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Currency Watch			
USD	EUR	GBP	JPY
83.11	88.48	101.72	0.56

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INTERNATIONAL NEWS

China's logistics sector experiences funding surge: Fitch

The Chinese logistics sector, the world's largest, is seeing an increase in funding needs, driven primarily by expansion and efficiency improvements. According to Fitch Ratings, leading road logistics firms are investing in new logistics infrastructure, technological advancements, and overseas growth opportunities.

China's logistics industry grew at a compound annual growth rate (CAGR) of 6.6 per cent from 2017 to 2022, surpassing the country's real GDP growth in the same timeframe. Fitch Ratings anticipates that the sector's growth rate will stabilise in the mid-single digits in the medium term. The slowdown in China's economic prospects will be partly compensated by rising customer expectations for faster and higher-quality logistics services.

A key aspect of China's 14th Five-Year Plan for the logistics sector aims at the creation of an efficient and integrated network. As of last year, approximately 72 per cent of all freight volume in China was transported via road, largely dominated by private entities.

Although private firms lead the sector, state-backed capital has been the main source of investment for logistics infrastructure. State-owned logistics companies also offer a more integrated and multi-modal range of services compared to private firms.

Leading road logistics companies have seen strong revenue growth over the past few years, aided by mergers and acquisitions (M&A) and network expansions. These firms are also looking at international markets to expand their customer bases and gain a greater market share.

As companies reach a certain scale, the marginal cost savings from economies of scale begin to decrease. To maintain profitability, firms are adopting an asset-light approach, focusing on differentiated services, and implementing technology upgrades, including automation and digitalisation.

Despite high capital expenditure (capex) in recent years, leading logistics companies have managed to turn their free cash flows (FCFs) positive in 2022, aided by a focus on efficiency and cost management. While some firms have access to diverse funding channels, the majority depend on equity markets to meet their growing investment needs.

Source: fibre2fashion.com– Sep 25, 2023

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US study finds customisable cloths could be key to sustainable fashion

Researchers from US' Penn State Smeal College of Business have discovered that consumers are willing to pay more for customisable clothing and are likely to keep these items for a longer duration, potentially reducing the fashion industry's environmental impact.

The study, led by Dan Guide, Smeal's chaired professor of operations and supply chain management, and Aydin Alptekinoglu, professor of operations and supply chain management, was published in the Journal of Operations Management.

'Fast fashion' is infamous for contributing to environmental pollution due to its use of inexpensive, plastic-based synthetic materials called polymers. Such clothes are often disposed of quickly and contribute to landfill waste, with complex polymers also posing recycling challenges, Penn State said in a media release.

"What we were asking is: how do we find a way to provide product variety while not suffering significant cost on initial manufacturing expenses?" said corresponding author Dan Guide. "The big idea is that we'd like for people to stop disposing of stuff as fast as they do."

The findings suggest that adopting a mass customisation model can help companies remain profitable while reducing their environmental footprint.

In the study, 237 undergraduate students were randomly assigned to test how varying levels of customer involvement in the design, fabrication, and use of T-shirts affected their willingness to pay and retain the items. A second study involving 501 US participants explored different approaches to customer involvement in mass customisation.

According to the researchers, the technology to allow customisation already exists. Customers can personalise products online, while flexible manufacturing technologies such as 3D printing can support customisation on a mass scale.

However, the study did note some limitations, including the cultural bias of participants being mostly from western backgrounds. Guide emphasised that the next steps would involve more diverse outreach to bring the research findings into practical use.

Ashley Stadler Blank, assistant professor of marketing at Xavier University, and Margaret Meloy, professor of marketing at Penn State Smeal, were also co-authors on the paper.

Source: fibre2fashion.com– Sep 25, 2023

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UK's online prices decline 6.2% YoY, steepest deflation since Mar 2022

Online spending in the UK for August 2023 totalled £9.43 billion, displaying a year-on-year (YoY) decrease of 1.3 per cent and a 3.5 per cent month-on-month (MoM) drop. The data also revealed a remarkable 6.2 per cent YoY decline in online prices, marking the most significant deflation since March 2022.

There was a surge in Buy Now Pay Later (BNPL) debt, which peaked at £1.57 billion in August, making up 16.7 per cent of total online spending for the month. The accumulated spending through BNPL since January has been £10.6 billion, constituting 16.4 per cent of total expenditure, a notable increase from 12.3 per cent YoY, according to the latest findings from the Adobe Digital Economy Index.

The end of August and the start of September witnessed a significant rise in online shopping for school uniforms, with a 48 per cent increase in the last week of August and a 76 per cent YoY uptick in the first week of September.

While e-commerce social traffic via Instagram dropped by 12 per cent, TikTok's share jumped 71 per cent in August 2023.

