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INTERNATIONAL NEWS

Forecasters cut global growth projections, cite many factors: McKinsey

Many global economic indicators for October and November pointed to slower growth or contraction, as central banks continue to raise policy interest rates to fight inflation, according to the Global Economics Intelligence report for November published by McKinsey & Company.

Forecasting institutions are trimming growth projections, citing a number of challenges, including policy tightening, inflation, Russia's invasion of Ukraine and pandemic-induced disruptions.

The current policy interest rates of the US Federal Reserve (3.75-4 per cent), the European Central Bank (1.50-2.25 per cent) and the Bank of England (3 per cent) all reflect repeated rate rises of 75 basis points, including one in November. Each institution is expected to make a final, possibly smaller, rate hike before the new year, McKinsey said in a press note.

The tightening is intended to manage inflation toward 2 per cent targets. At the moment, the United States is experiencing 'disinflation'—the period when prices are still climbing but at a slowing pace.

From a 40-year high of 9.1 per cent in June, the US consumer price index has slowed each month, reaching 7.7 per cent in October. In the eurozone, inflation slowed to 10 per cent in November from October's record high of 10.6 per cent; in the United Kingdom, inflation reached 11.1 per cent, a 41-year high.

Recent signs suggest, however, that absent unforeseen shocks, inflation may have peaked. Natural gas prices in Europe are still twice the prewar level but have fallen below €150 per megawatt hour (Dutch front-month futures) from an August peak of €340.

Trade data (a lagging indicator) show stable levels in September but a slowdown in October. As measured by the CPB World Trade Monitor, trade volumes improved in September (0.1 per cent) and August (0.8 per cent).

Recent data from the Container Throughput Index, however, show a retreat in October, with an index reading of 120.8 (124.2 in September), as throughput slowed in China and Northern Europe.

Sea freight rates, meanwhile, have remained historically high through the pandemic. Rates are highest (but declining) in China and India; they are not as high in the United States and Europe, but are climbing, McKinsey said.

Consumer confidence mainly worsened in October, as measured by the Organisation for Economic Cooperation and Development. Readings dropped in the composite global index and also in most surveyed individual economies, with the United Kingdom and eurozone showing the most downward movement. Only Brazil and India showed improvement.

Consumer spending was also down in October in most surveyed economies; exceptions were Brazil and Great Britain.

Manufacturing is in a mild contraction, on average, worldwide. The JPMorgan global purchasing managers' index (PMI) had a reading of 48.8 in November, below the expansion threshold of 50. The sector has been in a slow-motion retreat since May's expansionary reading of 52.3.

Industry and consumer activity sags under weight of inflation and higher interest rates; forecasting institutions trim GDP growth projections for 2023, McKinsey added.

Source: fibre2fashion.com- Dec 18, 2022

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US economic improvement to continue in 2023, forecasts ISM

US economic improvement will continue next year, according to the December 2022 Semiannual Economic Forecast published by the Institute of Supply Management (ISM). Revenues are expected to increase in 15 of 18 manufacturing industries. Capital expenditures are expected to increase by 2.6 per cent in the manufacturing sector after a 12-per cent increase in 2022.

The US apparel industry is operating at or above the average rate of 88.4 per cent.

The manufacturing employment base is expected to grow by 3.9 per cent in 2023. Compared to the first half (H1), growth in the second half (H2) next year is projected to rebound in manufacturing.

Expectations for the US manufacturing sector for 2023 are positive, as 45 per cent of survey respondents expect revenues to be greater next year than in this year.

The panel of purchasing and supply executives expects a 5.5-per cent net increase in overall revenues for 2023, compared to a 9.3-per cent increase reported for 2022.

Fifteen of the 18 US manufacturing industries, including apparel and textiles, expect revenue improvement in 2023, the Tempe, Arizona-based ISM said in a release.

Respondents expect raw materials pricing pressure to increase in 2023, but still see H1 2023 profit margins improving over H2 2022. Wages and employment will continue to grow. Manufacturers also predict growth in both exports and imports in 2023.

The panel predicts that prices paid for raw materials will increase by 2.5 per cent during the first five months of the year, with an overall increase of 2 per cent for 2023. This compares to a reported 11.4 per cent increase in raw materials prices between the end of 2021 and 2022.

US manufacturing purchasing and supply executives report their companies are currently operating at 88.4 per cent of normal capacity.

This is a 1.2-percentage point increase when compared to May 2022 (87.2 per cent) and a decrease when compared to December 2021 (88.7 per cent).

Source: fibre2fashion.com- Dec 18, 2022

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USA: Business Alliances are Critically Needed for the Textile Industry

Establishing robust business partnerships is important to boost the demand of textile and technical textile products.

Inflation still has the upper hand on the economy at 7.1% in the United States. The Federal Reserve of the United States has hiked the interest rate by 0.5% effective December 15, signaling the need to continue to cool down the economy. With economic slowdown still a possibility in 2023, textile and other manufacturing sectors are looking for ways to be sustainable.

"Business-to-business (B2B) and business-to-consumer (B2C) partnerships need to be strengthened and have to be established in sectors where such efforts are weak," stated Dr. Babu John-Mariadoss, Associate Professor of Marketing at Texas Tech University.

The U.S. cotton industry has been the leader in B2B and B2C initiatives, which continue to be successful in improving the market share of cotton. Cotton producers contribute to research and marketing programs where, particularly through Cotton Incorporated, positive attributes of cotton are widely broadcast to domestic and international consumers.

In addition to such B2C efforts, programs are aimed at yarn spinners, fabric manufacturers, and finishers highlighting the advantages of cotton. Efforts are also ongoing to reach out to the nonwovens and technical textile sectors to boost their consumption of natural fibers.

The global market size of B2B is larger than that of B2C and will reach $1.8 trillion in the United States, according to Forrester. In these stressful economic conditions, consumers want products at an affordable rate and squeezing price points across the supply chain is of importance. Having robust B2B relationships and a reliable supply chain can translate into cost-competitive products. Cost cutting at manufacturing and distribution channels will be helpful in the current circumstance.

"In the United States, distribution channel members such as distributors, wholesalers, and retailers collectively earn margins ranging between 30% and 50% of the selling price," said John-Mariadoss.

Effective marketing has been a bottleneck in the growth of the technical textiles sector in developing economies. Dual-prong approaches involving B2B and B2C tactics are needed to boost this sector. Consumer goods manufacturers like Kimberly-Clark and Proctor & Gamble, which manufacture branded single-use hygiene products, have established robust B2B and B2C initiatives.

Policy schemes in countries that are aiming to boost technical and advanced textile sectors should focus on technical and marketing support. Until the time the technical textiles industry reaches a critical level, government support should also focus on marketing, such as promotional initiatives modeled after the United States cotton industry. There can be public-private partnerships for promotional efforts to create awareness on the use of sustainable fiber-based advanced textiles in hygiene, healthcare, and industrial sectors.

India has been investing in the National Mission on Technical Textiles, which has created awareness among businesses on different sectors of the technical textiles industry. There is an urgent need to reach consumers. Hence, B2C efforts should go into high gear.

As the industry starts growing, such efforts will be picked up by the private sector, as is the case in developed economies. For example, while single-use hygiene product manufacturers are involved in B2C campaigns such as mass advertisement, wholesalers, distributors, and retailers also participate in such efforts. Many different marketing efforts happen through B2B dealings, and supply chain channels also agree to cost sharing arrangements regarding marketing.

"Trustworthy business relationships and marketing campaigns are very crucial for business development and growth," added John-Mariadoss.

Business alliances involve a variety of negotiations, deal-making, and marketing tactics. Business and consumer partnerships are especially important to deliver cost-competitive products during tight economic situations.

Source: cottongrower.com- Dec 18, 2022

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Euro area international trade in goods deficit €26.5 bn in Oct 2022

The first estimate for euro area goods exports to the rest of the world in October this year was €252.8 billion, an increase of 18 per cent compared with €214.3 billion in October last year, according to Eurostat. Imports from the rest of the world stood at €279.3 billion during the month, a rise of 30.7 per cent compared with €213.7 billion in October 2021.

