LETTER

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News Highlights

NATIONAL

RED SEA CRISIS TO ADVERSELY HIT TRADE VOLUMES IN 2024: INDIA'S GTRI

Increase in costs of shipping (40-60 per cent) and insurance (15-20 per cent) and delayed arrival of shipments (by up to 20 days or more) arising out of the Red Sea crisis will continue to disrupt global value chains, squeeze margins and make exports of many low-margin products unviable from current locations, according to the Global Trade Research Initiative (GTRI).
Added to the problem is potential cargo loss from piracy and attacks.

The Red Sea crisis started on October 19 last year when Iran-backed Houthi rebels in Yemen launched attacks on cargo ships apparently linked to Israel near their coast.

Countries in Europe, Asia and Africa will face the most disruption across industries and the crisis will adversely affect trade volumes in substantial ways this year, the Indian think tank noted in a recent report.

The disruption is significantly affecting Indian trade, especially with the Middle East, Africa and Europe, the report said.

Textile and leather companies, which operate on thin margins, are renegotiating shipping costs with buyers, affecting earnings, GTRI founder Ajay Srivastav said.

The GTRI report called for financial support and insurance schemes to Indian companies hit by these trade disruptions.

"The crisis also underscores the importance of exploring alternative maritime and land-based trade routes. This includes potential investment in the Northern Sea Route and expanded land transport infrastructure," said the report.

The India-Middle East-Europe Economic Corridor (IMEC) assumes importance in this context, Srivastava added.

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India's NITI Aayog Suggests Single Portal To Offer Info To Exporters

India’s Niti Aayog recently said as most portals that help exporters access information now offer incomplete or outdated information, a single such portal is needed to promote e-commerce exports and improve access to finance, especially for micro, small and medium enterprises (MSMEs).
Such a portal will answer all queries from exporters on market tariffs, required paperwork, sources of finance, service providers, available incentives and potential customers.

"Therefore, creating a one-stop information data intelligence portal, using an AI [artificial intelligence]-based interface will be essential to impart information to MSMEs," the government think tank said in a report, titled 'Boosting Exports from MSMEs'.

The think tank also suggested introducing an annual financial reconciliation process for e-commerce exporters, exemption of import duties on rejects or returns, granting exemption on reconciliation requirements for shipments up to $1,000 and creating a green channel clearance for e-commerce exports.

"To boost e-commerce exports, it is essential to create a distinction between exporter on record (EOR) and seller on record (SOR) and allow a reduction in invoice value without any percentage ceiling for all e-commerce exports," it said.

Access to finance is regularly seen as a key bottleneck for MSMEs and towards this end, the promotion of Export Credit Guarantee can help improve working capital availability for MSMEs, the report noted.

"The current uptake of ECGC [Export Credit Guarantee Corporation of India Limited] schemes is only 10 per cent and the government must create an incentive package to increase it to 50 per cent or more," it added.

The NITI Aayog has also suggested relaxations for MSMEs from certain compliance requirements for a period, while putting in place a process for time-bound disbursement of incentives so that working capital is not blocked for them.

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Majority of issues in India-UK FTA towards resolution, says commerce ministry

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Round 14 of India-UK FTA talks closes ahead of election schedule

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What's the status of India's Free Trade Agreements?

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Firms decry 'small rise' in Bt cotton seed price

The government's decision to increase Bt cotton hybrid seeds price only marginally for the next kharif season (2024-25) season to Rs 864/pack is likely to hit quality seed supplies and financial viability of the seed companies, a senior official with the federation said.

"Because of a marginal increase in Bt cotton hybrid seeds prices, the seed companies are under stress and the financial viability of the business is challenged," Ajay Rana, chairman, Federation of Seed Industry of India (FSII), told FE.

"Coming kharif season is going to be very challenging in terms of availability of the quality seeds and the supply situation of seeds would be tight," Rana said. Seed industry sources said that many companies are leaving cotton seed business because of commercial unviability because of lower seed prices fixed by the government.

According to a recent notification by the agriculture ministry, the maximum retail price (MRP) of Bt cotton seed prices of Bollgard II variety has been fixed at Rs 864/pack of 475 gram each for the next kharif season (2024-25) . This is an increase of 1.3% from Rs

853/pack for the current season (2023-24). Industry had demanded atleast Rs 150/pack increase in Bt cotton seeds prices for the next season.

