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INTERNATIONAL NEWS

A shift in China's textile and apparel export markets

The export of China's textile and apparel in March this year was extremely good, with a year-on-year growth of 32% for garments and accessories, which was not quite consistent with the export situation reflected by the market.

For relevant details, please refer to "China's apparel exports in March surge unexpectedly":

https://www.ccfgroup.com/newscenter/newsview.php?Class_ID=D00000&Info_ID=2023041430098

So what are the major newly increased export markets in March? The monthly report released by China Customs yesterday showed the direction change of China's textile and apparel exports.

Major textile and apparel export markets in Mar					
No.	Region	Exports (100 mln USD)	Proportion	Proportion change	Y-o-y
1	US	39.4	15.0%	-0.6%	15%
2	EU-27	27.9	10.6%	-1.6%	4%
3	Vietnam	19.0	7.3%	0.6%	31%
4	Japan	15.8	6.0%	-1.5%	-4%
5	South Korea	10.5	4.0%	0.5%	38%
6	Malaysia	8.8	3.4%	0.6%	48%
7	Australia	8.2	3.1%	0.7%	52%
8	Philippines	5.5	2.1%	-0.2%	10%
9	India	5.5	2.1%	0.2%	30%
10	Indonesia	5.4	2.0%	-0.3%	5%
11	UK	5.0	1.9%	-0.1%	14%
12	Thailand	4.8	1.8%	-0.2%	9%
13	Singapore	4.8	1.8%	1.0%	173%
14	Russia	4.7	1.8%	0.8%	107%
15	Kazakhstan	4.5	1.7%	1.2%	314%
16	Saudi Arabia	4.2	1.6%	0.5%	81%
17	UAE	4.1	1.6%	-0.1%	13%
Total		178.1	68.0%	--	

Note: Data from China Customs, collected and calculated by TTEB.

In terms of the proportion of export markets in March, the United States remained the largest market of China's textile and apparel export, followed by the European Union and Vietnam, while Japan had retreated to the fourth place. The above four markets accounted for 15%, 10.6%, 7.3% and 6% respectively of the total exports. For South Korea, Malaysia, Australia, the Philippines, India and Indonesia, the share ranged from 2% to 4%.

The major ASEAN markets of China's textile and apparel exports were Vietnam, Malaysia, the Philippines, Indonesia, Thailand, Singapore and Myanmar. Their combined share in March was 19.7%, 4.7 percentage points higher than that of the United States. Compared with March last year, the proportion of Japan, Europe and US decreased to a certain extent, and that of Philippines, Indonesia, the United Kingdom, Thailand and the United Arab Emirates also declined modestly. Markets saw increasing proportions were Vietnam, South Korea, Malaysia, Australia, India, Singapore, Russia, Kazakhstan and Saudi Arabia. In particular, the share of Singapore and Saudi Arabia registered a more prominent growth.

As for the year-on-year growth of China's main export markets in March, among the top four markets, Vietnam had the largest growth, followed by the United States, while Japan showed a decline, and the exports to Singapore, Russia, Kazakhstan, Saudi Arabia and Australia grew by more than 50%, Malaysia, South Korea and India also performed well, with a year-on-year growth of over 30%. The biggest growth in March was not in the traditional markets of Europe, the US and Japan, but in ASEAN, Russia, Kazakhstan, Saudi Arabia, Ukraine, Oman and Brazil. Due to the low base of some regions in the early period, their increase was large. Japan and European countries witnessed the largest drop of growth rate in March.

From the above export data of March, it can be seen that the export direction of China is changing, which may explain the sound performance of China's textile and apparel export in March. The Belt and Road countries and CREP regions may show a more important position in China's future exports against the backdrop of the decoupling between China and the United States.

Source: ccfgroup.com – April 20, 2023

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Global container market faces new problems in 2023: S&P Global

The global container market is facing a gamut of problems this year, as it adjusts itself to rates dropping to pre-pandemic levels after the boom years of 2020-2021, according to S&P Global. A risk of over-capacity looms, methanol as a fuel has gained steam amid planned tighter emission regulations in the European Union (EU) and the pace of scrapping of old liners is slow.

The challenges ahead for liner companies are mostly prevalent through deploying capacity in a market with faltering demand from continued macroeconomic pressures, an analysis by David Lademan, Usama Khalid, Laura Robb, Tanya Kalra and Ayush Verma said on the company's website.

As demand continues to falter and the 2M Alliance—formed in 2015 between the Danish shipping line Maersk and the Swiss-Italian shipping company Mediterranean Shipping Co (MSC) covering Asia-Europe, trans-Pacific and trans-Atlantic trade routes—inches toward its 2025 dissolution, the break-up's effects on rates, capacity and other alliances will be major market factors for several years, the authors noted.

A significant flurry of new ships is expected to hit the waters this year, which will require more capacity management requirements.

