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INTERNATIONAL NEWS

Home Goods Lead Uptick in US Manufacturing

Economic activity in the U.S. manufacturing sector grew in August, but still battled logistics and price woes, the nation's supply executives said in the Manufacturing ISM "Report On Business" from the Institute for Supply Management released Wednesday.

"The August Manufacturing PMI (Purchasing Managers' Index) registered 59.9 percent, an increase of 0.4 percent point from the July reading of 59.5 percent," Timothy R. Fiore, chair of the ISM Manufacturing Business Survey Committee, said. "This figure indicates expansion in the overall economy for the 15th month in a row…Business Survey Committee panelists reported that their companies and suppliers continue to struggle at unprecedented levels to meet increasing demand. All segments of the manufacturing economy are impacted by record-long raw-materials lead times, continued shortages of critical basic materials, rising commodities prices and difficulties in transporting products."

Fiore noted that the past relationship between the Manufacturing PMI and the overall economy indicates that the Manufacturing PMI for August corresponds to a 4.8 percent increase in real gross domestic product (GDP) on an annualized basis.

He said new surges of Covid-19 are adding to pandemic-related issues–worker absenteeism, short-term shutdowns due to parts shortages, difficulties in filling open positions and overseas supply chain problems–that continue to limit manufacturing-growth potential. However, optimistic panel sentiment remained strong. In addition, disruptions from Covid, primarily in Southeast Asia, are having dramatic impacts on many industry sectors.

"Ports congestion in China continues to be a headwind as transportation networks remain stressed," Fiore said. "Demand remains at strong levels, despite increased prices for nearly everything."

The 15 manufacturing industries reporting growth in August were led by furniture and related products, while textile mills were one of two sectors reporting a decrease in August compared to July.

The ISM New Orders Index came in at 66.7 percent in August, up 1.8 percent from July, and the 15th consecutive month of growth. A New Orders Index above 52.8 percent is generally consistent with an increase in the Census Bureau's series on manufacturing orders.

Of the 18 manufacturing industries, the 14 that reported growth in new orders in August were led by furniture and related products.

The Production Index registered 60 percent in August, 1.6 percent higher than the July reading of 58.4 percent, indicating growth for the 15th consecutive month. An index above 52.1 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

"Raw materials continued to be a constraint to production growth, but less so compared to July, as raw-materials inventories reached their highest levels in this cycle," Fiore said. "Persistent hiring issues continue."

The 13 industries reporting growth in production during the month were again led by furniture and related products, while textile mills were among the four sectors reporting a decrease in August compared to July.

ISM's Employment Index was 49 percent last month, 3.9 percent below July's reading. An Employment Index above 50.6 percent is consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

"Strong new-order levels, low customers' inventories and expanding backlogs belied the reduction in employment strength," Fiore said. "Survey panelists' companies are still struggling to meet labor-management plans, but despite a contracting index, there were positive signs compared to recent months–an overwhelming majority of panelists indicate their companies are hiring or attempting to hire."

Seven manufacturing industries reported employment growth in August, including furniture and related products. The seven sectors reporting a decrease in employment in August were led by textile mills.

The delivery performance of suppliers to manufacturing organizations was slower in August, as the Supplier Deliveries Index registered 69.5 percent, 3 percent lower than July and the third straight month of slowing

expansion. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

"Deliveries slowed at a slower rate compared to the previous month, but the index continues to reflect suppliers' difficulties in meeting customer demand, including ongoing hiring challenges, extended raw-materials lead times at lower tiers and stubbornly high prices, and inconsistent transportation availability," Fiore said.

The 16 industries that reported slower supplier deliveries in August were topped by apparel, leather and allied products, textile mills, and furniture and related products.

The Inventories Index came in at 54.2 percent in August, 5.3 percent higher than July, returning to expansion territory after a month of contraction.

"In August, supplier delivery rates exceeded production levels, causing inventory levels to increase," Fiore said. "This is a positive indication that the supply chain is finally making headway…This is the highest level of inventories expansion since November 2018."

Apparel, leather and allied products reported a decrease in inventories in August, while textile mills and furniture and related products reported no change in inventories in August compared to July.

ISM's Customers' Inventories Index registered 30.2 percent in August, 5.2 percent above the 25 percent reported for July, indicating that customers' inventory levels were considered too low, "a positive for future production growth," Fiore said.

No industries reported higher customers' inventories in August. The 15 industries reporting customers' inventories as too low during August included textile mills, and furniture and related products.

The ISM Prices Index fell 6.3 percent to 79.4 percent in August, indicating raw materials prices increased for the 15th consecutive month, but at slower levels. A Prices Index above 52.7 percent correlates with an increase in the BLS Producer Price Index for Intermediate Materials.

In August, 16 of 18 industries reported paying increased prices for raw materials, led by apparel, leather and allied products.

ISM's Backlog of Orders Index registered 68.2 percent in August, a 3.2 percent increase from July, indicating order backlogs expanded for the 14th straight month.

The 15 industries reporting growth in order backlogs in August were topped by apparel, leather and allied products; textile mills, and furniture and related products.

ISM's New Export Orders Index was 56.6 percent in August, up 0.9 percent month to month.

The eight industries reporting growth in new export orders in August was led by furniture and related products, while textile mills and furniture and related products were among seven industries reporting no change in exports.

ISM's Imports Index registered 54.3 percent in August, an increase of 0.6 percent compared to July.

"Imports expanded for the 14th consecutive month, at a somewhat faster rate compared to July, reflecting continuing challenges with throughput at U.S. ports of entry," Fiore said.

"Overland-transport challenges and container shortages continue to persist across the global supply chain, causing major stability issues with respect to predictable import levels. Imports will continue to be challenged through the end of 2021."

Source: sourcingjournal.com– Sep 01, 2021

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New China-Europe freight train route links Chongqing with Ukraine

A freight train loaded with 50 containers of machinery and equipment recently left southwest China's Chongqing municipality for the capital of Ukraine, marking the launch of Chongqing's new freight train route. The train is scheduled to pass through the border port of Erenhot in Inner Mongolia Autonomous Region, and will reach Kiev in mid-September.

Exports from Chongqing to Ukraine had to go through Belarus or Poland earlier rather than taking a direct route to that country. The new route is the municipality's first direct international freight train route to Keiv. It is expected to further facilitate trade between Europe and the western regions of China, according to an official Chinese news agency.

Chongqing is a primary hub for China-Europe freight trains. The Yuxinou (Chongqing-Xinjiang-Europe) railway, which was the first China-Europe freight train route, saw 1,359 trips in the first half of 2021, up by over 50 per cent year on year, according to the port and logistics office of the municipal government.

Since the railway was put into operation in 2011, Yuxinou has launched more than 30 routes, connecting over 40 cities across 26 countries, and the routes have recorded over 8,000 freight train trips.

Source: fibre2fashion.com– Sep 02, 2021

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Inflation in Germany hits new 13-year high in August

Germany's annual consumer price inflation rose to a new 13-year high in August, according to preliminary data from the Federal Statistics Office, indicating increasing price pressures. Consumer prices, harmonised to make them comparable with inflation data from other European Union (EU) countries (HICP), rose by 3.4 per cent compared with 3.1 per cent in July.

The national inflation rate (CPI) even soared to 3.9 per cent in August, hitting its highest since December 1993 when the economy boomed following German reunification, a global newswire reported.

Europe's largest economy is trying its best to recover from the pandemic as companies struggle with supply shortages.

Germany's preliminary consumer price figures do not include values for core inflation.

German central bank chief Jens Weidmann has expressed concern over the prospect of the European Central Bank's low-interest-rate environment being extended for too long.

