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USD	EUR	GBP	JPY
86.54	90.12	106.74	0.56

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INTERNATIONAL NEWS

Trump Says New Duties on China Could Take Effect Feb. 1

President Donald Trump is fanning the flames of a trade war with China by renewing campaign threats to up duties on products made by the sourcing superpower.

In a statement to reporters at the White House on Tuesday evening, Trump said his administration was considering levying 10-percent tariffs on China starting next month.

"We're talking about a tariff of 10 percent on China based on the fact that they're sending fentanyl to Mexico and Canada," he said, according to a report from CNBC. "Probably Feb. 1 is the date we're looking at," he added.

The comments took place in the early morning hours for Chinese officials, who had not yet released comments on the matter by the time of publication. But at his morning briefing on Tuesday, China Foreign Ministry spokesperson Guo Jiakun responded to the news that Trump had ordered a review of trade issues pertaining to China.

"Economic cooperation and trade between China and the United States benefit both sides. Keeping business ties sound and stable serves the fundamental interests of both countries and both peoples, it is also conducive to global economic growth," he said.

"China stands ready to follow the principles of mutual respect, peaceful coexistence and win-win cooperation, strengthen dialogue and communication with the U.S., properly manage differences, and expand mutually beneficial cooperation," he added. "We hope the U.S. will work with us to promote the steady, sound and sustainable growth of bilateral trade and economic ties."

Trump also reiterated his thinking about a potential duty increase for Mexico and Canada during the exchange with news outlets, repeating comments that the two countries could see tariffs of "approximately 25 percent" by or around Feb. 1.

His first comments on the timeline took place within hours of his inauguration, prompting a swift but measured response from Canadian

Prime Minister Justin Trudeau. At a press conference Tuesday, the outgoing leader said, “If there are unfair tariffs, we will respond robustly and we will be there to support Canadians and protect our interests.”

Conservative party Premier Doug Ford was more colorful in his remarks on the issue, telling the Associated Press that Trump “declared an economic war on Canada” with his tariff threat. The leader from Ontario said he and his contemporaries “are going to use every tool in our tool box to defend our economy,” including imposing dollar-for-dollar duties on American-made alcohol and other products.

“President Trump seems intent on starting a trade war that will create the kind of economic uncertainty that only benefits China,” Ford wrote on X Tuesday. “There’s a better way. Let’s beat China with Fortress Am-Can.”

Source: sourcingjournal.com– Jan 21, 2025

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EU, Malaysia relaunch negotiations for planned bilateral FTA

The European Union (EU) and Malaysia are relaunching negotiations for a planned bilateral free trade agreement (FTA), Eurupean Commission President Ursula von der Leyen announced yesterday as Malaysian Prime Minister Anwar bin Ibrahim is on a visit to Europe.

“Europe and Malaysia share a commitment to a rules-based international order, economic openness, sustainable development, and regional stability. Europe remains dedicated to advancing a free and open Indo-Pacific, where both sides share significant interests and responsibilities,” von der Leyen said.

“As our third-largest trading partner in ASEAN and the current chair, Malaysia plays a central role in shaping the bloc's direction. Today's announcement reaffirms Europe's commitment to strengthening ties with both Malaysia and ASEAN as a whole,” she said.

“We will aim to build our partnership on robust commitments on labour rights and climate and environmental protection....We are showing that sustainability and free trade can and must go hand in hand,” she added.

Trade between both sides is already worth €45 billion annually.

Source: fibre2fashion.com– Jan 21, 2025

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EU policies challenge textile industry's access to biomass

The EU's Green Deal and transport regulations are driving climate neutrality, prioritizing sustainable fuels like second-generation biomass and synthetic carbon dioxide based alternatives in aviation and shipping. A report by the Renewable Carbon Initiative (RCI) highlights how these policies, while boosting demand for biofuels, could significantly impact other industries, including textiles and yarn production.

The competition for second-generation biomass is intensifying as aviation and shipping quotas absorb most of the available supply. This leaves limited renewable carbon resources for the textile industry, which increasingly relies on bio-based inputs for sustainable fiber production. With prices rising due to fuel sector demand, yarn manufacturers may face challenges in accessing affordable, renewable feedstocks essential for producing eco-friendly textiles.

