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IBTEX No. 248 of 2022 December 23, 2022

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INTERNATIONAL NEWS

How waning trade demand, slowdown are impacting China's exports

In October, traffic on the highway leading to one of the world's largest ports by cargo throughput was unusually light.

In past years, the roads leading to the Ningbo-Zhoushan port in East China's Zhejiang province would have been packed in the week leading up to the Oct. 1 National Day holiday, the peak season for shipping, said Wang Lei, executive vice president at Safewell Group Holdings (China) Co. Ltd., a manufacturer and exporter of safes and telecom products. "Traffic jams were unavoidable," Wang told Caixin in October. "Now, there are barely any cars."

Wang has seen the change from Safewell's offices, which overlook the highway to the port. He has also seen it in the company's order book. "Since this April and May, we haven't been getting as many orders as in previous years," he said.

Safewell isn't the only Chinese exporter to take a hit. Chinese goods exports in dollar terms contracted 8.7% year-on-year in November after shrinking 0.3% in October, according to data released by the General Administration of Customs, well below the average 3.4% contraction estimated by economists surveyed by Caixin. It was also the largest drop since February 2020, when much of the world was caught up in the original coronavirus outbreak.

To make matters worse, this figure appears to be lagging. Since late 2021, the rising prices of imported raw materials and components had led to an increase in the prices of China's export products, resulting in apparent growth in trade value — when in fact, export container throughput of some products was already in decline, Cai Jiaxiang, a vice president of the China Foreign Trade and Economic Co-operation Enterprises Association, told Caixin in October. It wasn't until August that the decline in export orders was gradually reflected in the overall trade value.

The China Containerized Freight Index, which tracks spot and contractual freight rates leaving major Chinese container ports on 12 shipping routes, had begun to fall in August. The index, released by the Shanghai Shipping Exchange, declined 13.6% month-on-month in November following a steeper 24.8% drop in October. The main culprit is demand, which has fallen off in recent months in China's three biggest export markets — the U.S., the EU and the Association of Southeast Asian Nations (ASEAN).

However, the reason for slowdown has varied by region. In the U.S., high inflation cut into household purchasing power, while stuffed warehouses have forced retailers to cancel orders. In Europe, rocketing energy prices have spurred inflation that is keeping consumers' wallets closed — with one notable exception. Meanwhile, the same slump in global demand affecting Chinese exporters is hitting some of their downstream customers in Southeast Asia, encouraging them to cut back on orders for Chinese products.

All this bodes ill for China's economy, as the resilience of trade had kept the country's economy humming during the coronavirus pandemic as lockdowns left overseas consumers with few spending options other than buying goods.

High inventories and inflation

Year-on-year growth in exports to the U.S. in dollar terms slowed in July and has remained in negative territory since August, customs data show. Exports to the major trade partner shrank 25.4% year-on-year in November, widening from a 12.6% contraction in October.

U.S. demand has slowed this year as inflation has soared, pushing the Federal Reserve to increase interest rates seven times so far this year. The hikes appear to have stabilized inflation, with the consumer price index growing by 7.7% in October and 7.1% in November, with the latter being the smallest year-on-year increase since December 2021, according to the Bureau of Labor Statistics.

Yet, the repeated rate increases have had knock-on effects that have hurt parts of the economy that are big buyers of Chinese goods. Rates on 30-year fixed-rate mortgages in the U.S. surged past 7% in late October, up from 3.14% a year earlier, according to Freddie Mac. New home construction has fallen and sales of previously owned homes have slumped, Wu Lili, a real estate agent in Houston, Texas told Caixin in October. This has led to a rapid reduction in demand for imported building materials and home improvement products, both of which were popular last year.

At the same time, unsold goods have been piling up at many U.S. businesses as sales have slowed. Walmart's inventory levels in the U.S. grew 26% year-on-year at the end of the second quarter this year, and while the figure was lower than the previous quarter's number, Chief Financial Officer John Rainey said on an Aug. 16 earnings call that the company has "canceled billions of dollars in orders to help align inventory levels."

Inventories of furniture — a product imported in high volumes from China — have also been building up, leading to a drop in orders this year, according to Wang Huanan, general manager of the Xiamen branch of major freight forwarder Topocean Consolidation Service (China) Ltd. "Exports of other categories cannot quite make up for the shortfall in volume of furniture exports," he told Caixin in October.

The drop in demand has pushed down the cost of shipping goods from China to the U.S., with freight rates from Shanghai to Los Angeles tumbling to $2,262 per 40-foot container as of Nov. 10, compared with $9,947 in the same period last year. Profits in the freight forwarding industry have rapidly deteriorated, one person in charge of a domestic freight forwarding company told Caixin in October.

"The growth in U.S. import volume has run out of steam, especially for cargo from Asia," Ben Hackett, the founder of trade consultancy Hackett Associates, said in an Oct. 7 press release. Hackett Associates produces a monthly Global Port Tracker report for the National Retail Federation.

While the period of high inflation in the U.S. has reached an inflection point, it's still running rampant, wrote China International Capital Corp. Ltd. Chief Economist Peng Wensheng in a research note analyzing October trade data. It will provide some price support for growth of China's nominal exports, but it may also prompt the Fed to maintain its tightening policy, thereby suppressing demand for Chinese goods.

"Although the Chinese manufacturing industry's competitiveness may bolster exports, the year-on-year export growth rate in the next two months [November and December] may continue to decline," he said.

