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INTERNATIONAL NEWS

USA: No Surprise: Cotton Acres Heading Down for 2023

This might have been easier with a blindfold and a dart board.

Granted, Cotton Grower's annual cotton acreage survey could/should never be mistaken for true scientific research. We leave that to the National Cotton Council and USDA, and we'll hear from them soon. But it is based on input and conversations with multiple stakeholders in the cotton industry — our readers, state cotton specialists, economists, and others related to U.S. cotton. It's a reporting job, and we try to do our best with the information we get.

With that disclaimer out of the way, there was one overriding comment in nearly every response we received — cotton prices in relation to other commodities will strongly influence cropping decisions and acres for 2023. And, of course, that pesky cost of production in inflationary times will certainly have an impact, too.

That said — and based on the information in hand as we go to press — U.S. cotton growers are projected to plant a total (upland and Pima) of 11.57 million acres in 2023. That's a drop of roughly one million acres from USDA's 2022 reported plantings last June — a 7% decrease. That's not surprising.

Let's look at what some of our respondents told us on a regional basis.

Southeast

Overall, sources in Alabama, Florida, Georgia, the Carolinas, and Virginia indicated that they'll plant 2,412,000 acres of cotton in 2023 — a 4% decrease from 2022. As the number indicates, acreage across the region should hold relatively steady to slightly down — due, again, to market prices and input costs. Only Alabama anticipates an acreage increase.

"Once we reached mid-September 2022, we had great weather for cotton in terms of yield and quality preservation, as well as harvest operations," reports Steve Brown, Alabama Extension Cotton Specialist. "Overall, we had better– than– expected yields in many areas. Our irrigation capacity is limited even where we have it (less than 10% of our total acreage), and corn was severely challenged in 2022. With such limitations, cotton is a superior alternative to corn."

"Acres in North Carolina will largely depend on cotton prices and prices of other commodities, mainly corn and beans, as we move into the new year and approach planting season," says Guy Collins, North Carolina State Extension Cotton Specialist. "Most folks have had two good years in a row, so there are no complaints about cotton at the moment. If cotton prices are low and other commodities are not as we approach planting season, our acreage will likely be less. If prices of all commodities are noticeably lower, the key for cotton success will depend on if production costs decrease proportionately, which looks doubtful."

"I think that with the price of cotton below what it was this time a year ago and the price of inputs remaining stagnant, growers' intentions as of right now are probably to plant less cotton than in 2022," adds Camp Hand, University of Georgia Extension Cotton Specialist. "However, there are very few crops that fit in our rotations as well as cotton. Soybeans and corn will be attractive to growers but only fit on irrigated acres, and soybeans don't fit our rotation with peanuts."

Mid-South

Although most Mid-South states are projecting slight acreage decreases for 2023, those losses appear to be offset by slight increases in Arkansas and Mississippi. When totaled, the survey results show 1.86 million acres for 2023 across the five-state region.

"I don't recall a year with more uncertainty on acreage intent," says Tyson Raper, University of Tennessee Extension Cotton Specialist. "I believe we will likely have a slight decline in acreage, but I don't know where the floor might be for 2023. With current input prices, many growers seem lukewarm on cotton. Double cropped wheat and soybeans and full season soybeans will likely take a portion of the cotton acres for 2023."

"I am expecting cotton numbers to be similar in southeast Missouri for the 2023 compared to 2022," projects Bradley Wilson, University of Missouri Extension Cotton Specialist. "We had 360,000 estimated acres in 2022, and acreages are likely to remain steady around this number in 2023.

Prices are trending lower in 2023 than 2022 but are near 80 cents at this time, which will keep our acres in Missouri for the 2023 season."

On the flip side, LSU Extension Cotton Specialist Matt Foster expects to see a 20,000+ acre decrease for cotton in the state. "I believe cotton acreage will decrease in 2023 due to lower price and a lower state average yield for the 2022 crop due to adverse weather conditions," he says.

Southwest

Here's where projections start to get tricky. After anticipating more cotton acres in 2022, the Southwest states were hammered by drought and heat all season, resulting in a high percentage of insurance claims and abandoned acres. Although most of the region has received recent rains, it hasn't been enough to reduce overall drought levels. And there are still concerns about how much soil moisture will be available at planting.

Based on our survey input, Kansas, Oklahoma, and Texas acres combined anticipate planting 6,535,000 cotton acres in 2023 — down roughly 16% from planted acres in 2022.

"Because the price of wheat is so high, we might see cotton acres drop 5% to 10%," explains Dr. John Robinson, Texas A&M AgriLife Extension Cotton Marketing Specialist. "But growers will still go with cotton because it's the best thing to grow if it's dry and the best thing to pencil out as an insurance loss. Either way, it's the most rational thing to do."

Western

Once again, grower decisions on cotton in California, Arizona, and New Mexico hinge entirely on water availability — or the lack thereof. Water stresses for the region in 2022 were severe. And although recent rains will help, there are still few signs of improvement in place (or sight) heading into 2023.

At press time, respondents were not optimistic about cotton's chances in the region, with projected acreage decreases of ranging from 20% for Pima to as much as 40% for upland. That pencils out to approximately 261,000 total cotton acres for 2023 across the three states — a 14.7% decrease of roughly 45,000 acres.

Snapshot in Time

Quite honestly, this year's survey has more uncertainty and trap doors due to uncontrollable market factors than in previous years. Few respondents were fully confident in their projections. This is the best guesstimate we have at this time.

The Cotton Grower survey reflects a snapshot of the market situation and prevailing attitudes in late November and early December as 2023 harvest was still wrapping up in some areas. Many thanks to the growers, ginners, consultants, specialists, and other industry sources for their input.

