

Impact of Coronavirus on India – Economy & Industries

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Economy

The coronavirus outbreak in China and its spread has roiled markets across the world in recent days and raised global economic growth concerns given the size of the Chinese economy and the strong linkages that many countries and companies have to the country's economy. Concerns over the spread of the virus across the world have led to many global airlines halting flights to the country and the Chinese government has issued unprecedented quarantine and put 16 cities under lockdown. All this has impacted the movement of people, goods and services and financial market sentiments. Even though it is still in the initial stage, the impact is already being felt across a wide range of segments of the Chinese and certain neighbouring economies- retail sales, travel and tourism, restaurants, cinemas etc.

The epidemic comes at the traditional peak demand period for China i.e. the Chinese New Year. The period is typically associated with high consumer spending. In 2019, it was reported that retail sales of \$148 bn were recorded in the week of 4-10 Feb'19 and revenues from domestic tourism were reportedly to the tune of around \$76 bn.

With domestic consumption expected to be a key driver for the Chinese economy in the prevailing environment of lower exports and investments, a decline in consumer spending could further exacerbate the slowdown of the country's economy (economic growth in 2019 fell to a 29 year low of 6% and was projected to grow at an even slower pace in 2020 by World Bank and IMF before the outbreak of the virus).

Past episodes of global epidemics (SARS, MERS, swine flu, zika virus etc) have not had long lasting global economic impact and were tackled with medical expertise. The global economic cost of the earlier virus i.e. the SARS epidemic in 2003 has been estimated to be around \$40bn. In case the spread of the corona virus is not contained in the coming weeks, the implications this time around could be far reaching and more severe given that China's importance in the global economy has increased manifold and the global economy is experiencing the slowest growth in nearly a decade. As per World Bank data, in 2003 China's share in the global economy was 4% and its growth rate was 10% while the global economy was growing at a rate of 2.9%. China's share in the global economy currently stands at around 16% and world GDP growth has dropped to a decadal low of 2.4 % in 2019. In case the spread of the virus is tackled in the next couple of weeks there could be a revival in activity and sentiments.

The Chinese government stimulus in the aftermath of the 2003 epidemic aided the rebound in economic growth there. However, there could be limitations to the stimulus this time around given the

China's economic growth has slipped to a near 3 decade low and the economy continues to be pressured by trade war uncertainties, size able debt overhang and lower investments.

Given that India and China have strong trade relations and see movement of large number of people between the 2 countries, the epidemic could have a bearing on the domestic economy too.

In order to get insights into the economic implications of the corona virus we have examined here the size of the Chinese economy and its trade in the global context, the key global financial market and commodity price movement in recent days and ramifications for the Indian economy and specific sectors.

Positioning China in the global economy

- China is the world's second largest economy, accounting for around 16% (\$ 14 trn in 2018 as per the World Bank) of the global economy.
- The country is also the leader in world trade i.e. merchandise and commercial services. It also ranks high in the area of tourism and is the foremost in tourism spending.
- As per the WTO (World Trade Organization) it ranks first in global merchandise exports and second in world merchandise imports.
- In terms of trade in commercial services it ranks fifth in global exports and second in imports.
- China plays an important role in the global value chain (GVC) network, as both a demand and supply hub. As per the report by the European think tank Bruegel, China is the center of the global value chain as 19% of global manufacturing exports are produced in China and Europe's value chain is increasingly dependent on China.
- China's merchandise export share in total world exports was 12.8% in 2018 while its share in imports of merchandise goods was 10.8%. The effect of the trade war between US and China adversely impacted trade in 2019 with both export and import growth in the first 3 quarters of 2019 witnessing a contraction of 0.1% and 5% respectively as per data from WTO.
- In terms of trade in commercial services, China accounted for 4.6% of global exports in 2018 and 9.5% of global imports.

Given the importance of China in the various facets of global trade, disruptions in the same for long durations can have severe implications on world trade and thereby the overall global economy.

