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Currency Watch	
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INTERNATIONAL NEWS

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INTERNATIONAL NEWS

Made ups contribute 30% in China's home textiles exports in H1 2022

China home textiles exports stood at $20.324 billion during January-June 2022. Made ups were the most prominent, accounting for $6.174 billion of the total home textiles exports during the period under review. The share of made ups was 30.38 per cent. However, made ups exports are seeing downward trend since 2020 when they jumped due to COVID impact.

According to Fibre2Fashion's market insight tool TexPro, bed products contributed $4.367 billion (21.49 per cent) in total home textiles of China during January-June 2022. The exports of other major home textile products were window $2.459 billion (12.10 per cent), bathroom & kitchen $1.809 billion (8.9 per cent), camping $1.696 billion (8.35 per cent), floor $1.2 billion (5.91 per cent) and furnishing articles $0.911 billion (4.48 per cent).

China's exports of made ups, however, are registering downtrend since 2020 when home textiles segment across the world saw unprecedented rise in demand. The sales of home textiles soared in 2020 as consumers were stuck in their homes due to COVID-19. The exports of made ups fell to $7.706 billion in January-June 2021 and to $6.174 billion in January-June 2022 from $33.340 billion in the corresponding period of 2020.

However, exports of bed articles recorded contradictory trend, as its exports dropped to $2.627 billion in January-June 2020, but recovered to $4.318 billion in the first half of 2021 and $4.367 billion in 2022, as per TexPro.

China's home textile exports soared to $78.624 billion in 2020 from $32.578 billion in 2019. But they dropped to $45.555 billion in 2021. China has exported $27.703 billion of home textiles in the first eight months of this year.

Source: fibre2fashion.com- Oct 31, 2022

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Cambodia's GDP expected to rise by 6.6% in 2023

Cambodia's gross domestic product (GDP) is anticipated to go up by 6.6 per cent in 2023, bolstered by external demands and the recovery of the domestic economy, as per the draft of the 2023 budget law approved at a recent plenary weekly cabinet meeting of the Cambodian government.

The country's economy in 2022 is projected to continue its growth at 5.4 per cent regardless of the effects of the Russia-Ukraine war crisis, according to the minister attached to the Prime Minister and chairman of royal government spokesperson unit Phay Siphan.

"Thanks to external demands and the return to normal of domestic economy, the Cambodian economic growth in 2023 is projected to be at 6.6 percent," said Siphan in a Facebook post. "Cambodia's economic growth in 2023 will be supported by key economic sectors, including industry, services, and agriculture."

Source: fibre2fashion.com- Oct 30, 2022

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Japan's clothing imports increase 29.8% in Apr-Sept 2022

The imports of clothing and accessories by Japan increased by 29.8 per cent year-on-year to 1,794,366 million yen during April-September 2022. The import was 3 per cent of total import of 60,590,442 million yen during the first six months of this year, according to the provisional trade statistics released by the Far Eastern country's ministry of finance.

According to the latest data, the import of textile yarn and fabrics were valued at 647,725 million yen in April-September 2022, which was 30.8 per cent higher than the same period of last year. The import was 1.1 per cent of the total imports by Japan.

Japan's export of textile yarn and fabrics was worth 389,659 million yen during the first half of fiscal 2022, with an increase of 17 per cent year-on-year. The export was 0.8 per cent of the total export of 49,577,804 million yen from Japan during the April-September 2022.

Japan exported textile machinery valued at 145,877 million yen, which was 20.2 per cent higher than April-September 2021. It contributed 0.3 per cent to total export.

During September 2022, Japan's imports of clothing and accessories increased by 40 per cent year-on-year to 401,740 million yen. Clothing imports accounted for 3.7 per cent of the country's total imports of 10,914,496 million yen during the month under review. The imports of textile yarn and fabrics were valued at 110,920 million yen in September 2022, which is 33.5 per cent higher than the same month of last year.

Japan exported textile yarn and fabrics worth 64,808 million yen, an increase of 21.3 per cent year-on-year. The textile yarn and fabric exports accounted for 0.7 per cent of the total exports of 8,820,212 million yen from Japan during September 2022. Japan exported textile machinery worth 24,868 million yen, which was 28.8 per cent higher than August 2021.

Source: fibre2fashion.com- Oct 30, 2022

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China's road freight volume declines by 4.4% YoY during Jan-Sept 2022

China’s road freight volume saw a decrease of 4.4 per cent year-on-year (YoY) from January to September 2022, according to the country’s ministry of transport.

Around 27.65 billion tons of road cargo was transferred during the first nine months of 2022. The East Asian nation’s road freight volume for September 2022 reached 3.37 billion tons, China’s official media reported.

Qinghai, which is China’s north-western province, however showed the highest rise in road freight volume after it surged by 11.9 per cent YoY.

Source: fibre2fashion.com- Oct 30, 2022

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Japan's cabinet approves $199 bn economic package to tackle inflation

Japan's cabinet has sanctioned the spending of 29.1 trillion yen (around $199 billion) as part of an economic package to fight increasing inflation. Prime Minister Fumio Kishida's government plans to slash household utility bills and save the average Japanese household about 5,000 yen per month from January–September, 2023.

The cabinet-approved stimulus package is expected to be worth around 71.6 trillion yen when taking into account the expenditure of companies and municipalities. Core consumer prices, an important indicator of inflation, and rising food, energy, and raw material prices have resulted in crossing the Bank of Japan's 2 per cent inflation target to reach 3 per cent in September 2022. The funding of the plan is anticipated to be obtained via issuing government bonds. The Japanese government is likely to put forward an extra budget for fiscal 2022 to next March to the current parliamentary session.

"We are targeting energy prices, a major factor behind the recent inflation and curb rising prices in a visible way," PM Kishida was quoted as saying at a press conference by several media reports. "We will spend 6 trillion yen in total on energy-related steps and extending support worth 45,000 yen to each household."

Faced with accelerating inflation, the fastest in around 30 years, the East Asian country's economy is taking longer to bounce back from the impact of COVID-19 compared to other developed economies. Moreover, the yen's decline and shooting commodity prices have raised import costs for Japan.

The 29.1-trillion-yen package is a component of a supplementary budget that is yet to be approved by the parliament. It comprises around 45,000 yen ($300) in subsidies for household electricity and gas bills and coupons valued at 100,000 yen ($680) for pregnant or child-rearing women.

Moreover, present subsidies for oil wholesalers to reduce retail gasoline and kerosene prices will be extended beyond December and lowered from June 2023. The government's initiatives concerning energy will stall the jump in consumer prices by about 1.2 percentage points. The overall economic package is estimated to lift Japan's real gross domestic product (GDP) by 4.6 per cent.

The government will also support small and midsize companies and promote upskilling of workers to boost wage growth, which is important for the central bank's endeavours to meet its inflation target.

Japan's economy has expanded by 3.5 per cent in real terms from April to June thanks to the removal of the COVID-19 pandemic restrictions. However, economic growth is projected to decline in the following quarter to September due to global monetary tightening and the looming recession.

