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INTERNATIONAL NEWS

World economy to grow by less than 3% in 2023: IMF chief

The world economy is expected to grow by less than 3 per cent this year, and India and China are expected to account for half of the global economic growth, while others face a steeper climb, according to International Monetary Fund (IMF) managing director Kristalina Georgieva.

The sharp slowdown in the world economy will be against the backdrop of the COVID-19 pandemic and the aftermath of the Russia-Ukraine war, she said ahead of the spring meetings of the IMF and the World Bank next week.

"The period of slower economic activity will be prolonged, with the next five years witnessing less than 3 per cent growth, our lowest medium-term growth forecast since 1990, and well below the average of 3.8 per cent from the past two decades," she pointed out.

Around 90 per cent of advanced economies may witness a growth rate dip, she said. The IMF sees economic activity in the United States and the euro area slowing, where higher interest rates weigh on demand.

Global growth in 2022 dropped by almost half, from 6.1 per cent to 3.4 per cent, Georgieva said. Low-income countries would find it challenging to catch up due to slower growth, which she said was a ‘severe blow’.

"Poverty and hunger could further increase, a dangerous trend that was started by the COVID-19 crisis," she said. Higher borrowing costs come at a time when their export demand has weakened for low-income nations, she said. Although the global banking system had come a long way since the 2008 financial crisis, "concerns remain about vulnerabilities that may be hidden, not just at banks but also non-banks", she said.

"With rising geopolitical tensions and still-high inflation, a robust recovery remains elusive," she cautioned.

Source: fibre2fashion.com – April 09, 2023

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US' textiles & apparel imports drop 13% to $17.5 bn in Jan-Feb 2023

US imports of textiles and apparel have continued to decrease in value terms, falling by 13.01 per cent to $17.554 billion in the first two months of 2023, compared to $20.179 billion during the same period in 2022. China remains the largest supplier of textiles and clothing to the US, holding a 24 per cent market share, followed by Vietnam with a 14.97 per cent share.

In January-February 2023, the bulk of US textile imports consisted of apparel, amounting to $13.215 billion, while non-apparel imports accounted for $4.339 billion, according to the latest Major Shippers Report released by the US department of commerce. Both segments experienced a decline in inbound shipments. Apparel imports dropped by 11.86 per cent compared to the $14.994 billion traded in January-February 2022, while non-apparel imports fell by 16.31 per cent from $5.185 billion in the same period of the previous year.

Among the top ten apparel suppliers to the US, imports from Nicaragua and Bangladesh increased by 4.70 per cent and 2.30 per cent year-on-year, respectively. Imports from India also saw a slight uptick of 0.42 per cent. However, imports from China and Cambodia declined by 29.65 per cent and 26.05 per cent, respectively. The other five nations among the top ten experienced a downward trend.

In the non-apparel category, among the top ten suppliers, imports from Mexico grew by 11.98 per cent year-on-year, and those from Vietnam increased by 9.69 per cent. However, imports from the other eight countries, including China, Turkiye, and Canada, declined. Imports from China specifically dipped by 27.99 per cent.

During the period under review, US textile and apparel imports totalled $17.554 billion. Man-made fibre products accounted for $9.044 billion, while cotton products were valued at $7.350 billion. Wool products made up $533.113 million, and products from silk and vegetable fibres were worth $627.002 million.

In 2022, US imports of textiles and apparel continued to rise, reaching $132.201 billion, up from $113.938 billion in 2021. This increase followed a sharp decline in 2020 when the country's inbound shipments dropped to $89.596 billion, compared to imports of $111.033 billion in 2019.

Source: fibre2fashion.com – April 10, 2023

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Rules of the blue economy

Three key interconnected developments have put the spotlight on the blue economy—a term that the World Bank defines as the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of the ocean ecosystem. The first is the World Trade Organization's Agreement on Fisheries Subsidies (WTO's AOF) of June 2022, which prohibits subsidies for illegal, unreported and unregulated (IUU) fishing. The second is the United Nations Convention on the Law of the Sea on the conservation and sustainable use of marine biological diversity of areas beyond national jurisdiction (also called the High Seas Treaty), which concluded on March 3, 2023. The third is the Kunming-Montreal Global Biodiversity Framework (GBF) of December 2022.

Each of these in and of themselves are heartening endorsements of multilateralism in an era of increasing geopolitical tensions and fragmentation. But they need to be critically analysed to understand their interconnectedness and implications for domestic law and policy. This is because besides the common goal of protecting and preserving marine resources, each instrument regulates the ability of countries to exploit marine resources—a highly valuable, exhaustible natural resource, which has significant potential not only for the food, but also for nutraceutical, pharmaceutical, and cosmetic industries.

