Engineering Export-Import Monitor

SEPTEMBER 2024

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ENGINEERING TRADE ANALYSIS FOR SEPTEMBER 2024

India's engineering exports continued to grow for the fifth straight month to September 2024

Trade Flow	Export figures (in US$ billion)				Growth (%)	
	Sep-2023	Sep-2024	Apr - Sep 2023-24	Apr – Sep 2024-25	Sep-2024 over Sep-2023	Apr-Sep 2024-25 over Apr-Sep 2023-24
Engineering exports	8.89	9.82	53.42	56.23	10.55%	5.25%
Overall merchandise exports	34.41	34.58	211.08	213.22	0.51%	1.02%
Share of engineering (%)	25.83%	28.41%	25.31%	26.37%	---	---
Service Exports	28.42	30.61	163.92	180.00	7.71%	9.81%

Source: *Compiled from data by DGCI&S and Quick Estimates published by the Government of India*

Indian engineering exports continued its growth run for the fifth straight month to September 2024 and this time the growth was in double digit after June 2024 at 10.55 percent. Cumulative exports during Apr-Sep 2024 also recorded 5.25 percent growth over the same period last fiscal. September 2024 saw second highest engineering exports in 2024-25 after May 2024. Share of engineering in overall merchandise exports was at an impressive 28.41 percent in September 2024 and at 26.37 percent on a cumulative basis. Growth in engineering exports in September 2024 was attributed to decent rise in shipments of Aircrafts, spacecrafts and parts; industrial machinery; electrical machinery; and medical and scientific instruments. Decline in iron and steel exports moderated to just 2 percent that also contributed to higher overall growth of engineering exports in the month concerned.

HIGHLIGHTS

- Engineering exports from India recorded double digit growth in September 2024 for the second time after June 2024 in fiscal 2024-25 on its way to register year-on-year growth for the fifth straight month. In September 2024, engineering exports went up to USD 9,824.33 million from USD 8,886.54 million in the same month last fiscal, securing 10.55 percent growth.
- Cumulative engineering exports during April-September 2024-25 was recorded at USD 56,226.95 million as against USD 53,421.20 million during the same period of the last fiscal, registering an increase of 5.25 percent.
- According to the Quick Estimates of Department of Commerce, Government of India, share of engineering in India's total merchandise exports in September 2024 increased to 28.41 percent from 27.20 percent in August 2024 and 26.60 percent in July 2024. Cumulative share stood at 26.37 percent during April-August 2024-25.
- In September 2024, 26 out of 34 engineering panels witnessed positive year-on-year growth, while 8 remaining engineering panels experienced decline. Exports of Iron and Steel, Products of Iron and Steel, Non-Ferrous products including Copper Aluminium and Lead products, other products including Railway and Transport Equipments, Ship and Boats and Floating bodies, etc. dropped.
- On a cumulative basis, 25 out of 34 engineering panels recorded positive growth and remaining 9 engineering panels including Iron and Steel, Products of Iron and Steel, some non-ferrous sectors including Copper, Aluminium and Zinc products, IC Engines, Office Equipment and Prima Mica products recorded negative growth during April-September 2024-25.
- Region wise, North America and European Union remained India's topmost destinations for engineering exports with share of around 21% and 17% respectively, in India's total engineering exports. West Asia and North Africa (WANA) with a share of 16% registered the highest growth of 24.1% during April-Sep 2024-25 vis-à-vis the same period last year followed by CIS (growth of 13.3%), other Europe (growth of 11.1%),North America (growth of 8%) and North East Asia (growth of 7.3%).
- Among top exporting destinations, USA, UAE, Saudi Arabia, Germany, Singapore, UK, Mexico, etc. experienced positive growth in April-Sep 2024-25

Overall Engineering Exports vs Engineering Exports Excluding Steel Segment
(Values in USD Million)

Trade Flow	Export in Sep 2023	Exports in Sep 2024	Growth (%)	Exports in Apr-Sep 2023-24	Exports in Apr-Sep 2024-25	Growth (%)
Overall engineering exports	8886.54	9824.33	10.55	53421.20	56226.95	5.25

Trade Flow	Export in Sep 2023	Exports in Sep 2024	Growth (%)	Exports in Apr-Sep 2023-24	Exports in Apr-Sep 2024-25	Growth (%)
Engineering exports excluding Iron and Steel	8131.24	9084.72	11.72	47190.03	51620.12	9.39

Source: DGCI&S, Govt. of India

Observation: Excluding the export of iron and steel, engineering exports recorded a higher growth both on a monthly as well as cumulative basis as shown in the table above. Exports of Iron and Steel conceded 2.1 percent year-on-year decline in September 2024 and 26.1 percent year-on-year decline during April-September 2024-25.

