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Trade Restrictiveness in India's Services Sector

India's services sector is a key driver of the Indian economy with a share of over 50% in gross value added. Further, as of 2018, India's services exports account for 38% of the overall exports from India.

According to WTO's 'Trade in Services Data by Mode of Supply (TISMOS)', during 2005 to 2017, almost 50% of the global exports of the services are in the Mode 3 category which includes 'establishment of commercial presence abroad', followed by Mode 1 category. In India's case, Mode 1 category accounts for over 70% of the services exports, which is essentially the cross-border supply of services-provided by phone, fax, or electronic means, including body-shopping.

However, with all the boom that services sector has provided to the Indian economy, there lies a significant scope for improvement. India lags in terms of openness of the services sector for the foreign entrants.

The relative restrictiveness of Indian services trade policy can be compared using the Services Trade Restrictiveness Index (STRI) developed by the OECD. The STRI for India shows that there is a large variation in trade restrictiveness across sectors. India has relatively high scores on the STRI largely because of a general regulatory framework which controls the flow of capital and natural persons.

While there could be both horizontal and sector specific restrictions under services, there are some horizontal measures under the STRI which are cross-cutting across sectors. As a result, even if a sector is less restrictive as per sector-specific measures, the horizontal measures make the whole sector restrictive. Horizontal restrictions can be summarised under five policy areas:

- **Restrictions on Foreign Entry**

  A major restriction under this category is in the area of foreign investment. These include restrictions related to maximum foreign equity share; cross-border mergers and acquisitions; limits to the proportion of shares that can be acquired by foreign investors in publicly-controlled firms; conditions on subsequent transfer of capital and investments; restrictions on acquisition and use of land and real estate by foreigners; restrictions on the type of shares or bonds held by foreign investors; amongst others. Further, restrictions could also be due to residency requirements, and regulations and limitations on location and transfer of data.

- **Restrictions to Movement of Natural Persons**

  In most of the sectors in India there are basically two conditions - labour market tests and limitation on duration of stay. Some other conditions are related to laws or regulations establishing a process for recognizing qualifications gained abroad. India has in fact taken the initiative of liberalizing its visa regime for Least Developed Countries (LDCs), and even notifying this in the WTO. India is the only member which has offered waiver of visa fees.

- **Barriers to Competition**

  With respect to redressal mechanism when business practices restrict competition in a given market, any person can request competition commission to enquiry into anti-competitive practices and decision of competition commission can be appealed to the competition Appellate Tribunal. Some other restrictions are related to minimum capital requirements, government control of at least one major firm in the sector and restrictions on advertising.

- **Regulatory Transparency**

  Regarding the policy measure that there is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force, Acts of Parliament are published in the Gazette but there is no minimum statutory time period between publication and entry into force. Other restrictions are 'Ease of Doing Business' issues like range of visa processing time (days), cost to obtain a business visa, number of documents needed to obtain a business visa, number of working days to complete all mandatory procedures to register a company, amongst others.

- **Other Discriminatory Measures**

  The central government may, by notification, provide for mandatory procurement of any goods or services from any category of bidders, or provide for preference to bidders on the grounds of promotion of locally manufactured goods or locally provided services.

Services Trade Restrictiveness Index for Select Countries (2018)

Sector	Australia	Chile	Japan	Turkey	UK	USA	Brazil	China	India	Indonesia	Russia	South Africa
Accounting	0.183	0.096	0.196	1.000	0.270	0.169	0.303	0.754	0.827	0.708	0.325	0.270
Air transport	0.305	0.165	0.395	0.554	0.393	0.534	0.560	0.479	0.573	0.481	0.571	0.464
Architecture	0.150	0.146	0.148	0.268	0.186	0.204	0.283	0.233	0.684	0.312	0.310	0.235
Broadcasting	0.189	0.294	0.258	0.404	0.171	0.266	0.480	0.707	0.439	0.432	0.433	0.423
Commercial banking	0.172	0.214	0.201	0.227	0.172	0.206	0.443	0.409	0.517	0.489	0.354	0.336
Computer	0.161	0.170	0.163	0.278	0.178	0.203	0.293	0.342	0.377	0.334	0.377	0.227
Construction	0.192	0.163	0.123	0.250	0.145	0.251	0.247	0.341	0.366	0.441	0.365	0.241
Courier	0.369	0.493	0.262	0.472	0.171	0.378	0.545	0.881	0.570	0.469	0.405	0.490
Distribution	0.137	0.140	0.125	0.168	0.116	0.163	0.220	0.265	0.445	0.649	0.263	0.223
Engineering	0.132	0.160	0.118	0.239	0.152	0.221	0.258	0.254	0.303	0.301	0.320	0.245
Insurance	0.195	0.168	0.166	0.219	0.148	0.288	0.368	0.444	0.565	0.486	0.390	0.198
Legal	0.131	0.161	0.538	0.610	0.182	0.206	0.309	0.532	0.886	0.890	0.251	0.310
Logistics cargo-handling	0.218	0.247	0.210	0.360	0.160	0.248	0.351	0.412	0.404	0.463	1.000	0.368
Logistics customs brokerage	0.166	0.351	0.160	0.282	0.148	0.237	0.284	0.336	0.328	0.314	0.375	0.278
Logistics freight forwarding	0.168	0.201	0.201	0.281	0.136	0.222	0.256	0.340	0.316	0.380	0.337	0.281
Logistics storage and warehouse	0.168	0.199	0.173	0.306	0.162	0.220	0.320	0.361	0.400	0.391	1.000	0.290
Maritime transport	0.184	0.204	0.191	0.243	0.201	0.369	0.313	0.358	0.395	0.557	0.436	0.272
Motion pictures	0.151	0.185	0.103	0.226	0.179	0.155	0.294	0.615	0.319	0.328	0.343	0.220
Rail freight transport	0.145	0.234	0.198	0.245	0.168	0.164	0.262	0.298	1.000	0.357	0.994	0.314
Road freight transport	0.133	0.127	0.124	0.206	0.167	0.188	0.230	0.273	0.315	0.467	0.294	0.173
Sound recording	0.143	0.188	0.106	0.237	0.155	0.178	0.222	0.498	0.280	0.233	0.303	0.218
Telecom	0.173	0.235	0.253	0.211	0.171	0.172	0.267	0.682	0.421	0.644	0.381	0.306

Source: OECD

Lowest STRI amongst select nations

Highest STRI amongst select nations

New Export Promotion Measures by Government

Exports growth in India has lost momentum in the recent period amidst global contraction in demand due to economic uncertainties. The exports have fallen by 9% in the first five months of 2019-20, as compared to corresponding period of the previous year. The Government of India has been taking efforts to reverse the exports slowdown with an aim to reach an export target of US$ 1 trillion by 2024-25. To fulfil this target, the government has introduced wide range of new measures to boost exports and enhance competitiveness of Indian exporters in the global market.

INCENTIVES AND TAXATION

- **New Scheme for Remission of Duties or Taxes on Export Product (RoDTEP)**

  The scheme is aimed at offsetting the amount which exporters pay as duties on exports, and is set to replace the existing Merchandise Exports from India Scheme from January 1, 2020 onwards. The scheme shall neutralize all duties and levies faced by exports, and shall entail an estimated cost of ₹ 50000 crores.

- **Resolution of the issue of unpaid input tax credit**

  The government has announced an electronic refund model for quick and automatic refunds for exporters. The model is expected to monitor and reduce the existing locked-up funds, as well as help exporters in speedy refund of input tax credits under GST.

EXPORT FINANCE

- **Banks to be provided higher insurance cover for working capital loans to exporters**

  ECGC Ltd. will offer higher insurance cover to banks' lending working capital for exports. This shall entail a cost of ₹ 1,700 crores per annum to the government. The interest rates for export credit is accordingly expected to be below 8% for rupee credit and 4% for foreign exchange credit. Enhanced cover from ECGC Ltd. will enable reduction in overall cost of export credit, and will especially bode well for the micro, small and medium enterprises (MSMEs).

