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INTERNATIONAL NEWS

Merchandise trade volume declined in Q3 while trade values continued to rise

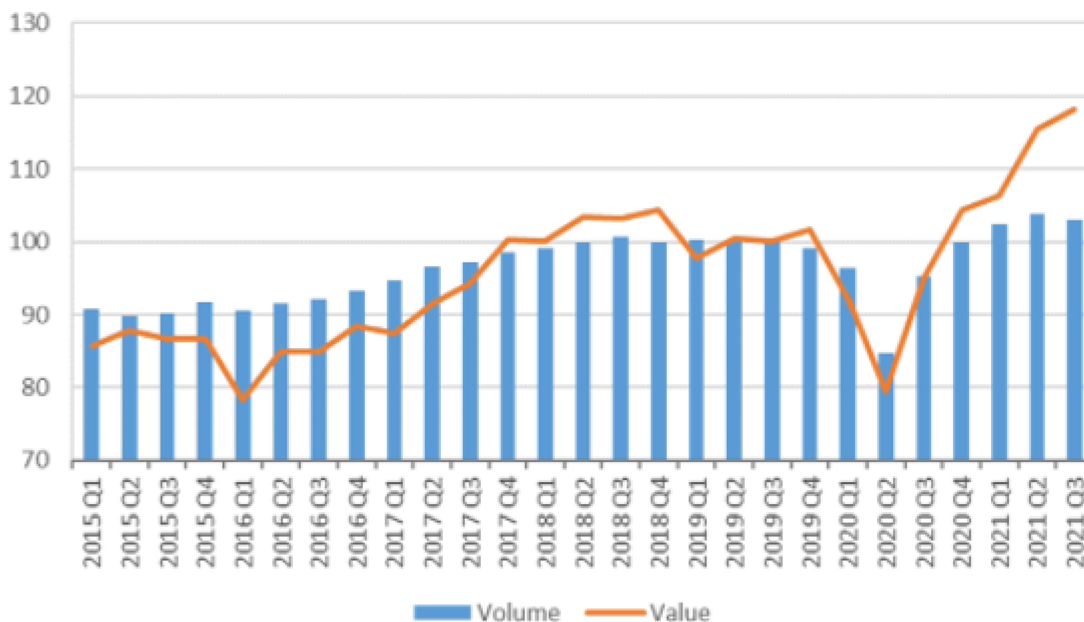
Despite strong headwinds contributing to the decline in the third quarter, trade volume was still up 11.9% for the year-to-date through September. This is slightly worse than the WTO's most recent trade forecast of 4 October, which anticipated a 12.7% rise over the same period.

The forecast of a 10.8% increase in merchandise trade for the whole of 2021 could still be realized if fourth quarter data show a pickup in volume growth. This is a real possibility since measures to unblock container ports on the west coast of the United States have met with some success.

Also, even though the WTO's Goods Trade Barometer has signalled a cooling of trade growth in the closing months of 2021, it still remains on trend. Nevertheless, the emergence of the Omicron variant of SARS-CoV-2appears to have tipped the balance of risks towards the downside, increasing the chance of a more negative outcome (Chart 1).

Chart 1: World merchandise trade volume and value, 2015Q1 - 2021Q3

(Index, 2019 = 100)



Source: WTO and UNCTAD.

Note: World trade refers to average of world exports and imports.

In contrast to volume, the value of world merchandise trade continued to climb in the third quarter as export and import prices rose sharply. World trade as measured by the average of exports and imports was up 24% year-on-year in the third quarter in nominal U.S. dollar terms. This growth is weaker than the 46% jump in the second quarter but stronger than the 15% increase in the first quarter.

Trade values were boosted by primary commodities including fuels, prices of which more than doubled between the third quarter of 2020 and the third quarter of 2021. According to IMF statistics, Fuel prices dipped in November after peaking in October, but they were still up 137% year-on-year. Meanwhile, food prices were up 23% and base metals were up 13% over the previous year. Prices of many manufactured goods have also risen, pushing up measured inflation in many economies.

The main reason for the dip in merchandise trade volume in the third quarter was weaker than forecasted imports in North America and Europe. This translated into reduced exports from those regions and also from Asia (Chart 2). Asian imports contracted in the third quarter, but this decline was anticipated in the October trade forecast.

Seasonally-adjusted exports were down quarter-on-quarter in the third quarter in North America (-1.9%), South and Central America (-2.5%), Europe (-1.0%), Africa (-3.8%) and Asia (-1.2). Exports were up in the Commonwealth of Independent States (CIS) including certain former and associate members (3.8%) and in the Middle East (2.6%).

Imports declined by 0.5% in Europe in the third quarter, even though they had been expected to grow 2.6%. Imports also fell in the third quarter in the CIS (-3.2%), Africa (-0.7%), and Asia (-1.3%). North America's imports were up 0.4% in the third quarter, but a stronger increase of 1.5% had been anticipated. Meanwhile, shipments from South America and the Middle East were up 0.4% and 1.6%.

Click here for more details

Source: wto.org– Dec 20, 2021

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Global organisations come together to secure supply chains

The International Labour Organization (ILO) and the World Health Organization (WHO), together with other global organisations in the transport sector, have set up a Joint Action Group to review the impact of COVID-19 on the world's transport workers and the global supply chain. The group will focus on improving the operation of global supply chains.

The International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) are also members of the group.

The group's work will focus on promoting the application by national authorities of operational protocols to facilitate the movement and protect the rights of cross-border transport workers, in line with states' obligations under the International Health Regulations (2005). It will promote COVID-19 vaccination of transport workers as per the recommendations of the WHO Strategic Advisory Group of Experts (SAGE) on Immunization, as well as the access of seafarers to medical care and medical evacuation.

"The world's transport sectors and their workers face immense, ongoing pressures and difficulties arising from the COVID-19 pandemic. I am pleased therefore that we have now established a Joint Action Group that will review the impact of the COVID-19 pandemic on these workers and encourage governments to apply internationally agreed protocols and standards," said Guy Ryder, director-general of ILO.

"The COVID-19 pandemic remains a public health emergency of international concern that continues to adversely impact human health globally, and international trade and travel. Protecting the health of cross border transport workers and maintaining travel operations for emergency and humanitarian missions, essential personnel, repatriations, and cargo transport of essential supplies is of critical importance," said Dr Tedros Adhanom Ghebreyesus, director general of WHO.