The scope of each instrument overlaps: the WTO AOF governs subsidies for catching, taking, harvesting of "all species of marine resources". While its current thrust is on IUU, WTO members are also negotiating expanded disciplines, including for fisheries in the high seas. The High Seas Treaty is about conservation as well as sustainable use of marine biodiversity and use of marine genetic resources (MGR), i.e., units of heredity of marine resources, and digital sequence information (DSI), i.e., data derived from the dematerialised form of genetic resources. The GBF sets the goal for countries to take enabling actions to ensure effective restoration and enhancing biodiversity by 2030 of at least 30% of terrestrial and inland water areas, as well as marine and coastal areas (also called the 30×30 global protection target).

Because both the High Seas Treaty and GBF are seen as species of "environmental agreements", there is greater acknowledgement of their relationship; for instance, the High Seas Treaty is seen as a step towards achieving the GBF's 30×30 target. The inter-relationship between WTO's AOF and the High Seas Treaty may be less apparent on the face of it, but this needs to be considered, since both deal with sustainable use of marine resources.

The High Seas Treaty is premised on the principle that areas beyond national jurisdiction, i.e., the high seas, are the common heritage of humankind. It mandates environmental impact assessment for activities in such areas, and that any monetary benefits from the utilisation of MGR and DSI of such areas, shall be shared fairly and equitably between countries.

The WTO's AOF, on the other hand, is focused on exclusive rights. For instance, it notes that a country may provide subsidies for overfished stock in the high seas, provided these are implemented to rebuild the stock to a biologically sustainable level. If such activities are regulated through environmental assessments of a regional fisheries management organisation (RFMO), these would be exempted from the environmental assessment requirements of the High Seas Treaty. Activities outside of a RFMO's jurisdiction, or those pertaining to commercial use of MGR and DSI, would require necessary interfacing with the mandate of the High Seas treaty.

Beyond these nitty-gritties, the High Seas Treaty mandates countries to work out the modalities for capacity building and transfer of marine technology. It mandates transfer of technology on concessional and preferential terms. The problem with most multilateral environmental agreements, so far, has been their inadequate realisation of goals such as technology transfer, capacity building, and financial assistance. In the context of climate change, for example, deficits in finance and technology transfer remain critical bottlenecks, as noted by the recent IPCC Assessment Report.

The WTO's AOF has been hailed as the first trade agreement focusing on "environmental sustainability"; but its obligations on conservation and sustainability are uniformly applicable and not predicated on developed countries providing finances and marine technology to developing countries to facilitate realisation of those objectives.

India, as of now, has a limited role in high seas fisheries. The Distant Water Fishing (DWF) Subsidy Atlas (developed by Pew Research Centre) notes that the most subsidies for DWF are currently provided by China, the EU, Japan, South Korea, and Chinese Taipei. But India has a shared interest in ensuring conservation, preserving biodiversity, and availing of the benefits from the marine resources in the high seas, including as a source of food as well as for scientific research.

As the trio of international instruments start getting implemented, and additional disciplines under the WTO's AOF are concluded, it will be crucial to ensure fair play and careful balancing of rights and obligations, to ensure that one does not undermine the other. The rules that are framed now will define the extent to which India plays a role in access to and use of marine resources in the high seas.

Source: financialexpress.com- April 10, 2023

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Vietnam's IIP for textiles from natural fibres falls 13.1% in Q1

Vietnam's index of industrial production (IIP) witnessed a decline of 2.2 per cent in the first quarter (Q1) this year compared to the same period last year as problems in the world economy affected domestic production and businesses, according to the General Statistics Office (GSO). The IIP for textiles from natural fibres decreased by 13.1 per cent during the quarter, while that for casual wear, the fall was 10.2 per cent.

The IIP for the processing and manufacturing industry fell by 2.4 in the quarter. The consumption index of the processing and manufacturing industry during the quarter decreased by 2.9 per cent year on year (YoY), indicating that production and business efficiency of enterprises was significantly affected.

The inventory of the processing and manufacturing industry in the quarter was up by 19.8 per cent YoY.

IIP in the quarter increased in 48 localities and decreased in 15 localities, a news agency reported. The decline in industrial production in the first three months was due to external and internal factors, while inflation is still high.

Export orders have decreased, greatly affecting the production of Vietnam's enterprises. The reopening of China has led to a lot of pressure on countries with similar export products, including Vietnam.

Enterprises still have difficulties accessing capital and face high bank interest rates and input costs of raw materials, especially in the processing and manufacturing industry. The absorption capacity of capital has begun to decrease due to the lack of orders.

In a GSO survey, 24.3 per cent of enterprises rated the production and business situation as better than in the fourth quarter of 2022.