Source: fibre2fashion.com– Sep 25, 2023

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Germany's manufacturing output at 40-month low in Sept '23: S&P Global

Germany's manufacturing output for September 2023 fell to a 40-month low at 39.2, down from 39.4 in August 2023, according to the Hamburg Commercial Bank (HCOB) Flash Germany Manufacturing PMI Output Index by S&P Global. Meanwhile, the purchasing managers' index (PMI) stood at a three-month high of 39.8, up from 39.1 in August.

The downturn continues to be fuelled by a decreasing demand for goods. Total inflows of new work have now fallen for the fifth consecutive month, with the rate of contraction being the quickest since the early days of the COVID-19 pandemic in 2020. New orders in manufacturing also continued their sharp decline, albeit at the weakest rate in the last three months.

Factory gate charges dropped for the fourth month in a row, at the joint-quickest pace since September 2009. This comes as firms witness their pricing power weakening, with average output charges rising at the slowest rate since February 2021, as per S&P Global.

On the other side of the ledger, input cost inflation for businesses ticked up for the second month in a row, reaching the quickest rate since May, albeit still below the historical series average.

Backlogs in businesses' order books continued to shrink, speeding up to the quickest rate of depletion since May 2020. This has led to a pessimistic outlook for future business activity, sinking to its lowest point since November last year.

In terms of employment, the data shows a slight decline towards the end of the third quarter. This puts an end to a sequence of continuous job creation that had been in effect since January 2021.

Source: fibre2fashion.com– Sep 24, 2023

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EU bans greenwashing, sets new standards for product durability info

In a landmark move, the European Union (EU) has reached a provisional agreement to update and extend existing regulations on commercial practices. This step is targeted at banning greenwashing and providing consumers with more transparent information about product durability.

The agreement between the Parliament and the Council aims to curtail deceptive environmental claims and manipulative marketing tricks that exploit consumer consciousness about sustainability.

It seeks to expand the existing EU list of banned commercial practices, adding a number of problematic marketing habits related to greenwashing and early obsolescence of goods. The end goal is to protect consumers from being misled and enable them to make informed purchasing decisions, as per a press release by the European Parliament.

The updated rules will ban several specific kinds of misleading claims such as generic environmental claims like 'environmentally friendly' or 'eco' unless backed by certified proof of excellent environmental performance; commercial communications about products with design features that limit their durability without providing full information, claims based on dubious emissions offsetting schemes, sustainability labels that are not backed by approved certification schemes or established by public authorities; and durability claims that are not substantiated by evidence.

The EU also mandates that guarantee information be made more prominent, as many consumers are unaware of the standard two-year guarantee for goods sold within the bloc. Additionally, a new label will be introduced to highlight products that offer extended guarantees.

The rules not only extend the list of banned practices but also mandate transparency measures that would affect a wide range of industries from technology to fashion.

Source: fibre2fashion.com– Sep 23, 2023

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Vietnam keen to enhance trade, investment ties with Bangladesh

The Socialist Republic of Vietnam is very keen to enhance the existing bilateral trade and investment ties with Bangladesh and eager to provide cooperation in materializing the government's vision to build "Smart Bangladesh" by 2041.

Chairman of the Vietnamese National Assembly (NA) VuongDinh Hue said this as he, along with a high-powered Vietnamese delegation, paid a courtesy call on President Mohammed Shahabuddin at Bangabhabanon Friday in the capital Dhaka.

"Vietnam is very interested to enhance existing bilateral ties in commerce and investment," President's press secretary MdJoynal Abedin quoted VuongDinh Hue as saying during the meeting.

Lauding the existing socio-cultural development of the government led by Prime Minister Sheikh Hasina, the NA chairman of

Vietnam also assured Bangladesh of providing all necessary support to build a "Smart Bangladesh" by 2041.

Vietnam and Bangladesh can jointly work in various fields, including training, technology, communication, agriculture, fisheries and culture sectors, to explore the existing potentials, he added.

Welcoming the Vietnamese delegation, President Shahabuddin said Bangladesh attaches great importance to its relations with Vietnam and with the neighboring South East Asian region.

He sought more Vietnamese investment in Bangladesh as an investment-friendly atmosphere is prevailing in Bangladesh at present.

"Bangladesh is setting up 100 special economic zones (SEZs)... Vietnamese investors can find ample scopes for investment to manufacture products for the consumption in the local market as well as to export to other markets, particularly in the markets of the Indian North-East," the President mentioned.

He said Vietnam can consider importing more Bangladeshi products, including Pharmaceuticals, readymade garments (RMG), leather and leather products, ceramic, textile materials, raw jute and jute goods and home textile.

The Head of the State sought the full cooperation of Vietnam to become a member of the "Sectoral Dialogue Partner" of Association of Southeast Asian Nations (ASEAN) for which Bangladesh has already applied for.

On Rohingya crisis, Shahabuddin expressed the hope that the Vietnam government and its people would play a very conducive role to ensure a safe, dignified and permanent repatriation of the Myanmar nationals who earlier took shelter in Bangladesh territory seven years back.

