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INTERNATIONAL NEWS


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INTERNATIONAL NEWS

Textile Sector Facing 4 Big Problems: ITMF

The International Textile Manufacturers Federation (ITMF) Global Textile Industry Survey, formerly known as the ITMF Corona-Survey, showed a deteriorating business situation and expectations in the global textile industry in September.

“Weakening demand, high raw material prices, high energy prices and inflation are the four major concerns of the global textile industry for the next six months,” ITMF said. “The concern about transportation costs have fallen significantly. Concerns about geopolitics, on the other hand, have increased significantly in the past two months.”

The indicators for order intake, order backlog and capacity utilization rate also fell, globally, according to the survey. The business situation was relatively worse in Asia, although improving, while all segments found themselves in negative situations.

A positive sign was that global expectations stopped falling in September, even while staying in negative territory and indicating difficult times ahead. Expectations improved in South Asia, North and Central America, and Africa.

Yarn spinners’ situation plunged to an unprecedented level, the survey revealed. However, spinners also had better prospects for the first quarter, indicating potential relief.

Order intake fell further, in line with the weaker business situation. Companies in North and Central America, and especially in South America, saw order intake increase, while the Asian regions continued struggling with an unsatisfactory order situation. Order backlog fell on average across all regions.

Those in South America are seeing a rise in order intake. Only dyers/finishers and knitters/weavers experienced a small increase in order backlog. In all other segments, order backlog fell.

While the capacity utilization rate dropped globally in September, it increased in South America's. Fiber producers registered a steady decrease in capacity utilization rate and home textile producers seem to have reversed their downward trend, ITMF noted.

ITMF is an international forum for the world's textile industries, dedicated to keeping the worldwide membership constantly informed through surveys, studies and publications, participating in the evolution of the industry's value chain and through the organization of annual conferences, as well as publishing considered opinions on future trends and international developments. Through ITMF, the textile industries cooperate at the international level with organizations representing other allied sectors.

Source: sourcingjournal.com- Oct 25, 2022

HOME

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China's focus shifting to tech-driven growth

It is well recognised that, over the last 30 years, China has been growing at a scorching rate (often double-digit) to become the world's second largest economy with a current GDP value of about $18 Trillion. The growth was substantially debt-driven and with massive flow of investment in fixed assets, which translated to commodity consumption.

This approach helped the Asian behemoth become a major producer, processor, consumer, and importer or exporter of a wide variety of commodities covering energy products, industrial metals, and agricultural goods. This converted China into a low-cost manufacturing hub and an exporting juggernaut, as an analyst observed.

Around 15 years ago, China's policymakers decided to shift focus from investment-led growth to consumption-led growth to ensure that the benefits of economic growth spread more equitably among the population. But the consumption to GDP ratio has stagnated around 55 percent while the investment to GDP ratio has remained steady but with declining return on investment.

Economic slowdown

In recent years, China has been facing an economic slowdown with growth gradually tapering down to less than 6 per cent. For 2022, the GDP growth projection is less than 4 per cent. Currently, China is struggling with growth because of multiple factors, including restrictions due to zero-tolerance to Covid policy (lockdowns and restricted mobility), less-favourable demographics, and importantly, continuing trade war with the US since 2017-2018.

It is this background that the recently concluded 20th Communist Party Congress triggered anticipation of a new economic paradigm that may potentially impact commodity markets. China is arguably the 'mover and shaker' of the world commodity markets. The market participants found the Congress deliberations did not result in any significant change to economic policy.

Yet, some trends are clear. China is facing a slew of challenges, including real estate downturn, power shortages, and weakening currency (Yuan). A combination of the three will adversely impact the Asian major's commodity production, consumption, and import. To be sure, China is the world's largest producer of steel (accounting for close to 50 per cent of global production), a significant producer and consumer of many base metals and the largest importer of crude oil, coal, iron ore, soybean, and cotton, to name a few.

High-quality development

Now, China looks set to go through a major economic transition under President Xi Jinping's third term as the undisputed leader. 'High-quality development' is the new paradigm. The country wants to make rapid technology-driven progress and will focus on artificial intelligence, aerospace technology, and life and health sciences.

In other words, there will be less reliance on debt and real estate for growth. Going forward, China's commodity intensity of growth may not wane, but the new emphasis on 'quality of growth' will mean reduced reliance on commodities and a sharper focus on technology. The emphasis on export is sure to continue but it will be for higher-value-added products rather than lower-value-added ones.

Commodity intensive growth

On the other hand, India finds herself today where China was 25 years ago. In the next two decades, our growth will be substantially commodity intensive. For rapid economic growth, energy consumption is inevitable. Massive investment is planned for infrastructure sector development and multiple logistics options.

For the success of these initiatives, we need a policy environment that encourages investment in the exploration and utilization of finite resources like minerals and metals, as well as a boost to renewable energy. 'Sustained growth in sustainable ways' is the way forward.

Source: thehindubusinessline.com- Oct 26, 2022

HOME

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USA: Are Consumers Really as Cash-Strapped as Retailers Think?

While everyone's talking about whether or not economies will slide into a recession, or whether it's happened already, consumers may not treat a slowdown with the sense of urgency many prognosticators expect.

As many as 77 percent of retail executives believe consumers are somewhat to very concerned about a recession, while only 57 percent feel the same way, according to a study from First Insight and WWD, which is owned by Sourcing Journal parent Penske Media Corporation.

The study said many of the 1,400 U.S. consumer respondents share concerns, but aren't worrying their life away about the current financial situation. While 18 percent of the 65 senior retail executives surveyed believe shoppers are somewhat or slightly concerned about a recession, 36 percent of consumers share this belief.

Forty-three percent of retailers think consumers are buying less product overall amid today's economic state, yet only 29 percent of consumers say this is the case. Forty percent of retail executives think consumers are using more coupons, compared to only 24 percent of consumers who are using these discounts.

"Our data clearly indicate that executive decision makers are not in sync with the consumers they serve, most likely due to a lack of information," First Insight CEO Greg Petro said. "The retail executives' perspectives demonstrate a risk-averse approach leading to a suboptimal outcome. In this case, I hope they are not getting their 'head over their skis' in anticipating a situation which may never transpire."

The one place both retailers and consumers agree is that inflation has forced consumers to stay within a budget—at 42 percent apiece.

There were clear disconnects regarding spending categories that are being impacted by inflation.

Fifty-two percent of retailers believe that consumers are reducing their spend on apparel, footwear and accessories because of higher prices. But consumers tell a less dire story, with only 40 percent indicating they've pulled back in this area.

The cutbacks across the subcategories generally aren't as extreme as projected. Only 32 percent say they have pulled back spending on jewelry, despite the 66 percent of executives who believed they would. And while 31 percent of consumers are slowing their casual wear purchases, 45 percent of retail execs expected more cuts.

Merchandise that skews toward the higher end, including handbags and dress shoes, clearly illustrates the divide. Twenty-nine percent of consumer respondents said they dialed back handbag purchases, compared to 57 percent of retailers who said consumers would. Just 25 percent of consumers shied away from dress shoes, an area where 43 percent of executives thought consumers would spend less.

Eveningwear is similarly disconnected. Forty-five percent of retail executives assume consumers will spend less for formal or more dressy apparel, whereas only 20 percent of consumers cite this category as an area where they're cutting back.

"The U.S. apparel, footwear, and accessories categories go into the holiday season facing the macro disruptions being seen across the economy," said James Fallon, editorial director for Fairchild Fashion Media, in a statement. "Although the challenges presented by supply chain issues, inflation and workforce shortages are significant, pricing strategy was cited by 40 percent of retail leaders as the one variable within their control. Given that, a well-developed pricing strategy will make all the difference in retailers' end-of-year performance."

What's more, 40 percent of retail executives believe that consumers are cutting back on home décor and furniture items, when only 22 percent of consumers are spending less on their homes.

Retail executives largely believe that rising prices have changed consumers' shopping habits to focus more on promotions, sales and discounts. However, the survey paints a different picture. For instance, 58 percent of retail executives think that consumers are shopping more for deals, but this is true for only 40 percent of consumers.

