

2017

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Weekly E-Bulletin

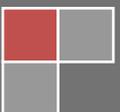
Indian Institute of Export Management

2nd week January Newsletter



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SMALL CARDAMOM MAINTAINS STEADY AROMA

Small cardamom prices remained unchanged last week at auctions held in Kerala and Tamil Nadu. The matching demand and supply during the week has been attributed to the steady market trend. Harvesting is almost over and hence the supply is unlikely to increase in the coming days, PC Punnoose, General Manager, CPMC, told BusinessLine .He said buyers were active and were covering apprehending short supplies in the coming weeks. Exporters were also covering and they have bought and estimated 60-70 tonnes of exportable variety capsules last week, he said. Total arrivals during the season from August 1 up to January 13 were at 10,897 tonnes and sales were at 10,330 tonnes. The individual auction average for the season as on January 13 stood at Rs. 1,092.50 a kg.

B/L-09/01/2017

INDIA SHOULD START SHIPPING SERVICE TO CHABAHAR, SAY

Logistics experts and think-tanks feel India should speed up \$500-million Chabahar Port in Iran and, start a regular shipping service to the Iranian port from India. In May 2016, Prime Minister Narendra Modi signed pacts with Iranian President Hassan Rouhani for developing the Chabahar port as India's gateway to Afghanistan, Russia and parts of Europe by land, bypassing Pakistan. Located in the Gulf of Oman, Chabahar is in the Sistan and Baluchestan province in the South Western tip of Iran; close to the China-controlled Gwadar port in Balochistan of Pakistan. While Gwadar is a deep sea port, Chabahar needs to be developed to accommodate bigger ships. Indian Ports Global, a joint venture between the Jawaharlal Nehru Port Trust and the Kandla Port is slated to develop two terminals and five multi-cargo berth in Phase-1 of the project. The port suffers from last mile connectivity.

B/L-09/01/2017

RUBBER GROWERS SEEK EXPORT PROMOTION SCHEMES

Given the recent surge in exports, the Indian Rubber Growers Association has urged the Commerce Ministry to formulate a scheme to promote them. Sibi J Monippally, General Secretary, IRGA, told BusinessLine that rubber exports in December stood at nearly 3,000 tonnes against 640 tonnes in November and 645 tonnes during the period between April and December in the previous year. Rising exports — especially in the wake of higher international rubber prices — will help India garner a major share in rubber exports.

B/L-09/01/02017

RAW CASHEW PRICES HOLD THE KEY FOR KERNEL PROSPECTS IN 2017

The average price of cashew kernel, which stood at \$4.25 per lb in 2016, is likely to stay unchanged this year provided Raw Cashew Nut (RCN) prices remain steady/lower in the coming months. The average price for 2016 was \$4.25 (fob) against \$3.50 in 2015 and 2014 and \$3.25 in 2013. In fact, the last quarter of

the last year witnessed an upsurge in the price from \$4.50 to \$5 per lb in October and early November to drop to \$4.75 by November-end and to \$4.50 in mid-December, trade sources in Mumbai said.

B/L-09/01/02017

WIND POWER DEVELOPERS' CHOICE OF TN NOT A SURPRISE: EXPERTS

Wind power developers have picked Tamil Nadu for putting up their projects, but that is no surprise, according to many experts. First, if the tariffs are going to be competitively determined and the bidders have to quote low, they might as well choose Tamil Nadu, a state that has the best wind resources among the eight states that have any wind energy potential. Andhra Pradesh is not bad, but experts say that the feed-in tariff in that state is good (Rs. 4.83 a kWhr) and about 2,000 MW of capacity is already coming up there.

B/L-09/01/02017

OUTLOOK REMAINS BULLISH FOR COTTON

Cotton prices have begun the New Year with a bang. After being stuck in a narrow range all through

December, cotton prices broke above a key resistance point by surging higher. The cotton futures contract traded on the Multi Commodity Exchange (MCX) is up about 6 per cent and is currently trading near Rs. 20,120 per bale.

