Engineering Exports Monitor

March 2017

Engineering the future

EEPC INDIA
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India's Merchandise Trade scenario

Fiscal 2016-17

- Merchandise exports grew by 4.71 percent in fiscal 2016-17 year-on-year as against 15.5 percent decline in 2015-16. During 2016-17, India's merchandise exports rose to US$274.64 billion from US$262.29 billion in 2015-16 driven by impressive growth in the last two month.
- Non-petroleum and Non Gems & Jewellery exports in 2016-17 increased by 4.2 percent over the previous fiscal.
- Merchandise Imports in 2016-17 on the other hand recorded 0.17 percent decline in 2016-17 to US$380.37 billion from US$381.01 billion in the previous fiscal probably due to 1.39 percent year-on-year drop in Non-oil import during fiscal 2016-17.Import of Crude Oil rose by 4.24 percent in 2016-17.
- Prices of Brent prices ($/bbl) in global market increased by 33.02% in March 2017 vis-à-vis March 2016 as per World Bank commodity price data.
- India's merchandise Trade Deficit during fiscal 2016-17 shrunk by 10.95 percent to US$105.72 billion from a higher US$118.72 billion in fiscal 2015-16.

March 2017

- Recovery in export continued as India's merchandise exports in March 2017 grew 27.59 percent growth over March 2016 after registering 17.48 percent year-on-year growth in February 2017. Exports rose to US$29.23 billion in March 2017 from US$22.91 billion in the same month last fiscal.
- Merchandise import in March 2017 also jumped by 45.25 percent to US$39.67 billion from US$27.31 billion in March 2016. Crude oil imports surged by 101.43 percent while non-oil imports was 33.21 percent higher in March 2017 over the same month last year.
- Trade Deficit in March 2017 narrowed down by an impressive 57.9 percent to US$4.40 billion from US$10.4 billion in March 2016.

India's Engineering Exports scenario

Fiscal 2016-17

- India's engineering exports also followed the broader merchandise export to register 11.3 percent growth in fiscal 2016-17 as against 17.2 percent decline in the previous fiscal. Significant growth in the last two months of the said fiscal aided the growth.
- Substantial growth in the exports was observed in case of iron and steel; aluminium and led products; ships, boats and floating structures; electrical machinery; railway transport and office equipments.
- EU is the region with the highest 21 percent share in India's global engineering exports during fiscal 2016-17 followed by ASEAN+2 (16 percent) and North America (15 percent).
- Engineering exports to EU, ASEAN+2 and CIS region recorded noteworthy positive growth but exports to Africa conceded double-digit decline during fiscal 2016-17.
- Share of India's engineering exports to total merchandise exports also improved to 23.75 percent in 2016-17 from 22.34 percent in 2015-16.

March 2017

- Engineering exports in March 2017 registered second highest monthly growth in fiscal 2016-17 at 47.8 percent as the growth rate in February 2017 was revised upward to 54.2 percent year-on-year.
- The share of engineering exports in India's total merchandise exports remained high at 26.1 percent in March 2017 as against 26.4 percent in February 2017 and 23.9 percent in January 2017.
- Out of 33 engineering panels, 23 panels recorded positive growth in exports in February 2017.
- Panel that witnessed triple-digit year-on-year growth in exports during March 2017 were Zinc and products; Iron and steel; Aircrafts & spacecrafts and Led and products.
- Exports to EU, ASEAN+2 and CIS region recorded noticeable year-on-year growth in March 2017.

1. Trend in overall trade

India's merchandise export achieved year-on-year growth for the eighth consecutive month to March 2017 and recorded double-digit growth for the second straight month. Merchandise exports during March 2017 surged by 27.59 percent to US$ 29.23billion from US$22.91 billion during the same month last year.Cumulative value of exports in the entire fiscal 2016-17 was recorded at US$ 274.65billion as against US$ 262.29billion during the same period last year registering a growth of 4.71 percent.

According to the Ministry of Commerce, Govt. of India, Non-petroleum and Non Gems & Jewellery exports in March 2017 were valued at US$ 214.20 billion as against US$ 170.71 billion in March 2016, registering an increase of 25.5 %.Export of most of the key commodities such as engineering goods, gems & jewellery, petroleum products, textiles, drugs & pharmaceuticals recorded decent increase in March 2017 over the same month last fiscal. However, the exports of fruits & vegetablesand tobacco declined in March 2017 among others on a year-on-year basis.

Outshining the export growth, merchandise imports recorded a substantial 45.25 percent to US$39.67 billion from US$27.31 billion in March 2016 due to rise in both Crude oil and non-oil imports. It is mention-worthy here that Ministry of Commerce, Govt. of India quoted World back commodity price data to mention that global Brent prices ($/bbl) increased by 33.02% in March 2017 vis-à-vis March 2016. Cumulative imports for fiscal 2016-17 however declined by 0.17 percent to US$380.37 billion from US$381.01 billion in the previous fiscal probably due to 1.39 percent fall in non-oil imports.

Merchandise Trade deficit narrowed down to further to US$ US$4.40 billion in March 2017 as against US$ 8.9 billion in February 2017 andUS$9.8 billion in January 2017. On a year-on-year basis, deficit in March 2017 shrunk by 57.9 percent. For the entire fiscal 2016-17,merchandise Trade Deficit shrank by 10.95 percent to US$105.72 billion from a higher US$118.72 billion in the previous fiscal.

2. Engineering exports

India's engineering exports also grew for the eighth consecutive month to March 2017 in line with the broader merchandise export and outperformed the overall merchandise export once again by achieving second highest monthly growth in 2016-17 after February 2017.

Overseas shipment of engineering products from India stood at US$ 7.64 billion in March 2017 as against US$ 5.17 billion during the same month last year with 47.8 percent year-on-year growth. Meanwhile, growth in February 2017 was revised upward to 54.2 percent year-on-year. Cumulative value of engineering exports during fiscal 2016-17 also surged by11.3 percent over the previous fiscaldriven by the solid growth in the last month. The share of engineering exports in India's total merchandise exports remained high at 26.1 percent in March 2017 as against 26.4 percent in February 2017 and 23.9 percent in January 2017.

