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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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NEWS CLIPPINGS

Currency Watch	
USD	76.09
EUR	80.75
GBP	95.52
JPY	0.59

INTERNATIONAL NEWS

NATIONAL NEWS	
No	**Topics**
1	All eyes on the new trade policy
2	PM Modi invites Nordic companies to invest in India's Blue Economy
3	Structural faultlines in trade numbers
4	Free Trade Agreement: India keeps 1,157 sensitive items out of UAE FTA ambit
5	RBI turns hawkish, ups repo rate by 40 bps 'to tackle inflation'
6	India, Germany discuss investment opportunities in MSME sector
7	70% of exporters' payments stuck in Russia have come in
8	Indian exporters on Amazon Global Selling to surpass $5 billion in cumulative exports
9	CAI signs pact with ICA to enhance collaboration, address quality issues
10	State pitches for mega textile park in Kadapa district
11	Gujarat's export figures double in a year

INTERNATIONAL NEWS

Fitch cuts forecast for China's 2022 GDP growth to 4.3% from 4.8%

Fitch Ratings has cut its forecast for China's 2022 gross domestic product (GDP) growth to 4.3 per cent, from 4.8 per cent. Meanwhile, the agency revised its 2023 growth forecast slightly higher to 5.2 per cent, from 5.1 per cent, on the assumption that the government will phase out its 'dynamic zero-COVID' policy only gradually over the course of next year.

Policies adopted by the authorities since mid-March to contain the spread of the Omicron strain of COVID-19 have led to an extended lockdown in the important commercial hub of Shanghai, and a rise in public health and mobility restrictions across China (A+/Stable) more broadly, Fitch Ratings said in a media release.

Spillover to economic activity from COVID-19 pandemic-related disruption became apparent in March, with retail sales falling by 3.5 per cent, the first YoY decline since mid-2020.

Recent mobility trends suggest that China's growth momentum deteriorated significantly in April, with traffic congestion, subway passenger volume and other high-frequency indicators at their weakest since the initial outbreak of the pandemic in early 2020.

"We expect the disruption to ease this month, as nationwide infections appear to be down from their mid-April highs and the politburo has indicated its desire to improve coordination between pandemic control and economic development. However, we still expect a QoQ GDP contraction in 2Q22 before output recovers in 2H22," Fitch said.

The forecast remains subject to downside risk if containment measures fail to bring new outbreaks under control quickly or if the easing of current restrictions is delayed, given the assumption that China will strictly adhere to 'dynamic zero' until 2023.

Policymakers remain committed to China's 2022 GDP growth target of around 5.5 per cent, which appears unlikely to be met on current trends.

Officials signalled their intention to boost macro policy support in light of downward pressure on growth at recent meetings of the politburo and the Central Committee for Financial and Economic Affairs, which were led by President Xi Jinping.

"We forecast a further cut to the reserve requirement rate and the medium-term lending facility policy rate. However, adjustments are likely to be modest against the backdrop of monetary policy tightening by other major central banks and the Chinese authorities' caution that rising interest rate differentials may spark capital outflow pressures.

Nonetheless, we expect policy easing to boost credit growth; our adjusted credit growth measure rose by 10.5 per cent YoY in March and should accelerate - given the central authorities' infrastructure development plans and a recent relaxation of housing measures by numerous local governments," Fitch added.

Fiscal policy has also been loosened. Fitch estimates the budget deficit will widen to 5.8 per cent of GDP this year, from 4.4 per cent in 2021, but the resulting increase in government debt/GDP will be modest, at about 2pp. It forecasts debt/GDP will remain slightly below 60 per cent in 2022, broadly in line with the 'A' peer median.

A further rise in macro-financial risks associated with a persistent easing of credit conditions, or a sustained rise in public debt/GDP, could lead to negative action on China's rating.

However, Fitch assumes that the approaching upturn in economy-wide leverage will be modest and short lived, given the concern for financial stability issues demonstrated by China's leadership in recent years.

Source: fibre2fashion.com– May 04, 2022

HOME

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Monthly US GDP falls by 0.4% in Mar after flat Feb reading: IHS Markit

Monthly US gross domestic product (GDP) declined by 0.4 per cent in March following a flat reading in February. The latter was revised up from the prior estimate of a 0.1 per cent decline. The decline in March was more than accounted for by a sharp decline in net exports stemming from a surge in imports, according to London-based IHS Markit.

This and a few other small subtractions were partially offset by increases in non-farm inventory investment, personal consumption expenditures and non-residential fixed investment.

The level of GDP in March was 1 per cent below the first-quarter average at an annual rate. Implicit in IHS Markit's latest forecast of 1.8 per cent GDP growth in the second quarter are increases in GDP averaging 0.3 per cent per month (not annualised) during the three months of the second quarter.

Source: fibre2fashion.com– May 04, 2022

HOME

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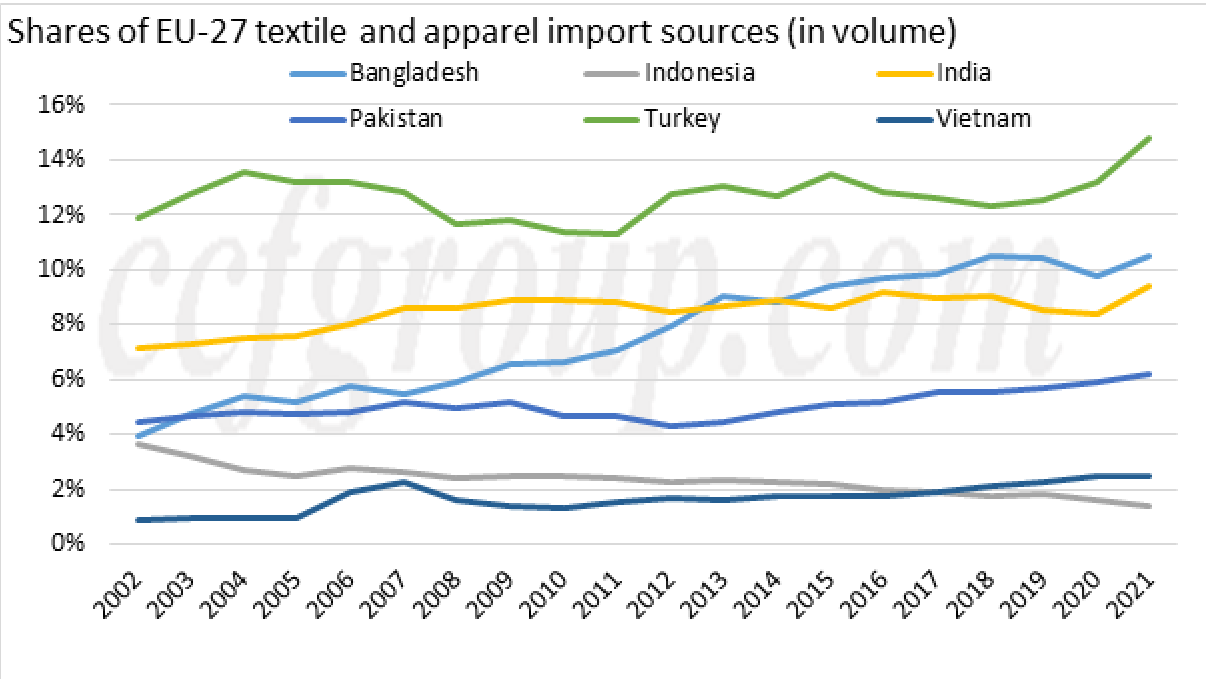
How did EU-27 textile and apparel imports perform in Jan-Feb?