Aside from grocery, retail's inflation-driven price increases haven't been as impactful to the daily lives of consumers. The First Insight survey indicated that consumers' top-three inflation pain points are grocery prices, gasoline prices, and the high cost of dining out.

Retail executives are mostly in step with consumers on this front, believing that the three categories most frustrating for them are high prices at the pump, grocery prices and rent or mortgage payments.
European consumers are more willing to change buying habits

Spending concerns may be more prevalent across the pond, with 61 percent of consumers surveyed across European markets saying they are worried about the personal impact of inflation, according to a report from IRI.

Within the U.K., France, Italy, Germany, Spain and the Netherlands, 71 percent have already made changes to how they buy and use everyday items. Up to 58 percent say they have now cut down on essentials (driving to work or shop, missing meals and reducing heating) with 35 percent dipping into their personal savings and taking out loans to pay bills.

European consumers are choosier about where to shop as they moderate the effects of the crisis. They'll go to another retailer if their regular brand isn't available (26 percent), on promotion (34 percent) or if the shop doesn't have enough deals (41 percent). According to IRI, shoppers are switching to discounters that have expanded their stores into town centers and residential areas with a small but well-priced range of products at lower prices than mass merchants.

"Gone are the days of the one-stop weekly shop, we're expecting to see an increase in shopping around for must-have products and the consumption of less expensive seasonal goods," said Ananda Roy, global senior vice president, strategic growth insights, IRI. "There are several difficult decisions for shoppers on the cards, and retailers and brands will do well to take a long and hard look at how they're going to respond to shopper needs."

The five types of sustainability consumers

Understanding consumer spending habits amid a potential recession certainly isn't the only area where retailers should stay informed.

A report from Bain & Company and the World Wildlife Fund for Nature (WWF) found that approximately 15 percent of global fashion consumers are already highly concerned about sustainability and consistently make purchasing decisions to lower their impact.

But this is just the ground floor—the report concludes that this percentage is likely to increase sharply, to more than 50 percent of fashion consumers as more shoppers gravitate toward sustainable practices.

"Sustainable shopping is an inevitable change. Concern for sustainability is strong among younger generations—and growing overall," said Claudia D'Arpizio, a Bain & Company senior partner in Milan and the firm's global head of fashion and luxury. "Hence, fashion brands need to embrace the sustainability conversation and make sustainable purchasing easier for all consumers. Brands that proactively design sustainability into their strategy and operations will cement their relevance and capture a windfall of unmet demand, now and into the future. In fact, everyone will benefit from a commitment to sustainability from the fashion industry."

Across nearly 5,900 fashion consumers across six countries (U.S., U.K., China, France, Germany, Italy and Japan), Bain and WWF identified five personas of global fashion consumers with well-defined socio-demographic profiles and behaviors.

These personas include: sustainability champions, idealists, good citizens, shoppers and indifferent consumers.

"Sustainability champions," as their name states, are highly concerned about the environment and regularly buy sustainable apparel. Representing 15 percent of consumers, their intentions and actions are often aligned. These consumers are willing to pay a significant premium price (84 percent) to access sustainable products.

"Idealists," 10 percent of the consumers studied, mainly belong to the millennial generation. The report says that while they show a high level of concern for the environment, they often don't know how to act on it and hardly ever purchase sustainable fashion goods.

Another 18 percent of consumers are "good citizens," mainly consisting of millennials and Gen Z consumers. They usually gather information from in-store displays, social media and brand websites on the product, with 64 percent saying they would pay a premium price for sustainable products.

Gen X and older consumers largely comprise the "opportunity shoppers" bracket. Representing 22 percent of consumers, they usually acquire their information from in-store displays and word of mouth. They are sometimes willing to engage in sustainable behavior, with 55 percent willing to pay more for sustainable merchandise.

Unfortunately, the largest segment of the five groups is still the “indifferents,” who are the 35 percent of consumers not concerned about sustainability and seldom factor it into their purchasing decisions.

Despite being among the top six purchase drivers for most global fashion customers, sustainability is an explicitly lower priority than other, more tangible factors closely related to sustainability, such as product quality and durability. Price and product fit were the second- and third-most important factors, according to the report.

“Fashion brands are on the cusp of a great opportunity but are often overwhelmed by complexity, especially along lengthy supply chains,” said Federica Levato, senior partner at Milan’s office and EMEA leader of fashion and luxury at Bain. “Brands have a social role in this epoch-making change: they are called to address the information gap, engage consumers on product durability and impact; and make sustainable purchases more convenient and appealing. This will make them successful, while help shifting consumers toward more sustainable consumption.”

Source: sourcingjournal.com- Oct 26, 2022

HOME

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Asia-Pacific to dominate global growth in 2023: S&P

Asia-Pacific region, which produces 35 per cent of the world GDP, is expected to dominate global economic growth in 2023, supported by regional free-trade agreements, efficient supply chains, and competitive costs, said S&P Global Market Intelligence.

"Southeast Asia and India will benefit from trade diversification away from mainland China," it said in a note on Wednesday.

Meanwhile, it also expects that the energy- and mineral-producing regions of the Middle East and Africa too will achieve moderate growth. About the US, it said the ongoing tightening financial conditions due to monetary policy tightening will tip the US economy into a "mild recession" starting in the fourth quarter of 2022 and extending through the second quarter of 2023.

This month, it revised down US real GDP growth in 2023 from 0.9 to (-) 0.5 per cent.

"The initial recovery is sluggish, leading to real GDP growth of just 1.3% in 2024. The recession will bring reversals in employment and industrial production, which posted solid gains through the third quarter of 2022. We project the US unemployment rate to rise from 3.5 per cent in September to 6.0 per cent at the end of 2023."

On global inflation, it said that while achieving central bank inflation targets will be a multiyear process, there are possibilities for "significant progress" in 2023.

Global consumer price inflation is projected to slow from 7.7 per cent in 2022 to 5.1 per cent in 2023 and 3.0 per cent in 2024, provided inflation in the advanced economies settles at 2.1 per cent.

Global real GDP growth is projected to slow from 5.9 per cent in 2021 to 2.8 per cent this year and 1.4 per cent in 2023, thus averting an "outright recession", it said. Recessions now appear likely in Europe and North America--economies that produce half of the global output--in late 2022 and early 2023.

"Global economic conditions continue to deteriorate as inflation remains uncomfortably high and financial market conditions tighten. The months ahead will likely bring recessions in Europe, the United States, Canada, and parts of Latin America.

With moderate growth in Asia Pacific, the Middle East, and Africa, the world economy can avoid a downturn, but growth will be minimal," said Sara Johnson, Executive Director, Economic Research, at S&P Global Market Intelligence.

Source: economictimes.indiatimes.com- Oct 26, 2022

HOME

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China's retail sales rise by 2.5% YoY in Sept 2022

China's retail sales jumped 2.5 per cent year-on-year (YoY) in September 2022 compared to an increase of 5.4 per cent in August. While retail sales increased by 0.7 per cent YoY in the first three quarters, they dipped 0.7 per cent in the first six months of 2022 compared to last year.

The gross domestic product (GDP) of the East Asian country rose by 3.9 per cent YoY in the third quarter — an increase of 0.4 per cent in the second quarter, according to the National Bureau of Statistics (NBS). China's GDP went up by 3 per cent YoY to 87.03 trillion yuan, which is a growth of 2.5 per cent compared to the first six months of the year.

The nation's value-added industrial output expanded by 6.3 per cent in September 2022 YoY after a 4.2 per cent surge in August. Moreover, the first three quarters of 2022 reflected a 3.9 per cent growth in industrial output compared to the corresponding period in 2021. Figures showed a 3.4 per cent rise in the first half of 2022 from the previous year.

Source: fibre2fashion.com- Oct 25, 2022

HOME

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German exporters rethink €100bn 'love affair' with China

For more than 20 years, Oliver Betz produced sensors for Chinese engine makers from his base in Munich. But in recent months, Systec Automotive's sales to China have collapsed, falling by three quarters.

