

# Exporters see 10-20% order dip as recession fear grows

The leather and footwear industry has seen volumes dip 15-20% this year, a manufacturer said

Ravi Dutta Mishra & Dilasha Seth  
NEW DELHI

**T**he likelihood of a recession in the US and EU has stoked fears among Indian exporters who have begun witnessing a decline in orders. Indian exporters, especially of leather and textiles, anticipate a 10% to 20% decline in export volume during the current financial year compared with FY22.

India's export growth is crucial at a time when imports have surged even as the cost of imported fuel and fertilizers has been rising after the Russia-Ukraine war broke out earlier this year. Record imports have pushed the trade deficit in May to its highest-ever mark of \$24.29 billion.

"Orders have started slowing down. There is a fear of higher inflation in the US and also in the European countries and they are cutting back on their purchases. The demand was comparatively robust last year. This year the volumes are down 15-20% across the board as far as the leather and footwear industry is concerned," said Rafeeqe Ahmed, chairman of Farida Group, one of India's largest shoe manufacturers.

The impact of sharply slower growth in developed markets would be transmitted to Asia via the key channels of trade, financial conditions and com-



Record high imports had pushed India's trade deficit in May to its highest-ever mark of \$24.29 billion.

BLOOMBERG

modity prices, Morgan Stanley said in a note. The risk of recession has risen as central banks in developed countries hike interest rates to combat rising inflation.

nounced during the winter, said Morgan Stanley's chief European economist Jens Eisenschmidt.

"Textile export growth until last year was 20% but the demand from the US

and the EU has started slowing. Though we are not planning to reduce capacity, export growth could slip by about 10% this year. Textiles exports could benefit from India-Australia FTA but that would be visible only by

the end of the year," said Apparel Export Promotion Council chairman Narendra Goenka.

However, the decline in exports could be temporary as demand from

western countries has been strong historically, Goenka said.

Economists also said healthier balance sheets in developed nations could mean that a recession could be shallow.

Trade experts said exporters could benefit from the weakening of the rupee.

However, as India is a net importer losses outweigh the benefits, they said. India depends on imports of key items such as fuel, cooking oil and fertilizers, whose supplies were disrupted because of the war.

On Tuesday, the rupee fell to a record low of 78.68 against the dollar amid weakness in domestic shares and on the back of persistent selling by foreign institutional investors.

Tea exporters, however, said the demand slowdown is not very pronounced.

"As far as the US and EU are concerned, this is the time when they will come into the market with bulk orders. At this moment we are more worried about the demand in Europe than the US, partly because of the weakness in the euro. Indian orthodox tea prices have gone up on the back of strong demand in the Iranian market. There is an issue. It is more demand-driven," a prominent exporter said on condition of anonymity.

Preliminary data released by the commerce ministry last month showed that Indian merchandise exports slipped to \$38.19 billion in April, from \$42.22 billion in March.

ravi.dutt@livemint.com

## WALKING A TIGHTROPE

**RECESSION** risk has arisen as central banks in developed countries hiked rates to curb inflation

**ECONOMISTS** say healthier balance sheets in developed nations could mean a shallow recession

**TRADE** experts said exporters could benefit from the weakening of the rupee

A full cutoff of Russian natural gas could take as much as 2 percentage points off the EU's gross domestic product growth this year with the impact on economic activity more pro-