For the second quarter this year, 44.1 per cent of those expect the trend to be better than the first, while 35.3 per cent said the production and business situation would be stable, and only 20.6 per cent forecast greater difficulties.

The nation had more than 23,000 enterprises returning to operation during Q1 2023, down by 10 per cent YoY. The number of enterprises temporarily suspending business during the quarter was 42,900, up by 20.1 per cent YoY.

About 12,800 enterprises stopped operating and waited for dissolution procedures, up by 13.1 per cent YoY, and 4,600 enterprises completed dissolution procedures, up by 6.5 per cent YoY.

Source: fibre2fashion.com- April 07, 2023

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Nepal's trade status with China

Despite increase in imports from China year on year, traders of Nepal seem to be unhappy with China opening borders at a time when the demand for goods is slow with no large orders for the Chinese goods because of high domestic bank interest rates and inflation in Nepal, The Kathmandu Post reported.

In the first seven months of the current fiscal year, Nepal's top imports from China were ready-made clothing, telecommunications equipment and parts, textiles, machinery, computers and their parts, and electronic items.

The first eight months of the current fiscal year saw a 4.85 percent decline in Nepal's exports to China. In the most recent fiscal year, the nation sold items to China valued Nepalese Rupees 808.75 million, reported Kathmandu Post, as the Himalayan nation has a substantial trade deficit with China, which in the first eight months of the current fiscal year totalled Nepal Rupees 145.26 billion.

Around 2015, when the Nepali government reduced duties on items exported to the northern neighbour, business with China began to soar.
Global freight prices increased due to the Covid-19 outbreak. As a result, prices for products have increased, significantly driving up inflation in nations like Nepal. As per Kathmandu Post, between Nepal and China, there are two important commercial routes:

Rasuwagadhi-Kerung and Tatopani-Zhangmu (also known as Khasa).
On May 29, 2019, Tatopani-Khasa border point reopened after being shuttered for four years as a result of the 2015 earthquakes. The border crossing site was a crucial overland commercial route with the northern neighbour before the disastrous earthquakes destroyed infrastructure, generating more over Nepalese Rupees 15 million in daily revenue for the Tatopani Customs Office.

The primary land route for trade with China has historically been TatopaniKhasa, about 115 kilometres from Kathmandu. Early in 2020, China blocked the border due to the Lhosar festival and significant snowfall. On March 11, 2020, the World Health Organization labelled the coronavirus outbreak a pandemic. As a result, nations were forced to close their borders and some even implemented lockdowns to stop the sickness from spreading.

Due to the 16-month ban on the entry of their cargo-laden container trucks, Nepali traders even accused China of establishing an "undeclared trade blockade." Officials from the Nepali government, however, have repeatedly denied any such intentional impediment, according to Kathmandu Post.

Source: aninews.in- April 09, 2023

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UK parliamentary delegation to discuss trade, research ties in India

A British parliamentary delegation made up of the India (Trade & Investment) All Party Parliamentary Group (APPG) will arrive in New Delhi on Sunday for a four-city tour to explore two-way trade and research and development collaborations. The cross-party delegation, being led by Indian-origin House of Lords peer Baroness Sandy Verma, are scheduled to hold meetings with senior ministers and business leaders with the backing of the Federation of Indian Chambers of Commerce and Industry (FICCI).

The discussions come against the backdrop of the eighth round of negotiations between officials on both sides towards a free trade agreement (FTA).

The tour, which will also cover Ahmedabad, Pune and Mumbai, marks a parliamentary visit from the UK to India after a six-year gap.

"As President of the All-Party Parliamentary Group on India (Trade & Investment), I am delighted to be co-leading this delegation," said Verma.

"It is long overdue as the last Parliamentary delegation to India was six years ago. We are looking forward to engaging with senior Indian ministers to discuss matters ranging from the FTA to green technology, to gender inclusivity. Research and development is a key thematic area of the UK-India relationship and the delegation will explore further ways to enhance it. In particular, new university collaborations and opportunities for technology transfer," she said.

The India (Trade and Investment) APPG was created last year to coincide with the 75th anniversary of India's independence and is made up of 25 British members of Parliament and peers of different political affiliations.

With a stated goal to promote trade and investment between India and the UK for the mutual betterment of their citizens, whilst building an inclusive living bridge between the two countries, the new APPG is geared towards supporting the FTA negotiations and promoting its benefits once concluded.

During their first India visit, the group is scheduled to hold talks with the Foreign Secretary, Commerce Secretary and visit IIT Delhi while in the capital.

In Ahmedabad, they have scheduled meetings with Gujarat chief minister Bhupendrabhai Patel and a visit to GIFT City before a possible tour to the Serum Institute of India in Pune. The visit will conclude next weekend in Mumbai with a women in leadership event.

