IBTEX No. 4 of 2022 January 07, 2022

US 74.32| EUR 84.01| GBP 100.67| JPY 0.64

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INTERNATIONAL NEWS

UK manufacturing saw further growth of production, orders at end 2021

The UK manufacturing sector saw further growth of production, new orders and employment at the end of 2021, according to IHS Markit. Though a slight easing in supply chain delays helped lift output volumes and take some of the heat out of input price rise, logistic disruptions and staff shortages nonetheless still stymied the overall expansion pace, it said.

The seasonally-adjusted IHS Markit-Chartered Institute of Purchasing and Supply (CIPS) purchasing managers' index (PMI) in the United Kingdom rose to 57.9 in December, little changed from November's three-month high of 58.1.

The PMI has remained above the neutral 50 mark for 19 months. Output rose across the consumer, intermediate and investment goods sectors during December, with the overall pace of expansion improving to a four-month high, IHS Markit said in a press release.

Increased output was underpinned by rising intakes of new business, as domestic market conditions continued to strengthen. The trend in new export business remained negative, however, as inflows of new work from overseas dropped for the fourth month in a row.

This mainly reflected a steep decrease at consumer goods producers. In contrast, export demand for UK capital goods rose at the quickest pace since August. Manufacturers indicated that logistic issues, Brexit difficulties and the possibility of further COVID restrictions (at home and overseas) had all hit export demand at the end of the year.

Manufacturing employment increased for the twelfth successive month in December, with the rate of jobs growth staying close to November's three-month high.

Capacity remained under strain, however. This was highlighted by a further increase in outstanding business, although the pace of expansion in work-in-hand volumes eased sharply to its lowest since February.

Companies maintained a positive outlook at the end of 2021. The majority of UK firms (63 per cent) forecast that production would increase over the coming 12 months, compared to only 6 per cent anticipating a contraction.

Source: fibre2fashion.com– Jan 06, 2022

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RCEP to spur China-Japan economic, trade cooperation: Chinese experts

Japan-China economic and trade cooperation is set to grow on the back of the Regional Comprehensive Economic Partnership (RCEP) agreement, which took effect in 10 of its 15 member economies on January 1, according to Chinese experts, who feel the breakthrough will help with the negotiations on the China-Japan-South Korea Free Trade Agreement as well.

RCEP will further strengthen regional economic expansion despite COVID-19, they said.

Around a quarter of Japanese exports to China and 57 per cent of Chinese exports to Japan have turned tariff-free since January 1. The two figures will eventually rise to 86 per cent and 88 per cent respectively, according to a report in a Chinese government-controlled website.

"China and Japan have already enjoyed strong economic and trade relations, thanks to their complementarity in trade, and the prospects are even brighter with the implementation of the RCEP agreement," said Bai Ming, deputy director of international market research at the Chinese Academy of International Trade and Economic Cooperation.

"Potentials from the geographic proximity of the two nations will be fully unleashed to tighten economic ties and benefit enterprises and people," he said.

During the first half of 2021, the value of China-Japan trade surged by about 24 per cent year-on-year to surpass $181 billion. China exported more than $80 billion worth of goods to Japan during the period, up nearly 19 per cent. Its imports from Japan grew by nearly 28 per cent to around $101 billion, according to China's ministry of commerce.

Significant tariff reduction and elimination have been scheduled in most of the two nations' major trading sectors.

That will result in a win-win situation, said Zhang Jifeng, vice-chairman of the Chinese Association for Japanese Economic Studies.

More products traded between China and Japan will become eligible for zero tariffs over time.

Producers of major Chinese export items to Japan like machinery, electronic equipment, textiles and clothing products will benefit from lower or zero tariffs.

Source: fibre2fashion.com– Jan 06, 2022

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Online shopping likely to reach $1.2 trillion by 2025: Accenture

A new study by Accenture has found that the $492 billion global social commerce industry is expected to grow three times as fast as traditional e-commerce to $1.2 trillion by 2025. The growth is predicted to be driven primarily by Gen Z and millennial social media users, accounting for 62 per cent of global social commerce spend by 2025.

According to Accenture's report, 'Why Shopping's Set for a Social Revolution', social commerce means a person's entire shopping experience — from product discovery to the check-out process — takes place on a social media platform. Just under two thirds (64 per cent) of social media users surveyed said they made a social commerce purchase in the last year, which Accenture estimates to reflect nearly 2 billion social buyers globally.

"The pandemic showed how much people use social platforms as the entry point for everything they do online — news, entertainment and communication." said Robin Murdoch, global software and platforms industry lead at Accenture. "The steady rise in time spent on social media reflects how essential these platforms are in our daily life. They're reshaping how people buy and sell, which provides platforms and brands with new opportunities for user experiences and revenue streams."

While the opportunity is significant for large businesses, individuals and smaller brands also stand to benefit. More than half (59 per cent) of social buyers surveyed said they are more likely to support small and medium-sized businesses through social commerce than when shopping through ecommerce websites.

Furthermore, 63 per cent said they are more likely to buy from the same seller again, showing the benefits of social commerce in building loyalty and driving repeat purchases, Accenture said in its report.

"Social commerce is a levelling force that is driven by the creativity, ingenuity and power of people. It empowers smaller brands and individuals and makes big brands reevaluate their relevance for a marketplace of millions of individuals," said Oliver Wright, global consumer goods and services lead at Accenture.

"Getting social commerce right will require creators, resellers and brands to bring their products and services where the consumer is, and will be, rather than the other way around. It means working together within a dynamic ecosystem of platforms, marketplaces, social media and influencers to share data, insights and capabilities to deliver the right incentives and best consumer experience across an integrated digital marketplace."

Half of social media users surveyed, however, indicate they are concerned that social commerce purchases will not be protected or refunded properly, making trust the biggest barrier to adoption, as it was for e-commerce at its beginning.

"Those who have yet to use social commerce say one reason they are held back is their lack of trust in the authenticity of social sellers, while active social commerce users point to poor policies on returns, refunds and exchanges as an area for improvement," said Wright. "Trust is an issue that will take time to overcome, but the sellers who focus on these areas will be better positioned to grow market share."

