*India's Foreign Trade: 2013-14**

India's external sector witnessed significant improvement during 2013-14. With a pick-up in exports and moderation in imports, trade deficit contracted significantly during the year as compared to that in the preceding year. Some pick-up in growth of trade partner economies and depreciation of the rupee helped India's exports to grow in 2013-14. India's exports started improving in July 2013 though the uptrend in exports was temporarily abated in February and March 2014. Imports also moderated since June 2013, largely driven by fall in gold imports and lower non-oil non-gold imports reflecting slowdown in domestic economic activities and decline in international prices of some commodities (*e.g.* metal). This led to a narrowing of India's trade deficit by about 28 per cent in 2013-14.

I. India's Merchandise Trade

Exports

India's merchandise exports improved in 2013-14, although the pace of export growth was largely uneven. After declining in Q1, exports recovered in Q2 and continued to grow in Q3 *albeit* at slower pace finally declining in Q4 in 2013-14. On cumulative basis, India's exports grew by 4.1 per cent to US$ 312.6 billion in 2013-14 as against a decline of 1.8 per cent at US$ 300.4 billion in 2012-13 (Table 1) (Chart 1).

Commodity-wise and Destination-wise Exports (2013-14)

Disaggregated commodity-wise data show that the rise in total exports in 2013-14 can primarily be attributed to the turnaround in the exports of manufactured goods, particularly, engineering goods and textile products. Among other categories, exports of petroleum products grew at a moderate pace than in the corresponding period of 2012-13 while growth in exports of agricultural goods moderated owing to a decline in almost all the principal commodities excluding rice, tobacco and marine products (Table 2).

Table 1: India's Merchandise Trade

(US$ billion)

Item	2012-13 R	2013-14 P
Exports	**300.4 (-1.8)**	**312.6 (4.1)**
Of which: Oil	60.9 (8.6)	62.7 (3.0)
Non-oil	239.5 (-4.2)	249.9 (4.3)
Gold	6.5 (-3.2)	6.2 (-5.4)
Non-Oil Non-Gold	233.0 (-4.2)	243.8 (4.6)
Imports	**490.7 (0.3)**	**450.1 (-8.3)**
Of which: Oil	164.0 (5.9)	165.2 (0.7)
Non-oil	326.7 (-2.3)	284.9 (-12.8)
Gold	53.8 (-4.7)	28.9 (-46.3)
Non-Oil Non-Gold	272.9	256.0
Trade Deficit	-190.3	-137.5
Of which: Oil	-103.2	-102.5
Non-oil	-87.2	-35.0
Non-Oil Non-Gold	-39.8	-12.3

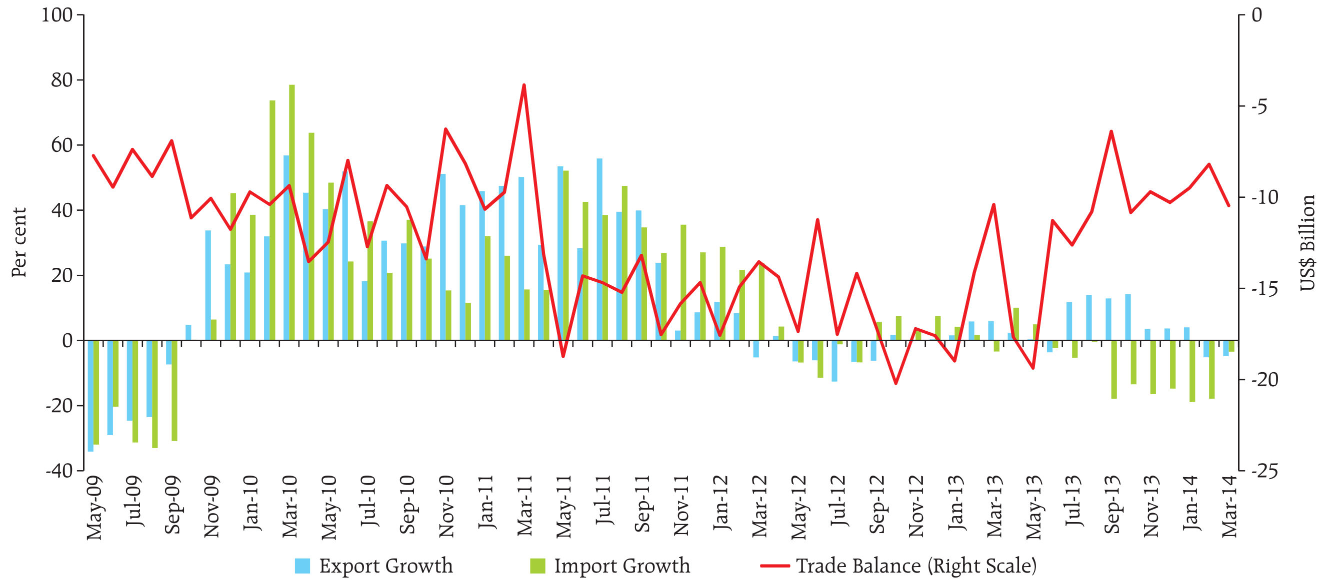
R: Revised; P: Priliminary ; Figures in brackets represent growth.
Source: DGCI&S.

