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INTERNATIONAL NEWS

USA: Survey Sees Economic Recovery Amid Raw Material Shortages and Higher Prices

The July National Association of Business Economics (NABE) Business Conditions Survey showed most respondents continue to anticipate a strong growth trajectory for real gross domestic product (GDP), but prices were up and material shortages persisted.

The survey presented the responses of 93 NABE members on business conditions in their firms or industries, and reflects second-quarter 2021 results and the near-term outlook. Two-thirds of respondents anticipate real GDP to expand between 3 percent and 5.9 percent over the next four quarters.

"The results of the July NABE Business Conditions Survey show that conditions remained strong during the second quarter of 2021," NABE president Manuel Balmaseda said. "Two-thirds of respondents report that sales at their firms increased in the second quarter of 2021, while only 3 percent indicate sales declined. In addition, most anticipate a strong trajectory for inflation-adjusted gross domestic product, or real GDP, through the spring of 2022."

A record-high share of respondents reports that profit margins increased at their firms in the second quarter, added NABE Business Conditions Survey chair and chief economist Eugenio J. Aleman.

"At the same time, materials costs rose at a majority of respondents' firms," Aleman said. "Respondents continue to be optimistic about the near-term outlook for employment. A third of respondents reported their firms had added workers in the second quarter and an even higher share expects an increase in their workforce in the next three months."

The net rising index (NRI) for profit margins–the percentage of panelists reporting rising profits minus the percentage reporting falling profits in the second quarter was the highest reading on record. All sectors registered positive NRIs, with the transportation, utilities, information, communications (TUIC) sector having the highest NRI.

The NRI for prices charged during the quarter declined, with respondents from the services and TUIC sectors indicate no price declines and those in the goods-producing sector reported an increase from the April survey.

The NRI for materials costs in the period increased from 49 the previous quarter and was the highest reading since the second quarter of 2018. Sixty-one percent of respondents report cost increases in the quarter, up from 54 percent in the previous period. NRIs for all sectors are positive in the July survey, led by the goods-producing secto.

Hiring accelerated in the quarter, resulting in the NRI for employment rising from 9 in the April survey to 28 in the July survey. Thirty-three percent of respondents cite increased employment at their firms, with 5 percent.

Investment continued to improve for more firms in the period, with 34 percent of respondents reporting capital spending rose for their firms and just 1 percent noting declining investment.

Forty percent of the panelists indicated that their companies are experiencing delays in receiving materials or other inputs, with respondents from the goods-producing sector accounting for the largest share holding this view.

Twenty-two percent of panelists indicated that their firms are passing along higher costs attributable to delays and shortages to customers. Seventeen percent of all respondents indicate that they are experiencing shortages, but not passing along the costs to customers.

Thirty-four percent of panelists anticipate that the increase in costs will only be temporary, with respondents from the goods-producing sector accounting for the largest share holding this view. Twenty-seven percent of panelists cite that their firms are not experiencing any significant cost increases.

Source: sourcingjournal.com– Jul 30, 2021

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Euro zone economy expands by 2% in Q2 2021: Eurostat

The 19-member euro zone financial system expanded by 2 per cent in the April-June quarter this year, according to preliminary estimates released last week by Eurostat. The region contracted by 0.3 per cent in the first quarter and 0.6 per cent in the last quarter of 2020. Two consecutive quarters of economic contraction technically lead to a recession.

The financial outlook of the zone, however, remains delicate.

The European Central Bank (ECB) expects gross domestic product (GDP) within the euro zone to hit 4.6 per cent by the end of this year, followed by 4.7 per cent next year.

Portugal, Austria and Latvia registered the highest quarterly growth rates, according to European media reports.

In a separate data release, Eurostat said annual inflation is projected to reach 2.2 per cent in the euro zone in July. This would be up from 1.9 per cent in June.

ECB's target is to support an inflation rate of 2 per cent. The Frankfurt-based institution has said that inflation is expected to rise in the coming months, but that this will calm down again next year.
Source: fibre2fashion.com– Aug 02, 2021

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US real GDP increases at annual rate of 6.5% in Q2 2021: BEA

US real gross domestic product (GDP) increased at an annual rate of 6.5 per cent in the second quarter (Q2) of 2021, according to the advance estimate released by the country's Bureau of Economic Analysis (BEA). In the first quarter, real GDP increased 6.3 per cent. The second estimate for Q2, based on more complete data, will be released on August 26.

The increase in real GDP in the second quarter reflects increases in personal consumption expenditures (PCE), non-residential fixed investment, exports and state and local government spending that were partly offset by decreases in private inventory investment, residential fixed investment and federal government spending, BEA said on its website.

Imports, which are a subtraction in the calculation of GDP, increased. The increase in PCE reflects increases in services—led by food services and accommodations—and goods—led by other non-durable goods, notably pharmaceutical products. The increase in non-residential fixed investment reflects increases in equipment (led by transportation equipment) and intellectual property products (led by research and development).

The rise in exports reflects an increase in goods (led by non-automotive capital goods) and services (led by travel), BEA said. The decrease in private inventory investment was led by a decrease in retail trade inventories. The decrease in federal government spending primarily reflected a decrease in non-defense spending on intermediate goods and services.

Current-dollar GDP increased by 13 per cent at an annual rate, or $684.4 billion, in the second quarter to a level of $22.72 trillion. In the first quarter, current-dollar GDP increased by 10.9 per cent, or $560.6 billion.

The price index for gross domestic purchases increased by 5.7 per cent in Q2 compared with a rise of 3.9 per cent in Q1. The PCE price index increased by 6.4 per cent compared with an increase of 3.8 per cent in Q1.

Source: fibre2fashion.com– Aug 02, 2021

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China's garment exports decline as production diversifies to other nations

A report by the International Labor Organization (ILO) reveals, China's garment exports continue to decline as the country moves away from garment and shoe production. Production diversification to other countries will accelerate post pandemic and spread to other regions like Africa in a significant way, according to a research report.

However, Chinese textiles will continue to be an important factor for the industry in coming years, says a report by Emnetra. China accounted for 40 per cent of world textile exports in 2019 and continues its upward trend, which began about 20 years ago. China remains a major source of apparel and footwear, accounting for 33 per cent of global exports in 2019, but exports have declined from 37 per cent in 2015.

Bangladesh and Vietnam have benefited most from the shift from China. The total share of apparel and footwear exports to the world in both countries was 37 per cent of China's share in 2019. In contrast, apparel and footwear exports from other countries such as Sri Lanka and India are either constant or even declining as a global export share of these products.

Source: fashionatingworld.com– Aug 02, 2021

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Brazil manufacturing PMI rises to 5-month high in July, IHS Markit says

Growth in Brazil's manufacturing sector picked up in July to its fastest rate in five months, a survey of purchasing managers' activity showed on Monday, led by the strongest new orders this year and a record rate of input buying across the sector.

Employment growth slowed, however, and input prices dipped to their lowest in a year although they remained strong by historical standards, IHS Markit data showed. IHS Markit's headline purchasing managers index (PMI) rose to 56.7 in July from 56.4 in June, the highest level since February. A reading above 50.0 marks expansion, while a reading below signifies contraction. The series was launched in 2006.

"Manufacturers enjoyed a robust rise in sales during July, which supported a quicker upturn in production. What's more, demand strength and belief that (this) trend will be sustained encouraged firms to size up their inventories," said Polyanna de Lima, economics associate director at IHS Markit. "Several companies indicated the scaling up of input purchasing to safeguard against stock shortages, but there remained concerns about difficulties in sourcing items such as chemicals, electronic components, metals, plastics and textile," she said.

