Business Line. Dt:- 23/07/24

GCC boom drives growth in services exports

Sindhu Hariharan
Chennai

Global capability centres (GCCs) have boosted India's services exports in a year when merchandise trade remained flat.

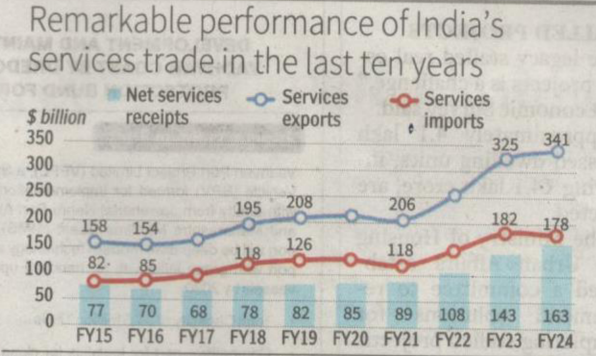
Within services sector, while IT services/software holds a larger share in exports and is rising, business services exports have seen a sharp rise supported by India emerging as a hub for GCCs, the Survey notes.

Growth in GCCs is reflected in the services Balance of Payments with 'Other Business Services' being the second-largest contributor in services exports in FY24 at 26 per cent after IT services at 48 per cent, data from the Survey show. In fact, the share of software exports in overall services exports has declined from 50 per cent in FY21 to 48 per cent in FY24.

Exports from 'Other Business Services' stood at $88.6 billion in FY24 compared to $80 billion in FY23, and this segment has achieved a CAGR of 18 per cent in exports between FY20 and FY24.

As per the Survey, GCCs account for more than 1 per cent of the country's GDP and the share is expected to grow further. Initiatives like streamlined regulations and compliance procedures for foreign companies for setting up GCCs, flexible labour laws, and single-window clearance systems for faster approvals have eased the business process, it said.

"India's deep integration into the value chains of the global software industry has led to a change in the composition of its services exports basket. While the early 2000s was a period of business process outsourcing (BPOs) that provided cost-cutting back-end IT services, India now looks beyond such services," it said. "The Russia-Ukraine conflict and global inflation pressured wages encouraged global players to look towards India to set up their back-office operations to balance their cost model. This gave rise to a sudden proliferation of the GCCs," it added.



Source: India's International Trade in Services, RBI

GOVT SUPPORT

The government also acknowledged its role in facilitating GCC growth. "Government support for identifying new business models for partnerships, simplifying the entry process, and emphasising trust and data security, among others, will further encourage the location of GCCs in India," the Survey said.

Vikram Ahuja, Co-founder of consulting firm ANSR, said that they have witnessed firsthand the GCC boom. This environment allows us to set up and scale GCCs effectively, delivering significant value to our clients. Currently, GCCs are witnessing accelerated and unprecedented growth, where ANSR will be setting up five new GCCs in August.

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Exports likely to rise but fragmentation, protectionism may hurt trade growth

WAY AHEAD. Industry must focus on maintaining quality; government should provide a stable policy regime

Amiti Sen
New Delhi

Exports of goods and services from India are likely to increase this fiscal with advanced economies looking up but increased fragmentation along geopolitical lines and renewed thrust on protectionism may distort goods trade growth, impacting India's external sector, the Economic Survey for 2023-24 has said.

It advised that the industry must focus on maintaining safety and quality of its products and the government needs to provide a stable policy regime to deal with the situation.

"In an era when global economic growth is likely to be buffeted by geopolitical tensions and protectionism, growing India's exports of goods and services will be a stiffer challenge than before. Product safety and quality consciousness in the private sector and policy stability in the public sector are obvious starting points to turn the challenge into an opportunity," the Survey advised.

TREND REVERSAL. In FY24, goods exports declined 3% to $437 billion; but in the first quarter of FY25, exports are back on the growth track

With improving growth prospects in advanced economies, goods exports will rise and services exports are also likely to witness a further uptick, it added. Despite ongoing geopolitical headwinds, including the Red Sea crisis, lowering international commodity prices ensured a lower trade deficit in FY24 than in FY23.

