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INTERNATIONAL NEWS

US Cotton Prices Hit Three-Year High. Will Global Rates Follow Upward Trend?

U.S. spot cotton prices averaged 88.35 cents per pound for the week ended Aug. 12, according to the U.S. Department of Agriculture (USDA). This is the highest weekly average since June 14, 2018, when the average was 90.27 cents.

The weekly average was up from 86.31 cents the prior week and from 57.62 cents a year earlier. Most benchmark cotton prices increased last month, with the value for the December NY/ICE futures contract holding between 88 cents and 90 cents per pound, according to the monthly update from Cotton Incorporated.

In early August, futures resumed their climb and have reached levels over 93 cents per pound, Cotton Inc. noted. Also in the past month, the A Index, an average of global cotton prices, breached $1.00 per pound for the first time since June 2018, just before the first round of U.S.-China tariff increases went into effect. The Chinese Cotton Index also ticked up last month, resulting in prices increasing to $1.24 per pound this month from $1.16 in early July.

The International Cotton Advisory Committee's (ICAC) current price forecast of the season-average A index for 2021-22 ranges from 73 cents to $1.25, with a midpoint at 95.43 cents per pound.

The latest USDA report featured a slight decrease to the world cotton production forecast and a minor increase to the world mill-use projection. Along with historical revisions that lowered beginning stocks for the new 2021-22 crop year, the net effect was to lower the USDA estimate for 2021-22 ending stocks by 511,000 bales to 87.2 million bales.

At the same time, the USDA global trade forecast increased 335,000 bales to 46.3 million bales. Cotton Inc. said if this is realized, it would rank as the third-highest volume on record, only behind 2012-13 and 2020-21.

The Cotton Inc. report noted that the final set of weekly U.S. export sales and shipment data for the 2020-21 crop year just released by USDA was highlighted by the strength of U.S. export shipments over the past 12

months, even in the face of the global Covid-19 pandemic. Although shipments trailed off near the end of the crop year, total U.S. exports in 2020-21 rank as the second highest on record, only behind the 17.7 million bales shipped in 2005-06.

China was a driver of that strength, with U.S. shipments to China in 20200-21 hitting 5.2 million bales, representing 32 percent of total U.S. exports. This is twice the volume the U.S. sent to China in 2019-20 and more than three times the amount the U.S. sent to China in 2018-19, Cotton Inc. said.

“In recent weeks, buying activity from China has slowed,” the report said. “Reports suggest that Chinese mills have been picking up consignment stocks already available in Chinese ports rather than making purchases that require further delivery. In addition, the Chinese government has been making sales from its reserve stocks. Demand at these auctions has been strong, with the volume offered for sale routinely selling out, despite much of that cotton being offered for sale being eight to 10 years old.”

However, Cotton Inc. said “questions swirl around the outlook for U.S.-China trade relations and export volumes. It is unknown what may follow the Phase One deal, but it is scheduled to expire at the end of December.”

“The threat of further tightening of U.S. stocks in 2021-22 may be a factor associated with the uptrend in cotton prices over the past 12 months,” the report said. “Whether or not the U.S. will sell a large amount of cotton to China in the new crop year should be a factor that determines how tight U.S. stocks will become.”

Another factor to watch for price direction remains Covid-19. ICAC and Cotton Inc. noted that the spread of the Delta variant has already led several important manufacturing countries such as Vietnam and Bangladesh to introduce protective measures that have shuttered factories.

“A macroeconomic outlook calling for strong global GDP growth suggests continued strength in mill demand,” Cotton Inc. said. “However, if health-driven restrictions are implemented in more locations, it could dampen consumer demand and manufacturers’ willingness to place orders.”

Source: sourcingjournal.com– Aug 16, 2021

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Shipping disruptions, material price spike squeeze profits of China's textile makers

After reaping the benefits from the large amount of personal protective equipment (PPE) exports in 2020, textile mills in China now face an export dip as disruptions in global shipping industry are causing prices to spike, squeezing the profits of the low-margin clothing and textile sector. In July, China's textile products exports dropped 26.78 percent to $11.7 billion, official customs data revealed. From January to July, China's textile industry exported $80.25 billion worth of textile products, down 10.8 percent compared with the corresponding period of 2020 when medical supplies were in short supply due to the raging coronavirus then.

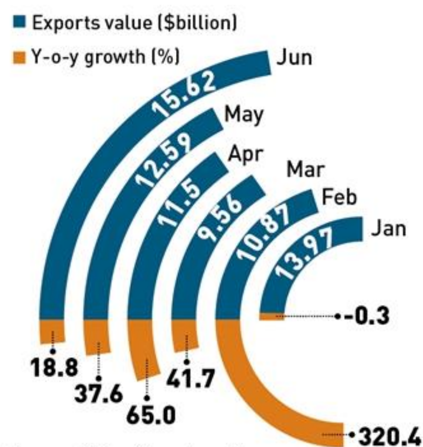
Overseas orders placed in July were down from March and April levels, Shaoxing-based Yao Xiang Textile Factory told the Global Times on Monday. The firm mainly sells textile products to Japan and the US. The factory was the beneficiary of unique market dynamics. The more infectious Delta variant has wreaked havoc across countries in South and Southeast Asia earlier this year, forcing some textile orders to shift to China which had all but contained the virus, resilient supply chains and stable manufacturing capacity.

However, the skyrocketing shipping prices and rising raw material costs squeezed profits amongst Chinese textile firms. Some are even unwilling to receive new orders and ship goods.

Profits bite

As a world-class textile industry hub, Keqiao district in Shaoxing city, East China's Zhejiang Province, functions as a window to global industry dynamics. Often referred to as China's Textile City, Keqiao has the largest professional textile market in Asia, where around 25 percent of the world's global shell fabric is traded annually.

Tan Ke, head of Keqiao District Commerce Bureau, told the Global Times on Monday that containers held up at ports overseas had led to the latest decline in textile exports. In tandem with a flare-up of the coronavirus within China, the partial shutdown of the world's third-busiest container port - Ningbo-Zhoushan port - further hit already fragile supply chains.



An employee at an export-oriented clothing company in South China's Guangdong Province told the Global Times that the shipping prices for large containers jumped four to eight times from last year, leaving vendors to consider air freight as an alternative.

"What concerns the industry is the unprecedented disruption to the global shipping sector. It only takes one second to shift the clothing orders from India to China, but it requires months to ship a container to a port in China," Chen Jing, vice president of the Technology and Strategy Research Institute, told the Global Times on Monday. "I have never seen such a phenomenon in the shipping industry."

For the low-margin textile industry, when transport spending accounts for one-fourth of the total costs, the economics stop making sense for many textile firms, said Chen.

Surging raw material costs worsened the situation. "The increasing prices of shell fabric failed to catch up with the growing pace of the prices of raw materials. For textile plants, if they don't spin the machines, they would break the contracts; but if they do, they accept a bad deal," Tan said.

However, the exports drop didn't mean textile mills in China have been idle. When the garment manufacturing factories in emerging economies in Southeast Asia and South Asia ground to a halt due to the Delta variant, orders again shifted to China, expanding the businesses of Chinese mills from producing upstream textile materials to garment processing, according to Tan.

With the coronavirus halting personnel exchanges and leading to cancelled industry expos, small companies found it hard to get to know new customers while big companies were increasing their businesses with old clients, the official explained that this secured the district's position in global textile industry. As of Monday, pilot checkpoints in Keqiao reported 11,044 pieces of custom clearances, sending the region's exports value to $1 billion.

"It proved that Keqiao's textile industry remains complete and its supply chains are indeed resilient," Tan said.

Job opportunities

Textile remains one of the pillar industries in China which has generated significant employment opportunities. China's textile products and clothing exports value accounted for more than one-third of the world's total, Chinese financial media outlet 21jingji.com said.

With multiple constraints China's economy - ranging from the sudden Delta variant outbreak and regional flooding, to a spike in bulk commodity prices and flattening overseas demand as shown in July's slower economic growth, observers in textile industry remain optimistic as a key shopping season in September and October draws closer.

"It is notable that 2020 was so distinctive when a large number of Chinese companies churned out masks and protective suits to support the global war against the coronavirus. It makes sense to see exports drop in textile," Chen said.

US, EU, Japan and ASEAN nations account for 55 percent of China's exports in textile and clothing, according to China Chamber of Commerce for Import and Export of Textiles. Keeping a steady export growth to US and ASEAN in the first half of the year, China has witnessed slower growths to markets of Europe and Japan.

Softening demand for PPE reduced the exports. In the second quarter, China's exports of medical masks and protective suits to EU fell 94 percent year-on-year, according to the chamber. With the global demand returning to traditional needs of clothes, socks and shoes, the industry should accept these changes, Chen noted.