Data released earlier showed German inflation outpaced wage growth in the second quarter as rising price pressures caused by the economic recovery and supply bottlenecks in manufacturing reduced the spending power of consumers.

The latest data suggests wages will not keep up with inflation also for the rest of the year.

In Spain, EU-harmonised consumer prices rose by 3.3 per cent year-on-year in August from 2.9 per cent in July, separate data from the National Statistics Institute (INE) showed.

The German and Spanish figures indicate that euro zone inflation has strengthened further in August.

Source: fibre2fashion.com– Sep 02, 2021

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European Union Lays Out New Textile Strategy

To date, governments have mostly left individual corporations to deal with fashion's environmental impact. But the European Union wants to step in and start proposing legislation that will help the industry control its waste issues better.

Following the European Green Deal in 2019, policymakers have identified fashion, and in particular the textiles industry, as a priority area to pave the way for a carbon neutral and circular economy. The first step is the creation of a new Textile Strategy, which will frame the areas the new legislation will focus on over the next few years.

"The EU Textile Strategy is the only major opportunity we have over the next decade to create the incentives we need to make change. Without regulation and economic incentives, it's extremely unlikely that we are going to reach the key sustainability goals. This is it," said Michael Schragger, founder and executive director of The Swedish Textile Initiative for Climate Action at the Fashion Future digital conference that kicked off Stockholm Fashion Week, earlier this week.

Through legislation and economic incentives, the new Textile Strategy will aim to boost the European Union markets for upcycling and sustainable textiles; address fast fashion, and support business models that promote more circular consumption models.

Given the scale of the European Union's textiles and clothing industries — they employ around one and a half million people split across 160,000 different companies — and fashion's overall contribution of over 10 percent of global emissions, there's an urgency for policymakers to step in.

"Those figures are huge," said Alice Bah Kuhnke, a European Union Parliament member and one of the champions of the new Textile Strategy. "If we keep to the script we have now, we won't be able to turn the ship around until 2070. It can't be more serious than it is."

The strategy is still in development, but Bah Kuhnke highlighted that the EU wants to adopt a holistic approach that engages manufacturers as much as retailers and small enterprises. "We really need to look at this as a whole system with different parts. You can't just change one part because it's interconnected in a chain. We need to look at the whole puzzle," she added.

Another key point to consider is that most of Europe's environmental impact occurs in countries outside the EU where the majority of production takes place. "This is one of the big problems that has been brought up by many stakeholders afraid of competitiveness. The strategy will address the problem by taxing imports on products coming from countries that don't follow Sustainable Development Goals or the Paris Agreement. We need to face the fact that we cannot consume natural resources in the way we have," said Bah Kuhnke, adding that the work of entrepreneurs and innovators who propose new business models and new ways of consumption is just as crucial as the legislation.

"It won't be a politician who comes up with these new ideas," she said, adding that policymakers can step in to help new sustainable businesses with the necessary economic incentives.

"We are basing our lifestyles and our livelihoods on things that need to change. So we need to make it possible to get a salary from these new businesses," added Schragger. "It's the elephant in the room: This issue of overconsumption. We're trying both to keep jobs and profitable economic development and also reduce our resource use by the amounts that science is telling us."

For Bah Kuhnke, the answer lies in reducing the amount of new textiles being produced and working with existing resources.

"If we don't address the fact that we need to consume less or in a whole new way than we have been doing, this strategy won't work," said Bah Kuhnke.

"It's crucial that we understand how much financial investment is needed to make a serious go at this. We had another discussion where it's 300 billion over 10 years or more for innovation, 500 billion for implementing green electricity. So we have to be serious about the scale of the investment.

All the companies we work with clearly say it's a simple equation: until it's economically better for us to do the right thing, we're going to continue to do business as usual. So I would hope that the legislation understands it's a financial equation here that makes the difference."

Source: wwd.com– Sep 01, 2021

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Businesses Push Biden to Develop China Trade Policy

More than seven months into the Biden administration, American businesses say they are growing increasingly frustrated by the White House's approach to China, with confrontational policies imposed during the Trump era still in place and President Biden offering little clarity about economic engagement with the world's second-largest economy.

The relationship between the two economic superpowers remains deeply fractured. American import duties still exist on roughly $360 billion worth of Chinese goods, and almost all of the exemptions that shielded more than 2,000 products from those tariffs have expired. A thicket of export controls and bans are still in place, leaving U.S. technology giants such as Qualcomm, Intel and Google in the lurch over how to approach the Chinese market and offering little hope that the decoupling of the world's two largest economies will be reversed anytime soon.

To the dismay of some American business leaders, Mr. Biden has amplified some of the Trump administration's punitive moves. In July, the Biden administration expanded the list of Chinese officials under sanctions by the United States for their role in undermining Hong Kong's democratic institutions. In June, the president issued an executive order adding more Chinese companies to a prohibition on American investments in Chinese firms that have links to the country's military or that sell surveillance technology used to repress dissent or religious minorities.

Yet Mr. Biden and his top advisers have yet to elucidate how they view economic relations with Beijing, saying they will make the administration's approach known once a broad review of China trade policy concludes. But the review has stretched on for months with no public timeline for its conclusion.

As a result, businesses are lobbying heavily for the tariffs to be removed, which would make it easier for them to rely on factories in China instead of making investments in the United States or elsewhere. And they want assurances that they can do business with a financially important market.
"There has been frustration for the business community at the lack of concrete China economic policy," said Charles Freeman, the senior vice president for Asia at the U.S. Chamber of Commerce. "It's not as if this crowd came in without any experience or any preconceived thinking about China."

The future of the U.S. trade relationship with China is one of the biggest global economic questions confronting Mr. Biden and his advisers. China has thrown huge resources behind its economic ambitions and plans to dominate cutting-edge industries like artificial intelligence and robotics by providing government subsidies to Chinese firms and using other tactics, including espionage. While the Trump administration signed an initial trade deal with China that included purchase commitments for agricultural and other goods, the agreement failed to address a number of major concerns, including China's state-owned enterprises and industrial subsidies.

During his White House bid, Mr. Biden assailed President Donald J. Trump over his trade war and promised to enlist allies to counter China over its trade practices. Since taking office, Mr. Biden has resolved a longstanding trade spat with the European Union and persuaded European officials to adopt a more assertive trade policy toward China this year. And he has pitched his infrastructure plan as a way to counter Beijing, saying it would "put us in a position to win the global competition with China in the upcoming years."

But the administration has said little about whether it intends to restart economic talks and address outstanding issues, including tariffs. At times, officials have offered somewhat discordant views.

Treasury Secretary Janet L. Yellen told The New York Times this summer that tariffs had harmed American consumers, but she has also warned that Chinese subsidies for exporters pose a challenge for the United States. The United States trade representative, Katherine Tai, has described the tariffs as providing leverage.

Understand the Infrastructure Bill

- One trillion dollar package passed. The Senate passed a sweeping bipartisan infrastructure package on Aug. 10, capping weeks of intense negotiations and debate over the largest federal investment in the nation's aging public works system in more than a decade.
- The final vote. The final tally in the Senate was 69 in favor to 30 against. The legislation, which still must pass the House, would touch nearly every facet of the American economy and fortify the nation's response to the warming of the planet.
- Main areas of spending. Overall, the bipartisan plan focuses spending on transportation, utilities and pollution cleanup.

