Economic Times. dt. 10.1.23

Forex Kitty Grows in Q3 on Better External Factors, But Headwinds Need Close Watch

Even as reserve build-up looks stable, trade deficit and FPI outflows could put pressure, say economists

Gayatri Nayak & Saloni Shukla

Mumbai: For the greater part of 2022, news items pertaining to the central bank's depletion in forex stockpile consumed a lot of column inches and airtime, with pundits giving endless explainers for the trend that appeared to neatly dovetail with the retreat of overseas funds. But similar media attention hasn't seemingly been paid yet to the pace of forex accumulation lately by Mint Road, which is assiduously building the cash buffer yet again to cushion India from external shocks.

Reserves fell $104 billion in the one year up to September 30 — and surged $30 billion in just the next three months. Forex reserves are at $562.8 billion as of December 30 — enough to cover around nine months of projected imports.

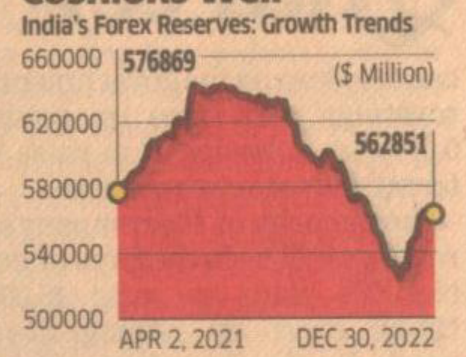
"I believe that the build-up of forex reserves will largely be stable. If you look at the vectors, the dollar has started weakening against the euro, so the external factor that was pushing down the currency will not be there and that's an advantage," said Madan Sabnavis, chief economist at Bank of Baroda. "We still need to be watchful of the fundamentals that are declining — the trade deficit will continue to remain under pressure, given that we may see a recession in the West, and the demand for services will come down."

Sabnavis added that foreign portfolio investors (FPI) could hold the key to building reserves. While FPIs pulled out ₹2.32 lakh crore from Indian equities and bonds in the first half of 2022, they brought back ₹92,763 crore in the second half. "I think FPIs hold the key but they have been whimsical even at the beginning of this month, but that's something that could turn the tide," Sabnavis added. "In uncertain situations, you can see the reserves go $10 billion up or down."

A report by ICICI Securities said foreign exchange reserves will rebound to $600 billion in March 2023.

Cushions Well

India's Forex Reserves: Growth Trends



After reaching an all-time high of $645 billion in October 2021, reserves have been dropping since the central bank deployed dollars to defend the fall in the Indian rupee. The decline was $116 billion in value between October 2021 and October 2022. Foreign fund outflows, the central bank's aggressive forex intervention, and valuation loss due to the strengthening of the US dollar resulted in the depletion of forex reserves.

"There has been some opportunistic reserve build-up by the RBI but the flows picture is still not as strong," said Rahul Bajoria, chief India economist at Barclays Capital. "Since we are running a large balance of payments surplus it's not as if the RBI can accumulate a lot of foreign reserves. It's not like the RBI has been intervening very heavily. There will be periods where the RBI will be able to buy dollars but they also will have to supply dollars in other parts."

The Reserve Bank of India has accumulated rupee liquidity worth ₹3.14 lakh crore in the December quarter alone. More than 95% of reserves get reflected in the corresponding reserve money figures.

"The size of forex reserves is comfortable and has also increased," Shaktikanta Das had said while announcing the bi-monthly monetary policy in the first week of December 2022. "India's external debt ratios are low by international standards."

Business Line dt. 10.1.2023.

iPhone exports from India double to surpass $2.5 billion

Bloomberg

Apple Inc. exported more than $2.5 billion of iPhones from India between April and December, nearly twice the previous fiscal year's total, underscoring how the US tech giant is accelerating a shift from China with geopolitical tensions on the rise.

Foxconn Technology Group and Wistron Corp. have each shipped more than $1 billion of Apple's marquee devices abroad in the first nine months of the fiscal year ending March 2023, people familiar with the matter said.

