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INTERNATIONAL NEWS

China's economy projected to grow by 5% in 2024, 4.5% in 2025: IMF

China's economic growth is projected to remain resilient at 5 per cent this year, driven by its strong first-quarter data and recent policy measures, the International Monetary Fund (IMF) recently said after its team concluded an Article IV Consultation visit to the country.

That forecast reflects an upward revision of 0.4 percentage point, compared with the IMF's World Economic Outlook 2024 projections released in April.

For next year, the world's second-largest economy is expected to grow at 4.5 per cent, also a 0.4 percentage point-higher revision, the IMF team said in its preliminary findings.

The trip to Chinawas led by Sonali Jain-Chandra, IMF's China mission chief.

"China's economic development over the past few decades has been remarkable, driven by market-oriented reforms, trade liberalization and integration into global supply chains," IMF first deputy managing director Gita Gopinath said in a statement.

Gopinath joined the policy discussions and met with Chinese government and banking officials during the consultation.

She said that China's achievements have been accompanied by "imbalances and rising vulnerabilities", and headwinds to growth have emerged.

"Recognizing these challenges, the authorities have focused on achieving high-quality growth by supporting innovation, especially in green and high-tech sectors, upgrading financial sector regulations and introducing some policies to mitigate property and local government risks," she said.

However, a more comprehensive and balanced policy approach would help China navigate headwinds facing the economy, she added.

The IMF noted that China's inflation is expected to rise, but stay low as output remains below potential, with core inflation increasing only gradually to average 1 per cent in 2024.

Over the medium term, growth is expected to decelerate to 3.3 per cent by 2029 due to aging and slower productivity growth, it noted.

The risks to growth are tilted to the downside, including a greater or longer-than-expected property sector adjustment and increasing fragmentation pressures, the statement said.

Gopinath said that the ongoing housing market correction, which is necessary for steering the sector toward a more sustainable path, should continue.

The IMF statement also noted China’s ‘significant’ fiscal challenges, especially for local governments.

Key priorities include rebalancing the economy toward consumption by strengthening the social safety net and liberalizing the services sector to enable it to boost growth potential and create jobs, according to Gopinath.

Domestic consumption contributed 73.7 percent to China's economic growth in the first quarter this year, which expanded overall by 5.3 per cent year on year, following 5.2-per cent GDP growth recorded in the fourth quarter last year, according to data from the National Bureau of Statistics.

Source: fibre2fashion.com– May 30, 2024

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UN Global Supply Chain Forum calls for resilience amid disruptions

The inaugural United Nations (UN) Global Supply Chain Forum, hosted by UN Trade and Development (UNCTAD) and the Government of Barbados, has called for resilience amid world trade disruptions. The forum was convened from May 21-24, 2024. The event brought together over 1,000 participants from around the globe to address escalating disruptions in global supply chains.

Global disruptions are causing ships to spend more days at sea and emit higher levels of greenhouse gases, highlighting the growing unreliability and uncertainty of our interconnected world. Against this backdrop, UN trade and development secretary-general Rebeca Grynspan spotlighted the urgent need to make global production and distribution networks more inclusive, sustainable, and resilient.

The forum addressed the compounded effects of climate change, geopolitical tensions, and the COVID-19 pandemic on global supply chains. UN Trade and Development has provided critical analysis on these issues. During a visit to the port of Bridgetown in Barbados, Grynspan highlighted the importance of ports in maintaining global value chains through technology and sustainable practices, showcasing Barbados as an example for other small island developing states (SIDS) in implementing sustainable practices, UNCTAD said in a press release.

The forum also highlighted the complexities and opportunities in decarbonizing global shipping, particularly focusing on developing countries with renewable energy resources. Efforts to incentivize low- or zero-carbon fuels, establish safety frameworks for new fuels, and develop port readiness assessment tools were underscored as critical steps towards preparing ports for handling various fuels and ensuring safe bunkering operations.

The forum served as the ideal setting to launch the 'Manifesto for Intermodal, Low-Carbon, Efficient and Resilient Freight Transport and Logistics.' This manifesto emphasises the urgent need to transform freight transport to meet global climate targets and enhance socio-economic resilience. Key focus areas include transitioning to zero-emission fuels, optimising logistics systems, and creating sustainable value chains, with the goal of keeping global warming below 1.5 degrees Celsius.

Innovations such as blockchain-enabled traceability mechanisms and advanced customs automation systems were showcased as indispensable tools for optimizing trade facilitation processes, enhancing transparency, and mitigating operational risks. UN Trade and Development presented guidelines for developing an electronic single window for trade. Key industry voices emphasized the importance of collaboration and digitalization in the maritime sector, urging ports to become intermodal hubs integrating energy and digital capabilities.

The forum also saw the launch of the UN Trade and Development Trade-and-Transport Dataset. Developed with the World Bank, this groundbreaking repository of global data is the first of its kind. It covers all countries and trading partners, with data on over 100 commodities and various transport modes, offering a holistic view of trade, including mode of transport and associated costs. Accessible for free, the dataset is expected to significantly contribute to better understanding and optimizing global trade flows, as well as improving evidence-based policymaking.

In the run-up to the forum, UN Trade and Development held its first Supply Chain Innovation Challenge, aiming to inspire innovative solutions for making global supply chains greener, more efficient, and resilient. Almost 80 candidatures from around the world presented projects on these themes, with winning proposals presented at the forum.

During the forum, UN Trade and Development and the China Council for the Promotion of International Trade (CCPIT) signed a memorandum of understanding to expand their existing collaboration. This includes joint activities in trade and investment promotion, trade facilitation cooperation, supply chain-themed exhibitions, public-private dialogues, business matchmaking events, and facilitating exchanges between economic and trade experts, scholars, and think tanks.

