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INTERNATIONAL NEWS

EU's government deficit stands at 3.2% of GDP in Q3 2022: Eurostat

In the third quarter (Q3) of 2022, the seasonally adjusted general government deficit to GDP ratio stood at 3.2 per cent in the European Union (EU), according to the data by Eurostat, the statistical office of the EU. Euro area's government deficit was 3.3 per cent of GDP in Q3 2022. The sizeable increase in deficit to GDP ratio was mainly due to significant increase in total expenditure.

Total revenue and total expenditure continued to be influenced by policy responses to the COVID-19 pandemic, although to a lesser degree than in previous quarters. Measures to alleviate the impact of high energy prices started to have a stronger impact on the government balance in the third quarter of 2022, and the majority of member states continued to record a government deficit.

In the EU, total government revenue was 46.4 per cent of GDP in the third quarter of 2022, a decrease compared with 46.8 per cent of GDP in the second quarter of 2022. Seasonally adjusted total revenue in the EU increased by around €11 billion compared with the second quarter of 2022. Total government expenditure in the EU was 49.6 per cent of GDP, a sizeable increase compared with 48.6 per cent of GDP in the previous quarter. Seasonally adjusted total expenditure in the EU increased by around €67 billion compared with the previous quarter, as per Eurostat.

In the third quarter of 2022, total government revenue in the euro area amounted to 47.2 per cent of GDP, a decrease compared with 47.5 per cent in the second quarter of 2022. Seasonally adjusted total revenue in the euro area increased by around €15 billion compared with the second quarter of 2022. Total government expenditure in the euro area stood at 50.5 per cent of GDP, a sizeable increase in the ratio compared with 49.5 per cent in the previous quarter. Seasonally adjusted total government expenditure increased by around €58 billion compared with the previous quarter.

Source: fibre2fashion.com- Jan 24, 2023

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Economic activity likely to be weak in Q4 2022: Bank of Italy

Economic activity in Italy weakened in the last quarter of 2022, due to both the waning recovery in services, where value added had already regained pre-pandemic levels in the summer, and the decline in industrial production, as per the estimates of Bank of Italy, the country's central bank. Household spending appears to have slowed down.

Harmonised consumer price inflation stood at 12.3 per cent in December on an annual basis, still buoyed by the energy component, which continues to pass through to the prices of the other goods and services.

"According to our estimates, which include both direct and indirect effects, energy accounted for just over 70 per cent of overall inflation on average in the fourth quarter. The government's energy-related measures appear to have mitigated consumer price growth by more than 1 percentage point over the same period," the bank said in its Economic Bulletin No. 1 - 2023.

The firms taking part in the Bank of Italy's surveys consider that investment conditions are still unfavourable. After remaining unchanged over the summer, the employment grew slightly in October and November. Wage growth remains moderate.

Based on the bank's latest projections—which continue to be purely indicative, given the current environment of high uncertainty, stemming above all from the ongoing conflict in Ukraine—in the baseline scenario, after an increase in GDP of almost 4 per cent in 2022, growth will weaken to 0.6 per cent in 2023, and strengthen again in the following two years.

Consumer price inflation, which rose to almost 9 per cent last year, is projected to decline to 6.5 per cent in 2023 and at a faster pace, thereafter, reaching 2 per cent in 2025.

Under an adverse scenario that assumes a permanent suspension of the supply of gas from Russia to Europe, GDP would fall in 2023 and 2024, and would grow moderately the following year. Consumer price inflation would rise further this year, before declining markedly in the next two years, as per the bank's Economic Bulletin.

In the fourth quarter of 2022, the global economic outlook continued to be affected by the repercussions of the war in Ukraine, high inflation and weakening economic activity in China. The slowdown in global demand contributed to moderating the price of oil.

Natural gas prices have fallen sharply in Europe thanks to the mild temperatures, the reduction in the demand for industrial use, and the considerable stocks accumulated. Based on their latest forecasts, international institutions expect global growth to weaken this year.

Source: fibre2fashion.com- Jan 24, 2023

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Why Turkey's 100% Wage Hike Is Too Little, Too Late

Though wages in Turkey have shot up 100 percent over the past year, labor organizations in the nation straddling Europe and Asia say the progress in pay is hardly enough for survival. Meanwhile, the 54.5 percent monthly minimum wage increase that president Recep Tayyip Erdogan instituted on Jan. 1 is the third hike over the past 12 months and is hitting manufacturers hard.

Turkey, the world's seventh largest apparel exporter, is the third biggest for the European Union. Approximately 40 percent of its workforce is made up of minimum wage earners.

Trying to match runaway inflation in Turkey is tricky balancing act. According to the Turkish Statistical Institute, October's annual inflation rate was 85.5 percent but unofficial estimates say inflation is far higher. Food prices have risen by more than 102 percent, and electricity is subject to 400 percent increases.

"The apparel industry is a labor-intensive industry. During periods of high inflation, there are significant increases in the minimum wage," Can Fuat Gürlesel, economist and consultant, told Sourcing Journal.

Manufacturers are also feeling the squeeze.

