth), Nepal (7.0% growth) whereas top destinations with negative export during the same period include USA (-10.4%), UAE (-12.1%), Italy (-1.9%), Indonesia (-17.3%), UK (-1.8%), Mexico (-6.8%), etc.

Overall Engineering Exports vs Engineering Exports Excluding Steel Segment

(Values in USD Million)

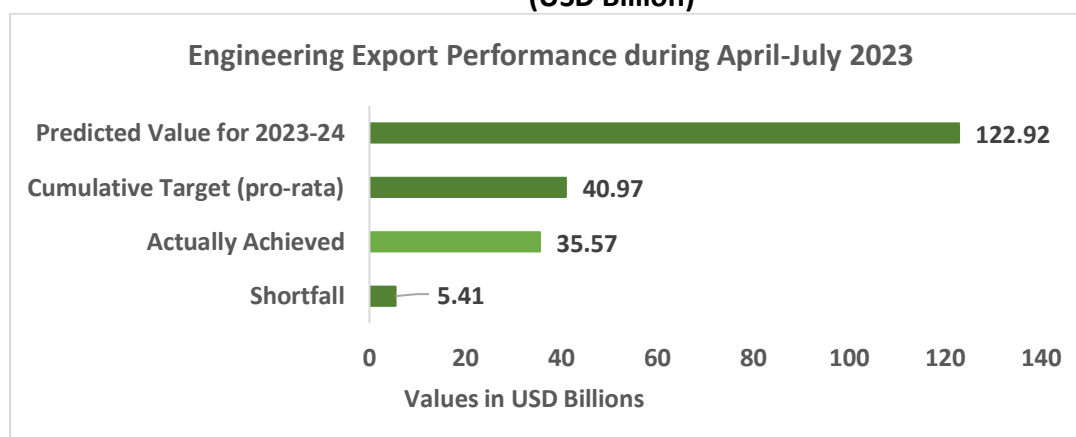
Trade Flow	Exports in July 2022	Exports in July 2023	Growth (%)	Exports in Apr- Jul 2022-23	Exports in Apr- Jul 2023-24	Growth (%)
Overall engineering exports	9367.92	8747.76	-6.62	38340.52	35565.29	-7.24
Engineering exports excluding Iron and Steel	8324.23	7753.66	-6.85	32260.01	31067.24	-3.70

Source: DGCI&S, Govt. of India

Excluding the export of iron and steel, engineering exports recorded a higher 6.85 percent year-on-year decline in July 2023 but a much lower 3.70 percent decline during April-July 2023. This shows that steel plays a spoilsport in the downfall of engineering exports only on a cumulative basis.

EXPORT TARGET

Fig1: Predicted Value of Engineering Export V/S Actually Achieved during April-July 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	8973.28	-7.28
May	9713.43	9312.03	-4.13

Month	2022-23	2023-24	Growth (%)
June	9581.22	8532.22	-10.95
April-June	28972.60	26817.53	-7.44
July	9367.92	8747.76	-6.62
April-July	38340.52	35565.29	-7.24

Source: DGCIS, Govt. of India

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

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during July 2023 over July 2022 as well as in cumulative terms during April-July 2023-24 vis-à-vis April-July 2022-23. The data clearly shows that top 25 countries contribute more than 76% of total engineering exports.

Table2: Engineering exports country-wise

US\$ million

Countries	July 2022	July 2023	Growth (%)	April-July 2022-23	April-July 2023-24	Growth (%)
U S A	1615.79	1447.34	-10.4%	6938.59	5751.91	-17.1%
UAE	435.41	382.89	-12.1%	1659.85	1823.90	9.9%
ITALY	308.37	302.52	-1.9%	1622.37	1459.14	-10.1%
GERMANY	339.42	346.36	2.0%	1320.99	1384.52	4.8%
SAUDI ARABIA	217.42	377.63	73.7%	877.69	1365.72	55.6%
U K	391.18	384.32	-1.8%	1238.88	1223.77	-1.2%
SINGAPORE	305.28	211.22	-30.8%	1373.90	1136.12	-17.3%
INDONESIA	182.81	151.20	-17.3%	949.96	1113.98	17.3%
MEXICO	303.95	283.34	-6.8%	1258.33	1101.07	-12.5%
KOREA RP	248.49	255.65	2.9%	878.26	1017.06	15.8%
TURKEY	265.00	231.22	-12.7%	950.01	924.95	-2.6%
NEPAL	183.45	196.23	7.0%	868.35	814.01	-6.3%
BANGLADESH	232.37	174.34	-25.0%	1064.10	764.79	-28.1%
CHINA	220.84	197.98	-10.4%	883.25	758.74	-14.1%
SOUTH AFRICA	208.52	224.73	7.8%	803.78	754.34	-6.2%
NETHERLAND	170.64	157.47	-7.7%	935.76	712.80	-23.8%
FRANCE	218.86	173.67	-20.6%	710.81	692.39	-2.6%
BRAZIL	165.31	171.64	3.8%	621.72	669.92	7.8%