The epidemic in China has greatly affected people's lives and the sales ratio of mills, while the European and American markets have gradually relaxed their lockdown measures where the production and life of the people have gradually returned to normal, and the situation of mills returning to work and production is good. The war between Russia and Ukraine has had a great impact on the European market, so did it also affect the demand of the textile and apparel market?

According to the latest data, EU-27 textile and apparel import volume in Jan reached 1.057 million tons, up 13% over the same period last year, and maintained a good growth in Feb from the perspective of sub-market imports.

The latest data showed that from January to February, EU-27 textile and apparel imports from China, Bangladesh, India, Pakistan, Vietnam and Turkey increased by 10.2% year-on-year, and the above regions accounted for nearly 80% of the total imports. The sharp growth in these regions showed that EU-27 textile and apparel imports in Jan-Feb performed well.



EU-27 textile and apparel imports in Feb was expected to increase to a certain extent, but the growth rate may gradually decrease. The import demand in Feb has not been significantly affected by the war between Russia and Ukraine. From the perspective of the EU's main import sources, imports from Bangladesh and India have grown rapidly since the second half of last year.

Last year, China's share of EU-27 textile and apparel import market decreased, while Turkey, Bangladesh, India and Pakistan increased significantly. On the one hand, the decline in the proportion of China's exports to the EU was due to the fact that part of the demand has shifted to the nearest market due to the epidemic.

On the other hand, the sanctions on Xinjiang cotton also shifted some demand to India and Bangladesh, which was why cotton exporters such as Uzbekistan, India and Vietnam were more willing to export cotton yarn to Bangladesh, South Korea and European markets since last year.

Tariffs and downstream processing costs in those countries enabled processors to be accepting of higher cotton yarn prices than China. Although the EU has gradually relaxed its epidemic prevention policy and people's production and consumption have returned to normal, the epidemic is still an uncertain factor affecting the global market.

Source: ccfgroup.com– May 05, 2022

HOME

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Texworld, Apparel Sourcing, Home Textiles Sourcing open registration

Texworld New York City (NYC), Apparel Sourcing New York City, and Home Textiles Sourcing, the East Coast's largest textile sourcing event, have announced that the registration for their summer 2022 event is now open. Back for the first time in-person since July 2019, the event will be held on July 19-21, 2022 at the Jacob Javits Convention Centre.

Popular amongst attendees, Texworld NYC's Textile Talks and the Lenzing Seminar Series will return live on the show floor. Known for insightful and topical sessions for all levels of experience across all segments of the industry, Texworld NYC's educational programme is not to be missed.

Additionally, visitors will have access to a curated selection of F/W 23-24 trends in the Texworld Trend Showcase presented by New York-based trend agency, TOBE/The Doneger Group, Messe Frankfurt said in a press release.

Although the shows will open to a fully in-person event, the hybrid sourcing showroom will also return to the show floor to enable global suppliers still facing travel restrictions to be physically represented in the US marketplace.

"After several virtual editions, we are pleased to be returning to a fully in-person event at the Javits Centre this July," stated Jennifer Bacon, vice-president, Fashion and Apparel, Messe Frankfurt Inc. "We look forward to hosting sourcing professionals from every facet of the industry as we introduce a variety of new experiences to engage, network and collaborate."

Source: fibre2fashion.com– May 04, 2022

HOME

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Smaller brands will lead reshoring trend in the US

Intensified by the pandemic, supply chain woes are offering US brands new opportunities to bring apparel production back to the country. Many apparel makers had shifted production overseas in the 1990s mostly to China and few Asian countries that offered cheap labor, raw materials and lower operating costs. Now, with apparel manufacturing becoming more technically advanced and environmentally and socially conscious, manufacturers plan to reshore production back to the US. However, for this, they first need to reevaluate and renovate their supply chains. And as per a Fortune report, companies that seem most capable to achieve this are smaller, independent brands as they are better positioned to shift production back to the US.

Raw material shortage, high costs make reshoring unviable

Around 24 per cent of US manufacturers plan to reshore operations by 2025, says a ThomasNet report published in July 2021. However, they are incapable of reshoring as of now because of non availability of raw materials like fabric, zippers, and buttons within the country. Labor costs and overhead expenses too are an added burden which makes goods less competitive and profitable.

Covid outbreak has led to US apparel supply chains being completely destroyed and big companies are still struggling to find real-time solutions. The pandemic-induced factory and textile mill lockdowns, shipping disruptions and shifts in consumer buying patterns highlighted brands' dependence on overseas production.

What's more, big companies operating in the US cannot alter their production schedules as they produce millions of pieces at a time. However, smaller apparel companies can flow their products from as far as China. These brands also manufacture goods in smaller quantities to avoid using excess inventory. This enables them to sell more easily.

Innovation-key to reshoring by US brands

US brands cannot reshore production without innovating their products and processes. They are introducing innovative concepts like make-to-order and limited-edition goods to start reshoring. Brands are also digitizing fashion by using 3D designs for quicker and more efficient production. Automation is being done with made-to-order production and leveraging new technologies from innovators like Lectra, Shima Seiki, and Twine.