For vessel orders placed so far in 2023, methanol-capable engines have increased to account for 68 per cent of tonnage on the order book, according to Braemar shipbrokers.

Greenhouse gas intensity in the EU is to be cut by 2 per cent from 2025 under FuelEU Maritime regulation, which would affect the usage of the more abundant fossil-fuel methanol and dissuade its usage in the EU.

With nearly 12 per cent of the global fleet having reached its scrapping age, scrapping activity will likely require a significant uptick in the coming months, after liner companies held off in the past due to strong market conditions, including elevated demand and historically high freight rates delaying scrapping and demolition activity, the authors noted.

With the bull phase now over, many players in the market expected demolition activity to pick up pace this year, but so far only 12 ships have been demolished, according to Sea-web. Only five ships were demolished in 2022.

The Ocean Shipping Antitrust Enforcement Act, proposed at the US House of Representatives in March, would eliminate the antitrust exception for maritime carriers if passed.

A glimmer of hope for container demand lies in the attractive nature of box rates at present for traders, the authors noted.

As spot rates on key global container trade lanes stabilize to around pre-pandemic levels, the decontainerisation trend seen through 2020-2022 has now started reversing. Record-high container freight rates during the peak of the coronavirus pandemic saw cargo spilling over from containers to related minor bulk vessels.

Bulk freight rates are seen recovering while box rates are expected to weaken further through 2023, they added.

Source: fibre2fashion.com – April 21, 2023

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Mid-Apr hikes lift trans-Pacific container freight to 5-month high

The eastbound trans-Pacific container trade saw large increases recently, bringing rates to five-month highs after ocean carrier general rate increases supported spot pricing, according to S&P Global.

The current round of successful increases in container trade has largely been attributed to a redoubling of efforts by carriers to control capacity amid a raft of blanked sailings and vessel layups, rather than any material uptick on the demand side, S&P Global noted.

In fact, import demand is projected to remain weak in the first half (H1) of the year.

US West Coast ports were forecast to handle 5.78 million TEU during H1 2023, down by 24.6 per cent, while US East Coast volumes were forecast to decline by 15.9 per cent to 5.55 million TEU, Hackett Associates said in its most recent Port Tracker report.

Year-to-date container imports through February were down by 20.7 per cent to 3.77 million TEU, with H1 volumes expected to come in 19.5 per cent below the same period in 2022.

In the Atlantic Basin, excess capacity and weaker demand continue to take their toll on rates, S&P Global's David Lademan and Laura Aebi wrote in an article on the company website.

Since demand on the trans-Pacific trade lane began to wane in 2022, many carriers shifted their vessels to the more-lucrative trans-Atlantic route, bringing a shift toward overcapacity on the trade, they noted.

Simultaneously, sources pointed to weak demand and inflated European energy costs as other factors contributing to the bearish landscape, they added.

Source: fibre2fashion.com– April 21, 2023

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Better Cotton's New Regulations Protect Farmers, Labor and Business

Better Cotton has revised its Principals & Criteria (P&C) to better emphasize social issues facing cotton farmers like labor, gender equality, quality of life and provisions for smaller landowners, in addition to broader issues of fiber quality, sustainability, climate change, regenerative farming, water use and conservation.

The updates reflect Better Cotton's 2030 Strategy and brings its principles into line with evolving global trends in market regulations and more sustainable agricultural value chains. It follows the codes of good practice of the ISEAL Alliance (the International Social and Environmental Accreditation and Labelling Alliance), a leading authority on sustainability practices, Version 3.0. It was finalized in February and will go into effect for the 2024/25 season.

The P&C details the organization's approach to more sustainable cotton production and requirements farmers must meet to obtain a license to sell their cotton under the 'Better Cotton' brand. At present, more than 2 million farmers of all sizes worldwide have the mandate.

Those farmers are the focus of many of the revisions with emphasis on field-level changes. They include a new effort focused on Smaller Livelihoods to address the concerns of farmers with small operations, with provisions to promote well-being in farming communities. They produce 22 million metric tons of cotton annually.

There is also a new subsection on climate change that advises farmers on how to meet field-level challenges and find the best available region-specific measures to do so.

According to Alan McClay, Better Cotton's CEO, field-level improvements remain a priority but the new emphasis on farmer economics and quality of life is a much-needed shift.

"With a practice-oriented focus, our standard strengthens requirements across both environmental and social topics, and even goes further to encompass farmer livelihoods for the first time," he said.

Joky Francois, lead on gender at the Rainforest Alliance, agrees with the timeliness of emphasizing labor and workplace gender issues. He called the revised principles clear, relative to the context, and practical.

“They will be a great support to cotton growers to identify and address labor and gender issues and improving working conditions and livelihood of the people involved in cotton production in a sustainable way,” he said.

Source: sourcingjournal.com– April 20, 2023

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CBP, Guatemala and Colombia Sign Supply Chain Security Agreement

U.S. Customs and Border Protection (CBP) signed a Mutual Recognition Arrangement (MRA) with the Customs Administrations of Guatemala and Colombia at the Trade Facilitation and Cargo Security Summit (TFCS) in Boston on Monday.