B/L-09/01/02017

WITH SOWN AREA RISING, BUMPER WHEAT CROP EXPECTED THIS YEAR

The prospects for a bumper wheat crop this year brightened after farmers brought more acreage under the cereal crop in the ongoing rabi season. The increase in acreage was mainly seen in the major producing States of Uttar Pradesh, Madhya Pradesh and Rajasthan. Apart from favourable weather, the increase in sown area in Uttar Pradesh, the largest wheat-producing State, where planting is still going on, is seen aiding the crop output. As per the latest data released by the Agriculture Ministry, wheat acreage stands at 309.60 lakh hectares, a 7.1 per cent increase over the corresponding year-ago period.

B/L-09/01/02017

India could stop being the world 2nd largest fish producer

A dwindling catch from capture fisheries and tougher quality inspection in importing countries are deeply affecting India's seafood exports.

During financial year 2015-16, India exported 945,892 tonnes of seafood worth USD 4.7 billion against 1,051,243 tonnes valued at USD 5.5 billion in fiscal year 2015.

Today, India is the second largest fish producer in the world after China, and accounts for nearly 6 per cent of global fish production.

"The EU commission has passed a motion to increase the number of shipments of Indian aquaculture products stopped for checks at the borders to 50 per cent from 10 per cent earlier. A vannamei shrimp export consignment to South Africa was rejected following the detection of vibrio cholera in the shipment. The issue has not been sorted so far and the delay is affecting exports," Anwar Hashim, managing director of Abad Fisheries and former president of the Seafood Exporters Association of India, stressed.



SYNERGISE EFFORTS TO BOOST EXPORTS: COMMERCE AND INDUSTRY MINISTER TO STATES

Commerce and Industry Minister underlined the need for synergising efforts between Centre and states to boost the country's exports on sustainable basis. "Since last January, Govt has managed to contain the trade deficit due to controls on imports, there is an immediate need to synergize our efforts and jointly take appropriate steps to boost India's exports - which is the only sustainable way in today's international trade environment," Commerce Minister said. The minister was addressing the meeting of the 'Council for Trade Development and Promotion'. Its members include trade/commerce ministers of states and UTs, besides 14 secretaries of the central government and industry representatives including Federation of Indian Export Organizations (FIEO). Minister said

that the objective of this council is to develop partnerships with the states with the aim of boosting international trade. Commerce Minister sought suggestions to improve the export competitiveness of domestic products and "on how can we partner in the adoption of such measures to create an environment conducive for exports". Seeking support from the members, Minister said all should use this platform to articulate their perspective on the trade policy and work jointly to address impediments to trade and infrastructure gaps which adversely affect exports. "One such area which requires immediate intervention is that of facilities for testing, certification, trace-back, packaging and labelling," it said. The minister also requested the states to enhance their co-operation with central agencies for setting up common facilities like testing labs, training institutes as well as packaging and storage support to industry. Further, Commerce Minister stated that she had asked

states to consider higher allocation of resources for export infrastructure from their increased devolution of funds to which " Govt expected that at least the ongoing ASIDE projects would be completed by the states. Ministry is still awaiting an affirmative action on this from the states". Minister said the centre is also trying to formulate a scheme which could provide financial support and supplement your efforts to create export infrastructure. Ministry can soon succeed in achieving a consensus for the roll out of this scheme - Trade Infrastructure for Export Scheme (TIES)," Minister said, adding so far only 17 states have developed their export strategy aligned with the national policy on trade. Emphasising on the need to focus on services exports, she said there is a need to diversify services exports basket by enabling more sectors and to breach more markets. "Other areas like medical tourism, nursing and healthcare, education, audio-visual media also afford an excellent potential which can be harnessed. For this, we need to develop the right competencies like language skills for the East and North East Asian markets," Commerce Minister added. Minister urged all the states to consider organising bi-monthly meetings with the exporters to sort out

infrastructure and tax related issues which would go a long way in improving our trade competitiveness. "Ministry would like to take this opportunity to exhort the state governments to develop and pursue appropriate export strategies in line with national Foreign Trade Policy and we would be happy to associate in such efforts," it added.

