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Currency Watch			
USD	EUR	GBP	JPY
83.14	89.88	105.49	0.53

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INTERNATIONAL NEWS

UK economy hitting soft landing, growth recovery expected in 2024: IMF

The UK economy is approaching a soft landing, with a recovery in growth expected in 2024, strengthening in 2025, according to the International Monetary Fund (IMF), which recently concluded discussions for its 2024 Article IV Consultation with the country.

Growth was 0.6 per cent quarter on quarter (QoQ) in the first quarter (Q1) this year, marking a stronger-than-expected exit from the technical recession in the second half last year, which left full-year growth at 0.1 per cent.

Real gross domestic product (GDP) growth is now projected at 0.7 per cent this year—a slight upgrade from the 0.5 per cent from the April forecast—before rising to 1.5 per cent in 2025 as disinflation buoys real incomes and financial conditions ease, IMF said in a statement following the mission.

Longer-term growth prospects—unchanged from the April forecast—remain subdued due to weak labour productivity and somewhat higher than expected inactivity levels due to long term illness, only partly offset by higher migration numbers.

Disinflation has advanced faster than expected. Headline and core consumer price index (CPI)-based inflation stood at 3.2 per cent and 4.2 per cent year on year (YoY) respectively in March this year, having declined rapidly due to stronger energy and imported goods price deflation, and the impact of restrictive monetary policy, the IMF said.

Some upward pressure on inflation is expected in the second half of the year as base effects from lower energy prices wane, but a durable return to the Bank of England's 2-per cent target is forecast by early 2025.

Risks to growth and inflation are balanced. Inflation could be lower (and growth higher) if favorable second-round effects from falling energy prices are stronger and permit earlier and larger rate cuts.

Inflation and growth could both be lower if domestic demand does not pick up as expected and the savings rate remains elevated.

The United Kingdom should continue its cautious approach to industrial policy, while maintaining its open trade orientation, the IMF suggested.

Source: fibre2fashion.com– May 23, 2024

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Exporters more optimistic in 2024, global trade likely up 2.8%: Survey

Exporters are more optimistic this year and 82 per cent of companies said they expect business turnover generated through exports to rise, according to the Allianz Trade Global Survey 2024 covering 3,000 companies in China, France, Germany, Italy, Poland, Spain, the United Kingdom and the United States.

The figure was 70 per cent in the 2023 survey.

Exporters this year are also more concerned with geopolitical risks, shortages of inputs and labour, and financing and non-payment risks.

While last year, 70 per cent of corporates expected turnover growth and the year ended up with a trade recession, this year nearly 40 per cent expect a significant increase of more than 5 per cent in 2024 (twice as much as last year) and 80 per cent of respondents expect export prices to continue to rise this year.

The overall forecasts in the survey are quite conservative: global trade is expected to increase by 2.8 per cent in value terms, below the long-term average of 5 per cent, reflecting the risk of disruptions in global shipping like the Red Sea crisis, as well as the many trade wars looming on the horizon.

This year, risks related to politics and protectionism come up as the top risk by companies in the survey overall (at 73 per cent).

Furthermore, exporters still seem concerned with the shadow of supply chain disruptions—31 per cent of respondents ranked transport risks among their top three risks and 28 per cent included the risk of input shortages.

Financing (20 per cent) and non-payment risks (17 per cent) also feature high among this year’s top risks. Nearly 55 per cent of companies already have to wait more than 50 days to get paid and nearly 40 per cent of exporters expect non-payment risk to rise in 2024, broadly stable compared to last year.

Concerns related to transport risk and high energy prices have significantly declined from 2023, except for German exporters.

One in two companies is considering relocating supply chains due to increasing geopolitical concerns.

The political landscape, with elections taking place in economies that account for close to 60 per cent of global GDP, is contributing to rising geopolitical risks and increasing uncertainties. In this context, companies are in wait-and-see mode, mostly focused on upcoming national elections rather than the global political landscape, including the US elections in November.

Only 27 per cent of companies in the survey said that the US elections could pose a risk to their supply chains in the coming year or two.

Moreover, 53 per cent of respondents said they are considering relocating parts of their supply chain due to increasing geopolitical risks but fewer are actually taking concrete steps in this direction: relocating production sites does not rank among the top three out of 10 actions proposed to mitigate supply-chain disruption (except for Spanish and German exporters).

Interestingly, even fewer US companies (40 per cent) consider relocating parts of their supply chain due to increasing geopolitical risks, with sovereignty concerns and subsidies likely to be bigger motivations.

There is no evidence of a full decoupling from China yet. More than one-third of respondents plan to increase their footprint in China, while only 11 per cent plan to decrease it.

On the other hand, Chinese companies considering relocating sites or change suppliers mostly favour staying within the same region.

However, there are signs of diversification: Around a quarter of German, French and US firms see their footprint in China representing a smaller share of their global supply-chain investments going forward, preferring Asia-Pacific (especially ASEAN countries) and Western Europe.

Forty-eight per cent of US exporters that have production sites or suppliers in China would consider countries in Asia-Pacific or Latin America to diversify their supply chains.

Relocating within the same region and nearshoring seem to be the preferred trends. Only 5 per cent of respondents expect reshoring trends to reverse in the coming two years, while more than 26 per cent expect it to accelerate.

Companies are preparing to tap the potential of artificial intelligence (AI) to transform trade, but progress on greening trade is painfully slow.

