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USD	EUR	GBP	JPY
83.31	91.04	105.56	0.58

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INTERNATIONAL NEWS

China launches new guideline to boost high-value processing trade

China has introduced a new guideline aimed at enhancing the growth of its processing trade, as announced by the ministry of commerce (MOC) along with nine other governmental departments. This guideline serves as a critical follow-up to a similar directive issued by the State Council in 2016.

The newly released guideline encompasses a total of 12 measures, which are categorized into six distinct areas. These measures are specifically designed to boost the processing and trade of products that have high added value. Additionally, they aim to offer enhanced financial and tax support to businesses engaged in the processing trade, according to Chinese media reports.

The processing trade, a significant segment of China's business activity, involves importing raw materials, parts, accessories, and packaging materials from overseas. After these imported goods undergo processing or assembly within China, they are then re-exported as finished products.

Source: fibre2fashion.com– Jan 03, 2024

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US manufacturing slump deepens amid weak demand & rising costs

The US manufacturing sector's contraction deepened in December, marked by declining output and accelerated downturn in new orders. A sharper reduction in total new sales was observed, influenced by weakening domestic and external demand.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index (PMI) reflected this downturn, posting a 47.9 in December, down from November's 49.4 and below the earlier 'flash' estimate. This decline, representing the sharpest since August, was attributed to the steeper fall in new orders and the first output reduction seen in four months.

Firms reduced their input buying and recruitment, leading to increased spare capacity as indicated by faster backlog depletion and destocking measures. Despite these challenges, business confidence slightly improved, reaching a three-month peak, S&P Global said in a news release.

Inflationary pressures compounded the sector's woes, with cost burdens escalating due to increased supplier prices for metals, plastics, and higher transportation charges. This uptick in input costs, though slower than the historical average, pushed firms to raise selling prices at the fastest rate since April.

As a result, employment continued its downward trajectory, with the rate of job reduction marginally exceeding that of the previous month and matching the sharpest decline since June 2020.

Manufacturers responded to the sluggish sales environment and higher costs by adjusting their operations. Production levels were scaled back, and purchasing decisions became more cautious, further slowing production processes.

Despite these challenges, there was a silver lining as business optimism among manufacturers ticked higher in December, fuelled by hopes of a pick-up in client demand and increased advertising investments.

Chris Williamson, chief business economist at S&P Global Market Intelligence, said: “Given current order book trends, the overall picture from the survey is one of supply exceeding demand for many goods, which points to downside risks to production, employment, and prices as we head into 2024.

Potential supply chain disruptions need to be monitored, however, notably in terms of shipping, as the survey has clearly demonstrated in the past how supply chain tensions quickly feed through to higher prices.”

Source: fibre2fashion.com– Jan 03, 2024

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Top winners and losers of nations in 2023's global textile trade landscape

In the intricate world of global textiles, 2023 unfolded as a dynamic tapestry with both exports and imports undergoing significant shifts. This comprehensive overview explores the top gainers and losers in textile exports and imports, unveiling the forces that shaped this transformative year for the industry.

A global shift in textile exports in 2023

Top gainers

1. Vietnam: The undisputed champion, Vietnam, wove a 10% export increase in 2023. A skilled workforce, robust infrastructure, and strategic trade deals solidified its position as the textile titan.

2. India: Making a comeback, India witnessed a remarkable 7% surge in textile exports. Government initiatives, improved quality, and diversification into high-value products revitalized the Indian thread industry.

3. Indonesia: Stepping into the spotlight, Indonesia saw a delightful 9% export rise, propelled by competitive prices, technological investments, and sustainable production.

Top losers

1. China: The long-reigning textile king faced a 3% downfall in 2023 due to rising labor costs, environmental concerns, and fierce Southeast Asian competition.

2. Turkey: Economic headwinds caused Turkey's textile exports to dip by 5%, impacted by inflation, currency fluctuations, and regional instability.

3. Pakistan: Political uncertainty and supply chain disruptions led to a 7% drop in Pakistan's textile exports despite a skilled workforce and competitive prices.

The Fabric of Change: Several factors interlaced to reshape the global textile export landscape, including shifting consumer preferences, geopolitical tensions, and technological advancements. The future promises an intricate weave with sustainability, ethical production, and technological innovation determining success in the competitive fabric.

Global textile imports see surprises and stretches in 2023

Top winners

1. United States: The fashion-hungry US remained the textile import kingpin with a steady 3% increase in 2023, driven by a diverse consumer base and competitive global prices.

2. European Union: Europe's fashion capitals witnessed a surprising 8% import rise, emphasizing niche textiles, innovative materials, and strategic trade deals.

3. Japan: Seeking quality and functionality, Japan's textile imports jumped 6%, driven by a preference for high-performance fabrics and sustainable fibers.

Top Losers

1. China: The global manufacturing powerhouse saw a 5% dip in textile imports due to domestic production emphasis and self-sufficiency goals.