The evaluation of China's product wise exports and imports of key merchandise goods in 2018 shows that the country dominates in the export of manufactured commodities. Within the manufacturing segment, the highest share is of telecommunication equipment (12.7%) and electronic data processing equipment (8.8%).

China ranks 1st in export of both the commodities and accounts for 36% of global telecommunication exports and 43% of electronic data processing equipment.

Chart 1: China's exports to the world (%) (merchandise goods)

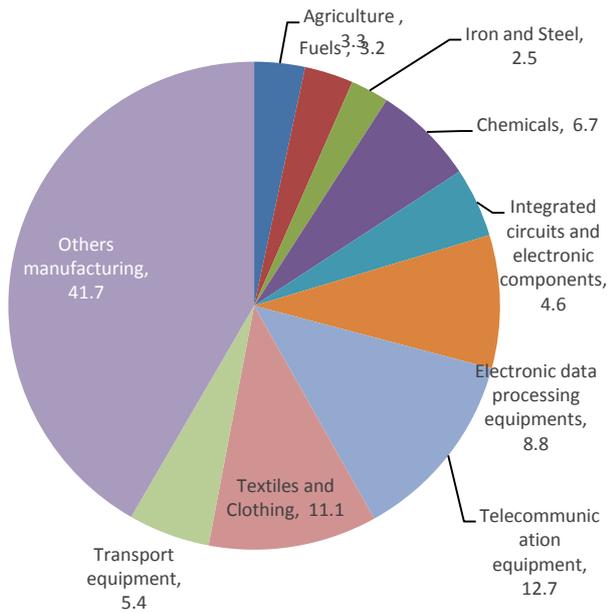
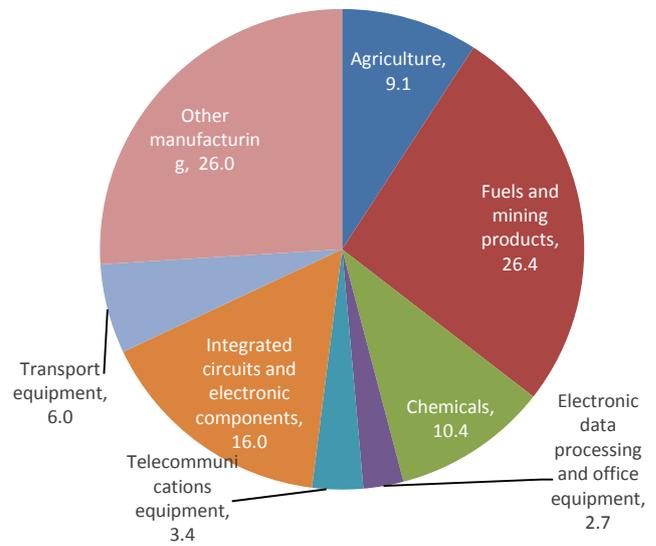


Chart 2: China's imports from the world (%) (merchandise goods)



Source: WTO

In terms of the country's imports, fuel and manufacturing products together account for 87% of the total merchandise imports. Within manufacturing, the highest import share is of chemicals (10.4%) and integrated circuits and electronic components (16%). China's imports of various commodities account for a significant share in the world imports of those commodities - agriculture products (10.6%), fuels (13.6%) and integrated circuits and electronic components (39%). China has the highest share in global imports of these three commodities.

In case of exports of commercial services,

- Transport and travel together account for almost 30% of China's total commercial services exports.
- Telecommunication, computer and information services (17.8%) and construction (10%) are the other major services exports of the country.
- China's export of construction services accounts for almost 1/4th of total world exports of construction services.
- Within total imports of commercial services, travel (53%) dominates the total imports followed by transport (20%). China's travel imports in world travel imports are notably high at 20%.

