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NEWS CLIPPINGS –15-09-2018

Modi govt takes steps to check current account deficit and rein in rupee	Indian Express https://indianexpress.com/article/business/economy/current-account-deficit-arun-jaitley-narendra-modi-inflation-finance-ministry-5357361/

Latest RBI data showed that the forex reserves fell below the $400 billion mark for the first time over the last one year. It stood at $399.2 billion for the week ended September 7, 2018.

To contain the widening current account deficit (CAD) and check the fall of the rupee, the government on Friday announced specific steps to attract dollars and said that more measures are being planned to smoothen volatility in the financial markets.

After a meeting this evening where Prime Minister Narendra Modi reviewed the economic situation with top Finance Ministry and Reserve Bank of India officials, the government eased overseas borrowing norms for manufacturing companies; removed restrictions on foreign portfolio investors (FPI) investment in corporate bonds and provided tax benefits on Masala bonds.

Masala bonds are rupee-denominated debt securities issued outside India by Indian companies. The review meeting by the Prime Minister will continue Saturday as well. Finance Minister Arun Jaitley said the government will also take steps to cut imports of non-essential items and to boost exports. All these steps, as well as measures to be taken in the coming days, are to address the broader issue of CAD, he said.

India's CAD jumped to 2.4 per cent of Gross Domestic Product in the first quarter of 2018-19, from 1.9 per cent in March 2018. A sharp depreciation in the rupee and the spike in crude oil price has led to rise in CAD resulting in capital outflows. Sources said five steps taken by the government (see box) can potentially attract capital flows of around $10 billion but these will mostly be in the debt segment.

"The government will take necessary steps to cut down non-essential imports and also increase exports. Non-essential imports will be decided by consulting the respective ministries in the next few days," Jaitley said after the meeting. He did not disclose the list of non-essential items which would be subject to import restrictions. "In this meeting, the Reserve Bank Governor (Urjit Patel) gave a detailed presentation on the state of the world economy and the external factors that can impact the Indian economy…in comparison to other countries, our growth rate is much higher, our inflation is within a moderate range. From the Finance Ministry side, we said we believe that maintaining fiscal deficit is of prime importance and our effort is towards the same and we have the confidence that we will maintain it," Jaitley said.

These external factors, Jaitley said, include policy decisions taken in the United States because of which there is a continuing inflow of dollars to the US in comparison to other economies. He said that global crude oil prices and trade wars can impact countries such as India despite the strength of their domestic fundamentals.

Ahead of the meeting taken by Prime Minister Modi after market hours, both the currency and the stock markets witnessed a relief rally on Friday drawing comfort from the fact that the government is looking to address these. While the rupee had closed at an all-time low of 72.64 earlier this week on Tuesday, it rose over 1 per cent or 80 paise over the last two trading sessions to close at 71.85 on Friday. Similarly, the benchmark Sensex rose 677 points or 1.8 per cent over the last two trading sessions to close at 38,080 on Friday.

Latest RBI data showed that the forex reserves fell below the $400 billion mark for the first time over the last one year. It stood at $399.2 billion for the week ended September 7, 2018. Data shows India's foreign exchange reserves have been falling steadily over the past five months since it hit an all-time high of $426.08 billion in the week ended April 13, 2018.

Economic Affairs Secretary S C Garg said these five measures would have a meaningful impact. "It is difficult to give a specific number. I think it should have an impact of USD 8-10 billion," he said.

Rupee's early warning system has good news for you and Modi government	**Economic Times** https://economictimes.indiatimes.com/markets/stocks/news/rupees-early-warning-system-has-good-news-for-you-and-modi-government/articleshow/65804879.cms

NEW DELHI: After witnessing three currency crises in a decade, India is watching the rupee's zigzag show, wondering if it is headed for a fourth.

India last witnessed currency crises in 2013, 2011, 2008 and 1997.

Former Reserve Bank governor Raghuram Rajan hopes the rupee does not go in for a free fall, and RBI would do what it takes to tame inflation.

Economists feel the apex bank has enough armour in its war chest to restrict further fall in the local unit

After a steady drop, the rupee saw a rebound on Wednesday. On Friday, it opened 49 paise higher to trade at 71.70 to the dollar. For the year, it is down 11 per cent against the greenback. It lost 1 per cent in the first 10 days of September. By nature, the rupee is not fragile. If anything, it is vulnerable to external shocks. That's the finding of a study on 30 emerging market currencies, based on the noise-to-signal approach.

In Nomura's Damocles index, an early warning gauge, India stood at 25, signalling relative stability compared with its peers. The Damocles index is based on eight key indicators which help strike a balance between false signals (noise) and real crisis signals and it assesses the risk of an rate crisis up to 12 months in advance.

