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INTERNATIONAL NEWS

Global economic growth to be as weak next year as 2009, forecasts IIF

The world economy will be as weak next year as it was in 2009 after the financial crisis as the conflict in Ukraine risks becoming a “forever war,” the Institute of International Finance said.

Global growth is expected to slow to 1.2% in 2023, economists including Robin Brooks and Jonathan Fortun wrote in a note Thursday. When adjusted for base effects, that’s as weak as it was in 2009.

“The severity of the coming hit to global GDP depends principally on the trajectory of the war in Ukraine,” the analysts wrote. “Our base case is that fighting drags on into 2024, given that the conflict is ‘existential’ for Putin.”

The slowdown will be led by Europe, which is impacted most by the war, according to the IIF. The Eurozone economy will shrink by 2% following sharp declines in consumer and business confidence. In the US, the IIF expects gross domestic product to rise 1%, while Latin America is the “positive standout,” expanding 1.2%, as commodity exporters reap the benefits of high food and energy prices.

The single biggest driver for the global economy next year will be China, where loosening Covid restrictions are likely, according to the Washington-based IIF.

Brooks, the chief economist at the IIF, was among the first to call for the euro to reach parity with the dollar earlier this year. He also correctly predicted a rally in the Brazilian real before most, which turned him into a sensation in the country’s Twitter circles.

Source: business-standard.com- Nov 25, 2022

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European Commission's proposed gas cap 'bitter disappointment' for the European textile industry, says EURATEX

In a recent letter to the European Commission's President Ursula von der Leyen, EURATEX stated that any price cap above the level of € 80/MWh would not help the EU industry – the textile sector in particular – to survive the current crisis.

It's worth noting here that, as early as July 2021, the wholesale gas price in the EU was below € 30/MWh. Now, the EU industry is facing gas and energy prices that have exceeded any coping capacity: from record-high of € 320/MWh last August, the price has reached to € 127/MWh today. Still, it is more than 300 per cent than the business-as-usual prices.

The very existence of the European industry is at stake and with it, the European sustainability agenda – and Europe's capacity to implement it, expressed EURATEX. Furthermore, Europe will lose its strategic autonomy, which guarantees essential goods and services are made available in the European Internal Market.

"If we continue on this path, the EU will soon become totally dependent on foreign imports with no leverage to implement its sustainability agenda, let alone lead the transition to a circular economy on the international stage," reads official statement of EURATEX.

At present, the EU industry is facing dire international competition with the industry in China, India and the US working at energy prices of around US $ 10/MWh. In addition, these competitors are benefiting of sky-high subsidies from their own governments: the rollout of US $ 369 billion industrial subsidy scheme is just the latest example.

Dirk Vantyghem, EURATEX Director General, believes, "While the EU industry is under immense, unprecedented pressure, a price cap at € 275/MWh would be meaningless: the European industry will be permanently pushed out on the market. The industry is at the heart of the European way of life and the fundament of our social market economy. The EU must save its industry to save Europe. The moment to act is now."

Source: apparelresources.com- Nov 24, 2022

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US-Vietnam project to promote private sector-driven sustainable growth

Vietnam's ministry of planning and investment (MPI) and the US Embassy in the country recently announced an initiative to spur private sector-driven sustainable and inclusive growth across the country and promote socially-conscious business behaviour, called environmental, social and governance (ESG) standards. The US Agency for International Development (USAID) is the partner agency.

USAID assistant administrator for Asia Michael Schiffer and vice minister of planning and investment Tran Quoc Phuong announced the ESG initiative at a USAID-supported business forum.

This first-ever ESG initiative for Vietnam targets small and growing businesses (SGBs) that account for more than nine-tenths of the country's private sector, employ more than half of the workforce and contribute roughly 40 per cent of the gross domestic product.

The initiative will deliver ESG technical assistance packages to 300 businesses by 2025, of which 10 will receive additional assistance to pilot, implement or scale their innovative ESG business concepts.

The effort supports Vietnam's Green Growth Strategy 2021-2030, and the prime minister's Decision 167 on supporting private enterprises in sustainable business.

Investors use ESG standards to measure how a company protects the environment; manages its relationships with workers, customers, and the communities where it operates; and employs transparent and accountable corporate governance.

"USAID is pleased to launch this new initiative with the Ministry of Planning and Investment, which will help small businesses improve their competitiveness and innovation, overcome constraints, and chart a path for sustainable growth and job creation and to continue to contribute to Vietnam's prosperity," Schiffer was quoted as saying by a news agency.

The new initiative is part of USAID's $36-million Improving Private Sector Competitiveness (IPSC) project.

IPSC removes policy, market, and firm-level constraints on the growth of SGBs, including those owned by women and vulnerable populations.