"The world's demand for textile products remains rigid. China has an advantage on the production side compared with South Asia and Southeast Asian countries so we should not give up this advantage. It requires time for the shipping industry to improve so the textile industry must consolidate its strengths in stable production and wait for opportunities to thrive," he said.

Source: globaltimes.cn– Aug 17, 2021

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Low supply pushes cotton prices up in Brazil this month

Influenced by the lower domestic supply, since sellers left the spot market, cotton prices resumed upward trend in Brazil in the first fortnight of August. Between July 30 and August 13, the CEPEA/ESALQ Index for cotton increased by 4.6 per cent, closing at 5.1915 BRL/pound on August 13. This is the highest price level registered since May 18, 2021.

During the fortnight, Brazilian cotton farmers became focused on the harvesting and processing of cotton and on the accomplishment of contracts. Many sellers took advantage of the price levels in that period to close new deals for further delivery – to both the domestic and the international markets – for the cotton from the 2021-22 and the 2022-23 seasons, Sao Paulo-based Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

Besides, aware of the higher prices at ICE Futures, agents fixed prices for the contracts that had not been closed yet, the CEPEA report said.

Meanwhile, cotton harvesting was complete in near 50 per cent of the total cotton area in Brazil, by August 13, according to data from Abrapa (Brazilian Cotton Producers Association). Cotton processing was at 10 per cent of the expected for the season. "Supply was still low, and Brazilian purchasers were buying low volumes, only when they needed to replenish inventories."

In July, Brazil exported 61,400 tons of cotton, about 39 per cent less than the volume shipped in June and 20.6 per cent below that from July 2020, according to data from Secex, the secretariat of foreign trade.

A report released by Conab (Brazil's National Company for Food Supply) on August 10 showed a decrease of 0.11 per cent in the estimates for the Brazilian cotton area in the 2020-21 season compared to that reported in July, now forecast at 1.36 million hectares, 18 per cent smaller than that in the previous season.

Productivity estimates were revised up by a slight 0.04 per cent compared to that reported in July, to 1,714 kilograms/hectare, but 4.9 per cent down from that in the 2019-20 crop. The Brazilian output is currently estimated at 2.341 million tons, stable compared to that previously reported, but 22 per cent lower than that in the previous season.

Domestic consumption is estimated at 715,000 tons, and the exports in 2021 are now forecast at 2.1 million tons, 1.2 per cent down from that estimated for the 2019-20 season.

Thus, ending stocks in the current season are estimated at 1.29 million tons, 6.9 per cent lower than that reported in July and 26.8 per cent below that last season. If this is confirmed, the inventory/consumption ratio will be the lowest in the last three seasons, Conab said.

Source: fibre2fashion.com– Aug 17, 2021

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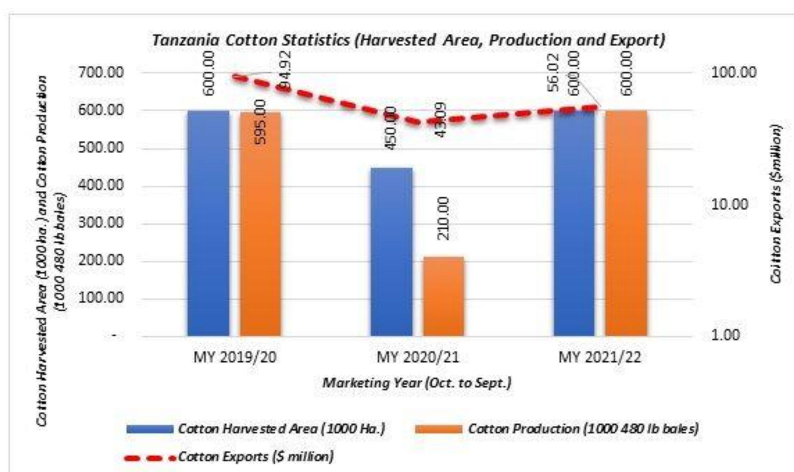
Tanzania's cotton production & exports expected to rise: TexPro

East African country Tanzania is likely to witness an increased cotton production in the coming months due to favourable conditions, increased harvested areas and availability of fertilisers and pesticides for the farmers. This, in turn, is expected to boost cotton apparel exports to western countries under the African Growth and Opportunity Act (AGOA).

The increased production in Tanzania may also trigger cotton exports to Asian and European nations such as India, Pakistan, Indonesia, Portugal, France and Netherlands among others.



SOURCE: TexPro & USDA

The cotton harvested area of Tanzania was 600,000 hectares in marketing year (MY) 2019-20, which dropped by 25 per cent to 450,000 hectares in MY 2020-21. It is expected to rise again to 600,000 hectares in MY 2021-22, according to Fibre2Fashion's market analysis tool TexPro.

The total cotton production of the country dropped by 64.71 per cent from 595,000 480 lb bales in MY 2019-20 to 210,000 480 lb bales in MY 2020-21. The production is expected to shoot up by 185.71 per cent to reach 600,000 480 lb bales in MY 2021-22.

The country exported cotton worth $94.92 million in MY 2019-20 and $43.09 million in MY 2020-21. However, due to the anticipated increase in cotton production, the country is likely to export cotton worth $56.02 million in MY 2021-22.

Source: fibre2fashion.com– Aug 17, 2021

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Vietnam's cotton consumption to reach 7.3 million bales in 2020-21: USDA

Driven by a robust growth in Vietnam's cotton yarn and product exports, Vietnam's cotton consumption in 2020/21 is projected to reach to a record 7.3 million bales, according to the latest report from the United States Department of Agriculture (USDA).

As per a Grain Central report, yarn exports from Vietnam in 2020/21 have already exceeded the previous year's record by more than 10 per cent through the first 11 months of the marketing year.

Most exports have been driven by a demand from China with exports to country accounting to 60 per cent of Vietnam's total cotton lint consumption.

China's August to June imports of Vietnamese cotton yarn were a record and equal to roughly 4 million bales of cotton lint consumption. US imports from Vietnam were a record in the first 11 months at more than $5 billion.

The country mostly imported knitted cotton sweaters, pullovers, and other similar articles of clothing which accounted for roughly 30 percent of the total value of US cotton product imports from Vietnam.

Source: fashionatingworld.com– Aug 17, 2021

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Taiwan's Eclat Textile to catch up after restrictions end in Vietnam

Taiwanese fibre and apparel manufacturer Eclat Textile is planning to outsource capacity and arrange overtime for workers to catch up on delayed orders once COVID-19 restrictions in Vietnam ease next month and its plants there resume normal operations.

The restrictions are likely to affect Eclat's garment sales by $35.89 million to $43.07 million, and fabric sales by $4.66 million to $5.38 million.

Earnings in the third quarter will likely be dragged by a pandemic resurgence in southern Vietnam, with production disruptions being a near-term risk, Yuanta Securities Investment Consulting Co said in a note last week after Eclat's annual general meeting.

Vietnam is a key production base for Eclat, with up to 80 per cent of the company's garment capacity and 30 per cent of its fabrics capacity in that country. The company also has operations in Taiwan and Cambodia.

Amid Vietnam's worst COVID-19 outbreak since the pandemic began in late 2019, Eclat partially halted its operations in Dong Nai and Ba Ria-Vung Tau provinces in mid-July this year, a Taiwanese newspaper quoted Eclat as saying in said in regulatory filings.

The company told shareholders that it has asked clients about rearranging orders and would add working shifts and increase outsourcing to compensate for clients' shipment demands, which are expected to boost its revenue in the fourth quarter.

Eclat's revenue increased by 26.75 per cent year on year to NT$3.46 billion last month, with cumulative revenue for the first seven months of this year rising 51.11 per cent year on year to NT$21.47 billion. Net profit for the second quarter expanded 115 percent year-on-year to NT$1.53 billion.

Source: fibre2fashion.com– Aug 18, 2021

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Pakistan, China cooperate to develop textile sector

Pak-China cooperation plays an important role in development of Pakistan's textile industry as now all the metal items as well as advanced production machines are imported from China, says a report published by Gwadar Pro on Tuesday.

"Firstly, the relationship between Chinese and Pakistani governments is very good, and people's relationship is also very good. We feel like more comfortable to invest in Pakistan," said Karen Chen, manager director of Challenge Fashion, a Chinese company that is investing $150 million in an industrial park.

As a foreign direct investment (FDI) in an export industry in Pakistan, the project is made by the Shanghai-based Challenge, which is already operating as Challenge Apparel since 2017 with its garment manufacturing unit on Multan Road near Lahore fetching nearly $44m in export revenue during the last fiscal year.

Source: dailytimes.com.pk– Aug 18, 2021

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Pakistan: Rise in sea freight increases shipment delivery span

A steep rise in sea freight, besides shortage of cargo vessels and containers, has increased shipment delivery span by up to 90 days, according to the apparel sector.

