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IBTEX No. 229 of 2022 **November 30, 2022**

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To Watch Currency Outlook by CR Forex Advisors

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Currency Watch	
USD	81.58
EUR	84.35
GBP	97.55
JPY	0.59

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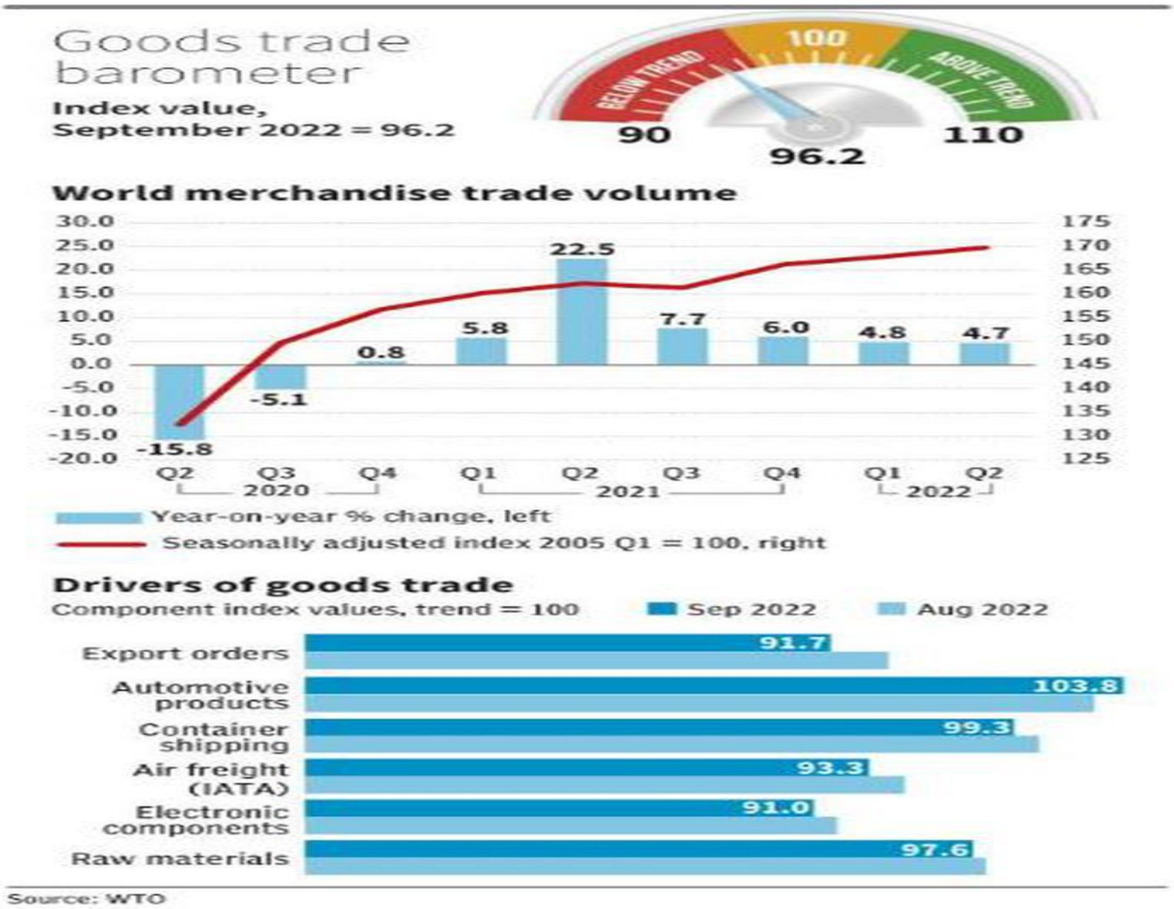
NATIONAL NEWS

INTERNATIONAL NEWS

World trade growth to slow down in end-2022 and into 2023: WTO Barometer

Growth in world trade is likely to slow in the end months of 2022 and into 2023 as the global economy continues to be plagued by the uncertainty of the Ukraine war, rising interest rates, high energy prices, and monetary tightening, according to the latest WTO Goods Trade Barometer.

“The downturn in the goods barometer is consistent with the WTO’s trade forecast of 5 October, which predicted merchandise trade volume growth of 3.5 per cent in 2022 and 1 per cent in 2023,” according to a release issued by the WTO on Monday.



The barometer reading is also in line with India’s export performance which started slowing down sharply since July 2022 and declined by 16.5 per cent (year-on-year in October 2022.

The Goods Trade Barometer is a composite leading indicator for world trade, providing real-time information on the trajectory of merchandise trade relative to recent trends. Values greater than 100 signal above-trend expansion while values less than 100 indicate below-trend growth.

The current reading of 96.2 is below both the baseline value for the index and the previous reading of 100.0, reflecting cooling demand for traded goods, the statement pointed out.

"The barometer index was weighed down by negative readings in sub-indices representing export orders (91.7), air freight (93.3) and electronic components (91.0). Together, these suggest cooling business sentiment and weaker global import demand," it said.

Container shipping and raw materials, too, have lost momentum finishing slightly below trend.

Automotives improve

Automotives, however, were an exception with automotive products index (103.8) moving above trend due to stronger vehicle sales in the US and increased exports from Japan as supply conditions improved and as the yen continued to depreciate, the WTO release said.

The Goods Trade Barometer index combines several component indices of trade-related data into a single composite index that anticipates turning points in world merchandise trade volume.

The component indices include an index of new export orders derived from Purchasing Managers' Indices, an index of air freight sourced from the International Air Transport Association, a shipping index representing container port throughput of major international seaports in volume terms, an automotive sector index based on sales and/or production of passenger vehicles in leading economies and an index of trade in agricultural raw materials (mostly wood) based on customs data in quantity terms.

Source: thehindubusinessline.com- Nov 28, 2022

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Sluggish demand in 2022 to affect China's export outlook: Report

China's declining exports to the European Union (EU) in October and the third straight month of lower exports to the US cast a shadow over China's export outlook, according to a recent report. The US and the EU are China's largest export destinations, accounting for 16.5 per cent and 15.8 per cent of its overall export value in the first 10 months of 2022 (10M22), and coincident recessions are predicted in both the US and eurozone next year.

China's exports of apparel and footwear dropped by 17 per cent and grew by a slower 3 per cent, respectively, from a high base. The nation's exports of many upstream and midstream products including textiles to the EU have plunged amid the latter's muted downstream production this winter, according to a report titled 'China Corporates Snapshot–November 2022: China's Exports Dip on Deteriorating Demand from EU' by credit rating agency Fitch Ratings.

China's exports to the EU dropped by 9.0 per cent year-on-year (YoY) in October from a high base and as industrial activities slow amid an energy shortage. This is in sharp contrast to the growth of 16.9 per cent in the first nine months of 2022 (9M22).

China's exports fell by 0.3 per cent YoY in October 2022, the first YoY decline since May 2020, due to weakening demand from key trading partners, pandemic-induced production and logistics disruptions, and diminishing effects from price inflation, added the report. Exports to Germany, France, and Italy plunged by 11 per cent, 28 per cent, and 22 per cent, respectively, in October, while that to the Netherlands grew by a slower pace of 4 per cent, from high bases last year.

Exports to the US fell for the third straight month in October by 12.6 per cent, while exports to the Association of Southeast Asian Nations (ASEAN) grew by a robust 20.3 per cent, driven by trade disintermediation, the Regional Comprehensive Economic Partnership that took effect on January 1, 2022, and a low base a year ago.

Source: fibre2fashion.com- Nov 29, 2022

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Cambodia-Korea FTA to come into force from Dec 1

The Cambodia-Korea Free Trade Agreement (CKFTA), which will come into force from December 1, is expected to raise bilateral trade volume with South Korea and create more new export opportunities, Cambodian commerce minister Pan Sorasak told a recent workshop held to disseminate information on benefits and export procedures to Cambodian exporters.

Cambodia can export goods at zero tariffs immediately after the agreement comes into force on 92.37 per cent of the total tariff line, Sorasak said. He said the workshop was organised by the Cambodian ministry of commerce and the embassy of South Korea to promote exports and maximise the benefits of implementing the CKFTA.

Participants included officials from the ministry, the South Korean embassy in Cambodia, the private sector, around 200 representatives from the Cambodia Chamber of Commerce Textile, Apparel, Footwear and Travel Goods Association in Cambodia and the Korea Trade-Investment Promotion Agency. The agreement is expected to boost Cambodia's exports to South Korea in garments and textiles, footwear, bags, spare parts, electronics, rubber and agricultural products, according to Cambodian media reports.

Cambodia had exported apparel worth $187.650 million in 2019 to South Korea, but the value of exports declined to $169.716 million in 2020 due to the COVID-19 disruption, according to Fibre2Fashion's market insight tool TexPro.

Bilateral trade between both sides reached $920 million in the first ten months this year, a year-on-year increase of 16.3 per cent, according to a report from the Korea International Trade Association (KITA). Cambodia exported goods worth $341 million to South Korea, an increase of 20.7 per cent.

As per TexPro, South Korea is a very minor market for Cambodia's apparel exports and ranks 13th in terms of apparel exports from Cambodia. South Korea accounted for mere 1.51 per cent ($167.151 million) out of Cambodia's total apparel exports of $11.102 billion in 2021.

