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INTERNATIONAL NEWS

INTERNATIONAL NEWS

China maintains commerce, trade growth momentum in 2021: Ministry

China sustained its upward momentum in commerce and foreign trade in 2021 amid COVID-19 containment measures, with a stellar performance to achieve stable business operation, according to the ministry of commerce. It has turned the world's second-largest commodity consumption market, with its total trade volume of goods ranking first globally for five consecutive years.

The ministry, in a recent press conference, offered statistics on the country's commerce and foreign trade performance in 2021.

Foreign direct investment into the Chinese mainland, in actual use, expanded by 14.9 per cent YoY to a record high of 1.15 trillion yuan in the year. Investment in the Chinese mainland from countries along the Belt and Road soared by 29.4 per cent.

China's foreign trade exceeded $6 trillion for the first time in 2021. The total import and export of goods expanded by 21.4 per cent YoY to 39.1 trillion yuan. Exports rose by 21.2 per cent, while imports went up by 21.5 per cent.

Last year, China's retail sales of consumer goods rose by 12.5 per cent year on year (YoY) to 44.1 trillion yuan ($6.93 trillion). Consumption re-established itself as the key driver of economic development, accounting for 65.4 per cent of total expenditure, a Chinese government portal reported.

The country's online sales of physical goods expanded by 12 per cent YoY to 10.8 trillion yuan in 2021, accounting for 24.5 per cent of the total retail sales during the period.

The country's service trade saw faster upgrades, rising by 14.7 per cent YoY to reach 4.7 trillion yuan in the first 11 months of the year.

Source: fibre2fashion.com– Feb 02, 2022

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Apparel, Home Goods Drive US Production, Material Prices Surge

Economic activity in the U.S. manufacturing sector grew in January, led by apparel and home goods, the Institute for Supply Management (ISM) noted in its monthly "Report On Business."

ISM's manufacturing purchasing manager's index (PMI) registered 57.6 percent, 1.2 percent lower than the seasonally adjusted December reading of 58.8 percent. A manufacturing PMI above 48.7 percent generally indicates an expansion of the overall economy, ISM said, meaning the January Manufacturing PMI showed the overall economy grew for the 20th consecutive month following contraction in April and May of 2020.

The 14 manufacturing industries reporting growth in January were led by apparel, leather and allied products, and furniture and related products.

"The manufacturing PMI continued to indicate strong sector expansion and U.S. economic growth in January," Timothy R. Fiore, chair of the ISM Manufacturing Business Survey Committee, said. "The U.S. manufacturing sector remains in a demand-driven, supply chain-constrained environment, but January was the third straight month with indications of improvements in labor resources and supplier delivery performance. Still, there were shortages of critical intermediate materials, difficulties in transporting products and lack of direct labor on factory floors due to the Covid-19 Omicron variant."

Fiore said meeting demand remains a challenge due to hiring difficulties and labor turnover. For the third month in a row, Business Survey Committee panelists' comments suggest month-over-month improvement on hiring, offset by backfilling required to address employee turnover at a higher rate, supplier performance and improvements in the transportation sector, he noted.

ISM's New Orders Index registered 57.9 percent in January, a decrease of 3.1 percentage points compared to the seasonally adjusted 61 percent reported in December. A New Orders Index above 52.9 percent is generally consistent with an increase in the Census Bureau's series on manufacturing orders.

Eleven of 18 manufacturing industries reported growth in new orders in January, led by apparel, leather and allied products, and furniture and related products, while textile mills were one of two industries reporting a decline in new orders in January.

The Production Index registered 57.8 percent in January, 1.6 percent points lower December, but indicating growth for the 20th consecutive month. An index above 52.4 percent is considered consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 10 industries reporting growth in production during the month were led by furniture and related products. The three industries reporting a decrease in January production were apparel, leather and allied products, and textile mills.

ISM's Employment Index registered 54.5 percent in January, a 0.6 percent increase from December. An Employment Index above 50.5 percent is generally on par with an increase in Bureau of Labor Statistics (BLS) data on manufacturing employment.

"Survey panelists' companies are still struggling to meet labor-management plans, but for a fifth month, there were modest signs of progress," Fiore said. "An overwhelming majority of panelists again indicate their companies are increasing head counts or attempting to, as 84 percent of Employment Index comments were hiring focused. Among those respondents, 31 percent expressed difficulty in filling positions, down from 37 percent in December."

Apparel, leather and allied products led the nine of 18 manufacturing industries reporting employment growth in January. Also included were furniture and related products.

The delivery performance of suppliers to manufacturing organizations was slower in January, as the Supplier Deliveries Index registered 64.6 percent, 0.3 percent lower than December. ISM noted that a reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

Sixteen of 18 industries reported slower supplier deliveries in January, topped by apparel, leather and allied products, and including textile mills and furniture and related products.

The Inventories Index registered 53.2 percent in January, 1.4 percentage points lower than the seasonally adjusted 54.6 percent reported for December. An Inventories Index greater than 44.4 percent is usually consistent with expansion in the Bureau of Economic Analysis figures on overall manufacturing inventories.

Apparel, leather and allied products also topped the list of 12 industries reporting higher inventories in January. Also included were furniture and related products and textile mills.

ISM's Customers' Inventories Index was 33 percent in January, 1.3 percent higher than December, indicating that customers' inventory levels were considered too low.

"Customers' inventories are too low for the 64th consecutive month, a positive for future production growth," Fiore said. "For 18 straight months, the Customers' Inventories Index has been at historically low levels."

No industries reported higher customers' inventories in January. The 11 industries reporting customers' inventories as too low during January were led by apparel, leather and allied products, and also included furniture and related products.

The ISM Prices Index registered 76.1 percent, an increase of 7.9 percent compared to December, meaning raw materials prices increased for the 20th consecutive month. A Prices Index above 52.6 percent is generally consistent with an increase in the BLS Producer Price Index for Intermediate Materials.

In January, all 17 industries reported paying increased prices for raw materials, topped by apparel, leather and allied products, and textile mills, and also including furniture and related products.

ISM's Backlog of Orders Index came in at 56.4 percent last month, a 6.4 percent decrease from December. Apparel, leather and allied products, textile mills, and furniture and related products were the top three of 11 industries reporting growth in order backlogs in January.

ISM's New Export Orders Index rose 0.1 percent in January to 53.7 percent, while the Imports Index increased 1.3 percent to 55.1 percent.

“Imports expanded in January for the third consecutive month, in spite of continuing challenges with throughput at U.S. ports of entry,” Fiore said. “Overland transport challenges and container shortages continue to persist across the global supply chain in the buildup prior to Lunar New Year. However, there were signs of improvement in the month of January, based on panelists’ comments. Imports will continue to be challenged through the first half of 2022, though, due to the pandemic.”

The nine industries reporting growth in imports in January were topped by furniture and related products.

Source: sourcingjournal.com– Feb 01, 2022

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China's fiscal revenue 20.25 trn yuan in 2021; double of 2012 figure

China's fiscal revenue last year rose by 10.7 per cent year on year (YoY) to hit 20.25 trillion yuan (about $3.19 trillion) in 2021, according to vice minister of finance Xu Hongcai, who recently said the fiscal revenue in 2021 nearly doubled from the 2012 figure of 11.73 trillion yuan. The central government collected 9.15 trillion yuan in revenue, up by 10.5 per cent YoY.

Local governments saw revenue up by 10.9 per cent to 11.1 trillion yuan in 2021.

"The recovery of economic growth and higher producer prices helped drive up fiscal revenues of central and local governments," Xu was quoted as saying by official Chinese media.

China's GDP expanded by 8.1 per cent YoY in 2021, surpassing the government's target. "The steady growth of GDP has laid a sound foundation for the growth of the country's fiscal revenue," Xu said.

Buoyed by rising commodity prices, upstream enterprises reported significant revenue and profit increases last year, driving the growth of fiscal revenue, he said.

In the first 11 months of last year, the total profits of major industrial enterprises surged 38 per cent from a year earlier.

However, the fiscal revenue growth averaged 3.1 per cent over the past two years, lower than the country's average gross domestic product (GDP) growth of 5.1 per cent for the two-year period.

The share of fiscal revenue in GDP kept falling during the period, which indicated fiscal support for economic and social development remained under relatively high pressure, Xu cautioned.

The country's fiscal spending edged up by 0.3 per cent YoY to 24.63 trillion yuan in 2021.