Freight charges of the seaborne trade have soared by 700 percent with shortage of containers and vessels that brought about a slowdown in cargo delivery from 45 days to 90 days, it said.

Amid such crisis, the value textile sector of Pakistan is facing cotton and yarn import problems for delayed shipments to meet the export orders deadline, the sector added.

"The shortest route to import cotton and cotton yarn is from India through land route and other from Uzbekistan through Afghan transit," Javed Bilwani, chairman,

Pakistan Apparel Forum, said on Tuesday.

Import of cotton and its yarn should be permitted from India at par with the

medicines already being brought via Wagah border land route, he said.

The country's value-added textile exporters found an opportunity to capitalize on a better Covid-19 situation in Pakistan compared to its competing nations to make more apparel exports to the world markets, he said.

But now, he said, improving Covid-19 conditions in competing nations like Bangladesh, India, Sri Lanka and Vietnam is setting a stiff challenge to Pakistan globally since the local market offers an unviable price for the inputs.

In all the textile exporting countries of the world, Bilwani said, prices of cotton and its yarn, electricity, gas, water, labour wages, seaport charges and local transportation are comparatively higher in Pakistan.

Still textile exporters with their efforts are able to export textile products worth $15.40 billion during the fiscal year 2020-21 from a better Covid

situation in the country, as industries were exempt from the lockdown, he added.

The textile sector contributes more than 60 percent in the total national exports and earns the highest foreign exchange, he said, adding that the sector provides huge employment but lacks a deserving attention of the government.

"The government must accord priority and attention to the cotton production, cultivation area and cotton yield in order to support the entire value added textile chain because cotton and cotton yarn are basic raw materials for the survival and development of textile export sector," he said.

A fall in cotton production made it hard for the country's apparel sector to face unavailability of the cotton yarn on the local market, he said.

The rising crisis demands an immediate attention of the government to step up efforts for short, medium and long term measures with a concrete policy to increase cotton production locally, he said.

He said that the government should provide free top quality GM cotton seeds to the farmers. The seeds have a toxin that kills selective insects and helps crops for a better output.

Fertilizer and pesticides should also be provided to the growers on subsidized rates by the government.

Source: brecorder.com– Aug 18, 2021

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Pakistan: Exporters lament soaring input costs

In a statement on Tuesday, Pakistan Apparel Forum (PAF) Chairman Jawed Bilwani pointed out that the cost of these amenities and inputs were affordable in all other major textile exporting nations.

He lamented that cotton and cotton yarn were sold at exorbitant prices in Pakistan despite the fact that it is an agricultural country.

“Regardless of these issues, the textile exporters of Pakistan were able to export merchandise worth $15.4 billion during fiscal year 2020-21 owing to improvement over Covid-19 front coupled with exemption granted to the export-oriented sectors,” he said. Highlighting that the textile sector held over 60% share in the total exports, the official lamented that it still lacked the government’s attention.

Owing to low Covid-19 cases in Pakistan compared to other regional countries, the value-added textile exporters grabbed the opportunity and secured lofty export orders.

“With improvement in Covid-19 situation in competing countries and soaring cost of manufacturing as well as shortage of cotton and cotton yarn in Pakistan, local exporters will face stiff competition from the regional competitors,” he said.

He was of the view that being a vital raw material for value-added textile export sector, import of cotton and cotton yarn from India must be allowed through Wagha Border. Meanwhile, the hike in freight charges is acting as an additional hurdle for Pakistan’s exporters.

“Freight cost for trade through sea routes has skyrocketed by approximately 700% and there is also an acute shortage of container vessels due to which the delivery time has increased from 45 days to 90 days,” he said. “The shortest route to import cotton and cotton yarn is from India through land and from Uzbekistan through the Afghan Transit Trade.” Governments must prioritise cotton production, cultivation area and crop yield in order to support the entire value added textile chain, he said, adding that these commodities are basic raw materials for textile export sector.

Due to decline in cotton output and unavailability of cotton yarn, the production of value added textile sector has suffered immensely.

Bilwani lamented that the spinning sector was not fulfilling the orders of cotton yarn given by the textile sector. North Karachi Association of Trade and Industry (NKATI) President Faisal Moiz Khan said that the tariff charged by the international shipping firms witnessed a four-fold increase which poses a threat to Pakistan's exports.

He further requested the government of Pakistani to follow the example of US Federal Maritime Commission and seek clarification from global ocean carriers over drastic increase in tariff.

This way, Pakistan's exports, imports and special textile items, which face stern competition, can be saved from unnecessary costs, he said. He cautioned that failure to act immediately would result in huge increase in exporters' costs and trade will be impacted.

Source: tribune.com.pk– Aug 18, 2021

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BGMEA, BICDA row over unloading of imported goods

The Bangladesh Garment Manufacturers Association (BGMEA) and the Bangladesh Inland Container Depots Association (BICDA) are in confrontational mode over the unloading of imported raw materials for the readymade garment industry from the ICD.

The BGMEA has claimed traders are wasting both money and time due to the unloading of imported goods from ICDs instead of Chattogram Port. But the BICDA termed the BGMEA's claim unreasonable and ignorant.

On 12 August, the BGMEA wrote to the commissioner of Chattogram Custom House seeking instructions over not unloading the containers of imported goods from the ICD.

According to the letter, the total cost of unloading a 20-foot container from Chattogram Port was Tk4,277. The cost of unloading a container of the same size from the ICD is Tk13,755, which is Tk9,478 more than the cost incurred at the ICD.

At the same time, the cost of unloading a 40-feet container from the port is Tk5,988 while it costs Tk18,092 at the ICD, which is Tk12,104 more.

Meanwhile, the Chattogram Chamber of Commerce and Industries (CCCI) has supported the BGMEA's demand. In a letter sent to the chairman of the National Board of Revenue (NBR) on 16 August, CCCI President Mahbubul Alam mentioned that the unloading of goods is being delayed due to a shortage of space, equipment and labour in private ICDs.

Goods can be unloaded from Chattogram Port in just two days, whereas unloading at ICD takes up to 7-8 days. Moreover, charges for private ICDs are comparatively much higher than those at the port. Therefore, due to the extra cost and delay in the unloading of goods, the industrial establishments concerned face huge financial losses, which cannot be desirable in the current pandemic conditions.

To protect domestic industries and importers, Mahbubul Alam made a special request to the NBR chairman not to send additional imported goods other than the 37 approved products to the ICD; and to provide instructions on the unloading of those goods from the port as in the past.

After a container jam was created at Chattogram Port due to the lockdown, on 25 July, the NBR allowed all kinds of imported goods to be unloaded from private ICDs beside the port. Hundred per cent of export goods are filled in containers and 37 types of imported goods, including shipping and food products, are unloaded at private ICDs.

BGMEA First Vice Chairman Syed Nazrul Islam said, "Though the deadline for sending containers of all imported goods to the ICD is set to expire on 31 August, we have come to know that the directive is going to be made permanent. If it lasts, the garment industry will be in dire straits. So we have informed the customs authorities about the matter.

He said there is no container jam in the port at present. So, it is not logical to send garment owners to private ICDs for unloading imported raw materials. Meanwhile, in the wake of the BGMEA's letter, BICDA wrote a letter to the commissioner of Chattogram Custom House on 16 August.

According to the letter, the actual cost of unloading a 20-foot container from the ICD was Tk7,930 while a 40-foot container costs Tk9,150. The difference between unloading these two sized containers from the port to the ICD is Tk3,000 to Tk3,500. It takes only one day more than the port to unload the container from the ICD. BICDA Secretary General Ruhul Amin Sikder termed the BGMEA's claim that it costs more time and money at the ICDs as unreasonable and ignorant.

He said there is no shortage of equipment and labour to handle 100% of BGMEA's exports. They only make such allegations when it comes to container handling of imported goods. Their claims are baseless and ridiculous. "BICDA implements the instructions of the government on keeping the activities of the port running. There is no scope of spreading confusion," he added.

Chattogram Customs House Commissioner Mohammad Fakhrul Alam said the NBR's directive did not oblige one to unload all types of imported goods from the ICD instead of the port. The BGMEA can unload its goods from the port instead of from the ICD if it wants. The time limit for this instruction comes to an end on 31 August.

Source: tbsnews.net– Aug 17, 2021

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Bangladesh: Afghan changeover won't affect trade

Local businesses say

The changeover of state power in Afghanistan may not affect business with Bangladesh as the bilateral trade volume is not that significant, said local businesspeople yesterday.

They said they were not too worried about the trade.

The Taliban seized power in Afghanistan overthrowing the government of President Ashraf Ghani on Sunday.

Last fiscal year, Bangladesh exported goods worth $8.64 million to Afghanistan, which was a rise of 49.30 per cent from $5.76 million in fiscal 2019-20, according to data from Export Promotion Bureau.