In the last seven years, while seed prices have increased at a CAGR of 1.75%, the increase in minimum support price (MSP) provided to farmers has increased by 7.8% annually during the same period., Rana said.

The industry association in its submission to the agriculture ministry had stated that increase in Bt cotton seed prices has been restricted to a very narrow range since 2016-17. It had stated that Bt cotton seed prices increased by 13.5% from Rs 751/pack in 2016-17 to Rs 853/pack in 2022-23.

Currently around 200 odd companies sell around 20 varieties of Bt cotton seeds. According to industry estimates, four companies – Rasi, Nuziveedu, Rasi and Mahyco have around 65% share in Bt cotton seeds business in the country.

Since its introduction two decades ago, Bt cotton has led to a dramatic rise in India's cotton yield and thereby, production, but over the last few years, the yield has come down marginally.

Due to technological fatigue, investment by the companies in the varietal development has slowed down, according to industry officials.

According to the agriculture ministry, cotton production in 2023-24 is projected to be 32.3 million bales (170 kg each), which is a decline of 4% from the previous year. In 2019-20 season, cotton production was 36 million bales while its peak output was reported at 38 million bales in 2013-14.

In the 2020-21 crop year (July-June,) the agriculture ministry while fixing the price of a packet of Bt cotton-II abolished the trait value payable to the licence holders (Bayer-Mahyco), allowing reduction in the prices to the farmers. Bt cotton is still grown in around 92% of area under cotton of around 12-13 million hectare (mh) in the country.

Since the introduction of Bollgard-I, which was the country's first genetically modified crop approved for commercialisation in 2002, followed by Bollgard II, a pest-resistant variety which protects the crop from bollworm, in 2006. The genetic engineering appraisal committee (GEAC), which functions under the environment ministry, has not approved any new varieties of cotton seeds.

Between 2002-03 and 2013-14, which was the 'golden period' of Bt cotton, yield rose by 167% and production by 316% while area under cotton cultivation expanded by around 39%. "What happened after that was a technology fatigue and there was no upgradation of varieties coming through the GEAC approval system," Ram Kaundinya, advisor, FSII, had said earlier.

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India's cotton panel CCPC estimates higher crop, export and consumption

Read more at : India's cotton panel CCPC estimates higher crop, export and consumption - The Hindu BusinessLine

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Indian economy has made it to the launchpad. It still needs a spark

As India prepares for elections this spring, confidence about the country's prospects seems ubiquitous. The country has just finalised a new trade agreement; it's with a small trading bloc composed of Norway, Switzerland, Liechtenstein and Iceland, but the headline number for new foreign investment it commits to bringing in, $100 billion, is nevertheless eye-catching. The stock markets are at record highs, and most expect them to rise even higher.

This year, Indian debt will begin to be included in global bond indexes, starting with JPMorgan Chase & Co.'s products in June, followed by the Bloomberg Emerging Market Local Currency Government Index from January 2025. (Disclaimer: Bloomberg LP, the parent company of Bloomberg News, offers index products for various asset classes through Bloomberg Index Services Ltd.) And, when last quarter's growth numbers were announced in the past fortnight, analysts were startled to see that the Indian economy had apparently grown at an annualised rate of 8.4 percent.

There are certainly solid grounds for optimism. India's macroeconomic stability is impressive compared to many of its peers. Pandemic spending wasn't excessive. The fiscal deficit has been steadily shrinking as a proportion of gross domestic product. The rupee has been remarkably stable. And "core" inflation, which excludes food and fuel prices, has eased to 3.3 percent year-on-year, according to data released this week.

Some of this stability is hard-won, born of tough choices that the government in New Delhi has made. Fuel taxes are kept high to feed government revenue, for example, and an inflation target has been institutionalised for the country's central bank.

Yet, even if some investors and sell-side analysts are touting India as "the best structural growth opportunity in emerging markets, if not the world," it is worth looking beyond the hype to the real reasons for some of these surging indicators, to judge whether India's growth is assured in coming years.

Consider the Indian equity markets. There are excellent, long-term reasons why they have been on an upward trend. But it is always unwise to deduce the real health of an economy from the level of its headline stock index. It sometimes says more about the choices available to capital than anything else.

