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IBTEX No. 59 of 2024 April 08, 2024

Currency Watch			
USD	EUR	GBP	JPY
83.32	90.30	105.25	0.55

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NATIONAL NEWS

INTERNATIONAL NEWS

ICE cotton experiences free fall, marks 5th consecutive week of losses

The ICE cotton market finally settled for the week under significant pressure. The market has yet to find its bottom. A notable free fall occurred on Friday, with all contracts of ICE cotton registering a decline of around one per cent. The ICE cotton May contract decreased by 0.89 cent to reach 86.25 cents per pound (0.453 kg), marking a decline trend in the fifth consecutive lower weekly close. Over the period, it has lost 932 points.

According to a market analyst, the dollar index finally edged up, making cotton more expensive to buy. However, a stronger dollar restricted the fall in this natural fibre. The dollar index reached above the 104 level, while crude oil prices increased by 32 cents to $86.91 per barrel. A stronger crude oil price boosts the production cost of synthetic fibre, which benefits natural fibre. US cotton sowing has started as the moisture content is good. However, some areas in Texas are starting to experience drought tendencies, a negative factor for cotton output in the major exporting countries. Nonetheless, the projection of higher production from the International Cotton Advisory Committee (ICAC) remains effective in indicating a higher availability of cotton worldwide.

According to ICE data, certified cotton stocks increased to 93,324 bales, with an increase of 670 bales. The ICE cotton cash price lost 0.89 cent to 82.75 cents. The July 2024 contract slipped by 0.75 cent to 87.82 cents, while the October 2024 (new crop) contract dipped by 0.59 cent to 83.59 cents per pound. The December 2024 contract also faced negative sentiment and eased by 0.87 cent to 82.65 cents. March 2025 too was noted with a loss of 0.94 cent to 83.57 cents per pound.

Net export sales of Upland totalled 84,900 running bales (RB) for 2023-24, which was down 14 per cent from the previous week but up 4 per cent from the prior 4-week average. Pima net sales totalling 1,400 RB for 2023-24 were down 89 per cent from the previous week and 83 per cent from the prior 4-week average, according to the latest USDA sale report.

Source: fibre2fashion.com– Apr 06, 2024

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Asia-Pacific's Ascendancy in the Global Textile and Apparel Market: Trends, Challenges, and Competitive Analysis

The Asia Pacific region has historically been a cornerstone in shaping the global trade of textiles and apparel (T&A), serving as a primary sourcing destination worldwide (Fig 1). Following the abolition of the Agreement on Textiles and Clothing (ATC) on January 1, 2005, the global T&A trade experienced rapid expansion, accompanied by increased exports from the Asia Pacific region.

Notably, the growth rates in the Asia Pacific region have outpaced global trends, boasting a compound annual growth rate (CAGR) of 4.5 per cent over the last two decades, compared to the world's more sluggish average growth rate of 3.52 per cent during the same period.

In the first decade post-ATC, the T&A trade witnessed a significantly high growth rate, reaching 5.48 percent globally, while the Asia Pacific region registered an impressive 7.30 percent during the same period. Throughout this timeframe, the Asia Pacific region's contribution to global T&A trade steadily increased, rising from 58 percent to 63 percent.

However, despite maintaining a contribution above 60 percent to world trade, the Asia Pacific region has recently experienced a downturn due to the disruptions caused by the COVID-19 pandemic and regional conflicts.

The textile trade, both globally and within the Asian region, experienced robust growth until 2020, with minor fluctuations attributed to factors such as raw material prices or specific policies. However, the landscape shifted dramatically in the aftermath of the COVID-19 pandemic and the Russia–Ukraine war, which destabilized global and regional trade.

The war, coupled with increased fuel prices, triggered widespread inflation, exacerbating cost-of-living crises, and prompting significant expenditure cuts among consumers. Given that textile purchases are often discretionary, consumer spending reductions led to a sharp decline in orders from major markets, resulting in decreased exports from Asian nations.

Furthermore, internal issues within the region compounded these challenges. Countries like Bangladesh and China faced concerns regarding wages, working conditions, and economic uncertainty. China, in particular, experienced economic downturns attributed to factors such as the collapse of the real estate market and a decline in manufacturing output. These internal challenges further impacted regional textile trade, contributing to significant fluctuations in trade volumes between 2020 and 2023.

Assessing Country-Level Competitiveness in Asia Pacific

Textiles, Apparel, and Home Textiles

Below, we analyse the growth, competitiveness, and market shares of the top 13 countries in the Asia-Pacific region to better understand the dynamics of trade in textiles, apparel, and home textiles over 8 years. The countries under scrutiny include China, Bangladesh, Vietnam, India, Pakistan, Indonesia, South Korea, Hong Kong SAR, Cambodia, Japan, Thailand, Australia, and Sri Lanka. We segment the products into Textiles (HS 50-60), Apparel (HS 61-62), and Home Textiles (HS 63).

