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IBTEX No. 188 of 2022 — September 29, 2022

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Currency Watch	
USD	81.88
EUR	79.17
GBP	88.41
JPY	0.57

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INTERNATIONAL NEWS

S Korea ratifies FTA with Cambodia; boost to garment-textile exports

South Korea's National Assembly yesterday ratified a free trade agreement (FTA) with Cambodia, rounding off the final domestic procedure essential for the implementation of the FTA signed in October last year. The FTA, signed into law in Cambodia in January this year and ratified in June, is expected to boost Cambodian exports of garments, textiles and footwear to South Korea.

The agreement also presents opportunities for value-added investments in Cambodia's downstream processing industries through a 'plus one business model', in which South Korean companies could expand their supply chain network developed in not only China but also Vietnam or Thailand.

The Cambodia-Korea Free Trade Agreement (CKFTA) is expected boost trade between the two countries with South Korea agreeing to remove tariffs on 95.6 per cent of products imported from Cambodia, while Cambodia will eliminate duties on 93.8 per cent of imported goods, according to media reports from South Korea.

Cambodia-South Korea bilateral trade was valued at $885 million in 2020 and grew by 9 per cent to $965 million in 2021. Further, Cambodia imported goods worth over $600 million from South Korea in 2021 while exports reached $341 million to the East Asian nation.

The National Assembly also ratified an FTA with Israel, signed in May last year. South Korea is the first Asian nation to have an FTA with the Middle Eastern nation.

Source: fibre2fashion.com- Sep 28, 2022

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China confident foreign trade to grow in H2 2022 despite weak demand

China recently expressed confidence over achieving positive foreign trade growth in the second half (H2) this year, with fresh measures aimed at stabilising such trade introduced amid weakening external demand, according to vice commerce minister Wang Shouwen, who said the slowdown in external demand growth is the largest uncertainty facing China's foreign trade now.

Confident about the role of foreign trade expansion in shoring up the country's economic recovery, he attributed the drop in export orders partly to the economic slowdown in some major economies, citing a sluggish economic outlook and a slower growth in global trade in goods.

Factors like rising inflation in some major economies and the high inventory levels of foreign importers also resulted in the decline in orders, which has affected not only Chinese firms but also exporters in Southeast Asia and other countries, Wang was quoted as saying by an official news agency.

Earlier data showed China's foreign trade sustained growth momentum in the first eight months of the year, jumping by 10.1 per cent year on year (YoY) to 27.3 trillion yuan ($3.95 trillion).

In August alone, however, the country's foreign trade volume registered an 8.6 per cent YoY increase, down 7.9 percentage points from that in July. Some export companies have seen a decline in the number of orders recently.

To help companies navigate difficulties, China's commerce ministry recently issued a circular on stabilising foreign trade, which Wang said will strengthen the country's capability of foreign trade companies to deliver contracts and further expand their presence in the global market.

Efforts will also be made to ensure special funds for international economic cooperation and foreign trade are used fully and at an accelerated pace, and to enhance services for companies to participate in overseas exhibitions and conduct business negotiations.

To stimulate innovation vitality, China will pilot market procurement trade on a new list of markets, develop a new group of innovation demonstration zones for the import trade and establish a number of new integrated pilot zones for cross-border e-commerce.

Measures have been put in place to raise the efficiency of transportation of goods between inland regions and coastal ports, and to improve domestic land transport to accelerate transshipments as well as the inbound and outbound transport of goods, Wang added citing the circular.

Source: fibre2fashion.com- Sep 28, 2022

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Global recession increasingly likely as cost of living soars: WEF survey

A global recession is becoming increasingly likely due to stubbornly high inflation and real wages continuing to fall, the World Economic Forum said on Wednesday, citing a survey of chief economists from across the world.

According to the WEF Chief Economists Outlook report, real wages are expected to continue falling across the world in 2022-2023 and the cost of living crisis is threatening social unrest, though inflationary pressures are expected to ease in the next year.

The survey showed that food security could be at risk across large swathes of the globe over the next three years.

Referring to rising concerns about food security triggering export restrictions, which risk exacerbating global supply disruptions, the report said India, the world's largest rice exporter, introduced a ban on exports of broken rice and a 20 per cent export duty on other grades of rice.

"Given that the stability of rice prices in 2022 was instrumental in preventing a fully-fledged global food crisis, the prospect of higher rice prices could spell potential emergency conditions in already stressed regions," it added.

The survey of over 50 economists from the finance, insurance, professional services and technology industries, as well as international organizations and regional development banks, found that they expect reduced growth, stubbornly high inflation and continuing fall in real wages for the remainder of 2022 and 2023.

An average of seven out of ten economists consider a global recession to be at least "somewhat likely".

Prospects for the global economy have deteriorated further in past few months with expectations for growth pared back across all regions.

Almost nine out of ten of the chief economists expected growth in Europe to be weak in 2023, while moderate growth is expected in the Middle East and North Africa (MENA) region, the US, South Asia and Latin America.

