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INTERNATIONAL NEWS

European Council approves right to repair directive

The European Council has adopted a directive promoting the repair of broken or defective goods, known as the right to repair (R2R) directive. This legislation aims to make it easier for consumers to seek repair instead of replacement, making repair services more accessible, transparent, and attractive. The adoption of this directive marks the final step in the legislative decision-making process.

The new directive enshrines a right for consumers to have defective products repaired in an easier, cheaper, and faster manner. It incentivises manufacturers to create longer-lasting, repairable products and promotes repair as an economically attractive activity capable of generating quality jobs within Europe, benefitting both economic actors and the environment, the European Council said in a press release.

Alexia Bertrand, Belgian state secretary for the budget and consumer protection, said, “The directive enshrines a new right for consumers: the right to have defective products repaired in an easier, cheaper and faster way. It also gives manufacturers the incentive to make products that last longer and can be repaired, reused and recycled. And finally, it makes repairing a more attractive economic activity that can create Europe-based quality jobs. All economic actors win, and so does the environment.”

Following the Council's approval, the legislative act has been adopted. After being signed by the President of the European Parliament and the President of the Council, the directive will be published in the Official Journal of the European Union and will come into force on the 20th day after publication. Member states will have 24 months from the entry into force to transpose the directive into national law.

This proposal, presented by the Commission on March 22, 2023, is part of the New Consumer Agenda and the Circular Economy Action Plan. It complements other recent EU legislation aimed at promoting sustainable consumption, such as the ecodesign for sustainable products regulation and the directive on empowering consumers for the green transition, which will help consumers make better-informed purchasing decisions.

Source: fibre2fashion.com– June 01, 2024

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US trade deficit widens to $99.4 bn in April 2024

The US trade deficit expanded to $99.4 billion in April, an increase of $7.1 billion from the $92.3 billion deficit recorded in March, according to the latest data from the US Census Bureau. This rise in the deficit was driven by higher imports and modest growth in exports.

Exports of goods in April were valued at $169.9 billion, which is $0.9 billion more than the exports in March. Meanwhile, imports of goods for April surged to $269.3 billion, up $8.0 billion from the previous month.

Wholesale inventories for April, adjusted for seasonal variations and trading day differences but not for price changes, were estimated at an end-of-month level of $896.3 billion. This represents a slight increase of 0.2 per cent from March 2024. However, this figure is down 1.6 per cent compared to April 2023. The percentage change from February 2024 to March 2024 remained unrevised from the preliminary estimate of a 0.4 per cent decline, as per the bureau.

Retail inventories for April, also adjusted for seasonal variations and trading day differences but not for price changes, were estimated at an end-of-month level of $790.9 billion. This marks a 0.7 per cent increase from March 2024 and a notable 4.8 per cent rise from April 2023. The percentage change from February 2024 to March 2024 was revised from an initial estimate of up 0.2 per cent to up 0.1 per cent.

Source: fibre2fashion.com– June 02, 2024

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China's international trade surges in April 2024

China's international trade in goods and services reached a total value of 4.11 trillion yuan (approximately $578.27 billion) in April 2024, marking a 13 per cent year-on-year increase, according to the State Administration of Foreign Exchange.

In US dollar terms, China’s export and import values for goods and services stood at $297.4 billion and $281.6 billion, respectively, resulting in a trade surplus of $15.9 billion.

Breaking down the figures, the export value of goods was 1.9 trillion yuan, while imports totalled 1.62 trillion yuan, leading to a surplus of 281.5 billion yuan, as per Chinese media reports.

Source: fibre2fashion.com– June 02, 2024

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Economic sentiment hardly up in EU, euro area; job expectations drop

The European Commission's economic sentiment indicator (ESI) increased marginally in both the European Union (EU) (plus 0.3 points to 96.5) and the euro area (plus 0.4 points to 96) in May this year.

The employment expectations indicator (EEI) continued its downward trend in both: it was minus 0.4 points to 101.2 in the EU and minus 0.3 points to 101.3 in the euro area.

Consumers' unemployment expectations, which are not included in the headline indicator, worsened for the second month in a row.

Contrary to the ESI, the EEI continued to score above its long-term average, an official release said.

For the EU, the increase in the ESI reflected improved confidence in services and among consumers, which were curbed by declining confidence in retail trade and construction.

For the largest EU economies, the ESI improved significantly for France (plus 1.5) and the Netherlands (plus 1.1) and more moderately for Germany (plus 0.8) and Italy (plus 0.8), while it deteriorated markedly for Spain (minus 3.2) and Poland (minus 1.5).