According to IHS Markit, Brazilian manufacturers ramped up the pace of input and materials purchases in July to the fastest since the data series began in February, 2006. Expectations of strong demand and growing COVID-19 vaccine coverage point to an encouraging outlook for the second half of the year, IHS Markit said.

Brazil's Economy Ministry recently raised its 2021 economic growth forecast to 5.3% from 3.5%, and the central bank expects the industrial sector to expand by 6.6%. (Reporting by Jamie McGeever Editing by Paul Simao)

Source: reuters.com– Aug 02, 2021

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Iran's garment exports exceed $113 million in Iranian calendar year 1399

As per Iran's Afsaneh Mehrabi, Director General-Weaving and Garment Industries Department, the country's garment exports grew 98 per cent to reach over $113 million during the previous Iranian calendar year 1399that ended March 20, 2021.

Mehrabi said production of garments and textile products in the previous Iranian calendar year increased 25 per cent compared to previous year. She also said production of the said commodities had increased by 20 per cent in the Iranian calendar year 1398 (ended on March 19, 2020) compared to its previous year.

The Iranian government decided to ban the import of such products to support domestic producers and provide them with an opportunity to improve the quality of products and turn more competitive in global markets, a news agency reported.

According to the chairman of Tehran's Union of Garments Manufacturers and Sellers, domestic units are supplying 70-80 per cent of the requirement for clothing inside the country.

Source: fashionatingworld.com– Aug 02, 2021

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Vietnam Leapfrogs Bangladesh as World's No. 2 Apparel Exporter

Covid has escalated a shift atop the world's most dominant apparel exporting nations.

Vietnam has displaced Bangladesh as the world's second-largest apparel exporter, while Turkey surpassed India as the fourth largest, according to the World Trade Statistical Review 2021, a World Trade Organization (WTO) publication released Friday that breaks out global trade numbers.

The news unleashed anger and analysis in the manufacturing sector in Asia where the race for growth is not just within a country itself, but also competitive across borders.

The race for the second slot, behind China of course, is still a very tight affair. Apparel exports from Vietnam in 2020 were estimated at $29 billion, accounting for 6.4 percent of the global market, up from 6.2 percent in 2019. Bangladesh, meanwhile, tallied $28 billion last year, with a 6.3 percent share of the global market, compared to 6.8 in 2019.

China continues to retain global dominance, with exports of $142 billion in 2020, or 31.6 percent of the global market—up from 30.8 percent in 2019.

With markets in the European Union and U.S. under lockdown for a large part of 2020, overall exports dropped substantially.

The top 10 exporters, including China, the European Union, Vietnam, Bangladesh, Turkey, India, Malayasia, United Kingdom, Hong Kong and Indonesia, shipped a total of $378 billion in goods in 2020, down from $411 billion in 2019.

Manufacturers in Bangladesh made hurried reviews and analysis over the weekend about the factors that led them to lose pride of place as the world's second-largest apparel exporter. While many industry insiders primarily blamed Covid-19, and a longer Bangladesh lockdown against Vietnam's well-managed Covid situation, others believed that the shift was years in the making—for a variety of reasons.

Khondaker Golam Moazzem, research director, Centre for Policy Dialogue (CPD), Dhaka a think tank, said that Bangladesh's fall wasn't just a fluke, or a hiccup related to Covid that allowed Vietnam to gain traction.

"Bangladesh and Vietnam have been both seeing growth the apparel export over the past decade with a close margin," Moazzem said. "But there is a difference in that while Bangladesh has some weaknesses, and Vietnam has particular advantages, for a start a lot of the China business moved towards Vietnam because it is a diversified product market. Although it was earlier thought that the China-U.S. relationship was tense because of President Trump, it is a continuing factor, and Vietnam will become a growing source."

Bangladesh has primarily attracted domestic investors, and with very few foreign investors supporting the sector, he added. On the other hand, Vietnam welcomes foreign investment, thanks in large part to its strong economic zones.

"Vietnam also has a strong regional value chain – both in terms of proximity for yarn and other materials and also in terms of trade agreements, including a free trade agreement with Europe," Moazzem continued. "While Bangladesh does have a MultiFibre Agreement (MFA) with several countries, this incentive-based completeness also causes damage – we didn't invest enough in technology, in foreign direct investment and this did not give any additional benefit."

The differences don't end there. "Compliance is very strong in Vietnam, and while Bangladesh is doing well, environmental pollution is still high," Moazzem added. "The online marketing skills in Vietnam are very high, and while a bulk of Bangladesh production is cotton, Vietnam has a capacity to manufacture both cotton and other textiles."

What's more, "Vietnam worker productivity is higher – in 2018, Bangladesh worker productivity was at 58 percent, while Vietnam was 72 percent, and their workers are more educated," he added.

Looking ahead, Moazzam said: "This neck-to-neck competition may sustain for another year, but if Bangladesh does not make enough investments in foreign direct investment, productivity, diversification and online and ICT based market sales, the country will face challenges."

Members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) are cognizant of these factors.

“Who wants to lose the position, right? asked Abdullah Hil Rakib, director BGMEA and managing director Team Group, which has six factories around Dhaka. “In the exporters’ minds, we are losing our position, so we have to take it back by understanding what we need to do to gain it back in the near future.”

This change called for a renewed look at the initiatives and efficiencies, he said. “We’re looking at the different parameters, including a comparison of wages versus productivity,” Rakib said. “We have a better wage structure but the output is not in line with what it should be. It is a time to see the challenges, and turn them around to meet them better.”

Meanwhile, India which exported $13 billion worth apparel in 2020 was outdone by Turkey’s $15 billion. India had a 2.9 percent share in the global exports, compared to Turkey’s 3.4 percent in 2020.

Several factors collided to bump Turkey ahead of India.

While manufacturing in Turkey stepped up because of reshoring due to Covid-19, India also had several woes that were unique to itself – not only did the pandemic cause an extended lockdown of more than two months, but migrant workers were slow to return, and buyers subsequently moved orders to other locations.

Industry analysts in India believe that although buyers will start to come back, other systemic problems and policies that have affected the industry include those related to the goods and service tax, the value added tax, the demonetization slowdown, and the fact that different states in India have their own initiatives that need to be understood and negotiated.

In terms of textiles exports, India remained second after China, according to the WTO report – with exports of $15 billion, while China was at $154 billion in 2020. India has 4.2 percent share in global exports, compared to China’s 43.5 percent.

Source: sourcingjournal.com– Aug 02, 2021

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Singapore's FibreTrace gets European patent for traceability tech

FibreTrace, Singapore-based supply chain traceability solution for the textile industry, has been awarded a European patent issued for 'Photon Marker System in Fiber Material'. The company had received the US patent for the same in April 2019. FiberTrace combines physical and digital traceability with the power of authentication to drive sustainability.

Receiving the European patent is an opportunity for FibreTrace to accelerate traceability efforts across the global fashion and textiles industry and ensure brands are being held accountable for their sustainability claims, the company said in a media release.

FibreTrace offers reliable and trusted data that allows both brands and consumers to understand the true social and environmental impact of their products as it moves throughout the global supply chain.

"It's encouraging to see the rapid pace at which the global fashion and interiors industries are moving towards complete transparent and traceable solutions. Finalising the European Patent for FibreTrace is recognition for the hard work, research and development of our team which provides brands and manufacturers full confidence in the origin of fibre and integrity in their claims," said Danielle Statham, co-founder of FibreTrace.

