

India's Foreign Trade: A Study on Direction & Composition of Trade

This study highlights changes in patterns in India's foreign trade over the last decade. The report separately studies exports and imports of India, to gauge their composition (i.e. the commodity basket) and direction (i.e. the country profile of trade).

For the sake of ease and clarity, this report uses two years, viz. FY03 and FY13, as reference years. It may however, be noted that changes in the trade basket (i.e. composition) and direction of trade highlighted thereof, have been gradual over the ten year period under consideration. More importantly, trends in FY12 and FY13 have been rather similar and do not display sharp variances. (These were years when both exports and imports showed diverse growth trends).

Key Findings

- **Exports** - India's exports recorded growth of 21.3% (CAGR) during the period FY03-FY13, and stood at USD 300.2 billion in FY13.
 - Manufactured goods account for major share of exports (61.2% as of FY13), followed by petroleum and crude products (20.1% in FY13) and agri-products (13.5% in FY13).
 - Contribution of petroleum and crude products in India's export basket has risen over the years, while that of manufactured goods has declined. Other commodity groups have registered range-bound changes in share.
 - Asia has always dominated as India's exports-partner over the years; followed by Europe, America and Africa. However, exports to America and Africa have declined from FY03 to FY13 and increased with Asia instead.

- **Imports** - The country's imports, on the other hand, grew by 26.0% (CAGR) during the same period, FY03-FY13. Value of imports in FY13 stood at USD 490.3 billion.
 - Imports may be classified as POL items (petroleum, oil and lubricants) and non-POL items. As of FY13, POL items accounted for 34.5% of imports of the country and non-POL items accounted for the rest of 65.5%.
 - Within non-POL items, capital products and chemicals (and chemical related) products have been important.
 - Import sourcing appears to follow the same country composition as exports. India imports the most from Asia, followed by Europe and America. Imports from both Asia and America to India have increased, however from Europe has declined in FY13 (when compared with FY03).

India’s Trade Profile

In the last decade, trade with the rest of the world has been buoyant, registering robust growth. While value of trade has increased considerably, the composition of trade basket remains little changed and direction of trade has registered some shifts between FY03 and FY13.

We first look at the export-side of India’s trade, followed by the import-side in detail –

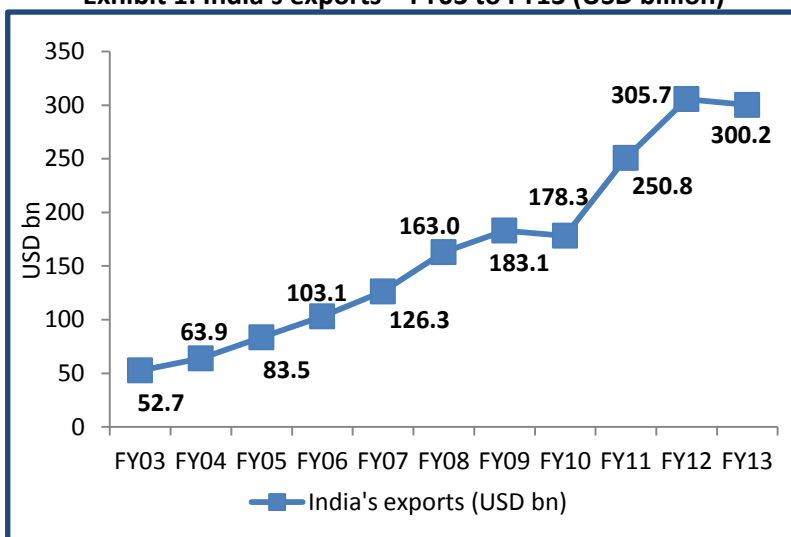
I. Exports’ profile

Exports growth

Indian exports have grown at a robust annual average rate of 21.3% (CAGR) between FY03 and FY13; the value of exports rising from USD 52.7 billion in FY03 to 300.2 billion in FY13 (Exhibit 1).

The export value of FY13, comes marginally lower than the peak of USD 305.7 billion recorded in FY12, consequent on global demand drying up to certain extent in the face of economic uncertainty and moderation in global growth.