As a result, the euro area recorded a €26.5 billion deficit in trade in goods with the rest of the world in October compared with a surplus of €0.6 billion in October last year.

Intra-euro area trade rose to €234.7 billion in October, up by 17.9 per cent compared with the same month last year.

In January to October 2022, euro area exports of goods to the rest of the world rose to €2,374.1 billion—an increase of 19.1 per cent compared with the same period last year; imports rose to €2,665.9 billion—an increase of 43 per cent compared with January-October 2021.

As a result, the euro area recorded a deficit of €291.8 billion during January-October this year compared with a surplus of €129.3 billion during the same period last year.

Intra-euro area trade rose to €2,263.2 billion during the period—up by 26.3 per cent compared with the same period last year.

The first estimate for extra-European Union (EU) exports of goods in October this year was €225.2 billion, up by 18 per cent compared with €190.9 billion in the same month last year.

EU imports from the rest of the world in October this year stood at €263.4 billion, up by 33.1 per cent compared with €197.9 billion in the same month last year.

As a result, the EU recorded a €38.2 billion deficit in trade in goods with the rest of the world in October this year. Intra-EU trade rose to €366.6 billion in October this year, an 18.2 per cent hike compared with the same month last year.

In January to October this year, extra-EU exports of goods rose to €2,115.7 billion—an increase of 18.8 per cent compared with the same duration in 2021, and imports rose to €2,511.1 billion—an increase of 47.7 per cent compared with the same period last year.

As a result, the EU recorded a deficit of €395.3 billion during the period compared with a surplus of €80.1 billion during the same period last year.

Intra-EU trade rose to €3,507.4 billion during the period this year, a 24.5 per cent rise compared with the same period last year.

Source: fibre2fashion.com- Dec 19, 2022

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Fall in China's cotton yarn imports

Chinese cotton yarn imports have fallen month on month. The sales speed in the spot market slowed down greatly dragged by the weak demand for downstream traceable orders. The circulation period of imported cotton yarn lengthened, making overall Chinese ordering volumesfall.

In addition to great fluctuation of exchange rates, speculative procurement demand has reduced heavily. Cotton yarn imports were mostly with multiple batches and low volumes in November 2022. Low-count open-end yarn from Vietnam had fairly big orders. But Vietnamese yarn exports to China fell from 50 per cent to 48.6 per cent in October 2022 and totaled at 51.9kilo tons. Excluding blended yarn, Vietnamese cotton yarn imports may reach around 36kilo tons in November. The shrinkage of Pakistani yarn exported to China was sharper. Yarn imports from Pakistan may reduce to around five kilo tons.ICE cotton futures fell in October.

However, most traders chose to reduce ordering or not to order as they were worried about the risk of exchange settlement cost. Imported cotton yarn inventory has gradually reduced to around 40kilo tons. Vietnamese yarn imports may rise again in December when the ordering profit will tend better due to the falling of the exchange rate.

Source: fashionatingworld.com- Dec 17, 2022

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Industrial production falls 1.9% in EU & 2% in euro area in Oct 2022

The European Union's seasonally adjusted industrial production fell by 1.9 per cent in October 2022, while euro area's industrial production fell by 2 per cent, compared to September 2022, as per the estimates from Eurostat, the statistical office of the EU. On a year-on-year (YoY) basis, industrial production increased 3.7 per cent in the EU and 3.4 per cent in the euro area.

In September 2022, industrial production increased by 0.8 per cent in the euro area and by 0.7 per cent in the EU.

In the euro area in October 2022, compared with September 2022, production of energy fell by 3.9 per cent and intermediate goods by 1.3 per cent, while production of non-durable consumer goods rose by 0.3 per cent, according to the data by Eurostat.

In the EU, production of energy fell by 3.5 per cent and intermediate goods by 1.2 per cent, while production of non-durable consumer goods rose by 0.2 per cent.

Among member states for which data are available, the largest monthly decreases were registered in Ireland (10.7 per cent), Luxembourg (4.4 per cent), and Czechia (3.7 per cent). Increases were observed in Slovakia (1.3 per cent), Lithuania (1.1 per cent), Greece (0.5 per cent), and Austria (0.2 per cent).

In the euro area in October 2022, compared with October 2021, production of non-durable consumer goods rose by 10.5 per cent, while production of intermediate goods fell by 2.9 per cent as well as energy by 8.7 per cent.

In the EU, production of non-durable consumer goods rose by 11.4 per cent, while production of intermediate goods fell by 2.5 per cent as well as energy by 9 per cent.

Among member states, the highest annual increases were registered in Ireland (53.2 per cent), Denmark (10.7 per cent), and Malta (7.2 per cent). The largest decreases were observed in Estonia (5.8 per cent), Luxembourg (3.8 per cent), and Belgium (2.8 per cent).

The euro area (EA19) includes Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia, and Finland.

The European Union (EU27) includes Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, and Sweden.

Source: fibre2fashion.com- Dec 18, 2022

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Cotton apparel make up more than half of Turkiye's total exports to UK

Turkiye's apparel exports to UK stood at $1,513.857 million in the first nine months of 2022, with cotton apparel dominating with more than 50 per cent share in the total exports and manmade fabrics taking up the second place with 35.33 per cent share. Turkiye's cotton apparel exports amounted to $794.245 million in the period under review.

The export value of cotton apparel was 4.26 per cent lower in January to September 2022 than the value in the same period of last year. Turkiye had exported cotton apparel worth $829.542 million to the UK in January-September 2021, 35.37 per cent higher than the exports during the corresponding period of 2020, as per data from Fibre2Fashion's market insight tool TexPro.

As for manmade apparel, Turkiye exported these products worth $534.846 million in January-September 2022. In the total apparel exports, the share of apparel made of wool/animal hair was 0.82 per cent ($12.397 million), while silk accounted for merely 0.01 per cent ($81,127).

Turkiye's apparel exports constituted 69.41 per cent ($1,050.770 million) knitted fabric and 30.59 per cent ($463.087 million) woven fabric. Unisex apparel made up for 47.26 per cent ($715.485 million) of the exports, followed by womenswear at 37.04 per cent ($560.718 million) and menswear at 14.28 per cent ($216.198 million), according to TexPro.

Source: fibre2fashion.com- Dec 19, 2022

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Pakistan: Weekly Cotton Review: Rate stable amid rising business volume

The rate of cotton remained overall stable. The total production of cotton is expected to be around 48 lac bales. About 70 lac bales will have to be imported. At present, import contracts of 52 lakh bales have already been signed.

Continued decline is seen in the export of textile sector. There is a significant decrease of 18.15% in textile export. A severe financial crisis glares the market. Pakistan Cotton Ginners Association has said that the government should solve the problems of the ginning sector on priority.

Chairman Pakistan Apparel Forum Javed Bilwani has said the government should support the export industry on war footing. As per details, in local cotton market, the price of cotton was generally stable during the last week. Textile mills have imported cotton at high prices. There are problems in opening Letters of Credit. In order to reduce the cost, the purchase of light cotton has been increased due to which the business volume has increased, relatively.

In principle, the significant reduction in the capacity of textile mills should increase the demand and prices of cotton-yarn and textile products, but due to the severe recession internationally, the entire textile chain is badly affected. Prices are not increasing due to which textile and manufacturing sectors are badly affected.

On the other hand, there is a problem in the business due to the shortage of the dollar. Besides, there is a huge financial crisis in the market, which is increasing day by day. While the economic, political and social situation of the country is deteriorating there is only one question echoing in all circles: "What will happen?"

In such a dire situation, the entire textile chain and industrial sector are in a state of panic and a large number of workers are being fired, due to which unemployment have reached at the highest level while inflation is also increasing. People prefer food items to all other commodities due to which a lot of other businesses have been affected. On the other hand, there is a recession in the international cotton markets.