Source: fibre2fashion.com– Aug 02, 2021

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China-Pakistan trade relations further deepen as enterprises from two sides establish stronger ties

The operations of Chinese enterprises in Pakistan remain normal with both sides strengthening protection for Chinese nationals, a source close to the matter who asked to remain anonymous told the Global Times at a forum in Beijing on Thursday, adding that the Pakistani military has been providing protection for local Chinese enterprises including his company, and the Chinese embassy in Pakistan has warned Chinese nationals not to go out unless necessary, according to the source.

The move came after nine Chinese and four Pakistanis were killed in a shuttle bus blast on July 14 in Kohistan region in northern Pakistan and the blast was confirmed to be a terrorist attack on July 16. The construction of the Dasu hydropower station in Pakistan has since been suspended, according to China's Foreign Ministry.

The impact of the recent attacks will subside eventually and will not affect trade between the two countries and China-Pakistan cooperation projects under the Belt and Road Initiative (BRI), a Pakistan diplomat told the Global Time at the 2021 China-Pakistan Trade Forum on Thursday, emphasizing that Pakistan is giving maximum priority to the safety of Chinese nationals.

The Pakistani Foreign Ministry issued a statement on Wednesday stating that Pakistan attaches great importance to safety and security of Chinese nationals, projects and institutions in Pakistan.

Pakistan aims to boost the trade between the two countries, and welcomes more Chinese traders and further enhances cooperation in trade and business with China, according to Pakistan officials at the forum.

Pakistan could overtake India in trade with China in just eight years, even though its trade volume with China was only one-fifth of India's in 2020 as the relationship between the two countries has become stronger and investment has been increasing, recording a 34 percent hike in exports from Pakistan to China year-to-date, Badar U Zaman, commercial counsellor of the Embassy of Pakistan in Beijing, told the Global Times on Thursday.

"India has a population five to six times larger than that of Pakistan, so I hope that it will take eight to 10 years to overtake them," said Zaman.

The 2021 China-Pakistan Trade Forum took place in the Pakistani Embassy in Beijing on Thursday even under the impact of recent attacks, amid the 70th anniversary of establishment of diplomatic ties between the two countries, setting to strengthen the bilateral trade relationships, attract more Chinese traders and promote high-quality products from Pakistan in China

Given the two country's iron-clad relationship and the substantial progress already made in construction of the multi-billion-dollar China-Pakistan Economic Corridor (CPEC), projects could provide economic propulsion to boost bilateral trade, said analysts.

Multiple Chinese enterprises from a variety of industries have settled in Gwadar Port in Pakistan, which have been cooperating with local companies across different industries such as fisheries by providing them with refrigeration equipment and processing equipment, Liu Zongyi, secretary-general of the Research Center for China-South Asia Cooperation at Shanghai Institutes for International Studies told the Global Times on Sunday.

Liu noted that high-quality seafood products from the Gwadar Port now can be directly shipped to Northwest China's Xinjiang Uygur Autonomous Region as CEPC has provided improved infrastructure for the country.

Pakistan's exports to China in the first quarter of 2021 totaled $888 million compared with $526 million during the same period in 2020, a year-on-year increase of 69 percent, Moin ul Haque, Pakistani Ambassador to China, tweeted in May.

The construction of the first industrial park under the CPEC framework has entered the full construction phase in Pakistan's Rashakai Special Economic Zone in May, as the strategic location of the Rashakai Special Economic Zone gives it great potential to develop export-oriented industries for Central Asia, per media reports.

Chinese scholars studying China-Pakistan relations also pointed out there are still spaces for both China and Pakistan to further deepen the bilateral trade, while Pakistan's exports to China have been booming since 2020 as China's imports from Pakistan reached $2.12 billion, an increase of 17.5 percent from the previous year, according to data from the Ministry of Commerce.

There could be more collaboration for enterprises from two sides in developing and manufacturing products together as there are only a handful of projects and products jointly funded and delivered by companies from the two countries, said Zhou Rong, a senior researcher at the Chongyang Institute for Financial Studies at Renmin University of China.

Zhou vowed that "made in China" has the potential to turn into "made in CPEC" since a large amount of Chinese capital especially of which from private enterprises can be invested to manufacture products jointly with Pakistani enterprises. Such collaboration could also help Pakistan to upgrade its design and manufacturing in production in a bid to expand its overall exports.

Liu echoed Zhou's opinion emphasizing that China has been cooperating with Pakistan to develop its industries not only to boost Pakistan's exports to China, but also to help the country become a manufacturing base and industrial hub especially in manufacturing to increase Pakistan's exports to the rest of the world. Experts noted that China has been working closely with some of traditionally strong industries in Pakistan such as cotton, textiles, and agricultural by offering technical skills training and exporting advanced equipment to Pakistan, as such industries could provide some of the potential items Pakistan could export to China including cotton, sugar, mango, and textile products which there is a great demand in China.

Moreover, Pakistani enterprises building closer ties with Chinese companies could promote more high-quality products to be exported to China as well, which have not been widely recognized by Chinese consumers including large-sized bath towels, soccer balls, generic drugs and generic medical products, said Zhou.

As of the end of 2020, there were a total of 70 projects under the CPEC - a landmark project of the BRI launched in 2013 - with 46 projects have been completed or under construction, the People's Daily reported in December.

China has been Pakistan's biggest trade partner for six consecutive years since the 2015 fiscal year. China is also Pakistan's main source of imports and second-largest export destination, according to data from the Economic and Commercial Office of the Chinese Embassy in Pakistan.

Source: globaltimes.cn– Aug 02, 2021

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NATIONAL NEWS

Exports surge 48% to $35 b in July; imports up 59% to $46 b

Trade deficit widens to $11.23 billion

India's goods exports in July 2021 posted a 47.91 per cent increase (year-on-year) to $ 35.17 billion — the highest exports recorded in at least nine years — fuelled by strong performance of petroleum products, gems & jewellery and engineering goods.

Growth of exports in the non-petroleum and non-gems & jewellery categories was 27.36 per cent at $26.11 billion indicating that the rise in exports was not restricted to just these sectors.

Imports of goods in July 2021 increased 59.38 per cent to $46.40 billion with a sharp rise in imports of petroleum products, gold and pearls, precious and semi-precious stones, according to monthly trade trends shared by the Commerce & Industry Ministry on Monday. Trade deficit during the month was $11.23 billion.

Exports in July 2021 were higher by 34.06 per cent than in July 2019, when production was not affected by Covid-19 disruptions.

Buoyant global demand

"This is the highest-ever exports recorded at least in the previous 9 years as per the data readily available with FIEO. It also is a sign that global trade is recovering fast," FIEO President A Sakthivel said in an official release. He said that global demand during this period has remained buoyant as the order booking positions of the exporters continued to be impressive.

The US, the UAE and Belgium accounted for the sharpest increase in exports during the month while Malaysia, Iran and Tanzania posted a decline, the data showed.

"India's merchandise exports in July 2021 were $35.17 billion, an increase of 34 per cent over July 2019. PM Narendra Modi-ji's vision for Aatmanirbhar Bharat has given a boost to exports," Commerce & Industry Minister Piyush Goyal tweeted.

The Minister had earlier said the growth in July exports indicated that the country was on track to cross the $400 billion target set for the current fiscal.

The sharpest increase in imports during the month were from the UAE, Iraq and Switzerland. There was a significant fall in imports from France, Germany and Kazakhstan, per the figures shared.

Items which suffered a fall in exports in July 2021 included meat, dairy & poultry products (some countries like Cambodia have raised contamination issues that have been challenged by India), rice and oil seeds.

Import of items including transport equipment, project goods and silver posted the steepest decline during the month.