Exhibit 1: India’s exports – FY03 to FY13 (USD billion)



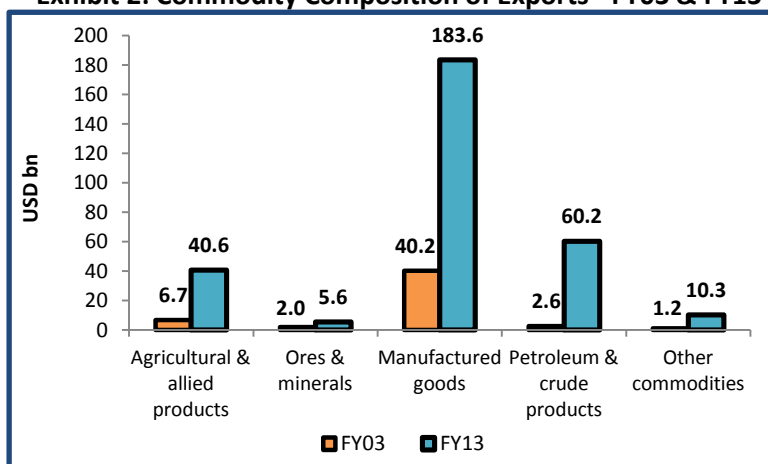
Source: Ministry of Trade and Commerce, India

Commodity Basket: Exports

Exhibit 2 (below) provides a comparative picture of commodity composition of Indian exports, between FY03 and FY13.

- Agri- and allied products have registered high growth of 22.2% (CAGR, FY03-FY13) and stood at USD 40.6 billion in FY13.
- Major agri- and allied commodities exported by India include basmati rice, marine products, meat and meat products, oil meals, spices, wheat and sugar.
- At USD 183.6 billion in FY13, manufactured goods have registered growth of 18.4% (CAGR, FY03-FY13).

Exhibit 2: Commodity Composition of Exports - FY03 & FY13



Source: Ministry of Trade and Commerce, India

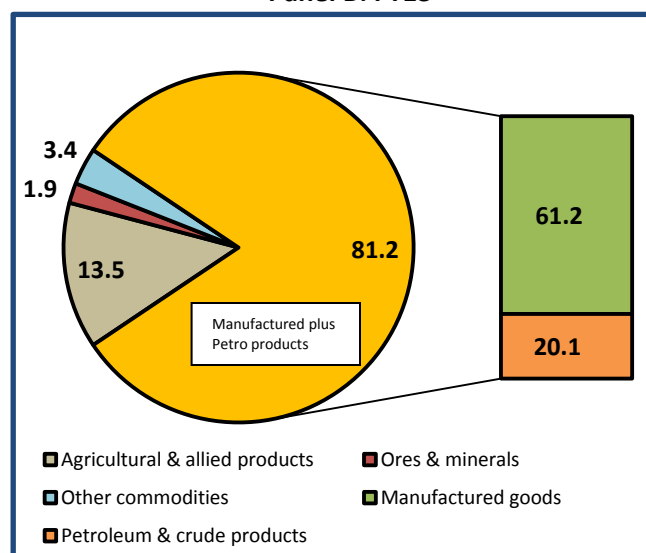
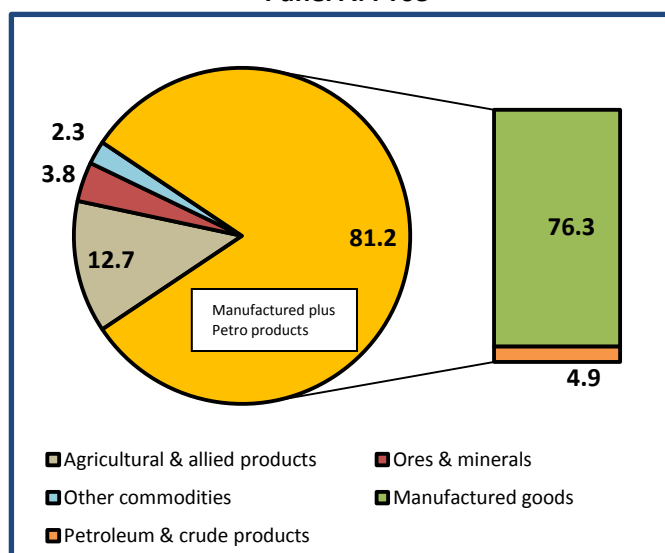
- Major manufactured goods, exported by India include engineering goods, chemicals and related products, textiles and ready-made garments.
- The export of ores and minerals has grown by 12.1% (CAGR, FY03-FY13), to touch USD 5.6 billion in FY13, while export of petroleum and crude products has registered exponential growth of 41.9% (CAGR, FY03-FY13) to stand at USD 60.2 billion in FY13.