China will take stronger measures to cut fees and taxes to support market entities this year with a combination of fiscal incentives, Xu said. The measures will be more precise and sustainable to meet the needs of market entities.

Incentives will be given to support the high-quality development of the manufacturing sector, such as tax deductions for research and development expenses of enterprises to aid technological advancement, Xu said.

The country will also extend the tax and fee cuts due at the end of 2021 for small, micro and individual businesses to further ease their operating pressure.

The central government will step up transfer payments to local governments to ensure sufficient funds for local tax and fee cuts, Xu said.

On the basis of 7.6 trillion yuan of tax and fee cuts over the 13th Five-Year Plan period (2016-2020), China cut another 1 trillion yuan in taxes and fees in 2021, which helped mitigate the impact of COVID-19 on market entities.

The country will set appropriate deficit and debt targets, guard against risks and enhance coordination between fiscal policies and monetary, employment, industrial, investment, consumption and regional policies, Xu added.

Source: fibre2fashion.com– Jan 31, 2022

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Ports of LA, Shanghai Strike Transpacific Green Deal

An aggressive new plan to green the route between the ports of Los Angeles and Shanghai comes as the maritime and other supply chain stakeholders assess their environmental impact.

The pact, struck in late January and called the Green Shipping Corridor, aims to trim greenhouse gas emissions generated in this decade with an initial goal of eliminating fuel-powered ships by 2030 for one of the busiest cargo routes.

"International collaboration is essential to decarbonize global supply chains," Port of Los Angeles executive director Gene Seroka said of the new pact.
Seroka went on to add, "It's time to get started on this important work."

The partnership involves the two ports, along with C40 Cities, an organization made up of mayors from nearly 100 major metropoles with the aim of addressing climate issues.

Los Angeles Mayor Eric Garcetti chaired the organization between 2019 and 2021, stepping into the role as the group launched its Global Green New Deal framework of climate commitments. Garcetti, during his time as chair, also established the Green Ports Forum, a group of 20 ports globally dedicated to greening the supply chain.

More specific plans and milestones for the Green Shipping Corridor are expected by the end of this year.

The plan to make the L.A.-Shanghai cargo route more mindful of the environment is not being done alone, with buy-in from shipping lines and cargo owners that include A.P. Moller-Maersk, CMG CGM, Shanghai International Ports Group, COSCO Shipping Lines, the Aspen Institute's Shipping Decarbonisation Initiative and its Cargo Owners for Zero Emission Vessels (coZEV) and the Maritime Technology Cooperation Centre – Asia.

The Aspen Institute launched coZEV with a focus on greening the maritime industry by getting companies to make the switch to zero-carbon fuel ships by 2040. It launched in October with Amazon, Patagonia, Ikea and Unilever among the initial companies to sign on.

The conversation around decarbonization is not a new one for the shipping industry and the topic, not surprisingly, came up last week during the Maritime and Ports Symposium that kicked off the three-day Manifest logistics conference in Las Vegas.

"Prior to the pandemic, decarbonization was the focus. That didn't go away and is still a central issue. How we do it is going to require massive R&D and CapEx," said Chris Clott, co-founder of maritime content platform Marine Startups, during a Manifest panel on industry innovation.

Several others on the panel echoed the question of how to fund decarbonization efforts, but many cited Maersk as a leader in efforts to move the green needle.

"I guess from my perspective, you've just got to do it and there's operators that are doing it and you see them over in Europe," Sea Machines Robotics Inc. CEO and founder Michael Johnson said of decarbonization on that same panel.

Johnson, whose company is focused on technology around ship autonomy, pointed to electric and hybrid ferries in Europe, along with Maersk's net zero emissions target and development of carbon neutral containerships powered by methanol.

Digital tools could help the industry get where it wants to go, added Nick Chubb, founder of maritime research firm Thetius.

"2020 was a massive accelerant of that and the investments made in the infrastructure," Chubb said. "I think we're just at the cusp where we're going to see a huge number of not just solutions, but a huge demand for solutions."

Source: sourcingjournal.com– Feb 01, 2022

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Sourcing Apparel From Myanmar Factories: 'It's Time for Brands to Go'

Ahead of the first anniversary of Myanmar's military coup, a global alliance of more than 130 trade unions and labor groups, including the All Burma Federation of Trade Unions and the Federation of General Workers Myanmar, is calling on multinational fashion brands to "cease all production and pull out" of the turbulent Southeast Asian nation, where a brutal crackdown on the civil disobedience movement has left behind a trail of bodies and despair.

Speaking at the launch of the Myanmar Military: Never in Fashion campaign Monday, Jay Kerr, a campaigner at London-based anti-sweatshop group No Sweat, recounted reports of garment factory owners working closely with the military and police to "hand over perceived troublemakers," including trade union leaders and workers involved in pro-democracy protests. As violence permeates the workplace, labor violations, including mandatory overtime and wage theft, have become more flagrant, he said. What little rights workers had are all but nonexistent.

"From our perspective, under these conditions, it's impossible for brands to do the due diligence needed to protect workers," he said. "They can't do what they can do in other countries under the circumstances they are in. It's time for brands to go. This is not a judgment made lightly." What differentiates the campaign from previous ones is that the call for a boycott comes from the workers themselves, Kerr added.

Since Feb. 1, 2021, security forces have caused the deaths of more than 1,500 civilians, including 200 who died during torture at interrogation centers, according to the Assistance Association for Political Prisoners, a human-rights group. At the garment district of Hlaingtharyar in Yangon last March, police fired live ammunition at a crowd of unarmed demonstrators, killing 60.

The one-two punch of Covid-19 and the expulsion of the civilian government has thrown Myanmar into further chaos. The World Bank estimates that the country's economy has shrunk by 18 percent, leaving it roughly 30 percent smaller than it would have been without the double whammy. The International Labour Organization revealed Friday that some 1.6 million jobs have evaporated over the past year, with the garment industry accounting for 220,000 of them. Women made up nine in 10 of the job losses, the agency added.

While some brands have stopped placing new orders with their suppliers in Myanmar, others, including Bestseller, H&M, Mango, Next and Primark have said they would continue to source from the country to provide workers with jobs. Several have cited a desire to wait for the results of a pending Ethical Trade Initiative and Fair Wear Foundation human-rights impact assessment, announced in September, that will include an "evidence-based" comparison of how continued sourcing in Myanmar versus fleeing the embattled nation affects workers and the local industry.

But there is no need for such a survey since trade unions have already provided the organizations with a long list of the junta's "extreme violations," said Khaing Zar Aung, the exiled president of the Industrial Workers Federation of Myanmar, which withdrew from the multi-stakeholder initiative ACT (Action, Collaboration, Transformation) last year because it was no longer able to "operate freely under the current circumstances." ACT, which seeks to improve living wages for garment workers, responded with the "difficult decision" to cease all activities in Myanmar.

Last week, the U.S. Department of State and other federal agencies issued a business advisory warning of the "heightened risks" associated with conducting business in Myanmar, particularly activity that could benefit the military regime. The notice came after France's Total Energies and California-headquartered Chevron, two of the world's largest energy companies, announced they were halting all operations in Myanmar because of the deteriorating humanitarian situation.

"The United States does not seek to curtail legitimate business and responsible investment in Burma," the State Department said, using another name for Myanmar. "However, businesses and individuals should be wary of the associated illicit finance and money laundering risks, as well as reputational and legal risks, of conducting business and utilizing supply chains under military control in Burma. The military regime has undermined the rule of law, facilitated widespread corruption, and committed serious human rights abuses, which exacerbate risks to foreign businesses operating in Burma or providing financial services to Burmese businesses."

Khaing Zar Aung said she fears the assessment's results will be wielded as an argument against divestment, even though brands are legitimizing a "terrorist dictatorship" by staying. Worse, by sourcing from factories inside industrial zones linked to the military, they could also be pouring money into the junta's coffers, even though Myanmar makes up a tiny fraction of most U.S. and European brands' supplier networks.

That's not to say they should cut and run. The Myanmar Military: Never in Fashion campaign wants to see a "responsible" exit from brands that includes paying all workers for orders that have been completed, working with trade unions to resolve wage disputes and doling out humanitarian aid.

Khaing Zar Aung said garment workers want brands to continue sourcing from Myanmar but only if the rule of law respects human rights, which it currently doesn't. Right now, there is no freedom of association, no collective bargaining and no human rights "at all," she said. "I know brands say they want to stay in Myanmar so they can protect workers. But there is no way for them to protect workers."