"Expanding in China is not a topic under consideration. It's about how we can limit the damage," said Betz, who added that 65 per cent of his company's exports last year were to the country. He blames the decline on slower growth, Beijing's zero-Covid strategy and an increasing preference for buying local as Chinese manufacturers catch up with foreign brands.

Betz's experience is becoming more common among Germany's small and medium-sized enterprises, which are finding their relationships with Chinese partners tested after years of surging sales.

Germany's Mittelstand companies increasingly realise that they cannot rely on Chinese profits as they once did, according to Jörg Wuttke, president of the influential trade lobby EU Chamber of Commerce in China. "It's a lost love affair," said Wuttke.

The breakdown threatens to unravel what has become one of the world's most mutually beneficial trading relationships, in which German companies prospered by selling to Chinese exporters the machinery that enabled the latter to become key players in global supply chains.

Since the turn of the millennium, China has gone from accounting for just more than 1 per cent of German exports to commanding a 7.5 per cent share of sales abroad, putting it second to the US. In 2021, more than €100bn worth of German goods were sold there.

Thorsten Benner, director of the Global Public Policy Institute in Berlin, described the ties as the main factor in the "golden age of the German economic model", seen during the later stages of Angela Merkel's 16-year reign as chancellor, which ended last year.

Alicia García-Herrero, a senior economist at think-tank Bruegel, said the buoyancy of the links between the two export powerhouses had been replaced by a sinking feeling in Berlin as exports slid. "Germany is losing its trade surplus and part of its competitiveness, partially because China has moved so rapidly up the value ladder," she said.

It comes at a sensitive moment for the two countries' broader relationship. Russia's invasion of Ukraine has given fuel to China's German critics, who argue that Germany's economic ties are trumping foreign policy goals and leading to collaboration with prospective geopolitical rivals.

Olaf Scholz, who will fly to Beijing next week for his first meeting with Chinese leaders as German chancellor, is set to unveil his new China strategy next year. He is under pressure from his coalition partners, the Greens and the Free Democrats, to loosen ties.

Scholz courted controversy when he asked ministries to back an investment from Cosco, a state-owned Chinese shipping conglomerate, in a container terminal at the Port of Hamburg. The deal was approved this week, though Cosco took a smaller-than-planned stake that would limit its capacity to influence decisions.

"The China strategy will include clear messages on the need to reduce dependencies and diversify supply chains and trading partners," said Benner.

Berlin has signalled it will offer fewer guarantees to insure companies against political risks in China. Its due diligence law, which comes into force in January and makes larger companies responsible for monitoring human rights violations by their suppliers, could further dissuade German investment in China, which has become increasingly concentrated among carmakers Volkswagen, BMW and Daimler, as well as chemicals giant BASF.

Responses to atrocities in Xinjiang, China's western border region where the government has interned more than a million Muslims, have already hit sales. Sportswear manufacturer Adidas suffered Greater China sales declines of 15 per cent in two successive quarters last year after a boycott over the company's decision not to source cotton from the border region.

The war in Ukraine has focused companies' minds on the risk of sanctions should China invade Taiwan. US-China decoupling has led many companies to already look for alternative suppliers. Just over a third of members surveyed at the German machinery association VDMA in 2021 said the decoupling was prompting a rethink of their business links.

Magnetec, a Hesse-based electrical components manufacturer that has operated a factory in China for 13 years, decided against building a second plant in the country because of the risk of sanctions. “When our customers order our products, they give as a precondition that they are not built in China,” said Marc Nicolaudius, Magnetec’s chief executive. Instead, it will expand in Vietnam.

Noah Barkin, managing editor at consultancy Rhodium Group, said recent German investment in China had become “more defensive” and was being spent on localising production and supply chains to protect against the risk of tariffs.

Competition — fair and otherwise — remains a problem. “Our members know that every technology they bring into China, in a relatively short time, will be part of the Chinese market,” said Ulrich Ackermann, head of foreign trade at VDMA. “We say, be aware you can be kicked out in a short time.” Ackermann spoke of a German construction machinery manufacturer whose state-owned Chinese rival sent machines to customers and offered them free for use for the first year. “How can we compete with that?” he said.

Amid this souring atmosphere, Chinese diplomats have pressured industry association leaders to refrain from criticising Beijing. One lobbyist recounts being told by a Chinese government official that its consumers could exert a lot of influence “if western companies don’t behave”.

Despite all the tensions, many are not ready to give up. “China is a very important market for all of our members,” said Andreas Rade, managing director for government and society at VDA, the German carmakers’ association. “Exit cannot be the answer.”

But Barkin said the days of China being a “one-way bet” for German companies were done. “They are not pulling out yet, but they are looking at ways to shield their operations from geopolitical headwinds,” he said. “And some are now preparing for the day when they might have to leave.”

Source: ft.com- Oct 26, 2022

HOME

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45% retailers, 20% US consumers say they will spend less on apparel

With the crucial holiday shopping season merely weeks away, retail leaders are more pessimistic about consumers' confidence to spend in the face of rising inflation than consumers themselves indicate. Forty-five per cent of retail executives assume consumers will spend less for formal or more dressy apparel, whereas only 20 per cent of US consumers agree.

While 77 per cent of retail executives believe consumers are moderately to extremely concerned about recession, only 57 per cent of consumers expressed the same concern, according to a report conducted by First Insight in partnership with Women's Wear Daily (WWD). The report titled 'The Inflation Disconnect Between Retail Executives and Consumers' reveals that retail executives also think that consumers are cutting back more significantly than consumers say they are across multiple categories, potentially creating a more promotionally-driven — and therefore less profitable — holiday season than may be warranted.

Fifty-two per cent of retailers believe that consumers are reducing their spend on apparel, footwear, and accessories because of higher prices when, in fact, only 40 per cent of consumers indicate that they are doing so.

Within the apparel, footwear, and accessories categories, retail leaders are even more disconnected from the consumer. Sixty-six per cent of retailers think that consumers will cut back on jewellery, with only 32 per cent of consumers in agreement. Fifty-seven per cent of executives believe spending on handbags will be reduced, aligned with just 29 per cent of consumers.

"The US apparel, footwear, and accessories categories go into the holiday season facing the macro disruptions being seen across the economy," said James Fallon, editorial director for Fairchild Fashion Media, which includes WWD, Footwear News, Beauty Inc, and Fairchild Live Media. "Although the challenges presented by supply chain issues, inflation, and workforce shortages are significant, pricing strategy was cited by 40 per cent of retail leaders as the one variable within their control. Given that, a well-developed pricing strategy will make all the difference in retailers' end-of-year performance."

Retail executives largely believe that rising prices have changed consumers' shopping habits to focus more on promotions, sales, and discounts. However, that presumption is not supported by the data. For instance, 58 per cent of retail executives think that consumers are shopping more for deals, but this is true for only 40 per cent of consumers. Forty-three per cent of retailers think consumers are buying less overall, yet only 29 per cent of consumers admit that this is the case. Forty per cent of retail executives think consumers are using more coupons, compared to only 24 per cent of consumers. The one place both retailers and consumers agree is that inflation has forced consumers to stay within a budget.

The report also finds that 75 per cent of retail executives believe the country is currently experiencing a recession, compared to 66 per cent of consumers.

Among retail leaders, the top three priorities for 2023 are growth strategies, customer acquisition and retention, and store operations. Although consumers have been returning to in-person shopping, 49 per cent of retail executives will spend more of their budget on e-commerce technology investments and less on in-store enhancements.

Sixty per cent of retail executives believe Voice of Customer and assortment/pricing predictive analytics software is important or very important to their business.

Increasing prices, reducing inventory, and moving excess inventory are the top three ways retailers say they are combatting inflation and increased costs.

Source: fibre2fashion.com- Oct 26, 2022

HOME

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Sri Lanka records $ 10 billion revenue from merchandise exports in first 9 months of 2022

During the first nine months of this year, Sri Lanka has managed to earn US$ 10 billion from merchandise exports, the Sri Lanka Exports Development Board (EDB) said in its performance report for the month of September.

Sri Lanka has managed to earn an export income of US$ 9,996.19 million during first 9 months of 2022, which is an increase of 11.83 percent compared to the US$ 8,938.49 million earned during the same period in 2021, according to the Export Development Board.