The Joint Action Group will meet regularly to discuss the evolving situation, assess the progress made, and agree on future actions to overcome remaining challenges.

Source: fibre2fashion.com– Dec 21, 2021

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US apparel imports remained unstable in 2021, likely to dip further this year: Report

Though the value of US apparel imports registered a 2.4 per cent increase in October 2021 from previous month and 20.3 per cent from year ago, it is likely to decline in the subsequent months of 2021 due to the seasonal nature of imports. As per a Shenglu Fashion report, the value of US apparel imports is likely to remain in the range of19.9 per cent-24.5 per cent this year.

OTEXA figures reveal so far in 2021, US apparel imports remained unstable due to the uncertainties and disruptions caused by COVID-19 and the shipping crisis. They have grown between 13.1 per cent in May to 17.6 per cent in July, compelling fashion companies to focus on inventory planning and supply chain management. Companies are likely to continue to remain challenged by the new Omicron variant.

Limited production capacity elsewhere has resulted in Asian countries remaining the dominant sourcing base for US fashion companies. However, due to COVID-lockdowns in Vietnam and Bangladesh, the market share of Asian countries' fell from 74.2 per cent in 2020 to 71.3 per cent in July 2021. However, it rebounded in October 2021 as US apparel imports from Asian countries surged 74.8 per cent.

China to remain dominant sourcing base

China continues to remain one of the essential sourcing bases for US fashion companies in the current business environment. It remained the largest supplier in October 2021, accounting for 41.0 per cent of total US apparel imports in quantity and 27.1 per cent in value. China supplied the most diverse range of products to the US market during the month compared to other competitors like Bangladesh, Mexico, and CAFTA-DR members.

Yet, as shown by the HHI index and market concentration ratios (CR3 and CR5), the US fashion companies continue to move apparel sourcing orders from China to other Asian countries. As against 27 per cent in 2018, they now source only 15 per cent cotton apparels from China. Only around 10 per cent of their total sourcing value or volume is from China compared to over 30 per cent in the past.

US companies continue to reconsider China sourcing strategies to avoid potential high-impact disruptions due to growing tensions between US-China relations and the looming new US legislation targeting products made by forced labor.

Near-sourcing to increase

US fashion companies prefer near sourcing from the Western Hemisphere now, especially CAFTA-DR members. From January-October 2021, they sourced around 17.3 per cent of their apparels needs from the Western Hemisphere, which is 16.1 per cent more from that sourced in 2020. The share of CAFTA-DR members' market shares during this period increased to 10.6 per cent in 2021 from 9.6 per cent in 2020.

The value of US apparel imports from CAFTA-DR also increased 41.9 per cent growth during the period. Imports from El Salvador, Honduras and Guatemala grew particularly fast during these months. However, companies hesitate to permanently shift their sourcing bases to this region due to the political instability in some Central American countries like Nicaragua and Haiti.

From January to October 2021, there was a notable increase in prices of US apparel imports. The unit price of US apparel imports from almost all leading sources surged over 10 per cent during this period. Pressures of these rising costs are unlikely to ease anytime soon.

Source: fashionatingworld.com– Dec 20, 2021

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World Bank, HSBC positive about Vietnam's economy

Vietnam's economy should get back to a gross domestic product (GDP) growth of 6.8 per cent next year, driven by a return of strong foreign direct investment (FDI), primarily in manufacturing, according to Tim Evans, chief executive officer (CEO) of HSBC Vietnam. The country's economic conditions continued to improve, with both industrial production and retail sales registering a third month of growth, the World Bank recently said.

The GDP growth would benefit the country's exports, especially as free trade agreements that have been signed over the past two years start to bear fruit, Evans said.

The continued expansion of the middle class and in particular the rising affluent sector will lead to changes in consumption as Vietnamese start spending more and more on leisure and travel, a Vietnamese newspaper reported.

The World Bank said in the December edition of its Vietnam Macro Monitoring that Vietnam's economic conditions continued to improve, with both industrial production and retail sales registering a third month of growth.

Merchandise exports hit a record high of $31.9 billion, helping maintain a second consecutive month of trade surplus while FDI commitment recovered after a brief dip in October, according to the report.

Inflation ticked up due to fuel price hikes, recovering non-food domestic demand and rising logistic costs while credit growth remained stable, providing amble liquidity to support the economy recovery. After two months of decrease, the consumer price index (CPI) increased by 0.3 per cent month-on-month in November.

Compared to a year ago, the CPI rose by 2.1 per cent year on year, slightly higher than in October, but well below the 4 per cent target set by the State Bank of Vietnam.

The government continued its contractionary fiscal stance as the budget balance posted another month of surplus, driven by strong revenue collection, the World Bank document noted.

There is also clear need for fiscal policy support to boost private demand and help the domestic economy recover. Providing financial assistance to impacted workers and households would be an essential avenue to achieve this objective, according to the document.

Source: fibre2fashion.com– Dec 20, 2021

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Pakistan: ECC takes stock of cotton situation

A meeting of the Economic Coordination Committee (ECC) of the Cabinet was informed that none of the markets in Sindh or Punjab witnessed seed cotton prices lower than Rs5000 per 40kg (the benchmark for market intervention).

A meeting of the ECC meeting was updated about cotton prices in domestic and international markets for the month of October 2021.

The meeting was told that the Cotton Price Review Committee (CPRC) met in October and on November 10, 2021 and reviewed weekly cotton prices in local, as well as, in international markets.

Seed-cotton, lint cotton, and cotton seed prices were collected on a daily basis from Hyderabad, Mirpur Khas, Sanghar, Sukkur/ Ghotki, and Khairpur districts of Sindh and Rahim Yar Khan, Bahawalpur, Vehari, Sahiwal, and Dera Ghazi Khan districts of the Punjab province.

For international markets, Cotlook New York Futures prices for December/ March contracts and cotton prices in India were reviewed for corresponding period.

The price data reveals that none of the markets in Sindh or the Punjab witnessed seed cotton prices lower than Rs5000 per 40kg.

ECC takes decisions on sugar, cotton

The import parity price (IPP) of cotton lint has ranged from Rs18,666 to Rs19,583 per 40kg, which translates into seed cotton prices as Rs7,117 to Rs7,404 per 40kg.

