LETTER

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18% exports growth likely in 2024

Easing inflation in developed countries, softening interest rates, a gradual pick up in global demand and other factors will provide a silver lining for the country's exports and the overall outbound shipments are expected to be more than $900 billion in 2024. International trade experts have expressed hope that the services sector would perform better than merchandise and the country's overall outbound shipments may grow 17.80 per cent to touch over $900 billion in 2024 against an estimated $764 billion in 2023. Also Read - Adani Group's mcap 25% short of pre-Hindenburg level ADVERTISEMENT A stable rupee against the US dollar, focus on new markets like Latin America and Africa, new items like mobiles and fresh fruits, focus on promoting e-commerce exports, free trade agreements with the UAE and Australia would also help the country register healthy growth in outbound shipments next year. Despite various challenges, including geopolitical tensions and China's subdued post-pandemic recovery, impacting exports this year, India's goods and services exporters have managed to tap opportunities in developed as well developing economies.

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Centre to disburse Rs 400 cr to 20 firms under PLI scheme for telecom gear

In the current financial year, the Department of Telecommunications (DoT) is likely to disburse Rs 400 crore to 20 companies as incentives, *The Economic Times (ET)* reported on Thursday. The list of companies likely to benefit includes Nokia, Jabil, HFCL and VVDN.
According to the report, all 20 companies have met their targets under the production-linked incentive (PLI) scheme for manufacturing telecom goods. Many companies will be receiving incentives for the first time.

Under the scheme, notified in February 2021, 31 companies were approved to participate in manufacturing telecom and networking products. It offers 4 to 7 per cent incentives for different categories and product types. The incentive is 1 per cent higher for micro, small and medium enterprises (MSMEs).
Later, an additional 1 per cent incentive was added for companies that facilitate design-led manufacturing. A sum of Rs 12,195 crore was allocated for the scheme.
The scheme was revised after the Covid-19 pandemic, and 42 companies were given a thumbs up by the department to participate. It included 28 MSMEs. Out of 42 companies, 17 companies were with design-led manufacturing products.
"These 42 companies have committed investment of Rs 4,115 crore, additional sales of Rs 2.45 trillion and will create employment of more than 44,000 over the scheme period. The number of applicants indicates the response from industry for making India a global manufacturing hub for telecom and networking products," the Ministry of Communications said.
The list of companies included HFCL, ITI, Netlink ICT, Netweb Technologies, Panache Digilife, Vihaan Networks and Tejas Networks.

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Economy to stay as 'star performer' with key indicators in its favour

India continues to be a ‘star performing’ economy as against other emerging markets, as per a report by Axis Securities.

“We firmly believe that India is likely to continue its growth momentum in 2024 and remain the land of stability against the backdrop of a volatile global economy. The majority of the high-frequency indicators are trending upwards and the uptick from the pre-Covid levels is visible, indicating the resilience of the Indian economy," the report said.

On top of it, the macroeconomic scenario has changed in favour of the equity market in the last one month and multiple indicators are now indicating a positive start for 2024.

It is also noteworthy that the US bond yields witnessed a correction of 110bps from its peak in the last one month, which is further supporting the rally. Overall, the country’s macro set-up is positive, the report said.

The fundamentals of Indian corporates have improved significantly and so has the profitability across the board.

This can be seen in the cumulative and rolling net profit of the NSE 500 universe for the last four quarters (till Q2FY24), which crossed the Rs 12 lakh crore mark. Moreover, after a muted performance for several years, the ROE of the broader market is improving as well.

The bolstered balance sheet strength of corporate India and the significantly enhanced health of the Indian banking system are additional positive factors. These elements are poised to facilitate Indian equities in achieving double-digit returns over the next two or three years, supported by robust double-digit earnings growth, it added.

Multiple events are lined up in 2024 and the market will continue to closely monitor the developments around them.

The key events are: 1) Interim Budget; 2) General Elections; 3) Expectation of US Fed rate cut around May-June 2024; 4) Full-year Budget around July 2024 after the formation of new government; 5) Expectations of interest rates cut by the RBI in sync with global rate cuts; 6) US elections in November 2024.