In terms of share in overall exports, the share of agri- and allied products, ores and minerals and other commodities has moved in a range-bound fashion. However, there has been some perceptible shift from the manufactured goods to the petroleum and crude products segment between FY03 and FY13 (Exhibit 3, panel A and panel B).

Exhibit 3: Shift in Commodity Composition of Exports (% share)

Panel A: FY03

Panel B: FY13



Source: Ministry of Trade and Commerce, India

Source: Ministry of Trade and Commerce, India

It is interesting to note that, together manufactured goods and petroleum and crude products have accounted for 81.2% of overall exports in FY03 and FY13. However, the share of manufactured goods has dropped from 76.3% in FY03 to 61.2% in FY13, which in turn has been taken over by petroleum and crude products. Share of petroleum and crude products has risen considerably, from 4.9% in FY03 to 20.1% in FY13.

Table 1, below, gives a detailed break-up of major export items in FY03 and FY13. While overall exports have increased by 5.7 times during this period, this has been enabled by petro products that have increased by 23.3 times followed by transport equipment by 13.8 times and electronics by 6.4 times. Chemicals were also important increasing by a similar rate as the aggregate.

(Unlike in the rest of the study, these figures have been denoted in USD million, to ensure precision and highlight perceptible differences in FY03 and FY13 values.)

Table 1: Major Export Items (USD million)

Description	FY03	FY13
Agri-& allied products	6,708	40,612
<i>Of which</i>		
Basmati rice	425	3,561
Raw cotton (inclg. Waste)	10	3,639
Guargum meal	101	3,892
Marine products	1,431	3,459
Meat & preparations	285	3,288
Oil meals	307	2,906
Spices	342	2,813
Sugar	366	1,575
Wheat	364	1,926
Ores & Minerals	1,995	5,554
<i>Of which</i>		
Iron Ore	868	1,599
Processed Minerals	550	2,074
Manufactured goods	40,232	183,583
<i>Of which</i>		
Leather & leather products	1,848	4,867
Chemicals & related products	5,279	29,482
<i>Drugs & pharmaceuticals</i>	2,650	14,584
Engineering goods	8,988	64,854
<i>Metal products</i>	1,847	10,027
<i>Transport equipment</i>	1,334	18,396
<i>Electronic goods</i>	1,252	8,059
Textiles	5,925	14,407
Readymade garments	5,688	12,916
Other manufactured items	12,503	57,058
<i>Gems & Jewellery</i>	9,027	43,425
Petroleum & crude products	2,576	60,180
Other commodities	1,192	10,286
Total Exports	52,703	300,215

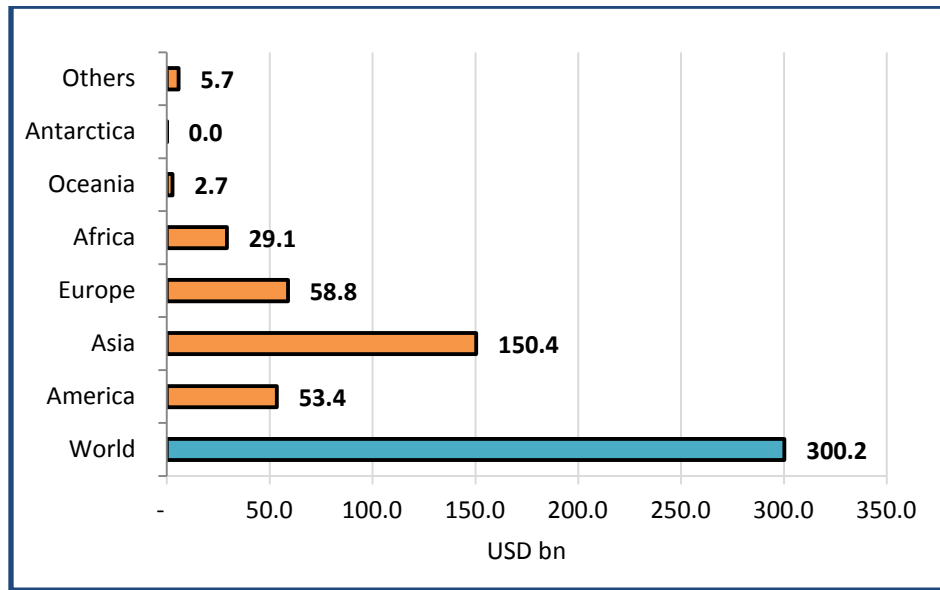
Source: Ministry of Trade and Commerce, India

Direction of Exports

India's largest export partner has been Asia. Exports to Asia have grown by more than 23.0% (CAGR), from USD 22.2 billion in FY03 to USD 150.4 billion in FY13.