Source: fibre2fashion.com- Nov 24, 2022

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Business activity falls in euro zone for 5th consecutive month in Nov

November saw business activity fall across the euro zone for the fifth consecutive month, according to flash purchasing manager's index (PMI) data released by S&P Global. Although the rate of decline remained the second strongest since 2013—excluding COVID-19 lockdown months—the intensity of the downturn moderated in response to a reduced rate of loss of new business, fewer supply constraints and a pick-up in business confidence about the year ahead.

Business sentiment nevertheless remained gloomy by historical standards, and demand continued to fall at a steep rate, leading to a pull-back in employment growth during the month, S&P Global said in a release.

One upside of the weaker demand picture and alleviation of supply constraints was a cooling of price pressures, most notably in the manufacturing sector. Firms' costs rose at the slowest rate for 14 months, in turn allowing selling price inflation to moderate, albeit with rates of inflation remaining elevated.

The seasonally adjusted S&P Global Eurozone PMI composite output index rose from 47.3 in October to 47.8 in November, according to the preliminary 'flash' reading based on approximately 85 per cent of usual survey responses.

The PMI has now registered below the neutral 50.0 level, indicating falling business activity levels, for five consecutive months, albeit with the latest data signalling a moderation in the rate of contraction.

The PMI data for the fourth quarter so far put the euro zone economy on course for its steepest quarterly contraction since late-2012, excluding pandemic lockdown months.

Manufacturing continued to lead the downturn, with factory output dropping for a sixth successive month, S&P Global noted.

Although the rate of production decline eased, the latest fall was still the second-strongest recorded over the past decade if the height of the pandemic is excluded.

Within the euro area, Germany again reported the steepest downturn, the composite PMI at 46.4 to register a fifth monthly drop in output in as many months. Although the latest decline was the weakest since August, it was still the third largest since 2009 barring pandemic lockdowns. Germany's manufacturing sector suffered a marked cooling in the rate of decline.

Output fell in France, the composite PMI registering 48.8 to signal the first drop in business activity since February 2021. Manufacturing output fell for a sixth straight month, albeit the rate of decline moderating to the slowest since August.

Output fell in the rest of the euro zone for a third month in a row, albeit with November's decline being the smallest seen over this sequence.

New orders for goods and services meanwhile fell for a fifth month running to signal a further marked drop in demand. Although the rate of loss eased from October, the drop in orders was the second-largest seen in the past two years.

While new orders fell at a reduced rate in manufacturing, the rate of loss intensified slightly in services. The drop in new orders meant companies were again reliant on existing backlogs of work to help maintain business activity levels, causing backlogs of orders to fall for a fifth consecutive month, dropping at the sharpest rate for two years.

A particularly sharp decline was again recorded in manufacturing, but backlogs of work also showed a renewed decline in services.

Source: fibre2fashion.com- Nov 25, 2022

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Vietnam promotes garment-textile, leather, footwear exports to Australia

The Vietnam Trade Office in Australia has introduced high-quality Vietnamese garment and textile products at a recent exhibition, which was part of the International Sourcing Expo Australia. The annual exhibition, from November 15-17, the biggest of its kind in Australia, brought together 400 businesses from about 20 countries and territories.

Apart from showcasing the high-quality garment and textile products, the office's staff also cleared up visitors' concern about other products of the Vietnamese garment-textile, and leather and footwear sectors.

The office has also co-organised an online exhibition on Vietnamese garments-textiles, leather and footwear on the digital platform Vietnamsourcingexpo.com from November 17-25, with the participation of tens of enterprises.

The events are expected to create more opportunities for Vietnamese businesses to access the Australian market, said head of the office Nguyen Phu Hoa, adding that the office will organise more trade promotion activities next year.

He suggested the Vietnam Textile and Apparel Association (VITAS) and the Vietnam Leather, Footwear and Handbag Association (LEFASO) send trade promotion delegations to exhibitions in Australia to expand export opportunities.

Vietnam's garment-textile export to Australia has increased 27.96% so far this year to 358.4 million USD. The leather and footwear sector's exports surged 41.05% year-on-year to 353.7 million USD. As of October, trade between the two countries had reached 13.3 billion USD, with Vietnam's exports up more than 33.79% year-on-year, according to the General Department of Vietnam Customs.

With the results, Hoa said he believed that the bilateral trade revenue will hit a new record of 15 billion USD this year.

Source: en.vietnamplus.vn- Nov 24, 2022

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Tunisia's apparel exports to France may fully recover from COVID dent

Tunisia's apparel export to France is likely to fully recover from the dent of COVID-19 this year. The outbound shipment increased in 2021 to $807.024 million in 2021 but it was lower than the exports in 2020 when it slipped due to the pandemic. The exports from Tunisia to France had already reached $592.301 million in the first eight months of this year.