Source: fibre2fashion.com- Nov 29, 2022

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Chinese cotton production up five per cent

China's total cotton production in 2022 is expected to increase by five per cent year on year. Northwest China's Gansu province and Xinjiang are set to see cotton production increase by 22 per cent and seven per cent year on year, respectively, the report added.

Xinjiang is expected to continue to account for over 91 percent of the country's total production due to higher temperatures than in previous years coupled with further increases in the planted area.

Last year, Xinjiang produced almost 20 per cent of the world's cotton, but this year's deliveries have slowed due to labour shortages caused by strict coronavirus controls and lower-than-expected cotton prices affecting farmers' confidence in selling.

The average Chinese cotton delivery price is down by 44 per cent year on year with cotton stocks up one per cent year on year. Cotton stocks in China are likely to experience further pressure, with demand weakening in October due to a slowing global economy, a sluggish textile industry and global inflation.

Lower yarn imports and domestic cotton consumption are driven in part by domestic Covid lockdowns, foreign trade policies barring imports of China's cotton products, and slowing global demand for apparel.

The United States has effectively blocked imports of all products wholly or partially sourced from Xinjiang, where China has been accused of committing rights abuses such as forced labour against minorities.

Source: fashionatingworld.com- Nov 28, 2022

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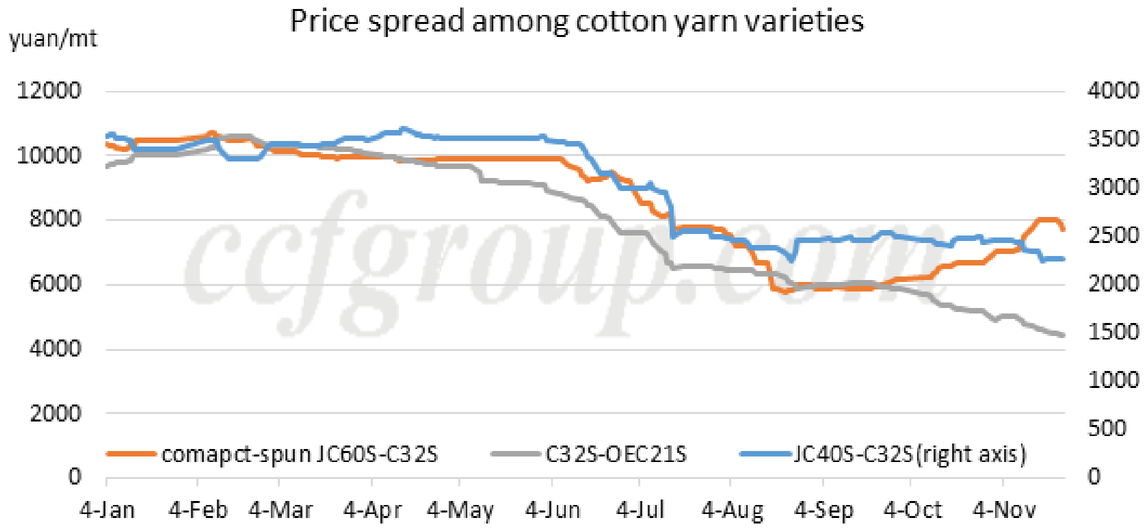
China: Why price spread between combed yarn and carded yarn hits new low?

Overall cotton yarn market was weak since this year and cotton yarn prices went downtrend, but different varieties showed divergence in price. Low-count yarn trading was better than high-count yarn. It was obvious that carded yarn sales were better than combed yarn's, which was shown greatly in cotton yarn price.



It can be seen from the above chart that the price spread between different varieties commonly reduced. The falling range of low-count yarn and carded yarn was smaller amid the dropping trend in 2022. The price spread between C40S and C32S reached around 1,000yuan/mt in previous year, it reached over 1,500yuan/mt in 2021 while the price spread narrowed to the lowest level within 500yuan/mt in 2022. Now the price spread was at relatively low level. The price spread between combed yarn and carded yarn was more obvious. The price spread commonly reached 2,000-2,500yuan/mt, it reached relatively high level 3,000yuan/mt in 2021, and reduced to current spread at around 1,300yuan/mt. The price spread between ring-spun yarn and open-end yarn reduced greatly. Price spread between C32S and OEC21S fell from 10,000yuan/mt in 2022 to 4,500yuan/mt now, and the falling range reached around 6,000yuan/mt. Price spread between compact-spun JC60S and C32S reduced from the highest point 13,000yuan/mt to the lowest level below 6,000yuan/mt, and the price spread reached around 8,000yuan/mt. So what cause such conditions?

	C40S-C32S(yuan/mt)	JC32S-C32S	comapct-spun JC60S-C32S	C32S-OEC21S
Prevailing range of price gap	Around 1000	2000-2500	wide price gap	wide price gap
Highest point of price gap in 2021	1700	2945	12970	10600
Lowest point of price gap in 2022	400	1250	5780	4300
Current price gap	820	1270	7800	4450

1. The export demand for Xinjiang-origin combed and high-count yarn slipped amid the ban on Xinjiang cotton. China is a big textile and apparel export country with high proportion of cotton textile exports. The main consumption in destinations including Europe, US and Japan was high-leveled textile and apparel while the consumed products in countries of South Asia were lower-leveled.

Countries in Europe and US imposed sanction on Xinjiang cotton, especially US, making the demand for Xinjiang-origin high-leveled combed and high-count yarn reduced obviously. On the contrary, the sales of imported cotton yarn were relatively good, and prices were obviously higher.

The price spread between imported cotton yarn and Xinjiang yarn enlarged from 1,000yuan/mt at previous stage to more than 6,000yuan/mt now. However, domestic sales without the limitation on cotton origin and the products exported to South Asia took low-leveled carded yarn as main feedstock. The slip of demand led to faster price falling of combed and high-count cotton yarn.

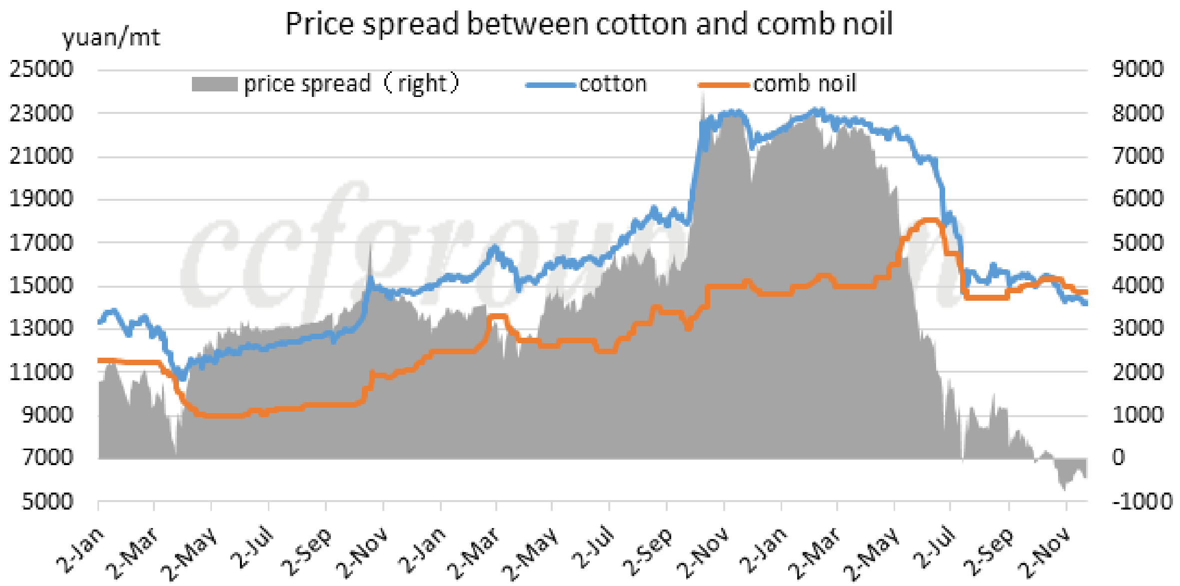
2. Overall end consumption degraded amid the slip of economy. End consumption slowed down, slipped and even shrank, and consumption degradation appeared, which led to downstream traders' lower requirement on cotton yarn quality. Instead of quality, they paid more attention to cheap price and lower cost.