That's certainly the case in India. We are in the middle of a years-long shift to the greater financialisation of savings. As Indian households gain easier access to formal finance, they will put less of their wealth into gold or real estate and more into financial assets, whether bank deposits or stocks. Even when foreigners sell Indian equities — as they did heavily at the beginning of this year — the domestic appetite for shares seems inexhaustible, driven by this bedrock change in household preferences.

Equities are also island of calm, competence and transparency in the Indian economy. The securities regulator is largely independent and efficient; minority shareholders' rights are legally protected better than in many advanced economies; and you can find large companies in most sectors with trustworthy balance sheets and professional management. Money, including global finance, piles into Indian stocks partly because it so much easier than taking a punt on, say, building a factory.

But it's only when more and more investors want to create real factories rather than juice up financial assets that India's economy will really take off. This is part of the reason that, when judged against earnings, Indian shares are among the most expensive in the world. The macro figures underline the basic problem: Although corporate earnings have increased from a multi-decade low a few years ago, profits as a percentage of GDP are still about three percentage points lower than they were in the boom years of the 2000s.

Growth, meanwhile, was higher than expected partly because it's only now that the post-pandemic recovery is really kicking in — and partly because government subsidies declined sharply. Thanks to how national accounts are calculated, that meant while actual value added seems to have slowed a little, the GDP numbers jumped up.

That's a symptom of one underlying problem: It is still government actions that are pushing growth up or down, rather than the choices made by India's private sector. Private investment in India has simply never recovered to the levels it reached during India's 2000s growth spurt. While big public infrastructure rollouts have soaked up Indians' savings, the private spending they were supposed to "crowd in" hasn't yet materialised.

A decent platform has been built for the Indian economy to achieve liftoff. But the India hype, in contrast, doesn't have firm foundations. The next government still has a lot to do if the Indian economy is to enter a real high-growth phase. Watch corporate earnings and private investment over the next few years to see if it's going to happen.

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India's February trade deficit widens to $18.71 billion, exports at 11-month high

India's merchandise trade deficit widened to $18.71 billion in February from $17.49 billion in January, the commerce ministry said on March 15. The trade deficit stood at $16.57 billion in February 2023.

While the trade deficit widened in February, exports rose by 11.9 percent from the year-ago period to $41.40 billion and imports were up 12.2 percent at $60.11 billion.

At $41.40 billion, India's merchandise exports in February were the highest in 11 months. The last time they were higher was in March 2023, when they come in at $41.96 billion. Imports, meanwhile, were at a four-month high.

The year-on-year growth in exports of engineering goods (15.9 percent), electronic goods (54.81 percent), organic and inorganic chemicals (33.04 percent), drugs and pharmaceuticals (22.24 percent) played a crucial role in pushing up outbound shipments of Indian goods in February.

"For the month of February 2024, under merchandise exports, 22 of the 30 key sectors exhibited positive growth as compared to same period last year (February 2023)," the commerce ministry said in a release.
In terms of the year-on-year increase, the export growth seen in February is the highest since a 30.1 percent rise was posted in June 2022. The import growth of 12.2 percent in February is the highest since September 2022's 12.6 percent.

"Despite the Ukraine war, Suez Canal, tight monetary policies in western world and fall in commodity prices, February trade data has surpassed all our expectations, with highest export growth achieved in both goods and services in the last 11 months," Commerce Secretary Sunil Barthwal told the media.

"When we close 2023-24, (we) expect overall exports to be higher than last fiscal's record export figures," he said.

India's merchandise exports in 2022-23 were $451.07 billion, while services exports stood at $325.33 billion. Total exports amounted to $776.40 billion, 14.8 percent higher than in 2021-22.

For April 2023-February 2024 as a whole, India's trade deficit amounted to $225.20 billion, down from $245.94 billion in the first 11 months of 2022-23. This exhibits a decline of 8.43 percent on the trade gap on a year-on-year basis during this period.

On the services side, exports are projected to grow at 17.34 percent in February 2024 on a year-on-year basis, while imports are seen rising by a smaller 2.81 percent during the same period.

The estimated value of services export for April-February 2023-24 was $314.82 billion against $294.89 billion in the year-ago perio. Services imports for this period in FY24 is expected to be $161.86 billion compared $165.09 billion in the first 11 months of the previous fiscal.

The services trade surplus for April-February 2023-24 is estimated at $152.96 billion as against $129.80 billion in April-February 2022-23.

Overall trade deficit for April-February 2023-24 (goods and services) is estimated at $72.24 billion as compared to the deficit of $116.13 billion during the same period in 2022-23, registering a decline of 37.80 percent.