The minister also asked them to use the export commissioners as focal points for institutionalised interactions with the exporters from the state. Further Minister said a hundred to hundred and fifty SPS (sanitary and phyto-sanitary) notifications and a similar number of TBT (technical barriers to trade) notifications are being issued by WTO member countries each month. "Around 50 to 60 per cent of these measures have the potential to impact our trade. There sector specific needs can broadly be categorised into interventions required for agri and marine products, for forest produce and for industrial products," Commerce Minister added. Expanding for the third straight month, exports rose 2.29 per cent to USD 20 billion in November on account of healthy growth in shipments of petroleum products and engineering goods.

FIEO NEWS

EXPORTS POISED TO GROW ON GLOBAL DEMAND RISE

India's exports, which failed to capitalise on the falling rupee because of the adverse effects of demonetisation, are expected to grow this year with a rise in global demand. The commerce ministry has suggested a revision in the export basket and focusing on labour-intensive products rather than raw materials. This is important with regard to China, India's second largest trading partner, with which India had a \$61 billion current account deficit in 2015-16. "Sectors such as hardware, electronics, pharmaceuticals, textiles and auto components have been identified for pushing export growth," a commerce ministry official said. For engineering goods exports, the highest export earning category, exploring markets like Iran and African countries and consolidating those in the United States and European Union would be important, said Engineering Exports Promotion Council. On account of this, India's multilateral trade negotiations have become significant even while Iran and African countries such as Nigeria

should be on India's radar, according to director general, Research and Information System for Developing Countries (RIS). Apart from trade talks with Australia, the European Union and the Latin American bloc Mercosur, the most promising trade deal India is looking at will be the Regional Comprehensive Economic Partnership (RCEP). The trade deal involves 12 Pacific Rim nations, including major economies like Japan, Australia, New Zealand and Canada. With a combined population of 800 million, almost double that of the European Union, the bloc accounts for 40 per cent of world trade. Launched in 2012, the deal was supposed to be concluded by the end of 2015. However, issues such as tariff reduction as well as services exports, among others, have stretched the process. The fall in the rupee may give India a marginal advantage over other developing economies even after factoring in a similar decline in currencies such as the Malaysian ringgit and the Indonesian rupiah. Also, the US Federal Reserve's announcement in December of an interest rate hike is expected to bring down the rupee against the dollar. But a stronger dollar may push up the cost of imports. But factors such as Brexit and US President-elect Donald Trump's

protectionist trade policies may come in the way of growth. Trump's repeated criticism of multilateral trade pacts had given an impetus to negotiations after his decision to junk the Trans Pacific Partnership has forced major Asian economies to focus on other trade pacts. However, the revival of exports hinges on the mitigation of the slump caused by demonetisation. India's exports for the first 11 months of the calendar year 2016 were \$239.39 billion, less than the \$243.63 billion in the corresponding period of 2015. On the other hand, imports went down to \$324.84 billion this year till November from \$358.14 billion in the corresponding period of the preceding year. This translates into a deficit of \$85.45 billion. Raw materials such as cotton, iron ore and copper have come under scrutiny because these constitute more than 70 per cent of India's exports to China, according to Director-General & CEO of the Federation of Indian Exports Organisations (FIEO). However, for major foreign exchange-earning industries such as pharmaceuticals and textiles, addressing sectoral issues will be important, trade experts say. The government has in the past two years focused on the domestic manufacturing of APIs (active pharmaceutical

ingredients), crucial to the production of medicines. However, firms are unwilling to manufacture APIs because of the large capital outlay involved.