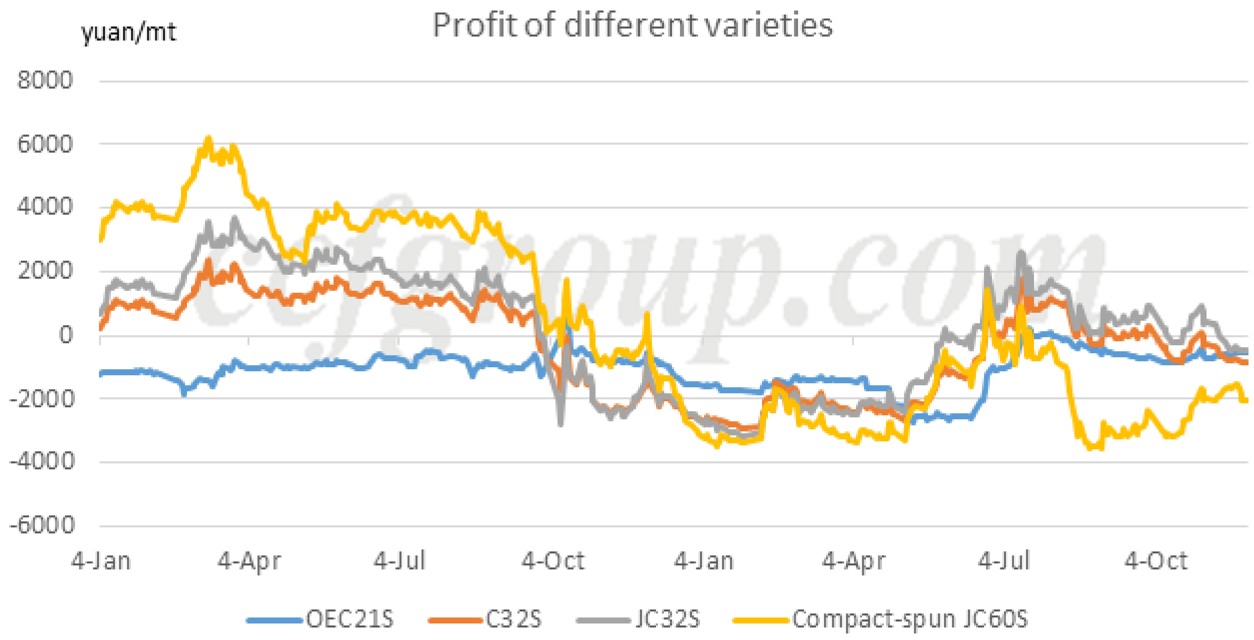
According to the reflection of cotton yarn mills and fabric mills, the procurement of many downstream clients degraded this year. For instance, some used compact-spun yarn to take place of combed yarn while others used open-end yarn to replace ring-spun carded yarn.

3. Cotton yarn imports shrank largely, and Chinese low-count yarn replenished that. The sales of low-count yarn were relatively good, and one of the important reasons of that was the great shrinkage of cotton yarn imports. In Jan-Oct 2022, cotton yarn imports only reached 958kt, reduced 764kt on year and the falling range reached 44.4%. Mainly sold variety of imported yarn was yarn with 32 counts and count number below that, and Chinese yarn replenished the shrinking part.

4. Comb noil prices were firm, making open-end yarn cost rise while combed yarn cost slipped. Meanwhile, the profit of combed yarn with the same count as carded yarn didn't reduce due to the great falling of price. The profit of open-end yarn didn't improve due to relatively firm price. Firm comb noil prices were mainly due to relatively good demand for open-end cotton yarn, making the supply of comb noil gradually tighten.

However, the production of combed yarn reduced much due to bad demand. Comb noil had its own advantage when spinning to produce open-end yarn mainly because combed cotton was relatively pure and the consumption was lower than raw cotton, which was also one of the reasons for further price falling space of combed yarn and relatively firm open-end yarn price.





Source: ccfgroup.com- Nov 29, 2022

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Cambodia's apparel exports to go up as S Korea FTA set to take effect

Cambodia's apparel exports to South Korea this year may reach the highest in the last six years, as the bilateral Free Trade Agreement (FTA) will come into effect from December 1, 2022. After the pact was signed in November 2021, apparel exports from Cambodia to south Korea began to increase. However, mutual trade of textiles is still developing.

According to Fibre2Fashion's market insight tool TexPro, Cambodia's apparel exports to South Korea stood at $162.312 million in January-October 2022, which was close to 2021 exports figure. The outbound shipment is likely to breach pre-COVID level this year. Cambodia's exports to South Korea were $167.151 million in 2021, $169.716 million in 2020, $187.650 million in 2019, $173.889 million in 2018, and $142.751 million in 2017.

In home textile, Cambodia's exports to South Korea are miniscule, but it may get some push once the FTA is implemented. The exports were noted at $1.298 million during the first ten months of current year 2022. The shipment was $3.101 million in 2019 prior to the disruption of COVID-19 pandemic. It lowered to $1.328 million in 2020 and $1.3 million in 2021, as per TexPro.

South Korea imports garments and home textiles from Cambodia, but it does not export the products to Cambodia in significant volume. Cambodia is a small supplier for South Korea accounting for only 1.59 per cent of $10.485 billion of imports made by the country in 2021.

Similarly, South Korea is not an important market for Cambodia's textile exports. Cambodia's apparel exports to South Korea were just 1.51 per cent of its total exports $11.100 billion in 2021.

Source: fibre2fashion.com- Nov 30, 2022

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Sri Lanka's merchandise export earnings declines 8.18 percent in October 2022

Sri Lanka's earnings from the merchandise exports exceeded US$ 1 billion for the sixth consecutive month in October 2022, but Year-on-Year revenue from exports decreased by 8.18 percent to US$ 1.095 billion in the month as per the data released by the Sri Lanka Customs.

The Export Development Board's performance report for the month of October said the decrease in earnings was mainly due to the decrease in export earnings from Apparel & Textiles, Tea, Rubber based Products, Coconut based Products, Spices & Essential Oils and Fisheries sector. Further, the impact of global crisis also affecting to decrease export earnings of major products.

Major Exports in October 2022

Major product sectors except Gems & Jewellery and Electrical & Electronic components; export earnings from Apparel & Textiles, Tea, Rubber based Products, Coconut based Products, Spices & Concentrates, Food & Beverages and Seafood sectors recorded declines in October 2022 as shown in the table 1 below.

Exports of Apparel & Textiles decreased by 13.19 % y-o-y to US$ 441.89 million in October 2022. The decrease was driven by both Apparel and Textiles.

Export earnings from Tea in October 2022 which made up 11% of merchandise exports, slightly decreased by 0.76 % y-o-y to US$ 108.7 million. This was mainly due to the lower Export of bulk tea (-1.22%).

Export earnings from Rubber and Rubber Finished products have decreased by 6.1 % y-o-y to US$ 86.3 million in October 2022, with poor performance in exports of Pneumatic & Retreated Rubber Tires & Tubes (-6.86%) and export of Industrial & surgical gloves (-8.74%).

Export earnings from the Electrical & Electronics Components increased by 20.53 % y-o-y to US$ 46.26 million in October 2022 with strong performance in exports of Insulated Wires & Cables (12.76%) and Other Electrical & Electronic Products (17.2%).

In addition, export earnings from Spices and Essential Oils decreased by 18.95 % to US$ 36.39 million in the month of October 2022 compared to month of October 2021 due to the poor performance in export of Cinnamon (-19.44 %) and Pepper (-32.7 %).

On monthly analysis, except kernel products export earnings of fiber products and shell products categorized under the Coconut based products increased by 19.67 % and 19 % respectively in October 2022 compared to October 2021.

Export earnings from Seafood decreased by 20% to US$ 19.56 million in October 2022 compared to October 2021. Except Crabs, export earnings from Frozen fish, Fresh fish, Shrimps and Other edible fish decreased by 14.62 %, 21.44 %, 52.16 % and 31.46% respectively in October 2022.

However, export earnings from Ornamental fish increased by 8.98 % to US$ 1.82 million in October 2022 compared to October 2021.

Click here for more details

Source: colombopage.com- Nov 30, 2022

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Vietnam: Exports to Latin America up 5.3% in 10 months

Vietnam earned $10.2 billion from exporting garments, textiles, footwear, arm produce and other products, to Latin American countries in the first 10 months, a year-on-year increase of 5.3%.

In the same period, the country imported goods worth $8.6 billion, up 17.3% year-on-year, it was reported at the Vietnam-Latin America Trade Forum 2022 held November 25 in HCMC.

"This year, despite economic fluctuations, bilateral trade has maintained its growth momentum," said Do Thang Hai, Deputy Minister of Industry and Trade Do Thang Hai.

Vietnam-Latin America two-way trade reached $21.4 billion in 2021, with $12.5 billion from Vietnamese exports, up 46.4% over 2020; and $8.9 billion from Latin American exports, up 20.2%.

Vietnam exported mainly farm produce, garments and textiles, footwear, to Latin American countries, including Brazil, Mexico, Argentina, Chile, Panama, Colombia and Peru, and imported corn, soybean, and animal feed from them.

Source: e.vnexpress.net- Nov 28, 2022

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CanCham Bangladesh calls for FIPA to facilitate FDI inflow from Canada

The Canada Bangladesh Chamber of Commerce and Industry (CanCham Bangladesh) has requested signing of a bilateral foreign investment protection agreement (FIPA) to facilitate the foreign direct investment (FDI) inflow from Canada to Bangladesh. Meanwhile, Bangladesh foreign minister AK Abdul Momen called on Canadian investors to invest in his country.

CanCham Bangladesh, which celebrated 50 years of bilateral relations in Dhaka recently, also sought a 100-acre plot in Bangabandhu Special Economic Zone (SEZ) for setting up a Canadian Industrial Zone.

CanCham Bangladesh president Masud Rahman said FDI into Bangladesh reached $3.61 billion in 2019 and FDI inflows rose by 37 per cent year on year to $3.43 billion in fiscal 2021-22, according to Bangladeshi media reports.

He also stressed that a bilateral free trade agreement (FTA) should be signed to promote and expand trade, exploring all the potential provinces of Canada.

Source: fibre2fashion.com- Nov 29, 2022

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Bangladesh continues to dominate in denim exports to USA: Reports

Bangladesh continues to be the top exporter of denim products to USA holding a market share of 23 per cent in the US denim market in September.