Textiles

The production and export of textiles, apparel, and home textiles by China have dominated the global market. In textiles, China corners a share of 36.35 per cent followed by India (5.47 per cent), Vietnam (3.32 per cent), the Republic of Korea (2.68 per cent), Japan (1.96 per cent), Australia (1.45 per cent) and Pakistan (1.25 per cent), Thailand and Indonesia share 1.26 per cent each.

China not only maintains its position as the market leader but also demonstrates consistent growth year on year. India's global export share fluctuates between 9 per cent to 11 per cent over the same period, displaying stability in its market presence. Similarly, the Republic of Korea follows a similar pattern.

Click here for more details

Source: fibre2fashion.com– Apr 08, 2024

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Sri Lanka President encourages foreign firms for next growth phase

President Ranil Wickremesinghe, during the first-ever awards ceremony organised recently by the Board of Investment (BOI) to commemorate its 45th anniversary, urged overseas and BOI-approved firms to prepare their investments as Sri Lanka braces for its next growth phase, signalling a period of restored stability.

Addressing the audience, Wickremesinghe highlighted the successful stabilisation of the economy within two years, emphasising a shift away from sole reliance on the central bank for economic stability even as he underscored the nation's aspiration to evolve into a highly competitive, export-oriented economy, projecting this transformation to span a decade or longer.

Wickremesinghe stressed the importance of attracting competitive investments, fostering a conducive business environment, and enhancing Sri Lanka's economic competitiveness.

Reflecting on Sri Lanka's economic journey, Wickremesinghe recounted the establishment of investment zones such as Katunayake and Biyagama, praising their role in attracting significant investors, fostering industrial development, and generating employment opportunities even as he acknowledged the challenges faced, from security threats to economic turmoil, and expressed gratitude to all contributors.

Looking ahead, Wickremesinghe affirmed his commitment to establishing competitive investment avenues and commended the pivotal role played by companies under the BOI's purview in driving Sri Lanka's economic growth.

He envisaged a transformation of the Investment Board into a comprehensive Economic Commission, with plans for a singular investment zone covering the entire nation.

Source: fibre2fashion.com– Apr 08, 2024

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EABC warns Kenya could miss out on AfCFTA benefits

A recent study released by the East African Business Council (EABC) suggests Kenya risks missing out on the benefits of the African Continental Free Trade Area (AfCFTA), and one of the main reasons for it could be attributed to a trade imbalance between its exports and imports to other African nations.

The EABC, known for its advocacy on behalf of businesses in the East African Community (EAC) partner states, highlights this issue as a significant hurdle.

Despite Kenya's reputation as a favoured market for businesses seeking to leverage the advantages of AfCFTA, the study expressed concerns regarding its trade dynamics with the rest of the continent.

Notably, Kenya's position in comparison to other EAC partner states is analysed using a complementarity index, revealing it to be better situated for trade with the rest of Africa.

However, the study's findings indicate that the trade imbalance poses a substantial risk to Kenya's ability to fully capitalise on the opportunities presented by AfCFTA.

While Kenya stands out as a potential hub for regional trade within the EAC, the disparities in its trade flows could undermine its position in the broader context of continental trade integration.

As stakeholders consider strategies to maximise Kenya's participation in AfCFTA, addressing the trade imbalance emerges as a critical priority.

By fostering a more balanced trade relationship with other African nations, Kenya can enhance its prospects of reaping the benefits of enhanced regional and continental trade cooperation.

Source: fibre2fashion.com– Apr 08, 2024

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PEZA expects surge in EU investment in Philippines as FTA talks resume

The Philippine Economic Zone Authority (PEZA) expects a surge in investment from the European Union (EU) amid revival of talks between the Southeast Asian country and the bloc on a planned free trade agreement (PH-EU FTA).

“With President Ferdinand Marcos Jr.’s initiatives and the anticipated free trade agreement, we expect an increase in EU investments, viewing the Philippines as a viable destination for their ventures,” PEZA director general Tereso O Panga was quoted as saying by Philippine media outlets.

PEZA hosts 202 projects now with EU equity that employ over 50,000. The FTA is expected to further enhance this, as the EU is the fifth largest trade partner of the Philippines.

PEZA is seeking a four-year extension of the Generalised System of Preferences Plus (GSP+) scheme, which will expire this year end, to maintain the advantage of tariff-free entry into the EU market for a substantial portion of Philippine products.

PEZA is courting investments through international missions, such as the recent venture to Madrid, where prospects for offshoring in industries like shipbuilding and agro-industry were discussed. As Spain has identified the Philippines as a key partner in Asia, PEZA seeks to elevate the trade relationship to include more advanced technology and high-value products.

PEZA is also organising a mission with the German-Philippine Chamber of Commerce and Industry following President Marcos Jr.’s visits to Germany and Czech Republic to bank on investment leads and explore new opportunities.

Source: fibre2fashion.com– Apr 08, 2024

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Turkmenistan and Tajikistan will discuss the construction of a joint textile factory

Turkmenistan is ready to hold a meeting of relevant ministries and departments to discuss the construction of a pilot textile factory in Tajikistan with the participation of Turkmen business, reports the State News Agency of Turkmenistan.