As per data from UNWTO (United Nations World Tourism Organization) China ranks fourth in terms of international tourist arrivals (63 mn in 2018) and tenth in terms of international tourism earnings (\$40 bn in 2018). The country is also the highest international tourism spender (\$277 bn in 2018).

Given China's sizeable presence in the global economy, a decline in the country's economy would not doubt adversely impact global economic growth. In 2019, as per the World Bank data the global economy is estimated to have grown by 2.4% and China's by 6.1%. For 2020, the estimate for global growth has been pegged at 2.5% and for China it is 5.9%. *If on account of the disruption cause by the epidemic, China's economic growth declines to 5.75% in 2020, then global GDP growth would be 0.2% lower (than current estimate) at 2.3%. If China's economy grows at a lower rate of 5.5% or 5.25%, it would shave off 0.4% and 0.6% from the current estimate of global economic growth for 2020.*

How have the global markets reacted to the Corona virus epidemic?

Table 1: Market movements

Particulars	22-01-2020	30-01-2020	% change over 22-Jan-2020
Dow	29,186	28,859	-1.12
NASDAQ	9,384	9,299	-0.90
S & P 500	3,322	3,284	-1.15
Nikkei	24,031	23,268	-3.17
Shanghai Composite	3,061	2,977	-2.75
FTSE 100	7,572	7,382	-2.51
US 10-yr (%)	1.77	1.59	-18 bps
UK 10-yr (%)	0.64	0.54	-10 bps
Germany 10-yr (%)	-0.26	-0.41	-15 bps
Gold (\$)	1,557	1,589	2.09
Copper (\$)	6,104	5,620	-7.92
Aluminum (\$)	1,808	1,722	-4.73
Oil (Brent)	63.21	58.29	-7.78
¥/\$	109.84	108.96	-0.80

Note: As on 23rd January 2020 as Shanghai is closed on account of lunar new year

Source: Bloomberg, CNN

Global stock markets and commodity markets have witnessed a broad-based decline following the Chinese government's lock down of 16 cities/ provinces (on 22nd January 2020) to contain the spread of the corona virus which raised concerns over the impact of these measures and spread of the epidemic on Chinese demand and the overall economy. Stock indices across regions (US, Europe, Asia) have fallen and key commodity prices i.e. of crude oil and base metal prices have declined on demand concerns. The deterioration in investor sentiments led to increased safe haven investment viz. in government bonds and gold. The benchmark yields of US, UK and Germany treasuries fell (bond yields have inverse relationship with prices) and gold prices rose.

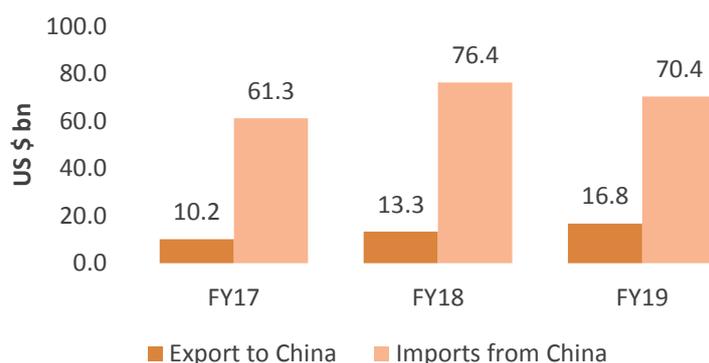
The market movement is the last 1 week (since 22 January'2020) has been in contrast to that in the first fortnight of January 2020, during which there was a broad based rally in the markets driven by optimism over the signing of Phase 1 of the US-China trade deal.

India and China – Trade Linkages and Impact

China is India's largest trading partner. India has the largest trade deficit (\$53.6 billion in FY19) with China with imports from China far surpassing exports to the country. The country accounts for the largest share of India's imports (14% of total imports in FY19). In terms of exports, China is the third largest market for India's exports (5% of total exports in FY19).