India's goods exports in June 2021 had posted a rise of 48.34 per cent(year-on-year) to $32.50 billion. In the April-June 2021 period, cumulative value of export was $ 95.39 billion, the highest ever merchandise exports in a quarter, posting an increase of 85.88 per cent (year-on-year).

In the fiscal year April-March 2021, exports declined by 7.26 per cent to $ 290.63 billion compared to the previous fiscal as Covid-19 disruptions slowed down production and demand worldwide.

Source: thehindubusinessline.com– Aug 02, 2021

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PM Modi launches 'big reform' e-RUPI to make targeted DBT benefits work

Prime Minister Narendra Modi on Monday launched a digital direct benefit transfer (DBT) platform called e-RUPI, which aims at making sure that the money transferred by the user, in this case, the government, is used exactly for the same purpose as it is intended to be.

Prime Minister Modi termed the e-RUPI as a "big reform", in line with the launch of BHIM-UPI payment system in December 2016. The UPI system has indeed changed the payment landscape in India and has become the preferred mode of payment in many cases. In July alone, UPI registered 3 billion transactions, worth Rs 6 trillion-plus.

What is e-RUPI?

It is a one-time digital voucher developed by National Payments Corporation of India (NPCI) that will be transferred directly to the mobile phone as an SMS string or QR code which can be redeemed at particular merchant points that are specifically focused on delivering services related to the benefit scheme for which the money has been transferred. To start with, e-RUPI has been launched to transfer benefits schemes of the Ministry of Health.

Instead of crediting the DBT amount directly to the beneficiary bank account, through the e-RUPI, an equivalent amount voucher will be sent directly to the beneficiary's mobile phone in the form of an SMS string, or a QR code.

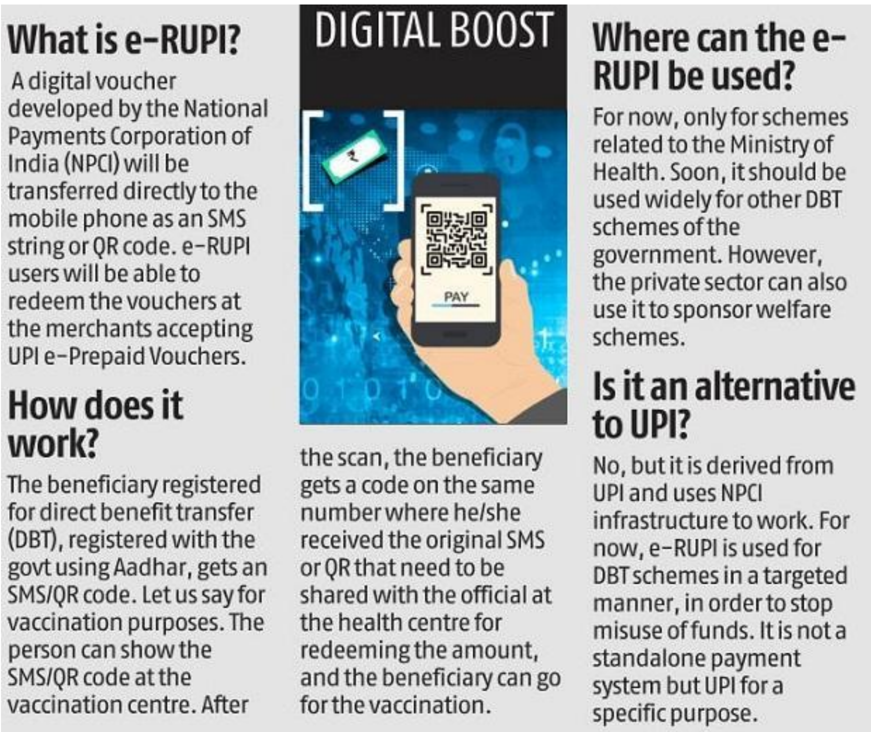
The beneficiary will have to show the SMS or QR code to specific centres where it can be redeemed with a code delivered to the mobile numberwhere the SMS or QR code had come.

It will be targeted for a specific purpose and cannot be used for any other thing. For example, if the e-RUPI has been sent to the beneficiary to avail vaccination, it can be used at the vaccination centre only to get the vaccine.

This would ensure that the "money is utilised for the same purpose it is given for," PM Modi said while inaugurating the facility.

Earlier, as the benefit amount used to get directly credited to the account of the beneficiary, it was possible to withdraw and use it for, say, consumption purposes. With the new transfer scheme, that can be plugged.

However, it is not clear yet what happens to those beneficiaries who do not have even a basic mobile phone. In such cases, DBT scheme would likely continue for some more time, said a banker.



PM Modi said going forward, e-RUPI will be used for other DBT schemes of the government as well. Currently, there are 315 DBT schemes run by 54 ministries of the government. However, not all schemes are for everyone. Data from the National Informatics Centre (NIC) show till date, 7.32 trillion transactions have been done, transferring about Rs 1.42 trillion to the beneficiaries.

While banks and payments systems have a huge role to play in this ecosystem, hospitals, and corporate entities have also shown interest in adopting this technology, the Prime Minister said.

"State governments must also use the platform for their welfare schemes in order to develop an honest eco-system," he said.

However, the e-RUPI can be used by even private corporate entities as part of their corporate social responsibility. The Prime Minister gave an example of a corporate sponsoring vaccination of 100 people in a private hospital. In that case, the beneficiary will get the vaccine free from the hospital, but only after showing the e-RUPI SMS or QR code.

The DBT ensures that money reach the intended beneficiary and doesn't end up in the wrong hands, PM Modi said, which so far may have saved at least Rs 1.75 trillion.

With DBT, more than 90 crore citizens have benefitted, including through schemes such as PM Kisan Samman Nidhi, public distribution services, LPG gas subsidy etc.

"India has shown the world that in adopting technology and leverage it for connecting lives, the country is not behind anyone. In digital innovation, service delivery using technology, India is providing global leadership," PM Modi said.

"India's digital adoption has been acknowledged by the world. So much of technology solutions are not present even in large developed countries," PM Modi said.

He highlighted fastags for vehicles in tolls, digilocker facility for carrying certificates and documents digitally, 59 minutes loans for entrepreneurs in micro, small and medium enterprises as what has been made possible through technology adoption in the country. BHIM UPI not only made it easy for businesses to transact money but also empowered the poor in carrying out their businesses and transactions easily, he said.

"Rupay card is India's pride," he said, adding other countries have shown interest in India's payment ecosystem, and actively seeking help.

In a bid to internationalise India's homegrown payment system, Rupay card has been launched in Singapore, and Bhutan to start with. In total, 66 crore Rupay cards have been issued so far, outgrowing traditional cards providers in India.

Source: business-standard.com– Aug 02, 2021

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India's exports hit a record $35.2 billion in July

India exported a record $35.2 billion worth of goods in July, signaling a rapid economic recovery in key Western markets which has led to a rise in demand for Indian products.

Preliminary data released by the commerce ministry showed merchandise imports also shot up to $46.4 billion, the second-highest in history, leading to a widening of trade deficit to $11.2 billion

The top increase in exports by value were to the United States, United Arab Emirates and Belgium, while exports to Malaysia, Iran and Tanzania declined the most. Similarly, the largest increase in imports was from UAE, Iraq and Switzerland while imports from France, Germany and Kazakhstan declined the most.

During July, top export items were petroleum products, engineering goods, and gems and jewellery, while top import items included crude oil, gold and precious stones, and vegetable oil.

"Make in India, Make for the world: India's merchandise exports in July 2021 was $35.17 bn, an increase of 34% over July 2019. PM Narendra Modi ji's vision for Aatmanirbhar Bharat has given a boost to exports," Trade minister Piyush Goyal tweeted.

