

*India's Foreign Trade: H1 of 2013-14 (April-September) **

This article reviews India's merchandise trade performance during April-September 2013-14 on the basis of the data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S). It also analyses disaggregated commodity-wise and direction-wise details during this period.

Highlights

India's external sector witnessed improvement in H1 of 2013-14 essentially on account of turnaround in Q2 of 2013-14 which more than offset the initial setback in trade performance in Q1 of 2013-14. Trade deficit in H1 of 2013-14 narrowed down to US\$ 79.7 billion from US\$ 91.8 billion in H1 of 2012-13. Trade deficit narrowed on the back of a significant recovery in merchandise exports and a decline in imports. Apart from correction in rupee value and some pick-up in global demand improvement occurred amidst measures taken by the Government to encourage exports and curb import demand, particularly, gold. Major highlights of India's trade performance during April-September 2013 are set out below:

- Indian merchandise exports recorded a growth of 5 per cent at US\$ 151.8 billion in H1 of 2013-14 as against a decline of 6.2 per cent at US\$ 144.7 billion in H1 of 2012-13.
- Disaggregated commodity-wise data reveal that growth in exports was largely contributed by improved performance of sectors *viz.*, 'leather and manufactures,' 'marine products,' 'oil meal', 'petroleum products' and 'textile and textile products.'
- Improved export performance in H1 of 2013-14 was reflected in exports to major destinations, *viz.*,

EU, Japan, Switzerland, Indonesia, Iran, Hong Kong, Malaysia and Thailand.

- Imports in H1 of 2013-14, at US\$ 231.6 billion, declined by 2.1 per cent from the previous year's level of US\$ 236.5 billion.
- Moderation in imports was primarily led by a significant decline in gold imports in Q2 of 2013-14 by about 65 per cent offsetting the sharp rise of the same in the preceding quarter. On a cumulative basis, however, gold imports rose marginally by 0.2 per cent during H1 of 2013-14 compared to a decline of 30.4 per cent in H1 of 2012-13 while growth in oil imports moderated to 3.7 per cent as compared to a growth of 5.8 per cent in H1 of 2012-13.

I. India's Merchandise Trade

Exports (April-September 2013)

India's export performance exhibited considerable improvement in H1 of 2013-14 owing to a turnaround in exports in Q2 of 2013-14 after a decline in the previous quarter. The turnaround in exports primarily reflected the depreciating currency and some recovery in global demand.

On a cumulative basis, exports stood at US\$ 151.8 billion (growth of 5.0 per cent) in H1 of 2013-14 as compared with US\$ 144.7 billion (decline of 6.2 per cent) in H1 of 2012-13 (Table1) (Chart1).

Commodity-wise and Destination-wise Exports (April-September 2013)

Disaggregated commodity-wise data show that the rise in total exports in H1 of 2013-14 can be primarily attributed to the turnaround in the exports of two major commodity groups *viz.*, manufactured goods and petroleum products which registered a positive growth during April-September 2013-14 in contrast to a decline in the corresponding period of the previous year. Exports of primary products, particularly, those of agricultural and allied products,

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Table 1: India's Merchandise Trade

(US\$ billion)

Items	April-September	
	2012-13 R	2013-14 P
Exports	144.7	151.8
	(-6.2)	(5.0)
<i>Of which:</i> Oil	27.5	32.0
	(-6.2)	(16.4)
Non-oil	117.2	119.9
	(-6.2)	(2.3)
Gold	3.3	3.1
	(-4.3)	(-6.8)
Non-Oil Non-Gold	113.9	116.8
	(-6.3)	(2.5)
Imports	236.5	231.6
	(-2.9)	(-2.1)
<i>Of which:</i> Oil	80.0	83.0
	(5.8)	(3.7)
Non-oil	156.5	148.6
	(-6.8)	(-5.0)
Gold	20.2	20.3
	(-30.4)	(0.2)
Non-Oil Non-Gold	136.3	128.3
	(-1.9)	(-5.8)
Trade Deficit	-91.8	-79.7
<i>Of which:</i> Oil	-52.5	-51.0
Non-oil	-39.3	-28.7
Non-Oil Non-Gold	-22.4	-11.6

R: Revised; P: Priliminary ; Figures in brackets represent growth

Source: DGCI&S

however, moderated sharply despite a rise in exports of principal primary commodities like oil meal and marine products (Table 2).

