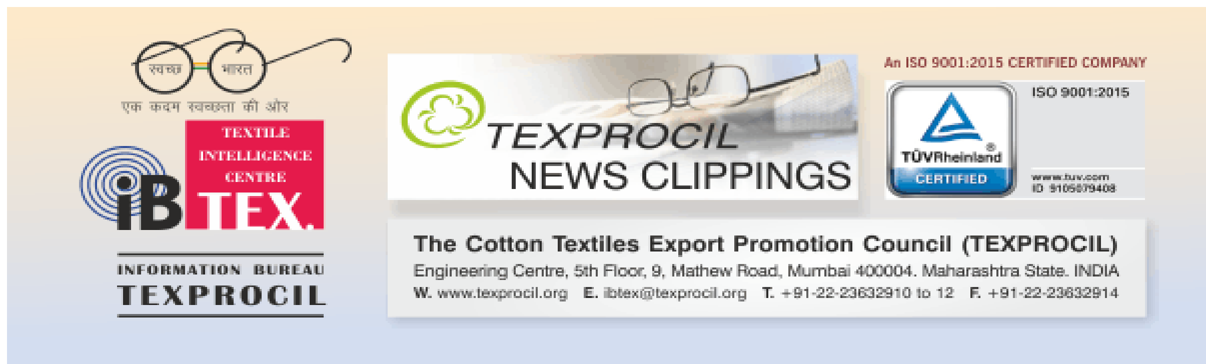

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INTERNATIONAL NEWS

US Trade Policy Taking Slow Road With Clear China Focus

In the first six months of the Biden administration, trade has generally taken a back seat to other domestic and foreign policies and issues, with the forced labor issues in cotton cultivation surrounding China's Xingjiang Autonomous Region (XUAR) getting to most attention.

That was the summation of United States Fashion Industry Association's (USFIA) Symposium session on "Key Issues in Trade Policy, Politics & Customs," where David Spooner, USFIA Washington counsel and partner at Barnes & Thornburg LLP, and John Pellegrini, USFIA Customs Counsel, laid out the status of President Biden's action so far.

Spooner, discussing the Uyghur Forced Labor Prevention Act first introduced in January, noted that it cleared the Senate Committee on Foreign Affairs on June 24. On Thursday, the full Senate passed the measure. A companion bill in the House is pending. The legislation goes beyond the existing power of Customs & Border Protection's Withhold Release Orders and creates a "rebuttable presumption that goods from Xingjiang are made with forced labor."

Companies can overcome the presumption only by "fully and completely complying" with government regulations and guidance by fully responding to Customs requests for information and if Customs agrees that the items were not made with forced labor.

"Both the Senate and House bills have very strong support from both sides of the aisle, so I think we're looking at timing where it happens at any time, although some folks are thinking just because of the big issues and the disfunction in Congress that if it doesn't happen in the next few weeks...that it may be this fall when the legislation finally passes," USFIA president Julia Hughes said. "But everyone you talk to believes the legislation will be approved."

Spooner also noted Tuesday's multiagency Xinjiang advisory that called for urgent attention to U.S. businesses' supply chain risks and identifies serious investing and sourcing considerations for businesses and individuals with exposure to entities engaged in forced labor and other human rights abuses linked to Xinjiang. The advisory also described U.S. government actions

taken to date to counter the use of forced labor in Xinjiang and to prohibit the importation of goods produced in whole or in part with forced labor or convict labor.

"In the short, the situation is that companies can't import from this region," Pellegrini said. 'I think many companies have already made that decision."

Spooner noted that the Senate passed legislation in June that would require U.S. Trade Representative (USTR) Katherine Tai, who has been actively engaged in her short time on office, he said, to consider China Section 301 exclusion requests. The bill stipulates exclusions would be valid for 18 months and would require USTR to dispose of exclusion requests "not later than 90 days before the duty is due to be paid."

"The amendment is not perfect," Spooner said. "It would permit USTR to refrain from product exclusions if it declares that they would undermine U.S. leverage in trade negotiations and establish vague criteria for evaluation."

However, USFIA, as part of the Americans for Free Trade Coalition, wrote House Speaker Nancy Pelosi and Minority Leader Kevin McCarthy on June 30 stating its support for House passage of elements of the Trade Act of 2021 that were included in the U.S. Innovation and Competition Act related to products subject to additional tariffs under Section 301 of the Trade Act of 1974. With that said, Spooner felt that at least in the short term, the China 301 tariffs will remain in place, as President Biden and USTR Tai have both said they give the U.S. "leverage" in negotiations with Beijing.

Spooner also touched on the Digital Services Taxes issue, noting that on June 7, USTR announced it would retaliate against a range of countries, notably France and the U.K., for imposing tariffs on goods such as bras from India. The tariffs would not go into effect until Nov. 29 this year in the hope that a resolution would be negotiated.

As for whether the U.S. will enter any free trade agreements, Spooner noted that Trade Promotion Authority, seen as vital for negotiating such pacts, expired at the beginning of July.

Source: sourcingjournal.com– July 19, 2021

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'Through the Roof': No Near-Term Relief Seen for Cargo Congestion, Experts Say

Port congestion has been a recurring theme throughout the supply chain over the past year, with U.S. ports yet again seeing record cargo imports in May and a Covid-19 outbreak slowing operations at China's Port of Yantian in June. With constant hiccups and bottlenecks everywhere you turn, accompanied by skyrocketing container costs, the universal question has been: "When will supply chains return to normalcy?"

Two experts in the field expect more of the same throughout 2021 as e-commerce demand remains consistent.

In a recent Sourcing Journal webinar "Off the Rails: Overcoming Logistics Roadblocks," Dr. Noel Hacegaba, deputy executive director and chief operating officer at the Port of Long Beach, said importers will have to endure the congestion until early next year.

"This will likely continue—maybe not at the same pace—into the first quarter of 2022, maybe with a lull following Chinese New Year," Hacegaba said. "Demand for containers, vessel services, trucks, rail and virtually every piece of equipment in the supply chain is at an all-time high. You have a scenario where demand is outstripping supply in every single segment in the supply chain, and that's driving pricing through the roof."

Vincent Iacopella, executive vice president, growth and strategy at freight forwarder Alba Wheels Up International, said that rumblings out of Asia expect constrained shipping container capacity until at least first quarter of 2022, with no break on price. "If the capacity stays that tight, you don't get relief on price."

Four steps to mitigating last-minute mishaps

Iacopella outlined four steps he and the Alba Wheels Up International team have taken to mitigate last-minute struggles associated with overcapacity, delays and higher prices.

