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INTERNATIONAL NEWS

UK business investment expected to decline in 2021: BCC

UK business investment is expected to decline this year despite the prospect of record economic growth, according to the British Chambers of Commerce (BCC) economic forecast. The trade body projects UK gross domestic product (GDP) growth for 2021 to be 7.1 per cent, which, if realised, would be the strongest outturn since official records began in 1949.

Following robust GDP growth in the second quarter, the UK's economic recovery is projected to slow into the autumn as staff shortages and supply chain disruption partly limit the gains from lifting of restrictions in July.

Consequently, the UK economy is only expected to return to its pre-pandemic level in the first quarter (Q1) 2022 with a growth of 5.2 per cent forecast for 2022.

The UK's economic recovery is expected to be driven by historically strong consumer and government spending.

Growth in?services output ?is forecast at?7 per cent in 2021, 5.6 per cent % in 2022 and 2 per cent in 2023. Growth in?manufacturing output? is forecast at 8.6 per cent in 2021,?5.1 per cent in 2022 and 2 per cent in 2023. Consumer price index inflation is expected to rise?in the near-term,?peaking at?4 per cent in Q4 2021.?Inflation is?then?expected to drop back to the Bank of England's 2 per cent target in Q4?2022.

Despite signs of renewed consumer caution amid rising COVID-19 cases, the momentum from the ending of restrictions is projected to deliver the strongest growth in household spending in 33 years as consumers rundown some of the savings built-up during lockdowns, the chamber said in a press release.

Government spending is expected to grow by 13.1 per cent in 2021, which would be the strongest growth on record. This includes COVID-related expenditure like the vaccine rollout and the test and trace programme.

In contrast, business investment is forecast to decline by 2.5 per cent this year. The damage done to companies' finances by the pandemic, a more onerous tax regime and concerns over the potential for future COVID

restrictions are expected to weigh heavily on investment intentions, despite the introduction of the super-deduction incentive.

Consequently, business investment is forecast to remain 5.4 per cent lower than its pre-pandemic level by the end of the forecast period in Q4 2023. In contrast, consumer spending is projected to be 5.1 per cent higher than its pre-pandemic level over the same period.

After the furlough scheme closes at the end of the month, the United Kingdom's unemployment rate is expected to rise from its current rate of 4.7 per cent to a peak of 5.1 per cent in Q1 2022, equivalent to another 124,000 workers unemployed.

With firms' finances still struggling to recover from the pandemic, and skills mismatches likely to limit the extent to which those seeking jobs after furlough can move into available roles, unemployment is projected to drift moderately higher in the near term, despite staff shortages.

The upward pressure on prices from a range of factors, including the release of pent-up demand as restrictions eased and the rising cost of raw materials amid ongoing supply chain disruption, are expected to push consumer price index (CPI) inflation to a peak of 4 per cent in Q4 2021, which if realized, would be the highest rate since Q4 2011.

However, as supply chains adjust post-pandemic and demand moderates as government stimulus fades, inflation is expected to drift back to target by the end of 2022.

The BCC forecast assumes no renewal of lockdown restrictions.

Source: fibre2fashion.com– Sep 14, 2021

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Fashion and Retail Groups Endorse Ocean Shipping Reform Act

A coalition of 152 companies and trade associations representing U.S. importers, exporters, transportation providers and other supply chain stakeholders submitted a letter of support to Congress on Monday endorsing the Ocean Shipping Reform Act of 2021.

The bipartisan legislation, introduced last month by Reps. John Garamendi (D-Calif.) and Dusty Johnson (R-S.D.), would update the Shipping Act to recognize significant changes to the international maritime transportation system in the past two decades. The proposed legislation is essential to bringing critically needed system improvements that have been further highlighted during the global pandemic, the groups said.

“While the supply chain has been stretched from end-to-end, there are systemic issues that need to be addressed in the maritime cargo sphere,” the coalition wrote. “For many years, the issue of detention and demurrage has been a problem leading to significant cost increases for cargo owners and truckers, many times due to issues beyond their control.

We certainly welcomed the Interpretive Rule on Detention and Demurrage as published by the Federal Maritime Commission, but we need more than just ‘guidance’ that is not being followed by ocean carriers nor marine terminals, leading to hundreds of millions of dollars in unfair penalties against U.S. shippers and their transportation partners. The legislation will seek to formalize this rule and truly define the parameters for these charges.”

The attention given to these unreasonable practices and the reforms proposed in OSRA21 are critical to reversing those challenges facing not only U.S. exporters but also U.S. businesses that rely on imports, the groups said. The legislation will also seek to update key provisions of the Ocean Shipping Reform Act, which hasn’t been updated in more than two decades. “The maritime transportation system has changed significantly during those decades,” the coalition wrote. “While some maritime transportation system changes have been a positive for the industry overall, we need to ensure the regulations remain applicable to today’s reality. With the creation of the carrier alliances, contraction of the number of carriers in the market, changes to chassis management and others, we believe the time is right for these important reforms.”

Among the fashion and retail industry groups in the collation are the American Apparel & Footwear Association, National Retail Federation (NRF), Council of Fashion Designers of America, the Footwear Distributors & Retailers of America and the Retail Industry Leaders Association.

“The supply chain ecosystem is instrumental to American retailers’ ability to deliver products across the country to customers each day,” David French, senior vice president of government relations at the National Retail Federation, said.

“Now is the time for the Shipping Act to be modernized to address a 21st century supply chain. We appreciate the efforts of Congressmen Garamendi and Johnson to address these complex challenges so many businesses currently face and encourage Congress to move fastidiously on this crucial legislation.”

Peter Friedmann, executive director of the Agriculture Transportation Coalition, said the group and its members are committed to building broad House and Senate support for the act, “even as we seek and support Federal Maritime Commission intervention, and as we engage with ocean carriers, ports, terminals, labor and truckers to find and implement solutions.”

The coalition aims to continue building support for the bill and congressional passage this year.

Source: sourcingjournal.com– Sep 13, 2021

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US consumers unwilling to pay for speed of retail delivery: McKinsey

When delivery times are too long, almost half of US omni-channel consumers will shop elsewhere, according to research by McKinsey, which recently said more than 90 per cent of US online shoppers expect free two-to three-day shipping. As retail supply chains accelerate, US consumers largely remain unwilling to pay for speed, its research found.

Retail has experienced more change over the past five years than in the 50 years before that. McKinsey's research shows nearly one in five US consumers will accept a marginal increase in shipping fees for faster shipping than standard free-delivery options.

Given the high and rising costs of omni-channel order fulfillment—roughly 10 to 20 per cent of sales in omni-channel retail—retailers are faced with tough decisions as they work toward improving delivery speeds profitably.

McKinsey estimates that Amazon's free-delivery offering has accelerated more than 75 per cent since the early 2000s—from more than eight days to two-day shipping by 2015—with select markets offering one-day delivery by 2019.
Amazon continues to be a catalyst across retail, setting a high bar for direct-to-consumer delivery. McKinsey feels other retailers have closely followed this path, it said in a press release.

The company's recent survey of chief supply-chain officers found the pace will continue to accelerate over the next two years. It found roughly three-fourths of apparel, hard goods and specialty retailers intend to build out network capabilities that offer two-day or faster delivery, and 42 per cent are aiming for one-day click-to-customer lead times by 2022.

As delivery times compress, the detailed physics of the supply chain becomes increasingly important, it found. Most fulfillment operations need time to pick and pack deliveries—by itself, that process takes an average of four to eight hours, though best-in-class omni-channel operations can fulfill orders within two hours of customer purchase.

To combat such challenges at least partially, most omni-channel retailers already use their stores for fulfillment or pickup. There are clear benefits to

using stores, for example, enabling greater overall inventory productivity, quickening speed to customer, and avoiding markdowns.

The research also found that US stores generally have lower inventory-accuracy rates (70 to 90 per cent) than distribution centres typically enjoy (more than 99.5 per cent).

Positioning inventory across distribution centers, various store types, and market fulfillment centres remains a struggle for most retailers; in fact, of all the levers to help retailers solve for speed to customer, accurate demand forecasting and distributed-inventory placement may have the greatest impact outside of network changes.

For a majority of retailers, the cost of in-store picking is much higher—typically 1.5 to 2 times higher on a cost-per-pick basis—than picking at distribution and fulfillment centres, the research found.