The outcomes of this inaugural forum are expected to strengthen global supply chains and the resilience of SIDS. The Kingdom of Saudi Arabia will host the second forum in 2026.

Source: fibre2fashion.com– May 31, 2024

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Apparel industry reimagines sourcing, McKinsey survey indicates a shift

A new McKinsey report, based on a global survey of apparel Chief Procurement Officers (CPOs), suggests a significant shift in the way fashion brands approach their supply chains. The study, 'Reimagining the apparel value chain amid volatility', highlights a growing emphasis on efficiency, resilience, and sustainability. These factors are prompting a potential paradigm change in sourcing strategies, particularly for brands in the US and EU.

The survey, encompassing CPOs from companies with a combined annual sourcing spend of $110 billion, sheds light on five key themes reshaping apparel sourcing:

Prioritizing agility: The traditional model of apparel sourcing, characterized by long lead times, mass production, and a focus on low costs, seems to be nearing its end. Consumers demand faster turnaround and more responsive designs. Survey results highlight a growing urgency among brands to address volatility in the market. This translates to a heightened need for agility and responsiveness to consumer demands.

Building resilience: Supply chain disruptions have underscored the need for diversified sourcing strategies to mitigate risk.

Sustainability as a focus: Environmental and ethical concerns are a growing priority for both brands and consumers. CPOs are seeking suppliers with strong sustainability practices.

Collaboration over competition: The survey indicates a move away from a purely transactional relationship with suppliers. The survey underscores the growing importance of supplier relationships. CPOs are prioritizing closer collaboration with suppliers to achieve greater transparency, resilience, and ultimately, a competitive edge. This could mean a move away from a purely transactional approach towards a more strategic partnership model.

Digital transformation: Embracing digital tools for supply chain management is crucial for improved transparency, efficiency, and responsiveness.

Impact on traditional sourcing hubs

These shifting priorities have implications for traditional sourcing powerhouses like China, Mexico, Bangladesh, and Turkey.

China: While China will likely remain a major player, its dominance may wane. Brands may look to diversify their sourcing base to mitigate geopolitical risks and ensure compliance with stricter labor and environmental regulations.

Nearshoring: The report suggests a potential rise in nearshoring, particularly for the US and EU brands. Sourcing from geographically closer locations can improve agility and reduce transportation costs. Countries like Mexico, Turkey, and those in North Africa could benefit.

Focus on sustainability: Countries with strong sustainability credentials will be better positioned. Bangladesh and Vietnam, for instance, are investing in cleaner production processes.

The survey also highlights a crucial gap in digital adoption within the apparel supply chain. Most CPOs rated their organizations' and suppliers' digital maturity as low. Investing in digital tools for better visibility, data-driven decision making, and real-time communication will be essential for building a more efficient and resilient supply chain.

The McKinsey survey paints a picture of an apparel industry in flux. While the full impact on sourcing locations remains to be seen, the focus on agility, resilience, and sustainability will undoubtedly reshape global supply chains. The ability to adapt and embrace these new priorities will be key for both brands and sourcing countries in the years to come.

Source: fashionatingworld.com– May 30, 2024

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The curious case of Vietnam's trade surplus with US and a delicate balance with China

Over the years, Vietnam has emerged as a major trading partner for the United States, but a closer look reveals a fascinating twist. The Southeast Asian nation's impressive trade surplus with the US is intricately linked to its import-heavy relationship with China.

US surplus backed by China

World Bank statistics and Reuters' analysis reveal a fascinating trend. The increase in Vietnamese exports to the US coincides almost perfectly with a rise in Vietnamese imports from China. In 2022, the US imported goods worth over $114 billion from Vietnam, more than double the amount in 2018. This rise tracks closely with the increase in Chinese imports to Vietnam. In the first three months of 2024, US imports from Vietnam totalled $29 billion, while Vietnam's imports from China amounted to $30.5 billion.

Table: Vietnam's export/import to US and China

Country	Vietnam exports ($bn)	Vietnam imports ($bn)	Trade surplus (deficit) ($bn)
USA	90.7	43.4	47.3
China	74.1	132.8	-58.7

Experts see this as a potential case of trade deflection. Darren Tay, Lead Economist at BMI, a research firm, believes Chinese firms might be routing goods through Vietnam to bypass additional tariffs imposed by the US on Chinese import. This strategy allows them to remain competitive in the US market while Vietnam enjoys a growing trade surplus. Tay feels Chinese firms could be using Vietnam to circumvent the additional tariffs imposed on their goods. This could potentially lead to future trade actions by the US against Vietnam.

Textiles and apparel lead growth

Vietnam's booming textile and apparel industry is a key driver of this surplus. The Vietnam Textile and Apparel Association estimates garments and textiles make up almost 65 per cent of Vietnam's exports to the US.

This translates to a significant portion of the surplus - estimated at around $58.8 billion in 2022 based on US Census Bureau data.

This industry thrives due to several factors:

Low labor costs: Vietnam boasts competitive wages compared to developed nations, making it an attractive destination for apparel manufacturing.

Free trade agreements: Trade deals like the Trans-Pacific Partnership (TPP) have granted Vietnamese apparel duty-free access to the US market, further boosting exports.

The China connection

Interestingly while Vietnam ships finished garments to the US, a closer look reveals many of these products began their journey in China. China acts as a crucial supplier of raw materials (like fabric) and intermediate goods (like zippers and buttons) that are then assembled in Vietnam for export. This dependence on China creates a unique situation.