Industry confidence was broadly stable in May (minus 0.1). Managers' production expectations deteriorated significantly, but were almost balanced by improved assessments of the current level of overall order books.

Managers' assessments of the stocks of finished products remained broadly stable. Regarding the questions not entering the confidence indicator, managers assessed developments in past production to have more than recovered from April's slump, while export order books improved more moderately.

Consumer confidence also improved slightly (plus 0.5 points), mainly due to their improved outlook on the general economic situation in their respective country and, to a lesser extent, due to their slightly more optimistic intentions to make major purchases.

Retail trade confidence declined by 0.9 points, as a consequence of a considerable deterioration in retailers' assessment of the past business situation that was partly offset by a moderate increase in their business expectations for the next three months. Retailers' assessment of the volume of stocks remained broadly stable.

The Commission's economic uncertainty indicator (EUI) continued to decline. Managers' uncertainty about their future business situation decreased in all sectors. Consumers' uncertainty about their future financial situation was unchanged.

Source: fibre2fashion.com– June 02, 2024

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European Central Bank's DFR to drop to 3.25% by end-2024: Fitch

The European Central Bank's (ECB) deposit rate (DFR) will decrease to 3.25 per cent by the end of 2024, according to the latest forecast by Fitch Ratings. This prediction comes as the ECB prepares to implement a new operational framework for monetary policy in September 2024, formally making the DFR, paid on bank reserves, the main policy rate. The ECB is gradually transitioning towards a demand-driven regime with a very narrow interest rate corridor.

The DFR, currently at 4 per cent, became the de facto policy rate during the period of quantitative easing (QE) when the ECB introduced its 'ample reserves' framework. According to the ECB's March Global Economic Outlook, Fitch Ratings projects the DFR to further decline to 2.5 per cent by the end of 2025.

To achieve closer control of the short-term rate and reduce the stigma attached to seeking refinancing from the central bank, the ECB plans to narrow the spread between the DFR and the main refinancing operations (MRO) rate from the current 50 basis points to 15 basis points on 18 September 2024, as per Fitch Ratings' non-rating action commentary.

The ECB aims to shift from the current de facto supply-driven floor system, where reserves are abundant and determined by the size of the ECB's balance sheet, to a demand-driven system with less ample reserves and a degree of reserve scarcity. The ceiling will be set at the MRO via lending operations. Additionally, ECB policymakers are looking to revive overnight interbank operations within the interest rate corridor.

ECB officials have highlighted a trade-off between achieving tight control over short-term rates, avoiding volatility, and reducing the balance sheet and footprint in sovereign bond markets.

Bank reserves remain high, at 23 per cent of GDP in the first quarter of 2024, and projections indicate that reserves should not become scarce until 2027. However, recent experiences suggest that reserve scarcity can occur at higher-than-expected reserve levels.

Before reaching this point, the ECB may need to start increasing bank reserves again. While maintaining a 'structural' bond portfolio, ECB policymakers prefer to use refinancing operations to manage bank reserves, rather than buying eurozone debt, thereby continuing to reduce the Eurosystem's bond market footprint.

Source: fibre2fashion.com– June 02, 2024

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Bangladesh: RMG export prices fall by 16% in 8 months: BGMEA

Export prices of Bangladeshi garment items fell by 8 percent to as high as 16 percent year-on-year in the last eight months thanks to a fall in demand among consumers because of high inflationary pressure.

Not only the prices of apparels shipped from Bangladesh have fallen, but also the export of garments witnessed a falling trend in volume in major markets, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

For instance, apparel import from the US declined by 7 percent and from the European Union it experienced a 13 percent fall in the July-April period of 2023-24 fiscal year, the BGMEA data also said.

Garment export increased by 4.97 percent year-on-year in the 10 months to April this year, down from the 9.09 percent year-on-year growth posted in the same period previous year.

However, the bank interest rate rose by 15 percent and the cost of production by 50 percent in the last five years, BGMEA President SM Mannan Kochi said at a meeting with the reporters of different print, televisions and online media outlets at Pan Pacific Sonargaon in Dhaka today.

The cost of production has increased because of price hikes of gas, power and wages of the workers, he said.

Kochi also said the government's decision of not allowing making investment outside of the export processing zones (EPZs) and the special economic zones (SEZs) will have a negative impact on the inflow of investment in the country.

He urged the government for reviewing the decision and giving go-ahead to making investment and setting up factories outside of the SEZs and EPZs so new investments come and new factories are set up.

