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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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AMIT PABARI
Founder & Managing Director

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INTERNATIONAL NEWS

China's busiest port's cargo throughput exceeds 1.25 bn tonnes in 2022

In 2022, cargo throughput of China's busiest port, Ningbo Zhoushan, exceeded 1.25 billion tonnes. As per the port, its cargo throughput ranked first globally for a 14th consecutive year. Ningbo Zhoushan, which is located in the eastern province of Zhejiang, had a total of 300 sea routes by the end of 2022, 13 routes more as compared to the previous year.

The port's container throughput ranked third globally, with the throughput reaching 33.35 million twenty-foot equivalent units (TEUs) in 2022.

Furthermore, the sea-rail intermodal container transport facility of the Ningbo Zhoushan port handled 1.45 million TEUs for the first time, thereby observing a growth of 20 per cent over the previous year, as per Chinese media reports.

Source: fibre2fashion.com- Feb 01, 2023

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US' fashion industry bodies outline protocol for effective policies

The American Apparel and Footwear Association (AAFA), the Accessories Council, The Council of Fashion Designers of America, and the Responsible Business Coalition have jointly released the THREADS Sustainability and Social Responsibility Protocol—principles for effective policymaking concerning the fashion industry.

The protocol has been developed, on behalf of thousands of brands and organisations, to assist policymakers in ensuring their best intentions result in implementable and successful solutions to advance sustainability and social responsibility in the fashion industry, the industry bodies said in a press release.

As per the THREADS Protocol, any proposed regulation or legislation should be Transparently developed and enforced; Harmonised across jurisdictions and industries; have Realistic timelines; Enforceable; Adjustable; Designed for success; and be Science-based.

These tenets will enable policymakers to develop practical, workable, and effective regulatory proposals. The protocol expresses that precision and science-based goals matter in efforts to meaningfully address social and sustainability challenges and that the groups' members are committed to working pre-competitively to achieve the highest ethical, sustainable, and responsible standards across global supply chains and production practices.

The industry welcomes policymakers' interest in addressing concerns regarding worker rights, environmental sustainability, chemical management, and human rights matters in global supply chains. The involvement of local and national governments, as well as supranational bodies and international organisations, has the potential to build on industry initiatives related to key concerns, establish achievable benchmarks, and catalyse widespread progress.

As stated in the protocol, "Policy proposals must account for the work industry, and stakeholders and governments at every level will need to undertake to achieve the desired outcomes if they are to be effective. Enthusiasm for a desired outcome is not enough. Poorly designed policies divert resources away from successful or promising industry initiatives and instead create barriers to real progress on environmental and social issues affecting the industry."

Source: fibre2fashion.com- Jan 31, 2023

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Texworld arrives next week

Texworld Evolution will be held in France, February 6 to 8, 2023.

There will be 750 exhibitors from over 20 countries and the exhibition center will concentrate in one place most of the global sourcing for fashion brands, from ready-to-wear to luxury.

The event presents an opportunity for buyers to measure the new balance between the major international sourcing zones after the transformations related to the Covid crisis. There will be 220 Chinese companies, 122 Turkish manufacturers, 43 Korean companies and 45 Indian companies. Thai embroiderers and Indonesian manufacturers will also be visible. Africa will be represented by 270 companies. The African continent will also be represented with companies from Ethiopia and Ghana.

Several round tables and conferences will open debates on themes such as the contribution of Web3 in the fashion and clothing industry, secondhand markets, or ways to make a company sustainable without compromising its competitiveness. Other highlights will revolve around the issues raised by sustainable fashion and recyclability. A conference on the sourcing offer in Ghana will finally allow uncovering the industrial potential of this country.

The February edition also includes a revisited sustainable sourcing itinerary. This will bring together a hundred companies that have implemented CSR initiatives in an operational manner.

Source: fashionatingworld.com- Feb 01, 2023

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Sri Lanka records $ 13 billion revenue from merchandise exports in 2022

Earnings from the merchandise exports decreased by 9.7 % y-o-y to US$ 1,044 Mn in December 2022 as per the data released by the Sri Lanka Customs. This was mainly due to the decrease in export earnings from Apparel & Textiles, Tea, Rubber based Products, and Coconut based Products, Food & Beverages, Spices & Essential Oils and Fisheries products.