During the meeting, the President also recalled the historic contribution of the Father of Nation Bangabandhu Sheikh Mujibur Rahman and Vietnamese great leader Ho Chi Minh for freedom and prosperity of Bangladesh and Viet Nam respectively.

He said the visit of President Tran Dai Quang to Bangladesh in March, 2018 to mark the 45th anniversary of diplomatic relations and President's visit to Vietnam in August 2015 and Prime Minister's visit to Vietnam in November 2012 provided a solid foundation of constructive and friendly bilateral relations.

The President expressed satisfaction over the visit of Vietnamese National Assembly Chairman, accompanied by a business delegation to promote economic, trade and investment cooperation between the two countries.

Secretaries concerned to Bangabhaban were also present on the occasion.

Source: bangladeshpost.net– Sep 23, 2023

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NATIONAL NEWS

India wants to charge its own carbon tax on the lines of CBAM from exporters

India is mulling its own carbon tax, on the lines of the European Union's proposed Carbon Border Adjustment Mechanism (CBAM) principles, especially for exports to the European nations. Under these taxation norms, India will collect the tax proceeds itself instead of sharing it with the EU, senior officials aware of the discussions tell businessline.

A countervailing tax on imports / goods coming into India from the EU is also being mulled but officials are reportedly concerned about the legality of such a measure if it is challenged at the WTO.

At a recent stakeholder meeting – between officials and the industry – the idea of "designing a law to collect CBAM charges in India" was mooted and discussed.

On the line of CBAM

It was proposed that Indian officials will selectively levy or charge the tax "applicable only on EU exports affected by CBAM". The tax thus remains within India and will be accounted for at the time of export (through carbon credit or certification). It was proposed that the method of calculation of such tax or levy will be "the same method as CBAM for calculation of embedded ER (overall emission reducing efficiency) " and "limited only to select products that will be exported (from India) to the European nations".

"The Constitutionality of such selective taxation is also being discussed," the official aware of the discussions said. Indian officials have already pointed out that they are in favour of the EU repatriating any carbon tax – as and when it comes into effect – being collected from Indian exporters. The repatriated revenue will be used here for funding the country's climate objectives, it was argued.

"EU is not looking at equivalence of emission reductions, but equivalence of price," the official said, adding that "to ensure acceptance of such a law by the EU, there needs to be an agreement to this effect". Agreement should cover points relating to collection and verification of data by India.

The European Commission adopted the rules governing the implementation of the CBAM during its transitional phase, which starts on October 1, "and runs until the end of 2025". In the transitional phase, "traders will only have to report on the emissions embedded in their imports subject to the mechanism without paying any financial adjustment."

From January 1, 2026, the EU importers will have to buy CBAM certificates, corresponding to the embedded emissions above the EU-ETS benchmark levels. Currently, the price of such credits is pegged at €85 per tonne (approx) of CO_2, "which will progressively increase". Steel and aluminum exports are said to be amongst the worst-hit sectors.

As per government data, India's aluminum greenhouse gas emission intensity is amongst the highest in the world. For instance, the top two corporates (aluminum smelters) in India have emit 20.92 tonnes of CO_2 per tonne of aluminum produced (tCO_2e / t aluminium) and 19.76 tCO_2e/ t aluminum. Against this, Rio Tinto has 6.19 tCO_2e / t aluminum and Alcoa Corp just 5.76 tCO_2E / t aluminum. Similarly in steel, CO_2 emissions average out at 2.55 tonnes of CO_2 per tonne of steel produced against a global average of 1.85 tonnes.

Counter measures

Incidentally, Indian officials have also proposed counter tax measures to be explored on EU imports, that is goods coming in. However, the validity of such taxation remains under discussion. "WTO compatibility concerns would arise if India had a countering import tax," an official said.

Officials want linking India's carbon markets, which are still in the works, with EU's Carbon Credit Trading System. "The CBAM regulations envisage a possibility of agreement with third countries with a view to taking into account carbon pricing. But carbon pricing under Indian framework may not however be equivalent to EU and that needs to be worked out too as an alternative," the official said.

Source: thehindubusinessline.com– Sep 24, 2023

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S&P Global Ratings retains India's GDP forecast at 6% for FY 24

S&P Global Ratings on Monday retained India's growth forecast for FY24 at 6 per cent on the back of good growth in April-June quarter. However, this is lower than all the recent revised forecasts and RBI's estimate of 6.5 per cent. The agency has upped its inflation forecast for India by 50 basis points.

S&P Global Ratings has estimated that India will grow at 6.9 per cent, 6.9 per cent and 7 per cent during FY25, FY26 and FY27, respectively.

Notably, S&P Global Market Intelligence, a division of S&P Global, recently upped India's growth forecast for FY24 to 6.6 per cent due to strong growth in the April-June quarter, up from the 5.9 per cent projected in August.

The Organization for Economic Cooperation and Development (OECD) has raised India's GDP forecast for 2023-24 to 6.3 per cent from 6 per cent projected earlier. Previously, Fitch Ratings raised its growth forecast to 6.3 per cent for the current fiscal year from 6 per cent . However, ADB lowered the growth to 6.3 per cent from 6.4 per cent.