The monthly engineering figures for the entire fiscal 2016-17 vis-à-vis 2015-16 is depicted below:

Table1: Engineering Exports

(US$ Million)

Months	2015-16	2016-17	Growth (%)
April	5676.60	4723.82	-16.78
May	5354.44	5614.26	4.85
June	4936.26	5053.92	2.38
Quarter 1	**15967.30**	**15392.00**	**-3.60**
July	5559.65	4767.16	-14.25
August	4653.93	4877.52	4.80
September	4699.73	5009.42	6.59
Quarter 2	**14913.31**	**14654.10**	**-1.74**
October	4475.58	5077.00	13.44
November	4321.78	4828.08	11.72
December	4690.16	5633.93	20.12
Quarter 3	**13487.52**	**15539.01**	**15.21**
January	4709.05	5303.61	12.63

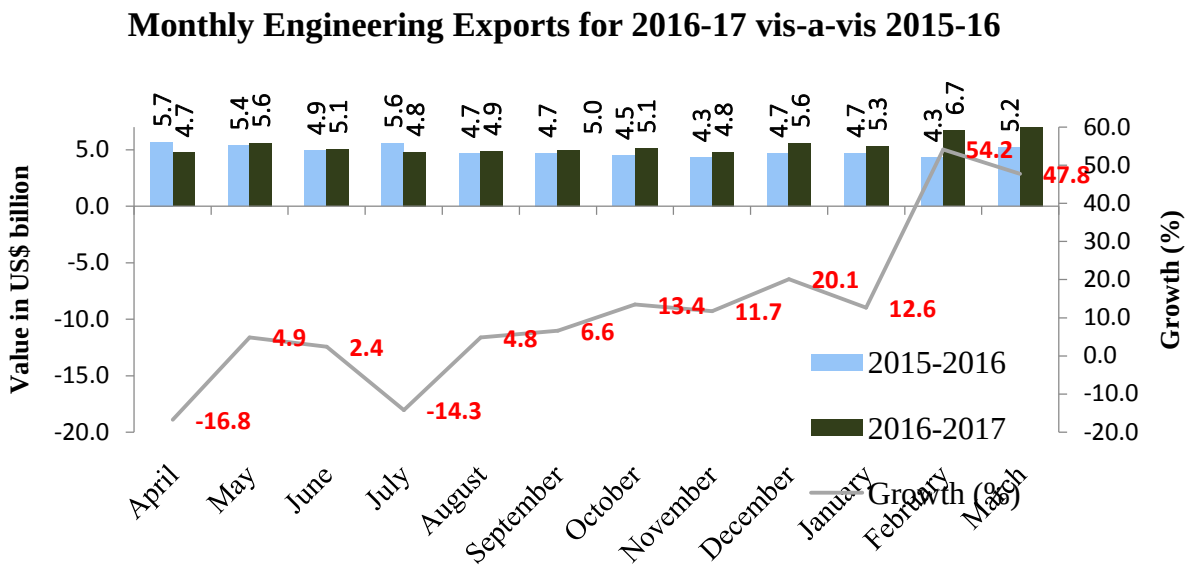
Months	2015-16	2016-17	Growth (%)
February	4349.97	6706.35	54.17
March	5170.29	7641.30	47.79
Quarter 4	**14229.31**	**19651.26**	**38.10**
Fiscal Year	**58597.44**	**65236.37**	**11.33**

Source: Department of Commerce, Government of India)

Figure 1 below depicts the monthly trend in engineering exports **for 2015-16 and 2016-17**

Figure1: Trend in Monthly Engineering Exports

US$ Billion



(*Source: EEPC India analysis)*

Engineering sector is an important component of the broader manufacturing sector and the share of engineering production in overall manufacturing output is quite significant. Now, as production and exports are directly correlated, some correlation between manufacturing production growth and engineering export growth is very likely to exist. Hence, a broad analysis of industrial production, especially of manufacturing sector is effective in the context of engineering export analysis as manufacturing has over 75% weightage in India's industrial production. The continuous downfall in Indian engineering exports has been arrested in May 2016 after 8 months and growth continued in June 2016. During fiscal 2015-16, November was the first month to concede a decline in year-on-year manufacturing production when engineering export suddenly dropped by around 30 percent. Decline in exports moderated slightly in December 2015 when decline in manufacturing also moderated. However, manufacturing output declined at a faster pace in January 2016 while engineering exports witnessed slightly slower decline. The month of February witnessed a substantial slowdown in the pace of year-on-year decline in engineering exports and

manufacturing also came to growth path. However, in March 2016, manufacturing output again declined while rate of decline in exports was largely flat over the month. April 2016 saw a higher decline in engineering exports accompanied by a bigger fall in manufacturing production but during the next three months, both engineering exports and manufacturing production moved in the same direction. During May and June 2016, both engineering exports and manufacturing bounced back to year-on-year growth while in July 2016, both of them slipped to negative growth. In the month of August and September 2016 also both moved in the same direction. In August, engineering exports came back to growth path and accelerated further in September. Manufacturing output, on the other hand saw a lower decline in August and then witnesses growth in September. In October, engineering exports recorded a sudden jump in growth but manufacturing just saw the reverse, a decline in production from feeble growth in September 2016. In November 2016 however, both moved in the same direction showing accelerated year-on-year growth over the previous month while in December2016 and in January 2017, they moved in opposite direction. In January 2017, engineering exports growth decelerated over the month while manufacturing came back to growth path after a decline in December 2016.In February 2017, IIP growth declined while engineering exports registered solid growth. Overall IIP Index, the standard measure for industrial output, stood at 182.3 in February 2017 as against 192.3 in January 2017 as against 184.0 in December 2016.

The growth rates in Engineering Exports and the Growth rate of Manufacturing in the country during the current fiscal in shown in Table 2 below:

Table 2: Engineering Exports Growth vis-à-vis Manufacturing Growth (2016-17)

Months/ Year	Engg. Exports Growth (%)	Manufacturing Growth (%)
April-March 2015-16	**-16.93**	**2.0**
April 2016	-16.78	-3.6
May 2016	4.85	0.7
June 2016	2.38	1.0
April - June 2016	**-3.60**	**-0.6**
July 2016	-14.25	-3.5
August 2016	4.80	-0.3
September 2016	6.59	1.0
July - September 2016	**-1.74**	**-0.9**
October 2016	13.44	-2.4

Months/ Year	Engg. Exports Growth (%)	Manufacturing Growth (%)
November 2016	11.72	5.4
December 2016	20.12	-1.7
October - December 2016	**15.21**	**0.4**
January 2017	12.63	2.9
February 2017	54.17	-2.0
March 2017	47.79	N. A.
January - March 2017	**38.10**	N. A.
April - March 2016-17	**11.33**	N. A.