Iron ore exports, which remained almost at the same level as last year, are likely to get some boost after the mining ban on Goa was lifted by the Supreme Court in April 2014. Overall, supply-side constraints may, however, stay with the ban continuing in Odisha and annual production cap of 30 million tonnes in Karnataka and 20 million tonnes in Goa.

Within the manufacturing sector, exports of major product groups, *viz.*, 'engineering goods', 'leather & manufacture', 'chemicals & related products', 'textile & textile products' and 'handicrafts' improved significantly in 2013-14. Turnaround in engineering goods sector was primarily reflected in the robust export performance of 'transport equipments' and

* This article is based on India's foreign trade statistics as released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), Ministry of Commerce. It is prepared in the Division of International Trade and Finance, Department of Economic and Policy Research. The previous issue of the article was published in the Reserve Bank Bulletin, January 2014.

Chart 1: India's Merchandise Trade



'iron & steel' which registered a growth of 16.8 per cent and 20.6 per cent, respectively during 2013-14. Sharp rise in 'textile & textile products', by 15 per cent in 2013-14 as against a decline of 2.4 per cent in 2012-13, can be attributed primarily to the growth in exports of readymade garments, cotton yarn and manmade fibre. Apart from improved external demand, recovery in the garment sector can be attributed to depreciation of rupee and improved competitiveness. Decline in exports of 'gems & jewellery' by 5.4 per cent in 2013-14 could partly be on account of softening of global prices of precious metals (*e.g.* gold) which are used as basic input in gems and jewellery sector. It may be noted that gold prices declined by about 20 per cent during 2013-14.

Table 2: India's Exports of Principal Commodities

(Per cent)

Commodity Group	Percentage Shares			Percent change	
	2011-12	2012-13	2013-14	2012-13	2013-14
I. Primary Products	15.0	15.5	15.4	1.4	3.5
Agriculture and Allied Products	12.2	13.6	13.6	9.2	4.0
Ores and Minerals	2.8	1.9	1.8	-33.5	-0.4
II. Manufactured Goods	60.6	60.9	61.5	-1.3	5.0
Leather and Manufactures	1.6	1.6	1.8	2.0	16.7
Chemicals and Related Products	12.1	13.0	13.2	5.3	5.9
Engineering Goods	22.2	21.8	22.2	-3.6	6.4
Textiles and Textile Products	9.2	9.1	10.1	-2.4	15.0
Gems and Jewellery	14.7	14.4	13.1	-3.2	-5.4
III. Petroleum Products	18.3	20.3	20.1	8.6	3.0
IV. Others	6.1	3.3	3.1	-46.0	-3.9
Total Exports	**100**	**100**	**100**	**-1.8**	**4.1**

Source: Compiled from DGCI&S data.