ENGINEERING EXPORTS: MONTHLY TREND

The monthly engineering figures for 2024-25 vis-à-vis 2023-24 are shown below as per the latest DGCI&S estimates:

Table 1: Engineering Exports: Monthly Trend in 2024-25

Values in US$ million

Month	2023-24	2024-25	Growth (%)
April	8949.36	8547.86	-4.49
May	9300.62	9991.25	7.43
June	8515.72	9389.74	10.26
April-June	**26765.71**	**27928.86**	**4.35**
July	8720.30	9039.70	3.66
August	9048.65	9434.06	4.26
September	8886.54	9824.33	10.55
July-September	**26655.49**	**28298.09**	**6.16**
April-September	**53421.20**	**56226.95**	**5.25**

Source: DGCIS, Govt. of India

TOP 25 ENGINEERING EXPORT DESTINATIONS IN SEPTEMBER 2024

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during September 2024 over September 2023 as well as in cumulative terms during April-September 2024-25 vis-à-vis April-September 2023-24. The data clearly shows that top 25 countries contribute 75.9% of total engineering exports.

Table 2: Engineering exports country wise

US$ million

Countries	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
U S A	1436.0	1551.6	8.0%	8734.2	9278.4	6.2%
UAE	448.4	672.1	49.9%	2695.4	3902.9	44.8%
SAUDI ARAB	455.8	388.7	-14.7%	2208.1	2613.6	18.4%
GERMANY	336.2	361.2	7.4%	2089.8	2087.1	-0.1%
SINGAPORE	348.3	288.5	-17.2%	1705.9	1961.0	15.0%
U K	265.3	325.0	22.5%	1815.8	1942.3	7.0%
MEXICO	214.8	300.9	40.1%	1583.5	1892.1	19.5%
TURKEY	272.6	199.7	-26.7%	1453.3	1663.0	14.4%
ITALY	224.8	202.5	-9.9%	1962.8	1487.8	-24.2%
CHINA	260.2	264.2	1.5%	1228.6	1342.8	9.3%
KOREA RP	174.5	192.7	10.4%	1400.2	1286.4	-8.1%
SOUTH AFRICA	202.9	277.9	36.9%	1152.1	1172.4	1.8%
JAPAN	170.1	257.0	51.1%	888.4	1165.0	31.1%
FRANCE	186.8	384.5	105.8%	1075.5	1155.0	7.4%
BRAZIL	149.0	192.6	29.2%	1004.3	1097.6	9.3%
NEPAL	175.4	198.9	13.4%	1175.3	1095.7	-6.8%
INDONESIA	285.7	143.0	-50.0%	1577.6	1087.7	-31.0%
BANGLADESH	169.7	176.0	3.7%	1136.2	1024.2	-9.9%
THAILAND	162.5	179.7	10.5%	914.1	998.4	9.2%
NETHERLAND	164.0	151.5	-7.6%	1038.3	946.3	-8.9%
MALAYSIA	178.3	114.6	-35.7%	911.4	724.7	-20.5%
BELGIUM	117.0	138.3	18.2%	816.1	714.2	-12.5%
VIETNAM	108.1	121.6	12.4%	578.0	698.3	20.8%
SPAIN	93.9	150.3	60.1%	787.5	694.5	-11.8%
RUSSIA	97.5	103.9	6.6%	663.2	648.0	-2.3%
Total engineering exports to top 25 countries	**6697.9**	**7336.7**	**9.5%**	**40595.7**	**42679.1**	**5.1%**
Total engineering exports	**8886.5**	**9824.3**	**10.6%**	**53421.2**	**56226.9**	**5.3%**

Countries	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
Share % of Top 25 destinations	**75.4%**	**74.7%**		**76.0%**	**75.9%**	

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

The following table depicts region wise India's engineering exports for April-September 2024 as compared to April-September 2023.