The above-mentioned events are expected to keep the Indian equity market volatile and it could respond in either direction based on the developments, the report said.

Kenneth Andrade, Founder-Director at Old Bridge Capital Management and CIO at Old Bridge Asset Management, said that a global rebalancing of trades works favourably for India, positioning the country to gain global market share across various industries.

Opportunities span a wide spectrum, with a particular focus on the large manufacturing footprint and the resilient services industry, both of which are globally competitive.

“However, as we look ahead to 2024, there are areas of caution. Excesses in the small and microcap space raise concerns, and there is an anticipation of volatility, especially in segments where valuations appear stiff. Despite these short-term challenges, the overarching trend seems to favour India, presenting a higher growth potential relative to peer countries in the region," the report said.

HDFC Securities said in a report that India's GDP growth will remain healthy at 6.8 per cent in FY24 and moderate to 6.3 per cent in FY25.

Domestic manufacturing to lead growth, rural growth to be supported from rural welfare schemes in the Budget and global headwinds will impact export-oriented sectors, it said.

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Ratings agencies cheer GDP surge buoyed by infra push, strong DPI

India has emerged as the world’s fastest growing economy amidst a worldwide economic slowdown and continues to be a bright spot going ahead with the IMF upgrading its growth forecast for the country twice this year.

India's GDP grew at an impressive 7.6% in the July-September quarter of the current financial year despite a slowdown in agriculture as the robust performance of the manufacturing sector and high government expenditure on big ticket infrastructure projects kept up the growth momentum.

The growth in the second quarter is a tad lower than the first quarter growth of 7.8% due to the erratic monsoon hitting the farm sector. India's GDP growth rate for the first half of 2023-24 now works out to 7.7%.

This has prompted the RBI to raise its growth forecast for India's economy to 7 per cent in 2023-24 from 6.5 per cent earlier. The GDP growth rate in the first three quarters of 2024-25 has been pegged at 6.7 per cent, 6.5 per cent and 6.4 per cent respectively.

The IMF raised its growth forecast for India in the current financial year to 6.3% after the data released by the statistics ministry on August 31 showed the Indian economy expanded by 7.8 percent in April-June. At the same time the multilateral lending agency has cut its prediction for China's growth to 5%.

India's economic growth rate is expected to remain strong, supported by macroeconomic and financial stability, according to an IMF assessment report published on December 19.

"Going forward, the country's foundational digital public infrastructure and a strong government infrastructure program will continue to sustain growth," the report added.

It also states that India's current account deficit is expected to improve to 1.8 percent of GDP in FY2023/24 as a result of resilient services exports and, to a lesser extent, lower oil import costs as crude oil prices have declined in the international market.

Amidst a challenging global macroeconomic environment, the Indian economy is exhibiting "a quickening growth momentum," with resilience and financial stability, according to the RBI's Financial Stability report released on December 28.

Bolstered by strong capital buffers and robust earnings, financial institutions are supporting durable credit growth. At the same time, higher profits and lower leverage are contributing to sound corporate financials, the report states.

The Indian economy and the domestic financial system remain resilient, supported by strong macroeconomic fundamentals, healthy balance sheets of financial institutions, moderating inflation, improving external sector position and continuing fiscal consolidation.

Proactive and prudent policy actions and availability of policy buffers are steering the economy on a rising growth trajectory with stability, the RBI report adds.

At the same time the IMF's assessment report flags some risks to the outlook. A sharp global growth slowdown in the near term would affect India through trade and financial channels. Further global supply disruptions could cause recurrent commodity price volatility, increasing fiscal pressures for India, the report points out.

Domestically, weather shocks could reignite inflationary pressures and prompt further food export restrictions, the report states. This is a cause for concern as although headline inflation is expected to gradually decline to the target level it remains volatile due to food price shocks, it adds.

This assumes importance as the agriculture sector posted a growth rate of a mere 1.2% in the July-Sept quarter compared to 3.5% in the previous quarter due to the freak weather marked by erratic and unseasonal rainfall that damaged crops.

Leading global investment bank Morgan Stanley (NYSE:MS) is bullish on the country's future and sees this as "India's decade" with the nation's growth underpinned by the formation of a large urban middle class and a surge in manufacturing investment -- including by foreign multinationals -- as well as infrastructure delivery in areas like power, transportation, and logistics.

