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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	2021 Global Trade Hit Record $28.5 Trillion. What Will 2022 Bring?
2	Business in global textile value chain to remain favourable: ITMF
3	Denmark to host Global Fashion Summit in June 2022
4	US becomes 4th largest importer of Portuguese goods: USITC
5	Turkey textile exporters to benefit from US e-commerce mentoring scheme
6	Vietnam to temporarily suspend import for re-export of certain items
7	Ease of returns top priority for UK e-com customers: Report
8	Vietnam to be key beneficiary of RCEP: DBS Bank

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	NATIONAL NEWS
1	'India's textiles exports can touch $100 bn from current $40 bn in 5 years'
2	UAE pact to buck the trend: Five of six earlier FTAs worsened India trade deficit
3	Exports up 26.40 per cent to $25.33 bn during Feb 1-21
4	Ukraine crisis: Indian exporters delay orders, worry over payment dues
5	Looking outward, again
6	Industry calls India-UAE CEPA pact game changer, but warns of bottlenecks ahead
7	Better realisations help larger denim makers tide over cotton blues
8	Draft e-commerce rules: The Good, the Bad, and the Missing
9	Russia-Ukraine tension impacts cotton yarn prices in south India
10	Aditya Birla Fashion selects Accenture to speed up its digital shift
11	Tamil Nadu economy bounces back from Covid 2.0

INTERNATIONAL NEWS

2021 Global Trade Hit Record $28.5 Trillion. What Will 2022 Bring?

The new "Global Trade Update" from the United Nations Conference on Trade and Development (UNCTAD) showed that in 2021 world trade in goods remained strong and trade in services finally returned to its pre-Covid-19 levels.

However, the report indicated that trade growth will slow during the first quarter of 2022. Overall, the value of global trade reached a record level of $28.5 trillion in 2021, a 25 percent increase over 2020 and 13 percent higher than 2019.

After a relatively slow third quarter, trade growth picked up again in the fourth quarter, when trade in goods increased by almost $200 billion, achieving a new record of $5.8 trillion, the report noted. At the same time, trade in services rose by $50 billion to reach $1.6 trillion, just above pre-pandemic levels.

The report shows that in the fourth quarter of 2021, all major trading economies saw imports and exports rise well above pre-pandemic levels in 2019. Trade in goods increased more strongly in the developing world than in developed countries Exports of developing countries were about 30 percent higher than during the same period in 2020, compared with 15 percent for wealthier nations.

Except transport equipment, all economic sectors saw a substantial year-over-year increase in the value of their trade during the final quarter of 2021.

"High fuel prices are behind the strong increase in the value of trade of the energy sector," the report said. "Trade growth was also above average for metals and chemicals."

As a result of the global shortage of semiconductors, trade growth in communication equipment, road vehicles and precision instruments was subdued.

The UNCTAD report indicates that trade growth will slow during the first quarter of 2022. But positive growth rates are expected for trade in goods and services, keeping trade values at levels similar to the last three months of 2021.

“The positive trend for international trade in 2021 was largely the result of increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand due to economic stimulus packages,” the report said. “As these trends are likely to abate, international trade trends are expected to normalize during 2022.”

Trade growth in 2022 is likely to be lower than expected, given the macroeconomic trends. The International Monetary Fund has revised its world economic growth forecast downward by 0.5 points, the report noted, considering persistent inflation in the United States and concerns related to China’s troubled real estate sector.

It also pointed to ongoing logistic disruptions and rising energy prices, saying that “efforts to shorten supply chains and to diversify suppliers could affect global trade patterns during 2022.”

On trade flows, the report projected the trend of regionalization will continue growing because of various trade agreements and regional initiatives, as well as “increasing reliance on geographically closer suppliers.”

In addition, trade patterns in 2022 are expected to reflect the increasing global demand for products that are environmentally sustainable. The report also flagged record levels of global debt, warning that concerns over debt sustainability are likely to intensify due to mounting inflationary pressures.

“A significant tightening of financial conditions would heighten pressure on the most highly indebted governments, amplifying vulnerabilities and negatively affecting investments and international trade flows,” the report added.

Source: sourcingjournal.com– Feb 22, 2022

HOME

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Business in global textile value chain to remain favourable: ITMF

On average across all regions and all segments, the business situation along the entire textile value chain is still very favourable with +23 percentage points (pp), albeit lower than compared to November 2021 (+28pp), according to a survey conducted by the International Textile Manufacturers Federation (ITMF) in the second half of January 2022.

This high level is remarkable given the fast-rising infection number of the COVID-variant Omicron since the 11th ITMF Corona-Survey. The fact that a rising number of companies find themselves in a satisfactory business situation (48 per cent) is an indication for a strong and broad recovery, ITMF said in a press release.

ITMF conducted the 12th ITMF Corona-Survey among more than 270 companies around the world. For the fifth time since May 2021, companies were asked the same set of questions about their business situation, business expectation, order intake, order backlog, and capacity utilisation rate.

When it comes to the business expectations in six months, the global textile value chain remains very optimistic. While the balance between more favourable and less favourable has fallen from +33pp to +25pp, it needs to be considered that these expectations are built on a very favourable business situation.

Or to put it differently, only 14 per cent of companies are anticipating a less favourable business by July 2022.

A look at the different regions has revealed that the business situation is in positive territory in all regions except for East Asia and Africa where the balance between good and bad business situations is negative. The expectations are very positive except for East Asia, the release added.

As for the different segments, the downstream segments – weavers/knitters, finishers/printers, and garment producers – are catching up with the upstream segments – fibre producers, spinners, and textile machinery producers.

The order intake has fallen from a high level of +40pp in November 2021 to +30pp in January 2022. This is in line with the slightly weaker business situation. Order intake expectations in January remained practically on the same level as in November (+40pp and +41pp, respectively).

"Since May 2021, the order backlog is hovering between 2.4 and 2.9 months. The expectations do not indicate a change in the next six months. The capacity utilisation rate continues to increase slowly but continuously since May 2021, indicating that the supply chain disruption is still a big – but hopefully a diminishing – concern," ITMF explained.

Source: fibre2fashion.com– Feb 22, 2022

HOME

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Denmark to host Global Fashion Summit in June 2022

The Global Fashion Summit: Copenhagen Edition 2022 will be held on June 7 and 8, at the Royal Opera House, Copenhagen, Denmark. Global Fashion Summit, the leading international forum for sustainability in fashion, will convene core stakeholders across fashion, parallel industries, investment, policy and NGOs to forge alliances for a new era.

The Summit is presented by Global Fashion Agenda, the non-profit organisation that fosters industry collaboration in fashion to drive impact, under the patronage of HRH The Crown Princess of Denmark. Formerly known as Copenhagen Fashion Summit, the forum has been renamed to manifest the organisation's global outlook and reach.