The reason for this decline was due to the ongoing recession in major markets due to rising cost of production, energy etc. Imports declined sharply due to inflation and demand for goods & services are reduced.

Major Exports in December 2022

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

Exports of Apparel & Textiles decreased by 9.56 % y-o-y to US$ 480.28 Mn in December 2022. The decrease was driven by both Apparel and Textiles.

Export earnings from Tea in December 2022 which made up 11% of merchandise exports, decreased by 3.01 % y-o-y to US$ 107.29 Mn. This was mainly due to the lower Export of both bulk tea (-0.53%) and tea packets (-4.71%).

Export earnings from Rubber and Rubber Finished products have decreased by 20.34 % y-o-y to US$ 74.47 million in December 2022, with poor performance in exports of Pneumatic & Retreated Rubber Tyres & Tubes (-20.44%) and export of Industrial & surgical gloves (-27.31%).

On monthly analysis, all three sub sectors categorized under the Coconut based products; kernel products, fiber products and shell products decreased by 19.12%, 21.14 % and 24.53 % respectively in December 2022 compared to December 2021.

In addition, export earnings from Spices and Essential Oils decreased by 28.5 % to US$ 31.39 Mn in the month of December 2022 compared to month of December 2021 due to the poor performance in export of Cinnamon (-4.51 %) and Pepper (-69.54 %).

Export earnings from Seafood declined by 20.01% to US$ 21.31 Mn in December 2022 compared to December 2021. Except Lobsters and Crabs, export earnings from Frozen fish, Fresh fish, Shrimps and Other edible fish declined by 22.8 %, 27.6 %, 43.24 % and 0.47 % respectively in December 2022.

Meanwhile, export earnings from Ornamental fish also declined by 2.9% to US$ 2.13 Mn in December 2022 compared to December 2021.

However, export earnings from the Electrical & Electronics Components increased by 16.18 % y-o-y to US$ 42.94 Mn in December 2022 with strong performance in exports of Insulated wires & cables (0.48 %) and Other Electrical & Electronic Products (27.92 %).

Click here for more details

Source: colombopage.com- Feb 01, 2023

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Cambodia, S Korea to enhance trade, investment using FTA

Cambodia and South Korea recently agreed to enhance bilateral trade and investment by maximising their free trade agreement (FTA) that came into force a month earlier, according to the latter's industry ministry. The development came at a business and investment forum in Seoul attended by South Korean trade minister Ahn Duk-geun and Cambodia's commerce minister Pan Sorasak.

"The bilateral agreement laid the groundwork for the expansion of bilateral trade in a wide range of fields from textile and clothing to cars and machinery, and to agro and fishery food," Ahn said during the forum.

"The two nations will be able to further strengthen cooperation on digital economy, clean energy and various other sectors to help advance Cambodia's industrial structure, and to jointly achieve net-zero goals," he said.

South Korea will support Cambodia's technology development through official development assistance programmes, Ahnwas quoted as saying by a news agency.

The FTA, which took effect on December 1 last year, calls for a higher level of market opening than the existing South Korea-ASEAN FTA and the multilateral trade pact of Regional Comprehensive Economic Partnership (RCEP), the ministry said.

Bilateral trade was worth $1.05 billion last year.

Source: fibre2fashion.com- Jan 31, 2023

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Vietnam's 2023 GDP to grow by 6.47%, inflation by 4.08%, projects CIEM

Vietnam's gross domestic product (GDP) will grow by 6.47 per cent, inflation by 4.08 per cent and export by 7.21 per cent and export-import revenue will reach $5.64 billion in 2023, according to projections by the Central Institute for Economic Management (CIEM) under the ministry of planning and investment. In a second scenario, the figures are set at 6.83 per cent, 3.69 per cent, 8.43 per cent and $8.15 billion respectively.

The GDP grew at 8.02 per cent in 2022, the highest in the 2011-2022 period, outpacing the target of 6.5 per cent set by the National Assembly, and inflation was curbed at 3.15 per cent—below the 4 per cent projected earlier, CIEM director Tran Thi Hong Minh was quoted as saying by a news agency.