Table 3: Region wise engineering exports in April-September 2024-25 vis-à-vis April-September 2023-24

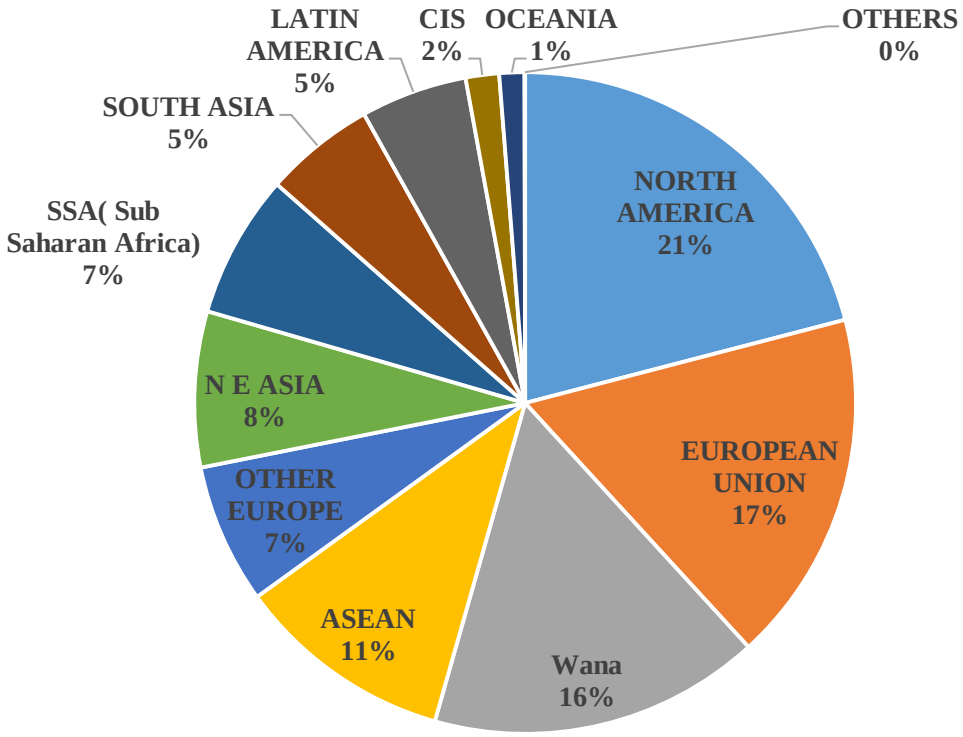
US$ million

Regions	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
NORTH AMERICA	1741.0	1949.7	**12.0%**	10901.8	11778.3	**8.0%**
EUROPEAN UNION	1488.1	1910.9	**28.4%**	10081.3	9701.7	**-3.8%**
WANA	1271.1	1614.3	**27.0%**	7339.1	9108.0	**24.1%**
ASEAN	1146.8	907.8	**-20.8%**	6104.7	5979.6	**-2.0%**
OTHER EUROPE	572.1	556.5	**-2.7%**	3459.5	3843.5	**11.1%**
N E ASIA	683.2	770.4	**12.8%**	3987.8	4277.1	**7.3%**
SSA(Sub Saharan Africa)	696.4	794.8	**14.1%**	4037.5	3947.2	**-2.2%**
SOUTH ASIA	543.4	521.5	**-4.0%**	2999.9	3040.3	**1.3%**
LATIN AMERICA	502.7	510.0	**1.5%**	2927.4	2927.2	**0.0%**
CIS	120.1	164.2	**36.7%**	811.0	919.1	**13.3%**
OCEANIA	119.5	118.6	**-0.7%**	758.7	689.0	**-9.2%**
OTHERS	2.2	5.5	**151.8%**	12.7	15.7	**24.0%**
Grand Total	**8886.5**	**9824.3**	**10.6%**	**53421.2**	**56226.9**	**5.3%**

Source: DGCI&S

Note: Myanmar has been included in ASEAN and not in South Asia, since ASEAN is a formal economic grouping.

Fig 1: Region-wise shares of India's engineering exports during April-September 2024-25



PANEL WISE INDIA'S ENGINEERING EXPORTS

In this section we look at the Engineering Panel wise exports for the month of September 2024 vis-à-vis September 2023 as well as the cumulative exports for **April-September 2024-25 vis-à-vis April-September 2023-24**. These are indicated in the tables below.

Table 4: Panel-wise Export Analysis for April-September 2024-25 vis-à-vis April-September 2023-24

Product panels	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
Ferrous						
Iron and Steel	755.3	739.6	-2%	6231.2	4606.8	-26%
Products of Iron and Steel	849.2	827.5	-3%	4885.1	4806.8	-2%
Sub Total	**1604.5**	**1567.1**	-2%	**11116.2**	**9413.7**	-15%
Non-ferrous						
Copper and products	271.1	246.7	-9%	1187.1	1053.2	-11%

