Manufacturing Sector Likely to Pick Up

Exports to the US have been performing extremely well,and... to Europe,Asean (Association of Southeast Asian Nations) and Africa, said Commerce Secretary SR Rao.We are confident of meeting the official export target of $325 billion (for the fiscal year),and if the trend continues we may even hope for a higher number. The strong export performance and lower trade deficit should help moderate concerns over the withdrawal of the US stimulus,experts said.The Indian currency had dropped to an all-time low of 68.85 to the dollar in August following a May 22 statement by Federal Reserve Chairman Ben Bernanke that the US central bank could reduce its $85-billion-a-month bond purchases.The situation has since improved as a recovery in exports and unprecedented measures to contain gold imports have helped narrow trade deficit,largely responsible for last years record high current account deficit.Meanwhile,Fed put off a decision on tapering in September,but stronger US economic data has revived taper fear.Finance Minister P Chidambaram and Reserve Bank of India Governor Raghuram Rajan have said withdrawal of the US stimulus has to begin sooner or later.Chidambaram has said India is much better placed to deal with it now than it was in May.He has also said rising exports,higher core sector growth and a rise in farm incomes following a good monsoon indicate a stronger second half in terms of economic growth.That could lead to a revival from the 10-year low of 5% growth in the year to March,which would help bolster the appeal of the UPA government,struggling to cope with corruption allegations,ahead of next years general election.Trade deficit for the first seven months of the financial year at $90.68 billion is $22 billion below the year-ago $112 billion,suggesting that current account deficit (CAD) will moderate sharply this year as indicated by the finance ministry.Chidambaram said earlier this month that current account deficit for the year is likely to be $60 billion,below its earlier estimate of $70 billion and last fiscals $88.2 billion.Trade deficit was,however,higher than Septembers $6.8 billion,a 30-month low,on account of slightly higher crude imports and a festiveseason-related pickup in demand for gold and silver.We expect FY14 CAD to correct significantly to 3-3.2% of GDP from a record high level of 4.8% of GDP in 2013-14, said Shubhada Rao,chief economist,YES Bank.Indias outbound shipments stood at $27.2 billion,with all sectors performing well,taking the cumulative growth in the first seven months to 6.32%.All major sectors having significant contribution to export basket have shown a positive trend,including electronics that was not doing well,through the current year, Rao said.Sectors such as agriculture,textiles,leather,handicraft and engineering have been performing well in the current year.Currency depreciation is also believed to have supported exports,although after touching the all-time low in August,it revived to 62 levels through September and October.The rupee strengthened as investors returned to emerging markets after the May-August taper panic exit.Also,the central bank provided a special window through which stateowned refiners could get dollars,rather than having to go to the market,thus shoring up the rupee.This will be reversed as normalcy returns.As far as Fed tapering is concerned,yes we are better off on some fronts,such as trade deficit,as we have managed to cut gold imports.However,it will also depend on RBI's action on the swap window for oil marketing companies, said Madan Sabnavis,chief economist,CARE Ratings.India imported petroleum and crude oil worth $98 billion in October compared $95 billion a year ago.Despite the good news,there are other factors that could weigh the economy down.In India,while the key risks have mitigated and economy has fared better than expected,with improvement in CAD and accumulation of reserves,we believe the country will have to reckon with structurally high level of current account imbalance and its low credit rating, said Rao of YES Bank.Engineering exports in October grew 36% to $5.6 billion from $4.1 billion last year.Export growth also points to an overall manufacturing recovery as sectors pertaining to apparel and textiles have performed well.The expansion in eight core sectors by a years high of 8% suggested the easing of supply-side bottlenecks.We are registering the growth of almost 13% from more than six months in apparel exports.The big brands and international chain stores like GAP,Zara,Mango,El Corte,Desigual,Tommy Hilfiger,Walmart,H&M,JC Penney,Target etc are sourcing garments from India, said A Sakthivel,chairman,Apparel Export Promotion Council.

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