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INTERNATIONAL NEWS

China-Cambodia FTA heralds a new era in trade corporation during pandemic

In October last year, Cambodia signed a free trade agreement (FTA) with China to boost its COVID-19-hit economy. As per a Business Times report, the agreement includes development of infrastructure and connectivity projects to facilitate transportation of goods between the two countries.

The FTA was signed under the Chinese government's Belt and Road Initiative. It aims to boost Cambodia's infrastructure capacity and logistic performance, says Prayag Chitrakar, Country Manager, DHL Express Cambodia.

The agreement provides the much-needed fillip for Cambodia's COVID-hit economy that is expected to grow only 2.5 per cent this year, against the earlier projection of 4.1 per cent.

Understanding the agreement

Complete details of the deal are yet to be published by the Cambodian government. It is primarily said to be agriculture-oriented, and would help Cambodia boost domestic production of agro products like bananas, mangoes, cassava, longan, cashew nuts,etc, adds Seang Thay, Spokesperson, Cambodian Ministry of Commerce The deal, however, does not take the garment industry into account as China also competes with Cambodia in garment manufacturing, adds Chitrakar. He expects the FTA to grant Cambodia duty-free access to China's markets in other areas such as agriculture, tourism, construction, transportation, and investment climate.

In all, the deal mandates Cambodia to export over 10,000 products to China, as per a recent Eurocham event. On the other hand, China can ship over 8,000 products to Cambodia. These products could be exported on either zero or reduced duties to both countries. The China-ASEAN FTA already offers reduced tariffs to both these nations.

Aiding economic recovery

The deal would reinvigorate Cambodia's economy besides reducing the challenges faced by the Cambodian domestic apparel market, says a new World Bank report. Particular at advantage will be Cambodia's rice industry that exports 50 per cent of rice to China. Around 10 per cent of DHL Express' outbound shipments from Cambodia are directed to China. The company hopes to grow this percentage further with the conclusion of the deal. However, for this, it needs to first familiarize itself with Chinese markets and its regulations, opines Chitrakar.

Ensuring inclusive growth

The deal needs to increase Cambodia's economic competitiveness besides generating local jobs, adds Heimkhemra Suy, Advisor, Deutsche Gesellschaft für Internationale Zusammenarbeit, a German development agency. As a part of this deal, Cambodia will develop its rice industry in return for China's economic efficiency in manufacturing. This will encourage both countries invest in areas of comparative advantage. The signing of this deal signifies the ensuing economic and trade corporation between the two countries.

Source: fashionatingworld.com– Sep 30, 2021

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The worldwide fiber market to reach $1.7 billion by 2028

Growing at a CAGR of 15.1 per cent from 2021 to 2028, the worldwide abaca fiber market is expected to reach $1.7 billion by the end of the forecast period. As per a Textile Focus report, growth in the market would be promoted by the adoption of natural fibers as a substitute for harmful synthetic fibers and metals in many sectors.

During the projection period, the paper and pulp sector will emerge as the most important application category. The major target markets will be Japan, the United States, and European nations. Due to growing demand for non-wood fibers as raw materials for specialty paper applications, the pulp and paper product category will account for the biggest revenue share of $347.3 million in 2020. Due to strong demand for items like as ropes, currency notes, automobiles, and food packaging, Asia Pacific dominated in terms of income. The revenue share of the fiber craft product sector is anticipated to rise at a CAGR of 11.8 percent over the forecast period.

Source: fashionatingworld.com– Sep 30, 2021

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Pakistan: Textile mills aim to meet $21b export target

The textile industry will achieve this fiscal year's export target of $21 billion if it receives full support of the government, uninterrupted energy supply at competitive tariffs and raw material, said All Pakistan Textile Mills Association (Aptma) Patron-in-Chief Gohar Ejaz.

Speaking at the annual general meeting of the association, he opposed the imposition of regulatory duty on cotton yarn exports, saying that it would not only distort the momentum gained in exports after decades but would also disturb government policies for export-led growth.

"Aptma will never support any policy which goes against the interest of cotton farmers," he said while expressing the association's commitment to offer international prices to the farmers.

"This year, cotton farmers will get Rs600 billion as compared to Rs200 billion last year, resulting in an additional payment of Rs400 billion," he added.

He emphasised that cotton yarn was sufficiently available in the country for consumption in the value-added sector, which was reflected in the 25% decline in cotton yarn exports from 0.522 million tons in 2018 to 0.390 million tons in 2021.

He pointed out that exports of cotton yarn in fiscal year 2021 had decreased by 5% in quantitative terms as compared to FY20.

"Instead of imposing regulatory duty on cotton yarn exports, there is an urgent need to ensure the supply of basic raw material at competitive rates," he said.

"Domestic production of cotton yarn is about 3.5 million tons, of which 90% is used in the value-added sector and only 10% is exported," he added.
Ejaz highlighted that during fiscal year 2021, exports of the value-added sector recorded a significant growth, adding that there "was 32% growth in exports of towel, 19% growth in garments, 37% in knitwear and 29% in bed wear".