Almost all of it were pharmaceutical products. For instance, in fiscal 2019-20 the total earnings from merchandise shipment to Afghanistan were $5.77 million, of which $4.86 million were pharmaceutical products.

The other products include vegetables, textile fibres, paper yarn, cereals, flour, sugar and electrical items. On the other hand, the balance of trade is in favour of Afghanistan as Bangladesh avails from it a lot of fruits, nuts, textile and textile articles, plastic goods and rubber items, said data from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

For instance, in fiscal 2019-20, Bangladesh imported goods worth $9.2 million from Afghanistan and of it, some $7.2 million was paid for fruits and nuts.

"It is very difficult to exactly state what will happen to bilateral trade...as the nature of the new government in Afghanistan is yet to be known," said Mostofa Azad Chowdhury Babu, senior vice-president of the FBCCI.

"The future of trade...is depending on the decision of the new government in Afghanistan," he told The Daily Star.

Pointing out that Afghanistan is a landlocked country, he said most of its trade took place through border land ports with neighbouring countries like Iran and Pakistan.

The Saarc Chamber of Commerce and Industry, a regional trade body of the South Asian Association for Regional Cooperation (Saarc), could have been a good platform for trade negotiations among members, including Afghanistan, Babu also said.

However, the Saarc chamber's activities are not that much visible although the platform had very good potentials for boosting regional trade, he said.

"We are not that much worried about the trade with Afghanistan as our export to this country is not that high," said Mohammad Hatem, first vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association.

Bangladesh exported garment items worth $75,000 to it last year albeit indirectly through Dubai as direct shipments of apparel items to Afghanistan are very rarely made, he said.

"We are also not worried about the current situation of Afghanistan as we do not export garments to Afghanistan," he also said.

Source: thedailystar.net– Aug 18, 2021

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Bangladesh: Now terry towel exporters seek easy conditions

Terry towel manufacturers and exporters are now demanding easing rules for importing yarn through land ports, as had the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), citing that prices of this basic raw material for manufacturing garments have increased in local markets.

The Bangladesh Terry Towel & Linen Manufacturers and Exporters Association (BTTLMEA) yesterday sent letters to the commerce and finance ministers and secretaries, and National Board of Revenue (NBR) chairman in this regard, focusing on imports from India.

M Shahadat Hossain Sohel, chairman of the BTTLMEA, said they currently had a lot of work orders from international retailers and brands and needed a lot of yarn at competitive prices.

"However, the local spinners are facing difficulties in supplying yarn at competitive prices for which we may lose our work orders to competing countries," Sohel told The Daily Star over the phone.

Sohel said factory owners who did not have bond licences should be given the opportunity to import yarn at a concessional rate so that they could be more competitive in the international markets.

Moreover, like the BGMEA, the BTTLMEA also demanded that the government allow import of yarn from India through major land ports, such as that of Bhomra and Sonamasjid.

The government should improve the infrastructure in those land ports, facilitating warehouses and storage of raw materials like cotton, yarn and fabrics for the apparel industry, it said.

Currently, importers can bring over yarn, cotton and fabrics from India only through Benapole Land Port under the bonded warehouse facility as there was a storage.

Like the BGMEA, the BTTLMEA too demanded that the government allow partial shipment facility through the land ports, including the one in Benapole.

Partial import of raw materials for manufacturing garments is now allowed only through the country's premier sea port of Chattogram.

Partial shipment refers to allowing importing and unloading a portion of a consignment ordered under letters of credit (LCs).

Businesspeople choose partial shipment mainly for timely use of raw materials and to reduce storage and warehousing costs of imported goods.

For instance, imagine an importer opening an LC for importing 100 tonnes of yarn but currently having a capacity to use 50 tonnes.

In that case, he opts for bringing over 50 tonnes for the time being and importing the remaining 50 tonnes later at his convenience.

However, in case of raw material imports not being made through Chattogram port, importers do not have the scope for partial shipments.

So, the importers have to import the whole consignment at one go if those are not unloaded at Chattogram port.

The price of yarn made in Bangladesh for manufacturing terry towels is nearly 40 cents higher on every kilogramme (kg) compared to that in other countries like India and Pakistan, Sohel also said.

Monsoor Ahmed, chief executive officer of Bangladesh Textile Mills Association (BTMA), said his association was also getting ready to explain the factors responsible for the current price of yarn in the local markets.

"We have a plan to sit soon to talk with the stakeholders to discuss the yarn price issue," he said.

Bangladesh should not depend on one or two sources for importing cotton, yarn and fabrics as any disruption could hinder the sector's overall supply at any time without any prior notice, he said.

Such incidents occurred earlier in the case of cotton, he added.

He said allowing partial shipments through the land ports would not be wise as it would open up scopes for irregularities.

The government stopped partial shipments many years ago to prevent the irregularities, Ahmed told The Daily Star over the phone.

Last fiscal year, Bangladesh imported 8.2 million bales of cotton and 326,539 tonnes of yarn in 2020, according to data from the BTMA.

The country's spinners say they can supply 3,500 million kgs of yarn in a year.

Earlier, the BGMEA in a letter to the commerce minister on Sunday said the cost of production has increased by 30.10 per cent over the last eight years.

However, prices of clothing items declined by 3.7 per cent last year manly as a part of the fallouts of the Covid-19 pandemic, it said.

Freight charges went up from anywhere between 100 per cent and 300 per cent during the pandemic. Over the last one and a half years, the local garment exporters have incurred losses catering to work orders, it added.

Source: thedailystar.net– Aug 17, 2021

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NATIONAL NEWS

RODTEP rates will increase exports of cotton textiles, Chairman, TEXPROCIL

Shri Manoj Kumar Patodia, Chairman, TEXPROCIL in a statement today, welcomed the announcement of the much awaited RoDTEP rates for exports.

He thanked the Hon'ble Prime Minister, Shri Narendra Modiji for his vision in including the entire textile value chain under the RoDTEP Scheme.

This will go a long way not only in ensuring the healthy development of the value chain, but also improve India's competitiveness in overseas markets, he said.

Shri Patodia also pointed out that the RoDTEP Rates will go a long way in empowering clusters to manufacture raw materials, supply finished goods, increase employment and realise the vision of an "Atmanirbhar Bharat".

Shri Manoj Kumar Patodia also thanked the Hon'ble Union Finance Minister, Smt. Nirmala Sitharaman and the Hon'ble Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Shri Piyush Goyal and Smt. Darshana Vikram Jardosh, Minister of State for Textiles for notifying the RODTEP rates.

Source: Texprocil Textile Intelligence– Aug 17, 2021

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Centre Notifies RoDTEP Scheme Guidelines and Rates

Centre has today notified RoDTEP Scheme Guidelines and Rates (Remission of Duties and Taxes on Exported Products). The scheme for zero rating of exports will boost our exports & competitiveness in the global markets .The rates of RoDTEP will cover 8555 tariff lines.

It may be noted that Government is leaving no stone unturned to support domestic industry and make it more competitive in the international markets. Export centric industries are being reformed and introduced to better mechanisms so as to increase their competitiveness, boost exports, generate employment and contribute to the overall economy. This will go a long way in achieving our vision of building an Aatmanirbhar Bharat.

Remission of Duties and Taxes on Exported Products (RoDTEP) is one such reform, based on the globally accepted principle that taxes and duties should not be exported, and taxes and levies borne on the exported products should be either exempted or remitted to exporters.

Scheme's objective is to refund, currently un-refunded:

- Duties/ taxes/ levies, at the Central, State & local level, borne on the exported product, including prior stage cumulative indirect taxes on goods & services used in production of the exported product, and
- Such indirect Duties/ taxes/ levies in respect of distribution of exported products.

It may be noted that rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.
RoDTEP is going to give a boost to Indian exports by providing a level playing field to domestic industry abroad.
RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebate on certain export products will also be subject to value cap per unit of the exported product.

Scheme is to be implemented by Customs through a simplified IT System. Rebate will be issued in the form of a transferable duty credit/ electronic scrip (e-scrip) which will be maintained in an electronic ledger by the Central Board of Indirect Taxes & Customs (CBIC).

Identified export sectors and rates under RoDTEP cover 8555 tariff lines in addition to similar support being extended to apparel and made-ups exports under RoSCTL scheme of Ministry of Textiles.

Employment Oriented Sectors like Marine, Agriculture, Leather, Gems & Jewellery etc. are covered under the Scheme. Other sectors like Automobile, Plastics, Electrical / Electronics, Machinery etc. also get support. The entire valve chain of textiles also gets covered through RoDTEP & RoSCTL.

