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NEWS CLIPPINGS –02-03-2019

Indian exporters need to tap African countries more, says Exim Bank MD	The Hindu https://www.thehindu.com/todays-paper/tp-business/indian-exporters-need-to-tap-african-countries-more-says-exim-bank-md/article26414077.ece

The dark continent has an almost 'unlimited market,' says David Rasquinha

Indian exporters need to increasingly tap African countries that have an almost "unlimited market," said David Rasquinha, MD, Export Import Bank of India.

Pointing out that expanding geographical range and product diversification were critical for Indian exporters, he said in 2018-19, exports were expected to surpass the $304-billion figure of 2017-18. Delivering the keynote address at an international trade conclave arranged by the Bengal Chamber of Commerce and Industry here, on Friday, he also highlighted the rising concerns of the Indian textile exporters and the challenges being faced by exporters.

Referring to Africa, he said that India's exports to this continent had increased from 7.5% in 2009-10 to 8% in 2017-18. Of the 54 African countries, there was significant trade with 47. Many of these countries ranked high in terms of ease of business.

Facing competition

On the issue of the competition being faced by Indian textile exporters from Bangladesh and Vietnam, he highlighted the need to scale up business to combat cost pressures.

"We grow cotton, others do not. We have to leverage our strengths," he said, adding India also needed to move towards textile blends.

On the changing role of finance, he said that the banking sector's health was now improving through various measures, especially through the Insolvency and Bankruptcy Code. He shared his concern on LIBOR as a benchmark rate, noting that its trustworthiness had now come under the scanner.

While a new benchmark dollar interest rate had been created (Secured Overnight Financing Rate), the change from LIBOR is not easy as it is tied to all kinds of financial instruments

He said that the bank may clock 10% growth, with its business likely to touch Rs. 1 lakh crore this fiscal.

GST collection drops to Rs. 97,247 crore in February	The Hindu https://www.thehindu.com/todays-paper/tp-business/gst-collection-drops-to-rs-97247-crore-in-february/article26414060.ece

January figures totalled Rs. 1.02 lakh cr.

Gross Goods and Services Tax (GST) revenue collection in February stood at Rs. 97,247 crore, down from the Rs. 1.02 lakh crore collected in January.

The February 2019 figure is, however, 13% higher than what it was in February 2018.

"Total gross GST revenue collected in the month of February, 2019 is Rs. 97,247 crore of which CGST is Rs. 17,626 crore, SGST is Rs. 24,192 crore, IGST is Rs. 46,953 crore and cess is Rs. 8,476 crore," the government said in a statement on Friday.

The total number of GSTR 3B returns filed for the month of January up to February 28, 2019 is 73.48 lakh.

"While the monthly collection is a tad lower than last month, it is more or less same as average monthly collection of 2018-19," Pratik Jain, partner and leader, indirect tax, PwC India, said.

"We have seen that collection of over Rs. 1 lakh crore in a month has typically come in the last month of the quarter only, so a slight reduction doesn't seem to be a cause for worry," he added.

Plan for next year

That said, Mr. Jain did point out that the real question should be how the government plans to achieve next year's revenue target, which is 20% higher than the target for the current year, especially since the GST Council doesn't have the room to increase tax rates.

Manufacturing PMI at a 14-month high of 54.3 in Feb.	The Hindu https://www.thehindu.com/todays-paper/tp-business/manufacturing-pmi-at-a-14-month-high-of-543-in-feb/article26414062.ece

Index expands on sharp, accelerated rise in sales: survey

Manufacturing activity expanded to a 14-month high of 54.3 in February, driven by increases in sales, output, and employment, according to a private sector survey.

The Nikkei India Manufacturing Purchasing Managers' Index registered a strong reading of 53.9 in January as well. A reading over 50 denotes an expansion in activity and one below 50 shows a contraction.

"The health of the Indian manufacturing sector strengthened further in February, with a sharp and accelerated increase in sales, boosting growth of output and employment," the report said. "At 54.3 in February, up from 53.9 in January, the Nikkei India Manufacturing Purchasing Managers' Index reached a 14-month high.