Overall textile exports registered a 29% growth in the first two months of current fiscal year, he said, adding that in August alone textile exports rose 45% over the same month of previous year.

Ejaz announced that the textile industry was investing $5 billion by adding 100 new plants, which would provide 500,000 new jobs.
Earlier, Aptma Secretary General and Executive Director Mohammad Raza Baqir announced that Abdul Rahim Nasir had been elected central chairman of Aptma while Muhammad Jameel Qasim was elected senior vice chairman and Atta Shafi Tanvir Sheikh vice chairman.

Source: tribune.com.pk– Oct 01, 2021

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Pakistan: Apparel industry seeks duty-free yarn import

The Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) has urged the government to continue duty-free import of cotton yarn until the country achieves self-sufficiency in the raw material production.

“Pakistan has been unable to realise its full export potential due to the lack of product diversification and limited access to raw material,” newly elected PRGMEA Regional Chairman Sheikh Luqman Amin said. He said that all taxes and duties on cotton yarn import should be withdrawn on a long-term basis to ensure price competitiveness and product diversification.

In April 2021, the Economic Coordination Committee (ECC) of the cabinet had withdrawn customs duty on cotton yarn import for a period of three months, he recalled, adding that the move supported the apparel sector and the national economy.

“As the relief ended in June 2021 amid cotton shortage, export growth is expected to be affected severely, which should be avoided at any cost,” he said.

He highlighted that the government had also withdrawn 5% regulatory duty on cotton yarn import in December 2020, adding that both concessions should continue “until the country is capable of meeting textile industry’s demand for 10 million cotton bales”.

He lamented that exporters had stopped booking international orders due to the price factor and artificial shortage of cotton yarn created by the spinning industry, which was holding stock of the commodity in the hope of further rate hike.

Amin requested Prime Minister Imran Khan to direct the ministries concerned to prepare a strategy to help the apparel industry stay afloat.

On the occasion, PRGMEA Chief Coordinator Ijaz Khokhar appealed to Adviser to Prime Minister on Commerce and Investment Abdul Razak Dawood to put the association’s demand before the ECC “as the shortage of yarn persists and exporters are not booking international orders due to scarcity of raw material”.

“At a time when the exporters are facing financial crunch in the wake of 700% jump in sea freight charges and uncertainty about the rupee-dollar exchange rate, the duty-free raw material will provide some cushion to the apparel sector,” he observed.

He termed the import of cotton yarn through land route as the solution to raw material shortages, particularly when shipping lines had hiked freight charges.

Source: tribune.com.pk– Sep 30, 2021

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Bangladesh: A cautious approach can help apparel exporters boost prices

Slowly but surely, the fashion industry is getting back on its feet from the debris created by the pandemic that threatened the entire world. As per a Textile Today report, the industry is bouncing back from the crisis with manufacturers bagging large orders from buyers. Reopening of stores is also boosting sales of biggest fashion retailers including Inditex, H&M, Massimo Dutti, etc above pre-pandemic levels with customers flocking stores in huge numbers.

Sales increase but profit margins suffer

During the May-July period, Inditex sales increased 7 per cent to €6.99 billion. Sales of other leading brands also increased during the period as manufacturers got enough work orders. However, manufacturers failed to get the right prices for their orders from buyers which dented profits by a huge margin. Manufacturers' profits also suffered owing to other issues like shorter delivery times offered by buyers while placing orders and a rush to ship their goods for Christmas sales.

For time-bound supplies, exporters usually deliver their products through air freight. This increases their import and export costs as COVID-19 has increased freight rates for shipping of goods. Also, the surge in air shipping has increased the number of scanners and flights. This is causing significant losses for Bangladesh apparel exporters as they are missing freight transport deadlines. To survive in a sustainable way, exporters need to ensure a sustainable profit and abstain from accepting all orders offered to them.

Cautious approach to protect exporters' interest

A lucrative sourcing destination, buyers prefer Bangladesh for the cheap prices it offers. As per many market researches, buyers will continue to favor Bangladesh for its supplier driven policies. Exporters need to explore this opportunity to negotiate better prices. They need to present a united approach to buyers to ensure sustainable profit. A cautious approach while accepting orders will help protect their interests.

They need to also keep in mind their capacity to deliver the required products on time. Only, this will help them boost their company's and country's image in the global apparel market.

Source: fashionatingworld.com– Sep 30, 2021

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Dhaka: Yarn prices drop as imports boost supply

But industry insiders said the price decreases due to imports were quite small and that prices remained much higher than those of 2020

Yarn imports have boosted supply and brought down local prices, ending a months-long tangle in the apparels market.

For the last couple of months, textile millers and apparel exporters had been locked in a battle over rising yarn prices, with millers claiming that high prices were tethered to a surge in demand.

