

INDIA'S INTERNATIONAL TRADE DURING GLOBAL RECESSION

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ABSTRACT

Due to the globalization national and local business cannot be unaffected by the global business environment these days. The global recession spread across developed economies in first nine months in 2008-09 and then it started to affect a number of developing economies. It is often said that when the US sneezes the rest of the world catches a cold. The US economy has been deeply affected by the extreme volatility in the energy, food and commodity prices. India's engagement with the global economy became deeper from the 1990s and interdependence of international trade makes it inevitable to impact the trading partners all over the world. The recent global recession also had a huge impact on Indian industries as well. The present paper attempts to analyze the growth trends of international trade of India especially the import and export trade in the lights of the global recession.

KEYWORDS

Trade, Recession, Business, Economies, Market

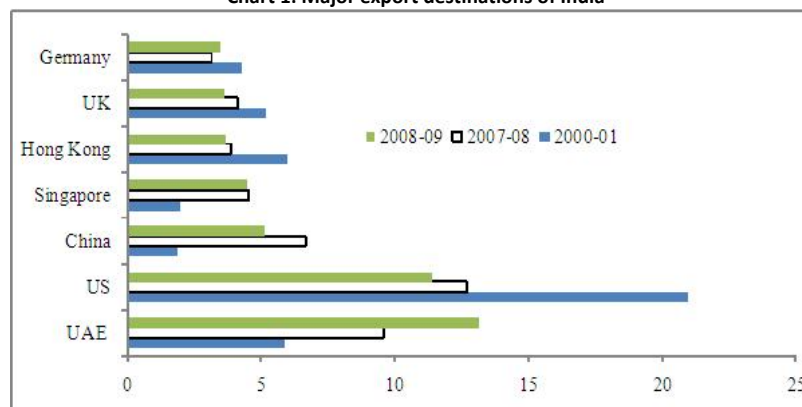
INTRODUCTION

Impact Globalizations is inevitable to all trading partners of the world whether it's positive or negative. For more than a year the world has been confronting one of the worst financial crises in over seventy years. This crisis has two phases: the first, financial, and the second, real, in other words a significant slowdown, and possibly even a global recession. Both the financial and real effects of the global financial crisis on world economy are clearly evident.

LITERATURE REVIEW

Dony Alex & Rajiv Kumar, 'The Great Recession and India's trade collapse', 27 November 2009, argue that the traditional export destinations for India have been Asia, EU and North America. Within Asia, ASEAN is the largest export destination (52%) followed by the EU (21%), and the US (13%). The US's share, however, has recently fallen to 11% (March 2009), even lower than that of the United Arab Emirates (13%). This sudden decrease can be considered an aftermath of the financial crisis. One of the core reasons for the sharp fall in India's exports is the high income demand elasticity for exports which makes exports highly sensitive to GDP movements. India's exports have been found to be more sensitive to income than to price changes. The income elasticity of demand for India's exports has been found to be highest for the US (2.5) while, for India's global exports, it is estimated at about 1.9 (UNCTAD 2009). This is consistent with the fall in the US' share in total Indian exports from 2008-09.

Chart 1: Major export destinations of India



Source: DGFT, Ministry of Commerce and Industry

The study analyzes invisible trade in the lights of occurrence of global recession in 'Impact of US Financial crisis on Indian Outsourcing Industry' by Mani Malarvannan, Sept 24, 2008, discusses how the current US financial crises will affect the Indian outsource industry in the short-term



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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

Contributions to books

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

Journal and other articles

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.
- Kiran Ravi, Kaur Manpreet (2008), Global Competitiveness and Total Factor Productivity in Indian Manufacturing, International Journal of Indian Culture and Business Management, Vol. 1, No.4 pp. 434-449.

Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University.

Online resources

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Website

- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on 11 September 2009 <http://epw.in/epw/user/viewabstract.jsp>

and in long-term. The IT and BPO outsourcing boom created a huge impact in the Indian economy and it increased the IT salary, cost of living, real-estate price, etc, ultimately the Indian outsource boom increased the outsource cost for the companies in US and UK. Due to high inflation and tightening of monetary policies, Indian economy has slowed to 7.5% which will reduce salary of the IT professionals. As a effect it will reduce the cost for the western companies to outsource to India. In addition, the current Indian currency rate will motivate more US companies to use Indian outsource vendors for IT and BPO work.

However there are studies which have reverse opinion and one of them is Charles Cole, EconomyWatch.com feels that though the situation in the US is compared with the Great Depression of 1929, but this situation is far from a depression – in fact it's not even a recession. In the Great Depression there was no work and there was widespread poverty. In the US, August 2008 unemployment figures were at 6.1%, according to the US Bureau of Labor Statistics. In the Great Depression unemployment was higher than 25%. The Commerce Department reported that GDP growth was at 2.8%, hardly indicative of a recession, although this was revised down from the 3.3% figure it projected a month ago.

