

Engineering Export-Import Monitor

July 2022



Engineering The Future

EEPCINDIA
ENGINEERING THE FUTURE

ANALYSIS OF INDIAN ENGINEERING EXPORTS AND IMPORTS FOR JULY 2022

19TH AUGUST 2022

Engineering exports recorded around 8.1% cumulative growth year-on-year during the first four months of fiscal 2022-23

Trade Flow	Export figures (in \$ billion)				% Growth	
	Jul-2021	Jul-2022	Apr- Jul 2021-22	Apr- Jul 2022-23	Jul-2022 over Jul-2021	Apr-Jul 2022-23 over Apr-Jul 2021-22
Engineering exports	9.55	9.56	35.44	38.31	0.20%	8.10%
Overall exports	35.51	36.27	131.06	157.44	2.14%	20.13%
Share of engineering (%)	26.88%	25.77%	27.10%	24.34%	----	----

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

HIGHLIGHTS

- *Engineering exports recorded sequential decline in the last two month*
 - *The 15% export duty on steel has been a major catalyst of this de-growth – In July 2022 alone India’s iron and steel exports fell down by 56.1% in a y-o-y basis*
 - *Cumulative export decline in iron and steel for the first four months of 2022-23 has been 26.1% y-o-y*
 - *Other factors which affected India’s engineering export growth include slowdown in economic activities in some of India’s top export destinations including China and EU*
- ✚ Cumulative engineering exports during Apr-Jul 2022-23 recorded 8.10 percent growth as it went up to USD 38.31 billion from USD 35.44 billion during Apr-Jul 2021-22.

- ✚ As per the Quick Estimates of Ministry of Commerce and Industry, Government of India, share of engineering in total merchandise exports was recorded at 25.77 percent in July 2022 while the share was 24.34 percent on a cumulative basis.
- ✚ 24 out of 34 engineering panels witnessed positive year-on-year growth in exports during July 2022 vis-a-vis July 2021. Major decline was witnessed in iron and steel, copper and its products, aluminium and its products and lead and products etc.
- ✚ On a cumulative basis also, 27 out of 34 engineering panels recorded positive growth during April-July 2022-23 over the same period last fiscal.
- ✚ In terms of region, maximum growth in exports was witnessed in North America followed by Latin America and Oceania in cumulative terms.
- ✚ Top five countries which witnessed positive growth during June 2022 were USA, Singapore, Germany, Mexico and UK whereas top destinations with negative export growth in June 2022 include Italy, UAE and Turkey
- ✚ In the first four months of fiscal 2022-23, engineering exports achieved 30.16 percent of the USD 127 billion target set by the Government for the entire fiscal.