2. Brazil: Economic struggles led to a 7% shrinkage in Brazil's textile imports, influenced by currency fluctuations and rising domestic costs.

3. Russia: Geopolitical tensions and sanctions caused a 12% plummet in Russia's textile imports, triggering diversification towards alternative suppliers.

The Threads of Change: Shifting consumer habits, trade dynamics, and economic considerations played a role in reshaping global textile imports. The future promises an intricate tapestry, influenced by rising environmental concerns, technological advancements, and evolving consumer preferences.

As the needle of change threads through the global textile industry, the coming years will be a fascinating narrative to observe, with new patterns emerging, creating a dynamic and interconnected world of textiles.

Source: fashionatingworld.com– Jan 03, 2024

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Growth in Asia Pacific emerging markets to remain strong in 2024: Fitch

The economic growth in Asia Pacific will remain strong in 2024 and GDP is expected to grow by about 5 per cent in India and a host of emerging market countries, Fitch Ratings said on Wednesday.

In its report titled 'APAC Cross-Sector Outlook 2024', Fitch said the outlooks for the banking sectors in India and Indonesia, as well as APAC emerging markets as a whole, move to improving in 2024, partly reflecting the robust economic backdrop.

"Economic growth in APAC will generally remain strong in 2024, especially in emerging markets (EMs), supporting sector outlooks across the region. We expect real GDP to expand by, or above, 5 per cent in India, Indonesia, the Philippines and Vietnam, and China's performance will still be strong by most other countries' standards," Fitch said.

The Indian economy grew 7.2 per cent in 2022-23 fiscal year. India's GDP expanded 7.8 per cent and 7.6 per cent in the June and September quarters, respectively. Fitch had last month said it expects India to be among the world's fastest-growing large sovereigns, with resilient GDP growth of 6.9 per cent this fiscal, followed by 6.5 per cent in 2024-25.

"Robust regional economic growth particularly in Asia's large emerging markets - should offset headwinds from slowing growth in China, weak global demand and high interest rates, helping to support performance across sectors in APAC in 2024," Fitch Ratings Senior Director Duncan Innes-Ker said.

Fitch said headwinds from slower Chinese growth, weak global demand and higher interest burdens following the rise in interest rates over 2022-23 will weigh on performance for many sectors. But the bulk of Fitch's APAC sector outlooks for 2024 remain neutral. "Sino-US tensions have eased recently, but we expect relations to remain challenging, which will lead companies to pursue further supply-chain diversification to limit exposure to geopolitical risks," Fitch said.

Source: business-standard.com– Jan 03, 2024

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UK manufacturing sector ends 2023 on decline, PMI shows contraction

The UK's manufacturing sector concluded 2023 with an intensified downturn in production as the S&P Global UK Manufacturing Purchasing Managers' Index (PMI) dropped to 46.2 in December, marking a continual contraction for the seventeenth month. The decline was attributed to reduced intakes of new work from both domestic and export clients, leading to a tenth consecutive month of production decrease. The sector saw job losses for the fifteenth month, driven by redundancies, efficiency gains, and hiring freezes due to reduced demand and cost caution, S&P Global said in a news release.

New export business also continued to decline, notably affected by lower demand from key trading partners, including the US, mainland China, Europe, and Canada, although the rate of decrease showed some signs of easing. Despite the downturn, manufacturers reported a slow rate of contraction in new orders and expressed modest optimism for the coming year, fuelled by anticipated sales drives and new product launches. However, business optimism has dipped to a 12-month low, reflecting wider economic concerns and high interest rates.

Rob Dobson, director at S&P Global Market Intelligence, said: "UK manufacturing output contracted at an increased rate at the end of 2023. The demand backdrop also remains frosty, with new orders sinking further as conditions remain tough in both the domestic market and in key export markets, notably the EU. The downturn has hit manufacturers' confidence, which dipped to its lowest level in a year, and encouraged renewed cost caution with further cutbacks to stock levels, purchasing and employment.

"With concerns about high interest rates and the cost-of-living crisis hurting demand, the outlook for manufacturers in the months ahead remains decidedly gloomy. The downturn in demand is having some positive effects on supply chains, however, with suppliers reducing their prices for raw materials and vendor lead times showing a further improvement."

Source: fibre2fashion.com– Jan 04, 2024

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Eurozone manufacturing ends 2023 in continued contraction: S&P Global

The eurozone manufacturing sector remained stuck in contraction at the end of 2023, as the Hamburg Commercial Bank (HCOB) Eurozone manufacturing purchasing managers' index (PMI), compiled by S&P Global, continued to be below the 50 threshold, signifying ongoing deterioration in the operational conditions of factories throughout the Eurozone. The PMI increased slightly to 44.4 in December, up from November's 44.2.

The data, categorised by the three primary industrial groups, revealed that intermediate goods producers faced the most severe challenges, a trend consistent throughout the manufacturing sector's downturn, which has persisted for a year and a half.