While analyzing the impact of global recession on India, Mathew Joseph, argues in 'Global Financial Crisis: How was India Impacted?', ICRIER New Delhi, that Indian economy began to slow down in 2007-08 (April-March) after reaching a GDP growth of 9.8 per cent in the last quarter of 2006-07. In fact, Indian economy grew at an annual average rate of 8.8 per cent during the five years ending 2007-08. In the first half of the financial year 2008-09, the growth rate dropped to 7.8 per cent. The pre-crisis slowdown of the economy can be attributed to the tightening of monetary policy right from September 2004 in response to the fear that the Indian economy had been overheating and inflation rising. The monetary tightening became harder in 2006-07 and later in early 2008-09 as the huge rise in world commodity prices pushed India's inflation also high.

METHODOLOGY

SOURCES OF DATA

A study is based on the secondary sources of data only and data is collected, tabulated and computed from authentic source from RBI's Data Base on Indian Economy: RBI Data Warehouse.

TOOLS

A data is analyzed with the help of simple statistical tools such as percentages and growth rates in order to do a trend analysis.

LIMITATION

Time period of the study is from April 2006 to April 2010 total four years only. The data is analyzed segregating them into pre and post recession monthly trends. A study is limited to the available time and sources and merchandised trade in the global recession period only.

PRE AND POST RECESSION INTERNATIONAL TRADE

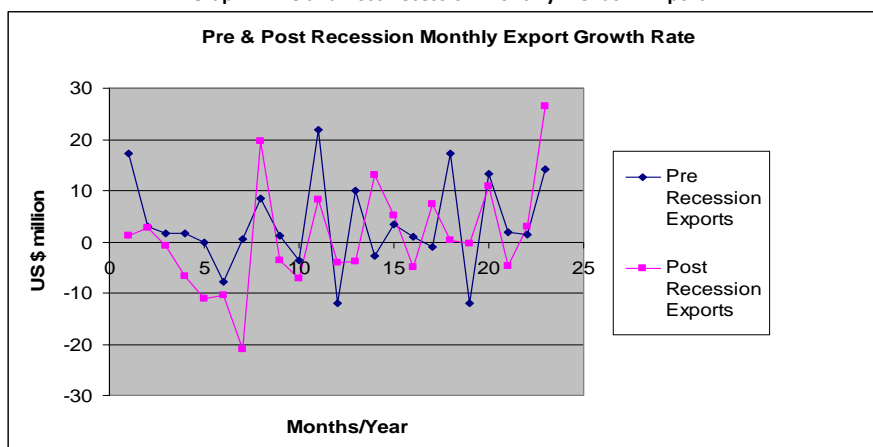
The global recession spread all over the world from Aug 2008. In order do the comparative analysis of India's Merchandise trade, month to month in pre and post recession period. The four years data from April 2006-March 2010 for India's Export and Import trade compiled into total 48 months and used for monthly analysis. It is categorized as Pre Recession Period from April 2006 to March 08 and Post Recession Period April 2008 to March 2010.

TABLE 1: PRE AND POST RECESSION INDIA'S EXPORTS

Pre Recession			Post Recession		
Month/Year	Exports in US\$ millions	Rate of Growth	Month/Year	Exports in US\$ millions	Rate of Growth
Apr-06	8625		Apr-08	18460.4	
May-06	10109.7	17.21	May-08	18686.6	1.22
Jun-06	10420	3.06	Jun-08	19180.9	2.64
Jul-06	10600.1	1.72	Jul-08	19030.4	-0.78
Aug-06	10769.5	1.59	Aug-08	17759.3	-6.67
Sep-06	10756.9	-0.11	Sep-08	15789.1	-11.09
Oct-06	9928.6	-7.70	Oct-08	14130.8	-10.50
Nov-06	9979.4	0.51	Nov-08	11163.3	-21.00
Dec-06	10834.5	8.56	Dec-08	13368.2	19.75
Jan-07	10967	1.22	Jan-09	12869	-3.73
Feb-07	10561.2	-3.70	Feb-09	11940.9	-7.21
Mar-07	12862.4	21.78	Mar-09	12916	8.16
Apr-07	11326.8	-11.93	Apr-09	12397	-4.01
May-07	12455.7	9.96	May-09	11915.9	-3.88
Jun-07	12101	-2.84	Jun-09	13474.2	13.07
Jul-07	12513.3	3.40	Jul-09	14182.8	5.25
Aug-07	12640.6	1.01	Aug-09	13475	-4.99