The prices in local market in all major cotton growing districts of Punjab and Sindh during October remained between Rs5,696 and 6,043/40kg mainly because of high demand and disruption in sea shipments, which delayed imported cotton.

The ECC was further informed that global high demand and short supply creating pressure on international prices, resultantly, average Cotlook an index price remained above 100 cents during the month of October 2021.

Since cotton prices remained higher than intervention price threshold of Rs5,000/ 40kg during October 2021, the CPRC decided to continue to monitor prices in the domestic and international markets by advising the TCP to remain ready to intervene.

The meeting was informed that average 40kg seed cotton price in Punjab was Rs5,966, while average 50kg seed cotton price in Sindh was Rs5,614 and seed cotton price in Pakistan was Rs5,790, while cotton seed Banola price in Punjab was Rs1,805, in Sindh Rs1,631, and in Pakistan Rs1,718 per 40kg.

The meeting was further informed that lint cotton price in Punjab 40kg was Rs15,060.93 and in Sindh Rs13,809.

Lint cotton price in Pakistan was Rs14,435.

Source: brecorder.com– Dec 21, 2021

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NATIONAL NEWS

PM Narendra Modi meets leading CEOs ahead of Budget

Prime Minister Narendra Modi on Monday met chief executives of key companies cutting across sectors — including banking, infrastructure, automobiles, telecom, consumer goods, steel, textile, renewables, technology, electronics and health care— to seek their inputs for stimulating growth ahead of the Budget for 2022-23.

The meeting was attended by commerce and industry minister Piyush Goyal. Other participants included Rajesh Gopinathan (TCS), Kenichi Ayukawa (Maruti Suzuki), TV Narendran (Tata Steel), Uday Kotak (Kotak Mahindra Bank), Dinesh Khara (SBI), Sanjiv Puri (ITC), Sumant Sinha (ReNew Power), Vineet Mittal (Avaada Group), Manu Kapoor (Samsung), Mallika Srinivasan (Tractor and Farm Equipment) and Pawan Goenka (formerly with M&M).

It was part of a series of meetings being chaired by the Prime Minister for gathering suggestions, especially from the private sector, to "further the reform process" and catapult the Covid-ravaged economy on to the high-growth trajectory.

On Friday, Modi huddled with private equity players and venture capitalists to draw their inputs on wooing more capital. The Budget for FY23 will be presented on February 1, in the backdrop of a nascent recovery of the economy, robustness in tax receipts and the continuing need for government spending to bolster the revival process.

The Budget is expected to address critical issues of demand generation, job creation and putting the economy on a sustained path of 8%-plus growth. While private consumption has stayed subdued in the wake of Covid-induced income losses, private investments are yet to turn the corner, as investors remain wary of pandemic-related uncertainties. Separately, finance minister Nirmala Sitharaman has been holding the customary pre-Budget consultations with various stakeholder groups, which started on December 15.

Source: financialexpress.com– Dec 21, 2021

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India's exports going strong, says official

While global trade took a hit during the COVID-19 pandemic, Indian exports showed a turnaround after December last year and are still going strong, a Commerce Ministry official said on Monday.While presenting promising figures about Indian trade and exports, Joint Secretary in the Department of Commerce Amitabh Kumar also stressed on increasing India's share in global exports, which currently stand 1.6 per cent, and also highlighted the need to change the duty structure for some goods." Global trade was disrupted significantly during the pandemic. However India's exports showed a turnaround since December 2020 onwards and performing extremely well thereafter.

However, the full potential of trade remains to be tapped. We have to work continuously to increase India's share in global exports from the current 1.6 per cent," said Kumar." We understand that there is a need to bring in required changes in the duty structure of some of the goods in our country," opined Kumar during his address at a pre-summit organized by the Gujarat government as part of the upcoming Vibrant Gujarat Global Summit, to be held in Gandhinagar next month.

The theme of this pre-Vibrant Gujarat Summit was "Local Goes Global – Export Led Growth"."In so far as the merchandise trade performance is concerned, the government is closely monitoring and pushing hard for a target driven merchandise export performance of USD 400 billion in the current fiscal by engaging with all stakeholders across states and reaching the districts," he said in his address.

Apart from industry leaders, Gujarat Chief Minister Bhupendra Patel was also present at the event."Export growth has been robust in 2021-22. Merchandise exports remained above US dollars 30 billion for 7 consecutive months during April to October, and October in particular was an unusually high export performance period with the highest ever merchandise exports being recorded at US dollars 35.65 billion," Kumar added.

The total merchandise export during April to November 2021 was valued at USD 262.5 billion, a growth of 50.7 per cent as compared to USD 174.16 billion in April to November 2020-21, Kumar said.He added that the top five export items in April to November 2021-22 were engineering goods, petroleum products, gems and jewellery, organic and inorganic chemicals, and drugs and pharmaceuticals.

He said the Department of Commerce is engaging with five countries or regions – the EU, the UK, Canada, Australia and the UAE – for early conclusion of a free trade agreement or FTA. During the event, Kumar urged entrepreneurs to start manufacturing nearly 100 items which are currently imported but can be made locally." We have prepared and shared a list of 102 items that India has been importing and where there is potential for increasing domestic manufacturing capabilities.

I would like industry leaders to look for such opportunities as it serves the dual purposes of enhancing domestic capacity and also reducing dependence on imports," he said.

Source: financialexpress.com- Dec 20, 2021

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Indian government 'indecisive' in approving GM crops, says USDA

India is still undecided on genetically engineered or genetically modified organism (GM) crops despite the regulatory authority — Genetic Engineering Appraisal Committee (GEAC) — giving the environmental clearance for GM brinjal and mustard, the US Department of Agriculture's (USDA) Global Agricultural Information Network (GAIN) report has said.

Similarly, neighbouring Pakistan has so far approved only GM cotton, while regulatory uncertainty has resulted in life science firms not seeking approval for any other crop, GAIN's annual report on agricultural biotechnology said. Addressing food concerns

On the other hand, Bangladesh, another neighbour, has "demonstrated a willingness" to adopt and implement a modern agricultural policy framework, including biotechnology, to address the country's food security concerns, the report said.