RAMPING UP. Foxconn and Wistron Corp. have each shipped more than $1 billion of Apple devices abroad in the first nine months of the fiscal year

GROWING EXPORTS

Pegatron Corp is on track to move about $500 million of the gadgets overseas by the end of January, the people said, asking not to be identified revealing private information. Apple's rapidly growing export numbers illustrate how it is ramping up operations outside of China, where chaos at Foxconn's main plant in Zhengzhou exposed vulnerabilities in the company's supply chain and forced it to trim output estimates.

That compounded a broader problem with evaporating demand for electronics as consumers weigh the risks of a global recession. Apple began assembling its latest iPhone models in India only last year, a significant break from its practice of reserving much of that for giant Chinese factories run by its main Taiwanese assemblers including Foxconn.

China's Covid Zero policies and an episode of violence at the Zhengzhou plant laid bare the dangers of relying on the country. While Beijing has since dropped that approach to containing the virus, Apple and other global names are exploring alternative locations more than ever before.

India's vast workforce, Modi's support and a thriving local market make it a prime candidate to take on more electronics manufacturing.

One recent selling point is a raft of new government incentives. Foxconn has won ₹3.6 billion ($44 million) of benefits in the first year of the production-linked incentives scheme, while Wistron's claims are currently being processed, the people said.

Representatives for Apple, Foxconn and Wistron didn't respond to emails seeking comment. A Pegatron spokesperson declined to comment.

Business Line dt. 11.1.23

Steel exports up 30% sequentially in December

Abhishek Law
New Delhi

Exports of Indian steel mills increased 31 per cent in December over November, indicating improved sentiments post withdrawal of export duty by the Centre from November 19.

Key export offerings of non-alloyed steel saw their highest ever sequential growth this fiscal, in December, of 271 per cent (over the previous month), while alloyed steel exports halved. However, global recessionary pressures and previous impact of duty levy on exporters continued to impact the overall numbers, with exports nearly halving (down 54 per cent year-on-year) for the April-December period, a report of the steel ministry accessed by *businessline* shows.

A 15 per cent export duty was levied in May as an anti-inflationary measure.

EXPORT NUMBERS

For the first nine month period of FY23, steel exports plunged to 4.74 million tonnes (mt) from 10.33 mt in the same period of the preceding fiscal. In December, India exported 442,000 tonnes against 338,000 tonnes in November, the report said.

In December, alloyed steel export was around 324,000 tonnes (81,000 tonnes in November) and non-alloyed was 118,000 tonnes (251,000 tonnes in November). "Sentiments improved visibly after export duty withdrawal was announced. It will take some time for these to reflect in numbers. December saw increased queries coming in from Europe and shipments are set for deliveries in January. Because of the holiday season coming in the Western world, order placements were a bit lower than expected," a trade source said.

BETTER PRICING

Indian hot rolled coil producers reportedly withdrew their existing quotes from the market in December on anticipation of better prices in January.

International prices, too, have firmed up beginning January – by $30-50 a tonne — thereby providing some cushion to mills to raise prices. In fact, deliveries for Vietnam is being quoted at $630-640 per tonne; while offers from Europe are at $670-680 per tonne.

In December, some of the mills concluded deals at $640-650 per tonne for Europe.

Business Line dt. 11.1.2023

Premium to exchange sugar export quota up at record high

Subramani Ra Mancombu

Chennai

Indian sugar mills have exchanged at least 15 lakh tonnes (lt) or 25 per cent of their export quota with exporters and other units at a premium that increased nearly four times before the sale window closed on December 31.

"It is for the first time that the export quota has been exchanged at such a high price. The Centre allowed mills to sell their quota until December 31 and the premium for the quota increased from ₹2,250 a tonne to ₹8,500 towards the end of the deadline," said Praful Vithalani, Chairman, All-India Sugar Traders Association (AISTA).

QUOTA ALMOST OVER

Sugar mills and exporters have traded 55 lt of sugar out of the 60 lt quota permitted for shipments by the Centre within two months of the government allowing the resumption of sugar exports on November 5, he said.