This was stated by the National Leader of the Turkmen people, Chairman of the Halk Maslahaty of Turkmenistan Gurbanguly Berdimuhamedov at a meeting with the Prime Minister of Tajikistan Kohir Rasulzoda in Dushanbe.

Previously, readiness to consider the possibility of implementing the project was expressed during a meeting in the Government of the Republic of Tajikistan with the President of Turkmenistan Serdar Berdimuhamedov in May 2023.

Source: turkmenportal.com– Apr 06, 2024

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Vietnam plans separate laws for industrial parks, economic zones

Deputy minister of planning and investment, Do Thanh Trung recently disclosed government's plans to introduce a new law, tentatively named the 'Law on Industrial Zones and Economic Zones.'

Trung stated that the ministry had submitted the proposal to the Ministry of Justice for appraisal, awaiting feedback to finalise the draft law.

He outlined six policy groups aimed at promoting the development of industrial parks and economic zones, aligning with Vietnam's industrialisation, modernisation needs, and global trends like green, digital, and circular economies.

Firstly, policies supporting industry linkages and clusters within these zones were proposed to be expanded on a larger scale.

Secondly, specialised industrial parks such as supporting, high-tech, and eco-industrial parks were identified for targeted support due to their unique characteristics and contribution to innovation. The third group focused on developing modern, smart industrial parks to attract investments in emerging fields like digital and green economies, alongside energy-efficient practices.

The fourth group emphasised the integration of urban complexes within industrial parks, catering to both industrial and residential needs, promoting social services, and enhancing the quality of life for workers and residents.

The fifth group aimed at providing additional incentives, including tax breaks and financial support, particularly for businesses operating within specialised industrial zones. This measure aims to stimulate investment and foster the growth of these industrial parks.

Lastly, Trung highlighted the importance of revising administrative procedures to create a more favourable investment climate. These adjustments seek to streamline processes, enhance investor confidence, and improve the overall business environment nationwide.

Overall, these policies aim to facilitate industrial growth, create employment opportunities, and support economic restructuring, while also enhancing the investment environment and ensuring sustainability across Vietnam's industrial zones and economic sectors.

Source: fibre2fashion.com– Apr 08, 2024

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Bangladesh: Garment exports to US show signs of recovery

Garment export to the United States, Bangladesh's single largest market, is showing signs of a rebound on the back of a revival of the world's largest economy, consumers opening up their wallets, and falling inflation.

In 2023, apparel shipment to the US from the country fell 25 percent. The decline narrowed to 19.24 percent in the first two months of 2024, data from the Office of Textiles and Apparel (OTEXA), a body under the American Commerce Department, showed.

"Apparel export to the US will continue to grow in the coming months and the volume may cross the $10-billion mark at the end of 2024," said Faruque Hassan, the immediate past president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

US clothing retailers and brands imported fewer apparel items from all over the world in the last two years due to unsold inventories as stocks piled up amid lower consumption during the peak of the coronavirus pandemic.

The trend persisted last year because the severe fallout of Covid-19 and the Russia-Ukraine war sent inflation to a multi-decade high, eroding the purchasing power of consumers.

The sales started to pick up in November last year and inventories ran out, leading to a rise in orders for goods from Bangladesh and other countries.
"Garment export to the US fell almost every month last year and it went up from the beginning this year," said BGMEA's Hassan.
Garment export to the US stood at $1.18 billion in January and February. The collective shipments of textiles and garments were $1.21 billion, a slip of 18.88 percent.

Among all garment-exporting nations, Bangladesh holds the third position in the US, trailing China and Vietnam. However, the country is the top denim exporter to the US.

Bangladesh has emerged as an attractive sourcing destination for US retailers and brands thanks to competitive pricing and a higher capability for executing orders, which has boosted their confidence, according to exporters.

The National Retail Federation (NRF), the largest trade body for retailers in the US, stated in a forecast on March 20 that retail sales will increase between 2.5 percent and 3.5 percent in 2024, reaching between $5.23 trillion and $5.28 trillion. This is due to the continued resilience of consumers powering the American economy.

In a press release, NRF President and CEO Matthew Shay said, "The resilience of consumers continues to power the American economy, and we are confident there will be moderate but steady growth through the end of the year."

"Successful retailers offer consumers products and services when, where, and how they want to shop, at prices they are willing to pay."

The 2024 sales forecast compares with a 3.6 percent annual sales growth of $5.1 trillion in 2023. The 2024 forecast aligns with the 10-year pre-pandemic average annual sales growth of 3.6 percent.

Non-store and online sales, which are included in the total figure, are expected to grow between 7 percent and 9 percent year-over-year, reaching a range of $1.47 trillion to $1.50 trillion. This compares with non-store and online sales of $1.38 trillion in 2023.

NRF projects full-year GDP growth of around 2.3 percent, a slower pace than the 2.5 percent in 2023, but strong enough to sustain job growth.

Inflation is also expected to moderate to 2.2 percent on a year-over-year basis, due to a cooling economy, the labour and product market coming into better balance, and retreating housing costs.
"The economy is primarily supported by consumers who have shown much greater resilience than expected, and it's hard to be bearish on the consumer," said NRF Chief Economist Jack Kleinhenz in the press release. "The question for 2024 ultimately is, will consumer spending maintain its resilience?"