According to official UK government statistics, the India-UK bilateral trading relationship was worth GBP 34 billion in 2022 - growing by GBP 10 billion in one year.

The Confederation of British Industry (CBI), the country's leading industry body, estimates an India-UK FTA could boost trade with India by GBP 28 billion a year by 2035 and increase wages across the UK by GBP 3 billion.

Source: economictimes.indiatimes.com - April 10, 2023

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Cambodia's apparel exports to South Korea rise 14% to $191 mn in 2022

Cambodia's apparel exports to South Korea saw a 14.37 per cent increase, reaching $191.374 million in 2022. The total trade between the two countries was recorded at $780 million, with Cambodia's goods export accounting for $234 million, demonstrating the dominance of apparel exports in their trade relations.

South Korea ranked as the fourteenth largest trading partner for Cambodia last year, as per local media reports.

Cambodia's goods export experienced a 20.4 per cent growth in 2022, while imports increased by 6 per cent to $545 million during the same period. Cambodia benefits from preferential tariff treatment on exports based on various agreements, including a Free Trade Agreement (FTA) between the two countries.

Source: fibre2fashion.com- April 09, 2023

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NATIONAL NEWS

Piyush Goyal to hold series to meetings with leaders, top CEOs of Italy, France to boost trade ties

Commerce and Industry Minister Piyush Goyal will hold a series of meetings with leaders and top CEOs of France and Italy next week during his three-day visit to these two countries to further boost trade and investment ties.

The minister will be on an official visit to France (Paris) and Italy (Rome) on April 11-13. He will be accompanied by a delegation of top Indian CEOs. In France, Goyal along with Olivier Becht, Minister delegate of Foreign Trade, Attractiveness and French Nationals Abroad, Government of France, will co-chair the India-France Business Summit on April 11, the commerce ministry said in a statement on Sunday.

The summit will focus on various themes, including building a green future, emerging technologies, defence cooperation and cooperation in the Indo-Pacific regions, it added.

Goyal is also scheduled to meet with French business leaders across various sectors and will attend a CEOs roundtable.

Both Indian and French ministers will participate in an event that will showcase India's cultural heritage and soft power and are expected to witness the participation of over 600 dignitaries from the French government, the Indian business diaspora in France and members of the French business community.

Goyal will also be interacting with members of the Indian community in Paris.

In Rome, the statement said, Goyal would meet Antonio Tajani, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation.

"He is scheduled to meet top Italian CEOs for bilateral meetings followed by CEOs Interactive Business Session, where 35 CEOs are likely to participate," the ministry said, adding this would be followed by a meeting with Adolfo Urso, Minister of Enterprises and Made in Italy, who would also interact with Indian CEOs.

There are over 1,000 French businesses in India in different sectors, such as defence, ITES, consulting, engineering services, and heavy industry.

France is the 11th largest foreign investor in India, with a cumulative FDI of USD 10.5 billion between April 2000 and December 2022. It accounts for about 1.7 per cent of the total FDI (USD 625.3 billion) that India has received during the period.

India-France bilateral trade stood at USD 12.42 billion in 2021-22. During April-January 2022-23, India's exports to France stood at USD 6.5 billion, while imports aggregated at USD 4.36 billion. The trade gap is in favour of India.

In 2021, a dedicated desk was set up by Invest India for investor queries for French businesses.

Italy is among India's top 5 trading partners in the EU.

India-Italy bilateral trade stood at over USD 13 billion in 2021-22. During April-January 2022-23, India's exports to Italy stood at USD 7.15 billion, while imports aggregated at USD 4.6 billion. The trade gap is in favour of India.

Italy is the 17th largest foreign investor in India, with a cumulative FDI of USD 3.25 billion between April 2000 and December 2022. It accounts for about 0.52 per cent of the total FDI India received during the period.

The main items of Indian exports to Italy are ready-made garments, leather, iron ore, motor vehicles, textiles, chemicals, gems and jewellery.

Main imported items include machinery, machine tools, metallurgical products and engineering items.

Around 140 large Italian companies are active in India. Some of the major Italian companies that have invested in India are FIAT Auto, Heinz Italia, Italcementi, Necchi Compressori, Perfetti, Lavazza, ENI, SAI India, Isagro (Asia) Agrochemicals and Piaggio.

Indian companies present in Italy are in sectors such as IT, electronics, pharmaceuticals, automobile, textile and engineering.

The prominent Indian companies operating in Italy include Tata, TCS, Wipro, Engineers India Limited, L&T, Mahindra & Mahindra, Ranbaxy, and Raymonds. SBI has a representative office in Milan. Six Italian banks have representation in India.