- Transportation. About $110 billion would go to roads, bridges and other transportation projects; $25 billion for airports; and $66 billion for railways, giving Amtrak the most funding it has received since it was founded in 1971.
- Utilities. Senators have also included $65 billion meant to connect hard-to-reach rural communities to high-speed internet and help sign up low-income city dwellers who cannot afford it, and $8 billion for Western water infrastructure.
- Pollution cleanup: Roughly $21 billion would go to cleaning up abandoned wells and mines, and Superfund sites.

Asked on Wednesday about the administration's review of the tariffs, Jen Psaki, the White House press secretary, said, "I don't have any timeline for you on when that review will be completed."

Business impatience with the administration's approach is mounting. Corporate leaders say they need clarity about whether American companies will be able to do business with China, which is one of the biggest and fastest-growing markets. Business groups say their members are being put at a competitive disadvantage by the tariffs, which have raised costs for American importers.

"We should be doing everything we can to increase China's use and dependence on American technology products," Patrick Gelsinger, the chief executive of Intel, said in an interview last week. The administration is "struggling to lay out a framework for how they have a policy-driven engagement with China," he said.

"To me, just saying, 'Let's be tough on China,' that's not a policy, that's a campaign slogan," he added. "It's time to get to the real work of having a real policy of trade relationships and engagement around business exports and technology with China."

In early August, a group of influential U.S. business groups sent a letter to Ms. Yellen and Ms. Tai urging the administration to restart trade talks with China and cut tariffs on imported Chinese goods.

"The main kind of dilemma that companies face right now is just uncertainty," said Craig Allen, the president of the U.S.-China Business Council, which organized the letter. "Will the tariffs remain in place? Are

they in place in perpetuity? What is the exclusion process to request an exemption from the tariffs? Nobody knows.”

Mr. Allen said his group had organized the letter because it wanted to make sure that businesses’ views, in addition to those of labor and environmental groups, would be taken into account during the Biden administration’s China review.

Source: nytimes.com– Sep 01, 2021

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Supima Cotton forecasts bright outlook for 2021/22 despite drop in cultivation

Marc Lewkowitz, President and CEO, Supima Cotton says, the 2021-22 outlook for the crop looks good despite the large drop in planted acres this year. Demand for Supima Cotton is growing and more brand partners are looking to position messaging and marketing about the extensive efforts they make to do the hard work to ensure authenticity and responsibility around their products in order to deliver upon their brand promise to their customers. There has been strong consumer support for the brand and its retail partners in the US and abroad to message and share responsible and informative information around their Supima branded products.

Supima Cotton will also hold the second digital edition of the Supima Harvest Symposium from November 16-18. This year's edition will feature new tours of Supima farming, processing and classing that will provide insights to both current and prospective Supima customers.

As per the latest production report by USDA production of ELS (Extra Long Staple) cotton is expected to decline this year to only 371,000 bales. This is the lowest figure in the last 20 years and a reduction from last year's 546,500 bales of production.

Source: fashionatingworld.com– Sep 01, 2021

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Sri Lanka loses garment export revenues to raw material imports

As per the Sri Lanka Apparel Exporters Association, $250 million of $500 million received for local apparel exports are lost as the country imports all the necessary material like thread, dyes and cloth.

Keeping in mind the economic crisis faced by the nation, the Sri Lankan government has declared the apparel industry as an essential service and allowed factories to remain open during the quarantine curfew.

The Joint Apparel Association Forum issuing a press release stated that all measures are been taken to ensure a safe and secure workplace for their employees. However, Anton Marx of the Free Trade Zones and Public Service Union, alleged that the spread of COVID-19 among the garment factory workers is high.

Marx further stated no government has yet attempted to create safe boarding places for apparel sector workers and that the daily wage of a garment factory worker is often less than Rs. 1,000.

Source: fashionatingworld.com– Aug 31, 2021

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Asia's factories hit by pandemic-related supply disruptions

"If the strict lockdown measures continue, Southeast Asia may find it hard to remain a global production hub," said Makoto Saito, an economist at NLI Research Institute.

Asia's factory activity lost momentum in August as a resurgence in coronavirus cases disrupted supply chains across the region, raising concerns faltering manufacturing will add to economic woes caused by slumping consumption.

Southeast Asia, a low-cost manufacturing hub for many global companies, was hit particularly hard with factory activity shrinking in Vietnam, Indonesia and Malaysia because of virus outbreaks and output suspensions, surveys showed on Wednesday.

In a worrying sign for the global economy, China's factory activity also slipped into contraction in August for the first time in nearly 1-1/2 years as COVID-19 curbs, supply bottlenecks and high raw material prices weighed on output.

Export power-houses Japan, South Korea and Taiwan also saw manufacturing activity expand at a slower pace in August, a sign chip shortages and factory shutdowns in the region could delay a sustained recovery from the pandemic-induced slump.

"Virus disruptions add to the list of headwinds for the region's producers, including semiconductor shortages and high shipping costs," said Alex Holmes, emerging Asia economist at Capital Economics.

The weakness in Asia contrasts with conditions in Europe, where factories are mostly expected to maintain a brisk pace of expansion as its highly vaccinated economies reopen. The surveys highlight the pandemic's broadening damage in Southeast Asia, where soaring infections and subsequent lockdown measures have hurt both the service and manufacturing sectors.

Delta outbreaks in the region have caused supply chain headaches for the world's largest manufacturers, many of which rely on auto parts and semiconductors made in low-cost bases such as Thailand, Vietnam and Malaysia.

"If the strict lockdown measures continue, Southeast Asia may find it hard to remain a global production hub," said Makoto Saito, an economist at NLI Research Institute. China's Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 49.2 in August, from 50.3 in July, breaching the 50-mark that separates growth from contraction, a private sector survey showed on Wednesday. The result was well below market expectations, underscoring the fragile nature of China's recovery that had helped the global economy emerge from the pandemic-induced doldrums.

The private survey followed official PMI released on Tuesday, which showed the index falling in August but staying above the 50 mark. Japan's PMI eased to 52.7 from 53.0 in July with new export orders posting their first contraction since January. South Korea's index also fell to 51.2 in August from 53.0 in July.

In Vietnam and Malaysia, activity was hurt by lockdown measures and rising infections that forced some factories to suspend operations. Vietnam saw factory activity shrink to 40.2 from 45.1 in July. Malaysia's PMI stood at 43.4 in August, up from 40.1 in July but staying well below the 50-threshold.

Once seen as a driver of global growth, Asian's emerging economies are lagging advanced economies in recovering from the pandemic's pain as delays in vaccine rollouts and a spike in Delta variant cases hurt consumption and factory production. Growth in India's factory sector activity also slowed as persistent pandemic-related weakness weighed on demand and output, forcing firms to cut jobs again following a brief recovery in July.

Source: financialexpress.com– Sep 01, 2021

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Vietnam and Bangladesh: Bilateral Trade and Investment

Vietnam and Bangladesh are both economic powerhouses that have been growing their GDP significantly thanks to an export-led growth model. Bangladesh has had one of the fastest-growing economies in Asia for years. The country averaged close to 7 percent growth over the past decade, achieving an 8.1 percent growth rate in 2019. Per capita income reached nearly $2,000 last year, growing more than three-fold since 2006.

Vietnam has been the same, averaging close to 7 percent growth and achieving a 7 percent growth rate in 2019. Per capita income reached US$7,900 in 2019. Its middle class has been growing, contributing to increased consumption and retail sales.

In some sense, they are even competitors as Vietnam surpassed Bangladesh to become the second-largest garment exporter as per the World Trade Organization in 2020.

Vietnam – Bangladesh relations

Yet Vietnam and Bangladesh remain close partners and established ties in February 1973. In 2013 the two nations celebrated the 40th anniversary of the establishment of diplomatic ties.

