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HS 103
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EFFECT OF LOCKDOWN ON EXPORT OF GOODS AND SERVICES FROM INDIA

Outline

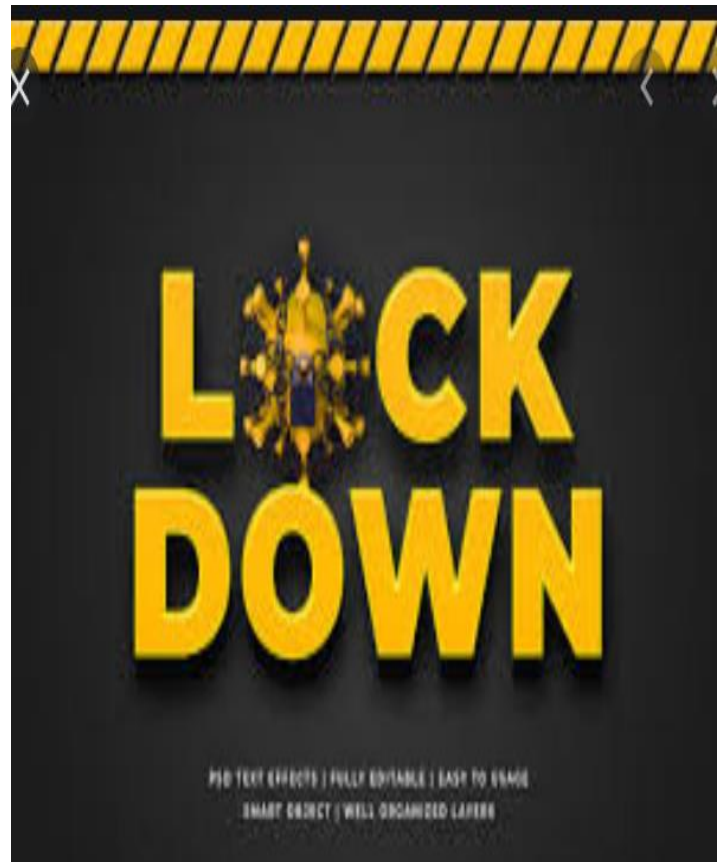
sectors affected and sectors that remained unaffected

sectors which can revive in short term

sectors which will take a long time to get back on track

analysis of percentage losses of various sectors

effect of loss on india's growth and the overall export industries of india



some statistics relate to india's export industries loss amid the lockdown

(source dripcapital)



Fig. 1: Month-on-Month exports from India
(Source: DGFT) Provisional Data for February and March 2020

India's export for march 2020 was around \$21.4 billion which registered around 35 percent loss on year on year basis which is a multiyear low.

In March 2019 india's export was around \$ 32.72 billion.

As can be seen from the figure that the export in march 2020 was below the average monthly export line denoted by the red line.

Export have fallen across almost all commodities with some commodities registering around 30-40% loss.

Some of the most affected sectors include textile meat, engineering goods ,cerials ,plant ,chemical, pharmaceuticals, etc.

With the supply chain being disrupted the damage is expected to enhance further.

We will try to analyse the situation in terms of effect on three kinds of commodities.

- Essential goods
- Non essential goods
- Luxury goods

Firstly we need to understand what are things which are included under the three categories. for this refer to table 1.

Essential goods and services	Food related commodities, pharmaceutical and medicine equipment ,etc
Non essential goods and services	Other chemicals, textile goods and engineering goods, mineral fuels, etc
Luxury goods and services	gems and jewellery, automobile, watches, smart gadgets,etc

Another thing we need to know to understand the effect better is the proportion in which india supply all the three kinds of goods and services.

From fig 3 ,we can clearly see that india export largely depends on the export of non essential goods which is leading to a major problem for india. Although the demand for almost all kind of goods has declined , the demand for non essential good has declined comparatively more.

More and more nations are restricting various kinds of non essential services and are only allowing import of certain kind of essential goods.

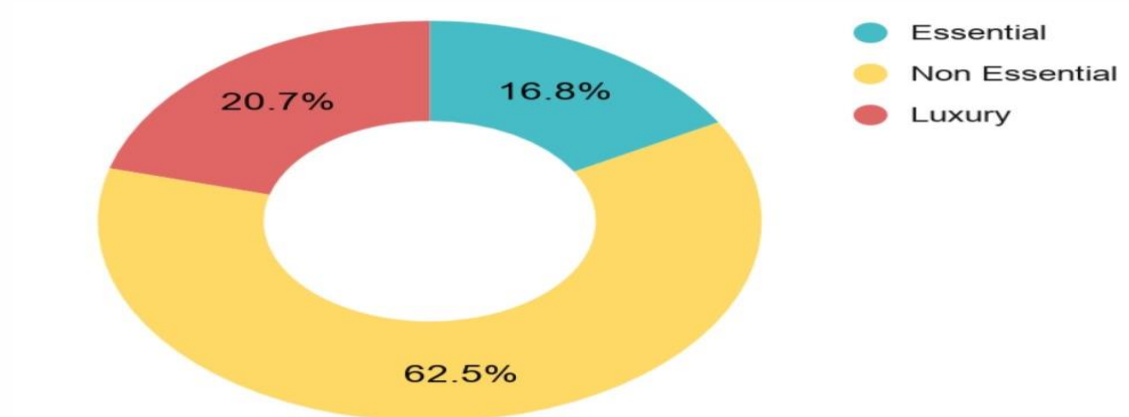


Fig. 3: India's export basket [2019, US \$324 billion] breakdown (Source: DGFT)

