

YEAR-ENDER/EXPORTS

# Exports boxed in by Omicron fears

But exporters could find succour if the govt negotiates favourable FTAs and schemes

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Indian exports of goods performed reasonably well in 2021, owing largely to a recovery in pandemic-hit global demand, but 2022 may prove challenging as the highly contagious Omicron variant of the Covid-19 virus is threatening to disrupt supply chains once again.

While global trade is already showing signs of slowing down and demand may dip in the months to come, experts say that Indian exporters could find some succour if the government is able to negotiate favourable free trade agreements (FTAs) with partners such as the UAE, the UK and Australia, and schemes such as 'district export hub' and 'production linked incentive' are properly implemented.

## Demand sustainability

"The highly contagious Omicron could hit demand and disrupt supply chains which have not yet returned to normal. The first two quarters of 2022 may see moderation in growth of global trade and thus, overall growth in 2022 is likely to be only a pale shadow of growth recorded in 2021," said Ajay Sahai, Director General, Federation of In-



The first two quarters of 2022 may see moderation in growth of global trade, say experts ISTOCK

dian Export Organisations (FIEO). For Indian exporters, who have had a good run so far in FY22 with exports in April-November 2021 posting an increase of 51.35 per cent (year-on-year), this spells uncertainty.

## Export target

While the ambitious export target of \$400 billion fixed by the Commerce Department for 2021-22, as opposed to exports worth \$291.8 billion in the previous fiscal, seems within reach, what lies beyond is not so clear.

Warning signs may have already started appearing with a slight deceleration in export growth to 36.2 per cent (year-on-year) in the first three weeks of December 2021 and to 20.83 per

cent in the third week of December 2021, as per preliminary data shared by the government.

"It is optimistic to see high growth in exports this year due to the bullish global demand for Indian products despite global inflation and other supply chain constraints. Whether this will sustain will depend much on the raw material and freight costs, which have been riding very high since the last ten month...Also, how the Omicron variant will impact the world and how India would react to it, will have a bearing on things to come," said Mohit Singla, Founder Chairman, Trade Promotion Council of India.

Also of concern is that

after four consecutive quarters of strong expansion, the volume of world goods trade declined 0.8 per cent in the third quarter of 2021, according to the WTO. In contrast to volume, the value of world merchandise trade continued to climb in the third quarter as export and import prices rose sharply.

According to Arpita Mukherjee, Professor, ICRIER, some of India's key exports may get affected as consumers, hit by the various fall-outs of the Omicron variant, may postpone non-essential consumption. However, the forthcoming trade agreement with the UAE and the proposed pacts with the UK and Australia could enhance market access, she said.

"ASEAN countries like Vietnam have benefited hugely from the various trade agreements formalised by the bloc with other countries," Mukherjee said.

## Aggressive push needed

India needs to be more aggressive in its exports push to continue to build on the high base of \$400 billion, which is on the cards, Sahai said.

"The 'China plus 1' focus of global companies, increasing market access through FTAs, enhancement of the exports production base through the PLI Scheme, and building of traction through the 'District as Exports Hub' scheme will be the drivers of our exports in 2022," he added.

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