“By cooperating with our regional partners through MRAs and other bilateral arrangements, we are able to create a unified and sustainable security posture,” Pete Flores, executive assistant commissioner for the CBP Field Operations, said. “As a result, we are furthering our efforts to facilitate trade and enhance our economic security mission.”

MRAS are mutual understandings between two customs administrations and provide a platform for exchanging membership information, recognizing the compatibility of the respective supply chain security program. CBP reached this MRA after the customs administrations of Guatemala and Colombia had agreed on a Joint Work Plan (JWP) during last year’s TFCS in Anaheim, California. The plan outlines the path toward MRAs between the two customs administrations’ Authorized Economic Operator (AEO) programs.

The arrangement means that the security requirements or standards of the foreign industry partnership program and its verification processes are the same or similar to those of the Customs Trade Partnership Against Terrorism (CTPAT) program.

Essentially, the concept of the MRA is that CTPAT and the foreign customs administration program have established a set of security requirements that let one business partnership program recognize the validation findings of the other program and benefits both customs administrations and the private sector participants.

CTPAT is a voluntary anti-terrorism initiative that seeks to strengthen the international supply chain and help secure the U.S. border. It offers shorter wait times at the border and fewer inspections to its members. The public-private sector partnership program acknowledges that CBP can only provide the highest level of cargo security through cooperation with the principal stakeholders of the international supply chain. This includes importers, carriers, consolidators, licensed customs brokers and manufacturers.

When an entity joins CTPAT, it agrees to work with CBP to protect the supply chain, identify security gaps and implement security measures. But applicants have to address security topics and submit security profiles that list their action plans in order to support security throughout the supply chain.

As of last summer, companies validated by the CTPAT now have to show proof of a social compliance program that, at minimum, addresses how they're ensuring that goods imported into the U.S. weren't affiliated with modern slavery in any capacity. Tier 2 and Tier 3 CTPAT applicants must present evidence of risk-based business mapping, codes of conduct, due diligence training for suppliers and remediation plans on top of the social compliance program as well.

CTPAT is committed to international cooperation to strengthen and secure global supply chains and further global standardization of AEO programs.

Source: sourcingjournal.com– April 19, 2023

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E-com to stay fastest growing, most stable sector in 2023 in Vietnam

E-commerce will stay the fastest growing and most stable economic sector this year in Vietnam, the Vietnam Online Business Forum 2023 held recently in Hanoi was told. According to the Vietnam E-commerce Association (VECOM), e-commerce grew by over 22 per cent year on year in the first quarter (Q1) this year and could still reach over 25 per cent for the whole year.

Global and domestic economic challenges had adversely affected trade, but domestic e-commerce is still predicted to grow at a rate of more than 25 per cent, reaching a scale of over $20 billion USD, VECOM said.

Last year, the retail e-commerce transaction scale comprised about 8.5 per cent of the total retail sales of consumer goods and services of 5,680 trillion VND ($240.5 billion), it said. The proportion of online retail sales of goods compared to the total retail sales of goods was about 7.2 per cent last year, higher than 6.7 per cent in 2021.

The economy's big difficulties from mid-2022 have extended to the first quarter and possibly will extend until the end of the year, the conference was told. More and more businesses were choosing to do business on social networks, especially TikTok Shop, VECOM said.

A VECOM survey found 23 per cent of businesses sold products on e-commerce floors last year, a Vietnamese media outlet reported. Another survey showed up to 65 per cent of Vietnamese businesses have implemented business activities on social networks. The number of employees at enterprises who regularly use tools like Zalo, Whatsapp, Viber and Facebook Messenger has continuously grown.

Selling on social networks is also considered the most effective, surpassing other forms such as websites or business applications, as well as e-commerce.

Tiktok Shop, which started operating in the country in mid-2022, has now become the third largest retail e-commerce platform in the country.

Source: fibre2fashion.com– April 21, 2023

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Europe's Better Cotton updates field-level Principles & Criteria

Better Cotton, the world's largest cotton sustainability initiative, has revised its Principles & Criteria (P&C) to ensure it remains an effective tool to drive continuous improvement and deliver sustainability impact at field-level.

The P&C define the organisation's approach to more sustainable cotton production and establish the requirements farmers must comply with to attain a licence and sell their cotton as 'Better Cotton'. At present, more than two million farmers worldwide—from large to smallholder operations—hold a licence, Better Cotton said in a media release.

The revised Principles cover Management, Natural Resources, Crop Protection, Fibre Quality, Decent Work, and Smallholder Livelihoods, as well as the two cross-cutting priorities of Gender Equality and Climate Change.