Accenture's report found that by 2025 the highest number of social commerce purchases globally are expected in clothing (18 per cent of all social commerce by 2025), consumer electronics (13 per cent) and home décor (7 per cent). Fresh food and snack items also represent a large product category (13 per cent) although sales are nearly exclusive to China. Beauty and personal care, although smaller in terms of total social commerce sales, is predicted to quickly gain ground on e-commerce and capture over 40 per cent of digital spend on average for this category in key markets by 2025.

Source: fibre2fashion.com– Jan 06, 2022

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China-Vietnam freight train trips up 108% YoY in 2021

The Guangxi Zhuang Autonomous Region in China handled 346 China-Vietnam freight train trips in 2021, up by close to 108 per cent compared to 2020, as per data released by China Railway Nanning Group Co., Ltd.

The freight train service launched in 2017, has transported several goods including cotton yarn between ASEAN countries and China.

The freight train service is expected to make over 400 trips between Vietnam and China this year.

Source: fibre2fashion.com– Jan 06, 2022

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Omicron to contribute to US inflation; shutdowns unlikely: NRF

Even with the experience of the past two years, there is no model that can predict how the economy responds to a pandemic, National Retail Federation (NRF) chief economist Jack Kleinhenz said, adding that COVID-19 omicron variant will bring uncertainty to the US economy in 2022 and could contribute to inflation. However, it is unlikely to cause widespread shutdowns or slowdowns.

“While omicron is highly transmissible, its effects can be relatively mild for those who are fully vaccinated and broad-based lockdowns are not expected,” Kleinhenz said. “Little is certain about omicron’s impact on consumer demand, but people who stay at home because of the variant are more likely to spend their money on retail goods rather than services like dining out or in-person entertainment. That would put further pressure on inflation since supply chains are already overloaded across the globe.”

Kleinhenz’s remarks came in the January issue of NRF’s Monthly Economic Review, which said 2022 is likely to be “another very challenging year of substantial uncertainty” and that questions to be answered include whether the pandemic is near its end, whether supply chain issues will be resolved, how high inflation will go and how long it will last.

November sales – excluding automobile dealers, gasoline stations and restaurants – were up 14.8 per cent year over year, and NRF believes holiday sales during the two months were on track to grow as much as 11.5 per cent over 2020, the NRF said in a media release.

Inflation, which was driven by shortages of goods as COVID-19 shut down factories and snarled supply chains while government stimulus fuelled consumer spending, is likely to continue in 2022, but should eventually slow.

“Inflation started gradually and then came on strong, but clearly heated up during 2021 and has become a formidable factor facing the economy and especially consumers,” Kleinhenz said. “What is ironic is that the monetary and fiscal policy that pulled the economy out of the recession has prompted unprecedented growth that is now undermined by accelerating prices.”

Worries about inflation can become a self-fulfilling prophecy, especially as workers seeing higher prices for everyday products like groceries may demand higher wages that force employers to increase prices, Kleinhenz said. Inflation as measured by the federal Personal Consumption Index was up 5.7 per cent in November, the highest in nearly 40 years, and a Federal Reserve Bank of New York survey shows consumers expect inflation to grow 6 per cent over the next year. But the same consumers expect only 4 per cent inflation over the next three years as price increases slow. With the Fed planning multiple interest rate increases this year, consumers will be encouraged to save money, helping cool off inflation.

Source: fibre2fashion.com– Jan 06, 2022

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ITMF postpones annual conference

Due to the uncertain and unpredictable outlook with regard to travel and event restrictions caused by the new COVID-19 variant 'Omicron,' the ITMF Board together with the two co-hosts – Swiss Textiles and Swiss Textile Machinery – have decided to postpone the ITMF Annual Conference in Davos, Switzerland from April 10-12, 2022 to September 18-20, 2022.

ITMF is an international forum for the world's textile and related industries founded in 1904. ITMF members are associations and companies covering the entire textile value chain – producers of fibres, textile machinery, chemicals, textiles, apparel, and home textiles.

The membership is from more than 40 countries and is representing around 90 percent of global production.

Source: fashionatingworld.com– Jan 06, 2022

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China, Bangladesh Led November US Apparel Imports Surge

As retailers rushed to get goods in for the holidays and ports cleared backlogged shipments, U.S. apparel imports surged 25.2 percent to 2.51 billion square meter equivalents (SME) in November compared to the same month in 2020, according to data released Thursday by the Commerce Department's Office of Textiles & Apparel (OTEXA).

This followed a more modest 13.6 percent rise in year-over-year apparel imports in October. For the year-to-date through November, apparel imports rose 26.9 percent to 26.96 billion SME from the year-earlier period, just below the 27.5 percent gain to 24.45 billion SME reported in October, according to OTEXA.

Top supplier China powered ahead despite ongoing tariffs and political strife with the U.S., with year-over year imports pulling ahead 33.7 percent to 1.04 billion SME after a 14.1 percent rise in October. For the year to date, shipments from China stayed on pace for the year with a 30.75 percent rise to 10.2 billion SME.

On the other hand, apparel imports from No. 2 producer Vietnam fell 10 percent in the month to 282.05 million SME, continuing a wobbly pattern in the last few months following Covid-related factory closures. For the 11 months, shipments from Vietnam were up 15.34 percent to 4.03 billion SME.

No. 3 supplier Bangladesh took up the slack, with its apparel imports jumping 59 percent year over year in November to 227.91 million SME. Year to date, Bangladesh shipments coming through U.S. ports increased 34.37 percent to 2.33 billion SME.

Imports from Cambodia showed muted growth, rising 7.4 percent to 97.7 million SME for the month following a 22.6 percent gain in October. For the year to date, Cambodian imports increased 11.79 percent to 1.16 billion SME.

The rest of the Top 10 Asian pack saw substantial increases in November. Imports from India were up 35.1 percent to 108.72 million SME, shipments from Indonesia rose 38.1 percent to 99.74 million SME and imports from Pakistan gained 32.8 percent to 86.71 million SME. For the year to date,

India’s imports were up 39.91 percent to 1.17 billion SME, Indonesia’s climbed 17.89 percent to 1.02 billion SME and Pakistan’s surged 43.15 percent to 809 million SME.