The government had initially planned on spending about 25 trillion yen but decided to raise it to around 30 trillion yen after the ruling Liberal Democratic Party demanded more.

Source: fibre2fashion.com- Oct 29, 2022

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How China is bypassing cargo chokepoints to speed up Africa trade

China is using hybrid logistics links or multimodal rail-sea lines to bypass cargo chokepoints in an effort to speed up trade with Africa, where it is the largest trading partner.

The city of Chengdu in southwestern China opened the Chengdu-Europe-Africa rail-sea transport line this month to move freight to Morocco via the German port of Hamburg, as the North African nation emerges as the centre for tripartite trade.

The train, carrying mostly textiles from Chengdu, will arrive in Hamburg via the China-Europe Railway Express. The goods will then travel by sea to its final destination, Morocco's Port of Casablanca.

The journey will take an estimated 35 days. The new line is expected to help companies in western China export goods to Africa as part of Beijing's strategy to increase exports from the western provinces, which are less developed than coastal regions.

Morocco is a strategic location because of its proximity to Europe and the Middle East.

John Calabrese, head of the Middle East-Asia Project at American University in Washington, said it was notable that the new line ended in Casablanca since "China has worked assiduously to woo Morocco in recent years".

"For decades, Algeria had been the primary focal point of Chinese engagement in the Maghreb," Calabrese said.

In January, Morocco became the first North African country to sign an agreement with China for the joint implementation of the Belt and Road Initiative.

A research note by the Hong Kong Trade Development Council (HKTDC) said Morocco was well placed for Chinese export manufacturers to reach African markets, and that they also could gain access to ports on the western Mediterranean and Atlantic.

"Firms can benefit from Morocco's relationships with the European Union and countries in the Middle East," the council said when Morocco signed the belt and road deal.

Click here for more details

Source: scmp.com- Oct 29, 2022

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Vietnam's exports to Americas growing post CPTPP

Vietnam's exports to the Americas have seen impressive growth three years after the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a recent seminar was told. Its market share in Canada rose from 0.9 per cent in 2017 to 1.2 per cent in 2019—the first year of CPTPP implementation—and 1.6 per cent last year.

Vietnam's market share in Mexico expanded from 0.9 per cent in 2018 to 1.7 per cent in 2021.

The Southeast Asian country's export to Canada grew about 75 per cent and more than doubled to Mexico in 2021 compared with the pre-CPTPP period.

The seminar was organised by the Industry and Trade magazine.
According to Nguyen Thi Thu Trang, director of the WTO and Integration Centre at the Vietnam Chamber of Commerce and Industry (VCCI), the figures reflect Vietnam's successes in utilising tariff incentives under the deal to access North America and increase its market share there, a news agency reported.

Barriers for exporting to the Americas include long distance; more transportation costs; market standards, especially in North America; and language, as most of the Latin American nations use Spanish in transactions, the seminar heard.

Vietnamese government representatives assured assistance for businesses to handle risks regarding trade barriers and remedies.

Source: fibre2fashion.com- Oct 28, 2022

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'Bangladesh may not achieve apparel export target this FY'

Bangladesh may not achieve the apparel export target at the end of this fiscal year due to the energy crisis, decline of work orders and high inflation in the European countries, said Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan.

In response to the questions by journalists, he also said, if the current trend of apparel export continues, the achievement of the target of exporting $46.80 billion in apparel may not be possible.

The president of BGMEA was speaking at a press conference on the Inauguration of the Center for Innovation, Efficiency, and OSH on Sunday at the BGMEA office in the capital.

"The export earnings from garment export in September fell by 7.52% and in October, the earning may fall by 20%," he said, adding that in November, the earnings may fall further if the crisis of energy in the factories continue and the Russia-Ukraine war doesn't show any signal of ceasing.

"So, at the end of the current fiscal year, achievement of the target export may not be possible," he said.

However, in the last fiscal year, Bangladesh exported garment items worth $42.61 billion, according to data from the Export Promotion Bureau (EPB).

"There has been continuous growth in the garment industry from August last year to August this year, which led the sector to earn $42.6 billion in the last financial year," he added.

But in the last two months, the sector has noticed multifold crises like a downturn in purchase orders and disruption in the supply of energy and power.

In a response to the question on the political rallies during the national election year, he said that the political parties do politics for the betterment of the country and the economy.

"So, we believe that the rallies of the political party will never hamper the businesses, the economy, and the business environment of the country. We always get proper support from the major political parties of the country," he added.

Regarding the questions on power and energy issues, he said that the effect of the power and energy crisis is going on all over the world.

"Gas-electricity crisis at the local level has also affected our apparel industry. This increases the production cost and also reduces the production capacity of the factories," he added.

Moreover, the BGMEA top leader urged the government to supply uninterrupted electricity and gas according to the demand of the export-oriented industries.

Regarding the source tax, BGMEA president said to set the source tax as previously by reducing it from 1%.

At the same time, by reducing the gas supply to the fertilizer factory, I am inviting the concerned to think about whether it is possible to give more gas supply to the export-oriented industrial factories.

Before the press conference, Faruque Hassan inaugurated the Center of Innovation, Efficiency and OSH (CIEOSH) at BGMEA building to increase the competitiveness of Bangladesh's garment industry.

Highlighting the importance of the innovation center, the BGMEA president said: "One of the challenges of the fourth industrial market is technology and automation."

"We want to work in such a way that we can turn the challenges of the next fourth industrial market into opportunities. The Innovation Center will provide clear guidance and support to turn this challenge into an opportunity," he added.

He also said that in order to increase the competitiveness of the industry, they need to increase transparency and traceability and present Bangladesh as an acceptable, reliable and green platform to the buyers by making the industry sustainable.

"It will help to achieve $100 billion export earnings and to generate ten million more jobs directly," he added, saying that the innovation center will help in these matters. It will also create a roadmap for the industry by 2030.

The CIEOSH will help to face the challenges of IR 4.0 through the functions like digital sampling, 3D prototyping, mid-level management, scaling up the workers, and accelerating eco-friendly, green, and energy-efficient industries.

At the event, he also revealed the schedule of the 37th IAF World Fashion Convention, which is going to be held in Dhaka for the first time from November 12-16.

Source: dhakatribune.com- Oct 30, 2022

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BGMEA urges South Korea's Hyosung to invest in Bangladesh's backward linkages industries

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has urged Hyosung Corporation, a leading South Korean industrial conglomerate, to invest in the backward linkages industries in Bangladesh, especially in the high value-added and non-cotton textiles sector.

BGMEA President Faruque Hassan made the call when a delegation led by him visited Hyosung Corporation in South Korea Friday.

The BGMEA delegation included its Vice-President Shahidullah Azim, Director Asif Ashraf; Managing Director of DBL Group MA Jabbar, Managing Director of Hams Group Md Shafiqur Rahman, and Director of Giant Group Ashaab Adeeb Hassan.