Innovations allow small brands to introduce pre-sale or limited-edition collections despite the small-batch production being more expensive. Product innovations enable them to build an emotional connect with consumers and highlight the benefits of slow fashion.

Smaller brands uphold their brand's environmentally and socially conscious values by operating in small factories. Big brands consider reshoring only by engaging smaller US factories for prototyping, made-to-order goods, limited edition offerings, and upcycling, or leaning into digital experimentation, like NFTs and Web3.

Source: fashionatingworld.com– May 04, 2022

HOME

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Turkiye trying to regain share in Saudi Arabia's apparel market

Turkiye's President Recep Tayyip Erdogan visited Saudi Arabia this week in an attempt to bring normalcy in bilateral diplomatic and trade relations. His visit was preceded by virtual talks between Turkiye's treasury and finance minister Nureddin Nebati and his Saudi counterpart Mohamed Al-Jadaan, who also exchanged views on trade and areas of investment.

Turkiye is a major supplier of garments and textiles to Saudi Arabia. It also imports some garments and textiles from Saudi Arabia. But trade between the two had declined after 2018 due to diplomatic tensions and an undeclared boycott by Saudi Arabia, causing injury to Turkiye's apparel exports to Saudi Arabia.

In 2019, Turkiye exported apparel worth $268.61 million to Saudi Arabia, which decreased by 35 per cent to $172.87 million in 2020. In 2021, the value further dropped by over 90 per cent to $14.42 million, according to data from Fibre2Fashion's market insight tool TexPro.

Though Turkiye's apparel imports from Saudi Arabia are very negligible, they have also come down drastically. Apparel imports of Turkiye were $1.61 million in 2019, which declined to $1.43 million in 2020. However, Turkiye increased its imports last year to woo Saudi Arabia. As a result, Turkish imports increased by about 70 per cent to $2.45 million in 2021, as per TexPro.

During his visit, Erdogan said that both countries are willing to reignite the best economic potential. Turkiye's exports to Saudi Arabia grew by 25 per cent in the first quarter of the current year amid efforts by the two countries to improve ties.

Source: fibre2fashion.com– May 04, 2022

HOME

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Nigerian minister seeks collaboration to revive cotton sector

Nigerian agriculture minister Malam Mohammad Abubakar recently called for collaboration among stakeholders to resuscitate the domestic cotton industry to boost economic development when delegates of the National Association of Cotton and Textile Producers in Nigeria (NACOTAN) met him.

He said President Muhammadu Buhari will do something if such a proposal is presented to him.

"My ministry, the various departments and the seed council will collaborate with you to bring this industry back to life to be vibrant and better than before," Abubakar was quoted as saying by Nigerian media reports.

Source: fibre2fashion.com– May 04, 2022

HOME

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Cargo through Vietnamese seaports rises by 3% in Jan-Apr 2022

Vietnamese seaports handled more than 236 million tonnes of cargo during the first four months of this year, up by 3 per cent from the same period last year, according to the Vietnam Maritime Administration (VMA). The volume of container cargo going through seaports reached about 8 million twenty-foot equivalent units (TEUs) during the period, up by 2 per cent year on year.

The figure includes 2.8 million TEUs of imports, which saw a significant increase of 8 per cent compared to a year earlier, a news agency reported.

VMA noted that in April alone, the volume of cargo through seaports totalled 59 million tonnes, up by 3 per cent. Container cargo hit some 2 million TEUs, a hike of 2 per cent from 2020.

The coastal provinces that witnessed major growth in cargo volumes are Quang Ninh (11 per cent), Quang Nam (19 per cent), Dong Nai (8 per cent) and Thanh Hoa (6 per cent).

Source: fibre2fashion.com– May 03, 2022

HOME

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Global shipping backlog to extend for more years

The global shipping backlog is threatening to extend for many more years as renewed lockdowns in China slow trading to a crawl at some of the largest ports in the world.

Shanghai, the largest city in China and the busiest container port in the world, is in full lockdown as authorities face yet another wave of COVID-19. Off the coast, a growing number of cargo ships sit idle waiting to make landfall and unload. Josh Lamb, President, Australian Council of Wool Exporters and Processors said the problem was not just that wool was stuck on ships.

He said the industry had already been dealing with “logistics problems” and thought “some relief” would arrive in 2023 before the latest hiccup.

Paul Zalai, Director, Freight and Trade Alliance and Secretariat, Australian Peak Shippers Association said trade had already been backed up before China locked down.

Australia’s relative size and lack of domestic shipping have put the country directly into the firing line. Zalai said Australia was yet to feel the potential impact. The shipping lines have actually been a winner out of all of this, after years where they were really struggling, they’re really making up for lost time now and reporting multi-billion-dollar profits, he added.

He said as the backlogs grow, companies would have to start making difficult business decisions.

Source: fashionatingworld.com– May 04, 2022

HOME

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Some Retailers Pay Big Bucks So Goods Ship First

Industry watchers are concerned about a fresh wave of supply chain bottlenecks stemming from the Shanghai lockdown and expected production ramp-up once the city home to China's biggest port reopens.

Though ocean freight rates have dipped a bit in recent weeks, they're still significantly higher than what companies paid prior to the pandemic. One CEO, who asked to remain anonymous as his company sells sportswear to mid-tier department stores, said freight fees are "stable right now."

"I don't see them rising, but I don't see them dropping," he said. "We have a weekly chart that tells us where things are."

Gelmart International CEO Yossi Nasser similarly doesn't see rates falling off much in the near future. "Freight costs have somewhat stabilized, but they haven't gone down as much as they've gone up over the last year, year-and-a-half," said Nasser, who runs the world's largest intimate apparel manufacturer with clients including Walmart, Target and JCPenney.

Last year some retailers paid a premium to leapfrog their goods to the front of the line and ensure their merchandise got priority treatment to arrive on store shelves and in warehouses in time for critical shopping seasons, he said.

"We definitely heard that, with the scarcity that was happening compared to the demand in the [retail] environment," Nasser said. "Obviously, it's a different story today."

Some were still shelling out top dollar as 2022 got underway, according to Dana Telsey, chief investment officer of Telsey Advisory Group (TAG).