Click here to view the RoDTEP Notification

Source: pib.gov.in– Aug 17, 2021

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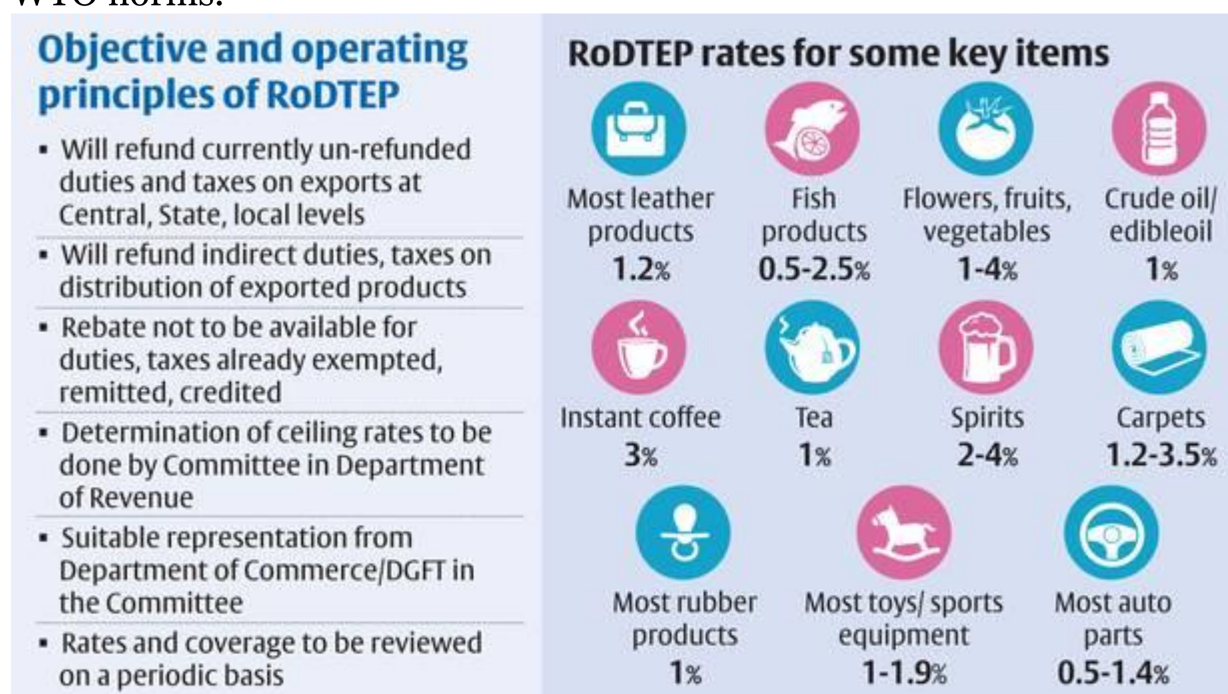
New duty remission scheme to cover 8,555 items at an outlay of ₹12,450 cr

Exporters relieved that wait is over but disappointed with exclusions, lower rates

In a relief for exporters, the government on Tuesday finally announced rates for the new input duty remission scheme that was introduced on January 1 this year, replacing the popular older scheme that was incompatible with WTO norms.



The new scheme, Remission of Duties and Taxes on Exported Products (RoDTEP), however, may fall short of expectations of many sectors.

The refund rates, ranging from 0.5 per cent to 4.3 per cent, are generally lower than the rates under the older scheme. RoDTEP will be applicable from January 1, 2021.

There are also certain items kept out of the scope of the scheme. Major among them are chemicals, steel and pharmaceuticals, Commerce Secretary BVR Subrahmanyam said at a press conference on Tuesday.

"These items have done quite well without incentives. It was felt that there was no need to include them (in the scheme)," Subrahmanyam said.

MEIS scrapped

The Merchandise Export from India Scheme (MEIS), which was replaced by RoDTEP, offered refunds at the rate of 2 per cent, 3 per cent and 5 per cent of the value (f.o.b) of exports. The MEIS had to be scrapped as it was not directly linked to input taxes and levies that went into the production of the exported item and was hence held by the WTO as incompatible with multilateral trade norms.

The total outgo under the RoDTEP scheme and RoSCTL, a similar scheme for garments and made-ups notified last week, will be around ₹19,400 crore for the current fiscal. Of this, ₹ 12,454 crore has been allocated to RoDTEP. The new scheme covers 8,555 product lines of a total of about 11,000 traded items. MEIS, on the other hand, had an annual outlay of over ₹40,000 crore while it covered about 8,000 items.

Relief for exporters

Despite the low rates, exporters are relieved that the period of uncertainty is over and they can now avail the benefits and price their products accordingly. FIEO, the exporters' body, expects the government to quickly upload the rates in the system so that exporters may generate their scrips instantly for utilising the same either for duty free imports or transferring it to increase their cash flow.

"The RoDTEP rates, which provides zero rebating of exports, are WTO compatible and thus will continue for a long time until all the products and services are brought within the ambit of GST and embedded incidence is completely neutralised," FIEO said.

Subrahmanyam said the RoDTEP scheme will be subject to periodic review, and if needed, changes would be made in response to change in the ground situation. "The simple goal of the scheme is to ensure that all taxes borne by exporters are not exported. It should be reimbursed. It also includes taxes collected by States and local governments," he said.

The overall outlay for the RoDTEP scheme will be finalised by the Finance Ministry in consultation with the Department of Commerce, taking into account all factors, according to the notification released by the Directorate General of Foreign Trade.

Pivotal sectors left out?

“One of the biggest setbacks is the fact that products of pivotal export sectors like steel and pharma are not included in the list. Even the products / sectors for which rates are being notified are much lower than the MEIS rate and do not cover the embedded tax cost included in these products.. Companies now, may need to re-evaluate the export benefits availed by them and whether it will really make sense to opt for RoDTEP scheme,” said Rohit Jain and Gourav Sogani, Partners at ELP.

Source: thehindubusinessline.com– Aug 17, 2021

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Government fixes input duty remission rates for exporters under new scheme at 0.5-4.3%

The scheme is designed to reimburse input taxes, duties paid by exporters

Exporters relieved that wait is over but disappointed with exclusions, lower rates

In a relief for exporters, the government on Tuesday finally announced rates for the new input duty remission scheme that was introduced on January 1 this year, replacing the popular older scheme that was incompatible with WTO norms.

The new scheme, Remission of Duties and Taxes on Exported Products (RoDTEP), however, may fall short of expectations of many sectors. The refund rates, ranging from 0.5 per cent to 4.3 per cent, are generally lower than the rates under the older scheme. RoDTEP will be applicable from January 1, 2021.

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Source: thehindubusinessline.com– Aug 17, 2021

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MSMEs are hit by risk-averse banks

Rejecting loan applications of credit-worthy MSMEs will hurt financial inclusion and economic growth

The Prime Minister's dream of a $5-trillion Indian economy by 2025 along with effective financial inclusion and sustainable economic outcomes is premised on investment from both domestic and foreign investors. Government expenditure can only provide a stimulus, but cannot alone take India to PM's goal.

For domestic private investments to happen, the role of timely, adequate and quality (low cost) credit cannot be overstated, particularly during the current times when Covid induced stress is maximum on almost all industries. With the recent change in the definition, more than 95 per cent of Indian companies are bought under the definition of MSMEs.

So what ails the MSME sector largely reflects the credit eco-system for more or less the entire industry in this country. The large corporate and top business houses have had any difficulty in accessing credit.

Access to credit

Most of the MSMEs are in rural and semi-urban areas where access to credit is extremely limited. They are vulnerable to predatory moneylenders and often fall into a cycle of debt. Lack of access to finance and timely credit support in business has been a long-standing issue for these MSMEs.

Starting from difficulties faced in seeking loans and working capital from banks to delay in receiving government payments and tax refunds, most of the MSMEs are under severe debt.

As per an IFC study, there is an overall debt demand of ₹69.3 trillion of which 84 per cent is financed by informal sources such as moneylenders, family, friends, chit funds. Formal sources such as commercial banks, NBFCs and government institutions cater to a mere 16 per cent.

Out of these ₹10.9 trillion, ₹8.8 trillion is supplied by commercial banks while ₹1.5 trillion by NBFCs. The failure of traditional lending mechanisms to guide credit towards these MSMEs have led to a scenario where financing is often not reliable, and steady.

This has been particularly exacerbated by the pandemic, as well as the poor state of micro financing in the country, highlighted by India's estimated credit gap of over $330 billion.

Further, when more these 80 per cent of these MSMEs are in the micro and small category and depending on informal sources of credit, the usefulness of the government's emergency line credit, stressed asset relief, equity participation and fund of funds operation make very little meaning and contribution to the sector.

Banks employ various methods to limit risk by better assessment of the creditworthiness of individuals or firms, MSMEs included. To keep NPAs down, many credit worthy individuals are denied loans by banks.

