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INTERNATIONAL NEWS

May Air Cargo Demand Lands 9.4% Above Pre-Covid Levels

Global air cargo demand was up 9.4 percent compared to May 2019, with seasonally adjusted demand rising 0.4 percent compared to April–the 13th consecutive month of improvement, the International Air Transport Association (IATA) reported.

IATA said as comparisons between 2021 and 2020 monthly results are distorted by the extraordinary impact of Covid-19, comparisons in its data set were made to May 2019, which followed a normal demand pattern.

The pace of growth slowed slightly in May compared to April, which saw demand increase 11.3 percent against pre-COVID-19 levels in April 2019. But air cargo did outperform global goods trade for the fifth straight month.

Capacity remains constrained at 9.7 percent below pre-COVID-19 levels in May 2019 due to the ongoing grounding of passenger aircraft, IATA noted. Seasonally adjusted capacity rose 0.8 percent month-on-month, the fourth consecutive month of improvement indicating that the capacity crunch is slowly unwinding.

IATA said underlying economic conditions and favorable supply chain dynamics remain supportive for air cargo. This includes a 0.5 percent increases in global trade in April. What's more, the cost-competitiveness of air cargo relative to that of container shipping has improved. Pre-crisis, the average price of air cargo was 12 times more expensive than sea shipping. In May this year, it was just six time more expensive, IATA said.

"As economies unlock, we can expect a shift in consumption from goods to services," Willie Walsh, IATA's director general, said. "This could slow growth for cargo in general, but improved competitiveness compared to sea shipping should continue to make air cargo a bright spot for airlines, while passenger demand struggles with continued border closures and travel restrictions."

North American carriers contributed 4.6 percentage points to the 9.4 percent growth rate in May. Airlines in all other regions except for Latin America also supported the increase.

Asia-Pacific airlines saw demand for international air cargo increase 5.3 percent in May compared to the same month in 2019. This was a decrease compared to the previous month due to a slight slowdown in growth in several large trade routes such as "within Asia," IATA said. International capacity remained constrained in the region, down 16.9 percent versus May 2019.

North American carriers posted a 25.5 percent increase in international demand in the month from two years earlier. This was on par with April's performance and the strongest of all regions. International capacity grew 1.6 percent compared with May 2019. "Underlying economic conditions and favorable supply chain dynamics remain supportive for air cargo carriers in North America," IATA said.

European carriers posted a 5.7 percent rise in demand in May 2021 compared to the same month in 2019. This was a decrease in performance compared to the previous month due to a slight slowdown in growth on key trade routes. International capacity decreased 17.3 percent in May versus May 2019, remaining unchanged from the previous month.

Middle Eastern carriers saw a 14.1 percent rise in international cargo volumes in May from the same month in 2019. This was a slight decrease compared to the previous month. International capacity in May was down 6.1 percent compared to the same month in 2019, up from the 10.1 percent drop in April.

Latin American carriers reported a 14 percent decline in international cargo volumes in May compared to the 2019 period. This was the worst performance of all regions, but a significant improvement compared to the previous month, which saw a 32.3 percent decline in demand. International capacity decreased 24.9 percent compared with May 2019, an improvement over the 52.3 percent decrease in April.

African airlines' cargo demand in May increased 24.5 percent compared to the same month in 2019. This was a decrease in performance compared to the previous month due to a slowdown in trade flows between Africa and Asia, IATA noted. May international capacity increased by 0.5 percent compared to May 2019, remaining relatively unchanged from April.

Source: sourcingjournal.com– July 08, 2021

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USA: 'Historic Run' Hamstrings Container-Clogged Ports

If one issue has impeded the fashion industry's hopes of a recovery in 2021, it has been shipping headaches. It's hard to imagine any piece of the supply chain that has not faced difficulties from massive delays and skyrocketing freight costs. The looming question is not when, but if things will ever return to some kind of normalcy.

The import rush reached a crescendo in February, with hubs like the Port of Los Angeles and Port of Long Beach "pushed to the brink" by the record-breaking arrivals, container shortages and the sidelining of workers due to Covid, according to the International Longshore and Warehouse Union. The Port of Long Beach's executive director, Mario Cordero, noted that the sheer volume of imports that the complex experienced was "unprecedented," surpassing any other fluctuation in recent decades. "Nothing compares to what we're experiencing this year," he said at the time.

The SoCal port complex is responsible for moving an estimated $400 billion during an average year. Momentous disruptions in 2020 constrained that flow to a relative trickle, especially at the start of the pandemic. Still, the Port of Long Beach processed $17 billion in goods, and the gateway's February metrics showed a 32.7-percent year-over-year increase in cargo imports from the same period last year.

Cordero said that Long Beach saw queues 37-vessels strong waiting to berth in late February, while Phillip Sanfield, a spokesperson for the Port of L.A., quoted up to 40 during the same time period. As workers struggled to keep up with the deluge of cargo, shipping containers piled up, and ground logistics providers struggled to gain access to the goods they were commissioned to transport to warehouses.

Across the globe, the shortage of containers combined with the high demand for space on cargo ships led to dizzying increases in shipping prices that reached up to four times agreed-upon rates in some cases.

The issue was exacerbated in late March, when a massive container ship ran aground in the Suez Canal. The 1,312-foot vessel blocked traffic in the Egyptian waterway for six days, halting the movement of critical goods like oil, chemicals, grains and other commodities, and costing the global economy about $400 million an hour in the process, Everstream Analytics estimated.

Authorities gauged the canal's week-long shutdown to have tied up as much as 15 percent of global container shipping capacity, causing rates to shoot skyward. By late April, Drewry's composite World Container Index (WCI) revealed an average cost of $5,096 per 40-foot container or equivalent unit (FEU)—$3,292 higher than the five-year average of $1,804.

Despite the price hikes, companies clamored to outbid competitors for space on ships, desperate to bring already-late orders to their destinations. According to Everstream, shipping hubs in Europe and Southeast Asia, like Rotterdam, Holland and Singapore, faced especially high congestion levels due to the concurrent arrival of vessels. Ocean carriers also began skipping calls at smaller ports in order to streamline their routes and return to Asia more quickly for their next round of shipments.

As costs and delays continued to mount, China's third-largest port faced a Covid outbreak in late May that crippled operations, leading to a sizable backlog of goods. The Yantian port, situated north of Hong Kong, moves about 25 percent of the country's total export volume to the U.S., according to Gartner analyst Brian Whitlock. Amid the outbreak and subsequent closures to parts of the facility for sterilization, production dwindled, hovering around 20 percent throughout June and doubling by mid-month.

Meanwhile, about 25,000 containers stuck at Yantian remained out of commission for weeks, and many ships canceled their sailings to the port through the end of June and early July, rather than risk becoming stuck at anchor, Whitlock said. Shippers whose goods originated at other ports in China also saw their goods held up by the delays, since Yantian is a part of the service string for many ocean freighters.

Following the developments at Yantian, UBS data indicates that container prices are expected to climb during the peak shipping season of August through October, when capacity dries up due to back-to-school and holiday shipments.

Compared with August of 2020, current container rates going to the West Coast have already climbed to between $8,000-$9,000 per unit, UBS said in late June, while East Coast-bound containers are experiencing rates of about $12,000—and up to $25,000 in some instances, for spot pricing. Comparatively, in 2019, containers shipping to the West Coast cost brands around $1,000, while East Coast units averaged $2,200.

These astronomical rate increases, combined with the ongoing port congestion, have led to inventory shortages and lost sales for brands after a year full of headwinds, the National Retail Federation (NRF) said in June. The retail trade group requested a meeting with President Biden to discuss the roadblocks preventing brands and retailers from meeting burgeoning consumer demand and forecasted that retail sales will grow by up to 13.5 percent, to more than $4.44 trillion, this year.

The American Apparel & Footwear Association (AAFA) also fired off correspondence to Biden last month, noting that continued backlogs at ports, container shortages and ground transport disruptions have all hampered retail's recovery—even as vaccinated shoppers head back to stores.

"There's no shortage of demand from consumers, but there continue to be shortages of labor, equipment and shipping capacity to meet that demand," Jonathan Gold, NRF vice president for supply chain and customs policy, said. "Supply chain disruptions, port congestion and rising shipping costs could continue to be challenges through the end of the year."
When will the ports recover?

Despite experts' grim outlook for a total recovery in the near future—Gartner's Whitlock projected that shipment delays and container shortages will continue to impede global trade through Chinese New Year—U.S. ports have ramped up production to record levels in recent months.

NRF's Global Port Tracker noted that American ports handled 2.15 million 20-foot containers or equivalent units (TEUs) in April, making for the busiest April on record. Volume increased by more than one-third from 2020, the data showed. The group forecasted that May would see a year-over-year increase of 51.1 percent, amounting to 2.31 million TEUs hitting U.S. shores.

"This has really been a historic run over the past year," The Port of L.A.'s Sanfield told Sourcing Journal. After seeing import volumes fall by 25 to 30 percent during the pandemic's peak, "an unprecedented buying surge kicked into gear."

"It picked up late last summer, and it's just been at an incredible clip since then," he said. "What we've seen at the ports is that each month has basically been a record-breaking month, one bigger than the next."