In 2018, former Vietnamese President Tran Dai Quang during a three-day visit to Bangladesh said "Vietnam and Bangladesh enjoy an excellent traditional friendship on the basis of historical similarities and the shared values of independence, peace, cooperation, and development."

Vietnam and Bangladesh are striving to double bilateral trade to US$2 billion by 2021. Both countries have identified 11 priority areas including agricultural trade and pharmaceutical exports from Bangladesh to Vietnam. Trade between Vietnam and Bangladesh has grown since the first Joint Trade Committee meeting in 2015.

Both Vietnam and Bangladesh have large and young populations which means a significant labor pool that businesses can use. Both countries also benefit from geographical advantages. Bangladesh is located between China and India and touches ASEAN, it also has access to the Bay of Bengal, allowing ships access to trade into the country.

Vietnam in contrast has a long coastline exposing it to the East Asian trade corridor. It has ports, airports, and borders China, making it an ideal China plus one location.

Vietnam – Bangladesh trade

Vietnam has made several investments in Bangladesh to date: these include investments in Bangladesh's special economic zones, ICT sector cooperation, bilateral cooperation in textile and garments sector, trade in halal products, trade in software services, direct air link, promotion of trade in jute and jute goods, banking sector cooperation and tourism sector cooperation.

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Source: vietnam-briefing.com– Sep 01, 2021

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Bangladeshi investors may invest in S Africa if they get incentives

Bangladeshi investors may visit South Africa to explore investment opportunities and consider investing there if they get incentives offered by other African nations, said the former's foreign minister AK Abdul Momen, who recently visited South Africa and virtually discussed investment issues with Ebrahim Patel, minister of trade, industry and competition there.

He indicated that Bangladeshi investors can invest in South Africa's clothing, textiles and footwear sectors. Collaboration in other sectors like information technology and agro-processed industry would offer a win-win situation for both sides, he was quoted as saying in an opfficial press release.

Patel briefed Momen about the economic policies being adopted by his government.

Source: fibre2fashion.com– Sep 01, 2021

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NATIONAL NEWS

GST Council to meet on July 17, compensation mechanism to be key issue

GST Council will meet on September 17. This will be the first meeting in person after a gap of almost 16 months and five sessions.

"Finance Minister Smt @nsitharaman will chair the 45th meeting of the GST COUNCIL on September 17 at Lucknow," a tweet from the Finance Ministry said. The 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 session will take place on the compensation mechanism. The Council had a physical meeting last time on March 14, 2020.

Key issues

One of the key issues expected to be discussed on compensation mechanism is the imposition of compensation cess has already been extended beyond June next year. 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 and for FY 2022, ₹75,000 crore (out of ₹ 1.59 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. , A cess will continue to be levied for the borrowing raised so far until the borrowed amount is repaid.

Compensation to States

However, the big issue is when the compensation is to be paid which is likely to be discussed in the Lucknow meeting. Though some States are seeking payment of compensation beyond June 2022, the Centre indicates that this may not be possible.

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 and ₹1.12 lakh crore in August.

Finance Minister Nirmala Sitahraman has already 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– Sep 01, 2021

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Manufacturing PMI slipped to 52.3 in August

Job creation has been stagnant, says IHS Markit report

Recovery in the manufacturing sector in India appears to have hit a roadblock again as the Purchasing Managers' Index (PMI) dropped to 52.3 in August, from 55.3 in July. Another piece of bad news is that new job creation has been stagnant.

IHS Markit, which prepares this survey-based index and releases it with a detailed report, said: "Growth of manufacturing production in India was curbed in August by the pandemic and rising input costs. A softer upturn in sales led companies to pause their hiring efforts, with business confidence dampened by concerns surrounding the damaging impact of Covid-19 on demand and firms' finances."

Manufacturing has a share of over 14 per cent in Gross Value Added (GVA). PMI data is released monthly in advance of comparable official economic data. It is compiled from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. A diffusion index is calculated for each survey variable.

The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The headline PMI is a weighted average of the following five indices: New Orders (30 per cent), Output (25 per cent), Employment (20 per cent), Suppliers' Delivery Times (15 per cent) and Stocks of Purchases (10 per cent).

Index above 50 shows expansion while below that means contraction. Only last month, it came back to expansion. Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said that August saw a continuation of the Indian manufacturing sector recovery, but growth lost momentum as demand showed some signs of weakness due to the pandemic. Yet, factory orders and output rose across the consumer, intermediate and investment goods categories.

Hiring freeze

On the job situation, the report said that employment levels were broadly stagnant in August as companies reportedly had sufficient workforce to cope with current requirements and confidence remained subdued. "Uncertainty

regarding growth prospects, spare capacity and efforts to keep a lid on expenses led to a hiring freeze in August, following the first upturn in employment for 16 months in July," De Lima said.

Another concern was higher cost. Charges levied by manufacturers rose as some firms shared part of their additional cost burdens with clients, although to a lesser degree than selling prices. Input prices increased sharply, due to strong competition for scarce raw materials and transportation issues, according to the report.

The report shared optimism as expressed by the Government but with some words of caution. "The 12-month outlook for production remained positive, though confidence faded amid worries concerning the lasting scars of the pandemic and the adverse impact of rising costs on companies' finances parallel to a lack of pricing power," De Lima said.

Source: thehindubusinessline.com– Sep 01, 2021

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With private consumption and investment still subdued, exports could provide fillip to growth

The economy grew by 20.1 per cent in the first quarter (April-June) of the current financial year — a period when the country was in the throes of the horrific second wave of the pandemic. In normal times, these year-on-year comparisons provide a fair understanding of the state of the economy. But the first quarter numbers suffer from a statistical distortion — a low base effect.

The economy had contracted by 24.4 per cent in the first quarter of the previous financial year (2020-21) when a national lockdown was imposed to deal with the spread of the virus. Notwithstanding this, these numbers suggest that even though the second wave of the pandemic was more virulent than the first, the localised restrictions imposed during this period seem to have had a less deleterious effect on economic activity.

And that even after growing at 20.1 per cent, GDP in the first quarter of the current year is around 9 per cent lower than what it was in the first quarter of 2019-20. Considering that the economy had reached pre-Covid levels in the second half of last year, this reflects the loss on account of the second wave of the pandemic.

The sectoral breakup of the GDP data shows that despite concerns over the dramatic spread of the virus in rural areas, agriculture has continued to hold up. In fact, of all the sectors in the economy, only value added by agriculture and electricity, gas and water supply, is higher than their pre-Covid levels. Manufacturing and construction — both sectors had contracted sharply last year — bounced back, but value added by these sectors has still not reached 2019-20 levels.

In the labour intensive trade, hotel, transport and communications sector, the gap is even larger. On the expenditure side, even as private consumption and gross fixed capital formation, which connotes investment activity in the economy, exhibited high growth rates, they remained well below their 2019-20 levels. Only exports surpassed the 2019-20 levels.

In the weeks and months thereafter, with the second wave waning and lockdown restrictions being eased, high frequency indicators suggest a strong uptick in momentum. The Nomura India Business Resumption Index rose to 102.7 for the week ending August 29, up from 60.2 in May —

indicating a return to pre-pandemic levels. But there is cause for concern. For one, the quarterly GDP data does not accurately capture trends in the informal economy. As such, it is difficult to know the extent of its recovery from the depths of May. This, and how MSMEs are faring, will have a bearing on employment prospects.