Iacopella first recommends that brands regularly give ocean carriers advanced allocations—typically three or four weeks beforehand.

"When you go on the market the same week, that's when price is generally higher and capacity is very tight," Iacopella said.

He also recommended flexibility in routing, noting that importers could redirect shipments to the Ports of Oakland and Tacoma instead of Los Angeles or Long Beach.

Additionally, although air freight is more expensive, Iacopella said retailers could ship more inventory via air to relieve some pressure off the overloaded ocean freight.

Iacopella shared his final suggestion based on discussions with partners and customers, more of which are shipping goods in earlier to get ahead of rising rates. In many of these cases, they are shipping goods to warehouses in Mexico through Alba, from where they can then send the product directly to the consumer duty free. This is thanks to Section 321 de minimis, a regulation allowing a company to import goods duty free if they are valued at less than $800.

"If you can bring goods in early, and you have an alternative fulfillment option, whether it be holding in Mexico until you're ready to cross into the U.S, or whether it's held in Southern California, that has been effective for those who can do it," Iacopella said.

Could a 24/7 supply chain be a reality?

The Port of Long Beach's Hacegaba harped on improving supply chain visibility for future black swan events, pointing to two instances over the pandemic that caught nearly everyone off guard.

In the second and third quarter of 2020, the port saw 40 "blank sailings," referring to shipments that either skipped over a port of call or were cancelled entirely. Additionally, Hacegaba said that the industry was further stunned by China's quick manufacturing rebound, resulting in additional cargo "that caught the supply chain completely out of balance."

Both Hacegaba and Iacopella agreed that terminals and carriers haven't bought into advanced data-sharing that could help them address these issues together.

"We were surprised during the process of how many stakeholders who are paying customers weren't receiving the same data," Hacegaba said.

Beyond the visibility concerns, Hacegaba suggested that stakeholders take a serious look at transitioning to a "24/7 supply chain" to combat overcapacity.

A 24/7 supply chain would require warehouses and distribution centers to expand their hours, but it would relieve upstream congestion, as full containers sit in the terminals for longer than they should, Hacegaba said.

"The warehouses and distribution centers must make sure that there's ample workers to ensure the capacity to handle shipments," Hacegaba said. "The Covid safety protocols, social distancing and everything that has been in place since last year has tightened capacity in the warehouses, so there's an issue there. Also, access to truck drivers continues to be problematic as well."

Source: sourcingjournal.com– July 19, 2021

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Stronger than expected US retail growth continues in June: NPD

Stronger than expected US retail results continued through June, even in the aftermath of a strong Prime Days promotional period, according to 'Retail Early Indicator' data from The NPD Group, which found dollar sales of US discretionary general merchandise rose by 18 per cent in the week ending July 3 over the same period two years ago, continuing at a pace exceeding the 8 per cent growth over last year.

"The consumer's definition of value has changed. Rather than looking for deals, consumers are finding value in the ability to get what they want and need now," said Marshal Cohen, chief retail industry advisor for NPD, in a press release.

How much, and what consumers are spending in is just part of the story. Checkout information from NPD reveals that where and how consumers are shopping has changed as well. Some retail channels have experienced continued growth fortified by the pandemic, others benefited from pent-up demand, while others faced inescapable challenges.

Trends solidified by habits formed during the pandemic as mass merchants, warehouse clubs, pure-play e-commerce, home hardware and other channels have experienced growth over the past few years.

Lifted restrictions have given a boost to department stores, national chains, and apparel specialty following a difficult year, but not enough to get them back to normal levels.

"The continuation of robust retail spending proves that experiential spending isn't roaring back," added Cohen.

Source: fibre2fashion.com– July 20, 2021

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Australian Cotton Collective to bring industry together from Aug 24-26

The 2021 Australia Cotton Collective, to be held in Toowoomba, Queensland from August 24-26, 2021, will bring Australia's cotton industry together for a series of informative speaker sessions, panel forums and a trade show. The event is being organised by Cotton Australia, the peak body for Australia's cotton growers, representing up to 1,500 cotton farms.

An all day pre-collective industry bus tour, focussing on agri-technology and biotechnology of Toowoomba region will be held on August 24, the first day of the event. A welcome function will also take place on the same day, Cotton Australia said on its website.

Cotton Australia's Annual General Meeting will be held at the Toowoomba Showgrounds on August 25 along with Cotton Collective seminar sessions and the trade show. These will be followed by the Australian Cotton Industry Awards at the Picnic Point Function Centre.

Seminar sessions and the trade show are also being organised for the last day of the event.

Source: fibre2fashion.com– July 19, 2021

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AAFA seeks more support to end shipping crisis as inflation hits US

In a recent letter to President Joe Biden, American Apparel & Footwear Association (AAFA) president and chief executive officer Steve Lamar emphasised the need for additional government support to address an ongoing shipping crisis that has caused a 'destructive cycle of lengthening delays and rocketing costs'. The letter is the second sent by the industry on the issue.

The latest latter follows the June consumer price index report that showed significant inflation among apparel and footwear products.

While Lamar welcomed efforts to pass a comprehensive bipartisan infrastructure bill, as well as the President's June 9 executive order that directs the Federal Maritime Commission to consider additional rules to counter unfair detention and demurrage costs, he noted that American businesses need assistance now.

"The next several months are critical to the American retail industry, as we prepare for back-to-school and holiday shopping. If action is not taken, we risk empty shelves that would trip up our nation's economic recovery," added Lamar in the letter.

Source: fibre2fashion.com– July 19, 2021

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Singed by the pandemic, textile machinery sector sees a sharp drop

Like other sectors, the textile machinery segment has also suffered from COVID-19-induced downturn. Released by the International Textile Manufacturers Federation (ITMF), the 43rd annual International Textile Machinery Shipment Statistics (ITMSSS) show, global shipments of all types of textile machines including spinning, texturing, weaving, knitting and finishing machines decreased in 2020 as compared to 2019. Exports of spindles, both long-staple and short-staple fell 46 per and 48 per cent respectively while those of draw texturing spindles dropped by 30 per cent.

Flat knitting machines witness larger decline

In the knitting machinery segment, the flat knitting machines segment witnessed a larger decline of 52 per cent to 66,000 units in 2020. Of these, 77 per cent were exported to Asia & Oceania. China once again dominated with a 38 per cent share. However, imports by China dropped 74 per cent to 17,000 units in 2020. Global shipments of large circular knitting machines dropped 12 per cent to 30,231 units in 2020. Of this, around 81 per cent were shipped to Asia and Oceania. China was the largest importer with 62 per cent followed by India and Turkey with 2,433 and 2,381 units respectively.

