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IBTEX No. 42 of 2023 March 01, 2023

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INTERNATIONAL NEWS

Global economic growth will continue to slow in 2023: Moody's

Moody's Investors Service expects global growth to continue to slow in 2023 over a cumulative monetary policy tightening by various central banks.

The tightening of monetary policy, Moody's in its global macro outlook titled 'Global economic risks persist despite recent positive surprises', said will have a drag on economic activity and employment in most major economies.

"We forecast G-20 global economic growth will downshift to 2.0 per cent in 2023 from 2.7 per cent in 2022, and then to improve to 2.4 per cent in 2024," it said in the outlook report.

Inflation, the report said, will continue to moderate, but a sustained decline to central bank targets is not guaranteed.

For instance, inflation in the US moderated to 6.4 per cent in January from 6.5 per cent in December, and 7.1 per cent the previous month but still is way above the 2 per cent target.

The US central bank's policy rate is now in a target range of 4.50-4.75 per cent, the highest level in 15 years, and notably, it was near zero in the early part of 2022. Raising interest rates is a monetary policy instrument that typically helps suppress demand in the economy, thereby helping the inflation rate decline.

The report envisions inflation across advanced economies remaining above central bank targets for the better part of 2023 and 2024

"Our expectation that inflation will continue to fall through next year across most G-20 economies is contingent on a moderation in demand facilitated by central bank actions," Moody's said, adding that central banks will keep interest rates restrictive for longer than the financial markets expect.

"While there is a clear sense that the end to monetary policy tightening is near, how many more interest rate increases will be appropriate and how long rates will remain restrictive is unknown.

The Fed and other central banks would be forced into even more aggressive policy tightening if loosening financial conditions undermine their efforts to subdue aggregate demand," it added.

Source: economictimes.com- Mar 01, 2023

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Investments in Saudi's textile industry exceed SR 4.1 bn: Modon CEO

The volume of industrial investments in textiles and fabrics within the scope of the Saudi Authority for Industrial Cities and Technology Zones (Modon) has exceeded Saudi riyal (SR) 4.1 billion (approximately $1.09 billion), according to Modon's CEO Majed Al-Argoubi. The investments are spread across 125 industrial contracts in 19 industrial cities and cover more than one million square metres in total.

Al-Argoubi revealed these figures during the inauguration of the second edition of the Men's Fabrics and Accessories Exhibition, which is sponsored by Modon and held at the Riyadh International Convention and Exhibition Center for five days. The event aims to strengthen the industry in the sector, which has been witnessing significant growth in recent years.

The textiles and men's supplies sector is experiencing high growth in the Kingdom of Saudi Arabia, with most of its raw materials sourced locally. This makes the sector an attractive target for investments, as the Saudi leadership continues to support and facilitate investment in value-added projects, said Saudi media reports quoting Al-Argoubi.

Modon has also prepared advanced infrastructure and supporting logistical services, along with ready-made products and innovative solutions across the kingdom, to build factories in various sectors. This has contributed to the remarkable developments in the industrial sector in the kingdom.

Source: fibre2fashion.com- Mar 01, 2023

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Europe's used textile exports triple over past 2 decades: EEA

The quantity of used textiles exported from the European Union (EU) has tripled over the past two decades, and the amounts may increase further, as per a European Environment Agency (EEA) briefing. Europe faces major challenges in the management of used textiles, which are to be collected separately in the EU by 2025. Common public perceptions that used clothing donations are always of use in Asia and Africa do not reflect the reality.

As reuse and recycling capacities in Europe are limited, a large share of discarded and donated clothing and other textile products are exported to Africa and Asia. Once exported, the fate of used textiles is often uncertain, according to the EEA briefing titled 'EU exports of used textiles in Europe's circular economy'.

The briefing, based on a more detailed analysis by the EEA's European Topic Centre of Circular Economy and Resource Use, looks at the patterns of and trends in EU exports of used textiles from 2000 to 2019.

According to analysed data from the United Nations, EU exports of textiles have increased and shifted from mainly African destinations to both Africa and Asia. The briefing also shows how some challenges related to these exports are being addressed in current and proposed EU policies. In the EU strategy on sustainable and circular textiles, published in March 2022, the need for addressing the challenges from exports is specifically mentioned.

The report found that the amount of used textiles exported from the EU has tripled over the past two decades from slightly over 550,000 tonnes in 2000 to almost 1.7 million tonnes in 2019. The quantity of used textiles exported in 2019 was on average 3.8 kgs per person, or 25 per cent of the approximately 15 kgs of textiles consumed each year in the EU.

In 2019, 46 per cent of used textiles exported from the EU ended up in Africa. The textiles primarily go to local reuse as there is a demand for cheap, used clothes from Europe. What is not fit for reuse mostly ends up in open landfills and informal waste streams.

In 2019, 41 per cent of used textiles exported from the EU ended up in Asia. Most of these textiles are directed to dedicated economic zones where they are sorted and processed. The used textiles are then mostly downcycled into industrial rags or filling, or re-exported for recycling in other Asian countries or for reuse in Africa. Textiles that cannot be recycled or re-exported likely end up in landfills.

Source: fibre2fashion.com- Feb 28, 2023

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Philippines reiterates call for resumption of talks for FTA with EU

The Philippine department of trade and industry (DTI) recently again called for resumption of talks for a free trade agreement (FTA) with the European Union (EU) to promote stronger trade and investment ties. Trade secretary Alfredo Pascual met members of the European Parliament sub-committee on human rights and conveyed the country's interest in signing an FTA.