The latest revision was finalised in February following extensive consultations to ensure it best reflects the organisation's latest focus areas, including its 2030 Strategy, whilst aligning with global trends towards more sustainable agricultural value chains and market regulations. Refined in compliance with the codes of good practice from ISEAL, a leading authority on sustainability standards, Version 3.0 (v.3.0) will become effective for licensing starting in the 2024-25 season.

In practice, the revised P&C will embrace a farmer-centric approach and serve as a more locally relevant standard that addresses the environmental, social and economic matters most pertinent to cotton production today. It has been reframed to plug key gaps and remove duplicative requirements, learning from previous iterations and the experiences of users.

To accelerate environmental improvements, P&C revisions will ensure the responsible use, conservation, and enhancement of natural resources by championing regenerative agricultural practices, more sustainable crop protection methods and effective water use, the release added.

From a social standpoint, the revised standard will place stronger onus on driving impact and promoting wellbeing in farming communities, supported by more robust requirements surrounding Decent Work and Gender Equality, in addition to the inclusion of a new principle: Smallholder Livelihoods.

Additionally, a new subsection on climate change will offer guidance for farmers on how to best adapt to field-level challenges and highlight the best available, region-specific measures.

Alan McClay, chief executive officer, Better Cotton, said: “After an 18-month review process, we’re confident that the revised principles will help cotton growing communities continue to deliver improvements at field-level. With a practice-oriented focus, our standard strengthens requirements across both environmental and social topics, and even goes further to encompass farmer livelihoods for the first time. We’re grateful to the many stakeholders that supported this latest revision, it’s with their support that we can ensure the P&C is effective across our industry.”

Joky Francois, lead on gender, Rainforest Alliance, said: “I experienced the review process of the Decent Work & Gender working group as a highly participatory and constructive process with ample space to include insights and experiences from different kinds of stakeholders. This has led to revised principles that are not only clear, related to the context and practical but also in line with international standards and principles. As such, they will be a great support to cotton growers to identify and address labour and gender issues and improve working conditions and livelihood of the people involved in cotton production in a sustainable way.”

Source: fibre2fashion.com– April 20, 2023

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PTA can boost fabric & yarn trade between Sri Lanka & Bangladesh

A preferential trade agreement (PTA) between Sri Lanka and Bangladesh has the potential to boost bilateral trade of fabric and yarn, as both countries are major garment exporters and competitors in the global market.

Fabric and yarn, significant products in the textile sector, offer opportunities for increased trade between the two nations. Sri Lanka is currently a net exporter of fabric and yarn to Bangladesh, with both countries relying heavily on garment exports for foreign exchange earnings.

Recently, Sri Lanka requested that Bangladesh resume negotiations on a proposed PTA, aiming to increase bilateral trade between the friendly nations. The Lankan High Commission in Dhaka has suggested a virtual meeting next week to discuss the current status and the path forward.

Post COVID-19, Sri Lanka's fabric exports to Bangladesh nearly doubled in two years, reaching $41.133 million in 2022, up from $22.678 million in 2020. Sri Lanka exported fabric worth $29.319 million in 2021, $22.678 million in 2020, $32.944 million in 2019 and $33.068 million in 2018.

Fabric imports from Bangladesh were noted at $5.551 million in 2022, $7.721 million in 2021, $7.206 million in 2020, $6.900 million in 2019 and $2.611 million in 2018, according to Fibre2Fashion's market insight tool TexPro.

Sri Lankan yarn exports have experienced impressive growth in recent years, with shipments reaching $5.752 million in 2021, up from $1.273 million in 2018. However, there has been some volatility in these figures over the years. Yarn exports dipped to $0.890 million in 2019, then surged to $3.867 million in 2020. While the upward trend continued to $5.752 million in 2021, exports decreased to $4.511 million in 2022.

On the other hand, Sri Lankan yarn imports from Bangladesh were considerably low, with figures of $1.192 million in 2022, $2.383 million in 2021, $1.707 million in 2020, $0.883 million in 2019, and $1.230 million in 2018, as per TexPro.

As both Sri Lanka and Bangladesh are not only major garment exporters but also competitors in the global market, there has been limited bilateral trade between the two countries. However, Sri Lanka does supply fabric and yarn to Bangladesh in limited quantities.

To meet its growing consumption, Bangladesh needs to explore raw material sourcing from various sources, given its success in the garment sector in recent years. Both countries can explore bilateral synergies to their mutual benefit.

Source: fibre2fashion.com– April 21, 2023

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Bangladesh, India close to start trading in Taka, Rupee, reports claim

To ease the pressure on dollar holdings, India and Bangladesh have agreed to settle a part of bilateral trade transactions in their respective currencies even as to facilitate the cross-country transactions, Eastern Bank and Sonali Bank from Bangladesh will open accounts in two Indian lenders, namely ICICI Bank and the State Bank of India while the two Indian banks, in turn, will also open similar accounts in the two Bangladeshi banks.