Source: fibre2fashion.com– Sep 14, 2021

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US textiles & apparel imports up 29.29% in Jan-July 2021

The import of textiles and apparel by the United States increased by 29.29 per cent to $60.393 billion in the first seven months of 2021, compared to $46.712 billion in January-July 2020. With 27.74 per cent share, China was the largest supplier of textiles and clothing to the US during the seven-month period, followed by Vietnam with 14.23 per cent share.

Apparel constituted the bulk of textiles and garments imports made by the US during the initial seven months of this year, and were valued at $42.366 billion, while non-apparel imports accounted for the remaining $18.026 billion, according to the latest Major Shippers Report, released by the US department of commerce.

Segment-wise, among the top ten apparel suppliers to the US, imports from El Salvador, Honduras and Pakistan shot up by 75.19 per cent, 74.63 per cent and 69.14 per cent year-on-year respectively. On the other hand, imports from Indonesia and Cambodia registered only a single-digit increase of 2.94 and 7.88 per cent compared to the same period of the previous year.

In the non-apparel category, among the top ten suppliers, imports from India, Turkey, Italy and Pakistan soared by 75.30 per cent, 70.15 per cent, 56.31 per cent and 42.55 per cent, respectively. The sharp rise in numbers is due to the base effect, as imports were disrupted last year due to the COVID-19 pandemic.

Of the total US textile and apparel imports of $60.393 billion during the period under review, cotton products were worth $26.627 billion, while man-made fibre products accounted for $31.053 billion, followed by $1.434 billion of wool products, and $1.277 billion of products from silk and vegetable fibres.

In 2020, the US textile and apparel imports had decreased sharply, mainly on account of the COVID-19 pandemic induced disruption, to $89.602 billion compared to imports of $111.033 billion in 2019.

Source: fibre2fashion.com– Sep 13, 2021

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Hong Kong clothing manufacturers drive growth with new trends technologies

Traditionally, one of the largest clothing exporters, Hong Kong saw a major decline in garment shipments in 2020. As a report by Research HKTDC shows, apparel exports from the nation dropped 34 per cent to HK$64 billion during the year. Domestic exports surged by 242 per cent year on year while re exports slumped by 34 per cent to HK$63 billion. Of this, re exports of mainland origin shrank by 41 per cent to HK$48 billion in 2020.

The US emerged as the largest market for Hong Kong's clothing exports with 26 per cent share. The second largest market was EU27 exports to which plunged 33 per cent year-on-year in value in 2020. Exports to the third largest market, mainland China, increased 8 per cent in value.

Manufacturers move overseas as exports decline

Exports of woven wear and other apparel articles witnessed the largest decline in 2020. Knitwear and clothing accessories exports also dropped 26 per cent and 34 per cent respectively during the year. As of December 2019, the Hong Kong clothing industry had 524 establishments and 3,118 workers.

Industry leaders had also set up offshore production facilities to reduce operational costs. However, this adversely affected the domestic clothing industry as number of manufacturers declined steadily.

The pandemic has created additional production and logistic challenges for clothing manufacturers in Hong Kong. However, e-commerce market places such as Amazon, Tmall, JD.com and Secoo.com are booming. These marketplaces meet customer demands with new technologies such as virtual fitting, visual search and AI powered chatbots.

Advanced tech to meet demand

Apparel makers are responding to fast changing fashion trends by collecting data from different consumer touchpoints and using advanced production technologies such as digital and laser printing, 3D knitting, semi automated sewing and robotics.

Private or in house labels are helping retailers differentiate as well as upgrade the image of their products. Renowned retailers such as H&M,

Marks & Spencer, Orsay, Palmers, Pimkie, Springfield and Kookai have launched their own private labels in the market. Consumers are also urging manufacturers to launch new materials and production methods.

Changing market trends

Kidswear market in Hong Kong is growing in double digits with the government implementing a two child policy in the mainland market. Consumers are flocking plus size stores, demand for which is expected to continue surging. Brands such as Liz Claiborne, Ralph Lauren, Tommy Hilfiger and H&M plan to extend their size ranges besides coming up with new collection to explore this trend.

Demand for clothes made from easy care fabrics is growing with brand LXN Collection launching its tailor made quick dry and stain resistant business attire range. Demand for functional clothing is also growing with the development of anti-UV, anti-ray, sweat management, thermal insulation and self-cleaning technologies. Athlesiure brands are expanding their apparel ranges besides launching new work from home and home workout collections in response to the COVID-19 outbreak.

Source: fashionatingworld.com– Sep 13, 2021

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Cambodia Ratifies Free Trade Agreement with China

On September 9, 2021, the National Assembly of Cambodia ratified the bilateral free trade agreement (FTA) with China, which aims to increase the trade of goods by reducing and eliminating tariffs and non-tariff barriers.

The Cambodia-China FTA extends across a wide range of sectors, including trade, tourism, investment, transportation, and agriculture. China will provide duty-free status to some 98 percent of imports from Cambodia whereas Cambodia has agreed to exemptions of up to 90 percent of its imports from China.

Although the vast majority of Cambodia's exports to China are tariff-free through the ASEAN-China Free Trade Area (ACFTA), the CCFTA extends tariff-free trade to over 340 products, such as seafood products, garlic, cashew nuts, and dried chili, among others.

Through the CCFTA, Cambodia hopes to increase bilateral trade with China to US$10 billion by 2023, up from US$8 billion in 2020. This is a timely development for Cambodia as businesses continue to reel from the European Union's (EU) withdrawal of the Everything but Arms (EBA) status in 2020.

The EBA status was withdrawn because of what the EU perceived as serious and systemic violations of human rights in Cambodia. The EBA provides 49 of the world's poorest countries duty-free access to EU markets.
CCFTA can boost agricultural products trade with China

Through the CCFTA, Cambodia can leverage and better develop its agriculture industry in return for Chinese efficiency in manufacturing or products, such as electronic devices that local producers cannot make.

Between January to May 2021, Cambodian exports to China were valued at US$558 million, an increase of 56 percent from the same period in 2020. This increase was attributed to the rising demand for Cambodian agricultural products in China.

Beijing has been Cambodia's top source for development aid since 2010, pouring some USUS5.8 billion as of 2018. Through this, China has financed major irrigation projects, rice mills, and agricultural schools.

Further, a list of 100 China-funded projects over the past 20 years shows 17 percent were agricultural-related.

Cambodia also saw a surge of 200 percent in the export of fruit in the first five months of 2021 and such exports can also help Cambodia gradually chip away the large trade deficit the country has with China; of the US$8 billion in bilateral trade in 2020, only US$1 billion was sent from Cambodia.

The export of fresh Cambodian mango was made possible because both countries were able to finalize sanitary requirements for fresh fruit in June 2020. The arrangement allows Chinese regulators to certify that specific Cambodian packing factories and orchards meet quality standards. This was previously not the case and Cambodian exporters had to ship their produce to Vietnam before entering China.

Cambodian bananas received similar approval in 2018, and exports for this fruit rose to US$121 million from US$8 million in 2019.

However, Cambodia's agriculture sector is highly fragmented and is dominated by smallholders. As such, the government needs to develop policies to support small and medium farmers to create efficiency in the sector. Moreover, quality standard compliance poses one of the biggest challenges for boosting agricultural exports. In addition, Cambodia needs better infrastructure and investments in the downstream segments, such as processing facilities.

Click here for more details

Source: aseanbriefing.com– Sep 13, 2021

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Vietnam production slump disrupting global supply chain: HSBC

The decline in production in Vietnam's textile, leather and footwear industries due to Covid-19 has affected the global supply chain, HSBC said.

Nearly 35 per cent of textile and garment factories in the country are shut down, according to the Vietnam Textile and Apparel Association.

Vietnam is the world's third largest textile and garment producing country behind only China and Bangladesh.

The market share of its leather and footwear industry is 15 percent after doubling in the last decade. Consumers in the US and Europe will suffer from the disruption, especially as the festive season approaches.

The international sportswear company Nike is a prime example of the importance of Vietnam in the global supply chain. Of its 112 factories, 88 are in Vietnam and produce half of all its footwear products.

Adidas is also facing difficulties since Vietnam accounts for nearly 30 percent of its global supply. Its Taiwanese supplier Pouyuen, which has factories in Vietnam, is among the companies to suspend production.