However, the report identifies synergies. By-products like bio-based naphtha from Sustainable Aviation Fuel (SAF) production can serve as high-quality feedstock for chemicals, potentially benefiting fiber production. Additionally, redirecting food and feed crops toward industrial use could stabilize supply chains without compromising food security.

Innovative strategies, such as integrating electrification in transport with carbon recycling, could create a balanced approach, supporting the textile sector's defossilization. Policies that encourage a cascading use of biomass and prioritize circularity are critical to aligning the textile industry's goals with broader climate targets.

RCI urges policymakers to foster cross-sector collaboration and implement balanced policies to ensure sustainable resource allocation. For the textile industry, these measures are pivotal to achieving a resilient, low-carbon future while maintaining competitive global production.

Source: fashionatingworld.com – Jan 21, 2025

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Analysts Weigh In On Trump's Tariff Talk

The probability of a "universal tariff" on all countries isn't a key priority, while the odds for a proposed 25 percent hit on imports from Canada and Mexico remain low.

That's the conclusion from Goldman Sachs, according to a research note Tuesday from managing director and chief political economist Alex Phillips.

"President Trump's Inauguration Day policy announcements on tariffs were more benign than expected," Phillips wrote. "While we did not expect major policy pronouncements so soon following inauguration, Trump's comments on China were notably less hawkish than during the presidential campaign or even his more recent comments since the election."

He added that a universal tariff was seen as a clear risk prior to Inauguration Day, but Trump's comment—"I may, but we're not ready for that yet"— suggests that it is now a lower priority.

Goldman lowered the odds of a universal tariff this year to 25 percent. Phillips said that if one were to be implemented, it would more likely be targeted to "critical imports," making it "narrower" than the proposal Trump had stated during the campaign.

As for Trump's late day comment on Monday that he could impose a 25 percent tariff on Canadian and Mexican imports starting Feb. 1, Phillips isn't convinced, noting that the odds of a 25 percent tariff on both countries are low, with the probability at 20 percent.

That's not to say Trump won't impose tariffs, only that it may not be as high as he's talking now or maybe not at all.

"We note that in 2019 he also stated that he would impose a tariff of up to 25 percent on Mexico within 10 days but the tariff was never implemented. More recently, in November 2024 he pledged to 'sign all necessary paperwork' to implement the tariff on Canada and Mexico on Inauguration Day, but did not do so," Phillips noted.

Goldman also lowered its odds of a 20 percent tariff hike on imports from China to 70 percent from 90 percent as its best-case scenario. With a deadline of April 1 for recommendations on trade policy—listed Monday on the White House website as a presidential action dubbed “America First Trade Policy”—from the U.S. Trade Representative and the Secretaries of Commerce, Defense, Homeland Security, State, and Treasury, there’s a chance implementation could occur in the second quarter, although the back half of the year is more likely.

Trump’s trade policy memo cites applicable law for national defense, unfair trade practices, and the International Emergency Economic Powers Act as possibilities giving him broad emergency powers. Also a potential option, but never been used according to Phillips, is Section 338 of the Tariff Act of 1930 that authorizes tariffs of up to 50 percent in response to trade practices that are deemed “unfair.”

TD Cowen’s Washington strategist Chris Krueger said on Monday that another reason for the delay in any decision on tariff implementation is Trump’s plan for an External Revenue Service to collect tariffs on imports, which still needs to be established.

The expectation generally among economists is that if tariffs are placed on goods from Mexico and Canada, the two countries would impose retaliatory tariffs of their own.

UBS economist Paul Donovan in a Tuesday podcast said that in Trump’s scripted inauguration remarks, “references that were made tended to focus on the misplaced idea that trade taxes will be paid by foreigners rather than by U.S. consumers.”

Donovan explained that a 25 percent tax on imported goods from Mexico and Canada “would raise U.S. consumer prices of those goods by 10 percentage points on average.” He added that there is a “risk of more inflation from second-round effects, [such as] the drop in competition, leading to U.S. producers to raise prices and retailers engaging in a profit-led inflation episode.”

