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**“2008 GLOBAL ECONOMIC CRISIS AND ITS IMPACT ON INDIA’S  
EXPORTS AND IMPORTS”**

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## **“2008 GLOBAL ECONOMIC CRISIS AND ITS IMPACT ON INDIA’S EXPORTS AND IMPORTS”**

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**Abstract:** After the introduction of Liberalization, Privatization and Globalization by the name of economic reforms Indian economy has been integrated with the global economy. This integration enabled India to move on high growth path but that integration exposed Indian economy to adverse impacts from the world economy. India’s share in the world trade is less than 2 per cent. India’s vision in the world trade is not only earning foreign exchange but also to induce the economic growth and development. To achieve this vision India is trying to increase its exports. But the 2008 global economic crisis has hindered this effort. Since the globalization, it is explicit that the shocks in the world economy may affect the Indian economy also. There is a need to assess those effects on our economy is the need of the hour.

Key words: Global Economic Crisis, India, Exports, Imports.

# **“2008 GLOBAL ECONOMIC CRISIS AND ITS IMPACT ON INDIA’S EXPORTS AND IMPORTS”**

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## **I.INTRODUCTION**

After the introduction of Liberalization, Privatization and Globalization, by the name of economic reforms, Indian economy has been integrated with the global economy. This integration enabled India to move on high growth path but that integration exposed Indian economy to adverse impacts from the world economy. India’s share in the world trade is less than 2 per cent. India’s vision in the world trade is not only earning foreign exchange but also to induce the economic growth and development. To achieve this vision India is trying to increase its exports. But the 2008 global economic crisis has hindered this effort. Hence it is important for India to assess the situation and overcome the problems.

## **II.METHODOLOGY**

Since the globalization, it is explicit that the shocks in the world economy may affect the Indian economy also. There is a need to assess those effects on our economy is the need of the hour. In the light of that purpose this paper aims to assess the impact of the 2008 global economic crisis on India’s exports and imports. To assess that effect secondary data of India’s exports and imports from the Reserve Bank of India has been used and with the help of the statistical tools such as percentage and average an analysis has been carried out.

In the analysis Septembet-2008 has been considered as the crucial month because from that month the 2008 world economic crisis has been explicitly felt by the world economies. The exports and imports data from October- 2007 to September- 2008 has been taken into account to assess the pre-crisis situation

and the data from October- 2008 to September- 2011 has been considered for the study to analyze the year wise post-crisis period situation.

### III.2008 GLOBAL ECONOMIC CRISIS AND ITS IMPACT ON INDIA'S EXPORTS AND IMPORTS

The global financial crisis of 2008-09 emerged in September-2008 with the failure merger of several large United States based financial firms and spread with the insolvency of additional companies, governments in Europe, recession and declining stock market prices around the globe. But the financial crisis really started to show its effects in the middle of 2007. Around the world, stock markets have fallen, large financial institutions have collapsed or been brought out and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial system (Rajiv Kumar Bhatt 2011). The current global economic crisis has originated in the sub-prime mortgage crisis in USA in 2007. With easy availability of credit at low interest rates, real estate prices in US had been rising rapidly since the late-1990s and investment in housing had assured financial return (Robert J.Shiller 2008).

With the economic reforms of 1991, India reintegrated into the world economy, with higher trade and capital inflows, thus making her more vulnerable to global crisis. A resilient economy India did not go unscathed by the recent crisis,, although its downside was far better contained than in the developed world. The current phase of dramatic GDP growth of above 9% from 2004 to 2007 has basically come from the external environment and as part of this pattern, India has seen an expanded trade and flood of capital inflows (Nandita Sethi 2011). There is no doubt that India has gained as a consequence of globalization in improving its share of world exports of goods and services has improved from 0.53 per cent in 1990 to 1.17 per cent in 2005 (Ruddar Datt and KPM Sundaram 2009). India's exports has not been affected to same extent as other economies of the world during the phase of global slowdown, yet

exports which had suffered a decline since October-2008 continued of first seven consecutive months in 2009-10 as well. However, the declining trend became less steep from 2005 onwards and turned the positive phase from the month of November, 2009 reversing the earlier trend (GoI 2011).