Pre-pandemic, it was rare to see vessels waiting to berth at the port, he added. “It’s kind of like LAX—if your plane was due in at 8:15, a gate was assigned to you, and it would be open for you to come in and land.”

Now, all that has changed. The port is currently handling an average of 900,000 containers each month—42 percent higher than 2020 volumes, Sanfield said. That number would have once represented a “great month during the peak season,” but now has become a norm. Prior to the Covid crisis, the port was seeing about 10 ships berth each day, and now, an average of 16 vessels are docking daily.

In May, the Port of L.A. set an all-time Western hemisphere record when it surpassed 1 million TEUs—a productivity leap of 74 percent from the same period last year. Just one month later, the port bested itself again, becoming the first in the Western hemisphere to process 10 million container units in a 12-month period.

“The port is the beating heart of our economy, the backbone of our region’s prosperity, and the crossroads that makes Los Angeles a true gateway to the rest of the world,” Los Angeles Mayor Eric Garcetti said at a ceremony commemorating the event. “Reaching this remarkable milestone is a reflection of its role as a critical engine of the global supply chain—and a testament to our unmatched port infrastructure and highly skilled workforce.”

L.A.’s record-breaking numbers are especially notable given the past year’s challenges, which saw about 900 port workers sidelined by Covid infections, Sanfield said. And even as productivity churns at a historic rate, the port is still imploring the 200,000 different cargo owners that utilize the gateway to quickly collect their goods to make room for the unending stream of containers floating in from overseas. The challenge is compounded by the continued shortage of warehousing and distribution space felt across the state, he added.

The trade imbalance with Asia will also continue to add to the pileups at American ports, Sanfield said. “What we’re experiencing is one-way trade—it’s all on the import side,” he said, noting that L.A. is currently processing five containers loaded with imports for every single container that ships out filled with American-made goods. “It’s not a sustainable situation,” he said, noting that freight forwarders are so eager to get containers back to Asia to fill them with more goods that they’re making the return trip empty.

"We at the Port of L.A. have called for a national export initiative so that we can help American manufacturers and agricultural exporters somehow get ahold of these containers, and make it work," he added.

As pressures continue to mount, the port is pushing to drive efficiency through digital investments aimed at providing more visibility into operations, Sanfield said. This spring, it launched a tool called Control Tower, which provides snapshots of turn times at all of the cargo terminals. These insights are updated continuously with GeoStamp data that is broken down by daily and monthly historical averages going back to 2017, helping the port to quickly identify trends in shipping and fluctuations in volume.

The tool builds on the Port Optimizer cloud-based digital portal for maritime shipping data, which launched in 2017, as well as the Signal, which provides a three-week snapshot of cargo coming into the port on a daily basis. In November, the Port of L.A. launched the Return Signal, which provides data for trucking companies that lets them know when and where to return empty containers within the complex.

While these tools are helping to streamline operations and increase cargo traceability, Gene Seroka, the Port of L.A.'s executive director, believes that government intervention is needed in order to help lessen the load felt by America's port systems. On June 15, Seroka submitted written testimony on the impacts of shipping container shortages, delays and increased demands on the supply chain to the U.S. House of Representatives committee on transportation and infrastructure.

"When our supply chains work well, they operate largely unnoticed, delivering essential goods, creating jobs, and driving economic growth and prosperity across the nation," he wrote.

"Clearly, a well-functioning supply chain is in the national interest, but effective federal support to improve the performance of our supply chains must be developed with a solutions oriented approach and with representation from relevant federal agencies and supply chain stakeholders," he added, including cargo owners, port authorities, ocean freighters, marine terminals, the trucking industry, railroads, warehouses, and customs brokers and freight forwarders.

"Our freight system requires robust freight infrastructure investment, and importantly, this investment should include accelerated and integrated digitalization of the supply chain," the executive director said. Moreover,

those systems—which are already humming across Asian and European gateways—must be bolstered in the U.S. market and interconnected to provide a means for collaborative work. “Such integrated digital platforms can equip cargo owners and service providers with the information they need to optimize their supply chains and enhance resilience to future supply chain disruption,” he added.

Source: sourcingjournal.com– July 08, 2021

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European economy projected to rebound faster than previously expected

The European economy is projected to rebound faster than previously expected as activity in the first quarter of the year exceeded expectations and the improved health situation prompted a swifter easing of pandemic control restrictions in the second quarter, according to the Summer 2021 interim economic forecast by the European Commission.

The economy in the European Union (EU) and the euro area is set to expand by 4.8 per cent this year and by 4.5 per cent in 2022, the forecast said.

Compared to the previous forecast in the spring, the growth rate for 2021 is significantly higher in the EU and the euro area, while for 2022, it is slightly higher in both areas.

Real gross domestic product (GDP) is projected to return to its pre-crisis level in the last quarter of 2021 in both the EU and the euro area. For the euro area, this is one quarter earlier than expected in the Spring Forecast, according to a press release from the Commission.

Growth is expected to strengthen due to several factors. First, activity in the first quarter of the year exceeded expectations. Second, an effective virus containment strategy and progress with vaccinations led to falling numbers of new infections and hospitalisations, which in turn allowed EU member states to reopen their economies in subsequent quarter. This reopening benefited service sector businesses in particular.

Upbeat survey results among consumers and businesses as well as data tracking mobility suggest that a strong rebound in private consumption is already under way. In addition, there is evidence of a revival in intra-EU tourist activity, which should further benefit from the entry into application of the new EU Digital COVID Certificate as of July 1.

Together, these factors are expected to outweigh the adverse impact of the temporary input shortages and rising costs hitting parts of the manufacturing sector.

Private consumption and investment are expected to be the main drivers of growth, supported by employment that is expected to move in tandem with economic activity. Strong growth in the EU's main trading partners should

benefit EU goods exports, whereas service exports are set to suffer from remaining constraints to international tourism.

The forecast for inflation this year and next has also been revised higher. Rising energy and commodity prices, production bottlenecks due to capacity constraints and the shortage of some input components and raw materials, as well as strong demand both at home and abroad are expected to put upward pressure on consumer prices this year.

In 2022, these pressures should moderate gradually as production constraints are resolved and supply and demand converge, the forecast said.

Accordingly, inflation in the EU is now forecast to average at 2.2 per cent this year and 1.6 per cent in 2022. In the euro area, inflation is forecast to average at 1.9 per cent in 2021 and 1.4 per cent in 2022.

Source: fibre2fashion.com– July 08, 2021

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How Mexico's Textile Chief Is Planning for Surging Demand

Mexico's new textiles head Emilio Penhos has a four-pronged strategy to boost the industry's fortunes as the country continues to lose export share to the U.S.

"I want to increase exports, improve commercial relations between retailers and suppliers, boost local demand for our products and team with the footwear and textiles chambers to fight illegality such as contraband and piracy," Penhos told Sourcing Journal in an exclusive interview, four months into his three-year term at top apparel trade lobby Canaive.

First on the agenda is revving up shipments north of the border, which slipped more than 8 percent to roughly $4.2 billion last year as Covid-19 stalled global commerce including demand for the jeans, T-shirts and suits Mexico makes for U.S. labels.

As buyers increase orders amid a rebounding American economy, "our exports surged 80 percent in May and there is growing consensus they will increase sharply this year," including for flagship categories such as denim, T-shirts, suits, wool coats, sportswear and lingerie, Penhos said. "We are working with the textiles industry chamber [Canaintex] to jointly promote our full-package capabilities as well as our fabric and clothing products,"he added.

Elevating U.S. sales is pivotal as Mexico now accounts for just 3.5 percent of U.S. textiles and apparel imports—down from as high as 12 percent a decade ago, according to industry consultant Miguel Angel Andreu.

'Not ready'

Meanwhile, Mexican factories are struggling to cope with a "very quick" and sudden surge in apparel demand from U.S. customers as many were forced to downsize during the pandemic, Penhos said. Readying manufacturers to handle this influx of orders from American brands has become a key priority for his Mexico City-based team.

"Not all the factories are ready to receive a $1 million contract," Penhos, who owns outerwear label Shyla, noted. "Many factories had problems in the pandemic and there is also a dearth of raw materials and rises in thread prices" that are undermining output. Some of the lacking feedstocks include viscose, cotton fiber and polyester, Andreu added.

Another headache stems from a flood of sub-valued and contraband garment imports, which Mexico has been fighting to curb for years, albeit with little success.

"We are working with customs authorities to fight this illegal trade and are making progress, at least with technical contraband," said Penhos, adding that Canaive has begun scheduling weekly meetings to train customs agents on detecting and seizing illicit merchandise.

Fairer practices

Streamlining contracts between clothing suppliers and retailers, such as the country's largest department stores Liverpool and El Palacio de Hierro, is key to boosting the fortunes of the local fashion market, which moves $15 billion to $20 billion annually but saw sales plunge up to 70 percent amid Covid-19 lockdowns.

"We need better commercial agreements to avoid abuses in returns or sales discounts, as well as better delivery timelines for distributors and terms that promote demand for our product catalogue ['Made in Mexico' garments instead of imported ones]," Penhos said.