Countries	July 2022	July 2023	Growth (%)	April-July 2022-23	April-July 2023-24	Growth (%)
THAILAND	218.08	154.09	-29.3%	801.35	590.74	-26.3%
JAPAN	125.17	142.46	13.8%	564.10	589.39	4.5%
SPAIN	80.07	132.22	65.1%	550.24	568.09	3.2%
BELGIUM	124.18	136.32	9.8%	843.59	559.48	-33.7%
MALAYSIA	112.27	211.61	88.5%	553.76	537.73	-2.9%
RUSSIA	55.65	123.65	122.2%	145.33	461.35	217.5%
AUSTRALIA	122.15	115.14	-5.7%	428.32	454.02	6.0%
Total engineering exports to top 25 countries	6850.67	6685.25	-2.4%	28843.26	27229.94	-5.6%
Total engineering exports	9367.92	8747.76	-6.6%	38340.52	35565.29	-7.2%
Share % of Top 25 destinations	73.1%	76.4%		75.2%	76.6%	

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

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

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

US\$ million

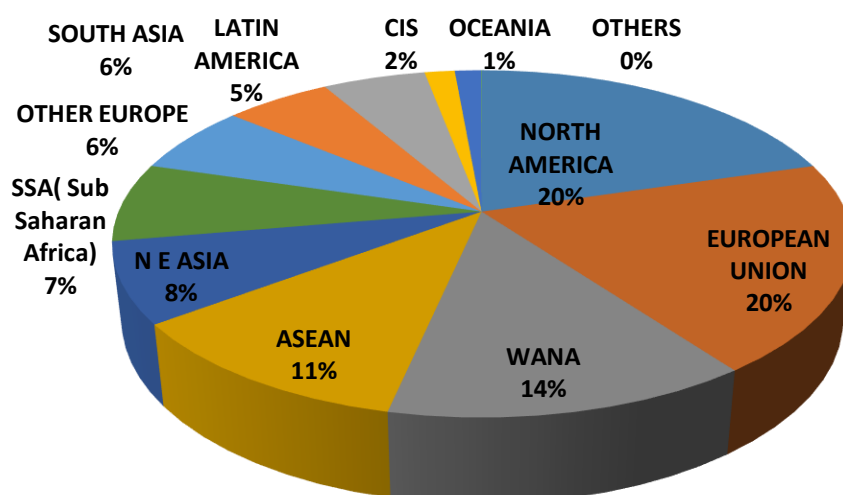
Regions	July 2022	July 2023	Growth (%)	April-July 2022-23	April-July 2023-24	Growth (%)
NORTH AMERICA	2071.62	1835.15	-11.4%	8779.41	7249.56	-17.4%
EUROPEAN UNION	1642.53	1590.63	-3.2%	7576.58	6943.93	-8.4%
WANA	1019.31	1113.02	9.2%	4166.59	4796.98	15.1%
ASEAN	1029.50	897.35	-12.8%	4579.99	4046.40	-11.7%
N E ASIA	679.91	682.54	0.4%	2662.60	2666.70	0.2%
SSA(Sub Saharan Africa)	786.07	738.93	-6.0%	2980.65	2618.46	-12.2%

Regions	July 2022	July 2023	Growth (%)	April-July 2022-23	April-July 2023-24	Growth (%)
OTHER EUROPE	682.84	649.10	-4.9%	2336.08	2293.24	-1.8%
SOUTH ASIA	760.84	478.22	-37.1%	2548.39	1974.81	-22.5%
LATIN AMERICA	494.82	485.16	-2.0%	2025.28	1915.60	-5.4%
CIS	67.27	149.52	122.3%	198.12	561.81	183.6%
OCEANIA	131.86	125.57	-4.8%	475.29	488.90	2.9%
OTHERS	1.35	2.56	89.4%	11.56	8.91	-22.9%
Grand Total	9367.92	8747.76	-6.6%	38340.52	35565.29	-7.2%