The FED has increased the interest rate by 50 points, which is at the highest level in the last 15 years: is 4.50%. Due to this there is an increase in the volume of New York Cotton but the price has remained relatively stable. Due to the world recession, the possibility of a bullish trend is low. On the other hand, according to the monthly report of WASDE, the production of cotton in the world is more than consumption.

In the local cotton market, the rate of cotton in Sindh and Punjab as per quality is in between Rs 14,000 to Rs 17,000 per maund. The rate of Phutti is in between Rs 4,500 to Rs 8,500 per 40 kg.

The Spot Rate Committee of the Karachi Cotton Association has kept the rate unchanged at Rs 16,500 per maund. Chairman Karachi Cotton Brokers Forum Naseem Usman has said that overall there is a bearish trend in the international cotton markets.

The Rate of Future Trading of New York Cotton is in between 79 American cents per pound to 82 American cents per pound. According to the weekly export and sales report of USDA 18,600 bales were sold for the year 2022-23. South Korea topped the list with 17,900 bales including a decrease of 100 bales. China was second with 10,900 bales, including 6,600 bales transferred from Vietnam. Mexico was on third with 4,600 bales, including 400 bales from Thailand.

Pakistan was fourth with 3,000 bales with the deficit of 7,900 bales. Some 28,200 bales were sold for the year 2023-24. Turkey topped the list and Pakistan came in second.

The value-added textile sector Saturday asked the government to fix separate forex rates for exports, imports and remittances, saying the fragile economy has outgrown the cost of manufacturing.

“The country’s value-added textile export sector is “highly disappointed” over growing costs, “Muhammad Jawed Bilwani, Chief Coordinator, Value-Added Textile Forum said. Inflation hits 31 percent, with policy discount and export financing rates 16 percent and approximately 11 percent, respectively, he said.

Gas, which is a primary source of energy, is unavailable for the export industries. “The DLTL under textile policy stays suspended. Sales tax refunds are excessively delayed.” The government has also imposed

"severe" restrictions on the import of raw material and machinery, which has made financial crisis worse for the entire sector, he added.

The anti-economy statements of political elements about the country's possible 'default' have also rattled the exporters' confidence, he said. "Print and electronic media is projecting a bleak picture of economy with reports that Pakistan has reached on the verge of default which has created a very negative impression in the eyes of foreign buyers who deal with Pakistani exporters," Bilwani said.

He said export-oriented sectors are compelled to purchase costly inputs to operate the industry, which has "exorbitantly" increased the cost of manufacturing.

Textile exporters pay sales tax on yarn purchase, which they procure in advance. "Refunds of sales tax and rebates are often delayed" he said. "The gravity of situation demands that the government must support "export-oriented industries" on war-footing and fix dollar exchange rates for exporters, separately," he added. He said the government should consider allowing a special five percent increased rate of margin in dollar exchange for both export proceeds and home remittances to boost the business confidence.

The Prime Minister and the Finance Minister should resolve the export-oriented sector's financial problems and meet their demands as well, he maintained.

Apart from this, the 310th meeting of the Central Executive Committee of Pakistan Cotton Ginners Association was held under the chairmanship of Chaudhry Waheed Arshad.

In the meeting, there was a discussion regarding the assurance given by the Federal Minister regarding the fixed charges applicable to the ginning industry. Apart from this, the issue of 17% sales tax imposed on Banola and oil was also discussed and a plan of action was decided to resolve it at the regional board level.

The current situation of cotton crop was reviewed and it was decided that for the revival of cotton crop, seminars will be organized from next month in collaboration with seed companies and agricultural scientists.

Chairman PCGA, keeping in view the recent economic situation, said that the government should solve the problems of the ginning sector on a priority basis so that textile exports can increase and the economy can move in a positive direction. Moreover, keeping in mind the cotton market situation, ginners should work cautiously. The country's textile group exports declined by around five percent during the first five months (July-November) of the current fiscal year 2022-23 and remained at $7.361 billion as compared to $7.757 billion during the same period of last year, the Pakistan Bureau of Statistics (PBS) said.

The data of exports and imports released by PBS revealed that the country's textile group exports witnessed a decline of 18.15 per cent in November 2022 on a year-on-year basis and remained at $1.420 billion when compared to $1.735 billion during the same month of last year.

On a month-on-month (MoM) basis, the textile group registered 4.71 per cent growth compared to $1.357 billion in October 2022. Cotton yarn exports registered 35 per cent negative growth in July-November and remained $328.197 million compared to $503.898 million during the same period of the last year. On a year-on-year basis, cotton yarn exports registered 60.71 per cent negative growth, while on a MoM basis, it registered 12.58 per cent negative growth. The country's overall exports during July–November 2022 totalled $11.945 billion (provisional) against $12.362 billion during the corresponding period of last year showing a decrease of 3.37 percent.

The exports in November 2022 were $2.391 billion (provisional) as compared to $2.384 billion in October 2022 showing an increase of 0.29 percent but decreased by 17.58 percent as compared to $2.901 billion in November 2021.

Main commodities of exports during November 2022 were knitwear (Rs88,974 million), readymade garments (Rs72,620 million), bed wear (Rs49,457 million), rice others (Rs34,909 million), cotton cloth (Rs34,140 million), towels (Rs20,597 million), fish and fish preparations (Rs11,382 million), rice basmati (Rs10,252 million), cotton yarn (Rs9,533 million), and surgical goods and medical instruments (Rs8,343 million).

Source: brecorder.com- Dec 19, 2022

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Textile woes not Pakistan specific

The decline in Pakistan's textile exports by 18.155 percent is a depressing news. However, it should not be viewed in isolation from the current global trends as textile and apparel exports from most competing economies also declined.

Textile and clothing sector is under stress the world over as the major consuming countries are grappling with high inflation. Majority of consumers are forced to reduce buying new clothing to spare their resources for other pressing needs.

McKenzie in its latest report on fashion clothing has predicted that there will be a decline in sales of low priced apparel in 2023, but overall apparel sales would be higher next year as the high end consumers would continue with their normal buying spree. Vietnam, Bangladesh and China among the Asian economies make high end garments.

In India, the exports have been declining for the last five months. In November, the decline was over 15 percent over the exports executed during the same month last year (nearly the same as ours).

According to the Indian Ministry of Commerce and Industry, the fall in textiles and clothing exports from India started in July this year when exports declined by 17.4 percent, in August the fall reached 19.5 percent, then to 28.5 percent in September, 35.4 percent in October and to 15.6 percent in November. In comparison, Pakistan's textile exports posted a decline of 5.1 percent during the same 5 months.

Vietnam with textiles and garments exports of $2.8 billion in the month of November 2022 posted a decline of 8 percent compared with exports achieved during the same month in 2021. The decline in exports started in September, when textiles and clothing exports registered a decline of 31.9 percent according to figures released by Vietnamese Customs.

Only a week back, four readymade garment factories of DIRD group of Bangladesh located in Hemayetpur of Savar employing over 10,000 workers, were closed indefinitely as the orders dried from overseas buyers.

There is panic among Indonesian clothing workers as the layoffs are increasing every day. More than 64,000 workers have been shown the door in the past two months.

Chairman of the West Java Province Textile Product Entrepreneurs Association (PPTPJB) Yan Mei in a virtual press conference revealed that, there have been reports from 14 regencies and cities in West Java regarding termination of employment or layoffs from a number of textile companies.

He said there was a drop in exports, while imported clothing eats away the domestic market share. He said of the 124 companies affected, 18 garmenting units in Java were closed, which resulted in the layoff of about 10,000 workers. Over 64,000 workers were laid off by 114 companies because of a sharp decline in orders.

It seems the instructions of foreign buyers to hold the consignments ready for shipment has created a financial crunch. The exporting factories are sitting on huge unshipped stocks produced on orders of foreign buyers. This has resulted in the inability of RMG producers to pay salaries of their workers as well as clearing the dues of their local suppliers.