Kleinhenz also noted rising home and stock prices in 2023 likely stimulated greater consumer spending via the so-called wealth effect, and this should continue in 2024.

"Several surveys reveal that consumers appear to have a favourable outlook, which should also support their willingness to spend. However, many consumers are feeling a pinch from tighter credit and inflation."

Source: thedailystar.net– Apr 07, 2024

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Bangladesh: New BGMEA chief takes charge

SM Mannan (Kochi), the newly elected president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), yesterday took the charge of the association as the president for 2024-26 tenure.

Mannan is replacing Faruque Hassan.

The outgoing board of directors handed over the responsibility to the new board at the 41st annual general meeting (AGM) held at the BGMEA Complex in Uttara yesterday, according to a statement from the trade body.

The audited accounts of the BGMEA for the year 2022-2023 were adopted and the budget for 2023-2024 was approved in the AGM.

The other new office bearers of the BGMEA are: Syed Nazrul Islam, first vice president; Khandoker Rafiqul Islam, senior vice president; Arshad Jamal (Dipu), vice president; Md Nasir Uddin, vice president (finance); Miran Ali, vice president; Abdullah Hil Rakib, vice president; and Rakibul Alam Chowdhury, vice president.

The Sammilito Parishad, led by Kochi, achieved a clean sweep by securing all 35 directorship positions -- 26 in Dhaka and 9 in Chittagong -- in the BGMEA elections held on March 9.

Source: thedailystar.net– Apr 07, 2024

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Pakistan: APTMA proposes plan to address challenges in the textile industry

In the pre-budget seminar organised by the Commerce Ministry, All Pakistan Textile Mills Association (APTMA) put forward a comprehensive plan to address the challenges hindering its growth and competitiveness. Central to this plan is the overhaul of existing power tariffs to reduce industrial costs and foster sustainability.

One key proposal involves eliminating cross subsidies and stranded costs in the current power tariff structure, which could potentially decrease the industrial tariff from 14 cents per unit to 9 cents per unit. Additionally, APTMA recommended implementation of business-to-business (B2B) electric power contracts to secure green energy at competitive rates, with an upper cap of 1,000 MW/annum to manage financial implications effectively.

Recognising the importance of transitioning to green energy, APTMA proposed increasing the cap on solar net-metering for industrial consumers from 1 MW to 5 MW. This move aligns with global sustainability trends and could bolster the country's export competitiveness, particularly in light of impending green regulations such as the EU's Carbon Border Adjustment Mechanism (C-BAM).

Highlighting challenges such as prohibitive energy costs, delays in tax refunds, and unfavorable duty structures for key raw materials, APTMA emphasised on the need to rationalise tax rates, deepening the stock market, and incentivizing exports.

Furthermore, the association called for the establishment of a dedicated entity to ensure the effective enforcement of sustainability standards, especially following the devolution of functions to the Trade Development Authority of Pakistan (TDAP).

APTMA also urged the industry to shift its focus from cotton to man-made fiber (MMF) textiles. This involves removal of import duties on raw materials such as Purified Terephthalic Acid (PTA) and Polyester Staple Fiber (PSF) to stimulate MMF production and diversify the export basket.

Additionally, the association proposed measures to remove import duties on recycled polyester and zero-rating duties on dyes and chemicals essential for downstream industries.

In the realm of machinery and equipment, the industry called for the withdrawal of customs duties on industrial spare parts and gas generators to promote sustainable energy practices and enhance international competitiveness.

Finally, the association advocated for expanding the scope of the Export Facilitation Scheme (EFS) to cover the entire value-added chain of the textile sector and revising provisions to facilitate indirect exporters in the Sales Tax Return process.

Source: fashionatingworld.com– Apr 06, 2024

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Pakistan: Exports to US decline 10pc to $3.63bn

Pak-istan's merchandise ex--ports to the United States fell 10.14 per cent to $3.63 billion in the first eight months of the current fiscal year from $4.04bn over the corresponding period last year.

The fall is mainly attributed to a dip in exports of textiles and clothing to North America, according to data compiled by the State Bank of Pakistan.

Contrary to this, Pakistan's exports to China increased by 42pc to $1.895bn in July-February FY24 from $1.334bn over the corresponding period last year. It is estimated that during FY24, Pakistan's exports to China will reach $3bn by the end of June this year.

According to PBS data, Pakistan's exports to the US stood at $5.17bn in FY23, which fell by 23.28pc from $6.74bn over the previous fiscal year. In FY24, Pakistan's exports to China stood at $2.22bn, dipped by 30pc from $3.18bn in FY22.

According to PBS report, the US remained Pakis-tan's biggest export destination in FY23. Shipments to the US decreased moderately, comprising 19pc of Pakistan's overall exports in FY23, down from 21pc the previous year.

The share of exports to China declined from 10pc to 8pc in the year under review. Meanwhile, the export figures to the United Kingdom, the Netherlands, Germany, Spain, and the United Arab Emirates remained relatively stable compared to the previous year.