Source: thedailystar.net – June 01, 2024

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Bangladesh wants to start negotiations with China for FTA: Titu

The government wants to start formal negotiation for the signing of a free trade agreement (FTA) with China as the joint feasibility study is complete for the trade deal, State Minister for Commerce Ahasanul Islam Titu said today.

The signing of FTA with China, the largest trading partner of Bangladesh, will be a model for other countries with which Bangladesh also wants to sign such deals, he said.

The state minister made the comments while addressing a group of businessmen of both Bangladesh and China at a seminar on China-Bangladesh FTA organised by the Chinese embassy in Dhaka at its office.

Bangladesh would be highly benefited if the proposed FTA can be complemented by investment, said MA Razzaque, chairman of the Research and Policy Integration for Development (RAPID).

Bangladesh imports more than $21 billion worth of goods from China in a year and of the amount 40 percent comes under bonded warehouse facility means duty free.

Still the import duty for Chinese goods is more than 28 percent of the total revenue Bangladesh generates from import tariff, Razzaque said.

Yao Wen, the Chinese ambassador in Bangladesh, said Bangladesh's trade gap with China is not a big deal as Bangladesh has a big trade surplus even with the USA and the EU.

The Chinese investment will increase job opportunity in Bangladesh, he said.

Al Mamun Mridha, secretary general of Bangladesh China Chamber of Commerce and Industry, urged the government for holding a Bangladesh investment summit in China during the upcoming visit of Prime Minister Sheikh Hasina to China.

Source: thedailystar.net– June 03, 2024

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NATIONAL NEWS

DGFT taps export bodies for inputs on efficacy of interest equalisation scheme

The DGFT has sought information from various export bodies on the trade finance eco system in India and related challenges to assess if the government's interest equalisation scheme for exporters is yielding results and how trade finance can be improved.

"The DGFT has been asked by the Finance Ministry to show that the interest equalisation scheme is yielding results. It has asked us for certain details for a study on trade finance it is carrying out. We have already provided those details to the DGFT. Once all export bodies give their submission, a report would be put together," a representative of a Delhi-based export body told businessline.

The interest equalisation scheme, first implemented in April 2015 for five years, allows exporters of 410 identified products and all exporters from the MSME sector, to get bank credit at a subsidised interest rate determined by the government. The banks are reimbursed by the government for their lower interest earnings.

The last extension given to the scheme is set to lapse on June 30 2024.

The objective

"The objective of the study being carried out by DGFT is to identify the current challenges faced by the institutions across the entire trade finance supply chain. The study is to help the department to assess the key gaps and make necessary recommendations to ensure seamless facilitation of Trade Finance in India," per an internal document circulated to its members by an export body.

According to exporters body FIEO, the interest equalisation scheme has served an important purpose as it has provided much-needed competitiveness to Indian exports, particularly to MSMEs, as the interest costs in India is much above that in competitors' countries.

"We not only want the interest equalisation scheme to continue, we want the rates to be increased to the previous levels and have communicated as much to the DGFT. The rates were reduced when repo rate was brought down to 4.4 per cent. Again it has increased to 6.5 per cent. That's why 2 per cent enhancement in subvention should happen," said Ajay Sahai, DG, FIEO.

At present, MSMEs are provided a subvention of 3 per cent and the other eligible sectors 2 per cent. As the interest equalisation scheme is valid till June 30, a decision on its extension is likely to be taken by the new government at the Centre.

Source: thehindubusinessline.com– June 02, 2024

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India's Finance Ministry to revamp duty drawback disbursement process

India's Ministry of Finance has changed the process for disbursing duty drawback to eligible exporters. The new process, which will come into effect on June 5, 2024, will discontinue the present system under which duty drawback claims are processed through the Customs Automated System (CAS), enumerated in a scroll/Computerised Customs Drawback Advice (CCDA), and sent to the authorised bank branch along with a supporting single cheque of the consolidated amount. It is considered that the new process of payment of duty drawback will expedite disbursement.

According to a letter issued by the Ministry's Department of Revenue, the payment of drawback amounts into exporters' accounts post-scroll out will be facilitated through the Public Finance Management System (PFMS). Consequently, the practice of printing the Drawback scroll and issuing a cheque to the authorised banks for the total amount to be disbursed will be discontinued.

Now, the authorised officer at each customs location shall process the duty drawback scroll queue. The scrolls generated at different locations will be automatically processed by the CAS for onward transmission to the Central Nodal eDDO. The nominated central nodal eDDO shall forward the consolidated All India Duty Drawback scroll to the nodal ePAO.