The Pakistani textile sector is facing the same issues faced by the textiles and clothing sectors in India, Bangladesh, Vietnam and Cambodia. All are facing an energy crisis after the Russia-Ukraine war. All are facing supply chain hurdles because of frequent Covid-19 restrictions in China.

Though Pakistan faces more difficulties in this regard, it is also totally dependent on imports of all accessories, including dyes needed in textile production. Last, but not the least, the foreign brands have either put their orders on hold or have curtailed the quantities substantially.

So Pakistan is not the only one facing difficulties in the textile exporting sector. Regional competitors have been facing the same, and the issues would likely persist because of high inflation in export markets.

Source: thenews.com.pk- Dec 15, 2022

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Pakistan: Textile exports fall 18pc in November

The exports of textile and clothing fell 18.15 per cent in November to $1.42 billion compared to $1.74bn in the same month year, data released by the Pakistan Bureau of Statistics showed on Friday.

The overall export proceeds from the country shrank for the third consecutive month in a row. The drop shows the government would find it difficult to achieve the export target this fiscal year.

The drop in textile and clothing exports is gaining momentum over the past three months owing to multiple factors including high energy costs, and a slump in global demands despite the massive depreciation of the rupee.

Exporters believe that one of the main reasons behind falling exports was the exchange rate instability. The discontinuation of duty drawbacks on local taxes and levies by the government has also created liquidity issues for the export sector.

No official statement was issued from the commerce ministry to explain the reasons for the decline in export proceeds. Commerce Minister Naveed Qamar since taking responsibility for the ministry has constantly been on foreign tours.

The PBS data showed the exports of readymade garments recorded no growth in value in November and however grew by 49.70pc in quantity, while knitwear dipped 12.80pc in value and 20.20pc in quantity, bedwear posted a negative growth of 29.39pc in value and 37.48pc in quantity.

Towel exports went down by 12pc in value and 15pc in quantity, whereas those of cotton cloth dipped by 25pc in value and 32.68pc in quantity.

Among primary commodities, cotton yarn exports declined by 60.71pc, while yarn other than cotton by 19.09pc. The export of made-up articles — excluding towels — dipped by 17.81pc, and tents, canvas and tarpaulin increased by a massive 18pc during the month under review. The export of raw cotton in November recorded a growth of 100pc during the months under review.

The import of textile machinery declined by 41.16pc in November FY23 — a sign that expansion or modernisation projects were not a priority.

The lower production of the textile sector was due to a sharp drop in the import of raw materials as raw cotton arrivals declined by 10.88pc in quantity.

Source: dawn.com- Dec 17, 2022

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Bright prospects for Bangladesh despite short-term challenges

Bangladesh is going through some short-term challenges like the rest of the world largely for the external factors but the medium-term prospects for the country remain bright, said Standard Chartered Bank Group Chairman José Viñals.

"In order to materialise the prospects, Bangladesh needs to address the short-term challenges," he told The Daily Star in an interview in Dhaka on Thursday.

Last week, he was in the capital on a four-day visit, when he met regulators, senior government officials, economists, and clients, among others.

He praised the country's private sector for its determination to succeed in spite of Covid-19 and recent turbulence.

"It has a lot of vitality and sees the opportunities. And frankly speaking, I think Bangladesh has the potential, over the medium term, to become one of the stars in Asia."

"All in all, I am very positive about the medium-term prospect of Bangladesh," he said, citing the period of five to 10 years.

José was appointed to Standard Chartered PLC in October 2016 and became group chairman in December 2016.

Bangladesh witnessed a slowdown in economic growth, both during the Covid-19 pandemic and this year, due to some difficulties emanating from the Russia-Ukraine war.

But José is bullish.

"I believe the growth rate of Bangladesh can be significantly higher. It can be at least 7 or 7.5 per cent in the next five to seven years," he said.

In order to ensure higher economic growth, he said, there is a need to keep improving the ease of doing business, strengthening economic governance, institutions and rule of law, continuing diversification of the

economy and export sources, and building both important physical and digital infrastructures and human capital.

A former financial counsellor and the director of the monetary and capital markets department at the International Monetary Fund (IMF), José said Bangladesh has the goal of graduating to a middle-income country by 2031 and then moving forward to attain the higher-income status.

"If Bangladesh can address the short-term challenges and pursue the growth agenda, it will be able to do very well in the medium term."

"Standard Chartered will be there to support Bangladesh's economic and financial development."

Governance is an issue in many countries.

And José said strengthening institutions and the financial system are also important. Ensuring legal predictability and stability is required to make sure both domestic and foreign investors come in.

Bangladesh is set to lose preferential market access once it becomes a developing nation in 2026 from a least-developed country.

"Once you graduate, you go and play in a higher league. You have to be competitive in order to sustain your permanence in that league and do very well," José said.

Bangladesh is already a factory of the world when it comes to manufacturing readymade garments and is the second largest producer of garments after China.

"If Bangladesh can play its cards wisely, Bangladesh can be a superstar in many other areas. And in overtime, those can take place by diversifying the export base," José said.

A lot of companies are also moving out of northern Asia, particularly China, and relocating to Southeast Asia and South Asia.

"I think Bangladesh has a unique opportunity in terms of having a very good labour force, which is competitive from the cost point of view."

"Bangladesh has a very significant opportunity to continue benefiting and benefiting even more from the diversification of the global supply chain thanks to several factors, including cost advantages, locational advantages, the US-China trade tension, and the broader geopolitical issues in the region.

One of the preconditions for the growth to be sustained is to make sure the rule of law is strong, institutions, both public and private, are strong, the financial institutions are strong, and there is governance, according to the group chairman of the London-headquartered multinational bank.

José, who has a Doctorate in Economics from Harvard and a Master's in Economics from the London School of Economics, thinks crises can be opportunities to solve deep-seated issues that under less difficult conditions may remain unresolved for a long time.

"Bangladesh has now the opportunity to move forward and advance a number of things that are important to ensure not only the stabilisation of the foreign currency market and the foreign exchange reserves but also establishing the basis for the medium-term growth."

During the interview, José described Bangladesh's efforts at reaching a staff-level agreement with the IMF as a timely move, saying if it is confirmed in the coming months it may help the country tackle its short-term balance of payments and currency issues.

"My view on this is that it is wise not to wait until the very last minute in order to approach the IMF because it may be too late and the troubles may have compounded."

Bangladesh is fortunately in a different situation and it does not have high external debt. Although foreign reserves have declined, they still can support imports for several months.

"I think this is a good time," he said.

Speaking about challenges in the banking sector, José said there are always issues in all banking systems and things can always be done to improve asset quality, clean up balance sheets, improve the capitalisation of banks, and enhance governance.

An advocate of globalisation, José thinks the world is moving towards a more fragmented system and globalisation is changing its form though it will continue to be there.

There is now a process of onshoring and reshoring and a number of countries are bringing part of the supply chain to their countries.

"It would be a big mistake if we all were to do that because we would go back to protectionism basically. There is a much better way to enhance the resilience of the global supply chain," he said.

"I think globalisation needs to be perfected rather than discarded because globalisation has led to improvements of income levels and the reduction of poverty around the world."

Bangladesh needs globalisation, he said.

"And the global economy needs countries like Bangladesh that can be factories of the world for quite a number of things."

He also spoke about sustainable financing, saying sustainability is the core pillar of prosperity.

"It is not just the right thing to do. It is also the smart thing to do from the business point of view because there are extraordinary commercial opportunities around sustainability."

Standard Chartered is committed to expanding the scale and reach of sustainable finance, with plans to mobilise $300 billion in green and transition finance by the end of the current decade.

"We do a lot of that in our footprint. But we want to up our game in sustainable finances by providing a suite of sustainable products to our clients and working with them to mobilise the finances."

He said Bangladesh's future is in its hands. External conditions may go one way or the other, and they may make life easier or more difficult here and there. But it is what Bangladesh does in the medium term that would make the difference.

He predicts that some of the headwinds the world has seen in 2022 would be moderating in 2023.