"With the positive developments in our relations and growing economic performance of the country, these all merit further consideration of elevating Philippine-EU relations through an FTA. DTI proposes, with the Parliament's support, the continuation of the FTA negotiations, as the FTA will provide a more stable and permanent platform for our trade and investment," he was quoted as saying by Philippine media reports.

Two rounds of negotiations are already over—the first held in May 2016 and the last in February 2017.

Pascual briefed the visiting EU delegation on domestic economic developments.

Source: fibre2fashion.com- Mar 01, 2023

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Turkiye's apparel exports recover in Jan 2023, rise 8.55% to $1.536 bn

Apparel exports from Turkiye recovered in January 2023 after decline of 9.2 per cent YoY in December 2022. The exports increased 8.55 per cent in January 2023, as per the data of the Turkish Statistical Institute and the country's ministry of trade. During the first month of 2023, Turkiye exported apparel worth $1.536 billion, compared to $1.415 billion in January 2022.

Category-wise, exports of knitted and crocheted clothing and accessories (HS chapter 61) earned $833.585 million in January 2023, registering a growth of 2.4 per cent over $814.110 million earned during the same month of the previous year. Exports of non-knitted apparel and accessories (HS chapter 62) were valued at $702.640 million, showing an increase of 16.9 per cent compared to $600.924 million exports in January 2022.

Meanwhile, Turkiye's imports of cotton, cotton yarn and cotton textiles (HS chapter 52) were negligible in January 2023, and therefor did not make it to the top 20 HS chapters for the imports in the country. Last year, Turkiye's imports had increased by 30.3 per cent to $4.842 billion over $3.714 billion in 2021.

Last year, apparel exports from Turkiye increased by 6.46 per cent year-on-year (YoY) to reach $19.475 billion, compared to $18.294 billion in 2021. However, in December 2022, the exports decreased by 9.2 per cent YoY to $0.890 billion.

Source: fibre2fashion.com- Mar 01, 2023

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Poland's GDP growth to remain weak throughout H1 2023: OECD

Poland's GDP growth is expected to remain weak through the first half (H1) of 2023, due to high energy prices, weak domestic demand and global uncertainty, according to the Organization for Economic Cooperation and Development (OECD) Economic Survey of Poland. However, the survey projects growth to recover to 2.4 per cent in 2024, while inflation is estimated to peak in early 2023 before falling to 3.5 per cent by the end of 2024.

The country's economy recovered quickly and strongly from the COVID-19 pandemic, but in the wake of Russia's war of aggression against Ukraine growth is stalling, with inflation at its highest level in two decades.

In this challenging environment, macroeconomic policy needs to strike a fine balance between supporting the economy while reducing inflation. Structural reforms aimed at paving the way for a successful green transition, reaping the benefits of digitalisation and strengthening public finances, will help Poland to continue lifting living standards, as per the latest OECD survey.

Prior to COVID-19 and the war in Ukraine, Poland was one of Europe's fastest-growing economies. Growth averaged 3.7 per cent a year over the decade to 2020, lifting living standards to around 80 per cent of the OECD average. Gains in labour productivity and sound macroeconomic policies were the main drivers of those achievements. The economy has also benefited from high levels of inward investment, its strong participation in global value chains and its shift towards higher-value activities.

Since Russia's invasion of Ukraine one year ago, Poland has displayed extraordinary generosity in welcoming and integrating over a million refugees from Ukraine, providing public services, school places and employment.

Economic activity recovered to its pre-pandemic level in early 2021 with unemployment falling to its lowest level since Poland's transition to a market economy.

For the immediate future, it is important to ensure that energy-related support to households and firms remains temporary and does not add to inflationary pressure. Over the longer term, while Poland's debt is relatively low at 50 per cent of GDP, its public finances face mounting pressures from population ageing and higher health and defence spending. The country should carry out a comprehensive spending review, improve spending efficiency, and broaden the tax revenue base by eliminating some value-added tax exemptions, the survey recommended.

Poland has made significant progress in digitalising its economy but still lags other EU countries in terms of digital skills and firms' adoption of digital technologies. Doing more to help small and medium-sized enterprises to implement new technologies and promoting flexible lifelong adult skills training would help to accelerate the digital transition and improve productivity growth.

Finally, given Poland's continued reliance on coal and changes in energy supply, the survey recommended the government follow through on a planned revision of its strategy on how to achieve the transition to climate neutrality through changes in energy supply.

Source: fibre2fashion.com- Feb 28, 2023

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Australia's retail turnover increases 1.6% in January 2023: ABS

Australian retail sales have bounced back in January 2023, with a 1.9 per cent increase in turnover, according to the Australian Bureau of Statistics (ABS). This follows a significant decline of 4 per cent in December 2022. The rise was seen across all industries, with non-food industries leading the way, recovering from the steep falls in December.

The largest increase was in department stores, which rose by 8.8 per cent, followed by clothing, footwear, and personal accessories retailing at 6.5 per cent. Other retailing saw a rise of 2.9 per cent, and household goods retailing increased by 1.1 per cent.

All states and territories in Australia also experienced a rise in retail turnover, reversing last month's declines across the country, as per ABS.

Ben Dorber, ABS head of retail statistics, said: “The rebound in retail turnover in January followed a substantial fall of 4 per cent in December and a large rise of 1.7 per cent in November.

“Looking through this volatility shows that turnover is at a similar level to September 2022, and on average, growth has been flat over the past few months.

“November, December, and January are the most seasonal months of the year, with retail activity heavily affected by the Christmas period and January holidays. This has been heightened by an increase in the popularity of Black Friday sales and growing cost of living pressures combining to drive a change in usual consumer spending patterns.”