- **Revised Priority Sector Lending (PSL) norms for Export Credit**

  Under the revised PSL norms for Export Credit, the government will release an additional ₹ 36,000 crores to ₹ 68,000 crores as export credit under priority sector lending to increase credit availability for exporters.

- **Effective Monitoring of Export Finance data**

  Data on export finance will be regularly monitored by an inter-ministerial working group under the Department of Commerce. The working group will track the disbursal of export credit through a public dashboard, and the data will also be reviewed with the help of trade institutions.

EXPORT FACILITATION AND PROMOTION

- **Leverage Technology to reduce the time to export and turn-around time in airports and ports**

  All clearances related to export logistics, especially crucial customs related procedures that currently require manual processing, will be digitized. In addition to this, actual turnaround times will be published in real time for each port and airport to push them to improve performance.

- **Annual Mega Shopping Festivals**

  To promote Indian exports globally, Government shall hold fairs in four cities with a focus on the sectors of gems and jewellery, handicrafts, yoga, tourism, textiles and leather. This will enthuse small and medium firms, especially in handicrafts and lead to greater trade linkages.

- **Promoting handicrafts for e-commerce market**

  To enable the handicraft industry to better access the e-commerce market, mass enrolment of artisans into a programme to better prepare them for the digital era is envisaged.

FREE TRADE AGREEMENTS

- **Setting up of a Free Trade Agreement (FTA) Utilisation Mission**

  An FTA Utilization Mission is envisaged to better use the concessional tariffs currently available to India as part of its signed FTAs. The Mission will work with export houses, Federation of Indian Export Organizations and 32 Export Promotion Councils of the Ministry of Commerce and Industry, to increase awareness on utilization of concessional tariffs under the FTAs, especially among MSMEs.

- **Origin Management System (OMS) to be launched**

  OMS shall be launched by Directorate General of Foreign Trade to help exporters obtain certificates of origin and improve ease of doing business.

STANDARDS AND CERTIFICATION

- **Time bound adoption of mandatory technical standards**

  Time bound adoption of mandatory technical standards will be set to prevent sub-standard imports, as well as improve the quality of India's own exports. A new working group in the Ministry of Commerce and Industry has been announced which will lay out the timeline for adopting better standards.

- **Affordable testing and certification infrastructure**

  Affordable testing and certification infrastructure will be adequately expanded and developed in PPP mode to enable exporters to get all internationally accepted tests and certification done within India.

4 Recent Surge in Global Gold Prices

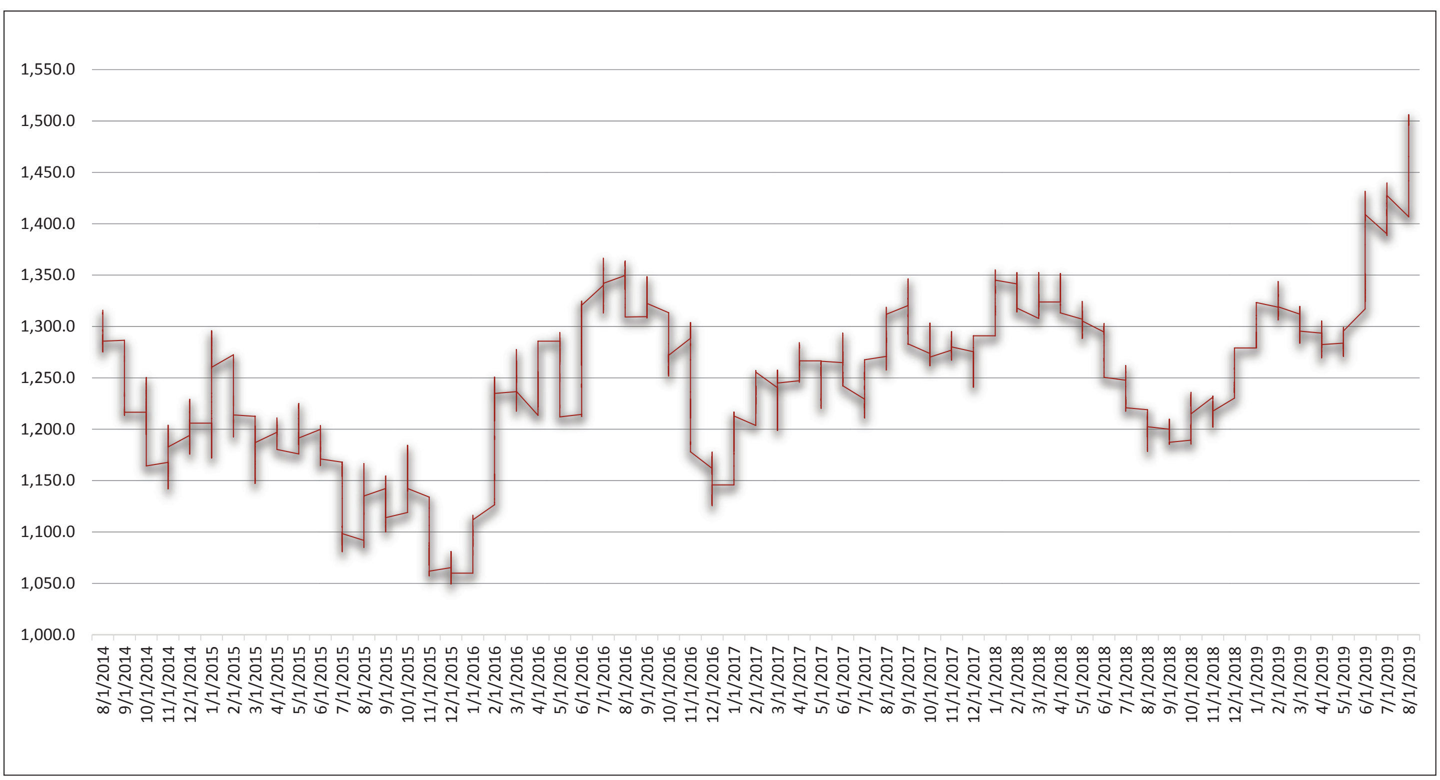
RECENT DEVELOPMENTS

The global gold price witnessed an upward trend in the recent times – its price crossed the US$ 1500 per ounce mark on August 7, 2019 and the price reached US$ 1551 per ounce on September 4, 2019, which is the highest in last five years. The global demand has witnessed a 2% year-on-year increase from Apr-June 2018 to Apr-June 2019[1]. In India, gold futures prices went up from around ₹ 31,500 per 10 grams at the start of the year to the current levels of around ₹ 39,000, registering a gain of more than 23% in eight months. In spot markets, gold prices have touched a new high of ₹ 40,000 per 10 grams[2]. Gold demand in India during Apr-June 2019 was 213.2 tonnes, a 13% increase over the 189.2 tonnes in the same quarter of 2018. An increase in demand put an upward pressure on the prices.