Product panels	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
Aluminium and products	565.0	526.2	-7%	3618.2	3249.2	-10%
Zinc and products	41.5	58.0	40%	390.2	347.3	-11%
Nickel and products	14.1	15.2	8%	87.3	87.7	0%
Lead and products	76.2	64.4	-16%	308.2	421.5	37%
Tin and products	1.4	3.0	105%	8.0	11.3	42%
Other Non-Ferrous Metals	62.4	78.5	26%	367.9	424.1	15%
Sub Total	**1031.7**	**991.8**	-4%	**5966.8**	**5594.3**	-6%
Industrial Machinery						
Industrial Machinery like Boilers, parts, etc.	65.0	89.2	37%	368.1	406.8	11%
IC Engines and Parts	316.4	324.0	2%	1852.1	1844.4	0%
Pumps of all types	110.1	136.2	24%	704.6	759.2	8%
Air condition and Refrigerators	145.1	170.4	17%	831.3	909.4	9%
Industrial Machinery for dairy, food processing, textiles etc.	672.5	701.9	4%	3976.5	4066.8	2%
Machine Tools	58.6	61.1	4%	365.1	392.7	8%
Machinery for Injecting moulding, valves and ATMs	202.4	240.9	19%	1232.1	1361.0	10%
Sub Total	**1570.2**	**1723.7**	10%	**9329.8**	**9740.2**	4%
Electrical Machinery						
Electrical Machinery	**1054.9**	**1281.1**	**21%**	**6203.2**	**6975.3**	**12%**
Automobile and auto component						
Motor Vehicle/cars	762.6	788.9	3%	4270.9	4397.9	3%
Two and Three Wheelers	203.8	266.2	31%	1313.8	1545.4	18%
Auto Components/Part	642.0	688.7	7%	3768.6	4089.7	9%

Product panels	September 2023	September 2024	Growth (%)	April-September 2023-24	April-September 2024-25	Growth (%)
Auto Tyres and Tubes	226.9	256.8	13%	1366.7	1511.5	11%
Sub Total	**1835.3**	**2000.6**	9%	**10720.0**	**11544.6**	7.7%
Aircrafts and related products						
Aircrafts and Spacecraft parts and products	**104.5**	**710.6**	580%	**676.7**	**2970.8**	339%
Ships Boats and Floating products and parts						
Ships Boats and Floating products and parts	**467.0**	**169.7**	-64%	**2165.6**	**2171.1**	0%
Miscellaneous engineering products						
Medical and Scientific instruments	190.0	257.7	36%	1190.5	1337.7	12%
Railway Transport	23.4	22.2	-5%	148.8	153.7	3%
Hand Tools & Cutting Tools	80.1	89.2	11%	464.1	503.1	8%
Bicycle & Parts	30.5	32.7	7%	183.0	186.4	2%
Cranes Lifts & Winches	97.3	107.3	10%	477.4	562.2	18%
Office Equipment	19.4	22.3	15%	166.0	140.7	-15%
Other Construction Machinery	250.8	268.8	7%	1444.1	1526.8	6%
Prime Mica & Mica Products	4.7	2.6	-46%	20.8	15.0	-28%
Project Goods	0.2	0.3	27%	2.0	1.1	-41%
Other Rubber Product Except Footwear	134.6	142.6	6%	821.1	875.2	7%
Other Misc. Items	387.3	434.2	12%	2325.1	2515.2	8%
Total engineering exports	**8886.5**	**9824.3**	**10.55%**	**53421.2**	**56226.9**	**5.25%**

Reasons for Decline (As per April-September 2024-25):

- **Iron and Steel and Products of Iron and Steel: - Insights:**

a) During April-September 2024-25, India's exports of Iron and Steel deteriorated by 26% vis-à-vis same period last fiscal, while Products of Iron and Steel deteriorated by 2% during the same period.

b) The ferrous sector continued to record decline in exports mainly due to slackened domestic and global demand pressuring down prices. Plus, China's aggressive export policy is also likely to sustain its negative impact on steel mills across the globe, including India. It is essential to recognize that during the initial five months of FY 2024-25 (April-August), our crude steel production increased by 4.44%, while finished steel production rose by 5.30% compared to the same period last year. Notably, steel consumption has surged by 13.78%. This considerable disparity between production and consumption underscores the necessity for imports to meet the burgeoning demand.

c) In the first five months of FY 2024-25 (April-August), steel exports saw a sharp drop of nearly 40% compared to the same period last year. In contrast, imports rose significantly by over 24%. As a result, net exports shifted from a surplus last year to a noticeable deficit this year, with imports now outpacing exports by a wider margin. This reflects a reversal in the trade balance for steel, with higher import levels and lower export activity.

d) Chinese steel prices have continued to down-trend in September. Even, Indian steel prices are grovelling at near-four-year lows. Flat steel prices, especially of hot rolled coils (HRCs) remained in a bear grip amid lacklustre demand despite the fact that the festive season is round the corner.

e) Top Markets affected: India's exports to USA and EU markets are getting affected due to several factors. List of various NTMs, including the Carbon Border Adjustment Mechanism (CBAM) and Deforestation-free Regulation (EUDR), impact Indian exports. The economic slowdown in key markets like the USA and EU has reduced demand for imported goods, including those from India.