CIEM said the economy will be more affected this year with tight monetary policies adopted by major economies in response to inflationary pressures, rising geopolitical competition and the Russia-Ukraine war.

Source: fibre2fashion.com- Feb 01, 2023

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Bangladesh forms committee to ensure logistics sector development

Bangladesh has formed a 29-member committee to ensure efficient transportation of goods and services and the overall development of the logistics sector. M Tofazzel Hossain Miah, principal secretary to the prime minister, will chair the National Logistics Development and Coordinating Committee, according to a gazette notification issued late this month.

The committee will formulate the National Logistics Development Policy, offer policy support, facilitate existing policy frameworks to attract investment in the sector, offer overall guidance in formulating policies and development strategies for the various sub-sectors of the logistics sector, and monitor, review and evaluate the progress of implementing the overall logistics development strategy.

The move comes as the logistics sector is failing to support the fast-growing economy, according to Bangladeshi media reports. The country is missing out on at least a fifth of its export potential due to poor logistics and clearance services in domestic ports and highways.

Source: fibre2fashion.com- Jan 31, 2023

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NATIONAL NEWS

ECONOMIC SURVEY 2022-23: HIGHLIGHTS

Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman, presented the Economic Survey 2022-23 in the Union Parliament today. The highlights of the Survey are as follows:

- Recovering from pandemic-induced contraction, Russian-Ukraine conflict and inflation, Indian economy is staging a broad based recovery across sectors, positioning to ascend to the pre-pandemic growth path in FY23.
- India's GDP growth is expected to remain robust in FY24. GDP forecast for FY24 to be in the range of 6-6.8 %.
- Private consumption in H1 is highest since FY15 and this has led to a boost to production activity resulting in enhanced capacity utilisation across sectors.
- The Capital Expenditure of Central Government and crowding in the private Capex led by strengthening of the balance sheets of the Corporates is one of the growth driver of the Indian economy in the current year.
- The credit growth to the MSME sector was over 30.6 per cent on average during Jan-Nov 2022.
- Retail inflation is back within RBI's target range in November 2022.
- Indian Rupee performed well compared to other Emerging Market Economies in Apr-Dec2022.
- Direct Tax collections for the period April-November 2022 remain buoyant.
- Enhanced Employment generation seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund.
- Economic growth to be boosted from the expansion of public digital platforms and measures to boost manufacturing output.

Click here for more details

Source: pib.gov.in- Jan 31, 2023

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Global slowdown 'reflecting' in India's merchandise export growth, says Economic Survey 2022-23

India achieved an all-time high annual merchandise export of $422.0 billion in FY22, stated the Economic Survey 2022-23, tabled in Parliament on Tuesday. However, according to the Survey, the global economy has started facing formidable headwinds and the ripple effect of the slowdown in global trade has started reflecting in India's merchandise export growth, wherein a moderation in pace was observed in 2022.

Merchandise exports were $332.8 billion over April-December 2022 against $305 billion in April-December 2021. Non-petroleum and non-gems & jewellery exports in April-December 2022 were $233.5 billion, against $230.0 billion in April-December 2021. Petroleum, oil, and lubricants (POL) exports constituted about 21.1% and non-POL exports were 78.9% of total exports during FY23 (until December 2022).

Owing to the rise in global crude oil prices, petroleum products continued to be the most exported commodity in FY22 and April-December, 2022, followed by gems and jewellery, organic & inorganic chemicals, and drugs & pharmaceuticals.

Bright Spots

The pre-budget annual Economic Survey presented by the Union Minister for Finance & Corporate Affairs Nirmala Sitharaman said that significant strides in exports were registered in drugs and pharmaceutical, electronic goods, engineering goods and organic and inorganic chemicals sectors in FY22. These sectors have sustained their growth momentum despite global headwinds in H1FY23. India's pharma exports grew even though Covid impacted disruptions in the supply chain.

