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INTERNATIONAL NEWS

Maersk CEO on Skyrocketing Freight Rates: ‘No Doubt We See Inflation Creeping Up’

A.P. Moller-Maersk CEO Soren Skou cited one culprit driving demand and historically high ocean freight rates: stimulus checks.

“The pipeline is bursting at its seams,” Skou said in an interview Monday with CNN’s Richard Quest addressing global supply chain challenges. “First of all, there’s a very strong demand led by the U.S. and all of the stimulus money that has gone to the U.S. consumer. On top of that, there’s a huge inventory rebuilding cycle going on…also because a year ago in the second quarter of 2020, a lot of companies stopped buying in Asia or really scaled down their purchases because nobody knew where the world was going. We thought that we would have a major global crisis, but then… the stimulus came and demand came roaring back.”

Quest asked Skou about the huge spike in shipping rates that is contributing to global inflation at the moment, particularly in places like the U.S. and Europe. For the week ended Aug. 29, Drewry’s composite World Container index increased 2 percent to reach $9,613.28 per 40-foot container. This was 360 percent higher than the same week in 2020 and the 18th consecutive week of increases.

“There’s no doubt that we see inflation creeping up,” Skou said. “I do expect, however, that things will normalize as we work through this period of extraordinary demand and as inventories fill up again.” In a bit of good news for global shipping, Bloomberg reported Monday that cargo ships have resumed birthing at Ningbo’s container terminal in China, which authorities shut down after a single worker tested positive for Covid-19.

Alternative fuels

Switching to alternative fuels will make the shipping industry less dependent on traditional oil-based fuels that are traded as commodities and subject to extremes in inflationary pricing.

In that regard, Maersk said it has identified its partner to produce green fuel for its first vessel to operate on carbon neutral methanol–REintegrate, a subsidiary of the Danish renewable energy company European Energy.

REintegrate and European Energy will establish a new Danish facility to produce the approximately 10,000 tons of carbon neutral e-methanol that Maersk's first vessel with the ability to operate on green e-methanol will consume annually. Maersk will work closely with REintegrate and European Energy on the development of the facility.

"This type of partnership could become a blueprint for how to scale green fuel production through collaboration with partners across the industry ecosystem and it will provide us with valuable experiences as we are progressing on our journey to decarbonize our customers' supply chains," Henriette Hallberg Thygesen, CEO of fleet and strategic brands at Maersk said. "Sourcing the fuels of the future is a significant challenge and we need to be able to scale production in time. This agreement with European Energy/REintegrate brings us on track to deliver on our ambition to have the world's first container vessel operated on carbon neutral methanol on the water by 2023."

The methanol facility will use renewable energy and biogenic CO2 to produce the e-methanol. The fuel production is expected to start in 2023. The energy needed for the power-to-methanol production will be provided by a solar farm in Kassø in southern Denmark. REintegrate has a proven track record for producing green e-methanol with a test laboratory in Aalborg, Maersk noted. The new site will be its third e-methanol facility, with construction an e-methanol facility in Skive, Denmark to begin next year.

"We're proud to be a part of the first large scale e-methanol production in Denmark," Knud Erik Andersen, CEO of European Energy, said. "While renewable energy is becoming more and more common in the energy mix of electricity consumption, this is one of the first steps in heavy transportation toward using 100 percent renewable energy. This agreement marks a milestone in the journey toward green transition in the shipping industry."

Maersk announced the dual fuel vessel, an industry first, in February. In June, Maersk said that Hyundai Mipo Dockyards will be building the 2,100 20-foot equivalent (TEU) feeder. It will be 172 meters long and is expected to join the Maersk fleet in mid-2023. It will sail in the network of Sealand Europe, a Maersk subsidiary, on the Baltic shipping route between Northern Europe and the Bay of Bothnia. Danish fashion company Bestseller has committed to carbon-neutral ocean transport with Maesk.

Source: sourcingjournal.com– Aug 23, 2021

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July US retail sales slow amid tight supply chain, but demand on: NRF

US retail sales slowed in July as retailers continued to face supply chain disruptions and rise in COVID-19 vaccinations allowed consumers to shift some spending from goods to activities like going out to dinner and traveling despite the delta variant, the National Retail Federation (NRF) said recently.

“July retail sales showed slight deceleration in spending, but nothing to derail our outlook for a record year,” NRF president and chief executive officer Matthew Shay said in a statement.

“Though the delta variant is presenting health challenges while supply chain disruptions along with unfilled job openings are presenting business challenges, the consumer and broader economy continue to display steady strength aided by advanced tax credit payments and strong gains in the labor market and personal incomes,” he added.

“Despite this monthly dip, the economy has rebounded quite well and is more than just on the mend,” NRF chief economist Jack Kleinhenz said.

“The consumer has continued to be resilient and recent price increases brought on by constraints in the supply chain have not dampened the robust demand seen during the past year. If retailers could find more inventory, they could sell it,” he said.

“Going forward, consumers are a bit fearful again as we approach another possible wave of COVID-19 infections, but they’ve learned to live with the virus and shopping continues. The delta variant could impact local markets, especially where vaccination rates are low, but doesn’t appear likely to show up in the national data,” he said.

Consumer finances are in good shape with a cushion from paying off debt and building up savings, Kleinhenz added.

Employment and wages have seen recent back-to-back increases, and advance child tax credit payments going out for the second month in a row should provide a bump for spending, NRF said. Solid back-to-school spending contributed to July’s results and is expected to spill over into August as well.

The US Census Bureau today said overall retail sales in July were down by 1.1 per cent seasonally adjusted from June but up by 15.8 per cent year over year. That compares with an increase of 0.7 per cent month over month and an increase of 18.7 per cent year over year in June.

Despite occasional month-over-month declines, sales have grown year-over-year every month since June 2020, according to Census data.

For the first seven months of the year, sales as calculated by NRF were up by 15.5 per cent over the same period in 2020. That is consistent with NRF's revised forecast that 2021 retail sales should grow between 10.5 and 13.5 per cent over 2020 to between $4.44 trillion and $4.56 trillion.

Clothing and clothing accessory stores were down by 2.6 per cent month over month seasonally adjusted but up by 45.8 per cent unadjusted year over year. Furniture and home furnishings stores were down by 0.6 per cent month over month seasonally adjusted but up by 15.6 per cent unadjusted year over year.

Source: fibre2fashion.com– Aug 23, 2021

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China aims high for domestic brands in clothing & home textiles in new FYP

China's recent five-year plan (FYP) provides direction to its economy through 2025. It largely follows the theme in Made in China 2025, aiming to make China the manufacturing powerhouse of the world. Focus on domestic consumption and strengthening domestic brands is a key highlight and will change China's textile and apparel prospects tremendously.

History repeats itself. Economic, cultural and civilisational cycles abound in the world we know. Rise and fall of nation, states, fashions, fads and tastes and technologies are symbolic of this world that looks like changing but with very familiar patterns. The world economic order that we know today hasn't always been like this and will probably change dramatically in the next few decades, maybe even sooner. It is perhaps a coincidence, that almost exactly 100 years apart, when the US gained economic supremacy in the 1910s, it is losing its economic edge to China.

At least in Purchasing Power Parity (PPP) terms, China's GDP already surpassed that of United States by 2016, while nominally it may take only the next few years. China has made that intent clear in its recently released Five Year Plan (FYP) with less actual growth targets but more concrete objectives, mirroring somewhat the previous FYP but with greater thrust on market reforms, digitisation and industrial modernisation.1

China's 14th Five-Year Plans (FYP) brings more perspective to how it positions itself over the medium as well the long term. It closely follows the Made in China 2025 plan released in 2015, as it focuses majorly on digitisation and rehauling China's manufacturing to produce more high value-added products. The government also maintained close continuity between the previous and the current FYP, strengthening its focus on integrating China further into the global economy. For the very first time however, Chinese government has stayed away from defining a target growth for next five years in this FYP, likely because of tremendous uncertainties about global economy and China missing its growth target in the previous plan period.