The exports peaked to $906.050 million in 2018, before slipping to $822.922 million in 2019. They further declined to reach $708.193 million in 2020 during the pandemic. Though the shipment increased to $807.024 million in 2021, they could not touch the pre-COVID levels.

During January-August 2022, the exports amounted to $592.301 million. The quarterly export figures indicate volatility. Tunisia exported apparel worth $133.851 million in July and August 2022. They reached $223.636 million in Q2 2022, $234.813 million in Q1 2022, $210.400 million in Q4 2021, $187.691 million in Q3 2021 and $199.403 million in Q2 2021, according to Fibre2Fashion's market insight tool TexPro.

During the first eight months of the current year, trousers and shorts was the top category with exports amounting to $109.151 million, taking up a share of 18.94 per cent in the total apparel exports. Other major products were dresses (11.09 per cent), innerwear (10.33 per cent), shirts (8.61 per cent), T-shirts (8.50 per cent), jerseys (5.60 per cent), swimwear (4.75 per cent) and sportswear (3.59 per cent), as per TexPro.

The two countries recently signed a €200 million (about $206.9 million) deal that will help Tunisia implement reform plans and restore financial balance, the ministry of economy of Tunisia said in a statement quoting Minister Samer Saied.

Source: fibre2fashion.com- Nov 25, 2022

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Pakistan's textile & apparel exports down 1.34% in July-October 2022

The value of textile and garment exports from Pakistan decreased by 1.34 per cent in July-October 2022, the first four months of fiscal 2022-23 (July-June). During this period, Pakistan earned $5.941 billion from textile and apparel exports, compared to $6.021 billion in July-October 2021, as per data released by the Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose by 6.92 per cent year-on-year to $1,712.606 million during the period under review, while exports of non-knit readymade garments were up 2.46 per cent to $1,187.059 million.

As for textiles, cotton yarn exports decreased by 27.73 per cent to $285.315 million, while exports of cotton fabric rose by 1.27 per cent to reach $750.115 million in July-October 2022. Bedwear exports declined by 8.64 per cent to $996.840 million during this period, the data showed.

Pakistan's exports of textiles and apparel slipped 15.23 per cent during October 2022 to $1.357 billion from $1.527 billion during October 2021.

Synthetic fibre imports decreased by 39.48 per cent year-on-year to $186.906 million, while imports of synthetic and artificial silk yarn dropped by 26.88 per cent to $1201.958 million during the same period.

Meanwhile, the value of textile machinery imports by Pakistan in July-October 2022 decreased significantly by 37.01 per cent year-on-year to $187.725 million.

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

Source: fibre2fashion.com- Nov 24, 2022

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Pakistan imposes duty on yarn imports

Pakistan has imposed regulatory duty on yarn imports. Yarn traders say the current duty structure of yarn should be maintained and no duty should be levied on imports of yarn. They say that as a result of the regulatory duty yarn manufacturers would increase their prices according to the landed cost of imported yarn and as a result the price of finished textile products would also increase and have a double impact on inflation.

They say yarn manufacturers should not be allowed to capture the market with their low quality and high cost of production despite the huge difference in duty structure. Traders feel that instead of imposing the regulatory duty, efforts should be made to increase effective production capacity.

Pakistan is an importer of polyester filament yarn which is the main raw material in textiles because yarn is not a finished product. Cotton has been replaced by yarn and the textile industry in Pakistan is largely dependent on imported yarn. Pakistan's textile and apparel industry is the backbone of the economy, constituting eight percent of GDP, 40 percent of the industrial labour force and more than 60 percent of the country's exports while its manufacturing share is 46 percent.

Source: fashionatingworld.com- Nov 24, 2022

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Bangladesh: Nearly 67% garment export receipts retained

Thanks to the increasing use of local raw materials, Bangladesh's retention value from the shipment of apparel items is rising, highlighting the development of a strong backward linkage industry and less reliance on imported yarn and fabrics.

The retention value of the exported apparel surged 36.36 per cent to $28.5 billion in the financial year of 2021-22 from $20.9 billion a year earlier, data from the Export Promotion Bureau and the Bangladesh Textile Mills Association (BTMA) showed.

It means the country was able to retain $28.5 billion in FY22, accounting for 66.88 per cent of the total garment export receipts of $42.61 billion in the financial year.

Of the sum, $13 billion was made in the knitwear segment, $6.11 billion in the woven segment, and $908.25 million in the home textile sector.

The remaining $14.11 billion could not be retained since Bangladesh has to import raw materials and intermediate goods to manufacture export-oriented garment items.

The retention value in the garment sector was $18 billion in 2019-20 out of the total shipment of $28.7 billion.