COMMERCE MINISTER SEEKS GST EXEMPTIONS FOR LEATHER, CEMENT, SERVICE EXPORTS

The commerce and industry ministry has sought tax concessions for leather, plantation and service export sectors like tourism, hospitality and health besides products moving between SEZs in the proposed goods and services tax. Commerce minister said the ministry has also requested the finance ministry to keep out of the GST ambit the imports of capital goods which are used as input for exports. This includes import of raw material under the Advance Authorisation scheme and import of capital goods under Export Promotion Capital Goods authorisation scheme. The request is for an outright initial exemption for exporters rather than paying taxes first and seeking refund later as refunds take 6 to 8 months. "Govt asked for leather goods to be taxed at less than 5%...a lower tax on cement which currently faces levy of upto 30% in some cases,"

Commerce Minister said after meeting the GST Council. Though cement sector is marred by environmental concerns and excess capacity, she said a lower tax rate is important looking at the country's infrastructural needs and government's housing-for-all initiative. The ministry has pitched to keep plantations like coffee out of indirect tax ambit or be taxed at a low rate because "these are net foreign exchange earners which need to be given support." The ministry has also sought lowering of import duty on gold in the Union Budget. Minister also said the government will review the progress of the outcome of the 2015 Nairobi ministerial of WTO this month. "There will be post-Nairobi discussions...Govt will discuss the paper on trade facilitation in services, special safeguard mechanism and other issues."

FIEO NEWS

INDIA, MERCOSUR STEP UP EFFORTS TO EXPAND TRADE PACT

India and the Mercosur bloc, comprising Brazil, Argentina, Uruguay and Paraguay, have stepped up efforts to expand their preferential trade agreement (PTA) to make greater inroads into the other's market. The two sides, in a

recent meeting, exchanged lists of items where each wants greater market access. "We are at present going through the Mercosur's list of demand. The group wants lower duties in both industrial and agricultural products. We have to weigh our options carefully," a government official said. A PTA is a limited free trade agreement where partner countries reduce import duties on a few identified products for the other. While the PTA between India and Mercosur is presently limited to just 450 products, the two sides have raised their ambitions manifold and are now aiming at providing preferential access to about 3,000 items. "Going in for an expanded PTA with the Mercosur is in line with India's objective of trading more with Latin America and diversifying its trade beyond the EU and the US," the official said. India's exports to the bloc in 2015-16 were \$3.4 billion, while imports were \$6.6 billion. This was just a fraction of the country's bilateral trade with the US valued at \$68.6 billion and the EU at \$115 billion in the same year. India wants to export processed foods, more engineering goods and a wider range of pharmaceuticals to the Mercosur. Under the existing agreement signed in 2009 India has brought down duties in the range of 10 per

cent to 100 per cent on 452 items. These include meat products, chemicals, raw hides and skins, leather articles, wool, cotton yarn, glass and glassware, iron and steel, machinery and equipments, optical, photographic and cinematographic apparatus. India has preferential access in the Mercosur for organic chemicals, pharmaceuticals, essential oils, plastics & articles, rubber and rubber products, tools and implements, machinery items, electrical machinery and equipments. "In the expanded PTA, not only will the number items covered be greater, the margin of preference will be much more," the official added.

FIEO NEWS

EU LIFTS 3-YR BAN ON IMPORT OF SOME VEGETABLES FROM INDIA

The European Union has lifted its three-year ban on import of some vegetables from India, an Agriculture Ministry official said. The Union Government received communication from EU ending the threeyear ban on import of some vegetables, including bitter gourd, snake gourd and aubergines, said a Cochin International Airport

Limited release, quoting Assistant Director of the Agriculture Ministry's export/import section. In May 2014, a ban was imposed by the European Commission on import of mangoes, bitter gourd, egg plant, snake gourd and taro leaves from India on grounds of interceptions of harmful organisms leading to fears on account of bio-security of the region. The decision had led to adverse impact on farmers and exporters in India. The European Commission after conducting field surveys and audit in its meeting in Brussels in January last year had decided to lift the ban on import of mangoes from India. Earlier, the Union government had said it was taking all diplomatic steps to help get the European Union ban on some of Indian vegetables lifted. Minister of State for Commerce and Industry had taken up the issue with EU officials and had also discussed with various European nations, including the United Kingdom.