Source: fibre2fashion.com- Feb 28, 2023

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NATIONAL NEWS

India's GDP grows at 4.4% in Q3; economy to expand at 7% in FY23: Govt data

The GDP (Gross Domestic Product) growth was 11.2 per cent in October-December 2021 and 6.3 per cent in July-September 2022, showed the data released by the National Statistical Office (NSO) on Tuesday.

The manufacturing sector's output, as per the gross value added in the third quarter of this fiscal, contracted by 1.1 per cent compared to a growth of 1.3 per cent in the year-ago period.

The NSO also released the second advance estimate for the current fiscal and maintained its growth projection of 7 per cent as was estimated in the first advance estimate which was released in January.

"GDP at Constant (2011-12) Prices in Q3 2022-23 is estimated at Rs 40.19 lakh crore, as against Rs 38.51 lakh crore in Q3 2021-22, showing a growth of 4.4 per cent. GDP at Current Prices in Q3 2022-23 is estimated at Rs 69.38 lakh crore, as against Rs 62.39 lakh crore in Q3 2021-22, showing a growth of 11.2 per cent," the NSO statement said.
Also read

Fiscal Deficit for April-January reached 68% of revised estimate

India's core industries grow at 4-month high of 7.8% in January

"Real GDP or GDP at Constant (2011-12) Prices in the year 2022-23 is estimated at Rs 159.71 lakh crore, as against the First Revised Estimates of GDP for the year 2021-22 of Rs 149.26 lakh crore. The growth in real GDP during 2022-23 is estimated at 7.0 per cent as compared to 9.1 per cent in 2021-22," the NSO said.

The NSO revised upward the GDP growth for 2021-22 to 9.1 per cent from 8.7 per cent estimated earlier.

The national accounts data showed that the farm sector gross value added (GVA) has grown by 3.7 per cent in the third quarter compared to a growth of 2.2 per cent a year ago.

The mining and quarrying sector grew at 3.7 per cent compared to 5.4 per cent a year ago.

The construction sector has grown by 8.4 per cent in the quarter compared to 0.2 per cent growth a year ago.

Electricity, gas, water supply and other utility services segment has grown by 8.2 per cent compared to 6 per cent growth a year ago.

GVA growth in the services sector -- trade, hotel, transport, communication and services related to broadcasting -- was 9.7 per cent during the third quarter against 9.2 per cent.

Financial, real estate and professional services grew by 5.8 per cent in the third quarter over 4.3 per cent earlier.

Public administration, defence and other services posted 2 per cent growth against 10.6 per cent in the third quarter of the last fiscal.

"Real GDP or GDP at constant (2011-12) prices for the years 2021-22 and 2020-21 stands at Rs 149.26 lakh crore and Rs 136.87 lakh crore, respectively, showing a growth of 9.1 per cent during 2021-22 as compared to a contraction of 5.8 per cent during 2020-21." Nominal Net National Income (NNI) or NNI at current prices for the year 2021-22 stands at Rs 203.27 lakh crore as against Rs 172.23 lakh crore in 2020-21, showing a growth of 18 per cent during 2021-22 as against a contraction of 3 per cent in the previous year, it stated.

Per Capita Income or Per Capita Net National Income at current prices is estimated at Rs 1,27,065 and Rs 1,48,524 respectively for the years 2020-21 and 2021-22, it stated.

Gross Capital Formation (GCF) at current prices is estimated at Rs 73.62 lakh crore for the year 2021-22 as compared to Rs 55.27 lakh crore during 2020-21, it stated The rate of GCF to GDP is 31.4 per cent during 2021-22 as against 27.9 per cent in 2020-21. The rates of capital formation in the years 2011-12 to 2019-20 and 2021-22 have been higher than the rate of saving because of positive net capital flow from RoW (rest of the world), it stated.

In terms of the share to the total GFCF (at current prices), the highest contributor is Non-Financial Corporations followed by the Household sector, the share of which stood at 44.1 per cent and 40.5 per cent respectively in 2021-22, it stated.

The rate of GCF to GDP at constant (2011-12) prices was 31.7 per cent in 2020-21 and 35.5 per cent in 2021-22, it stated.

Gross savings during 2021-22 are estimated at Rs 70.77 lakh crore against Rs 57.17 lakh crore during 2020-21, it stated.

Share of non-financial corporations, financial corporations, general government and household sectors in gross savings during 2021-22 stands at 35.3 per cent, 8.4 per cent, (-) 8.9 per cent and 65.3 per cent, respectively, it stated.

The rate of Gross Saving to GNDI (Gross National Disposable Income) for 2021-22 is estimated at 30.0 per cent as against 28.4 per cent for 2020-21, it stated.

Source: thehindubusinessline.com- Mar 01, 2023

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Implement new TUF scheme retrospectively, urges Tiruppur exporter's body

Tiruppur Exporters' Association has urged the Centre for a new Technology Upgradation Fund Scheme retrospectively from April 1, 2022, to extend the interest benefit to the exporting units.

The TUF scheme has benefited the Tiruppur knitwear cluster, having 90 per cent in MSMEs and stand-alone units carrying out job work to the garment-exporting units.

The existence of the TUF Scheme is one of the major growth factors for the knitwear export sector since overseas buyers are placing orders only with the units having the best technology machinery. More importantly, the continuous modernisation of machinery is the need of the hour to sustain in the highly competitive environment prevailing in the global export business.

The exporting units were expecting the new TUF Scheme to come into effect from April 1, 2022, immediately after the expiry of the Amended Technology Upgradation Fund Scheme on March 31, 2022.

Based on this, the units, including MSMEs, invested in new machinery, the association president KM Subramanian said in a memorandum presented to Darshana Vikram Jardosh, Union Minister of State for Textiles and Railways.