While determining creditworthiness, there are two errors that are common — False Acceptance of a bad applicant and False Rejection of a good applicant. The former error is detrimental for banks and increases risk while the latter impacts financial inclusion and economic growth itself.

Many MSMEs have an existing barrier in terms of accessing credit. A false rejection of a good applicant paired with the existing structural issues relating to access to credit for this sector exacerbates the issue. While there are plethora of punitive actions prescribed against commissions of irregular loan financing, there is complete absence of punitive action against omissions of genuine credit financing of businesses, particularly the MSMEs.

Thus, there is no incentive for bank managers to take risks and finance genuine credit requirements.

This kind of approach to credit adversely impacts both growth and financial inclusion. However, recently the government sought a list of investment-grade companies denied emergency credit by banks in the backdrop of the Covid pandemic though what action the government took on the recalcitrant banks remains unknown.

Banks will have to move away from financing collateral to financing the business or the business plans.

Another issue is the lack of paperwork or digital footprint for small MSMEs, a factor which holds them back from being integrated into the formal economy and deprives the MSMEs to take advantage of the formal credit system.

They continue to gain access to credit against assets such as land, etc. when much of the MSME development has started to follow a digital model.

Recording transactional details such as utility payments, electricity bills, etc. would give insight into the financial behaviour of these entities that can aid in extending credit coverage to the unserved/underserved MSMEs.

The way forward

Focused regulatory and structural changes which will improve access, ease the transition to the formal sector and increase consumer education and protection are necessary.

In the long term, once these regulatory issues are addressed, sanctioned loans will be disbursed more easily and private investment will be boosted, creating a virtuous cycle for MSMEs in the country.

Finally, to minimise the false rejections of good applicants, routine audits of all loan applications on random sampling basis must be undertaken by RBI and administrative action taken against malafide omissions resulting in unethical denial of loans to deserving MSMEs.

The writer is a Member of Parliament, Rajya Sabha from Odisha and a former CAG bureaucrat. Views are personal

Source: thehindubusinessline.com– Aug 17, 2021

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SIMA hails the announcement of Remission of Duties and Taxes on Export Products (RoDTEP) for yarns and fabrics

In the absence of duty-free access for the export of textiles and clothing products, the export of Indian textiles and clothing had been stagnated during the last five years.

India has been pushed to sixth position in the global trade of total textiles and clothing products from its second position due to withdrawal of certain export benefits extended for yarns and fabrics and other products such as incremental export incentive, focus product and focus market export incentives, interest subvention, etc.

The industry has been pleading the Government to create a level playing field to enhance the global competitiveness by refunding all the embedded taxes relating to State and Central levies to avoid export of taxes and thereby enhance global competitiveness.

After the introduction of GST, the GST input tax credits are refunded while several other products where inverted duty issue is there (like manmade fibre textile products), the exports continue to suffer.

The duty drawback system already takes care of the refund of customs and other Central levies. The RoSL/ RoSCTL benefits were extended only for garments and made-ups. The Government made an announcement of refunding the embedded taxes through RoSCTL scheme.

In addition, the Government also extended MEIS benefit in lieu of focus product and focus market incentive. As the Government had to switch over to WTO compatible schemes, most of the export benefits were withdrawn except duty drawback especially for the yarns and fabrics. Today, the Government continued to extend the RoSCTL benefit for garment and made-ups now has been recently extended upto 31st March 2024. The Government had announced the RoDTEP scheme giving effect from 1st January 2021.

In a Press Release issued here today, Mr.Ashwin Chandran, Chairman, The Southern India Mills' Association, has thanked the Hon'ble Prime Minister, Hon'ble Minister of Finance and Hon'ble Minister of Commerce, Industry and Textiles for announcing the rates when the industry is in the process of getting good market opportunities in the post-WTO regime.

He has said that the cotton yarn and fabrics were hitherto eligible only for duty drawback and now on, the cotton yarn will get 3.8% RoDTEP with a cap of Rs.11.40 per kilo and woven fabric of 4.3% with a cap of Rs.3.4 per sq.metre. He has said that this would give impetus and opportunity for India to increase exports, convert the raw cotton being exported into value added products, increase foreign exchange and create jobs for several lakhs of people, apart from utilizing the surplus capacity already created both in the spinning and weaving sectors.

SIMA Chairman has stated that the knitted fabric has been given only 1% and requested the Government to review the rate based on modular RoDTEP calculation. He has said that the knitted fabric made out of yarn should get higher benefit than the yarn which has been taken care in the case of woven fabric.

Source: textilevaluechain.in– Aug 17, 2021

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India can be among top 25 in Global Innovation Index, says Goyal

A collaborative model from industry to map best innovation practices will take India to the league of top 25 countries in the Global Innovation Index from the 48th rank in 2020 and make it the innovation powerhouse of the world, Commerce & Industry Minister Piyush Goyal said.

“I know it is going to be quite a challenge. But with your support we can do it,” the Minister said addressing the industry virtually at the National IP Awards on August 17, 2021 hosted by CII.

The Minister announced a 80 per cent reduction on fee for filing of IPRs for all recognised educational institution in India and abroad. Total fee for an institute, which is ₹4,24,500 now, will be reduced to ₹84,900.

He asked CII to form a team to analyse practices in the top 47 countries and tell the government where it could improve.

The key achievements highlighted by Goyal include granting of 28,391 patents in 2020-21 as compared to 4,227 grants during 2013-14 (572 per cent growth), reduction in time of patent examination from 72 months in December 2016 to 12-24 months in December 2020 and 14.2 lakh trademark registrations in last four years in comparison to 11 lakh during the previous 75 years (1940-2015).

Goyal said the country has to now The focus is now on how to make it easier still to get further easing of IP approvals, making it more attractive for people in India and abroad to come to the country.

The Minister announced a 80 per cent fee reduction on fee for filing of IPRs for all recognised educational institution in India and abroad (Governmentt/Aided/Pvt) irrespective of whether such institutes were in India or outside India. Total fee for an institute, which is ₹4,24,500 now, will be reduced to ₹84,900.

Source: thehindubusinessline.com– Aug 17, 2021

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Indian govt notifies RoDTEP scheme guidelines and rates

The Indian government has today notified Remission of Duties and Taxes on Exported Products (RoDTEP) scheme guidelines and rates. Cotton yarn and fabrics are among the 8,555 tariff lines covered under RoDTEP. The scheme for zero rating of exports will provide a level playing field to domestic industry and boost India's competitiveness in the global markets.

The RoDTEP is "based on the globally accepted principle that taxes and duties should not be exported, and taxes and levies borne on the exported products should be either exempted or remitted to exporters," a Ministry of Commerce and Industry release said.

The scheme's objective is to refund, currently un-refunded: (i) duties/ taxes/ levies, at the Central, State & local level, borne on the exported product, including prior stage cumulative indirect taxes on goods & services used in production of the exported product, and (ii) such indirect duties/ taxes/ levies in respect of distribution of exported products.

However, rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.

RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebate on certain export products will also be subject to value cap per unit of the exported product.

Scheme is to be implemented by Customs through a simplified IT System. Rebate will be issued in the form of a transferable duty credit/ electronic scrip (e-scrip) which will be maintained in an electronic ledger by the Central Board of Indirect Taxes & Customs (CBIC).

Identified export sectors and rates under RoDTEP cover 8555 tariff lines, in addition to similar support being extended to apparel and made-ups exports under RoSCTL scheme of Ministry of Textiles. The entire valve chain of textiles also gets covered through RoDTEP & RoSCTL.

The cotton yarn and fabrics were hitherto eligible only for duty drawback and now on, the cotton yarn will get 3.8 per cent RoDTEP with a cap of ₹11.40 per kilo and woven fabric of 4.3 per cent with a cap of ₹3.4 per sq metre, according to Ashwin Chandran, chairman, The Southern India Mills' Association (SIMA).

RoDTEP would give impetus and opportunity for India to "increase exports, convert the raw cotton being exported into value added products, increase foreign exchange and create jobs for several lakhs of people, apart from utilising the surplus capacity already created both in the spinning and weaving sectors," Chandran said in a SIMA press release.

Chandran said that knitted fabric has been given only 1 per cent and requested the Government to review the rate based on modular RoDTEP calculation. He said that the knitted fabric made out of yarn should get higher benefit than the yarn which has been taken care in the case of woven fabric.

Source: fibre2fashion.com– Aug 17, 2021

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India's WPI inflation continues to remain high in July

India's annual rate of inflation, based on monthly wholesale price index (WPI), continued to remain high in July 2021, though slightly down from the previous month. In July, WPI inflation stood at 11.16 per cent, compared to 12.07 per cent in June, and an all-time high of 12.94 per cent in May 2021. WPI inflation for textiles increased to 15.59 per cent.