Balancing act: Vietnam's trade deficit with China helps it to offset surplus with the US. In essence, Vietnam acts as a middleman, importing parts from China and then exporting finished products to the US.

Potential scrutiny: The US may view this situation with suspicion. There's a concern that some Chinese companies might be routing their goods through Vietnam to avoid tariffs imposed on Chinese imports. This could lead to future trade actions by the US against Vietnam.

The relationship between Vietnam, China, and the US is a delicate dance. While Vietnam benefits from increased exports to the US, it relies on China to keep its factories running. This dependence leaves Vietnam vulnerable to potential changes in US-China trade relations. If the US were to impose tariffs on Vietnamese goods to counter perceived trade deflection, Vietnam's economic house of cards could come tumbling down. Therefore, Vietnam needs to diversify its supply chain and focus on innovation to ensure sustainable long-term growth.

Source: fashionatingworld.com– May 30, 2024

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Why is National Logistics Policy important for Bangladesh?

The National Logistics Policy for Bangladesh can play a pivotal role in developing a world-class, technology-driven, cost-optimised and time-efficient logistics ecosystem.

With its strategic position within South Asia, Bangladesh could establish itself as a central nexus for road, sea, and air transportation through the well-developed and comprehensive logistics policy, which has the potential to enhancing local and international trade and investment competitiveness.

Bangladesh aims to achieve an upper middle-income status by 2030 followed by high income status by 2041. To reach this ambitious goal, Bangladesh requires seamless trade connectivity, robust infrastructure, and increased export and logistics efficiency.

Logistics is a vast, complicated, and multidimensional space. It comprises all modes of freight transportation and related infrastructure, ports, land ports, storage, and warehousing facilities, as well as third-party logistics services, such as freight forwarders.

Despite this, the logistics sector of Bangladesh existed without any common framework until recently, making the sector haphazard, costly, and without efficient coordination. The new logistics policy providing a national framework and a national vision comes with the promise of making the logistics sector more efficient, transparent, and hassle-free to induce robust economic growth.

A collaborative effort among various stakeholders from the private and public sector, the National Logistics Policy 2024 is a testament to home-grown and inclusive policy making. Effective leadership and timely coordination by the Prime Minister's Office (PMO), and active collaboration with stakeholders helped in gaining a comprehensive understanding of the challenges and opportunities within the logistics sector.

Given that Bangladesh is an export-oriented economy, the National Logistics Policy has an important role to play in improving the logistics infrastructure and achieving high export targets. As Bangladesh transits from its least-developed country (LDC) status, the erosion of the duty-free regime in the European Union, the country's largest export destination, will increase the cost of exports to the EU by 8.16 percent and may make Bangladesh's products less appealing.

However, the cost reduction through an efficient logistics sector can help Bangladesh retain its export competitiveness post-LDC graduation. The World Bank found that the cost of logistics in Bangladesh is between 4.5 percent and 48 percent across different sectors, exceeding those of other trading partners and neighbouring countries. The new logistics policy has the potential to bring down time and cost of trade, facilitating a sophisticated logistics sector that will boost Bangladesh's ability to tackle forthcoming tariff-imposition post-LDC era and maintaining global competitiveness.

The formulation of the policy clearly addresses the needs of the businesses which were long overdue. A well-developed logistics sector through successful implementation of the policy has the potential for turning Bangladesh into a global logistics hub and boost exports significantly. A World Bank analysis indicates that by reducing the logistics expenses by 1 percent, it is estimated that the export demand for Bangladeshi goods could rise by up to 7.4 percent. Other initiatives, such as raising the minimum speed to 40km/hr and reducing the dwell times at ports by one day can increase the exports by 3.7 percent and 7.4 percent, respectively.

The key activities for implementing the policy include establishing multidimensional logistics hubs, economic zones, international corridors, and seaports, land ports, river ports and airports. Implementation of the policy will also require facilitating private participation in logistics infrastructure and services, effective coordination among the regulatory bodies, government-private sector collaboration, and user-friendly policy development for swift border clearance.

There is no doubt that a strong logistics infrastructure is a gateway for Bangladesh to develop itself as a vibrant, high-income nation. While the formulation of the National Logistics Policy 2024 is clearly a milestone for the logistics industry, it needs to be well-executed for it to be a game-changer.

Source: thedailystar.net– May 30, 2024

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Pakistan: Minister, Ghana envoy discuss boosting trade ties

Vice Consul General of Ghana Omar Shahid Butt met Minister for Industries and Commerce Chaudhry Shafay Hussain in the committee room of the Punjab Board and Investment and Trade.

During the meeting, discussions were held on increasing bilateral trade cooperation. CEO Punjab Investment Board Jalal Hassan was also present in the meeting. Speaking on the occasion, Shafay Hussain said that there is a need to promote mutual relations to increase trade volume between Pakistan and Ghana. There is vast scope for foreign direct investment in Punjab and Pakistan, he said and added that the best incentives have been given to the investors in the industrial estates of Punjab.

Ghanaian investors can invest in industrial estates of Punjab. A garment city is also being built on an area of 2 thousand acres in Punjab, the minister said. He said that mutual trade can be promoted by exchange of trade delegations. It is also important to increase the relations between the Chambers of Industries and Commerce on both sides. There is scope for increasing trade with Ghana, for which practical steps are needed.

Vice Consul General of Ghana Omar Shahid Butt said that there are vast opportunities for the export of Pakistani textiles in Ghana. Punjab and Ghana can cooperate in mining and farming sector.