Global Fashion Summit will build on the 13-year history of the renowned Copenhagen Fashion Summit by strengthening its representation and connections with diverse perspectives from across the world. Therefore, the Summit will be hosted in various key cities in the future, in addition to its flagship edition in Copenhagen, according to a press release by Global Fashion Agenda.

Under the theme 'Alliances for a New Era', Global Fashion Summit: Copenhagen Edition 2022 will endeavour to form previously inconceivable alliances within the fashion industry and examine atypical cross-industry alliances, in a bid to accelerate the transition to a net positive reality.

The theme will underlie all elements of the Summit. It will be represented on the Summit main stage during plenary sessions consisting of high-level keynote speeches and panels. These will bring together speakers that are often perceived as direct competitors to have transparent conversations about their mutual challenges and collaborate to discuss the actions needed to tackle the urgent issues. The programme will also include industries such as transportation, food and energy, to consider the challenges that are similarly experienced in other sectors and learn from successful solutions that are being demonstrated outside of fashion.

Going beyond the stage content, the Summit will apply the theme in practical terms by mobilising leaders to implement immediate actions through newly formed partnerships with solution providers and other industry players, setting long-term industry commitments, hosting leadership roundtables and creating binding industry agreements that will

provoke progress based on its sustainability performance level, according to Global Fashion Agenda.

The Innovation Forum will present a curated exhibition of the world's most promising sustainable solutions. Participating brands will be able to connect with exhibitors covering the entire value chain – from innovative materials to on-demand manufacturing. The forum's Matchmaking service will offer small and large fashion businesses the opportunity to advance their sustainability journey by being matched directly with relevant solution providers.

For the first time since the Summit's inception in 2009, there will be an in-depth assessment of the impact that the Summit and its resulting alliances have on the industry. This will be published in the aftermath of the event, examining the concrete outcomes from the Summit and providing a baseline for future forums.

"'Alliances for a New Era' epitomises our current climate – we are living in a time when the majority are ready and willing to evolve but we need to break down silos and pre-competitive barriers to enact truly pervasive change. Through this Summit, we are striving to enable impactful partnerships and drive progress on a greater scale since there are less than eight years to achieve the Sustainable Development Goals," Federica Marchionni, the CEO of Global Fashion Agenda, said in a statement.

Source: fibre2fashion.com– Feb 23, 2022

HOME

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US becomes 4th largest importer of Portuguese goods: USITC

The United States has become the fourth largest importer of Portuguese products and the main export market for Portugal outside the European Union (EU), surpassing the United Kingdom, according to the US International Trade Commission (USITC), which recently said that Portuguese exports to the US reached $4.8 billion, a 32 per cent rise compared to $3.6 billion in 2020.

Even when taking into consideration the negative impact of the pandemic in 2020, Portuguese exports grew by 27.5 per cent compared to $3.8 billion in 2019.

Besides petroleum oils, which still lead Portuguese exports to the US, pneumatic tires, pharmaceutical products, articles of natural cork, footwear, bed and table linens, wine, paper and apparel represent a substantial portion of the exports.

Other products such as furniture, optical and medical instruments, turbojets and turbopropellers, ceramic tableware, and fish and crustaceans have also seen considerable increases.

“2021 was a record year for Portuguese exports worldwide. Our companies have remained extremely reliable and resilient and have been able to quickly adapt to the after-pandemic new normal in international trade,” said Luis Castro Henriques, chief executive officer of AICEP Portugal Global, Portugal’s trade and investment agency, said in a press release.

“The supply chain disruptions caused by the pandemic have made the US realise its dependence on Asian suppliers, which have led to a shift in the sourcing policies of many companies, creating opportunities for new suppliers. We are extremely grateful that many US companies and consumers have recognised the excellent price/quality ratio that Portuguese products have to offer,” said João Mota Pinto, AICEP’s director and the Portuguese trade commissioner to the United States.

Source: fibre2fashion.com– Feb 22, 2022

HOME

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Turkey textile exporters to benefit from US e-commerce mentoring scheme

Suppliers of textiles and apparel from Turkey to the US are to benefit from a mentoring programme that allows them to review their current cross-border e-commerce processes, increase their business volumes and accelerate their processes.

The Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the American Companies Association (AmCham Turkey) have taken action to support local entrepreneurs entering the US market and with the support of United Parcel Service (UPS), mentoring services will be provided to selected companies via the new e-commerce mentoring programme.

Strategic planning, consultancy and business development support will be given to these companies so that they can mature their e-export processes to the US market. Companies will come together with experienced teams in the field of e-export.

Companies will have one-on-one meetings with mentors and will be connected to the 'Turkey Trade Center' established by TOBB in Chicago to accelerate their US market share.

TOBB President M. Rifat Hisarcıklıoğlu, said: "We continue to provide active support to our entrepreneurs for new trade opportunities. At TOBB, we are working to increase the participation of our SMEs, which are an indispensable element of economic development, in the global value chain and to improve our companies' access to markets. By enabling our entrepreneurs to reach a larger audience directly, we aim to move them to the next level and benefit from the advantages of e-export."

Last October, Mehmet Kaya, a board member of the Istanbul Apparel Exporters Association (İstanbul Hazır Giyim ve Konfeksiyon İhracatçıları Birliği – İHKİB), exclusively told Just Style the apparel sector in Turkey is looking to build on its longstanding record as a major apparel producer for the US market, offering quality exports at a swifter time-to-market than its key competitors in Asia, especially China.

Currently, Turkey's apparel exports to the US, are worth around US$1bn a year.

Tankut Turnaoğlu, chairman of the board of directors of the American Companies Association, which represents more than 110 American companies with investments of more than US$50bn in Turkey, stated that they aim to bring together small and medium-sized enterprises targeting the American market with their members, and said: “As the American Companies Association, one of our priorities is to support Turkish companies, to ensure greater participation in the global value chain.”

UPS Turkey General Manager Burak Kılıç also emphasised the importance of the project while expressing that the global e-export volume is expected to reach US$2.4 trillion 2025.

Kılıç said, “The digital transformation we are experiencing in exports and trade has accelerated in a dizzying way with this expectation. Businesses in Turkey can also be involved in this.

Source: just-style.com– Feb 22, 2022

HOME

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Vietnam to temporarily suspend import for re-export of certain items

Vietnam's ministry of industry and trade recently issued a circular, temporarily suspending import for re-export of medical masks, gloves and protective suits for COVID-19 prevention and control from March 15 to December 31. The decision is aimed at controlling and preventing smuggling, commercial fraud and illegal trans-shipment of such products.