Source: sourcingjournal.com– Jan 21, 2025

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Vietnamese ministry proposes new e-com regulation to improve oversight

Vietnam's ministry of industry and trade recently proposed a new e-commerce regulation to improve oversight of online sellers, requiring detailed identification and tax information to address regulatory gaps.

The country's business-to-consumer (B2C) e-commerce market reached $25 billion last year, it noted.

However, probing and addressing violations in online transactions are complex, and it is a challenge for authorities to trace warehouses or sellers in cases of misconduct due to insufficient electronic identification mechanisms and lack of comprehensive oversight, domestic media outlets reported.

E-commerce platforms are sometimes exploited for fraudulent activities or tax evasion; there is lack of transparency about products, services and seller information; the online dispute resolution process is ineffective; and customers are unable to resolve disputes with sellers and find it challenging to directly contact platform operators.

The ministry's proposal to address these issues includes defining e-commerce business models, clarifying the rights and obligations of participants, and enhancing the decentralisation of oversight responsibilities.

The draft law also specifies requirements for individuals engaged in activities such as livestream sales or advisory services for goods and services in regulated industries, a domestic media outlet reported.

Sellers using intermediary e-commerce platforms will need to verify their identities according to electronic identification regulations before offering goods or services.

They will also have to provide information like names, addresses, identification numbers and personal income tax codes to intermediary platforms.

For cross-border e-commerce activities, businesses must obtain permits from the ministry, establish representative offices in Vietnam, or designate authorised local legal representatives.

Many cross-border e-commerce platforms operate in Vietnam without completing official legal procedures. Regulations for cross-border e-commerce are generally less stringent now than those applied to entities with official investments in the domestic market, creating an uneven competitive environment.

Source: fibre2fashion.com– Jan 22, 2025

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Bangladesh registers 24.09% rise in apparel exports to the EU in November 2024: Eurostat

Bangladesh's apparel exports to the European Union increased by 24.09 per cent to €1.53 billion ($1.57 billion) in November 2024, primarily driven by easing inflation and declining interest rates in Western nations. This boost in demand for Bangladesh's apparel came as the EU's economic recovery gained momentum, with shipments showing consistent growth over four months leading up to November, according to Eurostat data.

In the first 11 months of 2024, Bangladesh's apparel exports to the EU showed positive growth in six months, with four months seeing double-digit increases ranging from over 20 per cent to nearly 34 per cent. Although some months experienced negative growth, the overall trend was positive. Notably, apparel exports to the EU's largest market rose by 2.53 per cent, surpassing the global average growth of 0.34 per cent.

Bangladesh's apparel exports continued to thrive, maintaining its position as the second-largest apparel exporter to the EU, just behind China. Bangladesh's cost-effectiveness, increasing focus on sustainability, and the shift of orders from China due to trade tensions have all contributed to its success.

Knitwear exports from Bangladesh increased by 0.89 per cent to €10.05 billion, while woven garment exports saw a more substantial rise of 5.13 per cent, growing from €6.35 billion to €6.67 billion. The strong recovery in shipments during the EU's peak retail season from August to November 2024 reflects the growing demand for high-value-added products.

Abdullah Hil Rakib, Managing Director, Team Group, emphasized, Bangladesh's growth is linked to the EU's recovery from ongoing wars and inflation. However, he raised concerns about proposed energy price hikes and potential labor wage increases, which could affect the country's competitiveness. Despite these challenges, there remains optimism for sustained growth in Bangladesh's apparel exports, driven by favorable global demand and government support.

Source: fashionatingworld.com – Jan 21, 2025

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American retailers and brands want more workers' rights in Bangladesh

American clothing and footwear retailers and brands yesterday said they want more workers' rights in Bangladesh as they have plans to source more from here.

Leaders of the American Apparel & Footwear Association (AAFA) and the Fair Labor Association (FLA) said this during a meeting with local garment exporters at the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) office in the capital's Uttara.

A high-powered delegation from the AAFA and FLA visited the BGMEA office to discuss workers' rights and explore ways to enhance the partnership between the US and Bangladesh in the ready-made garment (RMG) sector.

The delegation was led by BGMEA Administrator Anwar Hossain from Bangladesh's side while Nate Herman, Senior Vice President - Policy, of the AAFA led the American contingent.