Asia, Oceania emerge largest importers of spindles

Exports of short-staple spindles declined 3.3 million units in 2020. In all, 3.63 million units of short-staple spindles were exported with 88 per cent shipped to Asia and Oceania. China, India, Turkey, Pakistan, Bangladesh and Uzbekistan were the six main export destinations though shipments to Europe also increased 76 per cent. Deliveries of open-end rotors declined 27 per cent to 422,000 units during 2020. Shipments to Asia and Oceania declined 32 per cent to 351,000 units. China was the largest importer though its imports declined 30 per cent from 2019; followed by Turkey and Pakistan whose imports increased 290 per cent and 42 per cent respectively.

Driven by a 75 per cent decline in investments and falling exports to Asia and Oceania, exports of long-staple (wool) spindles declined 46 per cent to nearly 22,000 units in 2020. Almost 80 per cent of total deliveries were shipped to Iran, Turkey, and Italy.

Decline in single heater draw-texturing spindles dominates

In the texturing machinery segment, shipments of single heater draw-texturing spindles decreased 36 per cent to 16,000 units in 2020. Asia and Oceania were the largest importers with 89 per cent shipments directed to these two regions. The main importers included China, Japan and Taipei with 63 per cent, 9 per cent and 8 per cent share in global exports respectively. Shipments of double heater draw-texturing spindles declined 30 per cent to 325,000 spindles with 90 per cent shipped to Asia. China remained the largest importer with 78 per cent of global shipments.

China imports largest amount of global weaving machinery

Global exports of shutterless looms declined 16 per cent to 112,000 units in 2020. Shipments of 'airjet' and 'rapier and projectile' looms contracted 3 per cent to 29,337 units, and 15 per cent to 21,542 units respectively.

Waterjet looms witnessed a 21 per cent decline in deliveries. In total, 61,483 units of waterjet looms were exported during 2020, with Asia and Oceania constituting 94 per cent. Together, these two regions received 98 percent, 93 per cent and 81 per cent of global waterjet, airjet, and rapier/projectile looms. One major importer of all three types of looms was China with 74 per cent of total imports.

Deliveries of sanforizers / compacters in the fabrics continuous segment grew 75 per cent in 2020 while exports of jigger dyeing/beam dyeing dropped 8.5 per cent to 529 units. In this category, exports of 'airjet dyeing' and 'overflow dyeing' respectively decreased 18 per cent and 21 per cent respectively.

Source: fashionatingworld.com– July 19, 2021

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US apparel sales rise 2.6% in June

Apparel and accessories store sales in the US increased 2.6 per cent in June 2021 compared to previous month and 47.1 per cent from a year ago, reveals analysis by the Women's Wear Daily of the latest Census Bureau Data.

Department store sales rose 9 per cent from May and 24.4 per cent from a year ago while e-commerce sales increased 1.2 per cent from May and 12 per cent compared with a year ago. Total sales in the first half of the year increased 19 per cent from the first half of 2019.

Sales of specialty stores increased only 7 per cent in the first half of the year compared to two years earlier, while sales of department stores declined 2 per cent.

E-commerce sales jumped 40 per cent during the period as brands rushed to improve their websites and offer curbside pickup and other online friendly options. Jack Kleinhenz, Chief Economist, National Retail Federation says, the sector is benefitting from the continued government support, reopening of stores and increased vaccinations.

Source: fashionatingworld.com– July 19, 2021

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Pakistan: Textile exports surge to $15.4 bn in FY 2020-21; 73.08pc in June

The exports of textile commodities witnessed an increase of 22.94 percent during the fiscal year 2020-21 as compared to the corresponding period of last year and surged by 73.08 percent on year-on-year basis.

Textile exports were recorded at $15400.142 million in July-June (2020-21) against the exports of $12526.537 million in July-June (2019-20), showing growth of 22.94 percent, according to latest data of Pakistan Bureau of Statistics (PBS) released here Monday.

The textile commodities that contributed in trade growth included knitwear, exports of which increased from $2794.363 million last year to $3816.156 million during the fiscal year under review, showing growth of 36.57 percent.

Likewise, the exports of yarn other than cotton yarn increased by 29.62 percent, from $25.743 million to $33.369 million whereas, exports of bed wear increased by 28.87 percent from $2150.833 million to $2771.789 million.

The exports of towels increased by 31.81 percent, from $711.265 million to $937.536 million; exports of tents, canvas and tarpaulin grew by 12.10 percent, from $98.472 million to $110.387 million; readymade garments by 18.83 percent, from $2552.246 million to $3032.800 million; made-up articles, excluding towels and bead-wear by 28.08 percent, from $590.507 million to $756.35 million while the exports of art, silk and synthetic textile increased from $314.772 to $370.421 million, showing growth of 17.68 percent, cotton (carded or combed) by 3.17 percent, from $0.063 million to $0.065.

The exports of cotton cloth also increased by 4.98 percent, from $1829.901 million to $1921.001 million

Meanwhile, the commodities that witnessed negative growth in trade included raw cotton, exports of which decreased by 95.27 percent, from $17.002 million to $0.804 million.

The exports of all other textile materials also increased by 38.56 percent, from $456.469 million to $632.495 million, the PBS data revealed.

Meanwhile, on year-on-year basis, the textile exports increased by 73.08 percent during the month of June 2021 as compared to the same month of last year.

The exports during June 2021 were recorded at $1660.040 million against the exports of $959.137 million during June 2020.

On month-on-month basis, the exports from the country also rose by 57.81 percent during June 2021 when compared to the exports of $1051.933 million in May 2021.

Source: dailytimes.com.pk– July 20, 2021

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NATIONAL NEWS

Economy to grow at 6.5-7% in FY23, says CEA K V Subramanian

The economy will likely grow at 6.5-7% in FY23 and the rate of expansion could further accelerate thereafter, as the fruits of structural reforms undertaken in the wake of the Covid-19 pandemic will be visible in the coming years, chief economic advisor (CEA) Krishnamurthy V Subramanian said on Monday.

In the current fiscal, the growth rate will be a "ballpark figure" around the estimate (11%) firmed up by the economic survey on January 29 (before the onslaught of the second Covid wave), Subramanian said at a virtual industry event. The economic impact of the second wave was much less severe than the last one, he added. Last week, the Reserve Bank of India (RBI) projected India's FY22 growth at 10.5%.

The resurgence of growth will be driven by a sustained capex push and the budgetary targets will be met, the CEA stressed, seeking to allay fears that a re-prioritisation of expenditure in the aftermath of the second wave could reduce allocation for productive spending.

