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INTERNATIONAL NEWS

China's trade is booming, both exports and imports

A growth spurt

China's imports grew at their fastest pace in 10 years in May, fuelled by surging commodity prices, while export growth missed expectations, likely weighed by disruptions caused by COVID-19 cases at major ports in the country's south. Exports in dollar terms grew 27.9% in May from a year earlier, slower than the 32.3% growth reported in April and missing analysts' forecast of 32.1%.

A warning

"Export surprised a bit on the downside, maybe due to the COVID cases in Guangdong province which slowed down the turnover in Shenzhen and Guangzhou ports," said Zhiwei Zhang, chief economist at Pinpoint Asset Management, adding that turnover at ports in Guangdong will likely remain slow in June. Major shipping companies have warned clients of worsening congestion at Shenzhen's Yantian port in Guangdong province after the recent outbreak.

Rising cost

Zhang expects this shock to be transitory and the current outbreak in Guangdong to be brought under control in a few weeks. In the meantime, Chinese exporters are grappling with higher raw material and freight costs, logistics bottlenecks and a strengthening yuan, which diminishes trade competitiveness. However, a brisk recovery in developed market demand and disruptions caused by COVID-19 in other manufacturing nations are likely to bolster China's exports in coming quarters, analysts say.

Semiconductors tale

Zhang Yi, chief economist at Zhonghai Shengrong Capital Management, said the recent pick-up in imports of semiconductors, which have been in short supply, suggests China's exports of relevant products would likely stay high in the second half of the year. Imports increased 51.1% year-on-year last month, the fastest growth since January 2011 and picking up from a 43.1% rise in April, but slower than the 51.5% rise tipped by the Reuters poll.

Trade surplus

China posted a trade surplus of $45.53 billion for the month, wider than the $42.86 billion surplus in April but less than the $50.5 billion expected. Prices for commodities such as coal, steel, iron ore and copper have surged this year, driven by easing pandemic lockdowns in many countries and ample global liquidity. The currency extended its rally in recent weeks to near three-year highs against the dollar, which could further saddle U.S. consumers with higher prices.

Trade policy under review

The Biden administration is conducting a review of U.S.-China trade policy, ahead of the expiry of the Trump-era "Phase 1" deal at the end of 2021, which called for China to increase purchases of U.S. agricultural goods, manufactured products. Since President Joe Biden took office in January, China has increased engagement with U.S. trade and economic chiefs. China's Vice Premier Liu He spoke with U.S. Treasury Secretary Janet Yellen last week, just days after talks with U.S. Trade chief Katherine Tai.

Source: economictimes.com– June 07, 2021

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Ports seeing record volume as supply chains struggle to meet demand

The nation's largest retail container ports could hit another all-time record as importers race to fulfill consumer demand. Retail container ports saw their busiest April on record and May is expected to follow suit, according to the monthly Global Port Tracker report released today by the National Retail Federation (NRF) and Hackett Associates.

Retail supply chains are working overtime, but remain plagued by shortages of labor, equipment and shipping capacity, said NRF VP for supply shain and customs policy Jonathan Gold. "Supply chain disruptions, port congestion and rising shipping costs could continue to be challenges through the end of the year," he added.

Many people remain hesitant about returning to work in some of the retail industry's key supply chain nodes, affecting ports, rail, trucking and distribution centers, said Ben Hackett, founder of Hackett Associates.

"A number of vessels taken out of service when volumes were low remain in drydock while others are delayed in congested ports, which face a lack of manpower both because of COVID-19 illnesses and the tight labor market," he noted.

U.S. ports covered by Global Port Tracker handled 2.15 million TEU in April, the latest month for which final numbers are available. That was by far the busiest April on record and an increase of 33.4% from a year earlier, when most stores were closed by the coronavirus pandemic. April's results followed 2.27 million TEU in March, which set the record for the most containers imported during a single month since NRF began tracking imports in 2002. A TEU is one 20-foot container or its equivalents.

Ports haven't reported May numbers yet, but Global Port Tracker projected the month at 2.32 million TEU, which would be up 51.1% from the same time last year and would beat March's total to set another new record for the largest number of containers in a single month.

June is forecast at 2.13 million TEU, up 32.8% year-over-year; July at 2.19 million TEU, up 14.2%; August at 2.26 million TEU, up 7.5%; September at 2.14 million TEU, up 1.7%, and October at 2.07 million TEU, down 6.5% for the first year-over-year decline since July 2020.

The first half of 2021 is forecast at 12.8 million TEU, up 35.3% over the same period in 2020.

"As with each month this spring, the year-over-year comparison is skewed because of the sharp decline in imports during the first half of last year," the report noted.

However, the six-month total would put 2021 on track to easily beat 2020's full-year total of 22 million TEU, which was up 1.9% over 2019 despite the pandemic.

Source: hometextilestoday.com– June 07, 2021

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Chinese exports jump as pandemic wanes in US, other markets

China has reported its exports and imports surged in May on growing demand as the pandemic was waning in the US and other key markets, though the pace of growth is leveling off.

Customs data released Monday showed exports rose 28% from a year earlier and imports soared 51% at the fastest annual pace in over a decade. Total exports climbed 40% in the first five months of the year from a year earlier. They were up 29% from the same period in 2019.

China has led the global recovery from the pandemic, which is still raging in many parts of the globe but receding in some places, mostly where vaccinations have been widely deployed.

Chinese manufacturers benefited from strong demand for protective gear and other products as other countries battled COVID-19, gaining market share from competitors.

The base level boost from last year's slump is fading, however, and the $263.9 billion in Chinese exports in May was about level with the previous month. China's imports of $218.4 billion in May were 1.2% lower than in April.

Beijing's politically sensitive trade surplus with the United States rose 14% to $31.8 billion, while the surplus with the European Union fell 43% to $12.7 billion. China's total trade surplus in May was $45.53 billion, down 26.5% from a year earlier. While the increase in exports was robust in May, it was lower than some economists had forecast and analysts said one reason might be delays at ports in southern China, the main shipping hub, due to increased precautions to fight an outbreak of coronavirus cases.

Shortages of semiconductors that are plaguing many industries have likewise hit exports of electronics. Demand for products that surged while people were staying home due to the pandemic, such as toys and furniture, also weakened, Julian Evans-Pritchard of Capital Economics said in a commentary. "Headline trade growth remained elevated last month. But trade volumes dropped back in levels terms and, while supply constraints are partly to blame, there are signs that demand may be peaking, too," he said in a report.

A key factor behind last month's rapid increase in imports was rising prices for oil and other commodities needed to fuel the country's industries. But it also reflects demand for the inputs needed to make so much of what China exports.

The recovery in demand is helping neighboring countries in Asia that supply many such goods, such as electronics components. Imports from the 10-nation Association of Southeast Asian Nations soared nearly 54% from a year earlier, to $33.1 billion. Exports to the region, where many countries are contending with their worst coronavirus outbreaks so far, rose 40% to $39.2 billion.

Source: financialexpress.com– June 07, 2021

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Business ties between China and Austria to only get stronger

Strategic partnership fostering trade in complementary products, increased investment, more opportunities

China and Austria will continue to diversify economic cooperation and build stronger trade ties in the coming years, as their products are complementary with many consensuses on developing the Central and Eastern Europe market being reached, said experts and business leaders.

"The reinforced economic and trade relations between the two countries will bring a beneficial situation. China has a profound market for imports from Austria, which can raise local employment and enhance the country's strength in developing regional connectivity," said Liu Xin, a researcher specializing in regional economic development at the University of International Business and Economics in Beijing.

He said both countries have more space to expand trade and investment, and deepen cooperation in such fields as high-end manufacturing, modern services, environmental protection and urbanization.

Thanks to the control of the pandemic through vaccinations, as well as a growing number of China-Europe freight trains, the trade value between China and Austria soared 35.8 percent year-on-year to $4.28 billion in the first four months of 2021, data from the General Administration of Customs showed.

China exports mainly construction machinery, computers, transport equipment, chemical products, raw-material electronics, textiles, garments and household appliances to Austria. Austrian exports to China are auto and machinery parts, power-generating equipment, general industrial machinery, measuring and control instruments and textile fibers.

Ren Xingzhou, a research fellow at the Institute for Market Economy of the Development Research Center of the State Council, said Austria's strategic location in the center of Europe, innovation-based economic development model, and supportive policies to develop markets related to the Belt and Road Initiative can be used as a base for cooperation with China and other participating economies.

She said numerous Austrian technologies can be exported to China, from automation, nanotechnology, robotics, green technology and aspects of healthcare such as nursing, to more local industries such as wood, cable cars and winter sports knowledge, ahead of the 2022 Winter Olympics in Beijing.

China and Austria agreed to establish a Sino-Austrian strategic partnership and signed 11 intergovernmental cooperation documents in tech innovation and development related to the BRI in April 2018. It created more opportunities for domestic companies to enhance economic links with the country.

Daniel Beatty, general manager for Greater China at Red Bull, the Austria-headquartered energy drink maker, said China's southern and eastern regions have grown notably for the company's products in recent years.

Together with top-tier cities and new first-tier cities, such as Hangzhou in Zhejiang province and Chengdu in Sichuan province, Red Bull is positioned as the most premium energy drink in China. He added that the company will continue to connect with consumers who believe in high-quality products with a strong brand resonance in the country.

In 2020, 8.6 billion cans of energy drink were sold in China. This is expected to grow 44 percent over the next five years, according to market research group Euromonitor.

"Therefore, the potential is huge. Red Bull, as a major energy drink brand in the world, will invest in consumer marketing and bring full marketing activities to China, and expand our distribution channels by partnership with Budweiser China," he added.

Beatty's opinion is shared by Liu Qiufang, marketing director for Greater China at Andritz, the Austrian plant engineering group with its headquarters in the city of Graz, Austria. She said the company has always been bullish in the Chinese market, especially after last year's outbreak of COVID-19, when Chinese society returned to a normal state within a short period of time.

"Since China was the only country to register positive economic growth last year in the world, Andritz will increase investment in China despite the severe economic environment last year. This has fully demonstrated our confidence in this lucrative market," she said. Liu Qiufang added that the company has been transferring advanced production and technology from Europe to China for many years.

The businesses Andritz serves are across China. It serves a wide range of industries, involving pulp and paper, the metal industry, separation technology and hydropower generation.

Liu Qiufang said the company's sales growth in the pulp and paper industries to date has been encouraging, as many clients have increased their investment in these areas. This has offered Andritz attractive growth opportunities.

"We have witnessed rising demand for our products and services in almost all regions of China. With continuously improving living quality and growing spending power, Chinese consumers are now looking for more high-quality products for their homes," said Georg Prager in Hangzhou China, overseas commercial director of Egger, another Austrian company producing wood-based panel products.

Additionally, due to the effects of COVID-19 since last year, he said people are paying more attention to their home environment. This is because the "stay-at-home" economy or trend has become common in many countries under lockdown. The remarkable sales growth in furnishings is happening in Europe as well as the United States.

"With demand growing toward high-quality furnishing materials in the Chinese market, we expect the further potential from end consumers, designers and project owners in China and seek all kinds of possibilities to meet their needs," said Jennifer Chen, Egger's general manager for China.