LOWER TRADE DEFICIT

A narrowing merchandise trade deficit and rising service exports have improved the current account deficit (CAD), ending with a surplus of 0.6 per cent of GDP in Q4 of FY24, it observed. "In the coming years, India's trade deficit is expected to decline further as the PLI scheme is expanded and India creates a globally competitive manufacturing base in several product categories. Further, the recently signed FTAs (Free Trade Agreements) are expected to increase the global market share of the country's exports," it added.

Various international agencies and RBI expect the CAD to GDP to moderate to below one per cent for FY24, driven by growing merchandise and services exports and resilient remittances. "Affected by ongoing geopolitical tensions, India's merchandise exports witnessed contraction in H2 of FY23 and H1 of FY24. However, there is evidence of a trend reversal in H2 of FY24, with merchandise exports registering positive growth," the Survey noted.

In 2023-24, goods exports declined 3 per cent to $ 437 billion but in the first quarter of 2024-25, exports are back on the growth track.

Business Line Dt: 23/07/24

Export of smartphones rises steadily to touch 31% of total output in FY24

S Ronendra Singh
New Delhi

India's smartphone boom

Domestic production, domestic demand and export of smartphones are on the rise

Source: ICEA, Export Import Data Bank (Annual), Trade statistics, Ministry of Commerce and Industry

India's domestic production and exports of smartphones have been increasing steadily, with significant changes achieved, especially since the launch of the Production Linked Incentive (PLI) scheme in 2020. This led to an increase in the ratio of exports to production, with exports inching above 31 per cent of the total output of smartphones in India in FY24.

According to the Economic Survey tabled in the parliament, India also became the world's sixth-largest smartphone exporter in 2022, from the 23rd largest smartphone exporter in 2014.

"The FY20 marked the first-time domestic production exceeded domestic demand, and smartphones became one of India's top export categories," the Survey read adding that exports now provide the primary stimulus for the growth of the sector.

A 42.2 per cent increase in exports in FY24 (on a year-on-year basis) also enabled smartphones to rank among India's top five export items considered at six-digit harmonised system (HS) product categories, it said.

"The government's PLI scheme, including tax breaks and subsidies, plays a significant role in attracting companies. The rise in India's domestic smartphone demand is also a key factor in companies' decisions to invest there," it noted. For instance, Apple assembled $14 billion worth of iPhones in India during FY24, constituting 14 per cent of its global iPhone production. Foxconn has started production of Apple mobile phones in Karnataka and Tamil Nadu, the Survey highlighted.

PLI BOOST

While India may not be an immediate beneficiary of the trade diversion from China, it has witnessed a substantial increase in its electronic exports over time. The implementation of the PLI scheme has been a key driver of this growth, the Survey added. For instance, India's electronic exports to the US have transitioned from a trade deficit of $0.6 billion in FY17 to a trade surplus of $8.7 billion in FY24, underscoring a significant increase in value addition.

The survey cited a study by Centre for Development Studies which shows that there has been a significant increase in domestic value addition (DVA), employment, wages and salaries in the mobile manufacturing segment since FY17. It also added that the success of UPI has been enhanced by the expansion of smartphone usage in India, with more than 116.5 crore smartphone subscribers as of March 31, 2024. The value of transactions conducted on the UPI platform has increased multifold from ₹0.07 lakh crore in FY17 to ₹200 lakh crore in FY24.

Business Line. Dt: 23/07/24

'Resort to agri exports ban only under unusual situations'

Amiti Sen
New Delhi

Export bans on agricultural produce, including sugar, must be invoked only under exceptional circumstances as it is easier for consumers to substitute or reduce consumption than for farmers to endure big losses due to ad hoc prohibitions, the Economic Survey for 2023-24 pointed out.