The grim outlook for growth is being driven in part by high inflation, which has triggered sharp monetary tightening across many economies. With the exception of China and the MENA region, most of the chief economists surveyed expect high inflation to persist for the remainder of 2022, with expectations somewhat moderating in 2023.

As the high cost of living reverberates around the world, the chief economists were in agreement that wages will fail to keep pace with surging prices in 2022 and 2023, with nine in ten expecting real wages to decline in low-income economies during that period, alongside 80 per cent in high-income economies.

With household purchasing power weakening, the majority of the chief economists expected poverty levels across low-income countries to increase, compared with 60 per cent in high-income countries.

"Growing inequality between and within countries is the ongoing legacy of Covid-19, war and uncoordinated policy action. With inflation soaring and real wages falling, the global cost of living crisis is hitting the most vulnerable hardest, said Saadia Zahidi, Managing Director at the World Economic Forum.

"As policymakers aim to control inflation while minimizing the impact on growth, they will need to ensure specific support to those who need it most. The stakes could not be higher," she added.

The cost of living crisis is driving concerns around energy and food prices, the survey showed.

Many chief economists appeared concerned about the risks of food insecurity in South Asia and Central Asia, while nearly 80 per cent of the respondents expected rising costs to trigger social unrest in low-income countries versus 20 per cent in high-income economies.

Source: thehindubusinessline.com- Sep 28, 2022

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Fast Fashion grows at 7.7% CAGR despite dissent

As underdeveloped countries transit to developing status, their retail sectors are getting better organised and enabling a large number of brands use the affordability and accessibility platforms to reach out to the masses. The global fast fashion market size is expected to grow from $91.23 billion in 2021 to $99.23 billion in 2022 at a compound annual growth rate (CAGR) of 8.8%. The fast fashion market is expected to grow to $133.43 billion in 2026 at a CAGR of 7.7%.

A growing number of dissenting voices are on the rise, yet not heeding the environmental concerns; fast fashion is on a trajectory to greater successes. The demand and popularity saw the rise of fashion brands like never before, Zara, H&M, Uniqlo, Forever 21, GAP and Primark being some of them.

The Rio Earth Summit in 1997 had already raised the green issues of the fashion industry in general and today it rings true, particularly for fast fashion. British fashion designer Stella McCartney expressed “I'm here today because I'm begging for policy to be put in place for the fashion industry,” she tells Forbes at the opening of her “Future of Fashion: An innovation conversation with Stella McCartney” exhibit at the Kelvingrove Art Gallery and Museum in Glasgow, on the sideline of the COP26 UN climate conference.

Is sustainable fashion really gaining grounds?

Harvard Business Review in a recently published article remains critical of the efforts that the fashion industry claims it is undertaking to be more sustainable and responsible. Clothing and accessories ranging from swimsuits to wedding dresses are marketed as carbon positive, organic, or vegan while yoga mats made from mushrooms and sneakers from sugar cane have come into the market, stoking the consumers' environmental consciousness.

New business models including recycling, resale, rental, reuse, and repair are sold as environmental life savers. Harvard Business Review points out that these have really had little impact as the fashion industry's environmental track record remains abysmal for the last 25 years. Post pandemic trickle effect percolating from celebrities to masses

Post pandemic, the consumer worldwide waking up to the stark realities of fast fashion and the promise of responsible consumption through sustainable fashion has come to the forefront.

Designers and media are playing their role, educating people of fast fashion's excesses. Technology, research and development are introducing more viable and durable fabrics whilst economics is making the most of reuse and repair. Sustainable shopping is growing in popularity, particularly in developed nations. Brands such as Levi's, Patagonia, Marine Layer and Reformation are focusing on quality over quantity with completely eco-friendly clothing lines.

Rentals are also being pushed just as much as pre-loved clothing, with e-commerce sites leading the way. "Renting formal attire is the better economical and environmental choice when it comes to finding a one-time-use outfit," said Angela Nunes, a Rent-the-Runway representative. "Most formal pieces are produced cheaply, sold for large amounts, and are never worn again."

It seems that the trickle effect has started, percolating from celebrities to masses. However, it remains to be seen if sustainable fashion can become a sustainable business model.

Source: fashionatingworld.com- Sep 28, 2022

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UK Textile Forum in October

Textile Forum will be held in the UK, October 12 to 13, 2022.

The event will highlight a number of British mills and suppliers so buyers can source more locally as the focus on sustainability gains momentum.

Exhibitors will include wool specialists and silk experts and there will be more collections incorporating sustainable yarns.This Textile Forum is the 40th show. Exhibitors will promote their creativity alongside their green credentials as well as their low minimum order quantities and stock holdings so they can respond quickly to designers' requirements.

Textile Forum is not just an important event for fashion designers but also for those creating costumes for the entertainment industry, such as historical dramas for the leading streaming broadcasters, who are looking for fabrics and specialist skills, such as embroidery. Additionally, the event has been attracting more interiors specialists, an area that is beginning to cross over into more retail apparel businesses.