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Air freight to key destinations more than doubles in the last three months

Air freight from India to key destinations like the US, Canada and Europe has more than doubled in the last three months due to disruption in global shipping following the Red Sea crisis. This is affecting sectors like leather, textile, pharma and food.

Three months ago, air freight from Chennai to Munich used to be ₹96 per kg but has increased to around ₹250 now. Similarly, air freight to the US and Canada has increased to ₹400 per kg as against ₹170 to ₹190 three months ago, said Israr Ahmed, Director at Farida Group, a leading exporter of leather products from Chennai.

Further, as the air freights are high to the US, the airlines are less willing to take on board cargo for transshipment hubs like Hong Kong or Singapore as the freight is as low as ₹38 or ₹40 per kg. They are giving priority to destinations in the US, Canada or Europe, said Ahmed, who is also the Vice President of FIEO.

Disruption in the Red Sea is causing a huge supply chain problem, and some of the time bound and high value cargo is getting diverted from sea to air, he told businessline.

J Krishnan of S Natesa Iyer Logistics LLP, a leading freight forwarder, agreeing with Ahmed said there is a huge capacity crunch in the airlines carrying cargo. While most of the cargo is carried in the belly, some of the airlines like Singapore Airlines, Cathay Pacific, Lufthansa and Qatar Airlines, do operate freighters. However, the demand is outstripping the supply, he said. Most orders are planned by sea but disruptions change the mode of shipment, he added.

Complicating things further, huge consignment of garments from Bangladesh is arriving at Delhi for air evacuation to global destinations. There is capacity crunch on both modes out of Bangladesh, which is one of the leading exporters of garments.

India has a trade agreement for sealed export cargo from Dhaka to directly arrive at Delhi Airport with minimal border checks, he said. “The current situation is one more stark example of the problem of Indian trade, due to lack of national capacity,” he added.

An official with an airline on the increase said it is about demand and supply, and the fare drops or increases accordingly.

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FTA talks to continue even during polls: Commerce secy Sunil Barthwal

India will continue the ongoing negotiations for free-trade agreements (FTAs) with countries like the United Kingdom (UK) and Oman even after the model code of conduct for the general elections kicks in from Saturday.
The Election Commission of India (ECI) is set to announce the schedule for the 2024 Lok Sabha election Saturday. Following the announcement, the model code of conduct will be enforced in the entire country until the announcement of results.
“Model code of conduct doesn’t restrain any ongoing projects. These are ongoing negotiations, these are not new negotiations. So (FTA) negotiations will continue at the same pace,” Sunil Barthwal, commerce secretary, told reporters.
When asked whether the government would sign an FTA when the model code of conduct is in force, Barthwal said “that call we will take when the time comes. That is not a concern at the moment. Negotiations are going on. At what point we are going to sign it, we will take that call at that point.”

On the ongoing FTA negotiations with the UK, Barthwal said both sides were “very actively” engaged in the negotiations. “Both sides are quite committed to the fact that there should be a commercially meaningful, fair, and equitable trade deal between the two countries. Sensitivities of both the countries should be respected as well as the strengths should be reflected in the trade deal. Negotiations are going on even today. It is a very (very) complex deal. Both the countries want an ambitious deal. We are waiting for negotiations to conclude," he added.

Prime Minister Narendra Modi on Tuesday held a telephonic conversation with his UK counterpart Rishi Sunak. "The leaders reaffirmed their commitment to continue to strengthen the bilateral Comprehensive Strategic partnership. They assessed positively the progress made towards early conclusion of a mutually beneficial Free Trade Agreement," a statement from the Ministry of External Affairs said.

India-UK FTA negotiations, launched in January 2022, have had 13 rounds of talks so far. "Chapterwise textual negotiations are nearly closed and schedules on goods and services are at an advanced stage of negotiations. Recently, the UK team visited India (March 5-7) for negotiations on outstanding issues. Teams have made good progress. Majority of difficult issues are towards resolution. A couple of key priority issues to seal the deal are being ironed out to have a balanced outcome," the commerce department said in a presentation.

On the status of the FTA with Oman, Barthwal said it was pretty close. "Whenever we do these FTAs, we look into not only the trade issues but national interest and geo-strategic interest. This is an FTA which will be concluded very soon," he said.

