

TRADE WINDS: THE HINDU EDITORIAL ON INDIAN EXPORTS DATA DECEMBER 2022

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December 2022 marked the steepest fall in two years for India's goods exports, with products worth \$34.5 billion shipped out — [12.2% lower than a year ago](#). This was the second time in three months that shipments dropped year-on-year and top Commerce Ministry officials sought to calm nerves by citing the global headwinds that were posing challenges for Indian merchandise. These include the clouds of recession blowing through Europe and the U.S., the COVID-19 situation in China and a reversion towards protectionism in some markets. To be clear, a high base effect also played a role in exaggerating the year-on-year export dip in December. December 2021 had clocked the second highest exports (worth \$39.3 billion) in 2021-22, when India's goods shipments crossed a record \$422 billion. The world's trade dynamics have been altered since then, as the momentum swung from a strong post-pandemic pent-up rebound to a stuttering growth trajectory amid soaring inflation and geopolitical muddling, with the Ukraine-Russia conflict counting as only one of the many shocks to the global economy through 2022.

Amid these tumultuous times, a month-on-month reading of export trends is perhaps a better way to gauge the situation. For now, December's export numbers, even if lifted by the last batches of pre-holiday festive shipments reaching their destined shores, hold up well on this front vis-à-vis October and November's initial trade estimates. The other silver lining is that imports also contracted 3.5% in December, the first such instance since November 2020, although they remained flat sequentially at around \$58.2 billion. For the first nine months of 2022-23, India's goods exports are still 9.1% higher than a year ago, slightly lower than the 11.1% rise recorded till November 2022. Some agencies expect the global recession to hit demand for Indian goods far harder in the current quarter so much so that the full year could still end up with a shrinkage in exports. In December itself, new export orders grew at the slowest pace in five months as firms struggled in key export markets, as per the S&P Global India Manufacturing Purchasing Managers Index. The latest data on U.S. retail sales signal the sharpest slump in 12 months even as industrial output has tanked, signalling that demand for finished goods or inputs is set to slacken further in India's top export destination. With China reopening, competition is expected to intensify even as demand shrinks. Some recent government moves such as fixing glitches in a duty remission scheme for exports and lifting curbs on iron ore shipments have helped, but more macro- and swifter micro-policy actions are warranted to keep the export engine chugging.

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