The disruption caused by the epidemic if prolonged could have a bearing on India's imports from the country which is critical for domestic economic activity as finding substitutes for imports from China in the near term could be a challenge. This could have implication for domestic economic output. Further, the slowdown in economic activity in China could impact exports from India.

Chart 3: Foreign Trade with China (\$ bn)



Source: CMIE

India's exports to China are mainly in the area of chemicals, petroleum, agriculture, engineering goods, cotton yarn and plastics. Together, these commodities/products account for nearly 80% of India's export basket to China in FY19. With local production being affected, there could be an increase in China's imports from other countries which can provide an opportunity for Indian manufacturers. Hence this can be a positive in future provided Indian companies are in a position to deliver adequately.

The import from China to India is dominated by electronics, engineering goods and chemicals which together accounted for 83% of imports in FY19. Non-availability of such products from China would mean that the related parties in India will have to scout for alternative markets which can also mean higher costs.

Table 2: % share of major exported and imported commodities

Exports	2018-19 (% share in total)
Chemicals & related products	21
Petroleum & crude products	17
Other manufactured goods	14
Gems & jewellery	2
Plastic & linoleum products	7
Granite, natural stone and products	3
Agricultural & allied products	14
Castor oil	2
Cotton raw including waste	3
Marine products	4
Spices	3
Engineering goods	11
Iron and steel	2
Ferrous and non-ferrous metals	2
Machinery & instruments	5
Transport equipment	1
Textiles (excluding RMG)	9
Cotton yarn	8

Source: CMIE

Imports	2018-19 (% share in total)
Electronic goods	32
Computer hardware, peripherals	6
Consumer electronics	3
Electronics components	8
Electronics instruments	3
Telecom instruments	11
Engineering goods	31
Transport equipment	2
Iron & steel	2
Ferrous and non-ferrous metal products	6
Machine tools including hand tools and cutting tools	2
Non-electrical machinery	11
Electrical machinery	5
Chemicals and related products	20
Chemical material & products	5
Organic chemicals	5
Medicinal & pharmaceutical products	4
Other manufactured goods	10
Artificial resins, plastic materials etc.	4
Textiles (excluding RMG)	3
Yarns, fabrics, madeups	3

Source: CMIE

China and FDI

China is not a major source of FDI and has a share of just 0.52% in cumulative FDI since April 2000. China has a rank of 18 with \$ 2.3 bn investment in a total of \$ 446 bn. However, Singapore is a major source and if there is large scale spread to other countries, the impact would be more pertinent.

China and FPI

China is not important for India when it comes to FPI and does not feature in the top 10 countries which account for 85% of total AUM.

Rupee and Yuan

The Re/\$ rate is determined by fundamentals and external factors. The coefficient of correlation of rupee/\$ and Yuan/\$ was 0.89 in January and 0.39 for daily changes in the same month. The Yuan had strengthened against the dollar between Jan1 and Jan 21 by 1.4% while the rupee firmed up by 0.45%. Subsequently the Yuan has fallen by 1% and the rupee by 0.8%.

China and projects by Indian companies

The companies which have exposure to China in terms of providing services which can be in the EPC or IT space would tend to be negatively impacted as activity slows down or comes to a halt. Delays would impact the cost of projects and hence the top line of such companies.

However, China is not a major destination for outward FDI from India and hence will not have much of an impact except the margin.

Industry wise impact

1. Tourism

Table 3: Foreign tourist arrivals (FTA) (in numbers)

Year	Total FTA	FTA from China	China's share (%)
2017	1,01,14,485	2,47,235	2.44
2018	1,05,58,404	2,81,768	2.67
2019	1,08,95,305	3,39,460	3.12

Source: Ministry of Tourism

India's total FTA stood at 10.9 million during 2019, of which tourists from China accounted for a share of about 3.12%, i.e., 0.34 million during the year. FTAs from China have witnessed a CAGR growth of about 11.4% between 2011 and 2019, thereby signifying the importance of Chinese travellers to the country for leisure as well as for business.

