

India's import pattern in FY22 shows early signs of shifting supply chain between EU and China

India is the 10 largest importer globally representing 2.6% of world's import. In FY 2021-22 India imported more than USD 612 billion worth of merchandise, 1.5x times more than its export displaying its dependency on foreign sources to meet its domestic consumption and industrial requirements. Out of the total import in FY 2021-22, around 62% of imports (From HS code 26 to 99 excluding 27) accounting for just over USD 382 billion are non-energy – non-agro commodities which can be categorised as “critical inputs” used as direct inputs in domestic production process besides consumer goods. The supply side negative shock arising out of the current geo-political constraints and post-pandemic shocks are raising some concerns regarding India's growing concentration of imports to certain specific region for this critical input imports.

Sources on India's import

China and European Union (EU) are India's 1 and 2 largest source of imports. Together combine they contribute around 23.76% (China -15.3%, EU -8.4%) of India's total import in FY 2021-22 whereas their combine share increases to about 37% (China- 24%, EU-13%) for critical inputs as described above. Out of the total import of USD 94 billion from China and USD 51 billion from EU, more than 98% and 94% falls under the critical import category.

Major imports from China and EU

China and EU are major competitors of each other for 7 out of top 10 of their exports to India. EU can claim superiority in export to India for products related to precious metals, pharmaceuticals and aero-space components and parts to India whereas China has an upper hand in exports of fertilizers, miscellaneous chemical products and articles of iron or steel to India. Apart from these India imports products related to electrical and machinery, organic chemicals, plastics, vehicles and iron and steel from China and EU.

Pre-pandemic and post pandemic import shifts

Even though share of China in India's total import have increased from pre-pandemic level of 13% in 2018-19 to over 15% in FY 2021-22, the share of 36 commodities have shown negative growth in FY 2021-22 as compare to 2018-19. Out of these 39 commodities there are 10 commodities accounting for over USD 2.6 billion in FY 2021-22 where share has decreased by more than 10% whereas there are 2 commodities in plastic and organic chemicals articles accounting for over USD 400 million have shown a decline of more than 20% in India's import share.

In 4 commodities where China share has decline from 47% in FY 2018-19 to 36% in FY 2021-22 (HS code at 8 digit level-98010013, 90318000, 84219900 and 30049099) accounting for over USD 5.5 billion of Chinese import in FY 2021-22 EU share in India's import have risen from 2% in FY 2018-19 to around 5% in FY 2021-22.

In 8 commodities (HS code 84818090, 85389000, 85371000, 84834000, 85044090, 87082900, 39095000, and 90192090) where EU share have decline in India's import from 32% to 24% Chinese import share has shown an upward trend rising from 24% to 32%.

Conclusion

India's sources of critical imputes import are concentrated towards certain geo-graphical regions. Considering the current shifting global geo-politics it's very important for India to diversify its import to protect its economical and strategic interest.

Notifications

Press Information Bureau

India attracts USD 343.64 million FDI equity inflow in R&D sector during 2021, which is 516% higher as compared to 2020

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1842760>

Department of Commerce notifies rules for Work from Home for Special Economic Zones

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1842710>

India & UK sign various MOUs

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1843544>

206 Crore released to States for promotion of exports under TIES scheme

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1843955>

DGFT

Procedure for submission of requests for seeking IMC's approval for export of Wheat Flour(Atta).

<https://content.dgft.gov.in/Website/dgftprod/8f58def0-f5d1-433d-aa7c-7e68196f1e7f/Trade%20Notice%20No.14%20dated%2018th%20July,%202022.pdf>

Import of Human Embryo (ITC HS Code – 05119999) has been prohibited.

<https://content.dgft.gov.in/Website/dgftprod/bada6409-6334-4879-84db-01bde8c1fb33/Notification%2022%20dt%2020-07-22%20Eng.pdf>

CBIC

Exchange Rate Notification No. 64 /2022 - Customs (N.T.)

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1843498>

RBI

Reserve Bank of India renews its Statement of Commitment to the FX Global Code

https://m.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54062