Among primary products, exports of iron ore continued to remain subdued in H1 of 2013-14 owing to the poor mining and ban on mining in certain states. Notably, with partial lifting of ban on iron ore mining, its export picked up sharply in the months of August and September 2013. Moderation in exports of agriculture and allied products was mainly led by either a moderation or decline in exports of major commodities, viz., rice, raw cotton, spices and sugar & molasses. There was, however, a significant growth in exports of oil meal and marine products in H1 of 2013-14 as against a decline in H1 of 2012-13.

Within the manufacturing sector, while export growth of 'leather & manufactures', 'chemical & related products', 'textile & textile products' and 'handicrafts' turned positive in H1 of 2013-14 as against a decline in H1 of 2012-13, the pace of decline in exports of 'engineering goods' moderated to 0.3 per cent in H1 of 2013-14 as compared with a decline of 8.3 per cent in H1 of 2012-13 owing to the renewed demand from

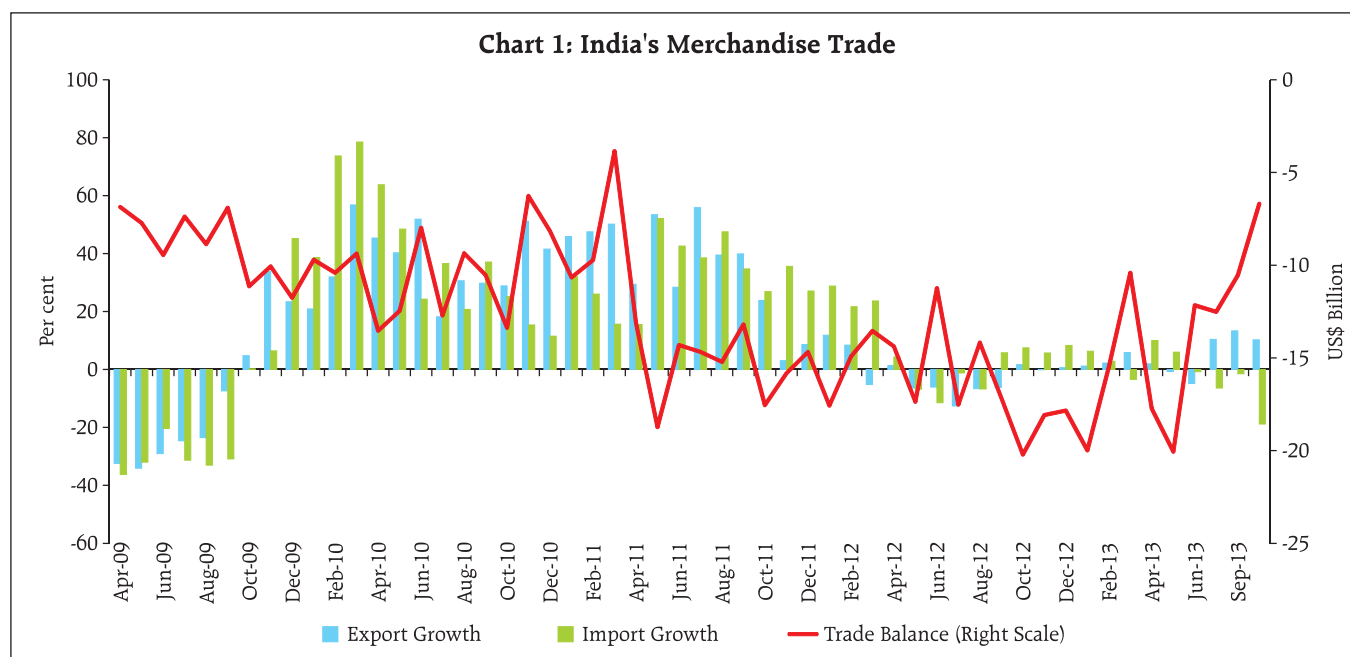


Table 2: India's Exports of Principal Commodities

(Per cent)