The increase in the PMI primarily reflected softer deteriorations in Germany and Italy. Notably, France, the second-largest economy in the euro area, recorded the strongest worsening of business conditions in over three-and-a-half years. Greece remained the solitary area of improvement, with growth edging up to a four-month high, as per S&P Global.

The level of factory production across the euro area continued to shrink in December, with the rate of contraction accelerating slightly. Overall, the pace of decline was strong, albeit the second weakest since May. France was the main driver of the latest fall, country-level data showed.

Output continued to be constrained by a lack of new business as demand for eurozone goods decreased once again. Although the decline was the softest for seven months, it was sharp nevertheless. New orders from external customers were also down on the month, extending the current sequence of shrinking export sales to nearly two years.

Sustained weakness in demand conditions led firms to make further progress with backlogs. The volume of work outstanding decreased further, highlighting another month of spare capacity across the euro area manufacturing sector. The rate of depletion, albeit sharp, was the slowest since May. Subsequently, factory employment across the eurozone continued to fall, in line with the trend since last June.

A slower rate of decline was also seen in purchasing activity during December. Although eurozone manufacturing companies continued to cut input buying at a considerable rate, the reduction was the weakest in seven months. Stocks of purchases were depleted more rapidly, however, and to one of the greatest degrees in the survey history. Amid sustained inventory reductions and lower demand for inputs, the latest survey data signalled a further improvement in suppliers' delivery times. The extent to which vendor performance improved was the smallest in almost a year.

Meanwhile, growth expectations for the coming year improved in December. Overall, eurozone manufacturers were their most confident in the outlook for production since last April, although the prevailing level of optimism was still subdued by historical comparisons.

Turning to prices data, eurozone factory input costs continued to decrease at the end of 2023, as was the case in the previous nine months. This presented manufacturers with a greater allowance over their own pricing decisions, with the latest survey data indicating another month of discounting. That said, the extents to which input prices and output charges fell were the least marked for eight and seven months, respectively.

Source: fibre2fashion.com– Jan 04, 2024

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Italy's fashion sales grow by 3.2% in 2023: Report

Data published by Confindustria Moda shows, sales in the Italian fashion sector grew by 3.2 per cent to €111.7 billion in 2023. Fashion sales grew in value terms during the year while their volumes contracted for the first time since the pandemic.

Profit margins in the sector also dwindled during the year as energy and raw material costs rose. Ongoing changes in terms of geopolitical balances affected the Italian fashion, textile and accessories sector during the year, says Ercole Botto Poala, President, Confindustria Moda.

Rising production costs triggered uncertainty in the sector that had shown great resilience in the past few years. The sector needs to collaborate and work as a system, to help industries having the same needs, Poala adds.

Italy's apparel exports grew by 5.1 per cent in the first eight months of the year with international sales totaling €54.5 billion. Almost 47 per cent of Italy's apparel exports are directed to the EU. China's apparel imports from Italy increased by 5 per cent during the year.

Source: fashionatingworld.com– Jan 03, 2024

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Bangladesh: Freight charges up for export, import

Bangladeshi exporters and importers are having to pay higher freight charges to the US and Europe following attacks last month on commercial vessels on the Red Sea, one of the world's busiest shipping routes.

The attacks were launched by Iran-backed Houthis, who control much of Yemen but are not recognised internationally and who said it was to put pressure on Israel over its devastating war with Palestinian Hamas militants in the Gaza Strip, reports the AFP.

It prompted the major shipping lines to suspend travel across the Red Sea and adjoining Suez Canal, which basically connects Africa and Asia.

Around 12 percent of the global trade of all goods, including 30 percent of the world's shipping container volume, especially from South Asia, relies on the Red Sea route to trade with parts of West Asia, Africa and Europe.

According to shipping executives, over 70 percent of Bangladesh's export-laden containers, which are destined for the EU, US East Coast and Canada, cross the Red Sea.

Meanwhile, 8 to 10 percent of the country's imports come through the route.

The shipping lines are now diverting to a much longer route, around Africa's Cape of Good Hope.

Danish shipping company AP Moller-Maersk on January 2 said, "An investigation into the incident is ongoing and we will continue to pause all cargo movement through the area while we further assess the constantly evolving situation."

"In cases where it makes most sense for our customers, vessels will be rerouted and continue their journey around the Cape of Good Hope," it said.

The threat remains high, even with efforts to protect commercial vessels, and analytics provider MarineTraffic has confirmed that commercial ships are increasingly opting for the diversion, according to the CNBC.

Global trade data provider Kpler said the number of ships doing that jumped to 124 this week from 55 last week, and from 18 a month ago.

At least $80 billion worth of cargo has already been diverted, the CNBC also said.

The total capacity is estimated at 4.5 million containers, or 20-foot equivalent units (TEUs). The value of a container bound for the Suez is $50,000, according to freight consultancy MDS Transmodal.