Rounding out the Top 10 supplier nations were Western Hemisphere countries Honduras, Mexico and El Salvador.

Benefitting from the nearshoring trend and companies looking for duty-free options, imports from Mexico rose 18.7 percent for the month to 67.69 million SME and were up 22.49 percent year to date to 767 million SME. Shipments from Honduras increased 38.4 percent to 76.68 million SME for the month and were up 29.3 percent for the year to date, while imports from El Salvador rose 19.4 percent year over year in November and 39.67 percent year to date to 598 million SME.

Also on Thursday, the U.S. Census Bureau and Bureau of Economic Analysis announced that the U.S. trade deficit rose to $80.2 billion in November, up $13 billion from $67.2 billion in October. This reflected an increase in the goods deficit of $15.1 billion to $99 billion and a gain in the services surplus of $2.1 billion to $18.8 billion.

Source: sourcingjournal.com– Jan 06, 2022

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Ocean Freight 'Profiteering' Draws Outrage

The British International Freight Association (BIFA) has asked the U.K. government to investigate the state of competition within the current ocean container shipping market amid recent consolidation in the sector alongside record profits for ocean carriers.

BIFA, the U.K.'s top trade association for freight forwarding and logistics companies, says that its members are concerned that certain practices undertaken by the principal container shipping lines, as well as easements and exemptions provided to them under competition law, are distorting the operations of the free market to the detriment of international trade.

In a letter to Robert Courts MP, the Parliamentary Under Secretary of State at the U.K.'s Department for Transport, BIFA director general Robert Keen expresses the trade association's concern that commercial power is becoming increasingly concentrated within the container shipping sector amid the global supply chain constraints, resulting in diminished market choice and competition, and distorted market conditions.

"BIFA members fully accept that a free market economy is open to all, but are increasingly concerned that the activities of the container shipping lines, and the exemptions from legislation from which they benefit, are distorting the operations of that market to the shipping lines' advantage, whilst adversely and unfairly affecting their customers, especially freight forwarders and SME businesses," Keen wrote in the letter.

Keen specifically pointed out that there were 27 major container shipping lines carrying cargo in 2015, with the largest line holding a 15.3 percent market share of global container trade. Now, there are 15 shipping lines that have organized into three major alliances (2M, Ocean Alliance and THE Alliance) since 2017. Analysts have observed that the market share of a single alliance on certain key routes could be over 40 percent, he said.

"The pandemic has highlighted and accelerated this development, which has also contributed to dreadful service levels, and hugely inflated rates, with carriers allocating vessels to the most profitable routes with little regard to the needs of their customers," Keen said. "Drewry recently issued a profit forecast of more than $150 billion for 2021 for the main container shipping lines for which financial results are available. To put that into perspective, this is more than has been achieved in the previous 20 years

combined, which many BIFA members consider to be a case of blatant profiteering."

Whether the ocean freight giants deserve criticism for profiting off the current supply chain scenario or not, their record numbers leave little room for debat. AP Moller Maersk took in $5.4 billion in profit for 2021's third quarter, up from just $1 billion year over year. France's CMA CGM reported $5.6 billion in quarterly net income, up from $567 million profit in 2020's comparable quarter, while China's Cosco Shipping Holdings brought in $4.8 billion, up from the prior year's $3.4 billion.

BIFA is joining organizations such as CLECAT (European Association for Forwarding, Transport, Logistics and Customs Services), FIATA (International Federation of Freight Forwarders Associations), the U.S. Federal Maritime Commission (FMC), and the Australian Productivity Commission, in calling for governments at a national and pan-national level to further consider how actions within the evolving container shipping market might breach competition law.

West Coast ports delay container dwell fees again

While the fight against potential anticompetitive behavior at sea is a worldwide affair, ports in the U.S. continue to monitor the current scenario to determine whether it is necessary to fine carriers when shipments remain idle at the ports for an extended time.
On Monday, the West Coast Ports of Long Angeles and Long Beach decided to yet again delay implementing $100-per-day container dwell fees for another week, when executive directors at both ports will revisit the matter on Jan. 10.

This is the ninth time stakeholders decided to put off the fines.

Since the program was first announced on Oct. 25, the two ports have seen a combined decline of 35 percent in aging cargo clogging up the docks. As expected, year-end holidays have slowed the progress compared to previous weeks.

Under the temporary policy approved Oct. 29 by the Harbor Commissions of both ports, ocean carriers can be charged for each import container that falls into one of two categories: In the case of containers scheduled to move by truck, ocean carriers could be charged for every container dwelling nine days or more. For containers moving by rail, ocean carriers could be charged

if a container has dwelled for six days or more. Currently, no date has been set to start the count with respect to container dwell time.

The ports plan to charge ocean carriers in these two categories $100 per container, increasing in $100 increments per container per day until the container leaves the terminal. The program is designed to incentivize shippers to quickly clear their cargo from the docks and eliminate the pileups seen in recent months.

Before the pandemic-induced import surge began in mid-2020, on average, containers for local delivery remained on container terminals under four days, while containers destined for trains dwelled less than two days. Those dwell times averaged nine days in November and were weeks-long at points throughout the year.

The policy was developed in coordination with the Biden-Harris Supply Chain Disruptions Task Force, U.S. Department of Transportation (USDOT) and multiple supply chain stakeholders.
NY/NJ ports continue record cargo movement

While much of the attention has gone to the two West Coast ports and their handling of the perpetual backlogs, the Port of New York and New Jersey continues to deal with its own record cargo volume.

The Port of New York and New Jersey moved 759,390 20-foot container equivalent units (TEUs) in November 2021, which was the 16th month in the row of record-setting cargo shipments.

The month's cargo volume was up nearly 27 percent from pre-pandemic levels of November 2019, and 2.8 percent more than 2020. While November 2021 hit a record for any month of November at the port, cargo activity was down by 4.7 percent compared to the month prior, when the seaport hit an all-time record high for monthly cargo volume.

Source: sourcingjournal.com– Jan 06, 2022

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Thailand key raw material supplier for Cambodian garment sector: GMAC

Cambodia's reliance on imported textile and fabric to fuel its garment exports has benefitted neighbouring countries. Promotion and investments in textile/fabric production are almost nonexistent in Cambodia.