Commodity Group	Percentage Share				Relative Weighted Variation	
	2011-12	2012-13	2012-13	2013-14	2012-13	2013-14
			April-September		April-September	
I. Primary Products	15.0	15.5	15.4	14.5	2.3	-0.1
Agriculture and Allied Products	12.2	13.6	13.2	12.7	2.8	0.1
Ores and Minerals	2.8	1.9	2.1	1.8	-0.5	-0.2
II. Manufactured Goods	60.6	60.9	62.6	60.8	-2.8	1.2
<i>Of which:</i>						
Leather and Manufactures	1.6	1.6	1.7	1.8	0.0	0.2
Chemicals and Related Products	12.1	13.0	13.0	13.2	0.5	0.8
Engineering Goods	22.2	21.8	22.5	21.4	-1.9	-0.1
Textiles and Textile Products	9.2	9.1	9.1	9.8	-0.8	1.2
Gems and Jewellery	14.7	14.4	15.3	13.6	-0.6	-1.0
III. Petroleum Products	18.3	20.3	19.0	21.1	-1.2	3.1
IV. Others	6.1	3.3	3.0	3.6	-4.6	0.8
Total Exports	100	100	100	100	-6.2	5.0

Source: Compiled from DGCI&S data.

US and EU. The recovery was more prominent in exports of 'transport equipments' and 'iron & steel' which registered a growth of 3.7 per cent and 17.0 per cent respectively in H1 of 2013-14. Exports of 'gems & jewellery', however, continued to decline in H1 of 2013-14. Within 'gems & jewellery' exports, the fall was only in case of coins & medallion which have minimal value addition. Sharp rise in 'textile & textile products', owing mainly to the rise in 'readymade garments', by 13.3 per cent in H1 of 2013-14 in contrast to a decline of 8.2 per cent in H1 of 2012-13 increased its share in total exports to 9.8 per cent in H1 of 2013-14.

Destination-wise data reveal that among the major trade partners, while exports to USA moderated marginally, exports to countries *viz.*, Belgium, Italy, Germany, UK, Japan, Indonesia, Iran, Hong Kong, Malaysia, Singapore exhibited a considerable rise in H1 of 2013-14 as against a decline in H1 of 2012-13 (Table 3). Exports to Switzerland increased by 122 per cent primarily because of a rise in exports of petroleum crude and gems & jewellery which together accounted for 64 per cent of India's export to this country. Exports to China, South Korea, Netherlands and Latin American

Table 3: India's Exports to Principal Regions

(Percentage Shares)

Region/Country	2011-12	2012-13	2012-13	2013-14
			April-September	
	I. OECD Countries	33.8	34.2	34.4
EU	17.2	16.8	16.3	16.4
North America	12.0	12.7	13.6	13.8
US	11.4	12.0	12.9	13.1
Asia and Oceania	3.0	2.9	2.8	3.0
Other OECD Countries	1.6	1.8	1.7	2.0
II. OPEC	19.0	20.9	21.8	20.0
III. Eastern Europe	1.1	1.3	1.3	1.2
IV. Developing Countries	40.8	41.6	41.0	39.7
Asia	29.7	28.7	28.2	28.3
SAARC	4.4	5.0	5.0	4.8
Other Asian Developing Countries	25.3	23.6	23.3	23.5
People's Republic of China	6.0	4.5	4.5	3.8
Africa	6.7	8.1	7.7	7.9
Latin America	4.4	4.9	5.0	3.5
V. Others / Unspecified	5.4	2.0	1.5	3.9
Total Exports	100	100	100	100

Source: Compiled from DGCI&S data.

countries, however, witnessed a decline in H1 of 2013-14.