A high retention value means local garment suppliers used more local yarn and fabrics to make apparel items for international consumers, cutting their dependence on imported raw materials such as yarn, fabrics and dying chemicals.

In fact, from the very beginning of the garment industry in Bangladesh, the knitwear sector has created more retention value than the woven sector thanks to the higher use of locally made yarn by the former.

Currently, local spinners can supply nearly 90 per cent of raw materials needed by export-oriented knitwear factories as entrepreneurs have invested heavily in the primary textile sector.

For instance, entrepreneurs have invested nearly $15 billion in the spinning sector. Today, 450 large spinning mills are almost sufficient to meet the demand for raw materials such as yarn.

The investment in the woven sector did not match that of the knitwear sector. So, woven garment makers rely on the countries such as China, India and Pakistan to source raw materials like woven fabrics.

Local weavers can supply 45 per cent of raw materials to woven garment exporters.

In the home textile sector, the retention value is also high as entrepreneurs have invested a lot for the production of fabrics.

Ha-Meem Group, one of the leading garment exporters in Bangladesh, purchases 60 per cent of fabrics for denim products, 50 per cent of fabrics for woven products, and 70 per cent of accessories from the domestic markets.

"The higher use of local yarn and fabrics is the main factor for the growing retention value in garment export," said AK Azad, chairman of Ha-Meem Group.

The consumption of locally made yarn and fabrics has increased since China can't meet the demand amid a fall in production in the world's second-largest economy in recent years, according to Kutubuddin Ahmed, chairman of Envoy Textiles, another large garment exporter.

He said a shorter lead time is a major factor in the garment sector because of the rapid changes in fashion and styles.

"International retailers and brands want a quick delivery of goods. So, exporters purchase yarn and fabrics from the local market that allows them to manufacture quickly and maintain a stricter lead time."

It takes at least 30 days more if garments are made from imported fabrics and yarn from China and then ship them to western markets.

Bangladesh is a major producer of denim fabrics and local millers can meet 60 per cent of the demand for the textile item.

Md Fazlul Hoque, managing director of Plummy Fashions Ltd, thinks the retention value will continue to grow as exporters are using more local raw materials.

The Narayanganj-based manufacturer uses 90 per cent local raw materials to produce knitwear products for the export markets.

"The higher retention value proves the strength of the country and the sector," said Mohammad Ali Khokon, president of the BTMA.

The retention in the future will depend on the energy sector, he said, adding that many mills are failing to run at full capacity owing to the ongoing energy crunch.

Source: thedailystar.net- Nov 25, 2022

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NATIONAL NEWS

India, GCC agree to pursue Free Trade Agreement; resume talks: Piyush Goyal

India and the Gulf Cooperation Council (GCC) have agreed to pursue a free trade agreement (FTA) between the two regions and resume the negotiations, Commerce and Industry Minister Piyush Goyal said on Thursday.

GCC is a union of six countries in the Gulf region -- Saudi Arabia, the UAE, Qatar, Kuwait, Oman and Bahrain. The council is the largest trading bloc of India.

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

Bilateral trade in goods has increased to USD 154.73 billion in 2021-22 from USD 87.4 billion in 2020-21. Services trade between the two regions was valued at around USD 14 billion in 2021-22, with exports aggregated at USD 5.5 billion and imports at USD 8.3 billion.

"We have agreed to pursue the free trade agreement between the GCC and India and resume the negotiations and conclude the same at the earliest," Goyal told reporters here in a joint press conference with GCC Secretary General Nayef Falah M Al-Hajraf here.

GCC countries contribute almost 35 per cent of India's oil imports and 70 per cent of its gas imports. India's overall crude oil imports from the GCC in 2021-22 were about USD 48 billion, while LNG and LPG imports in 2021-22 stood at about USD 21 billion.

Both sides held negotiations for the trade pact in 2006 and 2008 but talks stalled thereafter due to unknown reasons.

When asked about the next round of talks to resume the negotiations, Goyal said teams of both sides would decide that. He said that FTA covers areas including trade, and investment promotion.

"I am sure the engagement with the GCC will be in tune with the truly unique and special relations enjoyed by the countries of the GCC region and India," Goyal said adding "India plays an important role in food security and contributes to healthcare architecture of the GCC, the GCC is a reliable partner in catering to India's energy security".

The GCC Secretary General said: "This is a very broad FTA and it reflects mutual areas of interest to focus on".

Al-Hajraf said it is a platform for the two economies to move forward on some sectors of mutual interest such as food security, energy security, and technology transfer.

"We are very keen to pursue the FTA negotiations between both sides.... and we instructed the negotiating teams to finalise all the needed documents for official resumptions for the FTA," he added.