EXPORT TARGET

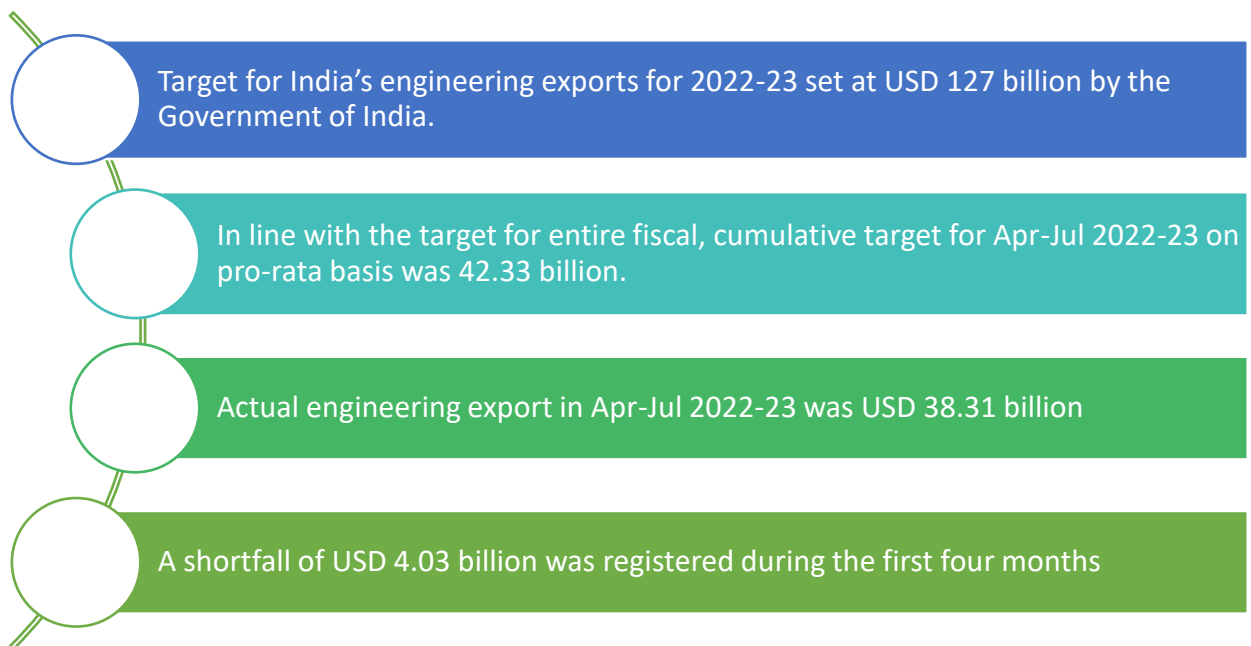
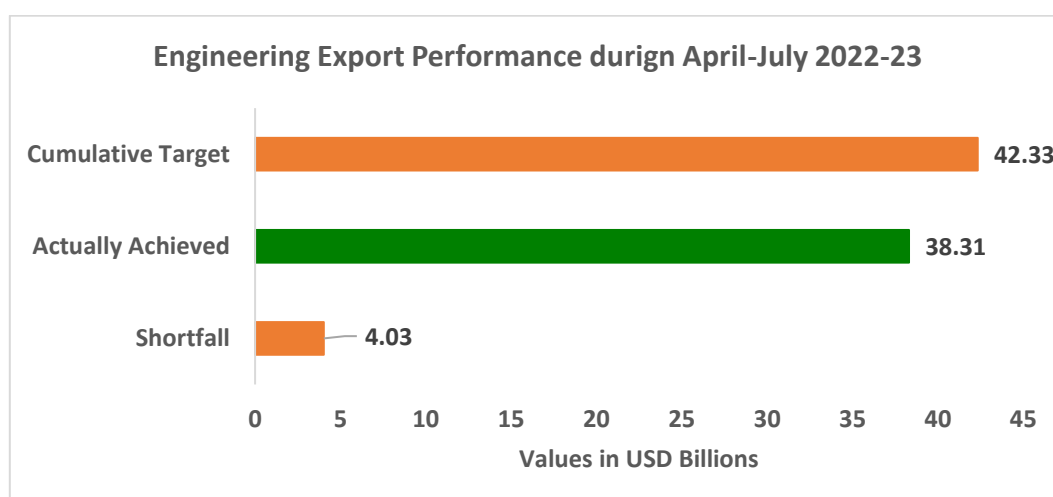


Fig1: Engineering Export Target V/S Actually Achieved in Apr-Jul 2022-23 (USD Billion)



ENGINEERING EXPORTS: MONTHLY TREND

The monthly engineering figures for 2022-23 vis-à-vis 2021-22 are shown below as per the latest DGCI&S estimates:

Table 1: Engineering Exports: Monthly Trend in 2022-23

(US\$ million)

Month	2021-22	2022-23	Growth (%)
April	7974.05	9476.27	18.84
May	8623.64	9654.88	11.96
June	9295.06	9612.75	3.42
April-June	25892.75	28743.90	11.01
July	9545.20	9564.09	0.20
April-July	35437.95	38307.99	8.10

Source: DGCIS, Govt. of India.

TOP 25 ENGINEERING EXPORT DESTINATIONS IN APRIL-JULY 2022

We now look at the export scenario of the top 25 nations that had highest demand for Indian engineering products during July 2022 over July 2021 as well as in cumulative terms during April-July 2022-23 vis-à-vis April-July 2021-22. The data clearly shows that top 25 countries contribute almost 77% of total engineering exports.