During the pandemic, "there was a lot of ill treatment and retailers have to understand that if we want the market to grow, we need fairer conditions," he added.

Contracts must be revised to more specifically detail key terms such as early payment discounts or invoice factoring, Penhos said, adding that all of these accounting methods were bent during the crisis when many retailers refused to pay manufacturers, draining their working capital.

"Many stores failed to pay or delayed payments throughout the entire second half of 2020," leaving suppliers at the brink of collapse, Andreu said. He added that new laws are needed to more effectively govern supplier/merchant relations (which are often struck more as quasi gentlemen's agreements instead of as legally-binding contracts) to avoid these problems from re-emerging.

According to sources, El Palacio de Hierro declined to provide advance payments while Sears de Mexico canceled them altogether.

Boost local demand

Penhos will also work to bolster demand for local apparel to slow Asian imports, which have become more expensive amid China and Asian bottlenecks and higher freight and travel costs.

"We are going to hold meetings with all the top retail executives to remind them that the local industry can meet all of their needs and that they should look for local purveyors," Penhos said.

Knits, he added, have become harder and more expensive to bring to Mexico, boosting the need for domestic alternatives for which manufacturers are now rushing to make alternatives and meet local demand.

Source: sourcingjournal.com– July 08, 2021

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Why Western mudslinging has failed to dampen Xinjiang cotton

In a textile plant in the city of Shihezi, northwest China's Xinjiang Uygur Autonomous Region, machines with 100,000 spindles rumbled to spin cotton into yarn.

"We are producing at full capacity as Xinjiang yarn is in heavy demandfrom downstream companies," said the production director of the plant. "Our yarn sales have rebounded markedly in the past few months and we have little inventory left."

Despite the Xinjiang cotton boycott instigated by some Western politicians under the pretext of 'forced labor,' the region's cotton and textile industry has shown resilience by further tapping markets and winning over more customers with its superior quality.

FREE PUBLICITY

Xinjiang is the largest cotton growing area in China. The region's cotton output hit 5.16 million tonnes in 2020, accounting for 87.3 percent of the total in the country, according to the National Bureau of Statistics.

Demand for Xinjiang cotton has continued to increase as stocks decreased in recent months, according to the China Cotton Association (CCA).

By the end of May, the inventory turnover of commodity cotton in 43 warehouses in Xinjiang stood at 1.97 million tonnes, down by 502,700 tonnes over end-April.

"There's an upside about Western boycott of Xinjiang cotton: it gets a lot of free publicity," Zhou Run, head of a cotton farmers' cooperative in Shihezi, said in a lighter vein.

"Many farmers are willing to grow cotton because of the handsome income and the high mechanical picking rate," said Zhou, noting that a member of his cooperative rented 133 hectares of cotton farmland this year.

STRONG DOMESTIC SUPPORT

The West's mudslinging campaign has not only put Xinjiang cotton under the global spotlight but also drawn many consumers to its high quality, which is attributed to ample sunshine, arid weather and significant temperature differences between day and night.

Many apparel companies are proud to show off their use of Xinjiang cotton as a signature of high quality. Chinese brand Li-Ning has been putting "made of Xinjiang cotton" on their price tags. A cotton sample is even attached to some products.

"After the boycott, many teenagers have come to our store specifically asking for clothes made of Xinjiang cotton. Sales can go over 100 pieces a day," said Huang Qiuyan, a saleswoman in a Li-Ning store in Shihezi.

Textile products made of Xinjiang cotton are also popular at Chinese stores of Japanese retailer Muji, which has said it would continue to use Xinjiang cotton as no proof of forced labor has been found. On many e-commerce platforms, "made in Xinjiang" or "shipped from Xinjiang" were highlighted as sales boosters.

The CCA expected the country's cotton consumption to expand about 5.9 percent year on year in the 2020-2021 period.

GROWING OVERSEAS DEMAND

In the first four months of this year, China's export volume of cotton textiles and garments hit 19.7 billion U.S. dollars, up 44 percent year on year, according to China Chamber of Commerce for Import and Export of Textiles.

The growth rate is also 11 percentage points higher than that of total textiles and garments exports over the same period.

"Despite the impact of the Xinjiang cotton boycott, the demand for Chinese cotton products in the international market is very strong," said Zhang Xi'an, deputy director of the chamber.

In late April, the CCA launched an initiative to promote the sustainable development of China's cotton, after signing deals with leading domestic cotton producers, some of them in Xinjiang.

The initiative aims to establish China's sustainable cotton standard and certification system, promote domestic cotton consumption and expandits global market share.

"China's cotton has contributed a lot to the global cotton industry and we deserve fair treatment and due respect," said CCA director Gao Fang.

Source: english.cctv.com– July 09, 2021

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Fashion Shenzhen show gathers top players from Chinese fashion sector

The Chinese international fashion brand fair, Fashion Shenzhen, which is being held from July 7-9, 2021, is hosting top Chinese fashion brands and companies. The show features international brand clothing and apparel companies. With more than 1,000 elite brands participating and over 20 forum activities, it is one of the popular places for fashion companies.

As a professional fashion trade show integrating companies from all over the industry chain, 2021 show is fully open in nine halls with an exhibition area of 110,000 square metres, gathering more than 1,800 brands, designers, and supply chain companies from around the world, according to a press release on the show.

The Fashion Shenzhen show embraces three theme pavilions; Premium Label, Industry Value Chain, and Apparel Fabrics and Accessories. It also features nine specific areas including aesthetic power, vogue force, modern manufacture, design attitude, fashion accessories, fashion solution, modern home, premium apparel fabrics and accessories, and fashionable apparel fabrics and accessories to make more efficient business matchmaking between fashion enterprises and professional buyers.

The Fashion Shenzhen show upgraded to two shows per year in 2020, with a total 80,000 square metres in exhibition space. It gathered 827 exhibitors and achieved 116,752 number of visits despite the prevention policies throughout the world.

Fashion designers joined and showcased their latest fashion collections. It attracted professional buyers from all over the world, which made the Fashion Shenzhen Show become one of the most popular fashion trade shows in Asia after COVID-19 outbreak.

Source: fibre2fashion.com– July 08, 2021

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Cambodia: Exports up 1.6% in first five months, imports surge 17%

Cambodian exports in the first five months of 2021 were worth $5.982 billion, up 1.6 per cent year-on-year, while non-gold imports surged 17 per cent to $8.664 billion, according to the Ministry of Economy and Finance.

Although the Cambodian economy continues to be affected by the February 20 community outbreak of the novel coronavirus, international trade remained in growth territory overJanuary-May, clocking in at

$14.646 billion, the ministry said in a report on socio-economic

trends released early this month.

Exports were equal to 20.8 per cent of gross domestic product (GDP) and were mainly driven up by bicycles and other non-textile goods, it said.

And non-gold imports were 30.2 per cent of GDP, and were buoyed by fabrics, construction materials, fuel and other goods, it added.

The latest outbreak – Cambodia's third – persists, and is putting pressure on key economic sectors, it said, adding that the Kingdom is striving to ensure robust GDP growth for this year.

"The Cambodian economy is expected to grow positively in 2021 due to the recovery of the global economic situation and the economy of Cambodia's trading partners; the growing demand for agricultural products; and the possibility of" attracting garment factories relocating from Myanmar and taking on more export orders as international buyers abandon the coup-hit country, the report said.

Cambodia Chamber of Commerce vice-president Lim Heng told The Post on July 8 that this was "good data" that signalled growth in Cambodia's international trade during the difficult period of the Covid-19 crisis.

He downplayed the surge in imports, asserting that the goods served as a tool for beefing up the Kingdom's export capacity, pointing out thatasizable portion were raw materials used in production chains.

The rise in raw-material imports indicates that Cambodia's economic activity is gradually recovering, he said, stressing that raw materials are only bought when there are orders for finished products.

"I am not worried about the increase in imports – which was close to 20 per cent – because most of the imported products are raw materials that support, or are used in the production chain to produce for export to the international market.

"Through the increase in imports of raw materials, I hope that Cambodia's exports from now to the end of the year will have a better growth rate than in the beginning of the year," Heng said.

He also said the political crisis in Myanmar, which has lasted for more than five months, would also provide an opportunity for Cambodia to increase its export capacity.

Hong Vanak, director of International Economics at the Royal Academy of Cambodia, said trade deficits are generally a "negative sign", but if raw materials for processing and export make up a substantial share of imports, "it is good".

He added that the gains in fabric and fuel imports could be a sign that exports of finished textile products will increase, undergirded by preferential access to markets granted by regional and bilateral trade deals involving the Kingdom.

"International trade now is a sign of economic strength and exports down the line," Vanak said. Last year, the total value of Cambodian international trade surged to $35.80585 billion, up by 2.54 per cent over 2019, Ministry of Commerce said in its 2020 annual performance report.

Cambodia exported $17.21537 billion worth of goods last year, up by 16.72 per cent from $14.74874 billion in 2019, while imports slipped 7.84 percent to $18.59048 billion in 2020 from $20.17181 billion in the year before.

The country's trade deficit narrowed 74.64 per cent to $1.37511 billion in 2020, from $5.42307 billion in the previous year.

Source: phnompenhpost.com– July 08, 2021

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Pakistan: Fool's paradise?

