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INTERNATIONAL NEWS

Global recovery strong, uneven; many developing nations struggling: WB

The global economy is expected to expand by 5.6 per cent in 2021, the fastest post-recession pace in 80 years, largely on strong rebounds from a few major economies, the World Bank (WB) said recently. However, many emerging market and developing economies continue to struggle with the pandemic and its aftermath, the bank said in its June 2021 Global Economic Prospects.

Despite the recovery, global output will be about 2 per cent below pre-pandemic projections by the end of this year. Per capita income losses will not be unwound by 2022 for about two-thirds of emerging market and developing economies. Among low-income economies, where vaccination has lagged, the effects of the pandemic have reversed poverty reduction gains and aggravated insecurity and other long-standing challenges.

Growth in low-income economies this year is anticipated to be the slowest in the past 20 years other than 2020, partly reflecting the very slow pace of vaccination. Low-income economies are forecast to expand by 2.9 per cent in 2021 before picking up to 4.7 per cent in 2022. The World Bank group's output level in 2022 is projected to be 4.9 per cent lower than pre-pandemic projections.

"While there are welcome signs of global recovery, the pandemic continues to inflict poverty and inequality on people in developing countries around the world," said World Bank Group president David Malpass said in a press release.

"Globally coordinated efforts are essential to accelerate vaccine distribution and debt relief, particularly for low-income countries. As the health crisis eases, policymakers will need to address the pandemic's lasting effects and take steps to spur green, resilient, and inclusive growth while safeguarding macroeconomic stability," he added.

Among major economies, US growth is projected to reach 6.8 per cent this year, reflecting large-scale fiscal support and the easing of pandemic restrictions. Growth in other advanced economies is also firming, but to a lesser extent. Among emerging markets and developing economies, China is anticipated to rebound to 8.5 per cent this year, reflecting the release of pent-up demand.

Emerging market and developing economies as a group are forecast to expand by 6 per cent this year, supported by higher demand and elevated commodity prices. However, the recovery in many countries is being held back by a resurgence of COVID-19 cases and lagging vaccination progress, as well as the withdrawal of policy support in some instances.

Excluding China, the rebound in this group of countries is anticipated to be a more modest 4.4 per cent. The recovery among emerging market and developing economies is forecast to moderate to 4.7 per cent in 2022. Even so, gains in this group of economies are not sufficient to recoup losses experienced during the 2020 recession, and output in 2022 is expected to be 4.1 per cent below pre-pandemic projections.

Per capita income in many emerging market and developing economies is also expected to remain below pre-pandemic levels, and losses are anticipated to worsen deprivations associated with health, education and living standards. Major drivers of growth had been expected to lose momentum even before the COVID-19 crisis, and the trend is likely to be amplified by the scarring effects of the pandemic.

An analytical section of the Global Economic Prospects report examines how lowering trade costs like cumbersome logistics and border procedures could help bolster the recovery among emerging market and developing economies by facilitating trade.

Despite a decline over the past 15 years, trade costs remain almost one-half higher in these countries than in advanced economies, in large part due to higher shipping and logistics costs.

Efforts to streamline trade processes and clearance requirements, to enable better transport infrastructure and governance, encourage greater information sharing, and strengthen competition in domestic logistics, retail, and wholesale trade could yield considerable cost savings, the World Bank report added.

Source: fibre2fashion.com– June 09, 2021

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Europeans want to buy in more ethical & responsible manner: Ginetex

Europeans want to buy apparel in a more ethical and responsible manner, according to a new study by Ginetex. About 65 per cent of them want to see more environmental information on their textiles' care labels, preferably a highlight on ecological care recommendations, the creation of an environmental eco-score or a focus on the proportion of recycled fabrics.

Europeans – who are major clothes consumers - are increasingly aware of their purchase when they buy their textile items, said Ginetex, the international association for textile care labelling, in its third European barometer for 2021, 'Europeans and the textile care label' conducted with IPSOS. The survey was carried out in seven European countries: France, UK, Germany, Italy, Sweden, the Czech Republic and Spain.

While Europeans widely recognise the usefulness of the textile care label, the understanding of the care symbols remains heterogeneous. About 98 per cent identify the ironing symbol perfectly. The same goes for the washing symbol, well recognised by nine out of ten people (90 per cent). However, only 27 per cent of people surveyed know the symbol for bleaching, 25 per cent for drying and barely 16 per cent for professional cleaning.

To help Europeans become familiar with these care symbols, Ginetex has developed a mobile application 'My Care Label'. This new mobile application, now launched internationally by Ginetex, helps users to take care of their clothes on a daily basis. On top of explaining the care symbols of all existing textiles, it provides tips and advices to clean and take care of textiles while also caring for the planet, Ginetex said in a press release.

Almost all respondents (93 per cent) had bought at least one piece of clothing in the past six months, the report said. When compared to the 2019 barometer, some features like the quality of the garment are increasingly decisive in the actual purchase. Currently, 49 per cent of Europeans consider that the quality of the clothing they are about to buy is an important criterion – a percentage that increased by 4 points over two years.

While the size (96 per cent) and composition of textiles (74 per cent) remain the Europeans' most sought-after piece of information, the presence or absence of care instructions also has a significant impact on their purchasing decision. The textile care label is an essential piece of information for a large majority of people surveyed: 74 per cent of Europeans would never, or rarely buy a garment without a care instruction label.

Despite its popularity and the attention that it raises, the relationship of Europeans with the care label is contradictory in terms of interest. While 71 per cent of Europeans on average, said that they follow the care instructions (82 per cent even find them useful), this barometer also shows that this figure varies considerably from one country to another. Yet, 68 per cent of the people surveyed said that they cut off their clothing labels, the study said.

About 34 per cent Europeans said that they follow the instructions to keep their clothes in good shape in order to be able to wear them longer, while 32 per cent follow them to avoid any problems when they wash their clothes, the report stated.

The study was conducted by the IPSOS institute for Ginetex on a sample of 1,000 people aged 18 to 65 in each of the 7 countries.

Source: fibre2fashion.com– June 09, 2021

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Europe's stimulus likely to keep running as economies reopen

The European Central Bank is expected to leave its stimulus efforts running at full steam Thursday even as the economy shows signs of recovery as pandemic restrictions ease.

And that could present a challenge for ECB head Christine Lagarde. She faces a balancing act: acknowledging improving economic data without triggering a premature market reaction that anticipates the eventual reduction in central bank support for the economy.

Any talk of a stimulus taper could mean higher borrowing costs for companies the last thing the ECB wants right now.

Even if economic developments would in our view clearly justify at least having a first tapering discussion, the sheer mention of such a discussion could push up bond yields further and consequently undermine the economic recovery before it has actually started," said Carsten Brzeski, global head of macro at ING bank.

The central bank for the 19 countries that use the shared euro currency has been purchasing around 85 billion euros per month in government and corporate bonds as part of a 1.85 trillion euro (USD 2.25 trillion) effort slated to run at least through early next year.

The purchases drive up the prices of bonds and drives down their interest yields, since price and yield move in opposite directions. That influences longer-term borrowing costs throughout the economy, sending them lower.

That's exactly what the bank wants at a time when many companies are struggling with reduced demand and higher debt and need to keep credit lines open so they can get to the other side of the pandemic.

Any hint, however, that the ECB is thinking about tapering the purchases could send market rates higher earlier than the central bankers would like. That's why any discussion could be postponed until the bank's Sept. 9 meeting or later.

The U.S. Federal Reserve will face a similar communications challenge; several officials have said that as the economy recovers, the U.S. central bank will eventually have to reassess its stance. Currently it is purchasing $120 billion in bonds each month. Fed policymakers next meet June 15-16.

