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INTERNATIONAL NEWS

Global trade resilient despite one year of Russia-Ukraine war: WTO

Global trade remained resilient and performed better than "pessimistic predictions" for 2022 as economies hit by Russia's war in Ukraine found alternative sources of supply, as per a new information note on the global economy released by the WTO following one year of the Ukraine crisis.

The note, released on Thursday, warned that least-developed countries were likely to be hardest hit if international cooperation were to break down and suggested that it was important to strengthen the multilateral trading system to protect the most vulnerable.

Trade growth in 2022 was above the WTO trade forecast of 3 per cent issued in April (now estimated at about 3.5 per cent), the note stated.

Sharply higher food prices and supply shortages have not materialised thanks to the openness of the multilateral trading system and the cooperation governments have committed to at the WTO, it said.

Ukrainian exports, though, collapsed by 30 per cent in 2022 in value terms while Russia's exports expanded by 15.6 per cent in value terms, mostly because of an increase in prices particularly for fuels, fertilizers and cereal.

"Global trade has held up well in the face of the war in Ukraine. Despite the devastation we have seen one year on, trade flows remained open. We have not seen the worst predictions foreseen at the onset of the war," according to Chief Economist Ralph Ossa

Russia invaded Ukraine on February 24 2022 in a major escalation of the conflict which began in 2014. Thousands of deaths have taken place on both sides since then and supply chains have been severely disrupted worldwide.

Price increase

Prices of a range of products increased, for instance maize which witnessed one of the highest price rises of about 24.2 per cent, but these were significantly lower than the gloomiest predictions, the note said.

WTO Secretariat staff simulations highlighted that in the case of cascading export restrictions on food, prices for wheat could have increased by up to 85 per cent in some low-income regions compared to the actual increase of 17 per cent.

"The relative restraint in the imposition of export restrictions by WTO members may have played a key role in keeping price increases in check," the note said.

Exports of cereals declined by 14.9 per cent during the year forcing many African economies to adjust their sourcing patterns. "Ethiopia, for example, which used to rely on Ukraine and Russia for 45 per cent of its wheat imports, reacted by increasing purchases from other producers including the United States (shipments up 20 per cent in volume terms) and Argentina, which supplied 21 per cent of Ethiopia's imported wheat, up from zero in the previous year.)," it added.

Source: thehindubusinessline.com- Feb 23, 2023

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Clothing companies look to reduce China manufacturing exposure

A combination of supply chain chaos, higher costs and concerns about working conditions is forcing some western fashion brands to rethink their decades-old dependence on factories in China.

Dieter Holzer, the former chief executive and a board member of Marc O'Polo, said the Swedish-German fashion brand started to swap some suppliers in the country in favour of factories in Turkey and Portugal in 2021.

The decision was meant to "balance and take out risk from your supply chain and make it more sustainable", he said. "I think many companies across the industry are reviewing their exposure [to China]."

The shift away from mass textile production in the country, albeit still in its early stages, marks the reversal of years of outsourcing to a region that has come to dominate the textile supply chain.

Big names such as Mango and Dr Martens have recently cut or signalled their intention to shift manufacturing out of China or south-east Asia.

"The big message is reducing reliance on China," Dr Martens' chief executive Kenny Wilson said in November. "You don't want all of your eggs in one basket."

The bootmaker has moved 55 per cent of its total production out of the country since he took over in 2018. Just 12 per cent of its production for the 2022 autumn/winter collection was manufactured in China compared with 27 per cent in 2020 and it estimated this will drop to 5 per cent this year.

"We are being deafened by the sound of clothes manufacturers [moving] away from Asia," said Rosey Hurst, director of ethical business consultancy Impactt.

The relocation was also being driven by stricter laws being introduced in the US and Europe against labour abuses, she added, following the alleged use of forced labour in the cotton-rich territory of Xinjiang in China.

Mango's chief executive Toni Ruiz said in December he was considering buying less from China "but we'll be very alert to how things evolve". "What we're looking at is the extent to which all this global sourcing, developed over many years, might become more local," he said.

The shift was accelerated by continued supply chain disruption since the onset of the Covid-19 pandemic, which led to a jump in freight costs, as well as significant shipping delays as factory workers at manufacturing hubs across Asia fell ill or were forced to isolate.

One industry consultant said that one retail client's ski wear, from a previous season, arrived in the summer of 2022. "For many, gone are the days of manufacturing only in China and shipping everywhere," said Todd Simms, vice-president at supply chain intelligence platform FourKites.

"Disruptions have increased costs to deliver finished goods, making it easier to justify operations in new countries in exchange for more resilience," he added.

The financial incentives to remain in the region are diminishing as wages go up after years of cheap labour — a major draw for many household names to outsource manufacturing to far-flung places.

According to statistics from China's National Bureau of Statistics, the average factory wage doubled between 2013 and 2021, from Rmb46,000 ($6,689) per year to Rmb92,000.

Jose Calamonte, chief executive of online fashion retailer Asos, told investors at the company's full-year results presentation last year that products manufactured in China were not as competitive as they seemed relative to Europe, once shipping and transport costs were taken into account. "We try to think about the final [profit] margin once we've made the final sale," he said.

Source: ft.com- Feb 18, 2023

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China's apparel exports to US grow to $36.547 bn in 2022

China's apparel exports to the US continued to grow in 2022 after sharp recovery in 2021. However, the growth rate could not be maintained in the last quarter. The two largest economies of the world are involved in a number of geo-political disputes and also trade war. But they also know mutual economic value, and trade mutually for their own benefit.