Earnings from the merchandise exports increased by 5.75 % year-on-year to US$ 1,093.98 million in September 2022 as per the data released by the Sri Lanka Customs.

This was mainly due to the increase in export earnings from Apparel and Textiles, Tea, Gems and Jewellery, Electrical and Electronic Components and Spices and Essential Oils, EDB said.

Major Exports in September 2022

Major product sectors except Coconut based Products; Apparel & Textiles, Tea, Electrical & Electronic components, Spices & Concentrates Diamonds, Gems & Jewellery, Food & Beverages, Ornamental fish and Other export crops as shown in the table 1 below, recorded increased exports in September 2022.

Exports of Apparel & Textiles increased by 5 % y-o-y to US$ 479.88 million in September 2022. The increase was driven by both Apparel and Textiles.

Export earnings from tea in September 2022 which made up 11% of merchandise exports, increased by 11.63% y-o-y to US$ 117.82 million. This was mainly due to the higher Export of bulk tea (11.95%) and tea packets (6.98%).

Export earnings from Rubber and Rubber Finished products have decreased by 16.91% y-o-y to US$ 82.19 million in September 2022, with poor performance in exports of Pneumatic & Retreated Rubber Tyres & Tubes (-4.67%) and export of Industrial & surgical gloves (-39.12%).

Export earnings from the Electrical & Electronics Components increased by 42.13 % y-o-y to US$ 57.27 million in September 2022 with strong performance in exports of Insulated Wires & Cables (42.13%) and Other Electrical & Electronic Products (45.56%).

Export earnings from Seafood decreased by 25% to US$ 16.95 million in September 2022 compared to September 2021. Except Shrimps & lobsters, export earnings from Frozen fish and Crabs increased by 2.68% and 94.03% respectively in September 2022.

However, export earnings from Ornamental fish increased by 37.6% to US$ 1.72 million in September 2022 compared to September 2021.

In addition, export earnings from Spices and Essential Oils increased by 9.29% to US$ 40.84 million in the month of September 2022 compared to month of September 2021 due to the better performance in export of Cinnamon (14.0%) and Pepper (4.37%).

On monthly analysis, except shell products export earnings of kernel products and fiber products categorized under the Coconut based products decreased by 11.95% and 11.62% respectively in September 2022 compared to September 2021.

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Source: colombopage.com- Oct 26, 2022

HOME

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Vietnam yearly yarn imports up, exports down

Vietnam's yarn imports moved up by 23 per cent year-on-year but declined by one per cent month-on-month and its exports dropped by 20 per cent year-on-year and seven per cent month-on-month.

In terms of countries, the main origins of yarn imports in September 2022 were China, Taiwan and Thailand. By country, yarn exports to China, South Korea and the US accounted for 47 per cent, nine per cent and four per cent respectively. Vietnam's textiles and apparel exports increased by 19 per cent year-on-year but dropped by 31 per cent month-on-month.

Vietnam’s cotton imports in September were down 11 per cent over the same period last year yet up five per cent from the previous month. Australia was the main source of Vietnam’s cotton imports in September, accounting for 53 per cent of total imports. Imports from US and Brazil accounted for 33 per cent and two per cent respectively.

Based on export value, Vietnam’s textiles and apparel exports in September dropped significantly compared with that in August, yet were still higher than that of last year. In September, Vietnam's textile and apparel exports declined significantly month-on-month and the exports value was well below the highest level of 2022, yet still showed positive growth from the same period of last year.

Source: fashionatingworld.com- Oct 25, 2022

HOME

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Vietnam's textile, garment exports fall by 27% to $3.2 bn in Sept 2022

Vietnam's textile and garment exports decreased by 27 per cent, which is almost $1.2 billion, in September 2022 to $3.2 billion month-over-month (MoM). China, South Korea, Japan, the US, and Europe showed a steep drop in exports because of weaker purchasing power due to rising inflation and other uncertainties.

"There are uncertainties running up to the end of the year, especially the Russia-Ukraine conflict and material price fluctuations," chairman of the Vietnam National Textile and Garment Group (Vinatex) Le Tien Truong was quoted as saying by Vietnamese media reports. "Enterprises are seeking ways to diversify material supply sources as well as export markets because when material sufficiency is ensured, they can boost shipments to many markets, thus helping guarantee production stability, supply chain, and sustainable exports."

The USD/VND exchange rate is expected to continue to drop in the second half of 2022, negatively affecting businesses, particularly those with high expenses calculated in US dollars, noted capital market company Saigon Securities Incorporation (SSI).

Source: fibre2fashion.com- Oct 26, 2022

HOME

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USAID Trade Activity helps with speedy customs clearance in Bangladesh

The USAID Feed the Future Bangladesh Improving Trade and Business Enabling Environment Activity imparted training to 25 customs officials on the Authorised Economic Operator (AEO) programme on Monday, said a press statement. The programme is part of USAID efforts to assist the Bangladesh government in reducing the time and cost of clearing goods.

Firms receiving AEO accreditation will enjoy fast-tracked imports and exports through a dedicated channel, including the privilege of receiving their goods without a physical customs inspection. This helps firms save time and stay on external trade schedules. A Time Release Study conducted by NBR showed that consignments in the Chattogram port required over 11 days to clear Customs and be received. Having AEO status will dramatically reduce that time with the added benefit of reducing the congestion at the ports.

The training has been provided aiming to build the capacity of customs officers to validate AEO applications and to manage the post-AEO accreditation procedures, the USAID press statement said. This training will support the National Board of Revenue (NBR) to implement the globally-practiced AEO in Bangladesh. While NBR offers this status only to three firms now, it intends to provide more firms with the AEO facility from the textile, pharmaceutical, and leather sectors. 63 firms have applied for AEO status and are awaiting a formal response from NBR.

The Feed the Future Bangladesh Trade Activity supports the government of Bangladesh to bolster economic growth and food security by improving trade facilitation, enhancing market access, and improving the business-enabling market. The Trade Activity provides technical assistance, training, institutional strengthening, and other direct support to the Government of Bangladesh and non-governmental partners. It also promotes greater collaboration among the government, private sector, and civil society organisations.

Source: thefinancialexpress.com.bd- Oct 25, 2022

HOME

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Bilateral trade between Bangladesh and Vietnam hit $739.89m

Bilateral trade between Bangladesh and Vietnam hit $739.89 million in FY21 and it can be raised to $2 billion through exchange of business delegation and joint research.

Rizwan Rahman, president of Dhaka Chamber of Commerce and Industry (DCCI), made the remark at a business networking meeting and B2B match-making between the chamber and a visiting 31-member Vietnamese business delegation held in Dhaka on Tuesday.

Bangladesh and Vietnam have been growing remarkably fast in the recent decades thanks to the initiatives taken to strengthen economic cooperation between the two, Rahman said.

Bangladesh exports $61.29 million worth of goods to Vietnam while imports $678.6 million, he also said.

Rahman also urged the Vietnamese investors to take the dividend of Bangladesh's existing competitive trade and investment ambiance.

The Vietnamese businesses can invest in joint ventures and technology transfer in agro-processing, shipbuilding, electronics, textile, pharmaceuticals, leather, jute, ceramics, light-engineering industries, economic zones and hi-tech parks, he said.

To ensure a win-win trade relation, Bangladesh can be included in the regional comprehensive economic partnership (RCEP) and Association of Southeast Asian Nations (Asean) as a member, Rahman said.

Bangladesh is a potential business partner of Vietnam, said Pham Viet Chien, ambassador of Vietnam.

Even in the post-pandemic era, the bilateral relation between Bangladesh and Vietnam got much deeper, he said.

In the first nine months of this year, the both-way trade crossed $1.1 billion and it is growing day by day, he said.

He hoped the B2B arranged by the DCCI will pave the way to enhance linkages between the businessmen.

He invited Bangladeshi entrepreneurs to invest in Vietnam and they are ready to share experience and views with their Bangladeshi counterparts.

Lack of linkages between both parties are responsible for lower trade, said Do Quoc Hung, deputy director general industry and trade ministry of Vietnam and head of the delegation.