Like Pakistan, India has approved only Bt cotton (Bacillus thuringiensis) biotech crop for commercial cultivation. However, import of soyabean and canola oils derived from GM soyabean and canola, besides some food ingredients from microbial biotechnology, has been allowed.

In August this year, the Indian government allowed the import of 12 lakh tonnes of crushed and de-oiled soyabean cakes (soyameal) derived from GM soyabean. However, the Indian Commerce Ministry has been dragging its feet in clarifying that crushed soyabean de-oiled cakes are equivalent to soyabean meal.

This has, on the other hand, opened up the possibility of providing market access for distillers' dried grains with solubles that are obtained from GM corn.

No new GM crop since 2009

India hasn't got any new GM crops since 2009 after the Supreme court declared a 10-year moratorium on genetically modified crops. Though the moratorium has ended, no new GM crop has been approved.

Though the Centre has said field trials of GM crops can be carried out if the concerned State governments permit them, many life science firms have not come forward in view of the politics involved in it. Companies feel that if they begin field trials, on any change in the government in the State where the events are held, the new government can ban or stop it.

No scientific basis to GM crops' regulation

Since research and development (R&D) requires huge expenditure, the companies are not willing to take any risk. This has also led to some of the firms shutting their R&D operations in India.

Bt makes up 95% of cotton area

India approved the bacillus thuringiensis (Bt) variety of GM cotton in 2002 mainly since many growers began cultivating it illegally at the start of 2000. Growers saw Bt cotton, which makes up 95 per cent of the area under cotton currently, as the response to low yield of the traditional varieties.

The introduction of Bt cotton saw India's cotton production zoom from around 175 lakh bales (170 kg each) to 390 lakh bales in 2013-14. Since then, cotton yield has dropped, affecting production. Over the last two seasons, production has stagnated in the 350-360 lakh bales region.

Field Notes 3: India's BT Cotton situation

This was mainly on the yield rising to 566 kg per hectare in 2013-14 and then dropping to around 450 kg over the last few years. This year, however, the Committee on Cotton Production and Consumption has estimated the yield higher at 510 kg.

Since the yield has dropped as the cotton varieties have lost their potency, growers have begun planting herbicide-tolerant Bt (HTBt) cotton, which helps to tackle weeds on farms with the plant being immune to herbicides, illegally, as the Centre is yet to approve its cultivation.

'Tortuous' progress

The USDA said in the GAIN report that illegal HTBt cotton makes up 15-20 per cent of the total area under cotton. According to cotton industry sources, India is at least five generations behind with regard to introducing a new Bt variety of cotton.

The report said a domestically developed GM mustard variety was developed by the Delhi University but its progress has been "tortuous". On May 11, 2017, the GEAC asked the Ministry of Environment and Forest to give environmental clearance for the mustard variety.

Don't let GM technology die

Following protests from anti-GM lobbies, the Ministry put on hold the permission pending further review and returned the proposal to the GEAC. However, the regulatory authority said all stakeholders' concerns had been addressed while giving environmental clearance.

But it asked the university to study the impact on honeybees and other pollinators. The studies have been completed but there has been no progress since, the report said.

Creating uncertainty

The USDA said the ruling National Democratic Alliance is indecisive on approving GM crops. "The existing policy environment creates significant uncertainty and discourages investment in agricultural biotechnology research and development in India," it said.

If the Centre approves GE crops in the near future, besides Bt brinjal and GM mustard, three more crops — HTBt cotton, herbicide tolerant corn and another brinjal variety — could also be cleared. However, most of the firms that had sought clearance have withdrawn their applications, leaving biotechnology R&D in India in a limbo.

With regard to Pakistan, the USDA said the lack of a fully operational agricultural biotechnology framework created an uncertain trading environment for imports of GM-based products. It also discouraged technology providers from investing in Pakistan's cotton and food crops.

In Pakistan, too, Bt cotton makes up 95 per cent of the total area under cotton. Currently, only research on GM cotton is being carried out.

In 2019, Islamabad stopped research and development of GM corn, saying production of the traditional varieties was ample to meet the country's demand.

Dhaka playing a positive role

As regards Bangladesh, the USDA report said Dhaka is trying to play a positive role in the advance of modern biotechnology. Research and trials of new genetically modified varieties of rice, potato, brinjal, tomato, wheat and cotton are being carried out.

GM rice research has been widened to develop climate-smart varieties, though the regulatory process for clearing such events is "at times inefficient" with major delays in approving certain GM varieties.

The GAIN report said Bt brinjal was an example of Bangladesh's success in adopting modern agricultural biotechnology, with over 65,000 farmers cultivating the vegetable.

Farmer acceptability of the Bt variety has steadily increased since it was commercially introduced eight years ago with farmers getting increased returns and yields.

This has encouraged scientists and policymakers to opt for more GM crops, including saline-tolerant, and iron and zinc-enriched rice, blast-resistant wheat and late blight-resistant potato. Farmers are also awaiting the approval for "Golden rice" which is pending.

The USDA said there was a pause in the political community to modern biotechnology that is widely accepted in Bangladesh's academic and research communities.

Transparent, science-based, and efficient biosafety laws and regulations will enable the Bangladesh government to safely conduct biotechnology R&D. It will encourage the industry to invest in development in plant varieties that are able to resist pest attacks and diseases, the reports said, adding that the regulatory system in Dhaka is modernising, though it has a long way to go.

Source: thehindubusinessline.com- Dec 20, 2021

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What is the road ahead for Indian exports; will momentum continue?

At the beginning of this fiscal, the Centre had set a merchandise export target of $400 billion for FY22, which at the time seemed ambitious. After all, our FY21 exports fell 7.3% to $290 billion from $313 billion the previous year.

The fall was mainly due to a sharp drop in exports of petroleum products as Covid-19 lockdowns curbed transportation activities and hurt the demand for fuel.

Even if we consider FY21 as an oddity due to lockdowns around the world, India's exports put up an impressive show this fiscal. From April to November this year, they are up 51% to $263 billion and set to cross last year's numbers by December.

The rise in India's exports could be attributed largely to the growth momentum in advanced economies and the resultant increase in global import demand.

The depreciating rupee has come as a blessing in disguise as it makes Indian goods from labour-intensive sectors like textiles and clothing more competitive globally.