Rising EU energy prices

Exports to the 27-member European Union also similarly slumped by 9% year-on-year in October and 10.6% in November, the latest customs data show. Headline consumer inflation in the 19-country eurozone came in at 10.6% in October, up from 9.9% in September and chiefly driven by energy prices, according to Eurostat, the EU statistics office.

This has prompted the European Central Bank to hike rates four times so far this year. The bank cited pressure from soaring energy and food prices, supply bottlenecks and a post-pandemic recovery in demand.

Threats of an energy crunch loom as Europe heads deeper into winter, with Russia cutting natural gas supplies to Germany and other countries as relations sour following Russia's invasion of Ukraine in February. Average electricity prices for European households have surged nearly 50% year-on-year to 33 euro cents (35 U.S. cents) per kilowatt-hour in November, while average gas prices rose 60% to 15 euro cents per kilowatt-hour, according to energy consultancy VaasaETT Ltd.

As a result, demand for Chinese heating gear has been on the rise. While exports of electric appliances to Europe fell by 9.3% year-on-year in dollar terms in the first seven months of the year, electric heaters and electric blankets surged 23% and 97% respectively, according to a Sept. 2 report by the China Household Electrical Appliances Association.

Globally, China's export value of air-source heat pumps, which offers an energy-efficient alternative to furnaces and air conditioners, jumped 63% over the first eight months of the year, according to calculations by analysts at Guosen Securities Co. Ltd. in a September report.

Cen Na, an inspector at the Cixi office of Ningbo customs, predicted in October that the high time for heater exports to the EU would last a month longer than in previous years. Cixi, a city in Zhejiang province, is home to more than 100 heater manufacturers, accounting for one-third of the country's total export volume for the appliance.

Headwinds downstream

Following three straight monthly gains, export growth to ASEAN slowed to 25.1% year-on-year in August from 33.5% in July before rising 29.5% in September and then dropping to 20.3% in October. That figure then decelerated sharply to 5.2% in November. In September, the 10-member bloc overtook the U.S. and the EU to become the world's largest importer of Chinese goods.

Yet, strong trade ties between the two parties haven't been enough to counter downward pressure brought about by the ongoing slump in global demand. Many goods exported from China to ASEAN are intermediate products that are usually reprocessed and then shipped elsewhere.

One major semiconductor exporter in Suzhou, East China's Jiangsu province, was only operating at about 50% capacity from August to September, one of its engineers told Caixin in October.

Guo Shaohai, a former vice president at French shipping group CMA CGM SA's China operations, told Caixin in October that after deducting fuel surcharges, actual shipping rates from China to countries like Vietnam and Thailand were actually negative, as carriers had slashed their rates to hold onto customers as demand waned. In fact, freight rates along Southeast Asian routes have been negative since July, said a person in charge of such routes at a container line.

While China's October growth figures pointed to a grim start to the fourth quarter, some analysts believe Beijing's pivot on "zero-Covid" policy and rescue of ailing developers could boost domestic consumption and help lift the real estate sector, two other key drivers of growth. Exports, on the other hand, could still face headwinds.

"We expect exports to shrink at a similar pace in December and the export contraction to continue well into 2023, weighed on by a high base, a global slowdown, the post-Covid demand shift to services and a reversal of bullwhip effects," Nomura Holdings Inc. analysts led by Lu Ting said in a note on Dec. 7.

Source: economictimes.com- Dec 23, 2022

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Japanese companies move out of China

Japanese garment companies are shifting their manufacturing and procurement bases from China.

The main reason is rising costs. Major apparel companies, such as Adastria, Aoyama Trading and suppliers of Uniqlo, are moving some of their production bases from China to RCEP (Regional Comprehensive Economic Partnership) member countries in southeast Asia such as Cambodia and Vietnam to take advantage of exemptions from textile import tariffs.

The average monthly salary of a factory worker in China is almost double that of an average worker in Cambodia.Other factors such as the depreciating yen are some of the other reasons behind the decision of the Japanese garment manufacturers to move out.

The RCEP that came into effect in January has given several companies a new lifeline. Adastria, operating retail stores under 26 brands, for example, has already increased production in Cambodia and Vietnam this year.

Moreover the company also plans to expand production areas to include Indonesia, Bangladesh, and other countries, and increase production in southeast Asia to 50 percent by 2026. Out of Adastria's total clothing imports into Japan, the number of items produced in China fell to 59 percent in 2021, down from 81 percent a decade earlier.

Source: fibre2fashion.com- Dec 22, 2022

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Australian industry projects cotton production over 5 mn bales in 2023

The Australian cotton industry is forecasting a 2023 crop outcome that has the potential to again be over 5 million bales despite the impacts of cooler than expected weather, and the heavy rain and floods that damaged farms and infrastructure while preventing or delaying planting.

Coming off a record 2022 crop of 5.6 million bales, farmers were confident that water availability and other favourable conditions would contribute to another bumper crop in 2023. However, by late October, New South Wales had experienced one of its wettest years on record, according to a press release by Cotton Australia.

“Our thoughts go out to all those impacted by the floods, and some will be facing a long recovery. However, many other regions are reporting better than expected outcomes and we are predicting a crop of around 5 million bales for 2023,” said Cotton Australia CEO Adam Kay. He added that many farmers suffered extensive damage to infrastructure and winter crops, but some positive signs are emerging.

