

## **Impact of Covid-19 on Exports and Imports in Indian Economy**

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### **Abstract**

The world is fighting against COVID 19, which has left the entire world in shock and brought the world to its knees and at a major halt. This devastating virus is declared by the World Health Organization as Pandemic. This virus has been widespread and has brought around 195 countries to a standstill. This virus is a serious threat to the global economy. This is undoubtedly visible in the Indian economy which is already suffering by growing at the lowest rates in the past six years. And now there is a new set of economic challenges for the various sectors under the Indian Economy. COVID 19 has disrupted Business cycles all over the world. The global Economy can shrink by 1% due to this Pandemic. As we know, that growth of any country or economy depends on their GDP levels, and here Export - Imports play a major role. In the months of March and April, there was a major halt in the foreign supplies for the country, which further led to a devastating situation in the country. So here in this research, we would witness how Indian Exports and Imports are affected and also their impact on the Indian Economy. We would also discuss the ways to improve the conditions.

**Keywords: Imports, Exports, GDP, COVID-19, Employment Rates, Business Cycle, Global Economy.**

### **Introduction**

Coronavirus disease (COVID-19) is a dangerous pandemic disease's exp caused by the spread of newly discovered coronavirus. Most people infected with the COVID-19 virus may experience mild to moderate respiratory illness and recover without requiring special treatment. Older people and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness. The best way to prevent and slow down transmission is to be well informed about the COVID-19 virus, the disease it causes, and how it spreads. One should always protect oneself and others from infection by washing their hands or using an alcohol-based rub frequently and not touching their face. The COVID-19 virus spreads primarily through droplets of saliva or discharge from the nose when an infected person coughs or sneezes, so it's important that one also practice respiratory etiquette (for example, by coughing into a flexed elbow). At this time, there are no specific vaccines or treatments for COVID-19. However, many ongoing clinical trials are evaluating potential treatments.

COVID 19 has led to a complete nationwide lockdown which has disrupted the lives of people in many ways where there is an increase in tough consequences like the

Unemployment rate, Poverty rate, SMEs being shut down, Country's growth has suffered 5% loss in 4th Quarter of 2019. The country's growth depends on its Imports and Exports (ie. its ability to generate revenue in terms of foreign exchange.) The stoppage of Exports and Imports across the boundaries of the countries has led to the loss of GDP. The GDP reported by the Ministry of Finance was -23.8%, which clearly shows that the country's economy was majorly affected by the stoppage of Exports and Imports. The majority of income for the Indian Economy is based on Exports.

### **Literature Review**

The economic condition of any country could be known by the rate of its GDP – (Sandhu and Gupta, 2016) GDP can be found by calculating the value of goods and services produced within the country for a particular year – (Zainab, Wani & Bhat, 2018) GDP systematically measures the economic performance of the country with the help of some variables – (Dyan & Sheiner, 2018). EXIM is an important component of GDP – (Desai and Sandhu, 2020).

According to Vasundhara Rastogi (2019) has given the data relating to exports and imports during the “fiscal year FY 2018-19, India's total merchandise exports registered a 9.06 percent growth to hit a new high of US\$330 billion, surpassing the earlier peak of US\$314 billion clocked in 2013-14 FY. India's total imports grew speedily at a very high rate of 10.41 percent, summing up to US\$514 billion. Monitoring the evolving nature of India's imports and exports can help investors understand the country's trade patterns and identify opportunities in the domestic market.

Below, India Briefing analyses India's export and import trends in FY 2018-19.” Among the imports of India, from China involving around US\$70.3 billion of goods have been imported. Among the exports of India, to America alone, around US\$52.4 billion of goods have been exported. Among the major items of exports of India is mineral fuel including oil (48.3 billion) and among the major items of imports is the same mineral fuel including oil (168.6 billion). “The data from the Export-Import (EXIM) Bank of India shows that the exports of different products and materials to North American and European countries have increased considerably. Although the majority of India's exports continue to go to Asian countries, it has declined in the last five years. Asia's share in India's overall exports fell from 48.52 percent in 2014-15 to 47.62 percent in FY 2018-19.