This combination is ensuring that supply is moving ahead alongside growth in demand without driving a breakout in inflation, which has traditionally halted economic cycles in India.

The broad-based strengthening of India's economic activity that is under way will likely be sustained by easing input costs and higher corporate profits while inflation is expected to ease to 4.6 per cent in the first three quarters of 2024-25, according to the RBI's monthly bulletin released on December 20.

The fiscal position of the Centre and States has remained resilient. Major Central direct and indirect taxes such as income tax, corporation tax and goods and services tax (GST) recorded impressive growth in H1 2023-24.

Expenditure on big infrastructure projects that pushes economic growth and creates jobs witnessed a robust rise.

Finance Ministry data shows that net direct tax collections for the financial year 2023-24 have jumped by 20.66% to Rs. 13,70,388 crore as on December 17. Similarly, the monthly average GST receipts are now at ₹1.66 trillion, a notch above policy makers' initial estimate of ₹1.65 trillion.

The strong growth in tax and non-tax revenues has helped the Centre and States to contain the gross fiscal deficit of the general government within 7 per cent of GDP in Q1 and Q2 of 2023-24, according to the RBI.

The strong fiscal position is expected to ensure that the government has sufficient resources to invest in capital projects to accelerate economic growth and at the same time carry out its social welfare measures.

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Read more at : [Apparel retail sector is likely to face another quarter of slowdown: Report - The Economic Times]

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World's Largest Economy US Holds Strong Despite Challenges: CEBR

In a year filled with economic hurdles, the world's largest economy stood resilient, boasting an estimated Purchasing Power Parity (PPP)-adjusted GDP per capita of $80,412 in 2023. Despite the Federal Reserve's aggressive interest rate hikes totalling a full percentage point, the nation's economy surpassed expectations with a growth rate of 2.1 per cent in 2022, accelerating slightly to 2.2 per cent in 2023, the Centre for Economics and Business Research (CEBR) said in a recent report.
Consumer spending, buoyed by employment strength, played a pivotal role in the year's economic narrative. However, as 2024 approaches, the economic landscape appears more subdued. The delayed effects of interest rate hikes and reductions in fiscal spending are expected to cool consumer expenditure and overall economic momentum, as per the CEBR report titled 'World Economic League Table 2024'.

Inflation, which moderated to an estimated 4.1 per cent in 2023, remains a focal point. Despite a downward trend, prices are projected to stay above the Federal Reserve's 2 per cent target into 2024, keeping policymakers and consumers watchful.

As November 2024 looms, the presidential election is set to become a critical juncture. With President Joe Biden expected to run against a prominent Republican figure, economic stewardship and domestic policies, alongside pressing foreign policy issues, are poised to dominate the discourse, the report said.

Ambitions for a greener future also continue to shape the policy landscape. The Inflation Reduction Act, with its broad sweep over climate, taxation, and healthcare, underlines a commitment to net-zero emissions by 2050, reflecting the nation's evolving policy priorities.

Long-term projections indicate a gradual decline in the United States' share of global GDP, with China expected to ascend as the world's largest economy by 2037, a year later than previously forecast. This slight adjustment reflects both an optimistic near-term outlook for the US and emerging concerns in China's real estate sector.

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The Guardian's report on the Bangladesh RMG industry is intentional

Conspiracy around the country's garment industry is continuing. After a letter from 8 US Congressmen, a report was published in the influential British daily The Guardian on December 23 about the lives of garment workers in Bangladesh. In that report, freelance writer Taslima claimed that, unable to keep up with the increase in commodity prices, women garment workers are getting involved in sex work to save their children and their own lives.

Garment owners' organizations believe such stories are part of a conspiracy to destroy the country's garment industry.

Titled 'Woman Making Christmas Jumpers for UK Turns to Sex Work to Pay Bills', the article featured a garment worker named Ruby Rafiq (pseudonym). It claims that with the rising cost of living due to inflation, Ruby has no choice but to work as a sex worker at night.