Alongside the fabrics, Textile Forum also provides the essential trimmings such as buttons, linings and packaging, as well as garment manufacturing contacts.

Textile Forum is a boutique event that brings together a broad spectrum of the industry in one place so that buyers can easily find what is on their sourcing shopping list and discover new suppliers.

Source: fashionatingworld.com - Sep 28, 2022

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Workout clothes have global appeal

The workout clothes market is growing at six per cent a year. Workout clothes are a type of utility clothing that improves athletes' performance during sports or fitness physical activities by enhancing body movement compared to ordinary clothing.

Market growth has been helped by the unique benefits of sportswear such as breathability, rapid drying, static resistance, heat resistance and chemical resistance. Key trends and opportunities are buyers' rising disposable income and fitness consciousness.

There is the growing popularity of smart sportswear. This improves training routines, monitors performance, and offers real-time feedback.

There is a significant demand for workout clothes like shorts, sweatshirts and hoodies, tanktops with which to engage in fitness or sports activities. The workout clothes market is predicted to rise rapidly as the trend of athleisure as casual wear among the world's youth population grows.

Polyester workout clothes have several benefits like fastdrying, stretch, easy wash, wrinkle resistance and chemical resistance and so are having a strong demand. The United States is predicted to emerge as a significant region in the workout clothes market.

The coronavirus epidemic had had a detrimental influence on the workout clothes market. Lockdowns and limitations on store occupancy resulted in a decrease in the sales of workout clothes.

Source: fashionatingworld.com - Sep 28, 2022

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Sri Lanka's JAAF pledges support to ILO's Better Work initiative

Sri Lanka's Joint Apparel Association Forum (JAAF) has pledged support to the ILO’s Better Work initiative demonstrating the industry’s deep commitment to prioritising people and their well-being. The ILO recently launched Better Work (BW) with the objective of strengthening the resilience of industry using Better Work’s extensive experience, tools and partnerships exemplifying a human-centered recovery and growth.

Recognising that the apparel sector in Sri Lanka starts from a relatively high bar, the BW programme for Sri Lanka is not a roll out of the programme done in other countries but is bespoke to Sri Lanka allowing companies to build on the work already done in this area.

One of the industries in focus in Better Work is the apparel industry, Sri Lanka’s largest exporter employing nearly one million both directly and indirectly across 350 manufacturing plants island wide.

Better Work concentrates on occupational safety and health, gender diversity and inclusion including leadership skills training and career development for women workers, empowering Small and Medium Enterprises (SMEs) with leadership and financial literacy training and an SME factory improvement toolkit, JAAF said in a media release.

The apparel industry’s internationally acclaimed trust and reputation is anchored in the unique niche of prioritising ethical labour practices and JAAF believes strongly that Better Work is an opportunity to partner with local and international stakeholders to strengthen the commitment of ensuring decent work environments built on gender equality, safety, health, inclusion and holistic empowerment.

Speaking at the formal launch of the event, minister of labour and foreign employment, Manusha Nanayakkara extended government support to the initiative stating, “The programme is a significant step in promoting better OSH practices and standards so that the already high standards of the apparel sector could be further elevated. This will in return send a strong message to the key stakeholders of the industry ecosystem about our commitment to the apparel industry.”

With the onset of the pandemic and the subsequent economic crisis, the apparel industry implemented an expansive range of initiatives to ensure that the welfare of workers and their families were a top priority. These included providing additional meals for employees to take home in order to feed their families, distribution of dry rations, and provision of school books for children, free medical facilities and transport and customised food packages for expectant women. These initiatives were extended to those in the SME sector as well.

The industry encourages plants to implement welfare measures to best suit the requirements of their workers from as early as June of 2022. Approximately 80 per cent of apparel manufacturers made cost-of-living adjustments to salaries over and above their annual increments. In some instances, these represent a 25 per cent increase from 2021.

Source: fibre2fashion.com - Sep 28, 2022

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Bangladesh aims for Gulf market

Bangladesh's garment makers are looking to expand their trade with the Gulf countries.

As of now three countries, China, India and Pakistan, currently control the Gulf market. Bangladesh's garment manufacturers' sales in their established markets, the EU and the US, are declining amid the political crisis in Europe due to Russia's invasion of Ukraine. So to grow their business they also want to focus on the Gulf markets. For one delivery times to the Gulf are shorter.

To meet demand in the Middle East, however, the industry would first need to diversify its production, which is previously limited to the production of shirts and jeans. The GCC market is diverse and Bangladesh will undoubtedly need to put in a lot of effort. Of Bangladesh's apparel exports 60 per cent goes to the European Union and 20 per cent to the US.

The current market situation in the Gulf, where imports have been increasing for the past few years, could present an opportunity for Bangladesh.

Bangladesh will have opportunities to enter it, but needs to diversify on the supply side and also needs to improve its competitiveness. About 2.5 million Bangladesh expatriates live and work in Saudi Arabia, and another 7,00,000 in the United Arab Emirates.