The Australian Bureau of Agricultural and Resources Economics and Sciences (ABARES) is forecasting a 22–23 gross value of cotton production at around $3.4 billion with expectations that exports will reach a value of $5.1 billion because of prior shipping delays for the 2022 crop.

ABARES pointed towards softening demand for cotton lint that led to a significant decrease in world cotton prices in the second half of 2022; however, further significant price downgrades are not expected. Its December quarter Agricultural Commodities Report highlights inflation, increasing interest rates, and fears of an economic slowdown in the US and EU as factors that will have an impact on discretionary spending including clothing.

Kay noted the report’s commentary on the expected end to the wet La Nina conditions allowing for a timely harvest, ginning and export of the 2022–23 crop combined with an easing of international container constraints. He said: “One of the highlights in the report is recognition of the increasing demand globally for ‘fibre sustainability accreditation’ with an increasing number of major brands demanding sustainability in the cotton they use.

"Better Cotton is in demand globally, and as members, our certified myBMP cotton more than meets the standards of sustainability and accountability required by Better Cotton."

While acknowledging volatility may continue until economies stabilise and consumer confidence improves, Kay said demand continues for quality Australian cotton, and prices may increase. The ABARES report suggests the 20 per cent crop decrease in the US combined with low stock levels means "buyers will be looking to other premium cotton producers to cover inventories until the next cotton season. This may improve Australian cotton prices over the coming months."

Source: fibre2fashion.com- Dec 22, 2022

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EU countries prepare for textile recycling big bang

Recycling textiles is no easy feat, with industrial processes still in their early years. Yet, recyclers say a looming obligation for EU countries to collect and sort used textiles will help the nascent industry get off the ground.

The environmental impact of the textile industry is significant. A 2021 report by the European Commission's Joint Research Centre found that around 4-6% of the EU's overall environmental footprint can be traced back to textiles.

To address this, the Commission presented in March 2022 an EU strategy for sustainable textiles.

Under the strategy, textiles placed on the European market would need to last longer, be easier to repair, and their lifetime would be extended by recycling the materials they contain into new high-quality products.

Improving design at the manufacturing stage is also being considered to make recycling easier, with new standards expected to be adopted under the EU's ecodesign regulation. The objective is that all textiles placed on the EU market are durable, repairable and recyclable, and made to "a great extent" from recycled fibres.

The incorporation of minimum amounts of recycled fibres in new textile products is "really quite promising," says Valérie Boiten, senior policy officer at the Ellen MacArthur Foundation, a charity which works to accelerate the transition to a circular economy.

"There are different ISO standards out there, but for recyclability, not yet," she told EURACTIV.

"The challenge is that a product's recyclability depends on several factors, including material choices, the way components are assembled, and the availability of infrastructure to collect, sort, and prepare the product for recycling," she explained.

Recycling rates for textiles are currently rather low, with 1.7 to 2.1 million tonnes of used textiles collected annually throughout the EU, according to the JRC study. The majority of the remaining 3.3 to 3.7 million tonnes are thought to be discarded in mixed household waste, the study found.

However, the data must be taken with “a pinch of salt”, Boiten argued, explaining that there is no Europe-wide obligation to report on the amount of textile collected from consumers or companies.

“There are obviously a lot of textiles that don’t get collected separately and that simply end up in people’s kitchen bins,” Boiten explained, adding: “We do not have a comprehensive overview of these flows.”

Policy big bang

Textile recycling will also be greatly encouraged by a policy big bang, with new EU-wide waste collection and recycling targets kicking in as of 2025.

The revision of the EU’s Waste Framework Directive requires EU countries to establish systems for the separate collection of textile waste by 1 January 2025.

At the moment, there are no targets for collection, so there is no obligation for member states to report, with only 13 EU countries currently doing some reporting, the JRC report says.

Of these, only Austria, France, the Belgian region of Flanders and Italy report annually on post-consumer textile collection, while other countries have mapped them once or twice over the course of the past decade, often with the assistance of non-governmental bodies.

Additionally, there is no clear definition for textiles or of what should be included in the reporting, which means figures are not comparable across EU countries.

The recent EU Strategy for Sustainable and Circular Textiles has not offered a definition or a description of the products that would be covered from a regulatory perspective. The EU Textile Regulation applies to “all products containing at least 80% by weight of textile fibres”. But this definition would exclude the majority of footwear as well as accessories.

“Some might look at garments, some might look at garments and shoes, some might look at all possible textiles without really defining what a textile is. And I think that that's already an issue where there is no EU-wide definition of textiles and what products fall under textile," Boiten said.

The upcoming revision of the EU Waste Framework Directive will also include a proposal to harmonise so-called extended producer responsibility (EPR) schemes for textiles – which place an obligation on manufacturers to finance waste collection systems at local level.

Mandatory EPR schemes can provide the funding needed to collect discarded textiles separately, and divert them from mixed municipal waste. They can also help finance the infrastructure needed for sorting and preparing textiles for reuse or recycling.

This is what is argued in a recent white paper by the Ellen Macarthur Foundation, which highlights the need for harmonised EPR regulations across all EU member states. These would achieve "significant economic and environmental benefits" by improving the economics for waste from textile products, which currently ends up in landfills or incinerated, the paper argues.

France was a pioneer in this respect. In 2007, it became the first EU country to introduce an EPR scheme holding producers of textiles, household linen and footwear responsible for the collection and recycling of their products.