This is as per reports, which added as per the officials of the central bank (Bangladesh Bank) and other relevant commercial banks, the opening of these accounts (known as nostro and vostro accounts in global accounting) will require approval of the respective central banks of both the countries even if settling bilateral transactions in Rupee and Taka has been in talks for some time now.

However, not all of the bilateral trade will be done in local currencies, reports further added.

Source: apparelresources.com– April 19, 2023

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NATIONAL NEWS

13th Joint Trade Committee meeting of India and Thailand held in New Delhi

The 13th Meeting of India Thailand Joint Trade Committee (JTC) was held today in New Delhi. The meeting was co-chaired by Director General of Department of Trade Negotiations, Ministry of Commerce of Thailand, Ms. Auramon Supthaweethum and Joint Secretary, Department of Commerce, Ministry of Commerce & Industry, India Ms. Indu C. Nair. This was the first physical meeting of the JTC after it was revived in 2020, after 17 years.

Thailand is India's important trading partner in ASEAN with total trade of USD 16.89 Billion in 2022-23. Thailand accounts for 13.6% of India's total trade with ASEAN. Thailand is an important destination for India's gems and jewellery, mechanical machinery, auto and auto components and agricultural products especially marine products.

Reviewing the status of bilateral trade and each partner's modest share in other's global imports, the chairs emphasised the need for identifying new potential products and priority sectors for expanding the bilateral trade. Both sides also discussed various market access issues and technical barriers faced by their exporters and agreed to resolve the same through regular and sustained bilateral discussions. India raised the restriction faced in its export of marine, poultry and meat products.

Both sides identified a range of potential commodities and sectors for strengthened partnership such as value added marine products, smartphones, Electric vehicles, food processing and pharmaceuticals. The countries also agreed that there is huge scope in collaboration in the Service Sector and agreed to explore establishing mutual recognition/cooperation arrangements in Nursing, Accounting, Audio Visual and Medical Tourism.

The meeting also reviewed the progress of the ongoing efforts on connecting Unified Payment Interface (UPI) of India with Prompt Pay Service of Thailand and the settlement of trade transactions in local currency.

Source: pib.gov.in- April 20, 2023

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EU carbon tax: Govt to carry out sectoral analysis to see how CBAM will affect Indian industry

The government will carry out a sectoral analysis to see how the European Union's (EU's) proposed carbon border adjustment mechanism (CBAM), that will start unrolling from October this year, is set to affect the Indian industry and will take action if it proves to be a non-tariff barrier for some products, an official source has said.

"There is a possibility that different sectors may be affected differently by CBAM. The Commerce Ministry will carry out a sector-by-sector analysis to find out the impact on individual sectors. This is important to take targetted action," a source tracking the matter told businessline.

The Commerce Ministry has also roped in the Climate Change Finance Unit of the Department of Economic Affairs and the Steel Ministry to analyse the problem at hand and look at possible solutions, the source said.

New Delhi will also examine if it needed to make the discussions on CBAM part of the on-going negotiations for a Free Trade Agreement with the EU. "When we are negotiating an FTA with a trading partner, we expect to get greater market openings. If it turns out that while tariffs are being eliminated under the FTA, other barriers are taking their place, we need to sort it out," the source said.

New Rules

Under the proposed CBAM, the EU will levy an import tariff on carbon-intensive goods from 2026. The mechanism aims to level the playing field by taxing foreign production with less-stringent emissions regulations and reducing the risks of leakage.

The list of items to be initially covered under CBAM include iron and steel, cement, aluminium, fertilisers and electric energy production.

For some items, like solar energy products, the carbon foot print is less and such goods could benefit from CBAM, the source explained. For others such as iron and steel and aluminium, there could be a problem, he added.

'Needs transparency'

"The EU has to be transparent about how the carbon tax is being calculated for various sectors and it can't use the same one for all countries. Factors such as per capita pollution, forest cover and sustainable living should also be taken into account," the source said.

Once the government has done its sectoral analysis, it will have a better idea of where Indian industry stands, as far as the CBAM is concerned, and can have a pointed discussion with the EU on what it wants, the source added.

Source: thehindubusinessline.com- April 20, 2023

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India's merchandise exports may cross USD 500 bn this fiscal: Exporters

The country's merchandise exports are likely to cross USD 500 billion this fiscal due to healthy demand for domestic goods in key global markets, including the US, and benefits from trade pacts, according to exporters. They said that other destinations like Russia would give a huge boost to the country's outbound shipments, particularly in the agri and food processing sectors.

Federation of Indian Export Organisations (FIEO) said they are targeting to take the shipments to USD 500 billion-510 billion during the current financial year.

Services exports are likely to reach around USD 390 billion in 2023-24 from USD 322.72 billion in 2022-23.

"Together with goods and services, we are targeting exports of USD 900 billion this fiscal," FIEO Director General Ajay Sahai said.

He noted that free trade agreements with the UAE and Australia would provide a huge platform to boost exports in those markets.

"Production-linked incentive scheme too will provide an impetus to our exports as domestic production would jump due to the incentives," Sahai added.

