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INTERNATIONAL NEWS

Is resilient Russia redrawing global trade order?

Its economy and currency have weathered the sanctions. Russia's trade with several nations, like India, has zoomed, led by oil

Nearly six and a half months back when Russian President Vladimir Putin ordered troops into the so-called Luhansk People's Republic and Donetsk People's Republic regions of Ukraine after recognising their independence and sovereignty, the Western alliance had imposed sanctions that were more stringent than ever before. It was an economic war of unprecedented proportions. The most important of the sanctions targeted the financial sector.

Immediately after the Russian invasion, the US Treasury took measures that effectively immobilised any assets of the Central Bank of the Russian Federation (CBR) held in the US or by US persons, wherever located. The US' European allies acted almost in sync to prevent the CBR from deploying its international reserves and also decided to remove select Russian banks from the SWIFT messaging system to ensure that these banks were disconnected from the international financial system, thus blocking their global operations.

Eventually seven banks were taken down from the SWIFT. The US escalated the sanctions in early April by imposing full blocking sanctions on Sberbank, Russia's largest state-owned bank, and Alfa-Bank, the country's largest private bank. These sanctions were intended to lock out Russia from international finance.

Rouble's travails

Initially, the sanctions seemed to have had their desired effect. In less than three weeks after the Russian incursion, the value of the rouble crashed by 60 per cent; from 76 roubles to 120 roubles to a dollar. The prognosis of some commentators was that by the end the year rouble could be approaching 200 per dollar. The Russian economy was also expected to be in a free fall; its GDP could decline by over 10 per cent and inflation rate could top 50 per cent in 2022.

But in recent months, there are indications that the sanctions have not impacted Russia as much. The rouble has been consistently strengthening vis-à-vis the US dollar, after bottoming out in the first half of March. At the end of June, it was 51 roubles to a dollar, but since mid-July the value of the rouble has stabilised at around 60 to a dollar.

The IMF, in its outlook in April, had predicted Russia's economy to contract by 8.5 per cent in 2022, an improvement over what was anticipated when the sanctions were imposed. The update in July revised the growth projections, indicating that the economy would shrink by 6 per cent.

However, the market was more upbeat about Russia's economic prospects during the year; JP Morgan had predicted in July that the country's GDP would shrink just 3.5 per cent in 2022. The Russian Economy Ministry predicts a sub-3 per cent contraction during the year. But the veracity of this number has been widely questioned.

Finally, the inflationary pressures that Russia currently faces are once again significantly less than what was anticipated in February-March. It was expected that once the sanctions bite. Russia's isolation from the global economy, and supply shortages would cause inflationary pressures, crippling the economy. But Russia seems to be doing much better than predicted.

According to the CBR forecast, annual inflation is expected to be in the 12-15 per cent range in 2022, an improvement from the 18 per cent recorded in April.

How did Russia manage to blunt the impact of the Western sanctions and prevent a free fall of its economy? Immediately after the sanctions were imposed, Putin put in place draconian capital controls as a part of which residents were banned from transferring funds abroad.

But the more important dimension of capital controls was that payments on Russia's external debt were blocked leading to concerns regarding imminent default. This was Putin's major gamble as sovereign default on debt have far-reaching implications on a country's ability to borrow. But as rouble gained strength, the capital controls were eased considerably.

Oil, gas exports

The rouble's recovery and in turn of the Russian economy was eventually because of continued exports of oil and gas. This is where the Western sanctions have come unstuck. Oil and gas revenues have helped to stabilise the rouble, as exports continue to Europe, and other countries. Following Russia's invasion of Ukraine, oil shipments from Russia declined by 15 per cent at end-March year-on-year. The US's imports of Russian crude oil had declined by 60 per cent and the EU's imports had fallen by 35 per cent.

By early July, Russian oil export volumes were close to their 2021 levels. Historically high levels of discounts and diversion of exports towards large Asian economies like India and China bolstered Russia's oil revenues significantly. What is also interesting is that even the US' imports of crude oil from Russia picked up after March. As a result, the fall in oil imports was 39 per cent in the first half of 2022 year-on-year, compared to a dip of 60 per cent in the first quarter of 2022 year-on-year.

And although the EU too had cut back its oil imports, its overall imports from Russia during the first half of 2022 had increased by 79 per cent compared to the corresponding period a year earlier. It is also interesting to note that while the US' overall imports from Russia had declined by 21 per cent during January-June 2022 year-on-year, imports of several products including fertilisers (32 per cent), marine products (87 per cent) and iron and steel (3 per cent) increased.

Russia's emergence as a strong import source for India is among the major headlines in the period since the outbreak of hostilities. During April-July, Russia was India's third largest source of crude oil, with a 14 per cent share compared to a mere 2 per cent a year earlier. Moreover, 23 per cent of India's fertiliser imports were from Russia during the period against 5 per cent in 2021. Not surprisingly, Russia is now India's sixth largest import source, up from 19th in April-July 2021.

Does this mean that Russia has been able to ride the sanctions completely? Perhaps not, as several Western commentators have pointed out. A study by Yale University says that Russia could face severe headwinds as exports from its major trading partners have been significantly squeezed. In the first half of 2022, the US and the EU reduced their exports to Russia by 62 per cent and 30 per cent, respectively.

These are warning bells for the Russian industry, including petroleum, since supplies of equipment and spares could be affected. Even India's exports to Russia have fallen by almost 30 per cent during April-July, possibly because exporters are wary that sanctions may reach their door.

And, finally, there are critical issues with countries like India with which Russia has agreed to conduct trade in the partners' domestic currencies. Agreement over an acceptable exchange rate has never been easy for India-Russia rupee-rouble trade, and the familiar dynamics are playing out yet again.

Source: thehindubusinessline.com - Sep 12, 2022

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China's e-commerce logistics index for Aug 2022 slips by 2.2 points

China's e-commerce logistics index for August 2022 decreased by 2.2 points to 104.2 points, compared to July 2022, owning to a rise in COVID-19 cases in the country.