- ***Non- Ferrous Sector (Copper, Aluminium, Zinc)***

- **Copper: (decline of around 11%)**

a) In September global copper prices showed volatility – trended downwards in the beginning of September 2024 before gaining on growing anticipation of a rate cut by the US Federal Reserve which was came through on 18 September
b) India's domestic demand has increased driven by demand for clean energy technologies and EV batteries – this is further indicated by India's growing import of copper concentrate. The Ministry of Mines projects that the demand for copper in India, particularly from the EV sector, will increase by 1.7 million tonnes by 2027. The per capita copper consumption in India is also expected to rise from the current level of 0.6 kg to 1 kg in the coming years. This growing domestic demand is diverting supply away from export markets, further contributing to the decline in exports.
c) Closure of Vedanta's Sterlite copper plant: India's copper production capabilities have been significantly impacted by the closure of Vedanta's Sterlite Copper plant in 2018.

According to the International Copper Association, the closure has led to an estimated annual loss of $1 billion in net foreign exchange inflows due to reduced copper exports. Additionally, India has been forced to spend approximately $1.2 billion annually on copper imports to fill the supply gap, further straining the country's trade balance. The loss of this key production facility has reduced India's ability to compete in the global copper market

- **Aluminium (decline of around 10%)**

a) Restrictive trade policies and geopolitical tensions

Section 232 and U.S. Tariffs: The U.S. Section 232 tariffs have adversely affected aluminium exports to the U.S., one of India's key markets. Between April and July 2024, India's aluminium exports to the U.S. declined by 5%. These tariffs are part of broader protectionist measures that have hampered the competitiveness of Indian aluminium products in the U.S. market.

U.S. Anti-Dumping Duties on Aluminium Extrusion Products: On May 1, 2024, the U.S. Department of Commerce announced preliminary antidumping duties on aluminium extrusion products from 14 countries, including India. Indian exporters now face a prohibitive dumping duty rate of 39.05% on products classified under HSN 7604 and HSN 7608. This steep duty rate significantly undermines the competitiveness of Indian aluminium exports in the U.S. market. In response, Indian exporters have submitted detailed representations to the U.S. Department of Commerce, highlighting the potential adverse effects on their businesses.

ASEAN Trade Barriers: In the ASEAN region, countries like Malaysia have imposed high Most Favoured Nation (MFN) duties ranging from 25% to 30% on tariff lines between 7604 to 7608, severely limiting exports from India's downstream aluminium industry, which predominantly comprises MSMEs. Similarly, Indonesia has placed downstream aluminium products under the Sensitive Track, further restricting market access.

Discrimination in Neighbouring Markets: India's aluminium exports also face discriminatory practices in neighbouring countries such as Bangladesh. In April 2023, Bangladesh reclassified aluminium billets under HS code 76012090 to 76012000, removing them from the South Asian Free Trade Area (SAFTA) agreement and imposing a 5% Basic Customs Duty (BCD) on imports from India. This change has increased the cost of exporting aluminium billets to Bangladesh, affecting trade volumes.

b) Fluctuations in global aluminium prices mainly fuelled by geopolitical uncertainties and shifting trade policies across the world. Underlying demand in Europe remains muted and US economy is expected to face a sharp slowdown

c) Rising domestic demand

Infrastructure Development: The Indian government's focus on infrastructure development has led to a significant increase in domestic demand for aluminium. According to ICRA, domestic aluminium demand is expected to grow by around 9% annually over the next two fiscal years. This rising demand has diverted more aluminium towards domestic consumption, reducing the availability of aluminium for export.