We look forward to the projections coming from the National Cotton Council in February and from USDA-NASS in March.

Source: cottongrower.com- Jan 01, 2023

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China's textiles & apparel exports at $297 bn in Jan-Nov 2022

China's exports of textiles, apparel and clothing accessories increased to $297.629 billion in the first eleven months of the current year, registering a growth of 4.57 per cent year-on-year. The latest monthly data released by the General Administration of Customs of China shows that the country's garment exports grew by 4.3 per cent in the same period.

Garments and clothing accessories exports reached $160.703 billion in the first eleven months, which was 4.3 per cent higher than the same period of last year. China's textile exports, including yarn, fabrics, and others, registered a growth of 4.7 per cent year-on-year and the shipment reached $136.926 billion in January-November 2022.

Textile and apparel exports during November 2022 amounted to $24.385 billion. Out of this, textile, yarn, and articles exports earned $11.266 billion, while garments and clothing accessories fetched $13.119 billion in November this year, as per the data.

Source: fibre2fashion.com - Jan 03, 2023

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China's waterway freight volume jumps 4.3% YoY in Jan-Nov 2022

China's waterway cargo transport increased at a steady rate from January to November 2022, showing a 4.3 per cent year-on-year (YoY) rise in total freight volume. In just November 2022, the nation's waterways handled cargo up to 760 million tonnes, according to data from the country's ministry of transport.

Moreover, about 7.8 billion tonnes of cargo was carried via waterways in China during the first 11 months of 2022.
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During the period, figures from China's ministry of transport showed that northeast China's Liaoning province saw 26.8 per cent YoY growth followed by central China's Hubei province and south China's Hainan province, as per various Chinese media reports.

Source: fibre2fashion.com – Jan 02, 2023

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Turkiye's manufacturing PMI rises to 48.1 in December 2022: S&P Global

Turkiye's headline purchasing managers' index (PMI) rose to 48.1 in December 2022, up from 45.7 in November 2022, according to the PMI survey data from Istanbul Chamber of Industry and S&P Global. The country's December PMI reading was the highest since June 2022 and pointed to a modest softening in the health of the manufacturing sector.

December saw softer moderations in output and new orders, while employment increased at the fastest pace since February 2022. Meanwhile, inflationary pressures remained much more muted than earlier in the year, according to the survey's data.

Signs of improvement were evident in terms of demand, with total new orders slowing to the joint least extent in almost a year. That said, there were some reports that inflationary pressures continued to weigh on demand, while global market weakness meant that new export orders moderated to a greater extent than total new business.

Manufacturing production also eased to a lesser extent in December, with the latest slowdown the weakest since February 2022. Panellists linked the easing of output to a combination of price pressures and soft demand. However, other respondents noted some signs of improvement.

Similarly, input buying moderated to a much softer extent than in November. Meanwhile, these signs of improvement supported a second successive month of employment growth. In fact, the rise in staffing levels was the sharpest in ten months.

After having slowed to a three-year low in November, the rate of input cost inflation remained relatively muted in December. In turn, output prices rose at the same pace as in the previous survey period, with the rate of inflation much softer than seen earlier in the year.

As was the case in November, suppliers' delivery times shortened to one of the greatest extents on record amid reports of weak demand for inputs and reduced port disruption.

Finally, an eighth successive rise in stocks of finished goods extended the longest sequence of accumulation in the survey's history but was only fractional.

Source: fibre2fashion.com – Jan 02, 2023

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Vietnam's textile-garment exports may touch $48 bn in 2023

Vietnam's textile-garment exports are anticipated to go up to $47–48 billion considering the positive case scenario and $45–46 billion considering the negative case scenario in 2023, as per the Vietnam Textile and Apparel Association (VITAS). In either scenario, the East Asian nation's textile and garment markets will not be able to recover in the first six months of 2023.

In the positive case scenario, global market instabilities will be regulated, and all activities of the textile-garment sector may have recovered by the end of the first quarter (Q1). In the middle case scenario, instabilities and inflation will continue and interest rates will still rise until Q3 with exports remaining unchanged compared to 2022. Finally, in the worst-case scenario, the world economy could face a recession and revenue for 2023 could decrease by 5 per cent annually, Vietnamese media reports said quoting VITAS.

As international markets currently are not placing long-term textile and garment orders, businesses can shift to the production of lower value items. As businesses first began to diversify markets and products in 2022, growth was still maintained. Experts are optimistic about the coming year with the Asia-Pacific region projected to be the fastest-growing region in 2023, a drop in logistics expenses, and China easing the zero-COVID policy, among other factors.

The Vietnam National Textile and Garment Group (VINATEX) predicted its 2022 consolidated revenue to be more than 19.53 trillion VND ($826.84 million), which is 8 per cent higher than the target and a 15 per cent increase from 2021. The group calculated its consolidated profit at over 1 trillion VND, which is a 14.6 per cent rise from the target.

"In the best-case one—the global economy will have become stable and geopolitical conflicts been over by the end of Q2 exports this year may go up 4–5 per cent from 2022," said VINATEX president Le Tien Truong.

Source: fibre2fashion.com – Jan 02, 2023

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Bangladesh: A year of investment for garments and textiles

Buyers from western countries, especially from the USA, have started to shift their orders from China as part of reducing dependency on Beijing for geopolitical reasons.

This trend will continue in the upcoming year. In this case, Bangladesh can be a good alternative for western buyers. The western countries can also move out orders from Vietnam and Bangladesh will have a chance to grab them too.

Meanwhile, in the last few months, Bangladesh has received orders from the United States at a higher rate compared to two major suppliers- China and Vietnam.

