

## India FY23 exports defy global turmoil to hit record high

5 min read · 13 Apr 2023 **Ravi Dutta Mishra**



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**NEW DELHI** :In a year of uncertainties worldwide, India exported a record \$447 billion worth of goods in FY23, up about 6% from the previous year, commerce ministry data showed. However, goods exports in March 2023 slipped to \$38.38 billion compared to \$44.57 billion during the previous year, registering a 13% fall. At the same time, goods imports rose over 16% to touch \$714 billion, widening the goods trade deficit to highest ever mark of \$267 billion against the previous year's \$191 billion.

Overall trade deficit— including goods and services —touched a record \$122 billion during the year, as exports that grew 13.84% to a record \$770 billion were outmatched by imports that grew at a faster pace of 17.38% to a record \$892 billion. Imports from Russia jumped 370% during the year, as India shopped around for cheaper crude oil. The rise in deficit also weakened the rupee and eroded forex reserves. India's foreign exchange reserves declined by around \$70 billion in 2022, amid rising inflation and interest rates. From \$632.74 billion in January, the reserves fell to \$562.851 billion by the end of 2022.

Ajay Srivastava, co-founder, Global Trade Research Initiative, said that energy-related imports, at \$259.3 billion for FY23, use up foreign exchange the most. "They contributed 36.3% of India's merchandise import bill. But more worrisome is the high rate of growth in imports. Energy imports grew 34% in FY23 over the previous year. In contrast, imports of remaining merchandise goods grew at just 8.4%," Srivastava added.

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"Although India's merchandise exports rose by 6% to touch a record \$447.5 billion in FY2023, non-oil exports declined marginally by 0.5%, following the slackening external demand owing to the global slowdown in the second half of FY23 as well as the moderation in global commodity prices. These concerns are set to exacerbate in FY2024 and are expected to lead to a deeper contraction in India's merchandise exports during the fiscal. This will weigh on the performance of the manufacturing sector and act as a drag on GDP growth," Aditi Nayar, chief economist and head, research and outreach, ICRA Ltd.

Even as imports from China rose 4% to \$98 billion during FY23 from \$94.57 billion a year earlier, its share in overall imports fell to 13.8% from 15.4%. Meanwhile, China remained the largest exporter to India, followed by the UAE, US, Russia and Saudi Arabia.

Commerce secretary Sunil Barthwal said India has managed to cross last year's export numbers despite global headwinds. "The decline in Chinese imports is because we have been focusing on the sector from where there has been a large number of imports, particularly from the electronic sector. There was a large number of imports coming from China. We are building our competitive advantage. We are also working on reducing dependence on China and diversification of our value chain so that import dependence on particular countries can decline. Similarly, we are trying to diversify our exports," an official stated. The US continued to be India's largest merchandise export destination, with exports worth \$78.31 billion, up over 2% from the previous last financial year. The US was followed by the UAE, the Netherlands, China, Singapore and Bangladesh. The Netherlands saw the sharpest jump of 66% last financial year, driven by exports of petroleum products.

“Going ahead, we may expect further slowdown in growth in exports since global demand will remain weak, with growth expected to slow down that will necessitate a lower level of imports. Further, with the rupee tending towards appreciating rather than depreciating, the currency advantage would be weaker. Imports would probably remain steady, thus putting pressure on the deficit which could increase depending on how oil price moves," Madan Sabnavis, chief economist, Bank of Baroda said.

According to government data, 17 of the 30 major export sectors grew in FY23. Moreover, the percentage increase in volume is higher than the growth in export value in 17 principal commodities in April-February FY23 on year, according to the data. Their export value was \$33.9 billion, comprising 8.3% of the total export value, which was \$408.53 billion.

Textiles, plastic and linoleum exports, however, continued to decline in March due to muted demand following the slowdown in major economies. Government officials said 60 cases have been approved by the Reserve Bank of India for opening special vostro rupee accounts (SVRA) and use Indian rupees to settle payments from correspondent banks of 18 countries.

Notably, exports of electronic goods increased by 57.36% during March 2023 at \$2.86 billion from \$1.82 billion in March 2022. During FY23, electronic goods exports were recorded at \$23.57 billion against \$15.66 billion in FY22, a growth of 50.52 %.

Arun Kumar Garodia, chairman of Engineering Export Promotion Council India, said that timely policy measures by the government helped the engineering sector withstand the external challenges to a great extent and achieve exports of \$107.04 billion in FY23.

“At \$112.16 billion, the Indian engineering sector clocked record exports in the financial year 2021-22. The impact of economic slowdown in major advanced economies has been visible in global trade. However, India has still managed to minimize the impact by taking several policy measures such as expanding the rupee trade, roll-back of export duty on specified steel products, and easing procedures," Garodia added. and from the western countries in the backdrop of the tightening liquidity conditions across the globe, official data released by the commerce and industry ministry showed on Thursday.