It increased significantly from $15.4 billion in FY15 to $24.6 billion in FY22 and stood at $18.8 billion in April-December 2022, registering a growth of 3.6% over April-December 2021. The high growth was on account of the stocking of inventories of medicines by many countries and also because of an increased demand for vaccines and medicines related to the Covid-19 pandemic. India was in a position to provide these supplies.

The country has also been seeing consistent growth in exports of electronic goods.

According to the Survey, electronic goods exports — which remained below $10 billion till FY19 — have shown an increase of 51.6% from $11.0 billion in April-December 2021 to $16.7 billion in April-December 2022.

Engineering goods exports crossed $100 billion in FY22 for the first time. Organic and inorganic chemicals exports have increased significantly in FY22 and reached $23.0 billion during April-December 2022, registering a growth of 6.5% over the corresponding period last year.

Source: economictimes.com- Jan 31, 2023

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Taking FTA advantage upto private sector, global slowdown 'reflecting' in India's goods export growth: Eco Survey

The onus to take advantage of the free trade agreements (FTA) that India is signing with other countries, is on the private sector, the Economic Survey said, even as it emphasised on product basket and destination diversification for export growth amid slowing global economy,

"Governments can try and open markets through FTAs. But, to take advantage of that is in the hands of private sector participants," the survey said, highlighting that the export outlook may remain flat in the coming year if global growth does not pick up in 2023.

New Delhi has inked trade pacts with the UAE and Australia recently, and is in talks with the UK, EU and Canada for similar agreements.

"At times when the base (global growth and global trade) is not growing, export growth will have to come predominantly through market share gains," it said.

India achieved an all-time high annual merchandise export of $422 billion in FY22. The Netherlands has displaced China from the third spot as India's exporting partner in April-December FY23 and India has diversified its export destinations over time with the share of South Africa, Brazil and Saudi Arabia rising while those of China and the US fell.

"The new diversified markets including those of Brazil, South Africa and Saudi Arabia have led to the increase in exports by up to two times... The ongoing trade negotiations with UK, EU, Canada, Israel etc, will also add further impetus to our exports," said A Sakthivel, President, Federation of Indian Export Organisations.

"However, the global economy has started facing formidable headwinds and the ripple effect of the global trade slowdown has started reflecting in India's merchandise export growth, wherein moderation in pace is observed in 2022," it said.

Insisting on efficiency, productivity, technology, and innovation to drive exports, the Survey said: "That game has to be lifted".

As per the Survey, "significant strides" in exports were registered in drugs and pharmaceutical, electronic goods, engineering goods and organic and inorganic chemicals sectors in FY22. These sectors have sustained their growth momentum despite global headwinds in the first half of FY23. India's pharma exports grew even though Covid impacted disruptions in the supply chain.

Non-oil, non-gold imports, which are growth-sensitive, may not witness a significant slowdown as Indian growth continues to be resilient, according to the Survey.

It also noted that the limited progress in the multilateral trade negotiations at the World Trade Organization is one of the reasons responsible for the increase in FTAs as they are viewed "favourably" by trading countries for being easy to negotiate and provide flexibility to factor in geopolitical considerations.

For services exports, external exogenous factors and bleak economic outlook in advanced economies are the downside risks.

Source: economictimes.com- Jan 31, 2023

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End of multilateral trade negotiations? Economic Survey sees a rising preference for bilateral trade deals

Free trade agreements (FTAs) are the flavour of the season and there is a tilt towards bilateral deals over multilateral ones, according to the Economic Survey 2022-23 released by the government on Tuesday.

"As of June 2016, all WTO members now have at least one RTA (regional trade agreement) in force. There has been a substantial rise in the number of trade agreements with 355 notifications of RTAs having been made to the WTO (As of 1 December 2022). Many WTO members continue to be involved in negotiations to create new RTAs, which are mostly bilateral. However, a recent development has been negotiations and new agreements among more than two WTO members," says the Survey. According to the Survey, the limited progress in the multilateral trade negotiations at the WTO is one of the reasons responsible for the increase in FTAs. FTAs are viewed favourably by trading countries in comparison to multilateral negotiation at the WTO forum as they are easy to negotiate and provide flexibility to factor in geopolitical considerations.