Source: sourcingjournal.com– Jan 31, 2022

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German retail slump highlights COVID roadblocks to recovery

A big fall in German retail sales as COVID-19 curbs kept people out of shops over the usually busy Christmas period underlined its flagging economic recovery, but signs that jobs and production are picking up suggested a brighter start to 2022.

Data on Tuesday showed retail sales tumbled 5.5% in December in real terms, a much steeper decline than the 1.4% forecast by a Reuters poll of economists.

Sales of textiles, clothing, shoes and leather goods were hit especially hard by a requirement that customers in non-essential shops show proof of COVID-19 vaccination or recovery, part of measures imposed to halt the Omicron wave of the virus.

“The usual end-of-year fireworks clearly backfired this time,” said Alexander Krueger, an economist at Hauck Aufhaeuser Lampe Privatbank. “The new restrictions are a big part of this. Many people are probably also cutting back on spending as they are afraid of high energy costs.”

Surveys of Germany’s labour market and manufacturing sector struck a more positive note, suggesting that producers were starting to crank up output as supply shortages ease.

COVID measures and supply chain problems that have affected Germany’s large auto industry contributed to a final quarter contraction of 0.7% in Europe’s biggest economy compared to Q3 and kept growth to 2.8% in all of 2021.

The German economy underperformed the wider euro zone, and notably its second-biggest economy, France, which grew 7% last year, the most since 1969, data on Friday and Monday showed.

France largely lifted pandemic-related restrictions towards mid-year. It has reported 3,489 infections per 100,000 people over the last seven days, compared with 1,285 in Germany.

Worries about rising prices, especially for energy, among inflation-wary Germans are likely to hit retailers further in 2022, industry association HDE said, warning that almost 16,000 shops could disappear this year.

It said online shopping was likely to drive growth in the sector this year, expanding 13.5% compared to 1.2% for physical shops, and called for the bar to be lifted on non-essential shopping by unvaccinated people to help smaller retailers.

“This measure, which is useless in the fight against the pandemic, must finally be dropped nationwide,” HDE Chief Executive Stefan Genth said in a statement.

About a quarter of the German population is not vaccinated against COVID-19.

SALES STABLE ON YEAR

Retail sales is a volatile indicator and often subject to revisions.

The Federal Statistics Office said sales figures adjusted for prices remained stable on the year, compared with an average Reuters poll forecast for an increase of 1.1% compared with December 2020.

“The December decline is probably related to the fact many retail outlets have started asking for proof of COVID-19 vaccination or recovery, and the impact of seasonal adjustment due to Christmas,” it said in a statement.

Compared with February 2020, the month before the coronavirus crisis hit Germany, retail sales in December 2021 were up 0.7%.

Recent surveys have suggested morale is improving among German businesses as supply bottlenecks ease.

Source: reuters.com– Feb 01, 2022

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Pakistan's textile exports to surge as Bangladesh, India lag behind

The textile sector of Pakistan is all set to swell due to record exports after gaining an edge over its South Asian competitors amid the Covid-19 pandemic.

The country's textile exports are expected to surge 40% from a year earlier to a record $21 billion in the 12 months ending in June bringing cheer to its flailing economy, said Commerce Adviser to the prime minister of Pakistan Abdul Razak Dawood.

Dawood, while speaking with Bloomberg, said that the figure would expand to $26 billion in the next fiscal year, surpassing the nation's total exports in 2021.

Textiles amount to about 60% of Pakistan's exports – everything from denim jeans to towels for the US and Europe – is one of the country's few economic bright spots, reports the popular business news agency.

Pakistan allowed its factories to open ahead of India and Bangladesh when the pandemic began back in 2020.

This move led to them drawing orders from global brands including Target Corp and Hanesbrands Inc.

The Pakistani commerce adviser said, "A lot of orders actually were shifted from Bangladesh and India to Pakistan.

"The other good thing that's happening is we are now becoming competitive with Bangladesh. Three, four years ago, Bangladesh was really beating us."

Moreover, the government also plans to announce a proposal next month to provide incentives for exports to new markets such as Africa, South America and Central Asia, he added.

With measures such as tax breaks, cheap loans and supplying electricity at rates comparable to rivals in the South Asia region, Pakistan is doubling down to boost its exports.

A 60% decline in the local currency against the $ since 2018 has also helped cause.

Ahfaz Mustafa, CEO of one of the country's top brokerage companies Ismail Iqbal Securities, said, "Pakistan's exports have become competitive over the past few years. There is a fixed energy tariff regime that keeps in mind regional prices.

"The government is much quicker to refund the money it owes exporters and there has been a giant currency devaluation."

The South Asian neighbour of Bangladesh is looking to increase its exports to get out of regular boom-bust economic cycles that have led it to seek help from the IMF 13 times since the late 1980s.

It is also trying to revive a $6 billion bailout program to meet financing requirements amid a record trade deficit.

Meanwhile, speaking about the country's record high imports, Pakistan's commerce adviser said there is "very little" that can be done.

The country would be "under pressure" if oil hits $100 a barrel, furthered Dawood hoping that food-related imports will decline this year following a better domestic crop harvest.

Pakistan is also pushing to intensify trade with Central Asian nations by signing agreements and allowing free movement of trucks. Trade has grown to $120 million in six months of the current fiscal year from $14 million of the entire previous year, Abdul Razak Dawood added.

Source: tbsnews.net– Jan 31, 2022

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NATIONAL NEWS

SUMMARY OF UNION BUDGET 2022-23

India's economic growth in the current year is estimated to be 9.2 per cent, highest among all large economies. The overall, sharp rebound and recovery of the economy from the adverse effects of the pandemic is reflective of our country's strong resilience. This was stated by Union Minister for Finance and Corporate Affairs Smt Nirmala Sitharaman while presenting the Union Budget in Parliament today.

The Finance Minister said, India is celebrating Azadi ka Amrit Mahotsav and it has entered into Amrit Kaal, the 25-year-long leadup to India@100, the government aims to attain the vision of Prime Minister outlined in his Independence Day address and they are:

- Complementing the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus,
- Promoting digital economy & fintech, technology enabled development, energy transition, and climate action, and
- Relying on virtuous cycle starting from private investment with public capital investment helping to crowd-in private investment.

Since 2014, the government's focus has been on empowerment of citizens, especially the poor and the marginalized and measures have been taken to provided housing, electricity, cooking gas, and access to water. The government also have programmes for ensuring financial inclusion and direct benefit transfers and a commitment to strengthen the abilities of poor to tap all opportunities.

The Finance Minister informed that the Productivity Linked Incentive in 14 sectors for achieving the vision of AtmaNirbhar Bharat has received excellent response, with potential to create 60 lakh new jobs, and an additional production of Rs 30 lakh crore during next 5 years. Dwelling on the issue of implementation of the new Public Sector Enterprise policy, She said, the strategic transfer of ownership of Air India has been completed, the strategic partner for NINL (Neelanchal Ispat Nigam Limited) has been selected, the public issue of the LIC is expected shortly and others too are in the process for 2022-23.

Smt Nirmala Sitharaman emphasized that this Budget continues to provide impetus for growth. It lays a parallel track of (1) a blueprint for the Amrit Kaal, which is futuristic and inclusive, which will directly benefit our youth, women, farmers, the Scheduled Castes and the Scheduled Tribes. And (2) big public investment for modern infrastructure, readying for India at 100 and this shall be guided by PM GatiShakti and be benefited by the synergy of multi-modal approach. Moving forward, on this parallel track, She outlined the following four priorities:

- PM GatiShakti
- Inclusive Development
- Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action
- Financing of Investments

Elaborating the PM GatiShakti, the Finance Minister said that it is a transformative approach for economic growth and sustainable development. The approach is driven by seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure. All seven engines will pull forward the economy in unison.

These engines are supported by the complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure. Finally, the approach is powered by Clean Energy and Sabka Prayas – the efforts of the Central Government, the state governments, and the private sector together – leading to huge job and entrepreneurial opportunities for all, especially the youth.

Click here for more details

Source: pib.gov.in– Feb 01, 2022

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HIGHLIGHTS OF THE UNION BUDGET 2022-23

The Union Budget seeks to complement macro-economic level growth with a focus on micro-economic level all inclusive welfare. The Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman tabled the Union Budget 2022-23 in Parliament today.

The key highlights of the budget are as follows:

PART A

India's economic growth estimated at **9.2%** to be the highest among all large economies.