In its report titled, 'Economic Outlook Asia-Pacific Q4 2023: Resilient Growth Amid China Slowdown', S&P Global observed robust consumption growth in India along with Hong Kong, Indonesia, Taiwan, and Thailand. It also highlighted strong capital expenditure growth in India along with Australia, Malaysia and New Zealand.

"Year-on-year GDP growth picked up in the second quarter in both developed and emerging Asian economies. ," Louis Kuijs, Asia-Pacific chief economist at S&P Global Ratings said.

Inflation outlook

On Inflation, Kuijs said that the increases in global oil and food prices, combined with jumps in vegetable prices, raised consumer inflation by a large margin. It was 6.8 per cent in August, above the Reserve Bank of India's upper tolerance limit of 6 per cent.

“While we see the vegetable price inflation as being temporary, we have revised up our full fiscal year consumer inflation forecast for India to 5.5 per cent from 5 per cent earlier,” he said.

On overall Asia Pacific region, Kuijs said the Asia-Pacific remains a multi-speed region. China is nursing its property downturn. The region’s developed economies are so far undergoing soft landings, with low but positive growth. Meanwhile, Asia’s emerging market economies are poised for robust expansions.

“We have cut our China growth forecast for 2023 to 4.8 per cent, from 5.2 per cent, and that for 2024 to 4.4 per cent, from 4.8 per cent. For the rest of the region, domestic resilience has caused us to slightly increase our forecast for 2023 growth to 3.9 per cent, and we maintain it at 4.4 per cent for 2024,” he said.

Source: thehindubusinessline.com– Sep 25, 2023

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IMEEC to become basis of world trade in years to come: PM Modi on Mann Ki Baat

The India-Middle East-Europe Economic Corridor (IMEEC) is going to become the basis of world trade in the years to come, Prime Minister Narendra Modi said during the 105th episode of his Mann Ki Baat.

According to the Prime Minister, history will always remember that this corridor was initiated on Indian soil.

At the G20 Summit, India, along with the US, the UAE, Saudi Arabia, the European Union, Italy, France, and Germany launched an economic corridor pact that is being perceived as an answer to China's Belt and Road Initiative. The IMEEC aims to foster connectivity and economic integration between South Asia, the Arabian Gulf region, and Europe. It will consist of two distinct corridors — the eastern corridor linking India to the Arabian Gulf, and the northern corridor connecting the Arabian Gulf to Europe.

This proposed Economic Corridor will connect eight countries through a range of seaports, railroads, and roads.

"You must be aware that during the time when India was very prosperous, the Silk Route was a part of discourse in our country and in the world. This Silk Route was a major medium of business and trade. Now in modern times, India has suggested another Economic Corridor in the G20. This is the India-Middle East-Europe Economic Corridor. This corridor is going to become the basis of world trade for hundreds of years to come, and history will always remember that this corridor was initiated on Indian soil," he said.

Modi also highlighted India's successful G20 leadership as it was successful in making the African Union a "full member" of the G20.

"In this summit, India has proved the mettle of her leadership by making African Union a full member of G20," the Prime Minister said, adding that most of the letters and messages that he has been receiving recently are largely on the "successful landing of Chandrayaan-3" and the second is about "successful hosting of G20 in Delhi".

Modi also announced the 'G20 University Connect Programme' under which "lakhs of university students across the country will connect with each other".

"Many prestigious institutions like IITs, IIMs, NITs, and medical colleges will also participate in it. In this, many interesting exchanges are going to take place on the future of India and on the future of the youth," he said.

Pushing for India as an attractive tourist destination ahead of 'World Tourism Day' (September 27), the Prime Minister pointed out that the sector is a huge employment generator and post G20 there is a pick-up in interest to travel to India.

The Shantiniketan and Hoysala temples of Karnataka have been declared world heritage sites thereby taking the the total number of World Heritage Properties in India to 42.

"Indian culture and music have now become global. The fascination of people all over the world towards them is increasing day by day," Modi said.

Source: thehindubusinessline.com– Sep 24, 2023

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DP World to invest over Rs 600 cr in Free Trade Zones in India

Dubai-based logistics major DP World will invest over Rs 600 crore on expanding its free trade zones (FTZ) in India, the head of its economic zones business, Ranjit Ray said in a recent interview.

The company is exploring opportunities with big electronics and tech companies to export and import from its facilities as they aim to enhance their manufacturing presence in the country, people close to the development said.

No deal has been made yet, they added.

A free trade zone is a global trading platform, serving both overseas as well as domestic customers. It handles imports, exports and re-exports.

Usually, cargo coming into the port can either move to a container freight station to decongest the port yard or directly move in and out of the port. But when cargo comes into a free zone it can be either held there for a period of two years duty free, extendable to five years, or traded within the zone, or export through the zone or re-export.