The government has set a merchandise exports target of $500 billion for FY23 and $1 trillion in the next five years. "So, in the next six years, services exports will be $500 billion, and merchandise exports will be $1 trillion. With annual $1.5 trillion total exports, India will have a significant share in world trade," Commerce secretary B.V.R. Subramanian said last month.

While International Monetary Fund (IMF) last week kept its global growth forecast unchanged at 6% for 2021, it marked down prospects for emerging market and developing economies, especially for emerging Asia and revised up forecasts for advanced economies due to divergence in vaccine rollout.

"In countries with high vaccination coverage, such as the United Kingdom and Canada, the impact would be mild; meanwhile countries lagging in vaccination, such as India and Indonesia, would suffer the most among G20 economies," it said.

For India, IMF slashed economic growth projection for FY22 to 9.5% from 12.5% estimated in April, citing a slow recovery in consumer confidence due to the ferocious second wave of the coronavirus pandemic as well as a tardy vaccination programme.

Source: livemint.com– Aug 02, 2021

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Give jobs data faster every quarter: Finance ministry to statistics ministry

The finance ministry has asked the statistics ministry to put in place a quarterly employment data mechanism, which should be released with a month's lag to help in policymaking.

The lack of timely jobs data is a stumbling block to data-driven policy formulation. "A timely employment data is a crucial missing link," a source familiar with the deliberations told TOI. The issues have been taken up by the finance ministry's economic division with the ministry of statistics as part of efforts to fill a major gap that currently exists.

At present, the quarterly jobs data comes with a lag of around 45 days under the periodic labour force surveys (PLFS). The PLFS was started in 2017 to give a better picture of the employment scenario. But this too is now found to be inadequate as the time lag creates roadblocks. Sources pointed to the recent release of the annual PLFS for 2019-20. "How can you make policies based on data which is one-year old?" said a source.

The pandemic has put the spotlight on jobs and authorities are scrambling for real-time data to assess the situation on the ground. Private surveys carried out have shown that the unemployment situation had reached record highs during the pandemic.

The Centre for Monitoring Indian Economy (CMIE), a private economic data provider, has said that the economic recovery from the pandemic will not be able to get the country's GDP where it was before the shock even by the end of March 2022.

"The loss from where the earlier growth trajectory could have taken India has also widened compared to earlier expectations. The labour participation rate remains 2.7 percentage points lower than its pre-Covid levels. The employment rate remains 3.3 percentage points lower than the pre-Covid levels," CMIE MD & CEO Mahesh Vyas said in a recent note. The government is confident that growth will be robust in 2021-22, which should lead to improvement in the jobs space.

A panel headed by the former NITI Aayog vice-chairman Arvind Panagariya had submitted a report, calling for arevamp of the country's jobs data and had backed timely release of such numbers to aid policymaking. While the finance ministry is seeking that the mechanism be put in place immediately, the statistics ministry has been slow to respond to the issue, with a section raising several issues.

The government also uses the payroll data of EPFO and others. But, experts have for long argued for timely and credible jobs data to get a better picture of the jobs situation in the economy and devising policies to create employment and increase women labour force participation.

Source: economictimes.com– Aug 02, 2021

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Viscose Staple Fibre: DGTR recommends withdrawal of anti-dumping duty on imports from China, Indonesia

On June 30, the revenue department had extended the validity of the duty till October 31this year.

The Directorate General of Trade Remedies (DGTR) in the Commerce Ministry has recommended the withdrawal of the existing anti-dumping duty on certain Viscose Staple Fibre (VSF) from China and Indonesia. This recommendation has to be now implemented by the revenue department in the Finance Ministry.

In its final findings on the sunset review investigations, the DGTR concluded that there is no justification for recommending the continuation of anti-dumping in the present case. The DGTR noted that the domestic industry enjoys a dominant position in the Indian market, and the market share of imports from Indonesia and China is very low. Therefore, the imports cannot be causing any price and volume effect on the domestic industry, the DGTR said.

While there is a likelihood of continuing dumping from these countries, the possibility of recurrence of injury to the domestic industry is not strong enough to warrant the continuation of duties beyond 11 years. DGTR has therefore recommended withdrawal of definitive anti-dumping duty recommended by it in in July 2016 and enforced by the Finance Ministry in August 2016 for five years. On June 30 this year, the revenue department had extended the validity of this duty till October 31.

It may be recalled that the sunset review investigations were initiated by DGTR in February this year. On behalf of Grasim Industries, the Association of Man-Made Fibre Industry of India had filed the petition seeking initiation of sunset review investigation on certain VSF imports from China and Indonesia.

Meanwhile, Smriti Irani, Minister of Women and Child Development and till recently the Union Textiles Minister, tweeted on Monday: “ Pathbreaking decision by GOI to remove Anti-dumping Duty on Viscose Staple Fibre (VSF). The decision taken after a thorough investigation initiated in February 2021 will give a fillip to the MMF sector. My best wishes to the Textiles industry as a new chapter begins in India’s MMF growth story”.

Source: thehindubusinessline.com– Aug 02, 2021

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PMI: Manufacturing activity hits three-month high in July

India's manufacturing activity grew at its fastest pace in three months in July, reversing a contraction in June, as states relaxed localised curbs imposed in the wake of the second Covid wave. Output, new orders, exports, quantity of purchases and input stocks expanded in July, while a marginal increase in employment ended a 15-month sequence of job shedding.

The Nikkei Manufacturing purchasing managers' index (PMI) rose to 55.3 in July from 48.1 in the previous month. An index reading of 50 or above suggests expansion and below it points at contraction. The PMI for manufacturing had shrunk for the first time in 11 months in June. Factory orders rose amid improved demand and the upturn was sharp and compared with a marked decline in June. "Strengthening international demand contributed to the uptick in total order books. New export orders expanded markedly in July, following a moderate contraction in June," data analytics firm IHS Markit, which releases the PMI data, said in a statement.

Meanwhile, there was a sharp increase in input costs. "Output charges rose only slightly, however, as several companies absorbed additional cost burdens amid efforts to boost sales," it said. Companies also purchased additional inputs for use in the production process. The overall rate of buying activity growth was solid by historical standards. Goods producers saw a rise in their stocks of purchases during July, which followed a decline in June. Once again, raw material scarcity was cited as a key factor causing longer delivery times among suppliers.

Pollyanna De Lima, economics, associate director at IHS Markit said: "Output rose at a robust pace, with over one-third of companies noting a monthly expansion in production, amid a rebound in new business and the easing of some local Covid-19 restrictions. Should the pandemic continue to recede, we expect a 9.7% annual increase in industrial production for calendar year 2021."

De Lima said although employment went up marginally in July, it's too early to say that such trend will be sustained, given that firms' cost burdens continue to rise and signs of spare capacity still remain evident. "Policymakers will welcome evidence that inflationary pressures are starting to abate…Hence, we expect the RBI to keep interest rates unchanged in its August meeting as it continues to support growth," she said.