He also suggested more exchange of delegation.

He said Bangladesh and Vietnam maintain a good inter-complementary trade relation where both the countries do not have to compete with each other.

Vietnam has already implemented 15 free trade agreements, he added.

"The more we can arrange B2B, the more opportunity will be created for businesses."

Source: dhakatribune.com- Oct 26, 2022

HOME

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Bangladesh: BGMEA, IFC discuss ways to accelerate environmental sustainability in RMG

A delegation of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), led by its President Faruque Hassan, met on Tuesday, Jiyeon Janice Ryu, resident representative of the International Finance Corporation (IFC) in Korea, and discussed issues related to the apparel and textile industry and its challenges, and ways to accelerate environmental sustainability.

The BGMEA team included Vice President Shahidullah Azim, Director Asif Ashraf, DBL Group Managing Director MA Jabbar, and Hams Group Managing Director, Engr Md Shafiqur Rahman. Nuzhat Anwar, senior country officer, IFC Dhaka, and Nishat Chowdhury, programme manager of IFC's "Partnership for Cleaner Textile: PaCT" programme were also present, reads a press release.

BGMEA President Faruque Hassan informed the IFC of the progress made by Bangladesh's apparel industry in the area of environmental sustainability, including remarkable results in reducing water consumption in the clothing sector of Bangladesh through the PaCT programme, supported by the IFC.

The "Partnership for Cleaner Textile: PaCT" programme has been supporting participating factories in reducing their carbon and water footprint. The RMG industry of Bangladesh is strongly focusing on enhancing business capabilities while attaching importance to sustainability, said Faruque Hassan, adding that IFC has already funded several studies for the RMG sector to explore its opportunities and ways to realise them.

One of the studies aims is to identify the potential scope of non-cotton textiles and apparel for Bangladesh in the global apparel market and to formulate a strategy to develop the country's overall competitiveness and strength in the area. He requested the IFC Representative in Korea to exchange knowledge and expertise in the area of sustainability from a Korean perspective. Faruque Hassan invited the IFC team in Korea to the "Made in Bangladesh Week" which will be organised by BGMEA from 12-18 November in Dhaka to promote Bangladesh and the RMG industry by showcasing its strengths and encouraging stories internationally.

Source: tbsnews.net - Oct 26, 2022

HOME

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NATIONAL NEWS

UK FTA hiccups: Solutions abound

Two controversial issues ended up putting a spanner on the Diwali deadline for the UK-India FTA—the depth of commitments on movement of natural persons and impediments to flow of data. Suella Braverman, in her first stint as the British as concerns that Indians tend to overstay their visas stirred up strong emotions on both sides. On the data issue, India's requirements for data localisation are perceived by the UK as an impediment for cross-border data flows.

There are ways to address both issues effectively for meaningful FTA commitments. This is particularly important since both have significant implications for trade in services under the FTA, an area in which the Indian government has estimated an export target of $350 billion in the current fiscal.

Unlike the unidimensional method of merchandise trade, which occurs with goods crossing borders of the exporting country into the importing country, trade in services can occur through four modes of supply—

*Mode 1, "cross-border supply of services: where an Indian service supplier supplies services through electronic means to the service consumer in the UK. The IT industry has been one of the biggest beneficiaries of this mode of supply.

*Mode 2, or "consumption abroad", where a service consumer of UK (the importing country), visits the India to avail of services, for example, tourism and healthcare services.

*Mode 3, or "commercial presence", is the most easily understood and measurable mode of trade in services, wherein an Indian services company invests in the UK.

*Mode 4 involves the temporary movement of Indian service professionals to the UK to supply services for a specified duration.

For Modes 1, 3 and 4, India has a positive balance of trade, and on Mode 2, both countries have similar exports. The two sticky issues, data localisation and visas, impact Mode 1 and Mode 4, respectively.

Let us consider data localisation. This refers to requirements for storage and/or processing of data within the territory of a country, which is what lies at the heart of any Mode 1 delivery of services, whether it be IT, financial, educational, or any other. The policy rationale for data localisation is that this would facilitate law enforcement, as well as enable harnessing the economic potential of any data.

India's data protection law, which was expected to clarify the extent of localisation, is likely to see the light of day only in 2023. The current legal mandate for local storage of data in India is only with respect to personal financial data (used by credit card companies). But India is unlikely to commit cross border data flows under any FTA when the domestic legal framework is yet to fully evolve.

However, data protection does not mean that there cannot be cross-border data flows for trade purposes. Take the example of the EU's General Data Protection Regulation (GDPR), which sets a high level of protection for personal data. EU's FTAs allow for transfer and storage of data to those countries which it has recognised as having a level of data protection adequate to its own.

EU has recognised the data protection laws of Argentina, Canada, South Korea and the UK, among others, as "adequate". For other countries, alternate pathways for data flows, including through contractual arrangements, is possible.

Given the close linkage between cross-border data flows and Mode 1, an area where both India and UK have an aggressive interest, both countries should consider an interim arrangement, which can be reviewed once India's data protection law comes into force.

On the second issue of visas, Ms. Braverman's skepticism of the FTA pertains to Mode 4, or the temporary presence of natural persons to provide services. Her concern is that the India-UK Migration and Mobility Partnership (MMP), entered into last year, had not worked well.

This concern is misplaced and conflates two distinct concepts: Mode 4 under the FTA refers to the "temporary" presence of natural persons to deliver a service; it has nothing to do with mobility, employment and migration which is the domain of the MMP. In fact, the India-UK MMP specifically excludes trade in services through movement of natural persons, which it states will be part of the FTA commitments.

The services chapter of the India-UK FTA, as is the practice in FTAs, would likely exclude any entry into the employment market and permanent migration into the UK. In fact, the UK is well-positioned to enforce this distinction with its special category of visas titled the "Global Business Mobility Service Supplier route", which is geared to service sectors where the UK has taken commitments under an FTA.

With a strong base of skilled professionals, India is well-positioned to further enhance its tactical advantages in Mode 4 under the proposed FTA. for this, dealing with Mode 4 as distinct from the MMP, is crucial.

Trade in services is central to any meaningful FTA. Clear and innovative solutions, both at the conceptual and at the level of drafting commitments, are needed to make it meaningful for both India and the UK.

Source: financialexpress.com- Oct 27, 2022

HOME

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India-UK FTA: Internal consultations gain momentum even as Diwali deadline set to be missed

Commerce Department wants to be prepared with position on all critical areas despite the current political turmoil in the UK, sources say

The India-UK Free Trade Agreement (FTA) is clearly set to miss the ambitious Diwali deadline but the Commerce Department has stepped up internal consultations for greater clarity on where things stand in tricky areas, such as duty cuts for automobiles and wines, e-commerce, government procurement, visas and new areas such as labour, environment and gender.

The preparations are on, despite the politically charged situation in London — where UK Prime Minister Liz Truss is fighting calls for her resignation — as there is no conceivable threat to the Indo-UK trade talks which has wide-based support, sources told businessline.

'Watching closely'

"We are watching the political developments in the UK closely. We don't know whether PM Narendra Modi will be meeting his UK counterpart next month, virtually or in-person, but officials want to be prepared with India's response on all contentious issues, in case an announcement around the negotiations is to be made," said a source.

Not only are internal meetings happening in the Commerce & Industry Ministry, discussions are also taking place at the "higher level" to understand how much compromise and adjustments will be politically acceptable, the source added.

The proposed FTA, which is expected to double bilateral trade to $100 billion by 2030, could set the tone for India's future negotiations with other nations as for the first time the country is considering substantial lowering of tariffs for its highly protected automobile sector and focus on areas such as government procurement, e-commerce, labour, environment and gender.

Pressure for lowering of import duties on wines and spirits, including Scotch Whisky, is also high but India has already made a start in the area by committing to lower tariffs on wines in its free trade pact with Australia.

Lots to be done

“While the fight for low duties on automobiles and Scotch will continue right till the end, positions have to be established conclusively in areas such as digital trade, government procurement, labour, environment and gender. In the areas of labour and environment, the government believes that it has unilaterally achieved enough and the free trade pact will not pose a problem but in other areas strong commitments need to be avoided,” the source added.

