Demand and Supply Factors in the Determination of India’s Disaggregated Manufactured Exports: A Simultaneous Error-Correction Approach


Abstract

This paper is an investigation of the demand and supply factors underlying the long-term behaviour of India’s disaggregated manufactured exports. Broadly, there are two divided views on India’s export behaviour: while the predominant view stresses the importance of supply and policy related factors, other studies find the significance of world demand in export determination. The issue is more important than empirical estimation of determinants of exports; it is theoretically motivated as India has been able to expand exports across sectors in tandem with changes in trade regimes. However, the fact of varying export growth across different sectors does not lend support to the observation that only policies explain export performance, rather it highlights the importance of other demand and supply factors at the sectoral level. An imperfect substitutes demand-supply model of export determination is set out and the model is estimated in an error-correction framework using systems method. The model explains behaviour of disaggregated exports well. It shows the importance of demand as well as supply effects in the determination of India’s disaggregated exports except textiles and garments.

References:


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export performance at the disaggregated level. Most disaggregated exports are responsive to world demand and relative prices. The degree of this responsiveness is relatively high for value added exports than that of primary or low value added exports. “Demand and Supply Factors in the Determination of India’s Disaggregated Manufactured Exports: A Simultaneous Error-Correction Approach.” Working Paper No. 383. CDS, Trivandrum.