According to the Food Ministry, mills can exchange their quota, provided they sell a similar quantity in the domestic market over an above the normal volume allocated by the government.

The Centre had capped sugar exports at 100 lt in June last year for the 2021-22 season that ended on September 30. It then allowed the resumption of exports with a notification on November 5, permitting 60 lt to be shipped before May 31 for the current season.

About 150 mills, mainly in Bihar and Uttar Pradesh, are reported to have taken advantage of swapping their quota with exporters or mills that are close to the sea ports. "So far, 23 lt have been despatched from sugar mills. Of this, 17 lt have been physically exported. About 3.5 lt are lying at the ports or are on their way to ports, " said Vithalani.

About 2.5 lt of sugar have been delivered to refineries in the special economic zone and thus is treated as deemed exports.

SHIPMENTS REVIEW

On the premium that sugar mills got for selling their export quota, Aditya Jhunjhunwala said it depended on prices in domestic and global markets. "It depends on the futures contract and when the delivery is due," he said.

The ISMA President said his association has urged the Centre to take a review on exports after January 31 with the plantation crop beginning to come in for crushing. Till December, the ratoon crop had come for crushing. "We will have a clear picture by then, including the amount of ethanol diversion," he said.

◉ TOP BUYERS

Somalia and UAE have accounted for 10 per cent each of the sugar exported so far

Quoting Dr. Amin Laboratories Private Controllers Ltd, AISTA said in a statement that Somalia and UAE have accounted for 10 per cent each of the sugar exported so far. Djibouti, Bangladesh and Sudan are the other three top buyers of Indian sugar accounting for over 8 per cent.

Vithalani said the Centre will likely review the export quota in February or March. The government will take into account the entire production scenario during the review.

Last week, AISTA pegged the production at 345 lt against 358 lt a year ago at its crop committee meeting last week.

RETURN TO AVERAGE

Meanwhile, UK-based diversified global financial services platform Marex said there is gathering evidence of lower sugarcane yields in Maharashtra and Karnataka that account for half of the sugar production.

"... cane area seems to be up in these States, but still the reports of lower yields exist. Perhaps the most reasonable way of thinking about the current Indian crop, is that last year's crop showed extraordinarily high yields, so a return to more average ones is to be expected," it said in its weekly newsletter.

8 THE ECONOMIC TIMES

Dt. 11. 1. 2023.

Put Rice Exports Back On the Cooker

Signals trade balance, cereal inflation easing

Reports of GoI considering lifting the ban on export of non-basmati rice signals an easing of cereal inflation, as well as restoring some balance in trade distorted by elevated energy prices. Cereal inflation has climbed from 11.53% to 12.08% to 12.96% over September-November, but retail prices of rice are flat despite a marginal rise in wholesale prices. Cereals constitute 9.67% of the consumer price index (CPI) and inflation in this basket is running ahead of food inflation, which has declined from 8.6% to 7.01% to 4.67% over September-November. The withdrawal of the export ban imposed in September is the first of a two-step policy normalisation that involves rolling back the 20% export duty imposed to shore up domestic supply.

Rice exports during April-September 2022-23 have declined to \$5.5 billion from \$9.7 billion in the same period of the prior year. India is the world's largest exporter of rice, accounting for around 40% of the global trade, and is expected to retain its status even with the partial restriction on international trade during 2022-23. Indian rice is still the most competitive with a 20% export duty. The ban on exports was in response to a surge in shipments of broken rice that is used principally in poultry feed. The agriculture ministry, in its first advance estimate of food grain production, had projected rice output would be 6 million tonnes short of last year's record 130 million tonnes.

Discontinuation of the pandemic-era free grain scheme is expected to ease some demand pressure from public stockholding. Wheat stocks are at several year lows, and this could weigh against lifting export curbs with cereal inflation well over twice the rate of food inflation. Weather events before the next wheat crop comes in are also a factor. With resumption of rice exports, India will, however, be restoring its credentials as a responsible trading nation.