Sep-07	12521.4	-0.94	Sep-09	14464.3	7.34
Oct-07	14674.7	17.19	Oct-09	14507.5	0.29
Nov-07	12909.3	-12.03	Nov-09	14469.5	-0.26
Dec-07	14625.5	13.29	Dec-09	16032.8	10.80
Jan-08	14889.1	1.802332	Jan-10	15279.8	-4.69662
Feb-08	15116.2	1.525277	Feb-10	15737.5	2.995458
Mar-08	17254	14.14244	Mar-10	19908	26.5004
Source: Tabulated and Calculated from RBI Data Base on Indian Economy					

Graph 2: Pre and Post Recession Monthly Trends in Export



Source: Tabulated and Calculated from RBI Data Base on Indian Economy

A table and graph show India's exports figures in US \$ million and monthly growth rates of export in pre and post global recession i.e. from April 2006-April 2010. There is a declining trend in the growth of the exports in recession period compared to the same month before recession period. The dip in the exports is much deeper in the post recession period when we see month wise except for the Dec-08, June and Sept 09.

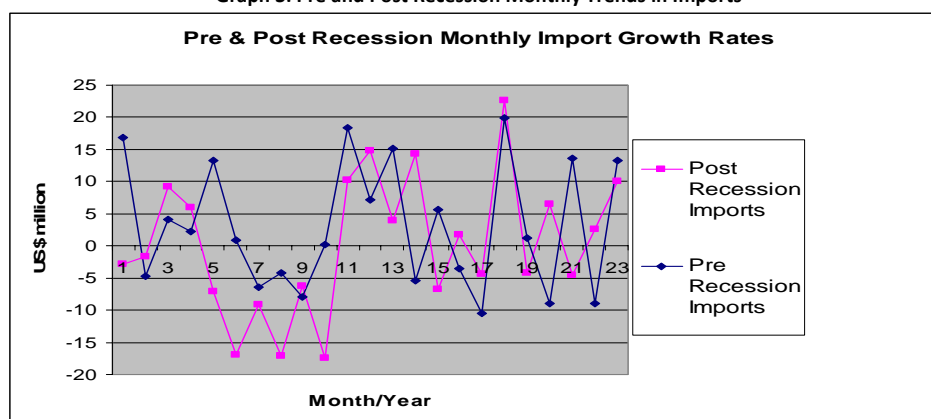
Table 2: PRE AND POST RECESSION INDIA'S IMPORTS

Pre Recession			Post Recession		
Month/Year	Imports in US\$ millions	Rate of Growth	Month/Year	Imports in US\$ millions	Rate of Growth
Apr-06	12924.5		Apr-08	30316.9	
May-06	15106	16.87	May-08	29443.6	-2.88
Jun-06	14400.1	-4.67	Jun-08	28950.6	-1.67
Jul-06	14985.4	4.06	Jul-08	31625.5	9.23
Aug-06	15326.7	2.27	Aug-08	33523.2	6.00
Sep-06	17351.1	13.20	Sep-08	31135.7	-7.12
Oct-06	17512.4	0.92	Oct-08	25869.3	-16.91
Nov-06	16381.2	-6.45	Nov-08	23488.2	-9.20
Dec-06	15679.6	-4.28	Dec-08	19456.3	-17.16
Jan-07	14446.9	-7.86	Jan-09	18228.2	-6.31
Feb-07	14484.7	0.26	Feb-09	15062.2	-17.36
Mar-07	17136.6	18.30	Mar-09	16597	10.18
Apr-07	18370.6	7.20	Apr-09	19052	14.79
May-07	21149.5	15.12	May-09	19806.1	3.95
Jun-07	20016	-5.35	Jun-09	22643.9	14.32
Jul-07	21128.6	5.55	Jul-09	21111.5	-6.76
Aug-07	20365.9	-3.60	Aug-09	21485.2	1.77
Sep-07	18217.5	-10.54	Sep-09	20538.4	-4.40

Oct-07	21832.6	19.84	Oct-09	25179.8	22.59
Nov-07	22104.1	1.24	Nov-09	24133.9	-4.15
Dec-07	20116.9	-8.99	Dec-09	25718.4	6.56
Jan-08	22844.4	13.55	Jan-10	24567.7	-4.47
Feb-08	20804.4	-8.92	Feb-10	25199.1	2.57
Mar-08	23573.7	13.31	Mar-10	27733	10.05