At the meeting, opportunities of cooperation in fostering a more sustainable and ethical RMG industry in Bangladesh and strengthening trade relations with the US were highlighted .

Workers' rights, workplace safety, the labour law and reforms were also discussed.

Several key areas, including increasing trade access for Bangladeshi apparel to the US market, promoting responsible purchasing practices, and the industry's impressive progress in sustainability initiatives were also emphasised.

Potential collaborations in worker training programmes and initiatives to further enhance worker welfare in the RMG sector were also explored.

The BGMEA urged the AAFA, which represents over 1,000 globally renowned brands, retailers, and manufacturers, and the FLA to promote responsible purchasing practices that benefit both buyers and suppliers.

The BGMEA also requested AAFA's support in advocating for Bangladesh's trade interests in the US market, ensuring continued growth and mutual benefits.

The delegation appreciated Bangladesh's progress in workers' rights and the government's initiative to form a labour reform commission and implement labour law reforms.

Source: thedailystar.net – Jan 22, 2025

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Pakistan: Exporters warn against changes in Export Facilitation Scheme

ISLAMABAD: Textile players have warned the government that any proposed changes to the Export Facilitation Scheme (EFS), particularly imposing a sales tax on imported yarn for the value-added industry, could severely harm the country's export growth.

Exporters in the value-added sector have raised concerns at a time when the government is considering various proposals to modify the existing EFS. Local spinners are urging the government to impose a sales tax on imported yarn.

In a statement on Tuesday, the Pakistan Textile Exporters Association (PTEA) highlighted that, with government support, the textile industry has entered a phase of export-led growth. Any disruption at this critical time could significantly impact the pace of growth, it emphasised.

PTEA Patron-in-Chief Khurram Mukhtar said that the textile sector was in a severe crisis, and the industrial production was lower than the built-up manufacturing capacity. Due to this underutilisation, the country was not fetching the full potential of foreign exchange earnings.

After achieving a landmark milestone of $19.3bn in FY22, textile exports dropped to $16.6bn in FY24, witnessing a drop of 13.83pc. He explained that several factors, including inconsistent policies, the highest production cost, exchange rate issues and economic meltdown, have contributed to the deteriorating exports.

Source: dawn.com– Jan 22, 2025

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NATIONAL NEWS

Commerce and Industry Minister Shri Piyush Goyal holds bilateral talks with Belgian Foreign Affairs and Foreign Trade Minister, interacts with industry leaders

The Commerce and Industry Minister of India, Shri Piyush Goyal, met with the Belgian Minister of Foreign Affairs, European Affairs, and Foreign Trade, Mr. Bernard Quintin, in Brussels today to discuss strengthening bilateral trade and investment ties.

The meeting reinforced the longstanding relationship between India and Belgium, built on shared values of democracy, rule of law and independent judiciary. The two leaders discussed ways to expand economic cooperation, and explored new avenues to advance this partnership. It may be noted that India-Belgium trade is estimated at over US$ 15.07 billion in 2023-2024 while Foreign Direct Investments from Belgium into India was estimated at over US$ 3.94 billion.

During the discussions, both leaders acknowledged Belgium's significant reliance on foreign trade and India's dynamic, growing economy as key factors for leveraging mutual opportunities.

Recognizing the potential of trade as a cornerstone of their partnership, they emphasized the importance of diversifying trade relations and deepening economic diplomacy to achieve sustainable growth.

The leaders also discussed the progress of the EU-India Free Trade Agreement (FTA) negotiations and enphasized the importance of prioritizing trade issues to streamline negotiations and strengthen economic ties.

Emerging sectors such as renewable energy, life sciences, infrastructure, digital technologies, and food products were highlighted as key areas of collaboration. Belgium recognized the importance of engaging with India as a strategic partner to diversify its trade relationships. Regulatory barriers, particularly in the approval processes for pharmaceuticals and agri-products, were also discussed, with both sides agreeing to tackle these challenges through continuous dialogue.

The meeting concluded with a commitment to establish stronger mechanisms for resolving trade issues. Both leaders affirmed their dedication to fostering a robust and mutually beneficial trade partnership

This high-level engagement marks a significant step in advancing India-Belgium trade relations, strengthening their shared vision for economic growth and sustainable development.

