

# Rising metal prices push up engg exports

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The country's high-value engineering exports have been growing at a much faster pace than overall exports.

In November alone, engineering exports grew by a staggering 43.7 per cent. In April to November, they have grown by a healthy 22.4 per cent. By comparison, overall export growth was rather sluggish in the early months of the current financial year. Export growth only picked up in August. Over the financial year so far (April to November), overall exports have grown by only 12 per cent.

So, what explains this rapid increase in engineering exports?

A detailed look at the export performance of various products under the engineering goods category shows much of the surge in the current financial year has been driven by three product categories — iron and steel, non-ferrous metals and automobiles.

Iron and steel and products account for nearly 24 per cent of engineering exports in the current financial year. Exports of this category, which is largely exported to the euro zone and the Asean region, have grown by a staggering 41 per cent in April to November, rising to \$11.67 billion, up from

\$8.27 billion over the corresponding period in the previous financial year.

Analysts say much of this surge is due to rising prices.

"The high growth in merchandise exports in November 2017 partly reflects higher commodity prices as well as a favourable base effect. Engineering goods exports have recorded a 26-per cent expansion in the 12 months ended November 2017, which was partly been driven by the rise in global steel prices," says Aditi Nayar, principal economist, ICRA.

Since the beginning of this year, steel prices have risen 33 per cent, from \$498 a tonne in April to \$663 at the end of December.

Other experts concur. "The rise in base metal prices has pushed up engineering exports," says Suranjan Gupta, additional executive director, Engineering Export Promotion Council of India (EEPC).

The rise in prices also explains a similar surge seen in the exports of the non-ferrous metals and products thereof, which account for 13 per cent of the engineering exports in the year so far. Exports of this product category, which comprises copper, aluminium and zinc and their products, have grown by 52 per cent, to \$6.38 billion, up from \$4.2 billion over the corresponding period last year.

All these products have registered a sharp increase in

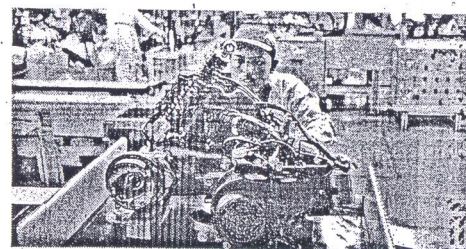
prices. Since the beginning of this financial year, copper prices are up 20 per cent, zinc's are 17.3 per cent, while aluminium prices are up 8.2 per cent. These products are largely exported to China and the Asean region.

Another category witnessing strong export growth is automobiles. The category, accounting for 20 per cent of exports since the beginning of the financial year, has grown by 11 per cent. But, a closer look reveals the rise in exports has not been driven by motor vehicles but by the two- and three-wheelers, and auto components segment at 22 per cent and 18 per cent growth, respectively, in the current financial so far.

While some economists are concerned about the impact of a stronger currency on exports, experts contend that the pick-up in global growth is partly offsetting the impact of an overvalued currency.

But, not all players in these segments have benefited from the surge in exports. Smaller players have been affected by the roll-out of the goods and services tax (GST).

"Smaller players have not been able to take the kind of orders that they could have due to the problem of refunds under the GST regime," said Gupta. "As this issue is sorted out, we can expect stronger growth from these players as well."



## FASTER PACE IN GROWTH

■ Engineering exports ■ All exports

Figures (% y-o-y)



Source: Ministry of commerce and industry, EEPC