However, no announcement has been made till now on the New TUF Scheme. The association requested the Minister help expediently with announcing the New TUF Scheme.

The association has 1,213 exporting units located in Tirupur Cluster as members, and Tirupur Knitwear Cluster employs six lakh workers directly and two lakhs indirectly. Out of six lakh direct workers, 60 per cent of them are women.

In the last financial year (2021-22), the knitwear export turnover was at ₹33,525 crore. Apart from exports, the domestic business of Tirupur is around ₹27,000 crore.

The RBI has increased the Repo rate, which is also reflected in the Banks Packing Credit. As of now, a 3 per cent interest subsidy is given on Pre- and Post-Shipment Rupee Export Credit for Manufacturer MSMEs and a 2 per cent interest subsidy for non-MSMEs manufacturers and merchant exporter up to March 31, 2024, the association said in the memorandum submitted to the minister during her visit to Tiruppur on Tuesday.

The association sought an increase of interest benefit under the Interest Equalisation Scheme to 5 per cent across the board. It also requested commencing the threshold limit of investment at ₹10 crore with three times turnover in the proposed PLI-2.0 Scheme.

It also urged the Centre to announce the extension of the Emergency Credit Line Guarantee Scheme for one more year and also to avail credit under up to 20 per cent of the borrower's total fund-based outstanding credit as on December 31, 2022 at the earliest to meet their operational liabilities and also to protect the workers employed with these units.

"We request the minister to help to announce 1 per cent of export turnover of the respective cluster for development of the required infrastructure, which will help to increase exports," the association said.

Source: thehindubusinessline.com - Mar 01, 2023

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How global is India's economy?

There is now a consensus on India emerging as the second fastest growing economy for the second successive year in FY24, despite the slowdown in the West.

Does this mean that India's growth path is largely decoupled from the rest of the world?

When the 'Make in India' campaign was launched, its objective was to foster export promotion. Import substitution, too, was an implicit goal. Now the PLI scheme gives outright subsidies to around 14 sectors for making a certain quantum of investment that is linked with incremental output that would finally be rewarded with a 4-6 per cent payback. This has also been a means for both import substitution and exports promotion.

The question that arises is that if we have made progress on exports, then there should be some adverse impact on growth when a part of the developed world slips into a recession. Besides, in a globalised world, there could be spillover effects in other areas, especially in foreign investment flows through both the direct and portfolio routes, which would slow down.

Further, a recession in the West would also mean that demand for Indian labour as well as computer related services would come down. These could affect our balance of payments. At the other end, ECBs and NRI deposits too will get impacted depending on the policy of interest rates, especially in the West. Rising rates in the US would make ECBs dearer and NRI deposits more attractive in local territory, which will have a negative impact on domestic funding flows.

The table juxtaposes all these elements with GDP at current prices. The purpose is to see how these components have moved along with GDP in the last decade. As a component of GDP, exports boost growth, the other flows are assumed to increase as a proportion of the GDP. Normally, absolute figures of software receipts and remittances, when viewed in isolation of the GDP, do not give a true idea of how they are faring over time.

Data for the last 10 years have been considered here and the average for the last two quinquennium has been considered. The second quinquennium excludes 2020-21 and hence includes FY17-20 and FY22. The first period covers FY12-FY16.

Several interesting points emerge from this table. First, the ratio of exports to GDP has come down over time. This is both good and bad news. The good part of this story is that it shows growth is primarily driven by domestic factors and hence decline in exports does not affect GDP growth significantly. This is probably one reason why growth projections are high for next year, at 6-6.5 per cent. The not-so-good part of this story is that even though a lot of push has been given to exports with specific emphasis on sectors that have a comparative advantage, they have not quite managed to carve a niche.

Even where opportunities have arisen, such as the US putting restrictions on Chinese imports or the more recent the Ukraine war, we have not quite made any significant inroads. Hence this means that while a steady growth in exports will supplement domestic growth, we are far from being an export-led economy.

Second, while software receipts growth in rupee terms has been 56 per cent in the last five years, the GDP it has lagged and hence in relative terms has not kept pace. Quite clearly this will be an area of concern in FY24 if the recession hits the demand for these services.

Third, the fall in the ratio for remittances is also considerable, as it has declined from 3.5 per cent to 2.8 per cent. Here too growth has been just 35 per cent in rupee terms for the average remittances in the two quinquennium. The pace of growth has not been in line with the GDP growth even though it has been rising. Here too there can be an impact at the margin due to the global slowdown.

Fourth, the FDI flows have been very positive with growth of 89 per cent in rupee terms in the last five years. This is an area where there is uncertainty. The flow of FDI depends on both push and pull factors. The pull factor is strong with the economy doing well and the policy framework in place. In fact, the China factor will shift more investments towards India. However, the push factor will depend on both the quantum of investible funds available. Therefore the net impact needs to be monitored closely.

Fifth, the ratio of FPI to GDP has come down sharply due to the negative flows witnessed in three of the five years. In a way this should provide comfort; even if these flows are minimal, they will not affect our markets as the indices have ballooned notwithstanding these negative flows. Domestic institutions have provided an insulation to a large extent.

Interestingly, the net NRI deposits have been negative on an average basis in both the periods. This means that there is no reason to be dependent on them for support from the point of view of balance of payments. ECBs too have seen a decline from 1.4 per cent to 1 per cent and would not be attractive at a time when the interest rates are rising all over.

What this data shows is that India still remains a largely domestic economy which provides strength to growth. But a recession does have implications for the external sector where inflows can get dented at the margin. Cumulatively they have the potential to pressurise the rupee which will remain a variable to be monitored closely by the RBI.