RMG manufacturers have responded by importing yarn.

Industry insiders said the price decreases due to imports were quite small. They said prices remained much higher than those of 2020.

At the beginning of this year, 30-count yarn, used in the manufacture of apparel products, sold at $4.35-$4.40 per kg. Prices have now fallen to $4.10-$4.15 per kg.

Source: dhakatribune.com – Sep 30, 2021

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APTMA says optimistic about $21bn textile export target

APTMA Patron in Chief Gohar Ejaz, while addressing the Annual General Meeting of the Association, has vowed to achieve the current year's lofty textile export target of $21 billion with full support from the government, uninterrupted and incessant supply of energy to the textile mills at regionally competitive tariffs and availability of cotton and other inputs.

Earlier, APTMA Secretary General and Executive Director Mohammad Raza Baqir announced the results on behalf of Election Commission. According to the results announced by him, Abdul Rahim Nasir has been elected as Central Chairman APTMA along with Muhammad Jameel Qasim as Senior Vice Chairman and Atta Shafi Tanvir Sheikh as Vice Chairman. While in zonal elections, Hamid Zaman has been elected as Chairman, Kamran Arshad as Senior Vice Chairman, Muhammad Anees Khawaja as Vice Chairman and Asad Shafi as Treasurer of the Northern Zone.

Talking on this occasion, Gohar Ejaz strongly opposed the move of imposing Regulatory Duty on the export of cotton yarn on the ground that it would not only distort the momentum gained in exports after decades but will also disturb the continuity of governmental policies for export-led growth.

Gohar Ejaz said "APTMA will never support any policy which goes against the interest of cotton farmers." He explained that APTMA is committed to give international prices to the cotton farmers, and this year cotton farmers will get Rs600 billion as against Rs200 billion paid to them in the last year resulting in additional payment of Rs400 billion to poor farmers.

He emphasized that cotton yarn is sufficiently available in the country for consumption in the value-added sector for export purposes which is evident from the fact that cotton yarn export has declined by 25 percent in quantitative terms from 0.522 million tons in 2018 to 0.390 million tons during 2021 and 26 percent in value terms. He further pointed out that exports of cotton yarn in FY21 have decreased by five percent in quantitative terms as compared to FY20.

He rejected the idea of imposing any Regulatory Duty on export of yarn and asked the government to avoid distancing from the free market economy factors.

Gohar demanded that instead of considering any idea to impose RD on cotton yarn export, there is an urgent need to ensure the supply of basic raw materials (cotton and MMF) at competitive rates.

Gohar said that domestic production of cotton yarn is about 3.5 million tons and 90 percent of this production is used for value-added sector while only 10 percent is being exported.

Gohar further stated that due to the plunge in export of cotton yarn, higher quantity of yarn was available in the country for the consumption by value added sector which is evident from exports figures. The exports of the value-added sector have shown remarkable growth during FY21, registering 32% in the towel, 19 percent in garments, 37 percent in knitwear, and 29 percent in bed wear exports.

Gohar added that textile exports have increased by 23 percent in FY21 while registering 29 percent growth in the first two months of the current fiscal year. In August 2021, textile exports have registered a growth of 45 percent over the same period last year. He announced that the textile industry is going to invest US$5 billion by adding 100 new textile plants which will provide 500,000 new jobs and increase textile export by $5 billion this year. Abdul Rahim Nasir, addressing on the occasion, thanked Gohar Ejaz, Patron in Chief and all members of APTMA for their unflinching support. He vowed to put his best for the restoration, viability and competitiveness of the industry and upsurging of textile exports.

He urged the need for a long term energy tariff of electricity @ 9C/KWH and gas @ $6.5/MMBTU, extension of LTFF to indirect exporters and building infrastructure, enhancement of duty drawback rates for textile products, payment of outstanding DLTL, reduction in custom duty and para tariff on import of Polyester Staple Fibre, formal approval and implementation of the Textile Policy and lowering the rate of sales tax on the whole textile chain. Abdul Rahim Nasir discussed in details the energy issues faced by the industry. He expressed the fear that with the advent of winter, supply of gas is fraught with risks of suspension and low pressure. He urged the government to direct the utility companies of gas and electricity to continue providing energy to the export sector without any breaks. He also urged DISCOs and gas companies to accelerate the pace of sanction of extension of load and removing all irritants in the supply of energy as per requirement of the industry.

Adil Bashir, outgoing Chairman APTMA highlighted the efforts made during 2020-21. He said it was a challenging year both for the Government and the industry due to the successive waves of a global pandemic of Covid-19 which plunged the global economy and created repeated uncertainties in the supply chains and consumer demands. He said that waiver from lock down granted to export oriented industry enabled the textile industry to operate at its full capacity to regain export markets at a fast pace. He thanked Prime Minister Imran Khan, Advisor to Prime Minister on Commerce Abdul Razak Dawood and the whole government machinery for their support to revive the industry and uplift exports.