Shipments of such products that have undergone customs procedures for temporary import from January 1 this year to March 14 shall be subject to re-export in accordance with existing regulations.

Since May 2020, Vietnam has been able to produce at least 200 million medical masks and gloves every month.

Source: fibre2fashion.com– Feb 23, 2022

HOME

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Ease of returns top priority for UK e-com customers: Report

About 89 per cent of consumers identify ease of returns as top priority when purchasing online, as per a new survey. About 81 per cent say they would avoid ordering from an e-retailer if they saw issues with return process, a concern for retailers when 29 per cent of consumers claim to have had an unsatisfactory returns experience in the last 12 months.

The survey, consisting of 2,000 UK respondents, found that those with strong returns processes in place will also see a return on investment, with 61 per cent saying they would be more likely to exchange a product bought online than get a refund if exchanging was made simpler, according to data from delivery experience platform Sorted, which found that retailers who get the returns process right will reap the most consumer loyalty. The data also revealed that 44 per cent would not re-order from an online retailer if they had experienced issues with their return process, and 36 per cent would be reluctant to reorder from those retailers failing to provide clear returns details.

The research also demonstrated a real hunger for proactive communications, with 77 per cent saying that getting timely updates on the progress of their return, refund or exchange would make them more likely to purchase from that retailer again. Additionally, a quick and simple refund process (42 per cent) and the ability to return via a local shop or a convenient location (26 per cent) was revealed as crucial for customers. Consumer expectations were also identified, with respondents saying they are more likely to be lenient with smaller retailers when it comes to returns. Alternatively, over nine in ten believe it is important for large corporate retailers to have a seamless returns process (94 per cent).

“Retailers must learn that they can’t simply stop the brand experience the very moment an order reaches the customer's door, but ensure a seamless process is carried right through the customer journey. With returns now a major point of differentiation for brands, retailers - big and small - must invest in the full post-purchase journey in order to both attract and retain the modern customer,” said Carmen Carey, CEO of Sorted.

Source: fibre2fashion.com– Feb 22, 2022

HOME

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Vietnam to be key beneficiary of RCEP: DBS Bank

Singaporean multinational banking and financial services corporation DBS Bank expects Vietnam to be a key beneficiary within the Association of Southeast Asian Nations (ASEAN) of the Regional Economic Comprehensive Partnership (RCEP) beyond the biggest winners in North Asia—China, Japan and South Korea. Trade integration between Vietnam and RCEP members is already high, and should grow tighter as companies tap RCEP benefits, it feels.

Vietnamese domestic firms' participation in RCEP can offer opportunities to raise their exports and be more active in regional value chains, if they can gain access to cheaper inputs and adapt to increased competition, DBS said on its website.

Gains are likely to be modest for many ASEAN member economies, given existing bilateral free trade agreements (FTAs) and already very low tariffs for intra-RCEP trade.

RCEP has now entered into force for 11 out of 15 member economies.

Vietnam's average effectively applied tariffs on intra-RCEP trade are middle of the pack at 1.2 per cent, according to UNCTAD calculations, compared to much higher levels for South Korea at 4.8 per cent or China at 2.8 per cent.

Nevertheless, Vietnam is among the ASEAN economies likely to benefit somewhat from tariff reduction, given its high trade openness, DBS feels. Vietnam's gains would be lesser than that experienced by North Asian peers, with Japan not having bilateral agreements with China and South Korea prior to the RCEP.

Six ASEAN economies have received increasing FDI inflows over the past couple of years, rivalling that of China. Even though Singapore continues to receive the lion share of FDI inflows, inflows into Vietnam have been trending higher, and have ranked among the top three recipients within ASEAN-6.

DBS thinks Vietnam continues to boast multiple advantages to attract foreign investors.

Vietnam consistently imported a significant amount of goods from RCEP partners. In contrast, Vietnam's export share to RCEP partners while still high at nearly 40 per cent has been declining over the years.

The United States, Vietnam's single largest trading partner at present, has taken RCEP's market share, rising to almost 30 per cent of the latter's total exports.

With the RCEP agreement, Vietnamese products made from Chinese inputs can potentially increase trade. For instance, Vietnamese 'textile, garment, and footwear' made from Chinese materials can enjoy favourable tariffs when shipped to Japan.

Source: fibre2fashion.com– Feb 23, 2022

HOME

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NATIONAL NEWS

'India's textiles exports can touch $100 bn from current $40 bn in 5 years'

India's annual textiles exports can rise to USD 100 billion in the next five years from the current USD 40 billion, a top official said on Tuesday.

Speaking at the 44th Foundation Day of the Apparel Export Promotion Council (AEPC), Textiles Secretary Upendra Prasad Singh said the country's apparel industry must focus on vertical integration to increase its scale and size and to benefit from the production-linked incentive (PLI) scheme.

"Apparel and garmenting is not very investment-centric but it is important from the employment point of view. Perhaps, there is a need for backward integration and more of you can get into integrated value-chain like spinning and weaving," Singh said.

Virtually addressing the event, the textiles secretary said that along with the PLI scheme, the government is committed to making the Prime Minister Mega Integrated Textile Region and Apparel (PM MITRA) scheme a success. Idea is not to just have a world class infrastructure but also a thriving industry there, he added.

Stating that textiles has always been among the top priorities of the government, the secretary said, "There are a lot of big opportunities. The demand continues to be robust and the China plus one sourcing strategy by the west is certainly a great opportunity for us."

Singh said it depends on how good, efficient and integrated the Indian apparel industry is and how it increases its size and scale.

"We should be in a position to breach USD 20 billion apparel exports by next fiscal or the year after that," Singh said.

He added that the country's textile exports can increase from the current USD 40 billion to USD 100 billion in the next five years.

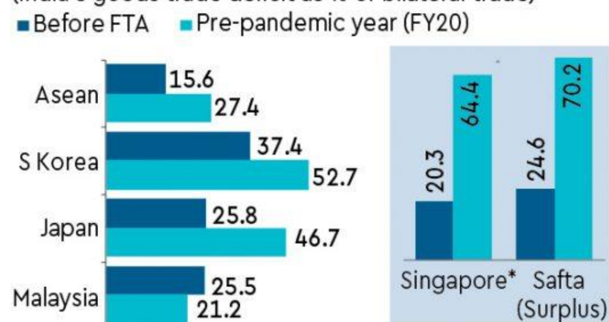
Source: business-standard.com – Feb 22, 2022

HOME

****

UAE pact to buck the trend: Five of six earlier FTAs worsened India trade deficit

Nearly all of India's prominent free trade agreements (FTAs), which came into force between 2006 and 2011, have exacerbated New Delhi's trade balance. This significantly contributed to the country's unease over getting into fresh pacts for about a decade before the government decided to sign a deal with the UAE last week.



