

## Q &amp; A.

# 'Pharma exports to touch \$27b in FY23'

**G Naga Sridhar**

Hyderabad

With eight Indian companies among the top-20 global generic players in the world, India is now being seen as a pharmacy hub of the world, with exports worth \$24.62 billion. Apart from contributing 65 per cent of the total vaccines sourced by the WHO, and being one of the main suppliers of Covid vaccines to the world, the pharma industry showed resilience in 2022, and is set to scale to new heights in the new year. In an interview with *businessline*, R Uday Bhaskar, Director-General, Pharmaceuticals Export Promotion Council (Pharmexcil), shares his thoughts. Excerpts:

**With Russia being a significant market in the CIS region, how have pharma exports been impacted by the war?**

We are working very closely with Russian agencies to tackle the situation. Contrary to the initial fears, it did not show any big impact. Our data shows a degrowth of exports to Russia by about 6 per cent in April-Nov, but it might get adjusted in the remaining three quarters of the current fiscal.

**In terms of export destinations, where do you see the need to take steps to boost exports?**

While things in the US and Europe are satisfactory, Africa is one of the markets where we need to focus more. We need to continue to work closely to arrest some negative trends, and send the right message that Indian generics are very much relevant to African countries, in terms of price and quality.

**What are the measures you suggest to sustain competition and**



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**R UDAY BHASKAR**

Director-General, Pharmexcil

**boost exports further?**

Off-patent-driven opportunities will dwindle, going forward. If the industry remains focussed on conventional generics, we may have tough times in the future as some other countries are catching up in this segment.

Drugmakers need to move in the direction of emerging areas such as biosimilars, complex generics and customised medicine, to tap the huge potential in the days to come. Import-substitution is also important. The PLI scheme is helping to an extent in this regard, but more efforts and industry-government collaboration will be needed.

**How was pharma exports in 2022?**

We have offset some of the challenges such as geopolitical issues and pricing pressures. We are expected to reach \$27 billion exports in the current fiscal year, compared to \$24.62 billion in 2021-22.

# Export prospects for 2023 remain bleak as key markets face downturn

2022 marked turning point in Indian trade, despite late slowdown

BANIKINKAR PATTANAYAK  
NEW DELHI, JANUARY 1

A DEMAND SLOWDOWN looms over global trade in the new year, and India is unlikely to remain unscathed. New Delhi's export competitiveness and market diversification attempts will be put to rigorous test in 2023 as its top buyers — the US and the EU — face an extended period of growth deceleration, while China, its fourth-largest export destination, is bruised by the pandemic. India's export performance, which remained robust until the first half of 2022, started losing momentum in the second half, as external circumstances increasingly turned unfavourable.

Nevertheless, in many ways, 2022 proved to be a turning point for Indian trade. Goods exports are estimated to have breached the \$400-billion mark for the first time and hit \$440-450 billion in calendar year 2022, against \$395 billion in 2021. Services exports may have touched a record \$295-300 billion in 2022 from \$254 billion last year.

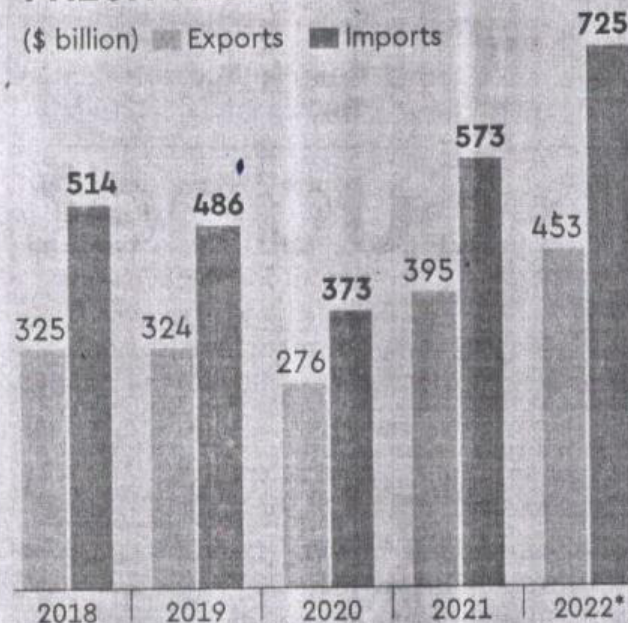
More importantly, shedding inhibitions over trade deals that were long blamed for exacerbating its trade deficit, India signed a free trade agreement (FTA) with the UAE in February, the first with any economy in a decade.