Hamid Zaman, newly elected chairman of Northern Zone also spoke on the occasion and thanked APTMA members for reposing their trust in him by electing him as the Zonal Chairman.

Source: brecorder.com– Oct 01, 2021

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Expo 2020 Dubai kicks off with lavish opening ceremony

APThe Gulf state has relaxed most coronavirus restrictions but Expo requires face masks to be worn and for visitors over 18 to be vaccinated against, or test negative for, COVID-19.

The first world fair to be held in the Middle East, Expo 2020 Dubai, opened on Thursday with a lavish ceremony of fireworks, music and messaging about the power of global collaboration for a more sustainable future.

Stars headlining the opening ceremony, which was projected in public spaces around the UAE, included Italian tenor singer Andrea Bocelli, British singer Ellie Goulding, Chinese pianist Lang Lang and Saudi singer Mohammed Abdu.

Dubai, the region's tourism, trade and business hub, is hoping to boost its economy by attracting 25 million business and tourist visits to the world fair which has been built from scratch on 4.3 sq km (1.7 sq mile) of desert.

Many countries and companies are also looking to the expo - the first major global event open to visitors since the coronavirus pandemic - to boost trade and investment.

The full expo site will open its doors to exhibitors from almost 200 countries on Friday after being delayed for a year by the pandemic. Chosen eight years ago to follow the 2015 Expo in Milan, Italy, the event cost around $6.8 billion.

Dubai says it wants the Expo, an exhibition of culture, technology and architecture under the banner "Connecting Minds and Creating the Future", to be a demonstration of ingenuity, and a place where global challenges such as climate change, conflict and economic growth can be addressed together.

The event will probably contend with a global reluctance to travel and many events will be streamed live online. But Expo still officially expects to attract more visits than Milan received and more than twice the population of the UAE.

"We are quite confident...that by being responsible in how we manage the situation with COVIV but also in how we put forward an exciting program for visitors, we will hopefully be able to thread the needle by opening up but remaining at the same time conservative and keep public safety first and foremost," Reem Al Hashimy, Expo 2020 Dubai's Director General told Reuters.

The Gulf state has relaxed most coronavirus restrictions but Expo requires face masks to be worn and for visitors over 18 to be vaccinated against, or test negative for, COVID-19.

Before the pandemic, the consultancy EY forecast that the Expo would over the course of its six months contribute 1.5% of the UAE's gross domestic product.

Source: economictimes.indiatimes.com– Sep 30, 2021

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Egypt's annual apparel trade surpasses EGP 300 billion

According to Mohamed Abdel Salem, Chairperson, Federation of Egyptian Industries' Ready-Made Garments Chamber, the country's apparel trade now surpasses EGP 300 billion per year as imports have dropped due to Decree No. 42, which required importers to register with the General Organization for Export and Import Control (GOEIC). In addition, the Ready-Made Garment Chamber and Gahez Digital Marketing recently inked a collaboration pact.

Salem says, these factors aided local businesses to improve their products and produce high-quality clothes to meet market demands. The Federation of Egyptian Industries (FEI) is one of the country's largest employers' associations, with 20 industrial chambers as members, representing over 60,000 industrial enterprises, with over 90 per cent of them belonging to the private sector, which employs over 7 million people and accounts for 20 per cent of the country's GDP.

Source: fashionatingworld.com– Sep 30, 2021

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NATIONAL NEWS

$5-trillion economy needs greenfield investments

India's growth lost its stride even before it was devastated by Covid. But the ruling NDA, led by PM Narendra Modi, harbours ambitions of making India a $5-trillion economy in five years. The transition from the current size of $2.7 trillion to $5 trillion needs a massive step up in investments, both domestic and foreign, especially in greenfield projects. The government has prioritised an infrastructure-led push for growth, amounting to $1.4 trillion. As budgetary resources are constrained due to slower growth and the animal spirits of domestic entrepreneurs to invest are low, foreign capital is being invited to play a huge role.

The big question is whether foreign capital would oblige. The problem is that FDI into India, of late, is less interested in setting up greenfield factories, industrial parks, etc, and more in M&As in brownfield assets. Last year, for instance, foreign equity inflows rose by 27%, to $64 billion, mainly due a surge of 83% in M&As, amounting to $27 billion in ICT, healthcare, infrastructure and energy, as per UNCTAD. As these investments entail acquisition or taking equity stakes in existing facilities, the implication is that only a fraction of the FDI inflows are creating fresh assets in the economy.

However, not so long ago, India was the world's leading recipient of greenfield FDI—$63 billion and $62.3 billion in 2015 and 2016, respectively, according to fDi Markets of the Financial Times Group— after reforms-friendly Modi took office in 2014. The country was also one of the world's fastest-growing large economies, at a clip of 8% and 8.2% in FY16 and FY17. The then CEO of Unilever, Paul Polman, told a leading business daily in 2017 that he "would love to have an economy of your size, growing at 5 to 6 per cent. Anybody would love to have that trajectory. At Hindustan Lever Ltd we have doubled our business in about seven to eight years. We have created in Hindustan Lever in the last eight years.... what took us a hundred years to create".