DP World is the third company in India to set up free trade zones after J Matadee in Chennai and Arshiya in Mumbai.

DP World has five gateway terminals across the coastline of the country – two in Jawaharlal Nehru Port Authority, and one each in Mundra, Kochi, and Chennai.

DP World's Jebel Ali Free Zone (Jafza) is a dynamic base for over 9,500 businesses from over 100 countries and contributes 25% to Dubai's GDP.

"We are the largest and the biggest free trade zone operator and developer in the country. We have our facilities in two strategic locations – Chennai and Mumbai – which are trading hub, manufacturing hub, and a gateway to the rest of the country," Ray,

CEO, economic zone, subcontinent & MENA, said.

The FTZ caters to big and small-scale enterprises in automobile, pharmaceuticals, chemical, FMCG, and tech industries.

"We are investing in three zones. Mumbai is an 85 acres of land parcel in JNPT. The first phase is fully operational. We will commence construction for the second phase by the end of the year. We have invested Rs 1,200 crore already and will invest an additional Rs 600 crore," Ray said.

Another facility in Chennai is spread over 126 acres. "We have divided into three phases. Phase 2 and 3 will be operational by FY27. First phase investment is Rs 700 crore which includes the entire land parcel," he added.

DP World will invest Rs 85 crore in its upcoming free trade facility in Kochi.

The company in August said it will invest $510 million to build a new container terminal at Kandla port in Gujarat.

Earlier this year, the government gave its nod to a plan from Hindustan Infralog Private Ltd, a joint venture between DP World and state-owned National Investment and Infrastructure Fund, to develop the terminal on a build-operate-transfer (BOT) basis.

The FTZ, which cuts down time and cost for its customers, can be an opportunity for big manufacturers such as Apple and Foxconn as they expand their manufacturing footprint in India, encouraged by the government that wants to make India a hub.

Ray did not comment on specific companies but said it makes sense for any big entity to use DP World's storage facilities also as they would be not just selling locally in India but also exporting from here.

Source: economictimes.com– Sep 23, 2023

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Indian textile exports show signs of revival

Textile and apparel exports turned positive last month after more than six months of degrowth.

With exports worth $2,951.9 millions in August this year, the year-on-year growth was 4.33% ($2829.3 million in August 2022). While textile exports increased 13.98%, apparel exports declined 8.15%. Cumulative exports of textiles and apparel for April - August, however, were 10.51% lower compared with the same period last year, shows data shared by the Confederation of Indian Textile Industry.

"It (growth registered in textile exports) is too early to call it a trend. We need to wait and see for another three or four months," said S.K. Sundararaman, chairman of Southern India Mills' Association.

Siddhartha Rajagopal, Executive Director of Cotton Textiles Export Promotion Council, said the demand was good for home-textile products. "The growth in cotton textiles is led by made ups," he said.

Usually demand and exports pick up during the September-March period. Garment demand is also expected revive in December-January this financial year. "The situation is not rosy. But the growth will be sustained. We need to be focused on fibre availability," he said.

Source: thehindu.com– Sep 22, 2023

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Indian banks reach out to RBI over US ban on ACU settlements

Indian lenders have approached the Reserve Bank of India (RBI) after the US Office of Foreign Assets Control (OFAC) asked banks there to refrain from processing payments linked to the Asian Clearing Union (ACU) mechanism.

The ACU allows transactions to be squared off by participating central banks on a multilateral basis, leaving only smaller net amounts that need to be paid. The ACU members are Bangladesh, Bhutan, India, Iran, the Maldives, Myanmar, Nepal, Pakistan and Sri Lanka.

"There is some issue related to where the ACU is headquartered. We are given to understand that the OFAC has asked all US correspondent banks to stop processing payments," said a senior banking executive aware of the developments. This means no settlement can be made through foreign banks in dollars going ahead under the aegis of the ACU, he said.

To be sure, the ACU is already transitioning toward settlement in local currencies, according to a government official.

"So, these sanctions won't impact us any more in the long run. Already, there is a consensus among ACU members to reduce reliance on any one currency," he said.

Still, the advisory by the US financial intelligence and enforcement agency could have significant implications for India's trade settlement with ACU countries, including Bangladesh and Iran. As per reports, India controls nearly 93% of the ACU's credit positions.

The ACU was established with its headquarters in Tehran, Iran, on December 9, 1974, at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to promote regional cooperation.The lenders, earlier this month, had sought RBI's intervention, seeking clarity and solutions on payment processing since there is no alternative mechanism to settle trades between ACU members and India, said another person aware of the development.

The OFAC advisory was sent to US-based banks, which brought this to the attention of Indian lenders, the person said.

The RBI and ACU didn't respond to queries.

According to a report published by the ACU last year, India is the main creditor among the ACU member countries. The same report stated that in 2020, India topped the list of ACU member nations with transactions at $8.4 billion.