India is ranked third amongst the largest gold importers with imports worth US$ 32.8 billion in 2018-19, constituting 11.1% of total world imports. Switzerland was the largest supplier to India with a share of 46.2% of the total imports by India. A major share of the gold is re-exported in the form of jewellery. India exported US$ 12.4 billion worth of jewellery during 2018. The increase in the demand of gold is primarily due to investments moving from equity to gold. In the wake of global slowdown, investments have been moving towards safe havens, such as gold. Total investment demand for gold in Apr-June 2019 was at 44.5 tonnes (worth ₹ 13,040 crore), which was an increase of 13% compared to 39.3 tonnes in Apr-June 2018 In value terms, the demand increased by 18% to ₹ 13,040 crore in Q2 2019, from ₹ 11,060 crore in Q2 2018. The increase in demand has been leading to an increase in the price.[3]

Gold is traditionally seen as a safe investment in uncertain times. Unfavourable monetary policy drags down bond yields (as interest rate falls), making non-yielding investments in gold more attractive. The dovish polices (interest rate cuts) pursued by major global central banks

Chart: Global Gold Price US$/oz



Source: World Gold Council

1 World Gold Council Data
2 MCX
3 World Gold Council Data

(e.g. rate cut of 25 basis points by Federal Reserve, a rate cut of 35 basis points by RBI and a rate cut by Reserve Bank of New Zealand among others, in recent times), have pushed the yields of about US$ 15 trillion of debt globally into negative territory, further boosting the demand for gold. The return on investment in gold from January 2019 is highest (21.3%) as gold price increased from ₹ 31,414 on January 1, 2019 to ₹ 38,109 on August 14, 2019. The other investment avenues, such as Sensex and Nifty showed growth of 3.7% and 1.8%, respectively since January 2019.

TRADE WAR

The trade war between the US and China has given a push to a strong rally in gold prices. The recent fall in the Yuan and other Emerging Market currencies like Rupee, Argentine peso, etc., affected the gold price volatility, as depreciation of currency lead to higher domestic prices (as the global gold prices are denominated in US dollar terms). The rise in domestic gold price is due to the decline in the purchasing power of money, which is a function of this currency depreciation. The imposition of import duty by the US on Chinese goods, and retaliatory import duty by China has been triggering the uncertainties in the global markets.

A booming talk about emergence of another global recession has also resulted in lowering of investor confidence in the markets. Forecasts of reduced global economic growth rates by the World Bank, IMF and other rating agencies has also been prompting towards a global economic slowdown, thereby further impacting investor confidence negatively. The actual growth figures of developed as well as developing economies are also not very encouraging. This risk of market uncertainties has been the primary cause of increased investments in gold.

EXCHANGE RATE

In India, domestic prices of gold are predominantly driven by price of gold in global markets, fluctuations in the rupee-dollar exchange rates, and the import duty on gold, given that India imports most of its gold requirement. Government of India, in its recent budget, increased the import duty on gold from 10% to 12.5%, resulting in rise in the cost of gold in India. The depreciation of Indian Rupee against US dollars made the cost of import to increase, further fuelling gold price surge in India. Depreciation reduces the money value, in terms of dollar, and put an upward pressure on the gold prices in the depreciating country.

The retail sales are also one of the most influential indicators of gold prices in the market. The retail sales impact the expectation regarding GDP, which have an impact on investor sentiments, and thus impact the gold price. Acting inversely proportional, gold prices witness an increase with a fall in the retail sales.

GEOPOLITICAL TENSIONS

The geopolitical scenarios also play a role in impacting the gold prices. Any flare-up in geopolitical tensions is likely to keep gold prices buoyant as investors tend to shun risky assets. For example, the ongoing geopolitical crisis in the Middle East have resulted in an increase in gold prices. Middle East is the world's largest source of gold and second largest market for gold. It can create a direct impact on the total global supply of gold and therefore on global gold prices. Similarly, the gold prices surged immediately after the attack on Saudi Arabian oil facilities in the month of September 2019. The global gold prices increased more than 1% after the attacks.

THE WAY AHEAD

Gold is used as hedge against volatility in the money market. Hence, it's price in the medium term will continue to be a determined by the five factors viz., absolute price trend of gold, silver trajectory, weakening/strengthening of US dollars, fluctuations in crude oil prices, and gold's relative performance against S&P 500.

An easing of concerns of an escalation in the US-China trade war after US Trade Representative office's decision of delaying tariff imposition on Chinese products have subsequently eased price of gold and is forecasted to remain so in short term. This is supported and will continue to enjoy support from outperforming S&P 500. For gold prices to strengthen the equity markets need to underperform.

In short term, gold price is also forecast to see a downward trend in response to the US's decision currently not to stop Chinese companies from listing on the US exchanges. Howsoever, trends suggest that the prices may gain in medium term due to concerns of global economic growth, uncertainties in the US-China trade deals, and anticipation of further easing of monetary policies by the central banks. Retail sales during the festive seasons is predicted to result in some corrections in the prevailing price trends.

Intensifying Trade Protectionism: Implications for India

The ongoing trade war between the US and China now covers majority of the bilateral trade between the two countries. In a highly-integrated and globalized trade set up, such protectionist policy by two large trading economies have far-reaching consequences for the global economy. India's exports, which are highly susceptible to changes in global slowdown, are also vulnerable to the rising trade protectionism. In order to tide over these disruptions, as also benefit from the trade diversion by notching up a higher share in the tariff-affected markets of the US and China, India needs a robust export strategy.

EXPANSION OF INDIA'S EXPORTS

While tariffs imposed by the US and China creates opportunities mainly in sectors such as machinery, mechanical appliances, and electrical equipment, India's competitive advantage and exportable surplus in these areas is fairly low. In fact, India runs a trade deficit in these product categories. Therefore, India is relatively disadvantaged as compared to its Asian peers in capitalizing on trade gaps in these key sectors. However, there are some tariff-affected sectors where India's exports have a comparative advantage, and gains from trade displacement in these sectors could be realized in the short to medium term.

According to Exim Bank research, in the short to medium-term, India could easily tap nearly US$ 29.1 billion worth of the market in the US, and about US$ 2.9 billion worth of the market in China. A total of 33 products have been identified for the US market, and 12 products for the Chinese market. These are products where India's exports are competitive, and the country is already an important supplier to the US and China, with the potential for further expansion in its market share.

The products with maximum potential for exports to the US comprise made-up textiles, apparels, home textiles (including handicrafts), jewellery, marine preparations, and several categories of engineering goods. In some of the home textile products, India and China together account for more than half of the total imports by the US, and tariffs on China can open up a large market for India. The recent round of tariff announcement also provides an increased opportunity for Indian gems and jewellery exporters, as it targets China's exports of rough and polished diamonds, rough and polished synthetic gemstones, as well as jewellery articles of precious or semi-precious stones coming into the US.

In the Chinese market, the largest opportunities exist in the segments of cotton, organic chemicals, light oils and preparations of petroleum, polypropylene polymers, and several categories of engineering goods. Other than these identified products, there also exist opportunities for Indian exporters in the pharmaceutical sector of China, especially on account of the easing of norms in the sector by the Chinese authorities during 2018-19.

OPPORTUNITIES FOR GVC INTEGRATION

The trade war is also set to create opportunities for value chain integration as it has led to a realignment of the global value chains due to changes in the supply chain dynamics. Rising economic uncertainty, driven by trade policy is likely to make way for shift in manufacturing bases away from China, into relatively stable economies with sound policy environment. This particularly opens up opportunities in sectors such as automotive and electronics, among others. Strengthening India's manufacturing base in these sectors, along with improvement in business environment will be key imperatives for enmeshing the Indian economy into the global value chains.

ROADBLOCKS FOR INDIA

While there exist opportunities for Indian exporters in tariff-affected markets, the country itself is not immune to the growing protectionism. India was affected by the US' imposition of steel and aluminium tariff in March 2018, and by the removal of GSP benefits for India in June 2019. Additionally, India is currently placed on the Priority Watch List in the USTR Special 301 report on account of intellectual property rights related concerns. Though the impact of the tariff increase and India's GSP withdrawal may not be significantly large, any move against India under Section 301 could have potentially higher impact on India's export to the US.