These seven countries collectively accounted for 55pc of Pakistan's total exports in FY23, a slight decrease from 57.3pc in the previous year. The decline was particularly notable in key core markets such as the US, China, and the UK. The primary factor hindering exports was the slowdown in major importing economies, which was exacerbated by stringent monetary policies responding to high inflation and the ongoing Russia-Ukraine conflict.

It said that home textile exports have dropped due to lower demand in the European Union, the US, and the UK.

The fall in exports can be attributed to several key factors. These include a shortage of capital, which has hindered businesses' ability to invest in their export operations. Additionally, there have been issues with refunds, such as delays in receiving sales tax refunds, deferred sales tax payments, and income tax refunds.

Imports from the US also dropped 17.36pc to $1.19bn during July-February from $1.44bn a year ago. In FY23, imports from the US also dipped 45.64pc to $2.18bn compared to $4.02bn in the same months last year.

Source: dawn.com– Apr 07, 2024

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NATIONAL NEWS

India targets $600 billion textile exports by 2047, aims to create $1.8 trillion domestic market

New Delhi: India is working on an ambitious target to achieve $600 billion of textile exports by 2047 from $44 billion in FY22 and the domestic market to grow to $1.8 trillion from $110 billion in 2022, led by a surge in fast fashion and growth in ecommerce.

The textiles ministry is formulating its Vision 2047 based on five thematic pillars-research & innovation; infrastructure, trade & investment; marketing & brand promotion; skilling & quality and sustainability.

"One workshop has taken place with the stakeholders. Discussions are on to have ambitious but realistic targets," said a person aware of the deliberations.

As per initial discussions, the exports of apparel and made ups could cross $350 billion by 2047 and those of technical textiles could be around $85 billion. For the domestic market, apparels could grow to $1.2 trillion and technical textiles to around $460 billion.

Industry has raised challenges of raw material for achieving the $350 billion export aim for apparels besides the need for an investment policy for textiles and a mission mode plan for supply augmentation.

Promotion of domestic brands and suppliers as global champions and a mission on quality entailing the enhancement of productivity of natural fibres are being deliberated as part of the plan.

Focus could also be given to indigenous machinery manufacturing, self-reliance in high-tech and high value exports and a self sustaining indigenous supply chain.

Moreover, milestones for 2030 are also under consideration wherein domestic market is seen growing to $250 billion by 2030 and exports to $100 billion.

The vision includes making India a global leader in sustainable manufacturing with 30% share of global recycled fibres and setting up a new segment of the value chain-textiles recycling and waste management.

Developing textiles knowledge hub and centres of excellence for national tech creation and sharing of intellectual property rights are also being discussed.

2047 would be the 100th year of India's Independence.

Source: economictimes.com– Apr 07, 2024

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RBI economic surveys point to optimistic growth outlook

Reserve Bank of India's forward looking surveys indicate improving macro economic sentiments across various segments.

Services sector firms assessed further improvement in overall business situation, job landscape and their turnover during the fourth quarter of 2023-24. While enterprises gauged higher cost pressures stemming from input costs, pressures from salary outgo and cost of finance, however, moderated during the quarter.

Respondents were more upbeat on the overall business situation and their turnover, as well as both full-time and part-time employment conditions during April-June 2024. Service sector enterprises remain highly positive on availability of finance and expect it to improve further in the ensuing quarter.

'Highly optimistic'

Infrastructure players were optimistic about the overall business situation, turnover and employment conditions in the first quarter of 2024-25 though the expectations were somewhat tempered when compared to the previous survey round.

Respondents remain highly optimistic about demand and employment conditions till Q3:2024- 25. But a majority of firms anticipated further rise in input costs and selling prices till end-2024.

Bankers assessed sustained loan demand across major sectors during Q4:2023-24. Bankers expressed continued optimism on overall loan demand conditions during Q1:2024-25, albeit a tad below that in the previous quarter, which was a seasonal peak. But bankers remain upbeat on loan demand across major sectors up to end 2024.

Another survey of professional forecasters on macroeconomic indicators has assigned the highest probability of real GDP growth in the range of 6.5- 6.9 per cent for both the years 2024-25 and 2025-26. Annual growth in real private final consumption expenditure (PFCE) and real gross fixed capital formation (GFCF) for 2024-25 are expected at 6.0 per cent and 8.4 per cent, respectively.

Industrial outlook

In the industrial outlook survey, manufacturers reported better demand conditions in their assessment of production, order books, capacity utilisation and overall business situation for Q4:2023-24. Manufacturers remained optimistic on demand conditions in Q1:2024-25, with well over half of the respondents reporting rise in production, order books and overall business situation; the optimism was, however, lower when compared to that in the previous quarter, which is partly seasonal.

The bi-monthly inflation expectations survey of households showed that inflation expectations for both three months and one year ahead moderated by 20 basis points (bps) each to 9.0 per cent and 9.8 per cent, respectively; their perception of current inflation, however, remained unchanged at 8.1 per cent. The share of households expecting overall prices and inflation to increase over the next three months and one year moderated for general prices as well as for most of the product groups when compared to the previous survey round.

