

Engineering Exports and Imports Monitor

November 2018



Engineering the future

EEPCINDIA
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Analysis of Indian engineering exports and imports for November 2018

India's Merchandise Trade scenario

- ❖ An unfavourable base effect and major festivals in the month of November have dragged down year-on-year growth in merchandise exports to a marginal 0.8 percent during November 2018. Exports during the month stood at US\$ 26.50 Billion as against US\$ 26.29 Billion in the same month last fiscal. In rupee terms however, growth was much higher at 11.66 percent year-on-year.
- ❖ Major commodity groups of exports showing decent growth over the corresponding month of the last year were Petroleum Products (42.68%), Electronic Goods (37.07%), Organic & Inorganic Chemicals (12.26%), RMG of all Textiles (8.98%) and Drugs & Pharmaceuticals (3.2%).
- ❖ Cumulative exports however continued to grow at double-digit, Cumulative exports during April-November 2018-19 increased to US\$ 217.52 Billion from US\$ 194.93 Billion during April-November 2017-18, registering a positive growth of 11.58 percent and 20 percent in rupee terms.
- ❖ India's Merchandise Imports during November 2018 were US\$ 43.17 Billion, which was 4.31 percent higher in Dollar terms over imports of US\$ 41.39 Billion in the same month last fiscal.
- ❖ Major commodity groups of imports showing high growth in November 2018 over the corresponding month last year includes Petroleum, Crude & products (41.31%). Coal, Coke & Briquettes, etc. (12.51%), Organic & Inorganic Chemicals (10.77%), Machinery, electrical & non-electrical (7.66%) and Electronic goods (0.29%).
- ❖ Cumulative imports for the period April-November 2018-19 registered a much higher 14.71 percent growth as inbound shipments increased to US\$ 345.64 Billion from US\$ 301.31 Billion during the same period last year.
- ❖ Trade deficit however narrowed down slightly to US\$ 16.67 billion in November 2018 from US\$ 17.13 billion in the previous month. On a year-on-year basis, trade deficit increased by 10.40 percent. Cumulative trade deficit during the first 8 months of fiscal 2017-18 at US\$ 128.13 billion witnessed 20.46 percent growth over the same period last fiscal.

India's Engineering Exports scenario

- ❖ Indian engineering exports, after registering 8.5 percent year-on-year growth in October 2018, dropped for the second time in fiscal 2018-19 in November 2018. Engineering exports from India in November 2018 tumbled by a substantial 16.40 percent to US\$ 5.75 billion from US\$ 6.87 billion during the same month last fiscal. It was the first

double-digit decline of India's engineering exports in the ongoing fiscal. During September 2018, the fall was estimated at 4.49 percent.

- ❖ Cumulative engineering exports during Apr-Nov 2018-19 however recorded 7.35 percent year-on-year growth as it went up to US\$ 52.22 billion from US\$ 48.65 billion during the corresponding period of the previous fiscal.
- ❖ The share of engineering exports in India's total merchandise exports dropped to 21.68 percent in November 2018 but remained higher at 24.10 percent when calculated on a cumulative basis (for April-November 2018-19).

India's Engineering Imports scenario

- ❖ India's Engineering imports for the new fiscal 2018-19 were valued at US\$ 8.7 billion during November 2018 compared to US\$ 8.6 billion in November 2017 registering a growth of 0.49 percent in dollar terms.
- ❖ The share of engineering imports in India's total merchandise imports was estimated at a lower 20.1 percent in November 2018 as against 20.9 percent in November 2017.

1. Trend in overall merchandise trade

Indian merchandise export growth decelerated to a marginal 0.80 percent during November 2018 on the back of an unfavourable base effect and decline in shipment of major foreign exchange earning sectors. Exports during the month stood at US\$ 26.50 Billion as against US\$ 26.29 Billion during the same month last fiscal. In rupee terms however, growth was much higher at 11.66 percent year-on-year.

Major commodity groups of exports showing increase in shipment in November 2018 over the corresponding month of the last year were Petroleum Products (42.68%), Electronic Goods (37.07%), Organic & Inorganic Chemicals (12.26%), Ready-made Garments of all Textiles (8.98%) and Drugs & Pharmaceuticals (3.2%).

Cumulative exports however continued to grow at double-digit. Cumulative exports during April-November 2018-19 increased to US\$ 217.52 Billion from US\$ 194.93 Billion during April-November 2017-18, registering a positive growth of 11.58 percent and 20.4 percent in rupee terms.

Non-petroleum and Non Gems and Jewellery exports in November 2018 were US\$ 18.57 Billion as compared to US\$ 19.32 Billion in November 2017, exhibiting a negative growth of 3.93 percent. On a cumulative basis, non-petroleum and Non Gems and Jewellery exports in April-November 2018-19 however increased by 8.89 percent to US\$ 156.55 Billion from US\$ 143.77 Billion during the corresponding period in 2017-18.

India's Merchandise Imports during November 2018 were US\$ 43.17 Billion, which was 4.31 percent higher in Dollar terms over imports of US\$ 41.39 Billion in the same month last fiscal.

Major commodity groups of imports showing high growth in November 2018 over the corresponding month of last year includes Petroleum, Crude & products (41.31%); Coal, Coke & Briquettes, etc. (12.51%); Organic & Inorganic Chemicals (10.77%); Machinery, electrical & non-electrical (7.66%) and Electronic goods (0.29%).

Cumulative imports for the period April-November 2018-19 registered a much higher 14.71 percent growth as inbound shipments increased to US\$ 345.64 Billion from US\$ 301.31 Billion during the same period last year.

Oil imports in November 2018 were US\$ 13.49 Billion, which was 41.31 percent higher in Dollar terms in comparison to US\$ 9.55 Billion in November 2017. Oil imports in April-November 2018-19 were US\$ 97.43 Billion, which was 49.14 per cent higher in Dollar terms compared to US\$ 65.33 Billion recorded during the same period last year. In this connection it is mentioned that the global Brent price (\$/bbl) has increased by 4.16% in November 2018 vis-à-vis November 2017 as per data available from World Bank (Pink Sheet).

Non-oil imports in November 2018 were estimated at US\$ 29.68 Billion as against US\$ 31.84 Billion, registering a decline of 6.79 per cent in Dollar terms. On a cumulative basis however it went up by 5.18 percent to US\$ 248.21 Billion during April-November 2018-19 from US\$ 235.98 Billion in the same period last fiscal.

Trade deficit however narrowed down slightly to US\$ 16.67 billion in November 2018 from US\$ 17.13 billion in the previous month. On a year-on-year basis, trade deficit widened by 10.40 percent. Cumulative trade deficit during the first 8 months of fiscal 2017-18 at US\$ 128.13 billion was 20.46 percent higher over the same period last fiscal.

2. Engineering exports

Indian engineering exports, after registering 8.5 percent year-on-year growth in October 2018, dropped for the second time in fiscal 2018-19 in November 2018. Engineering exports from India in November 2018 tumbled by a substantial 16.40 percent to US\$ 5.75 billion from US\$ 6.87 billion during the same month last fiscal. It was the first double-digit decline of India's engineering exports in the ongoing fiscal. During September 2018, the fall was estimated at 4.49 percent.

Cumulative engineering exports during Apr-Nov 2018-19 however recorded 7.35 percent year-on-year growth as it went up to US\$ 52.22 billion from US\$ 48.65 billion during the corresponding period of the previous fiscal.

The share of engineering exports in India's total merchandise exports dropped to 21.68 percent in November 2018 but remained higher at 24.10 percent when calculated on a cumulative basis (for April-November 2018-19).