Next to the sales distribution network across China, Egger has been committed to strengthening its local team in order to provide better services. With constantly growing sales and marketing team, the company's goal is not only to better serve its distribution partners, but to keep developing new business channels.

Wang Jun, a researcher at the Beijing-based China Center for International Economic Exchanges, said Austria has close ties with Central and Eastern European countries and has developed networks with strong contacts and specific business opportunities. Austrian businesses have also been leading investors in CEE countries and have established a market network there.

Attracted by these elements, Chinese companies — such as China Electronics Technology Group Corp and China Railway Rolling Stock Corp's Zhuzhou branch — have set up their European headquarters in Austria. Bank of China has established a branch in Vienna over several years.

China Unicom, a telecoms provider, will open a branch in Austria this year to expand its presence in the country. It will pay particular attention to human, financial and material resources to better serve the demands of local and Chinese companies in CEE countries.

Click here for more details

Source: digitaljournal.com– June 07, 2021

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ITFC partners UNIDO to support Egypt's cotton sector

The International Islamic Trade Finance Corporation (ITFC), a member of the Islamic Development Bank Group (IsDB) and the United Nations Industrial Development Organization (UNIDO) this week held a virtual high-level bilateral meeting with Hani Salem Sonbol, CEO of ITFC and Li Yong, director general of UNIDO to highlight two project agreements.

The two key projects include the Better Cotton Initiative (BCI), which aims to revive the Egyptian cotton industry by supporting growers to cultivate sustainable cotton. ITFC and UNIDO will ensure that Egyptian cotton sector remains resilient with increased production, easier access to finance andan enhanced safe operating environment for workers.

“ITFC’s participation demonstrates a commitment to nurture the cotton sector’s economic prospects by strengthening the overall value chain. ITFC is confident that our partnership with UNIDO will continue to add value to important economic sectors, contribute to industrialisation, build stronger economies and, ultimately, support Organisation of Islamic Cooperation member countries as they emerge from the pandemic with more resilience,” Salem Sonbol said in his opening remarks at the virtual meeting.

“The mission of the United Nations Industrial Development Organization is to promote and accelerate inclusive and sustainable industrial development (ISID). This strategic partnership with ITFC will promote industrialisation, trade, and sustainable development for our common member countries towards achieving the Sustainable Development Goals in general and SDG 9, in particular,” said Yong.

During the discussion on strategic partnerships, Sonbol highlighted ITFC’s interest in expanding the partnership with UNIDO in Asia, the CIS, Europe and Latin America.

The participation of UNIDO in the second phase of the Aid-for-Trade Initiative for Arab States (AfTIAS 2.0) was also addressed, with its development objective to “enhance the environment for international trade in the Arab region by making it more efficient and inclusive, thereby creating opportunities for employment and contributing to sustainable development”.

The discussion concluded with the exploration of new avenues of partnership in support of the African Continental Free Trade Area (AfCFTA), especially in the area of the sectoral and industrial impacts of the AfCFTA in OIC member countries.

Source: fibre2fashion.com– June 07, 2021

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China May trade surplus with U.S. at $31.78 bln

China's trade surplus with the United States stood at $31.78 billion in May, Reuters calculations based on Chinese customs data showed on Monday, up from a $28.11 billion surplus in April.

For the first five months of 2021, China's trade surplus with the United States stood at $132.46 billion, compared with a $100.68 billion surplus in January-April.

China has increased engagement with U.S. trade and economic chiefs since President Joe Biden took office in January. China's Vice Premier Liu He spoke with U.S. Treasury Secretary Janet Yellen last week, just days after talks with U.S. Trade chief Katherine Tai.

The Biden administration is conducting a review of U.S.-China trade policy, ahead of the expiry of their Phase 1 deal at the end of 2021 which called for China to increase purchases of U.S. agricultural goods, manufactured products.

Source: finance.yahoo.com– June 07, 2021

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Brands At Risk of 'Losing' Asian Labor Force to Covid-19

India isn't the only nation battling a resurgent wave of Covid-19.

Other countries in South and Southeast Asia, which had previously kept the coronavirus at bay, are struggling to contain a sudden surge in cases from more contagious and rapidly replicating new variants amid widespread vaccine shortages. In apparel and footwear production hubs such as Cambodia, Sri Lanka and Vietnam, garment workers are usually at the center of clusters.

Though it's unlikely these countries will see an explosion in cases on the level of India, which has racked up more than 28 million infections and over 340,000 deaths to date, there will "undoubtedly be a spike in cases which will have [an] adverse impact on their garment industries," Sofia Nazalya, Asia analyst at Verisk Maplecroft, a risk-monitoring firm, told Sourcing Journal.

Workers were already on the brink of hardship and destitution after brands canceled and suspended orders en-masse at the start of the outbreak. Now, with cases skyrocketing, they face greater precarity as they're forced to choose between their lives and their livelihoods. The lingering financial fallout from the past year has also created an atmosphere of desperation, one that suppliers say is being made worse—and exploited—by unethical purchasing practices.

"Due to economic necessity, these countries are unlikely to return to lockdown measures that will see the complete cessation of garment production. Instead, stricter safety and distancing measures can be expected in factories," Nazalya said. "Nevertheless, workers are likely to be at a higher risk of disruptions such as more unstable working hours and therefore lower pay."

Garment workers are a particularly vulnerable population, labor advocates say, because they tend to suffer from malnutrition, have limited access to healthcare and are required to toil under crowded conditions where infection can flourish. Their workforces mostly comprise women, migrants and younger people who are underprioritized in vaccine drives.

And because of their already low wages and lack of social safety nets, workers who might have been exposed to SARS CoV-2, the virus that causes Covid-19, have little choice but to go to work, even if they feel ill. Staying at home puts their paychecks and potentially their jobs in jeopardy, especially as manufacturers ramp up production to make up for last year's lost orders and meet the growing demand from Western nations where the disease is easing.

"[The] pressure is on because main markets of the U.S., U.K. [and] European Union are now getting vaccinated and consumer sentiment is picking up as Covid cases go down," Anushka Wijesinha, international consultant at the International Trade Centre, told Sourcing Journal. "So the demand will be there. Anecdotally, we know that several factories are struggling to meet customer orders on time."

Factories aren't always equipped to avoid or manage the spread of infection, either, said Vishmee Warnachapa, deputy coordinator for Sri Lanka at the Asia Floor Wage Alliance, which advocates for collective bargaining in the global garment industry.

In Sri Lanka, when a worker in a production line is infected, "just that person will be sent to quarantine," she told Sourcing Journal. "The workers on either side of that person in the production line status [still] have to report to work; [they] will not be subjected to PCR or antigen tests to see if they have also contracted the virus unless they show any severe symptoms."

Now in its third wave of the pandemic, the South Asian nation saw a spike in Covid-19 cases after the Sinhala and Tamil New Year in April. Though the island nation, which faces the southern tip of India, will be under lockdown until at least June 14, apparel production is considered an essential service, which means most of its 850 factories are still running.

Factory owners, Warnachapa said, have failed to keep a lid on the infection, resulting in clusters of hundreds of infected workers developing in facilities owned by the three of the country's biggest textile manufacturers: Brandix, MAS Holdings and the Hirdaramani Group. Since each factory can employ up to 3,000 people, "so many more workers are likely to be infected," she added.

Almost all of the boarding houses where workers live have at least one person that has tested positive. Since between 15 and 20 workers share the same boarding space and have to share one washroom most of the time as well, there is an “extremely high chance” of contracting the virus, Warnachapa said. The quarantine centers where they are sometimes housed tend to be unhygienic and “not suitable for patients.”

Factories also “do not support the workers much,” Warnachapa said. “MAS and a few other factories had come and given workers some food and a ration pack, but the remaining don’t bother and have not even come to check on the workers. Workers also don’t know about the status of their salaries—whether they will not be paid for the days in quarantine or if they will be paid.”

The government has shut some of MAS’s factories down because they kept their production lines humming despite the “massive” numbers of infected workers numbering between 400 and 500 each, according to Warnachapa. Quarantined MAS workers are seeing lost wages as well, and many have missed out on bonuses because the company says it is facing financial straits, she said. (MAS Holdings did not respond to a request for comment.) Brandix, Warnachapa added, has informed workers that those who are quarantined will receive unpaid leave.

Brandix says it disputes many of these claims. A spokesperson told Sourcing Journal that pregnant women, employees with pre-existing chronic conditions, and those who choose not to attend work due to “other Covid-related concerns” are all advised to stay home, with full salaries paid for the duration.

Its 23 factories in Sri Lanka are operating at less than 70 percent capacity to “ensure social distancing” on the factory floor. Other measures that are “strictly followed” include random PCR tests conducted every week as a “proactive measure,” screenings before employees board staff buses and after they exit factories, frequent handwashing and hand sanitization, along with the wearing of face masks.

“Our current protocols and testing have allowed us to control the number of cases within our facilities; however, this is becoming challenging as the virus mutates, and the number of Covid-19 cases within communities rise,” the spokesperson said. “In order to secure the safety and wellbeing of our workforce as well as sustain the business, a strong vaccination drive is critical.”

A spokesperson for Hirdaramani Group admitted to several cases at its factories, one of which is completely under quarantine, but said that it is "diligently following all health and safety protocols advice by the government authorities and will always prioritize the health and safety of our associates." Hirdaramani is also hopeful that the government will be able to secure and provide vaccines for all of Sri Lanka in the coming months, the spokesperson added.

The Joint Apparel Association Forum (JAAF), the country's leading industry group, says it's working "very closely" with government authorities to "ensure the safety of employees and the community while keeping the industry operating."

"The health authorities provide industries such as ours with a set of guidelines updated and reviewed on an ongoing basis, to ensure that plants operate within the latest health protocols," MPT Cooray, secretary-general of the JAAF, told Sourcing Journal. "These include the screening of employees to identify those with symptoms of Covid-19, multiple daily temperature checks and strict random testing protocol of employees."

Cooray says it's important to note that the current outbreak is not a factory issue but one that is "almost country-wide." Sri Lanka has averaged 3,000 new cases every day since late May.

"We seem to be at [a] point where Covid-19 is prevalent across multiple clusters across the country and the operation of all manufacturing sectors have to operate as far as it practically possible, within the concept of a bio bubble," he said. "We believe that these controls together with a national rollout of vaccination of the entire working population of the country will be crucial to control the current situation. Unfortunately at the moment due to a global shortage of vaccines, there is a delay [in this]."

The isolated travel restrictions and lockdowns are only "temporary stopgap measures and we believe that the only way out of this crisis is to have a continued focus on protocols not just in apparel factories but across all parts of society, and a nationwide vaccine rollout at this critical time," Cooray added. "JAAF will continue to work with the government authorities to ensure that the workforce is protected by a comprehensive vaccination program."

Still, government efforts often provide limited relief, if they reach workers at all, said Annabel Meurs, head of supply chain transformation at the Fair Wear Foundation, a multistakeholder organization based in the Netherlands. A case in point, she said, is Vietnam, a country that has been praised for keeping Covid-19 cases under 2,000 while growing the economy at 2.9 percent in 2020.

What is often missing from this "bright picture," a recent report from the Fair Wear Foundation, noted, is the struggle of thousands of enterprises and millions of workers. The apparel and footwear industries have been among the most affected sectors in Vietnam, even though it's still inching along despite an uptick in cases, which have run into the hundreds every day since mid-May.