Ludhiana-based engineering exporter and Hand Tools Association President SC Ralhan said there are healthy signs of economic growth in the US, which accounts for about 18 per cent of India's total outbound shipments.

"Order books are good and we expect that going by the current trend, our exports would cross USD 500 billion this fiscal," he said.

India's exports rose by over 6 per cent to USD 447.5 billion in 2022-23 compared to USD 422 billion in 2021-22.

Mumbai-based exporter and Chairman of Technocraft Industries Sharda Kumar Saraf too said that this fiscal would be better than the last year for India's exports.

"The impact of the Russia-Ukraine war is tapering off as industry has found an alternate route for trade and sources of energy. In India, there is a significant improvement in infrastructure and that would give solid support to exporters," Saraf said.

Going by the current trend, the exports would cross USD 500 billion in 2023-24, he added.

Engineering exporter and Director of Geco Trading Corporation Khalid Khan said that labour-intensive sectors are doing good and it would help in increasing the shipments.

"I expect that the export growth will be better than the last fiscal," Khan added.

Source: economictimes.com - April 20, 2023

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EFTA's Trine Lise Sundnes hopes to conclude free-trade negotiations with India

Trine Lise Sundnes (Head of delegation) of the EFTA Parliamentary Committee (during her visit to New Delhi) in an interview with ET's Dipanjan Roy Chaudhury informed that the Ministers from the grouping will visit Indian capital next week to boost existing positive dynamics for a successful conclusion of FTA in future.

Can you give flavour of the visit & key focus of visit?

We experienced very successful meetings with our India's counterparts. We had the opportunity to meet with a wide range of interlocutors, including with the Speaker of the Lok Sabha, with Minister Goyal, and with the Secretary West at the Ministry of External Affairs.

Furthermore, we held exchanges of views with Business organisations and Industry federations; Trade Unions; and civil society organisations. We are finishing tomorrowour visit in Mumbai to discuss with Indian and EFTA countries' companies active in India to better understand the business environment, the opportunities, and the challenges that they are facing.

What is state of negotiations for FTA between EFTA & India?

Negotiations started in 2008 already and almost concluded in 2013 before the general elections in India. Since then, contacts at various levels were maintained. In recent months, several visits at the highest political level took place. A Ministerial visit to Delhi is planned next week. We hope that our delegation visit will contribute to establish a constructive atmosphere between both sides and demonstrate EFTA's eagerness to conclude these negotiations with the 5th largest economy in the world.

What are key challenges that is being faced for successful conclusion of FTA?

Concluding an agreement would offer a lot of opportunities for both India and the EFTA countries. We see a lot of complementarities between our respective economies; investment opportunities; knowledge sharing and transfer of technologies that are crucial for the challenges of the 21st century, such as carbon-free energy generation.

We also believe that an agreement would create a cooperation framework to share best-practices, exchange views, and coordinate on issues of common interest. It would also bring closer people of India and of EFTA countries and forge long-term relationships underpinned by friendship and mutual respect. Like in every negotiation, both sides have their own interest and sensitivities. There is currently a positive dynamic in place, and we are confident that negotiators will find agreeable solutions for both sides.

What are priority areas for trade & investments for EFTA countries in India?

The magnitude of economic relations between EFTA countries and India has further amplified in recent years. Direct or indirect investments via subsidiaries have created new jobs on India's market in various sectors in which EFTA countries have expertise such as in machinery; precision industry; pharmaceuticals; financial services and insurance; ship building; sub-marine drilling and equipment; hydropower and geothermal generation; or IT services.

A trade agreement will further foster these existing links and increase the resilience of our respective value-chains. EFTA countries are at the forefront of technology when it comes to green and clean technologies. As parliamentarians we welcome that concerns on climate change and the need to cut emissions are challenges that we wish to tackle together.

It will open business opportunities for all our countries, including India. This week we understood that India, like EFTA Countries, considers trade agreements as an engine to foster socio-economic improvements. We share the same views and wish that the agreement will empower people and especially women.

Will proposed FTA entail of mobility of skilled Indians?

Modern free trade agreements do entail a certain mobility of workers under the services chapter that will have to be discussed by the negotiators. There are also other instruments outside the field of the agreement where temporary migration can be granted to certain categories of people, for example students.

My experience as Parliamentarian from Norway, is that India's IT engineers working in Norway are key to run and develop our IT infrastructure and services, and that additional needs are to be expected in the future.

We trust that our respective negotiators will work constructively to reach mutually agreeable solutions for all EFTA Countries and India. The visit of EFTA Ministers to Delhi next week will for sure provide some guidelines on open issues.

Source: economictimes.com- April 20, 2023

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India's economy signals resilience even as exports dim outlook

India's economic activity stayed resilient in March though the weakening pace of exports and an increase in unemployment dimmed the outlook for the country that's surpassing China as the most populous nation.