Nuzhat Anwar, senior country officer of the International Finance Corporation (IFC) Bangladesh, and Nishat Chowdhury, programme manager of IFC's "Partnership for Cleaner Textile: PaCT," were also present.

In the meeting, they discussed issues related to mutual trade interests, especially the prospect of setting up a manmade yarn and fabric textile industry plant by Hyosung in Bangladesh.

Faruque said Bangladesh has reached its peak in terms of producing cotton-based apparel. "So, the sector is increasingly focusing on tapping into the growing non-cotton garment sector."

"In this case, Hyosung can be a collaborative partner since it has to dominate the global market share for spandex," he added.

Hyosung Corporation is a comprehensive fibre manufacturer which produces the majority of leading world-class products such as creora, spandex yarn, aerocool and askin, polyester and nylon yarn throughout the fibre industry.

Source: unb.com.bd- Oct 31, 2022

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Pakistan: Textile sector: sustainable business practices

One of the most important industrial sectors, the textiles industry contributes significantly to national economies, job creation, and exports in developing nations such as Pakistan. The size of the global textile market, estimated at USD 993.6 billion in 2021, is expected to increase at a 4.0% compound annual growth rate (CAGR) according to a report by Mordor Intelligence. In 2021, Asia Pacific held the highest share in the textile market.

China leads the global textile exports, meanwhile Pakistan has a share of 2% in global textile exports. All of the world's major textile economies, including Pakistan, have grown in the first nine months of 2022. Due to the ongoing global recession, there are concerns about a decline in the most recent quarter, however, unusual growth occurred in the first three quarters of 2022.

China, Bangladesh, Indonesia, Vietnam, Italy, Turkey, Germany, and Pakistan all saw strong increases in textile exports. Pakistan's textile exports scaled by 5% in the first quarter of FY23 compared to September '21.

However, export numbers are not the only benchmark of performance for textile industries in twenty-first century. If textile firms follow Sustainable Business Practices, and show a satisfactory status of Sustainable Business Practices, only then are they able to compete in the modern world.

Simply stating, making a profit while also having a positive impact on society (the people), the environment (the planet) is only possible with sustainable business practices – the three Ps.

In today's corporate world, sustainability is a critical component of social and environmental responsibility and is a fundamental first step in protecting the earth for future generations. These practices not only save money, cut down on waste, and save natural resources, but they also aid in protecting the environment and the inhabitants of it.

Few examples of Sustainable Business Practices include using renewable energy, manufacturing environmentally friendly products, recycling and reduction of waste, sustainable packaging, composting, ethical sourcing, sustainable supply chain management, employee welfare, fulfilling corporate environmental and social responsibility and finally sustainability reporting.

Even though the textile sector of Pakistan is seen as one of the most significant sectors from an economic perspective, the supply chain for this sector is plagued by serious environmental and social issues. The primary environmental issue connected to the textile industry is the pollution of water bodies brought on by the discharge of untreated effluents.

The sector also contributes to air pollution as dust, cotton lint, and other pollutants are produced during spinning and weaving, which worsens the working environment. Environmental protection was once the textile industry's most neglected sector, but as people's awareness of the issue has grown in response to the depletion of non-renewable resources, the effects of climate change, and ecological destruction, it is now widely acknowledged that a more responsible approach to the environment is required.

Pakistani textile firms are continuously striving to adopt Sustainable Business Practices. One of the examples is that of 'Net Zero Pakistan'. It is a national partnership involving cutting-edge businesses, government organizations, and sectoral specialists to achieve Pakistan's objective of net zero carbon by 2050.

The alliance is on its way of setting out the plan and structure by which Pakistan's private sector may hasten its transition to sustainability and accomplish this net zero objective. Out of the 23 signatories of this partnership, 22 belong to the textile and apparel sector such as Gohar Textiles, Crescent Bahuman and many others.

The signatories have committed and set net zero targets, affirmed to measure and disclose transparently the levels and sources of GHG emissions, vowed to decarbonize value chains and lastly have shown interest in advocating for climate action.

The textile sector is also actively engaging in international conventions and platforms such as 'Better Work Programme', 'Decent Work Country Programme-IV (2023-27)', 'The Accord on Fire and Building Safety', to name a few.

Moreover, in lieu of its Corporate Social Responsibility (CSR) initiatives, All Pakistan Textile Mills Association (APTMA) has recently signed an MOU with National Emergency Operations Centre for Polio Eradication Initiative, a national coordination body of the Government of Pakistan to create an enabling environment to achieve a shared objective of attaining a healthy future by eradicating polio from Pakistan.

According to numerous analyses of empirical studies, the textile firm's efforts to manage the environment are positively impacted by regulatory pressure (Jeswani et al. 2008; Babiak and Trendafilov 2011; Ervin et al. 2013). As an illustration, earlier studies shown that firms are more receptive to regulatory factors and in taking part in voluntary environmental programmes (Delmas and Toffel 2004; Jeswani et al. 2008).

The reasons for going sustainable are industry agreements, regional environmental regulations, and national environmental regulations regarding water, waste, and energy efficiency. The reasons for going sustainable are also regional environmental regulations regarding water, waste, and energy efficiency (Sharma & Narula, 2020).

Pakistani textile firms are, for example, under the regulatory pressure by European Union's (EU's) Scheme of Generalized Scheme of Preferences Plus (GSP+) to avail duty free export to the EU. They are actively displaying a responsible attitude in the quest for a better position against such regulatory pressures.

The government's environmental rules and regulations strengthen the management of Pakistani textile companies' desire to put these methods into effect and aid in the improvement of their environmental performance. Despite the financial constraints they face, the impact of regulatory body pressure demonstrates that businesses are willing to

invest resources to stop environmental deterioration given proper backing from government programmes. Instead of viewing regulatory pressure as a danger, they view it as an opportunity to become more environmentally friendly. Competitive pressures are known to drive businesses to differentiate their products, boost production, and ultimately persuade them to embrace environmental management techniques. According to empirical research, market forces such as competition and demand are crucial in driving businesses to embrace sustainable practices.

According to several empirical studies (Chkanikova and Mont 2015; Jeswani et al. 2008; Sgaard Jrgensen et al. 2010; Wu- et al. 2012), companies that were under more intense competitive pressure were more likely to adopt their competitors' business models in order to maintain or even increase their competitive advantage. Pakistan accounts for a sizeable portion of worldwide textile exports, and in order to compete in the market, textile producers must satisfy customers' environmental demands.

International brands frequently show a greater willingness to abide by environmental laws and have the brand value to persuade consumers to adopt environmentally friendly habits. Therefore, textile firms frequently use the same technique and create an environmental strategy based on international rivals.

Pakistani textile firms are taking steps to improve environmental performance, such as developing long-term contractual relationships with their suppliers, contractors, and agencies with proven credentials in waste recycling.

Other actions done by them to ensure sustainability include selling cotton waste produced during spinning to be used in the production of inferior yarn and other home furnishings. These activities aid firms in expanding into new market niches, growing their local and international businesses, and maintaining their competitiveness as a result of which they see an increase in market share.