Cambodia's lack of textile industry to support its burgeoning garment industry has seen neighbouring Thailand's exports of textiles soaring and are expected to grow by 15 per cent.

According to the Thai Garment Manufacturers Association released the Thai fabric industry turned a corner in 2021 and has now catapulted back to full capacity.

In the first 11 months of 2021, Thailand exported 64.8 billion baht of garments and 188.6 billion baht of textiles, Thai Garment Manufacturers Association president Yuttana Silpsarnvitch revealed.

Thailand benefited from increased demand for garments from the US due to its trade war with China. Thai textile exports were boosted by demand from apparel-producing territories such as Vietnam, Cambodia, Indonesia, India, Europe and the US garment factories.

Thailand's garment and textile factories have returned to 100 per cent capacity, but this has triggered a labour shortage after foreign workers returned to their home countries during the Covid-19 crisis. The factories are currently short of 30,000 to 50,000 workers and are dependent on overtime work.

This shortage could lead to a reverse surge of Cambodian migrant workers back to Thailand in search of employment now that the economy and industry is beginning to open up and resume operations to cater to worldwide demand.

Thai Garment Manufacturers Association president Yuttana Silpsarnvitch said demand for Thai garments and textiles were being driven by the trend for environmentally friendly products.

Major brands are ordering products made from recycled fibres, organic cotton and other eco-friendly materials to satisfy customer demand. These items cost about 20 per cent more than regular clothes, he said.

Garment Manufacturing Association in Cambodia (GMAC) deputy secretary-general, Kang Monika, told Khmer Times, “Cambodia depends on raw materials from countries like China, Taiwan, South Korea, India, Malaysia and Thailand. Cambodia also imports from another 20 to 30 countries for raw materials in small amounts of fabric with high value.”

“But Thailand is one of the main raw material suppliers for the Cambodian garment sector. When there is a high demand from the Cambodian market it increases garment supply from Thailand,” Monika added.

“For the first 10 months of this year, the garment export was valued at $6,538M – an increase of 6 percent compared to last year,” he added.

Source: khmertimeskh.com– Jan 06, 2022

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Container shipping’s 2022 outlook: The bulls, bears and wild cards

Never has container shipping begun a year on such a high.

The Shanghai Containerized Freight Index hit a new record in the last week of December, up 76% year on year and topping 5,000 points for the first time. There were 101 container ships waiting for berths in Los Angeles/Long Beach on Sunday, very close to the peak. Trans-Pacific spot rates quoted for this month are higher than in December, which were higher than in November.

Annual contract rates are up sharply in 2022. According to the latest data from Xeneta, Asia-U.S. contract rates are up 122% from 2020, pre-COVID, with bids in early negotiations of 2022 contracts averaging $5,700 per forty-foot equivalent unit.

The overwhelming consensus is this year will remain extremely strong for ocean carriers and extremely expensive for cargo shippers. But there are at least six big “known unknowns”:

- How will omicron and future variants impact U.S. consumer demand as well as effective shipping capacity and factory output?
- How long will U.S. import demand remain this strong after stimulus is withdrawn?
- How much of rate strength is driven by higher import demand and how much is driven by lower effective shipping capacity (given vessels tied up in congestion)?
- Can a new West Coast labor contract be signed without disruptions to terminal throughput?
- If a labor impasse is averted, import demand falls and congestion eases, will liners have the discipline to remove vessel capacity and keep rates strong, as they did during lockdowns in Q2 2020?
- Could China-Taiwan geopolitical tensions devolve into military action?

Bull case

The bullish view on rates is that volumes will continue to be very high this month, prior to the Lunar New Year holiday. Volumes will pick up once again after China resumes work, with U.S. importers seeking to restock

depleted inventories during the spring, after which the 2022 peak season will keep rates elevated into Q4 2022.

According to Judah Levine, head of research at Freightos, "There is no strong expectation of significant improvements [for cargo shippers] until underlying demand wanes. That doesn't look like it will be happening anytime soon."

At the very far end of the bullishness spectrum is the Deutsche Bank team led by U.K.-based analyst Andy Chu. The team's 2022 estimates of earnings before interest, taxes, depreciation and amortization for Maersk and Hapag-Lloyd are more than twice the consensus average. According to Chu, 2021 was the best year for container shipping on record "but we think that 2022 will be materially better."

Deutsche Bank predicts the two carriers' average freight rates will be up 30% this year versus 2021. It forecasts that Maersk's 2022 EBITDA will be $34.6 billion, up 43% from 2021, and that Hapag-Lloyd's 2022 EBITDA will be $20.4 billion, up 56% from last year.

Bear case

The bearish view is that freight rates have been propped up by U.S. stimulus — which is now over. Consumer demand will fall, inventories will not be restocked to the extent predicted, and port congestion will clear.

Jason Miller, associate professor of supply chain management at Michigan State University's Eli Broad College of Business, pointed out that retail sales were "abnormally strong" in 2021. He expects "we still start to see a strong regression towards the long-term trend line [for retail sales] in 2022 with no additional stimulus, student loan deferrals ending … and the likely shift of COVID-19 to an endemic disease."

Retail inventory-to-sales ratios are historically low, but Miller noted that this ratio was declining pre-COVID and inventories are now far above their historical trend line.

Given the uncertain nature of COVID-era demand, he questioned how much retailers would add to inventories this year. "To the extent the answer is 'we will wait and see,' this calls into question arguments that retail inventory restocking will be a major source of freight in 2022."

Ben Nolan, shipping analyst at Stifel, outlined a particularly bearish scenario in which global spot rates fall from $9,300 per FEU (as measured by the Drewry World Container Index) at the end of 2021 all the way to $2,000 per FEU by the end of this year.

Nolan said this scenario is "much more likely in 2023," but nonetheless possible this year. "We estimate that much of the extreme tightness on container shipping rates can be attributed to supply chain inefficiencies as true underlying demand was just 3% greater than incremental supply," he said.

"As is the nature with traffic jams, when the accident is removed, normal velocity patterns materialize relatively quickly. It does not currently look like that accident is likely to be moved soon, but when it finally does, we do not expect 'this time to be different.'"