"The high rate of inflation in July 2021 is primarily due to low base effect and rise in prices of crude petroleum & natural gas; mineral oils; manufactured products like basic metals; food products; textiles; chemicals and chemical products etc as compared the corresponding month of the previous year," the Office of Economic Adviser, department for promotion of industry and internal trade, under the ministry of commerce and industry, said.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of July 2021 increased to 134.5 from previous month's 133.7.

The index for manufactured products (weight 64.23 per cent) for July 2021 increased to 132.0 from 131.5 for the month of June 2021. The index for 'Manufacture of Textiles' sub-group increased to 130.5 from previous month's 129.4, while the index for 'Manufacture of Wearing Apparel' also rose to 140.8 from 139.9 in June 2021.

The index for primary articles (weight 22.62 per cent) rose to 153.4 in July 2021 from previous month's 151.8. The index for fuel and power (weight 13.15 per cent) too grew to 114.3 from 113.7 in June 2021.

Meanwhile, the all-India inflation rate for consumer price index (CPI) on base 2012=100 stood at 6.73 (provisional) in July 2021 compared to 6.26 (final) in June 2021, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com– Aug 16, 2021

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Low outlay: RoDTEP scheme has exporters worried

Under the MEIS, the government used to offer eligible companies scrips in the range of 2-5% of the freight-on-board value of their exports, higher than the RoDTEP refund rates.

The government on Tuesday notified tax refund rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme that will cover as many as 75% of tariff lines, ending months of uncertainties over the actual coverage and magnitude of relief under the programme. The rates will be in the range of 0.3-4.3% of the freight-on-board value of the exported products.

However, while the programme will cover 8,555 products (tariff lines), over a thousand more than the Merchandise Exports from India Scheme (MEIS) that it has replaced, the allocation for it is less than a half of what was the government's annual outgo under the MEIS.

Of course, both the schemes are not strictly comparable (the MEIS was an incentive programme). But the RoDTEP roll-out will effectively reduce the benefits for most exporters, as they gear up to take advantage of a resurgence in global trade in the aftermath of the pandemic.

The steel, pharma and chemicals sectors have been kept out of the RoDTEP ambit, commerce secretary BVR Subrahmanyam said, given that exports from these sectors are faring relatively well. This has upset exporters of these products.

Similarly, engineering goods firms, accounting for about a fourth of merchandise exports, have complained that taxes embedded in primary input (steel) are not factored in the RoDTEP rates for them. This will make it difficult for them to realise the ambitious $107-billion engineering goods export target for FY22, according to EEPC India chairman Mahesh Desai.

The government has now allocated Rs 19,400 crore for both its tax refund schemes — Rebate of State and Central Taxes & Levies (RoSCTL) scheme for garment and made-up exporters and RoDTEP for most others — to cover obligations from January 2021 to March 2022. For FY22 alone, the allocation could be around `17,000 crore, higher than the budgetary outlay of Rs 13,000 crore, a source said.

Importantly, much to the dismay of exporters, the scheme won't be an open-ended one. As per the notification, projected remissions for each year will have to be managed within the approved budgetary outlay. The budgetary allocation

will be fixed by the revenue department in consultation with its commerce counterpart.

Exporters have already cautioned that any inadequate remission will compound a Covid-induced liquidity crunch and erode their competitiveness in the global market when demand from key economies is reviving. Nevertheless, many exporters have hailed the notification, saying it, at least, signals predictability in the country's tax refund regime for them.

The RoDTEP scheme is supposed to reimburse various embedded levies (not subsumed by the goods and services tax) paid on inputs used in exported products to make exports zero-rated. The government had allocated Rs 39,097 crore for MEIS in FY20, before drastically reducing it to Rs 15,555 crore for the first three quarters of FY21 in the wake of the pandemic.

Under the MEIS, the government used to offer eligible companies scrips in the range of 2-5% of the freight-on-board value of their exports, higher than the RoDTEP refund rates. The government had initially wanted to replace the RoSCTL with the RoDTEP scheme and budgeted an outlay of Rs 13,000 crore to cover both in FY22. But it junked the plan last month when it extended the validity of the RoSCTL by over three years.

In late July 2020, the government set up a committee under former commerce secretary GK Pillai to recommend RoDTEP rates. The panel's report was then vetted by the departments of revenue and commerce.

After a roller-coaster ride last fiscal, exports have now crossed the pre-Covid (same months in 2019) levels for five straight months through July, suggesting that a trade recovery is taking roots on the back of improved economic growth prospects in key western markets.

Already, the government has set a lofty merchandise export target of $400 billion for FY22, against $291 billion last fiscal. Welcoming the notification, A Sakthivel, president of the exporters' body FIEO, said the much-awaited rates will "help in easing the liquidity of the exporters, ensuring predictability and stability, thus helping competitiveness of exports over a long-time horizon".

Source: financialexpress.com– Aug 18, 2021

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Home textile exporters to clock 20-25% growth in FY22: Report

Home textile exporters are set to clock a 20-25 per cent growth in 2021-22 with healthy margins, according to a report.

The pandemic-induced lifestyle changes stemming from heightened consciousness about hygiene and increased prevalence of stay-at-home options are likely to result in a robust performance for Indian home textile exporters, Icra said in the report on Tuesday. Home textile exporters are set to register 20-25 per cent growth during FY22 with healthy margins, it added.

For the past three quarters, sales for the sample set have averaged 25-40 per cent higher than the 3-year average for the pre-COVID period.

Home textile exports was one of the first few textile segments to recover from the impact of the pandemic last fiscal, with companies reverting to year-on-year growth from the second quarter of FY21 itself and reporting three consecutive quarters of double-digit growth thereafter," Icra Senior Vice President and Co-Group Head, Corporate Sector Ratings, Pavethra Ponniah said.

The export demand has been mainly driven by the US, the largest market, accounting for 60 per cent of India's home textile exports, she noted.

"Compared to a 9 per cent increase in India's home textile product exports of USD 5.7 billion in FY21, exports to the US increased by 14 per cent, while exports to the other major markets of the UK and the EU reported a y-o-y decline during the year.

Besides faster opening up, increase in exports to the US is partly attributable to the distribution model for these products, with a meaningful share accounted for by the large departmental chains that remained open even during the lockdown phase, Ponniah added.

Moreover, expectations of a strong festive demand this year, backed by favourable vaccination coverage across key markets are reflected in the healthy order book position of Indian home textile exporters, the report said.

Icra said the larger exporters have a robust order backlog and are likely to rely more on job-work or outsourcing to fulfil delivery commitments over the next few quarters.

Improved economies and softer input costs helped the companies report an improvement in operating margins in FY21, it noted.

However, cost pressures have intensified with expectations of a healthy sales turnover as cotton yarn, a key raw material for manufacturing made-ups, has been trading at nearly 40-50 per cent higher compared to last year levels.

Nevertheless, the rating agency expects operating efficiencies and re-negotiation of product prices amid sustained cost pressures to help companies maintain their profitability at robust levels.

Going forward, while the opening up of economies will lead to some moderation in demand with increased household budgets allocated to alternate discretionary uses, such as travel and dining out, greater prevalence of work-from-home vis-a-vis pre-COVID times is likely to sustain demand for home textile products.

Further, higher occupancy in the hospitality sector is expected to support recovery in institutional demand, which has remained muted in the recent quarters, Icra Vice President and Sector Head, Corporate Sector Ratings, Nidhi Marwaha said.

Source: business-standard.com– Aug 17, 2021

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Value e-commerce in India to grow to $40 billion market: Kearney report

Shift to online buying driven by huge adoption of mobile Internet

Kearney, a global consulting firm, sees value e-commerce segment in the country's lifestyle retail market growing from $4 billion in 2019 to $20 billion in 2026 and $40 billion in 2030 — a 10-fold growth in 10 years.

This trend will be led by the value conscious consumers of India shifting to online buying, driven by huge adoption of mobile Internet, said a new Kearney report titled 'Value e-commerce: The next Big Leap in India's Retail Market' .

India is expected to have 110 crore Internet users and 35 crore online shoppers by 2026, the report said. The value e-commerce is the online business model that serves value lifestyle retail.

The e-commerce penetration in this value lifestyle retail segment could grow from 4 per cent to 13 per cent by 2026 and 19 per cent by 2026, said Siddharth Jain, Partner, Kearney.

Shopping behaviour

The key takeaway from the report is that companies that mold their businesses around the distinctive shopping behaviour and needs of value consumers have the chance to lead the $40-billion opportunity. While relevance and trust will drive growth in this segment, online players should continually invest in curated assortment, relevant recommendations, efficient supply chain, and omni-channel presence to pick up share in this next big opportunity in India retail, according to the report.

Besides the rise in the number of online users, the range of compelling factors driving this growth include the emergence of India-2 (low income groups, predominantly from Tier 2+/rural cities) driving most of the demand; and an increase in overall household income could propel this segment to spend more on the value lifestyle segment.