According to figures from SBP, half of incremental Rs 146 billion LT loans disbursed under LTFF/TERF schemes have been extended to textile manufacturers (over last 12 months). These include industries in spinning, weaving, and fabric finishing segments, which have historically formed the bulk of Pakistan's textile exports. As Pakistan gears for export led growth over the next 2 years, it seems it has once again placed the proverbial eggs in the textile basket. But does it have the raw material to get to $10 billion incremental exports by next year?

Much has been made of Pakistan poaching orders from other value-add competitors during last year, when GoP lifted lockdown early even as lockdowns persisted elsewhere. Timely capacity expansions and energy pricing have been lauded as initiatives that will enable local exporters maintain regional competitiveness as industries in Bangladesh, India, and Viet Nam come fully back online. But with domestic cotton output set to record a new low, can the exporting sector survive on imported raw material alone?

For at least past two years, Pakistan now features among top 5 importers of cotton and cotton-based raw material/intermediate goods, which feed into manufacturing of high value add products such as apparel, readymade garments, and home textiles. According to UN Comtrade data, in 2019, world imports of cotton and cotton-based products (HS Code 52) – which includes raw cotton, cotton yarn, and cotton fabrics – stood at $55 billion, of which Pakistan's total share stood at nearly $1Bn. In contrast, China, Bangladesh, and Viet Nam accounted for bulk of global cotton-based imports, with China $9.2 billion; Bangladesh, $6.5 billion, and Viet Nam $4.4 billion.

Unlike Pakistan – which until last year met half of its cotton requirement through domestic production – Bangladesh and Viet Nam have virtually nil cotton production.

Yet, together with China, the three countries account for 45 percent of total $450 billion global apparel exports (HS Codes: 61 and 62), the holy grail of textile value-addition ladder. Uninterrupted access to imported raw material appears to have had a multiplier effect on Bangladeshi and Vietnamese value-added exports.

Except, replicating the Bangladesh model may not be as simple as it seems. Because these regional competitors are concentrated in apparel manufacturing, over half of raw material imports for (each of) Bangladesh, China, and Viet Nam consist of either cotton yarn or fabric; in fact for Bangladesh and China, yarn or fabric account for as much as two-thirds of cotton-based imports (HS code 52). For Pakistan, the share stands at puny 15 percent, as most of the imports are concentrated in HS Code 5201 – 'raw cotton, neither carded nor combed' sub-tariff line. As domestic cotton production continues its downward spiral, can Pakistan afford to diversify its raw material import base to cotton yarn and fabric?

The answer may not be very straight forward. As disbursement of TERF-based loans (thus far) indicates, future capacity expansion in the textile manufacturing base is planned in the low-value add spinning, weaving, and finishing segments. Compared to Rs 72 billion incremental refinanced LT debt extended to these segments, LTFF/TERF incremental disbursements to apparel manufacturers stands at just Rs 8.5 billion thus far. In absence of raw material, Pakistan's yarn and woven fabric manufacturers may struggle to weather competition from giants such as China and India, that together control over 50 percent of global yarn & fabric exports, and have access to (largely) indigenous raw cotton production.

Although this may say something about the wisdom of a textile export policy that continues to add capacity in low-value add segments, that comment is for another day. Like it or not, Pakistan is gearing up for a large expansion in its spinning, weaving, and finishing capacity. Is it so far-fetched that Pakistan's yarn and fabric manufacturers can survive – nay thrive – on imported raw cotton?

But Pakistan faces an additional problem. Consider that nearly 73 percent of Pakistan's cotton-based raw material imports arrive through long distance ocean freight, of which 58 percent originate from the Americas (which include USA, Brazil, Mexico, and Argentina). In sharp contrast, China and Bangladesh – and to a lesser extent Viet Nam – procure bulk of the cotton-based raw material from within home region, while over 55 percent imports (40 percent for Viet Nam) originate from neighbouring countries. Although Pakistan shares borders with two of the world's largest cotton producers – China and India – which together account for half of global cotton output, its cotton imports from these regions have come to naught in recent years.

Some clarification, however, is necessary. China may very well be world's top cotton producer, it is also the largest buyer around due to its enormous yarn and fabric manufacturing base. However, the other belligerent neighbour is world's third largest raw cotton exporter, and a very willing seller. In fact, China Bangladesh and Vietnam are its top three favourite customers, accounting for nearly half of Indian exports under HS code 52. But for (commonly known) reasons beyond the scope of this column, Pakistan has divorced itself from this regional textile value chain, while simultaneously daydreaming about global value chains (GVCs).

Nevertheless, since economic motives alone do not dictate state policy, this column will refrain itself from offering a value judgement. As things stand, Pakistan's textile base has decided to go long on spinning and weaving, categories in which China and India are leading powerhouses with over 50 percent share in global yarn and fabric exports. With planned capacity expansions intended to come online over next 12 months, a fool might argue that Pakistan has decided to take on China and India head on, without comparable raw material base. Good luck!

Source: brecorder.com– July 09, 2021

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Pakistan: Pak-Afghan trade agreement extended for another 6 months

The signing ceremony was held over video link on Thursday, simultaneously at Kabul and Islamabad. The secretary, Ministry of Commerce, was also present on occasion. Representatives of both Embassies in respective capitals also attended the event.

Speaking on the occasion, Dawood said that his vision for trade and economic relations with Afghanistan and Central Asian Republics (CARs) makes Pakistan a hub for trade, transit and transshipment.

“Our trade must be based on secure, open, consistent, reliable & legal movement of goods at the Afghan border along with enhanced connectivity with Afghanistan and CARs”, he said.

He said that this is a long-term vision and through our current engagement with Afghanistan and Uzbekistan, we are laying down the foundation for its implementation. This will ensure that Pakistan leverages its geo-economic location in the region to enhance its international trade.

“Our discussions with Afghanistan and Uzbekistan are a step in this direction,” he said.

Both sides expressed satisfaction with an extension of the agreement and decided that the technical teams of the two countries will conclude the revised agreement soon.

Source: brecorder.com– July 09, 2021

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Pakistan: Forex reserves cross $24bn mark

According to the weekly report of foreign exchange reserves issued by the State Bank of Pakistan (SBP) on Thursday, the foreign exchange reserves held by the country rose by $1.175 billion to reach $24.415 billion during the week ended on July 2, compared to $23.297 billion as on June 25, 2021.

Overall Pakistan received some $1.44 billion as loan inflows from the two resources including China and World Bank to build the foreign exchange reserves and ease the pressure on the external account.

During the week under review, the SBP received $1 billion as government of Pakistan loan disbursement from China and $440 million from World Bank. After accounting for external debt repayments and other official payments, the SBP's reserves increased by $1.112 billion to $17.231 billion at the end of last week, up from $16.119 billion a week earlier.

According to SBP, during the last week, foreign currency reserves held by the commercial banks also slightly mounted up by $5.8 million to $7.183 billion.

Economists said in order to ensure external debt sustainability, there was a need to shore up the level of country's foreign exchange reserves and these inflows have build-up the country's foreign exchange reserves. The rising foreign exchange reserve will help to smoothly pay off the debt obligations in the future, they added.

A sizable improvement in the current account position, during the last fiscal year, also largely contributed to buildup the foreign exchange reserves.

Pakistan had received a number of foreign inflows during FY21. This included $2.5 billion proceeds against Eurobond issuance. After a gap of over three years, Pakistan entered the international capital market for the sale of Eurobonds.

Accordingly, a multi-tranche transaction of 5-, 10- and 30-year Eurobonds was conducted to build up the foreign exchange reserves. In addition, in the last week of March, Pakistan received around $500 million from the International Monetary Fund (IMF) as a loan tranche under Extended Fund Facility (EFF) for budget support.

During June-2021, Pakistan also received proceeds of Wapda Green Eurobond, amounting to $499.0 million. All these inflows helped to build the foreign exchange reserves.

Source: brecorder.com– July 09, 2021

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NATIONAL NEWS

Will work to improve textile sector performance further, increase exports, says Goyal

PM Modi wants synergy between Commerce & Industry and Textiles sectors, the Minister said while taking charge of the Textile Ministry

Prime Minister Narendra Modi envisions a synergy between Commerce and Industry and Textiles sectors, Commerce & Industry Minister Piyush Goyal has said while taking on additional charge of the Ministry of Textiles on Thursday. He added that perhaps that was the reason he was given the charge of both Ministries.

Goyal said he will ensure that the textiles sector can be further improved and exports can be boosted. "The Minister expressed confidence that there will be a big growth in this sector," according to an official release issued by the Ministry of Textiles.

Textiles is a big sector for employment and the government will try to give a big support to the income of all the people employed in this sector, especially women, the Minister said.

Goyal has taken over the charge of the Textiles Ministry from Union Minister Smriti Irani who has retained the Ministry of Women & Child Development.

The Minister added that the government wanted to promote Brand India and Indian textiles, which have earlier played an important role in building brand India.

Goyal also continues to be the Minister of Consumer Affairs, Food & Public Distribution.