Table 2: Engineering exports country wise
US\$ million

Countries	July 2021	July 2022	Growth (%)	April-July 2021-22	April-July 2022-23	Growth (%)
U S A	1364.6	1649.9	20.9%	4955.3	6926.1	39.8%
UAE	521.1	445.6	-14.5%	2026.8	1661.8	-18.0%
ITALY	472.6	315.6	-33.2%	1524.9	1616.8	6.0%
SINGAPORE	235.3	312.2	32.7%	1158.6	1370.1	18.3%
GERMANY	298.7	346.6	16.0%	1137.8	1318.4	15.9%
MEXICO	240.7	296.5	23.2%	841.9	1245.3	47.9%
U K	244.8	400.6	63.6%	891.9	1242.4	39.3%
BANGLADESH PR	183.8	237.8	29.3%	862.4	1063.0	23.3%
INDONESIA	169.0	187.1	10.7%	764.9	951.8	24.4%
TURKEY	362.8	268.7	-25.9%	1095.8	946.9	-13.6%
NETHERLAND	131.1	174.6	33.2%	502.7	933.1	85.6%
CHINA P RP	537.1	225.9	-57.9%	1915.3	883.3	-53.9%
KOREA RP	285.6	254.3	-10.9%	893.1	879.4	-1.5%
SAUDI ARAB	141.1	222.6	57.7%	519.9	876.6	68.6%
NEPAL	281.8	187.2	-33.5%	1068.0	866.5	-18.9%
BELGIUM	329.4	127.4	-61.3%	1129.4	840.3	-25.6%
SOUTH AFRICA	189.5	213.4	12.6%	938.2	803.8	-14.3%
THAILAND	230.3	223.2	-3.1%	798.0	802.2	0.5%
FRANCE	121.0	223.8	84.9%	522.1	713.4	36.6%
BRAZIL	148.0	169.2	14.3%	564.4	622.0	10.2%
VIETNAM SOC REP	232.1	125.9	-45.7%	872.1	583.6	-33.1%
CANADA	79.9	155.4	94.6%	327.6	580.5	77.2%
JAPAN	138.7	128.1	-7.6%	503.0	563.6	12.0%
SPAIN	158.1	81.9	-48.2%	521.6	547.6	5.0%
MALAYSIA	61.7	114.9	86.1%	681.8	540.3	-20.7%
Total engineering	7158.9	7088.5	-1.0%	27017.2	29378.7	8.7%

Countries	July 2021	July 2022	Growth (%)	April-July 2021-22	April-July 2022-23	Growth (%)
exports to top 25 countries						
Total engineering exports	9545.2	9564.1	0.2%	35438.0	38308.0	8.1%

Source: DGCI&S

REGION WISE INDIA'S ENGINEERING EXPORTS

The following table depicts region wise India's engineering exports for April-July 2022 as opposed to April-July 2021

Table 3: Region wise engineering exports in April-July 2022 viz-a-viz April-July 2021

US\$ million

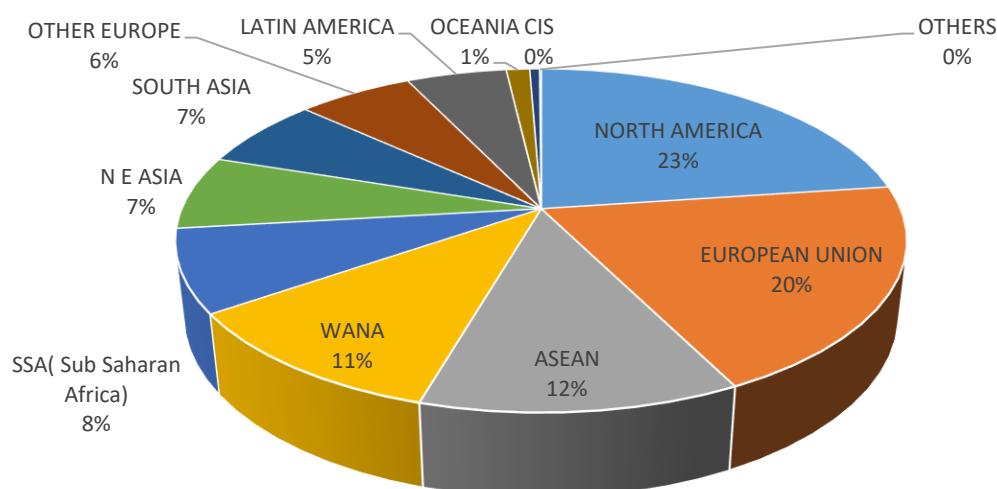
Regions	July 2021	July 2022	Growth (%)	April-July 2021-22	April-July 2022-23	Growth (%)
NORTH AMERICA	1685.1	2101.9	24.7%	6124.7	8752.0	43%
EUROPEAN UNION	1994.3	1680.2	-15.8%	7007.3	7557.5	8%
ASEAN	1027.4	1053.3	2.5%	4657.7	4565.0	-2%
WANA	1026.9	1043.0	1.6%	3902.8	4166.4	7%
SSA(Sub Saharan Africa)	655.2	804.4	22.8%	2741.7	2981.8	9%
N E ASIA	1169.5	695.7	-40.5%	3939.6	2663.0	-32%
SOUTH ASIA	622.0	778.0	25.1%	2489.6	2551.2	2%
OTHER EUROPE	666.9	696.6	4.5%	2167.4	2336.4	8%
LATIN AMERICA	480.4	506.7	5.5%	1630.5	2025.8	24%
OCEANIA	104.6	134.2	28.3%	381.6	474.9	24%
CIS	111.2	68.8	-38.1%	388.1	198.7	-49%
OTHERS	1.7	1.4	-20.5%	7.1	35.4	402%
Grand Total	9545.2	9564.1	0.2%	35438.0	38308.0	8.1%

Source: DGCI&S

Note: *Figures have been rounded off.

