



Trade deficit in engineering goods falls sharply

Engineering goods is one of the major categories of India's exports as it accounts for 25% of the country's outbound shipments. In the last financial year 2020-21, India's engineering goods exports declined 2.64% to USD 76.6 billion from the previous year. The fall in engineering goods exports is less than the decline of 7.26% seen in India's overall goods exports. This may indicate the resilience of the engineering sector to the global pandemic. At the same time, it should be noted that almost all the sub-categories within the engineering sector witnessed contraction in export volume, except two sub-categories, which are iron & steel and non-ferrous metals.

Major sub-categories

India's export of iron & steel products grew 14%, while shipment of non-ferrous metals increased a whopping 17%. These two sub-categories account for 36% of India's engineering exports. Exports in these two sub-categories benefitted from rise in demand from China, which is the largest consumer of metals in the world. Around 14% of India's export of these two products went to China. China witnessed sharp rise in demand for iron & steel, aluminum, copper, zinc and other non-ferrous metals because of rebound in economic activity as the country recovered from the COVID crisis. Export of copper products grew 57%, while that of zinc and aluminum products rose 30% and 13% respectively.

Decline in other categories

Apart from the above two, all other sub-categories within engineering sector witnessed contraction in exports. Export of automobiles & parts, which account for 16% of engineering exports, declined 20%, while shipment of industrial machinery & parts, that contribute another 16% to this sector, fell 7.6%. Export of electrical machinery, which has 11% share in engineering exports, declined 9.4%.

Ships, boats and floating structure contribute 6% to engineering exports. This sub-sector witnessed the least decline (-1.5%) in exports. Export of aircraft and spacecrafts, which has a share of 1% in the overall engineering export basket, declined 18%.

Trade Deficit

India traditionally has trade deficit in the engineering sector as it imports more than what it exports, especially in sub-categories such as industrial machineries, aircrafts & spacecrafts, copper products, medical & scientific equipments, air condition & refrigerators etc. Trade deficit in this sector almost doubled from USD 12 billion in 2016-17 to USD 23 billion in 2018-19 because of strong growth in imports of industrial machineries and metal products. However, the deficit declined sharply to USD 4.5 billion in 2020-21 as a result of steep decline in imports amidst the economic slowdown caused by the COVID pandemic.

It is expected that once economic activity recovers from the COVID pandemic, India may witness rise in import of industrial machineries, which may increase trade deficit in the engineering goods sector.



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