Furthermore, a positive relationship between the impact of "demand from foreign buyers" on sustainable business practices exists, according to prior research (Menguc et al. 2010). Market pressure has been shown to positively influence a firm's commitment to environmental protection, increasing investment in environmental management practices, and encouraging environmental collaborations.

The production process in Pakistani textile firms also complies with textile standards including GOTS (Global Organic Textile Standards) and BCI (Better Cotton Initiative). These standards outline internationally accepted criteria that guarantee textiles are organic, including ecological and social norms supported by independent certification of the full textile supply chain.

These standards allow textile producers and processors to export their organic fabrics with a single certification that is recognized in all important markets, leading to an increase in sales and total revenues for the firms. Nevertheless, several factors exist that impede the textile firms from adopting sustainable business practices along with their quest to pursue Sustainable Business Practices.

According to empirical research, administrative attitudes and dedication matter a lot when it comes to a firm's decision-making and adoption of environmental management techniques (Petrini and Pozzebon, 2010; Wu- et al., 2012). Lack of internal environmental expertise, a lack of skilled human resources and environmental issue management skills, a lack of support from top management, and ultimately a communication gap from top management are the primary causes that cause managerial hurdles.

The technological capabilities of businesses may also have an impact on the adoption of sustainable business practices.

According to certain studies, businesses with greater Research and Development (R&D) facilities may use more pollution control techniques to green their supply chains (Harrington et al. 2008; Ervin et al. 2013). Furthermore, organizational hurdles are sometimes a result of the lack of appropriate benchmarking tools. Government information and support for domestic businesses to use sustainable practices is lacking.

Sustainable Business Practices are adversely impacted if the company has economic obstacles such high implementation costs and a lack of financial resources. Since the textile sector requires a lot of money, financial recovery takes time. They have little money or resources to spend in high-cost technical advancement, Pakistani textile companies frequently choose low-cost technological solutions for production.

Pakistani textile companies are just beginning to incorporate Sustainable Business Practices. A lagging behind status is also a result of the different economic and institutional challenges that businesses in developing countries—such as Pakistan—face compared to those in rising economies. Our textile businesses recognize and agree that the health and development of the textile industry depend on the natural environment and its preservation. Internal management and organizational constraints do not have a substantial impact on the firm's operations, however a variety of factors including regulatory, market, and economic considerations are more relevant in forcing firms to adopt sustainable practices.

In textile companies, external considerations (such as the danger of loss of markets) rather than internal ones are putting pressure on sustainability. However, addressing internal issues could significantly advance sustainability in these businesses.

In order to further improve the scope of sustainability for textile enterprises, greater attention should be placed on the role of regulatory authorities. The businesses should also integrate a sustainable enterprise. To aid in developing that identity, the businesses should integrate a sustainable business plan from the very beginning. The training should incorporate knowledge of sustainable practices.

The initial cost of compliance is the main obstacle to implementing these practices when it comes to rules and financial restrictions. In addition, uncertain policy changes, weak enforcement, and low knowledge reduce manufacturers' acceptance, necessitating cost regulation.

Companies that are prepared to adopt environmental measures (especially Small and Mid-size Enterprises) must receive assistance from the government. For instance, if a company has established an effluent treatment plant (ETP), assistance should be offered. Assistance in the form of subsidized loans and credits will also go a long way.

Additionally, there shouldn't be any managerial distinction made between domestic and international customers' interests; after this is done, attention shall turn to incorporating pollution control strategies. The adoption of the proactive environmental policies by businesses should be aided by the strengthening of national and regional legislation.

The adoption of a proactive environmental strategy by businesses will help them make the best decisions and commit to more extensive environmental practices. This will be made possible by the strengthening of national and regional legislation.

Source: brecorder.com- Oct 30, 2022

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Pakistan: Exports may decline by $5bn: Properly managing textile sector getting tough for govt: HCCI

President of the Hyderabad Chamber of Commerce and Industry (HCCI) Adeel Siddiqui has said that the textile sector is facing serious difficulties after a portion of the cotton crop was washed away by floods and, therefore, the government faces a huge challenge in adequately managing the sector.

In a statement, he said that due to the damages sustained by the cotton crop a shortfall of 5 million bales was expected in the sector. A total of $2 billion could be needed to import the cotton bales required at a time when the country is facing a crisis in the area of foreign exchange reserves.

The HCCI chief said that as per an estimate, the textile sector exported products worth $14bn and $19bn in 2021 and 2022, respectively. The sector is also facing the problems of increasing gas and electricity tariffs, besides price hikes.

Adeel Siddiqui said that there was a shortfall of 2m tons of RLNG and expressed the fear that textile exports might decline by $5bn. He urged the industrialists to come up with a plan about how to increase cotton production on a war footing.

He said the government should learn from the experiences of the various chambers and come up with adequate solutions to the different economic problems faced by the country. Economic stability is badly needed under the prevailing conditions.

Joint efforts among the textile sector, farmers and business leaders were the need of the time, he said. The industrial sector plays a key role vis-à-vis the economy and that’s why the authorities should focus on it.

The HCCI chief added that the government should enable exporters to export products to the international market with considerable ease.

Source: brecorder.com- Oct 31, 2022

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NATIONAL NEWS

India, GCC group likely to start free trade pact talks next month

India and the Gulf Cooperation Council (GCC) member countries are expected to start negotiations for a free trade agreement next month with an aim to boost economic ties between the two regions, an official said.

GCC is a union of six countries in the Gulf region -- Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

“Terms of reference for the agreement are being finalised and we expect to launch the negotiations next month,” the official said.

India has already implemented a free trade pact with the UAE in May this year.

According to experts, the GCC region holds huge trade potential and a trade agreement would help in further boosting India’s exports to that market.

Rakesh Mohan Joshi, Director, Indian Institute of Plantation Management, Bangalore, said the GCC market is unexploited by domestic exporters and it holds huge potential. “GCC is a major import dependent region. We can increase our exports of food items, clothing and several other goods. Duty concessions under a trade agreement will help in tapping that market. It will be a win-win situation for both sides,” Joshi said.

Mumbai-based exporter and founder chairman of Techno-craft Industries India, Sharad Kumar Saraf said the GCC has emerged as a major trading partner for India and there is huge potential for increasing investments between the two regions.

“FTA will have a major benefit for both the sides,” Saraf said. Sharing similar views, Federation of Indian Exports Organisation (FIEO) Vice Chairman Khalid Khan said sectors like chemicals, textiles, gems and jewellery and leather will get a major impetus by this agreement.

India imports predominately crude oil and natural gas from the Gulf nations like Saudi Arabia and Qatar, and exports pearls, precious and semi-precious stones; metals; imitation jewellery; electrical machinery; iron and steel; and chemicals to these countries.

India's exports to the GCC increased by 58.26 per cent to about USD 44 billion in 2021-22 against USD 27.8 billion in 2020-21, according to data of the commerce ministry.