Therefore, India also needs to prepare for future uncertainties and in the longer run, focus on accelerating its export competitiveness and diversification for enhancing its market presence. Besides, India must also focus on tapping the opportunities arising from the trade war by incentivizing exports and enhancing its export capability; strengthening its relations with key trade partners through mega trade agreements, enhancing its GVC participation; and also collaborating for reinvigorating the WTO dispute settlement mechanism.

Liberalisation, Wages and Sector Growth: General Equilibrium Analysis for India

Export-Import Bank of India instituted the International Economic Research Annual (IERA) Award in 1989. The objective of the award is to promote research in international economics, trade, development and related financing, by Indian nationals at universities and academic institutions in India and abroad. The study titled *'Liberalisation, Wages and Sector Growth – General Equilibrium Analysis for India'* is based on the IERA Award 2018 winning thesis by Dr. Soumyatanu Mukherjee, Assistant Professor of Economics, Humanities and Social Sciences Department, IIT, Kharagpur.

Liberalised trade policies can have differential impact, through different channels, on the organisation of production in different sectors that subsequently seep into the relatively larger share of the workforce, employed in the agricultural or non-agricultural informal sectors with wage earnings below or just above the poverty line. The salient features of a developing dual economy like India, such as the dualism observed in domestic factor markets and co-existence of internationally non-traded goods, are analyses within the realm of general equilibrium framework that captures structural features of trade and production patterns for a typical developing country (DC) like India.

A DC like India may experience a jobless growth in the organised sectors during liberalised regime, describing rural-urban migration with agricultural dualism and a non-traded intermediate input. Thus the, government needs to be very careful in the implementation of these different liberalisation policies to achieve welfare gains. As a consequence of different trade reform policies, organised sectors have experienced increased competition from foreign markets which has forced them to relax labour laws, resulting in retrenchment of relatively less productive workers and ending up with the jobless pattern of growth in these organised urban sectors during the liberalised regime.

A controversial policy debate in DCs including India, concerning with acquisition of agricultural land to set up Special Economic Zones (SEZs) in order to promote industrialisation is also critically analysed. It is found that following an inflow of foreign capital due to the government policy of easing the entry criteria for FDI, the industry expands through spillover effects and in turn, the agricultural sector may expand for a sufficiently higher degree of scale economies in the SEZ sector through the general equilibrium implication on resource reallocation. The magnitude of urban unemployment may fall, albeit the workers in general will be worse-off due to reduction in the wage income. National income of the economy may increase and export by the SEZ sector may rise simultaneously, given a negligible income-elasticity of demand for the SEZ-good. Thus, it is demonstrated that starting from the same initial conditions, a small, open economy with SEZs is more likely to attain 'efficient equilibrium' in terms of substantial growth effect compared to an economy without SEZs, albeit the rural workers (non-migrants) will suffer from the reduction in real wage-income. Therefore, this policy essentially indicates a mixed outcome and calls for government support for displaced people and rural workers.

The economic reform of 1991 in India has contributed to the technological improvement in the urban organised sectors which has been quite substantial over the recent years. Albeit the existence of strong production inter-linkage between formal and informal sectors; the concurrency of productivity take-offs in the organised sectors and sharp increase in urban informal wages in recent years still remains a puzzle since both capital and labour also flow to the informal sectors.

Similarly, growth acceleration in skill-intensive sectors has been one of the most prominent features of the liberalisation experience in India. On the other hand, liberalisation has facilitated import of capital goods and thus the foreign technology embedded within those imported inputs. As a consequence of which, demand for additional skills has been generated. This leads to increased demand for skilled workforce driving their wages up. In this context, the general equilibrium impact of such trade-induced growth in the skill-intensive sector on informal sector wages and employment and most importantly, how this impact is mediated through the existence of finished non-tradable and the corresponding domestic demand-supply forces, is studied.

The model is also extended to the context with frictional unemployment of skilled labour using the efficiency wage hypothesis: where a higher wage rate motivates the skilled worker to work hard; and a higher unemployment rate accentuates the disutility in the presence of a threat of firing and subsequently makes the skilled worker more disciplined.

In this extended model as well, likewise in the full-employment scenario, there is an additional supply-effect that depresses informal unskilled wage adds to the ambiguity in non-traded production. Therefore, the effect on real income of the urban population and the demand for the non-tradable will be ambiguous. Consequently, the direction of change in competitive informal wage and thereby the direction of change in income-inequality measure (Gini coefficient) will also be ambiguous in this extended model.

Exim Bank's Grassroots Initiatives for Development Programme

Exim Bank, through its Grassroots Initiatives for Development Programme (GRID) Programme, seeks to support the globalisation efforts of grassroots enterprises based out of rural India and thereby ensure the survival of the country's rich traditional art and craft, whilst also providing a sustainable means of livelihood.

Being marginal players in the domestic market, rural artisans are generally, by themselves, not in a position to capture higher intrinsic value for their art that is realizable in the markets at large (both domestic and overseas). Typically, the rural artisans face high physical and transactions costs in accessing these markets. They are also constrained by lack of information about markets, managerial bandwidth, lack of business skills and collective organization, to interact with large market intermediaries, new technologies, expertise in design packaging and marketing. Many of India's traditional arts and crafts were on the verge of extinction due to mechanisation, modernization and technological developments, coupled with general unawareness about the hinterland art.

The GRID Programme seeks to create expanded opportunities for rural craftsmen and artisans, entrepreneurs, producer groups, clusters, and micro and small enterprises of the country. It endeavours to do so by helping grassroots enterprises at different stages of product development/business cycle. This encompasses capacity building, training, export capability creation, expansion/ diversification of their customer base, and addressing issues that inhibit their foray into exports.

Apart from securing remunerative return on the produce of grassroots enterprises and facilitating exports from these units, the programme's objective has also been to augment operational efficiency among grassroots enterprises, facilitating access to technology and acquisition of design/packaging expertise, and thereby helping achieve higher value addition and broadening market access of the products.

Towards this end, the Bank's GRID Programme has been extending financial support, by way of grants and soft loans, to grassroots initiatives which have possible potential for exports including even development of innovative technologies. Through this programme the Bank has also consciously sought to establish, nurture and foster various institutional linkages and has entered into formal cooperation arrangements with select broad-based agencies in order to directly reach out to wider spectrum of grassroots organizations, by helping in capacity-building, technological up-gradation, quality improvement, market access and training. With its interventions under its grassroots initiatives, Exim Bank has positively impacted more than 110,000 rural producers/individuals.

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GLOBAL RECOGNITION OF EXIM BANK'S GRID PROGRAMME

EXIM Bank's unique GRID Programme was awarded 'The Karlsruhe Sustainable Finance Award' during the Global Sustainable Finance Awards (GSFA) organised by European Organisation for Sustainable Development on July 11, 2019 at the city hall of Karlsruhe, Germany. The Award category recognises outstanding success in financial products and services that balance the 3 Ps – People, Planet, Profits. Winners in this category have to apply innovative approaches in embedding sustainability in lending and/or deposit products or in other financial services that advance the transformation to low carbon and sustainable economy.

MEMORANDUM OF COOPERATION – EXIM BANK AND SARBA SHANTI AYOG (SSA)

Sarba Shanti Ayog (SSA), based in Kolkata, was formed as a-not-for-profit society in 1978. Subsequently, in 1987, SASHA Association for Craft Producers (SASHA) was formed. Currently, SSA and SASHA are engaged with 5000 artisans, over 100 craft enterprises and 16 craft lines across the country. SSA is the parent organisation and the development partner of Sasha Association for Craft Producer, to provide focused market access to the grassroots enterprises, while SSA focuses on business capacity building. SASHA is a guaranteed member of the World Fair Trade Organisation. SASHA works in tandem with its development partner Sarba Shanti Ayog, to have craft recognised as an invaluable part of life. Both SASHA and SSA promote and celebrate traditional and professional craft and empower craftspeople by providing various business opportunities, and advocate for craft practises through education of diverse audiences.