José praises Bangladesh.

"The current situation is better than the past and far better than in many other countries when it comes to how you have improved your per capita income and the size of the economy."

"You are on your way to becoming a half-a-trillion-dollar economy. This is a very significant achievement. It has the ability to become a trillion-dollar economy in the medium-term future."

Standard Chartered has already closely looked at various economic and non-economic variables that are important for the future of the country and it has its own assessment of the country.

"To me, the most important thing is to see indications that the country is going to address its internal challenges and then move forward in order to achieve a higher, sustained growth path."

"I am pretty confident that that would be there. For us, that is the most important thing," José added.

Source: thedailystar.net- Dec 18, 2022

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NATIONAL NEWS

Parliamentary committee recommends a GST Council-like body for RoDTEP

The Parliamentary Standing Committee on Commerce has recommended setting up a RoDTEP (Remission of Duties and Taxes on Exported Products) Council, on similar lines of GST (Goods and Services Tax) Council. This would define a road map for short- and medium-term changes in rate structure by ensuring periodic review of rates under the scheme.

"The committee notes that the evaluation of the provisions of (the) RoDTEP scheme by the committee set up in the revenue department is crucial. It recommends the committee to properly scrutinise the rationale behind stipulated rates and its impact on export performance of industries with suggestions on rationalising the rates as per the requirements of export sectors," the standing committee said in its latest report tabled in Parliament.

"The committee further recommends that the department should explore the feasibility of setting up a RoDTEP Council, on similar lines of the GST Council, which would define a road map for short- and medium-term changes in rate structure by ensuring periodic review of rates under the Scheme," it added.

The Centre has phased out most export-incentive schemes as they were non-compliant with World Trade Organization (WTO) rules, replacing them by RoDTEP and RoSCTL (Rebate of State and Central Levies and Taxes) from January 1, 2021, to reimburse taxes and levies paid by exporters that are considered compatible to WTO rules.

The RoDTEP rates vary from 0.5-4.3 per cent of export value and initially included sectors like marine, agriculture, leather, gems and jewellery, automobile, plastics, electrical, electronics, and machinery. While exporters in sectors like steel, pharmaceutical, chemicals were initially kept out of the scheme, the commerce ministry has notified that starting December 15, 2022, such items will also benefit from the scheme, thus expanding the list of eligible export items to 10,342 from 8,731.

"In the present times, when exports are facing headwinds on account of signs of recession in some of the developed markets & supply chain disruptions on account of Russia-Ukraine conflict, extension of RoDTEP to uncovered sectors like chemicals, pharmaceuticals & articles of iron and steel is likely to enhance the export competitiveness of these sectors," the commerce ministry said while notifying the extension of the RoDTEP scheme for new products.

The standing committee had earlier recommended inclusion of these items under RoDTEP to retain their price competitiveness in global markets and had criticised the department's argument of budgetary constraints. The Finance Ministry has allocated Rs 14,245 crore for the RoDTEP scheme in FY23, up from Rs 12,454 crore in FY22.

On the standing committee's recommendation for inclusion of Special Economic Zones (SEZs) into the ambit of RoDTEP scheme, the ministry said a RoDTEP Committee had been constituted by the revenue department to look into the inclusion of SEZ/EOU (export-oriented units) under the ambit of RoDTEP. "The committee has conducted several rounds of discussion with stakeholders. The matter is under active consideration," it added.

Proposal

The proposed council will define a road map for short- and medium-term changes in rate structure

Current Rates

RoDTEP rates vary from 0.5-4.3% of export value

List of eligible export items expanded to 10,342 from 8,731

Allocation

Finance ministry has set aside Rs 14,245 crore for the scheme in FY23, up from Rs 12,454 crore in FY22

Source: business-standard.com- Dec 18, 2022

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India's economic activity looks set to slow as exports barely improved in November

India's economy appeared to slow rather than accelerate last month, as high-frequency indicators signaled worsening business and consumption activity.

Although a dial measuring so-called animal spirits showed activity was steady for a fifth straight month in November, the needle was just one bad data point away from swinging to the left. Exports, a key growth lever in the past year, was among three of eight metrics that performed poorly. The rest were unchanged.

Bloomberg's dashboard reflects a broadly grim outlook for 2023 as tighter global interest rates take a toll on demand. The gauge uses a three-month weighted average to smooth out volatility in single-month readings.
Business activity

Purchasing managers' surveys for November showed that activity across the services and manufacturing sectors improved, though the three-month weighted average was still weak. New orders expanded at faster rates in both sectors, while output prices rose at the quickest pace in three months.

Pollyanna De Lima, economics associate director at S&P Global Market Intelligence, said the latest results are good news, even if the trend for inflation is somewhat concerning. "Evidence of stubborn inflation may prompt further hikes to the policy rate at a time when global economic challenges could negatively impact" India's growth, she said.
Exports

Exports barely improved last month, increasing 0.6% from a year ago after declining 16.7% in October, data released by the trade ministry showed. Only half of the 30 sectors posted growth. The government attributed the tepid performance to weak demand for engineering and iron ore products.

Imports climbed 5.4%, keeping India's trade gap above $20 billion for the eighth consecutive month. That adds pressure to the country's current account deficit, a key vulnerability for the economy and the rupee, the worst-hit major Asian currency this year after the Japanese yen.

Consumer activity

Demand for bank credit remained healthy at 17.2%, even amidst tighter liquidity conditions and higher borrowing costs, Reserve Bank of India data showed. Goods and services tax collection, which helps measure consumption in the economy, rose 11%, a modest performance compared to October's 24% jump.

Market sentiment

Electricity consumption, a widely used proxy to gauge demand in the industrial and manufacturing sectors, was weak, with the peak requirement last month rising to 162 gigawatts from 155 gigawatts in October. India's unemployment rate climbed to 8%, according to data from the Centre for Monitoring Indian Economy.

Source: thehindubusinessline.com- Dec 19, 2022

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Demand crunch: Textile sector bats for stimulus, cotton import duty removal

Textile industry players are batting for removal of import duty on cotton and a stimulus from the government after being hit by a dip in demand due to the global financial crisis and the Ukraine war. The industry has been also affected by the rise in Indian raw cotton prices, which are at least 10-20 per cent higher than international cotton right now.

"The rate of Indian raw cotton is 10-20 per cent higher than the international cotton, including the Chinese cotton. This makes Indian spinning mills not to source cotton from India due to the higher rate. At the same time, the Government of India has imposed 11 per cent import duty. This spoils the level-playing field," said K Venkatachalam, chief advisor, Tamil Nadu Spinning Mills Association (Tasma).

India's cotton textile and raw cotton exports dipped by 29 per cent to $5.406 billion in the April-September period, compared to $7.606 billion during the same time in 2021-22. During the same period, cotton textile exports dipped by 23 per cent to $4.791 billion as against $6.468 billion last year. Similarly, raw cotton exports too declined by 62 per cent from $1.138 billion from April to September 2021 to $435.9 million in 2022, according to the data shared by the Tasma.

"Our cotton rates are not competitive globally. Domestic market is also shifting faster from cotton to polyester and consumption is down. Hence, the government should remove the import duty and make our raw materials at par with international prices," said Sanjay Kumar Jain of Delhi-based TT Ltd.

This comes at a time when there is a shortage of demand for textile goods globally due to the Ukraine-Russia war. "Unless the Government of India proposes a stimulus package to textile industries at all levels, whether they are spinning, weaving, fabricating, ready-made garments and home textiles, most of the industries will become NPAs very shortly, as they are all working only for two to three days in a week and their efficiency has come down to the extent of 30 per cent only," Venkatachalam added.

On the other hand, moving in line with the overall merchandise exports that dipped by 16.7 per cent to $29.8 billion in October, ready-made garment (RMG) exports too dipped during the month.