Second, with household demand subdued, and capacity utilisation rates low, private investment is likely to remain muted. The ability of government spending to drive growth is also constrained at this juncture. Exports, though, could provide the much needed fillip to growth. Third, even as the pace of vaccination has picked up, there continues to be uncertainty over the prospects of a third wave.

Source: indianexpress.com– Sep 01, 2021

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Explained: How to read Q1 GDP data

On Tuesday, the Ministry of Statistics and Programme Implementation (MoSPI) released the GDP data for the first quarter of the current financial year (2021-22).

Each year, the MoSPI releases four quarterly GDP data updates and these help observers assess the current health of the Indian economy.

What data do these updates contain?

Each such release provides data for two variables — one tracks the total demand in the economy and the other the total supply.

The first is GDP, which is the total monetary value of final goods and services — that is, those that are bought by the final user — produced in a country in a given period of time (in this case a quarter). In other words, it measures the value of total output in the economy by tracking the total demand.

The other is Gross Value Added or GVA. It looks at how much value was added (in money terms) in different productive sectors of the economy. As such, it tracks the total output in the economy by looking at the total supply. On the face of it, the total output should be the same but every economy has a government, which imposes taxes and also provides subsidies.

As such, GDP is "derived" by taking the GVA data and adding the taxes on different products and then subtracting all the subsidies on products. In other words,

GDP = (GVA) + (Taxes earned by the government) — (Subsidies provided by the government)

As explained, the difference between these two absolute values will provide a sense of the role the government played. As a thumb rule, if the government earned more from taxes than what it spent on subsidies, GDP will be higher than GVA. If, on the other hand, the government provided subsidies in excess of its tax revenues, the absolute level of GVA would be higher than the absolute level of GDP.

Source: MoSPI Source: MoSPI

And what do the latest data show?

The data showed that in Q1 of 2021-22, India's GDP grew by 20.1% while the GVA grew by 18.8%. These are year-on-year comparisons; in other words, the total output (as measured by GDP) of the Indian economy in the first three months of the current financial year (April, May and June) was 20.1% more than the total output created by the economy in the same months last year. The total output, as measured by GVA, grew by 18.1% YoY. It is important to remember that GDP and GVA had contracted by 24.4% and 22.4%, respectively, in Q1 of the last financial year.

Does that mean India has registered a V-shaped recovery?

No. There is a difference between an economy benefiting from a "low base effect" and one registering a V-shaped recovery. A V-shaped recovery requires the absolute GDP of an economy getting back to the level before the crisis.

The total GDP and the total GVA are shown in the tables. India's total output in Q1, whether measured through GDP or GVA, is nowhere near what it was in Q1 of 2019-20 (the year before the pandemic struck). In fact, both variables suggest India's output levels are closer to 2017-18 levels. In other words, India produced the same amount of goods and services in Q1 this year as it produced in Q1 four years ago.

The lofty increases in GDP and GVA are in percentage terms, and while they look good and should not be scoffed at, they are for the most part a statistical illusion created by the very low base set by the complete nationwide lockdown in Q1 of last year.

It is for this reason that Aditi Nayar, Chief Economist, ICRA (a rating agency), states, "the sharp YoY expansion in Q1 FY2022 is analytically misleading with a sequential slowdown of 16.9% over Q4 FY2021 and a shortfall of 9.2% relative to the pre-Covid level of Q1 FY2020".

Here's another way to understand what is happening. Imagine that the GDP in Q1 of 2019-20 was Rs 100. Then it fell by 24% in Q1 of 2020-21 to be Rs 76. Then in Q1 of current financial year the GDP rose by 20% to become Rs 91. As such, even though the GDP has risen 20% in percentage terms, the actual output is Rs 9 lower than it was two years ago. Add to that the loss of two full years of growth that would have happened were it not for the pandemic.

If we compare quarter-on-quarter growth — Q1 FY22 to Q4 FY21 — then the GDP contracted by almost 17%.

It is for these reasons that in times of massive crises, it is always better to look at the absolute levels of output to correcting assess the state of an economy's health. Percentage changes work well in normal times.

What do the sub-components of GDP tell us about the state of the economy?

The GDP data show what is happening to the four engines of economic growth in any economy. In India's context, the biggest engine is consumption (C) demand from private individuals. This demand typically accounts for 56% of all GDP; technically called "Private Final Consumption Expenditure" or PFCE. The second-biggest engine is the investment (I) demand generated by private sector businesses. This accounts for 32% of all GDP in India; technically called Gross Fixed Capital Formation or GFCF.

The third engine is the demand for goods and services generated by the government (G). This demand accounts for 11% of India's GDP, and is called "Government Final Consumption Expenditure (GFCE)". The fourth engine is the demand created by "Net Exports" (NX). This is arrived at by subtracting the demand Indians have for foreign goods (that is, India's imports) from the demand that foreigners have for Indian goods and services (that is, India's exports). Since India typically imports more than it exports, it is the smallest engine of GDP growth; it is often negative.

So, GDP = C + I + G + NX

As the Table on GDP data shows, private demand, the biggest engine of growth, in Q1 of the current year was down to almost exactly the level where it was in 2017-18.

This is the most important variable and the most worrisome one as well. That's because unless demand from private individuals increases, business will not be enthused to invest more. It is no surprise to find that the second biggest engine — investments or GFCF — is languishing at 2018-19 levels.

The government's strategy has been to revive growth by stimulating private sector investments. To this end, the government has given tax breaks and other incentives to existing companies owners and new entrepreneurs. But

unless private consumption demand rises, this strategy is unlikely to bear fruit.

It is also noteworthy that government expenditures (GFCE) have actually fallen below last year's levels. This could be a drag on future growth. At a time when all other sectors are struggling to create demand, the government is expected to resort to what is called a "counter-cyclical" fiscal policy and spend more than usual.

What do the GVA data say about the economy?

They tell us which specific sectors are doing well and which are struggling to add value.

The first check is whether the GVA of a sector in Q1 was more than in 2019-20. As things stand, only two sectors — Agriculture etc. and Electricity and other utilities — have managed to grow more than they did in 2019-20.

But the most worrisome bit is that the GVA of 'Trade, Hotels, Transport, Communication & Services related to Broadcasting' and 'Construction' is less than what it was even in 2017-18. These are two sectors that created lots of jobs for both unskilled and skilled workers in the past, and their weakness implies weak higher unemployment levels. The former in particular is the sector that has most of the contact services. From a policy perspective, a recovery here requires fuller levels of vaccination and improved public confidence.

Source: indianexpress.com– Sep 01, 2021

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Indian Railways register 16.87% growth in freight loading in August

Earning from freight loading goes up 20.16 per cent

Indian Railways posted a 16.87 per cent growth in freight loading in August 2021 at 110.55 million tonnes compared with the same month last year while freight earning jumped 20.16 per cent at ₹10,866.20 crore.

These numbers are new highs for the Railways in August, according to an official statement.

Major commodities transported include 47.94 mt of coal, 13.53 mt iron ore, 5.77 mt pig iron and finished steel, 6.88 mt food grains, 4.16 mt fertilisers, 3.60 mt mineral oil, 6.3 mt cement and 4.51 mt clinker, the release said.

In July, it handled 112.65 mt of freight which was 18.57 per cent more than in July 2020.

Source: thehindubusinessline.com– Sep 01, 2021

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Global container shortage poses fresh export hurdle for India

India's exports in August will take a hit due to the global container shortage.

A global shortage in shipping containers could slow down Indian exports after a sharp recovery earlier this year. A wide range of exported items across various industries could be hit due to the container shortage that has resulted in record freight rates.

The global container shortage is a result of congestions at Chinese ports that have been closed or operating at lower capacity after the nation announced fresh restrictions due to Covid-19, reported The Economic Times.