Table 1 shows how various sectors are affected in lockdown

	Change rate
Rice	-28.28%
Petroleum products	-31.12%
Cotton yarn/fabric and handloom products	-32.16%
Organic and inorganic materials	-32.88%
Cereals (excluding rice)	-33.42%
Tea	-33.74%
Mica, coal and other ores (including processed minerals)	-34.06%
Carpet	-34.72%
Ready-made garments	-34.91%
Plastic and linoleum	-35.67%
Leather and leather products	-36.78%
Gems and jewellery	-41.05%
Engineering goods	-42.32%
Meat and poultry products	-45.48%
Oil meals	-69.85%

table 1 (source statista)

Let us start our study by analysing the essential sector first

AGRICULTURAL AND FOOD EXPORT

India is one of the key supplier to the entire world when it comes to agricultural products and commodities but sadly the agricultural export is one of the majorly affected sectors due to lockdown with some commodities registering multiyear low.

As can be seen from the table 1, the agricultural and food commodities such as rice(-28.28),cereals(-33.42%),meat and poultry products(-45.48%) suffered heavy losses ranging from about 30% to around 45%.

Experts say that the trouble for meat and poultry product is likely to stay until the end of the year as people will be more conscious and would avoid things that can lead to spread of corona virus.

With many countries imposing trade restriction and allowing only essential commodities to be imported the problem for india's export in terms of meat and poultry industry is even bigger.

India is one of the largest producer of rice, wheat ,sugarcane ,cotton ,vegetable and milk and one of the most negative impact due to lockdown is the availability of these commodities In the market.

Some key reasons for the fall in export of agricultural and meat products

- Amid the lockdown the transport facilities were completely shut down due to which movement of farm produced goods faced severe challenges.
- Even if the agricultural produce was exempted from lockdown directives there were reports of policemen creating problems which resulted in a negative impact on the agricultural industry.
- Another key reason is the fleeing of farmers due to corona virus .
- Also various kinds of agricultural machines needed for harvesting were not available amid the lockdown for farmers who rent these machines for short period of time.
- Due to all these reasons a large proportion of india's agricultural produce still remain unharvested which would lead to shortage of supply for export.

Due to such reasons amid the lockdown crisis india is not able to produce at it's full capacity and is at a threat of losing it's orders to close competitor

Like china ,Vietnam and Bangladesh who had lifted their lockdown restriction much before and are now working at their full capacity.

This will not only lead to india not only failing in meet their present order but also losing future order as the company's can lose trust on india if they fail to deliver supply on time.



○ China, Bangladesh, Vietnam
manufacturing at
full capacities

Pharma and medicine

The india's pharma market is world's third largest by volume and ranks 13 in terms of value. It has established itself as a global hub in terms of manufacturing and research.

A large raw material base and skilled workforce gives the industry a definitive competitive advantage. Source(ibef)

Let us look at some data of india's export when it comes to pharmaceutical goods and services.

- India's pharma exports stood at us\$13.69 billion till January 2020. Which was expected to grow by 30% till the end of the year
- But the lockdown has affected the pharma industry as well with india failing to achieve the target of \$22 bilion for the financial year 2019-2020.
- India did fairly well in the first there quarter but the fourth quarter was poor resulting to an overall

export of \$20.58 billion which was about \$1.42 billion less than what was expected this year.

- Export of bulk drugs and drug intermediates have shown a negative growth rate of (-0.73%) bringing down the overall performance
- india's export to north America particularly usa have seen a growth of about 15.11% but the overall expectation for the last quarter have received a hit from the lockdown.

This can be easily understood from the data recorded for February and march as some countries such as china did a lockdown in february while most countries did a lockdown in march India's pharma industry recorded a growth percent of 7.7 in February and a negative growth rate of 23.23% in march in comparison to a double digit growth expected.



Fig 4 (source- the economic times)

Let us look at some of the reason for india's downfall in the pharma sector in the last quarter of this year.

We need to know that india's key importer is china which exports (70%)raw material to india and india is a key exporter to usa,eu and japan.

Things became to get bad in February with china imposing a lockdown which means that the drug industry not only got affected due to india's lockdown but also due to other nation imposing lockdown.

- With supply chain being disrupted from china india's pharma industry suffered a blow due to unavaibility of raw material in February when the growth rate decline from double digit to around 7.7%.
- With more countries imposing lockdown and restriction including usa, japan and eu, india's demand chain got a hit resulting in a negative growth rate of about 23.23%.
- Here we should understand though the export of some of the medicine and drugs particularly those useful in treating covid 19 such as hcq have increased but overall if we see all the drugs and services then we find that there is a considerable decline in it due to lockdown and protective measure adopted by india and other countries.