Notwithstanding marginal fall in exports to the US, it continued to remain the topmost export

Table 4: Growth Performance of Major Trade Partner Economies

(Per cent)

Period/ Country	2011	2012	2012 Q2	2012 Q3	2013 Q2	2013 Q3
Japan	-0.6	2.0	4.0	0.4	1.2	2.7
Euro area	1.4	-0.6	-0.5	-0.7	-0.6	-0.4
United States	1.8	2.8	2.1	3.1	1.6	1.6
China	9.3	7.7	7.6	7.4	7.5	7.8
Hong kong	4.9	1.5	0.9	1.5	3.3	2.9
Singapore	5.2	1.3	2.3	-0.0	3.8	5.8
Korea	3.7	2.0	2.3	1.5	2.3	3.3
Indonesia	6.5	6.2	6.3	6.2	5.8	5.6
Malaysia	5.1	5.6	5.6	5.3	4.3	5.0
Brazil	2.7	0.9	0.4	0.9	3.3	-
South Africa	3.5	2.5	2.8	2.5	1.9	1.8

- : Not Available.

Source: OECD, IMF, Monthly Statistical Bulletin Bank Negara Malaysia, The Economist

destination for India in H1 2013-14 constituting 13.1 per cent of total exports, followed by UAE and Singapore with a share of 9.9 per cent and 5.3 per cent respectively. Japan's share in total exports has also improved in H1 of 2013-14. With the gradual fall in exports to China, its share in total exports continued to decline from 4.5 per cent in H1 of 2012-13 to 3.8 per cent in H1 of 2013-14.

Pick-up in exports to countries, viz., Japan, Korea, Malaysia and Singapore seems to have been supported by higher growth in these economies in Q2 of 2013-14 (Table 4).

Table 5: Region-wise Relative Weighted Variation in India's Export Growth

(Per cent)

Region/country	2011-12	2012-13	2013-14
	April-September		
EU	6.2	-1.9	0.9
North America	5.2	0.9	0.9
Other OECD	1.5	0.0	0.7
OPEC	5.0	2.2	-0.9
Eastern Europe	0.3	0.2	-0.1
Developing Asia	13.1	-2.2	1.5
Africa	2.1	1.0	0.6
Latin America	1.7	0.3	-1.3
Others	5.4	-6.8	2.6
Total Exports	40.5	-6.2	5.0

Source: Compiled from DGCI&S data.

In terms of region, relative contribution of developing Asia, EU, and other OECD countries to India's export growth was positive in H1 of 2013-14 (Table 5).

Imports (April-September 2013)

Merchandise imports recorded a decline of 2.1 per cent in H1 of 2013-14 at US\$ 231.6 billion as compared with a decline of 2.9 per cent at US\$ 236.5 billion in H1 of 2012-13. The decline was mainly led by a sharp decline in gold imports in Q2 of 2013-14 by about 65 per cent. Apart from various measures by the Government and the Reserve Bank to curb gold import demand (See Box) decline was also due to fall in international gold price by about 20 per cent during this period.