(Source: Department of Commerce and CSO)

An analysis of the engineering export and manufacturing growth data for the last fiscal also established some correlation between the two. India's engineering exports conceded bigger decline during May 2015 in comparison to the previous month while manufacturing growth also decelerated. The pace of decline in export growth slowed down in June and manufacturing growth also strengthened. Exports registered marginal growth during July 2015 but growth of manufacturing production decelerated. Export growth and manufacturing growth moved in opposite direction in August and September 2015 but the last three months of 2015 saw both of them moving in the same direction. Decline in engineering exports decelerated in October and manufacturing growth reached its several years' high. November 2015 just saw the reverse when engineering exports declined to its highest pace of the last fiscal and manufacturing production declined for the first time in 2015-16. Then in December 2015, fall in exports moderated slightly while the pace of decline in manufacturing also slowed down to nearly half the rate of the previous month. January 2016 however saw a slower rate of decline in engineering exports coupled with a bigger fall in manufacturing growth. The month of February reflected the link between these two when decline in engineering export slowed down significantly and manufacturing bounced back to growth. In the last month of fiscal 2015-16, decline in engineering was largely the same over the month but manufacturing growth again went back to negative.

We also present the month wise corresponding **revised** engineering exports for 2015-16 as opposed to 2014-15.

Table 3: Revised Engineering Exports (2015-16)
USD Million

Quarter	Month	2014-15	2015-2016	Growth Rate in Percent
Quarter 1	**April**	5708.04	5676.59	-0.55
	May	6013.33	5354.44	-10.96
	June	5205.21	4936.26	-5.17
Quarter 2	**July**	5499.76	5559.65	1.09
	August	6380.66	4653.93	-27.06
	September	6329.07	4699.73	-25.74
Quarter 3	**October**	5007.85	4475.58	-10.63
	November	6403.45	4321.78	-32.51
	December	6710.57	4690.16	-30.11
Quarter 4	**January**	6707.02	4709.05	-29.79
	February	4975.32	4349.97	-12.57
	March	5829.71	5170.29	-11.31
Entire Fiscal	**Total Exports**	**70769.99**	**58597.44**	-17.20

(*Figures for 2015-16 are revised figures as per latest estimates by DGCI&S)*

1. Impact of Exchange Rate

How has the exchange rate been in March 2017 vis-à-vis March2016? We look at the average exchange rate for March 2017 vis-à-vis March 2016. The table below provides the same:

Table 4: Average Exchange Rate

March	Average Exchange Rate 1 USD to INR
2016	67.02
2017	65.88

(Source: Calculated from RBI archive)

The official exchange rate of rupee appreciated by 1.70 percent vis-à-vis the US Dollar during March 2017 over the same month last year.

We begin by looking at the Engineering Panel wise exports for the month of March2017 vis-a–vis March 2016. The data is given in Table 5 below:

Table 5: Trends in Engineering panel Exports for March 2017 and April- March 2016-17

US$ Million

Sl no.	Panel	Mar_16	Mar_17	Growth %	Apr-Mar 2015-16	Apr-Mar 2016-17	Growth %
1. Iron and Steel and Products made of Iron and Steel							
A	Iron and Steel	392.09	1439.47	267.13%	5423.32	8708.26	60.57%
B	Products of Iron and Steel	554.47	629.21	13.48%	6134.96	5929.19	-3.35%
Sub Total		**946.56**	**2068.68**	**118.55%**	**11558.28**	**14637.45**	**26.64%**
2. Non-Ferrous Metals and Products made of Non-Ferrous Metals							
A	Copper and products	225.52	328.41	45.62%	2539.74	2686.41	5.78%
B	Aluminium and products	265.25	399.53	50.62%	2639.77	3256.04	23.35%
C	Zinc and products	22.27	84.13	277.77%	527.06	611.59	16.04%
D	Nickel and products	8.21	2.13	-74.06%	492.97	93.29	-81.08%
E	Lead and products	15.2	52.65	246.38%	181.54	238.08	31.14%
F	Tin and products	3.12	1.48	-52.56%	57.22	8.87	-84.50%
G	Other Non-Ferrous Metals	38.36	44	14.70%	431.83	446.84	3.48%

Sl no.	Panel	Mar_16	Mar_17	Growth %	Apr-Mar 2015-16	Apr-Mar 2016-17	Growth %
Sub Total		**577.93**	**912.33**	**57.86%**	**6870.13**	**7341.12**	**6.86%**
3. Industrial Machinery							
A	Industrial Machinery like Boilers, parts, etc	83.16	73.09	-12.11%	680.77	671.05	-1.43%
B	IC Engines and Parts	184.64	211.69	14.65%	2106.22	2122.4	0.77%
C	Pumps of all types	64.13	79.32	23.69%	707.18	764.21	8.06%
D	Air condition and Refrigerators	103.42	109.92	6.29%	1048.11	985.13	-6.01%
E	Industrial Machinery for dairy, food processing , textiles etc	464.45	490.43	5.59%	4641.6	4653.16	0.25%
F	Machine Tools	39.68	37.91	-4.46%	391.12	452.34	15.65%
G	Machinery for Injecting moulding, valves and ATMs	117.27	131.79	12.38%	1262.84	1269.5	0.53%
Sub Total		**1056.75**	**1134.15**	**7.32%**	**10837.84**	**10917.79**	**0.74%**
4	Electrical Machinery	**341.7**	**527.54**	**54.39%**	**3683.83**	**4641.78**	**26.00%**
5. Auto and Auto Components							
A	Motor	666.03	740.46	11.18%	6727.43	7583.29	12.72%

Sl no.	Panel	Mar_16	Mar_17	Growth %	Apr-Mar 2015-16	Apr-Mar 2016-17	Growth %
	Vehicle/cars						
B	Two and Three Wheelers	141.57	170.17	20.20%	1775.64	1648.39	-7.17%
C	Auto Components/Part	389.11	410.56	5.51%	4217.36	4225.64	0.20%
Sub Total		**1196.71**	**1321.19**	**10.40%**	**12720.43**	**13457.32**	**5.79%**
6	Aircrafts and Spacecraft parts and products	162.39	569.5	250.70%	3729.36	3211.95	-13.87%
7	Ships Boats and Floating products and parts	295.69	482.89	63.31%	3088.45	4507.27	45.94%
A	Medical and Scientific instruments	119.88	138.09	15.19%	1191.98	1386.49	16.32%
B	Railway Transport	33.64	19.1	-43.22%	109.89	218.98	99.27%
C	Hand Tools & Cutting Tools	53	60	13.21%	640.59	639.84	-0.12%
D	Electrodes Accumulators	3.7	3.65	-1.35%	42.52	40.64	-4.42%
E	Accumulator and Batteries	20.14	28.87	43.35%	203.04	232.15	14.34%
F	Bicycle & Parts	28.4	27.49	-3.20%	298.44	294.49	-1.32%
G	Cranes Lifts &	46.86	32.03	-31.65%	423.23	388.88	-8.12%

