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## INTERNATIONAL NEWS

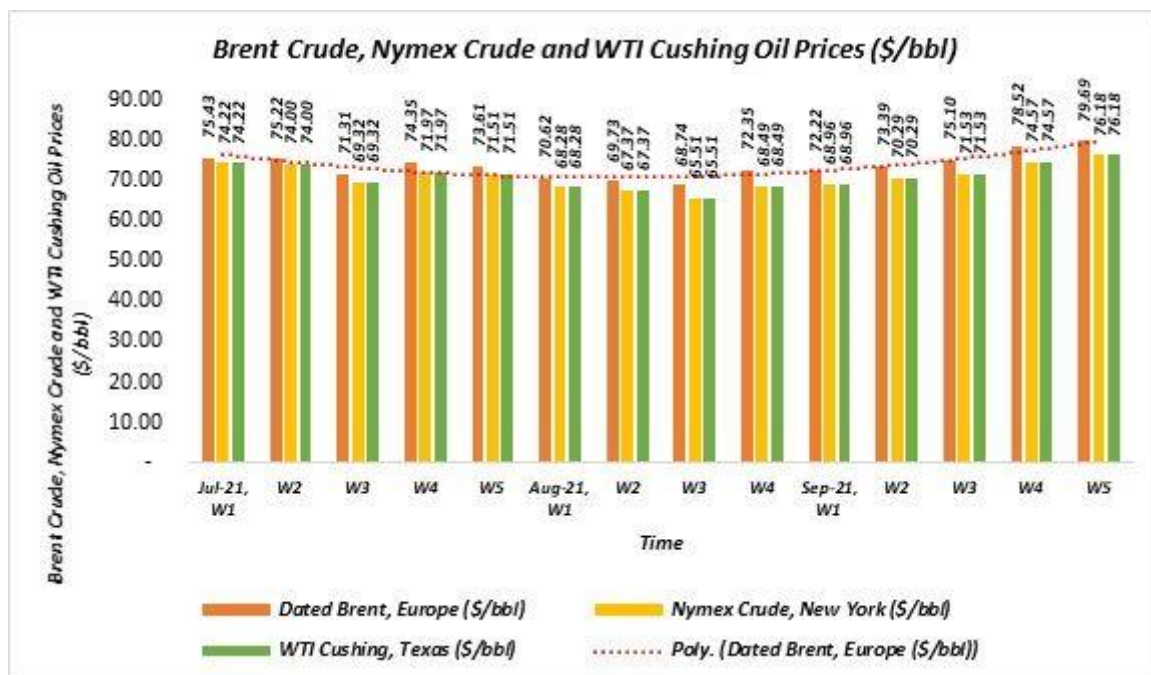
### Why global textile raw material prices are on the rise?

Crude oil prices are rising consistently to cater to the increasing demand from consumers, thus causing textile raw material prices to increase. Crude oil prices are rising due to higher crude oil inventory draw, widespread floods and power outages due to heavy rains in Texas and Louisiana, as per the American Petroleum Institute's (API) and Energy Information Administration's (EIA) report.

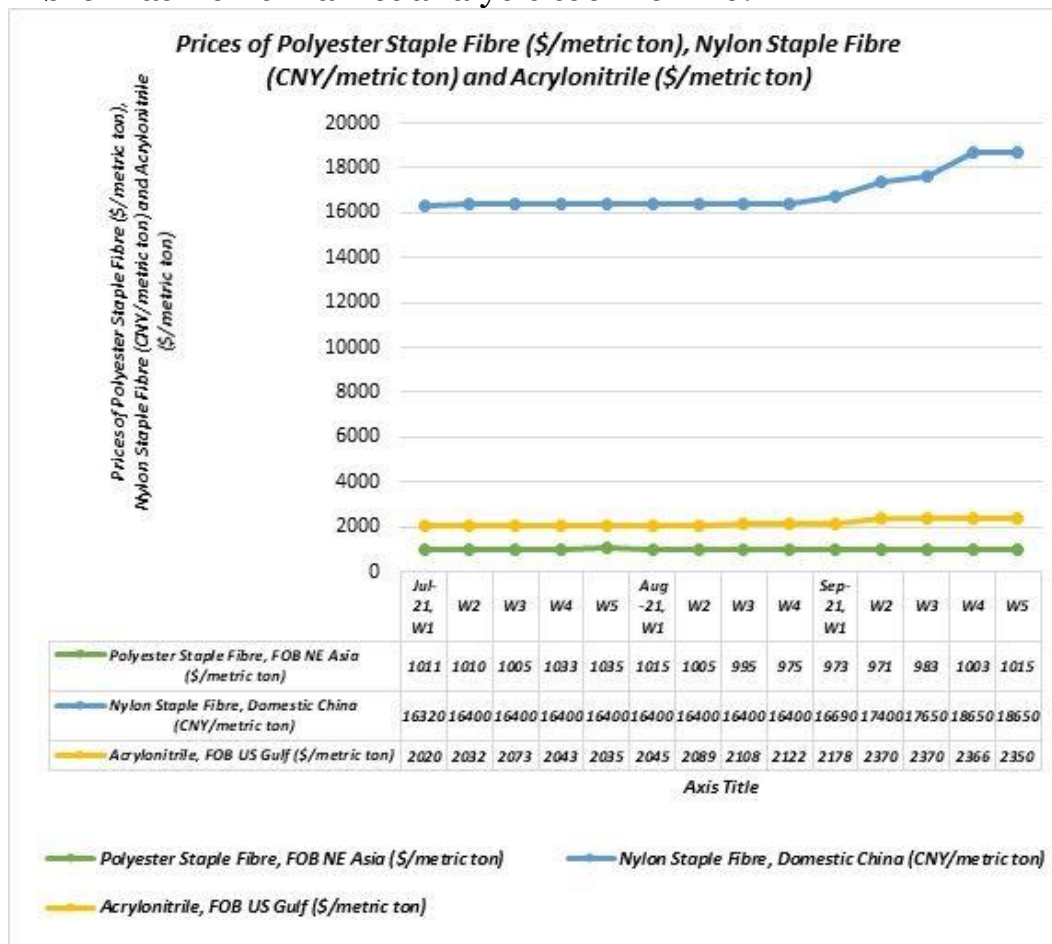
Also, hurricane Nicholas, that hit the Gulf of Mexico in mid-September, brought heavy rain, strong winds and flooding to the Texas coast and northern Gulf Coast, resulting in a disruption of crude oil supply chain and impacting the energy output in the US.

Additionally, some members of Organization of the Petroleum Exporting Countries (OPEC) such as Kazakhstan, Nigeria and Angola are facing maintenance issues while extracting crude oil due to the pandemic, which tightened the supply of crude oil across the world and supported the price rise.

The bullish US equity markets and OPEC and its allies' expectation of a steady pace in raising crude oil supply further kept the prices up.



The weekly average of Brent crude price was \$73.98 per barrel in July 2021, which dropped to \$70.36 per barrel in August 2021, declining by 4.90 per cent. It recovered in September 2021 to reach \$75.78 per barrel with a rise of 7.71 per cent over the weekly average in August 2021, according to Fibre2Fashion’s market analysis tool TexPro.



The weekly average price of Nymex crude and WTI Cushing dropped by 6.64 per cent from \$72.20 per barrel in July 2021 to \$67.41 per barrel in August 2021. It increased again by 7.26 per cent to reach \$72.31 per barrel in September 2021.

As crude oil gets expensive, prices of textile raw materials like polyester staple fibre, nylon staple fibre and acrylonitrile are also on a rise.

The Free on Board (FOB) NE Asia price of polyester staple fibre has been fluctuating since July 2021. It was \$1,011 per metric ton in the first week of July 2021.

The price then increased to \$1,035 per metric ton in the last week of July 2021 and dropped again to \$975 per metric ton in the last week of August 2021. However, it rose again by 4.11 per cent to \$1,015 per metric ton in the last week of September 2021.

The price of nylon staple fibre in the Chinese market went up from \$16,320 per metric ton in the first week of July 2021 to \$16,400 per metric ton in the last week of August 2021. It further surged by 13.72 per cent to \$18,650 per metric ton in the last week of September 2021, according to TexPro.

As for acrylonitrile, its FOB US Gulf price was \$2,020 per metric ton in the first week of July 2021, which moderately increased to \$2,122 per metric ton in the last week of August 2021. It continued to increase to reach \$2,350 per metric ton in the last week of September 2021.

Source: fibre2fashion.com– Oct 06, 2021

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## **US apparel imports from Vietnam to not attract additional tariffs**

American Apparel and Footwear Association (AAFA) president and chief executive officer Steve Lamar has welcomed the recent announcement of Vietnam addressing US concerns in the Vietnam Timber Section 301 investigation. “We are pleased to see that US apparel, footwear, and accessories imports from Vietnam will not be subjected to additional tariffs,” he said.

“At a time when we are focusing on getting more vaccines to this key trade partner and unlock snarled supply chains, removal of this tariff threat is welcome indeed. We are also pleased to see Vietnam and the US solidify their work to guard against illegal timber harvesting an important step for Vietnam’s sustainability journey,” he said in a statement.

“All tariff relief and removal of tariff threats is good trade policy, as taxing Americans to get dressed each day is never a good negotiating tactic,” he added.

AAFA has continuously pressed the Biden administration for additional Section 301 tariff exclusions and retroactive renewal of all expired exclusions.

Last week, AAFA penned a letter to the US trade representative Katherine Tai on this issue and the simultaneous shipping crisis causing out of control freight rates, historic logjams at US ports, delays and costs that are wreaking havoc on supply chains and America’s economic recovery.

Source: fibre2fashion.com– Oct 06, 2021

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## **China's logistics sector remains stable: Official data**

China's logistics sector maintained steady operations in the first eight months of 2021, official data showed. The value of social logistics during the period rose by 12.7 per cent year on year to 205.2 trillion yuan (about \$31.64 trillion), according to the China Federation of Logistics and Purchasing (CFLP). The average January-August growth rate over the past two years stood at 6.8 per cent.

