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INTERNATIONAL NEWS

Here's What's Going On in Some of the World's Biggest Manufacturing Zones

S&P Global's data and analysis of international manufacturing–from the United States to China–paints a gloomy picture and outlook, weighed down by inflation, as the specter of recession looms.

United States

At 52.4 in June, down from 57.0 in May, the S&P Global Flash U.S. Manufacturing Purchasing Managers Index (PMI) indicated a slower improvement in operating conditions across the goods-producing sector. The overall upturn was the weakest in almost two years, as contractions in output and new orders weighed on the headline figure.

Declines in production and new sales were driven by weak client demand, as inflation, material shortages and delivery delays led some customers to pause or lower their purchases of goods. The falls were the first since the depths of the pandemic in mid-2020 and were accompanied by a renewed decrease in foreign client demand.

S&P Global said average cost burdens continued to rise substantially and at a historically elevated pace in June. Hikes in vendor, material and fuel prices all drove up inflation. However, the rise in input prices was the slowest since April 2021.

Goods producers registered the lowest degree of confidence in the outlook for output over the coming year for 20 months in June. Despite hopes that demand will improve and investment increase, concerns regarding inflation, interest rates, supply chain disruption and the health of the wider economy weighed on expectations.

"The survey data are consistent with the economy expanding at an annualized rate of less than 1 percent in June, with the goods-producing sector already in decline and the vast service sector slowing sharply."

"Businesses have become much more concerned about the outlook as a result of the rising cost of living and drop in demand, as well as the increasingly aggressive interest rate path outlined by the Federal Reserve and the concomitant deterioration in broader financial conditions," Williamson added. "Business confidence is now at a level which would typically herald an economic downturn, adding to the risk of recession. A corollary of the drop in demand was less pressure on prices, with the survey's inflation gauges for firms' costs and their selling prices falling sharply in June to suggest that, although still elevated, price pressures have peaked."

Eurozone

S&P Global Eurozone Manufacturing June PMI survey data showed the manufacturing economy ending the second quarter on a low, as production levels fell for the first time in two years. The S&P Global Eurozone Manufacturing PMI fell from 54.6 in May to 52.1 in June, its lowest reading since August 2020 and a fifth consecutive month of decline in the headline measure.

Evidence of worsening conditions for goods producers was seen across many of the sub-indices of the latest PMI survey, with new business intakes and export orders both declined, while business confidence slid to a 25-month low.

There were tentative signs of supply chains edging closer to stability, as input lead times lengthened "to the least marked extent" in a year-and-a-half, S&P noted. There was also a softening of inflationary pressures, with input costs and output prices rising at slower rates.

The best-performing country for PMI was once again the Netherlands, although growth slumped to a 19-month low. Compared to May, Austria registered the sharpest slowdown, with its manufacturing PMI falling more than five index points. The weakest-performing nation was Italy, which registered its softest upturn in two years.

"Orders for goods have fallen at an accelerating rate over the past two months, dropping in June in every country surveyed with the exception of the Netherlands, and even here the rate of growth has weakened markedly in recent months," Williamson said. "Demand is now weakening as firms report customers to be growing more cautious in relation to spending due to rising prices and the uncertain economic outlook. The downturn looks set to gain momentum in coming months. Inventories of both raw materials and unsold stock are rising due to lower than expected production and sales volumes, hinting that an inventory correction will act as an additional drag on the sector in coming months.”

“One upside to the recent weakening of demand is an alleviation of some supply chain constraints, which has in turn helped cool inflationary pressures for industrial goods,” Williamson added. “With the survey data indicating an increasing likelihood of the manufacturing sector slipping into a recession, these price pressures should ease further in the third quarter.”

U.K.

The slowdown in the U.K. manufacturing sector continued at the end of the second quarter, as June saw output growth grind to a near-standstill pace and new orders contract for the first time in 17 months, according to S&P Global.

Business optimism dipped to its lowest since May 2020, as the number of firms expecting production to rise over the coming year fell to 47 percent from 55 percent in May. Firms raised concerns about flat domestic demand, weaker export markets, inflationary pressure, the effect of the increased cost of living on consumer demand and supply chain issues.

The seasonally adjusted S&P Global-CIPS U.K. Manufacturing PMI fell to a two-year low of 52.8 in June, down from 54.6 in May.

Manufacturing production rose for the 25th consecutive month in June. However, the rate of expansion was the weakest during the current upturn. Consumer goods producers saw a marked downturn in output, while robust expansion was again registered in the investment goods industry.

“Domestic market conditions became increasingly difficult and foreign demand fell sharply again, stifled by Brexit, transport disruption, the war in Ukraine and a global economic slowdown,” Rob Dobson, director at S&P Global Market Intelligence, said. “Business confidence took a hit as a result, dipping to its gloomiest since mid-2020. Jobs growth also slowed sharply amid the increasingly uncertain outlook and recent surge in energy costs. The consumer goods sector was especially hard hit, as household demand suffered a steep retrenchment on the back of the cost-of-living crisis."

Dobson said there were some welcome signs that supply-chain constraints and cost inflationary pressures may have passed their peaks. However, with these constraints still elevated overall and demand headwinds rising, it is likely that U.K. manufacturing will see the economic backdrop darken further in the second half of the year, he added.

China

The reduction in Covid-19 case numbers and subsequent easing of containment measures across China led to a renewed improvement in manufacturing business conditions in June, according to the Caixin China General Manufacturing PMI compiled by S&P Global.

Output expanded sharply as disruption to operations receded, with the rate of growth the best in 18 months. New orders and new export sales also returned to growth, though rates of expansion were modest overall. Supply chains stabilized, ended a two-year streak of worsening lead times.

The manufacturing PMI increased to 51.7 from 48.1 in June, the first improvement in the health of the sector for four months. Though modest, the rate of increase was the strongest seen since May 2021.

"The recovery of manufacturing demand was not as strong as that of supply, but the subindex for total new orders rose above 50 for the first time in four months, and the gauge for new export orders returned to positive territory for the first time since last July…The prices of raw materials and freight remained high, adding to manufacturers' costs."

"While supply has not fully recovered from lockdown-induced disruption, some companies reported sharp decreases in suppliers' delivery times," Zhe added.

"The gauge for suppliers' delivery times topped 50 for the first time in two years. The quantity of manufacturing purchases greatly increased, while backlogs of work declined…Business owners expressed concern over the negative impact of future domestic Covid outbreaks and the state of the global economy."