"I think certainly as the headwinds and the delays continue to occur and are being extended, and the fact that reopening and events and gatherings are beginning," retailers need "newness and product," she said. "I'm definitely hearing that being in stock on fashion merchandise is key to having a successful spring and summer season."

Deep-pocketed retailers are in the best position to adjust to the turbulent times, though others have responded by moving receipt deadlines earlier on the production calendar to account for potential delays, "It's across the board, it's really across retail," said Joseph Feldman, a retail analyst at TAG. Firms with strong balance sheets "will be able to charter vessels on their own and to maybe pay up occasionally," he added in a veiled reference to companies such as Home Depot, Costco, Walmart, Target and Ikea that famously secured their own ships to get control of chaos on the seas. Costco now has "seven ocean vessels," up from three initially, for the next three years, with each ship ferrying 800 to 1,000 leased containers a pop.

Demand is sliding in other areas too. Data from Bank of America (BofA) Securities' Truckload Demand Indicator published Friday shows that trucker demand has fallen to 58.0 percent from 64.1 two weeks prior, below its all-time average of 62. The drop marks the fourth consecutive decline and the lowest level since June 2020. The softening demand reflects delays in rail service, a rise in truck capacity and falling truck rates. The Indicator is down 23 percent from a year ago, and 10 percent sequentially. Rail carloads shrank 4 percent year-over-year, and have been negative in 28 of the past 33 weeks, according to the Indicator.

"Shippers' short-term positive outlooks fell to 39 percent from 50 percent last survey, neutral outlooks jumped to 43 percent from 39 percent, while negative outlooks were 18 percent from 11 percent. For the week of April 21, we surveyed 44 shippers across the U.S. to get current views on freight demand and supply," the report said.

There's now more domestic trucking capacity while prices are on the way down. BofA's Truck Capacity Indicator rose to 60.2 from 58.7, while the Rate Indicator collapsed to 39.8 from 58.7 in the last survey for the lowest level since May 2020. Container spot rates are sliding as well.

What happens next will depend on "when China re-opens and freight flows in mass quantities," the BofA report said.

Source: sourcingjournal.com– May 04, 2022

HOME

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NATIONAL NEWS

All eyes on the new trade policy

The new policy must raise the number of MSME exporters and upgrade the export infrastructure

The 2021-22 fiscal ended on a cheerful note for India's international trade. Indian exporters did not just demonstrate Covid resilience but also posted robust growth with record revenues of $419.65 billion, which is being seen as a sign of exports bouncing back strongly.

But how significant is this landmark? The Free Trade Agreements (FTA) with Australia and UAE are also being touted by policymakers as a gateway for extensive opportunities for Indian entrepreneurs.

Besides FTAs, a new Foreign Trade Policy (FTP) is also long awaited. Revisited and notified every five years since the 1991 economic reforms, the FTP has been the guiding beacon for all stakeholders. It has been delayed since April 2020 and further extended by six months up to September 30, 2022. The last FTP was notified in 2015, since then it has been periodically extended.

A FTP sets out the regulations for cross-border trade and reveals the government's position on a host of concomitant yet crucial policy variables such as technology flow, intangibles, and so on. This is essential to clarify the country's position and alignment with flagship programmes like 'Local for Global' and PLI (Production linked incentive) schemes, WTO's ruling against India's export incentive schemes, an overdue review of the SEZ scheme, changing geographical profiles of India's export basket, and implications of the FTAs.

Thus, one cannot over-emphasise the need for an urgent intervention to formulate and notify a comprehensive FTP at the earliest.

Another reason for overhauling the FTP is some export-oriented businesses have been adversely impacted by certain ad hoc, mistimed, and contradictory changes to the 2015 FTP. The 2015 FTP incentivised exports by issuing duty-credit scrips directly in proportion to exports.

However, in 2020 the government limited the maximum export incentives for goods to ₹20 million, and in 2021, limited them to ₹20 million for services without reason. To add to exporters' woes, the changes for service incentives were retrospectively notified in September 2021 to be applied from April 2019.

The annual export incentives — the Merchandise Exports from India Scheme (MEIS)and Services Exports from India Scheme (SEIS) of ₹51,012 crore replaced with Remission of Duties and Taxes on Exported Products (RoDTEP) scheme incentive of ₹12,454 crore and the rest ₹38,558 crore has been diverted into PLI to give benefit to a few sectors.

Earlier there was a three per cent export incentive on agriculture implements like tractors, which has been reduced to 0.7 per cent. Apart from being a discriminatory policy, it may not also serve the purpose and may even be constitutionally void. It's an empirical truism that, since incentives have an outsized impact on shaping economic behaviour, they must be designed carefully.

The prime objective of a foreign trade policy is to facilitate trade by reducing transaction and transit costs and time. Due to inadequate upgraded export infrastructure such as ports, warehouses and supply chains, the average turnaround time for ships in India is about three days while the world average is 24 hours.

Moreover, the current foreign trade policy had certain limitations, which cropped up from time to time. Given the economic hardship caused by the pandemic, exporters are hoping that the new FTP will work in a phased manner to address export constraints, review the regulatory and operational framework to reduce the transit costs and create a low-cost operating environment through developed logistics and utility infrastructure.

Impact on MSMEs

At the heart of the issue are India's 6.4 crore micro, small and medium enterprises (MSMEs). The sector, the second largest employer of around 12 crore workers after the agriculture sector, forms the backbone of the Indian economy and contributes about 29 per cent of the GDP and 40 per cent of international trade, making them key players in achieving the ambitious export targets.

The surge in input and fuel costs are hitting the bottomlines of MSMEs. There's a rise in prices of raw materials such as steel, and plastics along with a shortage of shipping containers and labour, making matters worse. MSMEs are finding it difficult to take full advantage of the increase in demand and hope the new FTP will ease their woes.

Under the Strengthening Services Exports from India Scheme (SEIS), an incentive of 3-7 per cent of net foreign exchange earnings is provided to services exporters of notified services in India. A modification in the minimum cap for the net foreign exchange earnings eligible to claim under the scheme and faster GST refunds to global services are much needed with the new FTP. An extension in the rollout of the FTP would only make it difficult for MSMEs to leverage the new opportunities ahead of them.

The new FTP could benefit exporters if the incentives granted to retail and wholesale traders under the ambit of the MSME category are extended to them as well.