Source: financialexpress.com– Aug 03, 2021

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Agreement with other Countries

The Government has partnered with United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Canada and Finland through Government to Government/Business to Business engagements. Discussion is an ongoing process. Details are shown below:

S.No.	Country	Area of Collaboration
1.	UAE	NSDC is working with the Ministry of Human Resource and Emiritization (MoHRE) and Abu Dhabi Quality and Conformity Council (ADQCC) for benchmarking qualifications, assessment and certification. In October, 2018, benchmarking of 16 UAE skill qualifications to 13 Indian skill qualifications in construction and automotive sectors was conducted by the technical teams of NSDC and ADQCC. In August, 2019, a pilot programme was initiated. 133 candidates were assessed on mutually recognized qualifications. 63 candidates were interviewed and selected by the UAE employer out of which 18 candidates were deployed in the UAE.
2.	KSA	In the first phase, 5 occupations were benchmarked between India and KSA. Pilot programme for 100 workers was conducted and Recognition of Prior Learning assessment has been undertaken, out of which 81 candidates have successfully cleared the assessment and were issued joint certification in February, 2020.
3.	Canada	A letter of intent is underway between Ministry of Immigration, Quebec and MSDE to launch a Recruitment Mission to mobilize skilled Indian workers from India to Quebec in the healthcare, retail and hospitality sectors. The process has slowed down due to COVID-19.
4.	Finland	NSDC and Finnish National Agency for Education (EDUFI) has an MoU for knowledge exchange to adopt best practices of the Finnish TVET system.

The Ministry of Skill Development and Entrepreneurship (MSDE), the Government of India signed the Memorandum of Cooperation (MoC) with the Ministry of Justice, the Ministry of Foreign Affairs and the Ministry of Health, Labour and Welfare, Government of Japan.

The MoC on Technical Intern Training Programme (TITP) was signed on 17th October, 2017 to significantly expand the bilateral cooperation between India and Japan in the field of skill development. So far 220 interns have been placed in Japan through the Sending Organizations empanelled by NSDC and the interns are pursuing their training in Japan in diverse industry sectors including Manufacturing, Healthcare, Construction, Textile, Agriculture and Food Manufacturing. This is a big leap with more than 780% increase from 17 interns placed in the first year of operation in 2018. As on June, 2021, in addition to the 220 interns placed in Japan, more than 700 candidates are being training by the Indian Sending Organizations.

In January, 2021, the MoC was signed between the Government of India and the Government of Japan on a basic framework for partnership for proper operation of the system pertaining to “Specified Skilled Worker” (SSW). The MoC on SSW would set an institutional mechanism for partnership and cooperation between India and Japan on sending and accepting skilled Indian workers, who have qualified the required skill and Japanese language test, to work in fourteen sectors in Japan. These Indian workers would be granted a new status of residence of “Specified Skilled Worker” by the Government of Japan.

The MoC would enhance people-to-people contacts, foster mobility of workers and skilled professionals from India to Japan. Skilled Indian workers from fourteen sectors viz. nursing care; building cleaning; material processing industry; industrial machinery manufacturing industry; electric and electronic information related industry; construction; shipbuilding and ship-related industry; automobile maintenance; aviation; lodging; agriculture; fisheries; food and beverages manufacturing industry and food service industry would have enhanced job opportunities to work in Japan.

National Skill Development Corporation (NSDC), as an implementation arm of MSDE, works in associations and collaboration with different private players as Authorized partners, Networked entities across the country in domain of training, certification, employment support etc. under the overall skill value chain system.

The information was given by the Union Minister of Skill Development and Entrepreneurship, ShriDharmendraPradhan in a written reply in the LokSabha today.

Source: pib.gov.in– Aug 02, 2021

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Expect status quo on policy, but look out for signals from MPC

Status Quo – yes. When the Monetary Policy Committee (MPC) meets for the third bi-monthly policy of FY2021-22, I expect the MPC will keep key policy rates unchanged. Ever since COVID-19 hit, the central bank's message has been clear —the focus is on reviving growth first and foremost. It has maintained a low rates-easy money policy to stimulate consumption, investment and propel economic growth. As it seeks to navigate the economy towards a more sustained pace of growth, the MPC will keep a close watch on key macroeconomic indicators and high-frequency data, in addition to the possibility of a third wave.

The US Federal Reserve has indicated that there will be no immediate change in its monetary policy stance despite higher inflation levels, as it believes that inflation is transitory and that the US economy needs further support to grow.

Domestic economy: Inflation, monsoon, growth

In India, the RBI has followed almost a similar path. Liquidity is abundant with easy money supply conditions, and rates have been kept low, supported by an accommodative policy stance. The key question in India as well is on inflation. For the second month in a row, CPI Inflation came in at above 6%. Led by supply constraints rather than demand-side factors, retail inflation was recorded at 6.26% in June, moderating marginally from 6.30% of May, but well above the MPC's threshold level.

The RBI also believes that inflation is transitory and is expected to trend downwards during the course of this fiscal. This gives it the much-needed space to continue to focus on supporting and stimulating growth for the time being. As every year, the progress of the monsoon season plays a significant role in India's economic decision making. The season has been normal so far and this will have a positive impact on food inflation and the rural economy. The fiscal began with a muted April and May on consumption, growth and demand for credit due to Covid 2.0.

The second half of June saw a good recovery going by high-frequency data and July was better. Worries of a third wave is keeping discretionary spending relatively slower and thus a V-shaped recovery like last year is not yet evident. In the banking system, deposit growth continues to be higher than credit growth.

Thus, the biggest question that will concern the MPC is the sustainability of economic growth. In its June policy, the RBI projected the real GDP growth at 9.5% in 2021-22. The MPC may retain its GDP projection in the August policy. It will be important to see if it changes the inflation projections and the commentary around that. While economic activity continues to recover from the lows of April and May, it is important that there is a sustained pick-up in growth.

Watch out for signals from the MPC

I expect that the MPC will maintain a status quo in this policy on both fronts – rates and its stance. What will be important to gauge this time around is the tone and tenor of its discussions that will hold cues for future action. And hence, while this will be a no-action policy, it is these signals that could give us an indication on the path forward.

Inflation is likely to be above the earlier estimates put out and thus the MPC's narrative on this will be important. Suffice to say the tightrope walk between price stability and economic growth will continue. While data – both global and local trends – will be watched closely, I do not expect any change in stance till December at least, if not till the end of the fiscal. In conclusion, the global economy, domestic inflation and the pace of economic growth will likely keep a status quo on rates with an accommodative stance.

Source: financialexpress.com – Aug 03, 2021

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Small businesses face temporary setback as banks freeze current accounts to meet RBI norms

Firms in a spot as banks rush to comply with RBI directive to prevent diversion of funds

Operations of thousands of small businesses across the country were disrupted after their current accounts were closed on Monday, as banks rushed to comply with the Reserve Bank of India's directive on the opening of such accounts by borrowers aimed at preventing diversion of funds.

As per the RBI's directive issued in August 2020, no bank can open current accounts for customers who have availed of credit facilities in the form of cash credit (CC)/overdraft (OD) from the banking system. While the central bank had given banks time until end-July to implement the new rules, many account holders were caught unaware.

Accounts frozen

Rajiv Podar, President of IMC Chamber of Commerce & Industry, said borrowers across corporate as well as non-corporate structures did not receive any intimation from the banks and were surprised to find all the current accounts frozen, leading to complete operational disruption.

"For example, project accounts are frozen, plant-wise current accounts are frozen, banks have withdrawn current account products without any intimation, which is against the spirit of banking. How will the companies pay salaries in August and even all other statutory dues?," Podar asked.

Besides maintaining a cash credit/overdraft account with the lead bank in the consortium of banks, businesses with pan-India operations also have relationships with other banks with either a strong presence in specific geographical locations or offering superior product and service capabilities or both. But concerned about the diversion of funds by borrowers via accounts outside the consortium, the RBI had imposed restrictions on the opening of CC/OD accounts by borrowers.

Banks are now forcing companies to route all their transactions only through the bank which had extended cash credit and overdraft facilities. While MSMEs are allowed to open as many current accounts as possible for receiving credits, all debits have to happen only through the bank which has an exposure of over 10 per cent of the borrower.