The high demand for containers in the United States and Europe has also led to a surge in container rates. Container charges have increased to record levels in the past 10-15 days, acceding to industry executives who spoke to the publication.

CRITICAL EXPORT HURDLE

India's exports had hit a record high of $35.2 billion in July 2021 — the highest-ever monthly figure in the country's history. However, exports now face a risk of slowing down due to the fresh shortage of containers and a subsequent hike in freight rates.

The charges for availing a container to or from India have increased to $7,000-$10,000, compared to $3,000-$4,000 a few months ago, as per industry executives. However, the final cost also depends on the distance covered.

The export industry is already feeling the heat of high container rates amid shortage and the matter has been flagged to the central government. The Federation of Indian Exports Organisation (FIEO) and a few other industry bodies have informed the Centre about the hurdle, urging it to intervene in the matter, reported ET. The industry bodies fear that India will lose out on key exports ahead of the upcoming holiday season in the West.

The FIEO has asked the government to release approximately 25,000-30,000 containers that are lying at different ports in the country. These

containers have not been unloaded due to disputes with Customs and other departments.

Ajay Sahai, director general of FIEO, told ET that the exporters' body has asked the government to help in release these containers, so they can be used for exports.

Some low-value export items that are exported in high volumes have been impacted the most. The export of items includes granite tiles, tea, rice and furniture have been hit while other categories have completely stopped.

In view of the shortage of containers and high freight rates, Indian exports may have dipped sharply from record levels, according to industry experts.

Only items that have to be exported via ship or ship-to-air have been impacted due to the container shortage. Products such as gems and jewellery, chemicals, smartphones and leather products that are mostly exported via air have not been impacted.

Source: indiatoday.in– Aug 30, 2021

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GST collection in August at over Rs 1.12 trillion: Govt

GST revenue remained above Rs 1 trillion-mark for the second straight month in August at over Rs 1.12 trillion, 30 per cent higher than the collection in the year-ago period, the finance ministry said on Wednesday.

"The gross GST revenue collected in the month of August 2021 is Rs 1,12,020 crore of which Central GST is Rs 20,522 crore, State GST is Rs 26,605 crore, Integrated GST is Rs 56,247 crore (including Rs 26,884 crore collected on import of goods) and Cess is Rs 8,646 crore (including Rs 646 crore collected on import of goods)," the finance ministry said in a statement.

The mop up in August is, however, lower than Rs 1.16 trillion collected in July 2021.

"The government has settled Rs 23,043 crore to CGST and Rs 19,139 crore to SGST from IGST as regular settlement. In addition, Centre has also settled Rs 24,000 crore as IGST ad-hoc settlement in the ratio of 50:50 between Centre and States/UTs. The total revenue of Centre and the States after regular and ad-hoc settlements in the month of August 2021 is Rs 55,565 crore for CGST and Rs 57,744 crore for the SGST," said Ministry of Finance in a statement.

The revenues for the month of August 2021 are 30 per cent higher than the GST revenues in the same month last year. In August 2020, Goods and Services Tax (GST) collection was Rs 86,449 crore.

Compared to the August 2019 revenues of Rs 98,202 crore, this is a growth of 14 per cent, the Ministry said.

During August this year, the revenues from domestic transactions (including import of services) were 27 per cent higher than the revenues from these sources during the same month last year.

The gross GST revenue collected in the month of August 2021 is ₹1,12,020 crore. The revenues for the month of August 2021 are 30% higher than the GST revenues in the same month last year. @FinMinIndia pic.twitter.com/WxW2ybfowG

— Prasar Bharati News Services पी.बी.एन.एस. (@PBNS_India) September 1, 2021

"GST collection, after posting above Rs 1 lakh crore mark for nine months in a row, dropped below Rs 1 trillion in June 2021 due to the second wave of covid. With the easing out of Covid restrictions, GST collection for July and August 2021 have again crossed Rs 1 trillion, which clearly indicates that the economy is recovering at a fast pace. Coupled with economic growth, anti-evasion activities, especially action against fake billers, have also been contributing to the enhanced GST collections. The robust GST revenues are likely to continue in the coming months too," said the ministry.

The Ministry of Finance has recently extended the last date for availing the GST amnesty scheme where taxpayers pay a reduced fee for late filing of monthly returns, till November 30, 2021. Previously, the last date for submitting GST returns with reduced late fees was August 31.

In early August, Union Finance Minister Nirmala Sitharaman had said that the Goods and Services Tax (GST) collection for July 2021 has again crossed Rs 1 lakh crore with easing out of COVID-19 restrictions. She added it indicates that the economy is recovering at a fast pace.

This statement was made by the Minister on 1 August. Sitharaman tweeted, “With the easing out of COVID restrictions, GST collection for July 2021 has again crossed Rs one lakh crore, which clearly indicates that the economy is recovering at a fast pace. The robust GST revenues are likely to continue in the coming months too."

ICRA Chief Economist Aditi Nayar, however, cautioned over the sequential dip in collection and moderation in the August manufacturing PMI. The PMI index stood at 52.3 per cent in August, down from 55.3 per cent in July. "The sequential dip in the GST collections, lower-than-expected core sector growth, and moderation in the August manufacturing PMI suggest that some caution is warranted regarding the strength of the recovery that is underway in the ongoing quarter.

"We expect GDP growth in the ongoing (September) quarter to range between 7.8-8.8 per cent, with the absolute level of GDP to continue to trail the pre-pandemic level as the services sector struggles to catch up with the rest of the economy," Nayar said.

India's economy grew by a record 20.1 per cent in April-June quarter, helped by a weak base of last year and sharp rebound in manufacturing and services sector.

Singhania GST Consultancy & Co Partner Aditya Singhania said the collection during August 2021, majorly relates to supplies that took place in July 2021, and it seems to maintain the revenue consistency in comparison to the collection of July 2021, which clearly indicates the economy is thriving with the steady pace.

"With the new milestones India is achieving in getting people vaccinated, easing out of COVID restrictions, extension of amnesty scheme for waiver in late fees due to non-filing of GSTR 3B from July, 2017 to April, 2021, September being the last month to rectify the errors/omission for FY 2020-21, upcoming due dates for filing of annual return/self-certified reconciliation statement for FY 2020-21, sequential spurt in e-waybill generation, etc. we may see acceleration in revenue from GST in coming months," he said.

In the current fiscal, GST mop up touched a record high of over Rs 1.41 lakh crore in April, but fell to over Rs 1.02 lakh crore in May after the outbreak of second wave. In June, collection slipped below the psychological Rs 1 trillion mark to Rs 92,849 crore followed by a sharp rebound in July to Rs 1.16 lakh crore. In August it stood at Rs 1.12 lakh crore.

EY Tax Partner Abhishek Jain said the collections are for the supplies made in the month of July, when lockdown restrictions were relaxed for most parts of the country. "With increasing rate of vaccination and business supplies picking up, the uptrend is expected to continue in coming months," Jain added.

Shardul Amarchand Mangaldas & Co Partner Rajat Bose said what is heartening to see is that manufacturing states such as Maharashtra, Karnataka and Tamil Nadu have shown an increase of over 30 per cent in GST collection, as compared to last year, which is a sure-shot sign of economic recovery.

Deloitte India Senior Director M S Mani said "most of the key manufacturing states have shown an increase of 25-35 per cent in collections compared to the same period last year, indicating that the economic recovery may be faster in the current year.