Reports maintained this citing data from the Office of Textiles and Apparel (OTEXA) of the Commerce Department, as per which, Bangladesh exported denim worth US $ 738.70 million in the first nine months of 2022, up 42.01 per cent from US $ 520.16 million during the same period of 2021 to USA.

It may be mentioned here that notwithstanding the slowdown in the US caused by declining consumer demand, Bangladesh is still the number one exporter of denim garments to the North American country even if in 2021, Bangladesh became the top denim exporter to the US for the second consecutive year.

Meanwhile, speaking to the media, BGMEA Director and Additional Managing Director of Denim Expert Limited, Mohiuddin Rubel, reportedly maintained that there is a gap of two months in OTEXA's data, in which case growth will slow down in the months of October and November.

"Till September we clearly did well," claimed Mohiuddin.

Source: apparelresources.com- Nov 28, 2022

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Pakistan: Textile exporters hope for revival after dull Christmas season

Textile exporters in Pakistan, like their regional counterparts, struggle to be merry this Christmas season, as a buying freeze abroad has hit all segments, from apparel, denim and knits to home textiles, though they hope things will get better in the coming months.

“This time around, we did not get Christmas orders,” says Sohail Pasha, chairman of the Pakistan Textile Exporters Association.

As a rule of thumb, international markets move six months in advance. Hence, Christmas orders are placed in June-July and delivered three months before the start of the season. But demand was slow due to the global economic environment this year.

“The recession has spread everywhere, from Europe and UK to Australia and South Africa,” says Mr Pasha, adding that warehouses are already full of inventories.

Retailers abroad are having sales to clear out their merchandise. Meanwhile, manufacturers in Pakistan are holding stocks ready to ship overseas. In Faisalabad, the export-oriented mills are working at about 40-50 per cent capacity, and at roughly 60pc in Karachi, he says.

Because of excess stocks, the benefits of the rupee devaluation are not kicking in either. “Since they do not want to purchase from us, our lower prices make no difference, and we got no orders for the Christmas season,” explains Mr Pasha.

“There are enough stocks on their shelves, their stockrooms and our warehouses to last till March 2023. After that, we are hoping for some positive movement,” he adds.

Many places, no money

The American economy operates on credit and mortgages. As the Federal Reserve — the US central bank — hikes up its rates, the cost of credit pinches the wallets of the average Joe in America, making him less likely to spend.

During the pandemic, the economy had come to a standstill. The usual avenues of spending, such as leisure, travel and clubbing, were forbidden, so people spent money on making their houses beautiful, which also fed the super cycle success of Pakistan's textile exports.

Now, the reverse has happened. They have places to go but less spending money, so Pakistan's exports are taking the hit, says Mr Pasha.

Meanwhile, shipment time from China, the world's factory, has increased since the pandemic until recently.

Retailers factored in 120 days before the ordered products could reach distribution centres for many reasons, such as insufficient trucks and truckers and port and transit delays, says Khurrum Mukhtar, patron-in-chief of the Pakistan Textile Exporters Association.

However, the issues were resolved faster than anticipated, and Chinese goods reached distribution centres in 45 days. Thus retailers have a backlog of inventory during a global recession.

But, adds Mr Mukhtar optimistically, Pakistan's finished textile products are in the low and medium category — they do not last beyond four or five washes. So, the target market of Pakistan's consumer textiles will soon have to purchase new products.

Regional slump

Pakistan is not alone in suffering from a loss in demand in the second half of 2022.

According to figures released by Vietnamese Customs, textiles and clothing exports dropped 32pc year-on-year in September and garment manufacturers were working at 50-70pc capacity.

India is affected, too. The United States is a major textile market for India, accounting for half of home textile exports and 28pc of apparel exports. Last month, its textile exports plummeted 41.5pc year-on-year.

In Sri Lanka, textile exporters are facing a 30pc drop in orders in the coming months.

The decline in Pakistan is hitting the textile industry harder after enjoying the pandemic super cycle. But that balloon has burst.

"Two years were exceptionally good thanks to the pandemic," says Saleem Parekh, executive director of Al-Abbas Fabrics. "We were the first country to open up compared to our competitors such as Vietnam, Sri Lanka and India. As a result, we were bombarded with orders."

This time around though, local textile manufacturers are feeling the pinch stronger than previous dips in demand because they enhanced capacities during the pandemic when the orders were pouring in.

Before Covid-19, many buyers were reluctant to come to Pakistan because of the country's brand image. But they were forced to opt for the country during the pandemic after their usual suppliers were closed.

"Pakistani exporters rose to the occasion, performing well in terms of timely shipments and quality. After the slump in demand is over, we can again compete successfully if we are given a constant supply of gas and our liquidity problems are sorted out," says Mr Parekh.

Like his brethren, Mr Parekh is anticipating that when the Christmas season is over and the inventories have run out, textile orders will renew.

Source: dawn.com- Nov 30, 2022

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Pakistan: Cotton market: Prices firm amid modest trading

The local cotton market on Tuesday remained stable and the trading volume remained low.

Naseem Usman also said that the rate of cotton in Sindh is in between Rs 14,500 to Rs 17,500 per maund. The rate of cotton in Punjab is in between Rs 15,500 to Rs 17,500 per maund.

The rate of Phutti in Sindh is between Rs 5,000 to Rs 8,000 per 40 kg. The rate of Phutti in Punjab is in between Rs 65,500 to Rs 8,000 per 40 kg. The rate of cotton in Balochistan is in between Rs 15,000 to Rs 17,500 per maund.
400 bales of Mir Pur Khas, 809 bales of Ghotki were sold at Rs 16,000 per maund, 400 bales of Dera Ghazi Khan were sold at Rs 17,500 per maund, 400 bales of Khan Pur were sold at Rs 16,700 per maund, 600 bales of Marrot were sold at Rs 15,000 per maund and 100 bales of Yazman were sold at Rs 15,000 per maund.

The Spot Rate remained unchanged at Rs 16,500 per maund. Polyester Fiber was available at Rs 285 per kg.

Source: brecorder.com- Nov 30, 2022

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NATIONAL NEWS

UK delivering on new FTA with India: Rishi Sunak

British Prime Minister Rishi Sunak has reiterated the UK's commitment to a Free Trade Agreement (FTA) with India as part of the country's wider focus on enhancing ties with the Indo-Pacific region.

Delivering a talk Monday night at the Lord Mayor of London's Banquet—his first major foreign policy speech since taking charge at 10 Downing Street last month—the British-Indian leader reflected upon his heritage and committed to promoting British values of "freedom and openness" around the world.

He also pledged to "do things differently" when it came to China, which he said poses a "systemic challenge" to British values and interests. "Before I came into politics, I invested in businesses around the world. And the opportunity in the Indo-Pacific is compelling," said Sunak.

"By 2050, the Indo-Pacific will deliver over half of global growth compared with just a quarter from Europe and North America combined. That's why we're joining the Trans-Pacific trade deal, the CPTPP, delivering a new FTA with India and pursuing one with Indonesia," he said.

"Like many others, my grandparents came to the UK, via East Africa and the Indian subcontinent and made their lives here. In recent years, we've welcomed thousands of people from Hong Kong, Afghanistan, and Ukraine. We're a country that stands up for our values, that defends democracy by actions not just words," he noted.

On China, Sunak said he wants to "evolve" the UK's approach as he distanced his government from a slogan used by the previous Conservative Party led government to describe UK-China bilateral relations just over seven years ago.

"Let's be clear, the so-called 'golden era' is over, along with the naïve idea that trade would lead to social and political reform. But nor should we rely on simplistic Cold War rhetoric. We recognise China poses a systemic challenge to our values and interests, a challenge that grows more acute as it moves towards even greater authoritarianism," he cautioned.

The 42-year-old former chancellor admitted that the UK cannot simply ignore China's "significance" in world affairs, something he pointed out that other leading economies such as the US, Canada, Australia and Japan also acknowledge.

"So together we'll manage this sharpening competition, including with diplomacy and engagement. Much of this is about dramatically improving our resilience, particularly our economic security," said Sunak.

Reiterating his pro-Brexit vision, Sunak ruled out any alignment with European Union (EU) law in favour of cooperation on shared issues such as illegal migration. He also committed the UK to standing by Ukraine in its conflict with Russia as part of Europe's "collective resolve" to protect democratic values.

"After years of pushing at the boundaries, Russia is challenging the fundamental principles of the UN Charter. China is consciously competing for global influence using all the levers of state power. In the face of these challenges, short-termism or wishful thinking will not suffice. We can't depend on Cold War arguments or approaches, or mere sentimentality about the past. So, we will make an evolutionary leap in our approach," he declared.

Sunak confirmed that further detail on the UK's foreign policy outlook will be laid out in an updated 'Integrated Review' in the new year, which will also cover closer collaboration with the Commonwealth.

"Under my leadership, we won't choose the status quo. We will do things differently. We will evolve, anchored always by our enduring belief in freedom, openness and the rule of law and confident that in this moment of challenge and competition our interests will be protected... and our values will prevail," he concluded.

The Lord Mayor's Banquet at Guildhall in the financial heart of London is an annual event where the UK prime minister addresses business leaders, international dignitaries and foreign policy experts on the subject of foreign policy.