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value-added products. The government also maintained close continuity between the previous and the current FYP, strengthening its focus on integrating China further into the global economy. For the very first time however, Chinese government has stayed away from defining a target growth for next five years in this FYP, likely because of tremendous uncertainties about global economy and China missing its growth target in the previous plan period.

As we had already noted in our previous article on Made in China 2025, the FYP plan outlined had very dramatic consequences for the global supply chains. China's exports of high-value added manufacturing has increased sharply in the last few years while exports of more labour-intensive textile products and other low-value added products have seen only moderate growth.

China's race to make its manufacturing sector highly innovative and modernised is reflected partially by total stock of industrial robots in the country. Out of the overall global operational stock of industrial robots of 2.7 million units, China had the largest stock at 783,000 in 2019, with a 28.8 per cent share. China's greater thrust on investments along the Belt and Road Initiative and dual approach of mixing relocation of industries with use of technology for low value-added sectors is an important feature of their development plan.

Important aspects of 14th FYP

1) Dual circulation strategy

While the US backlashed on China's Made in China 2025 plan, the 14th FYP retains those aspects to a large extent. A big and new theme this time is the strategy of "dual circulation", essentially putting more focus on "domestic circulation" of consumption rather than depending on "external circulation". China would continue to favour boosting domestic consumption and rely less on external demand as the latter has become increasingly more uncertain. Private consumption and particularly household

consumption in China has remained subdued over the years and remains one of the lowest among peer countries. Even while recovering from the economic shock of the pandemic, it was exports which helped Chinese economy more than the domestic demand. The current infrastructural demand is fueled by government spending and if not supported by

simultaneous push to household consumption demand, could lead to further overcapacity in China and would again mean greater reliance on exports growth for sustaining industrial growth.

2) Reducing regional disparity

A key feature of China's development process until now is the regional disparity in terms of labour mobility, access to both financial and human capital, and overall development. The disparate growth prospects of the provinces in China are determined by factors such as cost of labour and capital, availability of high-quality labour, proximity to coastal areas and level of manufacturing activity. Even more problematic has been the vast differences in the debt levels of provinces and regions in China. Due to the pandemic, debt levels and disparities are expected to become even more stark.2 The recent FYP projects a long-term goal (2035) to increase China's per capital GDP to levels achieved by developed economies and aims to bring more equitable distribution of economic growth across its regions.

3) Reforms in state owned enterprises

Chinese economic machinery has a disproportionately important role played by the state-owned enterprises (SOEs). SOEs are generally understood to be providing public goods with relatively much lower operational efficiency than the private sector. Chinese SOEs are the largest globally in terms of assets and second largest in terms of revenue only after the US. Their participation in the Chinese economy is mammoth as well. In 2020, total revenue of Chinese SOEs was USD 9.8 trillion, 62.6 per cent of GDP.3 However, profitability in Chinese SOEs is much lower than the private corporations. For instance, just looking at Chinese firms included in the Fortune Global 500 list,4 profit margin for SOEs stood at 3.5 per cent vs 7.0 per cent for private firms in the list. SOEs also have the largest share in corporate debt in China, making them increasingly requiring of government support. The 14th FYP in continuation with the previous plan aims to reform the SOEs to make them more efficient.

4) Reducing carbon footprint

The five-year plan highlights the urgency to make China a leader in new energy and reducing its carbon footprint. As per a report released by Rhodium Group in 2019, emissions by China exceeded those by all developed countries combined, contributing almost 27.0 per cent to total global net GHG emissions.

China's emissions5 were a quarter of the developed world in 1990s and have tripled over the last 30 years. The FYP mentions ambitious plans about new energy, new energy vehicles, green and environmentally friendly products, hydrogen energy and energy storage among other areas to reduce dependence on fossil fuels. However, the current FYP hinges more on "promoting clean and efficient use of coal" and not eliminating it completely. China plans to use emissions reduction technology in its new coal-fired power plants to lower their sulphur and particulate pollution.

Continued push to develop domestic clothing and textile brands

In this FYP, China continues its push for development of domestic brands in clothing and home textiles. The thrust on building Chinese brands began from the 12th FYP, and since then many brands have become mainstream names in the Chinese apparel/clothing sector. Recently, consumer preferences have also shifted more towards domestic brands on the back of increased tensions between western brands and Chinese authorities regarding use of Xinjiang cotton. Recent study by Nielsen showed that 68 per cent of the surveyed consumers in China preferred homegrown brands due to rising nationalist sentiment. Until very recently, Chinese clothing/apparel manufacturers were largely OEMs for western brands and now brands such as Li-Ning, Anta, Urban Revivo and others are seeing increasing demand. This squares perfectly with China's focus on increasing domestic consumer demand and western countries decision to rely less on Chinese supply markets. EU in its recent strategy revealed its priorities to reduce dependence on China in many strategic sectors (China supplied 52 per cent of such imports to the EU).

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Source: fibre2fashion.com– Aug 23, 2021

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Long Beach Container Terminal Goes Zero Emission, All Electric

The Southern California Port of Long Beach entered its next era of environmentally sustainable operations on Friday with the completion of the Long Beach Container Terminal (LBCT) at Middle Harbor, which Long Beach Mayor Robert Garcia called "one of the greenest ports in America."

The Port of Long Beach can now be considered one of the most technologically advanced cargo facilities in the world, officials said. Equipped with nearly all electric and zero-emissions equipment, LBCT at Middle Harbor is designed to strengthen competitiveness, improve cargo flow and dramatically enhance air quality amid an era of significant growth at the nation's second-busiest seaport.

"As the world's first all-electric, zero-emission mega terminal, LBCT sets the industry standard for moving cargo sustainably while keeping the Port competitive and supporting vital jobs," Mario Cordero, executive director of the Port of Long Beach, said. "It is truly a technological marvel that will allow us to increase our throughput, improve air quality and maintain our status as a leading gateway for trans-Pacific trade."

Long Beach Harbor Commission president Steven Neal said the new terminal charts a new course for greener cargo operations and "strengthens our ongoing commitment to the Green Port Policy and San Pedro Bay Ports Clean Air Action Plan enacted about 15 years ago."

The final phase of LBCT at Middle Harbor adds container capacity to the Port of Long Beach and "ensures the speedy, secure and sustainable delivery of millions of cargo containers for decades to come," Long Beach Container Terminal CEO Anthony Otto said.

Construction of the $1.49 billion project started in May 2011. The first part of the terminal opened five years later with the completion of Phase 1, allowing the terminal to begin operations across an initial 151 acres. Phase 2 wrapped up in October 2017, expanding the facility to 191 acres.

The third and final phase concluded in July, growing the terminal to 300 acres with a completed container yard, an administration building, and an on-dock rail yard designed to handle 1.1 million TEUs (20-foot cargo containers or equivalent units) annually to minimize truck traffic on local

roads and freeways. In addition, 14 of the most modern ship-to-shore gantry cranes line a new, 4,200-foot-long concrete wharf capable of accommodating three massive ships at once, make the Port of Long Beach "big ship" ready into the future. Another 3 acres will be added in 2025 with the opening of the North Gate Expansion, completing the terminal with 303 acres.

All ships calling at the terminal plug into shore power connections while berthed, allowing them to shut down diesel engines and connect to the landside electrical grid. All major structures are built with features to save power and water, meeting strict gold-level Leadership in Energy and Environmental Design (LEED) standards.

With an annual capacity of 3.3 million TEUs, LBCT by itself would rank as America's sixth-busiest seaport, capable of moving twice the cargo with less than half of the air pollution of the two terminals it replaces. Increased trade moving through the terminal is generating 14,000 permanent new jobs in Southern California. Additionally, unionized labor at LBCT operates the all-electric ship-to-shore cranes, staffs the control center for operations and maintains the technology.

Source: sourcingjournal.com - Aug 23, 2021

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Vietnam's textile-garment sector may find tough to meet export target

Vietnam's textile and garment industry may find it tough to meet its export target of $39 billion this year due to the impact of the pandemic. A report by the Vietnam National Textile and Garment Group (Vinatex) said that since June 2021, when the pandemic broke out in southern localities, garment firms have been facing numerous difficulties in production.