Financial Express Dt. 11.1.23

IN THE WAKE OF BETTER STOCK POSITION

Govt may lift curbs on rice exports

Prices have started to soften in the domestic market

SANDIP DAS
New Delhi, January 10

THE GOVERNMENT IS actively considering lifting some of the restrictions imposed on rice exports in the wake of the improved stock position.

Paddy procurement by the Food Corporation of India and state agencies in the current season (October 2022-September 2023) rose 8% on year to 57.4 million tonne (MT) till Monday, which has given a boost to the buffer.

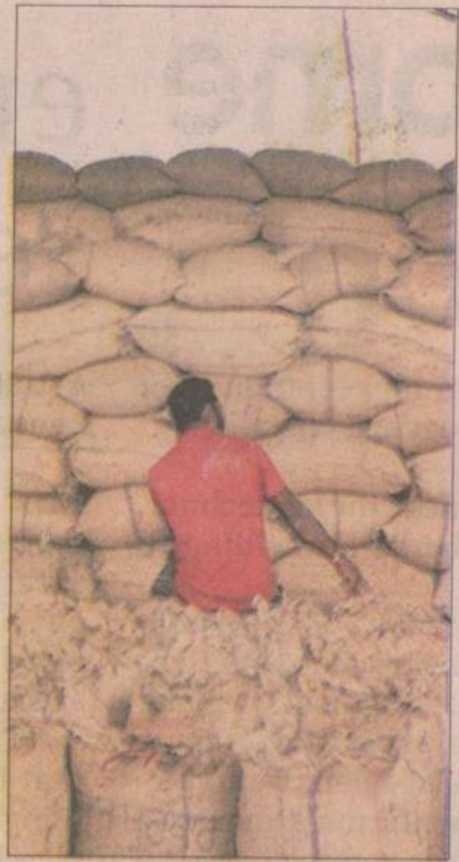
In September, India, the world's biggest rice exporter with 40% share in global trade, had imposed ban on broken rice exports and put 20% export tariffs on the non-basmati and non-parboiled rice, a measure that was aimed at improving domestic supplies amid expectation of a decline in production in 2022-23 crop season (July-June).

Sources told FE that with the robust procurement by FCI, ban on broken rice exports may be lifted soon. Subsequently, the government may also have a relook at the export tariffs.

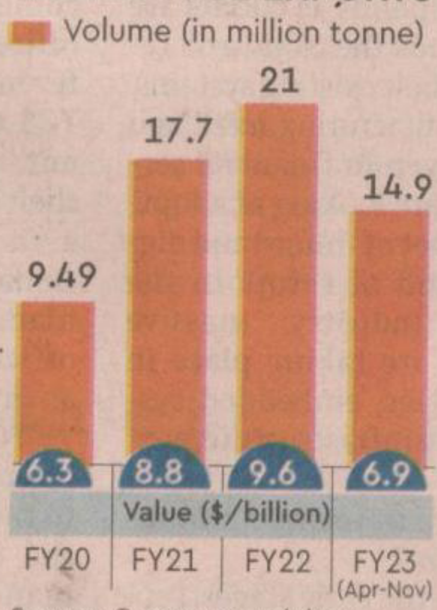
Officials said that rice prices have started to soften in the domestic market.

"The restriction on shipment of rice was a temporary provision, with higher procurement of paddy by government agencies, supplies have improved, thus lifting restrictions on exports is imperative," V Krishna Rao, president, Rice Exporters Association, said.

Officials said that with the government deciding against extending the free ration scheme or Pradhan Mantri Garib Kalyan Anna Yojana, the rice stocks with FCI is currently comfortable and there are ample stocks for ensuring supplies under the National Food Security Act (NFSA).



INDIA'S RICE EXPORTS



Source: Commerce ministry

As on January 1, FCI had 12.4 MT of rice along with 32.5 MT to be received from millers which was far more than the buffer requirement of 7.6 MT.

Meanwhile, the United States Department of Agriculture (USDA), in its global rice outlook for November, 2022, had projected that India's exports are projected to decline by 1.5 million tonne in the current fiscal from 21 MT achieved in 2021-22.