Wages rose 50 percent hike in January last year to 4,250 Turkish lira ($226.97). Then a 30 percent hike on July 1 put monthly wages at 5,500 Turkish lira ($293.74).

As of Jan. 1, minimum wage earners won't net less than 8,506.00 Turkish lira ($454.26) each month.

The per-month gross minimum wage, however, has increased from 7,603.43 Turkish lira ($406.76) to 10,008.00 Turkish lira ($534.47).

The impact on the sector is dramatic.

"Fabric and other inputs, energy, logistics, transportation costs are also increasing. Export prices do not increase as much as inflation and costs. For these reasons, high inflation negatively affects the apparel and textile sectors. Competitiveness and profitability are decreasing. Firms are shrinking and reducing their capacities," Gürlesel said.

Manufacturers are up in arms.

"We're just bracing for the real impact," said Mehmet Kaya, board member of the Istanbul Apparel Exporters' Association and owner of TYH Textile. "As the wages have been increased again, that's affecting our cost in general. As costs are increasing, at the same time demand is reducing because of the recession all over the world."

Mehmet Kaya said manufacturers are "crying" over the predicament.

"You know in any business there are good times and bad times, so we are just using our capacity as well as we can," he said. "Some companies have locked down their factories for a while, because they cannot afford it, others have been forced to cut down on production time."

The effect on the sector is not going unnoticed.

"While we are observing the welfare of more than 85 million citizens in determining the minimum wage that will be valid in 2023, we also want to ensure that the production will be maintained to maximize the Turkish economy's potential," said Nureddin Nebati, treasury and finance minister. "The government sees inflation falling to 24.9 percent by end-2023."

The Turkish lira's extreme depreciation over the past year also weighs on the sector along with the growing wage bill, setting off a currency crisis that saw the lira lose nearly half its value in a matter of weeks late last year. Turkey heavily depends on imports to cover its energy needs, which have been badly impacted by the Russia-Ukraine war.

Industry analysts are looking at whether the wage hikes increase the threat of Turkey losing business to other countries like Bangladesh, and possibly leading to a much-feared decline in exports just when they'r needed most.

"A decline in exports will be inevitable," Gürlesel said. "High wage increases negatively affect competitiveness and profitability. Affordable prices are not available for many orders. For this reason, many orders are shifting to other countries and especially to manufacturers in Asia. It will be difficult to regain lost customers. Employees are satisfied with the high wage increase for now. However, high wage increases create high inflation. This, in turn, dissolves high wage increases in a short time."

But Erdogan is clear. "The minimum wage figure is in line with the general economic and social outlook of our country," he said. "It is a fact that the most tangible results of our efforts to grow through investment, employment, production, exports and current account surplus in Turkey are achieved in working life."

Looking at the big picture, the impact of the slowing global economy and limited consumption expenditures the world over are affecting the broader apparel industry.

However, Gürlesel doesn't see this as a long-term situation. "Apparel expenditures will remain weak in the first half of the year and recover in the second half," he said. "Global retailers and manufacturers should be able to manage the slowdown in the first half and prepare for the recovery opportunities in the second half."

Within Turkey though, much depends the upcoming elections expected to be announced for May-June, which will determine how the year unfolds.

According to Mehmet Kaya, Turkey is facing political instead of economic fallout for now.

Source: sourcingjournal.com- Jan 24, 2023

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Apparel export from Bangladesh to Russia takes a hit

Once a strongly emerging market for 'Made in Bangladesh' apparels, thanks to high demand for the local clothing items offering competitive prices, exports to Russia is said to be on the decline lately.

As per reports readymade garment shipments from Bangladesh to Russia declined sharply by 47.06 per cent year-on-year to reach US $ 180.64 million in the July-December period of the current fiscal year.

Meanwhile, interacting with the media, Managing Director of Young4ever Textiles, Rajiv Chowdhury, who once exported T-shirts and polo shirts worth US $ 1 million to Russia reportedly claimed to have stopped sending garments to Russia even if alternative shipping routes become are available now as he apprehended payment might get stuck after one of Russian buyers reportedly delayed making payments for two and a half months after the war broke out between Russia and Ukraine in 24 February last year.

"I am not exporting to Russia anymore," reportedly also claimed the Managing Director of Rupa Group, Shahidul Islam who reportedly used to send apparel items worth half a million US dollars per month to Russia before the war.

Source: apparelresources.com- Jan 24, 2023

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Bangladesh apparel industry fears 'fall in orders' will lead to decline after record exports

Despite enjoying incredible growths in November and December, the apparel industry owners are worried that exports may dip in January amid a global economic crisis.

Faruque Hassan, the president of the Bangladesh Garment Manufacturers and Exporters Association, said the worries were rooted in the declining purchase orders over the past four months.

Bangladesh had sufficient orders in June last year but the shortage of gas stymied production followed by a fall in exports in September and October compared to the previous year.

The industry shipped out products of $3.9 billion in September and $3.5 billion in October, registering a 6.25 percent and 7.85 percent year-on-year fall, respectively.

But against all odds, exports skyrocketed to $5.09 billion in November and $5.36 billion in December, recording a 26 percent and 9.33 percent year-on-year growth.