Source: dailypioneer.com- Oct 31, 2022

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Jaishankar, Cleverly discuss 'Indo-UK 2030 Roadmap', FTA talks, Ukraine crisis

External Affairs Minister S Jaishankar and UK Foreign Secretary James Cleverly reviewed the status of the "2030 Roadmap' for boosting cooperation between the two countries, including the ongoing negotiations for a Indo-UK FTA, and discussed the Russia-Ukraine conflict, in a bilateral meeting on Saturday.

"Delighted to welcome UK Foreign Secretary James Cleverly on his first India visit; shortly after our meeting in New York last month. Noted the progress in our Roadmap 2030. Also discussed the Ukraine conflict and the Indo-Pacific," Jaishankar tweeted after the meeting.

Cleverly, who has been recently appointed Foreign Secretary by UK's new Prime Minister Rishi Sunak, is on his first visit to India after assuming office. "India is an incredibly important international partner. I'm very pleased that it's my first visit as the newly appointed Foreign Secretary," Cleverly tweeted on Friday.

There were speculations on the fate of the India-UK FTA after Sunak took over last week from former PM Liz Truss, who resigned after just a 45-day stint at the top post. But the new PM and his top officials have indicated that all initiatives to boost ties between India and the UK, including the FTA talks, would continue unchanged.

"The Prime Minister hoped the UK and India could continue to make good progress in negotiations to finalise a comprehensive Free Trade Agreement," as per a statement issued by British High Commission following Sunak's telephonic conversation with Prime Minister Narendra Modi on October 27.

Doubling trade

The 2030 Roadmap, the landmark commitment to boost cooperation between the UK and India over the next decade under a 'Comprehensive Strategic Partnership', targets doubling of bilateral trade to $100 billion by 2030 by initiating various facilitating provisions including a full-fledged FTA.

Although former British PM Boris Johnson and Modi had initially talked about a Diwali deadline for conclusion of the talks, sensitive areas such as market access for spirits and automobiles, rules on intellectual property and government procurement and liberalisation of work visas, are amongst items that still need to be resolved.

Jaishankar and Cleverly also discussed the Russia-Ukraine situation and ways in which the situation can be resolved.

Severing of ties

The UK is in favour of severing economic ties with Russia to dent its financial capacity. "From January 1, 2023, the UK is ending all imports of Russian liquefied natural gas and supporting countries around the world in reducing their own dependency," Cleverly recently tweeted.

India, however, wants to continue its economic ties with Russia while it has several times denounced the Russia-Ukraine conflict.

Cleverly also spoke at the United Nations Security Council Counter-Terrorism Committee meet in New Delhi on Saturday and called on countries to work together to fight online terrorism including global terror recruitment campaigns and live streaming of attacks.

Jaishankar, in his address, pointed out that the threat of terrorism was only growing and expanding, particularly in Asia and Africa.

Source: thehindubusinessline.com- Oct 29, 2022

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Developed nations of the world are now aspiring to enter into FTAs with India: Shri Piyush Goyal

Union Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal asked India's business community to give primacy to products that are made in India. He was addressing the All India Vaishya Federation (AIYF) in Hyderabad.

The Minister emphasized the need to promote industry and manufacturing in India and said that this would help boost employment and bring in prosperity to the lives of our citizens. Endorsing PM Modi's call to the travellers and tourists to spend at least 5 percent of their travel budget on locally made products, the Minister said that our talented artisans, craftsmen and entrepreneurs deserve to be supported and promoted.

Shri Goyal pointed out that in the last 30 years, India's GDP had grown by 11.8 times. He reminisced that there was a time when a large section of the population was focussed upon securing the very basic necessities of life such as food, clothing and shelter. He observed that the situation has improved tremendously now due to the government's extensive focus on structural reforms that make sure that people were freed from the constant struggle for the necessities of life.

He went on to say that the reform that was closest to his heart was the governments success in building over 12 crore toilets, taking safe sanitation, a very basic necessity, to every household in the nation. "It was not just a matter of toilets but that of dignity and self-respect, especially for our women," he stressed. The Minister said that the government had ensured food security to nearly 80 crore citizens by supplying food grains under the National Food Security Act (NFSA) and additional 5 kilo food grains per person per month.

He said that it should be a matter of gratification to tax payers that their money was being used well to help those in real need. 50 Crore people are now being given free, quality healthcare, clean drinking water is now taken to every household through taps under the Jal Jivan Mission, he noted.

He referred to all these initiatives as the foundational work to ensure that our population, especially our youth are freed up to take up activities that spearhead growth and development, thereby helping us reap our incredible demographic dividend. “Our youth is now free from struggles for necessities and is highly aspirational. They aspire to become innovators and entrepreneurs and drive growth”, he added.

The Minister spoke of the need to secure the basic necessities of women, especially that of menstrual hygiene. Expressing concern over girl children dropping out of schools on attaining puberty, the Minister stressed that the government was providing sanitary napkins at very low prices. He called for more awareness programs to educate women about various aspects of menstrual hygiene to protect and empower them. The Minister asked AIVF to strive to ensure that in the next one year every single woman in the nation had awareness and access to sanitary pads.

The Minister stressed that India was ready to take decisive steps towards becoming a developed nation, a vishwaguru. He expressed confidence that India’s huge youth population had the capability to drive this quest forward. “India is the sole bright spot in the world today. The world is looking towards India with great hope”, he added. He noted that developed nations were now aspiring to enter into FTAs with India and said that the fastest FTA in the world was concluded between India and UAE in just 88 days. He added that the rest of the GCC nations were also gearing up to sign FTAs with India.

The Minister spoke of the Prime Minister’s stress on the need to go back to our roots and said that India’s history, its culture, traditions and value systems, had great strength in them. He asked to bring an end to social discrimination and said that divisive tendencies have no place in New India. The Minister referred to the ‘panch pran’ given by Prime Minister Shri Narendra Modi and said that the pran of unity and oneness formed an integral part of the panch pran. He said that if India was to truly realize its immense potential, it was essential that the whole nation worked together with oneness and unity.

He expressed confidence that if the whole nation worked together as one, our children would learn of our efforts through their history books rather than the glory days of kings, Nizams and colonialism.

Source: pib.gov.in- Oct 29, 2022

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Apparel orders from neighbouring countries are shifting to India!

Unlike predictions, 2022 has been a roller-coaster ride for the apparel industry, all thanks to – Russia-Ukraine war, recession in Americas and Europe and rising fuel costs. The apparel manufacturing destinations such as Bangladesh, Myanmar, Pakistan, Sri Lanka, till 2021, were busy grabbing the shift that was coming from China but the situation has become so complicated that now these destinations are fighting with each other to sustain buyers. However, it is seemingly a difficult task for these countries as most of them are severely facing the worst economic challenges in their history!

Amidst all this, India has proved to be the most stable country in the sub-continent region which is why it has been able to see a substantial shift not just from China, but also from neighbouring countries such as Bangladesh, Pakistan, Sri Lanka and Indonesia.

The OTEXA data from January to July '22 also endorses this fact as it states that India's growth rate (59.40 per cent) in the US apparel market is the second highest among the top 40 apparel shippers!