FIEO NEWS

BIRD FLU EFFECT: SAUDI SLAPS TEMPORARY BAN ON INDIAN POULTRY PRODUCTS

Saudi Arabia has placed a temporary ban on the import of Indian poultry products, following the recent outbreak of avian influenza or bird flu in several parts of the country. Saudi joins other West Asian countries such as Kuwait in banning the imports of poultry from India, which reported about seven instances of bird flu outbreak during 2016 with the latest being in Khordha district of Odisha. Saudi was the second largest buyer of Indian poultry products in 2015-16. As per DGCIS, India's poultry exports to Saudi Arabia stood at ₹95.64 crore, accounting for over 12 per cent of the country's total poultry shipments of ₹766.71 crore in 2015-16. Saudi's decision to ban Indian poultry imports was disclosed by the Agricultural and Processed Food Products Export Development Authority (Apeda) through its website. "The Royal Embassy of Saudi Arabia vide its Note Verbale no. 209/404 dated 25.11.2016 has informed that the Ministry of Environment, Water and Agriculture of Saudi Arabia have decided to impose a temporary ban on the import of live birds, hatching eggs and chicks from India due to the outbreak of highly pathogenic avian influenza," Apeda said in a notice on its website. The outbreak of avian flu was reported from

Punjab, Haryana, Tripura, Karnataka, Kerala and Odisha during 2016. Saudi's ban on Indian imports has added to the woes of the poultry farmers, who are already reeling under the impact of frequent outbreaks of bird flu in the country and the ongoing cash crunch. India's poultry exports, which have been on an upswing in the recent years, are seen facing a slowdown in the current financial year. According to Apeda, India's total poultry exports during April-October 2016 were down 36 per cent at ₹297.53 crore as against ₹465.32 crore in the corresponding period of the previous year. Poultry exports grew from ₹566.80 crore in 2013-14 to ₹766.71 crore in 2015-16 on increase in purchases by countries such as Oman and Saudi Arabia.

FIEO NEWS

INDIA'S IRON EXPORTS UNDER SCRUTINY BY EU, S. KOREA

India's exports of certain iron items to the European Union (EU) and shipments of ferro alloys to South Korea have come under the scanner of local authorities in those jurisdictions. The European Commission (EC) has initiated an investigation into certain items of

grey iron and ductile cast iron from India on allegations that they were being 'dumped' (or sold below the price charged in the home market or below production cost) into the EU region. This, the EC probe suggests, is adversely affecting local industry as these articles are used to cover and, or give access to ground or sub-surface systems. Seven EU producers of the item including Saint-Gobain, together representing more than a quarter of the total EU production of certain cast iron items, lodged a complaint with the EC on October 31 that imports of such articles from India and China are being dumped causing material injury to them. The complainants also provided 'evidence' of increase in imports (to the EU) of these items in absolute terms and in terms of their market share in the EU. The EC had earlier imposed countervailing (anti-subsidy) duty and anti-dumping duty on imports of tubes and pipes of ductile cast iron from India. Iron, steel and their related articles have been among India's main exports to Europe. However, shipments of iron, steel and their related items to Europe had fallen from \$3.86 billion in FY15 to \$3.07 billion in FY16. In the period between April and September this fiscal, exports of these products were worth \$1.82 billion. Meanwhile, South Korean

authorities have decided to initiate investigation into dumping of ferro-silico-manganese (used in the steel industry) from India, Vietnam and Ukraine into South Korea, thereby allegedly causing injury to their domestic industry. This was based on an application by local producers on November 18, 2016. The investigation period on dumping is from July 1, 2015 to June 30, 2016, while the investigation period on injury to the domestic industry is from January 1, 2013 to June 30, 2016. India's exports of ferro-silico-manganese to South Korea had fallen from \$46 million in FY13 to \$34.1 million in FY14 and further to \$32.3 million in FY15 and then down to \$19.5 million in FY16, according to data from the Indian commerce ministry.