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-July 2023-24



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of July 2023 vis-à-vis July 2022 as well as the cumulative exports for **April-July 2023-24 vis-à-vis April-July 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	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Iron and Steel	1043.7	994.1	-5%	6080.5	4498.1	-26%

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Products of Iron and Steel	864.2	811.7	-6%	3341.2	3168.3	-5%
Sub Total	1907.9	1805.8	-5%	9421.7	7666.3	-19%

Source: DGCI&S

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

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Copper and products	137.6	178.6	30%	556.2	713.7	28%
Aluminium and products	694.8	589.0	-15%	3294.6	2453.6	-26%
Zinc and products	116.3	52.2	-55%	551.4	293.5	-47%
Nickel and products	10.0	13.4	34%	95.0	59.5	-37%
Lead and products	26.2	42.8	63%	155.3	171.0	10%
Tin and products	1.8	1.6	-11%	5.0	4.0	-20%
Other Non-Ferrous Metals	68.5	63.4	-7%	267.0	239.2	-10%
Sub Total	1055.3	941.1	-11%	4924.4	3934.5	-20%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Industrial Machinery like Boilers, parts, etc.	73.1	60.0	-18%	242.6	247.3	2%
IC Engines and Parts	351.9	323.2	-8%	1236.5	1192.3	-4%
Pumps of all types	107.1	125.3	17%	424.7	479.7	13%
Air condition and Refrigerators	139.2	126.2	-9%	549.3	541.9	-1%
Industrial Machinery for dairy, food processing , textiles etc.	731.5	687.6	-6%	2952.1	2607.8	-12%

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Machine Tools	64.5	58.1	-10%	239.4	241.7	1%
Machinery for Injecting moulding, valves and ATMs	202.3	207.7	3%	727.8	813.5	12%
Sub Total	1669.7	1588.1	-5%	6372.3	6124.3	-4%

Source: DGCI&S

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

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Electrical Machinery	921.5	1092.9	19%	3700.2	3982.9	8%

Source: DGCI&S

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

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Motor Vehicle/cars	687.2	734.3	7%	2833.2	2771.8	-2%
Two and Three Wheelers	270.5	239.1	-12%	1062.6	881.8	-17%
Auto Components/Part	650.2	648.3	0%	2410.3	2464.1	2%
Auto Tyres and Tubes	281.8	231.5	-18%	1107.2	902.0	-19%
Sub Total	1889.8	1853.2	-2%	7413.3	7019.7	-5%

Source: DGCI&S

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

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Aircrafts and Spacecraft parts and products	114.6	135.4	18%	450.9	501.8	11%

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Ships Boats and Floating products and parts	634.7	119.9	-81%	1671.1	1604.8	-4%

Source: DGCI&S

Table 4g. Trend in exports of other engineering products

US\$ Million

Product panels	July 2022	July 2023	Growth	April- July 2022-23	April- July 2023-24	Growth
Medical and Scientific instruments	183.1	195.4	7%	695.1	808.6	16%
Railway Transport	28.1	26.2	-7%	135.7	100.7	-26%
Hand Tools & Cutting Tools	90.0	80.0	-11%	337.5	303.7	-10%
Bicycle & Parts	31.1	31.0	0%	135.3	119.2	-12%
Cranes Lifts & Winches	75.4	76.1	1%	257.0	283.5	10%
Office Equipment	26.4	27.9	6%	83.3	110.9	33%
Other Construction Machinery	213.4	252.9	18%	760.2	933.5	23%
Prime Mica & Mica Products	2.9	2.4	-17%	10.8	13.0	21%
Project Goods	0.18	0.19	8%	0.72	1.25	75%
Other Rubber Product Except Footwear	170.0	140.9	-17%	593.5	541.9	-9%
Other Misc. Items	353.8	378.5	7%	1377.5	1514.6	10%