60 lakh new jobs to be created under the productivity linked incentive scheme in 14 sectors.

PLI Schemes have the potential to create an **additional production of Rs 30 lakh crore.**

Entering Amrit Kaal, the 25 year long lead up to India @100, the budget provides impetus for growth along **four priorities**:

PM GatiShakti

Inclusive Development

Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, and Climate Action.

Financing of investments

PM GatiShakti

The seven engines that drive PM GatiShakti are **Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure.**

PM GatiShkati National Master Plan

The scope of PM GatiShakti National Master Plan will encompass the seven engines for economic transformation, seamless multimodal connectivity and logistics efficiency.

The projects pertaining to these 7 engines in the National Infrastructure Pipeline will be aligned with PM GatiShakti framework.

Road Transport
National Highways Network to be expanded by **25000 Km** in 2022-23.
Rs 20000 Crore to be mobilized for National Highways Network expansion.

Multimodal Logistics Parks
Contracts to be awarded through PPP mode in 2022-23 for implementation of Multimodal Logistics Parks at four locations.

Railways
One Station One Product concept to help local businesses & supply chains.
2000 Km of railway network to be brought under Kavach, the indigenous world class technology and capacity augmentation in 2022-23.
400 new generation Vande Bharat Trains to be manufactured during the next three years.
100 PM GatiShakti Cargo terminals for multimodal logistics to be developed during the next three years.

Parvatmala
National Ropeways Development Program, Parvatmala to be taken up on PPP mode.
Contracts to be awarded in 2022-23 for **8 ropeway projects of 60 Km length**.

Inclusive Development

Agriculture
Rs. 2.37 lakh crore direct payment to 1.63 crore farmers for procurement of wheat and paddy.
Chemical free Natural farming to be promoted throughout the county. Initial focus is on farmer's lands in 5 Km wide corridors along river Ganga.
NABARD to facilitate fund with blended capital to finance startups for agriculture & rural enterprise.
'Kisan Drones' for crop assessment, digitization of land records, spraying of insecticides and nutrients.

Ken Betwa project
1400 crore outlay for implementation of the Ken – Betwa link project.
9.08 lakh hectares of farmers' lands to receive irrigation benefits by Ken-Betwa link project.

MSME

Udyam, e-shram, NCS and ASEEM portals to be interlinked.

130 lakh MSMEs provided additional credit under Emergency Credit Linked Guarantee Scheme (ECLGS)

ECLGS to be extended up to March 2023.

Guarantee cover under ECLGS to be expanded by **Rs 50000 Crore to total cover of Rs 5 Lakh Crore.**

Rs 2 lakh Crore additional credit for Micro and Small Enterprises to be facilitated under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).

Raising and Accelerating MSME performance (RAMP) programme with outlay of Rs 6000 Crore to be rolled out.

Skill Development

Digital Ecosystem for Skilling and Livelihood (**DESH-Stack e-portal**) will be launched to empower citizens to skill, reskill or upskill through on-line training.

· Startups will be promoted to facilitate '**Drone Shakti**' and for **Drone-As-A-Service** (DrAAS).

Education

'**One class-One TV channel' programme of PM eVIDYA** to be expanded to 200 TV channels.

· Virtual labs and skilling e-labs to be set up to promote critical thinking skills and simulated learning environment.

· High-quality e-content will be developed for delivery through Digital Teachers.

· Digital University for world-class quality universal education with personalised learning experience to be established.

Health

An **open platform** for **National Digital Health Ecosystem** to be rolled out.

· '**National Tele Mental Health Programme**' for quality mental health counselling and care services to be launched.

A network of **23 tele-mental health centres** of excellence will be set up, with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.

Saksham Anganwadi

Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.

Two lakh anganwadis to be upgraded to Saksham Anganwadis.

Har Ghar, Nal Se Jal

Rs. 60,000 crore allocated to cover **3.8 crore households** in 2022-23 under Har Ghar, Nal se Jal.

Housing for All

Rs. 48,000 crore allocated for completion of **80 lakh houses** in 2022-23 under PM Awas Yojana.

Prime Minister's Development Initiative for North-East Region (PM-DevINE)

New scheme PM-DevINE launched to fund infrastructure and social development projects in the North-East.

An initial allocation of **Rs. 1,500 crore** made to enable livelihood activities for youth and women under the scheme.

Vibrant Villages Programme

Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity and infrastructure on the northern border.

Banking

100 per cent of 1.5 lakh post offices to come on the **core banking system**.

Scheduled Commercial Banks to set up **75 Digital Banking Units (DBUs) in 75 districts**.

Click here for more details

Source: pib.gov.in– Feb 01, 2022

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Mixed reaction from textile units in Coimbatore

With no specific announcement in the Union Budget that will directly benefit the textile and clothing sector, the industry has said steps to support MSMEs and attract investments will benefit the textile industry too. However, there should be measures to control raw material prices, the industry associations said.

According to Southern India Mills Association, steep increase in international cotton prices and consequential domestic cotton price has fetched the Indian cotton farmers high revenue for their produce during the current season.

But, this has also impacted the cotton textile value chain. India has started achieving substantial growth rate, in the domestic and international cotton textiles and clothing market that is likely to fuel the cotton consumption by 15% to 20% during the current season (October 2021 to September 2022) resulting in shortage of cotton. The Union Government should consider the demand of exempting ELS cotton and sustainable cotton from the levy of 11% Import Duty.

The Cotton Textiles Export Promotion Council expressed concern that made ups sector that contribute significantly towards exports has been left out of the facility of duty free imports of specified goods by bonafide exporters. The government should re-consider the Customs Duty imposed on cotton.

The Confederation of Indian Textile Industry said certain exemptions for advanced machineries that are not manufactured in the country will continue and help the textile sector as the domestic textile sector depends on state-of-the-art textile machineries.

Export of fabrics by powerloom units are expected to cross $ 8.8 billion, which is higher than the target. The Production Linked Incentive Scheme will attract investments and the announcements in the budget will help growth of the weaving sector, said the Powerloom Development and Export Promotion Council in a press release.

Reinstating duty free facility for import of trimmings and embellishments will benefit garment exporters as they source these from different countries and with sharp deadlines. With measures to boost investments, the

Production Linked Scheme will see more traction, according to the Apparel Export Promotion Council.

The Tiruppur Exporters' Association said review of Customs exemptions and tariff simplification will benefit protect the domestic garment industry. The budgetary allocation for Amended Technology Upgradation Fund Scheme should be enhanced from ₹ 650 crore to clear arrears under the Scheme.

The Cloth Manufacturers' Association of India said removal of Import Duty on embellishments, trimmings, buttons, etc., will make apparel exports more competitive. The apparel industry will stand to benefit with extension of the Emergency Credit Linked Guarantee Scheme. However, the enhanced outlay for the Scheme should be extended to the retail sector too.

The domestic hosiery manufacturers expressed disappointment as the budget had no announcement to bring down the raw material prices or to encourage the hosiery sector, said the South India Hosiery Manufacturers Association.

According to Indian Texpreneurs Federation, the industry will get better market intelligence with use of technology to assess crop, especially cotton. Extension of tax incentives for new manufacturing units for one year will motivate industries to bring in capex.

Source: thehindu.com– Feb 01, 2022

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India Budget 2022-23: Allocation for textile sector up 8.1%

The allocation for the textile sector for year 2022-23 in the Union Budget presented today by finance minister Nirmala Sitharaman stands at about ₹12,382.14 crore, which is about 8.1 per cent higher than the revised budget allocation of 2021-22 which stands at about ₹11,449.32 crore. However, no funds are allocated towards Powerloom Promotion Scheme.

Budget allocation during 2021-22 initially was ₹3,631.64 crore, but it was later revised to ₹11,449.32 crore mainly due to increased allocation for procurement of cotton by Cotton Corporation of India (CCI) under 'Price Support Scheme' from ₹136 crore initially to ₹8,439.88 crore. For financial year 2022-23, the allocation is ₹9,243.09 crore, which is about 9.5 per cent higher than revised allocation of last year.

In the present Budget, the government has allocated about ₹133.83 crore for Textile Cluster Development Scheme, and hence the total budget allocation for Research and Capacity Building in textiles increased by 73.4 per cent to reach about ₹478.83 crore in 2022-23, as compared to revised budget allocation of ₹276.10 crore in 2021-22.

For 2022-23, the government has also omitted funds for North East Textiles Promotion Scheme, which was ₹49.94 crore last year.