Source: thehindubusinessline.com - Feb 28, 2023

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State of the economy. Economy slowed down to 4.4% in Q3; Govt hopeful of 7% growth in FY23

Data showed manufacturing de-growth of 3.6 per cent in Q2 and 1.21 per cent in Q3 of FY23

The Indian economy slowed down further in the October-December quarter (Q3) as gross domestic products (GDP) grew at 4.4 per cent mainly on account of manufacturing de-growth and a slump in the services sector. The government, however, attributed this to the base effect and stressed that the growth momentum remained steady, with the expectation that 7 per cent growth would be achieved in the full fiscal of FY23.

GDP growth was 13.2 per cent and 6.3 per cent, respectively, in the April-June quarter (Q1) and the July-September quarter (Q2). This number was 5.2 per cent during Q3 of FY22. Post-revision to the figure, GDP grew by 9.1 per cent in FY22.

'On the right track'

Meanwhile, the government remained unperturbed by the lower number. "Quarterly data is a bit noisy. They are also not seasonally adjusted," Chief Economic Advisor V Anantha Nageswaran said, addressing the media virtually. "India is on the right track to achieve 7 per cent growth for the full fiscal of FY23. We just need a growth rate of 4 per cent in Q4 (January-March) to achieve a 7 per cent growth rate," he said.

Data showed manufacturing de-growth of 3.6 per cent in Q2 and 1.21 per cent in Q3 of FY23. There is an opinion that rising interest rates have affected demand for goods and thus manufacturing. However, Nageswaran did not agree with this.

He said on the one hand, rural demand is poised to grow in the coming year, and on the other, there is strong urban demand across all categories. "These can be reflected in the expectation about the sale of two-wheelers crossing pre-pandemic levels, the sale of tractors attaining new levels, and the sale of passenger vehicles (cars and MUVs) remaining at all-time highs with new launches. Air traffic is growing, so is housing sales," he said.

Growth of the services sector slowed from 16.3 per cent in Q1 to 9.4 per cent in Q2 and 6.2 per cent in Q3 of the current fiscal. Demand slowdown is reflected in the growth of Private Final Consumption Expenditure too as its share in GDP has come down to 61.6 per cent in Q3 of FY23 from 63 per cent in Q3 of FY 22.

Downside risks

Though CEA was confident about 7 per cent growth, he listed downside risks. He said global growth is forecast to slow from 3.4 per cent in 2022 to 2.9 per cent in 2023 as per the latest IMF's World Economic Outlook, mainly on account of synchronised monetary tightening, adverse spillovers from prolonged strains in supply chains, and heightened uncertainty due to geopolitical conflict.

According to Nageswaran, there is upside to India's growth outlook. These include limited health and economic fallout for the rest of the world from the current surge in Covid-19 infections in China and, therefore, continued normalisation of supply chains. Improvement in animal spirits and providing further impetus to private sector investment and a stable macro-economy. "However, the scenario of subdued global growth presents two silver linings: oil prices will stay low and India's CAD will be better than currently projected. The overall external situation will remain manageable," he said.

DK Srivastava, Chief Economic Advisor with EY India, said that second advance estimates for 2022–23 have retained the overall annual growth rate at 7 per cent but revised the external sector contribution to this overall growth. In the first advance estimates, the contribution of net exports to real growth was (-)2.8 per cent points. This has improved by nearly 1 per cent point to (-) 1.9 per cent points. "This was counterbalanced by a fall in the domestic demand components, especially in private and government consumption expenditures. Thus, domestic demand appears to have weakened relative to the earlier estimate," he said.

Source: thehindubusinessline.com- Mar 01, 2023

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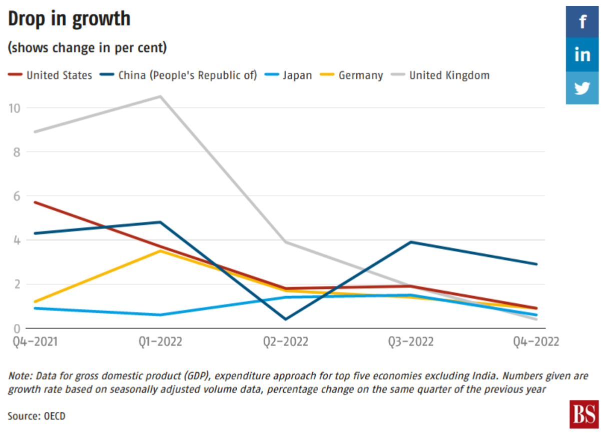
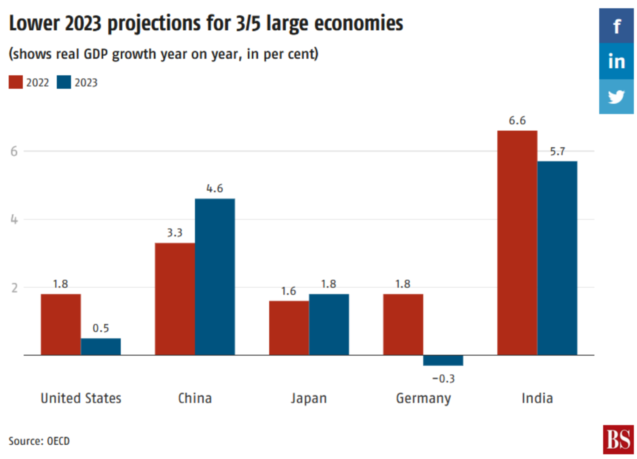
Slowing GDP growth in India mirrors the trend in top global economies

Many of the major global economies are witnessing slowing economic growth. The gross domestic product (GDP) of some of the world's largest economies — the US, Japan, Germany and the UK —grew less than 1 per cent in the fourth quarter, with China being an exception, according to the data from the Paris-based Organisation for Economic Co-operation and Development (OECD).