Source: thehindubusinessline.com– July 08, 2021

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Govt working on detailed strategy to achieve export target of $400 billion

Commerce Minister has asked officials to identify the regions, countries where exports could be increased, list out items with growth potential

The Centre is working on a detailed strategy to achieve the ambitious goods export target of $400 billion set for the current fiscal and is looking at region-wise and product-specific breakups, so that focussed initiatives and decisions for accelerating growth could be taken, according to officials close to the development.

“The Commerce Minister has asked officials of various regional divisions to objectively assess the growth potential in different countries keeping the overall target in mind. Subsequently, items, too, will be identified and sub-targets set,” the official told BusinessLine. “The idea is to zero in on areas where there is maximum potential for growth and work towards it,” he added.

Private industry

The export of $400 billion, although ambitious, especially when compared to exports worth $290.63 billion carried out in 2020-21, can be achieved in collaboration with private industry, MSME sector, and other sectors such as engineering, agriculture, automobile and steel, Commerce & Industry Minister Piyush Goyal had recently said addressing the media.

“Even when compared to exports valued at $313 billion in 2019-20, when production and trade was not affected by the Covid-19 pandemic, the target of $400 billion is a challenge,” the official added.

However, given the fact that in April-June 2021-22, India recorded the highest ever merchandise export in a quarter valued at $95 billion, surpassing the previous record of $90 billion in January-March 2020, makes the Ministry hopeful that the $400 billion annual target may not be out of bounds.

Identify scope

Commerce Ministry officials will now examine details of India’s exports to various regions such as Europe, North America, South America, Australia,

New Zealand, Asia and Africa and identify places of scope for stepping up growth and to what extent.

"The government has to first see where the additional export market of $110 billion can be created. The thrust sectors and items also need to be simultaneously identified," the official said.

Once the exercise is carried out, officials may consult the industry to identify the constraints that are being faced in the identified areas and markets and see how these could be removed, he added.

"Some incentives may also be considered but right now the focus of the government is to first finalise the input duty refund rates under the new RoDTEP scheme that exporters are patiently waiting for," he said.

Top sectors, which performed well during the first quarter 2021-22 growth were iron-ore, rice, cotton yarn/fabs/made-ups, handloom products, engineering goods, plastics & linoleum, chemicals, electronic goods, petroleum products, marine products and drugs & pharmaceuticals.

Source: thehindubusinessline.com– July 08, 2021

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Textile industry has enough reasons to cheer as Piyush Goyal becomes new Minister of Textiles

Piyush Goyal is the new Minister of Textiles. Already holding portfolio of Ministry of Commerce and Industry (MOCI), he is expected to add value to the textile ministry owing to its close connectivity with MOCI.

As far as MOT's dependency on MOCI is concerned, one can now witness better synergies and faster decision making. The textile and apparel industry has been urging for FTAs with core markets for quite some time, and with Piyush Goyal being the Minister of Textiles and Minister of Commerce and Industry, there is increased likelihood of positive developments on this front.

One can also expect the long pending National Textile Policy to now see the light of day as it has a lot to do with MOCI – not to mention that Piyush is known for taking quick action.

Here it is important to mention that Piyush Goyal has, so far, delivered good results in MOCI. In this regard, the Q1 of 2021-22 saw merchandise exports of US $ 95 billion – the highest ever achieved in the history of India.

Notably, this is 85 per cent higher than exports of Q1 of 2020-21 and 18 per cent higher than the exports of Q1 of 2019-20.

Similarly, India received the highest ever FDI inflow of US $ 81.72 billion in 2020-21. This is higher by 10 per cent compared to US $ 74.39 billion achieved in 2019-20. The positive momentum continues with FDI inflow of US $ 6.24 billion during April 2021, which is 38 per cent higher than April 2020.

Apart from these, MOCI has also been able to improve the ease-of-doing business and reduce the compliance burden. 6,426 compliances have been reduced in Phase-I, while 3,177 compliances are being been reduced in

Phase II. The timeline for Phase I was 31 March 2021 and for Phase II it is 15 August 2021.

As Startup is the new buzzword now, MOCI has been making good progress in this regard also. Number of start-ups recognised by DPIIT has crossed 50,000 and is spread across 623 districts in India. Nearly 1.8 lakh formal jobs have been created by 16,000+ recognised start-ups in 2020-21.

Recently, Piyush Goyal was very vocal about e-commerce companies and had said that all e-commerce companies should follow the law of the land and not use muscle or money power to hurt Indian interests...

Future of fashion is e-commerce and policies in this regard will play a very significant role.

As MOCI has set an ambitious export target of achieving US $ 400 billion for 2021-22, with textile & clothing industry having an important role to achieve this target, one can expect that leadership of Piyush Goyal (now holding both ministries) will be instrumental in helping attain this target.

Last week, MOCI's Logistics Division unveiled plans for 'Freight Smart Cities' also. All in all, there are enough reasons for the Indian textile and apparel industry to cheer about with the new minister at the helm.

Source: in.apparelresources.com– July 08, 2021

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Government suspends issuing export benefits under key schemes

The government on Thursday said it has put on hold issuing benefits under various export promotion schemes due to changes in the allocation procedure.

The Directorate General of Foreign Trade (DGFT) said that benefits under the Merchandise Exports from India Scheme, Service Export from India Scheme, Rebate of State and Central Taxes and Levies, and Rebate of State Levies have been "put on hold for a temporary period".

"During this period, no fresh applications would be allowed to be submitted at the online IT module of DGFT for these schemes and all submitted applications pending for issuance of scrips would also be on hold," the DGFT said in a trade notice.

It said that trade would be informed once issuance is opened once again.

"This suspension will create uncertainty with respect to these benefits for the exporters and may also impact thier cash flows. The export industry would hope that this suspension is lifted soon and the benefits are made available in full and soon," said Abhishek Jain, Tax Partner, EY.

The suspension comes amid the government yet to notify the benefits rates under the Remission of Duties and Taxes on Export Products (RoDTEP) scheme that was put in place in January.

Export bodies have been asking for release of the funds for MEIS, clarity on SEIS benefits and continuance of seamless refund of IGST to ease fund blockage.

Merchandise exports grew a record $95 billion during April-June and India aims to clock $400 billion exports in FY22.

Source: economictimes.com– July 09, 2021

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An export-led recovery?

This hinges on govt support and reining in Covid

As India recovers from an unprecedented second wave of the pandemic, the MPC of the RBI in June 2021 lowered its growth forecast for the economy to 9.5 per cent in FY22 from 10.5 per cent earlier. S&P Global Rankings also recently cut India's growth forecast to 9.5 per cent from 11 per cent for FY22. World Bank, on the other hand, has been more conservative, projecting India to grow at 8.3 per cent in 2021.

Latest data show India's merchandise exports in April-June 2021 was $95.36 billion, an increase of 85.36 per cent over the $51.44 billion in April-June 2020 and 17.85 per cent over the $80.91 billion in the same period of 2019.

Given the extreme uncertainty across the globe due to the pandemic, the continued positive impact of India's exports on the overall economy would depend on multiple factors.

Firstly, Indian exports have not been amongst the best performers. In fiscal 2020, the ratio of India's merchandise trade to GDP stood at 27.8 per cent, down from about 31.5 per cent in FY19, and from 38.2 per cent in FY15. This raises the question whether Indian exports will be able to bolster the Indian economy.

India's goods exports in May 2021 touched $32.2 billion, a 69 per cent increase over the year-ago period. On the flip side however, this export growth has largely been driven by the traditional exporting sectors like engineering, petroleum, and gems and jewellery.

The recent increase in exports could possibly be due to a lag effect, when old pending orders got executed soon after the economy opened up. What is to be seen is whether this trend will continue given the second wave of the pandemic has hit India hard.

Secondly, given the limited possibility to improve exports overnight, the government should look to provide export-led incentives till March 2022. Earlier in the year, the MEIS (Merchandise Exports from India Scheme) was replaced with the Remission of Duties and Taxes on Exported Products (RoDTEP). This initiative would be good for the Indian economy as earnings

from exports could possibly compensate partially the loss faced in domestic demand.

Thirdly, flattening of the Covid curve in India's top export markets is also crucial for continued export demand. While vaccinations are progressing well in developed countries, the same is not the case with neighbouring economies like Bangladesh and Nepal which import significantly from India.

Global trade can reach its previous levels only when most of the nations complete vaccinations. National lockdowns or emergence of new variants of the virus will slow global trade.

Fourthly, if the recent depreciation of the rupee vis-à-vis the dollar continues, it will help exporters. However, this has its limitations as the inputs for leading export items like petroleum and gems/jewellery are imported. It is, therefore, better if the rupee remains largely stable.

Lastly, India may also look at possible export opportunities in countries which have not suffered from any de-growth in imports despite the pandemic. They include Vietnam, whose imports grew 10 per cent in 2020, Nigeria (12 per cent) and Turkey (4 per cent). Diversifying the export market could be of help in these uncertain times.

While green-shoots in exports were visible, possibly as a result of the economy opening up especially in the last quarter or so of FY21, the first quarter of FY22 was badly affected by the second wave. However, given that, unlike last year, there were only localised lockdowns, the impact would be minimal but definitely not nil. The possibility of a third wave, especially in the economically strong States, could also impact trade.