Destination-wise, improved export performance in 2013-14 could be attributed to a renewed export demand from some of the major trade partners, particularly; Belgium, Germany, Italy, UK, USA, Japan, China and Hong Kong. The share of the US and China in India's exports increased during the year (Table 3). There was, however, considerable moderation in exports to UAE, Netherlands, Malaysia, Thailand, African and Latin American countries. Led by a rise in exports by 8.2 per cent in 2013-14 compared to a growth of 4.1 per cent in 2012-13, the US became the topmost export destination for India with an improved share of 12.5 per cent in total exports. Despite a considerable decline in exports by 16 per cent in 2013-14, exports to UAE continued to be the second largest export destination constituting 9.8 per cent of total exports followed by China (4.8 per cent) and Hong Kong (4.1 per cent). Pick-up in demand from major trade partners seems to have been supported by growth recovery in these economies in recent quarters.

Higher rise in exports to EU, North America, Developing Asia was reflected in the increase in their relative contribution in 2013-14 which, however, turned negative, in case of OPEC, Eastern Europe and Latin America (Table 4).

Table 3: India's Exports to Principal Regions

(Percentage Shares)

Region/Country		2011-12	2012-13	2013-14
I.	**OECD Countries**	**33.8**	**34.2**	**34.8**
	EU	17.2	16.8	16.5
	North America	12.0	12.7	13.2
	US	11.4	12.0	12.5
	Asia and Oceania	3.0	2.9	3.0
	Other OECD Countries	1.6	1.8	2.1
II.	**OPEC**	**19.0**	**20.9**	**19.4**
III.	**Eastern Europe**	**1.1**	**1.3**	1.2
IV.	**Developing Countries**	**40.8**	**41.6**	**41.5**
	Asia	29.7	28.7	29.0
	SAARC	4.4	5.0	5.6
	Other Asian Developing Countries	25.3	23.6	23.4
	People's Republic of China	6.0	4.5	4.8
	Africa	6.7	8.1	8.4
	Latin America	4.4	4.9	4.1
V.	**Others / Unspecified**	**5.4**	**1.9**	**3.2**
Total Exports		**100**	**100**	**100**

Source: Compiled from DGCI&S data.

Table 4: Region-wise Relative Weighted Variation in India's Export Growth

(Per cent)

Region/country	2011-12	2012-13	2013-14
EU	2.6	-0.7	0.4
North America	4.1	0.5	1.0
Other OECD	0.5	0.1	0.4
OPEC	1.8	1.6	-0.8
Eastern Europe	0.2	0.2	-0.1
Developing Asia	8.3	-1.5	1.5
Of which:			
People's Republic of China	1.1	-1.5	0.5
Africa	1.8	1.3	0.6
Latin America	1.3	0.4	-0.6
Others	-3.0	-3.7	1.1
Total Exports	**21.8**	**-1.8**	**4.1**

Source: Compiled from DGCI&S data.

Imports

Moderation in merchandise imports which began in June 2013 intensified further in Q3 of 2013-14 but the pace of decline moderated marginally in Q4 of 2013-14. On cumulative basis, India's merchandise imports at US$ 450.1 billion recorded a decline of 8.3 per cent in 2013-14 as compared with a marginal increase of 0.3 per cent in 2012-13 (Table 1). In India, policy measures aimed at curbing gold imports, as well as weaker domestic demand for non-oil non-gold imports, caused fall in merchandise imports during the period.

Commodity-wise and Destination-wise Imports (2013-14)

Commodity-wise, gold and silver accounted for 58 per cent of decline in merchandise imports. Consequent on various gold import measures undertaken during the year, downward trend in gold imports began in July 2013. On cumulative basis, imports of gold and silver contracted by 42.3 per cent (only gold by 46.3 per cent) during 2013-14. Quantity of gold imported also moderated sharply by about 34 per cent in 2013-14 compared to a decline of 6 per cent

Table 5: Trends in Crude Oil Prices

(US$/barrel)

Period	Dubai	Brent	WTI*	Indian Basket**
1	2	3	4	5
2005-06	53.4	58	59.9	55.7
2006-07	60.9	64.4	64.7	62.4
2007-08	77.3	82.3	82.3	79.5
2008-09	82.1	84.7	85.8	82.7
2009-10	69.6	69.8	70.6	69.6
2010-11	84.2	86.7	83.2	85.1
2011-12	110	114.4	97.3	111.9
2012-13	106.9	110.5	92	108.0
2013-14	104.5	107.6	99.04	105.5

* West Texas Intermediate

** The composition of Indian Basket of Crude represents Average of Oman & Dubai for sour grades and Brent (Dated) for sweet grade in the ratio of 68.2: 31.8 for 2012-13.