FIEO NEWS

SHRIMP EXPORTS TO SOUTH AFRICA MAY TAKE A HIT OVER PRESENCE OF VIBRIO CHOLERA BACTERIA

Seafood exporters and Marine Products Exports Development Authority (Mpeda) is concerned over the inordinate delay in getting permission for the Indian team's

visit to South Africa following the rejection of Vannamei shrimp export consignment. The matter has been taken up with the South African High Commission delegation led by Minister Counsellor Agriculture Affairs on their visit to Kochi. The issue of rejection of Vannamei shrimp consignment following the detection of Vibrio cholera in the shipment by National Regulator for Compulsory Specification (NRCS) was brought to the notice of the visiting High Commission delegation. Chairman, Mpeda, said that the aim of the Indian team's visit to South Africa is to study the sampling methodology and procedure adopted by NRCS controlled labs. The visit assumes significance to sort out the issue immediately and prevent the risk of losing India's export market there. Though South Africa accounts for only 1-2 per cent of Indian shrimp exports, it is an emerging market as far as seafood exports are concerned, it said. Sources in the seafood sector pointed out that the detention of around 100 containers of shrimp consignment from the country would be worrisome as the industry is passing through a critical phase during the business slowdown era. The development has added woes to the sector when the European Union also has

adopted tougher testing norms for seafood exports from India by enhancing the norms of samplings to 50 per cent from the earlier 10 per cent, the sources in the trade said.

FIEO NEWS

SINGLE-WINDOW CUSTOMS CLEARANCE EXTENDED FOR EXPORTERS

After "successful" implementation of a single window interface for imports, the revenue department extended the facility for customs clearance of export consignments with a view to bringing down transaction cost. "With the successful implementation of SWIFT for imports, it is proposed to implement the online release from partner government agencies (PGAs) for exports," said a Customs Department's circular. A pilot project for exporters has been started on 5th January at Chennai, Delhi and Mumbai air cargo complexes for CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) and wildlife items.

Under the pilot, shipping bills filed online on ICEGATE or through the service centre will be referred to the concerned agency online for a no-objection certificate (NOC), if any required. SWIFT provides importers and exporters with a single point interface for customs clearance of shipments thereby reducing interface with government agencies, dwell time and cost of doing business. Chief Commissioners have been asked to sensitise staff, other agencies, trade and customs brokers working under their jurisdiction to ensure the smooth implementation of the SWIFT online clearance in exports, the circular said.

FIEO NEWS

SPICES EXPORTS UP 5% IN H1 OF 2016- 17 FISCAL

Boosted by large shipments of nutmeg, mace, cumin and garlic, spices exports from India grew 5 per cent in volume in the first half of FY 2016-17 and rose to 8,415.97 crore during the period, registering a 7 per cent increase in value. The total value of exports was 7,892.65 crore during the corresponding period last fiscal year. Shipments rose to 4,37,360 tonnes during April-September 2016, compared to 4,14,780 tonnes in the first half of

FY

2015-16.