In the first eight months, the total logistics revenue stood at 7.8 trillion yuan, increasing by 18.7 per cent year on year and putting the two-year average growth at 8.4 per cent, an official news agency reported.

Looking forward, logistics demand is expected to maintain steady growth amid continued economic recovery, and enterprises in the industry remain optimistic about the business prospects, according to the CFLP.

Source: fibre2fashion.com– Oct 06, 2021

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## **Nigeria fails to tap into world cotton market**

Nigeria has been unable to tap into the world cotton market estimated at \$38.45 billion last year, says a Nation Online report. As per a Research and Markets report, the global cotton market is expected to hit \$46.56 billion by 2027, with a compound annual growth rate (CAGR ) of 2.74 per cent within this period.

The Africa Cotton Market is expected to register a CAGR of 3.5 per cent from 2020-2025. The West Africa region comprises 12 cotton-producing countries, namely Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Ghana, Mali, Niger, Nigeria, Senegal, and Togo. It produces about 2.5 million tonne of cottonseed, which is 5.8per cent of global production.

As per International Trade Centre statistics, Nigeria exported 3,108 tons of cotton seeds at \$2.104million in 2020. The Central Bank of Nigeria (CBN) is working hard to increase cotton production. This year, the bank launched the Anchor Borrowers program that benefitted almost 130,000 cotton farmers.

Source: fashionatingworld.com – Oct 06, 2021

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## **Foreign garment and textile buyers to increase sourcing from Philippines**

Foreign buyers of garments and textile expect will increase sourcing from the Philippines to \$1.2 billion this year, says Robert Young, President and Chairman, Foreign Buyers Association of the Philippines (FOBAP). Besides, easing quarantine restrictions, Philippines' orders are growing with additional purchases due to Vietnam's ongoing lockdown, adds Young.

Orders from Myanmar are also shifting to Philippines, he adds. However, the Philippine garment and textile industry is still being threatened by unprecedented supply chain disruptions in the US that hamper the US economic recovery plan.

FOBAP is also one of the signatories of the appeal letters issued by the American Apparel and Footwear Association (AAFA) to the Biden administration. The letters urge the US government to look at using other tools beyond the tariff as trade leverage.

The group also welcomed the introduction of the Ocean Shipping reform Act of 2021. Meanwhile, Young said major headwinds faced by the industry include empty clothing shelves, price increases of the products, lesser number of shoppers, outdated fashion items, aside from store closures and workers being terminated.

Source: fashionatingworld.com– Oct 06, 2021

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## **Bangladesh: Mexico and Latin America, a large market waiting for Bangladesh**

Various Bangladeshi products such as apparel, pharmaceuticals and jute may have untapped potential, experts suggest

Experts and government officials are eyeing expanded trade relations with Mexico by penetrating into the second largest economy of Latin America next year.

“The current trade volume between Bangladesh and Mexico is hovering around \$300 million. From that, exports to Mexico are over \$290 million, while Latin America’s exports from our market are less than \$10 million” Bangladesh Ambassador to Mexico Abida Islam told Dhaka Tribune recently.

Bangladesh should diversify its export basket to penetrate into Mexican markets with products like jute and jute goods, leather goods, pharmaceuticals and high-end readymade garments, she also said.

Mexico is among the 15 largest economies in the world and the second largest economy in Latin America, said Abida Islam.

The country is the third largest economy in North America and is swiftly becoming a modernized nation with more industrial and service sectors to maintain and promote economic growth nationwide.

“Considering the size of the population and the buying capacity of Mexico, Bangladesh has high prospect of increasing trade relations with the Latin American market” said the Bangladeshi envoy.

In 2019, exports of goods and services of Mexico grew by 1.1%, reaching \$490.7 billion; while imports decreased by 1.1%, reaching \$503.4 billion - taking trade balance to a surplus of \$5.4 billion.

Other destinations for Mexican exports include the EU (4.7%) and Canada (3.1%). As per imports, the main origins include the US (46.6%), China (18%), the EU (11.4%) and Japan (3.9%).

On July 1, 2020, the USMCA trade agreement entered into force in all member states, replacing NAFTA.

Like many other industrial countries worldwide, Mexico experienced an economic downturn last year. But the economy of Mexico has started picking up after massive vaccination of the total population and containment of the Covid-19 pandemic, said the veteran diplomat.

A director of the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) told Dhaka Tribune that Bangladesh can boost its export to \$1 billion in the next five years by diversifying the export basket.”

Meanwhile, Jannatul Ferdous Nipa, vice-president of Indian Importers Chamber of Commerce and Industry, and also director of Bangladesh Garments Executive Association, said last week that Mexico's textile and clothing sector was currently one of the country's most powerful, with annual exports of \$7 billion. Due to growth of automotive, aerospace and medical services, demand for technical textiles, industrial fabrics and specialty apparel has increased over there.

Bangladesh mainly exports cotton, textiles and shoes to Mexico and Mexico mainly exports motors for elevators to Bangladesh.

Nipa, also a foreign exports analyst, said that many Mexican entrepreneurs expressed their excitement to visit Bangladesh for possible trade relations.

They also encouraged Bangladesh businessmen to participate in two different mega fairs – Intermoda and Puebla.

Bangladesh’s introduction at this fair would really set an example and help the country move forward with this incredible opportunity and show to be a win for both countries, she also said.

Mexico is truly the land of beauty, rainforests, great food and a billion-dollar textile industry. The country’s first textile factory was established in Puebla in 1830 and as the years went by the competencies of manufacturing have improved and the sectors growth has evolved, Nipa added

Meanwhile, State Minister for Foreign Affairs Md Shahriar Alam MP during his recent visit to Mexico held talks with Mexican Deputy Minister for Foreign Trade Luz Maria de la Mora Sanchez in Mexico City.

Bangladesh and Mexico signed a memorandum of understanding (MoU) on Foreign Office Consultation (FOC) to start a dialogue to expand bilateral relations including strengthening trade and commerce.

Mexican and Bangladeshi business communities have set a target to uplift the trade figure above \$1 billion.

Shahriar Alam also participated in the MoU signing ceremony between FBCCI and Mexican Business Council for Foreign Trade, Investment and Technology (COMCE) during a breakfast meeting with Mexican business persons, organized by the Bangladesh Embassy.

Source: dhakatribune.com– Oct 06, 2021

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## **Pakistan: Exports grew by 27.4% in Sept: Razak**

Adviser for Commerce and Investment Abdul Razaq Dawood on Monday said that the country's exports reached US \$2.41 billion and witnessed a growth of 27.4 per cent in the month of September.

"Our exports have increased by 27.4 percent in the previous month of September 2021 to \$2.41 billion as compared to \$1.89 billion in September 2020," the adviser said on his Twitter account.

For the first quarter (Q1) of FY 2021-22, the exports have increased by 28 per cent to \$6.99 billion as compared to \$5.47 million in Q1 of FY2020-21, he said.

The adviser said that this had been due to the hard work of our exporters and they deserved praise for this accomplishment.

Dawood said the import figures were being analysed in consultation with other government departments and would be released shortly.

Source: [tribune.com.pk](http://tribune.com.pk)– Oct 05, 2021

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## NATIONAL NEWS

### **Cab approves setting up of 7 mega integrated textile region and apparel parks with Rs 4,445 cr outlay**

With a view to realise the vision of Hon'ble Prime Minister Shri Narendra Modi of building an Aatmanirbhar Bharat and to position India strongly on the Global textiles map, the Government has approved the setting up of 7 PM MITRA (पीएम मित्र) parks as announced in Union Budget for 2021-22.

PM MITRA (पीएम मित्र) is inspired by the 5F vision of Hon'ble Prime Minister. The '5F' Formula encompasses - Farm to fibre; fibre to factory; factory to fashion; fashion to foreign. This integrated vision will help furthering the growth of textile sector in the economy. No other competing nation has a complete textile ecosystem like us. India is strong in all five Fs.

The 7 Mega Integrated Textile Region and Apparel Parks (PM MITRA) (पीएम मित्र) will be setup at Greenfield / Brownfield sites located in different willing States. Proposals of State Governments having ready availability of contiguous and encumbrance-free land parcel of 1,000+ acres along with other textiles related facilities & ecosystem are welcome.

Maximum Development Capital Support (DCS) of ₹ 500 crore to all Greenfield PM MITRA and a maximum of ₹ 200 Crore to Brownfield PM MITRA (पीएम मित्र) will be provided for development of Common Infrastructure (@30% of the Project Cost) and ₹ 300 Crore of Competitiveness Incentive Support (CIS) will also be provided to each PM MITRA (पीएम मित्र) park for early establishment of textiles manufacturing units in PM MITRA (पीएम मित्र). State Government supports will include provision of 1,000 Acre land for development of a world class industrial estate.

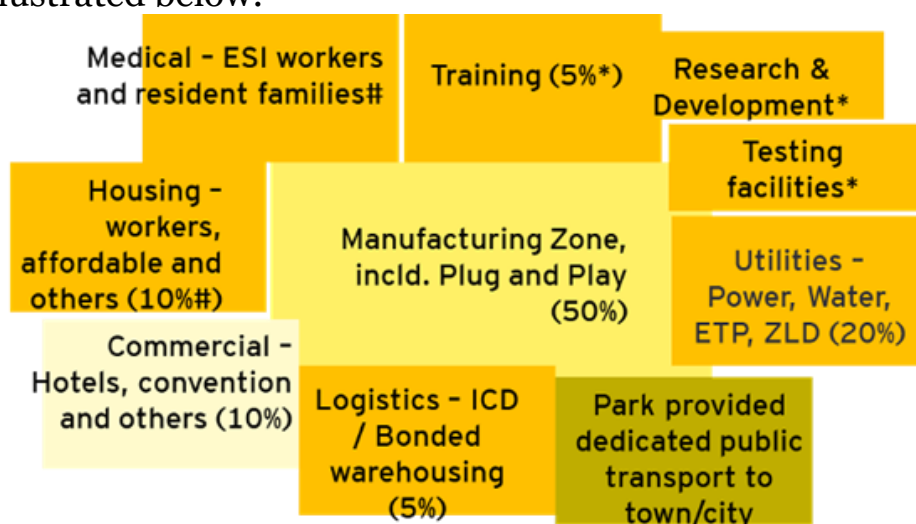
For a Greenfield PM MITRA (पीएम मित्र) park, the GOI Development Capital Support will be 30% of the Project Cost, with a cap of ₹ 500 Cr. For Brownfield sites, after assessment, Development Capital Support @30% of project cost of balance infrastructure and other support facilities to be developed and restricted to a limit of Rs. 200 Crore. This is in a form of viability gap funding to make the project attractive for participation of private sector.