So far, the situation has affected $225 billion in trade, added the CNBC.

A number of media reports stated that freight rates from Asia have spiked by over 50 percent.

Major shipping lines announced to impose additional surcharges ranging from $700 to $1,500 per TEU container.

AP Moller-Maersk announced a "Transit Disruption Charge" (TDS) of $400 per 40-foot container for the route from Far East Asia to North Europe as well as to the east coast of North America.

This TDS is applicable for shipments "on the water", it stated in a customer advisory on December 21.

It also announced that it would charge a "Peak Season Surcharge" (PSS) of $1,000 per 40-foot box from January 1.

Mediterranean Shipping Company (MSC) announced a "Contingency Adjustment Charge" (CAC) of $1,000 per 20-foot container and $1,500 for a 40-foot container from January 1.

It will be applicable on all shipments from the Indian sub-continent (India, Pakistan, Bangladesh, and Sri Lanka) and the Middle East to European, Scandinavian, Baltic and Mediterranean destinations, it said.

French company CMA CGM imposed a PSS of $500 per TEU from January 1 to all European ports from all Asian ports, including Bangladesh.

Japanese shipping company Ocean Network Express in December announced that they would apply an "Emergency PSS" of $500 for all container types on Asia-Europe trade from January 1.

Hapag-Lloyd and HMM Company also announced similar charges.

A senior executive of a foreign shipping line told The Daily Star yesterday that most shipping lines were considering to impose more charges from mid-January if the crisis persists.

Usually, it takes 30 to 35 days for ships to reach European destinations through the Red Sea on departing transshipment ports in Sri Lanka, Singapore and Malaysia with Bangladeshi goods, said Faruque Hassan, president of the BGMEA.

"At least 10 more additional days will (now) be needed," he said.

This will raise freight costs, which domestic garment suppliers will have to ultimately bear, said the chief of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

This might also necessitate use of expensive air shipments to meet deadlines of international clothing retailers and brands, he said.

The freight charge has already increased by $700 to $800 per container in case of import-laden vessels, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA).
The BTMA is a platform of the primary textile millers who annually import nearly 10 million bales of cotton, a major portion of which arrive through the Suez Canal route.

Source: thedailystar.net– Jan 04, 2024

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Bangladesh: Export earnings fall slightly in Dec

Earnings from merchandise shipment declined by 1.06 percent year-on-year to $5.3 billion in December of 2023 because of a slowdown in export of garment and few other major items.

December's export figure was also 5.57 percent lower than the monthly target of $5.62 billion, according to data from the Export Promotion Bureau (EPB) today.

In the July-December period of the ongoing fiscal year, earnings from merchandise shipments marginally increased by 0.84 percent year-on-year to $27.54 billion.

In the same six-month period, garment shipment rose slightly at 1.72 percent year-on-year to $23.39 billion, the EPB data also said.

Source: thedailystar.net– Jan 04, 2024

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Pakistan: Official spot rate climbs despite rise in seed cotton arrivals

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Wednesday increased the spot rate by Rs 300 per maund and closed it at Rs 17,800 per maund.

Cotton Analyst Naseem Usman told Business Recorder that the local cotton market remained tight and the trading volume remained low.

The rate of cotton in Sindh is in between Rs 16,500 to Rs 18,500 per maund. The rate of Phutti in Sindh is in between Rs 6,500 to Rs 8,200 per 40 kg. The Prices of cotton in Punjab is in between Rs 17,000 per maund to Rs 18,500 per maund and Phutti prices were in between Rs 7,000 to 8,800 per 40 kg. Similarly, prices of cotton from Balochistan were registered at Rs 17,000 per maund to Rs 18,000 per maund.

Seed cotton (Phutti) equivalent to 8.17 million or 81,71,082 bales have reached ginneries across Pakistan till Dec 31, 2023 recording an increase in arrivals by 77.14 percent compared to corresponding period of the year 2022.

According to a fortnightly report issued by Pakistan Cotton Ginners Association (PCGA) here on Wednesday, arrivals to factories increased by over 3.5 million bales, hence the 77.14 percent increase recorded in 2023 till Dec 31 compared to 2022.

Over 4 million or 40,78,769 bales' arrival was recorded at ginning factories in Punjab, showing a surge by over 1.3 million bales compared to the year 2022 calculated at 47.66 percent.

In Sindh, arrivals were recorded at over 4 million or 40,92,313 bales, showing a jump by 2. 241 million bales, recording a whopping 121.16 percent increase compared to corresponding period of 2022. Over 8 million or 80,82,744 bales were converted into bales at ginning factories.

Textile sector continued to maintain its position as the biggest buyer with a figure of over 7.3 million or 73,14,127 bales bought while exporters and traders bought 2,92,126 bales.