India is also aggressively negotiating free trade agreements with the European Union, Australia, the UAE, the UK and the Gulf Cooperation Council.

Any such deals materialising in the next few months will ensure greater access for Indian goods.

The recently introduced PLI schemes will also support growth particularly in mobile, electronics and pharma sectors as incremental production will push additional exports as well.

Further, the government has introduced export incentive schemes and cleared some pending tax refunds to exporters to improve their liquidity.

To give us insight on whether India's export growth can sustain at this rate, we have with us professor Amita Batra of Jawaharlal Nehru University.

Considering all these factors, can the export momentum spill over to the next fiscal? The answer comes with several caveats

Global demand will depend on whether the countries would be able to contain Covid-19 and the new Omicron variant.

Another key obstacle is the container shortage and high freight rates.

With increasing Indian imports and China's export growth slowing down, the container shortage has eased slightly in India but freight costs are still nowhere near pre-pandemic times. The average container prices at Chennai and Mumbai ports are still about 150% higher than 2019 levels. Exporters have in fact asked the government for freight support.

Further, India Ratings and Research opined that it will not be easy to maintain the current export growth momentum, as the stimulus-induced demand in developed economies might normalise in 2022 and it could tilt back in favour of services.

India is doing all it can to provide an impetus to outbound shipments but things that are out of its control threaten to put brakes on the export party.

Source: business-standard.com- Dec 21, 2021

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MSMEs supported under NSIC's raw material procurement scheme decline: Govt data

Ease of Doing Business for MSMEs: Even as prices for different raw materials have increased multifold since Covid struck last year, the number of MSMEs supported under the government's Raw Material Assistance (RMA) scheme had dropped in financial year (FY) 2020-21 from the preceding FY20, showed official data. From 2,842 units offered credit support worth Rs 5,244 crore in FY21, the number declined to 2,699 units along with the drop in credit support of Rs 4,398 crore, according to the data shared by MSME Minister Narayan Rane in Rajya Sabha recently. Covid-induced lockdown last year had led to a halt in manufacturing and production activities, putting MSMEs and other manufacturers out of business for months.

The drop in MSMEs supported under the scheme last year indicated that despite unlocking of activities post-August last year, businesses found it challenging to resume operations. However, the situation seems to have changed significantly in the current FY. As of November 26, 2021, already 2,445 units had got support worth Rs 3,083 crore under the RMA scheme. Implemented by MSME Ministry's National Small Industries Corporation (NSIC), the scheme offers "credit support to MSMEs for procurement raw materials from the bulk manufacturers with whom NSIC has partnered with and other suppliers identified by MSMEs as well," Rane said. The key raw materials made available by NSIC includes steel, aluminum, copper, zinc, polymer, bitumen, emulsion, cement etc.

Since April last year, the per kilogram prices for multiple raw materials have jumped. Till October this year, aluminium alloy had jumped 154 per cent from Rs 106 to Rs 270, copper had increased 119 per cent from Rs 355 to Rs 779, kraft paper had increased 110 per cent from Rs 20 to Rs 42, engineering plastic had also moved up 100 per cent from Rs 70 to Rs 140, etc., as per data from All India Council of Association of MSMEs (AICA).

In contrast, the SC/ST units supported in FY21 had increased from FY20. Rs 65.53 crore credit was provided in FY21 to SC/ST entrepreneurs, up 10 per cent from Rs 59.50 crore in FY20, and 12.5 per cent from Rs 58.23 crore in FY19 despite Covid-related challenges. The data was shared by Rane in Rajya Sabha in July this year. The scheme provides credit support up to 180 days for MSMEs to avail economics of purchases like bulk purchases, cash discounts, etc.

"We have 15 dedicated offices for SC/ST entrepreneurs providing support from handholding to marketing etc., through a dedicated team. We have engaged with retired bankers as well to help expedite the bank credit process for entrepreneurs. The scheme provides raw materials at affordable and competitive prices for MSMEs so that the end product is also competitive in the market. We aggregate requirements of MSMEs and then negotiate for bulk discounts with manufacturers which are passed on to MSMEs," Ravi Kumar, Chief General Manager, NSIC had earlier told Financial Express Online.

Manufacturing MSMEs having Udyam Registration certificate or previous Udyog Aadhaar Memorandum (UAM) can apply for the RMA scheme, according to NSIC. A limit is sanctioned for procurement of material on credit based on the raw material requirements of the unit, its financial position, and available security of equivalent value in the form of a bank guarantee.

The limit for a single unit engaged in manufacturing is up to Rs 10 crore and Rs 6 crore to unit engaged in service activities. However, for a group of units, the limit is Rs 20 crore in manufacturing and Rs 15 crore in service activities. The validity of the limit sanctioned under the scheme is one year which can be renewed for another year.

Source: financialexpress.com- Dec 19, 2021

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Japan's plans to channelise investments from China to India hit supply chain roadblock

Japan's single-minded focus on high precision seems to be clashing with India's chalta hai (we'll make do) attitude in its efforts to persuade its manufacturers to diversify investments from China to the country.

Despite India featuring prominently in the list of Asian countries promoted by Japan as an alternative destination to China through subsidies and a separate ¥1-billion fund assigned for supporting businesses in the country, there haven't been too many takers for it so far.

"India insists on the companies bringing their entire supply chains to India but Japanese companies want to move ahead step by step by sourcing highly sophisticated inputs from other countries in the beginning. Because of this many Japanese companies are moving their investments to other South Asian countries rather than coming to India," a Japanese government official explained to BusinessLine.

In order to configure supply chains for products with complex manufacturing processes, such as medical devices and batteries, at the fastest possible speed, it is necessary to have step-by-step and careful discussions for each product, based on the supply chains that are currently spread around the world, the officer pointed out.

"We have been trying to explain to India that Japanese companies are not comfortable moving their entire supply chains of sophisticated products to the country all at one go as it might affect the quality of the finished products. If it is done in phases, it will work out well for both countries," the official said.

Based on the examples of other countries, a step-by-step discussion is likely to result in the fastest and most efficient growth of Indian industry, he added.

