

Export Competitiveness At A Decade Low: Crisil

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Mumbai: India's competitiveness in the labour intensive export sectors has been on a declining path in the last decade and needs significant structural reforms that need to be addressed, rating agency Crisil said in a report.

Crisil analysed the competitiveness of the labour intensive export sectors namely, gems & jewellery, leather & leather products and readymade garments which showed that these are become less competitive over the last decade.

"It is disquieting that India's export growth is decelerating at a time when the global environment is becoming more conducive for trade. The reason is not currency strength, but weakening competitiveness. This needs to be reversed if India has to see sustainable, employment-generating exports growth," Crisil said.

India's exports have fallen despite a favourable global trade environment. The International Monetary Fund (IMF) expects global growth to rise to 3.6% in 2017 from 3.2% in 2016.

"Global merchandise trade is expected to grow stronger at 4.2%, boosting trade intensity of growth for the first time in six years. Yet, India's exports have not been able to take as much advantage of the stronger trade growth unlike many of its Asian peers like Vietnam, South Korea and Indonesia," Crisil said.

While India's export growth is 9.5% in this fiscal so far, for Vietnam, South Korea, and In-

donesia it was way higher at 23.8%, 18.4% and 17.8%, respectively.

Crisil's analyses revealed that the competitiveness of these labour intensive sectors, was already on the decline since 2006 which was further impacted by demonetisation last November and the implementation of GST last year.

Between 2006 and 2016 the competitiveness of the gems & jewellery sector has declined from 6.38 points to 3.96, leather & leather products from 3.12 to 1.79 and readymade garments from 2.43 to 2.22 points, according to Crisil. "The 2006-2016 decade saw RCA markedly diminish for three of these sectors, with demonetisation and GST impacting further. So while policy disruptions have been transitory, there are structural issues dogging India's export competitiveness," Crisil said.

India's current account deficit (CAD) climbed to a four-year high of \$14.3 billion in the first quarter of this fiscal, or 2.4% of gross domestic product (GDP) mainly because trade deficit ballooned to a four-year high of \$41.7 billion compared with \$19 billion in the corresponding quarter of fiscal 2017 as export growth at 9.1%, import growth was way faster at 34.6%.

High exports growth, particularly in the labour-intensive sectors, is vital to sustaining employment-generating growth, Crisil said.



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