The "this time it's different" view is that ocean carriers will counterbalance headwinds — a drop in demand and/or capacity unlocked by clearing congestion — by "blanking" (canceling) sailings to artificially bring capacity in line with demand to prop up rates, a strategy carriers successfully employed at the beginning of the pandemic.

Daniel Richards, associate director at Maritime Strategies International (MSI), wrote in an annual outlook published by TradeWinds: "If, ultimately, markets do not fall meaningfully once it becomes implausible to blame congestion and Covid-19 … we will readily attribute greater weight to a changed industry structure, as likely will regulators [but] … it is still too soon to tell if the industry is permanently transformed."

Wild cards

The big wild cards for 2022: COVID, port labour negotiations and the Taiwan "gray swan."

COVID — As this year began, essential services in places like New York City — as well as air service nationwide — were being curtailed by a large number of workers out sick or testing positive, as the omicron variant rapidly spread.

If the same pattern emerges for longshoremen and other workers essential to supply chains, congestion could worsen.

Meanwhile, China continues to pursue a "zero-COVID" policy in which large population centers are locked down for a small number of cases. The city of Xi'an, with a population of 13 million, has been in a strict lockdown since Dec. 22 due to cases of the delta variant. Delta cases have also just been reported in the city of Ningbo, the site of a major port. Yet another outbreak is affecting Yangtze River pilot operations.

If the much more transmissible omicron variant takes hold in China and the country sticks to its zero-COVID policy, it would lead to widespread factory closures, as seen after the initial Wuhan outbreak, and port closures, as seen in Yantian and Ningbo last year.

Port labor contract — The International Longshore and Warehouse Union contract with West Coast terminals expires on July 1. The previous round of negotiations, in 2014-15, did not go smoothly. Disruptions to terminal operations led to backlogs in Q1 2015 similar to levels in the early part of this year.

Taiwan — The other big wild card for container shipping, given America's exceptionally high dependence on Chinese exports, is the geopolitical tensions over Taiwan. On Thursday, Wang Ming, China's foreign minister, warned that America's encouragement of "Taiwan's independence forces … not only puts Taiwan into an extremely dangerous situation but also exposes the United States to an unbearable price."

According to Nolan of Stifel, "I hate to even open the door to this Pandora's box, but clearly the Chinese have coveted the island of Taiwan for years and tension has been rising. Any overt military action on the part of the Chinese would be very bad for all things shipping, as it would likely lead to sanctions and a reduction of the flow of goods. We certainly hope things do not escalate in the Formosa Strait, but it would not be a complete black swan event at this point."

Source: freightwaves-com– Jan 04, 2022

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Vietnam's trade surplus with UK reaches $4.5 bn in Jan-Nov 2021

As of November 2021, total trade between UK and Vietnam crossed $6 billion, recording year-over-year growth of 17 per cent, with the Asian country enjoying a trade surplus of close to $4.46 billion, as per the General Department of Vietnam Customs. The Ministry of Industry and Trade attributed the results to the Vietnam-UK Free Trade Agreement that came into effect on May 1.

The total exports from Vietnam to the UK in the first 11 months of 2021 amounted to $5.24 billion, while it imported goods worth $778 million during the same period.

The trade surplus was a miracle during the pandemic as market demand had dropped and the world was facing a prolonged container crisis, said Vietnamese media reports quoting the ministry.

Vietnam exports steel, rubber, farm produce, rattan products, peppercorn and pottery products to the UK, while it imports metal, telephones and accessories, garment and textile materials, leather and footwear, medicine and completely-built-up cars.

Additionally, Vietnam’s total trade surplus in 2021 was $4 billion, marking the 6th year for the country when its import revenue was less than its export turnover. The country’s total foreign trade turnover in 2021 amounted to $668.5 billion, up 22.6 per cent from the previous year.

Source: fibre2fashion.com– Jan 07, 2022

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NATIONAL NEWS

Modi, Scholz discuss India-Germany trade, investment, environment ties on phone

Modi congratulates Scholz on his appointment as Chancellor

Prime Minister Narendra Modi on Wednesday held a phone call with the new Chancellor of Germany Olaf Scholz and discussed the ongoing cooperation in promotion of bilateral investment and trade links and new cooperation initiatives in the area of environment.

“The two leaders agreed that there was significant synergy in the governance priorities announced by the new German Government and India’s own economic vision. They reviewed the potential of ongoing cooperation initiatives, including for promoting investment and trade links,” according to an official release issued following the conversation on Wednesday.

Climate action

The two leaders also talked about diversifying cooperation and exchanges in new areas. “In particular, they expressed the hope to commence new cooperation initiatives in the areas of climate action and green energy, to enable both countries to achieve their respective climate commitments,” the release said.

Modi congratulated Scholz on his appointment as Chancellor and also emphasised the role played by former Chancellor Angela Merkel in strengthening the India-Germany Strategic Partnership. He said he the positive momentum was set to continue under the leadership of Scholz.

The PM said he looked forward to meeting the German Chancellor soon for the next meeting of the bilateral inter-governmental consultations.

Source: thehindubusinessline.com– Jan 06, 2022

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FinMin releases 10th installment of revenue deficit grant to states

The finance ministry on Thursday released monthly revenue deficit grant to 17 states totalling Rs 9,871 crore.

So far, an amount of Rs 98,710 crore has been released to 17 states as post devolution revenue deficit grant in the current financial year.

"The Department of Expenditure today released monthly Post Devolution Revenue Deficit (PDRD) grant of Rs 9,871 crore to 17 states. This was the 10th instalment of the PDRD grant released to the states," the ministry said in a statement.

States which received this grant are Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Karnataka, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand and West Bengal.

The grants are released as per the recommendations of the 15th Finance Commission in monthly installments to meet the gap in revenue accounts of states post devolution.

The Commission has recommended this grant to 17 states during 2021-22.

The eligibility of states to receive this grant and the quantum of grant was decided by the Commission based on the gap between assessment of revenue and expenditure of the state after taking into account the assessed devolution for 2021-22.

"The 15th Finance Commission has recommended PDRD grant of Rs 1,18,452 crore to 17 states in financial year 2021-22. Out of this, an amount of Rs 98,710 crore (83.33 per cent) has been released so far," the statement added.