Sources: International Monetary Fund, International Financial Statistics: World Gem data & commodity: Ministry of Petroleum and Natural Gas, Government of India.

in 2012-13. Among other major components of imports, decline in imports of capital goods pronounced further in 2013-14 indicating slower investment activity. In contrast, imports of export related items (particularly pearl, precious and semi-precious stone), witnessed a growth of 4.3 per cent in 2013-14 as against a decline of 9.6 per cent in 2012-13 (Table 6). POL import growth sharply decelerated to 0.7 per cent in 2013-14 as compared with 5.9 per cent in 2012-13. Moderation in import growth of POL products largely reflects fall in international crude oil prices by about 2 per cent and a marginal increase in quantum of POL imports during 2013-14 (y-o-y) (Table 5). Growth in consumption of POL products also moderated to 0.7 per cent in 2013-14 from 6 per cent in 2012-13.

Decline in India's imports from US, Japan, Switzerland, and the OPEC countries was more prominent. For other major trading partners, *viz.*, China, Hong Kong, Singapore, EU, the decline in imports continued *albeit* at a slower pace (Table 7). Imports from Switzerland declined by 41.8 per cent in 2013-14 compared to a marginal decline of 0.9 per cent in 2012-13 primarily on account of a sharp decline gold and silver imports. Switzerland accounted for about 52 per cent of India's total imports of gold and silver in 2013-14. Decline in imports from the US was

Table 6: Imports of Principal Commodities

(Per cent)

Commodity/Group	Percentage Share			Relative Weighted Variation	
	2011-12	2012-13	2013-14	2012-13	2013-14
1. Petroleum, Crude and Products	31.7	33.4	36.7	1.9	0.2
2. Capital Goods	20.3	19.3	18.9	-0.9	-2.0
3. Gold and Silver	12.5	11.3	7.1	-1.2	-4.8
4. Organic and Inorganic Chemicals	3.9	3.9	4.5	0.1	0.2
5. Coal, Coke and Briquettes, *etc.*	3.6	3.5	3.6	-0.1	-0.1
6. Fertilisers	2.4	1.9	1.4	-0.5	-0.5
7. Metalliferrous Ores, Metal Scrap, *etc.*	2.7	3.1	3.0	0.3	-0.3
8. Iron and Steel	2.5	2.2	1.8	-0.2	-0.6
9. Pearls, Precious and Semi-Precious Stones	5.7	4.6	5.3	-1.1	0.3
10. Others	14.8	16.7	17.6	2.0	-0.6
Total Imports	**100**	**100**	**100**	**0.3**	**-8.3**

Source: Compiled from DGCI&S data.

mostly attributed to the decline gold and silver imports along with a moderation in imports of machinery in 2013-14.

Table 7: Shares of Groups/Countries in India's Imports

(Percentage Shares)

Region/Country	2011-12	2012-13	2013-14
I. OECD Countries	**30.2**	**28.8**	**25.6**
EU	11.9	10.6	11.0
France	0.9	0.9	0.8
Germany	3.3	2.9	2.8
UK	1.6	1.3	1.3
North America	5.6	5.7	5.7
US	5.0	5.1	4.9
Asia and Oceania	5.7	5.3	4.5
Other OECD Countries	7.0	7.1	4.5
II. OPEC	**35.5**	**38.3**	**39.5**
III. Eastern Europe	**1.7**	**1.6**	**1.7**
IV. Developing Countries	**32.3**	**30.8**	**32.2**
Asia	25.9	23.5	24.8
SAARC	0.5	0.5	0.5
Other Asian Developing Countries	25.3	23.0	24.2
People's Republic of China	11.8	10.7	11.3
Africa	4.0	3.9	3.3
Latin America	2.4	3.4	4.1
V. Others / Unspecified	**0.3**	**0.5**	**1.0**
Total Imports	**100**	**100**	**100**

Source: Compiled from DGCI&S data.

