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CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Centre looks to rejig MSME schemes

The Centre has drawn up a plan to streamline and strengthen incentive schemes for the micro small and medium enterprises (MSMEs), and this may be one of the priorities of the Narendra Modi government if voted back to power for a third term.
The new measures being looked at include giving certain incentives to manufacturers for their domestic procurement from MSMEs under production-linked incentive (PLI) schemes, which are likely to be revamped."The government is looking at streamlining all MSME subsidy and credit-linked schemes to rationalise them. Merging some of these could ensure their maximum reach and claims are hassle-free," a senior official told FE. The 64 million-strong MSMEs are the backbone of the Indian economy. They account for over 110 million jobs or 23% of the country's labour force, making it the second-largest employer in India after agriculture. They contribute 27% of India's GDP, account for 38.4% of the total manufacturing output and contribute 45% of the country's total exports.

Access to finance is regularly seen as a key bottleneck for MSMEs. The promotion of export credit guarantees can help improve working capital availability for MSMEs. A Niti Aayog report has also suggested the government must create an incentive package to increase export credit guarantee substantially. It also suggested a single marketplace where all providers of export credit can compete for business and help reduce the cost to MSMEs. The Interest Equalisation Scheme, which has been running since 2015, may be reviewed by the new government after polls to make it more impactful for MSME exporters.

In December, the government extended the scheme for pre- and post-shipment rupee export credit until June 30, 2024.
Under the scheme, MSMEs get a 3% interest subsidy. The Federation of Indian Export Organisations (FIEO) has been demanding that the interest subsidy for MSME manufacturers be raised to 5% given the rise in interest rates in the last two years. Similarly, in 2020, the government announced a Rs 50,000 crore Self Reliant India (SRI) equity fund in public-private partnership mode to provide growth capital to the deserving and eligible units of the MSME sector in 15 years. From January1, 2023, to November 30, 2023, SRI has invested around Rs 3,658 crore by assisting 242 MSEs. The government plans to make an effort to ensure that MSMEs have no difficulty in claiming the benefits under the scheme. "The current processes for claiming benefits in

government schemes are generally seen very difficult," another official said, emphasising the need to make them smoother for small firms.

This was one of the reasons why MSMEs stayed away from directly participating in any of the 14 PLI schemes, which offered nearly Rs 2 trillion in incentives till FY30. Just around 4% of the benefits have been claimed by PLI manufacturers after these schemes were rolled out in FY22. The PLIs will be revamped soon to make them effective by tweaking norms, reopening some of the schemes for new players to come in, cutting back schemes which did not pick up and adding some more schemes. "The PLI revamp may include giving incentives for including MSMEs in their supply chains," the second official said.

Currently, the PLIs suffer from a major deficiency which is that there is no obligation to create domestic supply chains, the official added. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is doing well relatively. It has achieved a milestone of surpassing Rs1.5 trillion (till February 1 in FY24) worth of guaranteed amount as against Rs1.04 trillion in FY23, increasing sharply by 50%. The scheme facilitates the flow of credit to the MSMEs without the hassles of collateral and third-party guarantee up to a maximum of Rs 5 crore.

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Tumkur looks to weave a new story

Tumkur looks to weave a new story (magzter.com)

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EPFO to credit interest for FY24 to members' accounts 'very shortly'

What HDFC Mid Cap Opportunities mutual fund bought & sold in Jan-Mar quarter - The Economic Times (indiatimes.com)

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RBI's State of the Economy makes a dash for long-term high growth

RBI's State of the Economy makes a dash for long-term high growth (moneycontrol.com)

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Mid-East escalation will impact India's inflation, trade: ICRA

A scenario of a sustained flare-up in geopolitical tensions in the Middle East, and the consequent increase in crude oil prices, will negatively impact India's macros, including current account deficit, foreign investment inflows, inflation and trade, research and ratings agency ICRA said on Wednesday.

"Escalation of geopolitical tensions in the Middle East contributed to the recent spike in crude oil prices. While the situation remains fluid at present, a further step up in tensions between Israel and Iran could impact various sectors of the Indian economy," ICRA said in a report, drafted by its chief economist Aditi Nayar and her team

The report said that a $10 per barrel increase in crude prices will raise the current account deficit by 0.3%, while the conflict itself will impact the rupee-dollar exchange rate and hence impact FPI inflows into India.

"An escalation of the conflict would also exert pressure on the rupee-dollar exchange rate and may impact Foreign Portfolio Investors (FPI) inflows to India. Additionally, this would pose upside risks to our wholesale inflation, and to a smaller extent to our retail inflation projections for FY2025," the report stated, adding that a sustained surge in crude oil prices could also exert a drag on GDP growth.

