Sustaining exports

Why in news?

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The trend of contraction in exports has been arrested, following six straight months of growth.

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What are the reasons behind the growth?

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- There has been 17.5% year-on-year rise in February 2017, the highest expansion since October 2011.
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- This will also be the first time since 2013-14 that India's exports growth is likely to end the fiscal year on a positive note.
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- The recent growth has been led by a sharp jump in a few items such as iron ore and engineering goods.
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- The impact of recovery in oil prices also helped India's exports earning from petroleum products as well as demand for Indian goods from oil-rich nations in West Asia.
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- But its influence on full year exports may be neutral.
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- This will also lead to a jump in India's import bill, because crude oil is the nation's largest import.
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What is in the future?

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- Oil prices have once again softened recently due to doubts over effectiveness of production cuts mandated by the Organisation of Petroleum Exporting Countries.
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- Such volatility in oil prices may once again lead to a widening of trade deficit, as imports continue to rise much faster than exports.
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- There is also increasingly protectionist approach worldwide as opposed to more integrated on trade.
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What should be done?

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- The only way to help exports grow is by becoming more competitive through lower costs.
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- The US is the largest destination for Indian exports accounting for about 15 per cent of outbound merchandise.
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- The good news is that India's exports to Asian nations, including immediate neighbours such as Nepal, and to Vietnam and Malaysia have been rising.
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- Additional efforts to increase demand in these countries will stand India in good stead.
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- It also needs to further diversify its geographical spread given the risk posed by a possible US protectionist policy.
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Source: Business Line

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