The Centre has budgeted a 30% rise, year on year, in capex to `5.54 lakh crore for FY22, while its revenue expenditure is targeted to drop by 5% to `29.29 lakh crore.

In the first two months of this fiscal, budget capex has grown by 14% from a year before, and large CPSEs have also acquitted themselves well in sticking to their investment targets, thanks partly to constant prodding by the government.

The CEA said just like the 1991 reforms, the important structural measures, especially in factors of production, taken in recent months will produce results with a time lag. The Modi government has taken care to boost both the supply and demand side of the economy, he said. Otherwise, it will add to inflationary pressure.

The steps initiated (by the UPA government) after the 2008 global financial crisis involved a great deal of revenue spending, which drove up fiscal as well as current account deficit and stoked inflation, Subramanian said.

However, the current government has stepped up focus on the more productive capital spending, which has a high multiplier of 4.5, against less than 1 in revenue expenditure, he added.

The CEA highlighted that India was a rare country in the sense it didn't just roll out relief measures after the pandemic but brought in credible reforms as well, using the adversity as an opportunity.

Subramanian listed several reform measures initiated in recent months, including the setting up of a development finance institution, sovereign backing for bad bank, further opening up of the insurance sector to foreign investment and curbing of overbearing government presence in various sectors to encourage further private participation.

Source: financialexpress.com– July 20, 2021

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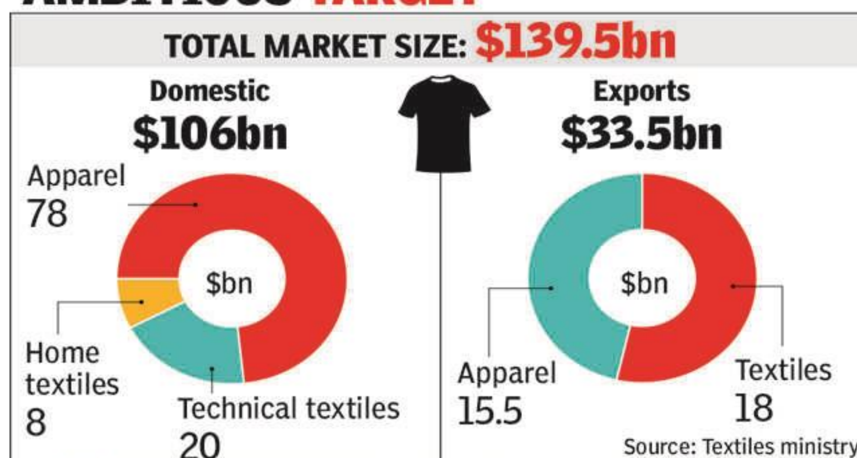
Piyush Goyal wants 10x jump in textiles sector capacity

Piyush Goyal, the new textiles minister, has set an ambitious target of scaling up the industry's capacity by 10 times, amid indications that the government is planning more steps to boost investment and employment in the sector.

While Goyal has not given a timeframe, he wants the team of officers in the ministry to prepare a detailed action plan for each segment — ranging from fibres and garments to handloom and handicraft — along with the deadline, a source present in last week's deliberations told TOI. Man-made fibre along with technical textiles and handloom have been identified as key thrust areas.



Currently, the size of the textiles industry is estimated at around $140 billion (over Rs 10 lakh crore), with apparel accounting for over half the share (see graphic). Textiles' share in India's GDP is estimated at around 2.3% and is the largest employer, employing about 45 million workers.

With around a quarter of the produce, getting exported, the government is hoping that a series of steps, including the extension of Rebate of State and Central Taxes & Levies (RoSCTL) will provide clarity to exporters when they negotiate contracts.

Similarly, integrated textiles parks are seen to be another thrust area, with the proposed free trade agreements with the UK and the EU expected to provide further fillip to Indian exporters. With lower duties in these crucial markets, the textiles industry is hoping to compete more favourably with rivals such as Bangladesh, which enjoy wage and tariff advantages.

Steps such as Mudra loans for startups to buy cotton-plucking machines for renting to farmers are proposed in a bid to create jobs and income for small entrepreneurs, said an officer.

Goyal is hoping to replicate the strategy adopted by him in his earlier assignments, such as a massive LED bulbs scheme and steps to scale up renewable energy space and coal production. By insisting on increasing the size of the pie, he is hoping to get more investments and create more jobs.

At the same time, the minister has asked his team to focus on improving the quality of handloom and handicrafts and standardising it, given that there is a vast potential in a growing market such as India, apart from the exports market.

Source: timesofindia.com– July 19, 2021

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Boost to MSME cash flow: Lok Sabha may take up factoring Bill today

The proposed amendments to the factoring law, which seek to widen the participation of financiers in factoring business, relax restrictive provisions and empower the central bank to bolster norms for better oversight of the $6-billion market, could be taken up for approval in the Lok Sabha on Tuesday.

Finance minister Nirmala Sitharaman was earlier scheduled to move the Factoring Regulation (Amendment) Bill, 2020, for clearance by the Lok Sabha on Monday. But the lower House was adjourned early on Monday, as its proceedings were frequently disrupted by Opposition parties.

The new Bill seeks to allow all non-banking financial companies (NBFCs), instead of a select few, to engage in factoring business – a move that could help improve the cash flow to Covid-hit micro, small and medium businesses (MSMEs).

Factoring is essentially a transaction where an entity (like MSME) sells its receivables (dues from a customer) to a third party (a 'factor' like a bank or NBFC) for immediate funds. It often helps a firm satiate its immediate working capital requirement.

Under the extant law, to engage in regular factoring business, an NBFC's financial assets in the factoring business and income from it should both be more than 50% of its gross assets and net income or greater than a threshold, as notified by the Reserve Bank of India (RBI). The new Bill removes this threshold, making it easier for NBFCs to engage in factoring business. Many MSMEs, whose payments against supplies are stuck, participate in the factoring business with receivables.

Despite growth in recent years, the factoring market accounts for only 0.2% of India's GDP, way behind comparable developing economies such as Brazil (4.1%) and China (3.2%), according to a report of the parliamentary standing committee on finance, which reviewed the Bill and endorsed the amendments.

Mature factoring markets, more specifically Europe, continue to dominate the factoring market, accounting for 68% of global factoring. The factoring market worldwide is projected to reach $9.2 trillion by 2025.

In India, the factoring credit makes up for only 2.6% of total formal MSME loans in India, way below 11.2% in China. Moreover, only 10% of the total receivable market is currently covered under formal bill discounting mechanism, while the rest under conventional cash, credit/overdraft arrangements with banks. As one of the principal instruments of working capital and trade finance, bill discounting and factoring remains underutilised.