"Despite India's September-announced 20% tariff on non-basmati and non-parboiled exports, India remains the most competitively-priced source of Asian rice," the USDA has stated.

India has been the world's largest rice exporter in the last decade — export earnings stood at $9.6 billion (21 MT) in 2021-22.

In the April-November period of the current fiscal,, India exported $6.9 billion worth of rice (14.29 MT).

In 2021-22, India exported more than 17 MT of non-basmati rice and the rest of the volume was aromatic and long grain basmati rice. In terms of volume, Bangladesh, China, Benin and Nepal are five major export destinations of rice.

India exports rice to over 100 countries.

In September last year, as per the first advance estimate of the food grain production for the 2022-23 crop year (July-June) by the agriculture ministry, rice output was to decline by 6.77 MT from a record production of 130 MT in the previous year.

The second advance estimate of foodgrains production is expected next month.

Rice inflation was reported at 10.51% in November, 2022.

According to the price monitoring cell of the department of consumer affairs, the modal retail prices of rice has moderated marginally to ₹36 a kg on Tuesday from ₹38 a kg prevailing four months back.

Business Line dt. 12. 1. 23

Cabinet nod to set up 3 co-op societies to promote export, organic farming

Shishir Sinha
New Delhi

The Union Cabinet on Wednesday approved setting up three multi-State co-operative societies to facilitate export, organic farming and seed distribution.

"These institutions will help in achieving the goal of *'Sahakar-se-Samriddhi'* (Prosperity through Co-operation) through the inclusive growth model of co-operatives," Union Labour Minister Bhupendra Yadav said at a press conference. He said these will also be instrumental in improving rural economy.

All three will be registered under Multi-State Cooperative Societies (MSCS) Act, 2002. They can have members from primary to national level cooperative societies including primary societies, district, State and national level federations, multi-State cooperative societies and farmers producer organisations (FPOs). All these cooperatives will have their elected representatives in the Board of the society as per its bye-laws.

TARGETING EXPORTS

First of the three, Multi-State Cooperative Export Society, will act as an umbrella organisation for the export of surplus goods/services produced by various cooperative societies across the country with support from relevant Union Ministries.

The second institution, Multi-State Cooperative Organic Society will manage various activities related to organic sector by providing certified and authentic organic products.

It will provide institutional support for aggregation, certification, testing, procurement, storage, processing, branding, labelling, packaging, logistic facilities, marketing of organic products and arranging financial assistance to the organic farmers through co-operatives and will take up all promotion and development related activities of organic products with the help of various schemes and agencies of the government.

The third one, Multi-State Cooperative Seed Society will act as an apex organisation for production, procurement, processing, branding, labelling, packaging, storage, marketing and distribution of quality seeds; strategic research and development; and to develop a system for preservation and promotion of indigenous natural seeds.

It will promote seed replacement rate (SRR) and variety replacement rate (VRR) and help in reducing the yield gaps thereby enhancing productivity.

Business Line dt. 12-1-23

Spices export loses sting as global recession hits offtake

Our Bureau
Kochi

The global recession seems to have impacted India's spices exports. The shipments during the April-November period of the current fiscal are down by 6.5 per cent in dollar terms compared with corresponding period in the previous year. The current trade estimate for April-November 2022 for spices is $2,469.02 million.

However, the industry is optimistic about a revival, saying the maximum trade happens during the last quarter of the fiscal. The Indian spice industry is looking forward to increasing the export of spices during January-March, which is expected to take the total exports towards the $4-billion mark. Industry sources said the recession seen across major global markets has impacted the Indian spices export as well.

The Indian spice industry passed the $4-billion mark consecutively during the last two years 2020-21 and 2021-22. During 2022-23, there has been an increased demand for certain spices, especially seed spices including cumin, fenugreek, Bishop's weed seed (ajwain seed), dill seed, poppy seed, aniseed, mustard, etc.

Garlic has registered an increase of 170 per cent in quantity during April-October 2022 compared to the same period last year.