Fifth largest investor

Japan is the fifth largest investor in the Indian economy with cumulative FDI inflows of $34.5 billion in the April 2000 to December 2020 period accounting for 7 per cent of total FDI inflows in the same period. Some of

the prominent Japanese investments in India include Maruti Suzuki, Uniqlo, Mitsubishi Group, Mitsui and Honda.

In its 2020 supplemental budget, Japan allocated 23.5 billion yen to fund subsidies meant to encourage firms to partly exit China and disperse their manufacturing sites across the ASEAN region. It later extended it also for investments in Bangladesh and India.

But this has not yet led to any substantial additional investments from Japan as companies initially want to keep sourcing high-precision inputs from other countries while doing the assembly in India. Japanese businesses are apprehensive about the predictability of Indian policies as the recent curbs on trade and investment flow from bordering countries including China by India has upset the production plans of several Japanese companies already manufacturing in India with inputs sourced from Beijing.

“The Japanese government has decided to use the budget for supply chain resilience in the best way possible given the present scenario. We are planning to subsidise projects like visualisation/upgradation of manufacturing sector. These will help realise supply chain resilience and industrious competitiveness through digitalisation of supply chain of sectors such as automobile, appliances, medical equipment and food processing sectors,” the official said.

Logistics projects to realise supply chain resilience and optimisation of logistics through establishment of system to understand logistics in real-time may also be funded. Projects to reduce time for customs clearance through establishment of systems to predict arrival timing of the freights and diversification of supply chain are also on the list.

Source: thehindubusinessline.com- Dec 20, 2021

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Export-oriented growth will strengthen economy: CM

Chief minister Bhupendra Patel on Monday said that export-driven growth will strengthen the Indian economy.

Presiding over a pre-Vibrant Gujarat Global Summit (VGGS) event on 'Local Goes Global', he said exporting locally-produced goods will increase foreign exchange earnings and realize the vision of an 'Aatmanirbhar Bharat' through the 'Vocal for Local' initiative.

Patel said Gujarat was at the forefront of exporting pharmaceuticals, agro-chemicals, plastic materials, textiles, gems and jewellery, organic chemicals, dyes, ceramics, etc. Gujarat has also successfully bagged GI tags for traditional products like Patola from Patan, embroidery from Kutch, furniture from Sankheda, and Bandhani from Jamnagar,among others.

With facilities and assistance provided to exporters through the 'One District One Product' programme, Gujarat has emerged as a leading exporter with a 30 per cent contribution to India's total exports, the CM said.
An official statement said the state has 10 air freight terminals equipped to handle perishable goods meant for export, along with a well-connected network of roads, rail, waterways and airways. This has enabled Gujarat to become a gateway to global markets.

Source: timesofindia.com- Dec 21, 2021

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Govt may change SEZ rules in Budget to ease compliance burden

The government plans to amend the SEZ Act in the upcoming Budget to reduce the compliance burden and allow companies operating within the conclaves to accept payments in Indian rupees, according to two people familiar with the development.

The government could also allow entities that don't wish to avail benefits to be treated on a par with others located outside the SEZ, said two people aware of the development.

Several stakeholders have raised concerns that as tax holidays come to an end, many companies will move out of SEZs due to the restrictions and these places could end up as ghost towns.

"Many companies that have leased properties inside SEZs are looking to move out as there is a huge compliance burden, including that around net foreign exchange earning obligation. Although the infrastructure within SEZs is very good, for most companies, it doesn't make economic sense to continue operations," a person aware of the development said.

The government is looking to make these changes in the upcoming Budget that will lead to companies not having to show import revenues or submit detailed operational information.

As a corollary, the companies could continue to operate from SEZs like any other place without having to comply with all the elaborate compliance requirements.

The commerce ministry is already working on such a proposal, another person aware of the development said.

"If any SEZ wishes to be de-recognised, even that could be allowed. The government could also bring in a change whereby SEZs could offer additional commercial and residential holdings within their premises," the person said.

Many SEZs had sought an extension of the direct tax holiday, especially on account of the Covid-19 pandemic.

The primary attraction of setting up entities within an SEZ was the favourable taxation structure.

Many SEZs had even approached the government to discuss the tax sops this year, but the government didn't relent.

"The government representatives told us clearly that no tax sops or tax exemptions are possible this year," a person part of an industry association that met the government said. An email sent to the ministry of commerce and industry did not elicit any response till press time on Monday.

Source: economictimes.com- Dec 21, 2021

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Government says revised draft ecommerce rules soon

The government is in the final stages of drafting new ecommerce rules, tweaking an earlier draft that had sought to tighten the regulations for foreign-owned marketplaces, including barring their affiliated entities from selling on the platforms and restricting flash sales.

The new version will be released soon, said a senior official of the Ministry of Consumer Affairs, Food and Public Distribution who did not wish to be named.

Top industry bodies representing the Tatas, Amazon, Walmart-owned Flipkart and others have opposed some of the proposed clauses in the earlier draft. Some of the key provisions have also not found favour with the finance and corporate affairs ministries, and the government's public policy think tank, Niti Aayog.

Given the differences, the Department of Consumer Affairs has held discussions with several companies and industry associations on the proposed amendments, said the official.

Controlling commodity prices

The Ministry of Consumer Affairs, which also looks after food and public distribution, has been using data and predictive analytics to keep the prices of pulses under control for the past three months, the official said. The department has developed a price forecasting model to predict the prices of major pulses six months ahead of a possible spike.

The autoregressive integrated moving average with explanatory variable (ARIMAX) model uses estimates of domestic availability of commodities at mandis and imports, thereby predicting supplies months earlier.

Source: economictimes.com- Dec 21, 2021

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As per 1st round of All-India Quarterly Establishment Based Employment Survey (AQEES), employment increased by 29% in nine selected sectors of economy compared to 6th Economic Census (2013-14)

Government has launched All-India Quarterly Establishment Based Employment Survey (AQEES) in April, 2021. As per the result of the first round of Quarterly Employment Survey for the period April to June 2021, employment increased to 3.08 crore in the nine selected sectors of the economy against a total of 2.37 crores in these sectors taken collectively, as reported in the sixth Economic Census (2013-14) reflecting a growth rate of 29%. The most impressive growth of 152 percent has been recorded in the IT/BPO sector, while growth rates in Health is 77 percent, in Education it is 39 percent, in Manufacturing it is 22 percent, in Transport it is 68 percent and in Construction it is 42 percent.