While North America's share increased from 18.16 percent to 19.49 percent, and Europe's from 15.31 percent to 17.9 in the same period.”Asit Ranjan Mishra (28. Jan.2020) reported entitled “What the Union budget can do to re-energize India's stagnant exports” and said that Government has to supply economic help for prior adoption of technology to digitalize the trading and other operations, implementation of new foreign trade policy should be promoted. After rising over 20% and it is observed that for the last decade India's exports have been stuck at \$300 billion. There may be several studies on this topic now due to increase research for Covid19 and its impact very limited amount of study has been done on this topic.

Therefore, there is a need to understand the effect of this pandemic in various sectors of the economy. On the other hand, in an interview given by Mr. Narendra Goenka (MD - Textile Export Industries and Vice Chairman - Apparel Export Promotion Council, AEPC) reported a reduction in export of textile by 90% and also mentioned that 7% of industrial output contributes towards only 2% of GDP.

## Objective of the study

The main objective for conducting this research is to understand the impact of COVID - 19 on Import and Export with relation to GDP and employment levels. This research will be very useful to other Research Scholars, Students, and Practitioners as well; this can also be taken as a case study to get a better understanding of the Pandemic.

## Research Methodology

In the present study the research has been done from various literature research papers published by the research scholars in the past. Also, various articles from respected sources have been referred to and interpreted.

## Findings of the study

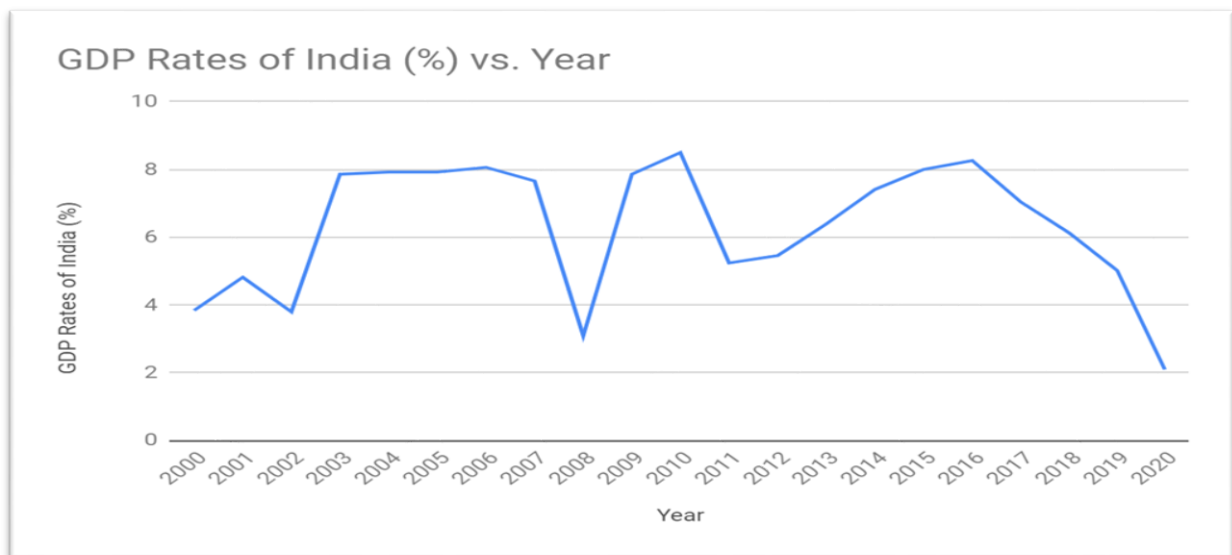
Table 1.GDP rates are compared to show the impact of COVID 19.

Year	GDP Rates of India (%)
2000	3.84
2001	4.82
2002	3.80
2003	7.86
2004	7.92
2005	7.92
2006	8.06
2007	7.66
2008	3.09
2009	7.86

2010	8.50
2011	5.24

2012	5.46
2013	6.39
2014	7.41
2015	8.00
2016	8.26
2017	7.04
2018	6.12
2019	5.02
2020	2.1 (1st Quarter of 2020)

Figure 1.



Source of the information\_Macrotrends.net – GDP data.

As we can see from the above chart, the GDP rates were improving from the year 2000 (base year, in this case) and were suffering from the shocks of Demonetisation (2016) and GST (2018), but the COVID shock made the condition of the economy much worse. It is also expected that the GDP rate may fall or go into negative, which will lead to further

Implications such as an Increase in Poverty, a Rise in Unemployment levels, also the Inflation rates would be increased, etc.

Trade Balance is a major component of GDP. We can also infer that the GDP is an all-time low in the past 11 years, because of Halt in Import-Exports.

Now we would discuss the impact of Imports and Exports on GDP. Because of COVID 19.

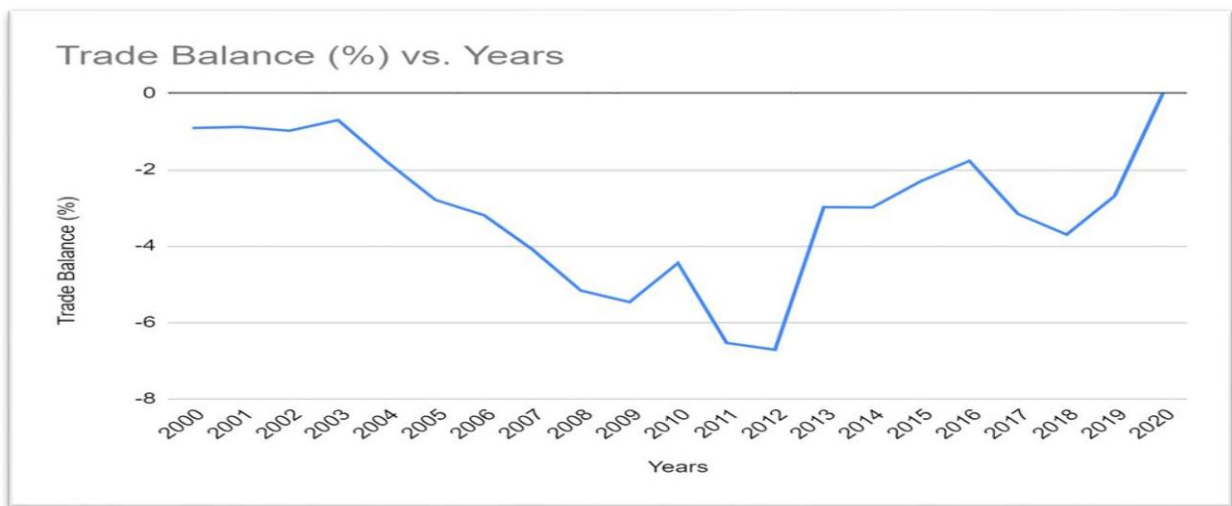
Table 2.

Years	Trade Balance (%)
2000	-0.91
2001	-0.88
2002	-0.98
2003	-0.70
2004	-1.79
2005	-2.79
2006	-3.19
2007	-4.09
2008	-5.17
2009	-5.47
2010	-4.45
2011	-6.54
2012	-6.72
2013	-2.98
2014	-2.99
2015	-2.30



2016	-1.77
2017	-3.16
2018	-3.70
2019	-2.69
2020	0 (1st Quarter of 2020)

Figure 2.



Source of information\_ [macrotrends.net](http://macrotrends.net) – Trade Balance Deficit.

As we can see from the above chart, that the trade balance for the country is nearly zero due to the nationwide lockdown and a temporary stoppage (22nd March to 14th April) on Import and Export activities which is a plus point for India, but at the same time, it is a negative point too, as it is the loss of income for the country. The country is also losing its productivity. According to Madhumitha Jaganmohan (Statista, August 13, 2020), It was seen that After India started its initial nationwide lockdown in March, it caused economic disruption and slowdown. All that hit the international trade and employment level all over the world. In June, India imported commodities like gold, coal, and petroleum in 50% less quantity as compared to normal times.