The next largest export destination is Europe (USD 58.8 billion in FY13), followed by America (USD 53.4 billion); (Exhibit 4).

Exhibit 4: Direction of Exports in FY13 (USD billion)

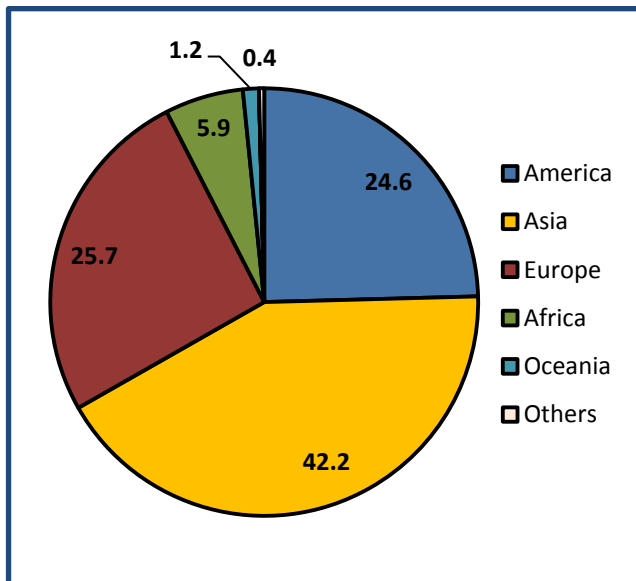


Source: Ministry of Trade and Commerce, India

When comparing the direction of exports in FY03 with that in FY13, one can notice the shift towards trade within the Asian zone rising.

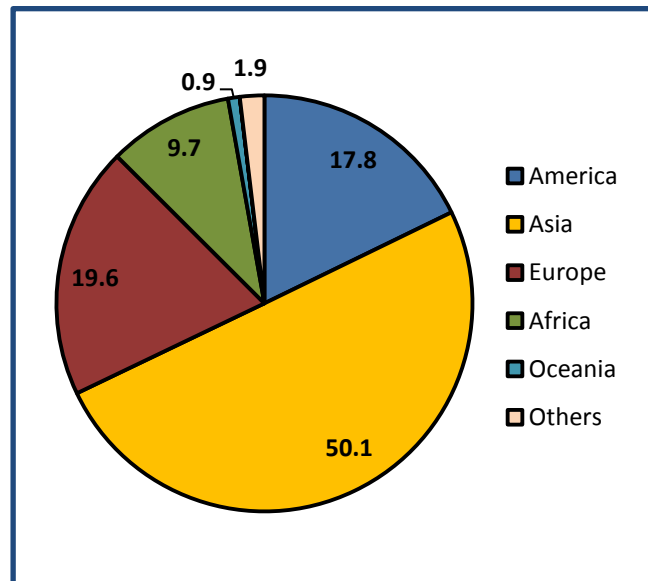
Exhibit 5: Shift in Direction of Exports (% share)

Panel A: FY03



Source: Ministry of Trade and Commerce, India

Panel B: FY13



Source: Ministry of Trade and Commerce, India

- As of FY13, share of Asia, in India’s exports rose to more than half (50.1%), when compared with that in FY03 (42.2%).

- Although, nominally speaking, trade with Europe and America has risen over the 10 year period under consideration their share in overall exports has declined. Share of exports to Europe declined from 25.7% in FY03 to 19.6% in FY13, while that of America came down from 24.6% in FY03 to 17.8% in FY13. Coupled with increased trade integration with Asia, this shift of export direction away from America and Europe may be attributed to the moderation in economic activity in these countries, which has caused import demand from these countries (i.e. exports from India and others) to contract.