China's apparel exports reached at $36.547 billion in 2022 from $34.772 billion of 2021, when there was a sharp recovery after the COVID-19 disruption. The outbound shipment had witnessed sharp fall in 2020 to $25.369 billion from $32.046 billion of 2019. The trade stood at $34.735 billion in 2018 and $32.352 billion in 2017, according to Fibre2Fashion's market insight tool TexPro.

But quarterly figures present a contrasting picture. China's apparel exports to the US fell to $7.195 billion in last quarter of 2022 from $11.042 billion of Q3, 2022. The shipment was $10.581 billion in Q2, 2022, $7.728 billion in Q1, 2022, $9.647 billion in Q4, 2021 and $11.649 billion in Q3, 2021, as per TexPro.

It is interesting to note that cotton exports from the US to China have increased last year despite the former banning the import of cotton and cotton products originating from the Xinjiang region of China. Cotton exports from the US to China jumped to $2.902 billion in 2022 from $1.330 billion in 2021.

The trade was $1.820 billion in 2020, $705.069 million in 2019 and $920.496 million in 2018. On quarterly basis, US cotton exports to China were $959.613 million in Q1, 2022 and $993.916 million in Q2, 2022, which decreased in the next two quarters to $525.120 million in Q3, 2022 and $423.983 million in Q4, 2022. The export was $288.950 million in Q4, 2021.

Source: fibre2fashion.com- Feb 24, 2023

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US textile/apparel imports and exports exceed pre-pandemic levels

In 2022, textile and apparel imports into the USA were worth $132.2 billion, exceeding the figure of $127.7 billion recorded in 2019. Exports instead topped the $30.4 billion mark, well up compared to the $22.1 billion recorded prior to the pandemic. The increase in exports over 2019 was equivalent to 37.5%, according to US government data.

In 2020, imports had fallen to $89.5 billion, rising to $113.9 billion the following year, so that the growth in fiscal 2022 was 16%. Southeast Asia accounted for 25.9% of the USA's 2022 imports, with orders up 29.6% in value. China was the leading supplier country, its order value up slightly to $32.7 billion, with a 24.7% market share. China's first competitor was Vietnam, the value of whose exports to the USA grew 27% in a year, to $19.6 billion. India was third with $11.1 billion, up by 12.2%.

Then came Bangladesh with $10 billion (up 35.4%), Indonesia with $6.2 billion (up 36.7%), and the European Union with $5.7 billion. Driven by Italy, the EU grew by 13.6% and cornered a 4.29% import share. Imports from Cambodia also increased significantly, growing 31.43% to $5.2 billion, so that in 2022 the country overtook Mexico ($4.8 billion, up by 10.2%) and Pakistan ($4.7 billion, up by 12.9%).

On the export side, North America accounted for 51% of orders shipped from the USA ($12.8 billion), of which $6.8 billion went to Mexico (up 9%) and $5.9 billion (up 11.1%) to Canada. US textile/apparel exports to the EU were worth $2.2 billion, equivalent to a 16.7% increase that made European orders reach an 8.1% market share.

USA drives apparel trade rebound

The other main export countries for the US were Honduras with $1.7 billion (up 22.55%) and China with $798.7 million, down 5.8%. A decline that was notably explained by the impact of the country's zero-Covid policy on local consumption. Behind China were the Dominican Republic, Nicaragua, Japan, the UK and Guatemala.

These official statistics can be consulted on the US government's Trade.gov website, and underline the sustained buoyancy of the US apparel sector, at a time when its European counterpart is being hit by the repercussions of the invasion of Ukraine and the inflation it has triggered on the continent.

The USA have indeed been playing a leading role in the renewed growth of international textile and apparel trade since 2021. A fact that was recently underlined by the French Fashion Institute (IFM) at the Première Vision Paris trade show.

The IFM noted that the main international trade flow for apparel in 2021 was exceptionally not the one between Asia and Europe (worth $117 billion), but that between Asia and the Americas, worth $124 billion.

Orders to Asia were mainly driven by the USA's post-crisis demand rebound. Annual figures for European textile/apparel imports and exports are set to be published in mid-March.

Source: fashionnetwork.com- Feb 23, 2023

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Textile manufacturing resumes in earthquake-affected areas of Turkiye

Manufacturing has started in some textile and garment factories in Malatya, Elazig and Sanliurfa regions of Turkiye, which were affected by the earthquakes on February 6. Infrastructure systems in industrial zones are mostly in good condition. The factories are usually in industrial zones with single-storey buildings. Therefore, the devastating effect of earthquakes is less on production plants than it is on residential buildings.

“Short-term production cuts are inevitable, however, all stakeholders are working together to restart plants for social as well as economical reasons,” Cem Altan, president of International Apparel Federation (IAF) and vice-chair of Turkish Clothing Manufacturers’ Association, said in a statement.

In the short run, the Turkish textile and garment industries will use their excess production capacity built in 2021 and 2022. For instance, Turkiye had increased yarn and fabric production capacity by 25 per cent last year with new investments. Therefore, the lost capacity can be immediately replaced by the available capacity in other major cities like Bursa, Istanbul, Tekirdag and Denizli located in the West.

Infrastructure-wise, the government has partly started to supply water, electricity and natural gas to some cities, towns, and industrial zones. Airports are in operation. Temporary cities built from containers around the industrial zones are under construction to prevent workforce immigration, Altan added.