Since 2015, the flurry of greenfield proposals were exemplified by China Small and Medium Enterprises' investment of $740 million in an industrial park, Beijing Auto's project for $300 mn, Tsinghshan Holding's $1.2 bn investment in steel, BBK Electronics' $900 mn plans in telecom, among others, according to US-based AEI's China global investment tracker.

Property magnate Wang Jianlin's Dalian Wanda also made a $10 bn commitment to build an industrial park. Global auto players, too, ramped up capacities. Maruti Suzuki India Ltd, which accounts for 50% of India's car market, built its third factory in the state of Gujarat. Ford built its second plant in Gujarat. Mercedes Benz intended to double its assembly capacity.

This surge hit a downtrend thereafter ($23.5 billion in 2020), when India's growth also decelerated from FY17 onwards. Many big-ticket investment plans did not materialise or were shelved due to difficulties in doing business in the various states, regulatory uncertainty and land acquisition problems. An additional difficulty was the case-by-case scrutiny of investments from China on national security grounds in April 2020. None of the earlier Chinese proposals in autos or industrial parks took off. After investing $2.5 billion, Ford has exited the Indian market, following General Motors, Harley Davidson and MAN trucks. Steel giant Arcelor Mittal has had no success with greenfield projects.

FDI numbers thus began to show a growing preference for brownfield investments through M&As. Between 2015 and 2017, the biggest Chinese investment deals included the $1.1 billion takeover of Gland Pharma by Fosun. MG Motors India, a subsidiary of SAIC Motor Corp that acquired a 50% stake in GM India in 2009, has acquired the latter's facility to roll out SUVs. It has also shown interest in Ford's facilities. Proposals worth $17.6 billion during April-June this fiscal, mostly from China and Hong Kong, being scrutinised by the government, are mostly for brownfield projects. Arcelor Mittal established its footprint in India by acquiring Essar Steel for $6 billion.

If foreign capital is to contribute to making India a $5-trillion economy, it is necessary to incentivise a much larger proportion of FDI inflows towards greenfield projects. Such investments depend on a more stable policy and regulatory framework than the streamlining of procedures and digitisation of paperwork that have improved India's ranking in World Bank's Doing Business indicators (that has now been discontinued). Reform to free up the land and labour markets and improving the environment to do business in the states is imperative.

Source: financialexpress.com – Oct 01, 2021

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Foreign exchange reserves rise USD 34.1 bln in June quarter: RBI data

The valuation gain, reflecting the depreciation of the US dollar against major currencies and increase in gold prices, amounted to USD 2.2 billion during the April-June 2021 period. In the year-ago period, the same was at USD 8 billion.

The Reserve Bank of India (RBI) on Wednesday released Sources of Variation in Foreign Exchange Reserves in India during April-June 2021.

The country's foreign exchange reserves in nominal terms, including valuation effects, increased by USD 34.1 billion during the June quarter compared to USD 27.9 billion in the year-ago period, RBI data showed on Thursday.

The valuation gain, reflecting the depreciation of the US dollar against major currencies and increase in gold prices, amounted to USD 2.2 billion during the April-June 2021 period. In the year-ago period, the same was at USD 8 billion.

The Reserve Bank of India (RBI) on Wednesday released Sources of Variation in Foreign Exchange Reserves in India during April-June 2021.

On a balance of payments basis, excluding valuation effects, foreign exchange reserves increased by USD 31.9 billion during the June quarter compared to the same period a year ago.

The current account balance recorded a surplus of USD 6.5 billion in the first quarter of fiscal 2022 as against a surplus of USD 19.1 billion in the year-ago quarter.

The capital account surplus stood at USD 25.4 billion in April-June period compared to a surplus of USD 0.8 billion in the same quarter of the previous fiscal, the data showed.

Source: financialexpress.com– Sep 30, 2021

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Free Trade Agreement: India, Australia eye FTA by end-2022, early harvest deal by Christmas

Both the countries will exchange the first list of offers for products in which they seek tariff concession under the FTA, formally called Comprehensive Economic Cooperation Agreement (CECA), by October.

The negotiations with Australia are a part of India's broader strategy to forge "fair and balanced" trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after India pulled out of the China-dominated RCEP talks in November 2019.
India and Australia are planning to hammer out an early-harvest trade deal by the Christmas this year and a broader free trade agreement (FTA) by the end of 2022.

At a joint briefing with commerce and industry minister Piyush Goyal in New Delhi, Australian minister for trade, tourism and investment Dan Tehan said, "It (the FTA) will cover goods, services, investments, government procurement, logistics, standards, rules of origin."