He also said that Indian expats contribute to the GCC economy.

Gulf nations are host to a sizeable Indian population. Out of about 32 million non-resident Indians (NRIs), nearly half are estimated to be working in the Gulf countries.

GCC countries account for almost 35 per cent of India's oil imports and 70 per cent of gas imports. India's overall crude oil imports from the GCC in 2021-22 were about USD 48 billion, while LNG and LPG imports in 2021-22 were about USD 21 billion.

Source: business-standard.com- Nov 24, 2022

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Increasing recession fears may impact India's export outlook: FinMin report

The fear of a global recession has increased and it is likely to impact India's global export outlook, said a Finance Ministry report on Thursday. Still, India's overall growth will get impetus from other developments.

India's exports contracted 16.6 per cent in October to $29.78 billion for the first time this fiscal. "A rapid deterioration in global growth prospects, coupled with high inflation and worsening financial conditions, has increased fears of an impending global recession. Global slowdown may dampen India's exports businesses outlook; however, resilient domestic demand, a re-invigorated investment cycle along with strengthened financial system and structural reforms will provide impetus to economic growth going forward," the report prepared by the Economic Affairs Department of the Finance Ministry said.

Moody's forecast

Various agencies have cut down the projected growth rate for India. GDP growth rate estimate is between 5.9 per cent and 7 per cent. On Thursday, Moody's Analytics said India is headed for slower growth next year more in line with its long-term potential.

On the upside, inward investment and productivity gains in technology as well as agriculture could accelerate growth. But, if high inflation persists, the Reserve Bank of India may take its repo rate well above 6 per cent, causing GDP growth to falter.

However, the Finance Ministry report was still optimistic and listed seven reasons for the same. In a world where monetary tightening has weakened growth prospects, India appears well-placed to grow at a moderately brisk rate in the coming years on account of the priority it accorded for macroeconomic stability, it said.

As the private sector — financial and non-financial — was repairing balance sheets, capital formation suffered. The financial system stress in the second decade of the millennium, a consequence of the lending boom witnessed in the first decade-plus, is now behind us, said the report.

It said private sector balance sheets are healthy and incipient signs of a new personal sector capital formation cycle are visible. But, more importantly, when the private sector turned cautious due to its balance sheet stress, the government raised capital expenditure substantially. Budgeted capital expenditure rose 2.8x in the last seven years. Additionally, it undertook structural reforms such as the introduction of the Goods and Services Tax and the Insolvency and Bankruptcy code.

The government dealt with challenges on the external security front firmly. It facilitated the emergence of an affordable and advanced public digital infrastructure, enabling the increasing formalisation of the Indian economy and widening the tax base, among other benefits. Finally, it used fiscal and monetary resources prudently during the pandemic to provide targeted relief to the needy segments of the population.

Further upside

"Continued macroeconomic stability, of which fiscal prudence is a part of, and execution of various path-breaking policies such as Gati Shakti, National Logistics Policy and the Production-Linked Incentive schemes to boost the manufacturing share of employment lend further upside to India's growth prospects," the report concluded.

Source: thehindubusinessline.com- Nov 24, 2022

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India makes major strides in improving cargo clearance

The world economy today is more competitive than ever, with countries vying to attract investments and resources. In this exercise, they are aided by a plethora of performance indicators that are regularly published by various entities, often combined with their internal assessment. Therefore, scores on these indicators carry significant economic consequences.

As India marches towards its rightful place on the global stage, Indian policymakers need to track country performance under different indicators. International trade is an important field wherein competitively better performance is likely to be most visible and support government initiatives such as 'Make in India'.

International trade as an "engine of growth" prefers countries and routes that provide the most facilitative environment. India, as signatory to the World Trade Organization's Trade Facilitation Agreement (TFA), has made concerted efforts to improve trade facilitation and ease of doing business, fulfilling all the TFA commitments well in time.

Remarkable progress has also been made in delivering on "TFA Plus" initiatives aimed at infrastructure and technology augmentation, which go beyond TFA's objective of "simplification, modernisation and harmonisation of export and import processes". These measures have contributed to reduction in trade costs and time, as measured by the average cargo release time.

Recognising the importance of stakeholder confidence in the trade facilitation initiatives, the Central Board of Indirect Taxes and Customs has been publishing the average monthly cargo release time for major customs ports/airports since 2017. These monthly Dwell Time Reports (DTRs) are supplemented by more insightful annual National Time Release Study (NTRS), both based on unimpeachable timestamps obtained from the customs automated system.

Jawaharlal Nehru Custom House (JNCH), the largest custom house in the country, which pioneered annual TRS since 2017 shows that the average import release time for all consignments covered during the study period (namely, first week of the calendar year) has improved from 181 hours in 2017 to 88 hours in 2022.