"Since most of the traditional markets of Indian RMG including UK, EU and the US are witnessing recession and global headwinds, leading to shrinking of demand on one side and buyers asking for 15 per cent discount on the other, we have requested the government for expediting FTAs in these markets and ensure all tariff lines of RMG sector, which will enable a duty reduction from the existing 9.6 per cent and act as a strong breather," said Naren Goenka, chairman, Apparel Export Promotion Council (AEPC).

The total set target of apparel exports for 2022-23 is $17.6 billion as against $16.01 billion in 2021-22, out of which $ 9.2 billion was achieved during April-October 2022.

Tiruppur knitwear exports back in growth track

- After clocking negative growth during the months of August, September, and October by 14.6 per cent, 24.4 per cent and -34.1 per cent, respectively compared to the corresponding months of last year 2021, Tiruppur knitwear exports turned positive in November by recording a 10.6 per cent growth. Tiruppur contributes to 55 per cent of the country's knitwear exports, according to the Tiruppur Exporters' Association (TEA).

- The export date for the month of November 2022 reveals that readymade garment exports have reversed the negative growth and posted a positive growth of 22.71 per cent compared to November 2021.

- "The positive growth in November is quite encouraging and factors like Economic Cooperation and Trade Agreement (ECTA) entered with Australia will come into effect from December 29 and the envisaged Agreement with UK will happen in another two months, will help to boost the knitwear exports from Tiruppur," said K M Subramanian, President, TEA. He further noted that the UK and Australian buyers are interested to place orders with Tiruppur because of the China Plus one policy of the respective countries.

Source: business-standard.com- Dec 18, 2022

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2023 outlook. Indian economy: Slowing growth, but well positioned to navigate global spillovers

If there is one big highlight of 2022 on the economic front, it is the way the Indian economy demonstrated resilience in navigating the storm of global headwinds emanating from the Russia-Ukraine conflict, the surge in commodity prices, and the impact of tightening global monetary policy cycle.

The strong macroeconomic fundamentals have placed it in good stead compared to other emerging market economies, but this is no time to let one's guard down and continued vigilance is required as adverse global developments in form of further tightening of interest rates, relatively higher commodity prices could persist in 2023 as well.

This resilience came largely from robust domestic demand coupled with some astute macroeconomic management by policymakers and the Reserve Bank of India. The rupee may have in calendar year 2022 seen depreciation against the US dollar from a low of ₹74 to about ₹83 now, but it has shown strength against other leading currencies.

Fading tailwind

The Indian economy will see a further slowdown in 2023-24 due to the challenging external environment, but the solid domestic demand scenario could well be the buffer against a deeper downturn and may help partly offset the impact of rate hikes, a slowing global economy, and the need to reduce the balance-of-payments deficit.

In 2023, though there is going to be no threat to India's status of being the fastest-growing large economy in the world, but there will be challenges like the need to create meaningful jobs, further boost consumption among the common man, and bring back animal spirits of the private sector. However, the Government's efforts of pump-priming the economy with a boost to public investment through a sharp increase in capital expenditure is expected to keep the growth momentum intact in 2023 as well.

Already Finance Minister Nirmala Sitharaman has dropped a hint that the upcoming Budget would keep the spirit of the earlier editions and was unlikely to reverse the reformist credentials of the current dispensation.

Andrew Wood, Director, Sovereign & International Public Finance Ratings, S&P Global Ratings, said that the sovereign is benefiting from a period of rapid nominal GDP growth and buoyant revenues. These dynamics are helping to stabilize key debt metrics including the debt-to-GDP ratio, and the Government's interest burden, albeit at still-elevated levels, he said. "While this tailwind will fade heading into FY24, we still expect India to achieve solid growth next year," Wood said.

Challenging external environment

"India bears some risks associated with the expected global slowdown, as well as higher interest rates and inflation, especially as tighter monetary policy continues to work its way through the system. However, we expect that its predominantly domestic-oriented economy and solid demand dynamics at home will act as a buffer against a deeper downturn," he said.

A challenging external environment will affect India's economic outlook through different channels. However, the economy is well positioned to ride on the large domestic market and is relatively less exposed to international trade flows. Given the strong foreign investor interest in India, the current account deficit is adequately financed by improving foreign direct investment inflows and a solid cushion of foreign exchange reserves.

Madan Sabnavis, Chief Economist, Bank of Baroda, however, had a different take on India's macroeconomic situation and resilience. He said that, numerically, India may grow 6 per cent plus in 2023-24, but it is not that the country is accelerating or doing very well. "Optically, we are doing better but fundamentals on the external side will get affected", he said.

Impact on export

There is an advantage that India is doing better but the fact is the overall amount of money flowing into India in terms of investible funds will come down and "this will affect us on the investment front. Exports will see further slowdown", he said.

"To say India may be in a sweet spot or in a bright spot may be an oversimplification. We are also going to get affected by slowing exports and lower quantum of investment flows— people will become cagey in

making international investments if inflation worries persist amid global slowdown," Sabnavis said.

So far the impact of the global downturn in India has been less severe. The kind of buoyancy in tax revenues one saw in 2022 cannot be taken for granted in 2023 as persistent inflation has eaten up incomes and there is a lot of uncertainty on jobs.

The challenges on the domestic front in terms of reform agenda is going to be far more important for policymakers.

Source: thehindubusinessline.com- Dec 18, 2022

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Exporters seek support measures in Budget to boost shipments

Exporters have sought support measures like waiver of electricity duty and easier availability of credit in the forthcoming Union Budget to boost the country's outbound shipments.

According to exporters, the finance ministry needs to provide reasonable funds to the Department of Commerce not only for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme reimbursement but also for export promotion and other initiatives.

Under the RoDTEP, various central and state duties, taxes and levies imposed on input products, among others, are refunded.

They have also suggested certain tweaks in customs duties and availability of credit at affordable rates to boost exports and create jobs.

Mumbai-based exporter and chairman of The Bombay Textile Research Association S K Saraf said exports are key drivers to promote the country's economic growth and the Budget should address issues being faced by the sector.

"The Budget should provide a mechanism for waiver of electricity duty for the units that are exporting more than 50 per cent of their production. Manufacturer exporters who are exporting more than 50 per cent of their production should be granted a script equivalent to 2 per cent of their exports to compensate for these handicaps that exporters suffer. This compensation cannot be seen as an incentive," Saraf said.

Exports provide high quality employment, and promote induction of technology, quality consciousness and infrastructure development, he said.

"My dream Budget would be the one that makes exports as an engine of growth of the economy," he added. The Budget for 2023-24 is scheduled to be presented on February 1.

"At present our exports of goods and services are about 21.5 per cent of GDP in 2021-22. It is woefully small compared to the average contribution of exports to GDP of about 30 per cent or more in most developing

countries in Asia. Export supports many sectors like banking, shipping, insurance, and tourism," Saraf noted.

Ludhiana-based Hand Tools Association President S C Ralhan said the finance ministry should provide sufficient funds to set up sector-specific clusters or parks with modern infrastructure.

"This will help increase the competitiveness of manufacturers. Funds should also be granted to organise exhibitions and fairs in different parts of the world like Africa which hold huge export potential," Ralhan said.

Source: zeebiz.com- Dec 19, 2022

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Trade, economic interests drive India's foreign policy

This year, trade and economic interests influenced the government's foreign policy significantly, unlike earlier times when it was the other way around.

During the cold war, it was the foreign policy that influenced the decision to have a rupee payment mechanism with the eastern bloc led by the Soviet Union, an arrangement that was dismantled when the Soviet Union collapsed. Later, the dominant United States goaded us to sign up to multilateral trading arrangements, especially the Doha Development Round of the World Trade Organization.

More recently, the Centre imposed 200 per cent Customs duty on goods from Pakistan due to political reasons.

When Russia invaded Ukraine, however, the government took into consideration our heavy dependence on Russia for imports of equipment and spares essential for defence preparedness and decided not to condemn Russia at the United Nations.