Companies in Poland and China are heavily banking on AI: 79 per cent of Polish exporters and 81 per cent of Chinese ones mentioned an AI application as the most impactful digital tool on their international development, compared to about 60 per cent in other countries.

Yet, despite strong sustainability concerns and the crucial role of global trade in accelerating the green transition, there is still a long way to go: Nearly two out of three of respondents indicated that their companies would reduce carbon dioxide emissions by only a meagre 1-5 per cent in 2024, which will not be enough to reach net-zero emissions by 2050.

Source: fibre2fashion.com– May 23, 2024

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China: Cotton-yarn price spread widens, impacting mainland spinners' profitability

The price spread between cotton and cotton yarn has entered a new phase of fluctuation

Since mid-April, ZCE cotton futures fell sharply by nearly 1,700yuan/mt, while spot cotton prices dropped by about 1,000yuan/mt. According to CCF Group, cotton yarn prices declined even less, by under 700yuan/mt. As a result, the price spread between cotton and cotton yarn widened.

Since the second half of 2023, the spot price spread between cotton and cotton yarn fluctuated between 5,500-6,500yuan/mt, rarely exceeding 7,000yuan/mt. The futures price spread was even narrower, mostly within 5,000-6,000yuan/mt. Recently, due to a sharp decline in ZCE cotton futures, the futures price spread expand rapidly from around 4,900yuan/mt on April 30 to 6,000yuan/mt (May 17), an increase of 1,100yuan/mt. While the spot price spread remain steady around 6,000yuan/mt.

So, how have spinners' profits been affected by the recent declines?

From late 2022 to Q1 2023, both mainland and Xinjiang spinners had decent cash flow, but it declined gradually afterward, turning negative for mainland spinners in the latter half of the year. Despite some improvement compared to late 2023, mainland spinners' cash flow remains unsatisfactory this year.

Meanwhile, Spinners in Xinjiang maintain a cash flow exceeding 1,000yuan/mt, significantly outperforming the mainland. This discrepancy has weakened the competitiveness of mainland spinners, prompting significant production cuts, shutdowns, and shifts in product lines, which are more extensive this year. This ongoing transformation signals a continued move away from cotton in mainland China, expected to persist into the next year.

Source: ccfgroup.com– May 24, 2024

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China's online retail sales rise 11.5% to $620.52 bn in Jan-April

China's online retail sector experienced robust growth in the first four months of 2024, with sales rising by 11.5 per cent year-on-year to reach 4.41 trillion yuan (approximately $620.52 billion) according to latest update by the ministry of commerce. This surge in online retail is attributed to the continuous boost in consumption from emerging growth forces.

The ministry highlighted that online sales of physical goods saw an 11.1 per cent increase compared to the same period last year, amounting to 3.74 trillion yuan. This segment contributed 23.9 per cent to the total retail sales of consumer goods in China, underlining the significant impact of e-commerce on the nation's retail landscape.

Source: fibre2fashion.com– May 23, 2024

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Germany's producer prices for industrial products decline in April

Germany's producer prices for industrial products experienced a notable decline in April 2024, with prices dropping by 3.3 per cent compared to April 2023, according to the Federal Statistical Office (Destatis). This marks a further decrease from the 2.9 per cent year-on-year (YoY) decline observed in March 2024. However, on a month-to-month (MoM) basis, producer prices in April 2024 saw a slight increase of 0.2 per cent compared to March 2024.

The primary factor contributing to the YoY decline in producer prices was the continued decrease in energy prices. In April 2024, energy prices were 8.2 per cent lower than in April 2023 and experienced a marginal drop of 0.1 per cent compared to March 2024. The significant reduction in natural gas and electricity prices had the most substantial impact on the overall decrease in energy prices.

Excluding energy prices, producer prices in April 2024 were 0.6 per cent lower than in April 2023, but 0.3 per cent higher compared to March 2024. Intermediate goods prices also saw a decrease, being 3.1 per cent lower in April 2024 than a year earlier, though they increased by 0.3 per cent from the previous month.

In contrast, consumer goods prices exhibited a different trend. Non-durable consumer goods were 0.3 per cent more expensive in April 2024 compared to April 2023, with a MoM increase of 0.4 per cent. Durable consumer goods also saw a price rise of 1 per cent YoY and a slight increase of 0.1 per cent from March 2024.

Source: fibre2fashion.com– May 24, 2024

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Turkish central bank maintains policy rate at 50%

The Monetary Policy Committee of the Turkish central bank has decided to keep the policy rate, the one-week repo auction rate, constant at 50 per cent.

April saw a limited decline in the underlying trend of monthly inflation. Recent indicators, however, point to a slowdown in domestic demand compared to the first quarter. This slowdown comes amid an increase in consumption goods imports in April, which has limited the improvement in the current account balance. Despite these trends, high levels of services inflation, persistent inflation expectations, geopolitical risks, and rising food prices continue to exert inflationary pressures, the Committee said in a press release.

The Committee, chaired by Governor Yasar Fatih Karahan and comprising members Osman Cevdet Akcay, Elif Haykir Hobikoglu, Hatice Karahan, and Fatma Ozkul, is closely monitoring the effects of monetary tightening on credit conditions and domestic demand. Due to the lagged effects of previous monetary tightening, the decision was made to keep the policy rate unchanged. However, the Committee remains vigilant regarding inflation risks. The current tight monetary stance will be maintained until a significant and sustained decline in monthly inflation is observed, and inflation expectations align with the projected forecast range.