Source: fashionatingworld.com- Sep 28, 2022

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Pakistan: Cotton market: spot rate loses more ground

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Wednesday decreased the spot rate by Rs 500 per maund and closed it at Rs 21,000 per maund.

The local cotton market remained easy and the trading volume remained low.

Cotton Analyst Naseem Usman said that the rate of cotton in Sindh is in between Rs 18,500 to Rs 21,000 per maund.

The rate of cotton in Punjab is in between Rs 19,000 to Rs 22,000 per maund. The rate of Phutti in Sindh is between Rs 7,500 to Rs 9,500 per 40 kg.

The rate of Phutti in Punjab is in between Rs 8,000 to Rs 10,000 per 40 kg. The rate of cotton in Balochistan is in between Rs 19,000 to Rs 19,500 per maund.

1800 bales of Saleh Pat were sold at Rs 19,800 per maund, 800 bales of Faqeer Wali were sold at Rs 21,500 per maund, 2000 bales of Khanewal were sold at Rs 21,500 to Rs 23,000 per maund, 200 bales of Ahmed Pur East were sold at Rs 22,000 per maund, 200 bales of Ahmed Pur East were sold at Rs 22,000 per maund, 200 bales of Tunsa Shareef were sold at RS 21,800 per maund and 200 bales of Haroonabad were sold at Rs 21,800 per maund.

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Wednesday decreased the spot rate by Rs 500 per maund and closed it at Rs 21,000 per maund. Polyester Fiber was available at Rs 308 per kg.

Source: fashionatingworld.com- Sep 28, 2022

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Pakistan's textile & apparel exports up 4.18% in July-August 2022

The value of textile and garment exports from Pakistan increased by 4.18 per cent in July-August 2022, the first two months of the new fiscal 2022-23 (July-June). During this period, Pakistan earned $3.056 billion from textile and apparel exports, compared to $2.933 billion in July-August 2021, according to latest data from the Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose 16.95 per cent year-on-year to $884.759 million during the period under review, while exports of non-knit readymade garments were up 8.49 per cent to $634.596 million.

As for textiles, cotton yarn exports decreased by 17.03 per cent to $160.453 million, while exports of cotton fabric rose by 2.65 per cent to reach $377.374 million in July-August 2022. Bedwear exports declined by 3 per cent to $512.291 million during the period, the data showed.

Synthetic fibre imports decreased by 29.15 per cent year-on-year to $115.030 million, while imports of synthetic and artificial silk yarn dropped 24.04 per cent to $117.182 million during the same period.

Meanwhile, the value of textile machinery imports by Pakistan decreased significantly by 35.38 per cent year-on-year to $93.330 million in July-August 2022.

In fiscal 2021-22 ended June 30, textile and garment exports from Pakistan increased by 25.53 per cent to $19.329 billion over $15.399 billion in the previous fiscal. In fiscal 2019-20, the exports amounted to $12.526 billion.

Source: fibre2fashion.com- Sep 29, 2022

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NATIONAL NEWS

Icra maintains 7.2% GDP forecast for FY23, sees pick-up in govt expenditure

Citing revival in contact-intensive services and a pick-up in government and private expenditure, rating agency Icra on Wednesday retained its previous growth forecast of 7.2 per cent for the current fiscal.

Growth is expected to pick up to pre-Covid levels on the back of pent-up demand, even though on an annualised basis, the absolute numbers will be falling from Q1 (13.5 per cent) to a much lower level in Q2 and further down in the two remainder quarters due to the high base, the agency said.

At 7.2 per cent, the number is marginally higher than most consensus forecast of 7 per cent and 10 bps lower than what S&P forecast earlier this week. The RBI is widely believed to again lower its growth forecast at its September 30 monetary policy review from the previous projection of 7.2 per cent.

"We maintain our GDP forecast of 7.2 per cent for FY2023, aided by a revival in contact-intensive services owing to pent-up demand, and a back-ended pick-up in government and private capex. While the annualised basis growth is expected to slow from Q1 to Q2 and further in H2, this is largely be optical in nature, growth is expected to pick-up compared to pre-Covid levels of FY20, Aditi Nayar, the chief economist at the agency said.

The record generation of average daily GST e-way bills in August, owing to pre-festive stocking, indicates a revival in confidence and this, coupled with softening commodity prices, bodes well for the upcoming festive season. However, the decline in the output of key kharif crops such as paddy and flagging external demand pose risks to growth and remain the key monitorables, she said.

She expects the growth momentum to lose steam and slows down to 6.5-7 per cent in Q2 and further 5-5.5 per cent each in Q3 and Q4 of FY2023 due to base effect, which is still higher the RBI forecast for these two quarters as she foresees a broad-based pick-up in private sector capex beginning from end of 2022, notwithstanding the higher-than-expected capacity utilisation of 74.5 per cent in Q4 FY22.

The agency sees GVA (gross value add) growth 7 per cent and average retail inflation 6.5 per cent and wholesale inflation 10.1 per cent and the current account deficit nearly trebling to USD 120 billion or 3.5 per cent of GDP by March from USD 38.7 billion or 1.2 per cent in FY22.