Later, the global crude oil prices shot up but as India could buy this commodity from Russia at discounted prices, the government decided not to condemn Russia even when evidence of Russian atrocities on civilians emerged or when Russia annexed four provinces of Ukraine or when Russia repeatedly attacked civilian infrastructure leaving most Ukrainians without power, heating, or water.

When criticism emerged from various quarters in the West that India is putting money before morality and helping Russia finance its unjustified war against Ukraine, the government highlighted its primary obligation to defend its national security interests and keep prices under control at home.

The government also responded to European exasperation with the rhetoric that India is importing only a fraction of what Europe imports from Russia, conveniently ignoring the fact that Europe was reducing its imports of oil and gas from Russia whereas India was increasing its crude oil imports from Russia.

As matters stand now, Europe has stopped its purchase of natural gas and seaborne oil from Russia. It is likely that even supplies of some quantity of crude oil from Russia to some European countries through pipelines may be phased out and the western countries may consider imposition of secondary sanctions the way they were imposed against Iran. But, the government has prepared for such an eventuality by opening a window for settlement of payments in non-convertible Indian rupees.

In July, the Reserve Bank of India allowed foreign banks to open Special Vostro Accounts with banks in India for settling trade transactions in rupees and deploying the surplus balances in specified government securities. If Indian entities start paying for imports from Russia through these accounts, exports to Russia may go up and fetch better prices for the simple reason that for the Russian entities the avenues to utilise the payments received in rupees are woefully limited.

The western countries have also imposed a price cap of US $60 per barrel meaning thereby that the entities in western countries cannot transport Russian oil or extend marine insurance to vessels carrying Russian oil when sold above that price.

How these price caps will actually play out is not clear, but our government remains unfazed because the cost of crude is anyway on a downward trend and Indian entities are getting oil from Russia at about the same price as the cap.

Thus, at least some principles that guided our foreign policy over many decades have given way toself-interest of sorts.

Source: business-standard.com- Dec 18, 2022

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On balance, India is in a sweet spot

Having successfully navigated the pain points of Covid-19, the economy is well poised to build on the positives. While the Reserve Bank of India (RBI) has forecast a lower GDP growth rate of 6.8 per cent for FY23 from 7 per cent earlier at its recent monetary review, the reality is that we have emerged as a source of global economic stability and are still the fastest-growing large economy.

On the global front, 2023 is likely to be a much slower-growth environment than 2022, with a deliberate deceleration in the developed markets engineered by the G-10 central banks to cool inflation. According to the International Monetary Fund's (IMF's) October World Economic Outlook, growth will slow to 3.2 per cent in 2022 and 2.7 per cent in 2023 (from 6 per cent in 2021). Analysts widely expect flat growth to shallow recession in both the US and the EU. China remains in the throes of a gradual exit from its zero-Covid lockdowns, but is vulnerable to potential disease outbreaks, risks from high debt and a real-estate crisis.

It is in this global context that India's prospects need to be considered. Global central banks' actions will certainly have an impact on the domestic economy, but it appears that we have weathered the worst. Of the three main channels of global spill-overs — financial, commodities and trade — the adverse effects of the first two seem to have largely peaked. The large capital outflows, especially portfolio, seem to have stabilised. The impact of soaring energy and metal prices on India also appears to be moderating.

It is the third channel — trade (both merchandise and services) — that is likely to have a large effect on India in FY24. Both the IMF and the World Trade Organisation forecast a sharp slowdown in global trade in 2023. We are already beginning to see the initial effects on India's merchandise trade (with the 16.7 per cent year-on-year contraction in exports in October).

Yet, the services trade seems to have held up, despite the slowdown in the tech sectors, particularly in the US. Our current account deficit is likely to remain high even in FY24, which is likely to keep the rupee under pressure, but we expect that a resumption of capital inflows will improve the ability to finance this deficit.

The resilience of our enterprises has been quite remarkable, especially with the strong tightening of our domestic monetary policy since May this year. High-frequency indicators suggest that domestic demand conditions remain strong. The central bank's Consumer Confidence Survey readings have continued to improve in September. Both the Manufacturing and Services Purchasing Managers' Indexes continue to show strong order books in November 2022.

The macro fundamentals remain sound. Balance sheets of corporations and financial intermediaries are very healthy. And despite the ongoing uncertainty, we sense that the private sector capex cycle is gradually reviving, albeit from specific pockets. While working-capital utilisation levels have been seeing an uptick on account of increased consumer spending and elevated commodity prices, much of the increased demand for credit is on account of term loans for new projects or expansion. The share of retail lending in the banking sector continues to grow; for the last few years, this has been growing at a higher rate versus overall lending growth.

From a credit-risk perspective, we expect the environment to be benign for the next couple of years.

Partly as a result of the gradual withdrawal of surplus liquidity by policy authorities, exacerbated by the high credit offtake, the incremental credit-deposit ratio has been above 100 per cent of late. We see a further hike in retail deposits to reduce reliance on wholesale deposits.

We expect the government to continue with its accelerated capex cycle in infrastructure and flagship programmes in the FY24 Union Budget, while continuing with the declared path of fiscal consolidation.

Source: business-standard.com- Dec 18, 2022

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Budget may allocate Rs 4,500 crore to promote districts as export hubs for specific products

India could in the upcoming budget unveil a plan to promote districts as hubs of exports of specific products. The commerce and industry ministry is working on an integrated scheme that combines Districts as Export Hub (DEH) and One District One Product (ODOP), which is likely to be announced in Budget FY24, officials said.

The scheme could be provided an allocation of ₹4,500 crore. Tax breaks, jobs or plan to beat China: What will Budget 2023 offer? Click to know "We have integrated the two schemes and the aim is to boost rural entrepreneurship and exports of novel, indigenous, organic, and ethnic products," said an official.

The boost to exports is being planned when the growth in the country's outbound shipments were flat in November at $31.99 billion as against $31.8 billion a year ago.

Initially, a pilot with 50 districts could be started, which would then be expanded to the 733 districts of the country. The districts will be assessed on parameters such as export plans and efforts to plug infrastructure and logistics gaps.

As per the official, the 50 districts for the pilot project would be chosen through the challenge route.

The ministry has identified products and services - including Geographical Indications and other significant products-with export potential in each district.

The framework of the DEH initiative comprises formation of District Export Promotion Committee and preparation of District Export Strategy or Action Plan. District Export Promotion Committee and State Export Promotion Committee have been constituted in all the 36 states and UTs.

Officials said that the Draft District Action Plan has been prepared for 570 districts and the ministry has developed a web portal to monitor the progress of these plans.

The ODOP Initiative seeks to convert each district into a manufacturing and export hub by identifying products with export potential in the district.

"While the integrated scheme will benefit exporters, the government should devise a mechanism in the selected districts for the endorsement and branding of their products," said an industry representative, adding that local manufacturers and small exporters should be connected to provide a global platform to market their products.

Source: economictimes.com- Dec 19, 2022

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GST fraud: 8,200 cases booked, evasion of ₹62,000 cr detected till date

Central Board of Indirect Taxes & Custom (CBIC) has booked over 8,200 cases involving revenue of over ₹62,000 crore since inception of GST till date. This was the key reason for not changing the threshold related with decriminalisation of offences for fake invoices.

It needs to be noted that there is no term such as fake invoice in GST law.

The GST council on Saturday recommended the raising of minimum threshold of tax amount for launching prosecution under GST to ₹2 crore from ₹1 crore. However, this will not be applicable for the offence of issuance of invoices without supply of goods or services or both.

Limit can be hiked

It may be noted that ₹1 crore is the minimum amount, and the Centre or State can raise the limit. For example, per Section 132 of CGST Act, 2017, issuance of an invoice or bill without supply of goods or services and wrongful availing or utilisation of ITC is a cognisable, non-bailable offence if the amount is over ₹5 crore, and there will be no change in this after the latest recommendation by GST Council.

Vivek Johri, Chairman, Central Board of Excise and Custom (CBIC) admitted that incidence of fake invoice is still high, but the department is making all efforts to check it. Since inception of GST in 2017 and till now, "CBIC has booked over 8,200 cases in matters related with issuance of fake billing or availing input tax credit (ITC) fraudulently through fake invoices.