Two major devastating earthquakes with magnitudes of 7.8 and 7.5 hit southeast Turkiye and northern Syria on February 6. Eleven cities, namely Kahramanmaras, Malatya, Hatay, Gaziantep, Adiyaman, Osmaniye, Kilis, Sanliurfa, Adana, Diyarbakir and Elazig, were affected by these major earthquakes and their aftershocks. Almost 13.5 million people living in these cities are affected, while an estimated 45,000 people have lost their lives. There are garment factories in Malatya, Elazig, Sanliurfa and Adiyaman and textile mills in Kahramanmaras and Gaziantep.

Source: fibre2fashion.com- Feb 23, 2023

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China, Ethiopia to set up group for investment, economic cooperation

Ethiopia and China recently signed a memorandum of understanding (MoU) to set up an investment and economic cooperation working group to jointly boost economic and trade ties in strategic fields.

The MoU was signed by Ethiopian finance minister Ahmed Shide and China's assistant minister of commerce Li Fei at the Joint Economic and Trade Commission meeting held in Addis Ababa.

Shide said Chinese enterprises have significantly invested in Ethiopia in diverse sectors, including industrial parks, processing, manufacturing and construction.

Li said China's new preferential policy for zero-tariff treatment on 98 per cent of taxable items that Ethiopia will enjoy from March 1 this year will lead to tangible benefits, a pan-African news dissemination organisation reported.

Source: fibre2fashion.com- Feb 23, 2023

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Japan January imports up 21 per cent

Japan's clothing and accessories imports increased by 21.6 per cent in January 2023.

Imports of textile yarn and fabric in January 2023 rose by 5.6 per cent from the same period last year. Yarn and fabric imports accounted for one per cent of the total imports by Japan. The country's imports of yarn and fabric from China in January 2023 were 4.3 per cent higher than the corresponding period in 2022.The imports accounted for one per cent of Japan's total imports from China.

During January 2023, Japan's exports of textile yarn and fabric increased by 4.6 per cent year on year. The country's exports of textile machinery rose by 12.1 per cent from January 2022, contributing 0.5 per cent to the total exports.

In 2022, Japan's clothing imports rose by 23.2 per cent from imports in 2021. Imports of textile yarn and fabric in 2022 rose by 25.7 per cent. Japan's exports of textile yarn and fabric in 2022 increased by 15.2 per cent year on year. The country's exports of textile machinery increased by 26 per cent in 2022.

Apparel imports of Japan from January 2022 to October 2022 rose by 27 per cent year on year in terms of value.

Source: fashionatingworld.com- Feb 23, 2023

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USA: Denim Experts Debate First Steps Toward Sustainability

Denim's use of water and potassium permanganate were topics of conversation during a panel on the industry's sustainable victories and challenges last week at Sourcing at Magic in Las Vegas.

Moderated by Cindy Lin, CEO and co-founder of the social impact technology company Hey Social Good, Patricia Medina, executive director of Mexico-based garment manufacturer Aztex Network, and Santiago Rodriguez, Calk Denim U.S. sales manager, discussed the first steps designers can take to clean up their production.

Understanding why the industry needs sustainable alternatives and how these can work in tandem with conventional machinery is the backbone to making educated choices , Lin said.

That means starting with basic steps to avoid being overwhelmed by big investments, Rodriguez said. "Being solid and consistent is that path," he continued, adding that companies must integrate sustainability into their DNA.

Or, the first step can be as bold as eliminating potassium permanganate from production altogether, Medina said.

The chemical, which is already banned in the E.U. and must meet "very strict standards" in the U.S., can pollute drinking water sources if it contaminates groundwater and soil, Lin said. Medina added that prolonged exposure to potassium permanganate can have carcinogenic effects on workers.

"Just substitute potassium permanganate…with another chemical that oxidizes," she said.

For Aztex, the substitute is Officina-39's suite of sustainable products that can be used with nebulized system machines. Aztex uses the Italian chemical company's Oz-One Powder, which achieves bleached and worn looks without potassium permanganate and chlorine. Medina added that Officina-39 trained Aztex's team in the technology, overhauling the traditional ways it made denim for the better.

“We changed to be a service company, not only to sew and wash products, but to service our customers in every way from product development to logistics. And during that process, we realized we had to rethink every single process,” she said.

Oz-One Powder is part of Officina+39’s Aqualess Mission collection of water-saving alternatives that can replace conventional desizing, stone washing and bleaching treatments. While each solution can be used on its own, companies can save more by ombining the products. Officina 39 estimates a 75 percent water savings when used together.

Rodriguez said denim production is one of the most water-hogging processes in the textile industry. “All along the production process are laundries and washhouses, and there is not only water that is waste, but also water laced with toxic chemicals and some of them, they are discharged to the landfill or the rivers,” he added.

Despite this, the cost that comes with being sustainable remains a hurdle for most companies. “People are just not willing to transition from the conventional fabric that’s working for them to a more sustainable alternative,” Rodriguez said. Calik’s goal is to “democratize” the use of sustainable fabrics by not adding extra costs, he added.

Whether it’s a knowledge gap or the industry’s price sensitivity to change, Medina said companies often overlook the long-term benefits. “I have found that using better fabric makes more efficient products, less waste, less everything,” she said.

Source: sourcingjournal.com- Feb 23, 2023

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China-Vietnam Ma Lu Thang, Jinshuihe border gates resume full ops

Import-export activities and customs clearance of goods were fully resumed recently at the Ma Lu Thang international border gate in Phong Tho district of Vietnam's northern province of Lai Chau and the Jinshuihe border gate of China's Yunnan province after more than three years of closure or partial closure due to pandemic-induced problems.