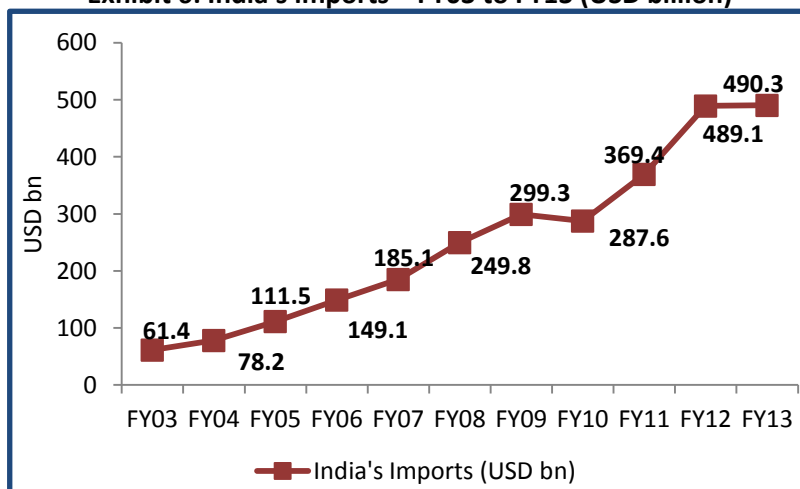
II. Imports' Profile
Import Growth

As a growing country, India's import demand has consistently been on the rise.

Barring a marginal dip in the year of recession in FY10, when imports fell from USD 299.3 billion to USD 287.6 billion, imports to the country have always been on the rise.

In the last decade, import growth has been high at 26.0%; from USD 61.4 billion in FY03 to USD 490.3 billion in FY13.s

Exhibit 6: India's imports – FY03 to FY13 (USD billion)

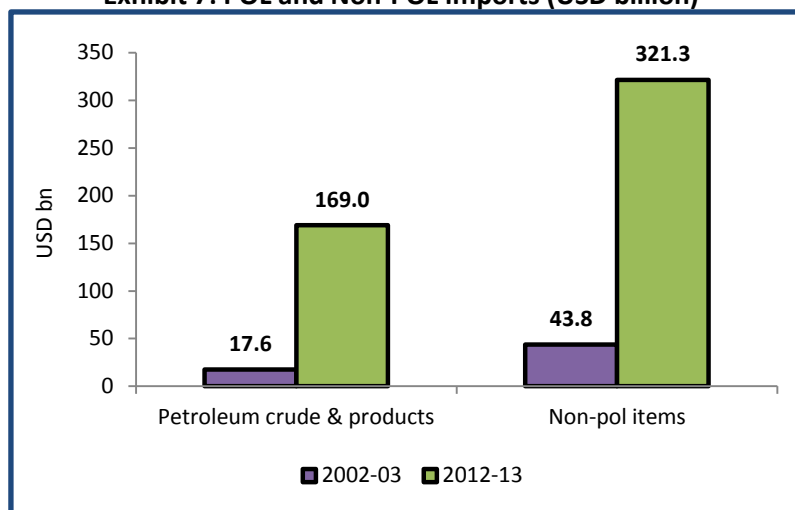


Source: Ministry of Trade and Commerce, India

Commodity Basket: Imports

- Commodity imports of the country are classified as POL (petroleum, oil and lubricants) and non-POL items.
- Import of POL items has grown at 28.5% (CAGR, FY03-FY13), from USD 17.6 billion in FY03 to USD 169.0 billion in FY13.
- Non-POL items on the other hand, have grown by 24.8% over this period, to stand at USD 321.3 billion in FY13.

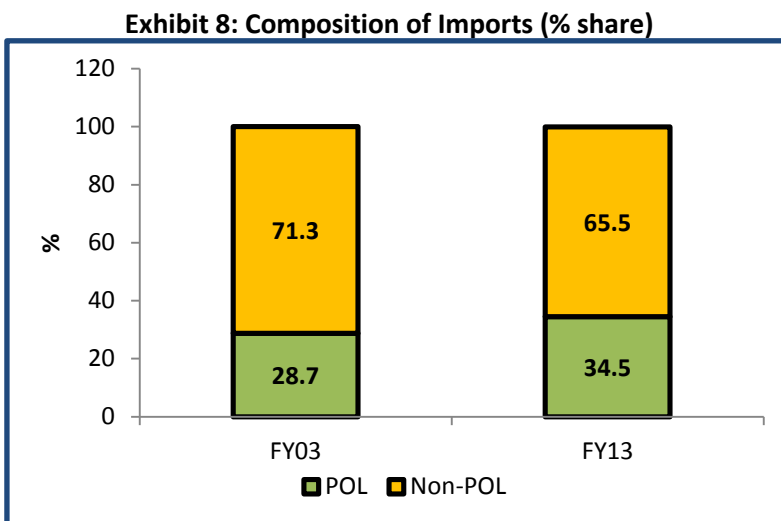
Exhibit 7: POL and Non-POL imports (USD billion)



Source: Ministry of Trade and Commerce, India

The share of POL imports in overall imports has inched up from 28.7% in FY03 to 34.5% in FY13 (31.7% in FY12). The upward trend is significant though the share in FY13 is overstated to an extent by the fact that non-oil imports growth had declined. Limited availability of domestic petroleum resources and constraints on exploration licenses coupled with increasing requirements from a growing economy like India, this trend does not come as a surprise.