Buyers' trust in India is increasing post-pandemic as India trumped Indonesia in 2021 to become the 4th top apparel shipper to USA

India has subtly been taking away business from Indonesia in the difficult and competitive US market. India and Indonesia are two major Asian apparel manufacturing hubs and hold great position in the US market.

Indonesia had been holding the fourth spot since long amidst top apparel exporters' tally to US, while India remained on the fifth position all through the time. However, the situation has taken a turn in India's favour and the country surpassed Indonesia in CY '21 for the first time ever to become the 4th largest apparel exporter to USA.

According to the official US apparel import data, India clocked US $ 4.19 from its apparel exports to USA in 2021, outclassing the performance of Indonesia that shipped US $ 4.14 billion worth of apparels to USA.

India’s supremacy has continued even in 2022 as, during Jan.-Jul. ’22 period, India clocked US $ 3.69 billion from its apparel shipment to USA, which is much better than what Indonesia earned – US $ 3.41 billion.

It’s worth noting here that in 2019, India’s exports of apparel valued US $ 4.05 billion and its gap from Indonesia’s shipment was US $ 339 million. The gap further increased to US $ 495.17 million in 2020, in pandemic-induced year.

However, all through 2021, India’s apparel export fraternity – buoyed by strong orders and revival of global retail industry – remained resilient and outperformed its own exports to USA.

Click here for more details

Source: apparelresources.com- Oct 29, 2022

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A dull festive season with very few orders

Struggling to get fresh orders amid sluggish demand, textile units in India's biggest man-made fabrics (MMF) manufacturing hub in Surat have asked their daily wage workers to take unpaid extended Diwali vacation till mid-November.

Conventionally, Surat textile units keep their activities shut for three to five days after Diwali every year, with Gujarati New Year closely following the festival of lights. This year, however, these units, especially weavers, processors and embroidery manufacturers, have decided to shut activities for a longer period of time.

"This Diwali season was an utter failure for the textile industry in Surat. Compared to the previous season, aggregate business was down by almost 40%. Though the marriage season will start from the second week of November, very few orders are coming. Over 300 textile markets have been closed since October 25 and will open from the second week of November only," says Dev Kishan Mangani, advisor, textile committee, South Gujarat Chamber of Commerce and Industry (SGCCI).

The situation of weaving units is even more dire as out of nearly 1 million power looms, hardly 100,000 have started operations and the rest will remain closed, says Vijay Mangukiya, president of Surat Weavers Association.

"This is the first time in the history of Surat's textile industry that weaving units will remain closed for a fortnight due to extremely low demand," Mangukiya said, adding, "Ahead of Diwali festivities, we have told workers to go on longer Diwali vacation as there is no work. With almost a 90% cut in supply of grey fabrics, hopefully traders will be able to clear some older inventory after the Diwali period."

As the majority of the workforce in weaving and processing units are on daily wages, these units wouldn't have any burden of paying salaries to them in the case of no production activities. Generally, weaving units pay Rs 2 to Rs 4.5 per meter to their workers, he said.

Surat-based processing units have also decided to extend Diwali vacation to a fortnight. Jitu Vakharia, president of South Gujarat Textile Processors Association (SGTPA), says that there are no new jobs as weavers have been compelled to go on a long Diwali vacation. Embroidery units in Surat have announced 20 days of Diwali vacation, said Hitesh Bhikadiya, president of Textile Embroidery Job workers' Association (TEJAS).

Apart from sluggish markets, embroidery units are facing issues of payments and increasing cost of raw material. Naresh Sharma, president of Ahmedabad Textile Processors Association, says that instead of a three-day holiday, processors in Ahmedabad, too, have announced a 15-day Diwali vacation as there is no new work. "Spinners and weavers are waiting for the arrival of fresh cotton. In anticipation of a further cut in cotton prices, they have almost stopped production of yarn and fabric. We are expecting new orders for processing by the third week of November," claims Sharma.

With an almost Rs 80,000-crore annual turnover, Surat alone produces nearly 40 million metres of fabric per day and processes more than 30 million metres of fabric on a daily basis. The highly labour-intensive weaving, processing and embroidery units provide jobs to more than 1.5 million people.

Source: financialexpress.com- Oct 31, 2022

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Textile mills in State to reduce cotton purchases

Textile mills in the State are expected to go slow in cotton purchase and consumption till the end of the current quarter (October - December) as demand is down in the international market for textile and clothing products.

Indian Texpreneurs Federation (ITF) recently conducted a survey among 132 textile mills in the State. The mills totally have 61 lakh spindles. These units consumed 15.37 lakh bales of cotton between October and December this year. However, these units expected to consume only 10.56 lakh bales between October and December this year.

The average capacity utilisation in the mills in the State that consumed cotton was 50%. According to the survey, 74% of the mills had reduced capacity utilisation voluntarily due to low demand. Almost 6% had shifted fully to man-made fibre and 11% had increased use of man-made fibre with cotton.

Prabhu Dhamodharan, convenor of ITF, said textile mills in the State, one of the largest cotton yarn producer in the country, are expected to consume 10 lakh bales cotton less these three months compared to the same period last year. The demand for MMF products is relatively better and capacity utilisation in textile mills that consume MMF is higher at 71%.

With regard to cotton textile goods, international buyers say sale of clothing for Christmas is picking up and if the inventory is exhausted, demand will revive during the last quarter of this financial year.

Hence, production here is expected to revive again in the last quarter. However, for this quarter, demand remains low and thus, demand for cotton is also expected to remain less, he added.

Source: thehindu.com- Oct 29, 2022

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India-UK free trade pact talks made 'lot of progress': Britain's foreign minister

There is "a lot of progress" in negotiations between India and the United Kingdom on a free trade deal, Britain's foreign minister said, even as the post-Brexit deal missed the key Diwali deadline.

"We have made a lot of progress in the negotiations, and we continue to work for an agreement that works for both countries," James Cleverly said in a Times of India interview published Sunday. "We have been very, very explicit that our partnership with India is one that matters to us and one we want to enhance and develop," he was quoted as telling the paper during the two-day visit.

India and its former colonial ruler have been for about 18 months negotiating the pact to boost trade and investments between the countries. The aim was to conclude the talks by Diwali, but no new deadline to conclude the talks has been set, people aware of the developments said.

India's gains in lieu of likely duty cuts for British alcohol and automobiles, and visa flexibilities would be the focus areas. In exchange, India wants more work and study visas for its citizens in line with similar recent deals struck between Britain and Australia and New Zealand.

The prime ministers of both nations are set to resume talks and agreed on the need for early conclusion. Political changes in the UK and British home secretary Suella Braverman's recent remarks on Indians being the largest group of people overstaying in the UK were seen to be major hurdles in concluding a deal, according to officials.