These indicators include import cover ratio, the ratio of forex reserves to short-term external debt, current account balance, short-term external debt real, short term interest rate and M2/FX reserves.

A Damocles reading above 100 is interpreted as a warning signal that a country is vulnerable to an exchange rate crisis. A reading above 150 signals that a crisis can erupt any time, which is currently the case with Sri Lanka. China's Damocles score stood at 37 and Malaysia's 62.

"India's most recent currency crisis occurred in 2013 and was due to weak domestic macro fundamentals and worsening external funding conditions. Since then, CPI inflation has moderated (to 4.5 per cent in 2018 from 9.7 per cent in 2012), as has current account deficit (2.5 per cent of GDP versus 5 per cent). Real rates are positive (2 percentage points versus minus 2 percentage points) and the central bank has a sufficient FX reserve buffer (9.3 months of import cover versus 6.4)," it said.

Analysts noted that since the 2008 global financial crisis, emerging markets received 50 per cent of capital flow compared with 20 per cent in the pre-crisis period. India has been a key beneficiary of the global liquidity boom, receiving around $170 billion flows from foreign portfolio investors (FPI) between 2009 and 2017.

"India's twin deficits continue to be its Achilles' heel, and to that extent the rupee depreciation has been in line with comparable EMs. However, India's macro fundamentals are stronger than what they were during the taper tantrum in 2013. Our forex market financial conditions index has deteriorated, but it is yet to hit crisis levels of August 2013 and 2008. Several EMs have embarked on interest rate defence of their respective currencies. We are not ruling out a rate hike by RBI in the near term," said Nirmal Bang Institutional Equities.

Central banks of several twin-deficit countries – Argentina, Mexico, Turkey, Indonesia and the Philippines – have raised interest rates in defend their currencies. RBI, too, has hiked repo rate in last two policy reviews.

225 million e-way bills generated across India since GST rollout	**Business Standard** https://www.business-standard.com/article/economy-policy/225-million-e-way-bills-generated-across-india-since-gst-rollout-118091400966_1.html

It added that July 31 accounted for the highest 2.177 million e-way bills generated in a single day

Around 225 million e-way bills have been generated across India till September 13 since the new electronic billing system was introduced on April 1, the Goods and Services Tax Network (GSTN) said on Friday.

It added that July 31 accounted for the highest 2.177 million e-way bills generated in a single day.

The e-way bill system kicked off as part of the new GST regime for transporting goods worth more than Rs 50,000.

"Between April 1 and September 13, a total of 224.8 million e-way bills have been generated. Of these, inter-state transport of goods accounted for 108.9 million bills while intra-state transport contributed another 115.8 million," the GSTN said in a statement. "The share of intra- and inter-state transport is gradually attaining parity and is expected to reach 50:50 ratio in coming months," it said.

The GSTN added that over 2.4 million taxpayers and 30,000 transporters had registered with the e-way billing system so far. "While the average daily generation of bills was roughly 13 lakh in the early months of implementation, now around 1.579 million bills are being generated seamlessly every day," GSTN CEO Prakash Kumar was quoted as saying. At 31.3 million, Maharashtra generated the highest number of bills, followed by Gujarat (2.45 crore), Haryana (2.05 crore), Karnataka (19.8 million) and Uttar Pradesh (19.0 million).

India's WPI inflation for apparel up 0.7% in August	**Fibre2Fashion** https://www.fibre2fashion.com/news/apparel-news/india-s-wpi-inflation-for-apparel-up-0-7-in-august-244542-newsdetails.htm

India's annual rate of inflation, based on monthly wholesale price index (WPI), stood at 4.53 per cent for the month of August 2018 over same month of last year. The index for apparel increased by 0.7 per cent to 139.1 in August, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of August 2018 rose by 0.3 per cent to 120.0 from the previous month's level of 119.7, the data showed.

The index for manufactured products (weight 64.23 per cent) for August 2018 rose by 0.3 per cent to 117.8 from 117.4 for the previous month. The index for 'Manufacture of Wearing Apparel' sub-group rose by 0.7 per cent to 139.1 from 138.2 for the previous month due to higher price of knitted and crocheted apparel (1 per cent).

The index for 'Manufacture of Textiles' sub-group also rose by 0.4 per cent to 117.6 from 117.1 for the previous month due to higher price of made-up textile articles, except apparel (2 per cent); and synthetic yarn, texturised & twisted yarn, manufacture of knitted & crocheted fabrics and cotton yarn (1 per cent each). However, the price of manufacture of other textiles (1 per cent) declined.