The PM MITRA (पीएम मित्र) parks will have following:

**Core Infrastructure:** Incubation Centre & Plug & Play facility, Developed Factory Sites, Roads, Power, Water and Waste Water system, Common Processing House & CETP and other related facilities e.g. Design Centre, Testing Centres etc.

**Support Infrastructure:** Workers' hostels & housing, logistics park, warehousing, medical, training & skill development facilities

PM MITRA (पीएम मित्र) will develop 50% Area for pure Manufacturing Activity, 20% area for utilities, and 10% of area for commercial development. A schematic representation of the PM MITRA (पीएम मित्र) is illustrated below:



Key Components of Mega Integrated Textile Regions and Apparel Parks \* indicates 5% area # indicates 10% area used for that purpose.

PM MITRA (पीएम मित्र) park will be developed by a Special Purpose Vehicle which will be owned by State Government and Government of India in a Public Private Partnership (PPP) Mode. The Master Developer will not only develop the Industrial Park but also maintain it during the concession period. Selection of this Master Developer will happen based on objective criteria developed jointly by State and Central Governments.

SPV in which State Government has majority ownership will be entitled to receive part of the lease rental from developed industrial sites and will be able to use that for further expansion of textiles industry in the area by expanding the PM MITRA (पीएम मित्र) Park, providing Skill Development initiatives and other Welfare measures for workers.

Government of India will also provide a fund of ₹ 300 Crore for each PM MITRA (पीएम मित्र) Park to incentivize manufacturing units to get established. This will be known as Competitiveness Incentive Support (CIS) and will be paid upto 3% of turnover of a newly established unit in PM MITRA (पीएम मित्र) Park. Such support is crucial for a new project under establishment which has not been able to break even and needs support till it is able to scale up production and be able to establish its viability.

Convergence with other Central Government and State Government Schemes is available as per their eligibility under the guidelines of those schemes. This will enhance the competitiveness of the textiles industry, by helping it in achieving economies of scale and will create huge job opportunities for millions of people. Leveraging Economies of Scale, the scheme will help Indian companies to emerge as Global Champions.

Source: pib.gov.in– Oct 06, 2021

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## **Extension of RoDTEP scheme to SEZs, export-oriented units in pipeline: Government official**

Extension of benefits of the RoDTEP scheme to special economic zones and export-oriented units (EOUs) is in the pipeline to make SEZs more investor-friendly, a senior government official said on Tuesday. The government in August announced rates of tax refunds under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme for 8,555 products, such as marine goods, yarn, dairy items, but SEZs and EOUs were kept out of this. The industry is demanding for this extension.

Speaking at a CII webinar, S Kishore, special secretary in the Department of Commerce, said recognising the pivotal role played by SEZs in pushing the country's exports, several reforms have been introduced and these include digitisation of processes and promotion of green zones to attract FDI.

"Measures like extension of the RoDTEP scheme to SEZs and EOUs are in the pipeline to make SEZs more investor friendly and leverage geopolitical phenomena," he said.

He added that there is strong inter-ministerial coordination for addressing policy issues and promoting Indian special economic zones (SEZs) as readymade land banks that offer plug-and-play facilities.

He said the Indian SEZs offer state-of-the-art infrastructure that will help in establishing India as the global manufacturing hub, and the government is committed to making them more inclusive for all sectors.

Speaking at the webinar, Sanjay Budhia, co-chairman of CII National Committee on EXIM and Managing Director Patton International Ltd, said the SEZs are playing a pivotal role in helping achieve the country's exports target of USD 400 billion during the current fiscal.

He suggested that granting infrastructure status to SEZs, formulating separate rules and procedures for manufacturing and services SEZs, and merging the SEZ policy with other schemes such as the national industrial manufacturing zones will also prove to be useful.

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com) – Oct 06, 2021

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## Are investors shifting from China to India?

### China attracts most FPI inflows over the past year

Country	Last updated date	Net inflows in the last 12 months (\$ million)
<b>Equity</b>		
China	Jun 30, 2021	2,38,727.6
India	Oct 4, 2021	28,212.5
Indonesia	Oct 5, 2021	1,123.0
Japan	Sep 24, 2021	40,026.9
Malaysia	Oct 5, 2021	-1,545.2
Philippines	Oct 6, 2021	-2,125.3
S. Korea	Oct 6, 2021	-22,486.9
Sri Lanka	Oct 5, 2021	-284.3
Taiwan	Oct 5, 2021	-12,931.8
Thailand	Oct 5, 2021	-1,792.4
Vietnam	Oct 5, 2021	-2,573.0
<b>Bonds</b>		
China	Jun 30, 2021	2,33,952.2
India	Oct 4, 2021	1,214.0
Indonesia	Oct 4, 2021	2,570.4
Japan	Sep 24, 2021	84,862.7
Malaysia	Aug 31, 2021	5,822.0
Philippines	Sep 30, 2021	5,906.7
S. Korea	Oct 5, 2021	99,635.7
Thailand	Oct 5, 2021	3,762.3

Source: Bloomberg

over the past year; which is partly responsible for pushing up asset prices there.

The scale of operations and leverage of Chinese real estate giant Evergrande — 1,300 projects across 280 cities, 200,000 employees, debt amounting to \$305 billion, money owed to over 170 banks — shocked financial markets in September, making many compare this crisis to the Lehman debacle. What is even more surprising is the Chinese government's implicit nod to allow the real estate giant to sink.

While there was some turbulence in global financial markets on concerns about a contagion risk, it was short-lived. Holders of Evergrande's offshore bonds seem resigned to write off a large part of the \$20 billion owed to them with the company already defaulting on two interest payments over the last two weeks.

The Chinese government's reluctance to bail out the real estate player seems to be part of a larger game plan. Not only is it trying to curb speculation and excessive leverage in the economy, it also seems to be sending a signal to foreign investors to stay away from China. Data show that China has been among the largest recipients of FPI flows

Foreign investors, disenchanted with the regulatory uncertainty in China, seem to be diverting funds to India, the other Asian economy with similar prospects. This is borne out by the surge in FPI as well as PE and VC flows into India in recent months.

### China cooling its stock market

The Chinese stock market has been the worst performing in 2021, largely due to government actions. While the mainland stock market benchmark, Shanghai Composite Index, has been almost flat since the beginning of this year, Hang Seng, which captures movement in Chinese stocks listed on Hong Kong, is down over 12 per cent since January. This contrasts with the strong gains of over 25 per cent in the Sensex and more than 15 per cent in most US and European indices.

While the Chinese government's displeasure over the inequity caused by the oversized gains in stock markets, excessive speculation and measures to cut output in various sectors to rebalance demand and supply kept investors on tenterhooks in the earlier months, the crackdown on the edtech sector and the consequent crash in edtech stocks caused a severe setback to sentiment towards Chinese stocks in July this year.

The Evergrande crisis and the Chinese government's decision to not bail-out the company seems to be part of Beijing's ongoing strategy to cool down stock prices in general.

### Dissuading FPI flows

One way cool the overheated markets is by controlling foreign investment flows in to Chinese assets. Following the large stimulus funds pumped into the global economy by central banks after last March, global investment flows surged, which lifted most equity markets higher.

China seems to have been the preferred destination for these flows with net FPI flows of \$238 billion into its equity market in the 12 months to June 30, 2021. With the Chinese economy recovering faster than other advanced economies from the pandemic last year, overseas investors made a beeline for Chinese equity as well as debt instruments. Indian stocks received \$28 billion in the last 12 months while other Asian markets witnessed FPI outflows.

It's the same trend in inflows into bonds as well, with Chinese bonds receiving inflows worth \$233 billion over the last 12 months compared with inflows of \$1.2 billion in to Indian bonds in the same period.

It was clearly a problem of plenty for Chinese authorities. The manner in which Evergrande has been repaying the dues of its domestic investors (it has repaid 10 per cent of the dues to its wealth management clients, who are largely domestic) and defaulting on its dues to overseas bond holders shows its scant regard towards future fund flows into the country or the impact of these events on FPI sentiment.

It also needs to be noted that numbers for FPI flows in to Chinese equities and bonds are available until June 2021 only. It is quite likely that there were outflows from Chinese markets after this period.

### Impact on India

There will be no direct impact of the Evergrande debacle on India but the impact it has on the Chinese economy will impact all countries. The real estate sector in China accounts for over 25 per cent of GDP and the debt-fuelled growth in this sector has been boosting demand for all commodities including cement, steel, copper and aluminium. As the sector decelerates, global prices of all commodities are impacted.

With over 200,000 homes yet to be delivered by Evergrande, funds of thousands of home buyers are locked up.

Finally, the banks with exposure to Evergrande will see their capacity to lend shrink, causing a credit crunch. It is therefore not surprising that many brokerages are pegging down China's growth rate for 2021 by at least one percentage point.

Slowdown in China can make India's prospects look better in comparison and result in diversion of foreign portfolio, FDI as well as venture capital funds to India.