Cleverly told the Times that he saw it "as a very positive thing that so many Indians want to come and study in the UK, that Indian businessmen want to do business in the UK. It's a cause for celebration." "Of course, it does mean that we must ensure our processes are right." However, Cleverly refused to be drawn on expectations that the appointment of Rishi Sunak, who is of Indian heritage, as prime minister could help boost ties. "That said, it's lovely to see how much excitement and enthusiasm there is about the British PM here in India," he told the paper.

Source: economictimes.com- Oct 30, 2022

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Post Diwali, truck freight rates to witness lots of volatility

As the festival season's demand tapers post Diwali, truck operators are expecting the road freight rates to decline by 5-10 per cent compared to the first fortnight of October.

Analysts and truck operators are also expecting the demand for electronics and consumer durables to fall after Diwali. Besides, prolonged rains in the South and West India have already impacted the supply of fruits, vegetables and other perishable items.

A saving grace, many expect would be with the supply of agricultural commodities next month and government spending on infrastructure, propelling demand for steel, cement, etc.

A top executive with a leading logistics firm said that there is a "talk" about increase in retail prices of diesel in-line with the global scenario. Inflation is an issue. Demand for electronics and durables is also slowing. This may soften the rates by 5-6 per cent.

Freight rates

CRISIL's Market Intelligence and Analytics Director, (Consulting) Hemal Thakkar said that freight rates increased by 3-4 per cent in the first 15-20 days of October but it should come down to a certain extent once the festival demand settles down. Going forward, the rates will largely mirror the momentum in fuel prices as freight operators pass on the price hikes to the customers.

Following a strong festival season across the country, inflation seems to be catching up and may start showing some signs of it by the end of this quarter (Q3 FY23) and beginning of next, he added.

All India Motor Transport Congress President, KS Atwal, too emphasised that post-Diwali freight rates will soften. Transport of perishable items have fallen due to poor weather conditions among other factors. Road freight rates for movement of cars are already down by roughly 15 per cent as manufacturers, such as Maruti, are increasingly using trains for transportation. "We are expecting the Diesel prices to rise. Transport of perishables is also likely to fall by 5-7 per cent. So overall, we expect the freight rates to decline around 10 per cent," he explained.

This year, pre-Diwali activities are down compared to the pre-Covid times and business was down by around 10 per cent, Atwal rued.

Clearer picture in November

Analysts pointed out that a clear picture on rates will emerge by mid-November as economic and farm activity picks up further.

“We believe that the government’s current fiscal position is healthy and if they pump money in the infrastructure space as planned, then demand buoyancy should continue till the end of the quarter. Also, basis seasonality, agri dispatches and construction material movement should also help in this quarter,” CRISIL’s Thakkar said.

Meanwhile, Atwal said that generally there is a brief lull in trucking activity due to the Diwali holidays, but it usually picks up in 10-15 days as fruits and vegetables are transported from Maharashtra. However this time, due to rains, that is likely to be impacted.

Movement of potato seeds from Punjab also got hit as sowing was affected by rains. He, however, is confident that road freight can revive in a month depending on the weather conditions and economic outlook. In the next 15-20 days, truckers will be lifting paddy, which will help revive the business a bit.

Source: thehindubusinessline.com- Oct 30, 2022

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India, smaller nations talk trade via Rupee accounts

India is in talks with about a dozen smaller countries as the government seeks to expand bilateral trades through bespoke rupee accounts and internationalise indigenous payment modes. The object is to bypass the dollar-denominated trades through baby steps and creating an alternative payment ecosystem other than the global SWIFT platform.

They include African countries such as Djibouti, Zimbabwe, Malawi, Ethiopia and Sudan, said people familiar with the matter.

The Reserve Bank of India (RBI), finance ministry and National Payment Corp. of India (NPCI) did not comment on the matter. The Indian Economic Trade Organization (IETO) and NPCI are primarily engaged in such cross-border dialogue before it reaches the regulators. For example, IETO held a meeting of all Common Market for Eastern and Southern Africa (Comesa) ambassadors in Hyderabad last week. Senior ministry of external affairs and Telangana government officials were present. Madagascar also participated.

"We are engaging with a group of smaller countries which may be interested in bilateral trades via dedicated rupee account," said Asif Iqbal, president, IETO. "We are helping to kickstart bilateral talks after which we will make a pitch for the UPI payment system involving NPCI. Such baby steps will help the rupee gain international clout gradually through non-dollar bilateral trades."

The Unified Payments Interface (UPI) developed by NPCI is the country's flagship payment system and has earned accolades across the world.

Cereals, sugar and plastic products are part of the country's trade with Djibouti. Such transactions, if routed through any dedicated rupee account, can be settled in local currencies. Djibouti's franc is equal to about half a rupee.

Similarly, trade with Ethiopia, Namibia, Cuba and Kenya could be directly settled in Indian rupees against birrs, Namibian dollars, pesos and shillings, respectively.

The RBI and NPCI will be involved in sorting out the exchange rate and payment technicalities once strategic partnerships between countries are agreed upon.

To be sure, current trade volumes are insignificant with these smaller countries when compared with giants such as the US, UK or even Russia. But it would mark a start and grow to become potentially significant with the addition of more countries.

Sudan, which imports pharmaceutical products and confectionery among other items, could settle payments directly in rupees against its pound. While the payment settlement mechanism with Bangladesh is being fast tracked, it has likely slipped into the slow lane with Sri Lanka due to the turmoil there.

India trades in multiple items including food, oil seeds and garments with Bangladesh. However, payment settlement between rupees and the Bangladeshi taka may be capped at Rs 5 lakh amid apprehensions of possible misuse.

Alongside, the Indian authorities are also pushing for wider acceptance of the homegrown Rupay card so that it gains global recognition.

Source: economictimes.com- Oct 31, 2022

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Who said a falling rupee is good for exports? Doesn't really work that way, data shows

The Indian Rupee has depreciated by about Rs 9 per dollar since the beginning of 2022, falling from about Rs 74 in January this year to Rs 83 in October. While conventional economics would suggest that a depreciating rupee should be good news for the country's exporters, this does not, in fact, seem to be the case in the real world, as shown not only by trade data but also the testimonies of industry players.

ThePrint analysed 126 months worth of trade and foreign exchange data from April 2012 till September 2022, and spoke to exporters' bodies and industry players to understand the relationship between the rupee value and India's export performance.

Both the data and the inputs from the industry players show that the rupee's exchange rate actually has a negligible impact on India's export performance.