In just a month, over 40,000 workers, mainly in the southern region, were laid off. Textile enterprises have also faced risks related to contracts with their clients, according to a report in a Vietnamese newspaper.

Hong Sheng Wen, Deputy General Director of Kwang Viet Garment Co Ltd in the Mekong Delta province of Tien Giang, said that from July 15, 2021, the enterprise's production activities had to be suspended due to the effects of the health crisis.

In the first six months of this year, the textile and garment export value hit $15.2 billion, up by 15 per cent year on year. However, Vinatex chairman Le Tien Truong said the achievements in the first half could be completely lost if creative solutions in production and business are not drastically implemented.

He said that production disruptions can seriously affect supply chains and the lives of workers.

Secretary General of the Vietnam Textile and Apparel Association (VITAS) Hoang Ngoc Anh said social distancing regulations will negatively affect business results of textile companies and the rate of factories suspending operations has reached 35 per cent.

VITAS said the export turnover of the sector is predicted to reach $32-33 billion this year, equivalent to 84 per cent the plan set, if the pandemic is under control in late August.

Textile enterprises are currently receiving many orders from US and the European Union, it added.

Source: fibre2fashion.com– Aug 24, 2021

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Bangladesh: End of yarn price chaos signals cooperation among apparel, textile sectors

The amicable end of the chaotic situation created by the frequent rise of yarn prices signals the beginning of much-needed cooperation among the country's apparel and textile sectors, according to industry insiders.

Textile and apparel are complementary industries, so any chaos between them will tarnish the image of the country in front of buyers, who might then take undue advantage of the situation, they added.

Earlier, on Saturday night, the textile millers and apparel manufacturers fixed the yarn prices, bringing down the price of yarn slightly.

According to the newly fixed price, the ceiling of 30s carded yarn has been set at $4.20 per kg, while that of 30s combed yarn has been set at $4.50 per kg.

However, both parties will sit again to fix the prices if cotton price surpasses $1 per pound in the international market (Cotton Index 100) and it will be kept the same if the price remains at 85 to 100 cents (Cotton Index 85-100) per pound.

The price will be reduced through a meeting if the cotton price falls below 85 cents.

Currently, the price of cotton in the international market is fluctuating between 93 to 96 cents per pound.

The decision was taken on Saturday at a meeting of top leaders of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and Bangladesh Textile Mills Association (BTMA).

BGMEA President Faruque Hassan told Dhaka Tribune that they had reached an agreement by fixing the yarn price in discussion with the textile millers on Saturday night.

“We have fixed the price of yarn at $4.20 per kg if the cotton price remains under $1 per pound in the international market, but if it surpasses $1 per pound, we will sit again to fix the new price limit,” he added.

The BGMEA president also said that this will bring a positive sign for both apparel and textile industries of the country and that the decision was needed to keep the country's market stable.

Mohammad Ali Khokon, president of the BTMA, said: “We agreed to set a price ceiling as apparel and terry towel manufacturers were demanding lowering the prices. We will be able to supply the yarn at these fixed prices.”

Faruque Hassan also said that local procurement of yarn from the domestic market has given some advantages to the manufacturers.

However, unusual hikes may force them to find alternative markets, he added.

According to the industry insiders, 70-80% of the demand for yarn are met by local spinners.

Bangladesh imports 20-30% of yarn from India, Pakistan, Indonesia, and Turkey and most of them are specialized varieties.

Rising yarn prices for several months had created a chaotic situation for textile millers and apparel exporters.

Apparel and terry towel exporters alleged that the spinning millers unfairly and abnormally increased yarn prices which put the exporters in a difficult situation for the last seven to eight months.

However, textile millers denied the allegation and claimed that they are not hiking prices intentionally.

On August 10, the ongoing chaos over high yarn prices between textile millers and apparel exporters was settled amicably, with no price hike planned.

The decision was taken at a joint meeting of the BGMEA, BKMEA, BTTLMEA, and the BTMA.

But after only a few days of the meeting, on August 14, the country's apparel manufacturers sent a letter to Commerce Minister Tipu Munshi asking him to allow partial shipment in all the land ports of the country for importing raw materials needed by the sector.

They also demanded to relax the conditions of importing yarn, cotton, fabrics and other raw materials through these land ports.

But textile millers expressed worries over the new proposal.

Source: dhakatribune.com– Aug 23, 2021

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Pakistan: Weekly Cotton Review: Bullish trend prevails due to panic buying; cotton crop is satisfactory

The spot rate of cotton witnessed an increase of Rs 300 per maund. Mixed trend was seen in the international cotton markets. Over all cotton crop is satisfactory excluding some areas. Need to focus on increasing cotton production for the survival of value added sector.

Due to the exorbitant increase in shipment fares, government should allow import of cotton from India like medicine.

Bullish trend prevails in the local cotton market due to the panic buying by the textile mills. Although due to the fluctuation in the Rate of Promise (Waday Ka Bhao) of New York Cotton fluctuation was seen in the local market also. However, over all bullish trends prevails in the market.

The Rate of Promise (Waday Ka Bhao) of New York Cotton at one time crossed 95 American cents per pound which is highest in seven years. However, on Thursday night the rate decreased by 2.18 American cents.

Due to the Muharram Ul Haram holidays the trading volume remained a little bit low. Ginners were cautious in selling because they had already sold over the stock. The supply of Phutti was also adequate as compared to the purchase of cotton.

As the price of cotton increased, so did the price of Phutti. On the other hand big textile groups continued the purchase Phutti from abroad on high rates.

Due to crisis like situation the rate of cotton reached at Rs 14200 per maund which is highest in eleven years. Moreover, under the influence of fluctuation in the Rate of Promise (Waday Ka Bhao) of New York Cotton fluctuation was seen in the local cotton market however over all market remained bullish.

The rate of cotton in Sindh after fluctuation is in between Rs 13700 to Rs 13800 per maund. The rate of Phutti is in between Rs 5500 to Rs 6200 per 40 kg. The rate of Banola is in between Rs 1700 to Rs 1800 per maund. The rate of cotton in Punjab is in between Rs 13900 to Rs 14200 per maund. The rate of Phutti is in between Rs 5500 to Rs 6200 per 40 kg.

The rate of Banola is in between Rs 1750 to Rs 1850 per maund. The rate of cotton in Balochistan is in between Rs 13750 to Rs 13900 per maund. The rate of Phutti is in between Rs 5900 to Rs 6300 per 40 kg. The rate of Banola is in between Rs 1800 to Rs 1900 per maund.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 300 per maund and closed it at Rs 13800 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that over all bullish trends prevails in cotton market. Significant increase was witnessed in the Rate of Promise (Waday Ka Bhao) of New York Cotton which crossed 95 American cents per pound which is highest in seven years. After that fluctuation remained continued in the market.

According to the weekly export report of USDA there is some decrease in export as compared to last week. However, it has some negative impact on the market despite of the fact China remained biggest importer this week.

Although, Pakistan is number one in the imports of 2022-23. Brazil's import will be less because its cotton production was effected, although bullish trends were seen in the rate of cotton.

Bullish trend was witnessed in the rate of cotton in Africa and Central Asian states. Slight decrease was witnessed in the rate of cotton in China. In India, the rate of cotton remained stable due to the partial arrival of Phutti.

As cotton prices continue to rule high, state-run Cotton Corporation of India Ltd (CCI) sees no scope for market intervention in the new season starting October. CCI, which made a record purchase of cotton at the minimum support price (MSP) during the 2020-21 season, expects its carry forward stocks for the next year to be in the range of 2-3 lakh bales.

Ahead of the cotton harvest season starting mid-September, the raw cotton (kapas) prices are currently ruling high at over 7,000 per quintal. Also, cottonseed prices are hovering around 4,500-5,000 per quintal.