Source: business-standard.com– Sep 01, 2021

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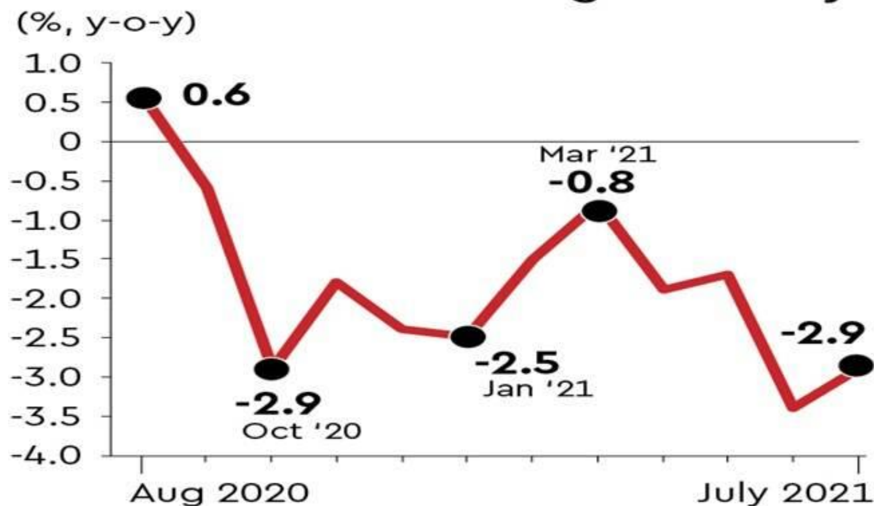
Credit to large industry falls for eleventh month in a row

The value of outstanding loans to large industries shrank for the 11th straight month in July 2021, showed data released by the Reserve Bank of India (RBI). Much of incremental growth in bank credit has been led by the retail segment as a trend of deleveraging among corporates continues.



Analysts have attributed the shrinkage in credit to large industry to lower utilisation of sanctioned limits and reduction in exposures by banks. In a report on Wednesday, ICICI Securities said under-utilisation of limits, a modest demand outlook and rundown of exposure in few sectors have resulted in a fall in bank credit to industry.

Last month, State Bank of India (SBI) chairman Dinesh Khara said sanctioned limits are still under-utilised to the extent of 25%. Similarly, banks with a significant presence in corporate lending, such as Bank of Baroda (BoB), have admitted to consciously running down some low-margin loans.

Sanjiv Chadha, MD & CEO of BoB, told FE in August that an abundance of liquidity has resulted in pricing pressure on the corporate side. "The only reason that growth was subdued in this quarter (Q1) was that we allowed some cheaply-priced corporate loans to run off because we believe that the liquidity scenario should start changing over the next few months," he added.

Despite a low-interest rate environment, bank lending to corporates has not seen much traction. "Interest rate environment is quite favourable but spreads are still holding up at elevated levels suggesting that lenders are still reluctant to relax lending standards or borrowers are not comfortable to

leverage, as yet," Kotak Institutional Equities (KIE) said in a note on Wednesday.

There may be an improvement in corporate lending trends in the months ahead, though. ICICI Securities said the demand prospects are improving. "We believe India Inc, after undergoing a phase of deleveraging over the past few years, is now better positioned and confident to anvil on the path of re-leveraging," the brokerage said, adding Indian financiers, too, have saddled themselves with ample liquidity and capital buffers to tap into the emerging opportunity.

Pricing trends, too, are likely to improve, according to BoB's Chadha. "There is an opportunity to price corporate loans in a slightly better manner as compared to what was possible in the last 12 months," he said, adding that there is a fair bit of activity in sectors like roads, city gas projects and renewable energy. Brownfield expansion is also going on, he said.

A steep decline in bond market rates till July 2020 had led to a narrowing of the spread between bank funding and bond rates, but bond yields seem to be trending upwards now, KIE analysts wrote in a report.

Source: financialexpress.com– Sep 02, 2021

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JB Mohapatra named CBDT Chairman

JB Mohapatra has been appointed as the chairman of the Central Board of Direct Taxes, the finance ministry said in a notification Wednesday. Mohapatra had been officiating as the chairman of the Board since June this year.

Mohapatra will succeed Prakash Chandra Mody, a 1982-batch Indian revenue services officer, who retired in May.

The Appointments Committee of the Cabinet has approved the appointment.

JB Mohapatra was a member of the board before he was given the responsibility of officiating as the Chairman, CBDT for a period of three months, in May.
Mohapatra, a 1984 batch Indian revenue services officer, was appointed as member in the board mid May, along with Rashmi Saxena Sahni and Anuja Sarangi.

Source: economictimes.com– Sep 02, 2021

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Exports offer sole cushion to GDP numbers, imports reach almost pre-covid levels

Exports and imports were the only two sectors which had a higher economic footprint in the first quarter (April-June) of FY22 (2021-22) than the preceding quarters in FY21(2020-21), latest government estimates have shown. The robust nature of both shows that policymakers can breathe easy at least on this front for some time, experts say.

Latest data by the National Statistics Office (NSO) on August 31 showed that India's economy grew 20.1 percent in Q1FY22. This strengthens the Commerce Department's forecast that exports are firmly on the rise and the government's ambitious $400 billion annual merchandise export target can be met in FY22, officials said.

While the latest headline GDP numbers have risen by record levels, experts have warned that the latest growth does not paint a true picture of the economy as it is based on an extremely low base.

They pointed out that, a year back, Q1FY21 had seen the nationwide and subsequent regional lockdowns, with a complete stopping of all factories, businesses and transportation.

A case in point is that most key indicators, including private consumption, government expenditure and capital formation, have all recorded a lower number in the latest quarter than the preceding quarters of the previous financial year.

However, India's external sectors have beat that trend, with both exports and imports rising considerably on an annual basis as well as sequentially (quarter-on-quarter).

Exports rising fast

Buoyed by strong global demand, a glut in manufactured items waiting to be shipped, and strong commodity prices, exports have been on a continuous upswing since early this year. Even without considering the base effect, they have surpassed the 2019 levels.

In fact, the GDP data showed that Q1FY22 exports worth Rs 7.68 lakh crore were the highest in the previous nine quarters. They were higher than the

exports worth Rs 5.5 lakh crore in Q1FY21. But experts point out that, more importantly, they were higher than the exports worth Rs 7.06 lakh crore in Q1FY20, indicating that exports have breached the pre-COVID levels.

“Services are the largest component of our economy and they are still struggling. Despite the base effect, unlike industry, it grew only 11.4 percent in Q1FY22. However, its largest components -- trade, hotels, transport and communication -- did better than others and grew at 34.3 percent in Q1FY22, despite a majority of its activities being contact-intensive in nature," Sunil Kumar Sinha, Principal Economist at India Ratings said.

Exports also made up 23.7 percent of India's GDP, up from 20.5 percent a year back. “The pickup in exports, as reflected by the GDP breakup, is a positive signal and is in line with the pickup in global economic growth,” Rajani Sinha, Chief Economist and National Director, Research, Knight Frank India, said.

She added that another comforting factor is that the investment to GDP ratio has remained above 30 percent against a low of 24 percent in Q1FY21. India attracted Foreign Direct Investment (FDI) inflow of $22.53 billion during the first three months of 2021-22, which was 90 percent higher as compared to the same quarter a year back. A large part of these investments have made their way into sectors which have significant export footprint, a senior Department for Promotion of Industry and Internal Trade official said.

As much as 27 percent share of the total FDI equity inflow reached the automobile sector while 17 percent reached computer hardware, both of which have made merchandise exports grow fast. The government does not give out company or individual deal-specific FDI figures.