The Delta variant of Covid that has hit the country has raised questions about the viability of the Vietnamese supply chain so much so that Apple and Google have delayed their shift to Vietnam. HSBC said the plan to live with Covid-19 that the Vietnamese government is aiming for depends largely on the ability to achieve a broad vaccine coverage rate.

Despite some progress, Vietnam still lags behind other countries in the region in ordering and using vaccines.

Vietnam earned $21.2 billion from garment and textile export, and $12.6 billion from footwear export in the first eight months of this year, year-on-year rises of 9.7 percent and 16.2 percent, respectively, according to the General Statistics Office.

Source: e.vnexpress.net– Sep 13, 2021

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Kingdom-EAEU team to push for FTA

Cambodia is reportedly keen to set up a new joint team with the Eurasian Economic Union (EAEU) to conduct a more detailed examination of the possibility of formally launching free trade agreement (FTA) talks with the bloc soon, and add impetus to underwhelming bilateral trade ties.

The initiative had been raised at the 3rd Joint Working Group Meeting between the Cambodian government and the Eurasian Economic Commission (EEC) – the executive body of the EAEU – held via video link from September 7-8.

The meeting was chaired by Ministry of Commerce secretary of state Tek Reth Kamrong, and the EAEU was represented by Sergey Glazyev, the EEC Board member (minister) in charge of integration and macroeconomics.

Comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia, the EAEU is home to 184.6 million people and represents a combined gross domestic product (GDP) of $4.778 trillion, according to International Monetary Fund estimates for 2020.

At last week's meeting, the two sides pledged to deepen cooperation in a number of key areas, including trade and investment cooperation, the energy industry and infrastructure, science and technology, innovation, digital developments, information and communication technology, technical trade barriers and regulations, customs, sanitary and phytosanitary issues, intellectual property, consumer protection and competition.

Kamrong emphasised that the meeting was indispensable to deepen Cambodia-EAEU trade and investment cooperation.

She said participants at the meeting also shared experiences related to domains such as customs, agriculture, information technology, business support and micro-, small- and medium-sized enterprises, as well as the development of "technical regulations".

"Cambodia is now willing to set up a joint working group to examine the possibility of launching free trade agreement negotiations between Cambodia and the EEC in the near future," Kamrong added.

First held in the Kingdom in 2017 and then the following year in Russia, the joint working group meetings are organised under the framework of the MoU, signed by Prime Minister Hun Sen in 2016.

Cambodia Chamber of Commerce vice-president Lim Heng told The Post that the EAEU would one day join the ranks of the US, Europe, China and South Korea as a notable buyer of Cambodian goods.

Composed of countries with large populations and thriving economies, the bloc has caught the interest of Cambodia and will one day represent an important target market for exports, he opined.

He suggested the Kingdom make a major push to capture more market share, noting that "the establishment of an FTA will make Cambodian exports more marketable". According to Heng, Cambodia mostly exports agricultural products and finished textile products to the EAEU, while imports include tractors, machinery and agricultural vehicle parts.

Bilateral trade between Cambodia and the EAEU was worth $67.37 million last year, increasing by 18.22 per cent over $56.98 million in 2019, according to data from the commerce ministry.

The Kingdom's exports accounted for $52.19 million, marking a 0.73 per cent year-on-year rise from $51.81 million in 2019, and imports stood at $15.18 million, rocketing by 193.57 per cent from $5.17 million.

These number indicate that Cambodia's trade surplus with the EAEU narrowed by nearly 21 per cent, from nearly $46.65 to $37.0 million.

Source: phnompenhpost.com– Sep 12, 2021

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Primark's sales miss expectations in latest quarter on COVID hit

Associated British Foods said fourth quarter sales at its Primark fashion business were lower than expected, with shopper numbers hurt by public health measures in its major markets to control the spread of COVID-19 and the Delta variant in particular.

AB Foods said on Monday that Primark's like-for-like sales in the third quarter were 3% ahead of the comparable period two years ago reflecting very strong trading in the UK and those European regions where stores had reopened.

However, it forecast that for the fourth quarter to Sept. 18 Primark's like-for-like sales would be down 17% on two years ago.

The group said Primark had seen a significant improvement in trading as the quarter progressed, from a weekly decline in like-for-like sales of 24% at the start of the period to a decline of 10% in recent weeks.

Despite the shortfall in Primark's sales the group still raised its profit outlook for the full 2020-21 year, reflecting strong profit margins at the fashion business, due to a significant reduction in labour and store operating costs, and a robust performance from its food and sugar operations.

It forecast full-year adjusted operating profit stated before repayment of job retention monies, above last year's 1 billion pounds ($1.38 billion), excluding the benefit of a 53rd week this year. It had previously forecast it to be in line with the previous year's outcome.

For the full year, the group now expects AB Sugar to deliver an even greater improvement in adjusted operating profit over last year than previously expected, while Primark's adjusted operating profit, stated before repayment of job retention scheme monies, is expected to be ahead of last year.

Source: retail.economictimes.indiatimes.com– Sep 13, 2021

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Pakistan: Weekly Cotton Review: Bearish trend pushes cotton prices downwards

Significant decline of Rs1000 to Rs1200 per maund in the rate of cotton. The Spot Rate decreased by Rs800 per maund. Textile mills were happy. Financial crunch is there in the market. The quality of cotton was affected by rains. Import orders decreased because of increase in the rate of dollar and decline in the rate of cotton in the local market.

In the local cotton market during the last week the textile and spinning mills continued buying while ginners were busy in selling. However, suddenly due to prevailing of bearish trend in the market ginners started panic selling. Due to this bearish trend in the rate of cotton the rate of Phutti started declining.

Ginners and cotton traders also began to worry, but as the price of cotton continued to decline, textile mills started occasional buying. In this way rate of cotton witnessed a significant decline of Rs1000 to Rs1200 per maund. As it was difficult for the ginners to sell cotton on reasonable prices in bearish market so they started selling cotton on lower rates. However, the rate of cotton remained stable in international cotton market.

Experts were of the view that reasons behind bearish trend in the market was quality of cotton which was affected by rain, arrival of shipment of imported cotton which was delayed by three months, financial crunch in the market due to decline in the bank limits of textile mills and decrease in the supply of cotton yarn.

The rate of cotton in Sindh after decreasing by Rs 1200 per maund was in between Rs 12000 to Rs 13200 per maund as per quality. The rate of Phutti after decreasing by Rs 400 to Rs 500 per 40 kg was in between Rs 5000 to Rs 5600 per 40 kg. The rate of Banola is between Rs 1560 to Rs 1650 per maund.

The rate of cotton in Punjab after decreasing by Rs 1000 per maund was in between Rs 13100 to Rs 13300 per maund while the rate of Phutti was in between Rs 5200 to Rs 5700 per 40 kg. The rate of Banola was in between Rs 1650 to Rs 1750 per maund.

The rate of cotton in Balochistan was in between Rs 13100 to Rs 13200 per maund while the rate of Phutti was in between Rs 5900 to Rs 6400 per 40 kg. The rate of Banola was in between Rs 1700 to Rs 1800 per maund. The Spot Rate Committee of the Karachi Cotton Association decreased the spot rate by Rs 800 per maund and closed it at Rs 13100 per maund.

Chairman Karachi Cottom Brokers Forum Naseem Usman said that over all mixed trend was witnessed in international cotton markets. The rate of New York Cotton was in between 92.50 American cents to 94.70 American cents. Moreover, as per USDA recent export report the export of American cotton witnessed an increase as according to the expectations of the traders. The sales of American cotton in season 2021-22 was in between four Lac twenty three thousand bales which was 330% more than last week. China and Pakistan were the top buyers of the American cotton.

Decline in exports were recorded due to COVID-19 and slow down in shipping activities because American shipping terminals were affected by hurricane. It is expected that over all selling of American cotton may improve, as well as, New York Cotton may improve as a result of decrease in dollar index.

The rate of cotton remained stable in Brazil, Central Asian States and Africa. There was no fluctuation in the rate of cotton in India during the last week because of the arrival of cotton of new season. According to the USDA weekly report world cotton production after increasing 7 Lac fifty thousand bales reached 119.59 million bales while the demand of world cotton after increasing by 8 Lac ten thousand bales is at 124.14 million bales.