Everything is in a booming mode, and I think the CCI's intervention may not be required as farmers are already getting 30 per cent more than the MSP rates. Next year, they may be fully satisfied with the market forces," P K Agarwal, chairman and managing director, the CCI told Business Line. "However, as per our duty, CCI would be fully preparing for the MSP operations," Agarwal said, adding that the intensity will certainly be lower.

As per information the situation of cotton crop is satisfactory. Although, the cultivation area of cotton in Punjab decreased by nine lakh acer. However, if per acer yield will be increased then there are chances that cotton production will improve a little bit. On the other hand as per information received from Sindh the situation of cotton crop is satisfactory while according to cotton trader of Umar Kot Gomal Seth the situation of cotton crop in the beginning was very good but lack of rains effects the growth of plant. Moreover, Pink Ball Warm had attacked cotton crop in Umar Kot.

Cotton trader of Digri and vice president Mir Pur Khas Traders Union Haji Yunas Memon said that position of cotton crop in Digri is better than last year. The position of cotton crop in Upper Sindh, Rohri and Saleh Pat is satisfactory. Cotton sowing is good in Dharki and Ghotki.

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 capitalise 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.

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

Source: brecorder.com– Aug 23, 2021

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NATIONAL NEWS

Foreign direct investments rise to $12.1 billion in May, says Piyush Goyal

Talking about employment, Commerce and Industry Minister Piyush Goyal said more than 54,000 startups were providing about 5.5 lakh jobs and over 20 lakh jobs will be created by 50,000 new startups in the next five years.

Foreign direct investments into the country is on the rise, jumping to USD 12.1 billion in May this year, Commerce and Industry Minister Piyush Goyal said on Monday.

He also said the government is working on a mission mode to achieve exports target of USD 400 billion in 2021-22.

"India has received the highest ever FDI inflow in 2020-21. It surged by 10 per cent to USD 81.72 billion and FDI during May 2021 is USD 12.1 billion, i.e. 203 per cent higher than May 2020," he said while addressing a meeting of different industry associations on promoting exports.

He said that exports are recording healthy growth and during August 1-14, the outbound shipments grew 71 per cent over 2020-21 and 23 per cent over 2019-20.

According to the minister, India's average applied import tariff (duty) has dropped to 15 per cent in 2020 from 17.6 per cent in 2019, and the country's applied tariffs are way below the bound rate of 50.8 per cent (permissible limit under the World Trade Organization).

Talking about employment, he said more than 54,000 startups were providing about 5.5 lakh jobs and over 20 lakh jobs will be created by 50,000 new startups in the next five years.

"It is time for our industry to expand our capacity, capability and commitment to develop resilient global supply chains," he said, adding that the Centre expects that the Indian industry should suggest areas for intervention through research, handholding of exporters/ manufacturers, and deeper engagement with states and Missions.

During the meeting, industry suggested steps like increasing export competitiveness, addressing logistic problems, active role of states in building capacity of exporters and developing international markets for Indian products.

They also suggested inclusion of pharma and chemicals under Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.

Industry body PHDCCI's President Sanjay Aggarwal said these sectors are essential to achieve the target of USD 400 billion exports and "it is therefore requested to consider these sectors in RoDTEP scheme".

"The government has budgeted only Rs 17,000 crore for a scheme that is supposed to reimburse embedded levies paid on inputs consumed in exports in FY'22. It is far less than the government's initial estimate of Rs 50,000 crore each year. The budget for the RoDTEP scheme, including all tariff lines, need to be increased," he said.

Source: financialexpress.com– Aug 23, 2021

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Industry Associations to play a key role in achieving target of $400 billion merchandise exports in 2021-22: Shri Piyush Goyal

Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal today interacts with the Industry Associates to discuss measures to enhance and increase exports.

The Union Minister in his addressed said that today's interaction will create a roadmap to build a vibrant & robust industry ecosystem. Shri Piyush Goyal appreciated the selfless spirit of all Industry Associations during COVID-19. He said that with collective will, agility & synergies we turned a 'Crisis into an Opportunity, as the Merchandise exports for first 2 weeks of Aug'21 up by 45% over 2020-21 & up 32% over 2019-20 and Merchandise exports for 1 Apr - 14 Aug' 21 up by 71% over 2020-21 and up 23% over 2019-20.

Shri Goyal further added that it is also, time to reflect on how to achieve future targets. He said that India's average applied import tariff dropped to 15% in 2020 from 17.6% in 2019, sharpest annual fall in about a decade and a half and our applied tariffs are way below the bound rate of 50.8% (permissible limit under the WTO), with a positive momentum, India is working in mission mode to achieve target of $400 billion merchandise exports in 2021-22.

Speaking about aim of USD 2 tn contribution of exports by 2030 in economy, Shri Goyal said that economy is on a path of revival and India received the highest ever FDI inflow in 2020-21. It surged by 10% to USD 81.72 bn from USD 74.39 bn (2019-20) and FDI during May' 21 is USD 12.1 bn i.e. 203% higher than May'20 & 123% higher than May'19. The Minister said that from EoDB to Exports and from Startups to Services, India is taking giant leaps in each sector.

Speaking about employment, the Minister said that more than 54,000 start-ups were providing ~ 5.5 lakh jobs, and more than 20 lakh jobs will be created by 50,000 new start-ups in the next 5 years. He said, it is time for our Industry to expand our capacity, capability & commitment to develop resilient global supply chains. He further added that our relentless efforts are a testament to the world of our potential and India's ability to scale and our Industries have truly inculcated spirit of "Sabka Sath, Sabka Vikas, Sabka Viswas, Sabka Prayas"

Speaking about Prime Minister's clarion call on 6th August, 2021 "Local goes Global: Make in India for the World", he said Quality, Productivity, & Efficiency, will make our export basket Bigger, Better & Broader and Transforming Industries & Transforming Lives through Initiatives.

Shri Goyal talked about Incentivising Manufacturing also, he said Governments focus will be on PLI worth Rs 1.97 Lakh Cr to 13 sectors in next 5 years, Focus on 24 sectors to attract investment, one-stop digital platform to facilitate businesses through Investment Clearance Cell (ICC), One District One Product under which creating a pool of 739 products from 739 districts, India Industrial Land Bank for providing a GIS-enabled database of industrial areas, he said that Centre expects that Indian Industry should suggest areas for intervention through research, handholding of exporters/manufacturers, deeper engagement with States, greater engagement with Missions, etc.

In his concluding remarks, Shri Goyal said that "The key to success is to focus on goals, not obstacles". He said that Indian industry through their conviction & commitment have demonstrated to the world that we can rise to any challenge and conquer it. He further added that Industry Associations will play a key role in developing a SAFE ecosystem i.e. Sustainable, Agile, Futuristic & Efficient to make India a Global Hub of manufacturing and together, we will achieve 'Sarva Lok Hitam' i.e. growth of industry with 'Quality driven productivity'.

Minister of State for Commerce & Industry Shri Som Parkash and Minister of State for Commerce & Industry Smt. Anupriya Patel also addressed the meeting.

DGFT, DPIIT, The SCALE committee (Steering Committee for Advancing Local Value-Add and Exports), CII, FICCI and ASSOCHAM made presentation on subject "Measures to Increase Exports & Achieve Export Targets of 2021-22".

Dr. Pawan Goenka Chairman, MD & CEO, Mahindra & Mahindra Limited, Shri Dilip Chenoy, Member Secretary General, FICCI, Shri Deepak Sood, Member, Secretary General, ASSOCHAM, Shri Deepak Bagla Member, CEO, Invest India, Shri Salil Singhal Member, Chairman and MD, PI Industries, Mr Gautam Nair, Chairman, CII Footwear and Leather Accessories Committee, Smt. Manmeet K. Nanda Member (Convener) Joint Secretary, DPIIT , Shri Chandrajit Benerjee Member Director General, CII, Shri Seshagiri Rao MVS (through VC) Member JMD & Group CFO, JSW

Steel, Shri S. Suresh Kumar Member Joint Secretary, DoC of SCALE committee participated in the meeting.