Sl no.	Panel	Mar_16	Mar_17	Growth %	Apr-Mar 2015-16	Apr-Mar 2016-17	Growth %
	Winches						
H	Office Equipments	9.52	7.95	-16.49%	88.73	117.91	32.89%
I	Other Construction Machinery	95.18	111.58	17.23%	1077.87	1072.37	-0.51%
J	Prime Mica & Mica Products	1.45	1.36	-6.21%	17.14	18.19	6.13%
K	OTHER MISC. ITEMS	180.79	194.9	7.80%	2015.69	2111.75	4.77%
Sub Total		**592.56**	**625.02**	**5.48%**	**6109.12**	**6521.69**	**6.75%**
Grand Total		**5170.29**	**7641.3**	**47.79%**	**58597.44**	**65236.37**	**11.33%**

(Source: Department of Commerce, Government of India)

Some factors that need to be noted are:

- Panel-wise analysis for in March 2017 engineering export data showed that the overall scenario improved as compared to that of March 2016. Out of 33 engineering panels, 23 panels recorded growth in exports over the same month last year while the remaining 10 panels conceded decline during the month of March 2017.

- Iron and Steel exports jumped by more than 267 percent during March 2017 with an overseas shipment of US$ 1439.47 million from US$ 392.09 million in the same month last year. Cumulative figure showed more than 60 percent growth of exports during April - March 2017 to US$ 8708.26 million from US$ 5423.32 million during the same period last fiscal. Products of Iron and Steel also increasedin export by 13.48 percent during March 2017 over the same month last year. However like the previous month its cumulative exports declined by 3.35 percent to US$ 5929.19 million during April - March 2017 from US$ 6134.96 million during the same period last in 2015-16.

- Among the 7 non-ferrous metals and products made of non-ferrous metals, 'Nickel and its products' and 'Tin and its products' recorded substantial decline in exports during March 2017 like the previous month. Among the gainers, exports of 'Zinc and its products' grew by more than 277percent while 'Lead and its products' recorded more than 246 percent growth. Cumulative resultsshowed 5 out of 7 panels conceded positive growth during April - March 2017 barring 'Nickel and its products' and Tin and its products', like before.

- Industrial machinery recorded moderate increase in exports on a monthly basis in March 2017and marginal increase in exports on a cumulative basisduring April - March 2017. Exports of pumps recorded significant growth in March 2017 and moderately during April - March 2017. Highest exporting segment of industrial panel, 'Industrial Machinery for dairy, food processing, textiles etc.' also registered increase in exports on monthly basis. Exports of another segment 'IC Engines and Parts'increased moderately on a monthly basis and marginally on cumulative basis.

- Auto and auto components recorded positive growth both on a monthly basis as well as on a cumulative basis during April - March 2017.

- Electrical Machinery and equipments panel achieved high growth in March 2017 of more than 54 percent. On a cumulative basis, the growth was lower at 26 percent during April - March 2017 over the same period last fiscal.

- Exports of 'Aircrafts and Spacecraft parts and products' recorded 250.7 percent growth during March 2017and conceded 13.87 percent decline cumulatively during April - March 2016-17 over the same period last year.

- Among other panels, Railway Transport grew by more than 99 percent during April - March 2017. Medical & scientific equipments, Office Equipments, Accumulator and Batteries, Prime mica & mica products also registered positive growth during April - March 2017 over the same period last year.

2. Top 25 destinations for Indian Engineering Exports

We now look at the export scenario of top 25 nations that have highest demand for Indian engineering products during March 2017 over March 2016 in Absolute Value. Country wise cumulative figures for April-March 2016-2017 have also been taken into concern to see the trend of India's engineering exports in the current fiscal.

Table 6: Country wise exports of Indian Engineering Products in Fiscal 2016-17

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL, 2015 - MARCH, 2016	APRIL, 2016 - MARCH, 2017	Growth (%)
U S A	577.92	853.33	47.65	6832.21	7069.86	3.48

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL, 2015 - MARCH, 2016	APRIL, 2016 - MARCH, 2017	Growth (%)
FRANCE	99.40	459.65	362.45	1066.75	1796.95	68.45
UAE	388.82	385.68	-0.81	4216.77	4032.14	-4.38
CHINA	170.95	340.55	99.21	2057.29	1980.58	-3.73
ITALY	146.05	309.89	112.18	1486.78	2087.43	40.40
U K	200.98	281.17	39.90	2194.85	2485.81	13.26
OMAN	60.97	263.54	332.20	492.62	747.33	51.70
VIETNAM	57.92	255.77	341.55	615.42	1132.51	84.02
SINGAPORE	103.60	254.06	145.23	1890.01	2809.73	48.66
MEXICO	233.26	246.55	5.70	1891.74	2458.07	29.94
GERMANY	184.58	218.57	18.41	2083.55	2212.88	6.21
KOREA RP	106.51	216.69	103.45	1289.77	1599.57	24.02
BANGLADESH	192.99	207.91	7.73	1541.43	1995.64	29.47
NEPAL	188.30	175.09	-7.02	1427.75	2163.02	51.50
MALAYSIA	56.42	172.56	205.87	1339.18	2395.48	78.88
INDONESIA	128.38	169.05	31.67	859.25	1425.85	65.94
BELGIUM	57.95	163.19	181.62	666.62	1222.86	83.44
SAUDI ARAB	136.69	154.01	12.67	1364.54	1244.46	-8.80
THAILAND	72.99	140.27	92.17	827.80	970.86	17.28
SRI LANKA	124.27	124.56	0.23	2760.29	1415.76	-48.71
SOUTH AFRICA	74.23	117.64	58.47	1276.22	1066.07	-16.47
TURKEY	148.25	116.72	-21.27	1322.85	1556.10	17.63
TAIWAN	35.14	116.59	231.74	440.86	858.20	94.66
SPAIN	67.80	105.68	55.88	684.30	965.59	41.11

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL, 2015 - MARCH, 2016	APRIL, 2016 - MARCH, 2017	Growth (%)
JAPAN	78.00	85.83	10.03	1057.41	801.27	-24.22

Note: Red font indicates negative growth
(Source: Department of Commerce, Government of India)

The country wise engineering export figures for March 2017 show the following facts:

- In March 2017, 22 out of the top 25 countries recorded year-on-year growth in engineering exports from India 3 conceded decline over the same month last year.