Despite it being marginal, FTA share from China has been increasing for the past few years. Therefore the Indian tourism industry is expected to be negatively impacted during 2020.

2. Cotton Yarn

Table 4: Exports of Cotton yarn

Year	Tonnes			USD Mn		
	World	China	% share	World	China	% share
FY17	1,205,338	455,053	37.8	3,368	1,053	31.3
FY18	1,099,609	315,388	28.7	3,445	861	25.0
FY19	1,260,833	465,010	36.9	3,905	1,267	32.4

Source: CMIE

Table 5: Imports of Cotton yarn

Year	Tonnes			USD Mn		
	World	China	% share	World	China	% share
FY17	7,750	6,533	84.3	53	48	91.4
FY18	6,552	3,541	54.0	32	23	71.0
FY19	5,336	1,498	28.1	22	8	35.3

Source: CMIE

Exports - China has historically remained one of the major markets for the Indian cotton yarn and gained significance over the last decade with the share increasing from about 11% in FY11 to over 30% during FY19 in value terms. Also in terms of volumes, about 40% of the cotton yarn produced in the country is exported to China. With some limitations on the trade for the next few months with the Coronavirus impact, the higher availability of cotton yarn in the domestic market is expected to moderate prices going forward. However, supply constraints (led by lower cotton yarn production) will restrict this moderation. Also, export demand for cotton yarn in the international markets has remained subdued during FY20 largely led by China's increasing dependence on cotton yarn from Vietnam and Pakistan. Bangladesh is the second largest market for Indian cotton yarn. However, exports to Bangladesh were also lower by over 30% y-o-y during FY20 (Apr-Nov) at 160,000 tonnes. However, demand for cotton from Bangladesh has increased on account of comparatively lower cotton price vis-à-vis cotton yarn price.

Imports – In terms of imports as well, China accounts for a largest share of about 30-35% of the overall cotton yarn imports of the country in value as well as volume terms. The share in value terms has significantly contracted from about 50% in FY11 to about 35% in FY19. In FY19, on account of subdued demand in the domestic market, share of imports from China declined by about 50% both in value as well as volume terms. India imports a significant quantity of cotton yarn from Vietnam and Indonesia that account for about 25% and 10% share respectively in India's total imports of cotton yarn in value terms.

As can be seen, the country is well diversified in terms of imports and exports of cotton yarn to other countries such as Bangladesh, Vietnam and Pakistan, the impact of the outbreak of the Coronavirus is expected to be limited on the industry.

3. Auto & Auto component

Table 6: Exports & Imports of Transport Equipment

USD Mn	India's Total Exports of Transport Equipment	China's Share	% share
FY17	21,645	118	0.5
FY18	21,702	123	0.6
FY19	24,643	111	0.5
USD Mn	India's Total Imports of Transport Equipment	China's Share	% share
FY17	19,072	2,591	13.6
FY18	18,675	2,746	14.7
FY19	20,302	1,737	8.6

Note: Transport equipment include Aircraft, spacecraft and parts, motor vehicles and parts, railway transport equipment and parts, ship, boat and floating structures, two & three wheelers, auto comps and parts and Bicycle and parts

Source: CMIE

India's exports of transport equipment to China account for a negligible share of about 0.5% of the total transport equipment exported from the country. In terms of imports of transport equipment, about 8.6% was imported from China during FY19, almost half of the equipment imported during the previous year.

Therefore, the impact is estimated to be limited in terms of trade between Indian and China for transport equipment during the year.

4. Electronic Goods

Table 7: Exports & Imports of Transport Equipment

USD Mn	India's Total Exports of Electronic Goods	China's Share	% share
FY17	6,980	477	6.8
FY18	7,583	567	7.5
FY19	10,019	661	6.6
USD Mn	India's Total Imports of Electronic Goods	China's Share	% share
FY17	45,550	24,545	53.9
FY18	55,754	31,552	56.6
FY19	60,219	22,267	37.0

Note: Electronic goods include computer hardware and peripherals, consumer electronics, electronics components and instruments, telecom instruments, office equipment and medical and scientific instruments

Source: CMIE

In terms of exports, China's share stands at about 6-8% of the total exports of electronic goods to the world from India. While about 50-60% of India's demand for electronic goods is met by China. However, in FY19, share of imports of electronic goods from China declined to about 37% from the share of 57% a year ago.