The negotiating teams of both the sides will start working immediately, identifying the key sectors that will be covered by the FTA, Goyal said.

While bilateral goods trade stood at $12.3 billion in FY21, India had a deficit of $4.2 billion with Australia, as it shipped out merchandise worth just over $4 billion. Major traded items include mineral fuels, pharmaceutical products, organic chemicals and gem and jewellery.

Both the countries will exchange the first list of offers for products in which they seek tariff concession under the FTA, formally called Comprehensive Economic Cooperation Agreement (CECA), by October.
Although talks for an FTA with Australia have been going on since 2011, the reluctance of Indian industry to offer greater access to farm and dairy products and Australia's unwillingness to further open up its services sector for the free movement of skilled Indian professionals have delayed the outcome of the negotiations. However, in the past two years, the talks have gained momentum.

The negotiations with Australia are a part of India's broader strategy to forge "fair and balanced" trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after India pulled out of the China-dominated RCEP talks in November 2019.

Last week, India and its third-largest export market, the UAE, started formal negotiations for a "mutually-beneficial" comprehensive economic partnership agreement (CEPA). New Delhi and Abu Dhabi aim to wrap up negotiations by as early as December 2021 and sign the deal by March 2022 after the completion of necessary ratification processes. If all goes as planned, it would be the first FTA to be signed by India in just over a decade. Balanced FTAs are expected to also enable the country to achieve sustained growth rates in exports in the coming years. Already, India has set an ambitious merchandise export target of $400 billion for FY22, against $291 billion in FY21.

Source: financialexpress.com– Oct 01, 2021

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Free Trade Agreement is the next frontier in India-US relationship: USIBC president

The US India Business Council (USIBC) on Thursday announced the selection of Nadar, founder and chairman emeritus, HCL Technologies and Srinivasan, chair and managing director, Tractors and Farm Equipment Limited (TAFE), for the award.
Free Trade Agreement

Prominent Indian industrialists Shiv Nadar and Mallika Srinivasan have been chosen by a top India-centric business advocacy group as the recipients of its 2021 Global Leadership Award.

The US India Business Council (USIBC) on Thursday announced the selection of Nadar, founder and chairman emeritus, HCL Technologies and Srinivasan, chair and managing director, Tractors and Farm Equipment Limited (TAFE), for the award.

The two top leaders will be honoured at the 2021 India Ideas Summit to be held on October 6-7, a media release said. Given annually since 2007, the Global Leadership Awards recognise top corporate executives from the United States and India who have demonstrated exemplary leadership and played a major role in advancing the strategic and economic partnership between the countries, it said.

“In conferring these awards, we recognise the outstanding contributions of both Shiv Nadar and Mallika Srinivasan,” USIBC said. “ Under Shiv Nadar’s leadership HCL has transitioned from an IT services company to a global leader in cutting edge technology, through a relentless focus on innovation and R&D,” said Nisha Desai Biswal, USIBC president.

A true visionary, Nadar has led HCL to tremendous success with his determination and farsightedness, she added. “Another powerhouse who is being recognised this year exemplifies courage, conviction, and the spirit of entrepreneurship. Mallika Srinivasan has scaled new heights with some ground-breaking achievements in public-private space in both manufacturing and agriculture sectors,” Biswal said.

"Her commitment to innovation in agriculture has helped create opportunities in rural communities across India. We are thrilled to present her the 2021 Global Leadership Award," she said. Past recipients of the awards include – Tata group Chairman N Chandrasekaran, Lockheed Martin CEO Jim Taiclet, Google CEO Sundar Pichai and Nasdaq president Adena Friedman.

Source: financialexpress.com – Sep 30, 2021

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RodTEP may be extended to special economic zones and export-oriented units

India could offer further concessions to enterprises within special economic zones and export-oriented units to boost the exports sector. The finance ministry will soon set up a panel to work out details of extending the recently announced tax neutralisation scheme

— Remission of Duties and Taxes on Exported Products (RoDTEP) — to these entities, director-general of foreign trade Amit Yadav told ET.

“This committee will determine the remission rates which can be the rates for advance authorisation licence, SEZs and EoUs,” Yadav said, adding that the budgeted amount would be provided thereon.

For advance authorisation, SEZs and EoUs, the principle cannot be the same as that for units within the domestic tariff area, he said.

The scheme for these would likely be available by next financial year. Units within SEZs and EOUs source as much as 30% of their inputs from the domestic tariff area and industry has been demanding neutralisation for taxes paid on them for some time.

Yadav said the government would also re-look at the remission rates offered under the RoDTEP scheme for some sectors following industry representations.

“The Ministry of Finance along with the Department of Commerce will be setting up an anomalies committee which will be looking at these aspects,” he said.

The government, in August, announced rates of tax refunds under the RoDTEP export promotion scheme for 8,555 products, such as marine goods, yarn and dairy items, with tax refund rates ranging from 0.5% to 4.3%.