Approximately ₹62,000 crore of revenue is involved in these cases. A total of 1,030 persons have been arrested in these cases," he said. Considering these numbers, it was important to not treat fake invoice cases at par with other offences in the process of decriminalisation.

Aim at transparency

A registered assessee is required to Input Tax Credit (ITC) from his gross tax liability and pay the balance in cash to the government which is reflected in overall tax collection.

ITC is credit for taxes paid on input. If there is not input , and even then an invoice issued, it results in loss to exchequer. That is why both the Centre and States are designing a special strategy to check the menace with and provide a transparent mechanism for action.

The 3 scenarios

For example, earlier this year CBIC set up a clearer framework in determining demand and penalty with respect to transactions involving fake invoice much more effectively. It prescribed three scenarios and action in each one of them.

In the first — what happens when there is an issuance of tax invoice by one registered person to another without any underlying supply of goods or services? Without supply, no demand for tax and recovery can be made, but the person issuing the invoice would be liable for penal action.

In the second scenario — a registered entity gets a fake invoice without any underlying supply, but gets ITC on the basis of that invoice. In this situation, the said business could be liable for demand and recovery of the said ITC, along with penal action and interest.

The third scenario involves issuance of a fake invoice by one registered entity to another, who further passes on the said ITC to another registered entity. In such a situation, the second entity could be held liable for penal action on two counts – getting ITC fraudulently and issuing fake invoice.

Source: thehindubusinessline.com- Dec 18, 2022

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BSL Ltd to invest ₹200 cr on setting up cotton spinning unit and modernisation of existing facilities

BSL Ltd is looking to invest close to ₹200 crore to set up a cotton spinning unit and expand and modernise its existing weaving and processing capabilities to grow its business.

The company, which posted a turnover of ₹436 crore in FY22, is looking to grow its revenues by more than 20 per cent to touch ₹500-550 crore by the end of this fiscal.

According to Nivedan Churiwal, Managing Director, BSL, the company is investing close to ₹150 crore in establishing the cotton spinning unit.

The facility will have 30,000 spindles and will be capable of generating 700 tonnes of cotton yarn every month. The project is scheduled to begin in December 2022. The funding would be done through a combination of term loans and internal accruals.

"The new project is likely to be operational by the end of this month and this is likely to generate revenues worth ₹250 crore. So our total turnover is likely to increase to ₹800 crore by FY24," Churiwal told businessLine.

BSL operates across suiting, furnishing fabrics, synthetic yarn, and exports. It owns two domestic brands, BSL (for mass market) and Geoffrey Hammonds (GH).

The company has been continuously improving its product range and market offerings, particularly for domestic customers. It expects to more than double its sales under the premium brand GH over the next two years.

The products currently in focus include pure wool and poly wool fabrics, as well as ethnic wear in the form of Jacquards. It is also giving special attention to the luxury market with the launch of GH-Insignia, a new direct-to-retail brand.

The domestic suiting business accounts for nearly 20 per cent of its total turnover, furnishing accounts for around 20 per cent, exports for 25-30 per cent and the remaining (30 per cent) comes from the yarn business.

Once the new unit is operational, the share of yarn is expected to increase by 40 per cent of its total business.

The company is also looking to grow its domestic and furnishing business and this is expected to contribute to higher revenues and profitability moving forward. For the past decade, IKEA has been a major business and growth driver for the company, and this business is likely to continue to grow.

BSL is IKEA's sole provider of furniture fabrics from South Asia, and its products are sold in all 450 IKEA stores around the world. "Our growth focus includes yarn and furnishing. We are looking to expand our business with IKEA as well as add more new customers," he said.

Source: thehindubusinessline.com- Dec 18, 2022

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Cotton arrival in mandis of Punjab down by 73% this year

This season, Punjab has seen a drastic decline in the arrival of Kapas (raw unginned cotton). Nearly 73% less cotton arrived in mandis till December 8 compared to the arrival in the same period last year. This year, the yield of the crop has also been low. The less arrival is affecting the business of both ginners, who separate cotton from seed, and spinners, who make thread from cotton, as they are getting less raw material from the local market even during season.

The low arrival can be attributed to farmers holding their crops back and waiting for the rate to cross Rs 10,000 per quintal. Harvesting of the crop has already been completed in the state. According to the Punjab Mandi Board, till December 8, mandis in the state received 2.77 lakh quintals of raw cotton against 10.35 lakh quintals last year during the same period.

Last year, in the same period, 2.06 lakh bales were pressed but this year the number of bales is only 55,435. One bale comprises 170 kg of lint, which is ginned cotton separated from cotton seed. The total arrival of Kapas was 29 lakh quintals in 2021-22. And this year, around 40% less production is expected compared to the last year due to decreased yield and less area. Currently, the rate of raw cotton is Rs 8500 to 9,600 per quintal, which is much higher than the maximum support price (MSP), and farmers expect it to rise above Rs 10,000 per quintal by January-February 2023. Last year, when several farmers sold their crops during January and February, they fetched Rs 13,000 to Rs 14,000 per quintal, which was an all-time high rates of raw cotton in the state.

MSP of cotton this year is Rs 6,080 and Rs 6,380 per quintal, respectively, for medium and long-staple cotton, against Rs 5,726 and Rs 6,025 per quintal respectively, last year.

“Last year most farmers sold their crops by December end and earned almost close to MSP or little above that but those who sold in January and February, earned more than double the MSP,” said cotton expert Sanjiv Dutt, vice-president of Winsome Textile, Bathinda, adding that with less arrival of the crop, ginners and spinners are facing a huge shortage of supply and are running their units to half the capacity. He added that even farmers are not happy with the current rates as the input cost has increased due to less yield and they are now waiting for the rates to go above Rs 10,000 per quintal. Dutt added that in Punjab, cotton starts

arriving by September end but due to unprecedented heat wave in August, cotton plants could not be developed properly and both yield and quality of the crop has suffered.

Experts said that this year the yield has come down due to high fluctuation in temperature during July and August months because of which the plants could not grow in a proper size which affected its yield. Both ginners and spinners are feeling the heat because they are not getting the required amount of raw material from the local market to run their units, Dutt added.

In Punjab, cotton is grown in Bathinda, Fazilka, Mansa, Muktsar, Moga, Barnala, Sangrur, and Faridkot districts. This season, so far the maximum cotton arrived in Fazilka where a total of 1.01 lakh quintals of Kapas reached mandis, followed by Mansa, Bathinda, and Muktsar Sahib where 74,156 quintals, 46,363 quintals, and 35,896 quintals cotton arrived, respectively. In Faridkot, Sangrur, Barnala, and Moga, 6,717 quintals, 4,526 quintals, 4,353 quintals and zero quintals cotton arrived, respectively. According to the Indian Cotton Corporation, this year, a cumulative production of 43.17 lakh bales (170 kg each) is expected from Punjab, Haryana and Rajasthan, against around 47.24 lakh bales last year.

This year, the maximum loss is estimated from Punjab where around 43% less crop is expected this year. This year, cotton was grown in 2.48 lakh hectares in Punjab against 2.52 lakh hectares last year. The scene in Haryana is also not very promising this year. According to the Indian Cotton Association Limited, only about 3.96 lakh bales have arrived till November end against 4.49 lakh bales in the same period last year. However, Rajasthan, where over 29 lakh bales are expected this season, including 17.60 lakh from Sri Ganganagar circle and 10.55 lakh from lower Rajasthan, 11.55 lakh bales have already arrived against the arrival of 11.01 lakh bales last year till November 30.

Both cotton and basmati crops are the best alternatives for paddy in Punjab and this year, basmati arrival has increased by 45%. Last year the total arrival of basmati was 14.13 lakh tonne but this year, the state has already received 20.53 quintals till December 8.

Source: indianexpress.com- Dec 19, 2022

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