Source: Tabulated and Calculated from RBI Data Base on Indian Economy

Graph 3: Pre and Post Recession Monthly Trends in Imports

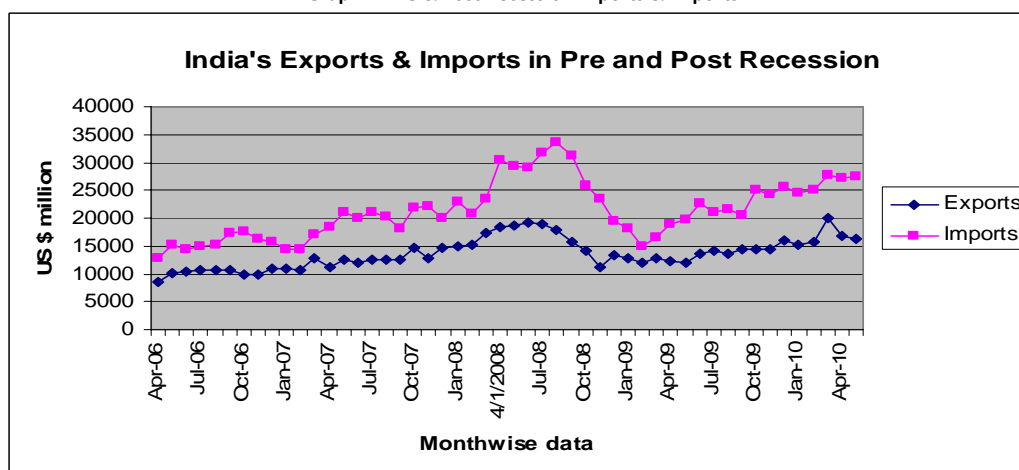


Source: Tabulated and Calculated from RBI Data Base on Indian Economy

A table and above graph show India's imports figures in US \$ million and monthly growth rates of imports from April 2006-April 2010 i.e. pre and post global recession. From April 2008 recession is felt and spared the rest of world. There is a declining trend in the growth of the imports in recession period compared to the same month before recession period. The dip in the imports is much deeper in the post recession period when we see month wise except for the July-Aug 08 and April, June, Oct 2009.

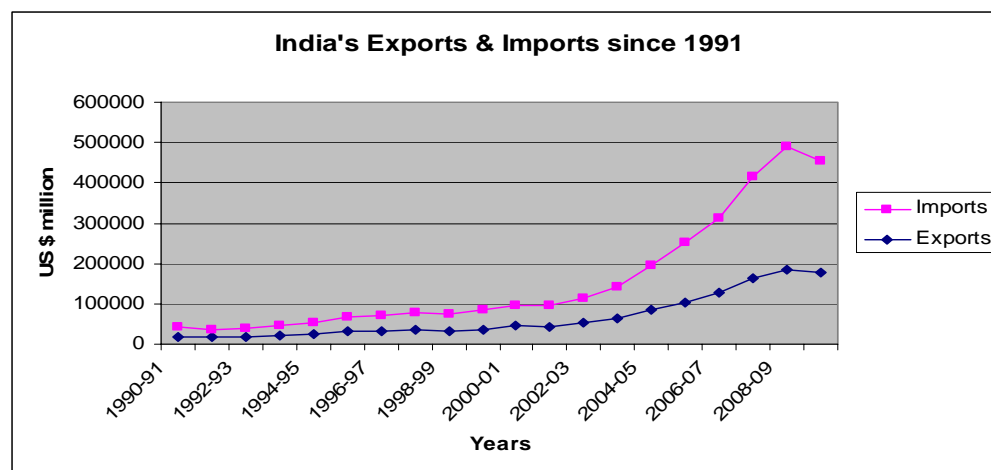
While comparing the monthly trends in exports and imports of India's merchandise trade its found that the dip in imports is more than the dip in the exports in the recession period. Presently trends are showing recovery in the imports and exports of the India's merchandise trade.

Graph 4: Pre & Post Recession Exports & Imports



Source: Tabulated and Calculated from RBI Data Base on Indian Economy

Graph 5 : India's Exports and Imports from 1990-91 to 2009-10



Source: Tabulated and Calculated from RBI Data Base on Indian Economy

It is clearly evident from the above graph which represents the figures tabulated and calculated from RBI Data Base on Indian Economy from RBI Data were house that India's merchandise trade is showing growing trends till recently. It is also clear that India's Imports had been always more than of its Exports since based on the data from 1990-91. Indian Imports started rising than its Exports rapidly from 2005-06. During the period of global recession Indian Exports are been seen with declining trend. Whereas Indian Imports are showing much more declining trend than Indian Exports.

CONCLUSION

Indian Exports and Imports both show rising trends from 1990-91 to 2007-08. Its only during the global recession period both exports and imports are showing falling trends.

Trend analysis shows that as an impact of the global meltdown in the India's Merchandise trade, the dip in Imports trade is more than the dip in the Exports trade in the global recession period.

Presently trends are showing recovery in the Imports and Exports of the India's merchandise trade and it is expected that in coming months rates will pick up gradually as world recovers from the recession.

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