Source: thehindubusinessline.com- Nov 29, 2022

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S&P cuts India's growth forecast to 7 per cent for FY23

S&P Global Ratings on Monday cut India's economic growth forecast for current fiscal year to 7 per cent, but said the domestic demand-led economy will be less impacted by the global slowdown.

S&P had in September projected the Indian economy to grow 7.3 per cent in 2022-23 and 6.5 per cent in next fiscal year (2023-24).

"The global slowdown will have less impact on domestic demand-led economies such as India... India's output will expand 7 per cent in fiscal year 2022-2023 and 6 per cent in the next fiscal year," S&P Global Ratings Asia-Pacific chief economist Louis Kuijs said.

The Indian economy grew 8.5 per cent in 2021. In its quarterly economic update for Asia-Pacific, S&P said in some countries the domestic demand recovery from Covid has further to go and this should support growth next year in India.

It projected inflation to average 6.8 per cent in the current fiscal year and RBI's benchmark interest rate to rise to 6.25 per cent by March 2023. To control the price rise, RBI has already hiked the interest rate by 1.9 percentage points to a 3-year high of 5.9 per cent.

India's wholesale and retail inflation fell in October after remaining high for most part of the year, due mainly to supply chain disruptions following the outbreak of the Russia-Ukraine war in February.

Retail or CPI inflation fell to a 3-month low of 6.7 per cent, while wholesale or WPI inflation was at a 19-month low of 8.39 per cent last month.

With regard to the exchange rate, S&P said foreign reserves have fallen in Asian emerging markets, even after adjusting for valuation changes.

It pegged the exchange rate at Rs 79.50 to a dollar by March-end, as against the current Rs 81.77 to a dollar.

"In India, the decrease in foreign reserves of $73 billion through August was far and above losses attributable to valuation changes (of $30 billion). This implies that the central bank has made sizeable interventions to support the Indian rupee," it said.

S&P joins a host of agencies which have slashed India's economic growth projections for the current fiscal year citing a slowdown in the global economy, the Russia-Ukraine war, besides rising interest rates and inflation domestically.

While the World Bank has pared its growth estimate for India by 100 basis points to 6.5 per cent, IMF has trimmed it to 6.8 per cent from 7.4 per cent.

The Asian Development Bank, too, has cut its projection to 7 per cent from 7.5 per cent earlier. RBI expects economic growth to be at 7 per cent in the current fiscal year.

With regard to the Asia-Pacific region, S&P said while China's growth is likely to remain subdued in the coming months, it should pick up in 2023 as the government eases its COVID stance and the property market stabilises.

Lower global growth and higher interest rates should slow other Asia-Pacific economies next year. But S&P generally expects GDP growth to stay healthy, Kuijs said.

Source: thehindubusinessline.com- Nov 28, 2022

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Commerce Dept brainstorms to take the bite out of export slowdown

Concerned at the recent downturn in goods exports, the Commerce & Industry Ministry is holding a series of meetings with export promotion councils to identify causes for the decline and discuss measures that could help exporters stay competitive, officials have said.

"The Commerce Secretary is meeting various export promotion councils to find out what is ailing different sectors and how things can improve. He has already met sectors such as textiles, wool, leather and engineering goods and more meetings are scheduled," a source tracking the matter told businessline.

India's export growth slowed down since July this year and plummeted 16.5 per cent in October 2022 (year-on-year) to $29.78 billion, the lowest since February 2021.

WTO prediction

The deceleration in exports is in tandem with the World Trade Organisation's latest reading of the Goods Trade Barometer shared on Monday, which projected that trade growth is likely to slow in closing months of 2022 and into 2023. Earlier WTO had predicted that world trade growth will slow down to just 1 per cent in 2023.

"In our meeting with the Commerce Secretary, we pointed out that exports were falling mainly due to the geopolitical crisis which was a result of the Russia-Ukraine conflict, the recessionary trend in major economies and the energy crisis.

People in Europe are shutting down production due to high cost of power, which in turn is lowering global demand for all kinds of products. But inventories are getting used up now and we do see light at the end of the tunnel," Arun Garodia from the Engineering Export Promotion Council told businessline.

Seeking government help

He added that exporters were looking for support from the government to help them tide through the crisis through measures such as expansion of the Remission of Duties and Taxes on Export Products (RoDTEP) scheme to include steel and other excluded items, increasing the subsidy rate under the interest equalisation scheme for exporters, providing cheaper finance for MSME exporters and exemption for exporters on GST for ocean freight.

FY22 export

India's exports had reached an all time high of $421 billion in 2021-22 growing over 40 per cent over exports in 2020-21 and surpassing the government's target by over 5 per cent. However, because of the extreme volatility in global conditions, the Commerce Department has not yet set an export target for the current fiscal.

AEPC wishlist

The Apparel Export Promotion Council (AEPC), which is deeply concerned about the slowdown in demand for garments and textiles, too, has given its wish list to the government which includes early announcement of the second edition of the Production Linked Incentive (PLI) scheme for garments and made-ups, enhancing the ambit of interest equalisation scheme and regulating import of cotton yarn from China and Vietnam.

Source: thehindubusinessline.com- Nov 29, 2022

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Promoting Rupee trade settlement: Finmin convenes meeting with bank CEOs on Dec 5

Finance Ministry has convened a meeting of top chief executives of public sector banks and six private banks on December 5 to give push to rupee trade settlement in cross border trade.

The meeting, which will be chaired by Financial Services Secretary Vivek Joshi, will also see representatives from Reserve Bank of India, Commerce Ministry and External Affairs Ministry besides Indian Banks Association (IBA), sources close to the development said.

For overseas trade

It maybe recalled that Reserve Bank of India (RBI) had in July this year come out with detailed guidelines on cross border trade transactions in rupee. Since then about nine special vostro accounts have been opened with two Indian banks to facilitate overseas trade in the rupee.

The opening of special vostro accounts paves the way for settlement of payments in rupee for cross border trade between India and overseas countries including Russia. RBI has to popularise the new arrangement even allowed the special vostro accounts to invest the surplus balance in Indian government securities.

Payment in INR

"Indian importers undertaking imports through the mechanism shall make payment in INR, which shall be credited into the special vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller/supplier", RBI had earlier said.

Initially Indian banks were apprehensive over the implementation of the RBI formulated international rupee trade settlement mechanism.

However, the Finance Ministry had on September 7 convened an inter-ministerial meeting to allay their concerns on the implementation of the new mechanism.

Public sector banks were worried that the international trade settlement mechanism in rupee could lead to trigger of penalties from the office of foreign assets control (OFAC) of the US Department of Treasury as most Indian banks have accounts and existing banking relationships in the US.

OFAC administers and enforces Economic and trade sanctions based on US foreign policy and national security goals.

Source: thehindubusinessline.com- Nov 29, 2022

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Canada's Indo-Pacific strategy paper calls for early trade pact with India

India and its strategic importance found a special mention as Canada launched its Indo-Pacific strategy with an aim to balance China.

India's strategic importance and leadership—both across the region and globally—will only increase as India—the world's biggest democracy—becomes the most populous country in the world and continues to grow its economy, the strategy paper pointed out.

"India's growing strategic, economic and demographic importance in the Indo-Pacific makes it a critical partner in Canada's pursuit of its objectives under this strategy. Canada and India have a shared tradition of democracy and pluralism, a common commitment to a rules-based international system and multilateralism, mutual interest in expanding our commercial relationship and extensive and growing people-to-people connections," according to the strategy paper released by the Canadian Foreign Minister.

In its engagement with India, Canada will grow economic ties, including through deeper trade and investment, as well as cooperate on building resilient supply chains. Ottawa will further seek to expand market access by concluding an Early Progress Trade Agreement (EPTA) as a step toward a Comprehensive Economic Partnership Agreement, the strategy paper hoped.

The strategy paper also announced to create a Canada-India desk within the Trade Commissioner Service to promote implementation of the EPTA for businesses and investors looking to enter the Indian market, or for those partnering with Indian businesses.

It further announced to invest in and connect people, including by bolstering Canada's visa-processing capacity in New Delhi and Chandigarh and support academic, educational, cultural, youth and research exchange.

The paper also suggested to accelerate cooperation in the fight against climate change, in protecting the environment and in deploying green technologies and send enhanced Team Canada trade missions in priority sectors of mutual interest, such as renewable energy and clean technology.

Source: economictimes.com- Nov 29, 2022

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On the cards: PLI-type scheme to replace textile tech fund

The government is likely to replace its flagship incentive scheme for capital investments in textiles and garments - Amended Technology Upgradation Fund Scheme (ATUFS) - with one similar to the production-linked incentive (PLI), to promote domestic development and manufacturing of textile machinery.

The threshold for textile manufacturing units to be eligible for sops under the proposed scheme would be investment in plant and machinery of ₹1 crore to ₹50 crore for MSMEs and above ₹50 crore for non-MSMEs.

Incentives would be provided based on the turnover achieved after making the threshold investment in modernisation through installation of benchmarked technology.

Incentives of up to 60% based on the investment and turnover criteria could be doled out across weaving, knitting and spinning, among other textile segments.

Officials said that weak links in the textile value chain are being identified and an announcement is likely in the upcoming Budget 2023-24. "The ATUFS is being reviewed and a new scheme could be announced soon," said an official.