Bangladesh's garments exports in the USA have seen 54% growth at the beginning of the current year. Besides, China's moving towards high-tech industry and the latest coronavirus surge in that country can play big roles in diverting RMG orders to Bangladesh.

For these reasons, I think Bangladesh's apparel export growth in 2023 will not slow down compared to 2022. Rather, it may increase.

The next year will be the year of investment in the backward and forward linkage industry of the apparel sector for the years to come. We have to prepare for the future. That is why 2023 should be a busy year for entrepreneurs in this sector. We should look for future possibilities.

The DBL Group is also working in this regard and planning new investments in the sector.

In 2004, there was much speculation about export growth while the quota system on garments exports was lifted. But those who invested gained a good profit.

Many world-famous commodity traders are planning to open warehouses in Bangladesh. If one company opens a warehouse in this country, others will follow. As a result, Bangladesh is going to have good prospects in the coming years.

We have to be involved in long-term planning. Our buyers have confidence in Bangladeshi suppliers and new buyers are also coming. The DBL Group is also getting new buyers.

Outerwear, sportswear, lingerie and cotton-based high-end products have good export potential. We must be proactive to grasp these possibilities.

However, policy support from the government will also be required. Especially, the industry needs energy support, an investment-friendly environment, policy reform, upgraded logistics and corporate governance etc.

I visited South Korea last October and saw how a country can support its industries. They provide support to the industrial sector according to demand. They have separate cells to support the textile industry and they regularly communicate with businessmen and entrepreneurs.

The government in Bangladesh needs to reform the policy for economic zones. It is also important to modernise the customs and port activities in the country. We need trained manpower with technical knowledge. No one will invest here considering the labour costs as labour cost is nothing nowadays. We need to work closely to coordinate the industry, the policymakers and the academia in line with the demand of the industry.

Source: tbsnews.net- Jan 02, 2023

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Pakistan: Sustaining exports –decarbonization

Pakistan's exports-based economy is heavily reliant upon its textile sector. More than 60% of the country's exports are comprised of textiles and the industry employs 40% of the country's labour force (International Finance Corporation n.d.).

The industry is currently experiencing two crucial scenarios: High production costs due to country's poor economic performance and extrinsic pressure from the top export destinations in the form of mounting stringent compliance policies. While smooth economic performance is critical for the industry's even functioning, the latter is the matter of survival.

The European Union (EU) is Pakistan's top textile export destination, as 80% of the country's exports to the EU are textiles (European Commission n.d.a) (figure 1). Therefore, any policies implemented by the EU regarding its industrial imports, are also majorly associated with Pakistan's textile exports.

EU has displayed serious commitment towards tackling climate change and therefore, has taken promising initiatives and legislative reforms to enhance environmental compliance via decarbonization in the industries. In case of Pakistan, EU has mandated the textile industry to comply with the mandatory international conventions on environment and climate change, compulsory for the GSP+ continuation.

Further, a recent agreement on the Carbon Border Adjustment Mechanism (CBAM) is another milestone achieved to limit the carbon emissions and prevent carbon leakage. CBAM is a climate measure, that aims to reduce carbon footprint of the dirty products via a system of CBAM certificates.

It also makes it obligatory for the EU importers to pay same carbon price as domestic producers under EU Emissions Trading System (ETS). This "will ensure equal treatment for products made in the EU and imports from elsewhere and avoid carbon leakage" (European Commission 2021b).

CBAM is a more stringent climate policy, that aims to enhance global efforts to combat climate change. The recent agreements on CBAM indicate that, with the passage of time, the global efforts to decarbonize manufacturing processes will rise, that will be gradually multiplied to the textile sector.

Additionally, the global export market will become highly competitive for the exporters, such as Pakistan, with less stringent climate policies and carbon-intensive products. EU will gradually phase out less compliant and less competitive countries and Pakistan, based on its current industrial decarbonization policies, is not far from experiencing this shock.

The textile sector’s environmental compliance in the increasingly competitive and demanding export markets is crucial, as failure to decarbonization will severely hinder the socioeconomic development and environmental sustainability in Pakistan.

This is majorly because, the EU’s preferential status (GSP+) to the textile exports has supported Pakistan to enhance its capabilities to grow in a sustainable manner, diversify its economy and create employment opportunities. It has accelerated the country’s efforts in improving compliance to major human and labour rights and environment and good governance related international conventions.

The industry’s current progress on decarbonization indicates that, it has shown promising commitment to achieve net zero by adopting a green supply chain philosophy. The Net Zero Pakistan initiative, for instance, is Pakistan’s largest net zero coalition and is the only second country-wide program, under Global Race to Zero, after Japan. It is a collaborative effort between non-government organizations, leading textile companies, public institutions and sector experts.

The textile companies, in this coalition, commit to set science-based net zero targets, measure and disclose their GHG emissions, decarbonize their value chains and advocate for climate action (Pakistan Environment Trust). The rising coalition building under this initiative has become instrumental in catalyzing the net zero ambition and is increasingly recognized globally as one of the first net zero initiatives from the global south. The progress, however, indicates a slow pace.

The industry needs to take serious consideration of the fact that the mandate from the global community of buyers to decarbonize the textile value chain is rising. Transitioning away from the traditional energy sources to renewable energy sources has become obligatory. It is, therefore, essential for Pakistan's textile industry to reduce its carbon footprint by transitioning to clean energy sources by adopting long-term and sustainable pathways to decarbonization.

The current efforts to meet the increasing energy demand from the renewables must expand and the existing technical capacity must be strengthened to further utilize solar, wind, thermal and geo-thermal energy sources. This must take place in a very stringent time-frame and requires both the industry and the government to come together to ensure policy coherence by devising rigorous decarbonization frameworks for the industry, that include both financial and technical considerations.