The report highlighted that India-2 drives 70 per cent of value lifestyle demand, but only 16 per cent is online due to lack of trust, resistance to online and to some extent due to limited access to Internet. Pandemic has

whittled away at this resistance towards online buying. Another important factor that will drive value e-commerce growth is that Gen Z will join millennials as independent shoppers over next five years and their preferences towards online buying are higher.

Explosive growth

India's explosive growth in mobile Internet penetration from 320 million users in 2015 to 600 million users in 2019 has begun to impact the way consumers make buying decisions, said the report. Today, however, only 20-25 per cent of people who have Internet access are using online platforms for commerce, and this has been heavily skewed toward metro and tier-1 consumers.

However, active Internet use in rural towns (50 per cent of value lifestyle demand) and in tier-3 and tier-4 towns (about 25 per cent of value lifestyle demand) is gradually growing and is expected to increase sharply over the next five years. Young people in these towns are getting hooked on digital content and social media. We expect the number of Internet users in India to surpass 1,100 million people by 2026— and a third of these will be active online buyers

Source: thehindubusinessline.com– Aug 17, 2021

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Gujarat: Cotton exports set to touch 7-year high

Riding on strong demand from overseas markets, cotton exports from the country are estimated to rise at 77 lakh bales (one bale is equivalent to 170kg) in 2020-21, the highest in the past seven years. The exports had previously reached a high of 112 lakh bales in 2013-14, said industry players.

Being the largest producer of cotton in India, Gujarat's contribution to the total exports has been 40-45%. The Cotton Association of India (CAI) recently raised its estimate for India's cotton exports by 5 lakh bales based on export shipment bookings data provided by the exporters.

The apex body of the Indian cotton trade has now pegged the exports at 77 lakh bales, which will be 54% higher than the 50 lakh bales exported in the cotton season of 2019-20. About 70 lakh bales were already shipped as on July 31. According to the CAI data, the cotton exports from the country stood at 42 lakh bales, 69 lakh bales, 63 lakh bales, and 72 lakh bales in fiscals 2019, 2018, 2017, and 2016.

Strong demand coupled with low price of Indian cotton in the international market pushed up cotton exports. "There was strong demand for our cotton from Bangladesh, Vietnam, Indonesia, and China," said Arun Dalal, a city-based cotton broker. The Indian cotton prices remained Rs 2,000-2,500 per candy (one candy weighs 356kg), which were lower than the international prices throughout the year.

"The cotton offtake from overseas buyers increased following strong demand for cotton yarn, which offered good margins to yarn manufacturers," said Nirav Patel, a cotton exporter. "As our cotton was cheaper, importers turned to India for cotton imports."

The surge in demand, however, has increased cotton prices with export quality cotton ruling at Rs 55,000 to Rs 56,000 per candy, said industry players. CAI has projected 93.50 lakh bales of cotton output for Gujarat for 2020-21.

Source: timesofindia.com– Aug 18, 2021

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'In person' GST Council meet likely after a 16-month hiatus

Meeting by month end or next month may take up period of compensation
The GST Council may resume its meeting in person after a gap of almost 16 months and 5 meetings. The next meeting is scheduled to take place soon.

GST Council is scheduled to meet at least once in three months. The last meeting took place on June 12 with a single agenda of relief on Covid-related items.

It was also decided that a special meeting will take place on the compensation mechanism. The council had a physical meeting last time on March 14, 2020.

A top Finance Ministry official told BusinessLine that the next meeting may return to old method. "The date is being finalised. This time, we may go for a physical meeting," he said.

Compensation mechanism

On compensation mechanism, he said that imposition of cess has already been extended beyond June next year and now the issue is about till when the compensation is to be paid.

Since the GST collection was affected by the pandemic, based on the deliberations in the GST Council for FY 2021, the Centre had borrowed ₹1.1 lakh crore under a special window and passed it on to the States as back-to-back loan to help them meet the resource gap due to short-release of compensation on account of inadequate balance in the Compensation Fund.

The official said that for the borrowing raised so far, cess will continue to be levied till the entire borrowed amount is repaid.

"But, the big question is till when the compensation is to be paid. We feel that with improvement in compliance, more people filing returns and inversion being removed, collection will improve and that will help the States and the UTs," he said.

Though some States are seeking payment of compensation beyond June 2022, the Centre is indicating that this may not be possible.

Along expected lines

GST collection this year has been on expected lines. After a record ₹1.40 lakh crore in April, collection dropped to ₹1.02 lakh crore in May and ₹93,000 crore in June. It jumped to ₹1.16 lakh crore in July.

On Monday, Finance Minister Nirmala Sitahraman said that collection this year has improved substantially, and as a result, there are chances that the government may be able to pay compensation to States. On extending compensation beyond July 2022, she said the GST Council will decide on the issue.

Source: thehindubusinessline.com– Aug 17, 2021

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State of labour reforms: States would do well to follow Rajasthan's example on labour reforms

Empirical evidence suggests states with relatively inflexible labour regulations experienced slower growth in labour-intensive industries and employment. Labour reforms in Bangladesh have shown how addressing rigidities can foster industrial growth and employment generation in labour-intensive sectors such as textiles. In the case of India, studies (https://bit.ly/3jJCF4z) show that the textile and apparel sector has not grown to the optimum potential because the firm size distribution is skewed towards small firms. The authors attribute this to "India's labour regulations and the associated enforcement regime are important policy drivers of Indian firms' tendency to avoid placing too many workers under one roof."

Since labour falls under the Concurrent List of the Constitution, both the Union and state governments can legislate. The Union labour ministry has recently consolidated the 40 labour laws administered by the ministry into four codes. While Parliament has enacted these codes, the rules are yet to be notified. However, before this, some states have already carried out significant reforms post-2014.

Usually, when one talks about labour reforms, ostensibly s/he thinks of (a) easing restrictions on retrenchments and closures (chapter V-B Industrial Disputes Act, 1947); (b) changing the definition of factories under the Factories Act, 1948; or (c) the threshold of the number of contract workers employed for the applicability of the Contract Labour (Regulation and Abolition) Act, 1970.

Rajasthan was a pioneer in bringing out major labour reforms in 2014. It didn't take long for states like Madhya Pradesh, Maharashtra, Gujarat and Haryana to follow suit. Earlier, IDA, 1947, covered those establishments which employ 100 or more workers. Rajasthan, Haryana, Gujarat, Maharashtra, Uttar Pradesh, etc, have amended the threshold to 300 or more workers. This means that no prior permission from competent authority is needed by establishments for lay-off, retrenchment and closure. Thus, this step liberalised the exit of unviable firms.

Similarly, several states have also amended the Factories Act, 1948. This Act is applicable to only those establishments that employ 20 or more workers (using power) and 40 or more workers (not using power). The threshold has been relaxed from the earlier threshold of 10 or more workers (using power)

and 20 or more workers (not using power). Rajasthan, Haryana, Maharashtra, etc, have increased the threshold of applicability of Contract Labour Act to more than 50 workers.

Notably, these reforms are not just restricted to amending (a), (b) and (c). For instance, Madhya Pradesh amended eight labour laws, including Inter-State Migrant Workers Act, Motor Transport Workers Act and Building & Other Construction Workers Act (1996). Gujarat passed Labour Laws (Gujarat Amendment) Bill, 2015, through which it amended 11 existing Acts, including the Unorganised Workers Social Security Act, 2008.

Apart from addressing the labour market rigidities, some states have eased the regulatory compliance regime. The labour ministry terms this as 'governance reforms'. Some of its examples are auto-renewal of various licences and clearances, central inspection system, deemed clearance in a stipulated time-frame, and self-certification. Andhra Pradesh enacted the Andhra Pradesh (Issuance of Integrated Registration and Furnishing of Combined Returns under various Labour Laws by certain Establishment) Act, 2015. Maharashtra, Madhya Pradesh, Karnataka, Rajasthan, Haryana and Uttar Pradesh have also introduced these provisions.

These reforms are not restricted to the manufacturing sector. Maharashtra and Karnataka amended their respective Shops and Establishments Acts in 2017 to allow shops and establishments to remain open 24×7 across the state. This Act is applicable to all the commercial establishments (business centres, offices, warehouses, stores, hotels, eateries, amusement parks, theatres, etc) not governed by the Factories Act. Therefore, such amendments recognise the artificial nature of the distinction between manufacturing and services, at least for MSMEs.

A recent study (https://bit.ly/3AkSt4s) has found that the labour reforms carried out in Rajasthan had a "positive impact on Gross Value Added and productivity." These reforms by Rajasthan led to an increase in number of workers employed by the manufacturing units. Therefore, there is a message for all states to follow.

Source: financialexpress.com– Aug 18, 2021

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