"Suppliers may have shown resilience by implementing creative measures to keep their business, such as developing new products or changing their supply chain set up," Meurs told Sourcing Journal. "However, the effect on workers income is still immense, dampening the already decreasing economic situation."

Cutting on labor costs, she said, was "inevitable" for most suppliers, but support from the government has also been lackluster or only obtainable if certain barriers could be overcome, which some workers have found too difficult. "We have also seen workers struggling to find new employment and often ending up in the informal sector where it is much more challenging to monitor working conditions," Meurs said.

Much of the suffering occurring in the garment industry is an exacerbation of "already-existing systems," she added. "For example, workers were not informed about changes in policy or measures taken by the factory, which reiterates the structural lack of social dialogue in Vietnam. Workers' voices were rarely heard. Or during lay-off procedures, discrimination against older workers, migrant workers or pregnant workers became [more] visible." Research has shown that violence and harassment have increased, as has the number of workers embroiled in debt.

Multinational brands and retailers undoubtedly have a moral responsibility and their silence has been, in a word, deafening, said Cambodian politician and activist Sochua Mu. Garment workers in Cambodia, which recently ended a blanket Covid-19 lockdown, are returning to work in a climate of fear and uncertainty as infections mount. The country has so far recorded nearly 32,200 cases, most of them since early April, and more than 230 deaths.

Support from the government, she said, has been virtually nonexistent or mere lip service. (The government had promised $75 cash payments to families under quarantine, but officials rescinded the offer after 10 days.) Factories are rarely compliant with sanitation guidelines, and workers even have to pay for their own sanitizers and their own face masks, which they use for three or four days in a row to save money. Meanwhile, the Garment Manufacturers Association in Cambodia recently rejected calls from workers, who were unable to work during the most recent lockdown, to be paid in full for their time during quarantine, saying that the "principle of no work, no pay must prevail."

"The brands need to pull themselves together," Mu told Sourcing Journal. "There is room for tragedy in Cambodia—maybe not on the scale of India—but the social safety net just doesn't exist in Cambodia and the health sector is really weak."

Brands have "exploited workers long enough," she added. "If the brands, in the long run, are not part of this solution, they will lose this labor force. The workers will be too weak. They need to show their moral responsibility."

The American Apparel & Footwear Association, which represents 1,000 household-name brands, including Adidas, Gap and J.Crew, says it has worked with the Worldwide Responsible Accredited Production to publish Covid-19 guidance, which it continually updates, for the industry's factories since the start of the pandemic.

"While conditions are improving with the distribution of vaccines in some parts of the world, it is important to remember that this distribution has not been equitable—with many of our supply chain partners still waiting for their vaccinations and experiencing new waves of cases," Steve Lamar, president and CEO of the AAFA, told Sourcing Journal.

"With this in mind, AAFA is continuing to advocate for policies that protect workers throughout the supply chain. This includes updating our publicly available guidance to help factories protect their workers, and by advocating for the wider distribution of vaccines to countries that are experiencing major spikes in cases."

The only way to address the economic fallout of the pandemic, he added, is to tackle the underlying public health crisis. “Until that time, we have been pushing governments to maintain policies that reflect the recommendations of public health officials to ensure that work can safely continue until a vaccine is widely available,” Lamar said.

Labor groups have been calling for brands to do more, including setting up a wage assurance fund, which is “basically a public statement” by brands to say they will take responsibility for bridging the “Covid wage gap” created by pandemic cuts, Ineke Zelenrust, international coordinator at the Clean Clothes Campaign, the garment industry’s largest consortium of worker-rights groups and labor unions, said at a webinar organized by the Interfaith Center on Corporate Responsibility on Thursday.

When orders weren‘t coming in and the Cambodian government allowed factories to pay workers 60 percent of their regular pay last year, labor groups had to tell brands that this wasn’t a reduction of wages that were already “too low to begin with,” Zeldenrust said.

“The responsible due diligence for brands and companies exists, irrespective of whether or not governments fulfill their duty,” she said. “[They] have living wage policies, [they] have compliance [with] international guidelines. That wage gap is [theirs] to take measures with. That doesn’t mean [one brand has] to singlehandedly pay [everything, but they] can work with other brands. That is [their] responsibility as supply chain companies.”

Source: sourcingjournal.com– June 07, 2021

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ASEAN-EU Comprehensive Air Transport Agreement concludes

The Association of Southeast Asian Nations (ASEAN) and the European Union (EU) concluded negotiations on the ASEAN-EU Comprehensive Air Transport Agreement (AE CATA) at the Extraordinary ASEAN-EU Senior Transport Officials Meeting held virtually on June 2. This first bloc-to-bloc ATA will bolster connectivity and economic development among the signatory nations.

Under the agreement, airlines of ASEAN and the EU will have greater opportunities to operate passenger and cargo services between and beyond both regions, a joint official press release said.

Airlines of ASEAN and the EU will be able to fly any number of services between both regions. In addition, airlines will be able to fly up to 14 weekly passenger services, and any number of cargo services via and beyond to any third country.

This cooperation builds upon existing initiatives such as the Enhanced ASEAN Regional Integration Support from the EU (ARISE Plus) programme on technical assistance and capacity building; the EU-South East Asia on Cooperation on Mitigating Climate Change impact from Civil Aviation: Carbon Offsetting and Reduction Scheme for International Aviation (EU-SEA CCCA CORSIA), which supports CORSIA implementation; and the EU-South East Asia Aviation Partnership Project (EU- SEA APP).

ASEAN and the EU will now submit the AE CATA for legal scrubbing in preparation for signature at a later date.

Source: fibre2fashion.com– June 07, 2021

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APAC e-com sales to nearly double by 2025: Euromonitor International

Asia Pacific's e-commerce sales are expected to nearly double by 2025 reaching $2 trillion, according to global market research company Euromonitor International. The region is predicted to see the highest retailing sales growth in 2020-2025, following Latin America, with digitalisation, connectivity and demographics being the key drivers post pandemic.

In this year's whitepaper 'Top 100 Retailers in Asia 2021', Euromonitor looks at how the APAC region world-class mobile connectivity enables digital transformation and is supported by extremely tech-savvy consumer segments in the region.

"As consumers connect and shop online more than ever, an increasing number of brands are expected to tap into social media to virtually engage and build trust with consumers in addition to serving as retailtainment," said Deepika Chandrasekar, senior research analyst at the company, in a press release.

In 2020, businesses receiving online orders recorded 37.6 per cent growth and will reach 44 per cent by 2025. "Livestreaming experienced an explosive growth in 2020 in tech-advanced markets. Countries like China and emerging economies in Southeast Asia including Indonesia and the Philippines witnessed a surge in social commerce through WhatsApp, Instagram and Viber," added Quan Yao Peh, research analyst at the company.

As the retail landscape becomes more competitive with players fighting to stay relevant in the digital space, localising the shopping journey to individual markets and personalising the retail experience to various customer segments in Asia Pacific will be essential, the company added.

Source: fibre2fashion.com– June 07, 2021

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Vietnam: FDI supports Vietnam climb the global value chain

Over the past few years, Samsung, hailing from the Republic of Korea, has become a good example of a multinational corporation (MNC) in Vietnam supporting the country in climbing the global value chain (GVC).

Having been operating in Vietnam for 13 years, Samsung has raised its investment capital from an initial US$670 million to US$17.5 billion, with six plants in the northern provinces of Bac Ninh and Thai Nguyen, and in Ho Chi Minh City, and an under-construction research and development (R&D) centre worth US$220 million in Hanoi.

In 2020, Samsung Vietnam earned US$67 billion in revenue, accounting for 25% of the country's GDP of US$270 billion. Samsung Electronics' Thai Nguyen arm contributed the most revenue among the four subsidiaries, at US$26 billion last year.

Also last year, Samsung Vietnam posted some US$57 billion in export revenue - or nearly 20% of Vietnam's total export turnover - a little below its target of US$60 billion, but still a positive result amid the pandemic

Big role

According to the Ministry of Planning and Investment, the great contributions of such firms as Samsung to Vietnam's economic growth are significant. The country's economy grew 2.91% last year, and 4.48% in the first quarter of 2021.

The Vietnamese government has always underlined the major role of foreign direct investment (FDI) in spurring its exports via global value chain (GVCs) participation, as well as boosting economic growth.

In the first five months of this year, total newly-registered and newly-added FDI capital was nearly US$14 billion, up 0.8% over the corresponding period last year.

FDI disbursement from January to May 20 is estimated at US$7.15 billion, an increase of 6.7% as compared to the same period of 2020.

Manufacturing was the most attractive sector in Vietnam, attracting US$6.14 billion in FDI in five months.

According to a recent study by the ASEAN+3 Macroeconomic Research Office (AMRO), as the biggest foreign direct investor in Vietnam, it is not surprising that Samsung has a sizeable influence on the way Vietnam participates in GVCs, particularly in terms of backward linkages. Prior to 2019, among around 100 of Samsung's suppliers who collectively accounted for 80% of its transaction volume, 28 were listed as operating in Vietnam, although these appear to be foreign-owned. More than half were based, or had operations, in the Republic of Korea, 30 in China, and 16 in Japan.

This sourcing breakdown is largely consistent with Vietnam's top imports from the Plus-3 economies, also mostly electronic in nature. In particular, these are mostly intermediate goods such as semiconductors and electronics.

As Vietnam continues to be a highly attractive production base for other multinationals, the influx of these new MNC projects will also help shape its future GVC participation. For example, the media reported Apple shifting nearly 30% (up to four million units) of its wireless headphones production (AirPods) into Vietnam and away from China. As a result, its leading supplier Goertek also confirmed plans to move its production in the same direction.

Google is also reportedly looking at moving to Vietnam from China for its Pixel 4A smartphone.

These investment movements will have a significant impact on how the foreign and/or domestic value added content of electronics and electrical exports will change in the future.

Similarly, the ongoing movement of international footwear and apparel firms such as Adidas, Nike, and Puma to Vietnam will also influence the backward linkages of the equally-significant garments sector.

A rise in GVCs

Vietnam has seen many impressive economic achievements over the past two decades. Since Doi moi launched in 1986, Vietnam has actively opened up its economy, participating in the regional economic cooperation in 1995 and joining the World Trade Organization in 2007.

Such transitions have helped the economy maintain rapid growth of around 7% since the early 2000s, except during the 2008-2009 global financial crisis (GFC) and the 2011-12 domestic financial turbulence. In particular, amid a general slowdown of emerging markets in the post GFC period, Vietnam has maintained its strong growth momentum, and more recently, has seen an explosive growth in exports amid strong FDI.

According to AMRO, Vietnam's exports have diversified and grown exponentially over the past two decades. Vietnam's gross good exports reached US$264.2 billion in 2019, a 48-times increase in 25 years from the figure of US$5.5 billion in 1995 when it joined ASEAN.

During these two decades, Vietnam's exports have become more diversified and sophisticated. From the 1990s through to the first half of 2000s, primary products, such as food and mineral fuels, accounted for more than half of total exports. From the early 2000s, miscellaneous manufactured goods, such as textiles and clothing, began to increase their contribution to Vietnam's exports. And since 2013, the share of machinery, transports and equipment - in particular mobile devices - in total exports, has grown exponentially and exceeds other manufactured and primary products.