The recently announced Production Linked Incentive (PLI) scheme and PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme also saw an allocation of ₹15 crore each for 2022-23.

The government has also allocated ₹105 crore for the year 2022-23 towards Raw Material Supply Scheme, which has already been approved for implementation during period from 2021-22 to 2025-26.

Source: fibre2fashion.com– Feb 01, 2022

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INDIA'S MERCHANDISE TRADE: Preliminary Data January 2022

India's merchandise import in January 2022 was USD 52.01 billion, an increase of 23.74% over USD 42.03 billion in January 2021 and an increase of 26.38% over USD 41.15 billion in January 2020.

India's merchandise import in 2021-22 (April-January) was USD 495.83 billion, an increase of 62.68% over USD 304.79 billion in 2020-21 (April-January) and an increase of 22.3% over USD 405.33 billion in 2019-20 (April-January).

The trade deficit in January 2022 was USD 17.94 billion, while it was 160.38 billion USD during 2021-22 (April-January).

Value of non-petroleum exports in January 2022 was 30.33 USD billion, registering a positive growth of 19.4% over non-petroleum exports of USD 25.4 billion in January 2021 and a positive growth of 33.81% over non-petroleum exports of USD 22.67 billion in January 2020.

Value of non-petroleum imports was USD 40.57 billion in January 2022 with a positive growth of 24.44% over non-petroleum imports of USD 32.61 billion in January 2021 and a positive growth of 44.19% over non-petroleum imports of USD 28.14 billion in January 2020.

The cumulative value of non-petroleum exports in 2021-22 (Apr-Jan) was USD 287.84 billion, an increase of 37.59% over USD 209.19 billion in 2020-21 (Apr-Jan) and an increase of 25.8% over USD 228.8 billion in 2019-20 (Apr-Jan).

The cumulative value of non-petroleum imports in 2021-22 (Apr-Jan) was USD 366.14 billion, showing an increase of 51.67% compared to non-oil imports of USD 241.41 billion in 2020-21 (Apr-Jan) and an increase of 23.86% compared to non-oil imports of USD 295.61 billion in 2019-20 (Apr-Jan).

Value of non-petroleum and non-gems and jewellery exports in January 2022 was USD 27.09 billion, registering a positive growth of 20.1% over non-petroleum and non-gems and jewellery exports of USD 22.56 billion in January 2021 and a positive growth of 36.92% over non-petroleum and non-gems and jewellery exports of USD 19.79 billion in January 2020.

Value of non-oil, non-GJ (gold, silver & Precious metals) imports was USD 35.22 billion in January 2022 with a positive growth of 33.6%over non-oil and non-GJ imports of USD 26.36 billion in January 2021and a positive growth of 41.63% over non-oil and non-GJ imports of USD 24.87 billion in January 2020.

Statement 7: Exports of Top 10 Major Commodity Groups				
	Value of Export (Million US$)		**Share (%)**	**Growth (%)**
Major Commodity Group	**Jan-22**	**Jan-21**	**Jan-22**	**Jan-22 over Jan-21**
Engineering goods	9201.76	7413.15	27.01	24.13
Petroleum products	3732.26	2136.00	10.96	74.73
Gems and Jewellery	3236.98	2843.62	9.50	13.83
Organic and Inorganic chemicals	2447.89	1942.16	7.19	26.04
Drugs and Pharmaceuticals	2054.24	2075.22	6.03	-1.01
Cotton Yarn/Fabs./Madeups, Handloom products etc.	1389.46	974.54	4.08	42.58
RMG of all Textiles	1549.00	1295.91	4.55	19.53
Electronic goods	1364.63	1180.09	4.01	15.64
Plastic and Linoleum	844.47	638.37	2.48	32.29
Rice	813.75	769.89	2.39	5.70
Total of 10 Major Commodity Groups	**26634.46**	**21268.95**	**78.19**	**25.23**
Rest	7428.41	6269.33	21.81	18.49
Total Exports	**34062.87**	**27538.28**	**100.00**	**23.69**

Click here for more details

Source: pib.gov.in– Feb 01, 2022

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What's in for the Indian textile industry in Union Budget 2022-23?

India's finance minister Nirmala Sitharaman today presented the Union Budget 2022-23 in the Parliament. Below are the excerpts from the speech, that can impact the textile industry.

MSME

Udyam, e-Shram, NCS and ASEEM portals will be interlinked. Their scope will be widened. They will now perform as portals with live, organic databases, providing G2C, B2C and B2B services. These services will relate to credit facilitation, skilling, and recruitment with an aim to further formalise the economy and enhance entrepreneurial opportunities for all.

Emergency Credit Line Guarantee Scheme (ECLGS) has provided much-needed additional credit to more than 130 lakh MSMEs. This has helped them mitigate the adverse impact of the pandemic. The hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business. Considering these aspects, the ECLGS will be extended up to March 2023 and its guarantee cover will be expanded by ₹50,000 crore to total cover of ₹5 lakh crore, with the additional amount being earmarked exclusively for the hospitality and related enterprises.

Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme will be revamped with required infusion of funds. This will facilitate additional credit of ₹2 lakh crore for Micro and Small Enterprises and expand employment opportunities.

Raising and Accelerating MSME Performance (RAMP) programme with outlay of ₹6,000 crore over 5 years will be rolled out. This will help the MSME sector become more resilient, competitive and efficient.

Export Promotion

86. The Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.

Special Economic Zones

Alongside the proposed reforms in SEZs, we will also undertake reforms in Customs Administration of SEZs and it shall henceforth be fully IT driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerably. This reform shall be implemented by 30th September 2022.

Project imports and capital goods

National Capital Goods Policy, 2016 aims at doubling the production of capital goods by 2025. This would create employment opportunities and result in increased economic activity. However, several duty exemptions, even extending to over three decades in some cases, have been granted to capital goods for various sectors like power, fertiliser, textiles, leather, footwear, food processing and fertilizers. These exemptions have hindered the growth of the domestic capital goods sector.

Accordingly, it is proposed to phase out the concessional rates in capital goods and project imports gradually and apply a moderate tariff of 7.5 per cent. Certain exemptions for advanced machineries that are not manufactured within the country shall continue.

Review of customs exemptions and tariff simplification

In the last two budgets we have rationalised several customs exemptions. We have once again carried out an extensive consultation, including by crowd sourcing and as a result of these consultations, more than 350 exemption entries are proposed to be gradually phased out. These include exemption on certain agricultural produce, chemicals, fabrics, medical devices and drugs and medicines for which sufficient domestic capacity exists. Further, as a simplification measure, several concessional rates are being incorporated in the Customs Tariff Schedule itself instead of prescribing them through various notifications.

This comprehensive review will simplify the Customs rate and tariff structure particularly for sectors like chemicals, textiles and metals and minimise disputes. Removal of exemption on items which are or can be manufactured in India and providing concessional duties on raw material that go into manufacturing of intermediate products will go many a step forward in achieving our objective of 'Make in India' and 'Atmanirbhar Bharat'.

Exports

To incentivise exports, exemptions are being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes that may be needed by bonafide exporters of handicrafts, textiles and leather garments, leather footwear and other goods.

Source: fibre2fashion.com– Feb 01, 2022

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Economic Survey 2022 | PLI scheme to attract Rs 19,000 crore investment in textile industry in 5 years

Economic Survey 2002 has estimated the production-linked incentive (PLI) scheme will result in fresh investment of Rs 19,000 crore in the textile sector over the next five years. This could result in a cumulative turnover of over Rs 3 lakh crore and create over 7.5 lakh additional job opportunities in this sector.

The textile industry is the second largest employment generator in the country, next only to agriculture. "In the last decade, close to Rs 203,000 crore have been invested in this industry with direct and indirect employment of about 105 million people, a major part of which is women," the survey said. Despite being deeply affected by the lockdowns, the industry has shown remarkable recovery, as reflected by the Index of Industrial Production of 3.6 percent during April-October 2020.

poli"Production-Linked Incentive (PLI) Scheme for Man-Made Fiber (MMF) segment and technical textiles, notified in September 2021, for enhancing India's manufacturing capabilities and enhancing exports will focus on promotion of 40 MMF apparel and 10 technical textiles lines and create global champions," the survey said.

"Further in a major support to enhance the competitiveness of the sector, the government notified the setting up of 7 PM mega integrated textiles region and apparel park (MITRA) parks in October 2021 with a total outlay of Rs. 4,445 crore. The scheme is expected to further the vision of Atmanirbhar Bharat and to position India strongly on the global textiles map," the survey said.