*Surplus before FTA, now deficit, Before FTA' period refers to FY05 for Singapore and Safta, FY09 for Asean and Korea and FY11 for Japan and Malaysia
Source: FE analysis based on DGCIS data

An FE analysis suggests, in five out of six crucial FTAs involving substantial trade value, India deficit only widened against relevant partners after it sealed the deals. These are India's trade deals with Asean group, South Korea, Japan, Singapore and Malaysia. Only the South Asia Free Trade Area (SAFTA) agreement, which replaced a 1993 preferential trade pact, turned out to be a clear winner for India.

This has prompted the current government to seek a review of FTAs with key partners, including Asean group, Japan and South Korea to restore greater degree of trade balance. Data show India's deficit with South Korea, as percentage of total bilateral trade, worsened to 52.7% in the pre-pandemic year (FY20) from 37.4% in FY09, before the FTA came into effect from January 2010. Similarly, the deficit with Japan aggravated from 25.8% of bilateral trade to 46.7% and with Asean, it rose to 27.4% from 15.6%.

Importantly, trade balance with Singapore swung from a surplus (to the tune of 20.3% of bilateral trade before the FTA became effective) to a deficit now. Only in case of SAFTA, the surplus increased, from 64.4% of bilateral trade to 70.2% now.

Analysts blame absence of adequate structural reforms to improve broader export competitiveness, imprudent negotiation tactics, non-tariff barriers erected by the trade partners and hasty political and strategic considerations that promoted New Delhi to concede significant leverage for the growing trade imbalance.

Of course, some analysts advise against getting fixated with India's trade deficit with any particular country or group of nations. One must look at overall trade balance, they argue. Some others say despite the deficit, such agreements have raised the flow of trade and enabled India to achieve greater integration with global supply chain. Moreover, there are indirect benefits of free trade. For instance, the easy flow of electronics goods may have caused deficit to rise in this segment but it helped India turn into a software power globally. However, given the broader impact of trade imbalance on the current account and in the interests of fairness in trading system, India is well within its right to review the pacts that haven't worked in its favour, analysts concur.

Lack of stringent norms on substantial local value addition in goods coming from the FTA partners resulted in large-scale illegal dumping of products originating from a third country. Things are, however, expected to be different this time, official sources told FE, referring to the FTA with the UAE.

For instance, the UAE will allow as many as 99% of Indian goods at zero duty in five-ten years under the comprehensive economic partnership agreement (CEPA), while India would permit duty-free access to 80% of goods from the UAE now; to go up to 90% in ten years. The UAE is India's third-largest export destination and bilateral goods trade hit $43 billion in FY21.

This is in contrast with the way some other FTAs were negotiated earlier. In the case of Asean FTA, while India scrapped import duties on 74% of tariff lines, Indonesia chose to eliminate the taxes on only 50% products and Vietnam on 69% of items.

Moreover, India has tightened the rules of origin and value-addition norms under the FTA with the UAE to address fears of round-tripping and illegal dumping. To be eligible for duty-free access in India, products must have witnessed at least a 40% value addition in the UAE. This is higher than the requirement of 30-35% under earlier FTAs that India has signed.

Source: financialexpress.com – Feb 23, 2022

HOME

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Exports up 26.40 per cent to $25.33 bn during Feb 1-21

Gems and jewellery, engineering, textiles and chemicals drive the exports

The country's merchandise exports rose by 26.4 per cent to$25.33 billion this month till February 21 on account of healthy performance by sectors including gems and jewellery, engineering, textiles and chemicals, according to the commerce ministry data.

The exports during February 1-21 last year stood at $20.04 billion.

The outbound shipments during February 15-21 grew by 26.87 per cent to $9.02 billion as compared to $7.11 billion in February 15-21 last year, the preliminary data showed.

Cumulatively, exports during April-January 2021-22 rose by 46.53 per cent to USD 335.44 billion as against USD 228.9 billion in the same period last year. The ministry is hopeful that the exports would cross the USD 400 billion target by the end of this fiscal.

Source: thehindubusinessline.com – Feb 22, 2022

HOME

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Ukraine crisis: Indian exporters delay orders, worry over payment dues

Amid the global tension over Russia's threat to invade Ukraine, Indian exporters are treading cautiously while executing existing orders.They are also delaying the execution of fresh export orders with Russia, fearing delay in payments.

The looming uncertainty will affect the global economy, which is recovering from the pandemic, said industry experts.

"Exporters are already delaying the execution of fresh orders (in case the situation worsens) and the uncertainty will continue. However, if there is a delivery of a contract, it is being executed," said Ajai Sahai, director-general (D-G) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO).

TRADING TIES Trade between India and Russia

	Exports to Russia ($bn)	% growth	% share of total exports	Imports from Russia ($bn)	% growth	% share of total imports	Trade balance ($bn)
FY19	2.38	13.06	0.72	5.84	-31.88	0.97	-3.45
FY20	3.01	26.29	0.96	7.09	21.45	1.28	-4.07
FY21	2.65	-12	0.91	5.48	-22.66	1.19	-2.83
FY22 (Apr-Dec)	2.54	-4.1	0.83	6.89	26.66	1.27	-4.34

Source: Department of Commerce

Russia is India's 25th largest trading partner as of 2021-22, with total trade at $9.4 billion during the first three quarters of the current fiscal.

Its share of exports compared to India's total exports was less than one per cent. Imports from Russia have a share of 1.27 per cent. Trade balance has been in favour of Russia, at least in the last one decade.

According to a ministry of external affairs note, Russia's external trade has witnessed significant reduction. This is owing to its focus on import substitution in the aftermath of the general economic slowdown and its dispute with the West over Ukraine since 2014.

India has also been affected by the contraction in Russia's exports and imports. However, Prime Minister Narendra Modi and President Vladimir Putin have made trade and economic relations priority areas. Both sides have set ambitious targets.

Electrical machinery and equipment, nuclear reactors, pharmaceutical products, iron and steel and organic and inorganic chemicals are the top items exported to Russia. In case of imports, key items include mineral oil, vegetable fat, fertilisers and rubber.

Banking system impact

While the US and allies are set to impose hard economic sanctions on Russia, experts said that the impact on India's banking system would depend on the sanctions imposed.
"Importers and exporters may have to rethink their payment strategy and mode of payment. This may require a third-party bank to be roped in if sanctions on the SWIFT (system of international payments) financial system are imposed," Abheek Barua, chief economist at HDFC Bank, said.

Sanctions may lead to a considerable amount of disruption. India may have to talk to the US and other countries if these sanctions can be bypassed in any way. However, limited trade may be allowed and some banks could be permitted to undertake wire transactions on behalf of Russia, Barua said.