"The French EPR scheme was put in place to help the country towards reaching its collection and recycling targets," said Jennifer Cuenca of Refashion/Eco TLC, an eco-organisation of the French textile, household linen and footwear industry.

The scheme promotes the ecodesign of products and supports repair and reuse. "It also supports efforts towards more transparency in the sector, improving consumer awareness, technological innovation, and overall better sharing between all stakeholders," Cuenca told EURACTIV.

As a result, the amount of textiles sorted in France has more than doubled in 10 years, rising from 96,000 to 196,000 tonnes, according to a 2019 report by Refashion.

Dutch to follow French lead

For eco-textile advocates, similar schemes should be implemented EU-wide and harmonised as much as possible in order to generate economies of scale.

This is what the Netherlands have started doing. Next year, the country's EPR scheme for textiles will come into force, obliging manufacturers of clothing, corporate wear and household textiles to contribute to the country's waste collection scheme.

"Not included are for example shoes, bags, belts, returned products, blankets, curtains and carpets," explained a spokesperson for the Dutch Ministry of Infrastructure and Water Management.

The Dutch scheme will be implemented in three stages: from 2024 onwards, producers will need to report annually on their put on market for the year before. From 2025, new targets will start applying – 50% of textiles must be recycled and 25% must be reused. And from 2026, producers must report about their progress towards these objectives.

"At the moment we have a lot of EPR systems being developed in several EU Member States and they don't all look very similar," said Mariska Boer, corporate communications executive at Boer Group, a textile recycling company based in the Netherlands. "We envision a framework for an EPR system on the EU level, with enough room left for the member states to fill in the details themselves. But there needs to be a common framework," she argued.

Under current EU rules, textiles will need to be collected separately from 2025 onwards, and every member state will need a system to facilitate that, Boer said.

"We are looking at a potential increase from 2.7 million tonnes of textiles being collected within the EU now, to 5.5 million tonnes of textiles in 2030. We do not yet have adequate infrastructure for collecting and capacity of sorting and recycling to handle this increased volume and rapidly need to expand," she added.

Currently, there are significant differences among EU member states when it comes to infrastructure for collecting and sorting textile waste. Some countries have "hardly any infrastructure", while others have well-developed systems already in place – such as the Netherlands and Germany, Boer told EURACTIV.

According to her, an EPR system could also facilitate in partially financing the expansion of capacity.

In The Hague, officials are keen to see EU rules implemented to harmonise the collection and recycling of textile waste. "The Netherlands specifically attaches importance to mandatory targets for recycled content," said a spokesperson for the Ministry of Infrastructure and Water Management.

Other priorities for The Hague include EU requirements to improve the durability and quality of textiles as well as product requirements to minimise the presence of harmful chemicals and microplastics, the spokesperson said.

Source: euractiv.com- Dec 22, 2022

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US biggest market for Turkiye's home textile exports

US was the largest market for home textile exports from Turkiye during the first nine months of 2022. The European nation exported over 22 per cent of its total home textiles to the US. As for the country's apparel exports, the US was the fifth largest market during the same period with a less than 5 per cent share in Turkiye's total apparel exports.

Turkiye exported home textiles worth $869.947 million to the US, which was 22.28 per cent of its total exports of $3.904 billion during January to September 2022. European countries like Germany, France, Spain, Italy, UK, and Netherlands were the other prominent markets for Turkiye's home textiles. Last year, the US accounted for 25.95 per cent of Turkiye's total home textile exports of $6.129 billion, according to Fibre2Fashion's market insight tool TexPro.

On the other hand, Turkiye exported apparel worth $598.666 million to the US, making up just 4.58 per cent of its total exports of $13.081 billion during the first nine months of the current year. The US was the fifth largest market for Turkiye's apparel after European countries like Germany, Spain, Netherlands, and France, which collectively accounted for over 45 per cent share in the country's total apparel exports.

Last year, the US' share in Turkiye's total apparel exports of $17.383 billion was just 3.86 per cent. It took the sixth position after Germany, Spain, Netherlands, UK, and France.

Source: fibre2fashion.com- Dec 22, 2022

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Germany's exports to third countries drop by 0.5% MoM in Nov 2022

Germany’s exports to countries outside the European Union (third countries) in November 2022, were down a calendar and seasonally adjusted 0.5 per cent month-on-month (MoM), while they rose by 13.6 per cent year-on-year (YoY), as per the provisional data of the Federal Statistical Office (Destatis).

Germany exported goods to the value of €61.8 billion in November 2022, on a seasonally and calendar-adjusted basis, according to Destatis.

Germany’s goods exports to third countries (original values) increased by 13.8 per cent YoY in November 2022, and were valued at €65.7 billion.

Source: fibre2fashion.com- Dec 22, 2022

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Vietnam's garment exports to surge by 9% in 2022 despite global issues

Vietnam’s garment exports are expected to rise by 9 per cent in 2022 to touch $43 billion even as garment and textile manufacturers face a decrease in orders in the second half of 2022. Rising inflation and weakening global consumption will not prevent exports from increasing by $2–4 billion from 2021, as per the Vietnam Textile and Apparel Association (VITAS).

The drop in orders and prices is anticipated to continue until the first or second quarter of 2023. The association has projected that Vietnam’s garments sector will maintain its growth in 2023; exports are expected to go up to $48 billion in a favourable market and reach at least $45 billion in a less favourable market, local media reports quoted VITAS as saying in a note.