The index for primary articles (weight 22.62 per cent) rose by 0.1 per cent to 135.1 from 134.9 for the previous month. The index for fuel and power (weight 13.15 per cent) also rose by 0.5 per cent to 104.9 from 104.4 for the previous month due to higher price of LPG, petroleum coke, kerosene, ATF, naphtha and bitumen.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 3.69 (provisional) in August 2018 compared to 4.17 (final) in July, 2018 and 3.28 in August, 2017, according to the Central Statistics Office, ministry of statistics and programme implementation.

India's 2018-19 forward cotton export contract up 100% YoY	Economic Times https://economictimes.indiatimes.com/markets/commodities/news/indias

Pune: India’s forward export contracts of cotton have more than doubled from about seven lakh bales in September 2017, driven by increased demand from China, lower domestic prices and depreciation of the rupee. Traders said exports would go up in this financial year despite expected projections of tight supplies and increase in minimum support price (MSP) by the government.

We have signed export contracts for 14-16 lakh bales (of 170 kg each). About 75% of these contracts are for export to China,” said Atul Ganatra, president, Cotton Association of India (CAI). “The 25% duty imposed by China on cotton imports from the USA will make Indian cotton more affordable to Chinese buyers.

In 2017-18, India could not sign as many forward contracts since cotton availability was restricted. This year, traders are upbeat because Indian cotton is the cheapest in the international market and demand from China is looking up.

Ganatra said he expected total exports to China to increase to 30-40 lakh bales this year, up more than threefold from eight-nine lakh bales last year.

Bangladesh and Vietnam are the other buyers that have signed some forward contracts for Indian cotton. Indian traders export maximum quantities of cotton in November and December since India is the only country where cotton is available at that time.

“In 2017-18, we had exported 10 lakh bales every month from November to January,” said Manish Daga, director, CAI. Concerns such as uncertainty over yield due to late sowing in Gujarat, pest incidence in Maharashtra and Telangana, 2% decline in area sown under kharif crops and increasing domestic consumption of cotton may limit exports. However, traders said that factors supporting exports are strong too.

In India, cotton is currently priced at about Rs 48,000 per candy of 356 kg each. The central government has increased the MSP for raw cotton seeds for 2018-19 season 28.1% year-on-year to Rs 5,150 per quintal. “The price of each cotton candy of 356 kilogram at MSP is Rs 47,000. Indian cotton exports will remain competitive even at MSP as the depreciation of the Indian currency will aid exports,” said Ganatra.

India will have to compete with Brazil, though, to get a larger share of Chinese demand. The United States Agriculture Department too expects India’s exports to increase in 2018-19.

80,000Ha of cotton crop using illegal HT seeds: Agri officials	Times of India https://timesofindia.indiatimes.com/city/mumbai/80000ha-of-cotton-crop-using-illegal-ht-seeds-agri-officials/articleshow/65813266.cms

In spite of the crackdown on illegal genetically modified cotton seeds with herbicide tolerant (HT) traits in the State, authorities have seized 1.8 Crore HT seeds between April and June this year. This is higher than annual seizure of 1.3 Crore seeds in 2017-18, say Officials.

Indeed, agricultural department officials estimate that 80,00 hectares of the cotton crop in Maharashtra has been cultivated using illegal HT cotton seeds during the recent kharif season. This accounts for 5% of the total cotton crop of 40 lakh hectares. They say the bulk of these illegal seeds come from States across the border, including Andhra Pradesh, Telengana and Gujarat.

HT cotton seeds are transgenic seeds with herbicide tolerant traits which have not been cleared for use in the Country. Since 2017, the Maharashtra government has filled 30 FIRs relating to the use of these illegal seeds. It formed a special investigation team (SIT) in February to probe the illegal HT seed trade.

Officials say that 159 packets of the illegal seed were seized by authorities in 201-18 and around 16,000 packets between April and June this year. "This means our actions have been effective since a larger amount of seeds could be seized before they were planted," said a senior agricultural department Official.

Officials also say that despite stronger action in Maharashtra, it is proving difficult to curb-border trade in the illegal transgenic seeds, " Most of the Seizures have taken place from Chandrapur in Vidarbha and Nanded in Marathwada which are on the Telengana border. Also, from Nandburbar and Jalgaon in North Maharashtra which are close to the Gujarat border," said a senior Official.

The two member SIT which is probing the HT seed trade has sought an extension till December. "We have seen two types of modus operandi being used in the supply of HT seeds. In some cases, land has been leased within the state from individuals across the border who are then supplying the seeds," says, special inspector general of police Krishna Prasad who heads SIT.