After approval from the nodal ePAO, duty drawback amounts shall be credited into the exporters' bank accounts linked with PFMS. The jurisdictional principal chief commissioners/chief commissioners shall ensure that the drawback sections functioning under their charge complete the following actions before June 5, 2024. All drawback scrolls generated prior to the said date should be processed, duly sent to the agency banks, and cheques issued for the same.

Source: fibre2fashion.com– June 01, 2024

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India's agricultural revolution: Shaping the future through innovative farming practices

India's journey to food security and economic prosperity relies heavily on an improved agricultural landscape, driven by innovation and smart technologies. In the face of the climate crisis and the attendant food shortages, it is important to seek technologies that offer a buffer, precision, and accuracy, in a bid to plan for the present and the future.

With a market size of roughly $400 billion, the country is currently the world's largest producer of pulses, milk, and spices, and second-largest producer of tea, fruits, vegetables, cotton, sugarcane, rice, sugar, and wheat, etc., per IBEF reports. What is clear is that India is a global player and major exporter of grains, spices, and other agricultural products.

However, the country is yet to fully attain the level of agricultural prosperity that will drive food security, empowerment for local farmers and communities, and overall economic development. The country is addressing challenges such as low yield per hectare for major crops, often caused by insect pests and diseases, inefficient practices, and the gradual adoption of agritech and innovation. As these issues are tackled, India's agricultural sector is poised for even greater achievements.

Driving innovation across farms

Rising awareness about emerging agricultural technologies is pushing farmers and agricultural players to adopt strategies and tools that enhance efficiency and productivity on farms. This revolution is supported by governments at all levels, which have taken steps to bolster innovation in the sector. Beyond the adoption of artificial intelligence (AI), machine learning (ML), and unmanned aerial drones, farmers are embracing simpler innovations to boost their productivity.

In Mangaluru, an easy-to-use tree scooter has been developed to help farmers harvest areca palms, allowing them to harvest up to 300 palms per day. This reduces dependence on human labour, cuts down labor costs, and triples the volume harvested compared to conventional methods. Such automation is breaking barriers and bolstering the efforts of farmers, particularly in rural agrarian communities.

Other innovations support desert farming, post-harvest storage, shelf-life enhancement, and irrigation. For example, equipment that measures crop water requirements is becoming more common. Emerging technologies embedded in the Internet of Things (IoT) are also making a significant impact. Farmers can now track crop health, soil moisture, temperature, and livestock health in real-time, allowing for quicker responses and better decision-making.

The digital revolution is another significant aspect of India's agricultural makeover. Various agri-tech startups are developing platforms that connect farmers directly with markets, reducing the role of intermediaries and ensuring better prices for their produce.

Mobile apps provide farmers with critical information on weather forecasts, crop advisory services, and real-time market prices. The use of blockchain technology is also being explored to enhance transparency in the supply chain. By recording every transaction in an immutable ledger, blockchain ensures traceability of produce from farm to fork, boosting consumer confidence in the quality and safety of agricultural products.

Advanced crop protection solutions, drone revolution

India's agricultural transformation relies heavily on crop protection products, essential for maintaining crop health and maximising yields. Insecticides and fungicides manage harmful pests and diseases, with modern formulations targeting pests while minimising environmental damage.

Advanced insecticides spare beneficial insects, preserving ecological balance. Biological crop protection products, like Bacillus thuringiensis (Bt) and Trichoderma, offer safer alternatives, with Bt targeting specific insects and Trichoderma combating soil-borne diseases while enhancing plant growth.

Integrated Pest Management (IPM) combines chemical, biological, and cultural methods, reducing pesticide use, costs, and environmental impact. Practices such as crop rotation, intercropping, and using resistant crop varieties promote long-term sustainability.

Investments in agri-drone adoption are skyrocketing in India, as drones become a common sight in agriculture. They serve multiple purposes, including farm area monitoring, weather forecasting, crop photography, fertilisation, and product application. With a potential value of $32 billion, agriculture ranks second only to manufacturing for drone solutions. Projections indicate that agri-drone usage in India will soar at a CAGR of 38.5 per cent to reach $121.43 million by 2030. This growth is fuelled by collaborative efforts between the government and private sector.

The Kisan Drone Initiative, launched in February 2022, exemplifies the government's push for drone adoption in agriculture. Under this scheme, institutions can access agricultural drones fully funded by the government, up to ₹10 lakhs. Additionally, graduates setting up hiring centres receive a 50 per cent subsidy (up to ₹5 lakhs), while drones for demonstration purposes enjoy a 75 per cent subsidy.