Mr Vijay Sharma Director Federation of Indian Chamber of Commerce & Industry, Senior Dr Vinod K Verma Vice President, Jindal Stainless Reliance Industries Limited , Vikash Agarwal, President Indian Chamber of Commerce, Sh. Sanjay Aggarwal, President, Economics PHD Chamber of Commerce & Industry , Mr. Arun, President ,The Southern India Chamber of Commerce & Industry , Shri Vinesh Mehta, President, Federation of Associations of Maharashtra, Mr. Juzar Khorakiwala, President, IMC Chamber of Commerce and Industry (formerly Indian Merchants' Chamber), Mr Praveen Khandelwal, Secretary General , Confederation of All India Traders and other Industry Associate, Mr. Jagdish Fofandi, National President Mr. Elias Sait, Secretary General, The Seafood Exporters Association of India, Rajiv Mehra, President Mr. Ravi Gosain, Vice President, Indian Association of Tour Operators Maj (Retd.) Nikhil Saini, Director Public Policy EICI Mr. Vasudevan Rajagopalan, Head Customs Compliance DHL , Express Industry Council of India, Mr.Kiran Rambhia, President Mr.Paresh Thakkar, Hon.Secretary Brihan Mumbai Custom House Agents Associations, Mr. Shankar Shinde, Chairman – Elect Mr. Dushyant Mulani, Honorary Secretary, Federation of Freight Forwarders Associations of India, Mr.Vivek Jalan, Chairperson Mr. Jayanta Chakrabort, Chairperson, Bengal Chamber Commerce Industry Kolkata also attended the meeting.

Source: pib.gov.in– Aug 23, 2021

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Piyush Goyal asks industry to flag non-tariff barriers in exports

Highlighting the growth in the start-up ecosystem, the minister said over 54,000 start-ups were providing more than 5.5 lakh jobs, and more than 20 lakh jobs will be created by 50,000 new start-ups in the next five years.

Concerned about protectionism by stealth adopted by some nations, commerce and industry minister Piyush Goyal on Monday asked industry associations to flag non-tariff barriers (NTBs) faced by Indian exporters in various countries so that New Delhi can firm up appropriate responses wherever feasible.

Urging domestic industry to work on improving its competitiveness and help the country realise an ambitious merchandise export target of $400 billion for FY22, Goyal said, “The key to success is to focus on goals, not obstacles.” Merchandise exports until the second week of August this fiscal jumped 71% from a year before and 23% over the same period in FY20 (pre-pandemic level), the minister said.

Highlighting the growth in the start-up ecosystem, the minister said over 54,000 start-ups were providing more than 5.5 lakh jobs, and more than 20 lakh jobs will be created by 50,000 new start-ups in the next five years.

FE had earlier reported that major developed and developing countries, such as the US, China, South Korea, Japan and those in the EU, had put up huge NTBs to discourage “undesirable imports”, even though they claim to maintain a low-tariff regime.

The US had put in place as many as 8,453 NTBs, followed by the EU (3,119), China (2,971), South Korea (1,929) and Japan (1,881), according to a commerce ministry analysis last year, based on World Trade Organization data. In contrast, India has imposed only 504 NTBs.

While non-tariff measures are not always aimed at curbing imports — for instance, safety, quality and environmental standards are put in place by all countries for imported products — what has often worried analysts is that they can be abused for trade protectionism.

Goyal highlighted incentives for manufacturing through the production-linked incentive schemes and the need to focus on 24 sectors to attract investment. He also emphasised the "One District, One Product" programme to create a pool of 739 products for exports from 739 districts.

Similarly, he highlighted the India Industrial Land Bank for providing a GIS-enabled database of industrial areas. Industry should suggest areas for intervention through research, handholding of exporters/ manufacturers, deeper engagement with states and greater engagement with overseas missions, among others, to realise the export target, he said.

Source: financialexpress.com– Aug 24, 2021

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Ind-Ra revises up India's FY22 GDP estimate to 9.4%

India Ratings and Research (Ind-Ra) recently revised India's gross domestic product (GDP) growth projection for fiscal 2021-22 (FY22) to 9.4 per cent year on year (YoY) as the ebbing of the pandemic's second wave has led to several high frequency indicators showing a faster rebound than expected, kharif crop sowing is indicating a significant pick-up with the revival of the monsoon and exports volume and growth showed a surprise turnaround in the first quarter (Q1) of the fiscal.

If India vaccinates its entire adult population by December 31, then its GDP growth is expected to come in at 9.6 per cent YoY in FY22, the rating agency had said earlier. But going by the pace of vaccination, it is now almost certain that India will not be able to vaccinate its entire adult population by that deadline, it said.

Yet, FY22 GDP will be 10.9 per cent lower than the trend value.

A glance at the National Accounts Data shows that of the four demand-side growth drivers namely private final consumption expenditure (PFCE), government final consumption expenditure (GFCE), gross fixed capital formation (GFCF) and exports, only GFCE has shown somewhat decent growth, averaging 5.7 per cent during FY19-FY21.

PFCE, GFCF and exports during this period grew 1.3 per cent, 1.5 per cent and 1.5 per cent respectively. Of the demand-side drivers, PFCE, proxy for consumption demand, is the largest component accounting for 58.6 per cent of the GDP in FY21, followed by GFCF accounting for 27.1 per cent, exports 18.1 per cent and GFCE 12.5 per cent.

Ind-Ra expects PFCE growth to come in at 10.4 per cent YoY in FY22 compared with 10.8 per cent projected earlier. In fact, the Indian economy had begun to witness a consumption slowdown even before the COVID-19 pandemic hit it.

On an annualised basis, PFCE growth had declined to 5.5 per cent in FY20 from 8.1 per cent in FY17. The decline was even sharper on a quarterly basis where PFCE growth declined to 2 per cent in 4Q FY20 from 11.2 per cent in 3Q FY17. The lockdown caused by COVID-19 in FY21 only aggravated it as jobs, livelihoods and household budget were severely dented.

PFCE in FY22 is estimated to be just 0.3 per cent higher than FY20.

Even from a medium-term perspective, the consumption demand story does not appear to be encouraging, Ind-Ra said. The household saving to GDP ratio declined to 19.6 per cent and the personal loan to GDP ratio increased to 12.5 per cent in FY20.

Among the other demand-side growth drivers, only exports appear to be a bright spot.

Given that economy is still not out of the woods, fiscal support in the form of government expenditure is likely to continue, Ind-Ra predicts.

Source: fibre2fashion.com– Aug 24, 2021

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Panel aims to double manufacturing exports in 5 years, slash imports

The panel has worked out action plans for 24 priority sectors.

A government-backed panel has firmed up a roadmap to double manufacturing exports over the next five years, reduce imports by two-thirds in select sectors and drive up annual domestic consumption growth to about 9% from roughly 7% in a normal year under the Atmanirbhar Bharat initiative.

The Steering Committee for Advancing Local Value-Add and Exports (SCALE), a joint government and industry panel under Welspun Group chairman BK Goenka, has said focus on these three critical factors would catalyse incremental domestic value addition of $350-380 billion over the next five years.

India's manufacturing exports stood at $229 billion in 2019 (before the pandemic), or 43% of its total — both merchandise and services — exports. In contrast, manufacturing goods comprised 80% of the total exports of Vietnam, 70% of Malaysia and 56% of Thailand, according to the panel. Of course, India's total exports of $533 billion were way ahead of these nations, since they are not major players in the services sector.

The SCALE committee is set up under the commerce and industry ministry. The 13 production-linked incentive (PLI) schemes, with proposed incentives of almost `2 lakh crore over five years, will be a major driver of domestic manufacturing, it said. The panel was tasked with improving the growth of manufacturing sector, whose share in the GDP has remained stagnant at around 16% for decades now.

The panel has worked out action plans for 24 priority sectors. These include electronics, auto components, textiles, steel, aluminium, marine products, ready-to-eat and processed fruit & vegetable, agrochemicals, certain electric vehicles and integrated circuits, toys, furniture, ethanol, ceramics, set-top boxes, robotics, televisions, close-circuit cameras, drones, medical devices, sporting goods and gym equipment.

