

Bleak Export Prospects in second half 2012 - FICCI Export Survey

NEW DELHI, September 24, 2012: India's external sector is once again amidst a difficult situation owing to the global economic scenario and the same has also been revealed by the latest round of FICCI's Export Survey conducted for first half of the calendar year 2012. As per the present survey round (carried out during July-August 2012), the current export conditions have deteriorated compared to the last six months.

About 63% of the respondents in the current survey reported that the export conditions are same or have deteriorated vis-à-vis last six months. In the last survey 58% of the participating companies had reported likewise. India's exports plummeted by 9.7% YoY in August 2012, a deceleration for the fourth consecutive month. As a result the government's export target of \$360 billion for the year 2012-13 seems difficult to achieve.

Rising cost of raw materials and weak demand from overseas were sighted as primary factors that are bothering members of the Indian export community. Around 89% of the respondents have drawn attention to the rising cost of raw materials. As per the responses, raw material prices have gone up by 20-30% in the last 3 years.

In fact the participants didn't seem too optimistic about a possible improvement in the overall export conditions over the next two quarters. A majority 47% of the respondents said that they foresee no change in the export conditions over next six months.

However, one of key positives that came out in the survey was diversification of exports in terms of direction and this can be a pillar of some support to the sector. Members of the Indian exporting community reported that countries / regions like Africa, Middle East, South East Asia and Latin American region would see an improvement in demand in the next six months (July-Dec'12).

Until now Europe and the US have been the primary export markets for India. The new strategy for India should be targeting other countries like Africa, Middle East etc to take the next leap forward. Not only this, the country should also strive to diversify its product mix with greater focus on exporting technology intensive goods.

Weblink: <http://ficci.com/SEDocument/20207/FICCI-Export-Survey-sep22-12.pdf>

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