The top sectors attracting FDI inflows from Italy are the automobile industry/ transportation, food processing, metallurgical industry, textiles, electrical equipment and others.

Source: financialexpress.com - April 09, 2023

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RBI MPC to maintain 'prolonged pause' after keeping repo rate unchanged at 6.5% in April

While the Reserve Bank of India (RBI), on Thursday, unexpectedly kept the repo rate unchanged at 6.5 per cent, what's the outlook for the interest rate movement going forward? According to economists and experts, MPC will maintain a 'prolonged pause' and assess the lagged impact of previous rate hikes amid global macro uncertainty and tail end of the global rate hike cycle. "Unless CPI inflation rises above 6 per cent on a sustainable basis, we expect MPC to maintain a prolonged pause hereafter and assess the lagged impact of previous rate hikes amid global macro uncertainty and tail end of the global rate hike cycle. If we were to assume no further rate hike, the real policy repo rate would stand at 1.2 per cent, (vs. 0.9 per cent earlier) assuming March 2024E inflation of 5.3 per cent," said Garima Kapoor, Economist, Institutional Equities, Elara Capital.

Madan Sabnavis, Chief Economist, Bank of Baroda, too said, "The message from the policy decision is that the decision will be data driven. Expect inflation rates to move down due to base effects. Hence, can expect a prolonged pause."

Lakshmi Iyer, CEO-Investment & Strategy, Kotak Investment Advisors Limited., said, "No change in stance means RBI is prepared to act if the need arises. While pause doesn't mean pivot yet, global central banks actions will hold the key going forward."

A rate hike or cut, going forward?

While the RBI kept the rate unchanged, Governor Shaktikanta Das had said that the MPC will not hesitate to raise the repo rate in future meetings, if need be. "While the RBI MPC delivered a cautious pause with readiness to act, should the situation so warrant, we believe that the bar for incremental rate hikes was set very high," said Suvodeep Rakshit, Senior Economist, Kotak Institutional Equities. He enlisted the reasons for this as: 1) domestic inflation is expected to remain at sub-6 per cent levels in FY2024, 2) significant downside risks to RBI's FY2024 GDP growth estimates of 6.5 per cent, 3) real policy rates nearing RBI's earlier stated comfort level of above 100 bps, 4) easing external sector risks, and 5) global monetary tightening cycle nearing the peak.

Agreed Garima Kapoor, "Even as Governor Shaktikanta Das asserted the current pause should not be viewed as a pivot, we believe the bar for future rate hikes has been raised, especially since near-term prints of CPI will be sub-6 per cent (vs 6 per cent-plus for January and February 2023)."

Meanwhile, Dharmakirti Joshi, Chief Economist, CRISIL, opined that RBI will likely cut rates towards the end of fiscal 2024. "Monetary policy typically impacts the real economy with a lag of 3-4 quarters, and the full impact is expected to slow growth and moderate inflation in fiscal 2024. The RBI is likely to respond by cutting rates towards the end of fiscal 2024."

Will RBI fall in line with US Fed, ECB?

The RBI's rate action was against the wide expectations of a hike of 25 bps followed by a prolonged pause. Economists had also expected the hike to be in line with the hike announcements by the US Fed and ECB. The Federal Reserve raised rates by 25 basis points, or 0.25 percentage points in February 2023. The RBI governor also clarified that India's monetary policy is determined primarily by domestic factors and not by the actions of central banks across the world. In a media interaction, Das said, "We were never really coupled with US Fed action."

Experts also pointed out that not just RBI, major global central banks also seem to be close to the end of rate hike cycle. "Major global central banks also seem to be close to the end of the rate hike cycle. S&P Global expects a smaller rate hike in May (~20 bps), with the US Federal Reserve funds rate peaking at 5.00-5.15 per cent," said Dharmakirti Joshi. S&P Global expects the Fed to cut only from mid-2024, and end at 4.00 per cent by the end of this year, he added. "This could keep external financing conditions challenging for emerging markets like India in 2023."

All this suggests that while the phase of aggressive rate hikes may be over, the aftereffects on financial conditions along with any upside to inflation would be the risks to watch for in the new fiscal year.

Source: thehindubusinessline.com- Mar 01, 2023

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Rupee invoicing of foreign trade has many positives

Rupee invoicing became a buzzword post the July 2022 RBI circular that allowed invoicing, payment and settlement of trade (exports/imports) in Indian rupee.

Now the new Foreign Trade Policy (FTP) 2023 wants to thrust exports on the wheels of rupee invoicing that proposes both trading partners raising their invoices and settling payments for their transactions on bilateral basis in rupees. The framework facilitates invoicing of exports and imports in rupee, market-determined exchange rates between currency pairs of the trading partners, and trade settlement via Special Rupee Vostro Account (SRVA).