Notable improvement

The consumer confidence survey for the year ahead improved further on the back of higher optimism in all CCS parameters; higher optimism resulted in the future expectations index (FEI) rising further by 2.1 points to 125.2 – also its highest level since mid-2019. Households' sentiments on the general economic situation and employment prospects recorded notable improvements for both the current period as well as the upcoming year; in synchrony, their outlook on discretionary spending improved.

Economist survey projects annual growth in real private final consumption expenditure (PFCE) and real gross fixed capital formation (GFCF) for 2024-25 are expected at 6.0 per cent and 8.4 per cent, respectively, Bankers expressed continued optimism on overall loan demand conditions, Services and Infrastructure Outlook Survey indicate d further improvement in overall business situation, job landscape and their turnovers, Consumer survey assessed better income situation compared to a year ago and expected further rise in income in the year ahead; Manufacturers reported better demand conditions in their assessment of production, order books, capacity utilisation and overall business situation.

Source: thehindubusinessline.com– Apr 07, 2024

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Need to introduce 12% single rate GST system at the earliest, says Vijay Kelkar, Chairman of 13th Finance Commission

The next government at the Centre must at the earliest introduce a single GST rate system of 12 per cent across the country, Vijay Kelkar, who was Chairman of the 13th Finance Commission, has suggested.

Also, the new dispensation should go in for a constitutional amendment to ensure equitable sharing of GST proceeds with the Centre, States and the local governments such as municipal corporations, he said. A constitutional amendment will also be required to create the Consolidated Fund for the Third Tier Government, according to Kelkar.

“Equitable sharing of the GST with the Third Tier will go a long way in strengthening the fiscal base of our urban governments and also to deepen democracy and governance at the grassroots level”, Kelkar said after receiving the 4th TIOL Fiscal Heritage Award 2023 here.

India is moving towards a seven-phased general elections beginning from April 19 and slated to end on June 1. Kelkar, who was former Finance Secretary and N K Singh, Chairman of 15th Finance Commission were conferred with the TIOL Fiscal Heritage Award 2023. Renowned economist Jagdish Bhagwati was Conferred the Kautilya Global Award 2023 in the capital on Saturday.

All the awards, instituted by tax platform Taxindiaonline.com (TIOL), were handed over to the awardees by the former President of India, Ram Nath Kovind.

Kelkar, who played a pioneering role as a bureaucrat in framing the initial GST architecture during his stint at the Finance Ministry, highlighted that the plethora of GST rates (current system has five different rates besides the compensation cess on certain goods) has made the Indian GST system unnecessarily complex.

“In most of the developed and emerging market economies as well, there is a policy of single GST or VAT rate on the goods and services. The countries having a single rate and simple GST or VAT laws have been successful in optimising the tax revenue and minimising tax disputes”, Kelkar said.

The ages old tax policy of having a differential tax rate for ‘must have’ and ‘nice to have’ goods and services should be done away with, he added. In fact, very early in the GST debate, a single rate of 12 per cent was recommended by the 13th Finance Commission, which gave its award for the period 2010-15.

India’s gross Goods and Services Tax (GST) revenues hit their second highest level of ₹1.78 lakh crore in March, 2023. This was much higher than the monthly average collection level of ₹ 1.68 lakh seen in 2023-24. In 2022-23, the average monthly collection stood at about ₹ 1.5 lakh crore.

Kelkar highlighted that India is currently rapidly urbanising and the Urban India will need to make maximum contribution to India’s economic growth, rapid employment generation and strengthening of its technological prowess to compete successfully with the major global powers. “Our urban economy requires much more efficient infrastructure and greater supplies of the local public goods. Unfortunately, our urban local bodies are woefully short of the needed fiscal base to undertake investments for the supplies of needed high quality public goods”, Kelkar said.

He also suggested the creation of an independent Secretariat for the GST Council. “ It is understandable that in the formative decade of the GST Council, the Union Finance Ministry provided the support through making available the services of the Union Revenue Secretary as the Head of the GST Secretariat.

It is, however, possible that the state governments, who are also the members of the GST Council with equal rights, may not always feel that the present administrative arrangement is neutral and unbiased in terms of its support or the advice it offers to the GST Council”, Kelkar said. He also highlighted that all the local bodies now elect atleast one-third women as the elected officials. “Sharing of the GST with the local bodies can profoundly improve the local governance. Making available resources by GST sharing with the local bodies led by growing number of women leaders will vastly improve the governance of all local bodies and also improve our urban infrastructure and supply of quality public goods”, Kelkar said.

Source: thehindubusinessline.com– Apr 07, 2024

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Europe is the saving grace for declining Indian exports in 2023

Despite tough economic conditions, Europe provided a modest boost to Indian merchandise exports during the calendar year 2023, even as overall shipments from the country contracted.

Exports to Europe, comprising 27 European Union (EU) countries, four European Free Trade Association (EFTA) nations, and seven other countries, witnessed 2 per cent growth year-on-year (Y-o-Y) at $98 billion during 2023, while merchandise exports saw a 4.8 per cent contraction in the year.