"The latest figure was consistent with a robust improvement in business conditions that was stronger than seen on average over the 14-year survey history," the report added.

New work orders

The report said that supportive government policies and strengthening demand conditions resulted in an expansion in the inflow of new work orders. The increase, it said, was the sixteenth in as many months and the most pronounced since October 2016.

"The Indian manufacturing sector made further progress midway through the final quarter of FY18, building on the accelerated upturn noted in January," Pollyanna De Lima, principal economist at IHS Markit and author of the report, said.

India's MSP programme for pulses under WTO lens	Business Line https://www.thehindubusinessline.com/todays-paper/article26414864.ece

Canada, US serve counter-notification to India

India's minimum support price (MSP) programme for pulses has come under greater scrutiny at the World Trade Organization (WTO) with the US, Canada and Australia serving it a formal counter-notification, alleging that the subsidy involved was much higher than the permitted cap. The EU, New Zealand, Ukraine and Paraguay also joined the chorus against the country.

Defending itself at the agriculture committee meeting this week in Geneva, India said the calculations of MSP made by the US and Canada were incorrect and stressed that its price support programme for pulses was only to ensure nutrition supply for 195 million poor people.

The five pulses covered under MSP are chickpeas, pigeon peas, black matpe, mung beans and lentils.

"Contrary to India's reported number of 1.5 per cent of total value of production, Canada and the US believed India's MPS (market price support) for pulses was actually between 31-85 per cent, vastly exceeding its de minimislimits (cap) of 10 per cent of the total value of production," a Geneva-based trade official said.

In case it is established that India's 'trade distorting support' exceeds the cap, it would be forced to discontinue the support programmes, failing which it may have to pay penalties. Although India and a number of developing countries have been demanding that food procurement subsidies should not be capped, WTO members are yet to arrive at a "permanent solution" to the problem.

India has earlier been served three counter-notifications targeting wheat, rice, sugar and cotton. The US and Canada also claimed there are a set of specific methodology issues in India's notifications that are inconsistent with WTO regulations. India reported support levels in dollars rather than rupees, included only volumes actually purchased as eligible production for the purpose of determining support levels, and failed to report total value of production, it said.

In addition, India only provided the aggregate MPS support for five pulses products without breaking down figures according to each product, it added.

Nutrition supply

In response, India said that the US and Canada's counter-notification, co-sponsored by Australia, was based on incomplete and misleading information. "India said its minimum market price support for pulses ... was merely to ensure nutrition supply for 195 million poor people and is a very small quantity. It insisted that eligible production is only the volume actually purchased by the government," the trade official said.

With respect to the issue of currency, India repeated that there is no obligation in the WTO in terms of the currency to be used and many members chose to report in US dollars as India did. If the complaining members are not satisfied with India's explanations, the matter could be dragged to a dispute settlement panel.

Export growth can lead to better pay, more jobs in formal sector: WB-ILO	**Business Line** https://www.thehindubusinessline.com/todays-paper/tp-money-banking/article26414840.ece

Wage-gain to mainly benefit highly-skilled workers

Increase in exports can not only result in higher wages in India, but also better jobs — including more formal jobs for youth and women, according to a joint report by the World Bank and the International Labour Organisation.

The report, titled "Exports to Jobs: Boosting the Gains from Trade in South Asia", said that increasing exports would boost average wages.

The biggest beneficiaries of the wage gains would be the high-skilled, urban, more experienced, and mainly male workers. For low-skilled workers, the shift would result in an increase in formal jobs.

Policies in place

"Our research shows exports can improve the performance of local labour markets. Policies need to be put in place to increase exports in South Asia, while ensuring that the benefits of higher exports are shared more broadly," said Gladys Lopez-Acevedo, World Bank's lead economist. The report analyses the effect on local employment and wages of changes in exports by combining disaggregated data from household-level or worker-level surveys with trade data from India and Sri Lanka.