A survey, which was jointly carried out by the China Federation of Logistics and Purchasing and e-commerce giant JD.com, calculated the index. The study ascribed the decline in e-commerce logistics businesses in China in August to the interruptions resulting from COVID-19 in market demand and supply, according to Chinese media reports.

However, the survey expects a positive outlook for the index in September 2022, as the reopening of schools in the coming days may create a conducive environment for the e-commerce logistics industry.

The index is based on the statistics of January 2015 with the starting point at 100.

Source: fibre2fashion.com- Sep 13, 2022

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UK's GDP up 0.2% in July 2022 after a fall of 0.6% in June

Gross domestic product (GDP) of the UK is estimated to have grown by 0.2 per cent in July 2022 following a fall of 0.6 per cent in June 2022. Looking at the broader picture, GDP was flat in the three months to July compared with the previous three months, according to the Office for National Statistics (ONS).

Monthly real GDP of the country is estimated to have grown by 0.2 per cent in July 2022 following a fall of 0.6 per cent in June 2022. Monthly GDP is now estimated to be 1.1 per cent above its pre-COVID-19 levels.

UK's production fell by 0.3 per cent after a fall of 0.9 per cent in June 2022; this was mainly because of a fall of 3.4 per cent in electricity, gas, steam, and air conditioning supply. Manufacturing increased by 0.1 per cent in July 2022, with a mixed performance across the sub-sectors, as per the ONS.

Source: fibre2fashion.com- Sep 12, 2022

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China launches 25 new freight train routes via Alataw Pass in 2022

Twenty-five new freight train routes passing through the Alataw Pass, a major land port in Northwest China's autonomous Xinjiang Uygur region, were introduced in 2022. The pass enables the trade of goods including cotton yarn, clothing, and accessories.

With the launching of the additional 25 routes, the total number of China-Europe freight train routes through the Alataw Pass has increased to 90.

On average, 17 inbound and outbound China-Europe freight trains pass through the Alataw Pass per day, according to the customs department of Alataw Pass. These freight trains leave majorly from the provinces of Sichuan, Shaanxi, Henan, and the Chongqing municipality in China with destinations in Europe such as Belgium, Germany, Poland, and Russia.

China-Europe freight train services were started from the Alataw Pass in 2011. As of today, the maximum number of trains passing through this pass on a single day stands at 24.

Source: fibre2fashion.com- Sep 12, 2022

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China's textile sector logs growth in first seven months

China's textile industry posted sta-ble revenue growth in the first sev-en months of the year, official data showed. Textile companies with an annual primary business revenue of at least 20 million yuan (about 2.89 million US dollars) raked in 2.96 trillion yuan in revenue in the period, up 4.6 percent year on year, according to the Ministry of Industry and Information Technol-ogy.

The total value-added output of these companies rose 0.3 percent year on year during the period. The combined sales of primary retail-ers amounted to 9.48 trillion yuan in the January-July period, up 1.7 percent from a year earlier. The country's garment exports reached 189.4 billion US dollars, an increase of 12.4 percent year on year.

Source: nation.com.pk- Sep 12, 2022

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Vietnam's garment exports to UK rise to $92.4 mn in August 2022: GDVC

Vietnam has exported garments worth $92.4 million to the UK in August 2022, which is an increase of 88.6 per cent compared to the corresponding month last year and 3 per cent month-on-month, according to data from the General Department of Vietnam Customs (GDVC). The surge in exports can be attributed to the UK-Vietnam Free Trade Agreement (UKVFTA).

Despite being included in the top 10 biggest markets for Vietnam's garment exports, the UK accounts for less than 2 per cent of Vietnam's total export value. Lower tariffs enabled by the UKVFTA have made it possible for Vietnam to develop its share in the market.

Around 42.5 per cent of Vietnamese textile and garment exports will be liberalised at entry and some garment goods will have their tariffs removed after six years as per the UKVFTA.

However, textile industry regulations introduced by the European Union (EU) such as using green products, replacement rates, and opting for sustainable fashion instead of fast fashion make it more difficult for Vietnamese apparel goods to gain a foothold in the European market.

Total earnings from garment exports for the Southeast Asian nation added up to $26.3 billion for the last eight months — 24.3 per cent more than those for the same period in 2021, as per Vietnamese media reports.

At present, Vietnam is the third biggest garments exporter in the world and among its main markets are Europe, the US, Japan, and South Korea.

Source: fibre2fashion.com- Sep 13, 2022

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Sri Lanka's garment exports up 21% in Jan-July 2022

Registering an impressive growth of 21 per cent year-on-year, garment exports from Sri Lanka stood at $3,246.4 million in January-July 2022 compared to exports of $2,683 million in the same period of previous year, according to statistics released by the Central Bank of Sri Lanka. IMF has recently reached an agreement to provide $2.9 billion to Sri Lanka.

During the same period, textile exports from the island nation increased by 13.6 per cent year-on-year to $209.2 million. However, exports of other made-up textile articles stood at $73.1 million during January-July 2022, registering a negative growth of 1.7 per cent, according to the central bank's report 'External Sector Performance – July 2022'.

Textiles, garment and other made-up textiles articles exports together accounted for 56.97 per cent of all industrial exports from Sri Lanka during the seven-month period of this year, the report showed.

On the other hand, imports of textiles and textile articles rose by 12 per cent to $1,905.9 million, while clothing and accessories imports were up by 20.6 per cent to $144.9 million during January-July 2022.

During the month of July 2022, garment, textile and other made ups exports from the South Asian nation registered a growth of 21.4 per cent year-on-year. Category-wise, garment exports increased by 23.6 per cent to $513.4 million, while textile exports rose by 3.8 per cent to $28.7 million. But the exports of other made-up textile articles were down by 15.5 per cent to $9.3 million.