The Commerce and Industry Minister also interacted with European business leaders, representatives of diamond industry and investors in areas of maritime services, solar energy, clean technology, waste treatment and green hydrogen.

Source: pib.gov.in– Jan 21, 2025

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Indian economy projected to grow in range of 6.5-6.8% in FY25: Deloitte

Deloitte India on Tuesday projected India's GDP to grow at 6.5-6.8 per cent in the current fiscal and said India will have to adapt to the evolving global landscape and harness its domestic strengths to drive sustainable growth.

In its Economic Outlook report, Deloitte India also said the country needs to decouple from global uncertainties and harness its domestic potential.

Despite global and domestic challenges, India is moving up the global value chains, as highlighted by the rising share of high-value manufacturing exports, particularly in electronics and machinery and equipment.

Deloitte India, in its latest Economic Outlook, has revised its annual GDP growth projection for FY2024-25 to 6.5-6.8 per cent, with expectations for 6.7-7.3 per cent in the following year. The adjustment reflects the need for cautious optimism as the economy navigates rising global trade and investment uncertainties.

In its Economic Outlook report in October, Deloitte India had projected the country's economic growth higher at 7-7.2 per cent for the current fiscal.

"India will have to adapt to the evolving global landscape and harness its domestic strengths to drive sustainable growth. One way to do this would be through economic decoupling from global uncertainties and harnessing India's untapped potential. Several indicators that reveal resilience in certain pockets are worth noting," it said.

As per the first advance estimates released by the National Statistics Office (NSO) earlier this month, India is expected to grow at a 4-year low pace of 6.4 per cent in the current fiscal. The RBI expects growth to be 6.6 per cent in the current fiscal.

"Election uncertainties in the first quarter followed by a modest activity in construction and manufacturing in the subsequent quarter due to weather-related disruptions led to weaker-than-expected gross fixed capital formation. The government's capex stood at just 37.3 per cent of annual targets in the first half, a sharp decline from last year's 49 per cent, and there is a lag in the momentum it needs to gain," Deloitte India Economist Rumki Majumdar said.

Additionally, a tempered global growth outlook, potential shifts in trade regulations among industrial nations, and more stringent monetary policies than previously anticipated in India and the US may hinder the synchronised recovery in Western economies that we anticipated for this fiscal year, she added.

Deloitte in its report said the government acknowledges the growing importance of retail investors and is likely to focus on strengthening their participation in the upcoming Union Budget 2025-26.

Measures may include simplifying investment processes, enhancing safety mechanisms to protect household savings from market volatility, and promoting financial literacy through campaigns and incentives.

Additionally, the budget is expected to prioritise capital expenditure, advance skilling initiatives, and accelerate digitisation to bolster economic resilience and mitigate the impact of ongoing global uncertainties.

"India's demographic dividend and growing middle-class wealth are often celebrated for driving consumption demand and strengthening the labour market. But now we know they are also enhancing the stability of the country's financial markets," Deloitte said.

Source: business-standard.com– Jan 21, 2025

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Trump's 'America First Trade Policy' may lead to tariff threats for India

US President Donald Trump's America First Trade Policy could translate into tariff threats for India which the government may counter through negotiations and with retaliation if needed, sources have said. Experts suggest that India should closely watch what the Trump regime does over the next few weeks and be open for consultations with the US government, while not ruling out retaliation.

"The America First Trade Policy is harsh on China but doesn't name India. However, it says that the US government will investigate the country's trade deficits and may impose supplemental tariffs on trade partners. India would no doubt be ready to hold consultations with the US on the matter if it seeks one and react appropriately," a source tracking the matter told businessline.

It is inevitable that there will be some action around India as Trump needs more market access and wants to balance trade, pointed out Biswajit Dhar, Distinguished Professor, Council for Social Development. "In the first instance, we should aim at opening up consultations with the US. We should never have a knee jerk reaction," Dhar said.

Only if the consultations do not result in anything constructive, India should take measures to retaliate, he said. But India's response needs to be proportionate to steps taken by the US, Dhar added. India had retaliated by increasing tariffs on 29 products imported from the US, including apples and walnuts, when Trump had imposed taxes on its steel and aluminium during his first stint as President in 2018.