- USA ranked to be the top exporting destination for India's engineering products in March 2017. It registered high positive growth on monthly basis and moderate positive export growth in cumulative basis during Apr-Mar 2016-17 over the same period last fiscal.

- Engineering exports to China recorded high positive growth in March but negative growth in terms of cumulative exports.

- All European nations falling under the top 25 engineering export destinations like UK, Germany, Italy, Belgium, France and Spain, recorded positive growth both on monthly basis and cumulative basis during Apr-Mar 2016-17 over the same period last fiscal.

- Among the ASEAN countries Vietnam recorded the highest growth in engineering exports from India both on a monthly basis as well as during Apr-Mar 2016-17over the same period last fiscal.

- Out of 228 exports destinations of Indian engineering goods, top 25 nations accounted for 74.3 percent of India's total engineering exports during Apr-Mar 2016-17.

- Overall, India's engineering exports to its top 25 destinations registered a rise in growth of 16.33 percent in Apr-Mar 2016-17 over the same period in the previous year.

3. Regional Distribution of Engineering Exports

We now look at the Regional Distribution of Engineering Exports for April-March 2016-17 as opposed to April-March 2015-16. We also look at the trend in March 2017 vis-à-vis March 2016. The Table below gives this picture:

Table 7: Region Wise Exports Trend

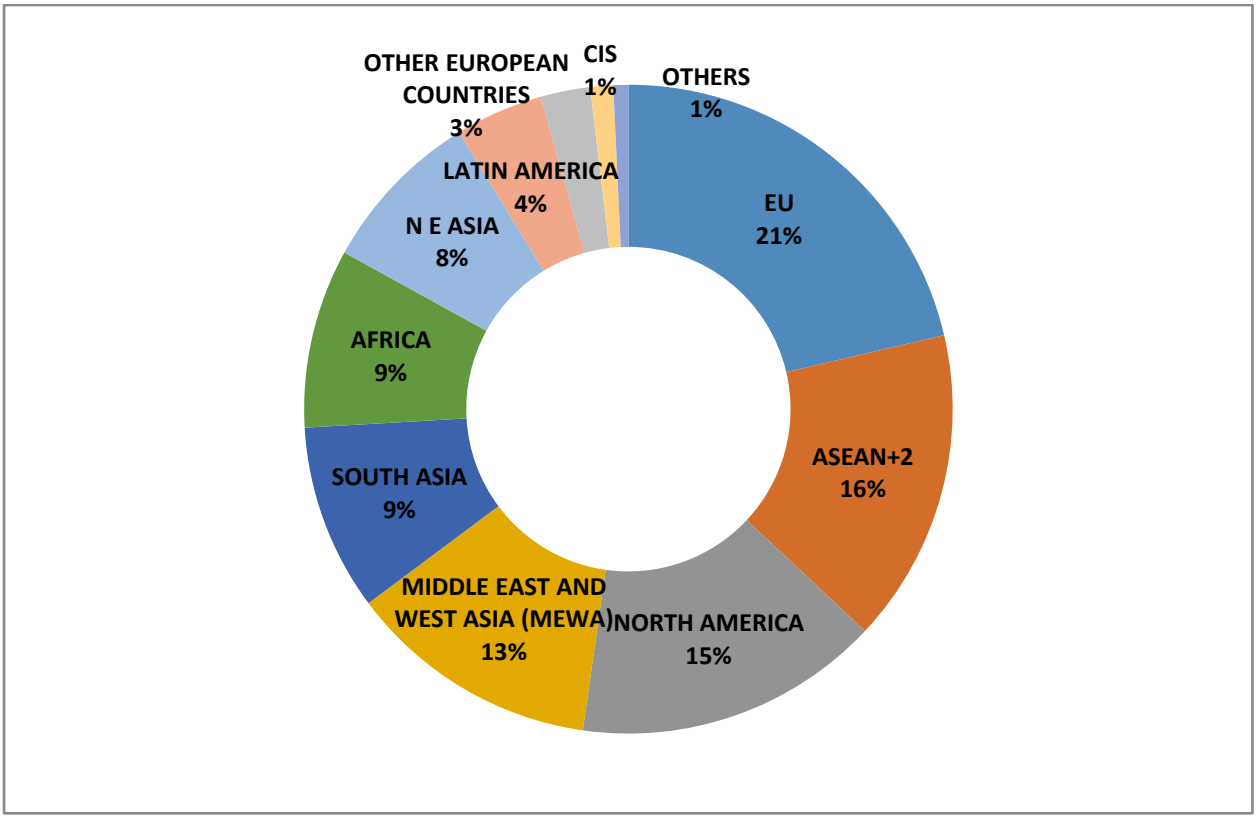
US$ Million

Region	MARCH,2016	MARCH, 2017	Growth (%)	APRIL-MARCH, 2015-16	APRIL - MARCH, 2016-17	Growth (%)
EU	992.32	1862.64	87.71	10874.36	13920.66	28.01
ASEAN+2	542.98	1151.11	112.00	6830.92	10210.46	49.47
NORTH AMERICA	853.08	1147.94	34.56	9200.66	9950.74	8.15
MIDDLE EAST AND WEST ASIA (MEWA)	759.64	1017.96	34.01	8391.33	8186.64	-2.44
SOUTH ASIA	547.49	544.55	-0.54	6153.93	6063.78	-1.46
AFRICA	581.20	600.75	3.36	6642.15	5826.66	-12.28
N E ASIA	404.12	774.41	91.63	5025.46	5374.59	6.95
LATIN AMERICA	249.04	303.45	21.85	2883.66	2862.61	-0.73
OTHER EUROPEAN COUNTRIES	153.22	123.40	-19.46	1383.15	1609.67	16.38
CIS	59.14	89.98	52.14	556.94	743.77	33.55
OTHERS	28.06	25.10	-10.57	654.90	486.82	-25.67
Grand Total	**5170.30**	**7641.28**	**47.79**	**58597.46**	**65236.41**	**11.33**

(Source: Department of Commerce, Government of India)

Note: *Figures have been rounded off. Source: DGCI&S; **Myanmar has been included in ASEAN+2 and not in South Asia, since ASEAN is a formal economic grouping.