The Committee has indicated that the monetary policy stance will be tightened further if a significant and persistent deterioration in inflation is foreseen. A decisive approach towards a tight monetary stance is expected to bring down the underlying trend of monthly inflation through moderation in domestic demand, real appreciation in the Turkish lira, and improvement in inflation expectations. This strategy is projected to establish disinflation in the second half of the year.

As part of efforts to simplify the macroprudential framework and enhance market functionality, the securities maintenance practice has been terminated. With recent developments in credit growth and deposits in mind, additional measures will be implemented to preserve macro financial stability and support the monetary transmission mechanism. The excess liquidity arising from the increased domestic and foreign demand for Turkish lira financial assets will be sterilised through additional measures.

Considering the lagged effects of monetary tightening, the Committee will ensure that monetary and financial conditions necessary for a decline in the underlying trend of inflation and the achievement of the medium-term 5 per cent inflation target are established, the release added.

Source: fibre2fashion.com– May 23, 2024

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Banks in Bangladesh see significant decline in forex holdings: Reports

The volume of foreign currencies held by Bangladesh's commercial banks hit a 14-month low in April due to increased demand, driven by a severe dollar shortage.

This is as per media reports, which added the gross foreign currency balance with the banks dropped to $5,047 million in April from $5,439 million in March and $5,559 million in December 2023.

This was the lowest level since January 2023, when it stood at $4,849 million.

In April 2023, the gross balance was $5,497 million, including nostro accounts and investments in offshore banking units.

The shortage of US dollars has become a significant challenge for the country, affecting both commercial banks and the central bank's foreign currency reserves even as this scarcity is straining the ability to pay for imports and causing the Bangladeshi taka to weaken against the dollar.

The crisis reportedly worsened due to slowdowns in remittances, export earnings, and a drop in foreign direct investment inflows.

Export earnings in July-March of FY 2023-24 increased marginally by 3.99 per cent to $40.87 billion compared to $39.30 billion in the same period of FY23 while remittance inflow reached $19.11 billion in the July-April period of FY24, up from $17.6 billion in the same period of FY23.

To curb import surges, the government and the Bangladesh Bank have implemented measures since April 2022, including restrictions on luxury items and non-essential products. These actions reportedly led to a 15.42 per cent decline in imports in July-March of FY24 compared to the same period in the previous financial year.

The Bangladesh Bank, central bank of the country, has also intensified monitoring of imports to prevent sudden outflows of foreign currencies.

Despite efforts to address the dollar shortage, the crisis persists due to a reduction in the supply of the greenback and a drain on foreign reserves.

The central bank has been selling dollars to commercial banks, totalling more than $32.8 billion over the past 34 months. This includes $11.67 billion allocated to banks in July-April of FY24, $13.5 billion in FY23, and $7.62 billion in FY22.

However, these dollar sales reportedly have had unintended consequences – reducing the foreign exchange reserves of the Bangladesh Bank and creating a liquidity crisis in the banking sector.

Many import payments have been delayed or renegotiated due to the dollar shortage, giving banks more time to acquire the necessary foreign currencies even if the burden of the shortage is reportedly unevenly distributed among banks, with only a few holding a significant portion of the country's dollar reserves while many others struggle to meet their customers' demands for foreign currency.

As a result, the foreign currency reserves dropped to $18.2 billion on May 14, leading to a sharp rise in the exchange rate to Taka 117 from Taka 91 against the US dollar within a year.

Source: fibre2fashion.com– May 23, 2024

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Azeri-Uzbek textile ties to expand to Azeri 'liberated territories'

Azeri-Uzbek textile cooperation will expand into Azerbaijan's liberated territories, the country's minister of economy Mikayil Jabbarov recently announced.

The 'liberated territories' are the areas that Azerbaijan regained control over during the 2020 Nagorno-Karabakh war. This conflict, which lasted from late September to November 2020, was between Azerbaijan and the ethnic Armenian forces in Nagorno-Karabakh backed by the Armenian military.

These territories include parts of Nagorno-Karabakh itself as well as the surrounding seven districts—Lachin, Kalbajar, Aghdam, Fuzuli, Jabrayil, Zangilan, and Qubadli.

Significant progress has been recorded between the two countries in traditional areas like cotton growing and sericulture, and work is under way in Azerbaijan's Imishli district to set up a joint cotton cluster, Jabbarov told the second Azerbaijani-Uzbek Interregional Forum in Guba.

The Azerbaijani-Uzbek Investment Company, founded early last year, has a charter capital of $500 million. Its activities focus on promoting mutual investments, trade and overall economic partnership, thereby strengthening economic relations between Azerbaijan and Uzbekistan, Uzbek media outlets reported.

Between January and March this year, the bilateral trade turnover between the two sides was worth $142 million.

Source: fibre2fashion.com– May 23, 2024

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Singapore and Kazakhstan plan Eurasia to ASEAN trade & transit corridor

India's closest partner in SE Asia -- Singapore and Central Asia's biggest state Kazakhstan are the leading transit hubs in their regions. This is one of the reasons why the two countries are establishing close economic ties that can stimulate growth and find new business opportunities. This will also boost India's role as a link country between SE Asia and Eurasia as well as the Chabahar Port where India has gained management rights for 10 years.