The factoring Bill will empower the RBI to make regulations in respect of matters relating to the manner of granting certificate of registration, filing of particulars of transactions with the Central Registry on behalf of factors; and any other matter that is required to be specified by regulations.

It also seeks to amend the definitions of "assignment", "factoring business" and "receivables", to bring them in sync with international definitions and also to insert a new definition of "Trade Receivables Discounting System".

The Factoring Regulation (Amendment) Bill, 2020, was introduced in the Lok Sabha by finance minister Nirmala Sitharaman on September 14 last year. Later that month, the Lok Sabha speaker referred the Bill to the Parliamentary standing committee for examination.

The panel, in its report submitted in February, stressed the need for the RBI to build sufficient regulatory resources to ensure effective supervision of factoring activities now that a large number of players may take part in such businesses with the implementation of the new norms.

Factoring activities in India include invoice discounting, recourse and non-recourse factoring, collections and reverse factoring. However, international factoring includes a much wider spectrum of activities like export factoring, import factoring, export invoice discounting and reverse factoring.

Source: financialexpress.com– July 20, 2021

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Expansion and Increase in Capacity of MSMEs

The Government of India has announced Fund of Funds with the nomenclature Self Reliant India (SRI) Fund to infuse Rs. 50,000 crore as equity funding in those MSMEs which have the potential and viability to grow and become large units.

Under this scheme total size of fund of Rs. 50,000 Crore has a provision of Rs.10,000 Crore from Government of India and Rs.40,000 Crore leverage through Private Equity / Venture Capital funds.

The guidelines of the fund have been issued. This initiative is aimed at providing growth capital to the deserving and eligible units of MSME sector.

This information was given by Minister for Micro. Small and Medium Enterprises Shri Narayan Rane in a written reply in the Rajya Sabha today.

Source: pib.gov.in– July 19, 2021

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India emerges as 5th largest forex reserves holder in the world with $608.99 billion as on June 25, 2021

With India's forex reserves at $608.99 billion as on June 25, 2021 stood, India has emerged as the fifth largest foreign exchange reserves holder in the world after China, Japan, Switzerland and Russia. This was stated by Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in the Lok Sabha today.

The Minister stated that India's foreign exchange reserves position is comfortable in terms of import cover of more than 18 months and provides cushion against unforeseen external shocks. Government and RBI are closely monitoring the emerging external position calibrating policies or regulations to support robust macroeconomic growth.

Giving more details, the Minister said that RBI takes regular steps for diversification of forex reserves by scaling up operations in forex swap and repo markets, acquisition of gold and exploring new markets/products, while adhering to safety and liquidity standards. Variation in India's forex reserves is primarily the outcome of RBI's intervention in the foreign exchange market to smoothen exchange rate volatility, valuation changes due to movement of US dollar against other international currencies in the reserve basket, movement in gold prices, interest earnings from deployment of foreign currency assets and inflow of aid receipts.

The Minister further stated that a current account deficit, accompanied by increasing foreign exchange reserves, reflects a surplus on the balance of payments i.e., the magnitude of the net capital inflows exceeds the volume of the current account deficit. In 2020-21, India's balance of payments recorded surplus in both current account and capital account which contributed to the increase in foreign exchange reserves during the year.

Besides exports and imports of goods and services, the overall stability of the external sector depends on other components of balance of payments including remittances (transfers), income in the current account, the size of net capital flows and external debt. India is comfortable in most of these external sector vulnerability indicators, the Minister said.

Source: pib.gov.in– July 19, 2021

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Encouragement to MSMES

The Ministry of MSME implements various schemes and programmes for growth and development of MSME Sector in the country. These schemes and programmes include Prime Minister's Employment Generation programme (PMEGP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE), Interest Subvention Scheme for Incremental Credit to MSMEs, Credit Guarantee Scheme for Micro and Small Enterprises, Micro and Small Enterprises Cluster Development Programme (MSE-CDP), Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS).

Post Covid-19, Government has taken a number of initiatives under AatmaNirbhar Bharat Abhiyan to support the MSME Sector in the country especially in Covid-19 pandemic. Some of them are:

- Rs 20,000 crore Subordinate Debt for MSMEs.
- Rs. 3 lakh crores Collateral free Automatic Loans for business, including MSMEs.
- Rs. 50,000 crore equity infusion through MSME Fund of Funds.
- New revised criteria for classification of MSMEs.
- New Registration of MSMEs through 'Udyam Registration' for Ease of Doing Business.
- No global tenders for procurement up to Rs. 200 crores, this will help MSME.

An online Portal "Champions" has been launched on 01.06.2020 by Hon'ble Prime Minister. This covers many aspects of e-governance including grievance redressal and handholding of MSMEs. Through the portal, total 35,361 grievances have been redressed upto 12.07.2021.

Studies have been conducted by National Small Industries Corporation (NSIC) and Khadi and Village Industries Commission (KVIC) to assess the impact of COVID-19 Pandemic on MSMEs including units set up under Prime Minister's Employment Generation Programme (PMEGP).

The main findings of the online study conducted by NSIC to understand the operational capabilities and difficulties faced by the beneficiaries of NSIC schemes amid Covid-19 pandemic are as follows:

91% MSMEs were found to be functional.

Five most critical problems faced by MSMEs were identified as Liquidity (55% units), Fresh Orders (17% units), Labour (9% units), Logistics (12% units) and availability of Raw Material (8% units.)
The findings of the study conducted by KVIC are as under:

i. 88% of the beneficiaries of PMEGP scheme reported that they were negatively affected due to Covid-19 while the remaining 12% stated that they were benefitted during Covid-19 Pandemic.

ii. Among the 88% who were affected, 57% stated that their units were shut down for some time during this period, while 30% reported drop in production and revenue.

iii. Among the 12% who had benefitted, 65% stated that their business increased as they had units in retail and health sector and around 25% stated that their units benefitted as they were dealing with essential commodities or services.

iv. On the question of regular payment of salaries to the employees, around 46.60% respondents stated that they had paid the salaries in full, 42.54% reported to have partially paid and 10.86% reported to have not paid salary for some time during this period.

v. Majority of the beneficiaries expressed the need for additional financial support, relaxation of waiver of interest and marketing support for their products.

This information was given by Minister for Micro. Small and Medium Enterprises Shri Narayan Rane in a written reply in the Rajya Sabha today.

Source: pib.gov.in– July 19, 2021

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Building for a growth recovery

At the recent NCAER-Brookings India Policy Forum (IPF), held virtually because of the pandemic, controlling the pandemic and recovering from its impacts loomed large. However, an important perspective on the Indian economy's trajectory was presented that transcended the pandemic. Roughly, India's growth in the first decade of the millennium was driven by an investment boom, supported by an increase in domestic savings.