Source: DGCI&S; **Myanmar has been included in ASEAN and not in South Asia, since ASEAN is a formal economic grouping.

Fig 2: Region-wise shares of India's engineering exports during April-July 2022



PRODUCT PANEL WISE ENGINEERING EXPORTS

We begin by looking at the Engineering Panel wise exports for the month of July 2022 vis-à-vis July 2021 as well as the cumulative exports for **Apr-July 2022-23 vis-à-vis Apr-July 2021-22**. These are indicated in the tables below

Table 4a. Trend in exports of iron and steel and its products

US\$ Million

Product panels	July 2021	July 2022	Growth	April-July 2021-22	April-July 2022-23	Growth
Iron and Steel	2428.20	1065.04	-56.1%	7729.48	6059.17	-21.6%
Products of Iron and Steel	693.12	884.82	27.7%	2474.26	3342.61	35.1%
Sub Total	3121.32	1949.86	-37.5%	10203.74	9401.78	-7.9%

Source: DGCI&S

Table 4b. Trend in exports of Non-Ferrous Metals and Products

US\$ Million

Product panels	July 2021	July 2022	Growth	April-July 2021-22	April-July 2022-23	Growth
Copper and products	174.82	140.75	-19.5%	831.92	556.00	-33.2%

Product panels	July 2021	July 2022	Growth	April- July 2021-22	April- July 2022-23	Growth
Aluminium and products	795.66	708.83	-10.9%	2827.25	3287.28	16.3%
Zinc and products	70.58	119.06	68.7%	325.74	550.68	69.1%
Nickel and products	9.06	10.25	13.2%	29.36	93.88	219.7%
Lead and products	47.63	26.85	-43.6%	154.25	154.50	0.2%
Tin and products	2.70	1.89	-29.8%	6.58	5.06	-23.1%
Other Non-Ferrous Metals	70.96	70.06	-1.3%	247.66	266.91	7.8%
Sub Total	1171.41	1077.70	-8.0%	4422.78	4914.30	11.1%

Source: DGCI&S

Table 4c. Trend in exports of Industrial Machinery

US\$ Million

Product panels	July 2021	July 2022	Growth	April- July 2021-22	April- July 2022-23	Growth
Industrial Machinery like Boilers, parts, etc.	43.93	62.69	42.7%	185.44	230.39	24.2%
IC Engines and Parts	299.47	360.07	20.2%	1054.30	1238.37	17.5%
Pumps of all types	98.98	110.88	12.0%	393.71	426.13	8.2%
Air condition and Refrigerators	113.35	143.46	26.6%	413.24	550.66	33.3%
Industrial Machinery for dairy, food processing , textiles etc.	680.92	747.54	9.8%	2429.82	2952.23	21.5%
Machine Tools	56.40	65.96	17.0%	198.64	239.42	20.5%
Machinery for Injecting moulding, valves and ATMs	146.79	206.89	40.9%	566.96	728.37	28.5%
Sub Total	1439.83	1697.49	17.9%	5242.11	6365.57	21.4%

Source: DGCI&S

Table 4d. Trend in exports of Electrical Machinery and Equipment

US\$ Million

Product panels	July 2021	July 2022	Growth	April- July 2021-22	April- July 2022-23	Growth
Electrical Machinery	768.63	942.41	22.6%	3101.85	3700.24	19.3%

Source: DGCI&S

Table 4e. Trend in exports of Auto and auto parts

US\$ Million

Product panels	July 2021	July 2022	Growth	April- July 2021-22	April- July 2022-23	Growth
Motor Vehicle/cars	635.04	703.46	10.8%	2146.29	2833.66	32.0%
Two and Three Wheelers	256.78	276.84	7.8%	985.64	1063.09	7.9%
Auto Components/Part	602.37	665.06	10.4%	2198.71	2411.77	9.7%
Auto Tyres and Tubes	243.87	288.29	18.2%	906.28	1107.48	22.2%
Sub Total	1738.06	1933.65	11.3%	6236.93	7416.00	18.9%

Source: DGCI&S

Table 4e. Trend in exports of aircraft, spacecraft and parts and ships, boats and floating structures

US\$ Million

Product panels	July 2021	July 2022	Growth	April- July 2021-22	April- July 2022-23	Growth
Aircrafts and Spacecraft parts and products	91.04	111.91	22.9%	322.24	446.54	38.6%
Ships Boats and Floating products and parts	209.87	649.67	209.6%	2231.89	1679.39	-24.8%