The authorities of Honghe and Jinping districts of Yunnan province have sent a document to Vietnam announcing the cancellation of all COVID-19 quarantine measures for goods, and the full resumption of entry-exit for citizens of the two countries via the border gates, a news agency reported.

Both sides will coordinate to accelerate administrative reforms to simplify import-export and entry-exit activities at the border gates.

Source: fibre2fashion.com- Feb 23, 2023

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Vietnam rakes in export turnover of $37 bn by mid-Feb 2023

Vietnam's trade value has reached a significant milestone as it touched $72 billion in the first half of February 2023. The Southeast Asian country's total trade value includes an export turnover of $37 billion and a trade surplus of almost $1.7 billion, as per the General Department of Vietnam Customs.

During the first half of February 2023 alone, Vietnam's export turnover reached $13.44 billion, indicating a strong start to the year. The groups of exports that enjoyed a 'billion dollars' turnover in the reviewed period included textiles and garments. The import turnover for the same period was $12.38 billion, according to local media reports.

Vietnam's total trade value in 2022 had reached a record high of $730.2 billion.

Source: fibre2fashion.com- Feb 24, 2023

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Cambodia's apparel exports to neighbouring countries grow in 2022

Cambodia has registered impressive growth in apparel exports to its neighbouring countries such as Thailand, Singapore, and Malaysia. Shipments to Thailand and Malaysia grew by more than 40 per cent, while that to Singapore registered a mild growth during 2022. The exports to neighbouring countries compensated for slower shipments to the West.

Cambodia exported apparel worth $57.604 million to Thailand during 2022, up from $41.010 million in 2021. Cambodia managed to recover the shipment in 2022 after a steep fall in 2021.

The exports increased to $95.806 million in 2019 from $89.081 million in 2018, but it slipped to $73.986 million in 2020 and further nosedived to $41.010 million in 2021, as per Fibre2Fashion’s market insight tool TexPro.

The exports to neighbouring countries witnessed a downward trend in 2021 in comparison to 2020. Cambodia’s exports of apparel to Singapore fell to one third to $50.700 million in 2021 from $156.221 million in 2020. It recovered to $51.625 million in 2022. The exports amounted to $81.615 million in 2019, $66.590 million in 2018 and $71.047 million in 2017.

The exports to Malaysia increased to $50.435 million till November 2022 from $33.169 million in 2021. The exports until November 2022 were 50 per cent higher than last year.

However, it registered negative growth since 2019 when the shipment slipped to $57.973 million from $58.424 million in 2018. It further declined to $37.602 million in 2020 and $33.169 million in 2021, according to TexPro.

Source: fibre2fashion.com- Feb 24, 2023

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Turkiye's manufacturing capacity utilisation drops to 75.7% in Feb

The Turkish manufacturing industry's capacity utilisation rate fell by 0.1 percentage points to 75.7 per cent in February, and seasonally adjusted, it declined by 0.1 percentage points to 75.2 per cent during the month, according to recent data from the Central Bank of the Republic of Turkiye (CBRT). Durable consumer goods had the lowest rate of 71.4 per cent.

On the sectoral side, the highest capacity usage was in manufacturing motor vehicles, trailers, and semi-trailers, at 82.1 per cent, while the lowest rate of 66.5 per cent was in beverage products.

The bank said 1,678 companies responded to the survey this month.

Source: fibre2fashion.com- Feb 24, 2023

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Pakistan: Cotton spot rate firm amid slow trading activity

The local cotton market on Thursday remained bearish and the trading volume remained low.

Cotton Analyst Naseem Usman told Business Recorder that the rate of cotton in Sindh is in between Rs 17,500 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 6,500 to Rs 8,500 per 40 kg. The rate of Phutti in Punjab is in between Rs 7,500 to Rs 9,500 per 40 kg.

He also told that 200 bales of Ghotki, 200 bales of Sarhad were sold at Rs 19,200 per maund, 200 bales of Saleh Pat were sold at Rs 18,500 per maund, 600 bales of Rohri were sold at Rs 17,500 to Rs 18,500 per maund, 1200 bales of Khan Pur were sold at Rs 19,000 to Rs 19,500 per maund, 200 bales of Chichawatni, 600 bales of DG Khan, 400 bales of Layyah and 400 bales of Tounsa Shareef were sold at Rs 19,500 per maund,

The Spot Rate remained unchanged at Rs 19,800 per maund. Polyester Fiber was available at Rs 345 per kg.

Source: brecorder.com- Feb 24, 2023

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NATIONAL NEWS

ICRA forecasts India's GDP growth at 5.1% YoY in FY2023

India’s year-on-year (YoY) gross domestic product (GDP) growth in the third quarter (Q3) of fiscal 2023 (FY2023) is projected at 5.1 per cent, a base effect-led moderation from the 6.3 per cent recorded in Q2 FY2023.

However, ICRA estimates that GDP growth over pre-COVID levels is expected to improve further to 11.6 per cent in Q3 FY2023 relative to the 7.6 per cent seen in the previous quarter.

The YoY rise in gross value added (GVA) at basic prices (at constant 2011-12 prices) is anticipated to moderate to 4.9 per cent in Q3 FY2023 from 5.6 per cent in Q2 FY2023. The YoY growth of the combined revenue expenditure of 22 state governments, for which data is available, eased to 5.4 per cent in Q3 FY2023 from 15.9 per cent in Q2 FY2023.

