

Weak rupee will give Indian exports a short-term boost

But depreciating rupee could worsen inflationary conditions as India is a net importer

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NEW DELHI

India's traditional exports such as IT, agricultural produce, textiles, tea, leather and engineering goods could gain a competitive edge amid the sharp decline in the rupee. Exporters said they are likely to fetch better value for their overseas shipments, especially in markets pegged to the dollar.

However, a depreciating rupee is set to worsen inflationary conditions as India is a net importer, with the trade deficit widening to a record \$192.24 billion last fiscal.

High fuel and food inflation have already forced the central bank to raise the benchmark policy rate by a sharp 40 basis points.

Agriculture exports are likely to do well if the rupee weakens further, an official said, adding rice and wheat exports will be particularly competitive and help exporters fetch more orders. Notably, agriculture exports comprised 11.4% of total exports in 2021, as per a brokerage report.

Rafeeqe Ahmed, chairman of Farida Group, one of India's largest shoe manufacturers and exporters, said that while rupee depreciation may prove to be a short-term benefit, "it does help to get a little bit more money."

"But most exporters have an element of import also, like the raw materials, and transportation cost. That sort of equalises it for us," he said.



Exporters said they are likely to fetch better value for their overseas shipments, especially in markets pegged to the US dollar. BLOOMBERG

"Rupee depreciation will help us compete against other currencies like those of Bangladesh and China, which are also low," Ahmed added.

However, tea exporters said the bene-

fits of a weaker rupee may not be seen across the board. "Rupee depreciating won't be a blanket benefit. We will only gain in export destinations that are pegged to the dollar

because the Indian rupee has depreciated against the US dollar but has appreciated against the euro and yen on a year-on-year basis," said Anshuman Kanoria, chairman of the Indian Tea Exporters Association.

India's orthodox tea exporters. Anupam Shah, former chairman of the Engineering Exports Promotion Council (EEPC) said the rupee's depreciation will definitely help increase exports but the

extent of benefits will depend on a slew of factors including global demand, raw material prices, inflation and the Ukraine war.

Madan Sabnavis, chief economist, Bank of Baroda was of the view that since India typically imports more than it exports, "so ultimately, India will pay more for our imports in case of currency depreciation."

"Besides, when the currency depreciates, FPIs are tempted to invest. It will be important to see what RBI does. That will decide the rupee's range," he added.

Abhay Sinha, DG, Services Export Promotion Council (SEPC) said the rupee depreciation will make imports costlier, which will push up the cost of production in sectors where import content requirement is high.

"Rupee depreciation will affect import intensive sectors making them costlier. Costlier imports and cheaper exports in import intensive sectors will reduce profit margins of Indian exports in certain sectors, particularly few sectors in merchandise exports," he said.

India's exports of manufactured goods have risen from 1.4% in 2010 to 1.8% in 2019, with broad-based improvement. But this remains much lower than peers. China's manufacturing export share stands at 18%, Taiwan's at 2.4%, Korea's at 3.7% and Mexico's at 2.8%, a Morgan Stanley report said.

India's participation in global supply chains remains low, especially compared to other countries, such as East Asian economies.

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BENEFITS NOT ACROSS THE BOARD

RICE and wheat exports will be particularly competitive and help exporters get orders

TEA exporters said the benefits of a weaker rupee may not be seen across the board.

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