Kazakhstan is developing a Trans-Caspian international transport route that will connect the vast markets of Asia and the EU. Kazakhstan's cooperation with Singapore, a major international transport and logistics center, can help both countries improve the efficiency of transport links in Asia. Singapore has arrangements with Eurasian Economic Union to boost economic presence in Eurasia.

In a world with a new geopolitical alignment, security and consistency of supply chains have become more important than ever. In this regard, Kazakhstan has enormous potential for the supply of rare earth metals, the demand for which is growing every day due to the development of green energy. These metals are also widely used in high-tech devices and electronics, in the manufacture of batteries and magnets, according to experts.

The visit of Singapore President Halimah Yacob to Kazakhstan in May 2023 once again highlighted the mutual desire of Kazakhstan and Singapore to strengthen economic ties. The meeting of the two heads of state became a platform for discussing key areas of mutual interest, including trade, investment, technology and innovation.

An important result of the visit was the signing of an Agreement on trade in services and investments within the framework of the Free Trade Agreement between the EAEU and Singapore. The document is intended to create more favorable conditions for doing business by simplifying regulatory processes and reducing barriers. The agreement gives service contractors access to markets, addresses issues of supporting young talents and lays the foundation for creating rules on investment protection.

Kazakhstan represents a wide range of investment opportunities in energy, mining, agriculture, logistics, infrastructure and waste management. The country has a stable political environment and is striving to improve its business climate in order to become an attractive destination for entrepreneurs from all over the world.

In the ranking of the ease of doing Business Kazakhstan is ranked 25th and seventh by the World Bank according to the criterion "protection of the rights of minority investors". Along with its political, social and economic stability, the country has a positive reputation in the international community and maintains relations with both neighboring China and Russia, as well as with the EU and the United States besides India.

Due to its strategically important geographical location at the junction of Europe and Asia, Kazakhstan has become a major transport hub. The country's consumer market, which has about 19.5 million people, and a per capita GDP of over $13,000 suggest extensive business opportunities, officials said.

Widely known for its rich natural resources, oil, natural gas and mineral reserves, Kazakhstan has historically attracted investors to these industries. Approximately 75% of foreign investments were in the extractive sector. Over the past three years, however, this percentage has decreased significantly, currently amounting to 52%, while the manufacturing industry has received more capital investments. The country intends to improve the technological innovation sector, which opens up new investment opportunities.

In recent years, Kazakhstan has carried out various legal reforms to simplify doing business. Special economic zones have been opened, where investors are offered unique benefits and preferences. These measures have made a significant contribution to improving the business climate, which has led to an increase in the number of foreign investors.

Kazakhstan considers Singapore as an important partner in Southeast Asia. The two countries have concluded several intergovernmental agreements aimed at strengthening trade relations and expanding economic cooperation. In 2022, the trade turnover between them exceeded $1.92 billion, which means an increase of 60% compared to the previous year ($ 1.16 billion). Compared to 2020, the growth is even more impressive -- 17 times.

Since 2011, Singapore has directly invested approximately $1.26 billion in the economy of the Republic of Kazakhstan, supporting at least 13 projects. Large Singaporean companies, including Surbana Jurong, PSA, International Cement Group and others, have already indicated their presence in Kazakhstan.

Singapore's experience in introducing innovations in areas such as finance and technology can complement the advantages of natural resources, geographical location and the developing infrastructure of Kazakhstan. For example, Kazakhstan is actively working on the digitalization of the economy and launching various initiatives that can attract investment in this sector. Singapore, a world-renowned technology hub, can help with a wealth of experience and knowledge here, opening up opportunities for cooperation in the development of e-commerce, fintech projects and smart cities.

Earlier the Governments of Kazakhstan and Singapore signed an Agreement on the Promotion and Mutual Protection of Investments, which stipulates the legislative basis for cooperation by defining guarantees for the rights of investors from the countries participating in the agreement.

Singapore has already ratified this document, the Kazakh part of the treaty is undergoing the ratification procedure, which should be completed in the near future. This agreement will also contribute to the further development of mutually beneficial trade and economic cooperation between the two states. Kazakhstan and Singapore have significant potential to create mutually beneficial partnerships in various sectors of the economy, according to experts.

Source: economictimes.com– May 23, 2024

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NATIONAL NEWS

Indian Textiles: Weaving a path to $100 bn exports by 2030

The Indian textile industry, a cornerstone of the nation's economy, has set its sights on an ambitious goal: achieving $100 billion in exports by 2030. This target marks a significant leap from the current figures. According to the Directorate General of Commercial Intelligence and Statistics (DGCIS), India's textile and apparel exports witnessed a decline in 2023-24, registering $34.4 billion compared to 35.5billion the previous year.

In fact, textiles secretary, Rachna Shah, acknowledged the recent decline in exports but is confident as she opines, "The government will accord focused attention to promote India's textiles exports...We are confident about achieving the $100 billion target by 2030." Indeed the government is undeterred, outlining a roadmap packed with strategic plans and initiatives to navigate the challenges that lie ahead.

The roadmap to textile triumph

The minister for textiles, Piyush Goyal, is confident about achieving the target and the government has a strategic plan to achieve this.

Boosting manufacturing: The Production Linked Incentive (PLI) scheme, launched in 2021, offers financial incentives to attract investments in textile manufacturing, particularly in man-made fibers and technical textiles. This scheme aims to create a more robust domestic manufacturing base and reduce dependence on imports.