Although India does not buy oil from Russia directly, it could impact the overall supply of the commodity.

Liquefied natural gas (LNG) imports from Russia may get impacted. Exports of Indian products such as tea, pharmaceutical products and electronic items may also get impacted.

Source: business-standard.com – Feb 22, 2022

HOME

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Looking outward, again

India's free trade pact with the United Arab Emirates (UAE), its third largest trading country in recent times after the US and China, is a watershed. It marks a return to an outward economic orientation through the FTA mode after a conscious policy to shelve it for many years. As an assessment by NITI Aayog has pointed out, India ended up on the losing side in the ASEAN FTA signed a decade ago.

In November 2019, India walked out of the RCEP, fearing an ASEAN-like impact. Given this history, it does not come as a surprise that the Comprehensive Economic Partnership Agreement with UAE (which aims at raising bilateral trade from about $60 billion at present to $100 billion in five years) is accompanied by an explanation on how the mistakes of the past have been avoided.

India has been promised tariff free lines on 90 per cent of its exports by value ($26 billion of total merchandise exports of $29 billion), apparently much higher than access provided in the past by ASEAN countries. Even though UAE's average tariffs are in the region of 5 per cent (15 per cent in India's case), zero duty is expected to boost India's labour intensive exports — chiefly textiles (helping India compete with Vietnam and Bangladesh), gems and jewellery, pharmaceuticals, plastics, automobiles, leather and agriculture goods. This will eventually extend to 97 per cent of India's exports by value, covering electronics, cement and ceramics. With a diversified trade base, the 3.3 million diaspora, India's largest, can continue to be a robust source of remittances.

While the export projections look rosy, less is known so far on the import front, save India's assurance that sensitive items such as dairy and plantation products have been kept out. Also, tariff rate quotas (a hike in tariffs after a certain quantity of imports) will be applied if needed. Interestingly, India ran a trade surplus with the UAE till 2018-19, which has since turned into a deficit, and a pretty large one since 2020; the deficit of $9 billion till October this fiscal seems like a record.

With UAE being a re-export hub, concerns over rules of origin cannot be wished away. More clarity is needed with respect to the deal's provisions on government procurement. The implications of throwing open public procurement to one country, on the MSME sector as well as on WTO negotiations, should be considered. The same holds true for IPRs and

investment rules which have been outside the ambit of multilateral talks but are figuring in FTA-type deals.

It would seem that an effort here is to strike a balance between two aspects: opening up the economy and inviting competitive forces through FTAs; and trying to set up scale through PLIs and industrial parks, with protection through higher MFN tariffs. India has decided to go on a CEPA drive. UAE was among the eight such deals in the pipeline.

As the Centre has said with respect to the UAE accord, it is possible to protect the country's interests while opening up markets. But this statement will be put to a stern test in the deals with the EU and Australia, both of which are under negotiation now.

Source: thehindubusinessline.com – Feb 22, 2022

HOME

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Industry calls India-UAE CEPA pact game changer, but warns of bottlenecks ahead

India and the United Arab Emirates (UAE) on February 18 inked a Comprehensive Economic Partnership Agreement (CEPA) that is being billed as a historic one in many ways. The pact is aimed at providing a major fillip to the trade of goods and services between the nations. The Gulf country is India's third-largest trading partner. The mega deal was signed during a virtual summit meeting between Prime Minister of India Narendra Modi and Crown Prince of Abu Dhabi Sheikh Mohamed bin Zayed Al Nahyan.

“This agreement will usher in a new era in our bilateral economic relations and the bilateral trade volume will increase from $60 billion to $100 billion in 5 years," said PM Modi.

Commerce and Industry Minister Piyush Goyal asserted that CEPA would provide a fresh impetus to labour-intensive sectors such as gems and jewellery, textiles, leather, footwear, furniture, agriculture and food products, plastics, engineering goods, pharmaceuticals, medical devices and sports goods. Goyal added that there were many firsts in the CEPA agreement. Concluded in a record time of just 88 days, the pact had a permanent safeguard mechanism that can be resorted to in a situation of a sudden surge in imports, along with strict rules of origin that will prevent products from other countries slipping into the CEPA trade route.

Win-win

The CEPA is expected to open vistas of opportunity in trade, both goods and services, and investment between the two countries. UAE is currently India's second largest export destination, after the US. According to official estimates, the India-UAE foreign trade agreement (FTA) may benefit $26 billion worth of domestic goods that are subjected to 5% duty.

Our bilateral trade with the UAE is expected to surpass $60 billion in the current financial year. India is the UAE’s number one trading partner for non-oil exports, accounting for nearly 14% of the Emirate’s non-oil exports.

The UAE is a major global redistribution centre and much of exports to Africa is routed through Dubai. The FTA will encourage the setting up of warehousing or distribution centres in the UAE for exports to Africa, says

the Federation of Indian Export Organisations (FIEO). While the exact tariff concessions would be known only when more specific details are released, the industry body maintains that the CEPA will be extremely beneficial for sectors such as agriculture and processed food, including meat & marine products, gems & jewellery, apparel & textiles, leather & footwear as well as sectors like engineering, organic chemicals, plastics, paper & paper products, iron & steel, electrical and electronics, automobile & auto components and pharmaceuticals.

Lots of African buyers come to Dubai and place orders from there itself. So, showcasing Indian goods in the UAE will be a very good strategy, says A Sakthivel, the industry body's chairman. "Having a large Indian diaspora, the UAE consumes a large quantity of Indian cereals, fruits & vegetables, tea, spices, sugar, etc. Indian companies will gain in services like travel & tourism, transportation, IT & ITES and construction services. The FTA will also open the market to other GCC (Gulf Cooperation Council) countries," he says, adding this may be used as a template for similar agreements with other GCC countries.

The PHD Chamber of Commerce and Industry lauds the government's move to reduce custom duties on over 1,000 products to zero through the CEPA. The export value of India to UAE in April-December 2021-22 has increased to $20.05 billion from $18.6 billion in 2020-21, with a growth rate of 14.46%, states the chamber. Its president Pradeep Multani calls the deal a "well-balanced, fair and comprehensive partnership agreement". The CEPA agreement will open new vistas, especially to labour-intensive Indian products, he says.

UAE's strategic location to open trade vistas

Stakeholders across industries have high hopes from the CEPA. Given the geographical location of the UAE and its proximity to Central Asia and Africa, the CEPA should open doors to numerous untapped trade opportunities for a host of Indian sectors.