Box: Measures to curb gold import demand

The uptrend in gold imports has been a policy concern as it led to widening of India's current account deficit in recent years. Gold imports increased from US\$ 20.7 billion in 2008-09 to US\$ 53.7 billion in 2012-13. The rise in gold imports continued in Q1 of 2013-14. Recognising the implication of high gold imports for India's external sector, the Government and the Reserve Bank took an array of measures to curb gold imports in recent period which are set out below:

(i) The Government changed the duty structure on precious metals, including gold, from specific to ad-

valorem rate of 2 per cent on January 17, 2012, thereafter; it was raised to 4 per cent in the Budget 2012-13. The customs duty on gold was raised again from 4 per cent to 6 per cent in January 2013 and was further raised to 8 per cent in June 2013. In August 2013, the customs duty on gold and platinum was raised further from 8 to 10 per cent

(ii) In March 2012, the Reserve Bank directed NBFCs, predominantly engaged in lending against the collateral of gold jewellery and face inherent

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concentration risk, to limit Loan to Value (LTV) to 60 per cent and raise Tier I capital to 12 per cent by April 1, 2014. They have also been prohibited from granting loans against bullion or primary gold and gold coins.

(iii) In May 2012, banks were advised to reduce their exposure ceiling on a single NBFC, having gold loans to the extent of 50 per cent or more of its total financial assets, from the existing 10 per cent to 7.5 per cent of banks' capital funds, with certain concessions to the infrastructure sector.

(iv) In the Annual Policy Statement for 2013-14 (May 3, 2013), the Reserve Bank proposed to restrict the facility of advances against the security of gold coins per customer to gold coins weighing up to 50 gms. Later it was further clarified that the restriction on grant of loan against 'gold bullion' will also be applicable to grant of advance against units of gold ETFs and units of gold Mutual Funds.

(v) Moreover, inflation linked bonds were introduced. It may wean away investors from gold to other savings instruments and help in moderating gold demand.

(vi) On July 22, 2013, the Reserve Bank instructed all nominated banks/nominated agencies to ensure that at least one fifth of every lot of import of gold (in any form/purity including import of gold coins/dore) is exclusively made available for the purpose of export and the balance for domestic use. Further, nominated banks/ nominated agencies and other entities shall make available gold for domestic use only to the entities engaged in jewellery business/bullion dealers and to banks authorised to administer the Gold Deposit Scheme against full upfront payment. In other words, supply of gold in any form to the domestic users other than against full payment upfront shall not be permitted.

Commodity-wise and Destination-wise Imports (April-September 2013)

Disaggregated commodity-wise import data reflect that notwithstanding a moderation in imports of 'petroleum, petroleum products & related material' and 'capital goods' in H1 of 2013-14, they continued to be the top most items in India's import basket accounting for a share of 35.8 per cent and 17.9 per cent respectively in total merchandise imports. Growth in POL imports decelerated to 3.7 per cent in H1 of 2013-14 compared to a growth of 5.8 per cent in H1 of 2012-13 even with a marginal rise in international oil prices (Indian basket) reflecting a subdued domestic consumption demand (Table 6). Successive rise in import duty and other measures to curb gold import demand led to a sharp decline in gold imports by 65.2 per cent in Q2 of 2013-14 as a result of which gold imports increased by only 0.2 per cent in H1 of 2013-14 despite a sharp rise in Q1 of 2013-14. Among other components, imports of capital goods declined by 10 per cent in H1 of 2013-14 indicating slower investment activity. In contrast, imports of export related items (particularly pearl,

Table 6: Trends in crude oil prices

(US\$/barrel)

Period	Dubai	Brent	WTI*	Indian Basket**
1	2	3	4	5
2005-06	53.4	58.0	59.9	55.7
2006-07	60.9	64.4	64.7	62.5
2007-08	77.3	82.3	82.3	79.2
2008-09	82.1	84.7	85.8	83.6
2009-10	69.6	69.8	70.6	69.8
2010-11	84.2	86.7	83.2	85.1
2011-12	110.0	114.4	97.3	111.9
2012-13	106.9	110.5	92.0	108.0
2013-14 H1	103.5	106.6	100.0	104.4

* West Texas Intermediate

** the composition of Indian Basket of Crude represents Average of Oman & Dubai for sour grades and Brent (Dated) for sweet grade in the ratio of 69.9: 30.1 for 2013-14.