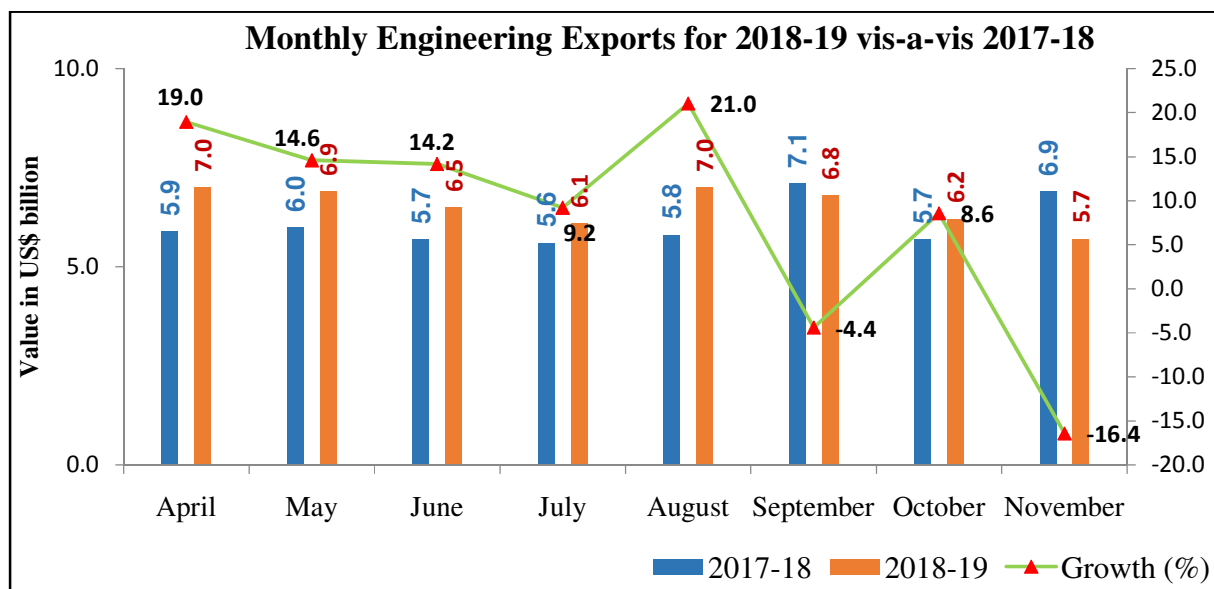
The monthly engineering figures for 2018-19 vis-à-vis 2017-18 are depicted below as per the latest availability of figure:

Table1: Engineering Exports
(US\$ Million)

Month	2017-18	2018-19	Growth (%)
April	5902.86	7021.92	18.96
May	6047.26	6929.81	14.59
June	5703.28	6511.69	14.17
April-June	17653.40	20463.42	15.92
July	5595.63	6111.86	9.23
August	5766.60	6979.96	21.04
September	7088.19	6769.74	-4.49
July-September	18450.42	19861.56	7.65
October	5669.59	6152.16	8.51
November	6872.84	5745.71	-16.40
April-November	48646.25	52222.85	7.35

Figure 1 below depicts the monthly trend in engineering exports for **November 2018 vis-à-vis November 2017**

Figure1: Trend in Monthly Engineering Exports (In US\$ billion)



(Source: EEPC India analysis)

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. 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 77.63% weightage in India's industrial production.

During the first and second month of fiscal 2018-19, both engineering exports and manufacturing moved in the same direction. Growth accelerated for both in April 2018. During May 2018, both engineering exports and manufacturing growth slowed down sizeably. However, these two moved in opposite directions in each month between June and August 2018. During June and July, manufacturing growth surged but engineering exports growth moderated, while in August, just the opposite has happened. Again the month of September and October 2018 saw both engineering export growth and manufacturing growth moved in the same direction. In September 2018, engineering exports declined and manufacturing growth slowed down. October 2018 witnessed rebound in engineering exports to growth path and acceleration in manufacturing growth. The manufacturing Index in the Index of Industrial Production (IIP) stood at 133.5 in October 2018 as against 131.4 in September 2018, 130.4 in August 2018, 127.6 in July, 128.6 in June, 130.1 in May and 123.1 in April 2018.

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

Table 2: Engineering exports growth vis-à-vis manufacturing growth (2018-19)

Months/ Year	Engg. exports growth (%)	Manufacturing growth (%)
April-March 2017-18	16.81	4.5
April 2018	18.96	4.9
May 2018	14.59	3.6
Jun 2018	14.17	6.9
April-June 2018	15.92	5.1
July 2018	9.23	7.0
August 2018	21.04	5.1
September 2018	-4.49	4.6
July-September 2018	7.65	5.5
October 2018	8.51	7.9
November 2018	-16.40	N A

(Source: Department of Commerce and CSO)

We also present the month wise corresponding revised engineering exports for 2017-18 as opposed to 2016-17 after the release of panel-wise engineering export data.

Months	2016-17	2017-18	Growth (%)
April	4744.32	5902.86	24.42%
May	5636.17	6047.26	7.29%
June	5066.99	5703.28	12.56%
Quarter 1	15447.48	17653.40	14.28%
July	4794.12	5595.63	16.72%
August	4873.71	5766.60	18.32%
September	4917.78	7088.19	44.13%
Quarter 2	14585.61	18450.42	26.50%
October	5133.58	5669.59	10.44%
November	4841.37	6872.84	41.96%

December	5688.32	7160.88	25.89%
Quarter 3	15663.27	19703.31	25.79%
January	5334.66	6217.67	16.55%
February	6501.99	6332.64	-2.60%
March	7706.18	7850.32	1.87%
Quarter 4	19542.83	20400.63	4.39%
April-March	65239.19	76207.76	16.81%

3. Impact of Exchange Rate

How has the exchange rate changed in November 2018 vis-à-vis November 2017? In order to find it out, we look at the average exchange rate for both November 2018 and 2017. The table below provides the same:

Table 3: Average exchange rate

November	Average exchange rate 1 USD to INR
2017	64.86
2018	71.85

(Source: Calculated from RBI archive)

During November 2018, the official exchange rate of rupee vis-à-vis the US Dollar has depreciated by 10.78 percent over November 2017. However, the pace of year-on-year depreciation in November somewhat decelerated in comparison to that of October 2018 at 13.1 percent.

4. Panel-wise analysis of engineering exports

We begin by looking at the engineering panel-wise exports for the month of November 2018 vis-à-vis November 2017. The data is given in Table 5.

Table 5: Trends in engineering panel exports for November 2018 compared to November 2017 (US\$ million)

Sl no.	Panel	November 2017	November 2018	Growth %	April-November 2017-18	April-November 2018-19	Growth %
1. Iron and Steel and Products of Iron and Steel							
A	A. Iron and Steel	1203.34	710.54	-41.0	7335.28	6517.54	-11.1

Sl no.	Panel	November 2017	November 2018	Growth %	April- November 2017-18	April- November 2018-19	Growth %
B	B. Products of Iron and Steel	540.4	530.72	-1.8	4348.78	4659.8	7.2
Subtotal		1743.74	1241.26	-28.82	11684.06	11177.34	-4.34
2. Non Ferrous Metals and Products							
A	Copper and products	302.29	113.18	-62.56	2270.77	695.65	-69.37
B	Aluminium and products	422.65	481.15	13.84	2976.07	3903.38	31.16
C	Zinc and products	102.62	46.07	-55.11	548.59	404.38	-26.29
D	Nickel and products	3.47	4.31	24.21	31.86	49.44	55.18
E	Lead and products	31.63	28.69	-9.29	222.69	258	15.86
F	Tin and products	0.59	1.33	125.42	7.12	5.74	-19.38
G	Other Non-Ferrous Metals	38.84	39.6	1.96	324.08	354.01	9.24
Sub Total		902.09	714.33	-20.81	6381.18	5670.6	-11.14
3. Industrial Machinery and parts							
A	Industrial Machinery like Boilers, parts, etc	35.78	53.35	49.11	366.86	457	24.57
B	IC Engines and Parts	200.22	215.62	7.69	1656.48	1799.61	8.64
C	Pumps of all types	80.21	75.89	-5.39	623.75	641.67	2.87
D	Air condition and Refrigerators	119	151.72	27.50	743.74	1355.34	82.23
E	Industrial Machinery for dairy, food processing , textiles etc	468.09	438.17	-6.39	3343.69	3831.22	14.58
F	Machine Tools	40.78	34.14	-16.28	309.89	316.25	2.05
G	Machinery for Injecting moulding, valves and ATMs	132.45	125.72	-5.08	983.82	1028.26	4.52
Sub Total		1076.53	1094.61	1.68	8028.23	9429.35	17.45
4	Electrical Machinery	700.54	565.84	-19.23	4041.17	5607.27	38.75
A	Motor Vehicle/cars	798.14	614.33	-23.03	5127.49	5571.06	8.65
B	Two and Three Wheelers	178.27	166.99	-6.33	1308.64	1451.57	10.92