It added that PM MITRA, inspired by 5Fs—farm to fibre to factory to fashion to foreign—will strengthen the textile sector by developing integrated large-scale and modern industrial infrastructure facilities for the entire value chain of the textile industry. It is expected to reduce the logistics cost and will help India in attracting investments, and boosting employment generation, it said.

Source: moneycontrol.com– Jan 31, 2022

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Economic Survey sees India's economic growth at 8-8.5 per cent in FY'22-23

Budget should focus on targeted spending to spur growth

Govt will comfortably meet the fiscal deficit targets for current fiscal on back of robust rebound in tax revenues

Aided by strong capex and export push, the Indian economy is projected to grow 8-8.5 per cent in 2022-23, the Economic Survey for 2021-22 said on Monday. The Survey, which was tabled in Lok Sabha by Finance Minister Nirmala Sitharaman, said that the projection is based on key assumptions that include global crude oil prices at $70-75 per barrel, no further debilitating pandemic-related economic disruptions, a normal monsoon, an orderly withdrawal of global liquidity by major central banks, and an easing of global supply-chain disruptions over the coming year. The Finance Minister also tabled a separate volume of statistical tables. For the current fiscal, the Economic Survey has pegged growth at 9.2 per cent.

The Economic Survey said that growth in 2022–23 will be supported by widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth and availability of fiscal space to ramp up capital spending.

The year ahead is also well poised for a pick up in private sector investment with the financial system in a good position to provide support to the revival of the economy, it added. The economic growth projection for 2022–23 is comparable with the World Bank and Asian Development Bank's latest forecasts of real GDP growth of 8.7 per cent and 7.5 per cent respectively.

According to the IMF's latest growth projections released on January 25, India's real GDP will grow at 9 per cent in both 2021–22 and 2022–23 and 7.1 per cent in 2023–24. IMF's estimates make India the fastest growing major economy in the world, the survey added.

Fiscal target

The Economic Survey also highlighted that government will comfortably meet fiscal target this year while maintaining support. Strong rebound in government revenues to help meet fiscal deficit target, it added. The Survey noted that the banking system was well capitalised and the NPA overhang has declined. The Survey highlighted that the resilience of India's external sector augurs well for growth revival. Also, the economic shock of COVID-19 has been weathered well by banking system. The Survey also said that in the next ten years Railways sector will see a very high level of capital expenditure of over ₹2 lakh crore per annum.

Central theme

The economic survey sets out to explain the alternative "agile" approach that informed India's economic response to the COVID-19 shock. This framework is based on feedback loops, real-time monitoring of actual outcomes, flexible responses and safety net buffers. Planning matters in this framework but mostly for scenario analysis, identifying vulnerable sections and understanding policy options rather than as a deterministic prediction of the flow of events. The last economic survey did briefly discuss this approach but this time it is a central theme, it added.

Source: thehindubusinessline.com– Jan 31, 2022

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Budget 2022: Expect new SEZ legislation in 4-6 months, says Piyush Goyal

Gati Shakti is an enabler and not an added impediment for infrastructure projects in the country, Union Commerce and Industry Minister Piyush Goyal said. He also said the proposed new Special Economic Zones legislation will also see use of readymade infrastructure available with SEZs. Edited excerpts from his interaction with media:

The new SEZ legislation will enable more participation from states? What would greater participation mean?

The SEZ Act is being made more inclusive, involving states. Basically (it) is to convert SEZs -- rather than focus only on exports -- to having a focus on industrial development and service sector development. So we are going to gradually make SEZs into plug-and-play infra, which can be used for both exports and domestic industry. Those are the changes that we are bringing to the law, which we will do in four to six months.

We will have to put in place some equalisation levy so that DTA (domestic tariff area) units are not at a disadvantage compared to SEZ units who have taken certain advantages in the past. We will create a level playing field. Use the robust infrastructure, the very good connectivity, the plug-and-play facility that is available in SEZs to expand their ambit and use the large infrastructure and land and readymade sheds and readymade buildings that are available to expand.

How prepared are states to participate in the Gati Shakti initiative? What is the kind of support we can expect from them?

Gati Shakti is a transformative initiative. For the first time, India is planning its infrastructure story very systematically through PM Gati Shakti. It has taken various available infrastructures and created maps. We now have 360 layers in PM Gati Shakti prepared by BISAG from Ahmedabad. And they all talk to each other. PM Gati Shakti is an enabler to support all infrastructure planning, make it more robust, ensure there are no bottlenecks, no hindrances, and faster execution. For instance, if there is a mountain range, it will tell you where it is appropriate to build a tunnel that is the shortest that will ultimately speed up the project. It will be an enabler and will be a game changer in planner.

We are getting huge support from states and they have understood the importance and the benefits they can also get using Gati Shakti. At a later stage, we will open it up for the private sector as well.

What about the national logistics policy? How is it different from PM Gati Shakti as it also aims to reduce logistics cost?

Logistics policy has got nothing to do with PM Gati Shakti. In fact, the policy will also benefit from the scheme because our planning of logistics in the future will become much more outcome-oriented.

We have seen rationalisation in Customs duty of certain items. What is the thought process behind selecting these products?

In terms of Customs changes, we are using technology in a much bigger way so that Customs can be seamless, there can be less deterrence, and faster movement of import and export cargo. Second, the products that you are asking about are largely related to the capital goods sector. Our idea is we should support the domestic capital goods sector.

Wherever India has abilities to supply any capital goods, we are looking at more and more indigenisation. That is a part of Atmanirbhar Bharat, wherever high technology capital goods are required, reduce import duty to an average of 7.5 per cent, which will not increase the project cost too much but will provide incentive to domestic manufacturers.

We see supply-side measures in the Budget but what about the demand-side measures?

The whole Budget is about demand-side stimulation. When we spend a huge amount on capex –– Centre and states together -- there is a huge multiplier effect. All of this leads to demand for steel, cement, electrical, machinery for roadways. It is an endless demand stimulus, jobs will be created, MSMEs will see demand push. All of this will result in private sectors investing in new capacities to meet the demand that will be generated

By when can we expect e-commerce policy and consumer protection rules on e-commerce?

On e-commerce nothing is on the table. We are talking to the gems and jewellery sector. They have been asking for certain support to expand their e-commerce activity. That is at an advanced stage of discussion. We will come out with details later. Other than that, the e-commerce sector is working on its own steam and there is nothing that has been demanded in the budget or that is holding back their growth and progress.

Source: business-standard.com– Feb 01, 2022

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New legislation to improve SEZ infra utilisation, export competitiveness

The Special Economic Zones (SEZs), which have lost much of their sheen following the exhaustion of income tax exemptions for both developers and units, are set for an over-haul, Finance Minister Nirmala Sitharaman has said.

"The Special Economic Zones Act will be replaced with a new legislation that will enable the States to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports," Sitharaman said presenting the Union Budget 2022-23 on Tuesday.

The Finance Minister has also sought to facilitate ease of doing business for SEZs by bringing in reforms in customs administration of SEZs.

"...it shall henceforth be fully IT driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerably. This reform shall be implemented by 30th September 2022," she said.

SEZs have been seeking a large number of changes in the SEZ rules and Act to improve their viability. The new dispensation for SEZ, being considered by the government, could allow domestic units to come up in the unutilised area of SEZs and co-exist with SEZ units with proper monitoring, a key demand of the industry. The suggestion of permitting SEZ units to do job work for DTA units for better capacity utilisation may also now be implemented.

There are also demands for other measures such as relaxation in the net foreign exchange (NFE) positive obligation, flexibilities for sale of goods and services in the domestic market and allowing SEZ units to get payment in rupees for supply of services to domestic tariff area (DTA).

It is important for the government to do away with the NFE obligation and make the SEZ scheme compliant with WTO rules which disallows incentives to be directly linked to exports.

There are a total of 5,604 units that have received a formal approval in a total of 375 notified SEZs in the country of which 268 are operational.

In the April-December 2021 period, goods exports from SEZs increased 60 per cent to $36.4 billion, according to government figures. This compares well with overall goods exports which increased 49.66 per cent to $301.38 billion. Services exports from SEZs increased 17 per cent in the period to $51 billion.

Source: thehindubusinessline.com– Feb 01, 2022

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Merchandise exports grow at a slower pace in January, touch $34 billion

India's exports grew at a slower pace in January, recording the highest ever monthly outbound shipments of goods in December, preliminary data released by the commerce and industry ministry showed.