The latter, along with buoyant imports, following relatively stronger domestic demand, is expected to lead to a sharp widening of the CAD to 3.5 per cent in FY23, she said, adding although some relief is likely.

The worst will be the rupee, which may plunge to 83 to a dollar by December and the 10-year G-sec yields to range 7.3-7.8 per cent in the rest of the year.

Gross fiscal deficit will print in at Rs 15.87 lakh crore or 6.7 per cent of GDP, which will be below the revised estimate of Rs 15.91 lakh crore or 6.9 per cent.

The agency expects the MPC to hike rates by 50 bps on Friday and turn data dependent thereafter, taking a cue from the latest CPI prints and the strength of the Q2 growth.

Source: business-standard.com- Sep 28, 2022

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How is the Indian economy really doing?

A cross-section of opinion, from captains of Indian industry to the Managing Director of the IMF, has been gushing praise for India. For them, India is one of the few bright spots in the global economy, with double-digit GDP growth and a prospect of taking over as the next China.

What should one make of these claims? Is the Indian economy truly booming? The short answer is that the latest data flatters to deceive. The economy is out of the ICU, but its health remains fragile and still needs the doctor's attention.

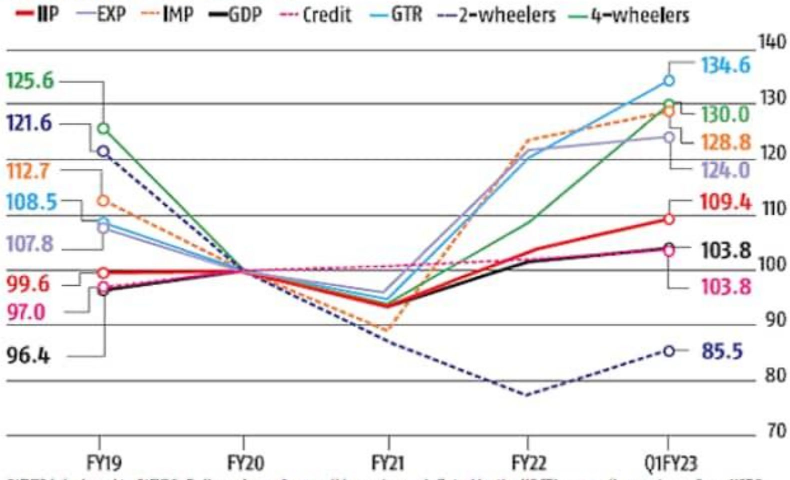
Assessing the economy today requires accounting for two factors. First, India is a vast, complex country so the economic signals will always be mixed. For example, the IIP has grown modestly over the past three years even as tax revenues have been surging. Some commentators have suggested ignoring the IIP numbers, on the grounds that there are infirmities in its methodology. But there are always measurement problems, and one can't respond by ignoring all the data. Instead, one needs to go the other way, looking at a wide variety of reasonably reliable indicators before drawing any conclusions.

Another factor is the distortion induced by the pandemic. Over the past few years, there were periods when the economy contracted sharply, distorting year-on-year comparisons. To avoid this problem, one needs to measure progress in level terms, relative to some base.

With these points in mind consider eight major macro indicators, spanning the different sectors of the economy: GDP, IIP, credit, and tax collections (domestic activity); exports and imports (trade); and vehicle sales, both of four-wheelers and two-wheelers (proxying consumption for different income groups). We show these in Figure 1. Annual numbers are indexed to 100 for the pre-pandemic year 2019-20; the latest quarterly numbers are indexed to the first quarter of 2019-20.

Three conclusions stand out. First, the latest numbers are unusually disparate. So, there is indeed a problem of interpreting the strength of the recovery.

1. INDICATORS OF ECONOMIC ACTIVITY
(Real; Index 2019-20=100)



Q1FY23 is indexed to Q1FY20. Dollar values of non-oil imports are deflated by the US CPI; non-oil exports are from HSBC; GTR is gross tax revenues of the Center; 4-wheelers include passenger and commercial vehicles; credit and taxes are deflated by the CPI

Second, four measures suggest the recovery has been quite feeble: GDP, IIP, credit, and two-wheeler sales. Within this group, the largest cumulative growth over the past nine quarters is a not-very-large 9 per cent, while the smallest change is a very disappointing -14 per cent.

Third, in contrast, a few indicators have been booming. Real non-oil exports and imports have increased cumulatively by 18 per cent and 24 per cent, respectively. And the centre's real gross tax revenues (GTR) have surged by 32 per cent.

How can we explain such contradictory findings? The answer might lie in the deep structural shifts that have occurred over the past few years. The distribution of income has shifted from wages to profits. Activity has shifted from the informal to the formal sector. And employment has favoured skilled workers, as Pranjul Bhandari of HSBC has documented for the export sector.

As a result, the upper-middle class has been able to increase their incomes and consumption, paying more taxes. But poorer groups have had to cut back their consumption. Several indicators suggest this shift, but one clear example comes from the contrast in Figure 1 between the sales of four-wheelers and two-wheelers.