Punjab skill policy draft ready

A draft of skill policy has been prepared and will be presented in the upcoming provincial cabinet meeting for approval. After that the skill policy will come into effect.

This was informed by Minister for Industry and Commerce Chaudhry Shafay Hussain during his visit to the office of Punjab Skills Development Authority (PSDA) here on Thursday. During the visit he reviewed the working of the institution. PSDA DG Sahibzadi Wasima Umar gave a briefing on the working of the institution and the future plan of action.

Source: thenews.com.pk– May 31, 2024

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Bangladesh Residents May Face 'Significant Threats' of PFAS Exposure Due to Apparel Sector

Bangladesh residents may face "significant threats" of exposure to PFAS as a result of the country's apparel industry, a new study has found.

The "forever chemicals" have contaminated Bangladesh's surface and tap water, according to research from the Environment and Social Development Organization (ESDO), a Bangladesh-based NGO and research body, and IPEN, a collective of 600 public interest groups in developing nations concerned with chemical and waste policies.

The research partners tested and analyzed water from 31 rivers and lakes from communities located near textile manufacturing hubs that produce clothing for brands like Benetton, C&A, Calvin Klein, H&M, Marks & Spencer, Sainsbury's and Zara. PFAS chemicals were found in 27 of the 31 surface water samples (87 percent), and in 18 of those samples (58 percent), researchers discovered chemicals that have been listed for global elimination under the Stockholm Convention. Nineteen samples representing 61 percent of the total lot tested showed PFAS levels above proposed EU regulatory limits for surface water.

Water samples taken close to textile-producing facilities contained higher concentrations of PFAS, "adding to the evidence that the textiles industry may be a significant source of PFAS water pollution," the study found. For example, two of the waterways tested were downstream and upstream from the country's Export Processing Zones in Dhaka and Adamjee, and the downstream samples showed higher PFAS concentrations, reinforcing the idea that the chemicals are flowing out of these facilities at a dangerous rate. Several surface water samples showed alarmingly high PFAS concentrations, with one containing more than 310 times the proposed EU regulatory limit. The groups also tested four tap water samples, which yielded disturbing results. Analysis indicated PFAS present in three out of the four samples taken at levels beyond the U.S. PFOA regulatory limit.

Bangladesh does not currently have its own regulatory framework for PFAS, but that doesn't mean natural resource contamination isn't a danger to its residents. The compounds, which scientists fear are making their way into groundwater and the food supply, have been linked to negative impacts to fertility and fetal development.

A 2022 study showed that chronic exposure in children led to elevated blood cholesterol levels, lipid imbalances that can cause cardiovascular disease, lower birth weights and reduced antibody response to some infections and vaccines. PFOS, a chemical under the PFAS umbrella, has been tied to liver damage, while PFOA, another member of the PFAS family, has been fingered for causing cancer.

It's hard to deny that the apparel and textile sector is largely responsible for the spread of the toxic inputs, as it accounts for 50 percent of total global PFAS use and is the second largest PFAS emissions contributor on Earth.

Bangladesh may be a particularly high-risk market, given that ready-made garment (RMG) production is an essential driver of the nation's economy. The industry accounts for 83 percent of Bangladesh's total exports, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). About four million workers are employed at 3,500 factories across the country, indicating a high probability of direct exposure to PFAS.

Residents that don't toil in factories are not necessarily safe from that exposure. Five clothing items for men, women and children purchased from retailers in Bangladesh were tested, and all were found to contain PFAS, with one garment containing suspected carcinogen PFOA.

The results of the research "add to the evidence that the textiles industry may be a significant source of PFAS water pollution, not only posing threats of PFAS exposures to residents of Bangladesh through water, food, and clothing, but also more widely due to their properties as global pollutants," the study authors wrote.

"Based on the results of this study, ESDO and IPEN are calling on the textiles industry to phase out the use of PFAS," they added. Policymakers also have a major role to play, as regulation is needed to institute penalties for employing the chemicals. Finally, the onus is also on the "brand-name companies" that have "tremendous market influence" to demand products free from PFAS, they wrote.

Source: sourcingjournal.com– May 30, 2024

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NATIONAL NEWS

Outlook for economy remains bright: RBI FY24 Annual Report

The outlook for the Indian economy remains bright, but increasing incidence of climate shocks imparts considerable uncertainty to the food inflation and overall inflation outlook, according to Reserve Bank of India (RBI).

The bright economic outlook is underpinned by a sustained strengthening of macroeconomic fundamentals, robust financial and corporate sectors and a resilient external sector, per RBI's annual report for FY24.

The government's continued thrust on capex while pursuing fiscal consolidation, and consumer and business optimism augur well for investment and consumption demand, it added.

Real GDP growth for FY25 is projected at 7 per cent, with risks evenly balanced. The economy had expanded at a robust pace in FY24, with real GDP growth accelerating to 7.6 per cent from 7.0 per cent in the previous year – the third successive year of 7 per cent or above growth.

Even as the global economy is facing multiple challenges such as still elevated inflation, tight monetary and financial conditions, and escalating geopolitical tensions, the Indian economy is exhibiting strength and stability with robust macroeconomic fundamentals and financial stability.

"Geopolitical tensions, geoeconomic fragmentation, global financial market volatility, international commodity price movements and erratic weather developments pose downside risks to the growth outlook and upside risks to the inflation outlook.

"The Indian economy would also have to navigate the medium-term challenges posed by rapid adoption of AI/ML technologies and recurrent climate shocks. Even so, it is well placed to step-up its growth trajectory over the next decade in an environment of macroeconomic and financial stability..." RBI said.