The increase, even though modest, came even as the region was nearly hit by recession and recorded tepid economic growth.

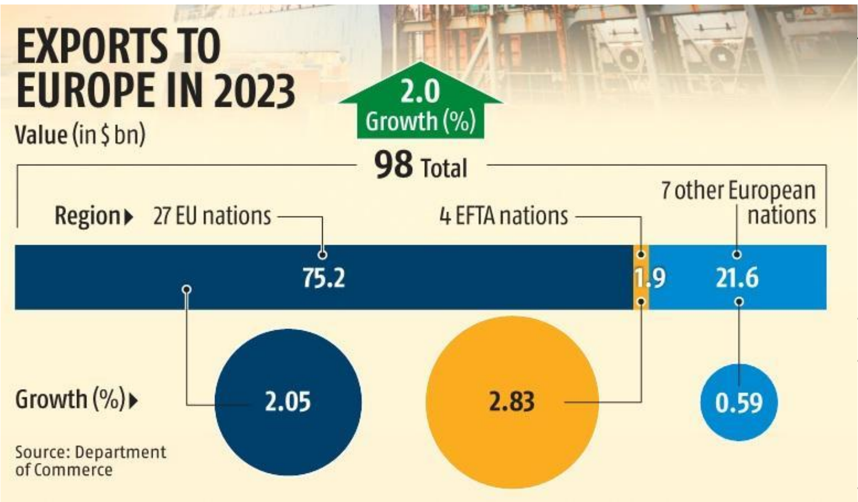
“Indian exporters shouldn’t shy away from exporting goods to Europe, which is India’s largest export market region-wise,” a government official told Business Standard.

Exports to the EU saw 2.05 per cent Y-o-Y growth at $75.18 billion in 2023, while those to the EFTA came in at $1.88 billion, up 2.8 per cent.
Other European countries, including large markets such as the United Kingdom (UK), Turkey, and five other countries, imported goods worth $21.56 billion from India, up 0.59 per cent.

The increase in exports to the following countries was robust: The United Kingdom (10.72 per cent), Switzerland (3.09 per cent), the Netherlands (24.57 per cent), Romania (116.85 per cent), the Czech Republic (25.51 per cent), Austria (4.43 per cent), Hungary (0.43 per cent), Norway (1.87 per cent), among others.

This was driven by demand for products such as pharmaceuticals, textiles, petroleum products, engineering products, machinery, as well as chemicals, the government data showed.

The jump was the sharpest in the case of the Netherlands. Exports grew by a fourth to $23.11 billion. The UK also saw growth of almost 11 per cent to $12.42 billion.



Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO), said one of the reasons that drove the growth was the ongoing free-trade agreement (FTA) talks with the EU and UK.

"Because of the FTA talks, exporters are keen to look into the EU and the UK market. In the hope of the UK FTA, exporters have started building trade relationships with businesses in these countries and even started exporting. Secondly, we have been able to increase our petroleum exports to Europe in 2023. Otherwise, many economies are in depression. Considering that, growth has been encouraging," Sahai.

However, India's otherwise big markets in the EU, such as Belgium, France, Germany, and Spain witnessed a contraction, indicating that growth was uneven.

The contraction can be attributed to the overall trend in most of the advanced economies of tepid demand largely due to inflation triggered by high interest rates.

Exports to Belgium contracted 18.13 per cent at $7.97 billion, while those to Germany fell 7.58 per cent to $9.67 billion. In the case of France, the dip was 10.8 per cent at $7.12 billion, with a contraction in exports to Spain at 3.88 per cent at $4.62 billion.

Source: business-standard.com– Apr 07, 2024

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PMO asks commerce min to examine model text of bilateral investment treaty

The Prime Minister's Office (PMO) has asked the commerce ministry to examine the model text of the bilateral investment treaty (BIT) and suggest modifications to further improve the ease of doing business, according to sources.

The exercise assumes significance as only seven countries have accepted the existing model text treaty, and most of the developed nations have expressed their reservations on the text with regard to provisions like the resolution of disputes.

These investment treaties help in protecting and promoting investments in each other's countries.

These pacts are important as India has earlier lost two international arbitration cases against British telecom giant Vodafone and Cairn Energy plc of the UK over the retrospective levy of taxes.

Sources said an internal discussion will be held on the model text of the treaty on Monday in the commerce ministry with experts and lawyers.

"There will be a presentation in the meeting. We are having an internal discussion on the issue. The PMO is looking into it and has asked the commerce ministry to provide a third-party perspective on the model text," they said.

Although BIT is the subject matter of the finance ministry, the commerce ministry will try to elicit the views of the third party and suggest ways for consideration to higher authorities.

Investment facilitation is one of the chapters in the free trade agreement being negotiated by the commerce ministry.

The treaty is a key sticking point between India and the UK, as both countries are negotiating a free trade agreement and BIT.

According to experts, the four-European nation bloc EFTA (Iceland, Liechtenstein, Norway, and Switzerland) would also demand BIT.