Source: economictimes.indiatimes.com – Oct 01, 2021

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Fiscal deficit only 31% of budget estimate in April-August

Curbs on revenue expenditure and robust revenues helped the Union government contain its fiscal deficit in April-August to 31.1% of the budget estimate (BE) for 2021-22.

This was the lowest in any comparable period in relation to the respective BE since FY11, when the deficit came in at 39.7% of the BE in the first five months. The fiscal deficit was 109.3% of the corresponding annual target in April-August of FY21.

Even with the relief packages and export subsidy arrears clearances announced recently, the fiscal cost of which is estimated at around Rs 2 lakh crore, the fiscal deficit target of 6.8% of GDP for 2021-22 could be adhered to, given that tax revenue receipts would likely exceed the budget estimate by about Rs 2 lakh crore and expenditure rationalisation undertaken might allow savings of about Rs 1.15 lakh crore.

Most departments were asked to contain spending in July-September to 20% of BE against norm of 25%. The expenditure curbs on departments were lifted on September 24.

Robust revenue receipts gave the Centre confidence to limit its annual market borrowing programme at the budgeted level of Rs 12.05 lakh crore for FY22 even after factoring in Rs 1.59 lakh crore back-to-back borrowing arranged by the Centre for GST compensation to states, effectively bringing down its borrowings by Rs 1.59 lakh crore on-year.

In the first five months, the Centre's net tax receipts rose 127% on-year to Rs 6.45 lakh crore or 41.7% of FY22BE compared with just 17.4% of the corresponding target reported in the year-ago period. Corporation tax collections (post refunds) rose 160% on-year to Rs 1.68 lakh crore in the first five months of FY22 and up 51% over the corresponding period of pre-pandemic FY20, indicating robust profit growth of India Inc. Personal income tax (PIT) grew 69% on-year to Rs 1.99 lakh crore in April-August of the current financial year and up 20% over the corresponding period of FY20.

There is a lack of clarity on whether the disinvestment target of Rs 1.74 lakh crore will be achieved in the current fiscal, and big-ticket plans like the BPCL sale will be crucial in this context.

Revenue secretary Tarun Bajaj told FE recently that PIT had grown 62% on-year to Rs 2.88 lakh crore till September 23 of the current fiscal.

The Centre's gross tax revenue grew 70% on-year to Rs 8.6 lakh crore in April-August of FY22 and was up 30% over the corresponding period in FY20.

The Centre's capital expenditure in April-August of FY22 stood at Rs 1.72 lakh crore or 31% of the annual target as against 32.6% of the relevant target achieved in the year-ago period. After slowing down during the first four months, capex grew by 92% on-year in August.

Total expenditure in the first five months of the financial year stood at Rs 12.77 lakh crore or 36.7% of the full year target, compared with 41% of the target achieved in the year-ago period.

Data released by the Controller General of Accounts on Thursday put the Centre's fiscal deficit for April-August of FY22 at Rs 4.68 lakh crore as against the BE for FY22 of Rs 15.07 lakh crore.

Commenting on the H2 borrowing plan announced on September 27, Icra chief economist Aditi Nayar said, "The implication is that the government's fiscal deficit will be around Rs 1.6 trillion lower than budgeted, despite the modest rise in expenditure, a clear confirmation of the revenue upturn that is under way. This also suggests that GoI's disinvestment programme is assessed to be on track."

Source: financialexpress.com – Oct 01, 2021

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Industrial units seek emergency credit

Shortfalls in revenue, decline in demand, production shortfalls, surge in raw material prices and stretched payment cycles were among the worst after-effects that plagued industries post the lockdown of 2020. To meet overhead costs and other operating expenditures, several industries, particularly, MSMEs availed emergency credit to battle the disruptions caused due to the pandemic. Clearly, the number of loans sanctioned under emergency credit line guarantee scheme (ECLGS) surged by a whopping 140% in a year, according to the latest report by State Level Bankers' Committee (SLBC).

ECLGS BENEFICIARIES

Source: SLBC - Gujarat

Particulars/ Apr-June Quarter	ACCOUNT			AMOUNT (₹ CR)		
	2020-21	2021-22	% Change	2020-21	2021-22	% Change
Loans Sanctioned	1,50,103	3,60,108	▲ 140	7,480.29	23,424	▲ 213
Loans Disbursed	84,087	3,27,368	▲ 289	5,687.55	20,434	▲ 259

The 170th SLBC meeting was held earlier this week, during which the report was released. It states that the number of industries seeking loans under ECLGS surged from 1.5 lakh in the first quarter of 2021-22 to 3.6 lakh in the corresponding quarter this year. During the same period, the amount of loans sanctioned too surged from Rs 7,480.29 crore to Rs 23,424 crore. The cumulative disbursals at the end of the first quarter of 2021-22 stood at Rs 20,434 crore in Gujarat under ECLGS.