The new FTP must enable exporters to leverage technology in the field of foreign trade. This will be particularly beneficial for MSMEs to compete with their global peers.

Need for infra upgrade

India needs to invest in upgrading export infrastructure such as ports, warehouses, quality testing and certification centres to stay ahead of technology-advanced countries such as China, which plans to spend $1.4 trillion on infrastructure between 2019 and 2023.

Similarly, India also needs to adopt modern trade practices that can be implemented through the digitisation of export processes. This will save both time and cost.

The government must help MSMEs planning to tap the export potential in existing tariff lines and provide policy support to raise the number of exporting MSMEs and increase MSME exports by 50 per cent in 2022-23.

Source: thehindubusinessline.com– May 04, 2022

HOME

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PM Modi invites Nordic companies to invest in India's Blue Economy

Prime Ministers agree that Blue Economy can deliver economic growth, new jobs, improved nutrition, and increased food security

Prime Minister Narendra Modi on Wednesday invited Nordic companies to invest in India's "Blue Economy".

Nordic companies belong to countries such as Denmark, Iceland, Norway, Sweden and Finland, while Blue Economy refers to water source-based economic activities such as fisheries.

Modi participated in the 2 nd India-Nordic Summit with the Prime Minister of Denmark, Mette Frederiksen; Prime Minister of Iceland, Katrín Jakobsdóttir; Prime Minister of Norway, Jonas Gahr Støre; Prime Minister of Sweden, Magdalena Andersson; and Prime Minister of Finland, Sanna Marin. The meeting took place in Copenhagen.

Sustainable growth

According to a joint statement issued post summit, the Prime Ministers agreed that the Blue Economy can deliver economic growth, new jobs, improved nutrition and increased food security, if managed sustainably.

As leading ocean nations, India and the Nordic countries agreed on the benefits of partnering on transforming the shipping industry towards a low carbon future through exchange of good practices and technology transfers.

"The leaders discussed the potential of stimulating business cooperation and investments in sustainable ocean industries in India and the Nordic countries, including in the maritime, marine and offshore wind sectors.

India and the Nordic countries were committed to follow up on the historic decision at UNEA 5.2 for negotiating an international legally-binding instrument to end plastic pollution, with an ambition to completing the work by 2024," the statement said.

Ukraine crisis

It also mentioned that the Prime Ministers expressed their serious concern about the ongoing humanitarian crisis in Ukraine. They unequivocally condemned civilian deaths in Ukraine and reiterated the need for an immediate cessation of hostilities.

“They emphasised that the contemporary global order has been built on the UN Charter, international law, and respect for sovereignty and the territorial integrity of States. They discussed the destabilising effect of the conflict in Ukraine and its broader regional and global implications. Both sides agreed to remain closely engaged on the issue,” it said.

The summit provided an opportunity to review the progress of India-Nordic relations since the 1 st India-Nordic Summit held in 2018 in Stockholm. Discussions were held on multilateral cooperation in post-pandemic economic recovery, climate change, sustainable development, innovation, digitalisation, and green and clean growth.

Arctic region

India’s partnership with the Nordic region in the Arctic Region was discussed. Prime Minister Modi noted that India’s Arctic Policy provides a good framework for the expansion of India-Nordic cooperation in the region. He also invited sovereign wealth funds of the Nordic countries to invest in India.

Bilateral meetings

Earlier, Modi met Jonas Gahr Støre, Prime Minister of Norway, on the sidelines of the summit. This was the first meeting between the two leaders since the assumption of office by Prime Minister Støre in October 2021. Both Prime Ministers reviewed the ongoing activities in bilateral relations and discussed future areas of cooperation. Modi also had bilateral meetings with Katrin Jakobsdottir, Prime Minister of Iceland; Magdalena Andersson, Prime Minister of Sweden; and Sanna Marin, Prime Minister of Finland.

Source: thehindubusinessline.com– May 04, 2022

HOME

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Structural faultlines in trade numbers

The surge in imports of commodities where we have strong domestic presence indicates failure to exploit our own resources

On the face of it, the numbers couldn't be better. True, the gap between imports and exports widened, but that is to be expected in a growing economy. India exported $38.19 billion worth of merchandise goods in April 2022. This is nearly a fourth more than during the same month a year ago, when the economy was recovering from the first wave but just before the second wave of Covid hit.

What's more, the April numbers are more or less near the record $40.38 billion of exports achieved in March, the highest ever one-month figure till date. The financial year-end surge helped take overall merchandise exports in 2021-22 to an all-time high of $417.8 billion.

On the other hand, imports are growing at an even faster clip, as demand picked up and most industries got back to pre-Covid levels of production. As a result, the trade deficit widened to $20.07 billion. For the 12 months up to April, the deficit in merchandise trade has crossed $200 billion.

That is a bit of a concern, but as long as the trade deficit is matched by strong economic growth, it is actually a good thing. The US, for example, ran a trade deficit throughout the 19th Century — but massive capital investments and infrastructure development led to a booming economy, and the world's highest per capita GDP by 1900, making it the world's richest and economically strongest nation — a position it has held for more than a century since.

Nature of imports

No, the problem is not with India's rising imports or the widening balance, per se. The problem is with the nature of the surge in imports and the composition of the trade imbalance. True, unproductive gold imports fell sharply in April — but that is more a factor of the Indian wedding season than a structural change in India's love for the yellow metal.

On the other hand, crude imports shot up substantially, driven by the spike in energy prices caused by the Russia-Ukraine war. A searing hot summer which set in a month early also caused a surge in demand for power, which in turn led to a surge in demand for coal. Imports of crude oil and petroleum products surged more than 81 per cent in April, while coal and coke imports surged nearly 137 per cent.

A look at the government's commodity-wise import numbers for financial year 2021-22 highlights the kind of structural problems with our trade. We have the world's fifth largest proven reserves of coal — almost a tenth of the world's supply — yet we imported more than $31.7 billion of coal and coke last year. We are the world's second largest producer of raw cotton — yet we imported $559.47 million worth of cotton last fiscal.

Imports of electronic goods surged more than 35 per cent, past the $73 billion mark, putting it behind crude oil as our biggest import item. We rank second worldwide in farm output — yet agricultural imports are putting a serious dent in our balance sheet. In 2021-22 we imported $18.9 billion worth of vegetable oil, $2.2 billion of pulses, and a staggering $2.6 billion worth of fruits!