Figure 2: India's region wise exports during Apr-Mar 2016-17



(*Source: EEPC India analysis)*

- EU ranks as the region with highest shipment of engineering products from India during March 2017 with a share of 24.4% of total engineering exports.

- India's engineering exports to ASEAN +2 countries recorded highest positive growth both on a monthly basis as well as on a cumulative basis during April – March 2016-17 over the same period in the previous year.

- Engineering exports to CIS also recorded noteworthy positive growth both on a monthly basis as well as on a cumulative basis.

- India's exports to following regions registered decline in the period under consideration:

    - Latin America
    - Middle East and West Asia (MEWA)
    - South Asia
    - Africa

4. Engineering panel – country wise analysis

We now analyse the performance of some of the important products during April - March 2016-17 as well as during March 2017. We have taken the major panels and captured nations with high growth and sharp declines for each panel to get an idea of the current trade pattern.

Table 8: Export of Iron & Steel

US$ Million

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-MARCH 2015-16	APRIL-MARCH 2016-17	Growth %
High cumulative growth						
VIETNAM	3.81	197.52	5079.99%	70.91	561.66	692.11%
MALAYSIA	3.40	53.69	1478.78%	45.50	282.10	519.96%
BELGIUM	20.33	115.96	470.36%	244.28	737.52	201.91%
SPAIN	8.20	45.93	459.95%	118.76	321.73	170.91%
CHINA P RP	7.86	82.18	945.14%	145.59	367.19	152.20%
INDONESIA	7.22	57.67	698.82%	135.68	302.32	122.81%
ITALY	37.09	167.94	352.83%	387.77	763.09	96.79%
U ARAB EMTS	16.31	92.60	467.79%	286.51	523.04	82.55%
BANGLADESH	24.40	21.33	-12.61%	223.86	373.24	66.73%
KOREA RP	12.16	27.53	126.34%	219.55	334.05	52.15%
NEPAL	47.97	60.64	26.41%	472.44	627.47	32.82%
Sharp cumulative decline						
IRAN	8.15	12.21	49.87%	329.99	95.58	-71.04%
U S A	17.38	66.06	280.15%	384.54	328.29	-14.63%

(Source: Department of Commerce, Government of India)

- Vietnam recorded highest growth in imports of Indian iron and Steel during April - March 2016-17. Malaysia saw second highest growth.
- The largest importer of Indian Iron & Steel, Belgium saw third highest growth during 2016-17.
- Exports to Iran and USA declined sizeably during April - March 2016-17 over the same period last year.

Table 9: Export of Products of Iron & Steel

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-MARCH 2015-16	APRIL-MARCH 2016-17	Growth %
High cumulative growth						
IRAN	0.52	27.09	5124.86%	12.48	99.69	698.85%
KUWAIT	10.41	10.31	-0.98%	70.68	169.49	139.78%
NEPAL	8.41	4.79	-43.01%	47.34	86.93	83.63%
SRI LANKA	5.57	9.02	62.16%	41.00	70.48	71.92%
MALAYSIA	2.44	6.86	181.01%	46.70	58.54	25.36%

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-MARCH 2015-16	APRIL-MARCH 2016-17	Growth %
FRANCE	9.10	21.50	136.30%	111.73	132.20	18.32%
SAUDI ARAB	39.21	37.72	-3.79%	295.06	342.53	16.09%
Sharp cumulative decline						
IRAQ	0.17	0.27	58.80%	178.52	7.13	-96.01%
CHILE	3.48	2.49	-28.44%	70.75	10.48	-85.19%
PERU	6.62	0.69	-89.56%	93.15	14.32	-84.63%

(Source: Department of Commerce, Government of India)

- In case of products of iron & steel, exports to Iran, Kuwait and Nepalwitnessed notable growth during April - March 2016-17.
- Top exporting destinations like USA and UAE did not see significant growth in imports from India.
- Iraq, Chile and Peru recorded substantial decline in imports of Indian products of Iron & Steel during April - March 2016-17.

Table 10: Export of Industrial Machinery

US$ Million

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-MARCH 2015-16	APRIL-MARCH 2016-17	Growth (%)
High cumulative growth						
KUWAIT	24.39	16.22	-33.51%	82.41	255.57	210.12%
RUSSIA	4.75	11.71	146.42%	83.39	182.14	118.42%
MALAYSIA	10.76	11.88	10.41%	152.56	311.90	104.45%
NEPAL	27.01	23.86	-11.66%	197.93	300.71	51.93%
Sharp cumulative decline						
HONG KONG	0.94	1.30	39.12%	58.03	14.87	-74.38%
CANADA	12.95	7.83	-39.50%	152.32	85.00	-44.20%
SUDAN	8.86	3.99	-55.00%	62.82	40.49	-35.55%
SAUDI ARAB	31.09	29.81	-4.12%	381.57	248.00	-35.01%

(Source: Department of Commerce, Government of India)

- Kuwait recorded highest growth in imports of India's Industrial Machinery during April - March 2016-17. Russia and Malaysia also achieved triple digit growth during the time period.

- Export to Hong Kong, Canada, Sudan and Saudi Arabia recorded sharp decline in imports during 2016-17.