As per annual Periodic Labour Force Survey (PLFS) reports, the details of the estimated Unemployment Rate (UR) for persons of age 15 years and above on usual status basis in the country are 6 in 2017-18, 5.8 in 2018-19 and 4.8 in 2019-20.

Employment generation coupled with improving employability is the priority of the Government. Accordingly, the Government of India has taken various steps for generating employment in the country. The Government of India is encouraging various projects involving substantial investment and public expenditure on schemes like Prime Minister's Employment Generation Programme (PMEGP)of the Ministry of Micro, Small & Medium Enterprises, Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)of the Ministry of Rural Development, Deen Dayal Antodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) of the Ministry of Housing & Urban Affairs and Pradhan Mantri Kaushal VikasYojana (PMKVY) of the Ministry of Skill Development & Entrepreneurship (MSDE) etc.

The Government of India has announced Aatmanirbhar Bharat package to provide stimulus to business and to mitigate the adverse impact of Covid 19. Under this package, the Government is providing fiscal stimulus of more than Rs. Twenty Seven lakh crore. Under Pradhan Mantri Garib Kalyan Yojna (PMGKY), Government of India has contributed both 12% employer's share and 12% employee's share under Employees Provident Fund (EPF), totaling 24% of the wage for the wage month from March to August, 2020

for the establishments having 100 employees with 90% of such employees earning less than Rs. 15000/.

The Government has also launched the Garib Kalyan Rojgar Abhiyaan (GKRA) of 125 days on 20th June, 2020 to boost employment and livelihood opportunities for returnee migrant workers and similarly affected persons including youth in rural areas, in 116 selected districts across 6 States of Bihar, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh. The Abhiyaan has achieved an employment generation of 50.78 crore persondays with a total expenditure of Rs 39,293 crore.

Aatmanirbhar Bharat Rojgar Yojana (ABRY) has been launched with effect from 1st October, 2020 as part of Atmanirbhar Bharat package 3.0 to incentivize employers for creation of new employment along with social security benefits and restoration of loss of employment during Covid-19 pandemic. This scheme being implemented through the Employees' Provident Fund Organisation (EPFO), seeks to reduce the financial burden of the employers and encourages them to hire more workers. The terminal date for registration of beneficiaries has been extended from 30.06.2021 to 31.03.2022. Benefits have been provided to 39.59 lakh beneficiaries through 1.17 lakh establishments.

Prime Minister Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) Scheme has been launched on June 01, 2020 to provide working capital loans to Street Vendors, vending in urban areas, to resume their businesses, which were impacted adversely due to COVID-19. Under this scheme, amount of Rs 2641.46 crore has been disbursed to 26.46 lakh beneficiaries.

Pradhan Mantri Mudra Yojana (PMMY) is being implemented by the Government for facilitating self-employment. Under PMMY, collateral free loans upto Rs. 10 lakh, are extended to micro/small business enterprises and to individuals to enable them to setup or expand their business activities Upto November 2021, 31.28 crore loans were sanctioned under the scheme.

Besides these initiatives, various flagship programmes of the Government such as Make in India, Digital India, Smart City Mission, Atal Mission for Rejuvenation and Urban Transformation, Housing for All, Infrastructure Development and Industrial Corridors and Production Linked Incentive (PLI) Scheme are also oriented towards generating productive employment opportunities.

This information was given by Shri Rameswar Teli, Minister of State, Ministry of Labour & Employment in Lok Sabha today.

Source: pib.gov.in- Dec 20, 2021

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EPFO adds 12.73 lakh subscribers in October

The EPFO added 12.73 lakh net subscribers in October 2021, a 10.22 per cent increase as compared to 11.55 lakh net subscribers added in October 2020 according to the provisional payroll data of EPFO released here on Monday.

Of the net subscribers added in October, 7.57 lakh are new members and 5.16 lakh are workers who have rejoined EPFO after leaving it. About 3.37 lakh young workers between 22 to 25 years of age registered in October.

"The 18-21 age-group also registered a healthy addition of around 2.50 lakh net enrolments. The 18-25 years age-group contributed around 46.12 per cent of the total net subscriber additions in October," a Labour Ministry release said.

Establishments in Maharashtra, Haryana, Gujarat, Tamil Nadu and Karnataka continue to lead as 7.72 lakh subscribers (60.64 per cent) are from these States. "Gender-wise analysis indicates that the net share of female enrolment during the month was 2.69 lakh. The share of female enrolment was approximately 21.14 per cent of the total net subscribers addition during October 2021," the release added.

Source: thehindubusinessline.com- Dec 20, 2021

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Fabrics, yarn trade slows as Indian traders evaluate GST hike impact

Cotton yarn trading activities slowed down in major northern and southern Indian markets due to apprehension regarding the implications of the proposed GST hike from 5 per cent to 12 per cent on textiles and apparel from January 1. Fabrics manufacturers and traders across the country are preferring to 'wait and watch' until there is further clarity on GST.

Fabrics trade is slowing down because of the difficulty to accommodate proposed GST hike, Purusottam Parmanandka, joint managing director of Tiruppur-based trading company Kesharinandan Knit Fabrics Private Limited told Fibre2Fashion. He said that the cloth manufacturers and traders are more worried, as they are clueless about how to adjust the tax increase in product prices.

Cotton yarn and fabric trade has come down not only in Tiruppur, but also in many other markets of southern India.

Besides the GST hike, cloth production is also adversely affected due to poor demand from the downstream industry. Slow trading activities of fabrics is also leading to sluggish demand for cotton and man-made yarn. In Tiruppur, 20 count carded cotton yarn is being sold at ₹280-285, 25 count carded yarn at ₹290-295 and 30 count carded yarn at ₹300-305 per kg.

The panic among textile and garment manufacturers due to GST hike is also visible in northern India. SK Shrivastava of Delhi-based Neha Fibre says that normally the trade in the yarn market remains limited in the last fortnight of December. But, this year, trading activities slowed down drastically due to the proposed GST hike. "Yarn buying also remained weak due to muted demand for fabric."