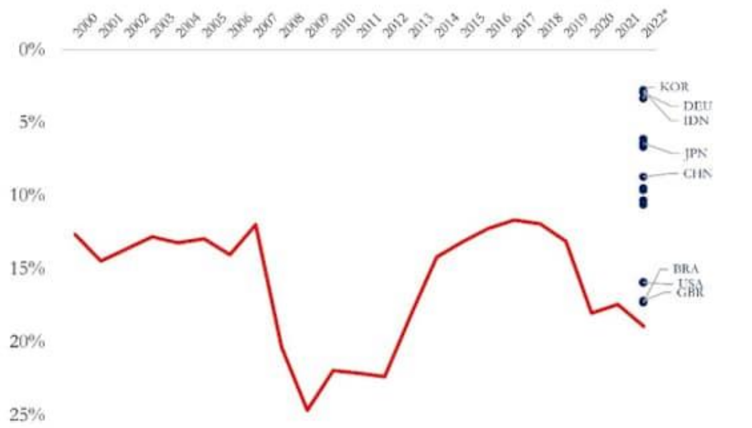
Overall, then, India's economy has recovered after a long period of ill health.

The indicators show that the economy is up and walking. But it is not yet running. In GDP terms, the economy is just 3.8 per cent larger than it was three years ago. And it is worth noting that 2019-20 was a year when the economy was in ICU, with most indicators showing negative growth as Figure 1 shows. Thus, a comparison with the healthier 2018-19 would present a much dimmer picture.

What about the future? Perhaps India is at the starting line for an exceptionally fast sprint? Here, too, there is a need for caution since the global economy is slowing sharply. Over the last two decades, such slowdowns had a mixed impact on India, harming exports but helping incomes by reducing fuel and food prices. But these windfalls might not materialise this time since war and geo-politics may put a floor under commodity prices. Meanwhile, the global slowdown is already hurting exports, the key motor of the recovery so far. So, unless investment revives — and the IIP capital goods and infrastructure index has been stubbornly flat for three years — the recovery might well weaken.

An even bigger challenge, perhaps, is the size of India's macro imbalances. One of the requirements for an economy to start racing ahead is balance in its key macro variables: its fiscal and current account deficits need to be modest and finance-able; its inflation, low. Without such balance, there is a serious risk that growth will be set back, either because the authorities tighten policies to keep imbalances from spiralling out of control or because adjustment has been delayed and markets have panicked.

2. MACROECONOMIC IMBALANCE INDEX, INDIA, 2000-2022 AND LARGEST 20 COUNTRIES, 2022



IDN: Indonesia; DEU: Germany; Kor: Korea; JPN: Japan; CHN: China; GBR: United Kingdom; BRA: Brazil
Calculations are for 20 largest economies in the world in purchasing power parity terms but the figure excludes the worst performer, Turkey (index of 73%) and the best performer, Saudi Arabia (index of minus 24%) for presentational tractability. Index adds up inflation (%), the general government fiscal and current account deficits (latter two as a share of GDP). A higher number denotes greater imbalance. * Estimates for 2022 are from the IMF's April 2022 World Economic Outlook

So, consider how India fares on a macro-balance index that simply combines these three elements: inflation, fiscal and current account deficits balances (the latter two measured as a share of GDP). One might initially think that the country compares favourably. But the picture turns out to be quite different. Figure 2 shows that when you rank the 20 largest economies (in purchasing power parity dollars) according to this index, India is the second most vulnerable in 2022, according to the IMF's latest estimates. Only Turkey does worse. These estimates will be revised next month by the IMF and some countries such as the UK might do worse on the index but the thrust of India's relative vulnerability is unlikely to change dramatically.

In other words, all the heady optimism has overlooked the vulnerable state of the macro-economy. Headline inflation has been above the target 4 per cent for 35 consecutive months, above the ceiling of 6 per cent for 21 of the 35 months, and core inflation remains close to this ceiling rate. According to the IMF's latest estimates for 2022, the general government fiscal deficit is almost double-digit, and the current account deficit is 2.9 per cent of GDP. When we compare the macro index to India's own past, vulnerabilities are at their highest since the fallout from the Global Financial Crisis even if India's high but depleting foreign exchange reserves provide cushion against real crisis.

India's opportunities, driven by geopolitics and the slowdown of China, are huge; sustained rapid growth can be achieved. But first the macro stance must be strengthened, with monetary policy tightened, the exchange rate made more flexible, and the budget put on a steady (not aggressive) pace of consolidation. At the same time, as we have argued earlier, the government will need to substantially improve the economic policy software, ensuring: a level playing field for all investors, rule of law, non-arbitrary and inclusive decision-making, policy stability, and social cohesion.

Caution, perhaps even tinged with concern—not complacency— is the more appropriate sentiment for now.