In 2022, a report by the Inter-Departmental Group of the RBI on the internationalisation of the rupee stated that the central bank had proposed the use of local currencies by members for settlement of ACU transactions. This also floated the idea of the rupee being included as one of the settlement currencies under the ACU.

Another official said that there have been preliminary discussions within ACU to develop an alternative to the international financing messaging system SWIFT (Society for Worldwide Interbank Financial Telecommunications), the channel used worldwide to transfer funds across borders.

Source: economictimes.com– Sep 22, 2023

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Share of Asian countries in India's exports is falling, Europe's is rising. Why this is worrying

India's goods exports contracted for the seventh consecutive month in August, declining by 6.9 percent. On a positive note, the pace of contraction in exports has narrowed as compared to the last four months. While goods imports were also down 5.25 percent as compared to August last year, on a sequential basis, they surged by almost 11 percent.

The recent resurgence in crude oil prices due to production cuts by Russia and Saudi Arabia has contributed to a sharp sequential increase in imports. Elevated oil prices could escalate the pressure on trade and current account deficit in the coming months. Every 10 dollar rise in crude oil prices is seen to widen the current account deficit by 0.4-0.5 percent. This will have a domino impact on the external value of the rupee and on imported inflation. The trajectory of goods and services exports would thus be critical in averting a steep rise in India's current account deficit.

Exports have been impacted due to falling commodity prices and subdued global demand. In the first five months (April-August) of the current financial year, exports have contracted by 11.9 percent. This is in contrast to more than 19 percent growth in the same period last year.

A decline in commodity prices, particularly oil prices, has contributed to a substantial decline in exports. While volume of exports has risen, in value terms petroleum exports declined due to easing of oil prices. Global crude oil prices declined steeply from April-June. By the end of June, prices bottomed out at around USD 72 per barrel and since July, prices have been on an upward trend.

Commodity-wise performance of exports

Disaggregated data on commodity exports is available only till July. A comparison of the commodity composition of exports in the April-July period suggests that barring electronic goods, and ores and minerals, other commodities have registered a contraction as compared to April-July of last year.

The table below shows that exports of petroleum products, agricultural and allied products, leather, chemicals, engineering goods, textiles, readymade goods and "other manufactured goods" have been lower this year as compared to last year.

The decline in exports of engineering goods is mainly due to a drop in exports of iron and steel and aluminium. Worryingly, exports of textiles and readymade garments are even below the levels seen in April-July of 2021-22. Exports of gems and jewellery (part of the other manufactured goods) have also plunged in this period. Muted demand and lower import of raw diamonds likely contributed to the slump in gems and jewellery exports.

EXPORTS OF BROAD COMMODITY GROUPS

CATEGORY	2019-20 APR-JUL USD BILLION	2020-21 APR-JUL USD BILLION	2021-22 APR-JUL USD BILLION	2022-23 APR-JUL USD BILLION	2023-24 APR-JUL USD BILLION	YOY CHANGE APR-JUL FY 2024 OVER APR-JUL 2023(%)
Petroluem: crude and products	14.6		18.7	35.1	25.8	-26.6
Agricultural and allied products	11.8	11.3	15.4	18.6	15.7	-15.4
Ores & minerals	1.6	1.9	2.8	1.7	1.9	8.5
Leather & leather manufactures	1.7	0.7	1.4	1.8	1.6	-13.4
Chemicals & related products	15.4	15.1	18.3	20.3	18.7	-7.8
Engineering goods	25.4	19.7	33.6	36.2	33.5	-7.5
Electronic goods	4.0	2.6	4.6	7.0	9.6	38
Textiles	5.6	3.6	7.4	6.7	6.0	-10.1
Readymade garments	5.5	2.5	4.8	5.9	4.8	-17.6
Other manufactured goods	20.5	10.2	22.8	24.1	19.2	-20.1
Other commodities	1.2	0.9	1.2	2.0	1.6	-19.7
Total Exports	**107.1**	**75.2**	**131.0**	**159.3**	**138.5**	**-13.1**