The trading of cotton improved after revival of world economy after COVID-19. World opening and closing stock witnessed a decrease of 4 Lac eighty thousand bales and 5 Lac fifty thousand bales, respectively. The report says that cotton production increased in America, Australia and Argentina. American cotton production increased by 4 % despite decrease in cultivation area is 18.51 million bales after increasing by 12 Lac fifty thousand bales which is more than the expectations of traders. The report says that demand of cotton increased in Pakistan, Bangladesh, Brazil and Turkey.

Moreover, spokesperson of textile products said that cotton looms started closing their operations due to significant increase in the prices of cotton the rate of cotton yarn also increased.

Many big groups had taken looms on over head reduced their production. It looks that now after decreasing the rates of cotton the rate of cotton yarn will reduce and factories of textile products will resume their operations. Moreover, the rate of dollar is continuously increasing.

Source: brecorder.com – Sep 13, 2021

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Pakistan: Focus on exports vital for growth

Both exports from Pakistan and imports into the country have been on an upward trend relative to the values reported in the first quarter of FY21. According to the statistics published by the Pakistan Bureau of Statistics (PBS), exports in August 2021 were 41% higher than the value in August 2020 and imports were a whopping 95% higher.

However, as the increase in imports outpaced the increase in exports, the trade deficit, at $4.2 billion, was 144% higher than the value reported in August 2020. Cumulatively in the first two months of FY22, the trade deficit touched $7.5 billion, with total imports surpassing $12 billion.

With growth predicted to exceed 5% in this fiscal year accompanied with high dependency on imports, the resultant trade deficit is likely to shatter records this year. It is important to ensure that exports of both goods and services continue to increase so that the pressure on the current account deficit can be alleviated and the vicious cycle involving an ever so ominous balance of payment crisis averted.

In essence, inflows of foreign exchange from various sources, which include exports, foreign direct investment and remittances, need to be sustainable.

Although, PBS provides statistics on the physical goods and commodities that flow through the borders, the State Bank of Pakistan (SBP) provides statistics on the trade-related financial flows involving receipts and payments.

The deficit in balance of trade reported by SBP was about $3 billion lower in FY21 than the value reported by PBS. The value of exports reported by PBS and SBP are almost similar in FY21 but the value of imports reported by PBS is approximately $2.6 billion higher than the payments made on imports reported by SBP.

Although, the difference in the trade balance reported by the two sources may not necessarily matter much in the grander scheme, it may be a result of statistical differences in accounting for the transactions as SBP calculates import payments using FOB basis and PBS calculates using CIF basis. Further, favourable payment terms can lower import payments in the shorter run.

Exports reported by PBS in FY21 were approximately $4 billion more than the exports in FY20, with approximately $2.9 billion increase reported in the exports of textile group. The biggest winner within this group was knitwear, reporting more than $1 billion in exports, followed by bedwear and readymade garments.

Exports of raw cotton have declined to negligible values, while the increase in the exports of cotton yarn and cotton cloth have been negligible compared to that of downstream within the textile industry. The textile industry was the recipient of several incentives that include tax- based export schemes, cash subsidies and lower utility costs that have often driven the level of production but also created a vicious cycle as exporters have become increasingly dependent upon them. It is imperative that the government focuses on improving the capabilities of exporters by improving market access and availability of important inputs and increasing the level of competition and innovation within the industry.

Imports of machinery group increased 15% in FY21, with imports of textile machinery reporting a growth of 35%. Similarly, imports of raw cotton and synthetic fibre also increased in FY21 at 68% and 47%, respectively. Although, domestic production of cotton has dropped from 11.9 million tonnes to seven million tonnes since FY17-18, the quantity imported of raw cotton and synthetic fibre have increased by 50%.

There is clearly a shift in preference for imported raw materials and intermediate goods in the textile industry. There can be several implications for the decrease in domestic production of cotton that can have adverse impact on the agricultural sector. The increase in imported inputs provides an opportunity for textile producers to source its inputs from otherwise cheaper but higher quality alternatives.

Consumers may demand a certain product mix that is only possible with the availability of imported inputs. In essence, it is essential that producers are able to obtain the most optimal mix of inputs in order to increase their level of competitiveness in the export markets.

Another item that has reported a sharp increase in imports in FY21 is the transport group. Imports of CKD and SKD units increased by $850 million, which is 118% the value reported in FY20. The biggest driver of this increase was the CKD and SKD units of motor cars. Consequently, there has been a significant increase in production of locally assembled cars in Pakistan.

The Economic Advisory Group of Policy Research Institute of Market Economy (PRIME) has recently recommended a review of current policies that promote low value addition, which neither involves the transfer of technology into Pakistan nor involves spillover effects that can contribute and drive economic growth across different industries.

The value addition gained from assembly processes is likely to be low, while FDI in similar activities is focused on repatriation of profits extracted from market-seeking activities. The incentives include subsidies and import tariffs on competing goods that not only limits competition in the domestic market but inhibits growth by curtailing innovation and constant churning of new products.

A recent set of tweets by the author reminds the readers that free trade agreements can play an important role to boost trade, particularly if they are designed to increase the participation in global and regional value chains.

It is imperative for Pakistani policymakers to focus on export growth rather than on curtailing imports to avert a balance of payment crisis, particularly if the major objective is to increase economic growth rates as the next election approaches.

Source: tribune.com.pk– Sep 13, 2021

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NATIONAL NEWS

Textile PLI scheme draws ₹ 10k-cr investment plans

At least 35 companies, including Reliance Industries, Bombay Dyeing, Welspun Global Brands, Arvind Group, IndoRama Synthetics, and Wellknown Polyesters, have lined up investment plans worth ₹ 10,150 crore under the production-linked incentive (PLI) scheme for textiles.

Last week, the Union Cabinet had approved the scheme with a budgetary outlay of ₹ 10,683 crore. The scheme, designed to boost India's production and trade of man-made fibre (MMF), garments, and technical textiles, is expected to result in fresh investments of more than ₹ 19,000 crore in five years.

"The clear advantage is that this could help increase turnover. The entire MMF chain will stand to benefit. We are still not 10 per cent of what China produces. Only time will tell how many units will actually be able to take advantage of this scheme," says Suresh Khurana, chief executive officer (CEO)-polyester staple fibre, Bombay Dyeing. The textile sector is worried about the stringent parameters, including the ₹ 600-crore turnover and targets of additional incremental turnover of 25 per cent over the preceding year.

Khurana says for the garment sector, an investment of ₹ 300 crore and a turnover of ₹ 600 crore may be somewhat higher targets to accomplish.

There are two types of investment possible under different sets of incentive structure. Any company willing to invest a minimum ₹ 300 crore in plant, machinery, equipment, and civil works, excluding land and administrative building cost, to produce MMFs and technical textiles, will be eligible to participate in the first part of the scheme.

In the second part, any company willing to invest a minimum ₹ 100 crore will be eligible to participate.

According to the scheme, the incentive in the subsequent years will be provided on achieving a minimum additional incremental turnover of 25 per cent over the immediate preceding year's turnover up to the fifth year. However, incentive will be reduced by 1 per cent every year, from second year onwards till the fifth year.

"The stringent part is the company will have to grow revenue of 25 per cent on-year. The idea is to encourage the industry to get into new investments. Our company is into MMF flooring. We had business plans and are revisiting them. The scheme will help speed up investment plans," says Mukesh Savlani, CEO, Welspun.

Harish Bapna, president of Wellknown Polyesters, believes the government should push for an integrated model wherein every aspect of the sector, including yarns, weaving, knitting, garmenting and processing, comes under one roof. "Earlier, the governments focus was mainly on cotton.

The sector was largely ignored. MMF is required to boost exports and support the Make In India initiative. It will help medium-scale and quasilarge-scale entrepreneurs to commit to new investments. Raw material is available in India, but forward integration is missing," adds Bapna.

Source: business-standard.com– Sep 14, 2021

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Piyush Goyal, Liz Truss talks to decide next steps for UK-India trade deal

Commerce and Industry Minister Piyush Goyal is scheduled for virtual talks with his UK counterpart, Liz Truss, on Monday to discuss the next steps to launch negotiations for a UK-India trade agreement, the UK government said.

The UK's Department for International Trade (DIT) said the talks between Secretary of State Truss and Goyal come as part of preparations towards a free trade agreement (FTA) with India. It follows the conclusion of the UK's formal consultation process ahead of the negotiations on August 31.