Source: fibre2fashion.com- Sep 13, 2022

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Bangladesh's textile mills may suffer as banks unwilling to open LCs

The Bangladesh Textile Mills Association (BTMA) recently expressed concern that the situation of most commercial banks being averse to opening letter of credit (LC) under the Export Development Fund (EDF), usance paid at sight (UPAS) and deferred-payment systems due to dollar shortage may lead to suspension of production of basic raw material for apparel.

Domestic spinners may continue production activities for the next three months till the existing raw materials stock lasts, it said.

The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) also admitted facing similar problems.

In a letter to the central bank, signed by BTMA president Mohammad Ali Khokon, the association said factories could not import required raw materials like cotton, polyester staple fibre (PSF) and viscose staple fibre (VSF) to feed the readymade garment (RMG) exporters despite receiving orders.

"Declining stocks of raw materials amid commercial banks' unwillingness to open LCs might severely hamper production and exports of textile and apparel items," Bangladeshi media reports quoted the letter as saying.

Textile mills need to have raw material stocks for at least four to five months for uninterrupted production and export activities, he pointed out, explaining that it also takes three to four months to get imported raw materials.

The production disruption would not only deepen the existing dollar crisis, but also hit export earnings, the association cautions, fearing unemployment as well.

BTMA requested the central bank to take necessary measures and instruct the commercial banks accordingly.

Source: fibre2fashion.com- Sep 13, 2022

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NATIONAL NEWS

Exporters shouldn't rely on Rupee fall to be competitive: Piyush Goyal

Commerce and industry minister Piyush Goyal says exporters shouldn't rely on the crutches of rupee depreciation to stay competitive, and that a strong domestic currency is good for a net importer like India. "I'm happy that the Indian rupee has shown more resilience than most of the currencies in recent years," he told Banikinkar Pattanayak in an interview.

The minister expects Indo-US trade to jump from $159 billion to at least $500 billion in the next six to eight years. Goyal, who attended the first in-person ministerial of the Indo-Pacific Economic Framework for Prosperity (IPEF) last week, says India could consider joining the trade pillar of the US-led initiative if it gets a good deal that is in the national interest. Excerpts:

On the desirable rupee level to make export competitive

There is no comfortable or uncomfortable level of the rupee, which finds its own place. The currency movement of a country against the dollar is driven by a number of factors—deficit, capital flows, inflation and risk-reward ratio in each country. I'm happy that the Indian rupee has shown more resilience than most of the currencies in recent years.

In fact, the rupee depreciated at a CAGR of about 3.25-3.5% against the dollar until 2014 (for about two decades). After that, the rupee has depreciated at a CAGR of about 2.5%. So that's a significant improvement in the strength of the Indian rupee. Going forward, the rupee is likely to retain its strength. I am one of those who believe that a strong Indian rupee is, in fact, good for the country.

I don't think exporters should rely on a depreciating rupee to stay competitive. Instead, they should stand on their own feet on the basis of quality of products and the ability to serve the needs of customers.

On EU move to scrap GSP benefits from next year

I don't think the GSP (generalised system of preference), under which select Indian products are exported to the EU at zero duty) is a necessary tool to widen bilateral trade engagement. It's better to have a free trade agreement (FTA) with the EU, which we are focussed on. Without the GSP (with the US, which rolled back such benefits for India in 2020), our exports (to the US) have not suffered one bit. I believe our exporters will be able to supply significantly to the EU on the basis of their own strength, even without the GSP benefits.

On FTAs India is firming up

Unlike what used to happen earlier (during the UPA period), FTAs are now being firmed up after a lot of consultations with a broad range of stakeholders where domestic industry is treated as a partner. Therefore, I feel each of the agreements will help us grow trade.

Exports will grow, and, of course, there could also be some growth in imports. Ultimately, economic activity grows both ways. So, I see overall international trade taking a big upswing.

As for exports, we are very confident that by 2030, India will achieve annual goods exports of $1 trillion and services exports of another $1 trillion. This will drive up the export share in overall gross domestic product. And this has been defining feature of developed economies as well (larger share of trade in GDP). That is the effort and direction in which India is moving today.

On scope for further trade expansion with largest partner US

In fact, sky is the limit. There is scope for further expansion in India's exports to the US in every possible sector, given the size of the American market and the fact that it's a big player in international trade and is looking for a massive expansion in technology. I think the Indian IT sector, particularly, will stand to gain consistently because of the huge talent pool that we have. In goods, whether it's textiles, ceramics, or auto components (and going forward cars), electric vehicles, there is a huge scope. We have to focus our energies on producing high-quality products at competitive prices. We aim to raise bilateral trade with the US from the current $159 billion to at least $500 billion dollars in the next six to eight years. Also, the US is going be a big source of investments in India as well.

On export target for this fiscal

I am doing comprehensive stakeholder consultations on it. It's not yet decided, as the situation across the globe is in a flux.

On likely talks on the IPEF trade pillar with the US, and the way forward
We have a trade policy forum where all bilateral issues are discussed (with the US). As such, there will be discussion (on the trade pillar) at the IPEF. We will also participate in those discussions as an 'observer' and whatever will be in India's interests, we will do that. You don't necessarily have to do what others are doing. If we get a deal that is good for the country, we can also join (the trade pillar) later.

We have the status of an 'observer'. This was just the first in-person ministerial discussion (on the IPEF). We follow a comprehensive process before joining an agreement. We have to see what level of commitments we have to give (at the IPEF).

Source: financialexpress.com – Sep 13, 2022

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India must leverage Trade 4.0

After a year of stupendous export performance, the question arises: Can exports sustainably contribute to India's GDP and help it achieve its ambition of becoming a $5-trillion economy? There is optimism that exports can grow much faster, especially in services, given the emphasis on digitisation across the globe. The government, too, has been pushing the export growth agenda.

However, for an economy that is primarily driven by domestic demand, relying on a sustained contribution of exports to GDP is questionable. The contribution of exports can dramatically change, both positively and negatively. External shocks, such as global economic slowdown, fluctuating valuation of foreign currencies, and changes in policies by importing countries, amongst others, that India has no control over, makes it a difficult sector to rely on.