Focus on exports: The government is actively pursuing Free Trade Agreements (FTAs) with key markets like the European Union and the Gulf Cooperation Council (GCC) to secure better duty access for Indian textiles. This will make Indian exports more competitive in the global market.

Skilling & upgradation: Recognizing the need for a skilled workforce, the government is investing in skilling initiatives and modernization programs. The government is investing in skilling initiatives through programs like the Textile Sector Skill Council (TSC) this will enhance productivity and quality, allowing Indian textiles to compete with international players.

Brand India textiles: Initiatives like 'Virasaat, a unique exhibition showcasing India's diverse handloom heritage, and 'My Sari - My Pride', a campaign promoting traditional saris, aim to strengthen the brand image of Indian textiles globally. India boasts a rich textile heritage with renowned regional specialties like Kanchipuram silks and Patola saris. Leveraging this heritage by promoting geographically-indicated (GI) tagged products and building a strong brand identity for Indian textiles can be a game-changer.

Challenges and counter-measures

The road to textile supremacy isn't without hurdles. Here are some key challenges and how the government plans to address them.

Competition: Competition from countries like Vietnam and Bangladesh, with lower labor costs, poses a significant challenge. Upgrading technology and focusing on value-added products can help India differentiate itself.

Infrastructure bottlenecks: Streamlining logistics and infrastructure is crucial for faster turnaround times and cost reduction. Initiatives like developing textile parks with improved infrastructure are underway.

Technological adaptation: Embracing technological advancements in areas like automation and artificial intelligence will be essential for efficiency and productivity gains.

Sustainability concerns: Growing environmental consciousness requires the industry to embrace sustainable practices throughout the textile value chain.

The Indian government's roadmap for textile exports is ambitious. While challenges abound, strategic initiatives, combined with industry efforts and innovation, can pave the way for achieving the $100 billion target. Whether India successfully threads its way to textile triumph remains to be seen, but the journey itself promises to be a fascinating one.

Source: fashionatingworld.com– May 23, 2024

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Sea freight to Europe and US to increase from June

Sending cargo to Europe and US by ships will become more expensive from June as shipping lines are introducing surcharges to meet the additional cost by routing the vessels through the Cape of Good Hope. From November, they stopped using the Suez Canal due to attacks on ships by Houthi terrorists in the region.

German shipping line Hapag Lloyd will impose a Peak Season Surcharge (PSS) of $1,000 per container from the Indian Subcontinent & Middle East to the North America West Coast. Indian Subcontinent & Middle East: India, Pakistan, Bangladesh, Sri Lanka, UAE, Qatar, Bahrain, Oman, Kuwait, Iraq, Saudi Arabia, Jordan

The PSS from India, Bangladesh, Sri Lanka to US East Coast & Gulf Coast will be $500 per Container. This will be applicable to all containers gated in full from June 17, 2024, and valid until further notice, the line said.

Denmark's Maersk will impose a surcharge of $540 per twenty foot equivalent unit from India to the US and Canada. The above rates are also subject to other applicable surcharges, including local charges and contingency charges.

Similarly, the French line CMA-CGM from June 14 (loading date) will impose a surcharge of $500 per container from Indian Subcontinent (except Bangladesh), Middle East Gulf, Red Sea & Egypt to the US East Coast & US Gulf.

The Suez Canal, a tiny strip of water that connects the Red Sea and the Meditteranean Sea, is a vital trade route. Some 19,000 ships— or one every half an hour — pass through the 193-km-long, man-made canal every year.

The circuitous route through the Cape of Good Hope adds about 6,000 nautical miles to a typical voyage from Asia to Europe and doubles the travel time to more than a fortnight, said J Krishnan of S Natesa Iyer Logistics LLP, one of Chennai's oldest custom house agents. These ships burn a million dollars worth of fuel per trip more than they would if they went via the Suez Canal.

An official of a leading leather exporting unit said the increase will hurt the trade badly. Since last October, the rates to the US have more than doubled.

Research firm Xeneta said ocean freight container spot rates have risen sharply on the world's top trades since the start of May, prompting speculation that the peak season has arrived early in 2024.

The biggest rise comes on the Far East to North Europe trade which increased by 30 per cent from April 1 ($3,349) to stand at $4,343 per FEU on May 16. This is 198 per cent higher than 12 months ago ($1,456).

From the Far East into the US West Coast, rates have increased by 29 per cent since the start of April ($3,456) to 4,468 per FEU on May 16. This is 214 per cent higher than 12 months ago ($1,422).

From the Far East into the Mediterranean, rates have increased by 22 per cent since 1 April ($4,144) to stand at $5,044 on May 16 - an increase of 100 per cent compared to 12 months ago ($2,521).

From the Far East into the US East Coast, rates have increased by 21 per cent since April 1 ($4,617) to stand at $5,584 on May 16, an increase of 129 per cent compared to 12 months ago ($2 434).

Emily Stausbøll, Xeneta Senior Shipping Analyst, said that there are numerous reasons for these rate increases, and the speed at which it has happened has caused nervousness in the market.

The demand reached record levels in the first quarter of 2024, up by 9.2 per cent compared to Q1 2023, and comes at a time when the Red Sea situation is putting increased pressure on shipping capacity.