In terms of end-use, Vietnam's exports comprise mainly intermediate and final consumption goods, while mixed end-use and capital goods having grown in prominence recently. The Ministry of Industry and Trade reported that in 2020, Vietnam's total export-import turnover hit US$545.36 billion, up 5.4% year-on-year. Of which, export turnover reached US$282.65 billion, up 7% or US$18.39 billion, and import turnover sat at US$262.7 billion, up 3.7% or US$9.31 billion.

In the first five months of 2021, the nation's total export-import turnover is estimated to have hit US$262.21 billion, including US$130.94 billion from exports - up 30.7% year-on-year, and US$131.31 billion from imports - up 36.4% year-on-year.

"FDI has played an important role in the rapid growth of exports," said AMRO in its recently-published report titled "The role of Vietnam's FDI inflows in global value chains participation and economic growth".

"Since Samsung Electronics' large investments in Bac Ninh in 2007, Vietnam has emerged as a major final assembly hub for ICT hardware and electronic related products," said the report. According to the World Bank Group (2017), about 80% of electronics/ ICT hardware and over 30% of electronic-related products produced in Vietnam are destined for export markets, and mostly manufactured by foreign firms.

Growing interest in Vietnam as a production base has led to strong FDI inflows, particularly in the manufacturing sector. For example, as of May 20, 2020, FDI-led manufacturing can be found in 15,323 valid projects, registered at US$232.78 billion - accounting for 45.58% and 58.65% of the total number of foreign-invested projects and registered FDI in Vietnam, respectively.

Additionally, FDI in higher value-added non-manufacturing sectors has increased recently too, in particular in professional, scientific and technical activities, which will help improve Vietnam's business environment and total factor productivity going forward. However, AMRO said that amid the post-pandemic GVC reconfiguration, FDI policies need to be carefully aligned to Vietnam's development strategy.

Vietnam appears to have successfully weathered the COVID-19 pandemic's impact on trade and investment activities. Realising the vulnerabilities of the existing supply chain network, several multinational companies, especially those in electronics and textiles businesses, are now moving or diversifying their production facilities to Vietnam and other ASEAN countries, which could further strengthen Vietnam's GVC participation.

"Amid this re-configuration of global supply chains, there should be scope for Vietnam to take advantage of these ongoing changes to propel itself up the production value chain with greater domestic companies' participation," said the report. "Additionally, recent increases in FDI in the service sector, such as in ICT, telecommunications, retails, and financial intermediation, could provide new opportunities for Vietnam to participate in the higher value tiers of GVCs. A deliberate strategy to attract FDIs open to engaging domestic firms in providing intermediate inputs would be needed to complement policies to develop and support domestic suppliers."

Source: en.nhandan.org.vn– June 07, 2021

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Pakistan: Paying the price of estranged cross-border relations

For long, Indian goods like fabric, skin care and jewelry have flowed through Pakistani markets without much impediment; soon amassing a local audience of their own. The recent tension between the two neighboring countries however, has entirely snuffled direct cross-border trade; leaving the gap left behind to be filled by Indian products coming in from, Afghanistan, China and Dubai.

Sardar Bishan Singh and his son have been associated with the textile industry for several years, with their business centered in the heart of Gulberg— an upscale locality in central Lahore— where they have long enjoyed a clientele enthusiastic about Indian saaris and legengas. "The trend however, appears to have died down in the last year and a half. We still have a lot of articles leftover, but there just aren't enough buyers anymore," the trader complained.

According to Singh, much of the downfall in his business has come after the escalation of the Kashmir issue, which irrecoverably ruined the trade relations between India and Pakistan. Following which, the pandemic's advent has only made the situation worse, extinguishing whatever hope was left lingering of a possible, diplomatic truce.

"Before things went south, Indian fabric would to come to Pakistan through Chakoti and Rawalko. While the Samjhauta Express and the Dosti Bus, that ran between the two countries, would also help traders transport goods from Delhi to Lahore.

"At the time, a bundle of cloth imported from India was charged at the rate of Rs150 to 200 per kilogramme. But when the train service was suspended, the only alternative we had was to import through Dubai, which would cost as much as Rs2,500 to 3,000 per kilogramme.

So of course, the price of fabric also had to be increased on our end to justify the higher import costs. Then the pandemic happened and soon many people could no longer afford to buy expensive fabric owing to which, our own sales also frizzled out," Singh shared lamentingly.

In response to skyrocketing prices of imported fabric, Pakistan has seen a sudden growth in replica stores in the last year-and-a-half. These stores, which mimic Indian finery, have been offering strikingly similar iterations of designs which have long been associated with Indian garments as a fraction of the cost. "If trade relations continue to remain suspended, these replica stores will soon take over the entire market and all Indian designs will start being locally produced, killing the entire audience for authentic Indian-wear," Singh expressed.

A small-scale trader who also deals in Indian clothes said that he used to keep in touch with various vendors in New Delhi. Similarly, many of his friends also used to frequently travel between the two countries and would happily move a few packages with them across the border. "I'd order 10 to 15 suits through my friends, but now we can't even travel between India and Pakistan, which has come as the final nail in small business' coffin," he told.

Abdul Rehman, a cosmetic wholesaler in Lahore's Shah Alam Market had a similar story to tell about how the deteriorating relations between the neighboring countries has impacted his business. "Cosmetics and toiletries including toothpaste, painkillers, soaps, creams, lotions, herbs, herbal remedies and other items were delivered to Lahore via Wagah and Afghanistan at the cheapest rates. But now, only a few items are imported from India and that too via Dubai, at a much higher cost. Surprisingly, some of these products aren't even authentic and just Chinese replicas stamped with Indian certifications.

Per Fasahat Fatima, who has been sourcing and purchasing Indian goods like fabric, jewelry and cosmetic, the quality offered by the neighboring country remains unmatched by the local market. "I have an Indian lehenga that is six years old, but the adornments on it still glimmer like brand new. The color of synthetic jewelry does not go bad and Pakistan has a huge market for Ayurvedic products, which are still used in many households to treat anything from hair fall to stomach ache," she told The Express Tribune.

Source: tribune.com.pk– June 07, 2021

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Bangladesh: Budget 2021-22 fails to meet expectations: BGAPMEA

Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) said the budget for fiscal year 2021-22 has failed to meet their demands for reducing corporate tax and source tax and providing cash incentive.

Abdul Kader Khan, President, says, though the export-import policy mentioned about providing equal facilities to both direct and deemed exporters, the sector never gets the equal facilities," he noted.

The budget has proposed reducing corporate tax to 30 per cent from existing 32.50 per cent, despite their demands of 10-12 per cent like other export-oriented sectors, he said.

Khan urged the government to consider 10 and 15 per cent corporate tax, respectively, for green and other factories to help overcome the financial crisis in the current situation.

The BGAPMEA president also demanded 0.25 per cent source tax, which is 0.50 per cent at present.

Some 1,800 small and medium accessories and packaging makers are meeting the requirements for 30 to 35 types of such items needed for the RMG exporters, while contributing to help save a huge amount of foreign currency, he explained. The government has been providing cash incentives to some 35 products for many years to increase exports, he said.

But the accessories and packaging sector is yet to receive such support in spite of being the export-oriented and SME industry. He demanded 1.0 per cent cash incentive for the sector to help survive the 1,800 factories.

The trade body also demanded that the government provide equal budgetary facilities to the accessories and packaging makers as given to the direct exporters, taking the sub-sector's contribution to the export trade and economy. The BGAPMEA, however, hailed the overall budget.

Source: fashionatingworld.com– June 07, 2021

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NATIONAL NEWS

Textile Ministry reconsidering list of eligible products for PLI scheme

May include inputs such as fabric, fibre, filaments to ensure greater value addition

The Textile Ministry is re-considering the products shortlisted so far for qualification under the production-linked incentive (PLI) scheme for the textiles sector and is looking at including inputs such as fabrics and filaments in both the man-made fibre (MMF) and technical textiles categories to incentivise more value addition in the country.

"So far mostly end products have been considered for the PLI scheme both for the MMF and technical textiles categories. These include items such as garments, sweaters, diapers and sanitary napkins.

However, it has been pointed out by the industry and experts that just including end products may not optimally encourage manufacturing and investments. It is also important to include inputs such as fabrics and filaments used for making the end product to give a boost to investments and production," a person tracking the matter told BusinessLine.

Enhancing exports

Textiles is one of the 13 sectors for which the Centre has announced the PLI scheme to enhance India's manufacturing capabilities and exports. The textile sector has been allocated ₹10,683 crore under the scheme which, as per initial plans of the Ministry, will be offered for incremental production in 40 identified man-made fibre items and 10 technical textiles products over five years.

"The Textile Ministry is now taking a re-look at the scheme to finalise the list of items that would be eligible and is considering the option of including fabrics, fibres and filaments in the revised list," the official added.

A lot of work has already gone into the reconsideration and whatever the decision might be on new products, the Textile Ministry is expected to notify the scheme soon, the official said.

There is also a demand from the industry to lower the turnover threshold for eligibility under the scheme to include smaller players as well. As per the initial plans, for brownfield companies (companies already in operation) the incentive rates were reportedly proposed to be fixed at 9 per cent of turnover in the first year for companies with a turnover of ₹100-500 crore (for 50 per cent incremental turnover) and 7 per cent for those above that. In the subsequent four years it would keep decreasing.

Greenfield projects

For greenfield projects (new set-ups), a minimum investment of ₹500 crore was reportedly proposed with incentives at 11 per cent to start with, the source said.

However, the industry has pointed out that it may be difficult for most companies to meet the ₹500 crore criteria as most companies in India do not invest in the entire value chain such as from yarn to garments and, therefore, the threshold needed to be lowered.

The Textile Ministry is also taking a re-look at the condition of achieving 50 per cent growth on a year-to-year basis as the industry pointed out that is ambitious and difficult to achieve.

“The PLI scheme has to fit in with what the needs of the industry and the market conditions are. It is better for the government to take some time and get it exactly right,” the official said.

Source: economictimes.com– June 07, 2021

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RoDTEP: Rates for export promotion scheme likely to be announced in 10 days, says FIEO

Remission rates and guidelines for export items under the new Remission of Duties and Taxes on Exported Products (RoDTEP) scheme are likely to notified in 10 days, Ajai Sahai, Director General and CEO, Federation of Indian Export Organisations (FIEO) told Financial Express Online.

During the implementation of the scheme on January 1, 2021, the Ministry of Finance had said that it would "shortly" notify the details of export goods (tariff lines) eligible for the scheme, the applicable RoDTEP rate, value caps (wherever applicable) on such eligible goods/tariff lines, the excluded category of exports, other conditions and restrictions, and the procedural details for grant of RoDTEP duty credit, and utilisation.

However, exporters — majority MSMEs dealing with uncertainty while finalising and negotiating new export orders — have been urging the government since then for immediate notification to factor rates and overall guidelines for executing new orders.

"We are expecting rates to be notified very shortly, in a week to 10-day time or maybe this week only. I have been given to understand that it has come to Commerce (ministry) and the issue has been discussed. I'm pretty hopeful that rates and guidelines will be notified this week or latest in the next 10 days," Sahai said.

Comments from Director General of Foreign Trade (DGFT) Amit Yadav were not immediately available to confirm the timeline for notification of rates.