More importantly, the trade landscape itself is changing dramatically with three defining drivers shaping trade of the future — technology, geopolitics and global exigencies, and climate change.

While all three drivers will be critical in redefining the trade landscape, the role of technology is intriguing. Even though several changes are already visible and much anticipated, a few might be somewhat distant. As the world leaps forward to Trade 4.0 with changing technology, it is redefining (and will continue to do so) what we trade, how we trade, and who trades what.

Besides, digitisation is also democratising new possibilities for a more inclusive trading system by increasing the participation of women, MSMEs, local agricultural producers, and remote entrepreneurs.

Huge opportunity

India has a great opportunity as Trade 4.0 gathers momentum. India has demonstrated a comparative advantage in the technology services sector. India's services export has increased rapidly over the past decade with computer services accounting for around 49 per cent of the total exports in FY2021. India can benefit from the changing trade landscape and by capturing a greater share of global technology services.

The government's role as the creator, facilitator, enforcer and negotiator will be critical in India's progress towards the Trade 4.0 revolution. The country will need investment in physical and digital infrastructure. Human capital will be the key, and the government must prepare its people with the right skills by collaborating with globally recognised universities and international institutes to ensure quality delivery of transformative services. These will enable an efficient flow of people, products, and services, thereby reducing the cost of doing business and ensuring economies of scale.

At the same time, as Trade 4.0 evolves, the government must ensure it protects its industry (from anti-dumping or commodity subsidisation) and citizens (by upholding safety standards and protecting consumers). For that, it needs to establish an adequate regulatory framework for trade policy measures, enforce laws and policies and adjudicate disputes efficiently, and keep pace with innovations and disruptions they are causing.

Trade 4.0 will necessitate jurisdiction and laws to strengthen international patent rights; re-design intellectual property and its protection; ensure privacy and personal data/consumer protection; impose web content restriction and competition policy and develop cybersecurity to deter non-compliance and fraudulent behaviour.

Indian industry will also have to adapt to the new trade ecosystem. Adapting to the changing nature of cross-border transactions, identifying the right market, managing real-time inventories, increasing online presence, and tapping into customer preferences will require Indian businesses to unlearn old methods and learn new techniques of doing trade.

Taking advantage of and adopting emerging technologies will be the key. For instance, big data analytics will help identify customers and plan demand, whereas AI and smart robots will help reduce transport, logistics, and inventory costs.

Currently, India's exports account for only 2.1 per cent of the global exports of goods and services; its share in global merchandise exports is even smaller at 1.7 per cent. Given the dominance of Global Value Chain (GVC) exports in overall exports, no country can sustain rapid growth in exports without improving its GVC participation.

Trade 4.0 will help India increase its participation in and move up the global value chain by delivering quality products and services using advanced technology.

Source: thehindubusinessline.com– Sep 12, 2022

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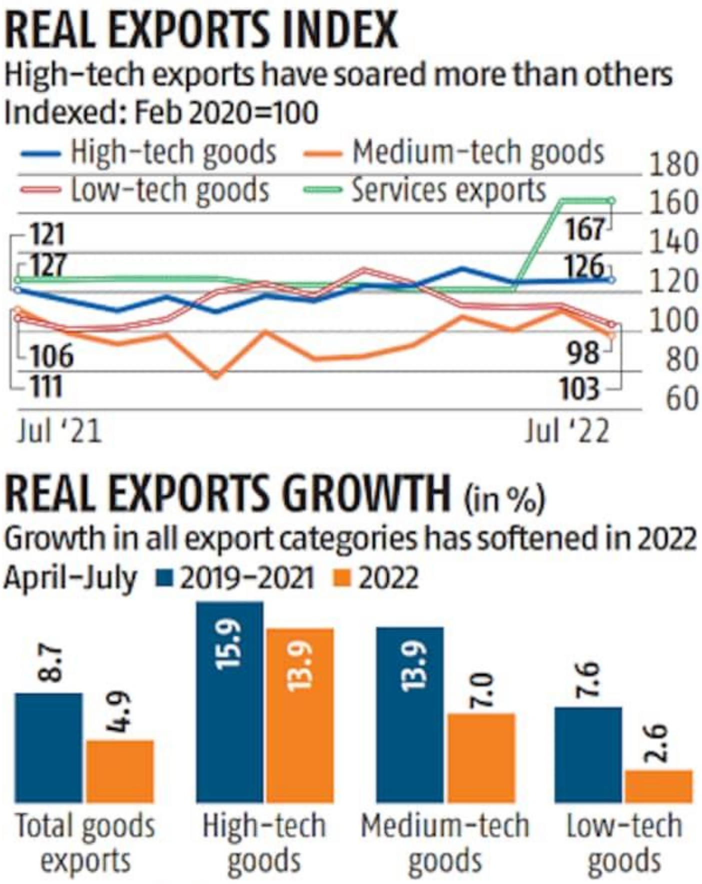
Are exports holding up?

Whether India's exports are holding up is an important question. Goods and services sold abroad, like mobile handsets and IT services, have become an important driver of India's growth. The recently released gross domestic product (GDP) print for June 2022 made that all too clear. The economy has grown just 4 per cent since June 2019, while exports have surged by a staggering 20 per cent over the same period.



Source: CEIC, OECD, HSBC calculations

The rise in exports also explains the improvement in India's current account balance between FY19 and FY22. In fact, the improvement in India's external accounts over those years helped raise buffers, i.e. India's foreign exchange reserves, which the Reserve Bank of India (RBI) is now being able to use to keep the rupee stable in a period of high global volatility.

To understand what happens from here, we need to study export volumes, product by product. But we do not get an official disaggregated data series for the volume of goods and services exports. We only get "nominal" data, which isn't that useful given a lot of the change is based on price movements and not export volumes.

So we created the "real" overall exports series ourselves, using nominal exports, relevant price indices and exchange rates. Our calculations are across sectors (such as textiles, software services, etc), and we aggregate up to get the overall "real" (goods and services individually) series.