The approach builds on a new wave of research looking at how globalisation might contribute to local jobs and wages.

However, unlike previous studies, it focusses on exports, said the statement.

"Economists and policy makers need a better understanding of how exactly globalisation affects both workers and national labour markets," said Daniel Samaan, Senior Economist, ILO Research Department.

India to grow at 7.3 pc in 2019, 2020: Moody's	Business Line https://www.thehindubusinessline.com/economy/india-to-grow-at-73-pc-in-2019-2020-moodys/article26405156.ece

In 2018-19 fiscal, ending March 2019, Indian economy is estimated to have grown 7 per cent, lower than 7.2 per cent in 2017-18

Indian economy is expected to grow at 7.3 per cent in calendar year 2019 and 2020, and the government spending announced ahead of elections this year which will support near-term growth, Moody's said on Friday.

The United States (US)-based rating agency said that the country is less exposed to a slowdown in global manufacturing trade growth than other major Asian economies and emerging markets and is poised to grow at a relatively stable pace in the two years.

"We expect India's economy to grow around 7.3 per cent in both years (2019, 2020)," Moody's said in its quarterly Global Macro Outlook for 2019 and 2020.

Moody's growth estimates in based on calendar year. India, however, measures its economic growth on the basis of fiscal year (April-March).

In 2018-19 fiscal, ending March 2019, Indian economy is estimated to have grown 7 per cent, lower than 7.2 per cent in 2017-18.

Moody's said the announcement in Interim Budget 2019-20 on direct cash transfer programme for farmers and the middle-class tax relief measures will contribute a fiscal stimulus of about 0.45 per cent of the Gross Domestic Product (GDP).

"These measures will support growth through consumption over the near term, albeit at a fiscal cost. In India, government spending announced ahead of elections this year will support near-term growth," Moody's said.

It said the Reserve Bank of India (RBI) is likely to be able to maintain their current monetary policy stance after some tightening last year.

The RBI cut its benchmark policy rate in February and changed the policy stance to "neutral" from "calibrated tightening". Inflation measures have steadily declined since the middle of 2018.

On banking sector, Moody's said, although the overall strength of the system is improving, it remains a constraint on the economy.

In February 2019, the government provided further capital infusions to public sector banks. These measures, combined with the application of the Prompt Corrective Action (PCA) framework, which requires timely recognition of bad loans, and resolution of bad loans through the Insolvency and Bankruptcy Code, are helping to address solvency and asset quality challenges.

“However, a complete turnaround of the banking system requires more time amid slower-than-expected resolution of legacy problem loans,” it said.

Non-performing assets declined to 10.8 per cent in September 2018 from a peak of 11.5 per cent in March 2018. The central bank expects this ratio to improve further to 10.3 per cent in March 2019.

Moody’s said, with range-bound oil prices, export growth has outpaced import growth for the last two years. Fiscal spending on infrastructure and the rural economy should continue to support domestic activity.

Ministry of Textiles weaves yarn bank for knitters	**Tribune India** https://www.tribuneindia.com/news/business/ministry-of-textiles-weaves-yarn-bank-for-knitters/736976.html

Hundreds of micro, small and medium enterprises (MSMEs) in the knitting industry will have a direct access to yarn at competitive rates with the setting up of a yarn bank at the knitwear cluster. Experts said the bank would provide an opportunity to knitters to arrest the price fluctuations and eliminate middlemen.

To give a boost to the knitwear clusters — Tirupur, Ludhiana, Kanpur and Kolkata — Union Textiles Minister Smriti Zubin Irani yesterday announced a slew of measures, including setting up of a yarn bank for the knitting industry.

Ludhiana is a hub of knitwear sector with around 10,000 MSMEs units. The turnover is around Rs 40,000 crore.

“This yarn bank will go a long way in promoting the knitwear industry. It is useful particularly for MSMEs, as they have to shell out Rs 5-10 per kg more for yarn than their bigger counterparts. With the setting up of the yarn bank, bulk purchases can be done which will lead to competitive pricing, thereby benefitting the buyers,” said KG Exports’ MD Harish Dua.