The RoDTEP scheme, which had replaced the Merchandise Exports from India Scheme (MEIS) on January 1, 2021, to improve the global competitiveness of Indian exports, was approved last year for reimbursement of taxes, duties, and levies at the central, state, and local level. These were earlier not refunded but incurred in the process of manufacture and distribution of exported products.

The scheme was budgeted only Rs 13,000 crore for FY22 — way below its initial estimated annual cost of Rs 50,000 crore and also only a third of the Rs 39,097 crore approved by the government for exporters in FY20 under MEIS for many sectors, Financial Express had reported in March.

Last month, Commerce Minister Piyush Goyal had also informed Rajya Sabha MP Suresh Prabhu that the Department of Commerce and Department of Finance are under active consultation for early finalisation of the scheme's guidelines and rates. The GK Pillai panel was tasked with rates recommendation for the RoDTEP scheme.

With a budget lower than expected, exporters believe that RoDTEP rates would be less than the MEIS rates. The incentives under MEIS ranged from 2 per cent to 5 per cent of the free-on-board (FOB) value of exports. "In most of the cases, we should be ready for less than the MEIS rates looking into the budget which has been allocated or unless the government takes a call to not to restrict it with the budget allocation. But if rates are restricted with budget indication, I think we should expect them in most of the cases to be less than MEIS," added Sahai.

Moreover, Indian exporters have been facing challenges in terms of lack of liquidity amid the Covid pandemic. However, there has been no loss of orders. "Since we have a very good order booking position, the delay in rates notification has not impacted much but it has caused liquidity challenge. Fortunately for India, the orders are constantly flowing and we are still flush with orders.

Of course, it has put pressure on liquidity, affected the profitability of exporters as the money which was due to them in January, if it comes in June or July then they would have to borrow for that much of time. So, the profitability of the exporter today is probably at the lowest ebb at this point of time," said Sahai. To avail scheme, the exporter has to claim for RoDTEP in the shipping bill by making a declaration.

The claim will be processed by the Customs post export general manifest (EGM) is filed. Further, a scroll with all shipping bills for admissible amount is generated and made available in the user's account at Indian Customers Electronic Gateway (ICEGATE).

Source: financialexpress.com– June 07, 2021

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UKFT: Government must secure favourable India trade deal

On 25 May trade secretary Liz Truss launched a 14-week consultation to seek the views of the public and businesses on a trade deal with India. The UK government wants a deal that slashes barriers to doing business and trading with India's £2trillion economy and market of 1.4 billion consumers.

Any deal will have a huge impact on the UK fashion and textile industry: India is the largest country in the Commonwealth, has strong links to the UK, and English is used as a lingua franca, so ultimately, it is a part of the world with which the UK would like a free trade agreement. A deal will be politically and symbolically important for the UK.

However, from UKFT's point of view, there are several big issues.

1 Overcoming obstacles to exporting

We're keen to see UK companies being able to export more easily to India. That would require a more level playing field, as India is notoriously protectionist.

One of the big things to remember is that textiles, and fashion manufacturing and exporting, are at the very heart of the Indian psyche. India used to be forced to buy its fabrics from the UK, especially from Manchester. The "homespun" spinning wheel at the heart of the Indian flag is a constant reminder that manufacturing raw materials is not only a very, very important part of its export machine, but it is also hot wired to national identity. It makes it very difficult to export anything to India but some UK brands have found ways to get their goods into the market, especially if they are made locally under licence.

However, there is potential to sell British textiles – for example, suiting fabrics – to India's tailors. For the UK textile companies it is of interest. The problem is that India is notoriously difficult, albeit that it now ranks 63rd in the World Bank's "Ease of Doing Business index" – way ahead of Bangladesh and Pakistan – but UK companies will tell you that the business culture is not supportive of fashion and textile imports, and that brands will need to consider relocating their manufacturing to India or nearby Sri Lanka. Menswear brand Simon Carter, for instance, has built a fantastic business in India, and its eponymous founder has had to become very nimble to do so with local production. It can be done, but India remains a net exporter to the UK and a free trade agreement is only likely to increase what we buy in from the country.

2 Generalised Scheme of Preferences (GSP)

While we are interested to see if there is potential for the UK to be an export hub of premium and luxury goods to India, there is also an opportunity for us to reduce the costs of imports. This would give our manufacturers access to cheaper raw materials. However, if you bring in cheap goods from places where there is no social protection and worker conditions are worse than they are in the UK, this is effectively lowering standards, and potentially undermines the UK's commitment to sustainability and ethical trade, which we all want to develop.

The UK already imports a lot of fashion and textiles from India but duty and import VAT are paid at the most-favoured-nation rate [the World Trade Organization estimates that India's applied most-favoured-nation rate import tariffs are 13.8% and the highest of any major economy].

Depending on what deal is done, those rates would drop but we would hope they would not drop to 0%, as this would undermine our Generalised Scheme of Preferences (GSP) – a set of European Union rules that allow exporters from developing countries to pay less or no duties on their exports to the bloc.

The UK has its own GSP and India is not on that scheme, but Pakistan and Bangladesh are. Unlike India, they are emerging economies, and are supposed to benefit from preferential tariff treatment when goods arrive in the UK. While our retailers are interested in getting easier and cheaper access to Indian products, we're making it clear to government we do not wish to do so at the expense of GSP relating to Bangladesh and Pakistan, in particular.

3 Level up not level down

We believe that a deal will be done sometime this year and that it will change the way UK businesses think about India. UK companies have been relatively slow to invest in India, but I think it is important to make sure we get a trade agreement that works for the UK (as much as it will for India) and enables the UK to do more than sign trade deals – that is merely the beginning of the journey.

If we think back to the swinging sixties, when the UK was booming, part of this was the appeal of British fashion that benefited from quality embroidery from India. There is the potential for this to be a success and for it to be a useful complement of the government's levelling-up agenda – if we get the deal right.

Get it wrong, and we'll be at a dangerous long-term disadvantage, which will lead to more discontent. The wrong kind of deal would be where India gets all the benefit and the UK does not benefit. So, for example, if the UK were to reduce or drop all our tariffs on imported goods from India without insisting on similar standards to those we expect from UK suppliers, and secure realistic access to the Indian market for UK goods, that would be a failure for UK plc as a whole. Similarly, if UK banking and insurance, for example, benefit but other UK consumer goods industries are written off, or if the deal does not protect British intellectual property, that would be a failure.

What is needed is a deal that protects British jobs and employment throughout the whole UK, and across the majority of industries to support "levelling up", and enhances mutual trade between the two nations at the same time as raising standards rather than levelling them down.

UKFT is broadly supportive of the government's intention to secure an agreement with India but the challenge is to make sure that, beyond the short-term political and symbolic benefit of a deal, the government does not lose sight of the fact that Indian producers will benefit massively from a free trade agreement. It's also important for the UK government to support British businesses looking to take advantage of any deal as the Indians will, quite rightly, waste no time in getting their businesses into the UK market. The UK will need to up its game in India.

With trade agreements, the devil is always in the detail and, as our exporters are already finding out, the main detail is very much about who physically manufactures what and where. There is no point in having them if your partner gets all the commercial benefits or you fail to help them take advantage of the opportunities.

Source: drapersonline.com– June 07, 2021

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PM addresses the Nation

The Prime Minister expressed condolences for the people who lost their lives in the pandemic. Terming the pandemic the biggest calamity of last hundred years, a pandemic not seen nor experienced in the modern world, the Prime Minister said that the country fought the pandemic at many fronts. Shri Modi made many important announcements.

As many states came forward with a demand for reconsideration of the vaccination strategy and for bringing back the system that was there before 1st May, the Prime Minister announced that it has been decided that the 25 per cent vaccination that was with states will now be undertaken by the Government of India. This will be rolled out in two weeks. In two weeks, centre and states will make necessary preparations as per new guidelines.

The Prime Minister further announced, that 21st June onwards, Government of India will provide free vaccine to all Indian citizens above 18 years of age. Government of India will buy 75 per cent of the total production of the vaccine producers and provide to the states free of cost. No state government would be spending anything for vaccines. Till now, crores of people got free vaccine, now 18 years segment will be added to this. Government of India will provide free vaccines to all the citizens, reiterated the Prime Minister.

Shri Modi informed that the system of 25 per cent vaccines being procured directly by the private hospitals will continue. State governments will monitor that only 150 rupees service charge is levied by the private hospitals over the decided price of the vaccines.

In another major announcement, the Prime Minister conveyed the decision of extension Pradhan Mantri Garib Kalyan Anna Yojna till Deepawali. This means that till November, 80 crore people will continue to get decided amount of free food grain every month. During the pandemic, the government is standing with the poor for all his needs as his friend, said the Prime Minister.

Recalling the unprecedented rise in the demand for the medical oxygen during the second wave during the months of April and May, the Prime Minister said that the challenge was met at the war footing deploying all the systems of the government. In the history of India, this level of demand for medical oxygen was never experienced, said Shri Modi.

The Prime Minister said that globally, vaccine producing companies and countries are far less than what is the global demand for the vaccines. In such a scenario, made in India vaccine was critical for India. The Prime Minister, pointed out that in the past, India used to get vaccines decades after they were developed abroad.

This always resulted in a situation in the past where India could not even start vaccination while other countries used to finish the vaccine work. Shri Modi said that by working in mission mode, we raised the vaccination coverage from 60 per cent to 90 per cent in 5-6 years. We not only enhanced the speed but also widened the ambit of vaccination, said the Prime Minister,

This time, said the Prime Minister, India warded off all the apprehensions and, through clean intentions, clear policy and constant hard work, not just one but two made-in-India vaccines for Covid were launched in India. Our scientists proved their calibre. Till today, more than 23 crore vaccine doses have been administered in the country.

The Prime Minister recalled that Vaccine Task force was constituted when there were just few thousand Covid-19 cases and vaccine companies were supported by the government in all possible ways in trials and funding for research and development.

The Prime Minister informed that due to great effort and hard work, supply of vaccine is about to increase in coming days. He conveyed that, today, seven companies are producing different type of vaccines. Trials of three more vaccines are in the advanced stage, informed the Prime Minister. The Prime Minister also talked of trials for two vaccines for children and a 'nasal vaccine'.

Prime Minister, dwelled on the differing views from various quarters on the vaccination drive. As the corona cases started declining, questions arose about the lack of choice for states and some people questioned why the central government is deciding everything.

Flexibility in lockdown and one-size-does-not-fit-all type of argument were forwarded. Shri Modi said that starting from 16 January to April end, India's vaccination programme was run mostly under the central government.

Free vaccination for all was moving forward and people were showing discipline in getting vaccinated when their turn came. In the midst of all this demands for decentralization of vaccination were raised, decision about priority to certain age groups were raised. Many types of pressures were exerted and certain sections of media took it as campaign.

The Prime Minister warned against the people who are spreading rumours against vaccination. Such people are playing with the lives of people and there is a need to stay vigilant against them said the Prime Minister.

Source: pib.gov.in– June 07, 2021

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Cotton bodies get together to increase area under cultivation, improve yields

With cotton commanding prices as high as Rs 7,500 per quintal, the Cotton Corporation of India (CCI) and the Cotton Association of India (CAI) have come together to educate farmers to increase cultivation across the country and also raise yields. Normally, around 110 lakh-120 hectare area comes under cotton cultivation in India.