Thus, the textile industry must expedite its current progress and devise more rigorous and long-term climate policies to stay in line with other regional export competitors.

As decarbonization has become non optional, the industry must develop a comprehensive plan and strategy for meeting the global net zero targets in order to protect and expand Pakistan's exports as well as the profitability of its companies.

Source: brecorder.com- Jan 02, 2023

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NATIONAL NEWS

Union Commerce and Industry Minister, Shri Piyush Goyal reviews PM GatiShakti with 8 infrastructure Ministries

The Union Commerce and Industry Minister, Shri Piyush Goyal, reviewed progress of PM GatiShakti today at Vanijya Bhawan, New Delhi with senior officials from 8 infrastructure Ministries.

Since its launch in October 2021, infrastructure projects approved by the Cabinet have either been completed or are already under implementation. The Network Planning Group (NPG), under the PM GatiShakti institutional structure, has held 41 meetings in the last one year. 61 project proposals pertaining to road, railways, natural gas, ports and urban infrastructure have been evaluated in terms of optimising PM GatiShakti principles and recommended by NPG for implementation in the coming years.

Shri Goyal appreciated the progress made by Central Ministries and States, and emphasized that PM GatiShakti needs to play a proactive role for planning and in sound decision making.

Ministries were requested to identify attributes for data layers which will further enhance the NMP Platform. Ministries have developed necessary mechanisms for validation and standardisation of data on their respective portals. This is helping in optimum planning and sound decision making across all layers of governance.

It was informed that 12 Social Sector Ministries namely MoHUA, D/o of School Education & Literacy, D/o Higher Education, M/o Women & Child Development, M/o Tribal Affairs, M/o Panchayati Raj, M/o Health and Family Welfare, D/o Sports, D/o of Youth Affair and Sports, M/o Rural Development, M/o Culture and D/o of Posts are in advanced stages of data integration in the NMP Platform

With India now holding the G20 presidency 2023, creating a resilient and efficient logistics ecosystem and promoting seamless multimodal international transportation and transit is being put on international priority. As part of the Trade and Investment Working Group (TIWG), “Logistics for Trade" has been identified as one of the priority issues.

During the meeting various ministries made presentations and deliberated their progress and achievements under PM GatiShakti’s whole of the government approach. The value addition brought to planning of infrastructure Ministries was discussed and best practices identified and showcased.

The Ministries that participated in the review were- M/o Railways, MoRTH, MoPSW, MoCA, Power, DoT, MoPNG, MNRE, Textile and Steel.

Source: pib.gov.in- Jan 02, 2023

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Can Budget 2023 help boost India's manufacturing ambitions amid cooling external demand?

The Narendra Modi government in the last few years has cemented its intentions of making India a manufacturing hub for the world with the Make in India campaign. However, global demand for goods is cooling amid a slowdown thereby putting the manufacturing sector under pressure and as a result, India's exports might take a hit.

The Centre may need to tweak its policies in the upcoming Budget to address these concerns as it stands to take a toll on India's export revenue and hamper economic growth.

Analysts have suggested that the manufacturing sector is likely to be impacted by the lower external demand amid global slowdown. The downtrend in the global economy can be attributed to multiple headwinds including geopolitical tensions and rising commodity prices due to elevated inflation. Global trade lost momentum in the first six months of 2022 owing to these factors.

The Modi-led government has been aiming to make India a global manufacturing hotspot, however, low external demand may turn out to be a stumbling block.

The export-intensive sectors of India, including gems & jewellery, ceramic & glassware, leather & leather products, drugs & pharmaceuticals, engineering & electrical goods and textiles & garments, are likely to be hit majorly amid a global slowdown in world trade.

Sectors like textiles and garments, gems & jewellery and leather products are highly labour-intensive as well. Hence, a slowdown in these sectors will have implications for the overall employment scenario in the economy as well, suggested the report.

Stakeholders from these export-intensive industries have been making some demands ahead of the budget. The Council for Leather Exports (CLE) demanded reinstatement of basic customs duty exemption on wet blue crust and finished leather to boost the shipments.

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

In addition, the commerce ministry has also sought a cut in the import duty on gold in the upcoming budget. The decision comes with a view to push exports and manufacturing of the gems and jewellery sector

India's merchandise exports have also shown weakness in midst of the global slowdown.

"Overall merchandise exports during the last three months (September-November period) contracted by 2.5% y-o-y as against a growth of 16% y-o-y in the previous three months. The double-digit export growth during the June-August period can be partially attributed to high global commodity prices."

India's export destinations facing tough times

The surge in Covid-19 cases in major economies like China and the US are certainly going to disrupt the outbound shipments from the Indian markets.

Given that India has a large trade deficit with China, worsening growth prospects in China are worrying for the Indian economy. Moreover, with the US and EU slowing down, India's trade surplus with these regions has also been falling.

Other significant factors which affect the trade, including movement of goods, adequate availability of containers and shipping lines, demand, stable currency and swift functioning banking systems, are also in a cluttered state.
India is likely to bear the consequences of these headwinds tampering growth of its major export destinations.

Lower demand worries to continue

The high raw material costs affected India's manufacturing sector.

"The manufacturing sector GVA contraction of 4.3% in Q2 FY23 was worse than expected," said the CareEgde report.

The commodity prices have remained up globally due to high levels across the countries. India's lower external demand was also reflected by a sharp contraction of 4% in the IIP data for October 2022.

As we move into 2023, the external environment is likely to remain challenging, with major economies projected to record a sharp deceleration in growth if not a recession. This, in turn, means that India's external demand may remain weak.

"The tightening of financing conditions globally will continue to impede growth while causing volatility in the financial markets. Given the volatile and uncertain global environment, India's economy will have to brace for tough times ahead," stated the report.