Sources: International Monetary Fund, International Financial Statistics.; World Gem data & commodity; Ministry of Petroleum and Natural Gas, Government of India.

precious and semi-precious stone), witnessed a growth of 11.3 per cent in H1 of 2013-14 as against a decline of 21.7 per cent in H1 of 2012-13 (Table 7).

Table 7: Imports of Principal Commodities

(Per cent)

Commodity/Group	Percentage Share				Relative Weighted variation	
	2011-12	2012-13	2012-13	2013-14	2012-13	2013-14
	April-September					
1. Petroleum, Crude and Products	31.7	33.4	33.8	35.8	1.8	1.2
2. Capital Goods	20.3	19.3	19.5	17.9	-0.8	-1.9
3. Gold and Silver	12.5	11.3	9.0	9.5	-4.2	0.3
4. Organic and Inorganic Chemicals	3.9	3.9	4.0	4.4	0.0	0.3
5. Coal, Coke and Briquettes, etc.	3.6	3.5	3.8	3.4	-0.2	-0.5
6. Fertilisers	2.4	1.9	2.1	1.8	0.2	-0.4
7. Metalliferrous Ores, Metal Scrap, etc.	2.7	3.1	2.9	2.9	0.1	-0.1
8. Iron and Steel	2.5	2.2	2.4	1.7	0.0	-0.7
9. Pearls, Precious and Semi-Precious Stones	5.7	4.6	4.2	5.1	-2.5	0.8
10. Others	14.8	16.7	18.3	17.5	2.2	-1.1
Total Imports	100	100	100	100	-2.9	-2.1

Source: Compiled from DGCIS data.

Destination-wise data reveal that moderation in India's imports were reflected in the decline in imports from some major trading countries *viz.*, US, Japan, China, UAE, Malaysia, Iran. In contrast, however, growth in imports from UK, Belgium, Switzerland, Hong Kong, South Korea turned positive in H1 of 2013-14.

In terms of share, China, despite a fall in imports, continued to be the main import source for India accounting for 11.1 per cent of total merchandise imports. Continued rise in imports from Switzerland and a subsequent fall in imports from US made Switzerland the second highest import source country for India's imports (with a share of 5.2 per cent) followed by US (with a share of 5.1 per cent). The sharp rise in imports from Switzerland in H1 of 2013-14 in contrast to a decline in H1 of the previous year was primarily in the form of gold and silver accounting for 90 per cent of India's import from Switzerland. While the respective share of EU, OPEC and Africa remained almost same, the share of Asian developing countries

Table 8: Shares of Groups/Countries in India's Imports

(Percentage Shares)

Region/Country	2011-12	2012-13	2012-13	
			April-September	
I. OECD Countries	30.2	28.8	27.6	26.3
EU	11.9	10.6	10.9	10.5
France	0.9	0.9	1.0	0.7
Germany	3.3	2.9	3.0	2.7
UK	1.6	1.3	1.3	1.6
North America	5.6	5.7	6.0	5.8
US	5.0	5.1	5.4	5.1
Asia and Oceania	5.7	5.3	5.3	4.5
Other OECD Countries	7.0	7.1	5.4	5.5
II. OPEC	35.5	38.3	39.0	39.7
III. Eastern Europe	1.7	1.6	1.8	1.5
IV. Developing Countries	32.3	30.8	31.2	31.4
Asia	25.9	23.5	24.5	24.6
SAARC	0.5	0.5	0.6	0.4
Other Asian Developing Countries	25.3	23.0	23.9	24.1
<i>of which:</i>				
People's Republic of China	11.8	10.7	11.4	11.1
Africa	4.0	3.9	3.8	3.6
Latin America	2.4	3.4	2.8	3.3
V. Others / Unspecified	0.3	0.5	0.4	1.0
Total Imports	100	100	100	100

Source: Compiled from DGCIS data.

and Latin American countries witnessed a rise in H1 of 2013-14 over the corresponding period in the previous year (Table 8).