"India has already demonstrated that it can protect its interests by retaliating in a measured way. It can look at appropriate ways to hit US if required including taking action against US tech companies," trade expert Ajay Srivastava said.

The US was India's largest export destination in FY24 with shipments valued at $77.51 billion. With imports from the US at $42.19 billion, India's trade surplus was at $35.32 billion in FY24.

Source: thehindubusinessline.com– Jan 21, 2025

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Where's the money? Can the Budget pull exporters out of their credit crunch?

Credit crunch among MSME exporters in India has become a pressing challenge for quite some time. As per estimates, export credit in India has plummeted by 5% from March 2022 to March 2024, with priority sector lending for exports dropping by 41%. A report by the Federation of Indian Export Organisations (FIEO) says that the export credit outstanding value has declined from Rs 2,27,452 crore in the March 2023 quarter to Rs 2,17,406 crore in the corresponding quarter in the following year.

Experts have pointed out that as the capital needs of the MSME exporters have grown since the pandemic, the lending ways have not. The industry has pinned its hopes from the upcoming Budget to get a respite from this issue.

Explaining the current status of the credit issue, Ram Iyer, Founder and CEO, Vayana Network, estimates that over 80% of MSME exports are open account trades which banks are apprehensive to lend because of their higher risk profile. He adds that the interest equalisation scheme which offers benefit at the rate of 2 percent on pre- and post-shipment rupee export credit to merchant and manufacturer exporters and 3 percent to the MSME exporters on 410 identified tariff lines (or product categories) ended on Dec-31 2024.

"This scheme has augured well for the exporters and has recorded impressive government outlays of Rs 2,641.28 crore against the allocated budget of Rs 2,932 crore under the scheme from April 2024 to Nov 30, 2024, Rs Rs 3,118 crore was disbursed in 2022-23 and Rs 3,488 crore in 2021-22. However, the export credit under PSLC has seen a consistent decline in the past few years - total outstanding under the portfolio declined from Rs 17,810 crore in Dec 2022 to Rs 7,749 crores in Dec 2023. The total outstanding slightly improved this year to Rs 12,668 crores by the end of November 2024," he says.

He says that these small business exporters constantly grapple with rising commodity prices, higher freight costs, and geopolitical uncertainties like the Red Sea crisis. Moreover, limited access to affordable, collateral-free financing has left many MSME exporters struggling to meet the rising demand for longer-duration credit necessitated by delayed payment cycles and extended voyage times.

Gurjodhpal Singh, CEO, Tide India, says that one of the critical reasons MSMEs struggle to access credit is the lack of formalisation in the sector. "Many MSMEs operate informally, with insufficient credit histories and inadequate collateral, making them appear riskier to lenders. Coupled with stringent lending criteria, complex documentation processes, and a 45% rejection rate for MSME loan proposals, these challenges limit their ability to secure loans. However, formalisation through government initiatives such as the Udyam Registration Portal—which now has 3.11 crore MSMEs registered—has begun providing access to benefits like priority sector lending," he says.

This credit crunch exists despite an overall credit growth of 15.3% in FY24, as per the Reserve Bank of India (RBI). Ashok Mittal, MD & CEO, of Mumbai-based BillMart Fintech points out that Non-Banking Financial Companies (NBFCs), a critical source of funding for these small and medium enterprises, are facing their own liquidity challenges.

"For instance, a leading NBFC specializing in MSME lending has highlighted India's estimated Rs 78 lakh-crore credit gap for underserved MSMEs. Even with robust financial metrics like a capital adequacy ratio % and a growing asset base, the broader market's liquidity issues limit how effectively NBFCs can cater to this sector," he says.

NBFCs rely heavily on banks for funding. However, regulatory caps on bank lending to NBFCs for on-lending to priority sectors (currently capped at 5%) restrict their capacity to extend credit to MSMEs.

"The absence of a dedicated refinance window exacerbates this challenge. Smaller NBFCs often secure funds at elevated interest rates due to limited access to the corporate bond market," he says.

Mittals calls for establishing a dedicated refinance window under institutions like the Small Industries Development Bank of India (SIDBI) which can provide NBFCs with affordable liquidity. This, in turn, will enable them to offer lower-cost credit to MSMEs.