Table 11: Export of Automobiles

US$ Million

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-MARCH 2015-16	APRIL-MARCH 2016-17	Growth (%)
High cumulative growth						
DENMARK	1.89	1.65	-12.94%	1.90	33.18	1649.47%
INDONESIA	2.71	31.76	1070.08%	33.07	140.19	323.90%
ISRAEL	5.75	2.47	-56.99%	31.62	76.91	143.26%
BELGIUM	4.58	5.57	21.72%	34.38	78.50	128.36%
GREECE	4.79	9.59	100.12%	16.21	36.12	122.76%
NEPAL	36.46	29.38	-19.41%	252.19	458.26	81.71%
GERMANY	20.93	17.44	-16.70%	118.90	198.84	67.23%
TURKEY	5.47	7.44	36.15%	43.50	71.15	63.55%
CHILE	16.44	28.82	75.35%	147.74	232.06	57.07%
Sharp cumulative decline						
ZIMBABWE	0.28	0.07	-75.58%	46.31	0.82	-98.22%
SINGAPORE	1.10	2.36	115.87%	55.28	9.33	-83.13%
QATAR	5.27	2.73	-48.12%	73.59	21.70	-70.51%
JORDAN	3.18	0.36	-88.68%	35.93	10.96	-69.50%
CONGO D. REP.	1.62	0.65	-60.23%	55.55	21.66	-61.01%
LEBANON	1.72	1.81	5.53%	52.48	22.29	-57.52%

(Source: Department of Commerce, Government of India)

(Note: Automobiles sector includes Motor vehicles and Two & Three Wheelers)

- Export of automobile from India to Denmark grew significantly during 2016-17;
- Indonesia, Israel, Belgium and Greece saw over 100 percent growths in imports of Indian automobile during April - March 2016-17.
- Mexico remains the largest importer of Indian automobiles during 2016-17 and recorded around 46% growth in year-on-year imports.

Export of automobiles to Zimbabwe, Singapore, Qatar, Jordan, Congo D. Rep. and Lebanon saw notable decline in the said period.

Table 12: Export of Non-Ferrous metals

US$ Million

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL,2015 - MARCH, 2016	APRIL,2016 - MARCH, 2017	Growth (%)
High cumulative growth						

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL,2015 - MARCH, 2016	APRIL,2016 - MARCH, 2017	Growth (%)
ITALY	4.31	24.46	468.16	42.20	181.70	330.58
TAIWAN	14.31	67.55	371.97	204.12	467.16	128.87
SPAIN	4.81	13.71	184.81	36.66	82.99	126.35
BANGLADESH	8.46	13.15	55.38	75.72	145.74	92.48
INDONESIA	2.80	22.72	712.60	78.02	141.69	81.60
NETHERLAND	3.64	8.21	125.29	49.54	82.23	65.99
OMAN	9.67	3.75	-61.19	52.01	80.14	54.08
JAPAN	6.67	11.13	66.97	64.90	91.32	40.72
KOREA	65.50	150.67	130.03	782.01	983.66	25.79
U S A	43.49	110.13	153.24	552.67	691.37	25.10
ITALY	4.31	24.46	468.16	42.20	181.70	330.58
Sharp cumulative decline						
CHINA	107.41	166.14	54.68	1209.60	821.76	-32.06
MEXICO	24.76	19.19	-22.48	209.05	170.62	-18.38
BRAZIL	2.62	11.62	342.90	75.70	65.90	-12.95
KENYA	17.79	7.37	-58.59	85.57	75.62	-11.63
SINGAPORE	10.35	4.85	-53.12	415.93	369.99	-11.05

- Exports of India's non-ferrous metal to Italy recorded highest growth among all exporting nations during April - March 2016-17 while Taiwan registered second highest growth during this time period. Spain and Bangladesh also achieved noticeable growth during 2016-17.
- China continued to see highest decline in imports from India on a cumulative basis. Mexico followed China to witnessed lower imports of non-ferrous metals from India during April –March 2016-17.

Table 13: Export of Electrical Machinery and Components

US$ Million

COUNTRY	MARCH 2016	MARCH 2017	Growth (%)	APRIL,2015 - MARCH,2016	APRIL,2016 - MARCH,2017	Growth (%)
High cumulative growth						
ALGERIA	1.09	0.35	-67.64	24.34	82.80	240.14
TURKEY	10.13	9.33	-7.87	64.68	188.79	191.89
KUWAIT	3.35	8.62	157.35	29.19	71.25	144.05
JAPAN	9.46	15.71	66.09	63.26	138.24	118.52
MALAYSIA	4.20	15.10	259.54	49.93	98.56	97.39
U K	16.95	44.14	160.34	204.07	322.34	57.96
NEPAL	9.88	11.13	12.67	63.36	99.28	56.70
U S A	46.63	113.88	144.23	521.98	773.99	48.28
Sharp cumulative decline						
SAUDI ARAB	6.86	5.46	-20.44	89.55	51.57	-42.41
NIGERIA	6.25	8.31	32.83	66.15	50.55	-23.57
FRANCE	17.68	13.00	-26.48	185.73	165.34	-10.98
INDONESIA	3.40	4.12	20.89	57.54	53.87	-6.38

(Source: Department of Commerce and CSO)

- Algeria recorded highest growth in imports of India's 'Electric Machinery and Component' during April - March 2016-17 followed by Turkey and Kuwait.
- The largest importer of India's electrical machinery and components USA recorded 48.3 percent growth in imports during this time period. Second and third largest importer UK and Germany also achieved good growth in imports during 2016-17.
- Among the losers, Saudi Arabia recorded highest decline in imports at 42.41 percent. Nigeria was the immediate follower with23.57 percent fall in imports during 2016-17.

Table 14: Export of Aircrafts &Space crafts

US$ Million

COUNTRY	MARCH 2016	MARCH 2017	Growth (%)	APRIL-MARCH2015-16	APRIL-MARCH2016-17	Growth (%)
High cumulative growth						
BULGARIA	0.06	0.00	-100.00	0.21	93.70	44295.34
POLAND	0.27	1.35	393.89	2.17	21.34	884.52
SWITZERLAND	1.86	3.69	97.79	20.58	120.03	483.20
FRANCE	24.50	361.93	1377.46	153.46	741.18	382.98
TURKEY	3.31	4.00	20.79	25.88	109.28	322.30
MALAYSIA	1.99	2.50	25.48	12.98	33.49	158.07
SINGAPORE	14.32	19.61	36.89	114.45	247.57	116.32
ISRAEL	4.70	12.51	166.13	57.05	113.90	99.66
Sharp cumulative decline						
SRI LANKA	0.23	0.00	-100.00	1308.37	78.46	-94.00
UAE	0.35	7.10	1907.51	724.47	159.03	-78.05
GERMANY	10.15	12.58	23.97	196.04	163.23	-16.74

(Source: Department of Commerce and CSO)

- Exports of India's Aircraft &Space crafts to Bulgaria was low but that showed a sudden growth during financial year 2016-17 while France also recorded substantial rise in imports of the same.Several other nations also recorded import growth in triple digit during April - March 2016-17.
- Exports to Sri Lanka and UAE conceded maximum declines in imports during the financial year 2016-17.

