



India's Export Outlook

For Prelims: India's Export Outlook, [Gross Domestic Product](#), [World Trade Organization](#), [Foreign Trade Policy](#), [Trade Infrastructure for Export Scheme \(TIES\)](#).

For Mains: India's Export Outlook, challenges and Way forward.

[Source: TH](#)

Why in News?

The Ministry of Commerce and Industry, Government of India has decided to adopt a **Target Range Approach** in announcing **Export Goals for FY 2023-24** instead of a single number due to ongoing global uncertainties.

- Despite achieving a record USD 450 billion in merchandise exports during 2022-23, India's outbound shipments have faced significant challenges in the first quarter of 2023-2024.

What is the Target Range Approach Adopted by the Government?

- **Targets Based on Four Key Parametres:**
 - **Overall Target of USD 2 Trillion by 2030:**
 - As per India's new [Foreign Trade Policy \(FTP\) 2023](#), it aims to achieve a total export of **USD 2 trillion with services and goods exports** accounting for a **trillion dollars each by 2030**.
 - This long-term objective will be considered **while setting the current year's targets**.
 - **Import to GDP Ratio of Importing Countries:**
 - The targets will take into account the import to [GDP \(Gross Domestic Product\)](#) ratio of the countries that are **major importers of Indian goods**.
 - This ratio will provide **insights into the potential demand for Indian products** in various international markets.
 - **Export to GDP Ratio of India:**
 - The export to GDP ratio of India itself **will be assessed to gauge the country's export potential** and capacity.
 - **Trend Growth of Past Years:**
 - The past growth trends in exports will be analyzed to understand the **trajectory of India's trade performance** and consider it in setting achievable targets.
- **Target Range:**
 - In FY 202-23, exports amounted to **USD 450 billion**. Based on this figure and assuming a **conservative growth rate of 10%**, trade experts suggest the following potential target range:
 - **Lower End of Range:** USD 451 billion (Slightly above the previous year's exports)
 - **Upper End of Range:** USD 495 billion (Assuming a 10% growth rate).
- **Monitoring Mechanism:**

- The Department of Commerce will use a fixed number to track export performance every month, which could be a **mid-value or an average**.
- This monitoring mechanism will provide timely **insights into progress and help make necessary adjustments if required**.

What is the Current Scenario of Indian Export?

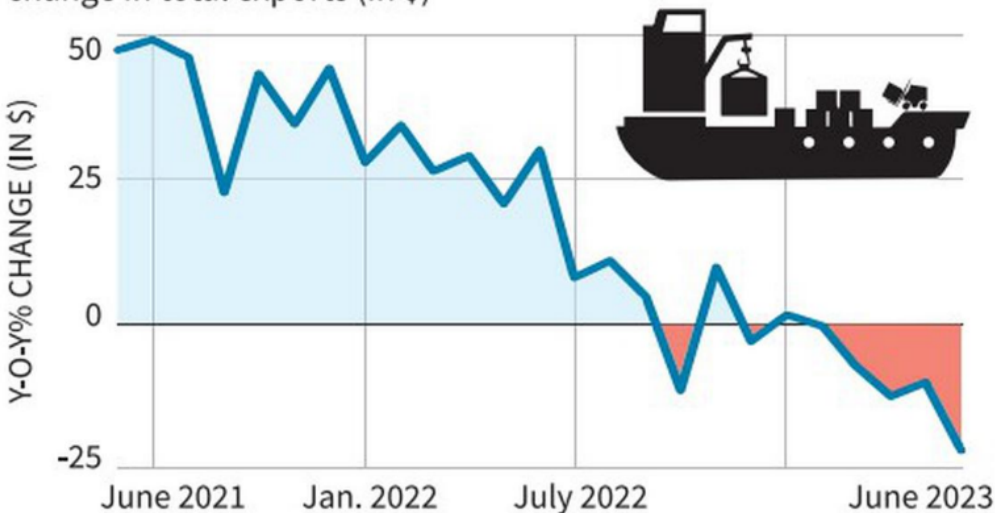
▪ Export Performance:

- Goods exports have experienced a **series of deceleration in recent months**, with a 22% drop in June 2023, marking the **steepest fall in 37 months**.
 - The USD 32.7 billion export tally for June 2023 was the lowest since **October 2022**.
- Exported services have also witnessed a slowdown, with **forex earnings from intangible exports growing by only 5.2% to USD 80 billion** in the first quarter of 2023-24, compared to about 28% growth in the previous year 2022-23, where earnings reached USD 325 billion.