VITAS has also advised its members to not commit to deals offering large discounts against a backdrop of a shortage of orders. Vietnam’s top garments and textiles importer is the US with imports worth $18 billion. Asian countries like South Korea ($4.2 billion) and Japan and China ($4 billion) take the second and third spots as importers, respectively.

Source: fibre2fashion.com- Dec 23, 2022

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Bangladesh's Envoy Textiles Gets $11.2 Million For Plant Expansion

Envoy Textiles Limited has entered into a 10.8 million euro ($11.2 million) facility agreement with The Asian Development Bank (ADB) to support and finance the purchase and installation of energy-efficient spinning machinery and other equipment to expand sustainable textile production and create local jobs.

The loan will be used to fund a second yarn-spinning unit at Envoy's manufacturing plant in Jamirdia, Bangladesh. The new automated and more energy-efficient unit will have an annual yarn production capacity of 3,600 tons mainly used for in-house production of denim fabrics.

Construction and operation of the new spinning unit is expected to create 250 new jobs.

"The ready-made garment industry is a key driver of Bangladesh's economy, accounting for over 80 percent of the country's total export earnings, and Envoy is the leading denim fabric manufacturer. Modern spinning equipment will increase yarn production capacity, reducing reliance on imported yarn and enhancing the industry's efficiency, sustainability, and energy efficiency," said Ashok Lavasa, ADB's vice president for private sector operations and public–private partnerships. "This project marks ADB's return to financing Bangladesh's textile sector after two decades and it will help to crowd in much-needed financing to this strategically crucial part of the economy."

Envoy has an annual denim fabric production capacity of 52 million yards—about 10 percent of the country's total capacity. The mill also has the world's first platinum Leadership in Energy and Environmental Design (LEED) denim manufacturing facility certified by the United States Green Building Council.

The project will reduce electricity consumption and greenhouse gas emissions through the use of energy efficient and modern equipment. Additionally, ADB will help Envoy to develop a gender action plan that will increase career opportunities for female employees, promote gender-inclusive procurement and promote gender inclusion in the workplace.

"We are delighted to receive our first-ever financing from an international lender, and it is even more meaningful that it comes from ADB as we share the same vision of quality of service, inclusivity and sustainability," said Kutubuddin Ahmed, Envoy founder. "Partnering with an internationally reputable financial institution such as ADB is an affirmation of Envoy's direction and an important step in our sustainable growth."'

Source: sourcingjournal.com- Dec 22, 2022

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NATIONAL NEWS

India, Bangladesh discuss trade settlement in rupee, free trade agreement

Union minister of Commerce and Industry Piyush Goyal and his Bangladeshi counterpart Tipu Munshi discussed the settlement of trade in Indian rupees in New Delhi on Thursday. The two countries will also likely develop a free trade agreement (FTA) soon.

"A joint feasibility study on a Comprehensive Economic Partnership Agreement (CEPA) has been carried out after the two countries agreed to explore a bilateral FTA," said the commerce ministry.

Under CEPA, two countries either significantly reduce or eliminate customs duties on maximum numbers of goods traded between them. Besides, they ease norms for promoting trade in services and attracting investments.

India and Bangladesh agreed to start discussions on CEPA "at an early date" as it "would provide a sound basis for substantial enhancement of trade and commercial partnership".

Other issues discussed were the removal of non-tariff barriers and the re-opening of border haats, among others.

"The ministers discussed various issues of mutual interest, including removal of non-tariff barriers and port restrictions, re-opening of border haats, harmonisation and mutual recognition of Standards and procedures on both sides, settlement of trade in Indian rupees, strengthening connectivity and trade infrastructure, among others, to realise the full potential of India-Bangladesh economic ties," the ministry said.

"Given the India's focus on energy security and associated high import costs, rupee trade is an effective way to mitigate the spillovers of this global change especially the challenges faced on account of currency volatility and reserve changes," Vivek Iyer, partner at Grant Thornton Bharat told Business Standard.

India's neighbours are increasingly aiming to adopt trade settlement in the Indian rupee.

Recently, a Sri Lankan bank opened a Vostro account with the State Bank of India (SBI).

"Happy to note that a Sri Lankan bank has opened a Vostro account with the State Bank of India to conduct bilateral trade in INR. The High Commissioner discussed this & related matters with South Asia Regional Head of SBI Mr Vikas Goel today," the Indian embassy in Sri Lanka wrote on Twitter on Tuesday.

According to an earlier report by IANS, India is looking to expand the rupee trade in Africa, UAE, and Saudi Arabia as well. India and UAE have already started talks around the rupee settlement mechanism.

The bilateral trade between India and Bangladesh increased to $18.2 billion ($16.2 billion exports and $2 billion imports) in 2021-22 as against $10.8 billion in 2020-21.

Bangladesh is India's biggest trade partner in South Asia. India is the second biggest export partner for Bangladesh accounting for 12 per cent of the total. China, with a share of 21.5 per cent, is the biggest export partner for Bangladesh.

Source: business-standard.com- Dec 23, 2022

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Indian exporters can apply for certificates of origin electronically for shipments to Australia from Dec 29

Indian exporters will be able to apply online for seeking certificates of origin for exports to Australia from December 29 to enjoy the customs duty benefits under a free agreement finalised between the two countries. The agreement is coming into effect from December 29 this year.

Certificate of origin is a key document required for exports to those countries with which India has trade agreements. An exporter has to submit the certificate at the landing port of the importing country. The document is important to claim duty concessions under free trade agreements. This certificate is essential to prove where the goods come from.