FIEO NEWS



TAX REFUND TO EXPORTERS UNDER GST WITHIN SEVEN DAYS'

The Department of Revenue has promised to refund tax claims of exporters within seven days under the new GST regime, thus addressing a major concern of the sector, Commerce and Industry Minister said. The Minister also said that exporters would get interest on the refund if it is delayed beyond two weeks. Exporters have been

demanding ab-initio exemption from payment of taxes under the Goods and Services Tax (GST) regime arguing that delay in refunds often takes months and also results in blocking the working capital. They also stated that exports need to be encouraged in view of the global slowdown. The Minister recently raised the issues of exporters in the GST Council meeting. The concern of the exporters was that the refund should not take too long, Commerce Minister said after chairing the meeting of the Council for Trade Development and Promotion. The exporters were assured that “on 90 per cent of the amount (of refund), within seven days, the refund will be made and if there is an undue delay, interest will be paid on the amount due,” Minister said. Elaborating on the issue, Commerce Secretary said the Department of Commerce has been taking up the issue with the Department of Revenue. “GST clearly provides that the taxes must be paid and that the refund will be provided. So since the regime is so structured, in order to see that there is minimum pain to the exporters, what the Department of Revenue has committed that 90 per cent of the refund will be made within seven days. Delays beyond that would invite interest payment,” Commerce

Secretary(CS) said. CS said the remaining 10 per cent will be subject to whatever verification revenue department is required to do.

FIEO NEWS

FOREX RESERVES UP BY \$ 625.5 MILLION TO \$ 360.296 BILLION:

RBI Foreign exchange reserves rose by \$ 625.5 million to \$ 360.296 billion in the week to December 30, helped by an increase in foreign currency assets, the Reserve Bank said. In the previous week, the reserves had declined by \$ 935.2 million to \$ 359.671 billion. The reserves had touched a life-time high of \$ 371.99 billion in the week to September 30, 2016. Gold reserves remained steady at \$ 19.982 billion in the reporting week, the RBI said. The special drawing rights with the International Monetary Fund rose by \$ 4.9 million to \$ 1.432 billion, while India's reserve position with the Fund, too, increased by \$ 8.2 million to \$ 2.299 billion, RBI said.

FIEO NEWS

Economy

UNION BUDGET 2017-18 TO BE PRESENTED ON FEBRUARY 1: GOVERNMENT

The government will present the Union Budget 2017-18 on February 1 for the financial year starting on April 1, a senior government official said. The first part of the budget session of parliament will start on January 31 when the government is expected to present the Economic Survey, which sets the scene for Finance Minister's fourth annual budget, the official who did not wish to be named, said. The cabinet decided last September to merge the railway budget with the union budget, ending a nearly century-long practice and easing the way for the government to cut populist subsidies and push through structural reforms.

FIEO NEWS

EIGHT CORE INDUSTRIES GROW 4.9% IN NOVEMBER, BUT SOME BRUISES

VISIBLE Core sector output rose 4.9% in November on the back of a strong expansion in steel production and electricity generation, though the pace is down from 6.6% in October, data released showed. Part of the buoyancy was due to the base effect of lower 0.6% growth in November 2015. The eight industries that make up the core sector — coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity — have a 38% weightage in the index of industrial production (IIP), suggesting that overall factory output may not have been tripped up by demonetisation in November. Electricity generation rose 10.2%, and steel production was up 5.6%. Cement posted a modest 0.5% output growth while refinery products and fertilisers were up 2% and 2.4%, respectively. Overall, April-November core sector growth was up 4.9% against 2.5% last year.

FIEO NEWS

Article

Oil prices slip on doubts over planned output cuts

Oil prices slipped on Monday, pressured by doubts that large oil producers will reduce production as promised and on expectations that US production would increase again this year.

Benchmark Brent crude oil was down 23 cents a barrel at \$55.22 by 1142 GMT and US light crude fell 21 cents to \$52.16.

The Organization of the Petroleum Exporting Countries (OPEC) has agreed to cut production by 1.2 million barrels per day (bpd) to 32.5 million bpd from January 1 in an attempt to clear global oversupply that has depressed prices for more than two years.

Russia and other key exporters outside OPEC have said they will also cut output.

But global oil production remains high and, with inventories near record levels in many areas,

investors doubt that OPEC and its allies can trim output enough to push up prices.