Export growth in this period was also robust. Thereafter, growth was driven more by domestic demand, which was already starting to fade when demonetisation, changes in indirect taxes, and the pandemic all hit in sequence. This was at a time when credit growth slowed dramatically, because of problems with the quality of credit extended during the investment boom. Export growth also collapsed during this period. This narrative matches the account of India's financial intermediation problems I gave in my last column.

The important lesson of this analytical narrative is that a growth recovery will require an investment recovery. Household demand is very unlikely to lead the economic recovery, given uncertainties with respect to health shocks and employment. Of course, the private sector also faces uncertainties that will inhibit new investment. Hence, there is a strong case for public investment, especially in infrastructure, to lead India's future economic growth. There are several obstacles to this strategy. One, of course, is the state of the country's public finances.

At the IPF, the case was made for a stepped-up program of sales of public assets, especially public enterprises. The current government has already gone further in this direction than any previous one, but it is still well short of targets. Interestingly, this has proved to be the most difficult reform to achieve, because of political interests as well as the complexity of such asset sales.

An alternative approach that was discussed at the IPF put more weight on encouraging private investment in infrastructure. Public private partnerships are already a part of India's approach to infrastructure investment, and if they can be structured and monitored effectively, then this may be better than an approach where the government bears all the costs and risks, even as the private sector influences the choice of projects and reaps the rewards.

The technical and political economy challenges for large infrastructure projects are enormous: this is an area that contributed to India's financial sector problems, and learning from the past will be important. In this case, the kinds of technology platforms that can improve financial intermediation for

private sector investment are not so relevant. The gigantic Sagarmala programme, consisting of hundreds of projects costing trillions of rupees, is a good example of the difficulties going forward. The programme is designed to create a port infrastructure that can support more effective engagement in international trade for India. The idea was mooted in 2003, but only got off the ground in 2016.

A global consultancy firm produced a report running into hundreds of pages, with enormous detail on design of the projects. But at the end, it has not always been clear whether the projects were chosen or prioritised to fit into a coherent strategy of integration into global and regional production networks—this being an essential precondition to stepping up international trade, and exports in particular. Of course, there are problems of slow implementation, and concerns about political favouritism for certain states or businesses.

But the real problem may be a lack of strategic intent and direction. When the pandemic hit in March 2020, the government announced that it was considering revisiting the entire programme, and hiring another global consultant, because of changes in world conditions. But there did not seem to be any clear explanation of why the changes required a comprehensive re-evaluation, nor was there any public analysis of the outcomes to-date of the programme and its many components.

The discussion at the IPF suggested that India's failure to capitalise on possibilities for integrating into the global economy has been an important reason for faltering growth, independent of the pandemic. The situation now is one of disruption, but also opportunities, as existing supply chains are being re-evaluated, and the over-reliance on India's giant neighbour is being questioned.

Integrating into the global economy can provide economies of scale and spur innovation. At the IPF, a slowdown in productivity growth was also identified as a barrier to sustained economic expansion. All of these factors suggest a clear strategic direction for economic policy to restore and sustain rapid growth.

Source: financialexpress.com– July 20, 2021

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Training Under Skill India Mission

Under Skill India Mission, the Government is implementing more than 40 skill development schemes/programmes across 20 Central Ministries/Departments, for providing a variety of skill development training programmes on pan India basis in which 556.1 Lakhs persons have been trained. Number of persons trained under the various schemes being implemented by the Ministry of Skill Development and Entrepreneurship under the auspices of Skill India Mission is as follows: -

Entity	Persons trained during 2015-16 to till date as per available data [Number in lakhs)
Pradhan Mantri Kaushal Vikash Yojana (PMKVY) 1.0 and 2.0	126.82
Fee based training by National Skill Development Corporation (NSDC)	117.39
National Apprenticeship Promotion Scheme (NAPS)	10.73
Jan Shikshan Sansthan (JSS)	15.10
Industrial Training Institutes (ITIs) {Long term training through State Government and Private ITIs]	64.01
Total	**334.1**

10,49,621 candidates have been provided employment under PMKVY and NAPS during the last two years while JSS does not provide for any mandatory employment. Similarly, Ministry does not monitor the employment of students passing out of ITIs.

The Government has taken various steps for generating employment in the country like encouraging various projects involving substantial investment and increasing public expenditure on schemes like Prime Minister's Employment Generation Programme (PMEGP), Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojna (DDU-GKY), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), and Deendayal Antodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) run by Ministry of Micro, Small & Medium Enterprises, Ministry of Rural Development and Ministry of Housing & Urban Affairs, respectively.

Under PMKVY 2.0 scheme of MSDE, training Centres takes all efforts to facilitate placements of certified candidates through multiple initiatives like Rojgaar Mela, Yuva Sampark and Aatmanirbhar Skilled Employees Employer Mapping (ASEEM) 'portal, collaboration with industries and Council. In PMKVY 3.0 facilitation of wage employment / self-employment / apprenticeship shall be provided to the certified candidates under the STT component of the scheme.

Pradhan Mantri Kaushal Kendras shall act as nodal Centres at districts for providing self-employment support. Training Partner shall work in coordination with DSC / SSDM for placement of the candidates in addition Rozgar Melas to be organized on regular interval at district and regional level by TP / DSCs / SSDMs / SSCs for placement and apprenticeship. All candidates certified under PMKVY 3.0 would also be linked to ASEEM portal to find job opportunities.

This information was given by Union Minister for Skill Development & Entrepreneurship, Shri Dharmendra Pradhan in a written reply in Lok Sabha today.

Source: pib.gov.in– July 19, 2021

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FY21 compensation: 'GST transfers to states for FY21 fell short by Rs 81,179 crore

The Centre on Monday acknowledged in Parliament that an amount of Rs 81,179 crore was yet to be released to the state governments towards fully compensating them for their goods and services tax (GST) revenue shortfall for the financial year 2020-21. While several states have been vocal about these dues, the Centre hasn't categorically endorsed the claims so far.

The statement raises the question as to how the amount would be mobilised and increased the chances of a widening of the RBI-facilitated special borrowing window under which the Centre raises low-cost loans to bridge a yawning shortfall being witnessed in the designated cess kitty.

Of course, the written reply in the Lok Sabha by minister of state for finance Pankaj Chaudhary was silent on how and when the dues to the states would be settled. Against the states' estimated total GST compensation requirement of a huge Rs 2.82 lakh crore for 2020-21, a little over Rs 2 lakh crore were transferred to states in the year, including over Rs 85,000 crore collected via the designated cesses on demerit goods, and another Rs 1.1 lakh crore under the special back-to-back loan facility.