Table 15: Export of Ships, Boats and Floating Structures and parts

US$ Million

COUNTRY	MARCH 2016	MARCH 2017	Growth (%)	APRIL-MARCH2015-16	APRIL-MARCH2016-17	Growth (%)
High cumulative growth						
OMAN	0.00	220.23	---	0.03	228.43	879004.54
MAURITIUS	0.00	0.00	---	5.64	72.52	1185.28
MALAYSIA	0.00	38.37	---	190.61	775.00	306.58
INDONESIA	68.55	7.45	-89.14	84.15	304.50	261.84
SINGAPORE	25.20	168.69	569.36	702.63	1593.78	126.83
UAE	152.14	37.51	-75.34	782.05	1122.22	43.50
SRI LANKA	31.16	4.08	-86.92	175.42	193.59	10.36
Sharp cumulative decline						
BAHRAIN	0.00	0.00	---	122.62	45.81	-62.64

(Source: Department of Commerce and CSO)

- Oman registered abnormally high growth in imports of Indian engineering products that comes under the panel 'Ships, Boats and Floating Structures and Parts' during April - march 2016-17 due to sudden jump in imports in March 2017. Mauritius and Malaysia also recorded robust growth in imports of the same during financial year2016-17.

- Exports of 'Ships, Boats and Floating Structures and Parts' to Bahrain recorded noticeable decline during the same time period.

Table 16: Export of Auto Components

US$ Million

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-March 2015-16	APRIL-MARCH 2016-17	Growth (%)
High cumulative growth						
CANADA	3.19	10.11	216.61	37.29	63.49	70.26

COUNTRY	MARCH, 2016	MARCH, 2017	Growth (%)	APRIL-March 2015-16	APRIL-MARCH 2016-17	Growth (%)
NEPAL	22.42	8.80	-60.74	120.77	183.65	52.07
BANGLADESH	18.02	22.33	23.94	146.43	195.02	33.18
SPAIN	6.11	5.45	-10.82	51.61	65.34	26.62
SOUTH AFRICA	5.97	5.97	-0.02	54.48	67.79	24.44
RUSSIA	4.76	5.64	18.38	46.59	57.42	23.23
SRI LANKA	7.46	9.47	26.98	70.04	84.84	21.12
FRANCE	6.13	8.67	41.34	62.68	74.95	19.57
Sharp cumulative decline						
EGYPT	8.96	3.45	-61.57	110.42	82.05	-25.70
UAE	10.54	10.03	-4.83	138.82	106.91	-22.99
U K	13.87	13.79	-0.56	181.21	149.84	-17.31
BRAZIL	11.93	15.25	27.81	162.50	147.67	-9.13

(Source: Department of Commerce and CSO)

- Largest importer of India's 'Auto Components/Parts' during fiscal 2016-17, USA recorded 8.9 percent decline in imports that amounted to US$801.43 million. Second highest importer Turkey also conceded 7.5 percent decline during April - March 2016-17.
- Canada recorded highest growth in imports of Indian 'Auto Components/Parts' during April - March 2016-17 followed by Nepal among major importers.
- Egypt this time was the top loser among all major importers followed by UAE and UK during financial year 2016-17.

5. Points to Ponder

While on the aggregate, the engineering exports seems to have redeemed itself, certain aspects needs to be highlighted:

1. 49.5% of the increase in the absolute value of exports between 2015-16 and 2016-17 is on account of exports of primary iron and steel products (Chapter 72). The sharp

surge in exports of iron and steel products in the last quarter of 2016-17 was the primary factor behind the overall growth in India's engineering exports in 2016-17.

2. While the exports data at the 8 digit level is not available, market reports indicates that our exports have mostly been in semis or crude steel products. These are basic raw materials for India's downstream engineering production and exports.
3. Not surprisingly, therefore, the exports of primary iron and steel products have come at the cost of products of iron and steel products (Chapter 73) which have fallen by over 3% in 2016-17.
4. Similarly, other product panels which also use primary iron and steel products like Industrial machinery (boilers, parts, etc), Hand tools and cutting, bicycle and parts, parts of aircrafts and even Automobiles, where the growth rate has either negative or relatively low positive growth rates vis-à-vis primary steel.
5. The revival of Ships Boats and Floating products and parts is a good sign and if this trend continues, then there is likely to be stability in engineering exports in the current fiscal.
6. EU was the region with highest shipment of engineering products from India during fiscal 2016-17 with a share of 21 percent of total engineering exports. India's engineering exports to ASEAN+2 and CIS countries too recorded noteworthy positive growth but exports to Africa declined sizeably during fiscal 2016-17.
7. Once the data at eight digit level is available, more clarity on the composition of the products will be possible. Further, this will also have to be matched with the import figures during 2016-17, particularly, to look at the question as to whether the sharp increase in primary steel products exports, in turn lead to increase in imports of these products or finished steel products to meet the needs of the domestic market.

6. Outlook for 2017-18

The WTO has forecasted that global trade will expand by 2.4% in 2017 from 1.3% in 2016; however, as deep uncertainty about near-term economic and policy developments raise the forecast risk, this figure has been placed within a range of 1.8% to 3.6%. In 2018, the WTO is forecasting trade growth between 2.1% and 4%.

The recovery of world trade this year and next is based on expected world real GDP growth at market exchange rates of 2.7% in 2017 and 2.8% in 2018. This GDP estimate assumes that developed economies maintain generally expansionary monetary and fiscal policies, and that developing economies continue to emerge from their recent slowdown. Historically, the volume of world merchandise trade has tended to grow about 1.5 times faster than world output, although in the 1990s it grew more than twice as fast. However, since the financial crisis, the ratio of trade growth to GDP growth has fallen to around 1:1. Last year marked the first time since 2001 that this ratio has dropped below 1, to a ratio of 0.6:1. The ratio is expected to partly recover in 2017, but it remains a cause for concern.

Given the cautiousness despite the improved growth forecast in 2017 by WTO, EEPC India feels that if the current trends continue, we should be able to cross the all-time high of USD 70 billion achieved in 2014-15. The immediate worry that our members have expressed is

the appreciation of Indian Rupee by 5% even though their competitor's currency is moving the other way while such an appreciation is not leading to a declining raw material prices of primary steel, which has increased by 23% in the last six and continues to be northward bound. Thus, while globally our exporters are facing currency pressures, internally, however, they are also not getting the benefit of a strong Rupee as the price of their main raw material continues to be northbound. This is the only factor that may weigh on India's engineering exports going forward in the current fiscal.

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