India and the European Free Trade Association (EFTA) on March 10 signed a free trade agreement under which New Delhi received an investment commitment of USD 100 billion in 15 years from the grouping while allowing several products, such as Swiss watches, chocolates and cut and polished diamonds at lower or zero duties.

Economic think tank GTRI (Global Trade Research Initiative) has stated that as India aims to become the third-largest economy, it needs to align its treaties with global investment practices, address the negative perception caused by the mass treaty cancellations and reflect on its negotiation skills.

It has said India has cancelled 77 of its over 80 BITs by 2016, as they didn't align with its interests.

"Now, it is renegotiating with 37 countries using the restrictive 2016 Model BIT, which may lead to protracted negotiations due to its narrow 'investment' definition, vague terms, omission of principles like 'fair and equitable treatment', and Most-Favoured Nation status," GTRI co-founder Ajay Srivastava has said.

According to Srivastava, the model BIT demands investors seek local solutions for at least five years before arbitration, making new BITs challenging for other countries.

Finance Minister Nirmala Sitharaman, in her interim Budget speech on February 1, has said that India is negotiating bilateral investment treaties with different countries.

Source: business-standard.com– Apr 07, 2024

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India-Singapore bilateral trade grows 18.2% to $35.6 bn in FY 2022-23

The bilateral trade between Singapore and India rose to $35.6 billion in 2022-23, a growth of 18.2 per cent on the year, a senior diplomat at the Indian High Commission here said on Saturday.

Singapore is India's eighth largest trade partner (2022-23), with a share of 3.1 per cent of India's overall trade, T Prabakar, the First Secretary (Commerce) at the high commission said.

He was addressing the Institute of Company Secretaries of India (ICSI) Third International Conference being held in Singapore from April 5-6.

Trade between Singapore and India saw a growth of 18.2 per cent in the year and rose to $35.6 billion in 2022-23, Prabakar said.

Our imports from Singapore in FY 22-23 were $23.6 billion, a growth of 24.4 per cent, and exports to the city-state totalled $12 billion, up 7.6 billion in the previous financial year," he told some 100 delegates at the conference.

In terms of India's exports, Singapore is the sixth largest export destination in the world, and in terms of imports, the city-state is the eighth largest source for India globally during 2022-23.

It is not only in merchandise trade that India-Singapore ties are growing, Prabakar said, adding that FDI (foreign direct investment) equity inflows into India from Singapore during 2022-23 stood at $17.2 billion.

The cumulative FDI inflows from Singapore to India stood at $155.612 billion from April 2000 to December 2023, accounting for 23 per cent of the total FDI flows into India, he said.

Giving an overview of India-Singapore relations, Prabakar pointed out that Singapore is also amongst India's largest sources of External Commercial borrowings.

He also highlighted a wide range of strategic cooperation between the two nations in new fields, such as technologies, AI and green energy.

The two-day conference discussed a wide range of trade and technology issues, with ICSI members seeking insights into Singapore's law related to businesses that can be complementary to corporate and small enterprises in India.

Source: business-standard.com– Apr 07, 2024

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Labour codes may top new govt's 100-day plan

The pending implementation of streamlined labour codes could top the 100-day agenda of a new government led by the Bharatiya Janata Party (BJP) after the general election, said people with knowledge of the matter.

A shift toward 'living wages' from 'minimum wages', social security for all unorganised workers and measures to improve women's workforce participation are also likely to figure on the short and mediumterm agenda of a BJP-led regime, as per plans the labour ministry is working on.

A senior government official told ET the plan is to roll out the labour codes from the beginning of the next fiscal year on April 1, 2025, to sync it with the business cycle. "However, it is important to come up with the rollout plan in advance so that enterprises get enough time to prepare for the changes that will come in with the codes," the official said.

The government has already begun working on possible challenges and is deliberating on how to monitor implementation.

"Work is going on to make social security organisations under the labour ministry, including the Employees' Provident Fund Organisation and the Employees' State Insurance Corporation, receptive to the changes under the codes," the official said.

Slow Progress Made by States

The Codes on Wages was passed by Parliament in 2019 while the Social Security Code, Industrial RelationsCode and the Code on Occupational Safety, Health and Working Conditions were passed in 2020.

The pandemic and slow progress by states on framing rules have delayed implementation of codes — labour is on the concurrent list. Also, some unions are critical of the provisions as being anti-worker.

The four labour codes are aimed at "strengthening the protection available to workers, including unorganised workers in terms of statutory minimum wage, social security and healthcare of workers," according to the government.

Other focus areas

The ministry had earlier this year issued an advisory for employers to promote female workforce participation and is eyeing more interventions in this respect. It's in discussions with the stakeholders to identify steps that could boost this metric. Work is also ongoing to prepare the ground for a switch to 'living wages' from 'minimum wages'.

The labour ministry is in talks with the International Labour Organization to arrive at this, ET reported on March 25. The ministry has also initiated work on extending some form of social security to all unorganised workers through the e-Shram portal under its vision of universal social security.

The government is of the view that labour reforms will play a significant role in attracting investments in manufacturing and achieving the vision of Aatmanirbhar Bharat, officials said.

Source: economictimes.com– Apr 08, 2024

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