For India, apart from greater market access for labour intensive items such as garments and textiles, leather and foot wear, agriculture and processed food and tobacco, it is also important that it gains some concessions in the area of work visas. “Although the UK Home Secretary made some adverse comments recently on visa overstayers, it has no direct connection with the FTA talks,” the source said.

Source: thehindubusinessline.com- Oct 26, 2022

HOME

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Rupee trade: Notification allowing exporters earning in rupee enjoy existing schemes likely

With India preparing to start full-fledged rupee trade with Russia and also engaging in talks with some other countries, such as the UAE and Sri Lanka, for a similar arrangement, the Centre is likely to soon come out with a notification allowing exporters to enjoy all existing export benefits, such as input duty reimbursement schemes, even if they are not earning foreign currency, an official tracking the matter has said.

Moreover, exporters, who have imported under various schemes with export obligations, may be allowed to fulfil the obligation in Indian rupee against imports made in free foreign currency, if they have exported under the rupee trade mechanism, the official told businessline.

Shouldn't be excluded

"To encourage exporters to participate in the rupee trading mechanism, it is important to ensure that they do not get excluded from various existing schemes if they earn in rupee. Notifications for the same are likely to be issued very soon. The Commerce Ministry, Finance Ministry and the RBI are in talks on the matter," the official said.

In July this year, the RBI issued a circular allowing invoicing, payment, and settlement of exports and imports in Indian rupee. The RBI said that the idea was to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in Indian rupee. The move would serve the double purpose of dealing with countries saddled with Western sanctions such as Russia, which has been targetted by the US and the EU for its continued aggression in Ukraine, as well as helping India get over its problem of depleting foreign currency reserve.

"Exporters, through various representations, have been stressing on the need for clarity on continuation of various schemes such as the Remission of Duties and Taxes on Exported Products (RoDTEP). They have also sought acceptance of export obligation in Indian rupee for items imported under various schemes. The government is mostly of the view that these are valid expectations that need to be met," he said.

India’s engagement with Russia for establishing a rupee-denominated trading mechanism is at an advanced stage with the RBI giving its approval to UCO Bank to open a special Vostro account with Russia’s Gazprombank.

Two Russian banks, Sberbank and VTB Bank have already opened a special vostro account in their respective branches in Delhi, according to media reports.

Source: thehindubusinessline.com- Oct 26, 2022

HOME

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India, China trade crosses $100 bn during Jan-Sept; deficit up at $75 bn

India and China bilateral trade continued to boom, crossing USD 100 billion for the second year in the first nine months of 2022 while India's trade deficit climbed to over USD 75 billion, according to trade data released by Chinese customs.

The total bilateral trade, amidst the military standoff in eastern Ladakh, went up to USD 103.63 billion, registering a 14.6 per cent increase compared to last year during the same period.

China's exports to India climbed to USD 89.66 billion, registering an increase of 31 per cent, data released by China's General Administration of Customs (GAC) said.

However, India's exports in the past nine months stood at USD 13.97 billion, registering a decline of 36.4 per cent.

As a result, the total trade deficit went up to over USD 75.69 billion.

Last year, the India-China bilateral trade hit a record high of over USD 125 billion crossing the USD 100 billion mark in a year when the relations touched a new low due to the standoff by the militaries in eastern Ladakh.

Last year, China's exports to India went up by 46.2 per cent to USD 97.52 billion while India's exports to China grew by 34.2 per cent to USD 28.14 billion.

The trade deficit for India stood at USD 69.38 billion in 2021.

Source: business-standard.com- Oct 26, 2022

HOME

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Dollar surge: Why the weakening rupee is a headache for Indian exporters

The current currency movement is creating a business environment fraught with uncertainties, says Nashik-based exporter Muthukumar Raaju. The founder and director of Enrock Impex Pvt Ltd — which exports textiles, carpets, plastics and kitchenware — says it takes 30-50 days to execute an order. But the rupee-dollar exchange rate changes between the time the business deal is signed and the goods are exported.

"This exchange rate fluctuation also increases the cost of raw materials that are to be imported. In such cases, a surge in the dollar doesn't help the manufacturer or merchant exporters," says Raaju.

The US dollar, the world's dominant currency chiefly responsible for driving global trade flows, hit a 20-year high against a basket of currencies last month. The strengthening of the dollar is expected to continue as the Federal Reserve takes steps to control inflation in the US and the currency becomes a prized commodity for investors, leading to a rapid spike in its demand. This has posed challenges for every economy that trades in dollars. It has affected the Indian trading community in multiple ways. The rupee has dropped nearly 10% this year against the dollar, say industry estimates.

Technically, the appreciation of the dollar and a resulting depreciation of the rupee is supposed to make exporters happy as they get to accrue more value per US dollar against their shipments. However, industry observers say the situation isn't as simplistic as it looks this time around.

"Contrary to the general perception, rupee depreciation is not helping our exports as our competitors' currencies are depreciating at a steeper pace," says Ajay Sahai, DG and CEO, Federation of Indian Export Organisations (FIEO). "The rupee is one of the best-performing currencies in the world, with very few exceptions. Therefore, relatively speaking, we are losing out to our competitors as far as exchange rates are concerned."

Expensive to make and sell

Industry observers say the exchange rate is only one factor in the competitiveness of exports, particularly as we still have a few supply-side challenges. "The import intensity of exports has increased in many segments, nullifying the gains and in the traditional sectors of exports, which are primarily made of domestic inputs, inflation has blunted the competitive edge," says Sahai, adding that the global slowdown will affect demand and our exports.

The soaring dollar has compounded the woes of importers as it spikes the import bills. This is not good news for importers of raw materials. Raaju knows this end of the business also as he imports plastics and kitchenware from Hong Kong and China. Medium and large firms are opting for currency hedging. Raaju says his bank had suggested that he lock in the price in case he expects remittance next month.

The expectation is that dollar rates would go beyond the 85-86 mark till November or December and remain high till Christmas. "That will be the time when we may see the rupee's slide to stabilise. It should stay stable till the next festive season," he says. But industry observers say that scenario depends on the Russia-Ukraine war not escalating.

The weakening rupee against the dollar has become a huge deterrent to the import business, says Dhanraj Kidiyoor, the Founder and CEO of Pwip, a digital platform for agri exporters. "Most importers are pushed towards exploring alternative methods or instruments to keep their trade going.

The current market and world economies are also very hostile to the way countries like China, the USA, the UK, Vietnam, Sri Lanka, North Korea, Russia and Ukraine are behaving. With this, the import sentiment is being hurt not only because of forex risks but also because of the instability and the warlike situation facing some countries," he says.

Kidiyoor says India exports nearly $382.3 billion worth of goods, whereas the imports are about $469.5 billion, which brings us to a deficit of $87.2 billion.

Some sectors stand to win

As of now, manufacturers and exporters face higher production costs as imported inputs become expensive. The impact is more in sectors where operational cycles depend on steady supplies of raw materials, such as pharma and auto industries.

Saikat Dalmia, President of industry body PHDCCI, says the import content in our production processes is high — he estimates it at around 20% of a product. So, imports of raw materials at depreciating rupees reduces the price competitiveness of the producer in the international market. “The exporters of traditional sectors goods such as textiles and leather may have been benefitted, but import intensive products such as electronics, automobiles, organic chemicals and pharmaceuticals are facing a rise in prices,” he says.

India’s textile sector — the nation's 2nd largest after agriculture in employment generation — looks well placed to gain from the dollar surge. The industry is broadly cotton based and there has been a steady decline in cotton prices over the past few weeks. This wasn't the case only a few months ago when raw cotton and cotton yarn prices were at an all-time high.

Anant Srivastava, Director of Skier Export and Import, says the textile sector is benefitting because of the dollar’s appreciation. “Some buyers are even giving us 40-50% of the order value as advance.”

Players in this segment see this as a golden opportunity. Srivastava says while volatility in the immediate term may be good to make quick financial gains, it certainly hurts the market sentiment in the long term.