While the aggregate capital outlay of the aforesaid 22 state governments rose by 7.8 per cent YoY during Q3 FY2023, the absolute rise was small (₹85 billion), ICRA said in a press release.

In contrast, the government of India's capex contracted by 9.4 per cent YoY in Q3 FY2023 (42.4 per cent in Q2 FY2023).

ICRA estimates the industrial GVA to have reverted to a YoY growth of approximately 1.0 per cent in Q3 FY2023 after the mild 0.8 per cent contraction seen in Q2 FY2023, aided by an improvement in all sub-sectors, including manufacturing (to -3.0 per cent from -4.3 per cent) and gas and other utilities (to 7.0 per cent from 5.6 per cent).

Manufacturing volumes in Q3 FY2023 were partly constrained by the ongoing slowdown in external demand and lag in domestic demand for consumer durables relative to pre-COVID levels, as seen in the decline in output for segments such as textiles, leather products, and more.

Some sectors continued to witness margin pressure in Q3 FY2023, with commodity prices appreciably higher than the year-ago levels, which is likely to have weighed on GVA growth.

"Economic activity in Q3 FY2023 remained distinctly uneven, amid the upsides offered by the robust demand for contact-intensive services and upbeat sentiment during the festive season.

Trends in government spending were disparate, with a healthy revenue spending by the the government of India amid a base effect led contraction in its capital spending," said Aditi Nayar, chief economist, head-research and outreach, ICRA Ltd.

Source: fibre2fashion.com- Feb 23, 2023

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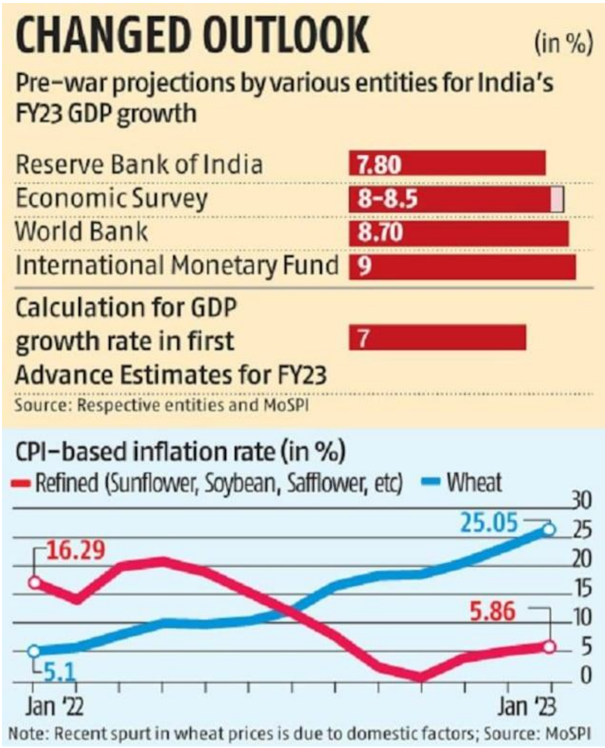
How Russia-Ukraine conflict has impacted global and Indian economy

The Economic Survey of 2021-22 projected India's GDP growth at 8-8.5 per cent for this financial year. This forecast was later revised to 7 per cent in the first Advance Estimates with no signs of the Russia-Ukraine war, which had broke out 24 days after the Survey was presented in Parliament, ending.



The Survey was not the only exception. All forecasters — from the Reserve Bank of India (RBI) to the International Monetary Fund and the World Bank — went wrong. None of them had expected Russia to invade Ukraine, despite the tell-tale signs.

India wasn't directly impacted by the war: Its trade with Russia before the conflict was largely limited to the defence sector; its trade with Ukraine wasn't significant either. Following the conflict, bilateral trade between India and Russia, in fact, surged as New Delhi sourced discounted crude oil and other items from Moscow.

The indirect impact of the war on the Indian economy, however, was palpable as it partly led to a recession or a severe slowdown in advanced economies, besides jacking up commodity prices in the initial phases.

Inflation

The retail price inflation remained above the RBI's upper tolerance level of 6 per cent for much of 2022-23 (except for November and December). The heightened commodity prices because of the war did not impact the consumer price index (CPI)-based inflation rate directly, except for fuel (petrol and diesel).

For most other commodities, the impact was first reflected in the wholesale price index-based inflation rate, before it got transmitted to CPI.

Global prices of the Indian basket of crude oil remained over $100 a barrel until July and have since receded. These, in fact, slipped below $90 a barrel after October, on average, with global demand shrinking.

This holds true of other commodities, too. For the initial months, global prices, particularly of commodities supplied by Ukraine and Russia such as wheat, sunflower oil and fertilisers, skyrocketed, forcing India to take fiscal and monetary measures. These included raising of the policy rates, reducing excise duty and value-added tax on petrol and diesel, banning the export of wheat, restrictions on flour, suji and maida exports, a 20 per cent export duty on various kinds of rice, exemption of crude palm, soybean and sunflower oils from basic Customs duty, and a reduction in Customs duty on refined soybean and sunflower oils. The government had to revise-up fertiliser subsidies — from Rs 1.05 trillion in Budget Estimates to Rs 2.25 trillion — as the war jacked up prices globally.

Of late, though, commodity prices have been falling in global markets. The spike in CPI-based inflation from 5.72 per cent in December to 6.52 per cent in January had more to do with domestic factors, such as delay in wheat arrival in the markets, lack of fodder for milk, etc.