Source: DGCI&S

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-July 2023-24 vis-à-vis April-July 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- July 2022-23	April- July 2023-24	Growth
Iron and Steel	Italy	864.7	720.6	-17%
	Nepal	344.4	348.1	1%
	UAE	461.0	249.1	-46%
	Belgium	409.3	222.7	-46%
	Spain	176.9	221.1	25%
Products of Iron and Steel	USA	1091.3	910.2	-17%
	UAE	135.7	168.6	24%
	Germany	169.0	148.0	-12%
	Saudi Arabia	85.2	147.1	73%
	UK	118.0	109.5	-7%
Industrial Machinery	USA	1308.6	1216.7	-7%
	Germany	322.3	346.6	8%
	Thailand	379.3	256.4	-32%
	UAE	235.2	254.3	8%
	China	287.2	242.2	-16%
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	Saudi Arabia	256.4	455.6	78%
	South Africa	484.4	435.8	-10%
	Mexico	394.8	390.9	-1%
	Indonesia	119.1	202.6	70%
	UAE	156.6	167.7	7%
Non-Ferrous metals	Korea	513.7	503.7	-2%
	USA	577.1	470.1	-19%
	Saudi Arabia	92.6	356.0	285%
	Malaysia	267.3	291.0	9%
	Netherland	371.8	154.0	-59%
Electrical Machinery and Components	USA	1103.2	794.6	-28%
	UK	220.3	326.3	48%
	Singapore	140.0	317.0	126%
	Germany	180.3	235.2	30%
	France	225.0	208.7	-7%
Aircrafts and Space crafts	USA	153.9	148.6	-3%
	France	68.3	70.0	2%
	UK	35.5	40.1	13%
	Singapore	60.0	33.3	-45%
	Turkey	7.1	31.5	347%
Ships, Boats and Floating Structures and parts	Singapore	661.8	426.7	-36%
	UAE	135.9	410.4	202%

Product panels	Top 5 nations	April- July 2022-23	April- July 2023-24	Growth
	Indonesia	289.1	401.5	39%
	Oman	0.0	163.8	
	Sri Lanka	237.9	67.7	-72%
Auto Components (including Auto Parts and Auto Tire)	USA	878.5	760.3	-13%
	Germany	174.9	176.6	1%
	Turkey	128.0	171.4	34%
	Brazil	194.8	168.8	-13%
	Mexico	134.2	151.5	13%

Source: DGCI&S

- ✚ Italy, Nepal and UAE were the top three importers of Indian Iron and Steel during April-July 2023-24 whereas USA, UAE and Germany were the top three importers of India's 'Products of Iron & Steel' during the same period as compared to April-July 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-July 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.
- ✚ Saudi Arabia, South Africa and Mexico were top three importers of India's Automobiles during April-July 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-July 2023-24 whereas USA, UK and Singapore were the three top importers of Indian Electrical Machinery & Components during the same period.
- ✚ USA, France and UK were the top three importers of India's 'Aircrafts and Spacecrafts' during April-July 2023-24 in India's total global exports of the product followed by Singapore and Turkey.
- ✚ Singapore, UAE and Indonesia 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-July 2023-24 followed by Germany, Turkey and Brazil.

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 almost 49 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

Table 6: Top state wise engineering export performance – April-June 2023-24

US\$ Million

Top States	Cumulative Export April-June 2022-23	Cumulative Export April-June 2023-24	Growth%(vis-à-vis April-June 2022-23)	%Share in India's Eng. Export (April-June 2023-24)	Remark
Maharashtra	5573.7	5845.3	5%	21.8%	90.21 % share covered by top 12 states
Tamil Nadu	4364.5	3969.7	-9%	14.8%	
Gujarat	3373.2	3361.8	0%	12.5%	
Odisha	2679.5	1821.4	-32%	6.8%	
Karnataka	1595.9	1690.7	6%	6.3%	
Haryana	1583.0	1690.2	7%	6.3%	
Andhra Pradesh	1685.7	1542.4	-8%	5.8%	
Uttar Pradesh	1299.4	1049.4	-19%	3.9%	
Delhi	778.3	936.6	20%	3.5%	
West Bengal	1092.9	830.5	-24%	3.1%	
Rajasthan	920.1	806.4	-12%	3.0%	
Punjab	675.1	642.0	-5%	2.4%	