India

The economic recovery of the Indian manufacturing sector continued in June, aided by robust domestic and international client demand. However, growth of total sales and production eased amid intense price pressures, S&P Global said.

Although the rate of input cost inflation remained historically high, the latest increase was the slowest in three months. Inflation concerns continued to dampen business confidence, with sentiment slipping to a 27-month low.

Posting 53.9 in June, the S&P Global India Manufacturing PMI signaled a 12th consecutive monthly improvement in the health of the sector. However, softer increases in production, factory orders, stocks of purchases and employment all dragged down the PMI in June.

June data indicated that rates of purchase price and output charge inflation retreated to three-month lows, but remained above their long-run averages. Monitored firms reported increases for a wide range of inputs–including textiles, chemicals, electronics, energy and metals–which they partly passed on to clients in the form of higher selling prices.

“The Indian manufacturing industry ended the first quarter of fiscal year 2022-23 on a solid footing, displaying encouraging resilience on the face of acute price pressures, rising interest rates, rupee depreciation and a challenging geopolitical landscape,” Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said. “Yet, there was a broad-based slowdown in growth across a number of measures, such as factory orders, production, exports, input buying and employment, as clients and businesses restricted spending amid elevated inflation.”

This seemed to have curbed the upward pressure on input costs, with purchase prices and output charges increasing at sharp but slower rates during June,” she added.

Vietnam

The Vietnamese manufacturing sector ended the first half of 2022 firmly in expansion mode, as a lack of disruption from the pandemic supported demand and production, S&P Global said.

Issues with global shipping and Covid restrictions in China meant that suppliers' delivery times continued to lengthen markedly, while inflationary pressures remained elevated. The Vietnam Manufacturing PMI posted 54.0 in June, down slightly from 54.7 in May but still signaling a solid monthly improvement in the health of the sector. Business conditions have now strengthened in each of the past nine months.

"The Vietnamese manufacturing sector ends the first half of 2022 in good health, with firms feeling that they've seen the back of the pandemic and are able to generate new business at a solid rate," Andrew Harker, economics director at S&P Global Market Intelligence, said.

"The main positive from the latest PMI survey was around employment, which increased at the fastest pace in three-and-a-half years. This shows that the difficulties firms were facing getting hold of staff around the turn of the year have eased, and means that manufacturers are able to respond quickly to customer requests and keep on top of workloads."

Source: sourcingjournal.com– Jul 01, 2022

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Economy slowing but US unlikely to enter into recession in 2022: NRF

The US economy's rate of growth is slowing, but consumers remain financially healthy and the nation is unlikely to enter into a recession during the remainder of 2022, National Retail Federation (NRF) chief economist Jack Kleinhenz has said. However, a contracting economy short of a recession is not out of the question.

"I am not betting on an official recession in the near term, but the most recent research pegs the risk over the next year as about one in three and it will be touch and go in 2023," Kleinhenz said.

"Regardless of the prospect of a downturn or whether it will meet the threshold of a recession, the consumer outlook over the next few months remains favourable," Kleinhenz said. "The economy is moving away from extremely strong growth toward moderate growth, but increased income from employment gains, rising wages and more hours worked is expected to support household spending. Policy issues will likely be the deciding factor shaping the economic outlook this year and next."

Kleinhenz's remarks came in the July issue of NRF's Monthly Economic Review, which said economic data is "softer than a few months ago" but "still signals further solid economic growth."

Job openings and quit rates suggest that the labour market remains tight, payroll growth remains sturdy despite a slowdown in May, and the unemployment rate has remained at 3.6 per cent – just above a 50-year low seen before the pandemic – for three months in a row, according to the report. A closely watched survey of manufacturing from the Institute of Supply Management showed that suppliers' deliveries had improved in May as demand, orders and order backlogs grew at an improved pace, the NRF report said.

Retail sales as calculated by NRF – which exclude automobile dealers, gas stations and restaurants to focus on core retail – were expected to drop in May but remained unchanged from April and grew 6.7 per cent year over year. Sales were up 7.3 per cent for the first five months of the year compared with 2021.

The Federal Reserve is moving aggressively to control inflation by raising interest rates to cool demand without stalling the economy. “It is not going to be easy,” the report quoted chairman Jerome Powell as saying. “We are not trying to induce a recession.”

The central bank increased the benchmark federal funds rate by three-quarters of a percentage point in June, to a range between 1.5 and 1.75 per cent. That was the largest increase since 1994, and the Fed expects the rate to hit 3.4 per cent by the end of the year and 3.8 per cent by the end of 2023.

Source: fibre2fashion.com– Jul 02, 2022

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New Zealand & EU conclude negotiations on major free trade deal

New Zealand and the European Union (EU) have concluded negotiations on a major free trade agreement (FTA), which unlocks access to one of the world's biggest and most lucrative markets, New Zealand's Prime Minister Jacinda Ardern and trade and export growth minister Damien O'Connor have announced.

The deal provides duty-free access on 97 per cent of the New Zealand's existing goods trade to the EU within seven years, 91 per cent from day one.

PM Ardern said: "Our EU-NZ FTA is expected to increase the value of New Zealand's exports to the EU by up to $1.8 billion per year from 2035. For comparison that's more lucrative than the benefits derived from our recent UK FTA. It's a strategically important and economically beneficial deal that comes at a crucial time in our export led COVID-19 recovery.

"It cuts costs and red tape for exporters and opens up new high value market opportunities and increases our economic resilience through diversifying the markets that we can more freely export into. The complete removal of duties on the majority of products New Zealand exports to the EU is a major achievement in a deal that covers market access into 27 European countries."

This is New Zealand's fifth Free Trade Agreement in the past five years.

Damien O'Connor, who has spent the week in Brussels negotiating with his counterparts said the deal provided access for products that were previously locked out in the historically difficult to access European market. "With total savings on tariffs worth $110 million annually, $100 million up front, the deal will make our exports immediately more competitive in the EU market and provides a platform for growth."

O'Connor added: "This FTA also helps to level the playing field and creates significant opportunity for more great Kiwi businesses to diversify into this high-value market. Importantly, the services and investment 'Most Favoured Nation' outcome will ensure the FTA remains at the cutting edge, with New Zealand able to receive the benefit of services market access and investment treatment the EU may agree to in future FTAs.

“It also delivers a positive outcome for New Zealand businesses seeking access to EU’s large government procurement market for goods and services worth more than $3 trillion. Consistent with our approach to trade negotiations, the agreement contains legally enforceable commitments on climate action, environment and labour standards and gender equality.”