While India is expected to be impacted in terms of imports of electronic goods from China, the impact will be restricted with the lower dependence witnessed during FY19.

5. Aviation

Outbreak of the Coronavirus has led to the cancellation and temporary suspension of flights operating from India to China and Hong Kong. Indian carriers such as Indigo and Air India have halted operations whereas Spice Jet is offering waiver of the cancellation/change fee.

The temporary suspension of flights to China and Hong Kong can approximately lead to an Indian carrier missing out on earning gross revenue of Rs 55-72 lakh per flight.

Table 8: Destinations flown by Indian airlines to China

Airline Operator	Destination
Indigo	Hong Kong, Chengdu and Guangzhou
Air India	Hong Kong and Shanghai
Spice Jet	Hong Kong

Source: Company Websites

Note: IndiGo airlines have suspended its flights on the Bengaluru-Hong Kong route and the Delhi-Chengdu route (February 1st to 20th) whereas Air India has suspended its Delhi-Shanghai route (January 31st to February 14th). Spice Jet is offering waiver of cancellation/change fee (fare difference if any will be applicable) for all flights to/from Hong Kong between 24th January and 24th February 2020.

Depending on the severity of the situation there could be further cancelation of routes towards China or an extension of the temporary suspension of flights.

6. Media and Entertainment

With the massive spread of coronavirus and thereby to limit interaction in crowded public spaces, China has reportedly shut about 70,000 screens in the country. Most film makers have also decided to postpone release of their films that were scheduled to enter Chinese theatres during this period.

While this is expected to create substantial repercussions on their local film industry, the Indian box office collections shall also be negatively impacted albeit a limited extent. China along with some South East Asian countries has great demand for Indian produced films and are among the largest overseas markets for Bollywood movies.

The temporary closure of theatres in such nations will affect release of Indian movies in those markets and thereby affect growth in box office collections of Bollywood movies.

7. Gems and Jewellery

Hong Kong is considered the diamond center in Asia and the continent's transportation hub linking with the vast China. In 9m-FY20, India exported polished diamonds worth USD 7.4 bn to Hong Kong, which is the largest export market for India accounting 27% share.

Table 9: Exports of gems and jewellery to Hong Kong in 9m-FY20

Item	USD mn
Gold	436
Pearls, precious, semiprecious stone	5,669
Gold and other precious metal jewellery	1340

Source: CMIE

The rapid spread of coronavirus in China and South East Asia is expected to further dampen Indian exports of gems and jewellery, which is already on a downward trajectory since past months. **Overall gems and jewellery exports declined 5% Y-o-Y to USD 27.7 bn in 9M-FY20 (according to GJEPC).**

8. Dye intermediates

India has great dependence on China for sourcing raw materials used in the preparation of dye. India imported dye intermediates worth USD 219 mn in FY19, growth of about 47% compared with FY17 and the country is second largest exporter of dye intermediates to India, after Iran. As large chemical plants are located in Hubei, which is also the epicentre of coronavirus, any further spread of the virus could impact production and lead to elevation of prices.