Unnecessary imports

This is happening because we have been unable to fix the structural issues which dog our key sectors, relying instead on imports for quick fix solutions. Take coal, for instance. It is mind boggling that we are facing a power crisis at the moment because we are unable to import sufficient coal to run our power plants — while sitting on a tenth of the world's supply! True, there are quality issues — but these could have been fixed with technology upgrades in mining, adding beneficiation infrastructure and tweaking boiler technology to achieve higher thermal efficiencies with lower grade coal. We have the technological capability to do it, but we haven't done so.

Take the criminal $2.6 billion of hard-earned forex we are spending on fruits. India has the widest agro-climatic diversity in the world. Simply put, there is not a single fruit or vegetable that is climatically impossible to produce somewhere in India. Yet, some of the agro-climatically suitable zones for growing exotic and temperate zone fruits — such as the north east and the extended lower Himalayan ranges — are so badly cut off from markets that fruit simply rots on the branch there, rather than being profitably sold in domestic or global markets.

We talk up a storm about doubling farmers' incomes but we actually do nothing about it. Why bother when we can import from "enemy" nation China, and get consumers to pay top dollar for it to boot!

Take the much touted success in mobile phone manufacturing. True, made in India handsets have shot up — but for every $100 worth of India-made phones sold, about $80 worth of components are imported. The tale is repeated elsewhere, in virtually every one of our "strong" export sectors.

Take textiles, fabrics and apparel. India is ranked second in the world in textiles, behind China. But this distorts the reality. China hogs more than 51 per cent share in global textile output, while India's is just 6.9 per cent. And despite being one of the world's biggest producers of both fabric and garments, we imported more than $2 billion worth of textiles and made-ups last year. Neighbouring Bangladesh is the biggest exporter of denim products to the EU and the third biggest — after China and Vietnam — to the US. Even Pakistan exports more denim than India!

Our import numbers, in fact, are a very good proxy for the structural weaknesses that plague our economy. Rising imports of crude cannot be helped — it is a resource we lack in sufficient quantity though even here, we have not exploited the resources we have. But everything else points to an inability to address root causes. The failure to address problems known for decades or more is the biggest failure of India's policymakers and planners. And an indicator of just how much influence over policymaking is exerted by vested interests.

Source: thehindubusinessline.com– May 04, 2022

HOME

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Free Trade Agreement: India keeps 1,157 sensitive items out of UAE FTA ambit

India has kept as many as 1,157 sensitive products from key sectors, including dairy, automobiles, medical devices, consumer electronics and agriculture, out of the purview of its free trade agreement (FTA) with the UAE that came into force from May 1.

According to FAQs prepared by the commerce ministry on the FTA, the products from the UAE that won't be eligible for duty-free entry into India include all dairy items, most automobiles and components, fruit, cereals, sugar and food preparations, tobacco products, dyes and pigments, natural rubber, tyres, and processed marble, TVs, toys, footwear, instant coffee and petroleum waxes. Even gold jewellery beyond the annual quota of 2.5 tonnes will be subject to the regular customs duty of 20%.

The Comprehensive Economic Partnership Agreement (CEPA) will likely benefit about $26 billion worth of Indian exports that were subjected to 5% duty by the UAE.

FE had in March reported that New Delhi has kept several sensitive products, including dairy and farm items, out of the FTA's ambit and that $26-billion worth Indian exports will stand to gain from the duty relief granted by Abu Dhabi under the FTA.

The FTA also provides for stringent product-specific rules of origin, which requires substantial value addition (up to 40%) in the UAE for obtaining duty relief here. The certificate of origin will be issued by the ministry of economy of the UAE to avoid contravention of the rules of origin criteria.

In certain cases, India has agreed on phased reduction of duties. For instance, New Delhi, which taxes bovine meat and chicken imports at 30%, will trim the duty to 27% in the first year of the FTA, followed by a phased reduction of 300 basis points each year until it reaches 15%. Buffalo meat alone contributed about $2.8 billion to India's farm export kitty until January last fiscal. Of course, in some other meat segments where it's not a big player, the duties will be abolished immediately.

Source: financialexpress.com– May 05, 2022

HOME

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RBI turns hawkish, ups repo rate by 40 bps 'to tackle inflation'

In a surprising move, the monetary policy committee (MPC) on Wednesday unanimously voted to raise the policy repo rate by 40 basis points from 4 per cent to 4.40 per cent with immediate effect, in a clear indication that inflation may be spiraling into higher levels than anticipated.

The move, ahead of the US Fed announcement on rate hike, also puts the RBI in the lead for the time being after being blamed for being behind the curve.

The six-member rate-setting committee decided to up the repo rate, which has been rock steady since May 22, 2020, as synchronised shocks of commodity prices, supply disruptions and higher inflation unleashed by the Russia-Ukraine war have shifted the future trajectory of inflation upwards. "As several storms hit together, our actions today are important steps to steady the ship," explained RBI Governor Shaktikanta Das

The MPC also decided unanimously to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target (4 per cent, with a +/-2 per cent tolerance band) going forward, while supporting growth.

Hike in CRR

This off-cycle rate hike move, along with the increase in the cash reserve ratio (CRR) by 50 basis points (bps) from 4 per cent to 4.50 per cent, is expected to gradually push up lending and deposit rates. Withdrawal of liquidity through this increase in CRR, which was last increased from 3.50 per cent to 4 per cent on May 22, 2021, would be of the order of ₹87,000 crore.

"As several storms hit together, our actions today are important steps to steady the ship," said Das." Analysts' say the repo rate hike may also be to stem capital outflows as well as depreciation of the rupee at a time when monetary policy authorities in major advanced economies have embarked on rate increases and quantitative tightening.. The last time this rate was hiked was on August 1, 2018, when it was revised from 6.25 per cent to 6.50 per cent.

Elevated inflation: Collateral risk

Referring to the spike in the headline CPI (consumer price index based) inflation in March, 2022 (which was propelled, in particular, by food inflation) to 7 per cent from 6.1 per cent in the preceding month, Das said the print for April is also expected to be elevated.

“There is the collateral risk that if inflation remains elevated at these levels for too long, it can de-anchor inflation expectations which, in turn, can become self-fulfilling and detrimental to growth and financial stability. Hence, we must remain in readiness to use all policy levers to preserve macroeconomic and financial stability while enhancing the economy’s resilience,” said Das.