#### IV. ANALYSIS

Table No.1 gives the India's export data from October-2007 to September-2011 in US \$ millions. In October-07 India's export was US \$14674.7 millions, but in the next month it slumped to US \$12909.3 millions. After that till July-08, India's export was on the increasing trend; in July-08 export was US \$19030.4 millions. India's export was started to decline from the month of July-08, in that month India's export was US \$19030.40 millions and in September-08 that was US \$15789.1 millions.

World economy started to suffer from the economic crisis from September-08. That was echoed in India economy also. India's export was continuously on the declining path from August-08 to September-09. During December-07 India's export was US \$14625.5 millions but that was declined to US \$13368.2 millions in December-08, the change was -8.60. Like that, India's export was US \$19180.9 millions during the month of June-08 where as that was US \$13606.3 millions in June-09.

From October-09 there were signs of recoveries in India's export, in that month India's export was US \$14806 millions, a positive 4.78% change when comparing with the month October-08 and 0.89% increase when comparing with the month October-07. This trend has been continued in all the months of our analysis period except in the months April-10, May-10, July-10 and August-10.

Table No: 1. India's Exports from October-2007 to September-2011 in US \$ millions

Sl.NO	Month and Year	Exports	Month and Year	Exports	% of change comparing with the same month of the previous year	Month and Year	Exports	% of change comparing with the same month of the previous year	% of change comparing with the same month of the year 2007	Month and Year	Exports	% of change comparing with the same month of the previous year	% of change comparing with the same month of the year 2007
1	Oct--07	14674.7	Oct--08	14130.8	-3.71	Oct--09	14806	4.78	0.89	Oct--11	19080.8	28.87	30.03
2	Nov--07	12909.3	Nov--08	11163.3	-13.53	Nov--09	14932.5	33.76	15.67	Nov--11	22575	51.18	74.87
3	Dec--07	14625.5	Dec--08	13368.2	-8.60	Dec--09	16433.5	22.93	12.36	Dec--11	23349.4	42.08	59.65
4	Jan--08	14889.1	Jan--09	12869	-13.57	Jan--10	15557.1	20.89	4.49	Jan--12	22691.8	45.86	52.41
5	Feb--08	15116.2	Feb--09	11940.9	-21.01	Feb--10	15757.7	31.96	4.24	Feb--12	23243.5	47.51	53.77
6	Mar--08	17254	Mar--09	12916.3	-25.14	Mar--10	20254.1	56.81	17.39	Mar--12	30418.5	50.18	76.30
7	Apr--08	18640.4	Apr--09	12475.7	-33.07	Apr--10	18139.1	45.40	-2.69	Apr--12	23473.5	29.41	25.93
8	May--08	18686.6	May--09	12316.5	-34.09	May--10	17282	40.32	-7.52	May--12	26522.4	53.47	41.93
9	June--08	19180.9	June--09	13606.3	-29.06	June--10	20667.1	51.89	7.75	June--12	26511.6	28.28	38.22
10	July--08	19030.4	July--09	14341.3	-24.64	July--10	16954.5	18.22	-10.91	July--12	26340.7	55.36	38.41
11	Aug--08	17759.3	Aug--09	13586.3	-23.50	Aug--10	17750.4	30.65	-0.05	Aug--12	24739.4	39.37	39.30
12	Sep--08	15789.1	Sep--09	14624.2	-7.38	Sep--10	18984.2	29.81	20.24	Sep--12	26597.5	40.10	68.45
	Average	16546.29		13111.57	-19.77		17293.18	32.29	5.16		24628.68	42.64	49.94

Source: Reserve Bank of India

Table No: 2. India's Imports from October-2007 to September-2011 in US \$ millions

