

AIR Spotlight - India's Record Exports in December 2021 Analysis

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panelists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, a discussion about India's exports in December 2021.

Participants:

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Context:

India exported commodities worth \$37.29 billion in December 2021, the largest monthly total ever. The article will discuss different aspects of this rise in exports.

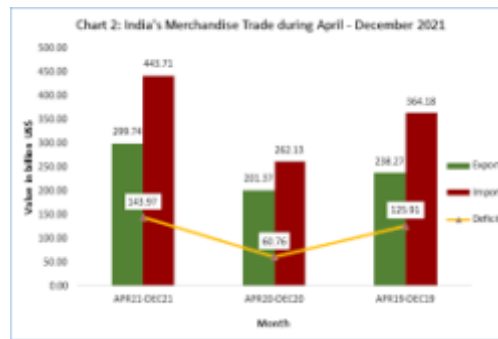
Background:

- As per the Preliminary Data for December 2021, India's merchandise export in December 2021 was USD 37.29 billion, the highest ever monthly achievement.
- It shows an increase of 37.0% over USD 27.22 billion in December 2020 and an increase of 37.55% over USD 27.11 billion in December 2019.



Source: PIB

- According to preliminary figures issued by the commerce and industry ministry, India's merchandise exports totaled approximately \$300 billion in April-December, rising 48.85% year on year and 26% compared to the same period in 2019.



Source: PIB

- This implies that India met three-quarters of its \$400 billion annual export target in the first nine months of FY22.

Exports and the Covid-19 Pandemic:

- India is witnessing the impact of the new variant of Covid-19. [Omicron](#) will certainly have an impact on the exports of the country in the months of January, February, and probably March also.
- It is expected that the impact of the Omicron variant will be less severe as compared to the first wave that came in 2020.
- One of the positive factors is that the hospitality rate in the third wave is mild is compared to the second wave. It means that the impact of the third wave will be manageable.
- But, to sustain this healthy level of exports, India needs to have average monthly exports of approximately USD 33 billion in January, USD 53 billion in February, and USD 33 billion in March that is hopefully achievable.

Benefits of High Export Rate:

Having a healthy or high rate of exports for a country has certain benefits for the economy that are as follows:

- Growth of Manufacturing Sector.
- Employment Generation.
- It puts positive pressure on the infrastructure sectors such as ports, railways, and transportation.

Challenges:

- The biggest challenge for the country will be to maintain the same momentum of exports to achieve the target of \$400 billion annual exports.
- There is a lot of pressure on the Indian currency as it appreciates as the exports go up.
- There is a lot of pressure on the country to get connected with the exports hubs in different parts

of the world.

- The three major supply hubs of the world are located in the three major regions that are, Southeast Asia, Western Europe, and the United States of America.
- India needs to connect with these supply hubs to maintain the growth momentum of exports that India has witnessed in December 2021.

Increase in Imports:

- India is witnessing a rise in imports simultaneously with the exports at the same pace. But, if we look at the data of imports, petroleum products constitute the major portion of the import bill.
- The share of non-petroleum products is not very alarming. The rise in the imports of petroleum products implies a positive spin-off in terms of higher manufacturing output and economic growth because imports of petroleum products show the requirement by the manufacturing industries and also the growth of industrial activities.
- Hence, the rise in imports and the trade deficit is not going to be a challenge as India has a very high level of foreign exchange reserves and the exports of merchandise goods and exports of services of India are also at a very sound position.
- This does not mean that India should ignore the rising trade deficit. Measures should be taken to balance the trade deficit of the country.

Incentives to the exporters:

There are two kinds of incentives to the exporters:

Monetary:

- Various kinds of incentive schemes were introduced by the government for the exporters.
- The government has allocated more resources through budgetary grants to clear the dues for exporters.
- These types of incentives should be effectively implemented so that exporters can realize the dues that they are entitled to under any incentive scheme.

Exchange rate:

- If the Indian currency is allowed to find its trade-weighted exchange rate on a realistic basis without worrying about the rupee getting weaker, it would be a great incentive for the exporters.
- Hence, the rupee-dollar exchange rate should be allowed to come closer to its state-weighted exchange rate that is linked to the market exchange rate or the basket of currencies.

Geopolitical Factors:

China:

- There are certain issues that could have caused an adverse impact on India's exports particularly with regards to India's trade relations with China.
- This is because India's border relations with China have not been very encouraging in the recent past.
- But, in recent days, India has witnessed a very balanced trade with China in terms of exports as well as imports. It is not very well maintained but, the adverse trade gap with China is getting reduced.

Global Supply Chain:

- India should be mindful of being part of global trade blocks. Because, if India stays outside these trading blocks, it might create a geopolitical risk for India. Hence, India should not remain isolated from global trade.
- Indian workers should be more competitive and better trained so that Indian exports do not lose their competitiveness in the global market.

Conclusion:

India's trade position is gaining a competitive edge in the global market and the focus should be on maintaining this pace and momentum.