"It is informed that the electronic platform for Certificates of Origin (eCoO) is being expanded to facilitate issuance of preferential certificates of origin for exports to Australia under India-Australia Economic Cooperation and Trade Agreement with effect from 29th December 2022," the Directorate General of Foreign Trade (DGFT) said in a trade notice.

It said on submission and approval of applications online under the trade agreement, the e-CoO system would generate one electronic copy.

"The electronic copy shall bear the image signature of the issuing officer and stamp of the issuing agency. The authenticity of any eCoO may be verified by scanning the QR code on the certificate, or by keying in the certificate number under the 'Verify Certificate' link on https://coo.dgft.gov.in," it added.

The authorised issuing agencies include Export Inspection Council, Marine Products Export Development Authority, Handicrafts Development Commissioner, Central Silk Board and Textile Committee.

Source: thehindubusinessline.com - Dec 23, 2022

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Five key trends that will affect India's economy in 2023

As we enter 2023, the big question is how India will weather the global slowdown.

After two tumultuous years, finally we will be ending 2022 with some optimism. The pandemic is behind us and while the Ukraine-Russia war lingers, its reverberations have subsided as the world learns to survive with it. The Indian economy is projected to record relatively healthy gross domestic product (GDP) growth of 6.9% in 2022-23 and inflation has started moderating. Corporate balance sheets are in good shape, with deleveraging over the last few years and banking sector non-performing assets having fallen. However, all is still not okay. Our problem of twin deficits has raised its ugly head again, with the current account deficit estimated at 3.6% of GDP and fiscal deficit budgeted at 6.4% of GDP in 2022-23. India is feeling the pinch of a global slowdown, with exports showing weakness. Hence, as we enter 2023, the big question is how India will weather the global slowdown. Here are five themes that are likely to have a significant bearing.

Global headwinds to accentuate: With global GDP growth slowing to 2.7% in 2023 from 3.2% in 2022, the Indian economy cannot remain immune. Global trade growth is projected to fall to 1% in 2023 from 3.5% in 2022. With exports contributing 20% to GDP, India will definitely feel the pain of this slowdown. India's merchandise exports have fallen by 16% in the three months to November compared to the previous three months. Sectors with high export-intensity like engineering goods, gems and jewellery, textiles and pharmaceuticals will specifically feel the pinch of a global slowdown. Given that many export-intensive sectors are also labour-intensive, this will have adverse implications for employment too. With exports slowing and the trade deficit widening, we will face challenges in financing the current account deficit, given the global rise in interest rates.

Inflation concerns to abate: While consumer and wholesale inflation have fallen in the last two months, the critical aspect now is how much time it will take to get sticky core inflation down. Core inflation tends to get more ingrained in the system, making it difficult to reverse the trend. With the recent sharp fall in food price inflation (5.1% in November from 8.4% in September), household inflationary expectations are likely to moderate, and that, along with a moderation in global commodity prices, should help contain core inflation to some extent. While goods inflation has been falling, services inflation has been inching up. But it is also likely to moderate in 2023 as pent-up demand fizzles out. We expect the consumer price index-based inflation to average 5.2% in 2023-24, which will still be above the Reserve Bank of India's (RBI) 4% target. Moderation of inflation will be supportive of a consumption revival in 2023. With inflation coming within the target band, RBI will get a breather. However, with stubborn core inflation, we cannot rule out one more rate hike in the beginning of 2023.

Capital expenditure to pick up but at a gradual pace: The government will continue to focus on a capital expenditure-based recovery in 2023. Specifically, the transport sector, including roads and railways, will benefit from it. With corporate deleveraging in the last few years and rising capacity utilization levels, the ground is favourable for a private capital expenditure revival.

The share of private players in new investment proposals data from the Centre for Monitoring Indian Economy has increased to 85-90% from 65-70% a year ago, indicating a stronger private-sector intent to invest. Government initiatives like the production-linked incentive scheme are also supportive of a pick up in private capital expenditure. However, its pace will be gradual in the midst of the global slowdown and tightening financing conditions.

India will gain from China-plus-one strategies: Our increase in foreign direct investment (FDI) over the past decade has been quite gradual (5% compounded annual growth rate). In the next few years, we can expect a pick-up in FDI, given India's stable macro-economic environment and improved rank on the Ease of Doing Business index (No. 62 in 2019 from No. 77 in 2018). However, the pace of increase will also be gradual. For a big FDI jump, India will have to make the country's business environment and policies more conducive. Better access to global markets through trade agreements can give FDI a push.

Trade negotiations will gain prominence: India recently signed trade agreements with the UAE and Australia. Next year will be busy for trade negotiations, as India evaluates free-trade agreements with the UK, EU, Gulf Cooperation Council and Canada. India's share in global merchandise trade in the last decade has increased by a tiny 0.2 percentage point to 1.8% (China's share went up by 3.5 percentage points).

New trade agreements are expected to help India gain greater share. Of course, the terms of these trade pacts would be critical for India to benefit on a net basis and that is where caution is needed.

There is no shying away from globalization and 2023 will re-emphasize this for the Indian economy. The global slowdown and tightening of finance conditions will impact India's economy through various channels. The critical aspect will be how India navigates its way ahead. This includes how cautiously trade pacts with key economies are evaluated as the country further embraces globalization and its G20 presidency provides a special opportunity to influence the global landscape at a turbulent juncture.