"Many US shippers used 2023 to bring down inventory levels from the pandemic highs, which means there is likely space in newly built warehouses to frontload imports ahead of peak season and build a buffer into supply chains. The risk of having too high inventories is more palatable than the risk of having goods arrive too late," he said.

Source: thehindubusinessline.com– May 24, 2024

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Gearing up for a GVC era

India's Global value chain (GVC) participation has been slow even when several parts of East Asia integrated deeply into the global GVC network over the period starting 1980s. However, India has begun to make steady shifts in its GVC participation. These shifts align with the policy priorities of ensuring economic resilience (Atmanirbharta) while maintaining robust trade relationships with the rest of the world.

We explore some of the aspects of the evolving GVC trade in India. Increased GVC participation promotes growth, boosts productivity, and enhances job creation. According to the World Bank, a one per cent increase in GVC participation is estimated to boost per capita income levels by more than one per cent — about twice as much as conventional trade.

In what has now come to be termed as a period of 'hyperglobalisation', the early 2000s saw rapid GVC expansion worldwide. This led to exponential gains in trade, reductions in supply chain costs and deep interlinkages in trade across nations.

However, a dramatic shift occurred from "hyperglobalisation", a term coined by Subramanian, A. and others in their PIIE Working paper, to "slowbalisation" (The Economist 2019) when the world dealt with the vestiges of the 2008 global financial crisis (GFC).

Concerns about the risks and uncertainties surrounding GVCs were further amplified with shocks such as the China-US trade war, the Covid-19 pandemic and Russia-Ukraine conflict.

More recently, this trend has begun to see a reversal. WTO's GVC Development Report 2023 highlights signs of recovery in GVCs as reflected in the growing share of foreign inputs in exports and the increasing participation rates of economies worldwide.

In line with the global trend, India's GVC participation rose steadily through the 1990s and 2000s before the GFC in 2008, after which it started declining. After the lull seen in the years succeeding the GFC, India's GVC participation has begun to rev up again.

Key products driving India's GVC participation include coal and petroleum, business services, chemicals, and transport equipment. The GVC-related trade as a percentage of gross trade increased from 38.9 per cent in 2020 to 40.3 per cent in 2022. This rise in participation is possibly being incentivised through export-linked schemes such as the Production Linked Incentives, One-district-One-Product and Make-in-India.

An examination of the WTO's WITS database highlights that India's GVC-related trade increased by more than 3.5 times from $62.9 billion in 2010 to $233.1 billion in 2022. A large part of this rise has happened over the recent past. Over the years, the sectoral composition of India's GVC-related trade has also changed markedly.

Within the manufacturing sector, the share of low-technology manufacturing in GVC trade has declined over the years, while the share of medium and high-technology manufacturing has been rising. The increase in medium technology manufacturing is corroborated by the shift toward industries such as coke and petroleum, transport equipment and basic and fabricated metals.

In line with the manufacturing sector, the services sector has also witnessed a change in sectoral composition. GVC participation in services has shown a gradual maturing from low-value-added business process outsourcing (BPO) services to high-value-added services, such as those provided by global capability centres (GCCs). There has been an upstream movement in India's services GVC production in recent years, reflecting an increase in GCCs.

Forward participation of a country refers to producing and shipping raw materials and intermediate inputs (for example, yarn) for further processing and exporting by other countries (fabric), while backward participation refers to using imported intermediate inputs (imported fabrics) to produce goods that are exported (apparels).

Downstream shift

Previously, India's GVCs involved a higher level of forward participation which resulted in lower value-addition for exports within the country. However, in recent years, India has begun to move downstream, and engage in export of finished goods to the rest of the world. This can be seen in the rise in share of pure backward GVC participation from 13.8 per cent in 2019 to 16.3 per cent in 2022.

Sectors such as food and beverages, electrical and optical equipment and financial intermediation, among others, have witnessed a remarkable increase in backward GVC participation.

In contrast, the share of pure forward GVC participation (or upstream participation) in trade has declined from 19.1 per cent in 2016 to 17.6 per cent in 2022 in sectors such as retail trade; coke, refined and nuclear fuel; chemicals and basic and fabricated metals, among others.

Rising backward GVC participation bodes well for India. Latest research by Professor Veeramani and Dhir (https://shorturl.at/jixnb) shows that greater backward GVC participation results in higher absolute levels of gross exports, domestic value-added, and employment.

Despite so much progress, India's GVC participation (GVC-related trade as per cent of gross trade at 40.3 per cent in 2022) is still lower not only in comparison to large economies such as the US (43.7 per cent), UK (47.8 per cent) and Japan (46.6 per cent), but also its Asian counterparts, such as South Korea (56.2 per cent) and Malaysia (60 per cent).

To further embrace GVCs and enhance participation, there is a need to continue spending towards the development of quality trade infrastructure, integrating micro, small and medium enterprises in the GVC network, further simplifying procedures for entry and exit of small businesses; and work towards further trade facilitation measures.

Finally, it is worthwhile to note that India's GVC expansion is taking place in an era which is not exactly conducive to GVCs. Countries worldwide are embracing mercantilism. Even the EU, which was once the touted beacon of free markets, is now persuaded by protectionist policies.

For instance, in a recent address at Sorbonne University and an interview with the Economist, French President Emmanuel Macron called for reduced dependence on foreign trade. Similar sentiments have been echoed by the US, Japan, and Korea. Nonetheless, despite the rise in mercantilism, there is scope for collective country blocs to trade intensively with one another. In this context, GVCs will help build self-reliance and promote shared trade gains amongst these country blocs.

