India’s Export Outlook – 2016-17

What is the issue?

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- Merchandise exports have gone up of late.
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- But net exports in services has shown a slight dip which is a cause for concern.
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What are the trends in merchandise?

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- There has been a quiet improvement in India’s merchandise export performance.
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- This began in 2016-17 and has continued into this fiscal, with merchandise trade growth up 8.9% in April-July 2017.
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- Engineering goods and gems and jewellery, which account for 38% of India’s exports, recorded growth rates of nearly 11% each.
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- Agriculture and marine products exports also showed a sharp jump, after a degrowth in 2015-16.
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- This shows that the export turnaround in 2016-17 has been broadbased.
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- The growth has also been geographically dispersed, with exports to Europe, the US and China up by 5.5%, 5% and 13.1%, respectively, in 2016-17.
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- Some labour-intensive sectors such as textiles and leather, besides drugs and pharma, registered negative growth.
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What were the factors at work?

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- The growth rate of 5.3% in value terms in 2016-17 is partially attributed to the two consecutive years of negative growth, pointing to a ‘base effect’.
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- The uptick in commodity prices along with increased petroleum and minerals exports also seems to have helped.
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- India’s efforts at bettering export and import procedures to it improve its ‘ease of doing business’ ranking, also seems to have helped.
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- Focus on logistics, product development and quality has paid off.
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How does the trade in services look?

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- Services exports were down 0.3% in dollar terms this June, as against a positive growth of 4% in May 2017.
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- In 2016-17, net invisibles receipts fell 10%, owing to a decline in net receipts of software, insurance and pension services and charges for use of intellectual property rights.
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- The paradigm shift in services due to technology and the anti-globalisation sentiment in the West is a one of the reasons.
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Source: Businessline

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