"Farmers should be allowed to benefit from higher international prices. Bans on food exports also need to be telegraphed in advance lest hunger and famine elsewhere in the world worsen," the survey said.

BETTER OPTION. The Survey said if sugar prices spiked in the market, then instead of banning exports, consumers could consume less of it or switch to jaggery

Listing out ways in which the markets can be allowed to function in the interests of the farmer, the Survey said one way was by invoking export bans only under exceptional circumstances and allowing domestic consumers to substitute, especially if the agricultural commodities in question are not essential consumption items such as foodgrains.

"Even in those cases (where the commodity is an essential one), the government can allow substitution effects to play out before responding to domestic supply concerns," the Survey said. Citing the example of sugar, the survey said that if sugar prices increased in the domestic market, then instead of restricting or banning exports, consumers could consume less of it or switch to jaggery. "In general, it is far easier for consumers to substitute or pare back consumption than for farmers to endure big losses because of ad hoc export bans or huge imports," it said.

FUTURES TRADING

The survey also advised against banning futures or options markets at the "first sign" of price spikes. It argued that future markets do not hurt consumers or farmers at all times. "The bar for such bans must be set so high that their recourse must be almost non-existent. The intelligent regulatory design of such markets can obviate the need for bureaucratic interference in the futures market for agricultural commodities," the survey noted.

Business Lines. Dt:- 24/07/24

Sops for aquaculture may spur booming seafood exports

Duty reduction will enable farmers to compete globally

V Sajeev Kumar
Kochi

The Union Finance Minister has announced a slew of measures aimed at boosting the country's aquaculture sector in the Budget. This will provide a renewed thrust to the seafood industry at a time when the marine products export from India has reached an all-time-high of ₹60,000 crore.

According to Rahul Guha, Director, Crisil Ratings, the shrimp processing sector will benefit from two specific announcements. "First, the government support for marketing and financing shrimp farming through Nabard will improve the supply chain, reduce time to exports and, hence, lower the cost of production for processors and farmers. Second, reduction in import duties on certain broodstock to 5 per cent will reduce costs for the farmers and, in turn, processors. This will make the cost structure leaner and enhance productivity over the medium term, giving shrimp exporters a boost," he said.

Balasubramaniam V, general secretary of Prawn Farmers Federation of India, said the significant reduction in import duty from 15 to 5 per cent for shrimp and fish feeds and import duty reduction for broodstocks will provide farmers access to international, high-quality inputs at globally competitive prices, thereby enhancing productivity and profitability in the aquaculture sector.

The initiative for private sector participation in Nucleus Breeding Centres (NBCs) through Nabard financing is expected to be a significant step forward for the aquaculture sector. Given that establishing NBCs is a long-term, research-oriented endeavour—particularly for domestic species, he said the industry reiterated the need for substantial grants.

The duty reduction will reduce the cost of shrimp feed and seed and enable the farmers to compete in international market. This will facilitate them to produce good quality priced feed to make their produce globally competitive, increase Indian shrimp production and market share. They will invest more in farming and produce more, said DV Swamy, Chairman, Marine Products Exports Development Authority.

UPBEAT. The additional financial inputs offered towards shrimp broodstock facilities will improve the seed quality, leading to better production and profitability to farmers

HANDHOLDING

The duty reduction will reduce the cost of shrimp feed and seed and enable the farmers to compete in international market

Business Line. Dt:- 25/07/24

Jewellery stocks dazzle on gold import duty cut

Suresh P. Iyengar
Mumbai

Most jewellery company stocks rallied following the reduction in customs duty on gold, silver, and platinum, which is expected boost domestic demand.

On Wednesday, gold prices were down ₹69,151 per 10 gram against ₹69,602 on Tuesday while that of silver dipped to ₹84,862 per kg (₹84,919), according to the Indian Bullion and Jewellers Association.