The exports in December were the highest in a month in Bangladesh's history, though it came as a surprise to industry owners. Faruque was quite certain that the upward trend would be broken in January.

"It's because we ship orders three to four months after receiving them. We'd been saying for four months that the orders slowed down and its effects would be felt in January."

Faruque thinks the absence of logjams at Chattogram port is a sign of the drop in orders and volumes of exports.

"The jetties in Chattogram port are empty. There's no logjam. This does not bode well. We had ships waiting at the port for five to seven days beforehand. That's no longer the case. The ships sail off the same day they arrive."

He could not confirm how much orders have decreased, but said it could be around 30 percent.

Faruque, who is the managing director of Giant Group, believes shipping of expensive products helped Bangladesh rack up record exports in December, but the volume decreased. “The prices of raw materials, cotton, in particular, have risen over the past six months. The higher cost of raw materials led to a rise in the prices of clothing as well. This is why exports seemed more in value.”

Mohammad Hatem, the president of the Bangladesh Knitwear Manufacturers and Exporters Association, said shipments stalled in September and October due to the war in Europe and global economic downturn were delivered in November and December, thus the record exports in the past two months.

However, Kazi Iftekhar Hossain, the president of the Bangladesh Garments Buying House Association, thinks the shrinking purchase orders were no cause for concern.

“The factories were working on subcontracts along with their orders over the past few months. These subcontracts might have stopped. Besides this, the orders will soon return to normal.”

BGMEA SEEKS BUYERS’ SUPPORT

The BGMEA sent out a letter to foreign buyers and brands for assistance citing higher gas, electricity and production costs. The garment exporters’ group asked them to relax terms on buying fabrics and other accessories from specific companies in their orders.

The gas price for industrial units of all sizes was set at a flat rate of Tk 30 per cubic metre last week. In November, the government raised electricity prices by 5 percent per unit recently. Apparel industry owners alleged the government “broke the promise it made to business leaders about raising gas prices ”. They had proposed that prices be raised to Tk 25 per unit for captive power plants only.

BGMEA Vice President Shahidullah Azim thinks the higher cost of gas might raise the overall production cost by up to 15 percent.

Source: bdnews24.com- Jan 25, 2023

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Bangladesh may overtake China to be EU's biggest apparel source

Dhaka [Bangladesh], January 24 (ANI): As China witnessing a decrease in its share of trade due to economic slowdown due to Covid implications, Bangladesh may overtake it as the source of most of the European Union's (EU) apparel, reported The Daily Star.

According to Ahsan H Mansur, Executive Director of the Policy Research Institute, primarily it will be for the shortage of skilled labour (China's demography as its population is decreasing) and secondly for Bangladesh producing high-end value-added garment items, that it may overtake China with regard to exports to the EU in the near future.

Even though China continues to hold the title of being the largest apparel supplier to the EU, the penetration of Bangladeshi garment items has been growing with rising demand for basic and value-added garments, reported The Daily Star.

Apparel shipments to the EU from Bangladesh grew by 41.76 per cent in the January-October period of last year to USD 19.40 billion, helping to retain its position as the second largest garment exporter to the world's largest trade bloc after China.
China has been losing its global apparel market share over the last couple of years mainly because of a shortage of skilled workforce, withdrawal of foreign investments and an increase in production costs, reported The Daily Star.

Notably, Chinese industrial production base is shifting from manufacturing to heavy and sophisticated technological gadgets involving mobiles and home appliances.

This is resulting in work orders being shifted from China to other Asian countries like Bangladesh, Vietnam, Thailand, Cambodia, India and Pakistan.

Moreover, with workers quitting garment factories for higher salaries in the production of sophisticated items, Chinese garment manufacturers are experiencing a shortage in their skilled workforce, reported The Daily Star.

Also, garment manufacturers are unable to pay higher salaries as international clothing retailers and brands are unwilling to pay more for garment items.

In 2015, Bangladesh's share in the global apparel market was 5.9 per cent and based on the country's garment export data of 2021, the percentage has gone up to 6.5 per cent.

Region-wise analysis also shows a decline in garment shipments from China.

For instance, in 2015, the market share of China in the EU apparel segment was 37 per cent and in 2022, the percentage declined to 28.4 per cent, according to a study by Sheng Lu, an associate professor of apparel and textiles at the University of Delaware.

Meanwhile, Bangladesh's market shares in the EU increased to 24 per cent in 2022 from 18.5 per cent in 2017, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

As per local exporters, another reason for work orders being diverted from China to Bangladesh is the recent tariff war between the US and China as international retailers and brands want a sustainable sourcing destination, reported The Daily Star.
Moreover, the remediation of garment factories with recommendations of the Accord and Alliance, two international inspection agencies, also fortified workplace safety measures in Bangladesh.

This ultimately brightened the image of the country and the sector itself for which international retailers and brands are coming up with increasing volumes of work orders.

Bangladesh is also shifting to its production base to high-end value-added garment items from basic items, reported The Daily Star.

The local manufacturers are grabbing a bigger market share of garment items made from man-made fibres to obtain better prices and more work orders from international retailers and brands.

Over the last four and a half decades, the capacity of Bangladesh's garment industry has also grown a lot, enabling it to cater to any quantity of work orders.