IHS Markit's surveys of purchasing managers showed activity increasing sharply in May, including for the hard-hit services sector. The index reached 57.1, with anything over 50 indicating expansion. Statistics for economic output in the first quarter were revised up to minus 0.3% from minus 0.6%; the ECB expects a strong rebound in the second half of the year and growth of 4.0% for all of 2021.

Rising inflation also complicates the ECB's messaging. Normally, rising prices would lead a central bank to withdraw its stimulus. But in this case, ECB officials and economists say recent higher inflation figures are the result of temporary factors that will fade, leaving inflation below the ECB goal.

Eurozone annual inflation hit 2.0% in May due largely to higher oil prices. The ECB's goal is less than but close to 2%. The base comparison to lower oil prices during the pandemic year 2020 will soon drop out of the statistics, however, meaning post-pandemic inflation could be weaker than current figures might otherwise suggest.

Top bank officials have been making stimulus-supporting comments in recent days, leading analysts to think no real change is coming on Thursday. At its March 11 meeting, the government council said it would significantly increase the pandemic purchases during the April-June quarter.

After co-ordinated messages from ECB speakers in recent days, we expect the ECB to hold the course and keep purchasing assets at the current high pace, said Paul Diggle, deputy chief economist at Aberdeen Standard Investments. "But either way, investors will want to see the ECB thread the needle of talking up the economic recovery, while avoiding the dreaded tapering word.

Source: financialexpress.com– June 09, 2021

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USA: 'Unprecedented' Growth: NRF Rewrites Retail Sales Outlook

The National Retail Federation (NRF) is confident that the back half of 2021 will be prosperous for the U.S. retail industry amid pent-up demand as more consumers get vaccinated and resume their normal pre-pandemic routines.

The trade association raised its forecast for 2021 retail sales, now anticipating sales to jump between 10.5 percent and 13.5 percent, a significant upgrade from the initial projected growth range of 6.5 percent to 8.2 percent.

Total retail sales are now anticipated to reach $4.44 trillion and $4.56 trillion, up from $4.33 trillion and $4.40 trillion.

The outlook on online sales and non-store sales has not been revised, with the figure remaining between 18 percent and 23 percent.

NRF chief economist Jack Kleinhenz made the announcement during the association's inaugural State of Retail and the Consumer event Wednesday afternoon. In addition, NRF now projects full-year gross domestic product (GDP) growth to approach 7 percent, compared with the 4.4 percent to 5 percent forecasted earlier this year. Pre-pandemic levels of output are expected to return this quarter.

At the event, Kleinhenz said "economic activity was more frontloaded than expected" with April retail sales holding level with March figures. Retail sales in May have not yet been revealed by the U.S. Commerce department.

Given the strength of consumer spending, Kleinhenz anticipates this year will bring the U.S. retail industry its fastest growth since 1984. The "unprecedented growth" suggests that momentum is generated from pent-up demand as the economy reopens, according to Kleinhenz.

"There will likely be some shifting of spending away from goods towards services, but the retail industry has greatly benefited from this acceleration of spending, though this will only help increase employment and income, leading to more spending, creating a virtuous cycle," Kleinhenz said.

The NRF made its initial forecast in February, when uncertainty surrounded various factors including consumer spending, vaccine distribution, virus infection rates and additional fiscal stimulus, prior to passage of the American Rescue Plan Act.

Retailers must connect with conscious, but fragmented consumer base

The State of Retail and the Consumer event also shed light on how consumers are becoming increasingly divided on key issues and how retailers are aligning their businesses, products and services to appeal to conscious-driven consumers.

Terry Lundgren, former CEO of Macy's and founder and CEO of TJL Consulting Advisors, said during a panel he hosted during the event that it will be interesting to see how shoppers will continue to buy from companies that share their own values.

"In some cases, they want companies that take a stand and speak up about the issues that are important to them, political or social or otherwise," Lundgren said. "Yet there doesn't seem to be a unanimity around all of these various issues that are on the minds of these consumers. And of course, that means that taking a stand is complicated, and perhaps challenging to these actual companies' reputations."

Although certain concerns such as diversity, inclusion and sustainability are rising within most demographics, there are still other indicators that show that there is a lot of fragmentation within consumers of what causes they support, and retailers must be aware of this, according to Rachel Bonsignore, vice president of Gfk.

"There's a lot more nuance and complexity to different issues to what people want from brands that really has emerged in the last couple of years. There's more polarization and a wider variety of information sources that we're all kind of attached to in our own way," Bonsignore said. "We've seen just in the last couple of years that even though people are more maybe socially responsible and care about social causes, open-mindedness has gone down a little bit in the last few years. The idea of wanting to be exposed to points of view other than your own has actually gone down."

Karen Benway, a partner and consumer market leader at Ernst & Young, shared the key questions her firm typically asks clients that want to improve their ability to connect with shoppers on values.

"Are you providing undisputed reliable information to the consumer as a means with which to build your trust?" Benway said. "Are you consistently delivering on your brand promise and making sure it's well-defined and current? Are you then refreshing that periodically based on the demographics and who's shopping in your stores? Are you ensuring that consumers understand your ESG goals and communicating how that aligns with your business strategy?"

Bonsignore suggested that as retailers aim to define themselves, they have to realize that they might not be able to share the same values with every current or potential consumer.

"It's about sometimes being comfortable with losing some customers too and discovering just what place you want to play in the world and what role you want to have," Bonsignore said.

Source: sourcingjournal.com– June 09, 2021

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Gap Set to Close 19 Stores

Gap Inc. is planning to close 19 stores across the pond.

The San Francisco apparel giant came to the decision not to extended these European store leases, slated to expire in July, after a "strategic review," a spokeswoman said in a statement.

The company offered few details on which U.K. and Irish stores are slated for closure, though a Gap brand location in Belfast has already hung a store-closing sale sign.

The retail company will "maintain a presence in Europe," the spokeswoman said, pointing to Gap Inc. e-commerce channel, outlets and more than 50 remaining Gap-branded stores.

Gap first aired plans to tighten its belt in October, openly discussing strategies to run an "asset-light" European business. At the time, Mark Breitbard, global head of the Gap brand, said the strategic review for Europe looked at Gap-operated stores in Italy and France as well and didn't rule out closing a British distribution center in Rugby. E-commerce distribution for Gap and Banana Republic also came under review.

Breitbard cited third-party players via franchise partnerships as a "strong and cost-effective" way to amplify the Gap brand.

In August, the company noted plans to close over 225 unprofitable Gap and Banana Republic doors last year, above the 115 initially slated to go dark.

Gap Inc. last month raised its 2021 guidance after hitting $4 billion in Q1 net sales. The company also unveiled a collaboration with Walmart for a line of exclusive Gap home products beginning on June 24.

Source: sourcingjournal.com– June 09, 2021

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Vietnam: Textile and garment industry take advantage of opportunities as blockades lifted

Due to the impact of the COVID-19 pandemic, many countries around the world applied blockades and social distancing as well as closed their borders to limit the spread of the epidemic.

According to the General Department of Customs, the total export turnover of textiles and garments reached nearly US$9.7 billion in the first four months of the year, an increase of 10.7% over the same period last year. The United States continued to be the largest importer of Vietnam's textile and garment products at US$4.7 billion during this period, a year-on-year increase of 18.7%, accounting for 48.7% the country's total export value of textiles and garments, followed by Japan at US$1.07 billion and the EU at US$942 million.

Textile and garment enterprises have signed orders until the end of third quarter. Many units have signed contracts for orders until the end of the year and are entering into negotiations for 2022. This is considered a positive signal in the market, following more than one year of being "frozen" due to COVID-19 and also an "open" signal for businesses to boost exports, striving to achieve export turnover of US$39 billion.