It can be seen that FPI flows into Indian equity as well as debt have reversed direction since August this year implying that the Chinese government's action is already resulting in increased flows into India. Start-up funding by global PE and VC investors is also hitting record levels this year, and this too could be due to funds getting diverted from China.

The moot question is whether this is desirable. These inflows interfere with natural market corrections. The Indian market has been an out-performer since August while other global markets began declining due to fears about inflation.

Valuations of listed stocks are already at record levels and this kind of inflows cause an unnatural situation. Unfortunately, there isn't much that can be done at this juncture since the country needs FPI flows for external account stability; a catch-22 situation for regulators.

Source: thehindubusinessline.com– Oct 06, 2021

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## **India's Export-Led Growth Story Requires a Free Trade Agreement Engine**

Asia takes in about 50% of India's annual merchant exports and accounts for 60% of our imports. More than 55% of our total trade with the world is with Asia. India is very Asian.

The 15 countries party to the Regional Comprehensive Economic Partnership (RCEP) in Asia account for 37% of our global exports and 42% of our global imports. About 40% of our global trade is with RCEP countries. This results in an annual deficit of about \$100 billion; we should seek to lower this deficit.

For perspective, the US accounts for 20% of our exports and 8% of our imports. Our trade with the US is only about 10% of our global trade. The US gives us a trade surplus of \$22 billion annually, which we don't appreciate enough.

RCEP countries constitute 30% of the global population (not including India) and have a combined GDP of \$26.2 trillion, which accounts for 30% of total global output. It is both the world's largest trading bloc as well as the fastest growing region on the globe.

### **Why is India not in the RCEP pact?**

In November 2019, Prime Minister Narendra Modi went to Beijing for an RCEP summit where India was all set to sign the trade pact. However, at the last minute, Modi discovered a Gandhian talisman that did not permit India to join.

The talisman says: "Recall the face of the poorest and the weakest man [or woman] whom you may have seen and ask yourself if the step you contemplate is going to be of any use to him [her]."

Unless you think Ambani or Adani represent the faces of the "poorest men" in India, Modi's argument for not joining the RCEP is open to questioning. Exports are labour intensive; they create jobs. Exports are what keeps us alive and solvent as an economy. In India, it is the poor who export, mostly their labour and the rich who import, mostly goodies or gold. But Modi's decision locked Indian exports out of 30% of the global market. It is hard to see how that helps the poor.

Fundamentally, the RCEP was designed to eliminate 90% of tariffs in the 15-member trading bloc and to bring about a convergence in the economies of member countries, thus stimulating growth and employment.

In a trade bloc, firms can set up at any site in the bloc where their costs are the lowest. The lowest tariff market access to all member countries is guaranteed from any location.

Lower costs enhance productivity within the bloc. Markets become larger than before, economies of scale kick in and employment across countries converges. What's more, firms and consumers are exposed to new technologies and commercial contracts and practices are uniform.

The benefits of joining a trade bloc, especially one in which India would be the second largest player (with the fastest growing economy by far, since China's has plateaued), should be obvious. It would have been an excellent strategy to make India the growth engine of the globe.

What made Modi balk at a done deal?

There are two major downsides to joining a free trade agreement (FTA).

Firstly, your local players, the Ambanis and Adanis, would have to compete with the Jack Mas and Liu Chuanzhis of the world; that's not an easy thing to contemplate.

Second, there is a steep learning curve would you face in order to export your products, build brands and create markets in other member countries. Local entrepreneurs would no longer be able to take shelter from competition behind tariff walls.

The single biggest hurdle to India's joining the RCEP was not that India's dairy industry would be wiped out by New Zealand – that was just a scare story – but that rent-seeking tycoons would not be able to use their leverage with the government to tilt the playing field in their favour.

India's business elites lack the confidence to tackle overseas markets, especially difficult ones like Asia where language is a barrier. Yet, they have the software services model, where our tech firms have built large, durable franchises in the US, Europe and Asia.

The brick and mortar firms – run by tycoons with old money – have never learned to compete with the world’s best and are, therefore, reluctant to launch into exports. It is not by accident that most of them are in capital intensive, rentier businesses. Tycoon-owned firms are large importers; they can sustain their profits only if an obliging client (the Union government) protects their oligopolies and fiefs.

The fundamental aim of Modi’s economic strategy is to protect local entrepreneurs from external and internal competition in order to enable them to grow bigger.

Be it demonetisation, GST or the digitisation of payment systems, along with Aadhar enabled surveillance; all these measures were designed to force commerce – and consumers – to migrate from the informal to the formal sector, where tycoons dominate the playing field. This has forced commerce and economic activity to move from the informal to the organised sector, sending corporate profits and stock markets zooming.

Squeezing the informal sector has sent tiny firms out of business, adding to the ranks of the unemployed and the poor. New job creation is virtually zero as the informal sector learns to deal with GST codes, digital payments and finding new capital. Meanwhile, many of the country’s unemployed are being pushed into Malthusian poverty traps.

With exports stagnant and private sector investment still on holiday, despite soaring profits, both growth and employment opportunities have shrunk.

What Modi has grasped of late is that a shrinking gross domestic savings rate of 30%, given an incremental capital output ratio (ICOR) of 5, can only generate economic growth of 5% to 6%, which is simply not enough to create the required number of jobs in the economy.

Modi has thus embraced the mantra of export-led growth by announcing a new Foreign Trade Policy, FTP 2021-26, which seeks to double exports from the present \$450 billion (inclusive of services exports) to \$1 trillion, over the next five years.

### **So far so good, but how can this happen?**

Modi has already put some of the building blocks required to launch into an export-led growth in place. Corporate tax rates are now globally competitive, labour laws are much more flexible and the digitisation of tax



collection has vastly improved economic intelligence and compliance. A huge corporate cash pile is available for new investments, provided the government can assemble a credible plan of action.

But to unleash export-led growth, some more steps are imperative.

Firstly, to export another \$550 billion worth of goods and services, you need to invest \$2.5 trillion in the domestic economy, over and above the existing savings which amount to \$60 billion annually.

Where are you going to find \$500 billion of FDI per annum over the next five years? Or even \$250 billion over the next ten?

Secondly, why would anyone give you this FDI and set up a plant to make, say electronic vehicles (EVs), when you can't export the car you make in India to any other country in the world?

We are not even a most-favoured-nation (MFN) trading partner of the US under the World Trade Organisation (WTO). We are not in the RCEP, which would enable a new firm to export EVs without duties to China, Australia, Indonesia or even Bangladesh. We don't even have a trade deal with the EU.

Who will give us this scale of FDI we need just for the pleasure of selling to Indians? Modern firms need access to global markets to be competitive.

If you want FDI, especially at the scale you need to double exports, the first order of business is to expand your market. That means going to trade blocs post-haste. Of the blocs that we could join quickly, the RCEP makes the most economic and strategic sense.

Next, we need to lower the barrier to entry into the the Indian economy, like China did in the 1980s. We have to drop the asking price of the non-tradable part of our economy by devaluing the Rupee.

Why does an FDI investor come in to invest in your country? She comes in to access the lower costs of your non-traded economy (the tradable part can be accessed, naturally, through trade). But this has a price set by the exchange rate. If that price is too high, you will not get the required FDI.

So you have to drop the value of Rupee and keep it there for a period of three to five years by pegging the lower rate to a Dollar plus Yuan combination (the 1990/91 reforms were not as effective as they could have been because

we failed to put a durable and visible peg in place). This allows you to suck in the required FDI for new investments because of the lower effective selling price. Moreover, the peg helps firms to align with the new cost & trade structure.

For the best results, we should combine this with a strategy of concentration of investments at select export promotion regions in order to offer lower costs to firms in the long run.

Next, join the RCEP. The beauty of preparing to join the RCEP is that it automatically repairs your trade dispute with the US and paves the way to craft an FTA with the EU.

As competition becomes global, you need global scale and global access to markets. No significant FDI is going to come your way simply to serve local markets. Nor do you want that sort of FDI because you want exports. Therefore, when you have to sell your wares, lower the price; there is no shame in doing so.

Further, you do need to protect your local players for some time to help them negotiate the learning curve. The best way to do that is by lowering the external value of the Rupee, as discussed above and pegging it for a while until firms can adjust. This also helps eliminate tariff barriers, a prerequisite for joining FTAs like the RCEP. Tycoons can have their cake and eat it too.

Recognising the need for export-led growth is very welcome; Modi can combine it with some of the reforms already in place to give FDI a humongous push.

To bag the FDI required to make the doubling of exports possible, a currency realignment to access the FTAs is imperative. There is no way we will get any significant FDI that leaves an export dependent firm out of the RCEP. Single country markets, even as large as India's, no longer enthuse global firms.

You are either in the RCEP or you are out, as a global outcast.

Source: thewire.in– Oct 06, 2021

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## **China power shortage to benefit textile exporters but high cotton prices a dampener**

Textile exports from India have surged as companies rush to tap the increased demand for cotton and yarn across the world amid a decline in supplies from China.

Exports of cotton yarn grew 5.5 percent to about 1 million tonnes during FY21 and shipments spiked by about 60 percent to 448,000 tonnes during April-July this year, according to Bhagyashree Bhati, assistant director, industry research, Care Ratings.

Economists said there could be a further increase in India's cotton and textile exports as China faces power shortages.

“The textile industries in Jiangsu, Zhejiang and Guangdong, which are major hubs for the products, are affected due to power shortage. Another textile hub Xinjiang is affected due to labour issues and this has impacted textile exports from the country,” said OP Gulia, CEO (India) of SVP Global Ventures, a cotton yarn manufacturer.

China contributed about 39 percent of the world's textile exports, with the US and Europe as its major markets, before the pandemic, according to experts. However, the country's share has narrowed to 31 percent and analysts indicate that it could drop below 30 percent due to stalled production.