Atul Ganatra, president, CAI said that the Centre has allocated Rs 440 crore towards "Cotton Quality Improvement Mission" to improve quality and yields. Although India has the highest area under cotton, the yield is among the lowest in the world, he said.

He was addressing a virtual meeting of stakeholders to improve cotton yields across the country. The 'Cotton Mission' is currently under discussion and meetings have been held by the stakeholders with the Textile Committee of India.

The Textile Committee's office has asked for a list of cotton ginners across the country so that they can become part of the project. The minimum support price (MSP)of cotton in the outgoing season was Rs 5,825 per quintal. During the cotton season of 2020-21, CCI had procured 92 lakh bales under MSP operations and nearly 1 crore bales in the season of 2019-20.

Arvind Pant of the Gujarat Cotton Association said that the area under cotton in Gujarat is likely to go up by 10-12% despite oilseeds commanding high price. Government procurement plays a big role in ensuring farmers stick to cotton, he said.

Mahesh Sarda of the North India Cotton Association pointed out that price is the biggest deciding factor for the farmer who would look for better returns. The price realisations of cotton and groundnut need to be compared, he said, adding that sowing in some parts of Rajasthan and Haryana has been around 5% less this kharif.

Pradeep Jain, president, Khandesh Cotton Ginners/Pressers Association said that ginners in Maharashtra have been working on improving cotton yields for last 8-10 years and a booklet of best practices has also been distributed to farmers through the 'Ginner at Your Doorstep' initiative. The response has not been very positive he said.

Ashok Patil, a farmer from Jalgaon said that he managed to get 28 quintal per acre yield from his farm and offered his services to both the bodies. In Maharashtra, it is expected that over 40 lakh hectares will record sowing of cotton and soybean.

Maharashtra accounts for over 30% of the cotton grown in the country but state farmers fail to compete with their counterparts in Rajasthan, Gujarat or Telangana, both in per hectare yield and produce.

Jayesh Mahajan, senior official of the Maharashtra Cooperative Cotton Growers Federation had earlier pointed out how the per hectare yield of cotton in Maharashtra is between 8-9 quintals as compared to the 14-15 quintals/hectare yields nationally. Worldwide, cotton growers see much higher yields of 24-25 quintal/hectare, with US farmers reporting 55 quintal/hectares.

Source: financialexpress.com– June 08, 2021

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Indian e-com market to turn 2nd largest in world by 2034: IBEF

India's e-commerce industry has been on an upward growth trajectory and is expected to surpass that of the United States to become the second largest e-commerce market in the world by 2034, according to the India Brand Equity Foundation (IBEF), which said the sector in India will reach $99 billion by 2024 from $30 billion in 2019, expanding at a 27 per cent compounded annual growth rate (CAGR), with grocery and fashion-apparel likely to be the key drivers.

An IBEF snapshot suggests that as most Indians have started shopping online rather than stepping outside their houses, "the Indian e-commerce sector witnessed an increase.

India's e-commerce festive sale season from October 15 to November 15 in 2020 recorded ₹58,000 crore ($8.3 billion) worth of gross sales for brands and sellers, up 65 per cent from ₹35,000 crore ($5 billion) last year."

Much of the growth in the industry has been triggered by increasing internet and smartphone penetration. Internet penetration rate in India went up to nearly around 45 per cent in 2021, from just about 4 per cent in 2007. That is, nearly half of the population of 1.37 billion people have Internet access now. The country is second in the world in terms of active internet users.

The number of smartphone users in India was estimated to reach over 760 million in 2021, with the number of smartphone users worldwide forecasted to exceed to 3.8 billion users in 2021.

The e-commerce space is thus spawning unicorns and big brands that are here to stay, said IBEF. These brands in turn are likely to be big spenders on advertisements.

Source: fibre2fashion.com– June 07, 2021

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Strong growth abroad is export opportunity knocking at our door, writes Ajit Ranade

India's export of goods has been clocking a healthy performance for the past three months. It has been $34, 30 and 32 billion in March, April and May respectively. These are a substantial jump over corresponding numbers for the three months of the last year. That's because the whole world had gone into a lockdown by March last year, and the global movement of merchandise had slumped. So compared to last year, the growth rate of the April number is around 195 per cent, and for March and May, the growth number is equally impressive.

So, the proper perspective is to compare the present performance to pre-Covid levels. Here, interestingly, the export number for May 2021 now exceeds that of May 2019 too, showing a healthy growth of around 8 per cent. If this momentum continues, it bodes well for the overall export of goods, which constitute a significant driver of growth.

Petro & jewellery exports

India is a major exporter of refined petrol and diesel, thanks to giant refining capacities which are much in excess of domestic demand. Hence, nearly one-fifth of the merchandise exported constitutes refined petrol and diesel. It is thus an important source of earning foreign exchange for the country. There is a large import component to these petro-product exports, since crude oil has to be completely imported.

There is a similar situation in the gems and jewellery sphere, where uncut diamonds are imported, and polished stones and ornaments are exported. India is a major player in the export of these items and just like petro-products, these too add to the overall dollar earnings.

Both of these crucial exports depend on the state of the world economy. For instance, the demand for gems and jewellery would naturally fall during economic slump, as consumer sentiment is weak.

But thanks to the stock market rally, if wealth is rising, that will induce an increase in demand for luxury goods. However, in the present context, even if one excludes these two components - petro products and gems and jewellery, the country's export performance is still impressive and rising.

It is powered by agricultural products like cereals, jute and other fibres, by electronic goods, specialty chemicals, iron ore, metal products and textile and clothing. Of course, one needs to examine the data in more granular detail to understand areas of maximum potential and growth momentum.

4 sources of spending

The engine of economic growth can be revved up by four demand drivers, or rather four sources of spending. These are consumers, investments (i.e. the demand coming from building new factories), government spending (on things like highways, or rural jobs scheme) and exports (i.e. foreigners spending on Indian goods and services). Presently, as the country is grappling with the second wave of Covid, both the consumer and investment sentiment is weak. This has been confirmed by the Reserve Bank of India's latest report, as also by the surveys of various industry chambers.

One proxy for investment demand is the growth in bank credit, which is barely 5 per cent. This should be growing at around 25 percent to achieve a healthy growth of 8 per cent. Of course, 'sentiment' is as much a matter of psychology, as of economics. It can turn positive quite quickly with the right combination of policy, fiscal stimulus, progress of vaccinations, favourable monsoons, and a pick-up in infra spending. If one looks at India's stock markets, the sentiment there remains quite bullish and the market is scaling new heights every week.

Maybe the stock market is anticipating a strong economy a year from now. But the rally is also due to excessive liquidity induced by a liberal monetary policy pursued by the Reserve Bank of India. With so much liquidity and growth in money supply, it is bound to fuel a stock rally. It is important to note that when stock market zooms, it increases the wealth of those at the higher end of the income spectrum. This might actually worsen inequality, since the incomes of the poor are still stagnant, owing to the economic slump.

US, China economies

The situation overseas is quite different. The two largest economies in the world, the US and China, are experiencing very strong economic momentum. This is mainly on account of two reasons. One is vaccine optimism. The rate of vaccination is high and the proportion of the population covered is reaching, or has crossed critical mass.

The second reason is a very strong fiscal stimulus. In the US, the stimulus was 15 per cent of the GDP last year, and is expected to exceed that amount this year too. China too has injected strong fiscal support, although its slowdown wasn't as acute.

Due to these factors, these two economies, which are about $35 trillion of the world economy, will grow by at least 5 per cent or even more. India's economic size is one-tenth of that. So, 5 per cent growth of US and China together is equivalent to India's economy growth by 50 per cent! That's the impact of a high base. That's the scale of the aggregate demand that's out there. No wonder there are supply bottlenecks becoming visible.

Input costs are rising. The Bloomberg commodity price index is nearly 60 per cent higher than last year. Iron ore prices reached nearly $250 a tonne, thanks to the demand from China. Steel prices reached $1,000 a tonne, a price never seen before! World trade is also experiencing an adrenaline rush, manifested in shipping costs. Bulk freight prices are 700 per cent higher compared to one year ago.

The question is whether India is ready to tap into this great export opportunity. Even if India's share in world merchandise trade goes from the present 1.5 per cent to 3 per cent, which is eminently achievable, it will mean a doubling of exports to around $600 billion annually. This will be a boon not just to big industry, but also to small and medium enterprises, and employment intensive sectors like garments, footwear, electronic assembly.

For all this to happen, India must ensure that the export incentive schemes are in place. The Return of Duties and Taxes on Export Scheme (RODTEP), which was supposed to replace the Manufacturing Export Incentive Scheme (MEIS) and for services (SEIS) has been delayed by six months. GST refund delay is still a problem. High import tariffs and inverted duties are hurting all export businesses which use imported ingredients.

The exchange rate is too strong and hurting export prospects. We also need to aggressively welcome and set up global value chains on Indian soil. All these aspects have to be taken care of and only then can we hope to ride the export opportunity. Otherwise, we will miss the bus once again. Learn from Bangladesh, our neighbour, who is enjoying that bus ride.

Source: freepressjournal.in– June 07, 2021

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Gap Battling Effects of India's Covid Crisis

India's ongoing—if slowly easing—battle with a crushing wave of Covid-19 is threatening to derail the growth of its $15 billion apparel sector following lockdown restrictions that have quashed local sales, analysts have said, though spiking export orders may be its saving grace.

Because domestic demand comprises nearly three-quarters of its overall revenues, the South Asian nation's garment industry is now poised to grow between 15 percent and 20 percent this fiscal year—or roughly half of the 28 percent to 33 percent estimated before the current crisis came to a head, according to Crisil Research, a research firm headquartered in Mumbai.

"The first quarter of this fiscal [year] will be a near-washout, with most domestic brick-and-mortar stores shut, and sales through e-commerce channels curbed," Hetal Gandhi, director of Crisil Research, wrote in a note. "The second wave has also hit [the] hinterland, affecting sales of 'value' or affordable garments, which is the fastest-growing segment."

Indeed, "buoyant" overseas demand, driven by an uptick in discretionary spending in the United States and Europe, where more than 60 percent of India's clothing exports are destined, will drive most of the improvements in the apparel sector after its bruising 23 percent to 25 percent stumble in 2020. Export orders, which account for 26 percent of overall revenues, should register between 18 percent to 22 percent growth compared with a 16 percent contraction last year, analysts said.

Other analytics companies have also trampled any notions of a swift recovery, albeit with a few bright spots. In April, Icra Ratings, which is part of Moody's Investors Services, estimated that India's RMG sector isn't likely to recover to pre-pandemic levels until at least 2023.

The agency said the country's garment manufacturers are likely to report double-digit growth in fiscal year 2022 on a "low base," achieving between 85 percent to 95 percent of their pre-Covid-19 turnover levels.

"The trend seen in FY21 is corroborated from the rating movements as well," Jayanta Roy, senior vice president and group head, corporate sector ratings, at Icra, wrote in a note. "While the credit ratio (ratio of upgrades to downgrades) for apparel companies remained at less than 1 in FY21, reflecting a weakening of the credit profiles amid Covid-19-induced challenges, nearly two-thirds of the downgrades happened in the initial seven months of FY21, with downgrade pressures subsiding significantly from November 2020 onwards."