According to the US Department of Commerce, the country's GDP growth reached 6.4% in the first quarter of this year (the biggest increase since 1984) and personal consumption increased by 10.7% - the second highest growth rate since 1960. The figure proves the increasing consumer demand. Similarly, the European Commission (EC) also revised the EU's GDP growth forecast to 4.3% in 2021 and 4.4% in 2022 as the region is on track to recover and accelerate consumer demand after a long time of blockades and consumption restrictions.

It can be seen that the successes in COVID-19 control, along with the economic recovery of countries around the world, have created a great opportunity for domestic textile and garment enterprises to boost the production and exports of their products. However, it is not easy to do this in the context of businesses having to implement the "dual" goals of preventing and combating the COVID-19 pandemic while ensuring economic development.

In the face of the complicated developments of the epidemic in the country, risks can occur at any time. When just one infection is detected, the whole factory will have to stop production, causing great damage to the enterprise. Therefore, they should flexibly and quickly adapt to market changes during and after epidemic outbreaks; proactively change production and business methods; promote appropriate technological innovation and digital transformation to take advantage of opportunities from new-generation free trade agreements.

In addition, businesses have expressed their wishes that the Government should have prompt mechanisms and policies to support them or launch economic support packages suitable for each industry, especially for enterprises with a large number of employees and direct damage due to the pandemic.

Source: en.nhandan.vn – June 10, 2021

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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 turnoveris 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: vietnamnet.vn – June 09, 2021

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Pakistan: Value-added textile export body for zero- rating restoration

The Value-added Textile Exports Association Wednesday demanded of the government to restore zero rating - no payment no refund system – and continue with Duty Drawback of Taxes (DDT) & Technology Upgradation Fund (TUF) scheme and duty-free import of cotton yarn in the forthcoming budget for 2021-22.

Addressing a joint press conference, the textile sector representatives also demanded reduction of withholding tax rate to 0.5 percent, suspension of EDF surcharge, reduce and fix tariffs of electricity, gas & RLNG to support the country's largest exporting sector.

They were of the view that the exports must remain top priority of the government as it is the lifeline of economy deserves government's continuous support. If the government assures to extend the deserving support to the value-added textile export sector it has the capacity to achieve the milestone and pledges to enhance its exports by 30 percent and will reach at $20 billion in FY2021-22 and will increase by 25 percent every year onward 2022-2023 resulting to surplus trade of Pakistan, more foreign exchange earnings & additional employment.

Zubair Motiwala Chairman, Council of All Pakistan Textile Mills Associations, Jawed Bilwani Chairman, Pakistan Apparel Forum, Tariq Munir Chairman Pakistan Hosiery Manufacturers & Exporters Association, Rafiq Godil Chairman Pakistan Knitwear and Sweater Exporters Association, Feroze Alam Lari Chairman Towel Manufacturers Association of Pakistan, Abdus Samad Chairman Pakistan Cloth Merchants Association, Zulfiqar Chaudhry Chairman All Pakistan Textile Processing Mills Association, Shaikh Shafiq Former Chairman Pakistan Readymade Garment Manufacturers & Exporter Association, Khawaja M. Usman Former Chairman Pakistan Cotton Fashion Apparels Manufacturers & Exporters Association, Amin Allana Chairman All Pakistan Bedsheets & Upholstery Manufacturers Association, Yusuf Yaqoob Chairman Pakistan Weaving Manufacturers Association participated in the Joint Press Conference held at PHMA.

The Chairmen of the Value Added Textile Exports Associations apprised that they have submitted Budget Proposals to the Federal Government wherein the top demand is to restore Zero Rating on GST i.e. "No Payment

No Refund Regime" through revival of SRO 1125 in letter & spirit as SME exporters have been closed down and decreased by 30 percent as compared to last year due to imposition of 17 percent which blocked exporters precious liquidity.

They were of the view that the textile exporters are optimistic and hopeful that the federal government in the Federal Budget 2021-22 will seriously consider and accept their demands, proposals and recommendations in the larger interest of the sector.

Industry representatives also highlighted that despite COVID19, the textile exports have increased by 17.35 percent as compared to last year and will touch $ 15.50 billion end of this fiscal year owing to incumbent government's policies, payments of Drawback of Local Taxes & Levies (DLTL)/Duty Drawback of Taxes (DDT), special/competitive tariff and uninterrupted supply of utilities.

Previously, due to commencement and payments of DLTL Scheme in 2009, the Textile Exports have increased by 7.3 percent in 2010 and by 35 percent in 2011. However, in 2012, textile exports were decreased by 11 percent due to withheld payments of DLTL. Therefore, it is most crucial that the government must continue the DDT scheme for the next five years. They demanded that Duty Drawback of Taxes on Garment, Home Textile & Fabric exports should be provided @ 7 percent, 6 percent& 5 percent respectively on shipment basis for next five years to compete in the international market as competing countries.

Further, Incremental DDT, on an increase of 10 percent exports over previous year, should also be provided @ 2 percent. This will bring huge investments in textile sector and shall encourage new-comer exporters to invest in textile sector.

They said that with the introduction of Technology Up-Gradation Fund (TUF) scheme in 2009, some 30 percent capacity of textile sector has been enhanced. Therefore, it is imperative to reinstate TUF Scheme for next five years. This will bring up-gradation and advancement in technology leading to production enhancement as well as exports.

They mentioned that Export Development Fund (EDF) Surcharge Collection is approximately Rs9 billion annually. They demanded to the government to suspend collection of EDF till unutilized amount of already collected Rs58 billion.

Exporters fall under final tax regime and required to pay 1 percent WHT of their export proceeds, it should be reduced from to 0.5 percent for exporters as this would also help the exporters in using the cash liquidity for enhancement of the exports, they demanded.

To compete in the internationally and capture more markets, it is crucial that tariff of electricity, Gas and RLNG for exporters should be fixed at 7.5 cents/kwh,Rs819/MMBTU and $6.5/MMBTU respectively for next five years and the same should be applied countrywide.

Owing to historically low cotton production in the country and severe shortage of cotton yarn, on demand of the Value-Added Textile Sector, government has allowed duty free import of Cotton Yarn till 30th June, 2021. The duty-free import of cotton yarn should continue until Pakistan's cotton production reaches to 14 million bales, they suggested.

They recommend that permission for import of raw materials and intermediate goods for manufacturing of finished goods meant for export under Duty & Tax Remission for Exporters (DTRE) should be automated and allowed to registered textile exporters through the Ministry of Commerce Textile Industry's RDA Cell.

The value added textile exports contribute to around 62 percent in total exports, provides 42 percent urban employment particularly to female workforce which mostly is widows and orphans, earns highest foreign exchange and supports approx. 40 allied industries.

Source: brecorder.com– June 10, 2021

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Pakistan: New budget — new wizardry?

Pakistan's annual budget is more of a political event than a national endeavour for some betterment. This has been the case since 1952 when we were first forced to go to the IMF. Since had taken loan from the IMF for the first time and ever since – we have become accustomed to begging. We have now chalked up 26 loans from the International Monetary Fund.

Nevertheless, the nation is eagerly looking forward to the incoming budget as it is the most important economic policy document for a country, affecting the lives of every Pakistani. Let us wait and observe the skills of the new financial team as they try and get these stringent IMF conditions relaxed.

Unfortunately, Pakistan had already made commitment to the Fund to increase FBR taxes by a massive Rs1.272 trillion (almost 2.8 per cent of GDP) in the coming budget 2021 and raise electricity rates by almost Rs4.97 per unit in the remaining three months of this year.