Source: DGCI&S

Table 4f. Trend in exports of other engineering products

US\$ Million

Product panels	July 2021	July 2022	Growth	April-July 2021-22	April-July 2022-23	Growth
Medical and Scientific instruments	144.81	186.36	28.7%	542.79	689.18	27.0%
Railway Transport	41.81	28.72	-31.3%	116.76	135.45	16.0%
Hand Tools & Cutting Tools	80.94	92.10	13.8%	307.33	337.52	9.8%
Bicycle & Parts	36.29	31.84	-12.3%	142.86	135.18	-5.4%
Cranes Lifts & Winches	53.41	77.47	45.1%	194.96	257.74	32.2%
Office Equipment	18.95	27.01	42.6%	67.08	83.56	24.6%
Other Construction Machinery	150.11	217.88	45.1%	563.61	760.71	35.0%
Prime Mica & Mica Products	3.68	2.99	-18.7%	15.11	10.78	-28.7%
Project Goods	0.23	0.18	-20.1%	1.17	0.69	-41.3%
Other Rubber Product Except Footwear	149.07	173.89	16.7%	546.04	594.21	8.8%
Other Misc. Items	325.7536	362.9297	11.4%	1178.70 4	1379.15 6	17.0%

ENGINEERING PRODUCT PANELS – COUNTRY-WISE ANALYSIS

We now analyze the performance of some of the important products for the fiscal April-July 2022-23 vis-à-vis April-July 2021-22. We have taken the major panels and computed the top importers to get an idea of the current trade pattern. (Tables 5)

Table 5: Export of Different Panels

US\$ Million

Product panels	Top 5 nations	April-July 2021-22	April-July 2022-23	Growth (%)
Iron and Steel	ITALY	965.8	861.3	-11%
	U S A	232.2	553.3	138%
	UAE	355.4	461.9	30%

Product panels	Top 5 nations	April-July 2021-22	April-July 2022-23	Growth (%)
	BELGIUM	877.7	407.6	-54%
	NEPAL	454.6	344.0	-24%
Products of Iron and Steel	U S A	683.2	1091.6	60%
	GERMANY	133.6	168.9	26%
	UAE	123.3	135.8	10%
	U K	137.3	118.0	-14%
	CANADA	67.3	112.0	66%
Industrial Machinery	U S A	985.4	1310.5	33%
	THAILAND	360.2	380.2	6%
	GERMANY	264.4	322.5	22%
	CHINA	263.1	286.9	9%
	BANGLADESH	163.6	244.9	50%
Automobiles (Motor Vehicles/Cars and Two and Three Wheelers)	SOUTH AFRICA	353.0	484.1	37%
	MEXICO	377.5	394.7	5%
	SAUDI ARABIA	127.1	257.0	102%
	COLOMBIA	128.1	194.1	52%
	U S A	97.9	181.7	86%
Non-Ferrous metals	U S A	372.0	577.3	55%
	KOREA RP	560.2	514.7	-8%
	NETHERLAND	42.6	369.5	768%
	MEXICO	129.4	327.9	154%
	MALAYSIA	75.5	253.9	236%
Electrical Machinery and Components	U S A	912.9	1099.3	20%
	FRANCE	118.1	226.8	92%
	U K	153.2	221.0	44%
	GERMANY	175.7	180.3	3%
	POLAND	152.2	150.0	-1%
Aircrafts and Space crafts	U S A	116.8	151.0	29%
	FRANCE	64.9	68.4	5%
	SINGAPORE	24.4	59.2	143%
	GERMANY	16.1	39.5	145%
	U K	25.8	35.5	37%

Product panels	Top 5 nations	April-July 2021-22	April-July 2022-23	Growth (%)
Ships, Boats and Floating Structures and parts	SINGAPORE	372.6	658.9	77%
	INDONESIA	246.3	290.3	18%
	SRI LANKA	35.5	243.3	585%
	U K	0.0	186.9	
	UAE	821.3	136.3	-83%
Auto Components(including Auto Parts and Auto Tires)	U S A	703.1	878.8	25%
	BRAZIL	143.6	195.0	36%
	BANGLADESH	152.5	194.9	28%
	GERMANY	188.5	175.0	-7%
	MEXICO	118.0	134.3	14%