ATUFS was notified in January 2016 with an outlay of ₹17,822 crore to mobilise new investments of about ₹95,000 crore. It has helped create employment for about 3.5 million till 2022. The scheme expired on March 31, 2022.

The government had done a 'technology gap analysis' and identified 60 critical components used in the textile industry which are not indigenously manufactured and which it aims to make in India.

Under the proposed scheme, turnover achieved from job work in select segments would be accounted for while calculating incentives and only the products manufactured by the registered company would be eligible.

The government had last year approved the ₹10,683-crore PLI scheme for manmade fibre (MMF) apparel, MMF fabrics and products of technical textiles.

The second edition of the PLI for textiles is underway wherein incentives are likely for manufacturing of garments and home textiles such as blankets and bed spreads, and textile accessories like lace, button, and zippers.

Source: economictimes.com- Nov 30, 2022

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Finmin to meet heads of banks on Dec 5 to promote cross-border trade in rupee

The Finance Ministry has called a meeting of CEOs of banks, including top six private sector lenders, on December 5 to discuss ways to promote cross-border trade in the rupee instead of the US dollar. Besides, sources said the meeting to be attended by other stakeholders, including senior officials of external affairs and commerce ministries, will review the progress made on this front so far.

Financial Services Secretary Vivek Joshi will be chairing the meeting and is also likely to see attendance from representatives of the Reserve Bank of India and Indian Banks' Association (IBA), sources said.

Following detailed guidelines from the Reserve Bank of India (RBI) on cross-border trade transactions in domestic currency in July, about nine special vostro accounts have been opened with two Indian banks to facilitate overseas trade in the rupee.

Sberbank and VTB Bank -- the largest and second-largest banks of Russia, respectively -- are the first foreign lenders to receive the approval after the RBI announced the guidelines.

RBI as per the guidelines decided to put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR.

Another Russian bank Gazprom, which does not have its bank in India, has also opened this account with Kolkata-based UCO Bank.

The move to open the special vostro account clears the deck for settlement of payments in the rupee for trade between India and Russia, enabling cross-border trade in the Indian currency, which the RBI is keen to promote.

The RBI has allowed the special vostro accounts to invest the surplus balance in Indian government securities to help popularise the new arrangement.

UCO Bank already has a vostro account-based facility in Iran. Gazprombank, or GPB, is a privately-owned Russian lender and the third-largest bank in the country by assets.

"Indian importers undertaking imports through this mechanism shall make payment in INR, which shall be credited into the special vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller/supplier," RBI had said earlier.

Source: economictimes.com- Nov 29, 2022

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Manner of processing and sanction of IGST refunds transmitted to jurisdictional GST authorities under rule 96(5A)

The CBIC has issued Instruction No. 04/2022-GST dated November 28, 2022 regarding the Manner of processing and sanction of IGST refunds, withheld in terms of clause (c) of sub-rule (4) of rule 96, transmitted to the jurisdictional GST authorities under sub-rule (5A) of rule 96 of the Central Goods and Service Tax Rules, 2017 ("the CGST Rules").

Attention is invited to Standard Operating Procedures (SOPs) for verification of risky exporters and their suppliers dated January 23, 2020 issued to CGST and Customs formations as well as Directorate General of Analytics and Risk Management (DGARM) and SOP dated May 20, 2020 issued to CGST formations and DGARM vide F. No. CBEC-20/16/07/2020-GST which provided for the procedure to be followed for verification of the risky exporters and their suppliers.

The said SOPs provided that DGARM would identify the exporters and their suppliers on the basis of risk parameters, approved by the Competent Authority and would forward the list of such exporters to the Risk Management Centre for Customs (RMCC) for putting alert in the system.

In such cases, the Customs field formations were required to conduct the detailed examination of the export goods of such identified exporters. Further, the jurisdictional CGST formations were required to conduct detailed verification of such identified exporters and their suppliers and forward the verification report to DGARM.

On receipt of verification report from CGST formations, DGARM was required to take a decision for issuance of NOC or otherwise. In cases where NOC has been issued by DGARM, the same was communicated to the Customs authorities at the port of export for release of withheld IGST refunds of such exporter. Further, DGARM was also required to review whether the exporters can be removed from the list of identified exporters.

However, rule 96 of the Central Goods and Service Tax Rules, 2017 (hereinafter referred to as 'CGST Rules') has been amended retrospectively w.e.f. July 01, 2017 to provide for withholding of IGST refund in cases where the verification of credentials of the exporter, identified on the basis of data analytic including the availment of ITC by the exporter is considered essential before grant of refund. Clause (c) of sub-rule (4) of rule 96 is reproduced below:

(c) the Commissioner in the Board or an officer authorised by the Board, on the basis of data analysis and risk parameters, is of the opinion that verification of credentials of the exporter, including the availment of ITC by the exporter, is considered essential before grant of refund, in order to safeguard the interest of revenue.

Accordingly, Principal Director General/ Director General of Directorate General of Analytics and Risk Management (DGARM), CBIC, New Delhi has been authorised by the Board to exercise the functions under clause (c) of sub-rule (4) of rule 96 of the CGST Rules vide Order No. 01/2022-GST dated July 21, 2022 issued vide CBIC-20023/04/2021-GST.

Further, sub-rule (5A) has been inserted in rule 96 to provide for transmission of IGST refunds, withheld in terms of provisions of clause (c) of sub-rule (4) of rule 96 of the CGST Rules, as system generated refund in Form GST RFD-01 and to provide that the said system generated form shall be deemed to be the application for refund in such cases and such application for refund shall be deemed to have been filed on the date of such transmission on the portal. In addition, sub-rule (5C) has also been inserted in rule 96 to provide that such system generated refund in FORM GST RFD-01 have to be dealt with in accordance with rule 89 i.e. in a manner similar to other GST RFD-01 refund claims.

In view of the aforesaid amendments, certain changes have been made in the alert module on ICES for which an Advisory No. 14 dated September 29, 2022 has been issued by DG Systems to all the system managers. In the said advisory, it has been inter-alia informed that a new role for putting an all-India suspension, either on IEC or GSTIN of the exporter as the case may be, to withhold IGST refunds has been developed for officers of DGARM. An option to revoke the said alert has also been made available to DGARM officers. Further, instructions have also been issued by DG Systems vide F. No. DGSYS/APP/ICES/GEN/41/2022 dated September 29, 2022to the Customs field formations regarding the procedure to be followed by them in respect of IGST refunds withheld due to DGARM alerts on risky exporters.

DGARM on the basis of data analysis and risk parameters, would identify the exporters where verification of credentials of the exporter, including the availment of ITC by the exporter, is considered essential before grant of refund. DGARM would then place an all- India alert on such exporter on Indian Customs EDI system along with the reasons for putting the said alert.

Once an alert is placed on an exporter, the IGST refunds of such exporters would be withheld and the data in respect of Shipping Bills filed by such exporter, for which IGST Scroll could not be generated due to DGARM alert, along with the reasons thereof would be transmitted to GSTN through ICEGATE for generation of refund claims in FORM GST RFD-01 in terms of provisions of sub-rule (5A) of rule 96.

Besides, the past cases where the exporter was identified as risky, which could not be processed due to pending verification or due to receipt of negative report, would also be transmitted to GSTN through ICEGATE for generation of refund claims in FORM GST RFD-01 in terms of provisions of sub-rule (5A) of rule 96.

Such refund claims will be made available to the jurisdictional proper officer on back- office system under the category "Any other (GST paid on export of goods)" with the remarks "Refund of IGST paid on export of goods (Refund not processed by ICEGATE)". Further, the risk parameters, on basis of which the exporter has been identified as risky by DGARM, would be shared with the jurisdictional tax officers along with the system generated refund claim in FORM GST RFD-01.

In cases where the verification report in respect of the exporter has already been submitted to DGARM by the jurisdictional CGST authorities, the details of the same would also be shared with the jurisdictional proper officer, along with the said system generated refund claim in FORM GST RFD-01.

Transmission of such IGST refunds to the jurisdictional proper officers, withheld on account of identification of exporter as risky by DGARM, is being initiated on the portal.

On receipt of such refunds, the jurisdictional proper officer shall immediately process such refund claims in a manner similar to other RFD-01 refunds filed under the provisions of rule 89 of the CGST Rules, 2017.

However, it may be noted that as these refund claims have been generated by the system on the basis of Shipping Bills/ Bills of Export filed by the exporter, these claims would be auto-acknowledged by the system and no Deficiency Memo in Form GST RFD-03 can be issued against such system generated Form GST RFD-01 refund claims.

The proper officer shall ascertain the genuineness of the exporter & verify the correctness of availment and utilisation of ITC by the exporter and exercise due diligence in processing the said refund claims to safeguard interest of revenue. The proper officer may conduct the physical verification of places of business of the exporter, if required, to ensure that the exporter is existing at his declared place of business and is functional/active.

The proper officer shall pass a detailed speaking order in respect of the refund claim and shall duly upload the same along with the refund sanction order in Form GST RFD-06 on the portal in terms of Instruction No. 03/2022-GST dated June 14, 2022. The officer will also follow the timelines for processing of the refund claim in terms of provisions of sub-section (7) of section 54 of the CGST Act. It is needless to mention that the procedure of review and post-audit as prescribed in para 2.2 of Instruction No. 03/2022-GST dated June 14, 2022 will also be applicable to such refund claims.