The former Finance minister, Hafeez Sheikh, gave an undertaking to continue making electricity tariff adjustments this year on monthly, quarterly and annual basis by 36 percent increase and imposition of new taxes equal to minimum 1.2 percent of GDP or Rs570 billion in the new budget. Now let us see what success the FBR has achieved? And what are the tax collection project figures for the next year?

FBR collects 10-15 percent of taxes every year. Yet the IMF wants us to increase the tax net to 30 percent, which is unrealistic will crush the common man. The government has also agreed to bring down the current year's development programme to Rs1.169tr against budgeted target of Rs1.324tr; the indirect taxes committed to be increased from Rs1000 billion to Rs1300 billion which would exacerbate growing inequality. If realised, this will trigger further price hikes and indirect taxes will start taking a toll on the ordinary people.

Imposing invisible indirect taxes through manipulation of statistical data is akin to cosmetic-surgery – giving the appearance of an 'Awami' budget. The government should avoid fudging the books and must announce withdrawing control of Statistics division from the Planning ministry. It should be placed under the Council of Common Interests to allow autonomy in terms of data collection and analysis.

The government has also made a commitment with IMF to not consider any tax exemption or tax amnesty in gas tariffs in future. All of these taxes and increased tariffs will lead to price hike. The present Finance Minister has to be a hard negotiator with the IMF to get the maximum relief and we must renegotiate the terms of repayment with World Bank and try to have secure deferrals in light of the ongoing pandemic.

As a political worker, I condemn the IMF for forcing Pakistan to increase the electricity tariff. This is a grave “injustice” as the price hike has already crippled our economy and increased corruption. The current IMF programme is a difficult one and such conditions also incur political costs.

Pakistan doesn’t currently have the capacity to raise its tariffs or taxes under the Fund scheme – hence we have to renegotiate the terms with the IMF. Tariff increase is not the only way to increase revenue.

I will also have to warn the government and lawmakers of the dire consequences that will be suffered over the next four years if the incumbent government is not able to take GDP growth to 5 percent. Even the man that the PTI had presented as its ‘financial wizard’ – Asad Umar – stepped down from the cabinet when he returned from Washington after negotiating a deal with the IMF. The decision left many feeling dismayed, since immediately after assuming power, the PTI pressed the panic button on the economy. The impression that PTI had given to Pakistan and to the rest of the world was that Mr Umar was the man to fix things. This image was tarnished badly.

Under his short nine-month tenure as Finance Minister, the growth rate had fallen by 2 percent, inflation had already hit close to 10 ten percent, gas prices had jumped up by over 40 percent and the Pakistani currency was constantly depreciating.

Despite giving such a heavy financial blow to the economy, Asad Umar could not carry on with IMF deal as he said himself that he didn’t want to tell the country what the IMF thought should happen to the rupee. They envisaged inflation at 19 percent and the discount rate was supposed to go to 21 to 22 per cent. Now that deal has already been struck with the IMF through another Finance minister, one can imagine the stern conditions that IMF might have attached.

Pakistan’s external debt servicing will remain over $10 billion a year for the next two years.

According to research conducted by IRR Pakistan, if we want to get rid of the IMF and its stringent conditions – we will need to follow the example set by Turkey as it stabilised its economy and escaped the IMF debt trap. Recep Tayyip Erdogan became prime minister when Turkey was a country that suffered from constant economic blows despite the fact that the rest of the world was doing fine economically. Now Turkey is thriving and its economy is still growing while the world is suffering the long-term effects of the 2008 economic crisis.

During both his premiership and presidency, Erdogan increased Turkey's GDP some 9-fold while that of neighbouring Greece remained almost stagnant. Over the last 15 years, Turkey has become home to a formidable manufacturing industry. Both president Gul and then PM and now the president played pivotal role and brought new model of governance by bringing back the presidential system where president Gul formed his own party.

In his first year of Govt, in 2001 he ended "State of Emergency" (Olaganustu Hal) in east of Turkey. This increased the investments to the east, inflation rate decreased to around 7-10 percent that decreased interest rates and this boosted consumption in all manners and credit cards and consumer loans became available for the masses.

Long term credits became available like mortgage and mortgage system became available after 2005-2006 and this helped people to build better houses, accumulations in treasury (dollar, gold) increased by 4 times. Long term international credits became available as before Erdogan, Turkey was craving IMF for 1-2 billion dollars with high interest rates. Today, Turkey can borrow money with payment over a generous 30 years. IMF offered 40 billion dollars in 2011 but Turkey rejected it.

Click here for more details

Source: dailytimes.com.pk – June 09, 2021

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NATIONAL NEWS

Niti Aayog CEO Amitabh Kant pitches for FTAs, asks Indian companies to be globally comp

India will lose huge opportunities if it keeps out of free trade agreements (FTAs) and Indian companies should aim to become globally competitive instead of adopting a protectionist stance, Niti Aayog CEO Amitabh Kant said on Wednesday.

Addressing a virtual event organised by the Broadband India Forum, Kant said the fear of being flooded by imports from FTA countries is not the correct approach.

"You first do manufacturing, bring size and scale, become globally competitive so that you can penetrate the global market. Problem is that Indian manufacturing companies spread protectionism," he said.

According to Kant, Indian companies must have the courage to take on global competition.

"Whether you like or not, over a period of time, you will see that FTAs will happen between different blocks and if India keeps out of it, we will lose huge opportunities also.

"And therefore it is very incumbent upon Indian companies to actually realise that you may benefit in one sector by not promoting FTA with Europe, but our textile exporters are losing there," he explained.

Kant further said as long as Indian companies are globally competitive, they will benefit global markets.

"Also important to understand that in global markets, you get 5X value of what you get in the domestic market. Indian companies must look at exports and use India as a hub for penetrating the global market," he said.

Noting that massive reforms have been carried out by the government, Kant said this is the right opportunity to penetrate the global value chain because they are moving away from one country and looking for alternative locations.

"And therefore, this is the opportunity for India and if we don't seize this opportunity now, then we will never be able to seize again," he asserted. In 2019, India, one of the leading consumer-driven markets in the world, pulled out of the mega RCEP trade deal, concerned that the elimination of tariffs would open its markets to a flood of imports that could harm local producers.

The Regional Comprehensive Economic Partnership (RCEP) deal signed in November comprised 10 member countries of the Association of Southeast Asian Nations (ASEAN) and five of the bloc's dialogue partners -- China, Japan, South Korea, Australia and New Zealand.

Last week, Commerce Secretary Anup Wadhawan said talks will resume soon on the stalled free trade agreement with the European Union (EU) as well as a pact with the UK.

Replying to a question on the production-linked incentive (PLI) scheme, Kant said the government realised that everything cannot be manufactured in India.

"There has to be theory of competitive advantage, what we are good at we should manufacture, what we are not good at we should not manufacture," he said.

Source: livemint.com– June 09, 2021

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Hedging your bets: How globalisation can enable manufacturers to grow sustainably amid Covid

Covid-19 has been an unprecedented crisis. The past twelve months have been both turbulent and testing for companies worldwide, and in particular, for manufacturers who have had to contend with unprecedented supply chain disruptions and demand volatility.

As the pandemic unfolded, industrial production across the globe declined sharply causing much concern. For instance, industrial production in the US declined steeply in April 2020 (-16.5% year over year), the European manufacturing industry witnessed declines in March and April, while industrial production did marginally grow thereafter and is now stabilizing.

Quite like the rest of the world, the Middle East and Southeast Asia saw a dip in revenue coupled with sourcing disruptions, which negatively impacted local manufacturers. The lockdown in India was more severe than in countries elsewhere. There has been a gradual improvement since, but production is yet to reach pre-pandemic levels.