- **Zinc (decline of around 11%)**

The decline in zinc exports is mainly due to growing domestic demand for zinc. India's zinc consumption is estimated to increase to over 2 million tonnes in the next 10 years from the current 1.1 million tonnes as per International Zinc Association (IZA) mainly driven by sustainable energy sectors

ENGINEERING EXPORTS – STATE-WISE ANALYSIS

State wise engineering export performance

The table below indicates the exports from top Indian states. It is evident from the table that almost 93.6 % of India's exports is contributed by the listed 12 states. Within this almost 56 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

Table 5: Top state wise engineering export performance – April-August 2024-25

US$ Million

Top States	April-August 2023-24	April-August 2024-25	Growth%	%Share in India's Eng Export	Remark
Maharashtra	9688.8	9295.9	-4.1%	23.0%	**93.6 % share covered by top 12 states**
Tamil Nadu	6833.8	7153.8	4.7%	17.7%	
Gujarat	5821.0	6171.5	6.0%	15.3%	
Karnataka	2822.5	2843.3	0.7%	7.0%	
Odisha	690.9	2475.0	258.2%	6.1%	
Telangana	2957.1	2342.0	-20.8%	5.8%	
Andhra Pradesh	2138.4	2218.0	3.7%	5.5%	
Uttar Pradesh	1773.7	1782.6	0.5%	4.4%	
West Bengal	1391.1	1391.0	0.0%	3.4%	
Haryana	759.9	788.0	3.7%	1.9%	
Madhya Pradesh	2834.1	744.4	-73.7%	1.8%	
Delhi	1313.1	653.3	-50.2%	1.6%	

Source: NIRYAT portal

- *Top 12 states constitute over 93.6 % of India's engineering Exports. Karnataka performing extremely maintaining 4th position, Odisha moving to 5th position while Telangana dropping down to 6th position and Haryana down to 10th position during the fiscal April-August 2024-25 compared to the same period last fiscal.*
- *Major negative growth witnessed in states like Maharashtra, Telangana, Madhya Pradesh and Delhi etc during April-Aug 2024-25 compared to the same period last fiscal.*
- *Maharashtra being the highest state in terms of Engineering Goods exports is leading by US$ 2142.1 million from Tamil Nadu(Second Highest State) for the period of April-Aug 2024-25*

India's Region wise engineering exports

In terms of region, western region which includes industrial states like Maharashtra and Gujarat is the front runner in terms of exports with 38.3 percent share. Tamil Nadu from the Southern

Region has improved its export performance and it ranked second after Maharashtra, while Gujarat and Karnataka ranked third and fourth during April-August 2024-25.

Table 6: Region wise exports from India

Value in US$ million

Region	April-August 2023-24	April-August 2024-25	Growth%
EASTERN REGION	5224.3	4449.8	-14.8%
NORTHERN REGION	9422.8	3965.9	-57.9%
SOUTHERN REGION	12961.8	15111.9	16.6%
WESTERN REGION	17006.8	16898.7	-0.6%

Source: NIRYAT portal

Note: The total engineering exports given in the above table is taken from NIRYAT as per the latest available data and may not tally with the total engineering exports as given by DGCI&S.

CORRELATION BETWEEN MANUFACTURING PRODUCTION AND ENGINEERING EXPORTS

Engineering forms a considerable part of the broader manufacturing sector and the share of engineering production in overall manufacturing output is quite significant. As exports generally come from what is produced within a country, some correlation between manufacturing production growth and engineering export growth should exist. We briefly look at the trend in manufacturing growth as also engineering export growth to see if they move in tandem. It may be mentioned that manufacturing has 77.63% weightage in India's industrial production.

Engineering export growth and manufacturing output growth moved in the same direction in as many as nine out of twelve months in each of the fiscal years 2019-20 and 2020-21. During fiscal 2021-22, engineering export growth and manufacturing growth moved in the same direction in seven out of twelve months while in each of fiscal 2022-23 and 2023-24, as many as 10 out of 12 months saw engineering exports and manufacturing output moved in the same direction.

The first two month of fiscal 2024-25 also saw manufacturing output growth and engineering exports growth moving in the same direction. April 2024 saw engineering exports declined from a growth in Mar 2024 and manufacturing output growth decelerated. The month of May 2024 witnessed just the opposite. Engineering exports bounced back to growth path and manufacturing output growth accelerated. Then June, July and August 2024 however saw both moved in the opposite direction. June and August 2024 saw higher engineering export growth but lower manufacturing growth in comparison to the previous month while July 2024 just witnessed the reverse.

The link between these two may not be established on a monthly basis, but a positive correlation may be seen if medium to long term trend is considered.