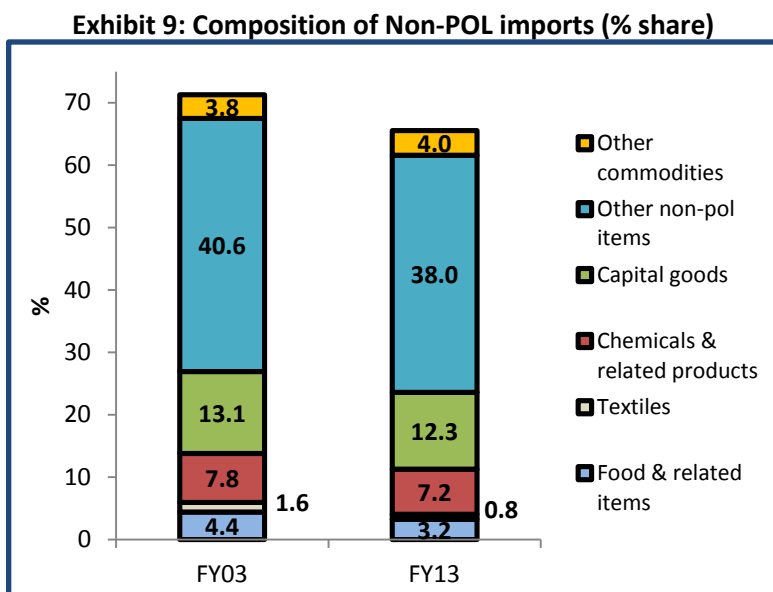
There are increasing efforts at turning more reliant on domestic POL sources. Non-POL imports, accordingly accounted for 65.5% of overall imports by India in FY13.



Source: Ministry of Trade and Commerce, India

Further composition break-up of non-POL items is provided in Exhibit 9 below -

- The share of other non-POL items has been large (40.6% in FY03 and 38.0% in FY13). This comprises major import items such as gold and silver, coal, pearls and semi-precious stones, metal ferrous ores and metal scraps and electronic goods.
- The other major segment is capital goods imports. The share of which has been rather stable at 13.1% in FY03 and 12.3% in FY13.
- Under the food and related items segment, imports are concentrated in pulses and vegetable oil imports. The share of both food items and textile items remains small in the country’s overall import basket.



Source: Ministry of Trade and Commerce, India

Table 2, below, provides a detailed break-up of India’s major import items. The table highlights importance of import-commodity group “other non-POL items”; comprising major import items such as gold, silver, coal-coke, electronics, precious and semi-precious stones, etc.

(Unlike in the rest of the study, these figures have been denoted in USD million, to ensure precision and highlight perceptible differences in FY03 and FY13 values.)

Table 2: Major Import Items (USD million)

Description	FY03	FY13
Petroleum crude & products (POL items)	17,634	1,69,046
Non-POL items	43,759	3,21,283
<i>Of which</i>		
Food & related items	2,692	15,852
<i>Pulses</i>	565	2,340
<i>Fruits & nuts</i>	133	1,097
<i>Vegetable oils (edible)</i>	1,814	11,223
Textiles	970	4,000
<i>Manmade filament/spun yarn (inclg. waste)</i>	397	1,051
Chemicals and related products	4,803	35,373
<i>Organic chemicals</i>	1,885	14,444
<i>Fertiliser manufactured</i>	358	7,412
Capital goods	8,048	60,453
<i>Non-electrical machinery</i>	3,565	27,622
<i>Project goods</i>	543	6,553
<i>Transport equipment</i>	1,897	13,703
Other non-POL items	24,920	186,237
<i>Pulp & waste paper</i>	343	1,283
<i>Synthetic & reclaimed rubber</i>	162	1,390
<i>Gold</i>	3,844	53,655
<i>Silver</i>	443	1,979
<i>Coal, coke & briquettes</i>	1,239	15,427
<i>Metal-ferrous ores & metal scrap</i>	1,038	14,971
<i>Artificial resins, plastic materials etc.</i>	782	8,618
<i>Iron & steel</i>	882	9,784
<i>Electronic goods</i>	5,598	31,434
<i>Non-ferrous metals</i>	666	5,120
<i>Pearls precious & semiprecious stones</i>	6,061	22,603
Other commodities	2,328	19,369
Total Imports	61,394	4,90,329