“International Trade Secretary Liz truss will speak with Minister for Commerce and Industry Piyush Goyal to discuss timelines and next steps to launching negotiations for a UK-India trade deal, following the closing of the public consultation on August 31,” the DIT said.

“Preparations towards a free trade agreement with India are progressing. A deal would represent a major boost for UK exporters, lowering tariffs, easing regulation, and driving up bilateral trade which totalled 23 billion Pounds in 2019,” it noted.

Increasing UK-India trade has been dubbed as a “huge opportunity” by the UK, given India's position as one of the world's biggest and fastest-growing economies and home to more than a billion consumers. “I see the UK and India in a sweet spot of the trade dynamics that are building up,” Truss said at a City of London Corporation event celebrating the UK-India economic partnership last week.

“We are looking at a comprehensive trade agreement that covers everything, from financial services to legal services to digital and data, as well as goods and agriculture. We think there is strong possibility for us to get an early agreement, where we lower tariffs on both sides and start to see more goods flowing between our two countries,” she said. Goyal has also been on the record saying that an “early harvest” trade deal with the UK is in the pipeline.

Source: economictimes.indiatimes.com– Sep 13, 2021

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Trust between govt and industry critical, says FM Nirmala Sitharaman

Highlighting the importance of trust between the government and industry, Union Finance Minister Nirmala Sitharaman said on Monday that it was essential to leverage opportunities thrown up by the Covid-19 pandemic and take the country one generation ahead.

The trust between the two sides was reflected in the government's actions, Sitharaman said while addressing members of the Confederation of Indian Industry (CII) in Chennai.

India Inc has come under criticism recently for various reasons. Earlier this month, RSS mouthpiece Panchajanya called Infosys anti-national in a report while referring to the IT company's failure to fix the glitches in the income-tax portal. The RSS later distanced itself from the report. Recently, Sitharaman said it was not right to call Infosys anti-national. In another instance, Commerce Minister Piyush Goyal had said during an industry interaction in August that some companies, including the Tata group, had acted against national interest and that local businesses shouldn't just think of profit. The Tatas had opposed some of the proposed rules in the e-commerce policy.

Sitharaman, however, encouraged continuous feedback and inputs from India Inc, and said discussions with industry had enabled the government to take a series of actions as the pandemic situation evolved.

On the government's strategy for handling the pandemic, the finance minister said that on the one hand, the focus was on ramping up vaccination, but on the other hand, the government was working to upgrade health infrastructure, including in Tier-2 and Tier-3 cities, by supporting the private sector. India has so far administered at least one dose of Covid vaccine to 744 million people.

Sitharaman assured India Inc that liquidity was no longer a major concern. She added that the bank-NBFC-MFI channel had been de-clogged, and from October 15 there would be a special drive to reach out to those who need credit.

Source: business-standard.com– Sep 14, 2021

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India-Mercosur expansion talks back on track

According to top diplomatic sources, the talks between the two sides were on track and the two sides have agreed to meet for the next round in October.

India has been keen to further upgrade its India-Mercosur relations and elevate it to a Comprehensive Economic Partnership agreement. India and Mercosur member countries met to negotiate the expansion of the Preferential Trade Agreement between the two sides.

According to top diplomatic sources, the talks between the two sides were on track and the two sides have agreed to meet for the next round in October.

"There are some state parties who are keen to go for a Free Trade agreement and not just the expansion of the existing PTA. And this issue has to be discussed among the member countries internally before we have a technical meeting in October," said a top diplomat on condition of anonymity.

What needs to be decided is:

"What does Mercosur want to place on the table for India? Basically, the member countries are keen on a balanced, comprehensive agreement and taking into account the requirements of both sides," the diplomat quoted above said.

The meeting took place on September 8, 2021, and the Indian side was led by Joint Secretary of the Department of Commerce Suresh Kumar. And the Mercosur was led by the Pro Tempore Presidency of Brazil; the Paraguayan delegation was represented by the Vice Minister of Economic Relations and Integration, Ambassador Raúl Cano Ricciardi, and other senior members and representatives of other member countries.

Last year due to the global pandemic of COVID 19, the negotiations for expansion of the existing India-Mercosur PTA could not take place.

Did the ongoing differences between Brazil and Argentina hit the talks?

No. This time the two sides were very keen to pave the way for deepening of the PTA Agreement and all parties kept their differences aside during the talks last week.

India has been keen to further upgrade its India-Mercosur relations and elevate it to a Comprehensive Economic Partnership agreement.

India-MERCOSUR PTA

According to a senior official, India is reaching out individually to the member countries of the Mercosur to fast track the negotiations for the expansion of the PTA which is already in place.

Which are the member countries?

Paraguay, Argentina, Brazil and Uruguay form the Mercosur.

The countries are in talks for the expansion of the agreement which is expected to help in achieving the trade target of USD 30 billion

Source: financialexpress.com– Sep 13, 2021

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A boost for textile sector

The PLI scheme will help build competitiveness

The Indian textile and apparel sector, with $37 billion exports and $85 billion domestic consumption, is one of the largest employers in the country. Every $1 billion additional exports in apparel manufacturing can create 1.5 lakh new jobs. If we capitalise on the current China-plus-One opportunity, Indian exports will grow in double digits for the next several years, which in turn will create millions of jobs.

The Indian apparel sector needs scale, specialisation and competitiveness to capitalise on the emerging post-Covid opportunities in global trade.

Need for scale: Scale is important to bring down the cost of production, improve productivity levels to match global benchmarks and, thereby, cater to large orders from markets like the US. With right scale and technology interventions, India can match the manufacturing costs of competing countries.

With growing awareness on social and environmental issues, global buyers are looking for more compliant, sustainable and large factories to place bulk orders; these are available in China and Vietnam. Such facilities need to be created in India too.

The PLI scheme incentivises scale, and ROCE will be high for companies investing in this scheme. With a condition on incremental sales growth, this scheme ensures investment from the enterprise to grow capacity on a continuous basis. India can surely build ten $1 billion companies in the next few years.

Specialisation: India has built a strong ecosystem in cotton apparels, but is lagging in man-made fibre (MMF) apparel manufacturing. Global fashion is moving towards blends. The US annually imports around ₹3-lakh crore worth of MMF apparels. In this mega market, India has a share of just 2.5 per cent. PLI addresses this friction point.

Hence, with a focussed approach, the sector can be aligned towards global fashion demands. PLI incentivises the manufacturing of MMF apparel and fabrics. Instead of providing scattered incentives to so many products, it's time to specialise in a few products which have huge market opportunity.

In India, spinning companies demonstrated world-class productivity levels and also built scale. Now it's time for these companies to invest in weaving/knitting and processing to build a strong MMF ecosystem. Integrated companies can invest in greenfield projects to make MMF apparel and compete with strong players like China and Vietnam in cost. India's largest export item commands just $2-2.5 per unit. With rising costs, we need to bet on value addition to get better price realisation and that's possible by focussing on MMF apparels.

Competitiveness: To compete with low-cost competitors, India needs to be ultra-efficient in pricing. With assured production incentives in the PLI scheme, entrepreneurs with growth aspirations will boldly invest in integrated smart factories. This can help achieve world-class productivity and manufacturing efficiency.

Attracting capital: Only 10 per cent of the Indian textile sector is in the listed space. The textile sector's (excluding raw-material makers) market cap of around ₹2-lakh crore is hardly 1 per cent of the BSE's ₹250-lakh crore market cap. Many textile companies in the SME space are not participating in the wealth creation story of the stock market.

PLI will enable SMEs to grow their balance sheet size. This will enable them to attract capital through PEs and IPOs. Global ESG funds are chasing companies with good practices.

Many textile companies in the unlisted space are demonstrating world-class sustainable practices and can attract a lot of capital if they present the right themes. PLI will help initiate the basic change in terms of better visibility and competitiveness.

In the past two years, the government has initiated a lot of structural reforms to bring new energy to the textile sector. PLI is one such reform and it's time for the industry to step up and announce new projects under this scheme and move towards making India the fashion capital of the world.