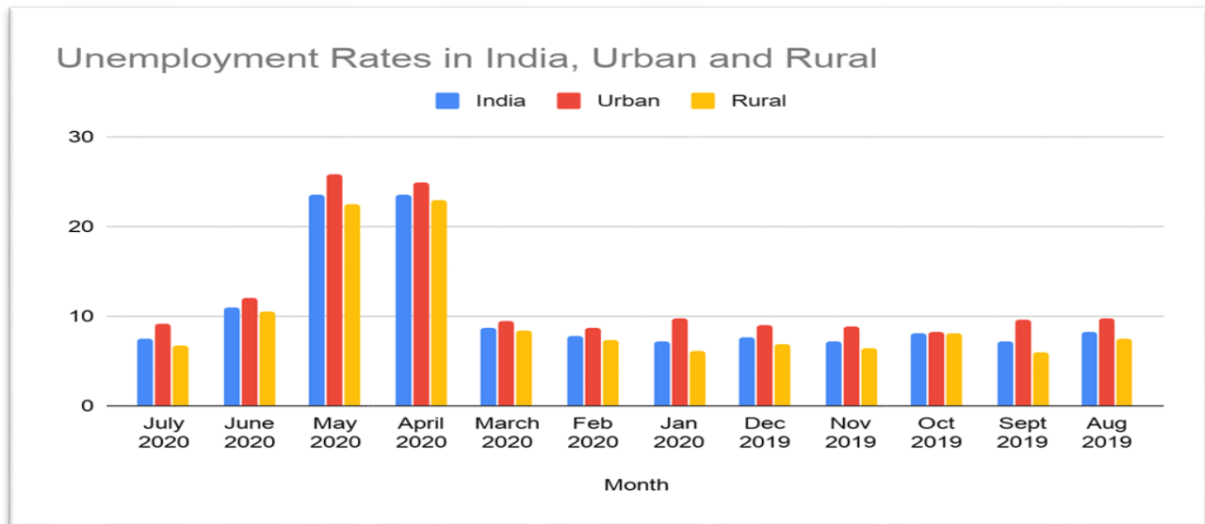
Along with the loss in GDP as discussed earlier, there was a noticeable difference in the level of unemployment.

Impact on Employment Rates - Unemployment in India can glance.

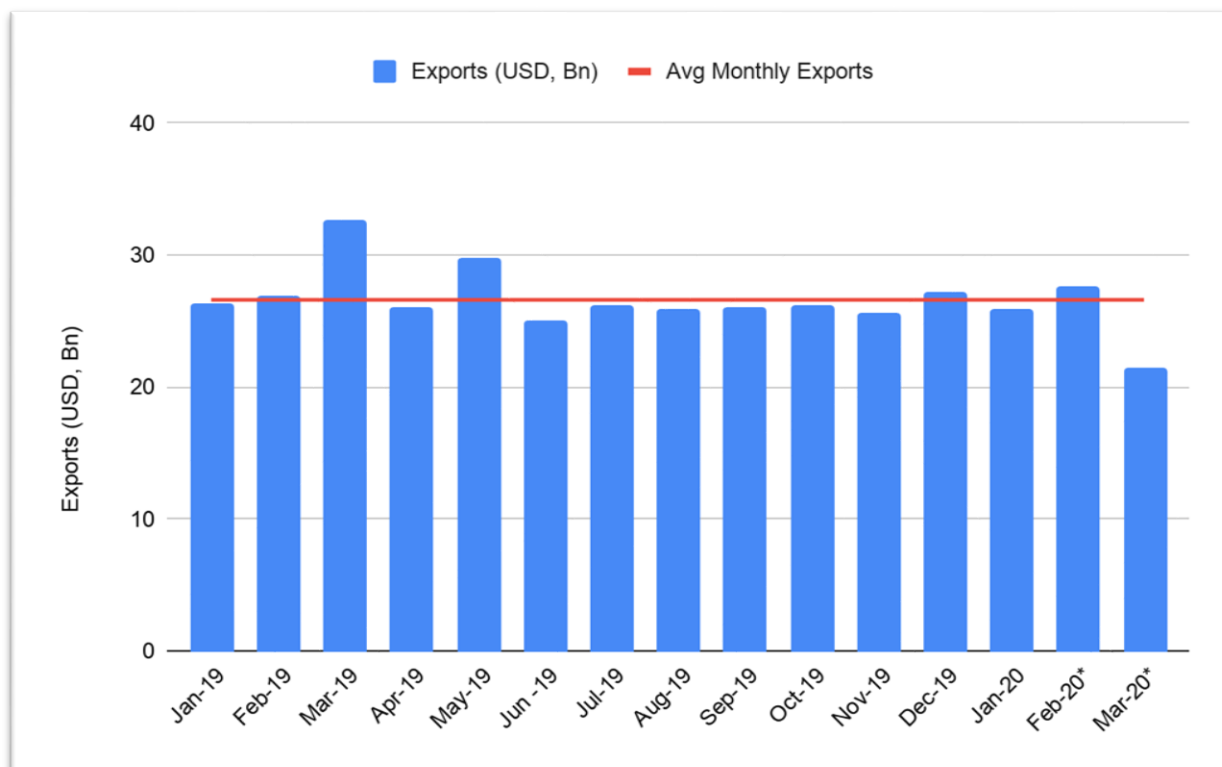
(Data source - CMIE - <https://unemploymentinindia.cmie.com/>)

Table 3.