Going by the BIS Triennial Central Bank Survey 2022, in terms of foreign exchange market turnover (daily averages), the dollar was the most dominant currency accounting for 88 per cent of the global forex turnover in 2022 , followed by the Euro (31 per cent), Japanese Yen (17), and Pound Sterling (13); the rupee accounted for a mere 2 per cent of global currency market turnover.

Similarly, as per IMF's COFER data, the dollar's share of global foreign exchange reserves during 2022 Q4 stood at 58.4 per cent, followed by Euro (20.5), Japanese Yen (5.5), Pound Sterling (5), Chinese Renminbi (2.7), Canadian dollar (2.4), Australian dollar (2), and Swiss Franc (0.2); India's share was negligible.

The benefits of rupee invoicing are manifold, especially during geopolitical unrest and when economic sanctions are levied against India's major trade partners.

Amongst the benefits, the prominent ones are lowering of transaction costs, a greater degree of price transparency, quick settlement time, promoting international trade, reduction in hedging expenses, reduced cost of holding foreign reserve by the RBI and, most importantly, internationalisation of the rupee.

Analysis shows that invoicing in rupee would be more favourable with trade partners such as Russia, Saudi Arabia, Nigeria and the UAE, where India is a large importer and potential exists for Indian exports as well.

India's policy of facilitating trade in rupees has been gaining momentum, with the total number of SRVAs reaching 60 in a span of seven months (Rajya Sabha question on March 14). Eighteen countries have opened SRVAs to facilitate overseas trade in rupee. Of these countries, India recorded a trade deficit with eight — Botswana, Germany, Guyana, Malaysia, Myanmar, Oman, Russia and Singapore — in FY22.

The effectiveness of rupee trade, however, ultimately depends on whether India is running a net trade deficit or surplus with the participating trading partners, as well as the extent of trading in rupees in comparison to the total bilateral trade.

Source: thehindubusinessline.com - April 06, 2023

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Textile sector may get scheme to replace TUF, says Jardosh

Union minister of state for textiles, Darshana Jardosh, on Saturday said that the textile sector may get a new scheme to replace the Technology Upgradation Fund (TUF) scheme, after proper consideration. Interacting with 76 associations of the textile industry at the GCCI Textile Leadership Conclave on Saturday, Jardosh said the government is taking measures to raise cotton yield. She also said that new PM Mitra parks will help India become a leader in the textile industry.

Jardosh said, "The central government is taking initiatives for development of the textile sector, which is the second biggest employment provider after agriculture. There were many glitches in the old TUF scheme which came into effect before 2014. Our government has resolved a number of cases from the old TUF scheme but about 1,500 cases are still pending. The TUF scheme ended in March 2022 and it cannot be reintroduced till these cases are resolved. Industry should provide suggestions for a new scheme and we will think them over."

She added that the central government announced production-linked incentives (PLI) for the textile sector and seven PM Mega Integrated Textile Region and Apparel Parks (PM MITRA) are being set up in various states including Gujarat. "We are working to increase cotton yield. Technical textiles are a huge opportunity and we will see growth in this segment," she said.

Source: timesofindia.indiatimes.com - April 09, 2023

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'Digital' Platform Will Help Scale MSMEs, Build Competitiveness

The contribution of MSMEs has been central to India's growth. They contribute 29 per cent to the GDP, 45 per cent of the total manufacturing output, accounting for 40% (but declining) of exports. Sixty million units (a third are rural based) employ about 120 million. They boost consumption, drive economic growth, and equally contribute to social mobility.

'Small not beautiful' - 98% are micro-units, most destined to remain so They continue to suffer multi-faceted challenges.

The regulatory framework is overly complex. The cost of compliance is high. Harassment is rampant. Access to adequate, timely and cost of credit is the weakest link. These are well known and well documented. But there is more.

The productivity of micro firms (less than 10 people) is half that of medium firms (50-250 people) in most cases. The Crux study across 7000 MSMEs, 450 bankers, enablers, clients, and other stakeholders in 7 industrial clusters highlights several other challenges, less known, below the radar, and less 'felt'. Yet equally value depreciating.

Only a small fraction has the ability to attract talent, adopt technology, access markets, and apply productive processes. This hurts competitiveness. Limited access to appropriate technology, equally the ability to acquire is detrimental to productivity. The MSMEs pay a high proportion of their revenue on 'non-core' activities. The administrative and 'maneuvering' cost of an MSME is about twice that of a larger organization. The 'ease of doing business' framework hasn't percolated to the MSMEs.