Shares of Kalyan Jewelers and PC Jeweler were up 6 per cent and 5 per cent at ₹588 and ₹78. While Thangamayil Jewellery was up 2 per cent at ₹1,942, Rajesh Exports and Titan

Company were up 0.62 per cent and 0.14 per cent at ₹318 and ₹3,473 respectively.

Palka Arora Chopra, Director, Master Capital Services, said that the cut in customs duty will have a negative impact on jewellery companies with high inventory in the short term as they had bought the inventory at high prices.

Kalyan Jewellers India

In terms of margins, jewellery companies with unhedged gold will be the most affected. Additionally, incidents of gold smuggling are expected to come down as the price in the mainstream market is set to be competitive, she said.

DEMAND REVIVAL

Anil R, Senior Research Analyst, Geojit Financial Services, said the cut in duty and the fall in prices will revive gold jewellery demand, which had moderated in recent times due to high prices.

"We expect the premiumisation trend to boost revenue growth of leading companies," he said.

Vaishali Banerjee, MD, India at Platinum Guild International, said the cut in platinum duty to 6.4 per cent will enable the platinum jewellery market in India to grow and tap opportunities abroad. "We anticipate that this reduction will catalyse the already growing demand, increase platinum jewellery footprint, generate employment and support a sustainable future growth," she said.

Business Line, dt. 25/7/24

Seafood exports at risk due to US law on protecting marine mammals

V Sajeev Kumar
Kochi

As India strives to deal with the United States' ban on wild-caught shrimps without using turtle excluder devices (TEDs) in fishing boats, the country is in the process of implementing another regulation – the Marine Mammal Protection Act, 2026 – which, according to fishers, would pose a further challenge to the thriving seafood exports.

Charles George, president of Kerala Matsya Thozhilali Aikya Vedi, said the traditional fishing sector is already passing through severe financial stress following the US ban on wild caught shrimps and the execution of the new Act would further worsen the situation. He urged both the Central and State governments to chalk out strategies to counter the move to save the fishery sector from another crisis.

GLOBAL PRACTICE

Fishing communities' anxiety comes when the Kerala government is working out methods to install turtle excluder devices (TED) in fishing nets to overcome the US ban on wild-caught shrimps from India, effective from August 2019.

Fishery experts also discussed the issues connected with the challenges to be faced by the Indian seafood industry with the introduction of MMPA at a recent meeting convened in Kochi to devise an action plan to install TED's in fishing boats. The proposed MMPA would require all countries exporting seafood to the US market to adhere to the prescribed marine by-catch standards. The Act sets stringent standards to prevent the killing or serious injury of dolphins, whales, and other marine mammals that often become trapped or entangled in fishing nets.

IN DEEP SEA. Traditional fishers, already under financial stress, fear that the new regulations will exacerbate trade disruptions and economic losses

Pawan Kumar G., national president of the Seafood Exporters Association of India, said that besides MMPA on ocean catch, the US is also implementing FSMA 204 to conduct traceability of aquaculture shrimps.

However, he said that the sector would more or less comply with MMPA by installing TED's in trawling boats. "We need to study if there is any further clause in the Act to follow", he said.

SUSTAINABILITY

Sunil Mohammed, a fishery scientist, said while MMPA creates challenges for exporters, it also incentivises more sustainable fishing practices that benefit marine mammals in the long run.

The strict standards in the Act incentivise foreign fisheries to adopt more sustainable fishing practices that minimise by-catch of marine mammals.

The Act can contribute to a more sustainable future for both marine mammals and the seafood industry by promoting collaboration, technological advancements, and responsible fishing practices, he added.

The Marine Products Export Development Authority has already funded a marine mammal assessment in the Indian seas by CMFRI and the Fisheries Survey of India.

Business Line,
dt. 26/7/24

Higher exports drive Q1 net of Venus Pipes to ₹27.5 crore

Press Trust of India
New Delhi

Stainless steel pipes and tubes manufacturers and exporters Venus Pipes & Tubes on Wednesday reported a 58 per cent increase in profit after tax to ₹27.55 crore in Q1, driven by higher exports.