The loan mechanism doesn't entail any direct fiscal cost to the states, though delayed release of the compensation amounts – under the relevant law, these are to be released promptly on a bi-monthly basis – has increased the states' borrowing requirements.

2020-21 was the first year when the cess proceeds fell short of the states' compensation requirement, thanks largely to the pandemic but also because of the series of rate cuts that brought down the weighted average GST rate to around 11%, against a revenue neutral rate of around 15% seen before the July 2017 launch of the destination-based consumption tax. In the current financial year too, the states' GST revenue shortfall (S-GST shortfall) is seen to be a massive Rs 2.6 lakh crore and analysts estimate the shortfall to be even higher.

The 2020-21 dues to states included dues to Maharashtra of Rs 15,138 crore, followed by Karnataka (Rs 7,202 crore), Uttar Pradesh (Rs 7,109 crore), Gujarat (Rs 6,583 crore) and Tamil Nadu (Rs 6,155 crore), Chaudhary stated in the lower House.

In June, the West Bengal finance minister had flagged the issue of unpaid GST compensation for 2020-21, which he had estimated to be Rs 74,398 crore for all states.

Subsequent to the 43rd GST Council Meeting held on May 28, it was decided that the Union government would borrow Rs 1.59 lakh crore in 2021-22 and release it to states and UTs with legislature on a back-to-back basis to meet the resource gap due to the short release of compensation on account of inadequate amount in the Compensation Fund.

As reported by FE earlier, a special GST Council meeting is likely be held in the later half of August to discuss revenue shortfall compensation mechanism for states beyond June 2022 when the five year assured period comes to an end. The Council will likely consider streamlining GST rates and inverted duty structure and tightening of anti-evasion steps to boost revenues.

While GST compensation for April-May 2021 is estimated to be Rs 55,345 crore, the Union government on July 15 released a total Rs 75,000 crore to the states to bridge their GST revenue shortfall. This was in addition to normal GST compensation being released every two months out of actual cess collections.

Gross GST collections, after remaining above the Rs 1-lakh-crore mark for eight months in a row, came in at Rs 92,849 crore in June (May transactions), reflecting the blow to the economy from a virtually pan-India lockdown.

The government, however, said thanks to reduction in Covid-19 case numbers and easing of the lockdowns, e-way bills generation by businesses rose to 5.5 crore in June, from 3.99 crore in May, indicating a smart recovery of trade and business. About 5.9 crore e-way bills were generated in April.

The release of Rs 75,000 crore on July 15 was funded from borrowings of the Union government in 5-year securities, totalling Rs 68,500 crore and 2-year securities for `6,500 crore in the current financial year at weighted average yields of 5.60% and 4.25% per annum, respectively.

Source: financialexpress.com– July 20, 2021

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ECLGS: 60% of revised Rs 4.5 lakh cr scheme limit sanctioned in MSME loans; this much amount disbursed

Emergency Credit Line Guarantee Scheme (ECLGS), which was launched in May 2020 as part of the Atmanirbhar Bharat campaign to address the liquidity crisis of Covid-hit existing MSME borrowers, has enabled sanctioning 60.6 per cent of the Rs 4.5 lakh crore scheme limit.

As of July 2, 2021, Rs 2.73 lakh crore in loans was sanctioned, of which Rs 2.14 lakh crore was disbursed by partner banks and NBFCs. Moreover, guarantees have already been issued for loans granted to around 1.09 crore MSMEs, according to the Department of Financial Services. The information was shared by the new MSME Minister Narayan Tatu Rane in a written reply to a question in the Rajya Sabha on Monday.

The government had last month announced raising the overall cap of admissible guarantee by Rs 1.5 lakh crore from Rs 3 lakh crore at the time of the scheme's launch last year to Rs 4.5 lakh crore. ECLGS has already been revised four times to enhance its scope and benefit MSMEs and other borrowers based on the various industry recommendations.

For instance, MSME units, business enterprises, Mudra borrowers, and individual loans for business purpose having loan outstanding up to Rs 50 crore and days past due up to 60 days as on February 29, 2020 were eligible under ECLGS 1.0.

The scope was enlarged under ECLGS 2.0 with the inclusion of borrowers in 26 stressed sectors identified by the Kamath Committee & the healthcare sector and having loan outstanding above Rs 50 crore and up to Rs 500 crore and days past due up to 60 days as of February 29, 2020.

Under ECLGS 3.0, the government had further included borrowers in hospitality, travel & tourism, leisure & sporting, and civil aviation sectors.

Likewise, under ECLGS 4.0, existing hospitals, nursing homes, clinics, medical colleges or units engaged in manufacturing of liquid oxygen, oxygen cylinders, etc., and having credit facility with a lending institution with days past due up to 90 days as of March 31, 2021, were also included.

The scheme has been extended multiple times from October last year to November followed by March 2021, June 2021, and currently till September 2021, or till guarantees for the amount are issued under the fourth revision of the scheme dubbed ECLGS 4.0.

The minister had said on June 28, 2021, that the government had disbursed Rs 2.69 lakh crore to 1.1 crore units by 12 public sector banks, 25 private sector banks, and 31 non-banking financial companies.

Source: financialexpress.com– July 19, 2021

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Labour codes: Keen on October rollout, govt may address employers' concerns

The labour ministry is considering fine-tuning some contentious provisions and rules concerning the four labour Codes passed by Parliament recently, in order to ensure that these reformist laws take effect from October 1 throughout the country.

A source in the government said all the four labour codes – code on wages, industrial relations, social security and occupational safety & health – will be implemented at one go.

"Since the new labour minister, Bhupender Yadav, has taken charge, it is obvious that the draft rules under the codes will be reviewed, but that does not mean an overhauling," another source said.

One of the contentious provisions that might be reviewed is the definition of wages which proposes to cap allowances at 50% of the wages. This means if the allowances exceed 50%, then the employer will have to pay social security, including gratuity, on the excess amount. This will lead to an increased social security burden and hence, the financial burden of the employers through an increase in the salary cost. Employees' take-home salary will also come down.

Currently, employers enjoy flexibility in calculating the compensation package by reducing the components liable for social security and increase the allowances. Employers' body were arguing that the 50% threshold for basic pay plus dearness allowance should be brought down to 20-30% of the total package.

While the trade unions are for implementing the labour code on wages and labour code on social security, industry bodies want sufficient preparation time for adhering to the new rules.