//

Declining exports

Exports in India shrank by 22.03% in June 2023 compared with the year-ago period. A look at the year-on-year % change in total exports (in \$)



▪ Factors Influencing Exports:

- **Global Oil Prices:**
 - Petroleum exports saw a **sharp plunge of 33.2% in the first quarter**, primarily driven by reduced global oil prices.
 - Additionally, price cap sanctions on **Russian oil shipments have also contributed to a moderation in demand**.
- **External Factors:**
 - The [World Trade Organisation's \(WTO\)](#) forecast of slower global trade growth in 2023 is influencing India's export outlook, prompting the need for a more cautious approach.

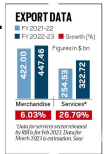
▪ Government's Broader Target:

- India's broader target for exports, as per the new [Foreign Trade Policy](#), is to achieve USD 2 trillion by 2030, with services and goods exports each accounting for a trillion dollars.

What is the Status of the Export Sector in India?

▪ Status of Trade:

- The merchandise trade deficit, which is the gap between exports and imports, **increased by over 39% in 2022-23** to record USD 266.78 billion, as compared to USD 191 billion in 2021-22.
- Merchandise imports increased by **16.51% in 2022-23**, while merchandise exports rose by 6.03%.
 - Overall trade deficit, however, stood at USD 122 billion in 2022-23, as compared to USD 83.53 billion in the 2022, gaining support from trade surplus in services.



▪ India's Major Export Arenas:

- **Engineering Goods:** They registered a 50% growth in exports, at USD 101 bn in FY22.
- **Agriculture Products:** Agricultural exports were buoyed by the government's push to meet global demand for food amid the pandemic. **India exports rice** worth USD 9.65 bn, the highest among agricultural commodities.
- **Textile and Apparels:** India's **textile and apparel exports** (including handicrafts) stood at USD 44.4 billion in FY22, a 41% increase on a YoY basis.
 - Government's scheme like **Mega Integrated Textile Region and Apparel (MITRA) Park** are giving a strong boost to this sector.
- **Pharmaceuticals and Drugs:** India is the **third-largest producer of medicines** by volume and the biggest supplier of generic drugs.
 - India supplies over 50% of Africa's requirement for generics, around 40% of generic demand in the US and 25% of all medicine in the UK.

What are the Challenges Related to the Export Sector in India?

▪ Challenges in Access to Finance:

- Access to affordable and timely finance is crucial for exporters.
- However, many Indian exporters **face challenges in obtaining finance due to high interest rates**, collateral requirements, and lack of credit availability from financial institutions, particularly for **small and medium-sized enterprises (SMEs)**.

▪ Limited Diversification:

- India's export basket is **concentrated in a few sectors**, such as engineering goods, textiles and pharmaceuticals, which makes it vulnerable to global demand fluctuations and market risks.
- Limited diversification of exports poses **a challenge to India's export sector** as it can limit its resilience to changing global trade dynamics.

▪ Rising Protectionism and Deglobalisation:

- Countries around the globe are moving towards protectionist trade policies due to disrupted global political order (**Russia-Ukraine War**) and **weaponization of supply chain**, that is in way shrinking India's export capacities.

What are the Major Government Initiatives to Promote Export Growth?

- **Trade Infrastructure for Export Scheme (TIES)**
- **PM Gati Shakti National Master Plan (NMP)**
- **Duty Drawback Scheme**
- **Remission of Duties or Taxes on Export Product (RoDTEP)**
- **Rebate of State and Central Taxes and Levies**

Way Forward

- Improved infrastructure and logistics are **critical for enhancing export competitiveness**.

- India should prioritise investments **in transportation networks, ports**, customs clearance processes, and export-oriented infrastructure such as export promotion zones and specialised manufacturing zones.
- Skill development programs **should be implemented to enhance the availability** of skilled labour in export-oriented industries.
- Additionally, incentivizing and promoting technology adoption, such as automation, digitization, and Industry 4.0 technologies, can boost productivity, competitiveness, and innovation in the export sector.

PDF Refernece URL: <https://www.drishtias.com/printpdf/india-s-export-outlook>