The average release time in 2022 was more impressive at 55 hours and 51 hours for regular importers and trusted authorised economic operators, respectively. Time series analysis of DTR reports reveal similar improvements at other major ports/airports, showing that green channel cargo takes less than halve the time it took five years ago.

Multilateral entities

However, the performance indicators that seem to attract more attention globally are those published by various multilateral entities, including the World Bank. In a paper titled 'Measuring Trade Facilitation: Evidence from India' (Carnegie India, May, 2021), Chauhan VS and Vijayakumar S examined six such indicators — namely, Organisation for Economic Co-operation and Development's Trade Facilitation Indicator; World Bank's Trading Across Borders, which was a component of Ease of Doing Business Index, Logistics Performance Index and Governance Indicators; the World Economic Forum's Global Competitive Index ; and the United Nation's Global Survey on Trade Facilitation and Paperless Trade Implementation.

The study highlighted the survey-based nature of these indicators and found that the "inter-temporal trends they exhibit for India, reveal that they have not been moving in agreement with each other and that some of the trends are evidently counterintuitive". Further, comparisons between their select sub-indicators reflected poorly on their robustness.

These findings are quite obviously attributable to the methodologies adopted. Performance indicators, based on the surveys of a select few individuals, often not well-versed with the ground-level realities and guided by perceptions that are coloured by their deep biases, are unlikely to produce consistent results, as brought out in the Carnegie paper.

Our discussions with the concerned officials of other emerging and the less developed countries have indicated shared concerns regarding the oversized influence of such perception-based surveys, which fail to adequately reflect ground-level trade facilitative efforts. The time is perhaps ripe for India to take lead in the development of a global trade facilitation indicator that better reflects the ground realities of the emerging and less-developed countries.

Source: thehindubusinessline.com- Nov 24, 2022

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With things in a flux, time not right for GST rate rationalisation: Tarun Bajaj

After over three decades in the Indian Administrative Service, Revenue Secretary Tarun Bajaj will superannuate on November 30. The outgoing officer spoke to *businessline* on various issues ranging from the GST roadmap to overall tax collection. Excerpts:

Q What will be the roadmap for GST?

We have come a long way in making improvements to GST. Compliances have strengthened; some exemptions are yet to be removed. There are some products on which we still have inverted duty structure (IDS) which causes problem in an indirect tax regime. A lot of them have been corrected but a few are still left.

The other thing is, we had a revenue-neutral rate of 15.3 per cent and now it is at 11.6. This does not mean raising the rates, rather since revenues have gone up, there may be a need to rationalise the rates and also the number of rates. In a broad context, this is the agenda.

Then there are smaller agenda items such as finalising GST rates along with base for online gaming, casinos and horse racing. Setting up of a GST Appellate Tribunal is another important aspect in terms of easing the pressure on courts and also helping assessees. Some of these will happen immediately but some others will take a mid-term approach.

Q Will reports by GoM on online gaming, casinos and horse racing and another on GST Appellate Tribunal be taken up during the next meeting of the council?

I am not sure when it will be taken. It will depend on whether GoMs submit their recommendations, the kind of recommendations they give and whether these can be included in the agenda. But if not in the next meeting, then maybe in the one after that.

We may also have to confront the situation of no consensus in the GoM. So far, various GoMs have given a categorical view on any aspect. In case it does not happen, the council will decide.

Q Do you think the time has come for GST rate rationalisation?

Perhaps there is a need to wait for some more time. Firstly, inflation is high across the world. Secondly, there is a war going on. And there might be some other issues in the US and European economies which will have some impact on us.

Q You have always advocated for restructuring of capital gains mechanism and to make it simpler. What can we expect now, considering the problems faced by taxpayers?

I don't think there are any such issues except that the regime is very complex. That is why after the last Budget I had said perhaps there is a need to simplify this. We have too many rates and periods. We have indexation in some and not in others. We have financial assets and some non-financials assets. All these need to be looked into.

The idea is that if we simplify, it will be easier for the taxpayer and also us. It may be a revenue-neutral exercise and may not involve any tinkering or a desire to collect more taxes through capital gains. But if you simplify, it will make life much easier.

Q At present, we have two tax structures – the old one with exemptions and the new one without them. We believe there is not much response to the latter. Is there a thinking to just stick to the old one?

It will not be proper for me to respond to that as I am not involved in the Budget-making process but people who are there will have a look. I can tell you about the problem in the new regime.

The tax kicks in after ₹2.50 lakh on income while in the older regime, it was beyond ₹5 lakh. If one takes the exemption, the tax will kick in after ₹6.5 lakh or ₹7 lakh, and a large proportion of the taxpayers fall in this category between ₹2.5-7.5 lakh.