While the needle on a dial measuring the so-called Animal Spirits was unchanged at 5 for a third straight month, a jump in collections from taxes levied on consumption showed Asia's third largest economy was ticking along. That's the reading from the overall activity tracker comprising of eight high-frequency indicators compiled by Bloomberg.

The readings come in the backdrop of the Reserve Bank of India pausing rates for the first time since May to evaluate the impact of 250 basis points in rate increases so far and to support growth. Retail and wholesale price-gains have eased on still-elevated rates, spurring calls for a longer pause.

Last week, India's Finance Minister Nirmala Sitharaman said her government was making "enough efforts" to ensure the economy stays buoyant though she expressed concern over the OPEC+ output cut and impact of decisions related to Russia's war in Ukraine. Weakness in demand for manufacturing goods and services activity could be a drag on India's recovery, she added.

Here are more details from the animal spirits barometer, which uses a three-month weighted average to smooth out volatility in single-month readings:

Business Activity

Purchasing managers' surveys showed manufacturing activity improved as pressure on supply chains eased on increased raw materials availability. Activity in services sector moderated in March from a 12-year high in the previous month, bringing the composite index down to 58.4 from 59 in February.

"A sizable proportion of services firms hiked their selling prices to hedge against rising costs," said Pollyanna De Lima, economics associate director at S&P Global Market Intelligence.

Exports

Exports dropped 13.9 percent in March, declining for a fourth straight month, while imports fell 7.90 percent from a year ago. “Headwinds from a slowing global economy are beginning to weigh more on exports,” said Rahul Bajoria, economist at Barclays Plc. Electronics exports gained traction, rising 57% in March from a year ago as major mobile equipment manufacturers are setting up production units in India with the China-plus-one strategy gaining ground, he said.

Apple Inc. now makes almost 7% of its iPhones in India and opened company-owned stores this week in the South Asian country to push retail sales.

Consumer Activity

Liquidity in the banking system swung to a surplus in March, while credit growth moderated to 15%, from 15.52% in February, central bank data showed. Goods and services tax collections, which help measure consumption in the economy, rose 13% from a year earlier to 1.60 trillion rupees ($19.5 billion) in March — the second-highest level in the history of the six-year-old levy.

New vehicle registrations slowed to 14% in the month from a 16% increase in February, according to data from the Federation of Automobile Dealers Associations. Yet passenger vehicle sales growth improved to 14.42% year-on-year, from 10.9% rise a month ago.

Market Sentiment

Electricity consumption, a widely used indicator to measure demand in the industrial and manufacturing sectors, has moderated. Peak demand in March fell to 170 gigawatt from 181 gigawatt a month ago and soaring temperatures across India could well increase power consumption in the months to come. The unemployment rate climbed to 7.80%, from 7.45% a month ago, according to data from the Centre for Monitoring Indian Economy Pvt, as companies tightened purse strings after the festive season.

Source: moneycontrol.com - April 21, 2023

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Cumulative impact of MPC actions still unfolding: Shaktikanta Das

The Reserve Bank of India's (RBI) fight against inflation is "far from over" and it will have to continue its efforts to bring inflation closer to the 4% target over a medium term, governor Shaktikanta Das said during the RBI's monetary policy committee (MPC) meeting held in April, according to the minutes released on Thursday. "Global inflation is easing, but at a tardy pace. Central banks face a runway which is becoming narrower and bumpy for soft-landing. I am, therefore, of the view that we do a tactical pause in this meeting of the MPC," he said.

The six-member MPC unanimously decided to keep the policy repo rate unchanged at 6.50%. The MPC also decided to maintain its stance on "withdrawal of accommodation" to ensure that inflation progressively aligns with the target, while supporting growth. MPC member Jayant Varma, though, expressed reservation on the stance.

As per minutes, Das said the global macroeconomic scenario has changed drastically since the last time RBI's MPC met in February. While geopolitical and higher inflation continue to impact the economic outlook, "the emergence of banking sector turmoil on both sides of the Atlantic" and the sudden announcement of oil production cut by the OPEC+ countries have rendered global outlook even more uncertain, he said.

"...Inflation for 2023-24 is projected to soften, but the disinflation towards the target is likely to be slow and protracted. The projected inflation in Q4 of FY24 would still be well above the target. Therefore, at this juncture, we have to persevere with our focus on bringing about a durable moderation in inflation and at the same time give ourselves some time to monitor the impact of our past actions," Das said.

Deputy governor (DG) Michael Patra shared similar views saying the RBI should remain on a high-alert mode and prepared to act pre-emptively if risks intensify on the price stability and growth fronts.

"In my view, the baseline projection for the real GDP growth at 6.5% for 2023-24 will benefit from an upside from budgeted capital expenditure; this advantage should not, however, be frittered away by inflation. By current reckoning, the future path of inflation is vulnerable to several supply shocks," DG Patra said.