However, consignment values remained above the $30 billion mark despite a rise in Omicron cases across the globe. Merchandise exports witnessed nearly 23.69 per cent growth on yearat $34.06 billion in January, as demand for Indian products continued to remain robust.

On a sequential basis, outbound shipments fell 8.6 per cent.

Engineering goods, petroleum products, gems and jewellery, organic and inorganic chemicals, drugs and pharmaceuticals, continued to remain top exported goods.

On a cumulative basis, India's merchandise exports in April-January was $335.44 billion, inching rapidly towards meeting the annual exports target of $400 billion in FY22.

India's merchandise imports also witnessed a sharp jump with shipments worth $52.01 billion coming into the country, up 23.74 per cent compared to the year-ago period. As a result, India was a net importer, with a trade deficit of $17.94 billion, compared to a deficit of $14.49 billion last year.

"Reaching $335.44 billion with a very high growth of 46.53 percent compared to the same period previous fiscal is commendable in itself further re-invigorating fresh impetus among the exporters of crossing the USD 400 billion exports target for the fiscal," A Sakthivel, president, Federation of Indian Export Organisations said.

Source: business-standard.com– Feb 01, 2022

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`India on track to meet target of highest ever goods exports of $400 billion'

Eco Survey stresses on need to maintain macroeconomic stability as buffer against continued uncertainties in global environment

India is on track to meet the ambitious export target of $400 billion in 2021-22, the highest ever level to be attained by the country, owing to a sharp recovery in key markets, increased consumer spending due to pent up savings and fiscal stimulus announcement by major economies, global commodity price rise and an aggressive export push by the government.

The latest Economic Survey released by the government on Monday, while upbeat on the prospects of external trade this fiscal, cautioned that the global environment still remained uncertain as the Omicron wave was continuing to cast its shadow on most economies leading to inflation.

Macroeconomic stability

"This is why it is especially important to look at India's macroeconomic stability indicators and their ability to provide a buffer against the above stresses," the survey, brought out by the Department of Economic Affairs, Ministry of Finance, pointed out.

While India's exports of both goods and services recovered from the pandemic-induced collapse and demonstrated exceptionally strong performance so far in 2021-22 helping drive economic growth, imports also bounced back strongly with recovery in domestic demand as well as higher international petroleum and commodity prices.

Exports turn negative

Owing to a sharper rise in imports, India's net exports turned negative in the first half of 2021-22, compared to a surplus in the corresponding period of 2020-21, with current account recording a deficit of 0.2 per cent of GDP in the first half.

However, on the positive side, the current account deficit could be sufficiently financed by robust capital flows in the form of continued inflow of foreign investment.

India needs to watch out for a widening of the current account deficit in the second half of the on-going fiscal due to continued rise in global commodity prices and revival in real economic activity in the country leading to increased domestic demand, the Survey pointed out. Increased uncertainty around capital inflows may also contribute to widening of the current account deficit. The Survey is, however, optimistic that it would stay within manageable limits.

Exporters need to draw strength from the fact that goods exports have been above $ 30 billion for eight consecutive months in 2021-22. This is despite a rise in trade costs due to global supply constraints such as shortage of shipping vessels and irritants such as blockage of Suez Canal and Covid-19 outbreak in port city of China, the Survey said.

Net services exports have also risen sharply, driven by professional and management consulting services, audio visual and related services, freight transport services, telecommunications, computer and information services.

Source: thehindubusinessline.com– Jan 31, 2022

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More than 66 lakh MSMEs registered on Udyam portal: Economic Survey

More than 66 lakh MSMEs had registered on the Udyam portal and the initiative has improved the ease of doing business for MSMEs, pointed out The Economic Survey 2021-22 that was tabled in Parliament on Monday by the Finance Minister Nirmala Sitharaman.

The Union Ministry of MSME introduced Udyam registration with effect from July 1, 2020. The Udyam Registration is based on the composite criteria of investment and turnover for the classification of new and existing MSMEs.

As of January 17, 2022, about 66,34,006 enterprises have registered on the Udyam portal, out of which 62,79,858 were micro, 3,19,793 small and 34,355 medium enterprises. Further, among the new measures, the retail and wholesale trades were included as MSMEs and they are allowed to be registered on the portal.

However, the benefits to retail and wholesale trade MSMEs are to be restricted to priority sector lending only. In this regard, now, street vendors can also register as retail traders on the portal and avail the benefit of priority sector lending, it said.

Digital and paperless

The registration process is fully online, digital, paperless and is based on self-declaration. No documents or proof are required to be uploaded for registering as an MSME. Aadhaar and PAN are required for registration and details on investment and turnover of enterprises are taken automatically from relevant government databases.

The new registration process has boosted the ease of doing business for MSMEs by reducing transaction time and costs, said the Survey.
Champions portal

The Survey also stated that the CHAMPIONS portal (www.champion.gov.in), an ICT-based technology system, is also aimed at making the smaller units big by helping and handholding them.

A network of control rooms is created in a Hub & Spoke Model where the hub is situated in the Ministry of MSME, New Delhi whereas 68 spokes are located across the country in various offices and institutions of Ministry. As of January 16, 2022, 42,304 grievances have been received, out of which 41,965 (99.1 per cent) grievances have been replied.

It said MSMEs contributed significantly to the economic and social development of the country by fostering entrepreneurship and generating employment opportunities.

The relative importance of MSMEs can be gauged from the fact that the share of MSME GVA in total GVA (current prices) for 2019-20 was 33.08 per cent, it added.

Source: thehindubusinessline.com– Jan 31, 2022

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Greater market, product diversification through FTAs can push exports: Economic Survey

India can achieve greater market and product diversification by entering into more Free Trade Agreements (FTAs) with its trade partners and reviewing existing agreements to make them more favourable leading to higher exports.

Over the last 25 years, the country has significantly diversified its export destinations, but more than 40 per cent of India's exports is still accounted for by only seven countries, according to the Economic Survey released by the Finance Ministry on Monday.

"India has been negotiating free trade agreements (FTAs) with several partners – both bilateral and regional – over the past many years with a view to promote India's exports. A further push in this direction would help provide the institutional arrangements to, inter alia, diversify both products and destinations," the Economic Survey pointed out.

Exports in April-December

India's exports in April-December 2021 posted a 49.7 per cent growth (year-on-year) to $301.4 billion, but imports grew at a sharper rate of 68.9 per cent to $443.8 billion during the period, more than doubling the trade deficit to $ 142.4 billion. This is a cause for concern and underlines the need for greater efforts to boost exports.

The US remained the top export destination for India in April-November 2021, followed by United Arab Emirates and China. However, China's share in India's total imports reduced to15.5 per cent from 17.7 per cent in corresponding period a year earlier, reflecting increased diversification of India's import sources, the survey stated.

Belgium replaced Malaysia and entered into the top ten leading export destinations during April-November 2021, with more than $1 billion worth of pearls, precious and semi-precious stones, and iron and steel shipped to the country.

Other countries among India's top ten export destinations include Bangladesh, Hong Kong, Singapore, the Netherlands, the UK and Germany. The survey took a note of the trade agreement negotiations initiated by India over the last few years, which include a Comprehensive Economic Cooperation Agreement (CECA) with Australia, a FTA with the European Union and Comprehensive Economic Partnership Agreements with with Canada and the UAE. "Negotiations are complete for agreement with UAE and at advance stage with Australia," the Survey pointed out.

India also launched FTA negotiations with the UK in January 2022, which could double bilateral trade to $50 billion by 2030.

The country is trying to initiate negotiations on Mutual Recognition Agreements with the US for services such as nursing and accounting and discussions around it took place as part of the India-US Trade Policy Forum between Commerce & Industry Minister Piyush Goyal and US Trade Representative Katherine Tai.

Source: thehindubusinessline.com– Jan 31, 2022

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Low R&D spend one of the reasons why India lags behind China, US in patents: Economic Survey

The Economic Survey has pointed out that the low spending on research and development (R&D) is one of the reasons why India lags behind countries like China and the US in patents.

The survey added that the number of patents granted in India is a fraction of what is granted in China, US, Japan.

The other reasons for a low patent regime in India is "procedural delays and complexity of the process".

"The average pendency for final decision in acquiring patents in India is 42 months as of 2020. This is much higher than 20.8, 20, 15.8 and 15 months respectively for USA, China, Korea and Japan."