Crisil Ratings says it expects a modest improvement in year-over-year operating profitability by 75 to 100 basis points to 5.5 percent to 6 percent this fiscal year. The working capital position of apparel manufacturers is also expected to rebound "close" to pre-pandemic levels this fiscal year, aided by "prudent" inventory management and the normalization of the debtor cycle.

"The credit ratio (ratio of rating upgrades to downgrades), which was 0.16 last fiscal, should improve this fiscal as the credit outlook of RMG makers turns 'stable' from 'negative,'" said Kiran Kavala, associate director at Crisil Ratings, "Key debt protection metrics are also seen improving due to better business performance and working capital management. For instance, interest coverage ratio is expected to improve to around 2 this fiscal from 1.5 times last fiscal."

Even so, sourcing disruptions as a result of India's woes have had spillover effects on the rest of the global supply chain, with long-term repercussions that still remain to be seen.

In a recent earnings call, Gap Inc., which also owns Athleta, Banana Republic and Old Navy in addition to its namesake brand, admitted to sourcing challenges from supplier countries such as India, including roughly 200 basis points of "shipping headwind" over the past quarter due to delays in cargo flows.

"We're looking closely at all of that and working hard to do what we've been doing, which is use our pricing power to offset all of those issues," said Katrina O'Connell, the company's chief financial officer. "Honestly, what we don't know is, as the vendors are more impacted by the Covid outbreaks in India and Southeast Asia, how much we will or won't have to air [freight] in order to get [products] here or if there will be freight implications."

Whether production can keep up with the mounting overseas demand is also a question, since some factories have had to shutter during regional lockdowns. There is also a looming labor shortage. According to a survey by the Clothing Manufacturers Association of India, published in early May, 64 percent of its members' factories saw more than half of their workers return to their hometowns.

Julie Whalen, chief financial officer at Williams-Sonoma, which also owns Pottery Barn and West Elm, noted in an earnings call in late May that Covid-related delays from India are impacting the production of its home goods. "As a result of these challenges, we expect backorder levels to remain elevated until at least the third quarter of this year," she said.

Another hurdle: Some 80 percent of world goods trade by volume is carried on ships, and India supplies many of their crews, according to the United Nations World Conference on Trade and Development, which means the crisis could have cumulative effects elsewhere. With many countries banning flights from India, moving Indian workers to ports around the world and changing crews have been challenging—if not next to impossible—causing further bottlenecks.

Mansukh Mandaviya, India's federal junior minister of ports, shipping and waterways, said Saturday that all efforts should be made to get the seafarers vaccinated.

"India plays a very significant role in the global seafarer industry. There have been demands from many quarters to accord priority to seafarers in the vaccination drive in view of the nature of their work," he said in a statement. "The ministry of ports, shipping and waterways also coordinated actively with the ministry of health and family welfare to give priority to seafarers in Covid-19 vaccination."

Source: sourcingjournal.com– June 07, 2021

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Formalwear segment branches out to work-from-home apparel for survival

With work-from-home (WFH) having become the norm for corporate India for more than a year, the formalwear segment has taken a beating. During the first wave of the pandemic, revenue for lifestyle brands, mainly formalwear, declined by 81% in the first quarter of FY21, abetted by store closures during lockdown, as per industry estimates.

As a result, the growth of casual wear options has accelerated, with formalwear brands like Raymond, Van Heusen and Peter England launching new clothing ranges in this space. Companies are also focusing on digitising the customer experience by going D2C (direct to consumer sales, or sales through their own websites).

"Brands are expanding their online presence with the incorporation of 3D technology, and are innovating with spandex-comfort fabrics," Prashant Agarwal, co-founder and joint managing director, Wazir Advisors, said.

For instance, Raymond has launched a virtual shopping experience through WhatsApp and Zoom video calls, with a concierge service for tailored garments from the comfort of consumers' homes. Its readymade segment, on the other hand, is focusing on comfort and "casualisation" with the infusion of cotton-based fabrics.

"While lightweight fabrics are receiving more demand, we have introduced active formalwear with mild stretch and autofit, along with functionalities, in our bottom wear range," Ganesh Kumar, COO, lifestyle business, Raymond. said.

ABFRL's Van Heusen recently launched a sub-brand, Denim Labs, to sell more t-shirts, denim shirts, jeans, casual jackets and casual shirts. Bombay Shirt Company, too, has launched two brands: Cityof, a casual wear shirt brand, and Korra, a denim brand. Launched in the second half of 2020, the company's online sales have doubled this year, said Akshay Narvekar, founder and CEO, Bombay Shirt Company.

Anand Ramanathan, partner, Deloitte India, said, "Although for this category, a majority of e-commerce revenue is still coming from marketplaces like Myntra and Amazon, the D2C channels are experiencing high growth with a smaller client base."

ABFRL also witnessed a strong e-commerce performance with double-digit growth, from 7% in FY20 to 15% in FY21, as per company data.

With the summer wedding season getting postponed to the second half of this year, brands are anticipating an early recovery in formal/ ethnic wear. Raymond has also introduced Shubharambh, a wedding advisory solution service, for weddings and celebrations across the year. "The industry had reached pre-Covid sales in January and February this year, after a fillip provided by last year's pent-up demand and Diwali sales," Ramanathan said.

Brands see this trend of shifting from formalwear to casual/ semi-casual as 'temporary' because the pandemic may not change buying behaviour overnight.

According to Wazir Advisors, in FY19-20, the formalwear market was pegged at `1,400 crore and next year onwards, the segment could grow between 8-10% over the next four years. "As there are no blanket restrictions nationally this year, 2021 could prove to be more of a stabilising period for the industry," Agarwal said.

Furthermore, brands are prioritising tier II and tier III markets for offline store expansion, by leveraging lower rentals egged on by the pandemic.

Source: financialexpress.com– June 08, 2021

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World Bank approves $500-million program to support the MSMEs in India

The World Bank said it has approved a $500 million program to support MSMEs in India to increase liquidity access for viable small businesses impacted by COVID-19.

The World Bank's Board of Executive Directors has approved a $500 million program to support the Government of India's nationwide initiative to revitalize the MSME sector, which has been heavily impacted by the COVID-19 crisis.

The program targets improvements in the performance of 555,000 MSMEs and is expected to mobilize financing of $15.5 billion, as part of the government's $3.4 billion MSME Competitiveness – A Post-COVID Resilience and Recovery Programme (MCRRP).

The MSME sector is the backbone of the India's economy, contributing 30% of India's GDP and 4% of exports. Out of some 58 million MSMEs in India, more than 40 percent lack access to formal sources of finance.

The $500 million Raising and Accelerating Micro, Small and Medium Enterprise (MSME) Performance (RAMP) Program is the World Bank's second intervention in this sector, the first being the $750 million MSME Emergency Response Program, approved in July 2020 to address the immediate liquidity and credit needs of millions of viable MSMEs severely impacted by the ongoing COVID-19 pandemic.

To date, 5 million firms have accessed finance from the government program. With the program approved today, the World Bank's financing towards improving the productivity and financial viability of the MSME sector amounts to $1.25 billion over the past year.

Junaid Ahmad, World Bank Country Director in India said,"The MSME sector, a critical backbone of India's economy, has been hard hit by the Covid-19 pandemic,The RAMP program will intensify efforts to support firms to return to pre-crisis production and employment levels, while laying the foundations for longer-term productivity-driven growth and generation of much-needed jobs in the MSME sector."

Having supported the immediate liquidity and credit needs of viable MSMEs in the first phase, the RAMP Program will support the Government of India's efforts to increase MSME productivity and financing in the economic recovery phase, crowd in private sector financing in the medium term, and tackle long-standing financial sector issues that are holding back the growth of the MSME sector.

Source: livemint.com– June 07, 2021

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With consumer sentiment, Pvt investment and Govt spending sluggish, rising exports a ray of hope

India's export of goods has been clocking a healthy performance for the past three months. It has been 34, 30 and 32 billion dollars in March, April and May respectively. These are a substantial jump over corresponding numbers for the three months of the last year. That's because the whole world had gone into a lockdown by March last year, and the global movement of merchandise had slumped. So compared to last year, the growth rate of April number is around 195 percent, and for March and May, the growth number is equally impressive.

So, the proper perspective is to compare the present performance to pre-Covid levels. Here, interestingly, the export number for May 2021 now exceeds that of May 2019 too, showing a healthy growth of around 8 percent. If this momentum continues, this bodes well for the overall export of goods, which constitute a significant driver of growth.

India is a major exporter of refined petrol and diesel, thanks to giant refining capacities which are much in excess of domestic demand. Hence nearly one fifth of merchandise exported constitutes refined petrol and diesel. It is thus an important source of earning foreign exchange for the country.

There is however a large import component to these petro-product exports, since crude oil has to be completely imported. There is a similar situation in the gems and jewelry sphere, where uncut diamonds are imported, and polished stones and ornaments are exported. India is a major player in the export of these items, and just like petro-products, these too add to the overall dollar earnings.

Both of these crucial exports depend on the state of the world economy. For instance, the demand for gems and jewelry would naturally fall during economic slump, as consumer sentiment is weak. But thanks to the stock market rally, if wealth is rising, that will induce an increase in demand for luxury goods.

However, in the present context, even if one excludes these two components - petro products and gems and jewelry, the country's export performance is still impressive and rising. It is powered by agricultural products like cereals, jute and other fibres, by electronic goods, specialty chemicals, iron ore, metal products and textile and clothing. Of course, one needs to examine the data in more granular detail to understand areas of maximum potential and growth momentum.

The engine of economic growth can be revved up by four demand drivers, or rather four sources of spending. These are consumers, investments (i.e. the demand coming from building new factories), government spending (on things like highways, or rural jobs scheme) and exports (i.e. foreigners spending on Indian goods and services).

Presently as the country is grappling with the second wave of Covid, both the consumer and investment sentiment is weak. This has been confirmed by the Reserve Bank of India's latest report, as also by the surveys of various industry chambers. One proxy for investment demand is the growth in bank credit, which is barely 5 percent. This should be growing at around 25 percent to achieve a healthy growth of 8 percent.

Of course, "sentiment" is as much a matter of psychology as of economics. It can turn positive quite quickly with the right combination of policy, fiscal stimulus, progress of vaccinations, favourable monsoons, and pickup in infra spending. If one looks at India's stock markets, the sentiment there remains quite bullish and the market is scaling new heights every week. Maybe the stock market is anticipating a strong economy a year from now.

But the stock market rally is also due to excessive liquidity induced by a liberal monetary policy pursued by the Reserve Bank of India. With so much liquidity and growth in money supply, it is bound to fuel a stock rally. It is important to note that when stock market zooms, it increases the wealth of those at the higher end of the income spectrum. This might actually worsen inequality, since the incomes of the poor are still stagnant owing to the economic slump.

The situation overseas is quite different. The two largest economies in the world, U.S.A and China, are experiencing very strong economic momentum. This is mainly on account of two reasons. One is vaccine optimism. The rate of vaccination is high and the proportion of the population covered is reaching or has crossed critical mass.

The second reason is a very strong fiscal stimulus. In the U.S. the stimulus was 15 percent of the GDP last year, and is expected to exceed that amount this year too. China too has injected strong fiscal support, although its slowdown wasn't as acute. Due to these factors, these two economies, which are about 35 trillion dollars of the world economy, will grow by at least 5 percent or even more.