Source: financialexpress.com– Jan 06, 2022

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Ministry for removal of import duty on cotton

Garment exporters to strike over prices

The Textile Ministry has taken up with the Ministry of Finance the need for removal of 10% import duty on cotton.

Textile Secretary Upendra Prasad Singh held a meeting with representatives of the textiles and clothing sector on Thursday to discuss the issue of rising raw cotton and yarn prices.

“I will propose some measures to the authorities to consider,” he told The Hindu.

Talks with MoF

“We have already taken up this (need to remove the import duty on cotton) with the Ministry of Finance,” Mr. Singh added.

The Ministry also urged the textile mills to consider the present situation and take the required steps so that yarn prices are under control.

The garment exporters in Tiruppur district of Tamil Nadu announced on Wednesday a two-day strike on January 17 and 18 demanding measures to control the prices of cotton and yarn.

Source: thehindu.com– Jan 06, 2022

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Textile sector seeing a structural turnaround; here's how to play the theme

Shares of textile companies bucked the weak market trend and managed to rally on Thursday as improving exports of cotton and made-up apparel, along with attractive valuation and earnings growth visibility, made analysts bullish on the sector.

TURNING AROUND

Name	3-M % change
KPR Mill	61.04
Gokaldas Exports	59.52
Trident	55.67
Vardhman Textiles	32.75
Nitin Spinners	31.71
Sutlej Textiles	24.28
Alok Industries	10.35
S&P BSE500	**0.86**
S&P BSE Sensex	**0.69**
Welspun India	-6.12
Indo Count Industries	-12.38
Himatsingka Seide	-15.78

Source: BSE data

Shares of Super Fine Knitters, Super Spinning, and Filatex India rallied up to 10 per cent on Thursday. Those of JCT, Surat Textile, Swasti Vinayaka, KPR Mill, Sumeet Industries, Bhandari Hosiery, Minaxi Textiles, and Bombay Rayon, gained between 4 per cent and 5 per cent, and Gokaldas Exports and Vardhman Textiles also ended in the green.

In comparison, the S&P BSE Sensex fell over 1 per cent, or 621 points, and closed the session below the 60,000-mark.

The Covid-19 pandemic has altered the global textile and apparel (T&A) supply chain with several brands preferring more than one sourcing destination. Further, the US-China trade war and imposition of additional duties on Chinese T&A imports have forced US-based importers to scout other destinations such as India.

"In December, the US signed into law legislation that bans imports from China's Xinjiang region over concerns about forced labour. As Xinjiang constitutes nearly 20 per cent of the global cotton market, the supply re-adjustment on account of this ban has led to more demand for Indian cotton and cotton yarn," analysts at Spark Capital said while initiating coverage of the sector.

They highlighted that cotton and cotton yarn exports from India have surged at a 34 per cent CAGR (between April and October) from FY19-21. The US market accounts for 15 per cent of global T&A imports.

Countries such as China, Bangladesh, Vietnam, and Cambodia have become reliant on India for their cotton requirements after the ban, and Indian cotton exports have skyrocketed in the past eight months as a result.

Separately, India has witnessed increased exports in the made-ups segment.

"The demand in the segment has significantly increased due to lockdown-led home confinements and the pandemic-induced new standard operating procedures (SoPs) which has led to the underlying volume demand improving. India being the second largest supplier of made-ups naturally benefitted on account of Chinese suppliers losing market share," Spark Capital pointed out.

Moreover, the government's stance on free trade agreements (FTAs) is a welcome policy change for the T&A players.

The stocks in the sector are also ripe for a re-rating as robust export opportunities give strong and sustainable earnings visibility, say analysts at ICICI Securities.

"Revival in the hospitality sector, along with duty reimbursement by the government of India, and market share gain on China+1 theme will drive earnings trajectory. Spread between yarn and cotton prices continues to remain high and should enable yarn producers to report strong earnings for Q3FY22," said a note by JM Financial.

From investment view point, analysts suggest playing the theme by going long on Vardhman Textiles, Trident, Sutlej Textiles, Alok Industries, KPR Mill, Nitin Spinners, Welspun India, Indo Count, Himatsingka Seide, Gokaldas Exports.

Source: business-standard.com – Jan 06, 2022

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Trade seeks suspension of cotton futures

Prices up 31% in first three months of the 2021-22 cotton season

Textile value chain is feeling the heat of spiralling cotton prices. The ginned cotton price for 29 mm variety, which was quoted ₹55,000 a candy (each of 356 kg) on October 5, 2021, has jumped by 31 per cent to touch a record high of ₹72,000 now.

With no respite for prices in sight, the industry is seeking government intervention to rein in the spiralling prices by imposing measures such as temporary suspension of cotton futures trades on exchanges.

Costliest fibre

"At this rate, Indian cotton is now costliest in the world. This causes cost burden for millers and the ginners too. We believe restricting cotton futures at least for a month's time, will ease out the price rise. And once the prices stabilise and start sinking, we will see more arrivals in the markets," said J Thulasidharan, President, Indian Cotton Federation (ICF).

According to the trade sources, for the first three months of the cotton marketing year 2021-22, about 40 per cent of the projected 360.13 lakh bales of crop has arrived in the market. The remaining stock is said to be with the farmers who are anticipating raw cotton (Kapas) prices to further go up from its current levels of ₹10,010 a quintal in Rajkot markets earlier this week.

Leading textile player, TT Limited's Chairman, Rikhab C Jain on Wednesday wrote a letter to the Prime Minister Narendra Modi seeking his intervention to initiate measures to curb the price rise. In his letter, Jain has noted that the cotton prices were sky-rocketing despite "unprecedented best damage-free crop".

Speculative activities

He alleged that the price hike is primarily due to the speculative trades by multi-national companies, holding the stocks, and Indian speculators indulging into money-making at the cost of textile industry. "Government needs to take immediate action.

Otherwise, powerloom sector, hosiery sector and apparel industry is about to come to a grinding halt," he said requesting the Prime Minister for immediate action to stop hedging and trading of kapas by speculators on commodity exchanges such as Multi Commodity Exchange and New York Cotton Exchange (NYCE).