India, presently, does not have large production capacities to take advantage of the low cost raw materials sourced from China. **Therefore the further spread of coronavirus in China shall affect Indian imports and impact finished good prices. At the same time Indian exports could be impacted as Indian production of dyes, meant for exports, could take a hit.**

9. Fertilisers and agrochemicals

China, being one of the large raw material suppliers of fertiliser and agrochemicals to India, is in a position to determine prices of raw materials for Indian fertilisers and agrochemical players and the **Chinese epidemic attack could have a bearing on production and finished good prices for domestic players.**

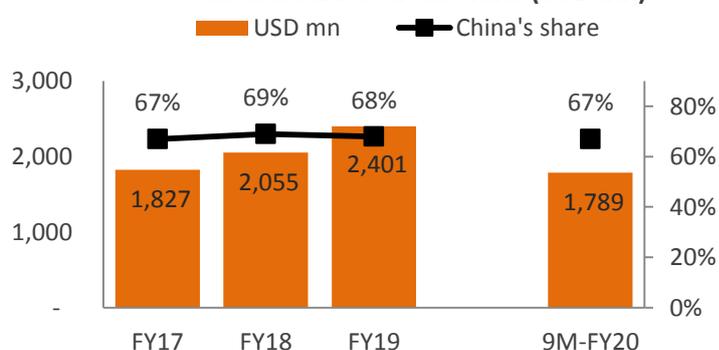
10. Drugs and Pharmaceuticals

Exports of drugs and pharmaceuticals to China are minimalistic with 1.5% share, while imports contribute a gigantic 40% share. Product wise exports and imports are depicted in the below table. Amongst product-wise imports, India's dependence on China for procuring bulk drugs and intermediates has grown multi-fold over the years. While the import value has increased, the country's share has remained stable over the years. In FY19, India imported bulk drugs and intermediates worth USD 2.4 bn from China, contributing 68% of the total imports.

Table 10: Indian exports and imports to/from China in 9m-FY20 (USD mn)

Item	Exports	Imports
Bulk drugs, drug intermediates	178	1,789
Drug formulations, biologicals	-	147
Surgicals	10	57
Ayush and herbal products	9	1

Source: CMIE

Chart 4: Imports of bulk drugs and intermediates from China (USD mn)

To safeguard from the current holiday period in China, Indian pharmaceutical players sourced their raw materials and created buffer stocks for a period of about 3 months, hence the impact of spread of coronavirus in China is not expected on financials of FY20. However, if the situation aggravates in coming months, the following could be expected:

1. Operations and production of bulk drugs and intermediates will be significantly inhibited, thus creating a demand-supply gap.
2. If shipping activity gets decelerated, then situation could worsen, creating a crisis-like situation for domestic pharmaceutical players due to dearth of raw material availability.
3. The domino effect may lead to significant spike in prices of bulk drugs and intermediates.
4. The Indian pharmaceutical companies which have entered into prescheduled delivery contract with various global and domestic clients at predetermined prices would be forced to execute them, while procuring the raw materials at higher cost. This shall take a hit on their profitability margins and returns on capital employed.

Overall, the industry is expected to be negatively impacted if the spread of coronavirus in China is not controlled and situation gets aggravated in coming months.

11. Metals

The outbreak of deadly Corona Virus in China has hit metal prices.

1. International copper prices at the LME fell 7.2% to USD 5,715 per tonne on 28 January 2020 compared to 16 December 2019. Copper cathode prices in the domestic market rose 1.1% to Rs.446 thousand per tonne on 24 January 2020 from Rs 441 thousand tonne on 16 December 2019.
2. Aluminium prices at the LME have dropped from USD 1,763 per tonne on 16 December 2019 to USD 1,744 per tonne on 28 January, down 1%. Prices of aluminium ingots in the domestic market have risen 8.9%, from Rs.135 thousand per tonne on 16 December to Rs 147,000 per tonne as on 24 January.
3. Chinese composite index steel prices (weekly average) fell from Yuan 4,100.6 per tonne on 14 December 2019 to Yuan 4,005.2 per tonne on 25 January, fall of 2.3%. Domestic steel prices of HR Coils remained unchanged at Rs 44,040 per tonne on 15 January.

Impact:

Prices:

Domestic copper and aluminium prices follow the trend in the international prices. So far, domestic prices have not been impacted but they are expected to follow suit if prices remain subdued for long. Base metal demand is likely to be hit in the short run due to concerns over economic growth with the spread of Coronavirus.