Memorandum of Cooperation (MOC) was signed between EXIM Bank and SSA on 19th August, 2019. SSA and EXIM Bank share a common vision of promoting grassroots enterprises and helping them improve their export competitiveness, inter alia, by complying with global standards. SSA and the Bank shall endeavour on developing latest trend designs in the markets both in India and overseas and strengthen the capacity of enterprises at grassroots level. This MOC shall focus in creating a workable mechanism under the tutelage of SSA, for all those grassroots enterprises which have been a part of either party's network, enabling them to explore and access overseas markets. The MOC shall aim to create a workable environment whereby grassroots enterprises that have high export potential could access finance from Exim Bank, inter alia, for investing in better quality.

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100% of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75% of goods and services of total contract value should be sourced from India. LOCs have enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. The Bank has now in place 255 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over US$ 24.97 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services.

Exim Bank, with the support of Government of India, has signed three LOCs as given below during the period Jul-Sep 2019:

(i) An LOC of US$ 161.36 million was extended to the Government of Republic of Burundi for construction of a Parliament building in Gitega and Ministerial buildings in Burundi. With the above LOCs, Exim Bank, till date, has extended four Lines of Credit to the Government of Republic of Burundi, with the support of the Government of India, taking the total value of LOCs extended to US$ 283.74 million. Projects covered under these LOCs include hydro-electric project and farm mechanization project.

(ii) An LOC of US$ 75 million was extended to the Government of Republic of Cuba for installation of 75 MW Photovoltaic Solar Parks in Cuba. With the above LOCs, Exim Bank, till date, has extended six Lines of Credit to the Government of Republic of Cuba, with the support of the Government of India, taking the total value of LOCs extended to US$ 248.06 million. Projects covered under these LOCs include setting up of milk powder processing plant, bulk blending fertilizer plant, modernization of an injectable products plant, 51 MW wind energy farm, and 50 MW co-generation power plant.

(iii) An LOC of US$ 11.13 million was extended to the Government of Republic of Suriname for financing rehabilitation and upgradation of De Melkcentrale N.V. Milk Processing Plant. With the above LOCs, Exim Bank, till date, has extended eight Lines of Credit to the Government of Republic of Suriname, with the support of the Government of India, taking the total value of LOCs extended to US$ 89.18 million. Projects covered under these LOCs include water supply project, supply of helicopters, up-gradation of transmission network infrastructure and power generation project.

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SUCCESS STORY: MALAWI

A project for construction of water supply system from Likhubula River in Mulanje to Blantyre in Malawi has been financed under the LOC of US$ 23.50 million to the Government of Republic of Malawi. The project valued at US$ 23.44 million was inaugurated on October 18, 2019, in Ngulundi, Malawi. The project has been executed by SMC Infrastructures Pvt. Ltd. The scope of work comprised of construction of an intake structure on the Likhubula river; laying of a 50 km pipeline from the river to Nguludi, which is close to Blantyre; construction of a storage tank at Mpingwe Hill, in the city and laying of supply mains from the storage tank to two locations in Blantyre.

Blantyre city in Malawi has been facing acute shortage of water. The project is expected to increase the water production capacity from 96,000 cubic meter to 116,000 cubic meter, significantly alleviate water shortages in the long term and ensure stable supply of portable drinking water to approx. 300,000 residents of both Blantyre and surrounding areas. The project is aimed at curbing water shortages in Blantyre as the city witnesses increasing demand caused by rapid population growth. The project is also expected to go a long way in assisting to reduce electricity costs, since the system will be operated through the raw water transmission mains through gravity.

Main Control Room of the Water Treatment Plan

EXIM BANK SUCCESSFULLY RETURNS TO SAMURAI BOND MARKET WITH JPY 32 BILLION DUAL-TRANCHE TRANSACTION

Exim Bank successfully returned to the Samurai bond market with a dual-tranche JPY 32 billion transaction consisting of three-year and five-year fixed-rate tranches. Samurai bonds are JPY denominated bonds issued by foreign government, agency or company in the Japanese market. The coupon rates were fixed at 0.59% and 0.66% per annum, respectively. The transaction represents Exim Bank's first Standalone Samurai issuance (without any guarantee) since 2006 while noting that Exim Bank has been maintaining its credit reputation and recognition by issuing JBIC-guaranteed Samurai bonds in 2011 and 2014 and Uridashi-bonds in different currencies including JPY targeting Japanese retail investors. The Joint Lead Managers for the sale are Daiwa Securities Co. Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Mizuho Securities Co., Ltd., and SMBC Nikko Securities Inc.

EXIM BANK'S DMD DEBASISH MALLICK DEMITS OFFICE ON COMPLETION OF TENURE

Mr. Debasish Mallick has demitted the office of Deputy Managing Director (DMD) of Export-Import Bank of India (Exim Bank) at the end of his term. Mr. Mallick took over as DMD of Exim Bank in 2014 and was responsible for diverse functions including Project Exports, Lines of Credit, Corporate Banking, Treasury, Research and Analysis. Under his able leadership, the Bank made significant strides in all areas, especially in Buyer's Credit under the National Export Insurance Account and Overseas Investment Finance. Mr. Mallick further enhanced Exim Bank's institutional linkages with various multilateral and overseas institutions. He also led an Exim Bank initiative to support the entire maritime sector, including coastal shipping, inland waterways, shipping, ports and jetties, ship building and repair. He was instrumental in large loan recoveries, including a few high profile loan accounts; as well as reactivating business under the Export Development Fund.

EXIM BANK ANNOUNCES THE WINNER OF IERA AWARD 2018

Dr. Soumyatanu Mukherjee was declared the winner of Exim Bank's International Economic Research Annual (IERA) Award 2018 for his doctoral thesis titled "Liberalisation, Wages and Sector Growth: General Equilibrium Analysis for India". Exim Bank's IERA Award 2018 was announced by Mr. David Rasquinha, Managing Director, Exim Bank in the presence of Mr. T. C. A. Ranganathan, Former Chairman and Managing Director, Exim Bank at an award function held on August 07, 2019, in New Delhi. The Award comprises prize money of ₹ 3.5 lakh and a citation. The function was graced by Dr. K. L. Krishna, Professor Emeritus and Former Director, Delhi School of Economics. Exim Bank's occasional paper based on Dr. Soumyatanu Mukherjee's Award winning thesis was also released on the occasion.

INDIA-CÔTE D'IVOIRE BUSINESS FORUM ORGANISED AT ABIDJAN, CÔTE D'IVOIRE

India-Côte d'Ivoire Business Forum was organized by Exim Bank in collaboration with the Embassy of India in Abidjan. Exim Bank, led a delegation of Indian companies from the pharma & healthcare sector, information technology, and agriculture sectors. The Forum attracted more than 150 participants. Indian Representatives, from pharmaceutical & healthcare, information technology and agriculture sectors interacted with the Ministries, industry participants, investment agencies of the Government of the Republic of Côte d'Ivoire.

International Economic Research Annual Award

India-Côte d'Ivoire Business Forum

SEMINAR ON OPPORTUNITIES FOR MSMEs IN INTERNATIONAL MARKETS

During the quarter, Exim Bank, in association with Federation of Indian Export Organisation (FIEO), organised three seminars focussing on the export capability creation of MSME sector. The seminar titled ‘Opportunities for MSMEs in International Markets’ were held at Mysore (Karnataka), Rudrapur (Uttarakhand) and Jodhpur (Rajasthan). The seminars saw participation from more than 100 entrepreneurs in each of these cities. The seminar had speakers from the Customs Department, Directorate General of Foreign Trade (DGFT), ECGC Ltd., as well as representation from the local Chambers of Commerce. All these seminars featured an experience sharing sessions by select small and medium exporters from the respective states. The experience sharing sessions helped in transfer of knowledge and motivated new entrepreneurs to looks at overseas markets.