The FY24 budget is going to be the most significant one for the ruling government as it will be the last full budget before 2024 general assembly elections. It is expected to be centered around capital expenditure as a growth driver and give an impetus to manufacturing while continuing with the post-pandemic fiscal consolidation.

Source: economictimes.com- Jan 03, 2023

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Can rupee trade take off in 2023?

The Ukraine-Russia war followed by sanctions has had an interesting fallout — the opening of doors for foreign trade in local currency. Today, most foreign trade is in internationally accepted currencies like the dollar, euro and pound followed by yen and probably a bit of yuan and Swiss franc.

Recent IMF data on global holdings of forex reserves suggest that 60 per cent is held in dollars, followed by 18-20 per cent in euro, about 5 per cent each in yen and pound, and 3 per cent in yuan among others. Trade would broadly follow this pattern.

The idea of trading in domestic currency germinated against the backdrop of sanctions imposed on Russia. This was accompanied by impounding of its forex reserves held in dollar assets. As a further top-up, payments to Russia was banned from the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system.

As most payments go through SWIFT, dealing with Russia became tough. Sanctions have, however, been different this time with energy being virtually excluded — unlike in the case of Iran where the US had retribution clauses, the present situation does not carry such a threat.

Trade still carries on with Russia with payments being made through third parties, which is also common when commodities are dealt with globally; trading houses specialise in channelling payments and settling trades across countries. In this situation it makes sense for India to look to have rupee trade agreements with its partners.

The idea is not new but has been resurrected in the present situation. Essentially, this means that if we have a rupee rouble trade agreement, we would pay for imports in rupees converted to roubles and Russia would do so for their imports in rupees with the exchange rate being determined by a market factor. Sounds straightforward, but there are questions to be answered.

Rupee-rouble pact

Typically, two countries run either a deficit or surplus with the other. Therefore, one country will end up getting more of the other currency. The issue is whether it can be used elsewhere. While India imports more from Russia and will be paying rupees, the same cannot be used by Russia to buy goods from other countries. This is why we need hard currencies for foreign trade.

Any possibility of such trade must necessarily address this issue where domestic currency is used by the counterparty to settle transactions with a third party. This was also the context when experts have spoken on internationalisation of the rupee.

India is exploring having such agreements with various countries. Intuitively, it would work with countries where we run deficits, because if we are importing more than we export and pay in rupees, then that would be to our advantage. The table below gives the top countries with whom we run a trade deficit. As can be seen, in FY22 the cumulative deficit was around $230 billion for these 10 countries. If India is able to breakthrough with rupee trade with some of them, it would help in conserving forex. Five of these are oil supplying nations with around $90-95 billion of deficit.

The question is whether or not a rupee arrangement will work with any of them. Hypothetically, if Australia were to agree to rupee-Australian-dollar trade, they would end up with surplus rupees that cannot be used for trade with other countries. Therefore, a group of countries is needed where members are willing to accept each other’s currencies.

The table below gives the list of the top countries with whom we had a trade surplus. Interestingly we have the biggest surplus with US which helps in bringing in dollars in net terms for us.

The other countries with which we have considerable surplus are Bangladesh ($14 billion), Nepal and Sri Lanka (cumulative $13 billion). Here, while rupee trade would be acceptable, the question is whether we would be willing to accept takas.

A broader issue one needs to look at when considering rupee trade is — while it would be possible to group countries with similar mindsets and have Indian rupees being used within the closed user group, this would also mean that there would be less flow of dollars and other hard currencies.

India's Foreign trade in FY22

Deficit countries *($ billion)* Table 1

	Exports	Imports	Deficit
Australia	8,299	16,778	-8,479
Indonesia	8,483	17,720	-9,237
Korea (South)	8,099	17,464	-9,365
Kuwait	1,243	11,019	-9,776
Qatar	1,839	13,213	-11,374
UAE	28,067	44,884	-16,816
Switzerland	1,350	23,389	-22,039
Saudi Arabia	8,764	34,176	-25,412
Iraq	2,411	31,994	-29,582
China	21,229	94,216	-72,987

Surplus countries *($ billion)* Table 2

	Exports	Imports	Balance
US	76,168	43,348	32,820
Bangladesh	16,148	1,979	14,170
Nepal	9,642	1,370	8,272
The Netherlands	12,580	4,480	8,100
Turkey	8,728	1,997	6,731
Sri Lanka	5,815	1,010	4,805
UK	10,503	7,017	3,487
Italy	8,181	5,050	3,131
Spain	4,730	2,052	2,679
Israel	4,800	3,083	1,717

Currency bloc

Are we prepared for this? Therefore matching of countries is important, involving a mix of both the countries with whom we have surplus and deficit. Bangladesh may find it well to deal in domestic currencies but we will be losing out on the dollar surplus of say $14 billion as per the table which would go into the pool of dollars that finance imports from other countries.

Ideally, having rupee agreements with oil exporting countries will help to ease pressure on foreign exchange and hence India can work towards forming a currency bloc with the Gulf countries where the surplus rupees received by them will be used for trade within the group.

The need to have trade in domestic currencies is compelling because US will be using the tool of sanctions against countries that it believes are going wrong on the political side. This can lead to also putting an embargo on dealing through SWIFT, the international clearance system for currencies.

The Russia-Ukraine conflict exposes these vulnerabilities for the rest of the world. There is also the fear of dollar assets kept in US being frozen. Hence the Russia episode causes nations to think harder. This will be high on the agenda for 2023.