Source: thehindubusinessline.com– Sep 13, 2021

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SC ruling: Industry hopeful that GST council will look at ITC refund anomalies

Observation on anomalies seen as a key positive by the industry

The Supreme Court's decision to allow Input Tax Credit (ITC) on just goods inputs in inverted tax structure under the Goods & Services Tax while computing refund, and not on input services, has come as a disappointment for sectors such as textiles, footwear and solar power. However, thesesectors, which have been hit the most by the decision, have taken heart from the Court's observation that the GST Council should look into existing anomalies, and hence, want to pursue the matter further.

"While we must respect the judgment of the SC, the issue may not have reached finality... The Court has noted some anomalies and suggested the GST Council to look into the same. One needs to consider various aspects, before taking a final decision on future course of action for MSMEs...," a Delhi-based GST consultant pointed out.

The judgment is likely to mostly affect small and medium enterprises in pharmaceuticals, textiles, fertilisers and footwear space, as they depend significantly on job work, which is classified as services, and hence, not eligible for input tax refund.

"Large units generally get everything manufactured inside as they are more integrated. It is mostly smaller textile units that depend on job work and outsource numerous activities such as dyeing, stitching, weaving and embroidery. It involves considerable payouts. In a situation where money supply is already tight for the MSME sector, denying them input tax refund adds to their woes," said Sanjay Jain, Chairman, National Textile Committee, Indian Chamber of Commerce.

Job work as service

Although job work is classified as service, it is actually a manufacturing activity, pointed out Jain, adding that it is not like a normal service-like audit, where fee is relatively a negligible component of costs. "The more important thing is that you are not allowing it to be adjusted in your GST output obligation.

If that was allowed, the industry would first adjust the amount and the balance is to be refundable in ITC," Jain said. He added that the possibility of some units appealing against the SC verdict could not be ruled out.

"The judgement of the Gujarat High court was a welcome one wherein they had not restricted the refund of input tax credit to only inputs but also allowed the refund for input services. With the SC rejecting the said judgement, the impacted industries will have a scenario with substantial amount blocked in input tax and no possibility of refund leading to working capital issues," pointed out Parag Mehta, Partner, NA Shah Associates.

While the Court has refrained from reading down the computation as prescribed in Rule 89(5), it has strongly urged the GST Council to reconsider the formula and take a policy decision regarding the same, said Abhishek Jain, Tax Partner, EY.

"Industry players would hope that the government would reconsider the anomalies pointed out by the assessees in this petition and recraft the formula in a better manner," he said.

Source: thehindubusinessline.com– Sep 13, 2021

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Inverted duty refund only for inputs, not input services: SC

The Supreme Court on Monday held that inverted duty refund is admissible only with respect to inputs and not for input services, thus putting to rest the doubts after contradictory views by the High Courts of Madras and Gujarat. However, the apex court pointed to some anomalies in the computation formula for refund and urged the GST Council to look into them.

Impact on many sectors

The decision will have an impact on companies engaged in the manufacture of footwear and textiles as also those in the e-commerce business.

"We affirm the view of the Madras High Court and disapprove of the view of the Gujarat High Court," a Division Bench of Chief Justice Dhananjaya Y Chandrachud and Justice MR Shah observed, while disposing of a bunch of 14 petitions.

The Gujarat High Court had held that refund of input services was admissible while the Madras High Court had ruled against it. The apex court upheld the amendments made to Rule 89 (5), restricting such refund only for inputs and said that it is not ultra vires of Section 54 of the GST Act. It also observed that the intention of the government is to grant such credit only for inputs and the Court cannot enter into the policy domain of the government and direct the sanction of refund for input services also.

According to experts, though there will be an impact, the ruling has not closed options for the players.

On behalf of intervenors, G Natarajan, an advocate from Chennai, made an alternative plea before the Supreme Court that the input services credit must first be allowed to be used to pay tax on the inverted rated supplies though the formula mandates the entire tax liability is paid only out of input credit, so as to keep the refund entitlement to the minimum.

The Court observed that "In making such an assumption the formula tilts the balance in favour of the Revenue by reducing the refund granted. We are equally cognizant of the fact that the proposed solution, that is, prescribing an order of utilisation of the ITC accumulated on input services and inputs, may tilt the balance entirely in favour of the assesses."

Further, it strongly urged the GST Council to reconsider the formula and take a policy decision on it.

Tushar Aggarwal, Founder Partner, Tattvam Advisors, said: “The decision will impact footwear, solar power, textile, EPC and various other industries that are under the inverted duty structure and have substantial ITC of input services.”

Will end litigations

Aditya Singhania, Founder, Singhania’s GST Consulatncy & Co, said that the verdict puts an end to the litigation that were arising pan-India seeking refund on input services also. Yet, it’s not a dead loss for taxpayers as the credit remains alive in their credit ledger.

Though the judgment gives the GST Council the room to relook the formula prescribed under Rule 89(5), to propose a mechanism by which the ITC on input services, otherwise not eligible for refund, is utilised first even while reducing the tax payable on the inverted rated supply of goods and services. “However, it appears that unless such a mechanism comes into place, the ruling will have some influence on the prices to the end-consumers as the GST on these input services seems to get offloaded on the end-consumers,” he said.

Source: thehindubusinessline.com– Sep 13, 2021

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India has lagged behind in textile exports. Can the sector become competitive?

India's textiles exports historically lagged behind China due to value and scale components, however now it has been crushed by nations equivalent to Bangladesh and Vietnam as a consequence of one other issue – the obligation drawback.

In keeping with a current CRISIL report, India's share in international exports of cotton yarn shrunk 600 foundation factors to 23% in 2020 from 29% in 2015, whereas in readymade clothes, its share has stagnated at 3-4% over the previous decade. "Lack of free commerce agreements (FTAs) and important enchancment in peer competitiveness have precipitated this," the report summed up the explanations.

The Covid-19 pandemic, which led to a 68-day nationwide lockdown from March 25, 2020, additionally hit the Indian financial system basically and textile sector specifically final yr. In keeping with commerce ministry's information, export of textile merchandise plunged 9.57% to $31.69 billion in 2020-21 in comparison with $35.04 billion in the identical interval a yr in the past.

Nonetheless, the sector is eager for a greater future. A powerful restoration has been witnessed within the present monetary yr with opening of the enterprise actions and fast vaccination. Textiles exports, which had contracted over 87% at $390 million within the first 5 months of 2020-21, noticed a sturdy restoration in the identical interval this fiscal yr. Textiles export in April 2021 surged over 787% at $3.46 billion, however on a decrease base. In keeping with official information, exports of yarns, materials, clothes, woollen merchandise and handicrafts witnessed a year-on-year soar of 107% within the first 5 months of present monetary yr at $13.69 billion.

Want for structural reforms

Is the restoration a sign of strong progress of textile exports? Specialists say that structural modifications are required if India desires to grow to be a frontrunner in international textiles market. These embody beneficial commerce agreements with nations which are key markets, labour legislation flexibility because of the seasonal character of the attire sector, and immediate reimbursement of all taxes and native levies.

In keeping with Clothes Exporters & Producers Affiliation (GEMA) secretary basic Ajay Okay Singla, the sector is going through structural points, significantly unequal competitors with nations equivalent to Bangladesh as a consequence of its commerce agreements in key markets. "Textile export is a low margin enterprise and it is extremely troublesome for Indian exporters to face up to a ten% obligation drawback," he mentioned.

One textile sector skilled, who wished to not be named, mentioned different structural points are coverage uncertainty and rigid labour legal guidelines. "It's accepted precept that each one duties and native levies must be reimbursed earlier than exporting a product, as you don't export taxes. However, reimbursement has been a significant problem. Bureaucrats behave as if they're doing favour by reimbursing levies. Denying full reimbursements and delays in getting cash have been detrimental as they block working capital. Though the federal government has just lately introduced to clear all backlogs, who's liable for enormous pending dues?," the skilled mentioned.

The federal government on Thursday determined to funds ₹56,027 crore within the present monetary yr to pay all pending export incentives as a consequence of exporters. The transfer will present liquidity to over 45,000 exporters, principally micro, small and medium entrepreneurs (MSMEs), and textile exports are additionally a significant gainer.

The PLI push

The Cupboard, final Wednesday, additionally accredited ₹10,683 crore production-linked incentive (PLI) scheme for home technical textiles corporations and producers of materials and apparels within the man-made fibre phase, offered they make particular funding in greenfield tasks and obtain stipulated turnover — a transfer geared toward boosting investments within the labour-intensive sector, as additionally exports.