Experts said this would also help knitters to plan their production schedule in advance. The Centre will assist in setting up the yarn bank with a support of Rs 2 crore. “The bank is expected to safeguard the interests of yarn buyers in case of sharp fall in prices. We had a meeting with members and soon an SPV will be floated to set up and run the bank,” he said.

The Textiles Ministry also gave a nod to set up Knitwear and Knitting Skill University which will help the industry in introducing new designs and fill the skill gap shortage. Besides, the ministry has also approved the creation of “Knitwear Mark” to give quality assurance to customers and modernisation of units.

“It was a much-needed initiative and will definitely boost the knitwear sector, provided the measures taken by the government are implemented in a time-bound manner,” said Ajit Lakra, MD, Superfine Knitters Ltd.

A scheme envisaging creation of new service centres on PPP model by the industry and association in the knitting and knitwear clusters was also launched. It entails modernisation and upgrade of existing power loom service centres and institutions run by knitting and knitwear clusters.

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U.S. Factory Gauge Falls to Two-Year Low as Orders Cool	Bloom Berg https://www.bloomberg.com/news/articles/2019-03-01/u-s-factory-gauge-falls-to-two-year-low-as-output-orders-cool

A gauge of U.S. factories fell to a two-year low, cooling more than expected with a broad decline that suggests economic growth is moderating, though the drop may reflect some weather-related disruptions.

The Institute for Supply Management index fell to 54.2 from 56.6 as four of the five main components -- orders, employment, production and deliveries -- all saw declines. The result missed estimates in a Bloomberg survey calling for a drop to 55.8, though remained above the 50 level that indicates expansion.

The factory gauge, which extended declines from a 14-year high just six months earlier, adds to signals the economy may be poised to lose momentum this year amid slower global growth. It also contrasts with Thursday's report showing strength in business investment helped push fourth-quarter economic growth to a faster-than-expected 2.6 percent pace.

While recent reports have fueled concern about the toll the trade war with China is taking on economic growth, the ISM's export orders reading rose from a two-year low and the measure of imports increased to an eight-month high.

Manufacturers' inventories saw the lone gain among index components while the gauge of customer inventories fell to an eight-year low, a potential positive sign for future production growth.

Sixteen of 18 manufacturing industries reported growth, the most in six months, with the nonmetallic mineral products industry reporting the lone contraction, ISM said.

Official's View

Unusually cold weather forced some factories to close for several days and disrupted supply chains, Timothy Fiore, chairman of the ISM survey committee, said on a conference call with reporters. "I'm not that surprised that the production number came down to the extent that it did," he said, predicting a rebound in March.

An index of prices paid fell to a three-year low of 49.4 and remained below 50 for a second-straight month, indicating that raw materials prices were lower for the second straight month after nearly three years of increases.

The employment gauge fell to 53.3, the lowest in more than two years and the third straight decline, ahead of February jobs figures due March 8 from the Labor Department.

An index of supplier deliveries fell a fourth month to the lowest level since May 2017, indicating bottlenecks are easing. At the same time, a measure of order backlogs rose the most in six months.

The ISM manufacturing gauge has held above the 50 line that divides expansion and contraction since August 2016

Australia to sign free trade agreement with Indonesia, ending months of uncertainty	ABC.net https://www.abc.net.au/news/2019-02-28/australia-indonesia-to-sign-free-trade-agreement/10859758

Australia and Indonesia will sign a free trade agreement next Monday, ending months of uncertainty.

Key points:

Indonesia considered pulling out of the agreement after Scott Morrison's comments about moving the embassy to Jerusalem

The deal is expected to benefit Australian farmers and the education sector

Indonesia wants greater access for its people to work in Australia, as well as support for its crude palm oil industry
The ABC understands Trade Minister Simon Birmingham will fly to Jakarta with a business delegation on Sunday ahead of the signing the following day, with his counterpart Enggartiasto Lukita.