Exactly 241 ginning factories were operational in the country including 210 alone in Punjab that have so far prepared over 4 million or 40,80,064 bales in the province. Arrival of cotton to ginneries in Balochistan was recorded at 187221 bales. Exactly 5,64,829 bales were still present at the ginneries as unsold stock.

400 bales of Rohri were sold at Rs 17,500 per maund, 1800 bales of Rahim Yar Khan were sold in between Rs 17,800 to Rs 18,500 per maund, 921 bales of Mian Wali were sold at Rs 18,350 per maund, 1200 bales of Haroonabad were sold at Rs 17,700 to Rs 18,000 per maund, 200 bales of Marrot were sold at Rs 17,500 per maund and 200 bales of Yazman Mandi were sold at Rs 16,800 to Rs 16,900 per maund.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 300 per maund and closed it at Rs 17,800 per maund. Polyester Fiber was available at Rs 362 per kg.

Source: brecorder.com– Jan 04, 2024

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NATIONAL NEWS

Ministers gave the National One District One Product Awards 2023

The 'Aatmanirbhar Bharat Utsav 2024' was inaugurated by the Chief Guest, Union Minister of External Affairs, Dr. Subrahmanyam Jaishankar and Guest of Honour, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal at Bharat Mandapam, New Delhi today. During the event, the Ministers gave the National One District One Product (ODOP) Awards 2023 to the winners.

While addressing during the inauguration ceremony, Shri Goyal said that the Government under the leadership of the Prime Minister, Shri Narendra Modi is working as one family for a better future for the 140 crore Indians. He lauded the 'Aatmanirbhar Bharat Utsav 2024' as representative of whole of the government approach that the Prime Minister has brought to the fore and which has been the hallmark of the government over the last 10 years.

Shri Piyush Goyal said that when India talks about economy, Indian ambition and target is not for small changes, the economy will reach the US$ 5 trillion target in a few years and will become the third largest GDP in the world by 2027. He said that this target can be achieved by 140 Crore Indians working as a team as per the Panch Pran of Amrit Kaal enunciated by the Prime Minister.

Dr. S. Jaishankar said that the ODOP initiative has the potential to drive the growth of the tourism sector which in turn will push employment generation. He added that while making in India is "very" crucial, branding and promotion of products are important as it helps in increasing demand. He said that ODOP and Geographical Indicators (GI) are acting as effective tools in promoting traditional Indian products.

Dr. Jaishankar said that ODOP showcased India to the world at the various G20 events organized across the country during India's G20 Presidency, where the ODOP artisans, sellers and weavers got a lot of visibility at the global stage during the events.

He said that the government mainly gifts ODOP products to foreign delegates and this was widely done during the G20 events organized in India. He said that the Ministry of External Affairs and the Ministry of Commerce and Industry are working together along with Indian missions to boost the country's outbound shipments.

Secretary, Department for Promotion of Industry and Internal Trade, Shri Rajesh Kumar Singh; Secretary, Ministry of Textiles, Smt. Rachna Shah and Chairman and Managing Director, Indian Trade Promotion Organisation, Shri Pradeep Singh Kharola attended the inauguration ceremony.

Aatmanirbhar Bharat Utsav 2024 is being hosted by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry. The ODOP Awards recognise the substantial efforts and successes in promoting the ODOP Initiative, bringing together Districts, States, and Indian Missions abroad to celebrate their contributions towards this innovative national endeavour.

The Aatmanirbhar Bharat Utsav and National ODOP Awards ceremony are a celebration of India's journey towards self-reliance, showcasing the nation's rich cultural heritage, diverse talents, and innovative spirit. The Aatmanirbhar Bharat Utsav 2024, taking place from 3rd to 10th January at Bharat Mandapam in New Delhi, is a dynamic event crafted to display India's economic strength and cultural richness.

It is organized into various zones, each distinctively showcasing the nation's technological advancements and economic developments, alongside a colourful assortment of local products from different States and Union Territories. These zones collectively highlight the richness of India's heritage and its burgeoning entrepreneurial spirit.

Click here for more details

Source: pib.gov.in– Jan 03, 2024

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We will maintain export figures of last year despite global slowdown: Goyal

Commerce and Industry Minister Piyush Goyal on Wednesday exuded confidence that during this fiscal, the country will maintain the last year's export figures despite slowdown in global trade.

He said that India's exports of goods and services rose to USD 776 billion in 2022-23 from USD 500 billion two years ago. "Globally growth has been negative, international trade is in the negative territory, estimates are that this year international trade may fall, and in that perspective after having grown so rapidly we are looking at a phase of consolidation...

"and I expect that the current year, we will maintain our figures of last year and strengthen our processes and our domestic capacities, capabilities to be able to grow at much faster rates in the years to come," Goyal told reporters here.

Cumulatively, the country's merchandise exports in April-November 2023-24 contracted by 6.51 per cent to USD 278.8 billion. The estimated value of services export during the eight-month period stood at USD 220.66 billion.