Trade Deficit

Rise in exports coupled with a moderation in imports led to a considerable narrowing of trade deficit to US\$ 79.7 billion in H1 of 2013-14 from US\$ 91.8 in H1 of 2012-13. While exchange rate adjustments and recovery in global demand seem to have aided a rise in merchandise exports, moderation in imports was primarily led by a sharp decline in imports of gold, particularly in Q2 of 2013-14 by about 65 per cent. On a cumulative basis, however, POL and gold together accounted for 44.6 per cent of total imports.

II. Global Trade

The deceleration in world trade in 2012 and 2013 so far reflected the weak momentum in global economic

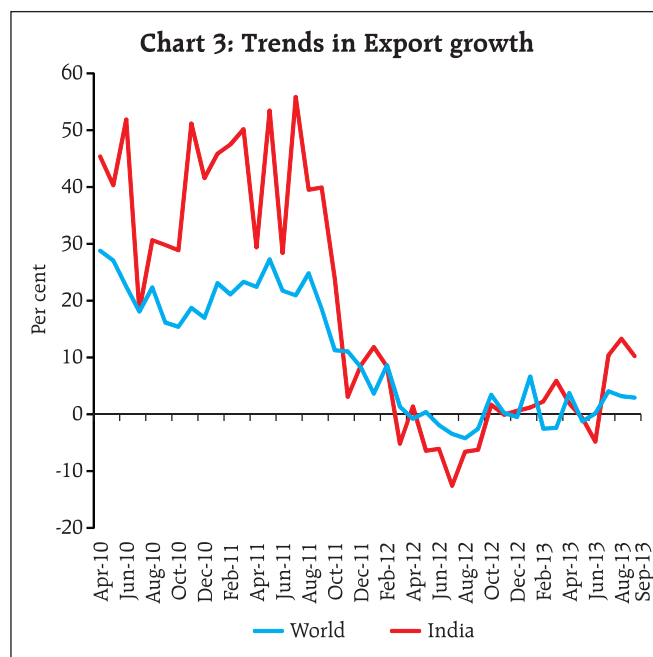
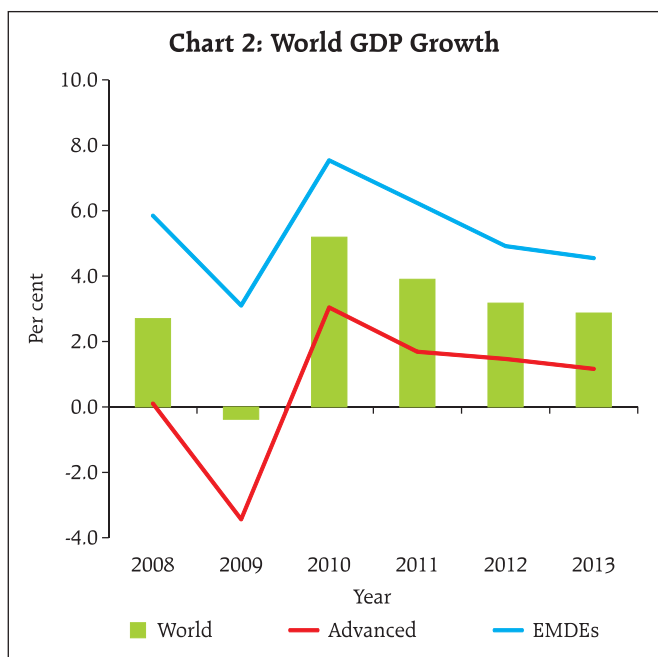
activity amidst slow recovery in advanced and emerging market and developing economies (EMDEs). Challenges of global slowdown and tightening global financial conditions weighed more on the performance of EMDEs while advanced economies exhibited a relatively improved outlook (particularly during July-September 2013) (Chart 2).