Notably, this demand for restrictions on cotton futures trading comes after Tirupur Exporters' Association raised their demand earlier this week for removal of 11 per cent import duty on cotton.

"The import duty is hurting the sentiment. Once it is removed, it will lift the sentiment and also help in easing the prices," said Thulasidharan, who is also Managing Director of The Rajaratna Mills Ltd in Coimbatore.

Source: thehindubusinessline.com – Jan 06, 2022

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Surge in cases may not dent economic performance in a big way: DPIIT Secretary

Says FDI policy to be revised to facilitate LIC divestment; e-com policy under discussion

The surge in Covid-19 cases caused by the highly contagious Omicron variant, is unlikely to dent the country's economic performance, at least not more than 5-10 basis points, as the nation is prepared this time to deal with the virus, Anurag Jain, Secretary, Department for Promotion of Industry and Internal Trade (DPIIT) has said.

The DPIIT is coming out with a revised FDI policy to facilitate disinvestment of the country's largest insurer LIC, Jain added addressing a media briefing on Thursday.

'Not much impact'

On the country's overall preparedness to face the spike in Omicron cases, Jain said that during the first Covid-19 wave in 2020, there was a huge negative impact on economic activity, but in 2021, despite a bigger surge, the nation coped better as overnight systems were changed and people started working online within a few weeks.

"This time we are much better prepared. There won't be much impact...Now systems are already in place. All things that can happen in the virtual mode are happening. People are mentally prepared. They are following protocols and know how to isolate.

The Omicron wave is huge, but hopefully its fatalities and ICU rates will be very low. Also our vaccination levels are better and we know that vaccinated people are less affected," he said

"If there is a small blip, say to the extent of 5-10 points, that is a different thing, but we don't expect a huge problem due to the Omicron wave on the economic front," Jain added.

The DPIIT Secretary assured that the government was well prepared in terms of oxygen supply and could meet demand of up to 19,000 metric tonnes.

LIC disinvestment

On the proposed disinvestment of LIC, Jain said the DPIIT was working on further simplification of the FDI policy as it was urgently required for facilitating disinvestment of the insurance company.

The DPIIT has already had two rounds of discussions at the Secretaries level with the Department of Financial Services and Department of Investment and Public Asset Management (DIPAM) and all three were on the same page regarding what needed to be done, Jain said.

“We are in the process of drafting those changes in the FDI policy. We will go to the Cabinet (for approval), “ he said.

The current FDI policy allows 74 per cent foreign investment in the insurance sector under the automatic route. But LIC is administered through a separate LIC Act which has no separate provisions for foreign investments.

The long-awaited e-commerce policy has been finalised at the DPIIT level and circulated to other departments. Now there will be higher level discussions with departments following which the policy will be finalised, the Secretary said, adding that final touches were also being given to the national retail trade policy.

Source: thehindubusinessline.com– Jan 06, 2022

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Gujarat calls off Vibrant Gujarat Summit amidst Covid-19 surge

The Gujarat Government on Thursday deferred the mega business congregation Vibrant Gujarat Global Summit (VGGS) 2022 as the State continued to witness a sharp surge in Covid-19 cases with the threat of Omicron looming large.

Prime Minister Narendra Modi, who first conceptualised VGGS in 2003, was to inaugurate the 3-day Summit on January 10 at Mahatma Mandir in Gandhinagar.

This is the second time that the 10th edition of VGGS had to be postponed due to Covid.

The Summit has been held every alternate year since 2003, with its 9th edition concluding in January 2019 and the 10th due in January 2021.

No shift to digital

Notably, the government did not consider conducting the Summit online, unlike JP Morgan Chase & Co's annual healthcare conference of January 10-13, which was moved online after several participants raised concerns over Omicron.

On Thursday, after Chief Minister Bhupendra Patel reviewed the Covid situation and the Omicron outbreak in the State, the government decided to temporarily postpone the Summit. It is not decided when the event will be convened next. "There has been a rapid increase in number of cases, including, of the Omicron variant, around the world.

In the larger public interest and keeping welfare of all citizens of the State in mind, the Chief Minister has decided to postpone the 10th Vibrant Gujarat Global Summit which was to be held from January 10-12, 2022, for the time being," said a statement from the Chief Minister's Office.

Besides the Vibrant Summit, Ahmedabad civic authorities have also suspended the annual flower-show held on the Sabarmati Riverfront and the International Kite Festival which is a major attraction for kite flyers around the world.

Rapid rise in cases

Gujarat's daily cases have jumped four-fold from 1,059 on January 1 to 4,213 on Thursday. The number of active cases has gone up from 3,927 on January 1 to 14,346 on Thursday.

Patel, however, informed that the Summit had received overwhelming response in terms of registrations from the participants, partner countries and foreign delegate visitors. Heads of State and Heads of government from five nations were invited — the Prime Minister of Russia, President of Mozambique, Prime Minister of Mauritius, Prime Minister of Nepal, and Prime Minister of Slovenia.

The 10th edition of the Summit had received partnership from a record 26 countries including Germany, France, Italy, Canada, Australia, Japan, Russia, the UK, UAE, Israel, Singapore, Sweden, South Korea, Netherlands, Denmark and Finland among others.

Source: thehindubusinessline.com– Jan 06, 2022

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India-China trade surge muffles beating war drums

At a time when India-China relations are at new lows, bilateral trade touched new highs in 2021.

According to China's General Administration of Customs (GAC) data, bilateral trade between the two neighbors totaled more than US$114 billion, up 46.4% year-on-year from January to November 2021.

Trade between the two Asian giants has steadily grown over the last two decades, up from a modest $1.83 billion in 2001.

"Even though the China-India border spat affected the bilateral relationship from the aspect of politics, the willingness of trade among entrepreneurs in both countries were not affected," Qian Feng, director of the Research Department of the National Strategy Institute of Tsinghua University, told Chinese state mouthpiece the Global Times.

He said the China-India border stand-off which erupted in 2020 had not affected the bilateral trade relationship, as reflected in buoyant trade statistics.

India's political relations with China hit a new low after border clashes in the Galwan Valley in June 2020 when soldiers from both sides were killed, including through the use of crude weapons. Soon after that incident, an Indian "#BoycottChineseProducts" campaign took off online, impacting the sales of Chinese-made goods.