Source: business-standard.com- Sep 29, 2022

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India proposes 15% punitive duty on 22 items from UK

Even as India and the UK are eyeing a free trade agreement (FTA) by Diwali, New Delhi has sought the World Trade Organization's (WTO's) authorisation to levy extra import tariff of 15% on 22 British goods, including select gold and silver products, whiskey, diesel engine parts and cheese. The idea is to retaliate against London's decision to impose protectionist safeguard measures on select steel products.

The measures slapped by the UK consist of tariff-rate quotas imposed on 15 steel product categories, with an out-of-quota duty of 25%.

In a September 27 communication to the WTO, India said the safeguard measures adopted by the UK have resulted in the decline of exports to the tune of 2,19,000 tonnes. So, the retaliatory tariffs on the UK goods entail a duty collection of $247.7 million.

Accordingly, India's proposed retaliatory measure "would result in an equivalent amount of duty collected from products originating from the UK", it said.

New Delhi notifies the WTO's Council for Trade in Goods of its decision to suspend concessions or other obligations under the General Agreement on Tariffs and Trade 1994 and the Agreement on Safeguards that are substantially equivalent of the amount of trade affected by the measures of the UK, it said in the submission.

"India wishes to clarify that suspension of concessions shall be equivalent to the amount of trade affected by the United Kingdoms' measures. To this end, India reserves the right to adjust the specific products for which suspension of concessions is effectuated, and its right to adjust the additional rate of duty imposed on such products," it added.

The products that would attract retaliatory tariff by India include processed cheese, scotch, blended whiskey, gin, animal feed, liquified propane, select oils, beauty preparations, cosmetic and toilet preparations, unsorted diamonds, silver, platinum, semi-diesel engine parts, unwrought gold, turbo jets, and certain electric conductors.

Based on an analysis of the average annual imports over the past two years of the items that could face punitive duties, the British products that were purchased most by India are select silver and silver items (average imports of $688 million), select gold items ($295 million), turbo jets with thrust above 25 KN ($143 million), unsorted diamond ($64 million), liquefied propane ($59 million) and blended whiskey ($51 million).

Both the countries held virtual consultations on August 5 to discuss the extensions of the safeguard measures by the UK on the steel products, which were originally applied by the EU.

The India-UK bilateral trade rose to $17.5 billion last fiscal from $13.2 billion in the previous year.

Source: financialexpress.com- Sep 29, 2022

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Foreign trade: Going beyond a phrase

India's foreign trade policy was last updated in 2015. It was supposed to last for five years, until 2020. But, to an extent because of the complexities caused by the pandemic, it has been extended by six months at a time since then. The global economy has not yet emerged completely from the pandemic-related disruptions; and to those have been added the uncertainties due to inflationary pressures worldwide and the Russian invasion of Ukraine.

Thus, the Union commerce ministry has postponed the release of a new foreign trade policy yet again. While it is understandable given the global situation, the fact is that a new comprehensive trade policy is overdue.

This is because the broader attitude towards external trade links in the country has clearly changed since 2015, but there is no clarity about the new direction for policy.

In 2015, the government was clearly doubtful about the benefits of freer trade. New agreements were put on hold, older agreements were scrutinised, and bilateral investment treaties were scrapped. Subsequently, the prime minister introduced the concept of aatmanirbharta, or self-reliance, in his first major policy speech after the Covid-19 pandemic hit India.

It is not clear what self-reliance specifically means in the context of foreign trade policy. Some have interpreted it as increasing the capacity and competitiveness of domestic industry. Others have seen the possibility of modern industrial policy that focuses on certain sunrise sectors such as electric vehicles or microchips.

But in practice, much of the action on "self-reliant" policy has been straightforward import substitution. Yet, meanwhile, the government has also acted on multiple new free trade agreements, signing a comprehensive partnership with the United Arab Emirates, a more limited agreement with Australia, and moving discussions forward with the United Kingdom and the European Union among others.

There are clearly contradictory impulses here. This is not surprising, since "self-reliance" is after all one short phrase and does not constitute a policy statement on its own. This is the gap that a foreign trade policy should ideally fill. The production-linked incentive (PLI) scheme is a revealing illustration of the problems of having an incoherent approach to foreign trade. It is not very clear if the PLI scheme is meant as a temporary bridging mechanism, an export promotion system, an investment promotion scheme, or a geo-strategic play to reduce dependence on China.

What is certain is that such schemes, unless their aim and purpose is clearly defined, tend to expand in scope in response to rent-seeking. The expansion of the scheme will also have fiscal implications.

More and more sectors are being brought under PLI schemes. As former Reserve Bank of India governor Raghuram Rajan recently pointed out, there is also no obvious reason why after the subsidies end, the productive capacity will remain in use if it becomes uncompetitive. There has to be clear visibility on how temporary subsidies lead to a permanent increase in competitiveness.

This is not obvious in the PLI scheme at present. In the absence of this understanding, the errors of the past will be repeated. Import substitution paradoxically led to weakness on the external account for decades before the 1991 reforms; it is the opposite of "self-reliance". These issues need to be clearly examined and understood going forward.