GST rate for woven fabrics; sewing thread of man-made filaments, whether or not put up for retail sale; synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex; artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex; knotted netting of twine, cordage or rope and other made up nets, of textile materials; pile fabrics, including long pile fabrics and terry fabrics, knitted or crocheted; blankets and travelling rugs; bed linen, table linen, toilet linen and kitchen linen; curtains (including drapes) and interior blinds; curtain

or bed valances; sacks and bags, of a kind used for the packing of goods; tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods; sets, consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered tablecloths or serviettes, or similar textile articles, put up in packings for retail sale, etc has been increased from 5 per cent to 12 per cent. However, GST rates are unchanged on cotton and cotton yarn. But the GST rate on article of apparel of any value has been increased to 12 per cent. Earlier, the GST rate was 5 per cent for sale value up to ₹1,000 per piece.

Businesses, specifically MSME manufacturers and merchants, feel that they cannot survive in the current scenario. They have requested the government to maintain status quo on the GST on textiles, including sarees, at 5 per cent. A delegation of Punjab textile merchants met Som Parkash, union minister of state for commerce and industry, in Amritsar recently on the issue. The sole agenda was the repercussions on increase in the GST from 5 to 12 per cent on textiles, including sarees, from January 1, 2022.

Source: fibre2fashion.com- Dec 20, 2021

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Does India need global champions?

A year ago, the CEO of NITI Aayog, the preeminent government think tank, made an important conceptual intervention with respect to India's development strategy. He argued for the need to support a small number of global champions among India's businesses, so that they could achieve the scale and scope needed to drive Indian economic growth.

In my last column, I argued that changes in the structure of modern economies since the early days of the East Asian miracle made it less obvious that enormous scale is essential for rapid and transformational growth. There are many areas in which scale matters less, and information technology allows for coordination of production networks without necessarily requiring large scale in ownership of assets.

It also enables reaching global customers more effectively without scale in terms of employees or facilities. Of course, there are many sectors in which scale still matters, up to a point. Chip-making requires scale. Airlines too, for different reasons. Traditional industries like steel and mining and automobile also benefit greatly from scale.

But looking at the numbers for revenues and assets of large Indian firms, it is not clear that lack of scale is a constraining factor. Indian companies in areas such as petroleum refining, steel, coal mining and trading, infrastructure,etc, don't seem to be hampered by inability to achieve efficient scale. If anything, many of them seem to favor much greater diversification than one might find in large companies in the West.

Some of this pattern is a consequence of former restrictions on growth, which forced Indian firms to diversify excessively and prematurely. Even with those restrictions gone, it is easier for these companies, particularly family groups (but not exclusively in that category) to have their fingers in many pies, with interlocking shareholdings and tight control of decision-making, reducing risk in any one area.

Some of that risk comes from the continued uncertainty with respect to policymaking, as well as with respect to political interference and rent-seeking. But giving these companies and business groups more room to grow and dominate by reducing competition or providing favors is hardly conducive to a high growth economy.

If we consider India's IT giants, they have achieved global scale simply through taking advantage of market opportunities, having the infrastructure they needed, and by being free of government interference and rapacity (with Satyam being a possible exception for that latter phenomenon). The government did not need to support them explicitly for them to become global champions.

On the other hand, the Reliance group or the Adani group are major players in sectors in which they have considerable and adequate scale, such as refining or infrastructure. In sectors such as telecom, there are also economies of scale for more complicated reasons, but these do not necessarily lead to global champions, since these are simply potential domestic monopolies or duopolies, not tradeable goods and services.

On the other hand, pharmaceuticals may be an emerging area where government policies could support globally significant firms, but not necessarily in the way that the government envisages. Intellectual property protection and stimulating markets may be more appropriate than direct favors. But long-run, broad-based, employment-friendly growth for India may come from creating an environment in which small and medium firms, especially those manufacturing a variety of engineering goods, and components for a range of consumer durables, can access global markets more easily and at lower cost, and become part of global production networks.

That kind of strategy is more likely to pay off in terms of innovation as well. None of the experience of India's potential global champions, the large business groups that get the most headlines, suggests that they will do more for growth by achieving larger scale. Their incentives and their organisations are not aligned for that strategy, since they can do better by using their market clout and political clout to continue and extend their dominance in various domestic sectors.

They may venture abroad at times, and they are significant exporters of some industrial products, typically raw materials and intermediate inputs, but they are not likely to test themselves in global markets where they face sophisticated competitors, especially for a range of consumer goods.It could be that I am underestimating the drive of some of these domestically dominant companies.

But they still do not need government policies to promote them as global champions for India. Government policies for industry should be aimed at enlarging the set of companies that might be effective global competitors, but also ones that will be better at serving domestic customers, both households and other companies.

To achieve this, lack of scale and scope are not constraints in the manner that the CEO of NITI Aayog seemed to imply. Education, training, work experience, access to finance, access to knowhow—all of these need to be more broad-based and more easily available. This implies a very different approach to government policy for industrial development than promoting a handful of global champions.

Source: financialexpress.com- Dec 21, 2021

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E-way bill generation shows steady rise

Daily E-way bill generation under the Goods and Services Tax (GST) system came in at 22.85 lakh for the week-ended December 19, 2.6% higher than the daily average for the previous week, showing a steady increase in goods transportation.

The daily e-way generation was 20.38 lakh in November, down 14% on month compared with 23.71 lakh in October. The daily e-way bill generation at 22.08 lakh in the first 19 days of December indicates demand pick up and stocking by traders ahead of year-end vacations. E-way bill generations stood at 4.2 crore in the first 19 days of December.

E-way bill generation was registering a steady rise since June 2021 after falling to below 4 crore in May when the second wave of the Covid pandemic was at its peak. October e-way bills were at a record 7.35 crore, the highest monthly data since the indirect tax regime was rolled out in July 2017, reflecting an upswing in economic activities in the festival season and improved compliance.

E-way bill generation came in at 6.12 crore for November, the lowest in five months, reflecting moderation in goods dispatches post-festivities. E-way bill generation by businesses rose to 6.79 crore for September from 6.59 crore in August, 6.42 crore in July and 5.47 crore in June.

Higher e-way bills generation is reflected in higher GST revenues. Gross goods and services tax (GST) collections came in at Rs 1,31,526 crore in November (October sales) 2021, the second-highest mop-up in the history of the comprehensive indirect tax that was launched in July 2017.

Source: financialexpress.com- Dec 21, 2021

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