Source: financialexpress.com– Aug 24, 2021

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FM announces plan to monetise assets, realise Rs 6 trillion till 2024-25

Finance Minister Nirmala Sitharaman on Monday announced a pipeline of assets the government is looking to monetise to collect about Rs 6 trillion to partly fund its ambitious infrastructure projects over four years ending 2024-25. About Rs 88,000 crore will be realised through asset monetisation in the current financial year.

Sitharaman, however, clarified that the ownership of all these assets would remain with the government, and there would be a mandatory hand-back of assets after a certain time period. “So, the government is not selling away these assets,” she said.

The National Monetisation Pipeline (NMP) will constitute 14 per cent of the Centre’s share of Rs 43.29 trillion in the National Infrastructure Pipeline (NIP). Global players such as Blackstone, Blackrock, and Macquarie have shown interest in participating in the monetisation process.

The plan covers 20 asset classes spread over 12 line ministries and departments. The top three sectors by value are roads (Rs 1.6 trillion), railways (1.5 trillion) and power (Rs 85,032 crore). The NMP does not include land, but lays the road map for monetising brownfield projects where investments have already been made, where a completed asset is languishing or which is not fully utilised, Sitharaman said.

“By bringing private participation, we will be able to monetise these assets better and resources obtained through monetisation would be used for putting further investment into infrastructure building,” she added.

Sitharaman said the asset monetisation programme is aimed at tapping private sector investment for new infrastructure creation, and is necessary for creating employment opportunities, enabling high economic growth, and seamlessly integrating the rural and semi-urban areas for the overall public welfare.

Contractual partnerships for the execution of the asset monetisation pipeline will be with key performance indicators and performance standards, she said.

"They are all de-risked assets, and the value from the consideration and private investment which will come into maintaining it and optimally utilising it will generate greater value and unlock resources for the economy," she said.

The NMP will run parallel to the infrastructure creation road map of the government from the current financial year, Sitharaman said. The Centre's share is about 39 per cent in the Rs 111-trillion NIP.

In the roads sector, about 26,700-km stretch would be monetised to mop up around Rs 1.6 trillion. The National Highway Authority of India (NHAI) and the Ministry of Road Transport and Highways will drive this through the toll, operate and transfer (TOT) and Infrastructure Investment Trusts (InvITs) models.

The plan includes monetising power transmission lines of 28,609 ckt km to garner Rs 45,200 crore. These will be driven by Power Grid Corporation. Monetisation of hydro and solar power generation assets of 6 Gw would help the government realise Rs 39,832 crore, and would be undertaken by National Thermal Power Corporation, National Hydroelectric Power Corporation, and NLC India. Natural gas pipeline of 8,154 km would be monetised by GAIL with an indicative value of Rs 24,462 crore.

The plan also includes petroleum product pipelines of 3,930 km to be monetised by Indian Oil Corporation, Hindustan Petroleum Corporation and the Ministry of Petroleum and Natural Gas. This would help in realising Rs 22,503 crore through public private partnerships (PPPs) and InvITs.

The government will also monetise warehousing assets of 210 lakh MT to realise Rs 28,900 crore. These assets are currently owned by Food Corporation of India and the Department of Food and Public Distribution.

For railways, the plan is to monetise railway stations, passenger trains, good sheds, Konkan Railway, Hill Railways, dedicated freight corridor, and railway stadiums to get Rs 1.52 trillion. In the telecom sector, 2.86 lakh km fibre and 14,917 towers of BSNL and MTNL are planned to be monetised that will help in realising about Rs 35,100 crore.

In aviation, the plan is to sell 25 airports and reduce the Airport Authority of India's (AAI) stake in existing airports such as Delhi, Mumbai, Hyderabad, and Bangalore. This would garner proceeds of Rs 20,782 crore.

In the shipping sector, 31 projects in nine major ports would be monetised to realise Rs 12,828 crore.

In the coal mining sector, 160 projects have been identified involving a value of Rs 28,747 crore. In sports, two national stadiums and two regional centres would be monetised to get a value of Rs 11,450 crore. In urban real estate, redevelopment of colonies and hospitality assets worth Rs 15,000 crore will be monetised.

“This will be like a PPP where the private sector runs the asset for a period of time but hands it back to the government subsequently. The assets and transactions identified under the NMP are expected to be rolled out through a range of instruments,” CARE Ratings said in a note post the announcement.

Sitharaman while announcing the plan said it's important that India recognises the time has come for making the most out of our assets. “The economy needs more resources, the economy wants that kind of liquidity and that kind of value unlocking with which we can move forward.”

Sitharaman further enumerated the reforms and initiatives undertaken by the Narendra Modi government towards accelerated infrastructure development and for incentivising private sector investments. This included the recent scheme to incentivise state governments to recycle their assets for fast-tracking greenfield infrastructure.

The announcement of the plan is timely, and will provide a much-needed boost to the economy by creating more resources and liquidity in the market, said Alok Saraf, partner at Grant Thornton Bharat.

“This is likely to support the launch of more investments in roads, power and other similar sectors and will lead to optimisation in the utilisation of assets owned by the government.

This announcement comes at a point where the market is bullish and FDI inflow has grown over 40 per cent, hinting on India being a preferred investment destination amongst global investors. This asset monetisation model will not only lead to better financing structures and mechanisms, but participation of the private sector will also give push to digitisation and innovation,” Saraf said.

Handholding states

Nodal officers have been appointed by 26 states and Union Territories, and four states have created their pipeline of assets that can be monetised, NITI Aayog CEO Amitabh Kant said. Most states have shown willingness to monetise their assets, he said.

To nudge states to participate in the exercise, the Centre has already announced up to Rs 5,000 crore financial assistance, which is budgeted as interest-free loan if they divest and monetise their assets, or list state-owned entities on the exchanges, Sitharaman said.

"We are with the states, we want to work together with the states...central ministries now only need to gear up towards taking this initiative forward," said Kant.

Source: business-standard.com– Aug 24, 2021

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India rues lack of mega box line as freight rates soar to record levels

Exporters face the brunt

India is scampering for a global scale national container line to lift the exporters out of crippling container shortages and space crunch on ships that have led to record high freight rates at a time when the exports are booming - for a change.

The privatisation of State-run Shipping Corporation of India Ltd (SCI), India's only mainline container ship operator, running a solitary ship to Europe in a nine-ship service with Mediterranean Shipping Company S.A. (MSC), is not helping the cause. Geneva-based MSC is one of the world's top three container carriers.

In July, the Cabinet led by Narendra Modi approved a subsidy scheme for local fleet owners while carrying government owned/controlled cargo. Container shipping was excluded from the list.

India's merchandise exports hit an all-time high of $35.17 billion in July.

With more than 97 per cent of India's container cargo carried by foreign lines, exporters have posed a stark reality to the government.

Before Covid, a 40-feet container to the United States used to cost $2,000, now it ranges between $6,200 and $6,500. For Europe, the cost was $1,200-$1,500 which has soared to $5,500. The freight rates to West Africa and many destinations have gone up by 500-600 per cent in the last one and half years, hurting the profitability of exporters particularly those quoting on CIF, C&F and other delivery terms which include freight.

Indian shipping lines

The Federation of Indian Export Organisations (FIEO) said that while freight increase is a global phenomenon, India could be "suffering more because of a fairly large MSME presence in exports, who have very less negotiating power".

"We require an Indian shipping line of global repute in the country," FIEO said in June.

It said that SCI which has a market share of less than 5 per cent of the country's total shipping business, is also being disinvested.

"We require a large shipping company in India as we remit about $65 billion every year as freight charges overseas and yet remain at the mercy of foreign shipping lines. As we move towards a trillion dollar of exports, the remittance for freight will touch $100 billion. If the Indian shipping lines get 25 per cent of this business, we have a captive market of over $25 billion waiting. The government may provide some fiscal support either through liberal lending or through tax benefits to facilitate the same," FIEO said.