If we thought of the pandemic as a massive wave that douses all it meets, if one was on a higher rock than the others, chances are you would have been less affected. So, companies that did have a global footprint as a firm, with a broad customer base across countries, saw their risk spread out while they weathered regional challenges in the short run.

In short, companies that were able to conduct business globally, saw more revenue come in from overseas markets than India and thus experienced significantly lower disruptions in the revenues.

The fundamental inference here is that a global presence enables companies to build a countercyclical buffer to demand crunch in any specific market. Companies must build competitive advantages that enable them to provide a compelling value to customers, globally. Building a global business takes time, especially for an Indian company and therefore it requires a deliberate and sustained commitment to a course of action towards this destination.

An honest assessment of current capabilities should inform how the company chooses to play in its markets, as well as partnerships or acquisitions that may be necessary. Acquisitions are a quick way of augmenting your position across the world. An expansionist mindset helps growth, even when there is a temptation to stick to your comfort zone in business.

Manufacturing companies also adopted other innovative strategies such as risk monitoring tools to weather the pandemic better. These tools monitored hundreds of thousands of digital sources to identify risks, enabling companies to predict country shutdowns days in advance. Staying ahead of the curve helped them accelerate the shipping of supplies out of the countries in question. They also used this insight to line up alternate sources of supplies, gaining a competitive advantage.

Agile firms had domestic sources for components similar to those unavailable due to the pandemic-induced Chinese industrial shutdown. They were able to offer customers the option of a similar product to the one they had ordered, rather than an exact match, thereby being able to meet deadlines without unduly compromising on customer satisfaction. In the wake of new realities such as digitalization, the digitisation of supply chains, automation, and other industry 4.0 initiatives will better equip manufacturing companies to handle the next global crisis, in addition to a comprehensive globalisation strategy.

Undisputedly, 2020 was not a favorable year for the economy and the industry as a whole, however, one could be optimistic about the future silver lining amidst the gray stormy clouds. The COVID-19 outbreak and the commotion in the supply of finished goods for global markets, as well as raw materials for businesses and industries everywhere from China, have led to a comprehensive evaluation of current supply chain structures.

A recently published Deloitte study reveals over 33% of manufacturing supply chain firms have shifted some of their operations away from China, or intend to do so over the next couple of years. Several industries have realized the drawbacks of being disproportionately dependent on manufacturing in a single country and are looking to expand the geographic spread of their facilities.

India has the potential to become the next global manufacturing hub. This could create opportunities for the Indian manufacturing industry with its skilled talent pool and natural resources. Governments are encouraging this trend with tax breaks and other incentives. So, there is an opportunity for manufacturing firms to change the complexion of their business from being India-centric to globally focused.

With the pandemic still ongoing, manufacturing firms that hedge against the risk of local lockdowns by developing a global presence will do better than their peers. Acquisitions are one way they can quickly expand market share across regions, albeit with some costs and risks.

Simultaneously, they should factor in risks as well as costs when deciding on their supply chain mix, to mitigate the effects of crises that span the world. A plant in one country could be affected one day, and a distribution center in another. Companies now need to be agile at the global level as crises increase in complexity and breadth.

“With COVID-19, we’ve made it to the life raft. Dryland is far away,” said epidemiologist Marc Lipsitch. This applies to business as well; we need to plan for crises, conserve resources and innovate to stimulate customer demand and move ahead of the competition.

Source: financialexpress.com– June 09, 2021

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Exports rise 52%; imports surge 83% in June first week

Goods exports from the country in the first seven days of June 2021 continued on the fast track growing 52.39 per cent (year-on-year) to $ 7.71 billion led by engineering goods, petroleum products and gems & jewellery.

Imports of goods in the June 1-7 2021 period increased by a sharper 82.91 per cent to $ 9.10 billion compared to the same period last year, per weekly trade trends shared by the Commerce & Industry Ministry on Wednesday. Electronic items, petroleum and precious and semi-precious stones were the top import items.

The pace of growth in exports and imports in the first week of June was broadly in tune with the increases posted in May 2021. Exports in May 2021 were 67.39 per cent higher at $ 32.21 billion, while imports posted a growth of 68.54 per cent to $ 38.53 billion.

Speedy vaccination and opening up of economic activities in India's major export markets (USA, EU, UAE and China) are the reasons for continued positive consumer sentiments in these regions, pointed out Prahalathan Iyer, Chief General Manager, Research & Analysis, India Exim Bank.

"Global demand is expected to rebound further with continuous stimulation measures and vaccination drives in the rest of the regions too. Therefore, it is an opportune time to drive conducive policies in support of export growth," he added.

Exports excluding POL (petroleum, oil, lubricants) increased by 49.35 per cent to $ 6.42 billion in the first seven days of June 2021 compared to the same period last fiscal. On the other hand, imports, excluding petroleum, increased by 72.79 per cent to $ 7.21 billion over the same period of 2020-21.

Exports of iron ore, oilseeds and spices, however, declined during June 1-7. USA, UAE and Bangladesh were the top growth export markets for India in the June 1-7 2021 period, while the top countries in terms of growth of imports sources by India were China, USA and UAE.

Source: thehindubusinessline.com– June 09, 2021

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Project Bandhan to protect cotton growers from pink bollworm launched in Vidarbha

The South Asia Biotechnology Centre (SABC), in collaboration with Agrovision Foundation, Nagpur, has launched an innovative and multi-stakeholder 'Project Bandhan' to protect cotton growers from the devastating pink bollworm.

The project aims at demonstrating mating disruption technology, promoting integrated pest management (IPM) based package of practices (POP) developed by ICAR-Central Institute for Cotton Research, intensifying skill development and training programs and amplifying effective PBW control measures to farmers across the Vidarbha region.

Project Bandhan is supported jointly by PI Foundation and Rasi Seeds Pvt Ltd and is being implemented across Vidarbha, Maharashtra, in partnership with cotton and textile value chain partners.

New hybrid seeds launch

As part of the launching ceremony, Project Bandhan has distributed high-quality Bt cotton hybrid seeds & IPM based POP in four clusters to 500 smallholder farmers of village Adasa/Waroda of Nagpur on Wednesday.

The outbreak of pink bollworm had hit cotton growers hard in Maharashtra in Kharif during 2020-21. There has been a noticeable increase in PBW infestation in Gujarat, Maharashtra, Telangana and Andhra Pradesh. Though large scale Bt cotton cultivation provides in-built protection against notorious American bollworm, the emergence of PBW has become the new enemy of cotton farmers. While the American bollworm infestation resulted in definite yield loss, PBW infestation primarily affects the lint quality. However, its early occurrence may even lead to a reduction in yield and significant losses.

Pre-empting emergence of pink bollworm

"We could pre-empt the emergence of Pink Bollworm in cotton as we began to address its sporadic occurrence in Bt cotton-growing areas of Gujarat and Maharashtra as early as 2015. Contrary to the American Bollworm, we knew that pink bollworm can be easily managed with proper agronomy, the time of sowing and effective pest control measures.

We successfully implemented awareness and training programs across Vidarbha in the last 3-4 years, consecutively. The outbreak in 2020 was a wake-up call. We seized the opportunity to roll out innovative and environment-friendly mating disruption technology to manage pink bollworm in Kharif 2021," said CD Mayee, President, SABC. Mating disruption is an innovative pheromone-based technique that interferes with the reproductive cycle of PBW in such a manner that the population levels are significantly reduced, and crop damage is diminished, SABC said in a statement.

Pheromone-based technology

The Central Insecticide Board and Registration Committee (CIBRC) had approved the pheromone-based mating disruption technology in the IPM strategies for controlling the population of PBW in India for the first time in 2019-20. Available in the solid metric dispenser rope (PB Knot), it can be easily tagged to the cotton plant. It releases sex pheromones to prevent the male moth from finding females and mating, disrupting the reproductive cycle. Thus, the mating disruption is emerging as a powerful tool to manage pest such as PBW and has become a part of the IPM module.