The labour code on wages was passed in August 2019, Parliament approved three other codes – on industrial relations, social security and occupational safety & health – on September 23 last year. The Centre had earlier put on hold the original plan to roll out the codes from April 1, 2021, citing the dithering displayed by several states.

The wage code proposes universalisation of minimum wages; while the social security code proposes to bring all workers, including gig and platform workers, under some sort of social security. The industrial relations code raises threshold to 300 workers from 100 earlier for establishments to resort to lay-off, closure and retrenchment without government permission.

Source: financialexpress.com – July 20, 2021

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UP govt to set up state-level board to promote GI products

The Uttar Pradesh government will set up a state-level board under the chief secretary with a view to resolving problems of producers of GI (geographical indication) products in a holistic manner, besides promoting export of all such local products through branding and marketing.

"A decision in this regard was taken at a meeting chaired by chief secretary Rajendra Kumar Tiwari here on Monday. The main function of the proposed board would be to chalk out strategy for development of GI products and issue necessary guidelines for the execution of the same," said a government spokesman.

Geographical Indication (GI) is a sign used on products that have a specific geographical origin and possesses qualities or a reputation that are due to that origin. Among such products include handicrafts, wooden toys, stone carving, textile, and handloom products.

"The board will also develop a mechanism to identify new potential products for GI registration, their documentation, setting up producers' groups, branding, marketing and quality control of current GI products," the spokesman added.

The proposed board will have a maximum of three representatives on a rotation basis from fields such as board of departmental promotion of industries and internal trade, MSME and export promotion, agriculture, horticulture and food processing, handicraft, textile, directorate of industries, export promotion bureau, foreign trade, GI Registry (Chennai), textile committee (Mumbai) and National Bank for Agriculture and Rural Development (NABARD).
The Uttar Pradesh export promotion bureau will have the mandate to execute the plans and policies to be made by the board.

Earlier, it was said in the meeting that division-level committees also having Central government's senior officials had already been set up for export of GI products.

It was said the state export promotion bureau had prepared an action plan to create public awareness and provide support through the stakeholders in the 26 districts with GI products.

The CS directed officials to complete the ongoing work with regards to developing a mechanism for bar-coding of GI products by the end of current month.

Source: hindustantimes.com – July 19, 2021

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Unemployment rate falls to six-month low of 5.98%

Unemployment rate fell to a six-month low of 5.98% for the week ended July 18 after inching up to 7.64% in the previous week. During the week ended July 18, the rate of joblessness fell in both urban and areas to 7.9% and 5.1% from 8.9% and 7.06%, respectively, in the previous week, according to the Centre for Monitoring Indian Economy (CMIE)

CMIE's MD and CEO Mahesh Vyas said: "It is heartening to see the unemployment rate come down in the week ended July 18 as it comes with a near stable labour participation rate (LPR) and a healthy increase in the employment rate from 37.5% in the previous week to 38% in the latest week." For the week ended July 4, employment rate was 36.6%.

LPR is an age-specific proportion between persons either working or actively seeking work and the total population in working age group, usually 15 years and above. Unemployment rate is a ratio between persons who are not currently in job but are actively searching for one and the total labour force.

Monthly unemployment rate in June fell to 9.17% from 11.9% in May this year. In a recent article, Vyas wrote, "Employment during the quarter ended March 2020 was 406 million. In the quarter ended March 2021, employment is estimated at 399.7 million. Therefore, one year after the onset of Covid, India was left with a shortfall of 6.3 million jobs."

Source: financialexpress.com – July 20, 2021

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India's Grasim Industries, CTIL set up JV for knits manufacturing

India's Grasim Industries recently incorporated a joint venture (JV) company, Birla Advanced Knits, for manufacturing man-made cellulose fibre knitted fabrics in partnership with Century Textiles and Industries (CTIL). Both will hold 50 per cent each of the new company and will have the right to nominate three directors each on the board of JV.

Both the companies informed the Bombay Stock Exchange about this development.

Grasim Industries produces viscose staple fibre, Chlor-alkali, linen and insulators. Through its subsidiaries, UltraTech Cement and Aditya Birla Capital, it is also India's largest cement producer and a leading diversified financial services player.

CTIL has interests in diverse industries, including cotton textile, pulp and paper and real estate.

Source: fibre2fashion.com – July 19, 2021

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Fineotex Chemical gains on forming JV with Australia's HealthGuard

Fineotex Chemical rose 2.50% to Rs 98.35 after the company said that it has entered into a joint venture with HealthGuard Australia to become the exclusive global marketing and sales channel partner with joint operations from Malaysia.

Fineotex Chemical will add to its portfolio the much-required metal-free safety for its customers around the world with all the required global certifications.

HealthGuard will concentrate on developing cutting-edge solutions, that will be marketed and channelized across the world by Fineotex-Biotex, its exclusive channel partner for the entire range of products over several industries like textile, detergent, leather and allied industries.

HealthGuard makes anti-microbial, anti-viral, anti-dust mite, antimosquito and anti-bed bug finishes. It is a well-known name in the Indian market with textile giants like Welspun, Trident, Himmatsingka Seide group treating their fabrics with its chemicals to make them safer for end use. Internationally, HealthGuard is approved as an antimicrobial active ingredient in M&S, TURNER BIANCA products. Globally customers use this product as it is an economic, safe and sustainable alternative to all heavy metal base chemistry like silver, zinc, copper.

The synergy between HealthGuard & Fineotex - Biotex, will provide solutions that are the most durable metal-free sustainable chemistry (no silver, no zinc, no copper) antimicrobial and anti-viral sustainable chemistry in the market.

Arindam Choudhuri, CEO of Fineotex Chemical, said: "The synergy with HealthGuard will add a crucial certified product line to our growing range of solutions and expand our global footprints. Protected and treated fabrics that are breathable, comfortable, and easy-to-care are going to increase in demand.

As India and the world opens up gradually, just about everyone from students to factory workers, from tourists to staffers in the hospitality industry, will need to put on protected garments that can bring down the chances of them getting infected by the virus."

Fineotex Chemical is a speciality chemical producer with a market leader position in the international textiles industry. The company has entered the next phase of growth by diversifying into growing home care and hygiene products, and drilling specialty chemical segments. The subsidiary in Malaysia, Biotex leads the R&D initiatives and the overall product development and is a Bluesign System Partner.

The company reported a consolidated net profit of Rs 11.22 crore in Q4 FY21 as against a net loss of Rs 6.31 crore in Q4 FY20. Net sales during the quarter rose 72.14% YoY to Rs 75.02 crore.

Source: business-standard.com– July 19, 2021

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