Table 7: Engineering exports growth vis-à-vis manufacturing growth from April 2022

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
April 2023	-7.52	5.5
May 2023	-4.25	6.3
June 2023	-11.12	3.5
July 2023	-6.91	5.3
August 2023	7.66	10.0
September 2023	6.50	5.1
October 2023	6.99	10.6
November 2023	-3.48	1.3
December 2023	9.82	4.6
January 2024	4.20	3.6
February 2024	15.90	4.9
March 2024	10.66	5.9
April 2024	-4.49	4.2
May 2024	7.43	5.1
June 2024	10.26	3.2
July 2024	3.66	4.4
August 2024	4.26	1.0

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during September 2024 and what was the recent trend in Re-Dollar movement? In order to get a clearer picture of the recent Re-Dollar trend, not only we took the exchange rate of September 2024, but also considered monthly average exchange rate of Rupee vis-à-vis the US Dollar for each month of fiscal 2023-24 and 2024-25 till September 2024 as per the latest data published, as mere one-month figure does not reflect any trend. The following two tables clearly depicts the short-term trend:

Table 8: USD-INR monthly average exchange rate in 2024-25 vis-à-vis 2023-24
(As per latest data released by FBIL)

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2023-24	2024-25				
April	82.02	83.41	1.69	Depreciation	0.49	Depreciation
May	82.34	83.39	1.28	Depreciation	-0.02	Appreciation
June	82.23	83.47	1.51	Depreciation	0.10	Depreciation
July	82.15	83.59	1.75	Depreciation	0.14	Depreciation
August	82.79	83.89	1.33	Depreciation	0.36	Depreciation
September	83.05	83.81	0.92	Depreciation	-0.10	Appreciation

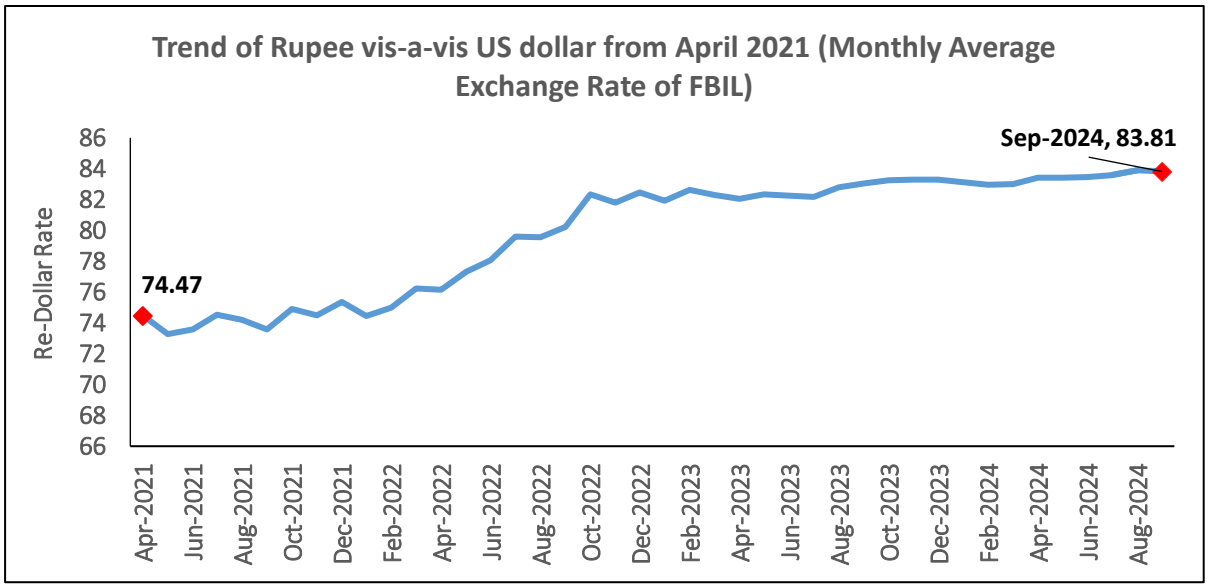
Rupee depreciation vis-à-vis the US Dollar continued in the new fiscal 2024-25 on a year-on-year basis but it appreciated on a month-on-month basis in September 2024. Despite of a slight month-on-month appreciation in September 2024, rupee remained under pressure through most of the month due to unwinding of yuan-funded long bets on the rupee, tepid equity inflows and strong dollar demand from local importers. Geopolitical tensions in the Middle East, worries over recession in the US and carryover trade in Japanese yen also weighed on rupee.