Hence, the government must continue to facilitate mass vaccinations and the public at large should follow Covid protocols, as both these would remain a major component of India's economic revival.

Source: thehindubusinessline.com– July 08, 2021

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Why exclusive emphasis on manufacturing firms in MSME sector is imperative to transform Indian economy

Ease of Doing Business for MSMEs: The promulgation of the MSMED Act 2006 was historic in India, as it clubbed manufacturing and service enterprises, on the one hand, and medium-sized enterprises, on the other, together for promotion, similar to the globally observed practice. Though the definition of manufacturing MSMEs (MMSMEs) differed from that of the service MSMEs (SMSMEs), a single policy-led institutional infrastructure – from national to state and district levels – deals with the MSME sector as a whole since then. However, the problems and prospects of the MMSMEs are distinctly different from that of the SMSMEs.

More importantly, the potential for growth through manufacturing is much more than that of services. This is due to the following: First of all, the most significant advantage of manufacturing is the possibility of scale economies (either through a single firm growth or through a network of similar firms) which drive down production costs.

Secondly, the scope for carrying out technological innovations and introducing new products/services by firms are distinctly prevalent in manufacturing, thereby enabling them to grow in size. Thirdly, manufacturing sector-led innovation enables the emergence of tech start-ups, thereby facilitating employment generation and income creation leading to industry growth.

Fourthly, the manufacturing sector has the ability to export its products, and thus expand its market base beyond the country's borders, and contribute to the foreign exchange reserves of the economy. Fifthly, the manufacturing sector has stronger inter-sector linkages more than agriculture and services, and therefore, the former can boost the growth of the latter more than vice versa. Therefore, the manufacturing sector, in general, is considered the "engine of growth". MMSMEs deserve due attention in this regard.

Given the above, it is imperative to "fuel" this "engine of growth" appropriately to benefit the nation. Given their potential, the MMSMEs need to be encouraged and facilitated to: (i) network, (ii) innovate, and (iii) internationalize.

Networks can emerge either vertically (with customers and suppliers, often, large firms) or horizontally [with similar other MMSMEs, MSME promotion agencies or Higher Education Institutions (particularly engineering institutions)] or both. Such networks, as observed by empirical researchers, help them to get 'better access' to markets (domestic and/or international), inputs, finance, technical assistance or technology, and at times, training of human resources. Together, they prompt or encourage MMSMEs to undertake Technological Innovations (TI), among others.

Innovations (especially, TI), either incremental (in the form of improved products/processes as required by MMSMEs' customers) or radical (in the form of new products/processes) help to achieve a reduction in costs, improvements in quality, and penetration of new markets. As an outcome, innovated products account for an increasingly larger share of total sales and sales growth, leading to firm growth with more employment, investment, and revenue. There is ample empirical evidence to show that innovative MMSMEs often enter the international market through exports. Thus, innovation facilitates internationalization.

Internationalization bestows on MMSMEs multiple benefits. An innovative firm once succeeds in penetrating the threshold barriers to internationalization through its innovation, learns much more: the value of high-quality packaging, adhering to time schedules, professionalism in management, periodic training of its labour, exposure to sophisticated technology, and further needs for innovation, among others. These learning transform an "intermittent exporter" into a "continuous exporter" and a "consistent exporter" into a "more intensive exporter". The resultant outcome will be firm growth leading to more employment, more revenue, and more foreign exchange earnings.

While the potential to develop "networks" and "carry out innovations" does exist in Indian MMSMEs, the extent of networks prevalent and innovations carried out in the MMSME sector is not adequately recorded. However, official data on industrial subcontracting (which represents one form of networks of MMSMEs) and the National Knowledge Commission conducted a sample survey-based study indicated that both networks and innovations are marginally prevalent in the Indian MMSME sector. Given this, it is imperative to promote networks and innovations of MMSMEs, as both would encourage the internationalization of MMSMEs through exports. This will together give a boost to the "Make in India" programme, by enhancing the overall contribution of manufacturing to Indian GDP.

MMSMEs are overwhelmingly concentrated in district headquarters in almost all the states, among others. District headquarters are likely to comprise "a threshold level of the ecosystem" in the form of a District Industries Centre (DIC), engineering institutions, banks, particularly Small Finance Banks, and minimum basic physical infrastructure. Some district headquarters would have even public/private sector large firms. Therefore, they offer scope for promoting networks and innovations of MMSMEs.

Given that a majority of MMSMEs work in "silos", a pro-active initiative needs to emerge from the DIC network by bringing MMSMEs and engineering institutions together through student and faculty-led projects, in the fields of mechanical, electrical, electronics, civil, instrumentation, and computer engineering.

MSME promotion agencies, such as Micro Small and Medium Enterprise Development Institutes wherever prevalent, and banks can join the initiative appropriately. Even if it benefits 10 per cent of the 196.65 MMSMEs (pre-Covid-19 pandemic population) for networking and undertaking innovations towards internationalization in the subsequent five years, it would be an excellent upward turn happening for the benefit of the Indian economy at large. Thereafter, incremental increases in networked, innovative, and internationalized SMEs would play a decisive role in the development transformation of the Indian economy.

Source: financialexpress.com– July 08, 2021

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With textiles in Piyush Goyal's portfolio, plan to boost exports and jobs gets rolling

With textiles in Piyush Goyal's portfolio, plan to boost exports and jobs gets rollingIn the midst of the resignations of major ministers, the flurry of new faces in the Cabinet and the reallocation of portfolios on July 7, little attention was paid to commerce and industry minister Piyush Goyal, who was given additional charge of the textiles ministry.

Apart from handling India's trade and industry, Goyal also held the railway and consumer affairs portfolios before the latest rejig. Now, the country has a new railway minister in Ashwini Vaishnaw while Goyal takes over the textiles ministry, previously headed by Smriti Irani.

Goyal's additional charge hasn't come as a surprise for senior bureaucrats who say there's been a push to bring the two ministries closer for a long time. Interestingly, both ministries are based in the historic Udyog Bhawan building in the heart of New Delhi, where the offices of their respective officials are separated by a simple corridor.

"Over the years, discussions have been held multiple times to work towards bringing the textiles ministry under the commerce department, or at least bring it closer in operations. But most of those proposals were shot down," a senior commerce department official said.

The rationale behind such attempts was to create more convergence in policymaking, which would help to boost earnings and exports for India's second-largest job creating sector, the official added.

Big business

In terms of employment, the textiles and apparel industry in India is only behind the overall agricultural sector. It provides direct employment to 45 million people and 60 million people in allied industries, according to Invest India, the government's investment promotion arm.

India is among the world's largest producers of textiles products and apparel. The domestic textiles and apparel industry contributes 5 percent to India's GDP, 7 percent of industry output in value terms and 12 percent of the country's export earnings.

The share of India's textiles and apparel exports in mercantile exports was 11 percent in 2019-20. With the commerce minister now responsible for the sector, the unique trade issues that have eaten away at India's competitiveness in the global market for textiles are now expected to be given more focus.

Indian companies and exporters have continuously lost market share overseas to more aggressive rivals from China, Bangladesh and Thailand. This has been excruciatingly large in segments like apparel.

What to expect

The latest move is expected to refocus efforts on drawing more investments in the sector, which received $3.75 billion till March 2021. The same is expected for manufacturing.

While there are almost a dozen incentive schemes for manufacturing, myriad issues ranging from the lack of working capital and outdated technology to the fragmented nature of supply chains have held it back. To double the industry size to $190 billion by 2025-26, seven mega textile parks have been planned.

Closer alignment between the ministries is also expected to lead to synergies in policymaking, as was seen in the case of manufacturing personal protective equipment, said a senior person aware of the matter.

India became the second-largest manufacturer of PPE in the world, quickly certifying more than 600 companies to produce them. As a result, the industry's global market worth is expected to be over $92.5 billion by 2025, up from $52.7 billion in 2019, according to government estimates.

Source: moneycontrol.com – July 08, 2021

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It's been four roller-coaster years of GST

The Goods and Services Tax should be a 'good and simple tax', eschewing multiple rates

It has been four years since the Goods and Services Tax regime was launched. The indirect tax reform was initiated by then Finance minister VP Singh with the introduction of MODVAT and it was further accelerated by Yashwant Sinha with the implementation of Cenvat and State-VAT.

P. Chidambaram initiated the process of adopting GST when he was Finance Minister. However, it was Arun Jaitley, the then Finance Minister, who converted the idea into a reality and introduced GST on July 1, 2017. GST courted controversy right from the start. Some of the problems encountered include determining the tax rate or the tax bracket, assessment of payment of compensation to the States, and delay in the release of the amount. Even today, there is scope for improving the GST system.

The Task Force calculated the total collection of the Central and the State governments from the taxes which were subsumed under GST was ₹3.46 lakh crore (₹1.58 lakh crore of the central government and ₹1.88 lakh crore of the state governments) for 2007-08. The Arvind Subramanian committee report states that the revenue forgone by India has been ₹6.97 lakh crore (the Centre: ₹3.28 lakh crore and the States: ₹3.69 lakh crore) for 2015.