We divide India's export basket into four sub-components — high, medium and low technology goods exports, and services exports, respectively.

We find that real high-technology goods exports have grown the fastest over the last few years, alongside an impressive rise in real services exports, particularly IT exports. High-tech goods include electronics, engineering goods and pharmaceutical products.

Medium- and low-tech exports have been much weaker, currently just about at pre-pandemic levels.

Real medium-tech exports have remained weak for much of the pandemic period, but have seen a sharp rise in gems and jewellery in recent months. Over and above gems and jewellery, this category includes chemicals (excluding pharmaceutical products), refined petroleum, etc.

After rising in 2021, real low-tech exports have begun to inch lower since early 2022. This category includes food products, textiles, leather products, etc.

It can be argued that this divergence between strongly growing high-tech exports and weak low-tech exports has also exacerbated India's K-shaped recovery where some have prospered and others stagnated. Firms and employees associated with high-tech exports have enjoyed better profits and salaries than those associated with medium- and low-tech exports.

The export story over the last few years is clear. What's happened to it in the last few months?

Recent data shows that overall real goods export growth is softening. After rising by an average 8.7 per cent year-on-year (in the April-July period of 2019-2021), it has fallen to 4.9 per cent (in the April-July period of 2022).

A closer look shows that while all categories have weakened, high-tech exports continue to grow the fastest, followed by medium-tech goods, and finally low-tech goods.

There's both good and bad news from our analysis so far. The good news is that India was able to ramp up production in those goods and services which were most in demand during the pandemic period, namely IT services, mobile handsets, and pharmaceutical products. In fact, India has been gaining global market share in high-technology exports since 2017. Some of these new trade opportunities could outlast the pandemic.

The not-so-good news is that if the ongoing softening in export growth carries on for the rest of the year, the contribution of the exports sector to GDP growth will only be a quarter of what it was last year. In simpler terms, a drag on India's GDP growth, arising from softening exports is imminent.

Also, while it is good to see high-tech exports doing relatively well, it is low-tech exports that create a significant number of jobs. India needs to work hard on sectors like textiles, leather and food exports.

And there are some policy implications too. A competitive rupee is one strategy to nurture exports growth during uncertain times. The dollar index has strengthened about 10 per cent since the start of the year, while the rupee has only weakened about 6 per cent during this time. The RBI has conducted substantial intervention in the foreign exchange market to keep the rupee relatively stable in the face of a balance of payments deficit.

Some gradual depreciation from here, we believe, could help nurture India's exports and its economic growth.

Source: business-standard.com– Sep 12, 2022

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Industrial production growth slows to four-month low of 2.4 pc in July

India's industrial production growth decelerated to a four-month low of 2.4 per cent in July, mainly due to poor showing by manufacturing, power and mining sectors, according to official data released on Monday.

The data showed that the previous low in industrial output growth was recorded at 2.2 per cent in March this year. IIP grew 6.7 per cent in April, 19.6 per cent in May and 12.7 per cent in June.

Factory output, measured in terms of the Index of Industrial Production (IIP), had expanded 11.5 per cent in July 2021.

The manufacturing sector expanded 3.2 per cent in July 2022 compared to 10.5 per cent recorded in the year-ago period, as per the data released by the Statistics and Programme Implementation Ministry.

The power sector showed a growth of 2.3 per cent as against 11.1 per cent a year ago. The mining sector witnessed a contraction of 3.3 per cent in July 2022 whereas there was a growth of 19.5 per cent in the year-ago period. During April-July this year, IIP rose 10 per cent as against 33.9 per cent growth in the same period a year ago.

Capital goods output, which is a barometer of investments, rose 5.8 per cent in July 2022 as against 30.3 per cent growth in the year-ago month. The consumer durables segment grew 2.4 per cent compared to 19.4 per cent growth a year ago.

The primary goods segment, which accounts for nearly 34 per cent of the index, expanded 2.5 per cent in July compared to 12.4 per cent growth in the year-ago period.

The ministry said the growth rates over the corresponding period of the previous year are to be interpreted considering the unusual circumstances on account of COVID-19 pandemic since March 2020.

Source: financialexpress.com– Sep 12, 2022

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States to have Niti Aayog-like bodies soon

The Niti Aayog, the think-tank at the Central level, will handhold each state to set up similar bodies, replacing their outdated planning boards, for faster and inclusive economic growth, in tandem with the national vision of becoming a developed nation by 2047.

The move is in recognition of the fact that except for sectors like defence, railways and highways, the national gross domestic product (GDP) growth is an aggregation of states' rates of growth.

Health, education and skilling are primarily with the state government. The Niti Aayog notes that state governments' role is critical to improving ease of doing business, land reforms, infrastructure development, credit flows and urbanisation, all of which are vital for sustained economic growth.

In his Independence Day speech last month, Prime Minister Narendra Modi set an ambitious target of making India a developed nation by 2047.

The Niti Aayog has already got cracking on the "state support mission" by holding a meeting of state planning secretaries on September 6. The think-tank, which will likely extend support to states including experts from IIMs and IITs, has received positive responses from states, according to sources. Initially it aims for 8-10 states to set up such bodies, before reaching out to all by March 2023.

Four states — Karnataka, Uttar Pradesh, Madhya Pradesh and Assam — have already begun work in this regard while Maharashtra, Odisha, Andhra Pradesh and Gujarat will likely commence work soon, sources said.

It has been seven years since the 65-year-old Planning Commission was replaced with the Niti Aaayog by the Modi government in January 2015, mainly as a think-tank for forging a national vision on development. The government has since given the plan fund allocation powers to the Union finance ministry.

However, most states so far have done little to rejuvenate their planning departments/boards, which were earlier dealing with the central Planning Commission and preparing parallel, state five year-plans with the Centre.

"Most states' planning departments, with huge manpower, are almost defunct and have no clarity what work they will do," a senior official said. "A plan has been chalked out by the Niti Aayog to help in the creation of teams that will examine the existing structure of state planning boards, and in the next 4-6 months conceptualise the State Institution for Transformation (SIT)." Lateral entry of professionals will be encouraged in SITs to undertake high-quality analytical work and policy recommendations.