So, if they are in the old regime, they will pay no taxes, but if they are in the new regime, they will have to pay some. So, obviously people will not prefer the new regime. There is a need to have a rethink on this, but only officers who are involved will take a decision.

Q Considering the current trend of direct and indirect tax collections, how optimistic are you of achieving the Budget target?

We will not only achieve those targets (₹14.40-lakh crore for direct taxes; ₹13-lakh crore for indirect taxes), we will exceed by a good margin. Our direct taxes should be up 25-30 per cent over FY22, which is very healthy considering the 49 per cent growth last fiscal.

On the indirect taxes front, we gave relief on customs and excise duty. In spite of that, our expectation is that collection will exceed Budget estimates by a good margin. Overall, the taxes should be good and the buoyancy that has been seen on the direct taxes and on GST is very healthy. We expect the revenue to shoulder the Centre's fiscal burden again.

Source: thehindubusinessline.com- Nov 23, 2022

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UK companies rate Maharashtra as top State to do business: UKIBC report

UK businesses in India have rated Maharashtra the highest amongst States in terms of the operating environment, followed by Gujarat, Chandigarh, Haryana, Himachal Pradesh, Andhra Pradesh, and Uttar Pradesh, per the UK India Business Council's annual 'Doing Business in India' Report 2022.

On the UK-India Free Trade Agreement (FTA) being negotiated, businesses identify tariffs, product standards/certification, intellectual property, and customs procedures as the issues they would most like the pact to cover, the report stated.

The findings of the report are derived from a survey of 111 UK businesses and higher education institutions, according to UKIBC. "The survey is consistent with our seven previous surveys conducted annually from 2015 to 2021, as completed by over 600 respondents in total," it said.

Desired reforms

Improving turnaround time of approvals and bureaucratic processes is the most desired reform by UK businesses, chosen by 54 per cent of businesses surveyed. Simplification of the GST processes and increasing regulatory certainty were also frequently desired reforms, according to the report.

As many as 67 percent of businesses surveyed this year viewed Atmanirbhar Bharat as an opportunity to do more trade and investment with India.

The 33 per cent businesses that saw Atmanirbhar Bharat as a challenge, raised concerns that local goods and manufacturing are being prioritised ahead of international alternatives, sometimes to the detriment of India.

Issues raised

Other businesses raised issues around the requirement to transfer IP and said they would like to see greater investor protection, regulatory certainty and IP protection and processes.

Respondents identified telecommunication facilities, availability of skilled labour and availability of supply chain as strong elements in India's operating environment.

The report's findings were shared with the Department for Promotion of Industry and Internal Trade, the nodal department for bringing about improvements in ease of doing business, and with the Maharashtra Industrial Development Corporation responsible for supporting investors in Maharashtra.

"It's really important that this government-business dialogue on the ease of doing business continues alongside the FTA talks, which we hope will include the additional investor protections that will make India an even more compelling investment destination in an increasingly competitive environment, with countries across Asia and, indeed, the world, doing everything they can to attract job creating investments," said UKIBC Managing Director Kevin McCole.

Source: thehindubusinessline.com- Nov 24, 2022

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Stagnating exports need policy intervention

Exports have hit a speedbreaker this fiscal, after an impressive show in FY22, when it crossed the $400 billion mark set by the government to record a 43 per cent growth over FY21 (an abnormal year) and a 33 per cent rise over FY20. The declining trend this fiscal set in since June, with October reporting an absolute decline (over 15 per cent) in merchandise exports. Second quarter export growth was down to 3 per cent, against a 25 per cent growth in Q1.

The performance looks worse when petroleum exports (which accounts for over 20 per cent of total exports this fiscal, as prices are high) are excluded. While total merchandise exports were up 12.3 per cent to $263 billion in the first seven months of this fiscal, this increase falls to just 3 per cent when petroleum is left out (from $200 billion to $206 billion).

If the increase in FY22 was led by petroleum, but well supported by cotton and man-made yarn, engineering goods, leather, chemicals and handicraft items, this year the slump is quite broad-based, with petroleum bucking the trend — capitalising on the supply crunch and high prices as a result of the Ukraine war.

Leading the decline this fiscal are cotton yarn, fabrics, made-ups and handlooms (minus 24.6 per cent to $6.5 billion), iron ore (minus 72 per cent to $0.7 billion from $2.4 billion), handicrafts (minus 33.4 per cent to $0.8 billion), carpets and plastics.

While the exports slump in a number of products can be attributed to a drop in global demand, some specific factors too have been at work. For instance, finished steel exports are down 55 per cent so far this fiscal in volume terms, owing to the imposition of export duty in May. Iron and steel export have the potential to earn over $10 billion annually.