Revenue from operations rose 34 per cent in Q1 of FY25 to ₹240.1 crore compared with ₹179.6 crore in the year-ago period, the company said in a statement. Revenue from exports stood at ₹60.9 crore (₹7.7 crore), a significant eight-time jump.

Exports contributed 25 per cent (4 per cent). to the total revenues. The company said it is witnessing an increase in inquiries and order flows.

Business Line, dt. 26/7/24

Steel Ministry in talks with FinMin to curb surging imports, protect domestic market

Abhishek Law
New Delhi

The Steel Ministry is in discussions with the Finance Ministry to explore options for curtailing rising imports of steel, while "taking steps to protect" the domestic industry, a senior official told *businessline*.

Policy interventions have been sought, and these could be in the form of duty impositions on specific offerings or other trade limiting measures.

According to the official, Indian steel players and other stakeholders have already represented to the Ministry raising concerns on rising incidents of import of the metal. Presentations were also made to the Ministry officials, including the Minister.

"We are taking it up with the Finance Ministry for probable policy interventions. These are ongoing discussions," the official said.

On Thursday, the Steel Ministry launched an upgraded Steel Import Monitoring System(SIMS 2.0) to track, report and monitor import shipments. Revamping was to make reporting more rigorous.

For example, if an import consignment declares a particular source of import, which is not licensed by BIS, Ministry will be enabled to not recommend its import.

"The detailed data will enable Customs to conduct better analysis and risk management of steel imports," Steel Minister HD Kumaraswamy said.

NET IMPORTER STILL

Increase in steel imports, particularly from China, have been pointed out as a

concern even in the annual Economic Survey of 2023-24. India, incidentally, turned net importer – where imports exceeded exports – in FY24.

"This was largely driven by price differentials between international and domestic prices of finished steel. Low prices in the international market led to reduced profit margins for exports and made imports more affordable, affecting the trade balance in steel," the Economic Survey mentioned.

QUICK RESPONSE

In Q1FY25(April – June), the country continued to be net importer. Shipments of the metal coming in were at 1.9 million tonnes (mt), up 30 per cent; whereas exports were 1.3 mt, down 38 per cent.

"We are taking up the matter with government for various kinds of trade-limiting measures, which need to be put in a quick response time. There are cases visible where trade measures as per world trade regulations can be taken, and those can be expedited. In addition to that, we are looking for and discussing other trade measures, which could be possible," Jayant Acharya, Joint MD & CEO, JSW Steel, said during a post results earnings call.

Incidentally, India's largest steel-maker, JSW Steel, has repeatedly spoken of rising imports from China as well as other FTA countries as a concern for the domestic steel industry.

Countries have put barriers on surplus steel coming – in.

Imports from other FTA countries are up 43 per cent. And this meant there could be possible trade diversions into India, the JSW Steel JMD and CEO said adding"...especially from China and the FTA countries is a concern for us because it's gone up Y-o-Y". And some monthly dip notwithstanding continues to be at elevated levels.

Business Line Dt:- 26/07/24.

Govt may defer move to change wastage norms for jewellery exports

Amiti Sen
New Delhi

In a move that could provide extended relief to jewellery exporters, the Indian Government is considering further deferment of its decision to reduce permissible wastage in export of gold, silver and platinum items beyond July 31 as it is "diligently" examining a deluge of industry inputs and pleas on the need to maintain the higher limits, sources said.

"The DGFT may need another month to diligently go through all the data provided by various industry groups trying to prove that the wastage in their particular sectors is higher than the reduced limits that were notified in May this year (but were put on hold). Details have been submitted on the whole process including valuation and cost. The norms committee is looking at it," an official tracking the matter told *businessline*.

On May 27, the DGFT amended the export policy (wastage permissible and Standard Input Output Norms) reducing the wastage limit on gold and platinum jewellery to 0.5 per cent from 2.5 per cent and on silver jewellery to 0.75 per cent from 3.2 per cent. For medallions and coins (excluding coins of nature of legal tender), the permissible percentage was lowered to 0.1 per cent from 0.2 per cent.