Source: moneycontrol.com– Oct 06, 2021

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## **Udyam portal completes 5 million registrations: MSME Secy**

The Udyam portal was operationalised last year.

As many as five million Micro, Small and Medium Enterprises (MSMEs) have registered on the Udyam portal and the industry should promote registrations on the portal, a senior government official said on Wednesday. The objective of the portal is to provide a single-page registration, consume less time and simplify processes of registering any enterprise as a MSME. MSME Secretary B B Swain said that timely availability, accessibility and affordability of credit and technological know-how are important prerequisites for any MSME and especially the micro enterprises to thrive, grow and expand.

He was speaking at the MSME Tech-Fin Mobility Summit organised by the Confederation of Indian Industry (CII).

While informing about completion of 5 million MSMEs registering on the portal, he also urged the industry to promote Udyam registration amongst MSMEs as it has highly authentic data that may also be leveraged towards designing robust policy intervention.

The Udyam portal was operationalised last year.

The ministry has expressed hope that this new registration process will boost the 'Ease of Doing Business' and reduce transaction time and costs. The ministry has also clarified that except the portal, no other private online or offline system, service, agency or person is authorised to do MSME registrations.

Source: [financialexpress.com](https://www.financialexpress.com)– Oct 06, 2021

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## **Impact of protectionist measures on global economy has never been positive: Report**

Batting for trade openness, a UN ESCAP-ADB report on Wednesday asked Asian nations to refrain from imposing trade restrictions including non-tariff barriers saying the impact of protectionist measures has never been positive for the global economy. The report by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Asian Development Bank (ADB) also made a case for promoting digital and paperless trade procedures by the Asian nations in view of the supply chain disruptions caused by the Covid-19 pandemic.

"Countries should refrain from using export restrictions and other non-tariff measures. They should also increase transparency on trade restrictions brought during and in the aftermath of COVID-19. The impact of protectionist measures on the global economy and international trade have never been positive," the biennial report said. The Asia-Pacific Trade Facilitation Report 2021 also highlights that cross-border trade digitalisation has great potential to help countries in Asia and the Pacific access critical goods, especially those most vulnerable to trade uncertainty and crisis.

If countries speed up their implementation of digital trade schemes average trade costs could drop by more than 13 per cent, it said. The ESCAP-ADB study underscores the need to strengthen the resilience of supply chains as the COVID-19 pandemic laid bare the vulnerabilities of concentrated trade networks, limited inventories and financing shortages. High global value chain participation left Asia and the Pacific particularly vulnerable to restrictive trade policies, it noted.

As per the report, digital trade transformation can support sustainable and development-focused benefits by lowering barriers. The regional average implementation rates for digital and sustainable groups are 58 per cent and 55 per cent, respectively.

It said that countries achieving higher implementation of the digital trade facilitation group have generally also performed well on the sustainable trade facilitation group. Overall, more advanced countries have performed better in both digital and sustainable dimensions than less advanced countries.

"The PRC (People's Republic of China), India, and the Republic of Korea are among the best performers in sustainable trade facilitation, while Australia and New Zealand are top performers in digital trade facilitation. Singapore has achieved over 90 per cent for both groups," it added.

The report said that epidemics in the past disrupted supply chains and all major outbreaks - Ebola, SARS, Spanish flu-infected and killed people. Yet, the COVID-19 pandemic has had abrupt and far-reaching impacts globally, while the economic impact of previous epidemics were localized or spread more slowly across countries.

Border closures, lockdowns, quarantines, and other means to control the virus spread weakened demand and disrupted supply chains, resulting in an overall decline in global trade, and the adverse impacts have been felt in supply chains across Asia and the Pacific. The report pointed out that in South Asia, India experienced automotive production disruptions from port congestion and shortages of parts.

Similarly, India's manufacturing capacity of electronic equipment - such as telecom products, information technology (IT) hardware, consumer electronics, medical electronics, industrial electronics, and automotive electronics - was hampered by the lack of imported raw materials and components from the PRC and other countries.

It further said various trade measures imposed by major vaccine-producing countries, giving priority to domestic demand, have hampered global deployment of vaccines.

"Increased demand for vaccines due to the recurrence of the pandemic in India delayed COVAX's deliveries of the AstraZeneca-Oxford vaccines produced by the Serum Institute of India in March and April 2021," it noted.

In Asia, the PRC and India have developed their own vaccines, while a few other countries have their own candidates in clinical trials.

The biennial report was launched at a webinar on 'Supply Chain Resilience and Trade Facilitation amid the COVID-19 Pandemic', co-hosted by ESCAP, ADB and the International Chamber of Commerce (ICC).

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com) – Oct 06, 2021

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## **Delayed recovery greatest risk to pandemic-hit Indian economy**

RBI has been vocal about its intention in helping the government bolster growth and said policy support from all sides is required to nurture a nascent and hesitant recovery.

India's economic recovery from pandemic-related shutdowns is at risk of a further delay in the six months that are left of this fiscal year, according to economists in a Reuters poll, who expect elevated inflation to hold or accelerate, not fall.

Price pressures in the world's second-most populous country have soared thanks to rising fuel prices, but the Reserve Bank of India is not expected to raise interest rates until at least the beginning of next financial year, in April-June 2022.

With lingering concerns about risks to growth, that leaves the RBI slightly behind many of its emerging market peers that are already raising rates.

"While extremely accommodative monetary policy has prevented the economy from falling off a cliff, a continuation of this policy in the absence of appropriate fiscal support will barely move the needle in terms of the pace of recovery of lost growth potential," said Kunal Kundu at Societe Generale.

In the Sept. 27-Oct. 4 poll, year-on-year economic growth in Asia's third-largest economy was forecast at 7.8%, 6.0% and 5.8% for Q3, Q4 and Q1 2022 respectively. A July poll offered higher forecasts for Q3 and Q1 2022.

That follows a 20.1% expansion in the April-June quarter, the highest since the mid-1990s, which was helped by a very low base - the start of the pandemic in the prior year.

Gross domestic product (GDP) growth is forecast to average 9.2% this fiscal year. Next financial year, growth is seen at 9.7% and 7.1% for the first two quarters and at 6.5% and 6.4% for the final two quarters, averaging 7.0% during 2022/23.

Those forecasts are largely unmoved from a July poll.

Asked about the greater risk to those numbers for the remainder of the fiscal year, 23 of 34, or over two-thirds of respondents, said a delayed recovery with limited downside. Eight said a strong recovery followed by an upgrade, and the remaining three said weak and prone to further downgrades.

"But with inflation expected to remain elevated ... persisting with ultra-accommodative monetary policy when the economy is in a recovery phase could lead to stagflation, impacting the recovery itself," said Kundu.

Inflation was forecast to be well above RBI's medium-term target of 4% but was projected to remain below the 6% upper threshold until at least end-2024, according to the poll.

The RBI has been vocal about its intention in helping the government bolster growth and said policy support from all sides is required to nurture a nascent and hesitant recovery.

"It will be a long while yet before financial conditions start to tighten in earnest, and even longer before policy rates are raised. Rate hikes will come onto the agenda when the economy should be closer to health," said Shilan Shah at Capital Economics.

"The big picture is that policy will remain very accommodative for several months yet."

Even as those uncertainties about the pace of the recovery prevail, the Indian stock market appears to be unfazed as share prices repeatedly reach record highs.

Investors have flocked to Indian shares as businesses and mobility recuperated from the devastating second wave of COVID-19 during April-May more quickly than expected.

The jobless situation has also improved with major restrictions lifted. A further 17 of 27 respondents said there was a low or very low risk unemployment will rise over the coming year. The rest said there was a high risk.

Source: [economictimes.indiatimes.com](http://economictimes.indiatimes.com)– Oct 06, 2021

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## Rupee tumbles as crude, \$ rise

With crude prices hardening and concerns over ebbing liquidity, the rupee dropped to its lowest level since April even as bond yields continued to rise, and equity markets tumbled shrugging off Moody's revised rating outlook for India.

The rupee saw its biggest single-day drop in nearly six months losing 54 paise on Wednesday against the US dollar to end at 74.98. This was its lowest closing since April 23.

Brent crude touched \$81.5 a barrel in the international market, pushing up the yield on the 10-year government bond to 6.28 per cent on Wednesday against Tuesday's close of 6.26 per cent.

Benchmark indices ended nearly one per cent lower on Wednesday amid profit-booking. The BSE Sensex closed at 59,189.73, down 555.15 points or 0.93 per cent.

### Crude flares up

"The rupee weakened against the dollar today because Brent crude prices moved to a near-three-year high, which prompted some banks to buy dollars on behalf of oil marketing companies.

"The dollar also rose against major currencies as investors turned focus onto the US' September non-farm payrolls report, due on Friday, for cues on when the US Federal Reserve may start tapering asset purchases," said a note by IFA Global.

### Multiple factors

"A combination of rising oil prices, fear of liquidity ebbing due to central bank rolling back easing measures, rising bond yields, and weakness in stocks, all had a negative impact on the rupee," said Anindya Banerjee, DVP, Currency Derivatives and Interest Rate Derivatives at Kotak Securities.

Market participants are now waiting for the Monetary Policy statement on Friday to see if it highlights concerns over a spike in inflation or announces measures for liquidity normalisation.

Vinod Nair, Head of Research at Geojit Financial Services, said: “The spike in crude prices is spooking the Indian market while inflation is affecting US bond yields.

The RBI commenced its three-day MPC meeting... the central bank is expected to keep rates unchanged, however, it is likely to announce measures to gradually pump liquidity out of the economy.”

Source: thehindubusinessline.com– Oct 06, 2021

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## **Moody's raises rating outlook to stable for 18 corporates, banks**

The nine companies whose rating outlook has been revised upwards are RIL, TCS, Infosys, ONGC, Petronet LNG Ltd, UltraTech Cement, Oil India, Indian Oil Corporation and Hindustan Petroleum Corporation Ltd (HPCL). Moody's Investors Service on Wednesday raised the rating outlook for 18 Indian corporates and banks, including Reliance Industries, Infosys, SBI and Axis Bank, to 'stable' from 'negative'.