Not only this, the country's primary textile sector, which includes spinning, dyeing, finishing, knitting, weaving and sizing, has witnessed investments worth over USD 20 billion.

The primary textile sector is acting as the garment industry's main supplier of raw materials locally, reported The Daily Star.

Moreover, work orders have also been recently shifting from other countries like India, Pakistan, South Korea, Vietnam, Sri Lanka, Myanmar, Ethiopia and Cambodia as they are incapable of catering to order for large volumes at competitive prices.

Bangladesh is already overtaking China in terms of exporting denim to the EU, said Faruque Hassan, President of the BGMEA.

"I am hopeful that we will overtake China in other product categories as well in the near future," he told The Daily Star over the phone.

Source: theprint.in- Jan 24, 2023

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Pakistan: Textile products account for 61pc of total exports

Textile products accounted for 61% of Pakistan's total exports during the first half (July-December) of the current fiscal year (2022-23), WealthPK reported. The country's total exports were recorded at $14.249 billion during the first half of the current fiscal year, against $15.125 billion during the corresponding months of 2021-22, with a decline of 5.79%, data from Pakistan Bureau of Statistics (PBS) showed.

According to All Pakistan Textile Mills Association (APTMA), textile exports dropped to $8.73 billion during July-December FY23 from $9.38 billion during the same months of FY22. Provisional data of the Ministry of Commerce shows that exports of textile products including bedwear, men's suits, cotton yarn, woven fabrics of cotton and T-shirts, and pullovers captured most of the shares. With a decline of 13.6%, exports of bed linen, table linen, toilet linen, and kitchen linen were registered at $1.530 billion during July-December FY23 compared to 1.771 billion during the same months of FY22.

Exports of men's suits were recorded at $1.486 billion during the months under review against $1.494 billion during the corresponding period of last fiscal year, registering a slight decline. Exports of woven fabrics of cotton rose by 10.67% to $398.77 million during July-December FY23 from $360.3 million during the corresponding months of the last fiscal year.

Exports of jerseys, pullovers, cardigans, waistcoats and similar articles were recorded at $489.85 million during the period under review compared to $495.74 million during the corresponding months of FY22, with a slight decline of 1.18%. A marginal growth of 1.18% was also recorded in the exports of T-shirts, singlet and other vests. Exports of T-shirts rose to $330 million during the first six months of 2022-23 from $324 million during the same months of FY22.

Exports of cotton yarn dropped by 37% to $379 million during July-December from $602 million during the corresponding months of last fiscal year. Apart from textile products, rice exports also declined by 13% during the months under review and export volume was recorded at $928.4 million against $1.068 billion during the same period of 2021-22.

Pakistan achieved its highest ever textile exports of $19.329 billion during the last fiscal year. However, the textile sector couldn't sustain the trend of positive growth and exports started to decline during October this year after recording single digit growth during the first three months (July, August, September) of 2022-23.

Textile exports dropped by 15%, 18% and 15% during October, Nov and Dec, respectively. During calendar year 2022, textile exports grew by 7.49% to $18.65 billion from $17.35 billion during 2021, APTMA said. Textile exports recorded positive growth during the first nine months of 2022, but dipped during the last three months.

Source: nation.com.pk- Jan 25, 2023

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Pakistan: Not much activity on cotton market

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

Cotton Analyst Naseem Usman told Business Recorder that the rate of cotton in Sindh is in between Rs 16,000 to Rs 20,000 per maund. The rate of cotton in Punjab is in between Rs 18,000 to Rs 20,000 per maund. The rate of Phutti in Sindh is between Rs 6,000 to Rs 8,500 per 40 kg. The rate of Phutti in Punjab is in between Rs 7,000 to Rs 10,200 per 40 kg.

Around 400 bales of Ghotki were sold at Rs 20,000 per maund.

The Spot Rate remained unchanged at Rs 20,000 per maund. Polyester Fiber was available at Rs 303 per kg.

Source: brecorder.com- Jan 25, 2023

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Pakistan textile sector suffers massive financial loss due to power outage

A grid failure that lead to a massive countrywide power outage in Pakistan has caused the country's textile sector a whopping financial loss of USD 70 million, ARY News reported on Tuesday.

Industries all over Pakistan were halted after the significant power outage since the National Grid's electricity supply to three provinces was interrupted.

Arshad Khan, a senior official of the All Pakistan Textile Mills Association (APTMA), said the losses incurred due to the outage, however, could be worth billions of rupees.

According to sources, the economic damage to the textile industry will reach billions of rupees if the government fails to guarantee a reliable power supply, ARY News reported.

A power outage took place at around 7:34 am on Monday, leaving many cities, including Karachi, Lahore, Quetta and Islamabad, without electricity, Geo News reported.

According to a statement from Pakistan's Ministry of Energy, the national grid's frequency dropped around 7.34 am, leading to a 'widespread breakdown' in the electricity system. Additionally, it stated that Warsak was the starting point for the repair of grid stations.

Citizens have to ensure load-shedding for the next 48 hours.

Prime Minister Shehbaz Sharif on Tuesday regretted the 'inconvenience' to the citizens due to the power outage on Monday.