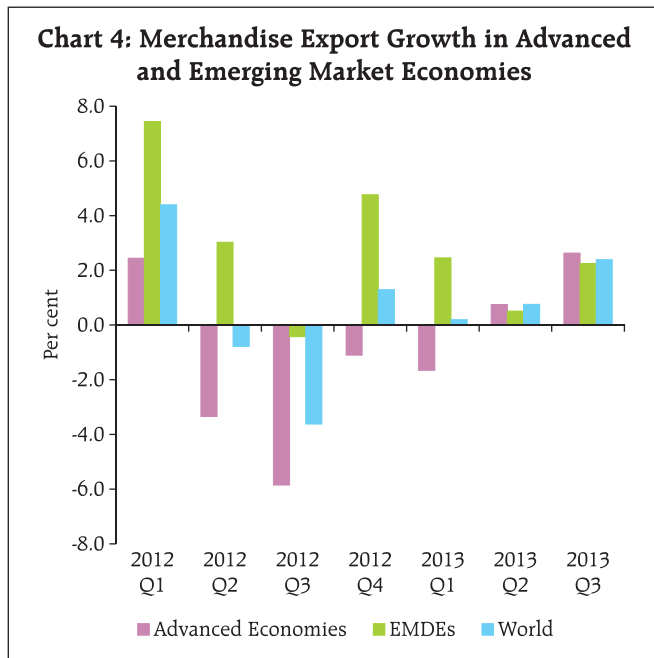
World exports (goods) also exhibited a mixed trend in 2013 so far. In the initial months, exports witnessed a decline on a y-o-y basis before recording a gradual recovery, thereafter, particularly since June 2013 (Chart 3).

Global economy seems to have entered a transitional phase as advanced economies gained strength while EMDEs witnessed a slowdown in recent times (Chart 4). Going forward, global outlook continues to exhibit considerable uncertainty with a downward risk to global economic activity. Policy uncertainties in the US and slow pace of reforms in the Euro area could adversely affect the potential trade and economic conditions in the long run. Moreover, the slowdown in major countries *viz.*, China and other EMDEs, constituting a bulk of world trade may lead to a fall in

global economic and trade activity. Nevertheless, according to the IMF (October 2013), world trade volume (goods and services) is projected to grow by 2.9 per cent in 2013 as compared with 2.7 per cent in 2012.

World commodity prices exhibited a mixed trend across commodities in recent period. While a declining trend was generally reflected in food and metal prices since July 2013, energy prices showed a rise. Decline in food prices mainly reflected the improved supply conditions in the world market. According to the World Bank Report on commodity prices (October 2013), the largest decline among the food prices is expected to be in rice, wheat, coconut oil and palm oil. Supply abundance and weakening demand from key consumer economies, mainly China, led to a drop in metal prices. Precious metal *viz.*, gold also exhibited a declining trend as gold seems to have become less attractive as "safe haven" to international investors in addition to weakening physical demand. Fluctuations in crude oil prices have been driven mainly by geopolitical concerns (Egypt and more recently Syria) and output disruptions (Iraq and Libya) on the supply side and changing growth prospects of the developing countries on the demand side (Chart 5).





2013-14 and a moderation in imports offsetting the growing trade deficit in Q1 of 2013-14. While export growth could be reflective of lagged impact of rupee depreciation in recent period and fall in international gold prices and rise in global demand, moderation in import was primarily led by a sharp decline in gold imports resulting from an array of measures taken to curb gold import demand. Going forward, global activity is expected to recover gradually, mainly supported by growth momentum in advanced economies. Improved growth prospects in EMDEs, however, are also pertinent for sustenance of India's exports momentum. On import front, a moderation in gold imports on durable basis is expected to augur well and help containing India's trade deficit.

III. Outlook

India's trade performance improved in H1 of 2013-14 primarily led by a rise in exports in Q2 of

Detailed information on monthly commodity-wise and country-wise data on merchandise exports and imports for 2011-12, 2012-13 and April-September 2013-14 can be accessed at http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx.