This follows the upgrade by the US-based rating agency in India's sovereign rating outlook to 'stable' from 'negative' on Tuesday. The agency had affirmed the sovereign rating at 'Baa3'.

The nine companies whose rating outlook has been revised upwards are RIL, TCS, Infosys, ONGC, Petronet LNG Ltd, UltraTech Cement, Oil India, Indian Oil Corporation and Hindustan Petroleum Corporation Ltd (HPCL). The agency also affirmed the rating on privatisation-bound Bharat Petroleum Corporation (BPCL), but maintained the 'negative' outlook.

The nine banks whose outlook has been revised to 'stable' are SBI, Axis Bank, Bank of Baroda, Canara Bank, Axis Bank, HDFC Bank, ICICI Bank, PNB, Union Bank and EXIM Bank.

"Stabilization in asset quality and improved capital are the main drivers of this rating action," Moody's said.

Also, the rating outlook has been revised to 'stable' from 'negative' on 10 Indian infrastructure issuers, including NTPC, NHAI, PGCIL, Gail, Adani Transmission and Adani Ports and Special Economic Zone Limited (APSEZ).

Source: [financialexpress.com](http://financialexpress.com)– Oct 06, 2021

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## **Bullish on procurement from MSMEs: Out of over 50 ministries, departments, these 5 exceeded targets**

In the current financial year so far, public procurement worth Rs 44,198 crore has been made by the government, of which Rs 13,325 crore (30.15 per cent) worth procurement was made from 67,224 MSEs so far.

Ease of Doing Business for MSMEs: If there is one scheme for small businesses where the government has perhaps continuously overachieved its target in the past few years, it is public procurement policy.

The official data since FY19 showed that central ministries' procurement share from micro and small enterprises (MSEs) was 26 per cent followed by 30 per cent in FY20, and 28 per cent in FY21 while it also continued to stay above the 25-per cent mark in the current financial year so far. The government had earmarked a 25 per cent target for various ministries and departments in their annual procurement from MSEs from April 1, 2015, onward up from 20 per cent earlier.

While majority of the 54 ministries/departments — listed on the MSME Ministry's public procurement policy monitoring portal MSME Sambandh — have already made significant amount of purchases from MSEs during the first two quarters of FY22, a handful of them have been outliers in terms of their procurement share.

A total of five ministries/departments including Ministry of Agriculture & Farmers' Welfare, Ministry of Housing and Urban Affairs, Ministry of Ports, Shipping and Waterways, Ministry of Textiles, and Department of Atomic Energy have already crossed the 25 per cent procurement threshold based on their current purchases, the data showed.

“There has been a significant procurement by these ministries from MSEs. I think the target is low as a lot more potential is there for buying from MSEs while the procurement level will only go up from here. The government's focus has been on MSEs in the MSME segment through this scheme.

Ministries like textiles and agriculture would have significant impact on MSEs. Even for the space sector, niche small players are playing a major role which is a good sign. There has been a substantial increase (in transactions) across these categories on our portal as well,” Prashant Kumar Singh, CEO, Government e-Marketplace (GeM) told Financial Express Online.

The GeM portal currently has nearly 30 lakh sellers including 7.26 lakh MSEs that have an order value share of 56.48 per cent.

While purchases for agriculture ministry has already crossed Rs 18.38 crore – 25 per cent of Rs 73.50 crore annual purchase target – to Rs 19 crore, housing and urban affairs ministry has so far bought goods worth Rs 1.73 crore vis-a-vis Rs 69 lakh target of their overall aim of Rs 2.74 crore. Likewise, textiles ministry purchased goods worth Rs 17.35 crore against their Rs 15.08 crore target.

The biggest jump in terms of sheer value (amount spent) of purchases was recorded by the Department of Atomic Energy. It procured goods worth Rs 428.75 from MSEs in comparison to Rs 346.80 crore target based on their overall purchase target of Rs 1,387 crore currently. On the other hand, ports and shipping ministry overachieved its target by a relatively thinner value. Its purchases stood at Rs 293.60 crore against Rs 293.35 crore target.

“Small businesses have also been engaging with other ministries. For instance, in freight forwarding, most businesses are MSMEs providing goods to not just private entities but also the government. In our case, we had supplied PPE kits and other Covid-related items, which were imported from different countries, to health ministry. So that way we are connected with the government.

We would certainly look at enhancing supply of goods to various ministries even though selling to private entities currently have more potential,” PS Atree, Founder and Director at freight forwarding firm PS Atree & Company told Financial Express Online.

However, it is important to note that a number of other ministries or departments have procurement values much higher than these five ministries but those values are still to hit or cross their respective 25 per cent targets.

For instance, Ministry of Petroleum and Natural Gas has already made procurement from MSEs worth Rs 7,011 crore while its target is Rs 12,811 crore based on current overall purchase target. Similarly, goods worth Rs 1,492 crore has been purchased by Ministry of Power from MSEs against the target of Rs 2,309 crore while Ministry of Defence has bought goods worth Rs 1,433 crore from MSEs vis-a-vis Rs 2,620 crore target, among few other ministries.

The MSME ministry has also made purchases worth Rs 8.76 crore so far while its 25 per cent target stood at Rs 15.35 crore of its total annual procurement target of Rs 61.40 crore currently. In the current financial year, public procurement worth Rs 44,198 crore has been made by the government, of which Rs 13,325 crore (30.15 per cent) worth procurement was made from 67,224 MSEs so far.

This included Rs 317 crore goods bought from 2,315 MSEs owned by scheduled caste and scheduled tribe entrepreneurs while Rs 327 crore worth procurement was made from 2,245 MSEs owned by women entrepreneurs.

Source: [financialexpress.com](http://financialexpress.com)– Oct 06, 2021

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## Shipping industry group aims for net-zero emissions by 2050

A major shipping industry group said Tuesday that its members will aim for “net-zero” carbon emissions by 2050, following a commitment to the same goal by the world’s airline industry a day earlier. The current target set by the International Maritime Organisation, a United Nations body, is to reduce emissions from international shipping by 50 per cent by 2050.

The International Chamber of Shipping said it has submitted a proposal to the UN for the industry to stop adding CO<sub>2</sub> to the atmosphere by mid-century. “Talk is cheap, and action is difficult,” International Chamber of Shipping Chairman Esben Poulsen said in a statement, adding that the group’s proposal “sets out the how” as well as the what’ for decarbonising shipping by 2050.” “A net-zero carbon ambition is achievable by 2050,” Poulsen said.

“But only provided governments take the unglamorous but urgent decisions needed to manage this process within a global regulatory framework.” The UN’s annual climate change conference starts October 31 in Glasgow, Scotland. The ICS previously called for a global surcharge on carbon emissions from shipping to help fund the sector’s shift toward climate-friendly fuels.

Environmental activists gave Tuesday’s announcement a cautious welcome but noted that the proposal only covers carbon dioxide, not other greenhouse gas emissions. Like the airline industry, which this week declared a target of net-zero carbon emissions in 30 years, shipping companies are counting heavily on the idea that any carbon emissions remaining by 2050 could be “offset” with natural or artificial means of removing CO<sub>2</sub> from the atmosphere.

“Real progress will come when they support the ambitious carbon price that island nations have already proposed and ensure shipping emissions immediately start on a downward trajectory,” said Aoife O’Leary, Director of global transportation at the Environmental Defense Fund.

“To meet the pace of climate action that science demands, we must hold the shipping industry accountable to real, near-term progress toward decarbonisation,” she added.

Source: thehindubusinessline.com– Oct 06, 2021

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## **Maersk ‘repositioned’ 2.15 lakh empty containers in the first 8 months of 2021**

But exporters still reel under shortage of containers

With India’s exports showing strong momentum since the start of the year, the world’s largest shipping line, Maersk, repositioned as many as 2.15 lakh empty containers — moved empty boxes from a location that has surplus boxes to a deficit location — in the first 8 months of 2021 to support the country’s economic growth. Other shipping lines have also repositioned boxes, but this has not helped trade as a shortage of containers continues to cripple exporters.

“Maersk has repositioned empty containers like never before; 215,000 containers repositioned in the first 8 months of 2021 into India to support economic growth,” it said in its West and Central Asia Market Update to customers.

Further, the line has ‘in-fleeted’ 660,000 new containers since July 2020, which has partly helped overcome the shortage of containers and filling in for containers that are stuck in the ecosystem.

### **Exports outstrip imports**

While domestic consumption in India remains low, exports remained strong, thereby increasing the need for supplying equipment (sea containers) to customers. In the first half of 2021, exports were 40 per cent higher than imports, which means that there are fewer containers available for exporters, Maersk said.

The purchasing managers’ index for August 2021 indicates continued growth in major economies like India (55.4), Saudi Arabia (54.1), and UAE (53.8). This is reflected in a strong rebound in volumes compared to last year, and lifted volumes being in line with 2019 figures.

Normal service levels continue despite a high equipment imbalance in the market caused by increased exports of retail and lifestyle segments to North America and Europe and increasing demand for agriculture exports post-monsoon. Concor has levied an imbalance surcharge to overcome equipment challenges in the Indian hinterland.



## **Reducing dwell times**

“While catering to all exports from our contractual customers and customers with two-ways commitment, we are additionally working to reduce dwell times for our equipment. So far, we have reduced the dwell time by up to 1.5 days, making more containers available for our customers,” Maersk said.

The amount of long-standing laden containers on-ground remain a bottleneck to creating sufficient availability of equipment for customers. Hence, any support customers can provide for faster return of equipment will positively contribute to the pool of containers being available, Maersk appealed.

## **Strong demand**

Maersk and some other lines have also repositioned containers, but the ground reality is that boxes have been unavailable since the start of the year. Those who can afford to pay an ‘exorbitant’ rate can afford to take the boxes, say multiple sources.