"Project Bandhan is an exemplary initiative to promote pheromone-based IPM production system of cotton. The novel PB Knot pheromone technology is easy to use, affordable and environment friendly innovation to manage the PBW," noted Prashant Hegde, CEO (Agr- Business) at PI Industries Ltd. As part of the CSR initiative, PI Foundation is keen to support the area-wide implementation of Project Bandhan, he said.

"Rasi Seeds Pvt Ltd has been supporting the Pink Bollworm campaign in Vidarbha for the last two years, implemented jointly by the SABC and Agrovision Foundation. Our joint efforts have resulted in the management of Pink Bollworm, particularly in Vidarbha.

We reinforce our commitment to support the innovative technology and programs to improve cotton production and farmers' realization. Project Bandhan is a unique program dedicated to showcase the utility, efficacy of novel mating disruption technology and IPM based production system," said Ramasami, Chairman of Rasi Seeds Pvt Ltd.

Source: thehindubusinessline.com– June 09, 2021

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Covid impact: Retail brands eye high streets for expansion, also target tier 2, 3 cities

In a calibrated move towards a post pandemic market, leading retail brands across categories are zeroing in on high-street markets in metro cities and tier II and III towns to expand across India. Between April 2020 and May 2021, some of these brands closed over 120 lease deals at prominent high street markets across Indian cities and towns.

The deal sizes ranged for areas as low as 400 sq ft to 35,000 sq ft, data from Anarock Research showed. Some Quick Service Restaurants (QSRs) within the food & beverages (F&B) category—including Starbucks, Pizza Hut, KFC — apparel brands and even large format stores like Pantaloons, Westside, Zudio Reliance Trends and Max, which are usually anchor tenants in malls, are now getting serious about their high-street presence.

"High street markets have been doing very well in these post-pandemic times and we are seeing many retail brands eye these locations as part of their expansion strategy. Well-capitalised retailers with established business models are using their competitive advantage to negotiate good deals to expand their footprint and gain a larger market share," said Pankaj Renjhen, COO & Joint MD, Anarock Retail.

According to him, high streets offer a good opportunity with attractively low start-up time, lower cost of operations and less dependency on immediate adjacencies. High streets already have a considerable base of footfall traffic.

Of the categories which closed high street leases, apparel had the largest share of deals with an over 23% share, followed by F&B with a 15% share, and jewellery with 12%.Hypermarkets and supermarkets mostly leased large high street spaces in smaller towns and cities.

"We prefer high-streets primarily because the delivery is faster, there are no common area charges (CAM) involved and we are looking at these locations for our further expansion in big cities and tier II and III towns. The pandemic has shown us that our strategy was in the right direction. There are certain cities like Mumbai and Delhi, where one has to be present in malls," said Tirthankar Banerjee, head - business development, MORE.

The top cities where leading brands expanded in this period include Bengaluru, Pune, Hyderabad, Delhi, Chennai, Mumbai and Gurgaon. The prominent tier II and III cities include Lucknow, Ahmedabad, Chandigarh, Patiala, and smaller towns in Uttar Pradesh and Madhya Pradesh like Indore, Bhopal and Gwalior.

In metro cities, some retailers are also willing to take well-located, road-facing spaces within good catchments rather than sign up at expensive high streets.

In another major post-pandemic trend, prominent hypermarket and supermarket brands are penetrating deeper into tier II, III and IV cities that offer high revenue-growth potential for these brands. Previously, smaller towns and cities depended on mom-and-pop stores for their daily grocery needs.

During the period, brands such as MORE Retail mostly leased large areas in smaller cities like Agra, Faizabad, Muzaffarnagar and Sitapur in Uttar Pradesh, and Bhubaneswar in Orissa – spaces ranging between 14,000 sq. ft. to 30,000 sq. ft. in area.

“Going forward, with limited quality retail stock coming up and in smaller cities' convenience as a key parameter, high streets are a viable solution for retailers to bridge the gap,” said Renjhen.

“Except in a few large cities, large-sized retail centres will be difficult to sustain as the pandemic has shrunk the retailer category - both in terms of the number of players and store sizes.”

The aggressive demand from retailers, particularly large corporate retail chains, is backed by the increasing resilience of non-metro customers. With lack of quality retail centres in most of these cities, demand has focused on high streets.

Additionally, the cost of operations in tier II and III city high streets is more competitive for retailers, while for consumers, the familiarity and location convenience of high street retail adds up well.

Source: economictimes.com– June 09, 2021

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Indian govt increases MSP of cotton for marketing season 2021-22

To ensure remunerative prices to the growers for their produce, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, has approved increase in the Minimum Support Prices (MSPs) for all mandated Kharif crops, including cotton, for marketing season 2021-22. Farmers may earn at least 50 per cent more over their production cost.

The MSP of medium-staple cotton has been increased from ₹5,515 for 2020-21 to ₹5,726 for 2021-22. While the MSP of long-staple cotton has been raised from ₹5,825 for 2020-21 to ₹6,025 for 2021-22.

The comprehensive cost of production for cotton for 2021-22 was calculated at ₹3,817 per quintal. The cost includes all paid on costs such as those incurred on account of hired human labour, bullock labour machine labour, rent paid for leased in land, expenses incurred on use of material inputs like seeds, fertilisers, manures, irrigation charges, depreciation on implements and farm buildings, interest on working capital, diesel/electricity for operation of pump sets etc., miscellaneous expenses and imputed value of family labour.

The increase in MSP for Kharif crops for marketing season 2021-22 is in line with the Union Budget 2018-19 announcement of fixing the MSPs at a level of at least 1.5 times of the All-India weighted average Cost of Production (CoP), aiming at reasonably fair remuneration for the farmers.

Besides MSP, the Umbrella Scheme "Pradhan Mantri AnnadataAaySanraksHan Abhiyan' (PM-AASHA) announced by the government in 2018 will aid in providing remunerative return to farmers for their produce. The Umbrella Scheme consists of three sub-schemes i.e. Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) and Private Procurement & Stockist Scheme (PPSS) on a pilot basis, an official release said.

Source: fibre2fashion.com– June 09, 2021

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GST compensation arrangement enough for FY22: Icra

The GST compensation cess collections, back-to-back market loans and some funds parked in the GST Compensation Fund will be enough to meet the Rs 2.63 lakh crore needed in FY22 to compensate states for shortfall, but it will not be enough to pay Rs 61,000-crore arrears for April-January of FY21, rating agency Icra said.

"For FY22, we estimate the combined protected revenues of all the states at Rs 8.72 lakh crore and the state GST (SGST) collections at Rs 6 lakh crore. Accordingly, we estimate the GST compensation requirement for FY22 (April-March) at Rs 2.7 lakh crore. Out of this, the proportionate compensation for the period April 2021-January 2022 is pegged at Rs 2.26 lakh crore, which is expected to be disbursed to the state governments in FY22 itself. The balance Rs 45,200 crore for February-March 2022 would be rolled over to FY23," Icra said.

The compensation requirement for February-March of a fiscal typically gets rolled over to the next year.

Accordingly, a total payout of Rs 2.63 lakh crore (Rs 36,700 crore for February-March 2021 plus Rs 2.26 lakh crore) would need to be released by the Union government to the state governments during FY22 for the 12 months from February 2021-January 2022, it said.

The opening balance of Rs 4,700 crore in the GST Compensation Fund, the projected cess collection of Rs 1 lakh crore for FY22 and the back-to-back market borrowing of Rs 1.58 lakh crore, announced recently by the Union government, would provide Rs 2.63 lakh crore to the Centre to release as GST compensation to the state governments in the current fiscal, it said.