SEMINAR ON EXPORT STRATEGY FOR CHHATTISGARH

Exim Bank partnered with Indo-Global SME Chamber to organise a seminar on ‘Export Strategy for Chhattisgarh’ at Raipur in July 2019. The Seminar was graced by Shri Kawasi Lakhma, Minister for Commerce and Industry, Government of Chhattisgarh. Shri Lakhma emphasised on the importance of exports in development of the economy of Chhattisgarh state. Senior level representatives from Chhattisgarh State Industrial Development Corporation, DGFT and ECGC Ltd. were invited as speakers. More than 80 MSMEs from Raipur and neighbouring industrial clusters such as Bilaspur, Ambikapur and Bhilai participated in this seminar.

SEMINAR ON BUSINESS OPPORTUNITIES IN GOI-SUPPORTED EXIM BANK’S LINES OF CREDIT PROGRAMME

Ministry of External Affairs (MEA), Government of India (GOI) and Exim Bank jointly organised a seminar on ‘Business Opportunities in GOI-supported Exim Bank’s Lines of Credit (LOC) Programme’ at Indore in September 2019. The event was graced by Shri A. Ajay Kumar, Joint Secretary, MEA. More than 80 companies from Madhya Pradesh and Chhattisgarh participated in the seminar. The programme focused on raising awareness on IDEAS Guidelines; empanelment; pre-qualification process; tendering process; and LOC procedures for contract coverage, disbursement and monitoring, in the Engineering, Infrastructure, Construction, Healthcare, Transport, Solar Energy and Irrigation & Water Supply Sectors.

INTERACTIVE WORKSHOP ON BUSINESS OPPORTUNITIES IN EXTERNALLY AIDED PROJECTS

Exim Bank and the World Bank Group, in association with Asian Development Bank, organised an Interactive Workshop on ‘Business Opportunities in Externally Aided Projects’ at New Delhi in September 2019. Representatives from more than 150 Indian companies participated in the workshop. Senior officers from Exim Bank served as faculty along with leading technical and procurement experts from the World Bank and Asian Development Bank. The workshop provided information to participants on (i) access to business opportunities under Externally Aided Projects; (ii) specific procurement opportunities in the pipeline; (iii) policies and procedures for procurement and (iv) policy on Gender-Based Violence.

EXIM BANK’S MASTERCLASS

Continuing its endeavour to reach out to reach out to a wider audience having keen interest in issues related to trade, Indian & global economy, export related issues & policies, etc., Exim Bank organised two Masterclasses on the online platform during the quarter. Masterclass on ‘Impact of Union Budget on Select Sectors’ was organised in July 2019, and was delivered by the Bank’s in-house economists. In August 2019, a Masterclass was organised on ‘How to Export?’ and was delivered by international trade expert, Mr. Mihir Shah. This Masterclass covered the basics of exports, including registration of company, product selection, market selection, identification of buyers, GST issues, export documentation, incentives, etc. This Masterclass was delivered by Mr. Shah in Hindi to reach out to the grassroots level entrepreneurs.

Opportunities for MSMEs in International Markets held at Jodhpur

Business Opportunities in GOI-supported Exim Bank’s Lines of Credit (LOC) Programme

Exim Bank's Support to Local Artisans through Exim Bazaar

Exim Bank through its Grassroots Initiatives for Development (GRID) and Marketing Advisory Services (MAS), Programmes, has been actively supporting artisans, master craftsmen, weavers, clusters, Self-Help Groups, NGOs, grassroots and micro enterprises to participate in trade fairs and exhibitions. To augment these efforts, the Bank launched, in September 2017, its initiative 'Exim Bazaar', an exclusive handicraft & handloom exhibition, enabling direct sales to the end buyer. The 5th edition of 'Exim Bazaar' was held at the World Trade Centre, Mumbai during September 27-29, 2019.

'Exim Bazaar' provides a common selling and demonstration stage for various handicraft and handloom artisans of the country (some of whom are national awardees in their respective forms of art), which enhances their market exposure and facilitates interaction with potential bulk buyers. Personal interactions with the artisans provides the customers with an in-depth understanding of the crafts / associated cultural milieu.

Another important objective of the 'Exim Bazaar' is to revive and help sustain the richness of Indian traditional arts and crafts, many of which are facing extinction in the modern day economy. Widespread promotion of the 'Bazaar' event, as in the case of other prestigious events supported by the Bank, affords much needed recognition and awareness about India's traditional arts and crafts to a large client base. Participating at Exim Bazaar brought together thousands of direct customers and generate future sales leads. Furthermore, this also helped the artisans to understand consumer preferences & behavior, develop new contacts, expand their ability to reach out to new buyers, improve industry knowledge and discover latest trends all under a single platform. This three-day exhibition showcased traditional and conventional art and craft products from all over India.

A total of 70 participants, representing the rich artistic traditions of more than 23 states including Maharashtra, Gujarat, Rajasthan, West Bengal, Odisha, Himachal Pradesh, Uttarakhand, Delhi, Bihar, Andhra Pradesh, Telangana, Karnataka, Kerala, Madhya Pradesh, Chattisgarh showcased their handmade products. The ambit of products showcased in the three-day exhibition showcases a wide range of high quality handcrafted and authentic range of Leather Puppetry, Madhubani, Gond, Kangra Miniature, Pattachitra, Phad, Pichwai Painting and Miniature Paintings, crafts such as Bastar, Handmade cutlery, Coconut craft, Copper bells , Kutchi Pottery, Dhokra, Banana fibre, Chennapatna, Bidri metalware, Murals, Warli, Kauna, Silver Filigree, Crystal Jewellery, Dhonk Craft, Kawad, Lacquerware, Sanjhi Paper Cutting Painting, Terracota, Wooden Hanging, Sabaii Grass Products, Honey and Amla, Jaipur Jewellery and Handloom like Tussar Silk, Ajarakh, Kala Cotton & Wool, Applique, Bandhani, Patola, Rabari, Kasuti, Chanderi, Himroo, Paithani, Ikkat Saree, Phulkari, Kroitia, Lehariya, Shibori, Benarasi, Chikankari, Jamdani, Carpets, Patchwork quilts and Kantha etc. The event attracted a large number of visitors. The artisans were able to generate high sales during the exhibition, and besides many artisans secured valuable contacts for future bulk orders.

Exim Bank, through its GRID and MAS Programmes, has been extending all-round (financial/advisory) support to promote grassroots initiatives, and innovative technologies, particularly the ones with export potential. The principal objective is to help the artisans, producer groups, clusters, small enterprises and also NGOs who are the real custodians of the country's vast and diverse cultural heritage, also who are languishing at the grassroot economically; realize remunerative return on their produce, inter-alia, through exports. A sub-objective has been to augment operational efficiency, achieve higher value addition, and widening market access for the products and play a promotional role to create and thereby enhance export capabilities and international competitiveness of the micro-Indian enterprises, through specific interventions such as assistance in skill development, product development and obtaining export market certifications.

GLIMPSES OF EXIM BAZAAR 2019

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ZAMBIA

In 2018, real GDP growth of Zambia moderated to 3.1% from 4.1% in the previous year reflecting diminished growth prospects and lack of investments in the mining sector. It is expected to further moderate to 0.8% in 2019 as a result of tighter monetary conditions, drought affecting the agricultural sector and dim prospects in the mining sector in the face of high taxes and flat copper prices. The consumer price inflation is expected to grow at 9.0% in 2019, breaching the Bank of Zambia's target range of 6-8%, after dry weather led to a poor maize harvest. The kwacha is expected to depreciate as a result of falling FDI and capital flight in the face of an unsustainable budget deficit and subsequent high fiscal risk. Power tariffs, which are expected to be implemented in late 2019 (failing which Zesco, the state utility company, will be at risk of falling into loan arrears), would add to inflationary pressures. Economic growth in 2019-23 will be considerably below Zambia's long-term potential. Higher mining royalty rates, scrapping of value-added tax (VAT) rebates and the forced liquidation of KCM will hold back investment in the vital copper mining sector. The kwacha is expected to continue to depreciate against the US dollar, partly because foreign investors have been leaving the market, owing to rising sovereign risk and a widening current account deficit.