Towards a prosperous future

India's agricultural transformation is a comprehensive endeavour that combines technology, sustainability, policy support, and digital innovations. Despite obstacles, these efforts aim to make agriculture more productive and sustainable. Beyond food security, it empowers farmers, conserves the environment, and builds resilience. As these practices become more widespread, they hold the potential to not only enhance food security and farmer incomes but also ensure the long-term health of the environment.

Source: thehindubusinessline.com– June 02, 2024

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Cotton area set to reduce in northern States

Area under cotton sowing in the northern States of Punjab, Haryana and Rajasthan is expected to be 25% lower this year, according to representatives of the cotton sector.

Nishant Asher, secretary of the Indian Cotton Federation, said the current cotton marketing season will end in September and the cotton availability situation is comfortable so far.

At present, Indian cotton prices were 5% - 7% higher than international prices. However, the sowing in the three northern States was said to be lower for the next season as farmers were unable to get remunerative prices.

“There is an urgent need to focus on seeds to improve yield so that farmers get better returns,” he said.

According to Pankaj Shardha, a farmer and cotton ginner in Punjab, the three States had 16.25 lakh hectares under cotton for the current marketing season. For the last two or three years, cotton farmers had been affected by pest attacks on the crop, unseasonal rains, and low yield.

“The farmers got an average of just about ₹5,500 per quintal while the minimum support price ranged from ₹6,700-7,000 a quintal,” he said. For the next season, the area was down 25% in Punjab and Haryana. In Rajasthan, intense heat waves during the last 15 days in south Rajasthan had affected sowing and there was uncertainty over yield, he added.

K. Selvaraju, secretary general of the Southern India Mills’ Association, said Indian cotton production was expected to be at the estimated level of almost 320 lakh bales in the 2023-2024 cotton season.

The average capacity utilisation in textile mills was about 75% and the government should ensure that raw material prices were stable and affordable for the industry.

Source: thehindu.com– June 01, 2024

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Stagnation in gross FDI flows needs attention

Recent numbers released by the Reserve Bank of India on foreign direct investments for FY24 raises concerns over weak gross inflows. But the alarm being raised over the decline in net FDI to $10.6 billion is overdone. Fall in net FDI flows is led by repatriation and divestment touching a decadal high of $44.4 billion. While it is being inferred that the high repatriation figure implies that foreign promoters and investors are exiting India or withdrawing large sums out of the country, that may not be the case.

The repatriation numbers have jumped due to foreign investors booking partial profits on their holdings in Indian companies due to the strong rally in the stock market, last fiscal year. These outflows will moderate as the bull-run in small and mid-cap stocks abates. An analysis by this newspaper shows that foreign promoters of 66 listed companies pared their stakes in FY24. While the stake sales staked between 1 and 30 per cent, most of the promoters sold less than 5 per cent stake.

It is noteworthy that almost all promoters continue to hold significant stakes in their companies, negating the perception that they are stampeding out of India. The companies have also announced to the public that they wish to continue doing business in India for the long-term. They have termed their share sales last fiscal year as unlocking of some value and reallocation of capital to other regions. Besides this, many PE and VC investors have also used the improving valuation in start-ups to pare or exit their stake. Sales by these investors amounted to $12 billion in 2023, across 109 deals.

These sales seem to be driven by the pressure on these funds to distribute returns to their investors. MNCs have paid large amounts of dividends to their shareholders given the improvement in their profitability due to falling commodity prices.

As demand conditions become more challenging and affect profitability, dividend repatriation can also moderate going ahead. A reversal in interest rate cycle in the US and the UK could also help stem the reallocation of capital out of India.

But there is certainly a marked slowdown in gross FDI inflows. It was stagnant at $71.4 billion in FY24 when compared to the previous fiscal, but it is down 15 per cent when compared to FY22. That was the year when FDI inflows spiked sharply due to deals done by the Reliance Industries group across their verticals. This should be kept in mind while reading the data. Tightening global liquidity and increasing cost of funds as global central banks tightened their monetary policies to fight inflation may also have affected inflows in the last two years. The uncertainty around the general elections could also be holding the foreign investors back.

But as the RBI notes, India is among the top ten economies which are expected to receive large FDI flows in 2024. The next government should make sure that this potential is realised, for FDI inflows are required to help buttress government capital expenditure, in the absence of a revival in private capex. To enable this, ease of doing business in the country needs to be improved significantly by simplifying compliance and expediting approvals.

Source: thehindubusinessline.com– May 31, 2024

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