Imports catch up

On the other hand, imports have also maintained high numbers. “While imports were just one-quarter high, they have also covered a significant distance and were slightly lower than the pre-COVID levels in Q1FY22," a functionary of the Federation of Indian Export Organisations (FIEO) said.
Imports constituted Rs 8.3 lakh crore of India’s GDP, up from a relatively low number of Rs 5.8 lakh crore a year back. However, Q1FY21 import figures also suffered from a low base as most international ports across the country were shut to container traffic during the lockdown.

On the other hand, imports crossed an important level when it came in at 25.7 percent of the GDP, up from 19.2 percent a year back.

Subhayan Chakraborty has been regularly reporting on international trade, diplomacy and foreign policy, for the past 6 years. He has also extensively covered evolving industry and government issues. He was earlier with Business Standard newspaper.

Source: moneycontrol.com– Sep 01, 2021

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How to claim refunds more efficiently under the Duty Drawback Scheme

The Duty Drawback Scheme (DBK) is a key programme to help exporters offset some of the costs accrued during the export process, particularly in supply or value chain. The key benefit of the scheme is that it gives rebates on Customs and Central Excise chargeable on any imported or excisable materials used in the manufacture of goods meant for export.

The scheme, administered by the Department of Revenue, has two primary components: All Industry Rate (AIR) and Brand Rate. One way to grant the duty drawback is to check the rates specified in the Schedule of All Industry Rate of Drawback, usually announced on June 1 or three months after the budget. If the product is not mentioned in the AIR schedule or the exporter claims it is inadequate, the exporter can claim duty drawback by applying for Brand Rate fixation.

How the scheme works

AIRs are notified by the government in the form of a drawback schedule based on the average quantity and value of inputs and duties (both Customs & Central Excise) borne by export products. The rates are essentially an average based on the assessment of average incidence. These AIRs are recommended by a drawback committee.

The AIR may be fixed as a percentage of free on board (FOB) price of export products or as specific rates. FOB is used to indicate whether the seller or the buyer is liable for goods that are damaged or destroyed during shipping. All claims of duty drawback are filed with reference to the tariff items and description of goods given in the schedule.

In the case of Brand Rate fixation, an exporter is eligible to apply either where the export product has not been listed in the duty drawback schedule or if the exporter considers that AIR of duty drawback does not fully neutralise the duties suffered by his export product.

Exporters are fully compensated for customs, central excise duties and service tax actually incurred by them.

To use the Brand Rate route, the entity concerned has to submit an application to the Directorate of Drawback within 30 days of the first shipment, with copies to the relevant authorities.

The commissioner-drawback will fix the rate after verification. The documentation requirement is high here, as the manufacturer has to show the quantity of inputs and services used, along with evidence of payment of duties.

How to avail refunds under the scheme?

Despite the government having simplified the DBK procedure over the years, it still remains complicated for a novice exporter.

First, an exporter has to file the shipping bill in an electronic data interchange (EDI) for the export. Here, the exporter has to keep in mind that the electronic shipping bill itself will be treated as the claim for drawback and there is no need to file separate drawback claims.

All ports with EDI can process these claims except in respect of DBK claims relating to cases of re-export of imported goods under Section 74 of the Customs Act, 1962.

Sribash Dasmohapatra, Executive Director, Plastics Export Promotion Council, talks about a typical standard operating procedure for claiming refunds under DBK: “In the EDI system, exporters are required to open their accounts with a bank that is either nominated by a customs house or has core banking facility to transfer funds through NEFT/ RTGS. This has to be done to enable direct credit of drawback amount to their accounts, obviating the need for issue of cheques.

The exporters are required to indicate their account numbers in the declaration form called Annex B, along with the details of the bank through which the export proceeds are to be realised. After the realisation of payment, proof of realisation is to be submitted to the Customs authority.”

Key Points to Remember

Is the process seamless or cumbersome for a novice exporter? According to Dasmohapatra, claiming a drawback is an easy process compared with other schemes.

As an improper filing can lead to claim rejections, there are certain factors an exporter must keep in mind.

Mentioning wrong bank details or not updating account details, for instance, can lead to an inadvertent delay of DBK. Similarly, mentioning the incorrect serial number of the drawback claim in the shipping bill will also lead to a delay in DBK. In sum, errors in filling may lead to delay in getting a DBK claim. So exporters must be careful if they want to get their refunds on time.

Source: economictimes.com– Sep 01, 2021

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Cotton being procured at above MSP; trend positive for stakeholders

Bathinda Cotton purchase for 2021-22 kharif season is picking up in the markets of Mansa, Bathinda, Fazilka and Muktsar. with farmers being paid up to ₹6,711 per quintal, higher than this season's expected MSP (Minimum Support Price) of ₹5,925. According to the Punjab Mandi Board, 17,000 quintal cotton has been purchased over the past 10 days till August 30, with private players buying the entire produce.

On Monday, purchase of 218 quintal cotton was recorded in Bathinda at ₹6,705 per quintal. Mandi Board cotton state coordinator Rajnish Goel said, "Cotton purchase began on August 18. It was after nearly a decade that farmers started arriving in mandis with their produce in August."

Authorities attribute the early arrival to higher rates, which is a result of the growing demand. "Last season, the MSP for cotton varieties grown in Punjab was ₹5,725 per quintal. For this kharif season, the Centre has enhanced MSP on cotton by ₹200 onwards, depending on staple sizes. A notification of MSP on long-medium varieties sown in Punjab has not been issued yet, but this season's MSP is expected to be ₹5,925," he said, adding that the state was expected to produce 50 lakh quintal for the second consecutive season.

"If private players continue paying higher prices, the season will also be ideal for arthiyas as Cotton Corporation of India (CCI) buys the produce directly from growers. Arthiyas get a fee of 2.5% per quintal. Private agents also lead to more employment for mandi labourers" he added.

State agriculture director Sukhdev Sidhu said the early-sown or cotton crop sown in March gets ready for first picking in August whereas, in most of the area cotton, harvesting begins after September 15. "We have conducted two meetings with CCI authorities and they have assured us that they will procure, if rates crash below MSP; there are bleak chances of this happening. This season, no major pest attack has been reported. Bathinda and Mansa districts have reported few cases of deadly pink bollworm. Timely intervention contained the spread of the pest," Sidhu added.

Source: hindustantimes.com– Aug 30, 2021

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Trade body holds seminar on "Accessing the US Market"

The United States is one of India"s export market and remains one of the top sources of foreign direct investment (FDI) in the South Asian nation, said US Consul General in Chennai Judith Ravin said on Wednesday.

"Over more than a decade, Indian firms have expanded to the US by taking advantage of a large, open market with business-friendly investor policies. We have seen a significant growth in our bilateral trade and investment relationship over the years but there is more potential than ever, Ravin said.

Speaking here at a seminar "Accessing the US Market" organised by the Coimbatore chapter of Indian Chamber of Commerce and Industry, she reiterated America"s strong ties with Coimbatore, a tier-two industrial, education, and healthcare hub of the State of Tamil Nadu.

During her interaction with the members of the Chamber, she said she and her team were here to build on that potential in partnership with the business community in the textile city.

Some of the topics discussed at the seminar included types of business establishments in the United States, how to register a company there, and regulatory and tax considerations.

In his address, president of the Chamber C Balasubramanian said the trade body was serving the cause of business and industry for over nine decades with 1,660 members representing various segments.

These industries work in areas such as pump-sets, automobile components, textiles, machines, jewellery, education, and healthcare and Coimbatore is a city driven by private enterprises with over 50,000 small and medium-sized enterprises, he said.

Source: outlookindia.com– Sep 01, 2021

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