Regional trade agreements help a country cut tariffs on goods and services and increase cooperation between trading partners. It lowers prices for consumers, and provides enhanced export opportunities for producers, noted the Survey. "RTAs can also have a larger impact on the economy." The Survey said that though FTAs can create an environment to enhance trade, the trade growth of a country will depend on many factors.

India has so far concluded 13 FTAs and 6 Preferential Trade Agreements (PTAs). The most recent in the list are the India-UAE Comprehensive Economic Partnership Agreement (CEPA) which was signed on 18 February 2022 and officially entered into force on 1 May 2022 and the India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA), which was signed on 2 April 2022 and entered into force on 29 December 2022.

Further, India is presently engaged in FTA negotiations with some of its trading partners, notable among these FTAs are – (i) India-UK FTA, (ii) India-Canada CEPA/ Early Progress Trade Agreement (EPTA), (iii) India-EU FTA.

Source: economictimes.com- Jan 31, 2023

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Economic Survey 2022-23: India's goods export likely to remain flat in FY24

India's goods exports are likely to remain flat' in FY24 if global growth does not pick up in 2023 as indicated in many forecasts, the Economic Survey 2022-23 has stated.

"The slowdown in Indian exports is inevitable in a slowing global economy characterised by slowing global trade," it said.

Making a case for export promotion measures, the survey noted that these would nurture the comparative advantages that Indian exports embody. The latest Free Trade Agreements (FTA) with the UAE and Australia will create opportunities for exports, but it is also important to focus on productivity, efficiency and innovation, the srvey advised.

The flat export performance projected for the coming fiscal is of additional concern for the economy as, even in the current fiscal, the government has indicated that exports are unlikely to show a major improvement over the past year.

In FY22, exports had touched an all-time high of $422 billion, posting a growth of over 40 per cent, compared to the previous fiscal. The strong export performance of FY22 continued somewhat in the first half of FY23, with the export of goods and services as a share of GDP touching the highest since FY16.

"However, the performance began to wane in the first half itself as the year-on-year growth of exports declined from Q1 to Q2 due to persistently high inflation and rising interest rates in the advanced economies," it said.

On the brighter side, sectors such as drugs and pharmaceutical, electronic goods, engineering goods and organic and inorganic chemicals, that made significant strides in exports in FY22, have sustained their growth momentum despite the global headwinds in the first half of FY23, the Survey observed.

On rising imports, which is contributing to the widening trade deficit, the survey said that the recent softening in global crude oil prices augurs well for India's POL imports.

However, non-oil, non-gold imports, which are growth-sensitive, may not witness a significant slowdown as Indian growth continues to be resilient.

While stating that India's FTAs with the UAE and Australia would create more export opportunities, the survey cautioned that that there may not be a sudden or significant increase in trade after an FTA is signed. "The trade balance would shift only gradually and may also turn out to not be in favouur of each partner, depending on a host of factors..," it said.

The survey was optimistic that going forward, the expected easing of crude oil prices, the resilience of net services exports and buoyant inward remittances would result in lower current account deficit (CAD) during the remainder of FY23 and is expected to be within sustainable limits.

Source: thehindubusinessline.com- Jan 31, 2023

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Can India be the world leader in the textile & apparel market?

The Journey of textile industry in India so far

India had been the textile exporter for perpetuity. From the Indus Valley Civilization, where cotton was first cultivated and woven into textiles, to the Mughal era, the industry flourished, developing sophisticated weaving techniques and introducing new designs and patterns. In the colonial period, British rule led to the modernization of industry and the establishment of textile mills. After independence, the Indian government implemented policies to promote the growth of the domestic textile industry, resulting in the development of a solid and diverse textile industry. Today, India is one of the world's largest producers and exporters of textiles, with a wide range of products, including cotton, silk, wool, and synthetic fabrics.

The market size of the textile industry in India

The textile market in India is one of the oldest and most diverse in the world. It is also one of the largest, with a market size of around 223$ billion in 2020. The industry is the largest producer of cotton and jute, 2nd largest in silk, and 95% of hand-woven fabrics globally are from India. The textile industry in India employs around 45 million people directly and 60 million indirectly.