Source: livemint.com- Dec 23, 2022

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Sixth round of India-UK FTA ends with detailed draft treaty talks

The sixth round of negotiations between India and the UK to finalise a free trade agreement (FTA) concluded last week with detailed draft treaty discussions across 11 policy areas over 28 separate sessions, the British government said on Thursday.

The UK's Department for International Trade (DIT) issued a joint outcome statement to confirm that the latest round, initiated by UK Trade Secretary Kemi Badenoch and Commerce Minister Piyush Goyal on December 12, concluded last Friday.

The seventh round of talks, expected to be held in the UK, is due to take place in early 2023.

"Technical discussions were held across 11 policy areas over 28 separate sessions. They included detailed draft treaty text discussions in these policy areas, the DIT statement reads.

As with the previous five official-level rounds, the DIT said the latest round was conducted in a hybrid fashion during which a number of UK officials travelled to New Delhi for negotiations and others attended virtually.

The joint outcome statement reads: "On 12-13 December, the Secretary of State for International Trade, Rt Hon Kemi Badenoch MP, visited India to initiate the sixth round of the UK-India free trade agreement (FTA) negotiations. She met with Piyush Goyal, Honourable Minister for Commerce and Industry, Government of India, where they welcomed the newest round of talks and discussed wider trade and investment opportunities for the UK and India.

"On 16 December 2022, the United Kingdom and the Republic of India concluded the sixth round of talks for a UK-India FTA.

According to official UK government data, India-UK bilateral trade currently stands at around GBP 29.6 billion a year. Both sides formally launched FTA negotiations at the start of this year with former prime minister Boris Johnson announcing a Diwali deadline for its conclusion. However, Prime Minister Rishi Sunak committed to working "at pace" towards an FTA that does not sacrifice quality for speed after that October deadline was missed amid political turmoil in the UK.

The UK government has said its target for the FTA is to achieve a deal to cut tariffs and open opportunities for UK services such as financial and legal, making it easier for British businesses to sell to the India economy.

Source: business-standard.com- Dec 22, 2022

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Australia looks to double trade with India as Chinese restrictions bite

Australia is eyeing India's burgeoning middle class to help offset the economic damage wrought to some of its major exports by the twin headwinds of Covid-19 and heavy restrictions imposed by its biggest trade partner, China.

With a middle-to-high income population of about 85 million people, according to Pew Research — roughly three times Australia's total population — it's seen as a prime target for sectors from education, to wine and tourism, all of which were hit badly by the pandemic and worsening relations with China.

Bilateral trade is expected to more than double to around A$60 billion over the next five years, after a pact that cuts or eliminates tariffs on a number of goods and services, and gives greater recognition of professional qualifications, comes into place on Dec. 29. While that's still just a sliver of Australia's two-way trade of A$280 billion with China, India's widely recognized as a huge piece of the country's diversification puzzle.

Australia's efforts are paying off, just as its relationship with China is also showing signs of thawing. Between April and October this year, India's imports of Australian goods climbed to US$12.3 billion, up 48% from a year ago. The mood is buoyant and Ajay Sahai, director general, Federation of Indian Export Organisations expects to see a further boost in coming years.

"Coal, copper, aluminium, cobalt we can see a sizable jump in all of this. Wine imports too would go up," Sahai said in an interview, referring to the potential benefits from the deal.

Australia, where the Indian diaspora represents about 3% of the population, established the Centre for Australia-India Relations in 2022 to promote policy dialog and administer scholarship and fellowship programs among other things. India and Australia are also part of a multi-year program to help Australian businesses compete in India and will this year host a leadership dialog, with Indian Prime Minister Narendra Modi likely in attendance.

Here are four sectors poised to benefit from stronger Australia-India ties:

Education

When international borders reopened earlier this year, Australia's higher education sector faced the daunting task of rebuilding the lucrative international student market. The job was made more difficult by China's insistence until recently on pursuing a Covid-zero strategy, which meant students from the mainland were largely unable to return to Australian campuses.

At the University of Sydney, 2022 marked the highest-ever international enrollments from outside China, Vice Chancellor Mark Scott said, with the surge driven by numbers from India. There was growth across all faculties and schools. After a recruitment trip to India in September, he's hopeful of further gains in 2023.

At the end of October, 121,868 Indian students were enrolled in the country, down about 13,300 on 2019. By comparison, enrollments from China are nowhere close to their pre-pandemic highs.

Universities expect to see a further jump in demand from India as under the new trade agreement, Indian graduates from select streams will qualify for the right to stay in Australia for longer to work, as well as the promise of mutual recognition of education qualifications.

Tourism

Tourism is another sector in which Australia is anxious to entice India's burgeoning middle class. Its efforts seem to be working, with the latest data in December showing India was the second-largest source country of visitors after New Zealand, replacing China in top five.

Earlier this year, Tourism Australia organized trips for a handful of Indian social media influencers to watch the ICC Men's T20 Cricket World Cup in Melbourne in October. The push was part of a broader, global A$125 million campaign, a spokesperson for the tourism body said.

One of the influencers was Barkha Singh, whose video grooving on a popular Bollywood number with Australian food critic and TV presenter Matt Preston garnered 1.3 million views. Other posts from Singh included a helicopter ride at Rottnest Island, diving at the Great Barrier Reef and Instagram reels of the India versus Pakistan match.

Still, Indian holidaymakers are not as lucrative as Chinese visitors for Australian businesses as their spending power is still relatively feeble compared to China.