“We cannot really relate the Ukraine war with high inflation in India now, because global prices (of most commodities) have receded to pre-war levels,” said Madan Sabnavis, Bank of Baroda’s chief economist.

Balance of payments

External conditions deteriorated due to the war on many fronts. Demand in advanced economies slumped and the initial trade deficit was high due to the rise in imports even as commodity prices flared up. Otherwise, merchandise exports were up 20-30 per cent YoY in the February to June period.

Thereafter, merchandise exports growth slowed down and exports even contracted in October, December, and January. Now commodity prices have declined, pulling down import growth in value terms. As a result, the trade deficit stood at a one-year low of $17.75 billion in January.

The current account deficit (CAD), which also includes balance in services and other net receipts from the external world, rose to 2.8 per cent of GDP in April-June (FY23), against 1.5 per cent in January-March (FY22). The CAD would have been starker as the trade deficit ballooned to $68.6 billion, from $54.5 billion, but services surplus and remittances blunted the impact.

There was also pressure on the rupee vis-à-vis the dollar as central banks in advanced economies raised interest rates to fight elevated inflation. The rupee, which stood at 74.45 against the dollar in January 2022, weakened to 76.21 in March after the start of the war and breached 80 in September; it stayed over 80 in January and February of 2023. This resulted in a flight of portfolio investments.

Despite net foreign portfolio outflows of $14.6 billion in Q1FY23, there was net accretion to foreign exchange reserves of $4.6 billion as foreign direct investments (FDI) remained robust at $13.6 billion; also, there were inflows because of non-resident deposits and external commercial borrowings.

The situation changed in July-September in 2022-23 as the trade deficit widened further to $83.5 billion. The CAD rose to 4.4 per cent of GDP. Together with widening capital outflows, this resulted in the depletion of forex reserves by $30.4 billion.

Economic growth

Various entities had to revise down their growth estimates for the world economy and, in turn, India's economy. This was also a result of soaring inflation at that time, which forced global central banks to raise interest rates to control it.

For instance, the IMF predicted world economic growth at 4.4 per cent for 2022 versus an estimated 5.9 per cent in the previous year. Its latest world economic outlook update expected growth at just 3.4 per cent for 2022. Though fears of a recession in the advanced world have receded, prompting the Fund to raise its projections compared to October by 0.2 percentage point, the latest prediction was nonetheless 1 percentage point lower than the one made before the war. Similarly, the IMF believed India would grow by 9 per cent in 2022-23 in its pre-war projections; it now expects 6.8 per cent growth. IMF projections now are even lower than 7 per cent as per the Advance Estimates.

"There are several moving elements and uncertainties globally: Ukraine conflict, high inflation, monetary tightening, oil price volatility, and commodity price volatility, among others. Projecting GDP in such an uncertain scenario is a challenge for any agency," said Ranen Banerjee, partner, economic advisory services, PwC.

However, the fact remains that the war, along with other factors, slowed down the world economy and hence the Indian economy, too. Going forward, economic growth would depend on how fast the Russia-Ukraine conflict de-escalates, behaviour of commodity prices, and inflation.

Source: business-standard.com - Feb 23, 2023

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More Asian countries interested in Rupee trade: Central bank executive

Rupee payments for global trade, especially with Russia that was forced out of the global payments network following its invasion of Ukraine. More Asian countries, such as Indonesia and the United Arab Emirates, are showing interest in using the Rupee as a trading unit, potentially reducing dependence on the world's reserve currency for cross-border exchange of goods and services.

"The world can trade two ways - in one currency and the second option is to trade in other currencies. The second one is obviously less risky," said a central bank executive on the sidelines of the G20 meeting of finance ministers and central bankers.

The Reserve Bank of India (RBI) last July introduced Rupee payments for global trade, especially with Russia that was forced out of the global payments network following its invasion of Ukraine. It permitted the opening of vostro accounts by Indian banks to facilitate settlement of transactions in Rupee.

The move has made a circumspect start, but many banks have opened such accounts, prompting enquiries from other countries looking for an alternative to reduce risks. India's regulator backed National Payments Corp., which has evolved a strong payments railroad, is widening its presence and the government plans to exploit the advantage.

India and Singapore launched the cross-border linkage that used respective payment systems - Unified Payments Interface (UPI) and PayNow - for transaction settlement. "The linkage of Unified Payments Interface (UPI) and PayNow is a new milestone in India-Singapore relations and its launch is a gift to the citizens of the two countries," Prime Minister Narendra Modi said at the launch earlier this week.

India is also pushing a central bank-backed digital currency.

"Our focus is to ensure that transactions are flawless," said the executive.

Source: economictimes.com - Feb 24, 2023

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Climate as a trade barrier? EU carbon tax casts a dark cloud over Indian exporters

Come October, exporters to the European Union are likely to face a setback as the 27-member bloc starts a phased rollout of a plan to levy an emission tax on imports of manufactured goods.

The Carbon Border Adjustment Mechanism (CBAM) will be implemented in two stages: from October 1, all importers in the EU would have to report the direct and indirect emissions of the goods they get; from February 2027, they would have to pay a carbon levy on goods and products not meeting the emission standards. Some industries covered by the Carbon Border Adjustment Mechanism are steel, iron, aluminium, cement and fertiliser.