The EU is New Zealand’s fourth-largest trading partner with two-way goods and services trade was worth NZ$17.5 billion in for the year to December 2021.

Source: fibre2fashion.com– Jul 01, 2022

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Turkiye's apparel exports rise 17.91% in Jan-May 2022

Apparel exports from Turkiye increased by 17.91 per cent year-on-year in January-May 2022, according to the data from the Turkish Statistical Institute and the country's ministry of trade. During the first five months of the current year, Turkiye exported apparel worth $8.018 billion, compared to exports of $6.801 billion during the same period of 2021.

Category-wise, exports of knitted and crocheted clothing and accessories (HS chapter 61) earned $4.428 billion in January-May 2022, registering a growth of 14.7 per cent over $3.862 billion earned during the same months of the previous year.

Exports of non-knitted apparel and accessories (HS chapter 62) were valued at $3.590 billion, showing an increase of 22.2 per cent compared to $2.939 billion exports made in January-May 2021.

Meanwhile, Turkiye's imports of cotton, cotton yarn and cotton textiles (HS chapter 52) increased by a sharp 63.9 per cent to $2.223 billion over $1.356 billion in the first five months of 2021.

Turkiye's total export of knitted and crocheted clothing and accessories (HS chapter 61) and non-knitted apparel and accessories (HS chapter 62) were valued at $18.294 billion during year 2021.

Source: fibre2fashion.com– Jul 02, 2022

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USA: July 1 Port Labor Deadline: Retail Urges White House Intervention

The National Retail Federation (NRF) called on President Biden Friday to push for an immediate extension of the current West Coast ports labor contract as a safety net for trade, with negotiations set to run into overtime.

"With the contract set to expire today, we urge the administration to continue to work with the parties to reach a new agreement without any disruption to port operations," NRF said in its letter to Biden.

The group is calling for an immediate extension of the current contract arguing it would offer shippers reliant on the West Coast ports additional assurances while talks continue.

"We know that there are significant issues for both parties that need to be worked out during the contract negotiation," NRF said. "The only way to resolve these issues is for the parties to remain at the bargaining table and negotiate in good faith. Extending the current contract would provide additional certainty to all of the supply chain stakeholders that rely on the U.S. West Coast ports. This is even more important as we continue to experience supply chain disruptions and congestion for a variety of reasons."

More than 150 groups signed Friday's letter, including the American Apparel & Footwear Association (AAFA), American Cotton Producers, Council of Fashion Designers of America (CFDA) and the Retail Industry Leaders Association (RILA), along with groups representing the logistics, farming, food, home, travel and technology industries among others.

Some lawmakers also underscored the need for continuity in cargo processing as negotiations continue. A letter sent to the heads of the PMA and ILWU on Thursday from several Democrats in Congress, led by California Rep. Linda Sanchez, also urged the two sides "to stay committed" to negotiations.

Companies across industries have been anxiously watching the negotiations, particularly as retailers enter what's considered the busy season for shipping.

The International Longshore and Warehouse Union (ILWU), representing some 22,000 workers, and the Pacific Maritime Association (PMA), negotiating on behalf of employers, began discussions for a new contract May 10.

Both sides issued a statement last month confirming their commitment to hashing out a deal, but did warn a new agreement would likely not be reached by the July 1 5 p.m. expiration.

The two called the timing “typical” and confirmed there were no plans for a strike or lockout.

U.S. Labor Secretary Martin Walsh told Reuters earlier this week talks are “moving forward.”

“Even with the recent joint statement [between ILWU and PMA], supply chain stakeholders remain concerned about the potential for disruption, especially without a contract or an extension in place,” the NRF letter said. “Unfortunately, this concern stems from a long history of disruptions during previous negotiations.”

Automation is clearly a sticking point between the two groups.

The Economic Roundtable, a Los Angeles-based nonprofit, released a study on the San Pedro Bay ports earlier this week focused on the neighboring ports’ economic impact, worker wages and automation. The study was underwritten by the ILWU.

The study concluded 572 full-time jobs were lost at the Long Beach Container Terminal (LBCT) and Trans Pacific Container Terminal (TraPac), both of which are automated, in 2020 and 2021. The report also concluded automated ports are less productive by 7 percent to 15 percent than non-automated facilities.

The Economic Roundtable’s report made several recommendations, some of which pushed for taxes to offset losses linked to automation, including the suggestion for a fee on automated equipment in the cities of Long Beach and Los Angeles and a state tax on automated terminal equipment.

A study released in May and commissioned by the PMA, just ahead of the start of contract negotiations, offered a different take specific to the LBCT and TraPac terminals. The report, written by University of California at Berkeley professor Michael Nacht and ContainerTrac Inc. founder Larry Henry, found that productivity increased from 350 twenty-foot equivalents (TEUs) on average per acre, to 510 TEUs between January 2020 and February 2022. The two terminals also processed containers two times faster than their non-automated peers, the report said.

Ultimately, the study concluded automation could help the ports of Los Angeles and Long Beach bounce back from supply chain challenges, get back business that was lost to East and Gulf coast ports and create greater efficiencies, according to the report.

Source: sourcingjournal.com– Jul 01, 2022

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Cotton Australia marks 50th anniversary with engagement events

Cotton Australia commemorated its 50th anniversary by presenting at events in Queensland and New South Wales. To coincide with its 50th anniversary, Cotton Australia has launched an interactive timeline to showcase the history of the organisation, and the broader industry. Australia's cotton industry was highlighted on the global stage at the Better Cotton Conference.

Cotton Australia CEO Adam Kay presented to about 150 people, including former governor general Dame Quintin Bryce about the industry and the advances made by growers. Queensland agriculture minister Mark Furner hosted an engagement event for ministers, politicians, and staffers of all sides of politics to find out more about the industry by engaging with the great cross-section of industry personnel in attendance, Cotton Australia said in a press release.

Cotton Australia was involved in the NSW Farm Writers lunch in Sydney. Growers Fleur Anderson and Tony Quigley, and cotton market analyst (and NT grower) Pete Johnson sat on a panel and answered attendees' questions about the cotton industry. Cotton Australia's 50th anniversary will be celebrated with growers and all industry personnel at the 2022 Australian Cotton Conference in August.

Source: fibre2fashion.com– Jul 01, 2022

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Pakistan: 'Non-tariff barriers creating hurdles in exports': Country failing to derive desired gains from trade accord with China?