These are the top five economies in the world, excluding India. India's growth rate has also been slowing after a stellar second quarter, showed data released on Tuesday.

The larger downtrend for all major economies, according to OECD data, is in some parts due to the high growth seen earlier after a pandemic-induced fall. China showed some signs of resilience after being affected by a severe wave of Covid-19 in 2022.



The OECD's economic outlook suggests 5.7 per cent real GDP growth for India in 2023 compared to 6.6 per cent in 2022.

Two others among the top five largest economies are projected to record lower growth. The US is expected to grow 0.5 per cent compared to 1.8 per cent earlier. Germany is expected to see its GDP shrink by 0.3 per cent, compared to a 1.8 per cent gain in 2022. China and Japan are expected to do better than before.

Source: business-standard.com- Feb 28, 2023

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Indian importers hedge less, assured by RBI's rupee support, data suggests

Indian importers are taking less insurance against foreign exchange fluctuations, data indicates, on expectations that the central bank will continue to intervene to keep the rupee above the key psychological level of 83 per U.S. dollar.

Dollar purchases by importers for delivery beyond the spot date dropped in February, according to Reuters calculations based on data by the Clearing Corporation of India.

Importers bought about $1.24 billion daily, on average, in the forward markets this month, down from $1.50 billion in January and from $1.54 billion in the October-December quarter.

"With the RBI active, importers are eyeing the 83 level and waiting. Instead of forwards, they are looking at options," said Abhishek Goenka, chief executive of IFA Global, which manages or advises on over $20 billion worth of Indian companies' forex exposure.

Large importers are looking at the USD/INR call spread option structures, Goenka said. Call spreads protect importers up to a certain price, but cost less than an outright call option.

The Reserve Bank of India has likely been stepping in regularly to make sure that the rupee does not fall below 83, a level that is considered critical by market participants. The rupee declined to 82.95 on Monday, before recovering, and held a narrow 25-paisa range last week.

The RBI's intervention has helped the rupee sidestep a large part of the selloff in Asian currencies fuelled by the higher repricing of the U.S. Federal Reserve's terminal rate.

"Not once has it (USD/INR) closed above 82.90, forget 83, in this period in which the Fed has become a bigger unknown," a forex sales official at a mid-sized private sector bank said.

"The RBI is obviously the biggest piece, but we think India's changing external risk profile is playing a part too."

India's trade deficit narrowed to a 12-month low in January, while its service surplus unexpectedly reached a record high.

The country's imports of $50.6 billion in January was less than December's $58.2 billion, November's $56.7 billion and October's $58.2 billion.

This has prompted economists to lower the current account deficit projections for the current and next fiscal years.

The sales official noted that March is a seasonally favourable month for the rupee, giving importers another reason to reduce hedges to the extent their risk management policy allows.

Still, Bhaskar Panda, head of overseas treasury at HDFC Bank, said importers should not rely too much on the rupee's current narrow range.

"To think that the rupee will be contained at 83 and to base hedging decisions on that is not advisable," Panda said.

"There is just too much uncertainty right now for importers to take more risks. They should follow a consistent hedging policy and not base decisions on a particular level holding up."

Source: economictimes.com- Feb 28, 2023

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Core sector growth. India's core industries grow at 4-month high of 7.8% in January

Infrastructure output, which comprises eight sectors including coal and electricity accounting for nearly 40 per cent of industrial output, rose 7.9 per cent in the April-January period, the official data showed.

The output of the country's eight core industries grew to a four month high of 7.8 per cent in January 2023, nearly double the 4 percent growth seen in same month last fiscal.

The latest core sector print is also higher than the revised 7 percent growth recorded in December 2022.

The cumulative growth rate of eight core industries during April-January 2022-23 was 7.9 per cent (provisional) against 11.6 percent in the corresponding period of last year.

Movers and shakers

For the month under review, seven of the eight core sectors were in positive territory. Only crude oil saw a contraction of 1.1 percent. Output growth recorded by coal stood at 13.4 per cent, fertilizers (17.9 per cent), steel (6.2 per cent), cement (4.6 per cent) and electricity (12 per cent). While natural gas saw an output growth of 5.3 percent, refinery products output grew 4.5 percent.

The eight core industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).

Commenting on the core sector data, Madan Sabnavis, Chief Economist, Bank of Baroda, said that steel and cement grew 6.2 per cent and 4.2 per cent, respectively with infra activity taking off largely due to the centre. "With roads, railways and metals segment witnessing traction this is a good sign for the economy on the investment front.

Growth of 13.4 per cent in coal and 12 per cent in electricity is indicative of steady industrial activity during the month. Higher power demand is also associated with high growth in the services sector too", he said.

He said that growth in natural gas was lower more due to the high base effect as fertilizer production was up (it is a major consumer of gas).

Sabnavis said that industrial growth for January 2023 can be expected at around 5-6 percent.

Nilanjan Banik, Economist at Mahindra University, said the latest core sector performance is not surprising and is a reflection of the huge capital expenditure that the government has initiated towards building roads, ports, airport terminals and warehouses.

“The multiplier effect of capital expenditure is kicking in. The Indian economy is performing strong and the momentum is going to continue,” Banik told businessline.

Aditi Nayar, Chief Economist, ICRA, said “Core sector growth strengthened to a four month high of 7.8 per cent in Jan 2023, with a fairly broad-based upmove aside from the sharp slide in growth of cement output.”