Source: DGCI&S

- ✚ Italy, USA and UAE were the top three importers of Indian Iron and Steel during April-July 2022-23 whereas like the previous month USA, Germany and UAE were the top three importers of India's 'Products of Iron & Steel' during the same period as compared to April-July 2021-22.
- ✚ USA was the largest importer of Indian 'Industrial machinery' constituting 21% share in India's total global exports of industrial machinery during April-July 2022-23. Thailand and Germany were the two immediate followers of USA constituting 6% and 5% share consecutively in terms of India's total global exports of industrial machinery.
- ✚ South Africa, Mexico and Saudi Arabia were top three importers of India's Automobiles during April-July 2022-23 in India's global exports respectively over the same period last fiscal.
- ✚ USA, South Korea and Netherland were the top three importers of India's Non-ferrous metals and products' during April-July 2022-23 whereas USA, France and UK were the three top importers of Indian Electrical Machinery & Components during the same period.
- ✚ USA, France and Singapore were the top three importers of India's 'Aircrafts and Spacecrafts' during April-July 2022-23 in India's total global exports of the product followed by Germany and UK.

- ✚ Singapore, Indonesia and Sri Lanka became the largest importer of ships, boats and floating structures followed by UK and UAE. While for the auto components' product group, USA remained the top importer in April-July 2022-23 followed by Brazil, Bangladesh and Germany.

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 over 90% of India's exports is contributed by the listed 12 states. Within this 47.5 percent of exports is done by Maharashtra, Tamil Nadu and Gujarat together.

Table 6: Top state wise engineering export performance - April-July 2022-23

US\$ Million

Top States	Cumulative Export April-July 2022-23	Share %	Remark
Maharashtra	7,652.5	20.1%	91% share covered by top 12 states
Tamil Nadu	5,859.9	15.4%	
Gujarat	4,558.6	12.0%	
Odisha	3,302.2	8.7%	
Andhra Pradesh	2,435.3	6.4%	
Haryana	2,178.5	5.7%	
Karnataka	2,110.4	5.5%	
Uttar Pradesh	1,749.6	4.6%	
West Bengal	1,441.0	3.8%	
Rajasthan	1,246.7	3.3%	
Delhi	1,070.3	2.8%	
Punjab	927.1	2.4%	

Source: DGCI&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 over 35 percent share. It is followed by the Southern region, Northern region and Eastern region respectively

Table 7: Region wise exports from India till July 2022

Value in US\$ million

Region	Apr-22	May-22	June-22	July-22	April-July 2022-23	Share % (w.r.t April-July 2022-23)
Eastern Region	1515.1	1754.0	1424.6	1194.6	5888.3	15.5%
Northern Region	1903.5	1846.1	1745.5	2006.4	7501.4	19.7%
Southern Region	2688.4	2771.0	2837.8	2980.7	11277.9	29.7%
Western Region	3078.9	3560.0	3187.9	3540.1	13366.9	35.1%
Grand Total	9185.9	9931.1	9195.7	9721.9	38034.5	

Note: DGCI&S state wise data available till July 2022

CORRELATION BETWEEN MANUFACTURING PRODUCTION AND ENGINEERING EXPORTS

Engineering sector is an important component 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 looked 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 exports 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.

The first month of fiscal 2022-23 saw both engineering exports and manufacturing recorded higher growth over the month but both moved in the opposite direction in May 2022 when manufacturing output growth accelerated noticeably but engineering export growth declined. The month of June 2022 saw declining growth for both of them.

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 8: Engineering exports growth vis-à-vis manufacturing growth from April 2020

Months/ Year	Engg. Export Growth (%)	Manufacturing Growth (%)
April 2020	-63.05	-66.6
May 2020	-22.17	-37.8
June 2020	-5.18	-17.0
July 2020	10.56	-11.4
August 2020	-7.01	-7.6
September 2020	4.09	0.4
October 2020	-5.01	4.5
November 2020	-8.37	-1.6
December 2020	-0.93	2.7
January 2021	16.66	-0.9
February 2021	-4.94	-3.4
March 2021	67.75	28.3
April 2021	236.85	196.0
May 2021	50.21	32.1
June 2021	51.00	13.2
July 2021	42.57	10.5
August 2021	58.63	11.1
September 2021	35.11	4.3
October 2021	51.76	3.3
November 2021	37.28	0.3
December 2021	47.42	0.6
January 2022	25.63	1.6
February 2022	35.49	0.2
March 2022	19.72	1.4
April 2022	18.84	5.8
May 2022	11.96	20.6
Jun 2022	3.42	12.5
July 2022	0.20	N A

(Source: Department of Commerce and CSO)

IMPACT OF EXCHANGE RATE ON INDIA'S EXPORTS

How did the exchange rate fare during July 2022 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 July 2022, but also considered monthly average exchange rate of Rupee vis-à-vis the US Dollar for each month of fiscal 2021-22 as well as 2020-21 as mere one month figure does not reflect any trend. However, the following table clearly depicts the short-term trend:

Table 9: USD-INR monthly average exchange rate in 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	2021-22	2022-23				
April	74.47	76.16	2.27	Depreciation	4.63	Depreciation
May	73.27	77.32	5.53	Depreciation	1.52	Depreciation
Jun	73.56	78.07	6.14	Depreciation	0.98	Depreciation
Jul	74.53	79.60	6.80	Depreciation	1.95	Depreciation

Rupee dropped below 80 vis-à-vis the US Dollar for the first time in history during July 2022. Rupee continued to decline vis-à-vis the US Dollar during July and dropped below 80 during the month. However, rupee ended the month at 79.60 per US Dollar with 1.95 percent depreciation over the month.

Table 10: USD-INR monthly average exchange rate in 2021-22

(As per latest data released by FBIL)

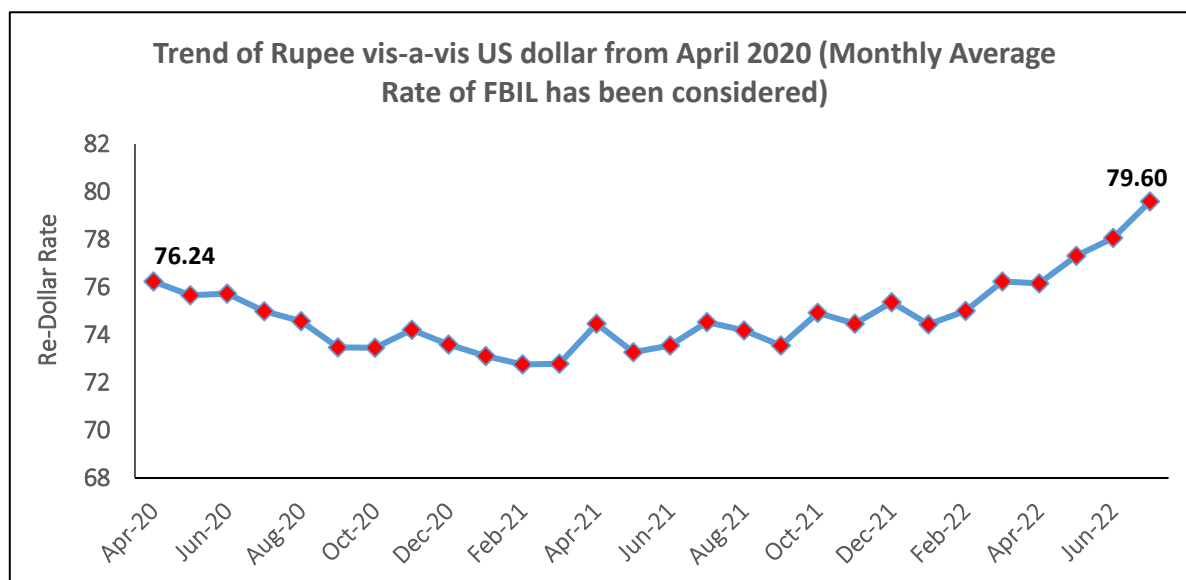
Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2020-21	2021-22				
April	76.24	74.47	-2.32	Appreciation	2.31	Depreciation
May	75.66	73.27	-3.16	Appreciation	-1.61	Appreciation
June	75.73	73.56	-2.87	Appreciation	0.40	Depreciation
July	74.99	74.63	-0.48	Appreciation	1.45	Depreciation
August	74.67	74.19	-0.64	Appreciation	-0.59	Appreciation
September	73.48	73.56	0.11	Depreciation	-0.85	Appreciation
October	73.46	74.92	1.99	Depreciation	1.85	Depreciation
November	74.22	74.47	0.34	Depreciation	-0.60	Appreciation

Monthly Average Exchange Rate (1 USD to INR)			Year-on-Year Change (%)	Direction	Month-on-Month Change (%)	Direction
Month	2020-21	2021-22				
December	73.59	75.37	2.42	Depreciation	1.21	Depreciation
January	73.11	74.44	1.82	Depreciation	-1.23	Appreciation
February	72.76	75.00	3.08	Depreciation	0.75	Depreciation
March	72.79	76.24	4.74	Depreciation	1.65	Depreciation

Source: FBIL, EEP Research

Fig 3: Trend of Rupee vis-a-vis US dollar from April 2020

(Monthly Average Rate of FBIL has been considered)