In terms of share, China continued to be the main source of imports for India accounting for 11.3 per cent of total merchandise imports during 2013-14. With a sharp fall in imports from the UAE, Saudi Arabia replaced it as the second largest source country for imports, followed by UAE, the US, Iraq and Switzerland.

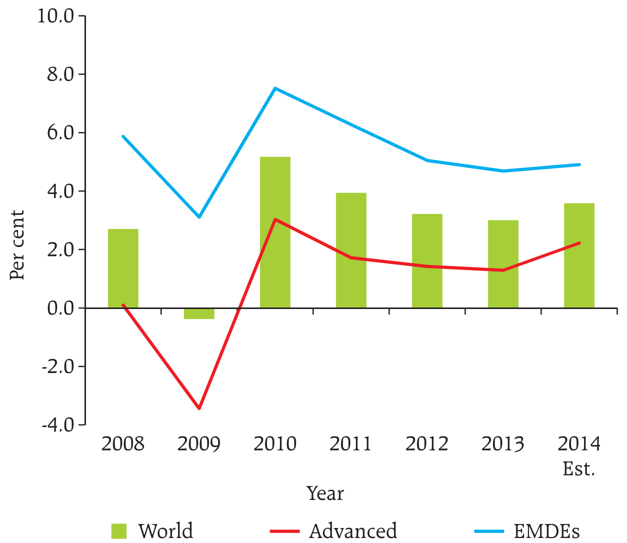
Trade Deficit

Notwithstanding a decline in exports in Q1 and Q4 of 2013-14 (y-o-y basis), recovery in exports and fall in imports especially in Q2 and Q3 of 2013-14, narrowed India's trade deficit to US$ 137.5 billion in 2013, almost 28 per cent lower than that in 2012-13. While exchange rate adjustments and recovery in global demand may have facilitated exports, moderation in imports was primarily led by a sharp decline in imports of gold, consequent upon the various policy measures and fall in international gold prices.

II. Global Trade

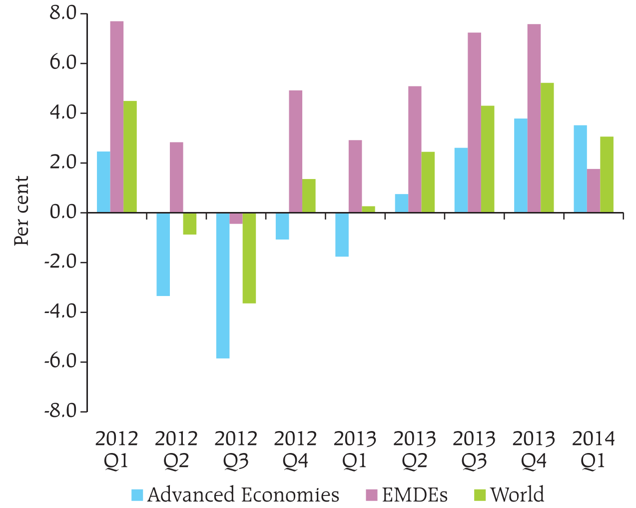
Global economic activity strengthened with the advanced economies regaining the growth momentum and emerging economies maintaining a modest growth in 2013. As a result, world trade volume also picked up *albeit* marginally. Global economic prospects seem better in 2014 as pick-up in growth momentum is projected for many advanced economies and emerging market economies may also recover at a modest pace (Chart 2).

Chart 2: World GDP Growth



Source: IMF, WEO, April 2014.