VIETNAM

The export-focused manufacturing and processing sectors are the main drivers of Vietnam's economy. Vietnam is estimated to grow by 6.9 % in 2019 easing from 7.1% in 2018 as a result of the weaker external demand in major markets, particularly the US. Nonetheless, Vietnam will remain one of the fastest-growing ASEAN economies and a regional outperformer for exports. It has succeeded in positioning itself as the main low-cost regional alternative to China for export-orientated manufacturing (including among Chinese companies). The ongoing US-China trade war will accelerate the shift of export manufacturing from China to Vietnam. This will be a major driver for growth in both exports and investment by multinationals. This increase in export-oriented production capacity is likely to offset the impact of weaker external demand conditions in 2019-20. The annual average consumer price inflation is expected to decrease from 3.5% in 2018 to an estimated 2.6% in 2019 due to the downward trend in global oil prices. Vietnam is expected to run an increasing merchandise trade surplus in the medium term, reflecting in part a steady increase in the value added to manufacturing exports. The Dong is expected to depreciate modestly against the US dollar in 2020 and 2021, despite the weakening of the dollar, as the Federal Reserve loosens its monetary policy and investors become increasingly wary of a slowdown in the US economy. The current account surplus is expected to widen from 1.7% of GDP in 2019 to 2.3% of GDP in 2020 reflecting a steady increase in the value added to manufacturing exports.

BRAZIL

The GDP of Brazil is likely to grow at an annual average rate of 2.2% during the years 2020-23. The upturn in growth will be aided by increase in investments and private consumption as the labour market gradually improves and credit growth rises. However, downside risks to GDP growth remain in the form of slowing the US economy and Argentina's economic crisis. Consumer price inflation is expected to remain stable during the period 2020-24, as a consequence of a stronger policy framework, minimum wage hike linked to inflation rates, will contribute to a stable inflation rates. Periodic weather related food shortages and fluctuations in oil prices will pose challenge to controlled consumer price inflation. The currency is expected to depreciate to R 3.93: US$ 1 in 2020 and further to R 4.15: US$ 1 by the end of 2024, from its overvalued position. Failure of implementation of economic reforms by administration poses as a risk of higher depreciation to the real. A recovery in domestic demand and the resulting rise in imports will narrow the trade surplus from 2.8% of GDP in 2018 to 0.8% of GDP by 2024. The primary income deficit will average 2.1% of GDP in 2020-24, reflecting profit remittances and debt payments, and the services deficit will average 2.2%. These trends will widen the current-account deficit to 2.9% of GDP by 2023.

EGYPT

The GDP growth rate has increased to 5.5% in 2019, compared to 5.3% in 2018, however, as global demand weakens the growth rate is expected to slow down to 4.8% in 2020. The construction and energy sectors are the main engines of growth. The development of hydrocarbons resources and processing capabilities is likely to boost growth in the longer term, with growth averaging 5.7% during 2022-24. The Egyptian pound is expected to appreciate to E£ 16.19: US$ 1 in 2024, from the level of E£ 17.82: US$ 1 in 2018. This appreciation reflects a growing natural-resource endowment and a downward trend in inflation. With domestic gas production reaching its peak, the energy imports will moderate substantially. Thus, import bill will decline and eventual gas exports would mean that trade deficit narrows. The current account is expected to shift from a small deficit to a modest surplus in 2020, with average surplus of around 0.7% during 2020-24.

SOUTH AFRICAN RAND

Being an emerging economy currency, South African Rand (ZAR) is negatively correlated to US Dollar (US$), i.e. rising dollar makes buying of commodity imports and servicing of foreign currency debt more expensive while a weaker one does the opposite. In a booming global economy, investments move from developed nations to emerging markets thereby leading to appreciation in the currency vis-à-vis US dollars and vice versa. In light of ongoing uncertainties over US-China trade war, signs of slowdown in global economy, Brexit among others, ZAR witnessed depreciation against US dollars in line with other emerging market currencies.

During the last quarter, i.e. June-September 2019, ZAR depreciated from ZAR 14.13: US$ 1 to ZAR 15.13: US$ 1 against the greenback, i.e. depreciation of 7.12%. Off late, the trend in US$/ZAR seems to have reversed and ZAR has been showing positive signs of appreciation during the current quarter. This appreciation could be attributed to increased probability of positive outcomes from various global trade issues and ongoing negotiations. With increased probability of a Brexit deal and chances of the US-China trade deal, ZAR is expected to strengthen in the shorter run before stabilizing. Further, dovish commentary from the US Fed and expectations of further rate cuts may add to strength of ZAR versus US$. The same is evident from the fact that emerging market currencies have shown signs of strength in the recent past.

As per the Bloomberg consensus, the upcoming South Africa CPI data is expected to forecast its CPI around 4.30% (y-o-y), which is in the lower band of its Central Bank's target range. Further, the budget statement would influence the future outlook of the economy, and therefore, its currency.

SWISS FRANK

The Swiss Franc (CHF) has been one of the most appreciating currencies during the current year. At 1.08 per EUR, it touched its two-year high versus the Euro, during the June-September quarter. This strengthening of CHF against EUR and other major currencies could be attributed to Brexit uncertainty, bearish outlook of European economy and trade disputes resulting into capital flight from various economies towards safe havens such as the US, Japan and Switzerland, to a certain extent. CHF opened the year against EUR at 1.12 and closed the September quarter at 1.08 against EUR, thereby registering an appreciation of around 4%.

As compared with US dollar, CHF opened the year at CHF 0.98: US$ 1, touching a low of CHF 1.02: US$ 1 during April 2019, and thereafter moving up to close the September quarter at CHF 0.99: US$ 1.

However, with most of the global uncertainty being factored in and sprouts of positive developments springing in, CHF is expected to be range bound in the near future with downward bias. Recent trends in CHF movement also suggest that CHF has limited upside from here and is more likely to depreciate vis-à-vis EUR and other currencies, emerging market currencies included. Also, a sharply appreciated CHF may hurt the country's export and the central bank may have to intervene in order to keep the currency under check. However, at present this scenario looks unlikely as the Central Bank may feel it unwarranted in light of CHF depreciation during the current quarter. Also, due to increased scrutiny by the US Treasury department on currency manipulations, the Switzerland's Central bank is less likely to intervene in the forex market in order to weaken CHF.

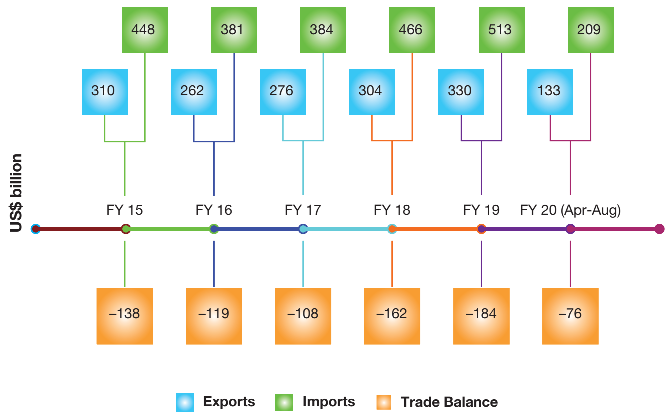
CANADIAN DOLLAR

During this year, Canadian Dollar (CAD) has performed well and has come out as one of the best performing currencies globally. It started the year at CAD 1.36: US$ 1 and closed the September quarter at CAD 1.32: US$ 1, thereby posting appreciation of approximated 3%. In the interim, i.e. during July 2019, CAD was trading at 1.30 levels against US$.