The CPFTA-II has been operational since January 1, 2020, but Pakistan has not been able to secure its export interests as trade deficit is widening, and the country's dependence on China is increasing alarmingly.

The country hardly managed to post an export figure of $3 billion against a whopping $20 billion imports from China in the Financial Year 2022.

The Trade Development Authority of Pakistan (TDAP) - the country's sole export promotion body — still seems unable to figure out the areas in which renegotiations are necessary to resolve impediments affecting Pakistan's exports to the neighbouring country.

Talking to Business Recorder on Thursday on the sidelines of the 'Conference on Impact of CP-FTA on Bilateral Trade and Investment', TDAP's Chief Executive Arif Ahmad Khan confirmed that Pakistan posted export figure of $3 billion against $20 billion imports from China in FY-22. "Thirty-five percent of our trade deficit is directly linked to the trade with China," he said.

"If we give more concessions to China for their exports to Pakistan, and our imports keep on increasing it really does not make any sense," said Arif Khan.

The conference was jointly organised by the TDAP, the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and the China Study Centre, Institute of Business Administration, at a hotel.

The TDAP's chief executive officer pointed out that the country has been able to use all tariff lines so far, while non-tariff barriers are creating hurdles in smooth exports to China. "These non-tariff barriers can be removed through political and diplomatic deliberations," he said.

He acknowledged that some of the Pakistani products have standard and quality-related issues as well. "For example, there are complaints that our chillies have aflatoxin contamination. This is not a tariff-related issue but a product quality matter. So we have to make them [the Chinese] agree that they should negotiate with Pakistan on the level of aflatoxin.

“Similarly, they have fixed quotas on rice imports, which is another non-tariff barrier. As long as the rice quota is not increased, we can’t enhance exports of the commodity under the CP-FTA.”

In response to a question about efforts to resolve non-tariff barriers on the part of TDAP, he said meetings are being conducted on a regular basis. Pakistan has representatives in Shanghai and Beijing, in addition to an ambassador.

“Principally, FTAs are meant to benefit both countries, and yes Pakistan has benefited from FTA with China. However, we have to make efforts to reduce hurdles,” Arif Khan said.

Amir Siddiqui, an economist at the Applied Economics Research Centre, University of Karachi, told Business Recorder that Pakistan has a narrow product line instead of a diversified one, and services. The country has exported copper worth around $800 million to China in one year. The other items are textile and leather products.

He said the more alarming thing is that our dependence on China for the import of raw materials is increasing. In his speech during the conference, FPCCI President Irfan Iqbal Shaikh said bilateral trade has increased significantly after the implementation of CPFTA-II.

However, Pakistani markets have been flooded with Chinese goods, leading to the closure of many cottage industries. The influx of cheap imports from China might have some adverse effects on the domestic manufacturing sector.

Circumstantial evidence suggests that a number of small-scale manufacturing units have been affected by low-cost imports from China. The local industry is losing ground in the domestic market.

On Jan 10, 2020, Joint Secretary (Foreign Trade-1) of Ministry of Commerce Dr M. Hamid Ali in his presentation at a seminar on CPFTA-II had said: “If we captured only five percent market share out of the 313 tariff lines, our exports would surge up to $3.2 billion and these projections are based on Chinese global imports in 2016.”

He was of the view that CPFTA-II has greatly secured Pakistan's export interest as around 83 percent of the country's global exports have been liberalised in the CPFTA-II as against 41 percent of the same in Phase-I.

Similarly, 91 percent of Pakistan's exports to China have been liberalised in Phase-II as against 30 percent liberalised in Phase-I. This liberalisation covers 88.3 percent of China's global imports or $1.6 trillion.

Joint Secretary of Ministry of Commerce Asmat Nawaz, TDAP Secretary Ahsan Ali Mangi, and chairman of the FPCCI's Policy Advisory Board Mohammad Younus Dagha were among those who attended the event.

An MoU was also signed on the occasion between the TDAP and Policy Advisory Board of the FPCCI on research collaboration.

Source: brecorder.com- Jul 02, 2022

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Pakistan: Textile sector's gas suspension to cause $1B loss: APTMA

The All Pakistan Textile Mills Association (APTMA) has warned that the textile sector could face $1 billion in loss if gas is not supplied to the export-oriented industry. Patron-in-Chief Dr. Gohar Ejaz has written a letter to Prime Minister Shehbaz Sharif in which he has informed him that over 50 percent drop in the exports of textile products was feared in July on account of the suspension of the gas supply to the sector from July 1, 2022, to July 8, 2022.

"Gas/RLNG to the industry has been suspended from July 1 to July 8, following that, there would be Eid holidays from July 9-14, and a shutdown of 15 days will translate to a loss of at least $1 billion," the APTMA chief wrote. Gohar Ejaz explained that the drop in output will lead to a real risk of losing orders on a permanent basis as well as loss of repeat business due to delays in the delivery of orders. As a result, Pakistan may then have to seek more loans to sustain its economy.

"If this momentum is lost due to energy supply and cost constraints, Pakistan will be forced to seek an additional $6 billion in loans from abroad, which under the circumstances may not even be possible," the letter to PM Shehbaz said.

Important to note that the textile industry has made major contributions to Pakistan's economy. According to the data by APTMA, Pakistan's textile exports surged 28 percent to $17.67 billion in July-May of the last fiscal year, the highest ever for the period under review.

The APTMA data showed the exports of textile goods posted 59 percent growth to $1.69 billion in May 2022 against $1.06 billion in May 2021. Interestingly, Pakistan's exporting sector has the capacity to deliver over $2 billion in exports per month, however, the lack of gas supply is resulting in losses. Many textile industries in Punjab have already shut down and it is feared that more will follow. The interrupted gas supply to the industries has been affecting the exports that will impact the achievement of the $26 billion targets for the next fiscal year besides increasing unemployment.

Source: globalvillagespace.com- Jul 01, 2022

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NATIONAL NEWS

Crisil retains GDP growth forecast at 7.3% with downside risks for FY23

CPI inflation expected at nine-year high of 6.8 per cent this fiscal

Crisil has retained its GDP growth forecast at 7.3 per cent for the current fiscal with downside risks and expects retail inflation to rise to a nine-year high of 6.8 per cent on an average in the backdrop of the Russia-Ukraine war.

“Higher oil prices, slowing global demand for India’s exports and higher inflation are acting as the major drag factors,” said the ratings agency on Friday, attributing these as the reasons for downside risks.