Sugar exports, which have quadrupled since FY14 to touch $4.6 billion in FY22, are likely to take a hit, owing to physical export curbs. It is just as well that the Centre recently lifted export duty on steel and on low-grade iron ore. This coincides with the fall in global prices. India's finished steel exports are likely to pick up with improved competitiveness. This will increase capacity utilisation, and reduce costs for India's capex drive. Export curbs can be counterproductive as they can suppress domestic output.

Physical curbs on sugar exports, now extended till October 2023, are likely to hurt the sector at a time when the global market is opportune. There can be no case for export curbs when domestic sugar prices are stable. At prevailing levels of sugarcane production, India is well placed to export nine million tonnes of sugar, with the global market looking attractive and supplies from Brazil likely to hit the market only in May 2023.

More generally speaking, India needs to fix its 'ease of doing business', by improving logistics in the form of transport, and port turnaround time. A foreign trade policy that takes a holistic view of India's export potential should have been brought out by now.

Source: thehindubusinessline.com- Nov 24, 2022

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Pre-Budget Meet: Indian exporters demand fiscal support, credit at affordable rates in FY24 Budget

Exporters on Thursday demanded measures such as creation of a fund and credit at affordable rates in the forthcoming Budget to boost the exports and create jobs.

In a pre-budget meeting with Finance Minister Nirmala Sitharaman, Federation of Indian Export Organisations (FIEO) said depreciation of the rupee against the US dollar is affecting exports' competitiveness and due to that the sector requires more support.

"Creation of employment is the biggest challenge faced by the country....We would urge the government to provide fiscal support to units who provide additional employment in the export sector. Such a scheme will also help workers move from informal employment to formal employment," the federation said.

Incentives may be provided based on twin criteria of growth in exports and growth in workers so that while on the one hand exports are increased, on the other hand, employment intensive units also get a boost, it said adding when global demand is declining, it becomes all the more necessary to go for aggressive marketing.

However, most of the Indian companies are cutting their marketing expenditure in view of the contraction and this may impact the country as if Indian products are not visible in the market, FIEO said.

"The support given under Market Development Assistance (MDA) scheme with total allocation of less than Rs 200 crore, for promoting exports to USD 460-470 billion is just a drop in the ocean.

"Therefore, for aggressive marketing, there is a need for creation of an Export Development Fund with a corpus of minimum 0.5 per cent of preceding year's exports," it suggested.

It also asked for a 200 per cent tax deduction on the expenditure made by exporters for overseas marketing.

On freight, it said Indian exporters remitted USD 82.65 billion as transport service charge in 2021.

"When we are looking at increasing our international trade to USD 2 trillion in an economy of USD 5 trillion, the outgo on transport services will increase to USD 150-200 billion. If an Indian shipping line gets only 25 per cent of such a market, we can save USD 40-50 billion every year," it said.

It asked to encourage the private sector, through tax and fiscal incentives, to come forward to set up a global Indian shipping line to exploit the ready market available to them.

Further, it said the credit rate for most of the MSMEs has already crossed the double-digit mark and is currently between 11-13 per cent.

"We expect the same to go further in the next few months or so. Therefore, there is an urgent need to restore the interest equalization benefit of 5 per cent to manufacturer MSMEs and 3 per cent to all 410 tariff lines (broad sectors) as existed prior to October 2021, as cost of credit has crossed the pre-COVID level and is adversely impacting exporters," the exporters body said.

It suggested that GST refund to foreign tourists at the airport has not yet been operationalised and such an initiative will not only give fillip to tourism but will also help in exports of handicraft, non-precious jewellery, carpets, textiles, khadi, and leather.

The Council for Leather Exports (CLE) demanded reinstatement of basic customs duty exemption on wet blue crust and finished leather to boost the shipments.

The council also suggested to reinstate and maintain at 40 per cent export duty on raw hide and wet blue, besides permitting exports of crust leather of all types without any export duty.

India's exports entered negative territory after a gap of about two years, declining sharply by 16.65 per cent to USD 29.78 billion in October, mainly due to global demand slowdown, even as the trade deficit widened to USD 26.91 billion, according to data released by the commerce ministry.

Key export sectors, including gems and jewellery, engineering, petroleum products, ready-made garments of all textiles, chemicals, pharma, marine products, and leather, recorded negative growth during October.

During April-October 2022, exports recorded a growth of 12.55 per cent to USD 263.35 billion. Imports rose 33.12 per cent to USD 436.81 billion.

The merchandise trade deficit for April-October 2022 was estimated at USD 173.46 billion as against USD 94.16 billion in April-October 2021, as per the data.

Budget for 2023-34 is likely to be presented on February 1 next year.

Source: economictimes.com- Nov 24, 2022

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