China is the world's largest producer and consumer of most metals. To contain the spread of virus China has imposed travel ban, suspended public transport, extended its lunar New Year holidays by three days to 2 February and expanded lock-down measures.

Metal prices (steel, aluminium and copper) are expected to remain under pressure in the short run due to lower production and consumption by China. China's Hubei province which accounts for about a quarter of the nation's steel output is the worst affected part in the country. Wuhan is home to 500 factories including automobiles manufacturing, auto parts, pharma and steel plants. Chinese metal producers are expected to lower their production activities to prevent spread of Virus. China's consumption of steel, copper and aluminium is expected to remain low due to slowdown in its

construction activity. Manufacturing units of auto and ancillaries are also likely to remain shut, temporarily, impacting demand for base metals. Demand for consumer and industrial goods from China are expected to remain low in the short term.

Lower absorption by China will keep global inventories of metal products high, which is likely to weigh down on prices of steel, aluminium and copper. The price of benchmark Australian iron ore – key raw material in steel making, for immediate delivery into China has dropped 10.3%, to USD 85.6 a tonne over the past week, according to a price assessment from S&P Global Platts. Fall in Iron ore price also leads to expectations that steel prices might fall.

Imports:

The outbreak of Coronavirus could also impact India's trade with China.

a. Copper

Table 11: Imports and export of Refined Copper (qty in thousand tonnes)

Year	Export		China's share (%)	Import	
	Total	China		Total	China
FY17	339	124	37	35	-
FY18	378	236	62	44	-
FY19	479	35	7	92	0.5

Source: Ministry of Commerce

With fall in domestic refined copper production due to closure of Sterlite's copper unit, India's imports grew and exports fell in FY19. However, dependence on China for imports is very less therefore there will be no supply side issue of refined copper with fall in China's copper production. On the other hand, China was an important export destination for India's copper, accounting for share of 12% in country's total exports in FY18. However, this share came down to 1% in FY19 because of fall in domestic production. In FY19, Out of 457 thousand tonnes of refined copper produced, the country exported around 48 thousand tonnes of copper and from this 35 thousand tonnes was exported to China. Exports to China may get hampered in the short run but it may not severely affect the domestic copper companies.

b. Aluminium

Table 12: Aluminium and aluminium products (qty in thousand tonnes)

Year	Export		China's share (%)	Import		China's share (%)
	Total	China		Total	China	
FY17	1,547	13	0.8	1,751	231	0.1
FY18	2,011	11	0.5	1,958	238	0.1
FY19	2,338	4.3	0.2	2,318	380	0.2

Source: Ministry of Commerce

The share of aluminium imports from China in India's total imports increased by 1% to stand at 2% in FY19.

Import of aluminium products from China has risen in the last five years while exports have dropped sharply. Domestic upstream companies are facing stiff competition from cheap aluminium imports and had to export their products at cheaper rates. Imports from China are expected to slow down in the short run given the concerns around Corona virus. This is likely to benefit domestic upstream aluminium companies. Upstream aluminium players have been complaining

about rising imports of cheap aluminium products from China which is eroding their share. However, aluminium prices may remain weak given the International conditions.

c. Steel:

Table 13: Import and exports of finished steel products (qty in '000 tonnes)

Year	Export		China's share (%)	Import		China's share (%)
	Total	China		Total	China	
FY17	14,035	295	2.1	13,888	2,060	15
FY18	15,888	301	1.9	14,246	2,137	15
FY19	12,476	302	2.4	15,929	1,503	9

Source: Ministry of Commerce

Steel exports to China are miniscule therefore domestic steel exporters are not likely to be impacted much with fall in shipments to China. They may try to capture markets which China exports to. However, with fall in China's consumption, inventory of steel with other countries are likely to go up and steel prices are expected to come down which can negatively impact Indian steel companies.

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