INDIA’S FOREIGN TRADE: May 2020

Part of: GS-III- Economic Data (PT-MAINS-PERSONALITY TEST)

India’s overall exports (Merchandise and Services combined) in April-May 2020-21 are estimated to be USD 61.57 billion, exhibiting a negative growth of (-) 33.66 per cent over the same period last year. Overall imports in April-May 2020-21 are estimated to be USD 57.19 billion, exhibiting a negative growth of (-) 48.31 per cent over the same period last year.

The data for May 2020 is estimation, which will be revised based on RBI’s subsequent release

MERCHANDISE TRADE

EXPORTS (including re-exports)

- Exports in May 2020 were USD 19.05 billion, as compared to USD 29.99 billion in May 2019, exhibiting a negative growth of (-) 36.47 per cent. In Rupee terms, exports were Rs. 1,44,166.01 crore in May 2020, as compared to Rs. 2,09,280.62 crore in May 2019, registering a negative growth of (-) 31.11 per cent.

- Except for Iron ore, Drugs & pharmaceuticals, Spices and Rice which registered a growth of 103.04%, 17.32%, 10.55% and 7.64% respectively, all other commodity/commodity groups have registered negative growth in May 2020 vis-a-vis May 2019.

- Major commodity groups which have recorded negative growth during May 2020 vis-à-vis May 2019 are Leather & leather products (-75.07%), Handicrafts excl. hand-made carpet (-72.77%), Gems & jewellery (-68.83%), Petroleum products (-68.46%), RMG of all Textiles (-66.19%), Jute mfg. including floor covering (-65.7%), Man-made yarn/fabs./made-ups etc. (-58.63%), Meat, dairy & poultry products (-56.38%), Other cereals (-49.53%), Cotton yarn/fabs./made-ups, handloom products etc. (-47.47%), Carpet (-46.18%), Electronic goods (-45.35%), Mica, Coal & other ores, minerals including processed minerals (-35.57%), Ceramic products & glassware (-33.48%), Cashew (-32.86%), Tea (-26.94%), Engineering goods (-24.25%), Oil Meals (-22.76%), Oil seeds (-18.41%), Marine products (-18.14%), Cereal preparations & miscellaneous processed items (-17.44%), Tobacco (-13.75%), Organic & inorganic chemicals (-12.71%), Plastic & Linoleum (-6.55%), Coffee (-5.71%) and Fruits & vegetables (-1.31%).

- Cumulative value of exports for the period April-May 2020-21 was USD 29.41 billion (Rs. 2,23,117.42 crore) as against USD 56.07 billion (Rs. 3,90,301.96 crore) during the period April-May 2019-20, registering a negative growth of (-) 47.54 per cent in Dollar terms (negative growth of (-) 42.83 per cent in Rupee terms).

- Non-petroleum and Non-Gems and Jewellery exports in May 2020 were USD 16.36 billion, as compared to USD 21.42 billion in May 2019, exhibiting a negative growth of (-) 23.61 per cent. Non-petroleum and Non-Gems and Jewellery exports in April-May 2020-21 were USD 25.44 billion, as compared to USD 40.96 billion for the corresponding period in 2019-20, a decrease of (-) 37.89 per cent.

IMPORTS
Imports in May 2020 were USD 22.20 billion (Rs. 1,67,977.68 crore), which was 51.05 per cent lower in Dollar terms and 46.92 per cent lower in Rupee terms over imports of USD 45.35 billion (Rs. 3,16,448.93 crore) in May 2019. Cumulative value of imports for the period April-May 2020-21 was USD 39.32 billion (Rs. 2,98,502.76 crore), as against USD 86.75 billion (Rs. 6,03,881.86 crore) during the period April-May 2019-20, registering a negative growth of (-) 54.67 per cent in Dollar terms (negative growth of (-) 50.57 per cent in Rupee terms).

Major commodity groups of import showing negative growth in May 2020 over the corresponding month of last year are:

**CRUDE OIL AND NON-OIL IMPORTS:**

- Oil imports in May 2020 were USD 3.49 billion (Rs. 26,380.50 crore), which was 71.98 per cent lower in Dollar terms (69.62 per cent lower in Rupee terms), compared to USD 12.44 billion (Rs. 86,822.36 crore) in May 2019.

- In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 56.02% in May 2020 vis-à-vis May 2019 as per data available from World Bank.