India's carpet industry, known globally for its fine workmanship, is one segment that sees an obvious and immediate advantage because of the pact. Mahavir Pratap Sharma, Past Chairman, the Carpet Export Promotion Council (CEPC), says the carpet industry would benefit hugely from CEPA as its players can now operate across the Middle East and North Africa (MENA) and across Europe. "Earlier, one has to go via Istanbul to reach CIS countries and Eastern Europe, which had higher duties. Now, trading with

Russia, the CIS and other east European countries will be easier through Dubai. Exporters will contemplate setting up warehouses in Dubai too," says Sharma, anticipating a quick succession of more such trade deals in the next 6 months.

Echoing similar views, MS Mani, Partner, Deloitte India, says collaboration is the buzzword in global trade today. A comprehensive economic partnership would allow India to actively collaborate and leverage its export strengths and meet its import necessities. An economic partnership will open up new markets for Indian manufacturers and MSMEs and expand the visibility of Indian products across those new markets, adds Mani.

Need for addressing bottlenecks

To capitalise effectively on the CEPA, the country needs to address some bottlenecks, say experts.

Vijay Kalantri, Chairman of trade facilitating body MVIRDC World Trade Centre-Mumbai, points out that though the UAE is the third largest destination of India's exports, our export basket has a concentration of three items — petroleum products, gems & jewellery and electrical machinery. These account for nearly 50% of our exports to the Gulf country. He suggests that the export basket be diversified with the addition of pharmaceuticals, automobiles and chemicals — areas where India has a competitive advantage. "Export of consumer goods such as footwear, carpets, umbrellas, textile, toys and game products may also get a boost. In the agro sector, we are already exporting fruits, spices and cereals. Still, there is untapped export opportunity to the UAE, especially in Geographical Indication (GI)-tagged products such as jackfruit, grapes, jaggery, turmeric, honey."

However, the trade expert says, India should be careful while operationalising this agreement else it might lose more than it gains. While the agreement will be mutually beneficial for the both countries, India needs to ensure that goods originating from outside the UAE are not allowed duty-free into India under this treaty.

The risk of treaty abuse arises because the UAE is a global transshipment hub and, hence, India should guard against duty-free imports of transshipped products. To ensure abuse of this treaty, our customs officials need to enforce the rules of origin strictly," he adds.

The CEPC's Sharma says the deal could be harmful to sectors where manufacturing for the domestic market happens in India yet a product exported from, say, Dubai is still cheaper and better. Such a possibility doesn't exist for the carpet and handicraft sector, he adds.

Sribash Dasmohapatra, Executive Director of the Plastics Export Promotion Council (PLEXCONCIL), says India's annual import of plastic raw materials is valued at $14 billion and its plastic-based imports from the UAE is just around $800 million. On the other hand, the Emirate's global plastics import is valued at $9 billion. But it sources plastics worth only $400 millon from India. So, with inbuilt trade concessions, this "game changing" CEPA should help the domestic plastics industry.

Dasmohapatra says if the country wants to effectively utilise this pact to become self-reliant, it needs to focus on scaling up its capacity-building on a war footing. "Availability of raw materials and the cost of polymers (a basic raw material for plastic industries) is a big issue. Its high costs make Indian products uncompetitive. Certain raw materials are still not produced in India or are not produced in enough quantities. For example, 50% of our PVC requirement is made here and the rest is imported," he says.

Underling that India's various traditional FTAs lack reciprocity benefits in terms of concessions in tariff rates, Dasmohapatra insists that some of the country' trade deals need urgent tweaks. "With the UAE-India CEPA, it is good to see that the government is addressing such policy gaps, and this should be a good template for all upcoming FTAs."

On the same note, Deloitte's Mani adds: "While the sectoral impact would vary, it is essential to safeguard India's interests in services, which have in the past been difficult to safeguard."

Source: economictimes.com– Feb 22, 2022

HOME

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Better realisations help larger denim makers tide over cotton blues

Listed Gujarat-based denim majors such as Arvind, Nandan Denim and Jindal Worldwide have benefited from healthy exports and consolidation in the domestic market to negate the pressure from skyrocketing input costs, particularly cotton prices.

Surging cotton prices, coupled with other raw materials, have meant that input costs have gone up by 30 per cent.

Raw cotton prices have more than doubled from Rs 35,000 per candy of 356 kg to over Rs 75,000 per candy now since mid-2020. With the denim industry consuming at least 10 per cent of the country's cotton, the rise in prices has impacted all kinds of players.

But while this has led to consolidation of the industry with several unorganised domestic market-focused players fading away, the larger players have either enhanced their exports or continued to depend on international business to tide over the rising costs.

One of the reasons for such companies to post better realisations — despite rising costs and headwinds of the Covid-19 pandemic — has been the ability to pass on the burden to their international clients.

"Over the last three years, our exports business has grown from zero to around Rs 400-500 crore on an annual basis. We now export to 26-28 countries and are one of the leading denim makers working directly or indirectly with international brands," said Gaurav Davda, head-Corporate Finance & Strategic Initiatives, Jindal Worldwide Ltd, a leading denim manufacturer with an annual capacity of over 140 million metres.

"Given the cotton price hike, denim makers like us should have been impacted but we have been able pass on the burden to these brands who have then passed it on to end users," Davda added.

Similarly, Nandan Denim Ltd (NDL) registered a 546 per cent jump in its net profit to Rs 19.72 crore in the third quarter ended December 31, 2021. The company's net profit for the third quarter ended December 31, 2020, was Rs 3.05 crore.

Profit after tax (PAT) margins for Q3 FY22 stood at 3.38 per cent against 0.98 per cent in Q3 FY21, which NDL attributed to an increase in operating margins coupled with decline in depreciation.

According to Managing Director Jyotiprasad Chiripal, the figures were achieved on the back of an increase in capacity utilisation of denim and shirting division combined with rationalisation of cost that helped NDL sustain operating margins.

On the other hand, Arvind Limited has seen price realisations in denim go up by 23 per cent on a year-on-year (YoY) basis from Rs 183 per metre in Q3 of 2020-21 to Rs 226 per metre in Q3 of FY 2021-22. Similarly, denim volumes have grown by 43 per cent to over 25 million metres, resulting in a 71 per cent jump YoY in revenues from Rs 336 crore last year to Rs 576 crore this year in the third quarter.

According to Arvind Limited, too, cotton prices rose sharply and other input costs remained high in the quarter, but these were mostly offset by improved price realisation and higher efficiencies.

Davda said that organised large denim players such as Jindal Worldwide will continue to focus on exports, where order books and payment cycles are more reliable even as the domestic market recovers.

“The international markets also give us the convenience of hedging cotton prices. However, going forward, cotton prices are likely to stabilise even as cotton acreage increases as the economy opens up after the third wave of the pandemic,” he added.