The report noted that the prospects for agriculture and rural activity appear favourable due to the ebbing El Nino and the expected above normal southwest monsoon.

Referring to the headline inflation moderating by 1.3 percentage points on an annual average basis to 5.4 per cent in 2023-24, the report assessed that the easing of supply chain pressures, broad-based softening in core inflation and early indications of an above normal south-west monsoon augur well for the inflation outlook in 2024-25.

Climate shock shadow on food inflation

However, increasing incidence of climate shocks imparts considerable uncertainty to the food inflation and overall inflation outlook.

The central bank said low reservoir levels, especially in the southern states, and the outlook of above normal temperatures during the initial months of FY25 need close monitoring.

The volatility in international crude oil prices, the persisting geopolitical tensions and elevated global financial market volatility also pose upward risk to the inflation trajectory.

Taking into account these factors, RBI projected CPI inflation for FY25 at 4.5 per cent with risks evenly balanced.

The central bank emphasised that the budgeted reduction in gross market borrowings from 5.3 per cent of GDP in FY24 (Revised Estimated) to 4.3 per cent of GDP in FY25 (Budget Estimate) will enhance the flow of funds to the private sector and support private investment.

The fiscal outlook for states remains favourable, with adequate fiscal room to pursue increased capital expenditure.

The digitalisation of the tax system has enhanced tax collections, with the Centre's direct tax revenues budgeted to reach 6.7 per cent of GDP in 2024-25, the highest in three decades.

On the financing side, the favourable outlook for domestic economic growth, easing of domestic inflation, and business-friendly policy reforms would be enabling factors in attracting foreign investment, both direct and portfolio.

Lenders' asset quality

The report observed that capital and asset quality of banks and NBFCs remain healthy, supporting the growth in bank credit and domestic activity. Pre-emptive regulatory measures aimed at curbing excessive consumer lending and bank lending to NBFCs, and investments in alternate investment funds (AIFs) are expected to contain the build-up of potential stress in balance sheets of financial intermediaries and contribute to financial stability.

"While domestic banks and NBFCs have exhibited resilience amidst global uncertainties, recent events underscore the importance of vigilant risk management. "Considering the dynamic nature of the interest rate risk, banks may have to address both trading and banking book risks, especially in the light of moderating NIM (net interest margin)," RBI said.

On the liabilities side, the cental bank underscored that it is imperative to focus on diversification of deposit sources as reliance on bulk deposits heightens sensitivity to interest rate fluctuations.

FY25: Expected measures

Among the measures the regulatory and supervisory measures that RBI plans to undertake in FY25 to further strengthen financial intermediaries will include a comprehensive review of the extant IRACP (Income Recognition, Asset Classification and Provisioning) norms and the prudential framework for resolution of stressed assets; harmonised set of prudential guidelines for all lenders undertaking project finance; a comprehensive review of the extant regulatory instructions on interest rates on advances. Further, the central bank will get lenders to move towards adopting a forward-looking expected credit loss approach; and issue Securitisation of Stressed Assets Framework.

RBI said a risk-based authentication mechanism, as an alternative to SMS-based one-time password (OTP) for additional factor of authentication (AFA), would be effectuated to address risks in payments.
During FY25, the Reserve Bank would also review the priority sector lending guidelines.

Source: thehindubusinessline.com– May 30, 2024

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India's economy seen growing at slower pace in March quarter

India's economy is expected to have grown at a slower pace in the January-March quarter than the previous three months, dampened by a moderation in manufacturing and urban spending, but economists see economic momentum remaining strong in Asia's third-largest economy.

The median forecast from a survey of 54 economists put GDP growth at 6.7 per cent year-on-year for the three months, the fourth quarter of India's 2023/24 fiscal year, lower than the higher- than-expected 8.4 per cent expansion in the previous quarter.

In the October-December quarter, growth was boosted by a sharp fall in subsidies, while gross value added (GVA), seen by economists as a more stable measure of growth, rose 6.5 per cent.

In the March quarter, GVA growth is seen at 6.2 per cent.

Driven by an increase in state infrastructure spending and strong urban demand, the economy has shown remarkable strength in the face of global headwinds. The central bank expects the economy to grow by close to 8 per cent this fiscal year, which would be the highest among large economies globally.

The GDP figures will be released on Friday at 1200 GMT.

"Sustained momentum in domestic demand is likely to have underpinned the stellar performance of the economy," said Ankita Amajuri, economist at Capital Economics, which expects 7.5 per cent growth in March quarter.

High-frequency indicators data for April including auto sales, housing loans and fuel consumption reflected strong urban demand, though there were concerns about weak rural demand despite forecasts of a normal monsoon this year.

On Wednesday, S&P Global Ratings raised its sovereign rating outlook for India to "positive" from "stable", adding that regardless of the outcome of national elections it expected broad continuity in economic reforms and fiscal policies.

It expects the economy to grow at 6.8 per cent in the current fiscal year starting April, and close to 7 per cent annually over the next three years.

India's marathon national election is in its final stage with votes scheduled to be counted on June 4, and investors are gearing up for Prime Minister Narendra Modi securing a third term in office.

India is among the world's fastest-growing economies but growth is below what is needed to create jobs in the economy, some economists say.

Raghuram Rajan, former governor of the Reserve Bank of India, has said India's economy needs to grow by around 9-10 per cent annually for next couple of decades to create good jobs for millions of educated young people and achieve the target of becoming a developed country by 2047.