Reduced purchasing power

“Inflation reduces purchasing power and would weigh on revival of consumption — the largest component of GDP which has been backsliding for a while,” it noted, adding that private consumption remains the weak link.

The only bright spots are the uptick in contact-intensive services and forecast of a normal and well-distributed monsoon, the agency said.

Crisil had, in May this year, revised its FY23 growth forecast to 7.3 per cent from its previous estimate of 7.8 per cent. The agency has forecast consumer price index based inflation at 6.8 per cent on average this fiscal, from 5.5 per cent in the previous fiscal.

“Domestic climate-related shocks affecting food supply, even as the Russia-Ukraine war continues to put pressure on commodities worldwide, has led to a deteriorating outlook,” it said.

In line with RBI forecasts

This is in line with the Reserve Bank of India’s (RBI) growth and inflation forecasts.

The RBI had, in June this year, retained its real GDP growth projection for 2022-23 at 7.2 per cent and estimated inflation at 6.7 per cent. Crisil also expects RBI to hike rates by another 75 basis points (bps) in the remainder of this fiscal year.

“The RBI is expected to aggressively tighten monetary policy in the next few months, to tackle surging inflation and the tight global financial conditions,” it said.

These hikes are expected to be front loaded in first half of the fiscal, given that inflationary pressures remain high at present, it further said. The RBI has hiked the repo rate by 90 bps till now.

Source: thehindubusinessline.com– Jul 01, 2022

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Expect India-EU FTA to be completed by 2024, says Danish envoy

The first round of talks for a free trade agreement (FTA) between India and the European Union (EU) has concluded.

This is the second attempt by both sides to seal a free trade deal. Negotiations had first started in 2007 and continued till 2013 after which there was no action for eight years. The earlier talks had failed due to differences in custom duties on automobiles, spirits, and the movement of professionals.

To discuss the road ahead for India-EU FTA, CNBC-TV18 spoke to Freddy Svane, Danish envoy to India, and Bharat Joshi, co-chairman of Shipping & Logistics at CII National Committee. Svane said there is political consensus on both sides about having the FTA. He expects the FTA to be done by 2024.

"There is new momentum, we have a new India emerging. Also, there is political consensus on both sides that we have to have this FTA. So I am pretty sure that this time we will see hard-core negotiations and hopefully we can keep the deadline of 2024," he added. According to Joshi, geographical indication or GI could be an important area of negotiation.

"EU even now continues to be India's largest export market. EU is also a large source of inward investment for India and if there is an investment protection treaty, then there is every reason to believe that investments would become even larger and more prolific. The third important area could be around geographical indication or GI. So these are the three broad opportunities that are largely untapped or could be tapped deeper," Joshi said.

Also, Steve Baragona, a reporter at VOA discussed the implications of the US Supreme Court's decision to limit the Environmental Protection Agency's (EPA's) power to fight climate change. *Watch the video for the entire discussion.*

Source: cnbctv18.com– Jul 01, 2022

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Deadline for exporters to submit application for pending dues extended

Last September, the government announced release of Rs 56,027 crore against pending tax refunds of exporters under different export incentive schemes.

"The last date for submitting applications under MEIS (merchandise exports from India scheme), for exports made in the period September 1, 2020 to December 31, 2020 has been extended up to August 31, 2022," the Directorate General of Foreign Trade (DGFT) said in a notification.

Earlier, the deadline was April this year.

DGFT said no MEIS applications would be accepted after the last date.

The country's exports during April-May 2022-23 rose about 25 per cent to USD 78.72 billion. Imports during the period increased 45.42 per cent to USD 123.41 billion.

The trade deficit during the first two months of this fiscal year widened to USD 44.69 billion from USD 21.82 billion in the year-ago period.

Source: financialexpress.com– Jul 01, 2022

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₹1,44,616 crore gross GST Revenue collection for June 2022; increase of 56% year-on-year

The gross GST revenue collected in the month of June 2022 is ₹144,616 crore of which CGST is ₹25,306 crore, SGST is ₹32,406 crore, IGST is ₹75887 crore (including ₹40102 crore collected on import of goods) and cess is ₹11,018 crore (including ₹ 1197 crore collected on import of goods). The gross GST collection in June 2022 is the second highest collection next to the April 2022 collection of ₹1,67,540 crore.

The government has settled ₹29,588 crore to CGST and ₹24,235 crore to SGST from IGST. In addition, Centre has also settled ₹27,000 crore of IGST on ad-hoc basis in the ratio of 50:50 between Centre and States/UTs in this month. The total revenue of Centre and the States in the month of June 2022 after regular and adhoc settlement is ₹68,394 crore for CGST and ₹70,141 crore for the SGST.

The revenues for the month of June 2022 are 56% higher than the GST revenues in the same month last year of ₹92,800 crore. During the month, revenues from import of goods was 55% higher and the revenues from domestic transaction (including import of services) are 56% higher than the revenues from these sources during the same month last year.

This is the fifth time the monthly GST collection crossed ₹1.40 lakh crore mark since inception of GST and fourth month at a stretch since March 2022. The collection in June'2022 is not only be the second highest but also has broken the trend of being low collection month as observed in the past. Total number of e-way bills generated in the month of May 2022 was 7.3 crore, which is 2% less than 7.4 crore e-way bills generated in the month of April 2022.

The average monthly gross GST collection for the first quarter of the FY 2022-23 has been ₹1.51 lakh crore against the average monthly collection of ₹1.10 lakh crore in the first quarter of the last Financial year showing an increase of 37%.

Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST. The gross cess collection in this month is the highest since introduction of GST.

The chart below shows trends in monthly gross GST revenues since 2017-18.

The table shows the state-wise figures of GST collected in each State during the month of June 2022 as compared to June 2021.

Click here for more details

Source: pib.gov.in – Jul 01, 2022

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Forex reserves rise by USD 2.73 bln to USD 593.323 bln

The country's foreign exchange reserves increased by USD 2.734 billion to USD 593.323 billion for the week ended June 24 on the back of a surge in the core currency assets, the Reserve Bank of India (RBI) said on Friday. In the previous reporting week, the overall reserves had declined by USD 5.87 billion to USD 590.588 billion.

In the week ended June 24, the forex reserves swelled due to an increase in Foreign Currency Assets (FCAs), a major component of the overall reserves, and also in gold reserves, RBI said.

FCA increased by USD 2.334 billion to USD 529.216 billion, according to the Weekly Statistical Supplement released by RBI.

Expressed in dollar terms, FCAs include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Value of the gold reserves surged by USD 342 million to USD 40.926 billion.