- Non-oil imports in May 2020 were estimated at USD 18.71 billion (Rs. 1,41,597.18 crore) which was 43.13 per cent lower in Dollar terms (38.34 per cent lower in Rupee terms), compared to USD 32.91 billion (Rs. 2,29,626.57 crore) in May 2019. Non-oil imports in April-May 2020-21 were USD 31.17 billion (Rs. 2,36,585.04 crore) which was 50.46 per cent lower in Dollar terms (45.99 per cent lower in Rupee terms), compared to USD 62.93 billion (Rs. 4,38,070.04 crore) in April-May 2019-20.

- Non-Oil and Non-Gold imports were USD 64 billion in May 2020, recording a negative growth of (-) 33.74 per cent, as compared to Non-Oil and Non-Gold imports of USD 28.13 billion in May 2019. Non-Oil and Non-Gold imports were USD 31.10 billion in April-May 2020-21, recording a negative growth of (-) 42.61 per cent, as compared to Non-Oil and Non-Gold imports USD 54.18 billion in April-May 2019-20.

**TRADE IN SERVICES**

**EXPORTS (Receipts)**

- As per the latest press release by RBI dated 15th June 2020, exports in April 2020 were USD 16.45 billion (Rs. 125,409.04 crore) registering a negative growth of (-) 8.92 per cent in dollar terms, vis-à-vis April 2019. The estimated value of services export for May 2020* is USD 15.70 billion.

**IMPORTS (Payments)**

- As per the latest press release by RBI dated 15th June 2020, imports in April 2020 were USD 9.30 billion (Rs. 70,907.57 crore) registering a negative growth of (-) 18.43 per cent in dollar terms, vis-à-vis April 2019. The estimated value of service import for May 2020* is
III. TRADE BALANCE

- **MERCHANDISE:** The trade deficit for May 2020 was estimated at USD 3.15 billion, as against the deficit of USD 15.36 billion in May 2019.
- **SERVICES:** As per RBI’s Press Release dated 15th June 2020, the trade balance in Services (i.e. Net Services export) for April 2020 is estimated at USD 7.15 billion.
- **OVERALL TRADE BALANCE:** Taking merchandise and services together, overall trade surplus for April-May 2020-21 is estimated at USD 4.37 billion as compared to the deficit of USD 17.84 billion in April-May 2019-20.

**Foreign Trade Policy 2015-20**

The Union Commerce and Industry Ministry has announced changes in India’s Foreign Trade Policy (FTP). The Govt. has decided to continue relief under various export promotion schemes by granting an extension of the existing Policy.

- It provided a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in keeping with the “Make in India” vision of Prime Minister.
- The focus of the new policy is to support both the manufacturing and services sectors, with a special emphasis on improving the ‘ease of doing business’.
- It described the market and product strategy and measures required for trade promotion, infrastructure development and overall enhancement of the trade ecosystem.

**Features of the FTP**

- **Goods** – Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions attached to their use.
- Duty-free scrips are paper authorisations that allow the holder to import inputs which are used to manufacture products that are exported, or to manufacture machinery used for producing such goods, without paying duty equivalent to the printed value of the scrip.
- For instance, a duty-free scrip valued at Rupees 1 lakh allows the holder to import goods without paying duty of up to Rupees 1 lakh on the goods.
- Under the new Foreign Trade Policy, all these schemes have been merged into a single scheme, namely the **Merchandise Export from India Scheme ("MEIS")** and there is no conditionality attached to scrips issued under the MEIS.
- **Services** – The **Served From India Scheme** has been replaced with the **Service Exports from India Scheme ("SEIS").**
- SEIS is stated to apply to ‘Service Providers located in India’ instead of ‘Indian Service Providers’.
- Therefore, SEIS rewards to all service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider.
- **Special Economic Zones** – The policy outlines extended incentives for **Special Economic Zones**...
Economic Zones in India

- **Export Houses** – The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate has been simplified and changed to One, Two, Three, Four and Five Star Export House.
- **Status Holders** – Business leaders who have excelled in international trade and have successfully contributed to India’s foreign trade are proposed to be recognized as Status Holders and given special privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.
- **Resolving Complaints** – In an effort to resolve quality complaints and trade disputes between exporters and importers, a new chapter on Quality Complaints and Trade Disputes has been incorporated into the Foreign Trade Policy.
  - There would be no conditionality attached to any scrips issued under these schemes.
  - For grant of rewards under MEIS, the countries have been categorized into 3 Groups, whereas the rates of rewards under MEIS range from 2% to 5%.
  - Under SEIS the selected Services would be rewarded at the rates of 3% and 5%.