Two months later, it hammered out an interim trade deal with Australia and is expected to start talks for a broader FTA with Canberra in January. New Delhi is now engaged in FTA negotiations with key economies — including the UK, the EU and Canada — and expects at least two of these pacts to fructify in 2023.

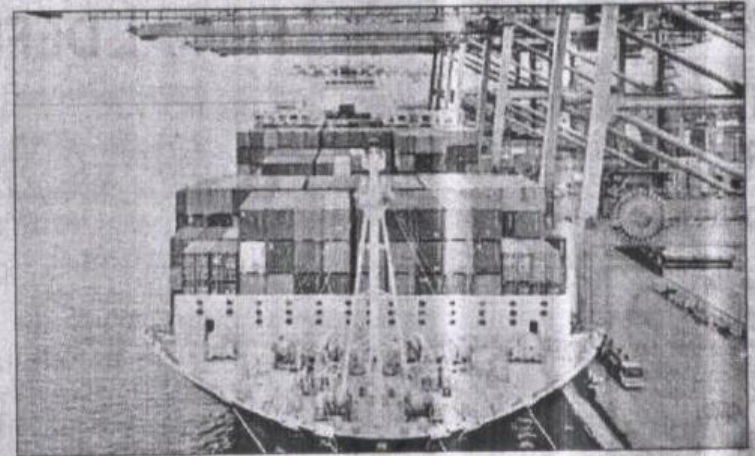
The government expects duty-free access under the FTAs, in addition to its renewed push for market diversification and product basket expansion, to help exporters turn the tide. But that will be easier said

## GOODS TRADE HITS FRESH HIGH

(\$ billion) Exports Imports



\*Annualised, based on data up to November



## Share in world exports still meagre



than done, at least in the short run. The World Trade Organization (WTO) recently warned of a darkened 2023 and projected that global trade growth will drop to only 1% next year from 3.5% in 2022. It also cautioned about a contraction if the Ukraine conflict escalates. This means export prospects for countries, including India, could remain far more subdued in 2023 than this year.

In fact, according to an earlier HSBC report, global economic growth deceleration explains for roughly a third of India's trade slowdown.

Moreover, economies like the EU have proposed to slap carbon border adjustment measures, which typically aim to tax imported goods, including steel and cement, from countries with less strict climate policies.

"India's exports outlook for 2023 depends considerably on the oil price movement and the recovery in global demand," said Ajay Sahai, director general and chief executive at the Federation of Indian Exports Organisation.

"If oil prices remain around \$75-80 per barrel, the global economy and trade may recover

fast. The indications so far that prices of oil prices will come down. But we have to be watchful," he added.

Global Trade Research Initiative co-founder Ajay Srivastava said the weak global trade growth forecast is currently influenced by a number of factors — elevated US inflation leading to fears of multiple events of interest rate hikes; Europe reeling under high energy prices; China's Covid problems and the impact of US sanctions on high tech products; and the Ukraine war. What is also worrying is that, at 2%, India's share in world trade is lower than its 3.5% share in world GDP.

"But the outlook may look up dramatically with the end of the Ukraine war, and China controlling Covid. Both are distinct possibilities," he said.

However, there are silver linings, too. The rollout of 14 production-linked incentive (PLI) schemes in the aftermath of the pandemic will start boosting domestic manufacturing and ultimately prop up exports. Srivastava expected a "steep boost" to India's electronics exports, as the PLI-supported production goes to market next year.

This could somewhat offset the weak growth in traditional sectors like engineering and textiles.

Moreover, India's services sector is expected to defy the sharp growth slowdown in the US and the EU better than the merchandise sector. If anything, the slowdown or recession in advanced economies may brighten the prospects for Indian services exporters, as these countries tend to start diverting a larger number of orders to cheaper destinations to cut down on costs, according to Services Export Promotion Council chairman Sunil Talati. This is especially true of segments like accountancy and legal services.

For instance, until November this fiscal, services exports jumped almost 29% from a year before to an estimated \$204.4 billion. In contrast, goods exports rose by only 11% until November to \$295.3 billion.

Meanwhile, goods imports, too, are expected to shoot up to a record \$725 billion in 2022, against \$573 billion in 2021. Elevated imports inflated the current account deficit to about a decade high of 4.4% of GDP in the second quarter. Of course, the pressure has eased from the December quarter and may remain benign in 2023, as import growth falters.