“For three months, we have been waiting for boxes,” Dipak Shah, Director of the Coimbatore-based Crystal Tea and Chairman of the South India Tea Exporters’ Association, told BusinessLine. The situation has been really bad since the start of the year, he added.

On the global front, Maersk said that container demand remains strong and continues to run ahead of supply growth in Q2FY21. The combination of strong US consumption, higher throughput capacity, and re-opening in Europe is expected to drive average year-on-year container demand growth at around 6–8 per cent in 2021.

Source: thehindubusinessline.com– Oct 06, 2021

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## Telangana, AP vie for setting up mega textile parks

Andhra Pradesh and Telangana are the front runners in the race for bagging PM MITRA parks as announced in the Union Budget for 2021-22, according to highly placed sources.

With an aim to create world-class infrastructure with plug-and-play facilities that enable major investments in exports, the Union Cabinet on Wednesday approved seven new mega textile parks with an outlay of Rs 4,445 crore.

Both the Telugu States are strong contenders for the Mega Integrated Textile Region and Apparel (PM MITRA) Parks due to the textile-rich industry and the expanse of the same in the two States.

PM MITRA is inspired by the 5F vision of the Prime Minister that encompasses 'Farm to Fibre, Fibre to Factory, Factory to Fashion and Fashion to Foreign' which is an integrated vision to help furthering and growth of the textile sector in the country.

These seven Mega Integrated Textile Region and Apparel Parks will be set up at Greenfield/ Brownfield sites located in the willing States.

Proposals of the State governments having ready availability of contiguous and encumbrance-free land parcels of 1,000 acres along with other textiles related facilities and ecosystem are being considered for the same.

Among the States competing for it are Andhra Pradesh, Telangana, Madhya Pradesh, Karnataka, Tamil Nadu, Punjab, Odisha, Gujarat, Assam and Rajasthan. The Centre has a plan outlay of Rs 4,445 crore (over 5 years) for the same. Each State is mounting pressure on the Centre for its share in the programme and all these State governments have forwarded their proposals to the Centre.

The Maximum Development Capital Support (DCS) of Rs 500 crore to all Greenfield PM MITRA and a maximum of Rs 200 crore to Brownfield PM MITRA will be provided for the development of Common Infrastructure (30% of the project cost) and Rs 300 crore of Competitiveness Incentive Support (CIS) will also be provided to each PM MITRA park for early establishment of textiles manufacturing units. State government support

will include provision of 1,000-acre land for the development of a world-class industrial estate.

AP and Telangana are keen that they bag the prestigious projects that are aimed to project the Indian textile market at the global level as these parks not only provide a huge employment base. At least one lakh to two lakh persons could be employed in these, according to the Union government estimates.

Each of these parks shall have a core Infrastructure: Incubation Centre & Plug & Play facility, Developed Factory Sites, Roads, Power, Water and Waste Water System, Common Processing House & CETP and other related facilities such as Design Centre, Testing Centres etc, and a Support Infrastructure: Workers' hostels & housing, logistics park, warehousing, medical, training & skill development facilities.

Yet another benefit is that convergence with other Central government and State government schemes is also available under the programme. Telangana has proposed a park at Warangal meeting all the requirements of the Centre for the PM MITRA scheme.

AP which is ranked seventh in the country's cotton production has about 150 spinning mills in the State, with a capacity of approximately 40 lakh spindles producing 20 lakh kg cotton yarn per day.

Further, there are around 18,000 power looms of which about 9,000 are shuttle looms and 1,300 high-speed air jet looms. Andhra Pradesh has well-developed ginning and spinning segments in the textile industry and is one of the leading producers of cotton in the country.

Source: thehansindia.com– Oct 06, 2021

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## **October 8 policy meeting: Expect MPC to maintain status quo on rates**

Expectations centred on the upcoming Monetary Policy Committee (MPC) policy announcement are varying—a sharp contrast to the widespread consensus since March 2020 on rate-cuts, the accommodative stance and liquidity.

Markets and economists are divided on the possibility of an increase in the reverse repo rate (fixed rate at which RBI absorbs liquidity from the banking system in an overnight window) at the upcoming policy meeting. Consensus (including us) expects the MPC to keep the repo rate (fixed rate at which RBI lends to the banking system) unchanged and maintain its accommodative stance. Currently, the reverse repo rate is at 3.35% and repo rate at 4%.

Diverging expectations on the reverse repo rate have emerged over the last few weeks, as auction cut-offs on variable rate reverse repos (VRRRs) have increased gradually, from c.3.40% to 3.99% (7-day tenor), higher than the existing reverse repo rate of 3.35%. VRRRs are also used by RBI to absorb excess rupee liquidity in the banking system, albeit for longer tenors (currently 7-14 days) and at variable rates.

RBI has more than doubled the size of VRRRs since the August MPC meeting; the sharp rise in VRRR cut-offs has been interpreted by the market as an indication of RBI's preference for a lower liquidity surplus and an exit from ultra-low rates.

Higher crude oil prices, concerns on the inflation trajectory (though headline inflation is likely to print at lower than 5% over next few months) and a sharp pick-up in the vaccination pace have added to expectations of a firmer signal by RBI on the start of the rate normalisation process at this week's meeting.

To clarify, the MPC is mandated to vote on the policy rate, i.e. repo rate only. The reverse repo rate adjusts automatically once the repo rate changes. However, the reverse repo rate was cut asymmetrically by 155 bps, to 3.35%, during the pandemic in 2020, while the MPC voted in favour of a repo rate reduction of 115 bps to 4%.

The asymmetric cut, which led to the widening of the corridor (gap between repo and reverse repo rate) to 65 bps from 25 bps (pre-pandemic), was delivered to support the economy as higher inflation disallowed sharper reductions in the repo rate. The MPC is mandated to keep CPI in the band of +/-2% with a medium-term target of 4%. CPI inflation averaged at 6.2% in FY21 (year ended March 2021).

The market thus expects that, as a first step towards rate normalisation, RBI would restore the corridor to 25 bps by raising the reverse repo gradually by 40 bps over couple of meetings. As mentioned above, higher VRRR cut-offs and the broader macroeconomic backdrop have built up expectations of such a move as soon as this week.

While a reverse repo rate hike of 15-25 bps on October 8 cannot be ruled out, we think RBI will wait until the December policy meeting to make such a move. We say so for the following reasons. Unlike VRRR cut-offs/sizes and tenor, a reverse repo rate hike is a firmer signal of policy normalisation, in our view. We think a firmer signal is warranted when the risk of another surge in infections is largely ruled out; India could see an increase in Covid-19 cases amid the busy festival season (until mid-November).

Equally important, a reverse repo rate increase coming close on the heels of the increase in VRRR cut-offs could increase expectations of a faster pace of policy normalisation (including a repo rate increase from early next year). However, the MPC has emphasised the need for a calibrated and gradual pace of normalisation. Deputy Governor Michael Patra stated in his mid-September speech that VRRRs are neither a signal of a rate lift-off nor of withdrawal of liquidity.

We, therefore, expect the MPC to signal the start of the normalisation process from December at its upcoming meeting, in the absence of growth shocks. Concerns on upside risks to inflation are likely to be expressed amid persistent supply-side-led price shocks, even as we expect the MPC to marginally lower its FY22 CPI forecast from the current 5.7%.

On liquidity management, an increase in the VRRR size is unlikely at the upcoming meeting as the busy festival season is likely to drain out liquidity organically, in our view. A lower borrowing programme by the government further requires less liquidity to be absorbed; RBI has been buying bonds to support bond supply, which, in turn, has been offset by VRRRs to some extent. A VRRR tenor longer than 14 days is also not required at this juncture, in our view, given that RBI may be required to inject liquidity or

allow maturity of a few VRRRs in selected weeks amid the festival season. However, it could start with a longer-tenor VRRR for a smaller amount of Rs 500 billion to test the market's appetite for future deployment.

Overall, we expect the MPC to maintain the status quo on rates, stay accommodative, lower its inflation projection marginally from 5.7%, but flag possible upside risks given hardening of crude oil and natural gas prices. We also expect it to signal the possibility of normalisation from the next policy meeting if no further growth or sentiment shocks are experienced.

Source: [financialexpress.com](http://financialexpress.com)– Oct 06, 2021

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## **More than 51,000 Apprentices hired in Skill India's 'National Apprenticeship Mela' 2021**

Skill India with due support from Directorate General of Training (DGT) and National Skill Development Corporation (NSDC) today organized a day long 'Apprenticeship Mela' across the country in over 660 locations. Under the initiative, nearly 51,991 apprentices were hired and the event witnessed participation from more than 5000+ organisations, operating in more than 30 sectors such as Power, Retail, Telecom, IT/ITeS, Electronics, Automotive and more. Additionally, country's aspiring youth received the opportunity to engage and select prospects from more than 500 trades (Designated and Optional) including posts for Welder, Electrician, Housekeeper, Beautician, Mechanic and more.

The applicants received several benefits by being a part of the Apprenticeship Mela as they got on-the-spot apprenticeship offers from respective employers along with receiving direct industry exposure. They have been offered monthly stipends as per the Government standards ranging from Rs.5000 to Rs. 9000 per month, this being a huge opportunity for the candidates to earn while they learn. The candidates will further get certification from National Council for Vocational Education and Training (NCVET), increasing their chances of employability after the training.

Shri Rajesh Aggarwal, Secretary, Ministry of Skill Development and Entrepreneurship said that the Ministry received an overwhelming response from the candidates during the Apprenticeship Mela, highlighting our commitment towards providing adequate training in market-relevant skills to India's youth.

He hoped that with nearly 52,000 apprentices getting hired during this event, we will be able to scale-up the skilling standards in the country to achieve the vision of 'Skilled India'. He congratulated all the hired apprentices who got the opportunity to engage with more than 5,000 establishments during this occasion.

