

July 30, 2018

MANUFACTURING MSME EXPORT SHARE INCREASES

Impact: Positive (Manufacturing MSMEs)

Brief: Contrary to the current belief system, share of manufacturing MSME exports has increased in India's exports; manufacturing MSME exports may have grown 21% to reach \$189 billion in FY18

Our estimates suggest that the share of MSME in overall manufacturing (non-oil) exports has been improving continuously and now exceeds 50% (since FY17). Over the last five years, MSME sector has outperformed the overall export trajectory. The sector has posted positive growth for the last five years except for FY16, when the overall exports had contracted by (-) 15% on account of global slowdown. However, showing resilience, export of MSME segment had contracted by just (-) 6% in that period.

With improvement in efficiencies (through better support infrastructure), MSMEs have been able to ramp up their contribution in the overall gross value added. In FY17, the sector expanded by 12.9%, when overall exports expansion was pegged at 5.1%. In FY18, the sector is estimated to have expanded by 27.5% as compared to overall print of 21%. This is despite of just over 8% growth in India's non-oil exports. With low crude prices, Indian refineries were able to add more value to their exports – a fact reflected in 18% growth in India's fuel based exports in FY18. However, the share of such exports remained constant near the 10.5% mark, indicating that no significant changes/shocks were seen in non-fuel exports.

Given these developments, manufacturing MSMEs have expanded their share from 53.6% in FY17 to 56.5% in FY18. The rising value of their trade translates into \$189 billion – over \$40 billion more than the previous year. We believe that MSME exports are primarily driven by Government initiatives in support infrastructure and ease of doing business. As part of skill India initiative, Indian government had previously launched the 'Niryat Bandhu Scheme' in FY15. As a result of this, share of MSME sector in overall exports may have increased to near 50% in FY16 as compared to just under 45% in the previous year. Also, the focused anti-dumping duties may have played a role in incubating domestic manufacturing and helping exports as a result. Based on the current scenario, the segment will record solid growth in FY19 as well – international trade war related headwinds being the only caveat.

	Export (\$ Bn)	MSME export (\$ Bn)	Growth in overall export (%)	Growth in MSME export (%)	Share of MSME in overall exports (%)
2012-13	300	120	-1.82	4.26	40.10%
2013-14	315	134	4.91	11.03	42.40%
2014-15	310	139	-1.51	3.93	44.80%
2015-16	262	131	-15.45	-5.82	49.90%
2016-17	276	148*	5.13*	12.94*	53.60%*
2017-18	334	189*	21.01*	27.53*	56.51%*

Source: Acuité Knowledge Center Estimate; CMIE; Ministry of MSME



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