In cases where the detailed investigation of the exporter or his suppliers is required to be conducted to verify the genuineness and correctness of ITC availed by the exporter, the matter may be examined, if required, for resorting to provisions of sub-section (11) of section 54 of the CGST Act, 2017 for withholding of the refund.

Further, the proper officer would also be required to provide feedback on the common portal while issuing refund sanction order in FORM GST RFD-06 as with recommendation as to whether the alert against the said taxpayer need to be continued or whether the same can be removed. The functionality for the same would be available on the system in due course.

GSTN shall transmit the data regarding the outcome of processing of refund by the proper officer, along with the feedback received from the proper officer on the requirement of removal or continuation of alert, to DGARM for necessary action for removal or continuation of alert.

The Zonal Principal Chief Commissioners/ Chief Commissioners are requested to closely monitor the progress of disposal of such transmitted refund claims to ensure that due verification has been conducted before sanction and the refunds have been processed in a timely manner.

In view of the above, the SOPs dated January 23, 2020 and May 20, 2020 prescribing the procedure to be followed for verification of the risky exporters and their suppliers, are hereby superseded.

Click here to view/download the original copy of the instruction

Source: news.caclubindia.com- Nov 29, 2022

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Trading in local currencies

At a time geopolitical tensions are rising and threaten to split the world into "two trade blocks, two financial systems, two currency blocks, two payment systems and two separate world-wide webs"—to borrow an expression of former RBI Governor Duvvuri Subbarao—it is but natural that countries like India would push settlement of trade in local currencies. Four months ago, the Reserve Bank of India notified invoicing and settlement of trade transactions in rupees to "support the increasing interest of the global trading community in INR".

For starters, the expectation was that this move would facilitate more trade with Russia that is facing punitive Western sanctions, as also with neighbouring countries like crisis-ridden Sri Lanka. The rupee-rouble trading arrangement, however, is still a work-in-progress with RBI approving the opening of special vostro accounts by more banks for cross-border trade in the Indian currency.

Sri Lanka has acceded to India's request to designate the rupee as an international currency. Of late, corporates in selected jurisdictions have also been utilising non-dollar currencies to procure crude and other commodities like coal to by-pass Western sanctions, striking deals in the renminbi, the Hong Kong dollar and the UAE dirham pairs, according to a SBI research report.

Settlement of a part of India's growing import bill in rupees would definitely ease the strains on its current account or goods and services trade with the rest of the world. This would, in turn, reduce the demand for dollars to finance such imports and ease the downward pressure on the rupee. For such reasons, it makes sense for India to negotiate with trading partners like UAE, Indonesia and Sri Lanka to settle transactions in local currencies.

Sri Lanka thus can export to India and get paid in the Indian rupee, which can then be used for imports from India. This issue featured in the 14th India-UAE Joint Commission Meeting in early September. India has prepared a concept paper regarding rupee-dirham trade, and the central banks of both nations are discussing the creation of a mechanism to facilitate settlement in local currencies.

UAE happens to be India's third-largest trading partner and second-largest export destination. Besides reducing the cost of trading transactions, this move can also make a dramatic difference on remittances from the 3.4 million-strong Indian diaspora in the UAE who transfer $15 billion to their families back home. Although South Asia is the least expensive region to send remittances, this could come down drastically if instant payment platforms in either country are linked, say, through the United Payment Interface of India, to wire payments from the Indian emigrants.

These are concrete steps forward to push the global acceptance of the rupee to settle India's trade transactions. It is a no-brainer that the profile of the rupee is bound to grow in tandem with the country's rise in global trade. Although India's exports of goods and services are growing rapidly, they currently account for only 2.4% of global exports of goods and services.

More critical mass is necessary for internationalisation of the rupee. As indicated in RBI's payments vision document for 2025, the rupee's inclusion in the continuous linked settlement initiative, which provides protection for cross-currency settlement in 18 currencies, would help in a big way. This should be taken up in right earnest. A mechanism for rupee settlement through CLS Bank will boost its acceptance in the global trade community.

Source: financialexpress.com- Nov 30, 2022

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Retail e-rupee pilot begins tomorrow: Here's what you can expect from it

The Reserve Bank of India (RBI) will launch the first pilot for the retail version of the Central Bank Digital Currency (CBDC) tomorrow, December 1, exactly a month after it started a pilot for the digital rupee-wholesale segment. Let's look at the fine print of the roll-out:

What is CBDC?

A CBDC is a legal tender issued by a central bank in a digital form. It is exchangeable at par with existing currency.

Types of CBDC

Based on the usage and functions performed by the CBDC, and considering the different levels of accessibility, it can broadly be of two types -- general purpose (retail) (CBDC-R) and wholesale (CBDC-W).

Retail CBDC

CBDC-R is an electronic version of cash primarily meant for retail consumption. Retail CBDC can provide access to safe money for payment and settlement as it is a direct liability of the central bank.

For CBDC-R, a token-based CBDC with tiered architecture model was proposed wherein the RBI shall only issue and redeem e-rupee while the distribution and payment services will be delegated to banks.

Retail CBDC (e₹-R) would be potentially available for use by all viz. the private sector, non-financial consumers, and businesses, while wholesale CBDC is designed for restricted access to select financial institutions.

Rapid acceptance of digital mode of payments is one reason for the possible success of retail CBDC.

The Reserve Bank Digital Payment index (RBIDPI) demonstrates significant growth in adoption and deepening of digital payments across the country.

Retail pilot

The retail pilot project will initially cover four cities — Mumbai, New Delhi, Bengaluru and Bhubaneswar. It will be subsequently extended to Ahmedabad, Gangtok, Guwahati, Hyderabad, Indore, Kochi, Lucknow, Patna, and Shimla.

The pilot project will be in the form of a digital token that represents legal tender. It will be issued in the same denominations as paper currency and coins, and will be distributed through intermediaries, i.e. banks. Users will be able to transact with e₹-R through a digital wallet offered by the participating banks and stored on mobile phones/devices.

The transactions using the retail CBDC can be both person-to-person as well as person-to-merchant, and payments can be made using QR codes shown at merchant locations.

The retail CBDC will not earn any interest. It can be converted into other forms of money such as bank deposits.

The RBI has identified eight banks for phase-wise participation in the retail CBDC pilot and the first phase shall commence with four lenders — State Bank of India, ICICI Bank, YES Bank, and IDFC First Bank. Four others — Bank of Baroda, Union Bank of India, HDFC Bank and Kotak Mahindra Bank — shall join the pilot later, the RBI said.

How is CBDC different from other digital payments like UPI?

CBDC is more anonymous than traditional digital transactions. In CBDC, the core banking will have a one-time debit for currency purchase, but all subsequent transactions will move from wallet to wallet.

Reserve Bank Digital Payment index	
Period	**RBIDPI**
March 2018 (base)	100
March 2020	207.84
March 2021	270.59
March 2022	349.30

Source: business-standard.com- Nov 30, 2022

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WTO calls for free trade in goods to cope with climate change

Last week, delegates from nearly 200 countries concluded two weeks of climate talks by agreeing to establish a fund that would help poor, vulnerable countries cope with climate disasters made worse by the greenhouse gases from rich countries.

But, finance is only one part of the solution; a good trade policy framework is necessary to turn climate investment into climate transformation, says the World Trade Organization (WTO) in its World Trade Report 2022.

The WTO report argues that trade is part of the solution for achieving a low carbon, resilient, and just transition. It says about 40 per cent of the cost decline in solar panel systems is due to scale economies made possible in part by international trade and value chains.

The capacity of solar panels traded across borders in 2017 reached almost 80 gigawatt (Gw), equivalent to over 9 per cent of global electricity generation. It estimates that reducing tariffs and non-tariff measures on energy-related environmental goods could increase total exports of these products by 5 per cent by 2030 and, at the same time, lead to a net reduction in carbon emissions. It can also generate about 14 million new jobs in clean energy sectors and 16 million employment in related sectors globally by 2030.

The WTO simulation analysis suggests that eliminating tariffs and reducing non-tariff measures on some energy-related environmental goods and environmentally preferable products could increase global exports in these products by $109 billion (5 per cent) and $10.3 billion (14 per cent), respectively, by 2030.

The resulting improvements in energy efficiency and renewable energy adoption are estimated to reduce net carbon emissions by 0.6 per cent, while the knock-on effects of accelerating the spread of environmental innovation would do much more, including increasing the demand for ancillary services relating to the sale, delivery, installation, and maintenance of environmental technologies.

The WTO says 64 of 349 notified regional trade agreements (RTAs), explicitly contain climate change-related provisions. Some of these RTAs commit parties to effectively implement the Paris Agreement and adopt climate change policies, including carbon pricing, while a few others remove some trade and investment barriers to climate-friendly goods, services and technologies. Our government should take note that further movement on even bilateral trade treaties will be difficult without similar clauses.

The report says Sub-Saharan Africa and South Asia are expected to experience larger adverse agricultural yield shocks than other regions; and given their high share of agricultural employment, they may face more severe labour-market disruptions. Manufacturing sectors dependent on climate-sensitive inputs, such as food processing, could suffer from reduced access to raw materials.

Labour-intensive production could also be adversely affected as rising temperatures diminish capacity to work and raise risks of accidents and heat exhaustion.