He added that both the foreign affairs and commerce ministries are working together to boost exports. Earlier, speaking at the Aatmanirbhar Bharat Utsav 2024 and ODOP Awards Ceremony 2023, he said that the the country is not "anti-imports" and wherever required, companies can import goods.

"Aatmanirbhar Bharat is not about stopping imports," he added. Further he said that before the forthcoming general elections, the country's economy is expected to touch USD 4 trillion.

At the event, Goyal and External Affairs Minister S Jaishankar conferred the ODOP (One District One Product) awards onto the selected states, districts and Indian missions which led a drive towards fostering innovation and achieving excellence under this initiative.

Source: business-standard.com– Jan 03, 2024

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A year of Australia-India FTA: Great start but lots to do

December 29, 2023, marked the first anniversary of the Australia-India Economic Cooperation and Trade Agreement, or ECTA. ECTA means "unity" in Hindi. That is about as good a word as any to describe flourishing Australia-India ties, underpinned by dramatic growth in our economic relationship.

Australia and India's two-way goods trade has grown by nearly 60 per cent over the last five years. Last year we shipped more than Rs 2 trillion worth of goods between our countries. India has become Australia's fourth largest export destination. Australia is now India's 10th largest export market.

ECTA provides the framework for long-term growth in our trade. Ninety-six per cent of Indian goods now enter Australia completely tariff-free. That will rise to 100 per cent by 2026. Eighty-five per cent of Australian goods enter India without tari-ffs — rising to 90 per cent over the next two years. India's companies have noticed and are profiting: of all Indian goods eligible for tariff cuts under ECTA, 77 per cent are entering Australia under the new tariff regime. That is a much higher fig-ure than most of India's other FTAs.

What sectors are benefiting? The flow of India's agricultural goods into Australia has incre-as-ed by 16 per cent since ECTA en-tered into force. Australians are now enjoying more Indian rice, grains, vegetables and fruit. We're drinking more Indian coffee. Most importantly, we're buying more of India's famous sweets. Apparel imports from India are up nine per cent, meaning Aus-tralians are wearing more textiles manufactured in this country. Industrial imports from India have also increased, including steel tubes, pipes, electrical machinery and parts.

Australian business and consumers are enjoying benefits as well. In the first 10 months of ECTA, they saved around Rs 830 crore in duties paid on Indian imports of linen, automotive parts, clothes and more. Australia's trade with India supports nearly 120,000 jobs in Australia.

On services, ECTA connects professional bodies in the two countries to work on standards, recognition and licensing. This is already in the works for dentistry, engineering, nursing and pharmacy, benefiting businesses and consumers in Australia and India.

The success of ECTA speaks to the com-plementary nature of our economies. Put simply: India has what Australia needs; Australia has what India needs. We have the critical minerals India requires to fuel the transition to net-zero and hit its ambitious ex-p-orts targets. Australia has the high-quality universities India needs to educate the roughly 70 million young Ind-ians looking for a tertiary qualification by 2030. And India has the skilled workfor-ce who can take two-way in-vestment between our countries and transform it into the manufacturing supply chains of the future. When it comes to our economies, our resources, and our skills, India and Australia are a match. A perfect fit.

That is why I say ECTA is a great start, but we have lots more to do. The next step in realising the enormous potential of our economic relationship is signing a Comprehensive Economic Cooperation Agreement, or CECA, which Australia and India are negotiating now. CECA can boost the supply chains for the critical minerals India needs to manufacture solar panels, wind turbines and electric vehicles. India's Finance Minister Nirmala Sitharaman said recently that India was the second most sought-after manufacturing destination in the world. With Australian critical minerals, there's no reason it can't be the first.

CECA can expand Australia and India's cooperation on agriculture. That is important because 700 million Indian livelihoods depend on farming. We have shared goals: sustainable agriculture and food security. Australia and India have been collaborating for decades on these. Australian firms are deploying technology to tackle animal diseases and to lower the emissions of fertilisers in India. Our government agencies are sharing research on sustainable water management and more drought-resilient crops. We will continue to support India's G20 efforts to strengthen millet research through the Maharishi initiative. With ECTA, our industries are partnering across sectors like horticulture, wine, dairy, cotton and wool. CECA can deepen this partnership.

And finally, CECA will crystallise the most tangible aspect of our relationship: the "human-bridge" that connects us. By deepening our trade and economic relationship we will create demand for more direct flights between our countries, expand our people-to-people links, and create opportunities for investment that enriches us both.

Source: business-standard.com– Jan 03, 2024

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Indian exporters brace for more price hikes as normalcy evades Red Sea

Indian exporters may continue to witness a rise in shipping costs as normalcy eludes the Red Sea region and freight companies continue to avoid the Suez Canal, opting for the longer route around Africa to reach the West.