Source: thehindubusinessline.com- Jan 02, 2023

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Indian economy poised for further growth in 2023 despite global headwinds

The Indian economy recovered from the COVID-induced downturn during 2022 and is poised for further improvement in the coming quarters though downside risks emanating from geopolitical tensions, strengthening dollar and elevated inflation will continue. The positive trajectory in the growth trend and improved fundamentals will help the nation in neutralising the impact of global headwinds which are expected to have a bearing on the country's exports in the months to come.

The challenges before the government and the Reserve Bank in the new year would be to arrest inflation, check declining value of rupee against US dollar and promote private investment and growth, with a view to ensure that the country remains one the fastest growing major economies of the world. India recorded a growth of 9.7 per cent in the first half of 2022-23 (April-September), as against 5.6 per cent in Indonesia, 3.4 per cent in the UK, 3.3 per cent in Mexico, 3.2 per cent in the Euro area, 2.5 per cent in France, 2.2 per cent in China, 1.8 per cent in the USA and 1.7 per cent in Japan.

"From the viewpoint of India, in terms of headwinds originating abroad, the worst is probably behind us ... Overall, I still expect us to end the current fiscal year with a growth rate exceeding 7 per cent. "Next year, the 7 per cent growth rate should sustain assuming the forthcoming Budget does not have any negative surprises," opined former vice-chairman of the Niti Aayog and noted economist Arvind Panagariya.

The biggest problem the economy faced was persistent high inflation which remained above the Reserve Bank's comfort level for the most of the year. Infact, the RBI had to file a report to the central government on why it failed to check inflation.

The depreciating rupee against the US dollar too remained a challenge for policy makers making imports costlier and in turn impacting the country's current account deficit. The rupee, according to analysts, will continue to remain under pressure in the coming months.

Exports too faced global headwinds and the things may not be rosy either in 2023, because of recession in key western markets and geo-political crisis due to the Russia-Ukraine war. Later months of 2022 witnessed lots of job cuts in the technology segment amid global economic turmoil, though a mixed bag of opportunities is likely to greet job aspirants in the New Year as telecom and services-oriented sectors are anticipated to accelerate hiring.

Andrew Wood, Director, Sovereign & International Public Finance Ratings, S&P Global Ratings said that India 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. While this tailwind will fade heading into FY24, we still expect India to achieve solid growth next year," Wood added.

India also 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, he added. The Reserve Bank front-loaded interest rate hikes to check inflation as well as rupee depreciation triggered by repeated hike in interest rate by the US Federal Reserve, thus making loans dearer.

However, a surge in post-pandemic pent-up demand helped India's property market, one of the largest employers in the country, overcome risks from rising interest rates this year but the dream run might face hurdles from global headwinds in 2023. The government too is hopeful to meet the fiscal deficit target of 6.4 per of the GDP on back buoyancy in revenue collection.

Former Reserve Bank Governor Raghuram Rajan has opined that the next year will be difficult for the Indian economy as also for the rest of the world and the country failed to "generate reforms" needed for growth. He said policies should be formulated keeping in mind the lower middle class which suffered the most due to the coronavirus pandemic.

Rajan also pitched for creating a conducive environment for small and medium-scale industries and giving a push to a green revolution in the field of sustainable energy.

Source: economictimes.com- Jan 2, 2023

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GTRI suggests seven steps for Indian traders to make full use of FTA with Australia

Indian traders should follow seven steps, including knowing trade policy and rules of origin of respective products in Australia in order to take full advantage of the recently implemented free trade agreement, according to a study by GTRI. The India-Australia free trade agreement came into effect on December 29, 2022.

The Global Trade Research Initiative (GTRI) said India-Australia Economic Cooperation and Trade Agreement (ECTA) offers many concessions to exporters and importers of both countries, but the concessions are product-specific, and firms must check if their products benefit from the pact.

"We have suggested a seven-step process to ensure that the firms do not miss critical details while exporting or importing under ECTA," it said.

Utilisation rate of India's free trade agreements (FTAs) is low and one of the factors is low awareness about the process and its benefits, it said adding these steps can help Indian companies make full use of the trade agreement.

The steps include knowing the correct HSN codes in the documents as the tariff classification of the same product may differ in India and Australia.

In trade parlance, every product is categorised under an HSN (Harmonised System of Nomenclature) code. It helps in systematic classification of goods across the globe.

The 'rules of origin' provision prescribes minimal processing that should happen in the FTA country so that the final manufactured product may be called originating goods in that country.

Under this provision, a country that has inked an FTA with India cannot dump goods from some third country in the Indian market by just putting a label on it. It has to undertake a prescribed value addition in that product to export to India. Rules of origin norms help contain dumping of goods.

"Indian exporters must know the export policy of India and the import policy in Australia for its product. India does not allow the import of items like wild animals and ivory products on public health, safety, and moral grounds," GTRI said adding trade agreements merely provide duty concession and do not give relaxation on import policy provisions.

It added that no imports are allowed if a product falls under the prohibited list of imports.

GTRI also said Indian firms must also compare the MFN (most favoured nation) duty and trade agreement duties for a product as a company benefits from an agreement only when the customs duty under that pact is lower than the MFN duty.

MFN is a WTO (World Trade Organization) term indicating that a country must charge the same import duty from all countries for a product. When two countries do a trade pact, they decide to cut such duties on most products.

"A product must qualify as originating goods of the exporting party to get FTA duty concessions," it added.

It also said that once a firm is sure that its product meets the rules of origin criteria, it should apply for issuing a Certificate of Origin (COO) to the agency nominated by the Indian or Australian government.

Former Indian Trade Service officer Ajay Srivastava is the co-founder of GTRI. He took voluntary retirement from Government of India in March 2022. He has a rich experience in trade policy making, and issues related to WTO and FTAs.