The tourism sector needs almost twice as many visitors from India than from China to make the same revenue, according to economists at Australia & New Zealand Banking Group.

Critical Minerals

India was Australia's second largest export market for coal in 2020-21, according to government data. Australia's coal trade with India vastly outstrips other exports in value and it is still growing.

But as the world moves away from fossil fuels, Australia shouldn't trust its coal trade with India to remain strong, according to Raghbendra Jha, professor emeritus at the Australian National University's Crawford School of Public Policy.

"Both India and Australia will be making very sharp and, right now, unpredictable changes in their energy mix," he said.

Still, there are opportunities in the resources sector. Australia has 21 out of the 49 minerals that have been identified in India's critical minerals strategy so there's a "perfect marriage in their efforts to de-carbonize their economies," said Lisa Singh, CEO of Melbourne-based Australia-India Institute and deputy chair of the Australian government's Australia-India Council.

Wine Wins

In the 12 months through September 2022, Australia was India's biggest source of wine, with A$16.2 million imports, an 81% gain on the year prior, according to government data.

Its budding wine market is projected to grow 8% a year to 2024, off a low base, as changing attitudes to alcohol have led to an increase in wine drinkers, said Austrade. The bilateral trade pact will slash tariffs on Australian wine, giving it a further boost.

The trade deal is also expected to improve access for other Australian sectors including pharmaceuticals, cosmetics, lentils, sheepmeat and horticulture exporters, said Trade Minister Don Farrell in a statement.

Still, while some thrive, other industries hit by China trade troubles are expected to miss out.

With a huge rural population, whose livelihoods depend on subsistence farming, Australian agricultural exports like barley are unlikely to find a home in India, says University of Sydney's Patricia Ranald.

Source: business-standard.com- Dec 23, 2022

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In boost to trade in rupees, Bank of Ceylon opens account in Chennai branch

With the recent acceptance of Indian rupee (INR) as a designated foreign currency by the Central Bank of Sri Lanka to promote trade and tourism within the SAARC region, Bank of Ceylon (BOC) opened up its first account in INR with its Chennai branch.

Consequently, the bank carried out the very first transaction in Indian rupees with India through this channel, becoming the very first Sri Lankan bank to initiate such a transaction, which also marks the beginning of a new chapter in foreign trade of the country.

Following this new initiative, the Sri Lankan residents are now able to carry out trade transactions directly in INR and not having to go through forex conversion loss of Lankan Rupee to US dollars then US dollars to INR.

In order to fully carry out this initiative, BOC has completed all necessary requirements to include INR as a designated currency and has been able to arrange bilateral transactions with India. The bank looks forward to further assist its customers in exports, imports and remittances while reducing the dependence of US dollars.

It is expected that the economic and commercial partnership between the two countries will also reach to new heights, which will immensely facilitate the exporters and importers in both countries.

Source: economictimes.com- Dec 22, 2022

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Centre rules out an increase in MSP for cotton, but farmers seek more

While cotton farmers in several States have demanded an increase in the minimum support price (MSP) of the crop, the Centre has said that it is "watching" the cotton production scenario and decide accordingly.

A senior official of the Union Textile Ministry told The Hindu that the domestic prices right now are higher than the MSP of cotton. "MSP operations will kick in if prices fall. At this point, it is not necessary. We are fully ready to come into MSP," the official said, adding that the Cotton Corporation of India will also start procurement if the market is unable to ensure MSP for cotton.

The MSP for medium staple cotton for 2022-23 kharif season is ₹6,080. Though farmers said they got prices much higher than MSP for their produce, it was inadequate given the rise in price of input items such as seeds, pesticides and fertilisers.

For Praful Khandhadia, a cotton farmer from Rajkot, the fortunate absence of pink bollworm — a major menace — meant a comfortable production, he had to contend with other problems.

"The income from cotton was not good in the last four years. So I have not cultivated cotton on about 60% of my land. Sowing was less, but the production was good. The harvest is going on. It will be over by mid-February," he said.

Mr. Khandhadia is able to get ₹8,500 per quintal at present. "It is higher than the MSP. Last March, some farmers got even ₹15,000 per quintal but the production was very less. Given the increased input cost, the MSP should be at least ₹10,000 per quintal. We are selling the crop for ₹8,500 because of our immediate household and farm requirements," he said.

Harvest of cotton is over in Punjab. In Fazilka, a major cotton belt in Punjab, farmers are getting about ₹8,200 per quintal on average. "The production was just three quintals on average for an acre here. We used to get at least 15 quintals from one acre. We have been demanding compensation for cotton farmers. The seed-supplying companies are the major culprits for our losses. They should be held liable for supplying bad-quality seeds. Cotton is a cash crop for us. Our lives are dependent on this.

But the companies are looting us," Gurbhej Rohiwala, Bharatiya Kisan Union (Ekta-Ugrahan) Fazilka district president, said.

In Maharashtra, some farmers have got as much as ₹12,000 per quintal, Ajit Nawale, All India Kisan Sabha's Maharashtra secretary, said. However, some have had a low production because of the pink bollworm attack

"The prices are good because of the global situation. The import has decreased and that is the reason why farmers are getting good prices. We have been demanding that cotton import should be banned at any cost. Along with this, cotton seeds import should also be stopped. Cotton seeds too have good demand and price as it is used as cattle and poultry feed," he said.

Source: thehindu.com- Dec 23, 2022

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