Current account deficit is when the combined incoming trade of goods and services and remittances exceeds the amount it imports. Any increase in crude oil prices would increase India's petroleum import bill, and hence the current account deficit. Benchmark Brent crude prices were hovering around the $88 a barrel mark on Wednesday. Last week, they had crossed $90 for a brief period, after reports that Israeli missiles hit Iranian targets.

On trade, the report stated that following western sanctions on crude oil, Iran's share in the total Indian merchandise imports declined to below 1% in FY2023 from the average of 2-3% seen in the decade before FY2019. However, Iran remains a major buyer of Indian basmati and tea, and hence exports could be impacted if the conflict escalates.

"Shipments may witness delay in transit and increase in cost if the escalation of the conflict sustains, affecting trade through the Suez Canal," it stated.

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Import Of Used Clothes From China Rises 86.2% In Kenya In Q1 2024

Kenya's import of second-hand clothes (mitumba) from China rose by 86.2 per cent year on year (YoY) in quantity to 31,594 tonnes in the first quarter (Q1) this year, according to Chinese government statistics.
These imports were valued at $22.732 million compared to $20.651 million in Q1 2023, a Kenyan media outlet reported.

Cheaper second-hand clothes are popular in the country, especially among low and middle-income earners.

The Kenyan government estimates that the multi-billion-shilling trade employs an estimated 2 million.

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China, Australia Deliberate FTA Execution: Reports

Chinese and Australian trade officials have pledged to maximise the potential of the China-Australia Free Trade Agreement (FTA) to deepen economic cooperation.

At the second meeting of the China-Australia FTA Joint Committee in Canberra, both sides praised the FTA's role in bilateral economic development even as they reviewed its implementation across various sectors like goods, services, investment, and finance, highlighting its positive impact on bilateral relations.

This is as per media reports, which added the meeting, co-chaired by Chinese vice minister of commerce Li Fei and deputy secretary of the Australian Department of Foreign Affairs and Trade George Mina, facilitated in-depth discussions on mutual concerns.

It focused on reviewing the FTA comprehensively and planning future actions.

The Chinese embassy in Australia highlighted the meeting's significance in strengthening economic ties even as both countries reaffirmed their commitment to advancing economic and trade cooperation, underscoring the importance of sustained dialogue and collaboration.

The meeting underlined the importance of continued cooperation to fully harness the benefits of the FTA, fostering long-term economic prosperity for both nations.

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Vietnam's Economy To See Gradual Recovery In 2024: World Bank

Vietnam's economic recovery exhibits mixed signals, as projected by the World Bank's latest bi-annual economic update, with growth anticipated to reach 5.5 per cent in 2024 and potentially increasing to 6 per cent by 2025. The nation experienced a slowdown in 2023 but shows signs of rebound in early 2024, especially in exports, though consumption and private domestic investment are recovering at a slower pace.

Exports are expected to rise by 3.5 per cent in 2024, fuelled by a gradual improvement in global demand. The real estate sector, which has been lagging, is predicted to see a turnaround later this year, boosting domestic demand as investor and consumer confidence returns. Predictions for real total investment and private consumption are set to increase by 5.5 per cent and 5 per cent respectively in 2024, as per the Taking Stock report by the World Bank.

The report emphasises the crucial role of sustained fiscal policy support to bolster the economy. It recommends accelerating infrastructure investment projects funded by public resources, which could potentially add an additional 0.1 percentage point to GDP growth for every 1 percentage point increase in public investment as a share of GDP. However, the scope for further interest rate cuts remains limited due to the interest rate differential between domestic and international markets.

Challenges such as weak revenue collection and increased spending are expected to widen the fiscal deficit to 1.6 per cent of GDP in 2024. This is anticipated to narrow to 1.1 per cent in 2025, aligning with the country's fiscal strategy for 2021-2030. Additionally, ensuring the stability of the financial sector is highlighted as paramount, with attention on managing potential risks like increasing bad debts and the declining asset values in the real estate sector. The capital buffers of commercial banks are noted as relatively thin, which could be further strained by the real estate downturn.

The report also addresses the need to support innovative startups to boost Vietnam's productivity growth. It suggests revamping Program 844 to build a pipeline of investment-ready firms, streamlining regulations to ease investments, and enhancing the contributions of academia and public research.

“Investing in public infrastructure projects goes beyond immediate economic stimulus,” said *World Bank East Asia and Pacific practice manager for macroeconomics, trade, and investment Sebastian Eckardt*. “Efforts to enhance public investment management will also address critical infrastructure gaps in energy, transportation, and logistics, which are fundamental for Viet Nam's long-term economic growth.”

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