The Indian textile market is segmented into several sub-segments, including cotton textiles, silk textiles, woolen textiles, synthetic textiles, and technical textiles. Cotton textiles are the largest segment, accounting for around 45% of the total textile market.

The global textile Market & growth aspect of Industry

The global apparel market has recovered and is developing rapidly after the pandemic. It is expected to grow at a CAGR of 4% and reach $2 trillion by 2025. The US is currently the largest market, worth $257 billion, with a CAGR of 5%, while the EU-27 market has declined by 11% post-Covid and is worth $211 billion. However, Asian countries are catching up fast. According to a report titled "Building a Roadmap for $250 Billion Sustainable Textile Industry," developing economies like China and India are growing at higher rates than developed regions due to increasing domestic markets and disposable income. Together, these markets make up 59% of the total apparel market, with the rest of the world making up the remaining 41%. China, the third largest market, is expected to grow at a CAGR of 11% and become the largest market, worth $340 billion by 2025. Other significant markets, including Japan, India, Brazil, and Canada, are also trying to be essential players in this growing market.

The biggest opportunities & challenges for India in the coming days.

India scaled its highest-ever exports tally at $ 44.4 Bn in Textiles and Apparel (T&A), including Handicrafts in FY 2021-22, indicating a substantial increase of 41% and 26% over corresponding figures in FY 2020-21 and FY 2019-20, respectively. Shows the extensive opportunities for growth in the lucrative textile market, and Indian companies have the chance to be a major player in this growing market. It presents significant opportunities due to the increasing trend of industrialization in consumer goods and labour-intensive industries.

The country's large population, rising disposable income, and growing fashion industry are all factors that are likely to drive growth in the market. Additionally, the government of India has implemented several policies and initiatives to promote the textile industry, such as the National Textile Policy and the Technology Upgradation Fund Scheme, which are expected to boost the sector further.

However, the textile industry in India also faces challenges such as government policy changes, lack of access to technologies, and competition from neighboring nations. To overcome these challenges, the Indian textile sector must focus on technological upgrades, expansion of weaving capacity, and providing assistance to small and large-scale players. Additionally, ensuring a sufficient supply of gas, implementing capital subsidies, a single point of contact for resolving industry issues, and a set price for yarn annually would aid the industry's growth.

Source: newshour.press - Jan 31, 2023

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Why should the Budget prioritise Make in India (MII)?

On February 1, 2023-24's budget is scheduled to be presented. Budget 2023 should focus on implementing reforms relating to ease of doing business for MSMEs and boosting exports to achieve the Make in India (MII) mission.

Backdrop: Without robust manufacturing, no large nation has progressed from poverty to prosperity. The 'Make in India' program launched on 25 September 2014 is the flagship scheme of the Modi government, this campaign had some stated goals. Such as ensuring the growth rate of the manufacturing sector at 12-14 percent per annum; To increase the contribution of manufacturing sector to the Gross Domestic Product (GDP) to 25 percent by 2022 and create 100 million additional manufacturing sector jobs in the economy by 2022. Now these targets have been extended till 2025, however due to the current pace and lack of infrastructure, the target is not visible till 2025 or even 2030.

It was publicized during the Corona pandemic that companies leaving China would relocate to India; however, the majority of these businesses have shifted their base to Vietnam, Taiwan, Thailand etc., and only a small number have relocated to India. India contributes barely 1.6% of the world's exports, despite having the fifth-largest economy. The Make in India programme initially prioritised Défense production, but it was not as successful as anticipated. Although India's arms imports declined by 33% between 2016–2020, But it still remains the world's second largest arms importer, just after Saudi Arabia as reported by Stockholm International Peace Research Institute (SIPRI).

One of the primary objectives of the campaign was to increase the manufacturing sector's share in Indian GDP targeting 25 per cent by 2022. In 2014, the share of manufacturing in India's Gross Domestic Product was 15.07%. Last year, it fell to 14.07%. The economy of China is more than five times larger than that of India. Manufacturing's GDP contribution is 29%, which is double India's. Even in neighbouring Bangladesh, manufacturing is approaching 20%, as the country has emerged as the world's second largest producer of readymade garments, after China. Other Asian countries with a larger share of manufacturing in GDP than India are South Korea (26 percent), Japan (21 percent), Thailand (27 percent) and Singapore and Malaysia (21 percent).