He also ordered an inquiry to determine the reasons for the power failure, as well as fix the responsibility.

"On behalf of my government, I would like to express my sincere regrets for the inconvenience our citizens suffered due to the power outage yesterday. On my orders, an inquiry is underway to determine the reasons for the power failure. Responsibility will be fixed," tweeted Shehbaz Sharif.

The electricity outage lasted for more than 16 hours, especially when temperatures were forecast to fall to around 4 degrees Celsius in Islamabad and 8 degrees Celsius in Karachi, according to Geo TV.

Source: business-standard.com- Jan 25, 2023

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NATIONAL NEWS

In India-UK trade deal, focus on what is acceptable to both countries: Piyush Goyal

Commerce and Industry Minister Piyush Goyal has said that in the talks for the proposed free trade agreement between India and the UK, the focus is on what is acceptable to both countries and not allow sensitive issues to scuttle the discussions. He also said that student visas are never part of a free trade agreement (FTA).

India has recently concluded the sixth round of talks with the UK and the next round will be held soon.

Negotiations with the UK started on January 13 last year with an aim to boost bilateral trade and investments. The bilateral trade between the two countries increased to USD 17.5 billion in 2021-22 compared to USD 13.2 billion in 2020-21. India's exports stood at USD 10.5 billion in 2021-22, while imports were USD 7 billion.

"With UK , our approach is let's focus on what is acceptable to both the countries and let us not allow sensitive issues to scuttle our discussions," Goyal told reporters here.

When asked about a statement of a UK official that granting more students visas for India is not part of this agreement, Goyal said: "Have you ever heard of student visas being part of FTA? How many students go there (UK) to study? It's never a part of an FTA".

British trade minister Kemi Badenoch, who is in-charge of the negotiations, recently stated that the trade agreement is expected to be clinched this year but it won't involve any boost of free movement visa offers for Indians.

In an interview with 'The Times' recently, the UK Secretary of State for Trade also ruled out any major similarities between the FTA the UK struck with Australia post Brexit and the proposed deal with India.

Goyal said FTAs are never negotiated either in newspaper articles, news conferences or in public functions, and these agreements are "serious" functions that happened amongst officials and at higher political levels also discussed when required.

"That's hardcore negotiations and it has to be a win-win for both countries," he added.

Talking about the proposed trade deal with Canada, the commerce minister said that with Canada, India is looking at an early harvest agreement, which is called an early progress trade agreement .

In this, "we are hoping to capture the low hanging fruits, so that the businesses can start enjoying the fruits faster and when people start seeing the benefits," he added.

Replying to a query on India's decision to opt out from the trade pillar of the 14-member Indo-Pacific Economic Framework (IPEF), Goyal said if India would find it in the interest of the country, it will be happy to join that pillar.

India opted out from the trade pillar "because we do not know the final contours, we don't know whether there are any binding commitments, we don't know whether there will be any restrictions which can hurt our manufacturing or hurt our economy.

"So until we see exactly what are the contours that are there and what are the benefits that are there, until that time we have said, we will observe what you (13 members of the IPEF) all are doing ," he said.

India has not yet opted for it, as it is waiting to see what would be the final contours of this trade pillar and what it will get, he added.

The IPEF was launched jointly by the US and other partner countries of the Indo-Pacific region on May 23 in Tokyo. The 14 IPEF partners represent 40 per cent of global GDP and 28 per cent of global goods and services trade.

The framework is structured around four pillars relating to trade, supply chains, clean economy, and fair economy. India has joined three pillars - supply chains, clean economy, and fair economy.

India will host the next special negotiation round of the Indo-Pacific Economic Framework for Prosperity (IPEF) from February 8-11 next year.

On the PM Gati Shakti initiative, the minister said that besides efficient planning of roads and railways, PM Gati Shakti portal is being used for unique ideas.

Citing examples, he said the portal is helpful in finalising locations for the proposed PM Mitra (Mega Integrated Textile Region and Apparel) parks.

It is also used to match the BIS (Bureau of Indian Standards) and FSSAI (Food Safety and Standards Authority of India) labs with the industries.

"We have mapped all the labs of the country on the PM Gati Shakti platform...So if the cement industry is in one place, cement testing should be there, and not 500 km away," he said adding the platform is helping social sectors also.

He added that give lakh fair price shops have also been mapped and now "we are mapping" number of transactions on each shop, "so we will be able to know which are the shops where nobody goes, we can remove some of them and which are the shops which are over loaded".

Goyal was here to participate in the inaugural session of the B20 India Inception Meeting here, organised by industry chamber CII.

Source: economictimes.indiatimes.com- Jan 24, 2023

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‘Rupee trade with Russia to succeed if India’s exports more or less same as imports’

Potential sectors include machinery, auto parts, electronics, agriculture products, textiles

India-Russia rupee trade can be successful when there is a more balanced bilateral trade and the two countries need to work towards that, a senior Russian official has said.

Russia can import a wide range of items from India such as machinery, automobile parts, electronic goods, tea, agriculture goods, textiles and spices for achieving a balance, pointed out Aleksi Bondaruk, Deputy Head, Department for External Economic and International Relations, City of Moscow.