On the ongoing FTA negotiations with the European Union, the commerce department said during the seventh round of negotiations from February 16-27, both sides focused on important policy areas where there was divergence. "At the end of Round 7, there are gaps in our respective positions in many chapters, especially in some new policy areas such as sustainable development, ERM (Energy and Raw Materials), capital movements, etc. and also some traditional chapters such as IPR (intellectual property right), trade remedies, disputes settlement etc.

Both sides have agreed to meet inter-sessionally through virtual modes on many chapters, before the commencement of the 8th round, which is being planned in June 2024 in Brussels," the secretary said.

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GLOBAL

Japan Envoy Stresses Enhanced Japan-Bangladesh Business Collaboration

Ambassador Iwama Kiminori of Japan to Bangladesh emphasised recently the pivotal role of the Economic Partnership Agreement (EPA) and the Public Private Economic Dialogues (PPED) in advancing the business landscape between the two nations in the foreseeable future even as he underscored the importance of continual dialogue between the governments to foster a conducive business environment.
Speaking as the chief guest at the inauguration of HmAC's new office, Iwama Kiminori highlighted the significance of the ongoing collaboration in shaping Bangladesh's business landscape.

He also unveiled the *'Taxation Handbook for Investors in Bangladesh'* prepared by Howlader Maria & Co.

Japan acknowledged Bangladesh's pivotal role in regional development and business opportunities, recognising the country's evolving economic landscape.

As more companies turn their attention towards Bangladesh, organisations like the Japan Bangladesh Chambers & Commerce of Industry (JBCCI) and JETRO Bangladesh provide essential guidance to navigate the intricacies of the Bangladeshi market.

The collaborative efforts between the Japanese Business Circle and the Embassy of Japan demonstrate a concerted endeavour to establish a robust support framework for companies entering Bangladesh.

This synergy aims to offer comprehensive assistance, facilitating a smooth transition for businesses venturing into the Bangladeshi market.

Ambassador Iwama Kiminori's remarks underline Japan's commitment to fostering bilateral economic ties and supporting Bangladesh's economic growth.

Through initiatives like the EPA and PPED, along with collaborative efforts between business circles and diplomatic missions, both nations aim to create an environment conducive to sustainable business growth and mutual prosperity.

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Poor Pay, Long Work Hours Make Bangladesh Women RMG Workers Quit Jobs

Several female readymade garment (RMG) industry workers in Bangladesh are being forced to quit due to disruption in work-life balance arising out of extended work hours amid family responsibilities, according to a study by Oxfam.

Around four-fifths of such workers who quit cited family responsibilities as the prime reason. Thirty-one per cent of respondents said they were unable to take care of children due to long work hours, and thus, had to leave their jobs.

Twenty-nine per cent said they quit due to inadequate salary and benefits, while 18 per cent cited harassment and discrimination, and 17 per cent blamed poor working conditions, domestic media outlets reported.

The findings of the study, supported by non-governmental organisation Karmojibi Nari and Creative Pathways Bangladesh, were presented at a seminar in Dhaka recently.

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European Parliament Enforces Stricter Rules On Environmental Claims

The European Parliament has adopted its position on establishing a verification and pre-approval system for environmental marketing claims to protect citizens from misleading ads. The green claims directive would oblige companies to submit evidence about their environmental marketing claims before advertising products as ‘biodegradable’, ‘less polluting’, ‘water saving’ or having ‘bio based content’.
EU countries would have to assign verifiers to pre-approve the use of such claims, to protect buyers from unfounded and ambiguous advertising, the Parliament said in a press release.

Parliament wants claims and their evidence to be assessed within 30 days, but simpler claims and products could benefit from quicker or easier verification. Micro enterprises would not be covered by the new rules, and SMEs would have an extra year to be in compliance compared to larger businesses.

Companies that break the rules may face penalties, for example they could be temporarily excluded from public procurement tenders, lose their revenues and face fines of at least at 4 per cent of their annual turnover.

Green claims based solely on carbon offsetting schemes will remain banned. Companies could, however, mention offsetting and carbon removal schemes in their ads if they have already reduced their emissions as much as possible and use these schemes for residual emissions only. The carbon credits of the schemes must be certified and be of high integrity, such as those established under the Carbon Removals Certification Framework.

Parliament also decided that green claims about products containing hazardous substances should remain possible for now, but the Commission should assess in the near future whether they should be banned entirely.