This spells bad news for Indian companies exporting to the EU. Not only will they have to meet the stringent norms, but they might even have to foot the emission bill if EU companies ask them. Many exporters from India are likely to see some disruption in trade with the EU, especially if the emissions are not controlled. The CO_2 emissions from the Indian steel industry, for example, are expected to jump from 242 million tonnes in 2020 to 837 million tonnes over the next three decades, according to a 2020 report by The Energy and Resources Institute (TERI).

Advaiyot Sharma, Assistant Policy Analyst, CUTS International, says the CBAM is shaping up to be a regulation that will affect the operations of Indian businesses. “Depending on the levels of export exposures, this could result in the loss of market presence in the EU, as well as have an adverse impact on downstream industries, including MSMEs, which supply components to the bigger, export-oriented units,” he says.

The carbon emission cap under the CBAM is yet to be defined. Under an emissions’ trading system in force in the EU now, each sector has a different cap.

EU raises the bar

The European Union has always set higher goals for itself to reduce its carbon footprint. It started the Emissions Trading System in 2005 to levy similar taxes on domestic producers, says Anirban Mukherjee, Lead for Climate & Sustainability in India, Boston Consulting Group. “It charges about $80-90 per tonne of carbon emissions exceeding the required cap and is now seeking an equivalent carbon tax from importers. This is not a onetime tax and will continue till they achieve the net-zero pledges of the Paris Climate Agreement. Indian suppliers who are part of the supply chain of European companies will have to organise themselves to align with product-level emissions of European standards," he says.

Trade relations with the 27-country EU are of economic and strategic importance to India.

According to the Department of Commerce, India's exports to the EU stood at $64 billion in 2021-2022, rising 57% over the previous year. The exports have been rising except for dips in 2019-20 and 2020-21. "In 2021, India was the tenth largest partner for EU exports of goods (1.9%) and also the tenth largest partner for EU imports of goods (2.2%)," says Eurostat, an EU agency that provides statistical information. It also says the Covid crisis caused both exports and imports to fall in 2020. Among EU's most imported goods from India are manufactured goods (86% share), machinery & vehicles (19%) and chemicals (19%), shows the website for data between 2011 and 2021. Major exports to the EU from India include leather articles, textile, iron and steel.

Hit for Indian players

The carbon tax will give sleepless nights to smaller exporters in India who have to price products competitively to capture a share of the EU market. Many would have to invest in greener processes and systems to keep exporting to the EU.

VK Agarwal, MD of Lucknow-based Shashi Cables, which makes conductors of aluminium and copper, says the carbon tax will lead to additional "efficiency costs," for exporters. "In Europe, the cost of pollution control equipment is more than the production equipment and the recurring costs are also very high. We have nothing of that sort in India and, therefore, we are going to see very high efficiency costs."

The government has written to the World Trade Organization calling these carbon border measures discriminatory and protectionist. These were being selectively applied to "trade-exposed industries" such as steel, aluminium, chemicals, plastics, polymers, chemicals and fertilisers, which reflected the underlying competitiveness concerns driving such measures, it said.

An analysis by BCG shows that because of CBAM, by 2032, the cost of iron and steel imported into the EU from India could rise by 32%, China by 17%, South Korea by 12%, Turkey by 10% and the US and UK by 6%.

Industries like steel, iron, aluminium, cement and fertiliser exporters from India are expected to be impacted from CBAM.
Industry players point out that there is some amount of hypocrisy as well.

"There is an energy crisis in Europe because of the Russia-Ukraine crisis," says Arun Kumar Garodia, Chairman of the Engineering Export Promotion Council of India (EEPC). "Some industries have been shut down and countries like Germany are using coal to survive in winters. On the one hand they are talking about carbon footprint and on the other side they themselves are using coal."

Moves from India Inc In India, some sectors concerned are working on their own decarbonisation objectives. The government has come up with schemes such as the Perform, Achieve and Trade (PAT) where industrial sectors are penalised for failing to achieve energy consumption targets. There is also a GST compensation cess on coal to discourage the use of the fossil fuel.

BCG's Banerjee says decarbonisation is happening at the individual corporate level. "Many steel companies have started measuring their carbon emissions per tonne of production. Many have also gone in for sustainability-linked bonds to finance a lot of energy-reducing initiatives and have implemented internal carbon pricing mechanisms. `So, there is awareness," he says.

JSW Steel , for example, has partnered with BCG to meet its decarbonisation goals. It wants to cut carbon emissions by 42% by 2029-30. In 2021, Tata Steel installed a blast furnace carbon capture plant, touted to be India's first, to capture 5 tonnes of CO_2 per day and reuse it on site.

More policy measures are being discussed. "For example, we are looking to bring in a compliance market in certain hard-to-abate sectors in India. When that comes, it will provide an additional impetus," Banerjee says.

He points to the government's outlay of Rs 19,700 crore for green hydrogen and an incentive scheme to manufacture electrolysers as measures in the right direction. But it will take some time for industry-wide implementation of renewable energy efforts.

Agarwal of Shashi Cables says India, too, should soon implement practices like the EU to reduce the carbon footprint. “If we do not, then somehow by tax, they ensure we will not remain competitive.”

Aluminium is a hard-to-abate sector and is known to be one of the toughest to reduce emissions. In 2021, Vedanta Aluminium set a target to cut the greenhouse gas emissions’ intensity 24% by FY25. Hindalco has invested heavily in developing aluminium recycling plants.

While the larger companies may be able to pay the extra costs and get away with lobbying, Agarwal says the mid-and small-sized companies that cannot afford to pay even to improve the quality of their products would be left in the lurch. Nevertheless, industrial sectors in India that follow some sort of policy in this regard may be able to use it as a leverage, he adds. Having such a policy would mean getting easier access to markets like the EU.