Source: thehindubusinessline.com- Feb 28, 2023

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Softening cotton prices turning tides in favor of textile players: Analysts

Analysts foresee silver lining emerging for the textile sector with prices of cotton softening 41 per cent from last year's high of Rs 50,530 per bale to Rs 29,910 per bale. That apart, they believe improved capacity utilisations, lowering of domestic cotton premium over international prices, and demand rebound would act as tailwinds to the sector.

"Cotton prices have corrected 38-40 per cent from its all-time high levels. This, along with fall in freight rates, augurs well for textile companies over the medium-to-long term. We expect margins of textile companies to improve gradually in the quarters ahead. Moreover, the decline in cotton prices will help Indian players become price-competitive in global markets," said Kaustubh Pawaskar, Deputy Vice President - Research, Sharekhan by BNP Paribas.

Last month, knitwear exports from Tiruppur, which comprises 50 per cent of India's export hub, rose 1.5 per cent in dollar terms and 11.6 per cent in rupee terms. The rise came after an average 20 per cent drop in the past five months as the sector stormed through twin challenges of Covid-19 pandemic, and the Russia-Ukraine war.

According to Vinit Bolinjkar, head of research at Ventura Securities, global importers have started to move away their sourcing from China to India, on the back of China+1 policy, and hence, this move will provide impetus to the Indian textile industry.

Analysts also assert that unstable political scenarios in Sri Lanka and Pakistan, and wage issues in Bangladesh will shift export demand from these economies to home-textile or garment players in India. The three countries command over 7 per cent in global export pie.

Besides, they also believe that free trade agreements (FTAs) with Australia, UAE, and UK, which allows up to 90 per cent of India's exports to enter duty free in these countries, will improve India's position in the global market. With such FTAs, Indian textile companies will get a price advantage due to no import duties in these countries.

"The textile companies are likely to report improved profitability going ahead, as cost structure gets aligned with global peers. Inventory clearance at major retailers' end, consumer resilience, and demand pick-up are likely to bolster export demand. Additionally, reopening of China, and correction in Indian cotton prices, will help push demand for yarn. We remain positive on KPR Mills, Arvind, and Vardhman Textiles for the long-term," wrote analysts at Elara Securities.

Financial report card

During the October-December quarter of FY23 (Q3FY23), the textile sector's earnings were below Street estimates. Though domestic demand was resilient, export markets exhibited subdued trends. While unfavorable cost structure weighed on Q3 margins of spinning companies, a leaner cost structure helped home textile companies witness sequential improvement in profitability.

Analysts, however, believe bullish commentary by several textile players on upbeat capacity utilisations in Q3FY23 (around 80 per cent) versus Q2FY23 (50-60 per cent) shows signs of improvement.

Utilisation at Vardhman touched almost 100 per cent capacity during the second half of Q3FY23. During the current fiscal, the company is adding 1 lakh spindles to meet the potential growth in demand going ahead. Nitin Spinners, too, saw 80 per cent capacity utilisation in Q3, while Indo Count is expanding its spindle capacity, along with bed-sheet and top-of-the-bed capacity.

At the bourses, shares of textile companies have exhibited mixed trends over the past one month. While shares of Gokaldas Exports, KPR Mills, SP Apparels, and Vardhman Textiles have risen up to 15 per cent; Arvind, Welspun India, Dollar Industries, and Bombay Dyeing have lost up to 22 per cent.

Source: business-standard.com- Feb 28, 2023

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Industry seeks higher reimbursements and interest rates for MSMEs

The industry has sought higher reimbursements and interest rates for MSMEs under the Vivad se Vishwaas`' scheme and a simplification and possible grading of the KYC process, a senior government official has said. More issues, including need for a grievance redressal system on digital portals, funding issues faced by MSMEs and trademark & payment of fines, were raised by industry representatives at a post-Budget webinar on 'Ease of doing business using technology, especially for small businesses', organised by the Department for Promotion of Industry and Internal Trade (DPIIT).

"The government will look into the issues raised at the meeting and these would be taken up with the relevant Ministries and Departments," said DPIIT Joint Secretary Manmeet K Nanda, told reporters that the government would look into the issues flagged in the meeting.

Finance Minister Nirmala Sitharaman had announced the 'Vivad se Vishwas-I' scheme in the Union Budget 2023-24 laying down that in case of failure by MSMEs to execute contracts during the Covid period, 95 per cent of the forfeited amount relating to bid or performance security will be returned to them by government and government undertakings.

The industry participants said the reimbursement amount should be increased and the interest rate payment on that amount for the relevant period should be raised, to make the ' scheme more attractive, Nanda said. She added that the DPIIT was hopeful that the `Jan Vishwas Bill', which seeks to decriminalise minor offences across 42 Acts under 19 Ministries, will be placed before Parliament for approval in the Budget session.

Piruze Khambatta, Chairman, CII National Committee on Affirmative Action and Group Chairman, Rasna Private Limited, stressed on the need to simplification of KYC by constituting C-KYC and leveraging on blockchain technology, interlinking C-KYC with entity Digi-Locker and adopting similar KYC process by all departments. Suggestion was also made for a risk-based approach for KYC due diligence.

Source: thehindubusinessline.com- Feb 28, 2023

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Rasi Seeds, Telangana agri varsity pilot high-density cotton plantation

Rasi Seeds, a leading seed manufacturer, has said that it is working with Prof. Jayashankar Telangana State Agricultural University (PJTSAU) as part of its Rasi Max Project. The project is aimed at promoting a high-density planting system (HDPS) in cotton.