India's economic size is one tenth of that. So, 5 percent growth of US and China together is equivalent to India's economy growth by 50 percent! That's the impact of a high base. That's the scale of the aggregate demand that's out there.

No wonder there are supply bottlenecks becoming visible. Input costs are rising. The Bloomberg commodity price index is nearly 60 percent higher than last year. Iron ore prices reached nearly 250 dollars, thanks to the demand from China. Steel prices reached 1000 dollars a ton, a price never seen before! World trade is also experiencing an adrenaline rush, manifested in shipping costs. Bulk freight prices are 700 percent higher compared to one year ago.

The question is whether India is ready to tap into this great export opportunity. Even if India's share in world merchandise trade goes from the present 1.5 percent to 3 percent, which is eminently achievable, it will mean a doubling of exports to around 600 billion dollars annually. This will be a boon not just to big industry, but also to small and medium enterprises, and employment intensive sectors like garments, footwear, electronic assembly.

For all this to happen, India must ensure that the export incentive schemes are in place. The Return of Duties and Taxes on Export Scheme (RODTEP), which was supposed to replace Manufacturing Export Incentive Scheme (MEIS) and for services (SEIS) has been delayed by six months. GST refund delay is still a problem.

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Source: nationalheraldindia.com– June 07, 2021

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GT Voice: Resilience in China-India trade difficult to dismiss

The spectacular growth in China's trade with India outperformed the former's trade performance with other major trading partners from January to May, an indication of the resilience within the China-India economicand trade relationship even amid political headwinds.

Trade between China and India soared 70.1 percent in US dollar terms in the first five months of this year to $48.16 billion, according to Chinese customs data released on Monday. Specifically, Chinese exports to India grew 64.1 percent year-on-year from January to May, while imports surged 90.2 percent.

If anything, these extraordinary growth rates show that China-India trade has largely shrugged off the impact of the political tensions caused by the border friction last year, bouncing back quickly. Bilateral trade in 2020 declined 5.6 percent to $87.6 billion, the lowest since 2017, data from Chinese customs showed. But even amid such complicated environment, China still overtook the US to become India's largest trading partner in 2020.

So far this year, despite political uncertainties, two-way trade between China and India has continued on an upward trajectory, a reflection of resilience in trade cooperation between the two countries that gives certain relief to business communities at both sides.

This is because there is a growing perception that India hasn't done its economy any good by ousting some Chinese products and Chinese apps. While the Indian government has pushed for a self-reliance strategy to support domestic industrial development, its previous pursuitofdecoupling from Chinese supplies that have already been deeply integrated into the local industries has actually gone against its industrialization ambition. In fact, trade barriers aimed at blocking Chinese goods have not onlyincreased the living cost for Indian households, but also affected the local manufacturing activities due to lack of production supplies.

The importance of China's economic recovery to the Indian economy has risen to a level that won't be easily dismissed by certain political tensions.

Moreover, it is not just politics that presents challenges to bilateral trade. Over the years, some in India often criticized the country's trade imbalance with China, which represents nothing but a trade structural problem due to their different economic development stages. It requires long-term planning and efforts to address the trade deficit issue.

The most recent release of customs data showed that China has been importing from India at a much faster rate than ever these days, which in part reflects its efforts to at least alleviate an ongoing trade imbalance issue to a certain extent.

This is an aspect that needs attention from the political elite in India. At a time when the South Asian nation's economy is facing unprecedented pressure from the second wave of coronavirus outbreak, positive progress like the robust trade growth with China could offer clues for its recovery. Will such trade performance generate any geopolitical impact on bilateral ties? People will have to wait and see.

Source: globaltimes.cn– June 07, 2021

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Minister: Bihar receives project proposals worth Rs 6,199 crore

State industries minister Shahnawaz Hussain said on Monday that the leather, textiles, ethanol production and food processing units, along with the proposed mega food park together have a huge potential to improve the state's economy and also take it to new heights.

While a leather hub can be established in Kishanganj district and a leather processing unit in Muzaffarpur, Bihar has become the first state to have its ethanol production policy, as a result of which companies like JSW, Micromax and Indian Smart have submitted their project proposals, Hussain also said.

At present, the state has project proposals worth Rs6,199 crore, including Rs4,616 crore for the establishment of food processing units, he said.

Shahnawaz was speaking at a webinar organized jointly by the Press Information Bureau, Regional Outreach Bureau and the state's industries department. The theme of the webinar was the scope for food processing units in the state.

S K Malviya, additional director general at PIB's Patna branch also spoke on the occasion. Shahnawaz said Majhipada in Kishanganj is a centre from where raw leather is being sent to other states, besides being exported to other countries. The government's plan is to create a leather hub in Kishanganj district and a leather processing unit in Muzaffarpur.

As to the scope for ethanol production in Bihar, the minister said the companies have been showing active interest in establishing their units in the state, since it has become the first to have its ethanol policy.

The establishment of ethanol production plant will help farmers in selling their damaged grain to the industries department at the rates fixed for fresh grains. It, in turn, will enhance the income of the farmers. The damaged grains will be used to produce ethanol fuel, which is cheaper than petrol and diesel, Hussain said.

He said the companies offering to open their units in the state will be allotted land within seven days of the submission of the proposal. Besides, the state government has already transferred the land of all the closed sugar mills to the industries department.

Presenting the overall scope for the food processing, leather and textile units, as well as ethanol production plants and the mega food park, Hussain said the state has improved infrastructure like road, air and waterways, while an inland container depot was under construction. Trade and commerce will be conducted smoothly with other states and neighbouring countries, he added.

Source: timesofindia.com– June 08, 2021

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New income tax e-filing portal to be launched from June 7, payment services from June 18

The income tax department will launch a new e-filing portal on June 7, which will be integrated to immediately process returns and issue refunds.

The new tax payment system will be launched on June 18, 2021 after the advance tax instalment date to avoid any taxpayer inconvenience. "The new e-filing portal is aimed at providing taxpayer convenience and a modern, seamless experience to taxpayers," the Central Board of Direct Taxes (CBDT) said in a statement Saturday.

"This is another initiative by CBDT towards providing ease of compliance to its taxpayers and other stakeholders," the Board added. The new e-filing portal will have a free of cost ITR preparation software online and offline with interactive questions to help taxpayers fill out their returns, with pre-filling, for minimizing data entry effort.

To begin with, ITRs 1, 4 will be available for preparation, both online and offline, and ITR 2 ,offline, will be available. Facility for preparation of ITRs 3, 5, 6, 7 will be made available shortly, the Board said.

Taxpayers will be able to proactively update their profile to provide certain details of income including salary, house property, business/profession which will be used in pre-filling their ITR. Detailed enablement of pre-filling with salary income, interest, dividend and capital gains will be available after TDS and SFT statements are uploaded (due date is June 30th, 2021).

A new call center for taxpayer assistance for immediate answers to taxpayer queries with FAQs, tutorials, videos and chatbot/live agent will also be made available. A mobile app which will have all key portal functions which will be enabled subsequently.

The new portal will also display all interactions or pending actions on a single dashboard for follow-up action by taxpayer.

In preparation for the transition to the new system, the existing e-filing portal will not be available to both taxpayers as well as department officers till June 6, the Board had said last month.

While taxpayers use the e-filing portal to file income tax returns and view other details, officers of the tax department including assessing officers, chief income tax officers for appeal and principal commissioner income tax interact with taxpayers via e-proceedings through the portal.

Officers also use the portal for issuing of notices, show cause notices and getting response to various e-proceedings. issuing questionnaires, summons, letters, responding to outstanding tax demand and even communicating final orders in assessment, appeals, exemption and penalties.

Source: economictimes.com– June 07, 2021

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India's Nitin Spinners bags TEXPROCIL awards for export performance

Nitin Spinners Ltd, India's leading manufacturer of cotton yarn and knitted fabrics, has been conferred with two awards for its export performance during FY 2019-20 by The Cotton Textiles Export Promotion Council (TEXPROCIL). Established in 1992, the Bhilwara (Rajasthan)-headquartered company is a Government of India recognised exporthouse.

TEXPROCIL has conferred Nitin Spinners Ltd with Silver Trophy for the second highest export performance in Cotton Yarn - Counts 50s & below under Category III. It has also conferred the company with a Gold Trophy for the highest export performance in Cotton Yarn - Counts 51s & above under Category I.

Nitin Spinners' focused endeavours have resulted in a remarkable growth journey – from an open-end spinning into ring spinning with subsequent forward integration into knitted fabrics and value-added yarns.

Recently, the company has implemented composite textile project at another location, Begun, in Chittorgarh district of Rajasthan for manufacturing cotton and blended yarns and grey and finished woven fabrics.

An ISO 9001:2015 company, Nitin Spinners has today emerged as one of India's largest and reputed producers of 100% cotton yarn and fabrics. The company also has Environment and Energy Management System certifications ISO 14000 and ISO 50001, OSHAS for occupational safety and SA 8000 for Social accountability.

The company's leadership in cotton yarn and fabric manufacturing is driven by continuous investments in latest technologies, resulting in delivering international standard quality products. Strong R&D on developing value-added products combined with systematic processes and robust distribution network has allowed the company to create value for both global and domestic client base.

Source: fibre2fashion.com– June 07, 2021

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Telangana targets cultivating cotton in 75 lakh acres during Vaanakalam

Giving the much needed impetus to the cotton cultivation in the State, the Agriculture department has set a target of cultivating the crop in a whopping 75 lakh acres during the ensuing Vaanakalam (Kharif) crop season. It has decided to extend complete cooperation to cotton farmers and promote the crop cultivation on a massive scale, besides bringing a Cotton Solvent policy to encourage ginning mills in the State.

Telangana cultivated cotton crop in about 60 lakh acres during Yasangi (Rabi) season this year. Though it stands second in terms of cultivation area after Maharashtra, the State is largest producer of cotton in the country. Further, the cotton produced in the State has been already recognised by the Cotton Corporation of India (CCI) as a top quality product in the country as well as international market. Agriculture Minister S Niranjan Reddy held a meeting with the representatives of Telangana Ginners Association at his chambers here on Monday, and informed them that the State government was ready to provide more incentives to the ginning mills in addition to the supply of subsidised power presently. A decision in this regard will be taken after getting a nod from Chief Minister K Chandrashekhar Rao who has been advising farmers to take up cultivation of crops alternative to paddy.

Since the State formation, the number of ginning mills has gone up from less than 100 to nearly 350 ginning mills at present, while another 30 mills are under construction. The number of ginning mills is expected to increase further, due to increased cotton production. Considering the demand for sub-products like cotton seed oil, cake and solvent in the national and international markets, the State government is planning to bring a Cotton Solvent policy.

Further, the Agriculture Minister stated that the agricultural scientists were working on developing a cotton variety which can withstanding the summer heat as well as complete the crop cycle in a single season. If succeeded, farmers will be able to cultivate the crop during both the seasons and could become an alternative to paddy cultivation, he added. He also advised farmers to reduce paddy cultivation and replace it with cotton farming. “There is no shortage of irrigation water to cultivate cotton crop in the State. Farmers must focus on farm mechanisation and reduce depending on labourers who are in severe shortage,” he said.

Source: telanganatoday.com– June 07, 2021

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