Omicron may put export growth in slow lane

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Uncertainty looms over India's export outlook, with the new Covid-19 variant Omicron spreading rapidly across the country's key shipment destinations.

With the US and parts of Europe witnessing more than 100,000 Covid-19 cases a day, exporters expect some disruption.

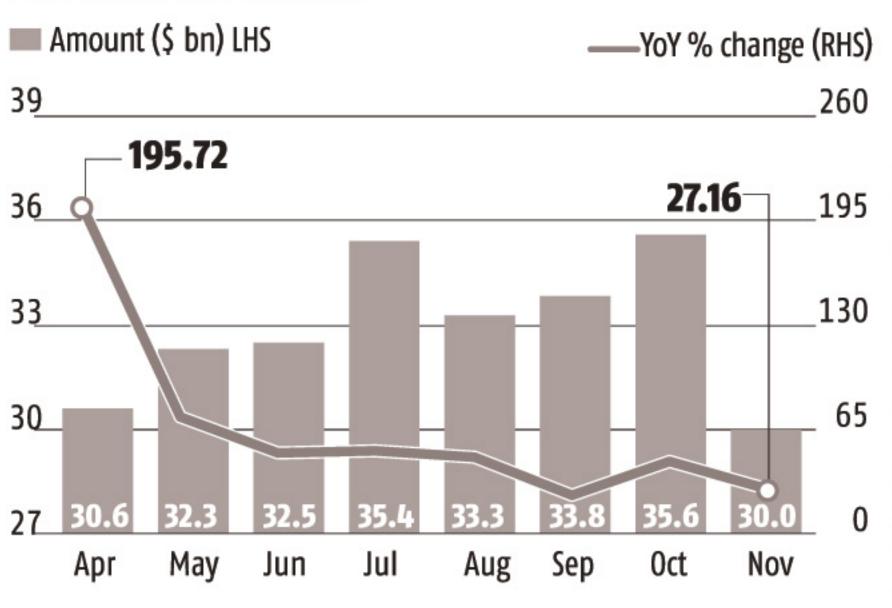
However, there may not be an immediate decline in exports from India because the order books remain strong at least for the next few weeks, they said.

"Engineering exporters have orders for four weeks. In any case, they are closed till the first week of January. After that exporters will get more information on the situation as well as the impact of the virus (new variant)," Engineering and Export Promotion Council (EEPC) of India Chairman Mahesh Desai said.

Engineering goods are among the top five categories of products exported from India.

Economists and industry officials said the impact of the latest Covid-19 variant might last a couple of

EXPORT OUTLOOK



weeks unless there was a massive disruption in logistics or a complete halt in manufacturing.

Source: Department of Commerce

Apart from that, countries are better-equipped to handle such disruption than they were in 2020, when Covid-19 had started spreading across the globe.

According to Madan Sabnavis, chief economist at CARE Ratings,

the new variant may put export growth in the slow lane but any significant fall was unlikely.

"Even as Omicron cases continue to rise in the US and parts of Europe, the virus has not affected manufacturing (in these nations) the way it had done in the past (in 2020). Therefore, (their) import of goods such as petroleum products, engi-

neering goods, and pharmaceuticals from India is unlikely to be hit. The immediate effect would be on services exports," Sabnavis said.

India has set a target of merchandise exports worth \$400 billion this fiscal year. Two-thirds of that has been met in the first nine months of 2021-22.

Continuing the export momen-

tum is crucial because robust outbound shipments can boost growth at a time when private consumption as well as investment has been tepid.

"The overall export growth trend as of now remains on track. The new schemes such as the productionlinked incentive scheme will augment growth," said Ajai Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO).

The FIEO had said last month exports in the next fiscal year would depend on containing the pandemic through vaccination across the globe and creating the required capacity.

Devendra Pant, chief economist, India Ratings, however, said while there might not be a significant fall in the value of exports, growth may be relatively slow due to the high base of 2021.

"In FY22, we got the advantage of a low base (as Covid-19 led to massive disruption in trade). As a result, we have witnessed high growth this fiscal year. When this year becomes the base, it is unlikely that we will continue to have such strong growth," said Pant.