He was involved in the negotiation process of India's FTAs with Japan and Australia.

Source: economictimes.com- Jan 2, 2023

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Trade in rupee with Russia: A good start with tea, pharma, engg goods items

The much-awaited trade settlement in the rupee with sanctions-hit Russia has started, with exporters witnessing such transactions fructifying for items, such as tea, pharmaceuticals, and engineering goods, people aware of the matter said.

Such transactions kicked off a week ago and are gradually expected to pick up pace amid the government's efforts towards ironing out the teething troubles related to the implementation of the rupee trade mechanism, said one of the persons cited above.

As on December 14, nine Indian banks had received approval to open 17 special vostro rupee accounts for trade settlement with Russia. These Indian banks are UCO Bank, Indian Bank, HDFC Bank, YES Bank, SBI, IndusInd Bank, IDBI Bank, Canara Bank, and Union Bank of India. Two more vostro accounts were opened with Russia's two largest banks -- Sberbank and VTB Bank.

After the announcement by the Reserve Bank of India (RBI) in July, the implementation of overseas trade settlement in the rupee was much-awaited, especially in the case of Russia. This was because exports to the country nosedived from March onwards due to the imposition of economic sanctions on it by the United States and its allies.

Exports to the country fell nearly 16 per cent year-on-year to $1.57 billion during the first seven months of the current fiscal year, according to commerce and industry ministry data. Russia was the fifth-largest trade partner during April-October, up from the 25th position in FY22, although this was driven by oil imports by India.

"We are looking at the rupee trade mechanism to pave the way for greater trade between India and Russia. Over a period, we also expect diversification of exports to Russia," said Ajay Sahai, director general and chief executive office of the Federation of Indian Exports Organisation (FIEO).

Even before the Russia-Ukraine conflict, India's top exports to Russia included items, such as electrical machinery, nuclear reactors, pharmaceutical products, iron and steel, and organic and inorganic chemicals. Over the past few months, orders for consumer products, such as tea, coffee, and vegetables, have also started pouring in.

Apart from Russia, overseas trade in the rupee is soon expected to kick start for smaller countries, such as Sri Lanka and Mauritius. Last month, the RBI allowed the opening of eight special vostro rupee accounts with four banks -- State Bank of India, Bank of Ceylon, Indian Bank, and HDFC Bank -- for transactions related to trade with Mauritius and Sri Lanka.

India is also in touch with other nations, such as the United Arab Emirates, Cuba, Sudan, and Luxembourg, to settle international trade in its currency. But nothing has materialised as yet.

Source: business-standard.com- Jan 02, 2023

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Railways' slow run in freight traffic continues, grows 3% in Dec

Freight carried by the Railways grew 3 per cent in December, marking a full quarter of modest performance in a financial year that earlier saw the national transporter set records in loading.

“During the month of December 2022, originating freight loading of 130.66 million tonnes (mt) has been achieved against loading of 126.8 mt in December 2021, which is an improvement of 3 per cent over last year. Freight revenue of Rs 14,573 crore has been achieved against Rs 12914 crore freight earnings in December 2021, thereby an improvement of 13 per cent over last year,” said the railways ministry. Railways’ freight grew by 1 per cent and 5 per cent in October and November. Commodity-wise data for December is not available yet.

On a cumulative basis, 1109.38 mt of goods were transported in FY23 against last year’s loading of 1029.96 mt, keeping overall growth at 8 per cent. Indian Railways earned Rs 1.2 trillion till December from freight, marking a growth of 16 per cent year-on-year.

Freight volume for raw materials did modestly, but the Railways had steady growth in its miscellaneous and finished goods segment. The transporter said this is because its service delivery at competitive prices is resulting in new traffic from conventional and non conventional commodity streams.

Experts said the transporter needs to maintain a CAGR of 10 per cent to meet its freight targets envisioned in the National Rail Plan. The government wants to significantly increase the national transporter’s freight numbers, along with its modal freight share to 45 per cent by 2030. As per government estimates, consolidated demand for freight will be over 6,300 mt by 2026 and 8220 mt by 2031.

The national transporter would need to account for over 3600 mt in 2031 to meet its NRP targets. In the near-term, it is targeting over 2000 mt by 2024.

Source: business-standard.com – Jan 02, 2023

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Cotton, soyabean, paddy growers get ₹8,000 cr above MSP in Oct-Dec

Farmers who sold cotton, soyabean, paddy and jowar crops in the agricultural produce marketing committee (APMC) markets from October to December 2022, the key harvesting season, have earned an additional ₹8,241.6 crore over the combined minimum support price (MSP) value, even as growers who stuck to urad, moong, bajra and ragi were unable to realise the MSP.

Mandi prices of kharif crops (₹/Quintal)

	Mandi prices	MSP	% change
Cotton (medium)	8,326	6,080	36.9
Soyabean	5,051	4,300	17.5
Paddy	2,171	2,040	6.4
Jowar	3,092	2,970	4.1
Tur	6,593	6,600	-0.1
Maize	1,956	1,962	-0.3
Groundnut	5,789	5,850	-1.0
Urad	5,895	6,600	-10.7
Moong	6,708	7,755	-13.5
Bajra	2,010	2,350	-14.5
Ragi	2,488	3,578	-30.5

Source: Agmarknet, All India weighted average during October-December, 2022

Data on arrivals and average all-India mandi (market) prices during the last three months, as captured by the official Agmarknet portal — an arm of the Agriculture Ministry, shows that cotton was priced ₹8,326/quintal, 37 per cent more than its MSP of ₹6,080/quintal (medium variety). Similarly, soyabean fetched ₹5,051/quintal, 17.5 per cent above the MSP (₹4,300), and paddy sold at an average of ₹2,171/quintal, 6 per cent above the MSP of ₹2,040. Jowar reported a modest ₹3,092/quintal average mandi rate, 4 per cent above its MSP of ₹2,970.