"Among other measures, the Budget can look at expanding access to the corporate bond market, especially for BBB+ to AA-rated NBFCs, can diversify funding sources and reduce borrowing costs. Also, it can look at increasing the cap on bank lending to NBFCs for on-lending to priority sectors from 5% to 10% as it can significantly boost the credit flow to MSMEs," he says.

Apart from these, Mittal wants the Budget to encourage fintech platforms through tax incentives and regulatory support that can accelerate the adoption of digital financial solutions tailored for MSMEs.

Tide's Singh believes that increasing allocations to credit guarantee schemes such as the one announced by the Finance Minister in Budget 2024-25, can enable lenders to extend loans without collateral, mitigating risks for both lenders and borrowers. "Additionally, the scheme is said to be operated by pooling credit risks and will be supported by a self-financing guarantee fund, ensuring credit access to eligible enterprises," he says.

He adds that simplifying loan application processes through digitisation and allocating resources for financial literacy programs will further empower MSME owners to manage their finances effectively and build stronger credit profiles.

"Also, incentivising formalisation through tax benefits or subsidies can encourage informal MSMEs to transition into the formal economy, making them eligible for institutional support. By addressing these challenges, the Budget can strengthen MSMEs' role in the economy, enhance their global competitiveness, and unlock the untapped potential of India's exports," he says.

Source: economictimes.com– Jan 21, 2025

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Sustained investments to aid Indian logistics profitability: Ind-Ra

The macro-tailwinds arising from the India's multipolar investments across ports, rail, road and air transport are expected to bode well for the logistics industry, according to India Ratings and Research (Ind-Ra), which recently assigned an improving outlook for the sector for fiscal 2025-26 (FY26).

Moreover, policies such as the National Logistics Policy and the PM Gati Shakti National Master Plan aim at continuing to aid multimodal connectivity and interdisciplinary coordination. Additionally, public-private partnerships are expected to scale-up the ports portfolio.

Increased private capital expenditure on the network expansion of trains, dry terminals and warehousing will also support the growth of the logistics market in India, the domestic rating agency noted.

India's Logistics Performance Index ranking improved to 38 in 2023 from 44 in 2018, with an aspiration to break into the top 25 by 2030 as part of Maritime Vision 2030. This will necessitate a reasonable budgetary allocation towards logistics infrastructure in the upcoming budget.

"Sustained investments and the resultant increased scale of operations are expected to improve the cost efficiency and operational flexibility, which could lead to higher profitability for Ind-Ra rated integrated logistics companies," said Pratik Mundhada, associate director, corporates, at Ind-Ra in a company release.

"In Ind-Ra's base case, we see double-digit revenue growth for rail operators in FY26, supported by huge private investments in rakes and dry terminals in 2024. For warehousing entities, we project organic rental growth of 3 per cent-5 per cent year on year, while demand for grade-A spaces is expected to remain intact in FY26," he said.

"Container freight stations' profitability is likely to remain subdued in this fiscal due to intense competition. Lastly, for freight forwarders, revenue growth and EBITDA [earnings before interest, taxes, depreciation and amortisation] are likely to be impacted by a moderation in the global freight rates," he added.

For sea transport, Ind-Ra projects port volumes will be supported by the coastal movement of goods and global container freight with the easing of geopolitical tensions, including the Red Sea crisis and the normalisation of US-bound traffic.

EBITDA for container freight stations is expected to remain range-bound due to an increase in the proportion of direct port delivery and high competition intensity at large ports.

The agency believes the full commissioning of the Western Dedicated Freight Corridor will improve the utilisation of rakes and terminals, thereby enhancing the operating profitability of container train operators.

On the flip side, increased competition and revisions of haulage charges will remain key monitorables. The Eastern Dedicated Freight Corridor is likely to improve supply chain efficiency for thermal plants, led by increased speed and scheduled train operations.

Ind-Ra's ratings on logistics and supply chain companies are mostly on a stable outlook, given the sustenance of operational performance, while maintaining a comfortable leverage profile.

"While we see capital investments by logistics infrastructure companies including warehousing, rail and dry terminals, their ability to raise long-term debt at a competitive pricing and Ind-Ra's expectation that these companies will be able to optimise the asset utilisation are supporting their credit profile and thereby the stable rating outlook," the press release added.