Special Drawing Rights (SDRs) with the International Monetary Fund (IMF) were up by USD 55 million to USD 18.21 billion for the week ended June 17, RBI said.

The country's reserve position with IMF rose by USD 3 million to USD 4.97 billion in the reporting week.

Source: financialexpress.com– Jul 01, 2022

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Cotton stocks to be lower than expected

The current cotton season is expected to end on September 30 with 39.27 lakh bales as closing stock.

The Committee on Cotton Production and Consumption had estimated the closing stock at almost 41.27 lakh bales at its meeting held in May.

After a meeting on Friday, the Committee said imports were expected to be 15 lakh bales, production 315.43 lakh bales and opening stock 71.84 lakh bales. With this, the total availability for the season was estimated at 402.27 lakh bales.

On the consumption side, textile mills (non SSI units) were likely to consume 285 lakh bales against 289 lakh bales the Committee estimated at its meeting in May. With weak demand for yarn, demand for cotton had reduced, industry sources said here.

Consumption by SSI units were likely to be 20 lakh bales whereas 16 lakh bales were to be non textile consumption. Exports were estimated at 42 lakh bales, said the Committee.

There are both supply and demand side constraints, said an official in the Ministry of Textiles.

Source: thehindu.com– Jul 01, 2022

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States' Start-up Ranking 2021 to be declared on 4th July

The results of the 3rd edition of Ranking of States' on Support to Start-up Ecosystems will be released by Shri Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles on 4th July, 2022 in a felicitation ceremony in New Delhi.

The Department for Promotion of Industry and Internal Trade (DPIIT) conducted the 3rd edition of the States' Start-up Ranking Exercise with the key objective to promote India's vision of competitive and cooperative federalism. The exercise was launched in 2018 to encourage states and union territories to work towards easing regulations for the growth of start-ups and strengthening the support to the start-up ecosystem.

A total of 24 States and 7 Union Territories participated in the exercise this year, an increase from 25 last year and the highest till date. As India becomes one of the leading start-up nation globally, the growth of the entrepreneurship in Tier-II and Tier – III cities in the country has become necessary. There were 4 states/UTs with start-up policies in 2016.

Today, there are over 30 states/UTs who have start-up policies, and 27 states/UTs have their own state start-up portal. This edition had 7 broad Reform Areas consisting of 26 action points which are essential in providing regulatory, policy and economic support to startups and stakeholders of the ecosystem. The reform areas included Institutional Support, Fostering Innovation and Entrepreneurship, Access to Market, Incubation support, Funding Support, Mentorship Support and Capacity Building of Enablers.

The third edition of the exercise evaluated the support provided by states and union territories over a period from 1st October 2019 to 31st July 2021. Their submissions were evaluated over a 6-month period and feedback was gathered from more than 7,200 beneficiaries in 13 different languages. This edition is unique as it highlights the extensive support provided by states and union territories to the start-up ecosystem amid a global pandemic. The State Start-up Ranking Exercise Results 2021 and call for mentors for the Mentorship, Advisory, Assistance, Resilience, and Growth (MAARG) Portal will be announced on Monday, 4th July 2022 at 11:30 A.M. at The Ashok Hotel, New Delhi with senior government officials attending from all participating States and UTs.

Source: pib.gov.in – Jul 01, 2022

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Has GST been a game-changer?

Five action-packed years. Forty-seven Council meetings. Multiple tax rates. Many restrictions on availing input tax credit. Appellate Tribunals yet to be up and running. Adverse assessment orders. This is a summary of half-a-decade of GST laws.

Five years is also a good time to ask the question: Has GST been the game-changer that it was proclaimed to be? Irrespective of who is asked the question, the response is not expected to be an overwhelming 'Yes'.

To be fair, GST law has had its successes. Save for a few aberrations, especially in the 28 per cent slab, the rates of GST are at acceptable levels. The glitches in the portal have been rectified over a period. Payment of taxes has worked like a dream since GST made its debut.

GST collections are robust and filing of returns can be done without burning the midnight oil. Removal of check-posts has enabled faster truck movements. Multiple taxes are a thing of the past and there has been no perceptible impact on inflation. The system of e-invoicing has tackled the menace of fake invoices. Yet, there are major disappointments.

Input tax credit

A pan-India GST will work well only if there is across-the-board availability of input tax credit (ITC) over the entire supply chain — this was the USP of the law when introduced. Innumerable and frequent changes in the provisions regarding availing ITC have diluted the USP.

As the law stands today, availing ITC depends on the tax behaviour of the supplier, there are blocked credits and there is a limit on how old an invoice on which ITC is claimed should be. That apart, there is a formula to avail ITC proportionately when there are exempted sales and taxable sales. Some taxpayers need to pay a portion of their taxes in cash. The final nail in the coffin is driven by State tax assessing officers who deny ITC on some invoices because no tax is paid in that State.

It is possible that the menace of fake invoicing forced CBIC (Central Board of Indirect Taxes and Customs) to impose so many restrictions on availing ITC. But then, it can always be argued that fake invoicing surfaced because availing ITC was not subject to any checks and balances for some time —

all that the taxpayer had to do was to fill in the relevant amount in the relevant column in his monthly return.

The GST Council must take a considerate view on availing ITC and remove the restrictions that are in place now. The present Section 17(5) that lists out blocked credits and a time limit for the invoice should be the only restrictions on availing ITC.

Taxing transport

It is praiseworthy that check-posts have been removed in the GST era. However, there are numerous examples of State tax officials intercepting transporters and demanding tax for the respective State government though IGST has been paid. They demand the tax from the driver of the transport vehicle who in turn speaks to the recipient and "settles" the transaction.

The driver has no clue about the intricacies of GST — he would prefer to ask the recipient to pay the tax and get the vehicle moving at the earliest. It is imperative that CBIC publishes detailed instructions to their staff that GST is now a national tax and once there is a genuine tax paying document in place, there should not be another demand for the same amount of tax.

Cautious Council

In a recent decision in the Mohit Minerals case, the Supreme Court ruled that the recommendations made by the GST Council can only have a persuasive value and cannot be binding on the Union. The impact of the decision can be seen in the recent recommendations made by the GST Council at its 47th meeting.

It was widely expected that the GST Council would provide recommendations on the rates of GST on casinos, race-horses and gambling, setting up of GST Appellate Tribunals and IT reforms. Displaying a cautious approach, the GST Council decided to refer all three matters to a Group of Ministers (GoM).