Chart 3: Merchandise Export Growth in Advanced and Emerging Market Economies



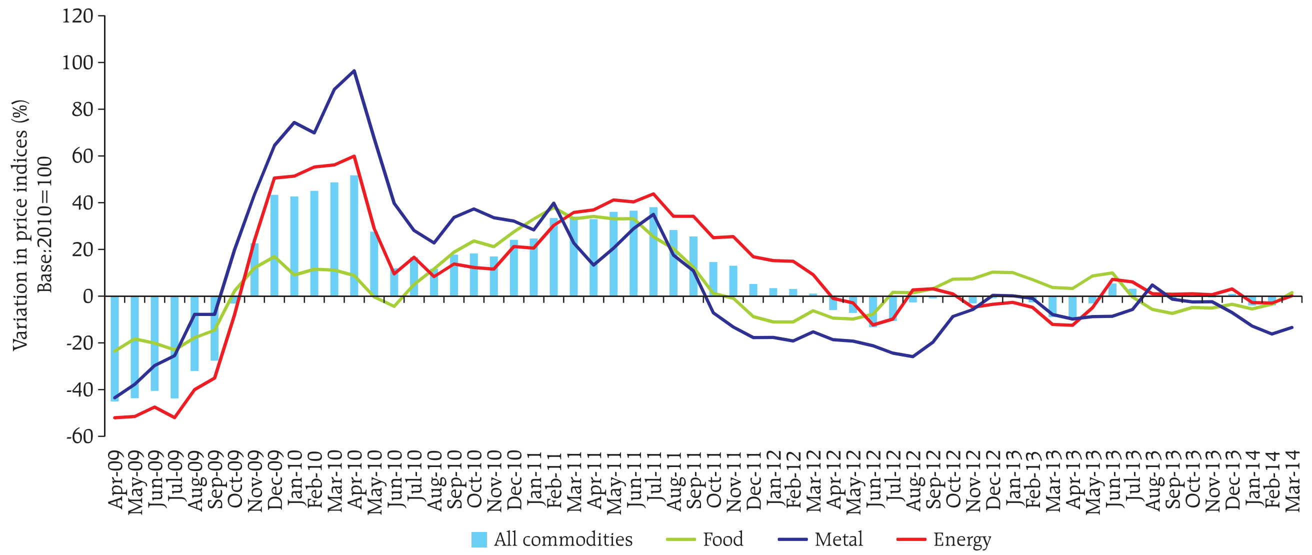
Source: IMF, IFS.

Revival in world trade activities was mainly driven by robust performance of emerging economies and gradual recovery in advanced economies in 2013. Preliminary data from IMF, however, shows a moderation in world export growth owing to a subdued export performance of both advanced and emerging economies (Chart 3). According to the IMF (April 2014), the world trade volume is projected to grow by 4.3 per cent in 2014 as compared with 3 per cent in 2013 (Chart 4).

Chart 4: Growth in World Trade Volume

Source: IMF, WEO, April 2014.

Chart 5: World Commodity Prices



Source: IMF, IFS.

With the exception of metal, all the key commodity price indices remained stable in 2013-14. International oil prices fluctuated in a narrow range in 2013 and in first two months of 2014 despite geo-political concerns in middle-east countries and output disruptions on the supply side. Nonetheless, average crude oil price have declined by about 1 per cent in 2013 and remained moderated in January-March 2014. According to the World Bank Report, April 2014 (Global Economic Prospects), nominal oil prices may come down in the long term due to growing supplies of unconventional oil production and substitution between oil and gas in the medium to long run scenario. These downside risks, however, may be offset by supply constraints due to geo-political concerns in gulf area (Chart 5).

Decline in metal prices continued in the recent quarters mainly reflecting subdued demand growth of commodities like aluminium, zinc, copper and iron-ore, from China amid a slowdown in its domestic economic activity. Fall in prices of precious metals in 2013 is likely to persist as gold seemed to be losing attractiveness as a "safe haven" with a gradual recovery in the US economy and the potential rise in the interest rates. According to the World Bank report on Global Economic Prospects, prices of metals and precious metals are projected to fall further in 2014. After a free-fall of food prices, particularly, maize and rice during March to December 2013, food grain prices remained almost stable in January-March 2014. Food prices, however, may witness upward pressure with growing concerns over short fall in supplies following adverse weather conditions in 2014.

III. Outlook

Improved global activity and pick up in world trade volume revived India's export performance in 2013-14. While exports fell in Q4 of 2013-14, the rise in exports in the first quarter of 2014-15 bodes well for India's trade balance. Although, a rise in non-oil non-gold imports could be expected with revival in domestic economic activity, pick up in imports may only be modest as international commodity prices are projected to remain subdued during the year. Going forward, the sustainability of the trade performance would largely depend on pace of economic activity of India's major trade partner economies and on how major issues constraining India's export prospects are addressed.

Detailed information on monthly commodity-wise and country-wise data on merchandise exports and imports for 2012-13 and 2013-14 can be accessed at http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx