FINANCIAL CRISIS AND ITS IMPACTS ON INDIA'S INTERNATIONAL TRADE: AN ANALYSIS

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ABSTRACT

The 2008-09 global financial crisis had dramatic effects on economic activity. One of the most salient features was the abrupt decline in international trade. Moreover, the collapse in world exports was even larger than the contraction in the world gross domestic product (GDP). The current crisis threatens to undo the economic development achieved by many countries and to erode people's faith in an open international trading system .According to the World Trade Organization "the collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9 per cent in volume terms in 2009, the biggest such contraction since the Second World War" (WTO, 2009). With the increasing integration of the Indian economy and its financial markets with rest of the world, there is recognition that the country does face some downside risks from the global economic and financial crisis. Nonetheless, if the crisis is prolonged, it will damage India's trade pattern and production structure, which have been built up over time.

This paper examines India's external sector and their performance during the crisis. India's external sector has performed remarkably well in the last few years. Till the advent of the crisis, in 2007-08 Indian merchandise trade had shown robust growth. This study also attempts to capture the impact of crisis measured by the sectoral growth rate of Gross Domestic Product (GDP) in pre-meltdown and Meltdown Years. It also describes the main drivers of the crisis in the region and their major impacts on India's trade performance due to the slowdown the demand in the world market.

Keywords: Financial Crisis, India's trade. Export and import.

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I. INTRODUCTION:

Financial crisis is a situation where the capital chain of financial system breaks. Superficially, there is not enough currency in an economic system. Actually the reason is that the circulation of currency is not good. As a result, companies or merchants do not have funds or lack funds and cannot get loans from banks. Money can not flow freely. These have led to the fact that companies go bankrupt, or reduce their size of production, or even slow down their trade expansion. The shrinkages in production and manufacturing industry can be seen directly from less orders and substantially reduced procurement volume of importers. As the financial turbulence hit normal trade circulation, it results in the big fluctuation of exchange rate and depreciation of currency. As a result, the procurement cost will be higher. Trade is hit severely by both increase of purchasing cost and decrease of purchasing power. At this time, merchants need inexpensive goods more than ever before to compensate the loss caused by the financial shock. If the sales volume of low-price goods soars in one country or region, trade friction between trading countries will come forth, without exception during the time of financial crisis. If there are too many imported goods in a country, this will directly lead to the rise of trade protectionism and more trade barriers that violate the principle of free and fair trade. In the previous crises, countries set trade barriers to hold back low-price goods from exporters, with the purpose to protect its local industries from being hit, to lower unemployment rate, and to avoid spread of crisis to a larger scope. Such measures based on individualism will conversely further the depression of global economy. The measures, aimed at protecting domestic or local companies, are not good for recovery from a crisis. It will take longer for the economy to recover when it falls to the bottom. In this financial crisis, headlines of newspaper report that governments have invested a huge amount of money to rescue the market and central banks have greatly lowered interest rate consecutively to stimulate economy, drive consumption, avoid long-time economic depression, abate financial fluctuation and reduce the huge damage brought about by the crisis. At this very moment, it is both a risk and an opportunity for international trade. Risk means that companies and banks may go bankrupt at any time while opportunity means that consumers of the world need more low-price goods.

The ongoing global financial and economic crisis has the potential to usher in a period of a global recession that may seriously undermine all countries' process of economic growth and transformation, and also jeopardize efforts to widen economic and social opportunities and improve the livelihoods of ordinary people everywhere. In particular, the crisis may put a brake on and also reverse efforts in developing countries and by the international community to assure development gains from trade, promoting achievement of internationally agreed development goals including the Millennium Development Goals (MDGs) by 2015 (De Prabir, 2009). The crisis has triggered a slowdown in global economic growth that is manifesting itself in a demand-driven fall in international trade exacerbated by the deficit of credit and trade finance; falling commodity prices; declining remittances; contracting foreign direct investment (FDI). These effects have been superimposed onto the ongoing global food crisis, volatile energy prices, and climate-change challenges. The aggregate impact is such that most developing countries are being heavily hurt through declining exports, rising unemployment, and thus falling family incomes, bringing millions of people back into poverty or aggravating the conditions of those in extreme poverty. This has given rise to the most significant challenge facing the global community hit by the financial crisis.

This paper provides a brief overview of the India's trade performance during the period of evolving economic crisis. This study also attempts to capture the impact of crisis measured by the sectoral growth rate of Gross Domestic Product (GDP) in pre-meltdown, Meltdown Years and post- Meltdown years in section III. In this section we are also try to compare the growth performance of Indian economy with the other developed and fast growing economy. Section IV describes the main drivers of the crisis in the region and their major impacts on India's trade performance due to the slowdown the demand in the world market. Final Section gives the conclusion.

II. DATA AND METHODOLOGY:

The data on sectoral GDP growth rate is supplied by the Central Statistical Organization of India, Economic Survey of Indian. The data on Export-Import and Trade balance in India for the period of 2008, 2009, and 2010 is collected from DGCIS Kolkata Ministry of Industry and Commerce government of India. Economic growth data of and other fast growing economy will be provided by IMF. The study is based on secondary sources of data which have been collected from various sources. Due acknowledgement has been given at their appropriate places. The methodology used is simple and analytical.

III. IMPACT OF GLOBAL FINANCIAL CRISIS ON INDIA'S SETORAL GDP:

After the introduction of structural reforms, Indian economy got integrated into the global economy. Globalization process integrated the Indian economy with the economies of the world, which enabled India to move on to a higher growth path and reduce poverty. But that global economic integration itself exposed the Indian economy to adverse impact of the economic meltdown. Though the financial crisis started in USA in August 2007, its impact on the real economy started manifesting only by September 2008 all over the world. When the process of financial crisis was evolving in USA and Europe, Indian policy makers argued that since Indian financial system was well regulated and not closely integrated with the global financial system, its impact would be very minimal. However, Indian financial system could not escape completely from the impact of the US financial crisis.

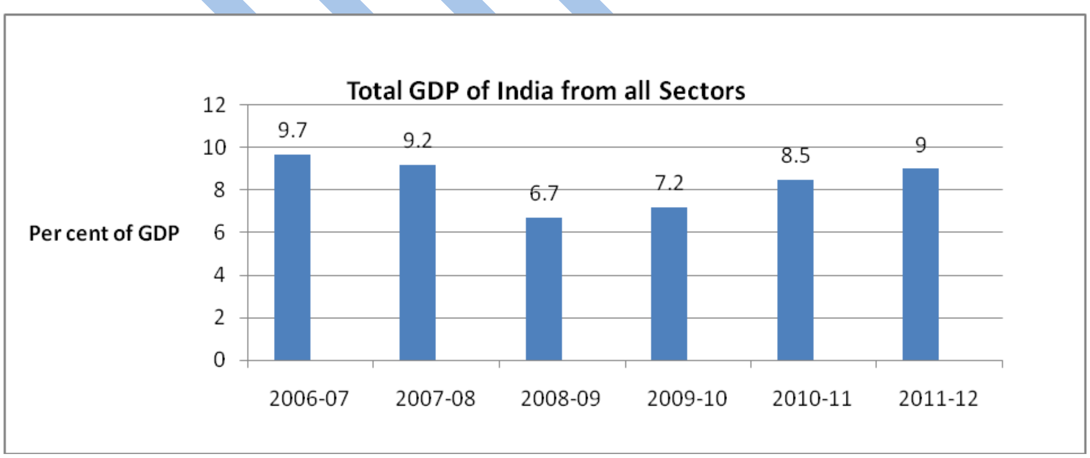
Table- 1

Sectoral Growth Rate of GDP in India in Pre-Meltdown and Meltdown Period (At 2004-05 prices)

	Pre-Crisis Years		**Crisis Years**		**Post-Crisis Years (Forecasts)**	
Sectors	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1. Agriculture, Forestry and Fishing	3.7	4.7	1.6	-0.2	4.5	4.0
2. Mining and Quarrying	8.7	3.9	1.6	8.7	8.0	8.0
3. Manufacturing	14.9	10.3	3.2	8.9	10.0	10.0
4. Electricity, Gas and Water supply	8.5	10.0	3.9	8.2	7.5	9.0
5. Trade, Hotels and Restaurants	11.2	9.5	5.3	8.3	10.0	11.0
6. Construction	10.6	10.0	5.9	6.5	10.0	10.0
7.Transport,Storage and Communication	12.6	13.0	11.6	N.A	N.A	N.A
8. Finance Insurance, Real estate and Business services	14.5	13.2	10.1	9.9	9.5	10.5
9.Community personel and socialservices	2.6	6.7	13.9	8.2	6.0	7.5
10.Total GDP of India from All Sevices	9.7	9.2	6.7	7.2	8.5	9.0

Source: CSO/ economic Survey 2009-10 GOI. And
Economic Outlook for 2010-11, Economic Advisory Council to the Prime Minister, New Delhi.

Fig-1.1



However, the Indian economy could not withstand the impact of the global meltdown beyond 2007-08. In 2008-09 there was an all round decline in the growth rates of GDP from almost all sectors except from community, personal and social services. Consequently, the GDP of the country could grow only at 6.7 per cent in 2008-09, a decline of 2.5 percent over the previous year.

But the Indian economy started recovering from the slowdown towards the end of the fiscal year 2009-10. This is evident from the 7.2 percent growth rate of GDP. Except agriculture which suffered a negative growth rate of 0.2 percent and transport, real estate, finance and community and social services, all other sectors have shown recovery. Notably, mining, manufacturing, construction and electricity generation have shown remarkable recovery. The Centre for Monitoring Indian Economy (CMIE) has estimated India's gross domestic product (GDP) to expand at 9.2 per cent in 2010-11 as compared to the growth of 7.2 per cent in 2009-10. For the current fiscal, the Economic Survey (2010-11) said the economy would grow 8.6 percent. It is expected that the growth will breach the 9 percent mark in 2011-12, reaching the pre-crisis level (TOI 26 February 2011) table-1 fig-1.

According to the Economic Outlook of 2010-11 the strength in horticulture, animal husbandry and fisheries, as well as higher cotton output, helped farm sector GDP to ultimately register a marginally positive growth of 0.2 per cent. Industrial sector recovery became evident in June 2009 and by August 2009 the General Index of Industrial Production (IIP) registered double digit growth rate driven by similar growth rates in output in the manufacturing and mining sector. The service sector has also shown strong recovery with GDP originating in the important sub-sector of "trade, hotels, restaurant, transport & communication" surging in the second half of 2009/10. In 2009/10 the mining sector output grew at 10 per cent but a slowdown is expected in 2010/11 with a projected growth of 8.0 per cent in both output and GDP arising in the sector. Manufacturing output growth in 2009/10 was strong in all the quarters, especially in the case of capital goods and durable consumer goods. The only exception to this was non-durable consumer goods which were impacted by poor export growth and a lower output of sugar. Even though the manufacturing sector has recorded strong growth rate in April and May 2010, the report also expect to ease as the base effect wears off. The projected growth rate in the manufacturing sector and the general index (IIP) is expected at 10 per cent in 2010-11

Accordingly, the GDP arising in the construction sub-sector would rise by 10 per cent in 2010-11, which is likely to inch up to 11 per cent in 2011-12. In the "trade, hotel, restaurants, transport & communication" sub sector, growth picked up in the last two quarters of the year. We expect this trend to be reinforced with 10 per cent growth in both 2010-11 as well as 2011-12. Along with steady expansion in the financial industry we expect this sub-sector to record growth of 9.5 per cent in 2010-11 which will rise further in 2011-12.Overall, we expect GDP arising in the industrial sector to expand 9.6 per cent in 2010-11, rising to 10.3 per cent in 2011-12. The expansion in the services sector is expected to approach 9 per cent in 2010-11 and inch up to 9.6 per cent in 2011-12. Over all, the non-farm sector is expected to grow by 9.2 per cent in 2010-11 and 9.8 per cent in 2011-12.

In addition to these fiscal stimulus measures, the Reserve bank of India also announced monetary measures to increase the liquidity available in the economy particularly for export sector, housing sector, auto sector and construction sector. The RBI reduced the Repo rate from 7.5 to 6.5 and Reverse Repo rate from six to fi ve percent. The RBI also enhanced the refinance capacity of SIDBI to Rs. 7,000 crores and of NHB to Rs. 4,000 crores. Thus the stimulus measures targeted power sector, exports, housing, automobile, SME and infrastructure sectors to revive the economy from recession. These stimulus measures coupled with anti-cyclical fiscal deficit measure announced in the Union budget for 2008-9 created positive impact on the economy. Growth rate of exports which suffered sharp fall in 2008-09 started recovering from the third quarter of 2009-10 as may be seen in Table 1.

The overall India's economic performance will also be analyse in Table -2

Table-2

	GDP Growth Rate	**Forex Resrves**	**FDI**	**Percapita Income**	**Inflation**
1990-91	5.8 Percent	< US $ 1 billion	US $ 97 million	US $ 390	9 percent
2008-09	7.4 percent	US $241.42billion	21325 US million $	US $ 740	7.0
2009-10	8.5 percent	US $ 254.68 billion	69577US million $	1,040@	5.4 percent
2010-11	9.0	US $ 297.3 billion*	N.A	N.A	9 percent*

Source: RBI Report, Economic Outlook 2010-11, * Times of India 26 February 2011.
@ Human Development Report 2009.

In the above Table no. 2 India's GDP growth rates, Forex Reserve, FDI, Per capita income and the rate of inflation is depicted. The overall macroeconomic indicators show the satisfactory trends and not much affected by the financial melt-down in 2008.

The global financial crisis imposes great harm to the world economy and affected virtually almost all areas. In most Countries of the world, growth rate of GDP declined (see table-2) significantly due the financial crisis. Comparing the India's economic performance with the world advance growing economy performance is satisfactory and minimal. Some developed economy for eg USA, Germany, Japan and other advance economy seen strong economic growth, saw significantly slowdown during global financial crisis (table-3). It was estimated that the world output would grow by three percent in 2008 but likely to decline to a mere 0.8 growth rate in 2009. It was also estimated the advanced economies will grow only by 0.5 per cent as compared to negative growth in 2007 and their growth may improve only in 2009 Thimmaiah G.(2010).

Table-3

India and other Developed Countries Economic Growth of projection made by IMF.

	2007	2008	2009	2010	2011
World Output (at market Exchange Rates)	3.9	1.8	-2.0	3.6	3.4
Advance Economies	2.8	0.5	-3.2	2.6	2.4
Emerging and Developing Countries	8.3	6.1	2.4	6.8	6.4
USA	2.1	0.4	-2.4	3.3	2.9
Germany	2.5	1,2	-5.0	1.4	1.6
Japan	2.4	-1.2	-5.2	2.4	1.8
Chaina	13.0	9.6	8.7	10.5	9.6
India	9.4	7.3	5.7	9.4	8.4

Source: World Economic Outlook, IMF, July 2010and World Economic Outlook April, 2010 database.

The IMF in its World Economic Outlook of April 2010 has projected that the advanced economies would grow by 2.3 per cent, compared to a contraction of 3.2 per cent in 2009. This projection is a slight improvement from its January 2010 forecast. In the update to the WEO released on 7 July 2010, the IMF has generally increased its projection of growth in 2010, while slightly scaling down its previous projections for 2011. The strongest rebound is projected for USA which is expected to grow 3.3 per cent in 2010 as compared to a decline of 2.4 per cent in 2009. The Euro-zone is expected to be more sluggish, growing by only 1 per cent in 2010 and up to 1.3 per cent in 2011, compared to a contraction of 4.1 per cent in 2009. Canada, Australia, Korea and other developed East Asian nations are expected to continue to do fairly well in 2010. At market exchange rates, the IMF projects that the world economic output will grow by 3.6 per cent in 2010 and 3.4 per cent in 2011, compared to a contraction of 2.0 per cent in 2009. A summary of some of these projections is placed at Table 3. In its July update, the IMF has significantly raised its growth projections for most economies, except the European Union. Projected growth for the US has been raised by 0.2 and 0.3 percentage points for 2010 and 2011 with respect to the April 2010 estimate. Growth estimates for Asia, including Japan, and Brazil, have also been revised upward. 23. The recovery is expected to sustain in 2011. As per the projections, global trade imbalances are also expected to reduce with both current account surpluses and current account deficits falling.

IV. IMPACT OF THE CRISIS ON INDIA'S TRADE PERFORMANCE:

World trade declined as a result of the financial and economic crisis. The world economic crisis has slashed demand drastically, which in turn has driven down international commodity prices. Between the record high posted in July 2008 and May 2009, the value of world trade diminished by 37%, of which 16% was accounted for by the drop in prices (DGCIS).

For India to become a major player in world trade, an all encompassing, comprehensive vision is required for the overall development of the country's foreign trade. Trade is not an end in itself, but a means to economic growth and national development. The primary purpose is not the mere earning of foreign exchange, but the stimulation of greater economic activity. While increase in exports is of vital importance, there is also need to facilitate those imports which are required to stimulate our economy. Coherence and consistency among trade and other economic policies is important for maximizing the contribution of such policies to development. Thus, while incorporating the existing practice of enunciating a stable 5 year Policy, it is necessary to go much beyond and take an integrated approach to the developmental requirements of India’s foreign trade.

From the year 2008, particularly in the year 2009 world faced an unprecedented economic slow-down and witnessing one of the most severe global recessions in the post-war period. Countries across the world have been affected in varying degrees. Major economic indicators of industrial production, trade, capital flows, unemployment, per capita investment and consumption have taken a hit. The WTO estimates projected a grim forecast that global trade is likely to decline by 9% in volume terms and the IMF estimates projected a decline of over 11% for 2009. The recessionary trend has huge social implications as well.

Though India has not been affected to the same extent as other economies of the world during this phase, yet our exports have suffered a decline since October 2008 significantly on account of shrinkage of demand in the traditional markets of our exports due to global economic slowdown and the reduced international prices of commodities. India’s exports in dollar terms showed a growth of about 48.1% from April to September, 2008 whereas from October, 2008, it started declining, bringing down the cumulative annual growth to 13.6% in 2008–09.

As mention above, the year 2008-09 was marked by adverse development in the external sector of the economy, particularly second half of the year. India’s export has suffered a decline since Oct.2008 significantly due to the shrinkages of demand in the traditional market of our export due to the global economic slow-down and to reduce the international prices of the commodities. India’s export in dollars term showed a growth of about 48.1 percent from April to September 2008 where as from October 2008 it started decline, bringing down the export growth to 28.2 percent in 2008-09.

Table-4

Export Import and Trade Balance during 1990-91 to 2009-10

Year	Export	Import	Trade Balance	Percentage Growth Rate of Export	Percentage Growth Rate of Import
1990-91	32588	45193	-10635	17.7	22.3
1991-92	44042	478551	-3809	35.3	5.9
1992-93	53688	63375	-9687	21.9	32.4
1993-94	69751	73101	-3350	29.9	15.3
1994-95	82674	89971	-7297	18.5	23.1
1995-06	106553	122678	-16365	28.6	36.2
1996-97	118817	138920	-20103	11.7	13.2
1997-98	130101	154176	-24075	9.5	11.0
1998-99	139753	178332	-38579	7.4	15.7
1999-00	159561	215236	-55675	14.2	20.7
2000-01	203571	230873	-27302	27.6	6.2
2001-02	209018	245200	-36182	22.7	6.2
2002-03	255137	297206	-42069	22.1	21.2
2003-2004	293367	359108	-65771	23.4	36.6
2004-05	361879	490532	-128653	23.4	36.6
2005-06	456418	660409	-203991	26.1	34.6
2006-07	571779	840506	-268727	25.3	27.3
2007-08	655864	1012312	-356448	14.7	20.4
2008-09	840755	1374436	-533681	28.2	35.8
2009-10	372096	603206	-533681	-19.0	-23.4

Source: Directorate General of Foregn Trade Ministry of Industry and Commerce Government of India new Delhi , Annual Report 2009-10.

Based on the latest estimates, Merchandise exports register a negative growth of 19.0 percent during 2009-10 while as Import growth rate during 2009-10 also declined and registered a negative growth of 23.4 percent in dollar terms Table-4).

India's Export and Import Scenario

Fig-1.2

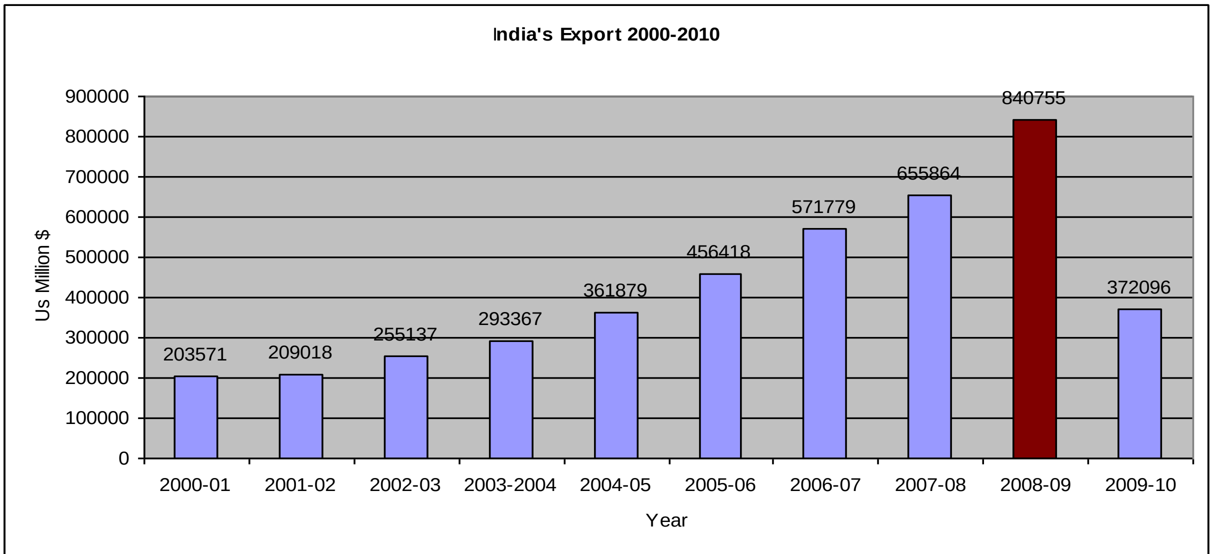
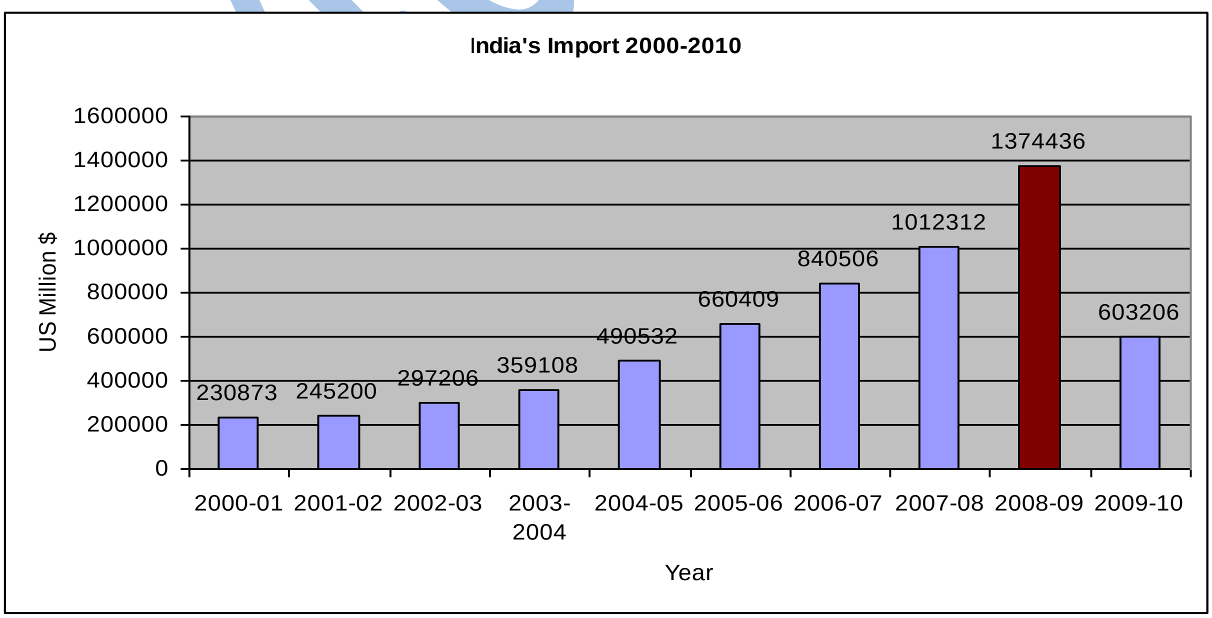


Fig-1.3



India's Export and Import of Principal Commodities:

Export of Principal Commodities:

Table-5

EXPORT OF PRINCIPLE COMMODITIES: APRIL-SEPT.2009-2010

Commodity	2007-2008 (April-March	2008-2009 (April-March)	Percent Growth 08-09 over 07-08	2008-09 (Apr-Sept. 2008)	2009-10 (Apr-Sept. 2009)*	Percent Growth (Col 6 vs Col 5)
1	**2**	**3**	**4**	**5**	**6**	**7**
Total Exports	655863.52	840755.05	28.19	464450.34	372096.01	-19.88
1. Plantation	3906.44	4944.63	26.58	2615.80	2196.88	-16.01
2. Agriculture and Allied products	54396.74	65772.07	20.91	36595.43	27581.69	-24.63
3. Marine Products	6926.67	7066.37	2.02	3312.16	3642.49	9.97
4. Ores and Minirals	36716.92	35877.02	-2.29	19017.84	14024.96	-26.25
5. Leather and MNFRS	14101.30	16355.09	15.98	8610.28	7429.21	-13.72
6. Gems and jewllary	79227.74	128575.19	62.29	74194.22	66064.02	-10.96
7. Sports Goods	539.94	660.22	22.28	357.70	337.01	-5.78
8. Chemical and Related Products	89971.09	109883.82	22. 13	56535.12	51241.48	-9.36
9. Engineering Goods	135717.06	183997.80	35.57	98999.04	73639.30	-25.62
10. Electronic Goods	14083.78	32858.02	133.30	16405.18	14987.52	-8.64
11. Textile	74378.89	88491.61	18.97	43265.53	42045.83	-2.82
12. Handicraft	2046.21	1384.19	-32.35	716.44	459.52	-35.86
13. Carpets	3795.53	3565.04	-6.07	1861.29	2037.06	9.44

* Provisional
Data Source: DGCIS, Kolkata

The above table reflects India's exports of principle commodities during April September 2009-10.Export Scenario of 2009-2010 (April – September 2009) India's export was worth Rs. 372096.01 Crore during April- September 2009 which was 19.9% less than the exports, valued at Rs. 464450.3 Crore during April – September 2008. In terms of US $, India's export during April- September 2009 was to the tune of US $ 76,589.08 million as against the export figure of US$ 108,906.74 million during April- September 2008 showing a decrease of 29.67%. Four major groups falling in non-agricultural sector i.e. (i) Engineering goods 19.79% (Rs.73639.30 Crore), (ii) Gem & Jewellery 17.75%(Rs. 66064.02 Crore), (iii) Chemicals & Related products 13.77% (Rs. 51241.48 Crore) and (iv) Textiles 11.30% (Rs. 42045.83 Crore) had a share of 62.61% in India's total exports during April- September 2009. The export earnings of these product groups were valued at Rs. 232990.6 Crore. Engineering goods, Gem & Jewellery, Chemicals & Related products, Textiles during April– September 2009 as compared to April- September 2008 have negative growth rates of (25.62%), (10.96%), (9.36%) and (2.82%) respectively. Export of Agricultural & Allied Products and Plantation sector contributed an amount of Rs. 29778.57 Crore (8%) to India's total exports during April – September 2009.

Table-6

IMPORT OF PRINCIPLE COMMODITIES: APRIL-SEPT.2009-2010

Commodity	**2007-2008 (April-March**	**2008-2009 (April-March)**	**Percent Growth 08-09 over 07-08**	**2008-09 (Apr-Sept. 2008)**	**2009-10 (Apr-Sept. 2009)***	**Percent Growth (Col 6 vs Col 5)**
1	**2**	**3**	**4**	**5**	**6**	**7**
Total Import	1012311.70	1374435.55	28.19	790616.25	603206.06	-23.7
1. Bulk Import	451357.82	622852.79	38.0	384851.40	259623.34	-32.5
2 Cereals & Preparations	2,839.10	215.85	-92.4	95.84	101.85	6.27
3. Pearls, Precious & Semi-Precious Stones	32,114.18	76,129.98	137.1	44,582.30	26,394.32	-40.80
4. Machinery	181,877.80	186,941.70	2.8	94,759.89	70,669.61	-25.42
5. Project Goods	5,207.90	14,668.02	181.6	6,496.34	9,998.17	53.90

6. **Others**	341,753.99	473,843.06	38.7	259,926.32	236,519.52	-9.01
7. Jute raw	148.01	71.21	-51.9	34.93	85.83	145.72
8. Veg. & animal fats	12.48	12.2	-2.2	5.76	10.49	82.12
9. Cement	218.16	342.69	57.1	209.72	379.22	80.82
10. Computer Soft.physical	4264.78	5853.97	37.3	550.46	4225.89	65.69
11. Pulses	5,374.94	5,989.76	11.4	2,268.96	3,612.44	59.21
12. Tea	130.95	196.89	50.4	102.96	143.69	39.56
13. Fruits & Nuts	1,858.64	2,363.94	27.2	1,001.23	1,292.34	29.08

* Provisional
Data Source: DGCIS, Kolkata

Import of Principal Commodities

The above table reflects India's import of principle commodities during April September 2009-10. India's total imports decreased from Rs. 790616.25 Crore in April - September 2008 to Rs. 603206.06 Crore in April- September 2009 registering a decrease of 23.7% during the year. The corresponding imports in US $ was from 184995.52 million to 124193.94 million registering a decrease of 32.87% during the same period. India's imports of principal commodities are broadly categorised in five major groups namely i) Bulk imports ii) Machinery iii) Pearls, Precious & Semi-precious Stones iv) Project goods and v) Others. Out of these Bulk imports accounted for 43.04%, Machinery 11.72%, Pearls, Precious & Semi-precious Stones accounted for 4.38%, Project goods for 1.66% and the remaining commodities accounted for 39.21%.

The only item which have shown an increase under 'Bulk Imports' and having share more than one per cent during April- September 2009 as compared to April - September 2008 with percentage is: Edible oil (1.97%) and remaining items are declined. Pearls, Precious & Semi-Precious Stones showed a decrease of 40.80% during April – September 2009 over the imports made in April- September 2008. The total imports of this commodity group decreased from Rs. 44582.30 Crore in April - September 2008 to Rs. 26394.32 Crore in April - September 2009. This commodity alone contributes 4.38% in India's total imports. The other important items of import is Transport Equipment, Machine tools, Electrical machinery and Machinery other than electrical under the Machinery group showed a decrease by 51.37% 32.72%, 19.34% 11.54% respectively during April – September 2009.The imports of project goods have shown an increase of 53.90% from Rs. 6496.34 Crore in April-September 2008 to Rs. 9998.17 Crore during April- September 2009. This item had 1.66% share in total imports of the country during April – September 2009.

In the group of 'others' the Commodities which have shown positive growth are: Oil seeds (148.21%), Jute raw (145.69%), Veg. & animal fats (82.12%), Cement (80.82%), Computer Soft.physical (65.69%), Pulses (59.21%), Tea (39.56%), Fruits & Nuts (29.08%), Artf.resins (15.41%), Silk yarn and fabrics (13.8%), Spices (13.49%), Medicinal&Pharma.prds (9.75%), Woollen & Cotton rags (7.22%), Chemical products (3.91%), OtherTextile Yarn fabries etc. (3.32%), Dyeing, tanning matrl (2.8%), Other crude minerals (2.71%), Synth.®.fibres (1.97%), Man made f'mnt spun yarn (1.93%), Cashew Nuts (0.27%). Out of all the commodities imported into India, 37 commodities showed declining trend during April – September 2009 as compared to April- September 2008.

India's Export of Top Ten Commodities:

Top ten commodities exported from India in decreasing order are: Gems & Jewellery, Petroleum (Crude & Products), Basic chemicals, pharma. & Cosmetics, Transport Equipments, Readymade garments, Machinery and instruments, Electronics, Manufacture of metals, Man-made textiles & made-ups etc. Rubber glass & other products. These ten commodities/groups alone accounted for 71.5% of total exports (Rs. 372096.01 Crore) from India during the year April – September 2009. depicts India's export of Principal Commodities during April – September 2009 Table-4). Exports of top ten commodities during April – September 2009 and percentage growth during April – September 2009 over April – September 2008 have been depicted in Table No.6 fig. No. 1.4 shows the percentage share of top ten commodities in India's exports.

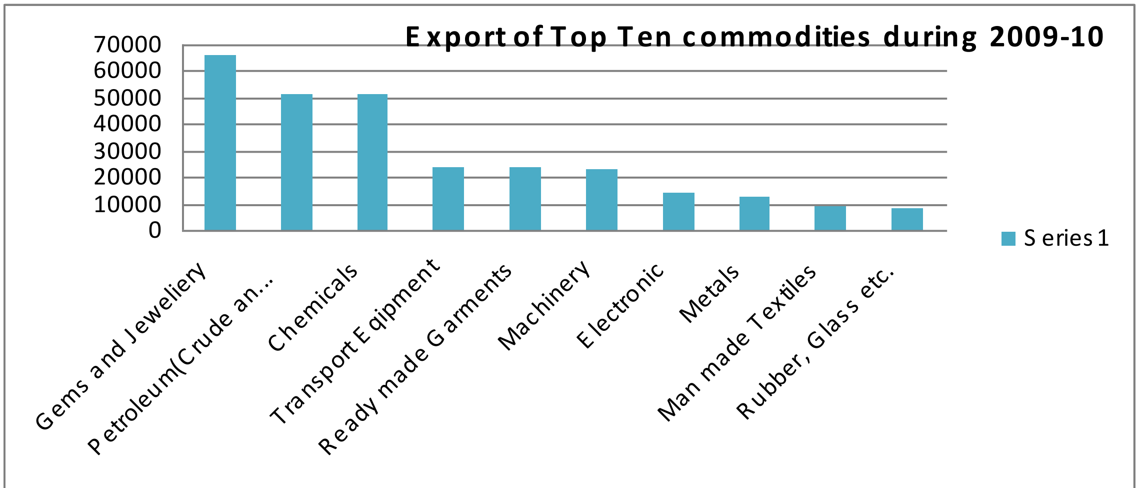
Table-6

India's Exports of Top Ten Commodities

			Value in Rs. Crores
Commodities	**2008-09**	**2009-10**	**Percentage change**
1.Gems and Jewellery	74194.22	66064.02	-10.96
2.Petroleum(Crude and Products)	79925.80	51399.48	-35.69
3.Chemicals	56535.12	51241.48	-9.36
4.Transport Equipment	24472.96	23636.47	-7.21
5.Ready made Garments	23101.82	23627.76	2.28
6.Machinery	25217.02	22716.00	-9.92
7.Electronic	15554.93	14467.18	-6.99
8.Metals	17438.19	12999.68	-25.45
9.Man made Textiles	7861.55	9174.25	16.70
10.Rubber, Glass etc.	10059.56	8509.88	-1541

Source: Directorate General of Foreign Trade Report -kolkata2010.

Fig-1.4



India's Import of Top Ten Commodities:

Top ten commodities imported by India during April– September 2009 in decreasing order are: Petroleum crude & Products, Gold & Silver, Electronic Goods, Machinery other than Electrical, Organic & Inorganic Chemicals, Pearls, Precious & Semi-precious stones, Coal, Coke & briquettes, Iron & Steel, Metalifers Ores & Products and Transport Equipments. These commodities alone accounted for about 75.6% of the total imports made by India during April- September 2009. Table no.7 and chart no.1.5 depicts India's import of Principal commodities during April – September 2009.

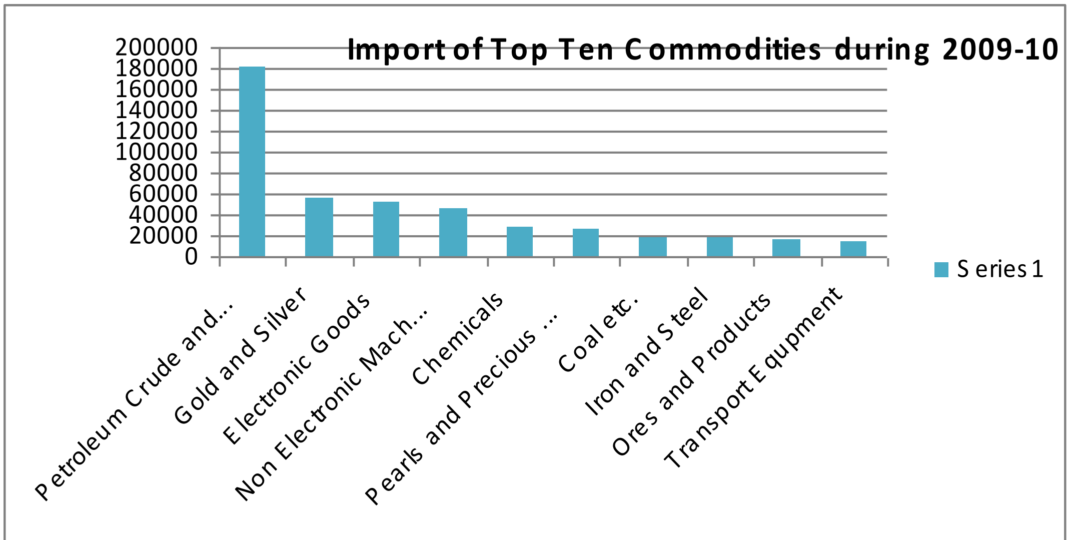
Table-7

India's Imports of Top Ten Commodities during 2009-2010

			Value in Rs. Crores
Commodities	**2008-09**	**2009-10**	**Percentage change**
1.Petroleum Crude and Products	270533.87	181,430.71	-32.94
2.Gold and Silver	65,227.88	56,334.77	-13.63
3.Electronic Goods	55,395.28	51,863.15	-6.38
4.Non Electronic Machinery	51706.38	45738.17	-11.54
5.Chemicals	32672.22	27324.91	-16.37
6.Pearls and Precious Stones	44582.30	26394.32	-40.80
7.Coal etc.	24574.82	18951.76	-22.88
8.Iron and Steel	21904.44	18814.61	-14.11
9.Ores and Products	21540.70	15253.29	-29.19
10.Transport Equipment	28193.06	13709.44	-51.37

Source: Directorate General of Foreign Trade Report -kolkata2010.

Fig-1.5



In order to sustain economic growth during the time of the worst recession, government authorities in India have announced the stimulus packages to prop up economic growth. To finance the stimulus packages, the Indian government has raised over $100 billion over the last four quarters in a way to finance the stimulus packages (Economic Outlook 2010-11). The country's public debt, according to the RBI, has surged to over 50% of the total GDP and the RBI has started printing new currency notes.

As per economic review of India, this nation has been making steady progress in last few years, a fact which is obvious when its rate of growth in last couple of financial years is looked at. For example in financial year 2006, rate of growth achieved by Indian economy was 9.7 percent and in fiscal 2007, this rate came down a touch to about 9.2 percent.

There have been a number of causes behind growth of Indian economy in last couple of years. A number of market reforms have been instituted by Indian government and there has been significant amount of foreign direct investment made in India. Much of this amount has been invested into several businesses including knowledge process outsourcing industries.

CONCLUSION:

This paper indicates that as the economy has slowed down in 2008-09 has been affected by the present crisis but is managing to restore growth and recover. The most direct impact on the crisis is on the India's scrotal GDP which declined from 9.2 per cent to 6.2 percent. India is less exposed to global developments than others but is not totally immune, since exports contribute about one fourth of Indian GDP and half of the exports are directly or indirectly linked with performance of developed economies. Therefore, it is not surprising that demand contraction in the developed markets affected Indian exports and the economy. Surprisingly the flow of remittances which was expected to slow down because of the contraction of GDP in most of the countries which receive maximum inflow of workers from India has remained resilient but if the global economy remains weak it could be affected in the future.

The above analysis also indicates that Indian economy was severely hit by the financial crisis. The impacts deteriorate not only exports and import of the country but also loss of foreign exchange, increase fiscal deficit, declining FDI due to the shrinking of global demand. As far as the recovery of other sectors is concerned, data presented in Table 1, 2, 3, and 4 indicate that they have started recovering from 2009-10.

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