Source: NIRYAT portal

- Top 12 states constitute over 90.22% of India's engineering Exports
- Major negative growth witnessed in states like Tamil Nadu, Odisha, Andhra Pradesh, Uttar Pradesh, West Bengal, Rajasthan, Punjab, Madhya Pradesh, etc during April-June 2023-24 compared to same period last fiscal.
- Maharashtra being the highest state in terms of Engineering Goods exports is leading by US\$ 1.9 billion from Tamil Nadu (Second Highest State) for the period of Apr'23 - June'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 34.3 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	June 2022 (\$Mn)	June 2023 (\$Mn)	Growth%	Total Exports April-June 2022-23 (\$Mn)	Total Exports April-June 2023-24 (\$Mn)	Growth%
EASTERN REGION	1424.6	1016.0	-28.7%	4693.7	3221.1	-31.4%

Region	June 2022 (\$Mn)	June 2023 (\$Mn)	Growth%	Total Exports April-June 2022-23 (\$Mn)	Total Exports April-June 2023-24 (\$Mn)	Growth%
NORTHERN REGION	1745.5	1676.2	-4.0%	5495.1	5531.7	0.7%
SOUTHERN REGION	2837.8	2472.4	-12.9%	8297.2	7934.0	-4.4%
WESTERN REGION	3187.9	3351.7	5.1%	9826.8	10125.2	3.0%
Total	9195.7	8516.3	-7.4%	28312.7	26811.9	-5.3%

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 three months of fiscal 2023-23 saw engineering exports growth and revised manufacturing output growth moved in the same direction. During April and May 2023, the former witnessed slower decline and the later showed higher growth while in June 2023, engineering exports conceded higher decline and manufacturing output growth slowed down.

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	5.8
June 2023	-10.95	3.1
July 2023	-6.62	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during July 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 July 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
July	79.60	82.15	3.20	Depreciation	-0.10	Appreciation

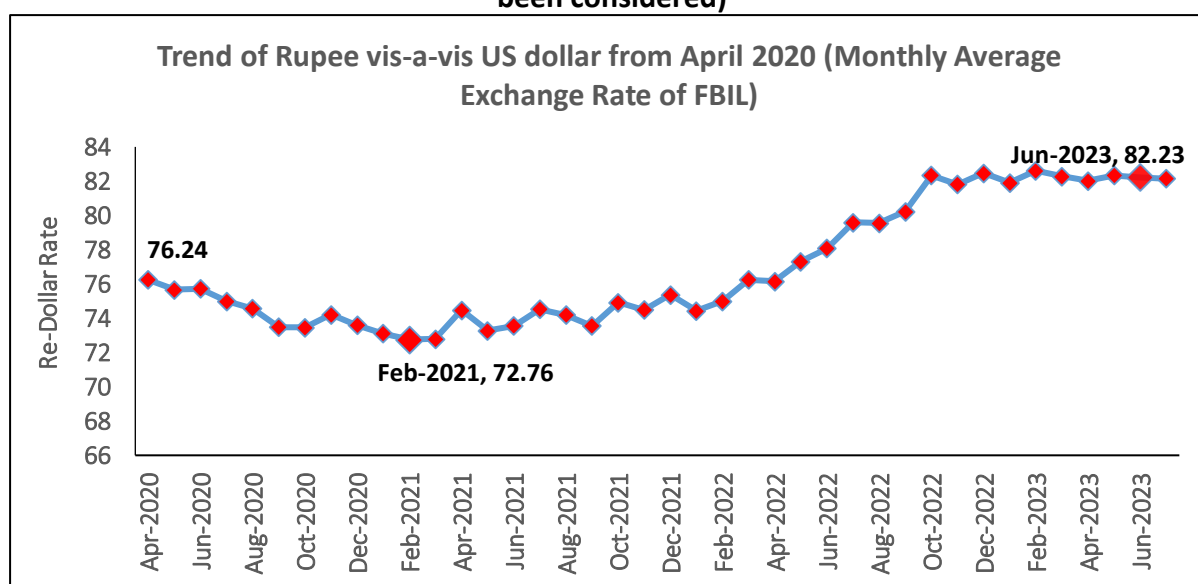
Depreciation of Rupee vis-à-vis the US Dollar continued on a year-on-year basis during July 2023 following the strengthening of the latter in the international market as Rupee depreciated by 3.20 percent during July 2023. However, rupee strengthened over the month for the second time in a row with 0.10 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)