This impressive performance of CAD is majorly on account of the fact that the Canadian economy has been performing well in relation to other major global economies. This has placed the Central Bank at a very comfortable position in terms of deliberating monetary policy, evident from the fact that the Bank of Canada (BoC) has kept its policy rate unchanged at 1.75% despite various central banks easing out their monetary policy significantly. Canada has witness capital inflow during the period due to higher yield opportunities vis-à-vis other economies and better economic performance resulting into a strengthened CAD.

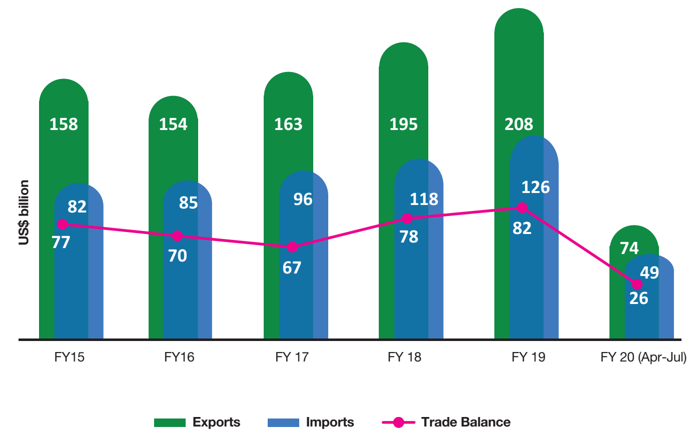
However, it is difficult for a country to remain insulated from the global slowdown, and any signs of weakening in the economy may force BoC to ease out its monetary policy in line with other central bank. Though the scenario looks less probable in the near future, in case it crystallises, BoC would be compelled to lower its policy rate. This in turn would lead to capital outflow from the economy, thereby putting pressure on CAD. However, the current economic condition of Canada suggests otherwise and it may be inferred that CAD is poised to appreciate in the short term, however with limited run given the fact that it has already delivered an impressive gain during the year.

Merchandise Trade



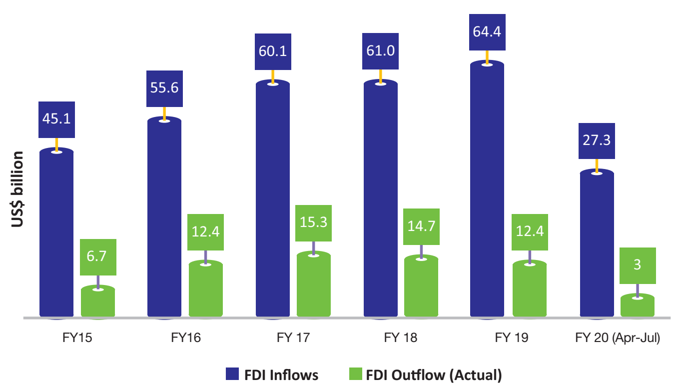
Source: MOCI

Services Trade



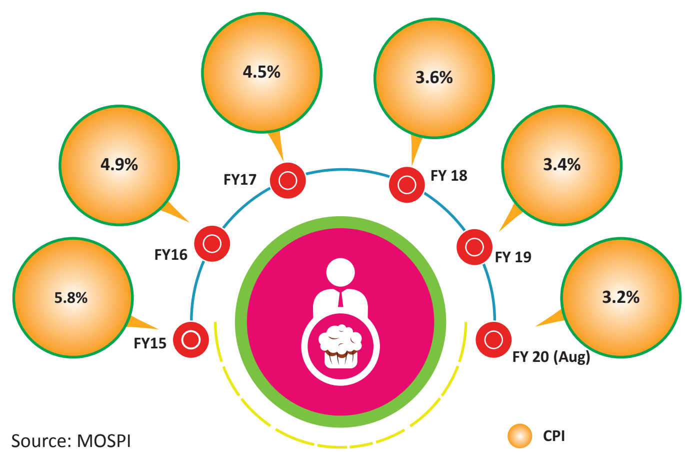
Source: RBI

Foreign Direct Investment Flows



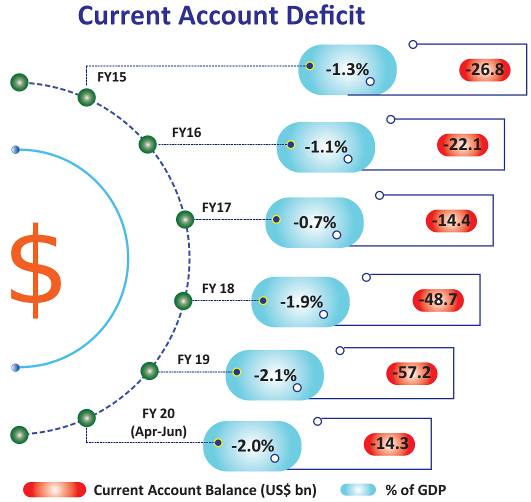
Source: RBI & Ministry of Finance

Consumer Price Inflation (%)



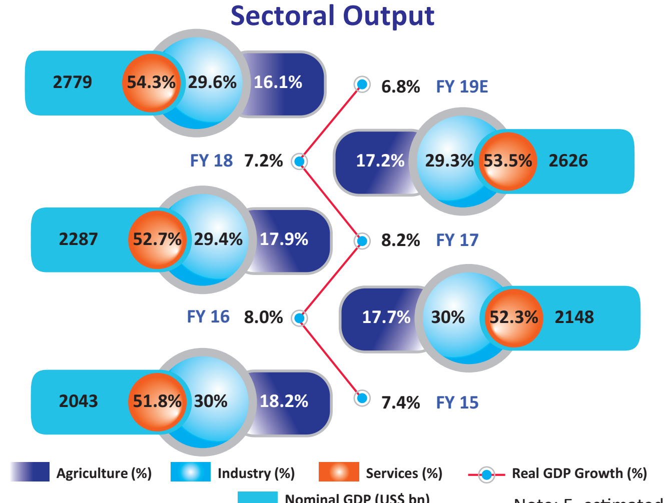
Source: MOSPI

Current Account Deficit



Source: RBI

Sectoral Output



Source: IIF & MOSPI

Note: E–estimated

Trade And Partnership Opportunities

Trade Opportunities

Herbs and Seeds

Exporter from Tamil Nadu, dealing in raw herbs, dried herbs, seeds and natural products viz. banana paper leaves, cashew nuts, sunflower seeds nutmeg, turmeric, vetiver oil and vetiver roots.

Copper Bell

Exporter engaged in manufacturing and selling traditional Copper Metals made by traditional kutcha artisans. The process is practiced by the tribal people from the last 200 years.

Kalamkari

An exporter from Andhra Pradesh, engaged in kalamkari art. Kalamkari is a type of hand-painted or block-printed cotton textile. Only natural dyes and colors are used in Kalamkari.

Sabaii Grass

Sabaii grass, a natural fiber collected from the forest in Odisha, by the rural women. The grasses are dried to make earthy home décor products viz. made into ropes, box, tray set, basket etc.

Wooden Decor

Community based organization trying to develop sustainable livelihood of artisans at a micro level and capacity building of the traditional artists/ artisans society in making of wooden decorative items.

Ikat

An elaborate dying technique used to pattern textiles, on the yarns prior to dyeing and weaving the fabric. Ikat is formed by binding individual yarns or bundles of yarns with a tight wrapping applied in the desired pattern.