Sl.NO	Month and Year	Imports	Month and Year	Imports	% of change comparing with the same month of the previous year	Month and Year	Imports	% of change comparing with the same month of the previous year	% of change comparing with the same month of the year 2007	Month and Year	Imports	% of change comparing with the same month of the previous year	% of change comparing with the same month of the year 2007
1	Oct--07	21832.6	Oct--08	25869.3	18.49	Oct--09	25935.8	0.26	18.79	Oct--11	32461.7	25.16	48.68
2	Nov--07	22104.1	Nov--08	23448.2	6.08	Nov--09	24996.5	6.60	13.09	Nov--11	28842.3	15.39	30.48
3	Dec--07	20116.9	Dec--08	19456.3	-3.28	Dec--09	28251.4	45.20	40.44	Dec--11	31511.1	11.54	56.64
4	Jan--08	22844.4	Jan--09	18228.2	-20.21	Jan--10	25267	38.61	10.60	Jan--12	33353.6	32.00	46.00
5	Feb--08	20804.4	Feb--09	15062.2	-27.60	Feb--10	26163.8	73.71	25.76	Feb--12	32973.4	26.03	58.49
6	Mar--08	23573.7	Mar--09	16596.6	-29.60	Mar--10	29626.9	78.51	25.68	Mar--12	34267	15.66	45.36
7	Apr--08	30316.9	Apr--09	19340.7	-36.20	Apr--10	31674.9	63.77	4.48	Apr--12	36589.9	15.52	20.69
8	May--08	29443.6	May--09	20036.4	-31.95	May--10	29747.1	48.47	1.03	May--12	45281.9	52.22	53.79
9	June--08	28950.6	June--09	23055	-20.36	June--10	28648.6	24.26	-1.04	June--12	40870.2	42.66	41.17
10	July--08	31625.5	July--09	21723.5	-31.31	July--10	29669.9	36.58	-6.18	July--12	41059.7	38.39	29.83
11	Aug--08	33523.2	Aug--09	22448.7	-33.04	Aug--10	27107.7	20.75	-19.14	Aug--12	39950.3	47.38	19.17
12	Sep--08	31135.7	Sep--09	21527.2	-30.86	Sep--10	29511.8	37.09	-5.22	Sep--12	39765.3	34.74	27.72
	Average	26355.97		20566.03	-19.99		28050.12	39.49	9.02		36410.53	29.72	39.84

Source: Reserve Bank of India



The average export from October-07 to September-08 was US \$ 16546.3 millions, from October-08 to September-09 was a US \$13111.6 millions, from October-09 to September-10 was a US \$17293.2 millions and from October-10 to September-11 was a US \$24628.7 millions. The average growth rate of India's export was -20.76 in 2008-09, 32.29 in 2009-10 and 42.64 in 2010-11 when comparing with the previous year export average and 5.16% change in 2009-10 and 49.94% change in 2010-11 when comparing with the 2007-08 average. This shows that the set back for the India's export by the 2008 global economic crisis has lasted for one year only (from October-08 to September-09). After that one year period India has recovered and showed a positive growth in exports.

Table No.2 gives India's import data from October-07 to September-11. It can be observed from the table that even if there were some ups and downs, India's import was on the increasing phase from October-07 till August-08. India's import was US \$21832.6 millions in October-07 and US \$33523.2 millions in August-08. From September-08 till September-09 India's import was on the negative growth path because of the global economic crisis. India's import was minimum in February-09, i.e., US \$15062 millions. From October-09 till September-11 India's import was on the increasing phase which shows that within a period of one year India overcome from the problems of global economic crisis. The average import from October-07 to September-08 US \$26356, from October-08 to September-09 US \$20566, a shortfall of US \$5760 millions and the growth rate was -19.99%. The average import from October-09 to September-10 was a US \$28050.1 millions and the growth rate was 39.49 and from October-10 to September-11 was a US \$36410.5 millions and the growth rate was 29.72. When comparing with the 2007-08 data, month wise analysis shows that from October-09 onwards there was positive growth in every month. From this it can be understood that 2008 global economic crisis

affected India's imports for one year only, after that India has recovered from that shock.

## V.SUMMARY AND CONCLUSIONS

There are many pros and cons for India from the globalization. India's growth rate is as high as many developed economies and even some times higher than those economies because of globalization. On the other hand, India is facing some shocks from global economic crisis but due to the internal factors like household sectors savings she can overcome these economic setbacks. 2008 global economic crisis affected India's exports and imports but those lasted for only one year. Now India's external sector has overcome from the economic crisis and is marching on the development path. As rightly pointed out by the Rajya Sabha Secretariat Report "India has by-and-large been spared of global financial contagion due to the sub-prime turmoil for a variety of reasons. India's growth process has been largely domestic driven".

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