Internal Market Committee rapporteur Andrus Ansip (Renew, EE) said: “Studies show that over 50 per cent of environmental claims are vague, misleading or unfounded. We cannot speak about happy consumers if every other green claim is false. We cannot talk about a level playing field for our entrepreneurs while some traders are cheating. I believe the Green Claims Directive is balanced - it will bring clarity to our consumers and is less burdensome for traders than the claim-by-claim verification.”

Environment Committee rapporteur Cyrus Engerer (S&D, MT) said: “It is time to put an end to greenwashing. Our position ends the proliferation of misleading green claims that have deceived consumers for far too long. We will ensure businesses have the right tools to embrace genuine sustainability practices. European consumers want to make sustainable choices; all those offering products or services must guarantee their green claims are scientifically verified.”

Parliament adopted its first reading position with 467 votes to 65 and 74 abstentions. The file will be followed up by the new Parliament after the European elections that will take place from June 6-9, 2024.

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Global Supply Chain Transformation Under Way Now Likely To Deepen: UBS

The global supply chain transformation under way is likely to deepen, driven by intensifying geopolitical rivalries, emerging technologies, concerns over supply chain resilience and the search for efficiency, according to UBS.
While this process is potentially disruptive, it also presents an opportunity to improve the sustainability profile of companies’ supply chains, UBS noted.

The Switzerland-based investment bank and financial services company feels this is due not just to the benefits that accrue from improved sustainability, like lower transition, reputational, and legal risks, or improved employee retention and morale.

It is also about future-proofing supply chains against a tightening regulatory environment and growing consumer demands for sustainability in companies’ operations, it said.

Sustainability-linked regulatory changes being considered would likely require new tools and investment, and a shift from a ‘least cost’ to a ‘least risk’ mindset, it said.

UBS has suggested a four-pillar framework to improve supply chain sustainability: evaluate, optimise, collaborate and develop.

Improving a supply chain starts with understanding the individual links in the chain. Visibility within supply chains remains low, meaning many companies simply do not know who they are ultimately reliant on, beyond their direct suppliers, to produce their products and services.

Even when they are aware, the emissions and other impacts incurred by those suppliers may not be measured; if they are measured, they may not be disclosed; if they are disclosed, they may not be accurate; and if they are accurate, divergent metrics and methods may make comparability across companies and industries difficult or impossible, UBS observed.

Balancing of several factors is required: replacing links whose sustainability practices fall unacceptably short; looking at supply chain length, and the potential for reducing it; optimising supply chain logistics via the deployment and utilisation of emerging technology solutions to better match supply with demand, maximise efficiency and minimise waste.

System-level improvements require not just avoiding risk, but proactively seeking to improve the performance of less sustainable supply chain partners. Collaboration is a key part of this.

Developing refers to actions and investments made to grow a supply chain's sustainability capabilities. It can take multiple forms, including sharing expertise; financing new capabilities, like new product lines or supply links; and promoting circularity, UBS added.

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World Growth Outlook Improves, But Inflation Shows Persistence: Fitch

Near-term world growth prospects have improved, with Fitch Ratings raising its 2024 global gross domestic product (GDP) growth forecast by 0.3 percentage point (pp) to 2.4 per cent in its latest Global Economic Outlook (GEO). This reflects a sharp upward revision to the US growth forecast to 2.1 per cent from 1.2 per cent in the December 2023 GEO. The revision to the US outweighs a marginal cut to the rating agency's China growth forecast for this year—to 4.5 per cent from 4.6 per cent—and a small revision to its eurozone forecast—to 0.6 per cent from 0.7 per cent.

The growth forecast for emerging markets excluding China has been revised by 0.1 pp to 3.2 per cent, with projections raised for India, Russia and Brazil.

Fitch expects world growth in 2025 to edge up to 2.5 per cent (unchanged from before) as the eurozone finally recovers on a pick-up in real wages and consumption, but US growth slows.

The eurozone continues to stagnate, with Germany's recession weighing on France and the rest of the bloc. China's property collapse continues unabated.

US core inflation momentum has recently picked up and we have raised Fitch's end-2024 US consumer price index (CPI)-based inflation forecast by 0.3 pp to 2.9 per cent. Better progress has been made in reducing core inflation in the Eurozone.

The jump in shipping costs is adding upside risks to core goods inflation, Fitch added.

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