SOURCE: CMIE Economic Outlook ThePrint

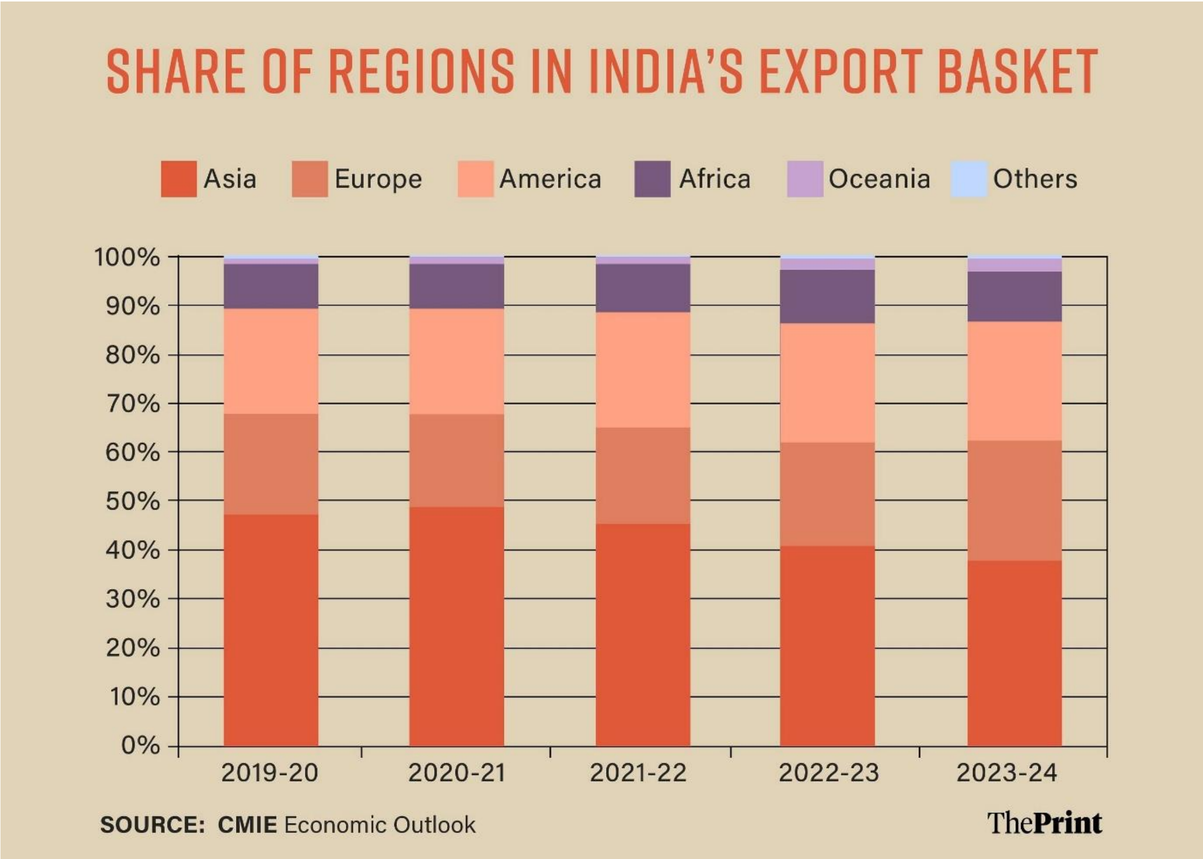
Destination of exports

In level terms, exports have declined by nearly USD 21 billion as compared to April-July of last year. Of this, exports to the US have declined by USD 3 billion. Exports to Asian markets of Bangladesh, Indonesia, Malaysia and Hong Kong have also plummeted from last year.

Subdued exports are generally understood to be an outcome of muted demand in advanced economies due to sustained monetary policy tightening, but data suggests a slowdown in exports to Asian countries as well.

A region-wise analysis suggests that exports to Asia are down by more than 19 percent in the first four months of the current year. Exports to African regions are also down by 19 percent. Exports to the US are down by a lower magnitude of 13 percent. On the other hand, exports to Europe have seen a marginal uptick from April-July of last year to this year. In summary, Indian exports face greater headwinds from Asia as compared to the Western markets.

Structural shift in export destination



A comparison for the April-July period of the last five years suggests that Asia's share in India's export basket has fallen from 47 percent in 2019-20 to 38 percent in 2023-24. Particularly, from the Covid period, there has been a sustained decline in Asia's share. The loss in Asia's share has been taken up by the US and Europe whose share has increased by nearly 4 percent each from 2019-20 to 2023-24.

A comparison with April-July of the last year suggests that exports to Asia have declined by more than USD 12 billion. Bangladesh, Indonesia, Malaysia, Hong Kong, Sri Lanka and China have been the key contributors of the slump in exports to Asia. The starkest decline is seen in exports to Bangladesh. While decline in exports of petroleum products can be explained by the fall in crude oil prices, decline in exports of agricultural products primarily raw cotton and cereals could need policy attention.

Among the manufacturing products, engineering goods exports have seen a sharp decline in the first four months of the current year as compared to the last year. Exports to the UAE have declined despite signing of the Free-Trade Agreement between India and the UAE last year.

EXPORTS TO THE TOP 10 ASIAN MARKETS

COUNTRY	2022-23 APR-JUL USD BILLION	2023-24 APR-JUL USD BILLION	CHANGE COL 3 OVER COL 2 USD BILLION
Asia	65.2	52.6	-12.6
Bangladesh	4.9	3.2	-1.8
Indonesia	4.0	2.7	-1.3.
Malaysia	3.0	1.9	-1.2
Hong Kong	3.4	2.2	-1.2
Sri Lanka	2.1	1.0	-1.1
China	5.9	5.0	-0.9
UAE	10.9	10.2	-0.8
Israel	2.0	1.4	-0.6
Singapore	4.3	3.8	-0.5
Thailand	2.0	1.6	-0.5

SOURCE: CMIE Economic Outlook

ThePrint

Cushion provided by services exports

In contrast to the goods exports, India's services exports have shown resilience. In the first five months of the current year, India exported services worth USD 133.4 billion as compared to USD 126.9 billion, a year ago.