“Russia is facing serious sanctions from the international banking sector. I think that if we try to start the direct payments in our national currencies, that will be a great solution. We have a great chance to start it, but we should have more or less the same amount in export and import between our countries.

This is the first step to be taken and then it will make it much more easier for us to establish direct payment in our national currencies,” Bondaruk said, talking to select media at the sidelines of the ‘B20 India Inception Meeting’ organised by CII in Gandhinagar.

Trade imbalance

Russian exports to India in April-December 2022 increased 400 per cent to $32.88 billion, making it the country’s fourth largest source of imports as New Delhi increased its purchase of discounted crude from Moscow following the Ukrainian crisis.

But India’s exports of goods to Russia declined 14.22 per cent in April-November 2022 to $1.87 billion, due to issues related to market access and standards.

If Russia doesn’t import more from India, then the rupee payment mechanism, which is being implemented so that the two countries can carry out bilateral trade in rupee bypassing Western banking sanctions, will not be a success. Moscow will not be able to use its rupee payment, which it receives for its oil exports to India, if its imports from India does not balance out exports.

Business missions

During 2022, there were three Russian business missions to India comprising more than 30 companies dealing not only with exports from Russia, but also imports to Russia, Bondaruk pointed out. “And we tried to organise direct dealings between Indian businessmen and Russian businessmen so they can talk in isolation looking eye-to-eye, decide what the real demands are in Russia and India,” he said.

The Russia-India Business Roundtable, to be organised during the St Petersburg Economic Forum in June this year, will also be an opportunity for businesses from both sides to meet, Bondurak said.

Source: thehindubusinessline.com- Jan 24, 2023

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India should maintain FY22 export levels this fiscal, if not better it: Goyal

India should be able to maintain FY22's exports of $422 billion this fiscal, too, if not better it, despite the ongoing global economic turmoil, Commerce & Industry Minister Piyush Goyal has said.

"Individual months have seen some ups and downs in exports. But overall, despite the world being under recession, huge inflationary pressures, overstocking of various commodities and every global leader talking of very tough times, India's exports, up to December 2022, is up 9 per cent from last year. Clearly, we cannot sustain that kind of momentum given the difficult times," Goyal told businessline in an interview on the sidelines of the 'B20 India Inception Meeting' organised by the CII in Gandhinagar.

But the government, together with exporters, are giving it their best, he said. "We still feel confident that we'll be able to maintain, if not do better than last year," the Minister said.

'Satisfying year'

India's goods exports in December 2022 declined 12.2 per cent (year-on-year) to $34.48 billion as recessionary trend in major developed markets shrunk demand. If the US and Europe pick up a little bit, then India's goods exports may actually grow this fiscal, Goyal said.

India has done extremely well in services exports which is likely to grow at least 20 per cent, he said. "By current trends, we will exceed the target of $300 billion in services exports this year. So all in all, it will be a satisfying year given the global headwinds," he added.

On the need to curb imports to check the widening trade deficit, at $218.94 billion in April-December 2022, Goyal said India didn't make any knee-jerk decisions.

"Many are essential imports of raw materials and intermediate goods. Petroleum going up is a sign of economic activity and growth. The fact that electric vehicles are being used in a bigger way is leading to lithium being imported," he said.

The WTO has predicted a slowdown in global export growth to 1 per cent in 2023 from an estimated 3.5 per cent in 2022.

Goods exports from India started slowing down in July 2022, declining in October by 16.6 per cent to $29.78 billion, before rising marginally in November and falling in December again.

Source: thehindubusinessline.com- Jan 24, 2023

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Sensitive issues should not eclipse UK FTA talks: Piyush Goyal

Commerce and industry minister Piyush Goyal said sensitive issues should not scuttle free trade agreement (FTA) talks with the United Kingdom.

The statement assumes significance in the backdrop of the UK's international trade secretary Kemi Badenoch's statement that more student visas for India were not part of the proposed trade deal, a sensitive issue for India.

"Let us not allow the sensitive issues to scuttle our discussions," Goyal told mediapersons on the sidelines of the Business 20 (B20) inception meeting on Tuesday.

Regarding talks with Canada, Goyal said, "It's called an early progress trade agreement in which we are hoping to capture the low hanging fruits so that businesses can start enjoying the fruits faster."

He said when people start seeing the benefits then others also want to join in.

Slowdown in exports

Goyal said he is in touch with export promotion councils on a weekly basis, keeping tabs on the export sector which is facing headwinds due to recession in some advanced economies. India's merchandise exports contracted 12.2% year-on-year to $34.48 billion in December 2022.

The minister, however, exuded confidence about exports remaining robust and said the services exports in this financial year are expected to surpass the target of $300 billion.

"It's tough times but we still feel confident that we'll be able to maintain, if not do better than last year," said Goyal.

In 2021-22, India's overall exports stood at $669.65 billion.

He said there have been some ups and downs during individual months amid huge inflationary pressures, overstocking of various commodities and high inflation.

"With all these stresses, where every global leader is talking of very tough times, India's exports, even now, up to December are 9% up from last year. Clearly we cannot sustain that kind of momentum given the difficult times. But we are on it," he said.