Apprenticeship training is the most sustainable model of skill development when it comes to providing demand-driven skills and addressing the technical skill gaps faced by employers. He stressed that by taking forward such initiatives, we will support organisations and the candidates to reap the benefits of apprenticeship training to its full potential, facilitating innovations in earn-while-learn-based learning systems.

Neelam Shammi Rao, Director General (Training), DGT said that with the changing market dynamics and the industry evolving in this new order, apprenticeship is becoming an important component for preparing our youth for the future of jobs. She congratulated all the apprentices who have received opportunities during the apprenticeship mela and wish them luck for their future endeavors.

The event also stood as a great opportunity for the participating establishments who got the chance to meet the potential apprentices at a common platform and could select the candidates as per their requirements. The event witnessed participation from key establishments such as Railways, ONGC, Tata, Maruti Udyog and many more. Additionally, small-scale industries with minimum four working members also hired apprentices at the event.

The participating candidates at the event were 5th to 12th pass students, Skill Training Certificate holders, ITI students, Diploma holders and graduates.

The National Policy of Skill Development and Entrepreneurship, 2015 launched by the Hon'ble Prime Minister on July 15th, 2015 recognises apprenticeship as a means to provide gainful employment to skilled workforce with adequate compensation. MSDE has also taken several efforts to increase the number of apprentices hired by enterprises in the country. The aim is to fill the gap in supply and demand for skilled workforce and meet the aspirations of the Indian youth through gaining on-the-job training and securing better opportunities for employment.

MSDE has brought significant reforms to the apprenticeship rules to drive greater participation in the Apprenticeship training in the country. These reforms include:

- Upper limit for engaging apprentices increased from 10% to 15%
- Size limit of an establishment with mandatory obligation to engage apprentices lowered from 40 to 30
- Payment of stipend for 1st year has been fixed rather than linking it to minimum wages, 10% to 15% hike in stipend for 2nd and 3rd year to apprentice
- Duration of apprenticeship training for Optional Trade can be from 6 months to 36 months



- The industry has an option to design and implement their own Apprenticeship training
- Under National Apprenticeship Promotion Scheme (NAPS), the establishments/industry can get reimbursement up to 25% of the stipend paid to the apprentices.

Source: pib.gov.in– Oct 06, 2021

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## Why Indian E-commerce Market Is Optimistic

The competition in the online business in India is furious. The market is loaded up with numerous nearby and unfamiliar organizations attempting to hold the most extreme portion of the overall industry. Expanding development in the e-commerce based business industry is credited for various reasons. Digitizing the economy and giving cheap internet to individuals are a couple of numerous reasons that supported the development of digital sales in India. The e-commerce retailers however thought that the initial few weeks of the lockdown were testing for e-commerce players but, they were eventually able to emerge as winners. India's online market recovered quickly after the nationwide lockdown and also witnessed a successful festive sales period ever.

It goes without saying that clothes/ daily wear apparel is one of the basic needs and requirements after food. It is nothing less than any essential commodity, and that's why even during lockdown the online textile industry saw a boom in sales and will continue in the future as well. The online textile industry even registered an increasing trend in sales due to no dependency on the offline industry for example wholesalers, semi-wholesalers, retailers, middle persons, etc and this will continue in the future as well.

The online textile industry has all the valid reasons to give birth to new unicorns in India. Right from choosing items to trying them, even the return policies created a win-win situation for shoppers on the internet as customers felt very comfortable purchasing stuff online. And, hence, the birth of online retailers, the rise in the number of unicorns is imminent.

The following reasons proved to be advantageous for the industry:

- Many e-commerce players started assessing consumer preferences and also started aligning product categories and offers accordingly. For instance, many clothing brands have also assessed this and have started a new segment 'ethnic, loungewear/ comfortable wear' as most of the people are doing work from home during these pandemic times.
- In the same way, Indian organizations have also started adapting their supply chain to ensure adequate supplies are on hand to meet demand along with a 'buffer' stock of essential items. Approaches like drop-shipping, contactless approaches are being explored for seamless delivery of the items.

- Customers during this pandemic enjoyed a personalized experience and highly eliminated the hassle of visiting various shops, reducing the possibilities of contracting the disease.
- Where mobility and supply chain witnessed irregularities, e-commerce emerged as an ideal solution providing delivery services without compromising social distancing practice.

Also with the recent development in e-commerce rules, mixed signals can be interpreted. The policies ask the sellers to mention the country of origin of their products. This is an initiative boosting the Make-In India campaign as buyers will be getting informed choices. However, a new set of policies may witness an outage from foreign investors but nothing much could be done. India is too big a market to be ignored.

Yet, time and again the policies will take shape and prove to be smooth further ahead. Conquering all odds, the e-commerce business is an example of overcoming adversity, consistently providing items and administrations, as small and medium scale organizations sold their items close by huge players during the pandemic. The recently proposed rules appear more to do with platforms than buyers and are probably going to discourage inefficient players.

The value of fast and secure shipping is a consideration for both shoppers and businesses selling online. When everything came to a standstill, e-commerce/ virtual shopping ensured continuity in the country's economic operations confirming that e-commerce will be the future for the Indian economy. Indian e-commerce is emerging as a demand along with the population and likewise will contribute to the country's revenue model also.

Source: indianretailer.com– Oct 05, 2021

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## **Confederation of Indian E-commerce formed**

The Confederation of Indian E-commerce (CIE), a not-for-profit trust of e-commerce companies, was formed recently to offer a neutral industry voice by bringing the government, the industry, policymakers and consumers on a single platform. Based in New Delhi, the organisation was conceived by a team of industry veterans, including Amitabh Singhal, past president of Internet Service Providers Association of India.

Key e-commerce companies as well as retail, micro, small and medium enterprises, and farmers associations have been invited to be members of the organisation.

"CIE aims to provide a dedicated platform for the retail and e-commerce companies to take up economic or policy issues with the government and other relevant agencies, support to MSMEs and traditional retail, promotion of exports and access to export markets, and easing regulatory compliances for export and returns by encouraging exports," a CIE statement said.

In the year ending March 2021, the overall retail market shrunk by 5 per cent due to lockdown, while the e-retail market surged by 25 per cent to reach USD 38 billion. The e-commerce penetration has moved up to 4.6 per cent from 3.5 per cent last year. CIE's strategic adviser is Venky Venkatesh, a former chief executive officer at Press Trust of India news agency.

The organisation will also build a state-level agenda by working with the state governments to support the needs of e-commerce companies and MSMEs locally, a news agency reported. CIE will be working closely with the state governments for integrating the MSMEs in the states with digital retail by facilitating them with the domestic and international market, it added.

CIE also aims to assist and build the ecosystem for the agriculture sector and promote technologies to empower the farming community. It will also undertake evidence-based, scientific policy research and advocacy, including consumer research, capacity building, thought leadership, new membership drive, and representing members' concerns and issues to the government, among others.

Source: fibre2fashion.com– Oct 06, 2021

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## **Cotton growers fall prey to ‘middlemen’ in Punjab**

Buying cotton way above the MSP, private players are calling the shots at grain markets in Malwa. As a result, the Cotton Corporation of India — government-authorised agency for procurement — has not been able to enter the market this season so far.

With only private players left in the market now, it is the middleman (without licence to purchase cotton) who has started making hay by purchasing cotton directly from farmers on low price, citing high moisture content and other quality parameters, and then re-selling it to cotton factories or bigger players on higher rates.

Sources said these “middlemen” were also dodging market fee (1 per cent of purchased cotton) while working in connivance with senior market committee officials in mandis. “This illegal purchase does not even feature in the stock register of the market committee, causing huge loss to the state exchequer,” a source said.

Talking to The Tribune, a market committee official in Goniana block of Bathinda said: “After private players started buying cotton on rates above MSP, middlemen became active. In connivance with the market committee officials, they are directly purchasing cotton from farmers illegally and then reselling it on higher rates to factories in and outside the district.

Shockingly, they are dodging the market fee of one per cent of the purchase and even entry of purchase is also not being done for the transaction.” He said these middlemen did not have licence to buy cotton, but some market committee officials were helping them.

Gurvinder Singh, secretary of market committee, Bathinda and Goniana mandis, said: “Farmers are happy that they are fetching good price for their produce as private players have been procuring it at above-MSP price.” On middlemen buying cotton directly from farmers, he said: “It’s not much. Selling small quantity of cotton via them does not make much difference.”

Preet Kanwar Singh Brar, District Mandi Officer, said: “It is not possible as even middleman would be selling it to private players. But if somebody is indulging in any illegal activity, we will get it probed.”

Ram Singh Bhaini Bagha, president, BKU Ekta Ugrahan, said: “With barely any check, such illegal practices are on for years. It is mostly the marginal farmers who get fleeced.”

No entry on register

- Middlemen are allegedly buying cotton directly from farmers and reselling it at higher rate to factories
- The entry of purchase is reportedly not being done on the stock register, leading to huge loss to the exchequer
- A market committee official in Goniana says these middlemen don't even possess licence to buy cotton, but some market committee officials are helping them

Narma variety to fetch record Rs7,350/quintal

- Traders have agreed to buy long-staple Narma BT cotton at Rs7,350 per quintal. This is the highest price offered in Punjab, Haryana and Rajasthan. The decision came after officials of the Market Committee, Samyukt Kisan Morcha and Arhtiya Association met in Abohar
- The cotton was being sold in Gidderbaha between Rs6,950 and Rs7,020. It was fetching Rs7,000 in Mansa and Rs7,045 in Jaitu
- As rain affected the produce stacked in cotton yards, stakeholders on Wednesday agreed that from Oct 11, cotton-laden tractor-trailers would be directly taken to factories after bidding instead of offloading the cotton in the new grain market complex. This will help create space for storing paddy in the mandi

Source: [tribuneindia.com](http://tribuneindia.com)– Oct 06, 2021

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