Sl no.	Panel	November 2017	November 2018	Growth %	April- November 2017-18	April- November 2018-19	Growth %
C	Auto Components/Part	447.72	449.92	0.49	3265.94	3733.27	14.31
Sub Total		1424.13	1231.24	-13.54	9702.07	10755.9	10.86
6	Aircrafts and Spacecraft parts and products	187.25	105.07	-43.89	1322.28	1202.83	-9.03
7	Ships Boats and Floating products and parts	167.4	111.45	-33.42	2587.4	2732.5	5.61
8. Miscellaneous							
A	Medical and Scientific instruments	150	131.28	-12.48	1050.11	1100.31	4.78
B	Railway Transport	24.82	33.94	36.74	194.61	248.72	27.80
C	Hand Tools & Cutting Tools	57.94	57.04	-1.55	459.35	500.82	9.03
D	Electrodes Accumulators	3.83	5.31	38.64	28.74	34.74	20.88
E	Accumulator and Batteries	29.54	30.05	1.73	172.16	258.18	49.97
F	Bicycle and Parts	24.88	30.85	24.00	204.39	246.93	20.81
G	Cranes Lifts and Winches	39.31	37.54	-4.50	224.7	312.02	38.86
H	Office Equipments	7.93	10.43	31.53	60.45	82.39	36.29
I	Other Construction Machinery	137.95	130.72	-5.24	876.75	1090.32	24.36
J	Prime Mica and Mica Products	1.8	2.14	18.89	14.38	17.55	22.04
K	OTHER MISC. ITEMS	188.01	207.85	10.55	1574.98	1713.89	8.82
Sub total		666.01	677.15	1.67	4860.62	5605.87	15.33
Total engineering exports		6867.69	5740.95	-16.41	48607.01	52181.66	7.35

(Source: Department of Commerce, Government of India)

Some trends that need to be noted are:

- ❖ During April-November 2018-19, exports of engineering goods registered a growth of 7.35 percent compared to April- November 2017-18. While the monthly engineering exports declined to US\$5740.95 million in November 2018 compared to November 2017, recording a decline of 16.41 percent.

- ❖ Out of 33 engineering panels, 28 panels sharing almost 85 percent of the products recorded growth in exports during April- November2018-19, over the same period last fiscal, while the remaining five panels demonstrated decline in exports.
- ❖ Products of Iron and steel recorded a growth of 7.2 percent in exports during April- November2018-19 with overseas shipments of US\$4659.8 million from US\$4348.78 million over the same period last fiscal.
- ❖ Among the seven non-ferrous metals and products made of non-ferrous metals, more than 50 percent i.e. four products recorded positive growth in November2018 compared to November2017. Tin and products recorded highest growth of staggering 125.42 percent followed by Nickel and products at 24.21 during November2018 over the same period last fiscal.
- ❖ The Cumulative figures for Industrial machinery as a whole recorded growth in exports of 17.45 percent during April-November2018-19 vis-à-vis the same period last fiscal. All the sectors under this panel have positive growth figures, with sectors like Air condition and Refrigerators recording highest growth in exports to the extent of 82.23 percent in April- November 2018-19 compared to April- November2017-18. Pumps and valves, IC Engines and Parts, Machine tools and Machinery for Injecting moulding, valves and ATMs recorded single digit growth figures of 2.87, 8.64, 2.05 and 4.52 percent respectively in exports during April-November2018-19 compared to the same period last fiscal. Industrial machinery panel as a whole recorded growth in exports of 1.68 percent during November2018 compared to the same period last fiscal, with three sectors recording positive growth.
- ❖ The Electrical machinery and equipments panel experienced a drop in exports to the extent of 19.23 percent during November2018 over the same period last fiscal. Cumulative exports for April- November2018-19 recorded 38.75 percent growth, moving up to US\$5607.27 million from US\$4041.17 million in April- November2017-18.
- ❖ Exports of Auto and auto components recorded a decline of 13.54 percent during November2018, descending from US\$1424.13 million in November2017 to US\$1231.24 million in November2018. Cumulative exports for April- November2018-19 recorded 10.86 percent growth, moving up to US\$10755.9 million from US\$9702.07 million in April- November2017-18.
- ❖ Exports of 'Aircrafts and spacecraft parts and products' recorded negative monthly growth in November2018 over November2017 as well as over the period April- November2018-19 over the same period last year whereas 'Ships, Boats and Floating Structures' recorded negative monthly figure and positive cumulative growth figure.
- ❖ It has been observed that all sectors under panel namely miscellaneous registered positive cumulative growth in exports. Accumulators and batteries recorded the highest

cumulative growth of 50 percent during April- November2018-19 over the same period last year. Cranes, lifts and winches and Office Equipments recorded substantial growth in exports to the extent of 39 percent and 36 percent during April- November2018-19 over the same period last year.

5. Top 25 destinations for Indian engineering exports

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during November2018 over November2017 in absolute value.

Table-6: Engineering exports country wise, (2018-19)
(Values in US\$ million)

Country	November 2017	November 2018	Growth (%)	April- November 2017-18	April- November 2018-19	Growth (%)
U S A	990.00	956.01	-3.43	6460.77	7695.49	19.11
UAE	279.66	267.80	-4.24	3086.04	3041.08	-1.46
NEPAL	247.29	243.74	-1.44	1543.11	2037.36	32.03
GERMANY	279.17	236.25	-15.37	1993.67	2227.44	11.73
BANGLADESH	238.08	235.02	-1.29	1488.99	1807.93	21.42
MALAYSIA	218.33	224.04	2.61	1324.17	1109.63	-16.20
CHINA	321.81	174.14	-45.89	2000.00	1168.13	-41.59
U K	269.51	169.36	-37.16	1840.67	1864.88	1.32
ITALY	278.69	140.91	-49.44	1645.88	1505.87	-8.51
MEXICO	199.42	128.88	-35.37	1805.92	1734.00	-3.98
INDONESIA	181.12	128.19	-29.22	1118.22	1117.06	-0.10
KOREA RP	195.31	123.21	-36.92	1239.81	1212.55	-2.20
THAILAND	107.66	121.97	13.29	796.83	1079.73	35.50
BELGIUM	125.62	115.91	-7.72	833.63	1198.22	43.74
SAUDI ARAB	73.95	115.86	56.66	750.99	886.27	18.01
SOUTH AFRICA	111.47	112.58	1.00	919.09	1137.27	23.74

Country	November 2017	November 2018	Growth (%)	April-November 2017-18	April-November 2018-19	Growth (%)
SRI LANKA	119.82	102.14	-14.75	949.94	913.73	-3.81
NIGERIA	73.08	96.21	31.65	476.18	786.87	65.24
TURKEY	121.86	92.12	-24.40	1067.63	1312.49	22.93
FRANCE	109.45	88.52	-19.13	920.41	906.96	-1.46
BAHARAIN	12.21	84.13	589.19	157.79	236.24	49.72
VIETNAM	141.87	83.67	-41.02	812.72	682.50	-16.02
JAPAN	91.55	83.20	-9.12	645.34	815.05	26.30
AUSTRALIA	78.27	82.92	5.95	498.28	581.96	16.79
SINGAPORE	162.49	82.56	-49.19	1297.62	1324.13	2.04
Top 25 Countries Total	5027.70	4289.36	-14.69	35673.70	38382.83	7.59
Grand Total	6872.84	5745.71	-16.40	48646.25	52222.85	7.35
Share % Total Engineering Exports	73.15	74.65		73.33	73.50	

Note: Red font indicates negative growth

(Source: Department of Commerce, Government of India)

The country wise engineering export figures for November 2018 show the following facts:

- ❖ Out of the top 25 countries, 15 countries recorded positive cumulative growth in engineering exports from India during April-November 2018-19 over April-November 2017-18.
- ❖ USA retained its numero uno position, being the top exporting destination for India's engineering products in November 2018. It registered significant positive cumulative growth during April-November 2018-19 over April-November 2017-18 of 19.11 percent.
- ❖ Nigeria and Baharain holds the first and second positions respectively in terms of high cumulative growth during the same period.