"Cuts by OPEC and non-OPEC countries have just started and it will take some time for them to filter through," said Bjarne Schieldrop, chief commodities analyst at SEB Markets in Oslo.

"We do not really expect the oil price to strengthen much more in the first quarter of 2017."

Comments by Saudi Arabia's Energy Minister Khalid al-Falih on Monday combined with a federal holiday in the United States are adding further downward pressure on prices, according to Olivier Jakob of consultancy Petromatrix.

Falih said that OPEC and non-OPEC producers are unlikely to extend their agreement to cut oil output beyond six months, especially if global inventories fall to the five-year average.

"We don't think it's necessary given the level of compliance," Falih said. "My expectations (are) ... that the rebalancing that started slowly in

2016 will have its full impact by the first half."

Russian oil and gas condensate production averaged 11.1 million bpd for January 1-15, two energy industry sources said on Monday, down only 100,000 bpd from December.

Russia has committed to a 300,000 bpd cut during the first half of 2017 as a part of the global deal with OPEC.

Rising US oil output is also preventing crude from climbing further.

Goldman Sachs said it expects year-on-year US oil production to rise by 235,000 bpd in 2017, taking into account wells that have been drilled and are likely to start producing in the first half of the year.

US oil output is now at 8.95 million bpd, up from less than 8.5 million bpd in June last year and at similar levels to 2014, when overproduction sent the market into a tailspin.

Business Standard

Trade deficit at \$10.4 bn on export, import rise

NEW DELHI: Trade numbers for December released on Friday provide more cheer for the economy a day after November industrial growth numbers surprised on the upside, suggesting economy may not have been hit as hard by demonetisation as feared.

Exports were up fourth month running, rising 5.7% in December to \$23.8 billion, the highest since March 2015, commerce and industry ministry data showed. 18 of the 30 export sectors registered growth. Exports had declined 14.75% in December 2015 implying a low base effect to the growth.

Imports were up 0.46% to \$34.25 billion leaving a trade deficit of \$10.4 billion. Non-oil, non-gold imports, seen as a measure of domestic demand and strength of the economy, rose 4.4%.

Experts said demonetisation impact is likely lower since most export orders for Christmas and New Year are placed much in advance. Problems at the supply and procurement front could get reflected in the January and February exports data.

“It is difficult to say if demonetisation has had any impact or not on exports because there is a high base effect and a lot of Christmas related exports take place in December,” said Sunil Kumar Sinha, principal economist at India Ratings & Research.

Gold imports fell 48% after the government demonetised high denomination currency in November, helping improve trade deficit. China’s exports shrank 6.1% in December and dived 7.7% in 2016.

“Even as the pickup in growth of merchandise exports in December 2016 is encouraging, the bulk of the decline in the trade deficit can be attributed to lower gold imports,” said Aditi Nayar, principal economist at ratings firm ICRA.

Gems and jewellery, pharma and engineering goods posted strong growth. Higher imports are of coal, electrical & non-electrical machinery and chemicals, suggesting a pickup in industrial demand and not consumer demand. Merchandise exports in April-December grew 0.75%. Oil imports were 14.61% higher year-on-year at \$7.645 billion.

Services trade surplus narrowed to a fivemonth low of 20.8%, as imports jumped 46.4% in November 2016. “It appears our exports have gained positive momentum and we are optimistic this would sustain. This is noteworthy as other key countries like China, USA and EU have been facing negative export growth,” CII said in a statement.

Economic times

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<http://www.intracen.org/>

The International Trade Centre (ITC) works to build sustainable agricultural exports and strengthen intraregional trade. In 2012 alone, ITC assisted farmers, communities and agri-food enterprises in 23 least developed countries (LDCs) and small island developing states (SIDS), increasing their trade and income-generating capacity by 10–20% on average. ITC's interventions are based on market demand, ensuring sustainability: we assist enterprises in meeting market needs, upgrading value chains and facilitating the creation of linkages between sellers and buyers.

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