Zero incentives

But, lack of benefits is a hurdle to fleet owners looking to enter the container shipping segment.

"There is nothing for container shipping in India in terms of government policy support," said an executive with a feeder shipping company that runs services on local routes along the Indian coast.

While the right of first refusal policy and the recently introduced shipping subsidy scheme would help bulk carriers and tankers neutralise the impact of IGST, duty on bunkers and other levies, container vessels have no benefit operating under the Indian flag, the executive said.

"Even the cabotage advantage earlier available to Indian container ships were eased, making it impossible to compete with foreign lines," he said.

Shipping industry sources say that the extraordinary high freight charges prevailing now is also a fall-out of the "near monopolies" that have been built by big global container shipping firms over the past few years as rates stayed low.

"The slip of neglecting liner shipping in the past is showing and causing stress in our export-import (EXIM) trade as multinationals ride roughshod over the country's export aspirations," a former director who looked after liner services at SCI said.

Why India came to such a state is the story of missed opportunities a few decades ago.

Historical evidence points to the linkage between the rise of domestic liner companies and the nation's growth.

Asian lines

The spectacular growth of Japan in the 1960s was aided by the rise of Japanese liners such as Mitsui O.S.K Lines, NYK Line and K Line.

The 1970s growth story of Asian tigers was led by the rise of liner shipping companies such as Evergreen and Yang Ming in Taiwan, Hyundai and Hanjin in South Korea. China's leap in the 1990s was piggy ridden on COSCO, OOCL and other Chinese shipping companies.

"There is a lesson for India in these if we have aspirations to be the next superstar in world trade," the former SCI official said.

At some 18 million twenty-foot equivalent units (TEUs), India's annual container throughput is hardly 5 per cent of the world's container volumes. In comparison, China handles over 20 million TEUs a month.

The foreign container lines operate all over the world and India is just one of the many markets they operate in. "They cannot be faulted for assessing India just as they would any other market on the issue of ocean freight, which is dictated by market forces," said an executive with one of the big container lines.

As long as there are more cargoes chasing less ships and containers, ocean freight will remain high. Once there are more ships and containers than cargoes to be carried, freight rates will slide, he said noting that India's EXIM trade can draw comfort from the fact that its overseas competitors are also sailing in same boat.

Container shipping rates have gone through the roof also because charter hire rates for container ships have soared to more than $90,000 a day. Industry sources say that container vessels are unavailable for buying or for leasing.

Seamax Norwalk

SCI is struggling to find a replacement for 'Seamax Norwalk', the lone ship it has deployed on the Europe service it is running with MSC, according to a container shipping industry source. The lease period of 'Seamax Norwalk'

is ending this month and the "high charter rates" is holding up the efforts of SCI to hire another ship.

If it is unsuccessful in finding a replacement for 'Seamax Norwalk', SCI, according to the industry source, is looking at the option of a slot sharing arrangement with MSC to fill the slots with 600 containers in the other eight ships working on that service.

If that happens, SCI will pay slot costs to MSC which is relatively cheaper compared to the steep charter hire rates.

Shipping experts say India burnt the bridges by strangulating whatever little was there of container shipping operating locally and that there is no one to turn to in the hour of need.

By the time, India conjures up something, the rates would have cooled, and the issue thrown to the backburner, letting go of another opportunity to catch the container shipping bus.

"Hope we learn our lessons at least this time," said a shipping industry expert.

Source: thehindubusinessline.com– Aug 23, 2021

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Indian textiles sector attracts UAE investments

The UAE is emerging as a growing investor in India's textiles sector even as India steps up its efforts to quadruple the exports of handloom textiles in the next three years, according to a Wam report.

The Ministry of Textiles here today set up a high-level, eight-member, experts' committee to double the production of handlooms and boost exports. The committee has been tasked with preparing a roadmap to achieve these targets, an announcement said. Investments from the UAE in India's textiles sector, a new area of entrepreneurial interest, amounted to $23.09 million in the last five years and is growing, the Ministry said in a statement on foreign direct investments, which covered the period up to 31st March 2021, which marks the end of the financial year in India.

The UAE topped the chart of investors from the GCC in the textile sector with Oman and Qatar in second and third places. The high-level committee is headed by Sunil Sethi, Chairman, Fashion Design Council of India. It has been asked to submit its report in 45 days.

Simultaneously, the government has released funds worth Indian rupees 1.25 billion ($16 million) for eight Centres of Excellences in textile research across India, the Ministry announced. In addition, 10 new Handloom Design Resource Centres are to be set up by the National Institute of Fashion Technology (NIFT) "with the objective to build and create design-oriented excellence in handlooms to facilitate exports," the Ministry's statement said.

The NIFT's 17 campuses across India have been serving as "knowledge service providers in the area of design development and positioning of handlooms." These initiatives have been occasioned by the National Handloom Day, which falls in August.

The Minster of State for Textiles, Darshana Jardosh, said on this occasion that "handlooms are a symbol of India's rich and varied cultural heritage." She said this sector is also a vehicle for women's empowerment since more than 70 per cent of all weavers and allied workers in India are women.—

Source: tradearabia.com– Aug 23, 2021

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GST: E-way bill generation maintains momentum in August

Going by the trend, the daily average is expected to pick up further in August. Between August 1 and 22, as many as 4.56 crore e-way bills were generated.

GST collections came in at Rs 1.16 lakh crore in July (largely June transactions), up a third on year and a quarter on month, reflecting a smart economic recovery after the second Covid-19 wave.

Daily e-way bill generation for goods transportation under the Goods and Services Tax (GST) system came in at 20.7 lakh in the first 22 days of August, 4.4% higher than the daily average for the first 25 days of July, indicating continued momentum in economic activities.

Going by the trend, the daily average is expected to pick up further in August. Between August 1 and 22, as many as 4.56 crore e-way bills were generated.

Thanks to easing of lockdowns, e-way bill generation by businesses rose to 6.42 crore in July from 5.5 crore in June and 4 crore in May.

GST collections came in at Rs 1.16 lakh crore in July (largely June transactions), up a third on year and a quarter on month, reflecting a smart economic recovery after the second Covid-19 wave.

Source: financialexpress.com– Aug 24, 2021

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Afghanistan crisis hits Surat's textile traders

Entire supply chain cycle has been disrupted due to political uncertainty
The fall of the Afghanistan government and the seizure of power by the Taliban has hit textile traders and exporters from Gujarat's textile hub Surat as payments worth more than ₹100 crore have apparently been stuck since the beginning of August.

"Yes, it is true that payments for consignments dispatched from Surat have been stuck due to the political situation in Afghanistan. We don't have the accurate figure but it's a substantial amount since Surat is a major hub of textiles exports to countries like Afghanistan and Iran, and several other countries," said Ashish Gujarati, a prominent textiles businessman and head of the South Gujarat Chamber of Commerce and Industries (SGCCI).

However, he stressed that there is no direct business between traders or exporters from Surat with traders of Afghanistan. "The trade of textiles consignments consisting of finished garments like Punjabi 'suits' and dupattas or dress materials or fabrics is done via traders or agents based in either Dubai or Dhaka, or through agents in Delhi," Mr. Gujarati explained.

So, according to him, traders in Surat may not have to forgo the payments that have been stuck but there will be delays since the entire supply chain cycle has been disrupted due to political uncertainty and change in Afghanistan. There is a normal credit cycle of 60-90 days in domestic or exports-based textile trading.

Bansilal Jain, a trader who exports fabrics and garments to almost a dozen countries, concurs: "We used to ship consignments regularly to Afghanistan via Dubai or Dhaka in Bangladesh. However, since the first COVID-19 lockdown in March 2020, our supply chain has been severely affected. Only recently, some consignments were dispatched in May and June. There is some delay in the payment but it will hopefully be resolved since our agents in Dubai have assured us."

In Surat, traders and exporters contend that before COVID-19 hit the global markets as countries imposed strict lockdowns affecting supply chains, fabrics and garments worth ₹50-60 crore used to be shipped every month to Afghanistan via same routes — Dubai, Dhaka or even Doha in Qatar. But since July 2021, no significant consignment has been shipped from Surat for Afghanistan.