- ❖ India's engineering exports to China which has been recording negative growth, once again recorded negative growth in November 2018 over the same month last year. It registered highest negative cumulative growth during April-November 2018 over April-November 2017 of 41.59 percent.
- ❖ Among European nations falling under the top 25 engineering exports destinations, exports to Belgium once again recorded the highest growth both on cumulative basis. On cumulative basis, France and Italy recorded negative export growth during April-November 2018-19 vis-à-vis April-November 2017-18.
- ❖ Among the ASEAN countries under the top 25 engineering exports destinations, Thailand recorded the highest monthly as well as the highest cumulative growth. Whereas Malaysia, Indonesia and Vietnam recorded negative cumulative growth during April-November 2018-19 vis-à-vis April-November 2017-18.
- ❖ Out of 221 exports destinations of Indian engineering goods, the top 25 nations accounted for 74.65 percent of India's total engineering exports in November 2018 over November 2017.
- ❖ India's total global engineering exports during April-November 2018-19 over April-November 2017-18 is scantily higher compared to India's engineering exports to its top 25 destinations during the same period.

6. Regional distribution of engineering exports

We now look at the regional distribution of engineering exports for November 2018 as opposed to November 2017. Table 7 gives this picture:

Table -7: Region wise exports trend

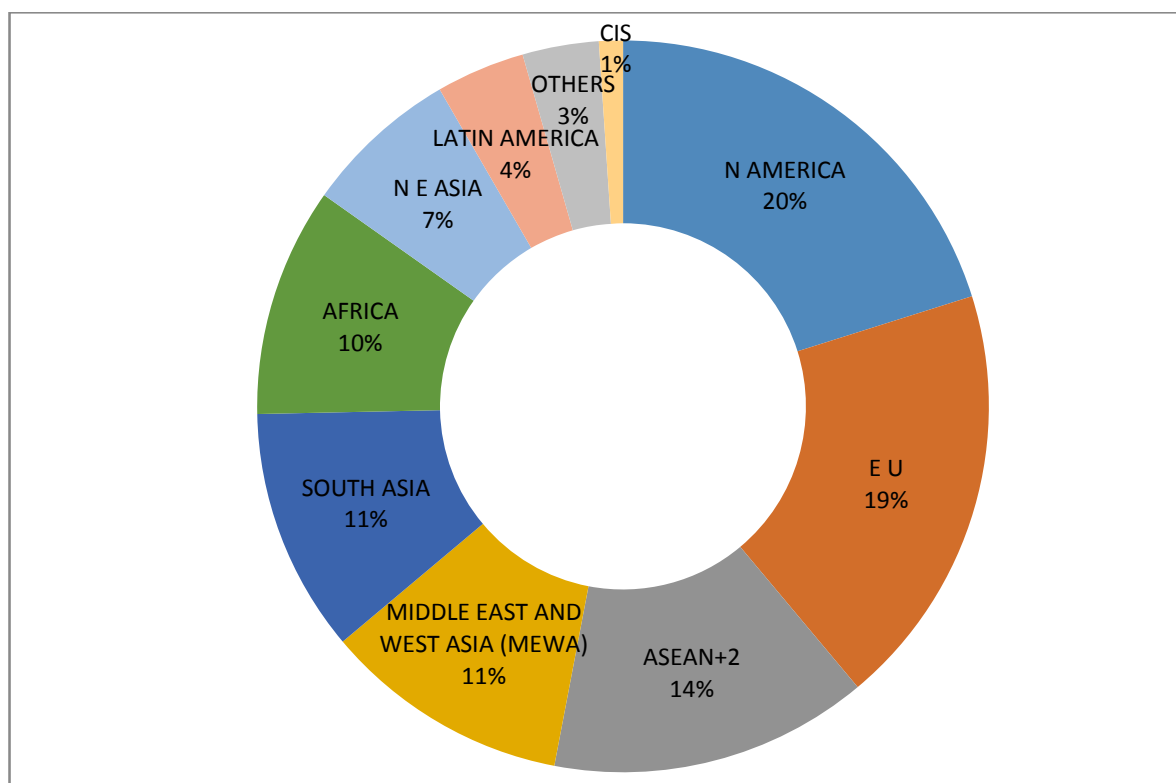
Country	November 2018	November 2017	Growth (%)	(\$ million)		
				April-November 2018-19	April-November 2017-18	Growth (%)
N AMERICA	1156.76	1263.92	-8.48	9979.80	8654.12	15.32
E U	1079.03	1426.33	-24.35	10916.34	10072.11	8.38
ASEAN+2	809.51	990.04	-18.23	6606.57	6579.33	0.41
MIDDLE EAST AND	625.77	627.13	-0.22	6165.72	5908.53	4.35

WEST ASIA (MEWA)						
SOUTH ASIA	619.07	653.93	-5.33	5083.87	4256.20	19.45
AFRICA	581.61	605.99	-4.02	5210.96	4497.42	15.87
N E ASIA	394.48	647.35	-39.06	3359.63	4071.21	-17.48
LATIN AMERICA	225.64	271.90	-17.01	2214.40	2186.58	1.27
OTHERS	193.62	324.65	-40.36	2168.85	1950.92	11.17
CIS	60.15	61.57	-2.31	516.16	469.77	9.87
Grand Total	5745.64	6872.83	-16.40	52222.29	48646.20	7.35

(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 November 2018



(Source: EEPC India analysis)

- ❖ North America ranked the region with highest shipment of engineering products from India during November 2018 with a share of 20 percent of total engineering exports.
- ❖ India's exports to EU and ASEAN+2 ranked second and third in global shipments of Indian engineering goods that recorded cumulative growth during April-November 2018-19 vis-à-vis April-November 2017-18.
- ❖ India's exports to South Asia countries recorded the highest positive cumulative growth in April-November 2018-19 vis-à-vis April-November 2017-18, followed by Africa.
- ❖ Barring North East Asia, all the other regions recorded positive cumulative growth in exports during April-November 2018-19 vis-à-vis April-November 2017-18.