Source: thehindubusinessline.com– May 31, 2024

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EU carbon tariff: India preps for a fight at WTO

New Delhi: India is considering a challenge against the European Union's Carbon Border Adjustment Mechanism (CBAM) at the World Trade Organization, ET has learnt. CBAM mandates non-EU steel producers to report direct and indirect emissions.

New Delhi sees it as a unilateral move that would be detrimental for its iron and steel, cement, aluminium, electricity, and hydrogen sectors, and is eyeing multiple actions to deal with it, officials said.

"We have been getting ready for a dispute. Multiple actions are being taken at all levels that also includes bilateral engagement," said one of the officials familiar with the deliberations.

CBAM will lead to imposition of 20-35% tax on select imports into the EU from January 1, 2026. From that date, EU importers will have to declare and purchase CBAM certificates to cover the emissions associated with producing imported steel products. The EU tax drill began on October 1, 2023, when non-EU steel producers began reporting direct and indirect emissions.

'Seeking Legal Opinion'

"It is a unilateral action, and we are seeking legal opinion on what can be done," the official added.

India's exports to the EU in FY24 amounted to $75.9 billion, with mineral fuels, electrical machinery and iron and steel being the top products.

As per the Council on Energy, Environment and Water, India's exports of around $37 billion, which is approximately 43% of the country's exports to the EU as of 2022, are likely to be impacted due to the bloc's various non-tariff measures including the CBAM.

New Delhi has insisted that measures taken to combat climate change, including unilateral ones, should not constitute a means for arbitrary or unjustifiable discrimination or a disguised restriction on international trade. There is a growing view that these are newer kinds of barriers aimed at restricting developing country exports in the garb of green measures.

India has told the WTO that carbon border measures are being selectively applied to "trade-exposed industries" such as steel, aluminium, chemicals, plastics, polymers, chemicals and fertilisers, reflecting the underlying competitiveness concerns driving such measures.

The US has also approved an Inflation Reduction Act to establish green technology industries.

Trade experts said that a legal challenge would be crucial as the UK has also announced plans to implement its own CBAM from 2027.

"Countries are resorting to unilateral green measures to protect their own industry which will impact developing countries like us. Developing countries should get together to retaliate and combat the threat," said a Delhi-based trade expert.

Source: economictimes.com– May 30, 2024

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UAE looking to expand scope of trade under CEPA with India: Official

The United Arab Emirates is looking to expand the scope of trade and services covered under the Comprehensive Economic Partnership Agreement (CEPA) with India to further accelerate bilateral trading volume, a senior UAE official said here on Thursday. India and the UAE signed the historic CEPA on February 18, 2022, to further boost bilateral trade and economic ties.

Feryal Ahmadi, the Chief Operating Officer of the Dubai Multi-Commodities Centre (DMCC), said that the UAE is looking at agri-commodity potential and working on adding other sectors including critical minerals under the CEPA.

The United Arab Emirates is looking to expand the scope of trade and services covered under the Comprehensive Economic Partnership Agreement (CEPA) with India to further accelerate bilateral trading volume, she said.

Emphasising the importance of India as the largest trading partner for the Emirates, she said, "We are absolutely looking at agri-commodity potential and working on adding other sectors including critical minerals under CEPA."

Feryal also underlined the growing importance of other Free Trade Agreements and trade corridors, including the potential of the India-Middle East-Europe Economic Corridor.

She sees more and more countries working on bilateral free trade agreements and regionalization of trading among countries.

She presented a DMCC report, "The Future of Trade", in Singapore today, in which the UAE-India CEPA trade growth was highlighted. "These have undeniable trade benefits, reducing tariff and trade barriers while increasing inter-regional market access."

As a case in point, countries in the Gulf Cooperation Council such as the UAE have expanded bilateral ties, particularly with Asian nations - India, Indonesia, Israel, Turkey and Cambodia.

Currently, there are 26 FTAs in progress, according to the report.

Countries like the UAE and ASEAN member states are poised to benefit from their geopolitical neutrality and diverse trade relationships, said the report.

"Governments should foster partnerships and trade agreements with these powers to facilitate increased trade flows and investment opportunities," the report suggested.

"By leveraging their strategic geographic locations and trade-friendly policies, they can serve as key hubs for regional trade and economic integration," the report stated.

On regionalisation, the report sees new centres of gravity forming in Asia - around ASEAN, China and India - as well as North America.

"This is bolstered by relatively new multilateral agreements with commitments to reduce tariffs, create a common market and boost regional trade," said the report.

Source: economictimes.com– May 30, 2024

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View: Tackling FTA attractions

Since India withdrew from Regional Comprehensive Economic Partnership (RCEP) negotiations in 2019, it took New Delhi almost two years to restart free trade negotiations with trading partners. The process resumed with the signing of India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA) in March 2021, followed by India-UAE Comprehensive Economic Partnership Agreement (CEPA), India-Australia Economic Cooperation and Trade Agreement (ECTA) in 2022, and India-European Free Trade Association (EFTA) pact in February this year. Negotiations on trade pacts are on with Britain, the EU, Oman and Peru.

Instead of entering into agreements with large trading blocs like RCEP - where the level of ambition may be too high, and finding a common denominator with several partners challenging - India's plan seems to focus on bilateral arrangements where reciprocity may be easier. Although such a diversification strategy can't be faulted in a multipolar world where WTO negotiations are almost at a standstill, we must contend with challenges if these future arrangements are to yield robust and meaningful gains.

Diverse basket: Most trade negotiations have graduated from trade in goods (such as customs tariffs and rules of origin) to comprehensive agreements for economic cooperation, straddling market access for services, investment, safeguard measures, trade facilitation, and technical barriers to trade and sanitary and phytosanitary measures. This means that instead of reckoning pluses and minuses in one negotiating track - namely, market access for goods - an evaluation is necessary across tracks to assess the overall balance.