With three major decisions deferred, the Council went about tinkering with the rates of taxes, removing GST exemptions that some regulators such as RBI were enjoying and making a few administrative changes. The Council corrected the impact of inverted duty structure on 17 items and cooled down ice-cream parlours, which were bearing the brunt of a retrospective tax of 12 per cent.

Two areas where the GST Council missed the bus were easing the restrictive conditions on availing input tax credit and setting up of Appellate Tribunals. GST rates have been streamlined and filing is no longer the ordeal that it was.

These will work well only if there is across-the-board availability of input tax credit and the taxpayer has a forum to appeal against orders made by trigger-happy tax officers. GST is a journey that continues with its share of spills and thrills.

Source: thehindubusinessline.com– Jul 01, 2022

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More pain for rupee likely on India's trade gap, capital outflow

"India's external balances are deteriorating," economists at Goldman Sachs Group Inc. wrote in a note Thursday, citing the terms-of-trade shock from higher commodities prices and weakening global growth. "Going forward, the trajectory of the rupee is likely to be pushed weaker versus the dollar on account of the deteriorating external balances."

While the Reserve Bank of India has begun raising rates, which usually supports currencies, the moves also deflate the domestic stock market, and can accelerate rupee-weakening outflows. Meanwhile, demand for dollars is rising, further pressuring the currency and forcing the RBI to dip into its reserves pile to support it.

The central bank says the risks are so far manageable and the external sector is "well-buffered to withstand the ongoing terms-of-trade shocks and portfolio outflows."

The following four charts take a deeper look at the challenges from India's external finances:

Widening deficit

A shortfall in India's current account -- the broadest measure of trade -- will probably widen to 2.9% of gross domestic product in the fiscal year ending March 31, according to a Bloomberg survey in late June, nearly double the level seen in the previous year.

"The current account deficit widening has been relentless," said Rahul Bajoira, an economist with Barclays Plc in Mumbai. "The broad-based increase in commodity prices is likely to keep the deficit sticky in the near term and, along with capital outflows, exacerbate the external financing requirements." If it starts to approach 4% of GDP, policy makers would need to take both fiscal and monetary steps, he said.

Falling reserves

India's foreign exchange reserves, which can cover about 10 months of imports, have slumped more than $50 billion from a peak in September to $587 billion in the week to June 17 as the RBI seeks to stabilize the currency and importers seek more dollars for costly energy imports.

The RBI is fighting on several fronts to slow the rupee's decline, while its stated stance is that it intervenes to curb currency volatility and not influence its direction. Nevertheless, the RBI has spent $18 billion in the spot market to support the rupee between January and April, latest data from the central bank showed.

Costlier imports

India's trade deficit widened to an all-time high of $24 billion in May after the nation's import bill almost doubled because of a surge in global crude oil prices. Meanwhile, exports slowed as Russia's invasion of Ukraine and tighter monetary policies globally weigh on growth.

"A broader increase in commodity bill will underpin annual imports -- a mix of crude oil, coal, fertilizers, edible oils purchases," said Radhika Rao, senior economist with DBS Bank Ltd. She estimates a 20% increase in overall imports, out-pacing export growth. "This will likely leave the merchandise trade deficit about 40% wider this year."

Capital flows

Foreign investors have pulled out more than $32 billion from Indian equities in the last one year, making it the worst performer in Asia after Taiwan. There has been an outflow from bonds too, placing India just behind Indonesia and Malaysia.

"With portfolio outflows expected to continue amid weakening global equity performance, and further deterioration in balance of payments in coming months, the risks of rupee under-performance cannot be discounted," said Madhavi Arora, lead economist at Emkay Global Financial Services Ltd.

Source: timesofindia.com– Jul 01, 2022

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Project Bandhan launched to tackle pink bollworm in cotton

As the pink bollworm infestation spreads in cotton plants in North India, stakeholders including the Central Institute of Cotton Research (CICR), State agricultural universities and private players including the South Asia Biotechnology Centre (SABC) are taking up large-scale demonstration of the use of technologies such as mating disruption and pheromone traps to tackle the dreaded pest.

“We are trying to demonstrate the mating disruption technologies this season in North India. There will be some 30-40 demonstrations from different organisations,” said Y G Prasad, Director, Central Institute of Cotton Research (CICR). The idea is to arrange for the protection throughout the season — from the flowering stage to harvest, he said.

Innovative technique

Mating disruption is an innovative pheromone-based technique that interferes with the reproductive cycle of PBW in such a way that the population is significantly reduced and crop damage is minimised. The Central Insecticide Board and Registration Committee (CIBRC) had approved the technology in the integrated pest management (IPM) strategies for controlling PBW in India for the first time in 2019-20.

As part of this, CICR and the other players have come out with PBKnot, a solid metric dispenser rope which can be easily tagged to the cotton plants. The PBKnot charges the surrounding air with Gossyplure, a pheromone scent that confuses the male adults preventing them from finding and mating with female adults and reducing the number of eggs laid and controlling the PBW population.

“The mating disruption has emerged as a powerful tool to manage pests such as PBW,” said Bhagirath Choudhary, Director, South Asia Biotechnology Centre (SABC), Jodhpur, which is implementing a large-scale “Project Bandhan” to control the spread of PBW across 16 districts of seven major cotton-growing States this kharif.

Relying on chemical spraying

PBW has emerged as a key pest affecting cotton over almost 12 million hectares annually in India. The current methods of controlling pink bollworms primarily rely on chemical spraying. However, it is increasingly becoming difficult to achieve a high degree of suppression due to the non-existence of highly effective insecticides leading to the PBW population being well-established across different cotton-growing zones, Choudhry said.

Project Bandhan will be implemented in some 19 clusters each over 62.5 acres covering a total area of 1,200 acres across the country in partnership with Ambuja Cement Foundation, PI Foundations, Agrovision Foundation, State Agriculture Universities, KVKs and local organisations under the technical guidance of ICAR-Central Institute for Cotton Research (CICR), Nagpur.

The tagging of mating disruption PBknot has been completed on 469 acres in the northern zone, where over 250 farmers have been trained about PBW and tagging of mating disruption PBKnot technology and installation of pheromone traps for monitoring purposes. The project is being implemented in Bhatinda, Mansa and Fazilka districts of Punjab covering some 193 acres. In Haryana, the demonstration project is being implemented in Sirsa and Fatehabad districts of Haryana covering some 152 acres. Similarly in Rajasthan, the PBKnot project is being implemented in Hanumangarh and Ganganagar districts in some 124 acres.