7. Engineering panels – country-wise analysis

We now analyse the performance of some of the important products during November 2018. We have taken the major panels and computed the top importers and sharp declines to get an idea of the current trade pattern. (Tables8-16)

Table 8: Export of Iron & Steel

US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 -NOVEMBER, 2017	Growth (%)
Top Five Importers						
NEPAL	96.72	72.42	33.56	820.84	522.62	57.06
ITALY	42.89	163.92	-73.83	521.69	672.08	-22.38
UAE	59.61	93.25	-36.07	467.68	457.69	2.18
BELGIUM	41.06	82.33	-50.13	414.46	496.39	-16.51
KOREA RP	32.41	36.94	-12.26	330.91	228.09	45.08
High cumulative growth						
DJIBOUTI	6.06	4.69	29.24	53.14	23.97	121.70
BHUTAN	3.26	5.00	-34.77	33.03	15.56	112.30
NIGERIA	8.04	3.74	114.78	41.40	23.37	77.15

CANADA	6.31	3.21	96.29	39.95	23.08	73.11
QATAR	10.39	7.11	46.16	53.86	34.10	57.92
NEPAL	96.72	72.42	33.56	820.84	522.62	57.06
KOREA RP	32.41	36.94	-12.26	330.91	228.09	45.08
GERMANY	10.73	10.38	3.37	114.40	79.41	44.06
Sharp cumulative decline						
MYANMAR	3.31	13.92	-76.20	16.45	54.97	-70.07
SUDAN	0.81	0.90	-10.52	7.37	16.54	-55.45
PERU	2.15	2.98	-27.80	13.53	30.18	-55.16
HONG KONG	0.42	26.67	-98.42	42.80	94.37	-54.65
INDONESIA	31.72	82.80	-61.69	197.01	386.44	-49.02
PORTUGAL	6.25	12.35	-49.44	41.68	81.63	-48.94
SOUTH AFRICA	1.73	1.83	-5.23	21.57	39.24	-45.03
VIETNAM	33.35	86.14	-61.28	243.58	440.36	-44.69

(Source: Department of Commerce, Government of India)

- ❖ Nepal, Italy and UAE were the three top three importers of Indian Iron and Steel during April - November 2018 with market shares of 12.59 percent, 8.00 percent and 7.18 percent respectively.
- ❖ Djibouti and Bhutan recorded more than 100 percent year-on-year growth in exports of Indian Iron and Steel during April–November 2018.
- ❖ Myanmar, Sudan, and Peru experienced sharp downfall in exports during April–November 2018.

Table 9: Export of Products of Iron & Steel

US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 18	APRIL, 2017 -NOVEMBER, 17	Growth (%)
Top Five Importers						
U S A	127.24	126.96	0.22	1059.22	1085.40	-2.41
U A E	34.65	31.55	9.83	289.26	272.36	6.20
GERMANY	30.73	27.79	10.60	280.05	247.55	13.13
U K	24.77	22.86	8.34	204.86	184.40	11.09
CANADA	14.46	23.10	-37.40	172.51	128.37	34.39
High cumulative growth						
CHILE	2.04	0.96	112.73	51.22	15.29	235.07
TANZANIA	13.95	1.84	659.92	65.29	22.85	185.72
EGYPT	4.93	3.08	59.93	73.05	36.23	101.66
QATAR	11.64	9.82	18.50	97.10	49.80	94.96
SINGAPORE	6.43	3.38	90.13	45.00	27.37	64.42
NIGERIA	4.85	9.82	-50.59	61.03	40.48	50.76
NEPAL	7.56	8.04	-5.91	69.21	46.17	49.90
Sharp cumulative decline						
IRAN	0.86	1.16	-26.07	3.36	47.78	-92.97
COLOMBIA	4.20	7.94	-47.10	13.53	61.89	-78.13
OMAN	3.04	19.49	-84.42	54.07	125.95	-57.07
SENEGAL	1.88	7.01	-73.18	15.00	34.23	-56.19
SAUDI ARAB	13.71	12.35	11.07	101.94	185.98	-45.19
MALAYSIA	2.43	2.48	-2.01	25.00	38.16	-34.49

(Source: Department of Commerce, Government of India)

- ❖ USA, UAE and Germany were the top three importers of India's 'Products of Iron & Steel' during April - November 2018 with 22.73 percent, 6.20 percent and 6.01 percent shares respectively in India's global import of the same.
- ❖ Chile, Tanzania and Egypt were among the nations witnessing significant growth of more than 100 per cent in import of 'Products of Iron and Steel' during April - November 2018.
- ❖ Iran, Colombia, Oman and Senegal conceded substantial decline in imports of more than half for the said product group from India during April - November 2018.

Table 10: Export of Industrial Machinery

US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top Five Importers						
U S A	178.95	162.39	10.20	1515.17	1241.89	22.01
GERMANY	47.23	46.01	2.65	420.13	346.95	21.09
BANGLADESH	56.20	60.82	-7.58	416.57	367.75	13.28
THAILAND	46.55	24.21	92.27	413.62	197.56	109.37
U K	33.68	51.55	-34.66	353.77	386.23	-8.40
High cumulative growth						
UZBEKISTAN	5.11	6.52	-21.68	41.93	17.30	142.43
THAILAND	46.55	24.21	92.27	413.62	197.56	109.37
ALGERIA	5.87	7.45	-21.26	66.95	38.02	76.08
NIGERIA	22.42	17.56	27.73	231.61	132.54	74.75
INDONESIA	31.76	27.73	14.53	253.63	158.20	60.32
KENYA	12.34	11.05	11.65	143.75	91.78	56.62
SPAIN	14.35	14.67	-2.21	163.64	105.05	55.77
SWEDEN	4.01	4.40	-8.90	40.27	26.65	51.08

Sharp cumulative decline						
KUWAIT	8.04	24.51	-67.20	91.44	178.10	-48.66
PHILIPPINES	7.99	5.57	43.37	48.90	68.82	-28.95
MALAYSIA	13.20	14.33	-7.88	112.40	139.38	-19.36
BRAZIL	13.03	22.17	-41.24	142.21	172.44	-17.53
SRI LANKA	13.40	16.01	-16.35	113.37	131.65	-13.88
BELGIUM	8.99	13.58	-33.80	77.58	87.72	-11.56
U K	33.68	51.55	-34.66	353.77	386.23	-8.40
SINGAPORE	17.61	12.85	37.07	146.17	156.05	-6.33

(Source: Department of Commerce, Government of India)

- ❖ USA was the largest importer of Indian 'Industrial machinery' during April–November 2018 with 16.06 percent share in India's global import of the product group, followed by Germany and Bangladesh with 4.46 percent and 4.41 percent shares.
- ❖ Uzbekistan, Thailand, Algeria and Nigeria were among the nations witnessing significant growth of imports of Industrial machinery from Indian during April - November 2018
- ❖ Among the major importers, export to Kuwait, Philippines, Malaysia and Brazil recorded sharp declines in imports during April - November 2018.

Table 11: Export of Automobiles

US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top Five Importers						
MEXICO	49.48	125.59	-60.60	924.10	1214.91	-23.94
U S A	108.96	156.99	-30.59	696.20	199.15	249.59
SOUTH AFRICA	59.13	66.79	-11.47	512.38	539.95	-5.11
BANGLADESH	72.93	63.75	14.40	479.04	362.19	32.26
NEPAL	43.02	50.28	-14.44	364.74	315.82	15.49

High cumulative growth						
CANADA	12.89	22.97	-43.87	92.85	23.52	294.76
U S A	108.96	156.99	-30.59	696.20	199.15	249.59
CONGO	3.56	2.65	34.24	35.87	15.56	130.47
BHUTAN	5.34	1.79	198.72	54.60	24.88	119.43
NIGERIA	40.72	24.40	66.89	266.13	138.18	92.60
TUNISIA	8.36	3.58	133.57	50.76	28.27	79.55
SAUDI ARAB	24.51	5.37	356.44	161.91	103.03	57.15
UAE	16.03	20.21	-20.66	147.95	99.63	48.50
Sharp cumulative decline						
COTE D' IVOIRE	1.14	9.34	-87.78	8.75	66.90	-86.93
ISRAEL	1.32	6.71	-80.38	7.82	43.03	-81.83
NETHERLAND	0.00	0.98	-99.86	6.41	32.24	-80.13
ARGENTINA	0.27	7.92	-96.62	26.38	80.91	-67.40
GERMANY	5.23	10.14	-48.48	60.98	134.83	-54.77
ITALY	10.43	10.43	0.00	94.46	199.77	-52.72
SPAIN	10.35	9.95	3.99	44.79	86.84	-48.43

(Source: Department of Commerce, Government of India)

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

- ❖ Mexico, USA and South Africa were top three importers of India's Automobiles during April-November of 2018 witnessing 13.16, 9.91 and 7.29 percent share respectively. Mexico being the largest importer shares 14.01 percent of imports of automobiles from India.
- ❖ Countries like Canada, USA, Congo and Bhutan saw over 100 percent growths in imports of Indian automobile during April-November 2018 among major importers.
- ❖ Cote D'Ivoire, Israel, Netherland and Argentina conceded substantial decrease in imports of Automobiles from India during April- November 2018.