Chandrakant Salunkhe, President, SME Chamber of India, said many small units are struggling to meet their payment commitments even after having the required money in the bank as their accounts are frozen and attempt to release the funds would take 15 days to one month.

Compliance status

Meanwhile, the RBI, on Monday, took stock of the compliance status of banks with its directive. Banks are believed to have largely complied with the RBI's directive.

To alleviate the suffering of borrowers, Podar sought a breather of six months for implementing the guidelines in a modified manner, with proper guidelines to banks and clients.

"Lead banks should be allowed to hold multiple shadow current accounts to meet borrower requirements such as salary, contract-specific, location-specific, purpose-specific, etc. Each shadow account shall have a unique number and a standalone bank statement," the IMC President said.

Source: thehindubusinessline.com– Aug 02, 2021

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Maharashtra eases curbs further; allows industries, offices to function with full capacity

The Maharashtra government has relaxed Covid-19 restrictions allowing shops to remain open longer, industries, government, and private offices to function with full capacity.

But cinema, drama theatres and multiplexes (independent and inside malls) will remain closed till further orders. All places of worship in the State will also stay closed.

However, restrictions in eleven districts will continue considering the high number of Covid-19 cases, while the decision regarding reducing the current regulations in Mumbai, Mumbai suburban, and Thane districts will be taken by the Disaster Management Authorities of these districts.

Maharashtra Chief Secretary Sitaram Kunte, in an order issued on Monday evening, stated that all essential and non-essential shops (including shopping malls) will remain open on all weekdays till 8 pm and till 3 pm on Saturday. All shops and malls except essential shops to remain closed on Sundays.

All public gardens and playgrounds can be kept open for exercise, walking, jogging and cycling, while all government and private offices can operate fully. The government has suggested staggering of work hours to avoid crowds while travelling and offices that can function through working from home should continue to do so.

All agricultural activity, civil works, industrial activity, transport of goods can remain functional at total capacity. Gymnasiums, yoga centres, hair cutting salons, beauty parlours, spas can remain open without air-conditioners and with 50 per cent capacity till 8 pm on weekdays and till 3 pm on Saturdays. These services will remain closed on Sundays.

The State Education Department and the Higher and Technical Department orders will be applicable for schools and colleges

The State government has allowed all restaurants to remain open with 50 per cent seating capacity till 4 pm on weekdays, subject to adherence to all Covid- l9 protocols. Parcel and takeaway will be allowed as is allowed currently.

Restrictions on movement will apply from 9 pm to 5 pm. To avoid crowding, restrictions imposed on birthday celebrations, political, social, and cultural events, elections, election campaigning, rallies, protest marches will be continued.

Restrictions in 11 districts to continue

The restrictions in eleven districts namely – Kolhapur, Sangli, Satara, Pune, Ratnagiri, Sindhudurg, Solapur, Ahmednagar, Beed, Raigad, and Palghar will continue.

The order stated that considering the high number of positive cases, the higher emergence of new cases in Sindudurg, Satara, and Ahmednagar districts, the respective disaster management authorities will impose effective restrictions.

Source: thehindubusinessline.com– Aug 02, 2021

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Late sowing may bridge gap in cotton acreage

September-October rains hold the key to output, yield

A pickup in late cotton sowing mainly in the southern States such as Andhra Pradesh and Telangana, besides parts of Gujarat could help bridge the gap in acreages witnessed, so far, in the ongoing kharif season. Attractive prices of raw cotton, which are ruling high due to the higher cottonseed prices is seen aiding the trend.

Sources at the Cotton Association of India (CAI), the apex trade body for the sector, expect sowing to go on till August-end across various states including Andhra, Telangana, Gujarat, Karnataka and Tamil Nadu as the prevailing higher prices will attract farmers' interest.

Ending stocks

Cotton prices are ruling higher at ₹57,000 per candy (356 kgs), despite season-ending stocks being projected at 95 lakh bales for the season to September. Higher cottonseed prices, which are ruling at ₹3,800-4,200 per quintal, are keeping raw cotton prices higher, attracting farmers' interest. Trade sources said seed prices are pricier in view of higher edible oil prices.

"Despite a dip in area in Gujarat and Maharashtra, we are still positive as sowing is going on in the Andhra. Some area will be made up in Andhra," said Y G Prasad, Director, ICAR-Central Institute for Cotton Research (CICR). He expects the overall acreages to be marginally lower than last year.

According to the Agriculture Ministry's estimates, cotton acreages till July 29 was 110.73 lakh hectares (lh) compared with the previous year's 121.25 lh, lower by 8.68 per cent. In North India, the acreage is 17 per cent lower, while in central India the deficit is 5.33 per cent. In the South, the acreage is lower by 12.6 per cent.

The lower acreage is largely attributed to delayed rains, but trade expects sowing to go on till end August. However, yield and output will largely depend on rains during September-October. Last year, a crop of 75 lakh bales was expected in Telangana, but heavy rains during October impacted the crop badly reducing it to about 45 lakh bales, sources said.

Seen up 5% in Gujarat

In Gujarat, farmers maintain that some rainfall deficient pockets in the State will see cotton sowing as the monsoon activity resumes. This will further add to the overall cotton acreage in the State which was 21.77 lh as on July 26, as against 21.47 lh in the same period a year ago.

"Most of the cotton sowing is over in the State. If there are some pocketsyet to be cultivated, it will see only cotton or castor crop. We will see 5 per cent more cotton sowing than last year. The crop appears to be good at present," said Anand Patel, a leading ginner in the State.

Some planting is still happening in parts of Karnataka and Telangana, said Ramanuj Das Boob in Raichur, who sources cotton for multinationals in these States. "The acreage may be same or closer to last year's levels. The crop condition is good in Central and Southern States and better yields are expected this year," Boob said.

Trade sources in Maharashtra said at current prices, there's hardly any buying happening as many of the mills have already covered their positions for the next 90-120 days. Also, there's hardly any export happening as the Indian prices are higher.

Source: thehindubusinessline.com– Aug 02, 2021

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Cotton prices in India soar as demand rises & stock depletes

Strong demand from cotton market and depleting stocks in addition to 10 per cent import duty levied on cotton have collectively caused cotton prices in India to soar. Cotton price witnessed a hike of ₹3,800 per candy in a span of 15 days in July. The steep increase in prices has destabilised the industry and made Indian exporters uncompetitive.

Cotton prices have been on the rise since January 2021 and skyrocketed last month. The Cotton Corporation of India (CCI) increased the cotton price from ₹51,000 to ₹54,800 per candy of 355 kg since the beginning of July. Gujarat-based Shankar-6 cotton went from ₹43,300 in January 2021 to ₹57,000 in July, according to Fibre2Fashion's market analysis tool TexPro.

The high demand has caused cotton stock with the CCI to deplete to around 9 lakh bales (which would be its opening stock at the beginning of the next season on October 1), which in turn pushed up the prices. The corporation had close to 115 lakh bales of cotton at the start of the current season in October 2020 and procured 92 lakh bales during the season, the Financial Express reported quoting Pradeep Kumar Agarwal, chairman and managing director of CCI.

Additionally, US, the largest producer of cotton in the world, slipped down as the state of Texas faced a severe drought last year, thus causing cotton prices in India to firm up since December 2020.

Moreover, the price rise has not translated into an increase in the area in the current season either. Farmers are increasingly shifting from cotton to soybean, with India reporting cotton sowing of 108.93 lakh hectares as of the third week of July, compared to 118.03 lakh hectares during the same time in 2020.

The Southern India Mills' Association (SIMA) had recently expressed its concerns over the rapidly rising cotton prices in the country.