Citing the Guardian, the country's daily Manab Zamin published the news. Concerned people have also criticized the scene of women workers in the garment industry in the news titled 'Garment workers forced to engage in sex work'. Later, Manab Zamin removed the news from their online platform.

According to the Guardian and Manab Zamin reports, the factory where garment worker Ruby works sells clothes to major British brands including Tesco, Matalan and Next. In the run up to Christmas they were busy making jumpers with 'Santa's Little Helper' written on them. Even after working 10 hours a day, seven days a week, she is struggling. She earns about £15 a week. The new minimum wage was expected to take effect in December but it has not been paid yet.

Usually Ruby was trying to cope with the situation by not eating a meal or by reducing the food in her little daughter Maya's lunchbox. But the situation worsened when her husband left her. Her 16-year-old son, Shakib, became hungry and started stealing.

The situation is such that Ruby is no longer able to pay the rent for her house. Tries to deal with debt, but struggles to pay off that debt. Her condition has taken a dire shape since last year. In this situation, she was forced to choose the life of a sex worker, the report claimed.

According to the garment sector concerned, where the alleged RMG worker Ruby is working is not mentioned directly, but it is said that clothes of British companies Tesco, Matalan and Next are made in that factory. Keraniganj of Buriganga river side has been shown as the area of her sexual activity at night.

Industry owners claim that there is no factory of that size in Keraniganj area where world famous brand clothes are made. Again, it is not possible for anyone to spend night after night in unethical work in Keraniganj and go to Savar, Ashulia, Gazipur, Narayanganj to survive in orderly work in any factory.

While no discomfort was found at Ruby Rafiq's factory, factory workers and human resource personnel working for the luxury brand said that it is not possible for someone who is used to a carefree lifestyle to continue the orderly work of a good quality factory.

Some garment workers said, it is not possible to work if we stay up night after night. Such reports are humiliating for us.

Challenging the authenticity of this report, Executive President of BKMEA Mohammad Hatem said, I can definitely say that the worker mentioned in the report is not a garment worker. I'd say it's definitely intentional. It is a part of the conspiracy with the garment sector.

He said, on behalf of BKMEA, we have decided to send a letter to the Guardian protesting jointly with BGMEA. The letter will ask explanation of what the Guardian reported as the basis for the news.

Meanwhile, the labor organizations are saying that they will also protest organizationally due to the publication of such false news about them. They said that since the Guardian is a British media, they will directly deliver their message to the friendly labor organizations of Bangladesh in the UK.

BGMEA Vice President Shahidullah Azim said that there is a deep conspiracy going on around the garment industry of the country and some quarters are involved in the campaign on purpose. Our competitors in the international garment industry market are also inciting it. Just as our jute industry has been destroyed, there is a conspiracy to destroy our garment industry.

When asked whether any action will be taken by BGMEA against such reports and anti-Bangladesh campaign, he said, of course we will take appropriate action against it. We will also send our protest to the Guardian. This report is completely false and intentional.

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BGMEA requests not to make garment industry a political tool

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) requested not to use the garment industry as a political tool for the sake of the country and economy. This request was made in a press release sent to the media on December 29.

BGMEA said, "We think Bangladesh is currently maintaining a stable economic growth. To maintain this continuity, a fair production environment needs to be maintained in the garment industry, which will in turn contribute to socio-economic development. In this situation, we request you not to use the garment industry as a political tool for the sake of the country and economy."

BGMEA also said, "There was a labor strike in some areas in October-November last year based on minimum wage negotiations. Then the factory authorities were forced to close the factory on the basis of no work, no wages. However, on humanitarian grounds and for the welfare of our workers, the respective factory authorities paid full wages to the workers at the request of BGMEA. After all this, when there is stability in the industry, we do not want a repeat of the untoward incident in the name of strike.

The Combined Workers' Council (SSP) has called for an indefinite strike from January 1 in the garment industry to meet seven-point demands, including fixing the wages of garment workers at Tk 25,000. Later SSP suspended their program at the press conference.

BGMEA president Faruque Hassan said, "I believe our labor brothers and sisters are aware of the whole issue, they will not let their main source of livelihood be damaged in any way. I request all our labor brothers and sisters; you do not involve yourselves in any kind of incitement and mischief."

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