INDUSTRY PROTESTS

However, the policy was subsequently put on hold till July 31 following industry protests. The DGFT then called for inputs from the industry to support its argument against reduction of permissible wastage.

The Standard Input Output Norm (SION) fixed by the DGFT specifies the required amount of inputs needed to produce a unit of output for exporting and is important as various benefits availed by exporters, including duty-free import of inputs, are tied to these.

Following the May 27 notification, the Gems & Jewellery Export Promotion Council (GJEPC) had met DGFT officials and expressed its concerns over the possibility of the revised norms having a disproportionate impact on the small and medium-sized enterprises (MSMEs), which represent 85 per cent of all exporters.

After the DGFT put the notification on hold till July 31 seeking industry inputs on it, the GJEPC said it would conduct a detailed study on wastage norms on different categories of jewellery including plain, studded, machine-made and hand-made.

In 2023-24, exports of gold and other precious metal jewellery was valued at $13.31 billion which was 7.74 per cent higher than exports in the previous year.

Business Standard. Dt: 29/07/24

Economic Survey pessimistic on export growth prospects

EXIM MATTERS

T N C RAJAGOPALAN

The Economic Survey, tabled in Parliament last Monday, is not too sanguine about exports growth driving the economy forward and so recommends measures to boost domestic consumption which in turn can bring in more private investment. To quite an extent, the Budget speech and the proposals in the Finance Bill reflect the same view.

Global trade is getting fragmented with major trading powers increasing their share of imports and exports within their block. Established supply chains are getting distorted with more countries trying to source from friendly or nearby countries. The sea routes have become longer with Suez and Panama canals carrying very little cargo. More countries are resorting to resource nationalism and trying to raise tariff and non-tariff barriers on imports. Any development model has to take into consideration substantial funds to be diverted for fighting climate change. All these developments mean that globalisation, which helped China rise in the last three decades, has run its course. It may not be reversed fully; it has peaked, says V Anantha Nageswaran, the chief economic advisor (CEA) to the government and the author of the Economic Survey. So, for realising India's aspirations, despite the changed circumstances, a good place to start is to acknowledge and recognise that the terrain has changed to be able to traverse through it and reach the destination, says the Economic Survey.

On the role of technology and especially, the advent of artificial intelligence, the Survey says that its productivity enhancing potential is beyond doubt, but the social impact of labour market disruptions and labour displacement is barely understood. It quotes a report by Capital Economics which argues that artificial intelligence could lead to a slowing down of India's services export growth, cutting it by 0.3-0.4 percentage points a year over the next decade. The Survey gives a surprising finding that India is moving up the global value chains (GVCs), with the share of GVC-related trade in gross trade rising to 40.3 per cent in 2022 from 35.1 per cent in 2019. Another surprising statement is that China is now more aggressive in export of labour-intensive low-cost products. The CEA boldly says that to boost Indian manufacturing and plug India into the global supply chain, it is inevitable that India plugs itself into China's supply chain. Whether we do so by relying solely on imports or partially through Chinese investments is a choice that India has to make.

In the future, the changing composition of India's export basket, enhancement in trade-related infrastructure, enhanced quality consciousness and product safety considerations in the private sector, and stable policy environment are expected to play a significant role in driving India's rise as a global supplier of goods and services. Ultimately, India needs to focus on improving its competitiveness in many product areas. Fostering stronger regional trade ties and adding more markets for Indian goods will help mitigate global demand fluctuations.

In an era when global economic growth is likely to be buffeted by geopolitical tensions and protectionism, growing India's exports of goods and services will be a stiffer challenge than before, says the Survey.

Overall, the Survey is quite realistic and forthright in its assessment and outlook. Its prescription to look inward to boost growth has won the attention of the government, as the Budget proposals show.

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