

Exports grow in value, but not in volume

Higher earnings from garments, gems and jewellery due to price rise

YOGIMA SETH SHARMA

New Delhi

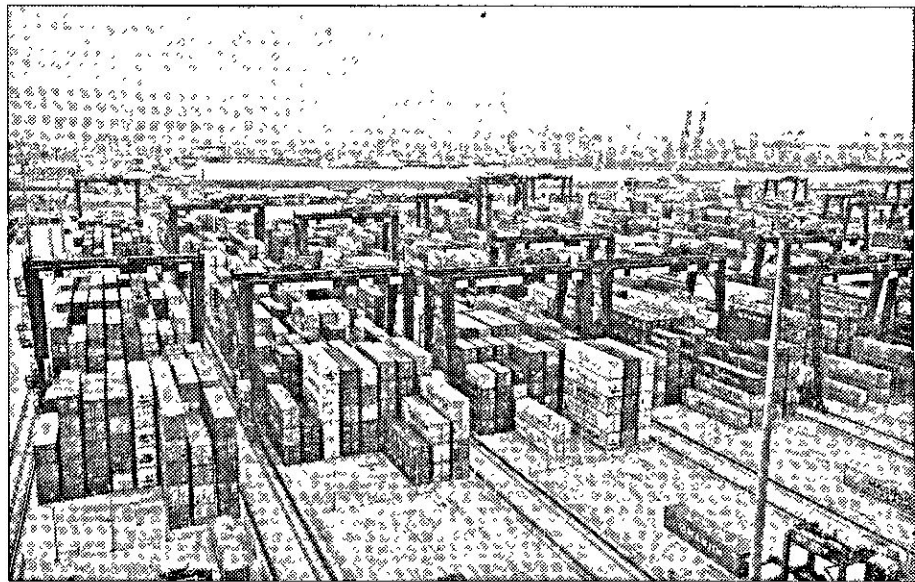
SURGE in merchandise exports from India is mainly due to steep rise in raw material costs, input prices rather than actual output in production of exportable goods.

Leave alone the increase in export manufacturing of goods, factory output declined by 10-12 per cent in last eight months in traditional export sectors like apparels, leather goods, gems and jewellery on the back of dip in demand from EU and United States.

As per commerce ministry data, merchandise exports went up by 33.2 per cent between April and November 2011 at \$192.7 billion.

EU and US are major markets for Indian exports. However, the debt crisis in EU and the overall low sentiment in US has resulted in up to 30 per cent dip in demand in these markets, even in the peak shopping season of Christmas. Consequently, there has been a decline in production in India for sectors that are heavily dependent on the western markets. EU and US constitute roughly 25-30 per cent of India's overall merchandise exports.

"Order position is not comfortable up to March and we expect that the 10 per cent decline in volume will continue in coming



Bloomberg

GOING DOWN: As per commerce ministry data, merchandise exports went up by 33.2 per cent between April and November 2011 at \$192.7 billion

months as well. However, the leather exports (in value terms) has gone up by 13 per cent on the back of 10-15 per cent increase in raw material prices," Raseeqe Ahmed, chairman of Leather Export Promotion Council said.

Agreed Premal Udani of Apparel Export Promotion Council. Udani said that lag period between orders and delivery has come down from six months to three months now. "While the export value has seen a modest growth on the back of increase in yarn prices, production has declined by 10-15 per cent because of slowdown in demand in

EU," he said.

The decline in production activity for exports is in line with dip in IIP (Index of Industrial Production). In October 2011, industrial output contracted by 5.5 per cent after it started slowing down from June onwards. However, since export data does not include production numbers, the high growth in export value led to doubts that the two sets of data from government do not reconcile.

Even gems and jewellery sector has seen 10-12 per cent decline in manufacturing activities with production at leading centres like Surat, Mumbai and Jaipur being hit. "Number of units

being produced are lesser than what we use to do earlier despite India being the largest diamond cutting centre in the world. This is mainly because Europe is a major distribution centre where demand is on the decline. However, in values terms, the export of gems and jewellery is higher vis-à-vis corresponding period last year gold prices have gone up by over 10 per cent while diamond prices have surged by 15 per cent," Rajiv Jain, chairman of the Gems and Jewellery Export Promotion Council added.

yogimassharma
@mydigitalfc.com