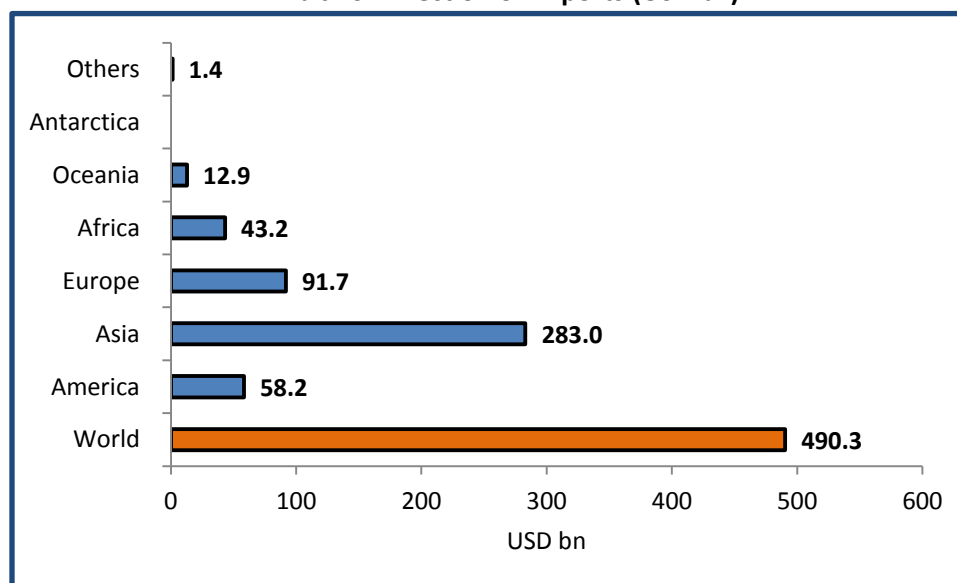
Source: Ministry of Trade and Commerce, India

Table 2 shows that in FY13 gold was the single most important distinct import product, followed by electronics, non-electrical machinery, pearls, coal etc, metals etc and chemicals. Gold has registered a very significant increase in total imports from 6.3% to 10.9%, which has made it a problem area for policy makers which has necessitated firm action this year.

Direction of Imports

A major part of India's imports are sourced from Asia itself (57.7% of overall imports which are due to the POL bill. Imports from Asia stood at USD 283.0 billion in FY13, registering growth of 26.0% over FY03 (CAGR, FY03-13). In fact, there appears to be substantial difference in the value of imports from Asia and the next largest import partner of the country. After Asia, the next largest import sources is Europe (USD 91.7 billion), followed by America (USD 58.2 billion).

Exhibit 10: Direction of imports (USD bn)



Source: Ministry of Trade and Commerce, India

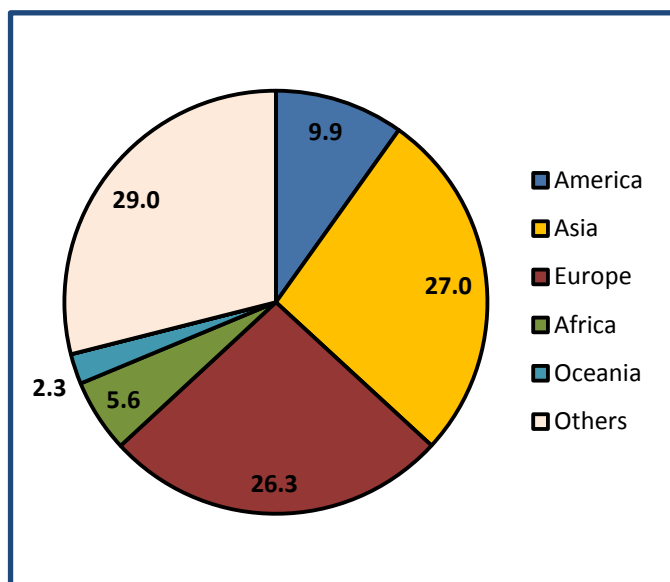
Exhibit 11 provides a comparative picture of import direction in FY03 and FY13. It is interesting to note the shift in import sources. From imports being sourced through a scatter of countries in FY03, we notice a concentration in import source in favour of Asian countries.

