



STATSGURU

EVER SINCE TRADE was liberalised in 1991, total trade has increased over six times in just a decade from FY 2001 to FY 2011. Exports and imports have registered a sharp increase, growing 5.7 times and almost seven times respectively. As a result, India's trade to GDP ratio in FY 2011 is approximately 30 per cent, well above the sub-20 per cent levels seen in the four

decades leading to liberalisation.

Since imports have been growing faster than exports, the trade deficit to GDP ratio has also increased sharply between FY 2001 and FY 2011. A trade deficit in and of itself is not bad, particularly if the imports are channelled towards productive use in the economy. To a large extent, it reflects the unfavourable terms of trade of India's trade basket, wherein India's exports are predominantly primary or low-value added products, while intermediates and capital goods comprise a significant portion of imports. This situation will probably change rapidly as the share

of engineering goods increases in the export basket and/or intermediates are increasingly manufactured in India.

The sharp increase in exports over the last two years has much to do with new export geographies in Africa and Latin America. However, the OECD countries, particularly in the Eurozone and the US, remain the leading markets for Indian goods and services.

Electrical and non-electrical machinery comprises a significant portion of China's exports to India. This explains its rapid rise as a leading exporter to India and the increasingly worrisome annual

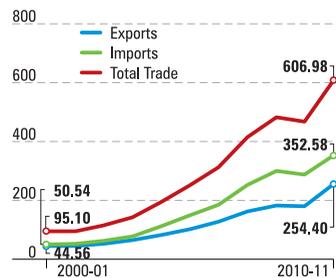
surplus in bilateral trade of almost \$20 billion that it enjoys.

Another measure of India's increasing engagement with the global economy is the nine-fold increase in foreign investment over a decade. While close to half the money over the past two years is "hot" money in the form of portfolio investment, the share of the more stable FDI is also increasing. India today ranks as the 14th most favoured destination for FDI, according to the most recent UNCTAD survey. It could do a lot better if the quality of human and physical capital improved and the regulatory regime was made more investor-friendly.

INDIA'S TRADE SURGES...

Overall trade increases over six-fold in the past decade

\$ billion

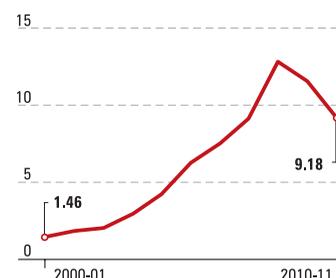


Data for 2009-10 are revised and for 2010-11 are provisional.

...AS DOES THE DEFICIT

Export revenues still trail import expenditure, though the difference is narrowing

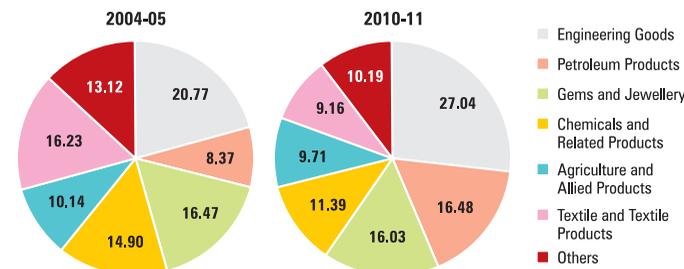
% GDP



COMPOSITION OF THE EXPORT BASKET CHANGES...

Share of high-value goods increases sharply

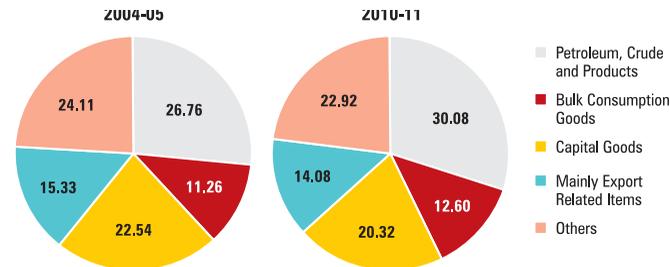
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...WHILE IT REMAINS THE SAME FOR IMPORTS

Crude oil and capital goods continue to dominate

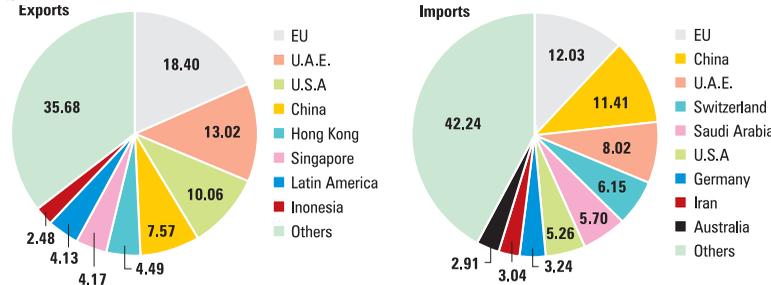
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EXPORT GEOGRAPHIES DIVERSIFY

But developed countries remain the most important trading partners

%



FOREIGN INVESTMENT RISES SHARPLY

But portfolio investment increases at a faster pace

\$ billion