Multiple stakeholders: Number of domestic constituencies that are impacted and need to be consulted has multiplied. This calls for more agile institutional mechanisms.

Further, new concepts and standards are constantly emerging in each track, and ambition is growing. For instance, with their greater integration into global value chains, many trading partners expect that rules of origin need to loosen up both for naturally produced goods and those manufactured by industry.

While each bilateral negotiation is unique, it is natural for a trading partner to demand what has been conceded to another recently. For example, any new concessions to Australia, the UAE or EFTA will likely have a precedent value for other ongoing or future negotiations.

Tariff asymmetry: Indian tariff levels for industrial goods are higher than those of trading partners with whom negotiations are being made. Given the WTO compulsions law - which recognises an FTA only if it has substantial trade coverage and predominantly envisages tariff elimination, and not just reduction - it is evident that we need to concede greater ground compared to our negotiating partners.

Prima facie, this appears to be a challenge as we have historically engendered a diverse industrial basket, a large segment comprising MSMEs. But with a clever negotiating strategy, this could be converted into a strength where we can leverage concessions made in this to extract gains in other areas of our interest.

An example is the case of ECTA, where India negotiated a definitive investment commitment from Switzerland in exchange for tariff concessions. This is an untested idea. Creating inverted duty rates vis-a-vis general or MFN tariffs is another challenge, given our tariff structure.

These challenges are manageable. We need a coherent strategy to convert them into opportunities.

Be proactive: Identify, articulate and become demandeurs of offensive trade interests, rather than merely being reactive and defensive in containing the perceived damage from concessions. This presupposes broad-based and meaningful consultations with trade, industry and other stakeholders, so that it's possible to come to a shared understanding about real and significant threats, and delineate the most promising opportunities around which a well-thought-out negotiating strategy can be crafted.

Onboard domain experts: A permanent, right-sized institutional mechanism in GoI that brings together domain expertise and diverse skill sets, such as trade data analytics with varying granularity, mapping of export capacity with demand in other markets and domestic supply gaps where it would be prudent to ease market access; likely impact assessment of tariff and non-tariff measures; negotiating strategy; legal drafting, etc, is imperative.

GoI is reportedly preparing a detailed operating procedure defining the roles and responsibilities of different agencies. This is a right and timely step.

Source: economictimes.com– May 30, 2024

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Thrifting: A Gateway to Sustainable Fashion

In the ever-evolving landscape of the fashion industry, sustainability has emerged as a crucial focal point for consumers, brands, and policymakers alike. With growing awareness of the environmental and social impacts of fast fashion, individuals are seeking alternative ways to express their style without compromising their values. Enter thrifting – the practice of purchasing secondhand clothing and accessories – which has become a powerful force in the movement towards sustainable fashion.

The Rise of Sustainable Fashion

In recent years, sustainability has become more than just a buzzword; it has become a driving force behind consumer choices and industry practices. Concerns about the environmental footprint of the fashion industry, including issues such as water pollution, textile waste, and greenhouse gas emissions, have prompted a shift towards more sustainable alternatives. As a result, consumers are increasingly seeking out brands and practices that prioritise ethical production, fair labour practices, and resource conservation.

The Impact of Fast Fashion

The rise of fast fashion – a model characterised by rapid production cycles, low prices, and disposable clothing – has come at a significant cost to both the environment and society. The relentless pursuit of trends has led to overconsumption, with clothing often worn only a few times before being discarded. This cycle of consumption not only contributes to the depletion of natural resources but also perpetuates exploitative labour practices in garment-producing countries.

The Case for Thrifting

Thrifting offers a compelling alternative to the fast fashion model, providing consumers with the opportunity to embrace sustainability while also expressing their individual style. By shopping for secondhand clothing, individuals can extend the lifespan of garments, reduce waste, and minimise their environmental impact. Thrifting promotes the principles of reuse and recycling, contributing to the creation of a more circular fashion economy where resources are utilised more efficiently.

Environmental Benefits

The environmental benefits of thrifting are manifold. By purchasing secondhand clothing, consumers reduce the demand for new production, which in turn conserves resources such as water, energy, and raw materials. Additionally, thrifting helps divert textiles from landfills, where they would otherwise contribute to environmental pollution and greenhouse gas emissions. By giving pre-owned clothing a second life, thrifting supports the principles of reduce, reuse, and recycle—the key tenets of sustainable living.

Social Implications

Beyond its environmental benefits, thrifting also has important social implications. By supporting thrift stores, charity shops, and online marketplaces, consumers can contribute to local economies and community initiatives. Thrifting provides employment opportunities and supports organisations that provide vital services to those in need. Moreover, by choosing to thrift, individuals can take a stand against exploitative labour practices and support ethical and transparent supply chains.

Personal Expression and Creativity

One of the most appealing aspects of thrifting is the opportunity for personal expression and creativity. Unlike shopping at conventional retail stores, where clothing choices are often dictated by current trends, thrifting allows individuals to curate a wardrobe that reflects their unique style and personality. From vintage finds to one-of-a-kind treasures, thrifting offers a diverse array of clothing and accessories waiting to be discovered. The thrill of the hunt and the satisfaction of finding a hidden gem are part of what makes thrifting such a rewarding experience for fashion enthusiasts.