With cotton farmers in Telangana protesting against falling prices of the fibre crop, officials said the fall is about ₹500/quintal in a month from what was in November and now. “The drop is insignificant since this year the volatility is so high that cotton prices have jumped or dropped ₹800/quintal in a day in some markets. The government will definitely intervene in case rates fall below MSP. But it looks prices of cotton will remain robust for at least 1-2 months,” an official said. He cited the instance of soyabean which moved up further to ₹5,339/quintal now from ₹5,254/quintal in December.

Mandi rates of tur, maize and groundnut were nearly 1 per cent lower than MSP. Urad prices were 11 per cent lower than MSP, while moong and bajra sold 14 per cent below the official rates. Ragi sold more than 30 per cent below the MSP, data show.

The farmers who incurred a presumptive loss of ₹568 crore in the absence of a legal guarantee have, however, received more than the cost of production (A2+family labour), as calculated by the Commission for Agricultural Costs and Prices (CACP). Only in the case of ragi the drop was more than 30 per cent; the return over costs for urad, moong and bajra is not as bad since the MSP has been decided on the formula of minimum 50 per cent profit over cost.

"The market has the inherent resilience to absorb the legal guarantee, which is best seen in the current situation. The flare-up in commodities prices following the Russia-Ukraine war has proved that there would be no dent on exchequer when the legal guarantee of MSP is implemented," said VM Singh, president of MSP Guarantee Morcha, an umbrella body of over 200 organisations. This is the right time to accept the demand, Singh said.

'Tap market opportunities'

Speaking at a conclave on agriculture, Niti Aayog member Ramesh Chand had said last month that though MSP of crops could guarantee stable prices to farmers, the best rates would only be ensured through fair competition in the market. Responding to the farmers' demand for MSP as a legal right, he said farmers want the best price for their produce as well as protection from price fluctuations.

Chand, who is also a member of the government-appointed committee on MSP, felt that farmers should take advantage of market opportunities rather than becoming dependent on MSP. If the fair market price is lower than the MSP, businessmen are likely to withdraw from the market, creating a fiscal problem for the government, he said.

Source: thehindubusinessline.com - Jan 02, 2023

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Cotton prices fluctuate

With fluctuation in prices, cotton farmers are reportedly holding back cotton and daily market arrivals remain lower than the last cotton season.

Cotton prices (Shankar – 6 variety) dropped to ₹56,000 a candy last week and recovered to ₹60,000 a candy on Monday.

"Farmers are not selling cotton. Arrivals between October 1 and December 31, 2022 were nearly 82 lakh bales as against 130 lakh bales for the same period the previous season," said Atul Ganatra, president of Cotton Association of India.

Nishant Asher, secretary of Indian Cotton Federation (ICF), said cotton prices peaked to ₹1.10 lakh a candy last season (October 1, 2021 to September 30, 2022) and the prices have dropped significantly during the current season. "Indian cotton prices are now more in line with global prices. However, the prices were exceptionally high the previous season and so farmers are not bringing cotton to market now, waiting for higher prices," he said.

In Telangana, farmers have announced State-wide protests demanding higher price for cotton.

J. Thulasidharan, president of ICF, said textile mills have started buying cotton with moderate improvement in demand for yarn and so cotton prices improved slightly. The government should focus on improving cotton productivity to bring stability to the cotton sector, he said.

Source: thehindu.com- Jan 02, 2023

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T.N. Federation of Powerlooms Associations opposes levying of anti-dumping duty on viscose fibre

The Tamil Nadu Federation of Powerlooms Associations has urged the Central government to reject the recommendations of the Directorate General of Trade Remedies (DGTR) that has recommended the levying of anti-dumping duty (ADD) on viscose staple fibre.

In a letter to the Union Minister of Finance Nirmala Sitharaman, the Federation's coordinator T.S.A. Subramanian said that the power loom sector in India is the largest woven cloth manufacturing sector, accounting for 85% of the total cloth produced in the country.

The country currently has around 3.86 lakh power loom units in the decentralized sector and 25 lakh power looms, including around 1.5 lakh shuttle-less looms, providing direct jobs to around 5 million people.

The high volatility in cotton prices has had a severe impact on the powerloom sector and the timely removal of anti-dumping duty on Purified Terephthalic Acid (PTA), monoethylene glycol (MEG), Polyester Staple Fibre, Acrylic Fibre and Viscose Staple Fibre (VSF) enabled the powerloom sector to diversify into manmade fabric (MMF), which is the future growth engine of Indian textiles and the clothing sector, the letter said.

In Tamil Nadu, over 2 lakh power looms have switched over to 100% VSF and contribute significantly to fabric exports.

The removal of the abnormal anti-dumping duty of 28% levied on imported VSF enabled the sector to increase the 100% VSF fabrics exports from 25.49 million sq m during 2019-20 to 61.39 million sq m during 2021-22.

The power loom sector had to import up to to 16 million kg of VSF spun yarn per month apart from consuming the domestically produced VSF spun yarn to meet export and domestic demands, the letter said.

The letter added that after considering the sector's representations and also the representations from various other segments of the VSF textile value chain, the DGTR had rejected the continuation of ADD on VSF in August 2021. "But, the DGTR has now recommended levying 28% ADD on VSF to protect the interest of only one VSF manufacturer in the country," the letter claimed and added that if the recommendation was notified, the entire power loom sector in the country, especially in Tamil Nadu, would face closure. The letter urged the Ministry to reject the recommendation.

Source: thehindu.com- Jan 02, 2023

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