"This is sufficient to cover the GST compensation for the period February 2021-January 2022. However, the available funds will not cover the sizeable spillover of Rs 61,000 crore pertaining to the period April 2020-January 2021, the financing options for which remain unclear," Icra said.

Icra has estimated the amount of compensation related to the period April 2020-January 2021 at Rs 2.41 lakh crore, against which the Union government has released Rs 1.8 lakh crore to the state governments in FY21 through back-to-back loans and the inflows of GST compensation cess.

Accordingly, it estimates that a compensation of Rs 61,000 crore pertaining to the period April 2020-January 2021, is pending. Moreover, the compensation for February-March 2021 is estimated by the rating agency at Rs 36,700 crore, which is expected to be released in FY22.

Source: financialexpress.com– June 10, 2021

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FinMin releases third instalment of revenue deficit grant of Rs 9,871 cr to 17 states

The Finance Ministry on Wednesday said it has released third monthly instalment of revenue deficit grant of Rs 9,871 crore to 17 states.

With the release of this instalment, total Rs 29,613 crore has been released in the first three months of the current financial year as Post Devolution Revenue Deficit Grant to states.

The Department of Expenditure on Tuesday released the 3rd monthly instalment of Post Devolution Revenue Deficit (PDRD) Grant of Rs 9,871 crore for the year 2021-22 to 17 states, the ministry said in a statement.

The Centre provides PDRD grant to states under Article 275 of the Constitution. The grants are released as per the recommendations of the Finance Commission in monthly instalments to meet the gap in Revenue Accounts of states post devolution.

The 15th Finance Commission has recommended PDRD grants to 17 states Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Karnataka, Kerala, Manipur, Meghalaya, Mizoram, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttarakhand and West Bengal.

The eligibility of states to receive this grant and the quantum of grant was decided by the Commission based on the gap between assessment of revenue and expenditure of the state. Assessed devolution for financial year 2021-22 was also taken into account by the Commission.

The 15th Finance Commission has recommended total PDRD grant of Rs 1,18,452 crore to 17 states in 2021-22. The grant is released to states in 12 monthly instalments.

Source: financialexpress.com– June 09, 2021

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Finmin economy report: Faster jabs and upfront fiscal steps, key to recovery

Quickening the pace and coverage of vaccination is critical to help India heal and get the momentum back in the economy, a Finance Ministry report said on Wednesday. However, it said that manufacturing and construction sectors will experience 'a softer economic shock' in the ongoing quarter (April-June).

"As we cautiously recuperate from the second wave, rapid vaccination and frontloading of the fiscal measures planned in the Budget hold the key to invigorating the investment, and thereby consumption, cycle in the coming quarters," the monthly report of the Economic Affairs Department said.

The report listed elements key to maintaining the delicate balance of life and livelihoods. These include continued vigilance on pandemic preparedness, upscaling health spending and health infrastructure, faster roll-out of vaccines and vaccination, investing in research and development to be prepared for mutants of the virus, prudent and pre-emptive restrictions, and strict observance of Covid-appropriate behaviour.

Highlighting the fact that economic activity is inextricably linked to the path of the pandemic, the report said the intensity of the second wave could not be predicted by epidemiologists, which suggests that it is difficult to plot the trajectory of Covid-19 in the subsequent part of the year. However, it reiterated the hope that the impact of the second wave would not be very severe on the economy. It also noted the forecast of a good monsoon bodes well for the agricultural sector gathering momenutum.

"Concomitantly, high frequency indicators in real and financial sectors like power consumption, E-way bills and foreign portfolio investment (FPI) flows witnessed a slight uptick in the second half of May 2021 after enduring the second wave driven contraction during April and first half of May," the report said.

"With State-level lockdown restrictions being more adaptive to learnings from the first wave, manufacturing and construction activities are expected to experience a softer economic shock in the current quarter. However, the speed and scale of the second wave has created some downside risk as the economy was still recovering from last year's supply and demand shocks," it said.

Source: thehindubusinessline.com– June 09, 2021

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Gujarat's exports from SEZs surge 20% in May

The cumulative exports from Gujarat's functional special economic zones (SEZs) surged 20% to Rs 18,441 crore in May this year from Rs 15,418 crore in the preceding month of April, according to government data.

Increase in exports of petroleum, pharmaceutical and chemical products pushed up the overall exports from the 20 SEZs operational within the state. The exports from Reliance SEZ increased by 36% from Rs 10,203 crore in April to 13,869 crore in May. During the same period, Zydus SEZ, which is a pharmaceutical SEZ, saw its exports grow from Rs 396 crore to Rs 443 crore, while Dahej SEZ's exports moved up from Rs 585 crore to Rs 757 crore.

However, exports from GIFT and TCS SEZs located in Gandhinagar as well as Surat SEZ in Surat and Sterling SEZ in Bharuch witnessed a declined in May on month-on-month basis, the government data further showed. On year-on-year basis, the cumulative exports jumped 143% due to low-base effect as the exports remained muted at Rs 7,594 crore in May last year due to lockdown-induced disruptions.

"Several countries such as the US and Dubai have opened up their markets for exports. The demand from such overseas markets pushed up overall SEZ exports in May. Most SEZs in Gujarat are geared up to meet this growing demand," said sources aware of the matter. "There has also been a diversion of orders, especially in pharmaceuticals, chemicals and other sectors, from China to India as well," said sources.

According to sources, many industrial units in SEZs have aligned themselves with the demand in the international market. Most of them have the flexibility of adapting to the international demand.

SEZ are also working hard to make up for the losses incurred in last financial year due to the pandemic and the industrial units in these SEZs are capturing all the possible opportunities in the export market to cover the last year's losses.

For entire 2020-21, the cumulative exports — both merchandise and services — from the functional SEZs in Gujarat plummeted to Rs 1.27 lakh crore from Rs 1.57 crore in 2019-20.

Source: timesofindia.com– June 10, 2021

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Shift to rail freight, modern logistics can lower cost, prevent pollution: NITI Aayog-RMI report

'By 2050 logistics cost, energy consumption can be cut by half'

Increasing the share of rail transport, optimising truck use, promoting use of fuel-efficient vehicles and using alternative fuels in freight movement can lower logistics costs andIndia's cumulative energy consumption by 50 per cent between 2020 and 2050 under a business-as-usual scenario.

Under such a scenario, cumulative energy consumption is pegged at 5.8 billion tonnes of oil equivalent (TOE), said a report by NITI Aayog, RMI and RMI India titled Fast Tracking Freight in India: A Roadmap for Clean and Cost-Effective Goods Transport.

Modernised warehouses, use of big data, technology adoption, standardisation of cargo, and use of larger trucks will lower logistics costs. Several countries such as the US and Australia which have increased the share of rail transportation over a period and how furniture major IKEA, among others, has slashed logistics costs.

Innovation

For instance, IKEA increased the load capacity of one of its products, Glimma tea candles, by 30 percent by simply rearranging them to increase packing density and reducing excess air. With a new packaging design for the candles, IKEA was able to pack more units.

But since the truck reached its maximum weight carrying capacity before its volume was full, IKEA started filling the rest of the space with lightweight products such as pillows and mattresses, noted the report. India can save 10 giga tonnes of CO_2, 500 kilotonnes of particulate matter and 15 million tonnes of nitrogen oxide (NO_x) caused by freight transport by 2050 by promoting rail transport and reducing road traffic, among others, it said.