Enrock Impex’s Raaju agrees the dollar surge is encouraging exporters to seal orders that were earlier held up because of price issues. Every exporter in his network is revising prices to accommodate a certain “discount component” to seal business deals.

So, the trade volume is increasing. “Previously, our business contracts were falling apart, mainly because of disagreements over the quoted prices. That is not the case anymore,” says Raaju.

As a merchant exporter of textiles, he is aware that many buyers are comparing rates with China and Bangladesh. “A couple of orders were held up by buyers because we could not meet their target price. But now, with 5-15% discounts on offer, we are better placed,” he adds.

Pain points

But not all segments have been this lucky. Stakeholders in the country's engineering sector — a leading forex earner — call the dollar surge a mixed bag. The engineering goods sector made up the largest share, at 27%, of the exports basket in April-December 2021.

Engineering Exports Promotion Council (EEPC) India Chairman Arun Kumar Garodia says a stronger dollar is good for Indian engineering exporters in the short run. However, it is likely to hamper engineering shipment in the medium term. Importers may ask for a discount if the rupee depreciation persists for months.

Several items in the engineering sector have a substantial amount of imports. The dollar surge is bound to affect those segments. Garodia gives the example of segments such as steel and automobiles.

Some items are not produced in India at all, and manufacturers depend on imports to make finished goods from these items. Therefore, the price of these products will go up in the domestic market, and exports of these products will be dearer as the import of inputs will be costlier.

The dollar appreciation is lower in emerging markets than in advanced economies. But the impact is larger in emerging markets that have higher import dependency. Players in India are trying out several measures to safeguard themselves.

Kidiyoor says large export houses are well established and know how to play the forex game. So most large exporters would have a ratio of the percentage of forward (future) booking vis-à-vis playing the risk with open markets to settle at actuals. “Some have a ratio of, say, 80% forwards booked versus 20% on actuals; some 60:40 or up to 50:50. Hedging also requires a considerable amount of security or collateral to be given to banks. This leads to a considerable amount of capital being blocked here,” he says.

Hedging situation

This situation does not help the medium and small exporters. Those who do not have hedging capabilities are having to make better pricing decisions based on the situation now. Srivastava of Skier says MSME exporters are avoiding hedging solutions at banks because of paperwork and other requirements. Instead, buyers and sellers have adopted an old simplistic method. “This is how it’s implemented: With Russian and Panama buyers, we have fixed a $=INR conversion rate, say, at 82. Now, if the exchange rate goes higher, the buyers gain. Else, the exporters gain,” says Srivastava.

Some traders are betting on the Reserve Bank of India’s decision to allow Indian banks to work out special corresponding vostro accounts with foreign banks to trade in the rupee. The move will help us even deal with countries that are under US sanctions and those having foreign exchange shortage, says Sahai. Though some banks have received RBI approval, the operation has not yet started. Two Russian banks have opened vostro accounts to settle payments in the rupee. Sahai says he hopes the system will become more common.

Industry officials say government intervention is required to provide the Indian economy and businesses with the required safeguards against a rapid depreciation of the rupee. “At this juncture, we should buy raw materials from countries that accept rupee transactions,” says the PHDCCI’s chief, adding that measures such as reducing excise duties on key import products will also help.

EEPC’s Garodia says RBI’s intervention in the currency market can provide some cushion. Measures from the central bank to boost capital inflow into NRI accounts may also help to arrest the depreciation of the rupee.

While nothing can be done to immediately arrest the fallout of a strengthening US dollar, the government and industry can minimise the ramifications and find ways to benefit from the boom.

Source: economictimes.com- Oct 26, 2022

HOME

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PLI scheme and Atmanirbharta

Over the last 30 years, successive Central governments have strived hard to raise the share of manufacturing in India's GDP to 25 per cent. It currently stands at 17 per cent, which is a slight improvement since 2014 when it had been stagnating at 13-15 per cent.

China has been able to increase the share of its manufacturing sector in its GDP from 17 per cent in 1992 to 28 per cent in 2021. Consequently, China has emerged as the world's largest manufacturing economy. Its share in global manufacturing has increased from mere 4 per cent in 1992 to an overwhelming 30 per cent in 2021, significantly higher than Germany, which for long was the biggest manufacturing economy.

This is a propitious time, both externally and domestically, for India to achieve this objective. In an attempt to reduce country risk, global companies are now trying to diversify away from China. With the sharp rise in domestic wages in recent years, Chinese companies are under pressure to relocate capacities overseas. They are vacating low technology sectors as they seek to raise productivity levels in line with rising wages.

At the same time, the quality of governance and of the investment environment has markedly improved in India. This is principally a result of States competing with one another to attract investments and a concerted effort by both the Centre and States to cut red tape and regulatory burden.

Industrial policy

If India wants to achieve its desired goal of manufacturing contributing about 25 per cent of its GDP, policy attention should focus on raising the share of Indian manufacturing in carefully selected sectors in world markets. This in effect is the pursuit of the 'industrial policy' advocated by several prominent economists like Dani Rodrik and Alice Amsden.

This approach is for the first time since Independence being tried in India through the implementation of the Production Linked Incentive (PLI) scheme. This has been announced for 13 manufacturing sectors, which are either sunrise sectors or in which import dependence is very high.

Under the PLI scheme, the Centre has committed to pay ₹2 trillion ($27 billion) as direct cash incentives to select firms but only after they have achieved the targets stipulated. It was estimated by NITI Aayog that, if successful, the PLI scheme can generate about $500 billion of new manufacturing output and 200,000 quality jobs. It will also reduce vulnerabilities in sectors such as strategic equipment, electronics and advanced pharmaceutical ingredients. Early positive results in the mobile phone sector inspire optimism about the PLI scheme.

To succeed, the PLI scheme requires careful and continuous monitoring and active coordination between the Centre and State governments. Care has to be taken to ensure that a PLI scheme does not slip into becoming a set of tariff and non-tariff protection as this will defeat its primary objective of creating globally competitive manufacturing capacities. Tariff and/or non-tariff protection for each sector must therefore come with a clearly defined sunset clause.

The PLI scheme will also depend rather critically upon ensuring that domestic capacities created under the scheme embody frontline technologies to remain globally competitive. An expanding share in world markets by firms covered by the PLIS would be the clearest evidence of their acquisition of frontline technologies and achieving global competitiveness.

From past experience, we should expect multiple push-backs and inertia from firms in this regard. These will have to be resisted to ensure PLIS' success.

The other end of the manufacturing spectrum is occupied by medium, small and micro enterprises (MSMEs). These account for more than 80 per cent of manufacturing employment, contribute about 35 per cent of exports and account for nearly 25 per cent of the sector's output. But MSME units suffer from inadequate access to technology, commercial credit and regional and/or global production networks.

India's manufacturing sector will not attain global competitiveness unless this marked dualism between the formal and informal segments within the manufacturing sector is not eliminated. The expanding coverage of GST will help in reducing the dualism. But sector-specific measures are needed

The FDI factor

The present government has demonstrated its intent to use FDI as a means for ramping up manufacturing capacity by its bold approach in opening up nearly all manufacturing sectors, including defence production to foreign direct investments. This is beginning to show positive results and the inflow of FDI is expected to exceed $100 billion in FY23. To achieve even better results, we need to distinguish between new capacity creating FDI from inflows of private equity capital that take over existing capacities.

There is a new tendency to even combine inflows of finance capital with FDI and private equity inflows. This creates confusion.

All three are distinct categories of foreign capital and should be reported and treated differently. This will help in ensuring foreign capital inflows are not used predominantly to take over domestic innovations and capacities created by Indian start-ups and entrepreneurs.

It will also be useful to annually compare India's performance with other FDI recipient countries. Inter-State comparisons of FDI inflows will encourage State governments to focus their efforts on attracting FDI inflows that create export oriented manufacturing capacities and generate quality employment.

Globally competitive manufacturing and resultant exports will lead the way for India to achieve true Atmanirbharta. Consistent efforts in select sectors can help India successfully expand its share in world trade from the present level of less than 3 per cent (taking merchandise and services trade together) to at least 12 per cent by the time we celebrate the centenary of our Independence in 2047. Such an achievement while achieving true Atmanirbharta will also enhance our national security in multiple ways.