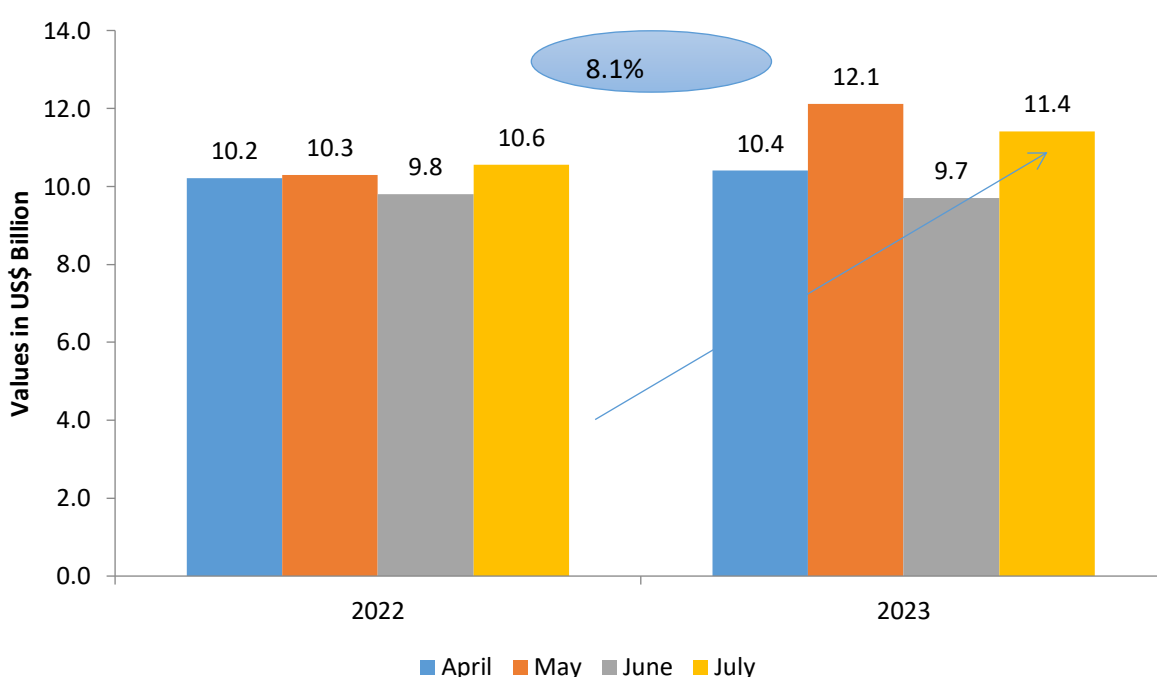


ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during July 2023 were valued at US\$ 11417.7 million compared to US\$ 10560.9 million in July 2022 recording a positive growth of 8.1 percent in dollar terms. All the engineering panels witnessed an increase in import during July 2023 compared to July 2022.

The share of engineering imports in India's total merchandise imports in July 2023 was estimated at 21.6 percent, higher than that of July 2022 which was estimated at 16.6%. The figure below depicts engineering imports **for July 2023 compared to July 2022**.

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



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	July
Engineering Export	9.0	9.3	8.5	8.7
Engineering Import	10.4	12.1	9.7	11.4
Trade Balance	-1.4	-2.8	-1.2	-2.7

Source: DGCI&S, EEPC India Analysis

CONCLUSION

Eight consecutive months of year-on-year decline in engineering exports since December 2022 necessarily implies a depressing scenario of global trade, especially of engineering. Our analysis shows that the decline is mostly due to metal sector and iron & Steel and aluminium in particular, the two major components of engineering exports from India. According to global news source, global demand for steel weakened with prominent demand crisis arising from slowdown in China's construction sector. At the same time excess supply from China has been creating downward pressure on steel prices. Similar concerns including the banking crisis in US have also affected the demand and price of copper, aluminium, lead and zinc. Slackening of demand from overseas is also witnessed especially from developed regions including India's major exporting destinations for engineering products partners namely USA, EU countries and China. Debt crisis has also led to decline in exports to South Asia.

According to a report by UNCTAD, global trade scenario is apprehended to remain pessimistic in the second half of 2023 owing to several negativities like geo-political crisis in Russia-Ukraine region, slowdown in developed economies that may turn to recession in some nations due to persistent inflationary pressure, debt crisis and partial slowdown in North-East Asia centering China. Situation may worsen further with the implementation of CBAM regulations by the EU. In such a situation it is important for India to diversify its markets. 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. As the two new FTAs with UAE and Australia led to increase in exports to both, more comprehensive FTAs with potential partners would be a right step for India to achieve its goal of USD 2 trillion exports by 2030.