Source: thehindubusinessline.com– May 23, 2024

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Textile industry seeks measures to make available raw material at competitive prices

The Confederation of Indian Textile Industry (CITI) has urged the government to ensure availability of cotton and manmade fibre (MMF) at internationally-competitive prices to propel the Indian textile industry towards the target of $350 billion by 2030.

The government should remove import duty from all varieties of cotton, including cotton waste, and increase cotton productivity with a focus on specialised seed varieties. On the MMF front, it should exempt all fibres and yarns that are not available domestically from the scope of Quality Control Orders (QCOs).

It should also exempt inputs imported by Advance Authorisation holders, EoU and SEZ units from the mandatory QCOs issued by the Department of Chemicals and Petrochemicals (for polyester fibre/filament/yarn) on the lines of exemption provided for QCOs by the Ministry of Textiles.

"The Indian textile industry has the required capacities and skills to grow. Raw material availability at internationally competing prices can address the present stagnation in the industry and help growth of the industry,"said Rakesh Mehra, chairman CITI.

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UK's July general election: It's impact on India FTA, Indo-Pacific tilt

The prospect of an India-UK free trade agreement (FTA) has been kicked into the long grass after British Prime Minister Rishi Sunak surprised many this week with a snap summer poll on July 4, exactly a month after India's election results on June 4.

While political analysts and strategic experts have expressed confidence that very little should change on the bilateral relationship front whatever the outcome in either election, the very small window that was open for a deal being clinched by the Sunak-led Tory government has now been swept away in the election wave of both countries.

The India-UK Free Trade Agreement (FTA) negotiations opened in January 2022 and are aimed at significantly enhancing bilateral trade currently worth around 38.1 billion pounds a year.

The Opposition Labour Party, in the lead in most pre-election surveys, has committed itself to finish the job but the timelines will remain uncertain for some time.

Rishi Sunak's shock poll date announcement of July 4 has skewered any prospect of the finalisation of the long-awaited and much-anticipated FTA with India by a Conservative government, said Rahul Roy-Chaudhury, Senior Fellow for South and Central Asian Defence, Strategy and Diplomacy at the London-based think tank International Institute for Strategic Studies (IISS).

The Labour Party, widely expected to form the next government in the UK, has maintained steadfast support for such a deal, subject to an examination of the 'fine print' once it comes into office. The prospect for such a trade deal appears positive, providing an early boost to relations between the two new governments - the Labour and the widely expected third Modi government, he said.

Dr Chietigj Bajpaee, Senior Research Fellow for South Asia, Asia-Pacific Programme at Chatham House, described the FTA as a key watchpoint for its broader strategic significance in terms of deepening the bilateral relationship.

There are 26 chapters in the FTA, including goods, services, investments, and intellectual property rights.

The Indian industry is demanding greater access for its skilled professionals from sectors like IT and healthcare in the UK market, besides market access for several goods at nil customs duty.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, electric vehicles, lamb meat, chocolates, and certain confectionary items.

There should be a high degree of continuity in UK-India relations, irrespective of who wins the UK election. Under Keir Starmer's leadership, the Labour Party has tried to reset relations with India, which had deteriorated under [former leader] Jeremy Corbyn, said Bajpaee.

The UK's outreach to India also needs to be seen in the broader context of the UK's Indo-Pacific pivot. There are questions on the UK's ability to sustain this in the context of fiscal constraints and preoccupation with other foreign policy priorities - wars in Ukraine and Gaza, and reviving relations with the EU, he said.

A key aspect of this UK election will be that the country's first Indian-origin Prime Minister, who took over in the wake of political turmoil within the governing Conservative Party in October 2022, will now be taking his record at Downing Street to the voters.

The British Future think tank has already forecast that the next UK Parliament is set to be the most diverse yet based on candidate selections by the major political parties, with at least 10 more MPs of ethnic minority background being elected to the House of Commons.

While Labour is doing well overall in the polls, it's got more challenges with ethnic minority voters as it faces challenges with Muslim voters over Gaza and Palestine, said Sunder Katwala, Director of British Future.

For the Conservative Party, obviously, they have Rishi Sunak - a British Indian leader - for the first time. It's an unknown factor how much it will matter to British Indian voters that the leader of the party is from their background. The likelihood is it will be a source of some pride, especially among older voters, but it's unlikely to help with first-time and younger voters who take diversity in politics more for granted and are in an age where the Conservatives are struggling badly, he reflected.

The British Indian think tank, 1928 Institute, feels the British Indian vote is very much to play for, with the Conservatives very marginally ahead of Labour.

Our opinion is that this earlier-than-anticipated election will slightly benefit the Conservatives as the Labour electoral machine is still to reach and resonate with parts of the Indian diaspora, it said.

A summer rather than the expected autumn general election is viewed as a welcome move for ending a long period of uncertainty from a business and industry perspective.

The new government will have many challenges to face, so we hope for a clear and decisive outcome that will allow the administration to implement its strategy to put the UK on the path of economic growth and prosperity, said Hinduja Group Chairman G P Hinduja.

Source: business-standard.com– May 24, 2024

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War minus shooting: Role of India in contemporary international trade

The Cold War was a period of intense geopolitical tensions between communist countries and Western democracies. That is how some experts are reading today's international trade scenario, except that the weapons and ammunition are different.