"Such steep increases are a severe blow for the entire cotton textile value chain. Such a rise will lead to higher prices of apparel and textile goods for domestic consumers as well," said SIMA chairman Ashwin Chandran. "There is no parity between the current cotton prices and yarn prices. This will in turn force spinning mills to increase yarn prices in the coming period to avoid incurring losses."

The SIMA chairman had also appealed to the central government to immediately withdraw the 10 per cent import duty on cotton to change the market sentiment and avoid further damage to the cotton textile value chain.

The cotton Association of India (CAI) had also requested the government to withdraw the customs duty imposed on cotton. There is a shortfall of extra-long staple (ELS) and non ELS contamination-free sustainable cotton due to the imposition of import duty, as India hardly produces these types of cotton.

“If the import duty is not removed, domestic prices will go up further and create more hardship to the domestic textile sector viz. spinning, weaving and garment industry,” CAI president Atul S Ganatra had said in a recent letter addressed to finance minister Nirmala Sitharaman.

Thus, the high demand, depleting stocks as well as the import duty levied in the last budget have collectively caused cotton prices to rise since the beginning of this year.

Source: fibre2fashion.com– Aug 02, 2021

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Privatisation of cargo handling at major ports made easy

Ports Ministry rejigging model concession agreement

Cargo handling terminals at Centre-owned major ports will be privatised through the public-private-partnership (PPP) route under three broad categories – oil, clean cargo including containers and bulk – departing from the current practice of bidding out projects as single commodity handling facilities, according to the new model concession agreement (MCA) being finalised by the government.

The existing model has come under flak after recent government policy changes under 'aatmanirbhar Bharat' mid-way through the 30-year tenure of PPP projects reduced volumes such as coal and fertilisers and hurt their commercial viability. This, in turn, has triggered calls from PPP operators to modify their contracts to convert single commodity handling terminals to multi-commodity terminals to achieve full utilisation of assets, increase efficiencies and sustain the business.

The model concession agreement sets out the terms and conditions of a port contract and sets the project in motion.

The Ministry of Port, Shipping, and Waterways is in the process of re-writing the model to make it flexible so that the projects are more attractive to private investors.

Among other changes being considered is giving freedom to PPP terminal operators to indicate the minimum guaranteed throughput (MGT) they will handle in a year while placing bids instead of the port authorities setting this target.

The bidders will be asked to set the MGT for the initial 7-8 years, the highest of which will be the MGT for the balance period of the contract, multiple sources briefed on the plan said.

Currently, the royalty or revenue share is paid by the PPP operator to the port authority based on the actual volumes handled in a year or on the MGT, whichever is higher. The port authority can terminate the contract if the MGT is not met for three consecutive years.

With the major ports moving to a market-driven regime for setting port rates under the new Major Port Authorities Act, 2021, the port authorities will set only reference rates for the purpose of bidding. The bidder quoting the highest royalty per twenty-foot equivalent unit (TEU) or tonne will win the 30-year contract and will be free to set rates. If the PPP operator offers discounts to users on commercial considerations, it will have to pay the full royalty quoted in the bid.

But, if any discounts are mandated by the government for coastal cargo and transshipment containers, the PPP operator can pay proportionately reduced royalty, a government source said.

Private firms running cargo terminals at major ports are not enthused by the changes being contemplated when such restrictions are not there in non-major ports run by private firms in the States.

“During the 30-year life of a concession agreement, so many things undergo a change that it becomes redundant,” said a top executive with a private port logistics firm. “How can a port operator guarantee throughput; only God can guarantee MGT, we are mere mortals,” he said.

Instead of putting multiple, complicated conditions in the concession agreement, the port authority should only lease the land and waterfront for building cargo handling facilities and award the contract to the entity quoting the highest upfront lease rentals above the minimum reserve price set for the area, a port industry source said.

“There should be no restrictions on the type of cargo or on MGT. Its not what the PPP operator or the government wants; it should be left to the dynamics of the market,” he said noting that putting too many restrictions in the concession agreement will only result in litigation, which is currently the case involving many PPP terminals.

Source: thehindubusinessline.com– Aug 02, 2021

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MSME liquidity line set to widen as more NBFCs start 'factoring'

Parliament's clearance to The Factoring Regulation (Amendment) Bill, along with a government plan to mandate companies with over Rs 250-crore annual turnover to register on the TReDS (Trade Receivables Discounting System) platform, will significantly boost funding availability for MSMEs, lower interest costs and improve cash management, industry sources said.

Currently a handful of NBFCs and banks were providing funding to MSMEs against their receivables. Factoring law amendments have been cleared in both Houses of Parliament in the current session. This will enable nearly 9,000 NBFCs to participate in the factoring market instead of just seven now. Improved participation by NBFCs in the factoring market will enhance liquidity for MSMEs and lower their interest costs.

Factoring is a transaction where an entity (like MSME) sells its receivables (dues from a corporate) to a third party (a 'factor' like a bank or NBFC) for immediate funds.

Banks and NBFCs provide finance against these receivables, enabling availability of ready funds for the MSMEs. This is done on an online TReDS platform initiated by the Reserve Bank of India (RBI). TReDS facilitates financing and discounting of MSME trade receivables through multiple financiers.

"Only in India, factoring could be done by the banks or NBFCs that have a factoring licence — those who do over 50 per cent of business through factoring. Now, all NBFCs have been allowed to do factoring business, irrespective of proportion of income from factoring. This, therefore, brings liquidity into factoring business, which was deprived of it as only largely banks and few NBFCs could participate in it," said Sundeep Mohindru, CEO of M1exchange, an online platform for trade receivables.

NBFCs' lending to MSMEs is typically against the balance sheet strength of these smaller companies, leading to interest rates that can be higher than 16 per cent. But in the case of funding against receivables (or factoring), the NBFC is taking a risk on the customer of the MSME who is larger corporate, leading to lower (nearly halving) interest costs, he said.

What is factoring?`

Factoring is a transaction where an entity (like MSME) sells its receivables (dues from a corporate) to a third party (a 'factor' like a bank or NBFC) for immediate funds. Banks and NBFCs provide finance against these receivables, enabling availability of ready funds for the MSMEs.

The Finance Ministry also plans to accept suggestion of a Parliamentary panel studying the impact of Covid-19 on MSMEs that it should be made mandatory for CPSEs with turnover of over Rs 250 crore to register on TReDS platform, a senior government official said. "As on 31.12.2020, of 4,599 companies having turnover of more than Rs 500 crore, as identified by the Ministry of Corporate Affairs, 1,461 companies have registered themselves on TReDS platform. 170 CPSEs and 3,903 MSMEs registered with these CPSEs have also been onboarded on the platform. Totally, 11,690 MSMEs have on-boarded," the Department-related Parliamentary Standing Committee on Industry noted in its report on MSMEs last week.

"The Committee recommends that the registration should be made mandatory for all CPSEs having a turnover of more than Rs 250 crore (from Rs 500 crore at present) as it would enlarge the ambit of TReDS," it said. Every tax invoice raised by GST-registered MSMEs should reflect automatically on the TReDS platforms.

The legal changes have also enabled intermediaries to register a factoring transaction on the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) portal instead of the existing practice of banks doing assignment in CERSAI one by one.

With 3,000-5,000 factoring transactions in a single day, assignment entry onto CERSAI has been time consuming so far.

"Now the change in Factoring Act has permitted intermediaries like us to register the factoring unit directly on the CERSAI portal … this will reduce the lead time on operating on the portal from days to few minutes and hours. This makes the process faster, efficient and reduces chances of duplicity of transactions," said Mohindru.

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