More rate hikes expected

Dharmakirti Joshi, Chief Economist, and Pankhuri Tandon Economist, Crisil, observed that the monetary policy measures show that the RBI’s policy of gradual normalisation has come to an end.

“A sharp rise in inflation outlook for this fiscal, along with increasing pace of monetary policy tightening by major global central banks have significantly reduced the policy space the MPC had. .We expect the RBI to hike the repo rate by another 75-100 bps this fiscal. The hikes are likely to be frontloaded, given that inflationary pressures remain significantly high at present,” Joshi said.

Industry surprised

Rajkiran Rai G, MD & CEO of Union Bank of India, said: “This (rate hike) was expected, but the timing is a bit surprising. We have lot of repo rate (external benchmark rate)-linked loans. So, all those loans will be repriced now. The deposit cost for a bank goes up when the liquidity in the system goes down. Now, with the liquidity going out of the system, banks will start increasing the deposit rates.”

Source: thehindubusinessline.com– May 04, 2022

HOME

****

India, Germany discuss investment opportunities in MSME sector

The Department for Promotion of Industry and Internal Trade (DPIIT) secretary Anurag Jain, who is part of the delegation accompanying Prime Minister Narendra Modi on his tour to Germany, met Markus Jerger, Chairman, BVMW (German Association for Small and Medium Enterprises) on Tuesday to discuss investment opportunities between the two countries.

Jain and Jerger talked about cooperation in the MSME sector between India and Germany with special focus on the fields of food processing, textiles, manufacturing, artificial intelligence, technology, hydrogen and green energy, sustainability and digitalisation. Jain also chaired the round-table of German Small and Medium Enterprises in Berlin.

Earlier this week, Modi and German Chancellor Olaf Scholz, had signed a Joint Declaration of Intent (JDI) to establish an agreement to have a direct encrypted connection between the Ministry of External Affairs (MEA) and German Foreign Office. Eight other pacts to push green energy, economic partnership and mobility were also signed on Monday.

Source: economictimes.com– May 04, 2022

HOME

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70% of exporters' payments stuck in Russia have come in

As much as 70–80% of the payments for goods that were shipped to Russia before the Ukraine war have been coming in, a government official privy to the matter told Mint, comforting exporters.

Exporters had claimed that about $500 million in payments were stuck after the war began in February.
Stuck dues had become a pain point for Indian exporters, especially after Russia was cut off from the SWIFT payment gateway. A sharp jump in the rouble complicated matters. Some exporters did start getting their payments a few weeks into the war, but large payments remained stuck.

In FY21 India's exports to Russia stood at $2.6 billion, while imports were $5.5 billion. India had shipped phrama products worth $469 million and electrical machinery worthy $301 million to Russia.

Earlier commerce secretary BVR Subrahmanyam had said that the rupee-ruble trade mechanism was discussed to help exporters recover dues. The Reserve Bank of India had clarified that though there was no platform to facilitate a rupee-ruble trade, this was being discussed with all the stakeholders.

"The department of financial services (DFS) has told us that 70% to 80% of the stuck payments are back.This is only for commodities that had gone before the war broke. After the war, not many commodities were exported as shipping lines were not available," a commerce ministry official said.

Exporters concurred that payments have started arriving, even as trade with Russia has come to a standstill. "The payment problems with Russia were never related to defaults. The payment mechanism was an issue.

About two-thirds of the payments were received till around 10 days ago and the numbers have surged to 70% now," said Ajay Sahai, director-general of the Federation of Indian Export Organisations, the country's apex body of exporters.

Mint had earlier reported that Indian exporters had received close to $100 million out of the payments of $400-500 million that were stuck at the beginning of March.

“There is a lack of clarity regarding export of products to Russia following the sanctions by western countries," said Sahai. Russian banks have said that exporter can export any product and the payment will be credited to their account, according to exporters.

The sanctions by western countries cover everything except food, pharma and medical equipment, and the energy sector.

“Unfortunately, Indian banks are not clear whether they will issue electronic bank realisation certificates, for sectors other than the exempted ones as there is no communication from the government to the bank on how to deal with exports of items that are not exempted. There have been cases where Indian banks have refused to issue eBRC in respect of transactions under sanctions," Sahai said.

Recently, Russia’s largest retail company X5 group reached out to Indian suppliers to make up for shortages in food, textiles, and beauty products. However, exporters are unsure if they will be allowed to sell textiles and beauty products to Russia.

Queries mailed to the department of commerce and the Russian Embassy remained unanswered till press time.

A number of exporters told Mint that those shipping goods to Russia were not being uniformly given insurance cover, which is provided by the state-owned Export Credit Guarantee Corporation, compounding their problems.

Source: livemint.com– May 05, 2022

HOME

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Indian exporters on Amazon Global Selling to surpass $5 billion in cumulative exports

Amazon on Wednesday unveiled the Exports Digest 2022 and announced that cumulative exports by Indian exporters on the Amazon Global Selling program are on track to surpass the $5 billion milestone. Amazon has also doubled its exports pledge, to now enable $20 billion in cumulative exports from India by 2025.

The program took about three years to enable the first billion dollars, and the last two billion dollars have come in 17 months. The program has grown to more than 1 lakh (100K) exporters since its launch in 2015. These exporters are showcasing millions of 'Made in India' products to customers worldwide through Amazon's 18 international websites in countries such as USA, UK, UAE, Canada, Mexico, Germany, Italy, France, Spain, Netherlands, Turkey, Brazil, Japan, Australia, and Singapore.

Union Minister of Micro Small and Medium Enterprises Narayan Rane said, "Amazon's continued efforts towards enhancing the share of MSME exports is commendable, and their commitment to enable $20 billion of exports by 2025 is very timely. I would like to congratulate Amazon and all the MSMEs for playing an important role in driving export-led growth to help realize the vision of an Aatmanirbhar Bharat".

Amit Agarwal, SVP India and Emerging Markets, Amazon said, "We are excited by the remarkable growth that over 1 lakh exporters are witnessing through our Global Selling program. In 2020, Amazon had pledged to enable $10 billion in cumulative exports from India by 2025 using this program.

But as Indian MSMEs discover how ecommerce makes it easy for them to reach customers globally, we are seeing a rapid increase in the number of exporters joining Amazon Global Selling to cater to the growing demand for Made in India products across the world.