With the firming up of commodity prices, goods exports are likely to do better in the coming months. But a broad-based slowdown in exports requires greater policy intervention from the government.

SERVICES EXPORTS AND IMPORTS

CUMULATIVE APR-AUG	SERVICES RECEIPTS USD BILLION	SERVICES RECEIPTS YoY CHANGE (%)	SERVICES PAYMENTS USD BILLION	SERVICES PAYMENTS YoY CHANGE (%)
2019-20	90.2		56.5	
2020-21	81.9	-9.1	47.1	-16.6
2021-22	96.0	17.2	53.7	13.9
2022-23	126.9	32.1	74.3	38.5
2023-24	133.4	5.1	72.0	-3.1

SOURCE: **CMIE** Economic Outlook ThePrint

Improvement in logistics, addressing protectionism, diversification of services exports could help in boosting India's export competitiveness. The International Monetary Fund's World Economic Outlook suggests that growth slowdown in the current year is concentrated in advanced economies and emerging and developing economies are likely to lead global growth. In this backdrop, it would be critical to focus on Asian markets to boost exports.

Source: theprint.in– Sep 22, 2023

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Profit margins of Indian fashion retailers to contract in FY2024: ICRA

Despite an estimated 13 per cent YoY revenue growth in fiscal 2023-24 (FY2024), fashion retailers in India are expected to see their profit margins decline. According to ICRA, 11 listed retail entities accounting for 23 per cent of the industry will experience a profit margin reduction of close to 120 basis points, landing at around 5.2 per cent in FY2024.

The downturn in profit margins is attributed to higher discounts and increased advertising and promotional expenses. These measures have been taken to bolster revenue growth, which is expected to be supported by the expansion of store networks. Inflationary pressures have continued to create headwinds since third quarter (Q3) FY2022, especially impacting the value fashion segment. Despite this, ICRA expects the industry to report a flat QoQ revenue growth in Q2 FY2024, with meaningful growth anticipated to resume in Q3 FY2024, in part due to the shifting of the festive season. For FY2024, ICRA estimates a 13 per cent YoY revenue growth, supported by network expansion.

ICRA's analysis also shows a 27 per cent YoY increase in retail space in FY2023, with a capital expenditure of ₹1,460 crore. Capex is expected to further increase by 18 per cent in FY2024 to ₹1,750 crore, primarily for new store additions. The agency maintains a stable outlook on the retail sector, anticipating long-term demand prospects to remain favourable.

Commenting on the trends, Sakshi Suneja, vice president & sector head, – corporate ratings, ICRA, said: “In line with our expectations, fashion retailers increased their discounting levels in YTD FY2024 to spruce up sales, which have been under pressure since the last festive season due to inflationary pressures.

Retailers are pinning hopes of a demand recovery on the festive season and thus, continue to spend aggressively on advertisement and promotions. Most large retailers are also undertaking substantial investments to ramp up the visibility of their brands in the ethnic wear segment, which have been acquired/launched recently. Consequently, despite moderate revenue growth, operating margins are set to contract in FY2024 and trail their pre-pandemic levels by around 270 bps.”

Source: fibre2fashion.com– Sep 24, 2023

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‘SIMA will strive to enhance global competitiveness’

Coimbatore: Southern India Mills’ Association (SIMA) would strive to address structural issues and enhance global competitiveness, said its chairman SK Sundararaman in the city on Friday.

Speaking at a press meet, the chairman pointed out that the industry has for long been concentrating on cotton and its textile products by taking advantage of the abundant availability of home-grown cotton, which has been available at 5% to 10% lower than the price of international cotton.

However, he said, this advantage has been eroding in recent years due to the dominance of multinational cotton traders, a levy of 11% import duty and other factors.

He urged the Union minister of textiles to immediately exempt from duty VSF (viscose staple fibre), all the special and value-added fibres, and filaments that are not manufactured in the country. He also urged the government to direct indigenous MMF (man-made fibre) producers to supply their materials at international price.

Sundararaman said the envisaged growth in textile business and exports can be achieved only by increasing the production in the MMF value chain and technical textiles, which are the growth engines for the industry.

He said there is an urgent need to announce a technology mission on Cotton 2.0 with mission mode approach and sizable funds. He said this has become imperative as over 7 million farmers and 35 million people in the textile value chain directly depend on the availability of quality cotton at an internationally competitive rate.

He said the Indian average cotton productivity is only around 430kg per hectare, while more than 20 cotton producing countries achieve above 1,500kg per hectare. He added that there is an urgent need to import modern seed technology and also adopt global best practices in agronomy, which will increase the farmers’ income by threefold, even as the country becomes a dominant player in cotton textiles.

Source: timesofindia.com– Sep 23, 2023

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