Found effective

The PBW, which has surfaced early in the kharif season of North, typically has a short life cycle and can multiply 4-5 generations in a crop cycle, potentially threatening cotton from early stage, flower, green bolls and cotton locules, affecting affect cotton lint quality, Choudhary said.

SABC, which had implemented the Project Bandhan in the last kharif season in the Central Zone has found it to be very effective in controlling the pest. “The outcome of the field demonstration over 300 acres was encouraging as it recorded 90 per cent reduction in losses due to pink bollworm and registered yield increase by 1.5 to 2 quintals of cotton per acre. Moreover, the percentage of flower and locule damage was reduced significantly,” Choudhary added.

Source: thehindubusinessline.com– Jun 30, 2022

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Freight rates eases as transport operators pass on excise duty cut on fuel: Crisil

Freight rates across the country eased in June after transport operators passed on the benefits of excise duty cut on fuel even though various sectors saw a decline in fleet utilisation during the month, a Crisil report said on Thursday.

Crisil's pan-India freight index CRISFrex indicates that freight rates have dropped month-on-month with free cash flow or pre-equated monthly installment going back to April 2022 level, largely due to a drop in fuel prices, CRSIL said.

CRISFrex captures the changes in freight rates on a sequential basis. Besides, it also tracks the Free Cash Flows (FCF) of transporters on an ongoing basis.

Higher FCF would typically support demand for commercial vehicles.
The transporters had in May partially passed on the benefit of lower fuel prices after finance minister Nirmala Sitharaman on May 21 announced a cut in excise duty on petrol by a record Rs 8 per litre and that on diesel by Rs 6, helping the oil marketing companies lower the prices of the two automobile fuels.

Mining applications (largely coal) saw a flattish movement in freight rates over the past month, it said.

On the other hand, freight rates for agri products, container, cement, petroleum tankers, textiles and steel saw a mid-single-digit decline, as per Crisil.

"However, fleet utilisation also dropped (in June), which took place at a faster rate in agri products, auto carriers, FMCG/FMCD, petroleum tankers and textiles. The remaining segments such as market load, parcel/loose goods, mining (largely coal) and container saw slower decline in utilisation," Crisil said in the report.

Source: economictimes.com– Jul 01, 2022

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India's manufacturing sector activity eases to 9-month low in June

India's manufacturing sector activity eased to a nine-month low in June as growth of total sales and production moderated amid intense price pressures, a monthly survey said on Friday.

The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) fell to 53.9 in June from 54.6 in May, the weakest pace of growth since last September.

The June PMI data pointed to an improvement in overall operating conditions for the twelfth straight month. In PMI parlance, a print above 50 means expansion while a score below 50 denotes contraction.

"The Indian manufacturing industry ended the first quarter of fiscal year 2022/23 on a solid footing, displaying encouraging resilience on the face of acute price pressures, rising interest rates, rupee depreciation and a challenging geopolitical landscape," said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

Factory orders and production rose for the twelfth straight month in June, but in both cases the rates of expansion eased to nine-month lows. Increases were commonly attributed to stronger client demand, although some survey participants indicated that growth was restricted by acute inflationary pressures, the survey said.

According to the survey, monitored firms reported increase for a wide range of inputs — including chemicals, electronics, energy, metals and textiles — which they partly passed on to clients in the form of higher selling prices.

Lima further said there was a broad-based slowdown in growth across a number of measures such as factory orders, production, exports, input buying and employment as clients and businesses restricted spending amid elevated inflation.

According to the survey, inflation concerns continued to dampen business confidence, with sentiment slipping to a 27-month low. Elsewhere, input delivery times shortened for the first time since the onset of Covid-19.

"Fewer than 4 per cent of panellists forecast output growth in the year ahead, while the vast majority (95 per cent) expect no change from present levels. Inflation was the main concern among goods producers," the survey said.

On the job front, employment rose for the fourth successive month, albeit at a slight pace that was broadly in line with those seen over this period.

Meanwhile, the Reserve Bank of India (RBI) in its financial stability report released on Thursday said persistently high inflation globally is to stay longer than anticipated as the ongoing war and sanctions take a toll on economies, threatening a further slowdown to global trade volumes.

The global economic outlook is clouded by the ongoing war in Europe and the pace of monetary policy tightening by central banks in response to mounting inflationary pressures, the RBI report said.

Source: business-standard.com– Jul 02, 2022

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Kharif sowing picks up as rains revive, cotton and pulses gain most

Sowing of kharif crops staged a recovery during the week ended July 1, 2022, with the shortfall in area covered in relation to 2021 dropping from a whopping 24 per cent on June 24 to just around 5.33 per cent, official data showed.

The recovery in sowing has been led by cotton and pulses after farmers hurried to plant their crops as the monsoon showed signs of revival after a long pause.

Official data showed that among major kharif crops, acreage of pulses was almost 7 per cent more than last year (as on July 1). Cotton was almost 4 per cent higher than the same period last year and coarse cereals around 2 per cent more. Till June 24, acreage of all major crops was less than last year.

In pulses, data showed that the area covered under moong saw a rise compared to last year. This helped pull up the total figure. But, acreage of urad and tur is still less as compared to 2021.

Cotton area has also risen by almost 4 per cent compared to the same period last year. This is largely due to pick up in sowing in Maharashtra and Karnataka.

Among other crops, acreage of rice, the largest foodgrain grown during the season, lagged. This is because farmers waited for rains to settle down before going in for planting as rice requires more water than other crops.

As far as rains are concerned, there was some good news in store as the India Meteorological Department (IMD) on Friday said rains in July are expected to be normal across India at 94-106 per cent of the long period average (LPA). The LPA for July rains is 28.04 cm.

The Met department said normal-to-above-normal rains are expected over most parts of North, Central and South Peninsular in July, while below-normal-rains could be expected in East and North-East India.

Below-normal rains in East and North-East India could come as a blessing in disguise as several areas are reeling from intense floods.

July and August are the most crucial months in the four-month southwest monsoon season as almost 60 per cent of rain falls in these two months.

The Met department — in its statement — said the latest global model forecasts indicate that the prevailing La Niña conditions are likely to continue over the Equatorial Pacific Ocean.

Also, there is a possibility of development of negative Indian Ocean Dipole (IOD) conditions during July-September 2022. Weathermen hope this should ensure normal rains during the monsoon season.

Source: business-standard.com– Jul 02, 2022

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