

# Covid 19 corollaries

May 22, 2020

## In tatters

Indian merchandise exports fell 13% (in dollar terms) in the quarter ended March (on-year), and a steep 60% in April as the Covid-19 pandemic and shutdown of national borders slammed global trade.

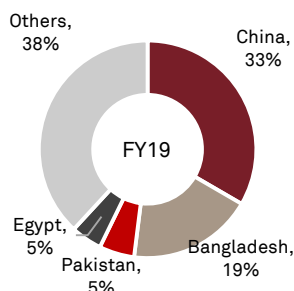
Exports of textiles and cotton yarn, which were coming apart even before the pandemic struck because of competition from Vietnam, Chinese stock liquidation and lack of free trade pact support, have been shredded.

### China, Bangladesh slash cotton yarn imports

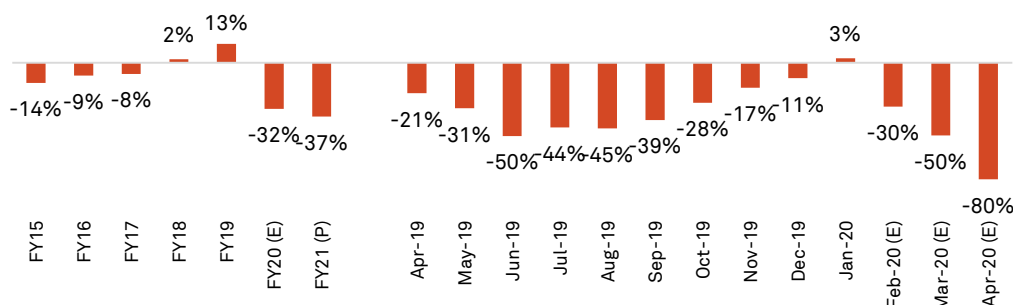
India's yarn exports contracted 30% in the quarter ended March as imports by China, which accounts for a third of India's yarn exports, fell as garment units there shuttered. Imports by Bangladesh, which accounts for nearly a fifth of India's yarn exports, also declined.

Overall, exports are estimated to have nosedived 80-90% in April and won't revive in a hurry. Consequently, we expect yarn exports to slide 35-40% on-year this fiscal.

#### Country-wise break-up of yarn exports



#### Change in value of yarn exports (%)



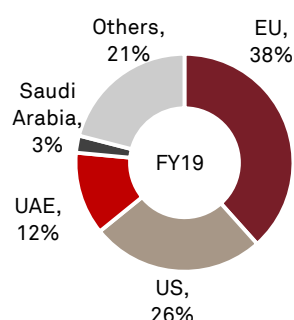
Source: Ministry of Commerce India, CRISIL Research

### Thread coming off readymades

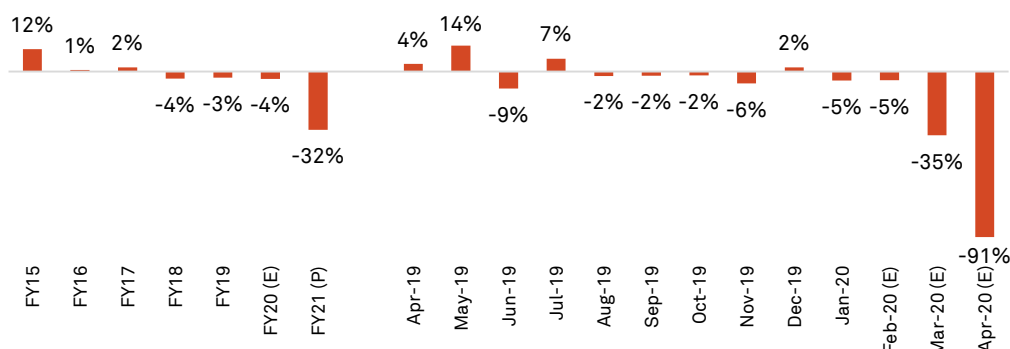
The US and the European Union, which together account for 64% of India's readymade garment (RMG) exports, are staring at a recession. The US is the worst-infected country now, and the pandemic-driven lockdown has ripped many apparel retailers there. Besides, a spike in unemployment and fall in personal incomes would cut spending on apparel.

In the March quarter, India's garment exports slipped ~16% and in April, the fall was a drastic ~91%. We expect readymade garments exports to dive 30-35% this fiscal.

#### Country-wise break-up of RMG exports



#### Change in value of RMG exports (%)



Source: Ministry of Commerce India, CRISIL Research