Source: fibre2fashion.com– Jan 21, 2025

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India should reciprocate if U.S. imposes additional duties on domestic goods: Trade experts

India should respond with equal measures if the newly elected U.S. President Donald Trump imposes higher tariffs on domestic goods, trade experts say.

They noted that India has previously implemented retaliatory customs duties on several U.S. products, such as apples, in response to what it deemed "illegal" tariffs imposed by America on certain steel and aluminium products.

In December last year, Mr. Trump has said India charges "a lot" of tariffs, reiterating his intention to impose reciprocal tariffs in retaliation for what New Delhi will impose on the import of certain American products.

"India should respond firmly and in equal measures," economic think tank Global Trade Research Initiative (GTRI) Founder Ajay Srivastava said.

In 2018, when the U.S. taxed Indian steel and aluminium, India retaliated by raising tariffs on 29 U.S. products, recovering equivalent revenue.

"This measured response showed India's capability to protect its trade interests while staying balanced," Mr. Srivastava said.

He added that Indian exporters may face high customs duties for goods like automobiles, textiles and pharmaceuticals if the new U.S. administration decides to pursue the 'America First' agenda.

He also said that if Mr. Trump would tighten H-1B visa rules, it may impact the growth of Indian IT firms.

Over 80% of India's IT export earnings come from the U.S. The U.S. is India's largest trading partner, accounting for over $190 billion of annual trade.

Sharing similar views, international trade expert Abhijit Das said that additional duties by the U.S., if implemented, will lock the market for Indian goods.

"Of course, India should retaliate with equal measures," Mr. Das said, adding that imposing retaliatory customs duties would strengthen India's position in negotiating the removal of "illegal" tariffs in the future.

"In the case of imposition of duties by the U.S., India should explain why those are illegal and if not withdrawn, we should not hesitate in taking retaliatory measures," he said adding Mr. Trump has complaints in several sectors like agri goods, industrial products, services, intellectual property rights and digital trade.
Consult stakeholders

Another expert said that the Indian government should do a comprehensive consultation with the stakeholders and prepare itself to deal with any such move by the new American authorities.

Trade experts further stated that Mr. Trump's claim that India is an "abuser" of import tariffs is unfair as many nations including America protect their domestic industries by imposing high customs duties on certain products. In October 2020 also, Mr. Trump labelled India as the 'tariff king'.

According to WTO's World Tariff Profiles 2023, the U.S. also imposes high duties on items like dairy products (188%), fruits and vegetables (132%), coffee, tea, cocoa and spices (53%), cereals and food preparations (193%), oilseeds, fats and oils (164%), beverages and tobacco (150%), fish and fish products (35%), minerals and metals (187%), and chemicals (56%).

International trade expert Biswajit Dhar also said that Trump would increase tariffs in various sectors as he has to follow his call for MAGA (Make America Great Again).

"India has a trade surplus with the US and they have flagged this issue earlier several times. We have always favoured consultations, we have not done things unilaterally. But if things do not work out, we should also consider proportionate measures," Mr. Dhar said.

However, certain exporters are of the view that Mr. Trump will not go ahead with its threat as a number of U.S. companies have shown interest to invest in India and any move to impose duties will impact them also.

"I think, India-US trade relations will be strengthened further," Federation of Indian Export Organisations (FIEO) President Ashwani Kumar said.

The exporters added that in fact, India will get an opportunity to increase exports to the U.S. if America would impose higher duties on Chinese goods.

Going by the data, during 2001-23, at a Compounded Annual Growth Rate (CAGR), India's exports to America rose by 10.48%. In this period, the US imports from the world have grown by 4.76 per cent.

They added that the two economies have strongly integrated with each other through various agreements, including the IPEF (Indo-Pacific Economic Framework for Prosperity) and other bilateral mechanisms.

The U.S. is the largest trading partner of India in 2023-24. India's exports stood at $77.51 billion, while imports aggregated at $42.2 billion in the last fiscal.

During April-December this fiscal, the country's exports to America rose by 5.57% to about $60 billion, while imports grew by about 2% to $33.4 billion.

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