It is evident from the above that this particular objective of “Make in India” was missed by a long margin.

Positive Sign:

Today India has emerged as a preferred investment destination which is evident from the fact that India recorded the highest ever annual Foreign Direct Investment (FDI) of US$ 84 billion in the last financial year. It was US$ 45 billion in the financial year 2014-15. Total FDI inflow in the country, in the last 22 years (April 2000 – March 2022) are $ 847 bn while the total FDI inflows received in the last 8 years (April 2014- March 2022) was $ 523 bn which amounts to nearly 40% of total FDI inflow in last 22 years. Even first time FDI equity inflows in the manufacturing sectors have increased by 76 per cent in FY 2021-22 (USD 21.34 billion) compared to previous FY 2020-21 (USD 12.09 billion). India which has traditionally been a net importer of toys, has become an exporter. India’s toy exports received a growth of 636% in April-August 2022 over the same period in 2013. India has rapidly made its place in the Ease of Doing Business index released by the World Bank, India’s EDB rank was 134th in the year 2014, it has increased to 63 in the year 2021. India is ranked 43rd in the Global Competitiveness Report Index published by the Geneva-based World Economic Forum, up from 60th in 2014. The creation of corona vaccines by Indian firms is a striking example of homegrown ingenuity.

Still to Achieve:

But even reforms in all these ranks have failed to revive the manufacturing sector and are not giving the required support to the Make in India campaign. Despite all efforts to promote self-employment, the level of unemployment has broken the record of 4 decades. According to figures from the World Bank, India’s unemployment rate for 2020 was an all-time high of 8.00%.

By 2022, when There was also an objective of creating 100 million additional jobs by 2022. This task has been made incredibly challenging by COVID. However, the nation was already dealing with the biggest unemployment crisis in its history when COVID arrived. According to the CMIE Data, 42% of graduates between the ages of 20 and 24 were unemployed in 2017. In 2018, it reached 55.1%, and in 2019, it reached 63.4%.

However, it did not happen overnight. A company's closure results in the displacement of thousands of workers. General Motors (2017), MAN Trucks (2018), United Motors (2019), Fiat (2019), Harley Davidson (2020) and Ford (2021) have all decided to exit the Indian market in the last five years. The Federation of Automobile Dealers Associations says these exits resulted 65,000 job losses and a loss of Rs 2,500 crore to dealer investments. According to a report by McKinsey Global Institute, that around 18 million people in India will be forced to move to a different occupation by 2030.

Challenges:

India is still battling with its trade deficit. The country's trade deficit grew to USD 228,83 billion from USD 140,65 billion in the same time of the previous fiscal year, as exports increased only by 9.0 percent and imports jumped by 25.0 percent due to an increase in energy prices. Even The total goods exports in 2021-22 amounted to $422 billion, up sharply from the pre-COVID levels of $313 billion in 2019-20. India's main export partners are: the United States (15 percent of the total exports), United Arab Emirates (11%), Hong Kong (5%), China (4%), Singapore (4%) and the UK (3%).

According to data from Ministry of Commerce and Industry, in 2021-22 India purchased items from 216 countries and regions throughout the globe at a cost of 61,305 crore US dollars. 15.42 percent of India's total imports came from China. India's bilateral commerce with China hit a record $135.98 billion in 2022, according to Chinese Customs data released on January 13, 2023. The increase was driven by a 21% increase in Indian imports of Chinese commodities.

There is no justification for the importation of Harmonized System products (HS-84, nuclear reactors, boilers, mechanical appliances and their parts) Similarly, imports valued at $21.61 billion under HS-85 (Electrical Machinery) and $1.97 billion under HS-94 (furniture, bedding, mattresses, cushions, light fittings, illuminated signs, nameplates, and prefabricated buildings) in January-November 2021 were unnecessary, as the majority of these items could have been produced locally. China is India's biggest supplier of goods, with a 13.75 percent share ($75.87 billion) of India's total imports of $551.70 billion from April to December 2022.