Table 12: Export of Non-Ferrous metals
US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top Five Importers						
U S A	94.29	101.48	-7.08	700.97	630.20	11.23
KOREA RP	57.90	112.04	-48.32	621.08	764.00	-18.71
MALAYSIA	172.87	138.29	25.01	593.26	737.85	-19.60
TURKEY	4.53	4.52	0.31	411.07	121.85	237.36
MEXICO	15.74	7.35	114.14	259.76	114.13	127.61
High cumulative growth						
GREECE	3.11	0.11	2786.79	67.12	16.00	319.37
BULGARIA	1.98	2.10	-5.37	52.46	14.31	266.55
TURKEY	4.53	4.52	0.31	411.07	121.85	237.36
VIETNAM	5.90	4.49	31.40	67.50	24.39	176.82
NETHERLAND	7.62	6.35	20.03	133.28	49.90	167.10
MEXICO	15.74	7.35	114.14	259.76	114.13	127.61
SPAIN	17.16	13.87	23.73	160.81	87.07	84.68
THAILAND	16.22	9.37	73.12	144.46	79.60	81.49
JAPAN	15.61	20.65	-24.38	140.82	98.14	43.49
ITALY	18.66	24.72	-24.50	217.02	165.21	31.36
Sharp cumulative decline						
SINGAPORE	11.25	33.77	-66.69	23.51	207.37	-88.66
CHINA	68.81	194.93	-64.70	220.15	1151.86	-80.89

UAE	19.16	21.39	-10.45	158.33	428.55	-63.05
OMAN	3.00	13.43	-77.68	32.52	61.91	-47.47
COLOMBIA	0.58	11.39	-94.90	35.73	62.50	-42.83
INDONESIA	6.53	11.72	-44.30	54.26	91.38	-40.62

- ❖ USA (US\$701 million), Korea (US\$621 million) and Malaysia (US\$593 million) were the top three importers of Indian Non-ferrous metals during April - November 2018 with market shares of 12.36 percent, 10.95 percent and 10.46 percent respectively.
- ❖ Greece, Bulgaria, Turkey and Vietnam witnessed highest growth in imports of Indian Non-ferrous metal products during April- November 2018.
- ❖ Singapore, China, UAE and Oman conceded significant decline in imports of non-ferrous metals from India during the April - November 2018.

Table 13: Export of Electrical Machinery and Components
US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 -NOVEMBER, 2017	Growth (%)
Top Importers						
U S A	161.52	155.50	3.87	1340.64	772.49	73.55
GERMANY	67.44	95.88	-29.66	654.58	556.81	17.56
SINGAPORE	10.75	21.61	-50.27	370.28	128.92	187.21
U K	20.27	67.30	-69.88	332.78	263.28	26.40
BELGIUM	36.37	3.32	996.34	284.04	32.21	781.83
High cumulative growth						
BELGIUM	36.37	3.32	996.34	284.04	32.21	781.83
SINGAPORE	10.75	21.61	-50.27	370.28	128.92	187.21
INDONESIA	4.79	8.21	-41.71	97.86	40.23	143.25
JAPAN	5.46	4.79	14.02	148.14	75.54	96.12

NETHERLAND	7.19	2.90	148.13	52.58	29.49	78.28
U S A	161.52	155.50	3.87	1340.64	772.49	73.55
CHINA	12.44	42.57	-70.79	210.54	140.62	49.73
SPAIN	4.24	5.12	-17.26	43.37	29.47	47.18
Sharp cumulative decline						
VIETNAM	6.34	17.47	-63.73	46.15	87.41	-47.20
TAIWAN	0.79	8.58	-90.84	20.38	36.68	-44.44
TURKEY	9.60	2.78	245.07	69.78	107.65	-35.18
MYANMAR	1.79	5.94	-69.92	17.79	26.52	-32.90
KUWAIT	1.88	2.98	-36.73	31.79	42.93	-25.95
UAE	13.33	39.37	-66.16	155.39	204.07	-23.85
SOUTH AFRICA	1.71	3.08	-44.43	23.28	27.42	-15.09

(Source: Department of Commerce and CSO)

- ❖ USA (US\$ 1340 million), Germany (US\$ 654 million) and Singapore (US\$ 370 million) were the three top importers of Indian Electrical Machinery and Components during April - November 2018 with market shares of 23.9 percent, 11.67 percent and 6.60 percent respectively.
- ❖ Belgium, Singapore and Indonesia recorded highest growth in imports of India's Electrical Machinery and Components during April - November 2018.
- ❖ On the other hand, Vietnam, Taiwan and Turkey conceded highest declines in imports of India's Electrical Machinery and Components during April- November 2018.

Table 14: Export of Aircrafts and Spacecrafts

US\$ million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018- NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top Five Importers						
U S A	37.41	68.02	-45.00	365.28	408.23	-10.52
FRANCE	11.73	20.00	-41.35	172.84	153.38	12.69

SINGAPORE	15.49	22.54	-31.27	170.35	172.88	-1.47
U K	13.85	17.33	-20.10	153.64	147.50	4.17
GERMANY	5.49	23.65	-76.79	82.55	155.44	-46.89
High cumulative growth						
SEYCHELLES	0.00	1.24	-99.67	23.13	1.24	1770.08
BELGIUM	0.09	0.12	-29.07	11.95	1.21	890.91
SOUTH AFRICA	0.03	0.07	-59.86	7.46	1.18	534.34
IRELAND	0.00	0.15	-97.92	12.43	4.34	186.07
SWEDEN	0.99	1.32	-25.24	8.11	4.54	78.68
UAE	0.92	0.89	3.95	5.95	4.56	30.37
Sharp cumulative decline						
RUSSIA	1.07	3.32	-67.64	11.99	31.08	-61.41
CHINA	0.91	1.16	-21.22	11.39	25.92	-56.06
NETHERLAND	0.38	1.00	-62.10	4.87	10.60	-54.01
THAILAND	1.18	1.38	-14.04	5.50	11.19	-50.87
POLAND	0.29	2.16	-86.67	10.97	21.61	-49.24
GERMANY	5.49	23.65	-76.79	82.55	155.44	-46.89
TURKEY	0.82	1.08	-24.23	6.10	11.22	-45.67

(Source: Department of Commerce and CSO)

- ❖ USA, France and Singapore were the top three importers of India's 'Aircrafts and Spacecrafts' during April- November 2018-19 with around 30.36, 14.37, and 14.16 percent shares respectively in India's total global exports of the product.
- ❖ South Africa and Sweden continued to register substantial growths in import of the product group during April- Nov 2018-19 as compared with the same period last fiscal.
- ❖ On the flipside, demand for India's 'Aircrafts & Spacecrafts' from China, Russia and Netherland dropped significantly on a year-on-year basis during April- November 2018 along with some other nations.

Table 15: Export of Ships, Boats and Floating Structures and parts - US\$ million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top 5 Importers						
UAE	33.17	0.06	52308.28	1186.12	1036.34	14.45
SINGAPORE	0.16	47.64	-99.67	384.91	418.72	-8.07
OMAN	-	-	-	215.84	2.47	8648.20
SRI LANKA	19.28	-	2351570350.00	209.20	156.75	33.46
SOUTH AFRICA	-	-	-	198.48	-	-
High cumulative growth						
OMAN	-	-	-	215.84	2.47	8648.20
BANGLADESH	-	-	-	20.48	0.32	6392.69
ISRAEL	-	0.58	-100.00	59.57	3.87	1439.63
SAUDI ARAB	-	-	-	104.60	19.11	447.47
INDONESIA	-	-	-	60.19	36.07	66.86
SRI LANKA	19.28	-	-	209.20	156.75	33.46
Sharp cumulative decline						
CAMEROON	-	-	-	-	20.63	-100.00
EGYPT	-	-	-	-	213.77	-100.00
LIBERIA	-	-	-	-	84.61	-100.00
MALAYSIA	-	-	-	-	6.22	-100.00
MYANMAR	-	-	-	-	21.28	-100.00
U S A	0.06	0.03	121.88	0.16	443.69	-99.96

Note: Export figures in case of some nations are showing zero due to rounding off but actually they are very small in value.