India's services exports have been rising, the minister said. "On services we are probably going to do at least 20% growth. And by current trends, we will exceed the target of $300 billion in this year," he said.

"In all, it will be a very, very satisfying year given the global headwinds and the stress that is reported from almost every part of the world," said Goyal. On large imports, he said some commodities such as oil and lithium ion are essential imports and cannot be immediately done away with.

Source: economictimes.com- Jan 25, 2023

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Impasse broken to get India FTA talks back on track, says UK trade minister

Britain's trade minister in charge of negotiating a free trade agreement (FTA) with India on Tuesday admitted the talks had hit a "bit of an impasse, which she broke by flying to New Delhi last month.

UK Trade Secretary Kemi Badenoch said the deal is now "back on track", in an apparent reference to the Diwali 2022 deadline for the FTA set by former prime minister Boris Johnson being missed last October amid political turmoil in Britain.

Addressing Lancaster House in London in a speech laying out her Top five priorities for trade", the minister insisted that she was a problem solver at heart and is confident a "high quality" deal will be struck with India.

"Some of you will know I was a software engineer and a systems analyst before I became a politician. That means I'm a problem solver at heart," Badenoch told the business gathering.

"So when our Indian trade talks hit a bit of an impasse, I didn't pick up the phone, I got on a plane. That deal's not done yet, but it's back on track," she said.

Badenoch was in New Delhi in early December to hold talks with her counterpart, Commerce and Industry Minister Piyush Goyal, and kick off the sixth round of FTA talks.

The seventh round is expected in the UK in the coming weeks, with both sides reluctant to set a new deadline for completing the negotiations.

Highlighting clinching trade deals among her top priorities, the British minister said: "We will seal high quality deals with India and CPTPP [Comprehensive and Progressive Agreement for Trans-Pacific Partnership] they have a combined population of nearly 2 billion consumers opening exciting opportunities in fast-growing markets for years to come.

"But I want to be clear that just signing on the dotted line is not the objective. These deals will only be agreed if they are the right deals for the people of this country. Bringing in jobs and investment to left-behind communities and capitalising on those areas in which we specialise."

With reference to the work being done by her Department for International Trade (DIT) in opening up the Indian market for UK businesses, the minister flagged the example of a north-west England pet food company. The Lancashire firm called VetPlus reportedly approached the DIT recently over a paperwork problem in selling their pet food products into India.

"We fixed it. And the company now expects to do GBP 1.5 million of additional business over the next five years. This is where my team comes in, she declared.

Laying out her plans for 2023, the trade minister vowed to remove trade barriers, knocking down "100 unnecessary blockers" standing in the way of helping UK businesses sell more and grow more, creating new jobs and paying higher wages.

"The UK is a leading destination for foreign investment. However, this position is not a given. There is fierce global competition for every pound of finance. I want to make the UK the most attractive place to invest in Europe, enticing companies from across the world to put their money into communities across the country, she said.

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 last year with the ambition to significantly boost that two-way exchange.

Source: business-standard.com- Jan 24, 2023

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Exporters should focus on markets in W Asia, Latin America: DGFT

Europe and the US are facing recessionary trends, that's why people are postponing purchase of non-essential items like handicrafts, carpets and gems and jewellery. Directorate General of Foreign Trade (DGFT) director general Santosh Kumar Sarangi said traditionally handicrafts and carpets exporters depended on these markets and with the economy there not doing well, exports had slowed down.

He, however, said exports to countries in West Asia, Latin America and Australia are increasing year-on-year. "The time has come now for exporters to explore and diversify their markets to reduce dependency on Europe and the US," added Sarangi. Sarangi also said the domestic market is doing pretty well and handicraft exporters do cater to the domestic demand. But for high-value products, for which they depended on overseas markets, now they should look at the domestic market.

Speaking on the one district one product schemes, Sarangi said the government is looking at possible funding support to address some of the logistics and infrastructure gaps which are possibly impending growth.

China-plus-one strategy adopted by companies in global markets has started benefiting exporters in India. Sarangi said, "If you look at engineering goods sector, that saw a 50% jump last year. Similarly, electronics goods exports surged by 50% last year. In the current year also, the electronics goods are growing at more than 50%. The engineering goods exports, which had a large base in 2021, are also growing well. That way China plus one strategy has been beneficial to India."

Speaking on the increased raw material cost, Sarangi said the price rise was across the world and not India specific even though the trend continued for a longer period in the country.

He said, "Our exporters have been very competitive. That's why the apparel and garmenting exports have done well with a growth of 11% from April-December period."