“From Surat, we used to ship consignments to the Chabahar port and from there to Afghanistan,” said another leading textiles businessman Sanjay Sarwagi, whose annual turnover is ₹500 crore.

Surat is among the largest textiles hubs in the country, with an annual turnover of ₹1 lakh crore.

Source: thehindu.com– Aug 23, 2021

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Robust exports cushion denim's domestic slump

Even though denim manufacturers have shown good growth in the first quarter, mainly on a low base of the same quarter's last fiscal, their production is inching back to pre-Covid levels.

Despite a slump in domestic sales due to the second wave, denim fabric sales have received a much-needed cushion from the export market. Backed by a sustained export demand, denim sales, and production across mills in Gujarat, have picked up pace. With about 60% of the country's total denim manufacturing capacity here, Gujarat is rightfully called the denim capital of the country.

"Demand from the international market, including countries like the US and those in Europe has improved significantly, and orders have begun pouring in. Export orders, in fact, were a saving grace for denim makers as they helped compensate for the slump in domestic demand from April to June 2021 – a time when the second wave of Covid-19 was at its peak and a slew of restrictions were imposed to curb the spread," said Gaurav Davada, head – corporate finance and strategy, Jindal Worldwide Limited.

Even though denim manufacturers have shown good growth in the first quarter, mainly on a low base of the same quarter's last fiscal, their production is inching back to pre-Covid levels.

"Manufacturers are also getting a better price realisation, which is helping compensate for the margin loss. This is because of a surge in demand as retailers in key markets of Europe, UK, US are posting double-digit growth in sales both offline and online, " said an industry source.

Clearly, major players manufacturing denim fabric reported a noteworthy jump in their revenues in the first quarter of 2021-22.

For instance, Arvind Limited reported a 186% increase in its revenues from denim in the first quarter, rising from Rs 145 crore in the first quarter of 2020-21 to Rs 416 crore in the corresponding quarter of 2021-22. According to the company's investor presentation, its overall volumes grew 2.8-folds year-on-year.

"In the April to June quarter of 2021-22, we reached at least 80% of the pre-Covid level of our revenues from denim sales. Thanks to better realisation from exports, we clocked a revenue of at least Rs 500 crore during this period," Davda further added.

Brands seek new sources

Since the Covid-19 pandemic, manufacturers the world over have been looking for sourcing alternatives to China. Denim makers suggest that Gujarat and India being a manufacturing hub of denim, stands to gain. P R Roy, a denim consultant, said, "China is a dominant player given its massive production scale. However, the recent sanctions imposed by US and certain European countries on China's Xijiang province – a textile manufacturing hub, citing reports of human rights violations, brands have shifted focus to India, and in turn Gujarat, for sourcing denim." Thus, denim makers in Gujarat have begun getting more export orders.

Festive season to boost demand at home

Denim manufacturers suggest that from the second quarter of 2021-22 onwards, i.e. from July, the demand is picking up once again. Covid cases have receded and the festive season is close, The domestic market, according to manufacturers, has bounced back faster after the second wave. While the growth in exports continues, domestic demand, which comprises roughly 80% of the total denim sale, is also on the revival path. Sales are expected to improve in festive season, suggest denim makers.

Casual wear, changing waistlines have their say

The surge in denim demand can be easily attributed to the increasing shift towards casual wear due to work from home culture prevalent across the globe. Loose-fitting, comfortable outfits are once again on top of the preference list of consumers, as they are conveniently setting aside their skinny jeans and fitted dresses, according to industry players.

"Denim is perfectly suited for a casual lifestyle. Given its quality of comfort, low-maintenance, flexibility and versatility, denim is the preferred fabric for work from home and casual wear, which in turn is boosting its demand," said Aamir Akhtar, CEO, Lifestyle Fabrics – Denim, Arvind Ltd.

Going way beyond a pair of jeans, denim has penetrated one's wardrobe at various levels, be it a jacket, shirt, top, kurta or even inner wears. Yet another reason for a surge in the export demand for denim is the changing waistline of Americans.

Citing a survey conducted for a global denim apparel maker, Davada said, "At least one-third of Americans have changed waist sizes, 15 months since the pandemic — including both increase and decrease. Such a phenomenon will compel people to revamp their wardrobes and shop for more. This will surely have a trickle-down effect on suppliers who would also witness more demand coming their way."

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Cottonseed firms face double whammy this kharif season

Dip in area, rise in use of illegal HTBt seeds hit sales of organised players

Hybrid cotton seed companies such as Rasi Seeds and Kaveri Seeds are facing a double whammy this year. Not only has the offtake of their Bt cotton hybrid seeds been impacted by the decline in acreage, the increased adoption of illegal or unapproved herbicide tolerant (HTBt) seeds by the farmers has also hit their sales.

Seed industry upset

Rasi reported a 20 per cent decline in sales of around 1.2 crore packets this season as against 1.5 crore packets, Ramaswami said. "This season was not much favourable to the industry as there was 15-20 per cent decline in Bt cottonseed sales," said M Ramaswami, Chairman of Rasi Seeds Pvt Ltd, the largest player in the segment. Ramaswami said. The seed industry is upset and almost all companies are now saddled with huge carry forward stocks, he added.

Recently, Kaveri Seeds reported a 28 per cent decline in cottonseed volumes and revenues for the June quarter. Kaveri sold 49.7 lakh cottonseed packets in June quarter this year compared with 69.9 lakh packets in same period last year as the company saw dip in sales in States such as Andhra Pradesh, Telangana and Karnataka. However, Kaveri had gained market in Gujarat and Haryana.

"Sales of hybrid seeds across the industry were significantly impacted in the quarter under review. While acreages of cotton were lower than the previous year, the decline in sales of branded seeds were much steeper. This was because a large part of the supply chain comprising our dealers and distributors were all constrained due to the pandemic and an erratic monsoon," said G V Bhaskar Rao, Chairman and MD, Kaveri Seeds said in the June quarter earnings statement.

According to Agriculture Ministry, cotton acreage was down 7.4 per cent at 116.17 lakh ha as on August 12 compared to the same period last year when it was 125.47 lakh ha. "Though cotton prices are very good, there's no interest among the farmers due to higher costs of cultivation and labour issues," Ramasami said.

Illegal HTBt seeds

Besides, the use of illegal HTBt seeds has picked up this year, affecting the organised seed industry, sources said. Farmers, hit by pink bollworm menace, have taken to such illegal seeds, mainly in States such as Maharashtra, Gujarat, Telangana among others. “We are seeing a significant increase in use of illegal HTBt seeds which is impacting sales. We are engaged in a dialogue with the Government to address this situation,” Rao said.

The seed industry has estimated that sales of illegal HTBT cotton seeds has doubled to around 70 lakh packets this year. “The spread of illegal HTBt seeds is so prolific that an estimated 19-20 per cent of the cotton area has been covered under such unapproved seeds. We don’t know what shape it is going to take in the coming years,” Ramaswami said.

With huge carry forward stocks, the organised seed players are left with no option but to trim their production, which normally happens during April ahead of the start of the planting season in June. “Next year we will be able to correct the production. We may get a small relief if there is good sale,” Ramasami said.

As the companies procure the seeds from farmers under contract farming arrangement at a high price, they are forced to carry over the unsold stocks to the next cropping season. “Our cost of production is ₹400-450 per kg,” Ramasami said.

To maintain such carry-over stocks, the industry faces the risk of investment loss and has to bear the interest burden, Ramaswami said. Besides there’s an element of uncertainty as some varieties may go obsolete with the likelihood of shift in farmers’ preference in the next cropping season, Ramasami said.

The commercial cotton seed prices have also shot up this year on the back of bullish trend in edible oil prices. Cotton seed prices are now ruling higher at ₹4,500-5,000 per quintal, thus keeping the price of the fibre crop higher.

Source: thehindubusinessline.com– Aug 23, 2021

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