"To meet piling overhead costs amid revenue shortfalls and stretched payment cycles, a number of industrial units took loans. Since the interest rate of loans extended under ECLGS was 7.5% which is lower than what is extended to industries otherwise, certain units also availed these loans to repay other loans so that they can save on interest money," said MM Bansal, convener, SLBC – Gujarat. "The definition of MSME was changed by the Union Ministry of Finance last year by including service sector units under MSMEs and increasing the turnover limit upto Rs 100 crore for a unit to be classified under MSME. As a result, more companies availed the benefit of emergency credit, made available as part of the relief package under Atmanirbhar Bharat," Bansal added.

Sectors such as apparel, garments and textiles, hospitality and tourism, among others witnessed a relatively slow revival, suggest industry estimates, and therefore, brought in more takers for emergency credit.

Industry players said that while demand revived slowly, piling raw material costs since October 2020, also one of the reasons for surge in industrial units availing emergency credit. "Raw material prices have doubled across all sectors including real estate, chemicals, textiles, among others. After the lockdown, demand began reviving and export orders began to pour in. To meet the production requirements amid surging costs, many industries have opted for emergency credit," said Hemant Shah, president, Gujarat Chamber of Commerce and Industry (GCCI).

Source: timesofindia.indiatimes.com – Oct 01, 2021

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Eight core sectors' output accelerates to 11.6% in August: Govt data

The output of India's eight core industries grew by 11.6 per cent in August compared with 9.9 per cent in the previous month even as the base effect was less beneficial.The core sector, comprising coal, crude oil, natural gas, refinery products, fertilisers, steel, cement, and electricity, had contracted 6.9 per cent in August last year, as against 7.6 per cent in July.

The core sector also recorded a 3.9 per cent rise from the pre-Covid level of August 2019. Only the production of refinery products and crude oil was lower over this period. However, the overall output was still lower by 0.3 per cent when compared to the February 2020 level.

The picture at disaggregated level is more encouraging, said Sunil Kumar Sinha, principal economist at India Ratings. Except coal, refinery products, and cement, all other core industries surpassed the pre-Covid level on this parameter.

Industries that showed higher output levels than in February 2020 were crude oil (105 per cent), natural gas (126.3 per cent), fertilisers (108.5 per cent), steel (103.5 per cent) and electricity (122.2 per cent), said Sinha. He believed that core sector industries would cross the pre-Covid level of production at an aggregate level next month.

Two industries -- crude oil and fertilisers -- saw a decline in their production in August, as against only one (crude oil) in July. There are reports of fertilser shortage faced by farmers ahead of rabi sowing in various parts of the country.

Cumulatively, core sector output grew at 19.3 per cent in the first five months of the current financial year, as against 17.3 per cent contraction in the corresponding period of the last financial year.

India Ratings believed that the Index of Industrial Production (IIP) would also show an encouraging trend in August.

The core sector has 40.3 per cent weighting in the IIP. Industrial production growth declined to 11.5 per cent in July from 13.5 per cent in June because of the normalisation of the base.

ICRA in a note said although core sector growth had improved, the weaker trends in auto production were likely to weigh upon the manufacturing output in August 2021, resulting in IIP growth of around 11-12 per cent, similar to the July 2021 print.

It also warned that the August gains in sectors such as mining, construction, and electricity were likely to be washed out by the September rains, exacerbating the impact of the normalising base.

Source: business-standard.com– Sep 30, 2021

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Credit to retail, industry accelerates in August, slows in services sector

Keeping up with the upturn in economic activity, bank credit, especially to the retail sector and to industry, gathered pace in August 2021. The retail segment showed an accelerated growth of 12.1 per cent in August 2021 as compared to 8.5 per cent a year ago on higher volume in housing and vehicle credit, according to Reserve Bank of India data.

The credit to industry rose by 2.3 per cent in August 2021 from 0.4 per cent in August 2020, according to Reserve Bank of India data.

The credit to agriculture and allied activities continued to perform well, registering an growth of 11.3 per cent in August 2021 as compared to 4.8 per cent in August 2020.

However, the credit growth in the services sector moderated to 3.5 per cent in August 2021 from 10.9 per cent a yeat ago mainly due to contraction in credit growth to NBFCs and commercial real estate.

Referring to bank credit to industry, RBI said loans to medium size unit showed 63.4 per cent growth in August 2021 as compared to 4.4 per cent last year.

Credit to micro and small industries also accelerated to 10.1 per cent in August 2021 from a contraction of 1.1 per cent a year ago. The credit to large industries shrunk by 1.7 per cent in August 2021 as compared to a growth of 0.5 per cent a year ago.

Within industry, credit to engineering, chemical & chemical products, gems & jewellery, infrastructure, mining and quarrying accelerated in August 2021 as against pace in August 2020.

However, credit growth to basic metal, cement & cement products, construction, vehicles, vehicles parts and transport equipment' either decelerated or contracted, RBI added.

Source: business-standard.com– Oct 01, 2021

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