Recent Steps:

It is true that the government is working to establish a competitive, dynamic environment to support sustained economic growth and boost its importance in international trade.

The manufacturing sector is anticipated to benefit from the implementation of recent policies such PM Gati Shakti (supply chain), National Single Window Clearance (providing a single digital platform to investors for approvals and clearances), GIS-Mapped Land Bank (a one-stop repository of all industrial infrastructure-related information), and the Production-linked Incentive (PLI) plan. With the aim of making India one of the world's main manufacturers of this essential component, the PLI for semiconductor manufacturing has been set at Rs. 760 billion (US$ 9.71 billion).

What 'MII' needed from this Budget:

A favourable tax policy regime and a robust business environment for foreigners planning to stay and work in India are urgently required. The PLI scheme was launched in 2021, with an initial investment of approximately Rs 2 lakh crore for 13 sectors. These incentives have a significant impact on domestic manufacturing.

It is therefore recommended that the government maintains its focus on it. The MSME sector in India accounts for more than 45% of manufacturing output. As a result, greater connectivity of MSME to the global economy is urgently required. To increase exports, PLI schemes should be extended to MSMEs and emerging industries.

It has been suggested that the 15 percent corporate tax rate for new investments in manufacturing be extended to all industries, including the service sector. Since inflation has touched everyone hard, it is recommended that direct tax increases be avoided and that the 18 percent interest rate for late payment of GST be reduced to 6 percent for small and medium-sized enterprises (SMEs). There is a need for a tax incentive on capital or operational expenditures for extending and utilising new-age technology applications such as Artificial intelligence (AI), Internet of Things (IoT), and Machine Learning (ML).

Manufacturers frequently struggle to receive timely payments, so the NPAs (non-performing assets) policy for MSMEs should be 180 days rather than 90 days. Import duties on raw materials should be in the lowest or nil slab, intermediates in the lower 2.5-5% slab, and finished goods in the standard slab. The National Logistics Policy (NLP) is expected to be implemented in this budget. The NLP will alleviate bottlenecks and lower costs. India's logistics costs are currently around 14% of its GDP. To compete with other developing countries, the government should reduce logistics costs to 6-8% of GDP.

The ₹200 crore support given under Market Development Assistance (MDA) scheme for promoting exports to $470 billion is just a "drop in the ocean". As a result, an Export Development Fund with a large corpus is required for aggressive marketing.

Strict laws and policies place restrictions on the manufacturing industry, whether it be in the form of excessive paperwork, high energy and logistics costs, labour costs, land requirements, or environmental approvals.

The manufacturing industry in India continues to be fatally flawed by the country's poor infrastructure. Compared to China, which spends 20% of its GDP on infrastructure development, our nation consumes only 3% of its GDP annually. India has one of the lowest per capita energy consumption rates in the world and an annual power deficit of more than 10%.

India may in future make itself the next 'Global Manufacturing point' which is anyway fed up with China and is looking for alternative manufacturing hubs. There is a need to free the manufacturing sector from cumbersome rules. Product and service innovation will also have to be focused so that India can become a leader not only in manufacturing, but also in research and development. There is a great need and scope for collaboration between industry and academia for skill education, in which a skilled labour can be created.

The Way Forward:

Over the last two years, exports have increased dramatically. With rapid growth over the last two years, India's manufacturing exports reached $418 billion in fiscal year 2022 (FY22). Though India contributes 3.1% of GDP, our export contribution to the world is only 1.6%, and given the current opportunities, there is enormous scope, potential, and triggers for growth. Morgan Stanley predicted in recent research that India would become the world's third-largest economy by 2027. Manufacturing's share of GDP is expected to rise to 21% from 15.6% by 2031, and India's share of global exports will double.

Because India aspires to be the world's new age factory, the upcoming Union Budget is likely to include provisions to boost the 'Make in India' mission. Much more than policy window dressing is required for the economy to increase manufacturing activity. The government needs to understand that passing a number of Bills through Parliament and holding investor conferences won't be enough to spark industrialization.

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