Table 9: USD-INR monthly average exchange rate in 2023-24 vis-à-vis 2022-23
(As per latest data released by FBIL)

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2022-23	2023-24				
April	76.17	82.02	7.68	Depreciation	-0.33	Appreciation
May	77.32	82.34	6.49	Depreciation	0.39	Depreciation
June	78.04	82.23	5.37	Depreciation	-0.13	Appreciation
July	79.60	82.15	3.20	Depreciation	-0.10	Appreciation
August	79.56	82.79	4.06	Depreciation	0.78	Depreciation
September	80.23	83.04	3.50	Depreciation	0.30	Depreciation
October	82.34	83.24	1.09	Depreciation	0.24	Depreciation
November	81.81	83.30	1.82	Depreciation	0.07	Depreciation
December	82.46	83.28	0.99	Depreciation	-0.02	Appreciation

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2022-23	2023-24				
January	81.90	83.12	1.49	Depreciation	-0.19	Appreciation
February	82.61	82.96	0.42	Depreciation	-0.19	Appreciation
March	82.29	83.00	0.86	Depreciation	0.05	Depreciation

Fig 2: Trend of Rupee vis-a-vis US dollar from April 2020 (Monthly Average Rate of FBIL has been considered)



ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during September 2024 were valued at US$ 12722.8 million compared to US$ 11309.5 million in September 2023 registering a positive growth of 12.5 percent in dollar terms. All the engineering panels barring Transport equipment witnessed an increase in import during September 2024 compared to September 2023.

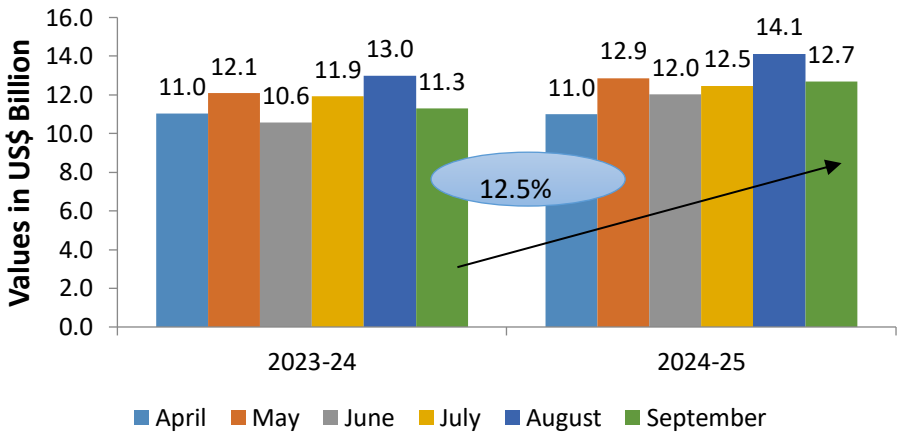
The share of engineering imports in India's total merchandise imports in September 2024 was estimated at 23.0 percent, higher than that of September 2023 which was estimated at 20.8 %. The figure below depicts engineering imports **for September 2024 compared to September 2023.**

Table 10: India's engineering imports in April-September 2024-25 vis-à-vis April-September 2023-24

Values in US$ MN	September '23	September '24	Growth %	April-September '23	April-September '24	Growth %
India's Engineering Imports	11309.5	12722.8	12.5	69965.1	75176.3	7.4

Source: Quick Estimates, MoC

Fig 3: Monthly Engineering Imports for April-September 2024-25 vis-a-vis April-September 2023-24



Source: EEPC India analysis

TREND IN ENGINEERING TRADE BALANCE

We now present the trend in two-way yearly trade for the engineering sector for the 2024-25 depicted in the table below:

Table 11: Monthly Trend in Engineering Trade Balance for the current FY 2024-25

(US$ Billions)

Trade Flow	Apr	May	June	July	August	September
Engineering Export	8.7	10.0	9.4	9.0	9.4	9.8
Engineering Import	11.0	12.9	12.0	12.5	14.1	12.7
Trade Balance	-2.3	-2.9	-2.6	-3.5	-4.7	-2.9

Source: DGCI&S, EEPC India Analysis

CONCLUSION

India's engineering exports continued its stellar performance for the fifth consecutive month with a growth rate of 10.55% in monthly terms and 5.25% in cumulative terms. The increase was majorly continued by industrial machinery, electrical machinery, automobile and auto

components, medical devices, etc. Decline in both monthly and cumulative terms was evident in the ferrous and non-ferrous metal sector. This can be mainly attributed to global uncertainties, shifting trade policies and in some instances rising domestic demand.

The recent WTO global update has also been positive despite potential setbacks triggered by geopolitical conflicts. WTO revised the projected growth rate of global trade in goods in 2024 from the last 2.6% to 2.7%. The WTO however cautions that despite the positive outlook, governments and industries should be cautious as rising geopolitical tensions and increased economic policy uncertainty continue to pose substantial downside risks to the forecast.

As the time is fraught with both certain challenges and uncertainty we urge the government to continue their support for the industry such that exporters can remain competitive in the global market.

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