Scale & size hinders any meaningful investment in productivity tools, perpetuating over 99% of the MSMEs into the low productivity-subscale vicious competitiveness cycle.

The Crux study articulates productivity is key to competitiveness. It insights a 30% increase in productivity can propel the 'small into the 'medium' league in 4 years. Similarly, 10% of the micro will leapfrog into the 'small' category. This could increase GDP growth rate by a third.

Formalization. Without a safety net, and the growth 'fuel' a real threat. India has the largest share of micro-enterprises among MSMEs compared to other large industrial economies.

The frailty of the Indian economy can be attributed to the missing 'middle'. The MSMEs have neither the heft nor the competitiveness to add value to the larger corporates. A thriving MSME ecosystem, and the backward-forward symbiotic relationship will make the corporate sector more competitive and enhance value. MSMEs are not mere 'vendors'.

The 'development' of the MSMEs is in the interest of the larger corporates. It has an even bigger role to play. They shy away. It must invest & partner; mentor and coach on best practices. Joint R&D can be equally symbiotic. The cost of MSMEs failing is difficult to fathom, but ripple across the ecosystem. There are lessons plenty for the economic ecosystem.

Not a monolith. Each sector has unique value drivers

98 per cent of the estimated sixty million will never grow beyond micro-enterprises. Crux study has several lessons. Most MSMEs (even the larger amongst them) have limited aspirations, fewer means. Micro units are tied to low productivity and lower competitiveness. It's a vicious cycle.

Compliance and regulatory ecosystem only add to the challenge. The labor law (trade union law, Factories Act) makes no distinction between fifty thousand people company or a ten. The complex regulatory environment and the cost associated disincentivises growth. This rippling effect hurts the economy.

A good example is the 'Maharashtra's New Industrial Belt', closely 'linked' to India's financial, commercial capital, home to IT, pharmaceuticals, textiles, and consumer durable units. It accounts for 5% of India's GDP, and 70% of capital transactions. It boasts of India's largest container port, and yet 95% of the small & medium enterprises have not been able to scale optimally. Only a fraction is globally competitive.

Sample this. Over three fourth of the units are 'micro' in Tirupur India's largest textile cluster. Over 80% of the units in Narayanganj Bangladesh have more than ten, making their exports more competitiveness.

The ‘Gurugram-Manesar-Bawal’ belt is the largest automobile ecosystem, accounting for half of 4-wheeler manufacturing, and home to a million MSMEs. And yet only a handful may ever scale enough to enhance competitiveness of the larger firms.

China owes its rise as an industrial powerhouse to the large coastal SEZs, liberalized regulations, tax benefits and duty-free imports. The millions of village enterprises (MSMEs) played an equally pivotal role. The thriving community of small enterprises enhanced the competitiveness of the larger organizations and laid the foundation for a sustainable industrial structure. It took 20 years.

Similarly, MSMEs are the heart of the German industries’ (and economy) competitiveness.

MSMEs are neither resilient, nor thriving. ‘Start small, will remain small’ MSME policy and institutional framework have failed to identify and address the challenge of competitiveness. Value drivers are determined at three, and interconnected levels i.e., firm, business ecosystem, and economic environment. Our approach has been transactional; offering support, inducing schemes. However, on the ground, support eludes them.

The study articulates that only the top decile ‘medium’ and top 3 per cent ‘small’ amongst the MSMEs is competitive to create a sustainable growth trajectory. Less than 2 per cent of the MSMEs are able to ‘build’ capital for expansion. Most others stagnate.

The government needs to make bold policy moves. MSMEs are ‘micro and fragmented’. Ecosystem restricts growth. Capacity limits economies of scale. The government needs an innovative approach, go beyond, and create and establish a robust, ‘digital platform’ that promotes, incentivizes, fuels collaboration. The platform partners could harness and catalyze the benefits of a united approach to production, marketing, and R&D.

Digital aggregator will help build competitiveness

The platform can gather contextual data. ‘Link’ MSMEs to the relevant stakeholders to serve most needs of the sector. It can access sales and credit-performance data to develop credit scores and share with lenders. The platform could connect MSMEs to both the markets and suppliers. It could secure and ‘guarantee’ for them. It can tie up their logistics needs. It would link them to the auxiliary service providers that could train & coach, audit, provide legal advice and help them gather catalyze, exploit business related and contextual information& knowhow.

It could be a multiplier.

Source: businessworld.in – April 10, 2023

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Indian UP state cabinet clears scheme for power loom, handloom weavers

The cabinet in India's Uttar Pradesh state recently approved the Chief Minister Handloom and Powerloom Industry Development Scheme (General) to connect the youth with the sector. A meeting presided over by state chief minister Yogi Adityanath approved the scheme.