The landmark free trade agreement (FTA) was cemented during Scott Morrison's first international trip as Prime Minister in September — and it was set to be signed before the end of the year.

The deal hit a wall in October, when Indonesia considered putting the imminent agreement on hold over Mr Morrison's statement he would consider moving the Australian embassy in Israel to Jerusalem.

Indonesia is a strong supporter of the Palestinian territories and repeatedly expressed its concerns with the embassy proposal.

The heated debate about Mr Morrison's captain's call to shift the Australian embassy threatened the FTA. Australia's Ambassador to Indonesia Gary Quinlan was forced to redouble efforts to assure Indonesian doubters.

Heightening tensions was that President Joko Widodo's main political rival Prabowo Subianto had been stridently critical of Mr Morrison's call on Jerusalem.

It was thought only weeks ago that the FTA signing might have to be pushed back until after the Indonesian presidential election on April 17.

Industry leaders react

Australian Industry Group chief executive Innes Willox, who will be among those travelling with Mr Birmingham, said the deal showed maturity in "a relationship that has had its ups and downs".

"We have the world's longest maritime boundary with Indonesia and very deep relationships around security issues, terrorism issues, but our economic relationship is really undercooked," he said.

The deal could open up new opportunities in areas such as technology and education, Mr Wilcox said.

"Our economic relationship until now has really been based around agriculture," he said.

"But this free trade agreement gives us potential to broaden it and to make it much deeper into services, deeper into manufacturing.

"And there are components there about skill sharing.

"Skill sharing as our economy changes shape and we become more focused on technology is going to be very important to both countries and will tie us closer together as we look forward."

Northern Territory Cattlemen's Association CEO Ashley Manicaros told AM the development was an "excellent result".

"It's going to increase the value of the trade between the two countries and it's going to increase the value to the farmer at the farm gate … it means greater returns which means greater investment back into the industry," Mr Manicaros said.

"The fact that behind the scenes they've been able to work through a resolution and the fact they'll be signing well ahead of that is a very big positive from the industry's point of view."

AUSVEG national manager Michael Coote said the agreement could see Australia's major carrot and potato growers back on Indonesian shelves "almost immediately".

"The industry really supports any sort of trade liberalisation," Mr Coote said.

"Indonesia is a major trading partner close to our shores, so there are benefits in terms of reduced freight times.

"Having access back into this market that is so close, has such a large population and does have an appetite for Australian produce is a real boom for the vegetable industry."

Deal faced ups and downs over decade

The trade deal has been eight years in the making and should benefit Australian grain growers, with Indonesia agreeing to import 500,000 tonnes of grain tariff free.

Mr Morrison said in August negotiators had also secured lower tariffs, or greater access on live cattle, dairy and horticulture.

The agreement should also benefit the Australian education sector, with universities and vocational training providers being given the green light to set up shop in Indonesia.

Indonesia wants greater access for Indonesians to work in Australia as well as support for its crude palm oil industry. The signing is being kept deliberately low-key, given the proximity of the Indonesian election.

Consequently, the decision has been made to keep the signing at trade minister-level, rather than involve the leaders.

Mr Birmingham and Foreign Minister Marise Payne stepped up their efforts to secure the FTA in recent months, in the wake of Malcolm Turnbull's ousting as prime minister.

Mr Turnbull had formed a strong relationship with Mr Widodo and his exit from Australian politics was thought to have imperilled the deal.

China says it 'regrets' WTO ruling in favour of US on subsidies	**France.com** https://www.france24.com/en/20190301-china-says-it-regrets-wto-ruling-favour-us-subsidies

China said on Friday it "regrets" a World Trade Organization ruling in Washington's favour over a dispute on Chinese subsidies to wheat and rice producers.

The decision comes as the world's top two economies try to hammer out an agreement to settle a long-running trade row that has rattled global markets.

The United States in 2016 alleged that China doled out $100 billion in "market price support" for wheat and rice as well as corn production, above levels agreed to at the Geneva-based WTO.