We are therefore scaling up our pledge to boost exports from India using ecommerce to $20 billion by 2025. We will continue to work with all key stakeholders to make exports easier for Indian MSMEs to help them create robust businesses and build global brands from India."

Highlights of Exports Digest 2022

The 2022 edition of Amazon's annual Exports Digest provides insights into the success and scale of exports from India through the Amazon Global Selling program.

Region-wise highlights

Top cities from where exporters are joining Amazon Global Selling
North: Delhi, Jaipur, Noida, Jodhpur, Amritsar
East: Kolkata, Patna, Guwahati, Bhubaneswar, Siliguri
West: Mumbai, Indore, Ahmedabad, Bhopal, Pune
South: Bangalore, Chennai, Hyderabad, Coimbatore, Trichy, Madurai
Top Growth Categories on Amazon Global Selling in 2021
Apparel: 82% growth YOY.
Toys: 55% growth YOY
Jewellery: 47% growth YOY
Home: 32% growth YOY

Source: economictimes.indiatimes.com– May 04, 2022

HOME

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CAI signs pact with ICA to enhance collaboration, address quality issues

Cotton Association of India (CAI), apex trade body for the fibre crop in the country, and International Cotton Association (ICA) have signed an MoU to increase co-operation and address quality issues.

ICA, headquartered in Liverpool, is the world's leading arbitral body for cotton. The world-over-majority for cotton trading is done as per the ICA by-laws. The ICA delegation consisting of President Alex Hsu and Managing Director Bill Kingdon is currently in India meeting various stakeholders.

As per a statement issued by CAI President Atul Ganatra, the MoU between the two trade bodies included organising yearly meetings to discuss issues of mutual interest and further ways to increase co-operation; visit of delegation and organising training programmes in India; information exchange and dissemination; liaison with the government and addressing quality-related issues faced by each others members.

Training programmes

The ICA delegation which met CAI members also discussed a proposal to organise training programmes in India, ICA Bremen certification of a few CAI laboratories and their recognition. They also discussed a proposal to organise events, adoption of by-laws for amending the CAI by-laws relating to international trade, among other issues, Ganatra said in a statement.

The delegation will also meet members of the Confederation of Indian Textiles Industry (CITI), members of the North India Textile Mills Association and multinational cotton companies. They are also expected to visit the Central Institute for Research on Cotton Technology.

Source: thehindubusinessline.com– May 04, 2022

HOME

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State pitches for mega textile park in Kadapa district

The Andhra Pradesh government has proposed to set up an integrated textile park in 1,186 acres of land in Kopparthy of Kadapa district under the PM Mega Integrated Textile Region and Apparel (MITRA) scheme.

According to Special Chief Secretary (Industries) Karikal Valaven, the State government urged the Centre to set up the textile park either in the jurisdiction of Kopparthy node in Visakhapatnam-Chennai Industrial Corridor or in the Jagananna Mega Industrial Hub in Kadapa district. Participating in the national conference on PM MITRA parks in New Delhi on Wednesday, Valaven explained the facilities being provided by the AP Industrial Infrastructure Corporation (APIIC) in Kopparthy to meet industrial needs.

The government extended all support and stood with the textile units by giving incentives during the Covid pandemic, he said and explained the Industry Policy 2020-23 and the special incentives announced by Chief Minister YS Jagan Mohan Reddy for the new units in Kopparthy. “AP is in 7th position in cotton production, the key material for the textile industry, and second place in silk production. A handloom training centre was established in Anantapur and the Indian Institute of Handloom Technology is located in Nellore. AP also is at the top in yarn production,” he added.

Informing that there are several textile parks like Brandix Apparel in Visakhapatnam and other textile parks in Guntur, Nellore, Anantapur, he appealed to the Centre to set up a textile park in AP. APIIC MD J Subrahmanyam gave a presentation and explained the rail, road, airport and port connectivity to the two locations proposed by the AP government for setting up the textile park.

Central team to visit Kadapa

A delegation of officials from the Centre, ed by Union Textiles department director HS Nanda, will visit Kadapa district on May 6 to inspect the possibilities of setting up the integrated textile park in Kopparthy under the PM MITRA Parks scheme.

Source: newindianexpress.com– May 05, 2022

HOME

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Gujarat's export figures double in a year

Gujarat has broken its previous records in exports. The state clocked exports of Rs 8.37 lakh crore in the financial year 2021-22 till February, while in the previous year the state's total exports were Rs 4.48 lakh crore.

Exporters say when the data for March, which to be is released soon, is taken into account, the figure might cross Rs 10 lakh crore.

Earlier, Maharashtra was the highest exporter from among the states and Gujarat occupied the second position. However, since 2020-21, Gujarat has overtaken Maharashtra.

In 2020-21, Gujarat's exports were worth Rs 4.48 lakh crore while Maharashtra's figure was of Rs 4.31 lakh crore. In 2021-22 till February, Maharashtra's total exports were worth Rs 4.90 lakh crore.

According to officials of Director General of Foreign Trade (DGFT), the commodities which have brought the highest foreign currencies by way of exports from Gujarat include petroleum, diamond, ceramics, cotton yarn, vegetable fats, textiles, oil seeds, machinery, engineering products and brass parts.

"We started getting accurate statewise data from 2018-19 after implementation of GST. However, the figure for 2021-22 is the benchmark because now the GST is fully implemented and the pandemic is also over," said a senior official.

Industry insiders say global market opened up after Covid in the last financial year. Gujarat is the manufacturing hub and with all ports opening up and all manufacturing going in full swing, the state was able to manufacture at the highest level and export at the highest level.

Parth Ganatra, vice-president of Rajkot Chamber of Commerce and Industry, said: "There is 40% growth in my individual exports in 2021-22 compared to previous financial year. Gujarat's growth is increasing and it is evident from the number of certificates of origin issued by our chamber. The reason is we have credibility in the international market, where buyers prefer our product over China's and Vietnam's."

Nilesh Jetpariya, a leading ceramic exporter in Morbi, said: "Gujarat has the highest share of export in India.

It is high time that the Gujarat government create a focused department to understand and resolve the issues of manufacturers and exporters and take up cases with the Union government when required. "

Source: timesofindia.com– May 05, 2022

HOME

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