In keeping with authorities estimates, the scheme will appeal to contemporary investments of not less than ₹19,000 crore in 5 years and lead to a cumulative turnover of over ₹3 lakh crore with further employment era of round 750,000 jobs within the textile sector, significantly within the man-made fibre (MMF) and technical textiles phase. MMF is artificial fibre as towards cotton, which is a pure fibre. Technical textiles are used for technical properties fairly than aesthetic, for instance agro-textiles, geo-

textiles, sports-textiles and medical textiles, together with private protecting tools (PPE) kits.

Federation of Indian Export Organisations (FIEO) president A Sakthivel referred to as the transfer “a sport changer” for the textiles trade. “World MMF market is about $200 billion and India ought to intention to get 10% of the market within the subsequent 5 years.

The scheme will assist in realigning our exports technique which up to now has been depending on cotton merchandise to maneuver to man-made and technical textiles which collectively account for roughly two-thirds of the worldwide commerce in textiles,” he mentioned. MMF attire at the moment account for 20% of India’s general attire exports and the nation ought to intention to extend its share to 50% in subsequent 5 years, he added.

Interacting with leaders of the textile sector on September 3 this yr, Union minister for commerce, textiles and shopper affairs Piyush Goyal mentioned that the trade ought to intention to lift textile exports to $100 billion on the earliest. “We should all collectively resolve to achieve the goal of $44 billion of exports in 2021-22 for textiles and attire, together with handicrafts,” he mentioned. Goyal mentioned Indian textile trade has benefit of centuries outdated information, craft and strategies to create timeless materials.

Sakthivel, who can also be chairmen of Attire Export Promotion Council (AEPC) mentioned the federal government’s determination to launch ₹56,027 crore pending quantity to exporters can even assist attire exporters bag further export orders for the approaching festive season. “It should assist exporters commit to larger export orders and thus assist obtain the bold goal of exporting $400 billion of merchandise this yr,” he mentioned.

“It will likely be extraordinarily helpful to the attire exporters specifically as there’s wholesome restoration in worldwide demand for apparels forward of the festive season. I anticipate a sturdy progress in attire exports this fiscal going effectively above the pre-Covid ranges,” he mentioned.

The street forward

The CRISIL report, Structural sew, quoted above additionally mentioned whereas current measures are optimistic for textile exports, extra coverage reforms are wanted.

"Textiles is necessary to India's $313 billion merchandise exports because it accounts for [around] 11% of the pie. The sector can also be a big employment generator. Given its financial significance, the sector has seen a slew of measures from the federal government of late, together with the textile parks introduced in Union Funds 2021-22 and inclusion of the sector for allocations beneath the PLI scheme," it mentioned.

The report identified that so far as cotton yarn was involved, India had misplaced market share over the previous decade to Vietnam and China "due to excessive value and lack of FTAs [Free Trade Agreements] amid intensifying competitors". In readymade clothes (RMG), the report mentioned that India had accomplished effectively to keep up its share at the same time as international commerce within the phase contracted. However rivals equivalent to Vietnam and Bangladesh did even higher, capitalising on China's falling share up to now 5 fiscals, whereas India couldn't, the report identified.

The federal government's determination to align exports incentive with guidelines of World Commerce Organisation (WTO) additionally hit Indian textiles gamers. They had been pushed to the brink in 2020 as the federal government lowered export incentives consistent with pointers of the WTO, the report mentioned.

Though the federal government has now launched new incentive scheme addressing WTO's issues of subsidies to exporters, CRISIL report doesn't anticipate any important enchancment in incentives with the launch of the Remission of Duties and Taxes on Export Merchandise (RoDTEP) scheme. The scheme goals to scale back tax burden of exporting entities.

Specialists are counting on built-in textile parks, PLI scheme for textiles, RoDTEP and fee of pending dues to exporters to spice up textile commerce, offered these schemes are applied effectively, with out bureaucratic hassles.

A lot can even depend upon commerce negotiations with key markets equivalent to the UK, European Union and america. A commerce ministry official, requesting anonymity, mentioned that India is holding beneficial commerce negotiations with all these nations.

Addressing a gathering of textile trade earlier this month, commerce and textile minister Piyush Goyal mentioned that India was is negotiating commerce agreements with "democracies" that consider in "clear rule-

based buying and selling alternatives" and it was in a complicated stage to conclude early harvest FTA with the UK.

The federal government is working with totally different nations to increase market entry, he mentioned on the assembly. "We're engaged with... advance stage of discussions with UK," he mentioned including that India has additionally launched negotiations with EU. "Although, I feel, UK will occur quicker. Not less than the early harvest... EU is an extended drawn course of... [involving] 27 nations," he mentioned. India can also be engaged with the US, United Arab Emirate (UAE), Canada and Australia for FTAs or PTAs.

Goyal, nevertheless, cautioned Indian textile trade to grow to be aggressive as market-access is a two-way site visitors. "One downside I face after I do FTA negotiations... An trade can not say open entry for me... I would like entry in different nations, however please don't enable them to come back to India... It's a two-way site visitors," he mentioned.

Source: odishaexpo.com– Sep 13, 2021

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Weaving economic progress

The textiles PLI scheme addresses the geographical disconnect between centres of apparel production and labour supply

Joint training projects in association with leading skill institutions will have to be developed for rapid growth of the industry and driving innovation.

At present, India is known as a leading manufacturer of cotton-based apparel and home textiles products. The Indian textiles and apparel (T&A) industry accounted for around 2.3% of GDP and 12% of merchandise exports in 2018–19 (11% in FY 2020–21) and employs around 45 million people directly. Women find this industry conducive for work and join it in large numbers. Urbanisation and increase in disposable income will drive demand in the future, which is expected to take textile production at over $300 billion by 2030.

India's competitive advantage in this sector is that the entire value chain—from fibre to fashion—is located within the country. This, along with superior quality, puts India at a firm footing to become a global textile powerhouse, provided some key challenges are addressed.

The Indian textiles industry is small, fragmented, and dispersed, which drives up production costs. It also lacks economies of scale, making it difficult to be internationally competitive. Many of our global competitors belong to the LDC category and enjoy preferential trade arrangements with export destinations. Post the 1990s, there has been a shift in consumer preference from cotton and natural fibres towards manmade fibre (MMF).

The wealthy patrons in cold countries use MMF apparel during the majority of the year; however, the Indian textiles industry is centred around cotton. The Production Linked Incentive (PLI) scheme launched by the ministry of textiles is a significant step towards overcoming the disadvantages faced by the T&A industry. It builds upon the successful strategy followed by the ministry for boosting PPE production, which made India the second-largest producer of PPE kits worldwide.

The PLI Scheme aims to boost domestic manufacturing and processing of MMF fabric and apparel as well as technical textiles. It provides incentives on incremental sales subject to conditions on investments and turnover. With a budgeted outlay of Rs 10,683 crore, it will transform the processing and weaving segment and provide a strong base for apparel manufacturers. The scheme will also help place India among the frontrunning producers of

technical textiles, thus unlocking huge application potential in sectors like agriculture, infrastructure, water, defence, automobiles, and health and hygiene, thereby improving their efficiency. After the National Technical Textile Mission aimed at R&D, the PLI scheme will induce investments and enhance production.

Targeted investment in the textiles sector is bound to be beneficial. The T&A industry is highly mobile with low capex, and high employment. This PLI scheme will lead to fresh investments worth more than Rs 19,000 crore, and cumulative turnover of over Rs 3 lakh crore, and additional direct employment opportunities for 7.5 lakh jobs. The Indian yarn spinning industry has the opportunity to expand activity to the weaving and processing segment.

The scheme also addresses the geographical disconnect between centres of apparel production and labour supply. The demography of most production centres being developed areas does not support such a labour-intensive industry, leading to dependence on migrant labour. The scheme adopts a paradigm-shifting approach of taking jobs to people, not vice-versa, by incentivising establishment of garment factories in aspirational districts and Tier-III and IV towns. Thus, workers will be able to find work closer to home, while the industry can get a reliable labour supply.

The PLI scheme is different from the previous initiatives as it is time-bound. There will be no permanent support and the production will happen during a fixed time frame to receive financial incentive. The ultimate objective is to support the creation of a viable enterprise and competitive industry in the long term by supporting them in initially.