Source: business-standard.com- Sep 29, 2022

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India, Netherlands formalise fast-track mechanism for investments

India and the Netherlands have signed a joint statement to formalise a bilateral fast-track mechanism (FTM) which will serve as a platform for faster resolution of investment cases of Dutch companies operating in India

The Netherlands' Ambassador to India, Marten van den Berg, and Department for Promotion of Industry and Internal Trade (DPIIT) Secretary, Anurag Jain, formally signed and exchanged the joint statement on September 27, per an official statement issued by the Commerce & Industry Ministry on Wednesday.

Assisting bilateral efforts

"The mechanism functions in close collaboration between DPIIT, respective ministries and departments, Invest India and the Embassy of the Netherlands. The mechanism will strengthen and assist bilateral efforts to increase mutual investment activities, as well as support and develop business cooperation between companies in both the countries," the statement said.

The Netherlands is the fourth largest foreign direct investor in India. Between April 2000 and June 2022, the cumulative flow of foreign direct investment from the Netherlands to India reached about $42.3 billion, according to government figures.

In 2021-2022, bilateral trade between the two countries was valued at $17 billion. India's exports to the country comprises of mineral fuels and mineral-based products, organic chemicals, electrical machinery and equipment, aluminium, iron and steel and pharmaceutical products.

Source: thehindubusinessline.com- Sep 28, 2022

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September GST mop-up seen at Rs 1.45 trn

Goods and services tax (GST) collections in September are likely to be about Rs 1.45 trillion, a senior official told FE, adding that the monthly average mop-up in FY23 could be around Rs 1.55 trillion.

Average monthly GST collections rose to Rs 1.49 trillion/month in the first five months of the current financial year compared with Rs 1.23 trillion/month in full FY22. Bedsides the Centre, the higher collections will also aid states, which were fearing a revenue shock due to the end of the five-year guaranteed GST shortfall compensation mechanism on June 30.

"Improved business activity is expected to yield better collections in the coming months," the official said. The GST data for September will be released on October 1.

On September 14, revenue secretary Tarun Bajaj had asked revenue officers to stabilise GST collections to around Rs 1.5 trillion from October data, which is to be released on November 1.

At Rs 1.44 trillion, monthly gross GST collections in August (July transactions) crossed the over Rs 1.4-trillion mark for the sixth month in a row, reflecting improved compliance. GST collections reached a record Rs 1.68 trillion in April (March transactions).

Source: financialexpress.com- Sep 29, 2022

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Polyester, PC yarn prices down in India; Import from China worrisome

Polyester-cotton (PC), poly spun and recycled polyester yarn further dropped by ₹5-6 per kg today. Traders said that huge imports of Chinese polyester yarn, poor local demand and bearish cotton yarn are the main causes for concern. The imports are dampening market sentiments as domestic spinning mills are already running at 50-70 per cent capacity.

According to trade sources, huge amount of polyester yarn is being imported from China and there is no improvement in buying from domestic and export markets. Cheaper cotton and cotton yarn added to the problems of the polyester value chain. “Domestic mills are running at a mere 50-70 per cent capacity due to lower demand. Chinese supply is eating into the domestic market demand,” a Ludhiana-based trader told Fibre2Fashion.

A slightly improved demand was seen towards the end of the previous week as Vardhman, and some other companies had secured sizeable orders of polyester yarn. But the market again turned bearish as buying reduced. Sources said that the demand had improved because the market pipeline had dried up, but there was no improvement in consumption.

According to trade sources, polyester-cotton, poly spun, and recycled yarn prices continued the downward trend in Ludhiana. PC, poly spun and recycled polyester yarn declined by ₹5-6 per kg. 30 count PC combed yarn (48/52) was sold at ₹230-240 per kg (GST inclusive), according to Fibre2Fashion’s market insight tool TexPro.

30 count PC carded yarn (65/35) was priced at ₹200-205 per kg. 20 count PC (recycled-O/E) PSF yarn (40/60) was traded at ₹160-170 per kg. 30 count poly spun yarn was sold at ₹152-162 per kg. Recycled polyester fibre (PET bottle fibre) was at ₹88-90 per kg.

Reliance Industries Limited had earlier decreased the prices of purified terephthalic acid (PTA), monoethylene glycol (MEG) and MELT for the current week. On Friday, RIL had fixed the prices as: PTA ₹84.10 per kg (-1.50), MEG ₹56.60 per kg (-0.80) and MELT at ₹91.57 (-1.56) per kg. PSF was priced at ₹110 per kg for the current fortnight.

North Indian states recorded a steep fall in cotton prices as arrival increased. Spinners' buying remained weak. According to traders, cotton arrival increased from 6,500 bales of 170 kg to 13,000 bales in north Indian region.

Cotton prices decreased by ₹300-350 per maund of 37.2 kg. New cotton was traded at ₹7,150-7,200 per maund for ready delivery in Haryana, Punjab and Rajasthan. October delivery deals are at ₹6,650-6,700 per maund.

Source: fibre2fashion.com– Sep 27, 2022

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