Months	Un-employment Rates %		
	India	Urban	Rural
July 2020	7.43	9.15	6.66
June 2020	10.99	12.02	10.52
May 2020	23.48	25.79	22.48
April 2020	23.52	24.95	22.89
March 2020	8.75	9.41	8.44
Feb 2020	7.76	8.65	7.34
Jan 2020	7.22	9.70	6.06
Dec 2019	7.60	9.02	6.93
Nov 2019	7.23	8.88	6.45
Oct 2019	8.10	8.27	8.02
Sept 2019	7.14	9.58	5.99
Aug 2019	8.19	9.71	7.48



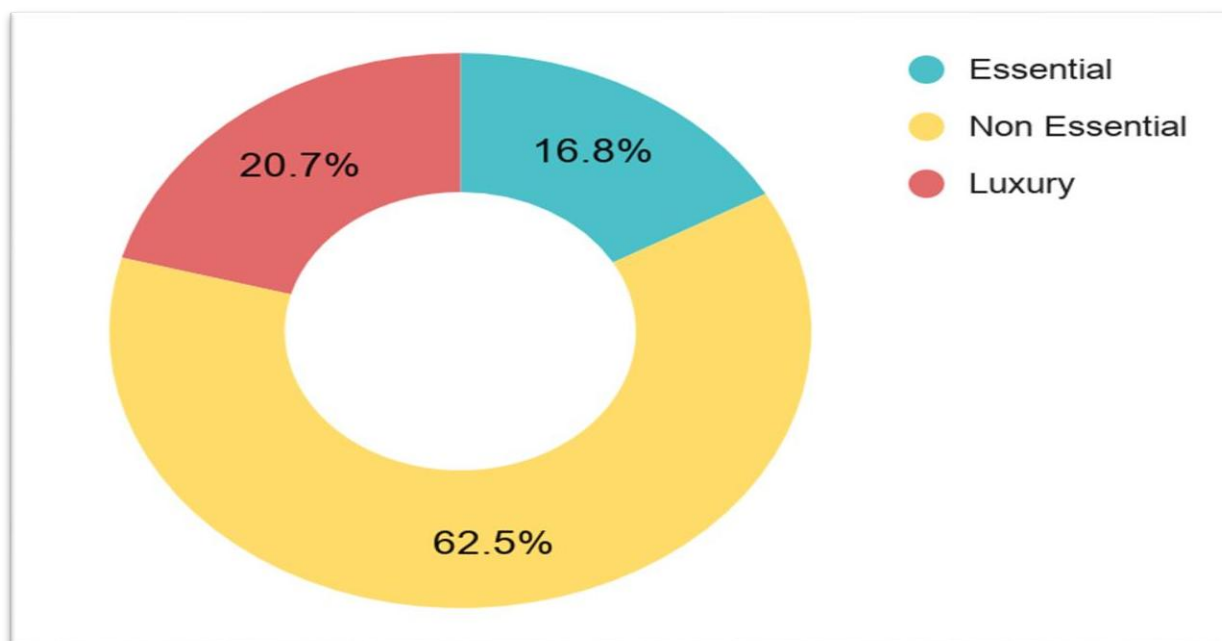
From the above figure, we can see that the Employment Levels in both rural and urban sectors are suffering very badly.



Monthly data for the exports from India. (Source: DGFT). This data is provisional for the month of Feb – March 2020

From the above figure, we can see that Indian exports fell considerably during the month of March and then the complete nationwide Lockdown made the conditions much worse. Whereas the exports of some commodities have registered a decline of over 40% to 45% which mainly consisted of Engineering goods, Clothing Products, Poultry, Silver, Light Plastics, and Chemicals which have been main boosters for Indian growth over the past few years. But due to the Coronavirus outbreak, the Global demand has completely evaporated and even the forward orders were stopped. This led to problems in Supply Chain Management.