Source: business-standard.com– Feb 21, 2022

HOME

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Draft e-commerce rules: The Good, the Bad, and the Missing

In June 2021, the Department of Consumer Affairs released a draft set of rules that aims to tighten the governance of ecommerce platforms ('platforms'). The reactions were instant and vociferous. The supporters (such as trader associations) celebrated the proposal and wished it had come earlier.

The detractors (e-commerce firms, VCs and industry bodies) claim that the rules will impact the ease-of-doing business, innovation and FDI enthusiasm. Interestingly, other ministries in the government (e.g., Corporate law and Finance) also objected for various reasons.

Yes, one of the primary motivations of this proposal is political — to appease the trader lobby. But, even in this politically charged environment, let's not lose focus of the positive elements. Western nations such as the US should have looked at similar rules decades ago to check the unfettered power of e-commerce platforms. A problem that they are desperately trying to solve today.

The proposal has several good and not so good aspects.

The Good: It's all about info

The strongest element is that of information provision — Firms are expected to provide clear information regarding product details, photos, returns and exchange rules, modes of payment, grievance redressal mechanisms, etc. A related point is to set up clear grievance redressal mechanisms including nodal officers, timeframes and processes. This is a positive outcome for the consumers since good/transparent information and frictionless pre- and post- purchase processing are keys to a healthy e-commerce market.

Platforms are required to open up the details of the sellers (name, location, contact details, etc). This is good since buyers can now decide to do business with sellers beyond a platform (if they wish to). Seller welfare is as important as consumer welfare. Research across the globe shows when transacting through platforms, sellers lose out on developing relationships with end buyers (due to the opacity mandated by platforms).

This makes platforms unduly powerful to a point where they can impose unfair business terms and excessive commissions or fees. Majority of the sellers on e-commerce marketplaces, research shows, barely make any profit given the extent of services they have to avail to be visible to end consumers (e.g., keyword buying, additional advertising).

Platforms cannot use the vast data available to them to gain unfair advantage over sellers or show differential treatment between sellers. This is an important rule that goes a long way in ensuring seller welfare. What is the digital world if not all algorithms?. The opacity of these algorithms creates undue advantage for platforms over both buyers and sellers.

For example, it is commonly acknowledged that search results in Amazon and Flipkart unduly favour related parties or sellers that subscribe to logistics solutions provided by these firms (e.g., Fulfilled by Amazon). Usually, these solutions are incredibly expensive and suck out all the margins from the sellers. However, it remains to be seen how the regulators plan to enforce this rule. It is not an easy task.

The Bad: Over-reach and ambiguity

The proposed rules infringe on other ministries' mandates. For instance, the 'fallback-liability' clause holds platforms liable for any mis-selling by third party sellers. However, this runs counter to the FDI rules of the Finance Ministry — preventing platforms from explicitly managing their inventory.

Further, it takes away the immunity granted specifically to marketplaces under the IT Act. Similarly, the Ministry of Corporate Affairs feels that rules related to the abuse of competitive position are unnecessary since there is already a robust Competition Commission that oversees such issues.

The proposal also refrains related parties from commercial activities on platforms. A related party is any entity with common shareholders of over 5 per cent or more than 10 per cent ownership. While the motivation for this clause is noble, it won't make any sense from a regulatory perspective.

More importantly, it will choke all types of businesses. For instance, Starbucks, an official partner of Tatas cannot sell coffee on Tata e-commerce app. Such rules are detrimental to business logic, e-commerce or not.

The biggest flashpoint is ‘flash sales’. The proposal effectively bans flash sales — defined as “sale organized by an e-commerce entity at significantly reduced prices, high discounts or any other such promotions....”The Ministry later clarified that it won’t apply to ‘conventional’ flash sales. Several issues at play here. One, it is impossible to delineate a ‘conventional’ flash sale from the ‘undesirable’.

Two, even offline retailers conduct flash sales during festivals or to clear out inventory. Three, consumers benefit immensely from these flash sales via reduced prices and greater choice.

The Missing

The discussion should now turn to how the government can redraft a proposal that enhances the welfare of consumers and small businesses, and yet, does not dampen the enthusiasm in the e-commerce sector. There are certain missing elements that need to be considered:

A definitive structure of the industry is now the requirement. E-commerce is no longer an exotic domain. It is a growing part of commerce in general. To what end are these rules being proposed? Can they also apply to offline retail? For instance, a multi-brand retail store can be treated as similar to a multi-brand e-commerce platform. Is it possible to create categories of firms based on the type of retailing they do (without differentiating between offline and online).

The rules lack nuance. For instance, the proposal must clearly distinguish between an ‘inventory’ platform versus a ‘marketplace’. Some rules such as ‘fallback liability’ are quite appropriate for an inventory model but onerous for a marketplace. Can the Ministry detail out this nuance? It will also help better compliance and enforcement.

Source: thehindubusinessline.com – Feb 22, 2022

HOME

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Russia-Ukraine tension impacts cotton yarn prices in south India

The sentiments in the south Indian cotton yarn markets further dampened today due to the growing tension over Russia-Ukraine issue. It is feared that export activities may be affected severely if the tension escalates further, and hence buyers in the entire textile value chain are adopting a cautious approach for fresh buying, leading to a drop in prices.

Among other factors that led to the decline in cotton yarn prices today were the weakening of cotton prices, and poor demand in downstream industry. According to traders, poor demand of fabric shows slow manufacturing activities in readymade garment (RMG) units.

Powerloom owners were operating with very limited capacity as demand from garment units was still very limited. Hundreds of powerlooms in Bhiwandi and Ichalkaranji were running in single shift instead of three shifts in a day.

Fabric manufacturers have to keep their units running in order to provide least work for contracted workers. Although, this results in mounting their inventory due to poor lifting of clothes from garment units.

In Mumbai market, yarn prices fell down by ₹3-5 per kg as demand weakened further. 60 count carded cotton yarn of warp and weft varieties were traded at ₹1,925-1,980 per 5 kg and ₹1,720-1,800 per 5 kg respectively. 80 count carded cotton yarn of weft variety was sold at ₹1,870-1,900 per 4.5 kg. Carded cotton yarn (44/46 count) of warp variety was traded steady at ₹1,740-1,800 per 5 kg.

Trade sources from Tiruppur market also said that buying from exporters and domestic manufacturers was still very low. The market noted down fall of ₹3-5 per kg in prices of few varieties of cotton yarn. 30 count combed cotton yarn was traded at ₹360-370 per kg, 34 count combed at ₹370-375 per kg and 40 count combed at ₹395-405 per kg. Cotton yarn of 30 count carded was sold at ₹320-325 per kg, 34 count carded at ₹330-335 per kg and 40 count carded at ₹340-350 per kg, according to Fibre2Fashion's market insight tool TexPro.