- Asia accounted for 27.0% of imports in FY03 which increased to 57.7% in FY13.
- This shift in import source was first distinctly visible in FY07, when imports from jumped to 53.7% (30.5% in FY06). The trend post-FY07 has been consistent with Asia being the largest import-source for India.
- The trend post-FY07 has been consistent with Asia being the largest import-source for India. For instance, share of imports from Asia in overall imports stood at 54.8% in FY10, 57.8% in FY12 and 57.7% in FY11.

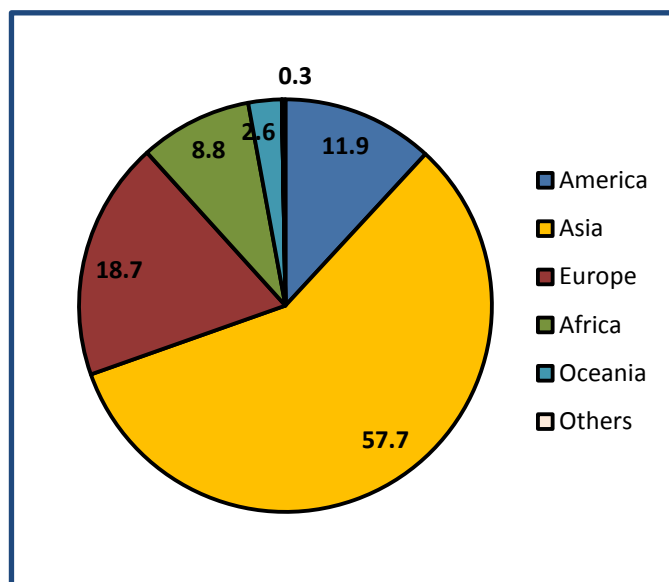
The next largest share in import, after Asia, is that of Europe (18.7%), followed by America (11.9%), in FY13. The share of America has increased marginally, from 9.9% in FY03 to 11.9% in FY13; while that of Europe has declined from 26.3% to 18.7% during this period.

Exhibit 11: Shift in Direction of Imports (% share)

Panel A: FY03



Panel B: FY13



Source: Ministry of Trade and Commerce, India

Source: Ministry of Trade and Commerce, India

PS: Others: non-classified

Conclusions

Trade flows for India have grown at a robust pace during the past decade (FY03 to FY13). In general, one may state, that India has expanded its commodity basket of trade from primary agri-products to manufactured goods and petro-related products; with Asia emerging as the largest trade partner in recent years.

It is interesting to note that there have been some variations in the commodity composition and direction of trade, although not alike for imports and exports.

- **Exports** have registered shift in commodity compositions, with share of manufacturing goods coming down to give way to export of petroleum and crude products. In a way this does reflect India’s strength in refining capability. In terms of export-destination, Asia has been and continues to be a major partner through the years. This has helped to diversify our exports basket and buffered to an extent the impact of any slowdown in the western world.
- **Imports** on the other hand, have registered shifts in country-sources as well as commodity basket. While POL share has increased, within non-POL category, there has been an increase in import of gold, coal and ores in recent times. From a geographically-dispersed country-source profile, imports sources are now concentrated in the Asia region itself. Partly, this is due to the higher import of POL products and also the emergence of China as a major trading partner.

These shifts in India's trade profile may be attributed to intrinsic and extraneous factors, namely –

- **Trade Policy** – as a conscious change in trade policy, India has moved to effective trade through reduction in transportation costs, diversifying commodity basket and boosting regional trade. More specifically a lot of reforms have been ushered by the EXIM policies over the years to facilitate the growth of exports. This has also ensured some ring fencing against external vulnerabilities and shocks originating in advanced economies.
- **Global dynamics** – advanced economies have in the last few years registered slowdown in economic activity. This has caused production activity in advanced economies to moderate (which impacts exports to India i.e. India's imports) coupled with a contraction in demand for imported goods from advanced countries (i.e. India's exports). Trade flows to these regions have hence, been affected, giving way to increased inter-regional trade. Trade with Europe however, appears to be impacted more adversely when compared with India's trade with America.

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