A rough breakdown of India’s US\$324 Bn exports in 2019 according to paper records outlined on top shows a disturbing image within the short term, this is mainly because of a decrease in demand for non-essential and luxury products within the export basket (fig. 3 below). A remarkable purpose for recollecting is that India’s non-essential product exports anyway cover far wider variety of HS codes (61) compared to necessity products (23) and luxury products (14). Therefore, there is a sharp difference seen in these buckets which are Contributed to the country ought to export portfolio which is to be smitten with a flavor of salt. Even so, as a result of present situations around the world, the demand for necessity products are extremely probable for being the determinant issue for the future property of exports.



India's export portfolio bifurcation to USA (Source: DGFT)

While the Asian nation has begun the relaxation for the imprisonment precautions in little steps, the positive financial outlook of recovering the imprisonment would possibly consume more duration than expected. At the same time as producing, servicing and alternative economic activities slowly started to show some movements, the country's prime financial centers like Surat, Pune, Chennai, Ahmedabad, Delhi-NCR, and Indore still stay beneath extended imprisonment for a lot of more days. The hue withdrawal of migrated staff to their home town leads being another main issue is restarting all the financial activities. Here, the staff, United Nations agency square measure used as each formal further as daily or contract-based laborers in several mercantilism units and medium-small scale enterprises, square measure key to very cheap production lines of the many businesses. Their square measure already considers certain sectors of Indian trade that the withdrawal of those staff at their respective hometowns could rise/boom within the upcoming months, showing doubts over the timelines of restarting production lines and products in the country.

On the other hand, China, wherever the pandemic was originally introduced, has seen a hike in economic activities within the past few days. Sh. Subhash Chandra Garg, ex-Finance Secretary with the government of Asian nation, mentioned during a journal in - March regarding China has "also contained economic damage". He also added the same in truth, before that - China won't solely be ready to meet its regular export requirements however additionally to fill sure reduced production in alternative countries. A spike seen in PMI is majorly due to the clearance of containers stuck at ports throughout the months of February and March, and therefore the rise of export delivery to the USA is proof that the world's biggest exporter is prepared to rule the world trade once more.

Countries	Growth Projections (Real GDP, % Change YoY)			Manufacturing PMI			% Change in Exports to US b/w March and April-20	
	2020	2021		Mar-20	Apr-20			
India	1.9%	7.4%	↑	51.8	27.4	↓	(-16%)	↓
China	1.2%	9.2%	↑	50.1	49.4	↓	99%	↑
ASEAN	(-0.6)%	7.8%	↑	43.4	30.7	↓	(-8%)	↓

Source of information\_(World Economic Outlook by IMF)

From the above figure that has been issued by IMF, each China and India stay the sole 2 massive economies that will not see a contraction in exports because of the current condition of a world recession due to this Pandemic. Here, both the countries, besides their peers from the Association of Southeast Asian Nations (ASEAN), will act as major growth boosters that may help the countries to recover from this terrible economic shock. These 2 countries will be required to show Optimism in their approaches to bring back the world on their feet, One will solely hope that the Indian Government takes needed actions shortly, keeping in mind the needs of retail and commercial enterprises by providing stimulation package and easier access to credit.

### Suggestions

Following are the Suggested ways to improve the condition.

1. Following the policies of Atma Nirbhar Bharat, to decrease our Imports and increase our Exports.
2. Avoiding Pay Cuts for MSE's.
3. Promoting Work from Home opportunities.
4. Using Long Lasting and Durable goods, instead of Disposable goods. Promoting Local for Vocal.

### Conclusion

As discussed before, COVID - 19 has impacted the Global Economy and International Trade to a very large extent, which has again disrupted the lives of millions and millions of people all over the world. Here, in India which has a population of 130 crores, suffered a loss in its income and many parts of the country also suffered from a major loss in terms of Unemployment. The sectors which come under Essential Services, are also facing a shortage

of employees because most of these companies are facing issues in maintaining working capital and even most of their employees belong to Rural Areas. As Urban Areas in India are

Prime/Hot/Red zones and so, the migrant workers aren't incentivized to work in these cities. Here, as the initiatives are taken by our Government such as Atma Nirbhar Bharat, Make In India Movement, Vocal for Local - All these are the initiatives taken by our government to promote our Exports and reduce Imports for our Country, which will ultimately improve the country's Net Exports and GDP (Economy as a whole).

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