Besides reorienting the state planning boards as SITs, a blueprint will be prepared on how it will guide the states in policy formulation, take up monitoring and evaluation of government policies and programmes, as well as suggest better technology or models for delivery of schemes.

The Niti Aayog and the proposed SITs will play a critical role in India achieving goals set for 2047, the 100th year of independence. The Centre has set up 10 working groups under various secretaries to set those socio-economic goals to achieve sustainable, inclusive and job-creating high growth, while addressing carbon footprint and energy security.

Source: financialexpress.com– Sep 13, 2022

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Trade aversion

India's decision to opt out of the trade pillar of the Indo-Pacific Economic Framework (IPEF) is disappointing and will adversely affect longer-term economic prospects. Although India joined the other three pillars of the framework related to supply chains, tax and anti-corruption, and clean energy, the stand on trade will weaken its overall position.

The government has argued that in the context of trade, the contours in terms of commitments to be made in areas such as labour, environment, and public procurement are still emerging. It is not clear what member countries will gain and whether some of the conditions would discriminate against developing countries. The government has said that it will continue to engage with the trade track and wait for the final contours to take shape. India would have been better off being part of the process deciding those conditions.

The US-led IPEF was announced in May and has 14 members. Although it's not a trade agreement between the members and is more of a forum on standards and norms in different areas, it provided an opportunity for India to build partnerships with countries in the region along with the US. This is important because India is not a part of mega-trade agreements. India's stand on the trade aspect of the framework weakens its standing in a number of ways.

For instance, by staying away from the trade aspect, it is highly likely that it will also miss out on the supply chain pillar of the IPEF because the two are interconnected and interdependent. Further, it will signal that India is part of the Quadrilateral Security Dialogue or Quad — a strategic group of the US, Australia, Japan, and India — only with a narrow focus on geopolitical security and is not open to broader economic partnership in the region.

Clearly, if India is not an active member of the forum conceived as an alternative to China's dominance in the region, it will get more isolated in trade and other economic aspects. More specifically on trade, the thinking in New Delhi seems to be to focus on bilateral agreements. This is a flawed approach. Standards and conditions that India is uncomfortable with in large agreements would also be raised in bilateral trade negotiations with advanced economies.

Bypassing such conditions may only result in a shallow deal, which may not go too far. India's trade policy thus needs to be fundamentally reviewed and associated domestic reforms should be carried out at an accelerated pace.

It is absolutely critical to acknowledge that to do well on the trade front, it is necessary to be part of the global value chain. This can only happen if India is part of large trading groups and willing to adhere to the terms of such agreements.

Since India seems unwilling to do so and has raised tariffs in recent years to protect domestic businesses, its participation in the global value chain has declined. India's stand on IPEF, along with its decision a few years ago to walk out of the Regional Comprehensive Economic Partnership, will also affect its position in bilateral trade talks. It will not be able to approach such negotiations from a position of strength. India thus would do well to review its stand in the context of IPEF as it could also have geopolitical implications.

Source: business-standard.com– Sep 12, 2022

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Tough for India, Pak, Sri Lanka, Bangladesh to source gas: SBI report

The sudden shortage of gas in the European Union (EU) has affected the price of natural gas, concomitantly disrupting the supply in other regions. In South Asia, India, Pakistan, Sri Lanka and Bangladesh are experiencing difficulty in sourcing gas, according to the latest State Bank of India (SBI) Research Ecowrap, which said the gas crisis will affect India at various levels.

First, the loss of purchasing power in EU27 will affect India's exports. Further disruption in production will affect export of intermediate goods. Even intermediate good imports from EU to India may be disrupted if the production is affected significantly, the ECOWRAP noted.

Current high gas prices will affect the cost of transport using CNG as fuel. City gas distribution companies will see high cost of sourcing, and that will affect urban demand, it said.

Russian pipeline flows to Europe have been dropping since the second half of 2021 and following recent cuts in deliveries, Russian exports to the EU are now down by roughly 60 per cent compared to June 2021 and further downward escalation is a reality.

Additionally, with EU turning importer of fertilisers with its own production unable to meet the demand, international price of fertilisers will witness a rise, affecting India's food subsidy bill, and hence, the fiscal calculation. Fertiliser crunch is in fact deepening with more than two-thirds of production capacity halted by soaring gas costs as gas is both a key feedstock and a source of power for the sector, it noted.

The current round of gas crisis in Europe will create a fresh round of inflationary pressures in food and transport prices, the report added.

Source: fibre2fashion.com– Sep 12, 2022

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E-commerce firms reduce influencer marketing spend

As start-up ecosystem is going through a global funding slowdown

Ecommerce firms' average spend on social-media influencers has reduced this festive season as the companies are focussing more on micro-influencers (1,000-10,000 social-media followers), three influencer marketing companies told BusinessLine.

This development comes at a time when e-commerce companies have started focussing on profitability, and the larger start-up ecosystem is going through a global funding slowdown. “In 2022, micro-influencers are expected to play a bigger role. While micro-influencers have fewer followers compared to mega and macro-influencers, their audiences tend to be more engaged and they also charge less. So, it is viable to see less money being spent on influencer deals this year compared to 2021,” Neha Puri, Founder & CEO of influencer marketing platform, Vavo Digital.

Mega-influencers (over million followers) charge somewhere between $1,000 and $2,000 for each post, whereas a micro-influencer can charge up to $100 per post. Adding to this, Shudeep Majumdar, co-founder and CEO, Zefmo Media Pvt Ltd, said: "The most visible trend this year is the focus on hyper-local micro influencers. More and more e-commerce companies are focussing on getting such influencers onboard as a result of seeking more value from them and due to their better engagement percentage."

He added that the share of influencer marketing in the overall marketing spends' pie has been steadily going up over the past years at CAGR of about 40 per cent. Zefmo Media is an influencer marketing platform working with over 1,50,000 influencers.