Opportunity over threat

Referring to the exporters’ worry over carbon tax, experts say other countries are also likely to implement such measures. So Indian players should be prepared for this as a new normal.

CUTS’ Sharma says the country should look at it more as an opportunity than a threat. “We can think of CBAM-like measures either as a threat, or as a window of opportunity for Indian firms to enhance sustainability levels in operations and pursue a new paradigm of competitiveness,” he adds.

If the EU is able to implement CBAM in a non-discriminatory and WTO-compatible manner, the government will have to adopt a forward-looking plan of action to deal with such regulations. “This gains salience given our export push and focus on GVC (global value chain) integration in recent years,” Sharma says.

The good news is that the CBAM will introduce the carbon levy only in 2027; the initial phase is focused on reporting obligations by firms and data collection.

There is a reason for this schedule as, Sharma says, devising these methodologies is expected to be a highly complex exercise. “Irrespective of the timelines, Indian firms need to prepare themselves accordingly. The priority should be to understand the reporting requirements of the CBAM. Next, the government and firms need to work together to see how Indian regulations such as PAT can be made compatible with the CBAM to offset levies,” he adds.

Interventions should be targeted at early adopters of this transition looking to exploit the emerging opportunities in the shift towards sustainability.

As the world shifts to more climate-friendly systems, it is important to remember that such measures are not just about targeting export markets but also about preserving and expanding market access and having a cleaner, and healthier, domestic economy.

Source: economictimes.com - Feb 24, 2023

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Inflationary pressure, less cash in hand hit rural offtake of textiles from Surat

Inflationary pressure and less cash in hand among the rural people have impacted the rural offtake of textiles from Surat, the hub of man-made fabrics. Traders said the marriage season demand from rural areas is down 50% year-on-year.

The marriage season, which began in mid-November last year, will continue till mid-March.

The Surat textile industry weaves about 45 million metres of fabric per day. "Of the total daily production, we are able to sell 2-2.5 crore (20-25 million) metres during the marriage season. The weaving units are facing problems and have been forced to bring down working days from six to four so that inventory does not pile up," said Ashok Jirawala, president, Federation of Gujarat Weavers Welfare Association.

Retailers from rural areas are not stocking up as the demand is very less from villages, said traders. The decline in demand has forced the weaving units in Surat to reduce working days so that inventory does not pile up. There are 55,000 weaving units in Surat and 850,000 weaving machines employing about 750,000 people.

"Domestic market has slowed as it reels from over consumption and higher sales in the previous year," said Vivek Merchant, head of the textile division at Swan Energy. "The usual pre- and post-Diwali increase in demand was missing in 2022. Unprecedented increases in cotton prices had impacted the segment adversely. Now that the prices are reverting to normal, things should get better. Demand from rural India has slowed too, due to inflation."

Textile manufacturers said there has been a decline in demand from the retail end, mostly from rural India, with the result that wholesalers are not picking up dyed fabric and other textile items such as sarees and garments from them.

"The price of fabric has also come down due to lesser demand. The wholesalers are waiting for prices to fall further and, therefore, the offtake is less," said Champalal Bothra, general secretary, Federation of Surat Textile Traders Association.

Merchant said a healthy harvest season, along with better minimum support prices for crops and the expected increased spending in rural India by the government ahead of the 2024 general election should lead to growth in the rural consumer segment.

Source: economictimes.com - Feb 23, 2023

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Textile technology to counter 'fast fashion'

AHMEDABAD: Compared to the usual four collections offered by clothing brands in the West and two (in most cases) for India, some brands have been offering as many as 52 collections annually - one new collection every week. Termed 'fast fashion,' the trend is being criticized for its impact on environment, consumerism and quality.

Experts are now eyeing technology such as artificial intelligence (AI) and natural fabrics to counter the trend. Several papers presented on the first day of the international conference 'Atmanirbhar Bharat@100: From Farm to Fashion to Future' hosted by National Institute of Fashion Technology (NIFT) Gandhinagar focused on the theme of sustainability and impact of technology.

Two research teams shared the findings of thrift marketplace as a sustainable practice and an experiment of making jackets from surplus fabric.

In the presentation called 'Agragami-Bhavi,' the researchers indicated that mass customization could be the way forward with several online apps providing such options for clothes and shoes.

The presenters claimed that with unique products, fast fashion could be countered and projections by computer models could be used to forecast trends.

Another segment, 'Sankalp-Prakarya', focused on natural fabric and processes where researchers from various institutions presented the findings of their projects on corn husk fibre extraction, nano enzymes and textile printing, and natural dyes and use of plants for antimicrobial qualities in fabric.

Prof Sameer Sood, director of NIFT Gandhinagar, said that the theme of the two-day conference is in line with the Centre's vision to make India self-sustainable by 2047.

"The textile sector with its farm to fashion applications can play a major role, and the conference focuses on bridging the gap between academia and practice," he said.

Srinivas Katikithala, director of Lal Bahadur Shastri National Academy, mentioned in his speech during the inaugural ceremony that there is a need to focus on long-lasting products and upscale local talent for modern economy, consumption and pace.

While Sudha Dhingra, dean (academics) of NIFT, focused on handcrafted clothing and India, NID director Praveen Nahar also emphasized on promoting traditional bespoke tailoring to counter consumerism.

Source: timesofindia.com - Feb 24, 2023

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