In a statement issued here, the Spices Board said the 14th edition of the World Spice Congress (WSC), to be held in Mumbai during February 16-28, is all set to open up newer opportunities to promote trade with the G20 countries.

Business Line dt. 12.1.23

Centre suspends duty-free import of soya oil for FY24

Our Bureau
Chennai

The Union Commerce Ministry has suspended duty-free imports of soyabean oil under the tariff rate quota (TRQ) regime for the 2023-24 fiscal in a notification issued late on Wednesday evening-.However, duty-free imports of sunflower oil under the TRQ regime will continue. In the case of soyabean oil, imports under TRQ will continue until June 30, the notification said.

TAMING INFLATION

On May 24 last year, the Directorate-General of Foreign Trade issued a notification announcing the TRQ allowing duty-free imports of soyabean and sunflower oil until March 2024. The Centre decided to permit 20 lakh tonnes of both soft oils each for the current and next fiscal. The measure was undertaken in a bid to control soaring edible oil prices in the domestic market and to tame inflation. Now, the Centre has suspended duty-free imports of soyabean oil under the TRQ regime as edible oil prices across the globe have cooled down and Indian soyabean farmers are holding huge inventory.

This is a measure to counter any adverse reaction to the Indian government extending the suspension on derivatives trading of soyabean and its products. According to the Solvent Extractors Association of India, prices of palm group of oils have declined by about 30 per cent year-on-year, while soybean oil rates have dropped 10 per cent. Sunflower oil prices have slid by 7 per cent.

Business Line dt. 12.1.23

Basmati exports surge on short-supply from Pakistan

Subramani Ra Mancombu
Chennai

Basmati rice exports have gained in value and volume following short-supplies from Pakistan, the only other competitor in the global market for the long-grained rice.Data from the Agricultural and Processed Food Products Export Development Authority (APEDA) show that basmati shipments during April-November of the current fiscal have increased to 2.73 million tonnes (mt), a 13 per cent jump over 2.4 mt in 2021-22.

GOOD GOING

Basmati shipments during April-November of the current fiscal have increased to 2.73 mt, a 13% jump over 2.4 mt in 2021-22

ROOM FOR A HIKE

The value of exports, on the other hand, has increased to $2.87 billion from $.2.06 billion. This is in view of the unit value rising 39 per cent during April-November to $1,051 a tonne from $860 for the entire 2021-22.

In rupee terms, the rise in value is 48.6 per cent. Though data are available only till November, the picture has changed dramatically since then with Pakistan basmati exports dropping 44 per cent during the July-December period.Since then, basmati rice prices have increased further. Currently, the fragrant rice from India is quoted at $1,450 a tonne, while the Pakistan variety is offered at $1,350.

The buoyant exports have resulted in basmati farmers fetching 60 per cent higher price this fiscal. According to data from Agmarket, an arm of the Agriculture Ministry, the weighted average price of basmati paddy is ₹4,326 a quintal against ₹2,688 a year ago. "There is room for India to increase basmati prices further in view of the shortage in Pakistan," said S Chandrasekaran, who has authored the book "Basmati Rice: The Natural History and Geographical Indication" and is a trade analyst.

WETTEST AUGUST

Pakistan has been badly hit by the wettest August in 61 years it witnessed last year. The neighbouring country's agricultural production, mainly basmati and non-basmati paddy, has been badly affected by floods.

Despite the damage, the US Department of Agriculture (USDA) has not projected any major setback to agricultural production. However, Rice Exporters Association of Pakistan has been quoted by the media that basmati production had declined 40 per cent in the Sindh province due to floods. On the other hand, India's basmati production is expected to be higher but details are awaited.

India, on the other hand, has gained with Iran buying 6.28 lakh tonnes (lt) of basmati rice during the first half of the current fiscal. This is two-thirds of its total basmati imports last fiscal. Saudi Arabia and United Arab Emirates are the next big buyers of Indian basmati, importing 4.45 lt and 1.8 lt respectively in the first half.