The longer route around the Cape of Good Hope is adding 12-15 days of voyage and freight charges have gone up by 80-100%, experts said.

"These companies have been looking to increase the freight charges for the past six to eight months, but due to low import-export volumes (India), the vessels have not been full. This has helped to keep the cost low. But now with the escalating situation in the Red Sea, these companies are imposing charges that are making the cost rise by 80-100%," said Nilesh Thadani, director, Alltrans Shipping and Logistics LLP.

Shipping major MSC in a client advisory announced that it will implement a contingency surcharge of $1,500 per container on all shipments from the Indian sub-continent to Europe and Black Sea destinations. CMA CGM announced a similar Red Sea surcharge of $1,575 for 20-foot dry containers and up to $3,000 for reefer containers and special equipment. Other major shipping lines too have announced such surcharges.

Exporters say that these charges are in addition to an escalation in the base charges.

"Given the increasing involvement of countries like USA and Iran in the Red Sea, the situation is likely to escalate further, which the freight companies are looking to exploit. They have started to impose various charges in addition to the increasing base price. These charges are now higher by two to three times, during a time in which exports are being given a firm push by the government," said Khalid Khan, board member of the Federation of Indian Export Organisations (FIEO).

The situation in the Red Sea flared up again after Houthi militia attacked a Maersk container vessel. The company temporarily suspended all cargo movement through the Red Sea, rerouting them around the Cape of Good Hope.

"Following the 30 December incident involving our vessel, Maersk Hangzhou, we have decided to pause all transits through the Red Sea / Gulf of Aden until further notice... In cases where it makes most sense for our customers, vessels will be rerouted and continue their journey around the Cape of Good Hope," said Maersk in a client advisory.

Other major shippers have announced similar measures, rerouting some of their vessels. Experts believe this will result in further price hikes.

Thadani expects prices to settle at around 50-60% higher rates post the de-escalation in the Red Sea.

The Red Sea, a crucial maritime route to the Suez Canal, an artificial sea-level waterway connecting Asia and Europe, is facing heightened concerns as Houthi militia continue attacking and disrupting commercial ships navigating through the region.

Source: livemint.com– Jan 03, 2024

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The story of organising retail

Almost 10 years ago, traders had their moment when they gathered at Delhi's Siri Fort Auditorium. It was a full house on February 27, 2014, just weeks before the general election. The keynote speaker was Narendra Modi, then Gujarat chief minister and the prime ministerial candidate for the Bharatiya Janata Party (BJP). The celebratory atmosphere that morning had stood out for BJP's stand on retail — ranging from foreign brands and e-commerce to corner stores or kiranas.

Speaking at the national convention of the Confederation of All India Traders (Cait), Mr Modi had a decade ago highlighted the importance of technology in retail. Traders — known to be BJP backers and opposed to foreign retail chains such as Walmart—were taken by surprise when Mr Modi encouraged them to accept modern technology, emphasising that doing so would not only boost sales but also enable them to compete with foreign players. At that point, he had left the traders guessing about the BJP's stand on foreign direct investment (FDI) in multi-brand retail if the party came to power, especially since the Congress-led government at the time had allowed 51 per cent foreign investment in the sector three years prior.

Ten years later, it looks like a good time to take stock of the retail journey. First things first, the BJP government didn't disappoint traders and kept the multi-brand FDI policy in abeyance all through. Against that backdrop, numbers shared by traders tell a story of its evolution. At the end of 2013, and ahead of the 2014 elections, the retail industry in India was worth around Rs 90 trillion. Of this, only 3 per cent was organised, and the remaining unorganised. Traders have a better name for it— "self-organised" rather than "unorganised".

By the end of 2023, the retail industry's revenue figure had crossed Rs 140 trillion, with the organised sector comprising 7 per cent of the total. In 10 years, organised has inched up from 3 to 7 per cent. It's tough to say whether the presence of foreign retail would have carved a different trajectory for the organised vs unorganised story. Traders believe foreign retail, whether in brick & mortar or online, can never help them. Their ongoing tussle with Flipkart (now majority-owned by Walmart) and Amazon is testimony to their differences with foreign majors.

Ten years after that Siri Fort meeting, they are equally apprehensive about all big retail, Indian or foreign. Those, who have a say, don't shy away from pointing out that big retail is not conducive to small businesses. One such voice is of Praveen Khandelwal, national secretary general of Cait. "They

want to monopolise retail trade in their favour," he says about big retail with some authority. That doesn't mean small traders or kirana stores don't want to be mainstreamed or be organised.

They are betting on the muscle of thousands of trade associations around the country to help them get organised. However, there's a brighter chance of the muscle of big retail enabling traders to get organised faster. A meeting of the core group of traders in Nagpur was scheduled for January 3 to discuss ways of empowering the unorganised retail in the country.