Cost cutting

Transport costs can be reduced by improved modal share, trucking efficiency, and reducing fuel costs. Improved freight movement increases employment opportunities for less developed regions or disadvantaged social groups through direct jobs such as freighters, managers, and shippers. More importantly, improved connectivity through the development of infrastructure can lead to the creation of manufacturing jobs as well as supporting service sector jobs such as insurance and finance. Overall, this can help reach the Ministry of Commerce and Industry's target to increase employment in the logistics sector by two crore by 2022.

Development of freight-specific infrastructure can provide robust connectivity between major agricultural, industrial, and cultural centres in India, creating economic benefits, it added.

As India's freight activity grows five-fold by 2050 and about 400 million citizens move to cities, a whole system transformation can help uplift the freight sector. "This transformation will be defined by tapping into opportunities such as efficient rail-based transport, the optimisation of logistics and supply chains, and shifts to electric and other clean-fuel vehicles. These solutions can help India save ₹311-lakh crore cumulatively over the next three decades," stated Clay Stranger, Managing Director, RMI.

Source: thehindubusinessline.com– June 07, 2021

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India's Export Opportunities Along the International North South Transport Corridor

The recent Suez Canal blockage, which cost the global economy a hefty damage amounting to US$9 billion, has amplified the optimistic outlook towards the International North South Transport Corridor (INSTC) as a cheaper and faster alternative multimodal transit corridor.

The INSTC connects India with Central Asia, Russia, and has the potential to expand up to Baltic, Nordic, and Arctic region.

This connectivity initiative, when viewed with its underlying commercial advantages, can bring about a transformative development in the region, facilitating not just transit but humanitarian assistance as well as overall economic development.

For India, it provides a shorter trade route with Iran, Russia, and beyond to Europe, creating scope for increased economic engagement.

Furthermore, when looked at in sync with the Ashgabat Agreement, the INSTC could be the key to India's "Connect Central Asia" policy.
What is the International North South Transport Corridor?

The INSTC is a 7,200 km-long multimodal transportation network encompassing sea, road, and rail routes to offer the shortest route of connectivity. It links the Indian Ocean to the Caspian Sea via the Persian Gulf onwards into Russia and Northern Europe. It is aimed at reducing the carriage cost between India and Russia by about 30 percent and bringing down the transit time by more than half.

It was launched in 2000 with India, Russia, and Iran as its founding members and work on actualizing the corridor began in 2002. Since then, INSTC membership has expanded to include 10 more countries – Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Ukraine, Syria, Belarus, and Oman. Bulgaria has been included as an observer state. The Baltic countries like Latvia and Estonia have also expressed willingness to join the INSTC.

Architecture of the INSTC: Transport routes and modes

The INSTC spirals across the following branches:

Central branch: It begins from the Jawaharlal Nehru Port in India's western state of Maharashtra (in the Indian Ocean Region) and connects to the Bandar Abbas port on the Strait of Hormuz. It then passes through the Iranian territory via Nowshahr, Amirabad, and Bandar-e-Anzali, runs along the Caspian Sea to reach the Olya and Astrakhan Ports in Russia.

Western branch: It connects the railway network of Azerbaijan to that of Iran via the cross-border nodal points of Astara (Azerbaijan) and Astara (Iran) and further to Jawaharlal Nehru port in India via sea route.

Eastern branch: It connects Russia to India through the Central Asian countries of Kazakhstan, Uzbekistan, and Turkmenistan.

Recently at an event called "Chabahar day", organized March 4, this year, during the Maritime India Summit, India proposed the inclusion of the India-invested Chabahar Port in Iran within the scope of the INSTC. India also suggested the extension of membership to Afghanistan and Uzbekistan and envisaged an "eastern corridor" comprising a land route between Kabul (Afghanistan) and Tashkent (Uzbekistan). Chabahar port holds significance for India as it helps India bypass its fractious neighbor Pakistan, which has blocked India's access to Afghanistan and other landlocked Central Asian Region (CAR) countries. Chabahar is also often pitted against the China-invested Gwadar port in Pakistan. Meanwhile, the Iranian government has invited China and Pakistan to consider the integration of Gwadar into the INSTC, calling it Chabahar's "twin sister".

What is the economic rationale for the INSTC?

Even though the progress of the corridor has been sluggish in the last two decades, it has recently picked up pace, motivated by several geopolitical and geo-economic developments. While there may be several factors, including rebalancing of power, at work in the conceptualization and steering of the corridor, its sustainability and success mainly rests on its economic viability as well as commercial benefits accrued by the participating nations. The primary reason it may hold solid ground in the future is its equality-based approach, which provides the same level playing field to all the members, juxtaposed with its Chinese counterpart, the patronage-based Belt and Road Initiative.

Click here for more details

Source: india-briefing.com– June 09, 2021

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Yarn flux riddle gets textile producers' heads spinning

Relieved though at the sight of easing lockdowns in the other states and hopeful that goods will start moving, the garment and textile producers have a new worry in the fluctuating rates of yarn, their biggest raw material. They claim that the hike is artificial.

The manufacturers look to the state and central governments for help in increasing production. Sharing his concerns with the media, Bharatiya Vyapar Mandal senior vice-president Radhe Shyam Ahuja said: "In the last one year, the price of yarn increased by 64% or more.

The cost of each kilogram of acrylic yarn moved from Rs 170 in September 2020 to now Rs 280. PC Yarn which, one of the commonest raw material, went from Rs 150 to Rs 240 in the same interval, while cotton yarn blew up from Rs 250 to Rs 300."

Ahuja, who also is president of the Ludhiana Yarn Dealers Association, said: "The huge increase and frequent fluctuation in the yarn rate hurts not only the garment and textile industry but also the yarn traders and general public. A handful of people engineer this fluctuation. We are trying to alert the central and state governments, along with expecting a solution."

Knitwear Club chairman Vinod Thapar said: "A pricier yarn is beyond our understanding, as the ground report suggests a huge drop in demand over the last few months due to a fall in production. Instead of declining, the rates have shot up, that too by 50 to 60%, which makes it clear that this is a man-made situation. The garment makers who lost sleep over how to dispose of the huge stock that piled up during the lockdowns now must also find a way to absorb the price shock."

Moti Nagar United Factory Association executive member Hemant Abbi said: "A costlier yarn has given us a big headache. Many members shut their factories and got into trading because they couldn't take more losses. The rest of us also feel helpless, since the trend of unjustified increase in the yarn rates has not changed for a year and the government is unable to do anything about it."

Source: timesofindia.com– June 10, 2021

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Punjab textile industry availed Rs7,600 cr credit in 2020

Punjab-based textile and apparel industry availed credit of Rs 7,600 crore as of December 2020, a decline of 6.7% year-on-year. This is due to the suspension of manufacturing activities in the aftermath of Covid-induced lockdown in March 2020, according to a report by Centre for Research in International Finance (CRIF) and Small Industries Development Bank of India (SIDBI).

Out of this, Ludhiana-Jalandhar-Amritsar region accounted for Rs 7,560 crore. The number of active loans stood at around 15,000 units as of December 2020.

Punjab ranks sixth in terms of credit portfolio. Maharashtra has the largest share of credit portfolio at Rs 40,400 crore, followed by apparel clusters such as Tamil Nadu, Gujarat, West Bengal and Delhi. Nationally, the total credit availed by the sector as of December 2020 stood at Rs 1.62 lakh crore, a decline of nearly 20% y-o-y.

Navin Chandani, MD & CEO, CRIF India, said, "Each state has a unique contribution to the apparels and textile sector. The government announced a special package in May 2020 under the AatmaNirbharBharat Abhiyan that is set to benefit small-scale entities.

The right policy interventions, abundant availability and fair access to raw materials along with surplus available labour can further boost the development of this crucial sector."

Source: tribuneindia.com– June 09, 2021

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