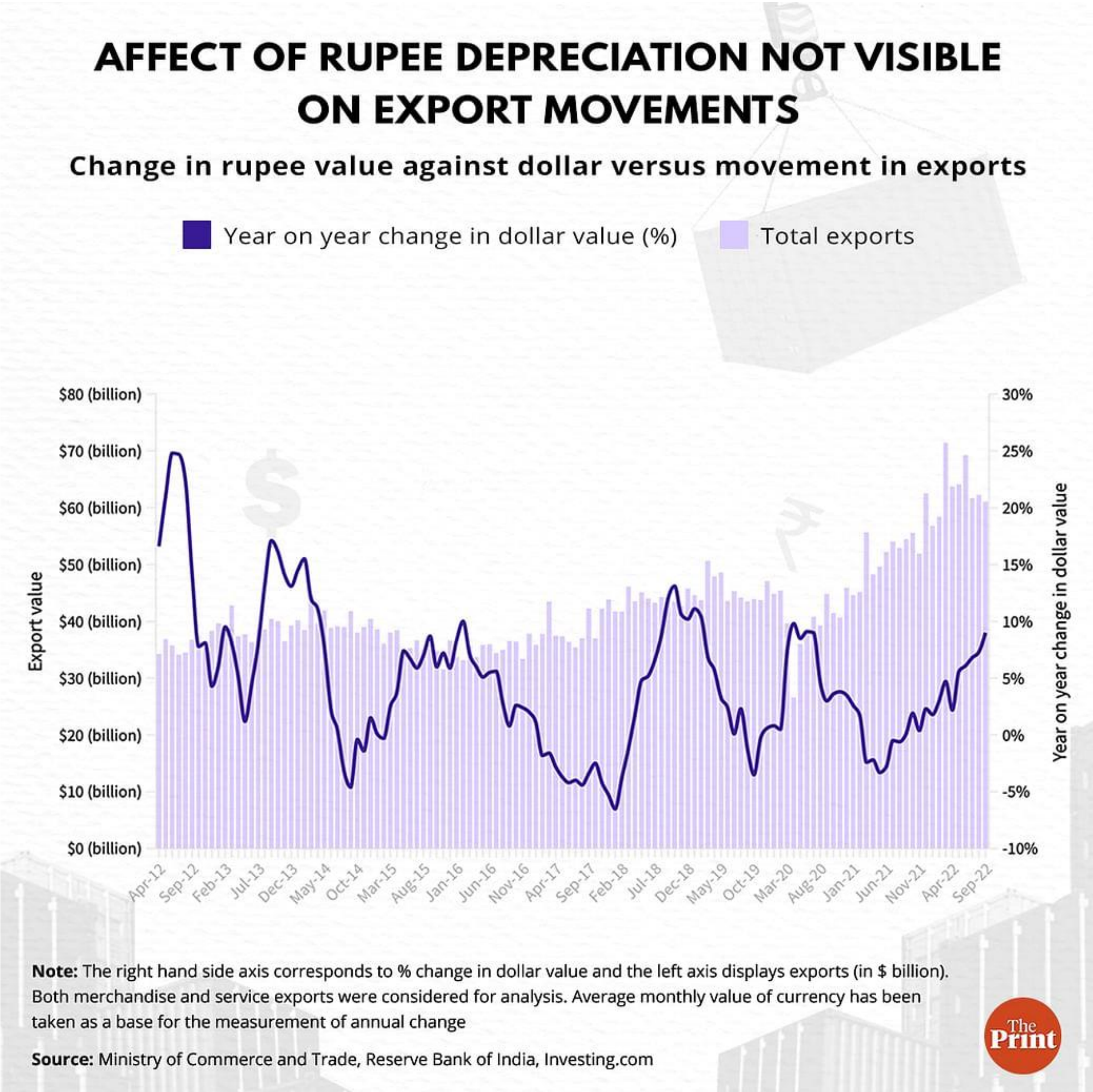
This goes against conventional understanding since, when the rupee depreciates, it means a dollar can buy more goods and services from India. In other words, imports from India become cheaper for the country's customers abroad who pay in dollars. But exporters' bodies in India have told ThePrint that things aren't as simple.

Ajay Sahai, Director General and CEO of the Federation of Indian Exports Organisation (FIEO), an exporters' body recognised by the government of India's export promotion councils, says that while there are multiple factors affecting export performance, currency isn't a strong one.

"India's exports are generally commensurate with the global trends in trade. When the global exports go up, India's exports also grow and at times with better speed. Currency value does play a role but not significant enough to cause substantial shifts in exports," he said.

Weak Correlation

This weak relationship between the exchange rate and exports is backed by the data.



The Print took the year-on-year change in the average monthly value of the dollar in terms of the rupee (Rs per dollar) and checked it with the corresponding month's exports figures. The data shows that the relationship between the two is weak.

In fact, the data shows that even imports do not exhibit any pattern corresponding to currency fluctuations. The coefficient of correlation, a measure of the strength of the interdependence between the annual percentage changes of average currency movements and exports was -0.3, establishing a weak relationship between the two.

The coefficient of correlation is used to define the magnitude of a relationship between two independent events. It can range between -1 and 1, with -1 implying a very strong but inverse relationship, while a reading of 1 implies a strong positive correlation. A correlation coefficient at or near zero implies there is either no correlation or a weak one.

What a correlation coefficient of -0.3 simply means is that a movement in the currency value does not exhibit any significant impact on exports. Often, exports have moved in ways that belie the conventional rupee-export dynamics. That is, sometimes, when the rupee has depreciated significantly, India's exports have fallen. Other times, when the rupee has appreciated strongly, exports have surged.

Other Factors At Play

Sahai further explained that a depreciating currency has consequences for export industries that have to rely on imported inputs from other countries.

"A depreciating rupee means that importers will have to shell more rupees in order to get the same product," he said. "For exporters who have to import input goods, the increased cost actually nullifies the gains they could have made from currency depreciation. Further, currencies across the world are depreciating, and not just the rupee, so the competitive advantage of devalued currency is also ruled out."

Another factor that affects the performance of the export-oriented sector is inflation, industry players say.

SK Saraf, chairman of the Technocraft Industries India Limited, a company exporting industrial goods from India said that there is "hardly any relationship" between exports and a depreciated currency.

"Even if the rupee depreciates by 10%, the exporters may gain only by upto 0.1 – 0.3% that too depending on the circumstances. The potential of gaining from depreciating currency is lost out on higher inflation. Then, the customers also start asking for discounts. Hence, the exporters generally do not gain much when currency depreciates," he added.

Rajeswari Sengupta, associate professor of Economics at Mumbai-based policy research centre, Indira Gandhi Institute of Development Research (IGIDR) said that the relatively weak relationship between the exchange rate and export performance might also be a result of a delay in the transmission of the benefits of a depreciating rupee.

“I don’t think that exports respond to exchange rate changes within the same month. The lags are much longer,” she said, adding that the international prices of commodities also play a crucial role in determining the direction of trade.

“For example, when commodity prices are high, petroleum and metals exports will increase, which may lead to an appreciation of the rupee (as in the mid-2000s),” she explained. “So, then, you would see an inverse correlation between exports and depreciation. These factors (and some others) mean that one needs to do a careful econometric analysis. A simple correlation will not show the relationship.”

Besides time lags and commodity prices, Rajeswari also says that trade movements involve “immense institutional complexity”.

“It takes a long time to build relations in international trade and gain trust and credibility and then to participate in the global production chain,” she said. “Once the production and exporting process takes off, everyone would be reluctant to rock the boat. This would tend to drive down the short-term impact of USD-INR changes.”

Source: theprint.in- Oct 31, 2022

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