“The Rasi Max Project is an initiative to improve the profitability of farmers and increase India’s cotton productivity through agronomical intervention by adopting HDPS in cotton,” Ramasami M, Chairman of Rasi Seeds, has said.

“Telangana could soon show the way to address the challenge of declining cotton productivity in India. HDPS is showing encouraging results,” a statement said here on Tuesday.

It pegged an increase of 30-40 per cent in productivity, helping farmers realise an yield of 750 kg/hectare as against the present level of 450 kg/ha. HDPS calls for an increase in the number of plants per acre. Using suitable agronomic practices, the HDPS ensures uniform height of the crop, making it suitable for harvesting by machines.

“The method is especially useful for India’s low productivity belt. Over 37 per cent of the cotton area (about 4.16 million hectares) contributes only 22.3 per cent of the total production, with an average productivity level of 252 kg/ha, bringing down the national average substantially.

As against the traditional practice of growing about 8,000 plants an acre, the HDPS method recommends three to four times more number of plants.

“The focus is to increase farmers’ income with high-density planting and regulating the plant growth through customised agronomy and amenable genetics,” N Saravanan, Head of Marketing, Rasi Seeds, said.

“The State Government is committed to promoting innovative and sustainable agricultural practices like HDPS that will benefit farmers,” Telangana Agricultural Special Commissioner Hanumanthu Zandage, said.

The two organisations implemented a pilot, demonstrating the HDPS system and harvesting by machines at the university's farm here.

"We must encourage the adoption of HDPS technologies in cotton cultivation to benefit our farmers and promote sustainable agricultural practices. It has the potential to transform Telangana's agricultural landscape," Praveen Rao, former Vice-Chancellor, PJTSAU, said.

Source: thehindubusinessline.com - Feb 28, 2023

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Many retailers are now betting big on larger outlets

Brands across categories are reversing a decade-old trend of launching smaller outlets by opening big stores, not to keep more products but to give better experience to shoppers.

Fashion retailers including Levi's, Tasva of Aditya Birla Fashion and Retail Ltd, Celio, Puma, and Apparel Group India that sells brands such as Aldo, Charles & Keith and Bath & Body Works, eyewear brand John Jacobs, and restaurant operator Chrome Hospitality among others have increased their average store size by 30-40% while a few have doubled their store size despite rising rentals as consumers increasingly look for experience, industry watchers said.

"We have seen at our malls that brands are asking for extra 30-40% space to expand the store," said Rajneesh Mahajan, CEO of Mumbai-based Inorbit Malls. "While sales have gone up, the aim is not to store more products but give more space for shoppers to roam around and improve the quality of time they spend," he said.

This reflects in the numbers too. According to property consultant Anarock, the share of leasing of less than 2,000 square feet of retail space fell to 59% in 2022 from 64% in 2021. Share of transactions sized between 2,000 sqft to 5,000 sqft increased to 28% from 24% during the same period.

"Since we focus on experience, we try to look for standalone assets where we can convert it into an experience," said Pawan Shahri, cofounder of Chrome Hospitality that co-owns and operates F&B outlets including Demy, Donna Deli, Shy, EVE, and Blah & Kyma in Mumbai. "Rather being conscious on spending post-Covid, people want to go out more but they don't want every meal to become an expensive one. That's where F&B brands can create an exclusive experience," he added.

Apparel, entertainment, and F&B together accounted for 70% of total retail space absorption in 2022 where the share of entertainment in absorption increased to 28% from just 2% in 2021.

Bigger store means high rental cost for retailers. Hence, they need to increase their revenues. Brands say more than the footfalls it is the conversion rate that matters.

"We have noticed conversion rate is better at large stores," said Satyen Momaya, CEO of French apparel brand Celio. "From average size of 1,300 sqft, we have gone and opened about 3,000 sqft stores as the consumer is not only coming to buy...they want the experience."

The trend is not limited to India. In its home country France, Celio did not have any 700 square metre store earlier "but now all our stores are above that size", Momaya said.

After the Covid-induced lockdown, retailers had started shutting stores or reducing their size to save on rental. As shoppers started coming back to malls and high streets, the brands realised the need for bigger stores.

"Customer who is coming to stores is a very high intent customer," said Apeksha Gupta, CEO of eyewear brand John Jacobs. "They also now value having more options. For brands, this is the opportunity to show full strength of the whole brand. We have just opened a 1,200-sqft store against our average size of 600 sqft," she said.

Mall operators in tier-2 cities also have seen similar trend, and new brands with aggressive expansion plans are looking for larger space than what they had initially planned.

"In my business plan, my store size was 2,500 sqft, but the way it has panned out, we have done bigger stores," said Sandeep Pal, CEO of Tasva, men's Indian wear brand from Aditya Birla Fashion and Retail. "In high value purchase, people come in large groups. They spend a lot of time and they come multiple times, which means they need space," he added.

Source: economictimes.com – Mar 01, 2023

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Cotton growers to get water from April, says Punjab CM Bhagwant Mann

Punjab Chief Minister Bhagwant Mann on Tuesday reviewed the preparedness of the state government to supply canal water to cotton cultivators from April 1.

Chairing a meeting of the irrigation department here, the chief minister said from April 1, canal water has to be made available for cotton crop cultivation to farmers, according to an official release.

He said the water supply must be ensured in the cotton belt of the state.

Mann asked the officers to ensure uninterrupted and adequate canal water supply at the tail ends to ensure sufficient water supply for the cotton crop.

Police should be deputed to check stealing of canal water so as to avoid any sort of inconvenience to the farmers, he said.

Mann also asked the officers to ensure proper cleaning and desilting of the entire canal system.

Source: business-standard.com – Feb 28, 2023

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