However, the silver lining is that an increasing number of Indian residents are now applying for patents as against the multi-national companies (MNC) despite the odds.

According to the Survey, the number of patents application are increasingly coming from Indian residents rather than MNCs.

The share of Indian residents in total applications has increased from 20 per cent in 2010-11 to around 30 per cent in 2016-17 and 40 per cent in 2020-21.

Consequently, India's ranking in Global Innovation Index has climbed 35 ranks, from 81st in 2015-16 to 46th in 2021.

Source: economictimes.com– Jan 31, 2022

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Supply-side reforms to yield rich post-Covid dividends: Survey

According to the world container index, the freight for 40-feet container shot up from just $1,525 after the pandemic to as much as $9,698 as of January 1.

India rolled out critical supply-side reforms in the aftermath of the Covid outbreak rather than relying entirely on demand management, which distinguished it from other key economies and also marked a contrast with the country's own response in the wake of the global financial crisis, the Survey pointed out on Monday.

These reforms helped India bridle retail inflation (despite the recent rise, it stood at 5.2% between April and December, against 9.1% in FY09) and bolstered long-term growth prospects as well. Inflation in some of the major economies, meanwhile, shot up sharply (it's hovering around a 40-year high in the US), as the post-pandemic intervention to stimulate demand backfired in light of serious constraints in the global supply chain ranging from delays in delivery of goods and inadequate container availability to semiconductor chip shortages.

These supply-side reforms include the deregulation of numerous sectors, simplification of processes, removal of legacy issues like 'retrospective tax', privatisation and production-linked incentive schemes. The sharp increase in capital spending by the government in FY21 and this fiscal can be "seen both as demand and supply enhancing response as it creates infrastructure capacity for future growth", the Survey said.

According to the world container index, the freight for 40-feet container shot up from just $1,525 after the pandemic to as much as $9,698 as of January 1.

While lauding India's supply-side reforms, the Survey also advised against any knee-jerk reactions to price rise of essential commodities like pulses and edible oils through frequent import duty/tariff revisions to provide immediate relief. Instead, it called for a calibrated import policy that will avoid sending wrong signals to domestic producers and create an environment of uncertainty.

It highlighted the need for encouraging farmers to shift from cultivation of rice and wheat to pulses and oilseeds would help ensure that the country is self-reliant in pulses and oilseeds and also assist in reducing import dependence. A step in this direction has been taken by the government where five-year MoUs have been signed with Myanmar, Malawi and Mozambique for long-term imports.

Similarly, it called for further stepping up focus on transportation and storage infrastructure for perishable commodities. "Effective utilisation of Agriculture Infrastructure Fund for investment in viable projects for post-harvest management infrastructure for perishable commodities can help improve agriculture infrastructure in the country. Schemes like Operation Green and Kisan Rail need to be exploited further to protect the interests of the farmers as well as the consumers," it said.

Faced with Covid-induced challenges, India's immediate response "was a bouquet of safety-nets to cushion the impact on vulnerable sections of society and the business sector". It next pushed through a substantial increase in capital expenditure on infrastructure to build back medium-term demand and aggressively implemented supply-side measures to prepare the economy for a sustained long-term expansion, the survey highlighted.

Source: financialexpress.com– Feb 01, 2022

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Data points to formalisation of labour market: Economic Survey

With economic revival post the pandemic-induced slump, all three labour market indicators showed a swift recovery

Analysing the results of Periodic Labour Force Surveys, the EPFO subscription data and the MGNREGA enrolment details, the Economic Survey has seen signs of improvement in the labour market.

It said the urban labour market had shown signs of improvement before the lockdown in terms of labour force participation rate, worker population ratio and unemployment rates. “However, the nation-wide lockdown imposed in late March 2020 adversely impacted the urban labour market. In the first quarter of 2020-21, the unemployment rate for urban sector rose to 20.8 percent. The LFPR and WPR in urban sector also declined significantly during this quarter,” the Survey said.

It claimed that with the revival of economy in the subsequent quarters of 2020-21, all three labour market indicators showed a swift recovery. “The UR gradually declined during this period to reach 9.3 per cent in Q4 of 2020-21. The UR for males as well as females, aged 15 and above, recovered to the pre-pandemic levels. Both the LFPR and WPR for males as well as females, aged 15 and above, almost reached their pre-pandemic levels during the last quarter of 2020-21,” the Survey said.

EPFO subsriptions decline

Owing to the large impact during lockdown, the net addition to EPFO subscriptions declined and turned negative in April-May 2020. It implies that a net exit was registered from the scheme. “With the unlocking of the economy and easing of restrictions, the EPFO subscriptions bounced back swiftly, reaching 12.2 lakh in September 2020.

The net additional subscription witnessed a decline again in November 2020 and also during the second wave of Covid-19 (April-June 2021). However, the magnitude of decline in both the cases was less compared to that during April-May 2020,” the Survey said.

The latest payroll data of EPFO, according to the Economic Survey, showed that the net addition in EPF subscribers reached 13.95 lakh during November 2021, which translates into growth of 109.21 percent from November 2020, and a growth of 25.65 percent from October 2021.

“Thus, the monthly net addition in subscriptions during 2021 has not only been higher than the corresponding monthly values in 2020, but they have also surpassed the levels of the corresponding months during the pre-pandemic year 2019. This points to the formalisation of the job markets as well as new hiring,” the Survey said.

MGNREGS demand peaks

Terming it an indicator of rural labour markets, the Survey said MGNREGS employment peaked during the nation-wide lockdown in 2020. The demand for MGNREGS work has stabilised after the second Covid wave, aggregate MGNREGS employment is still higher than pre-pandemic level.

“During the second wave, demand for MGNREGS employment reached the maximum level of 4.59 crore persons in June 2021. Nonetheless, after accounting for seasonality, the demand at an aggregate level still seems to be above the pre-pandemic levels of 2019. For some States like Andhra Pradesh and Bihar, the demand for work under MGNREGS has reduced to below the pre-pandemic levels during the last few months,” the Survey said.

Source: thehindubusinessline.com– Jan 31, 2022

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New captive policy for port-dependent industries

A new captive policy for port-dependent industries has been prepared by the Ministry of Ports, Shipping and Waterways to address the challenges of renewal of concession period, scope of expansion and dynamic business environment, said the Economic Survey.

The average turnround time at the 12 major ports has reduced from 62.11 hours in 2019-20 to 55.99 hours in 2020-21 due to the various measures taken by government to improve the ease of doing business, it said.

Capacity of major ports

The capacity of 12 major ports, which was 871.52 million tonnes per annum (MTPA) at the end of March 2014, increased by 79 per cent to 1,560.61 MTPA by the end of March 2021. Traffic handled at these ports was to the tune of 672.68 MT during 2020-21, which was 4.6 per cent lower than that in the previous year, on account of the worldwide disruptions in international trade due to the pandemic.

Source: thehindubusinessline.com– Jan 31, 2022

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GST collection exceeds ₹1.38-lakh crore in Jan

Finance Ministry on Monday reported that collection from Goods & Services Tax (GST) in January crossed ₹1.38-lakh crore. It is 15 per cent higher than January of last fiscal and 25 per cent higher than January 2020.

This is for the fourth time GST collection has crossed ₹1.30-lakh crore mark. The number is up to 3 pm till 3 pm on Monday.

A statement from the Finance Ministry noted that 6.7 crore e-way bills were generated in the month of December 2021 which is 14 per cent higher than 5.8 crore e-way bills generated in November 2021. "Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST.

The improvement in revenue has also been due to various rate rationalization measures undertaken by the Council to correct inverted duty structure," it said while expecting that the positive trend in the revenues will continue in the coming months as well.

The revenues for January are 15 per cent higher than the GST revenues in the same month last year and 25 per cent higher than the GST revenues in January 2020.

During the month, revenues from import of goods was 26 per cent higher and the revenues from domestic transaction (including import of services) are 12 per cent higher than the revenues from these sources during the same month last year.

Of total collection, CGST is ₹24,674 crore, SGST is ₹32,016 crore, IGST is ₹72,030 crore (including ₹35,181 crore collected on import of goods) and cess is ₹9,674 crore (including ₹517 crore collected on import of goods). The highest monthly GST collection has been ₹1,39,708 crore in April. Total number of GSTR-3B returns filed up to January 30 is 1.05 crore that includes 36 lakh quarterly returns.

Source: thehindubusinessline.com– Jan 31, 2022

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