The illegal cultivation of HT seeds caught the attention of the State in 2017. In February 2017, the Central Institute for Cotton Research detected HT traits in six of the nine seed samples from Maharashtra. However, it was reported by the agricultural think-tank South Asia Biotechnology Centre (SABC) in September 2017 which drew national focus on the illegal HT seed trade. it estimated that 35 lakh packets of illegal HT cotton had been sold in 8 States in 2017-18. The Maharashtra government registered its first 5 FIRs on illegal HT seeds in October 2017.

Gujarat: Monsoon deficient, but 44 per cent kharif crop sown is water-intensive paddy and cotton	Indian Express https://indianexpress.com/article/cities/ahmedabad/gujarat-monsoon-deficient-but-44-per-cent-kharif-crop-sown-is-water-intensive-paddy-and-cotton-5355561/

Dr K P Patel, Dean, Faculty of Agriculture, Anand Agricultural University said that with both the crops — cotton and paddy — being financially rewarding, the farmers opted for the two crops despite the advisory against it.

Despite a government advisory issued in July, restricting sowing of water-intensive crops this year on account of deficient rainfall, farmers in Gujarat have sown over 35 lakh hectares of crops like paddy and cotton. The two crops that require a huge amount of water alone amount to 44 per cent of the total 79 lakh hectares of kharif crops sown across the state during a rain-deficient year.

Notably, 15.21 lakh hectares (or 43 per cent) of cotton and paddy fall in the 14 districts that have received less than 60 per cent of its long-period average (LPA) rainfall this monsoon, as on September 4, 2018.

"We can only issue advisories and tell farmers about the quota of water they will receive every year. We cannot impose or force farmers to change the cropping pattern. Most of them sow with maximum profitability in mind. If they can manage water from other sources then they might opt for other crops," said a senior official of the Sardar Sarovar Narmada Nigam Limited (SSNNL), an autonomous body of the Gujarat government that manages the Sardar Sarovar project and the distribution of Narmada water in the state.

Just ahead of the onset of the southwest monsoon, the SSNNL had issued the advisory in July, asking farmers not to go for water-intensive crops like paddy.

"The command area of Sardar Sarovar project is only 18 lakh hectares, whereas total command area of the entire state is 65 lakh hectares. The Sardar Sarovar project does not cover the entire state for irrigation. It covers only 17 districts and some of them partly," the official said, adding that the command areas of rivers like Mahi and Tapi irrigate substantial portions of crops in the state.

Last week, the state government announced that it was releasing Narmada water in the canal system to help save the standing Kharif crops.

If only paddy — which needs over 3,000 litres of water to produce one kilogram of rice — is taken into consideration, then of the 8.01 lakh hectares of the crop sown in the state, 27 per cent have been planted in the rain-deficient districts. Ahmedabad, which has received less than 40 per cent of the LPA rainfall of 714 mm, has seen the maximum sowing of paddy by farmers in the state. Ahmedabad alone has sown 1,12,500 hectares of paddy — 14 per cent of the total paddy sown in the state this Kharif season.

In comparison, districts like Navsari and Valsad, which have received over 100 per cent of the LPA rainfall, have planted paddy in only 49,400 hectare and 73,500 hectares, respectively. Even Anand district in central Gujarat, which has received over 100 per cent of its seasonal rainfall, has planted paddy in 1,12,100 hectare.

“We have a tubewell, and therefore we have sown paddy in 10 bighas,” said Balvantsinh Solanki, a farmer in Bavla in Ahmedabad district. Balvantsinh is dependent on the Fatehwadi canal to irrigate his crop.

Earlier this year, the state government has stopped providing irrigation water to Fatehwadi canal network that is not part of the Narmada command area, but provides irrigation water to a command area of about 30,000 hectares spread across four major talukas of Ahmedabad district — Sanand, Bavla, Daskroi and Dholka.

Unlike Solanki, paucity of irrigation water has forced certain farmers in this Bhal region to till their land. “Last year, I had sown paddy. This year, there is no water in the canal and because I have no access to alternate sources of water, I have not sowed anything on my remaining eight bighas. I am currently working on the 20 bighas of land owned by my uncle nearby. He has a tubewell and so he has sown paddy and cotton,” said Hiren Jadav of Dholka taluka of Ahmedabad district.

Even a traditionally water-scarce district like Surendranagar has sown paddy in 4,100 hectares this year.