Overcoming Challenges

Despite its many benefits, thrifting also faces certain challenges. Accessibility can be a barrier for some consumers, particularly those living in rural areas or underserved communities with limited access to thrift stores. Quality and fit can also be concerns, as secondhand clothing may show signs of wear or may not be available in a wide range of sizes. Addressing these challenges requires a multifaceted approach, including efforts to expand access to thrift stores, improve the quality of secondhand clothing, and promote size inclusivity within the thrifting community.

The Thrifting Revolution

Despite these challenges, thrifting continues to gain momentum as a sustainable alternative to traditional fashion consumption. Influencers, celebrities, and fashion enthusiasts alike have embraced thrifting as a means of promoting sustainability and encouraging conscious consumerism. Social media platforms have played a significant role in popularising thrifting, with hashtags such as #thrifted and #secondhandstyle generating millions of posts from thrifting enthusiasts around the world.

Conclusion: A Sustainable Future

Thrifting represents more than just a shopping trend; it embodies a shift towards a more sustainable and ethical approach to fashion. By choosing to thrift, consumers can make a positive impact on the planet while also expressing their individuality and creativity. As the fashion industry continues to evolve, thrifting serves as a gateway to a more sustainable future, one wardrobe staple at a time. So why not join the thrifting revolution and make a difference with every purchase?

Source: fibre2fashion.com– May 30, 2024

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Indian cotton farmers face labour pangs

Baldev Singh, a farmer about 20 km from Bathinda taluk in Punjab, plans to shift from growing cotton to moong (green gram) and Basmati rice this year.

“For two reasons, I plan to switch over from cotton. One, I am not getting a price matching the minimum support price. Two, I face problems of labour availability. Costs of labour are going up,” he told businessline over his mobile phone.

Singh may not be alone. Other farmers in Punjab, Rajasthan and, probably, Gujarat may join him. Some farmers such as Jaipal Reddy in Telangana plan to cultivate high-density planting system (HDPS) cotton.

NREGS problem

Industry sources said the acreage will likely be lower in Punjab and Rajasthan, in particular, given the labour problem. Both these States faced acute labour shortage last year. In addition, farmers faced problems from the National Rural Employment Guarantee Scheme Act (NREGS) as workers got around ₹300 a day.

“In Rajasthan, some farmers were even ready to part with a portion of their crop to the labour to harvest cotton bolls,” said a source, who did not wish to be identified.

However, Bhagirath Choudhary, Founder Director of Jodhpur-based South Asia Biotechnology Centre (SABC), said cotton farmers in Rajasthan do not depend on migrant labourers to the extent their counterparts do in Punjab and Haryana.

“However, the cotton-picking season did face some issues with labour availability last season in the State,” he said.
Picking costs

Telangana, one of the biggest cotton-growing States, faces an acute labour shortage, particularly for picking. Mostly a small-holder phenomenon, cotton competes with paddy in the kharif season for labour, making it difficult for farmers to find labour.

“Farmers were earlier paying ₹10/kg for picking cotton. The wages have now increased to ₹12,” said Raichur-based Ramanuj Das Boob, a Raichur-based sourcing agent for domestic mills and multinationals.

In the north, the problem was acute in the upper Rajasthan Ganganagar tracts and the Punjab regions adjoining it.

“I paid ₹12 a kg. Besides, I had to spend on transport to bring the workers and meet other expenses. Overall, I had to spend above ₹15 for cotton harvest Returns have been around ₹60,” said Singh.
Pink bollworm woes

“A good number of them find job guarantee work more remunerative and comfortable. If they find such work during the picking time, it will be tough for us to find labour,” Somanna, a farmer from Narayanpet in Telangana said.

SABC’s Choudhary said, “The labour was not coming to the field (in Rajasthan) as the productivity was low on account of the severe pink bollworm infestation. The low productivity due to severely damaged cotton bolls by Pink bollworm pest infestation discouraged the labourers from getting on to the fields.”

Severe pest infestation meant less cotton and more effort for the labour. “The first two pickings of the cotton crop cycle were okay, but farmers had labour availability issues for the third and fourth pickings, where the yields were very poor with damages caused by the pink bollworm,” he said.

Rajireddy, a farmer from Janagaon in Telangana, said, “Since all farmers in a village need them almost simultaneously during harvest, it gets tougher (to find labour). They charge anywhere between ₹300 and ₹500,” he said.

‘Developmental activities’

Industry sources say “developmental activities” in Bihar and Uttar Pradesh, in particular, have reduced the outflow of labour to other States, particularly northern India.

“If 100 people went out from these States earlier looking for farm jobs for six months starting from the kharif, now hardly 70 people are going out,” said an industry source, who did not wish to be identified.

A similar situation prevails in Gujarat, which gets it labour from Madhya Pradesh. “Gujarat farmers are finding it tought as many M.P. workers aren’t going there in search of jobs,” the source said.

People in Bihar and Uttar Pradesh are now finding jobs near their homes. “In Bihar, paddy, maize and wheat crops are keeping them close home. Some industrial units such as ethanol manufacturing have come up. They find it beneficial to stay in the home State,” said another source.

In Uttar Pradesh, industrial activities have picked up over the last couple of years and in particular, the northern States tops the country in the number of ethanol manufacturing units and the volume of production.

“The problem of labour availability is increasing. But, it is not yet the time to press the panic button,” said Rajkot-based Anand Popat, a cotton, yarn and cotton waste trader.

Jaipal Reddy has decided to go in for HDPS cotton this time. “It is becoming increasingly difficult to find labour for cotton farming. Last year, I tested it on one acre. This time I’m going to expand the area to 10 acres,” he said.

Choudhary called for creating awareness among farmers in North India to deal with the dreaded pink boll worm.

Source: thehindubusinessline.com– May 30, 2024

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