Further, Amit Nagpal of Blogger Alliance, added that the market realities and global uncertainties like Ukraine war have also impacted the number of influencer marketing deals this year.

Among its influencers base, Blogger Alliance has seen 15-20 per cent less deals this year compared to 2021. This year, e-commerce firms have announced collaboration with major national and regional celebrities. Announcing its Big Billion Day sale earlier this month, Flipkart said it has partnered with big entertainment and sports stars, including Amitabh Bachchan, Alia Bhatt and MS Dhoni.

Similarly, Internet commerce unicorn Meesho has partnered with nine well-known celebrities for its festival sale such as Ranveer Singh, Deepika Padukone, Rohit Sharma, Rashmika Mandanna, Kapil Sharma, Trisha Krishnan, Karthi Sivakumar, Ram Charan and Sourav Ganguly.

Source: thehindubusinessline.com– Sep 12, 2022

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India ITME Society organises networking programme in Uzbekistan

India ITME Society, the non-profit apex industry body from India organised the 'India Networking Programme' at Uzbekistan coinciding with CAITME on September 8, 2022. This networking programme was held with the purpose of highlighting the strengths and opportunities offered by India, home to 2nd largest textile market in the world, and invite business delegation from Uzbekistan to India ITME 2022, a textile machinery and accessory exhibition hosted in India every once in 4 years. It will be held from December 8-13, 2022, at IEML, Greater Noida, India.

India ITME is one business event where export promotion councils, trade promotion departments, research institutes representing 22 chapters of textile segment come together to interact, explore and expand business networks. India ITME is the single platform where all stalwarts of textile industries come together along with financial institutions, policy makers and government officials, making it the best and ideal forum for catapulting textile business efficiently and competently globally.

This year, the exhibition is expanded to include end to end solution for fibre to end products and complete sourcing solutions and latest technology. India ITME Society has invested significantly over the past several years to bolster its capabilities in helping the textile industry clients in their B2B transformation initiatives and now has already started working on buyers sellers meet and technology workshops and seminars useful for the future growth of the textile Industry, the Indian ITME Society said in a media release.

India ITME 2022 ensures optimum experience and value addition for its exhibitors and visitors with the interactive and focused sessions on enthralling topics by renowned speakers and industry stalwarts on practical topics which is the need of the hour. It is the best opportunity to discover new knowledge and discuss with experts doing ground-breaking work in the textile and textile engineering industry vertical.

Uzbekistan and India have the potential to experience flourishing growth. Uzbekistan, strategically located in the heart of central Asia, is the 6th largest cotton producer.

Cotton contributes 68 per cent to the country's export of fibre which was recorded to be $2.66 billion in 2021. Once upon a time, it was the 3rd largest exporter of cotton. Development of the sector started with units built up for processing 706 thousand tons of cotton fibre and thereby producing fabric in the range of 510 million square meters of fabrics coming from 89 units producing knitted fabric, and 495 enterprises for finished knitwear. Foreign investments are huge in the country with around 300 textile companies established through foreign investment from China, South Korea, Russia, India, Singapore, Germany, Switzerland, and others.

The country's exports of textile were higher vis-à-vis its imports in 2021. Its exports in overall textiles and apparel are increasing at a CAGR of 18 per cent. The country majorly imports manmade fibres alone contributing 95 per cent to the total imports worth $0.37 billion in FY21. Having a well-developed spinning segment, the country exported $32.53 billion in FY21. The fabric exports were $8.06 billion in the same year.

In 2018, Uzbekistan recorded imports worth $710.38 million and in FY21 imports worth $474.46 million with spinning having a major share constituting 36 per cent followed by processing and garmenting machinery having a share of 19 per cent and 14 per cent respectively. Today the country's textile machinery imports are majorly being imported from China.

But India is one of the lookout countries for advanced engineering solutions. Uzbekistan India strategic alliance can aid in the best sourcing of spinning and other allied machinery into Uzbekistan that will uplift and advance Uzbekistan's growth further and creates its name not just as a producer for textiles but as a strong spinner.

The spinning sector which is currently accountable for more than 1.6 million spinning spindles will further increase and through channel partners in India, the current statistics of having 100 thousand chambers can also further increase. The garmenting machinery range and weaving machinery from India can also develop new brands to come into the country as well as increase their woven fabric production, the release added.

With the dynamics of youth and urbanization in Uzbekistan combined with India's brand image and strong engineering background, a strategic partnership by mapping the skillset of both countries will bring prosperity to both countries. Both India and Uzbekistan having the strength and rich heritage in cotton will only benefit from one another.

India ITME 2022 is being held at World class venue IEML Greater Noida, a well-designed Exhibition Venue in the National Capital Region and one of the largest in India spread across 235,000 square metre area.

India ITME 2022 is expected to host more than 1500 exhibitors from Austria, Belgium, China, Czech Republic, France, Germany, Hong Kong, Indonesia, Italy, Japan, Slovakia, South Korea, Spain, Switzerland, Taiwan, Turkey, United Kingdom, United States of America in 22 Chapters with over 1,50,000 visitors over the 6-day period. This is a once in a 4-year opportunity to view 1500+ live machineries from across the world on display from 22 chapters and meet agents, dealers, government officials on one platform years making India ITME 2022 the apex B2B event in the textile and textile engineering industry in the whole of Southeast Asian region.

India ITME 2022 strives to assimilate and disseminate more knowledge and power for industry through the futuristic technology topics at the conference sessions and planned B2B meetings with visiting foreign delegates + business visitors.

S Hari Shankar, chairman, India ITME Society, has formally extended an invitation to India ITME 2022 in December to 'Explore the Soul of Textiles'. He has also encouraged an official delegation from Uzbekistan, that could mark the beginning of a stronger bilateral trade and investment activities in the textile sector between India and Uzbekistan.