Source: thehindubusinessline.com - Oct 25, 2022

HOME

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Extending deadline Due date for filing ITR by entities with audit report extended to Nov 7

The Income Tax Department on Wednesday extended the due date for filing IT returns to November 7 by corporate and individuals whose accounts need to be audited. The original due date was October 31.

The Central Board of Direct taxes (CBDT) issued a circular saying since the due date for furnishing of audit reports has already been extended, extension of due date for filing return was also required, hence the change in date for filing returns.

Not filing return on or before due date (including extended one) will prove costly, as in such a situation, one needs to pay interest at the rate of 1 per cent per month or part month on the unpaid tax amount. Then a late fee of ₹5,000 will also need to be paid. Also, loss adjustment is permitted only, if one declares the losses in the ITR and files it before the deadline.

If one misses the ITR filing due date, he can file a return after the due date, called a belated return. But still, he will have to pay the late fee, interest and will also not be allowed to carry forward the losses for future adjustment. At present, last date for filing belated return of AY 2022-23 is December 31, 2022.

Source: thehindubusinessline.com - Oct 26, 2022

HOME

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Where does the India-UK FTA stand at?

India and the UK are negotiating a Free Trade Agreement. While the agreement was supposed to be passed within Diwali, the countries missed the deadline. The talks of the agreement started in January between Prime Minister Narendra Modi and the former British Prime Minister Boris Johnson.

So, where does the India-UK Free Trade Agreement stand? How will the newly elected British Prime Minister Rishi Sunak deal with the situation? Listen in.

Click here for more details

Source: thehindubusinessline.com- Oct 26, 2022

HOME

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India and globalisation

The world has changed dramatically in the past two years. The two most significant triggers of this change have been the Covid pandemic and the Russian invasion of Ukraine. These two events have disrupted the structures of economic globalisation. National policy responses have been less than ideal, with the largest mistake being the US Federal Reserve's tardiness in combating rising inflation. Their delayed action is shocking the global system even further.

Even before these shocks, there was mounting concern about the effects of globalisation on the livelihoods who were not well equipped to benefit from increased competition and rapid technological innovation. Populist nationalism was rearing its ugly head, even in seemingly liberal democracies like the United States and United Kingdom.

Rana Foroohar, who occupies a prominent and influential position as the global business columnist for the Financial Times of London, offers her perspective on the state of the world in a new book, Homecoming: The Path to Prosperity in a Post-Global World. Her diagnosis is a familiar one, and two quotes capture her perspective well: "far from making us all "free," the free market changed us from citizens into consumers, increasingly beholden to the increasingly large companies that outsourced our jobs and mined our personal data..." and "two groups prospered disproportionately under American-style neoliberalism: multinational companies and the Chinese."

In essence, Foroohar's solution is to enhance and diversify sites of local production.

"Homecoming" in this context means, according to the publisher's blurb, keeping "operations, investment, and wealth closer to home, wherever that may be." Economists will recognise familiar ideas underlying this vision, including the dynamics of comparative advantage, learning by doing, agglomeration economies, and so on. Perhaps the new component in current formulations is the concept of "resilience, given salience by the Covid pandemic and its impacts. In addition, information technology provides new tools for this re-localisation, just as it aided globalisation over recent decades.

Foroohar's thesis and prescriptions are somewhat reminiscent of Raghuram Rajan's ideas in his 2018 book, The Third Pillar—How Markets and the State Leave the Community Behind. There, Rajan noted the rapid progress of economic globalisation, spurred by trade and technological change, and how national governments had scaled up accordingly, leaving communities behind. Rajan's communities are a localised version of the general concept of civil society, and he emphasised the value of social ties and social capital. In that sense, his ideas complement those of Foroohor, who argues that geographic specialisation has gone too far, exceeding what is optimal, though she mixes this with value judgements about consumption. Implicitly, her case is also that robust local economies are a necessary for civil society to thrive.

There is much to be commended in analyses that question the extent and pattern of economic globalisation. What is striking is that both books have a primarily developed country perspective.

They recognise the growth of inequality within developed countries—something that is being repeated in developing countries as well – but not the reduction of inequality across countries. "The Chinese" who have benefited disproportionately were much poorer three decades ago than they are now, on average.

They have caught up with their American counterparts and rivals, and this is not a bad thing for the world as a whole. The unequal distribution of wealth and income in each country should concern policymakers in each—they have clearly not done a good job of serving many of their citizens well. But the average Chinese is now four times as well off as the average Indian. Judicious engagement with the global economy and pursuit of the benefits of international trade and international finance are still what India needs to raise its' citizen's standard of living.

Interestingly, the area of globalisation that has been the most problematic is the international movement of people. War and political instability have created, chaotic flows of refugees and other migrants, and have been one of the foremost causes of national populism. Rajan and Foroohar both are champions of immigration and the movement of people, both within and across national boundaries.

But such movements will always cause some tension, and there is no general answer to how to balance the movements of people, products, raw materials and financial capital. Nor is it clear how local governments and communities are supposed to deal with adjustment costs and the provision of public goods, such as local infrastructure and education, in the world of re-localisation.

Finally, if the world is to survive at all, it has to deal with carbon emissions very quickly in the next two or three decades. This will require a major restructuring of the global economy, one which will require national policies and international cooperation and coordination. Technological change will matter more than ever to achieve this transition.

India has to embrace globalisation with these goals in mind. It has to globalise on its own terms, and equip its citizens to participate as fully as possible in the new economy. Strong local communities and local economic clusters are a good thing, but they are no substitute for global thinking and global action.

Source: financialexpress.com - Oct 26, 2022

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Formal job creation in India slows down in August: MoSPI

Formal job creation in India slowed down in August after remaining buoyant for the last four months across the Employees' Provident Fund Organisation, the Employees' State Insurance Corporation and the National Pension Scheme.

The provisional payroll data released by the ministry of statistics and programme implementation on Tuesday shows net new subscriber addition under EPFO fell by 7.1% in August at 1.69 million compared to 1.82 million in July, 1.83 million in June, 1.68 million in May and 1.53 million in April.

ESIC also registered a decline of 8% in net subscriber addition in August at 1.46 million compared to 1.58 million in July, 1.56 million in June, 1.51 million in May and 1.28 million in April.

Even the NPS witnessed a marginal dip of 0.71% at 65,543 as against 66,014 in July, 58,425 in June, 60,926 in May and 64,569 in April.

Year-on-year comparison, however, shows an increase in formal jobs created this year compared to August 2021, which was the period of the abating second wave of the pandemic. Formal jobs created under the Employees' Provident Fund Organisation in August this year were 14.4% higher compared to 1.48 million added in August 2021.

Net new subscriber addition under ESIC in August this year is 10.5% more than 1.32 million new subscribers added in last August while NPS registered an increase of 16.3% as against 56,827 new enrollments in August 2021.

Out of the total 1.69 million net subscribers added during the month, around 0.98 million new members have been enrolled under the social security cover of EPF & MP Act, 1952 for the first time, it said.

Approximately 0.71 million net subscribers exited but re-joined EPFO by transferring their accumulations from previous PF account to the current PF account, instead of claiming for final withdrawal.

As per the report, 1.18 million male subscribers were added to ESIC while 0.28 million female subscribers were added to ESIC in August.

Under NPS, the highest number of subscribers added in August was at the state government level at 40,902 followed by the corporate sector at 15,502 and the least were added by the central government at 9,139.

The NSO report is based on the payroll data of new subscribers of various social security schemes run by ESIC, the Employees' Provident Fund Organisation (EPFO) and Pension Fund Regulatory and Development Authority (PFRDA). It has been releasing such data of these bodies since April 2018, covering the period starting from September 2017.

The report said since the number of subscribers is from various sources, there are elements of overlap and the estimates are not additive.

NSO also said the report gives different perspectives on the levels of employment in the formal sector and does not measure employment at a holistic level.

Source: economictimes.com- Oct 25, 2022

HOME

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