In the case of cotton, 55 per cent of the total 27.03 lakh hectares sown with the cash crop fall in the 14 rain-deficient districts. Even in Kutch, which has received only 26 per cent of the rainfall this year, farmers have sown 52,200 hectares of cotton. Similarly, districts like Mehsana, Gandhinagar, Ahmedabad and Surendranagar with less than 40 per cent rainfall have seen farmers sowing over 5.05 lakh hectares under cotton — 19 per cent of the total cotton sown in the state.

To produce one kilogram of cotton, 22,000 litres of water is needed on an average.

Dr K P Patel, Dean, Faculty of Agriculture, Anand Agricultural University (AAU) said that with both the crops — cotton and paddy — being financially rewarding, the farmers opted for the two crops despite the advisory against it. “Presence of irrigation is a major attraction for farmers to go for water-intensive crops like paddy and cotton. It is a well-known fact that Gujarat has a very good irrigation infrastructure. Secondly, both these crops are very remunerative. A crop like paddy can also tolerate a bit of salinity and so farmers like those in Surendranagar might have gone for it,” Patel said.

According to Vikramaditya Khichi, convener of State Level Bankers’ Committee (SLBC-Gujarat), over 12 lakh farmers have opted for crop insurance this year. “This is only a marginal growth as compared to last year. We have collected Rs 374 crore as premium for the Kharif season,” he added.

“The gap between agriculture irrigation potential created and the irrigation facilities utilised, is the smallest in Gujarat, when compared to other parts of the country. In other words, the irrigation potential is being utilised to the maximum in Gujarat,” he said.

Uzbekistan suggests joint cotton processing, oil production to Belarus	**English Belta** http://eng.belta.by/president/view/uzbekistan-suggests-joint-cotton-processing-oil-production-to-belarus-114746-2018/

Uzbekistan invites Belarus to start joint cotton processing and oil extraction to Belarus. Uzbekistan President Shavkat Mirziyoyev made the statement during the one-on-one talks with Belarus President Alexander Lukashenko on 13 September, BelTA informs.

"You have very serious processing technologies. We have cotton. Why cannot we join efforts to process and sell it to European countries? We can. There are new jobs in Belarus and Uzbekistan. You have technologies, we have cotton," Shavkat Mirziyoyev said.

There are good prospects in agricultural cooperation, the Uzbekistan president believes. "Frankly speaking, our agriculture is in a difficult condition because market mechanisms have not been created yet. And if we do not introduce them today, our agriculture will not be profitable and competitive," he said. "It would be great if we set up a joint cluster. Belarusian colleagues should know that they have raw materials in Uzbekistan. And you have technologies. And we will branch out into third countries."

The head of state also said that the country has big mineral deposits. However, it is essential to use them properly. He invited the Belarusian side to take part in oil production. "For example, the oil and gas industry. You are developing science, we have oil wells," he added.

Besides, Mirziyoyev asked the Belarusian side to open two or three branches of universites because Uzbekistan likes the quality of Belarusian education and professional training.

"You said there were enough problems in Uzbekistan, they had been accumulating since Soviet times. But if you like something in Belarus (we have complementary economies, we are not rivals), we will open production facilities in Uzbekistan, share our knowledge with your people. We have experience. We worked this way in distant Venezuela, and will be happy to do it in close Uzbekistan. If you are interested in something, we will do it for you," Alexander Lukashenko said.

Indonesia-Sri Lanka Cooperate in Garment Export to Europe	**Tempo.Com** https://en.tempo.co/read/news/2018/09/14/056921642/Indonesia-Sri-Lanka-Cooperate-in-Garment-Export-to-Europe

The Governments of Indonesia and Sri Lanka are committed to following up the agreement on the trade sector, including the clothing export to the European Union.

"The joint effort of apparel export to the European Commission will open access to the European Union market. We must continue our intensive approach so that the proposal can be accepted by the European Union," President Joko Widodo said on Thursday, September 13.

Based on the Industry Ministry's "Making Indonesia 4.0" program, textile industry and products (TPT) is one of the five manufacturing sectors whose the development is being prioritized as pioneers in the roadmap for the application of the fourth industrial revolution.

This is because the national textile industry has high competitiveness since its manufacturing structure has been integrated from upstream to downstream and its products are also known to have good quality in the international market.

The ministry noted that 30 percent of ready-to-wear garments from the national textile industry is to meet the needs of the domestic market, while 70 percent is for export. The export value reached US$12,58 billion in 2017; a 6 percent increase compared to the previous year. This sector also contributes to Rp150,43 trillion GDP in 2017.

Besides garment export, the Indonesian government also offers cooperation in building railroad facilities and infrastructure in Sri Lanka. “It is not only to sell wagons, but also to offer the making of signaling systems, rails, depots and even stations,” said Minister of Industry Airlangga Hartarto.