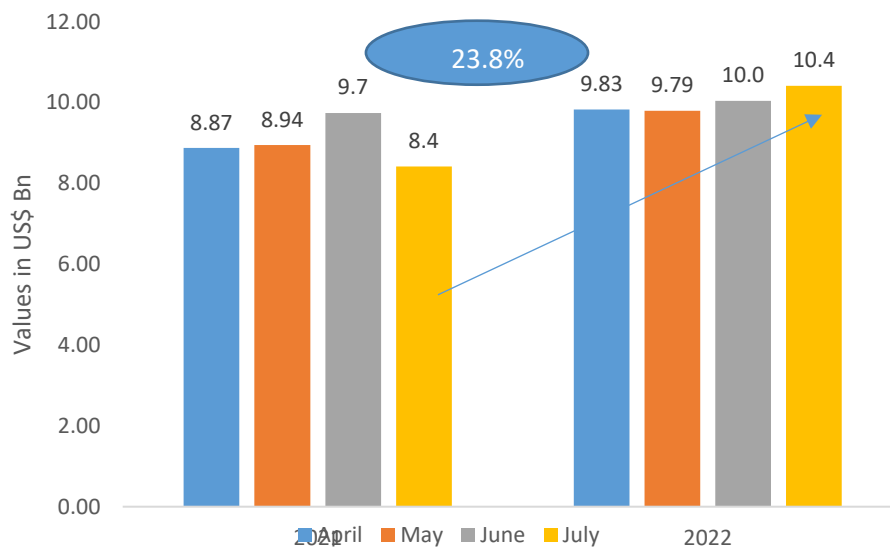
Source: FBIL

ANALYSIS OF INDIA'S ENGINEERING IMPORTS

India's Engineering imports during July 2022 were valued at US\$ 10417.3 million compared to US\$ 8416.5 million in July 2021 registering a positive growth of 23.8 percent in dollar terms. Barring medicinal & pharmaceutical products all other engineering panels like iron & steel, non-ferrous metals, machine tools, machinery, electrical & non-electrical, transport equipment, and professional instrument witnessed an increase in import during July 2022 compared to July 2021.

The share of engineering imports in India's total merchandise imports has dropped further during July 2022 in comparison to July 2021 which has been estimated at 15.7%. The figure below depicts engineering imports **for July 2022 compared to July 2021**

Fig 4: Monthly Engineering Imports for July 2022 vis-a-vis July 2021



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 first four months of fiscal 2022-23 depicted in the table below:

Table 11: Monthly Trend in Engineering Trade Balance for the current FY
(US\$ Billions)

Trade Flow	Apr	May	June	July
Engineering Export	9.6	9.8	9.7	9.6
Engineering Import	9.8	9.8	10.7	10.4
Trade Balance	-0.2	0.0	-1.0	-0.8

Source: DGCI&S, EEPC India Analysis

TO CONCLUDE....

After a stellar performance in the last fiscal, engineering export growth has come down gradually in the first four months of the current fiscal. Y-o-Y growth in June 2022 (4.2 percent) came down significantly compared to that of May 2022 (12.8 percent) and April 2022 (19.8 percent). For July 2022, the y-o-y growth rate has come down drastically to a meagre 0.20%. Several global factors can be held accountable for this decline – first and foremost the economic situation in China. India’s exports to China in July fell down by 57.9 percent which is higher than the rate of decline in the previous months – 55% in June 2022, 52.2% in May 2022 and 48.2% in April 2022. The lack of demand in the Chinese economy has been considered as a strong factor behind declining Indian exports. The situation may get worse as global economic organizations predict looming recession in US, EU and Japan in the coming months. This recession is driven by reduced household purchasing power and tight monetary

policy in the US and the Ukraine-Russia crisis threatening the energy sector in Europe. In fact some experts believe that the recession may have already set in in the above mentioned countries to certain extent.

However, it is not the global factors alone that have affected India's exports in the recent month. The export duty on steel items especially that of the stainless steel products have impacted India's export competitiveness in the global market. The current data indicates that in July alone, India's iron and steel exports fell down by 56.1% in y-o-y terms. Cumulatively the fall was around 26% for the first four months of 2022-23. There has been reports that due to the export duty, Indian iron and steel exports are becoming expensive when compared to their Chinese or South East Asian competitors. It is true that since the last month, steel prices in the domestic market have softened. Although according to the industry this softening of prices has more to do with moderation of prices of major inputs, especially coking coal in the global market.

Therefore, the government needs to reconsider this export duty on stainless steel products such that India's competitive edge can be maintained. It needs to be borne in mind, iron and steel is a major component for the industry and is also one of India's major export items. The government should also consider to include this sector under the RODTEP scheme.