In the global market, ZCE cotton yarn May 2022 futures traded lower by CNY 95 at CNY 28,315 per ton and September 2022 traded down by CNY 70 at CNY 27,915 per MT today. ZCE cotton March declined by CNY 15 to CNY 21,720 per MT and May contract traded down by CNY 55 to CNY 21270 per MT. ICE cotton remained closed on Monday.

Meanwhile, cotton prices fell by ₹500-800 per candy of 356 kg in Gujarat on Tuesday amid weak demand from mills, while daily arrivals dropped. As per traders, cotton prices remained soft as mills are adopting a wait-and-watch policy due to the escalating tensions between Russia and Ukraine. 29 mm cotton was traded at ₹77,000-77,500 per candy. A grade cotton was sold at ₹77,000-77,200, B grade variety at ₹76,000-76,500 and average grade cotton at ₹75,000-75,500 per candy. V797 variety cotton was quoted at ₹43,500-44,500 per candy.

Source: fibre2fashion.com– Feb 22, 2022

HOME

****

Aditya Birla Fashion selects Accenture to speed up its digital shift

Aditya Birla Fashion and Retail Ltd. (ABFRL) has announced its collaboration with Accenture for a digital transformation programme designed to drive growth, increase business agility and improve operational efficiency.

As part of its transformation strategy, the retailer has chosen Accenture to design, develop, and deploy an enterprise resource planning (ERP) system based on SAP S/4HANA to streamline business processes and improve visibility and accessibility of data across ABFRL.

The new ERP system will support ABFRL which owns brands such as Louis Philippe, Van Heusen, Allen Solly and Peter England across stores in India to manage multiple fulfilment channels and consolidate disparate technology systems.

It will be designed to enhance customer service by combining ABFRL's manufacturing and retail functions into a digital core using SAP S/4HANA for its fashion and vertical business, ABFRL said in a release.

Additionally, ABFRL will use Accenture myConcerto, an insight-driven platform, to define a transformation vision and build a value case that guides its manufacturing, delivery and change management operations, and underpins the company's continuous innovation.

Praveen Shrikhande, chief digital and information officer at ABFRL, said, "We are happy to partner with Accenture on a digital transformation program. To stay ahead in today's fast-changing fashion industry, it is important to spot and react with speed to changes in consumer preferences.

The consolidation and digitisation of our core ERP system will help us improve agility and responsiveness in a digital-first world, even as we expand our operations and integrate new businesses to grow our brands and product portfolio, enter new consumer segments, and expand into new markets."

Manish Gupta, lead for Accenture's Products industry group in India also said, "The disruption of the past two years has made it clear that technology is paramount for businesses as we shape the future of retail.

Our collaboration with ABRFL will not only help them build an integrated digital core across manufacturing, wholesale and retail functions to drive operational efficiencies, but also unlock new value for future disruptions and growth."

Source: business-standard.com– Feb 22, 2022

HOME

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Tamil Nadu economy bounces back from Covid 2.0

Tamil Nadu economy has staged a strong comeback from the impact of the second wave of the Covid-19 pandemic. Thanks to pick-up in economic activity, higher tax collections and increased devolution from the Centre, the aggregate revenue receipts of the State, at the end of the third quarter, has even surpassed the pre-Covid levels.

According to provisional data from the Comptroller and Auditor General (CAG), Tamil Nadu's total revenue receipts as of Q3FY22, stood at ₹1,33,873 crore or 66 per cent of the budget estimates for FY22. In comparison, revenue receipts during the corresponding period in pre-Covid FY20 stood at ₹1,23,129 crore or 65 per cent of the budget estimate for the fiscal. The State's revenue receipts during April-December FY21 stood at ₹1,13,938 crore or only about 52 per cent of the budget estimate for the fiscal.

Within revenue receipts, tax revenues was at 67 per cent of the budget estimate at ₹1,03,516 crore against a tax revenue of ₹97,761 crore (65 per cent of budget estimates) in the corresponding period in FY20.

Spike in SGST

State Goods and Service Tax (SGST) at ₹30,946 crore and Stamp & Registration Fees (₹10,086 crore) were at 73 per cent and 76 per cent of their budget estimates, respectively. In the corresponding period in FY20, SGST and Stamp & Registration Fees stood only at 59 per cent and 62 per cent of their budget estimates.

"Tamil Nadu is a relatively open economy with global imports/exports. I believe the higher SGST may be related to higher imports. The recovery in the stamp & registration fees suggests an improvement in the real estate market. I would expect that this collection will rise markedly once the real estate valuation guidelines are revised upwards," said Vidya Mahambare, professor of economics, Great Lakes Institute of Management.

NR Bhanumurthy, vice-chancellor of Dr BR Ambedkar School of Economics University, attributed the spike in SGST to record GST collections by the Centre and higher tax devolution to the States. Amid sharp economic rebound, the Centre's monthly GST collections stayed upwards of ₹1.25-lakh crore from October 2021. It touched a high of ₹1.38-lakh crore in January 2022.

"The Centre not only shared the state's share but also shared the advance GST collections so that the state governments can plan their expenditure accordingly. In fact, this not only includes the current tax but also has little bit of future tax and this is not something specific to Tamil Nadu but for all other States," he added. Besides, Tamil Nadu's taxes on sales, trade, etc (₹34,205 crore), State Excise Duties (₹5,716 crore) and Other Taxes and Duties (₹4,042 crore) are all closer to their pre-Covid levels.

Non-tax revenue at ₹6,225 crore, however, was only 44 per cent of the budget estimates compared with ₹7,791 crore (58 per cent of budget estimates) during the corresponding period in FY20.

Revenue expenditure drops

Not just tax collections, the State also displayed control over revenue expenditure. At ₹1,52,269 crore, the revenue expenditure of the State stood only at 57 per cent of the budget estimates as of Q3FY22 against 68 per cent of budget estimates in Q3FY20.

Bhanumurthy said the drop in revenue expenditure could be due to postponement of lumpy expenditure by the State to the last quarter of the current fiscal. Both Bhanumurthy and Mahambare said there will be a significant interest payment outgo in the fourth quarter, which could drive up the revenue expenditure.

"There is a change in the way in which centrally-sponsored schemes (CSS) are to be implemented in the current fiscal and that would curtailed the revenue expenditure and the other explanation could be that there can be unspent balances in these schemes," he added.

Tamil Nadu also upped its capital expenditure substantially during the current fiscal. As of the third quarter, the State's capital outlay stood at ₹25,227 crore or 57 per cent of the budget estimates. This was much higher than ₹13,903 crore of capital outlay made during the same period in FY20. Mahambare said that the capital expenditure utilisation, in the first three quarters of the current fiscal, was higher than the previous two years due to the opening up of the economy.

Source: thehindubusinessline.com– Feb 22, 2022

HOME

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