The recent moves by central banks to increase the gold component in their foreign exchange reserves, attempts by countries such as China and India to internationalise their currencies, and the United States' move to slap tariff hikes on Chinese electric vehicles and other products are accentuating fragmentation of international trade and raising its costs.

"Thus far, today's fragmentation is not significantly different from the initial years of the Cold War," said the International Monetary Fund's Deputy Managing Director, Gita Gopinath, at the Stanford Institute for Economic Policy Research.

She, however, noted that the fragmentation is much smaller than the average "between-bloc trade shortfall" during the Cold War period, when trade between the rival Western and Eastern blocs was significantly depressed, relative to the trade within these blocs.

The two emerging blocs this time are led by the US and China, though it is not as straightforward as the Cold War. Gopinath's speech was days before the US hiked tariffs on imports of Chinese electric vehicles, solar cells, certain aluminium and steel products, and specific medical products. This could affect the $18 billion worth of Chinese imports into the US.

So, how should India, a leader of the erstwhile Non-Aligned Movement, position itself this time? What is the role it can play in reducing the cost of global trade and resolving conflicts between blocs?

No decoupling with China

According to Gopinath, non-aligned countries have greater economic and diplomatic heft now and are much more integrated into the global economy than during the Cold War years. "Their role as connectors this time round can help attenuate some of the costs of fragmentation," she said.

However, unlike in the Cold War era, India has grievances against the leader of one of the two emerging blocs: China. Yet, it is not able to decouple its economy from China's.

So, can India help in economic integration, as Gopinath appears to believe, and in resolving political conflicts?

For India's merchandise exports, the US is still its largest partner, with a 17 to 18 per cent share of India's goods exports in the last five years. China's share in this period has fluctuated between 3 and 7 per cent. However, it is India's imports that make China a formidable trading partner. While the share of the US in India's imports was around 6 per cent, China's was 15 per cent during 2023-24 and has ranged between 14 and 16.5 per cent during the last five years.

Despite India's moves to be cautious about Chinese imports, its economy is closely linked to Chinese imports. This gave rise to a huge trade deficit with China, $85.08 billion, during 2023-24, against a $36.74 billion trade surplus with the US. India has kept up its surplus with the US and deficit with China during the last five years.

Biswajit Dhar, distinguished professor at the Council for Social Development, says India is trying to decouple from China as seen in its move to introduce the production-linked incentive (PLI) scheme. All sectors selected for PLI are where imports from China are high, be it pharma, mobile phones, auto components, or electronics. Regardless, India is getting more connected to China.

"Year after year, our imports from China are going up," Dhar points out. "In four years, PLI has not taken off in a big way. Now, the government has been saying that they are going to review it."

Where does India fit?

Shyam Saran, former foreign secretary and honorary fellow, Centre for Policy Research, says India does not fit very much anywhere.

"By not signing the RCEP (Regional Comprehensive Economic Partnership), the biggest trading arrangement in Asia, we have marginalised ourselves," says Saran.

India’s argument that Chinese imports will flood Indian markets if it became part of the RCEP, he says, is not very valid, because no rules are being followed by Beijing in its trade with India.

“China has not subjected itself to any rules. By being part of RCEP, China would at least to some extent have to subject itself to rules and norms adopted by the common consent of the RCEP members. This route is not available to us now,” he says. “How many anti-dumping duties can you impose?”

Dhar says India has its own priorities in global trade, and cites the Chabahar port deal, which India proposed despite the US threatening it with sanctions. “Despite Ukraine, we backed Russia. Despite the US, we are backing Iran (in terms of the Chabahar deal),” he says, pointing out that these equations are not very clear.

Saran says when it comes to resolution of political conflicts, India is marginal. “That is not to say India does not have international influence, but we are not seen as a critical player in our ability to mediate in situations of wars like in West Asia and in Ukraine.”

He says India has to keep in mind that though its macroeconomic fundamentals may be greater than many economies, since it is the fifth largest economy, it is not closely connected with the global or regional economy.

Singapore, says Saran, has more leeway in playing the role of an economic connector despite being a much smaller economy because it is more integrated with the rest of the world.

Is it really the Cold War?

Saran does not agree with Gopinath that this is the Cold War in trade.
“It is true that China is trying to internationalise the Yuan. It is trying to diversify its currency reserves. The Chinese central bank is buying more gold. What they are trying to do is diversify their reserves from their excessive dependence on dollars,” he says.

China has set up its China International Payments System (CIPS) as an alternative to the US-led SWIFT (Society for Worldwide Interbank Financial Telecommunications) system. But CIPS relies on its memorandum of understanding with SWIFT. Even though CIPS has seen an increase in international payments, particularly because Russia is conducting its trade in Yuan, it is nowhere near what is handled by SWIFT. Saran says the US dollar reigns supreme because it is convertible both on current account as well as capital account, and the US treasury market is liquid. As long as Yuan is not convertible on capital account, it is difficult to see how it could pose any kind of competition to the dollar in the foreseeable future, he says.

As far as India’s efforts to make the rupee acceptable for international payments is concerned, the country has to accept that it is dollar dependent. “You don't have any kind of significant alternative system in place,” Saran says.

Though India tried the rupee trade system, Russia did not want it.

Source: business-standard.com– May 23, 2024

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