Reaping full benefits of the scheme in the medium and long term will require collaboration between different agents and stakeholders. Collaboration between the buying houses for leading brands, fashion designers, and the knitting, weaving, and processing industries and the state and central governments would catalyse new investments.

Joint training projects in association with leading skill institutions will have to be developed for rapid growth of the industry and driving innovation. Along with the Mega Industrial Textile Areas announced in the 2021 budget, this PLI Scheme has the potential to completely transform the T&A industry and facilitate growth, economic development and industrialisation.

Source: financialexpress.com– Sep 14, 2021

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Specialty chemicals' capex in India to spurt 50% in FY22: CRISIL

A revival in domestic demand and continuing robust exports will spur a 50 per cent on-year rise in the capital expenditure (capex) of Indian specialty chemicals manufacturers this fiscal to ₹6,000-6,200 crore, according to CRISIL Ratings, which recently said that would also be well above the ₹5,000 crore spent before the pandemic in fiscal 2019-20.

The rating agency conducted a study of 106 speciality chemicals manufacturers it rates that account for a fourth of the sector's annual revenue of ₹3 lakh crore.

Operating profitability of the sector is healthy at 18-20 per cent on better operating leverage. That, along with strong balance sheet supported by healthy cash flows and equity raised in the recent past, will keep the credit outlook of companies rated by CRISIL stable despite the ramp-up in capex.

The spurt in capex comes on top of substantial spending already incurred to add capacity in recent years, given the strong export demand for specialty chemicals, which has boosted revenue, the rating agency said in a note.

"Revenue growth is likely to improve sharply to 19-20 per cent on-year this fiscal, compared with 9-10 per cent in the pandemic-marred last fiscal, driven by recovery in domestic demand, higher realisations owing to rising crude oil prices and better exports," said CRISIL Ratings director Gautam Shahi.

"With western nations becoming more environment-focussed, production is increasingly getting outsourced to India, which has also emerged as an efficient and cost-effective alternative to China. This has helped Indian players log a compound annual growth rate of 11 per cent in revenue between fiscals 2014-15 and 2020-21, increasing India's share of the global speciality chemicals market to 4 per cent from nearly 3 per cent," he added.

Export growth in the sector is expected to accelerate to 17-18 per cent, from 12-13 per cent last fiscal, owing to competitive positioning of players, recovery in global demand, and a 'China-plus-one' strategy of customers. This will also be supported by weakened competitiveness of China due to implementation of stringent environmental norms, rising labour cost and geopolitical issues (US-China trade war).

Domestic growth of the sector will surge to nearly 20 per cent, riding on strong demand from agrochemicals, fast-moving consumer goods (FMCG), pharmaceutical and textile sectors, as well as a rise in discretionary spend. This compares with 5-6 per cent growth last fiscal, when sluggish growth in income levels impacted discretionary end-user segments such as colourants, polymers, textiles and FMCG.

Source: fibre2fashion.com– Sep 13, 2021

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TN set to announce Export Strategy Policy

Aims to make State the largest exporter in the country

The Tamil Nadu government will soon announce an 'Export Strategy Policy' with an aim to make the State the largest exporter in the country.

Tamil Nadu with 8.97 per cent share in overall exports is the third largest exporting State behind Gujarat (17 per cent) and Maharashtra (22 per cent).

Its exports were worth ₹1.93-lakh crore in 2020-21. The State's major export products include automobiles and auto components, machinery, electronics, textiles and wearing apparel, leather products, and electronics. Tamil Nadu's major export markets are the US, China, Germany, UAE and the UK.

"We want to move to the first place by 2030 and the policy will help us in achieving that vision," said a senior government official. This dovetails well into Chief Minister MK Stalin's ambitious target of making Tamil Nadu a $1 trillion economy by 2030. Its GDP was $300 billion in 2020-21.

Diversified exports

While Maharashtra and Gujarat are heavily dependent on oil, Tamil Nadu's exports are quite diversified. The State exports 6,226 commodities to 217 countries, according to Guidance, the nodal agency of Tamil Nadu government for investment promotion and single-window facilitation.

Most of the incentives for exports are generally offered by the Central government. Tamil Nadu on its part offers various incentives, including funding for producing publicity material (up to 25 per cent of the costs), sector specific studies (up to ₹2 lakh) and contesting for anti-dumping cases (50 per cent, up to ₹1 lakh), says information in Guidance website.

Tamil Nadu cannot give more incentives as the State needs to comply with the World Trade Organisation norms. Hence, a special 'strategy' needs to be worked out to boost exports, and the policy will outline it, the official said.

The State ranked third in Export Preparedness Index 2020, published by NITI Aayog which assessed States on parameters such as policy, business ecosystem, export ecosystem and the quantum of exports.

Tamil Nadu has undertaken sustained reforms to reduce and simplify 286 compliances, required by businesses. Further, the State has implemented 301 reforms based on Business Reforms Action Plan 2020 and 45 reforms (112 services) as part of the District Reforms Action Plan 2020, says the Major Industries Policy for 2021-2022. The State's strength is the infrastructure that helps foreign companies to set up their manufacturing units.

Tamil Nadu is the only State in the country to have three major ports – Chennai; Kamarajar port in Ennore and VOC port in Thoothukudi – acting as export gateways. The State also has four international airports – Chennai, Tiruchi, Coimbatore and Madurai.

Source: thehindubusinessline.com– Sep 13, 2021

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Q2 manufacturing outlook seen improving, cost of biz a worry: Ficci Survey

Even as cost of business remains a concern, the outlook for increased manufacturing activities in the July-September quarter of the current fiscal is expected to improve significantly, according to a survey by industry lobby group Federation of Indian Chambers of Commerce and Industry (Ficci).

“The percentage of respondents reporting higher production in the second quarter of 2021-22 (July-September) was much above the 50 per cent mark--around 61 per cent. This was significantly higher than the similar percentage of last year’s Q2 quarter (around 24 per cent). The percentage of respondents expecting low or same production is 39 per cent in Q2 of 2021-22,” the survey said. The outlook was subdued in the first quarter owing to the disruption caused by the second wave.

The overall capacity utilisation in manufacturing was 72 per cent in the quarter ended September, which is an indication of recovery in manufacturing.

These findings are as per Ficci’s latest quarterly survey that assessed the sentiments of manufacturers for July-September for eleven major sectors--automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, metal & metal products, paper products, textiles, textiles machinery, toys and miscellaneous. More than 300 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 2.7 trillion participated in the survey.

Industry respondents said that high raw material prices, high cost of finance, uncertainty of demand, shortage of skilled labor and working capital, high logistics cost, excess capacities due to high volume of cheap imports into India, unstable market, high power tariff, are some of the major

constraints affecting their expansion plans. Besides, uncertainty and lockdowns imposed due to covid-19 has resulted in low domestic and global demand.

According to the survey, the cost of production as a percentage of sales for manufacturers in the survey has risen for 80 per cent respondents in the second quarter. “This is considerably higher than that reported in Q4 2020-21, where 72 per cent respondents recorded an increase in their production costs,” it said.

As far as exports are concerned, the outlook seems to be improving, with around 58 per cent of the participants expecting a rise in their outbound shipments during the second quarter. Thirty per cent respondents expect exports to continue to be on the same path as that of the same quarter in 2020-21.

Hiring outlook remained subdued as over two-third respondents mentioned that they are not likely to hire additional workforce in the next three months. “This presents a near stable situation in the hiring scenario as compared to the previous quarter Q1 of 2021-22, where 69% of the respondents maintained similar sentiments,’ it said.

As far as the growth for the 11 sectors is concerned, except toys, other sectors are expected to witness ‘strong and moderate’ growth.

Source: business-standard.com– Sep 13, 2021

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Data monitor: Traffic at major ports moderated in July

Container volumes at 887k TEUs were sequentially weaker, though closer to July-19 levels.

Major ports' volumes moderated to ~55 mnt in July 2021 (-6% m-m), down 3.7% CAGR vs July-19 (vs. +1% CAGR in June-21 vs June-19) and the weakest in the last 10 months.

POL and iron ore volumes were weak, with POL volumes declining at 11.2% CAGR vs July-19 and iron ore volumes declining at 6.8% CAGR vs July-19. Container volumes at 887k TEUs were sequentially weaker, though closer to July-19 levels.

Source: financialexpress.com– Sep 13, 2021

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