The objective of the scheme is to facilitate weavers to upgrade their traditional handlooms and power looms, an official statement said.

The scheme will benefit all powerloom and handloom weavers of the state. The state cabinet also approved the Atal Bihari Vajpayee Powerloom Weaver Electricity Flat Rate Scheme to benefit economically weak weavers.

Source: fibre2fashion.com – April 08, 2023

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IMF warns five-year global growth outlook weakest since 1990

The International Monetary Fund warned that its outlook for global economic growth over the next five years is the weakest in more than three decades, urging nations to avoid economic fragmentation caused by geopolitical tension and take steps to bolster productivity. The emergency lender sees the world economy expanding about 3% over the next half decade as higher interest rates bite, Managing Director Kristalina Georgieva said in a speech in Washington Thursday. That's the lowest medium-term growth forecast since 1990 and less than the five-year average of 3.8% from the past two decades.

For 2023, global gross domestic product will likely expand by less than 3%, she said. That's in line with the fund's January forecast of 2.9%. About 90% of advanced economies will see growth slow this year as tighter monetary policy weighs on demand and slows economic activity in the US and euro area, the IMF said. It plans to release a more detailed World Economic Outlook report on April 11 as part of its Spring Meetings held together with the World Bank.

Russia's invasion of Ukraine has worsened already tense relations between the US and China, exacerbated a global inflation crisis and is spurring hunger around the world. "The world economy as a whole is now less able to support the weakest members," Georgieva said in a Bloomberg Television interview with Tom Keene. "Why? The peace dividend is gone." Some emerging markets are showing strength, particularly in Asia, with India and China expected to account for half of global expansion. But low-income nations are hamstrung by weakening demand for their exports, with their per-capita income growth remaining below that of the emerging economies. Poverty and hunger that increased during the coronavirus pandemic could climb.

Despite the bleak growth outlook, high inflation means that central banks must continue to raise interest rates, as long as financial stability pressures remain limited after recent banking industry upheaval in the US and Switzerland, Georgieva said. If the banking system becomes unstable, policymakers will face more complicated trade-offs between inflation and the safeguarding the financial system, Georgieva added. "Be vigilant and more agile than ever."

Policymakers are set to converge on Washington for sessions focused on numerous global challenges, from unsustainable debt in developing nations to inflation to climate change. “With rising geopolitical tensions, with inflation still running high, a robust recovery remains elusive,” Georgieva said in her speech. “That harms the prospects of everyone, especially for the most vulnerable people and most vulnerable countries.” Georgieva’s stark message comes a day after the IMF warned that geopolitical fragmentation, driven by tensions between the US and China, risks damaging the global economy, with foreign direct investment and other capital increasingly being channeled toward aligned blocs of countries.

She repeated a warning from January that longer-term trade fragmentation — including restrictions on migration, capital flows and in international cooperation — could cut global gross domestic product by as much as 7% — equivalent to the combined annual output of Germany and Japan, or about $7 trillion. Interruptions to technology trade could see losses as large as 12% of GDP for some countries, Georgieva said. “Getting on a path of less fragmentation in the world economy is good for everybody,” she said in the television interview.

Spiraling Inflation

Russia’s invasion last year sent already strong inflation in many nations spiraling to its highest level in decades. Chinese President Xi Jinping’s support for the Russian leader, Vladimir Putin, including a high-profile trip to Moscow last month, drew criticism from the Biden administration and worsened the relationship between the US and China. Relations between the world’s two largest economies have worsened in recent years.

They deteriorated under former President Donald Trump, who kicked off a trade war that resulted in hundreds of billions of dollars in tit-for-tat tariffs. President Joe Biden’s administration has sustained a hard line, focused mainly on economic and national-security concerns.

Washington last year unleashed strict export controls on semiconductor technologies to China and has spent years targeting Huawei Technologies Co., a leader in telecommunications infrastructure that the US has deemed a national security threat with ties to the Chinese government.

Just last week, Beijing opened a new front in the escalating chip battle, launching a cybersecurity review of imports from America's largest memory-chip maker, Micron Technology Inc. And on Wednesday, US House Speaker Kevin McCarthy and a bipartisan group of lawmakers met with Taiwan's President Tsai Ing-wen in California. a visit to the US that China has protested.

Amid that conflict and after the supply-chain disruptions of Covid-19, the US has encouraged nearshoring and "friend-shoring," urging companies to move suppliers into aligned countries closer to home and particularly away from Asia and China. Georgieva urged countries to be pragmatic about strengthening supply chains. She also repeated a call for IMF members to provide debt relief to distressed nations, and to contribute to a trust for the poorest countries that is short billions of dollars.

Source: financialexpress.com - April 07 2023

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