(Source: Department of Commerce and CSO)

- ❖ UAE is the largest importer of India's 'Ships, boats and floating structures and parts' during April- November 2018-19 with 43 percent share in India's total global exports of the product followed by Singapore with 14.08 percent share. Oman emerged as the third largest importer with 7.90 percent share.
- ❖ Oman, Bangladesh, Israel and Saudi Arabia recorded robust growth in imports of 'Ships, Boats and Floating Structures and Parts' during April- November 2018-19.
- ❖ Liberia and Egypt were among the nations that recorded no imports during April - November 2018 against substantial export during the same period last fiscal. USA also saw significant downfall in imports from India.

Table 16: Export of Auto Components

US\$ Million

COUNTRY	NOVEMBER, 2018	NOVEMBER, 2017	Growth (%)	APRIL, 2018-NOVEMBER, 2018	APRIL, 2017 - NOVEMBER, 2017	Growth (%)
Top 5 Importers						
U S A	100.58	88.70	13.39	807.58	650.07	24.23
TURKEY	19.54	35.65	-45.17	226.34	240.59	-5.92
BANGLADESH	17.42	24.29	-28.28	199.46	163.25	22.18
BRAZIL	21.45	20.58	4.22	187.47	155.69	20.41
GERMANY	24.00	18.60	29.02	175.99	141.09	24.74
High cumulative growth						
ROMANIA	4.83	9.00	-46.38	65.13	30.54	113.29
COLOMBIA	7.92	6.47	22.40	59.13	33.04	78.96
UAE	18.78	8.58	118.89	113.90	74.71	52.44
VIETNAM	15.54	13.26	17.17	106.81	76.43	39.75
JAPAN	11.69	11.55	1.23	109.38	82.12	33.20
EGYPT	6.39	5.94	7.60	50.02	38.67	29.34
GERMANY	24.00	18.60	29.02	175.99	141.09	24.74

USA	100.58	88.70	13.39	807.58	650.07	24.23
BANGLADESH	17.42	24.29	-28.28	199.46	163.25	22.18
Sharp cumulative decline						
SAUDI ARAB	1.82	3.47	-47.52	13.84	23.14	-40.17
PERU	3.63	2.14	69.72	17.74	23.43	-24.28
NETHERLAND	2.32	2.34	-0.83	20.22	23.66	-14.52
POLAND	3.31	3.48	-4.83	27.60	31.04	-11.08
CANADA	6.09	6.51	-6.41	50.15	54.60	-8.15

(Source: Department of Commerce and CSO)

- ❖ USA is the topmost importer of auto components/parts from India during April-November 2018 with a share of 21.63 percent in India's global exports of auto components. Turkey and Bangladesh were the immediate followers of USA with 6.06 percent and 5.34 percent shares respectively.
- ❖ Romania, Colombia and UAE are among the prominent nations recorded significant increase in imports of Indian Auto Components/Parts during April-November 2018-19 over April- November 2017-18.
- ❖ Saudi Arab, Peru and Netherland conceded highest declines in imports during April-November 2018-19 over the same period last fiscal followed by Poland and Canada.

8. Import analysis of engineering goods

India's Engineering imports during November 2018 were valued at US\$ 8686.4 million compared to US\$ 8644.2 million in November 2017 registering a considerable growth to the extent of 0.49 percent in dollar terms.

Engineering imports for the year 2017-18 was recorded at US\$ 92692.1 million as against US\$ 81834.8 million during the same period last fiscal registering a cumulative growth of 11.6 percent.

The share of engineering imports in India's total merchandise imports was estimated at a lower 20.1 percent in November 2018 as against 20.9 percent in November 2017. The share of engineering exports for the year 2017-18 stood at around 20.2 percent compared to 21.3 percent in 2016-17.

The monthly engineering import figures for fiscal 2018-19 vis-à-vis 2017-18 are depicted below as per the latest availability of figure:

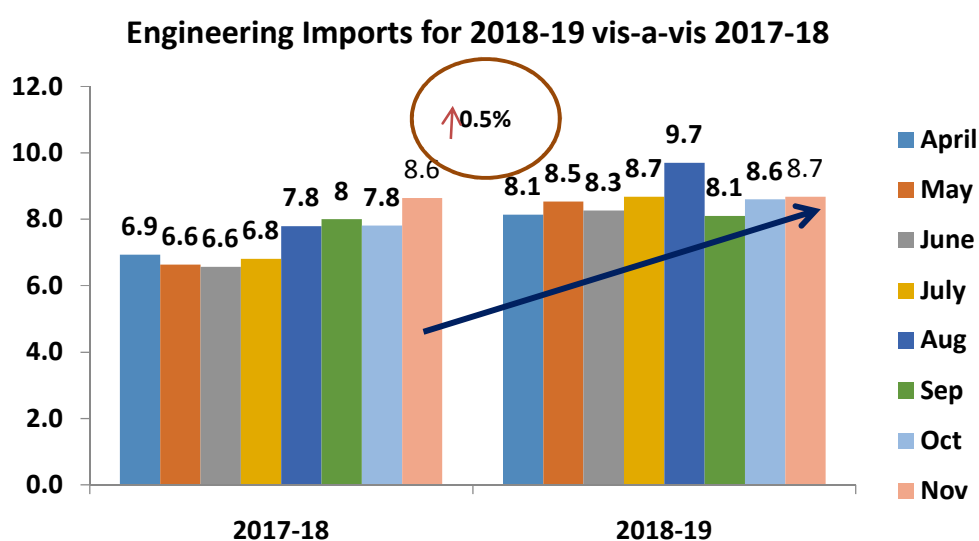
Table 17: Engineering Imports
(US\$ Million)

Months	2017-18	2018-19	Growth (%)
April	6936.7	8139.45	17.34
May	6628.73	8535.98	28.77
June	6567.1	8268.14	25.90
Quarter 1 (April-June)	20132.53	24943.57	23.90
July	6811.16	8683.39	27.49
August	7769.3	9667.6	24.43
September	8028.2	8064.26	0.45
Quarter 2 (July-September)	22608.66	26415.25	16.84
October	7812.5	8599.9	10.08
November	8644.2	8686.4	0.49
April-November	59197.84	68645	15.96

(Source: Department of Commerce, Government of India)

Figure 2 below depicts the monthly trend in engineering imports for 2018-19 vis-a-vis 2017-18

Figure2: Trend in Monthly Engineering Imports (In US\$ billion) for 2018-19



(Source: EEPC India analysis)

9. Trend in two-way engineering trade

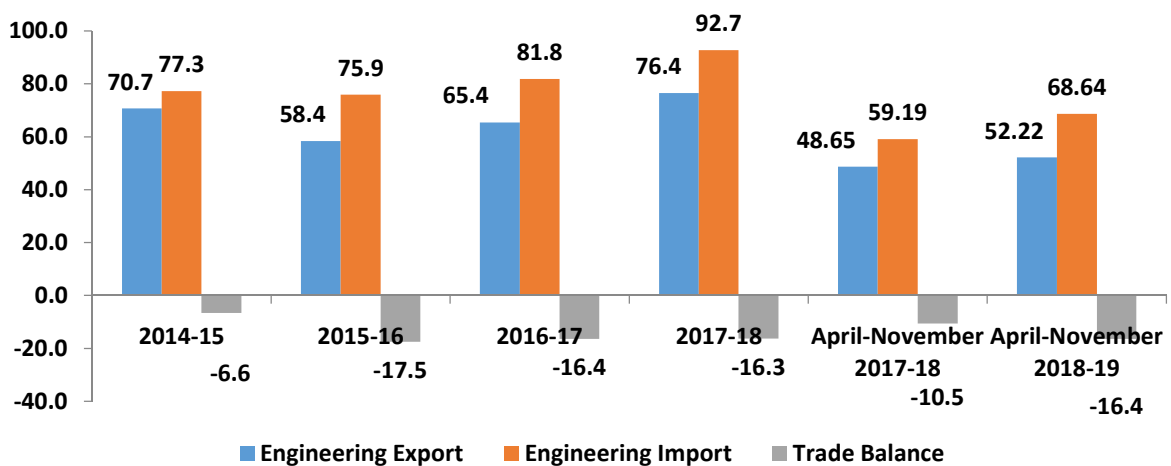
We now present the trend in two way yearly trade for the engineering sector from 2014-15 to 2017-18 as well as the current fiscal of 2018-19 depicted in the table below:

Table6: Engineering Trade
(US\$ billion)

	2014-15	2015-16	2016-17	2017-18	Growth %	April-November 2017-18	April-November 2018-19	Growth %
Engineering exports	70.7	58.4	65.4	76.4	16.81	48.65	52.22	7.35
Engineering imports	77.3	75.9	81.8	92.7	13.27	59.19	68.64	15.96
Trade balance	-6.6	-17.5	-16.4	-16.3		-10.5	-16.4	

Figure 4 below depicts the yearly trend in engineering trade from 2014-15 to 2017-18 and April-November of the current fiscal 2018-19

Figure 3: Trend in Monthly Engineering Trade (In US\$ Billion)



10. Headwinds facing Engineering Exports

The above analysis provides some interesting points to ponder as also indicates the areas of concern.

We look at some of the major ones below:

- a) In our view while November this year (as was the case in October in 2017) was an abnormal month from the point of view of monthly comparison, particularly, for the engineering sector, there is now clear evidence that the monthly export growth rate in the engineering sector is facing headwinds.
- b) This is despite the fact that Indian Rupee has been depreciating from what it was last year for corresponding months (See Table 3).
- c) Exporters having been stating that while the exchange rate has fallen over the corresponding month last year, there is considerable volatility in the Rupee vis-à-vis USD with the reversing the trend in depreciation from Rs 75/USD to around USD 69-70/USD thereby making it difficult to predict the direction of change and price their products appropriately.
- d) In our view, while the exchange rate may be a factor in the margin, the main reasons for the falling engineering exports is the sharp decline in exports in both ferrous and non-ferrous primary products. The three heavy ticket exports products which have shown drastic fall are:
 - a. **Exports of primary steel under Chapter 72: fell by 41% in November and 11% in the first eight months.**
 - b. **Exports of Copper and Copper products under Chapter 74: fell by 63% in November 2018 and 69% in first the eight months.**
 - c. **Exports of Zinc and products: fell by 55% in November 2018 and 26% in the first eight months**

The cumulative impact of the fall in the above three product lines is USD 2.5 billion for the first eight months (without any growth). Had this figure been added to the USD 52 billion for the first eight months of the current fiscal, our exports growth would have been shot up to over 12% than the current growth rate of over 7%, even if we assume that there was no growth in the above three base metals exports.

- e) The next question that arises is then what went wrong and the factors behind the decline in exports of these three products. We look at some of the factors behind the fall in the last 8 months.

Steel Exports under Chapter 72

Reason for thefall

The feedback from Industry (both producers and users) is that because the domestic price realization is far better than external prices, it makes sense for steel producers to cut back on exports and concentrate on the domestic market. Global price trends also indicate that the Chinese have dropped steel prices between 11% and 20% in various categories and this has further impacted our steel exports negatively.

Interestingly, at the time of writing this report, the demand in the Indian market too seems to be slackening as Indian hot rolled coil prices were under pressure on weak domestic demand, while the tepid export market posed little attraction for Indian steelmakers. The S&P Global Platts assessed IS2062, 2.5-10 mm thick HRC delivered to Mumbai at Rupees 42,500/mt (\$604.63/mt), falling by Rupees 500/mt week on week. The assessment excludes GST of 18%.

The World Steel Association has also stated that India's November 2018 Steel production fell by 1.3% with 8.49 million MT, even though it maintained the position of the second largest producer of steel. World crude steel production in November, however, was 5.8% higher year on year at 148.6 million MT.

Indian HRC producers' continued to maintain domestic offer prices above Rupee 43,000-44,000/mt throughout the week. Trade activity remained very low, as most of the buyers' price expectations fell to as low as Rupee 42,000/mt in the western region, amid prolonged liquidity problems in the market and even weaker international prices, meaning exports are also nonviable.

Prognosis for rest of the current fiscal

This trend is likely to continue unless the international prices pick up. For a full year, our steel exports may fall by USD 500 million vis-à-vis 2017-18 to maintain zero growth in this segment.

Exports of Copper and Copper products (Chapter 74)

Indian domestic refined copper production has fallen by 54.8% during the first half of current fiscal. Fall in production is **majorly attributable to the permanent shutdown of the 400 KT, Tuticorin smelter of Sterlite which accounted for 40% of the country's copper smelting capacity.** During the first half of the year, Hindustan Copper (HCL) and Hindalco output was also restrained due to the shutdown of their smelters for maintenance purposes. This too has added to the decline in production of the metal. **The drop in domestic production during the first half has led to the domino effect of a sharp increase in the country's imports and fall in the exports thus turning India into a net importer of refined copper. (India used to be the net exporter of refined copper).**

Prognosis for rest of the current fiscal

In FY 2017-18, India's global exports were US \$3.5 billion. Thus, we will be losing an estimated USD 1.8 that was exported in FY 2018-19. Additional growth is not even contemplated in this exercise given the sharp fall in domestic production.

The NGT has now directed that the Tuticorin Plant be reopened. However, it may take another couple of months to restart the plant, if it is allowed to reopen by the State Authorities. Thus, while some amount of loss in exports may perhaps be made up, it would still be in the red over the full fiscal.

Exports of Zinc and Zinc products

There has been a drop in the Zinc mined by Hindustan Zinc Ltd for the first six months by 13% from 386,000 MT in first half of 2017-18 to 334,000 MT in the first half of current fiscal. As per the company,

“the export quantum for zinc is generally in the range of 15-25 Kt. When there is a shortfall in our production, we allocate more material to fulfil domestic demand and hence export allocations are reduced. Also, during same time last year, Zinc LME was at \$3200/ton as compared to current LME of \$2600/ton. This is a decrease of 26%. This is showing in the reduction in export amount”.

- f) Finally, a word about the future and a brief summing up about the global trends at this point. Among advanced economies (AEs), economic activity appears to be slowing in the US in Q4:2018, after a buoyant Q3. The Euro area growth lost pace in Q3, impacted by weaker trade growth and new vehicle emission standards. The Japanese economy contracted in Q3 on subdued external and domestic demand. Economic activity also decelerated in major emerging market economies (EMEs) in Q3. In China, growth slowed down on weak domestic demand. The ongoing trade tensions and the possible cooling of the housing market pose major risks to growth in China. The Russian economy lost some traction, pulled down largely by a weak agriculture harvest, though the growth was buttressed by strong performance of the energy sector. The Brazilian economy seems to be recovering gradually from the economic disruption in the first half of the year. The South African economy expanded in Q3, after contracting in the previous two quarters, driven by agriculture and manufacturing.

These then are the uncertainties for the rest of the year from the external side for Indian exporters.

11. Projections for 2018-19

In FY 2017-18, total engineering exports was to the tune of USD 76 billion. In the first eight months of FY 2018-19, the total engineering exports is USD 52 billion. Annualizing this leads to USD 78 billion in FY 2018 which amounts to a modest growth of over 2%.

Without the headwinds, both domestic and external faced in the first 8 months of the current fiscal, our exports may have increased by another 3 to 4 billion and our exports in FY 2018-19 may have been in the vicinity of USD 82 to 83 billion.