Source: timesofindia.com- Jan 24, 2023

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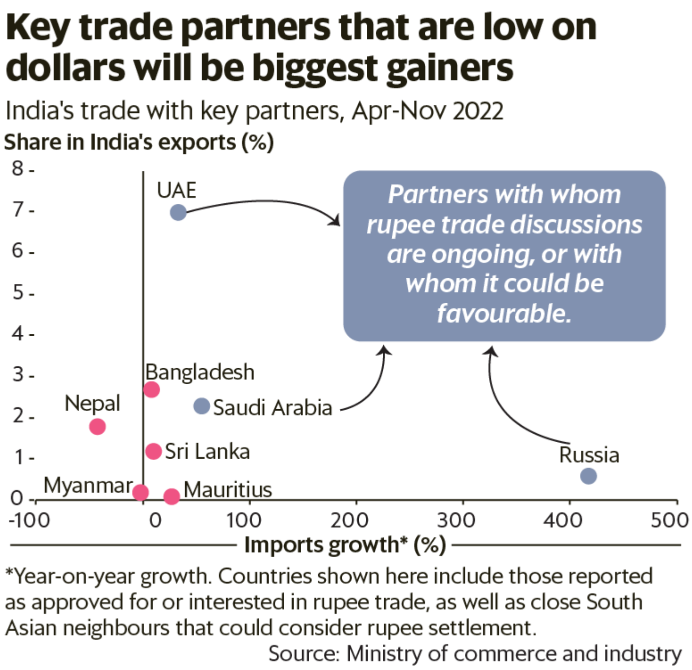
India's rupee trade bid and the math behind it

In a recent interview with the Financial Times, Reserve Bank of India (RBI) governor Shaktikanta Das talked about India's efforts to promote the use of the Indian rupee in international trade. This could be an apt policy initiative, given the sharp rise in the US dollar against most currencies in 2022.

In July 2022, RBI allowed invoicing, payment and settlement of exports and imports in rupees via special rupee vostro accounts with overseas banks. Official information on actual trades done so far is scarce, but it is clear that policymakers are keen to encourage greater internationalization of the rupee.



Trade Boost

At its core, rupee trade is a go-around to transact with partners that cannot pay in dollars for various reasons. Under this system, Indian importers pay rupees and exporters receive rupees into a vostro account. While names of the countries with vostro accounts have not been formally released, reports suggest that Sri Lanka and Mauritius are on the approved list, while Saudi Arabia and the United Arab Emirates (UAE) have expressed interest.

Rupee trade with Russia is said to have already started. Rupee trade is most favourable with partners such as Russia, Saudi Arabia, or the UAE, where India is a large importer, and there is a strong existing or potential demand for Indian exports. In September 2022, the Federation of Indian Export Organizations (FIEO) estimated that the rupee trade system could potentially generate an additional $5 billion of exports to Russia in a year's time.

Currency Math

India will save dollars by paying in rupees for its imports, but it will forgo dollars by receiving rupees for exports. This means rupee trade will be dollar-positive only when dollars saved exceed dollars foregone—or when it is carried out with countries with which India has a net deficit (imports exceeding exports).

For example, even by settling 10% of the trade with Russia between April and November 2022 in rupees, India would have saved $2.7 billion. But since India runs a trade surplus with Bangladesh, a similar switch would have resulted in India giving up $670 million.

Thus the final impact on India's current account will depend on whether India has a net surplus or deficit with participating countries, and what the size of rupee trade value is relative to total trade. If the amount of dollars foregone due to rupee trade is significant relative to the overall capital account, it could impact the exchange rate negatively.

Pros and Cons

The greatest benefit of rupee trade is its potential to increase trade flows among nations that prefer to settle international trade in rupees instead of dollars. Domestically, businesses that export and import in rupees can be better protected from exchange rate fluctuations. If a significant volume of India's trade is in rupees, the economy can be better hedged against sudden exchange-rate shocks.

Accretion of forex reserves via export dollars would drop, but the need for reserves may also come down.

On the flip side, if rupee trade were to take off, India, as a repository of global rupee savings, will face the risk of greater foreign ownership of domestic assets. This could open up a situation where non-resident investors holding G-secs may sell off at a time of crisis, resulting in market volatility.

Dollars Rule

If rupee trade does pick up, it will be limited to small blocks of countries where the rupee is acceptable. This may include Gulf Cooperation Council countries, and neighbouring economies, in addition to Russia. The rupee trade group will probably be one of several non-dollar blocks that may emerge in future: there are reports of an oil-based petro-yuan block consisting of China and West Asian countries. However, none of these trade groups are likely to dethrone the US dollar or allow the world to switch to other currencies in a big way.

The US dollar accounts for 60% of global reserves (Q3 2022), 88% of the OTC forex turnover (April 2022), 74% of export invoicing in the Asia-Pacific region (1999-2019), and around 60% of foreign currency-denominated debt (2020). The US offers the world’s deepest and most liquid financial markets, so it remains the investment currency of choice as well as a safe haven asset.

Capital Inflows

An optimistic view of rupee trade popular on social media is that it heralds the rise of the rupee as a global currency.

The opposite view is that it will be accepted only by distressed trading partners fighting dollar scarcity. Neither scenario is likely to come true. A more realistic assessment is to view rupee trade as a policy tool to manage the problem of funding imports at a time when slowing global growth and rising interest rates threaten dollar flows to emerging economies.

Note that economies that run current account surpluses, such as oil exporters, need countries like India which run deficits in order to invest their surplus savings. As long as India has the enabling environment, it will always receive overseas capital, both rupees and dollars. By permitting rupee settlement, authorities have simply opened another channel for these capital flows.

Source: livemint.com- Jan 23, 2023

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