Source: fibre2fashion.com– Sep 12, 2022

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Jobs revival

As Covid wanes, India's high-frequency indicators suggest that economic activity is normalising quickly, with high-contact services such as trade, hospitality and travel being the latest to revive. NSO's latest Periodic Labour Force Survey (PLFS) for the April-June quarter of 2022 shows that the growth revival is reflecting in urban job creation. The job losses witnessed during peak Covid are now a thing of the past with key metrics such as the all-India unemployment rate, Worker Population Ratio (WPR) and Labour Force Participation Rate (LFPR) back to pre-Covid levels.

About 43.7 per cent of India's population aged 15-plus was in the workforce just before Covid hit, in January-March 2020. The lockdown levelled this to 36.4 per cent, but the ratio bounced back to 43.9 per cent by April-June 2022. The unemployment rate, which had spiked from 9.1 per cent before the pandemic to 20.8 per cent during the lockdown, fell back to 7.6 per cent in April-June 2022, suggesting that the economy has recouped urban jobs lost during Covid and then, some more.

While the headline numbers are heartening, granular findings suggest some structural changes in employment which are not as positive. One, Covid has widened the yawning male-female divide in India's workforce. Though both men and women suffered big job losses during the lockdown, men have found it easier to resume employment.

The unemployment rate for women in April-June 2022 at 9.5 per cent stood much higher than 7.1 per cent for men. While the proportion of working men in the 15 plus age group has increased from 67.3 per cent pre-Covid to 68.3 per cent now, just 18.9 per cent of the women are employed today compared to 19.6 per cent before. It needs to be investigated if Covid has led to permanent job losses in sectors where women usually find employment.

Two, before Covid 35.5 per cent of India's workers were in family enterprises, 38.3 per cent were self-employed and 50.5 per cent held salaried jobs, while 11.2 per cent worked as casual labour. The lockdown dealt a big blow to family enterprises and casual work.

While casual jobs have bounced back post-Covid (12.1 per cent in April-June 2022), a lower proportion of workers now seem to be in salaried jobs (48.6 per cent), while family firms (38.6 per cent) and self-employment

(39.2 per cent) have seen an increase. This could indicate disguised unemployment or lower wages.

The NSO deserves praise for reducing the time lag between the completion of this survey and its release to just 2 months compared to the delay of 9-12 months earlier. This improves the usability of the data. But the quarterly PLFS does leave important questions about state of employment unanswered.

As it surveys urban workers alone and not rural ones (they feature only in the annual PLFS), it does not help gauge if rural jobs have recovered at the same pace as urban ones. PLFS captures employment based on the current weekly status reported by workers and therefore captures the supply side of the labour market, without touching on the demand side.

Data on whether industry and services are creating enough new jobs is a critical input to gauging if India is indeed capitalising on its demographic dividend. The survey's design also needs to evolve with the changing nature of workforce in the economy, from manufacturing to services, from full-time to gig work. One hopes NSO will take up work on the above datasets in future.

Source: thehindubusinessline.com– Sep 12, 2022

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North India cotton yarn still down, but export orders give hope

Cotton yarn markets in north India showed downward trend today as poor demand forced sellers to offer lower prices. The price of few varieties of cotton yarn slipped by ₹5 per kg. However, there was a good sign that export demand of cotton yarn was visible in Delhi and buying is expected to begin for November and December shipment export orders.

Delhi market remained bearish today. The price of 30 count carded cotton yarn eased by ₹5 per kg, but other varieties were steady. Traders expected arrest of down trend due to export orders for cotton yarn form Bangladesh and other countries. A trader from Delhi market told Fibre2Fashion, “The market may take a U-turn very soon as buying will pick up for yarn export orders. The market will boost once better buying is clearly visible. Domestic festival season and winter demand will also help in increasing the demand.” 30 count combed yarn was traded at ₹375-380 per kg (GST extra), 40 count combed at ₹415-420 per kg, 30 count carded at ₹330-335 per kg, and 40 count carded at ₹370-375 per kg, according to Fibre2Fashion’s market insight tool TexPro.

Ludhiana market also noted a declining trend. Here too, cotton yarn prices slipped further by ₹5 per kg because buyers remained silent. Traders in this market feel uncertainty in market sentiments. A local trader told Fibre2Fashion, “Buyers are not interested to take risk, so they do not want to buy more cotton yarn than regular consumption.

The market will take a trigger if demand improves in downstream industry.” In Ludhiana, 30 count cotton combed yarn was sold at ₹380-385 per kg (GST inclusive), as per TexPro. 20 and 25 count combed yarn were traded at ₹370-375 per kg and ₹375-380 per kg respectively. Carded yarn of 30 count was quoted at ₹330-335 per kg.

Panipat market noted bearish tone in recycled yarn prices. Cotton comber slipped by ₹5 per kg due to poor demand from the home textiles segment. Recycled polyester fibre, however, steadied due to shortage of supplies. A trader said that recycled yarn of higher counts were traded in loss. For example, the price of 20 count recycled (PC-high quality) yarn fell by ₹5 per kg.

He said that buyers are purchasing for immediate consumption due to uncertainty about the revival of demand. In Panipat market, 10s recycled yarn (white) was traded at ₹88-93 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹105-110 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled high quality PC yarn (coloured) at ₹115-120 per kg. 30 count recycled yarn was sold at ₹160-165 per kg. 10s optical yarn was traded at ₹100-110 per kg in the market. Comber prices were ruling at ₹135-130 with loss of ₹5 per kg. The price of recycled polyester fibre (PET bottle fibre) was noted steady at ₹90-92 per kg.

Meanwhile, cotton prices eased down by ₹200-300 per maund of 37.2 kg in north India due to higher arrival. Mostly arrival was recorded in Haryana mandis. Punjab also noted arrival of few lots of new cotton. Forward deals are taking place for September and October delivery. New cotton was traded at ₹8,800-8,850 per maund for spot deals. Forward cotton was traded at ₹8,500-8,550 per maund for September and 7,900-7,950 per maund for October delivery.

Source: fibre2fashion.com– Sep 12, 2022

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