It was necessary for GST revenue to at least be equal to the pre-GST revenue level. For the first year, the government did not fix any target for the GST collection. Later, the government revised the estimates and fixed the amount of ₹4.45 lakh crore for the GST collection in the 2018 Budget. However, the actual GST collection was ₹4.43 lakh crore, which was almost 99.5 per cent of the revised target.

In FY2019, the government had made a budget provision of ₹7.44 lakh crore. The target was revised downward to ₹6.44 lakh crore in the 2019 Budget. But the actual collection was also reduced to ₹5.82 lakh crore — 78 per cent of BE and 90 per cent of RE. The government has budgeted an estimate of ₹7.61 lakh crore for the GST revenue collection for FY20. It was about 18.2 per cent higher than the RE and 2 per cent higher of BE of FY19.

The target was revised by the Finance Minister Nirmala Sitharaman to ₹6.63 lakh crores in her maiden Budget speech. In FY 2019–20 the actual GST collection was ₹5.99 lakh crore — 78 per cent of BE and 94 per cent of RE. Now, coming to the fourth year, FY21, the GST target was revised to ₹5.15 lakh crore from the Budget target of ₹6.90 lakh crore. However, the actual collection was ₹5.49 lakh crore. It was 106 per cent of RE and 80 per cent of BE. The outcome was satisfactory as the economy was hammered by the Covid-19 pandemic.

Targets vs collections

During the first four years of the GST regime, the average Budget estimate was ₹6.99 lakh crore and average revised estimate was ₹5.54 lakh crore. However, the actual average collection was ₹5.43 lakh crore, which is 78 per cent of the BE and 98 per cent of the RE.

In the past, the indirect tax had been growing at 14.6 per cent since 2007-08, and the growth rate for 2015-16 was 16.2 per cent. The government has estimated the nominal growth rate of revenue for States subsumed during the transition period to be 14 per cent. Thus, we should fix a target of atleast 14 per cent growth rate in the GST revenue. However, the average growth in the GST revenue has been only 8.67 per cent in the first four years.

GST tax collection has been a matter of concern. The Subramanian committee had recommended a revenue-neutral rate (RNR) of 15-15.5 per cent with a standard rate of 17-18 per cent to be levied on most goods and all services to ensure no revenue loss to the Centre and the States in the GST regime.

However, the rate neutrality has been compromised by multiple rate cuts, changes in tax brackets, exemption limits and other changes. The 15th Finance Commission has suggested the government restore tax neutrality rate of GST.

It is time to reform 'Goods and Service Tax'; and make it 'good and simple tax'. The government needs to make structural changes like reducing the tax slabs from 0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent along with 0.25 per cent and 3 per cent to three rates to increase GST revenue.

The Parliamentary Standing Committee on Finance has also urged the government to initiate both structural and enforcement related measures to increase GST collection. The GST revenue should achieve the ₹6.30 lakh crore target in FY22.

Source: thehindubusinessline.com – July 08, 2021

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Online shopping will not replace offline, both will continue to grow: Shashwat Goenka, head of retail & FMCG, RP-Sanjiv Goenka Group

The past one-and-a-half year has not been easy for retailers. Consumers restricted store visits amid a surging pandemic with many of them shifting online, nudging retailers to craft a sharper omni-channel play.

Spencer's Retail, that managed to gain 3.4 million new customers in the last 18 months, believes both online and offline will continue to grow. Shashwat Goenka, head, retail & FMCG at RP-Sanjiv Goenka Group tells FE's Asmita Dey and Shobhana Subramanian that the retailer's offering of a varied assortment to consumers at competitive price points is what gives them an edge. Excerpts:

Given that more and more people are getting accustomed to shopping online, how far has the impact been for a predominantly offline grocer like you?

I would say that we are an omni-channel retail player. Having said that, the offline retail business did get impacted in the early days of the lockdown last year as people were scared to step out. However, we saw a good recovery in Q4FY21 with infections receding and the economy opening up.

But considering the significant shift to online shopping, we do believe that the rate of growth for any offline retail player will start showing signs of slowing down.

There is definitely a shift to the online. If we take grocery, only about 4% of the market in India is online. That 4% is not going to become 50% through the course of the pandemic which in itself is temporary. Yes, there is a subset of people who would have moved permanently from shopping physically to shopping online. There is also a subset of people who have moved online only because of convenience. Currently, they feel safer shopping online but when things open up, they prefer walking into a physical store. And these are the people who came back to our stores during Q4. We were already a 40% online, 60% offline kind of a retail market earlier as well and we are back to that kind of a number. So yes, what will happen is online grocery will go up significantly due to higher adoption. But will it replace offline? Not at all. Both will continue to grow.

How many new customers did your online platform manage to get?

We have gained 3.4 million new customers in the last 18 months. Our online business made about Rs 28 crore in GMV (gross merchandise value) in FY19. That number went up to about Rs 183 crore in FY21, registering a growth of nearly 650%.

Are you interested in partnering with online retailers like Amazon & Flipkart?

We are open to such discussions.

It appears that there is a near saturation in terms of catchments. Where would you get your next lot of customers?

For us, we have not seen this to be true. All of our stores have actually been growing. We aim for the catchments fairly early. We do not aim for the catchments when they are generally very saturated. Any city that we operate in, we start opening stores and expanding the radius of the city as we move towards the outskirts which are the areas that are expanding. And if you look at stores where we already have dense catchments, those stores are showing phenomenal growth, primarily due to a very aspirational, upwardly mobile catchment that lives around it. Their purchasing power is increasing. The other way to get growth in these markets is by sharpening the omni-channel experience so that you can cater to the evolving customer preferences adequately.

What is the USP of Spencer's?

Our USP is to give a varied assortment to the consumers at a very good value price. When you really compare all your everyday items offered by us and the competition, you will see we are at par or most likely better priced. Hence, consumers come back to us.

Source: financialexpress.com– July 08, 2021

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Deepen Indo-Bangla ties

There is huge scope to boost trade and transport links

Building mutual confidence through dialogue and diplomacy, both India and Bangladesh have grown in exemplary ways. Deepening trade and transport linkages remain a priority for both nations. However, in the face of a mutating Covid-19 and imminent climate risks, enabling a green, inclusive and resilient economic transition is essential.

India and Bangladesh should not only make mutual progress but also chart a pathway for others in the Bay of Bengal region to follow.

There is a tremendous scope for voluntary, non-binding G20 principles for quality infrastructure investment, among others, to be the guiding force. For example, by building infrastructure resilience to threats posed by rising sea-levels, particularly to a relatively more vulnerable Bangladesh. Not only will this ensure a "positive economic, environment, social and development impact of infrastructure development but also create a virtuous cycle of economic activities," while making infrastructure investments attractive.

Development of greenfield deep sea ports in Matarbari in Bangladesh and a proposed transhipment port at Great Nicobar Island in India could underpin that potential. Bilateral efforts in operating, advancing and making navigable their trans-boundary rivers, and reviving and developing rail links are among growing avenues of making greater climate mitigation strides.

The scale is huge as India and Bangladesh continue to diversify their trade and transport linkages to the Bay of Bengal. It is equally reinforcing for existing road-based and emerging inter-modal transit options for the landlocked Bhutan and Nepal.

Bilateral reforms viz., the Protocol on Inland Water Transit & Trade and the Coastal Shipping Agreement, could also provide better prospects for recovery and growth for these countries. Such initiatives also underpin greater economic synchronisation in the region — a 2020 Bangladesh-Bhutan Preferential Trade Agreement, for example. Inauguration of a new passenger train, Mitali Express, between New Jalpaiguri (India) and Dhaka (Bangladesh) has galvanised prospects for a wide-ranging, intra-regional, electric-rail passenger and freight logistics transformation.

Landlocked Bhutan, Nepal and the the north-eastern States of India could potentially, via the Siliguri Corridor, get rail-based access to markets (and vice-versa) and ports in Bangladesh.

Addressing the infrastructure gaps and developing new rail networks with an integrated electric transformation focus, while electrifying the existing ones, remain vital. It could provide a basis for developing cold supply chains for perishable fruits and vegetables, temperature sensitive commodities, products and medicines.

Similarly, the India-Bangladesh Friendship Bridge at Sabroom in Tripura land-links the North-East to the Bay of Bengal through Bangladesh's Chattogram port. Sabroom is around 72 km from the port. New and potential transport and logistics linkages could be developed with green principles to enhance their competitiveness.

As bilateral connectivity linkages deepen, India and Bangladesh could prioritise and advance a clean, renewable energy and digital infrastructure supported transition.

Boosting vessels and vehicles manufacturing, which makes them adaptable to cleaner fuels, and infrastructure capacity are equally important. Reinforcing digital infrastructure investments and making progress in digital trade facilitation measures could help the two countries decouple emissions from economic growth.

A proposed India-Bangladesh Comprehensive Economic Partnership Agreement could enable a green framework for bilateral trade and economic relations. This could help Bangladesh emerge stronger during its transition into a developing country in a few years.

Source: thehindubusinessline.com– July 08, 2021

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CBIC measures from July 15 to improve faceless assessment in customs

The Central Board of Indirect Taxes and Customs (CBIC) will increase facilitation level across all customs stations to 90% from July 15, to enable faster clearances of non-risky imports, as it introduced measures to expedite customs clearances. Separate faceless assessment groups (FAG) for certain commodities that would contribute to revenue will also become active from July 15.