"The expert group did not support the Chinese position on the calculation of the subsidy level for our minimum purchase price policy on wheat and rice. The Chinese side regrets this," the commerce ministry said in a statement.

China is the world's largest producer of wheat and rice, holding significant sway over world markets.

WTO experts said they had found that each year from 2012 to 2015, China's market price support for wheat, Indica rice and Japonica rice "exceeded its 8.5 percent de minimis level of support for each of these products".

"Government support for domestic agriculture, guaranteeing farmers' income, and maintaining food security are common practices in all countries and permitted by WTO rules," the ministry said in the statement attributed to the head of its treaty and law department. "China has always respected WTO rules and will carefully evaluate the expert group's report, and properly handle it according to the WTO dispute settlement procedures," it said.

Both sides have up to 60 days to appeal Thursday's ruling. US Trade Representative Robert Lighthizer and Agriculture Secretary Sonny Perdue earlier hailed the ruling as a "significant victory for US agriculture" saying they hoped China would quickly come into compliance.

Shares conclude the week poorly	Vietnam News https://vietnamnews.vn/economy/484989/shares-conclude-the-week-poorly.html#cXB8QFtMEyojlTLG.97

Vietnamese shares ended this week down following the conclusion of the domestic exchange-traded fund VFMVN30 ETF's portfolio restructuring on Friday that drowned many large-caps.

Investors' focus was shifted to the at-the-close session when the fund completed its portfolio restructuring.

During the process, the fund decided to cut their proportions of some Vietnamese shares, prompting them to fall sharply. It also added some other stocks to its new list.

The market will be shut down during the Tết (Lunar New Year) holiday, from February 4 to February 8.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange inched down 0.22 per cent to close at 908.67 points.

The southern market index went down 0.57 per cent to end Thursday at 910.65 points.

The HNX Index on the Hà Nội Stock Exchange edged up 0.44 per cent to end at 103.34 points.

The northern market index dropped 0.42 per cent to end at 102.31 points on Thursday.

More than 156 million shares were traded on the two local exchanges, worth VNĐ4 trillion (US$173.5 million).

Real estate, securities, mining, retail and construction material companies were among the firms that lost ground on Friday.

The industry indices respectively decreased 0.04 per cent and 3.81 per cent, data on vietstock.vn showed.

Large-cap stocks also performed poorly with the blue-chip VN30 Index down 0.72 per cent to 859.81 points.

Of the 30 largest stocks by market capitalisation in the VN30 basket, 16 decreased including real estate developer Vingroup (VIC), confectionary producer KIDO Group (KDC), Coteccons Construction Joint Stock Company (CTD) and steel maker Hòa Phát Group (HPG).

KDC hit the daily limit decline of 7 per cent. Vingroup (VIC) dropped 5 per cent to close at VNĐ98,800 per share. CTD fell 2.4 per cent to trade at VNĐ132,400 per share.

HPG extended its decline when losing 0.4 per cent to VNĐ27,300 per share.

On the other side, budget carrier Vietjet (VJC) increased 1.5 per cent to trade at VNĐ125,000 per share, consumer staple Masan Group (MSN) rose by 0.7 per cent to VNĐ78,400 per share.

Notably, Vietnam Commercial Joint Stock Export Import Bank (EIB) soared, hitting the daily limit rise of 7 per cent as it was the stock added to the list of VFMVN30 ETF today.

Foreign investors today bought a net of VNĐ170.5 billion on the HOSE, focusing on SCSC Cargo Service Corporation (SCS) (VNĐ28.87 billion), dairy firm Vinamilk (VNM) (VNĐ60.54 billion) and Vincom Retail (VRE) (VNĐ59.38 billion). They bought a net of VNĐ4.88 billion on the HNX.

According to BIDV Securities Company (BSC), the market has a slight correction with strong profit-taking sentiment.

Investors should monitor macro movements in the Tet holiday before making investment decisions in the beginning of the lunar year, the company said in its report.