Prime Minister Narendra Modi's government upped the boycott ante by banning more than 260 Chinese apps, including the popular TikTok, Shien and CamScanner. It's now apparent to many those bans were more symbolic than substantive as broad trade surged.

That was seen in an earlier agreement signed between India's space agency, the Indian Space Research Organization (ISRO), to swap technical details of its satellite-based messaging service, with Chinese smartphone maker OPPO. The deal provoked a nationalistic backlash while raising questions of national security.

India's imports from China are mainly in the areas of telecom instruments, computer hardware electronic components and drug intermediates, among others. India's exports to China, on the other hand, consist largely of cotton yarn, iron ore, organic chemicals and gems and jewelry.

Against this politicized backdrop, the surprising surge in India-China trade has not settled well with many Indians, including opposition parties. Rahul Gandhi, a senior leader of the Congress Party, wrote in a Hindi language tweet: "This is a government of rhetoric, the pretense of falsehood is immense and the country is waiting for their bags to be packed."

Online commentators have echoed that call, with a flood of comments asking "why are we strengthening our enemy on the border?" Others tweeted: "Why can't we cut imports drastically. We are feeding our enemy. Govt has to act."

Another critic tweeted a resounding response: "How much will we lose if we stop all business with China? I think we will face a big loss for a short time, later in near future everything will be correct, I strongly believe that it is in India's interest to end all business & relations with China."

Brahma Chellaney, a strategic thinker, author and prominent commentator, joined in the tweet fray in December 2021, saying: "Amid China's border aggression, how does the Modi government justify the nearly 50% increase in trade with China in 2021, with the $61.5 billion surplus in PRC's favor just between January and November roughly equalling India's total defense spending in the current fiscal year?"

In November, he tweeted: "PRC data shows that despite its border incursions, trade with India rose 32.4% during Jan-Oct 2021, crossing $100 billion for the first time, with Chinese exports 327% higher than imports. Modi's reluctance to impose substantive costs allows PRC to have its cake and eat it too."

India's Minister of Commerce and Industry, Piyush Goyal, denied implausibly at a recent press conference that there has been an extraordinary increase in trade with China. He claimed India's trade deficit with China had come down to $44 billion in 2021 from $48 billion in 2014-15.

"Under UPA imports from China grew by 1,160% between 2003-04 and 2013-14. Govt. led by PM @NarendraModi Ji has brought that down drastically to 8% between 2014-15 and 2020-21," Goyal said in a tweet.

The United Progressive Alliance (UPA) is a coalition of political parties led by the Indian National Congress, commonly known as the Congress party, that was in power from 2004 to 2014.

Goyal's remarks came after Congress spokesperson Gaurabh Vallabh raised questions about the state of India-China relations. In a statement, he noted that China renamed 15 places in Arunachal Pradesh, a state in northeast India of which China claims as much as 90,000 square kilometers and calls Zangnuan, or south Tibet. Beijing gave Chinese-sounding names to places there in late December.

"Is our response restricted up to banning a few Chinese apps and on the other side India-China trade crossed the $100 billion in the year 2021?" he asked. He added: "Modi government's unpardonable, blatant and brazen compromise of 'National Security' & India's 'Territorial Integrity' stands exposed once again."

"When will [the] Modi government respond to this verbal, geographic, military and strategic aggression of China? Why are we tolerating all-around aggression from China and doing absolutely nothing about it? Despite a tense military stand-off, why India-China trade crossed the $100 billion in the year 2021," Vallabh asked.

Source: asiatimes.com– Jan 06, 2022

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Ind-Ra, others trim FY22 GDP forecast on Covid worries

Ahead of release of first advance estimate of economic growth by the government, various economic research agencies have revised the estimate downward for current fiscal (2021-22 or FY 22) up to 10 basis points or bp (100 basis points mean 1 per cent).

Government's Statistics office will come out with First Advance Estimate for FY'22 on Friday. This number is likely to give a sense on impact of second wave and possible impact of third wave of pandemic on the economy.

India Ratings & Research, (Ind-Ra), in its report on Thursday, estimated that spread of Omicron to reduce GDP growth by 10 bp in FY22. It said that curbs in various forms such as reducing the capacity of market/market complexes and night/weekend curfews to check human mobility/contact have already started in several States which are impacting economic activities.

"Ind-Ra believes this will have an adverse impact on 4QFY22 (January-March quarter) GDP. Ind-Ra's estimate shows that GDP growth in 4QFY22 will now come in at 5.7 per cent year-on-year, which is 40bp lower than the agency's earlier estimate of 6.1 per cent. For the entire FY'22, the GDP is expected to clock a growth rate of 9.3 per cent yoy, 10bp lower than our earlier estimate of 9.4 per cent," the report authored by agency's Principal Economist Sunil Kumar Sinha said.

'Impact limited to one quarter'

In her note, ICRA's Chief Economist Aditi Nayar says their early analysis suggests that the impact of an Omicron wave may be limited to one quarter in terms of the duration of the surge in fresh cases, as well as the economic impact given the better preparedness of governments, the health care system and households. However, there continues to be a lot of uncertainty around this.

"The impact on GDP growth will depend on the extent to which restrictions need to be extended across States in the coming weeks.

As of now, we see a modest downside to our forecast of FY'2022 GDP expansion of 9 per cent," she said.

Dovish stance likely

Further she mentioned that with the recent surge in Covid-19 cases and widening of restrictions leading to heightened uncertainty, it is increasingly unlikely that the MPC and RBI will commence with policy normalisation in February itself, unless inflation provides an acutely negative surprise. However, the likelihood of the latter is muted at this point, she emphasised.

Ind-Ra's Sinha, too, believes the RBI will continue to pursue its accommodative policy stance with no change in the policy rate in the foreseeable future and the union government would not be in a hurry to get back to the fiscal consolidation path. "It will be a gradual process keeping the unfolding economic scenario in mind," he said.

Most of the global agencies have estimated growth to be in the range of 9 to 10 per cent while RBI expects growth to be 9.5 per cent. However, RBI's forecast is based on an assumption saying no resurgence in Covid-19 infections in India.

Source: thehindubusinessline.com– Jan 07, 2022

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