"With a view to facilitating faster decisions and, in turn, faster verification of self-assessment as well as to promote specialization and enhance uniformity in assessment, Board has decided to implement changes in the assessment procedure," it said. Working hours of all FAGs shall be uniform from 10 am till 8 pm on any working day, communicate the 'first decision' on the Bill of Entry will have to be within 3 working hours after its allocation and maximum three queries can be raised by an appraising officer in respect of a Bill of Entry, the Board added.

All advanced Bills of Entry that are fully facilitated or do not require assessment or examination, would be granted the facility of direct port delivery, over and above the present system of entity-based direct port delivery extended to authorised economic operator clients.

Abhishek Jain, tax partner, EY, said, "Post successful implementation of faceless assessment, its good to see the government further looking at enhancement areas. With re-organisation of faceless assessment groups, appointment of specialised FAGs, restriction of queries in respect of a BOE, etc, the industry is hopeful that the Customs clearance and assessments with be even more faster and free from error."

Expediting the assessment and customs clearance of imported goods using digital tools would ensure next phase of Faceless Assessment, easing International trade in India, experts added.

"Easing customs clearances would also support ingrown domestic manufacturing entities, who depend on China for the import of technology and capital goods," said Rajat Mohan, senior partner at AMRG Associates.

Source: economictimes.com– July 08, 2021

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Boost Odisha's textile sector with modern tech

The textile sector has huge prospects in Odisha with adoption of modern technology, use of quality raw materials and improved skill of the workers to meet the demand of growing world fashion industry and emerging direct customers buying online. Odisha is included among 10 major cotton producing States of India and more than 60 per cent of the textile industries are cotton dependent. Odisha has the natural advantage of availability of raw materials and traditional skill workers which has not been systematically taped to meet the worldwide export possibilities as well as increasing demand of domestic consumers.

The major textile mills and cotton producing States including Maharashtra, Gujarat, TN, UP, Karnataka, MP, Rajasthan and WB have a rich scope of employment and economic growth where the migrant workers from Odisha and other backward States are employed.

The Department of Industrial and Policy Promotion data shows that five top States including AP, Telangana, Haryana, Jharkhand and Gujarat are most suitable places for doing textile business. The places such as Vizag, Gurugram, Faridabad, Panipat, Surat, Ahmadabad and Vapi are emerging textile manufacturing hubs. India is among world's largest producer and exporter after China which is the largest manufacturer and exporter of textile products. The other countries in the segment include Germany, Bangladesh, Vietnam, Italy, Turkey, USA, Hong Kong, and Spain. China has about one third of the world's export of textile while in recent years Bangladesh and Vietnam have done better with increase in manufacturing and export due to the advantage of domestic labour policy and current change in international trade practices.

India is one of the largest producers of fiber that includes cotton, silk, wool, jute and other man-made fibers. The textile industry in India is still unorganized and continues in small scale operation. It is time to shift to modern machinery and techniques at a greater scale to thrive in the competitive world market. The success of China is more linked to its low cost production by use of hi-tech machinery and quality raw materials along with labour policy and above all, an open market approach to investment. The countries such as Spain and Germany are more engaged in manufacturing of textile machines such as spinning, weaving and dyeing etc. The USA is more into medical textile, protective equipment and industrial fabrics and mostly non-woven or not knitted items such as

carpets, home furnished fabrics, medical products, electric conductive fabric and diapers. Italy has been focusing on e-textiles such as electronic components woven with fabric.

In India textile sector is one the biggest employers after agriculture. The agriculture sector has been over burdened so far as employment is concerned. The textile sector in India must have to expand to accommodate the surplus labour force from agriculture by modernising both sectors. Textile is labour intensive and can employ more people with its wider expansion.

The major advantage with India is the availability of quality raw materials specially jute, cotton, wool, and synthetic fiber. The textile industries in India are mostly facing the issues of labour unrest and shutdowns for a number of political and economic reasons which need to be addressed by the Government with a suitable policy.

It is reported that around 600 textile mills were closed due to the strike by the trade unions. The Government of Odisha, Handloom, Textile and Handicraft Department has not changed its traditional approach to the development of textile industry of the State in spite of the huge potentialities in the sector.

Unfortunately, textile in Odisha is being seen as a caste based occupation and traditional cottage industry where as the approach to its development is more welfare beneficiary centric without addressing the main economic cause of its underdevelopment.

There has been no substantial investment and macro planning to change the production process by use of technology and application of modern knowhow. There are about 65,000 weaver households in the State having traditional skill but the Government approach must be changed to cope with new developments happening globally in all sectors including textile.

The Directorate of Export Promotion and Manufacturing, Government of Odisha data shows that the share of handloom, handicraft and textile together is not even one per cent of the share of value of exports of the State. More than 90 per cent of the exports of the State to about 100 countries of the world are mainly minerals and metallurgical products. But long ago, Odisha was a major exporter of textile products.

The move of the State Government must be to do away with the traditional approach to strengthen a caste-based occupation to build a modern manufacturing sector by inviting open investment, new technology and inducting skill and exposure among the workers of all social groups.

It must learn from other States to make best use of its raw materials and manpower available and make a roadmap in line with global trend in textile sector inviting FDI. Odisha has opportunity in production of cotton, jute and silk. India is second largest producer of silk. The sericulture industry in the State has all potentialities to engage large numbers of people in activities such as plantation of the host plant to rearing of the silk worm and its extraction.

Currently, about 12,000 hectares of land used for seri farming in the State mostly engages the ST population. The Ministry of Textile has made special grants under the provision of the Scheduled Caste sub plan and Scheduled Tribe sub plan for promotion of textile but unfortunately, the Odisha Government has no such scheme to engage these communities.

Similarly, the weavers and cotton and jute farmers largely belong to the OBC who need to be supported to grow raw materials for textile industry and effort should be made to set up manufacturing units in the areas such as Kalahandi for cotton and jute in eastern coastal part and silk in scheduled areas to engage the local people both in production and processing. There is also a need for building infrastructure and amenities centers and hubs forresearch, training, marketing and linking the stakeholders.

Source: dailypioneer.com– July 09, 2021

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Industry flays exemption to Amritsar textile units

The industry in Ludhiana has questioned the move of the PSPCL to exempt the Amritsar textile industry from the ongoing power cuts.

The textile industry in Amritsar has been considered as a 'Continuous Process Industry' and has been exempted from the mandatory weekly off.

The Federation of Industrial & Commercial Organisation (FICO) has opposed this 'partial behaviour' of the government and PSPCL. They demanded that the PSPCL waive off the mandatory weekly off for the city textile industry. KK Seth, chairman, and Rajeev Jain, general secretary of FICO, said, "Why is the industry in Amritsar being exempted? We fail to understand such biased approach," said Jain.

Gurmeet Singh Kular, president of FICO, said "There are thousands of industrial units in Ludhiana belonging to various sectors. All are neglected, whereas the textile industry in Amritsar is allowed to operate. "

Source: tribuneindia.com– July 08, 2021

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Kitex group to hold talks with Telangana govt on investment plans

In what may eventually turn out to be a major coup in the industrial arena, Sabu M Jacob, managing director of Kerala-based leading garment exporter, Kitex Garment Limited, will fly down to Hyderabad on Friday by a chartered flight arranged by the Telangana government to discuss a mammoth investment of Rs 3,500 crore in the State in the apparel business.

"Telangana is the number one State in the country when it comes to providing a business-friendly atmosphere. There is something about Telangana that has been attracting investors in the past few years, and that made the State my first priority," Jacob said in an exclusive chat with Telangana Today over phone late on Thursday evening.

The Kitex MD's visit follows a direct invitation from IT and Industries Minister KT Rama Rao after several rounds of talks with officials in the past one week and the Minister himself on a couple of occasions including "one long discussion with KTR" as Jacob put it.

The developments come in the wake of Jacob's announcement on June 29 that he was pulling out of Kerala following differences with the administration there. "Since then, several States, nine to be precise, have been calling me up including some Chief Ministers offering business opportunities in their respective States. But I zeroed in on Telangana State because of its progressive approach. I liked Rama Rao's approach, his clarity, his confidence among other factors," he said, adding that he was also aware of the rapid strides Telangana was making in the textiles sector including the Mega Textile Park in Warangal.

Apart from Jacob, the delegation is expected to comprise Directors Benny Joseph and KLV Narayanan, Vice president (Operations) Harkishan Singh Sodhi, CFO Bobby Michael and General Manager Saji Kurian.

Kitex, one of the largest infant-wear makers in the world with an export turnover of around Rs1,000 crore, had recently announced that it was withdrawing from a proposal to invest Rs 3,500 crore to build an apparel park and three industrial parks in Kerala which could provide jobs to 35,000 people.

The proposal was originally submitted by Kitex Garments at an investors' conference in January 2020 organised by the government of Kerala. The Kitex group makes products ranging from lungis and aluminium roofing sheets to spice powders and is based at Kizhakkambalam panchayat near Kochi.

Source: telanganatoday.com– July 08, 2021

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