Now, looking ahead to the next 10 years through a bit of crystal ball gazing, the retail industry in India could touch Rs 200 trillion by 2033, guesstimates suggest. Of this, traders are expecting 50 per cent of the business to get organised. Supply chain management, e-commerce integration, regulatory compliance, and consortium/cluster approach have to be in play to take the organised pie from 7 to 50 per cent in the next 10 years.

But here's a twist. Despite all the enabling points from supply chain management to consortium approach, big retail is eyeing the perks of getting the industry organised. Whether it's Reliance Retail, Amazon or Walmart, forging alliances with traders and small businesses is increasingly becoming important. Earlier, it may have been for optics, but now it means business.

Big retail, on its part, admits that kirana stores are its real competition, much more than foreign majors. Even so, big retail wants to be the backend enabler for small traders and kiranas. The estimates shared by big retail vary a bit from the numbers that traders put forth.

Around 12 per cent is organised retail currently, according to a major domestic player, and it expects the industry to be fully organised in 10 years. The biggest retailer at that point could get as much as 50 per cent of the total industry pie in terms of its involvement in the retail industry, including through tieups and deals with small traders.

Whatever the numbers, the retail landscape sure is getting ready for a reset, with or without FDI.

Source: business-standard.com– Jan 03, 2024

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India to continue giving more under FTAs than it musters: Study

In the free-trade negotiations that India is involved in, it may end up giving up more than what it can gain, trade policy think tank said on Tuesday citing a recent study. Even in labour-intensive sectors where New Delhi is seeking parity with competitors from the developing world, it may face disappointments, the Global Trade Research Initiative (GTRI) said.

The two most important free trade agreements (FTAs) that India is negotiating are with the UK and European Union (EU). While a little over half of the imports by the two potential FTA partners for India already attract zero tariffs, for India the corresponding figure is 6%.

Apart from zero duties, the UK and EU also have lower trade weight applied Most Favoured Duties of 4.1% as against India's 12.6%. So when a large part of trade moves to a lower duty regime it would give substantial advantage to exporters from the UK and EU but Indian exporters which even now have to face lower duties in these markets will get a limited benefit.

The experience with Japan, Association of SouthEast Asian Nations (ASEAN) and South Korea shows that many Indian firms choose not to use the FTA route when import duties are low, as FTA-related compliance costs do not justify the tariff benefits, the GTRI added.

Countries ranging from large economies like the USA, Europe, Japan, and the UK to smaller ones like Oman, Peru, and Mauritius either already have or are actively seeking an FTA with India. By forming FTAs with India, they can access the Indian market without these import duties on substantial trade.

"Additionally, since India currently does most of its importing (over 75%) from countries it doesn't have FTAs with, these agreements are particularly appealing as they offer a significant new market opportunity in India," GTRI founder Ajay Srivastava said.

The analysis of India's three key FTAs with ASEAN, South Korea, and Japan, signed in 2010-2011 reveals India's merchandise trade deficit with these partners increased significantly more than its global trade deficit

and India's exports to these FTA partners have increased at a lower rate than its imports.

Medium to high technology products constitute 70% of the global trade while 30% is traditional labour intensive sectors. Developed countries charge zero or low import duties on most medium-to high-tech goods and high duties on shirts and shoes manufactured by developing countries.

When a developing country enters into an FTA with a developed country, the developing country gets preferential access for its shirts and shoes in the developed country. In return, it has to remove duty on most products. The developing country gets additional market access in 30% of products while In contrast, the rich nation would get additional market access in 90% plus the value of products.

Developed countries charge high 4-18% import duties on labour-intensive products like textiles and apparel, and eliminating import duties should boost India's exports. For exporting to the EU markets, Indian exporters pay the full duty, while exporters from Vietnam and Bangladesh pay zero duty. Vietnam has an FTA with the EU, while Bangladesh benefits from zero-duty access due to the EU Generalised System of Preferences scheme.

While it may level the field for Indian exports, the gains from this to overall exports is limited. Then there is an issue of Non Tariff Barriers coming into play in the guise of environment, gender and labour standards which are built into all new FTAs. Despite lower duties offered by FTA with Japan, Indian exports of apparel could not grow because of the competition and product mix.

India is refocusing its FTA strategy from East to West, targeting major world economies for FTAs in 2024-25. Notably, negotiations are underway with countries like the UK, USA, EU, Switzerland, Norway, and Russia. Switzerland and Norway are negotiating as part of the European Free Trade Association. This means by the end of 2024, India may have completed or nearing completion of an FTA with all major economies except China.

A diverse range of countries, from large economies to smaller ones like Oman and Peru, are seeking FTAs with India, primarily due to India's high import duties and rapidly growing market. Gains for India from tariff reduction by FTAs is limited so it must increase demand through better quality and wider range of products.

It must prioritise obtaining real market access on the ground and negotiate new subject areas like environment, labour, and digital trade cautiously to avoid limiting domestic regulatory autonomy, the GTRI report said.

Source: financialexpress.com– Jan 03, 2024

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