About 70 carbon-pricing schemes are presently in operation worldwide. There are different de-carbonisation standards, almost 20 in the steel sector alone. They create confusion for producers and could potentially lead to trade frictions. Common approaches are needed in these areas and WTO can help evolve common standards and carbon-pricing schemes, says the report.

The WTO report has more takeaways for our policymakers. It is, however, doubtful if the report will get much attention from a government inclined to protecting domestic producers, giving them subsidies and preferring bilateral treaties rather than multilateralism.

Source: business-standard.com- Nov 27, 2022

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October textiles exports a downer for India

The world of international trading has been grappling with one challenge after the other since the pandemic, followed by the war theatrics Europe. Many sectors had roller coaster rides and are continuing to do so, trying their best to keep their heads above the water. For the Indian textile exporters, October 2022 was no season of festive delight as it experienced a crash of 41.53 per cent year-on-year. Clearly, the worldwide economic slowdown is hitting home big time. With high inflation and energy crisis, Europe is bracing for a winter of discontent. Consumers in the US too are weary as news of a looming recession is compounding on the fears that the pandemic-induced lockdown had gotten.

Figures don’t look good

This October, textile export share in total merchandise export registered at 7.68 per cent compared to 9.72 per cent in October 2021. The Ministry of Commerce & Industry also released some facts to corroborate this decline – whilst India exported textiles valued at $2220.30 million in October 2021, this October it just managed exports worth $1298.34 million. In October 2021, export of manmade yarn, fabrics and other associated products stood at $468.69 million and the same dropped to $350.56 million in October 2022. The most important figure was that in October 2021, $1,335.97 million worth of cotton yarn, fabric and made-ups were exported. This year in October the figure reads nearly half at $719.03 million.

In the last six months leading up to October, the decline has been a steady one of 20.78 per cent year on year, valued at $11348.46 million. If this trend continues, then the textile sector, both export and manufacturing, are bound to face enormous difficulties which in turn would affect local economies on the whole. Experts predict the slow down as imminent and a reality that needs to be addressed. However, some pundits are predicting a comeback as despite the adverse conditions in the US and Europe, markets are slowing picking up strength.

Financial analysts are advising that domestic consumption textile manufacturers will fare better than export-orientated ones in the short term. Figures indicate that giants like Siyaram Silk Mills Ltd., Raymonds and Welspun are gaining strength.

Emerging hope

India's huge festive and wedding season represents hope as many manufacturers are busy establishing robust domestic sales. The other silver linings come in the form of the shifting of manufacturing bases from China to India, the favorably strong US dollar, and Indian government's lowering of cotton import duties as well as offering production-linked incentive schemes. In fact, the government has set ambitious goals to help bolster textile exports by targeting a total of $100 billion of exports within the next five years and upgrade the total value of the sector as in export and domestic trade between $250 billion and $300 billion.

While India managed to become more cost efficient in terms of cotton production however, thanks to the higher depreciation of currencies in competing countries makes Indian cotton still more expensive. This is a challenging factor as it is stressing out profitability and margins factors and also telling on capacity utilization of plants, which in turn affects the work force.

The upheaval of this nature is challenging indeed and experts are advising a wait and watch strategy up until the release of the Q3 figures of fiscal Y23 are out before considering serious investments or big moves.

Source: fashionatingworld.com- Nov 29, 2022

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Telangana farmers begin sowing cotton during rabi season

N Venkatappa, a farmer in Vathugundla village in Narayanpet district of Telangana, usually grows groundnut as the second crop after growing pulses in during the kharif season.

But this time around, he wanted to try cotton. “I have a borewell and assured irrigation. My decision has triggered a huge interest among fellow farmers . They are coming to the field to see it,” he said.

With increased irrigation facilities in the State after its formation in 2014, Venkatappa, along with hundred other farmers in the State, have decided to grow cotton during the rabi season for the first time in the country.
Poor yields likely

Scientists, however, have raised the red flag cautioning farmers against cultivating the fibre crop during the winter season for two key reasons – it allows pink bollworm to survive and carry on until the start of the kharif cotton and poor yields due to punishing temperatures if the flowering takes place around February.

Scientists at Professor Jayashankar Telangana State Agricultural University (PJTSAU) have been undertaking trials to test the suitable time to sow and also relevant varieties that fit the bill.

“Some farmers are going for cotton during Yasangi (rabi) season after harvesting soyabean, rice, green gram, sorghum and maize, eyeing more returns,” a PJTSAU official told businessline.

The university is carrying out trials in about 10 research stations across the State, testing on different days (15 days apart), beginning from October 15 and ending around February 1.

Irrigated areas best

PJTSAU, however, warned the farmers against going for large-scale cultivation. The Indian Council of Agricultural Research (ICAR), too, has asked the university not to encourage the farmers to cultivate cotton during the rabi season.

“It should be conducted only in areas where assured irrigation is available. The cultivation should be done on a small scale. They would require 12-15 irrigations to sustain the crop,” he said.

Keshav Kranthi, head of technical, International Cotton Advisory Committee, echoed a similar view. “It is okay if it is being done on an experimental basis,” he said.

“One major concern is the potential of rabi paddy crop to carry over pink bollworm into the main crop in kharif,” said Kranti, former Director of Central Institute for Cotton Research. Winter months cause very slow growth, but, the plant may start growing faster when it starts getting warmer in February.

“However if flowering coincides with summer temperatures, there will be a problem of pollen sterility, small boll size and severe boll shedding, which leads to low yields,” he said.

Challenges

Last year — for the first time — when farmers started the practice on small plots, PJTSAU scientists observed that cotton crop growth is found to be good in sandy clay loam soils and clay loam soils under irrigated conditions.

Farm workers, however, expressed difficulty in cotton pickings during summer due to high temperatures.

“Farmers faced challenges in selling their produce because ginning mills don’t function in that period.,” the university said in its report to the Government.

Interestingly, the produce is rated better as it contains less moisture.

Source: thehindubusinessline.com- Nov 29, 2022

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India's cotton yarn exports down by 71% in September '22

Continuing the negative trend, India witnessed 70.86 per cent decline in its cotton yarn export during September on Y-o-Y basis.

The official Commerce Ministry's data and Apparel Resources' analysis further showed that cotton yarn exports have shrunk to US $ 129.28 million in September '22 from US $ 442.80 million a year ago.

Cumulatively, in April-September period of FY '23, the exports have plummeted to US $ 1.27 billion, noting 47.91 per cent yearly decline.

The cotton yarn shipment to Bangladesh has dropped by 71.21 per cent to US $ 51.38 million in September '22, while shipment to Egypt and Portugal has tumbled by 57.55 per cent and 79.24 per cent on Y-o-Y basis, respectively.

Among the top 10 destinations, India has witnessed growth only in its shipment to Italy and Sri Lanka by 10.90 per cent and 37.63 per cent in September as value-wise shipment stood at US $ 6.46 million and US $ 7.47 million respectively.

According to TOI, TEXPROCIL committee of administration member Rahul Shah mentioned, "The projection of India's cotton crop lowered from around 3.55 crore candy (356 kg each) to 3.15 crore candy and it resulted in an unprecedented rise in cotton prices, reaching Rs. 1.10 lakh per candy from its traditional price of about Rs. 45,000 per candy," adding, "The price of Indian cotton remained at least 20 per cent higher than that of other varieties and therefore our competitiveness against Turkey, Vietnam and China went down. In fact, India imported about 10,000 tonnes of cotton yarn from Vietnam to Ahmedabad and South India, probably for the first time."

Source: apparelresources.com- Nov 29, 2022

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HGH India 2022 to showcase over 2k home textile products in Mumbai

The 12th edition of textile trade fair HGH India is set to take place from December 13–16, 2022, at Bombay Exhibition Centre, Goregaon, Mumbai. Around 400 brands and manufacturers from 30 countries will showcase about 2,000 products in the home textiles, home décor, home furniture, houseware, and gifts categories.

The trade show will have over 100 new Indian exhibitors showcasing their latest innovations in handicrafts, decorative accessories, and houseware. The fair targets retailers across the home category that are looking to replenish their stocks for the Spring/Summer 23 season. The Indian minister of textile or the minister of MSME is expected to inaugurate the event, organiser Texzone Information Services Pvt Ltd said.

In addition to this, the Italian pavilion will feature ten exhibitors showcasing home furniture and decorative accessories from Italy. Organised by the Italian Trade Agency (ITA), the pavilion offers an opportunity to see a wide range of products from high-quality Italian manufacturers. Leading brands will also be unveiling their new lines of mattresses, pillows, and mattress protectors at HGH India 2022.

HGH India had concluded its 11th edition at India Expo Centre, Greater Noida in July 2022 with over 70 per cent of the exhibitors having reported all-time high business. The number of trade buyers across all four categories, home textiles, home décor, houseware, and gifts too exceeded all previous editions, making a total of 37,260 visitors to HGH India 2022.

Buyers that attended the HGH India 2022, July edition had come for sourcing from over 560 cities and towns, which established the growing demand for high-quality and branded home products even in tier 2 and tier 3 cities and towns of India. Most of the exhibitors reported a 25–30 per cent growth in business as compared to previous editions which is a clear sign of markets becoming better. The growing demand for home products shows the pandemic effects are wearing off at the retail level.

Source: fibre2fashion.com- Nov 29, 2022

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