Breaching terminal rate

Ashima Goyal said since the inflation forecast for FY24 is at 5.2%, with Q4 inflation being projected at 5.2%, a repo rate of 6.5% implies the real policy rate is greater than one. The repo rate has already tightened enough to progressively bring inflation towards the target of 4%, with other complementary policies and barring major new shocks, she said, adding that a further rise in real interest rates is best avoided at present since high real rates can trigger a non-linear switch to a low-growth path. Already, the rising loan rates have started reducing demand for lower-income housing, she said.

“There is no logic for overshooting policy rates and then cutting in a country such as India where the largest impact of the interest rate is on growth, the relation between expected rupee depreciation and interest rates is weak, many tools are available to reduce excess volatility of the exchange rate and have been successfully used, the current account deficit has reduced and its financing is no longer an issue,” Goyal said. Varma also said though there are early warning signs of a possible slowdown, policy makers must be vigilant against overshooting the terminal policy rate, and thereby slowing the economy to a greater extent than what is needed to glide inflation to the target.

On the MPC’s stance though, Varma said, “….I am unable to reconcile the language of the stance with the simple fact that no further “withdrawal of accommodation” remains to be done since the repo rate has already been raised to the 6.50% level prevailing at the beginning of the previous easing cycle in February 2019. It is of course possible to undertake further tightening, but that would not constitute a “withdrawal of accommodation” by any stretch of the imagination,” he said.

“I cannot put my name to a stance that I do not even understand. At the same time, it is clear that the war against inflation has not yet been won, and it would be premature to declare an end to this tightening cycle. There is need for heightened vigilance in the face of the fresh risks that I highlighted earlier in my statement. For these reasons, I refrain from dissenting on this part of the resolution, and confine myself to expressing reservations on it,” Varma said.

Source: financialexpress.com- April 21, 2023

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North India's cotton yarn faces poor demand; fibre costlier

North Indian cotton yarn prices remained stable due to a challenging situation in the raw material textile value chain. Trade sources reported weak demand from the weaving industry, while spinners faced higher costs for natural fibres.

Spinners wanted to pass on increased production costs, but weak demand pushed prices down. Higher imports of polyester spun yarn from Indonesia and other countries also dampened market sentiment. Panipat's recycled yarn market saw steady PC yarn prices, with cotton comber and recycled polyester fibre selling at previous levels.

In Ludhiana, the market had a bearish tone while cotton yarn prices stayed at previous levels. The garment industry shifted towards polyester spun yarn and PC yarn to manage production costs. A trader from Ludhiana's market told Fibre2Fashion, "Polyester spun yarn is being imported from Indonesia and other countries in large quantities. Garment units are shifting toward cheaper raw materials, expecting better margins from non-cotton garments." Cotton yarn prices remained unchanged.

In Ludhiana, 30 count cotton combed yarn was sold at ₹278-288 per kg (GST inclusive); 20 and 25 count combed yarn were traded at ₹268-278 per kg and ₹272-282 per kg respectively; and carded yarn of 30 count was noted at ₹257-267 per kg, according to Fibre2Fashion’s market insight tool TexPro.

Delhi's market also experienced stagnant cotton yarn prices due to bearish demand. "Global macroeconomic conditions have negatively impacted market prospects. The domestic textile industry cannot survive on domestic demand alone, as they lakhs of spindles for the production of yarn. Export demand is not likely to increase in the near future," a trader from Delhi's market told F2F.

In Delhi, 30 count combed yarn was traded at ₹280-285 per kg (GST extra), 40 count combed at ₹305-310 per kg, 30 count carded at ₹255-260 per kg and 40 count carded at ₹285-290 per kg, according to TexPro.

In Panipat, the recycled yarn market saw stability in cotton comber and recycled polyester fibre prices, which are essential raw materials for India's largest home furnishing hub. The market faced a slowdown in purchasing from the home furnishing value chain, with trade sources indicating that global demand had eased in the last six months. Domestic demand is expected to pick up after July.

In Panipat, 10s recycled PC yarn (grey) was traded at ₹85-90 per kg (GST extra); 10s recycled PC yarn (black) was traded at ₹60-65 per kg; 20s recycled PC yarn (grey) at ₹95-100 per kg; and 30s recycled PC yarn (grey) at ₹150-155 per kg. Comber prices were noted at ₹150-152 per kg. Recycled polyester fibre (PET bottle fibre) was noted at ₹78-80 per kg.

North Indian cotton prices softened after a recent uptrend, with cotton arrivals and demand remaining stable. Spinners were cautious about buying, as they were unable to raise yarn prices due to low demand. Cotton arrival was limited to 7,000 bales of 170 kg in North India. Cotton was traded at ₹6,325-6,425 per maund in Punjab, ₹6,320-6,420 per maund in Haryana and ₹6,525-6,625 per maund in upper Rajasthan and at ₹60,800-62,800 per candy of 356 kg in lower Rajasthan.

Source: fibre2fashion.com- April 20, 2023

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